



Overview of Area Development Districts

**Working Group on
Area Development Districts**

June 18, 2019



Today's Discussion

- Creation and structure of this Working Group
- Kentucky statutes and administrative regulations
- Relationship between the Area Development Districts (ADDs) and the Department for Local Government (DLG)
- Financial Disclosure Reports for Special Purpose Governmental Entities (SPGEs)
- Joint Funding Administration Program
- Next steps for future meetings



Creation of this Working Group

- May 28, 2019, memorandum from the President and the Speaker
- The purpose is to study the operations and funding related to Area Development Districts (ADDs)
- Information is to be collected and analyzed by non-partisan staff and members of the General Assembly



Working Group

Members

- Sen. Chris McDaniel
- Rep. Suzanne Miles
- Sen. Dennis Parrett
- Sen. Brandon Smith
- Rep. Jim DuPlessis
- Rep. Susan Westrom

Non-partisan staff

- Jennifer Hays
- Mark Mitchell
- Chase O'Dell
- Other A&R Staff



Information to be analyzed by Members and non-partisan staff

1. Statutes and administrative regulations
2. Amounts transferred to each ADD for 5 years
3. Funds held in reserve
4. Long term debt incurred by each ADD
5. Spending through Joint Funding Administration (JFA)
6. Staffing patterns



Findings

The Working Group is directed to present its findings to the Legislative Research Commission no later than November 29, 2019, for referral to the appropriate committee for further action.



Questions about the Working Group?

Fifteen Area Development Districts





ADDS are statutorily created KRS 147A.050 to 147A.140

- KRS 147A.050:
 - Names each ADD; and
 - Assigns the counties within each district.
- KRS 147A.060 requires that each ADD be governed a board of directors.
- 109 KAR 5:010 promulgated by the Department of Local Government establishes the membership of each of the boards.



Boards of Directors - Membership

- County Judge/Executive of each county within the district
- The Mayor of each 1st, 2nd, or 3rd class city within the district
- The mayor of any incorporated city below the 3rd class
- Elected officials may also select a citizen Board member



Board of Directors - Tenure

- Elected officials serve during the tenure of their public office.
- Citizens members serve a term not to exceed 3 years, but may be eligible for additional terms as provided by that Board.
 - Termination occurs at:
 - Resignation;
 - Change of residence outside the district; or
 - Upon failure to attend 3 successive meetings.



Boards of Directors - Officers

Each Board annually selects a:

- Chairman;
- Vice Chairman;
- Secretary;
- Treasurer; and
 - The offices of Secretary and Treasurer may be combined.
- Any other officers that the Board deems necessary.
 - 1st and 2nd Vice Chair.



Executive Director for Each ADD

KRS 147A.070

- Each Board of Directors may
 - Appoint an Executive Director and Deputy Executive Director; and
 - Fix the salary for each position.
- On or after June 29, 2017, an open position must be advertised in a manner allowing sufficient time for applicants to apply.



Powers and Duties of Each Board

KRS 147A.080

- Sue and be sued
- Adopt bylaws
- Make contracts
- Provide basic research and planning services
- Accept, receive, and administer loans, grants, and other funds or gifts
- Expend those funds
- Acquire, hold, or dispose of real and personal property
- Charge fees, rents, or other charges for services
- Enter into interlocal or interstate agreements
- Deemed a public agency



Duties of Board of Directors

KRS 147A.090

- Establish advisory committees
- Develop plans for district-wide activities related to:
 - Goals and objectives for the ADD
 - Water and sewer
 - Land use
 - Open space and recreation, including recreational trails
- Prepare annual reports, including the reports required for an SPGE (KRS 65A.010 to 65A.090)
- Copies of the 4 years of reports have been provided



Finance to Allocate Funds

KRS 147A.100

Requires the Finance and Administration Cabinet to allocate funds to each district for the purpose of carrying out the district's responsibilities and for matching federal and local funds.



Tax Exempt Entity

KRS 147A.110

- As a public body, no ADD is required to pay taxes or assessments upon:
 - Any project;
 - Any property acquired or used by it; or
 - The income or proceeds from any project.



Annual Reports

KRS 147A.115

- Beginning December 31, 2017, each ADD is required to submit a detailed report to the LRC if state or federal funds are received during the year.
- Copies of the 2017 and 2018 reports from each ADD are contained in your folders.



Other Requirements

KRS 147A.116

- Must comply with:
 - Open meetings and open records provisions;
 - State and federal procurement provisions; and
 - Code of ethics for SPGEs;
- Must adopt:
 - Conflicts of interest policies;
 - Compensation policies; and
 - Policies to receive, analyze, investigate, and resolve concerns within the ADD.



Regional Planning Council

KRS 147A.125

- Each ADD is required to establish a regional planning council
 - Purpose-to act in an advisory capacity on planning matters throughout the district
 - Includes 1 representative from each planning unit in the ADD
 - May review comprehensive plans of planning units for regional impact
 - May offer training in the area of planning and zoning



When a Regional Planning Council is not Required

- 50% or more of the population of the ADD resides in cities or counties which participate in:
 - A regional planning authority;
 - Council of governments; or
 - Other agency which is authorized to perform regional planning functions



Other Powers

KRS 147A.140

- Each ADD may prepare a solid waste management plan emphasizing regional alternatives for reductions, collection, transportation, and disposal for a local government.
- The ADD does not have authority to implement the area plan.



Other Statutory References

- Transportation
- Housing, Building, & Construction
- Workforce Development
- Homeland Security
- Broadband deployment
- Water management
- Agritourism
- Health and Family Services
 - Long-term care services
 - Domestic violence shelter
 - Regional rape crisis center
 - Colon cancer education
 - Elder services
- Mississippi River Parkway – Purchase ADD



Questions about the organizational structure of ADDs?



Department for Local Government

KRS 147A.002

Department for Local Government (DLG)

- Office of Financial Management and Administration
- Office of Federal Grants
- Office of State Grants
- Office of Legal Services
- Office of Field Services



Relationships between DLG and Other Authorities

- Kentucky Infrastructure Authority
 - Attached to DLG for administrative purposes
 - DLG provides office space needed by KIA (KRS 147A.003)
- The statutory words are different for Area Development Districts



DLG and ADDs

KRS 147A.004

- DLG shall:
 - Administer distribution of state and federal planning funds to ADDs;
 - Require by administrative regulation financial and operational reports, audits, and other controls as are necessary to assure compliance with state and federal laws relating to funds received; and
 - Promulgate administrative regulations as will assure statewide coordination of the planning and assistance operations of the ADDs.



DLG Programs

KRS 147A.021

- DLG provides technical assistance and information for the:
 - Joint Funding Administration Program;
 - Economic Development Administration Program;
 - Appalachian Regional Development Program; and
 - Area Development Fund Program.



DLG and ADDs

KRS 147A.021(3)(k)

- DLG shall provide technical assistance and information related to the Memoranda of Agreements with ADDS to provide management assistance to local governments.



Area Development Fund

109 KAR 9:010 – Capital Projects

- Each Board is required to give priority to a proposed project which has funds allocated in addition to area development funds, considering the need and long-term benefits in selection of a project.
- Joint capital projects for 2 or more ADDS are allowed.



Area Development Fund continued

The administrative regulation provides:

- The forms that must be submitted;
- The documentation that must be provided;
- The documents that must be maintained;
- A 2-year completion timeline;
- Forfeiture of funds at the end of a biennium; and
- A requirement to complete the project prior to being eligible for future projects.



Questions about the relationship between DLG and ADDs?

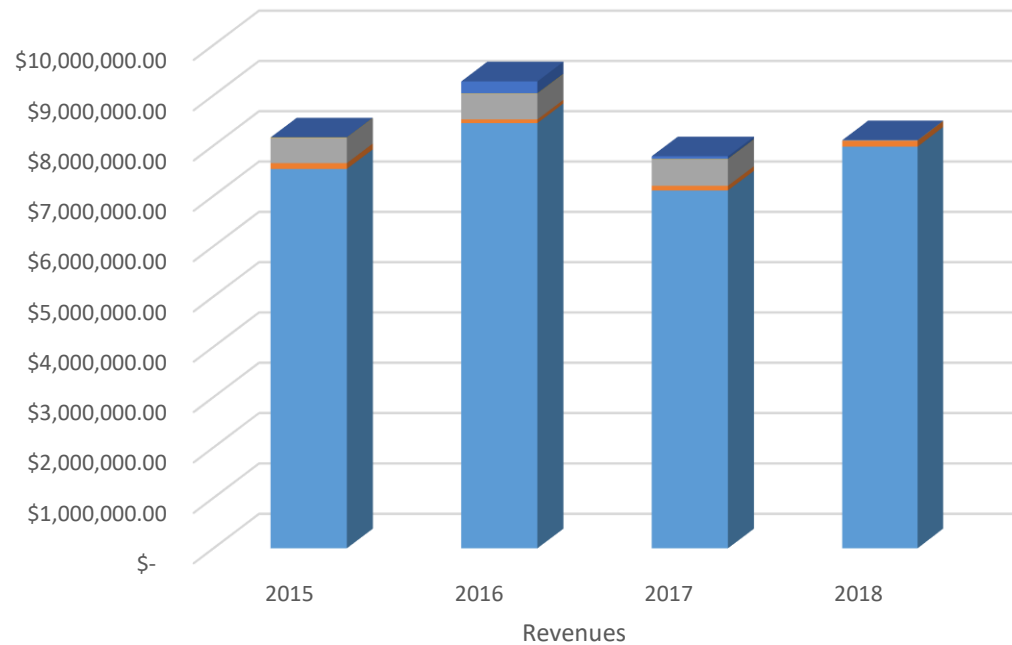


Financial Disclosure Reports

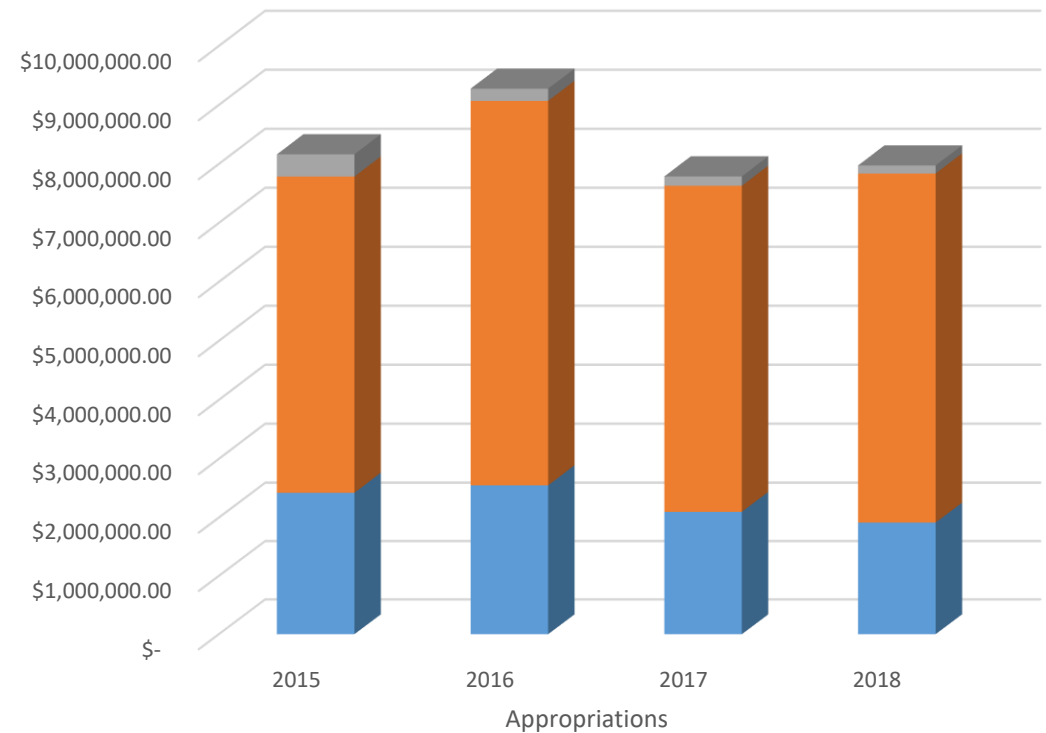
https://kydlgweb.ky.gov/entities/16_SpgeHome.cfm

- Required to be filed by every special purpose governmental entity (SPGE)
- ADDs are a special purpose governmental entity
- These reports are not balance sheets
- They report revenues in and out – cash flow
- The form is designed to fit all SPGEs

Barren River ADD

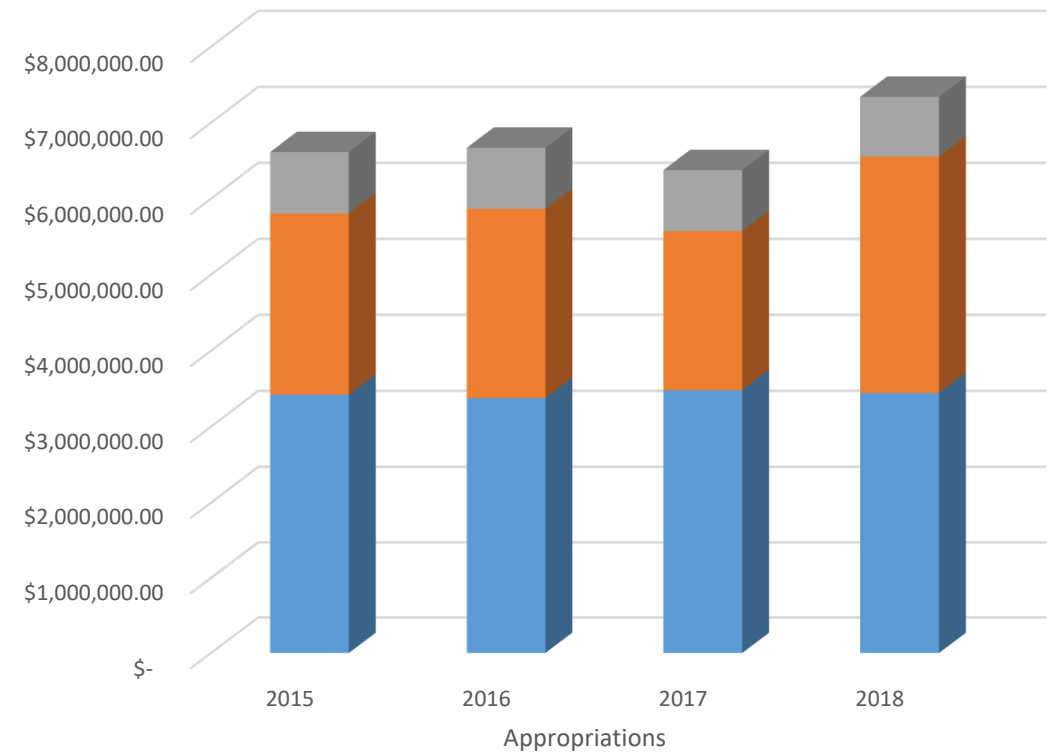
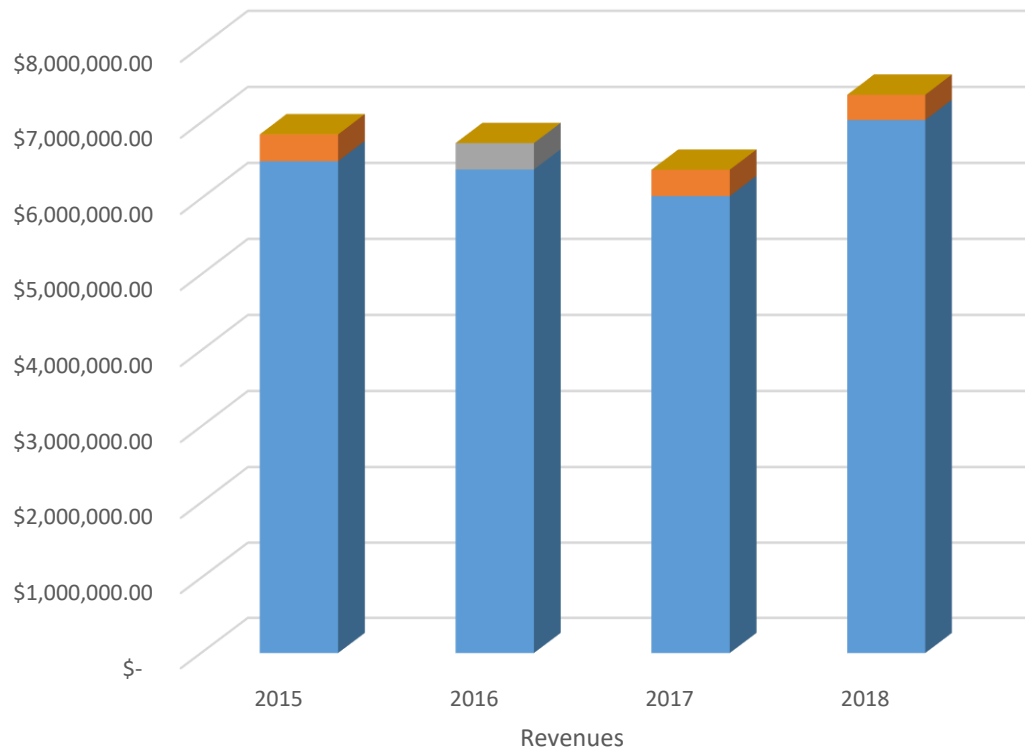


