

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

August 27, 2019

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee met on Tuesday, August 27, 2019, at 1:00 PM, in Room 171 of the Capitol Annex. Representative Walker Thomas, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Walker Thomas, Co-Chair; Senators Julian M. Carroll, and Robby Mills; Representatives Steven Rudy and Steve Sheldon.

Guests: Dan Durbin, Vice President of Finance and Chief Financial Officer, University of Louisville; Vincent Tyra, Vice President for Intercollegiate Athletics and Director of Athletics, University of Louisville; Janice Tomes, Deputy State Budget Director; Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services; Donna McNeil, Executive Director, Kentucky Infrastructure Authority; Sandy Williams, Deputy Executive Director, Office of Financial Management; and Tracy Thurston, Managing Director, Multifamily Programs and Asset Management, Kentucky Housing Corporation.

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

Approval of Minutes (July 23, 2019)

Representative Rudy moved to approve the minutes of the July 23, 2019 meeting. Senator Mills seconded the motion and the committee approved the minutes by voice vote.

Information Item

Ms. Halloran referenced one information item. Pursuant to KRS 45.812(1), the Meade County School District reported an estimated \$2.5 million upcoming bond issue that did not involve a tax increase for improvements to its high school track and associated site work.

Project Report from the University of Louisville

The University of Louisville (UofL) submitted a \$1,178,180 private funds appropriation increase, primarily due to dewatering of the site, for the Expand Papa John's (Cardinal) Stadium/Football Complex project. \$55 million in agency bonds was authorized by the General Assembly in House Bill 303 (2016 Regular Session) and the committee

approved the expenditure of \$8.25 million in private funds in November 2016, resulting in a project total of \$63.25 million. The project, completed in early September of last year, was the expansion of the north end of the stadium for increased seating and of the football complex for a larger weight room and training room, additional coaches' offices, and classroom space. The stadium and complex, originally constructed in 1998, is on a brownfield site. There were record rains during the expansion and the site's dewatering cost around \$1.3 million with final invoices submitted in January 2019. Environmental issues are handled by a third party and water has to be contained on-site and then tested prior to elimination. Payment came from UofL's Next Step Fund, geared towards capital projects impacting athletics. UofL is revising its Board policy to ensure that all capital project scope increases are submitted to the committee for approval.

Representative Thomas thanked Mr. Durbin and Mr. Tyra for ensuring submittal of scope increases to the committee.

In response to Senator Carroll, Mr. Tyra said that there was about \$36 million in pledges, including funds from vendors such as Pepsi for club access seating, about \$25 million of which is outstanding. The bulk of pledge receipts will come in the first five years of the project.

Senator Carroll moved to approve the appropriation increase, seconded by Representative Rudy, and approved by unanimous roll call vote.

Project Report from the Finance and Administration Cabinet

Senator Carroll moved to roll the authorization revision and two new projects into one roll call vote, seconded by Representative Sheldon, and approved by voice vote.

Ms. Tomes submitted an authorization revision to \$1,650,877 in federal funds for the Department of Military Affairs (DMA), Disney Training Site Battalion Headquarters Facility, for underground electrical conduit and increased design and contingency costs.

Ms. Tomes next submitted two new projects. The first was the \$1,635,509 DMA Boone National Guard Center Emergency Operations Center Renovation in Frankfort, Kentucky. The renovation is 50 percent federally funded and 50 percent state funded, with the state funded portion a combination of about \$770,000 in agency restricted funds and \$50,000 in bond funds. The Emergency Operations Center was constructed in the 1970's with no prior office and common area upgrades. The renovation consists of the office and common area upgrades, which include replacing the suspended ceiling, lighting, and asbestos floor tile, and the second phase of the HVAC upgrade.

The second was the \$1,326,021 federally funded DMA Cypress Creek Restoration project at the Wendell H. Ford Regional Training Center in Greenville, Kentucky. This

project will enhance the flow of Cypress Creek and its tributaries to mitigate negative impacts to the Cypress Creek watershed ecosystems.

Representative Rudy moved to approve the authorization revision and two new projects, seconded by Representative Sheldon, and approved by unanimous roll call vote.

Lastly, Ms. Tomes reported a \$1.2 million Agricultural Development Board pool allocation for the Kentucky State Fair Board Freedom Hall Make-Up Ring project at the Kentucky Exposition Center. When Cardinal Stadium was removed, a structural study indicated the need for reinforcing the existing make-up ring that was not fiscally reasonable. This project will demolish the existing ring and replace it with a ring comprised of clear span beams and a raised roof line, allowing Kentucky Venues to utilize a more open environment. The make-up ring is an important part of the support area for events including the North American International Livestock Expo, National Farm Machinery Show, and World Championship Horse Show.

