

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

July 31, 2023

Call to Order and Roll Call

The July meeting of the Capital Projects and Bond Oversight Committee was held on Monday, July 31, 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; Senators Shelley Funke Frommeyer and Robin L. Webb; Representatives Keturah Herron and Walker Thomas.

Guests: Meg Campbell, Assistant Vice President of University Planning, Design, and Construction, University of Louisville; Janice Tomes, Deputy State Budget Director, Office of State Budget Director; Andy Casebier, Assistant Vice President of Facilities, Kentucky Community and Technical College System; Natalie Brawner, Assistant Director, Division of Real Properties, Department for Facilities and Support Services, Finance and Administration Cabinet; Sandy Williams, Executive Director, Kentucky Infrastructure Authority; Katie Smith, Deputy Secretary and Commissioner, Department for Financial Services, Cabinet for Economic Development; Kylee Palmer, Director of Programs Administration, Department for Financial Services, Cabinet for Economic Development, and, Ryan Barrow, Executive Director, Office of Financial Management.

LRC Staff: Katherine Halloran and Spring Emerson.

Approval of Minutes

Senator Funke Frommeyer moved to approve the June 22, 2023 meeting minutes, Co-Chair Frazier Gordon seconded the motion, and the committee approved without objection.

Information Items

Ms. Halloran referenced four 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 three restricted funds purchases of medical equipment for UK Chandler Hospital totaling just over \$728,000: a \$249,800 biotyper CA

system; a \$231,100 cardiac ultrasound system; and a \$247,400 neurosurgical ultrasound system. Pursuant to KRS 45.812(1), through their fiscal agents, four school districts, none of which needed an additional tax levy to pay debt service, reported upcoming debt issues to finance new projects. The school districts were Clay County, Gallatin County, Grant County, and Raceland-Worthington in Greenup County. Pursuant to House Bill 1, five postsecondary institutions reported asset preservation capital projects.

Project Report from the Postsecondary Institutions – University of Louisville

Ms. Campbell submitted a new project, Expand Ekstrom Library, funded with \$8 million in donor funds to provide additional archival, student, and office space; renovating 8,000 to 10,000 square feet of space, including the addition. Senator Funke Frommeyer moved to approve the project, Senator Webb seconded the motion, and the committee approved by unanimous roll call vote.

Project Report from Finance and Administration Cabinet

Ms. Tomes reported seventeen pool allocations requiring no action; the general funded \$1.212 million Justice and Public Safety Cabinet, Department of Corrections, Adult Correctional Institutions (Maintenance Pool – 2022-2024), Roofing Design – East project, design and consultant studies for roofs at three correctional complexes (Blackburn Correctional Complex, Northpoint Training Center, and Little Sandy Correctional Complex) and sixteen Postsecondary Education, Kentucky Community and Technical College System (KCTCS) (Asset Preservation Pool – 2022-2024) projects. The KCTCS projects were the \$1.598 million Ashland CTC Roof Replacements, replacement of roofs on two buildings (Main Campus Goodpaster and Technology Drive Campus); \$4.9 million Big Sandy CTC Roof Replacements, repair and replacement of roofs on six buildings; \$2.8 million Gateway CTC Roof Replacements, replacement of roofs on two buildings; \$4.5 million Gateway CTC Mechanical Equipment and Controls, upgrade and replacement of boilers, chillers, pumps, and air handlers and upgrade of HVAC controls; \$1 million Henderson Community College Student Center Relocation and Demolition, relocation of services in the Student Center to other buildings and demolition of the Student Center; \$1.7 million Madisonville Community College Renovate Aviation, renovation of the Aviation Center including roof replacement, internal reconfiguration, HVAC, parking lot, lighting, and drainage upgrades; \$2 million Maysville CTC Roof Replacements, replacement of the roofs on two buildings; \$1.5 million Maysville CTC Fire Alarms Upgrade, creation of campus-wide interconnected fire alarm system that provides monitoring control from a central location; \$4.3 million Somerset Community College Life Safety Upgrades, upgrade of sprinkler, fire alarm, and safety systems; \$2.3 million Somerset Community College Upgrade HVAC South Campus, upgrade of the HVAC system at the South Campus; \$2.4 million Southeast Kentucky CTC Roof Replacements, replacement of the roofs on three buildings at the Cumberland and Middlesboro campuses; \$7 million Southeast Kentucky CTC Mechanical Equipment Upgrades, upgrade and replacement of boilers, chillers, pumps, and air handlers and upgrade of HVAC controls; \$5.5 million West Kentucky CTC Renovate Main Campus Buildings, replacement of roofs and switchgear at four main

campus buildings; \$3.4 million West Kentucky CTC Parking Lots and Sidewalks, repair of paving and sidewalks; and Kentucky CTC System West Colleges Fire Alarm Upgrades Groups One and Two, \$1.6 million each for the upgrade of fire alarm panels at the colleges in the western and eastern parts of the state. Eighty-five percent of the project costs came from the bond-funded Asset Preservation pool and KCTCS provided its fifteen percent match from restricted funds.

