



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DEBBIE LESKO
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HOUSE OF
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- CORRECTED -

MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

June 20, 2017

Chairman Lesko called the meeting to order at 3:49 p.m., Tuesday, June 20, 2017 in House Hearing Room 1. The following were present:

Members:	Senator Lesko, Chairman Senator Allen Senator Cajero Bedford Senator Farley Senator Hobbs Senator Kavanagh Senator Yee	Representative Shooter, Vice-Chairman Representative Allen Representative Alston Representative Cardenas Representative Leach
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Absent:	Representative Carter Representative Rios
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CONSENT AGENDA

The following 4 items were considered without discussion.

STATE DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2018 Building Renewal Plan and Capital Projects.

A.R.S. § 41-1252 requires the Committee to review expenditure plans for building renewal monies prior to expenditure. The FY 2018 Capital Outlay Bill (Laws 2017, Chapter 306) appropriated a total of \$5,464,300 from the Department of Corrections Building Renewal Fund to ADC for general building renewal. The FY 2018 Capital Outlay Bill also appropriated an additional \$1,450,000 from the Department of Corrections Building Renewal Fund to ADC for locking systems. ADC requested review of its FY 2018 Building Renewal Plan, the expenditure of the monies for locking systems, and reallocations of ADC's FY 2016 and FY 2017 Building Renewal Plans. In its analysis, the JLBC Staff offered the following provisions:

(Continued)

- A. ADC shall report any reallocations between projects to the JLBC Staff. 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. If an emergency arises that is not addressed by the existing expenditure plan:
1. ADC shall 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. The Chairman can allow ADC to move forward with an emergency project of greater than \$50,000 without Committee review.
 3. The Chairman will notify ADC if she does not agree that the project is an emergency and that the project will require full Committee review.
- An "emergency" project is defined as unforeseen, critical in nature, and of immediate time sensitivity.
- C. If ADC adds a new non-emergency project not listed in this request, the department must submit the proposed project and expenditure plan for Committee review.

The FY 2018 Building Renewal Plan consists of the following projects:

Table 1	
FY 2018 Building Renewal Plan	
<u>Perimeter Security</u>	
Ported Cable Replacement – Lewis	\$ 1,635,000
Ported Cable Replacement – Florence	<u>285,000</u>
<i>Subtotal</i>	<i>\$ 1,920,000</i>
<u>Structural Repairs</u>	
Cell Block Modular Ceiling Structural Repair – Florence	\$ 875,000
Modular Structural Repairs – Florence	<u>225,000</u>
<i>Subtotal</i>	<i>\$1,100,000</i>
<u>Equipment Replacement, Upgrade, and System Improvements</u>	
Water Tank Road Repairs – Lewis	\$ 475,000
Camera Upgrades – Yuma	250,000
Replace Wastewater Treatment Plant Clarifiers – Lewis	<u>184,500</u>
<i>Subtotal</i>	<i>\$ 909,500</i>
<u>Air Conditioning – Select Units</u>	
Air Conditioning – Tucson Rincon	<u>\$ 501,500</u>
<i>Subtotal</i>	<i>\$501,500</i>
<u>Locking & Control Systems</u>	
Locking Systems Phase III Completion – Eyman SMU I	\$ 250,000
Door Locking Controls – Eyman Meadows	<u>170,000</u>
<i>Subtotal</i>	<i>\$420,000</i>
<u>State Facilities Operated by Private Vendor</u>	
Perimeter Road Repairs – ASP Kingman Cerbat (Operated by Geo)	
<i>Subtotal</i>	<u>\$ 613,300</u>
Building Renewal Subtotal	
Contingency	\$5,464,300
	<u>\$ 0</u>
TOTAL	\$5,464,300

(Continued)

The FY 2016 and FY 2017 Building Renewal Plans were reallocated as follows:

