

CAPITAL PLANNING ADVISORY BOARD

Minutes of the 4th Meeting of the 2006 Calendar Year

December 6, 2006

The 4th meeting of the Capital Planning Advisory Board was held on Wednesday, December 6, 2006, at 10:00 AM, in Room 169 of the Capitol Annex. Representative Rick W Rand, Presiding Co-Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Jack Westwood, Co-Chair; Representative Rick W Rand, Co-Chair; Senator David E Boswell, Representative Ron Crimm; James Deckard, Ben Fletcher, Paul Gannoe, John Hicks, Bill Hintze, William May, Jason Nemes, Laurel True, and William Wehr.

Guests: George Ward, Secretary, Commerce Cabinet; Kyna Koch, Associate Commissioner, Office of District Support Services, Kentucky Department of Education; and Dr. Robert Tarvin, Executive Director, School Facilities Construction Commission.

LRC Staff: Pat Ingram, Nancy Osborne, Shawn Bowen, and Debbie Rodgers.

Senator Boswell's motion to approve the minutes of the October 23, 2006, meeting was seconded by Representative Crimm and approved by voice vote.

Representative Rand next asked CPAB Staff Administrator Pat Ingram to review the information items included in the members' folders. Ms. Ingram said the first item was a report from Commissioner Jim Abbott of the Finance and Administration Cabinet's Department for Facilities and Support Services. The report addressed roof leaks and other structural problems at two Kentucky State University (KSU) buildings, which had been identified by President Sias during the Board's meeting on the KSU campus in October. The second information item was a letter from Finance Cabinet Secretary John Farris in which he recommended that the Board adopt requirements of the Cabinet's Capital Construction Project Procedures Manual relative to energy efficiency and life-cycle cost analysis as its recommendation for the construction of all government and public university buildings. Ms. Ingram said the Board may want to request a more detailed presentation on these requirements prior to considering a recommendation in this regard as part of its 2008-2014 statewide capital improvements plan.

There being no questions about these items, Representative Rand asked Ms. Ingram to discuss the proposed instructions for the 2008-2014 agency capital plans. After explaining that the Board needs to take action on the instructions at today's meeting, Ms. Ingram first provided an overview of the planning process, then reviewed the contents of the instructions.

Ms. Ingram said the plans would be dealing with the six-year period beginning with the upcoming biennium (2008-10). The requirement to submit a six-year plan applies to all agencies in all three branches of government. Pursuant to statute, April 15 of odd numbered years is the due date for agencies to submit their plans to the Board, and November 1 is the date by which the Board must submit its statewide Capital Improvements Plan to the heads of the three branches of government.

Ms. Ingram said the instructions and software will be available in January, with training sessions also being held for agency planning personnel. After the plans are received in mid-April, CPAB staff will prepare a staff review and analysis of each for use by the Board in reviewing the plans. At this review, which is typically done at a two-day meeting in July, agency heads are given an opportunity to present their plans and respond to members questions. The statewide plan is then developed in a series of meetings prior to the November 1 due date.

Ms. Ingram next described the three sections of the agency submissions - background, plan, and ancillary records. She said the background section is to provide an understanding of the agency and a context for reviewing its capital needs. Information in this section addresses the agency's mission and programs, facilities management functions, physical plant characteristics, and the status of recently completed or ongoing projects. The plan section focuses on capital-related needs and how the agency proposes to address them, and requires the reporting of information on proposed projects and anticipated space needs and space reductions. The final section, ancillary records, includes reporting requirements for only those agencies that meet specific criteria (e.g., proposed projects to be financed from agency bonds).

Ms. Ingram said while the instructions as presented are essentially the same as those used for the plans prepared in 2005, they do reflect action of the 2006 General Assembly to raise the thresholds for the submission of construction projects and information technology systems to \$600,000 each, and for the submission of equipment items to \$200,000 each. Two other changes are that 1) agencies will only have to identify changes in their physical plants rather than providing a comprehensive listing of facilities, and 2) information from the Quarterly Capital Projects Status Reports submitted to the Capital Projects and Bond Oversight Committee will be used rather than requiring agencies to complete status reports on projects. Both changes should reduce the workload on the agencies, while providing better information to the Board.

Mr. Hicks commended the ongoing efforts to improve the process and specifically cited the proposal to use the Quarterly Reports rather than require status data as part of the agency plans. He also noted that the information from the plans translates easily into the capital budget request process.

Senator Boswell made a motion to approve the instructions for the 2008-2014 agency capital plans as presented. The motion was seconded by Representative Crimm and passed unanimously by roll call vote.

Representative Rand next introduced George Ward, Secretary of the Commerce Cabinet, to present a report on capital projects of the Kentucky State Parks system and the Kentucky Horse Park.

Secretary Ward said Kentucky can claim the best state parks system in the country as well as one of the best equestrian eventing complexes in the world. Compared to other states, Kentucky is first in the number of resort parks and lodge rooms and second in the number of swimming pools, number of restaurants, total revenue generated, and number of golf courses. Kentucky is also third in the number of marinas and eighth in general fund appropriation for park operations. The economic impact of the park system was last estimated at \$317 million annually.

Secretary Ward said the Department's capital strategy started in 2004 with low cost/no cost improvements to address curb appeal and first impressions. These improvements included new park signs, landscaping, ensuring that the staff looks professional, cleaning up abandoned equipment, and letting over 600 acres of park property that was previously manicured grow back to nature and become wildlife habitat areas. The next phase included actions to meet basic expectations of the traveling public. Secretary Ward noted that at that time (three years ago), the rooms had undersized televisions and lacked the expected amenities such as hair dryers, ironing boards and irons, and little bottles of shampoo. He said those amenities have been added and hundreds of sets of mattresses and box springs were replaced. In 2004, only five of the 17 resort parks were listed in the AAA Tour Book. Now, all 17 are listed.

Secretary Ward said the next phase of improvements required some significant capital investment. He noted that the chart on page 11 of the meeting materials prepared by CPAB staff listed the use of the \$35 million Parks Renovation Pool appropriated in the 2004-06 budget by the 2005 General Assembly. He explained that the funds were used to shore up infrastructure; purchase land and major equipment; renovate lodge rooms and cottages; improve technology at the parks; improve recreation facilities and other highly visible areas of the parks; make improvements to historic homes, museums, and sites; and complete the golf course projects that were previously started.

The next step described by Secretary Ward was to address the four largest revenue producing parks. Cumberland Falls went through a total renovation last winter, and work is underway to improve the falls viewing area. At Lake Cumberland, room furniture in the main lodge was upgraded last winter and this winter, the second lodge (Pumpkin Creek) is being renovated. Additionally, design and construction plans were prepared for major renovations at Kentucky Dam Village and Lake Barkley.

With regard to the \$60 million Parks Development Pool authorized in the 2006-08 budget, Secretary Ward said those funds are being allocated to develop facilities that will increase revenue at the parks. Uses of the funds include adding a convention center at Lake Cumberland, adding cottages and an indoor pool at Dale Hollow, building a meeting center at E.P. "Tom" Sawyer, making improvements to recently acquired attractions in Benham, purchasing land at Big Bone Lick and Ft. Boonesborough, rebuilding the golf course at General Burnside Island, redeveloping the Cherokee Park section of Kenlake State Park, renovating the lodge accommodations at Lake Barkley and Kentucky Dam Village, and renovating the convention center at Kentucky Dam Village.

Secretary Ward said the Department is also working to upgrade campgrounds at the parks. A PricewaterhouseCoopers study evaluated the existing facilities and provided recommendations to be addressed in three phases. The first phase is to improve safety and sanitation for all 32 campgrounds. The second phase also addresses all 32 campgrounds by creating pricing tiers by improving the quality of 40 percent of the campsites at each park to the super deluxe or deluxe category. The third phase is campground renovations or expansions at selected sites - Green River, Taylorsville Lake, Greenbo Lake, Levi Jackson, Carter Caves, and Dale Hollow.

