

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DON SHOOTER
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PAULA A. ABOUD
ANDY BIGGS
RICH CRANDALL
LORI KLEIN
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HOUSE OF
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JUSTIN OLSON
ANNA TOVAR

**** REVISED ****

JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, June 26, 2012

9:30 A.M.

Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order
- [Approval of Minutes of March 27, 2012](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [DEPARTMENT OF ADMINISTRATION - Review of FY 2013 Building Renewal Allocation Plan.](#)
- 2. [STATE DEPARTMENT OF CORRECTIONS - Review of FY 2013 Building Renewal Allocation Plan.](#)
- 3. [ARIZONA STATE PARKS BOARD - Review of FY 2013 State Lake Improvement Fund Capital Expenditures.](#)
- 4. [ARIZONA GEOLOGICAL SURVEY - Consider Recommending FY 2012 Rent Exemptions.](#)

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

~~6/19/12~~

6/25/12

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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) 926-5491.

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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

March 27, 2012

The Chairman called the meeting to order at 8:11 a.m., Tuesday, March 27, 2012, in House Hearing Room 4. The following were present:

Members:	Representative Kavanagh, Chairman	Senator Shooter, Vice-Chairman
	Representative Alston	Senator Aboud
	Representative Campbell	Senator Biggs
	Representative Court	Senator Crandall
	Representative McLain	Senator Klein
	Representative Tovar	
Absent:	Representative Olson	Senator Murphy
		Senator Schapira

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of February 7, 2011, Chairman John Kavanagh stated the minutes would stand approved.

ARIZONA DEPARTMENT OF CORRECTIONS - Review of Revised FY 2012 Building Renewal Allocation Plan.

Mr. James Alcantar, JLBC Staff, presented the Arizona Department of Corrections' (ADC) request for review of its revised FY 2012 Building Renewal Allocation Plan. The revision would reallocate resources, including allocating \$847,000 to modify 4 housing units at the Cibola Prison Unit, located in Yuma. In addition to this reallocation, the department is reallocating some of the previously approved projects, bringing the total to \$4,581,800, down from the \$4,630,500 that was previously reviewed.

The JLBC Staff presented options to the Committee.

Mr. Alcantar responded to member questions.

ADC gave a handout to the Committee members regarding the Cibola Prison Unit modifications (*Attachment 1*).

Mr. Michael Kearns, Division Director, Administrative Services, ADC, responded to member questions.

Mr. Charles Ryan, Director, ADC, responded to member questions.

(Continued)

Senator Shooter moved that the Committee give a favorable review to ADC's revised FY 2012 Building Renewal Allocation Plan, along with the provision that ADC shall report any further changes in the spending plan to the JLBC Staff, including reallocations between projects and allocation from the contingency plan. The motion carried.

NORTHERN ARIZONA UNIVERSITY - Review of Energy Services and Performance Contract.

Ms. Marge Zylla, JLBC Staff, presented the Northern Arizona University (NAU) request for review of an Energy Services and Performance Contract and third party financing plan for \$18.0 million of energy conservation projects. The proposed projects include energy conservation updates to lighting, plumbing, HVAC, and technology systems in academic buildings, residence halls, and dining facilities. To finance the \$18.0 million in projects, NAU plans to pay \$6.3 million up front from local revenues and finance the remaining \$11.7 million with capital lease or a revenue bond with a third party financing entity that has not yet been selected. If the financing was set at an interest rate of 4.5% for a 15-year term, NAU estimates a total debt service cost of \$16.7 million, which would be paid for from utility savings from the energy improvements.

The JLBC Staff presented options to the Committee.

Ms. Zylla responded to member questions.

Mr. Jennus Burton, Vice President of Finance and Administration, NAU, responded to member questions.

Senator Shooter moved that the Committee give a favorable recommendation to NAU's Energy Services and Performance Contract, along with the provision that the project is ultimately approved by the Arizona Board of Regents, and the following Standard University Financing Provisions.

Standard University Financing Provisions

- *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.*
- *NAU shall provide the final debt service schedule for the projects as soon as it is available.*

The motion carried.

Without objection, the meeting adjourned at 8:29 a.m.

Respectfully submitted:

Mya Trivison, Secretary

Leatta McLaughlin, Assistant Director

Representative John Kavanagh, 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>.

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DATE: June 20, 2012

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Assistant Director

SUBJECT: Arizona Department of Administration - Review of FY 2013 Building Renewal
Allocation Plan

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona Department of Administration (ADOA) requests the Committee review its FY 2013 Building Renewal Allocation Plan. Laws 2012, Chapter 295 appropriated \$10,372,600 from the Capital Outlay Stabilization Fund (COSF) to ADOA in FY 2013.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review.
2. An unfavorable review.

The proposed building renewal expenditure plan is consistent with building renewal guidelines and appropriations. ADOA plans to use the Job Order Contract procurement method rather than a traditional competitive bid for the majority of its building renewal projects.

Under either option, the JLBC Staff recommends the provision that ADOA shall report any change in the building renewal spending plan to the JLBC Staff, including reallocations between projects and non-emergency use of contingency monies. If there is significant change of scope in the reallocation reported by ADOA, the JLBC Staff shall recommend ADOA to request Committee review of the reallocation.

The JLBC Staff also recommends the following provisions for the emergency contingency allocation of \$668,500:

(Continued)

1. ADOA notify the Chairman and the JLBC Staff that they plan to spend less than \$50,000 on an emergency project. ADOA can proceed without Committee review.
2. If the emergency project is \$50,000 or greater, ADOA will request JCCR review.
3. The Chairman can allow ADOA to move forward with an emergency project of greater than \$50,000 without Committee review.
4. The Chairman will notify ADOA if he does not agree that the project is an emergency and will request that ADOA not proceed with the project.

An “emergency” project is defined as unforeseen, critical in nature, and of immediate time sensitivity. These provisions are similar to those used for prior contingency allocations.

Analysis

Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. The building renewal formula takes into account the replacement value, age, and life-cycle of all structures in the ADOA building system. A total of \$10,372,600 is appropriated to ADOA to fund 39% of building renewal formula in FY 2013. (These amounts exclude Department of Corrections facilities as they received their own building renewal appropriation.) See *Table 1* for the list of projects included in ADOA’s FY 2013 Building Renewal Allocation Plan. The majority of these projects will not be bid out and will instead be procured via the Job Order Contracting process (*see discussion below*).

The following provides an overview of the amounts allocated to different categories of projects.

Fire and Life Safety Projects

A total of \$1,577,600 will be allocated to 6 different projects. Of this amount, \$500,000 will fund Phase IV of fire alarm systems replacement in the Capitol Mall office buildings. Phase II of the fire alarm systems replacement at the Arizona State School for the Deaf and the Blind’s Tucson campus will be funded at a cost of \$500,000. Also, Phase II of the fire alarm systems replacement at the Department of Health Services’ (DHS) Arizona State Hospital will be funded at \$200,000. Fire alarm and suppression systems will also be replaced for the Exposition and State Fair Board and the Department of Economic Security (DES) for costs of \$151,500 and \$100,000, respectively. The wooden exterior emergency exit staircase at the Prescott Historical Society’s Bashford House will be replaced for \$126,100.