- Intergovernmental Revenues
- Other Revenues
- Carryover from Prior Fiscal Year
- Charges for Services
- Interest Earned



- Personnel
- Operations
- Administration

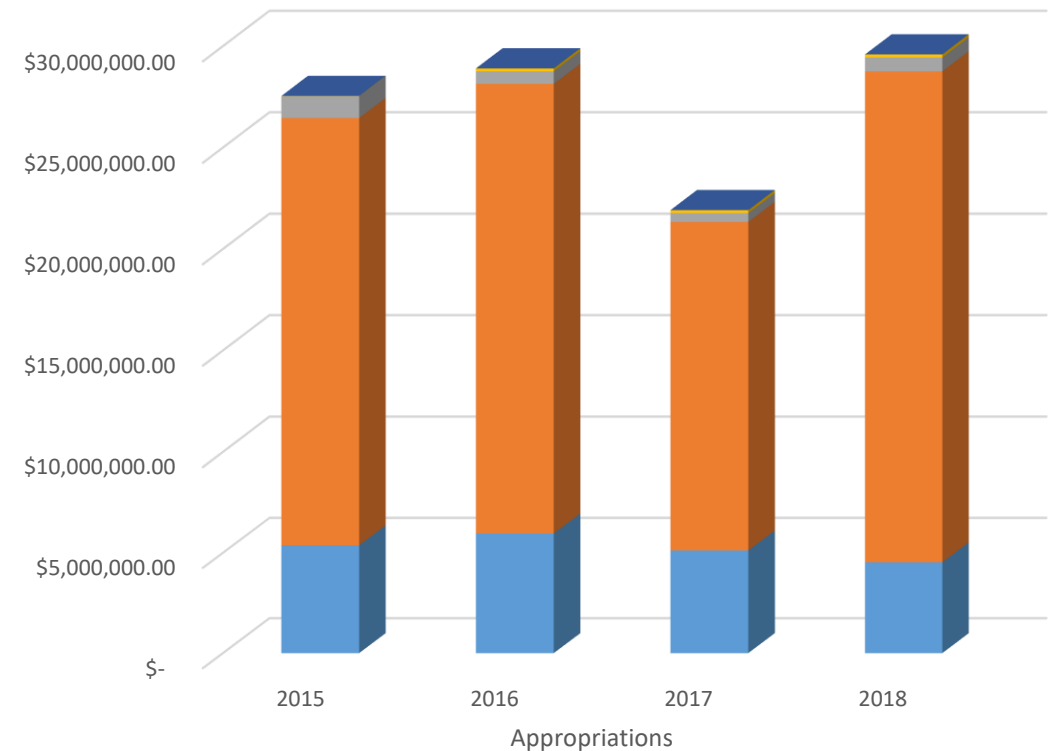
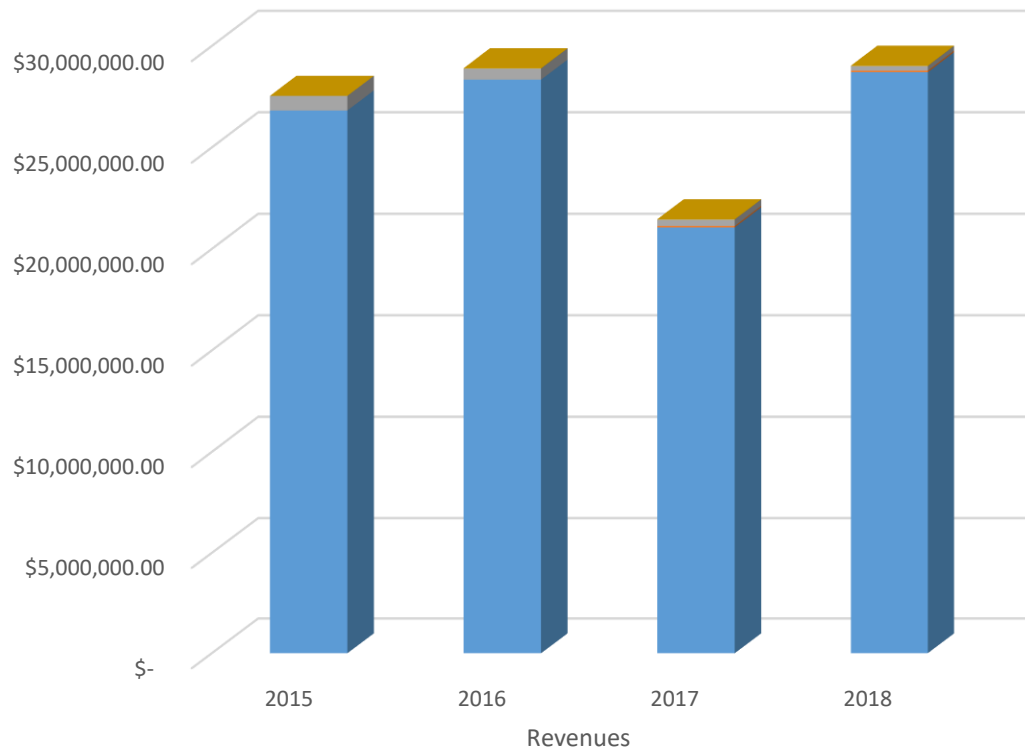
Big Sandy ADD



■ Intergovernmental Revenues ■ Charges for Services ■ Other Revenues ■ Interest Earned

■ Personnel ■ Operations ■ Administration

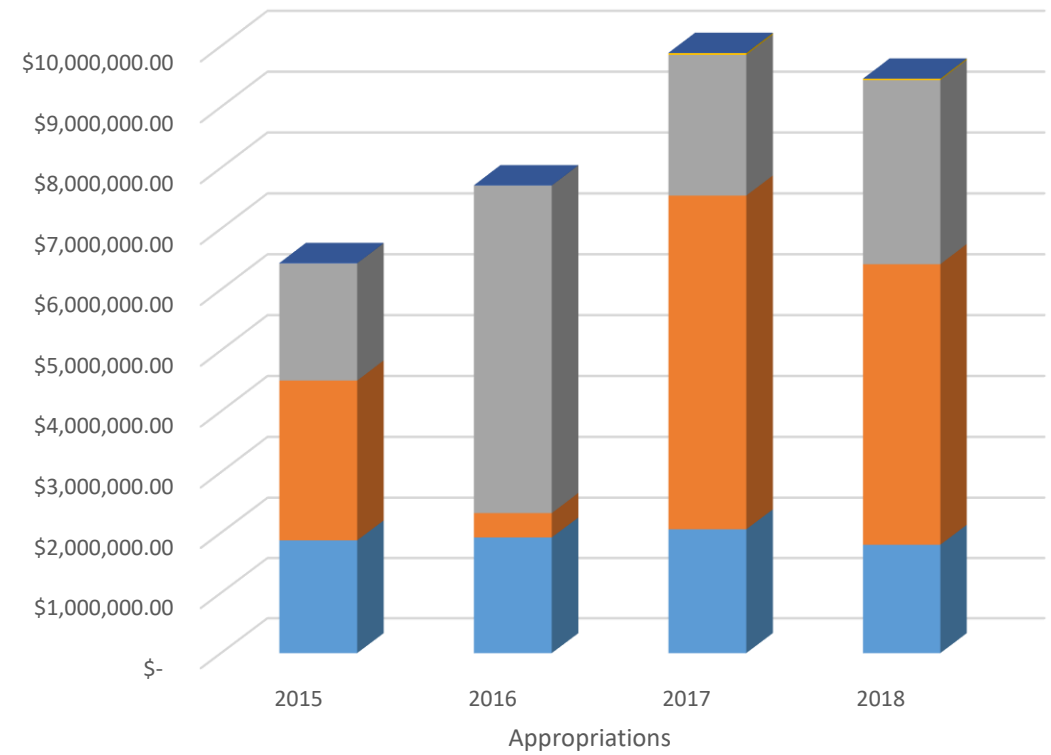
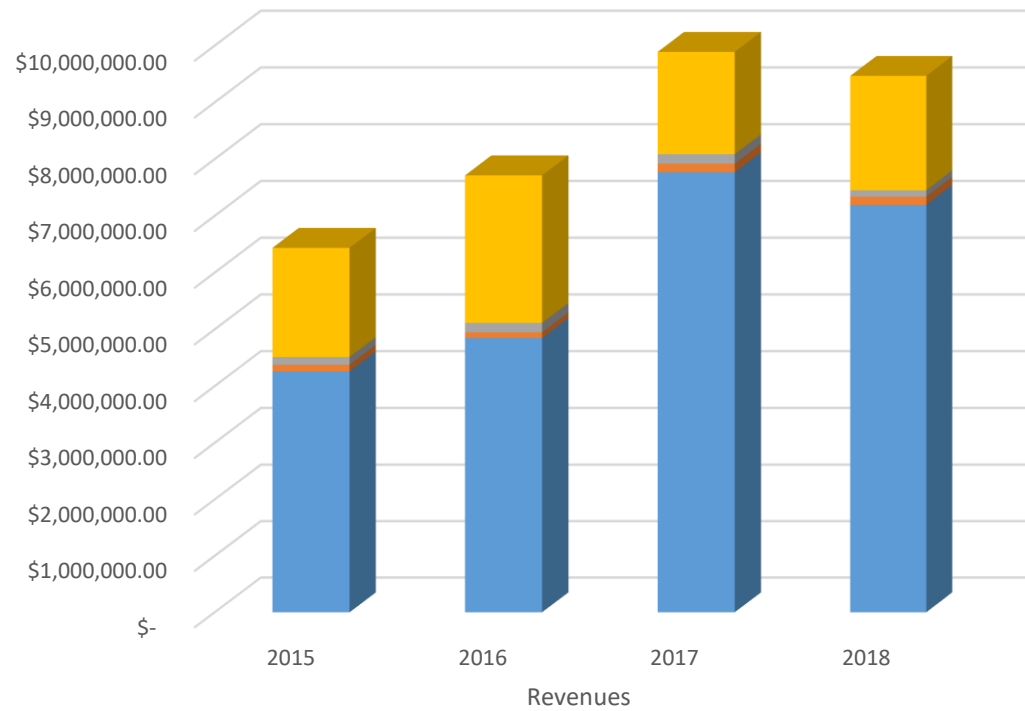
Bluegrass ADD



■ Intergovernmental Revenues ■ Charges for Services ■ Other Revenues ■ Interest Earned

■ Personnel ■ Operations ■ Administration ■ Capital Outlay ■ Debt Service

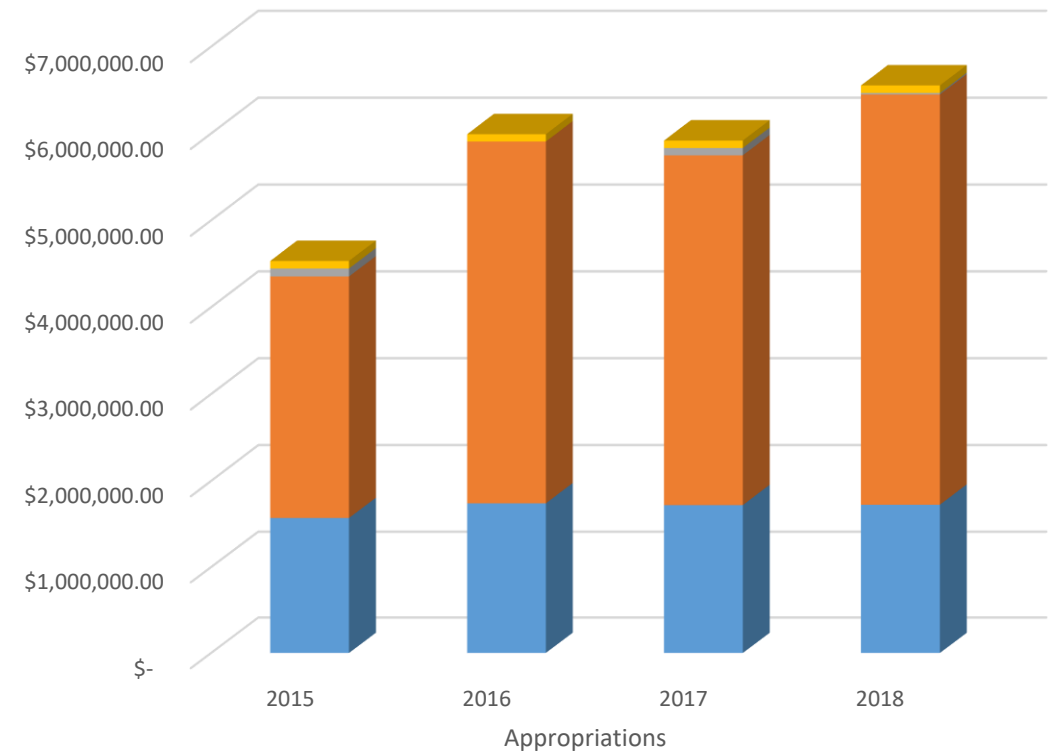
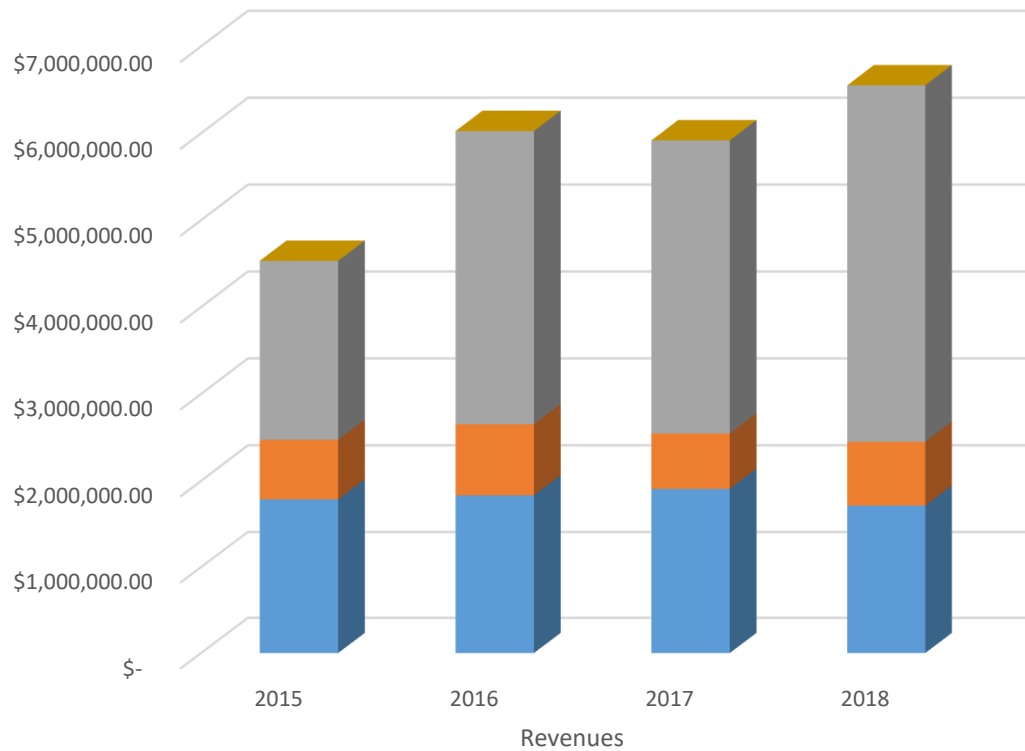
Buffalo Trace ADD



