JOINT COMMITTEE ON CAPITAL REVIEW

Wednesday, December 11, 2019

10:00 a.m.

Senate Appropriations Room 109

JLBC

STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

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**** R E V I S E D ****

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JOINT COMMITTEE ON CAPITAL REVIEW
Wednesday, December 11, 2019
10:00 A.M.
Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order
- Approval of Minutes of September 25, 2019.
- DIRECTOR'S REPORT (if necessary).

1. ***UNIVERSITY OF ARIZONA - Review of Deferred Maintenance Projects.

2. ARIZONA DEPARTMENT OF ADMINISTRATION
   A. Consider Recommending Secretary of State Rent Exemption.
   ***B. Consider Recommending FY 2020 Partial Rent Exemptions.
   ***C. Review of Reallocation of FY 2019 Building Renewal Appropriation.

3. ARIZONA DEPARTMENT OF TRANSPORTATION
   A. Review of Kingman Materials Testing Lab Project.
   B. Review of Seligman and Williams Maintenance Buildings Project.

4. ***ARIZONA STATE LOTTERY COMMISSION - Review of FY 2019 and FY 2020 Building Renewal Allocations Plans.

5. ***ARIZONA PIONEERS' HOME - Review of FY 2020 Capital Improvement Projects.

6. ARIZONA DEPARTMENT OF CORRECTIONS - Review of Updated Expenditures for Locking and Fire Safety Projects.

*** Consent Agenda - These items will be considered in one motion and no testimony will be taken.

The Chairman reserves the right to set the order of the agenda.
~~12/09/19~~
12/10/19
kp

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STATE OF ARIZONA

Joint Committee on Capital Review

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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

September 25, 2019

Chairman David Gowan called the meeting to order at 10:06 a.m., Wednesday, September 25, 2019 in Senate Appropriations Room 109. The following were present:

Members:	Senator Gowan, Chairman	Representative Cobb, Vice-Chairman
	Senator Alston	Representative Fernandez
	Senator Bowie	Representative Friese
	Senator Bradley	Representative Kavanagh
	Senator Gray	Representative Lieberman
	Senator Kerr	Representative Petersen
	Senator Leach	Representative Toma

Absent:

APPROVAL OF MINUTES

Representative Cobb moved that the Committee approve the minutes of June 18, 2019. The motion carried.

CONSENT AGENDA

The following items were considered without discussion:

NORTHERN ARIZONA UNIVERSITY (NAU) - Review of FY 2020 Capital Improvement Plan for One-Time Appropriation.

Pursuant to the FY 2020 General Appropriation Act and A.R.S. § 41-1252, NAU requested Committee review its $5,000,000 expenditure plan for several capital improvement projects. These projects will be funded from $6,650,000 in one-time monies appropriated to NAU in the FY 2020 budget.

(Continued)

The JLBC Staff provided options and a potential provision:

A. *NAU shall report any reallocations between projects in the FY 2020 spending plan above $200,000 to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.*

PIMA COMMUNITY COLLEGE DISTRICT (PCCD) - Review of Pima Aviation Technology Center Expansion.

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated to capital projects. PCCD requested Committee review $15,000,000 to expand the Pima Aviation Technology Center (ATC). This amount was included as a one-time General Fund appropriation in the FY 2020 budget. Including $4,300,000 of funding allocated from PCCD revenues, the total project cost is $19,300,000. The project will add a new hangar, classroom, and office space, and is expected to increase program capacity from 125 students to 250 students. The JLBC Staff provided options and potential provisions:

A. *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.*

B. *On or before July 31 of each year until completion of the project, PCCD shall report to the JLBC Staff on the status and expenditures of the Aviation Technology Center Expansion project. The report shall include the project expenditures to date, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.*

DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS (DEMA) - Review of West Valley Readiness Center.

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for capital projects. DEMA requested Committee review of the expenditure plan for the construction of the West Valley Readiness Center, as appropriated by the FY 2020 Capital Outlay Bill. The total project cost is $15,500,000, which consists of the following fund sources: 1) $3,875,000 from the General Fund included in the FY 2020 budget; and 2) $11,625,000 from Federal Funds. The JLBC Staff provided options and potential provisions:

A. *On or before July 31 of each year until completion of the project, DEMA shall report to the JLBC Staff on the status and expenditures of the West Valley Readiness Center project. The report shall include the project expenditures to date, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.*

B. *A favorable review does not constitute endorsement of appropriations to pay for future operating costs.*

DEPARTMENT OF PUBLIC SAFETY (DPS) - Review of Radio Communications Tower Project.

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated to capital projects. DPS was appropriated $309,000 from the Board of Fingerprinting Fund for the construction of

(Continued)

a radio communications tower along the South Mountain Loop 202 extension by the FY 2020 Capital Outlay Bill. The JLBC Staff provided options.

ARIZONA GAME AND FISH DEPARTMENT (AGFD) - Review of FY 2020 Building Renewal Allocation Plan and FY 2020 Capital Projects.

A.R.S. § 41-1252 requires the JCCR to review expenditure plans for monies appropriated for building renewal and capital projects and for any capital project with an estimated cost of more than $250,000. AGFD requested Committee review of the following items:

- $1,397,700 for building renewal.
- $300,000 for property maintenance.
- $150,000 for dam maintenance.
- $400,000 for hatchery maintenance.
- $525,000 for 2 non-appropriated capital projects.

The JLBC Staff provided options and potential provisions:

A. *AGFD shall report any expenditure of the building renewal emergency allocation of $75,000 to the JLBC Staff as part of its existing semi-annual building renewal status report.*

B. *In accordance with A.R.S. § 41-790, AGFD's Headquarters Major Maintenance Fund may not use building renewal monies for movable equipment.*

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of FY 2020 Building Renewal Allocation Plan.

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. ADOT requested the Committee review its $13,281,700 FY 2020 Building Renewal Allocation Plan. The JLBC Staff provided options and potential provisions:

A. *ADOT shall report any reallocations between project categories in the FY 2020 spending plan above $100,000 to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.*

B. *ADOT shall report any expenditure of the building renewal contingency allocation of $150,000 to the JLBC Staff as part of its existing semi-annual building renewal status report.*

Representative Cobb moved that the Committee give a favorable review with provisions as outlined in the JLBC Staff analysis, to the 6 consent agenda items listed above. The motion carried.

REGULAR AGENDA

ARIZONA STATE UNIVERSTIY (ASU) - Review of Downtown Phoenix Residence Hall and Entrepreneurial Center.

Ms. Morgan Dorcheus, JLBC Staff, stated A.R.S. § 15-1682.02 and 15-1683 require Committee review of any university projects using indirect debt financing (also known as third-party financing) and any

(Continued)

university projects financed with system revenue bonds. ASU requested Committee review of a 0.82-acre ground lease and $49.6 million in system revenue bond issuances for a residence hall and entrepreneurial center at its Downtown Phoenix Campus. The proposed facility would provide up to 532 student beds, academic space, and event and exhibition space at a total cost of $116.1 million. The JLBC Staff provided options and potential provisions.

Mr. Morgan Olsen, Executive Vice President, Treasurer and Chief Financial Officer, ASU, responded to member questions.

Representative Cobb moved *that the Committee give a favorable review of ASU's request to enter into a 0.82 acre ground lease and the issuance of $49,600,000 of system revenue bonds for a residence hall and entrepreneurial center development at its Downtown Phoenix Campus. The review included the following standard university financing provisions shown below:*

Standard University Financing Provisions

A. 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.

B. ASU shall provide the final debt service schedule and interest rate for the project as soon as they are available.

C. On or before July 31 of each year until completion of the project, ASU shall report to the JLBC Staff on the status and expenditures of the Downtown Phoenix Residence Hall and Entrepreneurial Center project. The report shall include the project expenditures to date, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.

The motion carried.

ARIZONA STATE UNIVERSTIY (ASU) - Review of Downtown Phoenix Thunderbird School of Global Management Building.

Ms. Morgan Dorcheus, JLBC Staff, stated that A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. ASU requested Committee review of $37,000,000 in system revenue bond issuances to fund construction of a new School of Global Management building on its Downtown Phoenix Campus. ASU will fund the debt service payments with tuition. The JLBC Staff provided options and a potential provisions.

Mr. Morgan Olsen, Executive Vice President, Treasurer and Chief Financial Officer, ASU, responded to member questions.

Representative Cobb moved *that the Committee give a favorable review of the issuance of $37,000,000 in system revenue bonds for construction of a new School of Global Management building on its Downtown Phoenix Campus. The review included the following standard university financing provisions shown below:*

(Continued)

Standard University Financing Provisions

A. *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.*

B. *ASU shall provide the final debt service schedule and interest rate for the project as soon as they are available.*

C. *On or before July 31 of each year until completion of the project, ASU shall report to the JLBC Staff on the status and expenditures of the Downtown Phoenix Thunderbird School of Global Management Building project. The report shall include the project expenditures to date, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.*

The motion carried.

ARIZONA STATE UNIVERSITY (ASU) - Consider Approval of Interdisciplinary Science and Technology Building (ISTB) 7 Financing Project.

Ms. Morgan Dorcheus, JLBC Staff, stated that A.R.S. § 15-1671 requires the universities to submit the scope, purpose, and estimated cost of any capital project paid with debt financing before expending monies from the university's Capital Infrastructure Fund (CIF) for that project. At its September 2018 meeting, the Committee approved ASU's request of a $175,000,000 bond issuance for the construction of the Interdisciplinary Science and Technology Building (ISTB) 7. Due to increased project costs, ASU requested Committee approval for an additional $17,000,000 in bond issuances, for a total project cost of $192,000,000. The JLBC Staff provided options and a potential provisions.

Mr. Morgan Olsen, Executive Vice President, Treasurer and Chief Financial Officer, ASU, responded to member questions.

