

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

December 15, 2022

Call to Order and Roll Call

The December meeting of the Capital Projects and Bond Oversight Committee was held on Thursday, December 15, 2022, at 2:00 PM, in Room 131 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; Senators Rick Girdler and Robin L. Webb; Representatives Jason Petrie and Walker Thomas.

Guests: Kevin Cardwell, Deputy State Budget Director, Office of State Budget Director (OSBD); Scott Aubrey, Director, Division of Real Properties, Department for Facilities and Support Services, Finance and Administration Cabinet (FAC); Kyle Poat, Executive Director/Chief District Engineer, District 1 – Paducah, Department of Highways, Transportation Cabinet (KYTC); Sandy Williams, Executive Director, Kentucky Infrastructure Authority (KIA); and Ryan Barrow, Executive Director, Office of Financial Management (OFM).

LRC Staff: Katherine Halloran, Spring Emerson, and Liz Hardy.

Approval of Minutes

Representative Thomas moved to approve the November 17, 2022 meeting minutes, Senator Girdler 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 federally funded equipment purchases: a U.S. Army Research Office grant-funded \$415,900 replacement Laser Flash Apparatus system for UK's Center for Applied Energy Research Carbon Materials Group (part of the "Next Generation Materials and Processing Technologies" project, a \$50 million partnership with the University of Tennessee and the U.S. Army Combat Capabilities Development Command's Army Research Laboratory to improve U.S. manufacturing capabilities); a National Science Foundation Mid-Scale Research Infrastructure-1 program grant-funded \$214,800 Ford Transit Jumbo 148 van/mobile work station for EduceLab, a cultural heritage and imaging site in the William S. Webb Museum for Anthropology; and a National Institute of Environmental Health Sciences P42 grant-funded \$216,500

PhenoMaster housing cage phenotyping system, purchased by the University of Kentucky Superfund Research Center for the Dorothy Enslow Combs Cancer Research Building.

Pursuant to KRS 45.760(6), UK reported its intent to change funding sources for three projects; Construct Indoor Track, Construct UKHC Cancer Treatment Center and Ambulatory Outpatient Center (Project Authorization Consolidation of Construct Ambulatory Facility - UK HealthCare and Construct State Street Medical Facilities), and Upgrade/Renovate/Expand Research Labs (EduceLab).

Pursuant to KRS 45.812(1); four school districts, none of which needed an additional tax levy to pay debt service, reported upcoming debt issues for new projects. The school districts were Green County, Middlesboro Independent, Nelson County, and Oldham County.

Project Report from the Finance and Administration Cabinet

Mr. Cardwell submitted a new General Government Cabinet, Department of Military Affairs readiness center upgrade project (amendment) and an 8.6 percent Transpiration Cabinet appropriation increase requiring action and reported two pool allocations. Senator Webb made a motion to roll new project (amendment) and appropriation increase into one roll call vote, Representative Thomas seconded, and the committee approved without objection.

The \$1,946,500 DMA Barbourville Readiness Center Latrine Upgrade project was originally approved by the committee at its June 25, 2020 meeting with \$1,459,500 (seventy-five percent) from Military Operations and Maintenance Master Cooperative Agreement federal funds; \$449,000 from DMA's 2020-2022 investment income maintenance pool; and \$37,500 from the bond-funded portion of the 2018-2020 Armory Modernization Pool. The project then became one of seven federally funded at nearly 100 percent with a federal National Guard Bureau Exception to Policy due to COVID-19. Therefore, federal funds will replace the investment income funds. The upgrade includes new female latrine/showers and lactation room; men's latrine/showers upgrades; boiler system conversion to HVAC; windows upgrades to antiterrorism/force protection standards; floor and lighting upgrades; and paint.

The \$2.5 million restricted fund appropriation increase for the Transportation Cabinet, General Administration and Support, Replace Automated Vehicle Information System (AVIS) project, commonly referred to as KAVIS; will raise the project amount to \$31.5 million and will allow the cabinet to finalize system functionality. KAVIS was authorized in the 2008-2010 biennial budget to streamline and improve effectiveness within the Department of Vehicle Regulation, Division of Motor Vehicle Licensing and county clerk's offices statewide.

Senator Webb moved to approve the two projects, Senator Girdler seconded, and the committee approved by unanimous roll call vote.

The first pool allocation was for the Tourism, Arts, and Heritage Cabinet, Department of Parks, \$2.53 million Kentucky Dam Village Infrastructure Sewer Upgrades (Phase I) project; funded from the 2019 Regular Session House Bill 268 bond-funded Wastewater Treatment and Infrastructure Upgrades Pool. The project will address collection system issues in the over fifty-year-old sewer system in Gilbertsville, including inflow and infiltration of ground water during rain events, through the rehabilitation of broken gravity flow piping and the rehabilitation/replacement of pump stations.

The second was the Justice and Public Safety Cabinet, Department of Corrections, Adult Correctional Institutions, \$2,205,206 Kentucky State Penitentiary 5 Cellhouse Sewer Repairs project; funded from DOC's 2020-2022 bond-funded (\$5,000) and 2022-2024 general fund (\$2,200,206) maintenance pools. The project will address the failed cast iron sewer drain lines in 5 Cellhouse and restore the cell house to a usable condition through replacement of the damaged sewer lines and ceiling. The eight inch lines between the kitchen ceiling and first floor had longitudinal cracks as long as fifty feet, which caused raw sewage to drain into the kitchen. The scope also includes a temporary kitchen for the three to four month project duration.

