STATE OF ARIZONA

# Joint Committee on Capital Review

STATE SENATE

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HOUSE OF REPRESENTATIVES

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BOB MCLENDON
ANDY NICHOLS
CHRISTINE WEASON

## MEETING NOTICE

DATE: Thursday, June 22, 2000

TIME: 8:00 a.m.

PLACE: HOUSE HEARING ROOM 4

## TENTATIVE AGENDA

- Call to Order
- Approval of Minutes of May 16, 2000.
- DIRECTOR'S REPORT (if necessary).

1. ARIZONA DEPARTMENT OF ADMINISTRATION -
   A. Review of FY 2001 Building Renewal Allocation Plan.
   B. Review of Risk Management Capital Construction Insurance Rates.
   C. Review of Lease-to-Own Transaction for Capitol Mall Office Buildings.
2. DEPARTMENT OF HEALTH SERVICES/ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Expenditure Plans and Design Services at the Arizona State Hospital Construction Project.
3. ARIZONA DEPARTMENT OF CORRECTIONS/ARIZONA DEPARTMENT OF ADMINISTRATION - Review of New Southern Regional Prison Complex at Tucson and Possible Alternatives.
4. ARIZONA PIONEERS' HOME/ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Scope, Purpose and Estimated Cost of Fire Escape.
5. ARIZONA BOARD OF REGENTS/UNIVERSITIES -
   A. Review of Revised Multi-Year Bonding Plan for Northern Arizona University.
   B. Consider Approval of Arizona State University Infrastructure Improvements Bond Project.
   C. Reports on Arizona State University Bond Project and University of Arizona Lease-Purchase Project. (Information Only)
6. ARIZONA DEPARTMENT OF TRANSPORTATION -
   A. Review of FY 2001 Construction Budget Operating Expenditure Plan.
   B. Consider Approval of Land Purchases and Review of Scope, Purpose, and Estimated Cost of ADOT Projects.
   C. Review of Scope, Purpose, and Estimated Cost of Spreader Rack Replacement Project.
   D. Review of Release of Funds for Design of a Regional Transportation Center at Pioneer Park in Prescott.
7. ARIZONA STATE PARKS - Report on Status of Development Projects at State Parks.

The Chairman reserves the right to set the order of the agenda.

June 19, 2000

**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.**

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# Joint Committee on Capital Review

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HOUSE OF REPRESENTATIVES



## MINUTES OF THE MEETING
## JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, May 16, 2000

The Chairman called the meeting to order at 1:30 p.m. Tuesday, May 16, 2000, in House Hearing Room 4 and attendance was noted.

| | | |
|---|---|---|
| Members: | Representative Burns, Chairman | Senator Gnant, Vice-Chairman |
| | Representative Cooley | Senator Arzberger |
| | Representative Johnson | Senator Bowers |
| | Representative McLendon | Senator Brown |
| | Representative Weason | Senator Smith |
| | | Senator Solomon |
| Absent: | Representative Daniels | Senator Wettaw |
| | Representative Nichols | |
| Staff: | Richard Stavneak | Jan Belisle, Secretary |
| | Brad Regens | Adele Garcia |
| | Gina Guarascio | Chris Earnest |
| | Jennifer Vermeer | Paul Shannon |
| | Lorenzo Martinez | |
| Others: | Bruce Ringwald, ADOA | David Watkins, Architect |
| | Mark Siegwarth, Parks | Blake Anderson, ASU |
| | Jay Ziemann, Parks | Mernoy Harrison, ASU |
| | Renee Bahl, Parks | Bill Greeney, OSPB |
| | Jay Ream, Parks | Scott Smith, ADOA |
| | | John Hallahan, DOC |

**APPROVAL OF MINUTES**

Representative Burns asked for corrections or additions to the minutes of March 22, 2000. Hearing none, the minutes were approved as presented.

**DEPARTMENT OF HEALTH SERVICES/ARIZONA DEPARTMENT OF ADMINISTRATION —Reports on Arizona State Hospital Construction Project.**

Gina Guarascio, JLBC Staff presented the first quarterly report on the progress of the Arizona State Hospital (ASH) demolition and construction project. Major steps taken on the construction project this quarter include the appointment of the Arizona State Hospital Construction Commission. The Commission has scheduled its first meeting for May 25, 2000. Further, Arizona Department of Arizona (ADOA) and Department of Health Services (DHS) have negotiated contracts for the design of plans to demolish buildings, re-route utilities and abandon tunnels. An asbestos survey is also underway.

Representative Weason requested a copy of the asbestos survey when it is completed.

Ms. Guarascio also presented ADOA's report on its proposed use of a design-build procurement method for the ASH project. The design-build method would involve bidding the design and the construction of the project at the same time. Design-build teams would bid on the project Ms. Guarascio made several corrections to the memo given to JCCR members. Rather than a 0.02% stipend, the memo should state that 0.2% of the contract amount would be guaranteed to the 2 design-build teams that bid for the project and are not selected. Rather than basing the stipend calculation on $80 million, ADOA is proposing the calculation be based on $60 million ($30 million for each of the losing bidders) for a total combined stipend payment to the two losing bidders of $120,000.

Senator Smith asked what was the timeline on the project. Bruce Ringwald, ADOA/Construction Services, stated it would take approximately 2 years to complete the civil hospital, which has 13 parts to the project with a cost of $30,000,000. Mr. Ringwald further clarified that based on the response to a request for qualifications, 3 design-build teams will be invited to present a design and construction proposal for the $30,000,000 civil hospital. Two of the teams that are unsuccessful will be paid a stipend of $60,000,000 each.

Committee action was not required.

**Report on FY 2000 and FY 2001 Southern Arizona Mental Health Center Building Renewal Allocation Plans.**

Gina Guarascio, JLBC Staff, presented the report on the FY 2000 and FY 2001 Southern Arizona Mental Health Center Building Renewal allocation plans.

*Senator Gnant moved that the Committee give a favorable review to the FY 2001 building renewal allocation plan.* The motion carried.

**DEPARTMENT OF CORRECTIONS/ARIZONA DEPARTMENT OF ADMINISTRATION — Review Infrastructure Construction for New Southern Regional Prison Complex at Tucson.**

Brad Regens, JLBC Staff, gave an overview of the Arizona Department of Administration's (ADOA) request for review of the infrastructure construction for the New Southern Regional Prison Complex at Tucson. Specifically, ADOA is requesting the release of $17,000,000 to extend the road, utilities, water system and drilling wells, grade the site and construct area fencing. The Department of Corrections (DOC) operating budget was based on a monthly growth of 132 inmates. Year-to-date for FY 2000, growth has been 12 new inmates per month. The Executive is concerned that federal environmental requirements could change prior to the need to begin construction. As a result, ADOA would like to begin some construction, which they believe will enable them to be grandfathered into the current environmental guidelines. Of the $17,000,000, approximately $10,000,000 has already been spent to design the new Tucson prison complex. Mr. Regens pointed out that the Tucson design is different than the prototypical Lewis design and referred to the memorandum from OSPB regarding anticipated cost savings from the new design. The JLBC Staff has not had a chance to review the methodology behind the anticipated savings.

The JLBC Staff recommends a favorable review of the request and also recommends that the Committee request that ADOA not initiate construction of any permanent buildings until coming before the Committee for review.

Representative Weason commented on prison operations in China. Representative Weason asked for detail on the cost savings resulting from the design modifications. Mr. Regens stated that ADOA estimated overall cost savings could range between $5,000,000 and $10,0000,000.

In response to Representative Weason, Mr. Regens stated that ADOA and DOC reviewed prison designs from other public and private entities. After their review, they felt a larger unit design for 1,100 beds instead of the prototypical 800 bed unit would save construction money as well as operating money. JLBC Staff has not received the methodology on how the cost savings were derived.

The completed Lewis complex has 4,150 beds. DOC is funded for the operation of all 4,150 beds. However, because of staffing shortages, DOC has only opened approximately 2,100 beds. There are approximately 2,000 beds at Lewis that are built and funded but not operational.

ADOA received two appropriations for the Tucson complex. The first was for site location and acquisition. The second was to design and construct the complex. The state has initiated condemnation proceedings and taken possession of the property; however, a final price has not been determined. The property owner is currently conducting their assessment of the property.

The requested amount also includes $1,000,000 for Project Support to fund ADOA personnel to oversee construction and DOC personnel to oversee inmates.

In reply to Representative Cooley, Mr. Regens stated available federal funds for prison construction can be expended through FY 2003.

In response to questions, Bruce Ringwald stated that the estimated additional cost from not using the prototypical design was approximately $3,000,000. The construction savings resulting from the new design are estimated to be between $5,000,000 and $10,000,000. There is no grandfathering on environmental permits until construction is started. The laundry facilities at the existing Tucson complex are only at 50-65% capacity. Both the existing and new Tucson complexes will use the same laundry facilities. State employees and inmates operate the laundry facilities.

A central kitchen is used to prepare most of the food for a complex. A majority of the food is prepared in bulk and frozen for later use. Smaller "hot" kitchens located at each unit are used to reheat meals prior to serving.

The Vehicle Maintenance Building supports a substantial number of vehicles including trolleys. Trolleys are used for transportation of individuals to areas of a complex and to control movement within a complex. The vehicles need to be serviced and the inmates are part of the servicing program.