Major Building Services Projects

A total of \$4,900,000 will be allocated to 8 different projects. Of this amount, \$2,550,000 will be spent to replace cooling towers at the Capitol Mall office buildings, DES, DHS’s Arizona State Hospital, and the Department of Public Safety’s (DPS) Forensic Sciences Laboratory. HVAC system replacements will cost \$750,000 at Capitol Mall office buildings. Boilers will be replaced for \$200,000 at the Pioneers’ Home in Prescott. The HVAC energy systems at the Capitol Mall and Tucson Complex office buildings will be integrated into the central system, which will allow these systems to be controlled and accessed from a central location instead of each specific building location, for a cost of \$900,000. The remaining \$500,000 will replace power system panels in mechanical rooms at Capitol Mall office buildings.

Building Shell/Interior Projects

A total of \$500,000 will be allocated to 2 different projects. Of this amount, \$400,000 will be spent replacing carpet and flooring, which has become a safety hazard, at Capitol Mall office buildings. The remaining \$100,000 will be spent on Americans with Disabilities Act modifications at DES’s DDD Group Homes and the Arizona Training Program at Coolidge.

(Continued)

Infrastructure Projects

A total of \$2,075,000 will be allocated to 3 projects. Laws 2012, Chapter 295 requires ADOA to use \$1,700,000 of the \$10,372,600 building renewal appropriation to purchase a generator for DHS's Arizona State Hospital, which will provide an emergency power system for the hospital. Phase II of water infrastructure repairs will be made at the Department of Juvenile Corrections' Adobe Mountain and Black Canyon Schools at a cost of \$125,000. The remaining \$250,000 will repair surface parking lots at Capitol Mall office buildings.

Energy Conservation Project

A total of \$300,000 will be allocated to 1 project to replace lighting at the Historical Society's Tempe and Tucson museums.

Other

The sum of \$275,000 will be allocated to cover project management costs for FY 2013 building renewal projects. Since some of the project costs listed above were based solely on agency estimates, \$75,000 will be spent on contractors to develop better cost estimates. A payment of \$1,500 will be paid for a Construction Insurance Premium. A total of \$668,500 is allocated for contingency.

Some of the amounts above are based on agency estimated scope and project costs, while some amounts are based on estimates from ADOA engineering studies, audits, and historical costs.

Job-Offer Contracting

ADOA uses the Job Order Contracting (JOC) process to procure pre-priced major maintenance and construction projects. Under the JOC process, agencies submit the requirements for such projects to an automated system and select a single JOC Contractor to provide a job order proposal to the agency. The proposal consists of the fixed-unit prices for various components (e.g., labor costs, materials, equipment costs) multiplied by an adjustment factor, which accounts for items such as business costs, economic factors, and a contract administration fee. The agency then determines whether they approve or reject the job order price. This process is used in lieu of a request for quotation sent to multiple bidders.

The JOC process is required for all mechanical/electrical and general contractor projects between \$5,000 and \$1,000,000 (the process is optional for some projects between \$5,000 and \$100,000). Projects above \$1,000,000 are to be bid out. Projects below the threshold are also required to use the request for quotation process.

ADOA indicates that most of the projects in its building renewal plan would use the JOC process. The JLBC Staff is working with ADOA to obtain additional information about the JOC process, including its statutory requirements, the frequency of use, and justification for using it instead of the request for proposals/quotation process for selected capital projects.

(Continued)

Table 1

FY 2013 Building Renewal Allocation Plan

Fire & Life Safety Projects

ADOA Capitol Mall Fire Alarm Systems Replacement	\$ 500,000
ASDB Fire Alarm System Upgrades	500,000
DHS State Hospital Fire Alarm System Replacement	200,000
Exposition & State Fair Board Fire Alarm System Upgrades	151,500
Prescott Historical Soc. Emergency Exit Staircase Replacement	126,100
DES Data Center Fire Suppression System Replacement	<u>100,000</u>
<i>Subtotal</i>	<i>\$ 1,577,600</i>

Major Building Services Projects

ADOA Capitol Mall Cooling Towers Replacement	\$ 1,000,000
ADOA Capitol/Tucson Malls HVAC Systems Integration	900,000
DPS Forensic Lab Chiller/Cooling Tower Replacement	900,000
ADOA Capitol Mall HVAC Replacement	750,000
ADOA Capitol Mall Physical Plant Power Replacement	500,000
DHS State Hospital Cooling Towers Replacement	400,000
ADOA 1789 W Jefferson Cooling Tower Replacement	250,000
Pioneers' Home Boilers Replacement	<u>200,000</u>
<i>Subtotal</i>	<i>\$ 4,900,000</i>

Building Shell/Interior Projects

ADOA Capitol Mall Carpet/Flooring Replacement	\$ 400,000
DES Americans with Disabilities Act Modifications	<u>100,000</u>
<i>Subtotal</i>	<i>\$ 500,000</i>

Infrastructure Projects

DHS State Hospital Generator Purchase	\$ 1,700,000
ADOA Capitol Mall Parking Lots Replacement/Repair	250,000
DJC Adobe Mtn. & Black Canyon Water Infrastructure Repairs	<u>125,000</u>
<i>Subtotal</i>	<i>\$ 2,075,000</i>

Energy Conservation Project

Historical Society Museums Lighting Replacement	\$ 300,000
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Other

Emergency Contingency	\$ 668,500
Personnel Services/ERE Costs	275,000
Building Renewal Project Scoping	75,000
Risk Management Insurance Premium	<u>1,500</u>
<i>Subtotal</i>	<i>\$ 1,020,000</i>

TOTAL	\$10,372,600
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Janice K. Brewer
Governor



Scott A. Smith
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401
PHOENIX, ARIZONA 85007

(602) 542-1500

June 5, 2012



The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

Dear Representative Kavanagh:

ARS § 41-1252 directs the Joint Committee on Capital Review (JCCR) to review the expenditure of all monies appropriated to building renewal. The Arizona Department of Administration (ADOA) requests JCCR to review ADOA's FY 2013 ADOA Building System building renewal allocation plan (Attachment).

Laws 2012, Second Regular Session, Chapter 295 (SB 1524) appropriates \$10,372,600 to ADOA for its Building System agencies and directs ADOA to allocate \$1,700,000 of the appropriation for new capital project that includes the engineering evaluation, design and construction of an emergency power system (generator) for the Department of Health Services (ADHS), Arizona State Hospital (ASH). ADOA is allocating \$8,672,600 to building renewal projects.

The FY 2013 allocation plan briefly includes (a) project type, (b) agency affected, (c) project description, (d) buildings/location, and (e) amount allocated to project.

To the extent possible, ADOA completes major maintenance and replacements to building systems before failures occur. Given the years of deferred major maintenance of an aging building infrastructure, it is difficult, if not impossible, to anticipate the timing and nature of building component failure. In the event of one or more unexpected critical breakdowns or imminent failures, ADOA may redirect all or some monies from an allocation to address priorities of superior urgency.

Some of ADOA's FY 2013 allocation plan includes amounts based solely on agency project scopes and cost estimates. ADOA may redirect all or some monies from an allocation if further evaluation determines the project scope and cost are unrealistic.

The Honorable Representative Kavanagh
June 5, 2012
Page 2 of 2

If you have any questions regarding ADOA's FY 2013 ADOA Building System building renewal allocation plan, please contact William Hernandez, Assistant Director, ADOA General Services Division, at (602) 364-2872.

