

CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

Minutes

September 27, 2023

Call to Order and Roll Call

The September meeting of the Capital Projects and Bond Oversight Committee was held on September 27, 2023, at 3:00 PM in Room 131 of the Capitol Annex. Senator Rick Girdler, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Rick Girdler, Co-Chair; Representative Deanna Frazier Gordon, Co-Chair; Senators Shelley Funke Frommeyer, Jason Howell, and Robin L. Webb; Representatives Jason Petrie, and Walker Thomas.

Guests: Billie Hardin, Director of Asset Management and Space Utilization, Kentucky Community and Technical College System; Elizabeth Baker, Senior Director, Strategic Capital Planning and Legislative Analysis, University Budget Office, University of Kentucky; Kevin Cardwell, Deputy State Budget Director, Office of State Budget Director; Nicole Rivera, Deputy Executive Director, Kentucky Horse Park; Randy White, Deputy Commissioner, Office of Adult Institutions, Department of Corrections; Andy Casebier, Assistant Vice President, Facilities and Support Services, Kentucky Community and Technical College System (KCTCS); Natalie Brawner, Director, Division of Real Properties, Department for Facilities and Support Services, Finance and Administration Cabinet (FAC); Sandy Williams, Executive Director, Kentucky Infrastructure Authority; Sarah Butler, Deputy Commissioner, Department for Financial Services, Cabinet for Economic Development (CED); Kylee Palmer, Director of Program Administration, Department for Financial Services, CED; and, Ryan Barrow, Executive Director, Office of Financial Management (OFM).

LRC Staff: Katherine Halloran and Jenny Bannister.

Approval of Minutes (August 23, 2023)

Co-Chair Frazier Gordon moved to approve the August 23, 2023 meeting minutes, Senator Howell seconded the motion, and the committee approved without objection.

Information Items

Ms. Halloran referenced six information items. Pursuant to KRS 45.812(1), through their fiscal agents; six school districts, none of which needed an additional tax levy to pay debt service, reported upcoming debt issues to finance new projects. The school districts were Daviess County, Greenup County, Madison County, Mason County, Russell County, and Wayne County. Pursuant to KRS 45A.180(2), the University of Kentucky reported its intent to use the construction manager-general contractor project delivery method for its Construct Agriculture Research Facility 1 project. Pursuant to KRS 48.111(6)(a), the Division of Real Properties reported a pending Cabinet for Health and Family Services lease invitation for 9,253 square feet of office space with sixty-three reserved parking spaces in Mayfield. The space will replace the

temporary (post tornado) facility from which CHFS is operating. Pursuant to KRS 164A.600(2), UK reported a \$1.2 million emergency replacement of the roof system at the south tower of Kroger Field due to sustained high winds of over 75 miles per hour on March 3, 2023. The new roof system will have a twenty-year warranty and be funded from insurance proceeds. Pursuant to House Bill 1, UK reported the status of its assumed forty-six leases, eight of which will be terminated, as well as King's Daughter's \$232 million in debt outstanding and \$5.123 million in interest rate swap agreements as of June 30, 2023. UK received no indication that the debt assumption would negatively impact its credit rating. UK reported two project authorization consolidations. The combined new projects are Cancer/Ambulatory Facility Parking – UK HealthCare and Facilities Renewal and Modernization.

Lease Report from the Postsecondary Institutions - New Leases

Kentucky Community and Technical College System

Ms. Hardin submitted a Jefferson Community and Technical College (Jefferson Education Center, PR00478) lease. JCTC has leased space at 200 West Broadway in Louisville since 2000 and was notified in February 2023 that the building was going to be sold. Due to the central location of the building and its vital role, the secretary of the Finance and Administration Cabinet granted a "Not Practicable to Bid" determination, allowing KCTCS to renegotiate the lease without advertising for space. The base rent will increase from \$17.38 to \$21.78 per square foot. The lessor plans to invest \$30 million in the building to add affordable student housing, student success coaches, and other student services. KCTCS supports the lessor's proposed development.

Senator Howell moved to approve the new lease, Representative Frazier Gordon seconded the motion, and the committee approved by unanimous roll call vote.

