



STATE OF ARIZONA

Joint Committee on Capital Review

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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

July 24, 2018

Chairman David Livingston called the meeting to order at 1:02 p.m., Tuesday, July 24, 2018 in House Hearing Room 1. The following were present:

Members:	Senator Kavanagh, Vice-Chairman	Representative Livingston, Chairman
	Senator Allen	Representative Allen
	Senator Cajero Bedford	Representative Alston
	Senator Fann	Representative Cardenas
	Senator Hobbs	Representative Carter
		Representative Leach
		Representative Rios

Absent: Senator Farley
Senator Yee

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of April 25, 2018, Representative Allen moved that the minutes be approved.

CONSENT AGENDA

The following items were considered without discussion:

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Consider Recommending FY 2018 Partial Rent Exemptions.

A.R.S. § 41-792.01D authorizes the Director of ADOA, on recommendation from the Joint Committee on Capital Review (JCCR), to grant a full or partial exemption from the payment of state-owned rental fees

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if an agency has vacated its space or if an agency does not have the financial resources to make the payment. The Committee recommended a partial rent exemption of \$(800) for the Department of Emergency and Military Affairs and a corresponding increase of \$800 for the Arizona Department of Environmental Quality in FY 2018.

ARIZONA EXPOSITION AND STATE FAIR BOARD - Review of FY 2018 Capital Improvement Expenditures.

A.R.S. § 41-1252 requires JCCR to review expenditure plans for capital projects prior to expenditure. The FY 2018 Capital Outlay Bill (Laws 2017, Chapter 306) appropriated \$1,000,000 from the Arizona Exposition and State Fair Fund to the Arizona Exposition and State Fair (AESF) Board for capital improvements. AESF requested review of 10 capital projects with a total cost of \$810,000. The JLBC Staff provided options and potential 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 he 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 2018 (Laws 2017, Chapter 306) or FY 2019 (Laws 2018, Chapter 277) capital appropriation may be spent on projects related to the 1938 WPA Civic Building without prior Committee review.*

ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2019 Building Renewal Allocation Plan and Capital Projects.

A.R.S. § 41-1252 requires JCCR to review expenditure plans for building renewal monies prior to expenditure. The FY 2019 Capital Outlay Bill (Laws 2018, Chapter 277) appropriated \$5,464,300 from the Department of Corrections Building Renewal Fund to ADC for general building renewal. The JLBC Staff provided options and potential provisions:

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- A. ADC shall report any reallocations between projects to the JLBC Staff as part of its existing semi-annual building renewal status report.
- 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 he 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 of more than \$200,000 not listed in this request, the department must submit the proposed project and expenditure plan for Committee review. Projects may not be subdivided as to fall below the \$200,000 threshold.

The expenditure plan included 11 projects at 6 state prisons detailed in *Table 1*.

Table 1	
FY 2019 Building Renewal Plan	
<u>Perimeter Security</u>	
Fence Upgrade - Eyman SMU I	\$ 825,000
Fence Electronics Upgrade - Lewis	<u>705,000</u>
Subtotal	\$ 1,530,000
<u>Locking & Control Systems</u>	
Locking Systems - Eyman SMU I	\$ 1,412,300
<u>Equipment Replacement and System Improvements</u>	
Water Tank Refurbishment - Yuma	\$ 400,000
Walk-in Cooler and Freezer Replacement - Florence Central	385,000
Walk-in Cooler and Freezer Replacement - Florence North	375,000
Emergency Generator Replacements - Perryville	<u>155,000</u>
Subtotal	\$1,315,000
<u>Air Conditioning and/or Ductwork - Select Units</u>	
Air Conditioning - Eyman Cook	\$ 487,000
Rooftop Ductwork - Tucson	<u>165,000</u>
Subtotal	\$ 652,000
<u>Infrastructure</u>	
Electrical Upgrades - Florence Central Unit	\$ 305,000
<u>Renovation</u>	
ADA Upgrades - Florence South Unit	<u>\$ 250,000</u>
TOTAL	\$5,464,300

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ARIZONA GAME AND FISH DEPARTMENT (AGFD) - Review of Ben Avery Shooting Facility Operation Center and Store.

