



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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ERIC MEYER, M.D.
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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

December 14, 2016

Chairman Olson called the meeting to order at 3:48 p.m., Wednesday, December 14, 2016 in Senate Appropriations Room 109. The following were present:

Members:	Senator Shooter, Vice-Chairman Senator Farley Senator Griffin Senator Hobbs Senator Yarbrough	Representative Olson, Chairman Representative Alston Representative Gray Representative Leach Representative Meyer Representative Montenegro
Absent:	Senator Cajero Bedford Senator Kavanagh	

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of September 21, 2016, Chairman Justin Olson stated that the minutes would stand approved.

ARIZONA STATE PARKS (ASP) BOARD - Review of City of Cottonwood Easement Agreement.

Mr. Ben Murphy, JLBC Staff, stated ASP requested the Joint Committee on Capital Review (JCCR) review ASP's proposed easement agreement with the City of Cottonwood (City) at Dead Horse Ranch State Park. Under this agreement, ASP will provide to the City a no cost easement to one of the Park's sewer lift stations in exchange for the City assuming ownership of the lift station and providing for all of its future operating and maintenance costs. The JLBC Staff presented options to the Committee.

Representative Leach moved that the Committee give a favorable review to the easement agreement. The motion carried.

(Continued)

ARIZONA STATE UNIVERSITY (ASU) - Review of Armstrong Hall/Ross-Blakley Library Renovation Project Financing.

Mr. Matt Beienburg, JLBC Staff, stated the Committee is required to review any university projects financed with system revenue bonds. The JLBC Staff presented options to the Committee.

Ms. Joanne Wamsley, Vice President for Finance and Deputy Treasurer, ASU, responded to member questions.

Representative Leach moved that the Committee give a favorable review to ASU's issuance of \$26,000,000 in system revenue bonds for the renovation of the Armstrong Hall and Ross-Blakley Library buildings with the following standard university financing 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 debt service, or any operations and maintenance costs when the project is complete.*
- B. *ASU shall provide the final debt service schedules for the project as soon as they are available.*

The motion carried.

ARIZONA STATE UNIVERSITY (ASU) - Review of Student Housing Indirect Financing Project.

Mr. Matt Beienburg, JLBC Staff, stated the Committee is required to review any university projects financed using indirect debt financing. The JLBC Staff presented options to the Committee.

Representative Leach moved that the Committee give a favorable review to ASU's third-party financing proposal for the development of the \$72,000,000 Greek Leadership Village with the following standard university financing provision:

Standard University Financing Provision

- 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.*

The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of 1740 West Adams Renovation Plan.

Ms. Rebecca Perrera, JLBC Staff, stated that the Committee is required to review expenditure plans for building renewal monies prior to expenditure. The FY 2017 Capital Outlay Bill (Laws 2016, Chapter 126) allocated \$4,200,000 in FY 2017 from the ADOA building renewal appropriation to renovate the state building located at 1740 West Adams. A footnote requires ADOA to submit its tenant relocation plan to the JCCR prior to expenditure of the building renewal funds. At its June 2016 meeting, the Committee favorably reviewed \$500,000 of the 1740 West Adams allocation for demolition and major building systems design. The Committee's review included a provision deferring the review of the remaining \$3,700,000 until ADOA received review from the JCCR on the tenant relocation plan. The JLBC Staff presented options to the Committee.

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

(Continued)

Mr. Craig Brown, Director, ADOA, responded to member questions.

Representative Leach moved that the Committee give a favorable review to the tenant relocation plan and the remaining \$3,700,000 expenditure plan. As part of its review, the Committee included the following provisions:

- A. ADOA shall report to the JLBC Staff on the agency space allocations and project timeline by February 28, 2017.
- B. A favorable review by the Committee does not constitute an endorsement of additional funding to reconfigure 1740 W. Adams if the health boards are consolidated.

The motion carried.

ARIZONA STATE LOTTERY COMMISSION - Review of FY 2017 Building Renewal Allocation Plan.

Mr. Jeremy Gunderson, JLBC Staff, stated that the Arizona State Lottery Commission requested Committee review of its FY 2017 Building Renewal Allocation Plan. The FY 2017 Capital Outlay Bill (Laws 2016, Chapter 126) appropriated \$118,100 from the State Lottery Fund to the State Lottery Commission for building renewal in FY 2017. The JLBC Staff presented options to the Committee.

