

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

July 21, 2022

Call to Order and Roll Call

The July Capital Projects and Bond Oversight Committee meeting was held on Thursday, July 21, 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; Senators Rick Girdler, Christian McDaniel, 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, Executive Director, Kentucky Infrastructure Authority; Katie Smith, Deputy Secretary and 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 Maurya Allen, Committee Assistant.

Election of Senate Co-Chair

Senator McDaniel nominated Senator Howell for Senate co-chair and Senator Girdler seconded the motion. Senator McDaniel moved that nominations cease and that Senator Howell be elected Senate co-chair by acclamation. Senator Girdler seconded the motion and Senator Howell was elected Senate co-chair by acclamation.

Approval of Minutes (June 23, 2022)

Representative Petrie moved to approve the June 23, 2022, meeting minutes. Representative Thomas seconded the motion and the committee approved without objection.

Correspondence and Information Items

Ms. Halloran referenced seven correspondence and information items. Pursuant to KRS 26A.168(1), KRS 45.793, and KRS 45.818; the Administrative Office of the Courts, the Finance 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 a \$266,200 privately funded replacement neonate transport Type III ambulance, located at Chandler Medical Center, to transport children receiving care at Kentucky Children's Hospital. Pursuant to KRS 45.800(2), the committee notified the Finance Administration Cabinet that it did not approve the \$971,800 Capital Construction and Equipment Purchase Contingency Account transfer last month and asked that the cabinet resubmit the transfer with an itemized expenditure list for its July meeting. Pursuant to KRS 45.812(1), the Casey County and Eminence Independent (Henry County) school districts, which did not need additional tax levies to pay debt service, reported upcoming debt issues for new projects through their fiscal agents; \$1.8 million for high school track and tennis improvements and \$700,000 for district-wide improvements. Pursuant to KRS 45A.180(2), UK reported its intent to use the construction management-at-risk project delivery method for its Construct Health Education Building project and selected Turner Construction. The University of Louisville reported its intent to use the design-build project delivery method for its Kueber Center Renovation project. Pursuant to KRS 164A.600(2), UK reported the \$38 million construction phase, funded with insurance reimbursements, of the newly constructed Grain and Forage Center of Excellence's emergency replacement in Princeton. The facility was destroyed by the December 10, 2021, tornado. Pursuant to HB 1, UK transmitted its planned Postsecondary Education Asset Preservation Pool projects. Its agency debt issue to match the state appropriation was on the July meeting agenda.

Lease Report from Postsecondary Institutions University of Kentucky

Ms. Baker submitted a new lease for UK's Team Blue Primary Care Clinic; 3,979 square feet for an \$118,574.20 annual cost, including utilities.

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

Project Report from the Finance and Administration Cabinet

Ms. Tomes submitted a new Department of Military Affairs project and reported Department of Education, Operations and Support Services, State Schools Roof Repair and Replacement Pools - 2022-2024 and 2020-2022 allocations as well as the \$971,800 Capital Construction and Equipment Purchase Contingency Account transfer submitted last month. The \$2.5 million DMA Danville Readiness Center Interior Restoration project, \$1.25 million in National Guard Bureau Minor Construction federal funds and the other half from the general funded portion of the Modernization Pool - National Guard, was a complete interior renovation of the facility including upgrades to the electrical and HVAC systems, flooring, latrines, lighting, and walls as well as installation of anti-terrorism force protection windows and lactation room. The Kentucky National Guard plans to station the 223rd Military Police Company in the facility, constructed in 1954, after the renovation.

Representative Petrie moved to approve the new project, Representative Thomas seconded the motion, and the committee approved by unanimous roll call vote.

The bond-funded \$1.76 million State Schools Roof Repair and Replacement Pool - 2020-2022 allocation financed roof repairs to Kentucky School for the Blind campus buildings in Louisville; including Evans Hall (dormitory); Gregory-Reis Student Center; and Langan Gymnasium. The general-funded \$1,979,220 State Schools Roof Repair and Replacement Pool - 2022-2024 financed roof repairs to Kentucky School for the Deaf campus buildings in Danville; including Kerr Hall (middle and high school classrooms); Grow Hall (cafeteria), and Thomas Hall (gymnasium). KDE operates both schools and most of the fifty buildings are between thirty and fifty years old.

The Office of State Budget Director transmitted the \$971,800 Capital Construction and Equipment Purchase Contingency Account transfer request, for expenses associated with the move of Finance and Administration Cabinet agencies and the Office of State Budget Director from the West Wing of the Capital Annex to the fifth floor of Transportation Cabinet Office Building, last month in accordance with KRS 45.770(4). The Secretary of the Finance Administration Cabinet proceeded with the transfer to ensure that incurred contractual obligations and expenses posted in fiscal year 2022 and revised the submission to include the supporting documentation requested by the committee. Costs, both incurred and obligated, comprised reconfiguration of existing Transportation Cabinet Office Building space; Commonwealth Office of Technology disbursements, including audio/visual equipment for conference rooms; and moving services and supplies.

In response to Senator McDaniel, Ms. Tomes stated that about \$283,000 was remaining in the Capital Construction and Equipment Purchase Contingency Fund. With the \$15 million general fund fiscal year 2023 appropriation, there would be around \$15.3 million in the account. Senator McDaniel noted that the expectation was for the executive branch to pay the moving expenses with their own monies.

Kentucky Infrastructure Authority

Senator Girdler moved to roll the KIA transactions into one roll call vote, Representative Petrie seconded the motion, and the committee approved without objection.

Ms. Williams submitted two Clean Water State Revolving Fund (Fund A) Program Director Level loan increases, two Infrastructure Revolving Fund (Fund B) Program loans, a Governmental Agencies (Fund C) Program loan, a Drinking Water State Revolving Fund (Fund F) Program Director Level loan increase, two Fund F loans, and a Fund C loan increase with Fund F loan, and sixty-four Cleaner Water Grants.

Due to escalations and minor changes to the pump stations, the McCreary County Water District requested a ten percent \$324,450 director level (200 KAR 17:050 Section 7(6)) Fund A loan increase to its previously approved \$3,244,500 Fund A loan, [of which

KIA will apply \$450,000 in principal forgiveness], for its Sanitary Sewer Collection System Expansion project. The loan term for the \$3,568,950 total loan amount is thirty years at a half percent interest rate.

Due to higher than projected bids, the Farmdale Sanitation District (Franklin County) requested a ten percent \$30,000 director level (200 KAR 17:050 Section 7(6)) Fund A loan increase to its previously approved \$300,000 Fund A loan for its Farmdale Sanitation District Rehabilitation project. The loan term for the \$330,000 loan amount is twenty years at a one percent interest rate.

The Western Pulaski County Water District requested a \$4.5 million Fund B loan for its Bourbon Water Storage Tank Replacement project; replacing an existing 300,000 gallon elevated storage tank with a one million gallon elevated composite water storage tank and 600 linear feet of connecting twelve inch water main. The loan term is twenty years at a one percent interest rate.

The Bronston Water Association (Pulaski and Wayne Counties) requested a \$2.743 million Fund B loan for its 2022 Water System Improvements and Replacements project; rehabilitating a 100,000 gallon elevated water storage tank, installing 1,900 radio read meters, and replacing over 47,000 linear feet of various sized waterlines to reduce excessive water loss. The loan term is twenty years at a quarter percent interest rate.

The City of Somerset (Pulaski County) requested a \$2,500,120 Fund C loan for its Water Treatment Plant Membrane Filtration Replacement project. The filtration treatment system has a ten year estimated useful life; therefore, the loan term is ten years at a two percent interest rate.

Due to higher than projected bids, the City of Wilmore (Jessamine County) requested a one percent director level (200 KAR 17:070 Section 8(6)) \$10,250 Fund F loan increase to its previously approved \$994,648 Fund F loan for its Wilmore Elevated Storage Tank Rehabilitation project. The loan term for the \$1,004,898 total loan amount is twenty years at a two percent interest rate.

The City of Paris (Bourbon County) requested a \$3.275 million Fund F loan for its Paris Water System Improvements project; replacing or rehabilitating aging infrastructure within its water treatment system and making various improvements at its water treatment plant. The loan term is twenty years at a one percent interest rate.

The Cannonsburg Water District (Boyd County) requested a \$1,685,083 Fund F loan for its \$2,809,600 Phase II - Shoppes Road Waterline Replacement project; replacing asbestos cement waterlines and installing sub-zone meters to reduce excessive water loss and improve water service for at least one hundred fifty customers. [\$500,000 from the

District and a \$540,517 CWP grant will finance the remaining project costs]. The loan term is twenty years loan at a two percent interest rate.

The City of Nicholasville requested a \$990,912 Fund C loan increase to its \$4,582,030 Fund F loan request for its \$5,572,942 Nicholasville 24-inch Parallel Transmission Main project; construction of about twenty-two linear feet of ductile iron transmission line from its water treatment plant to the city to increase pumping capacity from seven million gallons per day to fifteen MGD. The loan term is twenty years at two and a half percent (Fund C) and two percent (Fund F) interest rates. The estimated project costs exceeded available Fund F monies; therefore, the city requested Fund C loan proceeds for the remaining project costs.

Of the sixty-four CWP grants; nineteen were for sewer projects and forty-five were for water projects. Five of the water CWP grants were reallocations from previously approved projects.

In response to Senator Girdler, Ms. Williams stated that the number of projects KIA's board approved at its July meeting was independent of the new fiscal year.

Senator Girdler moved to approve KIA's submittal, Senator Webb seconded the motion, and the committee approved by unanimous voice vote.

Cabinet for Economic Development

Senator McDaniel moved to roll the two EDF grants into one roll call vote, Senator Webb seconded the motion, and the committee approved without objection.

Ms. Smith submitted two EDF grants. The first [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] was \$500,000 to the City of Berea on behalf of the Berea Industrial Development Authority. The two organizations are planning the construction of a 150,000 square foot pre-engineered pad, tree clearing, and installation of a gravel road from the main road to the proposed Lot 7 pad. 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. The second EDF grant, \$1 million to the Todd County Fiscal Court on behalf of Novelis, will be applied towards the \$365 million large sheet, ingot casting, shredding, and recycling center serving the automotive market. The grant agreement included job and wage requirements; 138 new full-time jobs for employees subject to Kentucky individual income taxes at a \$38 average hourly wage including benefits, measured annually from December 31, 2025, through December 31, 2028.

Representative Petrie moved to approve the two EDF grants, Representative Thomas seconded the motion, and the committee approved by unanimous roll call vote.

Office of Financial Management

Representative Petrie moved to roll the nine new debt issues into one roll call vote, Senator Girdler seconded the motion, and the committee approved without objection.

Mr. Barrow submitted nine new debt issues. The first was the University of Kentucky General Receipts Bonds, 2022 Series B and Taxable Series C. The estimated \$98.16 million competitively sold debt issue will finance the Asset Preservation Pool – 2022-2024 fiscal year 2023 match as well as a portion of the Facilities Renewal and Modernization authorization. The second transaction was the Kentucky Higher Education Student Loan Corporation Student Loan Backed Notes; reapproval of the \$370 million approved by the committee last year to finance or refinance federally guaranteed Federal Family Education Loan Program student loan acquisitions, most of which are rehabilitated loans. KHESLC estimates utilizing only \$250 million. The third was the Kentucky Economic Development Finance Authority Revenue Refunding Bonds, Series 2022 (Carmel Manor), with an estimated \$17.095 million issuance amount. This new conduit debt issue as well as the Kentucky Housing Corporation conduit debt issues referenced below affect neither the Commonwealth's nor the agencies' financials. KEDFA and KHC conduit debt issues are tax-exempt; however, KHC (including non-conduit) rather than KEDFA debt issues are applied towards the state's private activity volume cap. Some KHESLC debt (all non-conduit) is applied towards the state's private activity volume cap as well.

The first of the KHC conduit debt issues is the estimated \$22 million Kentucky Housing Corporation Multifamily Conduit Revenue Bonds (Crossings at South Park), Series 2022; about 192 units in Louisville with a \$41 million estimated project cost. The second was the estimated \$25 million Kentucky Housing Corporation Multifamily Conduit Revenue Bonds (Gateway on Broadway), Series 2022; 116 units in Louisville with an estimated \$60 million project cost. The third was the estimated \$31 million Kentucky Housing Corporation Multifamily Conduit Revenue Bonds (Churchill Park), Series 2022; 248 units in Owensboro with a \$71 million estimated project cost. The fourth was the estimated \$19.37 million Kentucky Housing Corporation Multifamily Conduit Revenue Bonds (Shawnee Apartments), Series 2022; 177 units throughout Louisville with a \$46 million estimated project cost. The fifth was the estimated \$17.5 million Kentucky Housing Corporation Multifamily Conduit Revenue Bonds (The Path off Cane Run), Series 2022; 106 units in Louisville with an estimated \$38 million project cost. The last was the estimated \$8.5 million Kentucky Housing Corporation Multifamily Conduit Revenue Bonds (Yorktown Senior Housing), Series 2022; about 100 units located in Louisville with an estimated \$21 million project cost.

In response to Representative Petrie, Mr. Barrow stated that the available bond cap allocation is \$110 per person [total KY calendar year 2022 volume cap is \$496,033,340 (July 1, 2021 KY population estimate times \$110)], which can be carried forward for up to three years. KHC and KHESLC are utilizing prior year allocations; therefore, both entities have allocations available. The Kentucky Private Activity Bond Allocation Committee used to allocate fifty percent to KHC and KHESLC; however, KHC currently has more demand and KHESLC has less demand.

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

Mr. Barrow reported two previous KHC conduit debt issues. The first was the \$15.93 million Kentucky Housing Corporation Multifamily Conduit Revenue Bonds (Oakdale Apartments), Series 2022; 144 units in Lexington. The second was the \$22.689 million Kentucky Housing Corporation Multifamily Conduit Revenue Bonds (Kearney Ridge), Series 2022; 252 units in Lexington. The respective sale dates were June 30 and January 28 of this year.

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

Senator Webb moved to roll the five school district debt issues with SFCC debt service participation into one roll call vote, Senator Girdler second the motion, and the committee approved without objection.

Mr. Barrow presented five school district debt issues with SFCC debt service participation totaling \$26.4 million for new projects; nearly eight-four percent, \$22.2 million, with locally supported debt service and just over sixteen percent, \$4.2 million, with SFCC debt service participation. The school districts, none of which needed an additional tax levy to pay debt service, were Elliott County, Magoffin County, McCracken County, Trigg County, and Trimble County.

Senator Webb moved to approve the five school district debt issues with SFCC debt service participation, Representative Thomas second the motion, and the committee approved by unanimous roll call vote.

Next Meeting Date and Adjournment

Representative Freeland announced Wednesday, August 24 as the next meeting date. With there being no further business the meeting adjourned at 2:37 p.m.