



STATE OF ARIZONA

Joint Committee on Capital Review

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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

September 25, 2019

Chairman David Gowan called the meeting to order at 10:06 a.m., Wednesday, September 25, 2019 in Senate Appropriations Room 109. The following were present:

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

APPROVAL OF MINUTES

Representative Cobb moved that the Committee approve the minutes of June 18, 2019. The motion carried.

CONSENT AGENDA

The following items were considered without discussion:

NORTHERN ARIZONA UNIVERSITY (NAU) - Review of FY 2020 Capital Improvement Plan for One-Time Appropriation.

Pursuant to the FY 2020 General Appropriation Act and A.R.S. § 41-1252, NAU requested Committee review its \$5,000,000 expenditure plan for several capital improvement projects. These projects will be funded from \$6,650,000 in one-time monies appropriated to NAU in the FY 2020 budget.

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The JLBC Staff provided options and a potential provision:

- A. *NAU shall report any reallocations between projects in the FY 2020 spending plan above \$200,000 to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.*

PIMA COMMUNITY COLLEGE DISTRICT (PCCD) - Review of Pima Aviation Technology Center Expansion.

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated to capital projects. PCCD requested Committee review \$15,000,000 to expand the Pima Aviation Technology Center (ATC). This amount was included as a one-time General Fund appropriation in the FY 2020 budget. Including \$4,300,000 of funding allocated from PCCD revenues, the total project cost is \$19,300,000. The project will add a new hangar, classroom, and office space, and is expected to increase program capacity from 125 students to 250 students. The JLBC Staff provided options and potential 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 operations and maintenance costs when the project is complete.*
- B. *On or before July 31 of each year until completion of the project, PCCD shall report to the JLBC Staff on the status and expenditures of the Aviation Technology Center Expansion 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.*

DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS (DEMA) - Review of West Valley Readiness Center.

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for capital projects. DEMA requested Committee review of the expenditure plan for the construction of the West Valley Readiness Center, as appropriated by the FY 2020 Capital Outlay Bill. The total project cost is \$15,500,000, which consists of the following fund sources: 1) \$3,875,000 from the General Fund included in the FY 2020 budget; and 2) \$11,625,000 from Federal Funds. The JLBC Staff provided options and potential provisions:

- A. *On or before July 31 of each year until completion of the project, DEMA shall report to the JLBC Staff on the status and expenditures of the West Valley Readiness Center 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.*
- B. *A favorable review does not constitute endorsement of appropriations to pay for future operating costs.*

DEPARTMENT OF PUBLIC SAFETY (DPS) - Review of Radio Communications Tower Project.

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated to capital projects. DPS was appropriated \$309,000 from the Board of Fingerprinting Fund for the construction of

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a radio communications tower along the South Mountain Loop 202 extension by the FY 2020 Capital Outlay Bill. The JLBC Staff provided options.

ARIZONA GAME AND FISH DEPARTMENT (AGFD) - Review of FY 2020 Building Renewal Allocation Plan and FY 2020 Capital Projects.

A.R.S. § 41-1252 requires the JCCR to review expenditure plans for monies appropriated for building renewal and capital projects and for any capital project with an estimated cost of more than \$250,000. AGFD requested Committee review of the following items:

- \$1,397,700 for building renewal.
- \$300,000 for property maintenance.
- \$150,000 for dam maintenance.
- \$400,000 for hatchery maintenance.
- \$525,000 for 2 non-appropriated capital projects.

The JLBC Staff provided options and potential provisions:

- A. *AGFD shall report any expenditure of the building renewal emergency allocation of \$75,000 to the JLBC Staff as part of its existing semi-annual building renewal status report.*
- B. *In accordance with A.R.S. § 41-790, AGFD's Headquarters Major Maintenance Fund may not use building renewal monies for movable equipment.*

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of FY 2020 Building Renewal Allocation Plan.

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. ADOT requested the Committee review its \$13,281,700 FY 2020 Building Renewal Allocation Plan. The JLBC Staff provided options and potential provisions:

- A. *ADOT shall report any reallocations between project categories in the FY 2020 spending plan above \$100,000 to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.*
- B. *ADOT shall report any expenditure of the building renewal contingency allocation of \$150,000 to the JLBC Staff as part of its existing semi-annual building renewal status report.*

Representative Cobb moved that the Committee give a favorable review with provisions as outlined in the JLBC Staff analysis, to the 6 consent agenda items listed above. The motion carried.

REGULAR AGENDA

ARIZONA STATE UNIVERSTIY (ASU) - Review of Downtown Phoenix Residence Hall and Entrepreneurial Center.

