



STATE OF ARIZONA

## Joint Committee on Capital Review

STATE  
SENATE

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### MINUTES OF THE MEETING

#### JOINT COMMITTEE ON CAPITAL REVIEW

April 29, 2020

The Chairman called the meeting to order at 4:19 p.m., Wednesday, April 29, 2020 via video conference. The following were present:

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

Absent: Representative Petersen

#### APPROVAL OF MINUTES

Senator Gowan moved that the Committee approve the minutes of December 11, 2019. The motion carried.

#### CONSENT AGENDA

The following items were considered without discussion:

#### **ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Consider Recommending FY 2020 Partial Rent Exemption.**

A.R.S. § 41-792.01D authorizes the Director of ADOA, on recommendation from the Joint Committee on Capital Review, to grant a full or partial exemption from the payment of state-owned rental fees if an agency does not occupy their space or lacks the financial resources to make a payment. ADOA requested the Committee recommend partial rent exemptions for FY 2020 for:

(Continued)

- \$(3,100) for the Board of Homeopathic and Integrated Medicine Examiners and a corresponding rent increase for ADOA.
- \$(800) for the Naturopathic Physicians Medical Board and a corresponding rent increase for the Acupuncture Board of Examiners.

The JLBC Staff provided options.

**ARIZONA EXPOSITION AND STATE FAIR BOARD (AESF) - Review of FY 2020 Capital Improvement Expenditures.**

A.R.S. § 41-1252 requires the Joint Committee on Capital Review to review expenditure plans for monies appropriated for capital projects. The FY 2020 Capital Outlay Bill appropriated \$1,300,000 from the Arizona Exposition and State Fair Fund to the Arizona Exposition and State Fair Board (AESF) for capital improvements. AESF Board requested Committee review the scope, purpose, and estimated cost of 3 capital projects with a total cost of \$170,000. (See Table 1).

<b><u>AESF Requested Project</u></b>	<b><u>Estimated Project Cost</u></b>
Coliseum Fire Alarm Replacement - Phase 2	\$ 20,000
Agriculture Center Fire Alarm	100,000
Plumbing Repairs	<u>50,000</u>
<b>TOTAL</b>	<b>\$170,000</b>

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 she 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. *No monies from the FY 2019 (Laws 2018, Chapter 277) or FY 2020 (Laws 2019, Chapter 264) capital appropriation may be spent on projects related to the 1938 WPA Civic Building without prior Committee review.*

(Continued)

D. On or before July 31, 2020 and January 31, 2021 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 GAME AND FISH DEPARTMENT (AGFD) – Review of Building Renewal Reallocation Plan and Aquatic Research Center Capital Project.**

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal and capital projects monies. AGFD requested review of \$302,500 for new building renewal projects, which are being funded from the reallocation of building renewal monies previously reviewed by the Committee. (See Table 2).

In addition, the AGFD requested Committee review of a \$678,500 capital project to construct an additional building at the Aquatic Research and Conservation Center, which will be paid with Federal Funds.

<b>Table 2</b>	
<b>AGFD Building Renewal Reallocation – New Proposed Projects</b>	
<u>Office Repairs</u>	
Flagstaff – Warehouse Roofing Repairs	\$ 28,800
Mesa – Entry Sign Replacement	29,100
Tucson – Access Road Entry Maintenance	10,000
Pinetop Field Office Repairs	<u>17,600</u>
Subtotal	\$ 85,500
<u>Wildlife Areas</u>	
Bubbling Ponds – Manager's Residence Repair	\$ 42,700
Cluff Ranch – Laundry Building Repair	13,700
Horseshoe Ranch – Roof Repairs	11,300
Horseshoe Ranch – Septic System Additional Repairs	89,300
Sipe – Generator Replacement	<u>60,000</u>
Subtotal	\$217,000
<b>Total</b>	<b>\$302,500</b>

The JLBC Staff provided options and a potential provision:

A. The AGFD shall report any change in the building renewal spending plan to the Joint Committee on Capital Review Chairman and the JLBC Staff. If there is significant change of scope in the reallocation reported by AGFD, the Chairman may require further Committee review.

