

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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HOUSE OF
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TOM BOONE
CHAIRMAN 2006
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STEPHEN TULLY

JOINT COMMITTEE ON CAPITAL REVIEW

Thursday, June 15, 2006

9:30 a.m.

House Hearing Room 4

MEETING NOTICE

- Call to Order
- [Approval of Minutes of May 9, 2006.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. ARIZONA DEPARTMENT OF TRANSPORTATION
 - A. [Consider Approval of Transfer of Funds and Review of Asphalt Storage Tanks Project.](#)
 - B. [Review of FY 2007 Construction Budget Operating Expenditure Plan.](#)
- 2. [SCHOOL FACILITIES BOARD – Review of FY 2007 New School Construction Report.](#)
- 3. [DEPARTMENT OF JUVENILE CORRECTIONS – Review of Suicide Prevention Renovations.](#)
- 4. [ARIZONA DEPARTMENT OF ADMINISTRATION – Consider Approval of Rent Exemption for the Arizona Department of Real Estate.](#)

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

06/12/06

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) 926-5491.

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MINUTES OF THE MEETING JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, May 9, 2006

The Chairman called the meeting to order at 10:43 a.m., Tuesday, May 9, 2006 in House Hearing Room 4 and attendance was as follows:

Members: Senator Burns, Vice-Chairman Representative Boone, Chairman
 Senator Aboud Representative A. Aguirre
 Senator Cannell Representative Biggs
 Senator Gould Representative Brown
 Senator Johnson Representative Lopes
 Representative Pearce
 Representative Tully

Absent: Senator L. Aguirre
 Senator Bee

Senator Burns moved the Committee approve the minutes of April 18, 2006, as presented. The motion carried.

NORTHERN ARIZONA UNIVERSITY - Review of Research Laboratory Lease-Purchase Project at NAU-Yuma.

Ms. Amy Strauss, JLBC Staff, presented the review of the Northern Arizona University (NAU) research laboratory lease-purchase project at NAU-Yuma, which is at the Arizona Western College (AWC) Campus. Arizona statute requires that the Committee review any university projects financed with Certificates of Participation (COP), also known as lease-purchase agreements. NAU would finance this project with a COP issuance not to exceed \$4 million. The research lab is built in conjunction with planned AWC projects funded fully from a \$74 million bond package, which the Committee favorably reviewed in August 2004. NAU anticipates selling the COP in June 2006, with an A credit rating. The annual debt payment will be approximately \$300,000 for a term of 25 years with an estimated interest rate at 5%. The 10,000 square foot applied research facility will be located adjacent to the AWC science complex and would provide laboratory space to be used for collaborative research and teaching activities. The cost per square foot associated with this project is about \$400. With this building NAU has exhausted its available financing for research infrastructure projects.

There was no discussion on this item.

Senator Burns moved the Committee give a favorable review as recommended by JLBC Staff to the Applied Research Facility to be sited on the campus of Arizona Western College in Yuma, Arizona with the following standard university financing provisions:

- *NAU shall report to the Committee before expenditure of any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project.*
- *NAU shall submit for Committee review any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In the case of an emergency, the University of Arizona (UA) and Arizona State University (ASU) may report immediately on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.*
- *A favorable review by the Committee does not constitute endorsement of General Fund appropriations for operational costs when the project is complete. These costs should be considered by the entire Legislature through the budget development process.*

The motion carried.

UNIVERSITY OF ARIZONA - Review of Residence Life Building Renewal Phase 2A.

Ms. Shelli Carol, JLBC Staff, presented the review for the Residence Life Building Renewal Phase 2A project. This would replace plumbing systems in the Manzanita/Mohave Hall and the fire sprinkler system in Cochise Hall. This will be contracted through the Construction Manager at Risk method and financed with \$3.9 million in system revenue bonds with a term of 25 years, anticipated to be sold with a combination of fixed rate bonds under 7.5% and variable rate bonds under 6%. Student housing fees would pay the approximate \$313,000 of annual debt service. The direct construction costs with the plumbing upgrade are within the range of previous projects. The fire sprinkler system cost is significantly higher than previous experience, however, this particular residence will require partial demolition in order to remove the current fire sprinkler.

Senator Ron Gould asked if this was a fire sprinkler replacement project.

Ms. Carol replied that it is half fire sprinkler replacement in one hall and a plumbing upgrade in the other hall.

Senator Gould what type of plumbing upgrade will be made.

Mr. Peter Dourlein, Associate Director of Facilities Design and Construction, University of Arizona, replied that the renovations include complete gutting of the restrooms, supply, sanitary sewer, finishes, fixtures, and ADA access.

Senator Gould asked if there have been troubles with the plumbing system.

Mr. Dourlein acknowledged there have been systematic failures in the buildings. The Cochise Hall is 80 years old and the Manzanita/Mohave Hall was built in the early 60's and they have had systematic failures on a regular basis.

Senator Karen Johnson asked if the renovations will be good for the 25-year commitment.

Mr. Dourlein replied that the renovations in these buildings will exceed the 25 years.

Senator Gould expressed his concern for financing these types of repairs with bonds, since they should be budgeted. The life span should be estimated so the repairs can be budgeted instead of bonded. There is currently poor planning for financing repairs.

Representative Phil Lopes asked if the repairs could have been foreseen and budgeted or if there is another reason why the repairs are being bonded.

Mr. Dourlein replied that these are typical building renewal type of repairs. They are predictable and probably would be budgeted as part of a building renewal cycle.

Representative Lopes asked why they are not being budgeted for as opposed to being part of the capital budget.

Mr. Dourlein replied that there has been no building renewal money to the university for this type of repair.

Representative Lopes clarified there has not been a budget into which the repairs could be included.

Senator Burns moved the Committee give a favorable review as recommended by JLBC Staff to the Life Building Renewal Phase 2A with the following standard university financing provisions:

- *UA shall report to the Committee before expenditure of any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. UA shall also report to the Committee before any reallocation exceeding \$100,000 among the individual planned renovations, renewals, or extensions.*
- *UA shall submit for Committee review any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, UA may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.*
- *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any auxiliary revenues that may be required for debt service, or any operations and maintenance costs when the project is complete. Auxiliary funds derive from substantially self-supporting university activities, including student housing.*

The motion carried.

ARIZONA EXPOSITION AND STATE FAIR BOARD - Review of Revised FY 2006 Building Renewal Allocation Plan.

Mr. Tyler Palmer, JLBC Staff, presented the review of the revised building renewal plan for the Arizona Exposition and State Fair (AESF). AESF was appropriated \$1.4 million for building renewal for FY 2006. During the February meeting the Committee favorably reviewed 4 projects for \$859,000 leaving \$527,800 for Committee review. The revised allocation plan is to allocate an increased cost for the 4 projects and it also adds increased funding for 1 project previously reviewed in FY 2005. He provided a handout with a new table (attached) and noted that Table 1 in the agenda book has been revised due to a bid for a project that fell through. The cost increased to about \$112,000 with the second lowest bid. As can also be seen in the table, the allocation plan exceeds the appropriation by \$48,200; however, the allocation plan has building contingencies of \$133,000 all of which may not be used.

Senator Gould asked if AESF generates enough money to pay its own expenses or if the money comes out of the General Fund.

