

CAPITAL PLANNING ADVISORY BOARD

Minutes of the 2nd Meeting of the 2021 Calendar

June 23, 2021

Call to Order and Roll Call

The 2nd meeting of the Capital Planning Advisory Board was held on Wednesday, June 23, 2021, at 1:00 PM, in Room 169 of the Capitol Annex. Senator Adrienne Southworth, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Adrienne Southworth, Co-Chair; Representative Bobby McCool, Co-Chair; Senator Phillip Wheeler, Representative Derek Lewis, Rocky Adkins, Carole Henderson, Patsy Jackson, Holly Johnson, Ryan Neff, Mark Overstreet, and Katie Shepherd.

Guests: Ruth Day, Chief Information Officer, Commonwealth Office of Technology; Brigadier General Haldane Lamberton, Adjutant General, Kentucky National Guard; Benjamin F. Adams, III, Executive Director, Joe Sanderson, Director, Facilities Division, Corey Jackson, Legislative Liaison and Policy Specialist, and Roberta McCann, Budget Specialist III, Department of Military Affairs; Commissioner Keith L. Jackson, Lieutenant Colonel, US Army (Ret), Deputy Commissioner Whitney P. Allen, Jr., Mark Bowman, Executive Director, Office of Kentucky Veterans Centers, Alvin Duncan, Executive Director, Office of Veterans Services, Stephanie Belt, Budget Manager, and Martha Workman, Department of Veterans Affairs; Jamie Link, Executive Director, Mike Hayden, Chief Operating Officer, Mitch Powers, Chief Network Engineer, and Doug Hendrix, General Counsel, Kentucky Communications Network Authority; Sandy Williams, Deputy Executive Director, and Meili Sun, Treasurer, Kentucky Infrastructure Authority; Chris Reece, Executive Director, Will Adams, Deputy Commissioner, and Lincoln Farmer, Division Director, Department of Parks, Tourism, Arts and Heritage Cabinet; Robin Brewer, Executive Director, Office of Budget and Fiscal Management, Scott Shannon, Assistant Director, Department of Aviation, Pat Grugin, Executive Director, Office of Support Services, Heather Stout, Executive Director, Office of Information Technology, Danny Peake, Division Director, Dave Harmon, Assistant Director, Amanda Dees, Geologist Supervisor, Rick Durham, Assistant Director, and Ken Sperry, Executive Advisor, Department of Highways, Transportation Cabinet.

LRC Staff: Shawn Bowen and Jennifer Luttrell.

Approval of Minutes

A motion to approve the minutes of the May 20, 2021, meeting was made by Senator Wheeler, seconded by Representative Lewis, and approved by voice vote.

Welcome New Co-Chair

House Leadership appointed Representative Bobby McCool to replace Representative John Blanton as co-chair. Representative Blanton now serves on the Appropriations and Revenue Committee, and in accordance with the House Rules, a member of the Appropriations and Revenue Committee shall not serve as chair of a standing or statutory committee.

Information Items

Ms. Bowen said three information items were included in the meeting materials in response to questions raised at the board's May 20 meeting regarding proposed capital projects for the Cabinet for Health and Family Services, the Finance and Administration Cabinet, and the Justice and Public Safety Cabinet.

Amended Capital Plans

Ms. Bowen said the capital planning system is open for a period of ten days after the monthly board meeting. During that time, agencies may amend their capital plans as needed. The Finance and Administration Cabinet made the following changes to its capital plan: KEWS Fiberglass Shelter Replacement/Construction project-category changed from IT to construction-other; Enterprise Content Management project-deleted; and eMars Upgrade and System Enhancements project-scope increased from \$9 million to \$14 million.

Presentation – Commonwealth Office of Technology (COT)

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

The review process for IT capital projects began with an assessment of criteria from previous biennia. An eight member scoring committee team was formed consisting of representatives from the Office of State Budget Director, the Cabinet for Health and Family Services, the Transportation Cabinet, the Energy and Environment Cabinet, the Public Protection Cabinet, and the Finance and Administration Cabinet.

Members of COT's staff and agency representatives performed the review, focusing specifically on IT projects for the 2022-2024 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 greatest returns on investments.

For the 2022-24 biennium, COT reviewed 22 IT projects with a value of \$196.6 million. Three reports were generated based on the projects reviewed: All Funds Capital IT Projects (22 projects valued at \$196.6 million), General Fund High-Value IT Projects (12 projects valued at \$120 million), and the CIO's Additional Priority Projects (3 projects valued at \$13 million).

Responding to a question from Senator Southworth, Ms. Day said she would follow-up with COT staff to determine if the revised project scope for the eMars Upgrade and System Enhancements project will alter the project's score.

Consideration 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 discussion of capital construction, IT, and equipment needs for the period 2022-2028.

Department of Military Affairs (DMA)

General Lamberton said DMA's capital plan addresses all known and anticipated needs of the Kentucky National Guard and the quasi-commercial facilities operated by DMA for the next three biennia. For the six-year period, DMA's plan includes proposed projects totaling \$493,054,000. The funding sources include \$57,327,000 general funds, \$255,477,000 federal funds, \$13,250,000 restricted funds, \$500,000 cash, and \$166,500,000 long-term financing.

