

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

December 19, 2024

Call to Order and Roll Call

The December meeting of the Capital Projects and Bond Oversight Committee was held on December 19, 2024, at 9:00 AM in Room 131 of the Capitol Annex. Representative Deanna Frazier Gordon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Deanna Frazier Gordon Co-Chair; Senator Rick Girdler Co-Chair; Senators Shelley Funke Frommeyer and Jason Howell; Representatives Keturah Herron, Jason Petrie, and Walker Thomas.

Guests: Doug Hendrix, Executive Director, Kentucky Communications Network Authority (KCNA); Greg Gatson, Chief Operations Officer, KCNA; Steve Murphy, Executive Advisor, KCNA; Andy Casebier, Assistant Vice President of Facilities Support Services, Kentucky Community and Technical College System; Elizabeth Baker, Strategic Capital Planning and Legislative Analysis, University Budget Office, University of Kentucky; Janice Tomes, Deputy State Budget Director, Office of State Budget Director; Natalie Brawner, Director, Division of Real Properties, Department for Facilities and Support Services, Finance and Administration Cabinet (FAC); Stacy Perry, Division Director, Office of Administrative Services, Energy and Environment Cabinet; Sandy Williams, Executive Director, Kentucky Infrastructure Authority (KIA); and, Steve Starkweather, Deputy Executive Director, Office of Financial Management, FAC.

LRC Staff: Katherine Halloran, Savannah Wiley, and Spring Emerson.

Approval of Minutes

Representative Thomas moved to approve the minutes of the November 19, 2024 meeting. The motion was seconded by Senator Funke Frommeyer, and the minutes were approved without objection.

Information Items

Ms. Halloran presented the information items as A) KRS 45.760(5) Postsecondary Medical and Research Equipment Purchases - University of Kentucky; B) KRS 45.760(6) Postsecondary Fund Source Revision (No Aggregate Appropriation Increase) and Project Authorization Consolidation - University of Kentucky, Improve Campus Parking and Transportation System (South Campus); C) School District Debt Issues - New Projects; D)

Committee meeting materials may be accessed online at <https://apps.legislature.ky.gov/CommitteeDocuments/13>

KRS 48.111(6)(c) Notification - Finance and Administration Cabinet; and, E) House Bills 1 and 6 Postsecondary Education Asset Preservation Pool Projects.

Kentucky Communications Network Authority (KCNA)

Mr. Hendrix and Mr. Gatson presented an overview and update of the KCNA.

In response to questions from Chair Frazier Gordon, Mr. Gatson explained the middle mile network connects the last mile providers to the internet, providing open access to underserved areas. Mr. Hendrix agreed to provide information to the committee regarding revenues and disbursements. Mr. Hendrix commented that the more revenue that is received, the less the agency would require assistance from the General Fund.

In response to a question from Senator Funke Frommeyer regarding the nature of the indebtedness, Mr. Murphy said there are three different bonds in use; Series A and B are public, and Series C is private. The total issuance of the bonds was \$231 million for Series A, \$57 million for Series B, and \$15 million for Series C, which amounts to approximately \$306 million, with about \$290 million left outstanding. Series C is not amortized, because it is subordinate. The total amount that was amortized was \$16 million.

In response to a question from Senator Funke Frommeyer regarding the number of rings, Mr. Hendrix replied that there are six rings total. Ring 1-A represents the Golden Triangle, Ring 1-B is for the central part of Eastern Kentucky, Ring 2 runs between Pikeville and Somerset, Ring 3 is for the central part of the state around Elizabethtown, Ring 4 is the area west of I-65, and Ring 5 is from Northern Kentucky to Ashland.

In response to a question from Representative Thomas regarding the KCNA Board of Directors, Mr. Hendrix said they are set by statute and include the Secretary of the Governor's Cabinet as Board Chair, along with representatives of the Office of State Budget Director and the Center for Rural Development, as well as the Commissioner of the Department for Local Government, and Cabinet Secretaries of Transportation, Economic Development, and Justice and Public Safety.

In response to questions from Senator Howell, Mr. Hendrix said the network was built at approximately twice the capacity that was estimated the state would need through 2045. Because it is an open access network, there is an opportunity for third party internet service providers (ISPs) to become part of the network in order to spread broadband out to the citizens. There are no ISP wholesalers at this time.

In response to questions from Representative Petrie regarding projected revenues at the start of the project, the type of revenue sources, as well as projected versus actual by source, Mr. Hendrix said that information would be provided to the committee.

Project Report from Postsecondary Institutions - KCTCS

Mr. Casebier presented information for the Kentucky Community and Technical College System (KCTCS) on a new project for Maysville Community and Technical College Montgomery Campus Welding Lab Renovation. The project includes an expansion of the Welding Lab to add fourteen additional welding booths, one of which is ADA accessible. The project is \$1,220,000, and of that amount \$976,000 is federal funding, with a match of \$244,000 in KCTCS restricted funds.

Senator Howell moved to approve the new KCTCS project. The motion was seconded by Representative Herron, and the project was approved without objection by roll call vote.

