

STATE OF ARIZONA

## Joint Committee on Capital Review

STATE  
SENATE

RANDALL GNANT  
CHAIRMAN 1999  
GUS ARZBERGER  
RUSSELL W. "RUSTY" BOWERS  
JACK A. BROWN  
TOM SMITH  
RUTH SOLOMON  
JOHN WETTAW

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

<http://www.azleg.state.az.us/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

BOB BURNS  
CHAIRMAN 2000  
DEAN COOLEY  
LORI S. DANIELS  
KAREN S. JOHNSON  
BOB MCLENDON  
ANDY NICHOLS  
CHRISTINE WEASON

### MEETING NOTICE

DATE: August 10, 2000  
TIME: 10:00 a.m.  
PLACE: HOUSE HEARING ROOM 4

### TENTATIVE AGENDA

- Call to Order
- [Approval of Minutes of June 22, 2000.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [ARIZONA DEPARTMENT OF TRANSPORTATION - Review of FY 2001 Building Renewal Allocation Plan.](#)
- 2. [ARIZONA DEPARTMENT OF TRANSPORTATION/DEPARTMENT OF PUBLIC SAFETY - Review of Scope, Purpose and Estimated Cost of Regional Transportation Center at Pioneer Park in Prescott.](#)
- 3. [ARIZONA DEPARTMENT OF ADMINISTRATION - Report on Active Office Lease Costs.](#)
- 4. [DEPARTMENT OF HEALTH SERVICES/ARIZONA DEPARTMENT OF ADMINISTRATION - Report on Arizona State Hospital Construction Project.](#)
- 5. [ARIZONA STATE PARKS - Report on Status of Development Projects at State Parks.](#)
- 6. [ARIZONA STATE UNIVERSITY - Report on Revised Cost for Residence Hall Bond Project.](#)

The Chairman reserves the right to set the order of the agenda.  
8/3/00

**People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 542-5491.**

STATE OF ARIZONA

# Joint Committee on Capital Review

STATE  
SENATE

RANDALL GNANT  
CHAIRMAN 1999  
GUS ARZBERGER  
RUSSELL W. "RUSTY" BOWERS  
JACK A. BROWN  
TOM SMITH  
RUTH SOLOMON  
JOHN WETTAW

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

<http://www.azleg.state.az.us/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

BOB BURNS  
CHAIRMAN 2000  
DEAN COOLEY  
LORI S. DANIELS  
KAREN S. JOHNSON  
BOB MCLENDON  
ANDY NICHOLS  
CHRISTINE WEASON

## MINUTES OF THE MEETING JOINT COMMITTEE ON CAPITAL REVIEW

Thursday, June 22, 2000

---

The Chairman called the meeting to order at 8:05 a.m. Thursday, June 22, 2000, in House Hearing Room 4 and attendance was noted.

Members:	Representative Burns, Chairman Representative Cooley Representative Daniels Representative Johnson Representative Weason	Senator Gnant, Vice-Chairman Senator Arzberger Senator Bowers Senator Brown Senator Smith Senator Solomon Senator Wettaw
Absent:	Representative McLendon Representative Nichols	
Staff:	Richard Stavneak Lorenzo Martinez Gina Guarascio Rebecca Hecksel Indya Kincannon	Jan Belisle, Secretary Chris Earnest Brad Regens Bob Hull Lynne Smith
Others:	Bruce Ringwald, ADOA Greg Fahey, U of A Representative Flake, House David Brown, Apache County Terry Stewart, DOC Alan Ecker, DOC Dave Harris, ABOR Mernoy Harrison, ASU	David Wright, ADOT Blake Anderson, ASU Bill Greeney, OSPB Scott Smith, ADOA Elliott Hibbs, ADOA Leslie Schwalbe, DHS Steve Miller, ASU

### APPROVAL OF MINUTES

Representative Burns asked for corrections or additions to the minutes of May 16, 2000. Hearing none, the minutes were approved as submitted.

**DIRECTOR'S REPORT** — Richard Stavneak, Director, JLBC Staff discussed the tentative dates for future JCCR meetings.

### DEPARTMENT OF HEALTH SERVICES/ARIZONA DEPARTMENT OF ADMINISTRATION — Review of Expenditure Plans and Design Services at the Arizona State Hospital Construction Project.

Gina Guarascio, JLBC Staff gave a brief overview of the expenditure plans and design services for the Arizona State Hospital construction project.

Chairman Burns asked for questions or comments. There were none.

*Senator Gnant moved that the Committee give a favorable review to the 1) expenditure plan for allocation of funds for infrastructure repairs; 2) procurement of design services for the Birch Hall renovation to accommodate the less restrictive alternative program for the Sexually Violent Persons (SVP) population, and 3) expenditure plan for Phase 3 of the SVP program using the Inmate Construction Program components of the Arizona State Hospital construction project, and that any transfers among the projects in excess of \$100,000 be reported to the JLBC Staff prior to expenditure. The motion carried.*

#### **ARIZONA DEPARTMENT OF ADMINISTRATION — Review of FY 2001 Building Renewal Allocation Plan.**

Rebecca Hecksel, JLBC Staff presented the Arizona Department of Administration (ADOA) FY 2001 building renewal allocation plan of \$3,682,650.

Chairman Burns asked for questions or comments. There were none.

*Senator Gnant moved that the Committee give a favorable review to the ADOA FY 2001 building renewal allocation plan of \$3,682,650, and funding for any new projects not listed in the allocation plan, reallocations between projects, and allocations from the Emergency Reserve/Ongoing Projects amount be reported to the JLBC Staff prior to expenditure. The motion carried.*

#### **Review of Risk Management Capital Construction Insurance Rates.**

Lynne Smith, JLBC Staff presented the ADOA proposal to set the Risk Management capital construction insurance rate at 0% for FY 2001. ADOA will report back to the Committee if a charge is needed for FY 2002.

