



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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TOM FORESE
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RICK GRAY
ANDREW C. SHERWOOD

MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

June 19, 2014

The Chairman called the meeting to order at 11:58 a.m., Thursday, June 19, 2014 in Senate Appropriations Room 109. The following were present:

Members:	Senator Shooter, Vice-Chairman	Representative Kavanagh, Chairman
	Senator Cajero Bedford	Representative Alston
	Senator Griffin	Representative Campbell
	Senator McComish	Representative Sherwood
	Senator Pancrazi	
	Senator Tovar	
Absent:	Senator Melvin	Representative Forese
		Representative Gowan
		Representative Gray

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of April 8 and April 10, 2014, Chairman John Kavanagh stated that the minutes would stand approved.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of FY 2015 Building Renewal Allocation Plan.

Ms. Rebecca Perrera, JLBC Staff, stated that this item is a review of its FY 2015 Building Renewal expenditure plan. The FY 2015 Capital Outlay Bill (Laws 2014, Chapter 15) appropriated a total of \$18 million for building renewal. ADOA is requesting a review of an \$11.8 million allocation from the overall \$18 million appropriation, and plans to request review of the remaining \$6.2 million later during FY 2015. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review to ADOA's FY 2015 \$11,800,000 Building Renewal expenditure plan with the following provisions:

- A. *ADOA report on actual FY 2015 building renewal spending by project and appropriation source on December 31, 2014, June 30, 2015 and June 30, 2016.*

(Continued)

- B. *ADOA shall report any change in the building renewal spending plan to the JLBC Staff, including reallocations between projects and non-emergency use of contingency monies. If there is significant change of scope in the reallocation reported by ADOA, the JLBC Staff shall recommend ADOA request Committee review of the reallocation.*
- C. *The distribution of the emergency contingency allocation of \$571,000 be addressed as follows:*
1. *ADOA notify the Chairman and the JLBC Staff that they plan to spend less than \$50,000 on an emergency project. ADOA can proceed without Committee review.*
 2. *If the emergency project is \$50,000 or greater, ADOA will request JCCR review.*
 3. *The Chairman can allow ADOA to move forward with an emergency project of greater than \$50,000 without Committee review.*
 4. *The Chairman will notify ADOA if he does not agree that the project is an emergency and will request that ADOA not proceed with the project.*

An "emergency" project is defined as unforeseen, critical in nature, and of immediate time sensitivity.

The motion carried.

ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2015 Building Renewal Allocation Plan.

Ms. Micaela Larkin, JLBC Staff, stated that this item is a review of its FY 2015 Building Renewal expenditure plan. The FY 2015 Capital Outlay Bill appropriated a total of \$8.5 million for general building renewal. The JLBC Staff presented options to the Committee.

Mr. Michael Landry, Administrator, ADC, responded to member questions.

Senator Shooter moved that the Committee give a favorable review to the ADC's FY 2015 \$8,464,300 Building Renewal expenditure plan. This amount consists of \$5,464,300 from the Department of Corrections Building Renewal Fund and \$3,000,000 from the General Fund. The favorable review includes the following provisions:

- A. *ADC shall report any change in the building renewal spending plan to the JLBC Staff, including reallocations between projects and non-emergency use of contingency monies. If there is significant change of scope in the reallocation reported by ADC, the JLBC Staff shall recommend ADC request Committee review of the reallocation.*
- B. *The distribution of the emergency contingency allocation of \$175,800 be addressed as follows:*
1. *ADC notify the Chairman and the JLBC Staff that they plan to spend less than \$50,000 on an emergency project. ADC can proceed without Committee review.*
 2. *If the emergency project is \$50,000 or greater, ADC will request JCCR review.*
 3. *The Chairman can allow ADC to move forward with an emergency project of greater than \$50,000 without Committee review.*
 4. *The Chairman will notify ADC if he does not agree that the project is an emergency and will request that ADC not proceed with the project.*

(Continued)

An "emergency" project is defined as unforeseen, critical in nature, and of immediate time sensitivity.

The motion carried.

ARIZONA EXPOSITION AND STATE FAIR BOARD (AESF) - Review of Capital Improvement Expenditures.

Mr. Steve Grunig, JLBC Staff, stated that this item requires review of the scope, purpose and estimated cost before the release of monies for construction of a new capital project that has an estimated cost of more than \$250,000. The FY 2015 Capital Outlay Bill appropriated \$1.0 million from the AESF Fund to the AESF for capital improvements. AESF is requesting review of 9 capital projects with a total cost of \$731,000 in FY 2015. The JLBC Staff presented options to the Committee.

Ms. Wanell Costello, Deputy Director, AESF, responded to member questions.

Senator Shooter moved that the Committee give a favorable review to AESF's \$731,000 expenditure plan for 9 capital projects. The motion carried.

