STATE OF ARIZONA

Joint Committee on Capital Review

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HOUSE OF
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JOINT COMMITTEE ON CAPITAL REVIEW
Thursday, November 6, 2003
1:30 p.m
Senate Appropriations Room 109

MEETING NOTICE

- Call to Order
- Approval of Minutes of September 25, 2003.
- DIRECTOR'S REPORT (if necessary).

1. NORTHERN ARIZONA UNIVERSITY – Consider Approval of Scope, Purpose and Estimated Cost of Bond Projects.
2. PINAL COMMUNITY COLLEGE DISTRICT – Review of Revenue Bond Refinancing for Central Arizona College.
3. ARIZONA DEPARTMENT OF MINES AND MINERAL RESOURCES – Consider Recommending Partial Rent Exemption.
4. ARIZONA DEPARTMENT OF TRANSPORTATION – Review of FY 2004 Building Renewal Allocation Plan.
5. ARIZONA GAME AND FISH DEPARTMENT –
   A. Review of FY 2004 Building Renewal Allocation Plan.
   B. Review of Capital Improvement Projects.
6. ARIZONA EXPOSITION AND STATE FAIR BOARD – Review of FY 2004 Building Renewal Allocation Plan.
7. DEPARTMENT OF CORRECTIONS – Report on Status of 1,400 Bed Private Prison Contract.

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

10/31/03

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HOUSE OF REPRESENTATIVES

MINUTES OF THE MEETING
JOINT COMMITTEE ON CAPITAL REVIEW

Thursday, September 25, 2003

The Chairman called the meeting to order at 1:35 p.m. Thursday, September 25, 2003 in Senate Appropriations Room 109 and attendance was as follows:

Members:	Representative Pearce, Vice Chairman	Senator Burns, Chairman		
	Representative Biggs	Senator Bee		
	Representative Boone	Senator Brown		
	Representative Lopes	Senator Cannell		
	Representative Lopez	Senator Mead		
	Representative Loredo	Senator Waring		
Absent:	Representative Farnsworth	Senator Soltero (Excused)		
Staff:	Richard Stavneak	Jan Belisle, Secretary		
	Lorenzo Martinez	Jake Corey		
	Tony Vidale	Steve Grunig		
	Paul Shannon	Bob Hull		

Others:	Joel Valdez	U of A	Mark Swenson	Senate
	Debra Thompson	MCC	Debbie Johnston	Senate
	Michael Hunter	ATRA	Kim Baker	Senate
	Charles McCarty	DEMA	Steve Miller	ASU
	Lynn Goss	DEMA	Chris Muir	GITA
	Dick Davis	U of A		
	Dick Roberts	U of A		
	Greg Fahey	U of A		
	Charlene Ledett	U of A		
	Dave Harris	NAU		
	Dave Lorenz	NAU		
	Bruce Ringwald	ADOA		
	John Webster	ADOA		
	Bruce Meyers	ADOA		
	Jack Jones	ADOA		
	Jayne Long	ADOA		
	Joy Hicks	House		
	Jamie Hogue	House		
	Jack Lundsford	MCC		

<u>Senator Burns moved</u> *the Committee approve the minutes of August 14, 2003 as presented.* The motion carried.

MARICOPA COMMUNITY COLLEGE DISTRICT – Review of Performing Arts Center Bond Project.

Jake Corey, JLBC Staff, presented the Maricopa Community College District request that the Committee review the Performing Arts Center (PAC) bond project. The PAC will be constructed on the Paradise Valley Community College campus. This project was held from the last Committee meeting so that more information could be obtained. Mr. Corey said the cost per square foot for building construction is approximately $185 per square foot as opposed to cost reported at the prior meeting of $328. The total project cost of $328 per square foot also included infrastructure costs.

Of the total $8.7 million cost of the project, $7.8 million will be financed with revenue bonds. To pay for the debt service on the bonds, of the $51 per credit hour that the district charges, it is estimated that $.20 will go towards the debt service.

JLBC Staff recommends that the district report back to the Committee by December 31, 2003 on efforts to achieve economies of scale in the design of future district PAC's.

<u>Michael Hunter, Vice-President of the Arizona Tax Research Association (ATRA)</u> stated that ATRA has monitored the use of revenue bonding at the Community College level and expressed concerns about its impact on taxpayers to the State Board of Directors of Community Colleges and JCCR. The primary concern has been that revenue bonding lacks the voters' scrutiny on debt obligations that ultimately have a direct impact on property taxpayers. Increases in tuition and fees and property taxes are deposited into the colleges General Fund. There is no real distinction between the two major revenue sources as they flow into the colleges General Fund. JCCR should be asking if the request under review is an appropriate use of the college district's revenue bonding authority under Title 15, Article 5 "Issuance of Bonds for Revenue Producing Buildings." An example of a revenue producing building would be a dormitory. The fees derived from students who reside in such a facility would be the revenue, which in turn would be used for the debt service on those revenue bonds. As of 1981, "projects" considered "revenue producing" included "student or faculty residence halls, dormitories, dining halls, student union buildings, field houses, and other revenue producing buildings." In 1988, the statute was expanded to include classroom construction. Revenue bonding authority should not be used as a substitute for the public debate that should take place when a government entity undertakes a sizeable capital project. Mr. Hunter provided a letter to the Committee that included his statements and other comments.

In reply to Senator Mead, <u>Mr. Jack Lundsford, Director of Government Relations Internal Affairs, Maricopa Community College</u> stated that the project does fit the statutory definition. This is part of a 5-year master plan that the Governing Board adopted. There was a hearing held on tuition as prescribed in statute. The Governing Board reaffirmed this position in a public meeting.

Debra Thompson stated that bond counsel does review the bond issuance.

<u>Representative Pearce moved</u> *the Committee give a favorable review to the Performing Arts Center Project at Paradise Valley Community College and that the district report back to the Committee by December 31, 2003 on the feasibility of achieving economies of scale in the design of future district performing arts centers.* The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION – Approve Transfer of Miners' Fund Capital Appropriation.

Tony Vidale, JLBC Staff, presented the Arizona Department of Administration (ADOA) request to approve the transfer of $52,500 of remaining funds from the Stair Tower/Life Safety Upgrade project to Building Renewal at the Arizona Pioneers' Home in Prescott, Arizona. The transferred monies would be used to refurbish the existing passenger elevator at the Arizona Pioneers' Home to meet Arizona Disabilities Act and current life safety code requirements. Laws 2002, Chapter 343 appropriated $186,100 from the Miners' Hospital Fund to be used for Building Renewal at the Pioneers' Home. Of that amount, ADOA allocated $150,100 for the elevator modernization. However, when ADOA received the bids , all the bids exceeded the available funding. ADOA estimates the total cost to refurbish the elevator to be $202,600.