In response to questions from Representative Thomas and Co-Chair Frazier Gordon, Mr. Casebier said that KCTCS was able to execute all capital projects in its biennial budget request with all already bid or to be bid next month. For projects not already under construction, construction should commence by September or October. He said that there was a slight delay as Finance and Administration Cabinet's Division of Contracting and Administration was handling numerous projects.

Lease Report from Finance and Administration Cabinet

Ms. Brawner submitted a lease renewal, three lease modifications of at least \$50,000, and a Tenant Improvement Fund request. Representative Thomas moved to roll them into one roll call vote, Co-Chair Frazier Gordon seconded the motion, and the committee approved without objection.

The lease renewal was the Cabinet for Health and Family Services, Department for Community Based Services, Ohio County, PR-4175. The lessor requested a rate increase and based on a competitive bidding process outlined in KRS 56.803, the lease was awarded to the current lessor. The lease is 12,700 square feet at a new rental rate of \$15.00 per square foot for a \$190,500 annual cost through June 30, 2031.

The first lease modification was for the Cabinet for Health and Family Services, Department for Community Based Services and Office for Children with Special Health Care Needs, Floyd County, PR-4000; to increase the leased space by 13,121 square feet for 23,530 total square feet at the same rental rate of \$10.45 per square foot, which will result in a \$137,115 annual increase for a new \$245,889 annual cost. The additional office and clinic space required extensive demolition and renovation including framing and drywall demolition/installation, electrical services upgrades, interior finishes, plumbing, and HVAC and sprinkler system modifications. The lessor provided one estimate from Alliance Corporation in the amount of \$529,060 and agreed to share fifty percent of the total renovation costs. When renovations are completed, the agencies will amortize \$264,530 through the newly negotiated lease term ending June 30, 2031. This modification also resulted in a consolidation of space leased under PR-4511.

The second lease modification was for the Transportation Cabinet, Department of Vehicle Regulation, Hardin County, PR-5685; amortization of extensive demolition and renovations of newly leased Driver Licensing Regional Office space of 4,527 square feet at \$9.25 per square foot. The necessary renovations include framing and drywall

demolition/installation, electrical services/HVAC upgrades, interior finishes, and primary entrance. The lessor provided two estimates: \$322,350 from David Company and \$438,900 from Jenkins-Essex Construction. KYTC recommended acceptance of the low bid. When renovations are completed, KYTC will amortize the \$322,350 through the lease term ending June 30, 2031.

The third lease modification was for the General Government Cabinet, Occupational and Professional Boards and Commissions, Board of Nursing, Jefferson County, PR-3791; to decrease the square footage by 5,681 square feet for 16,329 total square feet at the same rental rate of \$11.75 per square foot, which will result in a \$66,752 annual decrease for a new \$191,886 annual cost. The lease is under suspension due to partial water damage from burst sprinkler lines. The lessor is making necessary repairs, including painting and floor coverings, and the agency is temporarily leasing space in an adjacent facility until those repairs are completed, anticipated to be by September 1. The Board requested painting and floor coverings in the undamaged area. Based on the age and condition of the undamaged area, the lessor agreed to split the \$59,762 cost; with a cost distribution of 58.33 percent to the lessor and 41.67 percent to the Board. The Board will amortize the \$24,903 through the lease term ending June 30, 2029.

The Tenant Improvement Fund request, Energy and Environment Cabinet, 300 Building, Franklin County, PR-5411 was for the installation of two new dual cable pedestal mount electric vehicle (EV) chargers on two new concrete pads. The lessor provided three estimates: \$51,146 from Fox Electric; \$52,671 from Blue Sky Electric; and \$88,963 from Arts Electric. EEC recommended acceptance of the low bid. Including this request, the total amount of 300 Building Tenant Improvement Fund requests is \$262,765.

Senator Girdler expressed his best wishes for Scott Aubrey, Director, Division of Real Properties upon his retirement.

Representative Thomas moved to approve the lease transactions, Representative Herron seconded the motion, and the committee approved by unanimous roll call vote.