■ Intergovernmental Revenues ■ Other Revenues
■ Interest Earned ■ Carryover from Prior Fiscal Year

■ Personnel ■ Operations ■ Administration ■ Capital Outlay ■ Debt Service

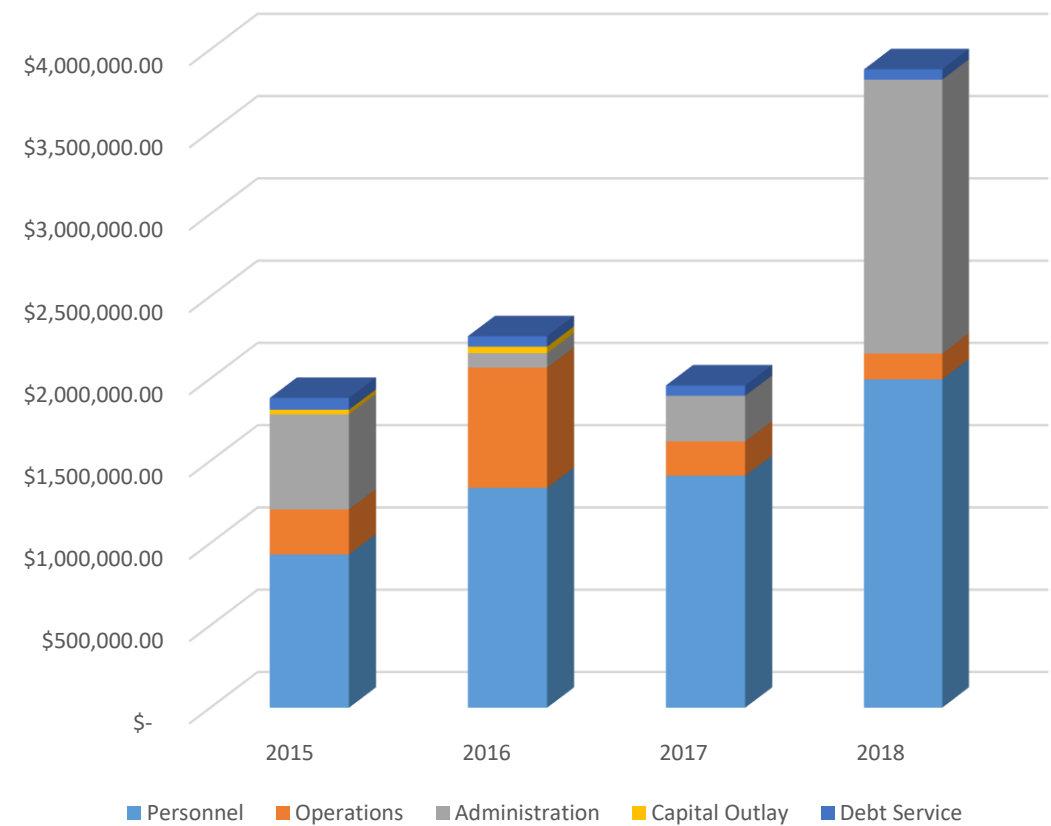
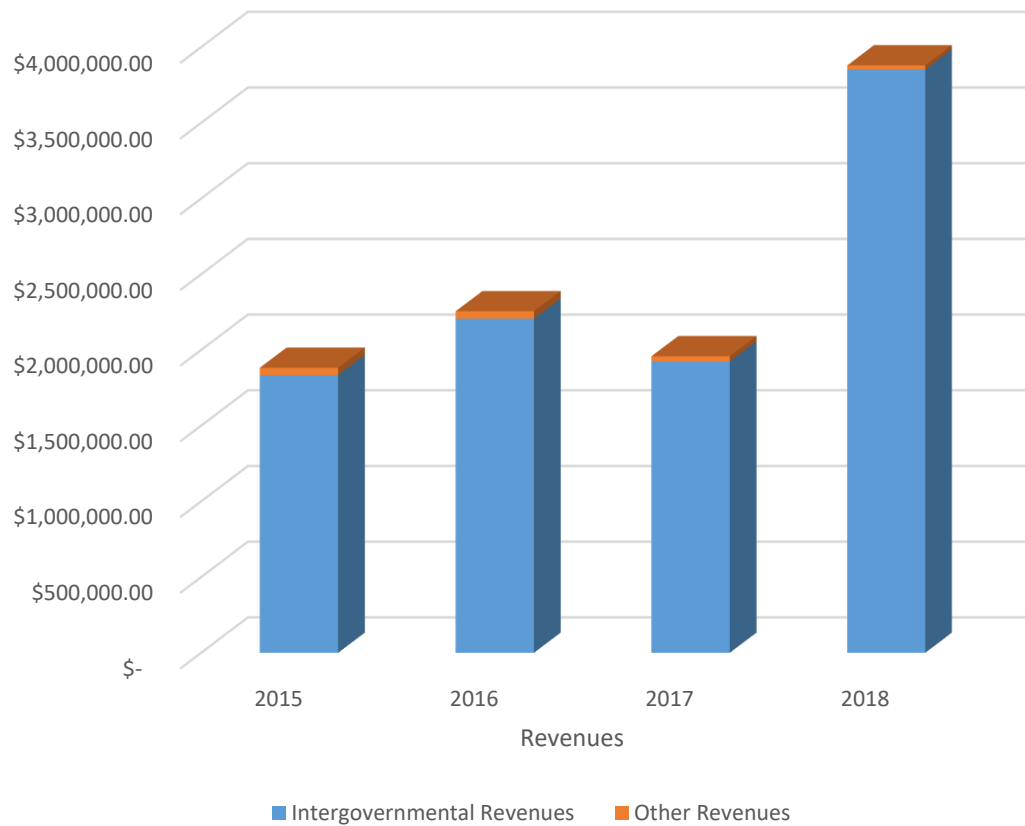
Cumberland Valley ADD



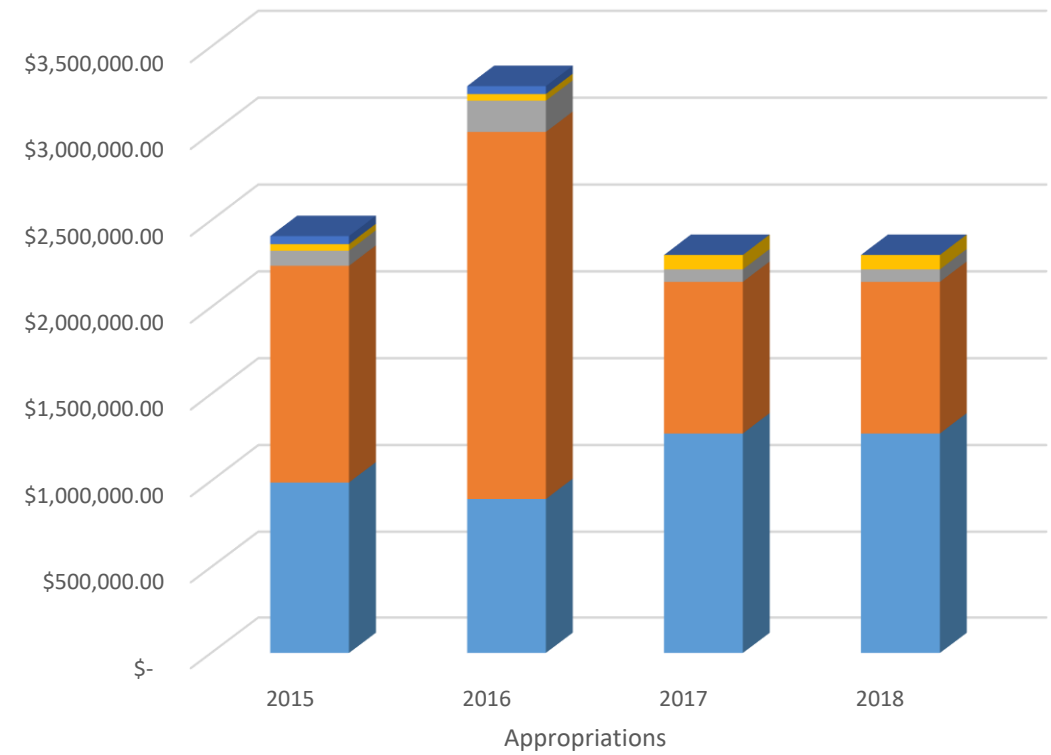
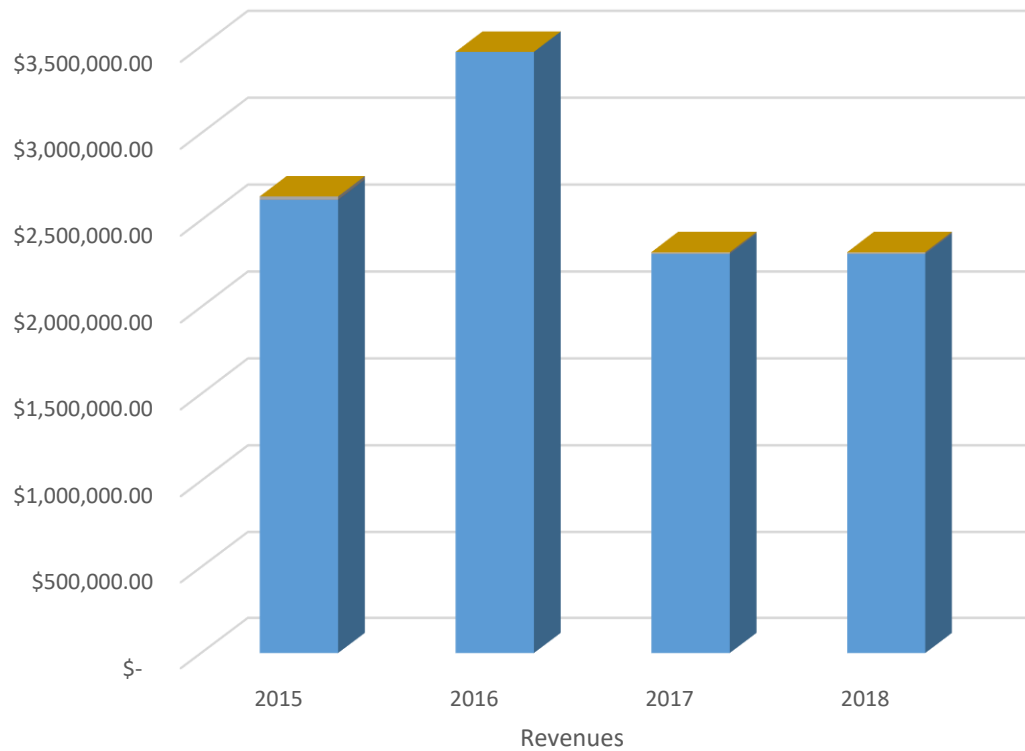
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■ Personnel ■ Operations ■ Administration ■ Debt Service

FIVCO ADD



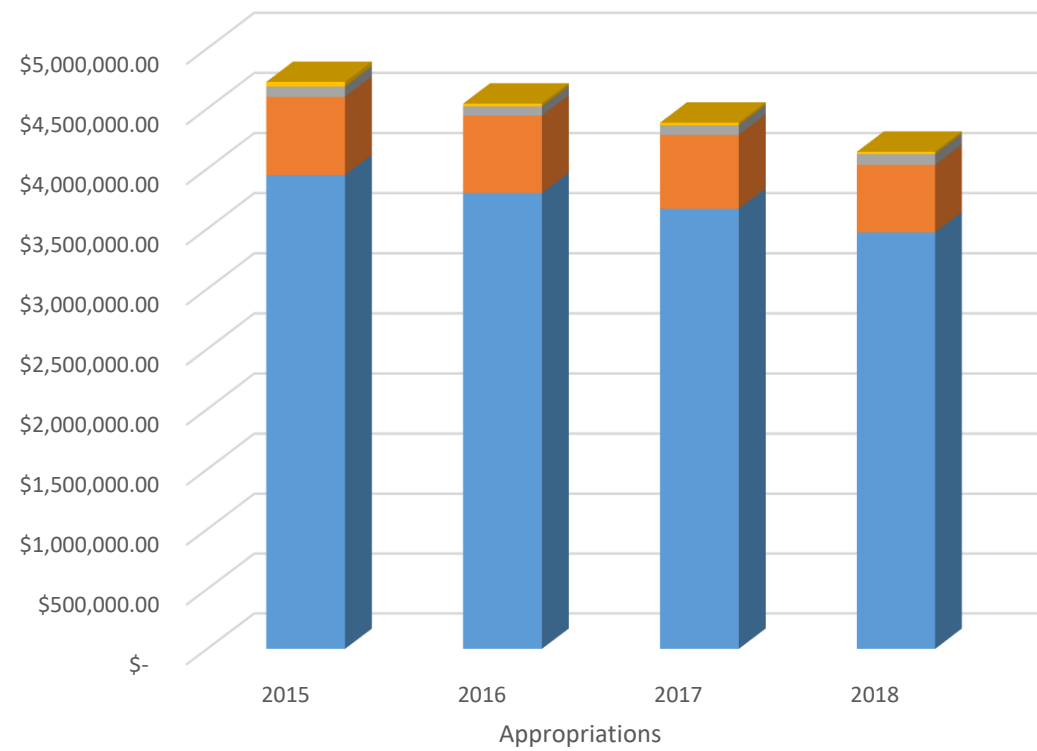
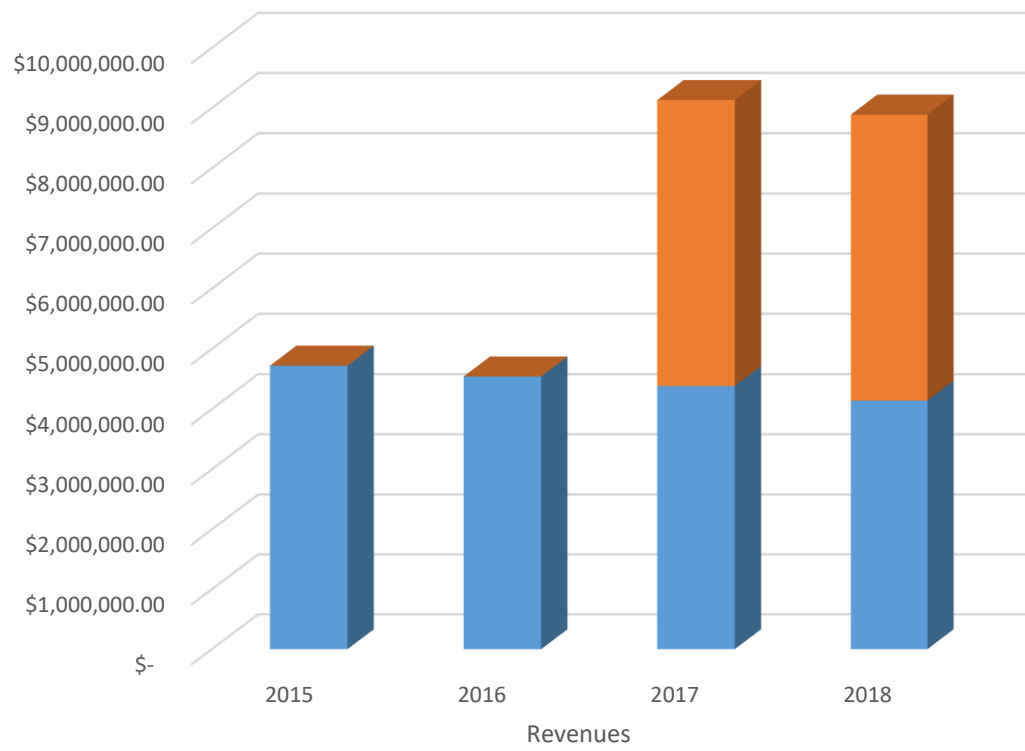
Gateway ADD



