

CAPITAL PLANNING ADVISORY BOARD

Minutes

June 14, 2023

Call to Order and Roll Call

The second meeting of the Capital Planning Advisory Board was held on June 14, 2023, at 1:00 PM in Room 169 of the Capitol Annex. Senator Phillip Wheeler, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Phillip Wheeler, Co-Chair; Representative Nancy Tate, Co-Chair; Senator Adrienne Southworth, Pat Abell, John Hicks, Bryan Hix, Patsy Jackson, and Holly Johnson.

Guests: Ruth Day, Chief Information Officer; Kari Welch, Executive Director, Office of IT Architecture and Governance, Commonwealth Office of Technology; BG (Ret.) Charles T. Jones, Executive Director, Office of Management and Administration; MG (Ret.) Stephen D. Collins, Director, Bluegrass Station; Joe Sanderson, Director, Division of Facilities; BG (Ret.) Steven T. King, Construction and Facilities Management Officer, Kentucky Army National Guard; Department of Military Affairs; Whitney P. Allen, Jr., Commissioner; Juan A. Renaud, Deputy Commissioner; Mark Bowman, Executive Director; Dr. Silas Session, Executive Director; Dwayne A. Edwards, Chief of Staff; Department of Veterans' Affairs; Scott Baker, Executive Director, Office of Facility Development and Efficiency, Finance and Administration Cabinet; Doug Hendrix, Executive Director; Mitch Powers, Controller; Kentucky Communications Network Authority; Sandy Williams, Executive Director; Milward Dedman, Deputy Executive Director; Jim Carpenter, Treasurer; Kentucky Infrastructure Authority; Lindy Casebier, Secretary; Mona Juett, Chief of Staff; Melissa Brewer, Executive Director of Finance; Tourism, Arts, and Heritage Cabinet; Robin Brewer, Executive Director, Office of Budget and Fiscal Management, Transportation Cabinet.

LRC Staff: Liz Columbia and Jennifer Luttrell.

Approval of Minutes (May 17, 2023)

The approval of the May 17, 2023, minutes was moved to the next meeting because the quorum was not met.

Information Items

Ms. Columbia said two information items were included in the meeting materials. The first item was in response to questions raised at the board's May 17 meeting regarding proposed capital projects for the Energy and Environment Cabinet and the Education and Labor Cabinet, and the second item was an amendment to the Justice and Public Safety Cabinet's plan.

Special Report

As part of the capital planning process, COT is responsible for reviewing and evaluating information technology (IT) projects submitted in the agency capital plans. Ruth Day discussed the review results and presented the IT project recommendations.

The review process for IT capital projects began with assessing criteria from previous biennia. A

nine-member scoring committee comprised representatives from the Office of State Budget Director, the Cabinet for Health and Family Services, the Education and Labor Cabinet, the Finance and Administration Cabinet, the Justice and Public Safety Cabinet, and the Transportation Cabinet.

Members of COT's staff and agency representatives performed the review, focusing specifically on IT projects for the 2024-2026 biennium, utilizing an automated prioritization methodology that promotes an objective view. The goal was to determine systems with the highest value and least potential risk to the Commonwealth. Each capital project submission provided value, and the projects identified with the highest score best support the strategic direction of the Commonwealth and provide the most significant returns on investments.

For the 2022-24 biennium, COT reviewed 12 IT projects valued at \$87 million.

Ms. Day said she would provide members with a paragraph description of the 12 Capital IT projects ranked for 2024-2030 in response to Representative Tate's request.

In response to questions from Mr. Hicks regarding other examples that the Commonwealth has used with the Legacy Modernization project's type of financing, Ms. Welch stated that some examples were the Kentucky Human Resources Information System for the Personnel Cabinet, the Enterprise Business Intelligence reporting system for eMARS; an electronic signature program created for the Finance and Administration Cabinet; and an application for the Department of Local Government.

Review of Agency Capital Plans

The Capital Planning Advisory Board received testimony regarding six state agency capital plans: Department of Military Affairs; Department of Veterans' Affairs; Kentucky Communications Network Authority; Kentucky Infrastructure Authority; Tourism, Arts, and Heritage Cabinet; and the Transportation Cabinet. The testimony included a discussion of capital construction, IT, and equipment needs for 2024-2030.

Department of Military Affairs (DMA)

BG (Ret.) Charles T. Jones, MG (Ret.) Stephen D. Collins, Joe Sanderson, and BG (Ret) Steven T. King reported that the department's plan was developed to address all known and anticipated needs of the Kentucky National Guard and the quasi-commercial facilities operated by DMA for the next three biennia. There has been no significant change in needs, issues, or focus from DMA's last capital plan.

