

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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HOUSE OF
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JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, May 13, 2008

8:00 A.M.

House Hearing Room 4

MEETING NOTICE

- Call to Order
- [Approval of Minutes of December 18, 2007.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [COCHISE COMMUNITY COLLEGE DISTRICT - Review of Revenue Bond Projects.](#)
- 2. ARIZONA DEPARTMENT OF TRANSPORTATION
 - [A. Review of Grand Canyon Airport Modular Housing Project.](#)
 - [B. Review of Sprinkler and Fire Alarm Systems Project.](#)
- 3. [ARIZONA STATE UNIVERSITY - Review of Memorial Union Fire Renovations Bond Project.](#)
- 4. NORTHERN ARIZONA UNIVERSITY
 - [A. Review of Infrastructure Upgrades Bond Project.](#)
 - [B. Review of New Residence Life Warehouse Bond Project.](#)
 - [C. Review of Revised Applied Research Facility Bond Project at NAU-Yuma](#)

The Chairman reserves the right to set the order of the agenda.

5/7/08

sls

People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 926-5491.

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**MINUTES OF THE MEETING
JOINT COMMITTEE ON CAPITAL REVIEW**

Tuesday, December 18, 2007

The Chairman called the meeting to order at 1:35 p.m., Tuesday, December 18, 2007 in Senate Appropriations Room 109. The following were present:

Members:	Senator Burns, Chairman Senator Verschoor Senator Waring	Representative Pearce, Vice-Chairman Representative Kavanagh Representative Groe Representative Lujan Representative Schapira
Absent:	Senator Arzberger Senator Aboud Senator Aguirre Senator Johnson	Representative Boone Representative Lopes

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee, Chairman Robert Burns stated the minutes of November 20, 2007 would stand approved.

ARIZONA DEPARTMENT OF ADMINISTRATION - Review and Approval of Chapters 257 and 261 Prison Bed, Prison Water, and Arizona State Hospital Forensic Unit Projects.

Ms. Leatta McLaughlin, JLBC Staff, presented, for review and approval, the Arizona Department of Administration (ADOA) to issue a lease-purchase agreement worth \$239 million for 3 projects. Laws 2007, Chapter 261 authorizes ADOA to enter into a lease-purchase agreement for \$200 million to construct 4,000 prison beds, while Law 2007 Chapter 257 authorizes ADOA to enter into a lease-purchase agreement for \$39 million of which \$6.8 million will be for prison water projects and \$32.2 million will be for a new forensic unit at the Arizona State Hospital. The JLBC Staff provided several options for the Committee to consider. ADOA has requested the Committee to review 2 additional projects; however, the Chairman chose not to put these projects on the agenda since they have not received full legislative authorization.

There was no discussion on this item.

Representative Pearce moved that the Committee give a favorable review and approval for \$239.0 million worth of Certificates of Participation (also known as COPs or lease-purchase) issuance for the 3 Chapters 257 and 261 projects with the provision that ADOA report back to the Committee prior to the beginning of construction on the estimated scope and cost of the projects. The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION/LEGISLATIVE COUNCIL - Review and Approval of Land Purchase for State Archives and History Building.

Ms. Leatta McLaughlin, JLBC Staff, presented for review and approval for ADOA to purchase 9,900 square feet of land for \$130,000 that is adjacent to the Polly Rosenbaum State Archives and Library building. The \$130,000 purchase price is less than the appraisals and does not require an additional appropriation. Laws 2007, Chapter 44 authorizes ADOA to purchase this land with an existing appropriation. The JLBC Staff recommends a favorable review.

There was no discussion on this item.

Representative Pearce moved that the Committee give a favorable review and approval as recommended by JLBC Staff to the \$130,000 to purchase 9,900 square feet of land adjacent to the site of the Polly Rosenbaum State Archives and History Building. The motion carried.

ARIZONA STATE UNIVERSITY –

A. Review of Memorial Union Fire Renovations Bond Project.

Ms. Leah Ruggieri, JLBC Staff, presented the Arizona State University (ASU) proposal to perform renovations at the Memorial Student Union at a total cost of \$40 million. The renovations are needed as a result of a fire that occurred in early November, the cause of which is still unknown. ASU would issue bonds to finance \$13 million and anticipates insurance reimbursements will cover the remaining \$27 million of the total \$40 million project cost. The JLBC Staff recommends a favorable review.

There was no discussion on this item.

Representative Pearce moved that the Committee give a favorable review as recommended by JLBC Staff to the \$40.0 million Memorial Union Fire Renovations bond project with the following standard university financing provisions:

- *ASU shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. ASU shall also report to the Committee before any reallocation exceeding \$500,000 among the individual planned renovations, renewals, or extensions.*
- *ASU shall submit for Committee review any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, ASU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.*
- *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.*

The motion carried.

The Committee additionally recommends that ASU shall submit for review any change in the current \$27.0 million estimated insurance reimbursement amount in excess of \$500,000 and a revised financing plan.

B. Indoor Basketball Practice Facility Bond Project.

Ms. Amy Strauss, JLBC Staff, presented the review of ASU's proposed indoor basketball facility bond project. The total project costs are approximately \$22 million which includes \$20 million in bonds and the remaining \$2 million in gifts. The JLBC Staff recommends a favorable review.

There was no discussion on this item.

Representative Pearce moved that the Committee give a favorable review as recommended by JLBC Staff to the \$22.0 million indoor basketball practice facility financed with a total new revenue bond issuance of \$19.8 million and \$2.2 million from upfront cash gifts with the following standard university financing provisions:

- *ASU shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. ASU shall also report to the Committee before any reallocation exceeding \$500,000 among the individual planned renovations, renewals, or extensions.*
- *ASU shall submit for Committee review any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, ASU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.*
- *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.*

The motion carried.

UNIVERSITY OF ARIZONA – Review of Revised Scope of Deferred Renovation Bond Project.

Ms. Leah Ruggieri, JLBC Staff, presented the University of Arizona (UA) reallocation of \$4.1 million from the Deferred Renovation bond project. This item was previously favorably reviewed by the Committee to replace an aging cooling tower on the campus. One of the provisions adopted at that review required UA to submit for review any changes in the scope to the original project in excess of \$100,000. UA anticipates that the replacement will result in an annual savings of over \$600,000 primarily in energy costs. This reallocation overall will not increase the cost of the Deferred Renovation project as originally reviewed by the Committee. The JLBC Staff recommends a favorable review.

There was no discussion on this item.

Representative Pearce moved that the Committee give a favorable review as recommended by JLBC Staff to the reallocation of \$4.1 million from the original list of Deferred Renovation projects for the replacement of an aging cooling tower on the main campus with the following standard university financing provisions:

- *UA shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add alternates that do not expand the scope of the project. UA shall also report to the Committee before any reallocation exceeding \$500,000 among the individual planned renovations, renewals, or extensions.*
- *UA shall submit for Committee review any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add alternates that expand the scope of the project. In case of an emergency, UA may immediately report on the scope and estimated cost of the emergency rather than submit*

the item for review. JLBC Staff will inform the university if they do not agree with the change of scope as an emergency.

- *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any auxiliary revenues that may be required for debt service, or any operations and maintenance costs when the project is complete. Auxiliary funds derive from substantially self-supporting university activities, including student housing.*
- *UA shall not use bonding to finance any repairs whose typical life span is less than the bond repayment period. Such repairs include, but are not limited to, new flooring and painting. The exceptions to this stipulation are circumstances where such repairs are required to complete a major renovation.*

The motion carried.

ARIZONA STATE PARKS BOARD – Review of State Lake Improvement Fund Grants and Consider Approval of State Parks Enhancement Fund Projects.

Mr. Art Smith, JLBC Staff, presented the review of the Arizona State Parks Board State Lake Improvement Fund (SLIF) projects and approval of State Parks Enhancement Fund (SPEF) projects. SLIF provides funding for counties and local governments for land acquisition and capital projects on water where motorized boats are permitted. Funding for SLIF comes from the gasoline taxes for boating and watercraft license taxes. The 25 grants and projects total \$7.1 million of the SLIF request. They include boat purchases and refurbishments, boating area renovations and improvements, leasehold acquisition and state parks projects. SLIF items are for review by the Committee.

SPEF provides funding for operating state parks and other capital projects as approved by the Committee. Funding from SPEF comes from admissions and concessions fees. The 2 SPEF projects total \$1 million for a new visitor center at Picacho Peak and a wastewater treatment facility at Slide Rock State Park. SPEF items are for consideration of approval by the Committee. The JLBC Staff provided several options for the Committee to consider.

Discussion ensued on this item.

Mr. Jay Ziemann, Assistant Director, Arizona State Parks Board, responded to member questions.

Representative Pearce moved that the Committee give a favorable review to the Parks Board request for 25 SLIF grants and projects totaling \$7,104,400 with the condition that the favorable review does not constitute an endorsement of General Fund support of these projects in the future. Also, approve the Parks Board request for \$1,000,000 in SPEF monies for 2 State Parks capital projects. The motion carried.

Mr. Clifford Edey, La Paz County Board of Supervisors, and Mr. Mark Nexsen, Lake Havasu City Mayor, addressed their support of the SLIF projects to the Committee.

Without objection, the meeting adjourned at 2:05 p.m.

Respectfully submitted:

Yvette Medina, Secretary

Leatta McLaughlin, Fiscal Analyst

Senator Robert Burns, Chairman

NOTE: A full audio recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams. A full video recording of this meeting is available at <http://www.azleg.gov/jlbc/meeting.htm>.

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DATE: May 8, 2008

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leah Kritzer, Fiscal Analyst

SUBJECT: Cochise Community College District – Review of Revenue Bond Projects

Request

A.R.S. § 15-1483 requires Committee review of any community college planned projects that will be funded with bond proceeds. The Cochise Community College District requests Committee review of their \$11.1 million bond projects. The project would finance new student housing facilities and a science building on their Douglas campus with a total revenue bond issuance of \$11.0 million and with \$0.1 million in district funds.

In addition to the revenue bond issuance, Cochise has provided information on the issuance of its \$15 million Pledged Revenue Obligation (PROs), also known as lease-purchase agreements. Statute does not require Committee review of lease-purchase agreements. There is, however, a potential legal question regarding whether Cochise can issue \$15 million in PROs at one time.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review.
2. An unfavorable review.

At its April 8 meeting, the Cochise County Community College Governing Board approved the college's plans to finance construction with \$11.0 million in revenue bonds and \$15.0 million in PROs. Of the \$11.0 million in revenue bonds, \$8.0 million will fund a new student housing complex, \$2.3 million will fund a new science building, and the remaining \$0.7 million will fund bond issuance related costs. The cumulative debt service payment for the 2 buildings over a 20-year period will be approximately \$20.2 million, with an expected interest rate of about 5.3% which equates to approximately \$9.2 million in interest payments. The revenue bond debt service will be funded from tuition and student fees, dormitory fees, food service fees, and bookstore sales.

(Continued)

Although the PROs issuance does not require formal Committee review, JLBC Staff would like to bring this issue to the Committee's attention since it is part of Cochise's submittal. Cochise is planning on issuing \$15 million in PROs, which would appear to exceed a \$2.5 million annual cap on lease-purchase issuances in the community colleges statute. The Cochise bond counsel, however, does not agree with this interpretation due to past community college lease-purchase issuance practice. While the PROs are not subject to formal review, the Committee can still offer its recommendation on this issue.

Beyond taking no action, the Committee could:

1. Recommend that Cochise remain within the \$2.5 million annual cap.
2. Recommend that A.R.S. language be modified to match current practice.

Analysis

At its July 2006 meeting, the Committee gave a favorable review to Cochise Community College District's proposed \$87.7 million General Obligation (GO) bond issuance. GO bond issuances require voter approval due to the fact the debt service is funded by a secondary property tax levy. The bond issuance failed by a margin of 58% to 42% in the November 2006 general election. As a result, the scope of the district's master facilities plan has been changed, financing only projects that the district has defined as essential for its current population and no longer accommodating for growth.

Since the GO bond issuance was not approved by the voters, the college plans to finance its projects using other mechanisms. Cochise is now planning to finance their revised master facilities plan with 3 separate funding sources: revenue bonds, Pledged Revenue Obligations (lease-purchase agreements), and district cash reserves, none of which require voter approval. The construction projects will take place on all 3 of Cochise's campuses, for a total project cost of \$46.5 million.

Project Costs

Cochise would contract these projects using Construction Manager at Risk (CMAR). In CMAR, the college competitively selects a general contractor according to quality and experience. The general contractor manages a construction project, including the associated architect and other subcontractors, from design to completion. The general contractor chooses a qualified subcontractor for each trade based on price competition, selecting the lowest. CMAR defines a guaranteed maximum price, after which the general contractor must absorb almost all cost increases, except those caused by scope changes or unknown site conditions. Occasionally, in the case of substantial materials price inflation, a college will partially cover higher costs to maintain good contractor relations.

Table 1 on the next page provides detail of the revenue bond expenditure plan, which would build a new student housing complex and science building in Douglas. The total project cost of the revenue bond projects is \$10.4 million, of which \$10.3 million will be financed from the bond proceeds and \$0.1 million from local district funds. Approximately \$7.6 million would be allocated for direct construction costs, \$880,000 for equipment and furniture, \$838,000 for architecture and engineering fees, \$915,000 for contingency, and \$191,000 for CMAR Pre-Design Fees. Bond issuance related costs will be approximately \$705,000, including any discounts and bond insurance. Cochise will cover the operating and maintenance of the new facilities using operating funds.

Table 1				
Cochise Community College Estimated per Square Foot Costs Revenue Bond Projects				
<u>Project</u>	<u>Total Project Cost</u>	<u>Square Feet</u>	<u>Direct Construction Costs</u>	<u>Direct Construction Cost Per Square Foot</u>
Student Housing Complex	\$ 8,028,000	29,000 - 34,500	\$5,838,000	\$170 - 200 /sf
Science Building	<u>2,419,000</u>	<u>8,500</u>	<u>1,785,000</u>	210/sf
TOTAL	\$10,447,000	37,500 - 43,000	\$7,623,000	\$180 - \$200/sf

Student Housing Complex

Cochise indicates that the current student housing complex on the Douglas campus cannot accommodate current electrical or computer access needs. It is estimated that the cost to renovate these buildings would be higher than the cost of new buildings. The proposed new student housing complex would have a range of 130 to 140 beds which would include a main housing building and a number of townhouse style and family housing units. The college currently has 2 existing dormitories for accommodating approximately 240 beds, with a current occupancy rate of 130 to 140 beds. The current women's dormitory must be demolished in order to complete phase 2 of construction, and the remaining dormitory will either be demolished or converted for other functions.

The total project cost for the new student housing is approximately \$8.0 million. Cochise is estimating the project will be between 29,000 and 34,500 square feet, with a range of \$230 - \$280 project cost per square foot and a range of \$170 - \$200 direct construction cost per square foot. In April 2007, the Committee favorably reviewed a Northern Arizona University (NAU) dormitory construction project at a project cost per square foot of \$299. The cost estimate for Cochise's student housing appears reasonable.

Science Building

The college indicates that renovation of the current science building in Douglas would be costly and would require a 1-year suspension of science classes during the construction. It believes that it could upgrade and expand more easily by instead constructing a new science building. The proposed new building would include 4 science labs, which would also serve as classrooms, as well as additional storage and administrative space. Once the new science building is completed, Cochise plans to renovate the current science building and convert it to a general academic building.

The total project cost for the new 8,500 square foot science building is estimated at approximately \$2.4 million for a \$280 project cost per square foot and a direct construction cost per square foot of \$210. In January 2007, the Committee favorably reviewed a Maricopa Community College District science building construction project at a total cost per square foot of \$318. The cost estimate for Cochise's science building appears reasonable.