Representative Cobb moved that the Committee approve ASU's request to increase the cost of the Interdisciplinary Science and Technology (ISTB) 7 building project by $17,000,000, for a total project cost of $192,000,000. Debt service on the project will be paid with monies from ASU's CIF, funded 50% with tuition revenues and 50% with General Fund appropriations. The approval included the following standard university financing provisions shown below:

Standard University Financing Provisions

A. *Approval by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.*

B. *ASU shall provide the final debt service schedule and interest rate for the project as soon as they are available.*

C. *On or before July 31 of each year until completion of the project, ASU shall report to the JLBC Staff on the status and expenditures of the ISTB 7 project. The report shall include the project expenditures to date, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.*

The motion carried.

(Continued)

NORTHERN ARIZONA UNIVERSITY (NAU) - Review of Student Athlete High Performance Center Indirect Financing Project.

Ms. Alexis Pagel, JLBC Staff, stated A.R.S. § 15-1682.02 requires Committee review of any university projects using indirect debt financing (also known as third-party financing). NAU requested Committee review of a 70,000 square foot building for the approximately $46,000,000 development of a Student Athlete High Performance Center (SAHPC). The proposed SAHPC facility is focused on providing wellness and development for NAU student athletes and educational opportunities for NAU students. The JLBC Staff provided options and potential provisions.

Ms. Katy Yanez, Associate Vice President of External Affairs and Partnerships, NAU, responded to member questions.

Mr. Bjorn Flugstad, Vice President, Finance, Institution of Planning and Analyses, NAU, responded to member questions.

Mr. Kurt M. Freund, Managing Director, RBC Capital Markets, LLC , responded to member questions.

Representative Cobb moved that the Committee give a favorable review of NAU's project of a 70,000 square foot building for the $46,000,000 development of a Student Athlete High Performance Center. NAU will enter into a 25-year ground lease agreement and make annual lease payments of approximately $2,800,000 for the center.

The favorable review included the following standard university financing provisions shown below:

Standard University Financing Provisions

A. *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.*

B. *On or before July 31 of each year until completion of the project, NAU shall report to the JLBC Staff on the status and expenditures of the Student Athlete High Performance Center project. The report shall include the project expenditures to date, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.*

The motion carried.

ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2020 Building Renewal Allocation Plan.

Mr. Geoff Paulsen, JLBC Staff, stated A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. ADC requested Committee review its FY 2020 Building Renewal Allocation Plan. The FY 2020 Capital Outlay Bill appropriated $6,864,300 from the Department of Corrections Building Renewal Fund to ADC for general building renewal. The JLBC Staff provided options and potential provisions.

Mr. Michael Landry, Administrator, Engineering and Facilities Bureau, ADC, responded to member questions.

(Continued)

Representative Cobb moved that the Committee give a favorable review to the expenditure plan with the following provisions:

A. ADC shall report to the JLBC Staff any reallocations between project categories that exceed $100,000. ADC shall report this information as part of its existing semi-annual building renewal status report.

B. If ADC adds a new project category, the department shall report the proposed project category and expenditure plan to the Chairman and JLBC Staff. The Chairman will notify ADC whether the expenditure plan will require Committee review.

The motion carried.

Without objection, the meeting adjourned at 11:36 a.m.

Respectfully submitted:

K Paddack

Kristy Paddack, Secretary

JB

Jack Brown, Deputy Director

David M. Gowan Sr.

Senator David M. Gowan, Chairman

NOTE: A full video recording of this meeting is available at http://www.azleg.gov/jlbc/meeting.htm.

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STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: December 4, 2019

TO: Members of the Joint Committee on Capital Review

FROM: Morgan Dorcheus, Senior Fiscal Analyst MD

SUBJECT: University of Arizona - Review of Deferred Maintenance Projects

Request

A.R.S. § 15-1671 requires Committee review of any non-debt financed university capital project paid for with funds from the university's Capital Infrastructure Fund (CIF). The University of Arizona (UA) requests Committee review of its plan to pay $10,000,000 in cash for campus-wide deferred maintenance projects.

The project will constitute UA's third use of the $1 billion capital investment program.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.

2. An unfavorable review of the request.

Under either option, the Committee may also consider the following standard university financing provisions:

Standard University Financing Provisions

A. A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.

B. On or before October 15 of each year until completion of the project, UA shall report to the JLBC Staff on the status and expenditures of the deferred maintenance projects. The report shall include

(Continued)

the project expenditures to date, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.

Key Points

1) UA plans to use $10.0 million from its Capital Infrastructure Fund (CIF) to pay cash for campus-wide deferred maintenance projects.
2) The project would upgrade aging building systems and address building code compliance issues, including improvements to fire alarms, building automation, elevators, plumbing, roofs, campus streets, ADA restrooms, keyless access, and HVAC systems.
3) The project constitutes UA's third use of its CIF monies.

Analysis

UA plans to use $10.0 million for campus-wide deferred maintenance projects in FY 2020, which will include upgrades to aging building systems and address building code compliance issues. The university identified priority projects in buildings between 50-60 years old by completing facility condition and deferred maintenance assessments.

The total $10.0 million for the project will be allocated across 9 project categories in 35 campus buildings. See *Table 1* for a list of projects included in UA's plan.

Table 1

FY 2020 Deferred Maintenance Project Plan

Fire Alarm Sprinkler Upgrades	$5,430,900
Building Automation Upgrades	915,700
Elevator Code Compliance	895,000
Plumbing Upgrades	628,000
Roof Replacements	595,500
Campus Street Upgrades	515,000
ADA Restroom Upgrades	500,000
Keyless Access	393,800
HVAC Upgrades	126,100
TOTAL	**$10,000,000**

UA reports that the projects will not disrupt programming in the buildings where maintenance projects will be completed.

Financing

The project is expected to have total project costs of $10.0 million, which the university intends to pay in cash from the Capital Infrastructure Fund *(see the Capital Infrastructure Funds section below)*.

University Capital Infrastructure Funds (2017 Bonding Package)

Laws 2017, Chapter 328 established A.R.S. § 15-1671, which provides General Fund appropriations from FY 2019 - FY 2043 for new university research facilities, building renewal, or other capital construction projects. The law appropriates $27.0 million to the universities in FY 2019 and increases the

(Continued)

appropriation each year thereafter by 2.0% or the rate of inflation, whichever is less. The FY 2020 appropriations are allocated to each university as follows:

- ASU: $12,165,900
- NAU: $4,611,300
- UA: $10,762,700
- **Total: $27,539,900**

The universities may use these monies for debt service on infrastructure long-term financing and for cash construction costs. New debt issued under this program may not exceed $1.0 billion.

Under the law, each university's General Fund appropriation is deposited into a newly-created Capital Infrastructure Fund (CIF). Each university must match any General Fund contributions to its fund that are used for debt service payments at a 1:1 rate. The $1.0 billion of new projects would thus be funded half by state appropriations and half from university resources.

Debt service payments made on CIF-funded projects are included in the universities' statutory debt limit. Any cash-based capital projects funded with CIF monies must be reviewed by the Joint Committee on Capital Review, and any debt-financed projects funded with CIF monies must be approved by the Committee.

UA has previously received Committee review/approval for 2 CIF-funded projects totaling $18.0 million in bonds issued and $11.0 million in cash expenditures.

Construction Costs

The $10.0 million total project cost will address deferred maintenance issues in 35 buildings on UA's main campus.

The most recent UA deferred maintenance project reviewed by the committee was an $11.0 million project addressing mechanical and structural issues in the 129,100 square foot Steward Observatory building at a cost of $85 per square foot. Since that project addressed critical needs in only one building, it is difficult to compare the Steward Observatory project costs to the proposed deferred maintenance projects which will involve multiple buildings.

UA plans to begin the planned projects after receiving a favorable review from the Committee and expects all projects to be completed by the end of FY 2021.

The projects are expected to decrease ongoing facility operations and maintenance costs by between 10% and 20% for these buildings.

MD:kp

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NOV 20 2019
JOINT BUDGET COMMITTEE

November 20, 2019

The Honorable David M. Gowan
Joint Committee on Capital Review
1700 West Washington Street
Phoenix, AZ 85007-2890

Dear Senator Gowan,

In accordance with ARS 15-1671, the Arizona Board of Regents (ABOR) request that the proposed campus-wide building system repair and replacement projects for the University of Arizona (UArizona) be placed on the next Joint Committee on Capital Review agenda.

The total cost of the campus-wide deferred maintenance cash projects is $10 million. UArizona will use Capital Infrastructure Fund (CIF) appropriations to fund the group of projects, all $10 million will be used in FY 2020. Since this will be cash funded, UArizona will not issue debt to finance any component of these projects.

Campus-Wide Building System Repairs & Replacements Projects

The various deferred maintenance building system repairs and replacements addressed in these projects are critical to UArizona's overall operations and capital development plan. The deferred maintenance items scheduled will address code compliance issues and aging system needs.

These projects will address mechanical, electrical, and plumbing systems in buildings across campus (2.8 million square feet) that fall within the 50-60 year age range. These buildings have received minor routine maintenance over the years but have not received any major deferred maintenance upgrades. The 50-60 year lifespan of the equipment exceeds the typical useful life by double. These improvements include code mandated repairs and prioritized life and safety projects.

Facility Condition Assessments were completed on a number of buildings on campus, which provide details of the mechanical, electrical, and plumbing systems that need major attention. Additionally, UArizona completes an annual deferred maintenance assessment that provides a road map of deferred maintenance needs across campus and is used to prioritize capital improvements. UArizona can avoid the need for new replacement buildings or complete building renovations which are costly and create temporary displacement of students and faculty by addressing the relatively low-cost system improvements highlighted in the assessments. Furthermore, maintaining existing facilities that still adequately serve their purpose allows UArizona to reserve available capital funding for new leading-edge research facilities.

Below is a list of repairs and replacements being addressed throughout campus:

Fire Alarm Sprinkler Upgrades (Lifespan 40 years)	$5,430,870
HVAC Upgrades (Lifespan 27 years)	$126,083
Building Automation Upgrades (Lifespan 15-20 years)	$915,750
Elevator Code Compliance (Lifespan 25 years)	$895,000
Roof Replacement (Roof Structure: 50 years, Roof Cover: 25 years)	$595,498
Plumbing (Lifespan 30 years)	$628,000
Keyless Access (Lifespan 15 years)	$393,800
ADA Accessible Restroom Upgrades	$500,000
Campus Street Upgrades (Lifespan 18 years)	$514,999
TOTAL:	**$10,000,000**

These projects will begin once approved and are scheduled to be completed by June 30, 2020 and will not require any building occupants to be displaced.