■ Intergovernmental Revenues ■ Charges for Services ■ Other Revenues ■ Interest Earned

■ Personnel ■ Operations ■ Administration ■ Capital Outlay ■ Debt Service

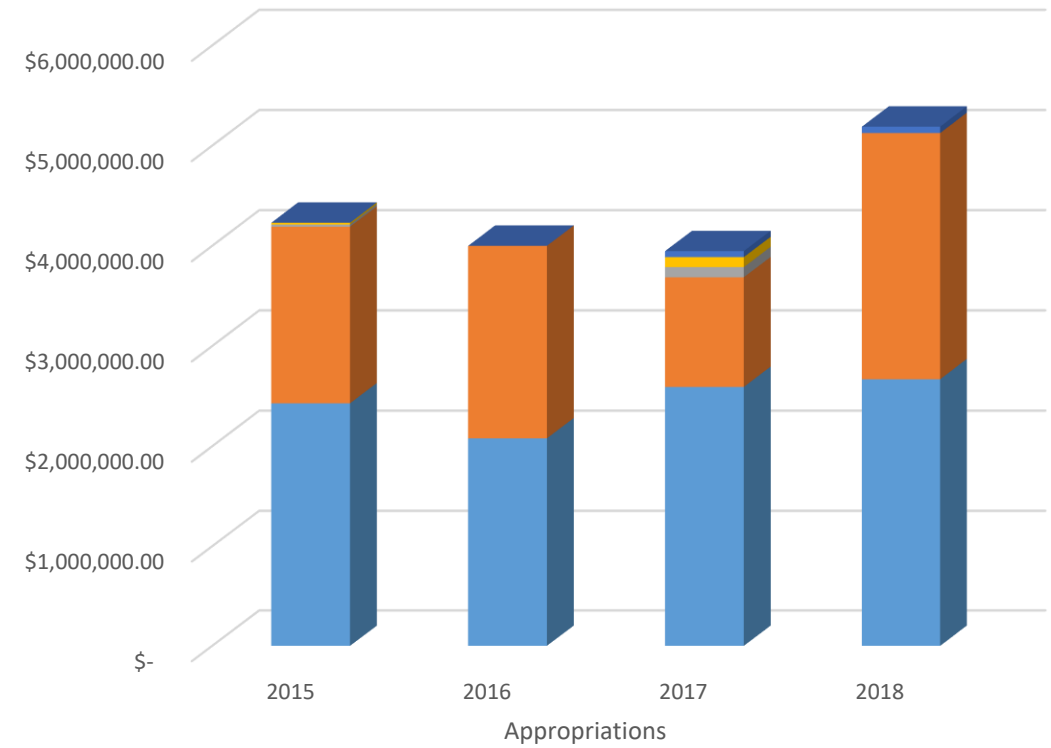
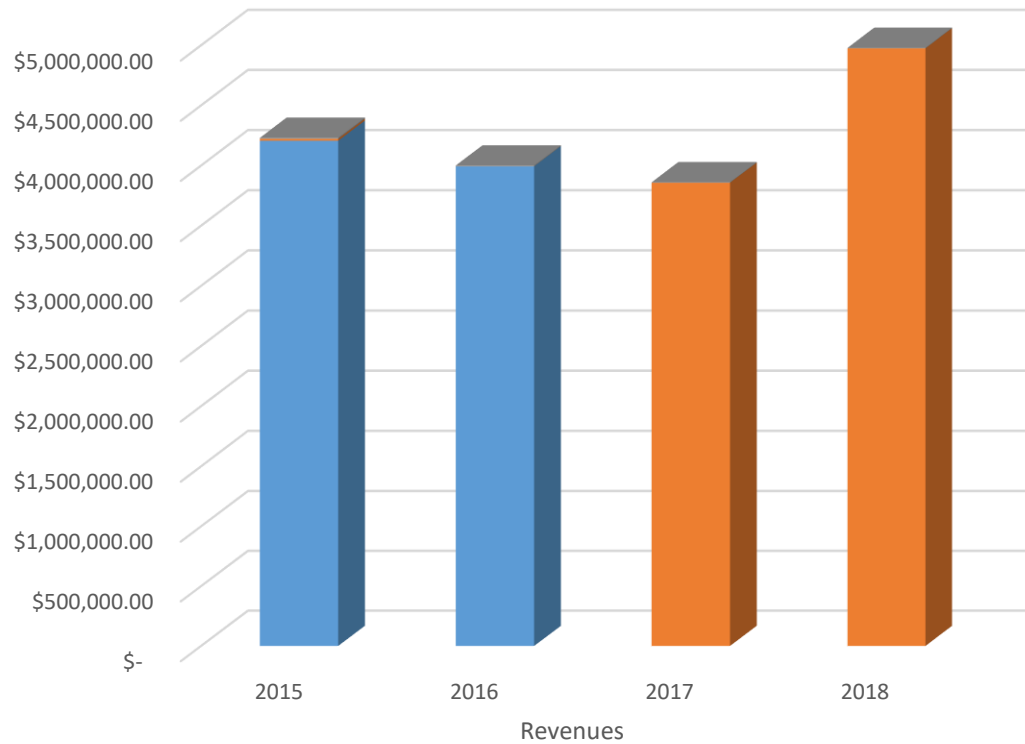
Green River ADD



■ Intergovernmental Revenues ■ Carryover from Prior Fiscal Year

■ Personnel ■ Operations ■ Capital Outlay ■ Debt Service

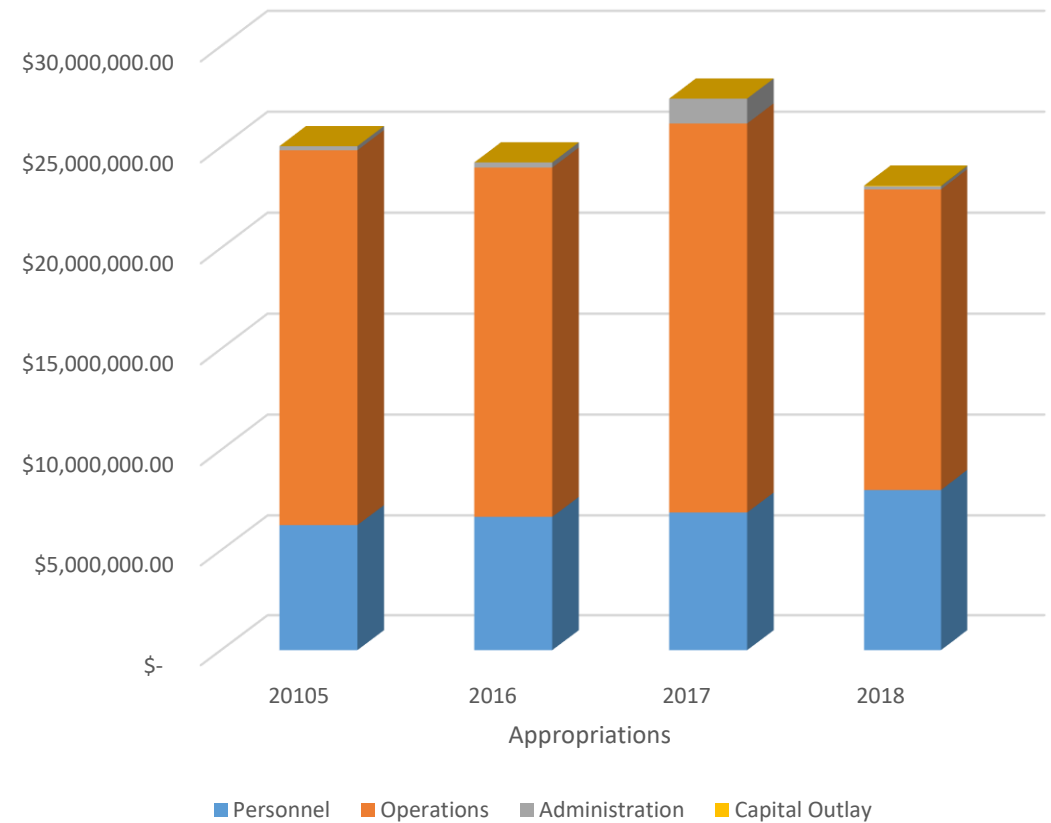
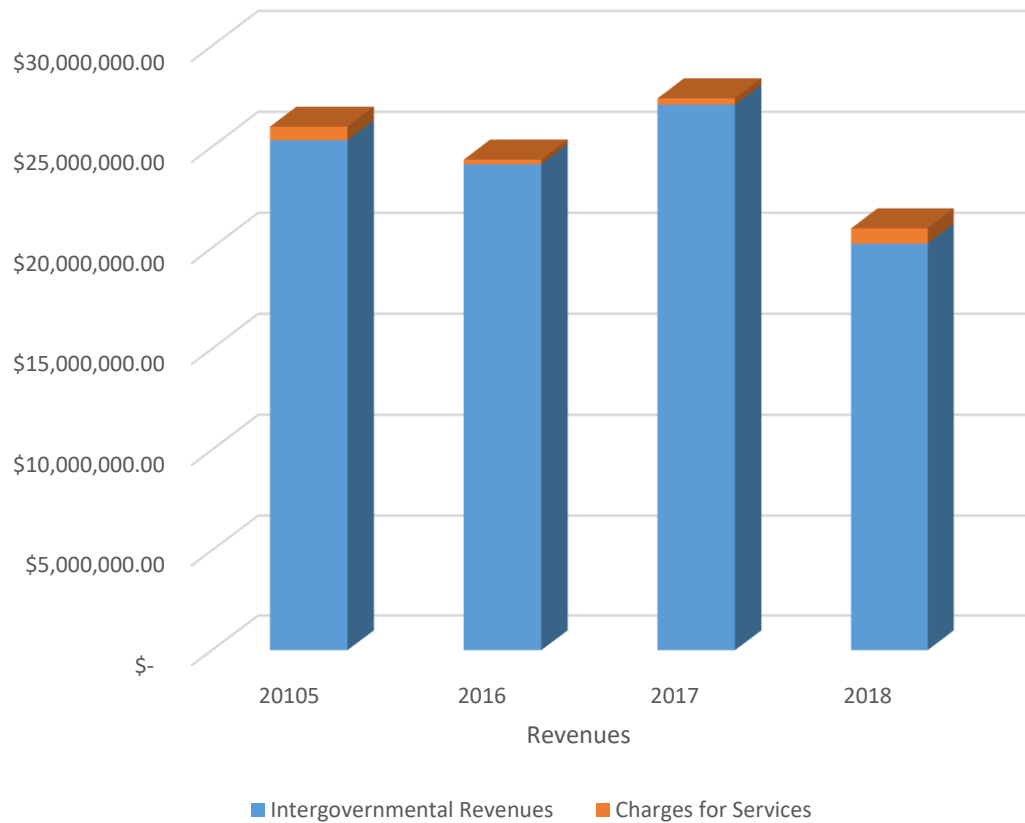
Kentucky River ADD



