

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

February 18, 2020

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee meeting was held on Tuesday, February 18, 2020, at 1:00 PM, in Room 131 of the Capitol Annex. Representative Walker Thomas, Chair, called the meeting to order, and the secretary called the roll. Representative Thomas noted that the committee met every month, with a quorum, under his and Senator Girdler's chairmanship.

Present were:

Members: Senator Rick Girdler, Co-Chair; Representative Walker Thomas, Co-Chair; Senators Julian M. Carroll and Robby Mills; Representatives Phillip Pratt and Maria Sorolis.

Guests: Janice Tomes, Deputy State Budget Director; Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services; Edith Halbleib, 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

Senator Carroll moved to approve the January 21, 2020 meeting minutes. Senator Mills seconded the motion, and the committee approved the minutes by voice vote.

Information Items

Ms. Halloran reported two information items. Pursuant to KRS 45.750(5), the University of Louisville reported three research equipment purchases totaling just over \$920,000; two for the Speed School of Engineering, a \$379,700 microscope with federal grant and departmental monies and a \$274,900 structural testing system with a private donation, and one for the Department of Ophthalmology and Visual Sciences, a \$268,500 microscope with a private donation. Pursuant to KRS 45.812(1), five school districts reported anticipated debt issues totaling over \$111 million for which tax increases were not necessary.

Project Report from the Finance and Administration Cabinet

Ms. Tomes reported a \$7.5 million Agricultural Development Board allocation for the Tourism, Arts and Heritage Cabinet, Kentucky State Fair Board, Entry Gate Remodel project at the Kentucky Exposition Center, the demolition and rebuild of Gate Entrance 1 to increase lanes from eight to ten.

Lease Report from the Finance and Administration Cabinet

Mr. Aubrey reported a lease modification and an emergency lease. The lease modification was for Department of Public Advocacy office space in Warren County; a 1,268 square feet increase and \$17,022 renovation cost amortization through the June 30, 2020 lease expiration. The agency selected C&P Construction's lower of the two renovation estimates. The KRS 56.805 emergency lease was for Transportation Cabinet (KYTC), Department of Highways, replacement space in Casey County after KYTC's Casey County Maintenance Garage caught fire on February 7, 2020. The replacement space is around 14,400 square feet at a \$7,500 flat monthly rate through June 30, 2021.

Office of Financial Management Kentucky Infrastructure Authority

Ms. Halbleib, Executive Director, Kentucky Infrastructure Authority (KIA), introduced herself to the committee.

Ms. Bridwell submitted three Fund A and one Drinking Water State Revolving Fund (Fund F) loan requests.

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

Due to higher than anticipated bids, the City of Louisa, Lawrence County, requested a \$688,578 increase to its previously approved \$3,339,588 Fund A construction loan, which included the \$232,000 planning and design loan, for its Inflow and Infiltration Rehabilitation project. The \$4,028,166 total loan amount, of which KIA will apply \$1 million in principal forgiveness, will finance the entire project. For 4,000 gallons, effective since July 1, 2019, the inside and outside city monthly sewer rates are \$43.72 and \$47.32. The term is 20 years at a 0.50 percent interest rate.

In response to Representative Sorolis, Ms. Bridwell said that the submitted loan increases today are either entirely or partially due to higher bids, which could continue due to few contractors bidding on projects, and that KIA has consulted with project engineers to address the issue.

Due to project modifications and higher than anticipated bids, the City of Morehead, Rowan County, requested an \$850,000 increase to its previously approved \$3.65 million

Fund A loan for the US 60 West and KY 801 Sanitary Sewer Overflow Correction project. The \$4.5 million total loan amount will finance the entire project. For 4,000 gallons, effective since August 1, 2018, the inside and outside city monthly sewer rates are \$29.76 and \$35.09. The term is 20 years at a two percent interest rate.

The City of Russell, Greenup County, requested a \$500,000 Fund A loan to finance the entire Infiltration and Inflow Study and Sewer Rehab project. For 4,000 gallons, effective since July 1, 2014, the monthly sewer rate is \$23.75. The term is 20 years at a 2.50 percent interest rate.

Senator Girdler moved to approve the Fund A loans, seconded by Senator Mills, and approved by unanimous roll call vote.

Due to higher than expected bids, the City of Burnside, Pulaski County, requested a \$573,000 increase to its previously approved \$2.227 million Fund F loan for its Burnside Combined Waterline Improvements project. The \$2.8 million total loan amount, of which KIA will apply \$1.113 million in principal forgiveness, will finance the entire project. For 4,000 gallons, effective since July 1, 2019, the monthly water rate is \$52.22. The term is 30 years at a 0.50 percent interest rate.

In response to Senator Carroll, Ms. Bridwell confirmed that the \$47.43 monthly sewer rate is in addition to water, bringing monthly water and sewer to around \$100 based upon 4,000 gallons, and referenced KIA's principal forgiveness. Senator Carroll noted KIA's application of the lowest non-standard interest rate to the project.

Senator Girdler stated that the project was in his county and that Burnside, an island surrounded by Lake Cumberland, has water and sewer issues.

Senator Mills moved to approve the loan, seconded by Senator Girdler, and approved by unanimous roll call vote.

Office of Financial Management

New Debt Issue

Mr. Barrow submitted the University of Louisville (UofL) General Receipts Refunding Bonds, 2021 Series A. This tax-exempt forward delivery transaction is similar to one of the four series of the State Property and Buildings Commission (SPBC) Revenue and Revenue Refunding Bonds, Project No. 122 issue approved by the committee in September 2019. The SPBC tax-exempt forward delivery series and taxable advance refunding series were structured to accommodate federal tax law changes. For this transaction, the university and its financial advisor as well as OFM determined that a tax-exempt forward delivery versus a taxable advance refunding, or combination of the two, would generate the greatest savings. The estimated net present value savings is \$2.3 million, above eleven percent, and estimated annual cash flow savings is around \$240,000

from fiscal year 2022 through fiscal year 2032. The university received eight responses to its request for proposals on February 14 and, with committee approval, will finalize the rates on March 11. The issue will close June 4 of next year, within ninety days of the prior issue's earliest redemption date.

Senator Carroll moved to approve the debt issue, seconded by Representative Sorolis, and approved by unanimous roll call vote.

School District Debt Issues with School Facilities Construction Commission Debt Service Participation

Senator Carroll move to roll the 11 school district debt issues into one roll call vote, seconded by Senator Girdler, and approved by voice vote.

Mr. Barrow submitted 11 school district debt issues with School Facilities Construction Commission (SFCC) debt service participation; seven for new projects (Adair County, Bardstown Independent (Nelson County), Boyle County, Clay County, Edmonson County, Frankfort Independent (Franklin County), and Graves County school districts) for which tax increases were not necessary and four current refundings (Clark County, Greenup County, Johnson County, and Martin County school districts). The respective approximate issuance amounts and debt service participation for the new projects and refinancings are \$53 million with 9.2 percent SFCC and 90.8 percent local participation and \$6.6 million with 90 percent SFCC and 10 percent local participation. Two of the refunding transactions refinanced Build America Bonds.

In response to Representative Thomas, Mr. Barrow said that the prior debt was issued in 2010.

Senator Carroll moved to approve the school district debt issues, seconded by Senator Girdler, an approved by unanimous roll call vote.

Representative Thomas announced the Tuesday meeting dates for the next three months: March 17, 2020, 8:00 a.m.; April 14, 8:00 a.m.; and May 26, 1:00 p.m.

With there being no further business the meeting adjourned at 1:23 p.m.