



STATE OF ARIZONA

Joint Committee on Capital Review

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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

April 24, 2019

Chairman David Livingston called the meeting to order at 9:07 a.m., Wednesday, April 24, 2019 in House Hearing Room 1. The following were present:

Members:	Senator Gowan, Chairman	Representative Cobb, Vice-Chairman
	Senator Alston	Representative Fernandez
	Senator Bowie	Representative Friese
	Senator Bradley	Representative Kavanagh
	Senator Gray	Representative Lieberman
	Senator Kerr	Representative Petersen
	Senator Leach	Representative Toma

Absent:

APPROVAL OF MINUTES

Representative Cobb moved that the Committee approve the minutes of December 18, 2018. The motion carried.

ADOPTION OF COMMITTEE RULES AND REGULATIONS

Representative Cobb moved that the Committee adopt the rules and regulations. The motion carried.

CONSENT AGENDA

The following items were considered without discussion:

(Continued)

ARIZONA EXPOSITION AND STATE FAIR BOARD (AESF) - Review of FY 2019 Capital Improvement Expenditures.

A.R.S. § 41-1252 requires the Joint Committee on Capital Review to review the scope, purpose and estimated cost for capital improvements. The FY 2019 Capital Outlay Bill (Laws 2018, Chapter 277) appropriated \$1,000,000 from the Arizona Exposition and State Fair Fund to AESF for capital improvements. AESF requested Committee review of the scope, purpose and estimated cost of 5 capital projects with a total cost of \$590,000. The JLBC Staff provided options and potential provisions:

- A. *AESF shall report to the JLBC Staff if the actual cost of any project included in the expenditure plan exceeds the estimated cost by more than 20%.*
- B. *If an emergency arises that is not addressed by the existing expenditure plan:*
 - 1. *AESF shall notify the Chairman and the JLBC Staff that they plan to spend less than \$50,000 on an emergency project. AESF can proceed without Committee review.*
 - 2. *The Chairman can allow AESF to move forward with an emergency project of greater than \$50,000 without Committee review.*
 - 3. *The Chairman will notify AESF if he does not agree that the project is an emergency and that the project will require full Committee review.*

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

- C. *It is the intent of the Committee to not review the \$120,000 allocation from the FY 2017 Arizona Department of Administration (ADOA) building renewal appropriation for the repair of the 1938 Works Progress Administration Civic Building until the provisions pursuant to Laws 2016, Chapter 126 are met. Statute does not permit ADOA to spend the \$120,000 until matching funds from the City of Phoenix are received. When ADOA and the Arizona Exposition and State Fair Board subsequently request review of the 1938 WPA Civic Building Project, they shall include information on how total project funds will be spent and if the repairs will be sufficient to make the building operational.*
- D. *No monies from the FY 2018 (Laws 2017, Chapter 306) or FY 2019 (Laws 2018, Chapter 277) capital appropriation may be spent on projects related to the 1938 WPA Civic Building without prior Committee review.*
- E. *On or before January 31, 2020, the Arizona Exposition and State Fair Board shall report to the JLBC Staff on the status of all capital improvement projects and capital improvement expenditures, including prior projects reviewed by the Committee.*

ARIZONA STATE PARKS BOARD (ASPB) - Review of New FY 2019 Capital Improvement Projects and Reallocation of Prior Year Capital Funding.

A.R.S. § 41-1252 requires Joint Committee on Capital Review to review the scope, purpose and estimated cost for capital improvements. The FY 2019 Capital Outlay Bill appropriated \$4,000,000 and \$1,500,000 for capital improvements to Oracle State Park and Buckskin State Park, respectively. ASPB

requested review of \$300,000 of new capital spending to fund the master planning process for the Buckskin State Park and Oracle State Park redevelopment projects and review of \$1,383,300 for new capital improvement projects, which are being funded from the reallocation of monies from capital projects previously reviewed by the Committee. The JLBC Staff provided options and potential provisions:

- A. *ASPB shall report any reallocations between projects in the proposed spending plan above \$100,000 (see Table 1) to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.*
- B. *ASPB shall report to JLBC Staff on or before July 31, 2019 and January 31, 2020 on the status of all capital improvement projects and capital improvement expenditures, including prior projects reviewed by the Committee.*
- C. *Upon completion of the updates to the Buckskin State Park and Oracle State Park master plans, ASPB shall submit the proposed park's master plan to the Committee, along with their timetable and projected costs.*

New Capital Projects - FY 2019 Funding		
<u>Location</u>	<u>Project</u>	<u>Cost</u>
Buckskin	Master Plan Cost	\$150,000
Oracle	Master Plan Cost	150,000
Subtotal		\$300,000
New Capital Projects - Reallocated From Prior Year Funding		
<u>Location</u>	<u>Project</u>	<u>Cost</u>
Statewide	FY 2019 Cabin Installation Project	\$517,000
Kartchner	HVAC/Backup Generator	250,000
Jerome	Fire Alarm/Fire Suppression	400,000
Slide Rock	Fencing/Raifing	87,000
Statewide	Health and Safety Projects	129,300
Subtotal		\$1,383,300
Total		\$1,683,300

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of Spreader Rack Bay Replacements and Repairs.

A.R.S. § 41-1252 requires the Joint Committee on Capital Review to review expenditure plans for all monies appropriated for capital projects. ADOT requested Committee review of its expenditure plan for its \$1,720,000 appropriation from the FY 2019 Capital Outlay Bill (Laws 2018, Chapter 277) to replace and repair spreader rack bays statewide. The JLBC Staff provided options.