In response to questions from Senator Southworth, General Lamberton said an enhancement project, comprised of six individual capital projects, is planned for Bluegrass Station in Lexington during the 2022-2024 biennium. The following projects are included: Construct and Extend Electric, \$6,500,000; Construct Runway, \$65 million; Construct and Improve Sewer System, \$5 million; Construct Road Improvements, \$7 million; Construct Two MC 130 Hangars, \$28 million; and Improvement of Landfill, \$5 million. Additional subprojects will include upgrades to facilities, construction of new facilities, and land acquisition near Bluegrass Station that extends into Bourbon County. The project will be structured as a public-private partnership, commonly known as a P3. The completion of these projects will attract additional tenant activities to Bluegrass Station, making it a more profitable entity. General Lamberton said the completion of the Construct Runway project is contingent upon the completion the Improvement of Landfill project. The landfill currently sits on the proposed site for the new runway, and must be moved to another location at Bluegrass Station before work on the runway can begin.

In response to a question from Senator Southworth regarding the Construct Civil Support Team Facility Addition project (\$6 million federal funds), General Lamberton said the civil support team is presently located at the Air National Guard Base in Louisville in an under-sized facility originally designed for other purposes. The unit will be relocated to Boone Center in Frankfort, and a facility pertinent to the unit's mission and purpose will be constructed. The current facility in Louisville is state-owned and utilized by various units of the Kentucky Air National Guard.

Responding to questions from Senator Southworth, Mr. Adams said the agency spends \$48,000 annually to lease space for a field maintenance shop in Burlington. The Construct Field Maintenance Shop project (\$14.8 million) will build a few facility adjacent to the Burlington Armory. The project is part of an ongoing effort to upgrade the field maintenance shops across the state and eliminate privately leased space.

In response to a question from Senator Southworth, General Adams said a study on the utility costs savings associated with the Install Solar Energy Panels at Armories Statewide project (\$2 million) was conducted, and he would provide the board with the results at the July meeting.

In response to a question from Representative McCool, General Lamberton said the capital budget authorizes about \$1.5 million for maintenance pool funding, and the agency request is about \$8 million, and the projects included in the pool typically have reoccurring costs associated with them.

Department of Veterans Affairs (DVA)

Commissioner Jackson, Mr. Bowman, and Mr. Duncan discussed the department's capital needs, which focused on veterans centers, veterans cemeteries, and maintenance pool funding. For the six-year period, DVA's capital plan includes proposed projects totaling \$17,050,000. The funding sources include \$14,050,000 general funds and \$3 million federal funds.

In response to a question from Senator Southworth regarding the Western Kentucky Veterans Center Heating and Cooling project (\$2,100,000), Mr. Bowman said if the heating and cooling system stops working before funding for a replacement system is authorized, available restricted funds would be utilized to repair the system. If the restricted funds are not available, the department would seek approval to initiate an emergency repair project. Mr. Duncan said this project is considered a preventive measure, and if the system were to continue functioning beyond its estimated useful life, a new system will still be purchased and installed if the funding is authorized.

Responding to another question from Senator Southworth, Mr. Duncan said the Kentucky Veterans Cemetery Central (KVCC) Raise and Realignment project (\$3 million) in Radcliff is funded through a federal grant from the National Cemeteries Administration.

The grant stipulates that headstones and markers may be rehabilitated only in completed sections of the cemetery. In this case, eight of the 14 sections of KVCC are complete, and qualify for the remediation project.

Kentucky Communications Network Authority (KCNA)

Mr. Link, Mr. Hayden, and Mr. Hendrix provided a brief overview of KCNA's capital plan. For the six-year period, KCNA's plan includes proposed projects totaling \$51 million general funds.

In response to a question from Senator Southworth, Mr. Link said the total cost of the project to date is about \$360 million. He said he would confirm this figure and follow-up with the board at the July meeting.

Responding to additional questions from Senator Southworth, Mr. Link said new equipment purchases and construction services will be procured utilizing existing contracts or through a competitive procurement process.

In response to another question from Senator Southworth, Mr. Link said the KentuckyWired project is being built in accordance with the original scope of work. Any additional work would be based on demand in different areas of the state as more customers come online. Additional cable infrastructure may be needed to reach those areas and provide the network connection or access points that will allow for inclusion of additional customers.

In response to a question from Senator Wheeler, Mr. Link said the original cost estimate was \$250 million, and additional project costs include \$93 million for pole attachment agreements, and \$17 million for change orders.

Senator Wheeler said the cost of the pole attachment agreements should have been factored into the initial project cost. He asked if there has been any consideration of legal action against the project developers to recover for the taxpayers money spent on cost overruns. Mr. Hendrix said no civil actions or contract claims have been initiated against the parties that developed the project; they are focused on working with the contractor, Macquarie Infrastructure Developments LLC, and its various subcontractors. Mr. Link responded that KCNA is re-examining aspects of the project to determine if additional efficiencies can be realized.

In response to another question from Senator Wheeler, Mr. Hendrix said Macquarie Infrastructure Developments was awarded the initial contract in 2014, developed the project estimates, and the timelines. The company has created an LLC known as KentuckyWired Operations Company, and now serves as the prime contractor for the project.

Senator Wheeler asked why Macquarie Infrastructure continues to be involved in the development of the project considering the problems with the company. He said it would be hard to mitigate damages against a party if that party was still involved in the development of the project. Mr. Hendrix responded that it is difficult to prove breach of contract, and KCNA's focus has been ensuring the network is built as quickly and as inexpensively as possible. Mr. Link agreed with Senator Wheeler and assured him KCNA is exploring ways to mitigate the expense of the project to the taxpayers, as well as deliver a world class fiber network.

In response to questions from Senator Southworth, Mr. Hendrix said the 30-year contract with Macquarie Infrastructure Developments runs through 2045. Mr. Link added that KCNA is funded through the general fund, and pays approximately \$32 million annually for the debt service component of the project, along with other contractual obligations. The ultimate goal is for the revenues generated by the project to fund the bulk of KCNA's operating budget, but this will take time.

In response to a question from Senator Southworth, Mr. Link said he did not have the information available as to how much money agencies have not spent after transferring services over to KentuckyWired. He said he would find out and provide that information to the board the July meeting.

Kentucky Infrastructure Authority (KIA)

Ms. Williams and Ms. Sun provided a brief overview of the agency's capital plan. For the six-year period, KIA's plan included proposed projects totaling \$538,884,000. The funding sources include \$124,482,000 general funds, \$234,402,000 federal funds, and \$180 million agency bonds.

In response to questions from Senator Southworth, Ms. Williams explained that federal funds derived from the American Rescue Plan Act (ARPA) of 2021 Coronavirus State Fiscal Recovery Fund are not included as a funding source for any of the KIA loan and grant programs. Additionally, ARPA funding was not included in the current KIA capital plan because the funds were appropriated for this current fiscal year. Ms. Sun clarified that the loan and grant programs and the Cleaner Water Program are separate programs.

Tourism, Arts, and Heritage Cabinet (TAHC)

Mr. Reece presented the cabinet's capital plan which focused mainly on asset preservation. The following agencies within the cabinet submitted capital plans: Department of Fish and Wildlife Resources, Department of Parks, Kentucky Artisan Center at Berea, Kentucky Center for the Arts, Kentucky Heritage Council/State Historic Preservation Office, Kentucky Historical Society, Kentucky Horse Park, and the State Fair Board. For the six-year period, the agency plan includes proposed projects totaling \$733,189,000. The funding sources include \$492,662,000 general funds, \$2,610,000

federal funds, \$216,605,000 restricted funds, \$10,500,000 road funds, and \$10,812,000 cash.

Responding to a question from Senator Southworth as to how the revenue was calculated for the Kentucky Horse Park Expand Campground project, Mr. Reece said the department will review and potentially revise the project scope and the cost elements included in the return on investment, and follow-up with the board at its July meeting.

In response to a question from Senator Southworth regarding the Kentucky Exposition Center (KEC) Security System and Cameras project (\$5 million), Mr. Reece said he did not know if long-term maintenance and operational costs were included in the cost of the project. He said he would follow-up with KEC staff and provide details to the board in July.

In response to a question from Representative Lewis regarding the decision-making process for prioritizing capital projects for the Department of Parks, Mr. Adams said projects that protect the structural integrity of facilities are of utmost importance, followed by life safety improvement projects, and projects that provide a return on investment.

Transportation Cabinet

Ms. Brewer discussed the Transportation Cabinet's capital needs. In addition to the Secretary's Office, the Department of Aviation and the Department of Highways reported proposed capital projects. For the six-year period, the Transportation Cabinet's plan includes proposed projects totaling \$287,055,000. The funding sources include \$22,660,000 general funds, \$58,750,000 federal funds, \$320,000 restricted funds, and \$205,325,000 road funds.

In response to questions from Senator Southworth, Mr. Grugin said regional salt storage structures eliminate the need for salt trucks to travel long distances to the main salt storage facility in Louisville, and the county maintenance garages provide the storage space for the salt. In regard to the possibility of the shared use of state salt facilities and maintenance facilities between the state and the county governments, Mr. Grugin said he would provide a follow-up response for the board's July meeting.

Referring to the Construct Sixteen New T-Hangars project, Senator Southworth noted the annual revenue is estimated to be \$21,000 for a project costing \$2 million. She asked if there is an additional benefit other than the revenue. Ms. Brewer said the construction of the t-hangars will provide additional economic development opportunities to the state as more out of state people come to Kentucky to conduct business or rent hangars. Ms. Brewer said she would follow-up with the Capital City Airport staff and provide additional information as to the economic development benefits of the project.

Other Business

Senator Southworth said the board will convene its next meeting on July 21, 2021, in Room 169 Capitol Annex at 1:00 p.m.

Adjournment

There being no further business, the meeting was adjourned at 3:15 p.m.