

INTERIM JOINT COMMITTEE ON LOCAL GOVERNMENT

Minutes of the 5th Meeting of the 2021 Interim

September 21, 2021

Call to Order and Roll Call

The 5th meeting of the Interim Joint Committee on Local Government was held on Tuesday, September 21, 2021, at 10:00 AM, in Room 154 of the Capitol Annex. Senator Robby Mills, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robby Mills, Co-Chair; Representative Michael Meredith, Co-Chair; Senators Ralph Alvarado, Denise Harper Angel, Christian McDaniel, Michael J. Nemes, Wil Schroder, Adrienne Southworth, Damon Thayer, and Phillip Wheeler; Representatives Danny Bentley, Josh Bray, George Brown Jr., Jeffery Donohue, Ken Fleming, Deanna Frazier, Regina Huff, Mary Beth Imes, DJ Johnson, Adam Koenig, Matt Lockett, Mary Lou Marzian, Jerry T. Miller, Brandon Reed, Rachel Roberts, and Walker Thomas.

Guests: Dana Nickles and Sara Jo Best, Kentucky Health Departments Association; Georgia Heise, Three Rivers District Health Department; Scott Lockard, Kentucky River District Health Department; Sarah Moyer, Louisville Metro Department of Public Health and Wellness; Clayton Horton, Green River District Health Department; Joseph Gilbert, Carroll County Local Board of Health; Gary Larimore, Kentucky Rural Water Association; and Jeff Hurd, Chase Azevedo, and Annette DuPont-Ewing, Kentucky Municipal Utilities Association.

LRC Staff: Mark Mitchell, Joe Pinczewski-Lee, Christopher Jacovitch, and Cheryl Walters.

Approval of Minutes

Upon the motion of Senator Alvarado, seconded by Senator Nemes, the minutes from the August 26 and September 1, 2021, meetings were approved.

Health Department and Health District Implementation of Legislation from the 2021 Special Session

Ms. Dana Nickles, Executive Director of the Kentucky Health Departments Association (KHDA), told the Committee that KHDA is a nonprofit association and is composed of 60 local health department directors from across Kentucky. The KHDA

promotes collaboration, communication, advocacy, and policy to improve public health in Kentucky.

Ms. Sara Jo Best, KHDA President and Director of the Lincoln Trail District Health Department, discussed the role of health departments. Health departments essentially offer two tiers of service. The first is foundational health, which includes five focus areas of statutorily defined services: population health; enforcement of regulation; emergency preparedness and response; communicable disease control; and administrative and organizational infrastructure. The second tier of services consists of core public health services which includes the Women Infant Children Program (WIC); Health Access Nurturing Development Services (HANDS); and harm reduction and substance use disorder issues.

Dr. Georgia Heise, Director of the Three Rivers District Health Department, stated that for the past 18 months, health departments had to spend all of their efforts responding to COVID-19, which included education, promotion, linkage, disease investigation and contact tracing, assistance to local businesses and organizations, receipt and distribution of personal protective equipment, testing, and vaccinations.

Mr. Scott Lockard, Director of the Kentucky River District Health Department, told the Committee that in addition to health departments, the local public health system includes police, schools, nursing homes, economic development, drug treatment, mental health, etc.

Senate Bill 1, which was passed during the 2021 Special Session, included the initiative “test to stay in school”, and eliminated statewide mask mandates transferring that authority to local leaders. Senate Bill 2 created regional COVID-19 monoclonal antibody administration centers for which the health departments are helping with coordinating; COVID tests; public service announcements and public awareness campaigns; distribution of vaccines via regional distribution hubs; and added local departments to KRS Chapters 13A and 39A. Senate Bill 3 appropriated \$69,268,300 for testing in health facilities, health departments, jails, prisons, homeless shelters, etc.; monoclonal antibody treatment; and test to stay in schools.

Ms. Best stated that KHDA requests the full implementation and funding of public health transformation legislation for a strong public health system and improved health outcomes for Kentucky which would be in addition to the pension subsidy they are receiving via HB 8 for which the group’s support was given jointly.

Senator Alvarado commented that the health departments need to put out graphic public service announcements about COVID to encourage people to get vaccines.

In response to a question from Senator Alvarado, Ms. Best said the current funding from 2020 HB 129 for COVID-19 health response estimate is between \$7.7 and \$19 million for FY 2023. Mr. Lockard added that local funding varies from county to county. It is estimated that funding next year will be \$540,000. This figure is down from \$1.2 million. Equitable funding is the biggest issue for his health department.

In response to a question from Representative Miller, Dr. Sarah Moyer, Director, Chief Health Strategist with the Louisville Metro Department of Public Health and Wellness, stated that the incidence of receiving the vaccine was the highest in March, then went down in June, with an uptick in August. There is an expectation that vaccine rates will increase if they are made a condition of employment.

