

INFORMATION ITEM

Follow-up correspondence from the Tourism, Arts and Heritage Cabinet

During the June 23, 2021 Capital Planning Advisory Board meeting, questions were raised regarding proposed projects included in the Tourism, Arts and Heritage Cabinet's six-year capital plan.

Agency representatives were asked to provide details as to the cost elements factored into the return on investment for the Kentucky Horse Park Expand Campground project, and to clarify the development of the \$5 million project scope for the Ky. State Fair Board Security System and Cameras project.

In response to member questions, Mr. Chris Reece, Executive Director, Office of Finance, Tourism, Arts and Heritage Cabinet, has provided the attached email.

BOARD ACTION: Information only. No action is required.

From: Reece, Christopher P (TAH) <Christopher.Reece@ky.gov>
Sent: Thursday, July 15, 2021 2:58 PM
To: Bowen, Shawn (LRC)
Cc: Masters, B.R. R (TAH)
Subject: RE: July 21 Capital Planning Advisory Board Meeting/follow-up to June meeting information

Hi Shawn,

Sorry for the delayed response. I have been out of the office and it took longer than expected to gather the additional information.

Here is what I have at this point to answer the CPAB questions:

1. How are the revenues generated for Kentucky Horse Park Expand Campground project? What costs (such as personnel, etc.) are factored into the return on investment?

- a. The Horse Park and the Tourism, Arts and Heritage Cabinet knows that the initial ROI presented in the 6 Year Capital Plan is preliminary and, as such, has used a conservative approach to both the expense and revenue estimates. It is better to overestimate costs and underestimate revenues so that as we "fine tune" that request we are not facing negative surprises.
- b. The cost estimate is based on a dated phase "A" design report that the Horse Park is currently reevaluating. It is anticipated that cost savings may come from the revisions, but that work is not complete.
- c. The increased demand for upgraded campgrounds is a sustained trend that has increased during the pandemic. Since the trend predated the COVID closures it is widely predicted by the tourism industry to continue to increase nationally. This will add consistency to the revenue stream as well as provide pressure for increased revenues over the conservative estimates proposed.
- d. The Horse Park and the Tourism, Arts and Heritage Cabinet will continue to adjust the ROI estimates over the next few months to reflect new expectations as we gather them.

2. Please clarify how the \$5 million project scope was developed for the Ky. State Fair Board (KSFB) Security System and Cameras project. Is this figure based on bids or estimates?

- a. The \$5 million cost is based on estimates and experience gained by KSFB staff from previous bids.
- b. As a reference, in 2018 the Kentucky International Convention Center security system cost approximately \$1 million. This work was completed during the new construction of the 300,000 square foot facility that covers two city blocks.
- c. By comparison, the Kentucky Exposition Center includes 1.2 million square feet and over 500 acres.
- d. Retro-fitting into existing buildings of various ages also adds expenses.
- e. The material costs for CAT6 cabling covering larger distances, as well as the need for more cameras and a new command center are figured into the estimate.
- f. The State Fair Board and the Tourism, Arts and Heritage Cabinet personnel can go into deeper detail if it is wanted.

*Chris Reece, Executive Director, Office of Finance
Kentucky Tourism, Arts, and Heritage Cabinet
500 Mero St., 5th Floor*