Lease Report from the Finance and Administration Cabinet

Mr. Aubrey submitted a Justice and Public Safety Cabinet, Department of Corrections lease modification of at least \$50,000 requiring action and reported six Transportation Cabinet, Department of Highways emergency leases. The DOC lease modification was to amortize leasehold improvements in one of its Probation and Parole offices in Jefferson County; five additional offices, wall painting and repairs, and replacement floor coverings. The lowest estimates for the various work items totaled \$127,645.98; amortized from completion through the June 30, 2029 lease expiration date.

Representative Thomas moved to approve the lease modification, Senator Webb seconded, and the committee approved by unanimous roll call vote.

The six Transportation Cabinet month-to-month emergency leases were to house travel trailers for families whose primary residences were majorly damaged, destroyed, or not habitable due to the December 2021 tornadoes in Western Kentucky and the July 2022 flooding in Eastern Kentucky and procured through non-competitive negotiation as the sites had utility hookups. The first three were amendments to existing leases to reduce temporary housing sites; two in Graves County, one of which reduced the sites from forty to eighteen and the other of which reduced the sites from thirteen to six, and one in Warren County which reduced the sites from twelve to four. The other three were new lease agreements with local government entities; seven sites at \$300 per month per site in Clay

County, sixty sites at \$1,000 per month per site in Knott County, and forty sites at no cost in Perry County.

In response to Representative Petrie, Mr. Poat said the Governor delegated the project management of the non-congregate sheltering program to the Transportation Cabinet due to its contracting, oversight, and maintenance capabilities; such as personnel to oversee site installation and monitoring. The cabinet is working with the Federal Emergency Management Agency to address longer-term housing needs.

**Report from the Office of Financial Management
Kentucky Infrastructure Authority**

Ms. Williams submitted a Clean Water State Revolving Fund (Fund A) Program Loan Increase and 418 Cleaner Water Program Grants, sixteen Round One sewer and water grant reallocations and 402 Round Two new sewer and water grants, requiring action, and reported three House Bill 1 line-item grants. Senator Girdler moved to roll the Fund A loan and 418 Cleaner Water Program grants into one roll call vote, Senator Webb seconded, and the committee approved without objection.

Due to an approximate \$3 million project modification including an aerobic digester purchase to reduce solids generated and transferred to a landfill thereby allowing adequate storage of sludge, and \$4.3 million necessary to cover higher than expected bids, the City of Mount Sterling (Montgomery County) requested a \$7.3 million Fund A loan increase to previously approved \$12.35 million in Fund A loans for its \$19.8 million Wastewater Capacity Upgrade project. The loan term for the \$19.65 million loan amount is twenty years at a one percent interest rate. Local funds will cover \$150,000 of project costs. In response to Senator Howell, Ms. Williams said that she was not provided the contractual information between the landfill and the city which may have referenced the landfill's limiting of the amount of sludge allowed to be dumped per day by the city or the background as to why the sludge was capped.

Of the sixteen Round One sewer and water grant reallocations; two were for sewer projects and fourteen (thirteen from the county pool and one from the unserved pool) were for water projects. Of the 402 Round Two new sewer and water grants, 128 were for sewer projects and 274 were for water projects.

In response to Senator Howell, Ms. Williams confirmed that the bid increase for Mount Sterling's project was consistent with other sewer and water projects. Representative Thomas moved to approve the Fund A loan and 418 Cleaner Water Program grants and Senator Webb seconded. The motion failed to pass with four aye votes and one nay vote. The nay vote was due to procedural concerns.

Ms. Williams reported three House Bill 1 line-item grants from American Rescue Plan Act of 2021 Coronavirus State Fiscal Recovery Funds; \$8 million to the Hart County

Industrial Authority for wastewater treatment facility improvements at the Marzetti Horse Cave Plant and \$2.5 million (two grants) of the \$10 million appropriation to Meade County (City of Brandenburg) for water storage capacity improvements relating to the Ford Blue Oval SK Battery Park in Hardin County.

Office of Financial Management – Previous Debt Issue

Mr. Barrow reported the Kentucky Housing Corporation Conduit Multifamily Revenue Bonds (Eclipse in Russell), Series 2022; \$43 million net proceeds with a \$75.9 million project cost for a 280-unit residential complex in Louisville, which priced October 28.

School District Debt Issues with School Facilities Construction Commission (SFCC) Debt Service Participation – New Projects

Mr. Barrow submitted four new school district debt issues with SFCC debt service participation. Senator Girdler moved to roll the four SFCC debt issues into one roll call vote, Representative Thomas seconded, and the committee approved without objection.

The SFCC debt issues totaled \$72.505 million; 90 percent, \$65 million, with locally supported debt service and ten percent, \$7.535 million, with SFCC debt service participation. The four school districts, none of which needed an additional tax levy to pay debt service, were Butler County, Clark County, Fayette County, and Livingston County. Representative Thomas moved to approve the four new school district debt issues with SFCC debt service participation, Senator Webb seconded the motion, and the committee approved by unanimous roll call vote.

Adjournment

There being no further business before the committee, the meeting was adjourned at 2:30 PM.