

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

June 25, 2020

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee meeting was held on Thursday, June 25, 2020, at 12:00 PM, via videoconference. Representative Walker Thomas, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Walker Thomas, Co-Chair; Senator Rick Girdler, Co-Chair; Senators Christian McDaniel and Robby Mills; and Representatives Phillip Pratt, Steven Rudy, and Maria Sorolis.

Guests: Janice Tomes, Deputy State Budget Director; Brigadier General (Retired) Benjamin Adams, Executive Director, Office of Management and Administration, Department of Military Affairs; Edith Halbleib, Executive Director, Kentucky Infrastructure Authority; Linda Bridwell, Deputy Executive Director, Kentucky Infrastructure Authority; Katie Smith, Commissioner, Department for Financial Services, Cabinet for Economic Development; and Sandy Williams, Deputy 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

Representative Rudy moved to approve the May 19, 2020 meeting minutes. Representative Pratt seconded the motion, and the committee approved without objection.

Information Items

Pursuant to KRS 45.760(5), the University of Louisville reported a \$598,400 mass spectrometer purchase from federal National Institute of Health Shared Instrument Grant funds.

Pursuant to KRS 45.812(1), the Covington Independent and Walton-Verona school districts, which did not need an additional tax levy to pay debt service, reported an estimated \$3.75 million, for three elementary school roof replacements, and \$380,000, for high school athletic improvements, respective upcoming debt issuances.

Pursuant to KRS 45A.860(3), the Auditor of Public Accounts provided reports certifying procedural statutory compliance for five selection committees.

Report from the University of Kentucky

Ms. Baker reported three funding source revisions without aggregate appropriation increases. The first two were for projects from the Improve Center for Applied Energy Research restricted funds project authorization. UK opted to utilize a U.S. Department of Defense (DoD) federal grant rather than restricted funds for its \$1.5 million, 2,000 square foot Mineral Process Building Expansion; climate controlled space for raw materials to develop high performing concrete [replacing heavy precast rebar-laden components] for DOD and U.S. Army Corps of Engineers military applications. UK will use a U.S. Department of Energy federal grant rather than restricted funds for its \$2.5 million, 5,000 square foot Carbon Fiber Development Facility; a pilot-scale process plant producing high-value carbon products from coal at the largest scale in the United States, in partnership with the Oak Ridge National Laboratory. The high-value carbon products will replace traditional metals used in aerospace and automotive applications. Representative Thomas praised UK for initiating development of the largest scale high-value carbon fiber facility in the United States.

The third funding source revision was from the Acquire Land restricted funds project authorization. UK will use a [USDA National Institute of Food and Agriculture] federal capacity grant available to land-grant institutions rather than restricted funds for its \$2 million purchase of 287.54 acres in Caldwell County adjacent to its Research and Education Center. UK has leased the land, which has the two soil types and is within eighty miles of eighty percent of the acreage for Kentucky grains, since 2016 for agricultural research. Representative Thomas encouraged members to visit the Research and Education Center.

Ms. Baker submitted one lease renewal and one new lease. Representative Pratt moved to roll the leases into one roll call vote, seconded by Representative Sorolis, and approved without objection. The UK HealthCare Information Technology lease renewal, authorized in House Bill 352, was for 25,903 square feet of space at 245 Fountain Court, costing \$595,769 annually. The new lease, 4,907 square feet of space in Edgewood close to the St. Elizabeth Medical Center costing \$112,135 annually, will provide additional space for the UK/Northern Kentucky University/St. Elizabeth Healthcare medical education program.

Representative Rudy moved to approve the leases, seconded by Representative Pratt, and unanimously approved by roll call vote.

Report from the Finance and Administration Cabinet

Ms. Tomes submitted six new Department of Military Affairs projects at four facilities. Representative Rudy moved to roll the projects into one roll call vote, seconded by Representative Pratt, and approved without objection.

The first was the \$1.946 million Barbourville Readiness Center Latrine Upgrade project; using \$1,459,500 in federal funds, \$449,000 in state investment income, and \$37,500 in bond funds. Interior upgrades include new female latrine/shower and lactation room, existing male latrine/shower, boiler system replacement to more energy efficient HVAC system, windows to antiterrorism/force protection standards, and new organizational clothing individual equipment storage.

The second was the \$1.965 million Richmond Readiness Center Interior Modernization project; using \$1,473,750 in federal funds, \$460,000 in state investment income, and \$31,250 in bond funds. Interior upgrades include existing female and male latrines/showers, new lactation room, windows to antiterrorism/force protection standards, kitchen facilities, drill hall, new organizational clothing individual equipment storage, and new HVAC direct digital controls for energy efficiency.

The third was the \$1,745,495 Boone National Guard Center Auditorium project; using \$1,309,121 in federal funds, \$423,100 in state agency restricted funds, and \$13,274 in state investment income. The 5,500 – 6,000 square foot multi-use auditorium seating style facility, designed for multi-tiered seating with work tables that include data and electric, will accommodate staff briefings, soldier/employee training classes, general presentations/ceremonies, and stage performances by the Kentucky National Guard.