In response to questions from Senator Southworth about the chronic armory maintenance backlog and funding issue, Mr. Sanderson provided a history and explanation of the current request for the department's funding for maintenance and modernization pools. General King added that some are 100 percent federally funded projects, some 75 percent, and some 50-50. Every year is different, so the department looks for opportunities to ensure it maximizes the amount of funding available while leveraging all other capabilities, such as existing state prize contracts under the master agreement already in place.

In response to a question from Chair Wheeler about the projects affecting the readiness of the Kentucky National Guard, General King stated that the Kentucky National Guard is not fully

funded to meet its requirements, so it prioritizes the funding available to ensure that soldiers in upcoming missions on state and federal levels are prepared. Sometimes the guard has to react based on emerging requirements.

Department of Veterans' Affairs (DVA)

Whitney P. Allen, Jr., Juan A. Renaud, Mark Bowman, Dr. Silas Session, Dwayne A. Edwards, and Scott Baker gave a brief overview of the prioritized needs of the department.

In response to questions from Representative Tate, Chair Wheeler, and Senator Southworth concerning the Radcliff HVAC System Replacement project, General Allen replied that the system is six years old. Mr. Bowman added in December 2022, CMTA, an outside entity, and the Finance and Administration Cabinet recommended replacing the failing variable refrigerant system to be cost-efficient and comply with temperature regulations and that this issue is included in the narrative of the capital plan. The facility's capacity utilization is 51 percent. Staffing is improving because of the Commonwealth's investment and partner collaboration. Codell Construction Company is the general contractor, and one of its subcontractors installed the HVAC system with a 15-year life cycle expected. Mr. Baker added that the 7-year equipment warranty began in 2016 and was not in operation until 2017 when the facility was opened, and that he would provide the members with the system's original cost as Chair Wheeler requested. The labor cost for installing the replacement parts has reached almost \$200,000.

Kentucky Communications Network Authority (KCNA)

Doug Hendrix and Mitch Powers gave a brief overview of KCNA's six-year capital plan.

In response to questions from Chair Wheeler about the KentuckyWired Critical Infrastructure Upgrades project, Mr. Hendrix stated that the first site started migrating at the end of 2019. The equipment was originally purchased and installed in 2015, as the P3 partner and Governor Steve Beshear decided. This equipment has end-of-life issues; the manufacturer will stop manufacturing parts or not service it anymore. The penalty for not upgrading the equipment would be relaxed times from the service provider. The contractor is in the process of determining the cost of and what equipment needs to be replaced.

Responding to questions from Senator Southworth about network speed, Mr. Powers stated that the core optical network supports speeds up to 100 gigabytes per second and service speeds vary by site. The network serves state agencies, community colleges, and public areas.

In response to Representative Tate, Mr. Hendrix said the initial project is finished except for two miles of fiber in Western Kentucky. The proposed critical infrastructure upgrades are the first of three phases to be completed costing \$44 million over the next six years. While an ongoing project, the next equipment upgrade should not be until 2035.

In response to Chair Wheeler and Senator Southworth about the KentuckyWired Critical Infrastructure Purchases project, Mr. Hendrix replied that Open Fiber owns the current telecommunication shelters and that this project would allow the Commonwealth to purchase 20 12x28 feet concrete shelters for \$12.4 million to replace the original water-damaged wood shelters. He also said he would provide the members with the rate of return on capital assets for this project's contract. As the contract states, the agency will start receiving a share of the

revenues at 90 percent for dark fiber in 2032 based on net income. They believe the revenue will be null for the next nine years.

Kentucky Infrastructure Authority (KIA)

Sandy Williams, Milward Dedman, and Jim Carpenter briefly overviewed KIA's capital plan.

In response to questions from Senator Southworth concerning the KIA Fund B Regionalization Account project, Ms. Williams replied that the federal program has to be kept separate. The project aims to use the funds to supplement or help utilities qualify for federal funding.

In response to a question from Mr. Hicks about the authorization of leverage bonds, Ms. Williams stated that the prior approval was in the 2018-2020 budget.

Tourism, Arts, and Heritage Cabinet (TAHC)

Lindy Casebier, Mona Juett, and Melissa Brewer briefly overviewed the cabinet's capital plan. There were no questions.

Transportation Cabinet (TC)

Robin Brewer presented the cabinet's capital plan.

Ms. Brewer replied to Chair Wheeler that the Commonwealth owns seven aircraft. Commissioner Carter added that five were used in a contract with the federal mining agency to inspect mine reclamation permits. There are contracts for the aircraft to be used with the Department of Fish and Wildlife for elk and waterfowl counts, meetings at airports, and state travel. The Navajo aircraft serves as a backup in the event the governor's aircraft provided by the Kentucky State Police is not available.

In response to questions from Senator Southworth about maintenance and upgrades to the welcome centers and rest areas, Ms. Brewer said the cabinet has a maintenance pool currently requesting \$8 million each year for repairs through the Road Fund. Welcome Center truck parking expansion is more substantial and was listed separately.

Adjournment

There being no further business, the meeting adjourned at 3:14 PM.