

STATE OF ARIZONA

Joint Committee on Capital Review

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MINUTES OF THE MEETING JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, February 24, 2009

The Chairman called the meeting to order at 8:10 a.m., Tuesday, February 24, 2009 in Senate Appropriations Room 109. The following were present:

Members:	Senator Pearce, Chairman	Representative Kavanagh, Vice-Chairman
	Senator Aboud	Representative Crandall
	Senator Aguirre	Representative Lujan
	Senator Sylvia Allen	Representative McComish
	Senator Garcia	Representative McLain
	Senator Chuck Gray	Representative Sinema
	Senator Melvin	
Absent:		Representative Schapira

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee, Chairman Russell Pearce stated the minutes of November 13, 2008 would stand approved.

ADOPTION OF COMMITTEE RULES AND REGULATIONS

Ms. Leatta McLaughlin, JLBC Staff, stated that this item is for the adoption of the Committee's rules and regulations. Every 2 years, the Committee adopts its rules. These rules are the same rules the Committee used the prior 2 years. There are no changes in the rules.

Senator Pearce moved that the rules and regulations as presented by the JLBC Staff be adopted. The motion carried.

ARIZONA STATE UNIVERSITY, UNIVERSITY OF ARIZONA, AND NORTHERN ARIZONA UNIVERSITY – Review of \$103.1 Million in University Lottery Bond Projects - Building Renewal

Ms. Leah Kritzer, JLBC Staff, stated that at the last JCCR meeting in November, the Committee favorably reviewed \$64.6 million in fire, life, and safety building renewal projects. Now up for review is the remaining \$103.1 million in building renewal projects. The estimated annual debt service for the \$167.7 million is approximately \$14 million, of which \$11.2 million will come from state lottery proceeds and \$2.8 million from local university funds.

(Continued)

The Committee has at least the following 2 options for all 3 universities: 1) a favorable review with the standard university financing provisions shown below, or 2) an unfavorable review.

Representative Kavanagh moved that the Committee give a favorable review to all 3 university lottery bond projects totaling \$103.1 million with the standard university financing provisions. In addition, the universities are required to submit a final debt service schedule and a list of projects.

Standard University Financing Provisions

- *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.*
- *The university shall submit to JLBC Staff any reallocation above \$500,000 between the individual projects. The Committee may review these items depending on the substantive nature of the reallocation.*

The motion carried.

UNIVERSITY OF ARIZONA - Review of Residence Halls and Residence Life Building Renewal

Ms. Leah Kritzer, JLBC Staff, stated that the University of Arizona is proposing to spend \$159.3 million in system revenue bonds to construct 2 new residence halls and \$37.3 million in system revenue bonds for residence life building renewal projects. The Committee has at least the following 2 options: 1) a favorable review with the standard university financing provisions shown below, or 2) an unfavorable review.

Representative Kavanagh moved for a favorable review of \$159.3 million for University of Arizona residence halls and \$37.3 million for residence life building renewal projects with the standard university financing provisions.

Standard University Financing Provisions

- *UA shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 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 \$500,000 among the individual planned renovations, renewals, or extensions.*
- *UA shall submit for Committee review any allocations that exceed the greater of \$500,000 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.*

- *UA shall not use bonding to finance any repairs whose typical life span is less than the bond repayment period. Such repairs include, but are not limited to new flooring and painting. The exceptions to this stipulation are circumstances where such repairs are required to complete a major renovation.*

The motion carried.

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT - Review of General Obligation Bond Issuance

Ms. Marge Zylla, JLBC Staff, stated that this item is a review of Maricopa County Community College District's (MCCCD) \$220 million general obligation bond issuance. In June 2004, the Committee favorably reviewed the entire \$951 million bond package and voters in November of 2004 approved the bonding which is paid for by property taxes. This issuance is the third of 5. The Committee has at least 2 options: 1) a favorable review with the provision that MCCCD return to the Committee before each bond issuance, or 2) an unfavorable review.

Debra Thompson, Vice Chancellor, Business Services, responded to member questions.

Arlen Solochek, District Director, Facilities Planning and Development, responded to member questions.

The Committee further clarified that MCCCD should seek Committee review before using any savings from a bond issuance for any project not previously reviewed by the Committee.

In addition, the Committee requested information on what MCCCD plans on doing with any potential savings after all 5 bonds are issued.

Representative Kavanagh moved for a favorable review of the \$220 million General Obligation Bond Projects for the Maricopa County Community College District with the provision that MCCCD report to the Committee on actual project costs of the third bond issuance when the district returns for review of its fourth issuance. The motion carried.

The Committee further clarified that MCCCD should seek Committee review before using any savings from a bond issuance for any project not previously reviewed by the Committee.

In addition, the Committee requested information on what MCCCD plans on doing with any potential savings after all 5 bonds are issued.

ARIZONA STATE LOTTERY COMMISSION - Review of FY 2009 Building Renewal Allocation Plan

Mr. Juan Beltran, JLBC Staff, stated that Laws 2008, Chapter 289 appropriated \$68,000 from the State Lottery Fund in FY 2009 to be used for major maintenance and building repair. The Lottery plans to use the \$68,000 and an additional \$3,700 from the FY 2008 contingency allocation on a new fire suppression system for the Phoenix facility.

Representative Kavanagh moved for a favorable review of the Arizona State Lottery Commission's FY 2009 Building Renewal Allocation Plan. The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION - Consider Recommending Partial Rent Exemption for the Department of Revenue

Mr. Beltran stated that the Department of Revenue (DOR), through the Department of Administration (ADOA), has requested a partial rent exemption of \$7,900 for the second half of FY 2009. DOR rents approximately 11,000 square feet of space of the 402 W. Congress Building in Tucson. However, effective January 1, 2009, DOR vacated 756 square feet of space at the request of the ADOA ISD. If recommended by the Committee, ISD will take over the rent payments.

Representative Kavanagh moved that the Committee recommend the proposed partial rent exemption of \$7,900 for the second half of FY 2009. The motion carried.

Without objection, the meeting adjourned at 8:50 a.m.

Respectfully submitted:

Sandy Schumacher, Secretary

Leatta McLaughlin, Principal Fiscal Analyst

Senator Russell Pearce, Chairman