

JCCR MEETING

At its June 16 meeting, the Joint Committee on Capital Review considered the following issues:

Arizona Department of Corrections – Review of FY 2017 Building Renewal Allocation Plan – The Committee gave a favorable review to the ADC proposed Building Renewal plan totaling \$5.5 million, which primarily funds structural repairs, replacement of obsolete and unreliable locking systems, and the replacement of evaporative cooling at certain medical units. In addition, the plan funds a variety of equipment replacements and upgrades in units across the state.

Arizona Department of Administration/Arizona Department of Corrections – Review of Lease-Purchase Refinancing for Kingman – The Committee gave favorable review of the refinancing agreement of the Kingman private prison facility. The agreement is expected to generate cost savings of \$8.7 million per year on an ongoing basis or \$77.5 million in total. The \$8.7 M ongoing savings will be allocated as follows: 1) ASP Kingman Adjustment - \$2.5 million increase in the per diem rate to the vendor to be used for increased salaries, along with food price increases and health care inflation; 2) \$2.7 million of funding for the ADC health-care adjustment in the corresponding JLBC agenda item; 3) \$1.6 million to open the Northern Regional Community Corrections Center; and 4) \$1.9 million remains unallocated. The favorable review included a standard debt financing provision along with a requirement that ADC seek review before the expenditure of the unallocated monies.

Arizona Department of Administration – Review of FY 2017 Building Renewal Allocation Plan – The Committee gave a favorable review of the ADOA proposed Building Renewal Plan totaling \$27.0 million, with the following exceptions:

- 1) Review of the \$500,000 of the \$4.2 million allocation for the 1740 West Adams renovation. Of this amount, \$350,000 funds demolition and abatement and \$150,000 funds architectural and engineering design for major building systems. The remaining \$3,700,000 for the renovation of 1740 West Adams would be deferred until ADOA receives review from the Committee on their tenant relocation report.
- 2) No review of the \$120,000 allocation for the repair of the 1938 Works Progress Administration Civic Building until certain legal requirements are met. Statute does not permit ADOA to spend the \$120,000 until matching funds from the City of Phoenix are received. When ADOA and the Arizona Exposition and State Fair Board subsequently request review of the 1938 WPA Civic Building Project, they shall include information

on how total project funds will be spent and if the repairs will be sufficient to make the building operational.

The favorable review also included standard building renewal provisions. The plan will fund a variety of projects including fire alarm repairs, building renovation, new roofing, parking lot repairs, and HVAC replacement.

Arizona Exposition and State Fair Board – Review of the FY 2016 Capital Improvement Expenditures – The Committee gave favorable review of 6 capital projects with a total cost of \$291,000 in FY 2016. The review also includes the provision that the State Fair report to the JCCR if any proposed project exceeds the estimated cost by 20% and requires notification for emergency use of the State Fair's building renewal appropriation.

Arizona Game and Fish Department – Review of FY 2017 Building Renewal Allocation Plan – The Committee gave a favorable review of 3 capital projects with a total cost of \$243,100 in FY 2017. The review includes a provision that requires Game and Fish to seek JCCR review of any remaining funds from the FY 2017 building renewal appropriation prior to expenditure, in accordance with A.R.S. § 41-1252 A(4).

Department of Emergency and Military Affairs – Review of Proposed Expenditures from the Military Installment Fund – The Committee gave favorable review of DEMA's plan to expend \$1.4 million from the Military Installment Fund for 4 land purchases near existing military facilities. The favorable review includes the following provisions: 1) DEMA will adjust the land purchases prices as necessary so that no purchase exceeds the appraised value; and 2) DEMA shall seek JCCR review if any proposed purchase prices increases by more than 10%. The Committee deferred review of land purchases near Davis-Monthan Air Force Base and Fort Huachuca in order to obtain more information.

Arizona State Parks Board – Review of Buckskin Sanitary District Lease and Easement – The Committee gave a favorable review of Arizona State Parks Board's (ASP) proposed lease and easement agreement with the Buckskin Sanitary District. ASP will provide a no cost 40-year land lease and easement to the district for construction of the new sanitation facilities that will be used for all district customers, including 2 state parks. This arrangement is expected to save ASP \$1.3 million over the next 20-years due to reduced wastewater treatment costs.

Arizona Department of Transportation – Review of De-Icer Buildings Project – The Committee gave favorable review of the Arizona Department of Transportation's (ADOT) \$2.3 million expenditure plan for construction of

4 de-icer buildings using the State Highway Fund. The FY 2016 Capital Outlay Bill appropriated this amount for 5 buildings.

Arizona Department of Transportation – Review of Vehicle Wash Systems Project – The Committee gave favorable review of ADOT’s \$2.3 million expenditure plan to purchase 6 new vehicle wash systems using the State Highway Fund. The FY 2015 Capital Outlay Bill appropriated \$3.0 million from the State Highway Fund in FY 2015 for this purpose.

Arizona State University – Review of Sun Devil Stadium Renovation Phase 3 – The Committee gave favorable review to Arizona State University’s (ASU) request of \$75.7 million in University System revenue bond issuances to fund the third and final phase of the renovation of Sun Devil Stadium. The total cost of Phase 3 is \$96.0 million, consisting of \$75.7 million from the revenue bonds and \$20.3 million of gift revenue. The favorable review included standard university financing provisions.

Arizona State University – Review of Biodesign C Building Financing Project – The Committee gave a favorable review to ASU’s request of \$120.0 million in University System revenue bond issuances to fund construction of the Biodesign C building. The debt service payments will be funded by indirect cost recovery and tuition revenues. The favorable review included standard university financing provisions.

Arizona State University – Review of Building Renewal and Renovation Projects – The Committee gave a favorable review to ASU’s request of \$40.0 million in University System revenue bond issuances to fund the following 3 projects at all ASU campuses: building renewal and campus infrastructure, classroom renovations, and research laboratory renovations. The debt service will be funded by tuition revenues. The favorable review included standard university financing options.

In addition, the review includes a provision that by November 30, 2016, the Arizona Board of Regents (ABOR), shall report to the Committee for a review of their policy of determining the appropriate level of each University’s financial liquidity and cash reserves. The report shall include the following:

1. Metrics used to measure each University’s days cash on hand
2. Current levels of days cash on hand
3. Benchmarks used to develop the cash reserve policies.
4. The potential future use of cash reserves to finance capital projects in place of using debt financing

University of Arizona – Review of Health Sciences Innovation Building – The Committee gave a favorable review to the University of Arizona’s (UA) request of \$165.0 million in University System revenue bond issuances to fund construction of the 212,000 square foot Health Sciences Innovation Building. The debt service payments will be funded by University of Arizona Health Science (UAHS) fund and other local funds. The favorable review included standard university financing provisions.

University of Arizona – Review of Health Sciences Alvernon Way Project – The Committee gave a favorable review to UA’s request of \$9.3 million in University System revenue bond issuances to purchase and renovate real property at 655 N. Alvernon Way in Tucson to be used for UA programs previously located in the Banner University Medical Center. The debt service payments will be funded by University of Arizona Health Science (UAHS) funds and other local funds. The favorable review included standard university financing provisions.

University of Arizona – Review of Phoenix Medical Campus Lease – The Committee gave a favorable review to UA’s request of \$23.3 million in University System revenue bond issuances to purchase previously leased Phoenix Medical Campus buildings. The debt service payments will be funded with University revenues. The favorable review included standard university financing options, along with a requirement that ABOR report to the Committee for a review of their policy of determining the appropriate level of each University’s financial liquidity and cash reserves (same as the ASU provision noted previously).