Sincerely,

Lisa N Rulney

Lisa N. Rulney
Sr. VP for Business Affairs and Chief Financial Officer

cc: John Arnold, Executive Director, ABOR
Morgan Dorcheus, JLBC Analyst
Lorenzo Martinez, Vice President, Finance and Administration, ABOR
Dr. Robert C. Robbins, President UArizona
Nicole Salazar, Vice President, Financial Services, UArizona
Richard Stavneak, Director, JLBC

2A

STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
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DATE: December 4, 2019

TO: Members of the Joint Committee on Capital Review

FROM: Morgan Dorcheus, Senior Fiscal Analyst MD

SUBJECT: Arizona Department of Administration - Consider Recommending Secretary of State 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 an agency does not occupy their space or lacks the financial resources to make a payment. ADOA requests the Committee recommend a full exemption totaling $407,200 for the Secretary of State in FY 2020 and FY 2021.

Committee Options

The Committee has at least the following 3 options:

1. The Committee recommends the full rent exemption for FY 2020 and FY 2021
2. The Committee recommends the full rent exemption for FY 2020 only.
3. The Committee does not recommend the full rent exemption.

Under either option, the Committee may also consider the following provision:

A. On or before January 31, 2020, ADOA shall report to the JLBC Staff on its long-term plans for the Records Management Center building, including the current condition of the building, any plans to renovate or sell the building, and any potential building tenants.

(Continued)

Key Points

1) Statute allows ADOA to grant rent exemptions to agencies who do not occupy their state-owned space or lack resources to make a payment.
2) ADOA requests the Committee recommend a full rent exemption for the SOS Records Management Center building in FY 2020 and FY 2021.
3) SOS moved state records from the state-owned building to a privately-owned facility in 2017.
4) SOS has insufficient funds to pay the costs of both the private space and the vacant state space.
5) If the Committee agrees with the rent relief, the exemption could be limited to FY 2020.
6) The FY 2021 rent issue would then be considered in the budget process.
7) The Committee may also consider a provision to require ADOA to report on its long-term plan for the Records Management building.

Analysis

1919 West Jefferson Records Management Center

ADOA requests the Committee recommend a full rent exemption in FY 2020 and FY 2021 for the Secretary of State Records Management Center. The annual rent charges to SOS for its space in the building are currently $407,200.

Historically, SOS used the Records Management Center to store records for various state agencies and local governments. Total operations costs for the facility were $876,700 in FY 2016, including ADOA rent charges, 11 FTE Positions, and other operating costs.

In FY 2017, SOS moved the records stored in the Records Management Center to a privately-owned facility. The private contract has a term of 10 years and will cost $960,000 for storage fees in FY 2020. In addition, SOS has retained 3 of its 11 records management FTE Positions at a cost of $239,500. Combined with the private rent, the records management program cost is $1,199,500 in FY 2020.

SOS states that it does not have sufficient funds to pay the costs of both the $407,200 for vacant state space and the $1,199,500 for its records management program. If a rent exemption is not recommended for FY 2020, SOS states it would need a supplemental appropriation from the General Fund in FY 2020 to cover its costs.

Records Storage Cost Comparison

In comparison to the current cost of $1,199,500, an alternative option would be for SOS to move the records back to the Records Management Center from private storage space. SOS states that it would cost approximately $2,000,000 to terminate the private contract, and that it would need to hire an additional 5 FTE Positions at an annual cost of $299,600 to manage the stored records. Due to the cost of terminating the contract, SOS believes it would be most cost effective to remain in its current private storage space and obtain a rent exemption for the Records Management Center building. SOS has not provided a formal analysis to describe the cost-effectiveness of its options.

One option is to recommend the rent exemption for FY 2020 and resolve the ongoing rent exemption as part of the FY 2021 budget. This approach would allow additional time to confirm the cost comparison data and for ADOA to articulate its vision for the future of the Records Management building.

(Continued)

ADOA has not provided a plan for the Records Management building once vacated. As a result, the Committee may also consider a provision that would require ADOA to provide its long-term plans for the building by January 31, 2020.

1030 North 32nd Street Talking Book Library

ADOA also requests the Committee recommend a full rent exemption for the SOS Talking Book Library building in FY 2020. SOS does not receive an appropriation to pay the $325,800 in annual rent charges at this building.

The Committee has already addressed this issue. At the June 2017 meeting, the Committee recommended an ongoing rent exemption for this building unless the Legislature provides additional funding to SOS to cover the rent costs. Since SOS has not received additional funding for rent at the Talking Book Library building, no further action is required by the Committee for this issue.

MD:kp

Douglas A. Ducey
Governor

Andy Tobin
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

GENERAL SERVICES DIVISION
100 NORTH FIFTEENTH AVENUE • SUITE 103
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November 19, 2019

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JOINT BUDGET COMMITTEE

The Honorable Senator David M. Gowan, Chairman
Joint Committee on Capital Review (JCCR)
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable Representative Regina E. Cobb, Vice-Chairman
Joint Committee on Capital Review (JCCR)
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

Re: Capital Outlay Stabilization Fund (COSF) Rent Exemption

Dear Senator Gowan and Representative Cobb:

The Arizona Department of Administration (ADOA) requests the Joint Committee on Capital Review (JCCR) favorable review and recommendation of Capital Outlay Stabilization Fund (COSF) rent exemptions totaling $733,000 for the Arizona Secretary of State (AZSOS). The AZSOS has expressed to ADOA that it does not have sufficient financial resources to cover these costs.

A.R.S. § 41-792.01(D) provides that agencies that occupy state-owned buildings shall pay the higher of the amount reported by the Joint Legislative Budget Committee (JLBC) Staff or the pro rata share based on actual occupancy. The ADOA Director, on the recommendation of the JCCR, may authorize a whole or partial exemption of COSF rent if the agency does not have the financial resources to pay its rent or vacates space after the beginning of the fiscal year.

1919 West Jefferson Street (Records Retention Center)

The FY 2020 COSF rent obligation for this space is $407,200. This is consistent with the amount the Joint Legislative Committee Budget Staff (JLBC Staff) reported was included in the AZSOS operating budget. Prior to FY 2020, the AZSOS relocated state records from the Records Retention Center to a privately-owned facility, resulting in duplicative storage costs that were not factored into the AZSOS FY 2020 operating budget. The AZSOS operating budget is insufficient to cover both the contractual obligation for the privately-owned facility and COSF rent. ADOA will authorize a FY 2020 and FY 2021 COSF rent exemption and will explore alternative solutions for the use or disposition of the vacant warehouse space.

1030 North 32nd Street (Arizona Talking Book Library)

The FY 2020 COSF rent obligation for this space is $325,800. The JLBC Staff did not report this amount in the FY 2020 AZSOS operating budget. Although the AZSOS is occupying the space, the ADOA has historically authorized the AZSOS a rent exemption for this space on the same basis; however, the AZSOS has paid the ADOA its operating costs for the space. ADOA will authorize a FY 2020 COSF rent exemption, including an exemption of the requirement to pay operating costs. The AZSOS will attempt to secure an FY 2021 appropriation sufficient to cover its future rent obligations for this space.

Sincerely,

Andy Tobin

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Principal Fiscal Analyst, JLBC Staff
Matthew Gress, Director, OSPB
Bill Greeney, Assistant Director, OSPB
Jacob Wingate, Budget Manager, OSPB
The Honorable Katie Hobbs, Secretary of State
Elizabeth Alvarado-Thorson, Deputy Director, ADOA
Ray Di Ciccio, Deputy Director, ADOA
Derik Leavitt, Assistant Director, ADOA
Nola Barnes, Assistant Director, ADOA/GSD
John Hauptman, General Manager, ADOA/GSD/PCS

2B

STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

DATE: December 4, 2019

TO: Members of the Joint Committee on Capital Review

FROM: Alexis Pagel, Fiscal Analyst AP

SUBJECT: Arizona Department of Administration - Consider Recommending FY 2020 Partial Rent Exemptions

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 an agency does not occupy their space or lacks the financial resources to make a payment. ADOA requests the Committee recommend partial rent exemptions for 7 agencies totaling $109,900.

Committee Options

The Committee has at least the following 2 options:

1. The Committee recommends the partial rent exemptions as outlined in *Table 1*.

2. The Committee does not recommend the partial rent exemptions.

Key Points

1) Statute allows ADOA to grant rent exemptions to agencies who do not occupy their state-owned space or lack resources to make a payment.
2) Due to rent calculation errors, 6 agencies were charged for more rent than the space they currently occupy. In addition, the Dental Board did not receive adequate funding for the rental rate increase included in the FY 2020 budget.
3) ADOA is seeking a partial rent exemption for 7 agencies totaling $109,900.

(Continued)

Table 1

Rent Adjustments

	FY 2020 Rent Charge	FY 2020 Actual Rent	FY 2020 Rent Exemption
Administrative Hearings, Office of	$210,600	$196,500	$14,100
Behavioral Health Examiners, Board of	93,700	72,400	21,300
Cosmetology, State Board of	124,800	116,200	8,600
Dental Examiners, Board of	51,500	56,400	9,500 1/
Medical Board	228,500	212,600	15,900
Nursing, Board of	229,300	191,400	37,900
Veterinary Medical Examining Board	36,600	34,000	2,600
Total			**$109,900**

1/ The FY 2020 Budget Procedures Budget Reconciliation Bill increased FY 2020 rental rates. Agencies were appropriated funding to pay for this increase in rental rates. The Dental Board did not receive adequate funding to cover the increase in rental rates.

