



# **ADOA BUILDING SYSTEM CAPITAL IMPROVEMENT PLAN**

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**FISCAL YEAR 2020**

**DOUGLAS A. DUCEY**  
Governor

**GILBERT DAVIDSON**  
Interim Director

**PREPARED BY**

Arizona Department of Administration  
General Services Division  
Planning and Construction Services

# FY 2020 ADOA Building System Capital Improvement Plan EXECUTIVE SUMMARY



## CIP PROCESS



## CIP PRIORITIES

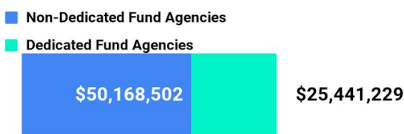


## FY 2020 Building Renewal

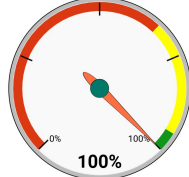
### Building Renewal Requests (\$416.7 million)



### Building Renewal Formula (\$75.6 million)

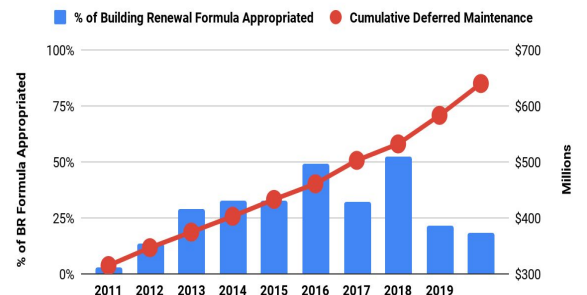


ADOA recommends fully funding the FY2020 Building Renewal Formula



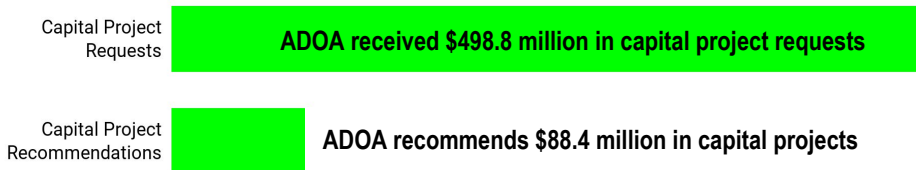
Underfunding of the Building Renewal Formula Causes Deferred Maintenance Backlog

Building Renewal Formula funded an average of 28% over 10 years

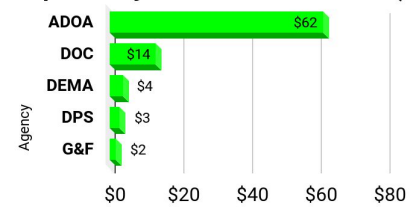


Individual agency Building System CIPs, including requests for building renewal and new capital improvement projects are available by contacting ADOA, General Services Division, Planning and Construction Services at 602-542-4438.

## FY 2020 Capital Improvement Projects



### Capital Project Recommendations (Millions)



## The COSF Dilemma

Approximately 60% of facilities supported by COSF do not contribute to COSF

■ Non-COSF Contributing Facilities ■ COSF Contributing Facilities



ADOA recommends the following to address the chronic underfunding of COSF:

- Increase the COSF rental rate to 90% of the average Class B office space
- Eliminate the legislative exemption
- Restrict COSF funded building renewal projects to COSF facilities
- Require non-COSF building renewal projects to be funded through general fund appropriations or agency funds.

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## FY 2020 ADOA Building System Capital Improvement Plan

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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 24 State agencies, boards, and commissions. Each Building System is responsible for submitting a Capital Improvement Plan (CIP) to the Governor 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.

### **New Capital Project and Building Renewal Funds Sources**

All agencies in the ADOA Building System are directed by A.R.S. § 41-793 to provide an annual agency CIP to ADOA regardless of an agency's appropriated or nonappropriated monies sources, including dedicated or non-dedicated capital and building renewal funds sources. ADOA does not usually make specific recommendations for capital or building renewal requests for the dedicated funds sources agencies. As a significant change, 2011 Session Law authorized a dedicated building renewal funds source for the Building Renewal Fund for the Arizona Department of Corrections. ADOA does, however, make new capital recommendations for the Department of Corrections.

### **Building System Inventory**

As of June 30, 2018, the Building System has an inventory of 4,492 structures comprised of 24,032,076 Gross Square Feet (GSF) and a calculated replacement value of \$5,349,870,161 (see Table 1: ADOA Building System Inventory-FY 2018). 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/sprinkler system status, Facility Occupancy Category, and other allied information.