There was no discussion on this item.

<u>Representative Pearce moved</u> *the Committee approve the transfer of $52,500 from the Stair Tower/Life Safety Upgrade appropriation to refurbish the existing passenger elevator at the Arizona Pioneers' Home to meet Arizona Disabilities Act and current life safety code requirements.* The motion carried.

Review of FY 2004 Building Renewal Allocation Plan.

Paul Shannon, JLBC Staff, presented the Arizona Department of Administration request that the Committee review the FY 2004 Building Renewal allocation plan of $3,500,000 from the Capital Outlay Stabilization Fund (COSF). The COSF allocation will fund 24 projects within the ADOA Building System. ADOA employed the following priorities for the allocation of FY 2003 Building Renewal monies: 1) Fire and life safety projects, 2) Preservation of assets, and 3) Projects critical to the continued operation of existing programs.

There was no discussion on this item.

<u>Representative Pearce moved</u> *the Committee give a favorable review to the Arizona Department of Administration FY 2004 Building Renewal Allocation Plan of $3,500,000 from the Capital Outlay Stabilization Fund.* The motion carried.

UNIVERSITY OF ARIZONA – Review of University Research Infrastructure Lease-Purchase and Health Sciences Center Bond Projects.

Lorenzo Martinez, JLBC Staff, presented the Arizona State University (ASU) request that the Committee review the Institute for Biomedical Science and Biotechnology Building (IBSB), Medical Research Building (MRB), and Chemistry Building Expansion university research infrastructure projects. These projects will be financed with the issuance of $187,658,730 in Certificates of Participation (COPs).

ASU also requests review of the Drachman Hall and Infrastructure Improvement projects. These projects will be financed with a revenue bond issuance of $41,480,620.

Before providing a favorable review, it was recommended that the Committee also stipulate that ASU submit information to the Committee if contingency allocations to other project components exceeded the greater of $100,000 or 10% of the reported contingency amount.

Four of the projects listed do allocate $6.3 million for landscaping and parking. Of the $6.3 million, approximately 10-15% is for actual landscaping related to grass, shrubbery, etc. The other components deal with drainage issues and more involved items such as utility infrastructure, lighting, paving to create pedestrian walkways, as well as drainage issues which require major excavating and grading to control the water flow in the area. In total, the projects allocate $691,000 for public art. In the past, the committee has raised concerns about allocating funding for public art. Mr. Martinez reviewed the Lease-Purchase/Bond Projects.

Mr. Martinez explained that the university pointed out that they have a concern with the stipulation in the recommendation related to reporting to the Committee any contingencies that change the scope of the project. The concern is that if they come across any emergencies where they have to immediately start expending monies, they would need to come before the Committee first. They are requesting that they be allowed to report emergencies as opposed to having to wait for Committee review. JLBC Staff recommends ASU be required to report those emergencies immediately so that it can be determined whether it constitutes an emergency and to what extent it changes the scope of the project. Staff would then inform ASU and the Committee if they believe the change requires Committee review.

In response to Representative Biggs, Mr. Martinez stated that the Board of Regents guidelines do allow allocations for public art. The art is mainly outdoor art.

In response to Representative Boone, Mr. Martinez stated that each of the projects listed will be using the Construction Manager at Risk process. Because of the timing of the JCCR review process, the cost estimates that are submitted to the Committee are not the guaranteed maximum price amounts. The estimates that have been submitted have been developed in conjunction with some outside estimators and programming entities that determine how the facilities will be used and what the requirements are. The cost estimator then looks at the programming and develops a cost which then the university compares against the cost estimates they have developed based on their own experiences. Once the guaranteed maximum price is agreed upon, the Construction Manager at Risk is responsible for bringing in the project at the agreed scope and cost. If they bring it in at a lower price, they receive the profit and if it costs more than the guaranteed maximum price, they are responsible for the additional cost. Any amount left over between the financed amount and guaranteed maximum price is typically applied to contingencies for emergencies and debt service payments.

Representative Boone suggested that it may be a good idea that an independent firm be consulted for review of project guaranteed maximum price guaranteed maximum price.

<u>Representative Pearce moved</u> the Committee give a favorable review to the Institute for Biomedical Science and Biotechnology Building, Medical Research Building, and Chemistry Building Expansion lease-purchase university research infrastructure projects, as well as the Drachman Hall and Infrastructure Improvement bond projects with the following stipulations:

- *The University report to the Committee before expenditure of any allocations that exceed the greater of $100,000 or 10% of the reported contingency amount total for add alternates that <u>do not expand</u> the scope of the project.*
- *The University submit for Committee review any allocations that exceed the greater of $100,000 or 10% of the reported contingency amount total for add alternates that <u>expand</u> the scope of the project. In case of an emergency, the University may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. The JLBC Staff will inform the University if they do not agree with the change of scope as an emergency.*
- *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any tuition collections that may be required for debt service on the repayment of the financing or for operational costs when the projects are complete. These costs should be considered by the entire Legislature through the budget development process.*

The motion carried.

Mr. Stavneak, JLBC Staff clarified that the recommendation of the Committee does not include a provision for the public art issue.

Greg Fahey, UofA stated that they have not developed a plan for the expenditures for public art. The Board of Regents allows a certain percentage to be allocated for art.

Representative Biggs made a motion that $691,000 not be allocated for public art.

Representative Lopes asked for clarification on whether the motion was specific to the $691,000 amount or whether the motion was to not allow any funding for public art.

Representative Biggs restated the motion to stipulate that no monies be allocated for public art. With a show of hands: 6 ayes, 6 nayes and 2 not voting, the motion failed.

Representative Biggs asked for a roll call vote on the motion. With a roll call vote of 6 ayes, 6 nays and 2 not voting. The motion failed.

DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS – Review of Scope, Purpose and Estimated Cost of Classrooms and Operational Support Building Construction at the Project Challenge Campus.

Steve Grunig, JLBC Staff, presented the Department of Emergency and Military Affairs (DEMA) request that the Committee review its plan to spend $250,000 appropriated from the General Fund to DEMA in FY 2002 for construction of classrooms and an operational support building at the Project Challenge campus. The amount will be combined with $350,000 from a private grant to complete the project.

There was no discussion on this item.

