

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

December 15, 2021

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee meeting was held on Wednesday, December 15, 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 Reginald Meeks and Walker Thomas.

Guests: Elizabeth Baker, Senior Director, Strategic Capital Planning and Legislative Analysis, University Budget Office, University of Kentucky; Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services; Sandy Williams, 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

Representative Thomas moved to approve the November 18, 2021, meeting minutes, seconded by Representative Freeland, and approved without objection.

Information Items

Ms. Halloran referenced five information items: pursuant to KRS 45.760(5), the University of Kentucky reported two Center for Applied Energy Research federal funds research equipment purchases totaling \$1.2 million and the University of Louisville reported a \$750,000 College of Arts and Sciences research equipment purchase using a variety of departmental funds as well as federal funding; pursuant to KRS 45.760(6), the University of Kentucky reported use of \$146,000 in federal funds for the new poultry research facility's waste management component; pursuant to KRS 45.812(1), the Carroll County, Gallatin County, Graves County, and Owen County school districts, none of which needed an additional tax levy to pay debt service, reported upcoming debt issues for new projects; pursuant to KRS 48.111(6)(a), the Division of Real Properties advertised for

replacement Department of Revenue space in Boone County; and pursuant to KRS 65.4931(3), the Louisville Arena Authority reported its operations and financial condition.

Lease Report from the University of Kentucky

Ms. Baker submitted a lease for Equine Analytical Chemistry Laboratory space; 7,654 square feet for a \$252,388 total annual cost. The University received the contract for thoroughbred testing, resulting in a need for additional space. UK anticipates occupancy in April, after renovations.

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

Lease Report from the Finance and Administration Cabinet

Representative Freeland moved to roll the lease renewal and lease modification into one roll call vote, seconded by Representative Thomas, and approved without objection.

Mr. Aubrey submitted a lease renewal for the Cabinet for Health and Family Services in Fayette County under the same terms and conditions: 10,912 square feet of clinical space at \$16.50 per square foot for \$180,048, total annual cost through June 30, 2024.

Mr. Aubrey submitted a lease modification, amortizing improvements through the June 30, 2026 lease expiration, for the Department of Public Advocacy in Franklin County. Department of Real Properties (DRP) obtained three estimates to convert existing storage space into a conference room and create a secure area for juvenile file storage; \$98,221 from DB General Contracting, \$45,092 from Toppflite Services, and \$37,790 from Koller Warner Construction. DRP deemed Toppflite Service's bid unresponsive as it did not include the sprinkler HVAC system costs. Increases in labor and materials costs resulted in a \$61,037 revised Koller Warner Construction estimate. Koller Warner Construction

then lowered its estimate to \$49,896 after DRP reduced the project scope by changing the wall location in the file area, resulting in less sprinkler work and elimination of a door and white noise machine.

In response to Senator Girdler, Mr. Aubrey said DRP is seeing revised estimates for improvements since contractors are having difficulty finding workers.

Representative Thomas motioned to approve the leases, seconded by Representative Freeland, and approved by unanimous roll call vote.

Office of Financial Management

Cabinet for Economic Development

Representative Thomas moved to roll the two Economic Development Fund (EDF) grants into one roll call vote, seconded by Representative Meeks, and approved without objection.

Ms. Smith submitted two Economic Development Fund grants, both for projects recommended by an independent site consultant to receive Kentucky Product Development Initiative EDF program funds. The Product Development Initiative (PDI), administered in conjunction with the Kentucky Association for Economic Development, uses EDF monies for industrial site upgrades and the Cabinet for Economic Development disburses funds on

a reimbursement basis after review and approval of supporting documentation including invoices, proof of payment, matching funds, and progress report.

The first EDF grant was \$75,000 to the City of Eddyville for the benefit of Eddyville Riverport and Industrial Development Authority, construction pad and utility extension plans within the Eddyville Industrial Park. The second was \$335,361 to the Logan County Fiscal Court on behalf of the Logan County Industrial Development Authority; clearing, grubbing, and rough-grading within West Industrial Park.

Representative Freeland moved to approve the two Economic Development Fund grants, seconded by Representative Meeks, and approved by unanimous roll call vote.

