

STATE OF ARIZONA

## Joint Committee on Capital Review

STATE  
SENATE

DEBBIE LESKO  
CHAIRMAN 2017  
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OLIVIA CAJERO BEDFORD  
STEVE FARLEY  
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HOUSE OF  
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### MINUTES OF THE MEETING

#### JOINT COMMITTEE ON CAPITAL REVIEW

September 19, 2017

Chairman Lesko called the meeting to order at 4:40 p.m., Tuesday, September 19, 2017 in House Hearing Room 1. The following were present:

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

Absent: Senator Allen  
Senator Yee

#### APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of July 25, 2017, Chairman Debbie Lesko stated that the minutes would stand approved.

#### CONSENT AGENDA

The following items were considered without discussion:

**NORTHERN ARIZONA UNIVERSITY (NAU) - Review of FY 2018 Capital Improvement Plan for One-Time Appropriation.**

A.R.S. § 41-1252 requires the Joint Committee on Capital Review to review the scope, purpose and estimated cost for capital improvements. The FY 2018 General Appropriation Act (Laws 2017, Chapter

(Continued)

305) appropriated \$3,202,800 to NAU for operating expenditures or capital improvement projects. NAU is requesting Committee review of its \$3,202,800 expenditure plan. The JLBC Staff provided options and a potential provision:

- A. *NAU shall report any reallocations between projects in the FY 2018 spending plan above \$200,000 (as listed in Table 1) to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.*

<u>Project</u>	<u>Allocation</u>
Lab Renovation - Fume Hood Control Valve Replacement	\$1,500,000
Underground Utility Infrastructure Improvements	1,200,000
Fire Life Safety	<u>500,000</u>
<b>Total</b>	<b>\$3,200,000</b>

**ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of Building Renewal Allocation Plan.**

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies prior to expenditure. ADOT requested that the Committee review its \$4,732,300 FY 2018 Building Renewal Allocation Plan. The JLBC Staff provided options and potential provisions:

- A. *ADOT shall report any reallocations between projects in the FY 2018 spending plan above \$100,000 to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review. See Tables 2 and 3 for project categories.*
- B. *ADOT shall report to JLBC Staff on or before July 31, 2018 on the status of all building renewal projects and building renewal expenditures.*

<b>State Highway Fund Building Renewal Project Categories</b>			
<u>Category</u>	<u>Projects</u>	<u>State Highway Fund</u>	<u>% of Total</u>
Remodeling	19	\$1,745,000	38%
Building Systems (HVAC, Electrical, Plumbing)	32	1,164,500	26%
Interior Finishes (Paint, Carpet, Tile)	19	318,300	7%
Infrastructure (Sewers, Wells)	11	298,000	7%
Roof Repairs/Replacement	8	292,000	6%
Exterior Preservation (Doors, Windows, Siding)	13	248,000	6%
Fire/Life/Safety	6	219,200	5%
Americans with Disabilities Act	2	25,000	1%
Project Support Management	NA	90,000	2%
Contingency	<u>NA</u>	<u>100,000</u>	<u>2%</u>
<b>Total</b>	<b>110</b>	<b>\$4,500,000</b>	<b>100%</b>

<b>Table 3</b>			
<b>State Aviation Fund Building Renewal Project Categories</b>			
<u>Category</u>	<u>Projects</u>	<u>State Aviation Fund</u>	<u>% of Total</u>
Infrastructure (Sewers, Wells)	3	\$102,300	44%
Exterior Preservation (Doors, Windows, Siding)	2	47,000	20%
Building Systems (HVAC, Electrical, Plumbing)	5	30,000	13%
Fire/Life Safety	2	28,000	12%
Interior Finishes (Paint, Carpet, Tile)	3	22,000	10%
Roof/Repairs Replacement	1	3,000	1%
Americans with Disabilities Act	0	0	0%
Contingency	NA	0	0%
<b>Total</b>	<b>16</b>	<b>\$232,300</b>	<b>100%</b>

*Representative Shooter moved that the Committee give a favorable review with provisions as outlined in the JLBC Staff analysis, to the 2 consent agenda items listed above. The motion carried.*

**REGULAR AGENDA**

**UNIVERSITY OF ARIZONA (UA) - Review of Honors College Complex Project.**

Mr. Sam Beres, JLBC Staff, stated pursuant to A.R.S. § 15-1682.02 and A.R.S. § 15-1683, the Committee is required to review any university projects using indirect debt financing (also known as third-party financing) and any university project financed with revenue bonds, respectively. UA requested Committee review of a \$136,800,000 project to construct an Honors College Community, which will contain space for housing as well as academic space, a dining hall, a new campus recreation facility and parking. The JLBC Staff provided options and potential provisions.