A.R.S. § 41-1252 requires JCCR to review the scope, purpose and estimated cost of any capital project over \$250,000. AGFD requested Committee review of \$1,250,000 to construct a new operation center/store at AGFD's Ben Avery Shooting Facility. The JLBC Staff provided options and potential provisions:

- A. *AGFD shall report to the Committee if the Ben Avery Shooting Facility operation center/store construction project's total cost exceeds 20% of the estimate. The JCCR Chairman shall determine whether the project requires further review.*
- B. *On or before January 31, 2019 and July 31, 2019, AGFD shall report to the JLBC Staff on the status and expenditures of the Ben Avery Shooting Facility operation center/store construction project.*

Senator Allen moved that the Committee give a favorable review with provisions as outlined in the JLBC Staff analysis, to the 4 consent agenda items listed above. The motion carried.

REGULAR AGENDA

ADOA - Review of FY 2019 Building Renewal Allocation Plan.

Ms. Rebecca Perrera, JLBC Staff, stated A.R.S. § 41-1252 requires ADOA to request Committee review of expenditure plans for building renewal monies. The FY 2019 Capital Outlay Bill (Laws 2018, Chapter 277) appropriated a total of \$11,000,000 from the Capital Outlay Stabilization Fund (COSF) for building renewal. In addition, the FY 2019 Capital Outlay Bill directly appropriated \$1,000,000 from COSF to ADOA for demolition of the 1275 West Washington Street building. ADOA requested a review of the full \$12,000,000 appropriation for building renewal and building demolition projects in FY 2019. The JLBC Staff provided options and potential provisions.

Mr. Derik Leavitt, Assistant Director, Budget and Resource Planning, ADOA, responded to member questions.

Senator Kavanagh moved that the Committee give a favorable review of ADOA's FY 2019 \$12,000,000 expenditure plan with the following provisions:

- A. *ADOA shall report any reallocations between projects as listed in Table 2 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 \$304,000 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 he does not agree that the project is an emergency and that the project will require full Committee review.*

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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.
- D. The demolition of the 1275 West Washington Street and 1510/1520 West Adams Street buildings shall be bid as a single contract. The demolitions shall occur as soon as possible after the buildings have been vacated.
- E. ADOA and the Department of Agriculture shall jointly report to the Committee by August 31, 2018 an update on the private lease agreement for the State Agricultural Laboratory, including location, square footage, cost per square foot, a proposed funding structure for any rent increase, and any improvements required to fit the needs of the lab.
- F. Committee review does not include a commitment to fund any increase in rent or operating costs as a result of relocating the State Agricultural Laboratory to privately leased space.

The motion carried.

Table 2	
FY 2019 Building Renewal Allocation Plan	
<u>Fire & Life Safety Projects</u>	
ADOA Statewide Replace Fire and Life Safety Systems	\$ 1,300,000
<u>Building Shell Projects</u>	
ADOA Statewide Roof Repair, Roof Replacement, and Exterior Caulking	\$ 1,600,000
<u>Major Building Services Projects</u>	
ADOA Statewide HVAC Systems Replacement Statewide	\$ 3,320,000
ADOA Capitol Mall Repair/Modernize Elevators	<u>\$ 2,500,000</u>
Subtotal	\$ 5,820,000
<u>Infrastructure Projects</u>	
ADOA Capitol Mall Replace/Repair Parking Lots	\$ 300,000
<u>Building Interior Projects</u>	
400 W Congress - Carpet and Floor Covering Replacement	\$ 200,000
<u>Building Demolition Projects</u>	
1275 W. Washington St.	\$ 1,000,000
1510/1520 W Adams St.	<u>\$ 700,000</u>
Subtotal	\$ 1,700,000
<u>Preventative Maintenance Projects</u>	
ADOA Capitol Mall Preventative Maintenance	\$ 400,000
<u>Other Projects</u>	
Personnel Services/ERE Costs	\$ 275,000
Building Renewal Project Scoping	100,000
Risk Management Insurance Premium	1,000
Emergency Contingency	<u>304,000</u>
Subtotal	\$ 680,000
TOTAL	\$12,000,000

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ADOA - Review of FY 2019 Capitol Mall Consolidation Fund Expenditures.

Ms. Rebecca Perrera, JLBC Staff, stated A.R.S. § 41-792.02 requires ADOA to request Committee review of expenditure plans for monies appropriated from the Capitol Mall Consolidation Fund. The FY 2019 Capital Outlay Bill (Laws 2018, Chapter 277) appropriated \$10,000,000 from the Capitol Mall Consolidation Fund for the renovation of state-owned buildings. ADOA requested Committee review of its expenditure plan for \$1,000,000 from the Capitol Mall Consolidation Fund in FY 2019 to begin renovations of 1400 W. Washington. The JLBC Staff provided options and potential provisions.

Mr. Derik Leavitt, Assistant Director, Budget and Resource Planning, ADOA, responded to member questions.

Senator Kavanagh moved that the Committee give a favorable review of ADOA's expenditure plan for \$1,000,000 from the Capital Mall Consolidation Fund in FY 2019 to begin renovations of 1400 W. Washington. The favorable review included the following provisions:

- A. ADOA shall prioritize tenants moving from privately-leased space into 1400 W. Washington in its tenant relocation plan.
- B. ADOA shall submit its finalized tenant list to the JCCR when requesting review for the remaining \$9,000,000 FY 2019 appropriation.
- C. ADOA shall not use FY 2019 Building Renewal monies for the 1400 W. Washington building without first requesting Committee review.

The motion carried.

ARIZONA STATE PARKS (ASP) - Review of Buckskin Mountain State Park Project, Oracle State Park Project and FY 2019 Capital Improvements.

Mr. Ben Murphy, JLBC Staff, stated A.R.S. § 41-1252 requires the JCCR to review expenditure plans for monies appropriated for capital projects. ASP requested Committee review of the following items:

- \$2,500,000 for a redevelopment of Buckskin Mountain State Park.
- \$4,000,000 for a redevelopment of Oracle State Park.
- \$2,000,000 for capital improvements.

The JLBC Staff provided options and potential provisions.

Mr. Bret Parke, Interim Deputy Director, ASP, responded to member questions.

Senator Kavanagh moved that the Committee give a favorable review of \$2,000,000 for capital improvements with the following provisions:

- A. On or before May 31 and November 30 of each year, ASP shall report to the JCCR Chairman and the JLBC Staff on all projects reviewed by JCCR since June 2016 that have not yet been completed. The

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report shall include the project expenditure to date, the expected completion date, any change in project scope and reasons for any delay in meeting the original project timeframe. Based on the ASP submission, the Chairman may decide whether to place any of the uncompleted projects on the agenda for further discussion at the next meeting.

- B. A favorable review does not constitute endorsement of appropriations to pay for future development costs or operating costs.*

The motion carried.

DEPARTMENT OF PUBLIC SAFETY (DPS) - Review of Remote Housing Replacement.

Mr. Jordan Johnston, JLBC Staff, stated A.R.S. § 41-1252 requires JCCR to review expenditure plans for monies appropriated to capital projects. The FY 2019 Capital Outlay Bill (Laws 2018, Chapter 277) appropriated \$2,000,000 to DPS for the replacement of highway patrol officer remote housing units. Chapter 277 also required DPS to submit a report on the procurement process for the new housing units for review. The JLBC Staff provided options and potential provisions.

Captain Stephen Reutter, Facilities Manager, DPS, responded to member questions.

Senator Kavanagh moved that the Committee give a favorable review to DPS' expenditure plan of \$2,000,000 for the construction of at least 6 and up to 8 remote housing units and their procurement process. The favorable review included the following provisions:

- A. The department shall report to the JLBC Staff on or before May 31 and November 30 of each year until the project is completed. The report shall include the status and the construction timeline of the units.*
- B. Upon completion of the procurement process, the department shall report to the JLBC Staff the cost and selected location of each unit.*


The motion carried.

Without objection, the meeting adjourned at 1:52 p.m.

Respectfully submitted:


Kristy Paddack, Secretary


Jack Brown, Assistant Director


Representative David Livingston, Chairman