



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DON SHOOTER
CHAIRMAN 2015
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STEVE FARLEY
GAIL GRIFFIN
KATIE HOBBS
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HOUSE OF
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ANDREW C. SHERWOOD
DAVID STEVENS

MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

June 18, 2015

The Chairman called the meeting to order at 3:19 p.m., Thursday, June 18, 2015 in House Hearing Room

4. The following were present:

Members:	Senator Shooter, Chairman Senator Griffin Senator Hobbs Senator Kavanagh Senator Yarbrough	Representative Olson, Vice-Chairman Representative Alston Representative Meyer Representative Montenegro
Absent:	Senator Cajero Bedford Senator Farley	Representative Gray Representative Sherwood Representative Stevens

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of April 1, 2015, Chairman Don Shooter stated that the minutes would stand approved.

STATE DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2016 Building Renewal Allocation Plan.

Ms. Micaela Larkin, JLBC Staff, stated ADC is requesting review of expenditure plans for building renewal monies. The JLBC Staff presented options to the Committee.

Representative Olson moved that the Committee give a favorable review to ADC's \$5,464,300 FY 2016 Building Renewal Allocation Plan, which primarily funds the replacement of obsolete locking and control systems, structural and electrical repairs, project design and needs assessment, and the replacement of water tanks at Arizona State Prison Complex (ASPC) - Yuma (See Table 1). The favorable review includes the following provision:

(Continued)

<u>Structural Repairs</u>	
Structural Repairs - Florence/Central Unit	\$1,490,000
Ductwork Replacement - Lewis	<u>840,000</u>
<i>Subtotal</i>	<i>\$2,330,000</i>
<u>Locking & Control Systems</u>	
Locking Systems - Eyman/Special Management Unit	\$1,200,000
Control Panel Replacement - Eyman/Meadows	<u>480,000</u>
<i>Subtotal</i>	<i>\$1,680,000</i>
<u>Equipment Replacement</u>	
Water Tank Replacement - Yuma	\$ 850,000
Electrical Loop Upgrade - Douglas	<u>314,300</u>
<i>Subtotal</i>	<i>\$1,164,300</i>
<u>Project Design & Needs Assessment</u>	
Fire Alarm Design - Correctional Officers Training Academy	\$ 150,000
Structural Needs Survey	<u>140,000</u>
<i>Subtotal</i>	<i>\$ 290,000</i>
Building Renewal Subtotal	\$5,464,300
Contingency	<u>\$ 0</u>
TOTAL	\$5,464,300

- A. ADC shall report any change in the building renewal spending plan to the JLBC Staff, including reallocations between projects. If there is significant change of scope in the reallocation reported by ADC, the JLBC Staff shall recommend ADC request Committee review of the reallocation.

The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of FY 2015 Building Renewal Allocation Plan.

Ms. Rebecca Perrera, JLBC Staff, stated ADOA is requesting review of expenditure plans for FY 2015 building renewal monies prior to expenditure. The JLBC Staff presented options to the Committee.

Representative Olson moved that the Committee give a favorable review to ADOA's FY 2015 \$1,200,000 Building Renewal Allocation Plan to be allocated to Fire and Life Safety projects at the Arizona Department of Juvenile Corrections with the following provision:

- A. ADOA shall report any change in the building renewal spending plan to the JLBC Staff, including reallocations between projects and non-emergency use of contingency monies. If there is significant change of scope in the reallocation reported by ADOA, the JLBC Staff shall recommend ADOA to request Committee review of the reallocation.

The motion carried.

(Continued)

ARIZONA DEPARTMENT OF ADMINISTRATION - Review of FY 2016 Building Renewal Allocation Plan.

Ms. Rebecca Perrera, JLBC Staff, stated ADOA is requesting review of expenditure plans for FY 2016 building renewal monies prior to expenditure. The JLBC Staff presented options to the Committee.

Representative Olson moved that the Committee give a favorable review to ADOA's FY 2016 \$14,000,000 Building Renewal Allocation Plan with the following provisions:

- A. *ADOA shall report any change in the building renewal spending plan to the JLBC Staff, including reallocations between projects and non-emergency use of contingency monies. If there is significant change of scope in the reallocation reported by ADOA, the JLBC Staff shall recommend ADOA to request Committee review of the reallocation.*
- B. *The distribution of the emergency contingency allocation of \$542,000 be addressed as follows:*
 - 1. *ADOA notify the Chairman and the JLBC Staff that they plan to spend less than \$50,000 on an emergency project. ADOA can proceed without Committee review.*
 - 2. *If the emergency project is \$50,000 or greater, ADOA will request JCCR review.*
 - 3. *The Chairman can allow ADOA to move forward with an emergency project of greater than \$50,000 without Committee review.*
 - 4. *The Chairman will notify ADOA if he does not agree that the project is an emergency and will request that ADOA not proceed with the project.*

An "emergency" project is defined as unforeseen, critical in nature, and of immediate time sensitivity.

