



STATE OF ARIZONA

# Joint Committee on Capital Review

STATE  
SENATE

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VICE-CHAIRMAN  
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HOUSE OF  
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## MINUTES OF THE MEETING

### JOINT COMMITTEE ON CAPITAL REVIEW

September 20, 2018

Chairman David Livingston called the meeting to order at 10:08 a.m., Thursday, September 20, 2018 in House Hearing Room 1. The following were present:

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

### APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of July 24, 2018, Representative Livingston moved that the minutes be approved.

### CONSENT AGENDA

The following items were considered without discussion:

#### **ARIZONA DEPARTMENT OF VETERANS' SERVICES (ADVS) - Review of Veterans' Home Construction Projects.**

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for capital projects. ADVS requested review of \$27,200,000 (\$19,200,000 from the General Fund and \$8,000,000 from the State Home for Veterans' Trust Fund) for construction of new veterans' homes facilities in Yuma and Flagstaff. These monies were appropriated in the FY 2015, FY 2017, and FY 2019 Capital Outlay Bills. The JLBC Staff provided options and potential provisions:

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- A. *Committee review does not constitute endorsement of General Fund appropriations for start-up costs at the Yuma and Flagstaff facilities.*
- B. *ADVS shall submit a report to the Committee by September 1, 2019 on the estimated start-up costs for both the Yuma and Flagstaff facilities and if the State Home for Veterans' Trust Fund has a sufficient balance to fund those costs.*

**ARIZONA GAME AND FISH DEPARTMENT (AGFD) - Review of FY 2019 Building Renewal Allocation Plan and FY 2019 Capital Projects.**

A.R.S. § 41-1252 requires the Committee to review expenditure plans for monies appropriated for building renewal and capital projects and for any capital project with an estimated cost of more than \$250,000. The JLBC Staff provided options and potential provisions:

- A. *The distribution of the building renewal emergency allocation of \$75,000 shall be addressed as follows:*
  - 1. *AGFD shall notify the Chairman and the JLBC Staff that they plan to spend monies on an emergency project. The Chairman can allow AGFD to move forward with an emergency project without Committee review.*
  - 2. *If the Chairman does not agree that a project is an emergency and that the project will require full Committee review, the JLBC Staff will notify AGFD.*

*An "emergency" project is defined as unforeseen, critical in nature, and of immediate time sensitivity.*

- B. *In accordance with A.R.S. § 41-790, AGFD's Headquarters Major Maintenance Fund may not use building renewal monies for movable equipment.*

**ARIZONA PIONEERS' HOME (APH) - Review of FY 2019 Capital Improvement Projects.**

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for capital projects. The FY 2019 Capital Outlay Bill (Laws 2018, Chapter 277) appropriated \$600,000 from the Miners' Hospital for Miners with Disabilities Land Fund for capital improvements. APH requested review of these monies for 6 capital improvement projects. The JLBC Staff provided options and potential provisions:

- A. *APH shall report any reallocation between projects to the JLBC Staff. If there is a significant change of scope in the reallocation reported by APH, the JLBC Staff will recommend APH request Committee review of the reallocation.*
- B. *If APH adds a new project not listed in this request, the agency shall submit the proposed project and expenditure plan for Committee review.*
- C. *APH shall notify the Chairman and JLBC Staff if they plan to spend the contingency allocation. The Chairman will notify APH if the contingency plan will require full Committee review.*

**DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS (DEMA) - Review of Tucson Readiness Center.**

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for capital projects. DEMA requested review of the expenditure plan for the construction of the Tucson Readiness Center, as appropriated by the FY 2019 Capital Outlay Bill (Laws 2018, Chapter 277). The total project cost is \$24,133,000, which consists of the following fund sources: 1) \$3,759,000 from the General Fund included in the FY 2019 budget; 2) \$2,274,000 from other state monies; and 3) \$18,100,000 from Federal Funds. The JLBC Staff provided options and potential provisions:

- A. *DEMA shall report to the Committee if the Tucson Readiness Center project's total cost exceeds estimated costs by 20%. The JCCR Chairman shall determine whether the project requires further review.*
- B. *On or before July 31 of each year until project completion, DEMA shall report to the JLBC Staff on the status and expenditures of the Tucson Readiness Center project.*
- C. *A favorable review does not constitute endorsement of appropriations to pay for future operating costs.*

**ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of FY 2019 Building Renewal Allocation Plan.**

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. ADOT requested Committee review of its \$5,492,000 FY 2019 Building Renewal Allocation Plan. The JLBC Staff provided options and potential provisions:

- A. *ADOT shall report any reallocations between projects in the FY 2019 spending plan above \$100,000 to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.*
- B. *ADOT shall provide a written explanation by October 1 of their reason for not complying with a 2017 Committee provision to report on the status of existing building renewal projects by July 31, 2018. Alternatively, ADOT may provide the status report.*
- C. *In accordance with an FY 2019 Capital Outlay Bill footnote, ADOT shall report to JLBC Staff on or before January 31, 2019 and July 31, 2019 on the status of all building renewal projects and building renewal expenditures.*