Analysis

A.R.S. § 41-792.01D provides that the rental fee charged to state agencies that occupy state-owned buildings is the greater of the amount reported by JLBC Staff or the adjusted amount based on actual occupancy. ADOA annually provides the JLBC Staff the rentable square feet space allocated to agencies that occupy ADOA owned-managed space. Due to an error in ADOA's square footage calculations for some agency occupancy at 1740 W. Adams St., 6 agencies were charged for more rent than the space they currently occupy.

In addition, ADOA is requesting a rent exemption for the Dental Board as they were not appropriated adequate funding to cover the increased rental rates included in the FY 2020 budget.

AP:kp

Douglas A. Ducey
Governor

Andy Tobin
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

GENERAL SERVICES DIVISION
100 NORTH FIFTEENTH AVENUE • SUITE 103
PHOENIX, ARIZONA 85007
(602) 542-1500

December 2, 2019

The Honorable Senator David M. Gowan, Chairman
Joint Committee on Capital Review (JCCR)
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable Representative Regina E. Cobb, Vice-Chairman
Joint Committee on Capital Review (JCCR)
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

Re: Capital Outlay Stabilization Fund (COSF) Rent Exemption (REVISED)

Dear Senator Gowan and Representative Cobb:

The Arizona Department of Administration (ADOA) requests the Joint Committee on Capital Review (JCCR) favorable review and recommendation of a Capital Outlay Stabilization Fund (COSF) rent exemptions for several state boards located at 1740 West Adams, Phoenix, AZ.

A.R.S. § 41-792.01(D) provides that agencies that occupy state-owned buildings shall pay the higher of the amount reported by Joint Legislative Budget Committee (JLBC) Staff or the pro rata share based on actual occupancy. The ADOA Director may authorize an exemption for periods of one year or more at a time for a state agency from the full payment account transfer requirements of this subsection if the agency can demonstrate a practice of making full payment of rent on a different basis necessitated by its cash flow. If a state agency does not have the financial resources for state-owned space, or does not occupy or vacates state-owned space after the beginning of the fiscal year, the ADOA Director, on recommendation of JCCR, may authorize a whole or partial exemption from payment of the rental fee.

ADOA annually provides the Office of Strategic Planning and Budgeting (OSBP) and the JLBC Staff the rentable square feet (RSF) space allocated to agencies occupying ADOA owned-managed space as the basis for JLBC Staff COSF rental appropriations. As a result of an administrative budgeting error, some agencies did not receive the correct operating budget adjustments to pay the statutory amount of COSF rent, which is the higher of the amount reported by JLBC Staff or the pro rata share based on actual occupancy. The ADOA will authorize partial COSF rent exemptions for the following:

As a result of an administrative budgeting error, some agencies did not receive the correct operating budget adjustments to pay the statutory amount of COSF rent, which is the higher of the amount reported by JLBC Staff or the pro rata share based on actual occupancy. The ADOA will authorize partial COSF rent exemptions for the following:

Agency	FY 2020 Rent Exemption
Administrative Hearings, Office Of	$ 14, 100
Behavioral Health Examiners, Board of	$21,300
Cosmetology, State Board of	$8,600
Dental Examiners, State Board of	$9,500
Medical Board	$15,900
Nursing, State Board of	$37,900
Veterinary Medical Examining Board	$2,600

Sincerely,

Andy Tobin

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Principal Fiscal Analyst, JLBC Staff
Matthew Gress, Director, OSPB
Bill Greeney, Assistant Director, OSPB
Jacob Wingate, Budget Manager, OSPB
The Honorable Katie Hobbs, Secretary of State
Elizabeth Thorson, Deputy Director, ADOA
Ray Di Ciccio, Deputy Director, ADOA
Derik Leavitt, Assistant Director, ADOA
Nola Barnes, Assistant Director, ADOA/GSD
John Hauptman, General Manager, ADOA/GSD/PCS
Greg Hanchett, Director, Office of Administrative Hearings
Tobi Zavala, Executive Director, State Board of Behavioral Health Examiners
Kim Scoplitte, Executive Director, State Board of Cosmetology
Ryan Edmonson, Executive Director, State Board of Dental Examiners
Patricia McSorley, Executive Director, Medical Board
Joey Ridenour, Executive Director, State Nursing Board
Victoria Whitmore, Executive Director, State Veterinary Medical Examining Board

2C

DATE: December 4, 2019

TO: Members of the Joint Committee on Capital Review

FROM: Rebecca Perrera, Principal Fiscal Analyst RP

SUBJECT: Arizona Department of Administration - Review of Reallocation of FY 2019 Building Renewal Appropriation

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Committee favorably reviewed the Arizona Department of Administration's (ADOA) FY 2019 Building Renewal Allocation Plan at its July 2018 meeting. Pursuant to a Committee provision, ADOA requests the Committee review its plan to reallocate $400,000 from the FY 2019 plan.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.

2. An unfavorable review of the request.

Under either option, the Committee may also consider the following provisions:

A. ADOA shall report to the JLBC Staff when the State Fair Board remits its reimbursement.

B. ADOA shall report any reallocations between project categories to the JLBC Staff. If there is significant change of scope in the reallocation reported by ADOA, the JLBC Staff shall recommend ADOA request Committee review of the reallocation.

(Continued)

Key Points

1) A prior ADOA building renewal appropriation funded $400,000 to replace cooling towers at the State Fair.
2) The budget requires the State Fair to reimburse ADOA in FY 2020.
3) ADOA plans to reallocate $275,000 of the reimbursement for Personal Services for project management.
4) The project management allocation would effectively double. ADOA currently supplements project management from its COSF operating budget.
5) The remaining $125,000 would be allocated to Major Building Services projects.

Analysis

At the September 2018 JLBC meeting, the Committee favorably reviewed ADOA and the State Fair Board's $800,000 expenditure plan to replace the cooling towers for the Arizona Veterans' Memorial Coliseum. The Committee's review included reallocation of $400,000 from ADOA's building renewal funding to be used for the cooling unit repairs under the condition that the State Fair pay back the $400,000 to the department by no later than FY 2022. A FY 2020 Capital Outlay Bill footnote accelerated the repayment by requiring the State Fair Board to transfer an amount sufficient to complete the repayment of building renewal monies to ADOA in FY 2020. ADOA reports that the State Fair made a reimbursement of $100,000 in June 2019 and plans to make a final payment of $300,000 in December 2019. The Committee may consider a provision requiring ADOA to report to the JLBC Staff when the State Fair Board transfers the repayment.

Project Management Reallocation

A long-standing Capital Outlay Bill footnote allows ADOA to allocate up to $275,000 and 5 FTE Positions annually from its building renewal appropriation for project management until the projects are complete. ADOA's FY 2020 building renewal expenditure plan, which was favorably reviewed by the Committee in June, allocated $275,000 for project management in FY 2020.

ADOA plans to reallocate $275,000 of the $400,000 repayment for project management. In total, this would result in $550,000 of ADOA building renewal funding in FY 2020 being used for project management. ADOA reports that this request would supplant existing expenditures from ADOA's operating budget that currently also pay for building renewal project management. ADOA has approximately 8 project managers which oversee both building renewal projects and capital projects at ADOA and other agencies such as the Arizona Department of Corrections (ADC), which recently started a significant lock and fire alarm replacement project. Overall, both ADOA and ADC have had more projects in recent fiscal years.

Major Building Services Reallocation

The remaining $125,000 of the $400,000 repayment would be reallocated to other Major Building Service building renewal projects such as HVAC and elevator replacements. The Committee may consider a standard building renewal provision requiring ADOA to report on reallocations of building renewal funding.

RP:kp

Douglas A. Ducey
Governor

Andy Tobin
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

GENERAL SERVICES DIVISION
100 NORTH 15TH AVENUE · SUITE 103
PHOENIX, ARIZONA 85007
(602) 542-1796

November 5, 2019

The Honorable David M. Gowan, Chairman
Joint Committee on Capital Review (JCCR)
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

The Honorable Regina E. Cobb, Vice-Chairman
Joint Committee on Capital Review (JCCR)
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

Dear Senator Gowan:

Laws 2019, First Regular Session, Chapter 264 (HB 2748, Sec. 7. B.) directs the Arizona Exposition and State Fair (AESF) to transfer $300,000 to the Arizona Department of Administration (ADOA) Capital Outlay Stabilization Fund (COSF), an amount sufficient to complete repayment of FY 2019 ADOA Building System Building Renewal monies used to replace the failing cooling tower at the Arizona State Fairgrounds. ADOA allocated $400,000 from the FY 2019 Building Renewal Major Building Services allocation for the AESF project in FY 2019. In June 2019, ADOA General Services Division received payment from AESF for the first $100,000 per the Joint Committee on Capital Review (JCCR) meeting minutes of September 20, 2018.

Based on the repayment of $400,000, ADOA will allocate $275,000 to fund the second fiscal year of the two-year appropriation to Personnel Services (PS) and Employee Related Expenses (ERE) associated with project management of building renewal projects in the ADOA Building System. As session law, and referenced on page 386 of the FY 2019 Joint Legislative Budget Committee (JLBC) Staff Appropriations Report, the annual Capital Outlay Bill allows ADOA to use up to $275,000 of Building Renewal for Personal Services and Employee-Related

Expenditures for up to five FTE positions each fiscal year of the appropriation. The $125,000 balance will remain in the FY 2019 Major Building Services allocation for related projects.

If you have any questions regarding the proposed allocation of AESF's repayment of FY 2019 Building Renewal to ADOA GSD, please contact Nola Barnes, Assistant Director, ADOA General Services Division (GSD), at 602-542-1954.

Sincerely,

Andy Tobin
Director

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Principal Fiscal Analyst, JLBC Staff
Morgan Dorcheus, Fiscal Analyst, JLBC Staff
Matt Gress, Director, OSPB
Jacob Wingate, Budget Manager, OSPB
Derik Leavitt, Assistant Director, ADOA Budget and Resource Planning
Nola Barnes, Assistant Director, ADOA/GSD
John Hauptman, General Manager, ADOA/GSD

3A

STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

DATE: December 4, 2019

TO: Members of the Joint Committee on Capital Review

FROM: Jordan Johnston, Fiscal Analyst JJ

SUBJECT: Arizona Department of Transportation - Review of Kingman Materials Testing Lab Project

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for capital projects. The Arizona Department of Transportation (ADOT) was appropriated $2,250,000 from the State Highway Fund for the replacement of a materials testing lab in Kingman by the FY 2019 Capital Outlay Bill.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.

