JOINT COMMITTEE ON CAPITAL REVIEW
Tuesday, May 16, 2000
1:30 p.m.
House Hearing Room 4

AGENDA

- Call to Order

- Approval of Minutes of March 22, 2000.

- DIRECTOR'S REPORT (if necessary).

1. DEPARTMENT OF HEALTH SERVICES/ARIZONA DEPARTMENT OF ADMINISTRATION -  
   A. Reports on Arizona State Hospital Construction Project.
      Allocation Plans.

2. DEPARTMENT OF CORRECTIONS/ARIZONA DEPARTMENT OF ADMINISTRATION - Review  
   Infrastructure Construction for New Southern Regional Prison Complex at Tucson.

3. ARIZONA BOARD OF REGENTS - Review Revised Multi-Year Bonding Plan for Arizona State  
   University.

4. ARIZONA STATE PARKS - Consider Approval of Additional FY 2000 Enhancement Fund Monies  

The Chairman reserves the right to set the order of the agenda.

May 10, 2000

People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 542-5491.
DATE: May 10, 2000

TO: Representative Robert "Bob" Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Gina Guarascio, Fiscal Analyst
Lorenzo Martinez, Senior Fiscal Analyst

SUBJECT: REPORTS ON ARIZONA STATE HOSPITAL CONSTRUCTION PROJECT

Request

Pursuant to Laws 2000, Chapter 1 the Arizona Department of Administration (ADOA) and the Department of Health Services (DHS) are providing a quarterly status report on the Arizona State Hospital demolition and construction project. Further, ADOA is reporting on Phase I of a design-build procurement method for the Arizona State Hospital (ASH) project.

Recommendation

This report is for information only, and no Committee action is required. Chapter 1 requires ADOA to report to JCCR on exceptions from the procurement code. The design-build procurement method was an exception from the code when Chapter 1 was enacted. Laws 2000, Chapter 135, however, changed the law and now design-build is an allowable option for all construction contracts. Phase I of the design-build procurement method is a no cost activity and would not obligate the state.

Analysis

Background

Laws 2000, Chapter 1 appropriated $20,000,000 a year over 4 years from the Budget Stabilization Fund (BSF) for the demolition, renovation, and construction of the Arizona State Hospital. Chapter 1 requires that the BSF be repaid from any upfront tobacco settlement monies received by the state. The project is subject to review by the JCCR, including review of the request for proposals and proposals of buildings, review of the entire plan before construction is started and quarterly updates of the project. ADOA is to use the appropriations to provide at least 176 new civil beds at ASH, and to renovate and expand ASH facilities to address physical plant needs for civil and forensic populations, an adolescent unit, and sexually violent offenders.

(Continued)
ADOA and DHS are required to report at the end of each quarter to the Committee on the status of the Arizona State Hospital project. Chapter 1 further required the creation of an Arizona State Hospital Capital Construction Commission to review and make recommendations on the project. The Commission was appointed May 1. Attachment 1 provides a list of members that have been appointed to the ASH Construction Commission. The Commission has scheduled its first meeting for May 25, 2000. Given that the Commission is required to be involved in the planning for the new facility, ADOA and DHS were not able to start some phases of the project. Since the Commission has been appointed, we would expect project planning to move forward more rapidly.

Planning
ADOA and DHS are developing a comprehensive plan for the demolition and construction process. The agencies will present this plan to the Arizona State Hospital Capital Construction Commission at its initial meeting. Contracts have been negotiated for design of plans to demolish existing buildings, re-route utilities and abandon tunnels. An asbestos survey, a required step before asbestos abatement can begin, is currently underway. Both ADOA and DHS have been meeting with ASH staff, residents and family members of residents to develop design requirements for the new hospital.

Procurement
Laws 2000, Chapter 1 exempts ADOA from the procurement code for the project, but requires ADOA to report any variances from the procurement code to JCCR and the Arizona State Hospital Capital Construction Commission.

ADOA is proposing the use of a design-build procurement method. According to ADOA, the use of design-build will help attract top quality bidders with proven records for similar projects. It is unlikely the time savings usually associated with design-build would be realized given that the appropriations are spread over 4 years. In order to expedite construction, most capital projects require the majority of funding to be available in the early stages of construction.

At the time of the ADOA submission, the procurement code required the architectural and engineering (design) component of a construction project to be bid separate from the construction component. However, under Chapter 135, the design-build procurement method is an allowable option for all construction contracts. Chapter 135 was enacted with an emergency clause. Design-build allows the design and construction components of a project to be combined and bid together by design-build teams. Phase I of the ADOA proposal would request submissions detailing qualifications from design-build teams. If qualified submissions are received, ADOA will develop a list of the 3 most qualified teams. This phase is a no cost activity for the state.

