

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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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**

Thursday, July 21, 2005

The Chairman called the meeting to order at 2:32 p.m., Thursday, July 21, 2005 in Senate Appropriations Room 109 and attendance was as follows:

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

Senator Burns moved the Committee approve the minutes of May 10, 2005 as presented. The motion carried.

ARIZONA DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS - Consider Approval of Building Renovation.

Mr. Jeremy Olson, JLBC Staff, presented the Department of Emergency and Military Affairs (DEMA) request that the Committee consider the approval of the renovation of a fire station to be acquired from the City of Tempe, which the department will utilize as a readiness center. The old armory will be exchanged with the City of Tempe for the fire station and \$1,366,000. The city will then convey the old armory to a private developer. The \$1,366,000 will be used to renovate the fire station.

There was no discussion on this item.

Representative Boone moved the Committee approve of the use of up to \$1,366,000 from the State Armory Property Fund for renovations to the Tempe fire station, with the provision that the department return for approval after defining the scope and estimated cost of the project. The motion carried.

ARIZONA GAME AND FISH DEPARTMENT - Consider Approval of Capital Project Funding Transfer and Review of Project Scope Changes.

Mr. Jeremy Olsen, JLBC Staff, presented the request from the Game & Fish Department to:

- Consider approval of a transfer of \$50,000 Deer Valley paving project to the Pinetop regional office paving project. The department is considering moving its headquarters from the Deer Valley location so while that is under consideration they put off maintenance projects at the headquarters.

- Review a reallocation of \$150,000 from the Game & Fish Capital Improvement Fund for the Ben Avery safety berm project to the Ben Avery electrical & lighting project. The department was able to complete the safety berm project with donated materials and at minimal cost, so that has freed up some money from the Capital Improvement fund.

Representative Boone asked if the department made a decision on the movement from Deer Valley to Ben Avery, and is it finalized.

Mr. Fred Bloom, Chief Engineer, Game and Fish Department stated they are in the 2nd phase of an RFP process to determine if the move is feasible. It is the intention to move to Ben Avery, but until we receive responses, conduct evaluations and go before the commission with a recommendation, it is not a given.

Representative Boone asked when the information will be available.

Mr. Bloom stated in September. The RFP is scheduled so they can be reviewed and have a recommendation to the commission by September.

Representative Boone moved the Committee approve the transfer of \$48,500 from the Deer Valley Headquarters paving project to the Pinetop regional office paving project, and give a favorable review to the reallocation of \$146,000 from the Game & Fish Fund for the Ben Avery Shooting Range electrical/lighting project. Any unexpended monies should revert to the fund from which they were appropriated at completion of these projects. The motion carried.

DEPARTMENT OF JUVENILE CORRECTIONS / ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Department of Juvenile Corrections Vocational Education Remodel.

Ms. Kimberly Cordes-Sween, JLBC Staff, presented the Department of Juvenile Corrections request to use \$489,500 from operating monies to convert an existing housing unit into a vocational education building. The department was authorized to use up to \$6,674,800 of the FY 2006 operating budget to address operating and capital issues related to the federal audit. This building would provide education programs in culinary arts, computer training and repair, and cosmetology (cosmetology is currently being reconsidered).

There was no discussion on this item.

Representative Boone moved the Committee give a favorable review to the use of \$489,500 to convert an existing Black Canyon housing unit to a vocational education unit, with the provision that any future request to use FY 2006 operating budget monies for audit-related capital projects include a comprehensive plan of prioritized projects. The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION - Review of FY 2006 Construction Budget Operating Expenditure Plan.

Mr. Lorenzo Martinez, JLBC Staff, presented the Arizona Department of Transportation's (ADOT) highway construction budget for Professional and Outside Services (P&O). These expenditures are made from the capital appropriation made to the department for highway construction and are used for contracting of consultants. Of the \$204 million appropriated for highway construction, ADOT plans to allocate \$97 million for P&O. He referred to the table on page 2 of the JLBC memo showing the 6-year history of the allocation and actual expenditures for these items, and the performance measures submitted by the department as shown on page 3 of the JLBC memo.