Finally, with regard to private investment in the park system, Secretary Ward said pages 3 and 4 of the background information is a list of Requests for Information (RFIs) and Requests for Proposals (RFPs) that have been issued. He said projects that are proceeding are the Dale Hollow marina, General Burnside Island park lodge, Green River Lake lodge and golf course, Kincaid Lake lodge, and cottages at several parks. He noted that if there are interested developers, the Department will work with them and provide some funds for infrastructure/site utilities. If there are no responses to the RFPs, the infrastructure funds will be redirected to other areas of the parks system in need of funds.

Senator Boswell complimented Secretary Ward on the outstanding work he is doing with the parks. In response to a question from Senator Boswell, Secretary Ward explained that funds from the \$35 million pool initially planned for the Benham/Lynch sites had not been allocated because Parks did not take over operation of the facilities until a few months ago. They are now to receive an allocation from the \$60 million pool. In response to another question from Senator Boswell, Secretary Ward said the project to upgrade the Buckhorn marina did not receive the initially planned funds from the \$35

million pool because improvements were made using funds from the Department's major maintenance pool.

Referencing the proposal for private development of a hotel and convention center at Audubon State Park, Senator Boswell asked how laws prohibiting the sale of alcohol on park property would be addressed. Secretary Ward said the issue needs to be discussed. He said the same question had arisen concerning the planned hotel/conference center at the Kentucky Horse Park, and the determination was made to allow alcohol sales in a private development at the park.

Senator Boswell also asked if there are any negotiations underway to recover bones and artifacts that were previously excavated from the Big Bone Lick archeological site and transported out of state. Secretary Ward said it is Nebraska's understanding that the items belong to them. He added that efforts are underway to work with other museums to assemble a collection if a museum is constructed at Big Bone Lick in the future.

Representative Crimm commented that at a recent visit to Lake Barkley, he found the facilities to be great and all of the staff to be very polite. He also said he appreciated the Secretary's diligence in working with Jefferson County on issues relating to E.P. "Tom" Sawyer Park.

In response to Senator Westwood's inquiry about whether there is a policy prohibiting tackle and bait sales on park property, Secretary Ward said bait is sold at both the state operated and privately operated marinas. He said he was not aware of any prohibitions, but will follow-up on the question.

Mr. Hintze noted that the state's previous efforts at issuing RFI and RFPs for private development at the parks had not been successful, with the exception of the marina at Lake Barkley. He said that often following the lack of responses for private development, the projects are proposed for state funding in the next budget cycle. Secretary Ward said he thinks the private sector recognizes locations where they can be profitable and will respond with proposals to build facilities in those locations. He added that the Department is also hopeful that changes to the Tourism Development Act that provide additional incentives will generate more attention and interest in private development on state park property.

Continuing his presentation, Secretary Ward addressed the Kentucky Horse Park (KHP). He said the National Horse Center at the park is a campus of 33 regional and national equine organizations employing approximately 300 people. He said the KHP currently consists of 1,224 acres, and several parcels of land contiguous to the park have been identified for future acquisitions. The Finance Cabinet is working on an appraisal with the one owner now willing to sell. Secretary Ward said with over 70 equine events

and 200 non-equine events annually, the park is a valuable contributor to both the equine and tourism industries. The economic impact was last estimated at \$164 million annually.

Secretary Ward said the capital strategy for the Horse Park is designed to increase its international reputation and also to be able to stage an event of the scale of the 2010 AllTech World FEI World Equestrian Games. He said improvements made for the games should make the Horse Park operationally self-sufficient in the future and increase its economic impact by tens of millions of dollars into the future.

According to Secretary Ward, several needs were identified for the park prior to being awarded the World Equestrian Games bid, but receipt of the award accelerated plans for the 6,000-seat indoor arena and improvements of park roads to and from that arena. Private development of a three-diamond, 200-room resort hotel and conference center on site is also being sought. Secretary Ward said additional needs were identified after Kentucky officials attended the 2006 World Games in Aachen, Germany. He said the original plan for a temporary stadium for 15,000 to 20,000 people has been re-evaluated, and the desire now is to construct 10,000 permanent seats in the existing outdoor arena and make it expandable to a total of 30,000 seats for the games.

