

# CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

## Minutes

May 23, 2023

### Call to Order and Roll Call

The May meeting of the Capital Projects and Bond Oversight Committee was held on May 23, 2023, at 11:00 AM 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 Robin L. Webb, Representative Keturah Herron, Representative Jason Petrie, and Representative Walker Thomas.

Guests: Meg Campbell, Assistant Vice President for University Planning, Design, and Construction, University of Louisville; Beth Ward, Director, Procurement Services, Murray State University; Elizabeth Baker, Sr. Director Strategic Capital Planning & Legislative Analysis, University of Kentucky; Kevin Cardwell, Deputy State Budget Director, Office of State Budget Director; Sam Ruth, Commissioner, Department for Facilities and Support Services, Finance and Administration Cabinet (FAC); Jessie Boles, Project Manager, Department for Fish and Wildlife Resources, Tourism Arts and Heritage Cabinet; Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services, FAC; Sandy Williams, Executive Director, Kentucky Infrastructure Authority; Katie Smith, Deputy Secretary and Commissioner, Cabinet for Economic Development (CED); Kylee Palmer, Director, Programs Administration, CED; and, Ryan Barrow, Executive Director, Office of Financial Management.

LRC Staff: Jenny Bannister and Spring Emerson.

### Approval of Minutes

Representative Petrie moved to approve the minutes of the April 25, 2023 meeting. The motion was seconded by Co-Chair Frazier Gordon, and the minutes were approved without objection.

### Information Items

Ms. Bannister reviewed the information items as KRS 45.760(5) Postsecondary Medical Equipment Purchases - University of Kentucky; KRS 45.812(1) School District Debt Issues - New Projects, which included Bell County (Pineville Independent), Boyd County, Clay County, Harrison County, Johnson County (Paintsville Independent), and Kenton County; and, KRS 48.111(6)(a) Notice of Advertisement for Leased Space - Cabinet for Health and Family Services, which included Ohio County PR-4175, Leslie County PR-5770, and Rockcastle County PR-5775.

### Action Items - Project Report from the Postsecondary Institutions

Representative Herron moved to roll these items into one roll call vote. The motion was seconded by Representative Thomas, and the items were rolled without objection.

Ms. Campbell provided information for the University of Louisville, Appropriation Increase, Medical Tower-55A Vivarium project, which came in over budget by \$2 million. The university

covered that overage with school medicine fees.

In response to a question from Representative Petrie regarding the length of the project, Ms. Campbell said that it could not move any faster due to the National Institutes of Health (NIH) requirements and their deadlines. Construction costs also increased, including the HVAC equipment that had doubled in price. There was no change in the scope of the project; however, the project is actually ahead of the NIH schedule by approximately eight months.

In response to questions from Senator Funke Frommeyer regarding ways to shorten the process, Ms. Campbell said the NIH grant approval process can take up to three months to review and approve the documents for each phase of a project.

Ms. Ward provided information on the Murray State University, New Project, Equipment Purchase project. There were no questions.

Representative Petrie moved to approve the two projects. The motion was seconded by Co-Chair Frazier Gordon, and the projects were approved by roll call vote.

#### **Action Item - Lease Report from the Postsecondary Institutions**

Ms. Baker provided information for the University of Kentucky, including New Lease, Kentucky Injury Prevention, PR-8542; New Lease, UK Royal Blue Health, Ashland Hospital Corporation, 316412; Lease Renewal - UK HealthCare Enterprise, PR-8409; and, Lease Modification - UK HealthCare Specialty Pharmacy Services.

Co-Chair Frazier Gordon moved to roll these items into one roll call vote. The motion was seconded by Representative Herron, and the items were rolled without objection.

Ms. Campbell provided information for the University of Louisville - Lease Modification - Ryan White Program. There were no questions.

Senator Webb moved to approve the leases. The motion was seconded by Representative Thomas, and the leases were approved by roll call vote.

