

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

August 25, 2021

Call to Order and Roll Call

The 8th meeting of the Capital Projects and Bond Oversight Committee was held on Wednesday, August 25, 2021, at 3:30 PM, in Room 169 of the Capitol Annex. Senator Rick Girdler, 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; and Representatives Jason Petrie and Walker Thomas.

Guests: Elizabeth Baker, Senior Director, Strategic Capital Planning and Legislative Analysis, University Budget Office, University of Kentucky; Megan Campbell, Executive Director of University Planning, Design and Construction, University of Louisville; Jeff Spoelker, Associate Athletic Director, University of Louisville; Janice Tomes, Deputy State Budget Director, Office of State Budget Director; Brigadier General Brian Wertzler, Interim Executive Director, Department of Military Affairs; Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services; Greg Rush, Vice President for Finance and Administration, Kentucky State University; Sandy Williams, Deputy Executive Director, Kentucky Infrastructure Authority; and Ryan Barrow, Executive Director, Office of Financial Management.

LRC Staff: Shawn Bowen, Committee Staff Administrator; Korey Sallee, Committee Analyst; Ashton Thompson, Committee Assistant; and Jennifer Luttrell, Committee Assistant.

Approval of Minutes

A motion was made by Senator Howell to approve the June 17 and July 30, 2021, minutes, seconded by Representative Thomas, and approved by voice vote.

Information Items

Mr. Sallee referenced four information items: correspondence regarding Finance and Administration Cabinet projects and a University of Kentucky lease project submitted to the committee for approval in July, a report of the purchase of medical equipment by Northern Kentucky University, and a local school district bond issue for Monroe County.

Lease Reports from the Postsecondary Institutions

Ms. Baker submitted a request for a new lease for various UKHC administrative offices and clinics. The university plans to lease 53,368 square feet at an annual cost of \$1,692,299 for a period of 7 years.

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

Senator Girdler moved to roll the two University of Louisville leases into one roll call vote, the motion was approved without objection.

Mr. Spoekler submitted a request for a new lease for housing to accommodate the University of Louisville athletic football program. The lease will provide 44 beds for a one year-lease in the amount of \$422,180.

Ms. Campbell next reported an amended lease for the MedCenter One Building. The square footage was reduced from 67,000 to 53,000, and the annual cost was reduced to \$992,757 from \$1,307,609.

A motion was made by Representative Thomas to approve the University of Louisville leases, seconded by Senator Howell, and approved by unanimous roll call vote.

Project Report from the Finance and Administration Cabinet

Ms. Tomes reported an emergency repair, maintenance, or replacement project for the Department of Military Affairs, Bluegrass National Guard Center, in the amount of \$1,050,000. The State Emergency Operations Center Window Replacement project will be funded from the Capital Construction Surplus Account. The scope of work includes remediation and replacement of security windows with structural defects. The cabinet determined that the remediation replacement work needs to begin soon to prevent further damage.

Responding to a question from Representative Petrie, Ms. Tomes confirmed the security windows are under warranty, and the Finance and Administration Cabinet has filed civil action in the Franklin Circuit Court on behalf of the Department of Military Affairs.

Responding to a question from Representative Petrie, General Wertzler confirmed the issue was a manufacturer defect.

Senator Girdler moved to roll the three Finance and Administration Cabinet projects into one roll call vote, the motion was approved without objection.

Ms. Tomes reported three new federally-funded capital projects for the Department of Military Affairs: Jackson Readiness Center Interior Restoration project, \$1,900,000;

Murray Readiness Center Restoration project, \$1,950,000; and Springfield Readiness Center Latrine Restoration project, \$1,700,000.

Responding to a question from Representative Petrie, Ms. Tomes confirmed all three projects are 100 percent federally-funded through the Army National Guard Cooperative Agreement, and the projects do not require state matching funds.

A motion was made by Representative Thomas to approve the three Finance and Administration Cabinet projects, seconded by Senator Howell, and approved by unanimous roll call vote.

Lease Report from the Finance and Administration Cabinet

Mr. Aubrey submitted a lease modification request for the Department of Libraries and Archives in Franklin County. The modified lease will add 23,128 square feet of warehouse space at the current rental rate of \$5.41 per square foot. The annual rental cost will increase from \$545,765 to \$670,887.

A motion was made by Representative Thomas to approve the Department of Libraries and Archives lease modification, seconded by Senator Howell, and approved by unanimous roll call vote.

Mr. Aubrey reported four quarterly lease modifications for three leased properties in Franklin County and one in Jefferson: the Cabinet for Health and Family Services added 131 square feet for a network room; the Board of Elections added 200 square feet of storage space; the Office of the Attorney General added 1,540 square feet for a training room; and the Unified Prosecutorial System added six parking spaces to its lease.

Mr. Aubrey reported a lease modification for the Cabinet for Health and Family Services in Franklin County to make minor structural renovations in the network room. An estimate from Moore's Custom Building in the amount of \$8,995 was selected and the total cost was paid pursuant to KRS 56.813.

Bond Issue Report

Mr. Rush reported the sale of the certificates of participation to pay the costs of constructing a new residence hall for Kentucky State University. The sale occurred on July 27, 2021, and closed on August 3, 2021. The net proceeds were \$58 million, and the net interest rate was reported as 3.19 percent. The certificates were issued on a tax-exempt basis by the developer, CRM Development Company, and have a term of 20 years.

Report from the Office of Financial Management Kentucky Infrastructure Authority Loans

Senator Girdler moved to roll the five KIA loans into one roll call vote, the motion was approved without objection.

Ms. Williams reported five new KIA loans: Fund A Loans-City of Louisa, Lawrence County (increase), \$150,000; City of Paintsville, Johnson County, \$1,500,000; City of Somerset, Pulaski County, \$4,500,000; and Fund F loans-City of Lebanon, Marion County, \$1,602,975; and McKinney Water District, Lincoln County, \$2,491,916.

A motion was made by Representative Thomas to approve the five KIA loans, seconded by Senator Howell, and approved by unanimous roll call vote.

New Debt Issues

Senator Girdler moved to roll the three new debt issues into one roll call vote, the motion was approved without objection.

Mr. Barrow reported three new bond issues for the Kentucky Housing Corporation (KHC): Revenue Bonds (Crossing at Mill Creek), Series 2021, \$22,300,000; Conduit Revenue Bonds (Bowling Green Tower), Series 2021, \$22,500,000; and Multifamily Revenue Bonds (Lower Hunter's Trace Project), Series 2021, \$18,500,000.

A motion was made by Representative Thomas to approve the three new debt issues, seconded by Senator Howell, and approved by unanimous roll call vote.

Previous Debt Issues

Mr. Barrow reported three previous debt issues: KHC Conduit Multifamily Housing Revenue Bonds (Cambridge Square), Series 2021, \$26,000,000; Lexington-Fayette Urban County Government Public Facilities Corporation Lease Revenue Refunding Bonds, Series 2021 (Forward Delivery), \$98,995,000; and Eastern Kentucky University General Receipts Refunding Bonds, Series 2021 A (Forward Delivery), \$12,405,000.

School District Debt Issues with School Facilities Construction Debt Service

Senator Girdler moved to roll the eight School Facilities Construction Commission (SFCC) school district debt issues into one roll call vote, the motion was approved without objection.

Mr. Barrow reported eight SFCC school district bond issues: Adair County-\$10,660,000; Boone County-\$20,505,000; Dawson Springs Independent (Hopkins County)-\$1,755,000; Grayson County-\$5,605,000; Morgan County-\$7,640,000; Newport Independent (Campbell County)-\$1,490,000 and \$4,754,000; and Pulaski County-\$16,440,000.

A motion was made by Representative Thomas to approve the eight SFCC school district debt issues, seconded by Senator Howell, and approved by unanimous roll call vote.

Senator Girdler announced the upcoming meeting at 3:30 p.m. on September 23.

With there being no further business the meeting adjourned at 4:08 p.m.