

STATE OF ARIZONA

Joint Committee on Capital Review

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CHRISTINE WEASON

JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, April 30, 2002

9:30 a.m.

House Hearing Room 4

AGENDA

- Call to Order
 - Approval of Minutes of March 7, 2002
 - DIRECTOR'S REPORT (if necessary).
1. ARIZONA DEPARTMENT OF ADMINISTRATION/DEPARTMENT OF ENVIRONMENTAL QUALITY – Consider Approval of Land Acquisition for Air Monitoring Site.
 2. ARIZONA DEPARTMENT OF ADMINISTRATION/DEPARTMENT OF CORRECTIONS – Review of Scope, Purpose, and Estimated Cost of Department of Corrections Safety Improvements.
 3. SCHOOL FACILITIES BOARD – Review of FY 2002 Building Renewal May Allocation Plan.
 4. ARIZONA STATE PARKS – Report on Kartchner Caverns State Park.

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

4/24/02

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

Thursday, March 7, 2002

The Chairman called the meeting to order at 12:10 p.m. Thursday, March 7, 2002 in House Hearing Room 4 and attendance was as follows:

| | | |
|----------|--|--|
| Members: | Representative Knaperek, Chairman Representative Chevront Representative Gray Representative Lopez Representative Pearce Representative Weason | Senator Solomon, Vice-Chairman Senator Brown Senator Cirillo Senator Guenther Senator Hamilton |
| Absent: | Representative Allen (Excused) | Senator Bennett Senator Verkamp (Excused) |
| Staff: | Richard Stavneak Lorenzo Martinez Bob Hull Tony Vidale | Jan Belisle, Secretary Stefan Shepherd Jake Corey Jason Hampton |
| Others: | Bob Teel John Sempert Bruce Ringwald Kim Casey Virginia Pierce Tim Brand Ken Proksa Steve Miller Greg Fahey Mercy Valencia Joel Valdez Richard Roberts Joy Hicks Bob Calhoon, Architect | ADOA ADOA ADOA ADOA ADOA ADOA ASDB ASU U of A U of A U of A U of A House 3D/International |

Senator Solomon moved the Committee approve the minutes of December 12, 2001 as presented. The motion carried.

(Continued)

**ARIZONA DEPARTMENT OF ADMINISTRATION/DEPARTMENT OF HEALTH SERVICES
– Consider approval of lease-purchase for State Health Laboratory.**

Lorenzo Martinez, JLBC Staff presented the Arizona Department of Administration request that the Committee consider approval to issue \$30 million in Certificates of Participation (COPs) to finance the construction of a new state health laboratory. The payback period would be over 20-years. There is a FY 2003 appropriation of approximately \$2.3 million for the first year debt service on the project. The requirement for each year is approximately \$2.3 million for the entire 20-year period. The average interest rate would be 4.8% which equates to a total project cost of \$48.8 million. The \$30 million issuance will be combined with a \$34.7 million issuance for the new Human Resources Information System (HRIS).

In response to Senator Cirillo, Mr. Martinez stated that the HRIS issuance is approximately \$34.7 million and combining the two issuances would save approximately \$100,000.

In response to Representative Gray, Mr. Martinez said that the HRIS is to be repaid over 10 years.

Shawn Dvalle, Financial Advisor, RBC Pain Rauscher mentioned that the interest rate is very low. The interest rate on bonds is determined by a supply and demand equation. Those interest rates are tracked by state underwriters who are chosen and are experienced in selling bonds. She stated that combining the two issuances improves the rating.

Senator Solomon moved the Committee approve the issuance of \$30,000,000 in Certificates of Participation to finance the new State Health Laboratory with the understanding that the scope, purpose, and estimated cost will be submitted for Committee review when the design is complete. The motion carried.

Senator Solomon moved that the Committee go into Executive Session. The motion carried.

At 12:24 p.m. the Joint Committee on Capital Review went into Executive Session.

Senator Solomon moved that the Committee reconvene into open session. The motion carried.