Bond Issuances and Debt Service

Cochise is hoping to issue its proposed revenue bonds in July 2008. The \$11.0 million bond issuance would have a 20-year payment term at an interest rate of 5.3% for a total cost of \$20.2 million. The revenue bonds would be funded from the following sources: \$17.6 million from tuition and fees, \$1.5 million from food service fees, \$720,000 from dormitory fees, and \$330,000 from bookstore revenues. Cochise indicates it will increase the dormitory fees once the student housing complex has been completed, charging the market rate for up-to-date student housing. They have set their 2009 dorm fees at \$491 a semester, but have not yet determined what dorm fees will be once the new dorms are completed. Cochise states that the other revenue streams will not be adjusted to pay for the revenue bonds.

(Continued)

Pledged Revenue Obligations

Cochise plans on issuing PROs, which are a type of lease-purchase agreements, and do not require Committee review. These plans were submitted to JCCR, as a part of Cochise's overall expenditure plan. Total project costs related to the PROs issuance are \$24.0 million, with \$14.7 million in PROs revenue and \$9.3 million in district funds. The PROs will fund construction on both the Douglas and Sierra Vista campuses for 4 new buildings and renovate a number of existing buildings. Direct construction costs total \$18.1 million, which include construction labor and material costs. Total project costs are \$24.0, which include direct construction costs, architect fees, equipment costs, and contingency fees. *Table 2* provides detail of the PROs expenditure plan.

Table 2 Cochise Community College Estimated per Square Foot Costs Pledged Revenue Obligation (PROs) Projects				
<u>Project</u>	<u>Total Project Cost</u>	<u>Square Feet</u>	<u>Direct Construction Costs</u>	<u>Direct Construction Cost Per Square Foot</u>
Student Union/Student Services Building	\$ 8,733,000	31,100	\$ 6,531,000	\$210/sf
Academic Building	5,717,000	25,000	4,200,000	170/sf
Career Technical Education Building	2,166,000	10,500	1,680,000	160/sf
Renovations to existing buildings	<u>7,419,000</u>	<u>--</u>	<u>5,643,000</u>	<u>--</u>
TOTAL	\$24,035,000	66,600	\$18,054,000	\$190/sf

Cochise plans to issue PROs in the amount of \$15.0 million, of which \$14.7 million is for direct projects costs and the remaining \$0.3 million in issuance related costs. The PROs have an expected interest rate of approximately 4.6% and a term of 15 years for a total payment of \$21.3 million, funded in whole by tuition and fee revenues.

Community college districts are authorized under A.R.S. § 15-1446 to enter into PROs. Since 1988, statute has stated that "the amount of outstanding indebtedness due to acquisition of real property by lease-purchase for each district shall not exceed \$2.5 million in any one year and \$15.0 million in the aggregate." A literal reading of this statute would suggest that a community college district cannot enter into lease-purchase agreements greater than \$2.5 million in any one year, and the total outstanding debt in any one year cannot be greater than \$15 million.

At the beginning of FY 2009, when Cochise plans on issuing \$15 million in PROs, they will no longer have any outstanding debt from previous lease-purchase agreements. Cochise plans on a single PRO issuance of \$15 million, which could be in compliance with the \$15 million aggregate cap set in statute. However, Cochise's legal counsel's interpretation of the \$2.5 million annual statutory reference differs from the literal interpretation discussed above. Cochise interprets statute to mean that the district cannot have an annual debt service payment exceeding \$2.5 million in any single year. Cochise believes that there is a \$15 million cap on the total principal debt which can be issued at one time as long as the annual debt service payments do not exceed \$2.5 million.

In practice, this language has been interpreted differently by community college districts. For example in FY 2002, 3 community colleges had outstanding lease-purchase agreements. Of that outstanding debt, Mohave Community College had an original lease-purchase issuance amount of \$5.6 million, Cochise Community College had an original issuance of \$3 million, and Navajo Community College had an original issuance of \$2.4 million.

(Continued)

Legislative Council believes the \$2.5 million annual issuance cap represents the total debt that can be incurred in a given year. If Cochise were to issue \$15 million in PROs, they would be incurring \$15 million in debt in one year, which is over the \$2.5 million annual limit but could be compliant with the \$15 million aggregate cap. Legislative Council does note that the difference in interpretation could indicate there is a discrepancy between actual statutory language and past community college practices regarding lease-purchase issuances.

Summary

Attachment 1 provides detail of the district's overall expenditure plan, financed through revenue bonds, PROs, and district funds. The construction projects will cost a total of approximately \$46.5 million (\$34.2 million in new project expenditures + \$12.3 million in renovated project expenditures). These projects represent Cochise Community College District's revised master facilities plan at its Sierra Vista, Douglas, and Wilcox campus locations.

RS/LK:ss
Attachment

**Cochise Community College District
Estimated Master Facilities Plan Expenditures**

New Project Expenditures				
	<u>Project Cost (\$ in millions)</u>	<u>Square Feet</u>	<u>Construction Cost Per Square Foot</u>	<u>Funding Source^{1/}</u>
<i>Sierra Vista Campus</i>				
Career Technical Education Building	\$3.5	15,200	\$200/sf	DF
Academic Building	5.7	25,000	170/sf	PRO
Student Union/Student Services Building	8.7	31,100	210/sf	PRO, DF
Science Building Addition	<u>2.2</u>	<u>7,600</u>	<u>240/sf</u>	DF
Subtotal	20.1	78,900	200/sf	
<i>Douglas Campus</i>				
Science Building	2.4	8,500	210/sf	RB, DF
Career Technical Education Building	2.2	10,500	160/sf	PRO
Student Housing Complex	<u>8.0</u>	<u>29,000 - 34,500</u>	<u>170 - 200/sf</u>	RB
Subtotal	12.6	48,000 - 53,500	170 - 190/sf	
<i>Wilcox Campus</i>				
Education Center	1.5	8,000	150/sf	DF
TOTAL	\$34.2	134,900 – 140,400	\$190/sf	

^{1/} RB = Revenue Bond, PRO = Pledged Revenue Obligation, DF = District Funds

Renovated Project Expenditures^{1/}		
	<u>Project Cost (\$ in millions)</u>	<u>Funding Source^{2/}</u>
<i>Sierra Vista Campus</i>		
Renovation of Existing Buildings	\$ 3.7	PRO, DF
Site Improvements	2.7	DF
Demolish and Move Buildings	<u>0.3</u>	DF
Subtotal	6.7	
<i>Douglas Campus</i>		
Renovation of Existing Buildings	3.7	PRO, DF
Site Improvements	<u>0.9</u>	DF
Subtotal	4.6	
<i>District-wide</i>		
Mediated Classrooms	<u>1.0</u>	DF
TOTAL	\$12.3	

^{1/} Square footage not provided.
^{2/} RB = Revenue Bond, PRO = Pledged Revenue Obligation, DF = District Funds.

March 4, 2008

Mr. Richard Stavneak
Director JCCR
Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007



COCHISE COLLEGE
OFFICE OF THE
PRESIDENT



Dear Mr. Stavneak:

On April 8, 2008, the Cochise County Community College Governing Board will consider two action items related to capital financing for our Master Facilities Plan. The first item will be to issue Revenue Bonds in the amount of \$10,765,000. The second will be to issue Pledged Revenue Obligation (PROs) in the amount of \$14,790,000. These amounts include bond premiums that will create net proceeds of \$25,000,000. We have every expectation that the Board will act favorable on these two items.

Cochise College has been developing its Master Facilities Plan for several years. Recently, the College has scaled back considerably on the overall plan. We have set aside college reserves to assist with the financing for the required projects. We have been working with bond council, Gust Rosenfeld, and financial advisor, RBC Dain Rauscher, to develop an appropriate debt strategy to finance the remainder of the plan. Our hope is to receive the proceeds from these issuances on or about July 2, 2008.

I would like to request that this funding initiative be placed on the agenda for your April JCCR meeting. Although only the Revenue Bonds require JCCR assessment, it would not be possible to fully implement our Master Facilities Plan without the PRO funding. Therefore, in the spirit of full disclosure, we will include the PRO material as part of the Revenue Bond review. Other information about our Master Facilities Plan is detailed in a variety of reports. We look forward to working collaboratively with your staff to present this material in a manner most appropriate for the review process.

Please contact me with details about the meeting when it is confirmed. I am available to address any questions or concerns you may have about Cochise College's Master Facilities Plan and its related financing.

Sincerely,

A handwritten signature in dark ink, appearing to read "Karen A. Nicodemus".

Karen A. Nicodemus, Ph.D.
President

CC: Cochise College Governing Board Members
Terry Bowmaster
Kevin Butler
Kristen Boilini

BOND DEBT SERVICE

Cochise County Community College District
Revenue Bonds 2008 (032408)

Dated Date 07/01/2008
Delivery Date 07/01/2008

Period Ending	Principal	Coupon	Interest	Debt Service
07/01/2009	105,000.00	4.000%	552,050.00	657,050.00
07/01/2010	110,000.00	4.000%	547,850.00	657,850.00
07/01/2011	115,000.00	4.000%	543,450.00	658,450.00
07/01/2012	115,000.00	4.000%	538,850.00	653,850.00
07/01/2013	120,000.00	4.000%	534,250.00	654,250.00
07/01/2014	125,000.00	4.000%	529,450.00	654,450.00
07/01/2015	130,000.00	4.000%	524,450.00	654,450.00
07/01/2016	135,000.00	4.000%	519,250.00	654,250.00
07/01/2017	145,000.00	4.000%	513,850.00	658,850.00
07/01/2018	145,000.00	4.500%	508,050.00	653,050.00
07/01/2019	150,000.00	4.500%	501,525.00	651,525.00
07/01/2020	160,000.00	4.500%	494,775.00	654,775.00
07/01/2021	170,000.00	4.625%	487,575.00	657,575.00
07/01/2022	180,000.00	4.750%	479,712.50	659,712.50
07/01/2023	180,000.00	5.000%	471,162.50	651,162.50
07/01/2024	1,610,000.00	5.000%	462,162.50	2,072,162.50
07/01/2025	1,690,000.00	5.125%	381,662.50	2,071,662.50
07/01/2026	1,780,000.00	5.250%	295,050.00	2,075,050.00
07/01/2027	1,870,000.00	5.250%	201,600.00	2,071,600.00
07/01/2028	1,970,000.00	5.250%	103,425.00	2,073,425.00
	11,005,000.00		9,190,150.00	20,195,150.00

BOND DEBT SERVICE

Cochise County Community College District
Pledged Revenue Obligations 2008 (032408)

Dated Date 07/01/2008
Delivery Date 07/01/2008

Period Ending	Principal	Coupon	Interest	Debt Service
07/01/2009	735,000.00	4.000%	683,075.00	1,418,075.00
07/01/2010	765,000.00	4.000%	653,675.00	1,418,675.00
07/01/2011	795,000.00	4.000%	623,075.00	1,418,075.00
07/01/2012	830,000.00	4.000%	591,275.00	1,421,275.00
07/01/2013	860,000.00	4.000%	558,075.00	1,418,075.00
07/01/2014	895,000.00	4.000%	523,675.00	1,418,675.00
07/01/2015	930,000.00	4.000%	487,875.00	1,417,875.00
07/01/2016	970,000.00	4.500%	450,675.00	1,420,675.00
07/01/2017	1,010,000.00	4.500%	407,025.00	1,417,025.00
07/01/2018	1,060,000.00	4.750%	361,575.00	1,421,575.00
07/01/2019	1,110,000.00	5.000%	311,225.00	1,421,225.00
07/01/2020	1,165,000.00	5.000%	255,725.00	1,420,725.00
07/01/2021	1,220,000.00	5.000%	197,475.00	1,417,475.00
07/01/2022	1,280,000.00	5.125%	136,475.00	1,416,475.00
07/01/2023	1,350,000.00	5.250%	70,875.00	1,420,875.00
	14,975,000.00		6,311,775.00	21,286,775.00

STATE OF ARIZONA

Joint Committee on Capital Review

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DAVID SCHAPIRA

DATE: May 8, 2008

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Juan Beltran, Fiscal Analyst

SUBJECT: Arizona Department of Transportation – Review of Grand Canyon Airport Modular
Housing Project

Request

In compliance with A.R.S. § 41-1252, the Arizona Department of Transportation (ADOT) requests Committee review of \$2,500,000 for the Grand Canyon Airport Modular Housing project appropriated by the FY 2007 Capital Outlay Bill (Laws 2006, Chapter 345).

Recommendation

The JLBC Staff recommends that the Committee give a favorable review to the request.

The cost projections are consistent with the low bid and are within the proposed budget for the project.

Analysis

The FY 2007 Capital Outlay Bill appropriated \$2,500,000 from the State Aviation Fund in FY 2007 to the department for the construction of modular housing. A.R.S. § 41-1252 requires that the Committee review the scope, purpose and estimated cost before the release of monies for construction of a new capital project costing over \$250,000.

ADOT estimates a total cost of \$2,500,000 for the construction of 15 modular homes and related infrastructure at the Grand Canyon National Park Airport, as shown in the following table.

(Continued)

ADOT's Estimated Cost for 15 Modular Homes and Related Infrastructure	
	<u>Estimated Cost</u>
Pre-design/build site planning and engineering	\$ 20,000
Asbestos abatement allowance	20,000
Project management support services	30,000
Contingency allowance	125,000
Design/build contract ^{1/}	<u>2,305,000</u>
Total	\$2,500,000
<hr/> ^{1/} \$153,700 cost per modular home includes a new unit, installation of utilities, basic appliances, paving, and removal of existing modular homes.	

Based on the low bid of \$2.5 million, the new modular homes would cost \$153,700 each, including the new home, installation of utilities, basic appliances, paving, and removal of existing modular homes. ADOT estimates the new homes to be about 1,600 square feet each, for a total project cost of \$104 per square foot. The other bid received was \$3.5 million.

ADOT reports that the bid extends through June 15, 2008. Construction is to be completed within 154 calendar days after notice to proceed. This project will allow ADOT to replace the current old mobile homes and second hand modular units.

The JLBC Staff recommends that the Committee give a favorable review of \$2,500,000 for the proposed construction of 15 modular homes and related infrastructure, since the cost estimate appears reasonable and is consistent with the low bid and the statutory intent for the project.

RS/JB:sls



Janet Napolitano
Governor

Victor M. Mendez
Director

Arizona Department of Transportation

Office of the Director

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

Richard Travis
Deputy Director

February 8, 2008

The Honorable Russell K. Pearce
Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, Arizona 85007

Dear Representative Pearce:

In FY2007, ADOT received a \$2,500,000 appropriation from the State Aviation Fund for the construction of fifteen (15) modular homes and related infrastructure at the Grand Canyon National Park Airport. We would like to proceed with the awarding of the contract and accordingly, request to be placed on the agenda of the next JCCR meeting to obtain the Committee's approval.

The following is an overview of anticipated costs:

Pre-design/build site planning and engineering	\$ 20,000
Asbestos abatement allowance	20,000
Project management support services	30,000
Contingency allowance	125,000
Design/build contract	<u>2,305,000</u>
Total Project	\$ 2,500,000

Employee Housing at the Airport currently consists of very old mobile homes and second hand modular units. All are in poor condition with several in such bad shape, they can't be occupied. This project will allow ADOT to provide safe and adequate housing for the employees who serve this remote location.

We look forward to the Committee's favorable review of this project. If you have any questions please contact Melissa Wynn at 712-8981.

Sincerely,

Victor M. Mendez

cc: Senator Robert Burns, Vice-Chairman
Richard Stavneak, JLBC
Bob Hull, JLBC
Jim Apperson, OSPB
Marcel Benberou, OSPB

STATE OF ARIZONA

Joint Committee on Capital Review

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DAVID SCHAPIRA

DATE: May 8, 2008

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Juan Beltran, Fiscal Analyst

SUBJECT: Arizona Department of Transportation – Review of Sprinkler and Fire Alarm Systems Project

Request

In compliance with A.R.S. § 41-1252, the Arizona Department of Transportation (ADOT) requests Committee review of \$1,265,000 to install automatic sprinkler and fire alarm systems, which was appropriated by the FY 2006 Capital Outlay Bill (Laws 2005, Chapter 298).

