

# ARIZONA

## ADOA BUILDING SYSTEM CAPITAL IMPROVEMENT PLAN

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FISCAL YEAR 2023

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Planning and Construction Services

October 15, 2021

# FY 2023 ADOA Building System Capital Improvement Plan

## EXECUTIVE SUMMARY

**TABLE 4 – FY 2023 BUILDING RENEWAL FORMULA**

Funds	Agency	FY 2023 Formula	FY 2024 Formula	Gross Square Feet
Dedicated	Corrections, State Department of	\$ 32,600,653	\$ 36,530,662	8,791,234
Dedicated	Game and Fish Department, Arizona	\$ 1,459,601	\$ 1,634,898	936,704
Dedicated	Lottery Commission, Arizona State	\$ 176,357	\$ 197,617	47,600
<b>Dedicated Funds Source Agencies</b>		<b>\$ 34,236,610</b>	<b>\$ 38,363,176</b>	<b>9,775,538</b>
<b>Non-Dedicated Funds Source Agencies</b>		<b>\$ 56,733,304</b>	<b>\$ 63,572,501</b>	<b>14,159,738</b>
<b>TOTAL</b>		<b>\$ 90,969,914</b>	<b>\$ 101,935,677</b>	<b>23,935,276</b>

ADOA recommends full funding of the FY 2023 Building Renewal Formula

**TABLE 5 – FY 2023 CAPITAL PROJECT RECOMMENDATIONS**

Agency	Location	Project Name	Funds Source	Cost
ADOA	Capitol Mall	Renovation of 1616 W Adams St	General Fund	\$ 18,500,000
ADOA	Capitol Mall	Demolition of 1818 W Adams, 1850 W Jackson and 1720 W Madison St Office Buildings	General Fund	\$ 1,200,000
Corrections	Lewis-East	Fire Systems Upgrades	General Fund	\$ 14,350,000
Corrections	Statewide	Door Locking System Upgrades	General Fund	\$ 3,650,000
Deaf and the Blind	Phoenix & Tucson	Food Service Equipment Replacement	General Fund	\$ 350,000
Deaf and the Blind	Phoenix & Tucson	Proxy Card Security Upgrades	General Fund	\$ 420,000
Deaf and the Blind	Tucson	Tucson Campus Sewer Line Replacement	General Fund	\$ 1,300,000
Public Safety	Phoenix	New South Mountain District Office	General Fund	\$ 8,200,000
Public Safety	Statewide	Statewide Office and Remote Housing Replacement	General Fund	\$ 6,000,000
Health Services	State Hospital	Replace Video Surveillance System	General Fund	\$ 9,021,000
Judiciary	Capitol Mall	Refurbish AHU 1-4 and Environmental Controls	General Fund	\$ 2,200,000
Judiciary	Capitol Mall	Sewer System Replacement	General Fund	\$ 1,000,000
<b>Total Recommendations</b>				<b>\$ 66,191,000</b>

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## **ADOA BUILDING SYSTEM AND CAPITAL IMPROVEMENT PLAN**

The Arizona Department of Administration (ADOA) Building System was established pursuant to A.R.S. § 41-793, concurrent with the Arizona Board of Regents (ABOR) Building System and the Arizona Department of Transportation (ADOT) Building System. The ADOA Building System is the largest of the three and includes buildings occupied by 21 State agencies, boards, and commissions. All agencies in the ADOA Building System are directed by A.R.S. § 41-793 to provide an annual agency CIP to ADOA. Each Building System is responsible for submitting a Capital Improvement Plan (CIP) to the Governor by no later than October 15 of each year. The CIP includes proposals for State spending on land acquisition, capital projects, energy systems, energy management systems, and building renewal.

### **Building System Inventory**

As of June 30, 2021, the Building System has an inventory of **4,662** structures comprised of **23,935,276** Gross Square Feet (GSF) and a calculated replacement value of **\$5,808,569,315** (*see Table 1: ADOA Building System Inventory Fiscal Year Ending June 30, 2021*). ADOA revises its Building System Inventory each year to include structure acquisitions and deletions as reported by Building System agencies, escalations or de-escalations of structure replacement values, and two fiscal years of forecasted building renewal requirements. The inventory also provides Marshall & Swift Construction Class, Construction Year, fire suppression system status, Facility

Occupancy Category, and other allied information.

ADOA inspects structures and reports their status to the Governor's Office and the Legislature once every four fiscal years. ADOA General Services Division, Planning & Construction Services section reports on the condition, maintenance, and utilization of buildings inspected during the prior fiscal year on an approximate schedule of 50% of buildings within the first two years and 50% of buildings in the following two years of the four-year cycle pursuant to A.R.S. § 41-793. After the FY 2009 budget reductions, ADOA suspended its quadrennial inspections of the Building System. As of FY 2013, ADOA resumed inspections and is incrementally carrying out its statutory obligation to inspect building system structures as staffing and new capital projects inspections permit.

Many of the Building System's structures and major building components have exceeded their useful lives or succumbed to the effects of deferred maintenance. There are widespread deficiencies in fire and life safety systems, roofs, HVAC, electrical, plumbing, control systems, parking lots, and interior finishes. A chronic lack of funding for basic routine and capital maintenance is the genesis of the poor condition of the Building System.

