

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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DAVID SCHAPIRA

MINUTES OF THE MEETING JOINT COMMITTEE ON CAPITAL REVIEW

Thursday, August 16, 2007

The Chairman called the meeting to order at 1:40 p.m., Thursday, August 16, 2007 in Senate Appropriations Room 109. The following were present:

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

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee, Chairman Robert Burns stated the minutes of June 19, 2007 would stand approved.

ARIZONA STATE PARKS BOARD – Review of State Lake Improvement Fund Projects.

Mr. Matt Busby, JLBC Staff, issued a handout (*Attachment A*) outlining the presentation for the review of State Lake Improvement Fund (SLIF) projects. JLBC Staff recommends a favorable review to the improvements in existing facilities at Lake Havasu Park. For the Contact Point project, the Committee could provide a favorable review given that there are available SLIF monies and this project is an allowable use in statute, or the Committee could provide an unfavorable review due to insufficient information regarding the need, the affect on boat densities, and the financial impact of the project. As an alternative, the Parks Board could return to the Committee after conducting a small-scale study to assess the need for the project included how the project could affect the boat densities on the lake, revenue, and long-term financing plans. The Committee may be in a better position to assess the merits of designating \$1.5 million for the planning and design once it receives the information from the study.

Discussion ensued on the Contact Point project.

Mr. Jay Ziemann, Assistant Director, Arizona State Parks, responded to member questions. Mr. Bill Mulcahy, Director, Lake Havasu City Parks and Recreation Department and Mr. Brian Tassinari, Williams and Associates, spoke in support of the Contact Point project.

During discussion on the Contact Point project, the Committee requested information on the following:

- How much tax revenue is generated into the State Lake Improvement Fund by the boating at Lake Havasu State Park?
- How much additional revenue would be generated by developing the site?
- Does the board have a list of other projects in the state that could receive funding if the Contact Point project did not get the \$1.5 million?
- What is the status of the Town of Buckeye Recreational Lake and Bullhead City Non-Motorized Boat Launch Ramp projects that were unfavorably reviewed by the Committee at its November 15, 2006 meeting?

The Committee was interested in having the study address the effect on boat densities on the lake, long-term financing plans, and consideration of any private interest in the construction and operation of the project. The Committee was also interested in the study including a review of the option to allow a private sector firm to construct and operate a marina on a long term basis. The Parks Board had discussed contracting out only the operation of a state-constructed marina.

Representative Pearce moved that the Committee give a favorable review to the use of \$952,100 from the State Lake Improvement Fund (SLIF) for improvements to existing facilities at Lake Havasu State Park and \$1,500,000 from SLIF for planning activities related to the Contact Point recreation area, including the following provisions:

- *The Parks Board submit to the Committee the Request for Proposals (RFP) on the study for development of the Contact Point recreation area prior to its release.*
- *The favorable review does not constitute an endorsement of General Fund support of the project in the future.*

The motion carried.

SCHOOL FACILITIES BOARD – Review of FY 2008 New School Construction Report.

Ms. Leatta McLaughlin, JLBC Staff, issued a handout (*Attachment B*) and presented the School Facilities Board (SFB) FY 2008 New Construction Report. SFB is annually required by statute to submit to the Committee its demographic assumptions, proposed construction schedule, and cost estimates. This item was originally presented at the November 2006 meeting, however, action was deferred until SFB completed its construction approval cycle for FY 2007 which was completed in June. Each year SFB analyzes district-submitted capital plans. The districts that submit their capital plan are usually the fast-growing districts asking for new schools. After SFB analyzed the capital plans, they found that actual student growth in the high-growing districts was 7.6% in FY 2006. SFB expects growth to be 6.3% in FY 2007 and 7% in FY 2008.

Discussion ensued on this item.

Mr. John Arnold, Executive Director, School Facilities Board, responded to member questions.

Representative Pearce moved that the Committee give a favorable review to the School Facilities Board FY 2008 new school construction report. The motion carried.

