

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

October 21, 2021

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee meeting was held on Thursday, October 21, 2021, at 2:00 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; Katie Smith, Commissioner, Department for Financial Services, Cabinet for Economic Development; and Ryan Barrow, Executive Director, Office of Financial Management.

LRC Staff: Katherine Halloran, Committee Staff Administrator; Korey Sallee, Committee Analyst; and Ashton Thompson, Committee Assistant.

Approval of Minutes

Senator Howell moved to approve the September 23, 2021, minutes, seconded by Representative Freeland, and approved without objection.

Information Items

Ms. Halloran referenced ten information items; [pursuant to KRS 26A.168(1), KRS 45.793, and KRS 45.818], the Administrative Office of the Courts, the Finance and Administration Cabinet with the Commonwealth Office of Technology reporting independently and postsecondary institutions managing their own capital construction under KRS 164A.580 transmitted Quarterly Capital Project Status Reports; [pursuant to KRS 43.050(2)(e)] the Auditor of Public Accounts examined the Finance and Administration Cabinet's Kentucky Lease Law compliance and did not report any findings; [pursuant to KRS 45.760(5)], the University of Kentucky reported its \$497,700 cash purchase of two pieces of surgical imaging equipment for UK Healthcare's Kentucky Clinic South; [pursuant to KRS 45.760(9)], the Administrative Office of the Courts, the Office of State Budget Director, and postsecondary institutions managing their own capital

construction under KRS 164A.580 transmitted Annual Capital Project Reports; [pursuant to KRS 45.810(6)], the Office of Financial Management submitted the Annual Report of Outstanding Debt on behalf of state entities, including postsecondary institutions, authorized to issue debt; [pursuant to KRS 45.812(1)] through their fiscal agents, the Breathitt County and Menifee County school districts, which did not need an additional tax levy to pay debt service, reported debt issuances to finance new projects and the Knox County school district reported an advance refunding debt issue; [pursuant to KRS 56.863(11)], the Kentucky Asset/Liability Commission transmitted, through the Office of Financial Management, its Semi-Annual Report; [pursuant to KRS 45A.077(6)], Murray State University reported its intent to use the public-private partnership project delivery method for residential housing and a dining facility; the School Facilities Construction Commission reported previous school district debt issues with SFCC debt service participation; and UK reported a consolidation of project authorizations for the Sanders-Brown Center to utilize the state bond fund match.

Lease Report from the University of Kentucky

Ms. Baker submitted a new lease for the UK's Police Department, PR-8487; 5,441 square feet at the Coldstream Research Campus with a \$104,739.25 annual cost. The lease will allow UK's police department to participate with federal agencies, including the FBI and Secret Service, in a regional threat assessment and information sharing center for cyber threat analysis.

Senator Webb moved to approve the new UK lease, seconded by Senator Howell, and approved by unanimous roll call vote.

Project Report from the Finance and Administration Cabinet

Ms. Tomes reported nine Fees-in-Lieu-of Stream Mitigation Projects Pool allocations totaling \$39.2 million for the Tourism, Arts and Heritage Cabinet, Department for Fish and Wildlife Resources. All projects are in the acquisition and survey phase and were authorized by the U.S. Army Corps of Engineers. The projects are as follows: Bender Hollow (Lincoln County), \$5 million to restore and protect over 16,000 linear feet of streams; Big Rivers Wetland (Crittenden and Union Counties), \$2.3 million to restore and protect over 2,900 linear feet of streams and over 40 acres of wetlands; Burnette Branch (McCreary and Wayne Counties), \$8.3 million to restore and protect over 37,000 linear feet of streams; Morgan County Extension Wetland, \$2.5 million to restore and protect over sixty acres of wetlands; Northern Kentucky Middle Creek II (Boone County), \$7.7 million to restore and protect over 54,700 linear feet of streams and over twelve acres of wetlands; Northern Kentucky Middle Creek III (Boone County), \$2.3 million to restore over 11,700 linear feet of headwater tributaries in the Middle Creek watershed; Stream Restoration Otter Creek (Meade County), \$4.5 million to restore and protect over 12,300 linear feet of streams and seven acres of wetlands; Whites Creek (Boyd County), \$2.3 million to restore and protect over 9,300 linear feet of streams; and Wolf Run (Jefferson

County Memorial Forest), \$4.3 million to restore and protect over 16,000 linear feet of streams.

Senator Webb stated that she supported the above projects, referencing her long-term involvement with the FILO program.

Report from the Office of Financial Management Kentucky Infrastructure Loans

Representative Freeland moved to roll the two KIA Drinking Water State Revolving Fund (Fund F) Program Loans into one roll call vote, seconded by Senator Howell, and approved without objection.

Ms. Williams submitted two KIA Fund F program loans, \$1,463,000 and \$2,549,645, for the City of Harlan with a 0.25 percent interest rate over a thirty year loan term. The Harlan Municipal Water Distribution System Improvements project involves the partial relocation of a sixteen inch raw water transmission main, replacement of other line sections, and painting a 100,000 gallon storage tank. The Harlan Municipal Water Treatment Plant and Raw Water Intake Improvements project involves miscellaneous upgrades.

Senator Howell moved to approve the two KIA Fund F program loans, seconded by Representative Freeland, and approved by unanimous roll call vote.

Economic Development Fund Grant

Ms. Smith submitted a \$285,241 Economic Development Fund grant, Marshall County Fiscal Court for the benefit of the Marshall County Industrial Development Authority. The Fiscal Court and Industrial Development Authority are implementing Southwest One Industrial Park upgrades; a dense grade Southwest One Boulevard extension, an aluminum box culvert across Gain Branch, and an expandable 120,000 square foot pad-ready site. An independent site consultant recommended the project for Kentucky Product Development Initiative industrial site upgrade program funds, administered in conjunction with the Kentucky Association for Economic Development. Grant fund disbursements occur on a reimbursement basis to local governments after the Cabinet reviews the required supporting documentation of invoices, proof of payment, and matching funds.

Representative Freeland moved to approve the Economic Development Fund grant, seconded by Senator Howell, and approved by unanimous roll call vote.

New Debt Issues

Senator Webb moved to roll the four new debt issues into one roll call vote, seconded by Senator Howell, and approved without objection.

Mr. Barrow submitted three Kentucky Housing Corporation conduit debt issues, 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, and a postsecondary debt issue. The first KHC conduit debt issue was the KHC Conduit Multifamily Housing Revenue Bonds (Kearney Ridge Apartments), Series 2021; 252 units in Lexington, \$26 million net proceeds with an over \$45 million project cost. The second was the KHC Conduit Multifamily Housing Revenue Bonds (Mount Lebanon Apartments), Series 2021; 70 units in Louisville, \$6.5 million net proceeds with an over \$14 million project cost. The final was the KHC Conduit Multifamily Housing Revenue Bonds (Oakdale Apartments), Series 2021; 144 units in Lexington, \$15.93 million net proceeds with a \$26.8 million project cost. Mr. Barrow then submitted the Murray State University General Receipts Bonds, 2021 Series A; around \$12.32 million for the Historic Building Preservation Pool authorized in House Bill 192 of the 2021 Regular Session. MSU will sell this issue in December or January via competitive sale, consistent with other public postsecondary general receipts debt issues. The term is twenty years with a projected 2.4 all-in true interest cost.

Senator Howell moved to approve the four new debt issues, seconded by Representative Freeland, and approved by unanimous roll call vote.

Previous Debt Issue

Mr. Barrow reported a previous KHC conduit debt issue, also 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; KHC Conduit Multifamily Housing Revenue Bonds (Christian Towers), Series 2021; 132 units in Versailles, \$18.9 million net proceeds with a \$55.6 million project cost.

School District Debt Issues with School Facilities Construction Commission Service Participation

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

Mr. Barrow submitted six debt issues with SFCC participation: four new projects and two to refinance debt. For the new projects, the school districts did not need an additional tax levy for debt service. The Elizabethtown Independent (Hardin County), Eminence Independent (Henry County), Grayson County, and Monroe County school districts proposed debt issues totaled approximately \$11 million with \$2.5 million SFCC debt service participation. The Campbell County school district planned two refunding issuances totaling around \$1.2 million, with 100 percent SFCC participation.

Senator Howell moved to approve the six SFCC school district debt issues, seconded by Representative Freeland, and approved by unanimous roll call vote.

Senator Girdler announced the upcoming meeting at 2:00 P.M. on November 18. With there being no further business the meeting adjourned at 2:30 P.M.