Mr. Palmer replied that AESF does generate enough revenue to be self-supporting.

Senator Burns moved the Committee give a favorable review as recommended by JLBC Staff to the revised FY 2006 building renewal plan with the provision that AESF report back to JLBC Staff regarding any reallocation of project contingencies. The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION - Review of Oil Storage Tanks Project.

Mr. Bob Hull, JLBC Staff, presented the review of the Oil Storage Tanks Project for Arizona Department of Transportation (ADOT). ADOT was appropriated \$637,600 for 4 oil storage tanks, concrete containment bases and removing existing tanks. Due to increased costs of concrete and steel, ADOT will be able to install 3 tanks at 3 of those sites. The bid is out and the contract is to be awarded June 14, 2006.

There was no discussion on this item.

Senator Burns moved the Committee give a favorable review as recommended by JLBC Staff to install 3 oil storage tanks, concrete containment basins and dispose of existing tanks, with the condition that ADOT report back to JLBC Staff with their new cost estimate after the contract is awarded. The motion carried.

Representative Russell Pearce expressed his appreciation for the comments made by Senator Gould regarding the poor planning of financing repairs. Part of the problem was that there was not enough money put toward building renewal over the years. The effort needs to be concentrated on moving away from bonding and use cash for repairs, instead of sending surplus to growing and new programs. The money should be directed to the tax rate or to the issues of maintaining what we already own.

Representative Boone concurred with Representative Pearce.

Without objection the Committee meeting adjourned at 11:00 a.m.

Respectfully submitted:

Yvette Medina, Secretary

Lorenzo Martinez, Assistant Director

Representative Tom Boone, Chairman

NOTE: A full tape recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams.

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DATE: June 12, 2006

TO: Representative Tom Boone, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/Fiscal Analyst

SUBJECT: Arizona Department of Transportation – Approval of Transfer of Funds and Review
of Asphalt Storage Tanks Project

Request

In compliance with A.R.S. § 41-1252, the Arizona Department of Transportation (ADOT) requests Committee review of \$406,400 for the Asphalt Storage Tanks project. As approved by the House and Senate, the proposed FY 2007 Capital Outlay Bill appropriates a total of \$1,587,600 for asphalt storage tanks.

Recommendation

The JLBC Staff recommends that the Committee approve the transfer of \$11,600 from the Laws 2005, Chapter 298, capital appropriation for oil storage tanks to the proposed asphalt storage tank project. A.R.S. § 35-173 requires Committee approval of transfers between different appropriations.

The JLBC Staff further recommends that the Committee give a favorable review of \$406,400 for the project to install 2 asphalt storage tanks, concrete containment basins and dispose of existing tanks with 2 conditions:

1. Enactment of the FY 2007 Capital Outlay Bill, and
2. Prior to expenditure of any of the remaining balance of \$1,181,200 in the proposed FY 2007 appropriation for asphalt storage tanks, the Committee shall review the department's request for additional spending.

The cost projections are similar to those for the 3 locations favorably reviewed by the Committee on May 9, 2006 and are within the proposed budget for the project. ADOT is requesting review now rather than waiting for passage of the Capital Outlay Bill, in order to take advantage of the existing bid as soon as possible after approval of the legislation.

(Continued)

Analysis

The Capital Outlay Bill would appropriate \$1,587,600 from the State Highway Fund in FY 2007 to the department to install replacement 10,000-gallon asphalt storage tanks, concrete containment basins and dispose of existing tanks at 6 locations (Winslow, Ganado, Globe, Springerville, Seligman and Yuma). A.R.S. § 41-1252 requires that the Committee review the scope, purpose and estimated cost, before the release of monies for construction of a new capital project costing over \$250,000.

At its May 9, 2006 meeting, the Joint Committee on Capital Review gave a favorable review to ADOT's Oil (Asphalt) Storage Tanks Project with the condition that ADOT report back to JLBC Staff with their new cost estimate after the contract is awarded. The project was funded by Laws 2005, Chapter 298, which appropriated \$637,600 from the State Highway Fund to the department for oil (asphalt) storage tanks. ADOT reports that the contract was awarded on June 1, 2006 for a total cost of \$626,000, including costs of \$207,000 for Globe, \$208,000 for Superior, \$199,000 for Indian Pine, and \$12,000 to dispose of the old asphalt storage tank at Show Low. ADOT no longer plans to install a new asphalt storage tank at Show Low, since they would like to relocate the Show Low maintenance yard in the future. The remaining available balance from the \$637,600 FY 2006 appropriation for oil (asphalt) storage tanks is \$11,600.

When ADOT put the FY 2006 project out to bid, they received bids for 6 locations. The 2 remaining locations with existing bids are Springerville and St. John's. The current Capital Outlay Bill includes an appropriation of \$1,587,600 in FY 2007 to the department for asphalt storage tanks. ADOT requests that the Committee give a favorable review to using \$418,000 of the \$1,587,600 appropriation in FY 2007 for asphalt storage tanks at Springerville and St. John's, contingent on the Capital Outlay Bill being enacted. The 2 new asphalt storage tanks and containment basins would have an average cost of \$209,000, including \$222,000 for Springerville and \$196,000 for St. John's. The bid for Springerville and St. John's expires 120 days from June 1, 2006. Construction is to be completed within 60 calendar days after notice to proceed for each location. The new tanks would help ADOT comply with an environmental agreement with the Arizona Department of Environmental Quality regarding storm water/waste water.

If the remaining balance of \$11,600 from the FY 2006 appropriation for oil storage tanks were transferred to the proposed FY 2007 appropriation of \$1,587,600, then a total of \$1,599,200 would be available in FY 2007 for asphalt storage tanks. Spending \$418,000 from the \$1,599,200 for asphalt storage tanks would leave a remaining balance of \$1,181,200 in the FY 2007 appropriation for asphalt storage tanks.

Asphalt Storage Tanks	
FY 2007 Appropriation Plus FY 2006 Balance	
	<u>Available Funding</u>
FY 2007 Appropriation + \$11,600 from FY 2006	\$1,599,200
Less: Cost for 2 Locations	<u>418,000</u>
Balance Remaining	\$1,181,200

Because the proposal appears consistent with the statutory intent for the project and the cost estimate is within the established limits, JLBC Staff recommends that the Committee give approval of the transfer of \$11,600 from the FY 2006 appropriation to the proposed asphalt storage tank project and favorable review of \$406,400 of the proposed FY 2007 appropriation.

RS/BH:ym



Arizona Department of Transportation

Office of the Director

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

Janet Napolitano
Governor

Victor M. Mendez
Director

June 1, 2006



DEVIN P. Jankofsky
Deputy Director

The Honorable Tom Boone, Chairman
Joint Committee on Capital Review
1716 W. Adams
Phoenix, AZ 85007

Dear Representative Boone:

We respectfully request that the release of \$418,000 from ADOT's FY2007 capital outlay appropriation to purchase and install two new oil storage tanks be placed on the agenda of the next JCCR meeting for Committee consideration.

ADOT will be appropriated \$1,587,600 in FY2007 to be used to purchase and install new oil storage tanks to replace 5 old deteriorating and leaking tanks in Winslow, St. Johns, Springerville, Seligman and Yuma, and to build a new storage tank at Ganado.