In response to Representative Cooley, Ms. Smith stated that this was a new fund created to cover the state liability on construction projects. The department set a rate that was reviewed by the Committee in November 1997 that was estimated to provide enough money to pay for an anticipated \$2,400,000 in lawsuits. The anticipated level of lawsuits has not been realized and the fund has a sufficient balance to cover the state liability. The department projects approximately \$187,000 in operating expenses. For liability over \$4,000,000, ADOA has purchased outside insurance.

*Senator Gnant moved that the Committee give a favorable review to the Risk Management Capital Construction Insurance Rate of 0% for FY 2001 and that ADOA report back to the Committee if a charge is needed for FY 2002. The motion carried.*

#### **Review of Lease-to-Own Transaction for Capitol Mall Office Buildings.**

Lynne Smith briefed the Committee on the terms of a proposed contract with a private firm as part of a lease-to-own transaction to design, build, and operate two state office buildings on the Capitol Mall.

Chairman Burns asked for questions or comments. There were none.

*Senator Gnant moved that the Committee give a favorable review to the terms of the proposed lease-purchase transaction, with the following stipulations:*

- 1. The contract include an escape clause for the "Maintenance Fund" and "Operations and Maintenance" services so that, if the state is unable to negotiate acceptable rates for these items at a future renewal date, it may provide or purchase these services separately.*
- 2. The Executive deliver to the Committee no later than October 1, 2000 a consolidated report to address all of the proposed FY 2002 and FY 2003 budget changes associated with the opening of the 2 new office buildings. This report should also address "backfill" space, which will result when agencies leave existing office space to move into the new buildings. The report should include the following for each affected agency: the previous rent and fund source, new rent and fund source, previous square footage, and new square footage. In conjunction with this consolidated report, each affected agency should request its individual funding requirements in its FY 2002/FY 2003 budget request.*
- 3. No agency's square footage shall increase as a result of the agency relocations. In the consolidated report, ADOA should report any exceptions to this policy to the Committee for advice and comment.*
- 4. Agencies primarily funded from the General Fund be given priority for relocations out of private lease space. In the consolidated report, ADOA should report any exceptions to this policy to the Committee for advice and comment.*

5. ADOA submit a report to the JCCR on financing options for the phone systems for the new buildings and backfill space. The department is advised against a plan to acquire the entire phone system as part of a 25-year lease plan, given that the life cycle on a phone system is considerable less than the lease period. The motion carried.

**ARIZONA PIONEERS' HOME/ARIZONA DEPARTMENT OF ADMINISTRATION — Review of Scope, Purpose and Estimated Cost of Fire Escape.**

Indya Kincannon, JLBC Staff gave an overview of the scope, purpose and estimated cost of the new fire escape at the Arizona Pioneers' Home in Prescott.

Chairman Burns asked for questions or comments. There were none.

*Senator Gnant moved that the Committee give a favorable review to the scope, purpose, and estimated cost of the new fire escape at the Arizona Pioneers' Home in Prescott.* The motion carried.

**ARIZONA BOARD OF REGENTS/UNIVERSITIES — Review of Revised Multi-Year Bonding Plan for Northern Arizona University.**

Lorenzo Martinez, JLBC Staff presented the revisions to the Multi-Year Bonding Plan for Northern Arizona University.

Chairman Burns asked for questions or comments. There were none.

*Senator Gnant moved that the Committee give a favorable review to the revisions to the May 1997 Multi-Year Bonding Plan for Northern Arizona University.* The motion carried.

**Consider Approval of Arizona State University Infrastructure Improvements Bond Project.**

Lorenzo Martinez presented the Arizona State University request for the Committee to approve the issuance of academic revenue bonds for 11 infrastructure improvement projects.

Chairman asked for questions or comments. There were none.

*Senator Gnant moved that the Committee approve the request to issue \$17,700,000 in academic revenue bonds for 11 Arizona State University Infrastructure Improvement Projects, and that any changes to the cost estimates for each of the 11 projects exceeding \$100,000 be reported to the JLBC Staff prior to expenditure.* The motion carried.

**ARIZONA DEPARTMENT OF TRANSPORTATION — Review of FY 2001 Construction Budget Operating Expenditure Plan.**

Bob Hull, JLBC Staff presented the Arizona Department of Transportation's (ADOT) FY 2001 Construction Budget Operating Expenditure Plan. Mr. Hull noted that there were a number of technical errors in the submitted material. The JLBC Staff is recommending that ADOT develop better performance measures for consulting services. The JLBC Staff will work with ADOT to develop better performance measures.

In reply to Representative Weason, Mr. Hull stated that if sound walls are built into the original construction plans, state highway fund monies could be used.

In answer to Representative Weason, Dick Wright, State Engineer, ADOT stated that they have a project management system in place to review projects and performance and are confident in the process and the system.

*Senator Gnant moved that the Committee give a favorable review to the revised FY 2001 Construction Budget Operating Expenditure Plan of \$145.4 million (June 20, 2000 memo).* The motion carried.

**Consider Approval of Land Purchases and Review of Scope, Purpose, and Estimated Cost of ADOT Projects.**

Bob Hull presented the request for consideration of approval of land purchase and review of scope, purpose and estimated cost of the north Phoenix Maintenance Yard project.