ARIZONA STATE UNIVERSITY – Review of Revised Scope of Academic Renovations and Deferred Maintenance Phase IIB Bond Project.

Ms. Leah Ruggieri, JLBC Staff, presented the Arizona State University (ASU) request for a review of the scope and cost revision for a project included in the Academic Renovations and Deferred Maintenance Phase IIB Bond project that was originally favorably reviewed by the Committee in January 2007. The favorable review included a provision that ASU submit for review any significant scope and cost increases for any of the projects. The bond project that has changed is the Nursing Backfill Renovation project. The project was originally estimated to cost \$5 million and would accommodate the Office of Sustainability Initiatives and the Global Institute of Sustainability programs. The project cost has now increased to \$8 million to expand usable

space for those programs and make additional upgrades to the workspace in order to create a more collaborative work environment. The overall cost increase would not affect the bond issuance total of \$10 million because the original bond allocation had \$3 million in unallocated monies. JLBC Staff recommends a favorable review of the ASU request with the standard university financing provisions.

Discussion ensued on this item.

Mr. Scott Cole, Executive Vice President, Arizona State University, responded to member questions.

Representative Pearce moved the JLBC Staff recommendation that the Committee give a favorable review to the scope revision for the Nursing Backfill Renovation project within the Academic Renovation and Deferred Maintenance Phase IIB with the following standard university financing provisions:

- *ASU 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.*
- *ASU 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, ASU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. The JLBC Staff will inform the university if they do not agree with the change of scope as an emergency.*
- *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any auxiliary revenues that may be required for debt service, or any operations and maintenance costs when the project is complete. Auxiliary funds derive from substantially self-supporting university activities, including student housing.*
- *ASU shall not use bonding to finance any repairs whose typical life span is less than the bond repayment period. Such repairs include, but are not limited to new flooring and painting. The exceptions to this stipulation are circumstances where such repairs are required to complete a major renovation.*
- *ASU shall submit to the Committee an expenditure plan for the \$280,000 unallocated to specific projects in Academic Renovations and Deferred Maintenance Phase IIB.*

The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION – Review of FY 2008 Building Renewal Allocation Plan.

Mr. Lorenzo Martinez, JLBC Staff, presented the review of the Arizona Department of Administration (ADOA) FY 2008 Building Renewal Allocation Plan. ADOA was appropriated \$7.2 million from the Capital Outlay Stabilization Fund for building renewal which funds 26% of the building renewal formula. ADOA is allocating \$6.1 million to 25 projects and \$1.1 million for emergency and contingency projects. JLBC Staff recommends a favorable review of the plan with provisions outlined in the recommendation memo.

Discussion ensued on this item.

Ms. Lynne Smith, Assistant Director, General Services Division, ADOA and Mr. Bruce Meyers, ADOA, responded to member questions.

Representative Pearce moved the JLBC Staff recommendation that the Committee give a favorable review to the FY 2008 Building Renewal Allocation Plan with the following provisions:

- *ADOA allocate contingency monies or reallocate funding from other projects to address health and safety issues in the restroom facilities at the 1616 West Adams building. ADOA and the Arizona State Land Department are requested to report jointly by September 14, 2007 on the scope, estimated cost, and funding plan for the project.*
- *JLBC Staff, the staff of the Governor's Office of Strategic Planning and Budgeting, and ADOA jointly submit a plan for the ADOA Managed Buildings Condition Assessment project.*
- *ADOA submit for Committee review any reallocation above \$100,000 between the individual projects.*
- *ADOA submit for Committee review any new non-emergency projects above \$25,000 that are funded from the \$1.1 million allocated for emergency projects and contingencies.*
- *ADOA report to JLBC Staff within 3 days, any expenditures for emergency projects above \$25,000 that are funded from the \$1.1 million allocated for emergency projects and contingencies. The report would include the scope, estimated cost, nature of emergency and reason why project could not await Committee review.*

The motion carried.