John Hallahan, Department of Corrections stated that from an operation standpoint, all individuals are checked in through a central checkpoint to make operations more controlled.

Representative Weason mentioned that she plans to visit a prison complex to see how far the units are apart and how difficult it is to walk in the hot weather.

Mr. Hallahan mentioned that the department also did a study on centralizing pharmacy distribution and acquiring the ability to package medications centrally. The economies of scale would make medication distribution much cheaper.

David Watkins, architect said the average square footage per inmate ranges up to 150 square feet per inmate. In the changes that were made there was a considerable amount of reduced square footage. The figures for dormitories were not available at the time.

Representative Weason requested information on the comparison of K-12 square footage per student with square footage per inmate.

Representative Weason asked why the Lewis prototype design was not used. Representative Burns stated that there would be a lower cost in the construction and operations with the new design.

Senator Solomon questioned the need for a new prison and noted that she has visited prisons in the state. The inmates do not have luxury accommodations.

The Committee did not take action on the ADOA request for Committee review of the infrastructure construction at the New Southern Regional Prison Complex at Tucson (Tucson II). In addition to holding the agenda item, a subcommittee was created to review the issue. The subcommittee consists of Representative Cooley and Senator Smith as cochairs, and Senator Solomon and Representative Weason. The Committee is to conduct a review of the issue with JLBC Staff and will report at the next JCCR meeting.

**ARIZONA BOARD OF REGENTS —Review Revised Multi-Year Bonding Plan for Arizona State University.**

Lorenzo Martinez, JLBC Staff, presented the Arizona Board of Regents request to review revisions to the Arizona State University (ASU) multi-year bonding plan. The JLBC Staff does recommend a favorable review of the revised plan. Also, any projects in the plan will need to come before the JCCR for approval before any bonds can be issued. ASU currently has allocated to it $100,000,000 in bonding authority and Mr. Martinez referred the Committee to Table 3 which shows the original plan and the revised plan. The bond issuances for three projects have been reduced or eliminated resulting in $27,500,000 that will be reallocated for major building maintenance and infrastructure improvements. Two of the revised projects will be partially or wholly financed with the issuance of Certificates of Participation (COP) also known as lease-purchase agreements. Current statutes do not require legislative oversight over university COP issuances, however, JLBC Staff has requested that the Board of Regents submit any university COP projects to JCCR as informational items. [Board of Regents and Universities have agreed.]

In reply to Representative Johnson, Mr. Martinez stated ASU wanted to free up some of the bond authority to increase the amount available for infrastructure improvements and building maintenance needs. As a result of shifting bond issuances for some projects, financing the remaining projects, namely the learning commons building, and the parking structure will be through the issuance of COPs. One of the requirements of a COP is that payments by the issuer are usually contingent on an appropriation and typically require a higher interest rate than bonds.

Representative Johnson requested a comparison of bonding and lease-purchase financing.

Representative Cooley asked if the universities have an ongoing maintenance fund and whether there is a distinction between building renewal projects and the type of projects in the bonding plan. Mr. Martinez stated that the projects listed under the major building maintenance are significant projects essentially both expanding and renovating existing power plants such the A/C coolers or steam-powered plants. These projects will accommodate some of the new construction on campus. All bonding projects will come before JCCR for approval when the plans are defined, but prior to the issuance of bonds. In addition, building renewal appropriations for the universities must also be reviewed by JCCR.

Mernoy Harrison, ASU Vice Provost mentioned that routine maintenance is generally covered out of the universities operating budget, but for larger projects, the building renewal fund is used. The projects that are in the bonding plan are primarily deferred maintenance projects. The building renewal and operating maintenance funds have been insufficient to maintain the facilities adequately and as a result, there is a significant amount of deferred maintenance. The deferred maintenance for ASU is approximately $46,000,000. The projects that are in the bonding plan are buildings that have been identified as needing major upgrades to the building infrastructure.

*Representative McLendon moved the Committee give a favorable review to the revised multi-year bonding plan for Arizona State University. In addition, consistent with Laws 1996, Chapter 334, any future revisions to the bonding plan shall be reviewed by the Committee prior to the approval of subsequent bonding projects. JLBC Staff also informed the Committee that the Board of Regents submit any university projects financed through the issuance of Certificates of Participation to the Committee as informational items.* The motion carried.

**ARIZONA STATE PARKS —Consider Approval of Additional FY 2000 Enhancement Fund Monies for the Continued Development of Kartchner Caverns State Park and Report on the Status of the Park.**

Chris Earnest, JLBC Staff, presented the Arizona State Parks request for the release of $2,932,900 in FY 2000 State Parks Enhancement Fund monies for the continued development of the lower chamber caverns at Kartchner Caverns State Park. Since the release of the memo, JLBC Staff had several discussions with the State Parks concerning the ongoing construction of the lower cave. In the discussions, JLBC Staff informed Parks that they were not looking for a final or definitive number on the overall cost of the project, but the State Park' s best estimate at that time. The JLBC Staff realize that cave construction is tentative and that through the history of this project many costs have been unforeseeable. State Parks estimates an additional 24 months of work are necessary to complete the lower caverns. The monies being requested is to cover the 24 months of additional work. JLBC Staff has revised its recommendation and is recommending the Committee approve the release of the $2,932,900 for the development of the lower caverns. There may be additional needs for utilities and campground expansions that will not be known until the cave is open. It is estimated that the lower caverns will be completed in November 2003.

In reply to Representative Cooley, Mr. Earnest stated that all of the monies available for acquisition and development throughout the parks system are being used primarily for Kartchner development and have been for the past several years. State Parks also has other fund sources available such as the Heritage Fund and the State Lake Improvement Fund that have been used for some capital projects in other parks.

Representative Cooley requested a report on the status of all state parks including on-going and deferred projects.

In reply to Senator Solomon, Mr. Earnest stated that at the end of April, the revenue estimates for the caverns was approximately $1.8 million and for the full fiscal year it will range between $2.5 and $3 million. Total revenue from all parks is approximately $6.58 million.

Jay Ziemann, Assistant Director, State Parks gave a report on the bats that roost in the cave during the summer months. The common cave bats that come to Kartchner Caverns are most at risk when they begin to give birth. In early September the bats go back to Mexico for the remainder of the year. This year the bats appeared in April. It is unknown when the bats will return to Mexico. Completion of the 24 months of construction required to finish the lower caverns will depend on when the bats depart.

Mr. Ziemann said the Enhancement Fund was created in 1988 when Kartchner Caverns became a possible acquisition for the state. The state did not have the $1.65 million needed to acquire the property. The legislature set up a funding mechanism so the parks could keep the fees that were collected at other parks and use the money to acquire and develop Kartchner Caverns. The Enhancement Fund was originally called the Kartchner Fund. Prior to that all the fees that were collected went into the General Fund. The Heritage Fund monies are no longer needed at Kartchner Caverns. Heritage Fund monies may be used to address some of the needs at other parks.

*Senator Arzberger moved the Committee approve the release of $2,932,900 from the FY 2000 State Parks Enhancement Fund monies for the completion of the lower chamber caverns at Kartchner Caverns State Park.* The motion carried.

The Chairman adjourned the meeting at 2:55 p.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.

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STATE SENATE

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HOUSE OF REPRESENTATIVES



DATE: June 14, 2000

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

THRU: Richard Stavneak, Director

FROM: Rebecca Hecksel, Assistant Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION - REVIEW OF FY 2001 BUILDING RENEWAL ALLOCATION PLAN

**Request**

The Arizona Department of Administration (ADOA) requests Committee review of its FY 2001 Building Renewal allocation plan of $3,682,650.

**Recommendation**

The JLBC Staff recommends a favorable review of the plan. Of the $3,682,650 plan, $1,407,000 is for fire/life safety projects, $190,000 is for Americans with Disabilities Act projects, $956,500 is for roofing and major system repairs, $238,400 is for project management and administration, and $890,750 is placed in reserves. The JLBC Staff further recommends that 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.

**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. A.R.S. § 41-1252 requires JCCR review of the expenditure plan for Building Renewal monies.

(Continued)

Laws 1999, Chapter 2, 1st Special Session appropriated $3,682,900 in FY 2001 from the General Fund ($182,900) and the Capital Outlay Stabilization Fund ($3,500,000) to ADOA for major maintenance of buildings within its building system. The appropriated funding represents 23% of the amount generated by the Building Renewal Formula. The formula was funded at 23% in FY 2000 and 100% in FY 1999.

Consistent with statute and prior year practice, ADOA will employ the following priorities for the expenditure of FY 2001 Building Renewal monies:

1) Fire and life safety projects.
2) Preservation of Asset (primarily roofing).
3) Projects critical to the continued operation of existing programs.