*Building inspection reports are available for review by contacting ADOA Planning & Construction Services at [Patrick.Holt@azdoa.gov](mailto:Patrick.Holt@azdoa.gov)*

**Table I—ADOA Building System Inventory Fiscal Year Ending June 30, 2021**

Agency	Number of Structures	FY 2021 Replacement Value	FY 2023 Building Renewal Formula	FY 2024 Building Renewal Formula	Gross Square Feet
Administration, Arizona Department of	55	\$ 981,529,873	\$ 15,889,165	\$ 17,804,604	4,591,265
ADOA, Legislature	7	\$ 90,674,893	\$ 2,309,558	\$ 2,587,975	303,388
Agriculture, Arizona Department of	5	\$ 828,735	\$ 17,124	\$ 19,189	10,154
ADOA, AHCCCS	3	\$ 39,798,048	\$ 738,773	\$ 827,832	164,080
Corrections, State Department of	1518	\$ 2,339,241,667	\$ 32,600,653	\$ 36,530,662	8,791,234
Deaf and the Blind, Arizona State Schools for the	49	\$ 145,929,624	\$ 2,528,021	\$ 2,832,774	509,799
Economic Security, Department of	106	\$ 152,894,276	\$ 3,661,492	\$ 4,102,885	612,445
Emergency and Military Affairs, Department of	564	\$ 638,470,621	\$ 10,576,075	\$ 11,851,021	3,723,430
Exposition & State Fair Board, Arizona	26	\$ 126,142,897	\$ 3,217,745	\$ 3,605,644	681,147
Forestry and Fire Management, Arizona Department of	4	\$ 2,112,178	\$ 41,826	\$ 46,868	12,206
Game and Fish Department, Arizona	583	\$ 118,136,563	\$ 1,459,601	\$ 1,634,898	936,704
Health Services, Department of	61	\$ 321,476,093	\$ 4,901,660	\$ 5,492,555	814,052
Historical Society of Arizona, Prescott	22	\$ 20,035,038	\$ 354,418	\$ 397,143	73,724
Historical Society, Arizona	23	\$ 61,047,064	\$ 1,312,899	\$ 1,471,169	208,572
Judiciary, Arizona Supreme Court	1	\$ 81,274,971	\$ 1,274,902	\$ 1,428,591	257,207
Juvenile Corrections, Department of	51	\$ 78,534,496	\$ 1,595,238	\$ 1,787,544	225,334
Lottery Commission, Arizona State	2	\$ 9,920,082	\$ 176,357	\$ 197,617	47,600
Parks Board, Arizona State	1121	\$ 156,534,461	\$ 2,742,815	\$ 3,073,462	814,895
Pioneers Home, Arizona	10	\$ 16,021,628	\$ 396,466	\$ 444,260	66,140
Power Authority, Arizona	3	\$ 9,871,792	\$ 84,637	\$ 94,840	12,324
Public Safety, Department of	408	\$ 162,855,221	\$ 2,708,427	\$ 3,034,924	669,163
Veterans Services, Department of	40	\$ 255,239,093	\$ 2,382,062	\$ 2,669,220	410,413
<b>Grand Total</b>	<b>4662</b>	<b>\$ 5,808,569,315</b>	<b>\$ 90,969,914</b>	<b>\$ 101,935,677</b>	<b>23,935,276</b>

## BUILDING RENEWAL & CAPITAL OUTLAY STABILIZATION FUND

A.R.S. § 41-790 defines building renewal as “...major activities that involve the repair or reworking of a building and the supporting infrastructure that will result in maintaining a building’s expected useful life. Building renewal does not include new building additions, new infrastructure additions, landscaping and area beautification, routine preventative maintenance except as provided in section 41-793.01, subsection D, or demolition and removal of a building...” A.R.S. § 41-793.01(D) directs that ADOA may use up to 8% of the amount appropriated for routine preventative maintenance. Given the years of deferred major maintenance in the Building System, ADOA prioritizes building renewal projects over routine preventative maintenance, which is normally a routine operations function and funded expense.

### Building Renewal Formula

A.R.S. § 41-793 directs ADOA to 1) determine the amount of appropriation required to fund building renewal on an annual basis according to a formula approved by the legislature; and 2) allocate appropriated building renewal monies to agencies of the Building System.

The building renewal formula approved by the Legislature is the Sherman-Dergis Formula developed in 1981 at the University of Michigan. In simple terms, the Sherman-Dergis Formula estimates at a high level the funding requirements for major maintenance over time. The basic premises are:

The formula to determine the annual appropriation required for building renewal for each building is based on construction costs and calculated as follows: Two-Thirds Building Value (BV) multiplied by the Building Age (BA), then divided by the Life Expectancy of the structure (n) or otherwise expressed as

$$\frac{\frac{2}{3}(BV)BA}{n}$$

The formula reflects the current year building replacement value by updating the original construction cost, using a national building cost index. ADOA uses the building cost index from the Marshall & Swift Valuation Service to reflect its current year building replacement value.

The Age Factor = Building Age/Life Expectancy of the building (n). For example, the ADOA Life Expectancy is 50 years, therefore n=1,275, which is derived by progressively compounding by addition, 1+2+3+4+5...49+50. Building renewal, on average, should cost no more than two-thirds of the cost of

new construction, thus creating the building renewal constant multiplier of 2/3.

The formula recognizes that building renewal should cost less than building replacement and that older buildings require more building renewal (capital funding) than newer buildings. To accomplish this, ADOA incorporates a building’s life expectancy of 50 years into its age factor. The annual formula does not consider the accrued cost of deferred maintenance.

### Building Renewal Funding and Deferred Maintenance

The Legislature fully funded the Building System’s Building Renewal Formula only once in the last 35 fiscal years (FY 1988). Full funding of the Building Renewal Formula is a reference to the cumulative amount of annual appropriation required to sustain a given year’s *current* facilities conditions, assuming all prior annual major maintenance requirements are completed. The utility of the Building Renewal Formula is limited, because chronic underfunding results in an annual accrual of the unfunded portion which the following year’s formula does not consider.

**As a result of 35 years of funding shortfalls carried forward year after year, the ADOA Building System has amassed over \$745 million (adjusted for inflation) of deferred capital maintenance.**

*(See Table 2: Building Renewal Allocation History)*

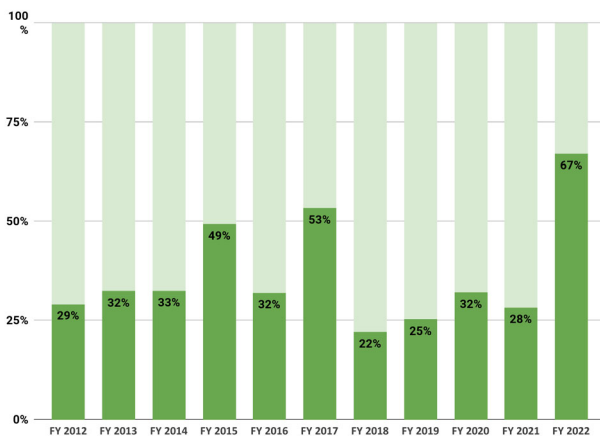
The real significance of the Building System’s deferred maintenance is not the estimated value; rather, it is the potential liability from building failures. The difficulty in predicting and preventing major equipment or system failures in the ADOA Building System’s aging facilities is surpassed only by the difficulty in dealing with these occurrences, both physically and financially, once they occur. Major equipment breakdowns, system failures, physical plant shutdowns, building finishes and contents damage are increasingly more common.

**The COSF Dilemma**

COSF is in a state of perpetual crisis generated by an array of problems, including:

- ADOA collects COSF rent for approximately 1.87 million square feet yet COSF supports 4.9 million square feet;
- Agencies in approximately 304,000 square feet directly benefit from COSF facilities operations services but are exempt from payment of COSF rents or even basic operating and maintenance costs;
- Several state agencies owning and operating structures separately from ADOA do not contribute to COSF revenue yet directly benefit from COSF appropriations for building renewal;
- Methodology to establish COSF rent rates does not reflect standard building management practices – it merely supports a cash flow requirement;
- Appropriations exclusively from COSF will not stave off the negative effects of deferred maintenance;
- COSF appropriations for building renewal are budgeted only after other expenditures are obligated, further promoting the vicious cycle of deferred maintenance.

**CHART 1—PERCENT OF BUILDING RENEWAL FORMULA APPROPRIATED: FY 2013–FY 2022**



Failure to address these issues with appropriate funding creates undesirable environmental exposures, causes loss of productivity and inventory, increases expenditures in labor and mobilization fees, and further broadens the spectrum of accountability.

In order to quantify the long-term consequences of chronic underfunding of major maintenance, in June 2016 ADOA conducted a facility condition analysis of 3 million GSF of ADOA owned and/or managed buildings. The analysis, conducted by Abacus Project Management Inc. in conjunction with the Parsons Corporation, indicated that over 1.5 million GSF (36%) of the structures it assessed were in “below average,” “poor,” or “replacement” condition.

With each passing year, ADOA’s ability to fulfill its statutory role as the steward of the State’s building assets

becomes increasingly unattainable. To offset this trend, ADOA is recommending full funding of the Building Renewal Formula for FY 2023. The average percentage of the building renewal formula funded in the past ten fiscal years (non-dedicated fund source agencies) is 38.2% (see *Chart 1—Percent of Building Renewal Formula Appropriated FY 2013–FY 2022*). In spite of the trending increase in building renewal appropriations and recent years demolitions of a few aged facilities, the appropriations for building renewal are still well below the need increasing the deferment of major maintenance requirements that continue to create highly disproportionate and expensive utility, repair, maintenance, and replacement expenditures in deteriorating and poorly performing facilities. The prolonged accrual of neglected building renewal has resulted in comprehensive multi-year phased scopes-of-work that are too expensive to allocate from the insufficient building renewal appropriations and too lengthy to complete in a two-year lapsing appropriations period. Increasingly, major maintenance projects ADOA might otherwise allocate from building renewal appropriations are appearing in the CIP as large individual capital outlay requests. ADOA recommends extending the building renewal two-year lapsing appropriation to a three-year lapsing appropriation.



### Capital Outlay Stabilization Fund

Pursuant to A.R.S. § 41-791, ADOA manages or provides some type of operational support services to approximately 4.9 million GSF in the Capitol Mall, Phoenix Metro, Tucson, and Kingman areas, including office space, parking garages, mechanical structures, and laboratories. ADOA depends on appropriations of Capital Outlay Stabilization Fund (COSF) funds to cover the operating costs of ADOA managed buildings, including utilities, routine maintenance, grounds services, operating supplies, janitorial services, operations staff salaries, and building renewal.

A.R.S. § 41-792.01 establishes the COSF and allows ADOA to collect rents and tenant improvement charges from State agencies occupying State-owned space. The legislative budget process determines the COSF rental rate ADOA charges to State agencies. COSF monies are subject to appropriation and exempt from the provisions of A.R.S. § 35-190 relating to lapsing of appropriations. Aggressive competition for limited General Fund (GF) monies has led to shifting the burden of funding the operating costs of ADOA managed State-owned buildings *and* building renewal almost exclusively on COSF.

A.R.S. § 41-792.01.K, exempts the Legislature from COSF rent. Over the past ten fiscal years, ADOA has spent over \$6.4 million of COSF funds in building renewal projects in the legislative buildings that are exempt from COSF rent.

In FY 2019, the Legislature approved an 11% adjustment in the COSF rental rate charged by ADOA. The FY 2020 Budget Procedures HB2747 (Laws 2019, Chapter 263) sets the FY 2020 COSF rental rate charged by ADOA at \$17.87 per rentable square foot for office space and \$6.43 per rentable square foot for storage space. While this will result in increased funding for the COSF, it still does not support full-service operations and maintenance, fully fund the Building System Building Renewal Formula, or address deferred maintenance liabilities.

### Recommendation for COSF Revenue - 701/801 E Jefferson St

*\$2,724,000*

The Arizona Department of Administration (ADOA) requests modifications to rent-related policies and standards to sustain COSF revenue that provides the primary source of appropriations for ADOA facilities operations and the ADOA Building System building renewal program.

ADOA, with the support of the Governor's Office, is implementing an Enterprise Compression Plan. The goals of the Compression Plan are to: 1) reduce the State's physical footprint, 2) reduce deferred maintenance liability, 3) create collaborative/hoteling workspace, 4) sustain the Capital Outlay Stabilization Fund (COSF). ADOA is already taking steps to achieve the first and second goals.

ADOA is responsible for the allocation of space, operation, alteration, renovation, and security of certain state buildings and grounds pursuant to A.R.S. § 41-791. These activities are funded through rent ADOA collects from agencies pursuant to A.R.S. § 41-792.01. Exceptions to these standards are occasionally necessary and ADOA-GSD has generally been able to absorb revenue losses or increased costs. The Enterprise Compression Plan is projected to generate significant savings, both in reduced rent costs for agencies and for the State by eliminating some deferred maintenance liabilities, but will also result in reduced rent revenue. This magnifies the impact of rent exceptions and non-standard operating arrangements, and may eventually jeopardize the viability of the core funding model for ADOA facilities operations and the ADOA Building System building renewal program.

In order of urgency, the requested changes are as follows:

1. Bring the ADOA owned, AHCCCS operated buildings at 701 and 801 E Jefferson St under ADOA management and allow ADOA to collect COSF rent from ADCRR and AHCCCS. Both ADCRR and AHCCCS may require budget adjustments.
2. Standardize the practice of promptly bringing appropriate buildings into the COSF rent system and under ADOA management after Certificates of Participation (COPs) or other debt-service are retired.

ADOA's central mission is to support agencies in the performance of their core missions. Among other functions, the ADOA General Services Division (GSD) provides professional facility operations and maintenance services with demonstrated excellence. Bringing State-owned office buildings under ADOA management benefits the State and State agencies. ADOA will perform the repair and maintenance, integrate the physical plant into the ADOA Energy Management System, add the physical plant and other primary building components to its contract sets for routine and preventative maintenance,

## FY 2023 ADOA Building System Capital Improvement Plan

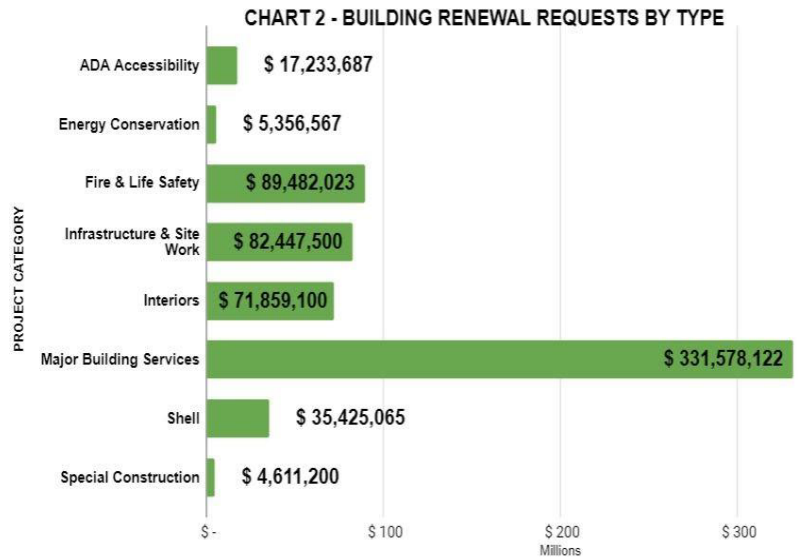
pay the utilities, and operate the facilities. AHCCCS may benefit from elimination of facilities related operational functions that are not core to its mission.

### FY 2023 ADOA Building Renewal Recommendation

ADOA recommends full funding for the FY 2023 Building Renewal Formula, which is forecast to be \$90.97 million .

ADOA recognizes its recommendation will not fully achieve the goals of the Building Renewal Program nor forestall increasing deterioration of the Building System’s aging infrastructure due to the \$745 million of deferred maintenance. ADOA is using its annual appropriations to gradually rectify some of the most severe detrimental consequences of deferred maintenance neglect through targeted infrastructure demolition, repair, replacement, and renovation projects. An adverse policy decision for FY 2023 will further exacerbate Arizona’s legacy of persistent infrastructure failures, costly crisis mode expenses and the liabilities associated with a run-to-fail major maintenance program.

<b>Total FY 2023 Building Renewal Request</b>	<b>\$ 637,993,264</b>
Non-Dedicated Fund Agencies	\$ 335,624,958
Dedicated Fund Agencies	\$ 302,368,306
<b>Total FY 2023 Building Renewal Formula</b>	<b>\$ 90,969,914</b>
Non-Dedicated Fund Agencies	\$56,733,303
Dedicated Fund Agencies	\$34,236,611
10-Year Average Annual Building Renewal Funding	\$ 23,352,330



**TABLE 2: BUILDING RENEWAL ALLOCATION HISTORY**

(Excludes Dedicated Funds Source Agencies; Game & Fish and Lottery)

Fiscal Year	Building Renewal Formula	Appropriation	% of Formula Appropriated	Deferred Costs	Inflation Adjusted Deferred Costs
FY 1988	\$5,476,500	\$5,491,800	100%	-\$15,300	-\$29,284
FY 1989	\$6,119,300	\$3,002,000	49%	\$3,117,300	\$5,950,926
FY 1990	\$6,226,100	\$3,184,000	51%	\$3,042,100	\$5,711,543
FY 1991	\$6,238,263	\$459,100	7%	\$5,779,163	\$10,668,335
FY 1992	\$6,804,200	\$807,334	12%	\$5,996,866	\$11,058,221
FY 1993	\$8,273,745	\$2,194,500	27%	\$6,079,245	\$11,197,969
FY 1994	\$8,607,379	\$3,051,600	35%	\$5,555,779	\$9,972,623
FY 1995	\$8,675,374	\$5,372,458	62%	\$3,302,916	\$5,773,497
FY 1996	\$9,079,255	\$8,171,400	90%	\$907,855	\$1,524,742
FY 1997	\$9,857,406	\$4,911,300	50%	\$4,946,106	\$7,968,177
FY 1998	\$12,598,637	\$6,210,700	49%	\$6,387,937	\$10,067,389
FY 1999	\$13,707,938	\$13,628,000	99%	\$79,938	\$123,184
FY 2000	\$15,925,783	\$3,403,400	21%	\$12,522,383	\$17,756,739
FY 2001	\$17,209,530	\$3,682,900	21%	\$13,526,630	\$18,964,335
FY 2002	\$18,100,303	\$6,464,400	36%	\$11,635,903	\$15,883,008
FY 2003	\$18,175,137	\$3,068,300	17%	\$15,106,837	\$20,092,093
FY 2004	\$19,252,520	\$3,500,000	18%	\$15,752,520	\$20,084,463
FY 2005	\$19,852,990	\$3,500,000	18%	\$16,352,990	\$19,116,645
FY 2006	\$22,864,835	\$3,400,000	15%	\$19,464,835	\$21,878,475
FY 2007	\$25,391,389	\$7,249,200	29%	\$18,142,189	\$18,632,028
FY 2008	\$27,584,100	\$7,257,100	26%	\$20,327,000	\$20,306,673
FY 2009	\$31,042,588	\$899,300	3%	\$30,143,288	\$30,143,288
FY 2010	\$33,056,002	\$1,000,000	3%	\$32,056,002	\$32,056,002
FY 2011	\$36,763,663	\$5,000,000	14%	\$31,763,663	\$31,852,601
FY 2012 <sup>1</sup>	\$38,109,130	\$11,100,000	29%	\$27,009,130	\$27,846,413
FY 2013 <sup>1/2</sup>	\$41,020,965	\$13,303,100	32%	\$27,717,865	\$28,189,069
FY 2014 <sup>1</sup>	\$43,036,312	\$14,000,000	33%	\$29,036,312	\$30,110,656
FY 2015 <sup>1</sup>	\$50,366,804	\$26,464,300	53%	\$23,902,504	\$24,476,164
FY 2016 <sup>1</sup>	\$53,665,760	\$19,464,300	36%	\$34,201,460	\$34,577,676
FY 2017 <sup>1</sup>	\$60,833,327	\$32,464,300	53%	\$28,369,027	\$28,341,793
FY 2018 <sup>1</sup>	\$62,348,429	\$13,764,300	22%	\$48,584,129	\$49,911,175
FY 2019 <sup>1</sup>	\$65,079,122	\$16,464,300	25.3%	\$48,614,822	\$50,874,925
FY2020 <sup>1/4</sup>	\$74,431,874	\$23,864,300	32.1%	\$39,579,107	\$40,014,477
FY2021 <sup>1</sup>	\$75,881,726	\$21,464,300	28.3%	\$54,417,426	\$55,560,192
FY2022 <sup>1</sup>	\$77,901,563	\$52,270,100	67.1%	\$25,631,463	\$28,732,870
	<b>\$1,029,557,949</b>	<b>\$349,532,092</b>	<b>36%</b>	<b>\$669,037,390</b>	<b>\$745,389,082</b>

<sup>1</sup>Includes a separate dedicated Building Renewal appropriation for ADCRR

<sup>2</sup>Excludes \$1.7M allocated to Arizona Department of Health Services from building renewal appropriations for new capital.

<sup>4</sup>Includes a \$11M deduction in deferred maintenance due to the demolition of obsolete buildings at 1510/1520 W Adams and 1275 Washington

**TABLE 3: TWO-YEAR BUILDING RENEWAL FORMULA FORECAST**

Agency	Two-Year Forecast	
	FY 2023 Renewal Formula	FY 2024 Renewal Formula
Corrections, State Department of <sup>1</sup>	\$ 32,600,653	\$ 36,530,662
Game and Fish Department, Arizona <sup>2</sup>	\$ 1,459,601	\$ 1,634,898
Lottery Commission, Arizona State <sup>2</sup>	\$ 176,357	\$ 197,617
<b>Sub-Total Dedicated Funds Source Agencies:</b>	<b>\$ 34,236,611</b>	<b>\$ 38,363,177</b>
Administration, Arizona Department of	\$ 15,889,165	\$ 17,804,604
ADOA, Legislature	\$ 2,309,558	\$ 2,587,975
Agriculture, Arizona Department of	\$ 17,124	\$ 19,189
AHCCCS	\$ 738,773	\$ 827,832
Deaf and the Blind, Arizona State Schools for the	\$ 2,528,021	\$ 2,832,774
Economic Security, Department of	\$ 3,661,492	\$ 4,102,885
Emergency and Military Affairs, Department of	\$ 10,576,075	\$ 11,851,021
Exposition & State Fair Board, Arizona	\$ 3,217,745	\$ 3,605,644
Forestry and Fire Management	\$ 41,826	\$ 46,868
Health Services, Department of	\$ 4,901,660	\$ 5,492,555
Historical Society, Arizona	\$ 354,418	\$ 397,143
Historical Society of Arizona, Prescott	\$ 1,312,899	\$ 1,471,169
Judiciary, Arizona Supreme Court	\$ 1,274,902	\$ 1,428,591
Juvenile Corrections, Department of	\$ 1,595,238	\$ 1,787,544
Parks Board, Arizona State	\$ 2,742,815	\$ 3,073,462
Pioneers' Home, Arizona	\$ 396,466	\$ 444,260
Power Authority	\$ 84,637	\$ 94,840
Public Safety, Department of	\$ 2,708,427	\$ 3,034,924
Veterans' Services, Department of	\$ 2,382,062	\$ 2,669,220
<b>Sub-Total Non-Dedicated Funds Source Agencies:</b>	<b>\$ 56,733,303</b>	<b>\$ 63,572,500</b>
<b>Grand Total:</b>	<b>\$ 90,969,914</b>	<b>\$ 101,935,677</b>

