



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

September 23, 2020

The Chairman called the meeting to order at 10:35 a.m., Wednesday, September 23, 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 Petersen
	Senator Leach	Representative Toma

APPROVAL OF MINUTES

Senator Gowan moved that the Committee approve the minutes of June 24, 2020. The motion carried.

CONSENT AGENDA

The following items were considered without discussion:

DEPARTMENT OF CORRECTIONS (ADC) - Review of Lewis/Yuma Capital Project: Review of FY 2021 Budget Funding and Quarterly Project Report.

Pursuant to a provision from the June 2019 Committee meeting, ADC submitted its quarterly report detailing its progress on the Lewis and Yuma Lock, HVAC, and Fire Systems project. Additionally, A.R.S. § 14-1252 requires Committee review of expenditure plans for monies appropriated for capital projects. The FY 2021 Capital Outlay Bill appropriated \$30,000,000 for the project. ADC requested review of \$14,100,000 of the FY 2021 appropriation (See *Table 1*). The JLBC Staff provided options and potential provisions:

(Continued)

- A. The department shall comply with American Correctional Association (ACA) standards for all locks purchased and installed as part of this project.
- B. In future quarterly reports the department shall address the number and location of locks that have been repurposed and installed on non-cell doors.

Table 1			
Lewis and Yuma Lock, HVAC and Fire System Project Costs			
	<u>April JCCR Plan</u>	<u>New Plan</u>	<u>Difference</u>
Phase 1 - Lewis Locks/Fire Systems	\$ 5,706,700	\$ 6,766,300	\$ 1,059,600
Phase 2 - Lewis HVAC	26,730,700	11,548,200	(15,182,500)
Phase 3 - Yuma Lock/HVAC/Fire Systems	14,736,600	9,600,700	(5,135,900)
Originally Purchased Locks - Repurposed ^{1/}	4,243,500	6,533,300	2,289,800
Potential Cancellation Penalties	5,311,000	0	(5,311,000)
New Facility Upgrades	3,300,000	7,817,500	4,517,500
Contingency	0	4,000,000	4,000,000
Total Project Costs	\$60,028,500	\$46,266,000	\$(13,762,500)

^{1/} The new plan includes \$2.3 million in expenditures by a subcontractor that ADC and the Construction Manager at Risk (CMAR) are currently validating.

SCHOOL FACILITIES BOARD (SFB) - Review of Minimum Adequacy Guidelines Rulemaking.

A.R.S. § 15-2011 requires SFB to submit a fiscal impact statement of the effect of any proposed rule changes to the Minimum Adequacy Guidelines (Guidelines). The JLBC Staff provided options and a potential provision:

- A. A favorable review of the fiscal impact statement does not constitute endorsement of any General Fund appropriations to pay for any increased costs associated with the proposed rule changes.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of FY 2021 Building Renewal Allocation Plan.

A.R.S. § 41-1252 requires the Committee to review expenditure plans for building renewal monies. ADOA requested Committee review of its \$16,000,000 FY 2021 Building Renewal Allocation Plan. The JLBC Staff provided options and potential provisions:

- A. ADOA shall report any reallocations between project categories as listed in *Table 2* to the JLBC Staff. If there is significant change of scope in the reallocation reported by ADOA, the JLBC Staff shall recommend ADOA request Committee review of the reallocation.
- B. The distribution of the emergency contingency allocation of \$500,000 be addressed as follows:
 1. ADOA shall notify the Chairman and the JLBC Staff that they plan to spend less than \$100,000 on an emergency project. ADOA can proceed without Committee review.
 2. The Chairman can allow ADOA to move forward with an emergency project of greater than \$100,000 without Committee review.
 3. The Chairman will notify ADOA if she does not agree that the project is an emergency and that the project will require full Committee review.

(Continued)

An “emergency” project is defined as unforeseen, critical in nature, and of immediate time sensitivity. Prior reviews also included this provision.

- C. If ADOA adds a new non-emergency project category not listed in this request, the department must submit a proposed expenditure plan

Table 2	
FY 2021 Building Renewal Allocation Plan	
<u>Fire & Life Safety Projects</u>	
ADOA Statewide Replace Fire and Life Safety Systems, and Arizona Historical Society Fire Sprinkler Head Replacement	\$ 750,000
<u>Building Shell Projects</u>	
ADOA Statewide Roof Repair and Replacement and Window Door Repairs	\$ 1,980,900
<u>Major Building Services Projects</u>	
ADOA Statewide HVAC Systems Replacement, elevator modernization and electrical repairs	\$ 9,865,100
<u>Infrastructure Projects</u>	
ADOA Capitol Mall and DPS Replace/Repair Parking Lots, DJC Kitchen surface replacement	\$ 1,000,000
<u>Building Interior Projects</u>	
ADOA Capitol Mall and DPS Replace Carpet and Floor Coverings	\$ 400,000
<u>Preventative Maintenance Projects</u>	
ADOA Capitol Mall Preventative Maintenance	\$ 800,000
<u>Other Projects</u>	
Personnel Services/ERE Costs	\$ 550,000
Building Renewal Project Scoping	150,000
Risk Management Insurance Premium	4,000
Emergency Contingency	<u>500,000</u>
<i>Subtotal</i>	\$ 1,204,000
TOTAL	\$ 16,000,000

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of FY 2021 Building Renewal Allocation Plan.