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

Ms. Williams submitted three Clean Water State Revolving Fund (Fund A) Program loans, a Governmental Agencies (Fund C) Program loan, two Drinking Water State Revolving Fund (Fund F) Program and sixteen Cleaner Water Program grants. Senator Webb moved to roll them into one roll call vote, Representative Thomas seconded the motion, and the committee approved without objection.

The Louisville and Jefferson County Metropolitan Sewer District (Bullitt County) requested a \$11.2 million Fund A loan for its Bullitt Hills and Hillview Wastewater Treatment Plant and Three Pump Stations Elimination project; elimination of three

wastewater treatment plants (and associated pump stations) that are over twenty-five years old, experienced overflow, and received notices of violation from the Division of Water. A new pump station will be constructed to divert flow to a wastewater treatment plant in Jefferson County. The loan term is twenty years at a one and one quarter percent interest rate. The City of Richmond (Madison County) requested a \$2.862 million Fund A loan for its South Point Force Main and Pump Station improvements project; replacement of over 8,000 linear feet of eight-inch lines with sixteen-inch force main and pump station rehabilitation to expand access to approximately 250 new customers. The loan term is twenty years at a half percent interest rate. The City of Jackson (Breathitt County) requested a \$500,000 Fund A loan for its \$1.98 million Sewer Rehabilitation Phase II project; rehabilitation of 20,000 linear feet of problematic lines experiencing inflow and infiltration. The loan term is thirty years at a half percent interest rate. The City of Morehead f/b/o Morehead Utility Plant Board (Rowan County) requested a \$7,054,602 Fund C loan for its \$52,052,602 Regional Water Treatment Plant Construction project. The project consisted of multiple phases and the bids for each phase have come in over budget. The Fund C loan proceeds will be combined with the existing Fund F loan proceeds. The loan term is twenty years at a two and three quarters percent interest rate. The Barkley Lake Water District (Trigg County) requested a \$3,678,453 Fund F loan for its \$4,055,104 Lakeside Waterline Replacement project; replacement of around 70,000 linear feet of three-inch, four-inch, and six-inch asbestos cement waterlines in the Lakeside area installed in 1965 to eliminate water loss. The loan term is twenty years at a two and a quarter percent interest rate. The City of South Shore (Greenup County) requested a \$8,590,500 Fund F loan for its \$10,382,805 South Shore to Portsmouth Permanent Interconnect project; construction of approximately 13,000 linear feet of twenty-inch waterline underneath the Ohio River to connect to Portsmouth, Ohio. Two booster pump stations and various line replacements will be made in order to distribute water throughout the system. Monitoring of the city's current drinking water source indicated increasing levels of PFAS. This loan is funded under the new Environmental Protection Agency emerging contaminants capitalization grant as authorized in the federal Bipartisan Infrastructure Law and will receive one hundred percent principal forgiveness as required by the terms of the grant.

Of the sixteen Cleaner Water Program Grants; nine are grants from the Supplemental Funding Pool (ten percent increases from prior grants to accommodate bids coming in over budget); six are County Pool reallocations, and one is a new County Pool grant. There was consensus from the local utilities and elected officials regarding the reallocations.

Senator Funke Frommeyer moved to approve the loans and grants, Representative Thomas seconded the motion, and the committee approved by unanimous roll call vote.

Cabinet for Economic Development - Economic Development Fund (EDF) Grants

Ms. Smith and Ms. Palmer submitted eight Kentucky Product Development Initiative EDF grants. Senator Webb moved to roll them into one roll call vote, Co-Chair Frazier Gordon seconded the motion, and the committee approved without objection.

The Kentucky Product Development Initiative program administered in conjunction with the Kentucky Association for Economic Development and codified in House Bill 745, uses EDF monies for industrial site upgrades. An independent site selection consultant identified the infrastructure projects as having potential for future economic development opportunities. CED disburses funds to the project applicants through the local government entities on a reimbursement basis upon review and approval of supporting documentation including invoices, proof of payment, matching funds, and progress reports. CED is submitting Round One grants and the consultant is evaluating Round Two grant applications.

