

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

January 24, 2023

Call to Order and Roll Call

The January meeting of the Capital Projects and Bond Oversight Committee was held on January 24, 2023, at 3:00 PM in Room 131 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 Deanna Frazier Gordon, Co-Chair; Senator Shelley Funke Frommeyer, Senator Jason Howell, Representative Keturah Herron, Representative Jason Petrie, and Representative Walker Thomas.

Guests: Janice Tomes, Deputy State Budget Director, Office of State Budget Director; Jennifer Linton, Executive Director, Office of Facility Development and Efficiency, Department for Facilities and Support Services; 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 and Spring Emerson.

Election of Co-Chairs

Pursuant to KRS 45.790(1), Senator Howell nominated Senator Girdler for Senate co-chair and Senator Funke Frommeyer seconded the motion. Senator Howell moved that nominations cease and that Senator Girdler be elected Senate co-chair by acclamation, Senator Funke Frommeyer seconded the motion, and Senator Girdler was elected Senate co-chair by acclamation.

Pursuant to KRS 45.790(1), Representative Thomas nominated Representative Frazier Gordon for House co-chair and Representative Herron seconded the motion. Representative Herron moved that nominations cease and that Representative Frazier Gordon be elected House co-chair by acclamation, Representative Thomas seconded the motion, and Representative Frazier Gordon was elected House co-chair by acclamation.

Approval of Minutes

Senator Howell moved to approve the December 15, 2022 minutes, Co-Chair Frazier Gordon seconded the motion, and the committee approved without objection.

Correspondence and Information Items

Ms. Halloran referenced six information items. Pursuant to KRS 26A.168(1), KRS 45.793, and KRS 45.818; the Administrative Office of the Courts; the Finance and Administration Cabinet, with the Commonwealth Office of Technology reporting independently; and postsecondary institutions managing their own capital construction under KRS 164A.580 transmitted quarterly capital project status reports.

Pursuant to KRS 45.760(5), the University of Kentucky reported four federally funded equipment

purchases. The first was a National Science Foundation Mid-Scale Research Infrastructure-1 program grant-funded \$547,400 vault to house x-ray equipment for EduceLab, a cultural heritage and imaging site in the William S. Webb Museum for Anthropology. (The grant award was \$14 million and UK was one of ten recipients.) The second was U.S. Army Research Office grant-funded \$316,400 wire-arc additive cell equipment for large scale component manufacturing at the Center for Robotics and Manufacturing Systems. (The equipment is part of the “Next Generation Materials and Processing Technologies” project, a \$50 million partnership with the University of Tennessee and the U.S. Army Combat Capabilities Development Command’s Army Research Laboratory to improve U.S. manufacturing capabilities.) The next two purchases were from National Institute of Health funding. One was a \$362,800 spectrometer for the Small Molecule Mass Spectrometry Core Laboratory at the Biomedical Biological Sciences Research Building and the other was a \$870,900 small animal radiation research platform (optical imaging) for the Department of Radiation Medicine at the Peter P. Bosomworth Health Sciences Research Building.

Pursuant to KRS 45.800(2), the committee notified the Finance and Administration Cabinet that it did not approve the Kentucky Infrastructure Authority transactions requiring action transmitted last month through the Office of Financial Management and pursuant to KRS 45.800(4), the Finance and Administration Cabinet notified the committee that it proceeded with the transactions as procedural concerns regarding the House Bill 1 Cleaner Water Program (Round Two) grant approvals were addressed.

Pursuant to KRS 45.812(1); six school districts, none of which needed an additional tax levy to pay debt service, reported upcoming debt issues for new projects through their fiscal agents. The school districts were Lawrence County, Lincoln County, Lyon County, McCracken County, Muhlenberg County, and Williamsburg Independent (Whitley County). Berea Independent (Madison County) will report through SFCC as the district restructured the transaction to utilize SFCC offers of assistance funding.

Pursuant to KRS 45A.180(2), Western Kentucky University reported its intent to use the construction management-at-risk project delivery method for its Hilltopper Fieldhouse/Houchens-Smith Stadium Press Box projects reauthorized under Construct, Renovate and Improve Athletic Facilities in House Bill 1.

Pursuant to House Bill 1, Eastern Kentucky University reported a planned Postsecondary Education Asset Preservation Pool project.

Project Report from the Finance and Administration Cabinet

Ms. Tomes submitted a Department of Military Affairs (DMA) new project (amended) and a 9.9 percent Kentucky Higher Education Assistance Authority (KHEAA) appropriation increase requiring action. Senator Howell moved to roll them into one roll call vote, Representative Thomas seconded the motion, and the committee approved without objection. The new DMA project (amended) was the \$2,263,700 DMA Boone National Guard Center Rear Access Control Point, originally approved by the committee for \$2 million at its May 2022 meeting with \$1.5 million (seventy-five percent) in Military Operations and Maintenance Master Cooperative Agreement federal funds and \$500,000 from DMA’s 2020-2022 investment income maintenance pool for the match (twenty-five percent). The \$263,700 (13.2 percent) amendment is due to higher than expected bids and the percentage federal/state fund source split will remain the same: \$1,697,775 federal and \$565,925 state. The new access control point, which includes a

security building and changes to control gates, fences, and lanes; will give BNGC a dual entry and exit point for employees and emergency vehicles to better control traffic flow and will have a breakroom, restrooms, security personnel offices, and video monitoring capability. The current rear access control point is only for emergencies and oversized vehicles.

The \$276,955 (9.89 percent) appropriation increase for the KHEAA Building (HVAC and Roof Repair) project, raised the project amount to \$3,076,955 from the \$2.8 million line-item amount in House Bill 1. The \$2.8 million was funded with excess lottery receipts and the increase, due to higher expected bids, was funded from the Department for Facilities and Support Services' building services restricted fund.