Building Renewal monies will be allocated in the following categories for 20 projects:

| Category | Number of Projects | Dollar Allocation | % of Total |
|---|---|---|---|
| Fire/Life Safety | 7 | $1,407,000 | 38.21% |
| Preservation of Asset | 2 | 90,000 | 2.44% |
| Building System | 9 | 866,500 | 23.53% |
| Americans with Disabilities Act (ADA) | 2 | 190,000 | 5.16% |
| Emergency Reserve/Ongoing Projects | -- | 890,750 | 24.19% |
| ADOA Project Management | -- | 220,000 | 5.97% |
| Risk Management Insurance | -- | 18,400 | 0.50% |
| **TOTAL** | **20** | **$3,682,650** | **100.00%** |

The appropriation allows the allocation of up to $110,000 per year for up to 2 FTE Positions for project management. ADOA has made this allocation for 2 years given the time required to complete some of these projects. For the Committee's information, the following 9 projects require $100,000 or more (the attached material lists the 20 projects in the ADOA allocation plan):

| | |
|---|---|
| Replace Fire Alarm System, DOC-ASPC Winslow | $ 580,000 |
| Replace Door Jambs, Doors, and Locks, Adobe Mt. School | 388,000 |
| Replace Central Heating and Cooling System, DEMA-Headquarters | 215,000 |
| Renovate Air Handlers, 1700 W. Washington | 200,000 |
| Replace Fire Alarm System, 1789 W. Jefferson | 150,000 |
| ADA Modifications-Statewide, DES | 148,500 |
| Replace Fire Alarm System, 1400 N. Congress | 125,000 |
| Replace Cooling Tower, Tucson Capitol Mall | 100,000 |
| Replace Cooling Tower, 2910 N. 44th St. | 100,000 |
| **Subtotal** | **$2,006,500** |

ADOA will allow agencies in the building system 180 days to plan and design their projects and 180 days to complete construction. If these timetables are not met, the monies will be redistributed to other projects in priority order. ADOA may alter the timetable for extenuating circumstances.

RS/RH:ag
Attachment

DATE: June 14, 2000

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

THRU: Richard Stavneak, Director

FROM: Lynne Smith, Senior Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION - REVIEW RISK MANAGEMNT CAPITAL CONSTRUCTION INSURANCE RATES

**Request**

The Arizona Department of Administration (ADOA) requests that the Committee review its proposed rate for the Construction Insurance Fund. ADOA proposes setting the rate at 0% for FY 2001 and will report back to JCCR if a charge is needed for FY 2002.

**Recommendation**

The JLBC Staff recommends that the Committee give a favorable review to the request.

**Analysis**

A.R.S. § 41-622D provides that the ADOA Construction Insurance Fund shall receive monies from each capital construction project at rates established by ADOA and reviewed by the JCCR. Starting in FY 1999, the fund has covered the cost of construction-related losses. The monies cover the cost of purchasing insurance, providing self-insurance, and administering the fund. Prior to FY 1999, the state was held harmless in construction contracts for its own partial negligence (although the state was liable if it was solely negligent). Now the state and its contractors are each responsible for their own portion of any shared negligence. Monies in the fund are non-appropriated and exempt from lapsing. The fund also includes payments from state Owner Controlled Insurance Programs (OCIPs), which are set on a case by case basis to reflect actual costs. OCIPs are "wrap up" policies for projects over $50,000,000, which cover all owner and contractor insurance costs. Where feasible, OCIPS result in reduced costs for the state and the contractor.

(Continued)

The Committee reviewed the initial rate for this fund at the November 13, 1997 meeting. The rate was set at 0.6% of total project costs for each capital project. This was intended to generate $2,500,000 for liability and legal defense (barring a catastrophic loss), plus $150,000 for operating expenditures, $187,500 for excess insurance coverage, and $4,000,000 for the state's "deductible" on the excess insurance policy for a single catastrophic loss. Currently, ADOA projects that, as of the end of FY 2000, the fund will have a cash balance of $8,900,000 and claims for only $2,400,000. The department, therefore, proposes eliminating the charge for FY 2001.

The JLBC Staff concurs with ADOA's estimate that the current fund balance is sufficient and recommends a favorable review of the request. The $8,900,000 balance in the fund is sufficient to cover currently projected costs of $2,600,000 ($2,400,000 in losses, plus $187,500 for administration and purchased insurance), while leaving a buffer against the state's maximum liability of $4,000,000 for a catastrophic loss. If the 0.6% charge were continued in FY 2001, it would generate approximately $2,477,100, including $214,100 from the General Fund. This is based on current capital appropriations of $35,687,500 from the General Fund and $377,170,600 from Other Funds.

LM:SS:ss

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HOUSE OF REPRESENTATIVES



DATE: June 15, 2000

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

THRU: Richard Stavneak, Director

FROM: Lynne Smith, Senior Fiscal Analyst
Lorenzo Martinez, Senior Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION - REVIEW OF LEASE-TO-OWN TRANSACTION FOR CAPITOL MALL OFFICE BUILDINGS

**Request**

The Arizona Department of Administration (ADOA) requests that the Committee review the terms of its proposed contract with a private firm as part of a lease-purchase to design, build, and operate 2 state office buildings on the Capitol Mall.

**Recommendation**

The JLBC Staff recommends that the Committee give a favorable review to the terms of the proposed lease-purchase transaction, with stipulations listed below. This review does not include an anticipated appropriation request of roughly $4,209,500 (net total funds) associated with the project. The appropriation request will be considered by the Legislature as part of the FY 2002/FY 2003 biennial budget. The JLBC recommends:

1. the contract should 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 would also address "backfill" space, which will result when agencies leave existing office space to move into the new buildings. The report would 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. the Committee state its intent that no agency's square footage shall increase as a result of the agency relocations. In the consolidated report, ADOA would report any exceptions to this policy to the Committee for advice and comment.

(Continued)

4. the Committee state its intent that agencies primarily funded from the General Fund be given priority for relocations out of private lease space. In the consolidated report, ADOA would 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. JLBC Staff recommends that the Committee advise against a possible ADOA 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 considerably less than the lease period.

**Analysis**

Laws 2000, Chapter 164 provides that the ADOA Director "…may enter into a lease-to-own transaction with a private entity for the construction, occupancy and ownership by this state of two office buildings located on the Capitol Mall… Any lease-to-own transaction…shall be reviewed by the JCCR before the transaction takes effect."

ADOA has issued a Request for Proposals (RFP) and is negotiating with Opus West Corporation to design, build, and operate 2 state office buildings on state land. Once the JCCR review is complete, ADOA may finalize the contract, allowing Opus West Corporation to proceed with financing and construction. The primary tenants of the new buildings will be the Arizona Department of Environmental Quality (ADEQ) and ADOA. The ADOA building will be located on Adams Street, northeast of the Wesley Bolin Plaza, next to the Mines and Minerals Museum. The ADEQ building will be located on the northwest corner of Washington Street and 10th Avenue. The buildings are described in Table 1.

**Table 1**

| Anchor Tenant | Building Cost | Rentable Sq. Ft. | Parking Structure | Acres | Break Ground | Completion |
|---|---|---|---|---|---|---|
| ADEQ | $45,045,000 | 293,000 | 1,000 cars | 3.70 | January 2001 | March 2002 |
| ADOA | $32,395,000 | 177,038 | 800 cars | 4.72 | April 2001 | July 2002 |

Both buildings would have the following:

- 25 year full service lease (i.e., builder provides maintenance, utilities, and janitorial services).
- 20% hard-wall offices and 80% open-space modular workstations.
- Annual rent costs that include moving, modular furniture and cabling costs and that could include phones.
- Rent costs escalating at approximately 2.5% per year (projected to match market increases), starting at $15.77 per square foot in FY 2002 and ending with $29.28 per square foot in FY 2026. The escalating rent costs include each of the following components:
  - Set amounts for base rent, including annual increases.
  - Adjustable amounts for operation and maintenance costs (negotiated every 4 years), starting at approximately $4.25 per gross square foot. This would generate $2,064,770 annually for each of the first 4 years. (For comparison, we currently budget $4.48 per gross square foot for operations and maintenance in ADOA lease-purchase buildings away from the Capitol Mall.)
  - Adjustable amounts for replacement and renovation costs (i.e., building renewal), starting at $0.60 per square foot and increasing approximately 1% per year to $0.76 per square foot in year 25. This would generate $297,981 the first year and $300,891 the second year. (For comparison, this would provide an annual average of $0.68 per square foot; while the state building renewal formula over the 25-year lease would average out to approximately $1.03 per square foot. The $0.68 per square foot average would therefore equate to 66% of the building renewal formula annual average. We frequently budget less than 100% of the building renewal formula amount.) Any monies in this account accrue interest and belong to the state at the end of the lease.

(Continued)

Since it is not feasible to contract 25 years in advance for operations, maintenance, and renovation costs, these rates are only set for 4 years, after which they are subject to negotiation. We recommend that 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.

Phone Systems

Phone systems for the new buildings could be procured separately or included in the lease costs. ADOA currently is formulating its recommended approach. This might include, for example, a combination of some costs (such as cabling) built into the lease, with other costs (such as telephone handsets) purchased or leased separately. The JLBC Staff recommends that ADOA report back to the Committee on how the phone systems should be obtained. This will help address concerns about the cost of a 25-year lease for a phone system that will not last 25 years. It also will allow technical analysis on 1) whether initial costs not included in the lease should be funded in agency budgets or funded by the ADOA Information Services Division and billed back to agencies and 2) whether an outright purchase, lease, or lease-purchase is most cost effective.

