

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

August 26, 2025

Call to Order and Roll Call

The August meeting of the Capital Projects and Bond Oversight Committee was held on August 26, 2025, at 1:00 PM in Room 131 of the Capitol Annex. Representative Shawn McPherson, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Shawn McPherson, Co-Chair; Senator Shelley Funke Frommeyer, Co-Chair; Senators Rick Girdler, Scott Madon, and Reginald L. Thomas; Representatives Sarah Stalker 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 Baker, Executive Director, Office of Facility Development and Efficiency, Department for Facilities and Support Services, Finance and Administration Cabinet; Natalie Brawner, Director, Division of Real Properties, Department for Facilities and Support Services, Finance and Administration Cabinet; John Moore, Deputy State Highway Engineer, Department of Highways, Kentucky Transportation Cabinet; Sandy Williams, Executive Director, Kentucky Infrastructure Authority; Kylee Palmer, Deputy Commissioner, Department for Financial Services, Economic Development Cabinet; Steve Starkweather, Deputy Executive Director, Debt, Office of Financial Management; Wendy Smith, Deputy Executive Director, Housing Programs, Kentucky Housing Corporation (KHC); Terry Helton, Managing Director, Multifamily Programs, KHC; and Lewis Diaz, Partner at Dinsmore & Shohl.

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

Approval of Minutes

Co-Chair Funke Frommeyer moved to approve the minutes of the July 29, 2025 meeting. The motion was seconded by Senator Madon and the minutes were approved without objection by voice vote.

Information Items

Ms. Halloran reported the Information Items as A. KRS 45.760(5) Postsecondary Medical Equipment Purchase - University of Kentucky; B. KRS 45.812 School District Debt Issues - New Projects for 1. Barbourville Independent (Knox County), 2. Bardstown Independent

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

(Nelson County), 3. Bell County, 4. Danville Independent (Boyle County), and 5. Johnson County; C. KRS 45A.180(2) Postsecondary Notice of Intent to Use Alternative Construction Contracting Project Delivery Method - Eastern Kentucky University - Construction Management-At-Risk - Construct New Model Laboratory School; D. KRS 48.111(6)(a) Advertisement Notice for Leased Space - Finance and Administration Cabinet; and, E. House Bill 6 (2024 Regular Session) Reporting for 1. Kentucky Communications Network Authority Projects, and 2. Postsecondary Asset Preservation Pool Projects - Eastern Kentucky University.

Action Item - Lease Report from the Postsecondary Institutions - University of Kentucky

Ms. Baker presented information on a new lease and lease modification requiring action. Senator Madon moved to roll them into one roll call vote. The motion was seconded by Senator Girdler and the votes were rolled into one without objection.

The A. New Lease was for the UK St. Claire HealthCare Urgent Care and Outpatient Center, Rowan County, PR-8706 and the B. Lease Modification of at least \$50,000 was to increase space at the UK HealthCare Family and Community Medicine Clinic - Turfeland, Fayette County, PR-8466.

In response to Co-Chair Funke Frommeyer, Ms. Baker confirmed that the leased space is owned by private companies.

Senator Thomas moved to approve the new lease and lease modification. The motion was seconded by Representative Thomas and the items were approved without objection by roll call vote.

Project Report from the Finance and Administration Cabinet

Ms. Tomes presented information on three new projects and an appropriation increase requiring action and four transactions requiring no action. Senator Funke Frommeyer moved to roll the action items into one roll call vote. The motion was seconded by Representative Stalker and the votes were rolled into one without objection.

The action items included 1. New Projects for a. General Government Cabinet, Department of Military Affairs - Wendall H. Ford Regional Training Center Underground Electric, b. General Government Cabinet, Department of Military Affairs - Williamsburg Readiness Center Interior Repair, and c. Tourism, Arts, and Heritage Cabinet, Department of Fish and Wildlife Resources - Waste Services Realty Property Acquisition; and, 2. Appropriation Increase for an Integrated Tax System.

Representative Thomas moved to approve the action items. The motion was seconded by

Senator Madon and the items were approved without objection by roll call vote.

