

# **CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE**

## **Minutes**

**June 17, 2021**

### **Call to Order and Roll Call**

The Capital Projects and Bond Oversight Committee meeting was held on Thursday, June 17, 2021, at 3:30 PM, in Room 169 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 Robin L. Webb; Representatives Jason Petrie and Walker Thomas.

Guests: Elizabeth Baker, Senior Director, Strategic Capital Planning and Legislative Analysis, University Budget Office, University of Kentucky; Janice Tomes, Deputy State Budget Director, Office of State Budget Director; Sandy Williams, Deputy Executive Director, Kentucky Infrastructure Authority; and Ryan Barrow, Executive Director, Office of Financial Management.

LRC Staff: Katherine Halloran, Committee Staff Administrator and Jenny Wells Lathrem, Committee Assistant.

Senator Girdler announced Ms. Wells Lathrem's retirement and said she will be missed. Ms. Wells Lathrem thanked Senator Girdler and the members.

### **Approval of Minutes**

Representative Thomas moved to approve the May 18, 2021, meeting minutes, seconded by Representative Senator Howell, and approved without objection.

### **Information Items**

Ms. Halloran referenced two information items. Pursuant to KRS 13A.190(14), the Administrative Regulations compiler notified legislative committees that the Kentucky Infrastructure Authority (KIA) filed a new emergency administrative regulation, 200 KAR 17:110E Guidelines for Kentucky Infrastructure Authority Drinking Water and Wastewater Grant Program. Section 6(2) of the regulation included committee review of Senate Bill 36, wastewater and drinking water projects. Pursuant to KRS 45.812(1), through their fiscal agents, five school districts reported upcoming debt issues. The Bowling Green Independent (Warren County), Madison County, Marshall County, and Owen County school districts, none of them needed an additional tax levy to pay debt

service, and they plan to finance new projects. The Daviess County school district reported a refunding component to its Apollo High School Phase IV financing transmitted for the April 2021, committee meeting.

Representative Thomas mentioned that Section 6(2) of KIA's new emergency administrative regulation specified approval by KIA's chair, rather than by KIA's board. [KIA's Board delegated its Senate Bill 36 approval authority to KIA's chair through the emergency administrative regulation. KIA's board wished to expedite the process as the majority of Senate Bill 36 projects are selected through coordination between cities and counties, with available funding based upon county population and allocated directly to the utilities.]

#### **Lease Report from the University of Kentucky**

Ms. Baker submitted a new lease for UK Internal Audit space; 10,203 square feet at \$19.24 per square foot for a \$196,407.75 annual cost. Internal Audit will be moving from Coldstream to provide space for Summit Biosciences's expansion.

Representative Thomas moved to approve the new UK lease, seconded by Senator Webb, and unanimously approved by roll call vote.

#### **Project Report from the Finance and Administration Cabinet**

Janice Tomes reported a \$1.4 million emergency repair, maintenance, or replacement project; funded with \$700,000 each from Kentucky State Police (KSP) (half restricted funds and half general fund) and the capital construction Emergency Repair, Maintenance, and Replacement account. The Kentucky State Police's helicopter acquisition was necessitated by an unforeseen mechanical breakdown, electrical breakdown, or structural defect that must be corrected to make an item of equipment usable as specified by KRS 45.750(1)(g).

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

Representative Thomas moved to roll the eight KIA transactions into one roll call vote, seconded by Senator Howell, and approved without objection.

Ms. Williams submitted three Clean Water Revolving Fund (Fund A) program loans, two Fund A program loan increases, one Infrastructure Revolving Fund (Fund B) program loan, one Drinking Water State Revolving Fund (Fund F) program loan, and one Fund F program loan increase. For its \$3,219,970 Wastewater Treatment Plant Expansion and Sanitary Sewer Collection Improvements project, the City of Tompkinsville, Monroe County, requested a \$848,822 Fund A loan increase to its \$861,148 previously approved Fund A loan [of which KIA will apply \$430,574 in principal forgiveness] for a \$1,709,970 total Fund A loan amount. [A \$1 million Community Development Block Grant; \$500,000 Appalachian Regional Commission grant; and \$10,000 Monroe County Board of

Education grant will finance the remaining project costs.] Replacement of two failing influent pumps comprises the additional scope. The loan term is thirty years at a half percent interest rate, with around \$48,500 estimated annual debt service.