In response to a question from Representative Roberts, Mr. Lockard said health departments are seeing benefits arise from the Supplemental Nutrition Assistance Program (SNAP) and the tax credit for families with children. Participation in the Special Supplemental Nutrition Program for Women, Infants, and Children also known as the Women, Infants, and Children (WIC) program is the highest it has ever been.

Senator Thayer commented that the most important thing is for health departments to work with and stay in touch with school districts to keep students in school.

In response to a question from Senator Thayer, Ms. Best stated that because it varies from area to area, that she did not have the exact number of participants in the needle exchange program but would get that data to him. Mr. Lockard noted that in his seven county district since August of 2017, as of August of this year, they have exchanged over 1.2 million syringes with a 98 percent return ratio.

In response to another question from Senator Thayer, Mr. Lockard said that recruitment and retention of staff is an issue based on pay and benefits considerations.

In response to a question from Senator Nemes, Ms. Best said she would get data containing the percentage of adults that have had COVID and have been vaccinated, and the percentage that have had COVID and not been vaccinated to him. She noted that the definition of “fully vaccinated” can make a difference in terms of interpreting data. Dr. Heise added that because some people may not have ever known that they have had the disease or having had the disease been counted as such by official counts, the complete numbers may be difficult to get, but they can provide the data they do have.

Representative Donohue commented that the COVID vaccine works, and that the General Assembly members should promote vaccinations.

In response to a question from Senator Mills, Mr. Clayton Horton, Public Health Director for the Green River District Health Department, replied that despite previous

shortages, overall, health departments are in much better shape of having plenty of COVID tests at present in regards to testing to stay for schools. At this time, there are protocols for using both rapid tests and polymerase chain reaction (PCR) tests. In the Green River area, the rapid test is going to be used for the schools' test to stay program. PCR tests can be used when a question exists about the rapid test.

Continuing Impact of COVID-19 on Local Utilities

Mr. Gary Larimore, Executive Director of the Kentucky Rural Water Association (KRWa), discussed COVID-19's continuing effects on water and wastewater utilities' finances and service. KRWa is a statewide trade association organized to represent the interests of water and wastewater utilities throughout Kentucky. KRWa currently has 360 utility members. Mr. Larimore thanked the General Assembly for its work during the 2021 Session in authorizing a \$250 million drinking water and wastewater grant program and for passage of HB 272 which permitted water and wastewater utilities to continue to be able to issue late payment penalties, as well as ensuring utility workers be considered essential.

The COVID-19 pandemic had a significant effect on the 2020 financial performance for each water system. Warren, Butler, as Simpson County water districts may be considered as a case study, as they are managed by one utility. Together, the utilities' net income decreased 35 percent. The cost of COVID-19 operations was over \$288,000 to all systems, including additional personal protective equipment, additional paid time required by the Coronavirus Aid, Relief, and Economic Security (CARES) Act, paid time during COVID-19 protocol schedule, and office modifications.

For example, net income for Warren County's Water Division declined by \$403,000 due to lost revenue from late fees, collection fees, reduction in customer usage, loss of interest income, etc. Water systems across the county are battling declining sales per customer. Since 2000, the average residential customer's monthly water usage in Warren County and Simpson County has declined roughly 25 percent. Population loss in counties will affect utility systems also.

COVID-19 has shined a light on workforce issues. Prior to the pandemic, utilities were short-staffed already. The pandemic compounded the short-staffing issues, especially in employee absences in terms of COVID-19 exposure and child-care situations. Employees work more overtime to fill in the gaps which is more costly.

There are also supply chain issues in terms of parts, chemicals, pipes, vehicles, including construction vehicles and equipment, and meters. One water utility had to borrow supplies from other utilities in order to hook up new construction to the system. Utilities are thankful for the federal and state moneys coming in, but costs will increase. Rates will increase as well to compensate.

The pandemic has also spurred the creation of funds to assist customers in paying water and sewer bills. The community development block grant program and coronavirus response program and the Healthy at Home Eviction Relief Fund are helping customers with their bills.

KRWA would like to plant some seeds for possible legislation for the 2022 session. KRWA'S Apprenticeship Program received approval in April 2019. The first apprentice was enrolled in September 2019, and the first apprentice graduated in August of 2021. There are more apprentices in the program than employers. Currently, there are 28 states that offer direct support to expand apprenticeship through financial incentives for employers. Kentucky is not one of them. Kentucky does offer a few options for employers to hire from target groups and tuition assistance through the Work Ready Scholarship for five high-demand sectors. KRWA would like to have water and wastewater utilities added to that sector list, as they are presently not included.