*Senator Kavanaugh moved that the Committee give a favorable review with provisions as outlined in the JLBC Staff analysis, to the 5 consent agenda items listed above. The motion carried.*

**REGULAR AGENDA**

**ARIZONA STATE UNIVERSITY (ASU) - Consider Approval of Interdisciplinary Science and Technology Building (ISTB) 7 Financing Project.**

Mr. Matt Beienburg, JLBC Staff, stated A.R.S. § 15-1671 requires the universities to submit the scope, purpose, and estimated cost of any capital project paid with debt financing before expending monies

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from the university's Capital Infrastructure Fund (CIF) for that project. ASU requested approval of the issuance of \$175,000,000 of system revenue bonds for the construction of the ISTB 7 at the university's Tempe Campus. Debt service on the project will be paid with monies from ASU's CIF, funded 50% with tuition revenues, and 50% with General Fund appropriations. The JLBC Staff provided options and potential provisions.

Senator Kavanagh moved that the Committee approve the issuance of \$175,000,000 of system revenue bonds for the project that will be paid with CIF monies with the following provisions:

Standard University Financing Provisions

- A. 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.
- B. ASU shall provide the final debt service schedule and interest rate for the project as soon as they are available.

The motion carried.

**ASU - Review of Information Technology (IT) Improvements Financing Project.**

Mr. Matt Beienburg, JLBC Staff, stated A.R.S. § 15-1683 requires Committee review of any university project financed with system revenue bonds. ASU requested review of the issuance of \$32,000,000 of system revenue bonds for IT Improvements across its campuses. Debt service on the project will be paid with tuition revenues. The JLBC Staff provided options and potential provisions.

Mr. Morgan Olson, Executive Vice President, Treasurer and CFO, ASU, responded to member questions.

Senator Kavanagh moved that the Committee give a favorable review to the issuance of \$32,000,000 of system revenue bonds for the project. The favorable review included the following provisions:

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 the debt service or any operations and maintenance costs when the project is complete.
- B. ASU shall provide the final debt service schedule and interest rate for the project as soon as they are available.

The motion carried.

**PIMA COUNTY COMMUNITY COLLEGE DISTRICT (PCCCD) - Review of Revenue Bond Projects.**

Ms. Micaela Larkin, JLBC Staff, stated A.R.S. § 15-1483 requires Committee review of any community college projects financed with revenue bonds that do not require voter approval. PCCCD requested

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review of the issuance of \$65,000,000 of revenue bonds to finance new construction and renovation at the Downtown Campus, and renovations at the East Campus and West Campus. Debt service on the project will be primarily funded from tuition and fees along with other miscellaneous operating revenues. The JLBC Staff provided options and potential provisions.

Mr. David Bea, Executive Vice Chancellor, PCCCD, responded to member questions.

Senator Kavanagh moved that the Committee give a favorable review to the issuance of \$65,000,000 of revenue bonds for the projects. The favorable review included the following provisions:

- A. PCCCD shall provide the final debt service schedule and interest rate for the projects as soon as they are available.
- B. On or before July 31 of each year until completion of the projects financed from the bond issuance, PCCCD shall report to the JLBC Staff on the status and expenditures of each project. The report shall include the project expenditures to date, the expected completion date, and any change in project scope.

The motion carried.

#### **ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA)/ARIZONA EXPOSITION AND STATE FAIR (AESF) - Review of Funding for Cooling Units.**

Ms. Morgan Dorcheus, JLBC Staff, stated A.R.S. § 41-1252 requires agencies to request Committee review of expenditure plans for building renewal monies and capital projects. Pursuant to a Committee provision, ADOA requested review of its FY 2018 building renewal allocation plan to reallocate \$400,000 to replace cooling units at the State Fair grounds. AESF proposed providing \$400,000 of matching funds to replace the cooling units, for a total project cost of \$800,000. The JLBC Staff provided options and potential provisions.

Ms. Wanell Costello, Director, AESF, responded to member questions.

Senator Kavanagh moved that the Committee give a favorable review to ADOA paying \$400,000 for the project from the agency's FY 2018 building renewal appropriation, and AESF paying \$400,000 from the agency's own funds. AESF is required to pay the \$400,000 in building renewal back to ADOA by no later than FY 2022, with payments of at least \$100,000 in each fiscal year, including \$100,000 by June 2019. The Committee may recommend a faster payback depending on the list of projects submitted each year by AESF for their annual capital appropriation review. The favorable review included the following provision:

- A. If AESF does not spend the full \$400,000 (or \$800,000) from its own fund on the cooling unit replacement, the agency must submit a plan to JCCR for review before reallocating the monies to any other projects.

Representative Alston made a substitute motion that the Committee give a favorable review of the request to have ADOA building renewal pay for \$400,000 of the project and AESF to pay for \$400,000 from its own funds. The latter would be funded from \$190,000 of AESF's FY 2018 capital appropriation and \$210,000 from their FY 2019 capital appropriation.

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The substitute motion failed.

The original motion carried.

Without objection, the meeting adjourned at 11:34 a.m.

Respectfully submitted:



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Kristy Paddack, Secretary



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Jack Brown, Assistant Director



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Representative David Livingston, Chairman