Senator Smith asked what advantage there is for constructing the North Phoenix Maintenance Yard. Mr. Hull said that maintenance yards in the Phoenix area are located in the south, east and west valley. There is not a maintenance yard in the north valley. A North Phoenix Maintenance Yard would cut down on the response times and provide more efficient services to the north valley.

Chairman Burns asked for questions or comments. There were none.

*Senator Gnant moved that the Committee approve the request to purchase the land for the North Phoenix Maintenance Yard Project and that the Committee also give a favorable review of the scope, purpose and estimated cost of the project. The motion carried.*

Mr. Hull presented the request for approval of land purchase and review of the design portion for the MVD Service Center in Payson.

Chairman Burns asked for questions or comments. There were none.

*Senator Gnant moved that the Committee approve the request to purchase land for the Payson MVD Service Center and also give a favorable review of the design portion of the project. The Committee also requested that the department report in writing to the Committee if the land purchase price exceeds the appraised value. The motion carried.*

#### **Review of Scope, Purpose, and Estimated Cost of Spreader Rack Replacement Project.**

Bob Hull presented the request for review of the scope, purpose, and estimated cost of the spreader rack replacement project.

Chairman Burns asked for questions or comments. There were none.

*Senator Gnant moved that the Committee give a favorable review to the scope, purpose, and estimated cost of the spreader rack replacement project. The motion carried.*

#### **Review of Release of Funds for Design of a Regional Transportation Center at Pioneer Park in Prescott.**

Lorenzo Martinez presented the request for the release of funds for design of a regional transportation center at Pioneer Park in Prescott. The JLBC Staff also recommends that ADOT and the Department of Public Safety (DPS) submit the scope, purpose and estimated cost of the project for Committee review before construction is started. The new site for the transportation center will be on Federal Bureau of Land Management (BLM) land. Should the agreement with BLM be terminated, any improvements on the site may not be recoverable.

Chairman Burns asked for questions or comments. There were none.

*Senator Gnant moved that the Committee give a favorable review of the expenditure of monies for design of a Regional Transportation Center at Pioneer Park in Prescott and that ADOT and the Department of Public Safety submit the scope, purpose, and estimated cost of the project after completion of design and the project has been bid. The motion carried.*

#### **ARIZONA DEPARTMENT OF CORRECTIONS/ARIZONA DEPARTMENT OF ADMINISTRATION — Review of New Southern Regional Prison Complex at Tucson and Possible Alternatives.**

Chairman Burns asked for a report from the subcommittee.

Senator Smith stated that on a 3 to 1 vote, the subcommittee voted to recommend that the full Committee give a favorable review to the infrastructure construction at Tucson II. The subcommittee also recommends that the general construction phase of Tucson II not proceed without additional review by the Committee.

Representative Weason indicated there was limited discussion on the scope of the subcommittee charge. This led to limited review regarding methodology on cost savings, the rationale for the project, etc. She opposed the building of the prison until more answers have been received regarding the needs of this prison.

Brad Regens, JLBC Staff referenced the supplemental material dated June 20, 2000 that was distributed.

Representative Weason mentioned that some existing state prisons were built with the expectation of expansion in the future. She has visited Apache and Safford facilities. She would like to see funds available to expand and create economic development in the rural areas and save taxpayer monies.

In answer to questions, Mr. Regens mentioned that the Committee has reviewed the prison issue in the past. Primarily dealing with land acquisition for the Tucson facility. The JLBC Staff provided the build-out capabilities of all the current facilities. The Tucson facility is currently planned for 4,400 beds and the Apache/Safford build-out combined would be approximately 600 beds. The House Leadership proposal regarding the special session education funding includes some state agency budget reductions which would reduce the Department of Corrections (DOC) budget by approximately \$23 million. If this were to occur, the options are either delaying opening up private beds that are currently funded but have not come on line and/or delaying some beds at the Lewis complex that have been funded but have not been staffed. Legislation has been enacted which appropriated money from FY 2000 thru FY 2003 for construction of the new Tucson complex. Any changes to the construction funding would require legislation.

The beds in the system that are operating and staffed vs. the number of inmates leaves a bed deficit of approximately 1,500. With the number of beds that are funded and built at Lewis, and some additional private beds that are already funded, the department would have a surplus of approximately 400-500 beds. At the Lewis complex there are approximately 1,700 to 1,800 beds that are built and funded but do not have sufficient staffing. If the constructed and funded beds were operational, there would be 400-500 more beds than inmates. The DOC is using temporary facilities such as tents to handle the current overcrowding. There is money in the DOC budget to open all constructed beds; however, DOC has been unable to recruit sufficient staff to open the beds. Private beds have also been funded but no contracts have been implemented yet.

Mr. Regens referred to the projections of inmate population growth and the construction schedule for Tucson II. Current funding was based on a growth rate of 132 new inmates per month. Actual growth rate for this fiscal year is 15 per month. The 10-year average is 100 per month. The Executive is proposing opening the Tucson complex when DOC reaches a 2,000 bed deficit. The department has indicated they can manage with a 2,000 bed shortfall.

In answer to Senator Wettaw, Mr. Regens stated the DOC budget increased significantly from 1999 to 2000 in order to fund the opening of the Lewis complex.

Mr. Regens replied to Senator Solomon that the JLBC recommendation is to favorably review infrastructure construction, but that they not move forward with the general construction phase until further Committee review and how Lewis complex staff vacancies relate to the future construction of Tucson II.

Senator Arzberger asked the security level of the unopened beds. Mr. Regens stated that the beds are level 3 and level 4. As a reference, level 5 is maximum security. The Apache facility is currently a level 2, which is a minimum, and Safford is a mixture of level 2 and level 3.