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the \$1,100,500 to install fire sprinkler and alarm systems at 7 sites with the requirement that ADOT seek Committee review prior to expending the \$164,500 of undesignated monies.

The cost projections are consistent with the low bid and are within the proposed budget for the project.

Analysis

The FY 2006 Capital Outlay Bill appropriated \$1,265,000 from the State Highway Fund in FY 2006 to the department for automatic sprinkler and fire alarm systems in existing ADOT equipment services buildings. A.R.S. § 41-1252 requires that the Committee review the scope, purpose, and estimated cost before the release of monies for construction of a new capital project costing over \$250,000.

ADOT operates 21 equipment repair shops statewide. Currently, 7 of the 21 equipment repair shops are out of compliance with life safety code requirements per the National Fire Protection Association and State Fire Marshal. This project would allow ADOT to bring these 7 equipment shops into compliance including Flagstaff, Fredonia, Holbrook, Kingman, Page, Prescott Valley, and Tucson.

ADOT has indicated that they might also seek a bid for the Show Low facility, which is fire code compliant since it has less than the 10,000 square feet requirement. This facility does not have a fire

(Continued)

suppression or protection system, and ADOT says some concerns have been raised about potential liabilities. ADOT has had a long-term desire to relocate the entire Show Low maintenance yard, but there are no firm plans in place. ADOT had a FY 2008 budget request of \$16.9 million to replace the Show Low facility, but it was not included in the budget.

ADOT estimates a total cost of \$1,100,500 to install sprinkler and fire alarm systems at 7 equipment shops, which leaves an undesignated amount of \$164,500, as shown in the following table. The average cost is \$138,600 per location to install sprinkler and alarm systems and a tire storage container, excluding \$60,400 for the statewide survey and \$70,000 for contingency.

The total proposed spending is summarized in *Table 1*. These estimates have been updated since the original request was received.

Table 1	
ADOT's Estimated Cost To Install Sprinklers and Fire Alarms Systems at Seven Equipment Shops	
	<u>Estimated Cost</u>
Statewide Survey of 21 Sites	\$ 60,400
Engineering ^{1/}	221,100
Installation of Fire Sprinklers/Alarm Systems ^{2/}	694,000
Tire Storage Containers ^{3/}	55,000
Contingency	<u>70,000</u>
Subtotal	\$1,100,500
Undesignated	<u>164,500</u>
Total	\$1,265,000
^{1/} Includes site evaluation and design for 7 sites at Flagstaff, Fredonia, Holbrook, Kingman, Page, Prescott Valley, and Tucson.	
^{2/} Includes upgrading water lines and other improvements.	
^{3/} To store tires outside the shop.	

ADOT reports that the bid extends through August 16, 2008. Installation is to be completed within 120 calendar days after notice to proceed.

RS/JB:sls



Arizona Department of Transportation

Office of the Director

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

Janet Napolitano
Governor

Victor M. Mendez
Director

April 25, 2008

Richard Travis
Deputy Director



The Honorable Russell K. Pearce
Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, Arizona 85007

Dear Representative Pearce:

In FY2006, ADOT received a \$1,265,000 appropriation from the State Highway Fund to upgrade and/or replace automatic sprinkler and fire alarm/detection systems. We are now ready to award the contract and accordingly, request to be placed on the agenda of the next JCCR meeting to obtain the Committee's approval.

The following is an overview of anticipated costs:

Engineering	\$ 290,000
Construction	695,000
Containers	55,000
Contingency	<u>225,000</u>
Project Total	\$ 1,265,000

Funding for this project will be used to bring seven equipment repair shops into compliance with life safety code requirements per the National Fire Protection Association (NFPA) and State Fire Marshall. The project includes the installation of Class A fire alarm systems and integrated automatic sprinkler systems that are remotely monitored and will automatically sound a fire or evacuation alarm plus deactivate air-handling equipment. Included in the upgrade work will be any necessary water lines, heat and cooling fan interlocks, as well as engineering plans for these systems.

We look forward to the Committee's favorable review of this project. If you have any questions please contact Melissa Wynn at 712-8981.

Sincerely,

Victor M. Mendez

cc: Senator Bob Burns, Vice-Chairman
Richard Stavneak, JLBC
Bob Hull, JLBC
Jim Apperson, OSPB
Marcel Benberou, OSPB

STATE OF ARIZONA

Joint Committee on Capital Review

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DAVID SCHAPIRA

DATE: May 8, 2008

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leah Ruggieri, Senior Fiscal Analyst
Leatta McLaughlin, Senior Fiscal Analyst

SUBJECT: Arizona State University – Review of Memorial Union Fire Renovations Bond Project

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Arizona State University (ASU) is submitting for Committee review its revised Memorial Union Fire Renovations bond project. The Committee first favorably reviewed the \$40.0 million bond project in December 2007, with the stipulation that ASU return for Committee review if any change in excess of \$500,000 from insurance reimbursements occurred.

ASU now reports that the total cost of the project is increasing from \$40.0 million to \$53.0 million. ASU will fund the \$13.0 million increase with insurance reimbursements. In total, the project will be funded with \$40.0 million from insurance reimbursements and a \$13.0 million revenue bond issuance.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request with the following standard university financing provisions:

- ASU shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. ASU shall also report to the Committee before any reallocation exceeding \$500,000 among the individual planned renovations, renewals, or extensions.
- ASU shall submit for Committee review any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, ASU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.

(Continued)

- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.

The JLBC Staff additionally recommends that ASU shall submit for Committee review any change in the current \$40.0 million estimated insurance reimbursement amount in excess of \$500,000 and a revised financing plan.

Analysis

On November 1, 2007, a fire caused extensive damage to the ASU Memorial Union. The cause of the fire has not yet been determined. The Memorial Union is 255,000 square-feet in size and is located at the center of campus, providing services, dining, and office and conference space for students and organizations. ASU received a favorable review from the Committee in December 2007 to correct the fire damage and additionally renovate the Memorial Union. The renovations included taking steps to ensure that the facility receives Fire Marshal approval, restoring the dining and retail venues on the first and lower levels, repairing or replacing infrastructure, restoring a freight elevator and meeting spaces, and performing minor reconfigurations of space. ASU initially closed the building, opened the first and lower levels for use in January 2008, and plans to open the second and third levels after renovations are complete.

The original cost of the project was \$40.0 million, funded from \$27.0 million insurance reimbursements and \$13.0 million in system revenue bonds. The project now costs \$53.0 million. The increase is solely funded from an increase in insurance reimbursements of \$27.0 million to \$40.0 million. Insurance reimbursements are ultimately based upon the actual cost incurred to repair the building and make enhancements to meet the fire code. The \$13.0 million bond issuance covers additional building renovations, which ASU planned to complete sometime in the future, but opted to conduct while the building is being repaired for fire damage to ultimately cut back costs.

ASU hired an outside code consultant to determine the full scope of the fire alarm systems replacement and upgrades and other code compliant enhancements, but the consultant's report was not available until earlier this spring. In the meantime, ASU's first priority was to perform the necessary repairs to re-open as much of the Memorial Union as quickly as possible, which ended up being the first and lower levels in January 2008. According to ASU, this arrangement was acceptable to the Fire Marshal because the fire alarm systems on both of the first and lower level floors were made code compliant.

Subsequent to the first and lower levels of the Memorial Union being re-opened, ASU received the consultant's report. This report indicated additional needed code compliance beyond the fire alarm system replacement and upgrades for items such as new stair towers and modification to existing stair towers. Of the \$13.0 million project cost increase, \$9.0 million will be spent on increasing exit stair widths from over 22 feet to 52 feet and fire protecting the steel structure. Nearly half of the remaining \$4.0 million will be spent on asbestos abatement, while the other half will be spent on installing sprinklers and sump pumps for elevator shafts and replacing and upgrading the fire alarm system for the remaining 2 floors.

The project will now have a direct construction cost of \$44.8 million, which includes construction labor and material costs. The \$53.0 total project cost includes direct construction costs plus architect fees, furniture and equipment costs, and contingency fees. *Table 1* displays the construction and project costs associated with the Memorial Union renovations alongside projects favorably reviewed by the JCCR in the past year. The latter projects primarily included the renovation of office and lab space. The Memorial Union renovation total cost per-square-foot is \$208 (previously \$157) and the direct construction cost per-square-foot is \$175 (previously \$105), which are higher than 3 of the 4 other projects included in the

(Continued)

table. These costs, however, appear reasonable when taking into account inflation and the relatively more sophisticated renovation work required.

Table 1				
University Renovation Projects Estimated per Square-Foot Costs				
<u>Project</u>	<u>Total Project Cost</u>	<u>JCCR Review Date</u>	<u>Total Cost Per Square Foot</u>	<u>Direct Construction Cost Per Square Foot</u>
Academic Renovations & Deferred Maintenance Phase IIA	\$9,955,000	August 2006	\$154/sf	\$120/sf
Nursing Backfill Renovation Project	\$8,000,000	August 2007	\$164/sf	\$115/sf
West Stadium Renovations	\$3,200,000	November 2007	\$196/sf	\$136/sf
Memorial Union Fire Renovations Project	\$53,000,000	May 2008	\$208/sf	\$175/sf
Instructional/Research Laboratory Renovations	\$20,000,000	January 2007	\$269/sf	\$202/sf

RS/LR:ck

ASU
ARIZONA STATE UNIVERSITY

April 15, 2008



The Honorable Russell Pearce, Chair
Joint Committee on Capital Review
1700 W. Washington
Phoenix, AZ 85007

Dear Representative Pearce:

Enclosed is a revised submission for the following project due to an expanded scope arising from additional code compliance requirements:

Memorial Union Fire Renovations

Enclosed is pertinent information relating to this project revision.

This project was previously reviewed at the JCCR's December 18, 2007 meeting.

The amount budgeted to be bond financed has not changed, just the amount presently budgeted from the insurance settlement and, consequently, the total project budget.

If you have any questions or desire any clarification on the enclosed material, please contact me at (480) 727-9920

Sincerely,

Carol Campbell
Executive Vice President and CFO

Enclosures

c: Richard Stavneak, Director, JCCR
Joel Sideman, Executive Director, Arizona Board of Regents
Sandra Woodley, CFO, Arizona Board of Regents
Lorenzo Martinez, Assist. Exec. Dir. for Capital Resources, Arizona Board of Regents
Richard Stanley, Senior Vice President and University Planner
Virgil Renzulli, Vice President for Public Affairs
Scott Cole, Deputy Executive Vice President, University Services
Steve Miller, Deputy Vice President, Public Affairs
Lisa Frace, Associate Vice President for Budget and Planning
James Sliwicki, Director, Budget Planning and Management
Gerald Snyder, Associate Vice President for Finance and Treasurer
Karla Phillips, Director, State Relations
Leah Ruggieri, Fiscal Analyst, JCCR

OFFICE OF THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
Business and Finance

PO BOX 877505, TEMPE, AZ 85287-7505
(480) 727-9920 FAX: (480) 727-9922

EXECUTIVE SUMMARY

ACTION ITEM: Revised Project Approval for Memorial Union Fire Renovations

ISSUE: ASU requests that the Board grant Revised Project Approval and a \$13,000,000 budget increase for the Memorial Union Fire Renovations Project at ASU at the Tempe campus.

PREVIOUS BOARD ACTION:

- | | |
|--|---------------|
| • 2008 Capital Development Plan Amendment | December 2007 |
| • Project Implementation Approval and Project Approval | December 2007 |

BACKGROUND:

A fire on November 1, 2007 caused significant and extensive damage to the ASU Memorial Union, a 255,000 square foot building which serves one of the largest student populations in the U.S. Fire restoration work began immediately after the fire, and the preliminary budget estimate reported to ABOR in Dec. 2007 was \$40,000,000. Since that time, the 1st and lower levels of the building have reopened and are in use.

As work on the building progressed and code compliance reviews were undertaken, new code requirements were revealed requiring additional building modifications. After confirming meetings with the authorities and establishing the costs to address these requirements, it became clear that the original budget would not be sufficient to fulfill the remediation, code compliance work, and 2nd floor upgrades envisioned in the initial ABOR submittal.

The additional work is required to be completed prior to opening the second and third floor for operations. Current exit stair total widths of 22 feet 8 inches has to be increased by fifty two feet which translates to four new stair towers and the modification to five (all) existing stair towers. In addition the original portion (1954) of the MU has unprotected structural steel which must now be fire protected. These two items make up over \$9M dollars of the \$13M additional requested. The balance of the budget increase is for additional fire alarm system replacement/upgrades to the existing system required by the State Fire Marshall and asbestos abatement. These additional mandated code upgrades are being negotiated with our insurance carriers for reimbursement.

The initial \$40,000,000 assumed risk management insurance reimbursements of \$27,000,000 and \$13,000,000 in university financing. ASU requests that ABOR grant a \$13,000,000

EXECUTIVE SUMMARY

budget increase for this project to address the additional building and code compliance needs. The new estimated budget for this project would be \$53,000,000 after ABOR approval.

At the time of the fire, ASU was in the midst of a building renewal project involving fire protection and fire alarm upgrades for the first floor of the Memorial Union. This \$760,000 project was completed by Belfor, the company hired by ASU to perform fire remediation work. The total combined budget for the Fire Protection and Fire Alarm Upgrades Project and the Memorial Union Fire Renovations Project is now \$53,760,000. Since the Fire Protection and Fire Alarm Upgrades project was funded from previously approved Building Renewal monies, the budget information for the Memorial Union pertains only to the \$53,000,000 Memorial Union Fire Renovations project. Hiring one contractor to perform the work on both projects saved considerable time, construction dollars, and allowed for efficient coordination of work.

PROJECT DESCRIPTION

ASU is working in conjunction with the Arizona State Fire Marshall in the design process, to ensure that the building will be brought up to all current fire code standards before it is re-occupied.

This project will remediate the 255,000 square foot, fire-damaged Memorial Union, as well as bring the building into compliance with current codes and upgrade the 2nd floor. The project will include:

- general repair
- mechanical and electrical restoration
- addition of exits and stairs, and modification of existing stairs
- furnishings, fixtures and equipment (FFE) repair and replacement
- adding fireproofing, fire sprinklers and alarms
- kitchen grease duct corrections
- vertical shaft code corrections
- asbestos abatement
- upgrade of finishes and lighting
- upgrade and repair of furnishings, fixtures and equipment (FFE)
- upgrade and repair of telecom and audio visual
- reconfigure of space to create an additional large meeting room on the 2nd floor
- upgraded acoustical
- minor modifications to rooms and walls to upgrade functionality and space efficiency
- upgraded signage
- audiovisual and telecom upgrades

EXECUTIVE SUMMARY

FISCAL IMPACT AND FINANCING PLAN

The funding source for this project would be insurance reimbursements or system revenue bonds. The amount to be financed versus funded from insurance reimbursements may change once the insurance claim is settled. The funding source for the debt service would be tuition and other local funds. This project was included in the ASU Revised 2008 Capital Development Plan, submitted in January 2008, which shows that the ASU debt service on all outstanding debt would be 5.6 percent of the university's total projected expenditures (State law basis, max 8 percent) and 7.2 percent of the university's projected unrestricted expenditures (ABOR policy basis, max 10 percent).

The debt service for this project is .06 percent (6/100th of 1%) of ASU total projected expenditures (State Law basis) and .08 percent (8/100th of 1%) of ASU total projected unrestricted expenditures (ABOR Policy basis).

RECOMMENDATION:

RESOLVED: That the Board grant approval to the ASU request for Revised Project Approval for the Memorial Union Fire Renovations Project at ASU at the Tempe campus.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University

Project Name: Memorial Union Fire Renovations

Project Description/Location:

This project is planned to renovate the 255,000 square foot Memorial Union. The project will include remediation of fire, smoke, and water damaged areas, installation of all necessary fire suppression and fire warning equipment and infrastructure. The project intends to repair structural deficiencies, renovate dated areas on the 2nd floor, and improve building egress and circulation areas.