ADOA inspects structures and reports their status to the Governor's Office and to 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 602-542-4438.*

**TABLE I-ADOA BUILDING SYSTEM INVENTORY FISCAL YEAR ENDING JUNE 30, 2018**

Agencies	Number of Structures	Two-Year Forecast			Gross Square Feet
		FY 2018 Replacement Value	FY 2020 Renewal Formula	FY 2021 Renewal Formula	
Administration, Arizona Department of	65	\$ 906,232,688	\$ 13,053,974	\$ 13,660,853	4,794,577
ADOA, Legislature	7	\$ 79,218,377	\$ 1,917,577	\$ 2,006,725	303,388
Agriculture, Arizona Department of	5	\$ 724,026	\$ 13,198	\$ 13,812	10,154
AHCCCS	3	\$ 34,769,678	\$ 564,098	\$ 590,323	164,080
Corrections, State Department of	1,523	\$ 2,034,059,017	\$ 24,263,372	\$ 25,340,280	8,792,214
Deaf and the Blind, Arizona State Schools for the	49	\$ 127,491,830	\$ 1,945,935	\$ 2,036,401	509,799
Economic Security, Department of	109	\$ 165,149,285	\$ 3,760,253	\$ 3,935,067	664,154
Emergency and Military Affairs, Department of	527	\$ 559,677,616	\$ 8,279,609	\$ 8,664,528	3,694,758
Environmental Quality, Arizona Department of	1	\$ 1,993,845	\$ 44,787	\$ 46,869	4,504
Exposition & State Fair Board, Arizona	26	\$ 201,277,640	\$ 4,941,570	\$ 5,171,303	681,147
Forestry and Fire Management, Arizona Department of	5	\$ 1,994,295	\$ 34,316	\$ 35,911	13,646
Game and Fish Department, Arizona	478	\$ 92,609,964	\$ 1,043,746	\$ 1,092,270	851,663
Health Services, Department of	57	\$ 280,853,380	\$ 3,774,065	\$ 3,949,521	812,004
Historical Society, Arizona	23	\$ 101,878,647	\$ 2,271,189	\$ 2,376,777	208,572
Historical Society of Arizona, Prescott	21	\$ 15,898,756	\$ 302,694	\$ 316,767	63,238
Judiciary, Arizona Supreme Court	1	\$ 71,006,110	\$ 956,987	\$ 1,001,477	257,207
Juvenile Corrections, Department of	51	\$ 68,611,885	\$ 1,227,769	\$ 1,284,848	225,334
Lottery Commission, Arizona State	2	\$ 8,666,708	\$ 134,110	\$ 140,345	47,600
Parks Board, Arizona State	1,104	\$ 134,508,394	\$ 2,112,589	\$ 2,210,805	797,930
Pioneers' Home, Arizona	10	\$ 13,997,340	\$ 328,721	\$ 344,003	66,140
Power Authority	3	\$ 8,624,519	\$ 60,271	\$ 63,073	12,324
Public Safety, Department of	383	\$ 149,128,373	\$ 2,375,849	\$ 2,486,302	650,450
Veterans' Services, Department of	39	\$ 291,497,789	\$ 2,203,053	\$ 2,305,473	407,193
<b>Grand Total:</b>	<b>4,492</b>	<b>\$ 5,349,870,161</b>	<b>\$ 75,609,731</b>	<b>\$ 79,073,733</b>	<b>24,032,076</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

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

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 30 fiscal years (FY 1999). 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 nearly 30 years of funding shortfalls carried forward year after year, the ADOA Building System has amassed **\$640 million** (adjusted for inflation) of deferred capital maintenance.

*(See Table 2: ADOA Building System Building Renewal Allocation History & Deferred Maintenance Accrual*

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 2 million square feet yet COSF supports 5.2 million square feet;
- tenants in approximately 334,000 square feet directly benefit from COSF facilities operations services but are exempt from payment of COSF rents or even basic operating and maintenance costs;
- 19 State agencies owning and operating structures separately from ADOA that benefit from COSF appropriations for building renewal and new capital do not contribute to COSF revenues;
- 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;
- some building’s lease-purchase debt service payments are appropriated from COSF even though the building is not a COSF contributor; and
- COSF appropriations for building renewal are budgeted only after other expenditures are obligated, further promoting the vicious cycle of deferred maintenance.

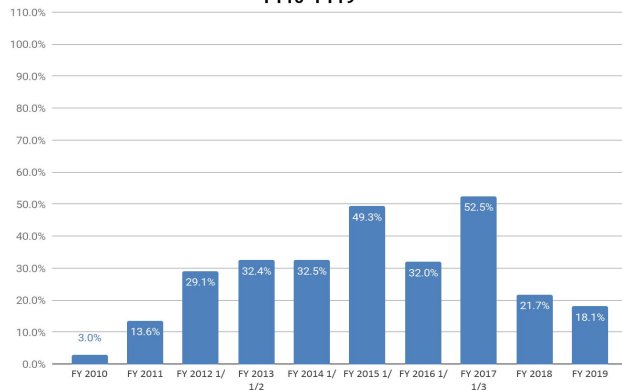
Failure to address these issues with appropriate funding creates undesirable environmental exposures, causes loss of productivity and inventory, increases expenditures in labor and mobilization fees, and further broadens the spectrum of accountability.