Installation of these tanks will provide the necessary storage needs for oil products used by district maintenance staff. These new tanks will provide cost savings from bulk purchases, provide for the safer handling of these hazardous products, and provide environmental protection from leakage and contamination.

As part of our FY2006 capital outlay program we received bids for a number of oil storage tanks. At its May 9, 2006, meeting the JCCR approved 3 of those FY2006 storage tank replacements. From that bidding we received some very favorable bids and have the opportunity to use those bids for two of the FY2007 projects. We are seeking your approval to award contracts for asphalt storage tanks at Springerville, \$222,000 and St. John's, \$196,000.

The contracts will not be awarded until after July 1, 2006. Also we will return to the JCCR for approval for the remaining unspent balance for the additional oil storage tanks.

A favorable review by the Committee is respectfully requested so we may move forward with this project.

Sincerely,

Victor M. Mendez

- cc: Richard Stavneak, Director, JLBC
- Gary Yaquinto, Director, OSPB
- Bob Hull, Principal Research/Fiscal Analyst, JLBC
- Marcel Benberou, Principal Analyst, OSPB



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DATE: June 12, 2006

TO: Representative Tom Boone, 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 FY 2007 Construction Budget
Operating Expenditure Plan

Request

In compliance with a footnote in the proposed FY 2007 Capital Outlay Bill, the Arizona Department of Transportation (ADOT) requests that the Committee review its FY 2007 highway construction budget expenditure plan for Professional & Outside Services (contracted consultants).

Recommendation

The JLBC Staff recommends contingent on enactment of the FY 2007 Capital Outlay Bill, that the Committee give a favorable review of up to \$17.3 million for the first 2 months of ADOT's total \$103.6 million Professional & Outside Services expenditure plan for FY 2007, with the following provisions:

- Before the expenditure of any monies beyond the \$17.3 million for the first 2 months in FY 2007, ADOT shall submit a complete highway construction budget expenditure plan for Professional & Outside Services. To the extent possible, the department's report is to include an estimate of consulting services from the Statewide Transportation Acceleration Needs Account.
- ADOT's report shall include the traffic congestion performance measures for the Phoenix area, Tucson area and the balance of the state, which the Committee adopted last year and asked that ADOT report on as part of this year's Committee review.

We are reviewing the request before the FY 2007 Capital Outlay Bill is enacted, since the bill requires Committee review by July 1, 2006 before the expenditure of any monies for Professional and Outside Services. The 2-month approval period will allow ADOT time to submit more complete information on their budget, including the Statewide Transportation Acceleration Needs Account, and the traffic congestion performance measures.

(Continued)

Analysis

ADOT's operating budget, in the General Appropriation Act, as approved by both the full House and Senate, includes \$58 million and 616 FTE Positions from the State Highway Fund in FY 2007 for field administration, engineering, and oversight on highway construction projects. Additional monies for consulting services in the capital budget allow ADOT the flexibility to handle any interim changes in the level of funding for highway construction.

The FY 2007 Capital Outlay Bill as approved by both the full House and Senate includes \$226.3 million from the State Highway Fund to ADOT for highway construction in FY 2007. Of the \$226.3 million, ADOT plans to expend \$103.6 million for capital construction consultant services. ADOT's projected \$103.6 million is \$6.6 million more than their planned expenditures of \$97 million in FY 2006. The \$6.6 million increase includes increases of \$3.3 million for preliminary engineering, \$1.1 million for construction engineering, \$2 million for other Professional and Outside Services, and \$200,000 for other items.

In addition, the proposed FY 2007 General Appropriation Bill as approved by both the full House and Senate, includes a total of \$307 million for the Statewide Transportation Acceleration Needs Account of the State Highway Fund, including \$245 million from the General Fund and \$62 million from the State Highway Fund. The budget, as approved by both the full House and Senate, establishes the Statewide Transportation Acceleration Needs Account of the State Highway Fund to pay for certain transportation projects. ADOT's plan to expend \$103.6 million in FY 2007 for capital construction consultant services does not include any additional spending that might be needed for capital construction consultant services for projects paid for from the \$307 million in the Statewide Transportation Acceleration Needs Account.

The following table shows how ADOT's actual expenditures for construction consultant services have varied from the department's planned dollar amounts for the past several fiscal years. It is difficult to evaluate Professional and Outside Services and whether resources are being used efficiently.

ADOT's Construction Budget Professional and Outside Services Expenditure Plan			
FY	Expenditures		
	Plan	Actual	Over/Under Plan
2007	\$103,644,800	-	-
2006	97,000,000	-	-
2005	105,000,000	\$ 78,240,700	\$(26,759,300)
2004	105,000,000	82,000,000	(23,000,000)
2003	99,000,000	96,000,000	(3,000,000)
2002	99,000,000	111,000,000	12,000,000
2001	105,000,000	93,000,000	(12,000,000)

(Continued)

Performance Measures

Last year the Committee adopted traffic congestion performance measures for the Phoenix area, Tucson area and the balance of the state, with the stipulation that ADOT report on these performance measures as part of this year's Committee review. The performance measures list "over capacity" highway segments and describe how ADOT's 5-year plan addresses some of the state's most crowded roadways. ADOT has not yet reported on the performance measures as part of this year's request for Committee review.

RS/BH:ym



**Arizona Department of Transportation
Transportation Services Group**

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

Janet Napolitano
Governor

Victor M. Mendez
Director

June 5, 2006



John A. Bogert
Chief of Staff

Mr. Richard Stavneak, Director
Joint Legislative Budget Committee
1716 West Adams
Phoenix, AZ 85007

Dear Mr. Stavneak:

Enclosed please find schedules outlining the Arizona Department of Transportation's Professional and Outside Services Expenditure Plan, funded from the capital budget, including contracted field administration and field engineering for fiscal year 2007.

As you know, the Professional and Outside Services Expenditure Plan will, in some measure, be determined by the Department's FY 2007 Five Year Construction Program, which is scheduled for adoption by the State Transportation Board on June 23, 2006. Although we do not foresee any significant deviations from this spending plan, construction modifications do occur and may have an influence on the overall Expenditure Plan throughout FY 2007, as well as, Legislative discussions about additional funds to accelerate construction projects.

If you have any questions or desire additional information, please do not hesitate to contact me, (602) 712-8981.