At 12:30 p.m. the Committee reconvened into open session.

EXECUTIVE SESSION

Review of Phase Two Request for Proposals for State Health Laboratory.

Senator Solomon moved the Committee give a favorable review to the Phase 2 Request for Proposals for the design-build construction of the new State Health Laboratory. The motion carried.

Review Architect and Construction Manager at Risk Proposals for Forensic Hospital Renovation Component of the Arizona State Hospital Construction Project.

Senator Solomon moved the Committee give a favorable review to the selected architect and construction manager, and the release of \$1,100,000 to proceed with design activities for the forensic hospital renovations at the Arizona State Hospital. The motion carried.

(Continued)

DEPARTMENT OF ECONOMIC SECURITY – Review of Arizona Training Program at Tucson Study.

Stefan Shepherd, JLBC Staff, presented the Department of Economic Security (DES) request that the Committee review the Arizona Training Program at Tucson (ATPT) land use study. The study considered 3 different options: 1) reduce unused space but stay at ATPT, 2) stay at ATPT as it exists today, and 3) relocate into smaller private space and sell ATPT.

The study recommends that DES reduce unused space but stay at ATPT (Option 1). A low-cost alternative would be similar to Option 1, except no new building would be constructed and other upgrade costs would also be deferred. JLBC Staff recommends that DES comment on the low-cost alternative by March 18th.

Senator Solomon moved the Committee acknowledge receipt of the Arizona Training Program at Tucson land use study and requested that the Department of Economic Security comment by March 18^h on an option to consolidate services into existing buildings without constructing a new building, and sell the unused property. The motion carried.

ARIZONA BOARD OF REGENTS/ARIZONA STATE UNIVERSITY – Consider Approval of Bond Projects.

Lorenzo Martinez, JLBC Staff presented the Arizona State University request to consider approval for Arizona State University (ASU) to issue \$58,700,000 in revenue bonds for a Mediated Classroom/Social Sciences Building with a payback period of 25 years. Of these monies, \$5,700,000 will be used for computer classroom equipment which will be repaid over a 5-year period. There will be an issuance of \$22,800,000 in bonds for 14 infrastructure improvement projects for the main campus with a payback period of 25 years. The source of repaying this issuance will come from tuition collections and revenue generated from self-supporting programs. The estimated interest rate for these projects is 5.5% and the total repayment over 25 years will be \$148,000,000.

In reply to Representative Gray, Steve Miller, Vice-President for Institutional Advancement, ASU stated the Arizona Board of Regents (ABOR) earmarked Proposition 301 monies for specific projects and also mentioned the Proposition 301 projects were targeted for research opportunities areas, biosciences, biotechnology, etc.

Mernoy Harrison, Vice-Provost for Administrative Services, Arizona State University said the planning for the projects being reviewed was started prior to the passage of Proposition 301.

Senator Solomon moved the Committee approve the issuance of \$81,500,000 in revenue bonds to finance a Mediated Classroom/Social Sciences Building and Infrastructure Improvements with the understanding that any General Fund offsets for debt service or additional operational costs will be considered by the Legislature through the regular budget development process. The motion carried.

Review of Lease-Purchase Projects.

Lorenzo Martinez, JLBC Staff presented the Arizona State University request that the Committee review the issuance of \$77,137,000 in Certificates of Participation (COPs) for five projects. The projects are:

- University Services Building with renovation of vacated space
- Remote Library Storage Facility
- Memorial Union Expansion and Renovation
- Intercollegiate Athletics Building Expansion and Renovation and
- Packard Stadium Clubhouse and Playing Field Renovation.

(Continued)

The issuance will be repaid over 25 years with tuition collections and revenues from Auxiliary and Other Funds. The interest rate is estimated to be 5.5%. Total project cost over the payback period will be \$144,400,000.

Senator Solomon moved the Committee give a favorable review to the issuance of \$77,137,000 in Certificates of Participation to finance: 1) University Services Building and Backfill Renovations, 2) Remote Library Storage Facility, 3) Memorial Union Expansion and Renovation, 4) Intercollegiate Athletics Building Expansion and Renovation, and 5) Packard Stadium Clubhouse and Playing Field Renovations, with the understanding that any General Fund offsets for debt service or additional operational costs will be considered by the Legislature through the regular budget development process, and that ASU report the estimated costs for the last 4 projects after the design for each project is completed. The motion carried.

ARIZONA BOARD OF REGENTS/UNIVERSITY OF ARIZONA – Review of Lease-Purchase Projects.

Lorenzo Martinez, JLBC presented the University of Arizona request that the Committee review the UofA North Campus, Highland Commons Health Services/Disability Resource Center, and the Highland District Housing lease-purchase projects. The three projects combined represent COP issuances totaling \$62,730,000. The repayment over a 20-year period at an estimated interest rate of 6% equates to approximately \$109,400,000.

In response to Chairman Knaperek, Mr. Martinez stated the interest rates submitted were estimated by each university.

Greg Fahey, Associate Vice-President for Government Relations, U of A stated that the bond market constantly moves. No issuances have been issued.

Joel Valdez, Senior Vice-President for Business Affairs, U of A stated that interest rates caps are set by the Board of Regents when it approves the projects not to exceed that figure.

Senator Solomon moved the Committee give a favorable review to the issuance of \$62,730,000 in Certificates of Participation to finance: 1) North Campus Building, 2) Highland Commons Health Services/Disability Resource Center, and 3) Highland District Housing, with the understanding that any General Fund offsets for debt service or additional operational costs will be considered by the Legislature through the regular budget development process. The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION/DEPARTMENT OF CORRECTIONS/DEPARTMENT OF JUVENILE CORRECTIONS/ARIZONA DEPARTMENT OF TRANSPORTATION – Review of Revisions to Department of Corrections, Department of Juvenile Corrections, and Arizona Department of Transportation FY 2002 Building Renewal Allocation Plans.

Tony Vidale, JLBC Staff presented the Department of Corrections (DOC), Department of Juvenile Corrections (DJC) and Arizona Department of Transportation (ADOT) requests that the Committee review the revisions to the FY 2002 building renewal allocation plans. In the last Special Session, building renewal for DOC, DJC, and ADOT was reduced by approximately 50%. DOC and DJC received building renewal monies from the Corrections Fund and ADOT received building renewal monies from the State Highway Fund. The agencies have revised their building renewal plans to incorporate the reductions in funding.

(Continued)

Senator Solomon moved the Committee give a favorable review to the Department of Corrections, Department of Juvenile Corrections, and Arizona Department of Transportation revised FY 2002 building renewal allocation plans and request that funding for any new projects not listed in the allocation plans, reallocations between projects, and allocations from any contingency amounts be reported to JLBC Staff prior to expenditure. The motion carried.

ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND (ASDB) – Report on 10-Year Facilities Master Plan.

Jake Corey, JLBC Staff introduced Ken Proksa, Assistant Superintendent for Operations, ASDB who presented the ASDB 10-Year Facilities Master Plan. ASDB has a campus in Phoenix and Tucson. The Phoenix campus is approximately 133,000 square feet and serves 300 deaf students, preschool through high school. The Tucson campus has been in place since 1986 and serves 300 students which are deaf and blind. Both campuses are under the state building system and have limited funds to support building renewal and capital projects. There are approximately \$46,000,000 of deficiencies corrections that are needed which would be spread over 5-years. Senate Bill 1381 would put ASDB under the School Facilities Board (SFB). SFB is required to establish minimum standards for ASDB. SFB established those standards in December 2001.

No Committee action was required.

The meeting adjourned at 1:00 p.m.

Jan Belisle, Secretary

Lorenzo Martinez, Senior Fiscal Analyst

Representative Laura Knaperek, Chairman

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DATE: April 23, 2002

TO: Representative Laura Knaperek, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Tom Mikesell, Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY – CONSIDER
APPROVAL OF LAND ACQUISITION FOR AIR MONITORING SITE

Request

The Arizona Department of Environmental Quality (ADEQ) requests Committee approval of the proposed purchase of property located at 4538 North 17th Avenue in Phoenix.

