

# **CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE**

## **Minutes**

**June 23, 2022**

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

The June Capital Projects and Bond Oversight Committee meeting was held on Thursday, June 23, 2022, at 2:00 PM, in Room 169 of the Capitol Annex. Representative Chris Freeland, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Chris Freeland, Co-Chair; Senator Robin L. Webb; Representatives Keturah Herron, Jason Petrie, and Walker Thomas.

Guests: Meg Campbell, Executive Director of University Planning, Design, and Construction, University of Louisville; Janice Tomes, Deputy State Budget Director, Office of State Budget Director; Jennifer Linton, Executive Director, Office of Facility Development and Efficiency, Department for Facilities and Support Services; 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, Cabinet for Economic Development; Steve Starkweather, Deputy Executive Director, Office of Financial Management.

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

### **Approval of Minutes (May 19, 2022)**

Representative Petrie moved to approve the May 19, 2022 meeting minutes. Representative Thomas seconded the motion, and the committee approved without objection.

### **Information Items**

Ms. Halloran referenced four information items. Pursuant to KRS 45.760(5), the University of Kentucky reported the \$607,500 purchase of a L3 Meld machine for its Center for Robotics and Manufacturing Systems Building as part of its “Next Generation Materials and Processing Technologies” project. Last year, UK announced the \$50 million partnership with the University of Tennessee, Knoxville and the U.S. Army Combat Capabilities Development Command’s Army Research Laboratory to improve U.S. manufacturing capabilities.

Pursuant to KRS 45.810(4); the secretary of the Finance and Administration Cabinet notified the committee that after consultation with the Cabinet for Economic Development and in consideration of the local tax dispute, the proposed use of Kentucky Economic Development Finance Authority bond proceeds for Masonic Homes will be canceled.

Pursuant to KRS 45.812(1); six school districts, none of which needed an additional tax levy to pay debt service, reported upcoming debt issues through their fiscal agents for new projects. The school districts were Clay County, Elliott County, Green County, Nicholas County, Rowan County, and Russell Independent (Greenup County).

Pursuant to KRS 45A.860(3); the Auditor of Public Accounts provided reports certifying procedural statutory compliance with KRS 45A.840 to KRS 45A.879 (Underwriter and Bond Counsel Services) for four fiscal year 2022 selection committees and six fiscal year 2021 selection committees.

### **Lease Report from the Postsecondary Institutions University of Louisville**

Ms. Campbell submitted a new lease [Cardinal Station for the Human Resources and Risk Management offices as well as the Get Healthy Now program], moving one group from two University of Louisville Foundation buildings to another ULF location.

Representative Thomas moved to approve the new lease, Co-Chair Freeland seconded the motion, and the committee approved by unanimous roll call vote.

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

Ms. Tomes submitted the \$971,800 Capital Construction and Equipment Purchase Contingency Account transfer for the nonrecurring moving costs of Finance and Administration Cabinet agencies and the Office of State Budget Director, over 170 executive branch employees, from the West Wing of the Capital Annex to the fifth floor of Transportation Cabinet Office Building. The Cabinet assessed both state-owned and leased space prior to selecting the Transportation Cabinet Office Building. Costs included fifth floor renovations; Commonwealth Office of Technology expenses, including audio/visual equipment for conference rooms; and moving services.

In response to Representative Petrie, Ms. Linton said that she would provide the committee with an itemized list of moving costs. Representative Petrie moved to defer action until review of said costs, Representative Thomas seconded the motion, and the committee approved without objection.

Ms. Tomes reported the \$5 million Department of Veterans' Affairs emergency repair, maintenance, or replacement Radcliff Veterans' Center Building Repairs project; \$4,977,500 from the Emergency Repair, Maintenance, and Replacement account, \$20,000 from KDVA's 2020-2022 investment income maintenance pool, and \$2,500 from KDVA's agency restricted funds. The RVC has structural defects due to errors during initial

construction, correction of which is necessary to ensure the RVC is usable and to maintain its operations. The project includes roof and siding replacement; repairs to the concrete sealant, fence posts, gutters, retaining walls, and soffits; and rectification of related issues.

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

Representative Petrie moved to roll the lease renewal and tenant improvement fund disbursement request into one roll call vote, Co-Chair Freeland seconded the motion, and the committee approved without objection.

Mr. Aubrey submitted a Cabinet for Health and Family Services lease renewal under the same terms and conditions for space in Clark County and an Education and Labor Cabinet tenant improvement fund disbursement request for the installation of six ADA door openers on the first floor of the Mayo-Underwood Building in Frankfort. CHFS's renewal was for 10,946 square feet at \$10 per square foot for total \$109,460 annual cost through June 30, 2023. For the six ADA door openers; DRP received one quote from CMR of \$37,871.36. Including this disbursement, the cumulative Mayo-Underwood disbursements were \$45,701.29.

Representative Thomas moved to approve the lease renewal and tenant improvement fund disbursement request, Representative Herron seconded the motion, and the committee approved by unanimous roll call vote.

Mr. Aubrey reported an amended Transportation Cabinet, Kentucky Division of Highways emergency lease for space in Warren County and a Justice and Public Safety Cabinet, Department of Corrections lease modification, amortizing leasehold improvements, for space in Calloway County. The amended emergency lease is to house 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 site had utility hookups; therefore the lease was procured through non-competitive negotiation at \$500 per site per month. DRP amended the month-to-month lease to add two lots to the original twelve.

