

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

September 29, 2022

Call to Order and Roll Call

The September Capital Projects and Bond Oversight Committee meeting was held on Thursday, September 29, 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: Senator Jason Howell, Co-Chair; Representative Chris Freeland, Co-Chair; Senator Rick Girdler; 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; Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services, Finance and Administration 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; Liz Hardy, Committee Assistant; and Spring Emerson, Committee Assistant.

Approval of Minutes

Representative Thomas moved to approve the August 24, 2022, meeting minutes, Senator Howell seconded the motion, and the committee approved without objection.

Information Items

Pursuant to KRS 45.760(5), the University of Kentucky reported three basic life support ambulance purchases totaling \$844,100 in restricted funds for UK Chandler Hospital. Pursuant to KRS 45.760(9), the Office of State Budget Director transmitted its annual capital projects report. 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 for new projects through their fiscal agents. The school districts were Casey County, Harlan Independent (Harlan County), Lawrence County, Livingston County, Nelson County, and Pulaski County. Pursuant to KRS 45A.180(2), the University of Louisville reported its

intent to use the design-build project delivery method for its Renovation Patterson Baseball Stadium project. Pursuant to KRS 48.111(6)(a), the Division of Real Properties transmitted its advertisement for the Department of Juvenile Justice office/classroom space in Christian County to house a day treatment center. Pursuant to KRS 56.813(2)(a)3.b. and KRS 56.823(11)(a), the Division of Real Properties reported a lump-sum leasehold improvement costing between \$1,000 and \$10,000 and four square footage lease modifications under \$50,000.

Lease Report from the University of Kentucky

Ms. Baker submitted a new lease with Easter Seals, 25,017 square feet at a \$988,922.01 annual rental cost (\$22.00 per square foot base plus \$17.53 per square foot amortized fit-up costs), for space at the former Shriners Hospital property on Richmond Road in Lexington. The space will house three clinics (NICU Graduate Clinic, Complex Care Clinic, and Developmental Pediatric Clinic) serving children with special healthcare needs; thereby providing services in one location so that patients will not have to travel to multiple sites.

Co-Chair Howell moved to approve the new lease, Senator Girdler seconded the motion, and the committee approved by unanimous roll call vote.

Project Report from the Finance and Administration Cabinet

Co-Chair Howell moved to roll two new projects into one roll call vote. Representative Thomas seconded the motion, and the committee approved without objection.

Ms. Tomes submitted two new projects and reported four pool allocations and a Postsecondary Education Asset Preservation Pool allocation. The first new project, submitted under KRS 164A.575(15), was the Kentucky Community and Technical College System Renovate Newtown Campus North Buildings - Bluegrass CTC project, revising the prior authorization from \$12.4 million to \$16 million (\$14 million in restricted funds and \$2 million from a Lexington-Fayette Urban County Government grant). The new space will allow for expansion of academic programs providing community outreach services.

The second new project, submitted under KRS 45.760(7), is the General Government Cabinet, Department of Military Affairs, Bowman Field Annex Readiness Center Interior Restoration project, amending the prior authorization from \$3.5 million to \$5,449,900 due to higher than expected bids. The initial \$3.5 million was comprised of \$3 million in federal funds (Military Construction Cooperative Agreement) and \$500,000 from the Department of Military Affairs' 2020-2022 investment income maintenance pool. The amended project authorization will change the \$500,000 from the investment income maintenance pool to \$2,449,900 from the general funded Armory Installation Facility Maintenance pool. 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 project is a complete interior renovation (upgrades include latrines, HVAC, lighting, electrical, antiterrorism/force protection windows, flooring, and walls) and the Kentucky Army National Guard plans to station a newly assigned 200 soldier divisional artillery headquarters within the renovated facility.

Co-Chair Howell moved to approve the two new projects; Representative Thomas seconded the motion, and the committee approved by unanimous roll call vote.

The first pool allocation was for the Finance and Administration Cabinet, Department for Facilities and Support Services (DFSS), \$1.5 million Capitol Annex Exterior Repairs project; brick and stone repairs as well as exterior lighting, downspout, and sealant replacement funded from DFSS's 2020-2022 bond-funded maintenance pool. The next three allocations were for Tourism, Arts, and Heritage Cabinet, Department of Fish and Wildlife Resources projects, all of which were authorized by the U.S. Army Corps of Engineers and funded from the restricted funded Fees-In-Lieu-of Stream Mitigation Projects Pool. The first was the \$19.1 million Rolling Fork WMA Stream and Wetland project, which will restore and permanently protect over 66,000 linear feet of Stillwell Branch and tributaries in LaRue County. The second was the \$4 million to the Staggs Creek project, which will restore and permanently protect over 19,000 linear feet of Staggs Branch and tributaries in Lewis County. The final was the \$7.5 million Mud Camp project, which will physically restore and permanently protect over 31,000 linear feet of Mud Camp Creek and tributaries in Cumberland County.

The Postsecondary Education Asset Preservation Pool allocation was for the \$1.188 million Kentucky Community and Technical College System, Roof Repairs Glema Mahr Arts Center — Madisonville Community College, funded with \$1,033,085 in bond funds and \$154,915 in restricted funds for its fifteen percent match.

Lease Report from the Finance and Administration Cabinet

Mr. Aubrey reported two Transportation Cabinet, Kentucky Division of Highways emergency leases; both month-to-month to house travel trailers for families whose primary residences were majorly damaged, destroyed, or not habitable due to the December 2021 tornadoes and the July 2022 flooding and procured through non-competitive negotiation as the sites had utility hookups. The first was an amended emergency lease in Graves County, which increased the base monthly rent from \$325 to \$425 per site and mowing services from \$40 to \$60 per lot per month, resulting in a \$485 monthly rate per site, as well as decreased the sites from seventeen to thirteen. The second was a new emergency lease in Owsley County for twenty-five sites at \$500 per month per site.

Report from the Office of Financial Management Kentucky Infrastructure Authority – Cleaner Water Program Grants

Co-Chair Howell moved to roll the thirty-eight Cleaner Water Program (CWP) grants into one roll call vote, Senator Girdler seconded the motion, and the committee approved without objection.

Ms. Williams submitted thirty-eight CWP grants; funding twenty-eight new projects (providing service to 1,200 households) from the unserved drinking water pool, three new water projects from the county pool, and three sewer and four water project reallocations from the county pool.

Co-Chair Howell moved to approve the CWP grants, Co-Chair Freeland seconded the motion, and the committee approved by unanimous roll call vote.

Cabinet for Economic Development – Economic Development Fund Grants

Co-Chair Howell moved to roll two Economic Development Fund (EDF) grants into one roll call vote, Senator Girdler seconded the motion, and the committee approved without objection.

Ms. Butler submitted two EDF 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] grants. An independent site selection consultant identified the infrastructure projects as having potential for future economic development opportunities. The Cabinet for Economic Development (CED) disburses funds to the project applicants through the local government entities on a reimbursement basis upon review and approval of supporting documentation including invoices, proof of payment, matching funds, and progress reports.

The County of Muhlenberg, in partnership with the Paradise Park Regional Industrial Development Authority, requested a \$250,000 EDF grant for entrance enhancements and sewer and water service for 620 acres in the Industrial Business Park. The Industrial Development Authority identified matching funds (\$153,200 Regional Development Agency Assistance Program and \$96,800 Felix E. Martin Jr. Foundation grant). The Ohio County Fiscal Court, in partnership with the Ohio County Industrial Development Authority, requested a \$300,000 EDF grant to upgrade its electric to 9.5 megawatts at Bluegrass Crossings Business Center. The Fiscal Court will match the grant.

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

Office of Financial Management

Senator Girdler moved to roll the three new Kentucky Housing Corporation (KHC) conduit debt issues into one roll call vote. Co-Chair Howell seconded the motion, and the committee approved without objection.

Mr. Barrow discussed the increase in interest rates, referencing the over 200 basis point Municipal Market Data ten-year rate increase since January, and the impact on state agency, postsecondary, and K-12 borrowing costs.

Mr. Barrow requested approval for three new KHC conduit debt issues. The first was the Kentucky Housing Corporation Conduit Multifamily Housing Revenue Bonds (Flats at Bardstown), Series 2022; \$21.5 million net proceeds with a \$40.7 million project cost for 192 units in Louisville. The second was Kentucky Housing Corporation Conduit Multifamily Housing Revenue Bonds (The Prestonian), Series 2022; \$55 million net proceeds with a \$124.5 million project cost for 343 units in Louisville. The third was the Kentucky Housing Corporation Conduit Multifamily Housing Revenue Bonds (Starks Artist Lofts), Series 2022 A and B; \$55 million net proceeds with a \$107 million project cost for 288 units in Louisville.

The KHC conduit debt issues are applied towards the state's private activity volume cap for the tax-exemption and affect neither the Commonwealth's nor the agencies' financials.

In response to Representative Petrie, Mr. Barrow said that decisions as to whether entities will pay increased debt service or decrease the project scope are dependent upon the type of entity. For K-12, some school boards have scaled back their projects while others have kept the project scope the same and for state agencies, scope and debt service are dependent upon the appropriations bill.

Representative Thomas moved to approve the three new KHC conduit debt issues, Co-Chair Howell seconded the motion, and the committee approved by unanimous roll call vote.

Mr. Barrow reported five previous debt issues. The first two were KHC conduit debt issues: the \$22.5 million Kentucky Housing Corporation Conduit Multifamily Revenue Bonds (Bowling Green Towers), Series 2022; 202 units in Bowling Green with a \$67.4 million project cost and the \$9.678 million Kentucky Housing Corporation Conduit Multifamily Revenue Bonds (Carl D. Perkins), Series 2022; 150 units in Pikeville with a \$19.6 million project cost. The respective sale dates were August 16 and August 10 of this year.

The three others were postsecondary general receipts debt issues. The first two financed projects reauthorized during the 2022 Regular Session. The \$50.53 million Eastern Kentucky University General Receipts Bonds, 2022 Series A financed the Residence Hall Renovation Pool and the \$41.685 million Western Kentucky University General Receipts Bonds, 2022 Series A financed the Construct, Renovate and Improve Athletic Facilities (Hilltopper Fieldhouse and Houchens-Smith Stadium Press Box). The competitively sold transactions priced within a few days of each other in mid-July with

respective 4.1 percent (thirty-year term) and 3.24 percent (twenty-year term) true interest costs. The final was the \$10.315 million Western Kentucky University General Receipts Refunding Bonds, 2022 Series B (City of Bowling Green); a refinancing to consolidate WKU's debt and produce \$205,500 (1.991 percent) in net present value savings, which also sold mid-July.

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

Co-Chair Howell moved to roll the four school district debt issues with School Facilities Construction Commission (SFCC) debt service participation into one roll call vote. Representative Thomas seconded the motion, and the committee approved without objection.

Mr. Barrow submitted four school district debt issues with SFCC debt service participation totaling \$49.3 million for new projects; over 95 percent, \$47.1 million, with locally supported debt service and over four percent, \$2.2 million, with SFCC debt service participation.

The four school districts, none of which needed an additional tax levy to pay debt service, were McCreary County, Monroe County, Paris Independent (Bourbon County), and Pulaski County.

Senator Girdler moved to approve the four school district debt issues with SFCC debt service participation. Co-Chair Howell seconded the motion, and the committee approved by unanimous roll call vote.

Adjournment

The next meeting date is October 27, 2022 at 2:00 PM in Room 169 of the Capitol Annex. There being no further business, the meeting adjourned at 2:34 PM.