Representative Pearce moved the Committee give a favorable review of the scope, purpose and estimated cost of construction of an operational and a classroom building at the Project Challenge campus. The state appropriation of $250,000 for the project will be combined with a $350,000 grant received by the department. The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION Review of Scope, Purpose, and Estimated Cost of Asbestos and Lead Inspections.

Bob Hull, JLBC Staff, presented the Arizona Department of Transportation request that the Committee review the scope, purpose and estimated cost of asbestos and lead inspections. The project was appropriated a total of $1,300,000 from the State Highway Fund, including $700,000 in FY 2002 and $600,000 in FY 2003. Of the total amount, $96,600 has already been spent, $950,000 is for the remaining work, and $253,400 is for contingencies. The estimated expenditures seem reasonable based on the bid price and the projected number of buildings, samples and analyses. ADOT did not spend or encumber any of the money in FY 2002 or FY 2003. Statute requires any capital appropriation that remains unused for a full year to revert. In order to save that appropriation ADOT subsequently recoded asbestos or lead related work from other remodeling projects and charged it back against these 2 appropriations so they could show that they had some monies expended against them. This is contrary to statute in that it bypassed the requirement that the JCCR review capital projects prior to the release of monies for construction. JLBC Staff recommends a favorable review with the stipulation that ADOT report back to the Committee on corrective measures they have taken to assure that appropriations are properly tracked and that the requirement of A.R.S. § 41-1252 for JCCR to review capital projects prior to the release of monies for construction is met.

There was no discussion on this item

Representative Pearce moved the Committee give a favorable review of the scope, purpose and estimated cost to contract for the testing of ADOT's building and structures for asbestos and lead-based paint. The Committee also requests that ADOT report back on corrective measures taken to assure that appropriations are properly tracked and that the requirement of A.R.S. § 41-1252 for the Committee to review capital projects prior to the release of monies for construction is met. The motion carried.

Report on Executive Summary of Arizona 5-Year Transportation Facilities Construction Program.

Bob Hull, JLBC Staff, presented the Executive Summary 5-year Transportation Facilities Construction Program. The entire plan costs $3.9 billion. Of this amount, $1.6 billion will be spent on 17 major projects. The plan addresses 13 of the 21 most congested highway segments in the state. It is recommended that ADOT provide an

Executive Summary of its 5-Year Transportation Facilities Construction Program for FY 2005-FY 2009, when the department requests Committee review of its FY 2005 highway construction budget for Professional & Outside expenditure plan

There was no discussion on this item and no Committee action was required.

GOVERNMENT INFORMATION TECHNOLOGY AGENCY Report on Telecommunications Privatization.

Paul Shannon, JLBC Staff, presented the Government Information Technology Agency (GITA) report on Telecommunications Privatization. GITA in consultation with ADOA must prepare and submit to the JCCR an actionable request for proposals (RFPs) to privatize the state's telecommunication services. Both agencies are required to submit monthly reports on the status of related activities and expenditures. GITA is preparing the RFP and plans to submit it to JCCR by October 31, 2003 for review.

There was no discussion on this item and no Committee action was required.

OFFICE OF THE ATTORNEY GENERAL Report on Status of 1,400 Bed Private Prison Contract.

Chairman Burns mentioned that he had met with the parties involved and this issue was no longer necessary.

The meeting adjourned at 2:35 p.m.

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Jan Belisle, Secretary

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Lorenzo Martinez, Assistant Director

____
Senator Robert "Bob" Burns, Chairman

NOTE: A full tape recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams.

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HOUSE OF REPRESENTATIVES

DATE: October 30, 2003

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Assistant Director

SUBJECT: NORTHERN ARIZONA UNIVERSITY – CONSIDER APPROVAL OF SCOPE, PURPOSE AND ESTIMATED COST OF BOND PROJECTS

Request

Of a total of $93,900,000 in bonding authority allowed pursuant to Laws 1996, Chapter 334 and Laws 2001, Chapter 233, Northern Arizona University (NAU) has $31,300,000 in remaining bonding authority. NAU is requesting Committee approval to exercise $31,000,000 in remaining bonding authority to finance 5 projects.

Two of these projects, Infrastructure Upgrades and School of Communication Building Renovations, were approved by the Committee in August 2002. The scope or estimated cost of these projects has been revised. Phase 2 of the Modular Swing Space is a continuation of a previous project also approved in August 2002, and 2 College of Business related projects are new.

Recommendation

The JLBC Staff recommends that the Committee approve the issuance of $31,000,000 in revenue bonds for the proposed projects with the following stipulations:

- NAU report to the Committee before expenditure of any allocations that exceed the greater of $100,000 or 10% of the reported contingency amount total for add alternates that do not expand the scope of the project.
- NAU submit for Committee review any allocations that exceed the greater of $100,000 or 10% of the reported contingency amount total for add alternates that expand the scope of the project. In case of an emergency, NAU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. The JLBC Staff will inform the university if they do not agree with the change of scope as an emergency.
- A favorable review by the Committee does not constitute endorsement of General Fund appropriations for operational costs when the projects are complete. These costs should be considered by the entire Legislature through the budget development process.

As of August 2002, NAU had $63,000,000 of revenue bonding authority remaining. NAU was appropriated $4,000,000 from the General Fund in its operating budget in FY 2003 to offset the loss of operating tuition revenues that would be used to pay the annual debt service when these bonds were issued. At its August 2002 meeting, the Committee approved the issuance of $31,700,000 for various capital projects. The request before the Committee reflects issuing the remaining bonding authority of $31,300,000.

Annual debt service for this issuance is estimated to be $2,039,700. Total interest paid over the 30 year repayment period would be $30,191,000. Combined with the required debt service for the issuance approved in August 2002, annual debt service will be $4,073,800.

These projects would increase the university's debt ratio (debt services as a percent of total expenditures) from 4.81% to 5.11%. The statutory cap is 8%.

Analysis

Table 1 lists the estimated capital cost of the projects associated with this $31,000,000 bond issuance, any amounts previously approved by the Committee and total project cost.

NAU Bond Project Costs

Project	Current Request	Previously Approved	Total
New College of Business	$22,000,000	$ 0	$22,000,000
College of Business Stabilization	500,000	0	500,000
Infrastructure Upgrades	5,000,000	12,725,000	17,725,000 1/
Modular Swing Space	2,600,000	2,625,000	5,225,000
School of Communication Renovations	900,000	13,120,000	14,020,000 2/
Unallocated	300,000	0	300,000
Total	**$31,300,000**	**$28,470,000**	**$59,770,000**

1/ NAU estimates total at $17,600,000.
2/ NAU estimates total at $13,900,000.

