

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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HOUSE OF
REPRESENTATIVES

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JACK A. BROWN
PHIL LOPES
RUSSELL K. PEARCE
STEPHEN TULLY

MINUTES OF THE MEETING JOINT COMMITTEE ON CAPITAL REVIEW

Wednesday, September 28, 2005

The Chairman called the meeting to order at 3:25 p.m., Thursday, September 28, 2005 in Senate Appropriations Room 109 and attendance was as follows:

Members:	Senator Burns, Chairman	Representative Pearce, Vice-Chairman
	Senator Bee	Representative Boone
	Senator Gould	Representative Brown
	Senator Johnson	Representative Lopes
		Representative Tully
Absent:	Senator L. Aguirre	Representative A. Aguirre
	Senator Cannell	Representative Biggs
	Senator Giffords	

Senator Burns moved the Committee approve the minutes of September 1, 2005 as presented. The motion carried.

ARIZONA STATE UNIVERSITY/INDUSTRIAL COMMISSION OF ARIZONA – Review of Elevator Code Upgrade Component of Academic Renovations and Deferred Maintenance Phase I.

Ms. Shelli Carol, JLBC Staff, presented the review of Arizona State University (ASU) \$3 million Elevator Code Upgrade Component of ASU Academic Renovations and Deferred Maintenance Phase I project discussed at several past meetings. JLBC Staff recently received an implementation plan from ASU, the document also includes specific answers to Representative Tom Boone's questions on the Construction Manager at Risk procurement method.

The elevator issue involves upgrades required by the Industrial Commission of Arizona and national codes for certain hydraulic elevators. There are 18 elevators at ASU that require the retrofit. The university states that the specific change will cost \$50,000 per elevator and other upgrades must be performed at the same time that will cost an additional \$150,000 per elevator. The Industrial Commission states that 1 staff member has directly observed at least 1 in-state catastrophic elevator failure during an inspection, and that Arizona elevator companies have directly witnessed several gradual failures. The Industrial Commission also prefers to continue reasonable negotiations with ASU to complete the retrofits, rather than to take elevators out of service.

Mr. Larry Etchechury, Director, Industrial Commission of Arizona stated that the national consensus standard from 2000 was adopted by the Commission in 2003. The code requires only the change in the cylinder, there is no requirement to upgrade other elevator components to current code. The cost is only

with respect to the cylinder. ASU has a cost of \$50,000, which may or may not be correct. In contacting different elevator companies, the cost range would be \$18,000 to \$30,000 depending upon what is encountered. University of Arizona (UA) submitted their plan of 23 elevators at a cost of \$600,000 or \$26,000 to \$29,000 per elevator.

Senator Burns stated there was a lack of understanding by the Committee as to the agreement between the Commission and ASU on the time schedule.

Mr. Etchechury stated there was a letter sent out that stated the code changes and what changes need to be incorporated as soon as possible. Subsequent discussions with the universities were made and plans were to be submitted. Northern Arizona University (NAU) and UA submitted their plans, but ASU had not submitted a plan. UA will be doing their plan through 2006 and 2007, and that was acceptable. The plan that ASU recently put forward in response to the Committee's question, is acceptable.

Senator Burns asked if code requirement is a critical issue that has to be done.

Mr. Etchechury answered that yes, it is critical. If there is a catastrophic failure in the cylinder, it is going down to the bottom of the shaftway. An elevator inspector was doing a load test, when there was a failure. The national consensus code is produced nationally and if the change was unnecessary, the change would have been challenged.

Representative Pearce stated that ASU does regular maintenance and none of the elevators exhibit concerns that will lead to failure.

Mr. Etchechury stated that the cost should not be more that \$600,000. There is no way to visually look and determine whether there is corrosion to cause a catastrophic failure because the cylinder is in the ground. There is an annual load test that increases the pressure in the cylinder to 125% of its operational standard. The gauge will show if the pressure holds and if it is at the same pressure as the prior test. If there is a decrease in holding the pressure, then you know you have a leak in the cylinder and at that point, the requirement would be to replace that cylinder. This test is done once per year.

Senator Burns asked if NAU and UA had 2 years to complete their project and if ASU would also have 2 years.

Mr. Etchechury replied that NAU has completed their project. UA is doing their project over 2 years with completion in 2007. ASU will have 2 years to complete their project.

Senator Johnson asked what the cost was for NAU and UA to upgrade their elevators.