Secretary Ward then displayed a map showing the proposed layout for the park. He pointed out the sites for the new hotel and the new indoor arena, as well as the location of the existing outdoor stadium that is proposed to be enlarged and the site for the temporary stadium to be used only for the Games. He also identified a roadway that is proposed to be developed into a grand promenade walking area and said existing sidewalks that are 30 years old need to be upgraded. Relative to the costs, he said the new stadium is estimated at \$18 million, additional exhibition space for the indoor arena at \$4 million, and roadways at about \$10 million - including about \$7 million from the Road Fund and \$3 million from the General Fund for the walkways and promenade.

Secretary Ward said these improvements, while needed for the World Equestrian games, will also provide the opportunity for the Horse Park to host a major international event each year. It would likely be a fall event that would compliment the spring event held in Aachen, Germany each year. The improvements will also provide opportunities for more equine events throughout the year and put the Horse Park in a position to be self-sufficient in the future.

In response to Representative Rand's question about plans for the hotel being scaled back, Secretary Ward said to increase the number of bidders, the proposal was reduced from a four-diamond, 250-room facility to being three-diamond or higher and 200 rooms.

Senator Westwood asked about the parking situation. Secretary Ward said the plans are still being developed, but much of the parking will be off site with people transported via shuttle buses.

In response to a further question from Senator Westwood about whether improvements to Interstate-75 would be completed by 2010, Secretary Ward said there have been meetings with Transportation Cabinet officials and plans are in place to make needed improvements to roads that are more closely related to the Horse Park.

Senator Boswell noted that the late Speaker of the House Bill Kenton, who was involved in establishing the Park, would be proud of how it has developed and of the plans for the World Equestrian Games.

Given the short time frame until 2010, Senator Boswell asked if anyone has expressed an interest in developing the hotel. Secretary Ward said the Request for Proposals was recently modified to lengthen the lease term in an effort to generate more interest. In response to Senator Boswell's additional questions, Secretary Ward said they have determined that alcohol sales would be allowed at the hotel because it is being constructed as a private investment.

Representative Crimm suggested that Horse Park officials talk with individuals who run the PGA events at the Valhalla Golf Club in Louisville. He noted that they do a very good job of moving people in and out of that venue. He then asked about dining arrangements at the Horse Park. Secretary Ward said he serves on both the task force for the World Equestrian Games at the KHP and for the Ryder Cup at Valhalla such that the two groups are able to share information about parking. Regarding food and beverage arrangements, he said the plan is to have a similar layout to that used in Aachen, which included a foodcourt as well as temporary structures with two or three major sit-down restaurants.

Representative Rand asked if temporary facilities would have to be constructed to stable the animals. Secretary Ward said the existing facilities are sufficient. They can stable over 1,000 horses and about 850 horses are expected to be housed throughout the 16 days of the event.

After expressing appreciation for Secretary Ward's work with the parks and thanking him for his presentation, Representative Rand said the next item on the agenda would be a presentation about maintenance at local school facilities. He noted that concerns about this topic had been raised at previous CPAB meetings. The presenters were Dr. Robert Tarvin, Executive Director of the School Facilities Construction Commission (SFCC), and Kyna Koch, Associate Commissioner of the Kentucky Department of Education's (KDE) Office of District Support Services.

Ms. Koch distributed copies of her presentation and said it was based on a task force that worked this year on several school facilities issues, including maintenance. She explained that House Bill 380, the 2006-08 state/executive budget bill, required the Department of Education in conjunction with the School Facilities Construction Commission to conduct a comprehensive evaluation of various issues including the school facilities planning process, the categorization of schools, major plant maintenance, the process used to determine unmet need, and the degree of equity in the distribution of state facility funds. She noted that the work of the task force and its subcommittees required a major commitment from those involved. There were a total of 26 meetings over a three-month period.

Ms. Koch said that in the past - due to the lack of adequate personnel - the Department of Education has not provided guidance to local school districts regarding maintenance. However, the task force believed the Department should become involved in that area. There will probably be a request for additional staff for this purpose in the 2008-10 budget, and an effort will be made to do some things in the meantime.