The bonds will be repaid over a 30 year period at an estimated interest rate of 5.1%. *Table 2* lists the NAU estimated annual debt service associated with each project as well as the total amount that will be paid over the 30-year period.

NAU Bond Project Debt Service Costs

Project	Annual Debt Service	Total Payments
New College of Business	$1,447,500	$43,425,000
College of Business Stabilization	32,900	987,000
Infrastructure Upgrades	329,000	9,870,000
Modular Swing Space	171,100	5,133,000
School of Communication Renovations	59,200	1,776,000
Total	**$2,039,700**	**$61,191,000**

NAU was appropriated $4 million from the General Fund in FY 2003 to offset the loss of tuition collections that will be used to pay the debt service on these bonds (and bonds approved by the Committee in August 2002). The August 2002 approved issuance of $31,700,000 had an estimated annual debt payment of $2,034,100 (4.88% over 30 years).

Table 3 lists the estimated operating and maintenance costs for each project associated with this bond issuance after it is completed. NAU will make a General Fund request for these funds when the projects are completed.

NAU Bond Project Operating & Maintenance Costs	
Project	Estimate
New College of Business	$550,000
Modular Swing Space	65,000
Total	**$615,000**

The following provides a description of each of the 5 projects.

New College of Business Building – NAU will construct a new 100,000 square foot facility at an estimated cost of $22,000,000. The new facility will provide state-of-the-art computer labs and classrooms, seminar and conference rooms, office space, student centered areas, flexible spaces and an auditorium. The facility will house the Accounting, Computer Information Systems, Economics, Finance, and Management and Marking programs and departments. NAU is also seeking $5,000,000 in gift funds to provide fixtures, furniture and equipment as well as other amenities not directly related to construction.

The existing 71,000 square foot College of Business was constructed in 1972. The mechanical, electrical and plumbing systems are beyond capacity and expected life expectancies. While the building is not a safety hazard, the structural integrity is deteriorating as a result of an unstable foundation (see *College of Business Stabilization* project). Estimated costs to renovate the facility is over $15,000,000. A general building renewal rule-of-thumb is to replace a facility if renovation costs exceed two-thirds of the replacement cost. NAU criteria is to consider replacement if deferred maintenance divided by replacement cost (facility condition index - FCI) exceeds 60%. An assessment on the College of Business calculated the FCI to be over 70%. When the new College of Business building is complete, NAU plans to use the vacated facilities as temporary swing space to house programs and departments while other buildings on campus are being renovated.

Taking the total amount allocated for the project and dividing by the total gross square feet (GSF), the total project cost per square foot is $220. Taking the costs directly related to constructing the building (excludes contingencies and allocations for ancillary items such as design and surveys) and dividing by GSF, the direct construction cost per square foot is $182. These are 2 of the standard calculations typically used for cost comparisons with similar projects. As part the standard project development process, NAU hired an outside firm to corroborate the initial cost estimate developed by the university, architect and construction manager. The estimate will continue to be refined as schematic designs and construction documents are developed. A sample of 7 business college projects that have been completed nationwide since 2000 had an average construction cost of $175 per square foot. The Mediated Classroom/Social Sciences Building project currently under construction on the Arizona State University campus is estimated to have a construction cost of $182 per square foot.

The project is estimated to take 15 months from the start of construction to completion. Annual on-going operating and maintenance costs when the project is complete are estimated to be $550,000. NAU plans to make a General Fund request for these costs when the building is ready for occupancy.

At an estimated interest rate of 5.1% over a 30-year repayment period, the annual debt service on the $22,000,000 is $1,447,500. Total interest paid for this project will be $21,425,000.

College of Business Structural Stabilization – NAU will allocate $500,000 of the bond issuance to stabilize structural deterioration that is occurring to the existing College of Business due to settlement and shifting of the soil and clay on which the facility sits. While there is no immediate structural jeopardy, an assessment on the condition of building recommended replacement and repair of the foundation slab, column capitals, and weld connections to stabilize the deterioration. The building will continue to house the College of Business while the new facility is constructed, and will house other programs on a temporary basis while other buildings on campus are renovated. NAU does not plan on deciding the final disposition of the facility for 2-3 years.

At an estimated interest rate of 5.1% over a 30-year repayment period, the annual debt service on the $500,000 is $32,900. Total interest paid for this project will be $487,000.

Infrastructure Upgrades – NAU has revised the scope and estimated cost of infrastructure upgrades approved by the Committee in August 2002. The estimated cost has increased from $12,725,000 to $17,725,000. The increase of $5,000,000 would be used to eliminate stand alone cooling units in the south campus and construct a centralized chiller plant with greater capacity and more efficient operation. The scope of the infrastructure upgrades was revised to include this component in anticipation of future construction related to research infrastructure projects authorized by Laws 2003, Chapter 267 (H.B.2529).

NAU hired an outside firm specializing in the design and construction of infrastructure utility systems to help develop and corroborate the cost estimate. The costs associated with the type of building to be constructed, the size of the chiller units and the linear and square footage associated with the proposed sitework and utility extensions appear reasonable. The projects are estimated to take 14 months from the start of construction to completion.

At an estimated interest rate of 5.1% over a 30-year repayment period, the annual debt service on the $5,000,000 is $329,000. Total interest paid for this project will be $4,870,000.

Modular Swing Space – This project involves the construction of infrastructure and concrete pads upon which modular facilities can be installed as needed by user groups relocated during building renovations planned across campus. This second phase of the project will complete development of a 12-acre site with 5 concrete pads, facilities to provide utility extensions to the buildings, a service/delivery road, and a drainage, storm sewer and catch basin system. Estimated cost of Phase 2 is $2,600,000. The amount approved by the Committee for Phase 1 in August 2002 was $2,625,000.

NAU reports that Phase 1 is 99% complete and is currently under budget by $114,000. Phase 2 will include the installation of two 10,000 square foot modular buildings with utility connections. The cost for these buildings is $100 per square foot, which is reasonable for these types of buildings. Based on the actual costs for Phase 1, the costs for additional sitework, utility extensions and paving also appear reasonable. Phase 2 is estimated to take 3-6 months from the start of construction to completion. The Phase 2 buildings will house the School of Communication and the College of Engineering while the buildings housing these programs are renovated. Annual on-going operating and maintenance costs when the project is complete are estimated to be $65,000. NAU plans to make a General Fund request for these costs when the project is complete.

