

STATE OF ARIZONA

# Joint Committee on Capital Review

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## JOINT COMMITTEE ON CAPITAL REVIEW

Thursday, September 19, 2002

1:30 p.m.

House Hearing Room 4

### AGENDA

- Call to Order
- Approval of Minutes of August 22, 2002.
- DIRECTOR'S REPORT (if necessary).
- 1. DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS – Review Scope, Purpose, and Estimated Cost of Yuma Armory Project.
- 2. ARIZONA DEPARTMENT OF ADMINISTRATION/DEPARTMENT OF HEALTH SERVICES – Report on Arizona State Hospital Construction Project.
- 3. SCHOOL FACILITIES BOARD – Continuation of Presentation on Qwest Contract, Lease-to-Own Financing, and Other School Facilities Board Items.

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

09/12/02

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DATE: September 11, 2002

TO: Representative Laura Knaperek, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Steve Grunig, Fiscal Analyst

SUBJECT: DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS - REVIEW OF  
SCOPE, PURPOSE AND ESTIMATED COST OF YUMA ARMORY PROJECT

**Request**

Pursuant to A.R.S. § 41-1252(C), the Department of Emergency and Military Affairs (DEMA) requests that the Committee review its plan to spend \$371,000 appropriated from the General Fund to DEMA in FY 2002 for construction of an Army National Guard training and community center in Yuma.

**Recommendation**

The JLBC Staff recommends a favorable review of the request. DEMA anticipates a total project cost of \$2,868,900. The project is funded with a \$371,000 General Fund appropriation and the remaining \$2,497,900 will consist of \$1,731,125 from the federal government, \$150,000 from the City of Yuma, \$216,775 from the sale of closed armories, and \$400,000 from the sale of armory property to the City of Yuma.

**Analysis**

Laws 2001, Chapter 311, made a FY 2002 appropriation of \$371,000 from the General Fund to DEMA for construction of an Army National Guard training and community center in Yuma. A.R.S. § 41-1252(C) requires that the Committee review the scope, purpose and estimated cost of this project.

The present National Guard facility in Yuma is 42 years old and would require renovation in order to continue being used. The current facility was built to serve 48 soldiers, rather than 100 soldiers that will use the new facility. The current facility is also becoming surrounded by redevelopment projects along the Colorado River and the armory does not fit with future plans for the area. The proposal would relocate the armory to a 5 acre site adjacent to Arizona Western College. The City of Yuma would

(Continued)

acquire the 2.88 acre site where the current armory is located and lease the new location to the National Guard over 70 years for \$1 a year. The city will pay DEMA \$400,000 to acquire the old armory property. The City of Yuma plans to use the new facility for community activities when it is not being used by the National Guard.

Under DEMA's proposed plan, the department would construct a 19,683 square foot Training and Community Center. The primary purpose of the facility is to serve as a 100 soldier armory. The facility has a multi-purpose design which makes it suitable as an armory and also allows a variety of community events to be held there. The facility will also provide space for state and federal required disaster recovery operations.

Federal guidelines require the State to provide the land, site preparation and to match at least 25% of armory construction costs. The contribution of each party is shown below. Partial funding comes from the State Armory Property Fund which received proceeds of the sale of the Bisbee armory and part of the armory land at the Silverlake armory in Tucson.

<u>Cost parties</u>	<u>Contribution</u>	<u>% of Total</u>
Federal	\$1,731,125	60.4%
City of Yuma	\$ 150,000	5.2%
State		
FY 02 Appropriation	\$ 371,000	12.9%
Sale of Closed Armories	\$ 216,775	7.6%
Sale of Yuma Armory	\$ <u>400,000</u>	<u>13.9%</u>
Total State Share	\$ 987,775	34.4%
Total Project Cost	\$ 2,868,900	100%

As the proposed project is consistent with the intent of the appropriation and the cost appears reasonable as compared to the national average for similar facilities, the JLBC Staff recommends that the Committee give a favorable review.

RS/SG:jb

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DATE: September 11, 2002

TO: Representative Laura Knaperek, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Gina Guarascio, Senior Fiscal Analyst

SUBJECT: ARIZONA DEPARTMENT OF ADMINISTRATION/ DEPARTMENT OF HEALTH  
SERVICES - REPORT ON THE ARIZONA STATE HOSPITAL CONSTRUCTION  
PROJECT

**Request**

Pursuant to Laws 2000, Chapter 1, the Arizona Department of Administration (ADOA) and the Department of Health Services (DHS) are providing a quarterly status report on the Arizona State Hospital (ASH) demolition and construction project.

**Recommendation**

This item is for information only and no Committee action is required. The adolescent facility is now occupied, as is a clinical administration building. Construction activity is continuing on the new civil hospital, and infrastructure activities are on-going.