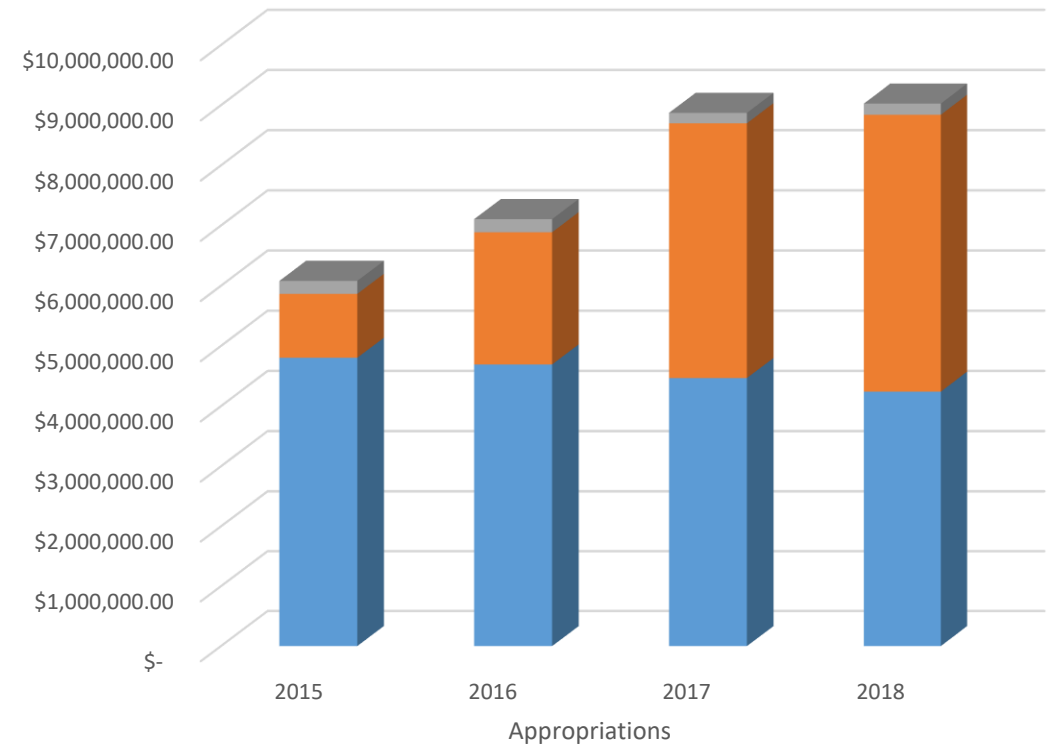
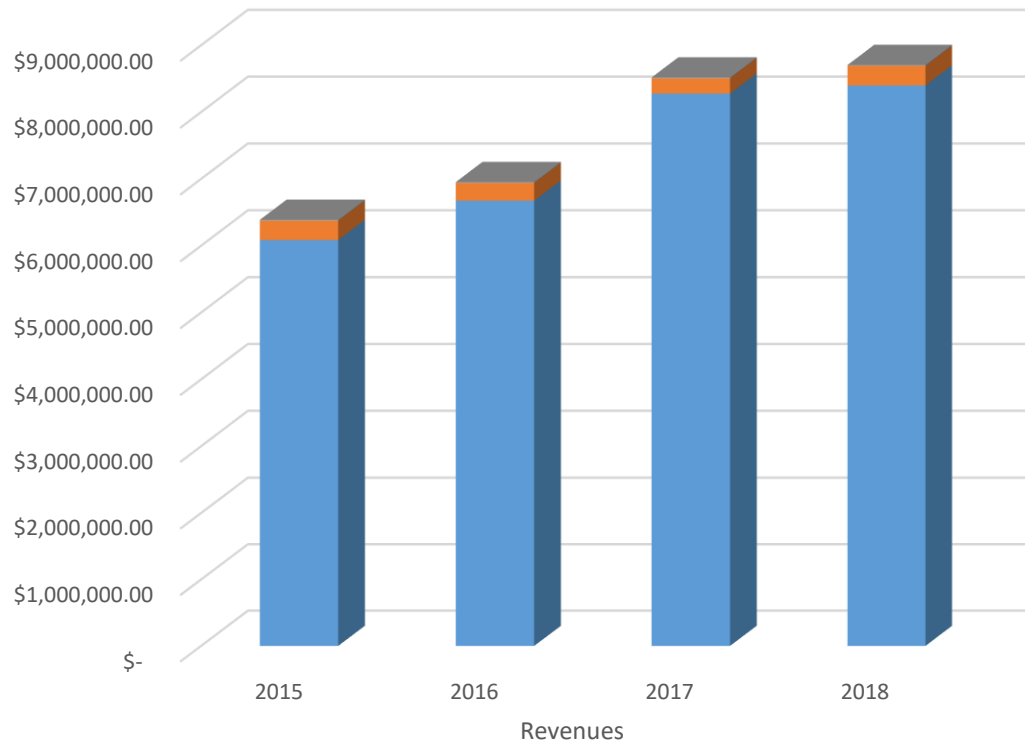
■ Intergovernmental Revenues ■ Other Revenues ■ Interest Earned

■ Personnel ■ Operations ■ Administration ■ Capital Outlay ■ Debt Service

KIPDA ADD



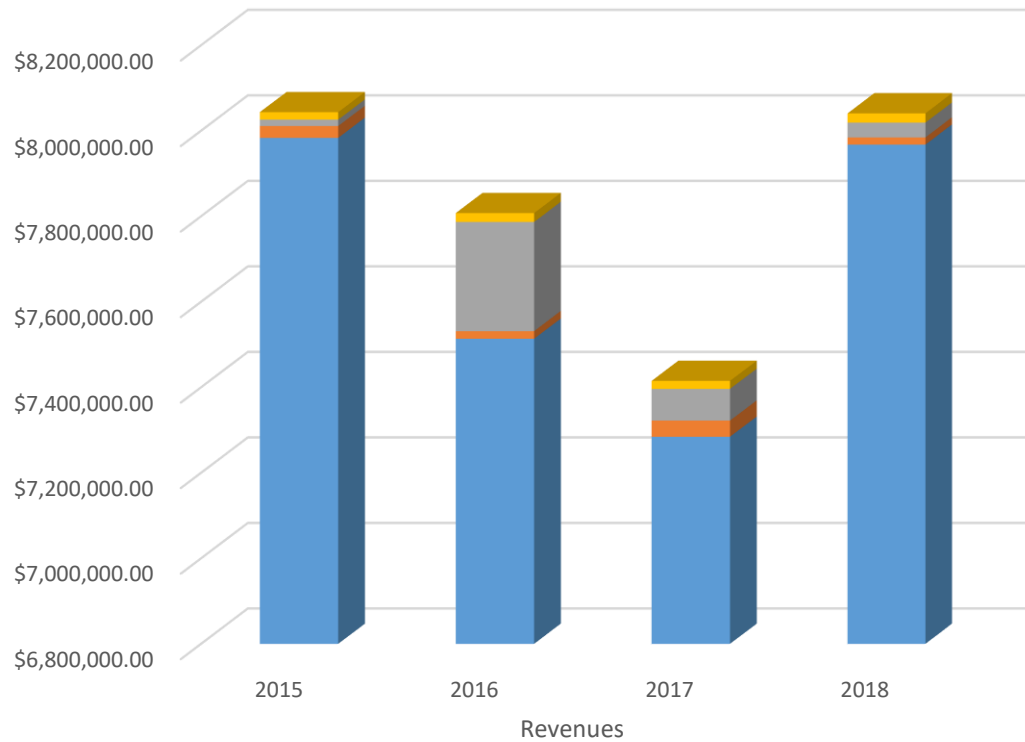
Lake Cumberland ADD



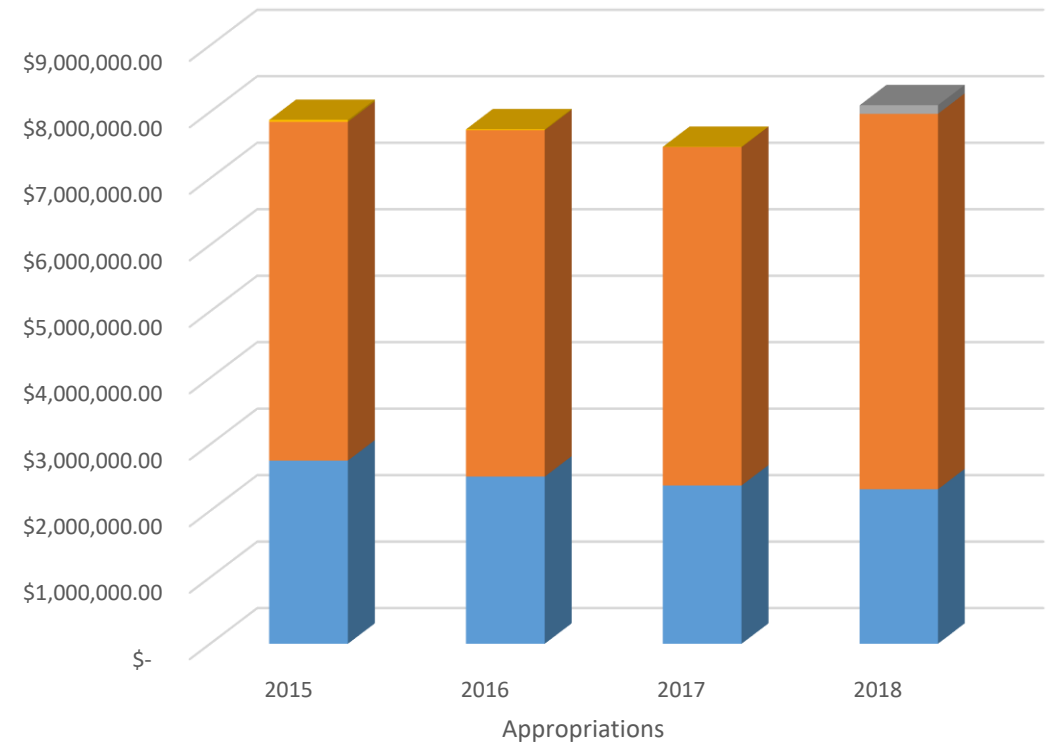
■ Intergovernmental Revenues ■ Other Revenues ■ Interest Earned

■ Personnel ■ Operations ■ Administration

Lincoln Trail ADD

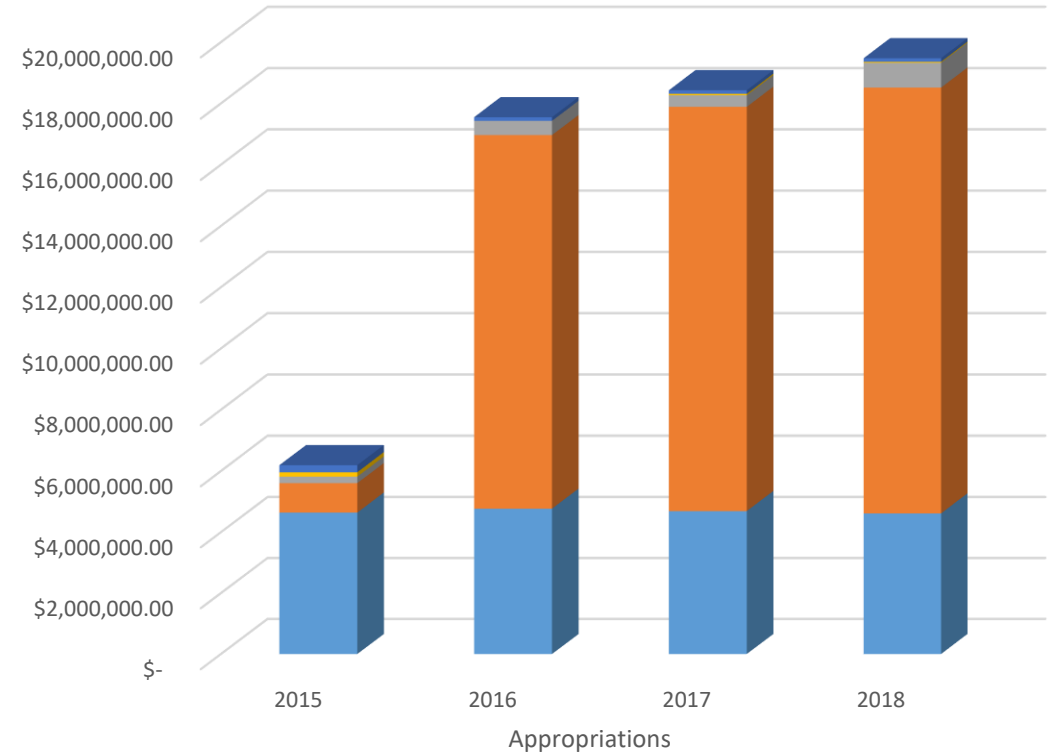
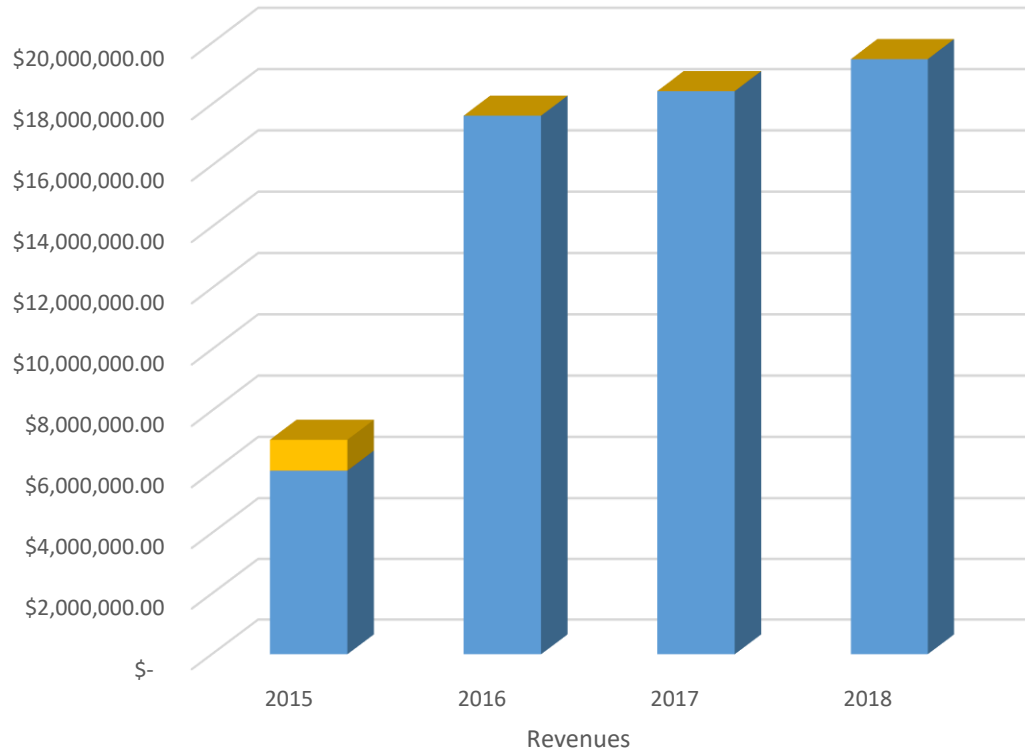


■ Intergovernmental Revenues ■ Charges for Services ■ Other Revenues ■ Interest Earned



