

CAPITAL PLANNING ADVISORY BOARD

Minutes of the Seventh Meeting of the 1999 Calendar Year

October 26, 1999

The seventh meeting of the Capital Planning Advisory Board (CPAB) of the 1999 calendar year was held on Tuesday, October 26, 1999 at 1:00 PM, in Room 327 of the Capitol. Representative Perry Clark, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Representative Perry Clark, Chairman; Bill Hintze, Vice-Chairman; Glenn Mitchell (representing James Codell); Bonnie Howell; Lou Karibo; Cicely Jaracz Lambert; Sam Newcomb; Norma Northern; Senator Albert Robinson; and Nick Schwendeman.

Guests Appearing before the Board: Armond Russ, Commissioner, Department for Facilities Management; Jim Abbott, Director, Division of Real Properties; Marcia Morgan, Deputy Secretary, Cabinet for Health Services; and John F. Stewart, Jr., Vice President, Luckett and Farley.

LRC Staff: Pat Ingram, Mary Lynn Collins, Lola Williamson Lyle, and Phillip Smith.

Chairman Clark welcomed Mr. Sam Newcomb, Taylor County Circuit Clerk, as the Board's newest member.

Mr. Schewendman's motion to approve the minutes of the October 12 meeting was seconded by Mr. Karibo and approved by voice vote.

Chairman Clark next asked Pat Ingram, CPAB Staff Administrator, to review the Information Items that were included in the members' folders. Ms. Ingram noted that there were only two information items. The first item was an update on amendments to the capital plans that had been submitted since the last meeting. Included was a State Police Basic Radio System enhancement project identified as the new priority #1 for the Justice Cabinet. Ms. Ingram said there were various postsecondary education amendments and noted that two of the institutions had added energy savings performance contracting projects to their plans. The second information item was a report of state revenue projections for FY 1999/2000 and the 2000/02 biennium.

Chairman Clark said the next item on the agenda was an update on the feasibility study for the Cabinet for Health Services (CHS). He said at the July CPAB meeting, Deputy Cabinet Secretary Marcia Morgan reported that the Cabinet would be undertaking an in-depth study of its facilities. In its action thus far on the 1998-2004 Statewide Capital Improvements Plan, the Board has endorsed the study, but deleted two CHS projects from its recommendations list pending the outcome of that study. As a result of Deputy Secretary Morgan's request to Chairman Clark last week, this has been included on today's agenda.

Deputy Secretary Morgan thanked Chairman Clark and the Board for including this update on the agenda, particularly relative to the two deleted projects. These are the water loop project at Eastern State Hospital (ESH) and the new power plant at Western State Hospital (WSH). Deputy Secretary Morgan said the study is being done in partnership with the Finance and Administration Cabinet. She directed the members' attention to correspondence in their folders from the Vice President of Lockett and Farley, consultants for the study. Deputy Secretary Morgan said the consultants have found the psychiatric hospital buildings to be in good shape but the infrastructure of the campuses is weak and the most serious problem.

She said that, in conjunction with the Finance and Administration Cabinet, CHS will look at the options for the best use of the space on the campuses. The study will be concluded on December 1.

Deputy Secretary Morgan asked the Board to consider putting the ESH water loop and WSH power plant projects back on the recommended list. She reminded the Board that relative to the ESH water loop, the Cabinet is under a plan of correction because it has been cited by the State Fire Marshal. Additionally, Western State Hospital, originally designed for three boilers, is currently operating with only one boiler; that is a citable condition by the Division of Licensing and Regulation.

At Mr. Hintze's request, Deputy Secretary Morgan confirmed that these upgrades were necessary irrespective of the future use of the two campuses (that is, whether they continue to be used as psychiatric hospitals or for some other purpose). Mr. Hintze said these projects have met the criteria of the Board to be on the recommended list and made a motion that they be included on that list. His motion was seconded by Ms. Howell and approved by voice vote.

Chairman Clark asked when the in-depth study of all of the Cabinet's facilities is to be completed. Deputy Secretary Morgan said the first phase, focusing on the three psychiatric hospitals, is scheduled to be completed by December 1; they will next look at

the ICF/MR facilities, then consider the internal measures that can be taken as a result of those studies. Chairman Clark asked that copies of the report be provided to the Board.

Chairman Clark said the Board would now take final action on the 1998-2004 Statewide Capital Improvements Plan and asked Pat Ingram to review those materials.

Ms. Ingram directed the Board's attention to the draft recommendation on the definition of an information technology system. She said on October 12, the Board adopted a recommendation that called for a change in the statutory definition of an information technology system based on narrative submitted by the Governor's Office for Technology. The Governor's Office for Technology has now requested a change in the proposed statutory language so that the phrase "Any initial purchase or major upgrade" applies to all of the items listed (i.e., hardware, software, implementation and development services, and digital data products), not just hardware. Ms. Northern's motion to approve this change was seconded by Mr. Schwendeman and approved by voice vote.

