

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

June 17, 2021

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee meeting was held on Thursday, June 17, 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; 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; 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.

Senator Girdler announced Ms. Wells Lathrem's retirement and said she will be missed. Ms. Wells Lathrem thanked Senator Girdler and the members.

Approval of Minutes

Representative Thomas moved to approve the May 18, 2021, meeting minutes, seconded by Representative Senator Howell, and approved without objection.

Information Items

Ms. Halloran referenced two information items. Pursuant to KRS 13A.190(14), the Administrative Regulations compiler notified legislative committees that the Kentucky Infrastructure Authority (KIA) filed a new emergency administrative regulation, 200 KAR 17:110E Guidelines for Kentucky Infrastructure Authority Drinking Water and Wastewater Grant Program. Section 6(2) of the regulation included committee review of Senate Bill 36, wastewater and drinking water projects. Pursuant to KRS 45.812(1), through their fiscal agents, five school districts reported upcoming debt issues. The Bowling Green Independent (Warren County), Madison County, Marshall County, and Owen County school districts, none of them needed an additional tax levy to pay debt

service, and they plan to finance new projects. The Daviess County school district reported a refunding component to its Apollo High School Phase IV financing transmitted for the April 2021, committee meeting.

Representative Thomas mentioned that Section 6(2) of KIA's new emergency administrative regulation specified approval by KIA's chair, rather than by KIA's board. [KIA's Board delegated its Senate Bill 36 approval authority to KIA's chair through the emergency administrative regulation. KIA's board wished to expedite the process as the majority of Senate Bill 36 projects are selected through coordination between cities and counties, with available funding based upon county population and allocated directly to the utilities.]

Lease Report from the University of Kentucky

Ms. Baker submitted a new lease for UK Internal Audit space; 10,203 square feet at \$19.24 per square foot for a \$196,407.75 annual cost. Internal Audit will be moving from Coldstream to provide space for Summit Biosciences's expansion.

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

Project Report from the Finance and Administration Cabinet

Janice Tomes reported a \$1.4 million emergency repair, maintenance, or replacement project; funded with \$700,000 each from Kentucky State Police (KSP) (half restricted funds and half general fund) and the capital construction Emergency Repair, Maintenance, and Replacement account. The Kentucky State Police's helicopter acquisition was necessitated by an unforeseen mechanical breakdown, electrical breakdown, or structural defect that must be corrected to make an item of equipment usable as specified by KRS 45.750(1)(g).

Report from the Office of Financial Management Kentucky Infrastructure Authority

Representative Thomas moved to roll the eight KIA transactions into one roll call vote, seconded by Senator Howell, and approved without objection.

Ms. Williams submitted three Clean Water Revolving Fund (Fund A) program loans, two Fund A program loan increases, one Infrastructure Revolving Fund (Fund B) program loan, one Drinking Water State Revolving Fund (Fund F) program loan, and one Fund F program loan increase. For its \$3,219,970 Wastewater Treatment Plant Expansion and Sanitary Sewer Collection Improvements project, the City of Tompkinsville, Monroe County, requested a \$848,822 Fund A loan increase to its \$861,148 previously approved Fund A loan [of which KIA will apply \$430,574 in principal forgiveness] for a \$1,709,970 total Fund A loan amount. [A \$1 million Community Development Block Grant; \$500,000 Appalachian Regional Commission grant; and \$10,000 Monroe County Board of

Education grant will finance the remaining project costs.] Replacement of two failing influent pumps comprises the additional scope. The loan term is thirty years at a half percent interest rate, with around \$48,500 estimated annual debt service.

For its \$4,088,045 Wastewater Treatment Plant Improvements project, the City of Burkesville, Cumberland County, requested a \$256,675 director level (200 KAR 17:050) Fund A loan increase to its \$2,831,370 previously approved Fund A loan [of which KIA will apply \$1 million in principal forgiveness] for a \$3,088,045 total Fund A loan amount. The additional scope includes WWTP screening room roofing, trusses, and trim replacement; yard hydrants; lighting protection; and sludge removal. [A \$1 million Community Development Block Grant will finance the remaining project costs.] The loan term is thirty years at a half percent interest rate, with around \$79,200 estimated annual debt service.

The City of Frankfort, Franklin County, requested a \$19.725 million Fund A loan for its \$29.725 million East Frankfort Interceptor Phase III Wet Weather Facility project, which will address state enforcement action and provide additional capacity, allowing the Farmdale Sanitation District to convey its sanitary flow to the city's system. [\$10 million in local funds, potentially through grants, will finance the remaining project costs.] The loan term is twenty years at a one percent interest rate, with around \$1.13 million estimated annual debt service.