Ms. Koch said the task force recommended that districts should initiate a state approved maintenance program defined in three tiers - operational maintenance, preventive maintenance, and capital replacement. She said currently the school facilities planning process only deals with major renovation, which is defined by regulation as addressing three systems, and with new construction. This regulation will be amended to provide that major renovation would only have to involve one system such as a roof replacement.

The report also recommended that KDE develop best practices. Ms. Koch said a couple of national organizations have very good maintenance plans that may be adaptable for use in Kentucky. The state's school plant managers association will also be enlisted to help develop the best practices. Additionally, there will be efforts to provide more professional development opportunities for facilities officers. Finally, Ms. Koch also said the task force recommended that the Department increase its oversight of maintenance and that someone with a facilities background be included on school district local planning committees. She said KDE agrees with all of the recommendations of the task force.

Representative Rand asked about the requirements for school districts to have maintenance plans and new construction plans. Ms. Koch said plans for new construction and major renovation are required, and KDE is very involved in these. Currently, there is not a formal requirement for maintenance plans, but KDE may seek such statutory or regulatory authority. She said one of the first things KDE does when working with a troubled district is to assist in developing a maintenance plan since when a district gets in financial trouble, maintenance tends to be one of the first areas that is neglected. Ms. Koch said many districts do not have facilities officers or, if they do, those individuals

often wear multiple hats. The hope is to increase the facilities knowledge in local districts by requiring there to be facilities officers and professional development. She noted that the statutory requirement imposed a few years ago for districts to have finance officers helped in that area.

Ms. Koch said the level of facilities expertise varies greatly from district to district. She noted that some districts have responsibility for only one or two buildings so one idea is that several districts would pool their resources to engage the same plumbing contractor, or electrical contractor, or other service providers. This would provide for greater consistency in these areas.

In response to Representative Rand's questions about what percentage of a district's budget should be allocated to facilities maintenance, Ms. Koch said she believes the rule of thumb is 5 percent to 7 percent. KDE has not been reviewing this but hopes to do this type of analysis in the future.

Senator Boswell asked on what basis schools are assigned to the Category 5 classification. Ms. Koch explained that local architects evaluate and complete surveys that are used by KDE to develop a listing on which Category 5 is the designation for buildings in the worst condition. The list was initially intended for internal KDE use, but in 2003, the General Assembly requested the list of Category 5 buildings and for the first time designated funding for projects in that category rather than through the usual mechanisms such as the SFCC. Ms. Koch said while this funding has had positive results by allowing some buildings in very poor condition to be addressed, KDE had concerns because it felt the evaluation was not consistent enough to be used as a funding mechanism. Among other problems is the fact that if a building is a certain age, it is automatically listed in Category 5 even though it may be recently renovated. The task force has now recommended that a better system be developed to evaluate building condition. In addition to providing greater consistency of the evaluations, KDE would also like to examine the educational suitability of the facilities.

Senator Westwood asked if the new evaluation system would replace the current system and be appropriate for use as a funding mechanism. Ms. Koch explained that rather than have a category system, the preferred approach would be to generate raw scores that could be used to list buildings from best to worst in the state.

Senator Westwood said this seems to be a good idea. He said some old buildings are still very serviceable, while other newer buildings may have been designed with an open classroom concept that is not educationally suitable. He suggested that the review should involve as many people as possible. Ms. Koch said the task force will remain in place as an advisory committee to KDE in this process.

Mr. Hicks asked how the work of the task force impacts the SFCC offers of assistance for the current biennium. Dr. Tarvin said the budget bill created an Urgent Needs Advisory Committee to make recommendations to SFCC using the results of the task force study. That committee's final report, containing recommended guidelines for offers this biennium, is to be submitted to SFCC on December 14.

Dr. Tarvin complimented the General Assembly on establishing the task force and said its work addressed a lot of new topics and was well done. He said providing additional staff to implement its recommendations should return good results in the future.

Noting the significant impact of the local school district and its facilities in many communities, Representative Rand thanked Dr. Tarvin, Ms. Koch, and the task force for their good work.

With regard to a next meeting, Ms. Ingram said the Board usually does not meet during the General Assembly session so the next meeting will probably be in April 2007. Staff will poll members relative to a specific date and time.

There being no further business, the meeting was adjourned at 11:25 AM.