Kentucky Infrastructure Authority (KIA)

Ms. Williams discussed the Cleaner Water Program and Infrastructure Investment and Jobs Act State Revolving Fund appropriations. Senate Bill 36, 2021 Regular Session, appropriated \$250 million in ARPA funds for wastewater and drinking water grants with three pools of funding: \$150 million based on each county's population; \$50 million for unserved drinking water rural customers or counties under a federal consent decree; and \$49.9 million to supplement project grants, allowing for cost escalations and changed conditions. The application deadline was November 19 and all 120 counties submitted projects. The current application total is 634 projects for \$724 million, although KIA may add more as it analyzes water resource information system data. Of that current application

total, 126 projects totaling \$168 million are for unserved drinking water rural customers and sixteen projects totaling \$105 million are from four consent decree areas (Lexington, Louisville, Northern Kentucky Sanitation District #1, and Winchester). So, far KIA's chair approved 74 projects with a total \$53.4 million grant amount. KIA plans to have the \$150 million pool allocated by the end of this month and will submit the Cleaner Water Program grants to the committee before executing the assistance agreements.

In response to Representative Meeks, Ms. Williams said that area development district staff is assessing tornado damage. Sewer and water lines have been pulled from the ground with uprooted trees, at least three water tanks were down, and a sewer treatment plant was destroyed.

Ms. Williams then provided information on the Infrastructure Investment and Jobs Act, or Bipartisan Infrastructure Law (BIL), which provides supplemental State Revolving Funds (SRF) over five years, the single largest investment in water by the federal government. BIL provides utilities opportunities to address compliance challenges; with more allowable forms of the disadvantaged additional subsidy [currently limited to negative interest and principal forgiveness], new clean water technical assistance set-aside, and funding for identifying and removing lead services lines and emerging contaminants. There are three pots of BIL supplemental SRF funding [projects still need to be on the priority list in the Intended Use Plans]; General, Lead Service Line (drinking water only),

and Emerging Containments/PFAS totaling \$112 million this fiscal year with increasing amounts over the next four fiscal years.

In response to a question from Representative Meeks, Ms. Williams said federal guidelines for accessing the supplemental funding are anticipated to be released around February.

Previous Debt Issues

Mr. Barrow reported two previous debt issues. The first was the Kentucky Public Transportation Infrastructure Authority (KPTIA) First Tier Toll Revenue Refunding Bonds, Series 2021 (Downtown Crossing Project), Series 2021A (Federally Taxable) and 2021B (Tax-Exempt) which generated record net present value savings in percentage of debt refunded, 32.1 percent (\$58.5 million). The prior record savings [nearly twenty percent, exclusive of the forward delivery series that will close next year] was set by the Turnpike Authority's refunding reported by the Office of Financial Management (OFM) last month. KPTIA's transaction [which refinanced the 2013 Series A and B First Tier Toll Revenue Bonds issued for the Lincoln Bridge] incorporated a tender offer, possibly the first done by one of the commonwealth's debt issuing authorities. The taxable series was an advance refunding of the untendered prior debt and the tax-exempt series was exchanged for the tendered prior debt. OFM waited for the updated traffic and revenue study before executing the transaction.

The second was the Kentucky Housing Corporation Housing Revenue Bonds, Taxable 2021 Series A and B (Variable Rate), refunding of certain outstanding Series 2009 C-4 and Series 2012 A debt for \$5.083 million (8.62 percent) net present value savings. [This was mortgage backed debt originally issued for single family loan originations rather than conduit debt].

School District Debt Issues with School Facilities Construction Commission (SFCC)

Debt Service Participation

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

Mr. Barrow submitted eight debt issues with SFCC participation: six for new projects and two to refinance debt. For new projects; the Clinton County, Elliot County, Kenton County, Lawrence County, Pulaski County, and Woodford County school districts, none of which needed an additional tax levy for debt service, planned debt issues totaling approximately \$116 million, \$7 million through SFCC and \$109 million or 94 percent by local funding. The McLean County and Meade County school districts planned two refunding debt issuances totaling \$9.2 million, \$1.1 million through SFCC and \$8.1 million by local funding.

Representative Thomas moved to approve the eight SFCC debt issues, seconded by Representative Meeks, and approved by unanimous roll call vote.

Senator Girdler announced the January 18 and February 15 meetings, both at 1:00 PM. With there being no further business, the meeting adjourned at 2:44 PM.