University of Kentucky

Ms. Baker submitted a UK HealthCare King's Daughters (PR-320179) lease for its Primary Care Clinic in Flatwoods, Greenup County; 5,772 square feet at \$17.78 per square foot for a \$102,626.16 annual cost.

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

Project Report from the Finance and Administration Cabinet

Mr. Cardwell submitted a new project, appropriation increase, and new project (amendment) requiring action and reported an emergency repair, maintenance, or replacement project and seven pool allocations requiring no action. Representative Frazier Gordon moved to roll the action items into one roll call vote, Senator Howell seconded the motion, and the committee approved without objection.

The new project was the federally funded (Higher Education Emergency Relief Fund) \$2.888 million Kentucky State University's Fiber Infrastructure: an upgrade to include installation of

single-mode fiber on campus with redundant connection hubs to enhance KSU's network connection; ensuring greater reliability, security, and speed. The appropriation increase was \$696,000 in federal funds (U.S. Department of Veterans Affairs) for the Kentucky Department of Veterans' Affairs, Expansion of Lawn Crypts – Kentucky Veterans Cemetery West project. The original appropriation was \$2.6 million in federal funds and the increase, resulting in a \$3.296 million project total, will cover the higher than estimated project bids due to inflationary cost increases. The new project (amendment) was an increase of \$636,560; \$343,900 in federal funds and \$262,660 in restricted funds for the Department of Military Affairs, DMA Construct Joint Force Headquarters Boone National Guard Center project; a 6,726 square foot National Guard Readiness Center. The project was originally approved for \$17,623,440; \$406,100 in federal funds and \$217,340 in restricted funds and the amended total is \$18.26 million; \$17.717 million in federal funds and \$510,000 in restricted funds. The amendment is due to higher-than-expected bids, acceptance of add bid alternates, and change orders.

Representative Thomas moved to approve the action items, Senator Howell seconded the motion, and the committee approved by unanimous roll call vote.

The emergency repair, maintenance, or replacement project was the \$3.195 million Tourism, Arts and Heritage Cabinet, Kentucky Horse Park Commission, Emergency Rolex Stadium Roof Damage project; funded from insurance proceeds. The Rolex Stadium suffered roof damage during weather events in March 2023. Initially, it was thought that only a partial roof replacement was needed; however, upon further investigation, it was determined that a full roof replacement will be required due to structural issues.

Of the seven pool allocations, three were Justice and Public Safety Cabinet, Department of Corrections, Adult Correctional Institutions projects utilizing Maintenance Pools - 2020-2022 and 2022-2024 funds and four were KCTCS projects utilizing Asset Preservation Pool - 2022-2024 bond funds. The \$3.266 million Blackburn Correctional Complex Selected Low Slope Roof Replacements and the \$3.247 million Northpoint Training Center Selected Low Slope Roof Replacements were funded from the general fund 2022-2024 maintenance pool. The \$2.366 million Western Kentucky Correctional Complex Operation Building HVAC Repair/Replacement was funded with \$20,000 from the bond funded 2020-2022 maintenance pool and \$2.346 from the general fund 2022-2024 maintenance pool.

The KCTCS projects were the \$14.9 million Renovate Academic Building – Hopkinsville Community College, renovation of the academic building including flooring, windows, restrooms, and HVAC upgrades; \$25 million Replace Hartford Building Phase I – Jefferson CTC, construction of a new laboratory building (one of two low-rise energy-efficient replacement buildings); \$2.4 million Upgrade Life and Fire Safety – Owensboro CTC, upgrade of fire alarm, sprinkler, and safety systems at all campuses; and \$3.7 million Water Infiltration Remediation – Maysville CTC, repair of window and other related leaks at the Maysville, Mt. Sterling, and Rowan campuses. Eighty-five percent of the project costs came from the bond-funded Asset Preservation pool and KCTCS provided its fifteen percent match from restricted funds.

