

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

March 12, 2019

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee was held on Tuesday, March 12, 2019, at 8:00 AM, in Room 169 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 Walker Thomas, Co-Chair; Senator Robby Mills; Representatives Steven Rudy, Steve Sheldon, and Maria Sorolis.

Guests: Jordan Smith, Director of Government and Institutional Relations, Murray State University; Jason Youngblood, Associate Director of Facilities Management, Murray State University; Donna McNeil, Executive Director, Kentucky Infrastructure Authority; Linda Bridwell, Deputy Executive Director, Kentucky Infrastructure Authority; and Ryan Barrow, Executive Director, Office of Financial Management.

LRC Staff: Katherine Halloran, Committee Staff Administrator; Julia Wang, Legislative Analyst; and Jenny Wells Lathrem, Committee Assistant.

Approval of Minutes (February 19, 2019)

A motion was made by Representative Rudy to approve the minutes of the January 15, 2018 meeting. The motion was seconded by Senator Mills and approved by voice vote.

Information Item

Ms. Halloran stated that, pursuant to KRS 45.760(5), the University of Kentucky reported the purchase of a \$1.7 million CT Navigation System for Chandler Hospital with cash restricted funds.

Project Report from Murray State University

Mr. Smith submitted the Blackburn Science Building Renovation project and referenced the supporting documentation.

Representative Thomas thanked Mr. Smith and Mr. Youngblood for traveling to present on the much needed project for Murray State University.

A motion was made by Representative Rudy to approve the Blackburn Science Renovation project, seconded by Representative Thomas, and approved by unanimous roll call vote.

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

Ms. McNeil submitted three Clean Water State Revolving Loan Program (Fund A) loan requests. A motion was made by Representative Thomas to roll those requests into one roll call vote, seconded by Representative Sheldon, and approved by voice vote.

The City of LaCenter, Ballard County, requested a \$1,050,049 Fund A loan with \$525,025, 50 percent, principal forgiveness for the Wastewater Treatment Plant Upgrade and I/I Reduction project. The project, co-funded with a \$1 million Community Development Block Grant, will upgrade the wastewater treatment plant and reduce collection system infiltration and inflow. The system is under an agreed order with the Kentucky Division of Water (DOW) for not meeting its permit limits. The water and sewer rates, in effect since March 14, 2017, will increase April 1, 2019 and the new ordinance has a Consumer Price Index (CPI) clause. For 4,000 gallons, the new monthly water and sewer rates will be \$37.20 each. The current respective monthly water and sewer rates are \$36.66 and \$35.63. The term is 30 years at .50 percent.

The City of Burkesville, Cumberland County, requested a \$251,000 Fund A Planning and Design loan for the Wastewater Treatment Plant Improvements project. The planning and design portion is to evaluate the plant, identifying the needed improvements. Effective since October 19, 2018, for 4,000 gallons, the respective monthly water and sewer rates are \$31.41 and \$32.65. The term is five years at three percent.

The City of Bardstown, Nelson County, requested a \$5.4 million Fund A loan for the Rowan County Sewer Upgrade project. The project, co-funded with a \$1.6 million Economic Development Grant, will mitigate sanitary sewer overflows and hydraulic overloading during wet weather events in a high growth area. The improvements include the replacement of a .75 million with a 3.5 million gallon per day pump station, upgrade of 17,000 linear feet of 12 inch to 36 inch sewer lines, and addition of mechanical screening facilities at the wastewater treatment plant. Effective since July 3, 2011, for 4,000 gallons, the respective inside and outside city monthly water rates are \$17.09 and \$21.97. Effective since September 1, 2011, for 4,000 gallons, the respective inside and outside city monthly sewer rates are \$25.93 and \$30.16. The term is 20 years at two percent.

A motion was made by Representative Thomas to approve the three Fund A loans, seconded by Representative Sheldon, and approved by unanimous roll call vote.

New Debt Issue

Mr. Barrow submitted the estimated \$13.75 million State Property and Buildings Commission (SPBC) Revenue Refunding Bonds, Project 121. This transaction will refund the outstanding SPBC Project No. 93 bonds for an estimated present value savings of \$1.56 million, 10.5 percent. The committee's approval would be contingent upon SPBC approval.

A motion was made by Representative Rudy to approve the SPBC bond issue, contingent upon SPBC approval, seconded by Representative Sheldon, and approved by unanimous roll call vote.

Previously Approved Debt Issue

Mr. Barrow reported the \$13.9 million University of Kentucky General Receipts Refunding Bonds, 2019 Series A, which had a true interest cost of roughly 1.9 percent and a present value savings of about \$1.17 million, 7.85 percent.

School District Bond Issues with School Facilities Construction Commission (SFCC) Debt Service Participation

A motion was made by Representative Thomas to roll the school district bond issues into one roll call vote, seconded by Senator Mills, and approved by voice vote.

Mr. Barrow submitted six school district bond issues with School Facilities Construction Commission (SFCC) debt service for new projects in the [Clay County, Greenup County, Jackson County, Johnson County, Mayfield Independent (Graves County), and McCracken County school districts]. Five of the six bond issues did not require a tax increase. Clay County did pass the recallable nickel, used for school district infrastructure debt service, in 2017. For the six transactions, the total estimated issuance is about \$66.5 million, with SFCC participation around \$8.75 million, 13.2 percent. Mr. Barrow also submitted a refunding bond issue, generating net present value savings, for the Magoffin County School District, noting that school district transactions for new projects greatly outnumber refunding transactions. SFCC debt service participation will cover just over \$3 million of the issuance amount.

A motion was made by Representative Rudy to approve the school district bond issues, seconded by Senator Mills, and approved by unanimous roll call vote.

With there being no further business the meeting adjourned at 8:15 a.m.