**DEPARTMENT OF PUBLIC SAFETY – Review of Remote Housing Replacement.**

A.R.S. § 41-1252 requires the Joint Committee on Capital Review to review expenditure plans for monies appropriated to capital projects. The FY 2020 Capital Outlay Bill appropriated \$2,400,000 to DPS for the replacement of highway patrol officer remote housing units. The JLBC Staff provided options and potential provisions:

(Continued)

- 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.*

*Senator Gowan moved that the Committee give a favorable review with provisions as outlined in the JLBC Staff analysis, to the 4 consent agenda items listed above. The motion carried.*

#### **REGULAR AGENDA**

#### **ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of Revised Scope of Lewis and Yuma Lock and HVAC Projects.**

Mr. Geoff Paulsen, JLBC Staff, stated pursuant to a provision from the December 2019 Joint Committee on Capital Review meeting, ADC submitted a report detailing its proposal to install air conditioning rather than indirect or direct evaporative cooling in select Lewis and Yuma prison units. The department also requested review of further changes to the scope of the project to utilize a different locking system and to make additional facility upgrades to affected units. The JLBC Staff provided options and potential provisions.

Mr. David Shinn, Director, ADC, responded to member questions.

*Senator Gowan moved that the Committee give a favorable review to the updated expenditure plan, as listed in Table 3. The Committee review also included the following provisions:*

- A. *A favorable review of the proposal does not constitute endorsement of any General Fund commitment to pay for any project costs beyond the \$11.0 million appropriated in the FY 2021 budget.*
- B. *The department shall comply with American Correctional Association (ACA) standards for all locks purchased and installed as part of this project.*
- C. *The department shall report to the Committee any change in project scope or the expenditure plan as outlined in Table 3. The Chair will determine if the change requires further JCCR review.*
- D. *The department shall report to the Committee 60 days after the end of each calendar year quarter concerning the disposition of the \$9.55 million worth of locks that have been purchased for cell doors but are no longer being used for that purpose. The report shall address the number of locks repurposed and installed on non-cell doors, and the location. The report shall also include ADC's estimate for potential cancellation costs and the plan to mitigate those costs.*

ADC submitted a revised expenditure plan on April 29, 2020 that is not reflected in Table 3.

<b>Lewis and Yuma Lock, HVAC and Fire System Project Costs</b>			
	<u>Original Proposal</u>	<u>New Proposal</u>	<u>Difference</u>
Phase 1 – Lewis Locks/Fire Systems	\$ 25,890,000	\$ 5,706,700	\$ (20,183,300)
Phase 2 – Lewis HVAC	11,610,000	26,730,700	15,120,700
Phase 3 – Yuma Lock/HVAC/Fire Systems	13,900,000	14,736,600	836,600
Originally Purchased Locks - Repurposed		4,243,500	4,243,500
Potential Cancellation Penalties	-	5,311,000	5,311,000
New Upgrades <sup>1/</sup>	-	3,300,000	3,300,000
<b>Total Project Costs</b>	<b>\$51,400,000</b>	<b>\$60,028,500</b>	<b>\$8,628,500</b>

<sup>1/</sup> ADC's new proposal would replace the current ceramic toilets with stainless steel, and upgrade to self-contained light fixtures less prone to tampering.

*Senator Leach made a substitute motion that the Committee give an unfavorable review to the updated expenditure plan. The substitute motion failed by a roll call vote of 5-8-0-1. (Attachment 1)*

The original motion passed with a roll call vote of 8-5-0-1. (Attachment 1).

**ARIZONA STATE UNIVERSITY (ASU) - Review of Building Infrastructure Project (Agenda Item 2A) and Review of Classroom, Academic and Research Laboratory Renovations (Agenda Item 2B).**

The Committee first heard staff presentations for agenda items 2A and 2B before discussing both agenda items.

Ms. Morgan Dorcheus, JLBC Staff, stated that A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. ASU requested Committee review of \$20,000,000 in system revenue bond issuances to fund building infrastructure projects. The JLBC Staff provided options and potential provisions.