EAST VALLEY INSTITUTE OF TECHNOLOGY (EVIT) - Consider Approval of Proposed Joint Technical Education District (JTED) Lease.

Mr. Steve Schimpp, JLBC Staff, stated that this item is for review of EVIT's plan to lease 3 Career and Technical Education (CTE) buildings from the Apache Junction Unified School District (AJUSD) in order to establish a "leased centralized campus" at Apache Junction High School. The JLBC Staff presented options to the Committee.

Mr. Rusty Bowers, Director of External Affairs, EVIT, responded to member questions.

Senator Shooter moved that the Committee give a favorable review to EVIT's plan to lease 3 CTE buildings from the AJUSD in order to establish a "leased centralized campus" at Apache Junction High School. The motion carried.

ARIZONA STATE UNIVERSITY (ASU) - Review of System Revenue Bond Refund and Building Acquisition.

Mr. Art Smith, JLBC Staff, stated that Committee review is required of any university projects using indirect debt financing (also known as third party financing). A.R.S. § 15-1683 requires JCCR review of any university projects financed with revenue bonds. ASU is requesting review of a \$15.7 million revenue bond issuance to refund privately-issued revenue bonds for Las Casas Residence Hall at ASU-West Campus and to acquire the property. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review to ASU's \$15,700,000 revenue bond issuance to refund privately-issued revenue bonds for Las Casas Residence Hall at ASU - West campus and to acquire the property with 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 debt service, or any operations and maintenance costs when the project is complete.
- B. ASU shall provide the final debt service schedule for the project as soon as it is available.

The motion carried.

(Continued)

NORTHERN ARIZONA UNIVERSITY (NAU) - Review of Indirect Financing Project.

Mr. Art Smith, JLBC Staff, stated that Committee review is required of any university project using indirect debt financing (also known as third party financing). NAU requests Committee review of their proposal to enter into a ground lease agreement for a new Student and Academic Services building at its Flagstaff campus that would be built by a 3rd party. The total project cost is estimated to be \$38.8 million. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review to NAU's proposal to enter into a ground lease agreement for a new Student and Academic Services building at its Flagstaff campus, that would be built by a 3rd party. The total cost of this project is estimated to be \$38,800,000. The favorable review includes the provision that this does not constitute endorsement of any level of General Fund appropriations. The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of Vehicle Wash Systems Project.

Mr. Ben Beutler, JLBC Staff, stated that ADOT is requesting review of its \$2.4 million expenditure plan for 6 new vehicle wash system buildings. The FY 2014 Capital Outlay Bill (Laws 2013, 1st Special Session, Chapter 8) appropriated \$3 million from the State Highway Fund to ADOT for 6 vehicle wash systems. The JLBC Staff presented options to the Committee.

Mr. John Hetzel, Facilities Manager, ADOT, responded to member questions.

Senator Shooter moved that the Committee give a favorable review to ADOT's expenditure plan of \$2,375,000 for the construction of 6 new vehicle wash system buildings with the provision that ADOT report any project reallocations above \$100,000. The motion carried.

ARIZONA STATE UNIVERSITY (ASU) - Review of Indirect Financing for New Washington, DC Facility.

Mr. Art Smith, JLBC Staff, stated that this item is for review of any university projects using indirect debt financing (also known as third party financing). ASU is requesting Committee review of a master lease agreement for a multi-use office building in Washington, DC. The total cost of the project would be approximately \$11.5 million. The JLBC Staff presented options to the Committee.

Ms. Joanne Wamsley, Vice President for Finance and Deputy Treasurer, ASU, responded to member questions.

Mr. Richard Stanley, Senior Vice President in Planning, ASU, responded to member questions.

Senator Shooter moved that the Committee give a favorable review to ASU's master lease agreement for a multi-use office building in Washington, DC. The total cost for the project would be approximately \$11,500,000. The favorable review includes the following standard university financing provisions:

Standard University Financing Provisions

- A. A favorable review by the Committee does not constitute endorsement of any level of General Fund appropriations.
- B. ASU shall provide the final lease terms for the project as soon as it is available.

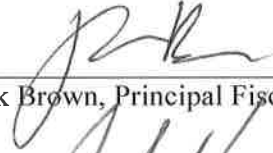
The motion carried.

Without objection, the meeting adjourned at 12:37 p.m.

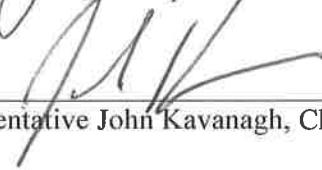
Respectfully submitted:



Kristy Paddock, Secretary



Jack Brown, Principal Fiscal Analyst



Representative John Kavanagh, Chairman