Sincerely,


Scott A. Smith
Director

Attachment

cc: The Honorable Senator Don Shooter, Vice-Chairman, JCCR
Richard Stavneak, Director, JLBC Staff
Leatta McLaughlin, Assistant Director, JLBC Staff
John Arnold, Director, OSPB
Jennifer Uharriet, Capitol Budget Analyst, OSPB
Paul Shannon, Assistant Director, ADOA
William Hernandez, Assistant Director, ADOA
Nola Barnes, General Manager, ADOA



Arizona Department of Administration
ADOA Building System
FY 2013 Building Renewal Allocation Plan
\$10,372,600

Project Category	Agency	FY 2013 Building Renewal Project Description	Buildings/Location	Allocation
Fire & Life Safety	Administration, Arizona Department of	Replace or Upgrade Fire Alarm Systems – Phase IV	Capitol Mall Buildings	\$500,000
Fire & Life Safety	Deaf & the Blind, Arizona State Schools for the	Upgrade Fire & Life Safety Systems - Phase II	Tucson Campus - Manzanita, Ocotillo, Yucca, & Palo Verde Dormitories	\$500,000
Fire & Life Safety	Exposition & State Fair Board, Arizona	Upgrade Fire & Life Safety Systems	Arizona State Fair Grounds	\$151,500
Fire & Life Safety	Health Services, Department of	Replace or Upgrade Fire & Life Safety Systems - Phase II	Arizona State Hospital	\$200,000
Fire & Life Safety	Economic Security, Department of	Repair Halon Fire Suppression System	1720 W Madison Data Center	\$100,000
Fire & Life Safety	Prescott Historical Society	Replace Exterior Emergency Exit Staircase	Bashford House	\$126,100
Fire & Life Safety Total				\$1,577,600
Major Building Services	Administration, Arizona Department of	Replace or Repair Failing HVAC	Capitol Mall Buildings - Potential projects include 1616 W Adams (chiller), 1818 W Adams (fan coils), 15 S 15th Ave (heat pumps)	\$750,000
Major Building Services	Administration, Arizona Department of	Replace or Repair Cooling Towers - Phase I	Capitol Mall Buildings - Potential projects include 1200 W Washington, 1600 W Monroe, 1300/1400 W Washington	\$1,000,000
Major Building Services	Administration, Arizona Department of	Engineering & Construction Design to Replace or Repair Cooling Tower	1789 W Jefferson	\$250,000
Major Building Services	Administration, Arizona Department of	Integrate & Centralize HVAC Energy Management Controls Systems	Capitol Mall & Tucson Complex Buildings - Potential projects include 1700 W Washington (Executive Tower & House of Representatives), 400, 402, & 416 W Congress	\$900,000
Major Building Services	Administration, Arizona Department of	Replace Physical Plant Power Distribution (Motor Controls) Centers - Phase I	Capitol Mall Buildings - Potential projects include 1601 W Jefferson, 1700 W Washington (Executive Tower & State Senate), 1740 W Adams	\$500,000
Major Building Services	Health Services, Department of	Replace Cooling Towers – Phase II	Arizona State Hospital	\$400,000
Major Building Services	Public Safety, Department of	Replace Cooling Tower & Chiller - Phase II	Phoenix (Encanto) Forensic Sciences Laboratory	\$900,000
Major Building Services	Pioneers' Home	Replace Boilers (up to two)	Prescott Pioneers' Home	\$200,000
Major Building Services Total				\$4,900,000
Infrastructure	Administration, Arizona Department of	Replace or Repair Surface Parking Lots	Capitol Mall Parking Lots - Potential projects include 1616, 1624, & 1688 W Adams	\$250,000
Infrastructure	Health Services, Department of	Evaluate, Design, & Construct Emergency Power System	Arizona State Hospital	\$1,700,000
Infrastructure	Juvenile Corrections, Department of	Repair or Replace Water Infrastructure - Phase II	Adobe Mountain School & Black Canyon School	\$125,000
Infrastructure Total				\$2,075,000
Energy Conservation	Historical Society, Arizona	Retrofit or Replace Lighting	Tempe & Tucson Museums	\$300,000
Energy Conservation Total				\$300,000
Building Interior; Finishes	Administration, Arizona Department of	Replace Carpet & Floor Coverings	Capitol Mall Buildings	\$400,000
Building Interior; Finishes Total				\$400,000
Americans With Disabilities Act (ADA)	Economic Security, Department of	ADA Modifications	DDD Group Homes & Arizona Training Program at Coolidge	\$100,000
Americans With Disabilities Act (ADA) Total				\$100,000
Project Scoping	ADOA Building System	Building Renewal Project Priorities (FY 13 and Prospective FY 14)	ADOA Building System	\$75,000
Project Scoping Total				\$75,000
Personnel Services or Employee Related Expenditures	Administration, Arizona Department of	Personnel Services or Employee Related Expenditures	ADOA Building System	\$275,000
Personnel Services or Employee Related Expenditures Total				\$275,000

Arizona Department of Administration
ADOA Building System
FY 2013 Building Renewal Allocation Plan
\$10,372,600

Project Category	Agency	FY 2013 Building Renewal Project Description	Buildings/Location	Allocation
Risk Management Insurance Premium	Administration, Arizona Department of	Risk Management Construction Insurance Premium	ADOA Building System	\$1,500
Risk Management Insurance Premium Total				\$1,500
Emergencies & Imminent Failures	ADOA Building System	Statewide Emergencies & Imminent Failures Priorities	ADOA Building System	\$668,500
Emergencies & Imminent Failures Total				\$668,500
Grand Total				\$10,372,600

DEPARTMENT OF ADMINISTRATION (ADOA) BUILDING SYSTEM
FY 2013 BUILDING RENEWAL ALLOCATION PLAN
\$10,372,600

Fire and Life Safety: improve or eliminate an impending condition that threatens life or property

The ADOA Building System has a number of fire alarm and suppression systems that have exceeded their life expectancy, are functionally obsolete, and in various stages of failure, if not already failed. When fire alarm systems are out of commission for extended repair times, agencies must employ 24-hour fire watch personnel, usually on an overtime basis, to achieve fire and life safety standards. Upgrades to fire alarm and suppression systems are necessary to bring state facilities into compliance with Federal, State, and Local fire and life safety regulations.

\$500,000: Administration, Department of (ADOA) – Capitol Mall – Replace Obsolete and Unsupported Fire Alarm Systems – Phase IV

The proprietary systems in many Capitol Mall buildings are obsolete. Some of the alarm system companies have been out of business for many years and the parts are not manufactured or supported by alternative sources. Last year, ADOA implemented Phase III with FY 2012 building renewal monies, to replace fire alarm systems in 1510 W. Adams, 1537 W. Jackson, 1535 and 1601 W. Washington. The foregoing proposed allocation consists of the planned design and construction of non-proprietary fire alarm systems at 1716 W. Adams, 1740 W. Adams, and 1645 W. Jefferson.

\$500,000: Deaf and the Blind, Arizona Schools for the (ASDB) – Tucson Campus – Upgrade Fire & Life Safety Systems – Phase II

A FY 2012 allocation provided monies for a campus-wide fire alarm assessment, including prioritization recommendations. ADOA is re-prioritizing recommendations for fire alarm upgrades and replacements concurrent with a requirement to install fire *suppression* in the Manzanita, Yucca, Ocotillo, and Saguaro dormitories. The proposed allocation will provide monies for design and construction of fire alarms and fire suppression in the foregoing facilities. ASDB provided FY 2012 operating monies for environmental abatement and some Fire & Life Safety design.

