



STATE OF ARIZONA

Joint Committee on Capital Review

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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

December 11, 2019

Vice-Chairman Regina Cobb called the meeting to order at 10:07 a.m., Wednesday, December 11, 2019 in Senate Appropriations Room 109. The following were present:

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

APPROVAL OF MINUTES

Senator Leach moved that the Committee approve the minutes of September 25, 2019. The motion carried.

CONSENT AGENDA

The following items were considered without discussion:

UNIVERSITY OF ARIZONA (UA) - Review of Deferred Maintenance Projects.

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). UA requests Committee review of its plan to pay \$10,000,000 in cash for campus-wide deferred maintenance projects.

(Continued)

The JLBC Staff provided options and potential provisions:

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 operations and maintenance costs when the project is complete.
- B. On or before October 15 of each year until completion of the project, UA shall report to the JLBC Staff on the status and expenditures of the deferred maintenance projects. 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.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Consider Recommending FY 2020 Partial Rent Exemptions.

A.R.S. § 41-792.01D, authorizes the Director of the Arizona Department of Administration (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 requests the Committee recommend partial rent exemptions for 7 agencies totaling \$109,900 as outlined in *Table 1*. The JLBC Staff provided options.

Table 1			
Rent Adjustments			
	FY 2020 Rent Charge	FY 2020 Actual Rent	FY 2020 Rent Exemption
Administrative Hearings, Office of	\$210,600	\$196,500	\$14,100
Behavioral Health Examiners, Board of	93,700	72,400	21,300
Cosmetology, State Board of	124,800	116,200	8,600
Dental Examiners, Board of	51,500	56,400	9,500 ^{1/}
Medical Board	228,500	212,600	15,900
Nursing, Board of	229,300	191,400	37,900
Veterinary Medical Examining Board	36,600	34,000	<u>2,600</u>
Total			\$109,900

^{1/} The FY 2020 Budget Procedures Budget Reconciliation Bill increased FY 2020 rental rates. Agencies were appropriated funding to pay for this increase in rental rates. The Dental Board did not receive adequate funding to cover the increase in rental rates.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of Reallocation of FY 2019 Building Renewal Appropriation.

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Committee favorably reviewed ADOA's FY 2019 Building Renewal Allocation Plan at its July 2018 meeting. Pursuant to a Committee provision, ADOA requests the Committee review its plan to reallocate \$400,000 from the FY 2019 plan. The JLBC Staff provided options and potential provisions:

- A. ADOA shall report to the JLBC Staff when the State Fair Board remits its reimbursement.

- B. *ADOA shall report any reallocations between project categories 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.*

ARIZONA STATE LOTTERY COMMISSION - Review of FY 2019 and FY 2020 Building Renewal Allocation Plans.

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona State Lottery Commission requests the Committee review its FY 2019 and FY 2020 Building Renewal Allocation Plans. The FY 2019 Capital Outlay Bill and the FY 2020 Capital Outlay Bill appropriated \$126,300 and \$134,100, respectively, from the State Lottery Fund to the State Lottery Commission to fund 100% of the building renewal formula in FY 2019 and FY 2020 for capital improvement projects. The JLBC Staff provided options and a potential provision:

- A. *The commission 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 the commission, the Chairman may require further Committee review.*

ARIZONA PIONEERS' HOME - Review of FY 2020 Capital Improvement Projects.

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for capital projects. The FY 2020 Capital Outlay Bill appropriated \$414,000 from the Miners' Hospital for Miners with Disabilities Land Fund for capital improvements. The Arizona Pioneers' Home is requesting review of these monies for 3 capital improvement projects. The JLBC Staff provided options and potential provisions:

- A. *The Arizona Pioneers' Home shall report any reallocation between projects to the JLBC Staff. If there is a significant change of scope in the reallocation reported by the Arizona Pioneers' Home, the JLBC Staff will recommend the Arizona Pioneers' Home request Committee review of the reallocation.*
- B. *If the Arizona Pioneers' Home adds a new project not listed in this request, the agency shall submit the proposed project and expenditure plan for Committee review.*
- C. *The Arizona Pioneers' Home shall notify the Chairman and the JLBC Staff if they plan to spend the contingency allocation. The Chairman will notify Arizona Pioneers' Home if the contingency plan will require full Committee review.*

Senator Leach moved that the Committee give a favorable review with provisions as outlined in the JLBC Staff analysis, to the 5 consent agenda items listed above. The motion carried.

REGULAR AGENDA

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Consider Recommending Secretary of State Rent Exemptions.

Ms. Morgan Dorcheus, JLBC Staff, stated 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

(Continued)

resources to make a payment. ADOA requests the Committee recommend a full exemption totaling \$407,200 for the Secretary of State in FY 2020 and FY 2021. The JLBC Staff provided options and a potential provision.

Ms. Allie Bones, Assistant Secretary of State responded to member questions.