Senator Johnson asked for an explanation of Professional and Outside Services.

Mr. Martinez referenced the last page (schedule 7) of agency submitted materials included in the book for the broad category of how these monies are expended. For the most part, they are used for engineering contracting related to highway design and engineering.

Representative Tully stated we provided ADOT with more money to retain in-house engineers, and it looks like the P&O allocation is going down, so is that in relation to the money given to increase the salaries.

Mr. Martinez stated the department's operating budget includes \$54 million and 616 FTE Positions dedicated to in-house engineering activities. There was \$2.7 million appropriated to provide a 5% salary increase to in-house engineers, so part of \$8 million reduction of the \$97 million P&O allocation is related to the \$2.7 million salary adjustment. The anticipation is they would be retaining more of their in-house engineers and providing more of these types of activities in-house.

Representative Boone moved the Committee give a favorable of the favorable review of ADOT's \$97 million Professional and Outside Services expenditure plan for FY 2006 and also adopt the traffic congestion performance measures with the provision that ADOT report on these performance measures as part of next year's Committee review. The motion carried.

SCHOOL FACILITIES BOARD - Review of New School Construction Report and New School Facilities Fund Litigation Account.

Mr. Lorenzo Martinez, JLBC Staff, presented the review of the School Facilities Board (SFB) demographics report as well as the Litigation Account. He explained the handout of the New Construction Report Highlights.

Senator Giffords asked about the firms winning the awards for the engineering & architecture (A&E). Is there a stipulation as far as preferences for using Arizona based companies, are they based in Phoenix, and where is the money going?

Mr. Martinez stated that SFB approves projects for districts, and then districts go out and bid for the projects. This activity occurs at the district level, and he is not aware of criteria that the SFB sets relative to using in-state contractors. Staff will get more information on this process.

Senator Giffords said the \$15 million allocated for A&E by SFB is smaller than the \$97 million allocated for P&O by ADOT, and would also like to know if ADOT has criteria for using in-state contractors.

Senator Johnson asked how much of the bond proceeds are available for expenditure and how much is the yearly payment on debt.

Mr. Martinez said that \$7.6 million will be left at the end of FY 2006, those monies will be required to finish projects that will not be completed until FY 2007.

Mr. Stavneak stated the 2006 debt service payment will be almost \$51 million, but that includes the payment holiday of approximately \$22 million. In FY 2007, the holiday payment will need to be added back and the requirement will be \$72 million.

Senator Johnson asked how long we have to keep making those payments.

Mr. Martinez stated there have been 3 issuances, each to be repaid over 15 years. The original COP issuance was in FY 2003, with another in FY 2004 and another in FY 2005.

Senator Johnson asked how much the original bonding amounts were outstanding.

Mr. Martinez stated there was \$900 million issued in total. The 3 issuances were: \$400 million in FY 2003, and \$250 million in each of FY 2004 and FY 2005.

Senator Johnson asked if we will be paying for that until the year 2015.

Mr. Martinez stated at a 15-year payoff, the FY 2003 issuance will be paid off in 2018, the FY 2004 issuance paid off in 2019, and FY 2005 issuance paid off in 2020.

Representative Biggs asked if locations of individual projects were available.

Mr. John Arnold, Deputy Director of Finance, School Facilities Board said not all the locations are currently identified, but a list can be obtained.

Representative Boone asked, referencing the letter of the Litigation Fund located in the agenda book, if SFB has a sense of how much potentially can be recovered from deficiencies correction projects.

Mr. Arnold said he did not have the information but can get information.

Representative Boone also asked why building renewal projects noted in a recent newspaper article were not included in the Deficiencies Correction program.