Phase II of the ADOA proposal would include the Request for Proposal (based on fixed price/best quality criteria) and bidding process. Only the 3 teams selected from Phase I would be involved in this phase. The proposal would remain consistent with Laws 1998, Chapter 278, by paying a stipend of 0.02% of the contract price (industry standard) to the 2 teams not selected. Given that the total project funding is $80,000,000, a 0.02% stipend would equate to $16,000. Chapter 135 allows the stipend to be higher than the proposed 0.02%. Phase II would require formal JCCR review before any activity is started.
DATE: May 10, 2000

TO: Representative Robert "Bob" Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Gina Guarascio, Fiscal Analyst

SUBJECT: REPORT ON FY 2000 AND FY 2001 SOUTHERN ARIZONA MENTAL HEALTH CENTER (SAMHC) BUILDING RENEWAL ALLOCATION PLANS

Request

The Department of Health Services, Southern Arizona Mental Health Center (SAMHC) submits its FY 2000 and FY 2001 Building Renewal allocation plans.

Recommendation

The JLBC Staff recommends a favorable review for the FY 2001 building renewal allocation plan. The FY 2000 report is for information only and no Committee action is required. The JLBC Staff notes, however, that the proposed plan appears reasonable and complies with legislative intent.

Analysis

Laws 1986, Chapter 85 established the Joint Committee on Capital Review (JCCR) and charged it with developing a Building Renewal formula to guide the Legislature in appropriating monies for maintenance and repair of state buildings. A.R.S. § 41-1252 requires JCCR review of the expenditure plan for Building Renewal monies. JCCR has not consistently reviewed these plans in the past. Given that portions of the FY 2000 plan have already been implemented, the FY 2000 expenditure plan is submitted for informational purposes only. The FY 2001 expenditure plan is submitted for formal review.

FY 2000 Building Renewal Allocation

Laws 1999, Chapter 2, 1st Special Session appropriated $68,800 in FY 2000 from the Southern Arizona Mental Health Center Building Fund to DHS. SAMHC, located in Tucson, is a mental health facility originally owned and operated by the State of Arizona. In FY 1996, the center’s operations were privatized and the facilities are now leased to a private provider. The lease payments are deposited in the SAMHC Fund for building renewal costs. While the DHS plan shows they originally estimated a higher amount, the appropriated amount represents 100% funding of the building renewal formula. SAMHC plans to use its FY 2000 allocation on the following projects:

- Unanticipated Emergency Repairs, Replacements and Expenses $15,000
- Upgrade Fire Alarm System to Meet Building Codes $41,800
- Re-roof section of Administration and Clinic Buildings $12,000
- $68,800

(Continued)
FY 2001 Building Renewal Allocation Plan
Laws 1999, Chapter 2, 1st Special Session appropriates $71,700 in FY 2001 from the Southern Arizona Mental Health Center Building Fund to SAMHC. The appropriated amount represents 100% funding of the building renewal formula. SAMHC plans to use its FY 2001 allocation on the following projects:

<table>
<thead>
<tr>
<th>Project</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unanticipated Emergency Repairs, Replacements, and Expenses</td>
<td>$15,000</td>
</tr>
<tr>
<td>ADA Compliance/Accessibility</td>
<td>$18,700</td>
</tr>
<tr>
<td>Upgrade Fire Alarm System to Meet Building Codes</td>
<td>$38,000</td>
</tr>
<tr>
<td></td>
<td>$71,000</td>
</tr>
</tbody>
</table>

Both the FY 2000 and FY 2001 appear reasonable and are consistent with legislative intent.

RS:GG:jb
Attachment
DATE: May 10, 2000
TO: Representative Robert “Bob” Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Brad Regens, Senior Fiscal Analyst

SUBJECT: REVIEW INFRASTRUCTURE CONSTRUCTION FOR NEW SOUTHERN REGIONAL PRISON COMPLEX AT TUCSON

Request
The Arizona Department of Administration (ADOA) requests the Committee give a favorable review of the scope, purpose and estimated cost of infrastructure construction at the New Southern Regional Prison Complex at Tucson (Tucson II). In addition, ADOA requests the Committee approve the release of $17,000,000 from the prison construction appropriation (Laws 1999, Chapter 2, 1st Special Session) for infrastructure construction.

Recommendation
The JLBC Staff recommends that the Committee give a favorable review of the request. The JLBC Staff also recommends that the Committee request ADOA not to begin construction of any permanent buildings and that ADOA return for Committee review before proceeding beyond infrastructure construction. While we recommend a favorable review, the JLBC Staff does have some concerns regarding the timing of this review. Statutorily, ADOA is permitted to request Committee review of the new prison project after extensive architectural design has been completed.

In retrospect, the legislation should have required ADOA to receive Committee input on the new complex prior to ADOA expending $9,000,000 for design. ADOA has already contracted to design Tucson II differently than the Lewis Complex at Buckeye. As a result, the cost of architectural fees are higher than if we had re-used the Lewis plans. The Executive believes, however, that we will recoup that cost through lower construction and operational expenses. Nonetheless, it would have been useful to receive Committee input on the issue at an earlier stage of the process.