Backfill Space

Under the proposal, ADOA would vacate approximately 137,500 square feet of state-owned space. That space would be "backfilled" by other agencies that currently are housed in private lease space. ADOA's estimate of the amount required to backfill vacated state-owned space is $4,757,100 and is shown in Table 2. These amounts are shown for information only. The JCCR review does not include the anticipated appropriation request associated with the project. The appropriation request will be considered by the Legislature as part of the FY 2002/FY 2003 biennial budget.

| **Table 2** | |
|---|---|
| Renovations ($22.5 per square foot plus 7% architect/engineer fees) | $3,411,200 |
| Modular Workstations | 444,500 |
| Moving Costs | 158,300 |
| Phones, Data, Cabling | 140,000 |
| Other Equipment/Reconnection Charges | 126,700 |
| Project Management (2 years) | 354,000 |
| Contingency | 122,400 |
| Total | $4,757,100 |

The relocation costs in Table 2 include $140,000 for phone systems in the backfill space. This assumes that existing phone switches are adequate. The backfill agencies may require additional or upgraded equipment, but ADOA has not yet determined how it will propose funding this cost. Possibilities include leasing or lease-purchasing equipment, each agency requesting an appropriation for new equipment, or the ADOA Information Services Division purchasing equipment and charging costs back to agencies over time. Again, we recommend that ADOA report its plan as part of the consolidated report.

Table 2 does not include the cost of forgone rent on state-owned space. Approximately 137,500 square feet of state-owned space will be vacant for approximately 6 months while it is renovated for the new occupants. This will result in a loss of rent revenue to the Capital Outlay Stabilization Fund (COSF) of approximately $928,100 in FY 2003. Since ADOA system building renewal typically is funded with all available COSF monies (monies available after funding ADOA General Services' operating) plus General Fund monies, the lost rent will result in either deferred building renewal or increased General Fund costs.

(Continued)

**Table 3**

| **Proposed Costs** | | **Proposed Funding** | |
|---|---|---|---|
| 1st 2 Years Combined Cost: | | 1st 2 Years Combined Funding: | |
| Lease | $14,991,200 | Existing Rent | $15,538,800 |
| Renovation | 3,411,200 | New Cost | 4,209,500 |
| Other Backfill Costs | 1,345,900 | | |
| Subtotal | $19,748,300 | Subtotal | $19,748,300 |
| | | | |
| Years 3-25 Combined Cost: | | Years 3-25 Combined Funding: | |
| Lease | 237,758,500 | Existing Rent | 248,917,000 |
| Total | $257,506,800 | Total | $268,665,300 |

Project Costs

Table 3 summarizes the various costs for the proposal. The main on-going cost of the project, the lease-purchase payments, will essentially be funded from existing rent payments, as displayed in Table 3. ADOA estimates that over the first 2 years of occupancy, net rent savings of approximately $(547,600) will result from current rent costs that are higher than the planned lease-purchase costs. The actual amounts could vary greatly, based on the final list of agencies that move into the new buildings. In the past, choosing which agencies should move has been contentious and subject to frequent change during the planning process. ADOA is currently in the process of notifying the agencies that it proposes to relocate.

The projected rent savings of $(547,600) will partially offset initial expenditures of $4,757,100, leaving new one-time costs of approximately $4,209,500. ADOA states that the cumulative savings in years 3 through 25 of the lease will offset the initial costs. The savings are largely due to a reduction in ADEQ's annual lease costs, where a substantial increase in the cost of the current private lease is expected.

To partially offset the initial cost, ADOA proposes funding the $3,411,200 in renovation costs in the upcoming biennial budget from its anticipated FY 2002 and FY 2003 building renewal appropriations. (ADOA will renovate vacated state-owned space after the existing tenant agencies move into a new building.) The department's rationale is that these renovations to existing state-owned space would eventually have been performed as building renewal expenses, even without this construction project. We disagree with this rationale. First, ADOA building renewal in the FY 2000/FY 2001 biennium only totaled $7,086,300 (which represented about 23% of the building renewal formula). If building renewal is funded at the same level in FY 2002/FY 2003, these renovation costs would absorb 48% of all building renewal. Second, this expense should be considered a new cost associated with the construction project and not as part of building renewal. ADOA most likely will make some changes to accommodate the backfill agencies that would not have been required if the original agencies stayed in the space. Additionally, many of the renovations that could be categorized as building renewal would not be completed for several years, if not for this project.

RS/LS:ss

STATE OF ARIZONA

# Joint Committee on Capital Review

STATE SENATE

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HOUSE OF REPRESENTATIVES



DATE: June 15, 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 - REVIEW OF EXPENDITURE PLANS AND DESIGN SERVICES AT THE ARIZONA STATE HOSPITAL CONSTRUCTION PROJECT

**Request**

The Department of Administration (ADOA) requests that the Committee review 1) an expenditure plan for allocation of funds for infrastructure repairs at the Arizona State Hospital (ASH), 2) a proposed procurement of design services for renovation of Birch Hall to accommodate the less restrictive alternative (LRA) program for the Sexually Violent Persons (SVP) population, and 3) an expenditure plan for Phase 3 of the SVP program using the Inmate Construction Program.

**Recommendation**

JLBC Staff recommends that the Committee give these items a favorable review. The Arizona State Hospital Capital Construction Commission reviewed ADOA requests at their initial meeting, and recommends the Committee give these requests a favorable review. The JLBC Staff further recommends that any transfers among the projects in excess of $100,000 be reported to the JLBC Staff prior to expenditure.

**Analysis**

Laws 2000, Chapter 1 appropriated $80 million over 4 years for the demolition, construction and renovation of ASH. The legislation also created the Arizona State Hospital Capital Construction Commission and charged them with reviewing capital construction and renovation plans at ASH for the purpose of making recommendations to ADOA and JCCR.

(Continued)

ADOA and DHS have budgeted the $80 million appropriation as follows:

| | Budgeted Amount | Today's Request | Total Requested To Date |
|---|---|---|---|
| SVP Program | $ 8,369,100 | $ 4,010,100 | $4,010,100 |
| Civil Hospital 176 Beds | 32,599,700 | -0- | -0- |
| Sitework / Tunnels / Telephone / Data | 12,414,900 | 6,500,000 | 9,435,000 |
| Adolescent Facility 16 beds | 3,907,100 | -0- | -0- |
| Forensic Hospital 140 beds | 11,803,700 | -0- | -0- |
| Contingency | 7,155,400 | -0- | 587,000 |
| TOTAL | $76,249,900 | $10,510,100 | $14,032,100 |

ADOA and DHS are requesting favorable review for expenditure plans totaling $10,510,100. Previously, JCCR favorably reviewed an expenditure plan of $3,522,000 for preliminary sitework. To date, $14,032,100 of the $80 million appropriation has been requested by ADOA and DHS. ADOA and DHS anticipate completion of the Civil Hospital in November of 2002, followed by completion of an adolescent facility in March of 2003, completion of the SVP facilities in May of 2003, and completion of the forensic hospital in January of 2005.

Expenditure Plan for Infrastructure Repair

At its first meeting, the ASH Capital Construction Commission gave a favorable review to the allocation of $6,500,000 to address current infrastructure issues at ASH and to ensure a safe and therapeutic environment. Current priority facility infrastructure items include the following:

- Central Plant repairs, including evaluation of systems, capacity upgrades for the new hospital and repair of existing equipment;
- Telecommunications expansion, including new cabling for the telephone system; and
- Other issues, including repair of sewer problems, parking expansion to address a lack of adequate parking, repairs to address water temperature control problems, and emergency generator requirements.

The estimated costs of the project are summarized in the table below.

| | |
|---|---|
| Architect/Engineering Fees | $ 177,800 |
| Four Pipe System | 2,000,000 |
| Hot Water | 500,000 |
| Telephone Wiring | 750,000 |
| Tunnel Related Costs | 250,000 |
| Building Connections | 880,000 |
| Central Plant Upgrades | 910,900 |
| Telecommunications System Room | 1,021,800 |
| Project Support | 38,100 |
| TOTAL | $6,528,600 |

These costs appear reasonable, and are projects that will need to be completed for the new building and planned renovations, and JLBC Staff recommends the Committee give a favorable review of the expenditure plan.

(Continued)

Start Design of Birch Hall for Least Restrictive Alternative Program

A.R.S. § 36-3710 provides that an SVP may be released to a less restrictive alternative if certain conditions are met. The Alamo facility at the north end of ASH currently houses the least restrictive program. This area of the Alamo complex is within the proposed area of the new civil hospital and will likely be demolished. ADOA and ASH are proposing to move the least restrictive program into Birch Hall after the hall has been vacated and renovated for this program. DHS continues to use Birch Hall for Family Health personnel, and has not yet finalized a new location for the staff or a date to vacate the hall. The ASH Capital Construction Commission has favorably reviewed the recommendation by ADOA and DHS to allocate $104,100 for the renovation design. As this is part of the planned SVP renovation project, the JLBC Staff recommends the Committee give a favorable review to beginning the design process.

Expenditure Plan for Phase 3 of SVP Program using Inmate Labor

ADOA proposes beginning the construction of two 60-bed SVP dormitories within the current secured perimeter on the ASH grounds. This will provide a total of 240 secure SVP beds at the ASH campus. One additional 60-bed dormitory is planned for the future, which will bring the total number of beds to 300 when the project is completed. Current construction cost of each dormitory is estimated at $1,500,000. ADOA further proposes employing the Inmate Construction Program for the construction portion of the project, and estimates a 20% savings associated with the use of inmate labor. The estimated costs of the project are summarized in the following table.

| | |
|---|---|
| Professional Services | $ 133,500 |
| Construction (2 dormitories) | 3,000,000 |
| Emergency Generator | 250,000 |
| FF&E | 100,000 |
| Soil and Material Testing | 20,000 |
| Flooring | 37,000 |
| Project Support | 55,400 |
| Contingency | 310,800 |
| TOTAL | $3,906,700 |

ADOA estimates 20% savings in construction costs as a result of using the inmate construction program. This equates to a $300,000 savings. ADOA has not reduced its expenditure plan by this amount; however, JLBC Staff would anticipate that construction costs for the 2 SVP dormitories would not exceed $2,700,000. As the cost and purpose of this project appears to be consistent with the plan on which the appropriation is based, the JLBC Staff recommends the Committee give a favorable review of the expenditure plan.