■ Personnel ■ Operations ■ Administration ■ Capital Outlay

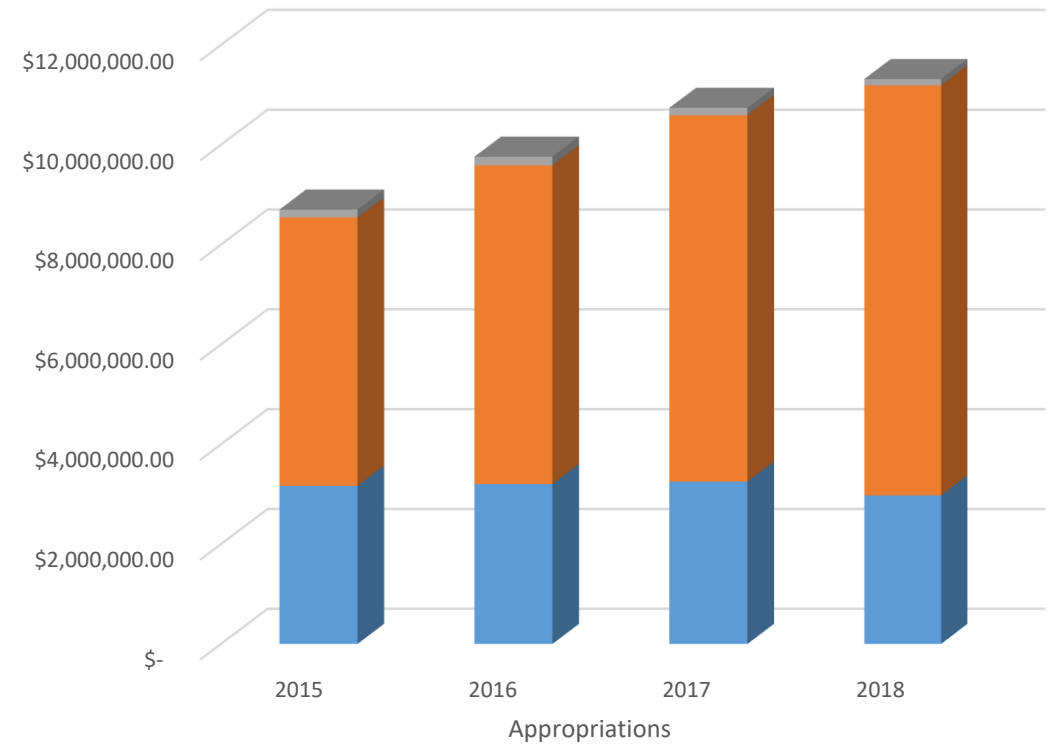
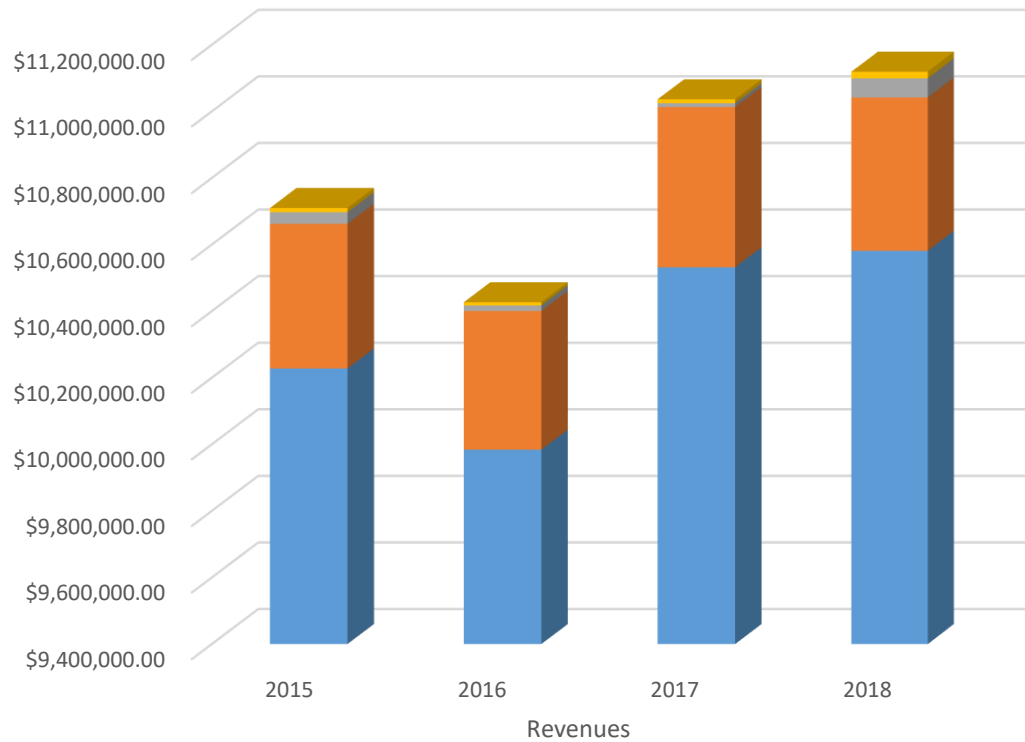
Northern Kentucky ADD



■ Intergovernmental Revenues ■ Other Revenues ■ Interest Earned ■ All Other Borrowed Money

■ Personnel ■ Operations ■ Administration ■ Capital Outlay ■ Debt Service

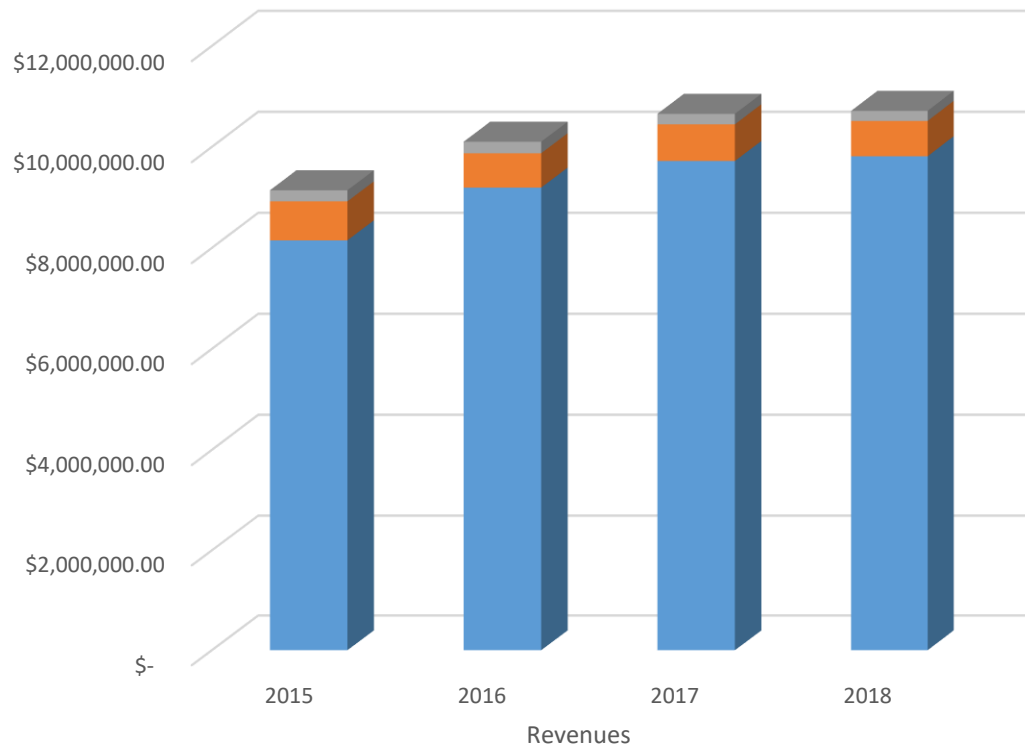
Pennyrile ADD



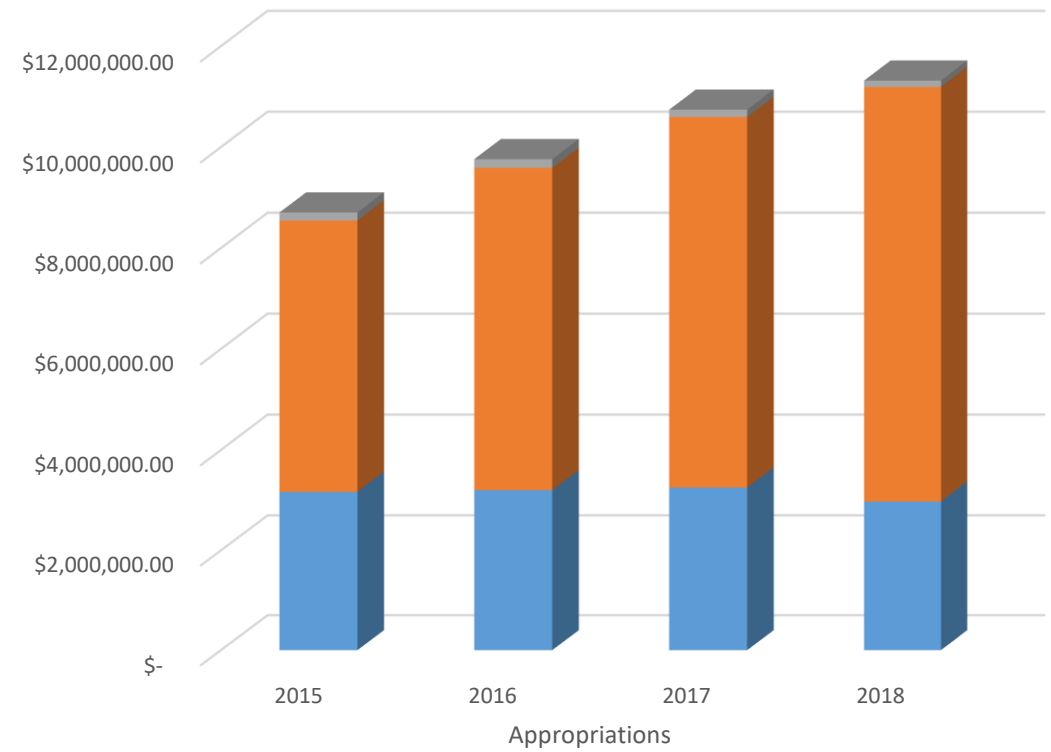
■ Intergovernmental Revenues ■ Charges for Services ■ Other Revenues ■ Interest Earned

■ Personnel ■ Operations ■ Administration

Purchase ADD



■ Intergovernmental Revenues ■ Other Revenues ■ Interest Earned



■ Personnel ■ Operations ■ Administration



Recap of 4-Year Averages

Area Development District	Revenues						Appropriations				
	Intergovernmental Revenues	Charges for Services	Other Revenues	Interest Earned	Carryover for Prior FY	Borrowed Money	Personnel	Operations	Administration	Capital Outlay	Debt Service
1 Barren River ADD	93%	1%	5%	0%	1%		27%	70%	3%		
2 Big Sandy ADD	95%	4%	1%	0%			51%	37%	12%		
3 Bluegrass ADD	98%	0%	2%	0%			19%	78%	3%	0%	0%
4 Buffalo Trace ADD	72%		2%	2%	25%		23%	39%	38%	0%	0%
5 Cumberland Valley ADD	31%	12%	56%	0%			29%	68%	1%		1%
6 FIVCO ADD	98%		2%				57%	14%	26%	1%	3%
7 Gateway ADD	100%	0%	0%	0%			43%	50%	4%	2%	1%
8 Green River ADD	65%				35%		84%	14%		2%	1%
9 Kentucky River ADD	48%		52%	0%			56%	42%	1%	1%	1%
10 KIPDA ADD	98%	2%					28%	70%	2%	0%	
11 Lake Cumberland ADD	96%		4%	0%			59%	39%	3%		
12 Lincoln Trail ADD	97%	0%	1%	1%			32%	67%	0%	0%	
13 Northern Kentucky ADD	98%		0%	0%		2%	30%	65%	3%	0%	1%
14 Pennyriple ADD	95%	4%	0%	0%			31%	67%	1%		
15 Purchase ADD	91%		7%	2%			31%	67%	1%		



Questions about the Financial Disclosure Reports?

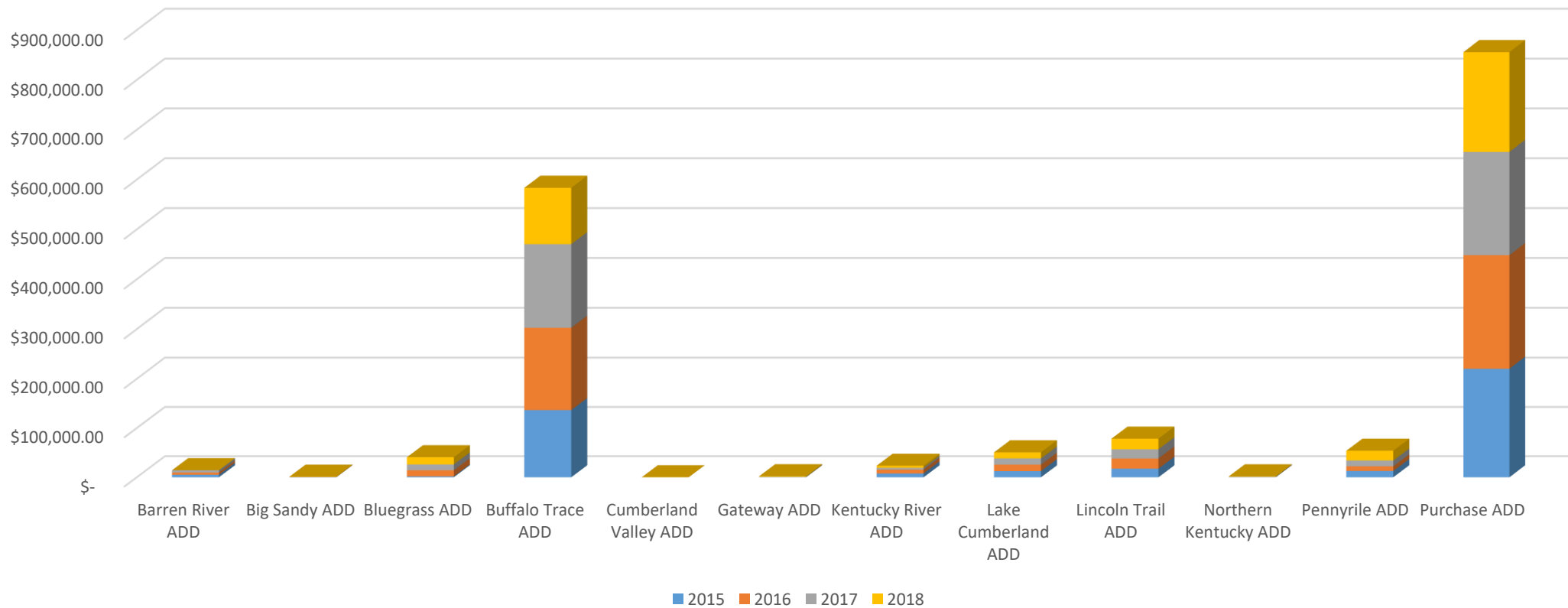


Indication of Reserves Interest Earned

	Indication of Reserves - Interest Earned	2015	2016	2017	2018
1	Barren River ADD	\$ 5,157.79	\$ 4,536.13	\$ 4,701.61	\$ -
2	Big Sandy ADD	\$ 356.00	\$ 437.00	\$ -	\$ 408.00
3	Bluegrass ADD	\$ 1,814.00	\$ 12,460.00	\$ 11,887.00	\$ 14,640.00
4	Buffalo Trace ADD	\$ 136,549.96	\$ 166,058.00	\$ 167,796.00	\$ 113,023.00
5	Cumberland Valley ADD	\$ -	\$ -	\$ -	\$ 144.00
6	Gateway ADD	\$ -	\$ -	\$ 1,107.00	\$ 1,107.00
7	Kentucky River ADD	\$ 7,716.00	\$ 7,683.00	\$ 3,854.00	\$ 4,175.29
8	Lake Cumberland ADD	\$ 12,524.00	\$ 13,192.00	\$ 12,566.00	\$ 12,444.00
9	Lincoln Trail ADD	\$ 17,472.93	\$ 20,738.01	\$ 18,614.60	\$ 21,665.54
10	Northern Kentucky ADD	\$ -	\$ -	\$ 1,211.00	\$ 821.59
11	Pennyrile ADD	\$ 12,831.96	\$ 9,483.47	\$ 11,726.35	\$ 19,903.69
12	Purchase ADD	\$ 220,417.00	\$ 227,922.00	\$ 207,151.00	\$ 200,181.00