Mr. Etchechury answered that according the elevator company that did the work for NAU, the cost was \$18,000 per elevator with the understanding that there may be conditions that would increase the price. UA has a total cost for 23 elevators at \$600,000 or \$26,000 per elevator.

Senator Johnson said that ASU stated that once they replace the cylinder, they will have to retrofit other parts, bringing the cost to \$150,000 per elevator.

Mr. Etchechury said there is no code requirement to bring other components of the elevators up to code by just changing the cylinder. There may be elective changes like replacing the hydraulic pumping system, but there is no code requirement to do that. The only requirement is to replace the cylinder.

Senator Johnson asked where the elevator was that had a failure and if it was the same type of elevator.

Mr. Etchechury answered that the elevator was in a Tucson office and was a hydraulic elevator. ASU has 16 to 19 elevators that need to be replaced under the new code.

Mr. Scott Cole, Deputy Executive Vice President, Arizona State University stated that the cost of \$50,000 per cylinder came from the contractor. As the elevator is taken apart the electrical controls and the hydraulic systems need to be replaced because of the age of the systems, as part of deferred maintenance. There are other things being done to the interior of the elevators and controls to make them ADA accessible that have not been done. Of the \$3 million being asked, the ADA component of that amount is \$250,000.

Representative Pearce asked if the ADA changes are a requirement or a choice. ADA mandates are not to effect existing facilities.

Mr. Cole answered that the university believes that it is a requirement.

Representative Pearce asked the JLBC Staff to look into the ADA requirements.

Mr. Cole stated that the ADA components would be \$1,000 to \$1,500 per elevator. There are 19 elevators.

Senator Johnson asked what the results were on the pressure test, when the test occurred at ASU, and if there were any leakages.

Mr. Cole answered that the tests are done annually. All the elevators are inspected on an annual cycle and the results are submitted to the Industrial Commission. There have not been any problems. There was hydraulic leakage corrected but it was not in the cylinder.

Senator Johnson asked if the mandates come from the Commission.

Mr. Cole answered that it comes from the code the Commission follows.

Representative Boone moved the Committee give a favorable review, with the provision that the Industrial Commission allow ASU another 2 years to complete the elevator upgrades.

The motion carried.

ARIZONA LOTTERY – Review of FY 2006 Building Renewal Allocation Plan and Lottery Facilities Improvements.

Ms. Leatta McLaughlin, JLBC Staff, presented the review of the Arizona Lottery Commission FY 2006 Building Renewal Allocation Plan and Facilities Improvements. The Lottery Commission combined its building renewal appropriation along with its capital appropriation for a total of \$124,500. The appropriated monies will be used to upgrade its fire system and bathroom fixtures, as well as replace carpeting in the Commission's Phoenix facility.

There was no discussion on this item.

Representative Pearce moved the Committee give a favorable review to the combined FY 2006 Building Renewal and Lottery Facilities Improvements capital appropriations expenditure plans.

The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION – Report on 5-Year Transportation Plan.

Mr. Bob Hull, JLBC Staff, presented the Arizona Department of Transportation (ADOT) report of the 5-Year Transportation Plan for FY 2006 – FY 2010. This item is for information only, and no Committee action is required. JLBC Staff recommends, however, that:

- ADOT provide an Executive Summary of its 5-Year Transportation Facilities Construction Program for FY 2007-FY 2011, due by July 31, 2006. The Executive Summary should include at least as much information as the current submission.
- If unavailable by the Committee meeting, ADOT report by October 14, 2005 on how the Federal-Aid Highway Reauthorization bill affects the 5-Year Transportation Plan and whether it includes any projects listed in the 5-Year Plan. The report is to include a comparison of the federal funding levels with the assumptions in the 5-Year Plan, as well as an explanation of how ADOT has programmed the \$41.3 million earmarked in the bill for ADOT's highest priority projects (1 of Arizona's 41 earmarks) for the 6 years FY's 2004-2009.

Senator Karen Johnson asked for information on federal dollars for the Canamex Highway that the Governor signed an agreement on with the federal government to build through Arizona.

Mr. Terry Trost, Budget Director, ADOT said they are not aware of anything yet, they will be able to report back on October 14 about the content of the federal bill.

Representative Pearce asked about the discrepancy between the federal funds of \$619.7 million versus the \$445.3 million as reported by ADOT.