\$151,500: Arizona Exposition & State Fair (AESF) – Arizona State Fair Grounds – Upgrade Fire & Life Safety Systems

Some of the fire hydrants at the AESF are deteriorating (approximately 16). The fire hydrants vary in age from 43 to 47-years old and have exceeded their life expectancy. The shut off valves are decayed and vulnerable to failure. Further, the fire suppression system in the Arizona Veterans' Memorial Coliseum and Fairgrounds Exhibit building is approaching 50-years old. The International Fire Code (IFC) requires replacement of fire suppression sprinkler heads after 50-years to maintain assembly occupancy status for the State Fair and other events.

\$200,000: Health Services, Department of (DHS) – Arizona State Hospital (ASH) – Replace or Upgrade Fire & Life Safety Systems – Phase II

A number of fire alarm and sprinkler suppression systems currently serving ASH are obsolete and in various stages of failure. The fire alarm systems consist

**DEPARTMENT OF ADMINISTRATION (ADOA) BUILDING SYSTEM
FY 2013 BUILDING RENEWAL ALLOCATION PLAN
\$10,372,600**

primarily of obsolete "Edwards" fire alarm panels and related equipment and a majority of replacement parts are no longer available. The antiquated analog computer monitoring system is inoperable, forcing ASH to rely on a less effective older "Fireworks" brand-monitoring computer. The foregoing proposed allocation facilitates Phase II continues upgrades to the campus Fire & Life Safety Systems. An FY2012 building renewal allocation provided monies for a Phase I assessment and recommendation for prioritization of Fire & Life Safety upgrades and commences the scope of work.

\$100,000: Economic Security, Department of (DES) – 1720 W. Madison Data Center – Repair Fire Suppression System

The DES Data Center is a 10,000 GSF facility supporting DES programs and services. The nearly 20-years old halon fire suppression system requires numerous repairs it to return 100% operational status. Halon is an ozone-depleting substance, and as of 1994, the Clean Air Act bans its production in the United States. The ban does not prohibit the use of halon as a fire suppressant; however, it does significantly affect on-going maintenance and repairs costs and availability. The foregoing proposed allocation facilitates repair of the halon system and provides a window of opportunity for DES to consider alternatives to halon as primary fire suppression for its Data Center.

\$126,100: Prescott Historical Society (PHS) – Bashford House – Replace Exterior Emergency Exit Staircase

The Victorian era Bashford House is a focal point of the Sharlot Hall Museum/Prescott Historical Society. PHS employs the building for use as a museum store, visitor center, and administrative offices. The exterior emergency exit staircase, which is also used for routine building access, has succumbed to the elements rendering the staircase an immediate safety hazard for visitors and PHS staff

Major Building Services: includes existing elevators, plumbing (domestic), HVAC, and electrical

The allocations in this category are projects that reflect the worsening condition of chief building services components, including large central plants, in ADOA Building System structures. Many of the failing chillers and cooling towers are original to building construction, have well surpassed their useful lives, and can no longer meet the cooling demands of the structures they support. Many systems are so weakened that unpredictable and imminent failure conditions threaten mission critical functions of public safety and institutional settings. Replacing aged and inefficient systems with new and more efficient systems will generate energy savings, protect assets, and provide comfortable climate control in Arizona's extreme environment.

\$750,000: Administration, Department of (ADOA) – Capitol Mall Office Buildings - Replace Failing HVAC

Several ADOA-managed buildings in the Capitol Mall need to have HVAC systems replaced. The proposed allocation will address the most critical HVAC

DEPARTMENT OF ADMINISTRATION (ADOA) BUILDING SYSTEM
FY 2013 BUILDING RENEWAL ALLOCATION PLAN
\$10,372,600

needs in the Capitol Mall to mitigate negative impacts of "crisis-mode" emergency repairs and replacements. Potential projects include:

- 1616 W. Adams – Replace failed 250-ton turbo module chiller
- 1818 W. Adams – Replace fan coils
- 15 S. 15th Ave. – Replace failing water source heat pumps

Given the years of deferred repairs and replacements, unanticipated mechanical failures of HVAC systems may warrant reprioritization of replacements.

\$1,000,000: Administration, Department of (ADOA) – Capitol Mall Office Buildings - Replace or Repair Cooling Towers – Phase I

A number of Capitol Mall buildings' cooling towers are well over 30-years old, far surpassing their expected useful service lives. The oldest and most critical cooling towers are unique, as most are permanent concrete structures built as a part of mechanical buildings.

Major maintenance can extend the service lives of the cooling tower systems by up to 25-years and facilitate maximum efficiency. The scope of work includes, but is not limited to, replacing fans, fill materials, water distribution systems, drift eliminators, etc., and rental of portable cooling towers, hoses, pumps, and fueled generators to provide temporary cooling to buildings for the duration of permanent cooling tower servicing. Failure to address the dramatic affects of constant moisture on cooling tower infrastructure might result in complete system failures, possibly during the summer months, requiring ADOA to close affected buildings until it procures temporary cooling towers and puts them into service. Emergency based procurements increase expenses and out of service times. Potential projects include:

- 1200/1275 W. Washington
- 1300/1400 W. Washington
- 1600 W. Monroe

\$250,000: Administration, Department of (ADOA) – 1789 W. Jefferson – Engineering & Construction Design to Replace or Repair Cooling Tower

1789 W. Jefferson, also referred to as "DES West," was constructed in 1991. The multi-level 556,511 GSF facility consists of four stories above grade and a four level parking complex located directly below. A forced-air HVAC system that incorporates single-zone air handling units with chilled water cooling coils serves the facility. The major HVAC components consist of two 500-ton water-cooled chillers, two custom-built cooling towers, and DX cooling split-systems. The chillers and cooling towers are original to the building's construction date and have reached the end of their intended life cycle. This system requires attention to mitigate risks of inopportune failure. A recent energy audit characterizes the aged system as inefficient and recommends replacing the system to reduce energy consumption, achieve operational efficiencies, and generate energy savings. ADOA will procure the engineering and construction design required for a future replacement of the two cooling towers with the proposed allocation.

**DEPARTMENT OF ADMINISTRATION (ADOA) BUILDING SYSTEM
FY 2013 BUILDING RENEWAL ALLOCATION PLAN
\$10,372,600**

\$900,000: Administration, Department of (ADOA) – Capitol Mall Office Buildings & Tucson Complex Buildings – Integrate & Centralize HVAC Energy Management Controls System

Various energy management systems equipped with disparate “front-ends” or “brains,” requiring multiple computers, workstations, and hardware control HVAC in ADOA buildings. The current system components are failing, lack interconnectivity, and are inefficient. Integrating the multiple systems into a single processing source will provide ADOA a centralized control of its HVAC/energy management system, decrease energy consumption, reduce equipment downtimes, and improve allocation of personnel resources.

\$500,000: Administration, Department of (ADOA) – Capitol Mall Office Buildings – Replace Physical Plant Power Distribution (Motor Controls) Centers – Phase I

The motor control centers of several Capitol Mall buildings are well over 30-years old and original to the buildings’ construction. Motor control centers stop and start motors, pumps, and chillers for building HVAC and other systems hundreds of times a day and mitigate overloads and faults. The equipment components include electromagnetic starters, disconnect switches, and fuses. The parts are subject to wear over time and many aged components are obsolete. ADOA needs to replace motor control centers in older facilities to avoid interruptions in HVAC and other primary building services. Potential projects include:

- 1601 W. Jefferson
- 1700 W. Washington (Executive Tower & State Senate)
- 1740 W. Adams

\$400,000: Health Services, Department of (DHS) – Arizona State Hospital (ASH) - Replace Cooling Towers – Phase II

DHS FY 2012 Capital Improvement Plan (CIP) requested to replace four cooling towers servicing the ASH campus. In FY 2012, ADOA allocated building renewal monies to repair/replace one of four cooling towers serving the ASH campus and to identify the scope of work and costs of replacing its other cooling towers. The proposed allocation will replace two more failing cooling towers at the ASH campus.

\$900,000: Public Safety, Department of (DPS) – Phoenix, Forensic Sciences Laboratory (FSL) - Replace Cooling Tower & Chiller – Phase II

The chiller and cooling tower system serving the seven-days per week, 24-hour a day operations of DPS’ FSL is approximately 15-years old and original to the building. Added evidence processing equipment and occupancy has generated an increased building heat load. Swelling heat load and summer cooling demands keep the system operating 24-hours a day at maximum capacity. A recent engineering assessment identified an increase in scope of work than was identified by the agency in its prior year’s request for funding. If the aging system continues to operate at peak capacity, system failure is probable, and will likely

**DEPARTMENT OF ADMINISTRATION (ADOA) BUILDING SYSTEM
FY 2013 BUILDING RENEWAL ALLOCATION PLAN
\$10,372,600**

compromise critical DPS evidence, sensitive equipment, and the lab environment.

\$200,000: Pioneers' Home, Arizona (APH) – Prescott – Replace Boilers (up to two)

The APH is a continuing care retirement home operated and supported by the State, providing care and services to residents living independently, as well as to those requiring assisted living, intermediate and skilled care. The home's two boilers were installed in 1978 and 1980, far exceeding their expected useful life of 20 years. These boilers supply both hot water and heat to the residents and staff. Replacement of the aging boilers is necessary to prevent interruption of critical services and to protect the welfare of both residents and staff.

Infrastructure: includes existing roadways, parking lots, pedestrian paving, site electrical and mechanical utilities, water supply and distribution, sanitary and storm sewers, waste treatment, electrical distribution, site lighting, fencing, communications, and security

\$250,000: Administration, Department of (ADOA) – Capitol Mall - Replace and Repair Surface Parking Lots

Many parking lots have been in a "deferred indefinitely" status for many years and in an exhausted state of deterioration because limited building renewal monies are directed at keeping failing roofs, HVAC, electrical and plumbing systems, fire alarms, sewer and water systems operational. Interim measures such as patch repairs and sealants are ineffective and the only option is to remove and replace the asphalt. The lot surfaces have succumbed to long-term erosion, shifting, and settling caused by water penetration of the underlying pavement base and extreme weather conditions further exacerbated by the weight of passing traffic. The surface parking lots at 1616, 1624, and 1688 W. Adams have surpassed their useful lives and are causing serious safety concerns.

\$1,700,000: Health Services, Department of (DHS) – Arizona State Hospital (ASH) – Evaluate, Design & Construct Emergency Power System

The Arizona State Hospital (ASH) does not have an emergency generator to provide a redundant power source for its Forensic and Civil campuses in the event of a power outage or disaster. For lack of a back-up power supply, the central power plant will shut down, resulting in interruption of critical care and security of patients and termination of building services, including HVAC environmental control. For example, the dietary services will not be able to provide staff and patient meals, the pharmacy will be unable to provide medications, and the campus computer center will shut down. A centralized emergency power system will provide for 96 hours of business continuity of hospital operations during emergencies. In addition, this will enable the Hospital to meet the stringent Joint Commission Resources standards and remain CMS certified.

DEPARTMENT OF ADMINISTRATION (ADOA) BUILDING SYSTEM
FY 2013 BUILDING RENEWAL ALLOCATION PLAN
\$10,372,600

\$125,000: Juvenile Corrections, Arizona Department of (ADJC) - Adobe Mountain School (AMS) and Black Canyon School (BCS) – Repair or Replace Water Infrastructure – Phase II

The AMS and BCS are in need of immediate water infrastructure repairs and modifications. The water lines, constructed of a non-standard fibrous material, have minimal valve control to isolate domestic plumbing lines. In the event of even simple repairs, water service to the AMS and BSC is interrupted, which compromises institutional operations and safety. An FY 2012 water infrastructure assessment (procured with FY 2012 building renewal monies) is the basis for the repair and replacement scope of work of the aging water infrastructure.

Energy Conservation: primarily emphasizes the reduction of energy consumption by a building, utility system, or core building component

\$300,000: Historical Society, Arizona – Tempe & Tucson Museums – Retrofit or Replace Inefficient, Aging Light Fixtures

A FY 2011 energy audit provides the basis for the proposed allocation. The energy audit prepared by Johnson Controls provided an analysis of utility usage, proposed scope of work, savings estimates, and measurement and verification procedures. The investment payback of lighting changes is approximately ten-years and the estimated savings is approaching 10% of the investment.

Building Interiors and Finishes: primarily floor coverings, interior doors and door casements, stairs

Floor covering replacements has been in a “deferred indefinitely” status for many years because limited building renewal monies are directed at keeping failing roofs, HVAC, electrical and plumbing systems, fire alarms, sewer and water systems operational. Many floor coverings - some as old as 20-years - have exhausted a deferred status and are in such poor condition they require immediate attention to avert or eliminate safety hazards. The expected useful life of most carpet in a typical office building is five to ten-years. Conditions include floor coverings completely worn through to the floor, trapped dirt accumulation, patch maintenance, stains, unraveling seams and tears, unsuccessful duct tape repairs, and extensive rippling. Further, some carpet cannot be cleaned as an interim alternative because it so deteriorated the cleaning process further damages worn or torn fibers, and water penetrates and compresses “wet” dirt onto the floor surface underneath.

\$400,000: Administration, Department of (ADOA) - Capitol Mall Complex – Replace Carpet

ADOA will use \$400,000 to address buildings and areas with the most critical carpet and flooring needs. Potential projects include:

- 1616 W. Adams
- 1919 W. Jefferson
- 1300 W. Washington

**DEPARTMENT OF ADMINISTRATION (ADOA) BUILDING SYSTEM
FY 2013 BUILDING RENEWAL ALLOCATION PLAN
\$10,372,600**

Americans with Disabilities Act (ADA):

\$100,000: Economic Security, Department of (DES) - Division of Disabilities (DDD) Group Homes & Arizona Training Program at Coolidge – ADA Modifications

Modifications to group living arrangements are relevant to one or more residents aging and specific disability requirements. Progressive changes in mobility require on-going changes to bathrooms, showers, and other areas of residential facilities.

Project Scoping:

\$75,000: Administration, Department of (ADOA) – ADOA Building System – Building Renewal Project Priorities (FY 13 and Prospective FY 14) Scoping Services

As a result of State agency attrition, some of the building renewal requests ADOA receives for funding consideration has deficient or very broad scopes of work, no supporting documentation, and insufficient, unreliable, or aged cost estimates. The proposed allocation supports ADOA's mission to prepare an allocation plan that addresses the ADOA Building System's current and deferred building renewal requirements wisely and efficiently, including allocating an appropriate amount - not too much; not too little - of monies to well scoped projects.

Personnel Services or Employee Related Expenditures:

\$275,000: ADOA Construction Services Project Management Costs

ADOA may allocate up to up \$275,000 in Personal Services and Employee Related Expenses for up to 5 FTE Positions for building renewal project management.

Risk Management Insurance Premium:

\$1,500: ADOA Risk Management Construction Insurance Premium

The ADOA General Services Division (GSD) pays a .34% Construction Insurance Premium from each fiscal year's building renewal appropriation to ADOA State Risk Management for Errors and Omissions (E & O) insurance premiums associated with Engineering and Architectural (A & E) services contracts. The premium is not paid for direct construction costs or for reimbursable expenses.

**DEPARTMENT OF ADMINISTRATION (ADOA) BUILDING SYSTEM
FY 2013 BUILDING RENEWAL ALLOCATION PLAN
\$10,372,600**

Emergencies & Imminent Failures:

\$668,500: Administration, Department of (ADOA) Building System – ADOA Building System
Statewide Priorities - Emergency and Imminent Failure Contingency

ADOA will expend monies from this proposed allocation to repair or replace Pa
failed or failing HVAC, plumbing, electrical, and other building systems in mission
critical structures as the need arises.

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DATE: June 20, 2012

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Stefan Shepherd, Deputy Director

SUBJECT: State Department of Corrections - Review of FY 2013 Building Renewal Allocation Plan

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The State Department of Corrections (ADC) requests the Committee review its FY 2013 Building Renewal Allocation Plan, which primarily funds perimeter electronic security systems. Laws 2012, Chapter 295, the FY 2013 Capital Outlay Bill, appropriated \$4,630,500 from the Department of Corrections Building Renewal Fund to ADC in FY 2013 for building renewal.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review.
2. An unfavorable review.

The proposed expenditure plan is consistent with building renewal guidelines and appropriations. ADC plans to use its existing vendor for security systems and will not competitively bid the project.

Under either option, the JLBC Staff recommends the provision that ADC shall report any change in the spending plan to the JLBC Staff, including reallocations between projects and non-emergency use of contingency monies. If there is significant change of scope in the reallocation reported by ADC, the JLBC Staff shall recommend ADC request Committee review of the reallocation.

The JLBC Staff also recommends the following provisions for the emergency contingency allocation of \$173,636:

1. ADC notify the Chairman and JLBC Staff that they plan to spend less than \$50,000 on an emergency project. ADC can proceed without Committee review.
2. If the emergency project is \$50,000 or greater, ADC will request JCCR review.

(Continued)

3. The Chairman can allow ADC to move forward with an emergency project of greater than \$50,000 without Committee review.
4. The Chairman will notify ADC if he does not agree that the project is an emergency and will request that ADC not proceed with the project.

An “emergency” project is defined as unforeseen, critical in nature, and of immediate time sensitivity. These provisions are similar to those used for prior contingency allocations.

Analysis

Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. A total of \$4,630,500 was appropriated to ADC from the Department of Corrections Building Renewal Fund in FY 2013. Of this amount, ADC proposes to use \$4,406,864 for building renewal, \$173,636 for contingency, and \$50,000 for preventative maintenance. The Department of Corrections Building Renewal Fund is permitted to use 8% of its appropriation for preventative maintenance; ADC has not determined the exact use of these funds yet. The FY 2013 Building Renewal Allocation Plan consists of the following projects:

FY 2013 Building Renewal Allocation Plan	
<u>Perimeter Electronic Security Systems by Complex/Unit</u>	
Winslow/Kaibab	\$ 349,000
Eyman	1,285,277
Tucson	1,198,527
Perryville	642,480
Safford/Tonto	317,701
Yuma/Dakota	305,460
Douglas/Mohave	121,200
Phoenix	187,219
<i>Subtotal</i>	<i>\$4,406,864</i>
<u>Other</u>	
Emergency Contingency	\$ 173,636
Preventative Maintenance	50,000
<i>Subtotal</i>	<i>\$ 223,636</i>
TOTAL	\$4,630,500

A total of \$4,406,864 would be allocated to 8 different perimeter electronic security systems that have reached the end of their service lives (generally 20 to 30 years). These electronic systems notify ADC staff when a person approaches the perimeter fence. ADC indicates that because of their age and condition, the electronic security systems are prone to failure and have required repairs to maintain their status. When these systems go down, additional staff is needed to guard the perimeter of the prison.

The costs are based on estimates from the department’s current provider for the systems. ADC awarded a competitively-bid contract in May 2009 with annual contract renewals through 2014. ADC believes this project can be authorized under its existing contract with its current vendor and they do not plan to solicit competing bids. The department reports because each project differs in the equipment needed for different portions of the perimeter, there is no single cost per linear foot. For comparative purposes, the Douglas facility’s Mohave unit system is for a perimeter of about 5,200 feet in length including the gates and sallyport - the \$121,200 cost is \$23/linear foot. Of that \$121,200 cost, \$103,600 is for equipment (e.g., sensors, microwave equipment, and software), with the remaining \$17,600 for labor.

ADC has also allocated \$173,636 for emergency contingencies and \$50,000 for preventative maintenance.

RS/SSh:ac



JANICE K. BREWER
GOVERNOR

Arizona Department of Corrections

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(602) 542-5497
www.azocorrections.gov



CHARLES L. RYAN
DIRECTOR

June 6, 2012



The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Kavanagh,

The Arizona Department of Corrections (ADC) requests to be placed on the next meeting agenda of the Joint Committee on Capital Review (JCCR) for its review of the following item:

1. ADC FY 2013 Building Renewal Appropriation (\$4,630,500) Allocation Plan.

ADC is including supporting documentation for this Capital Appropriation Plan as attachments to this meeting agenda request.

If you have any questions regarding any of the proposed items, please contact Michael Kearns, Division Director, ADC Administrative Services Division, at (602) 542-1160.

Sincerely,



Charles L. Ryan
Director

Attachments

cc: The Honorable Don Shooter, Vice-Chairman, JCCR
Richard Stavneak, Director, JLBC Staff
Leatta McLaughlin, Fiscal Analyst, JLBC Staff
Stefan Shepherd, Fiscal Analyst, JLBC Staff
James Alcantar, Fiscal Analyst, JLBC Staff
John Arnold, Director, OSPB
Jennifer Uharriet, Budget Analyst, OSPB
Brandon Nee, Budget Analyst, OSPB

ARIZONA DEPARTMENT OF CORRECTIONS
FY13
ONE YEAR CAPITAL RENEWAL PROJECTS

Institution	Project Name	Project Description	Estimates
WINSLOW / KAIBAB	PERIMETER DETECTION SYSTEM UPGRADES	UPGRADE EXISTING PERIMETER DETECTION SYSTEM	\$ 349,000
EYMAN/ALL UNITS	PERIMETER DETECTION SYSTEM UPGRADES	UPGRADE EXISTING PERIMETER DETECTION SYSTEM	\$ 1,285,277
TUCSON	PERIMETER DETECTION SYSTEM UPGRADES	UPGRADE EXISTING PERIMETER DETECTION SYSTEM	\$ 1,198,527
PERRYVILLE	PERIMETER DETECTION SYSTEM UPGRADES	UPGRADE EXISTING PERIMETER DETECTION SYSTEM COMPLEX	\$ 642,480
SAFFORD / TONTO	PERIMETER DETECTION SYSTEM UPGRADES	UPGRADE EXISTING PERIMETER DETECTION SYSTEM	\$ 317,701
YUMA / DAKOTA	PERIMETER DETECTION SYSTEM UPGRADES	UPGRADE EXISTING PERIMETER DETECTION SYSTEM	\$ 305,460
DOUGLAS / MOHAVE	PERIMETER DETECTION SYSTEM UPGRADES	UPGRADE EXISTING PERIMETER DETECTION SYSTEM	\$ 121,200
PHOENIX	PERIMETER DETECTION SYSTEM UPGRADES	UPGRADE EXISTING PERIMETER DETECTION SYSTEM	\$ 187,219
SUBTOTAL			\$4,406,864
Contingency			\$173,636
PM program			\$50,000
TOTAL			\$4,630,500