Representative Cobb moved that the Committee give a favorable review with provisions as outlined in the JLBC Staff analysis, to the 3 consent agenda items listed above. The motion carried.

(Continued)

REGULAR AGENDA

RIO NUEVO DISTRICT - Review of Presentation of Projects.

Mr. Richard Stavneak, JLBC Director, stated A.R.S. § 48-4203E requires the Rio Nuevo Multipurpose Facilities District (District) to present to the Committee any construction project (or other improvement to real property) with a cost of more than \$500,000. The effective date of this new requirement was August 3, 2018. Since the effective date, the District's Board of Directors (Board) has approved and executed development agreements for 3 projects exceeding \$500,000. The District's Board has agreed to spend up to a total of \$12,400,000 on these projects. The JLBC Staff provided options and a potential provision.

Mr. Fletcher McCusker, Chairman, Rio Nuevo, responded to member questions.

Representative Cobb moved that the Committee give a favorable review of the Rio Nuevo District's presentation of projects with the following provision:

- A. *The statutory provision requiring the District to present to the Committee has only been met for projects with executed development agreements currently in place.*

The motion carried.

ARIZONA STATE UNIVERSITY (ASU) - Consider Approval of Durham Language and Literature Building Renovation Financing Project.

Ms. Morgan Dorcheus, JLBC Staff, stated that A.R.S. § 15-1671 requires Committee approval of any debt financed university capital project paid for with funds from the university's Capital Infrastructure Fund (CIF). These monies are from the \$1 billion capital investment program enacted in 2017. ASU requested Committee approval of a \$65,000,000 bond issuance for the renovation of the Durham Language and Literature Building. The JLBC Staff provided options and potential provisions.

Mr. Morgan Olsen, Executive Vice President, Treasurer and Chief Financial Officer, ASU, responded to member questions.

Representative Cobb moved that the Committee approve ASU's request for the issuance of \$65,000,000 of bonds for the renovation of the Durham Language and Literature Building. Debt service on the project will be paid with monies from ASU's CIF, funded 50% with tuition revenues, and 50% with General Fund appropriations.

The approval included the following standard university financing provisions shown below:

Standard University Financing Provisions

- A. *Approval by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.*
- B. *ASU shall provide the final debt service schedule and interest rate for the project as soon as they are available.*

The motion carried.

(Continued)

ARIZONA STATE UNIVERSITY (ASU) - Review of Student Housing Indirect Financing Project.

Ms. Morgan Dorcheus, JLBC Staff, stated A.R.S. § 15-1682.02 requires the universities to submit indirect financing projects (also known as third-party financing) for Committee review. ASU requested Committee review of a 2-acre ground lease for the approximately \$31,000,000 development of student housing at its Polytechnic (East) Campus. The proposed facility would provide up to 390 beds. The JLBC Staff provided options and a potential provision.

Mr. Morgan Olsen, Executive Vice President, Treasurer and Chief Financial Officer, ASU, responded to member questions.

Representative Cobb moved that the Committee favorably review ASU's request to enter into a 2-acre ground lease with a private vendor for construction of a \$31,000,000 student housing development on its Polytechnic (East) Campus.

The favorable review included the following standard university financing provision:

Standard University Financing Provision

- A. *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.*

A roll call vote was requested. The motion carried by a roll call vote of 11-3-0-0. (Attachment 1)

DEPARTMENT OF PUBLIC SAFETY (DPS) - Review of Remote Housing Replacement.

Mr. Jordan Johnston, JLBC Staff, stated A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated to capital projects. DPS was appropriated \$2,000,000 (\$1,200,000 from the General Fund and \$800,000 from the State Highway Fund) for the construction of 6 remote housing units by the FY 2019 Capital Outlay Bill (Laws 2018, Chapter 277).

The initial proposal from DPS for remote housing received a favorable review from the Committee in July 2018. Due to inadequate responses during the procurement process, DPS is requesting review of an alternative remote housing expenditure plan. The JLBC Staff provided options and potential provisions.

Mr. Phil Case, Comptroller, DPS, responded to member questions.

Mr. John Hauptman, General Manager Planning and Construction Services, ADOA, responded to member questions.

Representative Cobb moved that the Committee give a favorable review of DPS' revised expenditure plan.

The favorable review included the following provisions:

- A. The department shall report to the JLBC Staff on or before May 31 and November 30 of each year until the project is completed. The report shall include the status and the construction timeline of the units.
- B. Upon completion of the procurement process, the department shall report to the JLBC Staff the cost and selected location of each unit.

The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of FY 2019 Capitol Mall Consolidation Fund Expenditures and Capitol Mall Renovation Plan.

Ms. Rebecca Perrera, JLBC Staff, stated A.R.S. § 41-792.02 requires the Committee to review expenditure plans for monies appropriated from the Capitol Mall Consolidation Fund. ADOA requested review of an expenditure plan of \$9,000,000 to complete the renovation of 1400 W Washington.

In addition, pursuant to a FY 2019 Capital Outlay Bill footnote, ADOA submitted its report on its plans to relocate state agencies to the Capitol Mall and to renovate state buildings for Committee review. The JLBC Staff provided options and a potential provision.

Representative Cobb moved that the Committee give a favorable review of ADOA's Capitol Mall Consolidation Fund expenditure plan and Capitol Mall renovation and relocation plan with the following provision:

- A. Review is contingent on the Legislature making the FY 2019 capital appropriation non-lapsing through FY 2021.

The motion carried.

Without objection, the meeting adjourned at 10:50 a.m.

Respectfully submitted:



Kristy Paddack, Secretary



Jack Brown, Assistant Director



Senator David M. Gowan, Chairman