Sincerely,

Terry Frost
ADOT Office of Strategic Planning and Budgeting

- cc: Gary Yaquinto, Director, Governor's Office of Strategic Planning and Budgeting
- Bob Hull, Joint Legislative Budget Committee
- Marcel Benberou, Office of Strategic Planning and Budgeting
- Diane Minton, State Engineer's Office



2001 Award Recipient

AGENCY NAME & AFIS CODE:
 COST CENTER/PROGRAM NAME:
 FUND NAME & AFIS NUMBER:

DEPARTMENT OF TRANSPORTATION DTA
 CONSTRUCTION - NON-APPROPRIATED
 STATE HIGHWAY FUND 2030

SCHEDULE 7
 PROFESSIONAL AND OUTSIDE SERVICES

AFIS COMP SRC CLS	EXPENDITURE CATEGORY	(A) ACTUAL FY 2005	(B) APPROVED FY 2006 (EXP PLAN)	(C) FY 2007 BASE ADJUSTMENTS	(D) FY 2007 BASE BUDGET (B) + (C)
6219	Other External Financial Services	321.6	275.0	56.5	331.5
6221	Attorney General Legal Services	348.6	475.0	31.1	506.1
6222	External Legal Services	13.9	50.0	19.4	69.4
6231	Preliminary Engineering	20,598.6	46,250.0	3,291.1	49,541.1
6232	Construction Engineering	18,830.8	19,000.0	1,091.8	20,091.8
6239	Other Design	497.8	1,275.0	92.1	1,367.1
6240	Temp Agency Services	18.5	125.0		125.0
6271	Education and Training	3.1	55.0	17.9	72.9
6299	Other Professional and Outside Services	37,607.8	29,025.0	2,044.9	31,069.9
	TOTAL Professional and Outside (to SCH. 3A)	78,240.7	96,530.0	6,644.8	103,174.8

AGENCY NAME & AFIS CODE:

DEPARTMENT OF TRANSPORTATION DTA

COST CENTER/PROGRAM NAME:

CONSTRUCTION - STATE HIGHWAY FUND NON-APPROPRIATED

SCHEDULE 3A - FY 2007
 COST CENTER/PROGRAM SUMMARY OF EXPENDITURES

AFIS OBJ CODE	CATEGORY	(A) ACTUAL FY 2005	(B) APPROVED FY 2006 (EXP PLAN)	(C) FY 2007 BASE ADJUSTMENTS	(D) FY 2007 BASE BUDGET (B) + (C)	(E) MANDATED & DEMOGRAPHIC ISSUES	(F) BASE MODIFICATIONS (Net to \$0)	(G) FY 2007 (D) + (E) + (F)
	EXPENDITURE DETAIL:							
6200	PROFESSIONAL & OUTSIDE SERVICES	78,240.7	96,530.0	6,644.8	103,174.8			103,174.8
	TOTAL PROGRAM EXPENDITURES	78,240.7	96,530.0	6,644.8	103,174.8			103,174.8
	FUNDING SOURCES:							
1000	GENERAL FUND							
	NON-APPROPRIATED FUNDS	78,240.7	96,530.0	6,644.8	103,174.8			103,174.8
	SUBTOTAL NON-APPROPRIATED FUNDS	78,240.7	96,530.0	6,644.8	103,174.8			103,174.8
	TOTAL FUNDS	78,240.7	96,530.0	6,644.8	103,174.8			103,174.8

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DATE: June 12, 2006

TO: Representative Tom Boone, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Fiscal Analyst

SUBJECT: School Facilities Board – Review of FY 2007 New School Construction Report

Request

Pursuant to A.R.S. § 15-2002, the School Facilities Board (SFB) requests the Committee review its demographic assumptions, proposed construction schedule, and new school construction cost estimates for FY 2007.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request. This item was presented at the October meeting but action was deferred until the board completed its project approval process in the current fiscal year. The new school construction approval process begins in November and is completed by the spring. The Committee requested that the board report by May 1, 2006 on its proposed construction schedule and cost estimates by project.

The board estimates that it will oversee 75 new school construction projects in FY 2007 and will spend a total of \$360.7 million in that year. This amount includes funding for all the construction projects that have already been approved by the board in the current fiscal year. Of the \$360.7 million, \$250 million would be from the General Fund. (The Legislature has already appropriated \$50 million of this amount to SFB for FY 2007 during the past session.) The board had originally estimated spending \$308.4 million on new school construction. The estimate has increased due to the board approving more projects in FY 2006 than expected and also because of the 12.85% inflation adjustment adopted by the Joint Legislative Budget Committee in October.

Analysis

Demographic Assumptions

The SFB bases its demographic assumptions on its analysis of the school district forecasts of Average Daily Membership (ADM), included in the Capital Plans submitted by districts to the board. To conduct the analysis, SFB uses state population data, grade progression estimates, historical ADM growth, and, if

(Continued)

applicable, residential housing growth. Analysis of student enrollment growth is performed on a district by district basis.

For districts that submitted a Capital Plan to the board, SFB expects enrollment to grow at a higher rate in FY 2006 and FY 2007 than in FY 2005. The board expects enrollment growth to be 6.5% in FY 2006 and 7.1% in FY 2007. Actual enrollment growth was 6.2% in FY 2005. Districts experiencing higher than average enrollment growth are generally the ones that submit Capital Plans to the board, while districts with lower growth generally do not submit a plan.

For FY 2007, within Maricopa County SFB expects growth of approximately 8.0% in the southeastern portion of the county, including the cities of Chandler and Gilbert. In the northern part of the county, including Cave Creek, Deer Valley, and Scottsdale, the board expects growth of about 6.5%. In the western and southern districts of Phoenix, including Tolleson, the board expects growth of 6.3%. In the districts outlying the western edge of the Phoenix metro area, including Agua Fria, Avondale, Buckeye, Litchfield, and Saddle Mountain, SFB expects growth of 13.8%.

In the other areas of the state, the board expects growth of 12.7% in Pinal County, 3.4% in Yuma County, 3.8% in Southern Arizona, and 3.6% in Northern Arizona.

Construction Schedule

The board estimates it will oversee 75 new school construction projects in FY 2007. Of the total, SFB estimates that 30 projects will be ongoing from a previous year and will be completed in FY 2007, and that 45 will begin construction in FY 2007.

Cost Estimates

The board estimates spending a total of \$360.7 million in FY 2007. The table below provides a summary of the board's estimated expenditures:

<u>Expenditures</u>	<u>FY 2007 (\$ in M)</u>
Land	\$ 35.0
Construction Projects	324.7
Emergency Deficiencies	<u>1.0</u>
Total	\$360.7

Of the total \$360.7 million expected to be spent in FY 2007, the board expects to incur the following costs:

- \$35 million for land. The estimate is based on prior year expenditures.
- \$324.7 million for construction projects. The estimate is based on prior year expenditures and includes:
 - \$184.0 million for projects approved prior to FY 2006.
 - \$112.0 million for projects approved in FY 2006. The board expects to approve a total of \$402.2 million of projects in FY 2006. Based on prior year trends, the board expects to spend 27.8% of the total amount, or \$112.0 million, in FY 2007.
 - \$15.8 million for architecture and engineering fees. Once the board approves a project, it immediately distributes 5% of the total cost of the project to the school district. Based on an estimate of \$315 million of approvals in FY 2007, the board would distribute \$15.8 million for these fees.
 - \$13.0 million for potential early project spending. The SFB has added in these monies to provide a more conservative estimate of FY 2007 spending.

(Continued)

- \$1 million for Emergency Deficiencies Corrections Projects. The estimate is based on outstanding approved projects that have yet to receive funding.

In October the board had originally estimated spending \$308.4 million on FY 2007 new school construction, which is \$52.3 million less than the updated estimate. The estimate has increased due to the board approving more projects in FY 2006 than expected and also because of the JLBC adopted 12.85% inflation adjustment.

To finance the projected \$360.7 million in expenditures, the board expects to use lease-purchase proceeds remaining from prior years and new cash funding. The table below provides a summary of the board's estimated financing:

<u>Financing</u>	<u>FY 2007 (\$ in M)</u>
Lease-Purchase Proceeds	\$ 17.2
Appropriation	250.0
Lease Revenues (Land Department)	10.0
Transfer from Deficiencies Corrections	25.9
New School Facilities Fund Balance	<u>57.6</u>
Total	\$360.7

Of the total \$360.7 million amount, the board expects to allocate funding from the following revenue sources:

- \$17.2 million in lease-purchase proceeds from prior year lease-purchase agreements. The board expects to spend all remaining lease-purchase proceeds in FY 2007.
- \$250 million in cash provided in FY 2007. This amount is based on the amount the board has requested for FY 2007. The Legislature has proposed appropriating a total of \$250 million for FY 2007 new school construction.
- \$10 million in lease revenues from the Land Department. The Land Department leases land to school districts. Any monies the Land Department receives from school district leases, however, are deposited in the New School Facilities Fund.
- \$25.9 million in cash from the Deficiencies Corrections Fund. The transfer is a return of funds to the New School Facilities Fund for "loan" repayment. In FY 2004, SFB temporarily transferred \$100 million from the New School Facilities Fund to the Deficiencies Correction Fund. The \$25.9 million represents the final repayment of the earlier transfer.
- \$57.6 million in cash from the New School Facilities Fund balance. The estimated FY 2007 beginning fund balance is \$58.1 million. Allocating \$57.6 million for FY 2007 expenditures, therefore, would leave the fund with an ending FY 2007 balance of \$420,000.

RS/LMc:ym

School Facilities Board New Construction Report Highlights

Demographic Projections

- For FY 2007, SFB projects enrollment growth of 7.1%.
- High growth areas include the cities of Chandler and Gilbert, districts outlying the western edge of Phoenix, and northwest Pinal County.

Construction Schedule

- SFB estimates overseeing approximately 75 projects in FY 2007.
 - Includes 30 continuing projects and approximately 45 projects that will begin construction in FY 2007.
- SFB has approved another 8 projects that probably won't start until FY 2008.

Cost Estimates

- Total FY 2007 projected spending equals \$360.7 million.
- Leaves SFB with \$421,200 in FY 2008.

<u>Expenditures</u>		<u>Financing</u>	
Land	\$ 35.0 M	Lease-Purchase Proceeds	\$ 17.2 M
Construction Projects	324.7 M	Appropriation	250.0 M
Emergency Deficiencies	<u>1.0 M</u>	Lease Revenues (Land Dept.)	10.0 M
Total	\$360.7 M	Transfer from Deficiencies Corrections	25.9 M
		New School Facilities Fund Balance	<u>57.6 M</u>
		Total	\$360.7 M

District Projects

<u>District</u>	<u># of Projects</u>	<u>District</u>	<u># of Projects</u>	<u>District</u>	<u># of Projects</u>
Dysart Unified	7	Pendergast Elementary	2	Liberty Elementary	1
Chandler Unified	4	Queen Creek Unified	2	Maricopa County Regional	1
Maricopa Unified	4	Sahuarita Unified	2	Navajo County Accommodation	1
Saddle Mountain Unified	4	Sunnyside Unified	2	Palo Verde Elementary	1
Casa Grande Elementary	3	Vail Unified	2	Palominas Elementary	1
Coolidge Unified	3	Yuma Elementary	2	Peoria Unified	1
Florence Unified	3	Agua Fria Union High	1	Red Mesa Unified	1
Higley Unified	3	Apache Junction Unified	1	Riverside Elementary	1
JO Combs Elementary	3	Blue Ridge Unified	1	San Fernando Elementary	1
Laveen Elementary	3	Buckeye Elementary	1	Santa Cruz County Accommodation	1
Cartwright Elementary	2	Buckeye Union High School	1	Santa Cruz Valley Unified	1
Crane Elementary	2	Casa Grande Union	1	Stanfield Elementary	1
Littleton Elementary	2	Cave Creek Unified	1	Tolleson Union High School	1
Marana Unified	2	Fowler Elementary	1	Union Elementary	1
Nadaburg Elementary	2	Isaac Elementary	1	Yuma Union High School	1
				TOTAL - 45 Districts	83



STATE OF ARIZONA
SCHOOL FACILITIES BOARD

Governor of Arizona
Janet Napolitano

May 5, 2006

The Honorable Tom Boone
Chairman
Joint Committee on Capital Review

The Honorable Robert Burns
Vice Chairman
Joint Committee on Capital Review

Dear Representative Boone and Senator Burns:

At the October 26, 2005 JCCR meeting, your committee asked the School Facilities Board (SFB) to provide updated FY 2007 construction schedules and cost estimates once the SFB had completed the FY 2006 award cycle. The Board completed FY 2006 new awards at the May 4, 2006 Board meeting. Attached you will find the project approval information for this cycle as well as expenditure projections for FY 2007. A complete list of projects with their current status is also included. Since the SFB does not control district construction timelines or expenditure patterns, the cost estimates are done on a statewide basis. These estimates are based on historical statewide expenditure patterns. The methodology used is consistent with that used in our FY 2007 budget request.

The updated report draws the following conclusions:

- The SFB awarded significantly more projects in FY 2006 than projected in the October report.
- SFB FY 2006 expenditures are less than projected in the October report.
- SFB staff currently believes the FY 2007 projected appropriation of \$250,000,000 is sufficient.

Several FY 2007 unknowns remain that may change projected expenditures leading to required additional funds. These unknowns include inflation, district expenditure patterns, and land costs.

If you have any additional questions, please let me know.

Sincerely,

John Arnold



Acting Executive Director
John Arnold



**STATE OF ARIZONA
SCHOOL FACILITIES BOARD**

**Governor of Arizona
Janet Napolitano**

**Acting Executive Director
John Arnold**

Attachments

**Cc: Richard Stavneak
Gary Yaquinto
George Cunningham
Mike Haener
Becky Hill**

**New School Facilities Fund
Fund #2460
5/1/2006**

	FY 2005	FY 2006	FY 2007
Beginning Balance	\$15,105,234	\$35,362,834	\$58,077,782
Revenues			
Transfers In	\$30,218,034	\$15,000,000	\$25,893,153
Appropriation	\$4,000,000	\$250,000,000	\$250,000,000
Lease Revenues (LD Department)	\$16,381,373	\$8,946,089	\$10,000,000
Other Revenues	\$33,250	\$2,793,759	\$0
Lease To Own Transfers			
LTO FY 2003	\$5,895,844	\$6,641	\$0
LTO FY 2004	\$70,320,401	\$5,860,885	\$0
LTO FY 2005	\$185,000,000	\$51,000,000	\$17,200,000
Total Lease-to-Own Transfers	\$261,216,245	\$56,867,526	\$17,200,000
Total Revenues	\$311,848,902	\$333,607,374	\$303,093,153
Total Available	\$326,954,136	\$368,970,208	\$361,170,935
Expenditures			
Projects	\$257,044,146	\$251,500,000	\$324,742,703
Land	\$30,854,462	\$46,570,074	\$35,000,000
Full Day Kindergarten	\$2,684,648	\$5,315,352	\$0
Transfer To Emergency Fund	\$1,000,000	\$7,500,000	\$1,000,000
Board Expenditures		\$0	\$0
Operations	\$8,046	\$7,000	\$7,000
Total Expenditures	\$291,591,302	\$310,892,426	\$360,749,703
Balance	\$35,362,834	\$58,077,782	\$421,231

Note: These figures do not include the cost of changing kindergarten students to be a full ADM.

FY 07 Project Expenditure Projections

Table 1 Shows FY 2007 expenditures based on the average annual spend down shown in Table 2. This average is based on the actual spend down of projects awarded between FY 2000 and FY 2004. Please note that year zero when 5 percent is dispersed is not included.

Table 1

	Total Approvals	FY 2007
Pre 2002		
FY 2002	\$200,980,391	7,150,220
FY 2003	\$212,688,806	25,075,820
FY 2004	\$317,403,483	56,987,190
FY 2005	\$259,672,440	94,792,292
FY 2006	\$402,241,420	112,003,559
FY 2007	\$315,000,000	15,750,000
Total		\$311,759,081

FY 2007 awards are based on current conceptals plus 8%.

Table 2

Year	Percent of Total Award Expended
0	5%
1	27.8%
2	36.5%
3	18.0%
4	11.8%
	94.1%

However, since this pattern is an average, adjustments are made for anomalies in a given fiscal year. Table 3 shows the difference between the actual balance of awards in a given fiscal year and the balance projected by the average spend down pattern.

Table 3

	FY 05 End Balance	Based on Percent.	Variation
Pre 2002	\$0		
FY 2002	\$40,034,568	\$30,845,628	\$9,188,940
FY 2003	\$73,831,249	\$70,829,116	\$3,002,133
FY 2004	\$216,073,098	\$221,567,704	(\$5,494,606)
FY 2005	\$234,005,426	\$253,573,212	(\$19,567,786)

Table 4 assumes that the under expenditures will be made up in FY 2006 and the FY 2005 Projects will continue to expend at 5 percent above the average.

Table 4

	Expenditures Based on Percentages	Adjustment for Variation	Total Projected Expenditures
FY 2007	\$311,759,081	\$12,983,622	\$324,742,703

Variation Calculation		
FY 2007	5% of FY 05 Awards	\$12,983,622

STATE OF ARIZONA

Joint Committee on Capital Review

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HOUSE OF
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CHAIRMAN 2006
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STEPHEN TULLY

DATE: June 12, 2006

TO: Representative Tom Boone, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Kimberly Cordes-Sween, Fiscal Analyst

SUBJECT: Department of Juvenile Corrections – Review of Suicide Prevention Renovations.

Request

The Department of Juvenile Corrections (DJC) is requesting Committee review of its proposal to use \$489,000 of its proposed FY 2007 budget for suicide prevention modifications of secure care facilities, as related to a federal audit. A footnote in the proposed budget requires Committee review.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request contingent on enactment of the FY 2007 DJC budget. The \$489,000 will be used for suicide prevention renovations and to address fire safety issues.

DJC is requesting review prior to the FY 2007 budget enactment to allow the current contractor to provide FY 2007 suicide renovation work without delay of funding, which would also allow DJC to avoid rebidding. The current contractor is expected to finish FY 2006 suicide renovation projects by the end of June.

Analysis

CRIPA (Civil Rights of Institutionalized Persons Act)

As a result of 3 youth suicides in FY 2003, DJC was investigated by the U.S. Department of Justice (DOJ) for violations of the Civil Rights of Institutionalized Persons Act (CRIPA). On September 15, 2004, the Governor signed a Memorandum of Agreement that requires the DJC to improve certain programs and facilities, including suicide prevention, special education, medical care, and mental health care. As a contingency of this agreement, the Department of Justice requires a 4-person Consultants Committee to complete CRIPA compliance evaluations every 6 months until the 3-year agreement period ends in September, 2007. This Committee consists of subject matter experts chosen by the involved parties and includes mostly academic scholars.

(Continued)

As outlined in the Memorandum of Agreement, suicide-resistant rooms are “rooms without protrusions that would enable youth to hang themselves,” and identified the need to eliminate dangerous anchor points for youth hanging (the cause of death in the 3 suicides that launched the federal investigation). Included among the identified anchor points are, as stated in the original DOJ CRIPA Report in January 2003, hazardous ventilation grilles and ceiling vents with “large gauge openings”, exposed bolts on desks, horizontal bars on windows, and holes in bunk bed platforms. Door hinges and shower rods were further suggestions in the first Consultant Report in March 2005.

In the third Consultant Report, dated March 2006, the consultants acknowledge suicide renovation progress and do not mention the need for further suicide renovations after completion of the remaining units, as identified in this request. Also, despite near completion of housing unit renovations, classrooms, gymnasiums and other programming-oriented areas have undergone no renovations and have not been recognized as hazardous to youth. According to the Consultants Committee, they will conduct a thorough review of all suicide prevention modifications at DJC facilities after completion of all projects, which will be reported in the September 2006 Consultant Report.

The suicide prevention renovations began in FY 2003 and this request is for the last phase of renovations for all units currently in use at DJC facilities. After completion of this final request, the total cost for Department of Juvenile Corrections CRIPA suicide renovations will be \$3,358,600.

At an FY 2007 cost of \$255,400, the Department of Juvenile Corrections is proposing to fully renovate 3 housing units at Adobe Mountain School. These CRIPA projects will focus on youth rooms and showers including new combination sink and toilet units, furniture, replacement of shower fixtures, installation of improved vents, and new door hinges to eliminate anchor points for youth hanging.

Non-CRIPA Related Projects

The total construction cost also includes \$233,600 for non-audit related projects related to fire code compliance. Due to the extent of suicide renovations already in progress, the Department of Administration has also requested that DJC bring the units into compliance with fire code regulations.

These renovations include installation of egress doors at 3 Adobe Mountain School units and new sidewalks for these doors. Units currently do not have easily accessible doors at the ends of hallways and are, therefore, not fire code compliant as a secure-care facility. The Committee heard a similar request related to fire code compliance in September 2005, which was favorably reviewed.

In addition, DJC will install smoke exhaust transfer grilles and smoke detectors at a total of 6 buildings at Adobe Mountain School, as related to the fire code compliance. New drainage culverts will also be installed to avoid conflicts with existing irrigation and there will be minor demolition of kitchen utilities in 2 units, in addition to other general repair and maintenance work.

To complete all modifications, 20,400 square feet would be renovated at a direct construction cost of \$444,500, or \$21.80 per square foot. Total project costs equate to \$24 per square foot. The costs appear reasonable given that the scope of renovations includes mostly minor parts replacement, which does not require extensive construction or demolition. Construction costs do however include demolition of some existing walls for installation of new fire code compliant egress doors and removal of kitchen utilities.

RS/KC:ym



Janet Napolitano
Governor

William Bell
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

100 North 15th Avenue
PHOENIX, ARIZONA 85007
(602) 542-1500



June 6, 2006

The Honorable Tom Boone, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, AZ 85007

Dear Representative Boone:

The Arizona Department of Administration requests that the Joint Committee on Capital Review reviews the final phase for the Suicide Prevention Upgrades Project at the Arizona Department of Juvenile Corrections, Adobe Mountain School. The project is contingent upon final approval of the FY 2006 – FY 2007 budget. Favorable review by the Joint Committee on Capital Review allow timely continuation and completion of the project and avoid costly delays or necessary bidding of this phase due to the contractor being unable to schedule the work due to delays in funding.