Fire and Life Safety

ASPC-Winslow Kaibab Unit: The perimeter alarm system at the Close custody level Kaibab unit was installed 22 years ago and has reached the end of its service life. Due to the deterioration of the buried ported cable detection wire and controls, the system has experienced several failures and requires frequent costly repairs to maintain operational status. The integrity of this perimeter alarm system is critical in preventing escapes and protecting the public. **\$349,000**

ASPC-Eyman All Units: The perimeter alarm systems at ASPC-Eyman have been in service from 17 to 25 years and have reached the end of their service lives. The Eyman complex houses Maximum, Close and Medium custody level inmates including death row inmates. Due to the deterioration of the buried ported cable detection wire and controls, the system has experienced several failures and requires frequent costly repairs to maintain operational status. The integrity of this perimeter alarm system is critical in preventing escapes and protecting the public. **\$1,285,277**

ASPC-Tucson Complex Perimeter: ASPC-Tucson has a perimeter alarm system that surrounds several prison units, these units house Close, Medium and Minimum custody level inmates. The current system is 26 years old and has reached the end of its service life. Due to the deterioration of the buried ported cable detection wire and controls, the system has experienced several failures and requires frequent costly repairs to maintain operational status. The integrity of this perimeter alarm system is critical in preventing escapes and protecting the public. **\$1,198,527**

ASPC-Perryville Complex Perimeter: ASPC-Perryville has a perimeter alarm system that surrounds several prison units; these units house Maximum, Close, Medium and Minimum custody level inmates including death row inmates. The current system is 31 years old and has reached the end of its service life. Due to the deterioration of the buried ported cable detection wire and controls, the system has experienced several failures and requires frequent costly repairs to maintain operational status. The integrity of this perimeter alarm system is critical in preventing escapes and protecting the public. **\$642,480**

ASPC-Safford Tonto Unit: ASPC_Safford Tonto unit houses Medium custody level inmates. The perimeter alarm system surrounding this unit is 20 years old and has reached the end of its service life. Due to the deterioration of the buried ported cable detection wire and controls, the system has experienced several failures and requires frequent costly repairs to maintain operational status. The integrity of this perimeter alarm system is critical in preventing escapes and protecting the public. **\$317,701**

ASPC_Yuma Dakota Unit: ASPC-Yuma Dakota unit houses Close custody level inmates. The perimeter alarm system surrounding this unit is 14 years old and due to harsh environmental conditions, has reached the end of its service life. Due to the deterioration of the buried ported cable detection wire and controls, the system has experienced several failures and requires frequent costly repairs to maintain operational status. The integrity of this perimeter alarm system is critical in preventing escapes and protecting the public. **\$305,460**

ASPC-Douglas Mohave Unit: ASPC Douglas Mohave unit houses Medium custody level inmates. The perimeter alarm system surrounding this unit is 25 years old and has reached the end of its service life. Due to the deterioration of the buried ported cable detection wire and controls, the system has experienced several failures and requires frequent costly repairs to maintain operational status. The integrity of this perimeter alarm system is critical in preventing escapes and protecting the public.

\$121,200

ASPC-Phoenix: The Phoenix complexes perimeter detection systems were installed in 1991 and have reached the end of their service life. Due to the deterioration of the buried ported cable detection wire and controls, the system has experienced several failures and requires frequent costly repairs to maintain operational status. The integrity of this perimeter alarm system is critical in preventing escapes and protecting the public. \$187,219

There are no Risk Management insurance premiums, project management or architectural and engineering fees associated with the above projects.

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DATE: June 20, 2012

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Art Smith, Senior Fiscal Analyst

SUBJECT: Arizona State Parks Board - Review of FY 2013 State Lake Improvement Fund Capital Expenditures

Request

A.R.S. § 5-382 requires Committee review of expenditure plans for State Lake Improvement Fund (SLIF) capital projects prior to expenditure. The Arizona State Parks Board requests Committee review of its FY 2013 SLIF capital projects totaling \$1,500,000. Of that amount, \$1,200,600 would be used for the replacement of water mains and to provide electricity to campsites at Lake Havasu State Park. The remaining \$299,400 would be spent on emergency projects as the need arises.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review.
2. An unfavorable review.

The Parks Board plans to use the Job Order Contract procurement method rather than a traditional competitive bid.

Under either option, the JLBC Staff recommends the provision that the projects are ultimately approved by the Parks Board along with the following provisions for the \$300,000 emergency contingency allocation:

1. The Parks Board notifies the Chairman and the JLBC Staff that they plan to spend less than \$50,000 on an emergency project. The Parks Board can proceed without Committee review.
2. If the emergency project is \$50,000 or greater, the Parks Board will request the Joint Committee on Capital Review (JCCR) to review the project.

(Continued)

3. The Chairman can allow the Parks Board to move forward with an emergency project of greater than \$50,000 without Committee review.
4. The Chairman will notify the Parks Board if he does not agree that the project is an emergency and will request that the Parks Board not proceed with the project.

An “emergency” project is defined as unforeseen, critical in nature, and of immediate time sensitivity. These provisions are the same used for SLIF contingency allocations in FY 2012.

Analysis

SLIF is a non-appropriated fund that generates revenue primarily from the Highway User Revenue Fund based on a formula that estimates state gasoline taxes paid for boating purposes and is used to fund projects at boating sites. Monies in the fund are available to state agencies, counties, and local governments for capital improvement projects and acquisitions of real property on waters where gasoline-powered boats are permitted.

The beginning balance for SLIF in FY 2013 is estimated to be \$3,562,400. The Parks Board estimates that SLIF will generate \$5,000,000, for total available resources of \$8,562,400 in FY 2013. Monies in SLIF are non-appropriated and primarily used by the Parks Board for operating expenses. Statute requires Committee review of SLIF expenditures for capital projects.

Infrastructure Improvements

At its August 2007 meeting, the Committee favorably reviewed a Parks Board proposal to replace Lake Havasu’s current 4-inch water mains with 8-inch water mains for fire suppression efforts. These infrastructure improvements would have also expanded the park’s wiring and water connections, so as to provide electricity and potable water to all campsites throughout the park. The Parks Board was unable to begin this project due to budget constraints.

The Lake Havasu City Fire Department has recommended that the Parks Board replace the 4-inch water mains in order to improve water supplies to Lake Havasu State Park’s fire hydrants. The Parks Board estimates that replacing these water mains will cost \$623,300. The Parks Board has allocated an additional \$577,300 to construct electric and water connections at all of the park’s campsites. The Parks Board states that these projects would ensure sufficient water supply for fire fighting, potential future facilities, and increased campground use, which is estimated to generate \$190,000 in additional annual revenue.

Both projects’ vendors will be selected using the Job Order Contract process. Agencies use this simplified procurement method when selecting a general contractor for a project costing between \$100,000 and \$1,000,000. This process involves soliciting a bid from a list of pre-approved general contractors (see Arizona Department of Administration Building Renewal discussion under Tab 1.)

