Joint Committee on Capital Review

MINUTES OF THE MEETING
JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, December 18, 2007

The Chairman called the meeting to order at 1:35 p.m., Tuesday, December 18, 2007 in Senate Appropriations Room 109. The following were present:

Members: Senator Burns, Chairman
         Senator Verschoor
         Senator Waring

Representative Pearce, Vice-Chairman
Representative Kavanagh
Representative Groe
Representative Lujan
Representative Schapira

Absent: Senator Arzberger
        Senator Aboud
        Senator Aguirre
        Senator Johnson

Representative Boone
Representative Lopes

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee, Chairman Robert Burns stated the minutes of November 20, 2007 would stand approved.

ARIZONA DEPARTMENT OF ADMINISTRATION - Review and Approval of Chapters 257 and 261 Prison Bed, Prison Water, and Arizona State Hospital Forensic Unit Projects.

Ms. Leatta McLaughlin, JLBC Staff, presented, for review and approval, the Arizona Department of Administration (ADOA) to issue a lease-purchase agreement worth $239 million for 3 projects. Laws 2007, Chapter 261 authorizes ADOA to enter into a lease-purchase agreement for $200 million to construct 4,000 prison beds, while Law 2007 Chapter 257 authorizes ADOA to enter into a lease-purchase agreement for $39 million of which $6.8 million will be for prison water projects and $32.2 million will be for a new forensic unit at the Arizona State Hospital. The JLBC Staff provided several options for the Committee to consider. ADOA has requested the Committee to review 2 additional projects; however, the Chairman chose not to put these projects on the agenda since they have not received full legislative authorization.

There was no discussion on this item.

Representative Pearce moved that the Committee give a favorable review and approval for $239.0 million worth of Certificates of Participation (also known as COPs or lease-purchase) issuance for the 3 Chapters 257 and 261 projects with the provision that ADOA report back to the Committee prior to the beginning of construction on the estimated scope and cost of the projects. The motion carried.
ARIZONA DEPARTMENT OF ADMINISTRATION/LEGISLATIVE COUNCIL - Review and Approval of Land Purchase for State Archives and History Building.

Ms. Leatta McLaughlin, JLBC Staff, presented for review and approval for ADOA to purchase 9,900 square feet of land for $130,000 that is adjacent to the Polly Rosenbaum State Archives and Library building. The $130,000 purchase price is less than the appraisals and does not require an additional appropriation. Laws 2007, Chapter 44 authorizes ADOA to purchase this land with an existing appropriation. The JLBC Staff recommends a favorable review.

There was no discussion on this item.

Representative Pearce moved that the Committee give a favorable review and approval as recommended by JLBC Staff to the $130,000 to purchase 9,900 square feet of land adjacent to the site of the Polly Rosenbaum State Archives and History Building. The motion carried.

ARIZONA STATE UNIVERSITY –

A. Review of Memorial Union Fire Renovations Bond Project.

Ms. Leah Ruggieri, JLBC Staff, presented the Arizona State University (ASU) proposal to perform renovations at the Memorial Student Union at a total cost of $40 million. The renovations are needed as a result of a fire that occurred in early November, the cause of which is still unknown. ASU would issue bonds to finance $13 million and anticipates insurance reimbursements will cover the remaining $27 million of the total $40 million project cost. The JLBC Staff recommends a favorable review.

There was no discussion on this item.

Representative Pearce moved that the Committee give a favorable review as recommended by JLBC Staff to the $40.0 million Memorial Union Fire Renovations bond project with the following standard university financing provisions:

- ASU shall report to the Committee before expenditure of any allocations that exceed the greater of $500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. ASU shall also report to the Committee before any reallocation exceeding $500,000 among the individual planned renovations, renewals, or extensions.

- ASU shall submit for Committee review any allocations that exceed the greater of $500,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, ASU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.

- 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.

The Committee additionally recommends that ASU shall submit for review any change in the current $27.0 million estimated insurance reimbursement amount in excess of $500,000 and a revised financing plan.
B. Indoor Basketball Practice Facility Bond Project.

Ms. Amy Strauss, JLBC Staff, presented the review of ASU’s proposed indoor basketball facility bond project. The total project costs are approximately $22 million which includes $20 million in bonds and the remaining $2 million in gifts. The JLBC Staff recommends a favorable review.

There was no discussion on this item.