The Kentucky Economic Development Finance Authority approved a \$42,300 KPDI EDF grant to the City of Princeton on behalf of the Princeton-Caldwell County Industrial Development Authority to conduct an in-depth analysis of the karst topography located at the Princeton Industrial Park. Matching funds are local monies for a \$84,500 total project cost. KEDFA approved a \$700,000 KPDI EDF grant to the Henderson County Fiscal Court on behalf of the West Kentucky Regional Industrial Development Authority to complete a site grading plan with a one million square foot building pad at the Sandy Lee Watkins site. Matching funds are local monies for a \$1.4 million total project cost. KEDFA approved a \$666,700 KPDI EDF grant to the Logan County Fiscal Court on behalf of the City of Russellville to complete an upgrade to a lift station at the West Industrial Park. Matching funds are a bank loan for a \$1.85 million total project cost. KEDFA approved a \$34,700 KPDI EDF grant to the Lyon County Fiscal Court on behalf of the Pennyriple Westpark Industrial Development Authority to conduct a floodplain analysis at the Pennyriple WestPark Industrial Park. This was a regional project with support from Caldwell, Crittenden, Livingston, Lyon, and Trigg Counties. Matching funds are local monies for a \$69,400 total project cost. KEDFA approved a \$675,400 grant to the Nicholas County Fiscal Court on behalf of the Bourbon County-Nicholas County Joint Economic Development Authority to acquire the Finrock property and begin engineering and site improvements. Matching funds are a bank loan and utility grants for a \$1,350,800 total project cost. KEDFA approved a \$225,000 KPDI EDF grant to the Trigg County Fiscal Court on behalf of the Cadiz-Trigg County Industrial Development Authority to construct a new wastewater pump station at the Interstate 24 Business Park. Matchings funds are a grant for a \$450,000 total project cost. KEDFA approved a \$100,000 KPDI EDF grant to the Washington County Fiscal Court on behalf of the Springfield-Washington County Economic Development Authority to prepare and improve a new industrial site, Lincoln Business Park, into a shovel-ready site by adding a dedicated entrance and extending existing infrastructure. Matching funds are EDA monies for a \$200,000 total project cost., KEDFA approved a second KPDI EDF grant to the Washington County Fiscal Court on behalf of the Springfield-Washington County Economic Development Authority to

prepare a improve a site in the industrialized zoned Springfield–Washington County Commerce Center. Matching funds are EDA monies for a \$200,000 total project cost.

In response to a question from Senator Funke Frommeyer regarding the return on investment, Ms. Smith said that the industrial site upgrades through the KPDI pilot program resulted in \$4 billion worth of investment. As an example, the construction of a gas line and other site upgrades in Henderson was a contributing factor in Pratt Industries announcing that it would invest \$400 million in a recycled paper mill in Henderson.

Senator Webb moved to approve the KPDI EDF grants, Co-Chair Frazier Gordon seconded the motion, and the committee approved by unanimous roll call vote.

Office of Financial Management – New and Previous Debt Issues

Mr. Barrow submitted the Kentucky Housing Corporation Multifamily Conduit Revenue Bonds (Davis Park Station), Series 2023; \$9 million net proceeds with an over \$22 million estimated project cost for a seventy-three-unit residential complex in Lexington. KHC conduit debt issues affect neither the Commonwealth’s nor KHC’s financials and are applied towards the state’s private activity volume cap.

Representative Herron moved to approve the new debt issue, Senator Webb seconded the motion, and the committee approved by unanimous roll call vote.

Mr. Barrow reported three previous debt issues. The first was the \$54.84 million Kentucky Asset/Liability Commission, Project Notes 2023 Federal Highway Trust Fund First Refunding Series A; which redeemed the Series 2013 debt issue. Federal funds, the federal portion of the gas tax, is applied towards debt service and the \$1.6 million in net present value savings can be used towards additional programming. The debt issue priced June 6, closed June 22, and has a final maturity of September 1, 2025. The second was the KHC Multifamily Conduit Revenue Bonds (The Prestonian), Series 2023; \$55 million net proceeds with an over \$129 million project cost for a 343-unit residential complex in Louisville, which priced June 30. The third was the KHC Multifamily Conduit Revenue Bonds (Gateway on Broadway), Series 2023; \$25 million net proceeds with an over \$63 million project cost for a 116-unit residential complex in Louisville, which priced June 16.

School District Debt Issues with School Facilities Construction Commission Debt Service Participation – New Projects

Mr. Barrow submitted three school district debt issues with SFCC debt service participation totaling \$20.89 million for new projects; eighty-nine percent, \$18.573 million, with locally supported debt service and eleven percent, \$2.317 million, with SFCC debt service participation. Co-Chair Frazier Gordon moved to roll them into one roll call vote, Representative Thomas seconded the motion, and the committee approved without objection.

The school districts, none of which needed an additional tax levy to pay debt service, were Clay County; Magoffin County, and Wolfe County.

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

Adjournment

The next CPBOC meeting is scheduled for Wednesday, August 23, 2023, with Representative Frazier Gordon presiding. Submissions are due on August 9, 2023.

There being no further business before the committee, the meeting was adjourned at 3:52 PM.