- C. *If ADOA adds a new non-emergency project not listed in this request, the department must submit the proposed project and expenditure plan for Committee review.*
- D. *ADOA shall submit to JLBC Staff by December 31, 2015 an analysis of the status of the state's fire alarm systems, along with the anticipated need, cost, and timeline for the upgrade and/or replacement of systems.*

The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Lease-Purchase Refinancing.

Mr. Josh Hope, JLBC Staff, stated that A.R.S. § 41-791.02 requires the Committee to review and approve ADOA's lease-purchase agreement before the agreement takes effect. The JLBC Staff presented options to the Committee.

Representative Olson moved that the Committee give a favorable review and approval to ADOA's refinancing of 2 long-term financing agreements: 1) a Privatized Lease-to-Own (PLTO) agreement from 2005 (the Capitol Mall Project) and 2) a lease-purchase agreement that was issued in 2008 to fund

(Continued)

additional ADC prison beds and upgrade Arizona State Hospital (ASH) infrastructure. The favorable review includes the provision that ADOA is to submit a final debt service schedule associated with the refinancing agreement. The motion carried.

SCHOOL FACILITIES BOARD (SFB) - Review of Lease-Purchase Refinancing.

Mr. Josh Hope, JLBC Staff, stated SFB is requesting review of a refinancing agreement during FY 2016 that reduces the board’s lease-purchase payments by a combined total of at least \$7,000,000 during FY 2016 through FY 2024. The JLBC Staff presented options to the Committee.

Representative Olson moved that the Committee give a favorable review of the refinancing agreement proposed by SFB. The favorable review includes the provision that SFB is to submit a final debt service schedule associated with the refinancing agreement along with a revised version of SFB’s total debt service schedule after the refinancing agreement. The motion carried.

ARIZONA STATE UNIVERSITY (ASU) - Review of Building Renewal and Renovation Projects.

Mr. Art Smith, JLBC Staff, stated ASU is requesting review of a university project financed with revenue bonds. The JLBC Staff presented options to the Committee.

Ms. Joanne Wamsley, Vice President Finance & Deputy Treasurer, Financial Services, ASU, responded to member questions.

Representative Olson moved that the Committee give a favorable review of \$37,000,000 in system revenue bond issuances to fund 3 building renewal and other renovation projects (See Table 2). The bond debt service would be paid from tuition. The favorable review includes the following provisions:

Standard University Financing Provisions

- A. A favorable review by the Committee does not constitute an endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.
- B. ASU shall provide the final debt service schedules for the projects as soon as they are available.

The motion carried.

Table 2				
ASU System Revenue Bond Projects				
Project	Total Cost ^{1/}	Direct Cost	Sq. Ft.	Direct Cost/ Sq. Ft.
Research Laboratory Renovations – All Campuses	\$10,000,000	\$ 6,787,000	25,000	\$271
Classroom Renovations – All Campuses	10,000,000	6,787,800	50,000	136
Building Renewal and Campus Infrastructure – All Campuses	<u>17,000,000</u>	<u>14,802,400</u>	<u>N/A</u>	<u>N/A</u>
Total	\$37,000,000	\$28,377,200	75,000	--

^{1/} These amounts do not include issuance costs.

ARIZONA STATE UNIVERSITY/NORTHERN ARIZONA UNIVERSITY (NAU) - Review of Housing Indirect Financing Projects.

Mr. Art Smith, JLBC Staff, stated ASU and NAU are requesting review of university projects using indirect debt financing (also known as third party financing). The JLBC Staff presented options to the Committee.

Representative Olson moved that the Committee give a favorable review of ASU's ground lease for one 1,600-bed residence hall at its Tempe Campus for a total of \$115,000,000 and NAU's second addendum to the ground lease agreements for one 620-bed additional residence hall with an adjacent parking garage on the Flagstaff campus for a total of \$55,000,000. The proposed NAU parking garage project will contain 690 spaces. The favorable reviews include the following provision:

- A. *A favorable review does not constitute an endorsement of any level of General Fund appropriations for operating expenses.*

The motion carried.

ARIZONA STATE PARKS BOARD (SPB) - Review of FY 2016 State Parks Revenue Fund and State Lake Improvement Fund Capital Expenditures.

Mr. Art Smith, JLBC Staff, stated SPB is requesting review of FY 2016 capital projects totaling \$3.8 million from the State Lake Improvement Fund (SLIF) and the State Parks Revenue Fund (SPRF), which includes appropriations from FY 2015 and FY 2016. Of that amount, \$2.5 million would be for new construction and \$1.3 million would be used for building renewal. The JLBC Staff presented options to the Committee.

Mr. Kelly Moffitt, Chief of Operations, SPB, responded to member questions.