Mr. Jeff Hurd, President of the Kentucky Municipal Utilities Association (KMUA), and General Manager of the Hopkinsville Electric System and EnergyNet, told the Committee that KMUA represents 44 city utilities that provide the essential services of electricity, water, wastewater, natural gas and telecommunications. Hopkinsville Electric System (HES) can speak to the concerns that are shared with the 22 other electric distribution systems owned by small cities across the Commonwealth. HES has been providing safe, reliable and economical power to its customers since 1942. The May 2020 executive order, which issued a moratorium on cut-offs and late fees for non-payment of utility bills, had a significant impact on most city owned electric systems. HES honored the Governor's six month suspension of payments, but was left with \$660,000 in delinquent electric and internet bills after the moratorium was lifted in November 2020. HES set up all of its delinquent residential and commercial customers on six month repayment plans to allow them time to pay off the account balances. In total, 84 percent of HES' customers completed their payment plans while the remaining 16 percent have been written off which amounts to over \$105,000. In addition, HES will never recoup the late penalty fees which are estimated at \$55,000. A portion of HES customers would not apply for the Stay Healthy at Home or community action agencies' financial assistance programs until threatened with disconnection of electric and or internet services. HES' objective has always been to use every option to help its customers keep their accounts current and avoid disconnection of service. HES continues to see customers struggle with their bills and is grateful for recent legislation to prevent restrictions on city utilities from disconnecting and charging late fees when necessary. There is still a need for financial support for paying utility bills to customers who continue to struggle through the pandemic.

Due to the surge in the Delta variant, HES and many other city utility systems have closed their lobbies to in-person customer visits. HES has seen its customers who paid their

utility bills in person adapt and begin to pay at the drive-up window, by mail, or via the internet. HES continues to have all employees wear masks and is staggering its shifts.

Based on polls of KMUA membership, there are three recurring themes in its electric systems. The first is a significant slowdown on supply shipments. Certain high voltage equipment that used to take weeks to arrive now takes six to nine months to arrive in some cases. There are also some supply chain issues with lengthening delivery times for vehicles, piping, electrical equipment, and other specialized parts and supplies. Some vendors refuse to hold pricing for more than a few days of some of these items. The second issue is that employees are having to use up a large portion of their sick and vacation leave for children and other family members who have been exposed or infected with COVID. Assistance for employees would be much appreciated. Finally, hiring has become more difficult not only for the systems but for the suppliers as well. It is hoped that the discontinuation of federal unemployment benefits will ease the hiring issue.

Mr. Chase Azevedo, General Manager of Georgetown Municipal Water and Sewer Service, thanked the legislature for providing relief relating to disconnects and late fees through HB 272 last session, and for its work during the special session. That effort is important as many city-owned water and wastewater systems, and water and sewer districts throughout Kentucky, have been adversely affected by COVID-19.

Kentucky's city-owned utilities have had no choice but to manage the impacts of the health pandemic. Navigating these unprecedented circumstances continues to be a challenge. For example, before the pandemic, Georgetown Municipal averaged less than two percent past-due accounts for the entire customer base. During the pandemic, that percentage has grown to 15 percent. Georgetown Municipal has worked to inform its customers with past-due balances to apply for relief through Healthy at Home; however, few customers are participating in the program.

Supply chain issues continue to be the number one challenge. Limited availability of PVC and ductile iron pipe, fittings, chemicals, basic building materials, and computer chips for fleet vehicles, has been troublesome. When products are available, prices are inflated to an unprecedented level.

Factories, vendors, and manufacturers that utilities depend upon are still not up to full production capacity. It is not known how long it will take to restore the supply chain or if pre-pandemic prices will be restored. It is unclear if new legislation can positively impact the supply chain problem.

The utility industry faces a severe workforce availability problem. For Georgetown, this trend pre-dates the health pandemic, but COVID-19 has only exacerbated the problem. In previous years, Georgetown Municipal would receive over 20 applications for any open position. Currently, Georgetown Municipal is lucky if it receives five applications for an open position.

At a time when utilities are already short staffed, the possibility of an entire department having to quarantine for 10-14 days due to COVID exposure, could severely disrupt service to its customers.

A utility's ability to complete capital projects and to maintain its infrastructure and financial solvency directly affects its service to customers and regulatory compliance.

All city-owned water and wastewater utilities, water districts, and water and sewer districts, would like to request legislative help in addressing supply chain shortages that are significantly impacting capital projects and operation and maintenance of systems. Assistance in paying COVID-related sick leave for quarantine and COVID related illnesses would be appreciated. Legislative assistance is sought with helping to publicize the relief programs that are available to help customers pay their utility bills.

Senator Wheeler commented that it is harder to provide utility services for the rural areas because of increased materials use and lower population densities. In response to a question from Senator Wheeler, Mr. Larimore replied that the additional money for infrastructure may need to be spent on replacing existing, but aging, infrastructure.

In response to a question from Representative Donohue, Mr. Hurd stated that his earlier reference to the percentage of past-due utility bills is an overall total, but is focused on residential customers.

There being no further business, the meeting was adjourned at 11:55 a.m.