The four transactions requiring no action were Emergency Repair, Maintenance, or Replacement Project - Finance and Administration Cabinet, Department for Facilities and Support Services - Frankfort State Property Flood Damage, and Pool Allocations for 1. Justice and Public Safety Cabinet a. Department of Corrections, Adult Correctional Institutions (Maintenance Pools - 2022-2024 and 2024-2026) - Kentucky Correctional Institution for Women - Main Building Window Replacement Phase 2; b. Criminal Justice Training (Maintenance Pools) - Thompson Hall-Schwendeman Interior Refurbishment; and, 2. Tourism, Arts, and Heritage Cabinet, Department of Fish and Wildlife Resources (Fees-in-Lieu-Of Stream Mitigation Projects Pool) - Muddygut Branch (Johnson County).

In response to Senator Madon, Ms. Tomes and Mr. Baker confirmed that the \$3 million in flood damage would be fully covered by insurance proceeds.

Action Item - Lease Report from the Finance and Administration Cabinet

Ms. Brawner presented information on two new leases and a lease modification requiring action. Senator Madon moved to roll them into one roll call vote. The motion was seconded by Senator Girdler and the votes were rolled into one without objection.

The A. New Leases were for the Cabinet for Health and Family Services, Department for Community Based Services for 1. Graves County, PR-5785, and 2. Muhlenberg County, PR-5884. The B. Lease Modification of at Least \$50,000 (Rate Increase) was for the Transportation Cabinet, Department of Highways, Jefferson County, PR-3974.

In response to Representative Thomas, Ms. Brawner verified that the KYTC lease rate is temporary.

In response to Chair McPherson, Ms. Brawner said the original bid came in at \$19.25 per square foot for Muhlenberg County, and since there was only one response to the solicitation for bids, it was then negotiated to \$16.50 per square foot, which was in line with the Cabinet's budget. The lessor is currently paying \$13.00 per square foot. The last bid was received approximately eight years ago for what was then new construction. With respect to salt storage facilities, Ms. Brawner said most of those are owned by the state. The Jefferson County site is unique in that it is located in the Louisville Mega Caverns, which provides temperature control, protection from weather, and other factors. Mr. Moore further explained that the Mega Caverns site serves as salt reserve storage for the entire state. KYTC is constructing regional salt facilities, with four completed to date, to decrease its reliance on the Louisville site.

Co-Chair Funke Frommeyer moved to approve the two new leases and lease modification.

The motion was seconded by Senator Thomas and the items were approved without objection by roll call vote.

Report from the Office of Financial Management

Kentucky Infrastructure Authority

Ms. Williams presented information on water loans and sewer and water grants requiring action and a line-item sewer grant reallocation requiring no action. Senator Girdler moved to roll the action items into one roll call vote. The motion was seconded by Senator Madon and the votes were rolled into one without objection.

The action items were 1. Infrastructure Revolving Fund (Fund B) Program Loan - Cumberland County Water District (Cumberland County), B25-014; 2. Drinking Water State Revolving Fund (Fund F) Program Loans for a. (Director Level Increase) City of Lebanon (Marion County), F23-0095; b. Northern Kentucky Water District (Kenton County), F24-003L; c. City of Lewisport (Hancock County), F25-002 and F25-002E; d. Northern Kentucky Water District (Kenton County), F25-009S; 3. Cleaner Water Program Grant Reallocations for a. Round One (Senate Bill 36 - 2021 Regular Session) - Sewer (Two - County Pool); b. Round One (Senate Bill 36 - 2021 Regular Session) - Water (One - Supplemental Pool); c. Round Two (House Bill 1 - 2022 Regular Session) - Sewer (One - County Pool); d. Round Two (House Bill 1 - 2022 Regular Session) - Water (Three - County Pool); and 4. Kentucky Water and Wastewater Assistance for Troubled or Economically Restrained Systems (Kentucky WWATERS - Fund W) Program Grant - City of Providence (Webster County), W26-001E.

In response to Co-Chair Funke Frommeyer, Ms. Williams said that a boil water advisory was in effect for Providence and that advisories typically only last no longer than a week. Ms. Williams stated that Lewisport had a first reading of the ordinance for its rate increase and the second reading is expected in September. If the rate increase is not implemented, then the city would not have sufficient revenue to repay the loan. The conditional commitment letter sent to KIA borrowers states that the utility must have sufficient revenue to repay the debt in order to receive the loan. KIA monitors annual financial statements and the debt coverage capacity for each borrower every year.

Senator Madon commented that most boil water advisories are due to broken lines. In that case, the water may have dirt in it and would be safe to use to water a vegetable garden or crops, but would need to be boiled for consumption. In the case of a spill of hazardous materials, it would not be safe for that use.