The next three projects were for the Wendell H. Ford Regional Training Center (WHFRTC). The first was the \$1,785,550 WHFRTC 1103rd Law and Order Military Police Readiness Center/Provost/Welcome Center project; using 75 percent federal funds and 25 percent state agency restricted funds. This facility will have administrative office space, female and male latrines, lactation area, weapons vault, organizational clothing individual equipment storage, and visitor control center space for all military and civilian visitors to check-in and receive room assignments or be directed to training areas. WHFRTC has over 100,000 military and civilian annual visitors and serves as a training site for the Kentucky National Guard, state and local police and fire departments, as well as other states' National Guard and Emergency Services personnel. This facility is critical for the control and vetting of all WHFRTC visitors.

The second was the 6,000 square foot, solely federally funded \$1.650 million WHFRTC Fire Station Addition; multiuse storage, billeting, and office space, necessary due to fleet modernization and increase in WHFRTC firefighters and apparatus.

The last was the solely federally funded \$1.375 million WHFRTC Multipurpose Athletic Field project; providing access and a location for formal ceremonies, athletic

events, and collective physical fitness activities, including Army Physical Fitness Test/Army Combat Fitness Test training.

Brigadier General (Retired) Benjamin Adams reintroduced himself, stating it was good to be working with this committee as well as the Veterans, Military Affairs, and Public Protection committee. Representative Thomas said he appreciated his service.

Representative Pratt moved to approve the new projects, seconded by Representative Sorolis, and approved by unanimous roll call vote.

Report from the Office of Financial Management Kentucky Infrastructure Authority

Ms. Bridwell submitted seven Clean Water State Revolving Fund (Fund A) Program loans. Representative Rudy moved to roll the loans into one roll call vote, seconded by Senator Mills, and approved without objection.

The Adair County Water District requested a \$2,104,870 Fund A loan for its Downtown Sewer System Improvements – Phase 1 project; 12,865 linear feet of 8-inch gravity sewer and service laterals. For 4,000 gallons, effective since February 2015, the monthly sewer rate is \$25.80 and the district has a proposed 39 percent sewer rate increase pending Public Service Commission approval. The term is 30 years at a 0.50 interest rate.

The City of Morehead, Rowan County, requested a \$1,363,200 Fund A loan for its \$1,963,200 Derrickson Lift Station Upgrade project; replacement of the lift station and adjacent force sewer main. The Transportation Cabinet is funding the remaining project costs. For 4,000 gallons, effective since August 1, 2018, the monthly inside city sewer rate is \$29.76. The term is 20 years at a 1.50 percent interest rate.

The City of Kuttawa, Lyon County, requested a \$453,236 Fund A loan increase to its previously approved \$1,264,200 Fund A loan for a \$1,717,436 total Fund A loan amount. The Lift Station and Force Main Replacement project will replace the existing Magnolia and Kuttawa lift stations and adjacent force sewer main. For 4,000 gallons, effective since February 1, 2019, the monthly sewer rate is \$30.00. The term is 20 years at a 1.50 percent interest rate.

The City of Maysville, Mason County, requested an \$850,000 Fund A loan for its Wall Street Combined Sewer Elimination project; separating combined sewer lines to adjacent storm sewer lines. For 4,000 gallons, the monthly sewer rate has been \$31.60 since July 1, 2013; however, the city added an annual CPI clause to its water and sewer ordinance this year, increasing the monthly sewer rate by 2.30 percent to \$32.32 this July. The term is 20 years at a 0.50 percent interest rate.

The City of South Shore, Greenup County, requested a \$1,035,000 Fund A loan, of which KIA will apply \$517,500 in principal forgiveness, for its South Shore: Upgrade Forest Heights Collection Lines project; 4,300 linear feet of sewer lines and laterals. For 4,000 gallons, effective since May of this year, the monthly inside city sewer rate is \$48.00. The term is 30 years at a 0.50 percent interest rate.

The McCreary County Water District requested a \$3,244,500 Fund A loan, of which KIA will apply \$450,000 in principal forgiveness, for its \$3,644,500 MCWD - Sanitary Sewer Collection System Expansion - Phase 1 project; providing sewer service to 305 unserved homes. MCWD obtained a Rural Development loan to finance the remaining project costs. For 4,000 gallons, effective since August 29, 2019, the monthly sewer rate is \$41.07. The term is 30 years at a 0.50 percent interest rate.

The Hart County Industrial Authority requested an \$853,442 Fund A loan for its \$2,353,442 Progress Park Industrial Park Pretreatment Expansion project, pretreatment facility upgrades. An Appalachian Regional Commission grant and a Community Development Block Grant funded the remaining project costs. The term is 20 years at a 0.50 percent interest rate.

Representative Rudy moved to approve the Fund A loans, contingent upon necessary PSC approvals, seconded by Senator Mills, and approved by unanimous roll call vote.

The Crittenden-Livingston County Water District, Livingston County, requested a \$300,000 Governmental Agencies (Fund C) Program loan for its AMR Meter Replacement project; replacement of approximately 1,400 meters with radio read meters. For 4,000 gallons, effective since May 23 of this year, the monthly water rate is \$61.37. The term is 20 years at a 2.75 percent interest rate.

