



STATE OF ARIZONA

# Joint Committee on Capital Review

STATE  
SENATE

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## MINUTES OF THE MEETING

### JOINT COMMITTEE ON CAPITAL REVIEW

December 18, 2018

Chairman David Livingston called the meeting to order at 10:08 a.m., Tuesday, December 18, 2018 in House Hearing Room 1. The following were present:

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

Absent:	Senator Yee	Representative Leach
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### APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of September 20, 2018, Representative Livingston moved that the minutes be approved.

### CONSENT AGENDA

The following items were considered without discussion:

#### **UNIVERSITY OF ARIZONA (UA) - Review of Steward Observatory Project.**

A.R.S. § 15-1671 requires the universities to submit the scope, purpose, and estimated cost of any capital project paid for with monies from the university's Capital Infrastructure Fund (CIF). Non-debt financed projects require Committee review. UA requested Committee review of its plan to use \$11,000,000 in cash from its FY 2019 and FY 2020 CIF appropriations to pay for renovations and repairs to the Steward Observatory Building on its main campus. The JLBC Staff provided options and a potential provision:

(Continued)

Standard University Financing Provision

- A. *A favorable review 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.*

**ARIZONA STATE UNIVERSITY (ASU) - Review of Classroom, Academic and Research Laboratory Renovations.**

A.R.S. § 15-1683 requires Committee review of any university project financed with system revenue bonds. ASU requested Committee review for the issuance of \$25,000,000 of system revenue bonds for classroom, academic, and lab renovations across its campuses. Debt service on the project will be paid with tuition revenues. 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 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.*

**DEPARTMENT OF HEALTH SERVICES (DHS) - Review of Arizona State Hospital Lease Agreement.**

A.R.S. § 36-136 requires Committee review of any lease agreements of Arizona State Hospital (ASH) property. DHS requested review of an ASH lease agreement for the City of Phoenix to provide contracted behavioral health, alcohol abuse, and substance abuse services at the Local Alcoholism Reception Center on the ASH campus. The JLBC Staff provided options.

**ARIZONA STATE LOTTERY COMMISSION - Review of FY 2019 Building Renewal Allocation Plan.**

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona State Lottery Commission requested Committee review of its FY 2019 Building Renewal Allocation Plan for \$126,300 from the State Lottery Fund. The JLBC Staff provided options and a potential provision:

- A. *The Commission shall report any change in the building renewal spending plan 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 Commission, the Chairman may require further Committee review.*

**ARIZONA GAME AND FISH DEPARTMENT (AGFD) - Review of Sipe Wildlife Area Barn Stabilization.**

A.R.S. § 41-1252 requires the Committee to review expenditure plans for building renewal monies prior to expenditure. AGFD requested review of \$35,500 in FY 2019 building renewal monies for partial funding of a stabilization project for its barn structure at Sipe Wildlife Area. The JLBC Staff provided options.

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**

**UNIVERSITY OF ARIZONA (UA) - Review of "Student Success District" Project.**

Mr. Sam Beres, JLBC Staff, stated pursuant to A.R.S. § 15-1683, the Committee is required to review any university project financed with system revenue bonds. UA requested Committee review of an \$81,000,000 Student Success District construction project, including the issuance of \$64,700,000 in system revenue bonds. The JLBC Staff provided options and potential provisions.

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

*Senator Kavanagh moved that the Committee approve the \$81,000,000 Student Success District construction project, including the issuance of \$64,700,000 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.*

The motion carried.

**UNIVERSITY OF ARIZONA (UA) - Review of Phoenix Biomedical Partnership Building Shell Space Project.**

Mr. Sam Beres, JLBC Staff, stated pursuant to A.R.S. § 15-1683, the Committee is required to review any university project financed with system revenue bonds. UA requested review of the \$34,000,000 Phoenix Biomedical Sciences Partnership Building shell space project, including the issuance of \$18,600,000 of system revenue bonds and \$15,400,000 of lottery revenue (SPEED) bonds. The JLBC Staff provided options and potential provisions.