Mr. John McGee, Chief Financial Officer, ADOT answered that the \$619.7 million is a total estimated amount of apportionments that the state will receive in FY 2006. ADOT only retains about 75% of the federal dollars. The rest goes to the Maricopa Association of Governments (MAG), Pima Association of Government (PAG), and Councils of Governments (COG's) for various federal aid activities. The \$445.3 million primarily represents the portion of the \$619.7 million that ADOT gets to keep.

Representative Pearce asked that a breakdown of the specific projects earmarked be given to JLBC Staff. The breakdown should show how much is going to each project and how it affects the 5-Year Plan.

Mr. McGee said the information can be gathered from a historical basis. The percentage numbers will not change much in terms of the new authorization from the past.

Representative Pearce said there is \$137 million in earmarked projects through FY 2009 and asked how that affects the 5-Year Plan.

Mr. McGee answered that it does not have a significant affect on ADOT. The reason is because earmarks for some states represent additional monies over and above what they would otherwise be getting. Arizona is a donor state, which means the state gets 90.5% of the relative share. When ADOT submitted projects for high priority funding, they were projects that were already in the 5-year program so that if it was a below the line allocation, we do not get hurt because the projects were already in the program. All the ADOT projects were already on the 5-year program.

Representative Pearce asked if the earmarked projects are included in the 90.5% even though they are earmarked, and Arizona's federal highway dollars do not go up because of the earmark, why we would earmark in a federal bill to appear we are getting an extra \$137 million when in reality we are not getting that money.

Mr. McGee stated that he cannot speak for our congressional delegation, but in terms of ADOT's 5-year program, the earmarks that were received will have no impact.

Mr. Richard Stavneak, JLBC Staff asked if the earmarks change the fund source and if the projects in 5-year program are planned by using federal or state dollars. This could indicate that the federal government will pay for these individual projects that might have otherwise been paid from state sources.

Mr. McGee stated that all the projects that were earmarked were to be federal aid projects. If we planned on using state dollars, by having them earmarked as federal dollars, that frees up state dollars for something else which would make it a virtual wash.

Representative Pearce asked if the federal bill permitting the expanded use of the State Infrastructure Bank (SIB) will affect our ability to accelerate highway construction in the state.

Mr. Hull stated that the federal bill expands the use of SIBs, now all states can apply to the secretary to have SIBs. He does not know whether Arizona's use of the SIB will expand.

Mr. McGee stated that the bill allows states to take a certain percentage of their federal funds and put it in a SIB and then lend the money out. We can take up to 10% of our federal funds and put it in the bank. We did that for 2 years which accumulated to about \$15 million. The Legislature augmented that with the Board Funding Obligations program so that we now have about \$210 million in the fund. After that initial 2-year demonstration program, Congress only allowed 5 states to continue doing that, and Arizona was not included. Under the new law, this has been opened up for all states and we are still waiting for guidance on how we have to format the new SIB. We have been estimating how much will be in the new bill and building the program around that, and the estimate is very close to the actual number. If funds were diverted to the SIB, the 5-year program may be impacted, unless unexpected additional funds came in.

Representative Pearce asked if there was anything else specific in the bill that passed that will be beneficial to Arizona.

Mr. McGee answered that the bill had a significant level of high priority projects, but there was no remarkable change over the prior legislation.

Senator Ron Gould asked why the money in the federal highway bill for a bridge between Bullhead City, Arizona and Laughlin, Nevada was not on the list of projects.

Mr. McGee answered that the money went to Nevada.

Senator Johnson stated in reference to Canamex, the Federal Highway Administration is proposing to bypass Hoover Dam with the new bridge at an estimated total cost of \$198 million. The federal program requires the states to match the federal dollars. She asked what Arizona's cost will be on that match.

Mr. McGee stated that total cost on the project for all phases is \$234 million. The federal government is paying for all of it except for about \$40 million, which will be split at \$20 million between Nevada and Arizona for a match portion.

Senator Johnson asked why we are building a new bridge.

Mr. McGee stated that it has been a high priority for ADOT for a long time. The traffic time on the Hoover Dam, safety concerns, and additional security concerns determined that there was a need for a new bridge. The federal government is constructing the project.

Representative Lopes asked, in regard to the federal transportation bill for states that do have primary seat belt laws, what the monetary incentives are and if Arizona has intentions of pursuing the incentives.

Mr. McGee said that he can get the information.

This item is for information only, and no Committee action is required.

Without objection the Committee meeting adjourned at 4:15 p.m.

Respectfully submitted:

Yvette Medina, Secretary

Lorenzo Martinez, Assistant Director

Senator Bob Burns, Chairman

NOTE: A full tape recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams.