

**MINUTES OF THE
JOINT CAPITAL FACILITIES & ADMINISTRATIVE SERVICES
APPROPRIATIONS SUBCOMMITTEE
WEDNESDAY, JANUARY 26, 2005, 2:00 P.M.
RoomW025, West Office Building, State Capitol Complex**

Members Present: Sen. Bill Hickman, Subcommittee Co-Chair
Rep. D. Gregg Buxton, Subcommittee Co-Chair
Pres. John Valentine
Rep. Roger Barrus
Rep. DeMar "Bud" Bowman
Rep. Stephen Clark
Rep. Wayne A. Harper
Rep. Fred R. Hunsaker
Rep. Brent H. Goodfellow
Rep. Michael T. Morley

Members Excused: Sen. Mike Dmitrich
Sen. Peter Knudson
Rep. Ralph Becker

Staff Present: Steve Allred, Fiscal Analyst
Jonathan Ball, Technology Analyst
Lynette Erickson, Secretary

Public Speakers Present: D'Arcy Dixon Pignanelli, Executive Director, Administrative Services
Pam Blackham, Administrative Assistant, Office of Child Welfare and Parental Defense
Keith Stepan, Director, Division of Facilities Construction and Management
Ken Nye, Deputy Director, DAS Facilities Construction and Management
Larry Jardine, Chairman, Utah State Building Board
James Hood, Programs Manager, Utah Energy Office
David H. Hart, Executive Director, Capitol Preservation Board
Ed Alter, State Treasurer

A list of visitors and a copy of handouts are filed with the subcommittee minutes.

Co-Chair Buxton called the meeting to order at 2:05 p.m.

1. Approve Minutes of January 19 and 20, 2005

MOTION: Rep. Bowman moved to approve the minutes for January 19 and 20, 2005. The motion passed unanimously with Reps. Stephen Clark and Wayne Harper absent for the vote.

2. Prior Business

a. DFCM Administration

Fiscal Analyst Steve Allred directed the Subcommittee's attention to the bottom of page 3 of the "Budget Brief - DFCM Administration". The Contingency Reserve Fund has an excess of \$2.5 million that can be allocated to DFCM Administration. If general funds are restored to DFCM, the Contingency Reserve Funds can be used for one-time projects. The Analyst's recommendations include:

1. In agreement with DCFM, a total appropriation of \$4,053,500. This include \$87,400 for an FTE reduction and \$124,000 for transferring the CAD program from the ISF budget.
2. A General Fund restoration of at least \$1,075,000 (FY 2006 ongoing funds) for DFCM Administration. The Analyst recommends the subcommittee prioritize this item highly.
3. A decrease to the Contingency Reserve Fund in exactly the same amount as General Funds restored.
4. Depending on the amount of General Funds restored, the difference between \$2.5 million and the final Contingency Reserve Fund appropriation be appropriated to the Capital Development line item to help fund capital development items.

Keith Stepan, Director, DFCM, expressed appreciation for the flexibility this would allow them to put excess funds into capital development.

MOTION: Rep. Barrus moved to accept the Fiscal Analyst's recommendations items 1-4 for DFCM Administration. The motion passed unanimously with Reps. Clark and Harper absent for the vote.

b. Child Welfare Parental Defense - Executive Director D'Arcy Dixon Pignanelli

D'Arcy Dixon Pignanelli and Ms. Pamela Blackham, Administrative Assistant, returned as requested by the Subcommittee to provide additional information on the Child Welfare Parental Defense program. They distributed a handout and explained that this program was established by the Legislature a year ago. The original executive director left her position in December and the position has not been filled. The purpose of the program is to ensure equally good legal representation for parents or guardians who have been accused of child abuse. The main responsibility of the program is to train public defenders how to defend parents in court so there is a level playing field. They are currently in the process of contacting counties and urging their participation in the program. The overall concept of the program was that counties will participate financially to insure that their defenders are properly trained and the financial goal is to receive \$2 million from the counties. The funding allocated thus far is basically seed money to get the program going. Counties see this training as their responsibility while at the same time they may not be able to step up with funding. Some counties look at it as a unfunded mandate.

Co-Chairman Buxton explained further that this program was a spinoff of the Parker Jensen situation, and bills that came from that; and there was a rush by government to help families

such as his. He said this program is to help those kind of people that don't have funds, and help their attorneys be trained. He asked about their expenses and projected expenses. Ms. Pignanelli asked if the Legislature intended to continue funding this program as she is ready to conduct interviews for the executive director position.

Rep. Buxton and Sen. Hickman expressed concern about the scheduled conference coming up May 19 and hiring someone new to direct that conference. Ms. Blackham said they already have presenters confirmed and will offer 11.5 hours CLE, with 1.5 meeting ethics requirements. She informed that 27 CLE hours are required every 2 years. They have set a registration fee of \$25 and they expect the conference will cost \$12,000 of which they have a grant for \$6,000. They do not know how many participants they will have but are planning for approximately 65. They want all attorneys who have contracts with counties for legal defense to be included, especially those who are contracted specifically for parental defense.

MOTION: Rep. Buxton moved to accept the budget proposed by Administrative Services for \$239,000 for the Child Welfare and Parental Defense program. The motion passed unanimously with Reps. Clark and Harper absent for the vote.

Sen. Hickman concluded that because this is a new program, it would be unfair to not continue funding it for another year, but he cautioned they will be looking at it next year to see how it is doing.

c. State Building Energy Efficiency Program - James Hood, Program Manager, Utah Energy Office

Mr. James Hood gave an overview of this program which started as a mandate given under Gov. Leavitt in June, 1999. It requires state buildings to perform energy efficiency programs and identify savings, and directs that 50% of the net savings go to the LeRay McAllister Fund. To date they have generated savings amounting to \$12.9 million with net savings of \$2 million. The Subcommittee discussed with Mr. Hood, Mr. Stepan and Mr. Nye how savings are identified and accounted for. They discussed if they were "chasing a ghost" because of differing accounts and lag time in seeing the savings on paper. Sen. Hickman commented that with project pay back times lasting 5 to 15 years, inflation alone and increased costs of energy will eat up the savings resulting in an accounting nightmare. Director Keith Stepan expressed that this "ghost is worthy of chasing" as there is money out there to be saved.

Sen. Hickman concluded that the Subcommittee had asked for this report to better understand this program and why more funds were not going into the LeRay McAllister fund. The discussion had given the subcommittee a better understanding.

MOTION: Rep. Hunsaker moved that the Energy Office be asked to provide a report that complies with the requirements in code. The motion passed unanimously with Reps. Clark, Harper and Morley absent for the vote.

3. State Building Board Presentation and Discussion

Mr. Larry Jardine, Chair, State Building Board, referred to their Five-Year Building Program Report, included in the binder, that they are required by statute to provide. Through a PowerPoint presentation he gave an overview of their responsibilities. He introduced Manuel

Torres, a board member, and commended their excellent staff, Keith Stepan, Ken Nye, and Ms. Lofgreen, their administrative assistant.

Mr. Jardine reviewed the purpose of Board, their six strategic objectives and the criteria they examined for requested projects. He explained their scoring and prioritization procedures. He presented their FY 2006 list with their first priority being Capital Improvement Funding, since they feel a real need to keep up buildings. He pointed out the Board felt strongly about the Developmental Center Housing Project, a project really needed. The total cost of proposed projects is \$188,750,100. He also commented on the internal audit completed which stated the division was well managed.

Mr. Jardine and Mr. Nye discussed with the committee reasons why a project may move up and down on the prioritization list from year to year. While these changes don't seem fair, they are the result of formula changes, new needs appearing, competition and agencies changing their priorities. They also discussed the criteria they use in their evaluations and decisions.

Rep. Buxton and Sen. Hickman thanked Mr. Jardine, the Building Board, and their staff for all they do. They pointed out it is difficult to explain to the people why their project goes down on the list and it is also hard to score the politics.

4. Capital Improvement Budget

Fiscal Analyst Steve Allred directed the Subcommittee to Tab 9. Capital improvements were formerly known as "alteration, repair and improvements" or AR&I. These are improvements to the state's fixed assets and have to be taken care of before new projects. The Analyst first recommends funding Capital Improvements at a 1.1 percent level as previously recommended but changed by the legislature to 0.9 percent during times of deficit. The state has never funded more than 0.9 percent. This would be an increase of \$9,655,200 over the current base funding and would increase capital improvement funding to \$53,632,100, which is the highest level ever but still not enough to take care of all needs. The funding source could vary between general funds and other funds.

The Analyst's second recommendation on page 2 would be to reallocate funds given last year to remodel the Oxbow Facility. When Oxbow fell through, \$1 million was left unused. The Analyst recommends new intent language to reallocate the unused funds of approximately \$1 million to the DFCM statewide emergency fund.

Mr. Allred pointed out that the chart on page two shows that Higher Ed receives 56 percent of the State's capital improvement funding and has more than half of the State's square footage. The box on the bottom of page 2 shows the increase in Capital Improvement Appropriations since 1996. He said the State system of funding is a good system and recommended a total base budget of \$43,976,900 for the Capital Improvement program.

In response to Rep. Hunsaker's question on facility condition assessment, Mr. Stepan said they had completed assessment of 73% of all buildings in the state which basically completes the project because all other buildings are auxiliaries in Higher Ed and they don't assess those. He said it looks like the State is funding about 25 percent of what we should. Compared to other states, we do well with 1 percent in needs, publically it runs about 2-4 percent, BYU

runs about 3 percent. Rep. Hunsaker commented that while we're doing all we can, we are getting further behind.

MOTION: Rep. Bowman moved to accept the Analyst's recommendations for the Capital Improvement Budget. The motion passed unanimously with Reps. Clark and Hunsaker absent for the vote.

5. Capitol Preservation Board

Mr. Allred directed the committee to Tab 6 clarifying that the budget for the Capitol Preservation Board is not only for projects, but also for maintenance costs. The secondary duty of the Board is to reconstruct the Capitol. He recommended that the previous cut of general fund monies be partially restored to \$117,000 with a total base appropriation for FY 2006 of \$2,606,100. Because of the reduction, DFCM has allowed them to not pay their full cost, but not paying O&M over time will result in long term costs as new buildings need to be maintained.

The Analyst's second recommendation is for an on-going appropriation of \$35,100 for a secretary with salary and benefits, to take care of urgent tasks, so that current staff can focus on projects, not secretarial duties. Mr. Allred also said he had included a one-time supplemental request for \$25,000 to install media equipment in W135, the largest committee room, which does not have overhead capabilities. This equipment could be moved in the future. In addition, SB 100 has passed already this session and provides for wireless internet to Capitol Hill facilities, for which Mr. Allred recommended \$20,000 in ongoing funds.

Mr. Allred also reviewed alternatives for funding the remainder of the Capitol reconstruction project. Option 1 would be to completely fund the project this year with one-time General Funds, although it is not realistic to come up with cash. Option 2 would be to bond for \$135 million, this would save CPB worries. Option 3 would be to use a combination of cash and bonding. The Capitol restoration project has already been funded \$129.1 million which is half-way "down the road," and at this point we are committed to finish the project. He also recommended intent language and gave his recommendations.

Mr. David Hart, Executive Director, Capitol Preservation Board, appeared and reported on their current budget shortfall detailing why they are struggling. They have received from the General Fund \$2,175,800 with \$288,900.00 in dedicated credits. They have lost funds from rental of the rotunda for dances, etc. and their General Fund appropriation of \$141,400.00 pays 50% of his salary and the full salary for Joe Ligori and a temporary secretary. Mr. Hart touched on future budget costs and programs they would like to begin once the Capitol comes back on line.

Mr. Hart responded to questions from the Subcommittee on the Capitol restoration project. He said they plan to plant fruitless cherry trees like those in Washington, D. C. Their target date to move the Legislature and Governor back into the Capitol building is November, 2007. He gave an update on the current and future work to be completed. He said terra cotta fabrication work is underway and a stone terrace will surround the front of the Capitol. Historic lighting has all been removed, will be cleaned and connections put together better. Base isolation is well underway, the basement and rotunda have been removed and isolators will be installed starting in March. Interior walls have been demolished except for 99% of the

historic walls. Site work and excavation is being completed and they are installing water retention on the west side and regrading. Stone has been removed around the building and is now being cut and reused. Artwork is being preserved, some sent to a conservator. The murals will not be replaced, and they were able to save money there as well as with furniture, since Utah Correctional Industries is building and will save them from 33 to 50 percent of the cost of going out. He said they are a little behind financially, but will catch up. They are on schedule. They will tear down the Archive Building in March. Mr. Hart also explained the acoustics situation in the Rotunda and said they would do what they could to improve it, but it may not be enough because of the architecture.

Co-Chairman Hickman thanked Mr. Hart for his report and work saying that they are creating new history, as far as the grand old building and it is a fresh new beginning which was necessary and will be a greater asset for citizens of the State. Mr. Hart replied that as an architect, it is the greatest thing he has done, but as a citizen, if he didn't need to earn living he would do it for free.

MOTION: Rep. Hunsaker moved that the Analyst's recommendations be approved for the Capitol Preservation Board. The motion passed unanimously with all present at the meeting voting in favor.

6. Debt Service

Mr. Steve Allred explained that the State's debt has held steady for the last few years. Utah is one of only seven states now with a Triple A rating, but we have a lot of debt. He reviewed bonding standards, our management procedures, accountability measures, and the range for state debt saying our debt service has shifted from buildings to transportation.

Carl Empey, of Zions Bank, responded to questions from Reps. Hunsaker and Clark on the procedure for issuing school bonds. He said there are only two other states with a Triple A rating that have more debt per capita than Utah, but we are the premier Triple A state in the country, because of our past performance.

Co-Chairman Hickman asked Ed Alter, the State Treasurer, to respond. Mr. Alder said Mr. Allred had done a great job summarizing, and he clarified that authorizing bonding to complete the entire Capitol restoration project, as Dave Hart had requested, would not affect our credit ratings. The rating agencies know there are proposals in the works and they are also fully expecting us to issue bonds for Legacy Highway. He further said that we are in good shape to issue additional debt with \$137 million coming off July 1st. He concluded the rating agencies like what we are doing and our economic upturn.

Co-chairman Hickman questioned the Rainy Day Fund. Mr. Alter replied that currently half of any surplus goes into the Fund and they expect some this year. He would like to see it back up to previous levels as soon as possible. It maxed out at \$126 million.

Rep. Clark asked what the State's line of credit is if we ever have a cash flow problem. Mr. Alter responded that the State has not had a cash flow problem since the 80's when they switched to monthly collections. He said the State maintains a cash balance between \$3-5 million on any given day, and they have not had a red number in recent years. The State's largest expenditure is for salaries.

Co-Chairman Buxton asked how much money coming off bond this year will be available. Mr. Alter replied that it will not free up any money, as it is already built into the schedule and as soon as one is paid off, the next picks up the available funds, shortening maturities of the remaining notes. He said 15 years after the State quits issuing bonds, we will be out of debt.

MOTION: Rep. Hunsaker moved to approve the Analyst's recommendation of \$248,461,300 for debt service. The motion passed unanimously with Rep. Goodfellow absent for the vote.

Having completed the meeting agenda, the meeting was adjourned at 4:40 p.m. by Co-Chair

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Sen. Bill Hickman
Committee Co-Chair

Rep. D. Gregg Buxton
Committee Co-Chair