Project Schedule (Beginning Month/Year):

Planning	November 2007
Design	November 2007
Construction	November 2007
Occupancy	August 2008

Project Budget:

Total Project Cost	\$ 53,000,000
Direct Construction Cost	\$ 48,215,000
Total Project Cost per GSF	\$ 208
Construction Cost per GSF	\$ 189

Change in Annual Oper. /Main. Cost

Utilities	\$ 0
Personnel	\$ 0
All Other Operating	\$ 0

Funding Sources:

Capital

A. Revenue Bonds \$ 13,000,000
(Funding source for Debt service: Tuition and Other Local Funds)

B. Insurance Settlement \$ 40,000,000
(The amount to be financed versus funded from insurance reimbursement may change once the insurance claim has been settled.)

Operation/Maintenance (not applicable) \$ 0

EXECUTIVE SUMMARY

Capital Project Cost Estimate

University: Arizona State University at the Tempe campus

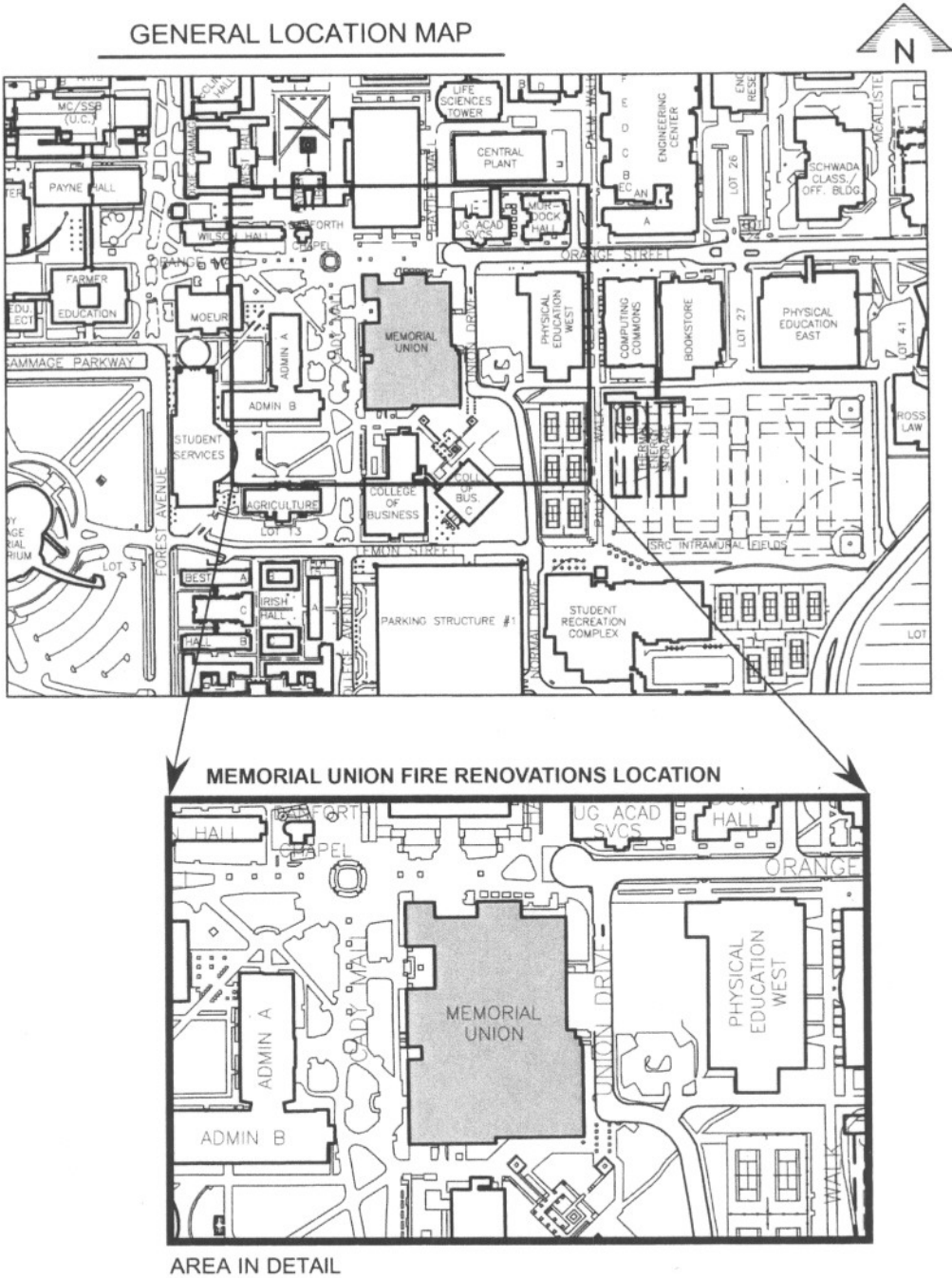
Project: Memorial Union Fire Renovations

	<u>Project Implementation Approval</u>	<u>Project Approval</u>	<u>Revised Project Approval</u>
Capital Costs			
1. Land Acquisition	\$ -	\$ -	\$ -
2. Construction Cost	-	-	-
A. Remediation	20,200,000	20,200,000	20,923,870
B. Renovation	6,500,000	6,500,000	22,481,980
C. Special Fixed Equipment	-	-	-
D. Site Development (excl. 2.E.)	-	-	-
E. Parking and Landscaping	-	-	-
F. Utilities Extensions	-	-	131,701
G. Other* (Sustainability)	-	-	1,226,103
H. Inflation Adjustment	-	-	-
Subtotal Construction Cost	<u>\$ 26,700,000</u>	<u>\$ 26,700,000</u>	<u>\$ 44,763,654</u>
3. Fees			
A. Construction Mgr	\$ 400,500	\$ 400,500	\$ 337,230
B. Architect/Engineer	3,204,000	3,204,000	2,204,000
C. Other	-	-	50,000
Subtotal Consultant Fees	<u>\$ 3,604,500</u>	<u>\$ 3,604,500</u>	<u>\$ 2,591,230</u>
4. FF&E Movable	\$ 5,000,000	\$ 5,000,000	\$ 1,000,000
5. Contingency, Design Phase	1,515,225	1,515,225	250,000
6. Contingency, Constr. Phase	1,515,225	1,515,225	1,130,524
7. Parking Reserve	-	-	-
8. Telecommunications Equipment	700,000	700,000	1,817,000
Subtotal Items 4-8	<u>\$ 8,730,450</u>	<u>\$ 8,730,450</u>	<u>\$ 4,197,524</u>
9. Additional University Costs			
A. Surveys and Tests	\$ 20,000	\$ 20,000	\$ 150,000
B. Move-in Costs	-	-	20,000
C. Printing Advertisement	7,500	7,500	15,000
D. Keying, signage	25,397	25,397	30,000
E. Project Management Cost (2.09%)	809,118	809,118	1,071,585
F. State Risk Mgt. Ins. (.0034 **)	103,035	103,035	161,007
Subtotal Addl. Univ. Costs	<u>\$ 965,050</u>	<u>\$ 965,050</u>	<u>\$ 1,447,592</u>
TOTAL CAPITAL COST	<u><u>\$ 40,000,000</u></u>	<u><u>\$ 40,000,000</u></u>	<u><u>\$ 53,000,000</u></u>

* Universities shall identify items included in this category

** State Risk Management Insurance factor is calculated on construction costs and consultant fees.

EXECUTIVE SUMMARY



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
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PAULA ABOUD
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MARSHA ARZBERGER
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JIM WARING

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REPRESENTATIVES

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PHIL LOPES
DAVID LUJAN
DAVID SCHAPIRA

DATE: May 8, 2008

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leah Kritzer, Fiscal Analyst

SUBJECT: Northern Arizona University - Review of Infrastructure Upgrades Bond Project

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Northern Arizona University (NAU) requests Committee review of their infrastructure upgrade project to be financed with a \$15.0 million system revenue bond issuance.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request with the following standard university financing provisions:

- NAU shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. NAU shall also report to the Committee before any reallocation exceeding \$500,000 among the individual planned renovations, renewals, or extensions.
- NAU shall submit for Committee review any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, NAU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.
- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.

This particular project is not comparable to any other project conducted by the universities. Therefore, JLBC Staff cannot offer an analysis on the reasonableness of this cost. The Committee has favorably reviewed similar items in the past. For example, the University of Arizona Deferred Renovation project,

(Continued)

favorably reviewed in December 2007, did not have any comparable costs on which to assess the project's reasonableness.

Analysis

NAU proposes to use this bond issuance to fund utility infrastructure projects, which include utility extensions, electrical upgrades, chiller installation, and chiller tie-ins. The project is expected to increase capacity, reliability, and energy efficiency to its current buildings as well as provide capacity for future expansion. The university states the project will extend and upgrade its electrical and telecommunications capacity.

Construction Costs

Due to the type of project, square footage costs cannot be obtained. *Table 1* below provides detail of NAU's expenditure plan for the infrastructure upgrade. There are no available comparable projects for this upgrade to do a cost comparison.

Table 1	
Northern Arizona University Infrastructure Upgrade Project Costs	
<u>Project</u>	<u>Total Project Cost</u> (\$ in millions)
Install Chillers #3 and #4	\$ 3.5
ITS Chilled Water Extension	3.0
ITS Power Upgrades	2.0
Infrastructure Upgrade Phase 1	1.7
Central Campus Reclaim Water Extension	1.5
Tinsley Cowden Site Rehabilitation	1.0
North Plant – Refurbish Boiler	0.8
Contingency	<u>1.5</u>
Total	\$15.0

The Infrastructure Upgrade project has a number of different separate components:

- **Install Chillers** – NAU plans to install two 1,000-ton chillers and connect to the system to increase plant capacity. These chillers will provide chilled water to new buildings including the conference and hotel facility and a new lab facility.
- **ITS Chilled Water Extension** – This extension will provide chilled water to the Information Technology Services (ITS) building.
- **ITS Power Upgrade Phase 1** – The upgrade will supply backup power to the ITS building, which will allow the building to continue to operate during power outages.
- **Infrastructure Upgrade Phase 1** – NAU plans to install steam and chilled water extensions to facilitate the expansion of the northern perimeter of campus.
- **Central Campus Reclaim Water Extension** – This project will extend current reclaimed water service to the center of campus. This will provide water for landscaping around a new residence hall building and the core of campus.
- **Tinsley Cowden Site Rehabilitation** – The site rehabilitation will occur after the completion of the infrastructure upgrade projects where areas were disrupted during construction.
- **Refurbish Boiler at North Plant** – This refurbishment of the boiler includes retubing the boiler, replacing the gas regulator, and connecting the boiler to the new header system. NAU also plans to add a variable frequency drive to improve efficiency.

(Continued)

NAU would contract this bond project using Construction Manager at Risk (CMAR). In CMAR, the university competitively selects a general contractor according to quality and experience. The general contractor manages a construction project, including the associated architect and other subcontractors, from design to completion. The general contractor chooses a qualified subcontractor for each trade based on price competition, selecting the lowest bid. Additionally, CMAR defines a guaranteed maximum price, after which the general contractor must absorb almost all cost increases except those caused by scope changes or unknown site conditions. Occasionally, in the case of substantial materials price inflation, a university will partially cover higher costs to maintain good contractor relations.

Financing

The total project cost for the infrastructure upgrade project is \$15.0 million, of which all will be funded by system revenue bonds. The debt service will be paid from tuition revenues. NAU anticipates issuing the \$15.0 million in AA rated system revenue bonds later this spring with an estimated 5% annual interest rate and a term of 30 years. The university estimates an annual debt service of \$972,400, with a 30-year total of \$27.2 million. NAU anticipates operating and maintenance costs of \$375,000 when the project is completed, and will cover these expenses from general university funds.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The \$15.0 million system revenue bond issuance would increase the NAU debt ratio from 6.53% to 6.78%.

RS/LK:ss



NORTHERN ARIZONA UNIVERSITY

Capital Assets and Services

Northern Arizona University
PO Box 6016
Flagstaff, AZ 86011

928.523.4227
928.523.9441 fax
www4.nau.edu/cas



April 25, 2008

The Honorable Russell K. Pearce, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, AZ 85007

RE: NAU Capital Projects for Review

Dear Chairman Pearce:

I respectfully request that the following projects for Northern Arizona University (NAU) be placed on the next available agenda for the Joint Committee on Capital Review. The NAU projects include Infrastructure Upgrades at \$15 million and a Residence Life Warehouse at \$3.9 million. These projects have been reviewed and approved by the Capital Committee of the Arizona Board of Regents as well as the full body of the Arizona Board of Regents. In addition, we submit for the committee's information modifications to our research infrastructure project at NAU Yuma increasing the project cost from \$4 million dollars as originally received a favorable review to the revised budget of \$6.5 million.

Infrastructure Upgrades:

The Infrastructure Upgrades project received concurrent Project Implementation Approval and Project Approval during the Arizona Board of Regents (ABOR) September 27 – 28, 2007 meeting. The project has a total budget of \$15 million and will be financed by system revenue bonds. General university funds will be used to fund the debt service and any associated operations and maintenance.

The existing utility infrastructure on north campus is approximately 50 years old. This construction will provide utility extensions to south, east and north campus perimeters for increased capacity and energy efficiency. Electrical upgrades will address areas that have reached maximum electrical capacity. The project will install looped utility delivery to minimize system failures in academic buildings. While this project will significantly improve utility delivery, it also focuses on areas in greatest need of remediation identified in the NAU Utility Master Plan. This project is the latest in a series of utility infrastructure projects that maintain campus operational integrity and support university strategic direction.

Residence Life Warehouse:

The Residence Life Warehouse project was reviewed by the ABOR Capital Committee during its April 3, 2008 meeting. The project received Project Implementation Approval and Project Approval during the April 24 – 25, 2008 ABOR meeting. The total project budget is \$3.9 million and system revenue bonds will be issued to finance the project. The bonds will be repaid over a 30-year period using \$260,000 annually from Auxiliary Funds.

The Residence Life Warehouse project is 16,800 total square feet of new storage space on south campus. The project addresses Residence Life storage needs such as furniture, carpet, appliances, and snow removal equipment which is currently housed in the north campus physical plant. The

current location is in a heavily populated student academic corridor not compatible with warehouse activities nor with the mechanical systems housed in the north plant.

NAU Yuma:

The NAU Yuma research infrastructure project received prior favorable review from JCCR on May 9, 2006. Information is provided to the committee to advise members of project square footage expansion and increased project cost. Project Approval for these changes occurred during the February 14, 2008 ABOR Capital Committee meeting. The total project budget is now \$6.5 million which will be funded with \$4 million in Certificates of Participation supported by Research Infrastructure funds appropriated by the legislature under House Bill 2529 and \$2.5 million of debt funded by general university funds.

NAU is pleased to provide any further information required on these projects.