The Committee also requested information on the following items:

1. Information on the age and warranties of the roof and chiller system of the Supreme Court building and whether the manufacturer has been pursued for repair costs given the system has never performed to specifications.
2. What type of building assessment activities does ADOA do now?
3. Does ADOA have a process for identifying and addressing problems such as the Land Department building restroom problems?

Without objection, the meeting adjourned at 4:10 p.m.

Respectfully submitted:

Yvette Medina, Secretary

Lorenzo Martinez, Assistant Director

Senator Robert Burns, 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>.

**Arizona State Parks Board –
Review of State Lake Improvement
Fund Projects**

JCCR Meeting

August 16, 2007

JLBC

State Lake Improvement Fund

- Provides funding to state agencies, counties, and local governments for capital and land acquisition projects on waters where gasoline-powered boats are permitted.
- 2 main sources of revenue:
 - Percentage of gasoline tax
 - Percentage of watercraft license fees
- Parks Board plans to use \$2.4 million in FY 08 for 2 projects at Lake Havasu.
- \$4 million of SLIF grants were already awarded last November.

Lake Havasu State Park

- Replacement of water mains.
- Provide electricity and potable water to campsites.
- Total SLIF funds to be used - \$952,100
 - \$500,000 is a new request of SLIF monies.
 - JCCR reviewed \$250,000 in 2006.
 - \$202,100 is reallocated from unused 2001 Lake Havasu Projects.

Contact Point Recreation Area

- 4 miles south of Lake Havasu State Park.
- Proposal includes a new marina and fueling station, day use area, and boat launches.
- A new park may relieve congestion at current park, but would also increase the number of boaters on the lake.
- As many as 300 boats have been turned away on holiday weekends when parking reached capacity.