<sup>1</sup> Effective FY 2012 Department of Corrections is a dedicated funds source agency for Building Renewal

<sup>2</sup> Dedicated funds source agency

## **FY 2023 CAPITAL PROJECT RECOMMENDATIONS**

### **ADDITIONS, RENOVATIONS AND NEW CONSTRUCTION**

#### **Department Of Public Safety**

##### *New South Mountain District Office*

*\$8,200,000*

The Department of Public Safety (DPS) is requesting funds to establish a South Mountain District Office for coverage of the new South Mountain Loop 202 Freeway that opened in late 2019. The freeway extends from Interstate 10 at 51st Avenue, loops South around the South Mountain Preserve to an interchange with Interstate 10, East of 48th Street.

District Offices are needed at strategic locations along the valley's freeway system to support mission critical functions and provide required emergency response times. Until a South Mountain District Office is constructed along the new freeway, DPS will continue to office and dispatch troopers from the Metro Phoenix Knuston District Office at 16th Street and University. Trooper response times from this location will be 30 to 45 minutes, which in an emergency situation is unacceptable and a detriment to public safety. Construction of the South Mountain District Office will significantly reduce response times, potentially saving lives.

The foregoing cost estimate includes land acquisition and construction costs for an approximately 7,000 SF facility. Potential locations include the lease or purchase of property between 24th Street and 17th Avenue.

##### *Statewide Office and Remote Housing Replacement*

*\$6,000,000*

To support Arizona's vast highway system, improve safety and provide emergency response, DPS Highway Patrol officers and housing are stationed at reasonable travel intervals throughout the State. With great distances between Arizona's population centers, remote housing compounds are necessary. This request is part of an ongoing plan to improve existing remote housing and office units in rural Arizona. New units are more energy efficient and cost less to operate and maintain. Better living conditions offer incentives for Highway Patrol officers and their families to relocate to rural areas of the State.

DPS has approximately 60 units across the State. With a useful life of 20-25 years, approximately three units require replacement each year. Due to budget limitations, numerous units far exceed their useful life, with some units exceeding 50 years old. Older units are poorly insulated, no longer code compliant, and have rapidly deteriorating building systems. Continuous "Band-Aid" fixes to these units is not cost effective, and immediate replacement is required.

The most critical remote housing locations that are recommended for replacement in FY 2023 include ten units; one in Gila Bend, four in Quartzite and five in Sanders.

Similar to the remote housing needs, DPS requires office space throughout the state to satisfy operational needs and response times. Many units have exceeded their useful life and require complete replacement. The most critical remote office locations recommended for replacement include Needle Mountain, Kayenta, Sanders, and Wickenburg. Installation of four new office units to replace these offices that range in age from 46 to 61 years old will provide adequate space, improve efficiencies, address code compliance concerns and reduce energy consumption.

#### **Arizona Department Of Administration**

##### *Renovation of 1616 W Adams St*

*\$18,500,000*

The Arizona Department of Administration (ADOA) requests a capital appropriation of \$18,500,000 to renovate the 90,000 SF, 1616 W Adams St office building (State Land Building). The proposed renovation will support the State's long term Enterprise Compression Plan and the Executive's Arizona Connected Workforce (ACW) initiative.

The goals of the Compression Plan are to: 1) reduce the State's physical footprint, 2) reduce deferred maintenance liability, 3) create collaborative/hoteling workspace, 4) sustain the Capital Outlay Stabilization Fund (COSF). The 1616 W Adams St office building renovation provides an opportunity to provide 90,000 SF of modern and efficient office space for one or more state agencies and will eliminate approximately \$11,500,000 of deferred maintenance liability.

The 1616 W Adams St building is scheduled to be vacant by the end of FY 2022 subsequent to the relocation and compression of the Arizona State Land Department to the Natural Resources building at 1110 W Washington, the Charter Schools Board, the Pharmacy Board, and the Clean Elections Commission, allowing for architectural design and construction to begin at the start of FY 2023.

The proceeds from FY 2022 sales of ADOA owned managed properties such as 519 Beale, Kingman and 1919 W Jefferson, Phoenix can be redirected from the General Fund to the Capitol Mall Consolidation Fund (CMCF) and appropriated to ADOA to offset other possible capital outlay funds sources associated with this renovation recommendation.

**FIRE AND LIFE SAFETY**

**Arizona Department Of Corrections, Rehabilitation and Reentry**

ADCRR’s priorities for capital and building renewal improvements each year include the repair and/or replacement of doors and fire systems in ADCRR prison complexes throughout the State. The fire alarm, fire suppression and door systems in numerous prison complexes are inoperable, malfunctioning, unsupported and/or obsolete. Properly working door and fire systems are a basic and mandatory requirement for occupied spaces, and particularly so in a confined and secure environment.

Identification, prioritization, and estimated costs for all projects submitted by ADCRR are the sole result of ADCRR’s internal capital planning process. ADCRR will have to determine actual project scopes and design and construction costs once funding is available.

ADCRR submitted \$350 million of capital and building renewal projects for FY 2023. In response to expected budget constraints, ADOA is only recommending ADCRR’s top priority projects; however, there are many other projects that if left unfunded, will continue to degrade safety, and subject staff and inmates to unnecessary risk.

