

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

December 16, 2020

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee was held on Wednesday, December 16, 2020, at 1:00 PM, in Room 149 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 Phillip Pratt and Maria Sorolis.

Guests: Elizabeth Baker, Planning Director, University Budget Office, University of Kentucky; Dr. Robert L. Jackson, President, Murray State University; Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services; Sandy Williams, 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.

Approval of Minutes

Representative Pratt moved to approve the November 19, 2020, meeting minutes. Senator Girdler seconded the motion, and the committee approved without objection.

Information Items

Ms. Halloran referenced two information items. Pursuant to KRS 45.760(5), the University of Kentucky reported two cash medical equipment purchases totaling just over \$2.8 million for two Markey Cancer Center locations.

Pursuant to KRS 45.812(1), the Fairfield Independent (Boyd County), Pike County, and Pulaski County school districts, none of which needed an additional tax levy to pay debt service, reported upcoming debt issues to finance new projects.

Lease and Project Reports from Postsecondary Institutions The University of Kentucky

Senator Girdler moved to roll the four new leases into one roll call vote, seconded by Representative Pratt, and approved without objection.

Ms. Baker submitted four new UK HealthCare leases, all of which include utilities; Markey Cancer Center, 2195 Harrodsburg Road: 10,320 square feet at \$31.71 per square foot for a \$327,247.20 annual cost; Sanders-Brown Center on Aging, 2195 Harrodsburg Road: 15,000 square feet at \$34.59 per square foot for a \$518,850 annual cost; Pediatrics Clinic, 2400 Greatstone Point: 15,000 square feet at \$29.80 per square foot for a \$447,000 annual cost; and Enhanced Care through Advanced Technology Intensive Care Unit (eICU), 2347 Sterlington Road: 5,124 square foot at \$26.10 per square foot for a \$133,736.40 annual cost. The committee approved the eICU lease for another location in May, after which UK learned that the subject location did not have the necessary IT infrastructure and installation would have been too costly.

Representative Pratt moved to approve the leases, seconded by Senator McDaniel, and approved by unanimous roll call vote.

Murray State University

Dr. Jackson submitted the \$2 million Renovate Lovett Auditorium – Phase 1 project, financed from MSU’s deferred maintenance funds. MSU had to close the hundred year old facility in the fall but can use it next fall with completed renovations, HVAC, and other areas [repair/replacement of electrical panels].

Representative Thomas said that he appreciated Dr. Jackson’s efforts in Murray.

Senator Mills moved 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 one lease renewal under the same terms and conditions; Cabinet for Health and Family Services, Clark County: 10,946 square feet at \$10 per square foot for a \$109,460 annual cost.

Senator Girdler moved to approve the lease renewal, seconded by Representative Pratt, and approved by unanimous roll call vote.

Report from the Office of Financial Management Kentucky Infrastructure Authority

Ms. Williams submitted two Clean Water State Revolving Fund (Fund A) and two Infrastructure Revolving Fund Program (Fund B) loan requests. Due to higher than expected bids, the LaGrange Utilities Commission, Oldham County, requested a \$202,500 loan increase to its previously approved \$3,121,200 Fund A loan; resulting in a just over \$3.3 million total loan amount for the Pump Station and Interceptor Sewer Upgrade project. The lift station and interceptor sewer upgrades will address state enforcement action by eliminating a sanitary sewer overflow at a manhole, north side of I-71. For 4,000 gallons,

effective next year, the monthly inside city sewer rate will be \$35.46, reflecting a five percent increase. The loan term is twenty years at a 1.75 percent interest rate with estimated \$204,326 annual debt service.

Senator Mills moved to approve the first Fund A loan, seconded by Senator Girdler, and approved by unanimous roll call vote.

The City of Eddyville, Lyon County, requested a \$2,745,064 Fund A loan, which includes the previously approved Fund A planning and design loan [and of which KIA will apply \$1 million in principal forgiveness] for its Wastewater SSES and Rehabilitation - South of Fairview Avenue project; new pump station at the industrial park and rehabilitation of sewer lines and manholes. The city's 2018 rate ordinance includes three percent sewer and water rate increases on July 1 of even numbered years through 2026. For 4,000 gallons, the monthly inside city sewer and water rates are \$39.26 and \$35.33. The loan term is thirty years at a .25 percent interest rate with estimated \$63,904 annual debt service.