Recommendation

The JLBC Staff recommends that the Committee approve the request. The proposal would use \$14,000 from the Air Quality Fund and \$6,000 from the Permits Administration Fund to purchase land at 4538 North 17th Avenue in Phoenix for use as an air monitoring site. We would note that this would set a precedent, as it is the first known instance of using operating appropriations for a land purchase.

Analysis

As part of the state's Air Quality Program, ADEQ operates an air quality-monitoring network consisting of approximately 60 monitoring stations. Each station contains air sampling equipment that is used to determine levels of air pollutants in the area. The sites are commonly located on property owned by other state agencies, or federal or local government property to which the state is granted access. In some instances property is leased by ADEQ.

ADEQ has operated an air monitoring station at 4538 North 17th Avenue in Phoenix since 1991. This property is owned by the City of Phoenix and is located in a developed residential area. In the past the city allowed ADEQ to operate the monitoring station at no cost, though currently the city wants to sell the property. The City approached ADEQ as a potential buyer for the property due to its past use as an air-monitoring site. The appraised value of the approximately 2,500 square foot parcel is \$14,600. According to ADEQ, A Phase I environmental site assessment has been conducted finding no Historical Recognized Environmental Conditions.

(Continued)

ADEQ seeks to purchase the property since this site has provided continuous measurement of air quality data for 10 years. According to ADEQ, preserving this location allows them to continue the trend of air monitoring already established. ADEQ indicates that this is preferred to moving the site and losing the historical benchmark.

To conduct the purchase, ADEQ proposes to transfer \$14,000 from the Air Quality Fee Fund and \$6,000 from the Air Permits Administration Fund to the Arizona Department of Administration in FY 2002, for a total transfer of \$20,000. These amounts will be from ADEQ's approved FY 2002 operating lump sum appropriations from these funds. Using the transferred monies, ADOA will then purchase the property and allow ADEQ to continue operating its air monitoring equipment on the site. ADEQ's proposal includes using the \$20,000 as follows: \$14,600 to purchase the land, \$2,600 for closing costs, and \$2,800 for the Phase I Environmental Site Assessment.

Staff would note that this is the first identified case of an agency using monies from its operating appropriation to purchase land. In past acquisitions, land has been purchased using monies from specific capital appropriations. A.R.S. § 41-791.02 requires that no land may be purchased without Committee approval and an appropriation by the Legislature for the acquisition. In its review of this statutory language Legislative Council did not believe that this proposal violated current law since the funding would come from lump sum appropriations.

Based on Legislative Council's legal opinion, the JLBC Staff recommends that the Committee approve the land purchase since it would provide the Air Quality Program to with integrity of its air monitoring data and will not require appropriations above the amounts approved for FY 2002.

RS/TM:jb

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CHRISTINE WEASON

DATE: April 23, 2002

TO: Representative Laura Knaperek, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Tony Vidale, Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION/ARIZONA DEPARTMENT OF
CORRECTIONS – REVIEW OF SCOPE, PURPOSE, AND ESTIMATED COST OF
DEPARTMENT OF CORRECTIONS SAFETY IMPROVEMENTS

Request

The Arizona Department of Administration (ADOA) and the Arizona Department of Corrections (DOC) request Committee review of the expenditure of \$731,200 from a Corrections Fund appropriation of \$1,379,400 for DOC safety improvements. In addition, ADOA and DOC request that any remaining funds be applied to procure an electrified fence system at the ASPC Florence Central Unit.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request. The \$731,200 will fund the design and construction of a perimeter security system for 5 administrative buildings at 3 prison complexes. The estimated cost for the design and construction of the electrified fence system is \$1,239,600, of which \$648,200 will come from the remaining safety improvements appropriation and \$591,400 will come from operating expense savings.