2. An unfavorable review of the request.

Key Points

1) In order to comply with federal requirements, ADOT operates 9 regional materials testing labs throughout the state.
2) ADOT is proposing to spend $2,250,000 to replace a materials testing lab located in Kingman.
3) The current 1,728 square foot lab lacks temperature and environmental controls, and does not have sufficient testing space.
4) The new 4,000 square foot lab, with a cost of $563 per square foot, would address these issues and be built next to the current lab on ADOT property.

(Continued)

Analysis

Background

To meet the federal requirement that each state maintain a quality assurance program for highway materials, ADOT operates 9 regional materials testing labs throughout the state. The department regularly tests the materials used for the construction of highways as well as the quality and strength of the soil where highways are constructed. The highway materials tested include: soils and aggregates, concrete, and pavement materials and mixtures.

The current 1,728 square foot materials lab in Kingman is a repurposed engineered steel building lacking appropriate space and insulation, resulting in inefficient energy usage. The department has expressed that the current lab is insufficient due to the following:

- The lab does not allow adequate space for testing activities.
- The environmental conditions are adverse to employee health.
- High temperature ovens can cause the indoor temperature to reach 105 degrees.
- The ovens cause the water in the plumbing system to warm to a point that it exceeds the American Society for Testing and Materials (ASTM) temperature requirements for some of the tests being performed.
- The structure lacks suitable environmental controls and is uninsulated.
- The building lacks adequate space for restroom, meeting, training and break facilities.

Current Request

ADOT is proposing to spend the $2,250,000 of funding to construct a new 4,000 square foot lab, resulting in a cost per square foot of $563. This new lab will include adequate space for testing equipment, separation between testing sites and office sites, restrooms, showers, storage, office areas and a meeting/training room. The new lab will be located adjacent to the existing lab, on ADOT property. The department plans to use the old facility for storage of highway maintenance and repair materials.

JJ:kp

Director's Office

Douglas A. Ducey, Governor
John S. Halikowski, Director
Scott Omer, Deputy Director/Chief Operating Officer
Kevin Biesty, Deputy Director for Policy
Dallas Hammit, Deputy Director for Transportation

October 30, 2019

RECEIVED
OCT 31 2019
JOINT BUDGET COMMITTEE

The Honorable David Gowan
Chairman
Joint Committee on Capital Review
1716 West Adams St.
Phoenix, AZ 85007

Dear Chairman Gowan:

We respectfully request to be placed on the agenda of the next JCCR meeting for review of a project related to ADOT's FY2019 capital outlay appropriation.

ADOT was appropriated $2,250,000 for the construction of a new construction materials testing laboratory in Kingman.

The current lab is insufficient due to the following:

- Does not allow sufficient space for the testing activities that must take place.
- Environmental conditions are adverse to employee health.
- High temperature ovens can cause the indoor temperature to reach 105 degrees.
- The ovens cause the water in the plumbing system to warm to a point that it exceeds the ASTM temperature requirements for some of the tests being performed.
- Suitable environmental controls are also lacking for this building, and it is uninsulated.
- Inadequate space for rest room, meeting, training and break facilities.

To correct these issues, ADOT proposes constructing a new materials testing lab, adjacent to the existing lab, on ADOT property. The old facility would be used for storage of materials for the ongoing highway maintenance and repair mission.

We appreciate your consideration and approval of this request. If you have any questions or need additional information, please contact Joshua Worley, ADOT Interim Budget Director, at 602.712.8304.

Sincerely,

John S. Halikowski
Director

Cc: Richard Stavneak, JLBC Director
Jordan Johnston, JLBC Analyst
Darbi Jenkins, Deputy Director of Legislative Affairs
Ben Blink, Policy Advisor

Kwesi Pasley, OSPB Analyst
Sonya Herrera, ADOT Administrative Services Director
Joshua Worley, ADOT Interim Budget Manager
John Hetzel, ADOT Facilities Manager

3B

STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

DATE: December 4, 2019

TO: Members of the Joint Committee on Capital Review

FROM: Jordan Johnston, Fiscal Analyst JJ

SUBJECT: Arizona Department of Transportation - Review of Seligman and Williams Maintenance Buildings Project

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for capital projects. The Arizona Department of Transportation (ADOT) was appropriated $2,300,000 from the State Highway Fund for the replacement of maintenance buildings in Seligman and Williams by the FY 2020 Capital Outlay Bill.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.

2. An unfavorable review of the request.

Key Points

1) ADOT is proposing to spend $2.3 million to replace maintenance buildings located in Seligman and Williams.
2) The current 1,200 square foot buildings lack adequate space, restroom and shower facilities.
3) The new 2,500 square foot buildings, resulting in a cost of $460 per square foot, would address these issues.

(Continued)

Analysis

Background
ADOT utilizes approximately 45 maintenance buildings throughout the state. The maintenance buildings are used by maintenance crew staff, engineers, and technicians to coordinate the various highway maintenance projects in Arizona. The maintenance projects include but are not limited to: fog and crack seals, guardrail repairs, pavement repairs, flush coats, litter pick up, and tree snag removal.

The current 1,200 square foot maintenance buildings in Seligman and Williams are mobile homes constructed in 1972 that serve around 15 FTE Positions each. ADOT has stated that the current facilities lack appropriate space, restroom, and showers. In Seligman, workers have reported experiencing frequent odors of sewage at that facility. Due to the deterioration of the current buildings, the department has expressed the facilities are to the point of not being able to be renovated.

Current Request
ADOT is proposing to spend the $2.3 million of funding to construct 2 new 2,500 square foot buildings, resulting in a cost per square foot of $460. The new maintenance buildings will include offices, a meeting area, computer workstations, breakroom facilities, restrooms and a shower/locker area. The new maintenance buildings will be located on the same ADOT-owned property as the current facilities.

At $460 per square foot, the construction cost appears high. By comparison, in the April 2019 JCCR meeting, the Department of Public Safety estimated a cost of $275 per square foot for their new 1,200 square foot modular homes. We have contacted ADOT to learn more about how they arrived at their cost estimate for the maintenance buildings.

JJ:kp

ADOT

Director's Office

An Arizona Management System Agency

Douglas A. Ducey, Governor
John S. Halikowski, Director
Scott Omer, Deputy Director/Chief Operating Officer
Kevin Biesty, Deputy Director for Policy
Dallas Hammit, Deputy Director for Transportation

October 31, 2019

RECEIVED
NOV 2019
JOINT BUDGET COMMITTEE

The Honorable David Gowan
Chairman
Joint Committee on Capital Review
1716 West Adams St.
Phoenix, AZ 85007

Dear Chairman Gowan:

We respectfully request to be placed on the agenda of the next JCCR meeting for review of a project related to ADOT's FY2020 capital outlay appropriation.

ADOT was appropriated $2,300,000 for the construction of two new roadway maintenance buildings in Seligman and Williams.

The existing maintenance buildings at Seligman and Williams are small, old and outdated 1,200 sq ft mobile homes. They were built in 1972 and have inadequate restroom and shower facilities. At Seligman, the building experiences frequent odors of sewerage; both trailers have deteriorated to the point of not being able to be renovated. The department proposes to construct two new 2,500 sq ft buildings. The new buildings will provide for new work space for a supervisor, leadman, crew daily meeting area, computer workstations, breakroom facilities, restrooms and shower/locker area.

We appreciate your consideration and approval of this request. If you have any questions or need additional information, please contact Joshua Worley, ADOT Interim Budget Director, at 602.712.8304.

Sincerely,

John S. Halikowski
Director

Cc: Richard Stavneak, JLBC Director
Jordan Johnston, JLBC Analyst
Ben Blink, Policy Advisor
Darbi Jenkins, Deputy Director of Legislative Affairs
Kwesi Pasley, OSPB Analyst
Sonya Herrera, ADOT Administrative Services Director
Joshua Worley, ADOT Interim Budget Manager
John Hetzel, ADOT Facilities Manager

4

STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

DAVID M. GOWAN
CHAIRMAN
LELA ALSTON
SEAN BOWIE
DAVID BRADLEY
RICK GRAY
SINE KERR
VINCE LEACH

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

HOUSE OF REPRESENTATIVES

REGINA E. COBB
VICE-CHAIRMAN
CHARLENE R. FERNANDEZ
RANDALL FRIESE
JOHN KAVANAGH
AARON O. LIEBERMAN
WARREN PETERSEN
BEN TOMA

DATE: December 4, 2019

TO: Members of the Joint Committee on Capital Review

FROM: Jeremy Gunderson, Senior Fiscal Analyst JA

SUBJECT: Arizona State Lottery Commission - Review of FY 2019 and FY 2020 Building Renewal Allocations Plans

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona State Lottery Commission requests the Committee review its FY 2019 and FY 2020 Building Renewal Allocation Plans. The FY 2019 Capital Outlay Bill and the FY 2020 Capital Outlay Bill appropriated $126,300 and $134,100, respectively, from the State Lottery Fund to the State Lottery Commission to fund 100% of the building renewal formula in FY 2019 and FY 2020 for capital improvement projects.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.

2. An unfavorable review of the request.

Under either option, the Committee may also consider the following provision:

A. The commission shall report any change in the building renewal spending plan to the Joint Committee on Capital Review Chairman and the JLBC Staff. If there is significant change of scope in the reallocation reported by the commission, the Chairman may require further Committee review.

(Continued)

Key Points

1) The Arizona State Lottery Commission is requesting review of a $134,100 expenditure plan for its FY 2020 building renewal appropriation.
2) The FY 2020 expenditure plan includes projects to re-route parking lot drainage to prevent flooding, upgrade an elevator, seal sidewalk cracking, and remove a warehouse loading dock.
3) The commission is also requesting review of a reallocation of $17,000 from its FY 2019 building renewal appropriation for the loading dock removal project.