At an estimated interest rate of 5.1% over a 30-year repayment period, the annual debt service on the $2,600,000 is $171,100. Total interest paid for Phase 2 of this project will be $2,533,000.

School of Communication Renovations – NAU has revised the scope and estimated cost of renovations to the School of Communications building. The Committee approved an allocation of $13,120,000 in August 2002. The revision would increase the estimated cost by $900,000. Combined with reallocations from the previously approved amount, the scope of the project will be expanded to include a 30,000 square foot expansion to accommodate a lecture hall and classroom space.

The building was constructed in 1960. The previous scope of the project included major repair and upgrade of electrical, mechanical and plumbing system components, reconfiguration and upgrading of classroom, laboratory and office space, and addressing code compliance and health and safety issues.

NAU hired an outside architectural and engineering firm to conduct an assessment of the facility and develop schematic designs and cost estimates for the original scope approved by the Committee in August 2002. NAU reports the project is 45% complete and on budget based on the revised scope and cost estimates. Total project cost per square foot is $154, and direct construction cost per square foot is $131. Compared to the new construction costs for the College of Business and given that this project involves major renovation and new construction that will increase square footage by 48%, the costs appear reasonable.

At an estimated interest rate of 5.1% over a 30-year repayment period, the annual debt service on the $900,000 is $59,200. Total interest paid for this project will be $876,000.

RS/LM:jb

STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE	1716 WEST ADAMS PHOENIX, ARIZONA 85007	HOUSE OF REPRESENTATIVES
ROBERT "BOB" BURNS CHAIRMAN 2003 TIMOTHY S. BEE JACK A. BROWN ROBERT CANNELL, M.D. SLADE MEAD VICTOR SOLTERO JIM WARING	PHONE (602) 542-5491 FAX (602) 542-1616 http://www.azleg.state.az.us/jlbc.htm	RUSSELL K. PEARCE CHAIRMAN 2004 ANDY BIGGS TOM BOONE EDDIE FARNSWORTH PHIL LOPES LINDA J. LOPEZ JOHN LOREDO

DATE: October 31, 2003

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jake Corey, Fiscal Analyst

SUBJECT: PINAL COMMUNITY COLLEGE DISTRICT – REVIEW OF REVENUE BOND REFINANCING FOR CENTRAL ARIZONA COLLEGE

Request

Pursuant to A.R.S. § 15-1483, Pinal County Community College District (District) requests Committee review of two district projects to be funded by refinancing outstanding revenue bonds and Certificates of Participation (COP's).

Recommendation

Prior to making a recommendation, the JLBC Staff is seeking information on two items in the request, including 1) the lack of detail on equipment funding, and 2) the cost per square foot of the restroom renovation.

The District plans to refinance existing revenue bonds and COP's to generate $5,000,000 in proceeds. The proceeds will help fund a University Center at Central Arizona College. The total project cost is estimated to be $6,000,000. The District plans to use $1,500,000 in donations from the Pinal County University Foundation and $4,500,000 in refinancing proceeds to fund the center. Of the total $6,000,000 cost, the District estimates spending $1,000,000 on furniture and equipment. The District has not provided detail on the type of furniture or equipment that would be purchased.

The remaining $500,000 in refinancing proceeds will be used to make restrooms in the Pence Theater Center compliant with federal Americans with Disabilities Act (ADA) requirements. The cost per square foot of the project is $667. The JLBC Staff has requested additional information on the costs of this project.

As part of the refinancing, the District will be extending the term of its debt service payments. Annual debt service payments will remain at approximately $2.2 million, but the District will extend those annual payments by four years. Most of the debt service related to the refinancing, therefore, will be paid in the last four years of the new payment term. (*See Table in Analysis Section.*)

Over a 15-year period, the additional debt service due to the refinancing will equal an estimated $10,916,700. Extending the payment term at the back end has significantly increased debt service costs. The total debt service costs on a typical 15-year, $5,000,000 issuance would be closer to $7.5 million. Compared to the costs of issuing a new 15-year bond, therefore, the District will be paying approximately $3.5 million in greater debt service costs to extend the payment period. The additional debt service related to refinancing will be paid with rental revenues through FY 2015, then with tuition and fees, in addition to rental revenues, through FY 2019.

Analysis

A.R.S. § 15-1483 requires a community college district, prior to the issuance of bonds, to submit information on any projects to be funded with the bond proceeds to the Committee for review. The Capital Project Budget Summary submitted by the college details the $6,500,000 total for the two projects.

The University Center will be a 35,000 square foot facility, including sixteen classrooms, two conference rooms, two labs, two lecture halls, and twelve faculty offices. Proceeds from the refinancing will fund the design, construction, furnishings, and equipment of the facility. The total cost of the project is estimated to be $6,000,000, for a total square footage cost of $171. The cost for direct building construction is $3,900,000, for a direct construction cost per square foot of $111. The costs are comparable to other higher education classroom construction projects.

Of the $6,000,000 total, $1,000,000 is allocated for furniture and equipment. The District has not specifically identified the furniture or equipment to be purchased. The Committee has raised concerns in the past about financing equipment purchases if the expected useful life of the equipment is significantly shorter than the repayment period. A.R.S. § 15-1481, however, does allow community college districts to use bond financing for equipment.

Annual operating costs for the center are estimated to be $254,000 and will be funded with rental revenues. The District estimates receiving $460,000 per year in rental revenues from Arizona public universities that will be using the facility.

The District will also be performing work on the Pence Theater Center to make the restrooms compliant with ADA standards. To accomplish this, the District will expand the center by 750 square feet and renovate the existing restrooms. The total cost of the project is estimated to be $500,000, which equates to $667 per square foot.

The table below shows the estimated annual debt service payments. Rental revenues will be used for the refinancing debt service payments through FY 2015. Beginning in FY 2016 and continuing until the final payment in FY 2019, the district will use tuition and fees, in addition to rental revenues, to make the debt service payments. Prior to refinancing, the final payment on the outstanding revenue bonds was to be made in FY 2015. Included in the refinancing is a deferral of the final debt service payment from FY 2015 to FY 2019. The District has likewise extended the time period over which the increase in tuition and fees will be used to fund the total debt service.