Mr. Kody Kelleher, Senior Advisor, UA, responded to member questions.

*Senator Kavanagh moved that the Committee approve the UA's \$34,000,000 Phoenix Biomedical Sciences Partnership Building shell space project, including the issuance of \$18,600,000 of system revenue bonds and \$15,400,000 of lottery revenue (SPEED) 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.*

The motion carried.

**ARIZONA STATE UNIVERSITY (ASU) - Consider Approval of Health Solutions Innovation Center (HSIC) Financing Project.**

Mr. Jack Brown, 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 from the university's Capital Infrastructure Fund (CIF) for that project. Debt financed projects require Committee approval. ASU requested Committee approval of the issuance of \$80,000,000 of bonds for the construction of the Health Solutions Innovation Center.

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

*Senator Kavanagh moved that the Committee approve the issuance of \$80,000,000 of bonds for the construction of the HSIC. 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 approval included the following standard university financing provisions shown below:*

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 - Consider Approval of Building Infrastructure Project.**

Mr. Jack Brown, JLBC Staff, stated A.R.S. § 15-1671 requires Committee approval of any debt financed university capital project paid with funds from the university's CIF. ASU requested Committee approval of \$32,000,000 of bonds for building infrastructure projects across its campuses. Of this amount \$22,000,000 would be spent to upgrade and replace aging building systems across all campuses, including mechanical, electrical, elevators and roofs. The remaining \$10,000,000 would be spent to map utility systems on the Tempe and East campuses. The JLBC Staff provided options and potential provisions.

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

Mr. Bruce Nevel, Associate Vice President for Facilities Development and Management, ASU, responded to member questions.

*Senator Farley moved that the Committee approve the project with provisions A and B from the JLBC book.*

*Representative Livingston made a substitute motion that the Committee continue to discuss the project.*

Senator Kavanaugh moved that the Committee approve the issuance of \$32,000,000 of bonds for building infrastructure projects across its campuses. Of this amount \$22,000,000 would be spent to upgrade and replace aging building systems across all campuses, including mechanical, electrical, elevators and roofs. The remaining \$10,000,000 would be spent to map utility systems on the Tempe and East campuses.

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 approval included the following standard university financing provisions shown below:

Standard University Financing Provisions

- A. An approval 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.

Additional Provision

- C. If ASU plans to spend any of the \$10,000,000 of utility mapping funds for any purpose other than mapping and assessment, ASU must submit the proposed projects and expenditure plan for Committee approval.

In addition, the Chairman requested that upon ASU selecting a vendor for the utility mapping project, that ASU shall report to the Committee the following information: 1) The vendor selected for the project; 2) The agreed to cost of the vendor (or "guaranteed maximum price" if applicable); and 3) the scope of the vendor contract.

The motion carried.

**ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2019 Building Renewal Reallocation Plan.**

Mr. Geoffrey Paulsen, JLBC Staff, stated A.R.S. § 41-1252 requires the Committee to review expenditure plans for building renewal monies prior to expenditure. The FY 2019 Capital Outlay Bill appropriated \$5,464,300 from ADC Building Renewal Fund to ADC for general building renewal. The JLBC Staff provided options and potential provisions.

Mr. Charles Ryan, Director, ADC, responded to member questions.

Mr. Jake Gable, Planning, Budget and Research Administrator, ADC, responded to member questions.

Senator Kavanaugh moved that the Committee give a favorable review to the revised expenditure plan as outlined in Table 1.

