

STATE OF ARIZONA

## Joint Committee on Capital Review

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

Wednesday June 25, 2008

The Chairman called the meeting to order at 8:44 a.m., Wednesday June 25, 2008 in House Hearing Room 4. The following were present:

Members:	Senator Burns, Vice-Chairman	Representative Pearce, Chairman
	Senator Aboud	Representative Kavanagh
	Senator Aguirre	Representative Lopes
	Senator Waring	Representative Lujan
		Representative Schapira
Absent:	Senator Arzberger	Representative Boone
	Senator Johnson	Representative Groe
	Senator Verschoor	

#### APPROVAL OF MINUTES

Hearing no objections from the members of the Committee, Chairman Russell Pearce stated the minutes of May 13, 2008 would stand approved.

#### ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) – Review of Tucson Office Complex Renovation.

Mr. Dan Hunting, JLBC Staff, stated this item is a review of the expenditure for repairs and renovations to the Arizona State Office Complex at Tucson. The FY 2008 Capital Outlay Bill appropriated \$1.5 million from the Risk Management Revolving Fund to ADOA for this work. The Committee has at least the following 2 options in this matter:

- A favorable review would authorize the department to proceed with the repairs, which are to be carried out by state contract vendors and low-bid estimates.
- An unfavorable review would allow these monies to be reverted to the General Fund to reduce the budget shortfall.

Discussion on this item ensued.

(Continued)

Mr. Roger Berna, General Manager, ADOA, and Ms. Lynne Smith, Assistant Director, ADOA, responded to members questions.

*Senator Burns moved that the Committee give a favorable review to the \$1.5 million State of Arizona Tucson Office Complex renovation project. The motion carried.*

**ARIZONA STATE UNIVERSITY (ASU) - Review of Energy Services and Performance Contract.**

Ms. Leatta McLaughlin, JLBC Staff, stated that ASU is requesting review of their proposal to enter into an Energy Services and Performance Contract with Energy Management Services, LLC (EMS) and Arizona Public Service Energy Services Company, Inc. (APSES). EMS will issue \$45.2 million in revenue bonds on behalf of ASU in order for them to purchase \$40 million worth of energy conservation equipment from APSES. The \$4.8 million annual debt service payments will be paid for by annual utility cost avoidances. JLBC Staff recommends a favorable review with the provision that this does not constitute endorsement of any level of General Fund appropriations for purchase of the energy equipment or the annual debt service payments.

Discussion ensued on this item.

Ms. Karla Phillips, Director, State Relations, ASU, responded to members questions.

*Senator Burns moved that the Committee give a favorable review of their proposal to enter into an Energy Services and Performance Contract with Energy Management Services, LLC and Arizona Public Service Energy Services Company, Inc., with the provision that this does not constitute endorsement of any level of General Fund appropriations for purchase of the energy equipment or the annual debt service payments. The motion carried.*

**NORTHERN ARIZONA UNIVERSITY (NAU)**

**A. Review of Distance Learning and Arizona Universities Network Facility Bond Project.**

Ms. Leah Kritzer, JLBC Staff, stated that this item is a review of the NAU Distance Learning and Arizona Universities Network Facility bond project. The proposed project will create a centralized location for approximately 140 distance learning and Arizona universities network staff. NAU plans to renovate space in the School of Communications building and construct an addition. NAU is proposing to issue \$12.5 million in system revenue bonds, repaying the bond from 3 revenue sources: Arizona Board of Regents' Technology and Research Initiative Fund, locally retained tuition, and general university funds. The JLBC Staff recommends a favorable review with the standard university provisions.

Discussion ensued on this item.

Ms. Christy Farley, Director, Government Affairs, NAU, and Mr. Fred Hearst, Vice President of Extended Programs, responded to member questions.

*Senator Burns moved that the Committee give a favorable review to the NAU Distance Learning and Arizona Universities Network Facility project to be financed with a \$12.5 million revenue bond issuance, with the following standard university financing provisions:*

*NAU shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. NAU shall also report to the Committee before any reallocation exceeding \$500,000 among the individual planned renovations, renewals, or extensions.*

*NAU shall submit for Committee review any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, NAU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.*

*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. The motion carried.*

## **B. Review of Recreation Field Expansion and Multipurpose Building.**

Ms. Leah Kritzer, JLBC Staff, stated this item is a review of the NAU Field Expansion and Multipurpose Building bond project. The proposed project will expand the current recreation field and construct a multipurpose building. NAU plans to install artificial turf and programmable lights on the recreation fields. NAU is proposing to issue \$8.3 million in system revenue bonds for a term of 30 years, repaying the bond with recreation and wellness fee revenues. The Committee has at least the following 2 options: a favorable review or an unfavorable review with the standard university financing provisions, and the provision that NAU submit a final debt service schedule to JLBC.

Discussion on this item ensued.

Ms. Christy Farley, Director, Government Affairs, NAU, responded to members questions.

*Senator Burns moved that the Committee give a favorable review with the condition that NAU report to the Committee if they increase or decrease their recreation and health fees to cover the annual debt service payments, as well as the following standard university financing provisions and the provision that they submit a final debt service schedule to JLBC:*

- *NAU shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. NAU shall also report to the Committee before any reallocation exceeding \$500,000 among the individual planned renovations, renewals, or extensions.*
- *NAU shall submit for Committee review any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, NAU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.*
- *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. The motion carried.*

Without objection, the meeting adjourned at 9:32 a.m.

Respectfully submitted:

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Cheryl Kestner, Secretary

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Leatta McLaughlin, Senior Fiscal Analyst

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Representative Russell Pearce, Chairman

NOTE: A full audio recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams. A full video recording of this meeting is available at <http://www.azleg.gov/jlbc/meeting.htm>.