

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

February 23, 2021

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee meeting was held on Tuesday, February 23, 2021, upon adjournment of both chambers, 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 Chris Freeland, Co-Chair; Senators Jason Howell and Christian McDaniel; and Representative Walker Thomas.

Guests: Jeff Spoelker, Associate Athletic Director for Finance, University of Louisville Athletics; Sandy Williams, 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

Representative Thomas moved to approve the January 21, 2021, meeting minutes. Senator Howell seconded the motion, and the committee approved without objection.

Information Items

Ms. Halloran referenced four information items. Pursuant to KRS 45.760(5), University of Kentucky HealthCare reported nearly \$3.8 million in restricted funds for medical equipment purchases. Around half of the funds were for Chandler Hospital and the other half for Good Samaritan Hospital. The University of Louisville reported \$545,000 in restricted funds for research equipment purchases at the Kentucky Spinal Cord Injury Research Center and James Graham Brown Cancer Center.

Pursuant to KRS 45.812(1); the Estill, Graves, Jessamine, Knox, Ohio, and Pike County school districts, none of which needed an additional tax levy to pay debt service, reported upcoming debt issues for new projects. The Clark, Harlan, Jefferson, Johnson, Lincoln, and Pulaski County school districts reported forthcoming refunding debt issues.

Pursuant to KRS 48.111(6)(a), the Finance and Administration Cabinet's Division of Real Properties reported an invitation to lease space for the Justice and Public Safety Cabinet, Department of Corrections, District 19, the Louisville Southeast Probation and Parole Office.

Pursuant to the Auditor of Public Accounts' 2005 Model Program Checklist for Postsecondary Education Lease Law Compliance, the Council on Postsecondary Education transmitted lease law compliance reports and the institutions' auditors did not report any findings.

Lease Report from the University of Louisville

Mr. Spoelker submitted the UofL Athletic Association's four-year lease, commencing in August, with Aptitude 4th Street for upperclassmen football; fifty-two beds in The Marshall, a new facility adjacent to the Belknap Campus on South Fourth Street. ULAA will submit this lease for its board approval in April. The rent will increase by three percent each year from the initial \$506,000. The Marshall was selected through a RFP for its location, amenities, and ability to guarantee rooms.

Senator Howell moved to approve the new lease contingent upon necessary board approvals, seconded by Representative Thomas, and approved by unanimous roll call vote.

Report from the Office of Financial Management Kentucky Infrastructure Authority

Representative Freeland moved to roll the seven KIA submittals into one roll call vote, seconded by Senator Howell, and approved without objection.

Ms. Williams submitted five Clean Water State Revolving Fund (Fund A) Program loans, two of which were increases; an Infrastructure Revolving Fund (Fund B) Program loan increase; and a Drinking Water State Revolving Fund (Fund F) Program loan increase. Due to higher than expected bids, the City of Georgetown, Scott County, requested a \$7,857,216 Fund A loan increase to its previously approved \$13,542,784 Fund A loan; resulting in a \$21.4 million Fund A loan amount for the \$24.2 million Georgetown/Scott County South Sewer Extension project, eliminating two package treatment plants thereby removing major point sources of pollution to Cane Run Creek and its watershed. Last fall, the city received seven bids, the lowest of which was twenty-seven percent over the engineer's estimate. Concrete and crushed stone increased three to five percent, impacting project components such as manholes, backfill, and the new lift station. Utilities requested bids for other large projects around the same time, affecting contractor availability. The loan term is thirty years at a 0.50 percent interest rate.

In response to Senator McDaniel, Ms. Williams said that materials cost increases and a labor shortage contributed to higher construction expenses throughout the state. Senator McDaniel commented on concrete, rebar, and gravel increases; expecting KIA loan

increase requests to continue. Ms. Williams verified that the Public Service Commission approved the Hyden-Leslie County Water District rate increases and stated that she would provide water loss data to the committee.

Due to higher than expected bids, the City of Richmond, Madison County, requested a \$3 million Fund A loan increase to its previously approved \$10.142 million Fund A loan; resulting in a \$13.142 million Fund A loan amount for the \$13,524,021 Richmond-Silver Creek Outfall Sewer, Phase I project. The road boring subcontract, for which there were only two bids, was over a million dollars. The loan term is twenty years at a 0.50 percent interest rate.

The City of Jackson, Breathitt County, requested a \$1.017 million Fund A loan for its Jackson Sewer Rehabilitation project; East Main Street sewer repairs, Quicksand Road gravity sewer relocation due to a failing river bank, and a sewer system evaluation study. The loan term is thirty years at a 0.50 percent interest rate with estimated \$19,291 annual debt service.

The Farmdale Sanitation District, Franklin County, requested a \$300,000 Fund A loan for its Farmdale Sanitation District - Rehabilitation project; rehabilitation of the existing sanitary sewer collection systems in multiple areas . The loan term is twenty years at a one percent interest rate.

The City of Whitesburg, Letcher County, requested a \$1.8 million Fund A loan for its Sewer Lift Station Rehabilitation project; rehabilitation of the system's eighteen aging lift stations, including new pumps and appurtenances. The loan term is thirty years at a 0.25 percent interest rate with estimated \$32,958 annual debt service.

The Hyden-Leslie County Water District requested a \$100,000 director level (200 KAR 17:010) Fund B loan increase to its previously approved \$2.735 million Fund B loan, resulting in a just over \$2.835 million Fund B loan amount to retire a Kentucky Rural Water Finance Corporation short-term note. The note refinanced debt for a \$4.1 million project; 61.5 miles of waterline, two fifty thousand gallon water tanks, and three pump stations; extending service to 317 customers. The loan term is thirty years with a 0.50 percent interest rate.

Due to a highway relocation project and construction issues such as adverse soil conditions and incorrectly marked utilities, some of which required hand excavation; the City of Stanford, Lincoln County, requested a \$268,293 Fund F loan increase to its previously approved \$2.69 million Fund F loan; resulting in a just over \$2.9 million Fund F loan amount for the \$4,368,793 Water System Upgrades project. The loan term is twenty years at a 0.25 percent interest rate. Senator Girdler thanked KIA for its loan to the city, which is in his district.

Senator Howell moved to approve the seven KIA submittals, seconded by Representative Thomas, and approved by unanimous roll call vote.

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

Representative Thomas moved to roll the thirteen debt issues with SFCC participation into one roll call vote, seconded by Senator Howell, and approved without objection.

Mr. Barrow submitted thirteen debt issues with SFCC participation; seven for new projects and six to refinance debt. For new projects; the Breathitt County, Green County, Mason County, Owensboro Independent (Daviness County), Powell County, Shelby County and Union County school districts planned debt issuances totaling approximately \$108.3 million, with the SFCC and the districts paying just under five percent and seventy percent of the debt service and urgent needs funding supporting the remaining twenty-five percent (of Green County and Mason County's \$22.8 million and \$27.9 million projects, urgent needs funding financed around \$7 million and \$20 million). The school districts did not need an additional tax levy for debt service. Mr. Barrow noted that the Shelby County and Union County projects were previously reported or submitted. The Shelby County project was submitted with SFCC participation, utilizing its 2018 offer of assistance, rather than reported with solely district funding. The Union County project was resubmitted due to design approval delays [SFCC guidelines are one year for resubmittal].

The Edmonson County, Franklin County, Jackson Independent (Breathitt County), Jessamine County, Johnson County, and Perry County school districts planned refunding debt issues totaling about \$36 million, with the SFCC and districts paying around 18 percent and 82 percent of the debt service. In response to Senator McDaniel, Mr. Barrow said that school districts did not execute refundings in which they received upfront savings, although it may be economically feasible for larger transactions.

Representative Thomas moved to approve the thirteen debt issues with SFCC participation, seconded by Senator Howell, and approved by unanimous roll call vote.

Senator Girdler said he appreciated Senator McDaniel's and Representative Rudy's [former committee member] questions.

Senator Girdler said the upcoming March 16 meeting would be upon adjournment of both chambers.

With there being no further business the meeting adjourned at 5:15 p.m.