

STATE OF ARIZONA

## Joint Committee on Capital Review

STATE  
SENATE

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LINDA J. LOPEZ  
JOHN LOREDO

### MINUTES OF THE MEETING JOINT COMMITTEE ON CAPITAL REVIEW

Thursday, December 18, 2003

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The Chairman called the meeting to order at 1:40 p.m. Thursday, December 18, 2003 in Senate Appropriations Room 109 and attendance was as follows:

Members:	Representative Pearce, Vice Chairman Representative Biggs Representative Lopez	Senator Burns, Chairman Senator Bee Senator Brown Senator Cannell Senator Mead Senator Waring
Absent:	Representative Farnsworth Representative Boone Representative Lopes Representative Loredo	Senator Soltero (Excused)
Staff:	Richard Stavneak Lorenzo Martinez	Jan Belisle, Secretary Jake Corey Bob Hull
Others:	Mark Swenson Carolyn Atwater Nicki Amberg Steve Miller Mernoy Harrison Terry Trost John Arnold Bill Bell Candice Cooley	Senate Senate Senate ASU ASU ADOT SFB SFB SFB

*Senator Burns moved the Committee approve the minutes of September 25 and November 6, 2003 as presented.*  
The motion carried.

**ARIZONA STATE UNIVERSITY –**

**Review of Revised Parking Structure Bond Project and Packard Stadium Lease-Purchase Project.**

Lorenzo Martinez, JLBC Staff, presented the Arizona State University request that the Committee review the revised parking structure bond project and the Packard Stadium lease-purchase project. Parking structure costs increased by \$1.3 million to provide additional parking spaces in the structure. The total number of spaces will be 1,635. The additional costs will be covered with existing parking reserve funds.

The Packard Stadium renovations increased by \$200,000 and this will add a canopy for the batting facility, athletic flooring and office space. The additional cost of \$200,000 will be funded from gift donations.

In response to Senator Cannell, Mr. Martinez stated that ASU has indicated the amounts have been bid and are final.

*Representative Pearce moved the Committee give a favorable review of the change in scope and estimated costs for a Parking Structure bond project and the Packard Stadium Clubhouse and Field Renovation lease-purchase project. The motion carried.*

**Review of University Research Infrastructure Lease-Purchase and Renovation and Campus Infrastructure Bond Projects.**

Lorenzo Martinez, JLBC Staff, presented the ASU request that the Committee review Phase 2 of the Arizona Biodesign Institute university research infrastructure project to be financed with an issuance of \$73,000,000 in Certificates of Participation (COPs). Debt service will be funded from the General Fund beginning in FY 2008. In the meantime, interest only payments paid from the COP proceeds will be made on the issuance.

The second project includes renovations to classrooms and laboratory space on the main campus. ASU plans to issue \$10,000,000 in revenue bonds to finance the projects. Repayment of the bonds will be paid 50% from tuition collections and 50% from indirect costs recovery monies.

The third project involves infrastructure upgrades at the East and West campuses. ASU plans to issue \$7,000,000 in revenue bonds and the repayment will come from tuition collections.

There was no discussion on this item.

*Representative Pearce moved the Committee give a favorable review to the Phase 2 of the Arizona Biodesign Institute university research infrastructure project, as well as the Instruction and Research related renovations on the Main Campus and the infrastructure upgrades at the East and West Campuses with the following stipulations:*

- *ASU report to the Committee before expenditure of any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add alternates that do not expand the scope of the project.*
- *ASU submit for Committee review any allocations that exceed the greater of \$100,000 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.*
- *ASU report to the Committee on the scope of work and estimated cost for each building prior to starting any construction on the Instruction and Research Space Renovations.*
- *ASU report to the Committee on the scope of work and estimated cost for each project prior to starting any construction on the East and West campus infrastructure upgrades.*
- *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any tuition collections that may be required for debt service. The motion carried.*

(Continued)

**SCHOOL FACILITIES BOARD – Review of New School Construction Report and New School Facilities Fund Litigation Account.**

Jake Corey, JLBC Staff presented the School Facilities Board (SFB) request that the Committee review its demographic assumptions, proposed construction schedule, and the new school construction cost estimates for FY 2005. In addition, the Committee is required to conduct an annual review of the New School Fund Litigation Account. There has been no activity related to the account. SFB is reviewing potential projects that may be eligible for litigation and will report back to the Committee once projects are identified.

The JLBC Staff did not make a recommendation on the New School Construction Report because SFB had not provided information on cost estimates. Additional information was received from SFB on December 17, 2003. SFB plans to spend approximately \$150,000,000 on projects that have already been approved. It also plans to spend \$100,000,000 on projects it plans to approve in the current fiscal year, which equates to about 40% of the total cost of the projects.

