

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

November 18, 2021

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee was held on Thursday, November 18, 2021, at 2:00 PM, in Room 169 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; Senator Robin L. Webb; Representatives Reginald Meeks, 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; Sandy Williams, Executive Director, Kentucky Infrastructure Authority; and Ryan Barrow, Executive Director, Office of Financial Management.

LRC Staff: Katherine Halloran, Committee Staff Administrator; Korey Sallee, Committee Analyst; and Ashton Thompson, Committee Assistant.

Approval of Minutes

Representative Thomas moved to approve the October 21, 2021, minutes, seconded by Representative Freeland, and approved without objection.

Information Items

Ms. Halloran referenced four information items: pursuant to KRS 45.760(5), Northern Kentucky University reported a \$367,000 federal funds purchase of scientific equipment for its chemistry program and the University of Kentucky reported two federal funds purchases of research equipment, \$440,000 (utilizing some cash) for a scanner at its Sports Medicine Institute and \$3.5 million from a \$14 million NSF grant to equip the cultural heritage and historical imaging site at its Museum of Anthropology; pursuant to KRS 45.812(1), three school districts, none of which needed an additional tax levy to pay debt service, reported upcoming debt issues for new projects; pursuant to KRS 45.180(2), the University of Kentucky reported its intent to use the construction management-at-risk project delivery method for its Parking Structure 8 expansion and the University of Louisville reported the consolidation of two authorizations and its intent to use the design-

build project delivery method for its Cardinal Stadium Club upgrades; and pursuant to KRS 56.813(2)(a)3.b. and KRS 56.823(11)(a), the Division of Real Properties reported leasehold improvements under \$10,000 and square footage lease modifications under \$50,000.

Lease Report from the University of Kentucky

Ms. Baker submitted a lease modification for UK Healthcare Specialty Pharmacy; an additional 4,200 square feet and associated improvements for a \$122,388 additional annual cost to \$1.189 million. The modification is for the expansion of patient support services.

Representative Thomas moved to approve the UK lease modification, seconded by Representative Freeland, and approved by unanimous roll call vote.

Project Report from the Finance and Administration Cabinet

Ms. Tomes submitted a \$270,000, 15 percent, appropriation increase to \$2.07 million for the Transportation Cabinet, Construct Hopkins County Maintenance Facility and Salt Storage project. The increase is due to higher than budgeted construction costs and, as required by KRS 45.760(6)(e), will be paid out of the KRS 45.247 highway construction contingency account.

Representative Thomas moved to approve the appropriation increase, seconded by Representative Freeland, and approved by unanimous roll call vote.

Ms. Tomes reported an amended \$2.2 million emergency repair, maintenance, or replacement project appropriation for the Department of Parks, Fort Boonesborough park wide reconstruction project. The project was originally reported in July for \$1.3 million and amended to \$1.8 million in September for site building restoration and reconstruction after the park wide flood earlier this year. The amendments were due to increased equipment and material costs, damaged infrastructure, and expanded site recovery efforts.

Lease Report from the Finance and Administration Cabinet

Representative Freeland obtained unanimous consent to roll the ten transactions; eight lease renewals, new lease, and lease modification into one vote.

Mr. Aubrey submitted eight lease renewals under the same terms and conditions: Department of Workforce Investment, Fayette County, 11,513 square feet at \$16.50 per square foot for a \$189,964.52 annual cost through June 30, 2024; Commonwealth Office of Technology, Franklin County, 6,109 and 9,096 square feet at \$8.07 and \$6 per square foot for a \$101,146.84 annual cost through June 30, 2027; Cabinet for Health and Family Services, Office for Children with Special Health Care Needs, Jefferson County, 25,932 square feet at \$11.75 per square foot for \$304,701 annual cost through June 30, 2029; CHFS, Department for Community Based Services, Hardin County, 36,416 and 500 square

feet at \$9.25 and \$3 per square foot for a 338,348 annual cost through June 30, 2030; CHFS, DCBS, Letcher County, 19,285 square feet at \$9.26 per square foot for a \$175,579.12 through June 30, 2023; CHFS, DCBS, Montgomery County, 11,544 square feet at \$13.50 per square foot for a \$155,844 annual cost of \$155,844 through June 30, 2024; Justice and Public Safety Cabinet, Department of Corrections, Jefferson County, 10,764 square feet at \$12.75 per square foot for a \$137,241 annual cost through June 30, 2023; and Justice and Public Safety Cabinet, Department of Public Advocacy, Fayette County, 18,009 square feet at \$14.50 for a \$261,130.52 annual cost through June 30, 2023.

Mr. Aubrey submitted a new lease for DOC in Jefferson County, procured through KRS 56.803 advertisement: 9,587 square feet at \$18.64 per square foot for a \$178,701.68 annual cost through June 30, 2029.

Mr. Aubrey submitted a lease modification for DOC in Campbell County, amortized improvements through June 30, 2026 to convert conference and storage areas into eight staff offices, allowing the consolidation of the two Division of Probation and Parole District 7 offices. Two estimates were obtained, \$53,200 from the lessor and \$54,800 from Commercial Roofing Services. The DRP accepted the lessor's lower bid.

Representative Thomas moved to approve the leases, seconded by Representative Petrie, and approved by unanimous roll call vote.

Report from the Office of Financial Management

Previous Debt Issues

Mr. Barrow reported three previous debt issues. The first was a KHC conduit debt issue, 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; Kentucky Housing Corporation Conduit Multifamily Housing Revenue Bonds (Lone Oak Meadows Project), Series 2021; 312 units in Louisville, \$40 million net proceeds with an over \$67 million project cost. The second was the \$5.025 million Northern Kentucky General Receipts Refunding Bonds, 2021 Series B debt issue. NKU was a strong credit and market conditions remained favorable; therefore, the transaction generated around \$650,000 (12.27 percent) in net present value savings. The final was the \$99.475 million Turnpike Authority of Kentucky Economic Development Road Revenue Refunding Bonds (Revitalization Projects), 2021 Series A and 2021 Series B (Federally Taxable). This transaction, until the Kentucky Public Transportation Infrastructure Authority deal that OFM will report in December, generated record net present value savings. The Series A and Series B generated \$5.5 million (30.807 percent) and \$13.5 million (17.326 percent) in net present value savings for an aggregate \$19 million (over nineteen percent) net present value savings. There also was a third series with savings, 2022 Series A, that OFM did not report as it was a forward delivery that will not close until next year.

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

Representative Thomas moved to roll the thirteen SFCC debt issues into one roll call vote, seconded by Representative Freeland, and approved without objection.

In response to a question from Representative Petrie, staff said they would follow-up on improvements to any facilities on the Kentucky Facility Inventory and Classification System List [with at least one exception, the financed improvements are a portion of the necessary improvements to remove any facilities submitted this month from the KFICS list].

Mr. Barrow submitted thirteen debt issues with SFCC debt service participation: eleven new projects and two to refinance debt. For the new projects, the school districts did not need an additional tax levy for debt service. The Bell County, Butler County, Crittenden County, Edmonson County, Letcher County, Lincoln County, Marion County, Nicholas County, Pulaski County, Simpson County, and Trigg County school districts proposed debt issues totaling approximately 27.7 million with 11.3 million SFCC debt service participation, a 60/40 percent local/SFCC split. The Fayette County and Whitley County school district planned two refunding issuances totaling around 28.7 million, with \$3.2 million SFCC participation, an 89/11 percent local/SFCC split.

Representative Thomas moved to approve the thirteen SFCC debt issues, seconded by Representative Freeland, and approved by unanimous roll call vote.

Kentucky Infrastructure Authority

Representative Freeland congratulated Ms. Williams on being named Executive Director of the Kentucky Infrastructure Authority. Ms. Williams thanked Representative Freeland and introduced the new Deputy Executive Director, Milward Dedman. Senator Web commented that she previously had the honor to serve with Mr. Dedman and that he is very capable and KIA is lucky to have him.

Ms. Williams submitted a \$750,000 Kentucky Infrastructure Authority Clean Water State Revolving Fund (Fund A) Program loan increase for the City of Paducah, McCracken County to fund additional costs associated with stabilizing a levy for the \$8.069 million Paducah Pump Station #2 Rehabilitation project. The total loan amount will be \$5,360,667 with a .5 percent interest rate over a twenty year loan term.

Representative Thomas moved to approve the KIA loan, seconded by Representative Freeland, and approved by unanimous roll call vote.

Representative Freeland announced the upcoming meeting at 2:00 P.M. on December 15. With there being no further business the meeting adjourned at 2:30 P.M.