Table 2			
FY 2016 Building Renewal Plan			
	Approved Allocation	Difference	Revised Allocation
	December 15, 2015		
<u>Amended Projects</u>			
Control Panel Replacement - Eyman Meadows	\$ 395,000	\$ (385,000)	\$ 10,000
Propane Tank and System Upgrade - Florence Globe	0	385,000	385,000
<i>Subtotal</i>	<u>\$ 395,000</u>	<u>\$ 0</u>	<u>\$ 395,000</u>
<u>Projects Not Modified</u>			
Total	\$5,069,300		\$5,069,300
	\$5,464,300		\$5,464,300

Table 3			
FY 2017 Building Renewal Plan			
	Approved Allocation	Difference	Revised Allocation
	September 21, 2016		
<u>Amended Projects</u>			
Propane Tank and System - Florence Globe	\$ 385,000	\$ (385,000)	\$ 0
Control Panel Replacement - Eyman Meadows	0	385,000	385,000
<i>Subtotal</i>	<u>\$ 385,000</u>	<u>\$ 0</u>	<u>\$ 385,000</u>
<u>Projects Not Modified</u>			
Total	\$5,079,300		\$5,079,300
	\$5,464,300		\$5,464,300

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of FY 2018 Building Renewal Plan.

Pursuant to A.R.S. § 41-1252, the JCCR is required to review expenditure plans for building renewal prior to expenditure. The FY 2018 Capital Outlay Bill (Laws 2017, Chapter 306) appropriated a total of \$8,300,000 for building renewal. This amount consists of \$5,700,000 from the General Fund and \$2,600,000 from the Capital Outlay Stabilization Fund (COSF). ADOA requested review of its proposed FY 2018 Building Renewal Plan. In its analysis, the JLBC Staff offered the following provisions:

- A. *ADOA shall report any reallocations between projects as listed in the attachment 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.*
- B. *The distribution of the emergency contingency allocation of \$437,900 be addressed as follows:*
 - 1. *ADOA shall 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. *The Chairman can allow ADOA to move forward with an emergency project of greater than \$50,000 without Committee review.*
 - 3. *The Chairman will notify ADOA if she does not agree that the project is an emergency and that the project will require full Committee review.*

An "emergency" project is defined as unforeseen, critical in nature, and of immediate time sensitivity. Prior reviews also included this provision.

- C. If ADOA adds a new non-emergency project not listed in this request, the department must submit the proposed project and expenditure plan for Committee review.

Table 1	
FY 2018 Building Renewal Allocation Plan	
<u>Fire & Life Safety Projects</u>	
ADOA Statewide Replace Fire and Life Safety Systems	\$ 1,567,600
<u>Building Shell Projects</u>	
ADOA Statewide Roof Repair and Replacement	\$ 696,000
<u>Major Building Services Projects</u>	
ADOA Statewide HVAC Systems Replacement Statewide	\$ 2,491,000
ADOA Capitol Mall Repair/Modernize Elevators	<u>800,000</u>
<i>Subtotal</i>	<u>\$ 3,291,000</u>
<u>Infrastructure Projects</u>	
ADOA Statewide Replace/Repair Parking Lots	\$ 850,000
<u>Special Construction Projects</u>	
DPS Remote Modular Units Replacement	\$ 550,000
<u>Preventative Maintenance Projects</u>	
ADOA Capitol Mall Preventative Maintenance	\$ 300,000
<u>Other Projects</u>	
Personnel Services/ERE Costs	\$ 275,000
Building Renewal Project Scoping	330,000
Risk Management Insurance Premium	2,500
Emergency Contingency	<u>437,900</u>
<i>Subtotal</i>	<u>\$ 1,045,400</u>
TOTAL	\$ 8,300,000

Senator Yee moved that the Committee give favorable reviews and any provisions to the 2 consent agenda items listed above. The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION/ARIZONA DEPARTMENT OF CORRECTIONS - Review and Approval of Lease-Purchase Refinancing.