Senator McDaniel moved to approve the second Fund A loan, seconded by Senator Mills, and approved by unanimous roll call vote.

The Louisville and Jefferson County Metropolitan Sewer District requested to assume the \$676,262 balance of three outstanding Bullitt County Sanitation District Fund B sewer loans, approved between fiscal years 2010 and 2016, due to MSD's pending acquisition of BCDS's wastewater system. MSD will maintain BCSD's enacted rate schedules.

Senator Mills moved to approve the Fund B loan assumptions, seconded by Senator Girdler, and approved by unanimous roll call vote.

The Hyden-Leslie County Water District requested a \$2.735 million Fund B loan to retire a Kentucky Rural Water Finance Corporation short-term note. The note refinanced debt for a \$4.1 million project; 61.5 miles of waterline, two fifty thousand gallon water tanks, and three pump stations; extending service to 317 customers. The District's last water rate increase was in 2010 and [PSC approved a phased rate increase, bringing for 4,000 gallons, the monthly water rate from \$31.48 to \$54.74]. The loan term is thirty years at a .50 interest rate with estimated \$103,759 annual debt service.

In response to Senator McDaniel, Representative Thomas confirmed that the district met KIA's special conditions specified in its submittal.

Senator McDaniel moved to approve the Fund B loan, seconded by Representative Pratt, and approved by unanimous roll call vote.

Office of Financial Management
New Conduit Debt Issue

Mr. Barrow submitted a new Kentucky Housing Corporation conduit debt issue, KHC Tax-Exempt Conduit Multifamily Housing Revenue Bonds (Jefferson Landing), Series 2021; 204 units in Jefferson County, net proceeds of about \$35 million. 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.

Senator Girdler moved to approve the new debt issue, seconded by Representative Pratt, and approved by unanimous roll call vote.

Previous Debt Issues

Mr. Barrow reported two previous debt issues. The first was the Northern Kentucky University General Receipts Refunding Bonds, 2020 Series A and General Receipts Bonds, 2020 Series B. Respective issuance amounts for the seven-year bond issue were just under \$5.8 million and \$3.5 million with true interest costs of .95 percent and 1.095 percent. Rates are still low, reflected in the high percentage Series A 9.4 percent net present value savings, or \$580,000. The second was the KHC Tax-Exempt Conduit Multifamily Housing Revenue Bonds (Overlook at Elkhorn Creek Apartments), Series 2020; 156 units in Georgetown, net proceeds approximately \$21 million.

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

Senator Girdler moved to roll the nine debt issues with SFCC participation into one roll call vote, seconded by Senator Mills, and approved without objection.

Mr. Barrow submitted ten debt issues with SFCC participation; three for new projects and six to refinance debt. The Beechwood Independent (Kenton County), Lewis County, and Paris Independent (Bourbon County) school districts planned debt issuances totaling around \$35.8 million, with SFCC debt service supporting just over \$1 million with district debt service supporting 97 percent, to finance new projects. The Lewis County and Paris Independent (Bourbon County) school districts did not need an additional tax levy for debt service.

The refunding issues were for the following five school districts: Bellevue Independent (Campbell County), Carroll County, Glasgow Independent (Barren County), Southgate Independent (Campbell County), and Wayne County (2); totaling approximately \$7.2 million, with SFCC debt service supporting just under \$4 million (fifty-five percent) and district debt service supporting around \$3.2 million (forty-five percent).

Representative Thomas commented that the number of refundings was consistent with the low interest rates.

In response to Senator McDaniel, Mr. Barrow said that district tax levies enhance coverages, allowing capitalization of future receipts.

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

Representative Thomas read a resolution honoring Representative Maria Sorolis for her service to the committee. Representative Sorolis thanked the members, saying it was her pleasure to serve.

Representative Thomas announced the January 20, 2021 next meeting date.

With there being no further business the meeting adjourned at 1:40 p.m.