

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

August 24, 2022

Call to Order and Roll Call

The August Capital Projects and Bond Oversight Committee was held on Wednesday, August 24, 2022, at 2:00 PM, in Room 169 of the Capitol Annex. Senator Jason Howell, Chair, called the meeting to order and the secretary called the roll.

Present were:

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

Guests: Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services; 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; Liz Hardy, Committee Assistant.

Approval of Minutes (July 21, 2022)

Senator McDaniel moved to approve the July 21, 2022, meeting minutes. Representative Thomas seconded the motion and the committee approved without objection.

Information Items

Ms. Halloran referenced three information items. Pursuant to KRS 45.760(5), the University of Kentucky reported three medical equipment purchases totaling about \$1.8 million in restricted funds for UK Chandler hospital and a \$300,000 research equipment purchase for UK's College of Pharmacy. Pursuant to KRS 45.812(1), six school districts, none of which needed an additional tax levy to pay debt service, transmitted upcoming debt issues for new projects through their fiscal agents. The school districts were Breathitt County, Clay County, Corbin Independent (Knox and Whitley Counties), Estill County, Harrison County, and Livingston County. Pursuant to House Bill 1, Eastern Kentucky University reported its anticipated Postsecondary Education Asset Preservation Pool projects for the upcoming fiscal year.

Lease Report from the Finance and Administration Cabinet

Mr. Aubrey reported an amended Transportation Cabinet, Kentucky Division of Highways emergency lease for space in Graves County. The amended emergency lease is to house travel trailers [KYTC purchased 200 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, for seventeen lots, was procured through non-competitive negotiation at \$325 per site per month. DRP amended the lease to add mowing services at \$40 per site per month for a \$365 per lot total.

Kentucky Infrastructure Authority

Representative Freeland moved to roll the Infrastructure Revolving Fund (Fund B) Program loan and Cleaner Water Program sewer grant reallocation into one roll call vote, Representative Herron seconded the motion, and the committee approved without objection.

Ms. Williams submitted a Fund B loan and Cleaner Water Program sewer grant reallocation. The City of Mount Washington (Bullitt County) requested a \$700,000 Fund B loan for its Pleasant Grove Pump Station Improvements; the pump station, which serves the majority of the sewer customers in the western portion of the city, replacement. The loan term is 20 years with a two and a quarter percent interest rate. The City of Elkton (Todd County) requested to reallocate its previously approved \$146,193 Cleaner Water Program sewer grant from its Elkton – Water Storage Tank Improvements project to its Elkton - Wastewater System Rehabilitation and Improvements project; repairs and upgrades to the city’s wastewater collection system to address excessive wet weather sanitary sewer overflows.

Senator Webb moved to approve the Fund B loan and Cleaner Water Program sewer grant reallocation, Representative Thomas seconded the motion, and the committee approved by unanimous roll call vote.

Cabinet for Economic Development

Ms. Butler submitted a \$500,000 Economic Development Fund Kentucky Product Development Initiative program [administered in conjunction with the Kentucky Association for Economic Development and codified in House Bill 745, uses EDF monies for industrial site upgrades] grant to the City of Winchester on behalf of the Winchester Clark County Industrial Development Authority. The \$2.2 million project is the grading of a 70 acre site in Winchester Industrial Park. The IDA will provide \$1.6 million [and Kentucky Utilities will provide \$100,000]. An independent site selection consultant identified the infrastructure project as having potential for future economic development opportunities. CED disburses funds, to the project applicant through the local government entity, on a reimbursement basis upon review and approval of supporting documentation including invoices, proof of payment, matching funds, and progress report.

In response to Senator McDaniel, Ms. Butler stated that the site occupant has not been identified yet.

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

Office of Financial Management

Mr. Barrow submitted a State Property and Buildings Commission debt issue and reported a Turnpike Authority of Kentucky debt issue. The State Property and Buildings Commission Revenue Bonds, Project No. 127, Series 2022 A and Federally Taxable Series 2022 B is general fund appropriation-supported debt to fund \$255 million of projects in various appropriations bills. The taxable component is the “Bucks for Brains” Endowment Match Program; \$30 million for research institutions (Research Endowment Trust Fund) and \$10 million for comprehensive institutions (Comprehensive University Excellence Trust Fund). The estimated all-in true interest cost is just over 3.8 percent.

In response to Senator McDaniel, Mr. Barrow stated that the “Bucks for Brains” piece did not qualify as tax exempt because it finances operating expenses.

The Turnpike Authority of Kentucky Economic Development Road Revenue Bonds (Revitalization Projects), 2022 Series B is road fund appropriation-supported debt to finance the remaining \$50 million in projects authorized prior to 2022. The estimated all-in true interest cost is just over 3.5 percent.

Representative Thomas moved to approve the SPBC debt issue, Representative Herron 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 McDaniel moved to roll the four school district debt issues with SFCC debt service participation into one roll call vote, Senator Webb second the motion, and the committee approved without objection.

Mr. Barrow submitted four school district debt issues with SFCC debt service participation totaling \$16 million for new projects; about 91 percent, \$14.6 million, with locally supported debt service and nearly nine percent, \$1.4 million, with SFCC debt service participation. The school districts, none of which needed an additional tax levy to pay debt service; were Carroll County, Russell Independent (Greenup County), Somerset Independent (Pulaski County); and Williamstown Independent (Grant County).

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

Next Meeting Date and Adjournment

Senator Howell announced Thursday, September 29 as the next meeting date. With there being no further business the meeting adjourned at 2:16 p.m.