Lake Havasu – Boat Area



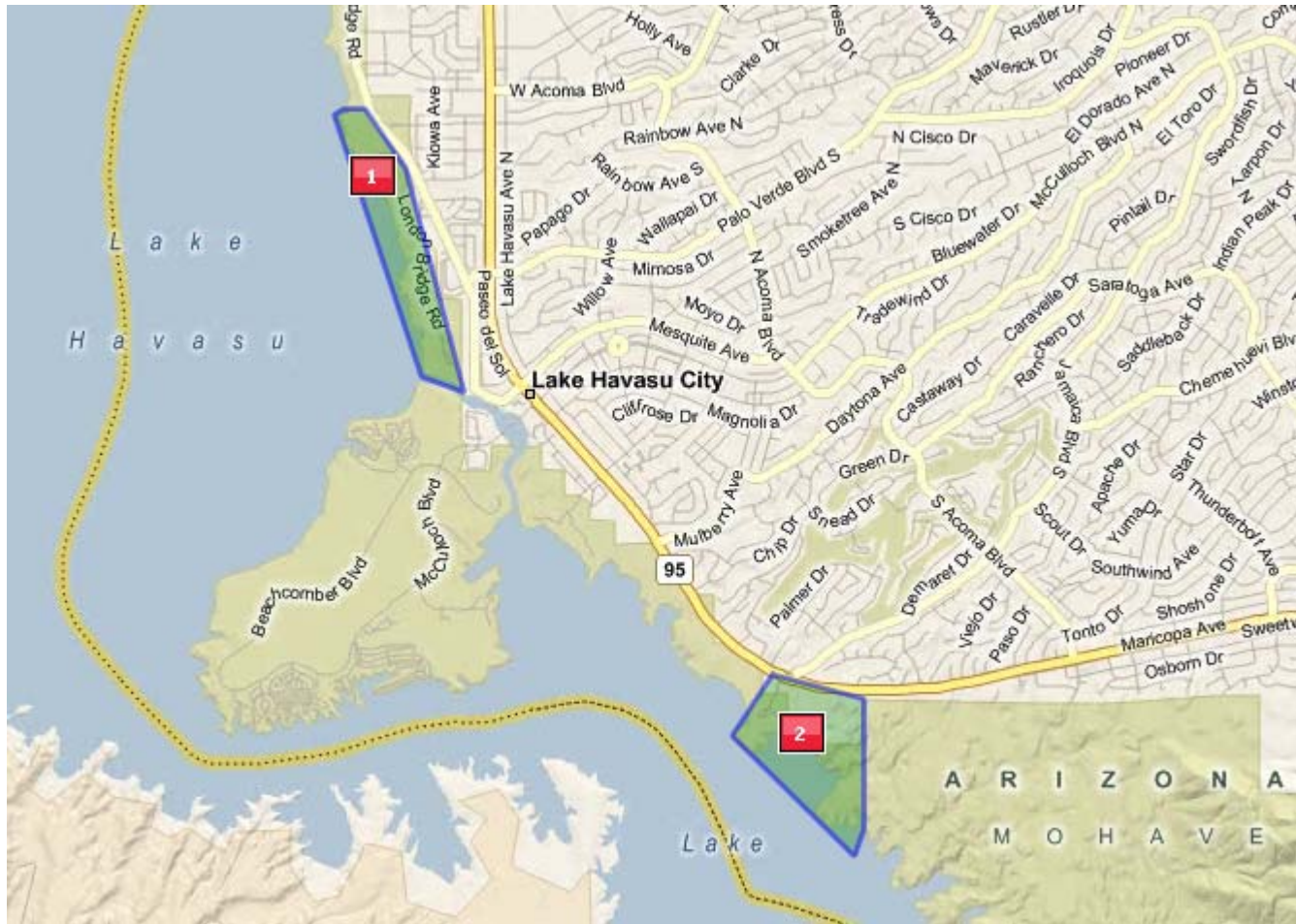
Lake Havasu – Boat Area



Lake Havasu – Parking Area



Locations of State Parks at Lake Havasu



- 1** Current State Park
- 2** Proposed New Park

Contact Point Recreation Area

- Estimated cost of planning and design - \$1.5 million
 - Parks estimates the total cost of construction could be \$19 million.
 - Given the current funding structure of SLIF, the project would take several years to complete.
 - Possibility of local stakeholders contributing to development costs.
 - Little information is available about the financial impact of a new park or the effect on the boat densities on the lake.

