

**MINUTES OF THE
JOINT CAPITAL FACILITIES & GOVERNMENT OPERATIONS
APPROPRIATIONS SUBCOMMITTEE MEETING
THURSDAY, JANUARY 25, 2007, 2:00 P.M.
RoomW025, West Office Building, State Capitol Complex**

Members Present: Sen. Scott K. Jenkins, Committee Co-Chair
Rep. D. Gregg Buxton, Committee Co-Chair
Sen. Mike Dmitrich
Sen. Darin Peterson
Rep. DeMar “Bud” Bowman
Rep. Stephen Clark
Rep. Janice M. Fisher
Rep. Fred R. Hunsaker
Rep. Gordon Snow
Rep. Mark Walker
Rep. Richard Wheeler

Members Excused: Sen. Sheldon Killpack
Rep. Ralph Becker

Staff Present: Steve Allred, Fiscal Analyst
Jonathan Ball, Technology Analyst
Todd Wardrop, Fiscal Analyst
Bonnie Brinton, Committee Secretary

Public Speakers Present: Ed Alter, Utah State Treasurer
Carl Empey, Utah State Financial Advisor
Bob Askerlund, Facilities Director, Salt Lake Community College
Dennis Klaus, Vice President, Business Services, Salt Lake
Community College
Darrell Hart, AVP Facilities, Utah State University
Keith Stepan, Director, Division of Facilities Construction and
Management
Rob Brems, President, Utah Colleges of Applied Technology
Miles Nelson, Campus President, Southeast Applied Technology
College
Dennis Kellen, Operations Manager, Department of Alcoholic
Beverage Control
Alyn Lunceford, Bond Management, Division of Facilities
Construction and Management
Alan James, UCI Division Director, Utah Department of
Corrections
Greg Peay, Director of Facilities, Utah Department of Corrections

Richard Clarke, Maintenance Engineer, Utah Department of
Transportation
Ann Milner, President, Weber State University
Norman Torbox, Administrative Services, Weber State University

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

Co-Chair Jenkins called the meeting to order at 2:15 p.m.

1. Approve Minutes

MOTION: Rep. Bowman moved to approve the minutes of January 22, 2007. The motion passed unanimously with Reps. S. Clark, Snow and Walker absent for the vote.

2. Debt Service

Steve Allred, Fiscal Analyst, summarized debt service by stating that it is made up of interest and principal due on the State's bonded indebtedness. Dedicated revenue streams such as enterprise fund revenue or dedicated lease payments secure some bonds. Regarding outstanding General Obligation (GO) bond indebtedness, the Analyst stated that the total GO debt for the State is \$1,436,845,100. This amount does not include bonds authorized by the Legislature but not yet issued, such as \$110 million for USTAR, \$4.5 million for a veterans' nursing home, \$6 million for a USU engineering building, and other miscellaneous projects.

Mr. Allred further explained the process of defeasing bonds before their final maturity dates. He acknowledged a chart showing GO Bonds Defeasance Candidates by Coupon Rate and Maturity prepared by Zions Bank for the information of the Subcommittee. Ed Alter, Utah State Treasurer and Carl Empey, Financial Advisor, explained payment of GO Bonds and responded to questions. Since Utah is paying low interest rates on its bonds, cash in the current environment may be more valuable elsewhere. For example, avoiding higher inflation rates on some building and road construction materials may be more desirable.

Regarding reallocated funds, the Analyst does not recommend any further reallocations at this time. The Salt Lake County Highways line item includes debt service on certain highway projects in Salt Lake County, financed by the "quarter of a quarter" county sales tax. In FY 2008 the required debt service payment will drop from the base of \$7,204,400 to \$6,950,000, a net reduction of \$254,400. The Analyst recommends reducing the appropriation accordingly.

The Analyst explained that in FY 2008 the required debt service for highway *principal* will increase by \$10,110,000. However, the required amount for highway *interest* will decrease by \$4,783,500, a net increase of \$5,326,500. The Analyst recommends using nonlapsing balances to cover the increase rather than increasing the appropriation from Transportation Funds. He stated that Utah maintains an "AAA" rating by national rating agencies, showing its willingness to manage its debt.

The Analyst recommends the Legislature adopt a total FY 2008 base appropriation of \$239,532,800 for the Debt Service line item, with \$68,844,000 from State funds; and a reduction of \$254,400 from the TFR - Public Transportation System Tax, making the new total \$6,950,000. This action would reflect the necessary debt service on bonds for Salt Lake County. Doing so would change the estimated Closing Nonlapsing Balance to (\$22,177,500).

MOTION: Rep. Hunsaker moved to accept the Analyst's recommendation regarding Debt Service. The motion passed unanimously with Reps. Snow and Walker absent for the vote.

3. "Other"- Funded Capital Development Requests

The Analyst explained the requests by stating that "Other"- Funded projects are those to be constructed with donations, federal grants, auxiliary revenues, restricted funds, or any other funding source that cannot be appropriated for general state purposes. UCA 63A-5-104 states that, with few exceptions, a capital development project may not be constructed on state property without legislative approval. All bonds backed by the state's credit must be approved by the Legislature. Finally, "capital development" is a project costing \$1.5 million or more, or any purchase of real property where an appropriation is requested.

In addition, Mr. Allred noted three projects (USU Tooele, SUU Housing Revenue Bond, and MATC Utah County Land Option) are new requests that were not presented to the Building Board.

Mr. Allred referred to the Issue Brief - Capital development Recommendations and stated that these recommendations were put together by the Analyst and the Fiscal Analyst's Office for the benefit of the Subcommittee.

a. SLCC Facilities and Parking Building

Bob Askerlund, Facilities Director, and Dennis Klaus, Vice President, Business Services, Salt Lake Community College, presented this request. The project will construct a new building

to house Salt Lake Community College service organizations including: Facility Management, the Kay Office, Parking Services, Mail Services, Materials Distribution and Campus Security. Funding for the project will come from the following sources: Parking Services, \$1 million; and Facility Department Reserves, \$1.5 million.

MOTION: Rep. Wheeler moved to approve the Salt Lake Community College Facilities, Security, Parking Services Building request. The motion passed unanimously with Reps. Snow and Walker absent for the vote.

- b. USU Tooele Education Building**
- c. SUU Housing Complex Revenue Bond**
- e. UCAT MATC Northern Utah County Land Option**

Keith Stepan, Director, Division of Facilities Construction and Management, presented the request for the USU Tooele Education Building. This building would be constructed by Rooele County and leased back to the State, perhaps to be donated to USU in the future. Mr. Stepan suggested that the Analyst compose protective intent language insuring that the State would not buy the building at some time in the future.

MOTION: Sen. Dmitrich moved to approve the USU Tooele Education Building request with the understanding that the Analyst would compose intent language as discussed.

SUBSTITUTE MOTION: Rep. S. Clark moved to approve the USU Tooele Education Building, the UCAT - Mountainland Applied Technology Center, and the SUU Housing Complex Revenue Bond Proposal requests.

Mr. Stepan explained the other two requests to the Subcommittee.

The substitute motion passed unanimously with Sen. Peterson, and Reps. Snow and Wheeler absent for the vote.

d. UCAT SEATC Property Exchange

Rob Brems, President, Utah Colleges of Applied Technology, and Miles Nelson, Campus President, Southeast Applied Technology College, presented the request. This project is a cooperative effort between UCAT, the College of Eastern Utah and the LDS Church. The proposal involves the acquisition of an LDS church adjacent to CEU and Carbon High School in exchange for a 7.6 acre parcel of land owned by CEU. The difference in value between the two properties will be donated by the LDS Church.

MOTION: Sen. Dmitrich moved to approve the Utah College of Applied Technology SEATC Property/Building Exchange request. The motion passed unanimously with Rep. Snow absent for the vote.

- f. DABC North Temple Store Expansion**
- g. DABC Bountiful Store Reconstruction**
- h. DABC Taylorsville Store Expansion**

Dennis Kellen, Operations Manager, Department of Alcoholic Beverages, and Alyn Lunceford, Bond Management, Division of Facilities Construction and Management, presented this request and responded to questions.

MOTION: Rep. Bowman moved to approve the three requests from DABC. The motion passed unanimously with Reps. Snow and Wheeler absent for the vote.

- i. Corrections UCI Production Warehouse**

Alan James, Division Director, and Greg Peay, Director of Facilities, Utah Department of Corrections, presented this request which is construct a new production warehouse financed through a lease revenue bond. Debt service will be paid from revenues of products and services sold by UCI. Mr. James and Mr. Peay responded to questions regarding the building contractors hired and the inmates who will work on the project. They agreed to provide an Annual Report to the Subcommittee members.

Rep. Hunsaker requested a Revenue Stream showing spending and revenues be provided to Subcommittee members.

MOTION: Rep. S. Clark moved to consider the next item on the agenda.

SUBSTITUTE MOTION: Rep. Fisher moved to approve the Corrections UCI Production Warehouse request subject to approval by the Subcommittee after receiving an Annual Report and a Proforma Report from the Department of Corrections. The motion passed unanimously with Rep. Snow absent for the vote.

- j. UDOT Panguitch Maintenance Station Replacement**

Richard Clarke, Maintenance Engineer, Utah Department of Transportation, presented this request to replace the existing Panguitch Maintenance Station. The existing site will be sold and

the proceeds will be used to offset the cost of constructing a new facility. UDOT has a lease/purchase agreement with BLM for a land site that is of suitable size and location for the new maintenance station.

MOTION: Sen. Dmitrich moved to approve the UDOT Panguitch Maintenance Station Replacement request. The motion passed unanimously with Rep. Snow absent for the vote.

k. WSU Hurst Lifelong Learning Building

President Ann Milner, and Norman Tarbox, Vice President for Administrative Services, Weber State University, presented the request. This project will construct a new Lifelong Learning Center for continuing education and University relation functions. It will be the first new building to address administrative space shortfalls on the Ogden campus in over 35 years. The Stewart Educational Foundation has provided a grant of \$3 million; an additional \$3 million will be provided by revenues generated from the program and the remaining \$1.2 million will come from University fund raising efforts.

MOTION: Rep. Clark moved to approve the WSU Hurst Lifelong Learning Building request. The motion passed unanimously with Rep. Walker absent for the vote.

4. Regional Repository Training and Development - Preserving Utah's Historical Documents

Rep. Harper provided this information on a handout for Subcommittee members showing training budget detail of \$16,665 annually; and pass-through funds criteria of \$50,000 annually.

MOTION: Rep. Bowman to adjourn.
The meeting was adjourned at 4:00 p.m. by Co-Chair Jenkins.

The minutes were reported by Bonnie Brinton.

Sen. Scott K. Jenkins
Committee Co-Chair

Rep. David G. Buxton
Committee Co-Chair