

# **CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE**

## **Minutes**

**March 15, 2022**

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

The March Capital Projects and Bond Oversight Committee was held on Tuesday, March 15, 2022, at 9:00 AM, in Room 171 of the Capitol Annex. Representative Chris Freeland, Chair, called the meeting to order, and the secretary called the roll. There was no quorum at this meeting.

Present were:

Members: Representative Chris Freeland, Co-Chair; Senators Jason Howell and Robin L. Webb; Representative Walker Thomas.

Guests: Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services; Sandy Williams, Executive Director, Kentucky Infrastructure Authority; Katie Smith, Deputy Secretary and Commissioner, Department for Financial Services; and Ryan Barrow, Executive Director, Office of Financial Management.

LRC Staff: Katherine Halloran, Committee Staff Administrator; Korey Sallee, Committee Analyst; and Elizabeth Hardy, Committee Assistant.

### **Introduction of New Member**

Representative Freeland welcomed Representative Keturah Herron from the 42<sup>nd</sup> District in Jefferson County to the committee.

### **Information Item**

Ms. Halloran referenced an information item. Pursuant to KRS 45.812(1), four school districts reported upcoming debt issues through their fiscal agents. Bowling Green Independent, Jefferson County, and Rowan County; none of which needed an additional tax levy to pay debt service, reported financings for new projects. Carter County reported a current refunding.

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

Mr. Aubrey submitted a new lease, lease renewal with a rate increase, and lease modification over \$50,000. The Transportation Cabinet, Department of Vehicle Regulation's new lease in Jefferson County; 7,594 square feet at \$15.00 per square foot for a \$113,910 total annual cost from January 18, 2022 through June 30, 2023, was due to the reassignment of REAL ID office space from the Circuit Clerk to the Transportation Cabinet. The Finance and Administration Cabinet, Department of Revenue's lease

renewal; 7,081 square feet at \$19.18 per square foot for a \$138,814 total annual cost through June 30, 2030, involved a rental rate increase. DRP procured bids [required by KRS 56.806(1) for rate increases. The advertisement notice was reported to the committee at its December, 2021 meeting.] DRP received one best and final proposal [from the current lessor]. Both leases included janitorial and utilities. The Transportation Cabinet, Department of Vehicle Regulation's over \$50,000 lease modification in Boyle County was to amortize leasehold improvements for REAL ID office space. DRP received two estimates: \$79,600 from Mobley's and \$95,520 from McAnly Commercial Properties [the current lessor]. DRP selected the lower bid, the amount of which will be amortized through the lease term ending June 30, 2029.

Mr. Aubrey reported a KRS 56.820(4)(b) General Government Cabinet, Department of Military Affairs, Bluegrass Station Division lease modification in Fayette County. The Bluegrass Station Division is modifying, at the federal agency occupant's request, one of its built-to suit leases to construct a two-story 65,327 square foot secured storage facility adjacent to and connected to Building #344. The \$4.14 square foot rental rate will remain unchanged with extension of the lease term to November 30, 2049.

**Office of Financial Management  
Kentucky Infrastructure Authority**

Ms. Williams submitted two Drinking Water State Revolving Fund (Fund F) Program loans, two Fund F loans with Cleaner Water Program grants, and one hundred three Cleaner Water Program grants.

The City of Hazard requested two Fund F loans with thirty-year loan terms at a quarter percent interest rate. The first request was \$1 million for its Buckhorn Middle Fork Water Treatment Plant to Chavies Transmission Line project and the second was \$1.95 million for its Lothair Waterline Replacement project, which will reduce excessive water loss for two hundred seventy-seven existing customers.

The City of Monticello requested a \$2,340,250 Fund F loan and a \$746,750 CWP grant for its New Powersburg Booster Pump Station, Wray Hill BPS/Storage Tank Replacement, and Miscellaneous Waterline Improvements project. The loan term is thirty years at a quarter percent interest rate. The Knox County Utility Commission requested a \$1.193 million Fund F loan and a \$1,143,832 CWP grant for its Barbourville Connection - KY 225 project, which will install about 15,000 linear feet of eight inch water main and add a booster pump station. The loan term is twenty years at a quarter percent interest rate.

Of the one hundred three CWP grants, thirty-four were for sewer and sixty-nine were for water projects. The General Assembly appropriated \$250 million for the CWP program; \$150 million based upon each county's population, \$50,000 for unserved drinking water or consent decree sewer projects, [and \$49.9 million to supplement project

grants]. All of today's submittals, except one from the consent decree pool, were from the county allocation pool.

In response to Representative Freeland, Ms. Williams confirmed that KIA would be submitting more CWP grants.

### **Cabinet for Economic Development**

Ms. Smith submitted a \$100,000 Economic Development Fund grant for the City of Elizabethtown on behalf of Kruger Packaging (USA), a subsidiary of Kruger Incorporated; to be applied towards its capital investment in its first U.S. corrugated box plant; which will serve future and existing customers across the midwestern and southern U.S. The grant agreement includes job and wage requirements; 147 new full-time jobs for employees subject to Kentucky individual income tax at a \$32.50 average hourly wage, including benefits, measured annually over three years beginning December 30, 2025. CED will disburse funds after annual compliance reporting, with the amount based upon the achieved performance requirements. If Kruger fails to achieve the job or wage targets, then CED will reduce the disbursement amount at each of the compliance measurement dates.

### **New Conduit Bond Issue**

Mr. Barrow submitted the Kentucky Economic Development Finance Authority Hospital Revenue Refunding Bonds, Series 2022A-1 and Series 2022A-2 (Baptist Healthcare System Obligated Group) conduit bond issue. This conduit debt issue, refinancing the remaining Series 2009B-1 through 2009B-4 variable rate demand notes for certain healthcare facilities, affects neither the commonwealth's nor KEDFA's financials as the debt service is the Baptist Healthcare System's obligation. The proposed sale and closing dates are March 31 and April 1.

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

Mr. Barrow submitted three new school district debt issues with SFCC debt service participation, two for new projects and one to refinance debt. For new projects; Beechwood Independent plans a \$26 million issuance for the second phase of its school renovations and passed a tax increase in 2019. Taylor County, which did not need an additional tax levy to pay debt service, plans a \$4.9 million issuance; \$4.7 million through district debt service and \$210,000 through SFCC debt service. Jefferson County plans a \$31.8 million refunding debt issue.

### **Next Meeting Date**

Representative Freeland announced the next meeting date, Thursday April 14 at 11:00 AM in Room 169 with Senator Rick Girdler presiding, and the April 1 agency submission due date.

With there being no further business the meeting adjourned at 9:17 AM.