Senator Mills moved to approve the Fund C loan, contingent upon necessary PSC approvals, seconded by Representative Pratt, and approved by unanimous roll call vote.

Ms. Bridwell submitted five Drinking Water State Revolving Fund (Fund F) Program loans. Senator Mills moved to roll the loans into one roll call vote, seconded by Representative Rudy, and approved without objection.

The City of Olive Hill, Carter County, requested a \$122,344 Fund F loan increase to its previously approved \$883,000 Fund F loan for a total \$1,005,344 Fund F loan amount. The \$1,248,344 Olive Hill: Replace Downtown Area Waterline Replacement project replaced 5,900 linear feet of cast iron waterlines. An ARC grant funded the remaining project costs. For 4,000 gallons, effective since January 1, 2019, the inside and outside city monthly water rates are \$27.43 and \$43.14. The term is 30 years at a 0.25 percent interest rate.

The Adair County Water District requested a \$1,342,530 Fund F loan, of which KIA will apply \$671,265 in principal forgiveness, for its CAUD - Water Main Replacement project; 7,400 linear feet of 8-inch water lines (replacing asbestos-cement) plus 5,250 linear feet of 6-inch water lines, renovation of the City Industrial Tank, and demolition of two other tanks. For 4,000 gallons, effective since February 2012, the monthly water rate is \$33.90 and the district has a 21 percent water rate increase pending PSC approval. The term is 30 years at a 0.50 percent interest rate.

The City of Salem, Livingston County, requested a \$585,000 Fund F loan, of which KIA will apply \$292,500 in principal forgiveness, for its Salem - Water Main Replacement project; 5,500 linear feet of water lines on its western supply route connecting to the Crittenden-Livingston County Water District. For 4,000 gallons, effective since March 27 of this year, the monthly water rate is \$36.48. The term is 30 years at 0.50 percent interest rate.

The Cave Run Water Commission, Menifee County, requested a \$1,171,350 Fund F loan for its Cave Run Water Commission Elevated Water Storage Tank Construction project; a 300,000 gallon elevated storage tank serving the Cities of Frenchburg and Jeffersonville as well as the Morgan County Water District. The commission is a wholesale water provider only. The term is 20 years at a 1.50 percent interest rate.

The Northern Kentucky Water District, Kenton County, requested an \$8 million Fund F loan for its \$10.05 million Taylor Mill Treatment Plant Emergency Generator/Fort Thomas Treatment Plant Phase 2 Basin Improvements project. NKWD is funding the remaining project costs. For 4,000 gallons, effective since March 26 of this year, the monthly water rate is \$38.78. The term is 20 years at a 1.50 percent interest rate.

Senator Mills moved to approve the Fund F loans, contingent upon necessary PSC approvals, seconded by Representative Rudy, and approved by unanimous roll call vote.

Cabinet for Economic Development

Ms. Smith submitted two Economic Development Fund (EDF) grants for the Cabinet for Economic Development (CED). Senator Mills moved to roll the grants into one roll call vote, seconded by Representative Pratt, and approved without objection. Both EDF grants were for projects among the eight recommended by an independent site consultant to receive Kentucky Product Development Initiative program funds for industrial site upgrades, administered in conjunction with the Kentucky Association for Economic Development. Disbursements of grant funds will occur on a reimbursement basis to local governments after CED reviews the required supporting documentation.

The first grant was \$175,000 to Henderson County for the benefit of the City of Henderson, to finance the approximately 4,400 foot municipal gas line extension to the

property site located along the Highway 425 bypass. The city and Henderson County Economic Development have committed \$75,000 and \$100,000 respectively for the match.

The second grant was \$198,189 to the County of Marion for the benefit of the Marion County Industrial Foundation, to finance an access road to the 250 acre business and industrial park in Lebanon. MCIF has committed funding equal to the grant for the match.

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

Previous Debt Issue

Ms. Williams reported the \$66.71 million State Property and Buildings Commission (SPBC) Revenue Refunding Bonds, Project No. 122, Series C, which refunded \$68 million of SPBC Project No. 98 debt for \$1.7 million in net present value savings. The issue priced last October and closed May of this year. The forward delivery structure was used as it generated more savings than a taxable advance refunding.

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

Ms. Williams submitted an anticipated \$6.73 million Breckinridge County School District debt issue with SFCC debt service participation. The district did not need an additional tax levy to pay debt service and the proceeds will be used for high school renovations.

Representative Rudy moved to approve the school district debt issue with SFCC debt service participation, seconded by Senator Mills, and approved by unanimous roll call vote.

Adjournment

Representative Thomas announced upcoming meeting dates and times: July 22, 2020, 12:00 p.m.; and August 19, 2020, 3:00 p.m.

Senator McDaniel referenced a utility's increases in administrative expenses and rates, stating that administrative expenses at all levels of government need to be closely monitored. Representative Thomas said he appreciated Senator McDaniel's comments.

With there being no further business the meeting adjourned at 1:49 p.m.