Representative Olson moved that the Committee give a favorable review of the Arizona State Parks Board's \$3,800,000 expenditure plan for FY 2016 capital projects. Of that amount, \$2,480,000 would be used for new construction and \$1,320,000 would be used for building renewal (See Table 3). The favorable review included the following provisions:

- A. *The State Parks Board shall report any change in the capital spending plan to the JLBC Staff, including reallocations between projects. If there is a project reallocation greater than \$100,000, the JLBC Staff shall recommend the State Parks Board request Committee review of the reallocation.*
- B. *If the State Parks Board adds a new project not listed in this request, the board must submit the proposed project and expenditure plan for Committee review.*

The motion carried.

Table 3

FY 2016 Arizona State Parks Capital Projects

<u>New Construction</u>	<u>SPRF</u>	<u>SLIF</u>	<u>Federal LWCF 1/</u>	<u>Total</u>
Restroom Shower Buildings	\$450,000	\$175,000	\$625,000	\$1,250,000
Cattail Cove - Sandpoint Facility	0	500,000	0	500,000
Lake Havasu - Launch Ramp Parking and Beach Area	0	450,000	0	450,000
Visitor Cabins	180,000	120,000	0	300,000
Boating Parks - Group Ramadas	0	175,000	0	175,000
Roper Lake - Wastewater Treatment Upgrades	175,000			175,000
Alamo Lake - Water and Wastewater Upgrades		105,000		105,000
Multiple Parks - Wireless Upgrades	25,000	75,000		100,000
Fort Verde - Horse Stables and Host Sites with Utilities	50,000	0	0	50,000
Subtotal - New Construction	\$880,000	\$1,600,000	\$625,000	\$3,105,000
<u>Building Renewal</u>				
Kartchner Caverns - Multiple Projects	\$570,000	\$0	\$0	\$570,000
Lake Havasu, Catalina and Roper Lake - Ranger Residences	300,000	0	0	300,000
Rockin' River Ranch - Caretaker Camp Sites and Entrance Road	125,000	0	0	125,000
Dead Horse - New Showers for Restroom Building	100,000	0	0	100,000
Jerome, Riordan Mansion and Fort Verde - Fire Suppression and Alarm Upgrades	100,000	0	0	100,000
Buckskin - Potable Water System	75,000	0	0	75,000
Slide Rock - New Roofs on Historic Buildings	50,000	0	0	50,000
Subtotal - Building Renewal	\$1,320,000	\$0	\$0	\$1,320,000
Totals	\$2,200,000	\$1,600,000	\$625,000	\$4,425,000

1/ JCCR review is not required for Federal LWCF expenditures.
 2/ Of the \$4.4 million, \$3.8 million requires JCCR review for SPRF and SLIF expenditures.

ARIZONA EXPOSITION AND STATE FAIR BOARD - Review of Cattle Barn Wall Repairs.

Mr. Steve Grunig, JLBC Staff, stated that the Arizona Exposition and State Fair Board is requesting review of the scope, purpose and estimated cost of \$225,000 for capital improvements. The JLBC Staff presented options to the Committee.

Ms. Wanell Costello, Executive Director, Arizona Exposition and State Fair Board, responded to member questions.

Representative Olson moved that the Committee give a favorable review of the Arizona Exposition and State Fair Board's Cattle Barn wall repairs with a total cost of \$225,000 in FY 2016. The motion carried.

DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS (DEMA) - Review of Proposed Expenditures from the Military Installation Fund.

Mr. Eric Billings, JLBC Staff, stated DEMA is requesting review of their plan to expend \$2,894,800 from the Military Installation Fund for 2 land purchases and 1 easement near existing military facilities. The JLBC Staff presented options to the Committee.

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Mr. Travis Schulte, Legislative Liaison, Military Installation Fund Program Manager, DEMA, responded to member questions.

Representative Olson moved that the Committee give a favorable review to DEMA's plan to expend \$2,894,800 from the Military Installation Fund for 2 land purchases and 1 easement acquisition near existing military facilities. These expenditures would be funded with existing monies in the fund.

- *\$773,300 to purchase a 27.62-acre land parcel which is 0.25 miles northwest of Luke Air Force Base Auxiliary Field near Surprise.*
- *\$843,750 to purchase a 33.75-acre land parcel which is 1.42 miles southeast of Davis-Monthan Air Force Base in Tucson.*
- *\$1,277,750 to acquire easement rights to a 54-acre parcel which is 0.15 miles southwest of Luke Air Force Base in Glendale. The easement would prohibit the land owner from engaging in any act that could hinder air traffic over the property and prevents any further development of the land.*

The motion carried.

Without objection, the meeting adjourned at 3:54 p.m.

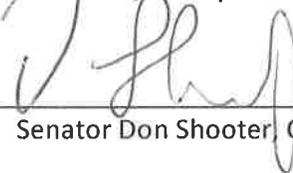
Respectfully submitted:



Kristy Paddack, Secretary



Jack Brown, Principal Fiscal Analyst



Senator Don Shooter, Chairman