We have attached a letter from Patricia Homeister, of the Mental Health Advocates' Coalition of Arizona describing concerns with the SVP facilities at the ASH campus. The letter describes the evolution of the SVP program at ASH, concern that the space currently occupied by the SVP program will be inadequate in the future, and concern that state resources would have been better spent by siting the program off the ASH campus. Based on the recommendations of an Executive Task Force, the Legislature has appropriated monies to renovate and construct the SVP program on the ASH campus. Chapter 1 also clearly identifies ASH as the site for the SVP program. ADOA and DHS have planned for a total of 5 new dormitories with a total of 300 SVP beds on the ASH campus to be complete by May 2003. The 300 beds will fully utilize the space available for new construction on the ASH campus for the SVP program. Since the program's population is projected to continue to grow, the Executive and the Legislature will need to consider where to site additional SVP program beds during the FY 2002/ FY 2003 biennial budget.

(Continued)

The Mental Health Advocates' Coalition's letter also mentions concerns with the "taking" of the Training and Education building for use by the SVP Program. The Training and Education building will continue to house the programs and services that it currently holds until the completion of the new hospital facility. When the new civil hospital is complete, programs and services currently housed in the Training and Education building will be available in the new facility. The SVP program will then utilize the Training and Education building.

The letter also discusses multiple renovations of older buildings for the SVP program. As the Committee may remember, ASH faced significant time and space constraints for both the SVP program and the Restoration to Competency program. The renovations of these older buildings provided additional space quickly and were less expensive than new construction.

RS/GG/ag

STATE OF ARIZONA

# Joint Committee on Capital Review

STATE SENATE

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HOUSE OF REPRESENTATIVES



DATE: June 14, 2000

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

THRU: Richard Stavneak, Director

FROM: Brad Regens, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF CORRECTIONS/ARIZONA DEPARTMENT OF ADMINISTRATION - REVIEW OF NEW SOUTHERN REGIONAL PRISON COMPLEX AT TUCSON AND POSSIBLE ALTERNATIVES

During the Joint Committee on Capital Review meeting on May 16, several concerns were raised by the Committee regarding the Executive's request for a favorable review of the infrastructure construction at the New Southern Regional Prison Complex at Tucson. In addition to holding the agenda item, a JCCR subcommittee was created to review the areas of concern.

The attached memo was provided to the JCCR subcommittee members for discussion at the subcommittee's meeting to be held on June 15. This item has been included in the JCCR book as information for the Committee. The JLBC Staff will provide a memo to the Committee under separate cover regarding any actions taken by the subcommittee at the June 15 meeting.

At the request of the chairman, we will also be providing the members with some background information on expanding the current Department of Corrections facilities at Apache and Safford.

RS:BR:ck
Attachments

STATE OF ARIZONA

# Joint Committee on Capital Review

STATE SENATE

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BOB MCLENDON
ANDY NICHOLS
CHRISTINE WEASON

DATE: June 13, 2000

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

THRU: Richard Stavneak, Director

FROM: Indya Kincannon, Fiscal Analyst

SUBJECT: ARIZONA PIONEERS' HOME/ADOA - REVIEW OF SCOPE, PURPOSE AND ESTIMATED COST OF FIRE ESCAPE

**Request**

The Arizona Department of Administration (ADOA) requests Committee review of the scope, purpose, and estimated cost of the new fire escape at the Arizona Pioneers' Home in Prescott.

**Recommendation**

The JLBC Staff recommends the Committee give a favorable review of the request. While an expensive project, the Americans with Disabilities Act (ADA) requirements limit the Home's options in replacing the currently unsafe fire escape.

**Analysis**

Laws 2000, Chapter 3, appropriated $1,213,500 to ADOA from the Miners' Hospital Fund in FY 2001 to correct fire and life safety issues at the Arizona Pioneers' Home. A.R.S. 41-1252 requires JCCR review of the expenditure of all monies appropriated for capital projects.

According to a 1997 Auditor General report, the existing fire escape is insufficient for the safe and timely evacuation of elderly residents and does not meet ADA or fire code requirements. The proposed 3-story stair tower will provide an area of refuge for people who, for reasons of health, cannot achieve safety by normal means of egress. Construction documents have been completed and ADOA expects to receive construction bids by July 11 with construction to start by July 18.

(Continued)

The $1,213,500 appropriation would pay for a permanent stand-alone 3-story structure in the rear courtyard between 2 wings of the main building and demolition of the existing ramp system. This stair tower would be equipped with an elevator, staircase and bathrooms on the $2^{nd}$ and $3^{rd}$ stories. In addition to having its own fire alarm and sprinkler system, the structure would be built to endure 2 hours of fire exposure without harm to people inside. The building would be connected to the main building by fireproofed enclosed corridors on the $2^{nd}$ and $3^{rd}$ stories and a covered walkway on the $1^{st}$ floor.

The appropriation would also cover renovations to a one-story stairway fire escape on the north side of the main building that can be used by fully ambulatory residents. The design has been reviewed by the State Historic Preservation Office to ensure that the new structure does not unduly harm the historic nature of the main building.

The estimated costs of this project are summarized below.

| | |
|---|---|
| Architectural/Engineering Fees | $ 50,000 |
| Construction Contract | 1,033,000 |
| Facility Relocation to Accommodate Construction | 10,000 |
| Risk Management Insurance | 7,500 |
| ADOA Expenses | 10,000 |
| Contingency | 103,000 |
| **Total Project Cost** | $1,213,500 |

The agency considered several alternatives before choosing this design. Initially ADOA and the architects considered replacing the old ramp system with a new covered ramp system that would be sheltered from the elements. However, the Americans with Disabilities Act requires ramps to be gently sloped, dropping only 1 inch per foot, and also requires that there be a landing every 18 feet wide enough for wheelchairs to negotiate. Since the ramp would need to begin on the $3^{rd}$ floor, an Americans with Disabilities Act compliant ramp would take up more land than is available at the site. Once the ramp alternative was eliminated, a stair tower 'area of refuge' became the only viable option. ADOA and the architects considered several stair tower designs and selected the least expensive option.

The project is within the scope of legislative intent and appropriation. The JLBC Staff recommends a favorable review.

RS/IK:ag

STATE OF ARIZONA

# Joint Committee on Capital Review

STATE
SENATE

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HOUSE OF
REPRESENTATIVES



DATE: June 13, 2000

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

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Senior Fiscal Analyst

SUBJECT: ARIZONA BOARD OF REGENTS - REVIEW OF REVISED MULTI-YEAR BONDING PLAN FOR NORTHERN ARIZONA UNIVERSITY

**Request**

Pursuant to Laws 1996, Chapter 334, the Arizona Board of Regents (ABOR) requests Committee review of revisions to the Multi-Year Bonding Plan for Northern Arizona University (NAU).

**Recommendation**

The JLBC Staff recommends a favorable review of the revisions to the May 1997 plan. The revised plan is relatively unchanged. The projects in the plan have not changed, only the amounts allocated to 3 projects have changed. Consistent with Chapter 334, any future revisions to the bonding plan shall be reviewed by the Committee prior to the approval of subsequent bonding projects.

**Analysis**

Laws 1996, Chapter 334 authorized ABOR to issue up to $245,400,000 in revenue bonds for the universities under its jurisdiction. The Committee gave a favorable review to the initial bonding plan in May 1997. The Committee gave favorable reviews to revised bonding plans for the University of Arizona and Arizona State University in December 1999 and May 2000, respectively. The current distribution of bonding authority from Chapter 334 is listed in Table 1. Prior to the issuance of a bond for any particular project, Chapter 334 requires Committee approval of that project.

**Table 1**

**Planned Annual Bond Issues**

| | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | Totals |
|---|---|---|---|---|---|---|---|
| ASU | $ -- | $45,000,000 | -- | $40,000,000 | $15,000,000 | $ -- | $100,000,000 |
| NAU | 30,900,000 | -- | -- | 23,900,000 | -- | -- | 54,800,000 |
| U of A | -- | -- | -- | 23,683,000 | 30,000,000 | 36,900,000 | 90,583,000 |
| **TOTAL** | **$30,900,000** | **$45,000,000** | -- | **$87,583,000** | **$45,000,000** | **$36,900,000** | **$245,383,000** |

(Continued)

NAU has been allocated a total of $54,800,000 in bonding authority. In 1997, NAU issued $30,900,000 in academic revenue bonds to finance 7 projects. The revised plan changes the amount of bond revenue allocated to 3 projects. Table 2 lists the 7 projects and allocations included in the original plan and the revised plan.