Dr. Robert C. Robbins, President, UA, responded to member questions.

Mr. Gregg Goldman, Senior VP for Business Affairs and Chief Financial Officer, UA, responded to member questions.

*Representative Shooter moved that the Committee give a favorable review to UA’s \$136,800,000 Honors College Complex construction project, including the issuance of \$42,100,000 in system revenue bonds. The favorable review included 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. *UA shall provide the final debt service schedules for the project as soon as they are available.*
- C. *When available but no later than February 1, 2018, UA shall provide the Committee with the final terms and conditions of the agreement with the vendor, including the ground lease paid by the vendor, the guaranteed occupancy rate of the student housing, and details regarding the revenue sharing agreement (also referred to as “performance rent”).*

The motion carried.

(Continued)

**UNIVERSITY OF ARIZONA (UA) - Consider Approval of Renovations of School of Animal and Comparative Biomedical Science Building Project (Building 90).**

Mr. Sam Beres, JLBC Staff, stated pursuant to A.R.S. § 15-1671, the Committee is required to approve any university project financed with long-term debt that is paid for using monies from the university's Capital Infrastructure Fund (CIF). UA requested Committee approval of an \$18,000,000 bond issuance for the renovation of the School of Animal and Comparative Biomedical Science Building (also known as Building 90). The JLBC Staff provided options and potential provisions.

Ms. Sabrina Vazquez, Director of State Relations, UA, responded to member questions.

Mr. Gregg Goldman, Senior VP for Business Affairs and Chief Financial Officer, UA, responded to member questions.

*Senator Lesko moved that the Committee approve the \$18,000,000 in system revenue bond issuances to renovate UA's Animal and Comparative Biosciences Building (Building 90). The approval included the following provisions:*

- A. *Within 1 month of the debt issuance, UA shall provide the Committee a copy of its Tax Certificate in compliance with Internal Revenue Service requirements concerning the expected economic life of the projects.*

Standard University Financing Provisions

- B. *Approval by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.*
- C. *UA shall provide the final debt service schedules and interest rate for the project as soon as they are available.*

The motion carried.

**ARIZONA GAME AND FISH DEPARTMENT (AZGFD) - Review of FY 2017 Capital Improvement Projects.**

Mr. Richard Stavneak, JLBC Director, stated A.R.S. § 41-1252 requires the Joint Committee on Capital Review to review expenditure plans for capital projects prior to expenditure. Mr. Stavneak stated that the department has a history of not complying with the statutory review requirements.

The FY 2017 Capital Outlay Bill appropriated \$4,739,200 to the Arizona Game and Fish Department (AZGFD) for 3 capital projects. Of that amount, AZGFD has already expended \$1,233,200 without JCCR review. Pursuant to A.R.S. § 41-1252 and the FY 2017 Capital Outlay Bill, AZGFD requests Committee review of the \$3,419,000 for the following projects (*see Table 4*):

- \$2,922,000 for Sterling Spring Fish Hatchery renovations, and
- \$497,000 for 3 new boathouses and boat lifts.

(Continued)

<b>Table 4</b>				
<b>Summary of FY 2017 Capital Project Expenditures</b>				
<b>Project</b>	<b>Request For Review</b>	<b>Spent w/o Review</b>	<b>Cost Estimate</b>	<b>Committee Review</b>
Fish Hatchery	\$2,922,000	\$ 98,000	\$3,020,000	\$360,000
Capital Improvements	-	787,000	787,000	0
Boat Structures	497,000	50,900	547,900	497,000
Radio Towers	-	297,300	297,300	0
<b>Total</b>	<b>\$3,419,000</b>	<b>\$ 1,233,200</b>	<b>\$4,652,200</b>	<b>\$857,000</b>

The JLBC Staff provided options and potential provisions.

Mr. David Fernandez, Legislative Specialist, Game and Fish Department, responded to member questions. He also stated that the department would comply with JCCR review requirements in the future.

Mr. Ty Gray, Director, Game and Fish Department, responded to member questions.

*Senator Lesko moved that the Committee give a favorable review of the \$360,000 for further design work on the Sterling Springs Hatchery and \$497,000 for the Boat Structure projects as delineated in Table 4 ("Committee Review" column) with the following provisions:*

- A. *AZGFD shall seek Committee review prior to transferring any monies between the projects as delineated in Table 4 ("Committee Review" column). AZGFD shall also seek review before expending any of those monies for a purpose other than outlined in Table 4 ("Committee Review" column).*
- B. *AZGFD shall seek Committee review prior to expending any of the remaining unallocated monies for these projects.*
- C. *AZGFD shall notify the Committee Chairman and JLBC Staff Director before October 2, 2017 of the agency's timetable for submitting their \$530,000 FY 2018 building renewal appropriation to JCCR for review prior to its expenditure.*
- D. *AZGFD shall provide to the Committee by October 2, 2017 a detailed cost list of \$787,000 of supplemental building renewal and related items that they expended without Committee review.*

The motion carried.

**ARIZONA STATE UNIVERSITY (ASU) - Review of Building Renewal and Renovation Projects.**

Mr. Matt Beienburg, JLBC Staff, stated A.R.S. § 15-1683 requires the Joint Committee on Capital Review to review any university projects financed with system revenue bonds. ASU requested review of \$35,000,000 in system revenue bond issuances to fund 3 building renewal and other renovation projects. The JLBC Staff provided options and potential provisions.

Mr. Morgan Olson, Executive Vice President, Treasurer and Chief Financial Officer, ASU, responded to member questions.

*Senator Lesko moved that the Committee give a favorable review to \$35,000,000 in system revenue bond issuances for the renovation of research laboratories, classroom and academic spaces, and general building renewal and campus infrastructure projects. The favorable review includes the following provisions:*

- A. *ASU may not use these monies to finance routine maintenance or upkeep (e.g. painting, caulking) that is not directly related to renovation improvements.*
- B. *By December 1, 2017 and June 1, 2018, ASU shall provide updates to the Committee on the specific projects to be funded with the \$35,000,000.*
- C. *Within 1 month of the debt issuance, ASU shall provide the Committee a copy of its Tax Certificate in compliance with Internal Revenue Service requirements concerning the expected economic life of the projects.*

Standard University Financing Provisions

- D. *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.*
- E. *ASU shall provide the final debt service schedules and interest rate for the projects as soon as they are available.*

The motion carried.

**ARIZONA STATE UNIVERSITY (ASU) - Informational Item on West Campus Property.**

This item was not discussed and was held for consideration at a future meeting.

**ARIZONA STATE PARKS BOARD (ASPB) - Review of FY 2018 Capital Expenditure Plan of \$1,275,000 and Reallocation of Prior Year Capital Funding of \$652,800.**

Mr. Ben Murphy, JLBC Staff, stated that pursuant to A.R.S. § 41-1252 and A.R.S. § 5-382, ASPB requests Committee review of \$1,275,000 in FY 2018 capital projects and a reallocation of prior year monies. The JLBC Staff provided options and potential provisions.

Ms. Sue Black, Director, State Parks, responded to member questions.

*Senator Lesko moved that the Committee give a favorable review to the reallocation of the \$652,800 in monies from prior year capital funding, with the reallocated funding being used for 2 projects at Roper Lake and Cattail Cove state parks.*

(Continued)

In addition, Senator Lesko moved that the Committee give a favorable review to the Arizona State Parks Board's expenditure of \$1,275,000 for FY 2018 Capital Improvement projects.

The motion included the following provisions:

- A. ASPB shall report any reallocations between projects in the FY 2018 spending plan above \$100,000 (as outlined in Tables 5 and 6) to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.
- B. ASPB shall report to the Committee on their actual FY 2018 spending by July 31, 2018 using the same categories (as outlined in Tables 5 and 6).

<b><u>New Uses of Reallocated Funds</u></b>					
<b><u>Fiscal Year</u></b>	<b><u>Park</u></b>	<b><u>Project</u></b>	<b><u>SLIF <sup>1/</sup></u></b>	<b><u>LWCF <sup>1/</sup></u></b>	<b><u>Total</u></b>
2018	Roper Lake	Wastewater System	\$400,000	\$292,500	\$ 692,500
2018	Cattail Cove	Toilet Replacements	250,000	0	250,000
2018	Lapsed Funds	NA	<u>2,800</u>	<u>75,000</u>	<u>77,800</u>
			<b>\$652,800</b>	<b>\$367,500</b>	<b>\$1,020,300</b>

<sup>1/</sup> SLIF = State Lake Improvement Fund. LWCF = Land and Water Conservation Fund. Only the SLIF reallocation is subject to review.