Analysis

FY 2019 Revisions

The commission operates out of 3 facilities; a 38,500 square foot state-owned building in Phoenix, a 3,398 square foot leased building in Tucson, and a 500 square foot location located at Phoenix Sky Harbor Airport. The Phoenix facility includes administrative offices, tickets sales, and redemption centers. This request pertains only to the Phoenix facility.

At the December 2018 meeting, the Committee reviewed the commission's FY 2019 building renewal plan, which included $99,100 to clean and seal cracks on the building exterior, as well repaint metalwork on building exterior and parking covering. The agency reports that this project was completed with $17,000 in savings and is now requesting Committee review to reallocate the FY 2019 savings toward a new project.

The commission plans to spend the $17,000 in savings to remove a loading dock attached to the north warehouse. According to the agency, the dock is rarely used, difficult to access, and the surrounding wall is degrading. The agency plans to remove the loading dock (which is below ground level), fill in the space, and repave the area, which will create a wider space for delivery and can also be used for additional building parking, if necessary.

The agency received project quotes between $18,000 and $20,000. In addition to the $17,000 in FY 2019 project savings, the agency plans to spend $2,100 from the FY 2020 building renewal spending plan to complete the project, as shown in *Table 1*, below.

Table 1

Loading Dock Removal Project

FY 2019 Paint and Seal Project Expected Cost	$ 99,100
Actual Cost	82,100
Project Savings	(17,000)
FY 2019 Reallocation	17,000
FY 2020 Spending Plan Allocation	2,100
Total Costs of Plan	**$19,100**

(Continued)

FY 2020 Spending Plan

The Lottery Commission is requesting review of their $134,100 allocation plan that seeks to address 4 project areas identified at the Phoenix facility. Costs for each component of the plan are listed in *Table 2* below.

Table 2

Components of Building Renewal Plan

Re-Route Parking Lot Drainage	$ 14,000
Upgrade Building Elevator	110,000
Wash and Seal Sidewalks	8,000
Remove Warehouse Loading Dock	2,100
Total Costs of Plan	**$134,100**

Re-Route Parking Lot Drainage

The FY 2019 building renewal spending plan included $18,500 to evaluate a potential project to re-route the parking lot drainage system to prevent flooding. Of that amount, $9,900 was spent to evaluate a project proposal and the agency has since received a cost estimate for the project of $22,200. The commission plans to spend $8,200 from the remaining FY 2019 allocation, as well as $14,000 from the FY 2020 building renewal appropriation to complete the project.

During heavy rain last year, the Lottery parking lot experienced flooding, including filling an underground fiber box responsible for receiving inbound and outbound building communications. The flooding required the Lottery to rent a pump to remove the water from the parking lot. According to Lottery, the drainage solution will protect the building from potentially severe property damage in case of high flooding and protect customers from injury.

Upgrade Building Elevator

The agency plans to spend $110,000 to upgrade and modernize the building's single elevator. According to the agency, improvements must be made to bring the elevator up to current building code standards and due to the elevator's age, some components are becoming difficult to find for maintenance. The agency also reports that the upgrade will include enhanced safety features and will reduce energy consumption.

Wash and Seal Sidewalks

The agency plans to spend $8,000 to pressure wash and apply a seal-coat to the building's front sidewalks. The agency reports that the sidewalks have begun to crack and will eventually break down as moisture penetrates the concrete. The seal-coat will extend the lifespan of the sidewalks.

JG:kp

Douglas A. Ducey
Governor

Gregory R. Edgar
Executive Director

November 19, 2019

The Honorable Regina E. Cobb, Chairman
Joint Legislative Budget Committee
Arizona House of Representatives
1700 W. Washington Street
Phoenix, AZ 85007

The Honorable David M. Gowan, Vice-Chairman
Joint Legislative Budget Committee
Arizona State Senate
1700 W. Washington Street
Phoenix, AZ 85007

RECEIVED
NOV 19 2019
JOINT BUDGET COMMITTEE

Re: JCCR Agenda Request

Dear Representative Cobb:

The Arizona Lottery respectfully requests placement on the JCCR meeting agenda for the December 11, 2019, meeting to review the Lottery FY20 Building Renewal Allocation Plan.

A.R.S. §41-1252 requires Committee review of expenditure plans for building renewal monies.

Information of this item is attached.

Sincerely,

Gregory R. Edgar
Executive Director

Attachment

cc: Darbi Jenkins, Deputy Director of Legislative Affairs
Richard Stavneak, Director, JLBC
Jeremy Gunderson, Lottery Analyst, JLBC
Matthew Gress, Director, OSPB
Yan Gao, Lottery Analyst, OSPB

Arizona Lottery – Building Renewal Funds
FY20 Allocation Plan

Background

The Arizona Lottery operates out of three facilities – a 38,500 sq. ft. building constructed in 1987, owned by the State of Arizona, located in Phoenix, a 3,398 sq. ft. building leased in Tucson, and a 500 sq. ft. airport location. The Phoenix facility includes administrative offices as well as a ticket sales and redemption section. The Tucson and airport offices provides ticket sales and redemption services and the Tucson office also includes office space for the district sales manager. Maintenance of the Phoenix facility is the responsibility of the Lottery, while Tucson facility maintenance is included as part of the lease agreement. This plan provides information on proposed maintenance expenses for the Phoenix facility.

Allocation

As part of the FY20 approved budget, the Lottery received a capital outlay appropriation of $134,100 from the Lottery Fund for building renewal purposes.

FY20 Capital Outlay/Building Renewal Allocation:	$134,100
Proposed FY20 Expenditures –	
Drainage Mitigation	14,000
Elevator Modernization	110,000
Seal Building Sidewalks	8,000
Remove Loading Dock (incremental cost)	2,100
TOTAL:	$134,100

Cost estimates were either supplied by state-contracted vendors or provided by ADOA. All projects are funded from the Lottery Fund - no General Funds monies are involved.

1. Drainage Mitigation - $14,000

This issue was included as part of the FY19 allocation plan. The Lottery parking lot experiences substantial flooding when heavy rain occurs and last year's plan allocated $18,500 to begin addressing this issue. Of the allotted amount, $9,950 was spent through ADOA to conduct data collection and site investigations, as well as development of construction documents.

The Lottery recently received an estimate of $22,200 to complete the necessary drainage improvements. The Lottery will use the remaining FY19 funds in the amount of $8,550, leaving a balance of approximately $14,000 to be dedicated from FY20 funds.

Proposed Solution

The recommended solution includes: removing landscape rock, excavating to create a retention area, replacing rock, demolition of existing concrete curb and pouring new curb, reforming curb between landscape and parking lot.

Principal Benefits

The principal benefit is to protect Lottery property from water damage. There have been occasions when an underground fiber box has been flooded as a result of heavy rain. Proper drainage will also make the parking lot safer for Lottery customers and reduce the potential for injury.

2. **Elevator Modernization - $110,000**

The Lottery Phoenix office building has one elevator which is in need of upgrading. The elevator is original to the building and although it has been consistently maintained over the years, it has reached the point where parts are becoming difficult to obtain due to age. If the elevator malfunctions, it could possibly be out of commission for several days. This puts a hardship on employees who rely on the elevator and may be unable to use the stairs. In addition, some work needs to be performed to bring the elevator up to new code-related standards.

Proposed Solution

Modernize the existing elevator. This includes required engineering specifications, code-related work, plus upgrades to the control system and other related equipment.

Principal Benefits

Principal benefits would be avoidance of extended elevator downtime and enhanced safety features such as a lowering unit that eliminates passenger entrapments by automatically lowering the cab to the ground floor in event of power loss or malfunction. Other benefits include increased reliability, reduced energy consumption, reduced troubleshooting time, and increased parts availability.

3. **Seal Building Front Sidewalks - $8,000**

The Lottery grounds have a sidewalk that spans the front of the building situated in front of customer parking and continuing to the building entrance. This sidewalk has experienced some cracking over time and although it is still in adequate condition, water penetration will ultimately undermine and break the material down. The sidewalk should be seal-coated to preserve and extend its useful life and help avoid potential trip hazards.

Proposed Solution

Pressure wash concrete and apply a thermal and moisture protectant to the front sidewalk as preventative maintenance.

Principal Benefits

Conducting routine, preventative maintenance will help to preserve the life of the sidewalk, thereby deferring more costly repairs/replacement. Sealing smaller cracks will also reduce the potential for injury.

Proposed FY19 Expenditure Reallocation –

The Lottery originally allocated $99,100 for sealing/painting the building exterior. However, actual expenditures were somewhat less, resulting in a remaining project balance of about $17,000. The Lottery would like to use this amount for the following item:

1. **Remove Warehouse Loading Dock – $18,000-$20,000**

Project savings from the FY19 capital outlay allocation would be utilized to eliminate the existing loading dock. The Lottery received a quote of between $18,000 - $20,000 to address this issue. The remaining $17,000 from FY19 plus incremental FY20 funds should adequately cover this project cost.

The Lottery Phoenix office has a loading dock on the north side of the warehouse area. The dock is original to the building and is minimally used – only one time in the past year. Deliveries are primarily handled via the street level warehouse entry door and unloaded by means of a forklift.

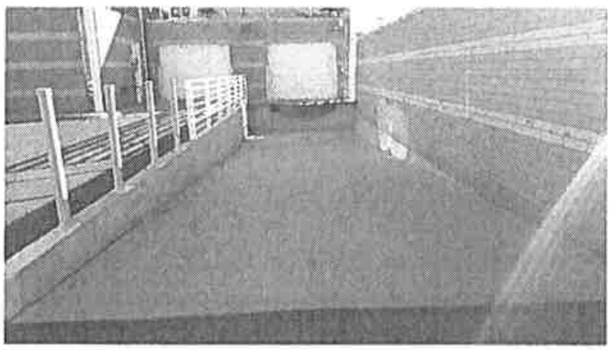
The loading dock is lower than the surrounding area and the wall next to the dock has begun to degrade and is beginning to crack in places. The cracking is below street level and it is likely the wall will collapse at some point due to the weight on the other side. Also, although the loading dock drop-off area is chained off, it does create the potential for injury.