**Table 2**

| Project | Original Allocation | Revised Allocation | Increase/ (Decrease) |
|---|---|---|---|
| Building Systems Repair/Replacement | $4,000,000 | $1,441,145 | ($2,558,855) |
| Biology/Biochemistry Building | 12,400,000 | 13,958,855 | 1,558,855 |
| Centennial Building | 1,500,000 | 2,500,000 | 1,000,000 |
| Utility Infrastructure Renovation | 3,000,000 | 3,000,000 | -- |
| Eastburn Building Renovation | 4,000,000 | 4,000,000 | -- |
| Performing Arts Renovation | 5,500,000 | 5,500,000 | -- |
| Television Studio Renovation | 500,000 | 500,000 | -- |
| **TOTAL** | **$30,900,000** | **$30,900,000** | **$0** |

NAU plans to reduce the amount allocated for Building Systems Repair and Replacement by ($2,558,855) and increase the amounts allocated for the Biology/Biochemistry Building and the Centennial Building by $1,558,855 and $1,000,000, respectively.

As a result of reducing the allocation for Building Systems Repair and Replacement, some capital needs will be deferred until a future bond issuance. As shown in Table 1, NAU has $23,900,000 remaining in bonding authority. The projects associated with the remaining bonding authority remain unchanged from the original plan and are listed in Table 3. The bonds for these projects have not been issued and pursuant to Chapter 334, must be approved by JCCR before any bonds are issued.

The increases allocated for the Biology/Biochemistry Building and the Centennial Building were to be financed originally with Plant Funds. However, Plant Funds have been allocated to emergency infrastructure needs and are no longer available for these bond projects. Plant Funds are are institutional funds dedicated for capital projects. Revenues are derived primarily from indirect cost recovery.

**Table 3**

| Project | Bond Allocation |
|---|---|
| Utility Infrastructure Renovation | $3,000,000 |
| Space Renovation | 4,900,000 |
| Gammage Building Renovation | 4,000,000 |
| Building Systems Repair/Replacement | 5,000,000 |
| Communication Building Renovation | 4,000,000 |
| Information Systems Building Addition | 3,000,000 |
| **TOTAL** | **$23,900,000** |

The debt service on the 1997 bond issuance is being paid from academic revenues. Academic revenues are generated from tuition. Any tuition revenues not set aside by ABOR for debt service may be available to offset General Fund appropriations for university operating budgets. Therefore, any increases in debt service requirements from issuing academic revenue bonds could have a potential impact on the amount of tuition revenues available to offset General Fund appropriations for operating costs. The entire NAU bond authority of $54,800,000 is classified as academic.

ABOR has submitted the relevant amount allocation changes among the 7 projects financed with the 1997 bond issuance. The original plan is available for review upon request.

RS/LM:ag

STATE OF ARIZONA

# Joint Committee on Capital Review

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DATE: June 13, 2000

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

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Senior Fiscal Analyst

SUBJECT: ARIZONA BOARD OF REGENTS - CONSIDER APPROVAL OF ARIZONA STATE UNIVERSITY INFRASTRUCTURE IMPROVEMENTS BOND PROJECT

**Request**

Pursuant to Laws 1996, Chapter 334, Arizona State University (ASU) requests approval to issue $17,700,000 in academic revenue bonds for 11 Infrastructure Improvement projects.

**Recommendation**

The JLBC Staff recommends the Committee approve the request. The JLBC Staff further recommends 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.

**Analysis**

Laws 1996, Chapter 334 authorized the Arizona Board of Regents (ABOR) to issue up to $245,400,000 in revenue bonds for the universities under its jurisdiction. Of this amount, $100,000,000 was allocated to ASU. Pursuant to Chapter 334, the Committee favorably reviewed the original multi-year bonding plan in May 1997 and again favorably reviewed a revised multi-year bonding plan in May 2000. Chapter 334 also requires JCCR to approve each individual bond project before bonds may be issued. The JCCR shall also invite comment from the Governor or a designated representative for each project. The ASU submission has been forwarded to the Governor's Office of Strategic Planning and Budgeting. They will transmit comments, if any, under separate cover.

ASU is requesting approval to issue $17,700,000 in bonds to finance 11 infrastructure expansion and renovation projects. The 11 projects are listed on the following page.

(Continued)

| Project | Allocation |
|---|---|
| New Electrical Substation – North Campus | $ 561,500 |
| New Electrical Infrastructure | 3,500,000 |
| New Emergency Power Infrastructure | 960,400 |
| McAllister Sanitary Sewer | 593,000 |
| Forest Sanitary Sewer | 1,500,000 |
| New Chilled Water Infrastructure | 2,593,800 |
| New Chillers (2) | 2,189,800 |
| New Cooling Tower | 954,600 |
| New Steam Infrastructure | 2,316,900 |
| New Central Plant Infrastructure | 1,130,000 |
| Utility Tunnel Restoration | 1,400,000 |
| **TOTAL** | **$17,700,000** |

These infrastructure improvements are required to support the opening and operation of new campus facilities that are currently under construction or planned within the next few years. The campus has not had any significant infrastructure improvements since the last major building program in the late 1980's. ASU estimates a total need of $36,200,000 in infrastructure improvements. The university plans to use bond financing for $27,700,000 of that need. The remaining $8,500,000 will be financed with non-bond sources. The $17,700,000 represents the first bond issuance of the $27,700,000. The bond allocation for Infrastructure Improvements was part of the revised ASU multi-year bonding plan favorably reviewed by the Committee at its May 2000 meeting (see attached JLBC Staff memo).

The 11 projects will be financed with academic revenue bonds, meaning that the associated debt service on the bonds will be paid with revenues generated from tuition. Any tuition revenues not set aside by ABOR for debt service may be available to offset General Fund appropriations for university operating budgets. Therefore, any increases in debt service requirements from issuing academic revenue bonds could have a potential impact on the amount of tuition revenues available to offset General Fund appropriations for operating costs. The bond issuance will generate an additional debt service requirement of approximately $1,385,000 per year; however, ASU anticipates that growth in tuition revenues will cover the additional debt service requirement and result in no impact on General Fund operating funding.

Of the $100,000,000 in bonding authority for ASU, $81,000,000 is classified as academic and $19,000,000 is classified as auxiliary. Auxiliary revenues are generated from the operations of various "enterprise" activities, such as residence halls and bookstores.

The bond allocation for each project shown above may not reflect the total cost for the project. Additional funding for certain projects may be provided from non-bond sources. However, the costs for each project appear reasonable and within the range of similar projects. Detail for the projects are attached to the agency submission.

RS/LM:ag
Attachment

STATE OF ARIZONA

# Joint Committee on Capital Review

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HOUSE OF REPRESENTATIVES



DATE: June 13, 2000

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

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Senior Fiscal Analyst

SUBJECT: UNIVERSITIES – REPORTS ON ARIZONA STATE UNIVERSITY BOND PROJECT AND UNIVERSITY OF ARIZONA LEASE-PURCHASE PROJECT

**Request**

Arizona State University (ASU) is submitting a report on the revised cost estimate for a residence hall bond project and the University of Arizona (U of A) is submitting a report on the issuance of Certificates of Participation (COPs) to finance the expansion of a performance center and hall and the acquisition of the university police facility.

**Recommendation**

No Committee action is required. The reports are for information only.

**Analysis**

ASU Residence Hall Bond Project

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. At the time of the Committee's approval, the total project cost was estimated to be $8,200,000. Residential Life reserves was to fund the additional $1,200,000 required to finance the project. Upon further study, ASU has discovered that additional site development and phone/data system costs will be required. The revised cost for the project is now estimated to be $9,200,000, an increase of $1,000,000 from the original cost estimate. The

(Continued)

additional $1,000,000 will be funded from the Residential Life Plant Fund reserves. The bond issuance of $7,000,000 remains unchanged.

U of A Lease-Purchase Projects
At its May 2000 meeting, the Committee was informed that JLBC Staff had requested that any university projects financed with COPs, also known as lease-purchase agreements, be submitted to JCCR as informational items. Current statutes do not require legislative oversight over university lease-purchase agreements.

The Arizona Board of Regents, at its May 2000 meeting, approved the issuance of $15,750,000 in COPs to finance an addition to the McKale Athletic Performance Center and Heritage Hall ($12,500,000) and to acquire the U of A Police Department (UAPD) facility (3,250,000).

The total cost for the McKale Athletic Performance Center and Heritage Hall addition is estimated to be $13,500,000. Lease-purchase financing will be used to cover $12,500,000 and gift money will be used for the remaining $1,000,000. Gift monies will also be used to make the lease-purchase payments. Intercollegiate Athletics currently has gift pledges amounting to approximately $11,100,000.

U of A currently has a lease agreement with the U of A Foundation for the UAPD facility. The facility was financed by the U of A Foundation with a taxable bank loan. The university believes it is financially advantageous to issue $3,250,000 in tax-exempt COPs to retire the Foundation's loan and obtain the Foundation's interest in the facility.

RS/LM:ag

STATE OF ARIZONA

# Joint Committee on Capital Review

STATE SENATE

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HOUSE OF REPRESENTATIVES



DATE: June 14, 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 ADOT'S FY 2001 CONSTRUCTION BUDGET OPERATING EXPENDITURE PLAN

**Request**

In compliance with a Capital Outlay Bill footnote, the Arizona Department of Transportation (ADOT) requests that the Committee review its FY 2001 highway construction budget operating expenditure plan of $212.9 million.

**Recommendation**

The JLBC Staff is <u>deferring</u> its recommendation until we receive additional information from ADOT, which answers the questions related to growth in expenditures for engineering consulting services. We will continue working with ADOT to clarify its proposal. Based on our preliminary discussions, ADOT may be reducing its operating expenditure plan to $155.5 million due to a technical error in its original submission.

**Analysis**

ADOT expends large sums of monies within its capital budget for operating-type purposes related to capital construction. These expenditures are less visible than the operating budget, which in the past has allowed the department to shift some operating budget reductions to the operating portion of the construction budget. To improve its oversight of these operating expenditures in the capital budget, the Legislature imposed an FTE Position ceiling on capital funded personnel for the first time in FY 1997.

(Continued)

The Capital Outlay Bill (Laws 1999, Chapter 2, 1st Special Session) appropriated $278,644,800 from the State Highway Fund to ADOT for highway construction in FY 2001. Allowable uses of the appropriation include the planning and construction of state highways, the acquisition of rights-of-way, the cost of field administration and field engineering on construction projects, and the payment of debt-service on bonds issued for highway construction. The act also specified that any balances and collections in the State Highway Fund in excess of the amounts otherwise appropriated to the department are available for highway construction.

The Capital Outlay Bill allows the department to utilize up to $29,028,800 in Personal Services and Employee Related Expenditures for up to 665 FTE Positions in FY 2001 for field administration and field engineering on construction projects. Prior to the expenditure of any highway construction monies for operating budget expenses, the act requires ADOT to submit related information to the JCCR for review. The department submitted its budget schedules for its request on June 8, 2000.

ADOT's submittal indicates a planned FY 2001 operating budget within capital construction of $212,862,400, based on its tentative 5-Year Highway Construction Program. Although FTE Positions are initially funded from the State Highway Fund, Other Funds are subsequently billed for portions of certain projects. The following table details ADOT's estimated operating expenditures:

**Construction Budget Operating Expenditure Plan**

| | Expenditures | | | |
|---|---|---|---|---|
| Category | FY 1999Actual | FY 2000 Plan | FY 2001 Plan | FY 01 Increase |
| FTE Positions - Authorized | 665 | 665 | 665 | 0 |
| - Actual/Planned | 604 | 605 | 619 | 14 |
| | | | | |
| Personal Services | $ 18,788,600 | $23,300,000 | $23,793,000 | $ 493,000 |
| Employee Related Expenditures | 4,801,200 | 5,128,700 | 5,235,800 | 107,100 |
| Professional and Outside Services | 80,696,000 | 144,596,100 | 161,947,600 | 17,351,500 |
| Travel In-State | 702,800 | 872,800 | 872,800 | 0 |
| Travel Out-of-State | 121,300 | 128,800 | 128,800 | 0 |
| Other Operating Expenditures | 11,986,400 | 14,950,000 | 18,493,300 | 3,543,300 |
| Equipment | 2,710,600 | 1,439,900 | 2,391,100 | 951,200 |
| Total | $119,806,900 | $190,416,300 | $212,862,400 | $22,446,100 |

The total increase of $22,446,100 from FY 2000 to FY 2001, comes on top of an increase of $70,609,400 from FY 1999 to FY 2000. In both cases most of the increases are in Professional and Outside Services, including increases of $17,351,500 from FY 2000 to FY 2001, and $63,900,100 from FY 1999 to FY 2000. Professional and Outside Services primarily finances consulting services, especially engineering work in the case of ADOT. The only justification that ADOT gives for these increases in its budget forms is the general statement that, "Increases to Professional and Outside Services are due primarily to the continued acceleration of the highway construction program, increased funding of TEA-21, and the increased costs of using consultants for basic staffing needs." After having received ADOT's submission, on June 8, we requested this additional justification on June 9.

(Continued)

We agree in principal that ADOT's highway construction program has accelerated. However, ADOT has provided no direct link between the amount of the dollar increase in its budget and the amount of increase in the highway construction program. We asked ADOT to provide a meaningful performance measure, which ties directly to the dollar increases (such as the number of miles being planned), and to use it to explain how they derived their budget numbers. As a result, ADOT reports the number of centerline miles in pre-engineering by consultants to be 11 miles in FY 1999, 26 miles in FY 2000, and 44 miles in FY 2001. These miles are not cumulative from year-to-year, however, but instead they overlap from year-to-year. In fact, ADOT now verbally reports that they expect the consultant workload in Professional and Outside Services to be about the same in FY 2001 as in FY 2000.

ADOT also now verbally reports that they substantially erred in their submittal. We are told that the $144,596,100 in FY 2000, and $161,947,600 in FY 2001, that they estimated for Professional and Outside Services was reportedly made on an obligation basis, whereas it should have been on a cash flow basis. On a cash flow basis, ADOT has verbally estimated the Professional and Outside Services amounts at $104,628,300 in FY 2000 and the same amount in FY 2001. If these new amounts for Professional and Outside Services are correct, the totals would become $150,448,500 in FY 2000, and $155,543,100 in FY 2001, which amount to decreases of $(39,967,800) in FY 2000, and $(57,319,300) in FY 2001 compared to ADOT's original submittal.

The totals shown in the table for Personal Services and Employee Related Expenditures are $29,028,800 for FY 2001, and $28,428,700 for FY 2000, both of which match the ceilings set in the Capital Outlay Bill. The $600,100 increase for Personal Services and Employee Related Expenditures from FY 2000 to FY 2001 reflects the increase in the appropriated ceilings in the Capital Outlay Bill.

For the Committee's additional information, ADOT implemented an alternative pay plan for construction related technical positions effective January 1, 2000. ADOT estimates that the pay plan will have a Personal Services and Employee Related Expenditures total cost of $3,500,000 in FY 2001, including costs of $2,100,000 in its operating budget and $1,400,000 in its highway construction operating budget. This program has been neither approved nor funded by the Legislature. ADOT reports that it intends to pay for these increased costs within its existing appropriated budget by eliminating an estimated total of 104 vacant FTE Positions, including decreases of 58 vacant FTE Positions in its operating budget and 46 vacant FTE Positions in its highway construction operating budget. We will address this policy issue in our budget recommendations for FY 2002 and FY 2003.

The JLBC Staff recommends that the Committee defer review until we receive additional information from ADOT, which answers the questions related to expenditures for Professional and Outside Services. We will continue working with ADOT to further clarify this area.

RS/BH:ag

STATE OF ARIZONA

# Joint Committee on Capital Review

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HOUSE OF REPRESENTATIVES



DATE: June 13, 2000

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

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/Fiscal Analyst

SUBJECT: ADOT - CONSIDER APPROVAL OF LAND PURCHASES AND REVIEW OF SCOPE, PURPOSE, AND ESTIMATED COST OF ADOT PROJECTS

**Request**

The Arizona Department of Transportation (ADOT) requests that the Committee approve the scope, purpose, and estimated cost of the following 2 projects:

- North Phoenix Maintenance Yard ($3,400,000 FY 2000 appropriation)
- Payson MVD Service Center - Land Purchase and Design ($600,000 FY 2001 appropriation)

**Recommendation**

The JLBC Staff recommends that the Committee approve the land purchase and give a favorable review of the North Phoenix Maintenance Yard project. The JLBC Staff further recommends that ADOT report in writing to the Committee if the land purchase price exceeds the appraised value.

The JLBC Staff recommends that the Committee approve the land purchase and give a favorable review of the design portion of the Payson MVD Service Center - Land Purchase and Design project. The JLBC Staff further recommends that ADOT report in writing to the Committee if the land purchase price exceeds the appraised value.

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**Analysis**

A.R.S. § 28-368 requires JCCR approval of ADOT land purchases. A.R.S. § 41-1252 requires JCCR review of the expenditure of all monies appropriated for land acquisition and capital projects.

North Phoenix Maintenance Yard
Laws 1999, Chapter 2, 1st Special Session appropriated $3,400,000 in FY 2000 from the State Highway Fund to ADOT, to purchase 20 acres of land for a north Phoenix maintenance yard and to fund utilities hookup, yard paving, landscaping, fuel facilities, a materials warehouse, an equipment canopy, and an office. ADOT has contracted to purchase 2 adjacent parcels totaling 19.2 acres, located 1/2 mile south of the intersection of 7th Avenue and Happy Valley Road, for $1,625,000. These parcels are on the east side of 7th Avenue.

The purchase is subject to an appraisal (due by June 17), environmental clearance (due by June 17), a title check, and Maricopa County re-zoning the property from residential to industrial. ADOT estimates the close of escrow on June 26. One parcel has a business lessee who would have 90 days to vacate. The other parcel has a residential lessee who would have 60 days to vacate. The department estimates a total cost for the land of $1,640,000 including the $1,625,000 purchase price, $5,000 for the appraisal, and $10,000 for closing related costs.

The cost of the subject property would average $85,400 per acre. For comparison, the department spent $1,064,500 in July, 1999 to purchase 4.7 acres of land for a Glendale Motor Vehicle Division (MVD) Service Center located ¼ mile south of the intersection of 59th Avenue and Bell Road, for an average cost of $226,500 per acre. In February, 1999, the department spent $821,700 to purchase 6.6 acres of land for a Southeast Regional MVD Service Center on the southwest corner of Greenfield Road and US 60 (Superstition Freeway) in Mesa, for an average cost of $124,500 per acre. We have asked ADOT whether they have comparable prices for other previous purchases in the area, but we have not yet received their answer.