Emergency Building Renewal

The Parks Board has also allocated a total of \$299,400 in SLIF monies for emergency building renewal, repairs and replacements in FY 2013. The Parks Board states that emergency repair and replacements may include pumps and blowers for wastewater treatment, HVAC units, fire alarms, security fencing, electrical systems and plumbing. In FY 2012, the Parks Board allocated \$500,000 in SLIF monies for emergency building renewal, which was favorably reviewed by the Committee at its November 2011 meeting. Of this amount, the Parks Board has spent \$20,000. Any unspent amount of the FY 2012 allocation will lapse at the end of the fiscal year.

Janice K. Brewer
Governor

Bryan Martyn
Executive Director



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William C. Scalzo, Phoenix
Tracey Westerhausen, Phoenix

May 31, 2012

The Honorable John Kavanagh, Chair
Joint Committee on Capital Review
1700 W. Washington St.
Phoenix, AZ 85007



RE: Request for review of proposed State Lake Improvement Fund FY 2013
Capital Outlay and Emergency Facilities Repair and Renewal projects

Dear Senator Shooter:

At its May 2, 2012 meeting, the Arizona State Parks Board (ASP Board) requested to be included on the next available Joint Committee on Capital Review (JCCR) agenda for approval of \$1.2 million of Enhancement Fund monies for capital improvement projects at Lake Havasu State Park, to be completed during calendar year 2012. However, Enhancement Funds are subject to legislative appropriation for both agency operations and capital improvements, and the opportunity has passed to pursue a FY 2013 appropriation in a timely manner.

Sufficient monies are available in the State Lake Improvement Fund (SLIF) cash balance for the Lake Havasu State Park capital outlay projects. In addition, the agency's FY 2013 operating budget has sufficient SLIF monies to fund up to \$300,000 of emergency facilities repair and renewal projects. Staff has therefore been directed to request JCCR review of these projects from SLIF monies. The ASP Board will formally confirm their approval of the alternate SLIF funding source at their June 20, 2012 meeting.

Capital Outlay Projects:

Arizona State Parks will use \$1.2 million of SLIF monies at Lake Havasu State Park to construct electric and water connections at each campsite, and to replace the park's 4-inch water main with an 8-inch water main. Both of these projects were favorably reviewed by the JCCR from SLIF funds several years ago, but the construction award process was cancelled due to lack of funds.

Currently, none of the park's campsites have electricity or water. The campsite improvements will generate an estimated additional \$190,000 of camping revenue annually, and will increase both the number of visitors to the park as well as the length of the visits, especially during the hot summer months.

The Honorable Don Shooter
May 30, 2012
Page 2

The State Fire Marshall has recommended that the existing 4-inch water main at Lake Havasu State Park be replaced with an 8-inch water main to ensure sufficient water supply for fire fighting, increased campground use, and potential future facilities.

Emergency Facility Repair and Renewal Projects:

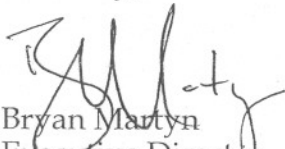
Arizona State Parks is anticipating an average number and variety of unforeseen emergency facility repairs and replacements during FY 2013, with an estimated cost of \$300,000. It is impossible to identify when or what facilities might fail requiring extensive repair or replacement. Failure of essential infrastructure items such as waste water treatment facilities, potable water treatment facilities, domestic water wells and heating, ventilation and air conditioning systems would require immediate attention as public safety is at risk.

During FY 2012 through the current date, the agency has expended approximately \$20,000 of the \$500,000 SLIF allocation for similar emergency projects. This allocation was given a favorable review by the JCCR at its November 17, 2011 meeting. A complete listing of the agency's FY 2012 emergency repair projects will be forwarded to you after the closing of the fiscal year.

I appreciate your consideration of including a review of these items on your agenda for JCCR's June 2012 meeting. Construction of improvements to Lake Havasu State Park would be most effective during the summer months of 2012. State Parks has recently updated the design and engineering plans for these projects, and the construction award process can be accomplished swiftly through current State contracts.

If you have any questions regarding Arizona State Parks' plans for use of its State Lake Improvement fund monies, please contact Kent Ennis, Deputy Director, at 602-542-6920 or kennis@azstateparks.gov.

Sincerely,



Bryan Martyn
Executive Director

cc: Richard Stavneak, Director JLBC
John Arnold, Director OSPB
Walter D. Armer, Jr., Chair, Arizona State Parks Board
Kent Ennis, Deputy Director, Arizona State Parks
Jay Ream, Deputy Director, Arizona State Parks

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DATE: June 25, 2012

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Stefan Shepherd, Deputy Director

SUBJECT: Arizona Geological Survey - Consider Recommending FY 2012 Rent Exemption

Request

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 the agency has vacated its space or if an agency does not have the financial resources to make the payment. The Arizona Geological Survey (AZGS) requests the Committee recommend to ADOA a FY 2012 rent exemption of \$13,300.

Recommendation

The Committee has at least the following 2 options:

1. Recommend to ADOA a FY 2012 rent exemption of \$13,300.
2. Not recommend the rent exemption.

Analysis

Effective July 1, 2011, AZGS vacated its space at 1400 W. Washington, space formerly occupied by the Department of Mines and Mineral Resources (DMMR), which was merged into AZGS. The rental amount for its vacated space is \$13,300. Last summer, ADOA indicated it would work with AZGS to try to find another tenant for the space, but ADOA has not found a replacement tenant.

Statute permits an agency to request an exemption from paying their full rent on state-owned space if the agency has vacated its space or if an agency does not have the financial resources to make the payment. In the past, these requests have come through ADOA, who then forwards their recommendations to JCCR.

ADOA has said it would not grant AZGS a rent exemption for the 1400 W. Washington space. AZGS has requested that the Committee recommend to ADOA a FY 2012 rent exemption of \$13,300.

RS/SSH:lm



Janice K. Brewer
Governor

State of Arizona Arizona Geological Survey

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M. Lee Allison, Ph.D., P.G.
Director & State Geologist

June 25, 2012

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
1716 West Adams
Phoenix, AZ 85007



Dear Chairman Kavanagh:

The Arizona Geological Survey (AZGS) requests your authorization to exempt AZGS from payment of the rental fee on 1400 W. Washington in Phoenix. The FY12 Appropriation to AZGS includes \$10,000 of General Fund and \$3,300 of Non-Appropriated Funds for payment of rent on 1400 W. Washington in Phoenix. This property was occupied by the now defunct Arizona Department of Mines & Mineral Resources (ADMMR). When AZGS absorbed ADMMR, AZGS did not take possession of 1400 W. Washington; in fact, the property was vacated before the merger of the departments was implemented and prior to FY12.

The ADMMR staff moved into 1520 Adams, property AZGS is subletting from ADOA until more suitable quarters are found. The rent for that space was not appropriated to AZGS for FY12. ARS 41-792.01 states, "If a state agency . . . does not occupy or vacates state owned space after the beginning of the fiscal year, the director of the department of administration, on recommendation of the joint committee on capital review, may authorize a whole or partial exemption from the payment of the rental fee." AZGS would like to use the \$13,300 appropriated to property it did not occupy toward the rent of 1520 Adams (annual rent is \$54,000).

AZGS never occupied 1400 W. Washington and did not accept this rent obligation at the time of the merger with ADMMR. Therefore, AZGS requests removal of this property from its rental portfolio. Please feel free to contact me or my assistant, Debra Winstead (520-209-4155), if you have any questions.

Sincerely,

M. Lee Allison
Director & State Geologist

cc: Brett Searle, JLBC