Next, Ms. Ingram said the recommendation entitled "Alternatives for Addressing the Need for State Prison Construction" now includes figures requested by Mr. True at the October 12 CPAB meeting; the recommendation has been revised to address not only the cost of constructing the additional prisons but the operating costs for those facilities as well.

Ms. Northern made a motion that on page 53 of the draft, the footnote concerning the University of Kentucky and University of Louisville research buildings be amended to read that the Council on Postsecondary Education indicates that if other sources of funds are available they should, rather than could, be used to partially support the project cost. Mr. Hintze seconded the motion, and it was approved by voice vote.

Mr. Karibo made a motion that the 1998-2004 Statewide Capital Improvements Plan be approved for transmittal to the Governor, the Legislative Research Commission, and the Chief Justice by November 1 pursuant to KRS 7A.120, and that the Board delegate authority to the Chairman and Vice Chairman to work with staff to resolve any questions that arise in finalizing the printing of this document as amended. Ms. Northern seconded the motion, and it was approved by voice vote.

As the next item on the agenda, Chairman Clark introduced Commissioner Armond Russ to provide an update on various issues relating to the Department for Facilities Management. Commissioner Russ noted that Jim Abbott, Director of the Division of Real Properties, was also available to answer questions.

Commissioner Russ first addressed the Capitol renovation project. He said the Master Plan authorized by the 1998 General Assembly should be complete and published by mid November. It will recommend that the Capitol be depopulated; there are currently over 500 people working in a building constructed to house only about 250 people. Specifically, the Plan will recommend moving about 200 people out of the building through construction of an executive office building on the Capitol campus and relocation of others to the Annex. He said there will also be a recommendation, though not a strong one, for a visitors' center.

Commissioner Russ said that the Master Plan will present three scenarios for the renovation project. The first, "fast-track" scenario requires all funding in a short time frame but completes the project in the shortest amount of time with the building continuing to be used during legislative sessions. The second scenario would take 6-8 years (2 or 3 years more than the fast track approach); it would be more accommodating to funding streams, cause less turmoil on the campus, and allow the building to be used for legislative sessions. The third scenario is an intermediate step between the first two, but would require finding an alternative site for the 2004 General Assembly session. Commissioner Russ said meeting in the Old Capitol had been suggested, but he is concerned about the length of time the facility would be needed, the wear and tear it would have to endure, and the lack of adequate space for committee rooms.

Senator Robinson asked if a cost comparison had been made on the three plans. Commissioner Russ said the comparisons, with inflation factors, will be in the report. He said the fast track plan is the cheapest approach, and the plan to move the General Assembly to an alternative space is very expensive. In response to Mr. Hintze's question, Commissioner Russ said the plan that would move the General Assembly to another location is based only on regular sessions; it does not anticipate any special sessions. He said the intermediate plan would be very difficult; it was included because some felt the fast track would be too fast relative to budget needs and too disruptive and others felt the elongated plan was too drawn out and people would become frustrated. He said there are no other buildings in town equivalent to the Capitol and Annex; it would be difficult to do this project and maintain business as usual.

Commissioner Russ noted that a presentation had already been made on the CHS feasibility study and asked if there were any questions on that report. In response to Mr. Hintze's questions, Commissioner Russ said he agrees with the comments made by the representatives of CHS earlier in the meeting about there being other possible uses for some of the space. He said they dovetail with the long-range master plans for the Louisville, Lexington, and Northern Kentucky areas.

Regarding the transfer of the Cabinet for Families and Children (CFC) facilities, Commissioner Russ said the Department has had several meetings with the CFC

representatives and has agreed that it is premature to transfer those facilities to Facilities Management before the end of the 2000-02 biennium. There is a need to evaluate the facilities and programs as well as the Department's staffing situation, especially the ability to operate more facilities out in the state. He said during 2000-02 a proposal to address transferring those facilities and integrating them into various master plans will be developed.

Commissioner Russ said the metropolitan area master plan concludes that the state will save money by constructing its own office buildings in the major metropolitan areas; but in the rural counties, the Department would prefer to lease, because that approach is quicker and more adaptable to programmatic changes.

Commissioner Russ said the Department has been discussing the future of the Eastern, Central, and Western State Hospital campuses with CHS. Since it has been determined that at Eastern and Western State, some buildings are not needed by CHS, there will be an evaluation as to whether they could be used to address the need for state office space, especially in Lexington. That review will also be done during 2000-02.

Relative to the long-range plan for Franklin County, Commissioner Russ said 9 of the 29 parcels for the site of the Transportation Cabinet building on Mero Street remain to be acquired. Programming for the structure should be complete by the first of December, and a decision will be made at that point as to the project delivery system (e.g. via the traditional design-bid-build approach, design-build, or construction management).

Commissioner Russ said the programming process identified the need for the 1,500 space parking structure that was included in the six-year plan for Facilities Management. Commissioner Russ said hopefully by the end of the programming on the Transportation Cabinet building a decision can be made on a site for the new Kentucky Higher Education Assistance Authority building authorized in 1998. Commissioner Russ said Facilities Management is working with the city on a historic district development plan for downtown Frankfort. The intent is to dovetail with their effort for the renaissance of downtown.

Commissioner Russ next discussed energy savings performance contracts, which are third party financed contracts. He said this is a new approach for Kentucky to use and that Facilities Management talked to many other states about it before developing the first Request for Proposals (RFPs).

The State Fair Board (SFB) will have the first projects; responses to the RFPs for two major energy conservation projects are currently in review with contracts expected to be awarded in a few weeks. Commissioner Russ said Western Kentucky University is

also interested in getting involved and a meeting has been scheduled with them and the SFB staff.

Commissioner Russ noted that Facilities Management's six-year plan includes additional staffing for the engineering division in order to expand this program. Commissioner Russ said there are many checks and balances involved in the program (e.g., confirming that there are energy savings as well as other technical details). A retired branch manager has been working on a part-time basis to deal with the pilot projects, but additional staff is needed if more state agencies are to become involved.

Regarding the Winchester State Office Building, authorized in the current budget, Commissioner Russ said the original plan was to rehabilitate a historic building on Main Street in Winchester; however, this approach was determined to be financially unsound and the building was also structurally unsound. Working with the city and county, Facilities Management has now identified two possible sites – one downtown near the original site and the other in a rural setting. Mr. Abbott said the proposal is to build a one-stop state governmental services facility in Winchester; he said Facilities Management is working with the city and the county to try to develop a scope of work that is doable.

Commissioner Russ said the approach being taken in Winchester is contrary to the strategy of leasing space in rural areas where programs tend to change most often. However, in Winchester there is sentiment to have a strong state government presence in the community, and the symbol of a strong presence is a building.

The final topic discussed by representatives of Facilities Management was the planned disposal of three buildings currently owned by the Workforce Development Cabinet. Mr. Abbott stated that in each of the communities (Winchester, Maysville, and Owensboro), Facilities Management is looking at the development of the one-stop facilities. In Winchester, they hope the new state office building will be large enough to consolidate staff from the Workforce Development building as well as Cabinet for Families and Children staff.

Mr. Abbott said in Mason County, the city of Maysville has offered to build a new one-stop governmental facility; that arrangement is close to being finalized. It will allow for sale of the Workforce Development property. He said the third property is in Elizabethtown; when funding to rehabilitate the existing building was not made available in the 1998-2000 budget, they decided to lease a building with expected occupancy in mid December. The existing property has been appraised and when vacated, the property will be put on the market. It would first be offered to state agencies, and then to any interested city or county government or organization. This approach would also be used for the other properties. Mr. Abbott said they have identified the equity position of the

federal government relative to those properties, and there is a willingness by the federal government to roll that equity into other projects. Commissioner Russ said the intent is to use some of that money to help the Winchester State Office Building project. Even with that, he said the project would be struggling to stay within budget.

Chairman Clark thanked Commissioner Russ and Mr. Abbott for their presentation, then said he would like to make a few closing comments. He said everybody gets anxious to see the list of projects recommended by the Board, but he thinks the most important product this time may have been the Board's policy recommendations. Chairman Clark said adequate maintenance of existing state facilities has always been a focus of the Board and this plan recommends identifying and appropriating an adequate on-going source of revenue for the purpose of maintaining our buildings. He said the private sector does this, and it works well, but the state waits to go into a crisis mode as was done relative to the state parks.

Chairman Clark said several of the things that the Board endorsed as policy recommendations were based on proposals from previous plans, for example improving the process for court construction projects and developing plans for effectively and efficiently housing state agencies. Chairman Clark said these are good things and in the end, the Board will not judge its work based on how many recommended projects are completed; but based on how the policy recommendations are implemented.

Noting that a newspaper editorial had commented on the high price tag of the recommended projects, Chairman Clark said the Board was not dealing with projected revenue. Rather, it worked from the information available to determine the best projects on which to spend tax dollars. He said there were many worthwhile projects that did not get included on the recommendations list. Chairman Clark thanked both members and staff for their work on this plan.

Mr. Hintze thanked the chairman and said he would like to echo his remarks. He said the Board needs to reinforce that its first priority continues to be maintenance and noted that the two projects added to the list today are of a major maintenance character.

Mr. Hintze said he also wanted to comment on the newspaper editorial. He noted that the total of the Board's recommended list is about \$400 million which is not an inconsiderable sum. But it is still only about one-third of the current capital budget and, in terms of state debt, it is comfortably within the working margin of about 6% of state resources devoted to debt. He said it is a short list in terms of needs and was a hard one to develop; but by any historic and current management standard, it is not an overwhelming list. Mr. Hintze concluded by thanking the members and commending the Chairman in his first term as chairman of this Board. He also commended the staff for their efforts.

With no further business, Mr. Karibo made a motion to adjourn. Mr. Hintze seconded the motion, and the meeting was adjourned at 1:55 PM.