FY 2008 New Construction Report

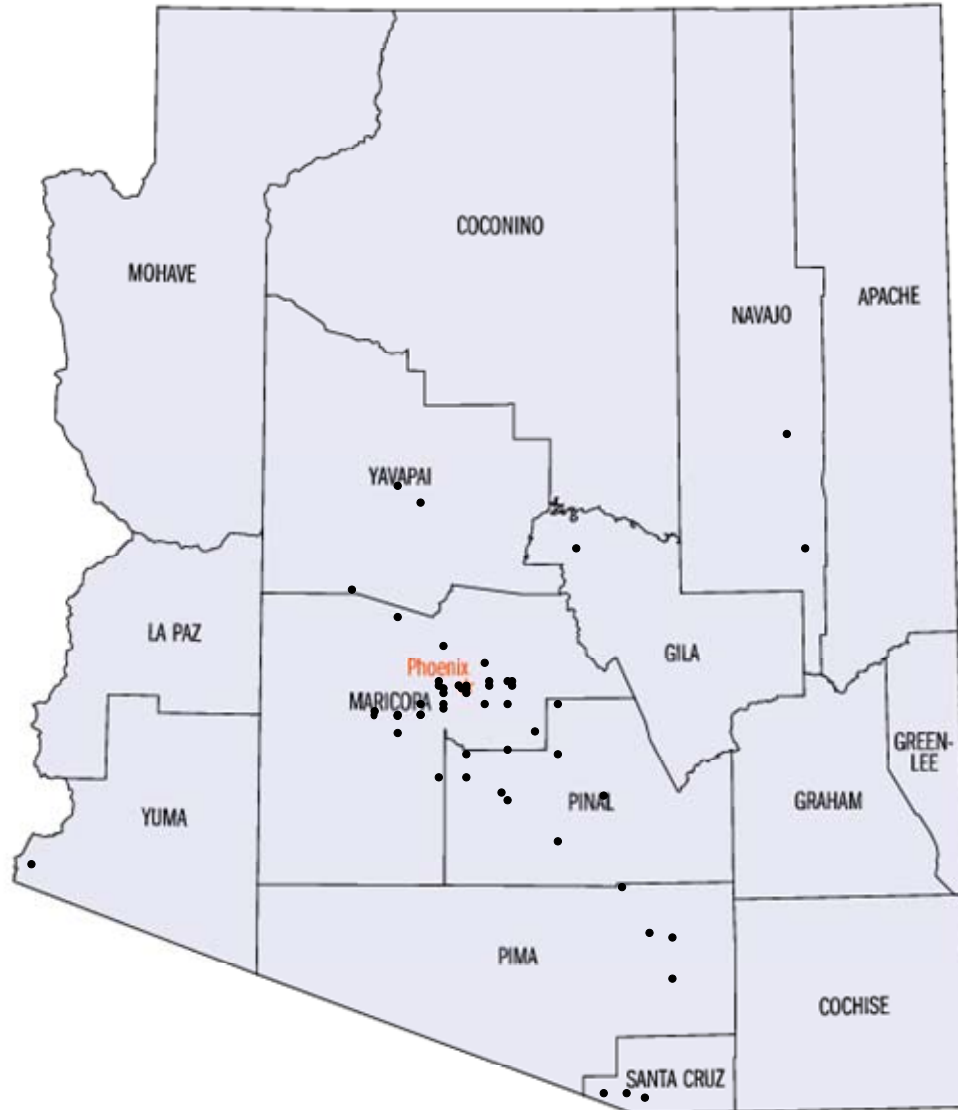
School Facilities Board

August 16, 2007

JLBC

FY 2008 New Construction Projects

85 projects at
47 school districts



The Projected FY 2008 Cash Shortfall is \$(73.0) M

(\$ in Million)

	<u>FY 2007</u>	<u>FY 2008</u>
Total Revenue	\$332.8	\$375.7
Expenditures	\$370.1	\$410.7
FY07 Deferred to FY08	<u>(38.0)</u>	<u>38.0</u>
Total Expenditures	\$332.1	\$448.7
Cash Balance	\$ 0.7	\$(73.0)

**FY 2007 SFB Approved Funding per
Square Foot Exceeded Statutory Formula--
Statute Allows SFB to Exceed Formula**

	<u>Statutory Cost/Sq. Ft.</u>	<u>Avg. Cost Above Formula/Sq. Ft.</u>
Elementary	\$131.13	\$ 31.54
High School	\$160.26	\$ 6.02

New Construction Cost Pressures

1. Caseload Increases

- 85 projects in FY 2008 vs. 75 in FY 2007 and 77 in FY 2006

2. Construction Inflation

- 12.2% adopted at the October JLBC meeting
- In FY 2007, SFB funded 86% of their projects over the statutory funding amount, for total additional funding of \$33.4 M

3. Minimum adequacy guidelines expanded

- Now includes funding for 7 areas: indoor flooring, gym flooring, millwork, exterior lighting, canopies, playground structures and canopies, and landscaping

SFB Adopted Several New Safety Standards --Plan to Seek Additional Legislative Funding for Items 7-10

1. Exterior Security Lighting
2. Administrative Office Locations
3. Classroom Door Locks
4. Student Interior Restroom Configuration
5. Vestibule Entry
6. Windows Next to Doors
7. Perimeter Fencing
8. Security Alarms
9. Security Cameras
10. In-Classroom Telephones