

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

March 15, 2021

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee meeting was held on Monday, March 15, 2021, at 10:30 AM, in Room 125 of the Capitol Annex. Representative Chris Freeland, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Rick Girdler, Co-Chair; Representative Chris Freeland, Co-Chair; Senators Jason Howell and Robin L. Webb; Representatives Jason Petrie and Walker Thomas.

Guests: Michael Hales, Interim Vice President for Administration and Finance/Chief Financial Officer, Northern Kentucky University; Janice Tomes, Deputy State Budget Director, Office of the State Budget Director; 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; and Jenny Wells Lathrem, Committee Assistant.

Approval of Minutes

Senator Howell moved to approve the February 23, 2021, meeting minutes. Representative Thomas seconded the motion and the committee approved without objection.

Information Items

Ms. Halloran referenced three information items. Pursuant to KRS 45.760(5), the University of Kentucky reported a \$447,500 restricted funds vaccination clinic vehicle and refrigerated lab trailer purchase for its mobile pop-up testing and vaccination clinics. Pursuant to KRS 45.812(1), the Fayette, Johnson, and Marshall County school districts, none of which needed an additional tax levy to pay debt service, reported upcoming debt issues for new projects. Pursuant to KRS 45A.180(2), UK reported its intent to use the construction management-at-Risk project delivery method for the Delta Gamma Renovation/Addition.

Report from Northern Kentucky University

Mr. Hales submitted the NKU General Receipts Bonds, Series 2021 A taxable Kentucky Employees Retirement System cessation agency bond issue. With last year's passage of House Bill 1, NKU either could have remained in the KERS non-hazardous system or exited the system; paying off the employee liability in either installments or a lump-sum utilizing the hard freeze [moving all employees out of the system] or soft freeze [allowing employees participating prior to January 1, 2014 to remain in the system] option. Remaining in the KERS non-hazardous system would have increased NKU's annual pension contributions by over \$14 million; therefore, NKU worked with financial advisors and an actuarial firm to analyze the hard freeze and soft freeze lump-sum payment options and NKU's Board of Regents approved the soft freeze exit on December 2. In February, Moody's maintained NKU's underlying A1 rating (stable outlook). The submission shows an estimated \$278.19 million April issuance; however, recent passage of House Bill 8 will lower the employee liability and thereby the issuance amount [by \$73 million]. Senate Bill 214 provided the debt issuance's specific statutory authority and the State Property and Buildings Commission plans to review the transaction very soon. After the bond closing, NKU will pay its liability, as estimated by KERS, exiting the non-hazardous plan as of July 1. NKU will receive KERS's final calculation by January of next year. At that point, NKU will pay the difference between KERS's estimated and final calculation to conclude the process.

In response to Senator Howell, Mr. Hales said that a half a percentage (fifty basis points) rate increase could result in NKU paying an over \$15 million net present value amount (discounted through the term of the thirty-year debt issue).

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

Report from the Finance and Administration Cabinet

Ms. Tomes submitted a capital equipment purchase; the Transportation Cabinet's (Department of Highways) \$825,000, \$275,000 each, acquisition of LiDAR Hardware and Software for three vans from Federal Highway Administration funds. The light detection and ranging system equipment uses lasers and sensors to create a 3D model of the scanned environment, providing critical data to fulfill Federal Highway Administration requirements as well as assist KYTC with project development, highway safety, and asset management.

Representative Thomas moved to approve the equipment purchase, seconded by Senator Howell, and approved by unanimous roll call vote.

Lease Report from the Finance and Administration Cabinet

Mr. Aubrey reported a lease modification to amortize leasehold improvements under \$50,000 for the Transportation Cabinet, Department of Vehicle Regulation, Jefferson County. KYTC agreed to pay up to twenty-four percent, the electrical and interior

painting, of the \$143,975 fit-up cost. Of the two estimates submitted, KYTC recommended accepting the low bids from John Waters and Bradley Boroughs; \$34,755 total to be amortized through the lease term which ends June 30, 2028.

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

Senator Girdler moved to roll the five KIA loans into one roll call vote, seconded by Senator Howell, and approved without objection.

Ms. Williams submitted four Clean Water State Revolving Fund (Fund A) loans and one Drinking Water State Revolving Fund (Fund F) loan. The City of Mount Sterling, Montgomery County, requested a \$11.825 million Fund A loan for its \$12.5 million Wastewater Capacity Upgrade project; increasing the capacity at Hinkston Creek Wastewater Treatment Plant from three million to six million gallons per day. This loan will be combined with a previously approved planning and design loan, bringing the total loan balance to \$12.35 million. \$150,000 in local funds will cover the remaining project costs. For 4,000 gallons, the current inside city monthly sewer rate is \$26.15. The loan term is twenty years at a one percent interest rate with estimated \$707,000 annual debt service.

The City of Providence, Webster County, requested a \$700,000 planning and design Fund A loan for its \$7.23 million Sanitary Sewer Upgrades project; wastewater treatment plant and collection system improvements addressing state enforcement action. For 4,000 gallons, the current monthly sewer rate is \$20.67. The loan term is five years at a 2.50 percent interest rate.

The Louisville and Jefferson County Metropolitan Sewer District requested an \$8.27 million Fund A loan for its Rosa Terrace, Sanders, Wathen, and Sonne Pump Station project; replacing the Rosa Terrace and Sonne Avenue pump stations with sewer lines and rehabilitating the Wathen Lane and Sanders Lane pump stations. For 4,000 gallons, the current monthly sewer rate is \$51.45. The loan term is twenty years at a two percent interest rate with estimated \$520,300 annual debt service.

The City of Frankfort, Franklin County, requested a \$1.5 million Fund A loan for its Miami Trail Pump Station Replacement project; replacing the pump station with sewer lines, conveying the flow to the Chinook Pump Station. For 4,000 gallons, the current monthly sewer rate is \$42.72. The loan term is twenty years at a two percent interest rate with estimated \$94,400 annual debt service.

The City of Scottsville, Allen County, requested a \$696,500 [of which KIA will apply \$348,250 in principal forgiveness] Fund F loan for its AMR and Smart Meter Water Replacement project; replacing traditional water meters with automatic meter reading or advanced metering infrastructure/smart meter radio-read water meters. For 4,000 gallons,

the current monthly water rate is \$33.15. The loan term is twenty years at a 0.25 percent interest rate with estimated \$18,700 debt service.

Senator Girdler moved to approve the five KIA loans, seconded by Representative Thomas, and approved by unanimous roll call vote.

Office of Financial Management

New Debt Issues

Mr. Barrow submitted three new debt issues. The first was the Kentucky Public Transportation Infrastructure Authority First Tier Toll Revenue Refunding Bonds, Taxable 2021 Series A, which did not need committee approval. Mr. Barrow presented the initial first tier and subordinate debt, which along with a Transportation Infrastructure Finance and Innovation Act loan financed the Abraham Lincoln Bridge, to the committee in 2013. The estimated \$207.775 million transaction will refund all or a portion of the outstanding first tier revenue bonds at an estimated all-in true interest cost of just under five percent for an estimated \$17.6 million in net present savings, 9.709 percent. KPTIA may also add the outstanding TIFIA debt to the transaction.

Representative Thomas moved to roll the two Kentucky Housing Corporation conduit debt issues into one roll call vote, seconded by Senator Howell, and approved without objection. 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

Mr. Barrow submitted the KHC Tax-Exempt Conduit Multifamily Housing Revenue Bonds (The Alcove at Russell), Series 2021; estimated \$30 million transaction for a projected \$43.6 million project, 202 units in Lexington, and the KHC Tax-Exempt Conduit Multifamily Housing Revenue Bonds (Cambridge Square), Series 2021; estimated \$33 million transaction for a projected \$76.6 million project, 200 units in Covington.

Representative Thomas moved to approve the two KHC conduit debt issues, seconded by Senator Howell, and approved by unanimous roll call vote.

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

Representative Thomas moved to roll the six debt issues with SFCC participation into one roll call vote, seconded by Senator Howell, and approved without objection.

Mr. Barrow submitted six debt issues with SFCC participation; two for new projects and four to refinance debt. For new projects, the Christian County and Glasgow Independent (Barren County) school districts, which did not need an additional tax levy for debt service, planned issuances totaling \$15.765 million; district and SFCC debt service supporting just over \$13.76 million, 87 percent, and \$2 million. For refundings, the

Ashland Independent (Boyd County) (two issues), Fort Thomas Independent (Campbell County), and Jefferson County school districts planned issuances totaling \$20.905 million, district and SFCC debt service supporting around \$11 million (two districts), 53 percent, and \$9 million. Three of the four issues are taxable.

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

Representative Freeland announced the upcoming April 20, 2021 and May 11, 2021 meetings, both at 1:00 p.m.

With there being no further business the meeting adjourned at 11:00 a.m.