Indication of Reserves Interest Earned





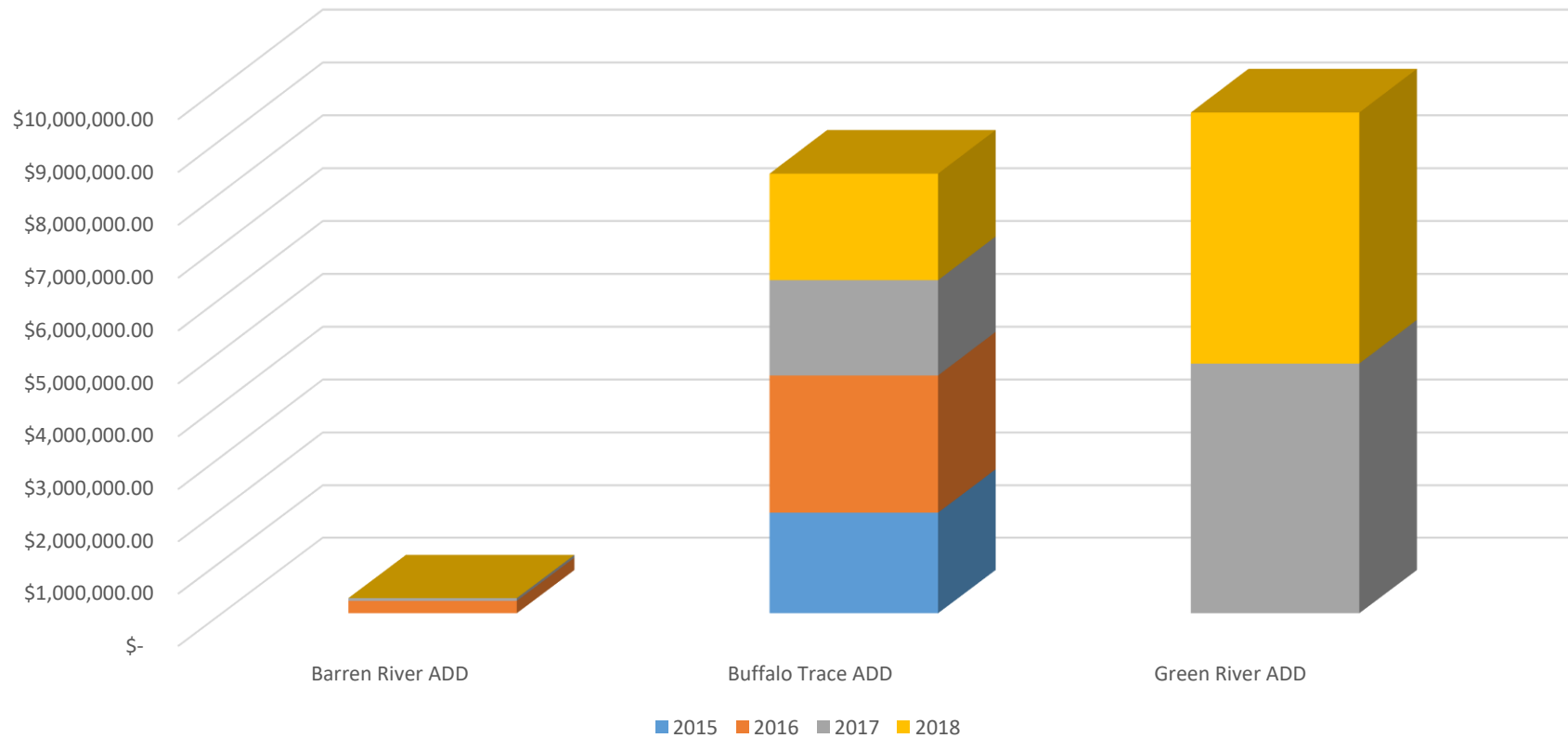
Indication of Reserves #2

Carryover from Prior Fiscal Year

	Indication of Reserves - Carryover	2015	2016	2017	2018
1	Barren River ADD	\$ -	\$ 236,452.18	\$ 52,202.41	\$ -
2	Buffalo Trace ADD	\$ 1,923,705.43	\$ 2,600,010.00	\$ 1,803,480.00	\$ 2,015,923.00
3	Green River ADD	\$ -	\$ -	\$ 4,749,603.25	\$ 4,749,603.25

Indication of Reserves #2

Carryover from Prior Fiscal Year

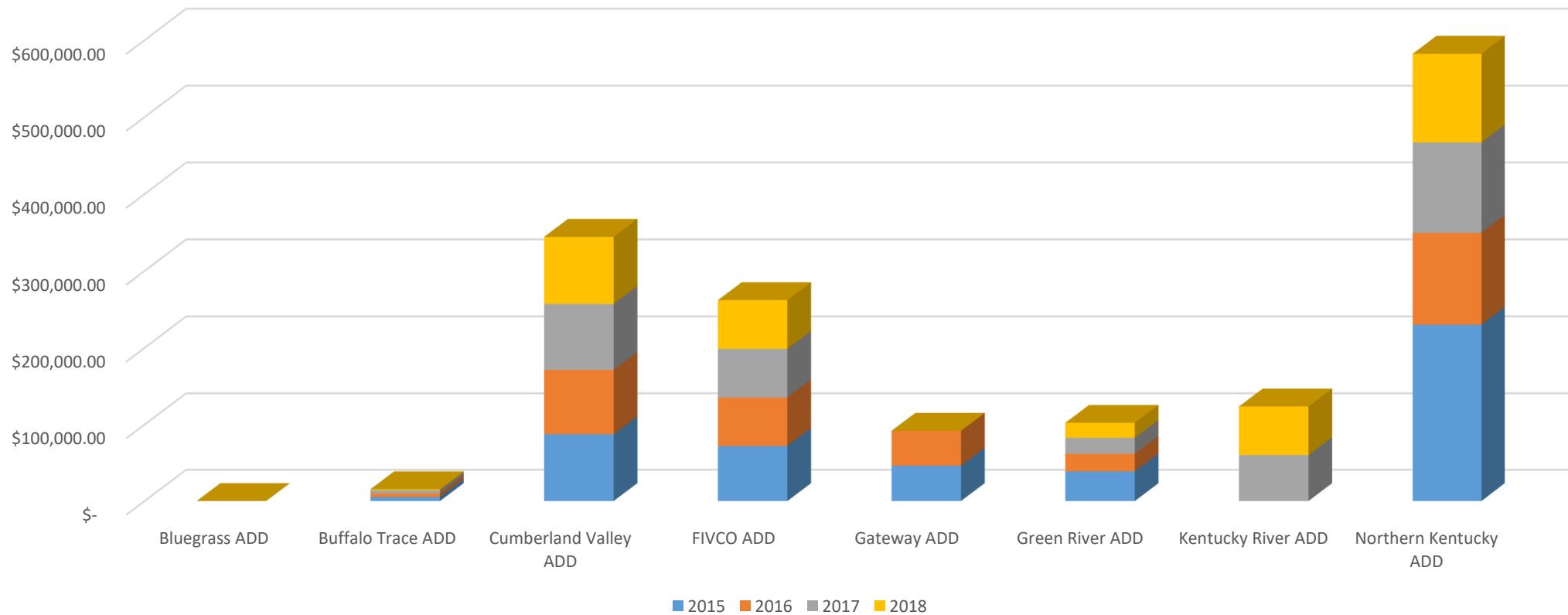




Indication of Debt Debt Service

	Indication of Debt - Debt Service	2015	2016	2017	2018
1	Bluegrass ADD	\$ 59.00	\$ -	\$ -	\$ -
2	Buffalo Trace ADD	\$ 5,241.42	\$ 4,518.00	\$ 4,294.00	\$ 1,385.00
3	Cumberland Valley ADD	\$ 87,300.00	\$ 84,000.00	\$ 85,700.00	\$ 87,250.00
4	FIVCO ADD	\$ 72,000.00	\$ 63,295.00	\$ 63,295.00	\$ 63,295.00
5	Gateway ADD	\$ 46,246.50	\$ 45,591.00	\$ -	\$ -
6	Green River ADD	\$ 38,805.00	\$ 22,961.00	\$ 20,869.84	\$ 19,606.00
7	Kentucky River ADD	\$ -	\$ -	\$ 60,000.00	\$ 63,600.00
8	Northern Kentucky ADD	\$ 230,094.00	\$ 119,327.00	\$ 117,445.00	\$ 115,340.44

Indication of Debt Debt Service





Questions related to these indicators?



Joint Funding Administration (JFA) Program

- EDA – Economic Development Administration – 20% match
- CDBG – Community Development Block Grant – Dollar for dollar match
- ARC – Appalachian Regional Commission – Dollar for dollar match
- Federal funds, matching state funds, and other state funds are combined and distributed to the ADDs through this program

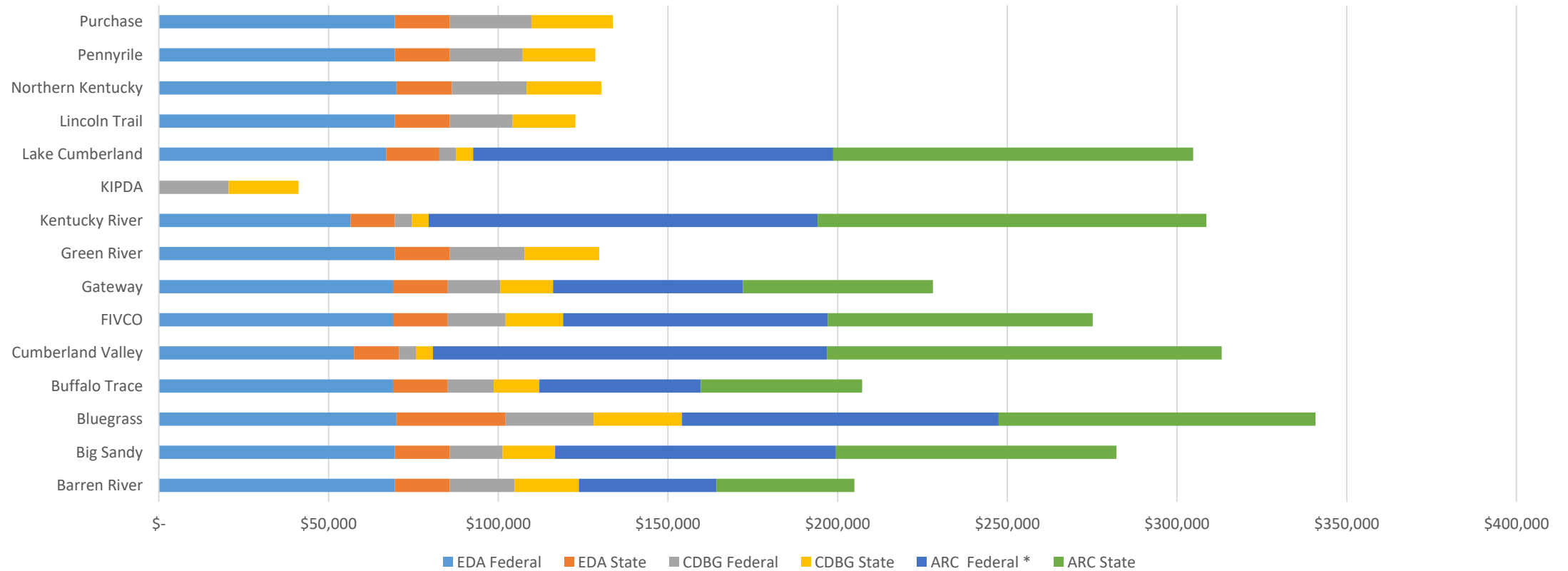


Joint Funding Administration

Area Development District	2013	2014	2015	2016	2017	2018
Barren River	\$ 216,942.21	\$ 213,712.00	\$ 217,440.00	\$ 210,726.39	\$ 222,102.78	\$ 233,828.49
Big Sandy	\$ 199,699.11	\$ 194,606.00	\$ 198,335.00	\$ 194,065.02	\$ 253,587.91	\$ 243,313.09
Bluegrass	\$ 311,347.00	\$ 306,377.00	\$ 309,478.00	\$ 301,629.71	\$ 341,537.39	\$ 304,949.82
Buffalo Trace	\$ 176,783.59	\$ 174,112.00	\$ 178,446.00	\$ 173,306.22	\$ 190,435.77	\$ 216,337.33
Cumberland Valley	\$ 199,590.39	\$ 193,723.00	\$ 212,484.00	\$ 208,140.58	\$ 289,623.10	\$ 289,990.89
FIVCO	\$ 205,807.71	\$ 201,131.00	\$ 205,485.00	\$ 200,811.42	\$ 233,154.53	\$ 245,774.64
Gateway	\$ 172,336.06	\$ 171,125.00	\$ 175,480.00	\$ 171,033.40	\$ 205,681.69	\$ 213,313.74
Green River	\$ 219,689.16	\$ 219,834.00	\$ 223,562.00	\$ 215,014.46	\$ 184,326.44	\$ 217,097.79
Kentucky River	\$ 195,075.63	\$ 189,437.00	\$ 209,451.00	\$ 205,171.80	\$ 275,199.67	\$ 291,623.34
KIPDA	\$ 313,543.09	\$ 329,422.00	\$ 340,666.00	\$ 326,720.08	\$ 193,916.16	\$ 208,436.78
Lake Cumberland	\$ 205,037.27	\$ 201,897.00	\$ 208,757.00	\$ 204,125.67	\$ 266,921.25	\$ 277,242.94
Lincoln Trail	\$ 210,943.66	\$ 211,089.00	\$ 214,817.00	\$ 206,347.98	\$ 164,412.93	\$ 176,722.72
Northern Kentucky	\$ 261,050.48	\$ 261,190.00	\$ 264,298.00	\$ 253,917.34	\$ 189,784.60	\$ 199,830.53
Pennyrile	\$ 215,073.66	\$ 215,219.00	\$ 218,947.00	\$ 210,555.83	\$ 210,963.33	\$ 200,470.93
Purchase	\$ 206,681.44	\$ 206,826.00	\$ 210,554.00	\$ 202,771.82	\$ 164,652.45	\$ 172,366.99

