

# CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE

## Minutes

October 18, 2004

The Capital Projects and Bond Oversight Committee met on Monday, October 18, 2004, at 2:45 PM in Room 316 of the Capitol. Representative Jodie Haydon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Jodie Haydon, Co-Chair; Senators Tom Buford, Virgil Moore, and Jerry Rhoads; and Representatives Paul Marcotte and Jim Wayne.

Guests testifying before the Committee: Bill Hintze, Governor's Office for Policy and Management; Jim Abbott, Finance and Administration Cabinet; and Nora Marshall, Office of Financial Management.

LRC Staff: Mary Lynn Collins, Pat Ingram, Nancy Osborne, Kevin Mason, Bart Hardin, and Shawn Bowen.

Senator Buford made a motion to approve the minutes of the September 21, 2004 meeting as submitted. The motion was seconded by Representative Marcotte and passed by voice vote.

Representative Haydon said the Committee extended its sympathy to Senator Leeper and his family upon the death of his father.

Representative Haydon called on Ms. Collins to review correspondence and information items. Ms. Collins said members' folders contained four items of correspondence: quarterly status reports on authorized capital projects; the semi-annual report of the Kentucky Asset/Liability Commission; the Kentucky Lottery Corporation's monthly financial report for August 2004; and a staff update on various capital projects.

Representative Haydon asked Mr. Bill Hintze, Deputy Budget Director, Governor's Office for Policy and Management, and Mr. James Abbott, Commissioner, Department for Facilities and Support Services, to present the Finance Cabinet's monthly report to the Committee. Mr. Hintze reported a project modification for the Eastern State Hospital (ESH) project. Mr. Hintze said this project, at one point, was for water piping replacement at ESH and was viewed as urgent to maintain the infrastructure at ESH. The hospital does not have adequate water supply or water pressure for fire protection service. However, when the former Cabinet for Health Services indicated interest in relocating

ESH to the VA Hospital on Leestown Road in Lexington, the project was revised by the 2003 General Assembly to provide for the move and for mothballing the existing ESH campus. Mr. Hintze said the new Cabinet for Health and Family Services has now concluded that relocating ESH is not a viable alternative, and in the long-term future, they want to build a new facility. Mr. Hintze said an emergency has been declared, and the Cabinet would like to move forward with the authorized funding (\$1,100,000) to replace waterlines as originally conceived. Representative Haydon said no action was required for emergency projects.

Mr. Hintze next reported the purchase of a mobile command post vehicle by the Department of Military Affairs. The \$300,000 cost of the vehicle will be fully funded with federal funds from the Homeland Security Act. Mr. Hintze said the Office of Disaster and Emergency Services purchased a similar vehicle in spring 2004. The mobile command post vehicle will have an operations and communications room to provide interoperable communications between military units and local, state, and federal first responders, and the Kentucky Emergency Operations Center.

Senator Buford made a motion to approve the Department of Military Affairs' project. The motion was seconded by Senator Moore and passed by unanimous roll call vote.

Also included in members folders was an Energy Savings Performance Contract submitted by the Department for Facilities and Support Services for the Cabinet for Human Resources Campus. Representative Haydon said the project will be discussed at a future committee meeting when more time is available.

Mr. Abbott next reported a temporary lease. Mr. Abbott reported that the Department of Military Affairs has procured a one-year temporary lease in Franklin County. The lease is being established in order to accommodate Military Affairs staff that is being displaced due to the renovation and construction of the VETS building at the Boone National Guard Center. Mr. Abbott said this lease did not go through a competitive bid process. He said they reviewed current lease holders in Franklin County to determine what properties they could acquire quickly, and without expending a lot of extra money to accommodate the tenant. (KRS 56.813(1) permits amending existing leases for more square footage without advertisement as long as the rental rate does not change.) Mr. Abbott said the annual cost of the lease is \$181,150.

Representative Wayne asked if this was the only leased property the agency could find. Mr. Abbott said that it was the only place large enough they could acquire without having to go through a competitive bid process and large enough to accommodate all 115 staff members. He said the space was previously occupied by the State Fire Marshal's office, and would not require much fit up.

In response to another question from Representative Wayne, Mr. Abbott said the \$30,000 being spent for renovation and fit up will come out of the project money, and will be reimbursed by the federal government.

Representative Marcotte asked about the status of the old Transportation Cabinet building and if the plan is still to move state agencies from leased space into the building after it has been renovated and remodeled. Mr. Abbott said the state does plan to move state agencies from leased space into the building after it has been renovated. He said the Transportation Cabinet moved out of two buildings, the old State Office Building and the State Office Building annex. He said the abatement of the old State Office Building is on schedule, and should be completed in mid-January 2005. However, without a budget, they do not have the funds to move forward with the fit up of the building, so once the abatement is completed, the building will sit idle until money is available for renovation. He said the renovation of the smaller State Office Building annex is presently in a design phase, and it will eventually be occupied by the Justice Cabinet. He said they are also moving forward with a project at the Jones Building, located near the CHR Building. He said when all of these buildings are renovated and occupied, space leased by state government will have been reduced by approximately 500,000 sq. ft.