In reply to Senator Bowers, Mr. Regens stated that JLBC Staff is working on a fiscal analysis of the drug initiative. One of the initiative provisions is to eliminate the mandatory minimum for certain drug offenses and increase the maximum. Current information indicates there are more offenders who are sentenced at the minimum than at the maximum. This could result in fewer inmates serving shorter sentences.

In answer to Representative Weason, Mr. Regens stated that historical inmate population growth is at a level that is significantly higher than what was experienced in the last year. The reasons for the significant slow down in growth are unknown.

Senator Gnant asked if there were any compelling reasons to initiate construction now versus 6 months from now when more data on inmate growth will be available.

Senator Smith said the federal government can change the rules for acquiring environmental permits, which could affect the construction timeline.

Senator Gnant then asked if the Committee felt that it was okay to pay a multi-million insurance premium against something that the government may or may not do?

Representative Weason mentioned that there is information that needs be received regarding permits, details of the statute of limitations, etc. The subcommittee never received the information.

Mr. Regens replied to Senator Solomon that JLBC Staff has done some research on the environmental regulations. There have been several issues that have changed in the last several years, such as pygmy owl habitat regulations. The DOC and ADOA have had to address those. At this time, JLBC Staff has not been able to find any pending regulations that are set to change. This does not mean that they may not change in the future.

Representative Cooley asked for clarification on the 1,400 private beds that were authorized and assumed that the authorization was done when the inmate growth was at 132 per month. Mr. Regens stated that monies were appropriated in the DOC biennial budget for private beds when the growth was projected at 132 inmates per month. The monies are for 400 private beds beginning June 2000 and an additional 1,000 private beds in June 2001. If the growth continues as it has in the past year and the Lewis beds are staffed and operational, then the private beds would essentially be surplus.

Representative Flake addressed the Committee on his interest, along with Senator Brown, Senator Arzberger, and others, to expand the Apache and Safford prisons. The biggest employer in the state is the State of Arizona. The state should consider putting the jobs where they are needed. The growth of jobs in urban Arizona is too fast and too slow in rural Arizona. The Director of the Department of Environmental Quality (ADEQ), is establishing offices in St. Johns, Yuma, Kingman, Wilcox and putting ADEQ staff in rural Arizona. He encouraged the state to have more jobs in rural Arizona along with the necessary infrastructure.

Bill Greeney, OSPB said the Executive plan is to do only what has to be done to keep the project going. There have been changes in the environmental area and referenced his handout with the recent changes. Mr. Greeney proceeded to review the cost estimates. The Tucson complex will contain level 4 and level 3 units. Safford and Apache are made up of level 2 and level 3 units. A majority of the inmates at the Apache facility come from Maricopa County. An expansion could create transportation and visitation issues. The Safford facility has had a very low staff vacancy rate. Over the last ten years, felony filings at Superior Court have been on a constant upward trend.

Senator Arzberger asked why we couldn't expand the Apache, Safford and Douglas facilities. Mr. Greeney mentioned that the prison expansions haven't been taken off the list and are continually being looked at. The estimates for expansion construction are higher due to location and the relatively small size of the expansions. If a way can be found to make the construction cheaper that would make expansions more viable.

Senator Arzberger also mentioned that the construction could be cheaper by using inmate labor. He also expressed concern about the water shortage in Tucson.

Senator Solomon asked how certain drug offenders were treated. It is her feeling that the purpose of hiring more police officers would help to prevent crime. Mr. Greeney mentioned that those issues have been taken into account.

In response to Representative Cooley, Mr. Greeney replied that the violent offenders are in the level 4 and level 5 units. Apache is a level 2 prison and Safford is level 2 and level 3 prison.

Terry Stewart, Director, DOC replied to Senator Brown that it is the intent to build out Apache, Safford and Douglas at some point. When looking at the build out factor, the decision is based on which project is most cost effective. The decision to build more than 4,000 beds in one complex creates savings due to economies of scale. Mr. Stewart referred to the handout projecting the prison population. Releasing more inmates than are being received is not necessarily driving the deficit in the prison population. DOC is receiving Maricopa County admissions, which are significantly down. Maricopa County is driving the recent downturn in population. While admissions are decreasing, criminal case filings are increasing. Maricopa County has a record number of pending criminal cases. The total inmate population in Arizona at this time is 25,253.

In response to Representative Weason, Mr. Stewart said the percentage estimates for the following are: DWI inmates-5%, level 2 inmates-30%, level 3 inmates-34%, level 4 inmates-19% and level 5 inmates are 12%. The DOC is in need of level 2 beds. It has been decided to put a level 4 unit in the Tucson complex to help the construction cash flow relative to when federal and state funding becomes available. Federal funding may only be used for level 4 or level 5 construction.

In answer to Senator Arzberger, Mr. Stewart agreed that prisons should be part of economic development. The primary issues for DOC are volume and cost per bed.

Representative Weason opposed the special session House education plan because of the agency budget cuts. Mr. Stewart said that he is trying to identify where \$23 million would be extracted from the DOC 2001 budget. It takes approximately 4 years to go from funding, planning and design to activation of the prison beds. The decision that is made today will have

implications 4 years from now and will have significant and serious safety implications. The safe thing would be to authorize the infrastructure for the new complex now.

In response to Representative Cooley, Mr. Stewart stated that the deadline for expending federal funds is 2004. Approximately \$30 million in federal funds is available for prison construction. Once the state qualifies for the monies a check is sent from the federal government to DOC. The check has a lapsing point where it can no longer be spent and they ask that you qualify what the monies will be spent for. You then must prove that you are spending the money for a high custody facility. Building the structure and paying the contractor spends the money. There are audits conducted by the Department of Justice to ensure all requirements are met.