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies prior to expenditure. ADOT requested that the Committee review its \$13,281,700 FY 2021 Building Renewal Allocation Plan.

ADOT has allocated \$13,000,000 from the State Highway Fund among 239 projects, leaving a contingency balance of \$133,800 and \$75,000 for project management support. ADOT has also allocated \$281,700 from the State Aviation Fund for 15 projects, with no contingency funding. The JLBC Staff provided options and potential provisions:

- A. ADOT shall report any reallocations between project categories as listed in *Table 3 and Table 4* above \$100,000 to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.

(Continued)

- B. ADOT shall report any expenditure of the building renewal contingency allocation of \$133,800 to the JLBC Staff as part of its existing semi-annual building renewal status report.

Table 3

State Highway Fund Building Renewal Project Categories

<u>Category</u>	<u>Projects</u>	<u>State Highway Fund</u>	<u>% of Total</u>
Fire/Life/Safety	27	\$546,000	4%
Roof Repairs/Replacement	16	801,500	6%
Exterior Preservation (Doors, Windows, Siding)	31	765,000	6%
Building Systems (HVAC, Electrical, Plumbing)	57	3,513,500	27%
Interior Finishes (Paint, Carpet, Tile)	15	240,800	1%
Remodels and Reconfigurations	38	4,554,000	35%
Americans with Disabilities Act	3	38,000	1%
Infrastructure (Sewers, Wells)	52	2,332,400	18%
Project Management Support	N/A	75,000	1%
Contingency	<u>N/A</u>	<u>133,800</u>	<u>1%</u>
Total	239	\$13,000,000	100%

Table 4

State Aviation Fund Building Renewal Projects

<u>Category</u>	<u>Projects</u>	<u>State Aviation Fund</u>	<u>% of Total</u>
Fire/Life Safety	2	\$10,000	4%
Roof/Repairs Replacement	1	4,000	1%
Exterior Preservation (Doors, Windows, Siding)	2	10,000	4%
Building Systems (HVAC, Electrical, Plumbing)	4	143,000	50%
Interior Finishes (Paint, Carpet, Tile)	2	10,000	4%
Americans with Disabilities Act	1	5,000	2%
Infrastructure	3	99,700	35%
Contingency	<u>N/A</u>	<u>0</u>	<u>0%</u>
Total	15	\$281,700	100%

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

REGULAR AGENDA

ARIZONA STATE UNIVERSITY (ASU) - Review of University Drive Pedestrian Bridge.

Ms. Morgan Dorcheus, JLBC Staff, stated A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. ASU requested Committee review of \$13,600,000 in system revenue bond issuances to fund construction of a University Drive Pedestrian Bridge. The JLBC Staff provided options and potential provisions.

Mr. Morgan Olson, Executive Vice President, Treasurer and CFO, ASU, responded to member questions.

Senator Gowan moved that the Committee give a favorable review of ASU's planned issuance of \$13,600,000 of system revenue bonds to fund construction of a University Drive Pedestrian Bridge.

(Continued)

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

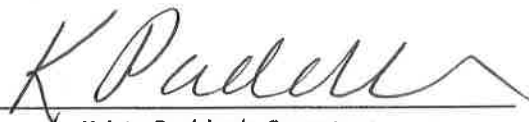
Standard University Financing Provisions

- 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 University Drive Pedestrian Bridge project. The report shall include the project expenditures to date, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.

The motion carried with a roll call vote of 11-3-0-0. (Attachment 1).

Without objection, the meeting adjourned at 10:49 a.m.

Respectfully submitted:



Kristy Paddack, Secretary



Jack Brown, Deputy Director



Representative Regina Cobb, Chairman

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

JOINT COMMITTEE ON CAPITAL REVIEW

Meeting Date: September 23, 2020

ITEM #: Arizona State University – Review of University Drive Pedestrian Bridge
MOTION: Senator Gowan moved for a favorable review with the provisions.

	<u>PRESENT</u>	<u>ABSENT</u>	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ALSTON	X			X			
SEN. BOWIE	X			X			
SEN. BRADLEY	X			X			
REP. FERNANDEZ	X			X			
REP. FRIESE	X			X			
SEN. GRAY	X			X			
REP. KAVANAGH	X			X			
SEN. KERR	X			X			
SEN. LEACH	X				X		
REP. LIEBERMAN	X			X			
REP. PETERSEN	X				X		
REP. TOMA	X			X			
SEN. GOWAN	X				X		
REP. COBB	X			X			
TOTALS	14	0	0	11	3	0	0

	PASS	AYE	NAY	PRESENT	ABSENT
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					