#### **Project Report from the Finance and Administration Cabinet**

Mr. Cardwell provided information on the Action Item - Emergency Repair, Maintenance, or Replacement Project - Tourism, Arts, and Heritage Cabinet - Department of Parks - Jenny Wiley Marina - Electrical Repair Project; and, the Action Item - Capital Construction and Equipment Purchase Contingency Account Transfer - Finance and Administration Cabinet - Department for Facilities and Support Services - Finance and Administration Cabinet and Office of State Budget Director Relocation.

Senator Webb moved to roll the emergency repair and the account transfer into one roll call vote. The motion was seconded by Representative Herron, and the projects were rolled into one vote.

In response to questions from Representative Petrie, Mr. Ruth said the Capitol Annex to Mero Street move is still in the process. The first phase was a quick construction of some offices in the Mero building and moving out of the Annex in December of 2022, which has been completed. Now entering phase two, which will include arranging work areas, building some offices, and moving furniture. Mr. Cardwell said the project would cost approximately

\$3,533,000. Mr. Ruth added that it included lighting, sprinkler systems, replacement of variable air volume (VAV) boxes, file storage, and other issues besides building a couple of offices. Mr. Cardwell said the total would be approximately \$4 million. Upon the completion of phase two, the project would be finished.

Senator Webb moved to approve the emergency repair and the account transfer. The motion was seconded by Representative Herron, and the projects were approved without objection by roll call vote.

Mr. Cardwell provided information on Pool Allocations, including the Tourism, Arts, and Heritage Cabinet - Department of Fish and Wildlife Resources - Fees-in-Lieu-of Stream Mitigation Pool, (a) FILO-Dodge Gap Jefferson County Memorial Forest Project in the amount of \$2.1 million, and (b) FILO-Ferguson Creek Project in the amount of \$2.5 million. These items required no action.

In response to a question from Senator Funke Frommeyer regarding the use of students to help manage costs, Mr. Boles said they typically do not employ students; however, they do contract with the University of Kentucky (UK) and the University of Louisville (UofL) for different portions of their programs, and for monitoring or conducting studies. Senator Webb expressed her appreciation for their work on these projects.

In response to a question from Senator Funke Frommeyer regarding the opportunity to work with the Education and Labor Cabinet for workforce preparation, Mr. Boles said he benefitted from a co-op program through UofL, and will relay the information for consideration.

#### **Lease Report from the Finance and Administration Cabinet - Emergency Leases**

Mr. Aubrey provided information for the Justice and Public Safety Cabinet, Department of Corrections, Graves County, PR-5719; the Cabinet for Health & Family Services, Graves County, PR-5720; and, the Transportation Cabinet, Department of Highways, Breathitt County, PR-5779. There were no questions.

#### **Report from the Office of Financial Management**

Ms. Williams provided information on three loans and four grants. Co-Chair Frazier Gordon moved to roll the loans and grants into one roll call vote. The motion was seconded by Representative Petrie, and it was approved to roll the votes into one.

The action items were for the Kentucky Infrastructure Authority, which included Infrastructure Revolving Fund (Fund B) Program Loan - Mayfield Electric and Water Systems, Graves County, B23-004; Drinking Water State Revolving Fund (Fund F) Program Loans (a) City of Harrodsburg, Mercer County, F23-004 and (b) Northern Kentucky Water District, Kenton County, F23-007; and, four Cleaner Water Program Grants.

In response to a question from Senator Funke Frommeyer regarding the determination of interest rates, Ms. Williams said the Kentucky Infrastructure Authority (KIA) offers interest rates based on the median household income (MHI) of the system. For example, for systems with an MHI at or above the state MHI rate, they would get the standard interest rate which is currently the highest at 2.25 percent. If a utility service area has an MHI of between eighty percent of, and up to the state MHI rate, they would get the next lower rate, at 1.25 percent. At below eighty percent of the state MHI rate, they would be offered the lowest rate, at 0.5 percent. The current state MHI rate is at approximately \$52,000.

In response to a question from Representative Petrie regarding principal forgiveness, Ms. Williams said different interest rates are offered based on certain factors, such as the terms of the federal grant, the MHI for the service area, affordability index. More information can be provided at a later date.