In response to Senator Solomon, Mr. Stewart said that the President and the Congress are in a tug-of-war about whether the federal funding should continue.

Chairman Burns held the item. If the Committee members have further questions, the Chairman asked that JLBC Staff be contacted so that the issues could be addressed at the next meeting.

David Brown, Supervisor, Apache County stated that he concurs with the presentation by Representative Flake in regards to the prison expansion programs.

**ARIZONA BOARD OF REGENTS/UNIVERSITIES — Reports on Arizona State University Bond Project and University of Arizona Lease-Purchase Project. (Information Only)**

The Committee received informational reports on the revised cost estimate for a residence hall bond project at Arizona State University and the issuance of Certificates of Participation to finance the expansion of a performance center and hall and the acquisition of the university police facility at the University of Arizona. No Committee action was required.

**ARIZONA STATE PARKS — Report on Status of Development Projects at State Parks.**

Chris Earnest, JLBC Staff mentioned that the requested report on development projects at state parks relative to the development of Kartchner Caverns State Park was not available for this meeting. It is anticipated the agency will provide the Committee with the report at its next meeting.

The Chairman adjourned the meeting at 10:25 a.m.

---

Jan Belisle, Secretary

---

Lorenzo Martinez, Senior Fiscal Analyst

---

Representative Robert "Bob" Burns, Chairman

NOTE: A full tape recording of this meeting is on file in the JLBC Staff office at 1716 W. Adams.

STATE OF ARIZONA

Joint Committee on Capital Review

STATE  
SENATE

RANDALL GNANT  
CHAIRMAN 1999  
GUS ARZBERGER  
RUSSELL W. "RUSTY" BOWERS  
JACK A. BROWN  
TOM SMITH  
RUTH SOLOMON  
JOHN WETTAW

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

<http://www.azleg.state.az.us/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

BOB BURNS  
CHAIRMAN 2000  
DEAN COOLEY  
LORI S. DANIELS  
KAREN S. JOHNSON  
BOB MCLENDON  
ANDY NICHOLS  
CHRISTINE WEASON

DATE: August 8, 2000

TO: Representative Bob Burns, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF TRANSPORTATION - REVIEW OF FISCAL YEAR  
2001 BUILDING RENEWAL ALLOCATION PLAN

**Request**

The Arizona Department of Transportation (ADOT) requests that the Committee review its FY 2001 Building Renewal allocation plan.

**Recommendation**

The JLBC Staff recommends a favorable review of the request.

**Analysis**

Laws 1986, Chapter 85 established the Joint Committee on Capital Review and charged it with developing a Building Renewal Formula to guide the Legislature in appropriating monies for the maintenance and repair of state buildings. Chapter 85 also required the establishment of "building systems" for the purpose of computing, funding, and administering Building Renewal. Initially, 2 building renewal systems were established, the Arizona Board of Regents and the Arizona Department of Administration. In 1993, the ADOT building system was also established. Pursuant to A.R.S. § 41-1252, the JCCR shall review the expenditure of Building Renewal monies.

The Capital Outlay Bill (Laws 1999, Chapter 2, 1<sup>st</sup> Special Session) appropriated a total of \$2,484,000 (\$2,427,900 from the State Highway Fund and \$56,100 from the State Aviation Fund) in FY 2001 to ADOT for building renewal. The FY 2001 Building Renewal appropriation represents 100% of the amount generated by the Building Renewal Formula.

(Continued)

ADOT reports that they do not expect to expend the \$56,100 Building Renewal monies appropriated from the State Aviation Fund, since they are currently working on establishing a lease of the Grand Canyon Airport to a nonprofit corporation. If unused by the end of the fiscal year, this amount would revert to the State Aviation Fund. Laws 2000, Chapter 99 eliminated the Grand Canyon Airport Authority and returned the airport to ADOT, effective July 18, 2000. ADOT must in turn lease the airport to a nonprofit corporation to operate by March 1, 2001.

ADOT expects to allocate the Building Renewal monies appropriated from the State Highway Fund in the following categories for 174 projects:

<u>Category</u>	<u>Projects</u>	<u>State Highway Fund</u>	<u>% of Total</u>
Fire/Life Safety	14	\$300,800	12.4%
Roofing	17	126,500	5.2
Building System	43	606,700	25.0
Exterior Building Finishes	28	146,400	6.0
Interior Building Finishes	41	429,400	17.7
Remodeling	5	91,500	3.8
ADA	9	282,000	11.6
Infrastructure	17	171,700	7.1
Contingencies		272,900	11.2
<b>Total</b>	<b>174</b>	<b>\$2,427,900</b>	<b>100.0%</b>

For the Committee's information, the following 6 projects represent projects requiring \$50,000 or more (ADOT's request letter lists the 174 projects in the ADOT allocation plan):

<u>Project</u>	<u>Allocation</u>
Asbestos and lead inspections and testing - Phoenix Metro	\$200,000
Replace inadequate electrical service to district office	150,000
Rewire & high bay lighting - St. David Maintenance Shop	60,000
Replumb chilled water lines - Old MVD Building	100,000
Install elevator & restroom - ADA - Traffic Operations Center	130,000
Electrical upgrades - Needle Mountain Maintenance Facility	65,000
<b>Subtotal</b>	<b>\$705,000</b>

The JLBC Staff recommends a favorable review of the request.

