

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

September 16, 2020

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee meeting was held on Wednesday, September 16, 2020, at 3:00 PM, in Room 171 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; Senators Julian M. Carroll and Robby Mills; Representatives Phillip Pratt, Steven Rudy, and Maria Sorolis.

Guests: Elizabeth Baker, Planning Director, University Budget Office, University of Kentucky; Janice Tomes, Deputy State Budget Director, Office of State Budget Director; Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services; 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

Senator Carroll moved to approve the August 19, 2020 meeting minutes. Representative Thomas seconded the motion, and the committee approved without objection.

Information Items

Pursuant to KRS 45.760(5), UK reported a \$619,000 medical equipment purchase, a digital x-ray for several clinics at its Turfland outpatient center.

Pursuant to KRS 45.812(1), six school districts reported taxable advance refunding debt issues: Dayton Independent (Campbell County), Fleming County, Fort Thomas Independent (Campbell County), Hart County, Henderson County, and Madison County.

Pursuant to KRS 45A.180(2), UK transmitted a Request for Proposal for the Modernize Frazee Hall project (construction management-at-risk project delivery method).

Pursuant to KRS 56.813(2)(a)3.b. and KRS 56.823(11)(a), the Finance and Administration Cabinet's Division of Real Properties reported leasehold improvements under \$10,000 and square footage lease modifications under \$50,000.

Lease Report from the University of Kentucky

Representative Thomas moved to roll the four new UK HealthCare leases into one roll call vote, seconded by Senator Carroll, and approved without objection.

Ms. Baker submitted four new UK HealthCare leases, for which UK issued RFPs and include common area maintenance and utilities. The first was for the Nephrology, Bone and Mineral Metabolism Clinic; 5,543 square feet, \$170,835.26 annual cost, across from UK Good Samaritan Hospital. The second was for the Psychiatry Outpatient Clinic; 28,331 square feet, \$854,179.65 annual cost, near Saint Joseph East hospital. The last two were in the old Turfland Mall location, Barnstable Brown Diabetes Center; 18,745 square feet, \$594,403.95 annual cost and the Family and Community Medicine Clinic; 18,420 square feet, \$584,098.20 annual cost.

Senator Carroll moved to approve the new leases, seconded by Representative Thomas, and approved by unanimous roll call vote.

Project Report from the Finance and Administration Cabinet

Ms. Tomes reported, pursuant to Part II(4) of the executive branch appropriations bill, a \$1.9 million Fire Commission restricted funds Kentucky Community and Technical College System Property Acquisition Pool allocation. The Fire Commission's acquired property in Paris will combine the main offices and the Area 15 Candidate Physical Ability Testing and training center sites into one location.

Lease Report from the Finance and Administration Cabinet

Representative Rudy moved to roll the over \$50,000 lease modification and Tenant Improvement Fund request into one roll call vote, seconded by Senator Carroll, and approved without objection.

Mr. Aubrey submitted a lease modification for salt storage space used by the Transportation Cabinet in Jefferson County; increasing the square footage by 34,338 square feet to 185,483 square feet, \$417,336.76 annual cost. The salt is used to treat roads during inclement weather. The other submittal was 300 Building improvements paid through the Tenant Improvement Fund. The Department of Education requested four electrical outlets (two in two conference rooms) at \$1,260; bringing the total 300 Building improvement costs to \$211,618.61.

Representative Rudy moved to approve the lease modification and Tenant Improvement Fund request, seconded by Senator Carroll, and approved by unanimous roll call vote.

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

Representative Rudy moved to roll the seven KIA loans; four Clean Water State Revolving (Fund A) Program loans, an Infrastructure Revolving Fund (Fund B) Program loan, a Governmental Agencies (Fund C) Program loan increase, and a Drinking Water State Revolving Fund (Fund F) Program loan, into one roll call vote, seconded by Senator Mills, and approved without objection.

The City of Pineville, Bell County, requested a \$2.6 million Fund A loan, which includes the previously approved Fund A planning and design loan and of which KIA will apply \$909,050 in principal forgiveness, for its \$3.6 million Virginia Avenue/Courthouse Square Utility Replacement project; addressing state [and federal] enforcement action through about two miles of sanitary and storm sewer installation, inlets, curb and gutters, and sidewalks. A Community Development Block Grant will fund the remaining costs. For 4,000 gallons, effective since July 1, 2014, the monthly sewer rate is \$25.74. [Pineville approved around one percent annual sewer and water increases from January 2021 through January 2025]. The term is 30 years at a 0.50 percent interest rate.

The City of Calvert City, Marshall County, requested a \$2,980,500 Fund A loan for its WWTP Influent Lift Station and Plant Improvements project; [addressing state enforcement action] through rehabilitation of the influent lift station and headworks as well other improvements. For 4,000 gallons, effective since January 1 of this year, the monthly sewer rate is \$37.12. The term is 20 years at a 1.50 percent interest rate.

The City of Dawson Springs, Hopkins County, requested a \$1 million Fund A loan, [of which KIA will apply \$475,500 in principal forgiveness], for its \$2.408 million Sanitary Sewer System Rehabilitation and WWTP Improvements project; addressing state enforcement action and implementing sanitary sewer evaluation survey results. A \$1 million CDBG allocation and a \$480,000 Delta Regional Authority grant will fund the remaining costs. For 4,000 gallons, effective since January 1 of last year, the monthly sewer rate is \$35.85. The term is 30 years at a 0.50 percent interest rate.

The City of Lewisburg, Logan County, requested a \$750,000 Fund A loan, [which includes the previously approved Fund B planning and design loan and of which KIA will apply \$375,000 in principal forgiveness] for its \$1.5 million Sewer System Upgrade project; [addressing state enforcement action] including rehabilitation of 3,650 linear feet of sewer and fourteen manholes, [pump station, and WWTP upgrades]. A CDBG allocation will cover the other half of the project costs. For 4,000 gallons, effective since July, the

monthly sewer rate is \$38.27 with an increase to \$40.57 next year, [and another possible six percent increase in 2022]. The term is 30 years at a 0.25 percent interest rate.

The City of Bardstown, Nelson County, requested a \$1,472,400 Fund B loan for its Pump Station Improvements 2020 project; improvements, including capacity and safety, to three sewer pump stations. For 4,000 gallons, [effective since 2011], the monthly inside city sewer rate is \$25.93. The term is 20 years at a 1.50 percent interest rate.

The Crittenden-Livingston County Water District requested a \$15,000 Fund C loan increase to its previously approved \$300,000 Fund C loan for a total \$315,000 Fund C loan amount. The increase for its AMR Meter Replacement project, installation of around 1,400 replacement radio read customer meters, was due to higher than projected bids. The increase was approved by KIA's Executive Director rather than KIA's board since it was less than ten percent of the original loan amount. The District sought and received the necessary Public Service Commission approvals, the Certificate of Public Convenience and Necessity and debt authorization, after the committee approved the original loan. The term is 20 years at a 2.75 percent interest rate.

The City of Whitesburg, Letcher County, requested a \$1.1 million Fund F loan for its Water Storage Tank Replacement project; replacement of two tanks. If there is an Appalachian Regional Commission grant, then KIA will reduce the loan amount. For 4,000 gallons, effective since July 1 of last year, the monthly inside city water rate is \$24.40. The term is 30 years at a 0.50 percent interest rate.

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

Cabinet for Economic Development

Ms. Smith submitted a \$250,000 Economic Development Fund grant, to be disbursed annually over four years based upon achieved performance requirements included in the grant agreement, to the City of Bowling Green for the benefit of CROWN Cork and Seal USA. The company, a subsidiary of CROWN Holdings, is establishing a metal beverage cans manufacturing facility in Bowling Green. CED will annually review compliance with the job and wage requirements beginning December 31, 2023, after which it will disburse the grant funds. The company will be required to create at least 126 new full-time Kentucky resident jobs paying an average hourly wage of \$31, including benefits. If the company fails to create or maintain the job and wage requirements on each of the compliance dates, then the grant disbursement may be reduced as specified in the grant agreement.

In response to Representative Rudy, who expressed his support for the project, Ms. Smith said that in some areas which are close to bordering states, companies could have around five to ten percent of employees residing outside of Kentucky. CED focuses its

incentive programs on Kentucky residents as Kentucky has reciprocity agreements with most of the surrounding states, not including Tennessee, in which employees pay income tax on salaries and wages to the state in which he or she resides. Representative Rudy commented that companies near Tennessee may have difficulty meeting CED benchmarks.

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

Office of Financial Management

New Debt Issue

Ms. Williams submitted the Northern Kentucky University General Receipts Bonds 2020 Series A, approximately \$3.6 million, and General Receipts Refunding Bonds 2020 Series B, approximately \$6.3 million; not to exceed \$10 million. Bond proceeds will finance one of the projects [Norse Hall renovations with residual funds applied towards Commonwealth Hall renovations] under the Construct/Acquire New Residence Hall 2016-2018 authorization [NKU issued the majority of the debt under that authorization last year], current refund General Receipts Refunding Bonds 2010 Series B; and pay associated costs of issuance. The term is seven years with a September 2027 final maturity and the projected all-in true interest cost is around 1.1 percent for both series. Estimated net present value savings for the refunding is approximately \$580,900, 9.46 percent. NKU will sell this issue via competitive sale [consistent with public postsecondary general receipts debt issues], scheduled for October 12 of this year.

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

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

Representative Rudy moved to roll the fifteen debt issues with SFCC participation into one roll call vote, seconded by Senator Carroll, and approved without objection.

Ms. Williams submitted fifteen debt issues with SFCC participation; two for new projects and thirteen to refinance debt. The [Ashland Independent (Boyd County) and Ohio County] school district's proposed new project debt issues, totaling just under an estimated \$1.5 million, did not require an additional tax levy for debt service.

The refunding issues were for the following twelve school districts: [Bellevue Independent (Campbell County) (two issues), Bourbon County, Boyle County, Bracken County, Burgin Independent (Mercer County), Caldwell County, Fayette County, LaRue County, Menifee County, Russell Independent (Greenup County), Scott County, and Walton-Verona Independent (Boone County)].

Representative Rudy moved to approve the SFCC debt issues, seconded by Representative Sorolis, and approved by unanimous roll call vote.

Senator Girdler announced the remaining calendar year 2020 meeting dates: October 21, 2020, November 19, 2020, and December 16, 2020.

With there being no further business the meeting adjourned at 3:33 p.m.