<b>Statewide Fire and Life Safety Projects</b>	
Upgrade Fire Systems	\$ 14,350,000
Replace Doors/Locking Systems	\$ 3,650,000
<b>TOTAL</b>	<b>\$ 18,000,000</b>

***Lewis-East (Eagle Mountain) Fire Systems Upgrade***

*\$14,350,000*

ADCRR’s highest priority for FY 2023 building renewal is upgrading the fire systems at the Lewis-East (Eagle Mountain) Complex. The fire alarm and suppression system is not Class A fully addressable, is inoperable, malfunctioning, unsupported, and obsolete. When fire alarm systems are out of commission for extended times, ADCRR must employ 24-hour fire watch personnel, usually on an overtime basis, to achieve fire and life safety standards. The existing situation is unacceptable and creates a threat to life and safety for staff and inmates.

***Eyman, Tucson and Perryville - Upgrade Failing Door, Locking and Control Systems (security)***

*\$3,650,000*

ADCRR is requesting upgrades to the failing door, locking and control systems at the Eyman, Tucson and Perryville facilities. Years of abuse, vibration, and build up of dirt, dust, and general wear and tear have resulted in door operating systems that are worn, outdated, and in need of constant reactive maintenance. The internal mechanisms are approaching end of life, and in need of near term replacement.

The door systems and related components are needed to enhance the safety of staff and inmates. While these repairs cannot guarantee staff and inmate safety, the failure to implement these repairs degrades safety, placing staff and inmates at unnecessary risk.

**Department of Health Services - Arizona State Hospital**

***Replace Video Surveillance System***

*\$9,021,000*

The Arizona State Hospital (ASH) is located on a 93 acre campus at 24th St and Van Buren, in Phoenix. Pursuant to A.R.S. § 36-201 and 36-217, ASH provides long-term inpatient psychiatric care to Arizonas with mental illnesses who are under court order for treatment. The hospital operates programs in a Joint Commission accredited 260-bed funded facility. The Civil Hospital is certified to receive reimbursement from the Centers for Medicare and Medicaid Services (CMS). The ASH campus is a full

confinement, 24-hours locked facility comprised of three distinct programs including the Civil Hospital, the Forensic Hospital, and the Arizona Community Protection and Treatment Center. All three programs operate with high security protocols and use video cameras for security and surveillance. The three campuses currently operate a combination of disparate camera monitoring platforms that were introduced at different phases of the hospital's history. The mostly obsolete disparate and aging monitoring systems do not provide sufficient stable memory capacity and the video is outdated and difficult to view on monitors. Operators must log on to different systems to view different cameras and the systems are not integrated or consistent. The Hospital is requesting capital improvement monies to replace three separate systems with a single, integrated, high definition (HD) video security network.

In addition to the necessary equipment, site infrastructure must be replaced as the current fiber raceway systems that are used to route, protect, and manage the cabling will not support the new video security network. A new underground raceway is required to provide a path for new fiber infrastructure to be installed. As network requirements change and technology updates are implemented, the new raceway will include expansion space to mitigate increased costs of future upgrades.

The estimated cost is based on a recent video security system assessment performed by an electrical engineer. The preliminary estimated cost breakdown is:

Item	Estimated Cost
Complex Raceway	\$ 1,495,931
Complex Backbone - Horizontal Cable	\$ 2,752,153
Complex IT Infrastructure Network	\$ 1,621,737
Video Surveillance/Servers/Storage	\$ 3,150,399
<b>Total Estimated Costs</b>	<b>\$ 9,020,220</b>

**Arizona State Schools for the Deaf and the Blind**

***Proxy Card Security Upgrades - Phoenix/Tucson Campus***

*\$420,000*

ASDB Tucson Campus consists of over 55 acres of land and buildings. Due to the design and location of the

buildings ASDB is not able to restrict access to a single gate and check in point. The US Department of Homeland Security (USDHS) provided ASDB recommendations for security improvements by alternate means. The primary recommendation from USDHS was to restrict access to the individual buildings rather than the campus alone. The Phoenix Campus also has a similar problem with multiple entry points and the need to restrict access to the buildings.

By replacing the mechanical locks with electronic locks ASDB will be able to provide a secure campus to the Deaf, Hearing Impaired, Blind, Visually Impaired and Multiple Disabilities with Severe Sensory Impairment (MDSSI) Student population. This will allow ASDB to improve day to day security, and perform lockdowns at a greater speed to track/limit access into key areas.

**BUILDING SERVICES**

**Judiciary, Arizona Supreme Court**

***Refurbish AHU's 1-4 and Environmental Controls***

*\$2,200,000*

The air handler units (AHUs) and pneumatic environmental controls are original to the 1990 construction of the Arizona Supreme Court. They have exceeded their design life and critical repair parts are no longer manufactured. During the summer months, the HVAC system fails to provide a sufficient quantity and temperature of air to properly maintain the building environment. The pneumatic building controls are outdated and failing. The system fails to meet current indoor air quality standards. The units are operating beyond their design life and need to be renovated or replaced before the failure of a major component places the continued operation of the facility at risk.

As a part of this project the end-of-life components will be replaced. The outside air intakes and cooling capacity will be upgraded to meet current building air quality standards. The air handlers will employ upgraded technology for energy efficiency and the digital controls will be installed on the water and air side to optimize operation. Once the air handlers are upgraded and a stable air supply is established, the phased replacement of the failing medium pressure fiberglass ductwork and VAV boxes can be undertaken. In order to ensure coordination, the design phase of both projects will be accomplished at this time.

Components will be upgraded or replaced to meet current building codes and air quality standards and the system will be

optimized for efficiency, energy conservation and lowest life cycle cost.

***Continue Replacement of Failed Sewer System***

*\$1,000,000*

The sewage system has failed or is near failure at the Arizona Supreme Court building. As a result, numerous leaks within the building envelope have occurred resulting in damage to the facility and sewage and sewer gas exposures.

ADOA has allocated approximately \$1.38 million of building renewal monies over the last two years to replace sections of the failed piping. This request is for the balance of funds necessary to complete the replacement of failed sewer piping.