Sincerely,



Kathleen Schedler, P.E.
Special Assistant to the President
Capital Assets and Services

cc: President John D. Haeger
MJ McMahon, Executive Vice President, NAU
Joel Sideman, Executive Director, Arizona Board of Regents
Richard Stavneak, Director, Joint Legislative Budget Committee
Leah Kritzer, Analyst, Joint Legislative Budget Committee
Christy Farley, Director, Government Affairs, NAU
Ernest Calderón, Chair, ABOR Capital Committee

NET DEBT SERVICE

System Revenue Bonds
Infrastructure Project

Date	Principal	Interest	Total Debt Service	Net Debt Service
12/1/2008		423,572.92	423,572.92	423,572.92
6/1/2009	185,000.00	363,062.50	548,062.50	548,062.50
12/1/2009		359,362.50	359,362.50	359,362.50
6/1/2010	255,000.00	359,362.50	614,362.50	614,362.50
12/1/2010		354,262.50	354,262.50	354,262.50
6/1/2011	265,000.00	354,262.50	619,262.50	619,262.50
12/1/2011		348,962.50	348,962.50	348,962.50
6/1/2012	275,000.00	348,962.50	623,962.50	623,962.50
12/1/2012		343,462.50	343,462.50	343,462.50
6/1/2013	285,000.00	343,462.50	628,462.50	628,462.50
12/1/2013		337,406.25	337,406.25	337,406.25
6/1/2014	300,000.00	337,406.25	637,406.25	637,406.25
12/1/2014		331,031.25	331,031.25	331,031.25
6/1/2015	310,000.00	331,031.25	641,031.25	641,031.25
12/1/2015		324,443.75	324,443.75	324,443.75
6/1/2016	325,000.00	324,443.75	649,443.75	649,443.75
12/1/2016		317,537.50	317,537.50	317,537.50
6/1/2017	340,000.00	317,537.50	657,537.50	657,537.50
12/1/2017		310,312.50	310,312.50	310,312.50
6/1/2018	350,000.00	310,312.50	660,312.50	660,312.50
12/1/2018		302,875.00	302,875.00	302,875.00
6/1/2019	365,000.00	302,875.00	667,875.00	667,875.00
12/1/2019		293,750.00	293,750.00	293,750.00
6/1/2020	385,000.00	293,750.00	678,750.00	678,750.00
12/1/2020		284,125.00	284,125.00	284,125.00
6/1/2021	405,000.00	284,125.00	689,125.00	689,125.00
12/1/2021		274,000.00	274,000.00	274,000.00
6/1/2022	425,000.00	274,000.00	699,000.00	699,000.00
12/1/2022		263,375.00	263,375.00	263,375.00
6/1/2023	445,000.00	263,375.00	708,375.00	708,375.00
12/1/2023		252,250.00	252,250.00	252,250.00
6/1/2024	470,000.00	252,250.00	722,250.00	722,250.00
12/1/2024		240,500.00	240,500.00	240,500.00
6/1/2025	490,000.00	240,500.00	730,500.00	730,500.00
12/1/2025		228,250.00	228,250.00	228,250.00
6/1/2026	515,000.00	228,250.00	743,250.00	743,250.00
12/1/2026		215,375.00	215,375.00	215,375.00
6/1/2027	540,000.00	215,375.00	755,375.00	755,375.00
12/1/2027		201,875.00	201,875.00	201,875.00
6/1/2028	570,000.00	201,875.00	771,875.00	771,875.00
12/1/2028		187,625.00	187,625.00	187,625.00
6/1/2029	600,000.00	187,625.00	787,625.00	787,625.00
12/1/2029		172,625.00	172,625.00	172,625.00
6/1/2030	625,000.00	172,625.00	797,625.00	797,625.00
12/1/2030		157,000.00	157,000.00	157,000.00
6/1/2031	660,000.00	157,000.00	817,000.00	817,000.00
12/1/2031		140,500.00	140,500.00	140,500.00
6/1/2032	690,000.00	140,500.00	830,500.00	830,500.00
12/1/2032		123,250.00	123,250.00	123,250.00
6/1/2033	725,000.00	123,250.00	848,250.00	848,250.00
12/1/2033		105,125.00	105,125.00	105,125.00
6/1/2034	760,000.00	105,125.00	865,125.00	865,125.00
12/1/2034		86,125.00	86,125.00	86,125.00
6/1/2035	800,000.00	86,125.00	886,125.00	886,125.00
12/1/2035		66,125.00	66,125.00	66,125.00
6/1/2036	840,000.00	66,125.00	906,125.00	906,125.00
12/1/2036		45,125.00	45,125.00	45,125.00
6/1/2037	880,000.00	45,125.00	925,125.00	925,125.00
12/1/2037		23,125.00	23,125.00	23,125.00
6/1/2038	925,000.00	23,125.00	948,125.00	948,125.00
	15,005,000.00	14,166,197.92	29,171,197.92	29,171,197.92

Infrastructure Upgrades

<i>Design Professional</i>	<i>GLHN</i>
<i>CMAR</i>	<i>Summa Mechanical</i>

Project Scope

Series of projects including chilled water, power and reclaimed water.

<i><u>Total Project Budget</u></i>	<i>\$15,000,000</i>
------------------------------------	---------------------

THE UNIVERSITY OF
ARIZONA
EMERYVILLE





EXECUTIVE SUMMARY

ACTION ITEM: Infrastructure Upgrades Project Implementation and Project Approval

ISSUE: Northern Arizona University requests Project Implementation and Project Approval for the Infrastructure Upgrades Project.

PREVIOUS BOARD ACTION: Capital Development Plan Approval June 2007

PROJECT DESCRIPTION:

- NAU continues its series of utility infrastructure projects that maintain campus operational integrity and support university strategic direction. This project continues utility extensions and chiller tie-ins for increased capacity and energy efficiency. Electrical upgrades and a backup generator will address areas that have reached maximum electrical capacity. The construction will provide utility extensions, such as potable water, reclaimed water, storm drains, and / or chilled water to south, east and north campus perimeters. The project will restore or install identified looped utility delivery systems to minimize buildings impacted by system failures. The installation of additional chillers will provide capacity needed for future campus expansion, as well as to provide more reliable service to buildings currently on stand-alone units.
- The existing utility infrastructure on north campus is approximately 50 years old and upgrades of these systems are ongoing. Although this project will significantly improve utility delivery, it focuses on areas of greatest need identified in the Utility Master Plan.
- The project will utilize the Construction Manager at Risk delivery method. The engineering firm of GLHN Architects and Engineers is selected as the Design Professional and CMAR selection is in process.
- Programming discussions and preliminary schematic design have taken place with the Utility Master Plan consultants and subsequent cost estimates developed based upon valuations contained in the utility master plan. The total project budget is set to not exceed \$15 million.
- The project will be financed by system revenue bonds and general university funds will be used to fund the debt service. Operations and maintenance will be funded by general university funds. This project will be packaged with other university projects as part of a future bond issuance later this year.

FISCAL IMPACT AND FINANCING PLAN:

Debt Ratio Impact: The incremental impact of the annual debt service for this project is 0.25% State (A.R.S.) and 0.31% ABOR. The projected debt ratios for the FY2008 Capital Development Plan are 6.53% of total projected expenditures and mandatory transfers (State Law Basis, max 8%) and 8.75% of projected unrestricted expenditures and mandatory transfers (ABOR Policy basis, max 10%). The debt ratio in the current NAU 2009 – 2011 Capital Improvement Plan is 4.3 percent of estimated total expenditures (State A.R.S.) and 7.4 percent of total unrestricted expenditures and mandatory transfers (ABOR) at the end FY 2006. These ratios are within ABOR and State policy.

Contact: Dr. Kathe Shinham, VP Administration & Finance (928) 523.6104 Kathe.Shinham@nau.edu

EXECUTIVE SUMMARY

PROJECT JUSTIFICATION:

- Chilled water extensions to the south address technology heat loads in the Information Systems building and annex. Chilled water is more energy efficient than the stand alone units currently addressing the heat problem. Any future expansion of the Information Systems building could easily be accommodated, as well as other buildings in close proximity. Additionally, a generator will be purchased and installed to provide key electrical service to the campus during outages and emergencies. Storm drains on north campus are undersized and a new outfall line from the new Science Laboratory to the city main is needed for water quality compliance. The north campus sanitary sewer system ranges from 50 to nearly 100 years of age. Sections of this system are subject to settlement, root infiltration and storm-water infiltration through manholes. Work along the north perimeter will address these issues. In addition, the north perimeter work will include extensions of chilled water, steam, reclaimed water and fiber optics to address current and future needs, including potential renovations of Gammage and North Union.
- The Infrastructure Upgrades project improves university operational integrity and enhances learning environments; both are critical to the university mission. The project is consistent with the infrastructure issues and the associated recommended repairs identified in the current Utility Master Plan.
- Other Campus Improvements will include resurfacing roadways and walkways and installing landscaping impacted by the infrastructure work.

RECOMMENDATION:

RESOLVED, that the Board grant Project Implementation Approval and Project Approval to Northern Arizona University for the Infrastructure Upgrades project.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Northern Arizona University

Project Name: Infrastructure Upgrades

Project Description / Location: This project continues wet utility extensions and final chiller tie-ins. The construction will provide utility extensions, including reclaimed water, storm drains, and / or chilled water to campus perimeters. Electrical and telecom capacity will be extended or upgraded to provide reliable service to select locations.

Project Schedule (Beginning Month/Year):

PIA Approval	September 2007
Project Approval	September 2007
Construction	September 2007 (planned)
Occupancy	NA

Project Budget:

Total Project Cost	\$15,000,000
Direct Construction Cost	\$11,375,338
Total Project Cost per GSF	\$NA
Construction Cost per GSF	\$NA
Change in Annual O&M Costs	\$375,000
Utilities	\$200,000
Personnel	\$75,000
All Other Operating	\$100,000

Funding Sources:

Capital	
A. System Revenue Bonds	\$15,000,000
(Debt service funded by tuition)	
Operation / Maintenance	
A. General University Funds	\$375,000

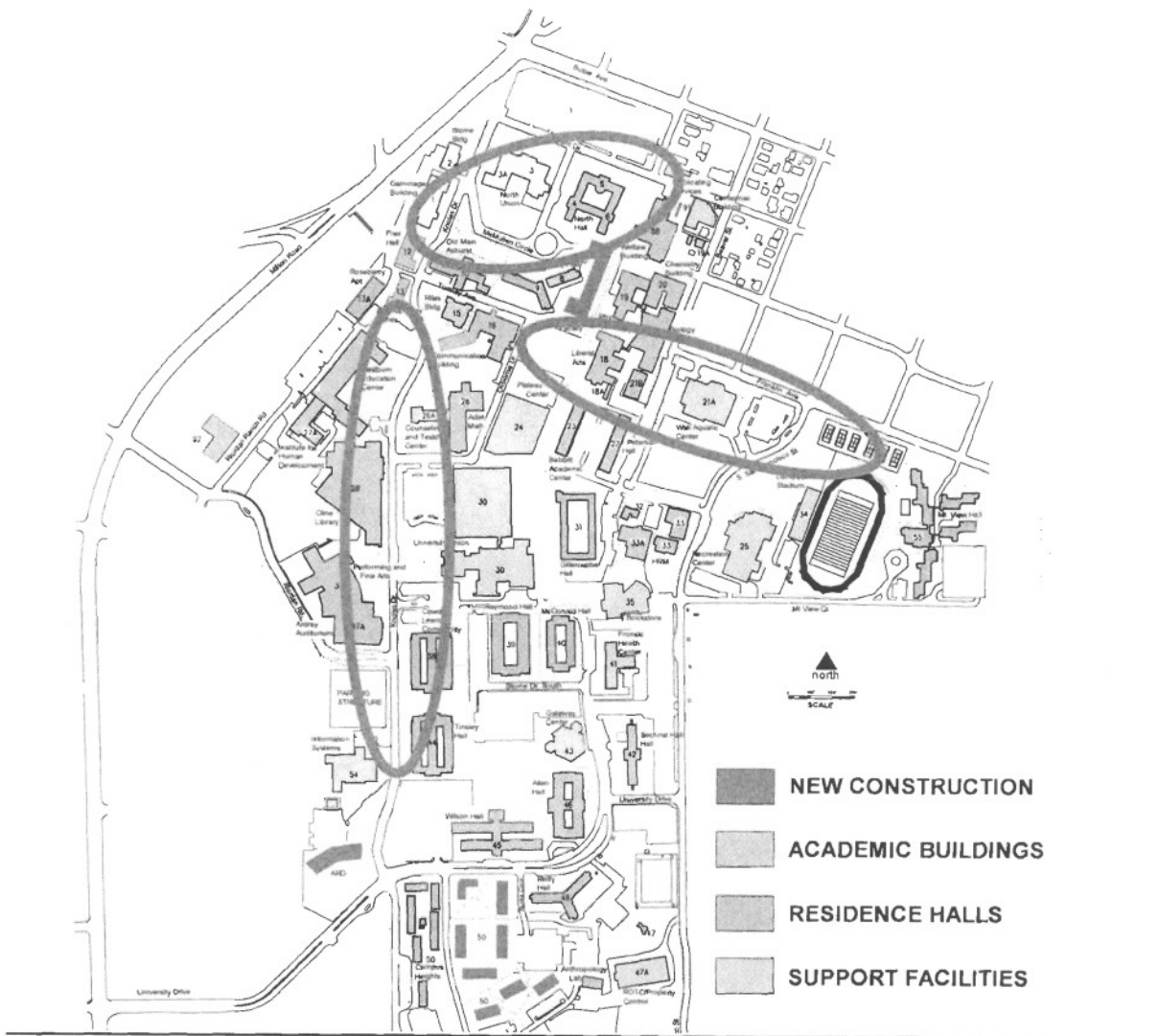
EXECUTIVE SUMMARY

Capital Project Budget Summary

University: Northern Arizona University
Project Name: Infrastructure Upgrades

	CDP Approval	Project Implementation Approval	Project Approval
Capital Costs			
1. Land Acquisition			
2. Construction Cost			
A. New Construction	\$20,000,000	\$11,375,338	\$11,375,338
B. Renovation			
C. Special Fixed Equipment			
D. Site Development			
E. Parking and Landscaping			
F. Utilities Extensions			
G. Demolition			
H. Inflation Adjustment			
Subtotal Construction Cost	<u>\$20,000,000</u>	<u>\$11,375,338</u>	<u>\$11,375,338</u>
3. Fees (% of Construction Cost)			
A. Construction Manager			
B. Engineer/Architect		\$1,251,287	\$1,251,287
C. Other: Lab/Telecom/Commissioning		\$125,129	\$125,129
D. Reimbursables		\$50,000	\$50,000
Subtotal Consultant Fees		<u>\$1,426,416</u>	<u>\$1,426,416</u>
4. FF&E Moveable / Move-in Costs			
5. Contingency, Design Phase (2%)		\$27,528	\$27,528
6. Contingency, Constr. Phase (10%)		\$1,137,534	\$1,137,534
7. Parking Reserve		\$5,000	\$5,000
8. Telecommunications Equipment			
Subtotal Items 4 - 8		<u>\$1,170,062</u>	<u>\$1,170,062</u>
9. Additional University Costs			
A. Surveys and Tests		\$125,129	\$125,129
B. Physical Plant Inspections		\$10,000	\$10,000
C. Other		\$0	\$0
D. Printing Advertising		\$31,282	\$31,282
E. Asbestos		\$100,000	\$100,000
F. Project Management Cost		\$714,286	\$714,286
H. State Risk Mgmt Ins.		\$47,487	\$47,487
Subtotal Additional University Costs		<u>\$1,028,184</u>	<u>\$1,028,184</u>
TOTAL CAPITAL COST	<u>\$20,000,000</u>	<u>\$15,000,000</u>	<u>\$15,000,000</u>

EXECUTIVE SUMMARY



Infrastructure Upgrades 10.010.074 (as of 4/16/08)								
Sub-Projects								
Project #	Project Name	CPA Approved	Value	AE Selected	CMAR Selected	Completed Design	3rd Party Estimate	GMP
09.240.082	Install Chillers #3 and #4	X	\$3,500,000	X	X	X	X	X
09.540.082	Bldg #54 ITS Chilled Water Extension	X	\$3,000,000	X	X	X	In Progress	
09.540.081	Bldg #54 ITS Power Upgrades	X	\$2,000,000	X	X	In Progress		
10.010.083	Central Campus Reclaim Water Extension	X	\$1,500,000	In Progress				
08.050.084	Tinsley Cowden Site Rehabilitation	X	\$1,000,000	X	Hard Bid	X	n/a	n/a
Subtotal			\$11,000,000					
10.010.082	Infrastructure Upgrades Phase I	X	\$1,701,433	Note: This funding was used to repay a bridge loan on project 10.010.073 therefore the above do not apply				
10.010.081	North Plant Refurbish Boiler #3	X	\$754,927	Note: This funding was used to repay a bridge loan for the unfunded scope items on project 10.010.045 therefore the above do not apply				
Total			\$13,456,360					



Scope for Infrastructure Upgrades 10.010.074 \$15,000,000

(1) North Plant – Refurbish Boiler #3 (10.010.081)

Value- \$754, 927

Scope- Retube the boiler. Add a variable frequency drive to improve efficiency. Replace the gas regulator. Connect the boiler to the new header system.

