

STATE OF ARIZONA

## Joint Committee on Capital Review

STATE  
SENATE

ROBERT L. BURNS  
CHAIRMAN 2005  
LINDA AGUIRRE  
TIMOTHY S. BEE  
ROBERT CANNELL  
GABRIELLE GIFFORDS  
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HOUSE OF  
REPRESENTATIVES

TOM BOONE  
CHAIRMAN 2006  
AMANDA AGUIRRE  
ANDY BIGGS  
JACK A. BROWN  
PHIL LOPES  
RUSSELL K. PEARCE  
STEPHEN TULLY

### MINUTES OF THE MEETING JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, May 10, 2005

The Chairman called the meeting to order at 8:40 a.m. Tuesday, May 10, 2005 in Senate Appropriations Room 109 and attendance was as follows:

Members:	Senator Burns, Chairman	Representative A. Aguirre
	Senator Bee	Representative Biggs
	Senator Cannell	Representative Boone
	Senator Giffords	Representative Brown
	Senator Johnson	Representative Lopes
Absent:	Senator L. Aguirre	Representative Pearce, Vice-Chairman
	Senator Gould	Representative Tully

*Senator Burns moved the Committee approve the minutes of February 9 and 10 and February 22, 2005 as presented.* The motion carried.

#### **PINAL COMMUNITY COLLEGE DISTRICT – Review of Bond Projects**

Mr. Jake Corey, JLBC Staff, presented the Pinal Community College District (PCCD) request that the Committee review its \$435.2 million General Obligation (GO) bond proposal. The GO proceeds would be combined with \$47.8 million from revenue bond proceeds for a total of \$482.9 million. Proceeds would be used to fund construction and renovation projects to address student growth in the district. The bonds would be issued in four installments every five years, with the first issuance occurring in FY 2006.

There was no discussion on this item.

*Representative Boone moved the Committee give a favorable review to the Pinal Community College District \$435.2 million General Obligation (GO) bond proposal, with the provision that the district return to the Committee for review prior to each actual GO bond issuance.* The motion carried.

#### **YUMA-LA PAZ COMMUNITY COLLEGE DISTRICT – Review of General Obligation Bond Issuance**

Mr. Jake Corey, JLBC Staff, presented the Yuma-La Paz Community College District request that the Committee review its proposed \$20 million General Obligation (GO) bond issuance. The board was authorized by a November 2004 bond election to issue a total of \$73.9 million in bonds. The board plans to issue \$20 million in bonds now and the remaining \$53.9 million in June 2006. Previously, the Committee gave a favorable review to the entire \$73.9 million bond proposal, with the provision that the district return for Committee review prior to each actual bond issuance.

The district plans to issue a total of \$20 million in bonds in FY 2005. Over a 25-year period, with an estimated interest rate of 5%, total interest payments would equal \$15.2 million. Total debt service would be approximately \$35.2 million.

There was no discussion on this item.

*Representative Boone moved the Committee give a favorable review to the Yuma-La Paz Community College District proposed \$20 million General Obligation bond issuance, with the provision that the district submit the remaining \$53.9 million prior to issuing those bonds. The motion carried.*

#### **ARIZONA EXPOSITION & STATE FAIR BOARD – Review of FY 2005 Building Renewal Allocation Plan**

Nick Klingerman, JLBC Staff, presented the Arizona Exposition & State Fair Board (AESF) request that the Committee review its FY 2005 Building Renewal allocation plan of \$1,007,000 and that \$240,400 from the appropriation be available for contingencies. AESF was appropriated a total of \$1,247,400 for building renewal in FY 2005.

The 5 projects include security fencing replacement, asphalt reconstruction, Coliseum roof repair, light fixture replacement and underground cabling.

Senator Giffords asked what other activities will benefit from the building renewal projects. Don West, Deputy Director, AESF stated that the non-fair activities that will benefit include home and garden shows, gun shows, volunteer nurse's book sale, antique markets and herb shows. There are approximately 116 non-fair events per year in addition to the 18 days of the State Fair that will benefit from the projects.

Senator Cannell asked where the excess revenues go. Mr. Klingerman stated that the fair has their own fund so any excess revenues remain in the State Fair Fund.

*Representative Boone moved that the Committee give a favorable review to the Arizona Exposition and State Fair (AESF) FY 2005 Building Renewal Allocation plan of \$1,007,000 for the 5 submitted projects with the following provisions:*

- *AESF be allowed to allocate \$100,000 from the remaining \$240,400 as a contingency amount if needed to complete the projects.*
- *AESF submit for Committee review an allocation plan for the remaining \$140,400 if monies are to be used for new projects.*

The motion carried.

#### **ARIZONA DEPARTMENT OF ADMINISTRATION – Review of Revised FY 2005 Building Renewal Allocation Plan**

Jeremy Olsen, JLBC Staff, presented the Arizona Department of Administration request that the Committee review the revised FY 2005 Building Renewal allocation plan. The Committee had favorably reviewed the expenditure of \$2,766,000 from this fund in previous meetings, leaving \$734,000 unallocated. The department's request includes reallocating \$200,000 from a \$300,000 air handler building renewal project at a Department of Corrections facility. This \$200,000 reallocation would increase the unallocated amount to \$934,000. Of the \$934,000, \$812,000 would be allocated to the requested projects and the remaining \$122,000 would be available for emergency projects (in addition to \$665,000 previously authorized for emergency projects).

There was no discussion on this item.

*Representative Boone moved that the Committee give a favorable review to the \$812,000 revised building renewal request and \$200,000 reallocation, with the provision that the department continue to report to JLBC Staff on allocations from the \$787,000 available for emergency projects. The motion carried.*

**ARIZONA BOARD OF REGENTS – Report on Private Office Leases**

Ms. Shelli Carol, JLBC Staff, presented the Arizona Board of Regents report for FY 2003 and FY 2004 private office leases that exceeded the average lease cost per square foot determined by the Lease Cost Review Board (LCRB). LCRB determined a \$17.25 average private lease rate for FY 2003 and an \$18.25 average private lease rate for FY 2004. Additionally, LCRB estimates the average per square foot cost for leasing privately owned space will remain at \$18.25 through FY 2006 and FY 2007.

Of the 169 private leases approved by ABOR in FY 2003, 30 exceeded the \$17.25 per square foot estimate for private office space. Of the 186 private leases approved by ABOR in FY 2004, 32 exceeded the \$18.25 per square foot estimate for private office space.

The actual ABOR average lease rate in FY 2004 was around \$16.70.

Senator Cannell asked if it would be better to build buildings instead of paying lease space in certain remote areas.

In response to Senator Cannell, Lorenzo Martinez, JLBC Staff, stated that some of the remote areas have historically had higher lease costs because rental space is limited and the demand for space may increase lease costs. Typically, the amount of space the state needs in remote areas is insufficient to make constructing a state building feasible.

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

Without objection the Committee adjourned at 9:00 a.m.

Respectfully submitted:

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Jan Belisle, Secretary

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Lorenzo Martinez, Assistant Director

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Senator Bob Burns, Chairman