For the leasehold improvements, DRP received two estimates; \$16,975 from Cleaver Construction and \$17,480 from Adams Construction. DRP selected the lower bid, the amount of which will be amortized through the June 30, 2027 current lease expiration date.

### **Kentucky Infrastructure Authority (KIA)**

Representative Thomas moved to roll the Clean Water State Revolving Fund (Fund A) Program loan increase and loan, Drinking Water State Revolving Fund (Fund F) Program loan increase, and seventy-three Cleaner Water Program grants into one roll call vote; Senator Webb seconded the motion, the committee approved without objection.

Ms. Williams submitted a Fund A Program loan increase and loan, Fund F loan increase, and seventy-three CWP grants. The City of Hopkinsville, for the benefit of the Hopkinsville Water Environment Authority, requested a \$15 million Fund A planned construction loan increase to the \$30 million KIA loaned over the previous three funding cycles, for the multi-phased \$48.3 million Hammond-Wood Wastewater Treatment Renovation and Expansion project; bringing the total Fund A loan amount to \$45 million. The loan term is thirty years at a half percent interest rate.

The City of Frenchburg requested a \$722,040 Fund A loan, [of which KIA will apply \$361,020 in principal forgiveness,] for the \$1,972,040 City of Frenchburg Wastewater Collection System Rehab project; replacing up to 10,000 linear feet of sewer lines as well as realigning and raising manholes. A \$750,000 Community Development Block Grant and \$500,000 Appalachian Regional Commission grant will finance the remaining project costs. The loan term is thirty years at a quarter percent interest rate.

Due to higher than projected bids, the City of Albany requested a \$268,000, director level (200 KAR 17:070 Section 8(6)) Fund F loan increase to its previously approved \$2.68 million Fund F loan of which KIA will apply \$680,000 in principal forgiveness for the \$2.951 million Albany - Water Treatment Plant (A & B) Improvements. The loan term for the \$2.948 million total loan amount is thirty years at a quarter percent interest rate.

Of the seventy-three CWP grants, twenty-two were for sewer projects in fourteen counties and fifty-one were for water projects in twenty-two counties.

Representative Petrie moved to approve KIA's submittal, Senator Webb seconded the motion, and the committee approved by unanimous roll call vote.

### **Cabinet for Economic Development**

Ms. Smith submitted a \$500,000 economic development grant, [from the Kentucky Product Development Initiative (PDI) 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], for the County of Trigg on behalf of the Cadiz-Trigg County Industrial Development Authority. The two organizations are partnering to construct a \$3.5 million, 100,000 square foot speculative building on a fifteen acre Build-Ready pad site at Interstate 24 Business Park. [A \$2.25 million bank loan and \$750,000 Tennessee Valley Authority grant will finance the remaining project costs]. An independent site selection consultant identified the project as having potential for future economic development opportunities. CED will disburse funds on a reimbursement basis upon review and approval of supporting documentation including invoices, proof of payment, matching funds, and progress report.

Representative Thomas moved to approve the EDF grant, Senator Webb seconded the motion, and the committee approved by unanimous roll call vote.

## **Office of Financial Management**

Representative Thomas moved to roll the two new debt issues into one roll call vote, Representative Herron seconded the motion, and the committee approved without objection.

Mr. Starkweather submitted two new debt issues. The first was the Eastern Kentucky University General Receipts Bonds, 2022 Series A. The estimated \$50.53 million, thirty-year, tax-exempt debt issue will finance the reauthorized HB 1 Residence Hall Renovation Pool. The projected all-in true interest cost is 4.46 percent with a July 13, 2022 scheduled pricing. The second was the estimated \$70 million, twenty-year, tax-exempt Western Kentucky University General Receipts Refunding Bonds, 2022 Series A and General Receipts Bonds, 2022 Series B and 2022 Series C. The Series A and B debt are refinancings generating a projected \$1 million aggregate net present value savings. The Series A will refund outstanding 2012 Series A debt issued by the university [for Renovate Downing University Center Phase III] and the Series B will refund outstanding Series 2010 debt issued by the City of Bowling Green for the Diddle Arena, and related facilities, renovations. The estimated \$38.6 million Series C will fund a portion of the reauthorized HB 1 Construct, Renovate, and Improve Athletic Facilities pool. The estimated all-in true interest cost is 3.44 percent with a scheduled July 15, 2022 pricing.

In response to Representative Petrie, Mr. Starkweather stated that the \$276,600 estimated Series B net present value savings is net of transactional costs. [The Series B debt was issued in accordance with language in the executive branch budget bill allowing municipalities to refinance debt obligations for which the rental or use payments of the university substantially meet the debt service requirements].

Representative Herron moved to approve the two new debt issues, Representative Thomas seconded the motion, and the committee approved by unanimous roll call vote.

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

Senator Webb moved to roll the six school district debt issues with SFCC debt service participation into one roll call vote, Representative Petrie seconded the motion, and the committee approved without objection.

Mr. Starkweather submitted six school district debt issues with SFCC debt service participation totaling \$112.610 million for new projects; \$86.15 million of which was for the new Woodford County High School. The school districts, none of which needed an additional tax levy to pay debt service, were Clay County, Middlesboro Independent (Bell County), Muhlenberg County, Nicholas County, Rowan County, and Woodford County.

Representative Thomas moved to approve the six SFCC debt issues, Representative Herron seconded the motion, and the committee approved by unanimous roll call vote.

**Next Meeting Date and Adjournment**

Representative Freeland announced Thursday, July 21 as the next meeting date. With there being no further business the meeting adjourned at 2:30 p.m.