(2) Infrastructure Upgrades – Phase 1 (10.010.082)

Value- \$1,701,433

Scope- Installation of steam and chilled water extensions to the northern perimeter of campus to facilitate campus expansion.

(3) Install Chillers #3 and #4 (09.240.082)

Value- \$3,500,000

Scope- Install (2) 1000 ton chillers and connect to the system to increase plant capacity so new buildings such as the lab facility and the conference center and hotel can be provided chilled water.

(4) Bldg #54 ITS Chilled Water Extension (09.540.082)

Value- \$3,000,000

Scope- Extend chilled water service to the ITS building and connect to the system.

(5) Central Campus Reclaim Water Extension (10.010.083)

Value- \$1,500,000

Scope- Extend reclaim water service to the center of campus to facilitate landscape around the new residence hall building and the campus core.

(6) Tinsley Cowden Site Rehabilitation (08.050.084)

Value- \$1,000,000

Scope- Repair the site after infrastructure work is complete. Repair Knoles drive as necessary.

(7) Building #54 ITS Power Upgrades (09.540.081)

Value- \$2,000,000

Scope- Provide ITS with a backup power source so they can provide continuous service during power outages.

(8) Contingency

Value-\$1,543,640

Scope- Funding that will be set aside for cost overrun or infrastructure emergencies.

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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CHAIRMAN 2007
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HOUSE OF
REPRESENTATIVES

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PHIL LOPES
DAVID LUJAN
DAVID SCHAPIRA

DATE: May 8, 2008

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leah Kritzer, Fiscal Analyst

SUBJECT: Northern Arizona University - Review of New Residence Life Warehouse Bond Project

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Northern Arizona University (NAU) requests Committee review of a new 16,800 square foot residence life warehouse to be financed with a \$3.9 million system revenue bond issuance.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review, with the standard university financing provisions (listed below).
2. An unfavorable review. The proposed warehouse appears significantly more expensive than comparable projects.

Standard University Financing Provisions

- NAU shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. NAU shall also report to the Committee before any reallocation exceeding \$500,000 among the individual planned renovations, renewals, or extensions.
- NAU shall submit for Committee review any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, NAU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.

(Continued)

- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.

Analysis

NAU proposes to construct a 16,800 square foot residence life storage facility. The storage facility will be utilized solely by the university's residential life facilities, which include traditional dorm rooms, apartment style rooms, and family housing. The project would accommodate the current need to store items such as furniture, carpet, appliances, and snow removal equipment. The university currently maintains approximately 3,000 units with refrigerators and has a number of replacement refrigerators that need to be kept in storage. Additionally, certain items such as carpeting are bought in bulk for pricing and to ensure uniformity.

NAU is currently storing the majority of these items in the north physical plant, which is located in the academic corridor. The university believes they could better utilize the boiler plant space for maintenance and operation needs, as well as move the storage out of a heavily populated walkway area. The proposed residence life storage facility includes a warehouse racking system, 3 offices, a dispatch area, and a meeting room for the staff and students who work in the facility.

Financing

The total project cost for the new storage facility project is \$3.9 million, which will be funded with auxiliary fund system revenue bonds. Auxiliary funds are non-appropriated funds generated from self-supporting activities such as dorm fees. NAU anticipates issuing the AA rated system revenue bonds later this spring with an estimated 5% annual interest rate and a term of 30 years. The university estimates an annual debt service of \$260,000, with a 30-year total cost of \$7.8 million. NAU anticipates operating and maintenance costs of \$125,000 when the project is completed and will cover these expenses from university auxiliary funds.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The \$3.9 million system revenue bond issuance, combined with the proposed infrastructure upgrade, would increase the NAU debt ratio from 6.53% to 6.60%.

Construction Costs

Total project costs are \$3.9 million, which include direct construction costs, architect fees, furniture and equipment costs, and contingency fees. The direct construction costs total \$2.8 million, which include construction labor and material costs. The direct construction cost per square foot is \$232, which appears to be above the average cost to build a warehouse in Flagstaff, Arizona. According to RSMeans, a supplier of construction cost information, the total cost per-square-foot to construct a basic warehouse in Flagstaff ranges from approximately \$1.2 million (\$74 per square foot) to \$1.7 million (\$103 per square foot). NAU states that the cost of steel and the relatively small square footage of the warehouse are the primary reasons for the higher square footage costs.

NAU would contract this bond project using Construction Manager at Risk (CMAR). In CMAR, the university competitively selects a general contractor according to quality and experience. The general contractor manages a construction project, including the associated architect and other subcontractors, from design to completion. The general contractor chooses a qualified subcontractor for each trade based on price competition, selecting the lowest bid. Additionally, CMAR defines a guaranteed maximum price, after which the general contractor must absorb almost all cost increases except those caused by scope changes or unknown site conditions. Occasionally, in the case of substantial materials price inflation, a university will partially cover higher costs to maintain good contractor relations.



NORTHERN ARIZONA UNIVERSITY

Capital Assets and Services

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April 25, 2008

The Honorable Russell K. Pearce, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, AZ 85007

RE: NAU Capital Projects for Review

Dear Chairman Pearce:

I respectfully request that the following projects for Northern Arizona University (NAU) be placed on the next available agenda for the Joint Committee on Capital Review. The NAU projects include Infrastructure Upgrades at \$15 million and a Residence Life Warehouse at \$3.9 million. These projects have been reviewed and approved by the Capital Committee of the Arizona Board of Regents as well as the full body of the Arizona Board of Regents. In addition, we submit for the committee's information modifications to our research infrastructure project at NAU Yuma increasing the project cost from \$4 million dollars as originally received a favorable review to the revised budget of \$6.5 million.

Infrastructure Upgrades:

The Infrastructure Upgrades project received concurrent Project Implementation Approval and Project Approval during the Arizona Board of Regents (ABOR) September 27 – 28, 2007 meeting. The project has a total budget of \$15 million and will be financed by system revenue bonds. General university funds will be used to fund the debt service and any associated operations and maintenance.

The existing utility infrastructure on north campus is approximately 50 years old. This construction will provide utility extensions to south, east and north campus perimeters for increased capacity and energy efficiency. Electrical upgrades will address areas that have reached maximum electrical capacity. The project will install looped utility delivery to minimize system failures in academic buildings. While this project will significantly improve utility delivery, it also focuses on areas in greatest need of remediation identified in the NAU Utility Master Plan. This project is the latest in a series of utility infrastructure projects that maintain campus operational integrity and support university strategic direction.

Residence Life Warehouse:

The Residence Life Warehouse project was reviewed by the ABOR Capital Committee during its April 3, 2008 meeting. The project received Project Implementation Approval and Project Approval during the April 24 – 25, 2008 ABOR meeting. The total project budget is \$3.9 million and system revenue bonds will be issued to finance the project. The bonds will be repaid over a 30-year period using \$260,000 annually from Auxiliary Funds.

The Residence Life Warehouse project is 16,800 total square feet of new storage space on south campus. The project addresses Residence Life storage needs such as furniture, carpet, appliances, and snow removal equipment which is currently housed in the north campus physical plant. The

current location is in a heavily populated student academic corridor not compatible with warehouse activities nor with the mechanical systems housed in the north plant.

NAU Yuma:

The NAU Yuma research infrastructure project received prior favorable review from JCCR on May 9, 2006. Information is provided to the committee to advise members of project square footage expansion and increased project cost. Project Approval for these changes occurred during the February 14, 2008 ABOR Capital Committee meeting. The total project budget is now \$6.5 million which will be funded with \$4 million in Certificates of Participation supported by Research Infrastructure funds appropriated by the legislature under House Bill 2529 and \$2.5 million of debt funded by general university funds.

NAU is pleased to provide any further information required on these projects.

Sincerely,



Kathleen Schedler, P.E.
Special Assistant to the President
Capital Assets and Services

cc: President John D. Haeger
MJ McMahon, Executive Vice President, NAU
Joel Sideman, Executive Director, Arizona Board of Regents
Richard Stavneak, Director, Joint Legislative Budget Committee
Leah Kritzer, Analyst, Joint Legislative Budget Committee
Christy Farley, Director, Government Affairs, NAU
Ernest Calderón, Chair, ABOR Capital Committee

NET DEBT SERVICE

System Revenue Bonds
Residence Life Project

Date	Principal	Interest	Total Debt Service	Net Debt Service
12/1/2008		112,889.58	112,889.58	112,889.58
6/1/2009	50,000.00	96,762.50	146,762.50	146,762.50
12/1/2009		95,762.50	95,762.50	95,762.50
6/1/2010	70,000.00	95,762.50	165,762.50	165,762.50
12/1/2010		94,362.50	94,362.50	94,362.50
6/1/2011	70,000.00	94,362.50	164,362.50	164,362.50
12/1/2011		92,962.50	92,962.50	92,962.50
6/1/2012	75,000.00	92,962.50	167,962.50	167,962.50
12/1/2012		91,462.50	91,462.50	91,462.50
6/1/2013	75,000.00	91,462.50	166,462.50	166,462.50
12/1/2013		89,868.75	89,868.75	89,868.75
6/1/2014	80,000.00	89,868.75	169,868.75	169,868.75
12/1/2014		88,168.75	88,168.75	88,168.75
6/1/2015	85,000.00	88,168.75	173,168.75	173,168.75
12/1/2015		86,362.50	86,362.50	86,362.50
6/1/2016	85,000.00	86,362.50	171,362.50	171,362.50
12/1/2016		84,556.25	84,556.25	84,556.25
6/1/2017	90,000.00	84,556.25	174,556.25	174,556.25
12/1/2017		82,643.75	82,643.75	82,643.75
6/1/2018	95,000.00	82,643.75	177,643.75	177,643.75
12/1/2018		80,625.00	80,625.00	80,625.00
6/1/2019	100,000.00	80,625.00	180,625.00	180,625.00
12/1/2019		78,125.00	78,125.00	78,125.00
6/1/2020	100,000.00	78,125.00	178,125.00	178,125.00
12/1/2020		75,625.00	75,625.00	75,625.00
6/1/2021	105,000.00	75,625.00	180,625.00	180,625.00
12/1/2021		73,000.00	73,000.00	73,000.00
6/1/2022	115,000.00	73,000.00	188,000.00	188,000.00
12/1/2022		70,125.00	70,125.00	70,125.00
6/1/2023	120,000.00	70,125.00	190,125.00	190,125.00
12/1/2023		67,125.00	67,125.00	67,125.00
6/1/2024	125,000.00	67,125.00	192,125.00	192,125.00
12/1/2024		64,000.00	64,000.00	64,000.00
6/1/2025	130,000.00	64,000.00	194,000.00	194,000.00
12/1/2025		60,750.00	60,750.00	60,750.00
6/1/2026	135,000.00	60,750.00	195,750.00	195,750.00
12/1/2026		57,375.00	57,375.00	57,375.00
6/1/2027	145,000.00	57,375.00	202,375.00	202,375.00
12/1/2027		53,750.00	53,750.00	53,750.00
6/1/2028	150,000.00	53,750.00	203,750.00	203,750.00
12/1/2028		50,000.00	50,000.00	50,000.00
6/1/2029	160,000.00	50,000.00	210,000.00	210,000.00
12/1/2029		46,000.00	46,000.00	46,000.00
6/1/2030	165,000.00	46,000.00	211,000.00	211,000.00
12/1/2030		41,875.00	41,875.00	41,875.00
6/1/2031	175,000.00	41,875.00	216,875.00	216,875.00
12/1/2031		37,500.00	37,500.00	37,500.00
6/1/2032	185,000.00	37,500.00	222,500.00	222,500.00
12/1/2032		32,875.00	32,875.00	32,875.00
6/1/2033	195,000.00	32,875.00	227,875.00	227,875.00
12/1/2033		28,000.00	28,000.00	28,000.00
6/1/2034	200,000.00	28,000.00	228,000.00	228,000.00
12/1/2034		23,000.00	23,000.00	23,000.00
6/1/2035	215,000.00	23,000.00	238,000.00	238,000.00
12/1/2035		17,625.00	17,625.00	17,625.00
6/1/2036	225,000.00	17,625.00	242,625.00	242,625.00
12/1/2036		12,000.00	12,000.00	12,000.00
6/1/2037	235,000.00	12,000.00	247,000.00	247,000.00
12/1/2037		6,125.00	6,125.00	6,125.00
6/1/2038	245,000.00	6,125.00	251,125.00	251,125.00
	4,000,000.00	3,772,952.08	7,772,952.08	7,772,952.08

Residence Life Warehouse

Design Professional
CMAR

Johnson Walzer
*Flagstaff Design &
Construction*

Project Scope

*Storage with pallet rack
storage system,
offices and meeting area*

16,800 square feet

Total Project Budget

\$3,900,000

Cost per square foot

\$232

Construction cost per ft

\$168

NORTHERN
ARIZONA
UNIVERSITY



EXECUTIVE SUMMARY

ACTION ITEM: **Project Implementation and Project Approval for Residence Life Warehouse (NAU)**

ISSUE: Northern Arizona University seeks Project Implementation and Project Approval for a new Residence Life Warehouse on the Flagstaff campus of NAU.

PREVIOUS BOARD ACTION: Capital Development Approval January 2008

PROJECT DESCRIPTION:

- The Residence Life Warehouse project is 16,800 total square feet, of new storage space on south campus. Exterior construction will match the existing buildings in the Swing Space zone. The project addresses Residence Life storage needs such as furniture, carpet, appliances, and snow removal equipment.
- The building footprint is 13,900 square feet, and there is a 2,900 square foot mezzanine area. The interior is twenty-three feet high and includes a warehouse racking system to facilitate maximum space usage and user safety. The system will provide storage flexibility and easy stock control. The pallet rack system provides direct access to palletized items. The new structure will include a loading dock to facilitate delivery of materials.
- Additional storage space for items used infrequently is located in the 2,900 square foot mezzanine. Space for three (3) offices, a dispatch service area, restrooms and a meeting room will be located under the storage mezzanine.
- All occupied spaces will comply with ABOR and ADA guidelines.

PROJECT BACKGROUND:

- Residence Life storage currently shares space with the north physical plant. This plant is located in the interior of north campus across from Adel Mathematics and the Communications Building. NAU needs to relocate this Residence Life storage activity away from the academic corridor and heavily populated student walkways. In addition, storage items in the north boiler plant are in spaces best used for maintenance and operations needs.
- The south campus site includes available utilities and parking. Other facilities in the area are university support services and are compatible with warehousing activities and loading and unloading. These services include: Capital Assets and Services, NAU Shipping and Receiving, KNAU, Transportation Services, and a Bus Barn. In addition, equipment storage areas are located at this south campus site. The location of these support activities is consistent with the NAU Master Plan.

EXECUTIVE SUMMARY

- NAU selected Flagstaff Design and Construction, a local firm, as the construction manager at risk for this project. Johnson Walzer Associates, another local firm, was selected as design professional. With the help of an outside cost consultant, Abacus, a GMP has been successfully corroborated and negotiated.
- The building envelop is projected to have a lifecycle exceeding 30 years and lasting well past the debt service term. The structure is steel frame and steel exterior construction. The interior pallet system is structural steel and designed for industrial application. The building mechanical and electrical systems have life cycles exceeding thirty years given current technological standards.

FISCAL IMPACT AND FINANCING PLAN:

Debt Ratio Impact: The existing NAU debt is 6.53% of total existing expenditures and mandatory transfers and 8.03% of existing unrestricted expenditures and mandatory transfers. The incremental debt service for the Residence Life Warehouse facility is 0.07% for State (A.R.S.) and 0.09% ABOR.

In 2009, NAU anticipates its debt ratios to fall due to final payments on existing debt.

System Revenue Bonds in the amount of \$3,900,000 will be issued to finance the project. The bonds will be repaid over a 30-year period using \$260,000 annually from Auxiliary Funds.