Mr. Arnold said the SFB completed the deficiency corrections assessment in 2000 and under the terms of the assessment, the inspectors went on the guidelines that if they believe the equipment, the roof, etc. had at least a 3-year useful life left, we did not fix it. If it was going to fail in the next 3 years, it became a deficiency. Now we are in 2005 and we are starting to see items not fixed starting to fail. The purpose of the Building Renewal Fund is to take care of those items.

Representative Boone wanted to know about the specific school districts outlined in the article and why they did not have building renewal money to fix what was talked about.

Mr. Arnold said they would provide information.

Representative Boone moved the Committee give a favorable review of the board report on New School Construction, with the following provisions:

- *The board report back to the Committee on actual FY 2006 expenditures for Emergency Deficiencies.*
- *The board report back to the Committee after determining how it will allocate \$4 million in funding provided in FY 2006 for Full-Day Kindergarten capital grants.*

And the Committee also give a favorable review of the board report on the Litigation Account. The motion carried

ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND - Review of Capital Projects.

Mr. Nick Klingerman, JLBC Staff, presented the review of the expenditure plan listed on page 2 of the JLBC memo. In the FY 2006 capital outlay bill, ASDB received a \$2 million appropriation for capital and building renewal projects.

Senator Johnson asked how SFB developed the ASDB 875 sq. ft. per student given that traditional schools are between 90-134 sq. ft. per student.

Mr. Klingerman said he is not sure of the details that went into the SFB projection, but they compared similar types of schools in other states. JLBC Staff will follow up with SFB to get more information.

Mr. Harold Hoff, Superintendent, Arizona State Schools for the Deaf and the Blind provided information on the proposed projects, campus and program status.

Senator Burns said the satellite set-up of having services for the deaf and blind located at certain local school districts by leasing space, does not give comfort to families with students in those areas because it is a short term lease that could end if the district needs the space for traditional enrollment. The satellite idea would have some benefits for families, but there might be something we can do to give stability to the space that's available so that the children are not there on a one-year lease type of setup and not know what might happen the following year.

Mr. Hoff agreed that they are using excess space.

Representative Boone asked if there needs to be statutory changes to allow a more permanent solution for space needs.

Mr. Hoff said the primary issue is whether space is available. Most of the schools are in areas where they are experiencing population growth. Sunnyslope Elementary thought they would have 4-5 classrooms available, but when it came down to getting everything finalized, they only had 2 spaces available. The amount of available space is diminishing.

Representative Boone moved the Committee give a favorable review to the \$2,000,000 capital expenditure plan with the provision that ASDB submit a plan by January 1, 2006 that includes different options for the use of the Phoenix Campus as well as the use of satellite programs, Co-Op programs, and any alternative strategies. The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION - Review of FY 2006 Building Renewal Allocation Plan.

Mr. Lorenzo Martinez, JLBC Staff, presented the review of the Department of Administration (ADOA) FY 2006 Building Renewal Allocation Plan. A revised JLBC recommendation memo was sent separately. ADOA was appropriated \$3.4 million in FY 2006 from the Capital Outlay Stabilization Fund to fund 15% of the building renewal formula. ADOA has submitted 24 projects for committee review. JLBC is recommending a favorable review for \$975,000 for 7 projects. This would include \$82,000 for an emergency contingency. JLBC Staff is working with ADOA to get additional detail and how the estimated costs were developed for the remaining projects. We hope to have a recommendation on the remaining projects for the Committee at its September meeting.

There was no discussion on this item.

Representative Boone moved the Committee give a favorable review for the \$975,000 for the following 7 projects, plus \$82,000 for emergency projects. The 7 projects include:

- *\$547,000 for Department of Corrections roof replacement at ASPC-Douglas*
- *\$112,000 for Department of Economic Security group home bathroom renovations*
- *\$74,000 for Department of Environmental Quality roof and HVAC system replacement*
- *\$50,000 for State Schools for the Deaf & the Blind classroom HVAC system replacement*
- *\$50,000 for Department of Emergency and Military Affairs cooling tower replacement*
- *\$40,000 for Department of Juvenile Corrections security gate replacement*
- *\$20,000 for Department of Public Safety cooling tower refurbishment*

The motion carried.

NORTHERN ARIZONA UNIVERSITY - Review of Research Infrastructure Lease-Purchase Projects.

Ms. Shelli Carol, JLBC Staff, presented the Northern Arizona University (NAU) request for review of a new Laboratory Facility and North Campus Research Infrastructure projects. These 2 projects would be part of the university research infrastructure lease-purchase plan authorized by the Legislature. The Laboratory Facility would cost \$33 million and would be 80,000 sq. ft. of space containing 23 wet laboratories. The Infrastructure project would cost \$5 million and involve various utility extensions. The costs are reasonable although the wet labs make the facility more expensive. The projects would be financed through Certificates of Participation (COP) at a term of 25 years and 5.75%. The annual debt service of \$3.3 million would be funded from \$3 million from the universities research infrastructure General Fund appropriation which begins in FY 2008 and \$.3 million from the local university funds. If approved these projects would exhaust NAU's remaining research infrastructure capacity.

The university has chosen to comply with the Governor's Executive Order 2005-05 which requires new and newly renovated buildings to meet energy efficiency standards to the extent practicable. The NAU Applied Research and Development Facility was the first building to raise these Green Building issues. This Committee requested as a result that the Board of Regents (ABOR) develop an evaluation criteria for green buildings, but this was not done. Staff is therefore recommending a provision in all the new university projects to report on this issue and for future projects, as well as requesting that the universities provide this information in advance.

Representative Boone moved the Committee give a favorable review of the New Laboratory Facility and North Campus Research Infrastructure projects with the following standard university financing provisions for each:

- *NAU shall report to the Committee before expenditure of any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project.*
- *NAU shall submit for Committee review any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In the case of an emergency, NAU may report immediately 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.*
- *NAU shall report to the Committee with a comparison between any compliance costs of the Governor's Executive Order 2005-05, concerning energy efficiency, and operating and other savings generated through those efficiencies.*
- *A favorable review by the Committee does not constitute endorsement of General Fund appropriations for operational costs when the project is complete. These costs should be considered by the entire Legislature through the budget development process.*

The motion carried.

Chairman Burns said at the request of a member, the agenda will be changed to go to item 10, then back to item 9.

UNIVERSITY OF ARIZONA - Review of New System Bond Capital Projects.

Ms. Shelli Carol, JLBC Staff, presented the request for Committee review of 4 University of Arizona (UA) projects financed with System Revenue Bonds. The financing would be \$40.4 million in revenue bonds and \$2.3 million in donations. The bonds would be for a term of 25 years at 6% interest rate. Annual debt service would be \$3.2 million paid from tuition and auxiliary revenues. The first project is an Architecture Building Expansion; which will cost \$9.4 million for 33,500 sq. ft. for a new studio and office space. The second project is Residence Life Building Renewal, Phase 2, which will cost \$6.5 million to replace plumbing in Maricopa and Sonora Halls. The third item is Deferred Renovation, which will cost \$20 million for 22 tasks including building renewal and utility extensions. These 3 project costs are reasonable.

The fourth project is a Poetry Center which will cost \$6.8 million for 18,000 sq. ft. It includes library and special collections space. The per square foot costs for the building are significantly higher than similar projects. The university defends them as necessary for improvements that attracted the donations that are funding \$4.9 million of the \$6.8 million total cost.

Representative Biggs asked if these buildings are being built under the Governor's Green Building Executive Order.

Ms. Carol said that was correct. All the new or significant renovations would come under the Executive Order.

Representative Biggs asked if the same energy comparison statement is required of UA.

Ms. Carol stated that it is part of the provisions in the JLBC memo.

Representative Biggs asked if the request was asked beforehand.

Ms. Carol said because this executive order is new, we did not request these comparisons ahead of time. JLBC Staff will request this information be included with future requests.

Mr. Greg Fahey, University of Arizona said the Poetry Center is a building that will house various collections. It will have an endowment for future acquisitions so there will not be a need to use state money for those acquisitions. It also has great relevance to the teaching mission of the university. The university will put up \$1.9 million through the debt service in return for getting \$4.9 million in private fund raising. The majority of the sums have been captured in cash and solid pledges. The cost per square foot is high on the surface, but it does embrace the fact that the building is small, the economy of scale, and the tremendous cost of inflation in the construction trade. There are special features with temperature and humidity controls for keeping valuable books safe. There is the ability to use outside space that does not count as square footage, but because of the overhangs and the way the building is built, adding to the expense of the building.

Representative Boone stated the university has raised \$3.7 million so far and has \$1.2 million left to go. He asked if the university anticipated any problem with raising the additional \$1.2 million.

Mr. Fahey said that things have been coming along well. We do have the ability to get a bridge loan from our foundation to help through a few months if there are problems. But we are not going to use any more than \$1.9 million of public funding for debt service.

Representative Boone moved the Committee give a favorable review to the new Poetry Center, new Architecture Building Expansion, second phase of Residence Life Building Renewal, and Deferred Renovations bond projects, with the following standard university financing provisions for each:

- *UA shall report to the Committee with a comparison between any compliance costs of the Governor's Executive Order 2005-05, concerning energy efficiency, and operating and other savings generated through those efficiencies.*
- *UA shall report to the Committee before expenditure of any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. UA shall also report to the Committee before any reallocation exceeding \$100,000 among the individual planned renovations, renewals, or extensions.*
- *UA shall submit for Committee review any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, UA 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 tuition collections, auxiliary revenues, or donations that may be required for debt service, or any operations and maintenance costs when the project is complete. These costs should be considered by the entire Legislature through the budget development process.*

The motion carried.

UNIVERSITY OF ARIZONA - Reports on Capital Project Contingency Allocations.

Ms. Shelli Carol, JLBC Staff, presented the UA report on Contingency Allocations for 3 projects. These allocations reflect faculty research needs and equipment purchase that could not reasonably be included in the original bids. UA is reallocating \$.2 million of the Chemistry Building Expansion's remaining \$1.1 million contingency; \$2 million of the Medical Research Building's remaining \$2.2 million contingency; and \$1.4 million of the Keating Bioresearch Building's remaining \$3.6 million contingency. Previous allocations from the contingencies were tied to raw materials cost inflation, improvements in lab and security technologies, and unforeseen underground conditions. The specialized lab space of the Chemistry Building makes it the most expensive recent university construction project. The per square foot cost estimates for the other buildings still appear reasonable after modification.

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

ARIZONA STATE UNIVERSITY - Review of Infrastructure and Sewer Systems Bond Projects.

Ms. Shelli Carol, JLBC Staff, presented the Arizona State University (ASU) request for review of a \$14 million Infrastructure Improvement Phase IV and \$6 million for a Sewer Systems Expansion. These will be incorporated into a larger \$56 million revenue bond issuance in the fall. The infrastructure would be bonded at a term of 20 years at 5% interest rate; and the sewer project would be bonded at a term of 30 years at 6% interest rate. Annual debt service for the projects would be \$1.6 million combined paid from tuition and auxiliary revenues. Due to cancellation of the June Committee meeting, ASU has begun construction before review on several components believed to be critical. Staff suggested ASU build more time into its planning process and has provided all the universities with a list of items to be included in the request to streamline the review process. The costs for these projects are reasonable.

Representative Biggs asked why this is under review if they already began the project.

Representative Pearce said they had concerns relevant to an emergency. In this case, there was legitimate reason to go forth with this. But, waiting 3 weeks before a major project goes forward to JCCR knowing there is a chance the meeting could be postponed, is not appropriate planning or gives the opportunity to respond in case of an emergency.

Representative Boone asked when ABOR approved this project.

Ms. Carol said these 2 projects were approved in January.

Representative Boone moved the Committee give a favorable review for both Infrastructure Improvements Phase IV and the Sewer Systems Expansion project, with the following standard university financing provisions:

- *ASU shall report to the Committee before expenditure of any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add alternates that do not expand the scope of the project. ASU shall also report to the Committee before any reallocation exceeding \$100,000 among the individual planned improvements or expansions.*

- *ASU shall submit for Committee review any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add alternates that expand the scope of the project. In case of an emergency, ASU 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 tuition collections or auxiliary revenues that may be required for debt service, or any operations and maintenance costs when the project is complete. These costs should be considered by the entire Legislature through the budget development process.*

The motion carried.

ARIZONA STATE UNIVERSITY - Review of Revised Project Costs and Scopes.

Ms. Shelli Carol, JLBC Staff, presented the ASU request for review of updates to 2 previously reviewed projects. The Biodesign Institute Building B cost is increasing from \$73 million to \$78.5 million to upgrade security and laboratory technologies. This increase will be funded through local university sources. The costs for this building are above average but reasonable for the wet laboratories it contains. The other project is Academic Renovations and Deferred Maintenance Phase I. The university cancelled 7 of 11 items involved in this project costing \$7.7 million. Instead they are addressing immediate elevator code deficiencies at a cost of \$3 million and have added 6 new components related to academic program growth at a cost of \$2.9 million. These rearrangements left \$1.8 million unassigned and the costs of the projects are reasonable. As with the previous item, ASU has begun construction before review on several of the components. The Biodesign Institute scope increase was reviewed by ABOR in June 2005.

Representative Pearce said there has been an arbitrary order on the elevators, where they are not scheduled for maintenance. Is this part of the project?

Ms. Carol said there was a code concern from the Arizona State Industrial Commission Elevator Safety Division. They adopted code changes that were supposed to be done by January 2005, but gave the university an extension to December 2005.

Mr. Scott Cole, Arizona State University stated the university would not have spent \$3 million on the elevator upgrades at this time. It's a mandate that came out of the Arizona Industrial Commission, it was a code change on their part, we have not had problems with these elevators, and they had not expressed any concerns. We have an annual maintenance review of every elevator on campus and this did force us to take \$3 million worth of projects off the list to get done. It is a problem, but we are addressing it and we're taking the money to get it done.

Representative Biggs wanted clarification if the Industrial Commission changed their code and now is requiring ASU to come into compliance.

Mr. Cole said that it was a change in the compliance requirements for those elevators and were mandated to change out the elevators by January 2005. The December 2005 date was negotiated because it was short notice.

Mr. Stavneak said they would write to the Industrial Commission to find out more information on the code changes.

Representative Boone moved the Committee give a favorable review to the scope and cost revision for both projects, with the standard university financing provisions and one special provision as outlined in the July 14, 2005 JLBC memo to the Committee.

Representative Pearce moved for a substitute motion for an unfavorable review until the Committee gets further information.

Senator Burns said this does not address the Industrial Commission. He asked what kind of bind this would put on ASU and what the leverage the Industrial Commission has over ASU.

Mr. Cole said the Commission could red tag the elevators and they could not be used.

Mr. Boone asked if this project has started.

Mr. Cole said this project has not started.

Representative Boone said he could amend his motion to accommodate the substitute motion.

Senator Burns said the clarification on the motion is that we would give an unfavorable review to the elevator code compliance but it would not stop ASU from going forward.

Representative Boone moved a substitute motion that the Committee give an unfavorable review to the campus elevator issue portion of the projects and that the Committee give a favorable review to the scope and cost revisions for the remaining Academic Renovations and Deferred Maintenance project, and the Biodesign Institute, Building B project with the following provisions:

- *ASU shall submit for Committee review an allocation plan for the remaining \$1.8 million associated with Academic Renovations and Deferred Maintenance, Phase I before expending those funds.*
- *ASU shall report to the Committee with a comparison between any compliance costs of the Governor's Executive Order 2005-05, concerning energy efficiency, and operating and other savings generated through those efficiencies.*
- *ASU shall report to the Committee before expenditure of any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. ASU shall also report to the Committee before any reallocation exceeding \$100,000 among the individual planned renovations.*
- *ASU shall submit for Committee review any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, ASU 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.*

Senator Burns would like to include that the reason for the unfavorable review is due to the elevator code compliance changes from the Industrial Commission.

Representative Tully asked if ASU had discussions resisting the demands.

Mr. Cole said yes, but they were told that it is a code issue and you must comply.

Representative Tully asked if legal counsel was involved.

Mr. Cole said no, they did not get into a legal battle. What they laid out was the fact that in certain locations in the country there were failures of these types of elevators. As a precaution they put this code into effect. We have not experienced any problems with those elevators because we maintain our elevators annually. If we had 5 years to get up speed it would be a lot different, but we had it dropped on to us with less than a 1 year mandate.

The motion carried.

ARIZONA STATE UNIVERSITY - Review of Revised Scopes for Laboratory Renovations.

Ms. Shelli Carol, JLBC Staff, stated this item was sent out separately. It is an ASU request for review of scope revisions to Instructional Research Laboratory Renovations Phases I & II, originally favorably reviewed by the Committee in December 2003 and September 2004. These changes are related to evolving academic program priorities. Phase I is a \$10 million project, ASU would reallocate \$640,000 for 3 new laboratory renovations. Phase II is an \$11.4 million project, ASU would cancel 5 existing components and allocate \$9.2 million to 11 new components. All of these projects would include a large contingency of over 18% of the total project cost to cover standard unknowns as well as to prepare labs for yet to be identified or yet to be hired researchers. This large contingency should reduce the possibility of total project cost escalations, but the Committee can expect to see more contingency allocation reports. The per square foot costs for these renovations exceed those of other recent state renovation projects, but JLBC Staff believes they are reasonable due to specialized laboratory needs.

Senator Gould asked if there are studies that show construction manager at risk (CMAR) saves money.

Ms. Carol said we have not done any studies. The universities may have.

Mr. Cole said they did comparisons with their previous methodologies for construction. The CMAR process has been saving 12%-14% in costs and 3-7 months on time depending on the difficulty of the construction.

Senator Gould stated his concern with construction manager at risk is that it does not go out to competitive bid.

Mr. Cole said the method of procurement does solicit firms that are qualified to do the work. They go through a review process to identify which firms are qualified to do the work. They are not bidding on a hard dollar amount, but they are evaluated based upon their credentials and ability to deliver. We are finding that we are getting a better quality product as well, so we are not excluding anyone other than the fact that when you go through the process, if you have not answered all of the questions appropriately, such as you do not have experience in the specific type of laboratories your dealing with, you will be excluded from going on further into the process.

Representative Boone said he disagrees and would like to see the data that shows ASU has experienced savings.

Mr. Cole said he could do that.

Representative Boone moved the Committee give favorable reviews to the scope and cost revisions for Instructional Research Lab Renovations Phases I and II, with the following provisions:

- *ASU shall submit for Committee review an allocation plan for the remaining \$1.6 million associated with Instructional/Research Laboratory Renovations Phase II before expending those funds.*
- *ASU shall report to the Committee with a comparison between any compliance costs of the Governor's Executive Order 2005-05, concerning energy efficiency, and operating and other savings generated through those efficiencies.*
- *ASU shall report to the Committee before expenditure of any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. ASU shall also report to the Committee before any reallocation exceeding \$100,000 among the individual planned renovations.*
- *ASU shall submit for Committee review any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, ASU 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.*

The motion carried.

Without objection the Committee meeting adjourned at 4:11 p.m.

Respectfully submitted:

Yvette Medina, Secretary

Lorenzo Martinez, Assistant Director

Senator Bob Burns, Chairman