Estimated Debt Service Schedule
FY 2004 – FY 2019

	Existing Debt Service	Refinancing Debt Service	Total Debt Service
FY 2004	$2,029,000	$0	$2,029,000
FY 2005	$2,029,300	$194,100	$2,223,400
FY 2006	$2,029,400	$186,100	$2,215,500
FY 2007	$2,029,000	$189,500	$2,218,500
FY 2008	$2,030,500	$186,500	$2,217,000
FY 2009	$2,033,800	$185,200	$2,219,100
FY 2010	$2,033,600	$182,200	$2,215,900
FY 2011	$2,030,900	$186,700	$2,217,600
FY 2012	$2,033,000	$185,100	$2,218,100
FY 2013	$2,035,000	$183,200	$2,218,300
FY 2014	$2,032,300	$186,800	$2,219,000
FY 2015	$2,028,400	$186,600	$2,215,100
FY 2016	$0	$2,215,800	$2,215,800
FY 2017	$0	$2,215,800	$2,215,800
FY 2018	$0	$2,215,000	$2,215,000
FY 2019	$0	$2,218200	$2,218,200
Total	$24,374,200	$10,916,700	$35,290,900

RS/JC:jb

DATE: October 30, 2003

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Bethany Nicholas, Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF MINES AND MINERAL RESOURCES – CONSIDER RECOMMENDING PARTIAL RENT EXEMPTION

Request

The Arizona Department of Mines and Mineral Resources (ADMMR) requests a partial rent exemption in the amount of $136,400 for FY 2004. Pursuant to A.R.S. § 41-792.01D, "if a state agency does not have the financial resources for state owned space … the Director of the Arizona Department of Administration (ADOA), on recommendation of the Joint Committee on Capital Review, may authorize a whole or partial exemption from payment of the rental fee."

Recommendation

The Committee has at least three options:

1. Recommend that ADOA authorize a General Fund partial FY 2004 rent exemption of $136,400.
2. Recommend a FY 2004 rent exemption of $106,000, the same amount exempted in FY 2003.
3. Do not recommend the request. Without an exemption, the department could either A) transfer funds from Personal Services and Employee Related Expenses (ERE) thereby necessitating a reduction of 3 or 4 FTE Positions or B) make a one-time expenditure of funds from the Mines and Mineral Resources Fund, a non-appropriated fund which receives monies from sales in the museum's gift shop.

Analysis

In FY 2003 ADMMR requested and was granted a rent exemption in June. At that time the rent requirement for ADMMR was $368,100, which accounted for 57% of the agency's operating budget. ADMMR had paid $261,500 in rent to the Arizona Department of Administration and had an outstanding balance of $106,000. The only funding remaining in the budget was Personal Services and Employee Related Expenditures (ERE). Transferring additional funds to cover the rent charge would have required a reduction in current staff.

Option 1 – Recommend the Requested Exemption of $136,100
The FY 2004 rent requirement for ADMMR is again $368,100. ADMMR estimates that approximately $231,700 will be available for rent in FY 2004. This includes $222,200 from the budgeted Other Operating Expenditures (OOE) allocation and $9,500 from the department's Mines and Mineral Resources Fund, a non-appropriated fund which receives monies from sales in the museum's gift shop.

The agency's total OOE allocation for FY 2004 is $254,300. Approving the requested $136,100 rent exemption would cause the board to pay $222,200 for rent and use the remaining OOE funding of $43,900 for risk management, technology services, office supplies, printing, repairs, training, and postage expenses. In comparison, the department spent approximately $20,700 on non-rent other operating expenses in FY 2003 ($9,200 from the General Fund and $11,500 from the Mines and Mineral Resources Fund, a non-appropriated fund). As a result, the $136,100 rent exemption would "free-up" more monies in the base budget and effectively permit other budget increases.

Option 2 – Maintain the FY 2003 Exemption of $106,000
Approving a $106,000 rent exemption, which is equivalent to the exemption approved in FY 2003, would require ADMMR to forego planned increases in Professional and Outside Services, In-State Travel, Equipment, and OOE expenditures.

Option 3 – Deny the Rent Exemption
Denying the rent exemption entirely would require ADMMR to do one of two things. 1) Transfer funds from Personal Services and Employee Related Expenses (ERE) thereby requiring a reduction of between 3 and 4 FTE Positions. The agency has 7 appropriated and filled FTE Positions. 2) Transfer some funds from Personal Services and ERE and make a one-time expenditure of funds from the Mines and Mineral Resources Fund, a non-appropriated fund. The Mines and Mineral Resources Fund does not have an adequate fund balance to sustain a one-time expenditure of the complete amount. The department estimates the fund will have a balance of approximately $100,000 at the end of FY 2004.

Laws 2003, Chapter 263 (Public Finances Omnibus Reconciliation Bill) would have exempted ADMMR from $205,100 per year in ADOA rent charges for FY 2004 and FY 2005. The Governor, however, vetoed this section of the bill.

RS/BN:ck

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HOUSE OF REPRESENTATIVES

DATE: October 27, 2003

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/Fiscal Analyst

SUBJECT: DEPARTMENT OF TRANSPORTATION – REVIEW OF FY 2004 BUILDING RENEWAL ALLOCATION PLAN

Request

The Arizona Department of Transportation (ADOT) requests that the Committee review its FY 2004 Building Renewal allocation plan.

Recommendation

The JLBC Staff recommends a favorable review of the plan. ADOT has allocated $1,363,300 from the State Highway Fund among 87 projects leaving a contingency amount of $197,200, and $32,000 from the State Aviation Fund among 3 projects. The JLBC Staff further recommends that funding for any new projects not listed in the allocation plan, reallocations between projects, and allocations from the contingency amount be reported to JLBC Staff prior to expenditure. JLBC Staff would report to the Committee on significant changes, typically above $50,000. All of the projects fit within the guidelines for building renewal projects.

Analysis

Laws 1986, Chapter 85 established the Joint Committee on Capital Review and charged it with developing a Building Renewal Formula to guide the Legislature in appropriating monies for the maintenance and repair of state buildings. Pursuant to A.R.S. § 41-1252, the JCCR shall review the expenditure of Building Renewal monies.