In response to Representative Petrie, Ms. Rivera stated that the insurance reimbursement matched the costs for the Emergency Rolex Stadium Roof Damage project. Mr. White stated that the \$20,000 in Maintenance Pool - 2020-2022 funds for the WKCC project were residual monies left over from the original study. Mr. Casebier stated that KCTCS's Board of Regents approved the Water Infiltration Remediation – Maysville CTC project on September 22, 2023.

Lease Report from the Finance and Administration Cabinet

Ms. Brawner submitted a lease modification of at least \$50,000, Justice and Public Safety Cabinet, Department of Juvenile Justice, Franklin County, PR-4232. The lease modification was to increase the leased space by 6,789 square feet for 24,571 total square feet at the same rental rate of \$9.41 per square foot, which will result in a \$63,884.48 annual increase for a new \$231,213.12 annual cost.

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

Report from the Office of Financial Management

Kentucky Infrastructure Authority

Ms. Williams submitted two Infrastructure Revolving Fund (Fund B) Program loans, a Drinking Water State Revolving Fund (Fund F) Program loan (increase), and nineteen Cleaner Water Program grants. Co-Chair Frazier Gordon moved to roll them into one roll call vote, Senator Howell seconded the motion, and the committee approved without objection.

The City of Benton (Marshall County) requested a \$4 million Fund B loan for its \$4,119,980 Symsonia Road Water Main Replacement project; replacement of approximately 39,000 linear feet of existing asbestos cement water main along Symsonia Road in Marshall County. The original line was installed in 1962 and is experiencing low pressures and numerous line breaks. This project will reduce water loss in the system. The loan term is twenty years at a two and one quarter percent interest rate. [The remaining \$119,980 will come from the city's Water Maintenance Fund.]

The City of Bardstown (Nelson County) requested a \$5.148 million Fund B loan for its East Bardstown Water Transmission Main and Booster Pump Station project; construction of a booster pump station with a two million gallon per day pumping capacity and approximately 9,800 linear feet of sixteen-inch transmission main that will serve the Nelson County Industrial Park and provide capacity for future growth. The loan term is twenty years at a two and one quarter percent interest rate.

Due to a revised cost estimate and anticipation of higher bids than originally budgeted, the City of Paris (Bourbon County) requested a \$500,000 Fund F loan increase for its now \$3.755 million Water System Improvements project. The loan term is twenty years with a one percent interest rate.

Of the nineteen Cleaner Water Program grants, ten were County Pool reallocations and nine were grants from the Supplemental Funding Pool (ten percent increases from prior grants to accommodate bids coming in over budget). Four grants were for sewer projects and fifteen were for water projects.

Representative Petrie moved to approve the KIA transactions, Senator Howell seconded the motion, and the committee approved by unanimous roll call vote.

Cabinet for Economic Development - Economic Development Fund (EDF) Grants

Ms. Butler and Ms. Palmer submitted two Kentucky Product Development Initiative EDF grants. Co-Chair Frazier Gordon moved to roll them into one roll call vote, Senator Howell seconded the motion, and the committee approved without objection.

The 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. An independent site selection consultant identified the infrastructure projects as having potential for future economic development opportunities. 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. Including today's grants, CED submitted thirty-seven of the fifty-four recommended Round One grants and the consultant is evaluating Round Two grant applications.

The Kentucky Economic Development Finance Authority approved a \$450,000 KPDI EDF grant to the City of Cynthiana on behalf of the Cynthiana-Harrison County Economic Development Authority for infrastructure extensions and improvements to assist in the development of a business park on Seabiscuit Way. Matching funds are a bank loan, nonprofit contribution, and utility credit for a \$2.366 million total project cost. KEDFA approved a \$890,700 KPDI EDF grant to the Graves County Fiscal Court on behalf of Graves County Economic Development for development and construction of a speculative building in Hickory Industrial Park. Matching funds are an ED and local developer contribution for a \$6.7 million total project cost.

Co-Chair Frazier Gordon moved to approve the two KPDI EDF grants, Senator Webb seconded the motion, and the committee approved by unanimous roll call vote.

Office of Financial Management – New and Previous Debt Issues

Mr. Barrow submitted three new Kentucky Housing Corporation multifamily conduit debt issues. KHC conduit debt issues affect neither the Commonwealth's nor KHC's financials, since debt service is paid by the developer, and are applied towards the state's private activity volume cap. Senator Webb moved to roll them into one roll call vote, Senator Howell seconded the motion, and the committee approved without objection.

The first was the Kentucky Housing Corporation Conduit Multifamily Revenue Bonds (Lees Lane Project), Series 2023; \$40.5 million net proceeds with an over \$84 million project cost for 312 units in Louisville. The second was the Kentucky Housing Corporation Conduit Multifamily Revenue Bonds (Winterwood Portfolio III Project), Series 2023; \$13.5 million net proceeds with a nearly \$39 million project cost for six multifamily facilities (221 units) dispersed throughout the commonwealth. The third was the Kentucky Housing Corporation Conduit Multifamily Revenue Bonds (The Path off Cane Run Project), Series 2023; \$20 million net proceeds with a \$42.5 million total project cost for 128 units in Louisville. [The Path of Cane Run debt issue was a resubmittal as the approval amount was revised from \$17.5 million and the transaction was not completed within the year]. The anticipated sale dates are Winter 2023 for Lees Lane and October 31 for the other two debt issues.

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

Mr. Barrow reported five previous Kentucky Housing Corporation multifamily conduit debt issues and a previous postsecondary debt issue. The first was the Kentucky Housing Corporation Conduit Multifamily Revenue Bonds (Richwood Bend Project), Series 2023; \$10 million net proceeds with a \$24.7 million project cost for 84 units in Lexington. The second was the Kentucky Housing Corporation Conduit Multifamily Revenue Bonds (Yorktown Senior Housing Project), Series 2023; \$8.5 million net proceeds with a \$20.5 million project cost for around 100 units in Louisville. The third was the Kentucky Housing Corporation Conduit Multifamily Revenue Bonds (Beecher Terrace Phase IV Project), Series 2023; \$39.3 million net proceeds with a just over \$106 million project cost for 210 units in Louisville. The fourth was the Kentucky Housing Corporation Conduit Multifamily Revenue Bonds (Shawnee Apartments Project), Series 2023; \$19.37 million net proceeds with a \$49.4 million project cost for 177 units in Louisville. The fifth was the Kentucky Housing Corporation Conduit Multifamily Revenue Bonds (Churchill Park Project), Series 2023; \$31 million net proceeds with an approximate \$72 million project cost for 248 units in Owensboro. The respective sale dates were April 20, 2023; October 27, 2022; August 11, 2023; November 3, 2022; and November 30, 2022.

The \$5.175 million Morehead State University General Receipts Bonds, 2023 Series A debt issue financed the university's match for the state asset preservation pool. The transaction priced, competitively as is typical for postsecondary debt issues, July 18 and closed August 8. The all-in true interest cost was 4.166 percent for the twenty-year debt issue and KeyBanc Capital Markets was the successful bidder.

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

Mr. Barrow submitted twelve school district debt issues with SFCC debt service participation totaling \$49.11 million for new projects; about 81.6 percent, just over \$40 million, with locally supported debt service and around 18.4 percent, just over \$9 million. Co-Chair Frazier Gordon

moved to roll them into one roll call vote, Senator Howell seconded the motion, and the committee approved without objection.

The school districts, none of which needed an additional tax levy to pay debt service, were Barren County, Bracken County, Carter County, Henry County, Knox County, Lawrence County, Lincoln County, Nelson County, Rockcastle County, Russellville Independent (Logan County), Wayne County, and Whitley County.

Senator Webb moved to approve the six school district debt issues with SFCC debt service participation, Senator Howell seconded the motion, and the committee approved by unanimous roll call vote.

Remaining Calendar Year 2023 Meeting Dates

Wednesday, October 25 - Representative Frazier Gordon, Chair (Submissions due October 11)

Wednesday, November 15 - Senator Girdler, Chair (Submissions due November 1)

Thursday, December 14 - Representative Frazier Gordon, Chair (Submissions due December 1)

Adjournment

There being no further business, the meeting was adjourned at 3:42 PM.