RS:BH:jb

STATE OF ARIZONA

Joint Committee on Capital Review

STATE  
SENATE

RANDALL GNANT  
CHAIRMAN 1999  
GUS ARZBERGER  
RUSSELL W. "RUSTY" BOWERS  
JACK A. BROWN  
TOM SMITH  
RUTH SOLOMON  
JOHN WETTAW

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

<http://www.azleg.state.az.us/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

BOB BURNS  
CHAIRMAN 2000  
DEAN COOLEY  
LORI S. DANIELS  
KAREN S. JOHNSON  
BOB MCLENDON  
ANDY NICHOLS  
CHRISTINE WEASON

DATE: August 3, 2000  
TO: Representative Bob Burns, Chairman  
Members, Joint Committee on Capital Review  
THRU: Richard Stavneak, Director  
FROM: Lorenzo Martinez, Senior Fiscal Analyst  
SUBJECT: ADOT/DPS - REVIEW OF SCOPE, PURPOSE AND ESTIMATED COST OF  
REGIONAL TRANSPORTATION CENTER AT PIONEER PARK IN PRESCOTT

**Request**

The Arizona Department of Transportation (ADOT) and the Department of Public Safety (DPS) are requesting Committee review of the scope, purpose and estimated cost of a Regional Transportation Center at Pioneer Park in Prescott.

**Recommendation**

The JLBC Staff recommends a favorable review of the request. The JLBC Staff further recommends that ADOT and DPS report back to the Committee in writing on the project costs after the project contract has been awarded.

As noted in a preliminary review of the project at the Committee's June 2000 meeting, the new location is on Federal Bureau of Land Management (BLM) land and any improvements on the land may not be recoverable if the state's patent agreement with BLM is ever terminated. The Committee gave a favorable review of the expenditure of monies for the design of the project on the proposed location at the June meeting.

**Analysis**

Laws 1999, Chapter 319 appropriated monies from the Highway User Revenue Fund (HURF) to ADOT and DPS for the design, engineering and construction of the Pioneer Park Regional Transportation Service Center. The following lists the appropriations to each agency.

	<b>FY 2000</b>	<b>FY 2001</b>	<b>Total</b>
ADOT	\$300,000	\$4,647,500	\$4,947,500
DPS	130,000	1,122,500	1,252,500
<b>Total</b>	<b>\$430,000</b>	<b>\$5,770,000</b>	<b>\$6,200,000</b>

(Continued)

ADOT and DPS are having to relocate from the existing Sheldon Street Transportation Center as a result of the restructuring of the Highway 69 and Highway 89 interchange. Yavapai College will acquire portions of the existing site not used for the restructured highway interchange. Chapter 319 requires that any monies received from Yavapai College to purchase land and facilities be deposited in HURF. Given that less than 5 acres may be available, no deposits are anticipated at this time.

Chapter 319 also stipulates that Yavapai County shall donate at least 20 acres of land for ADOT and DPS to relocate to Pioneer Park. The agreement between the entities would convey 2 parcels of land from the county to ADOT and DPS. The proposed conveyances involve public land that is patented to the county by BLM. While this patent essentially provides ADOT and DPS with the site in perpetuity, the improvements made on the land may not be recoverable if the patent is ever terminated. A patent provides title to the surface property; however, title to all other property rights will be held by BLM.

ADOT plans to construct 4 buildings at the site with accompanying infrastructure and site improvements. The buildings include a 12,000 square foot Motor Vehicle Division Service Center, a 7,500 square foot Intermodal Transportation (ITD) District Office, a 6,400 ITD Materials Testing Laboratory, and a 3,000 square foot Maintenance Building. DPS plans to construct an 8,000 square foot District Office.

The following lists the current cost allocations for the project.

	<u>ADOT</u>	<u>DPS</u>	<u>Total</u>
A&E and Other Professional Fees	\$ 300,000	\$ 130,000	\$ 430,000
Construction	4,114,140	914,097	5,028,237
Furnishings, Fixtures, Equipment	195,000	45,000	240,000
Contingencies	<u>338,360</u>	<u>163,403</u>	<u>501,763</u>
<b>Total</b>	<b>\$4,947,500</b>	<b>\$1,252,500</b>	<b>\$6,200,000</b>

ADOT and DPS have combined their projects into one bid to take advantage of economies of scale. Bids are due on August 15, 2000 and ADOT and DPS anticipate having the project contract awarded by September 1, 2000. Should bids come in below appropriated amounts, both ADOT and DPS may add alternate bid items to the scope of the project. These additional items primarily involve site improvements such as fencing, parking and additional work space (see agency submissions for list of alternate bid items).

Even though bids for the project have not been received, the JLBC Staff is recommending a favorable review so the contract can be awarded as soon as possible and construction may begin before the winter weather arrives in the area. The JLBC Staff further recommends that ADOT and DPS report back to the Committee in writing on the project costs after the project contract has been awarded.

RS:LM:jb

STATE OF ARIZONA

Joint Committee on Capital Review

STATE  
SENATE

RANDALL GNANT  
CHAIRMAN 1999  
GUS ARZBERGER  
RUSSELL W. "RUSTY" BOWERS  
JACK A. BROWN  
TOM SMITH  
RUTH SOLOMON  
JOHN WETTAW

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

<http://www.azleg.state.az.us/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

BOB BURNS  
CHAIRMAN 2000  
DEAN COOLEY  
LORI S. DANIELS  
KAREN S. JOHNSON  
BOB MCLENDON  
ANDY NICHOLS  
CHRISTINE WEASON

DATE: August 8, 2000

TO: Representative Bob Burns, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Senior Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION - REPORT ON ACTIVE OFFICE  
LEASE COSTS

**Request**

The Arizona Department of Administration (ADOA) is submitting the FY 2000 report of new office leases that exceeded \$16.50 per square foot. ADOA also reports that the Lease Cost Review Board (LCRB) has estimated the average per square foot cost for leasing privately owned space in FY 2002 and FY 2003 will be \$17.70 and \$18.25, respectively.

