



STATE OF ARIZONA

# Joint Committee on Capital Review

STATE  
SENATE

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HOUSE OF  
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## MINUTES OF THE MEETING

### JOINT COMMITTEE ON CAPITAL REVIEW

December 19, 2017

Acting Vice-Chairman David Livingston called the meeting to order at 9:06 p.m., Tuesday, December 19, 2017 in House Hearing Room 1. The following were present:

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

Absent:	Senator Lesko, Chairman	Representative Alston
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### APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of September 19, 2017, Acting Vice-Chairman David Livingston stated that the minutes would stand approved.

### CONSENT AGENDA

The following items were considered without discussion:

#### **ARIZONA STATE LOTTERY COMMISSION - Review of FY 2018 Building Renewal Allocation Plan.**

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona State Lottery Commission requests the Committee review its FY 2018 Building Renewal Allocation Plan for \$122,200. The FY 2018 Capital Outlay Bill (Laws 2017, Chapter 306) appropriated a total of \$122,200 from the State Lottery Fund to the State Lottery Commission to fund 100% of the building renewal formula in FY 2018 for capital improvement projects. The JLBC Staff provided options and potential provisions:

(Continued)

- A. *The Commission shall report any change in the building renewal spending plan to the JLBC Staff, including non-emergency reallocations between projects. If there is significant change of scope in the reallocation reported by the Commission, the JLBC Staff shall recommend the Commission request Committee review of the reallocation.*
- B. *The reallocation of monies for emergency projects shall be addressed as follows:*
- 1. The Commission shall notify the Chairman and the JLBC Staff that they plan to reallocate less than \$15,000 to spend on an emergency project. The Commission can proceed without Committee review.*
  - 2. If the emergency project is \$15,000 or greater, the Commission will request JCCR review.*
  - 3. The Chairman can allow the Commission to move forward with an emergency project of greater than \$15,000 without Committee review.*
  - 4. The Chairman will notify the Commission if she does not agree that a project is an emergency and that the project will require full Committee review.*

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

- C. *If the Commission adds a new non-emergency project not listed in this request, the agency must submit the proposed project and expenditure plan for Committee review.*

**ARIZONA GAME AND FISH DEPARTMENT (AGFD) - Review of FY 2018 Building Renewal Allocation Plan.**

A.R.S. § 41-1252 requires JCCR to review expenditure plans for building renewal monies prior to expenditure. The FY 2018 Capital Outlay Bill (Laws 2017, Chapter 306) appropriated a total of \$530,000 from the Game and Fish Fund for building renewal. AGFD requested Committee review of its \$488,300 FY 2018 Building Renewal Allocation Plan. The JLBC Staff provided options and potential provisions:

- A. *Prior to expenditure and in accordance with A.R.S. § 41-1252A(4), AGFD shall request Committee review of any remaining funds from FY 2018 or prior year building renewal and capital appropriations.*
- B. *The distribution of the 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.*

- C. *In accordance with A.R.S. § 41-1252A(4), if AGFD adds a new non-emergency project not listed in this request, the department must submit the proposed project and expenditure plan for Committee review.*
- D. *In accordance with A.R.S. § 41-790, AGFD's Headquarters Major Maintenance Fund may not use building renewal monies for movable equipment.*

**STATE DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2018 Building Renewal Allocation Plan.**

A.R.S. § 41-1252 requires JCCR to review expenditure plans for building renewal monies prior to expenditure. The FY 2017 Capital Outlay Bill (Laws 2016, Chapter 126) appropriated a total of \$5,464,300 from the Department of Corrections Building Renewal Fund to ADC for general building renewal, and the Committee favorably reviewed this plan at the June 16, 2016 meeting with the provision that further reallocations be reported by ADC, and that the Committee could review significant changes of scope in the reallocation. The Committee approved reallocations of the FY 2017 Building Renewal Plan at the September 21, 2016 meeting and the June 20, 2017 meeting.

ADC requests Committee review of \$460,000 in savings from the ASPC-Tucson Santa Rita locking project to increase the monies allocated for the locking systems at ASPC-Lewis and the structural dining room repairs at ASPC-Eyman (*See Table 1*). The JLBC Staff provided options and potential provisions:

<b>Table 1</b>			
<b>FY 2017 Building Renewal Plan</b>			
	<b>Current Approved Allocation</b>	<b>Difference</b>	<b>Revised Allocation</b>
<b><u>Amended Projects</u></b>			
Locking System Project - Tucson Santa Rita	\$ 725,000	\$ (460,000)	\$ 265,000
Control Room Locking Panel Upgrades - Lewis Bachman, Barchey, and Buckley	650,000	350,000	1,000,000
Dining Room Roof Repair - Eyman Rynning	<u>393,300</u>	<u>110,000</u>	<u>503,300</u>
<i>Subtotal</i>	<i>\$1,768,300</i>	<i>\$ 0</i>	<i>\$1,768,300</i>
<b><u>Projects Not Modified</u></b>			
<b>Total</b>	<b>\$3,696,000</b>		<b>\$3,696,000</b>
	<b>\$5,464,300</b>		<b>\$5,464,300</b>

- A. *ADC shall report any reallocations between projects to the JLBC Staff. If there is significant change of scope in the reallocation reported by ADC, the JLBC Staff shall recommend ADC request Committee review of the reallocation.*
- B. *If an emergency arises that is not addressed by the existing expenditure plan:*
  1. *ADC shall notify the Chairman and the JLBC Staff that they plan to spend less than \$50,000 on an emergency project. ADC can proceed without Committee review.*
  2. *The Chairman can allow ADC to move forward with an emergency project of greater than \$50,000 without Committee review.*
  3. *The Chairman will notify ADC if she does not agree that the project is an emergency and that the project will require full Committee review.*

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

- C. If ADC adds a new non-emergency project not listed in this request, the department must submit the proposed project and expenditure plan for Committee review.

**ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Consider Recommending FY 2018 Partial Rent Exemption.**

A.R.S. § 41-792.01D, authorizes the Director of ADOA, on recommendation from the JCCR, to grant a full or partial exemption from the payment of state-owned rental fees if an agency has vacated its space or lacks the financial resources to make a payment. ADOA requests the Committee recommend:

- A partial rent exemption totaling \$(5,300) for the Registrar of Contractors (ROC) and a corresponding increase of \$5,300 for the State Treasurer.
- A partial rent exemption totaling \$(57,300) for the Department of Health Services (DHS). There is no corresponding state agency rent increase as the vacated space is being leased to the federal government.
- A partial rent exemption totaling \$(20,200) for the Automobile Theft Authority (ATA). There is no corresponding state agency increase as the vacated space will be unoccupied.
- A partial rent exemption totaling \$(3,700) for the Naturopathic Physicians Medical Board. There is no corresponding state agency increase as there is no space being vacated.
- A partial rent exemption totaling \$(6,700) for the Department of Liquor Licenses and Control and an increase of \$14,500 for the Attorney General.

The JLBC Staff provided options.

*Senator Kavanagh moved that the Committee give a favorable review with provisions as outlined in the JLBC Staff analysis, to the 4 consent agenda items listed above. The motion carried.*

**REGULAR AGENDA**

**UNIVERSITY OF ARIZONA (UA) - Review of Athletics Facilities Projects.**

Mr. Sam Beres, JLBC Staff, stated A.R.S. § 15-1683 requires Committee review of any university project financed with system revenue bonds. UA requests Committee review of a \$67,900,000 project to construct a new indoor athletics practice facility and to renovate the softball field, aquatic center, football stadium, and the McKale Center locker rooms. The JLBC Staff provided options and potential provisions.

Mr. Dave Heeke, Director of Athletics, UA, responded to member questions.

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

Mr. Gregg Goldman, Senior VP for Business Affairs and Chief Financial Officer, UA, responded to member questions.

(Continued)

Senator Kavanagh moved that the Committee give a favorable review to the University of Arizona's athletic facilities projects with a total cost of \$67,900,000, including the issuance of \$67,200,000 in system revenue bonds. These projects include: construction of an indoor sports facility (\$18 million), renovations of Arizona Stadium (\$25 million), renovations of the Hillenbrand Softball Stadium (\$8 million), renovations of the Hillenbrand Aquatic Center (\$15 million), and renovations to locker rooms in the McKale Center (\$1.9 million).

The favorable review included the following standard university financing 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 projects are complete.
- B. UA shall provide the final debt service schedule and interest rate for the projects as soon as they are available.

The motion carried.

**ARIZONA STATE UNIVERSITY (ASU) - Consider Approval and Review of the Hayden Library Renovation.**

Mr. Matt Beienburg, JLBC Staff, stated that ASU requested review and approval of the issuance of \$90,000,000 of system revenue bonds for the project to renovate Hayden Library at the university's Tempe Campus. Tuition revenues will pay the debt service on \$55,000,000 of the bonds, while debt service on the remaining \$35,000,000 will be paid with monies in ASU's Capital Infrastructure Fund (CIF).

A.R.S. § 15-1683 requires the Committee to review any university project financed with system revenue bonds.

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 CIF for that project. The Committee must approve or disapprove the project. The JLBC Staff provided options and potential provisions.

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

Senator Kavanagh moved that the Committee give a favorable review to the issuance of \$55,000,000 of system revenue bonds for the project and approval to the issuance of \$35,000,000 of system revenue bonds for the project that will be paid with CIF monies.

The approval and favorable review included the following provisions:

- A. Within 1 month of the debt issuance, ASU shall provide the Committee a copy of its Tax Certificate in compliance with Internal Revenue Service requirements concerning the expected economic life of the project.

Standard University Financing Provisions

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

The motion carried.

**ARIZONA STATE UNIVERSITY (ASU) - Informational Item on West Campus Property.**

The Committee heard discussion of ASU's development plans for the ASU West and Thunderbird School of Global Management campuses. No committee action was required.

**ARIZONA BOARD OF REGENTS AND ARIZONA STATE UNIVERSITY - Recommendations Concerning Commercial Development of University Lands.**

Mr. Matt Beienburg, JLBC Staff, stated that A.R.S. § 15-1682.02 requires the board or universities to report on the scope, purpose, and estimated cost of any commercial project developed on board or university land if the majority of the project's business is anticipated to come from the nonuniversity population at least 2 months before the anticipated execution of an agreement. The Committee may provide recommendations to the university. Legislative Council believes that ASU's plans to commercially develop university-owned land at Mill Avenue and University Drive are subject to A.R.S. § 15-1682.02. ASU does not concur.

At the request of the Chairman, ASU and the Arizona Board of Regents (ABOR) submitted reports on the proposed development of a retirement community and hotel/conference center on these lands. The JLBC Staff provided options and potential provisions.

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

Representative Leach moved to adopt the following provisions:

- A. *It is the intent of the Committee that commercial developments that generate revenue for the university or its component units are considered to be for the benefit of the university. As a benefit to the university, these types of projects fall under A.R.S. § 15-1682.02. This statute requires the universities to report these types of projects to the Committee for possible recommendations.*
- B. *Committee action does not constitute a review of the planned multi-level parking garage project or any bond issuances necessary for its financing.*

Standard University Financing Provision

- C. *Committee action 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 projects are complete.*

(Continued)

The motion carried.

Without objection, the meeting adjourned at 11:53 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, Acting Vice-Chairman