In response to Chair McPherson, Ms. Williams said KIA has the authority to have a utility increase its rates, if it is unable to make the debt service payment or is in default. Ms. Williams said the KIA prefers at least three bids for projects. Occasionally, there may not be

enough contractors to complete the work, which may require the acceptance of a single bidder.

Representative Thomas moved to approve the fourteen action items. The motion was seconded by Co-Chair Funke Frommeyer and the items were approved without objection by roll call vote.

Ms. Williams presented information on House Bill 1 (2024 Regular Session) Line-Item Sewer Grant Reallocation for the City of Corbin, which required no action.

Economic Development Fund Grants

Ms. Palmer presented information on seven EDF grants requiring action. Senator Girdler moved to roll the seven grants into one roll call vote. The motion was seconded by Senator Madon and the votes were rolled into one without objection.

The EDF grants included 1. City of Richmond (Madison County) on behalf of the Richmond Industrial Development Corporation; 2. Laurel County Fiscal Court on behalf of the London-Laurel County Economic Development Authority; 3. Monroe County Fiscal Court on behalf of the Monroe County Industrial Development Authority; 4. Muhlenberg County Fiscal Court on behalf of Paradise Park Regional Industrial Development Authority; 5. Pendleton County Fiscal Court on behalf of the Pendleton County Industrial Development Authority; 6. Russell County Fiscal Court on behalf of Russell County Industrial Development Authority; and, 7. Scott County Fiscal Court on behalf of the City of Georgetown.

In response to Co-Chair Funke Frommeyer, Ms. Palmer said there were two separate funding pools, the original was retitled the KPDI Program of 2022, which contained \$100 million for two rounds, and reimbursements are still being paid on round two. The other is the KPDI Program of 2024, and CED is in round one of two rounds of \$35 million each, for a total of \$70 million. It is anticipated that the full \$35 million of round one funding will be committed and approved. The site selection group is now receiving requests for the round two funds. Of the KPDI Program of 2022, there is approximately \$12 million remaining.

Co-Chair Funke Frommeyer moved to approve the seven EDF grants. The motion was seconded by Senator Girdler and the grants were approved without objection by roll call vote.

Office of Financial Management

Mr. Starkweather presented information on four new debt issues and two School Facilities Construction Commission (SFCC) debt issues requiring action. Co-Chair Funke Frommeyer

moved to roll the six debt issues into one roll call vote. The motion was seconded by Representative Stalker and the votes were rolled into one without objection.

The four new debt issues included 1. Kentucky Housing Corporation Multifamily Conduit Revenue Bonds (Campbell View Apartments), Series 2025; 2. Kentucky Housing Corporation Housing Single Family Mortgage Revenue Bonds, Tax-Exempt 2025 Series E and Taxable 2025 Series F; 3. State Property and Buildings Commission Revenue Bonds, Project No. 133 Series A and Revenue Refunding Bonds, Project No. 133 Series B; and, 4. State Property and Buildings Commission Revenue Bonds, Project No. 134 Series A and Revenue Refunding Bonds, Project No. 134 Series B. The two SFCC debt issues included 1. Danville Independent (Boyle County) and 2. Pike County.

In response to Senator Thomas, Mr. Starkweather confirmed that the bond rating of the Commonwealth affects the projects' capital costs. Federal funds rates affects short term rates. Kentucky borrows across twenty-year cycles and has a downward sloping debt service profile.

In response to Senator Madon, Mr. Starkweather said the rating agencies have upgraded the commonwealth's bond rating in recent years, for a multitude of reasons including stronger pension funding and higher reserves.

In response to Chair McPherson, Mr. Diaz agreed to provide the cost per unit for multifamily housing projects to the committee going forward.

In response to Co-Chair Funke Frommeyer, Ms. Smith said KHC doesn't receive state funds as a quasi-governmental agency. Mr. Diaz added that KHC is self-sufficient.

Senator Girdler moved to approve the six debt issues. The motion was seconded by Senator Thomas and the debt issues were approved without objection by roll call vote.

Remaining 2025 Meeting Dates

The remaining dates for calendar year 2025 are as follows:

September 23 - Sen. Funke Frommeyer, Chair (Submissions due Sept. 9)

October 21 - Rep. McPherson, Chair (Submissions due Oct. 7)

November (TBD) - Sen. Funke Frommeyer, Chair

December 16 - Rep. McPherson, Chair (Submissions due Dec. 2)

Adjournment

There being no further business before the committee, the meeting was adjourned at 2:19 PM.