<b><u>FY 2018 Capital Improvement Projects</u></b>				
<b><u>Location</u></b>	<b><u>Project</u></b>	<b><u>SPRF <sup>1/</sup></u></b>	<b><u>LWCF <sup>1/</sup></u></b>	<b><u>Total</u></b>
Statewide	Cabin Installation	\$ 705,000	\$ 705,000	\$1,410,000
Riordan Mansion State Park	Fire Suppression System Replacement	150,000	150,000	300,000
Riordan Mansion State Park	Roof Replacement	100,000	100,000	200,000
Dead Horse Ranch State Park	Playground Replacement	100,000	100,000	200,000
Picacho Peak State Park	New Vault Toilets	100,000	100,000	200,000
Red Rock State Park	Water Tank Replacement	50,000	50,000	100,000
Statewide	Sign Replacement	50,000	50,000	100,000
Catalina State Park	Equestrian Shelter Roof Replacement	<u>20,000</u>	<u>20,000</u>	<u>40,000</u>
<b>Total</b>		<b>\$1,275,000</b>	<b>\$1,275,000</b>	<b>\$2,550,000</b>

<sup>1/</sup> SPRF = State Parks Revenue Fund. LWCF = Land and Water Conservation Fund. Only the SPRF amount is subject to review.

The motion carried.

**ARIZONA STATE PARKS BOARD (ASPB) - Review of Rockin' River Ranch State Park Project.**

Mr. Ben Murphy, JLBC Staff, stated A.R.S. § 41-1252 requires the Committee to review expenditure plans for capital projects prior to expenditure. The FY 2018 Capital Outlay Bill (Laws 2017, Chapter 306) appropriated \$4,000,000 from the State Parks Revenue Fund to ASPB for the Rockin' River Ranch State Park project for which ASPB is requesting Committee review. The JLBC Staff provided options and potential provisions.

(Continued)

Mr. Jim Keegan, Deputy Director, ASPB, responded to member questions.

Senator Lesko moved that the Committee give a favorable review of ASPB's expenditure plan of \$4,006,824 for the Rockin' River Ranch State Park project. The favorable review included the following provisions:

- A. Upon awarding the construction contract, the ASPB shall provide the Committee by the last day of each calendar quarter with an update on expenditures to date and a timeline for the Rockin' River Ranch State Park to open to the public.
- B. ASPB shall report any reallocations over \$100,000 between the 7 categories in the spending plan as delineated in Table 7 to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.

<b>Table 7</b>	
<b>Rockin' River Ranch Construction Cost Estimate by Category</b>	
Sanitary System	\$ 1,449,950
Infrastructure	1,415,909
Restroom Renovations	555,000
Amenities	334,365
Flood Protection	130,000
Demolition	80,000
Landscape	41,600
<b>Total</b>	<b>\$ 4,006,824</b>

The motion carried.

**ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) – Review of FY 2017 Vehicle Wash Systems Project.**

Mr. Ben Murphy, JLBC Staff, stated A.R.S. § 41-1252 requires Committee review of expenditure plans for capital projects with costs greater than \$250,000. The FY 2017 Capital Outlay Bill (Laws 2016, Chapter 126) appropriated \$2,344,800 from the State Highway Fund for 6 new vehicle wash systems. ADOT requested Committee review of the department's \$2,479,600 expenditure plan for the new vehicle wash system buildings which combines the \$2,344,800 appropriation with \$134,800 in remaining expenditure authority from the department's FY 2015 non-lapsing vehicle was appropriation. The JLBC Staff provided options and potential provisions.

Mr. Bill Fathauer, Legislative Liaison, ADOT responded to member questions.

Senator Lesko moved that the Committee give a favorable review of the expenditure plan of \$2,479,600 for the new vehicle wash system buildings, which combines the \$2,344,800 appropriation with \$134,800 in remaining expenditure authority from the department's FY 2015 non-lapsing vehicle wash appropriation. The favorable review includes the following provision:

- A. ADOT shall report any reallocations between projects in the FY 2018 spending plan above \$100,000 to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.



The motion carried.

Without objection, the meeting adjourned at 6:32 p.m.

Respectfully submitted:



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Kristy Paddack, Secretary



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Jack Brown, Assistant Director



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Senator Debbie Lesko, Chairman