Analysis

Laws 2001, Chapter 237 (Capital Outlay Bill) appropriated \$1,379,400 in FY 2002 from the Corrections Fund to ADOA for DOC safety improvements. The appropriation would fund the modification of fencing around DOC administration buildings to correct a design flaw and eliminate a security weakness. In addition, Chapter 237 required ADOA to submit an expenditure plan to the Committee for review prior to the expenditure of any monies for DOC safety improvements. The Committee gave a favorable review at the June 28, 2001 JCCR meeting for the expenditure of \$100,000 of the appropriation to fund the assessment of the feasibility and costs of designing and installing these security enhancements.

(Continued)

The DOC has identified 5 prison administrative buildings (3 at the Eyman complex, 1 each at the Tucson and Yuma complexes) that require perimeter fence modifications to eliminate a potential escape point. The ADOA and DOC are requesting to utilize \$731,200 of the appropriation for the design and construction of a variable voltage sensor system to address the security weaknesses of the administrative buildings at each of the units. A variable voltage sensor system is an array of wires that presents a physical barrier and detection system that sounds an alarm if the wire array is cut, shorted, bridged, or spread enough to gain penetration. The wire array will be capable of being electrified, but will be in a non-lethal configuration at these facilities.

ADOA and DOC additionally request the remainder of the appropriation be applied to the design and construction costs for an electrified fence at the Central Unit ASPC-Florence. The Central Unit is a Level 5 (maximum) security unit that includes death row. The electrified fence would be mounted to the top of existing 17-foot high concrete walls of the Central Yard and the housing unit and would have sufficient voltage to provide a lethal jolt of electricity. DOC reports that Alabama, Arkansas, California, Colorado, Missouri, Nevada, and Wisconsin have one or more installations of a lethal fence.

The new lethal fence system would reduce staffing requirements by replacing visual surveillance provided by manned guard towers and reduce staff by 21 FTE Positions. DOC estimates that reducing staff positions will generate a savings of approximately \$735,000 annually that would be applied to offset the additional costs for the fence installation.

The JLBC Staff recommends a favorable review of the department's expenditure request for safety and security improvements.

RS/TV:jb

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CHRISTINE WEASON

DATE: April 24, 2002

TO: Representative Laura Knaperek, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jake Corey, Fiscal Analyst

SUBJECT: SCHOOL FACILITIES BOARD – REVIEW OF FY 2002 BUILDING
RENEWAL MAY ALLOCATION PLAN

Request

The School Facilities Board (SFB) requests that the Committee review its proposal to distribute \$672,100 of Building Renewal monies in May FY 2002.

Recommendation

The JLBC Staff recommends a favorable review of the request.

Analysis

Pursuant to A.R.S. § 15-2031, SFB reported its proposal to distribute \$122.8 million of Building Renewal monies to school districts for FY 2002 at the October 25, 2001 JCCR meeting. The statute provides that in any fiscal year Building Renewal monies shall be distributed in 2 equal installments in November and May. Therefore, SFB was to make 2 disbursements of \$61.4 million each in FY 2002. *Attachment 1* provides the October 25, 2001 JLBC report to the Committee (without attachments). The Committee gave a favorable review to the November distribution of monies and elected to have SFB submit the May distribution of monies for Committee review prior to their disbursement to school districts.

In accordance with SFB's instruction, the State Treasurer transferred \$132 million to the Building Renewal Fund on January 1, 2001 for distribution to districts in FY 2002. Based on building age, square footage, and construction cost inflation data that was available in the fall of 2000, the formula indicated a transfer of \$122.8 million. The SFB, however, increased this amount by \$9.3 million to \$132 million, expecting additional inflationary changes prior to the

first distribution in November of FY 2002. The SFB had since been advised by the Attorney General's Office that the FY 2002 distribution must be based solely on the formula data available last year and not incorporate any inflationary or other changes that have occurred since. Consistent with this guidance, SFB planned to distribute only the \$122.8 million that the formula dictated in the fall of 2000.