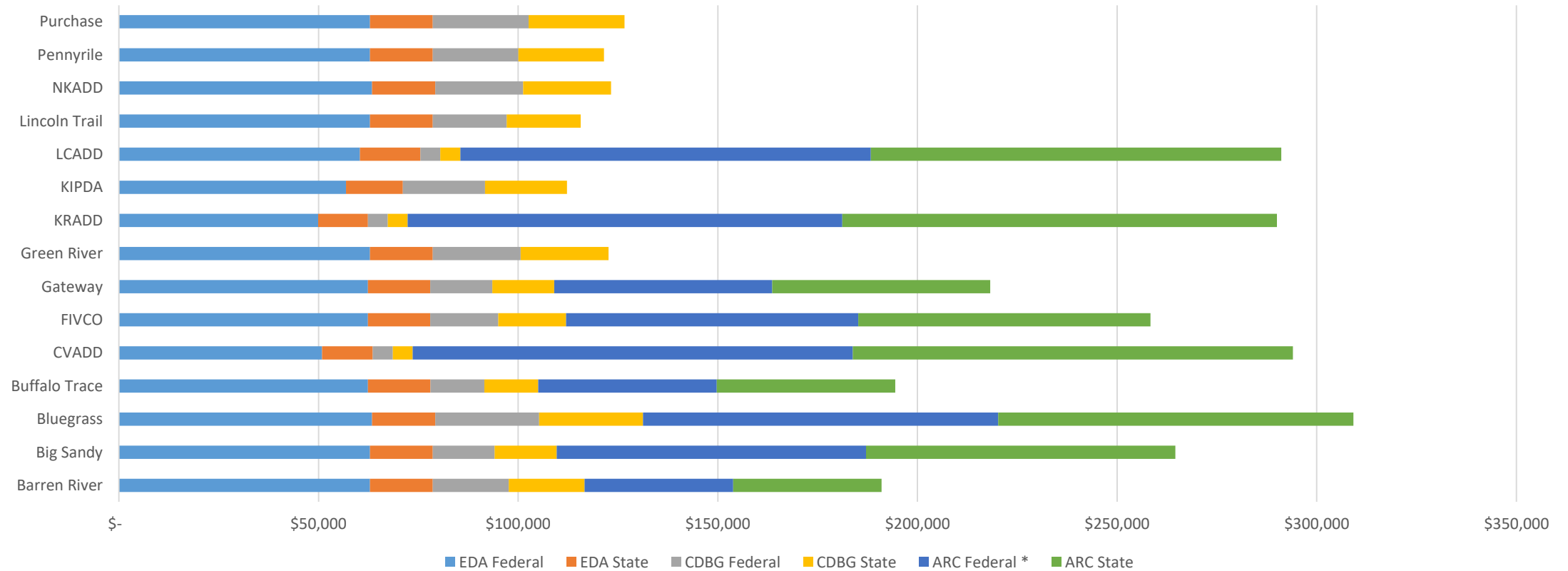


JFA Distributions - 2013



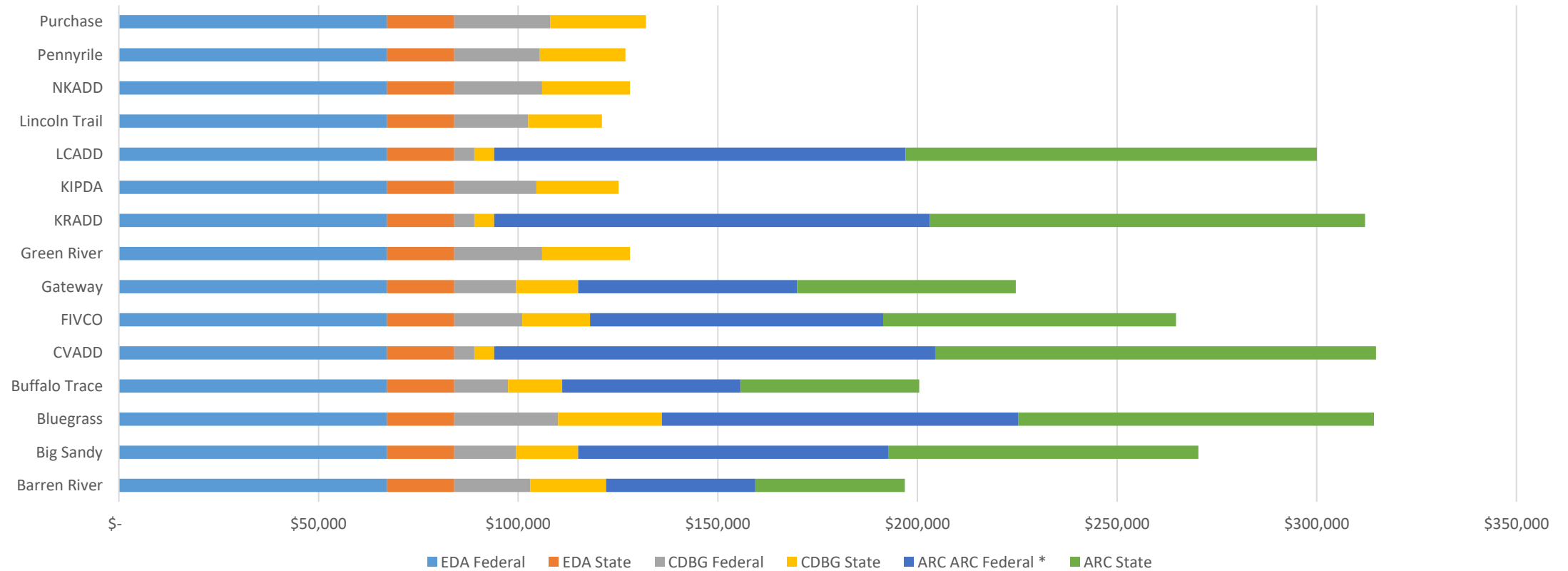


JFA Distributions - 2014



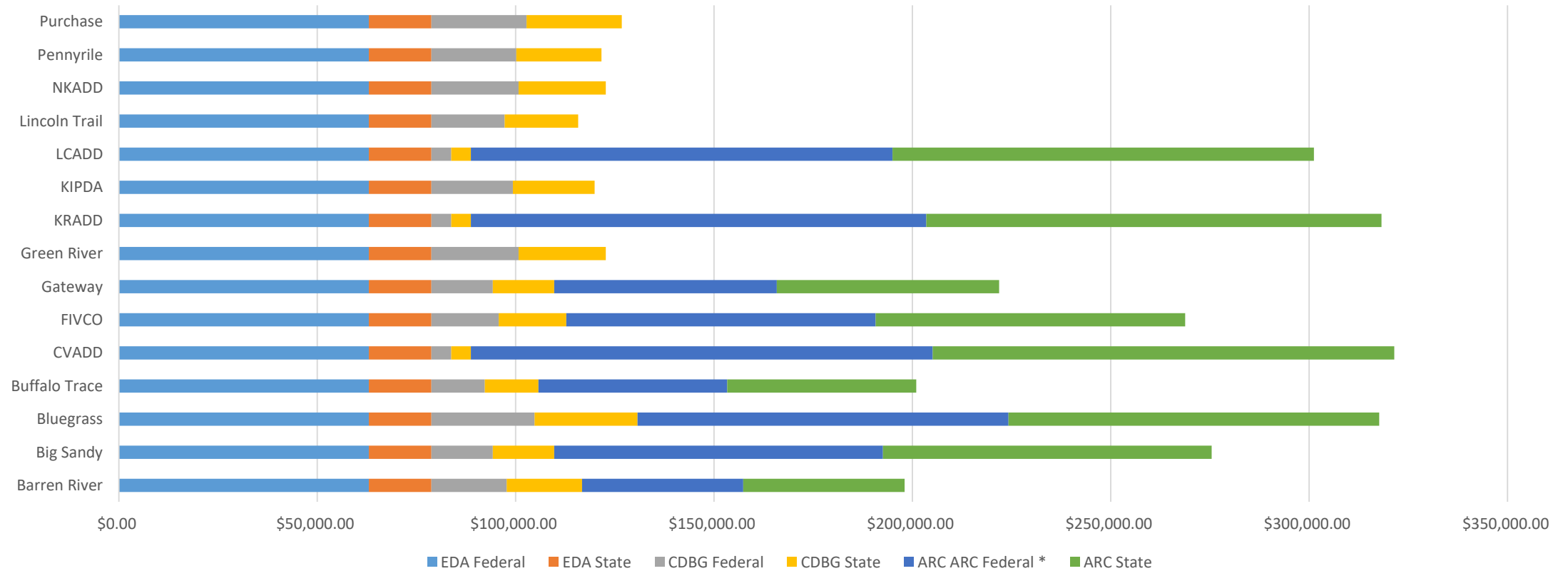


JFA Distributions - 2015



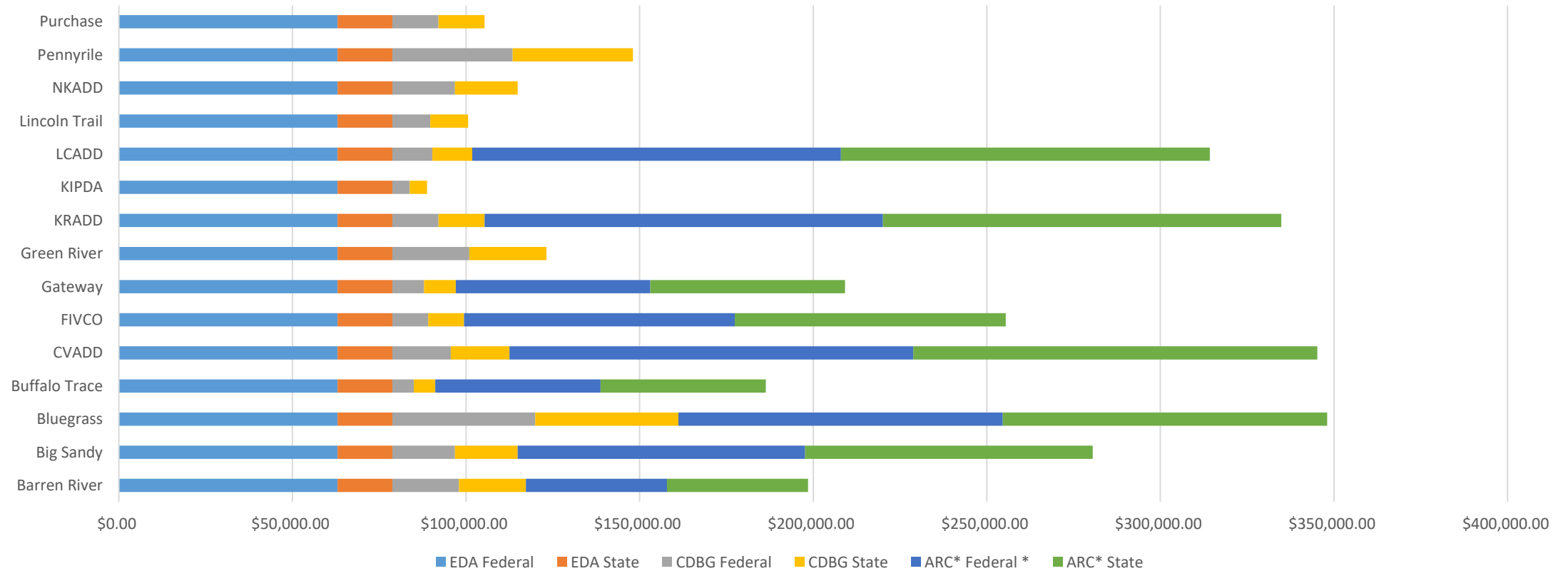


JFA Distributions - 2016



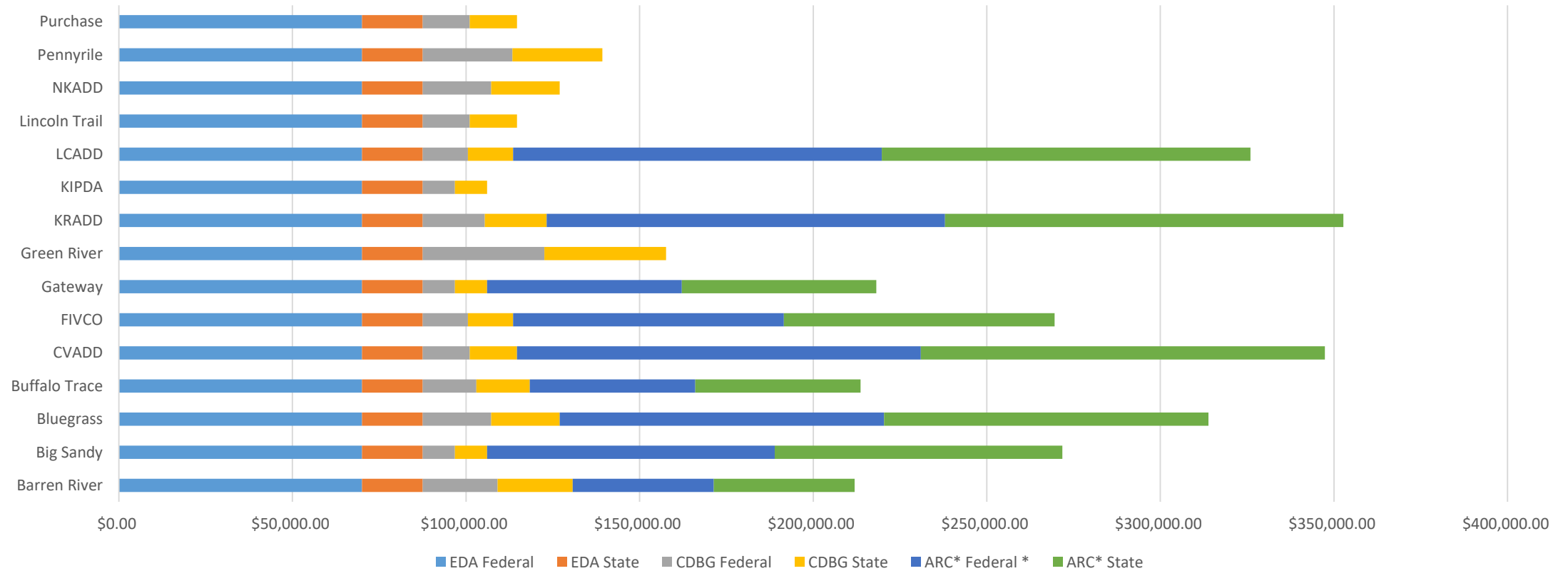


JFA Distributions - 2017



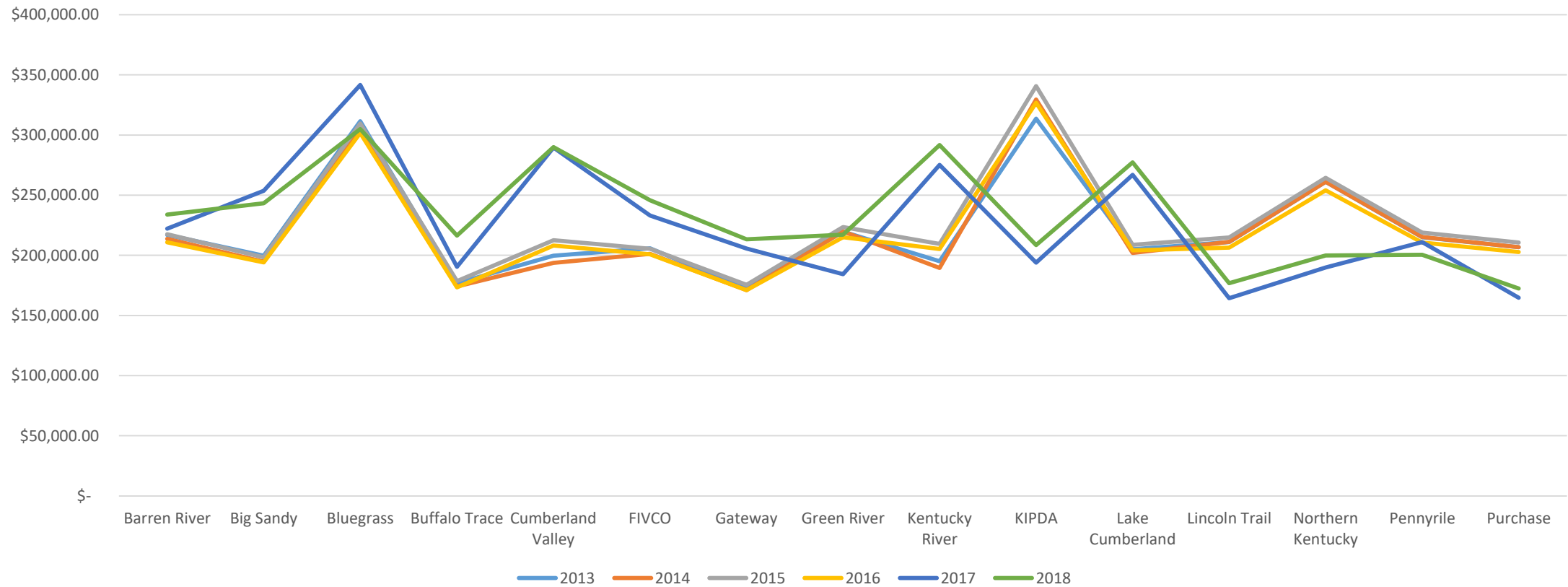


JFA Distributions - 2018





Joint Funding Administration Program






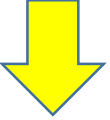




JFA Program

Executive Branch Budget Bill

2018 HB 200 provided:

- \$1,984,000 in each fiscal year to the program in support of the ADDs;
- A formula:
 - 70% equally among all ADDs;
 - 20% based on share of population; and
 - 10% based on share of incorporated cities and counties; and
- Upon unanimous written direction of all ADDs, reduce allocations to maximize federal awards.

SUMMARY

-  1. Statutes and administrative regulations
-  2. Amounts transferred to each ADD for 5 years
-  3. Funds held in reserve
-  4. Long term debt incurred by each ADD
-  5. Spending through Joint Funding Administration (JFA)
-  6. Staffing patterns