PROJECT JUSTIFICATION:

- Relocation of the warehouse support service and its associated commercial truck deliveries enhances student safety and accessibility. The current location experiences heavy pedestrian traffic due to its presence in the academic core of north campus. This support service storage facility is consistent with activities identified for south campus in the university master plan.
- The existing storage in the north plant is not compatible with the heavy mechanical equipment operating in the location. Chillers and boilers at the plant provide heating and cooling to north campus academic facilities.

RECOMMENDATION:

RESOLVED: That the Capital Committee favorably review and approve the Northern Arizona University request for Project Implementation and Project Approval for the Residence Life Warehouse project.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Northern Arizona University

Project Name: Residence Life Warehouse

Project Description / Location:

The project is a new 16,800 square foot warehouse facility for Residence Life materials, stock and equipment on a south campus site.

Project Schedule (Beginning Month/Year):

Planning	May 2007
Design	July 2007
Construction	April 2008
Occupancy	September 2008

Project Budget:

Total Project Cost	\$3,900,000
Direct Construction Cost	\$2,817,200
Total Project Cost per GSF	\$232
Construction Cost per GSF	\$168
Change in Annual O&M Costs	\$125,000
Utilities	\$50,000
Personnel	\$50,000
All Other Operating	\$25,000

Funding Sources:

Capital	
A. System Revenue Bonds	\$3,900,000
Operation / Maintenance	
A. Auxiliary Funds	\$125,000

EXECUTIVE SUMMARY

Capital Project Budget Summary

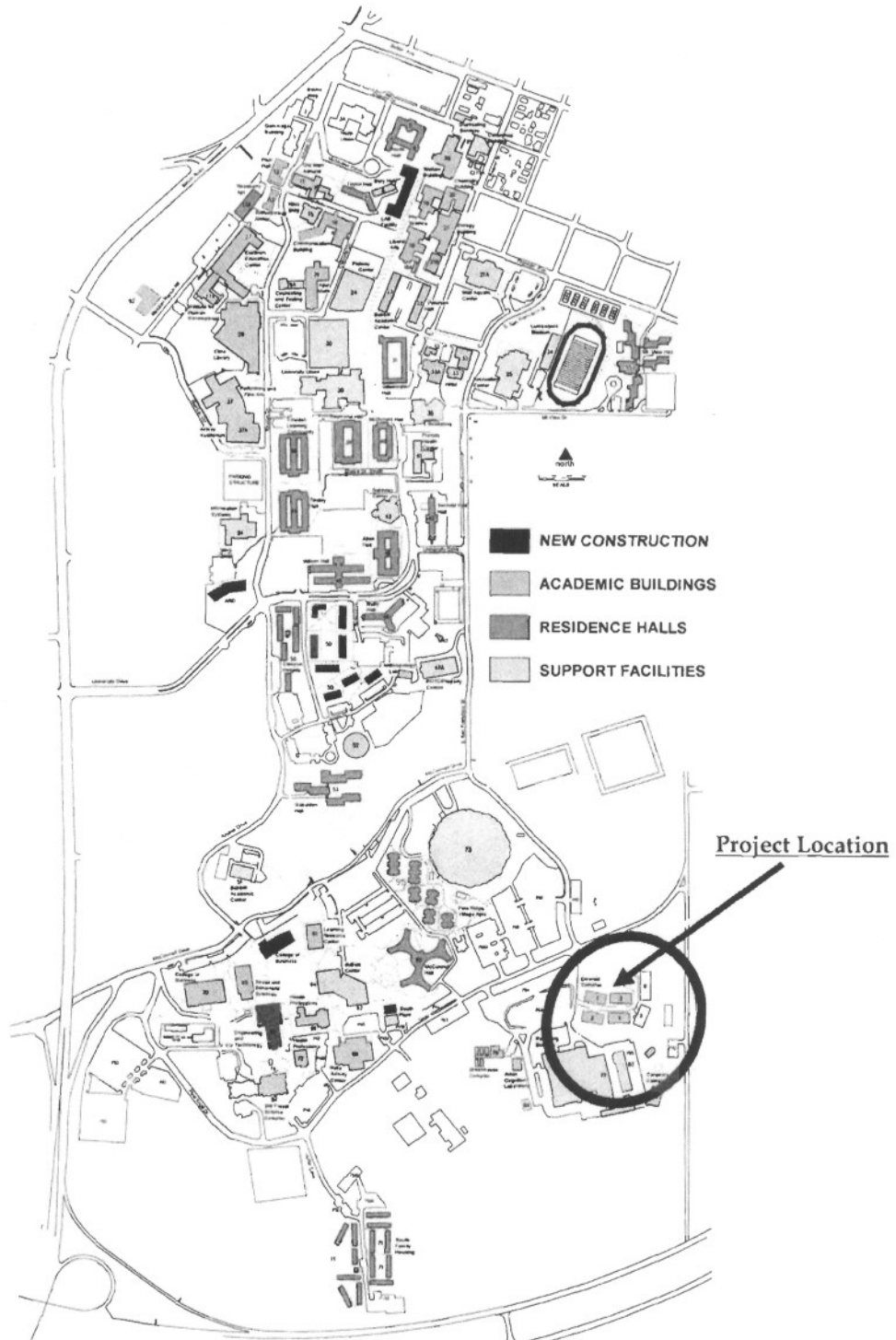
University: Northern Arizona University

Project Name: Residence Life Warehouse

	CDP Approval	Project Implementation Approval	Project Approval
Capital Costs			
1. Land Acquisition			
2. Construction Cost			
A. New Construction		\$2,817,200	\$2,817,200
B. Renovation			
C. Special Fixed Equipment			
D. Site Development			
E. Parking and Landscaping			
F. Utilities Extensions			
G. Demolition			
H. Inflation Adjustment			
Subtotal Construction Cost		\$2,817,200	\$2,817,200
3. Fees (% of Construction Cost)			
A. Construction Manager			
B. Engineer / Architect		\$265,353	\$265,353
C. Other: Lab/Telecom/Commissioning		\$6,000	\$6,000
Subtotal Consultant Fees		\$271,353	\$271,353
4. FF&E Moveable		\$213,106	\$213,106
5. Contingency, Design Phase		\$5,307	\$5,307
6. Contingency, Constr. Phase		\$268,305	\$268,305
7. Parking Reserve		\$7,669	\$7,669
8. Telecommunications Equipment		\$20,000	\$20,000
Subtotal Items 4 – 8		\$514,387	\$514,387
9. Additional University Costs			
A. Surveys and Tests		\$46,283	\$46,283
B. Move-in Costs		\$30,855	\$30,855
C. Other:			
D. Printing Advertising		\$7,714	\$7,714
E. Keying, Signage, Facility Support		\$15,428	\$15,428
F. Project Management Cost		\$185,349	\$185,349
H. State Risk Mgmt Insurance		\$11,431	\$11,431
Subtotal Additional University Costs		\$297,060	\$297,060
TOTAL CAPITAL COST	\$4,000,000	\$3,900,000	\$3,900,000

EXECUTIVE SUMMARY

**Residence Life Warehouse Site
South Campus Swing Space**



**NORTHERN ARIZONA UNIVERSITY
FY 2009 – 2011 CAPITAL IMPROVEMENT PLAN**

PROJECT JUSTIFICATION

PROJECT NAME: Residence Life Storage Facility

Priority: 4

DESCRIPTION:

The project includes construction of a new warehouse facility approximately 15,000 square feet. It is anticipated the structure will be steel fabrication to match the existing structures on south campus. The structure will include minor office space for operational management and ADA compliant restrooms.

JUSTIFICATION:

This project is intended to replace the space vacated by Residence Life Support Services at Building 24. The new warehouse facility would be located in proximity to the Capital Assets and Services Facility at Northern Arizona University. This south campus location would eliminate the need to perform large scale deliveries into the core of the campus and increase safety for pedestrians, bicyclists, and personal vehicles of faculty staff and students. This facility is an integral component of the Residence Life operation. The ability to adjust to seasonal needs of residential operations includes landscaping needs, furniture installation, residence hall equipment needs, and maintenance storage for on-going repairs to maintain the residential focus of the campus community. This project reinforces the campus master plan and NAU commitment to a residential community and will lessen the potential hazards of such an operation in the campus core.

ESTIMATED PROJECT COST: \$5,000,000

FUNDING SOURCE: System Revenue Bonds

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

ROBERT L. BURNS
CHAIRMAN 2007
PAULA ABOUD
AMANDA AGUIRRE
MARSHA ARZBERGER
KAREN S. JOHNSON
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HOUSE OF
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DAVID SCHAPIRA

DATE: May 8, 2008

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leah Kritzer, Fiscal Analyst

SUBJECT: Northern Arizona University - Review of Revised Applied Research Facility Bond
Project at NAU-Yuma

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Northern Arizona University (NAU) requests Committee review of an Applied Research Facility on its Yuma campus to be financed with a \$2.5 million system revenue bond issuance.

The Committee first favorably reviewed the project in May 2006 for \$4.0 million in lease-purchase agreements. NAU now seeks to add an additional 2,225 square feet to the facility and to finance the increased project costs with a system revenue bond issuance of \$2.5 million. The revised project cost will total \$6.5 million, with the original project cost of \$4.0 million to be financed as part of the university research infrastructure lease-purchase plan authorized by the Legislature in 2003.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request with the following standard university financing provisions:

- NAU shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. NAU shall also report to the Committee before any reallocation exceeding \$500,000 among the individual planned renovations, renewals, or extensions.
- NAU shall submit for Committee review any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, NAU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.

(Continued)

- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.

Analysis

The Committee first favorably reviewed the Applied Research Facility project at its May 2006 meeting. At that time, NAU proposed to construct a \$4.0 million 10,000 square foot facility on the campus of Arizona Western College (AWC). NAU now seeks to add 2,225 square feet to the original project, for a total square footage of 12,225. As a result of the expansion and increase in construction costs, the total project cost is now \$6.5 million, or an increase of \$2.5 million.

NAU believes that original intent was to fund the Applied Research Facility at \$6.0 million. They indicate that the scope of the original project was scaled back to remain within \$4.0 million. The university subsequently determined that the 10,000 square feet would not accommodate the desired applied research needs. Since the facility is being built collaboratively, NAU indicates that a number of AWC projects slowed down the project development including AWC's utilities infrastructure project and design of other buildings on campus. During this time, NAU decided to expand the scope of the 10,000 square foot project.

NAU indicates that the additional square footage will create more adequately sized laboratories for projected enrollment and research activity. The first floor of the building will house office and flexible research and classroom space, while the second floor will house designated research areas and research support space. The new facility will incorporate Biosafety Level 2 (BSL2) laboratories, to be used for collaborative research and teaching activities in environmental fields such as soils and renewable energy. NAU expects students from all class levels to utilize the facility.

Applied Research Facility

NAU will enter into a long-term ground lease with AWC for the site, which will exceed the debt service term. The university operates a 2+2 partnership with AWC, and has been a presence on the campus since 1996. The 2+2 partnerships enable students to take lower division courses at 2-year community colleges and complete their baccalaureate degrees at a participating university. The NAU-AWC partnership is unique in that they share both infrastructure and campus space. NAU pays a fixed administrative fee to AWC for operational costs instead of rent. NAU expects to provide lab space to AWC as it becomes available.

Direct construction costs total \$4.8 million, which include construction labor and material costs. Total project costs are \$6.5 million, which include direct construction costs, architect fees, furniture and equipment costs, and contingency fees. The total cost per square foot for the building would be \$532 (originally estimated to be \$400 per square foot), with a direct construction cost of \$393 (originally estimated at \$340).

Table 1 compares the costs of university research infrastructure projects. The Applied Research Facility was previously a little above the average comparable project costs for total cost per square foot, but the revised facility cost places this project as the most expensive. In terms of direct construction cost per square foot, this project is the second most expensive project. According to NAU, their square footage costs have increase from their original estimate due to the higher cost of research facilities, the higher cost of construction in rural areas, and general inflation in construction costs over time.

Table 1

**University Research Infrastructure Projects
Estimated Per Square Foot Costs**

<u>Project</u>	<u>Total Project Cost</u>	<u>JCCR Review Date</u>	<u>Total Cost Per Square Foot</u>	<u>Direct Construction Cost Per Square Foot</u>
ASU-Interdisciplinary Science and Technology Building ^{1/}	\$18,000,000	September 2005	\$300	\$217
ASU-Interdisciplinary Science and Technology Building ^{2/}	12,000,000	September 2005	305	228
UA/ASU- Biomedical Research Collaborative Building	29,600,000	October 2005	345	264
NAU-Applied Research and Development Facility	20,500,000 ^{1/}	May 2006	342	275
UA-Medical Research Building	54,350,000	April 2004	392	317
ASU-Interdisciplinary Science and Technology Building ^{3/}	74,000,000	September 2005	412	285
NAU-New Laboratory Facility	33,000,000	July 2005	413	335
ASU-Biodesign Institute, Building B	73,000,000	July 2005	425	307
UA-Chemistry Building Expansion	46,100,000 ^{3/}	June 2004	507	415
NAU- Yuma Applied Research Facility	6,500,000	May 2008	532	393

^{1/} Includes \$5.7 million in Federal Funds.

^{2/} Includes \$1.1 million from indirect cost recovery and donations.

^{3/} Includes a \$2.5 million U.S. Department of Commerce grant.

NAU would contract this bond project using Construction Manager at Risk (CMAR). In CMAR, the university competitively selects a general contractor according to quality and experience. The general contractor manages a construction project, including the associated architect and other subcontractors, from design to completion. The general contractor chooses a qualified subcontractor for each trade based on price competition, selecting the lowest bid. Additionally, CMAR defines a guaranteed maximum price, after which the general contractor must absorb almost all cost increases except those caused by scope changes or unknown site conditions. Occasionally, in the case of substantial materials price inflation, a university will partially cover higher costs to maintain good contractor relations.

Financing

The total project cost for the Applied Research Facility is \$6.5 million, of which \$2.5 million will be funded by system revenue bonds and \$4.0 million from the research infrastructure lease-purchase appropriations.

The \$4.0 million financing, which was funded by research infrastructure lease-purchases, was favorably reviewed at the May 2006 JCCR meeting. NAU will receive annual General Fund appropriations from FY 2008 through FY 2031, of \$5,900,000 for debt service payments for identified research infrastructure projects, one of which is the Applied Research Facility. This funding will be used in addition to the proposed \$2.5 million in system revenue bonds.

NAU anticipates issuing the \$2.5 million in AA rated system revenue bonds later this spring with an estimated 5% annual interest rate and a term of 30 years. The university estimates an annual debt service of \$162,200, with a 30-year total of \$4.9 million. NAU would pay this debt service from locally retained tuition revenues. NAU anticipates operating and maintenance costs of \$85,000 when the project is completed and will cover these expenses with existing state General Fund monies.

(Continued)

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The \$2.5 million system revenue bond issuance would increase the NAU debt ratio from 6.53% to 6.57%.

RS/LK:ss



NORTHERN ARIZONA UNIVERSITY

Capital Assets and Services

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April 25, 2008

The Honorable Russell K. Pearce, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, AZ 85007

RE: NAU Capital Projects for Review

Dear Chairman Pearce:

I respectfully request that the following projects for Northern Arizona University (NAU) be placed on the next available agenda for the Joint Committee on Capital Review. The NAU projects include Infrastructure Upgrades at \$15 million and a Residence Life Warehouse at \$3.9 million. These projects have been reviewed and approved by the Capital Committee of the Arizona Board of Regents as well as the full body of the Arizona Board of Regents. In addition, we submit for the committee's information modifications to our research infrastructure project at NAU Yuma increasing the project cost from \$4 million dollars as originally received a favorable review to the revised budget of \$6.5 million.

Infrastructure Upgrades:

The Infrastructure Upgrades project received concurrent Project Implementation Approval and Project Approval during the Arizona Board of Regents (ABOR) September 27 – 28, 2007 meeting. The project has a total budget of \$15 million and will be financed by system revenue bonds. General university funds will be used to fund the debt service and any associated operations and maintenance.