The SFB distributed \$61.4 million to school districts in November, 2001. Laws 2002, 3rd Special Session, Chapter 2 transferred \$69.9 million from the Building Renewal Fund to the General Fund. At this time, there remains \$672,100 in the Building Renewal Fund (\$132m - \$61.4m - \$69.9m). To determine individual district distributions, SFB has taken the district proportion of the original \$122.8 million and has applied these ratios to the \$672,100 figure.

The attached SFB material lists the Building Renewal formula calculation along with the November and proposed May distributions by district.

RS/JC:xx

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CHRISTINE WEASON

DATE: April 24, 2002

TO: Representative Laura Knaperek, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Timothy Sweeney, Fiscal Analyst

SUBJECT: ARIZONA STATE PARKS - REPORT ON KARTCHNER CAVERNS STATE
PARK

Request

Pursuant to Laws 1998, Chapter 297 the Arizona State Parks Board is providing the quarterly project status and financial reports on Kartchner Caverns State Park for the quarters ending December 31, 2001 and March 31, 2002.

Recommendation

This report is for information only and no Committee action is required. Cave construction is ahead of schedule, and the "Big Room" may be open as soon as November 2002. The original time schedule was for a November 2003 opening.

Since the opening of the park in November 1999 nearly 400,000 visitors have attended the park. Reservations are steady, and the late spring months are filling up. As of March 1, 2002 total park revenues are \$6,250,000. Revenues are deposited in the State Parks Enhancement Fund (SPEF) for park operating and development costs.

Analysis

The Arizona State Parks Board is required to report to the committee on the status of the development of Kartchner Caverns State Park at the end of each calendar quarter. The report must include details of the actual and projected costs, quarterly expenditures and source of monies, and a project development timetable.

Financial Summary

As of the quarter ending March 31, 2002, a total of \$31,646,200 has been allocated to the park's development from 5 fund sources. Of this amount, \$1,788,800, or 5.7%, remains unobligated. The following table summarizes these amounts by fund source and percentage allocations:

(Continued)

**Kartchner Caverns Construction Development Funding
(As of March 31, 2002)**

| Fund Source | <u>Approved Amount</u> | <u>Percent</u> | <u>Unobligated Balance</u> |
|-----------------------------------|------------------------|----------------|----------------------------|
| General Fund | \$ 3,500,000 | 11.1% | \$ 0 |
| Enhancement Fund | 20,144,900 | 63.7% | 1,332,000 |
| Heritage Fund | 5,174,500 | 16.4% | 456,800 |
| State Highway Fund | 2,445,700 | 7.7% | 0 |
| National Recreational Trails Fund | <u>381,100</u> | <u>1.2%</u> | <u>0</u> |
| TOTAL | \$31,646,200 | 100.0% | \$1,788,800 |

Project Timetable

A project timeline is required as a part of the quarterly updates on Kartchner development. The original timeline planned for a November 2003 opening of the lower caves. Crews are well ahead of schedule, however, and Parks Staff is anticipating an opening as early as November 2002. Trail construction in the lower caves is complete, the lighting is also nearing completion.

The bats are starting to return to the cave and most work in the lower caves will be suspended during the summer. The bats are expected to leave in September, and final preparations for the opening of the lower caves will resume. While the bats are in the caves for the summer, work will continue on projects aboveground, such as security gates.

Due the expected early opening of the Big Room, the State Parks Department will be requesting additional SPEF authority for increased staffing needs. Work is in progress to determine the expected fee for the Big Room tours, the size of the tour groups, and the number of tours per day. These details may not be determined until the fall when sufficient practice tours have been performed. To fund the expected costs, Parks Staff estimate that approximately 16 FTE positions and \$650,000 in SPEF expenditure authority will be needed. This increase in overall SPEF liability is expected to be offset entirely by increased fund revenues generated by the opening of the Big Room.

The timeline below displays the original project timeline, and a new timeline reflecting a potential November 2002 opening of the lower caverns.