Representative Leach moved that the Committee give a favorable review to the Lottery Commission's FY 2017 Building Renewal Allocation Plans with the following provisions:

- A. The Commission shall report any change in the building renewal spending plan to the JLBC Staff, including non-emergency reallocations between projects. If there is significant change of scope in the reallocation reported by the Commission, the JLBC Staff shall recommend the Commission to request Committee review of the reallocation.
- B. The reallocation of monies for emergency projects shall be addressed as follows:
 - 1. The Commission shall notify the Chairman and the JLBC Staff that they plan to reallocate less than \$15,000 to spend on an emergency project. The Commission can proceed without Committee review.
 - 2. If the emergency project is \$15,000 or greater, the Commission will request JCCR review.
 - 3. The Chairman can allow the Commission to move forward with an emergency project of greater than \$15,000 without Committee review.
 - 4. The Chairman will notify the Commission if he does not agree that a 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. If the Commission adds a new non-emergency project not listed in this request, the agency must submit the proposed project and expenditure plan for Committee review.

The motion carried.

(Continued)

PINAL COUNTY COMMUNITY COLLEGE DISTRICT - Review of Student Union and Science Building.

Mr. Steve Schimpp, JLBC Staff, stated the Committee is required to review any community college projects financed with revenue bonds that do not require voter approval. The JLBC Staff presented options to the Committee.

Ms. Jackie Elliott, President, Central Arizona College, responded to member questions.

Mr. Chris Wodka, Chief Financial Officer, Central Arizona College, responded to member questions.

Representative Leach moved that the Committee give an unfavorable review to the Pinal County Community College District's proposed \$30,550,000 revenue bond issuance.

Senator Farley moved a substitute motion that the Committee give a favorable review to the Pinal County Community College District's proposed \$30,550,000 revenue bond issuance. Division was called on the substitute motion and by show of hands of 3 ayes and 6 nays, the substitute motion failed.

Representative Leach's original motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of Vehicle Wash Systems Project.

Mr. Ben Murphy, JLBC Staff, stated the Committee is required to review expenditure plans for capital projects with costs greater than \$250,000. The FY 2016 Capital Outlay Bill (Laws 2015, Chapter 9) appropriated \$2,910,000 from the State Highway Fund to ADOT for 6 new vehicle wash systems. The JLBC Staff presented options to the Committee.

Representative Leach moved that the Committee give a favorable review to the expenditure plan of \$2,523,700 for the construction of 6 vehicle wash systems with the following provisions:

- A. *ADOT shall report any project reallocations above \$100,000.*
- B. *ADOT shall submit to the JLBC Staff by March 1, 2017 a cost-benefit analysis of building and operating the 10 additional vehicle wash systems authorized by the department's FY 2017 capital appropriation. The analysis shall compare the expense of building and maintaining the vehicle wash systems to any potential cost savings from the additional wash systems, including reductions in transportation costs such as fuel, vehicle depreciation and driver salaries that would result from having additional vehicle wash sites.*

The motion carried.

DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS (DEMA) - Review of Proposed Flagstaff Military Installation Fund Grant.

Mr. Josh Hope, JLBC Staff, stated the Committee is required to review the expenditure of all monies appropriated for land acquisition, capital projects and building renewal. The JLBC Staff presented options to the Committee.

Representative Leach moved that the Committee give a favorable review to DEMA's plan to expend \$250,000 from the Military Installation Fund for a grant to the City of Flagstaff in order to fund a light mitigation system for the City's Public Works Core Services Facility, which is located approximately 2.5 miles from the U.S. Naval Observatory – Flagstaff Station. The motion carried.

UNIVERSITY OF ARIZONA (UA) - Review of FY 2017 Capital Improvement Plan for One-time Appropriation.

Ms. Micaela Larkin, JLBC Staff, stated that the Committee is required to review the scope, purpose and estimated cost for capital improvements. Laws 2016, Chapter 117 appropriated \$8,000,000 to the University of Arizona (UA) for operating expenditures or capital improvement projects, and UA sought review of their plans to renovate the Oro Valley Research Facility. The JLBC Staff presented options to the Committee.

Ms. Sabrina Vazquez, Director of State Relations, UA, responded to member questions.

Representative Leach moved that the Committee give a favorable review to UA's \$8,000,000 capital expenditure plan for the renovation of the Oro Valley research facility for use by the proposed veterinary school and Master's of Science program for Animal and Biomedical Industries with the following provision:

- A. *UA shall report to the Committee if results of the current accreditation appeals process affects the planned expenditures for renovation and capital equipment.*

In addition, the favorable review included the following standard university financing provision shown below:

Standard University Financing Provisions

- B. *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any operations and maintenance costs when the project is complete.*

The motion carried.

Without objection, the meeting adjourned at 4:57 p.m.

Respectfully submitted:



Kristy Paddack, Secretary



Jack Brown, Assistant Director



Representative Justin Olson, Chairman