The City of Kuttawa, Lyon County, requested a \$223,000 Fund A planning and design loan for its [anticipated \$1.264 million] Phase V Sanitary Sewer Evaluation System and Rehabilitation project. This phase includes the inspection of two collection system basins and subsequent sewer rehabilitation design in those areas [as well as the replacement sewer design in an additional area.] The loan term is five years at a two and half percent interest rate, with around \$48,200 estimated annual debt service.

The City of Nicholasville, Jessamine County, requested a \$817,000 Fund A planning and design loan for its [anticipated \$3 million] Nicholasville Sanitary Sewer Evaluation System and Sewer Rehabilitation Phase I project, which will address state enforcement action. This phase includes the inspection of selected collection system basins and subsequent sewer rehabilitation design in those areas. The loan term is five years at a two and half percent interest rate, with around \$176,500 estimated annual debt service.

The City of Berea requested a \$256,200 Fund B loan for the Madison County Airport Sewer Line Extension project, approximately 12,000 linear feet of new sewer. The loan term is twenty years at a one percent interest rate, with around \$14,700 annual debt service.

For its \$11.4 million New Water Treatment Plant project, the City of Lancaster, Garrard County, requested a \$400,000 director level (200 KAR 17:070) Fund F loan

increase to its previously approved \$4 million Fund F loan [of which KIA will apply \$1 million in principal forgiveness] for a \$4.4 million total Fund F loan amount. [A \$4.5 million and \$1.5 million USDA Rural Development loan and grant; \$500,000 Appalachian Regional Commission grant; and \$500,000 state (House Bill 265 - 2012 Regular Session) grant will finance the remaining project costs.] The additional work involves a new maintenance building and additional instrumentation as well as intake, pump, and SCADA system upgrades. The loan term is thirty years at a half percent interest rate, with an estimated \$130,700 annual debt service.

The City of Albany, Clinton County, requested a \$2.68 million Fund F loan [of which KIA will apply \$680,000 in principal forgiveness] for the Water Treatment Plant (A & B) Improvements project; various plant upgrades including improvements to flocculators, pumps, lagoons, filters, electrical systems, buildings, and SCADA system as well as new master meters. The loan term is thirty years at a half percent interest rate, with around \$74,200 annual debt service.

Representative Thomas moved to approve the eight KIA transactions, seconded by Senator Howell, and unanimously approved by roll call vote.

Office of Financial Management

Previous Kentucky Housing Corporation (KHC) Conduit Debt Issue

Mr. Barrow reported the KHC Conduit Multifamily Housing Revenue Bonds (The Alcove at Russell), Series 2021, applied towards the state's private activity volume cap and affecting neither the commonwealth's nor KHC's financials as the developer pays the debt service. The property was located on Russell Cave Road, Lexington, \$30 million net proceeds with a \$56.7 million total project cost.

Office of Financial Management

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

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

Mr. Barrow submitted two debt issues with SFCC participation for new projects. The Lewis County and Middlesboro Independent (Bell County) school districts, neither of which needed an additional tax levy to pay debt service, planned issuances totaling \$16.36 million. Urgent needs, district, and SFCC respective debt service support is 79.04 percent, 16.29 percent, and 4.67 percent. The urgent needs component will finance \$12.9 million of the Lewis County school district's Garrison Elementary School project. Senator Webb said that the project was much needed.

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

Senator Girdler announced the upcoming meeting at 3:30 p.m. on July 22.

With there being no further business the meeting adjourned at 3:57 p.m.

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

July 30, 2021

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee meeting was held on Friday, July 30, 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 and Robin L. Webb; and Representative 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; Greg Rush, Chief Financial Officer, Kentucky State University; Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services; Sandy Williams, 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: Shawn Bowen, Committee Staff Administrator, Korey Sallee, Committee Analyst, and Elishea Schweickart, Committee Assistant.

Approval of Minutes – June 17, 2021

Due to the lack of a quorum, this item was tabled until the August 25 meeting.

Information Items

Four information items were referenced by Ms. Bowen: the Quarterly Capital Project Status Reports, the Judicial Facility Use Allowance Contingency Fund Report, a report of the purchase of medical equipment by the University of Kentucky, and two 100% locally funded school bond issues for Oldham and Adair counties.

Lease Report from the University of Kentucky

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. Due to the lack of a quorum, no action was taken.

Project Report from the Finance and Administration Cabinet

Ms. Tomes reported a new information technology capital project for the Education and Workforce Development Cabinet, Office of Vocational Rehabilitation. The cabinet plans to purchase a new case management system to replace the outdated system installed in 2008. The project scope is \$4,620,000, and is 100% federally funded through the U.S. Department of Education Rehabilitation Services Administration. The case management system will be utilized by individuals receiving vocational rehabilitation services to provide them with meaningful employment opportunities. Due to the lack of a quorum, no action was taken.