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 Fiscal Year 2020. The average

percentage of the building renewal formula funded in the past ten fiscal years (non-dedicated fund source agencies) is 28.43% (see Chart 1–Percent of Building Renewal Formula Appropriated FY 2009-FY 2018). In spite of the trending increase in building renewal appropriations from 2011 through 2017, the appropriations were still well below the need. Subsequently, the FY 2018 appropriation of 21.7% of the formula was a decrease of 42.4% from the previous fiscal year. This reduction has increased the ongoing deferral 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.

**Chart 1–Percent of Building Renewal Formula Appropriated FY10–FY19**



**Capital Outlay Stabilization Fund**

Pursuant to A.R.S. § 41-791, ADOA manages or provides some type of operational support services to approximately 5.4 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. Since FY 2000, COSF is the exclusive source of 59% of building renewal appropriations for non-dedicated fund source agencies.

In FY 2018, the Legislature approved a 23% adjustment in the COSF rental rate charged by ADOA. The FY 2019 Budget Procedures BRB (Laws 2018, Chapter 279) sets the FY 2019 COSF rental rate charged by ADOA at \$16.08 per rentable square foot for office space and \$5.79 per rentable square foot for storage space. This will result in an increase of \$2.26 million to COSF in FY 2019. 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 and other unsupported appropriations. ADOA recommends gradual increases to the COSF rental rate over the next 3–4 fiscal years to align the rate to approximately 90% of the Statewide average of Class B commercial office space, including elimination of the legislative exemption. The 90% goal will provide

funding for increased tenant services and encourage occupancy of ADOA owned-managed buildings.

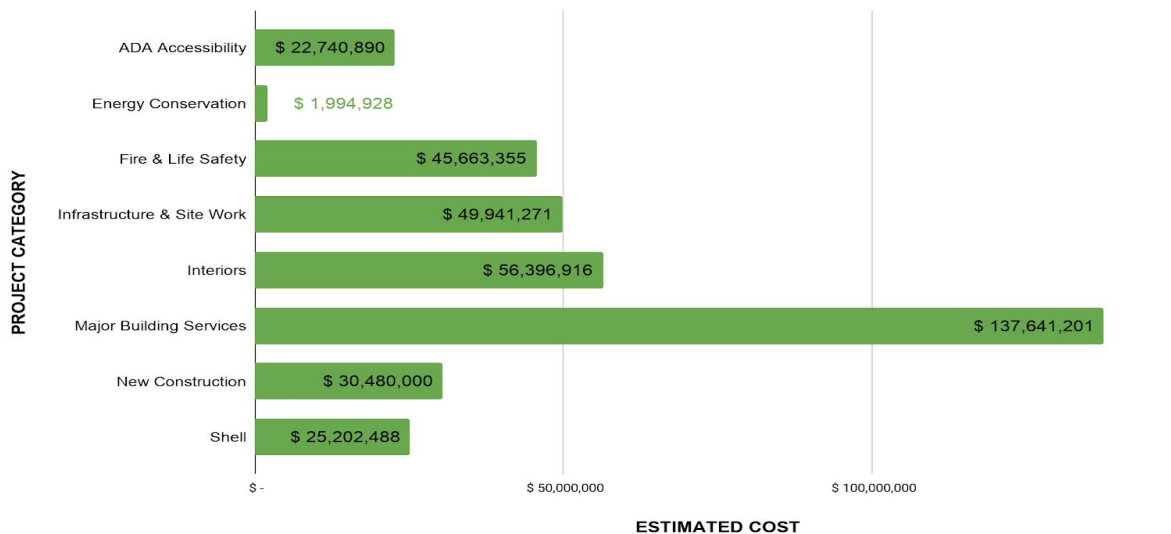
**FY 2020 ADOA Building Renewal Recommendation**

ADOA recommends full funding for the FY 2020 Building Renewal Formula, which is forecast to be \$75.6 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 \$583 million of deferred maintenance. ADOA is using its existing appropriations to gradually rectify some of the most severe detrimental consequences of deferred maintenance neglect through targeted infrastructure repair, replacement and renovation projects. An adverse policy decision for Fiscal Year 2020 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 2020 Building Renewal Request</b>	<b>\$ 416,707,546</b>
Non-Dedicated	\$ 310,842,368
Dedicated	\$ 105,865,178
<b>Total FY 2020 Building Renewal Formula</b>	<b>\$ 75,609,731</b>
Non-Dedicated	\$50,168,502
Dedicated	\$25,441,229
10-Year Average Annual Building Renewal Funding	\$ 14,856,030

**CHART 2–FY 2020 Building Renewal Request Summary**



**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	
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 1/	\$38,109,130	\$11,100,000	29%	\$27,009,130	\$27,846,413
FY 2013 1/2	\$41,020,965	\$13,303,100	32%	\$27,717,865	\$28,189,069
FY 2014 1/	\$43,036,312	\$14,000,000	33%	\$29,036,312	\$30,110,656
FY 2015 1/	\$53,665,760	\$26,464,300	49%	\$27,201,460	\$27,854,295
FY 2016 1/	\$60,833,327	\$19,464,300	32%	\$41,369,027	\$41,824,086
FY 2017 1/3	\$61,843,644	\$32,464,300	52%	\$29,379,344	\$29,351,140
FY 2018	\$63,400,007	\$13,764,300	22%	\$49,635,707	\$50,991,476
FY 2019	\$66,247,845	\$12,000,000	18%	\$54,247,845	\$56,769,827
	<b>\$815,039,927</b>	<b>\$247,469,092</b>	<b>35%</b>	<b>\$567,570,835</b>	<b>\$639,719,918</b>

1/ Includes a separate dedicated Building Renewal appropriation for the Department of Corrections as follows:

(\$4.6 million in FY 2012 & FY 2013, \$5 million in FY 2014, \$8.4 million in FY 2015, \$5.4 million in FY 2016)

2/ Excludes \$1.7 million allocated to Arizona Department of Health Services from building renewal appropriation for new capital.

3/ Excludes \$1.1 million allocated to the Department of Juvenile Corrections from the Criminal Justice Enhancement Fund .

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

Agency	Two-Year Forecast	
	FY 2020 Renewal Formula	FY 2021 Renewal Formula
Game and Fish Department, Arizona <sup>1</sup>	\$ 1,043,746	\$ 1,092,270
Lottery Commission, Arizona State <sup>1</sup>	\$ 134,110	\$ 140,345
Corrections, State Department of <sup>2</sup>	\$ 24,263,372	\$ 25,340,280
<b>Sub-Total Dedicated Funds Source Agencies:</b>	<b>\$ 25,441,229</b>	<b>\$ 26,572,895</b>
Administration, Arizona Department of	\$ 13,003,968	\$ 13,608,522
ADOA, Legislature	\$ 1,917,577	\$ 2,006,725
ADOA, Secretary of State	\$ 50,006	\$ 52,331
Agriculture, Arizona Department of	\$ 13,198	\$ 13,812
AHCCCS	\$ 564,098	\$ 590,323
Deaf and the Blind, Arizona State Schools for the	\$ 1,945,935	\$ 2,036,401
Economic Security, Department of	\$ 3,760,253	\$ 3,935,067
Emergency and Military Affairs, Department of	\$ 8,279,609	\$ 8,664,528
Environmental Quality, Arizona Department of	\$ 44,787	\$ 46,869
Exposition & State Fair Board, Arizona	\$ 4,941,570	\$ 5,171,303
Forester, State	\$ 34,316	\$ 35,911
Health Services, Department of	\$ 3,774,065	\$ 3,949,521
Historical Society, Arizona	\$ 2,271,189	\$ 2,376,777
Historical Society of Arizona, Prescott	\$ 302,694	\$ 316,767
Judiciary, Arizona Supreme Court	\$ 956,987	\$ 1,001,477
Juvenile Corrections, Department of	\$ 1,227,769	\$ 1,284,848
Parks Board, Arizona State	\$ 2,112,589	\$ 2,210,805
Pioneers' Home, Arizona	\$ 328,721	\$ 344,003
Power Authority	\$ 60,271	\$ 63,073
Public Safety, Department of	\$ 2,375,849	\$ 2,486,302
Veterans' Services, Department of	\$ 2,203,053	\$ 2,305,473
<b>Sub-Total Non-Dedicated Funds Source Agencies:</b>	<b>\$ 50,168,502</b>	<b>\$ 52,500,838</b>
<b>Grand Total:</b>	<b>\$ 75,609,731</b>	<b>\$ 79,073,733</b>

<sup>1</sup> Dedicated funds source agency

<sup>2</sup> Effective FY 2012 Department of Corrections is a dedicated funds source agency for Building Renewal

## FY 2020 CAPITAL PROJECT RECOMMENDATIONS

### ADDITIONS; RENOVATIONS; NEW CONSTRUCTION

#### ARIZONA DEPARTMENT OF ADMINISTRATION

*New Building and Parking Garage at  
1275 W Washington*  
**\$55.2 million**

The current funding mechanism to maintain Capitol Mall buildings is not sustainable. Due to the advanced age and decades of deferred maintenance, even if there were appropriate funding from the Legislature, at this point capital investment is not a cost-effective approach. The Arizona Department of Administration (ADOA), working in conjunction with the Executive's Accountable and Efficient Government Goal Council 5 (GC5), has created a model to build one or more new state office buildings using a public-private-partnership (P3) model.

The proposed model will combine lease consolidations, real property divestitures, and the application of uniform space standards to create a repeatable financial mechanism to design, build, operate, and maintain new state office buildings. The project would be cost neutral and therefore would not require any new annual appropriations, provided the State maintains the overall rental appropriation for all agencies selected to occupy the new office building(s).

ADOA is developing funding options and recommendations for construction of a new office building and parking garage. The options include a cash purchase option (One-time, Large Capital Outlay), a Certificates of Participation (COP) financing option (Cost Neutral Model), and a Privatized lease purchase option (Cost Neutral Model). In either of the proposed options, a Request for Proposal (RFP) would be issued. The RFP is a non-binding process that could result in a contract if the terms are advantageous to the State. If the resulting numbers fail to meet the cost neutral requirements, the State would not be under any obligation to proceed.

Revitalizing or rebuilding facilities will enhance the efficiency of state property as well as create quality workspace to help attract and maintain a high-quality workforce. Investment toward revitalization of the Capitol Mall will eliminate the accrual of deferred maintenance and promote higher utilization of space.

#### DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS

*West Valley Readiness Center*  
**\$3.87 million**

The Sunnyslope and Glendale Readiness Centers are failing facilities and do not meet mission requirements. The facilities lack adequate classrooms, administrative space, organizational storage space, arms vaults, and military vehicle parking space. The unit's ability to meet its readiness, recruiting and retention, and training objective will be adversely affected if the personnel are not provided with adequate facilities. Delays in funding for this project will require the unit to stay in the outdated Glendale and Sunnyslope Readiness Centers. The lack of proper facilities will negatively influence troop morale, readiness, and the retention rates of 855th Military Police Company and HHD 1120th Transportation Battalion.

The West Valley Readiness Center will provide 57,523 square feet of space to meet the requirements to adequately provide training and mission support to Arizona National Guard soldiers. The facility will include training, administrative and logistical support for the 855th MP Company and HHD 1120th Transportation BN of the AZARNG. These organizations will have access to adequately conditioned and spaced training facilities, administrative offices, arms rooms, and logistical storage to conduct operations and training.

Cost analysis was conducted by the National Guard using federally licensed software that accounts for the types of units placed within the facility. The unique needs of each type of unit are accounted for to determine the amount and type of space required. This facility will be designed to meet Industry Standards as well as all local, State, and Federal building codes per Public Law 90-480. Construction will include all utility services, information systems, fire detection and alarm systems, roads, walks, curbs, gutters, storm drainage, parking areas and site improvements. Facilities will be designed to a minimum life of 50 years in accordance with DoD's Unified Facilities Code (UFC 1-200-02) including energy efficiencies, building envelope and integrated building systems

performance as per ASA(IE&E) Sustainable Design and Development Policy Update Dec 2013.

The recommended \$3.87 million appropriation represents 25% state match funds. With these matching funds, the federal government will contribute 75% of the total cost for the project.

#### ARIZONA GAME AND FISH DEPARTMENT

The Game and Fish Fund is comprised of Federal, State, and transactional sources that are primarily derived from voluntary purchases. While the Game and Fish Fund does not draw from the State General Fund, the monies are appropriated by the legislature for specific purposes, including capital improvements and building renewal projects. For the Game and Fish Department to use the funds, the money must be appropriated by inclusion in the annual Capital Outlay Bill.

#### *AGFD Game and Fish Fund Appropriation* **\$1,092,300**

The Department's Engineering Section takes a proactive approach to effectively inventory and document the condition of its real property assets and develop maintenance priorities consistent with life cycle asset management principles. The Building Renewal Formula returns a value of \$1,092,300 for Game and Fish for FY 2020. Therefore, the Department is requesting an appropriation of \$1,092,270 from the Game and Fish fund to maintain mission critical assets and reduce deferred maintenance.

#### **AGFD CAPITAL IMPROVEMENT FUND APPROPRIATIONS** **\$850,000**

The Game and Fish Department is requesting a total of \$850,000 from the Department's Capital Improvement Fund for supplemental operation and maintenance of infrastructure on Game and Fish properties statewide. The intent of this request is to maintain dedicated funding to achieve restoration objectives on existing properties. In addition to \$300,000 for operations and maintenance, the appropriation request also includes \$150,000 for dam safety and \$400,000 for fish hatcheries.

The dam safety funding will support compliance with dam safety regulations, which can often require costly modifications in addition to routine operation and maintenance activities. These activities are critical in assuring public safety, preventing potential loss of life and property, and preserving the ongoing availability of

numerous fishery and recreational resources for the citizens of Arizona.

The fish hatcheries funding will help to achieve restoration objectives and/or supplement operation and maintenance funding for these facilities. Per ARS 17-292 monies in the Capital Improvement Fund may be expended by the Department for constructing, acquiring, converting, renovating or improving existing facilities.

Most trout in Arizona do not originally come from the stream, river or lake where it's caught it, but rather it was stocked from a hatchery at some stage of its life. Natural trout reproduction in Arizona is extremely limited, yet angler demand is high. Trout cannot reproduce in lakes or ponds because they require cold clear-running perennial streams. Thus, the vast majority of trout caught in Arizona's public waters originate from hatcheries. The Department hatcheries stock trout annually into public waters for anglers to enjoy. To accomplish this, the Department maintains six fish hatcheries within the State, each of which has a dedicated source of natural spring water.

According to the analysis in the 2013 Economic Impact of Fishing in Arizona, annual recreational sport fishing produces \$1.47 billion in economic benefits for the state of Arizona. The primary funding for AGFD hatchery O&M are federal grant monies derived from an excise tax on angler sporting goods. Over the past several years this funding has remained flat and is currently showing a decline. As a result, critical maintenance activities are being deferred, impacting productivity of the hatcheries.

The principal benefit of this appropriation is to sustain the ability of AGFD to adequately maintain hatchery infrastructure in order to sustain or enhance fish production rates. This in turn provides quality recreational opportunity for Arizona's anglers while generating significant economic benefit to the state.

Projects will be planned and implemented based on established priorities and consistent with current Hatchery Management Plan objectives.

Game and Fish has determined a need for a total appropriation of \$1,942,300 for FY 2020.

DEPARTMENT OF PUBLIC SAFETY

*New South Mountain District Office*  
**\$3 million**

In response to highway configuration, population centers and required response time, District Offices are needed at strategic locations on the valley's freeway system. Current travel distances and response times from the existing Metro Phoenix District Office at 16th Street and University are excessive. Additional locations are required to provide proper coverage. A new district office will be needed for coverage of the new South Mountain 202 Freeway, which will extend from Interstate 10 in the area of 51st Avenue, to Interstate 10 and the San Tan 202 freeway in the southern portion of Maricopa County.

This District Offices will serve the new South Mountain 202 Freeway as well as the southern region of Maricopa County. Purchase or lease of land (min. 3 acres) will enable the construction of the new office needed (approximately 7,000 SF). Potential locations include lease or purchase of property between 24th Street and 17th Avenue once the South Mountain Freeway is constructed. An additional option could include partnering with ADOT to include a new DPS district office near the new freeway, in conjunction with any new ADOT offices planned to be built.

Construction of new offices in areas requested will greatly reduce response times potentially saving lives. The primary users would be Highway Patrol and Criminal Investigations, but the facility would also serve all DPS officers and related functions in the far east valley and north valley. Establishment of District Offices enables satellite area office functions in those locations to be closed/consolidated improving efficiency and saving their lease and/or operational costs.

*New Radio Communications Tower for Loop 202 Freeway*  
**\$310,000**

Purchase and install a new radio communications tower to infrastructure being constructed by ADOT at 17th Avenue and the new SR-202.

*Statewide Office Remote Housing Replacement*  
**\$2.79 million**

To support Arizona's vast highway system, improve safety and provide emergency response, DPS Highway Patrol officers are stationed at reasonable travel intervals throughout the State. With great distances between Arizona's populations centers, remote housing compounds are necessary. This request is part of an ongoing plan to improve existing remote housing units in rural Arizona. New housing 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. The burden for 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 2020 include Gila Bend, Quartzsite and Tusayan.

This is part of an ongoing plan to improve existing remote housing and provide additional housing units in rural Arizona.

Like the remote housing needs, DPS requires office space throughout the state to satisfy operational needs. These units have also exceeded their useful life as the six units below are 34 plus years old and require complete replacement. The most critical remote office locations recommended for replacement include Payson, Needle Mountain, Kayenta, Sanders and Wickenburg.

Purchase and installation of new office units will provide adequate space for proper operation, improve efficiencies, address code compliance concerns and reduce energy consumption.

## **FIRE & LIFE SAFETY/INFRASTRUCTURE**

### **ARIZONA DEPARTMENT OF CORRECTIONS**

*Replace Obsolete and Unsupported Fire Alarm Systems; ASPC Florence; Phase I*

**\$6.5 million**

Some of ADC's highest priorities for capital improvements include requests totaling over \$32.7 million to replace and/or repair fire alarm systems in ADC prison complexes throughout the State. Properly working fire alarms are a basic and mandatory requirement for occupied spaces, and particularly so in a confined and secure environment. Fire alarm systems in numerous prison complexes are not Class A fully addressable, as well as inoperable, malfunctioning, unsupported and obsolete. When fire alarm systems are out of commission for extended times, ADC 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 throughout the ADC system.

ADOA recommends a phased approach to comprehensive multi-complex life safety projects coupled with a funding commitment spanning several fiscal years. Phase I of a multi-year funding proposal includes fire alarm systems at the Douglas State Prison Complex and all units at the Eyman State Prison Complex. Existing systems throughout the Douglas State Prison Complex are obsolete, with approximately 85% in a non-operational condition. These units are currently conducting 24-hour fire watches. The fire alarm systems at the Eyman complex serve five individual units. Connectivity and operational problems have led to a non-operable system for all units. Phases II, III, and IV include, but are not limited to, prioritization of fire alarm systems at Florence, Lewis, Phoenix, Tucson, and other complexes. Replacement priorities and phasing would be subject to change upon further intensive evaluation of system components.

*Replace and Upgrade Cell Doors and Locks; Restore Appropriations Phase II*

**\$7.0 million**

The Legislature made appropriations for this multi-year capital project in FY 2006 (\$5.2 million) and FY 2007 (\$5.2 million) and ex-appropriated the monies in FY 2008 (\$2.0 million) and FY 2009 (\$3.2 million), reducing the total cumulative funding to \$5.2 million. ADOA completed a single \$4.9 million project at the ASPC Tucson Rincon Unit. The ex-appropriation of \$5.2

million resulted in ADOA cancelling a second project, the ASPC Florence SMU II Unit Security Upgrades, during the contract award phase.

Since FY 2012, when ADC began receiving building renewal funding directly, ADC has completed locking projects at prison complexes across the state at the cost of \$8.81 million and currently has \$1,412,29 in locking projects in its FY 2019 building renewal plan. Estimates for the remaining scope of this funding issue are currently in the range of \$35.2 million to upgrade or replace locking systems at all ADC prison complexes.

ADOA recommends several years of funding commitment to a phased approach for multi-complex lock and cell door projects. Replacement priorities are subject to change upon further intensive system evaluations.

## **BUILDING SERVICES**

### **ARIZONA DEPARTMENT OF ADMINISTRATION**

*Elevator Modernization for House and Senate*

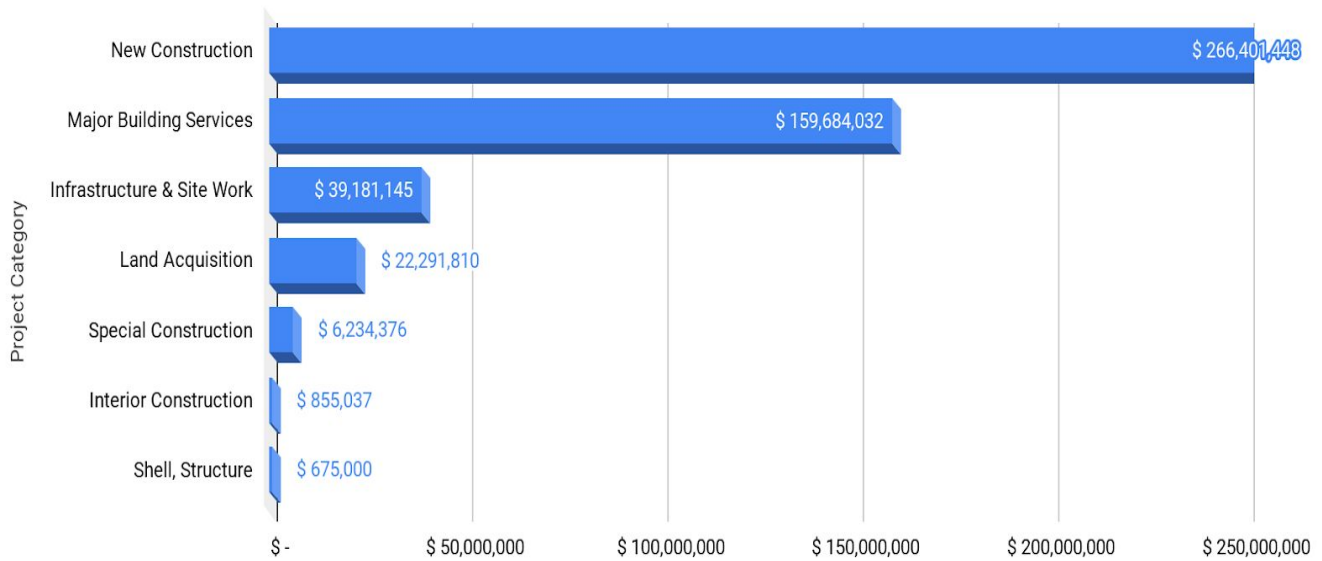
**\$1.6 million**

The ADOA is requesting a \$1.6 million capital appropriation to fund elevator modernization at the House and Senate buildings at the Capitol Mall complex. The elevators in these facilities are over 20-years old and beyond their expected useful service life. In addition to aged and outdated machinery, controls and cabs, the elevators are not ADA compliant, do not provide code compliant elevator lobby enclosures and do not have backup generators.

Aging elevator equipment is increasingly unreliable and expensive to maintain and operate. Elevator failures cause inconvenience to employees and visitors and can present life safety concerns.



Chart 2–ADOA Building System Capital Request Summary



*Elevator Modernization for 1616 W Adams, 1200 W Washington and 1535 W Jefferson*  
**\$2.2 million**

The elevators at 1616 W Adams are beyond their expected service life. The 1980’s era controls need to be modernized. In addition to the aging elevator equipment, the elevator lobbies do not meet current life safety codes. The construction of fire resistant barriers with automatically closing fire doors is needed to provide the required protection to building occupants in the event of an emergency.

The elevator at 1200 W Washington is beyond its expected service life and needs to be updated to meet current codes including a fully accessible control panel, hands-free, two-way communication system, and audible/visual signals and bells at each stop.

Although the passenger elevator cabs at 1535 W Jefferson were reportedly upgraded in the 1990s, the mechanisms remain original. Comprehensive upgrades should be undertaken, including but not limited to replacement of the machines and controllers, and modernization of hoist ways and elevator machine rooms. The freight elevator needs code compliant guardrails at grade for when the hatch is open.

*Air Handler Upgrades*  
**\$4.03 million**

The ADOA is requesting a \$4.03 million capital

appropriation to fund major upgrades to the air handler units at the Capitol Mall complex. A number of the air handler units at the Capitol Mall complex are over 35-40 years old, surpassing their expected useful service life of 20 to 30 years. Many of the failing air handler units are original to building construction and no longer meet the air handling demands of the structures they support. Deteriorated air handler units are currently unpredictable and imminent failure conditions threaten mission critical functions. In Arizona’s extreme environment, a lack of cooling in facilities presents health and life safety concerns.

The ADOA is currently completing a multiyear project to upgrade various central plants at the Capitol Mall complex. An efficient and reliable HVAC system requires both the central plant and the corresponding air handler units to provide adequate cooling. The central plants supply tempered water to the air-handling units. These units then use the tempered water to circulate cool or warm air as necessary to the occupants of the buildings. The central plants and the air handler units require upgrading to adequately cool these facilities.

ADOA proposes the installation of air handler units comprised of heat exchangers, blowers, filters, humidifiers, vibration isolators, sensors, switches, actuators and control systems as well as rental of portable air handler units during construction as necessary.

## FY 2020 ADOA Building System Capital Improvement Plan

The ongoing replacement of aged and inefficient systems with new and more efficient systems will generate energy savings, protect assets, and provide a climate controlled environment for staff supporting mission critical functions.

In recent years, ADOA has attempted to fund individual air handler upgrades with limited Building Renewal funding. This piecemeal approach to replace obsolete and aging equipment has led to continued failures and can take many years for completion. Complete HVAC system failures during the summer months requires emergency-based procurements that increase expenses and out of service times.

Sites, in order of priority, include:

#	Address	Approx. Cost
1	1300/1400 W. Washington	\$1,300,000
2	1700 Executive Tower, W. Washington (2 AHU)	\$1,100,000
3	1700 W. Washington Senate/House	\$1,030,000
4	1200 W. Washington	\$600,000
<b>Grand Total:</b>		<b>\$4,030,000</b>

**TABLE 4-ADOA CAPITAL PROJECT RECOMMENDATIONS**

Agency	Location	Project Name	Project Category	Funds Source	FY 2020
ADOA	Capitol Mall	New Building and Parking Garage at 1275 W Washington	New Construction	General Fund	\$ 55,200,000
ADOA	Capitol Mall	Elevator Modernization for House and Senate	Building Services	General Fund	\$ 1,600,000
ADOA	Capitol Mall	Elevator Modernization for 1616 W Adams, 1200 W. Washington and 1535 W Jefferson	Building Services	General Fund	\$ 2,200,000
ADOA	Capitol Mall	Replace Air Handler Units	Building Services	General Fund	\$ 4,030,000
Corrections	ASPC Florence	Repair and Replace Fire Alarm Systems	Fire & Life Safety	General Fund	\$ 6,500,000
Corrections	Multiple Facilities	Replace and Upgrade Locking and Door Control Systems	Fire & Life Safety	General Fund	\$ 7,000,000
Emergency & Military Affairs	Glendale	West Valley Readiness Center (25% State Matching Funds; 75% Federal Match)	New Construction	General Fund	\$ 3,870,000
Game and Fish	Multiple Facilities	Game and Fish Fund Appropriation	Interior Renovations	AFGC CIF	\$ 1,092,300
Game and Fish	Multiple Facilities	Game and Fish Annual Appropriations	Infrastructure	AFGC CIF	\$ 850,000
Public Safety	Phoenix	South Mountain District Office	New Construction	General Fund	\$ 3,000,000
Public Safety	Phoenix	Radio Communications Tower for South Mountain Freeway	Infrastructure	General Fund	\$ 310,000
Public Safety	Statewide	Modular Housing	New Construction	General Fund	\$ 2,790,000
<b>Grand Total Recommendations</b>					<b>\$ 88,442,300</b>