Representative Pearce moved that the Committee give a favorable review as recommended by JLBC Staff to the $22.0 million indoor basketball practice facility financed with a total new revenue bond issuance of $19.8 million and $2.2 million from upfront cash gifts with the following standard university financing provisions:

- ASU shall report to the Committee before expenditure of any allocations that exceed the greater of $500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. ASU shall also report to the Committee before any reallocation exceeding $500,000 among the individual planned renovations, renewals, or extensions.

- ASU shall submit for Committee review any allocations that exceed the greater of $500,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, ASU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.

- 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.

UNIVERSITY OF ARIZONA – Review of Revised Scope of Deferred Renovation Bond Project.

Ms. Leah Ruggieri, JLBC Staff, presented the University of Arizona (UA) reallocation of $4.1 million from the Deferred Renovation bond project. This item was previously favorably reviewed by the Committee to replace an aging cooling tower on the campus. One of the provisions adopted at that review required UA to submit for review any changes in the scope to the original project in excess of $100,000. UA anticipates that the replacement will result in an annual savings of over $600,000 primarily in energy costs. This reallocation overall will not increase the cost of the Deferred Renovation project as originally reviewed by the Committee. The JLBC Staff recommends a favorable review.

There was no discussion on this item.

Representative Pearce moved that the Committee give a favorable review as recommended by JLBC Staff to the reallocation of $4.1 million from the original list of Deferred Renovation projects for the replacement of an aging cooling tower on the main campus with the following standard university financing provisions:

- UA shall report to the Committee before expenditure of any allocations that exceed the greater of $500,000 or 10% of the reported contingency amount total for add alternates that do not expand the scope of the project. UA shall also report to the Committee before any reallocation exceeding $500,000 among the individual planned renovations, renewals, or extensions.

- UA shall submit for Committee review any allocations that exceed the greater of $500,000 or 10% of the reported contingency amount total for add alternates that expand the scope of the project. In case of an emergency, UA may immediately report on the scope and estimated cost of the emergency rather than submit
the item for review. JLBC Staff will inform the university if they do not agree with the change of scope as an emergency.

- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any auxiliary revenues that may be required for debt service, or any operations and maintenance costs when the project is complete. Auxiliary funds derive from substantially self-supporting university activities, including student housing.

- UA shall not use bonding to finance any repairs whose typical life span is less than the bond repayment period. Such repairs include, but are not limited to, new flooring and painting. The exceptions to this stipulation are circumstances where such repairs are required to complete a major renovation.

The motion carried.

ARIZONA STATE PARKS BOARD – Review of State Lake Improvement Fund Grants and Consider Approval of State Parks Enhancement Fund Projects.

Mr. Art Smith, JLBC Staff, presented the review of the Arizona State Parks Board State Lake Improvement Fund (SLIF) projects and approval of State Parks Enhancement Fund (SPEF) projects. SLIF provides funding for counties and local governments for land acquisition and capital projects on water where motorized boats are permitted. Funding for SLIF comes from the gasoline taxes for boating and watercraft license taxes. The 25 grants and projects total $7.1 million of the SLIF request. They include boat purchases and refurbishments, boating area renovations and improvements, leasehold acquisition and state parks projects. SLIF items are for review by the Committee.

SPEF provides funding for operating state parks and other capital projects as approved by the Committee. Funding from SPEF comes from admissions and concessions fees. The 2 SPEF projects total $1 million for a new visitor center at Picacho Peak and a wastewater treatment facility at Slide Rock State Park. SPEF items are for consideration of approval by the Committee. The JLBC Staff provided several options for the Committee to consider.

Discussion ensued on this item.

Mr. Jay Ziemann, Assistant Director, Arizona State Parks Board, responded to member questions.

Representative Pearce moved that the Committee give a favorable review to the Parks Board request for 25 SLIF grants and projects totaling $7,104,400 with the condition that the favorable review does not constitute an endorsement of General Fund support of these projects in the future. Also, approve the Parks Board request for $1,000,000 in SPEF monies for 2 State Parks capital projects. The motion carried.

Mr. Clifford Edey, La Paz County Board of Supervisors, and Mr. Mark Nexsen, Lake Havasu City Mayor, addressed their support of the SLIF projects to the Committee.
Without objection, the meeting adjourned at 2:05 p.m.

Respectfully submitted:

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Yvette Medina, Secretary

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Leatta McLaughlin, Fiscal Analyst

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Senator Robert Burns, Chairman

NOTE: A full audio recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams. A full video recording of this meeting is available at http://www.azleg.gov/jlbc/meeting.htm.