

# **CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE**

## **Minutes**

**May 18, 2021**

### **Call to Order and Roll Call**

The Capital Projects and Bond Oversight Committee meeting was held on Tuesday, May 18, 2021, at 1:00 PM, in Room 171 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, Christian McDaniel, and Robin L. Webb; Representatives Jason Petrie, and Walker Thomas.

Guests: Elizabeth Baker, Senior Director, Strategic Capital Planning and Legislative Analysis, University Budget Office, University of Kentucky; Janice Tomes, Deputy State Budget Director, Office of State Budget Director; Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services; 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**

Representative Thomas moved to approve the April 20, 2021, meeting minutes, seconded by Representative Freeland, and approved without objection.

### **Information Items**

Ms. Halloran referenced three information items. Pursuant to KRS 45.760(5), the University of Louisville reported an \$812,709 mass spectrometer purchase for its College of Arts and Sciences, using a combination of restricted and private revenues. Pursuant to KRS 45.812(1), through their fiscal agents; the Campbellsville Independent school district, which did not need an additional tax levy to pay debt service, reported a \$1 million debt issue for athletic facilities improvements and the Corbin Independent school district reported a \$755,000 current refunding debt issue. Pursuant to KRS 56.823(11)(a), the Division of Real Properties (Finance and Administration Cabinet), reported quarterly square footage lease modifications under \$50,000. There were no reportable quarterly KRS 56.813(2)(a)3.b. leasehold improvements under \$10,000.

### **Report from the University of Kentucky**

Ms. Baker reported fund source revisions (no aggregate appropriation increases) for two HB 352 projects, expending private funds to reduce restricted funds outlays and submitted five leases, all of which are located in Lexington and include utilities; four new UK HealthCare leases expiring June 30, 2028, and one lease renewal expiring June 30, 2022. The first fund source revision was the Construct Beam Institute 2 (Construct Maturation Building), \$125,000 in private gift funds from Koetter Construction for the K-RAX spirit barrel storage system within the maturation building. The second was the Construct/Expand/Renovate Ambulatory Care - UK HealthCare (Pavilion HA Forensics/Pediatric Sleep Study), \$3.8 million in private gift funds for construction of the forensic exam and sleep study units.

Representative Thomas moved to roll the five UK leases into one roll call vote, seconded by Senator Webb, and approved without objection.

The first two new UK HealthCare leases were for clinical space relocations from the Kentucky Clinic to the Turfland location at \$31.71 per square foot, one for expansion and the other for proximity to existing pediatric services. The Hand Center lease was 8,121 square feet for a \$257,517 annual cost. The Kentucky Neurology Institute Child Neurology lease was 4,327 square feet for a \$168,919 annual cost. The third and fourth new UK HealthCare leases (UK Physical Medicine and Rehabilitation), \$21.51 per square foot, were part of its expanded collaboration with Cardinal Hill. One was for additional Clinic space; 13,835 square feet for a maximum \$325,000 annual cost [\$297,591 plus excess renovation]. The other was for the Outpatient Therapy relocation from Good Samaritan; 19,457 square feet (clinical space) for a maximum \$450,000 annual cost [\$418,520 plus excess renovation]. The lease renewal, Center on Trauma and Children at 3470 Blazer Parkway, was 11,199 square feet (administrative/clinical space) at \$18.50 per square foot for a \$207,182 annual cost.

Senator Webb moved to approve the four new leases and one lease renewal, seconded by Representative Thomas, and unanimously approved by roll call vote.

### **Project Report from the Finance and Administration Cabinet**

Ms. Tomes reported two bond-funded pool allocations; the first was \$1,226,100 from the Cabinet for Health and Family Services' 2018-2020 and 2020-2022 maintenance pools, \$900,000 and \$326,100, for the Kentucky Correctional Psychiatric Complex Roof Replacement project. Five patient wards will have the roofs, all forty years old (beyond their twenty-five to thirty-year life expectancy) in equal disrepair with leakage into the wards' interior areas, replaced. The second was \$1.375 million from the Tourism, Arts and Heritage Cabinet, Department of Parks Waste Water Treatment and Infrastructure Upgrades Pool for the Water and Sewer Upgrades - West project. This planning and design project will determine the scope for various Parks sewer upgrades, capital projects that will also be funded from this pool, in the west region of Kentucky, include the Kentucky Dam Village and Lake Barkley state resort parks. There is planning and design, the scope

(currently \$800,000) of which is anticipated to remain below the \$1 million reportable amount, for projects in the east region of Kentucky as well. Representative Thomas said that the upgrades are vital for attracting visitors, referencing a phone call with Lake Barkley's Park Manager.

### **Lease Report from the Finance and Administration Cabinet**

Mr. Aubrey submitted a Labor Cabinet, Employment Services lease renewal in Kenton County under the same terms and conditions: 8,356 square feet at \$33.19 per square foot for a \$277,336 annual cost, through June 30, 2026.

Senator Webb moved to approve the lease renewal, seconded by Representative Freeland, and unanimously approved by roll call vote.

Mr. Aubrey reported five Kentucky Transportation Cabinet emergency leases and a KYTC lease modification. The emergency leases, all of which were effective in April and will remain in effect until the debris is removed, were \$500 per acre per month for temporary storm debris storage sites from the February ice storm: Boyd County, 2.2 acres; Elliott County, six acres; Lawrence County, three acres; Morgan County, four acres; and Rockcastle County, two acres.

In response to Representative Freeland, Ms. Halloran confirmed that the expenditures were Federal Emergency Management Agency reimbursable.

Mr. Aubrey reported a lease modification for additional space, including sixteen parking spaces, at the same terms and conditions and to amortize leasehold improvements for Boyd County's REAL ID office. KYTC agreed to pay seventy-three percent of the \$68,411 build-out costs; \$49,940 to be amortized through the lease term ending June 30, 2026. CTB submitted the \$68,411 bid and the Boyd County Fiscal Court submitted an \$82,093 bid. Senator Webb commented on the magnitude and disparate impact of the February ice storm, stating that she is continuing to communicate with stakeholders regarding assistance and that county aid from FEMA is reimbursement based.

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

Representative Thomas moved to roll the six KIA loans into one roll call vote, seconded by Senator Webb, and approved without objection.

Mr. Barrow submitted three Clean Water Revolving Fund (Fund A) Program loans and three Drinking Water Revolving Fund (Fund F) Program loans. The City of Marion, Crittenden County, requested a \$9,816,574 Fund A loan to complete its \$19,410,364 New Wastewater Treatment Plant project; 1.5 million gallon a day replacement plant and collection system rehabilitation that will address state enforcement action. KIA Fund A loans financed the entire project and KIA will apply \$1 million in principal forgiveness to

the aggregate loan amount. For 4,000 gallons, the current sewer rate is \$27.52. The loan term is thirty years at a half percent interest rate, with around \$687,000 estimated annual debt service.

Greenup Joint Sewer Agency, Greenup County, requested a \$2.715 million Fund A loan [of which KIA will apply \$710,000 in principal forgiveness] for its \$4.215 million Phase 2 Sewer Line Extension (Lloyd) project; providing sanitary sewer service to approximately 363 customers, most of whom are served by failing septic systems, through new lines and pump station to convey flow to GJSA's plant in Wurtland. A \$1 million Community Development Block Grant and a \$500,000 Appalachian Regional Commission grant will finance the remaining project costs. For 4,000 gallons, the monthly sewer rate is \$64.28. The loan term is thirty years at a half percent interest rate, with around \$76,000 estimated annual debt service.

The City of Frenchburg, Menifee County, requested a \$258,000 Fund A loan for the planning and design portion of its Wastewater Collection System Rehabilitation project; the construction portion may involve up to 10,000 linear feet of replacement sewer lines. For 4,000 gallons, the monthly sewer rate is \$26. The term of the loan is five years at a two and a half percent interest rate, with around \$56,000 estimated annual debt service.

The City of Morehead f/b/o Morehead Utility Plant Board, Rowan County, requested a \$6,554,200 Fund F loan to complete its \$28.428 million Regional Water Treatment Plant Construction project. For 4,000 gallons, the monthly inside city water rate is \$39.63. The loan term is thirty years at a half percent interest rate, with around \$1.1 million estimated annual debt service.

Warren County Water District requested a \$2.1 million Fund F loan for its Woodburn Tank Replacement and Hwy 68W Reservoir project; two water tanks, one replacement and one new. For 4,000 gallons, the current water rate is \$21.42. The loan term is twenty years at a two percent interest rate, with around \$133,000 estimated annual debt service.

The City of Wilmore, Jessamine County, requested a \$995,000 Fund F loan for its Elevated Storage Tank Rehabilitation project; rehabilitation of two 500,000 gallon elevated storage tanks. For 4,000 gallons, the monthly inside city water rate is \$25.23. The loan term is twenty years at a two percent interest rate, with around \$63,000 estimated annual debt service.

Senator Webb moved to approve the six KIA loans, seconded by Senator McDaniel, and unanimously approved by roll call vote.

**Office of Financial Management**  
**New Kentucky Housing Corporation Conduit Debt Issue**

Mr. Barrow submitted the KHC Conduit Multifamily Revenue Bonds (Lone Oak Meadows), Series 2021; estimated \$40 million net proceeds and \$67 million total project cost, borrowed at an anticipated 4.3 percent net interest rate for a forty year term. 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 Webb moved to approve the new KHC conduit debt issue, seconded by Representative Thomas, and unanimously approved by roll call vote.

### **Office of Financial Management**

#### **Previous Debt Issues**

Mr. Barrow reported two previous debt issues, both negotiated taxable transactions. The first was the \$205.450 million Northern Kentucky University General Receipts Bonds, 2021 Taxable Series A to finance the amount needed [under the Pension Cessation Act] to cease participation in the Kentucky Employees Retirement System non-hazardous pension and other post-employment benefits payment system [utilizing the soft freeze, allowing employees participating prior to January 1, 2014, to remain in the system option]. The issue received a favorable reception from investors and was oversubscribed, with a 3.17 percent all in true interest cost with a 2050 final maturity. The second was the \$135.305 million Kentucky Higher Education Student Loan Corporation Student Loan Asset-Backed Notes, Senior Series 2021-1-A-1A, (Fixed Rate), Senior Series 2021-1-A-1B (Floating Rate), and Subordinate Series 2021-1-B (Floating Rate); [primarily restructuring debt for Federal Family Education Loan Program loan acquisitions]. The 2.09 percent all in true interest cost with a 2051 final maturity.

### **Office of Financial Management**

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

Representative Thomas moved to roll the seven SFCC school district debt issues into one roll call vote, seconded by Senator Webb, and approved without objection.

Mr. Barrow submitted seven debt issues with SFCC participation; six for new projects and one to refinance debt. For new projects, the Bellevue Independent (Campbell County), Corbin Independent (Whitley County), Laurel County, Lyon County, Rowan County (includes urgent needs school assistance), and Todd County school districts, none of which needed an additional tax levy to pay debt service, planned debt issuances totaling approximately \$39 million; district debt service supporting just under \$30 million. The Gallatin County school district planned to restructure a prior debt issue, district debt service supporting around \$3.4 million and SFCC debt service supporting about \$300,000. The gross savings was negative and the net present value savings was positive. The district wished to restructure due to an upcoming debt service payment that would have exceeded its restricted fund revenues.

In response to Senator McDaniel, Mr. Barrow stated that the Rowan County debt issue was a single transaction [to spread the upcoming original debt service payment over the remaining life of the bonds without extending the term].

Representative Thomas moved to approve the seven SFCC school district debt issues, seconded by Senator Webb, and unanimously approved by roll call vote.

Representative Freeland announced the upcoming meeting at 3:30 p.m. on June 17.

With there being no further business the meeting adjourned at 1:39 p.m.