In response to a question from Representative Petrie regarding how the rates are accounted for, Ms. Williams said the KIA reviews financial statements with the utilities to ensure their rates can support their cost structure. It also considers any rate increases in the affordability index calculation.

In response to a question from Senator Funke Frommeyer, Ms. Williams said with all of the KIA loan programs, the MHI is calculated based on a computer model of service lines for the entire system, as well as census tracks in those areas including population and intended use plans.

Representative Petrie moved to approve the loans and grants. The motion was seconded by Representative Thomas, and the loans and grants were approved without objection by roll call vote.

Ms. Smith and Ms. Palmer provided information on the Cabinet for Economic Development Action Items, which included Adair County Fiscal Court on behalf of the Columbia-Adair County Economic Development Authority; Allen County Fiscal Court on behalf of the Allen County-Scottsville Industrial Development Authority, Inc.; Breckinridge County Fiscal Court on behalf of Breckinridge County United, Inc.; City of Corbin on behalf of the Southeast Kentucky Industrial Development Authority, Inc.; One East Kentucky on behalf of the Johnson County Fiscal Court; Rowan County Fiscal Court on behalf of the Morehead-Rowan County Economic Development Council; Russell County Fiscal Court on behalf of the Russell County Industrial Development Authority; and, Simpson County Fiscal Court on behalf of the Franklin-Simpson Industrial Authority.

In response to a question from Representative Petrie regarding the 2022 statutory creation of an Economic Development program called the Product Development Initiative (PDI) and how much of the funds remain, Ms. Smith said there is \$66 million available in Round Two. Letters of Intent were due to the Kentucky Association for Economic Development on April 28, and Round Two applications are due June 23. Even if a letter of intent was not submitted, applications and requests for information can still be submitted. Under Round Two, the maximum amount available for each county is \$2 million. Representative Petrie commented that the Area Development Districts could possibly assist with the PDI program.

In response to a question from Senator Funke Frommeyer regarding the grading of projects, Ms. Smith said the independent consultant looks at three aspects to scoring, which include the return on investment, likelihood of completion, and gross economic impact. This would also include determination of job cost and relative positive impact.

Senator Funke Frommeyer moved to approve the grants. The motion was seconded by Representative Petrie, and the grants were approved without objection by roll call vote.

Mr. Barrow provided information on new Kentucky Housing Corporation debt issues. Representative Petrie moved to roll the two debt issues into one roll call vote. The motion was

seconded by Representative Thomas, and they were rolled into one roll call vote.

The debt issues included KHC Multifamily Revenue Bonds, Series 2023, Beecher Terrace Phase IV Project; and, KHC Multifamily Revenue Bonds, Series 2023, The Prestonian. Senator Webb moved to approve the new debt issues. The motion was seconded by Senator Funke Frommeyer, and they were approved without objection by roll call vote.

Mr. Barrow provided information on School District Debt Issues with School Facilities Construction Commission Debt Service Participation - New Projects. Co-Chair Frazier Gordon moved to roll these projects into one roll call vote. The motion was seconded by Representative Petrie, and the votes were rolled into one.

The projects included Boyd County, Breckinridge County, Christian County, and Graves County. Representative Petrie moved to approve the projects. The motion was seconded by Representative Thomas, and the SFCC debt issues were approved without objection by roll call vote.

#### **Remaining Calendar Year 2023 Meeting Dates**

June 22 - Representative Frazier Gordon, Chair (Submissions Due June 8)

July 25 - Senator Girdler, Chair (Submissions Due July 11)

Aug. 23 - Representative Frazier Gordon, Chair (Submissions Due Aug. 9)

Sept. 27 - Senator Girdler, Chair (Submissions Due Sept. 13)

Oct. 25 - Representative Frazier Gordon, Chair (Submissions Due Oct. 11)

Nov. TBD - Senator Girdler, Chair (Submissions Due TBD)

Dec. TBD - Representative Frazier Gordon, Chair (Submissions Due TBD)

#### **Adjournment**

There being no further business before the committee, the meeting was adjourned at 12:25 PM.