In response to Representative Petrie, Ms. Tomes said that capital project amounts in appropriations bills are estimates and that agencies start preparing their requests in July with submittal in November of the final prior budget year. If initial bids are over the authorized project amount, then the Division of Engineering and Contract Administration (DECA) will make project alterations. If the alterations do not reduce the bids to the budgeted project scope, then DECA can rebid. Ms. Linton said that with budget request preparation starting in July of fiscal year 2022 and project authorization effective in July of fiscal year 2023, at least one year will elapse between project estimates and bid receipts. Ms. Linton said that this was the second 2022-2024 line-item project appropriation increase submitted to the committee and that the statute KRS 45.760(6) allows up to fifteen percent increases (more with a federal or private fund source and/or if required by a federal/state court/regulatory agency decision). While preserving its ability to receive successful bids and the buildings' functionality, DECA works closely with its consultants for accurate estimates and, during the design process prior to bids, scope reduction. Fund source availability determines whether a project will receive an appropriation increase and KHEAA's roof replacement was non-discretionary.

Representative Thomas moved to approve the amended new project and appropriation increase, Representative Herron seconded the motion, and the committee approved by unanimous roll call vote.

Lease Report from the Finance and Administration Cabinet

Mr. Aubrey submitted a Unified Prosecutorial System lease renewal and a Department of Juvenile Justice new lease requiring action and reported five Department of Highways month-to-month emergency leases. Co-Chair Frazier Gordon moved to roll the lease renewal and new lease into one roll call vote, Representative Herron seconded the motion, and the committee approved without objection.

The lease renewal in Jefferson County is under the same terms and conditions; 24,233 square feet at \$16.55 per square foot for a \$404,056 annual rental cost through June 30, 2023. The new lease in Christian County is for a day treatment center. There was one respondent to the office/classroom space's advertisement; 9,923 square feet at \$14.85 per square foot (including gas, sewer, and water) for a \$147,357 annual cost through June 30, 2030. In response to Representative Thomas, Mr. Aubrey said that lease costs were trending upwards. Co-Chair Frazier Gordon moved to approve the lease renewal and new lease, Representative Thomas seconded the motion, and the committee approved by unanimous roll call vote.

The five Department of Highways emergency leases were to house travel trailers for families whose primary residences were majorly damaged, destroyed, or not habitable due to the July

2022 flooding in Eastern Kentucky. The first three were amendments to existing leases. The two lease amendments in Clay County reduced the seven lots to four and the four lots to three. The lease amendment in Owsley County increased the twenty-five lots to twenty-six. Two of the new leases were with local government entities, thirty-six sites at \$100 per site per month in Letcher County (Whitesburg) and eighteen sites at no cost in Pikeville. The third new lease was with an industrial development authority/area development district; thirty sites at \$100 per site per month in Letcher County (Jenkins).

Report from the Office of Financial Management Kentucky Infrastructure Authority

Ms. Williams submitted five Round One (Senate Bill 36) and one Round Two (House Bill 1) Cleaner Water Program (CWP) county pool grant reallocations requiring action and reported thirteen House Bill 1 line-item grants. Representative Thomas moved to roll the six grant reallocations into one roll call vote, Representative Petrie seconded the motion, and the committee approved without objection.

Of the Round One CWP county pool reallocations, three were for sewer and two were for water projects. The Round Two CWP county pool reallocation was for a sewer project. Co-Chair Frazier Gordon moved to approve the six CWP county pool grant reallocations, Representative Thomas seconded the motion, and the committee approved by unanimous roll call vote.

Of the thirteen House Bill 1 line-item grants, eleven were for sewer and two were for water projects. In response to Senator Funke Frommeyer, Ms. Williams said that House Bill 1 sewer and water project line-item appropriations totaled over \$50 million.

Office of Financial Management - Previous Debt Issue

Mr. Barrow reported the Kentucky Housing Corporation (KHC) Multifamily Conduit Revenue Bonds (Flats at Bardstown), Series 2022 previous debt issue; \$21.5 million net proceeds with an over \$44 million project cost for a 192-unit residential complex in Louisville, which priced December 16. KHC conduit debt issues are applied towards the state's private activity volume cap for the tax-exemption and affect neither the Commonwealth's nor KHC's financials. In response to Representative Herron, Mr. Barrow said that developers' use of tax-exempt KHC conduit debt to finance affordable multifamily housing projects allows them to access the four percent Low-Income Housing Tax Credits.

School District Debt Issues with School Facilities Construction Commission (SFCC) Debt Service Participation - New Projects

Mr. Barrow submitted three new school district debt issues with SFCC debt service participation requiring action. Representative Petrie moved to roll them into one roll call vote, Representative Herron seconded the motion, and the committee approved without objection.

The SFCC debt issues totaled \$134.165 million; 99 percent, \$132.846 million, with locally supported debt service and one percent, \$1.317 million, with SFCC debt service participation. The three school districts, none of which needed an additional tax levy to pay debt service, were Jessamine County, Madison County, and Trimble County. Mr. Barrow said that with the projected decline in interest rates, SFCC may submit refinancing/refunding debt issues in the future.

Representative Petrie moved to approve the three new school district debt issues with SFCC debt service participation, Representative Thomas seconded the motion, and the committee approved by unanimous roll call vote.

Future Meeting Dates (Capitol Annex Room 131, Upon Adjournment)

Senator Girdler announced the February 21, 2023 and March 16, 2023 meeting dates.

Adjournment

There being no further business, the meeting adjourned at 3:33 PM.