Lease Report from Postsecondary Institutions - University of Kentucky

Ms. Baker presented information on two new leases and a lease renewal, requiring action. Senator Howell moved to roll the two votes into one roll call vote. The motion was seconded by Co-Chair Girdler, and the votes were rolled into one without objection.

The new leases were for 1. Administrative and Financial Services, PR-8576, and 2. Fountain Court Primary Care Clinic, PR-8573. The lease renewal was for the Department of Ophthalmology and Visual Science, PR-8396.

In response to questions from Chair Frazier Gordon regarding the lease rate, Ms. Baker said the rate of \$41 per square foot included \$27 as the base and \$14 for operating costs, and the project is located in a key position, with the buildings all together. Utilities are also included in the cost of the leases.

Senator Howell moved to approve the leases. The motion was seconded by Co-Chair Girdler, and the leases were approved by roll call vote.

Project Report from the Finance and Administration Cabinet

Ms. Tomes presented information on two projects requiring no action. The projects were for A. Emergency Repair, Maintenance, or Replacement Project - Justice and Public Safety Cabinet, Kentucky State Police, KSP Supply Branch Facility Fire July 2024, and B. Pool Allocation - Cabinet for Health and Family Services, Behavioral Health, Developmental and Intellectual Disabilities (General Administration and Program Support Maintenance Pool - 2022-2024 and 2024-2026) - Central State Hospital Building Automation Upgrade.

Lease Report from the Finance and Administration Cabinet

Ms. Brawner presented information on the Action Item - Lease Modification of at Least \$50,000 (Space Change) - Energy and Environment Cabinet, Department for Natural Resources, Perry County, PR-3567. The purpose of the modification is to increase the

square footage by 7,303 square feet due to a need for more space for staff and training.

In response to questions from Chair Frazier Gordon, Ms. Brawner said there was not enough room for existing staff, with several people being doubled up, as well as the need for training space.

In response to questions from Representative Petrie, Ms. Perry said there are currently approximately 25 employees in that area, with eight in one room sharing workspace. With the space being shared by two divisions, there are 33 employees in the Division of Mine Reclamation and Enforcement and 15 employees in the Division of Mine Safety.

In response to a question from Senator Howell regarding training, Ms. Perry said the information on the training space will be provided to the committee.

Representative Thomas moved to approve the lease modification. The motion was seconded by Representative Herron. Roll call vote was taken, and with three yeas and four nays, the lease modification was not approved.

Report from the Office of Financial Management

Kentucky Infrastructure Authority

Ms. Williams presented information on six loans requiring action. Senator Howell moved to roll the six loans into one roll call vote. The motion was seconded by Co-Chair Girdler, and the six votes were rolled into one without objection.

The loans consisted of 1. Clean Water State Revolving Fund (Fund A) Program Loan - City of Edmonton (Metcalf County), A25-019; 2. Infrastructure Revolving Fund (Fund B) Program Loan - City of Midway (Woodford County), B25-003; 3. Drinking Water State Revolving Fund (Fund F) Program Loans for a. Northern Kentucky Water District (Kenton County), F24-008L, b. Northern Kentucky Water District (Kenton County), F24-008S, c. City of Corbin f/b/o Corbin City Utilities Commission (Whitley County), F24-006, and d. Laurel County Water District #2 (Laurel County), F25-017L.

In response to a question from Chair Frazier Gordon regarding the engineering firm, Ms. Williams replied that an in-house engineering team is often used in the Northern Kentucky Water District, and that information will be provided to the committee.

Senator Howell moved to approve the KIA loans. The motion was seconded by Senator Funke Frommeyer, and the loans were approved without objection by roll call vote.

Office of Financial Management - Kentucky Housing Corporation

Mr. Starkweather presented information on two new debt issues requiring action and one previous debt issue requiring no action. Senator Howell moved to roll the two new debt issues into one roll call vote. The motion was seconded by Representative Thomas and the votes were rolled into one without objection.

The new debt issues were for a. Kentucky Housing Corporation Multifamily Conduit Revenue Bonds (Echo Trail Apartments), Series 2025, and b. Kentucky Housing Corporation Tax-Exempt and Taxable Single Family Mortgage Revenue Bonds, 2025 Series A and 2025 Series B. Senator Funke Frommeyer moved to approve the two debt issues. The motion was seconded by Co-Chair Girdler, and the debt issues were approved without objection by roll call vote.

Mr. Starkweather presented information on the Previous Debt Issue - Kentucky Housing Corporation Single Family Mortgage Revenue Bonds, 2024 Series E, for which no action was required.

Office of Financial Management - School Facilities Construction Commission

Mr. Starkweather presented information on the Action Item - School District Debt Issue with School Facilities Construction Commission (SFCC) Debt Service Participation - New Project - Lease Revenue Bonds - Cumberland County.

In response to a question from Representative Petrie, Mr. Starkweather said Phases One and Two are usually for the building, with Phase Three being an athletic facility.

In response to a question from Senator Funke Frommeyer regarding the population being served by this facility, Mr. Starkweather said the information will be provided to the committee.

Senator Howell moved to approve the new project. The motion was seconded by Co-Chair Girdler and the project was approved without objection by roll call vote.

Adjournment

There being no further business before the committee, the meeting was adjourned at 10:00 AM.