Ms. Alexis Pagel, JLBC Staff, stated that A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. ASU requested Committee review of \$35,000,000 in system revenue bond issuances, with \$15,000,000 allocated for classroom and academic building renovations and \$20,000,000 allocated for research laboratory renovations. ASU will fund the debt service payments with tuition. The JLBC Staff provided options and potential provisions.

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

**Agenda Item 2A – Review of Building Infrastructure Project**

*Senator Gowan moved that the Committee give a favorable review to ASU's planned issuance of \$20,000,000 of system revenue bonds to fund building infrastructure projects.*

*The review included the following standard university financing provisions shown below:*

Standard University Financing Provisions

- 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.*

(Continued)

- B. ASU shall provide the final debt service schedule and interest rate for the project as soon as they are available.
- C. On or before October 15 of each year until completion of the project, ASU shall report to the JLBC Staff on the status and expenditures of the Building Infrastructure project. The report shall include the project expenditures to date by type of building system, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.

Senator Leach made a substitute motion that the Committee give an unfavorable review to ASU's planned issuance of \$20,000,000 of system revenue bonds to fund building infrastructure projects. The substitute motion failed by a roll call vote of 3-10-0-1. (Attachment 2)

The original motion passed with a roll call vote of 10-3-0-1. (Attachment 2).

#### Agenda Item 2B – Review of Classroom, Academic and Research Laboratory Renovations

Senator Gowan moved that the Committee give a favorable review to ASU's planned issuance of \$35,000,000 in system revenue bonds, with \$15,000,000 allocated for classroom and academic building renovations and \$20,000,000 allocated for research laboratory renovations.

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

#### Standard University Financing Provisions

- 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.
- B. ASU shall provide the final debt service schedule and interest rate for the project as soon as they are available.
- C. On or before October 15 of each year until completion of the project, ASU shall report to the JLBC Staff on the status and expenditures of the Classroom and Academic renovations and the Research Laboratory renovations projects. The report shall include the project expenditures to date by building, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.

Senator Leach made a substitute motion that the Committee give an unfavorable review to ASU's planned issuance of \$35,000,000 in system revenue bonds, with \$15,000,000 allocated for classroom and academic building renovations and \$20,000,000 allocated for research laboratory renovations. The substitute motion failed by a roll call vote of 3-10-0-1. (Attachment 3)

The original motion passed with a roll call vote of 10-3-0-1. (Attachment 3).

Without objection, the meeting adjourned at 5:59 p.m.

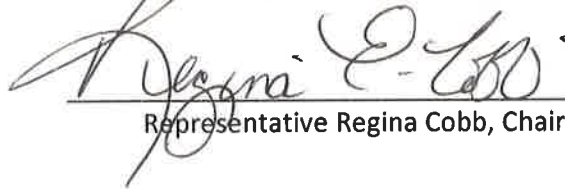
Respectfully submitted:



Kristy Paddack, Secretary



Jack Brown, Deputy Director



Representative Regina Cobb, Chairman

### JOINT COMMITTEE ON CAPITAL REVIEW

Meeting Date: 4/29/20

1 ITEM# ADC Substitute Unfav.

Review  
motion

1 ITEM# ADC Favorable  
Review Motion

	<u>PRESENT</u>	<u>ABSENT</u>	<u>PASS</u>	<u>AYE</u>	<u>NAY</u>	<u>PRESENT</u>	<u>ABSENT</u>
SEN. ALSTON	/			/			
SEN. BOWIE	/			/			
SEN. BRADLEY	/				/		
REP. FERNANDEZ	/			/			
REP. FRIESE	/				/		
SEN. GRAY	/				/		
REP. KAVANAGH	/				/		
SEN. KERR	/			/			
SEN. LEACH	/			/			
REP. LIEBERMAN	/				/		
REP. PETERSEN		/					/
REP. TOMA	/				/		
SEN. GOWAN	/				/		
REP. COBB	/				/		
<b>TOTALS</b>	<u>13</u>	<u>1</u>	<u>  </u>	<u>5</u>	<u>8</u>	<u>0</u>	<u>1</u>