Pursuant to A.R.S. § 41-791.02, the JCCR is required to review and approve the refinancing of a lease-purchase agreement before the agreement takes effect. In June 2015, the Committee approved ADOA's refinancing of a lease-purchase agreement that was issued in 2008 to fund additional ADC prison beds, and other projects. ADOA requested the Committee review and approve the refinancing of the remaining portion of the 2008 ADC lease-purchase financing. In its analysis, the JLBC Staff offered the following provision:

- A. ADOA is to submit a final debt service schedule associated with the refinancing agreement.

Senator Yee moved that the Committee give a favorable review and approval and any provisions to the consent agenda item listed above. The motion carried.

(Continued)

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Consider Recommending FY 2017 Partial Rent Exemption (Secretary of State).

A.R.S. § 41-792.01D authorizes the Director of ADOA, on recommendation from the Committee, to grant a full or partial exemption from the payment of state-owned rental fees if the agency has vacated its space or if an agency does not have the financial resources to make the payment. ADOA requested the Committee recommend a full rent exemption to the Secretary of State (SOS) of \$(238,500) for the Talking Book Library property in FY 2017.

Senator Yee moved that the Committee recommend a full rent exemption for the Secretary of State (SOS) of \$(238,500) for FY 2017 and FY 2018 for the 32nd Street Talking Book Library property. The Committee further recommended an ongoing rent exemption in future years unless the Legislature provides additional funding to SOS to cover the cost of the Talking Book Library rent. The motion carried.

REGULAR AGENDA

DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS (DEMA) - Review of Proposed Expenditures from the Military Installation Fund.

Mr. Josh Hope and Mr. Jack Brown, JLBC Staff, stated pursuant to A.R.S. § 41-1252, the Committee is required to review the expenditure of all monies appropriated for land acquisition, capital projects, and building renewal. The JLBC Staff presented options and potential provisions to the Committee.

Mr. Michael Racy, Racy Associates Inc., responded to member questions and circulated a document. (*Attachment 1*).

Lieutenant Colonel Matthew Beverly, Civil Engineer, Davis Monthan Air Force Base, responded to member questions.

Mr. Travis Schulte, Legislative Policy Administrator and Coordinator for the Military Affairs Commission, DEMA, responded to member questions.

Senator Yee moved that the Committee give a favorable review of DEMA's plan to expend \$1,012,000 from the Military Installation Fund for 2 acquisitions and 1 grant. The favorably reviewed items were as follows:

- *Up to \$660,000 to acquire a 300-acre conservation easement near Fort Huachuca.*
- *Up to \$102,000 to purchase 10 acres within the Davis-Monthan Air Force Base (AFB) fence line.*
- *Up to \$250,000 to provide a grant to Pima County to purchase additional land within the Davis-Monthan AFB fence line.*

The favorable review includes the following provisions:

- A. *The \$250,000 Pima County grant shall only be disbursed as a reimbursement of the county's expenditure to purchase land in line with DEMA's grant policy.*

(Continued)

- B. *The purchase price for the direct acquisition of the 10 acre parcel within the Davis-Monthan Air Force Base fence line may not exceed \$102,000. The \$250,000 grant to Pima County for the purchase of other acreage inside the Davis-Monthan fence line shall be based on a comparable price per acre as paid by DEMA in its direct purchase of land. Upon final agreement on both the direct purchase and the Pima County grant, DEMA shall notify the Committee of the terms and conditions of both transactions.*

The motion carried.

ARIZONA EXPOSITION AND STATE FAIR BOARD - Review of FY 2017 Capital Improvement Expenditures.

Mr. Chris Gustafson, JLBC Staff, stated A.R.S. § 41-1252 requires the Committee to review expenditure plans for capital projects prior to expenditure. The FY 2017 Capital Outlay Bill (Laws 2016, Chapter 126) appropriated \$1,000,000 from the Arizona Exposition and State Fair Fund to the Arizona Exposition and State Fair Board (AESF) for capital improvements. The JLBC Staff presented options and potential provisions to the Committee.