<b>Table 1</b>			
<b>FY 2019 Building Renewal Reallocation Plan</b>			
	<u>Original Plan</u>	<u>Reallocation Plan</u>	<u>Difference</u>
<u>Perimeter Security</u>			
Fence Upgrade - Eyman SMU I	\$ 825,000	\$ 825,000	\$ -
Fence Electronics Upgrade - Lewis	705,000	705,000	-
Fence Upgrade - Douglas	0	<u>500,000</u>	<u>500,000</u>
<i>Subtotal</i>	<u>\$ 1,530,000</u>	<u>\$ 2,030,000</u>	<u>\$ 500,000</u>
<u>Locking &amp; Control Systems</u>			
Locking Systems - Eyman SMU I	\$ 1,412,300	\$ 912,300	\$(500,000)
<u>Equipment Replacement and System Improvements</u>			
Water Tank Refurbishment - Yuma	\$ 400,000	\$ 400,000	-
Walk-in Cooler and Freezer Replacements - Florence	760,000	0	\$(760,000)
Emergency Generator Replacements - Perryville	<u>155,000</u>	<u>155,000</u>	<u>-</u>
<i>Subtotal</i>	<u>\$ 1,315,000</u>	<u>\$ 555,000</u>	<u>\$(760,000)</u>
<u>Air Conditioning and/or Ductwork - Select Units</u>			
Air Conditioning - Eyman Cook	\$ 487,000	\$ 0	\$(487,000)
Rooftop Ductwork - Tucson	<u>165,000</u>	<u>165,000</u>	<u>-</u>
<i>Subtotal</i>	<u>\$ 652,000</u>	<u>\$ 165,000</u>	<u>\$(487,000)</u>
<u>Infrastructure</u>			
Electrical Upgrades - Florence Central Unit	\$ 305,000	\$ 305,000	-
<u>Renovation</u>			
ADA Upgrades - Florence South Unit	\$ 250,000	\$ 0	(250,000)
<u>Emergency Project</u>			
Natural Gas Pipe Replacement - Winslow	-	1,497,000	1,497,000
<b>Building Renewal Subtotal</b>	<b>\$5,464,300</b>	<b>\$5,464,300</b>	
Contingency	<u>\$ 0</u>	<u>\$0</u>	
<b>TOTAL</b>	<b>\$5,464,300</b>	<b>\$5,464,300</b>	

The motion carried.

**ARIZONA STATE PARKS (ASP) - Report on Status of Capital Projects.**

Ms. Micaela Larkin, JLBC Staff, stated at the July 24, 2018 JCCR meeting, the Committee favorably reviewed ASP's FY 2019 Capital Improvements expenditure plan with the provision that on or before May 31 and November 30 of each year, ASP must report on all projects reviewed by JCCR since June 2016 that have not yet been completed. Based on the submission, the Chairman would have the choice to put any of the uncompleted projects on the agenda.

Based on ASP's November report, the Chairman placed the ASP status report on the agenda to allow ASP the opportunity to provide the Committee with an update.

The new ASP leadership is reviewing all capital projects to assess the viability of the project, compliance with federal, state, and local regulations, and the project schedules/completion dates. They are also reviewing the financial data and procedures for tracking project spending. ASP plans to inform the Committee of any updates to the information provided in this report.

(Continued)

Of the \$21.3 million in funding for capital projects during FY 2017 to FY 2019, ASP developed plans for \$17.5 million to be used for 5 major projects as shown in *Table 2*. The remainder of the funds were allocated to 13 smaller projects during FY 2017 and FY 2018, 4 of these projects are complete.

<b>Table 2</b>					
<b>Status of Major Projects</b>					
<u>Park Projects</u>	<u>FY Funded</u>	<u>JCCR Review</u>	<u>Appropriated/ Budgeted</u>	<u>Expenditures as of Nov. 30, 2018</u>	<u>Status</u>
New Cabins	2017/2018	Sept. 2016 Sept. 2017	\$1,668,900	\$1,668,600	Active
Cattail Cove	2017	Sept. 2016	\$5,307,500	\$3,119,200	Active
Rockin' River Ranch	2018	Sept. 2017	\$4,000,000	\$441,700	Active
Buckskin Mountain	2019	No	\$2,500,000	0	Planning
Oracle	2019	No	\$4,000,000	0	Planning

Mr. Ted Vogt, Interim Executive Director, ASP, responded to member questions.

This agenda item does not require Committee action.

Without objection, the meeting adjourned at 11:45 a.m.

Respectfully submitted:



Kristy Paddack, Secretary



Jack Brown, Assistant Director



Representative David Livingston, Chairman