	<u>PASS</u>	<u>AYE</u>	<u>NAY</u>	<u>PRESENT</u>	<u>ABSENT</u>
SEN. ALSTON			/		
SEN. BOWIE			/		
SEN. BRADLEY		/			
REP. FERNANDEZ			/		
REP. FRIESE		/			
SEN. GRAY		/			
REP. KAVANAGH		/			
SEN. KERR			/		
SEN. LEACH			/		
REP. LIEBERMAN		/			
REP. PETERSEN					/
REP. TOMA		/			
SEN. GOWAN		/			
REP. COBB		/			
<b>TOTALS</b>	<u>  </u>	<u>8</u>	<u>5</u>	<u>0</u>	<u>1</u>



# JOINT COMMITTEE ON CAPITAL REVIEW

Meeting Date: 4/29/20

2A ITEM# ASU - Infrastructure  
Substitute Unfavorable Review

2A ITEM# ASU Favorable  
Review

	<u>PRESENT</u>	<u>ABSENT</u>	<u>PASS</u>	<u>AYE</u>	<u>NAY</u>	<u>PRESENT</u>	<u>ABSENT</u>
SEN. ALSTON	/	—			/		
SEN. BOWIE	/	—			/		
SEN. BRADLEY	/	—			/		
REP. FERNANDEZ	/	—			/		
REP. FRIESE	/	—			/		
SEN. GRAY	/	—			/		
REP. KAVANAGH	/	—			/		
SEN. KERR	/	—			/		
SEN. LEACH	/	—		/			
REP. LIEBERMAN	/	—			/		
REP. PETERSEN	—	/					/
REP. TOMA	/	—			/		
SEN. GOWAN	/	—		/			
REP. COBB	/	—		/			
TOTALS	<u>13</u>	<u>1</u>	—	<u>3</u>	<u>10</u>	<u>0</u>	<u>1</u>

	<u>PASS</u>	<u>AYE</u>	<u>NAY</u>	<u>PRESENT</u>	<u>ABSENT</u>
SEN. ALSTON		/			
SEN. BOWIE		/			
SEN. BRADLEY		/			
REP. FERNANDEZ		/			
REP. FRIESE		/			
SEN. GRAY		/			
REP. KAVANAGH		/			
SEN. KERR		/			
SEN. LEACH			/		
REP. LIEBERMAN		/			
REP. PETERSEN					/
REP. TOMA		/			
SEN. GOWAN			/		
REP. COBB			/		
TOTALS	—	<u>10</u>	<u>3</u>	<u>0</u>	<u>1</u>

# JOINT COMMITTEE ON CAPITAL REVIEW

Meeting Date: 4/29/20

2B ITEM# ASU - Renovations Substitute

2B ITEM# ASU Favorable Review

	<u>PRESENT</u>	<u>ABSENT</u>	<u>PASS</u>	<u>AYE</u>	<u>NAY</u>	<u>PRESENT</u>	<u>ABSENT</u>
SEN. ALSTON	/				/		
SEN. BOWIE	/				/		
SEN. BRADLEY	/				/		
REP. FERNANDEZ	/				/		
REP. FRIESE	/				/		
SEN. GRAY	/				/		
REP. KAVANAGH	/				/		
SEN. KERR	/				/		
SEN. LEACH	/			/			
REP. LIEBERMAN	/				/		
REP. PETERSEN		/					/
REP. TOMA	/				/		
SEN. GOWAN	/			/			
REP. COBB	/			/			
TOTALS	<u>13</u>	<u>1</u>		<u>3</u>	<u>10</u>	<u>0</u>	<u>1</u>

Unfavorable Review

	<u>PASS</u>	<u>AYE</u>	<u>NAY</u>	<u>PRESENT</u>	<u>ABSENT</u>
SEN. ALSTON		/			
SEN. BOWIE		/			
SEN. BRADLEY		/			
REP. FERNANDEZ		/			
REP. FRIESE		/			
SEN. GRAY		/			
REP. KAVANAGH		/			
SEN. KERR		/			
SEN. LEACH			/		
REP. LIEBERMAN		/			
REP. PETERSEN					/
REP. TOMA		/			
SEN. GOWAN			/		
REP. COBB			/		
TOTALS		<u>10</u>	<u>3</u>	<u>0</u>	<u>1</u>