In response to another question from Representative Marcotte, Mr. Abbott said if the legislature passes a budget next year that includes funds for the old State Office Building renovation, it will begin in September or October 2005.

Senator Buford asked if there has been any discussion about what it would cost to demolish the old State Office Building and build a new one. Mr. Abbott said it will cost less to remodel it than to build a new one. He explained that the land improvements and parking lot are in place and the overall building structure is very sound.

Representative Haydon asked how much it will cost to renovate the old State Office Building. Mr. Abbott said the renovation will cost approximately \$126 per square foot. Mr. Hintze said the renovation would cost approximately \$42 million.

In response to a question by Senator Moore, Mr. Abbott said once the building is renovated, it will have the same space plan as the new Transportation Cabinet building. He said the remodeled building will use the open space concept and modular furnishings.

Senator Buford made a motion to approve the temporary lease (PR-4721). The motion was seconded by Senator Rhoads and passed by unanimous roll call vote.

Mr. Abbott next reported two Frankfort lease modifications. He said the Department of Education, Division of School and Community Nutrition (PR-4540 – 2545 Lawrenceburg Road), is spending \$2,875 to upgrade its HVAC capacity to resolve a problem it has with heat build-up in a server/network room. Also, the Council on

Postsecondary Education (PR-3961 – Capital Center Complex) is spending \$1,870 to modify its office space for Kentucky Adult Education. The lease modifications are under \$50,000, and the projects did not require Committee action.

The next agenda item was the bond activity report from the Office of Financial Management (OFM). Ms. Collins presented the Kentucky Infrastructure Authority (KIA) report. She said because of the change in meeting time due to the special session, a representative from KIA was not asked to appear. Ms. Collins said KIA had submitted a proposed Fund A loan of \$371,194 for the City of Benton in Marshall County. The proceeds will be used for the City's sewer system – to eliminate a lift station, replace a main, and add a connection to an apartment complex.

Representative Wayne made a motion to approve the KIA Fund A loan for the City of Benton. The motion was seconded by Senator Buford and passed by unanimous roll call vote.

Also included in members' folders were reports from KIA regarding new Tobacco and Coal Development Grants and a 2020/Fund B grant. No further action was required on these projects.

The next report was provided by Ms. Nora Marshall, Financial Analyst, OFM. Ms. Marshall reported one new bond issue: Kentucky Economic Development Finance Authority Variable Rate Revenue Bonds (Catholic Health Initiatives, to benefit hospitals in Bardstown, London, and Lexington), Series 2004 in an aggregate principal amount not to exceed \$90,950,000.

Senator Moore made a motion to approve the new bond issue. The motion was seconded by Senator Rhoads and approved by unanimous roll call vote.

Also included in members' folders were two follow-up reports: Kentucky Housing Corporation Housing Revenue Bonds, 2004 Series D and E, \$60,000,000; and Turnpike Authority of Kentucky Economic Development Road Revenue Refunding Bonds (Revitalization Projects), 2004 Series B, \$41,510,000. These bond issues were approved at earlier Committee meetings, and no further action was required.

Ms. Marshall next presented eleven school bond issues with School Facilities Construction Commission (SFCC) debt service participation: Barren County, Berea Independent (Madison Co.), Bullitt County, Calloway County, Campbell County (2), Floyd County, Grant County, Monticello Independent (Wayne Co.), Paris Independent (Bourbon Co.), and Woodford County.

In response to a question from Representative Wayne, Ms. Marshall said these bond issues were all school bond refundings issued by SFCC. She said a portion of the

debt service is General Fund-supported, and a portion is supported by the local school districts.

Representative Wayne made a motion to approve the eleven school bond issues. The motion was seconded by Representative Marcotte and passed by unanimous roll call vote.

Representative Haydon said eleven locally-funded school bond issues were also submitted to the Committee for review this month: Adair County, Bardstown Independent (Nelson Co.), Bullitt County, Fayette County, Floyd County, Kenton County, Montgomery County, Pike County, Russell Independent (Greenup Co.), and Warren County (2). He said all disclosure information has been filed, and no further action on the bond issues is required.

Representative Haydon said the Committee's next meeting is scheduled for November 16 at 1:00 p.m.

With there being no further business, Senator Buford made a motion to adjourn the meeting. The motion was seconded, and the meeting adjourned at 3:00 p.m.