**FURNISHINGS/FIXTURES/EQUIPMENT**

**Arizona School for the Deaf and the Blind**

***Replacement of Food Service Equipment - Phoenix and Tucson***

*\$350,000*

ASDB currently provides breakfast and lunch for the deaf, hearing impaired, blind, and visually impaired student population. The current food service equipment is antiquated and beyond its useful life ranging from 20 to 30 years of age. Due to the age of the equipment ASDB is unable to properly maintain heating and cooling requirements required by county food safety regulations. This poses a potential health and life safety concern as food quality control is questionable. In addition, the building requires modification to meet current equipment and code specifications, including a redesign of the serving lines. By replacing the antiquated equipment in the food service buildings ASDB will be able to meet all food safety requirements and improve the overall quality of the student experience.

**INFRASTRUCTURE**

**Arizona State Schools for the Deaf and the Blind**

***Tucson Campus Sewer Line Replacement***

*\$1,300,000*

The average building age on the ASDB Tucson Campus is approximately 47 years old with some facilities dating back to 1935. Sewer line infrastructure on the campus has experienced numerous failures each year that require replacement of damaged and deteriorated sections of pipe. These failures present health and safety concerns for students who reside on campus in residence halls during the school year causing interruption to critical services.

This request will facilitate the replacement of the dilapidated sewer infrastructure from 26 buildings to the main city sewer connection with two-way cleanouts. In addition, isolation ball valves will be installed on the water supply to each facility allowing for each building to be shut down independently for repairs, rather than the entire campus. To date, ASDB has completed repair work to the High School, Administration, Annex, Kachina, Maricopa and Saguaro-Yucca Buildings.

Replacement of the sewer lines and isolation valves will reduce the possibility of hazardous backups, costly reactive emergency repairs, and interruption of critical services for a sensitive youth population.

**BUILDING DEMOLITION**

**Arizona Department of Administration**

***Demolition of 1818 W Adams, 1850 W Jackson and 1720 W Madison St Office Buildings***

*\$ 1,200,000*

The 1818 W Adams St office building currently houses the Department of Health Services (DHS), Vital Records Division. As part of the Enterprise Compression plan, DHS is consolidating this operation to the main DHS building located at 150 N 18th Ave by the end of FY 2022. Due to the age, deteriorated building systems, and smaller footprint of approximately 18,000 SF, ADOA recommends demolition.

The 1850 W Jackson St warehouse was constructed in 1938 and is approximately 5,500 sf. The warehouse is located adjacent to the ADOA GSD Facilities Operations and Maintenance (FOAM) yard and has been vacant for over 5 years. It was vacated as a result of unsound structure conditions; particularly on the second mezzanine level. ADOA recommends demolishing the facility and expanding the maintenance yard. As one side of the decrepit structure serves as a wall along 19th Ave, ADOA



will install fencing to replace the wall barrier of the old warehouse.

The building located at 1720 W Madison St was constructed in 1953 and was the home of the Department of Economic Security (DES) Data Center until 2016. The 36,679 sf building has exceeded its useful life, the major electrical, mechanical, and plumbing systems are in very poor condition, and has a significant amount of asbestos containing building materials that require abatement. DES and ADOA recommend demolition of the facility.

When facilities remain unoccupied for long periods of time they continue to deteriorate, provide opportunities for trespass, and present attractive nuisance hazards that may threaten nearby buildings and business activity.

**TABLE 4–FY 2023 BUILDING RENEWAL FORMULA**

Funds	Agency	FY 2023 Formula	FY 2024 Formula	Gross Square Feet
Dedicated	Corrections, State Department of	\$ 32,600,653	\$ 36,530,662	8,791,234
Dedicated	Game and Fish Department, Arizona	\$ 1,459,601	\$ 1,634,898	936,704
Dedicated	Lottery Commission, Arizona State	\$ 176,357	\$ 197,617	47,600
<b>Dedicated Funds Source Agencies</b>		<b>\$ 34,236,610</b>	<b>\$ 38,363,176</b>	<b>9,775,538</b>
<b>Non-Dedicated Funds Source Agencies</b>		<b>\$ 56,733,304</b>	<b>\$ 63,572,501</b>	<b>14,159,738</b>
<b>TOTAL</b>		<b>\$ 90,969,914</b>	<b>\$ 101,935,677</b>	<b>23,935,276</b>

**TABLE 5 – FY 2023 CAPITAL PROJECT RECOMMENDATIONS**

Agency	Location	Project Name	Funds Source	Cost
ADOA	Capitol Mall	Renovation of 1616 W Adams St	General Fund	\$ 18,500,000
ADOA	Capitol Mall	Demolition of 1818 W Adams, 1850 W Jackson and 1720 W Madison St Office Buildings	General Fund	\$ 1,200,000
Corrections	Lewis-East	Fire Systems Upgrades	General Fund	\$ 14,350,000
Corrections	Statewide	Door Locking System Upgrades	General Fund	\$ 3,650,000
Deaf and the Blind	Phoenix & Tucson	Food Service Equipment Replacement	General Fund	\$ 350,000
Deaf and the Blind	Phoenix & Tucson	Proxy Card Security Upgrades	General Fund	\$ 420,000
Deaf and the Blind	Tucson	Tucson Campus Sewer Line Replacement	General Fund	\$ 1,300,000
Public Safety	Phoenix	New South Mountain District Office	General Fund	\$ 8,200,000
Public Safety	Statewide	Statewide Office and Remote Housing Replacement	General Fund	\$ 6,000,000
Health Services	State Hospital	Replace Video Surveillance System	General Fund	\$ 9,021,000
Judiciary	Capitol Mall	Refurbish AHU 1-4 and Environmental Controls	General Fund	\$ 2,200,000
Judiciary	Capitol Mall	Sewer System Replacement	General Fund	\$ 1,000,000
<b>Total Recommendations</b>				<b>\$ 66,191,000</b>