

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

April 13, 2022

Call to Order and Roll Call

The Capital Projects and Bond Oversight Committee meeting was held on Wednesday, April 13, 2022, at 10:00 AM, in Room 154 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; Senator Jason Howell; and Representative Walker Thomas.

Guests: Ethan Witt, Assistant Vice President, Government and Community Relations, Eastern Kentucky University; Ryan Green, Executive Director, Budgeting, Financial Planning, and Fiscal Effectiveness, Eastern Kentucky University; Janice Tomes, Deputy State Budget Director, Office of State Budget Director; Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services; Jason Siwula, Assistant State Highway Engineer, Office of Commissioner, Department of Highways, Kentucky Transportation Cabinet; Sandy Williams, Executive Director, Kentucky Infrastructure Authority; Sarah Butler, Deputy 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 Liz Hardy, Committee Assistant.

Introduction of New Staff

Senator Girdler welcomed Liz Hardy, Committee Assistant.

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 45.760(5), the University of Kentucky reported two restricted fund medical equipment purchases for healthcare facilities and two federally funded research equipment purchases.

Pursuant to KRS 45.800(4) and KRS 45.810(4), the Finance and Administration Cabinet notified the committee that it preceded with the transactions submitted for last month's meeting.

Pursuant to KRS 45.812(1), the Pulaski and Rowan County school districts, neither 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 transmitted its advertisement for Cabinet for Health and Family Services space in Bullitt County.

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

The Kentucky Infrastructure Authority released information relating to the Environmental Protection Agency's March release of the Bipartisan Infrastructure Law implementation guidelines for the Clean Water and Drinking Water State Revolving Fund Programs. KIA and the Division of Water will incorporate key provisions in the fiscal year 2023 Intended Use Plans.

Project Report from the Postsecondary Institutions

Mr. Green submitted the \$1.15 million Upgrade Building Management System Controls information technology project, federally funded with U.S. Department of Education funds from the Coronavirus Aid, Relief, and Economic Security Act and supplemental actions through the Coronavirus Response and Relief Supplemental Appropriations and American Rescue Plan Acts. The project will upgrade multiple building supervisory control systems, changing Windows XP-era network controls to Linux, accessed through a campus-wide graphical user interface.

Project Report from the Finance and Administration Cabinet

Ms. Tomes submitted two new Department of Military Affairs (DMA) projects. The first DMA project was the federally funded \$16,120,500, Construct Burlington Field Maintenance Shop project. The 25,156 square foot facility, adjacent to the readiness center and replacing the leased maintenance shop, will provide maintenance services for military vehicles used by the Burlington, Carrolton, and Walton armories. The second was the \$3.5 million Bowman Field Annex Readiness Center Interior Restoration project, \$3 million in federal funds and \$500,000 in investment income funds from DMA's maintenance pool for the required state match. The interior restoration is a complete interior renovation; with upgrades including latrines, HVAC, lighting, electrical, antiterrorism/force protection windows, flooring, and walls. The readiness center was constructed in 1951 and served as the U.S. Army Reserve Readiness Center until it was replaced by the adjacent new facility.

The building has largely laid dormant since 2016 when the acquisition transfer process to the Kentucky Army National Guard began. The Kentucky Army National Guard plans to station a newly assigned 200 soldier divisional artillery headquarters within the renovated facility, which will include Human Resources, Intelligence, Operations, Sustainment, Signal, and Special Staff Sections.

Ms. Tomes reported a Cabinet for Health and Family Services, Department for Public Health research equipment purchase. The equipment purchase is for a \$307,600 Clear DX Platform Instrument, federally funded from the Epidemiology and Laboratory Capacity for Prevention and Control of Emerging Infectious Diseases grant. The instrument will allow for identification of broader range of diseases for surveillance of epidemiological investigations, tracing route of transmission, detection of new mutations, and determining effectiveness of new therapies and vaccines.

Ms. Tomes reported on two emergency repair, maintenance, or replacement projects, one a DMA amended project and the other a new Department of Parks project. The DMA amended project is a \$598,300 amendment, funded with \$558,800 from the Capital Construction Surplus account and \$39,500 from the Emergency Repair, Maintenance, or Replacement fund, to the DMA Boone National Guard Center State Emergency Operations Center Window Replacement project, resulting in a \$1,648,300 revised appropriation. The increase is due to the current bid climate driven by global economy and supply issues. Ms. Tomes reported the \$6 million Tourism, Arts and Heritage Cabinet, Department of Parks, Lake Barkley Lodge Fire Repairs project, funded with insurance proceeds and involving building restoration and reconstruction to the lodge due to a fire on November 27, 2021. The work primarily consists of repairs to the West Lodge Wing from fire and smoke damage as well as water and limited demolition damage from the resulting firefighting efforts. Several hospitality rooms, linen storage room, as well as the mechanical room were directly affected by the fire and the remaining rooms in the wing have smoke damage.

Lease Report from the Finance and Administration Cabinet

Mr. Aubrey submitted a Department of Corrections lease modification and reported two Kentucky Transportation Cabinet, Department of Highways, emergency leases.

The Department of Corrections, Division of Probation and Parole's lease modification in Boyd County included an additional five years; a 1,429 square feet [and corresponding \$22,900 annual rent] increase, and renovation costs amortization. Division of Real Properties (DRP) received two estimates: \$85,300 from CTB and \$98,900 from the Boyd County Fiscal Court [the current lessor]. DRP selected the lower bid, the amount of which will be amortized through the lease term ending June 30, 2028.

The two emergency leases in Graves and Warren County were for sites housing travel trailers [KYTC purchased two hundred with House Bill 5 proceeds for the

Commonwealth Sheltering Program] for families whose primary residences were majorly damaged, destroyed, or not habitable due to the December 2021 tornadoes. The sites had utility hookups to place the non-congregate shelters/trailers; therefore leases were procured through non-competitive negotiation. The leases are monthly, \$325 (Graves County - initially fifteen lots with a lease amendment increasing the lots to seventeen) and \$500 (Warren County – ten lots) per site.

In response to Representative Thomas; Mr. Siwula stated that staff does walk throughs with individuals using the travel trailers, there is twenty-four hour contact information for a maintenance contractor; frost proof fire hydrants and such prevent frozen water lines, and KYTC is facilitating transitioning into permanent housing in partnership with Kentucky Emergency Management. The leases have a thirty day cancellation clause and individuals may occupy the travel trailers for up to six months with the ability to extend based upon individual circumstances.

Office of Financial Management Kentucky Infrastructure Authority

Ms. Williams submitted a report on an Infrastructure Revolving Fund (Fund B) Program loan and 148 Cleaner Water Program grants. The City of Catlettsburg requested a \$499,853 Fund B loan to partially repay a \$2.485 million Clean Water State Revolving Fund (Fund A) Program loan, A14-013. The completed project was the wastewater treatment plant upgrade and rehabilitation and a portion of the sanitary sewer collection system's replacement. For state revolving fund loans, utilities must either produce an American Iron and Steel certification letter or a waiver for certain project materials. The city was unable to produce AIS certification for the collection system replacement materials and did not have a waiver. Therefore, the Environmental Protection Agency is requiring the city to repay the remaining Fund A proceeds used for the collection system replacement materials. The loan term is twenty years with the same interest rate as the Fund A loan, three quarters of a percent. Ms. Williams then referenced the 148 Cleaner Water Program grants.

Cabinet for Economic Development

Ms. Butler submitted three Economic Development Fund grants. [The grants to the Graves County Fiscal Court and the City of Bowling Green were part of the Kentucky Product Development Initiative program which, administered in conjunction with the Kentucky Association for Economic Development and codified in House Bill 745, uses EDF monies for industrial site upgrades. Recipients are required to match funds on a dollar-for-dollar basis.] The KPI locations were identified by an independent site consultant as prospective infrastructure projects with the potential for future investment/location of an economic development project. The Cabinet for Economic Development disburses KPI program funds to the local government entity on a reimbursement basis after review and approval of supporting documentation including invoices, proof of payment, matching funds, and progress report.

The \$115,000 EDF grant to the Graves County Fiscal Court on behalf of Graves County Economic Development will fund a 150,000 square foot pre-graded pad on six acres in the Hickory Industrial Park. GCED has committed funds to match the grant.

The \$500,000 EDF grant to the Shelby County Fiscal Court on behalf of Wieland North American Recycling, a leading manufacturer and converter of copper and copper alloy-sheet, strip, foil, tube, and fabricated components in North America, will be applied towards the new Shelbyville manufacturing facility's capital investment costs. The grant agreement includes investment, job, and wage requirements; 75 to 225 new full-time jobs over four years [increase of 50 jobs each year] for employees subject to Kentucky individual income tax at a \$30 average hourly wage, including benefits, measured annually from December 31, 2025 to December 31, 2028. County economic development will disburse funds after annual compliance reporting, with the amount based upon the achieved performance requirements. If Wieland fails to achieve the job or wage targets, then CED will reduce the disbursement amount at each of the compliance measurement dates, \$833 for each full-time job not created or maintained by the company and a pro-rata amount of the EDF grant based on a formula to be outlined in the EDF agreement for failure to pay the \$30 average hourly wage, including benefits.

The \$500,000 EDF grant to the City of Bowling Green on behalf of Inter-Modal Transportation Authority will fund the utilities extension to over 669 acres in Kentucky Transpark. ITA's Board of Directors has committed to match the grant.

New Kentucky Housing Corporation Conduit Debt Issues

Mr. Barrow submitted two Kentucky Housing Corporation conduit debt issues, applied towards the state's private activity volume cap for the tax-exemption and affecting neither the commonwealth's nor KHC's financials, as the developer pays the debt service, for multifamily rental housing. The first was the Kentucky Housing Corporation Conduit Multifamily Housing Revenue Bonds (Carl D Perkins), Series 2022, rehab of 150 units at 200 Douglas Parkway in Pikeville; \$10 million net proceeds with an over \$18.5 million total project cost. The second project was the Kentucky Housing Corporation Conduit Multifamily Housing Revenue Bonds (Eclipse in Russell), Series 2022, construction of 208 units on multiple parcels at Magazine Street in Louisville; \$43 million net proceeds with an over \$73.7 million project cost.

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

Mr. Barrow submitted two new school district debt issues with SFCC debt service participation, both for new projects. The Caldwell County and Owen County school districts, which did not need an additional tax levy to pay debt service, planned debt issuances totaling just over \$11 million, over 92 percent with locally supported debt service and just under eight percent with SFCC debt service participation.

Next Meeting Date

Senator Girdler announced the Tuesday, May 17 meeting, 1:00 PM in Room 169 of the Capitol Annex with Representative Freeland presiding.