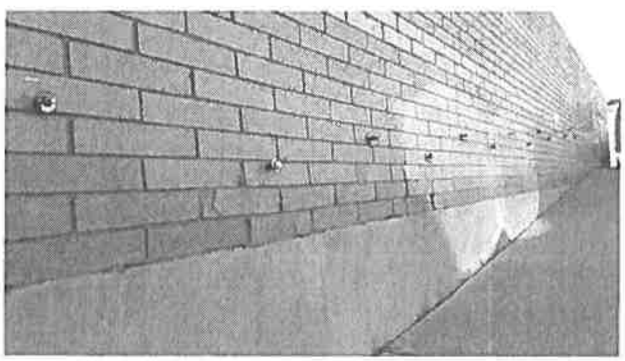
Proposed Solution

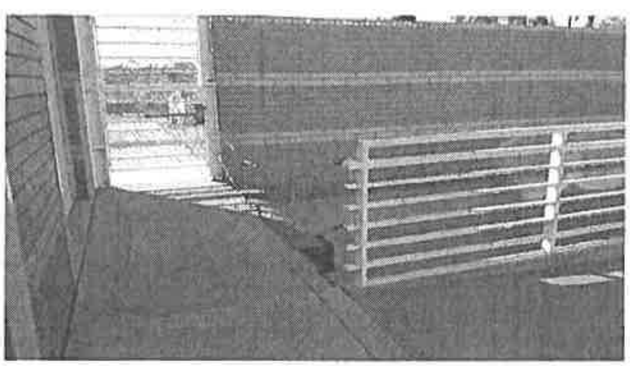
Remove the existing loading dock, dispose of concrete and related materials, fill in the area and resurface. This creates a larger, level parking/delivery area by the warehouse and lessens the potential for the wall to collapse since the surface will now be level on both sides of the wall.

Principal Benefits

Filling in and leveling the existing loading dock will help to stabilize the connecting wall and make better use of the back warehouse space. The current configuration is narrow and makes it difficult for delivery trucks to back in. A larger, flat parking area will make deliveries easier and provide additional parking when needed. Eliminating the loading dock will also reduce the potential for injury created by the current configuration.







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STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

HOUSE OF
REPRESENTATIVES

DATE: December 4, 2019

TO: Members of the Joint Committee on Capital Review

FROM: Elizabeth Dagle, Fiscal Analyst ED

SUBJECT: Arizona Pioneers' Home - Review of FY 2020 Capital Improvement Projects

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for capital projects. The FY 2020 Capital Outlay Bill appropriated $414,000 from the Miners' Hospital for Miners with Disabilities Land Fund for capital improvements. The Arizona Pioneers' Home is requesting review of these monies for 3 capital improvement projects.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.

2. An unfavorable review of the request.

Under either option, the Committee may also consider the following provisions:

A. The Arizona Pioneers' Home shall report any reallocation between projects as listed in *Table 1* to the JLBC Staff. If there is a significant change of scope in the reallocation reported by the Arizona Pioneers' Home, the JLBC Staff will recommend the Arizona Pioneers' Home request Committee review of the reallocation.

B. If the Arizona Pioneers' Home adds a new project not listed in this request, the agency shall submit the proposed project and expenditure plan for Committee review.

C. The Arizona Pioneers' Home shall notify the Chairman and the JLBC Staff if they plan to spend the contingency allocation. The Chairman will notify Arizona Pioneers' Home if the contingency plan will require full Committee review.

(Continued)

Key Points

1) The FY 2020 budget appropriated $414,000 to the Arizona Pioneers' Home for capital improvement projects.
2) The Pioneers' Home plans to use the monies for 3 capital improvement projects, including:
   - East Window/Door Replacement
   - Courtyard Window/Door Replacement
   - Sewer Line Replacement
3) The Pioneers' Home has received rough estimates from contractors but has not yet received formal bids.

Analysis

The Arizona Pioneers' Home expenditure plan is allocated as follows (see *Table 1*):

Window/Door Replacement (2 Projects)
A total of $275,000 will be allocated for window replacement for the Pioneers' Home. Of this amount, $145,000 will be used for windows on the east side of the building and $130,000 will be used for courtyard windows.

The windows are original to the building, and the Pioneers' Home reports the windows cannot be opened due to deterioration. Additionally, the current windows do not have weather stripping or insulation to help regulate room temperatures.

The Pioneers' Home building has an historic designation, and the windows must be replaced without altering the exterior appearance of the building. The Pioneers' Home plans to request funding in the future for additional window replacement project phases.

Sewer Line/Grease Interceptor Replacement
A total of $65,000 will be allocated to replace the existing grease interceptor in the main kitchen area of the Pioneers' Home. The interceptor has reached the end of its useful life, and failure of the grease interceptor would disrupt food service operations to Pioneers' Home residents. In the process of replacing the grease interceptor, Pioneers' Home will also replace the existing sewer line, which needs replacement to maintain structural integrity of the system and sanitary operations.

Project Contingency
A total of $74,000 will be allocated to project contingencies for unforeseen costs. The amounts listed in *Table 1* represent the estimated cost of each project. The contingency will be used if actual costs are higher than the estimates provided.

Table 1
Pioneers' Home FY 2020 Capital Improvements

East Window/Door Replacement	$145,000
Courtyard Window/Door Replacement	130,000
Sewer Line/Grease Interceptor Replacement	65,000
Contingency	74,000
TOTAL	**$414,000**

ED:kp

Arizona Pioneers' Home

Doug Ducey	**300 South McCormick Street**	**Ted Ihrman RN**
Governor	**Prescott, Arizona 86303**	**Interim Superintendent**

(928) 445-2181 - FAX (928) 778-1148

November 15, 2019

The Honorable Senator David M. Gowan, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington St.
Phoenix, Arizona 85007

The Honorable Representative Regina E. Cobb, Vice-Chairperson
Joint Committee on Capital Review
Arizona House of Representatives
1700 West Washington St.
Phoenix, Arizona 85007

Re: Capital Improvement Plan FY 2020, Arizona Pioneers' Home

Dear Senator Gowan and Representative Cobb:

The Arizona Pioneers' Home is seeking favorable review and recommendation of Capital Improvements for the Home in the amount of $414,000 for two projects as follows:

Building Services-Grease Interceptor and Sewer Line Replacement

The existing grease interceptor which serves the main kitchen at the Arizona Pioneers' Home (APH) has reached the end of its' useful life and has required several welding modifications and repairs to maintain operation. Failure of the grease interceptor would disrupt mission critical food service operations to Residents.

Portions of the existing sanitary sewer system at APH are a combination of various pipe materials including vitreous clay piping. Collapse of some of the pipe sections have caused severe disruption of the sanitary sewer system. Some of the piping is located underneath the building's foundations supporting the balcony above. These lines must be replaced and relocated away from the support foundations to avoid any future structural issues from occurring as well as to maintain sanitary sewer operation for the building.

Building Shell-Window/Door Replacement

The existing windows and glass doors at the Pioneers' Home are original to the building and have not been refurbished or replaced. The windows are double-hung wood casement style with sash cords and weights. Some windows cannot be opened due to the deterioration of the counterbalance mechanisms. The existing windows and balcony doors do not have any weather stripping or insulation which makes it difficult to regulate the room temperatures for our fragile, elderly Residents, especially during winter snow storms.

The allocation is for replacement of windows and doors of the East and Courtyard sides of the building as funding will allow. APH plans to replace the existing windows and glass doors with single-hung insulate vinyl windows with screens that will maintain the exterior look of the building and help ensure that the Residents are safe, warm and dry.

Respectfully,

Ted Ihrman RN

Ted Ihrman RN, Interim Superintendent

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STATE OF ARIZONA

Joint Committee on Capital Review

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(602) 926-5491

azleg.gov

DATE: December 9, 2019

TO: Members of the Joint Committee on Capital Review

FROM: Stefan Shepherd, Deputy Director

SUBJECT: Arizona Department of Corrections - Review of Updated Expenditures for Locking and Fire Safety Projects

Request

A.R.S. § 14-1252 requires Committee review of capital projects with estimated costs exceeding $250,000. The Arizona Department of Corrections (ADC) and the Arizona Department of Administration (ADOA) are currently working to replace locks, fire alarm and suppression systems, and HVAC systems in the Lewis and Yuma prisons. The total project is estimated to cost $51,400,000. At the June JCCR meeting the Committee favorably reviewed $17,700,000 in non-appropriated monies to begin Phase 1 of the project. As part of that review, the Committee also included a provision requiring ADC to submit quarterly updates on the project.

ADC has submitted its second quarterly update and is requesting review of an additional $6,280,000 in non-appropriated monies in FY 2020. This new funding would be used to replace locks and fire alarm systems in the Buckley Unit in Lewis and begin addressing the HVAC replacement in the Rast Unit in Lewis. The request was submitted on December 4.

Committee Options

The Committee has at least the following 2 options:

1. Favorably review the request.

2. Unfavorably review the request.

3. Receive the report without comment.

(Continued)

Under either option, the Committee may consider the following provisions:

A. A favorable review of the proposal does not constitute endorsement of any General Fund commitment to pay for any project costs (Phase 1, 2, or 3, in FY 2020 or FY 2021) beyond the $24.0 million.

B. The department shall comply with American Correctional Association (ACA) standards for all locks purchased and installed as part of this project.

C. The department shall report to the Committee prior to encumbering monies for the new HVAC units. The report shall include ADC's preferred method for HVAC replacement, along with capital and ongoing cost estimates for direct evaporative cooling, indirect evaporative cooling, and air conditioning systems. The Chairman will notify ADC within a week as to whether any potential change in scope requires further Committee review before proceeding.