Ms. Morgan Dorcheus, JLBC Staff, stated A.R.S. § 15-1682.02 and 15-1683 require Committee review of any university projects using indirect debt financing (also known as third-party financing) and any

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university projects financed with system revenue bonds. ASU requested Committee review of a 0.82-acre ground lease and \$49.6 million in system revenue bond issuances for a residence hall and entrepreneurial center at its Downtown Phoenix Campus. The proposed facility would provide up to 532 student beds, academic space, and event and exhibition space at a total cost of \$116.1 million. 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 give a favorable review of ASU's request to enter into a 0.82 acre ground lease and the issuance of \$49,600,000 of system revenue bonds for a residence hall and entrepreneurial center development at its Downtown Phoenix Campus. 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 July 31 of each year until completion of the project, ASU shall report to the JLBC Staff on the status and expenditures of the Downtown Phoenix Residence Hall and Entrepreneurial Center 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.

ARIZONA STATE UNIVERSTIY (ASU) - Review of Downtown Phoenix Thunderbird School of Global Management Building.

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 \$37,000,000 in system revenue bond issuances to fund construction of a new School of Global Management building on its Downtown Phoenix Campus. ASU will fund the debt service payments with tuition. The JLBC Staff provided options and a potential provisions.

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

Representative Cobb moved that the Committee give a favorable review of the issuance of \$37,000,000 in system revenue bonds for construction of a new School of Global Management building on its Downtown Phoenix Campus. 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 July 31 of each year until completion of the project, ASU shall report to the JLBC Staff on the status and expenditures of the Downtown Phoenix Thunderbird School of Global Management Building 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.

ARIZONA STATE UNIVERSITY (ASU) - Consider Approval of Interdisciplinary Science and Technology Building (ISTB) 7 Financing Project.

Ms. Morgan Dorcheus, JLBC Staff, stated that A.R.S. § 15-1671 requires the universities to submit the scope, purpose, and estimated cost of any capital project paid with debt financing before expending monies from the university's Capital Infrastructure Fund (CIF) for that project. At its September 2018 meeting, the Committee approved ASU's request of a \$175,000,000 bond issuance for the construction of the Interdisciplinary Science and Technology Building (ISTB) 7. Due to increased project costs, ASU requested Committee approval for an additional \$17,000,000 in bond issuances, for a total project cost of \$192,000,000. The JLBC Staff provided options and a 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 to increase the cost of the Interdisciplinary Science and Technology (ISTB) 7 building project by \$17,000,000, for a total project cost of \$192,000,000. 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.*
- C. *On or before July 31 of each year until completion of the project, ASU shall report to the JLBC Staff on the status and expenditures of the ISTB 7 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.

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NORTHERN ARIZONA UNIVERSITY (NAU) - Review of Student Athlete High Performance Center Indirect Financing Project.

Ms. Alexis Pagel, JLBC Staff, stated A.R.S. § 15-1682.02 requires Committee review of any university projects using indirect debt financing (also known as third-party financing). NAU requested Committee review of a 70,000 square foot building for the approximately \$46,000,000 development of a Student Athlete High Performance Center (SAHPC). The proposed SAHPC facility is focused on providing wellness and development for NAU student athletes and educational opportunities for NAU students. The JLBC Staff provided options and potential provisions.

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

Mr. Bjorn Flugstad, Vice President, Finance, Institution of Planning and Analyses, NAU, responded to member questions.

Mr. Kurt M. Freund, Managing Director, RBC Capital Markets, LLC , responded to member questions.

Representative Cobb moved that the Committee give a favorable review of NAU's project of a 70,000 square foot building for the \$46,000,000 development of a Student Athlete High Performance Center. NAU will enter into a 25-year ground lease agreement and make annual lease payments of approximately \$2,800,000 for the center.

The favorable 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. *On or before July 31 of each year until completion of the project, NAU shall report to the JLBC Staff on the status and expenditures of the Student Athlete High Performance Center 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.

ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2020 Building Renewal Allocation Plan.

Mr. Geoff Paulsen, JLBC Staff, stated A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. ADC requested Committee review its FY 2020 Building Renewal Allocation Plan. The FY 2020 Capital Outlay Bill appropriated \$6,864,300 from the Department of Corrections Building Renewal Fund to ADC for general building renewal. The JLBC Staff provided options and potential provisions.

Mr. Michael Landry, Administrator, Engineering and Facilities Bureau, ADC, responded to member questions.

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Representative Cobb moved that the Committee give a favorable review to the expenditure plan with the following provisions:

- A. ADC shall report to the JLBC Staff any reallocations between project categories that exceed \$100,000. ADC shall report this information as part of its existing semi-annual building renewal status report.
- B. If ADC adds a new project category, the department shall report the proposed project category and expenditure plan to the Chairman and JLBC Staff. The Chairman will notify ADC whether the expenditure plan will require Committee review.

The motion carried.

Without objection, the meeting adjourned at 11:36 a.m.

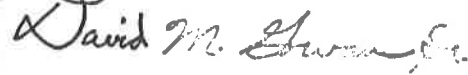
Respectfully submitted:



Kristy Paddack, Secretary



Jack Brown, Deputy Director



Senator David M. Gowan, Chairman