The department expects to use the remaining $1,760,000 of the total $3,400,000 appropriation for site improvement, and for facilities design and construction. The following table summarizes the department's expenditure plan for the appropriation, which repeats the dollar figures that they used in their original budget request of September 1998. These amounts appear to be reasonable based on our past experience. In order to further evaluate the cost of the facilities construction portion, we asked ADOT to provide additional information such as the number of feet of fencing and the square footage of various structures. ADOT has not yet provided this additional information.

(Continued)

| | |
|---|---|
| Purchase 19.2 Acres | $1,640,000 |
| | |
| Design, Risk Management, & Contingency | 130,000 |
| Fencing | 110,000 |
| Paving | 200,000 |
| Utilities | 300,000 |
| Landscaping | 100,000 |
| Fuel Facility | 200,000 |
| Materials Warehouse | 170,000 |
| Equipment Canopy & Office | 550,000 |
| Sub-Total Facilities | $1,760,000 |
| | |
| Total Appropriation | $3,400,000 |

ADOT was appropriated 18 new FTE Positions and $1,054,400 in FY 2001 to staff and operate a new north Phoenix maintenance facility. The department expects to begin performing some maintenance activities from this location soon after the close of escrow, and before the site improvements have been completed.

The JLBC Staff recommends approval of the land purchase, and that ADOT report in writing to the Committee if the land purchase price exceeds the appraised value. The JLBC Staff recommends a favorable review of the other project components. The request is within the scope, purpose, and $3,400,000 appropriation for this project.

Payson MVD Service Center - Land Purchase and Design

Laws 1999, Chapter 2, 1st Special Session appropriated $600,000 in FY 2001 from the State Highway Fund to ADOT, to purchase 4 acres of land and design a new 4,000 square foot Payson MVD service center. ADOT has contracted to purchase 4.2 acres, located in north Payson. The parcel is located on the south side of Tyler Parkway, a short distance east of State Highway 87, the Beeline Highway. This would replace a crowded 1,880 square foot leased facility in Payson.

The purchase is subject to an appraisal (due by August 14), environmental clearance (due by August 7), and a title check. ADOT estimates the close of escrow on August 15. The department estimates a total cost for the land of $536,250 including the $528,750 purchase price, $4,000 for the appraisal, and $3,500 for closing related costs. The department reports that it has an architectural and engineering contract of $50,400 to design a standard MVD service center building of 4,500 square feet, and would like to designate the remaining $13,350 for contingencies. Note that ADOT's original budget request in September, 1998 was based on constructing a 4,000 square foot MVD service center. Since then, ADOT reports that it has signed letters of intent with 2 architects to design standardized MVD service centers in 3 different sizes, including 4,500, 7,000, and 12,000 square feet. The $50,400 design fee is the price for the 4,500 square foot building. This amount appears to be reasonable. ADOT had estimated a design fee of $82,000 for a 4,000 square foot building in their original budget request

(Continued)

of September 1998. The following table summarizes the department's expenditure plan for the appropriation:

| | |
|---|---|
| Purchase 4.2 Acres | $536,250 |
| Architectural and Engineering | 50,400 |
| Contingency | 13,350 |
| Total Appropriation | $600,000 |

The cost of the subject property would average $127,700 per acre. As noted earlier, the average cost per acre was $226,500 for the Glendale MVD Service Center and $124,500 for the Southeast Regional MVD Service Center. We have asked ADOT whether they have comparable prices for other previous purchases in the area, but we have not yet received their answer.

The JLBC Staff recommends approval of the land purchase, and that ADOT report in writing to the Committee if the land purchase price exceeds the appraised value. The JLBC Staff recommends a favorable review of the other project components. The request is within the scope, purpose, and $600,000 appropriation for this project.

RS/BH:ag

STATE OF ARIZONA

# Joint Committee on Capital Review



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DATE: June 13, 2000

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

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/ Fiscal Analyst

SUBJECT: ADOT - REVIEW OF SCOPE, PURPOSE, AND ESTIMATED COST OF SPREADER RACK REPLACEMENT PROJECT

**Request**

The Arizona Department of Transportation (ADOT) requests that the Committee review the scope, purpose, and estimated cost of the Spreader Rack Replacement ($1,401,000 FY 2001 appropriation) project.

**Recommendation**

The JLBC Staff recommends that the Committee give a favorable review of the Spreader Rack Replacement project.

**Analysis**

A.R.S. § 41-1252 requires JCCR review of the expenditure of all monies appropriated for capital projects.

Laws 1999, Chapter 2, 1st Special Session appropriated $1,401,000 in FY 2001 from the State Highway Fund to ADOT, for the construction of 76 replacement spreader racks at 13 locations across the state, at an average cost of $18,400 per rack. The racks are used to store spreaders, which are carried on the backs of utility trucks in order to salt and sand roads during winter. The 78 racks approved in the FY 2000 appropriation have been completed, at a cost of $1,462,400,

(Continued)

for an average cost of $18,700 per rack. The FY 2001 appropriation will complete the multi-year project, which is summarized in the following table. ADOT expects to go out for bids on the project shortly after Committee review.

| Fiscal Year | Appropriation | Racks | Locations |
|---|---|---|---|
| 1997 | $250,000 | 17 | 3 |
| 1999 | 1,045,000 | 53 | 14 |
| 2000 | 1,488,000 | 78 | 11 |
| 2001 | 1,401,000 | 76 | 13 |
| Total | $4,184,000 | 224 | 41 |

ADOT now plans to locate the 76 racks at 12 (instead of 13) locations to better reflect the current location of its equipment. The original and revised numbers of racks for each location are shown in the following table.

| | **Number of Racks** | | |
|---|---|---|---|
| **Location** | **Original** | **Revised** | **Change** |
| **Globe District** | | | |
| Show Low | 10 | 9 | (1) |
| Roosevelt | 5 | 0 | (5) |
| St. Johns | 5 | 5 | - |
| Springerville | 5 | 7 | +2 |
| Indian Pine | 4 | 8 | +4 |
| **Kingman District** | | | |
| Seligman | 6 | 6 | - |
| Kingman | 5 | 7 | +2 |
| Wikieup | 5 | 5 | - |
| Needle Mtn. | 5 | 3 | (2) |
| **Holbrook District** | | | |
| Holbrook | 9 | 9 | - |
| Winslow | 9 | 9 | - |
| Kayenta | 5 | 5 | - |
| Teec Nos Pos | 3 | 3 | - |
| Total | 76 | 76 | 0 |

The JLBC Staff recommends a favorable review of the project. The request is within the scope, purpose, and $1,401,000 appropriation for this project.

RS/BH:ag

STATE OF ARIZONA

# Joint Committee on Capital Review

STATE SENATE

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HOUSE OF REPRESENTATIVES



DATE: June 14, 2000

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

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Senior Fiscal Analyst

SUBJECT: ADOT - REVIEW OF RELEASE OF FUNDS FOR DESIGN OF A REGIONAL TRANSPORTATION CENTER AT PIONEER PARK IN PRESCOTT

**Request**

The Arizona Department of Transportation (ADOT) is requesting Committee review of the expenditure of monies for the design of a Regional Transportation Center at Pioneer Park in Prescott.

**Recommendation**

The JLBC Staff recommends a <u>favorable review</u> of the request. The JLBC Staff further recommends that ADOT and the Department of Public Safety (DPS) submit the scope, purpose, and estimated cost of the project after completion of design and the project has been bid.

The Committee should be aware that the new location is on Federal Bureau of Land Management (BLM) land. A patent on the land will provide the use of the site indefinitely; however, any improvements on the land may not be recoverable if the patent is ever terminated.

**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.

(Continued)

| | FY 2000 | FY 2001 | Total |
|---|---|---|---|
| ADOT | $300,000 | $4,647,500 | $4,947,500 |
| DPS | 130,000 | 1,122,500 | 1,252,500 |
| Total | $430,000 | $5,770,000 | $6,200,000 |

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 fromYavapai 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 thatYavapai 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.

Of the FY 2000 appropriations, approximately $10,000 has been expended for a master plan layout. An Architectural and Engineering contract is in place for a total cost of $395,000 ($275,000 ADOT and $120,000 DPS). The following lists the current cost allocations for the project.

| | Allocation |
|---|---|
| Master Planning | $10,000 |
| A&E Contract | 395,000 |
| Soil Testing/Other | 25,000 |
| Construction | 5,770,000 |
| Total | $6,200,000 |

ADOT anticipates having the project bid by September 1 so that construction may begin before the winter weather. The JLBC Staff recommends that ADOT and DPS submit the scope, purpose, and estimated cost for JCCR review after the project has been bid.

ADOT is seeking Committee review at this time primarily to sign BLM,Yavapai County and Yavapai College agreements and right-of-way grants.

RS/LM:ag

STATE OF ARIZONA

# Joint Committee on Capital Review

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DATE: June 12, 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 ARIZONA STATE PARKS

At its last meeting, the Committee requested that State Parks provide a report on development projects at state parks relative the development of Kartchner Caverns State Park. Although Parks staff is preparing the report, it will not be completed in time for the June 20 meeting. We do anticipate providing the Committee with the report at its next meeting.

CE:ag