Supporting documentation from the Department of Juvenile Corrections is attached. I look forward to your favorable review of our request. If you have any questions please contact Lynne Smith, General Services Division, Assistant Director, at (602) 542-1427.

Sincerely,

William Bell, Director
Arizona Department of Administration

Attachment

cc: The Honorable Russell Pearce, Co-Chairman, House Appropriations Committee
The Honorable Robert Burns, Co-Chairman, House Appropriations Committee
Gary Yaquinto, Director, Governor's Office of Strategic Planning and Budgeting
Marcel Benberou, Governor's Office of Strategic Planning and Budgeting
Matt Gottheiner, Governor's Office of Strategic Planning and Budgeting
Richard Stayneak, Director, Joint Legislative Budget Committee Staff

Michael Branham, Director, Department of Juvenile Corrections
Derik Leavitt, Department of Juvenile Corrections
Jerry Oliver, Deputy Director, Arizona Department of Administration
Lynne Smith, Assistant Director, Arizona Department of Administration
Paul Shannon, Budget Manager, Arizona Department of Administration

Arizona Department of Juvenile Corrections'

Suicide Prevention Upgrades

June 2006

History

This request is for approval to proceed (contingent upon approval of the FY 2006 – FY 2007 budget) with the third and final phase for the Suicide Prevention Upgrades Project at the Arizona Department of Juvenile Corrections (ADJC) - Adobe Mountain School (AMS). The project modifies existing building features to reduce the risk of suicides. The project finalizes the renovations that began in the FY 2003 as a result of the CRIPA investigation and Memorandum of Agreement.

Project Description

Suicide prevention modifications are required at three remaining AMS North units. The Agency has worked closely with Department of Justice representatives and the proposed project signifies the culmination of those efforts. Minor renovations are proposed to three other buildings and minor site work are also included and the required installation of smoke exhaust transfer grills and smoke detection will also be done at six (6) buildings at AMS.

Scope of Work per building is as follows:

Phoenix, January and Nova: Entire scope includes changing bunks, desk, stools, wardrobes, ladders, mechanical chase and duct work and 'S' vents; modifying transom vents, cell door hinges and astragals; covering speaker ports on cell doors; replacement of cell door glazing, shower fixtures, epoxy flooring, exterior windows and frames, epoxy/security caulk throughout and repainting. New egress doors with detention grade hardware will also be installed.

Sitework will include place new concrete sidewalks at new egress door locations, tying into existing sidewalks or extending 25'-0" from building envelope. New drainage culverts will be installed where necessary to avoid any conflict with existing irrigation conditions.

Challenge, Voyager, and Enterprise: Installation of exhaust smoke transfer and/or smoke detection. Concrete at abandoned utilities will be patched. Utilities to the kitchens in Challenge and Enterprise only will be demolished.

Funding

Funding for this project is currently recommended in the pending FY 2006- 2007 ADJC budget. The general contractor, Davis Construction, who will carry out the project, has established a cost estimate of \$488,988. An Interagency Service Agreement is in place between the Arizona Department of Administration and ADJC that allows for the transfer

of funds for the coordination of design and construction of this entire project and associated project management fees.

Request

Contingent upon approval of the pending FY 2006 – 2007 ADJC budget, ADOA requests approval to proceed with the completion of the suicide prevention renovations at AMS. Approval by JCCR will allow work to begin promptly once the pending budget is in place. This will ensure timely continuation and completion of the project as well as avoid costly delays.

ARIZONA DEPARTMENT of ADMINISTRATION		CONSTRUCTION SERVICES	
PROJECT: AMS Suicide Prevention Phase III			
PROJECT NUMBER: 4034	DATE PREPARED: June 1, 2006		
PROJECT MANAGER: Susan Beitler	REVISED: June 9, 2006		
SENIOR PROJECT MANAGER: Janet Collegio			
DESCRIPTION	INDEX:	AMOUNT	
<u>FUNDING SOURCES:</u>			
ADJC transfer of funds to ADOA for Design	20627	\$29,585	
ADJC transfer of funds to ADOA for Construction	20629	\$503,988	
TOTAL FUNDING		\$533,573	
PROJECT COST:		ESTIMATE	PROJECTED COST AT COMPLETION
<u>Land Acquisition Costs:</u>			
1.			
2.			
Subtotal		\$0	\$0
<u>Professional Services:</u>			
1. A/E Fees		\$28,585	\$28,585
2. A/E Reimbursables		\$1,000	\$1,000
Subtotal		\$29,585	\$29,585
<u>Construction Services (GC):</u>			
1. Initial Base Contract		\$444,535	\$444,535
Subtotal		\$444,535	\$444,535
<u>Separate Contracts:</u>			
Subtotal		\$0	\$0
<u>Project Support:</u>			
ADOA Project Management Fees		\$15,000	\$15,000
Subtotal		\$15,000	\$15,000
<u>Contingency Allowance:</u>		\$44,453	\$44,453
<u>Previous/Future Projects:</u>		\$44,453	\$44,453
Subtotal		\$0	\$0
TOTAL PROJECT COST		\$533,573	\$533,573
<u>Funds Remaining / (Additional Funds Required)</u>		\$0	\$0

NOTES:

STATE OF ARIZONA

Joint Committee on Capital Review

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CHAIRMAN 2006
AMANDA AGUIRRE
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RUSSELL K. PEARCE
STEPHEN TULLY

DATE: June 12, 2006

TO: Representative Tom Boone, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Tyler Palmer, Fiscal Analyst

SUBJECT: Arizona Department of Administration – Consider Approval of Rent Exemption for the
Arizona Department of Real Estate

Request

A.R.S. § 41-792.01 authorizes the director of the Arizona Department of Administration, on recommendation from the Joint Committee on Capital Review, to grant a full or partial exemption from the payment of rental fees if the agency has vacated state-owned space. On behalf of the Arizona Department of Real Estate (ADRE), the Arizona Department of Administration (ADOA) requests a favorable review to grant a partial rent exemption of \$10,000 of FY 2007 rent charges.

Recommendation

The JLBC Staff recommends that the Committee approve the agency request. The ADRE will vacate 500 square feet of state lease-purchase space in Tucson that will be used by the Department of Liquor Licenses and Control. ADRE will use the \$10,000 to reconfigure remaining space to accommodate staff reallocations and to purchase computer equipment.

Analysis

The ADRE and the Arizona Department of Liquor Licenses and Control (ADLLC) occupy adjacent suites in the Tucson State Office Building. The ADLLC is in need of additional space for private interviews and evidence storage. Beginning August 1, 2006, the ADRE has agreed to provide the ADLLC with the use of 3 offices within the ADRE office suite. The proposed transfer of office space would decrease the ADRE's FY 2007 rent expenses by \$10,000 and increase the ADLLC's FY 2007 rent expense by the same amount. The ADLLC will also spend \$2,500 for modifications to connect the 2 suites.

The ADRE proposes using its \$10,000 in rent savings to reconfigure the office space and wiring in the Tucson and Phoenix offices to accommodate staff reallocations, and to purchase replacement computers for the Tucson staff. The ADLLC projects that its FY 2007 budget is sufficient to cover the \$12,500 in increased costs.

RS/TP:ym

Janet Napolitano
Governor



ARIZONA DEPARTMENT OF ADMINISTRATION

100 North 15th Avenue
PHOENIX, ARIZONA 85007
(602) 542-1500

William Bell
Director



June 6, 2006

The Honorable Tom Boone, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, AZ 85007

Dear Representative Boone:

The Arizona Department of Administration requests that the Joint Committee on Capital Review (JCCR) recommend the partial exemption of rent for the Arizona Department of Real Estate (Real Estate). Arizona Revised Statutes §41-792.01 provides that the rental fee authorized for state agencies occupying state-leased (COP) buildings is the greater of the amount included in each agency's annual operating budget or the pro rata amount based on actual occupancy. If a state agency does not occupy or vacates state leased space after the beginning of the fiscal year, the ADOA Director, on recommendation of JCCR, may authorize a whole or partial exemption from payment of the rental fee.

Based on mutual agreement, the Arizona Department of Liquor Licenses and Control (Liquor) plans to move into space formerly occupied by Real Estate in the Tucson State Office Building and will pay the COP rent for this space. Real Estate was appropriated \$42,800 for space in the Tucson State Office building in FY 2007. This changes the Real Estate rent for FY 2007 to \$32,800 (pro-rated based upon the department turning over the additional space to Liquor effective August 1, 2007). Real Estate will use monies budgeted for this rent for costs related to relocation.

Supporting documentation is attached from the Departments of Real Estate and Liquor. I look forward to your favorable review of our request. If you have any questions please contact Lynne Smith, General Services Division, Assistant Director, at (602) 542-1427.

Sincerely,

A handwritten signature in black ink, appearing to read "W. Bell".

William Bell, Director
Arizona Department of Administration

Attachment

June 6, 2006
The Honorable Tom Boone
Page 2

cc: The Honorable Russell Pearce, Co-Chairman, House Appropriations Committee
The Honorable Robert Burns, Co-Chairman, House Appropriations Committee
Gary Yaquinto, Director, Governor's Office of Strategic Planning and Budgeting
Marcel Benberou, Governor's Office of Strategic Planning and Budgeting
Matt Gottheiner, Governor's Office of Strategic Planning and Budgeting
Richard Stavneak, Director, Joint Legislative Budget Committee Staff

[REDACTED]

Elaine Richardson, Real Estate Commissioner, Department of Real Estate
Leesa Berens Morrison, Director, Department of Liquor Licenses and Control
Richard Yost, Deputy Director, Department of Liquor Licenses and Control
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Arizona Department of Real Estate
Justification for retention of FY 2007 rent savings
Realized by reconfiguration of Tucson Office space allocation
June 2006

The Arizona Department of Real Estate (ADRE) occupies Suite 523 of the State Office Building at 400 West Congress Street, Tucson. That suite consists of 1,968 square feet (see attached floor plan). The Arizona Department of Liquor Licenses and Control (ADLLC) occupies Suite 521 in that same building and is immediately adjacent to the ADRE Tucson Office. Their suite consists of approximately 881 square feet.

ADLLC approached ADRE about the possibility of trading spaces, because no other spaces were available in the 400 West Congress Building that could accommodate the ADLLC staffing requirements. While that option was not workable from ADRE's space requirements, it was decided that the ADRE could release 500 square feet of its space in Suite 523 for use by ADLLC.

This space trade results in a decrease in the ADOA rental charges to ADRE of approximately \$9,987 for 11 months of FY2007. This \$9,987 reimbursement or savings to ADRE weighed in its decision to downsize its Tucson space. The reduction in space allocation at the ADRE Tucson Office is only possible because ADRE is able to transfer two full-time positions from the Tucson Office to the Phoenix Office. These transfers bear with them the additional costs of reconfiguring existing space allocations within the Phoenix Office.

The first position to be transferred to the Phoenix office was the one Staff Investigator position assigned to the Tucson Office. The Director of Investigations and Audits determined that it was not cost effective or efficient to supervise one solo investigator remotely. The second transfer involves the Deputy Director of Audits position, until recently held by the most senior of the ADRE Auditors, who was stationed in Tucson. The individual holding that position retired from ADRE and state service earlier this year. With that critical supervisory position vacant, and with the majority of the ADRE Auditors stationed in Phoenix, ADRE determined it would be more efficient and cost effective to have the Deputy Director of Audits stationed in the Phoenix Office. As a result, the space allocation for the necessary functions in both the downsized Tucson Office and in the Phoenix Office is less than ideal. Therefore, ADRE has incurred costs to make these spaces more functional.

Additional costs in the Tucson Office:

- To reconfigure the remaining 1,400 square feet to accommodate the Tucson staff and to improve functionality.
- To re-locate the telephone numbers assigned to specific staff.
- To move the computer server to allow better space utilization of the reduced number of existing offices.
- To re-wire CPU stations as may be required.
- To house the necessary files in reduced space.
- To purchase faster computers for the reduced Tucson staff to increase their efficiency by speeding up the data connection with the central data base in Phoenix.

- To purchase space-saving office work stations and other furnishings, given the reduced space available to continue to provide the same level of service to the licensed community and to the public in Southern Arizona.

Additional costs in the Phoenix Office:

- To accommodate a centralized location for the Auditors, including creating office space for the Deputy Director of Audits re-stationed to the Phoenix Office.
- To configure office space for the additional investigator re-stationed to the Phoenix Office.
- To reconfigure the space dedicated to the licensing and professional education functions of ADRE to accommodate the work stations formerly housed in the space given up for Auditors.
- To purchase space-saving workstations to accommodate more staff in the same amount of available floor area. ADRE in Phoenix has had to double-house individuals in some offices originally designed for one person.

Because these costs are one-time expenditures, and because the \$10,895 rent savings represents a one-time capture, this request is equitable and reasonable.

**Arizona Depart of Liquor Licenses and Control
Justification to reconfigure the Tucson Office space allocation**

June 2006

In recent months the Arizona Department of Liquor Licenses and Control (ADLLC) and the Arizona Department of Real Estate (ADRE) have been working together to solve mutual office space problems in our Tucson offices located at 400 West Congress Street. ADRE has vacant office space that they no longer need, and ADLLC is in need of office space.

ADLLC currently has 881 square feet in our Tucson office, suite #521. In this full-service office, ADLLC houses two licensing staff and three police investigators. There is just one enclosed office in the suite, and the rest of the office contains crowded modular furniture. There is no place for private interviews of licensees or suspects arrested by our investigators, and there is limited space to store evidence, files, and other office equipment including a safe and copier. In addition, ADLLC recently moved one of our Phoenix Investigators to the Tucson office and have plans to add an additional investigator in the future.

ADRE has 1968 square feet in suite #523. This suite currently has three empty offices that face the west wall of the ADLLC suite. The total square footage of these offices is 500 square feet and the cost to connect them with ADLLC would be \$2,503.41. This move would increase the rent for ADLLC by \$9,987.08 for 11 months of FY2007. The ADLLC budget can cover this increase.

ADLLC and ADRE have mutually agreed that these changes in our Tucson offices are necessary. ADLLC respectfully requests approval to proceed with the acquisition of additional space.