Analysis
Background
During the 1999 legislative session, state trust lands south of Tucson, next to the current Arizona State Prison Complex (ASPC) - Tucson, were designated as the site for a new state prison complex. ADOA was directed to purchase the land and construct the new prison. However, when the state trust land was auctioned, as required by the
state Constitution, a private party outbid ADOA and acquired the property. ADOA’s negotiations with the new property owner to acquire the site were unsuccessful. As a result, the Executive requested the Committee approve the initiation of condemnation proceedings. The Committee approved the Executive’s request at the March 22, 2000 meeting.

ADOA and the Office of the Attorney General have initiated condemnation. The state has taken possession of the property but the final acquisition price has not yet been determined. At this time, it is still unknown what the final price will be or when the proceedings will be completed.

ADOA Request

The 1999 Capital Outlay Bill (Laws 1999, Chapter 2, 1st Special Session) requires ADOA to submit a bed plan (by security level) and the scope, purpose and estimated cost of the new state prison complex to JCCR before any expenditures for construction. Based on the winning bid, the complex will include infrastructure, complex buildings, 3 1,100-bed Adult Male Level III units with 100 lockup beds for each unit and 1 1,100-bed Adult Male Level IV unit also with 100 lockup beds. The plan also includes the option to accommodate a fifth unit in the future. Based on the winning bid, ADOA’s planned expenditures for the project are as follows:

<table>
<thead>
<tr>
<th>SOUTHERN REGIONAL PRISON COMPLEX</th>
<th>AT TUCSON COST ESTIMATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
<td>Estimated Cost</td>
</tr>
<tr>
<td>Land Acquisition</td>
<td>$676,500</td>
</tr>
<tr>
<td>Architectural/Engineering Fees</td>
<td>12,600,000</td>
</tr>
<tr>
<td>General Contractor</td>
<td>107,373,200</td>
</tr>
<tr>
<td>Inmate Construction Program</td>
<td>25,534,900</td>
</tr>
<tr>
<td>Infrastructure/Sitework</td>
<td>27,091,200</td>
</tr>
<tr>
<td>Project Support</td>
<td>9,241,900</td>
</tr>
<tr>
<td>Contingency</td>
<td>10,420,300</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$192,938,000</strong></td>
</tr>
</tbody>
</table>

The following table details the total capital appropriation for Tucson II, by fiscal year and fund source.

<table>
<thead>
<tr>
<th>SOUTHERN REGIONAL PRISON COMPLEX</th>
<th>AT TUCSON CAPITAL APPROPRIATIONS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Source</td>
<td>FY 2000</td>
</tr>
<tr>
<td>General Fund</td>
<td>$</td>
</tr>
<tr>
<td>Corrections Fund</td>
<td>21,980,800</td>
</tr>
<tr>
<td>Federal Funds</td>
<td>28,900,000</td>
</tr>
<tr>
<td>Special Services Fund</td>
<td>0</td>
</tr>
<tr>
<td>ACI Fund</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$23,080,800</td>
</tr>
</tbody>
</table>

ADOA does not currently have a schedule for when construction of the actual prison complex would begin. At this time ADOA requests the Committee review the department’s infrastructure plan. ADOA is proposing to:

- Extend the road from ASPC-Tucson to Tucson II (includes bridging a wash);
- Extend the utilities;
- Extend the water system and drilling wells;
- Grade the site;
- Construct area fencing.

ADOA’s request is based on the need to initiate infrastructure construction to enable the project to proceed even if federal environmental regulations change. In January 2000, the federal guidelines were changed regarding environmental studies required by landowners to determine potential impacts on pygmy-owls. Landowners are now

(Continued)
required to conduct owl surveys for two consecutive springs prior to initiating any construction. If the federal regulations were to change again prior to the state initiating construction of the new prison, the state would be required to meet the new guideline before construction could begin. The department believes that if the state meets the current regulations and begins construction at the site, the state would be grandfathered under the current guidelines.

To complete the infrastructure construction detailed above, ADOA estimates the following costs (none of the project’s construction components have been bid):

<table>
<thead>
<tr>
<th>INFRASTRUCTURE CONSTRUCTION COSTS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Item</td>
</tr>
<tr>
<td>Architect/Engineer Fee</td>
</tr>
<tr>
<td>Offsite Road, Grading, Wells and Utilities</td>
</tr>
<tr>
<td>Project Support</td>
</tr>
<tr>
<td><strong>Total Cost</strong></td>
</tr>
</tbody>
</table>

Funding for the infrastructure construction would come from the prison construction appropriation in the 1999 Capital Outlay Bill (Laws 1999, Chapter 2, 1st Special Session).