Representative Thomas commented that the Kentucky State Fair was well attended these last couple of weeks.

Lease Report from the Finance and Administration Cabinet

Senator Carroll moved to roll the two lease renewals into one roll call vote, seconded by Senator Mills, and approved by voice vote.

Mr. Aubrey submitted a lease renewal with a rental rate increase through June 30, 2027 for the Department of Agriculture in Franklin County, procured through advertisement; 9,639 square feet of office space at \$12.50 per square foot and 2,687 square feet of warehouse space at \$3.25 per square foot for a \$129,220.24 annual cost.

Mr. Aubrey next reported a lease renewal under the same terms and conditions through June 20, 2028 for the Department of Workforce Investment in Fayette County; 7,275 square feet of office space at \$16.40 per square foot for a \$119,310 annual cost.

Senator Mills moved to approve the two lease renewals, seconded by Senator Carroll, and approved by unanimous roll call vote.

Report from the Office of Financial Management Kentucky Infrastructure Authority

Senator Mills moved to roll the Clean Water State Revolving Fund (Fund A) Program loans and the Infrastructure Revolving Fund (Fund B) Program Loan into one roll call vote, seconded by Senator Carroll, and approved by voice vote.

Ms. McNeil submitted four Kentucky Infrastructure Authority (KIA) loan requests. The City of Nicholasville, Jessamine County, requested a \$565,466 Fund A loan increase

for the Orchard Sanitary Sewer Overflow Relief and Brittany Heights Lift Station Elimination project, resulting in a \$906,446 loan amount. The increase was due to a scope change as the completion of another sanitary sewer overflow project reduced the capacity of the sewer line initially planned to receive flow from this project. This project will reduce wet weather overflows in the Orchard area through the elimination of a lift station, modification of another lift station, and installation of about 5,000 linear feet of 10-inch and 12-inch gravity sewer lines. For 4,000 gallons, effective August of this year, the monthly inside and outside city sewer rates are \$25.75 and \$37.29 and, effective July of this year, the monthly inside and outside city water rates are \$22.97 and \$33.37. The term is 20 years at a 2.75 percent interest rate.

The Louisville and Jefferson County Metropolitan Sewer District, Jefferson County, requested a \$2.2 million Fund A loan increase, due to higher than expected bids, for the Hite Creek Water Quality Treatment Center project, resulting in a \$24.2 million loan amount. The project will rehabilitate and expand the plant from six million gallons per day to nine million gallons per day average daily flow and 24 million gallons per day wet weather flow, which will eliminate sanitary sewer overflows upstream of the facility and accommodate future growth. For 4,000 gallons, effective August 1 of this year, the monthly sewer rate is \$48.98. The term is 20 years at a two percent interest rate.

The City of Mayfield, Graves County, requested a \$2,221,117 Fund B loan for three sewer projects and one drinking water project. The \$1.382 million Existing 10th Street Wetwell and Force Main project will alleviate inflow and infiltration from three manholes by the construction of a new lift station next to the existing lift station, rehabilitation of the existing lift station, and installation of force main to replace 4-inch asbestos cement force main. The \$240,000 Bar Screen for Todd Lift Station project is the replacement of the bar screen which has experienced issues from an increase in garbage and medical waste. The \$350,000 Combination Sewer Cleaning Truck project is the reimbursement to the city for the purchase of a sewer cleaning truck. The completed \$249,117 Waterline Extension to Wildwood Subdivision project provided drinking water and fire service to Wildwood Subdivision and one commercial location through the installation of approximately 4,300 linear feet of 6-inch water mains. For 4,000 gallons, effective since the beginning of this year, the monthly inside and outside city sewer rates are \$22.45 and \$30.97, which will increase to \$22.89 and \$34.05, and the monthly inside and outside city water rates are \$17.33 and \$25.10, which will increase to \$18.37 and \$26.61. The increases will be effective January 1, 2020. The term is 20 years at a 0.50 percent interest rate.

Senator Carroll moved to approve the Fund A loans and the Fund B loan, seconded by Representative Sheldon, and approved by unanimous roll call vote.

The Allen County Water District requested a \$2.45 million Drinking Water State Revolving Fund (Fund F) Program loan for the US 231 Elevated Water Tank project to increase storage and improve drinking water quality for existing customers in a high growth

area of Allen County by replacing the Lambert Road ground storage tank with a 500,000 gallon elevated tank as well as installation of approximately 9,000 linear feet of 8-inch polyvinyl chloride waterline and a new master meter to gather data for the district's water loss program. For 4,000 gallons, effective since October, 5, 2011, the monthly water rate is \$42.03. The district has met the special condition to pass a resolution to increase water rates, effective January 1, 2021 when the District expects to start loan repayments contingent upon approval from the Public Service Commission (PSC), by seven percent in revenue or \$160,000. The term is 20 years at a two percent interest rate.