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

Senator Yee moved that the Committee give a favorable review of 9 capital projects with a total cost of \$303,000. The favorable review included the following provisions:

- A. *AESF shall report to the JLBC Staff if the actual cost of any project included in the expenditure plan exceeds the estimated cost by more than 20%.*
- B. *If an emergency arises that is not addressed by the existing expenditure plan:*
1. *AESF shall notify the Chairman and the JLBC Staff that they plan to spend less than \$50,000 on an emergency project. AESF can proceed without Committee review.*
 2. *The Chairman can allow AESF to move forward with an emergency project of greater than \$50,000 without Committee review.*
 3. *The Chairman will notify AESF if she does not agree that the project is an emergency and that the project will require full Committee review.*

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

- C. *It is the intent of the Committee to not review the \$120,000 allocation from the FY 2017 ADOA building renewal appropriation for the repair of the 1938 Works Progress Administration Civic Building until the provisions pursuant to Laws 2016, Chapter 126 are met. Statute does not permit ADOA to spend the \$120,000 until matching funds from the City of Phoenix are received. When ADOA and the Arizona Exposition and State Fair Board subsequently request review of the 1938 WPA Civic Building Project, they shall include information on how total project funds will be spent and if the repairs will be sufficient to make the building operational.*
- D. *No monies from the FY 2017 (Laws 2016, Chapter 126) or FY 2018 (Laws 2017, Chapter 306) capital appropriation may be spent on projects related to the 1938 WPA Civic Building without prior Committee review.*

(Continued)

The motion carried.

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

Mr. Sam Beres, JLBC Staff, stated A.R.S. § 15-1683 requires the Committee to review any university project financed with system revenue bonds. The JLBC Staff presented options and potential provisions to the Committee.

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

Senator Yee moved that the Committee give a favorable review of NAU's \$9,250,000 system revenue bond issuance to assist in financing a new recital hall and for the renovation of existing space in the Performing and Fine Arts building.

The favorable review includes 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. *NAU shall provide the final debt service schedules for the project as soon as they are available.*

The motion carried.

ARIZONA STATE UNIVERSITY (ASU) - Review of Tempe Power Plant Indirect Financing Project.

Mr. Matt Beienburg, 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). ASU requested Committee review of a \$21,000,000 project for the construction of a second combustion turbine at ASU's Tempe campus. The debt will be issued by Sun Devil Energy Center, LLC, which is a subsidiary of an ASU component unit, the Arizona Capital Facilities Finance Corporation (ACFFC).

Mr. Bruce Nevel, Associate Vice President, Facilities Development and Management, ASU, responded to member questions.

Representative Leach moved that the item be held.

Discussion ensued.

Chairman Lesko requested a roll call vote.

Representative Leach's motion carried by a roll call vote of 5-3-0-6.

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of April 5 and April 27, 2017, Chairman Debbie Lesko stated that the minutes would stand approved.

Without objection, the meeting adjourned at 5:38 p.m.

Respectfully submitted:



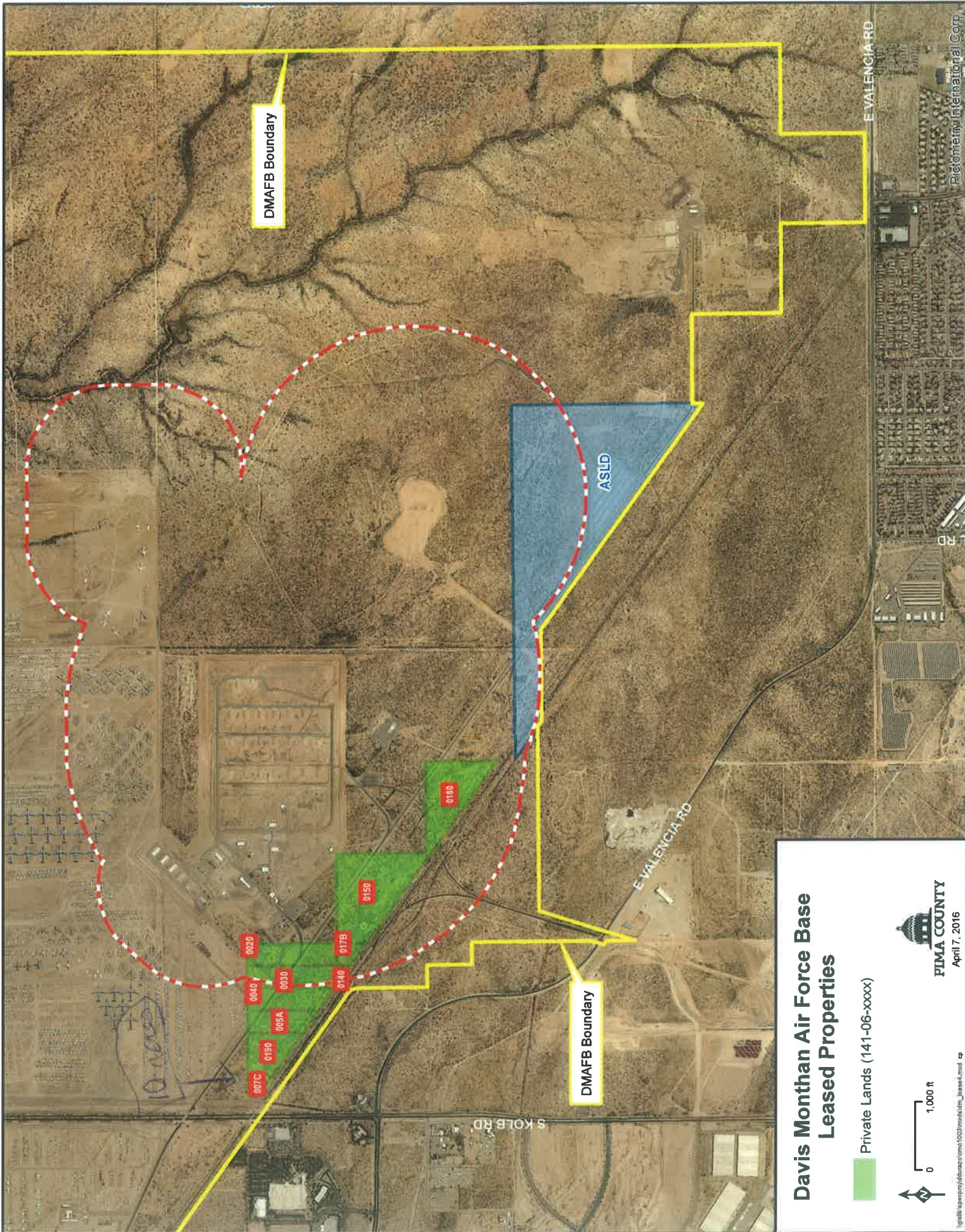
Kristy Paddack, Secretary



Jack Brown, Assistant Director



Senator Debbie Lesko, Chairman



**Davis Monthan Air Force Base
Leased Properties**

Private Lands (141-06-xxxx)



JOINT COMMITTEE ON CAPITAL REVIEW

Meeting Date: 6/20/17

ITEM # ASU Temp. Power Plant

ITEM # _____

	<u>PRESENT</u>	<u>ABSENT</u>	<u>PASS</u>	<u>AYE</u>	<u>NAY</u>	<u>PRESENT</u>	<u>ABSENT</u>	<u>PASS</u>	<u>AYE</u>	<u>NAY</u>	<u>PRESENT</u>	<u>ABSENT</u>
REP. ALLEN	/			✓								
SEN ALLEN	/			✓								
REP. ALSTON	/						✓					
SEN. CAJERO BEDFORD	/						✓					
REP. CARDENAS	/						✓					
REP. CARTER	/	✓					✓					
SEN. FARLEY	/				✓							
SEN. HOBBS	/				✓							
SEN. KAVANAGH	/			✓								
REP. LEACH	/			✓								
REP. RIOS	/	✓					✓					
SEN. YEE	/			✓								
SEN. LESKO	/				✓		✓					
REP. SHOOTER	/						✓					
TOTALS	<u>12</u>	<u>2</u>		<u>5</u>	<u>3</u>	<u>0</u>	<u>6</u>					