The Capital Outlay Bill (Laws 2003, Chapter 261) appropriated a total of $1,592,500 to ADOT for building renewal in FY 2004, including $1,560,500 from the State Highway Fund and $32,000 from the State Aviation Fund. The FY 2004 Building Renewal appropriations represent 50% of the amount generated by the Building Renewal Formula. ADOT expects to allocate the Building Renewal monies from the State Highway Fund in the following categories for 87 projects:

Category	Projects	State Highway Fund	% of Total
Fire/Life/Safety	15	$ 471,300	30.2%
Roofs Repair/Replacement	31	177,400	11.4
Exterior Preservation (Doors, Windows, Siding)	14	86,900	5.6
Building Systems (HVAC, Electrical, Plumbing)	19	302,200	19.4
Interior Finishes (Paint, Carpet, Tile)	2	6,500	0.4
Remodel	1	7,000	0.4
Americans with Disabilities Act	1	200,000	12.8
Infrastructure (Sewers, Parking)	4	112,000	7.2
Contingencies		197,200	12.6
Total	**87**	**$1,560,500**	**100.0%**

For the Committee's information, the following 4 State Highway Fund projects require $50,000 or more:

Project	Allocation
Repair 2 elevators – MVD 1801 W. Jefferson	$ 225,000
Replace damaged eyebolts – Spreader Racks Statewide	95,000
ADA compliance – Multiple MVD Locations	200,000
Replace septic system – Seligman Mobile Homes	65,000
Subtotal	$585,000

ADOT expects to allocate the Building Renewal monies from the State Aviation Fund in the following categories for 3 projects:

Category	Projects	State Highway Fund	% of Total
Roofs Repair/Replacement	1	$13,500	42.2
Interior Finishes (Paint, Carpet, Tile)	2	18,500	57.8
Total	**3**	**$32,000**	**100.0%**

The JLBC Staff recommends a favorable review of the FY 2004 expenditure plan. The attached material submitted by ADOT lists each project and its estimated cost. The projects are consistent with Building Renewal guidelines and appropriations.

RS/BH:jb

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HOUSE OF REPRESENTATIVES

DATE: October 28, 2003

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jason Hampton, Fiscal Analyst

SUBJECT: ARIZONA GAME AND FISH DEPARTMENT – REVIEW OF FY 2004 BUILDING RENEWAL ALLOCATION PLAN

Request

The Arizona Game and Fish Department (AGFD) requests Committee review of its FY 2004 Building Renewal allocation plan of $323,000 from the Game and Fish Fund.

Recommendation

The JLBC Staff recommends a favorable review of the plan. The $323,000 plan includes the following expenditures:

- $43,000 is for Major Building Systems including air conditioning and evaporative cooler replacement.
- $66,000 is for Preservations of Assets including roofing replacement and exterior painting projects.
- $89,000 is for Interior Building Finishes including carpeting and flooring replacement, interior painting, and restroom renovation.
- $55,000 is for Infrastructure including paving maintenance.
- $70,000 is for Alterations to Occupied Space including office and workspace modifications.

Analysis

Laws 1986, Chapter 85 established the Joint Committee on Capital Review and charged it with developing a Building Renewal Formula to guide the Legislature in appropriating monies for the maintenance and repair of state buildings. A.R.S. § 41-1252 requires JCCR review of the expenditure plan for Building Renewal monies. Laws 2003, Chapter 261 appropriated a total of $323,300 in FY 2004 from the Game and Fish Fund to the AGFD, to fund 100% of the Building Renewal Formula.

(Continued)

The AGFD has more than 270 structures within its building and infrastructure system across the state totaling approximately 542,000 square feet. Facilities include central headquarters in Phoenix, six regional offices, fish hatcheries, and multiple residences and storage buildings. The FY 2004 proposed Building Renewal expenditure plan is illustrated in the following table:

Table 1

Category	FY 2004 Allocation
Major Building Systems	
Air Conditioning & Evaporative Cooler Replacement	$43,000
Preservation of Assets	
Exterior Painting	26,000
Roofing	40,000
Interior Building Finishes	
Carpeting/Flooring	52,000
Interior Painting	17,000
Restroom Renovation	20,000
Infrastructure	
Paving Maintenance	55,000
Alterations to Occupied Space*	
Office/Workspace Modifications	70,000
Total	**$323,000**

*** Unspent monies in this category will be applied to other categories as needed.**

The funding allocations primarily fund multi-year replacement plans at various locations statewide. The submitted material provides additional detail for each project. The projects are consistent with building renewal guidelines and appropriations.

RS/JH:jb

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HOUSE OF REPRESENTATIVES

DATE: October 30, 2003

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jason Hampton, Fiscal Analyst

SUBJECT: ARIZONA GAME AND FISH DEPARTMENT – REVIEW OF CAPITAL IMPROVEMENT PROJECTS

Request

The Arizona Game and Fish Department (AGFD) requests Committee review of its capital improvement expenditure plans for its security system, Pinetop Regional Office, and Tri-State Shooting Range.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review to the Pinetop Regional Office projects. JLBC Staff has requested additional information to confirm the reasonableness of the security system and shooting range cost estimates and will provide a recommendation to the Committee at its meeting.

The total cost for the three projects is estimated to be $810,000. These projects are funded from the AGFD Capital Improvement Fund.

Analysis

Laws 1986, Chapter 85 established the Joint Committee on Capital Review and charged it with reviewing the state capital improvement plan and expenditures of all monies appropriated for capital projects and building renewal. A.R.S. § 41-1252 (C) also requires JCCR review of new capital projects estimated to cost more than $250,000 before release of the monies for construction.

(Continued)

Laws 2003, Chapter 261 appropriated $810,000 from the AGFD Capital Improvement Fund for the projects listed in the following table:

Table 1

Category	Expenditure Plan
Security System Upgrades	
Card Reader System	$ 80,000
Security Alarm Panels	81,000
ID Badges & Proximity Card	8,000
South Yard Perimeter Alarm	10,000
Panic Alarms	6,000
Color Camera Monitoring System	15,000
Pinetop Regional Office	
Paving Improvements	50,000
Warehouse Construction	260,000
Tri-State Shooting Range	
Range Infrastructure Construction	65,000
Pistol & Practical Range Construction	165,000
Trap, Skeet, & Sporting Clay Range Construction	70,000
Total	**$810,000**

Security System Upgrades

The department will procure the necessary equipment to upgrade and integrate the existing security system at the Deer Valley headquarters location. The new system will include upgrading security alarm panels and keypads, badge proximity readers, camera monitoring system, and the perimeter alarm for the south yard. JLBC Staff has requested additional information to confirm the reasonableness of the cost estimates.

The department had received a total of $1,600,000 in prior appropriations from the Capital Improvement Fund to renovate and expand the headquarters location. However, at the department's request, Laws 2003, Chapter 261 (FY 2004 Capital Outlay Bill) requires the reversion of any unspent appropriations. The department requested the reversion because it is researching the feasibility of moving the headquarters to a new location.

