



STATE OF ARIZONA

Joint Committee on Capital Review

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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

September 21, 2022

The Vice-Chairman called the meeting to order at 10:04 a.m., Wednesday, September 21, 2022 in House Hearing Room 1. The following were present:

Members:	Senator Gowan, Vice-Chairman	Representative Bolding
	Senator Bowie	Representative Kavanagh
	Senator Kerr	Representative Osborne
	Senator Leach	Representative Schwiebert
	Senator Rios	Representative Sierra
		Representative Toma
Absent:	Senator Alston	Representative Cobb, Chairman
	Senator Gray	

APPROVAL OF MINUTES

Representative Kavanagh moved that the Committee approve the minutes of July 14, 2022. The motion carried.

CONSENT AGENDA

The following items were considered without discussion:

3. ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of Demolition Projects.

A.R.S. § 41-1252 requires Committee review of the expenditure of monies appropriated for land acquisition, capital projects and building renewal. The FY 2023 Capital Outlay Bill appropriated \$1,568,000 to demolish the Department of Health Services Vital Records Building (\$448,000), the Arizona Department of Administration's Maintenance Building (\$136,000) and the Department of Economic Security Data Center (\$984,000). ADOA requested review of the expenditure plan of \$1,568,000 for the demolition of the 3 buildings. The JLBC Staff provided options.

(Continued)

4. ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA)/SCHOOL FACILITIES DIVISION - Review of Minimum Adequacy Guidelines Rulemaking Fiscal Impact.

A.R.S. § 41-5711 requires ADOA School Facilities Division (SFD) to submit a fiscal impact statement for Committee review when adopting rule changes to the Minimum Adequacy Guidelines. ADOA requested Committee review of its fiscal impact statement. The JLBC Staff provided options.

5. ARIZONA DEPARTMENT OF ADMINISTRATION/JUDICIARY - Review of Air Handler and Sewer Replacement Project.

A.R.S. § 41-1252 requires the Committee to review capital projects with estimated costs exceeding \$250,000. ADOA requested Committee review of the plan it submitted on behalf of the Judiciary to spend \$3,200,000 to replace air handler units and the sewer system at the Arizona Supreme Court building. The JLBC Staff provided options.

6. ARIZONA SCHOOLS FOR THE DEAF AND THE BLIND (ASDB) - Review of FY 2023 Capital Projects.

A.R.S. § 41-1252 requires the Committee to review expenditure plans for monies appropriated for capital projects. ASDB requested Committee review of their capital project expenditure plan totaling \$866,000 to fund the 3 capital improvement projects shown in *Table 1* below.

Table 1	
Components of Capital Project Expenditure Plan	
Food Service Equipment Replacement (Phoenix and Tucson)	\$350,000
Proxy Card Upgrades (Phoenix)	420,000
Notification System Upgrade (Phoenix)	96,000
Total Costs of Plan	\$866,000

The JLBC Staff provided options and a potential provision:

- A. *Prior to spending any of the \$866,000 on projects other than in Table 1, ASDB shall report the change to the Joint Committee on Capital Review Chairman and the JLBC Staff. If there is significant change of scope in the reallocation reported by the agency, the Chairman may require further Committee review.*

7. ARIZONA EXPOSITION AND STATE FAIR BOARD (AESF) - Review of Capital Improvement Projects.

A.R.S. § 41-1252 requires the Committee to review expenditure plans for all monies appropriated for capital projects. AESF requested Committee review of its capital project request totaling \$1,350,000. The projects consist of:

- \$300,000 to repair the elevator that services the administrative offices in the Coliseum.
- \$550,000 to repair the north wall of the cattle barn.
- \$500,000 to replace the roof of the Pardi Gras building.

(Continued)

The JLBC Staff provided options.

8. DEPARTMENT OF LIQUOR LICENSES AND CONTROL - Review of Space Reconfiguration.

A.R.S. § 41-1252 requires the Committee to review expenditure plans for all monies appropriated for capital projects. The Department of Liquor Licenses and Control requested Committee review of the department's capital project request of \$3,500,000 for expansion of the department's headquarters at 800 W. Washington Street. The JLBC Staff provided options.

9. ARIZONA PIONEERS' HOME - Review of FY 2023 Capital Improvement 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 FY 2023 Capital Outlay Bill appropriated \$396,500 from the Pioneers' Home State Charitable Fund for courtyard window replacement, parking lot maintenance, dining hall ceiling maintenance and electrical and plumbing repairs. Arizona Pioneers' Home requested Committee review of the agency's plan for capital improvement projects. The JLBC Staff provided options and a potential provision:

- A. *If the Arizona Pioneers' Home proposes to use any monies to address needs not outlined in its August 2021 Facility Assessment Report, the agency shall report to the JLBC Staff the projects and the dollar amounts prior to expenditure.*

10. ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of FY 2023 Building Renewal Allocation Plan.

A.R.S. § 41-1252 requires the Joint Committee on Capital Review to review expenditure plans for building renewal monies. ADOT requested Committee review of its FY 2023 Building Renewal Allocation Plan of \$18,139,400 from the State Highway Fund (see Table 2) and \$467,800 from the State Aviation Fund (see Table 3). The JLBC Staff provided options.

Table 2			
State Highway Fund Building Renewal Project Categories			
<u>Category</u>	<u>Projects</u>	<u>State Highway Fund</u>	<u>% of Total</u>
Fire/Life/Safety	11	\$245,000	1%
Roof Repairs/Replacement	11	1,606,000	9%
Exterior Preservation (Doors, Windows, Siding)	34	2,740,100	15%
Building Systems (HVAC, Electrical, Plumbing)	73	4,445,300	24%
Interior Finishes (Paint, Carpet, Tile)	22	512,000	2%
Remodels and Reconfigurations	18	5,291,000	29%
Americans with Disabilities Act	5	140,000	1%
Infrastructure (Sewers, Wells, Parking Lots)	29	3,020,000	17%
Project Management Support	N/A	40,000	1%
Contingency	<u>N/A</u>	<u>100,000</u>	<u>1%</u>
Total	203	\$18,139,400	100%

(Continued)

Table 3

State Aviation Fund Building Renewal Projects

<u>Category</u>	<u>Projects</u>	<u>State Aviation Fund</u>	<u>% of Total</u>
Fire/Life Safety	2	\$15,000	3%
Roof/Repairs Replacement	1	10,000	2%
Exterior Preservation (Doors, Windows, Siding)	2	20,000	4%
Building Systems (HVAC, Electrical, Plumbing)	4	80,000	18%
Interior Finishes (Paint, Carpet, Tile)	2	20,000	4%
Reconfigure or Remodel	1	275,800	59%
Americans with Disabilities Act	1	10,000	2%
Infrastructure	3	37,000	8%
Total	16	\$467,800	100%

11. NORTHERN ARIZONA UNIVERSITY - Review of Capital Projects.

A.R.S. § 15-1671 requires the Committee to review any non-debt financed university capital projects paid for with funds from the university's Capital Infrastructure Fund. NAU requested the Committee review its plan to spend \$17,345,600 for capital improvement projects. The JLBC Staff provided options and potential 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 debt service or any operations and maintenance costs when the project is complete.*
- B. *On or before October 15 of each year until completion of the projects, NAU shall report to the JLBC Staff on the status and expenditures of the multiple capital projects. The report shall include the project expenditures to date, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the projects.*

12. UNIVERSITY OF ARIZONA (UA) - Review of Veterinary Diagnostic Laboratory Projects.

A.R.S. § 41-1252 requires the Committee review any capital project exceeding total cost of \$250,000. UA requested Committee review its plan to spend \$1,632,900 from the General Fund for Veterinary Diagnostic Laboratory (VDL) improvement projects. The JLBC Staff provided options.

The spending for this project was appropriated in the FY 2023 budget, and therefore the standard university financing provisions were not included.

Representative Kavanagh moved that the Committee give a favorable review of the agency request in consent agenda items 3 through 12 listed above with the applicable JLBC Staff provisions. The motion carried.

(Continued)

REGULAR AGENDA

1. ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of HVAC and Door, Lock and Fire System Replacement Project.

Mr. Stefan Shepherd, JLBC Staff, stated A.R.S. § 14-1252 requires that the Committee review expenditure plans for monies appropriated for building renewal and capital projects. The FY 2023 Capital Outlay Bill appropriated \$47,600,000 to replace evaporative cooling systems with air conditioning and \$20,400,000 for door, lock and fire system replacements. ADC requested Committee review of the \$20,400,000 plan for door, lock and fire system replacement, and \$47,600,000 for statewide Heating, Ventilation, and Air Conditioning (HVAC) replacement. The JLBC Staff provided options and potential provisions:

- A. Upon procurement of a vendor contract for HVAC replacement, the department shall report back to the Committee on the actual cost of the HVAC replacement project.*
- B. If the actual cost of the HVAC contract is less than the amount reviewed, the department shall return to the Committee for review of the difference prior to spending these savings on other HVAC projects.*

Mr. David Shinn, Director, ADC, responded to member questions.

Mr. Fred Moreno, Assistant Director Facilities Management, ADC, responded to member questions.

Representative Kavanagh moved that the Committee give a favorable review of the \$20,400,000 plan for door, lock and fire system replacement, and \$38,895,100 for statewide Heating, Ventilation, and Air Conditioning (HVAC) replacement, which excludes the \$8,704,900 contingency portion of the department's HVAC replacement expenditure plan. The motion carried.

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

Mr. Jordan Johnston, JLBC Staff, stated A.R.S. § 41-1252 requires that the Committee review expenditure plans for monies appropriated to capital projects. The FY 2023 Capital Outlay Bill appropriated \$9,750,000 to DPS for the replacement of highway patrol officer remote housing units and the purchase of new housing units. DPS requested Committee review of its expenditure plan to use \$7,750,000 to replace remote housing units and \$2,000,000 to purchase either existing houses or modular units pending additional information. The JLBC Staff provided options and a potential provision. The Chairman offered a revised option and provision:

- A. On or before December 1, 2022, the department shall report to the JCCR Chairman and JLBC Staff on the geographic areas proposed for either existing home purchases or new modular units. The report shall include the areas selected, the availability of homes in the selected areas, and the justification for choosing each area.*

Mr. Phil Case, Budget Director, DPS, responded to member questions.

(Continued)

Representative Kavanagh moved that the Committee give a favorable review of \$7,750,000 appropriated from the General Fund in the FY 2023 Capital Outlay Bill for the purchase and installation of remote housing units only, which excludes the \$2,000,000 to purchase either existing houses or modular units pending additional information with the provision above. The motion carried.

Without objection, the meeting adjourned at 10:43 a.m.

Respectfully submitted:



Kristy Paddack, Secretary

Rebecca Perrera

Rebecca Perrera, Assistant Director



Senator David Gowan, Vice-Chairman