For its \$4,088,045 Wastewater Treatment Plant Improvements project, the City of Burkesville, Cumberland County, requested a \$256,675 director level (200 KAR 17:050) Fund A loan increase to its \$2,831,370 previously approved Fund A loan [of which KIA will apply \$1 million in principal forgiveness] for a \$3,088,045 total Fund A loan amount. The additional scope includes WWTP screening room roofing, trusses, and trim replacement; yard hydrants; lighting protection; and sludge removal. [A \$1 million Community Development Block Grant will finance the remaining project costs.] The loan term is thirty years at a half percent interest rate, with around \$79,200 estimated annual debt service.

The City of Frankfort, Franklin County, requested a \$19.725 million Fund A loan for its \$29.725 million East Frankfort Interceptor Phase III Wet Weather Facility project, which will address state enforcement action and provide additional capacity, allowing the Farmdale Sanitation District to convey its sanitary flow to the city's system. [\$10 million in local funds, potentially through grants, will finance the remaining project costs.] The loan term is twenty years at a one percent interest rate, with around \$1.13 million estimated annual debt service.

The City of Kuttawa, Lyon County, requested a \$223,000 Fund A planning and design loan for its [anticipated \$1.264 million] Phase V Sanitary Sewer Evaluation System and Rehabilitation project. This phase includes the inspection of two collection system basins and subsequent sewer rehabilitation design in those areas [as well as the replacement sewer design in an additional area.] The loan term is five years at a two and half percent interest rate, with around \$48,200 estimated annual debt service.

The City of Nicholasville, Jessamine County, requested a \$817,000 Fund A planning and design loan for its [anticipated \$3 million] Nicholasville Sanitary Sewer Evaluation System and Sewer Rehabilitation Phase I project, which will address state enforcement action. This phase includes the inspection of selected collection system basins and subsequent sewer rehabilitation design in those areas. The loan term is five years at a two and half percent interest rate, with around \$176,500 estimated annual debt service.

The City of Berea requested a \$256,200 Fund B loan for the Madison County Airport Sewer Line Extension project, approximately 12,000 linear feet of new sewer. The loan term is twenty years at a one percent interest rate, with around \$14,700 annual debt service.

For its \$11.4 million New Water Treatment Plant project, the City of Lancaster, Garrard County, requested a \$400,000 director level (200 KAR 17:070) Fund F loan

increase to its previously approved \$4 million Fund F loan [of which KIA will apply \$1 million in principal forgiveness] for a \$4.4 million total Fund F loan amount. [A \$4.5 million and \$1.5 million USDA Rural Development loan and grant; \$500,000 Appalachian Regional Commission grant; and \$500,000 state (House Bill 265 - 2012 Regular Session) grant will finance the remaining project costs.] The additional work involves a new maintenance building and additional instrumentation as well as intake, pump, and SCADA system upgrades. The loan term is thirty years at a half percent interest rate, with an estimated \$130,700 annual debt service.

The City of Albany, Clinton County, requested a \$2.68 million Fund F loan [of which KIA will apply \$680,000 in principal forgiveness] for the Water Treatment Plant (A & B) Improvements project; various plant upgrades including improvements to flocculators, pumps, lagoons, filters, electrical systems, buildings, and SCADA system as well as new master meters. The loan term is thirty years at a half percent interest rate, with around \$74,200 annual debt service.

Representative Thomas moved to approve the eight KIA transactions, seconded by Senator Howell, and unanimously approved by roll call vote.

#### **Office of Financial Management**

##### **Previous Kentucky Housing Corporation (KHC) Conduit Debt Issue**

Mr. Barrow reported the KHC Conduit Multifamily Housing Revenue Bonds (The Alcove at Russell), Series 2021, applied towards the state's private activity volume cap and affecting neither the commonwealth's nor KHC's financials as the developer pays the debt service. The property was located on Russell Cave Road, Lexington, \$30 million net proceeds with a \$56.7 million total project cost.

#### **Office of Financial Management**

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

Senator Howell moved to roll the two SFCC school district debt issues into one roll call vote, seconded by Senator Webb, and approved without objection.

Mr. Barrow submitted two debt issues with SFCC participation for new projects. The Lewis County and Middlesboro Independent (Bell County) school districts, neither of which needed an additional tax levy to pay debt service, planned issuances totaling \$16.36 million. Urgent needs, district, and SFCC respective debt service support is 79.04 percent, 16.29 percent, and 4.67 percent. The urgent needs component will finance \$12.9 million of the Lewis County school district's Garrison Elementary School project. Senator Webb said that the project was much needed.

Representative Thomas moved to approve the two SFCC school district debt issues, seconded by Senator Howell, and unanimously approved by roll call vote.

Senator Girdler announced the upcoming meeting at 3:30 p.m. on July 22.

With there being no further business the meeting adjourned at 3:57 p.m.