**Recommendation**

This item is for information only and no Committee action is required. Of the 106 leases approved by ADOA in FY 2000, 31 exceeded the \$16.50 per square foot estimate for private office space.

**Analysis**

Pursuant to A.R.S. § 41-792, the Director of ADOA and the LCRB are required to report on a biennial basis, all leases approved during the prior two fiscal years which exceeded the estimated average square foot cost for privately owned space. The Committee received the FY 1999 Active Office Lease Cost report at its September 1999 meeting (see memo and report behind agency submission). For FY 2000, the estimated average square foot cost was \$16.50. The report indicates that 31 leases approved in FY 2000 exceeded \$16.50 per square foot. Each of these leases is shown on the agency submission.

In FY 2000, ADOA approved a total of 106 leases. Of this total, the 31 mentioned above (29%) exceeded \$16.50. Altogether, there are 361 active leases that have been approved by ADOA. Of these, 62 leases (17%) exceed \$16.50. The 361 leases represent 2,746,668 square feet of space and \$39,657,815 in annual lease payments (\$14.44 per square foot).

(Continued)

The 31 leases exceeding \$16.50 generally reflect the lack of available space in non-metropolitan areas, the increasing cost of space in metropolitan areas, or the special terms of the lease. The following lists the 7 highest per square foot lease costs approved in FY 2000:

<b>Agency</b>	<b>Location</b>	<b>Cost</b>
Citizens Clean Elections Commission	Phoenix	\$35.20/sq. ft.
Department of Economic Security	Payson	\$25.34/sq. ft.
Department of Economic Security	Phoenix	\$22.27/sq. ft.
Department of Economic Security	Phoenix	\$21.69/sq. ft.
Department of Gaming	Flagstaff	\$21.30/sq. ft.
Department of Juvenile Corrections	Florence	\$20.50/sq. ft.
Department of Economic Security	Phoenix	\$20.30/sq. ft.

RS:LM:jb

STATE OF ARIZONA

Joint Committee on Capital Review

STATE  
SENATE

RANDALL GNANT  
CHAIRMAN 1999  
GUS ARZBERGER  
RUSSELL W. "RUSTY" BOWERS  
JACK A. BROWN  
TOM SMITH  
RUTH SOLOMON  
JOHN WETTAW

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

<http://www.azleg.state.az.us/jbc.htm>

HOUSE OF  
REPRESENTATIVES

BOB BURNS  
CHAIRMAN 2000  
DEAN COOLEY  
LORI S. DANIELS  
KAREN S. JOHNSON  
BOB MCLENDON  
ANDY NICHOLS  
CHRISTINE WEASON

DATE: August 3, 2000

TO: Representative Bob Burns, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Gina Guarascio, Fiscal Analyst

SUBJECT: DEPARTMENT OF HEALTH SERVICES/ARIZONA DEPARTMENT OF  
ADMINISTRATION - REPORT ON ARIZONA STATE HOSPITAL  
CONSTRUCTION PROJECT

### **Request**

Pursuant to Laws 2000, Chapter 1 the Arizona Department of Administration (ADOA) and the Department of Health Services (DHS) are providing a quarterly status report on the Arizona State Hospital (ASH) demolition and construction project.

### **Recommendation**

This report is for information only and no Committee action is required. The ASH project is currently on schedule with expected occupancy of the new civil hospital and adolescent facility in 2003.

### **Analysis**

#### Background

Laws 2000, Chapter 1 appropriated \$20,000,000 a year over 4 years from the Budget Stabilization Fund (BSF) for the demolition, renovation and construction of the Arizona State Hospital. Chapter 1 requires that the BSF be repaid from tobacco settlement monies received by the state. ADOA is to use the appropriations to provide at least 176 new civil beds at ASH, and to renovate and expand existing facilities to address physical plant needs for civil and forensic populations, an adolescent unit, and sexually violent offenders.

The project is subject to review by the JCCR, including review of the request for proposals, and review of the entire plan before construction begins. ADOA and DHS are required to report at the end of each quarter to the Committee on the status of the Arizona State Hospital project. This report represents the second of these quarterly reports.

(Continued)

Progress

During the quarter, ADOA received responses to Phase 1 of the Request for Proposal (RFP) process. Phase 1 involved the request for submissions detailing qualifications from design-build teams for construction of the new civil hospital and adolescent facility. From these submissions, ADOA developed a list of the three most qualified teams, and has now issued Phase 2 of the RFP (based on fixed price/best quality criteria) to those three teams. JCCR will review the RFP in greater detail at its September meeting. Responses to the RFP are due from bidders on November 6, 2000.

Design is currently underway for the use of Birch Hall for the Least Restrictive Alternative (LRA) program for the Sexually Violent Persons (SVP) population. At the last meeting, JCCR favorably reviewed beginning the design process for the conversion of Birch Hall for use by the LRA program. The Alamo facility at the north end of ASH currently houses the LRA program. However, Alamo is within the proposed area of the new civil hospital and will likely be demolished. Birch Hall currently houses Family Health personnel, but will move these personnel to new offices by October 2000.

Excavation has begun on Phase 3 of the Arizona Community Protection Treatment Center. The two 60-bed buildings will be completed sequentially, with expected completion by August 2001. This will bring the total number of beds available for the SVP program to 240. The SVP program currently has a population of approximately 120 and is averaging a monthly growth of 5.