The Executive has indicated that prison construction beyond the infrastructure is dependent on the prison population. The Department of Corrections’ FY 2000 and FY 2001 budgets are based on a growth of 132 new inmates per month, however, actual monthly growth thorough April 2000 has been 12 inmates per month. In addition, while the bed capacity deficit at the end of April was (1,709) beds there are over 2,000 funded but non-operational beds at the Lewis Complex (Buckeye). Also, 400 privately-operated DWI beds are scheduled to come on-line in June 2000 and an additional 1,000 privately-operated beds are scheduled for June 2001. As a result, there is not a pressing need to immediately begin construction of the prison facility beyond infrastructure construction to maintain federal environmental permits.

**JLBC Staff Recommendation**

Based on the information provided by ADOA, the project components are consistent with the intended scope and purpose of the appropriation. The project’s components (architect/engineering, construction, sitework and support) appear comparable relative to the cost estimates for the Lewis Complex. While the $10,000,000 cost estimate for architectural/engineering fees and project support appears high for the scope of the infrastructure construction project, approximately $9,000,000 has already been obligated for the overall complex design and project oversight. ADOA has already bid and awarded the architectural design of the new facility. In addition, the architect/engineer has provided the state with detailed complex and infrastructure design specifications. ADOA has included the cost to date for complex design in the estimated infrastructure construction cost.

Although statutorily ADOA could award the architectural design contract for the new prison prior to JCCR review, we feel Committee input would have been beneficial. Previously, the Committee has encouraged the use of prototype designs to reduce the construction cost. ADOA has chosen not to use the prototype units developed for the Lewis Complex. While contracting for new complex designs generated additional architectural costs, ADOA believes the monies will be recouped in construction and operation savings. Nonetheless, we believe Committee input would have been useful at an earlier stage in the project development.

While the JLBC Staff recommends a favorable review of ADOA’s request, we also recommend that the Committee request ADOA not to begin construction of any permanent buildings without further JCCR review. We include this as part of our recommendation as the ADOA submission letter includes reference to constructing Arizona Correctional Industries buildings and a wastewater treatment facility. ADOA has stated in follow-up discussions with JLBC Staff that no permanent buildings will be constructed as part of the infrastructure construction phase. However, because ADOA’s request refers to building construction, we recommend the Committee request ADOA to limit the level of construction to the amount necessary to maintain the federal environmental permits and that ADOA return for Committee review before proceeding beyond the infrastructure construction.
DATE:  May 10, 2000

TO:  Representative Robert "Bob" Burns, Chairman
Members, Joint Committee on Capital Review

THRU:  Richard Stavneak, Director

FROM:  Lorenzo Martinez, Senior Fiscal Analyst

SUBJECT:  REVIEW REVISED MULTI-YEAR BONDING PLAN FOR ARIZONA STATE UNIVERSITY

Request

Pursuant to Laws 1996, Chapter 334, the Arizona Board of Regents (ABOR) requests Committee review of revisions to the Multi-Year Bonding Plan for Arizona State University (ASU).

Recommendation

The JLBC Staff recommends a favorable review of the revisions to the plan. Consistent with Chapter 334, any future revisions to the bonding plan shall be reviewed by the Committee prior to the approval of subsequent bonding projects. The JLBC Staff has requested that any university projects financed through the issuance of Certificates of Participation (COP) be submitted to the Committee as informational items.

Analysis

Laws 1996, Chapter 334 authorized ABOR to issue up to $245,400,000 in revenue bonds for the universities under its jurisdiction. The Committee gave a favorable review to the initial plan in May 1997. In December 1999, the Committee gave a favorable review to revisions in the University of Arizona plan. The current distribution of bonding authority from Chapter 334 is listed in Table 1.

Table 1

<table>
<thead>
<tr>
<th></th>
<th>1997</th>
<th>1998</th>
<th>1999</th>
<th>2000</th>
<th>2001</th>
<th>2002</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>ASU</td>
<td>$ --</td>
<td>$45,000,000</td>
<td>--</td>
<td>$40,000,000</td>
<td>$15,000,000</td>
<td>$ --</td>
<td>$100,000,000</td>
</tr>
<tr>
<td>NAU</td>
<td>30,900,000</td>
<td>--</td>
<td>--</td>
<td>23,900,000</td>
<td>--</td>
<td>--</td>
<td>54,800,000</td>
</tr>
<tr>
<td>U of A</td>
<td>--</td>
<td>--</td>
<td>23,683,000</td>
<td>30,000,000</td>
<td>36,900,000</td>
<td>90,583,000</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>$30,900,000</td>
<td>$45,000,000</td>
<td>--</td>
<td>$87,583,000</td>
<td>$45,000,000</td>
<td>$36,900,000</td>
<td>$245,383,000</td>
</tr>
</tbody>
</table>

(Continued)
Table 2 lists the requested ASU revised annual bond issues.

### Table 2

<table>
<thead>
<tr>
<th>Revised ASU Bond Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>2000</strong></td>
</tr>
<tr>
<td>ASU</td>
</tr>
</tbody>
</table>

ASU is requesting changes to the projects listed in its original plan. ASU chose not to issue any bonds in 1998 as was submitted in the original plan. Instead, ASU has revised its project list and has not issued bonds until FY 2000 (the Committee approved a student housing bond project at its March 2000 meeting). Table 3 lists the projects that were included in the original plan and the projects being requested under the revised plan.

### Table 3

<table>
<thead>
<tr>
<th>Reviewed May 1997</th>
<th>Project</th>
<th>Bonds to be</th>
<th>Project</th>
<th>Bonds to be</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Total</td>
<td></td>
<td>Total</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Issued</td>
<td></td>
<td>Issued</td>
</tr>
<tr>
<td>On-Campus Student Housing Dev.</td>
<td>15,000,000</td>
<td>15,000,000</td>
<td>On-Campus Student Housing Dev.</td>
<td>16,200,000</td>
</tr>
<tr>
<td>Mediated Classroom/Social Sciences Bldg</td>
<td>35,500,000</td>
<td>35,500,000</td>
<td>Mediated Classroom/Social Sciences Bldg</td>
<td>35,500,000</td>
</tr>
<tr>
<td>Parking Structure VII</td>
<td>15,000,000</td>
<td>15,000,000</td>
<td>Parking Structure VII</td>
<td>4,000,000</td>
</tr>
<tr>
<td>Academic Renovations Phase I</td>
<td>3,000,000</td>
<td>3,000,000</td>
<td>Academic Renovations</td>
<td>8,000,000</td>
</tr>
<tr>
<td>Academic Renovations Phase II</td>
<td>5,000,000</td>
<td>5,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Major Bldg Maintenance/Infrastructure Phase I</td>
<td>5,000,000</td>
<td>5,000,000</td>
<td>Infrastructure Improvements Phase I</td>
<td>17,700,000</td>
</tr>
<tr>
<td>Major Bldg Maintenance/Infrastructure Phase II</td>
<td>5,000,000</td>
<td>5,000,000</td>
<td>Infrastructure Improvements Phase II</td>
<td>10,000,000</td>
</tr>
<tr>
<td>Learning Commons Building</td>
<td>15,000,000</td>
<td>15,000,000</td>
<td>Major Building Maintenance</td>
<td>9,800,000</td>
</tr>
<tr>
<td>Old Main Restoration</td>
<td>4,500,000</td>
<td>1,500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>103,000,000</td>
<td>100,000,000</td>
<td>TOTAL</td>
<td>101,200,000</td>
</tr>
</tbody>
</table>

Bond issuances for three projects have been scaled back or eliminated from the original plan in order to increase the allocation for Infrastructure Improvements and Major Building Maintenance by $27,500,000. Table 4 lists the revisions to these projects.

### Table 4

<table>
<thead>
<tr>
<th>ASU Revised Bond Issues</th>
</tr>
</thead>
<tbody>
<tr>
<td>Project</td>
</tr>
<tr>
<td>Parking Structure VII</td>
</tr>
<tr>
<td>Learning Commons Building</td>
</tr>
<tr>
<td>Old Main Restoration</td>
</tr>
<tr>
<td>Major Bldg Maintenance/Infrastructure Improvements</td>
</tr>
<tr>
<td>TOTAL</td>
</tr>
</tbody>
</table>

ASU plans to finance the reduced bond amounts for the Parking Structure VII and the Learning Commons Building with COPs. The Old Main Restoration project is being funded with gifts and a FY 1999 Building Renewal allocation.

The debt service on the bond issuances will be paid from academic and auxiliary revenues. Academic revenues are generated from tuition. Auxiliary revenues are generated from the operations of various “enterprise” activities, such as residence halls and parking services. Of the $100,000,000 in bonding authority for ASU, $81,000,000 is classified as academic and $19,000,000 is classified as auxiliary.

ASU estimates an additional on-going General Fund requirement of approximately $1,200,000 per year for the Mediated Classroom/Social Science Building when fully operational in FY 2004. This estimate is based on full-year operating costs and includes new building renewal requirements. The remainder of the projects do not have a

(Continued)
General Fund impact. However, tuition revenues not set aside by ABOR for debt service may be available to offset General Fund appropriations for university operating budgets. Therefore, any increases in debt service requirements from issuing academic revenue bonds or COPs could have a potential impact on the amount of tuition revenues available to offset General Fund appropriations for operating costs.

Under current statutes, JCCR has review and approval authority for university bonding projects and capital projects funded with state appropriations. However, there is no legislative oversight required for university projects financed with COPs. Given that some of the projects in the original ASU bonding plan will now be financed partially or wholly with COPs and that these (and possibly future) projects could have General Fund impacts, the JLBC Staff has requested that any university projects financed with COPs be submitted to the Committee as informational items.

Excerpts from the multi-year bonding plan on background, strategic directions, and debt service schedules for individual projects are attached. The entire plan is available for review upon request.

RS:LM:jb
DATE: May 9, 2000

TO: Representative “Bob” Burns
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Chris Earnest, Senior Fiscal Analyst

SUBJECT: CONSIDER APPROVAL OF ADDITIONAL FY 2000 ENHANCEMENT FUND MONIES FOR THE CONTINUED DEVELOPMENT OF KARTCHNER CAVERNS STATE PARK AND REPORT ON THE STATUS OF THE PARK

Request

The Arizona State Parks Board requests Committee approval for the release of $2,932,900 in FY 2000 State Parks Enhancement Fund (SPEF) monies. The monies will be used for the completion of the lower chamber caverns at Kartchner Caverns State Park. Also, pursuant to Laws 1998, Chapter 297, the Arizona State Parks Board is providing the quarterly project status and financial report on Kartchner Caverns State Park.

Recommendation

The JLBC Staff does not recommend approval of the release of additional SPEF monies until further information is received on the project’s overall cost. The added $2.9 million cost is for an additional 24 months of construction. The Parks Board, however, is either unwilling or unable to provide an estimate of the overall remaining costs of the Kartchner project which is not scheduled for completion until November 2003. While we understand the tentative nature of cost estimates in cavern construction, we believe the Committee should be able to evaluate the incremental cost of $2.9 million in the context of the current best estimate of the total remaining cost. If the Parks Board does not know the total remaining cost of Kartchner development, the Committee should at least be aware of that in making its decision. Any State Parks Enhancement Fund monies spent for Kartchner ultimately diverts funding for other state parks projects.

The lower caverns were originally targeted to open in September 2001. After reviewing a report on roosting bats in the caves, Parks Staff now estimate it will be November 2003 at earliest before the cave will open to the public. The bats sensitivity to light and noise have caused developers to alter construction plans.

(Continued)
Analysis

As of FY 2000 quarter ending March 31, 2000 a total of $28,532,900 has been allocated to the park’s development from 5 fund sources. Of this amount, all but $1,814,500, or 6.4% of the total, has been expended or encumbered. The following table summarizes these amounts by fund source and percentage allocations:

<table>
<thead>
<tr>
<th>Kartchner Caverns Construction Development Funding</th>
<th>Approved Amount</th>
<th>Percent</th>
<th>Unobligated Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fund Source</td>
<td>General Fund</td>
<td>$3,500,000</td>
<td>12.3%</td>
</tr>
<tr>
<td></td>
<td>Enhancement Fund</td>
<td>17,212,000</td>
<td>60.3%</td>
</tr>
<tr>
<td></td>
<td>Heritage Fund</td>
<td>5,174,500</td>
<td>18.1%</td>
</tr>
<tr>
<td></td>
<td>State Highway Fund</td>
<td>2,445,700</td>
<td>8.6%</td>
</tr>
<tr>
<td></td>
<td>National Recreational Trails Fund</td>
<td>200,700</td>
<td>0.7%</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$28,532,900</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>$1,814,500</strong></td>
</tr>
</tbody>
</table>

In addition, State Parks is requesting an additional $2,932,900 of FY 2000 SPEF revenue be released for continued construction costs. The State Parks Enhancement Fund (SPEF) consists of revenue from park user fees. Pursuant to A.R.S. § 41-511.11, one-half of the fund balance is earmarked for park acquisition and development subject to approval of the JCCR. (The remaining one-half of SPEF revenues are subject to appropriation and are used for operating costs at state parks.) Initially, the development monies are to be used for the completion of Kartchner Caverns and for the lease-purchase payments of Tonto Natural Bridge State Park. Once these purposes have been completed, the development half of the fund will become appropriated.

The following table outlines the $2.9 million request:

| Estimated FY 2000 Enhancement Fund Revenues Available for Kartchner Caverns Development |
|-----------------------------------------------|-----------------------------------------------|
| FY 2000 Estimated Revenue                     | $6,588,000 |
| Less one-half for operations                   | 3,294,000  |
| Less Tonto Natural Bridge Lease-Purchase       | (361,100)  |
| **Balance Available for Kartchner Caverns Development** | **$2,932,900** |

The additional $2,932,900 being requested would increase the total development budget to $31,465,800. The requested amount will cover additional operating, material, and engineering costs of the lower chambers for 24 months. Monies will also be used for utility improvements throughout the park. Enhancements to the campground water supply as well as increased electrical needs will be addressed.

There are currently no estimates of the remaining costs to complete the lower caverns. As such, the JLBC Staff is reluctant to recommend approval of this issue. Enhancement Fund monies spent developing Kartchner Caverns are done so at the expense of other state parks acquisition and development projects. Prior to approving the release of more SPEF monies, the Committee may wish to discuss the amount Parks Staff is willing to devote to this project relative to other development needs throughout the state.

(Continued)
A project timeline is required as part of the quarterly updates on Kartchner development. Parks Staff originally targeted September 2001 for completion of the lower caverns. After reviewing a report on the effects of construction on roosting bats in the cave, completion is now targeted for November 2003. The delay is due to the bats’ sensitivity to light and noise. Because both factors are present during cave trail construction, development staff will curtail construction to accommodate the bats. During the roosting months between May and September, no construction will occur. The targeted date assumes that construction will be at a reduced level in May and September when the bats are arriving and departing. If, however, construction cannot proceed during these two months, development staff anticipate a further delay until October 2004 before the cave will be complete. The following timeline delineates target completion dates for projects leading to a November 2003 opening:
DATE: May 10, 2000

TO: Representative Robert "Bob" Burns, Chairman
    Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Gina Guarascio, Fiscal Analyst

SUBJECT: REPORT ON FY 2000 AND FY 2001 SOUTHERN ARIZONA MENTAL HEALTH CENTER (SAMHC) BUILDING RENEWAL ALLOCATION PLANS

Request

The Department of Health Services, Southern Arizona Mental Health Center (SAMHC) submits its FY 2000 and FY 2001 Building Renewal allocation plans.

Recommendation

The JLBC Staff recommends a favorable review for the FY 2001 building renewal allocation plan. The FY 2000 report is for information only and no Committee action is required. The JLBC Staff notes, however, that the proposed plan appears reasonable and complies with legislative intent.

Analysis

Laws 1986, Chapter 85 established the Joint Committee on Capital Review (JCCR) and charged it with developing a Building Renewal formula to guide the Legislature in appropriating monies for maintenance and repair of state buildings. A.R.S. § 41-1252 requires JCCR review of the expenditure plan for Building Renewal monies. JCCR has not consistently reviewed these plans in the past. Given that portions of the FY 2000 plan have already been implemented, the FY 2000 expenditure plan is submitted for informational purposes only. The FY 2001 expenditure plan is submitted for formal review.

FY 2000 Building Renewal Allocation

Laws 1999, Chapter 2, 1st Special Session appropriated $68,800 in FY 2000 from the Southern Arizona Mental Health Center Building Fund to DHS. SAMHC, located in Tucson, is a mental health facility originally owned and operated by the State of Arizona. In FY 1996, the center’s operations were privatized and the facilities are now leased to a private provider. The lease payments are deposited in the SAMHC Fund for building renewal costs. While the DHS plan shows they originally estimated a higher amount, the appropriated amount represents 100% funding of the building renewal formula. SAMHC plans to use its FY 2000 allocation on the following projects:

<table>
<thead>
<tr>
<th>Project</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unanticipated Emergency Repairs, Replacements and Expenses</td>
<td>$15,000</td>
</tr>
<tr>
<td>Upgrade Fire Alarm System to Meet Building Codes</td>
<td>$41,800</td>
</tr>
<tr>
<td>Re-roof section of Administration and Clinic Buildings</td>
<td>$12,000</td>
</tr>
<tr>
<td></td>
<td>$68,800</td>
</tr>
</tbody>
</table>

(Continued)
FY 2001 Building Renewal Allocation Plan
Laws 1999, Chapter 2, 1st Special Session appropriates $71,700 in FY 2001 from the Southern Arizona Mental Health Center Building Fund to SAMHC. The appropriated amount represents 100% funding of the building renewal formula. SAMHC plans to use its FY 2001 allocation on the following projects:

- Unanticipated Emergency Repairs, Replacements, and Expenses $15,000
- ADA Compliance/Accessibility $18,700
- Upgrade Fire Alarm System to Meet Building Codes $38,000

Both the FY 2000 and FY 2001 appear reasonable and are consistent with legislative intent.

RS:GG:jb
Attachment
MINUTES OF THE MEETING
JOINT COMMITTEE ON CAPITAL REVIEW

Wednesday, March 22, 2000
The Chairman called the meeting to order at 8:05 a.m. Wednesday, March 22, 2000, in House Hearing Room 4 and attendance was noted.

Members: Representative Burns, Vice-Chairman Senator Gnant, Vice-Chairman
Representative Cooley Senator Arzberger
Representative Daniels Senator Brown
Representative Johnson Senator Smith
Representative McLendon Senator Solomon
Representative Nichols Senator Wettaw
Representative Weason

Absent: Senator Bowers

Staff: Richard Stavneak Jan Belisle, Secretary
Brad Regens Steve Grunig
Rebecca Hecksel Chris Earnest

Others: Bruce Ringwald, ADOA Terry Stewart, DOC
Alex Turner, ADOA Mark Siegwarth, Parks
Tom Betlach, OSPB Jay Ziemann, Parks
Bill Greeney, OSPB Bill Roller, State Fair

APPROVAL OF MINUTES
Representative Burns asked for corrections or additions to the minutes of February 21, 2000. Hearing none, the minutes were approved as presented.

EXECUTIVE SESSION

Senator Gnant moved that the Committee go into Executive Session. The motion carried.

At 8:06 a.m. the Joint Committee on Capital Review went into Executive Session.

Senator Gnant moved that the Committee reconvene into open session. The motion carried.

At 9:25 a.m. the Committee reconvened into open session.

Representative Daniels moved that the Committee adopt the Executive recommendation to approve condemnation of the former State Trust Lands sited for the new State Prison Complex in Tucson and a transfer of $500,000 from the construction appropriation for anticipated expenses relating to condemnation. With a roll call vote of 7 ayes, 6 nays and 1 absent. The motion carried.

(Continued)
ARIZONA DEPARTMENT OF ADMINISTRATION — Review Scope, Purpose and Estimated Cost of Additional ASPC-Perryville Safety Improvements.

Brad Regens, JLBC Staff, gave a brief overview of the Arizona Department of Administration’s request for the ASPC-Perryville safety improvements projects.

Senator Gnant moved the Committee give a favorable review to the scope, purpose, and estimated cost of additional ASPC-Perryville safety improvements. The motion carried.

ARIZONA STATE UNIVERSITY — Approval of Arizona State University Residence Hall Bond Projects.

Richard Stavneak, JLBC Staff, presented the ASU request to issue bonds for construction of additional dormitories on the Main Campus.

Senator Gnant moved the Committee approve the issuance of $15,000,000 in auxiliary revenue bonds for construction of additional residential housing on the Main Campus. Any transfers among the submitted cost categories in excess of $100,000 shall be reported to the JLBC Staff prior to expenditure. The motion carried.

In reply to Representative Cooley, Mr. Regens stated that the monies discussed in Item #1 for Perryville safety improvements come from FY 1997 and FY 1998 appropriations. These appropriations were a mixture of General Fund and Corrections Fund monies. For the ASU bond projects, monies for debt service and a portion of construction costs will come from dormitory fees.


Rebecca Hecksel, JLBC Staff, provided an overview of the FY 2000 building renewal allocation plan.

In reply to Representative Weason, Ms. Hecksel stated that the buildings are very large, 50,000 square feet or more. Rather than going forward and installing air-conditioning, the agency will conduct a study to determine if it is more cost effective to obtain evaporative coolers or to install the air-conditioning.

Bill Roller, State Fair Board, mentioned that the idea is to try to establish the feasibility of air-conditioning and evaporative cooler systems. They have had consultants evaluating the electrical components that are available. This would be an expense that would have to be incurred even if they went ahead and installed the air-conditioning systems immediately.

Representative Nichols asked if the appropriation of $1,000,000 to improve and upgrade the buildings at the current Exposition and State Fair site indicates that the facility will not move to another site. Ms. Hecksel stated that this is a yearly appropriation from their own capital improvement fund. A decision has not been made on whether to move the facility.

Representative Cooley mentioned that we have the State Fair in the fall and the County Fair in the spring, so why is there a need for air-conditioning? Ms. Hecksel responded that the buildings are used for trade shows and different activities throughout the year. They are not able to rent the buildings during the summer months because the evaporative coolers are unable to satisfactorily cool the buildings. If air-conditioning is installed, they will be able to rent buildings for the entire year.

In reply to Representative Johnson, Ms. Hecksel stated the agency will conduct an analysis and comparison between the inability to rent during the summer months as a result of retaining the existing evaporative cooling system and the ability to rent as a result of installing an air-conditioning system. The analysis will also look at the option of retaining the existing evaporative system and installing a new system.

No Committee action was required.

ARIZONA STATE PARKS — Kartchner Caverns State Park Quarterly Status Report.

Chris Earnest, JLBC Staff, presented the Kartchner Caverns State Park Quarterly Status Report. The agency is in the process of reviewing a report done by the University of Arizona on how developing the cave affects the bats that roost in the cave during the summer months. Once the report is reviewed, a decision will be made on how to proceed with construction. Once decided, JLBC Staff recommends the agency provide a construction timeline to the Committee.

(Continued)
Representative Nichols asked if we had an estimate on the loss of tourism traffic resulting from accommodating the bats? Mr. Earnest stated the report should give an indication on how the tourism traffic could be affected. The Upper Caverns tour charges $14 and the plan is to charge $14 for the Big Throne Room as well.

Jay Ziemann, State Parks, stated that there will not be a loss of revenue because they are not currently generating any revenue from the Big Room. Any touring will increase revenues. They are studying on how best to operate the cave given the bats. The thing that is most critical, and the thing that is drawing people to this place is that we have a pristine living cave, and we want to make sure we have a pristine living cave, for thousands of years. The agency is looking at operating options that may be available to generate the most revenue.

Representative Nichols mentioned he felt Kartchner Caverns has been an outstanding success.

No Committee action was required.

The Chairman adjourned the meeting at 9:45 a.m.

______________________________
Jan Belisle, Secretary

______________________________
Brad Regens, Senior Fiscal Analyst

______________________________
Representative Robert "Bob" Burns, Chairman

NOTE: A full tape recording of this meeting is on file in the JLBC Staff office at 1716 W. Adams.