

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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HOUSE OF
REPRESENTATIVES

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JUSTIN OLSON
ANNA TOVAR

MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

October 4, 2012

The Chairman called the meeting to order at 2:30 p.m., Thursday, October 4, 2012, in Senate Appropriations Room 109. The following were present:

Members:	Representative Kavanagh, Chairman	Senator Shooter, Vice-Chairman
	Representative Alston	Senator Biggs
	Representative Court	Senator Crandall
	Representative McLain	Senator Murphy
	Representative Olson	Senator Schapira
	Representative Tovar	
Absent:	Representative Campbell	Senator Aboud
		Senator Klein

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of June 26, 2012, Chairman John Kavanagh stated the minutes would stand approved.

DIRECTOR'S REPORT

Richard Stavneak, JLBC Staff Director, acknowledged that this would be Leatta McLaughlin's last meeting as JLBC's Capital Analyst. Leatta has accepted a position as an associate director at the Department of Agriculture. Committee members thanked Leatta for her service.

ARIZONA STATE LOTTERY COMMISSION - Review of FY 2013 Building Renewal Allocation Plan.

Mr. Jon Stall, JLBC Staff, stated that this item is a review of the Arizona State Lottery Commission's FY 2013 Building Renewal Allocation Plan totaling \$85,200. The JLBC Staff recommends that the Committee give a favorable review to the Lottery Commission's FY 2013 Building Renewal Allocation Plan.

Mr. Jeff Hatch-Miller, Executive Director, Arizona Lottery Commission, responded to member questions.

(Continued)

Ms. Patricia Phillips, Deputy Director, Arizona Lottery Commission, responded to member questions.

Senator Shooter moved that the Committee give a favorable review to the request for Arizona State Lottery Commission's FY 2103 Building Renewal Allocation Plan totaling \$85,200. The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION

A. Review of Remaining FY 2013 Building Renewal Allocation Plan.

Ms. Leatta McLaughlin, JLBC Staff, stated that this item is a review of the Arizona Department of Administration's (ADOA) FY 2013 Building Renewal Allocation Plan totaling \$6,525,000. They were originally appropriated \$10,372,600 from the Capital Outlay Stabilization Fund (COSF) in FY 2013. At its June 26, 2012 meeting, the Committee favorably reviewed the safety-related projects as agreed to by the Chairman, which totaled \$3,847,600. This request addresses the review of the remaining building renewal projects.

The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review to the request for ADOA's FY 2013 Building Renewal Allocation Plan totaling \$6,525,000 with the provision that ADOA shall report any change in the building renewal spending plan to the JLBC Staff, including reallocations between projects. If there is significant change of scope in the reallocation reported by ADOA, the JLBC Staff shall recommend ADOA to request Committee review of the reallocation. The motion carried.

B. Review and Consider Approval of Bond Refinancing.

Mr. Art Smith, JLBC Staff, presented ADOA's request for review of its Bond Refinancing of \$62 million in outstanding principal obligations for 3 projects: Department of Health Services building, state Health Laboratory, and various prison beds throughout the state. The JLBC Staff recommended that the Committee favorably review and approve the refinancing of the PLTO and COP issuances with the provision that ADOA report back to the Committee on the final estimates for interest rate, debt service schedules, costs, and estimated savings of the refinances after the issuance.

Mr. Clark Partridge, State Comptroller, General Accounting Office, ADOA, responded to member questions.

Senator Shooter moved that the Committee give a favorable review and approval to ADOA's request to refinance it's 2001 PLTO agreement and COP issuances from 2002 and 2004 with the provision that ADOA report back to the Committee on the final estimates for interest rate, debt service schedules, costs, and estimated savings of the reissuance. The motion carried.

C. Review and Consider Recommending FY 2013 Rent Exemptions.

Mr. Ben Beutler, JLBC Staff, presented the ADOA's request that the Committee recommend to grant a full or partial exemption from the payment of state-owned rental fees totaling \$42,100 for ADOA and Arizona Department of Education (ADE). The vacated space will be occupied by other agencies for no net loss of rent. The JLBC Staff recommends that the Committee recommend exemptions of \$28,500 for ADOA and \$13,600 for ADE. As a result of these exemptions, there are corresponding rent increases of \$28,500 for the Department of Economic Security (DES) and \$13,600 for the Department of Health Services (DHS).

Mr. Beutler responded to member questions.

Senator Shooter moved that the Committee recommend to the Arizona Department of Administration a rent exemption for FY 2013 of \$28,500 for ADOA and \$13,600 for ADE. The motion carried.

(Continued)

ARIZONA STATE UNIVERSITY – Review of 4 Bond Projects.

Ms. Leatta McLaughlin, JLBC Staff, presented Arizona State University’s (ASU) \$59.9 million bond project to construct a new multi-use facility at the Tempe Campus, Information Technology (IT) infrastructure improvements at all campuses, library renovations at the Tempe Campus, and refunding a student housing bond at the Tempe Campus.

The JLBC Staff presented options to the Committee.

Ms. McLaughlin responded to member questions.

Senator Shooter moved that the Committee give a favorable review for ASU’s request for the 4 projects with the following provisions: 1) projects are ultimately approved by the Arizona Board of Regents, and 2) the following Standard University Financing Provisions:

Standard University Financing Provisions

- *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.*
- *ASU shall provide the final debt service schedule for the projects as soon as they are available.*

The motion carried.

ARIZONA CORPORATION COMMISSION – Review of FY 2013 Tenant Improvements.

Mr. Jon Stall, JLBC Staff, presented the Arizona Corporation Commission’s request for review of its FY 2013 tenant improvements at an estimated cost of \$351,100 to construct a new hearing room.

The JLBC Staff presented options to the Committee

Ms. Laurie Lustig, Legislative Liason, Arizona Corporation Commission, responded to member questions.

Senator Shooter moved that the Committee give a favorable review to Arizona Corporation Commission’s request for tenant improvements totaling \$351,100 to construct a hearing room. The motion carried.

Without objection, the meeting adjourned at 3:13 p.m.

Respectfully submitted:

Tera Scherer, Secretary

Art Smith, Senior Fiscal Analyst

Representative John Kavanagh, 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>.