**Analysis**

Background

Laws 2000, Chapter 1, as amended by Laws 2000, 7<sup>th</sup> Special Session, Chapter 1, and Laws 2002, 2<sup>nd</sup> Special Session, Chapter 3, appropriated \$77.5 million from the Budget Stabilization Fund over 4 years for the demolition, construction and renovation of ASH. ADOA is to use the appropriations to provide at least 176 new civil beds at ASH, and to renovate and expand existing facilities to address physical plant needs for civil and forensic populations, an adolescent unit, and sexually violent offenders. The legislation also created the Arizona State Hospital Capital Construction Commission and charged them with reviewing capital construction and renovation plans at ASH for the purpose of making recommendations to ADOA and JCCR. ADOA and DHS are required to report at the end of each quarter to the Committee on the status of the ASH project. This report represents the eighth of these quarterly reports.

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Quarterly Update and Status Report

The table below presents the amounts ADOA and DHS have budgeted for each portion of the ASH demolition and construction project.

	<b>Proposed Budget By Project</b>
SVP Program	\$ 5,869,200
Civil Hospital and Adolescent Facility	45,037,700
Sitework/Tunnels/Telephone/Data	12,364,900
Forensic Hospital	12,685,000
Contingency	<u>1,543,200</u>
<b>TOTAL</b>	<b>\$77,500,000</b>

The Committee favorably reviewed an expenditure plan for construction of 2 new 60-bed dormitories for the Sexually Violent Persons (SVP) program using the Inmate Construction program. Both dormitories are now complete.

The Committee has also favorably reviewed an expenditure plan to address infrastructure issues at ASH, including telecommunications expansion, repair of sewer lines, repairs to address water temperature control issues, as well as Central Plant repairs. Infrastructure rerouting is now about 98% complete. ADOA has completed all Central Plant upgrades.

Building shells are in place for all planned buildings. ADOA completed the adolescent facility in July, and patients began occupying the facility on July 16, 2002. Completion of the new civil facility is scheduled for the late fall of 2002, with patient occupancy planned for mid-December.

In August of 2001, JCCR favorably reviewed an expenditure plan for the renovation of Cholla Hall for use as a support building for the SVP program. Renovation of this facility is underway and is scheduled for completion in January of 2003.

At its June meeting, the Committee favorably reviewed the expenditure plan for the renovation of the forensic hospital. ADOA is proceeding with work on the forensic hospital renovation. Abatement of the Juniper building is now underway.

RS/GG:jb

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DATE: September 11, 2002

TO: Representative Laura Knaperek, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jake Corey, Fiscal Analyst

SUBJECT: SCHOOL FACILITIES BOARD – CONTINUATION OF PRESENTATION ON QWEST  
CONTRACT, LEASE-TO-OWN FINANCING, AND OTHER SCHOOL FACILITIES  
BOARD ITEMS

At the request of the Chairman of the Committee, the School Facilities Board (SFB) was to give a presentation at the August, 2002 Committee meeting on 1) the revised networking and internet connectivity contract with Qwest, and 2) the board's current status and future plans for implementing lease-to-own financing for new school construction. Though the Committee heard the presentation on the Qwest contract, discussion of the item was not concluded at the meeting, and is therefore to be continued at the September, 2002 meeting. The presentation on lease-to-own financing was not heard during the August, 2002 meeting, but was also delayed until the September, 2002 meeting.

In addition, the School Facilities Board (SFB) is reporting its plans to transfer \$113 million from the Deficiencies Correction Fund to the New School Facilities Fund. The purpose of the transfer is so that the board may continue to fund new construction costs until the time it receives financing from any lease-to-own agreements. Proceeds from the lease-to-own financing agreements will be used to reimburse the Deficiencies Correction Fund.

A.R.S. § 15-2002(L) grants SFB the authority to temporarily transfer monies between funds if 1) the transfer is necessary to avoid a temporary shortfall in the fund into which monies are transferred, 2) the transferred monies are restored to the originating fund as soon as the temporary shortfall in the other fund has been addressed, and 3) SFB reports to the Committee the amount of and reason for any monies transferred.

Laws 2002, Chapter 330 replaced "pay-as-you-go" financing for new school construction in FY 2003 with lease-to-own financing. The board is authorized to enter into lease-to-own agreements of a maximum of \$400 million in FY 2003. The board reports that, while the authorized amount is sufficient to cover new construction costs in that year, the agreements will not be completed until January, 2004. Since the New School Facilities Fund currently has a balance of about \$10 million, and the fund averages a weekly distribution to school districts of about \$7 million, SFB does not have enough cash on hand to fund the costs of new construction over the next 4 months. Therefore, the board plans to temporarily transfer \$113 million from the Deficiencies Correction Fund to the New School Facilities Fund. The transfer will leave the Deficiencies Correction Fund with a balance of about \$2 million. Once SFB has received financing for the lease-to-own agreements, the board will reimburse the Deficiencies Correction Fund.