In response to Representative Rudy, Ms. Halloran said that KIA needs to obtain committee approval prior to execution of assistance agreements.

In response to Senator Carroll, Ms. McNeil said that the utility has a large amount of money in reserve; however, KIA bases rate increases on the utility's revenues relative to its operating and maintenance expenses.

Representative Mills moved to approve the Fund F loan, contingent upon PSC approval of the rate increase, seconded by Representative Sheldon, and approved by unanimous roll call vote.

New Kentucky Housing Corporation Conduit Debt Issues

Representative Rudy moved to roll the four conduit debt issues into one roll call vote, seconded by Representative Sheldon, and approved by voice vote.

Ms. Williams submitted four new Kentucky Housing Corporation (KHC) conduit debt issues, clarifying that KHC conduit debt is neither a liability to KHC nor the commonwealth. All four publicly offered transactions will have short-term ratings of either MIG (Municipal Investment Grade) 1 (Moody's) or A-1+ (Standard and Poor's). The first was the Kentucky Housing Corporation Tax-Exempt Conduit Multifamily Revenue Bonds (Ashland Portfolio Project), Series 2019, in an amount not to exceed \$34 million with an estimated total project cost of approximately \$96 million. Proceeds will be used to finance the rehabilitation of over 400 housing units at three different locations in Ashland and the proposed sale date is October 15, 2019.

The second was the Kentucky Housing Corporation Tax-Exempt Conduit Multifamily Revenue Bonds (Chapel House Project), Series 2019, in an amount not to exceed \$14 million with an estimated total project cost of approximately \$26 million. Proceeds will be used to finance the rehabilitation of over 200 housing units located on South Fifth Street in Louisville and the proposed sale date is December 15, 2019.

The third was the Kentucky Housing Corporation Tax-Exempt Conduit Multifamily Revenue Bonds (City View Park Project), Series 2019, in an amount not to exceed \$34 million with an estimated total project cost of approximately \$129 million. Proceeds will

be used to finance the rehabilitation of over 500 housing units located in three different locations in downtown Louisville and the proposed sale date is September 6, 2019.

The fourth was the Kentucky Housing Corporation Tax-Exempt Conduit Multifamily Revenue Bonds (Winterwood II Portfolio Project), Series 2019, in an amount not to exceed \$17 million with an estimated total project cost of approximately \$47 million. Proceeds will be used to finance the rehabilitation of over 300 multifamily housing units located in fourteen different locations throughout Kentucky and the proposed sale date is October 24, 2019.

Senator Carroll commended the work of the Kentucky Housing Corporation. In response to Senator Carroll, Ms. Thurston said that Lisa Beran was appointed as interim executive director and chief executive officer and that the Board of Directors will start an executive search. Prior to her retirement in March, Ms. Beran served for around ten years as KHC's general counsel.

Senator Carroll moved to approve the conduit debt issues, seconded by Representative Rudy, and approved by unanimous roll call vote.

Previous Debt Issue

Ms. Williams reported the \$400 million Kentucky Asset/Liability Commission General Fund Tax and Revenue Anticipation Notes, 2019 Series A, which priced on June 25, 2019 with a final maturity date of June 25, 2020. The proceeds financed fiscal year 2020 general fund cash flow requirements in anticipation of tax and revenue receipts. This negotiated transaction had a 1.4 percent yield and a 1.58 percent all-in true interest cost.

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

Representative Rudy moved to roll the school bond issues into one roll call vote, seconded by Representative Sheldon, and approved by voice vote.

Ms. Williams submitted three school district bond issues with School Facilities Construction Commission (SFCC) debt service participation for new projects in the Breathitt County, Casey County, and Harrison County school districts, with a total anticipated issuance amount of \$7.095 million, none of which required a tax increase. Ms. Williams also submitted four current refunding bond issues from the Bracken County, Floyd County, Walton-Verona Independent (Boone County), and Williamstown Independent (Grant County) school districts, with a total anticipated issuance amount of \$5.015 million.

Senator Carroll moved to approve the school bond issues, seconded by Representative Rudy, and approved by unanimous roll call vote.

Representative Thomas announced that the next committee meeting would be Tuesday, September 17, 2019 in Annex Room 169, with Senator Girdler as chair.

With there being no further business the meeting adjourned at 1:40 p.m.