Pinetop Regional Office

The department will install a 5,580 square foot pre-engineered modular building at the Pinetop Regional Office to serve as a warehouse and workshop. The space will be used to store and secure equipment and vehicles. The estimated cost for the facility is $239,900, or $43 per square foot, which is reasonable for this type of building. This project was originally part of the scope for a FY 2001 appropriation to expand the facilities, however, bid prices did not allow the construction of this space. An additional $14,000 will be used to purchase a storage system.

The department will also use $50,000 to complete paving a driveway that could not be accommodated with the FY 2001 appropriation. The project will pave 7,700 square yards at a cost of $6.50 per square yard, which reasonable for the proposed paving.

Tri-State Shooting Range

The department will develop a shooting range to serve the tri-state area (Arizona, California, Nevada) near Lake Havasu. The $300,000 appropriation will be used to create the range infrastructure including fencing, roadways, parking and utilities; grading and drainage for trap, skeet and sporting clay ranges; and grading, drainage, berm construction, and control building for pistol ranges. JLBC Staff has requested additional information to confirm the reasonableness of the cost estimates.

An additional $300,000 will be required to complete the project. The facility is planned for construction on U.S. Bureau of Land Management lands by Special Use Permit.

RS/JH:jb

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HOUSE OF REPRESENTATIVES

DATE: October 28, 2003

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jason Hampton, Fiscal Analyst

SUBJECT: ARIZONA EXPOSITION AND STATE FAIR BOARD – REVIEW OF FY 2004 BUILDING RENEWAL ALLOCATION PLAN

Request

The Arizona Exposition and State Fair (AESF) requests Committee review of its FY 2004 Building Renewal expenditure plan totaling $947,500.

Recommendation

The Committee has at least the following two options:

1. Favorably review the FY 2004 Building Renewal allocation plan to expend $947,500 for parking lot improvements. The agency reports that the conditions of the south parking lot and grandstand parking lot pose safety hazards.
2. Hold any expenditures for these projects pending further discussion on the future of the Coliseum. The Coliseum and fairgrounds have recently been discussed by the Legislature as potential candidates for asset sales.

Analysis

Laws 1986, Chapter 85 established the Joint Committee on Capital Review 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.

Laws 2003, Chapter 261, appropriated $1,198,100 in FY 2004 from the Arizona Exposition and State Fair Fund to the AESF Capital Outlay Fund for major maintenance and repair of its facilities. The costs of the projects appear to be consistent with bid estimates for paving projects received by the Arizona Department of Administration. The following chart outlines the expenditures for the FY 2004 projects:

(Continued)

	Project	Estimated Cost
South Parking Lot	Pulverize Existing Lot Surface & Repave (69,000 Sq. Ft. x $10.85)	$ 748,700
	Miscellaneous Expenses	37,800
	Construction Surveying	29,200
	Construction Inspection & Testing	19,500
	Re-stripe Parking Lot	5,000
	Project Total	**$ 840,200**
Grandstand Parking Lot	Remove and Replace Asphalt (8,700 Sq. Ft. x $10.81)	$ 94,300
	Stripping	4,300
	Surveyors	8,700
	Project Total	**$107,300**

RS/JH:jb

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HOUSE OF REPRESENTATIVES

DATE: October 31, 2003

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Tony Vidale, Senior Fiscal Analyst

SUBJECT: DEPARTMENT OF CORRECTIONS – REPORT ON STATUS OF 1,400 BED PRIVATE PRISON CONTRACT

Request

The Chairman has requested that the Arizona Department of Corrections (ADC) report to the Committee on the status of a contract for the department to purchase 1,400 private prison beds to house Arizona prison inmates.

Recommendation

This item is for information only and no Committee action is required.

Analysis

Pursuant to A.R.S. § 41-1609, the Arizona Department of Corrections (ADC) shall submit all private prison contracts to the Office of the Attorney General (AG) for approval. As noted in the attached letter, a contract to house 1,400 Arizona inmates in a new privately operated prison facility has not received final approval by the AG. Since ADC is operating an overcrowded prison system and the Legislature approved additional monies for ADC in FY 2004 to purchase more private prison beds, the Chairman has requested that ADC update the Committee on the current timeline for approval of the contract.

RS/TV:jb
Attachment

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October 29, 2003

The Honorable Terry Goddard
Arizona State Attorney General
1275 West Washington Street
Phoenix, AZ 85007

Ms. Dora Schriro, Director
Arizona Department of Corrections
1601 West Jefferson Street
Phoenix, AZ 85007

Ms. Betsey Bayless, Director
Arizona Department of Administration
100 North 15th Avenue, Suite 401
Phoenix, AZ 85007

Dear Attorney General Goddard, Directors Schriro and Bayless,

On September 24th, I met with the Arizona Department of Corrections (ADC) to receive an update on the contract to purchase 1,400 private prison beds to house Arizona prison inmates. At that time, it was my understanding that ADC and the private entity were finalizing details of a contract that would then require final approval by the Office of the Attorney General. It is now more than a month since that meeting and it appears we are no further along in the process. Given the severe overcrowding currently occurring within ADC, I am very concerned about the impact any further delay could have on public safety.

As you are no doubt aware, the Arizona Legislature provided a total of $7.3 million to ADC in FY 2004 to contract for 400 of the 1,400 beds beginning in July 2003. Due to delays in finalizing the contract, I was informed that the beds would not be available until November 2003. At our September 24th meeting, the department informed me that the beds would begin to open about 3 to 4 months after final approval by the Attorney General, that it would be a matter of days before the contract was finalized, and the beds would be available in January 2004. However, I have now been informed that further contract delays may preclude ADC from housing inmates in the new private prison until February 2004 at the earliest.

In recognition of prison overcrowding and legislative intent that these additional private prison beds be procured as soon as possible, as demonstrated by the additional monies added to ADC's FY 2004 budget for these beds, it is imperative that the contract for the 1,400 private beds be quickly finalized.

It is also my understanding that final resolution of the 1,400 private prison bed contract may require consideration by the Joint Committee on Capital Review (JCCR) due to the inclusion of a lease-purchase agreement. To facilitate a quick resolution of this issue, as chairman of JCCR, I will include the 1,400 bed private prison as an agenda item at the next JCCR meeting scheduled for November 6, 2003 and ask that you report to the Committee the status of the contract.

(Continued)

Accordingly, I respectfully request that a representative from each or your offices appear before the Committee to explain the contract delays and to give an indication of when a favorable disposition of this issue will occur.

Thank you very much for your assistance regarding this very important issue.

Respectfully,

Senator Robert Burns
Chairman, Joint Committee on Capital Review

xc: Representative Russell Pearce
Richard Stavneak, Director, JLBC