STATE OF ARIZONA
Joint Committee on Capital Review
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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

April 25, 2018

Chairman David Livingston called the meeting to order at 9:07 a.m., Wednesday, April 25, 2018 in House Hearing Room 1. The following were present:

Members: Senator Kavanagh, Vice-Chairman
Senator Allen
Senator Cajero Bedford
Senator Fann
Senator Farley
Senator Hobbs
Senator Yee

Representative Livingston, Chairman
Representative Allen
Representative Alston
Representative Cardenas
Representative Carter
Representative Leach
Representative Rios

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of December 19, 2017, Chairman David Livingston stated that the minutes would stand approved.

CONSENT AGENDA

The following items were considered without discussion:

ARIZONA STATE PARKS (ASP) - Review of Unisource Energy Services Easement.

ASP requested the Committee review ASP's proposed easement agreement with Unisource Energy Services (UES) at Lake Havasu State Park. Under this agreement, ASP will provide to UES an easement from an electrical box to a transformer to provide 13 cabins and a restroom shower building with electricity. The JLBC Staff provided options.

(Continued)
ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of Safford Equipment Service Shop and Central Phoenix Impound Storage Yard.

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for capital projects. ADOT requested Committee review of $4,000,000 from the State Highway Fund for the construction of a new Safford Equipment Service shop. The department also requested review of $240,000 from the State Highway Fund for the establishment of an impound storage yard in Central Phoenix. Funding for both projects was included in the FY 2018 Capital Outlay Bill (Laws 2017, Chapter 306). The JLBC Staff provided options and a potential provision:

A. ADOT shall report any project reallocations above $100,000.

ADOT - Review of De-icer Buildings Project.

A.R.S. § 41-1252 requires Committee review of expenditure plans for capital projects with costs greater than $250,000. ADOT requested Committee review of $1,100,000 from the State Highway Fund for the construction of 2 de-icer buildings, as appropriated by the FY 2018 Capital Outlay Bill (Laws 2017, Chapter 306). The JLBC Staff provided options and a potential provision:

A. ADOT shall report any project reallocations above $100,000.

Senator Kavanagh 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.

REGULAR AGENDA

NORTHERN ARIZONA UNIVERSITY (NAU) - Review of Science Annex Renovation.

Mr. Sam Beres, JLBC Staff, stated A.R.S. § 15-1671 requires Committee review of any non-debt financed university capital project paid for with funds from the university’s Capital Infrastructure Fund (CIF). NAU requested Committee review of its plan to pay $17,400,000 in cash to renovate its Science Annex Building. Of the $17,400,000 total project cost, the university intends to utilize its FY 2019 and FY 2020 General Fund CIF appropriations totaling $9,100,000. The JLBC Staff provided options and a potential 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.

Ms. Katy Yanez, Associate Vice President, Government Affairs and Business Partnerships, NAU, responded to member questions.

Senator Kavanagh moved that the Committee give a favorable review of NAU’s $17,400,000 project to renovate the 3rd and 4th floors of its Science Annex Building with the provision. The motion carried.

Mr. Ben Murphy, JLBC Staff, stated A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for capital projects and building renewal. The FY 2018 Capital Outlay Bill (Laws 2017, Chapter 306) appropriated $530,000 from the Game and Fish Fund in FY 2018 for building renewal. The FY 2017 Capital Outlay Bill (Laws 2016, Chapter 126) appropriated $3,867,000 from the Game and Fish Fund for capital improvements, of which the department designated $3,020,000 for a Sterling Springs Hatchery renovation and $847,000 for general capital improvements. The FY 2017 Capital Outlay Bill (Laws 2016, Chapter 126) also appropriated $874,900 from the Watercraft Licensing Fund for boat structures projects. AGFD requested Committee review of the following items:

- $41,700 for parking lot repairs at Page Springs Hatchery.
- $2,562,000 for the remaining portion of its Sterling Springs Hatchery renovation project.
- $160,000 for conference room improvements and a wildlife enclosure.
- $245,100 for 3 statewide boat structure projects.

The JLBC Staff provided options and a potential provision.

Senator Kavanagh moved that the Committee give a favorable review to $41,700 for parking lot repairs at Page Springs Hatchery, $2,562,000 for the remaining portion of the Sterling Springs Hatchery renovation project, $160,000 for conference room improvements and a wildlife enclosure, and $245,100 for 3 boat structure projects. The favorable review included the following provision:

A. In accordance with A.R.S. § 41-1252A(4), if AGFD adds a new project not listed in this request, the department must submit the proposed project and expenditure plan for Committee review.

The motion carried.

ARIZONA EXPOSITION AND STATE FAIR - Review of FY 2017 Capital Improvement Expenditures.

Mr. Chris Gustafson, JLBC Staff, stated A.R.S. § 41-1252 requires Committee review of expenditure plans for capital projects. The Arizona Exposition and State Fair (AESF) Board requested Committee review of the scope, purpose and estimated cost of 4 capital projects with a total cost of $395,000. The FY 2017 Capital Outlay Bill (Laws 2016, Chapter 126) appropriated $1,000,000 from the Arizona Exposition and State Fair Fund to the AESF Board for capital improvements. Along with the $303,000 reviewed by the Committee at its June 2017 meeting, the current request would leave $302,000 remaining from AESF's FY 2017 capital appropriation. The JLBC Staff provided options and potential provisions.

Ms. Wanell Costello, Executive Director, Arizona Exposition and State Fair, responded to member questions.

Senator Kavanagh moved that the Committee give a favorable review to 4 capital projects with a total cost of $395,000. The favorable review included the following 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%.

(Continued)
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 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 2017 (Laws 2016, Chapter 126) or FY 2018 (Laws 2017, Chapter 306) capital appropriation may be spent on projects related to the 1938 WPA Civic Building without prior Committee review.

The motion carried.

Without objection, the meeting adjourned at 9:31 a.m.

Respectfully submitted:

Kristy Paddack, Secretary

Jack Brown, Assistant Director

Representative David Livingston, Chairman

NOTE: A full video recording of this meeting is available at http://www.azleg.gov/jlbc/meeting.htm.