ADOA has completed design of the demolition plan at the new hospital site, and demolition of several unoccupied buildings is scheduled for late July. Design of the tunnel and utility re-routing is on schedule, and the evaluation of the central power plant is complete. As expected, the evaluation revealed necessary ungrading and repairs. JCCR favorably reviewed an expenditure plan to fund these infrastructure repairs at its last meeting. Asbestos abatement of unoccupied buildings is scheduled to be complete in August.

RS:GG:jb  
Attachment

STATE OF ARIZONA

Joint Committee on Capital Review

STATE  
SENATE

RANDALL GNANT  
CHAIRMAN 1999  
GUS ARZBERGER  
RUSSELL W. "RUSTY" BOWERS  
JACK A. BROWN  
TOM SMITH  
RUTH SOLOMON  
JOHN WETTAW

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

<http://www.azleg.state.az.us/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

BOB BURNS  
CHAIRMAN 2000  
DEAN COOLEY  
LORI S. DANIELS  
KAREN S. JOHNSON  
BOB MCLENDON  
ANDY NICHOLS  
CHRISTINE WEASON

DATE: August 3, 2000

TO: Representative Bob Burns, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Chris Earnest, Senior Fiscal Analyst

SUBJECT: ARIZONA STATE PARKS – REPORT ON STATUS OF DEVELOPMENT  
PROJECTS AT STATE PARKS

### Request

At its May 2000 meeting, the Committee requested a report on the status of development at all state parks. Pursuant to this request, State Parks is providing information on their development priorities from their Capital Improvement Program request for FY 2002 and FY 2003.

### Recommendation

This item is for information only and no Committee action is required. State Parks has provided information on 21 projects at various state parks.

### Analysis

The information submitted by Parks staff (attached) lists and prioritizes 21 capital development projects at various state parks. These projects, which are planned for FY 2002 and FY 2003, have a total estimated cost of \$16,210,000. The primary funding sources for the projects are the Arizona Heritage Fund and the State Lake Improvement Fund (SLIF). The projects include:

- Tonto Natural Bridge: Improvements at this state park include the design and construction of a wastewater treatment facility, modifications to the historic lodge, an improved fire suppression system, construction of 2 restroom buildings, and various trail and site improvements. Estimated cost of these improvements is \$1.65 million from the Heritage Fund and \$150,000 the General Fund. Proposed funding from the General Fund will be reviewed by JLBC Staff in developing the FY 2002 and FY 2003 Capital Outlay budget.
- Kartchner Caverns: As reviewed by the Committee in May, this project is the completion of the lower caverns, estimated to cost \$2 million from the State Parks Enhancement Fund (SPEF).

(Continued)

- Slide Rock: This project includes the construction of a visitor center and wastewater treatment plant. Estimated cost is \$2 million from SPEF. Because A.R.S. § 41-511.11 requires JCCR to approve capital expenditures from SPEF, State Parks will need to present additional information to the committee prior to initiating this project.
- San Rafael: In 1999, State Parks acquired a conservation easement to the San Rafael Ranch in southern Arizona. It is intended that the main ranch house be used as a visitor and interpretation center. Parks Staff estimate \$250,000 from the Heritage Fund is necessary to assess, design, and renovate the house.
- Various Parks: Additional work is needed to bring several parks into compliance with the American's with Disabilities Act and with Department of Environmental Quality water and wastewater standards. The estimated cost of these projects is \$700,000 from the Heritage Fund and SLIF.

The attached material provides additional detail on each project.

RS:CE:jb  
Attachment

STATE OF ARIZONA

Joint Committee on Capital Review

STATE  
SENATE

RANDALL GNANT  
CHAIRMAN 1999  
GUS ARZBERGER  
RUSSELL W. "RUSTY" BOWERS  
JACK A. BROWN  
TOM SMITH  
RUTH SOLOMON  
JOHN WETTAW

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

<http://www.azleg.state.az.us/jlbc.htm>

HOUSE OF  
REPRESENTATIVES

BOB BURNS  
CHAIRMAN 2000  
DEAN COOLEY  
LORI S. DANIELS  
KAREN S. JOHNSON  
BOB MCLENDON  
ANDY NICHOLS  
CHRISTINE WEASON

DATE: August 3, 2000

TO: Representative Bob Burns, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Senior Fiscal Analyst

SUBJECT: ARIZONA STATE UNIVERSITY - REPORT ON REVISED COST FOR RESIDENCE  
HALL BOND PROJECT

### Request

Arizona State University (ASU) is submitting a report on the revised cost estimate for a residence hall bond project.

### Recommendation

This item is for information only and no Committee action is required. The cost of the project is \$400,000 higher than previously estimated. The increased cost will be covered with Residential Life Plant Fund Reserves.

### Analysis

At its March 2000 meeting, the Committee approved the issuance of \$7,000,000 in auxiliary revenue bonds to construct residential additions that will provide 250 new beds in the central part of the ASU-Main Campus. Residential Life Plant Fund Reserves (non-appropriated funds) in the amount of \$1,200,000 were also committed to the project.

ASU has received bids for the project and reports that an additional \$400,000 will be required from Residential Life Plant Fund Reserves. The total project cost is now estimated to be \$8,600,000 with \$7,000,000 generated from auxiliary bonds and \$1,600,000 committed from Residential Life Plant Fund Reserves. Both the bond debt service and the Residential Life Plant Fund will be funded with revenues generated from the operation of ASU residence halls. This is a self-supporting program.

The attached material contains detail on the project components and estimated costs.

RS:LM:jb