The existing utility infrastructure on north campus is approximately 50 years old. This construction will provide utility extensions to south, east and north campus perimeters for increased capacity and energy efficiency. Electrical upgrades will address areas that have reached maximum electrical capacity. The project will install looped utility delivery to minimize system failures in academic buildings. While this project will significantly improve utility delivery, it also focuses on areas in greatest need of remediation identified in the NAU Utility Master Plan. This project is the latest in a series of utility infrastructure projects that maintain campus operational integrity and support university strategic direction.

Residence Life Warehouse:

The Residence Life Warehouse project was reviewed by the ABOR Capital Committee during its April 3, 2008 meeting. The project received Project Implementation Approval and Project Approval during the April 24 – 25, 2008 ABOR meeting. The total project budget is \$3.9 million and system revenue bonds will be issued to finance the project. The bonds will be repaid over a 30-year period using \$260,000 annually from Auxiliary Funds.

The Residence Life Warehouse project is 16,800 total square feet of new storage space on south campus. The project addresses Residence Life storage needs such as furniture, carpet, appliances, and snow removal equipment which is currently housed in the north campus physical plant. The

current location is in a heavily populated student academic corridor not compatible with warehouse activities nor with the mechanical systems housed in the north plant.

NAU Yuma:

The NAU Yuma research infrastructure project received prior favorable review from JCCR on May 9, 2006. Information is provided to the committee to advise members of project square footage expansion and increased project cost. Project Approval for these changes occurred during the February 14, 2008 ABOR Capital Committee meeting. The total project budget is now \$6.5 million which will be funded with \$4 million in Certificates of Participation supported by Research Infrastructure funds appropriated by the legislature under House Bill 2529 and \$2.5 million of debt funded by general university funds.

NAU is pleased to provide any further information required on these projects.

Sincerely,



Kathleen Schedler, P.E.
Special Assistant to the President
Capital Assets and Services

cc: President John D. Haeger
MJ McMahon, Executive Vice President, NAU
Joel Sideman, Executive Director, Arizona Board of Regents
Richard Stavneak, Director, Joint Legislative Budget Committee
Leah Kritzer, Analyst, Joint Legislative Budget Committee
Christy Farley, Director, Government Affairs, NAU
Ernest Calderón, Chair, ABOR Capital Committee

NET DEBT SERVICE

System Revenue Bonds
Yuma Project

Date	Principal	Interest	Total Debt Service	Net Debt Service
12/1/2008		70,700.00	70,700.00	70,700.00
6/1/2009	30,000.00	60,600.00	90,600.00	90,600.00
12/1/2009		60,000.00	60,000.00	60,000.00
6/1/2010	45,000.00	60,000.00	105,000.00	105,000.00
12/1/2010		59,100.00	59,100.00	59,100.00
6/1/2011	45,000.00	59,100.00	104,100.00	104,100.00
12/1/2011		58,200.00	58,200.00	58,200.00
6/1/2012	45,000.00	58,200.00	103,200.00	103,200.00
12/1/2012		57,300.00	57,300.00	57,300.00
6/1/2013	50,000.00	57,300.00	107,300.00	107,300.00
12/1/2013		56,237.50	56,237.50	56,237.50
6/1/2014	50,000.00	56,237.50	106,237.50	106,237.50
12/1/2014		55,175.00	55,175.00	55,175.00
6/1/2015	50,000.00	55,175.00	105,175.00	105,175.00
12/1/2015		54,112.50	54,112.50	54,112.50
6/1/2016	55,000.00	54,112.50	109,112.50	109,112.50
12/1/2016		52,943.75	52,943.75	52,943.75
6/1/2017	55,000.00	52,943.75	107,943.75	107,943.75
12/1/2017		51,775.00	51,775.00	51,775.00
6/1/2018	60,000.00	51,775.00	111,775.00	111,775.00
12/1/2018		50,500.00	50,500.00	50,500.00
6/1/2019	60,000.00	50,500.00	110,500.00	110,500.00
12/1/2019		49,000.00	49,000.00	49,000.00
6/1/2020	65,000.00	49,000.00	114,000.00	114,000.00
12/1/2020		47,375.00	47,375.00	47,375.00
6/1/2021	70,000.00	47,375.00	117,375.00	117,375.00
12/1/2021		45,625.00	45,625.00	45,625.00
6/1/2022	70,000.00	45,625.00	115,625.00	115,625.00
12/1/2022		43,875.00	43,875.00	43,875.00
6/1/2023	75,000.00	43,875.00	118,875.00	118,875.00
12/1/2023		42,000.00	42,000.00	42,000.00
6/1/2024	80,000.00	42,000.00	122,000.00	122,000.00
12/1/2024		40,000.00	40,000.00	40,000.00
6/1/2025	80,000.00	40,000.00	120,000.00	120,000.00
12/1/2025		38,000.00	38,000.00	38,000.00
6/1/2026	85,000.00	38,000.00	123,000.00	123,000.00
12/1/2026		35,875.00	35,875.00	35,875.00
6/1/2027	90,000.00	35,875.00	125,875.00	125,875.00
12/1/2027		33,625.00	33,625.00	33,625.00
6/1/2028	95,000.00	33,625.00	128,625.00	128,625.00
12/1/2028		31,250.00	31,250.00	31,250.00
6/1/2029	100,000.00	31,250.00	131,250.00	131,250.00
12/1/2029		28,750.00	28,750.00	28,750.00
6/1/2030	105,000.00	28,750.00	133,750.00	133,750.00
12/1/2030		26,125.00	26,125.00	26,125.00
6/1/2031	110,000.00	26,125.00	136,125.00	136,125.00
12/1/2031		23,375.00	23,375.00	23,375.00
6/1/2032	115,000.00	23,375.00	138,375.00	138,375.00
12/1/2032		20,500.00	20,500.00	20,500.00
6/1/2033	120,000.00	20,500.00	140,500.00	140,500.00
12/1/2033		17,500.00	17,500.00	17,500.00
6/1/2034	125,000.00	17,500.00	142,500.00	142,500.00
12/1/2034		14,375.00	14,375.00	14,375.00
6/1/2035	135,000.00	14,375.00	149,375.00	149,375.00
12/1/2035		11,000.00	11,000.00	11,000.00
6/1/2036	140,000.00	11,000.00	151,000.00	151,000.00
12/1/2036		7,500.00	7,500.00	7,500.00
6/1/2037	145,000.00	7,500.00	152,500.00	152,500.00
12/1/2037		3,875.00	3,875.00	3,875.00
6/1/2038	155,000.00	3,875.00	158,875.00	158,875.00
	2,505,000.00	2,361,237.50	4,866,237.50	4,866,237.50

NAU Yuma

Design Professional
CMAR

Gould Evans
Brignall

Project Scope

New 2 Story Construction 12,225 square feet
at Arizona Western
in Yuma

Total Project Budget

\$6,500,000

Cost per square foot

\$532

Construction cost per ft

\$393

ARIZONA
WESTERN
UNIVERSITY



EXECUTIVE SUMMARY

ACTION ITEM: Project Approval for Yuma Research Facility (NAU)

ISSUE: Northern Arizona University seeks Project Approval for a new research facility to be sited on the campus of Arizona Western College in Yuma, Arizona.

PREVIOUS BOARD ACTION:	Capital Development Approval	January 2005
	Project Implementation Approval	April 2006
	Budget Increase to \$6.5M	January 2008

PROJECT DESCRIPTION:

- The NAU-Yuma Research Facility is a 12,225 square foot two-story laboratory facility. The designed structure will be steel construction with a steel exterior to match the adjacent, new Sciences Complex on the Arizona Western Campus (AWC). The interior finishes are all selected to match AWC construction to provide for a seamless transition from AWC sites to the NAU facility.
- The first floor of the facility is designed as office and flexible research and classroom space. The second floor is designated research and research support space. Each floor has a small lobby area near the elevator with ancillary restroom facilities and mechanical space. All designed spaces comply with ABOR and ADA guidelines.
- The research spaces are primarily designed for applied research involving biological substances, e.g. soils analysis.

PROJECT BACKGROUND:

- The NAU-Yuma Research Facility was presented by President Haeger and Vice President Shinham to the Board last month as an information item from the university. The project status update included a construction escalation analysis from Rider Hunt Levett & Bailey and a comparison of higher education costs for recent research buildings in Arizona. In addition, historical background information relative to the project was included for Board discussion. As a result of this status update presentation, the Board granted NAU a budget increase of \$2.5 million for a total project budget of \$6.5 million.
- The historical cost data for recent research buildings in Arizona indicates the average construction cost per square foot is \$401 and the average total project cost is \$582 per square foot. The NAU-Yuma Research Facility at \$6.5 million will have a construction cost per square foot at \$393 and a total project cost per square foot at \$532, both cost figures are below the Arizona average.

EXECUTIVE SUMMARY

- NAU hired the same design firm, Gould Evans, utilized by AWC for design of their new Agricultural Sciences Complex. Utilizing the same architect facilitated programming and an integrated design within the AWC complex. NAU had initially selected the same contractor, Pilkington Construction Co. Inc., as the Construction Manager at Risk (CMAR). Cost negotiations with Pilkington Construction Company were unsuccessful. A second CMAR selection process resulted in the selection of Brignall Construction. With the help of an outside cost consultant, a GMP has been successfully corroborated and negotiated.
- The project is funded with \$4 million in Certificates of Participation supported by Research Infrastructure funds appropriated by the legislature under House Bill 2529. For the balance of the project budget, the university will issue \$2.5 million of new debt which will be funded by general university funds.
- NAU and AWC worked collaboratively on the programming and preliminary design for the new research facility in Yuma. The agreed-upon location on campus is specified in the new AWC master plan and is congruent with the AWC campus development strategy. Subsequent to Project Implementation Approval (PIA), NAU entered into a long-term agreement with AWC for the site, which includes an initial term of 40 years with multiple 10-year renewals available. The lease term will exceed the debt service term.
- The building envelop is projected to have a lifecycle exceeding 50 years and lasting well past the debt service term. The structure is steel frame and steel exterior construction. Materials selection was a collaborative effort with the AWC facilities team to assure that selected materials could withstand the southwestern desert temperatures. Materials were also selected to complement existing structures proximate to the new research facility. The building mechanical and electrical systems have life cycles exceeding thirty years given current technological standards. Ongoing maintenance and periodic rehabilitation can extend the life-cycle of these systems beyond their projected operating life. Scientific technologies are planned for program expansion and include lifecycles in the 25 year range. Enhanced technology and program needs could impact the life cycle and/or obsolescence of these technology-based science systems.

FISCAL IMPACT AND FINANCING PLAN:

Debt Ratio Impact: The debt ratio approved by the Board in the university's Capital Improvement Plan (debt capacity study) for FY 2009-2011 projects is 4.3% of total projected expenditures and mandatory transfers (State Law Basis, max 8%) and 5.5% of projected unrestricted expenditures and mandatory transfers (ABOR Policy basis, max 10%). The projected debt ratios for the CDP are 7.21% of total projected expenditures and mandatory transfers (State Law Basis, max 8%) and 9.33% of projected unrestricted expenditures and mandatory transfers (ABOR Policy basis, max 10%). This includes all projects listed and projects that have received project approval. The incremental debt service for the NAU-Yuma Research Facility is 0.10% for State (A.R.S.) and 0.12% ABOR.

Certificates of participation (COPs) in the amount of \$6,500,000 will be issued to finance the project. The COPs will be repaid over a 30-year period using \$260,000 from the annual General Fund appropriation for Research Infrastructure and \$162,600 from General University Funds.

EXECUTIVE SUMMARY

PROJECT JUSTIFICATION:

- The NAU-Yuma Research Facility is a critical component of the NAU expansion in the Yuma area and the implementation of a branch campus approved by the ABOR last year. This building will provide NAU significant physical presence in the Yuma Area and demonstrate NAU's continued commitment to meeting the education, research, and economic development needs of the entire state. The building will also provide an additional location for developing new programming and opening opportunities for sponsored and applied research.
- Northern Arizona University and Arizona Western College share a common campus and delivery site in a cost-effective manner to provide seamless degree programs. This partnership is recognized as a model community college/university partnership, providing accessible training and learning for City of Yuma and La Paz County residents. It is anticipated the NAU research building will be a critical complement to AWC's agricultural, plant and biological science activities that are scheduled for their new 130,000 square foot agricultural sciences building.
- The NAU-Yuma research building was specifically identified in the legislative session that approved the Research Infrastructure Bill, HB 2529. The Yuma legislative contingent was very interested in a research facility in Yuma and based their support of the legislation in accomplishing a research building in Yuma.
- Defined goals within NAU's Strategic Plan include recruitment and retention of students, investment in academic buildings, inclusion of advanced technology and improved access to instructional technology. NAU's presence at Arizona Western College in Yuma is clearly part of that plan. This project will expand collaborative research opportunities.

RECOMMENDATION:

RESOLVED: That the Capital Committee favorably review and forward for Board approval, the Northern Arizona University request for Project Approval for the NAU - Yuma Research Facility.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Northern Arizona University

Project Name: NAU - Yuma Research Facility

Project Description / Location:

The project is a new 12,225 square foot NAU research facility constructed on the campus of NAU Yuma branch campus located at Arizona Western College in Yuma, Arizona.

Project Schedule (Beginning Month/Year):

Planning	FY 05
Design	FY 07 - FY08
Construction	March 2008
Occupancy	Spring 2009

Project Budget:

Total Project Cost	\$6,500,000
Direct Construction Cost	\$4,800,000
Total Project Cost per GSF	\$532
Construction Cost per GSF	\$393
Change in Annual O&M Costs	\$85,000
Utilities	\$35,000
Personnel	\$25,000
All Other Operating	\$25,000

Funding Sources:

Capital

A. Certificates of Participation \$4,000,000
(Appropriations began July 1, 2007 for House Bill 2529 Research Infrastructure.)

B. Other debt \$2,500,000

Operation / Maintenance

A. General Funds \$85,000

EXECUTIVE SUMMARY

Capital Project Budget Summary

University: Northern Arizona University

Project Name: NAU-Yuma Research Facility

	<u>CDP Approval</u>	<u>Project Implementation Approval</u>	<u>Project Approval</u>
Capital Costs			
1. Land Acquisition			
2. Construction Cost			
A. New Construction		\$2,784,391	\$4,800,000
B. Renovation			
C. Special Fixed Equipment			
D. Site Development			
E. Parking and Landscaping			
F. Utilities Extensions			
G. Demolition			
H. Inflation Adjustment		\$309,377	
Subtotal Construction Cost		<u>\$3,093,768</u>	<u>\$4,800,000</u>
3. Fees (% of Construction Cost)			
A. Construction Manager			
B. Engineer / Architect		\$340,314	\$610,000
C. Other: Lab/Telecom/Commissioning			
Subtotal Consultant Fees		<u>\$340,314</u>	<u>\$610,000</u>
4. FF&E Moveable		\$0	\$250,000
5. Contingency, Design Phase		\$6,806	\$140,000
6. Contingency, Constr. Phase		\$300,377	\$400,000
7. Parking Reserve			
8. Telecommunications Equipment		\$9,000	
Subtotal Items 4 – 8		<u>\$316,183</u>	<u>\$690,000</u>
9. Additional University Costs			
A. Surveys and Tests		\$20,000	
B. Physical Plant Inspections / Travel		\$18,000	
C. Other: AED, HB#2529		\$0	\$10,000
D. Printing Advertising		\$8,508	\$13,000
E. Asbestos			
F. Project Management Cost		\$190,476	\$256,770
H. State Risk Mgmt Insurance		\$12,751	\$20,230
Subtotal Additional University Costs		<u>\$249,735</u>	<u>\$300,000</u>
TOTAL CAPITAL COST	<u>\$6,000,000</u>	<u>\$4,000,000</u>	<u>\$6,500,000</u>

And