Key Points

1) ADC estimates the total cost to replace locks, fire alarm and suppression systems, and HVAC systems at the Lewis and Yuma prisons will be $51.4 million.
2) The Committee favorably reviewed $17.7 million in June 2019 to begin replacing locks in the Morey Unit in the Lewis prison.
3) In its second quarterly update, ADC reports the project is still on schedule and within budget and there have been no changes to the scope.
4) ADC and ADOA are now considering replacing current direct evaporative cooling systems with air conditioning rather than indirect evaporative cooling systems, which could change the overall cost of the project.
5) ADC is requesting review of an additional $6.3 million from non-appropriated funds in FY 2020 to replace the locks and fire alarm and suppression systems in the Buckley Unit in Lewis and to begin HVAC replacement in the Rast Unit in Lewis.

Analysis

Project Background

ADC has identified locks, fire alarm and suppression systems and HVAC systems in Lewis and Yuma prison complexes that need replacement. In its June 2019 proposal, ADC divided the project into 3 phases and reported the project would be completed by May 2021. The 3 phases were:

- Phase 1 – Lewis Prison: Replace locks, fire alarm and suppression systems in 5 affected units over FY 2020 and FY 2021.

- Phase 2 – Lewis Prison: Upgrade evaporative cooling in the 5 affected units over FY 2020 and FY 2021.

- Phase 3 – Yuma Prison: Replace locks, fire alarm and suppression systems and evaporative cooling in 1 unit in Yuma in FY 2021.

(Continued)

In June 2019, ADC estimated the total cost of the project would be $45.9 million and requested Committee review of $17.7 million from non-appropriated monies to begin Phase 1. The Committee favorably reviewed that request but also added a provision requiring ADC to submit to the Committee quarterly reports on the progress and status of the project. In their first quarterly report in September, ADC increased its cost estimate for the project to $51.4 million, a $5.5 million increase.

In its most recent status report included in the revised request, ADC notes that the project scope and timeline have not changed, with the entire project scheduled to be completed in April 2021. ADC reported that lock fabrication for the Morey Unit in Lewis is underway and the locks are scheduled to arrive in mid-December.

ADC also reports that their current $51.4 million estimate for the total project cost remains the same. However, ADC notes that the current estimate assumes replacing current direct evaporative cooling systems with more modern and efficient indirect evaporative cooling systems. ADC and ADOA are now considering replacing current systems with air conditioning. ADC expects the decision will be made by the next quarterly report due March 1, 2020. If ADC and ADOA decide to install air conditioning, the project cost would likely increase. As a result, the Committee may wish to consider a provision requiring ADC to report any HVAC-related cost changes to the Chairman, who can decide whether the change would require Committee review.

Of the $17.7 million reviewed by the Committee in June, ADOA (acting as the project manager) reports expending $57,200 and encumbering $13.4 million, primarily for lock fabrication, demolition, and preparation, leaving $4.3 million unobligated, but primarily set aside for lock and fire system installation. ADOA reports that it is working to finalize the contract for lock and fire system installation.

Current Request
Compared to the $17.7 million previously reviewed, the revised FY 2020 estimated Phase 1 cost totals $21.8 million, or $4.1 million more than the review. In addition, ADC estimates an FY 2020 cost of $2.2 million for Phase 2.

Given that ADC has already encumbered $13.4 million and will soon encumber much of the remaining $4.3 million from the June review, ADC is now requesting Committee review of $6.3 million in non-appropriated monies in FY 2020 in order to keep the project on schedule. ADC's proposal would increase the amount available from $17.7 million as reviewed in June to $24.0 million and thereby fully fund the projects' revised FY 2020 estimated costs (see *Table 1* below) but leave an additional $27.4 million yet to be allocated for FY 2021 costs.

Table 1

Locking and Fire System Costs

	FY 2020	**FY 2021**
Phase 1	$21,780,000	$ 4,110,000
Phase 2	2,200,000	9,410,000
Phase 3	-	13,900,000
Total	**$23,980,000**	**$27,420,000**

(Continued)

The additional $6.3 million would come from 2 non-appropriated funds: 1) $2.0 million from the Special Services Fund, which consists of revenues generated by inmate use of technology such as telephone systems, and 2) $4.3 million from the Arizona Correctional Industries (ACI) Revolving Fund, which is ACI's administrative fund.

Of the $6.3 million, $4.1 million would be used to replace the lock and fire alarm and suppression systems in the Buckley Unit in Lewis; these replacements would be completed by February 2020. The other $2.2 million would be used to engineer, order and replace the evaporative cooling in the Rast Unit in Lewis. As mentioned above, it is unclear if ADC plans to replace the current direct evaporative cooling systems with indirect evaporative cooling systems or air conditioning. If ADC and ADOA opt for air conditioning, this funding may not be sufficient. The spending plan above, however, continues to have $1.1 million unallocated for a particular purpose and so could be towards increased HVAC costs.

Based on ADC's capital request submitted to ADOA this summer, the FY 2021 Capital Improvement Plan submitted by ADOA in October 2019 recommended $27.5 million from the General Fund for the remaining costs of the lock project, effectively reflecting the ADC request.

A recent whistleblower complaint regarding the department identifies broken locks in the Rast, Steiner and Bachman units and claims that ADC officials are "closing out" repair requests without completing any repairs. ADC's current plan indicates the locks in these units would be addressed in FY 2021. Until they are replaced, ADC report they have padlocked all affected doors. The complaint suggests that the padlocking is not working or not consistently done, with inmates continuing to freely exit their cells.

SSH:kp

Arizona Department of Corrections

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PHOENIX, ARIZONA 85007
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DOUGLAS A. DUCEY
GOVERNOR

DAVID SHINN
DIRECTOR

December 4, 2019

RECEIVED
DEC 05 2019
JOINT BUDGET COMMITTEE

The Honorable David M. Gowan
Chairman, Joint Committee on Capital Review
Arizona State Senate
1700 West Washington
Phoenix, AZ 85007

The Honorable Regina E. Cobb
Vice-Chairman, Joint Committee on Capital Review
Arizona House of Representatives
1700 West Washington
Phoenix, AZ 85007

RE: December 1, 2019 Quarterly Report & Submission for Review of Additional Funds

Dear Senator Gowan and Representative Cobb:

Pursuant to the provisions adopted by the Joint Committee on Capital Review (JCCR) review of the Arizona Department of Corrections (ADC) Phase I Expenditures for Locking and Fire Safety Projects at its June 18, 2019 meeting, the ADC and the Arizona Department of Administration (ADOA), acting as the project manager, provide this second quarterly update on the status and progress of the project. ADC also requests JCCR review of $6,280,000 for the ASPC Lewis/Yuma Locking and Fire Safety Project.

Background
This project is essential to the safety and security of staff and inmates and represents a necessary investment in critical infrastructure at the identified locations. The scope of the project includes three phases for the repair and/or replacement of lock, HVAC, fire alarm and suppression systems at select units of ASPC-Lewis and ASPC-Yuma.

At the June 18, 2019, JCCR meeting an overall project summary was provided and JCCR favorably reviewed $17,700,000 in non-appropriated funds to begin Phase 1. In August 2019, ADC and ADOA reported that the project cost was estimated to be $51,400,000

December 1 Quarterly Project Update
Since the last quarterly update the project schedule and cost estimate remains the same. There have been no changes to the scope of work as presented in the September 1 Quarterly Report. Progress has been made in the following areas:

- Locking vendor has begun the lock fabrication process and locks are scheduled to arrive at ASPC-Lewis by the middle of December. Prices for the locks have been agreed upon as long as the manufacturing process is not delayed.

- The Construction Manager at Risk (CMAR) has mobilized and is currently onsite performing demolition. Door and lock operators have been removed and the framework has been prepped and ready for new door lock installation in Morey Unit building 1. Currently the CMAR is transitioning into Morey Unit building 2.

- ADOA is working on finalizing a Gross Maximum Price (GMP) contract in the amount of $3,100,000 for the installation of the fire systems, security electronics, and locks for the Morey Unit.

- Current project cost estimates include indirect evaporative cooling. Due to the critical nature of this investment, ADC and ADOA are reviewing the decision between indirect evaporative cooling and air conditioning. This review and decision is expected to be finalized by the next quarterly report.

Of the $17,700,000 favorably reviewed by JCCR, ADOA has expended $57,200, encumbered $13,391,368, and has an unobligated balance of $4,251,432.

	Allocated	Encumbered	Expended
Engineering and Pre-Construction	$480,000	$332,400	$57,200
Lock Fabrication, Selective Demo, and Mobilization	$13,058,968	$13,058,968	
GMP Contract	$3,100,000		
Available Amount	$1,061,032		
Non-Appropriated Funds Reviewed by JCCR	$17,700,000	$13,391,368	$57,200

Request for JCCR Review of Additional Funding

ADC is requesting JCCR review of an additional $6,280,000 from non-appropriated funding sources. The funding will allow planning and engineering for Phase II and III, installation of locks, and the purchase of fire security and HVAC systems. This request brings the total non-appropriated funds allocated toward the project to $23,980,000. Future project costs have been requested in the FY 2021 Capital Improvement Plan submission. Funding is critical to ensure that replacement of the locks and fire systems remain on schedule.

Funding Source	June JCCR Meeting	December JCCR Meeting	Remaining Project Amount	Total Project
Non-Appropriated Funding	$17,700,000	$6,280,000		$23,980,000
To Be Determined			$27,420,000	$27,420,000
Total Project Cost	$17,700,000	$6,280,000	$27,420,000	$51,400,000

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

Sincerely,

David Shinn
Director

cc: Matthew Gress, Director, Governor's Office of Strategic Planning and Budgeting
Richard Stavneak, Director, Joint Legislative Budget Committee
Nola Barnes, Assistant Director, Arizona Department of Administration
Jacob Wingate, Budget Manager, Governor's Office of Strategic Planning and Budgeting
Ryan Vergara, Budget Manager, Governor's Office of Strategic Planning and Budgeting
Geoffrey Paulsen, Senior Fiscal Analyst, Joint Legislative Budget Committee
Rebecca Perrera, Senior Fiscal Analyst, Joint Legislative Budget Committee