Ms. Nola Barnes, Assistant Director, General Services Division, ADOA responded to member questions.

Senator Leach moved that the Committee recommend the full rent exemption for FY 2020 only. The recommendation included the following provision:

- A. *On or before January 31, 2020, ADOA shall report to the JLBC Staff on its long-term plans for the Records Management Center building, including the current condition of the building, any plans to renovate or sell the building, and any potential building tenants.*

The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of Kingman Materials Testing Lab Project.

Mr. Jordan Johnston, JLBC Staff, stated that A.R.S. § 41-1252 requires the Committee to review expenditure plans for monies appropriated for capital projects. ADOT requested Committee review of its \$2,250,000 FY 2019 Capital Outlay Bill appropriation to construct a new materials testing lab in Kingman. The JLBC Staff provided options.

Mr. John Hetzel, Facilities Manager, ADOT, responded to member questions.

Mr. Jesse Gutierrez, Deputy State Operations Engineer, ADOT, responded to member questions.

Senator Leach moved that the Committee give a favorable review of the agency's expenditure plan of \$2,250,000 from the State Highway Fund to replace the lab in Kingman. The favorable review included the following provision:

- A. *The department shall report back to the Committee by March 31, 2020 on the results of the contracting process. The report shall address the number of bids, the dollar value of all the bids, and the dollar value of the winning bid.*

The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of Seligman and Williams Maintenance Buildings Project.

Mr. Jordan Johnston, JLBC Staff, stated that A.R.S. § 41-1252 requires the Committee to review expenditure plans for monies appropriated for capital projects. ADOT requested Committee review of its \$2,300,000 FY 2020 Capital Outlay Bill appropriation to construct new maintenance buildings in Seligman and Williams. The JLBC Staff provided options.

Mr. Jesse Gutierrez, Deputy State Operations Engineer, ADOT, responded to member questions.

(Continued)

Mr. Scott Bohning, Senior Architect, ADOT, responded to member questions.

Mr. John Hetzel, Facilities Manager, ADOT, responded to member questions.

Senator Leach moved that the Committee give a favorable review of the agency's expenditure plan of \$2,300,000 from the State Highway Fund to replace the maintenance offices in Seligman and Williams. The favorable review included the following provision:

- A. *The department shall report back to the Committee by March 31, 2020 on the results of the contracting process. The report shall address the number of bids, the dollar value of all the bids, and the dollar value of the winning bid.*

The motion carried.

ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of Updated Expenditures for Locking and Fire Safety Projects.

Mr. Stefan Shepherd, JLBC Staff, stated A.R.S. § 14-1252 requires Committee review of capital projects with estimated costs exceeding \$250,000. ADC and ADOA are currently working to replace locks, fire alarm and suppression systems, and HVAC systems in the Lewis and Yuma prisons. The total project is estimated to cost \$51,400,000. At the June JCCR meeting the Committee favorably reviewed \$17,700,000 in non-appropriated monies to begin Phase 1 of the project. As part of that review, the Committee also included a provision requiring ADC to submit quarterly updates on the project.

ADC submitted its second quarterly update and requested review of an additional \$6,280,000 in non-appropriated monies in FY 2020. This new funding would be used to replace locks and fire alarm systems in the Buckley Unit in Lewis and begin addressing the HVAC replacement in the Rast Unit in Lewis. The JLBC Staff provided options and potential provisions.

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

Senator Leach moved that the Committee received the expenditure plan without comment. The Committee also included the following provisions:

- A. *A review of the proposal does not constitute endorsement of any General Fund commitment to pay for any project costs (Phase 1, 2, or 3, in FY 2020 or FY 2021) beyond the \$24.0 million.*
- 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 prior to encumbering monies for the new HVAC units. The report shall include ADC's preferred method for HVAC replacement, along with capital and ongoing cost estimates for direct evaporative cooling, indirect evaporative cooling, and air conditioning systems. The Chairman will notify ADC within a week as to whether any potential change in scope requires further Committee review before proceeding.*
- D. *The department shall report to the Committee prior to any change in scope for locking systems. The Chairman will notify ADC within a week as to whether any potential change in scope requires further Committee review before proceeding.*

(Continued)

The motion carried.

Without objection, the meeting adjourned at 12:07 p.m.

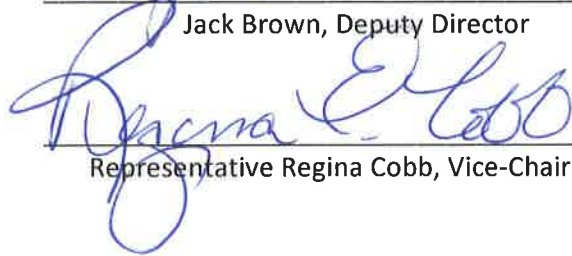
Respectfully submitted:



Kristy Paddack, Secretary



Jack Brown, Deputy Director



Representative Regina Cobb, Vice-Chairman