

JCCR MEETING

At its December 20 meeting, the Joint Committee on Capital Review considered the following issues:

Executive Session – Telecommunications Privatization

Contract – The JCCR favorably reviewed the Arizona Department of Administration's (ADOA) proposed Statewide Telecommunications Management Contract with the provisions that JLBC Staff, GITA and ADOA develop items to be reported quarterly on the status of contract implementation, and that the review did not constitute endorsement of General Fund appropriations to offset any additional telecommunications or capital expenditures at any agency that result from the contract. The contract has not yet been publicly announced.

SFB/ASDB Building Renewal and New Construction

Estimates – The JCCR received the report on the School Facilities Board (SFB) estimates for building renewal and new construction formula requirements for the Arizona State Schools for the Deaf and the Blind facilities. Building renewal requirements are estimated to be \$799,800 in FY 2006 and \$838,200 in FY 2007. New school construction requirements are estimated to be \$2.7 million in FY 2006 and \$1.3 million in FY 2007, assuming FY 2006 requirements are funded.

SFB FY 2006 New School Construction – The JCCR received an update from SFB on estimates for new school construction requirements in FY 2006. The original estimate of \$357.6 million submitted by SFB has been revised to \$300 million. The amount includes FY 2005 and FY 2006 projects. The Committee was not able to fulfill its statutory requirement to review the estimates as SFB had not submitted all of the required information. SFB has requested an extension until May, but the Committee does not have the authority to grant extensions. The Committee requested that SFB include the statutorily required items related to demographic assumptions, projected construction schedules and cost estimates when it submits the entire report by January 15. In addition, the Committee requested the construction schedules also include outstanding projects as well as cash flow estimates.

ASU Land Acquisition – The JCCR favorably reviewed the acquisition of 2.7 acres of property with a \$5.7 million system revenue bond issuance. ASU plans on providing a ground lease on the property to a private developer for construction of student housing on the site, which is near Rural and Apache in Tempe. Bonds would be repaid over a 30-year period using lease payments from the developer. The review included provisions requiring ASU to submit for review any increases that exceed 5% of the purchase price and that a favorable review did not constitute endorsement of General Fund appropriations for debt service or operating

costs. The Committee also requested that ASU report on the final development plans, including associated financing devices and cash flow.

ADOA Building Renewal – The JCCR favorably reviewed a revised allocation plan for an additional \$100,000 of the \$3.5 million FY 2005 building renewal appropriation from the Capital Outlay Stabilization Fund. The \$100,000 would fund design costs for the replacement of metal roofs at 8 Department of Corrections facilities.

ADOA Private Leases – The JCCR received the report on private office leases that exceeded the Lease Cost Review Board (LCRB) estimates for FY 2003 and FY 2004. Ten leases exceed the LCRB rate of \$17.25 per square foot in FY 2003. Three leases exceeded the LCRB rate of \$18.25 per square foot in FY 2004. ADOA was asked to report by January 10 on why some of the leases in FY 2003 did not appear in FY 2004 even though the lease terms went beyond FY 2004 and exceeded the LCRB rate for FY 2004.

UofA Contingency Allocation – The JCCR received a report on the reallocation of \$0.3 million from the \$2.8 million in the contingency allocation for infrastructure improvements. The total project budget of \$30.8 million remains unchanged. UofA reported that the reallocation is needed as a result of cost increases for construction materials such steel and concrete. This project was favorably reviewed at the Committee's September 2003 meeting. UofA was asked to report on whether the construction manager at risk (CMAR) process was used for this project.