Ms. Tomes reported a new capital project for Kentucky State University to renovate Hunter Hall from a residence hall to an office, classroom and laboratory building. The project scope is \$2,300,000 and is 100% federally funded through the U.S. Department of Agriculture. The project was approved by the KSU Board of Regents and the Council on Postsecondary Education, and the Finance and Administration Cabinet will oversee the design and implementation of the project.

Responding to questions from Representative Freeland, Mr. Rush confirmed that the appropriate approvals to start the project were obtained from the U.S. Department of Agriculture, and there are no legal issues relative to the project. He added that the university was not involved in the bid solicitation process, it was administered solely by the Finance and Administration Cabinet.

Responding to questions from Senator Girdler, Mr. Rush said the Council on Postsecondary Education is providing guidance and oversight during the independent review of the university's finances. He added that the review/external audit would not affect the implementation of this capital project. Due to the lack of a quorum, no action was taken.

Ms. Tomes next reported a \$240,000 restricted fund scope increase for the Kentucky Department of Veterans Affairs Improve/Expand Pavement and Parking Areas project. The project was originally authorized by HB 352 in the amount of \$1,600,000. Additional funding is needed to correct poor soil conditions encountered during paving projects at Thomson Hood Veterans Center and Radcliff Veterans Center.

Ms. Tomes reported a \$1,200,000 allocation from the Department for Facilities and Support Services' 2020-2022 maintenance pool for the purchase of a new chiller and piping to serve the Governor's Mansion. Additionally, she reported a \$1.3 million Emergency Repair, Maintenance, or Replacement project for a flood remediation project at Fort Boonesborough State Park.

Lease Report from the Finance and Administration Cabinet

Mr. Aubrey reported two emergency leases for the Transportation Cabinet in Rockcastle and Johnson counties. The leases are needed for the storage of vegetative debris from the February 2021 ice storms. The leases have an annual cost of \$12,000, and will remain in effect until the debris is removed.

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

Ms. Williams submitted five new KIA loans for the committee's review: Fund A Loans-Louisville and Jefferson County Metropolitan Sewer District (2 loans), \$1.1 million and \$2,944,345; City of Calvert City, Marshall County, \$276,933; City of Bedford, Trimble County, \$196,795; and Fund B loan-City of Midway, Woodford County, \$200,000. Due to the lack of a quorum, no action was taken.

Responding to a question from Representative Freeland, Ms. Williams said there is no indication that supply inventories, which include primarily PVC pipe, are improving. [Water and sewer projects use a great deal of PVC pipe, and over the past year and a half, PVC prices have risen substantially due to supply shortages.]

Economic Development Fund Grant

Ms. Smith submitted a \$15,000,000 Economic Development Fund grant for the Meade County Fiscal Court on behalf of Nucor Corporation. The grant funds will be used to offset estimated capital investment costs of \$1.5 billion. The company will be required to create 400 new full-time jobs with an hourly wage of \$45 including benefits. The disbursement of funds will occur following the five annual review dates. Provisions are included in the grant agreement to reduce disbursements if the requirements are not achieved. Due to the lack of a quorum, no action was taken.

New Debt Issues

Mr. Barrow reported two new debt issues: Kentucky Higher Education Student Loan Corporation (KHESLC) Advantage Student Loan Revenue Bonds, Series 2021, \$85 million, and KHESLC FFELP Student Loan Asset-Backed Notes, Series 2021, \$370 million. Due to the lack of a quorum, no action was taken.

Mr. Barrow presented an informational report for Turnpike Authority of Kentucky Economic Development Road Revenue and Revenue Refunding Bonds, 2021 Series A, B, C and 2022 Series A with a principal amount not to exceed \$250,000,000.

Previous Debt Issues

Mr. Barrow reported four previously approved debt issues: Kentucky Economic Development Finance Authority Healthcare Facilities Revenue Bonds, Series 2021 (Christian Care Communities Inc. Obligated Group), \$54,360,000; University of Louisville Forward Delivery General Receipts Refunding Bonds, Series 2021A, \$21,400,000; University of Louisville General Receipts Bonds, Series 2021B, \$39,450,000; and State

Property and Buildings Commission Revenue Refunding Bonds, Project No. 125 Series A and Series B, \$139,550,000.

School District Debt Issues

Mr. Barrow reported six School Facilities Construction Commission bond assisted projects for Bullitt, Henry, Perry, Rockcastle, and Trimble counties, and Williamstown Independent (Grant county). The projects are tax-exempt and the bond proceeds are \$43,620,000. No action was taken due to the lack of a quorum.

Representative Freeland announced the upcoming 3:30 p.m. August 25, 2021 meeting. With there being no further business the meeting adjourned at 1:32 p.m.