Mr. Corey referred to the handout requested by the Chairman, which contained a chart that detailed the SFB 20-Year Estimated Debt Service commitment.

*Representative Pearce moved the Committee give a favorable review of the board report on the New School Facilities Fund Litigation Account.*

*Representative Biggs made a substitute motion to table the item until the department identifies projects that are eligible for litigation.*

John Arnold, Deputy Director for Finance, School Facilities Board said SFB would not have a problem with the substitute motion. SFB is still trying to finalize the construction of the ongoing deficiencies corrections projects.

The substitute motion carried. No action was taken on the New School Construction Report.

**Report on FY 2005 Instructions to the Treasurer**

Jake Corey, JLBC Staff, presented the School Facilities Board report on FY 2005 instructions to the Treasurer. SFB is required to report to the Committee the estimated amounts necessary in FY 2005 for the Deficiencies Correction Fund, Emergency Deficiencies Correction Fund, Building Renewal Fund and New School Facilities Fund. The board is also reporting the estimated amounts necessary for these funds for FY 2006. SFB will instruct the Treasurer for FY 2005 to transfer approximately \$135 million. This represents building renewal monies based on the current statutory formula. The board will not instruct the Treasurer to transfer monies to the new School Facilities Fund in FY 2005. The board plans to enter into \$250 million in lease-purchase agreements to finance new school construction costs. The board will not instruct the Treasurer to transfer monies to the Deficiencies Correction Fund in FY 2005, there is an existing \$100 million advance appropriation to that fund for FY 2005. This will provide a total of \$1.3 billion to the Deficiencies Correction Program and complete that program. The Emergency Deficiencies Correction Fund provides monies to school districts for emergencies that threaten the functioning of the school or public health or safety. SFB has authority to transfer monies to the fund from the New School Construction Fund or the Deficiencies Correction Fund and the board plans to transfer \$4 million in FY 2004 and \$5 million FY 2005 to the Emergency Deficiencies Correction Fund. For FY 2006, SFB estimates a requirement of \$390 million, including \$140 million for building renewal and \$250 million for new school construction.

There was no discussion on this item and no Committee action was required.

(Continued)

**Review of Lease-Purchase New School Construction Projects.**

Jake Corey, JLBC Staff, presented the School Facilities Board request that the Committee review its list of \$57.2 million in potential new school construction projects to be financed with lease-purchase agreements. Of the \$57.2 million list, final list of projects totaling \$50 million will be selected to match the SFB authority to lease-purchase \$50 million. The SFB is also reporting its finalized list of projects to be included in its \$200 million lease-purchase agreement. At the August 2003 Committee meeting SFB submitted for review \$215 million in potential lease-purchase projects for Committee review. The board received a favorable review contingent upon returning to the Committee to report the actual projects included in the final \$200 million agreement. The report on the finalized list of \$200 million in projects is for information only and no Committee action is required.

The SFB is requesting the Committee review the 7 projects in 6 school districts on the list of \$57.2 million in projects. The term of the lease-purchase agreement for selected projects totaling \$50 million will be 15 years.

*Representative Pearce moved the Committee give a favorable review to the list of \$57.2 million in potential new school construction projects to be financed with lease-purchase agreements with the stipulation that the School Facilities Board subsequently submit a list of actual projects to be funded. The motion carried.*

**ARIZONA DEPARTMENT OF TRANSPORTATION – Report on FY 2004 Construction Budget Traffic Congestion Performance Measures and Unit Cost Measures.**

Bob Hull, JLBC Staff, presented the report on the Arizona Department of Transportation (ADOT) traffic congestion performance measures and the department’s comment on their ability to develop unit cost measures. ADOT has decided not to propose new traffic congestion performance measures and has added one congested highway segment for the Tucson area. Mr. Hull proceeded to review some of the tables submitted.

In response to Chairman Burns, Terry Trost, Director of Strategic Planning and Budgeting, ADOT stated that there is data available to calculate unit cost measures for the items listed.

Chairman Burns requested that the department calculate the measures and coordinate with the JLBC Staff to resolve any questions related to the calculations.

Representative Pearce mentioned that some of that calculated data is available and was done on a monthly basis in the past. Mr. Trost said he would be willing to provide any of the data that is already compiled and calculate the data that is not available at this time.

No Committee action was required.

The meeting adjourned at 2:05 p.m.

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Jan Belisle, Secretary

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Lorenzo Martinez, Assistant Director

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Senator Robert “Bob” Burns, Chairman

NOTE: A full tape recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams.