

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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JIM WARING

1716 WEST ADAMS
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<http://www.azleg.gov/jlbc.htm>

HOUSE OF
REPRESENTATIVES

RUSSELL K. PEARCE
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JOINT COMMITTEE ON CAPITAL REVIEW

Wednesday, June 25, 2008

8:30 A.M.

House Hearing Room 4

MEETING NOTICE

- Call to Order
- [Approval of Minutes of May 13, 2008.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Tucson Office Complex Renovation.](#)
- 2. [ARIZONA STATE UNIVERSITY - Review of Energy Services and Performance Contract.](#)
- 3. [NORTHERN ARIZONA UNIVERSITY](#)
 - A. [Review of Distance Learning and Arizona Universities Network Facility Bond Project.](#)
 - B. [Review of Recreation Field Expansion and Multipurpose Building.](#)

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

6/19/08

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, May 13, 2008

The Chairman called the meeting to order at 8:22 a.m., Tuesday, May 13, 2008 in House Hearing Room 4. The following were present:

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

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee, Chairman Russell Pearce stated the minutes of December 18, 2007 would stand approved.

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT)

A. Review of the Grand Canyon Airport Modular Housing Project.

Mr. Juan Beltran, JLBC Staff, stated the FY 2007 Capital Outlay Bill appropriated \$2.5 million from the State Aviation Fund in FY 2007 for the Grand Canyon Airport modular housing project. Mr. Beltran also stated each unit costs approximately \$154,000 to build, and that the costs projections are consistent with the low bid and are within the proposed budget for the project. JLBC Staff recommends a favorable review of the request of the scope, purpose and estimated cost of \$2.5 million for construction of 15 modular homes and related infrastructure at the Grand Canyon National Park Airport.

Discussion ensued on this item.

Senator Waring moved that the Committee give a favorable review of \$2.5 million for the Grand Canyon Airport Modular Housing Project. The motion carried.

B. Review of Sprinkler and Fire Alarm Systems Project.

Mr. Beltran said this item is a review of ADOT's sprinkler and fire alarm systems project. The FY 2006 Capital Outlay Bill appropriated \$1,265,000 from the State Highway Fund for automatic sprinklers and fire systems in existing ADOT equipment services buildings. ADOT has an expenditure plan for 7 sites for \$1.1 million, leaving \$164,500 undesignated. ADOT is still evaluating whether to seek a bid for the Show Low facility since they have a long-term desire to relocate the facility, but there are no plans in place.

Mr. Gerald Cody, Senior Architect, and Mr. Roger Gorres, Physical Plant Manager responded to member questions.

Senator Waring moved that the Committee give a favorable review to ADOT for the Sprinkler and Fire Alarm Systems Project in the amount of \$1.1 million to install fire sprinkler and alarm systems at 7 sites, and with the requirement that ADOT seek Committee review prior to expending the \$164,500 of undesignated monies. The motion carried.

ARIZONA STATE UNIVERSITY (ASU) - Review of Memorial Union Fire Renovations Bond Project.

Ms. Leah Ruggieri, JLBC Staff, presented for review the Memorial Union Fire Renovations Bond Project at ASU. The Committee favorably reviewed this item in December 2007, with the condition that ASU return for Committee review if any change in excess of \$500,000 from insurance reimbursement occurred. ASU is now reporting that the total cost is increasing by \$13 million, all of which will be covered with insurance reimbursements. The projects per square foot costs are comparable to other projects previously reviewed by the Committee. JLBC Staff recommends a favorable review with the standard university financing provisions.

Discussion ensued on this item.

Ms. Karla Phillips, Director, State Relations, ASU, and Mr. Bruce Jensen, Construction Manager, responded to members questions.

Senator Burns moved that the Committee give a favorable review of the revised 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.*

Additionally, 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. The motion carried.

NORTHERN ARIZONA UNIVERSITY (NAU)

A. Review of Infrastructure Upgrades Bond Project.

Ms. Leah Kritzer, JLBC Staff, stated that this item is a review of the NAU Infrastructure Upgrade Bond Project. NAU is proposing to issue \$15 million in system revenue bonds, repaying the bond with tuition revenues. There was no comparable data for JLBC Staff to assess the reasonableness of the project's cost. As background, the Committee favorably reviewed a similar item in its December 2007 meeting when it reviewed a University of Arizona item where no comparable information was available. JLBC Staff recommends a favorable review of this item with the standard university financing provisions.

Ms. Christy Farley, Director, Government Affairs, NAU, and Mr. Bruce Jensen, Construction Manager, responded to member questions.

Senator Burns moved that the Committee give a favorable review to the NAU Infrastructure Upgrade Bond Project to be financed with a \$15 million system revenue bond issuance 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. The motion carried.*

B. Review of New Residence Life Warehouse Bond Project.

Ms. Kritzer stated that NAU is proposing to issue \$3.9 million in revenue bonds for their new residence life warehouse project and plans on repaying the bond with revenue from auxiliary funds, specifically dorm fees. The warehouse will be used to store items for residential life including carpeting, appliances, and snow removal equipment. NAU's warehouse will include a pallet storage system, 3 offices, and a conference room. The total project cost per square foot for the warehouse is \$232, which she mistakenly referenced as the direct construction cost per square foot in Committee packets. The correct direct construction cost per square foot is \$168. NAU has suggested that the high cost of the warehouse is due to the small size of the facility, which makes the marginal costs greater than the average building. The Committee has at least the following options: a favorable review with the standard university financing provisions or an unfavorable review as the proposed warehouse appears more expensive than comparable projects.

Ms. Christy Farley, Director, Government Affairs, NAU, and Mr. Lorenzo Martinez, Assistant Executive Director for Capital Resources, Arizona Board of Regents, responded to members questions.

Senator Burns moved that the Committee give a favorable review to the Northern Arizona University New Residence Life Warehouse Bond Project to be financed with a \$3.9 million system revenue bond issuance with the standard university financing provisions as listed in Item A. The motion carried.

C. Review of Revised Applied Research Facility Bond Project at NAU-Yuma.

Ms. Kritzer said the Committee favorably reviewed this item in 2006, at a cost of \$4 million, as part of NAU's research infrastructure project plan. The original project was planned at 10,000 square feet. The facility plan is now revised to include an additional 2,200 square feet as well as expanded research capacity. This will increase the cost by \$2.5 million for a total project cost of \$6.5 million. NAU is proposing to issue \$2.5 million in system revenue bonds, which it will repay with tuition revenues. In comparison to other state university research facilities built over the last 3 to 4 years, the cost per square is on the high end. The JLBC Staff recommends a favorable review of this item with the standard university financing provisions.

Senator Burns moved that the Committee give a favorable review of the revised Applied Research Facility on its Yuma campus to be financed with a \$2.5 million system revenue bond issuance with the standard university financing provisions as listed in Item A. The motion carried.

COCHISE COMMUNITY COLLEGE DISTRICT – Review of Revenue Bond Projects

Ms. Kritzer said this is a review of Cochise Community College District's revenue bond project. In July 2006, the Committee favorably reviewed a General Obligation bond issuance for Cochise in the amount of \$87 million. The bond issuance failed in the local election and Cochise now plans on constructing \$46.5 million in capital projects with pledged revenue obligations, local district funds, and revenue bonds. Statute requires the Committee review revenue bond issuances for community colleges. Cochise is proposing to issue \$11 million in revenue bonds, which will be mainly funded by tuition revenues. The bond will fund a new science building and new student housing complex. Based on comparable projects, the costs per square foot appear reasonable. The Committee has at least the following 2 options: a favorable review or an unfavorable review.

Ms. Kritzer said there is another item to bring to the Committee's attention, which is Cochise's submittal of information regarding their planned issuance of pledged revenue obligations, which are a type of lease-purchase agreement. Cochise plans on issuing \$15 million in lease-purchase agreements in July. Literal interpretation of statute suggests that no more than \$2.5 million in lease-purchase agreements can be issued in 1 year and the total outstanding debt cannot exceed \$15 million. Cochise's bond counsel has interpreted statute to read that annual principal debt payments themselves cannot exceed \$2.5 million in a single year, while the total principal issuance cannot exceed \$15 million. They also note that other community college districts have interpreted statute in a similar manner.

The Committee is not required to review these lease-purchase agreements and could take no action on this item if it chooses. However, the Committee could also recommend that Cochise remain within the \$2.5 million annual cap or recommend that statute be modified to match current practice.

Dr. Karen Nicodemus, President, Cochise Community College, Mr. Keith Hoskins, Gust Rosenfeld, Bond Counsel, and Mr. Kevin Butler, Vice President for Administration, Cochise Community College, responded to member questions.

Senator Burns moved that the Committee give a favorable review to Cochise Community College District's \$11 million bond projects and in addition, the Committee recommended that A.R.S. § 15-1446 language be clarified regarding the financial cap on community college lease-purchase issuances and JCCR review for these issuances. The motion carried.

Without objection, the meeting adjourned at 9:55 a.m.

Respectfully submitted:

Cheryl Kestner, Secretary

Leatta McLaughlin, Senior Fiscal Analyst

Representative Russell Pearce, 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: June 19, 2008

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

THRU: Richard Stavneak, Director

FROM: Dan Hunting, Fiscal Analyst

SUBJECT: Arizona Department of Administration – Review of Tucson Office Complex Renovation Project

Request

In compliance with A.R.S. § 41-1252, the Arizona Department of Administration (ADOA) requests Committee review of \$1,500,000 for the State of Arizona Tucson Office Complex renovation project. The FY 2008 Capital Outlay Bill (Laws 2007, Chapter 257) appropriated a total of \$1,500,000 from the Risk Management Revolving Fund for renovations to these 3 office buildings.

Recommendation

The Committee has at least the following 2 options:

- 1) A favorable review. Much of the renovations will be performed by state contract vendors. The basis for a favorable review would be that the cost estimates of the non-state contract vendors are consistent with the low bid and are within the proposed budget for the project.
- 2) An unfavorable review. These monies could instead be reverted to the General Fund to help reduce the budget shortfall.

Under either option, the JLBC Staff recommends the provision that ADOA report on the use of contingency funds and any reallocation exceeding \$100,000 among the individual planned projects.

Analysis

The FY 2008 Capital Outlay Bill appropriated \$1,500,000 from the Risk Management Revolving Fund in FY 2008 to the department to renovate the 3 adjacent buildings that comprise the State of Arizona Tucson Office Complex. 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.

(Continued)

Mold abatement is needed at the 400 W. Congress building due to water leakage into the building's atrium. Damaged flooring, walls, and control joints will be repaired or replaced as well. The roof membrane on the adjoining building at 402 W. Congress has failed and needs replacement. Finally, galvanized piping at the 416 W. Congress building needs to be replaced.

ADOA estimates a total cost of \$1,500,000 for renovations including 2 phases of construction, mold abatement, and replacement of damaged carpet, as shown in the following table:

ADOA's Estimated Cost for Tucson Office Complex Renovations	
	<u>Estimated Cost</u>
Phase 1 construction	\$ 528,900
Phase 2 construction	440,000
Mold abatement and carpet replacement	230,000
Architectural & engineering fees	155,700
Contingency	<u>145,400</u>
Total	\$1,500,000

ADOA plans to have the construction proceed in 2 phases, beginning with repairs to the roof and drainage system and re-pointing of masonry at the 402 W. Congress building. The department received bids for the first phase of construction on April 24, 2008, and the lowest responsive bid was \$528,900.

The second phase of construction will involve replacement of piping and carpet at the 416 W. Congress building and repairs to the roof, expansion joints, and HVAC system at 400 W. Congress. The roofing aspects of phase two of the project will be put out to bid, with the remaining tasks carried out by contract vendors. Cost for carpeting on this project is estimated at \$4.00 per square foot and roofing repairs are estimated at \$4.77 per square foot, which appear to be reasonable.

The JLBC Staff recommends that the Committee give a favorable review of \$1,500,000 for the proposed renovations since the proposal appears consistent with the statutory intent for the project and the cost estimate is consistent with the low bid.

RS:DH/ss

JANET NAPOLITANO
Governor



WILLIAM BELL
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR
100 North Fifteenth Avenue, Suite 401
Phoenix, Arizona 85007
(602) 542-1500



May 30, 2008

The Honorable Russell K. Pearce, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Pearce:

The Arizona Department of Administration (ADOA) requests that the Joint Committee on Capital Review (JCCR) review the scope, purpose, and estimated cost of renovations to the State of Arizona Tucson Office Complex. The design and pre-construction portion for the work is complete and ADOA is ready to move forward with the construction portion of the project.

Additional information on the proposed project is attached. If you have any questions or would like further information, please contact Lynne Smith, Assistant Director, ADOA General Services Division, at (602) 542-1427.

Sincerely,

A handwritten signature in cursive script, appearing to read "William Bell".
William Bell
Director

Attachment

- c: The Honorable Robert Burns, Vice-Chairman, JCCR
Richard Stavneak, Director, JLBC Staff
Leatta McLaughlin, Fiscal Analyst, JLBC Staff
Martin Lorenzo, Fiscal Analyst, JLBC Staff
James Apperson, Director, OSPB

The Honorable Russell K. Pearce, Chairman
May 30, 2008
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Marcel Benberou, Assistant Director, OSPB
Bill Greeney, Assistant Director, OSPB
Matt Gottheiner, Senior Budget Analyst, OSPB
Scott Smith, Deputy Director of Operations, ADOA
Lynne Smith, Assistant Director, ADOA
Paul Shannon, Assistant Director, ADOA
Roger Berna, General Manager, ADOA

EXECUTIVE SUMMARY				
ARIZONA DEPARTMENT of ADMINISTRATION		CONSTRUCTION SERVICES		
PROJECT:		Tucson Complex Renovations		
PROJECT NUMBER:	8630TI.3	DATE PREPARED:	11-Oct-07	
PROJECT MANAGER:	Bill Anderson	REVISED :	28-May-08	
SENIOR PROJECT MANAGER:	Janet Collegio			
GENERAL MANAGER:	Roger Berna			
DESCRIPTION		AMOUNT		
<u>FUNDING SOURCES:</u> HB 2783, 48th Leg., 1st Reg Sessi	<u>INDEX:</u> 54371	\$1,500,000.00		
TOTAL FUNDING		\$1,500,000.00		
PROJECT COST:		COST CODE	ESTIMATE	PROJECTED AT FINISH
<u>Professional Services:</u>				
Arch Fees	01364	\$136,000.00	\$136,000.00	
Arch Reimbursables	01365	\$6,000.00	\$6,000.00	
Engineering Fee	01369	\$6,500.00	\$6,500.00	
Eng Reimbursable	01370	\$1,500.00	\$1,500.00	
Subtotal		\$150,000.00	\$150,000.00	
<u>Construction Services (GC):</u>				
Base Bid #1	01700	\$528,922.00	\$528,922.00	
Alternate #1	01700	\$0.00	\$0.00	
CO#1	01700	\$0.00	\$0.00	
Phase 2	01700	\$440,000.00	\$440,000.00	
Subtotal		\$968,922.00	\$968,922.00	
<u>Separate Contracts:</u>				
Ad	01050	\$600.00	\$600.00	
ACM Survey and Oversight	02105	\$10,000.00	\$10,000.00	
ACM Remediation	02100	\$20,000.00	\$20,000.00	
Mold Survey	02105	\$10,000.00	\$10,000.00	
Mold Remediation	02100	\$15,000.00	\$15,000.00	
Remediation Repair	01700	\$15,000.00	\$15,000.00	
R & R Carpet (State Ctt)	09680	\$160,000.00	\$160,000.00	
Subtotal		\$230,600.00	\$230,600.00	
<u>Project Support:</u>				
ADOA Salaries		\$0.00	\$0.00	
ADOA Expenses		\$0.00	\$0.00	
Risk Management Insurance	01005	\$5,100.00	\$5,100.00	
Subtotal		\$5,100.00	\$5,100.00	
<u>Contingency Allowance:</u>		10%	\$145,378.00	
TOTAL PROJECT COST		\$1,500,000.00	\$1,500,000.00	
Funds Remaining/ (Additional Funds Required)		\$0.00	\$0.00	

**State of Arizona
Tucson Office Complex Renovations**

Background

Laws 2007, First Regular Session, Chapter 257 (the Capital Outlay Bill) appropriated \$1,500,000 from the Risk Management Revolving Fund in FY 2007 for renovations to the Tucson State Office Complex. The Tucson Complex consists of three office buildings: 400 W. Congress, 402 W. Congress and 416 W. Congress. These renovations will remedy several urgent needs, including indoor air quality, the presence of molds, structural concerns, roof damage, water intrusion at windows, doors and planters, and damaged and badly worn flooring.

Information

Of immediate concern were the sources of water leaks in the 402 W. Congress Building. Once the leaks were identified and temporarily stopped, the damaged materials could be removed and design could commence on permanent solutions to the water intrusions. It was found that the primary source of intrusion was rain water from the adjacent atrium roof, draining onto the 402 W. Congress building roof. This water is currently poorly controlled and runs down the building envelope and into adjacent planters, accumulates and then leaks through the building wall. This water intrusion has resulted in damaged building finishes and the growth of mold. Other leak sources are failed window joints, masonry joints and concrete wall panel sealant joints; the later of which are also a structural concern. The following project costs have been indentified:

Pre-Construction

Abatement and repair	\$70,000
Carpet replacement (due to mold and abatement)	\$160,000
Architectural Investigation and Design.....	\$150,000
Advertising and bidding costs	\$600
Risk Management Insurance Fee	\$5,100
SUBTOTAL.....	\$385,700

Construction Phase One

Atrium gutter and drainage system, roof and joint repairs, masonry re-pointing and planter waterproofing	\$528,922
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Construction Phase Two

416 W. Congress re-piping and carpet replacement, 400 W. Congress roof repairs, HVAC repairs and expansion joint repairs	\$440,000
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<u>Contingency</u>	\$145,378
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TOTAL.....	\$1,500,000
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ADOA received competitive bids on April 24, 2008 for the work identified in Construction Phase One, and the lowest responsive bid was \$528,922. To date, ADOA has

encumbered \$775,959 (including the Construction Phase One bid) and expended \$150,889 (Pre-Construction).

Request

ADOA requests review by the JCCR, as required pursuant to A.R.S. §41-1252, of the scope, purpose, and estimated cost of the Tucson Office Complex Renovations as authorized by Laws 2007, First Regular Session, Chapter 257.

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DATE: June 19, 2008

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

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Senior Fiscal Analyst

SUBJECT: Arizona State University – Review of Energy Services and Performance Contract

Request

A.R.S. § 15-1682.02 requires Committee review of any university projects using indirect debt financing. Arizona State University (ASU) requests Committee review of their proposal to enter into an Energy Services and Performance Contract with Energy Management Services, LLC (EMS) and Arizona Public Service Energy Services Company, Inc. (APSES). EMS will issue \$45.2 million in revenue bonds on behalf of ASU in order for them to purchase \$40 million worth of energy conservation equipment from APSES.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review, with the provision that this does not constitute endorsement of any level of General Fund appropriations for purchase of the energy equipment or the annual debt service payments.

Analysis

A.R.S. § 34-451 mandates all university buildings to reduce their energy use by 10% per square foot of floor area on or before July 1, 2008 and by 15% per square foot of floor area on or before July 1, 2011. ASU will have reduced their energy use by 8.7% in 2008, which does not meet the 10% mandate, due to last year's winter temperatures being colder than the base year winter. According to ASU, the implementation of this proposal will reduce their energy use by the 2011 15% mandate.

APSES provided ASU with proposed improvements to their utility systems in 2001. As a result of this, the Arizona Board of Regents approved Phase I of an Energy Services Agreement in 2002, which was completed in October 2004. Phase I provided ASU facilities with energy conservation projects, equipment, and technological improvements, and had a cost of \$35 million, which was financed through EMS. Phase I was expected to result in annual energy savings of \$2.5 million but achieved higher annual savings of between \$2.7 million and \$3.8 million.

(Continued)

EMS operates in conjunction with the Arizona Capital Facilities Finance Corporation, a non-profit corporation that ASU has established to facilitate the financing of its projects. EMS was solely established to finance ASU's energy needs. Lower interest rates can be realized with EMS than with a private contractor, such as APSES, due to EMS's tax exempt status since they are a non-profit organization.

ASU is now requesting to implement the second phase of their energy reduction plan in order to reduce electrical and natural gas related costs primarily at their Tempe campus. According to ASU, their electrical rates have gone up by more than 16% and natural gas prices by more than 18% in the last 12 months. ASU estimates that this proposal will reduce average annual energy costs by at least \$6.2 million, and the payback period will be about 8 years.

Phase III is now being contemplated by ASU. A third phase could expand energy conservation measures from Phase II to additional buildings.

Construction Costs

ASU plans on purchasing \$40 million worth of energy conservation equipment from APSES, which will primarily be installed at ASU's Tempe campus. The following projects will be pursued with the purchased equipment:

- Air duct enhancements
- Chilled water and hot water/steam flow optimization
- Energy saving light installation
- Energy dispatch model development
- HVAC upgrades and improvements
- Laboratory fume hoods retrofitting
- Steam trap repairs and upgrades

Financing

EMS will issue \$45.2 million (no more than \$46 million) in revenue bonds on behalf of ASU in order for them to purchase the \$40 million worth of energy conservation equipment from APSES. EMS issued \$35 million worth of bonds for the first phase of ASU's energy reduction plan. Financing through EMS will result in lower financing costs than those that are available to APSES.

The \$45.2 million revenue bond issuance would be tax-exempt and includes 2 years of capitalized interest during construction and initial start up, as well as issuance costs. This financing does not count against the university's debt ratio since the debt would not be incurred by the university. The term of the bond is for 15 years at an expected interest rate of 4.95%. Once the bonds are repaid, ownership of the equipment will revert from APSES to ASU.

Total interest over the 15-year period would be \$17.2 million, which means total principal plus total interest would equal \$62.4 million. Annual debt service payments would be \$4.8 million, which would be paid for by annual utility cost avoidances. According to ASU, average annual costs of at least \$6.2 million will be avoided through reduced utility bills due to the purchase of the energy reduction equipment from APSES. The average annual utility costs on ASU's Tempe campus are about \$39 million. Through a performance contract, APSES will guarantee that the energy savings will at least equal the bond's annual debt service payments and other related costs. APSES has the fiscal obligation of paying the annual debt service payments if the guaranteed savings are not met.

RS/LMc:sls

XC: LMC

ASU
ARIZONA STATE UNIVERSITY

June 12, 2008



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

Dear Representative Pearce:

In accordance with ARS 15-1682.02, the Arizona Board of Regents requests that the following indirect debt financed project for ASU be placed on the next Joint Committee on Capital review Agenda for review:

Energy Services and Performance Contract Phase II with Arizona Public Service Energy Services (APSES) and Energy Management Services, LLC (EMS)

Enclosed is pertinent information relating to this project.

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
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 Kritzer, Fiscal Analyst, JCCR

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

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(480) 727-9920 FAX: (480) 727-9922

6/12/2008

**Arizona State University
Energy Services and Performance Contract Phase II**

Estimated Financed Amount	\$45,200,000
Estimated Average Interest Rate	4.95%
Financing Term	15 Years

<u>Fiscal Year</u>	<u>Estimated Debt Service Service Payments</u>
2009	-
2010	-
2011	4,802,000
2012	4,801,000
2013	4,802,000
2014	4,800,000
2015	4,804,000
2016	4,799,000
2017	4,803,000
2018	4,800,000
2019	4,801,000
2020	4,799,000
2021	4,803,000
2022	4,802,000
2023	4,799,000
Total	<u><u>62,415,000</u></u>

EXECUTIVE SUMMARY

ACTION ITEM: Energy Services and Performance Contract Phase II with APS Energy Services Company, Inc. (APSES): ASU is requesting that the Board approve (i) the issuance by Energy Management Services, LLC (EMS), whose sole member is the Arizona Capital Facilities Finance Corporation, of not to exceed \$46 million in tax-exempt revenue bonds (consisting of an estimated \$40 million of energy conservation projects, \$1.5 million costs of issuance, and \$4.5 million of capitalized interest during construction), (ii) the use of bond proceeds to purchase energy conservation equipment from APSES to be installed at the ASU campuses, and (iii) the execution of an amended Energy Services Agreement with APSES, providing for ASU's payment of periodic energy charges, including capital cost recovery equal to the LLC's debt service on the bonds, and the acquisition over time of the equipment by ASU.

ISSUE: ASU requests approval to enter into an Energy Services and Performance Contract with EMS and APSES. In March 2007, a Memorandum of Understanding was signed to undertake an energy audit. As a result of the audit, APSES will provide approximately \$40 million in energy conservation projects, equipment and technological improvements over an approximately two-year period. These improvements will be financed on a tax-exempt basis through EMS, and will be paid back over an approximately 15-year period from energy savings. The financing – including capitalized interest during construction and initial startup, and costs of issuance including underwriter's discount and if beneficial bond insurance - will not exceed \$46 million. APSES will guarantee through a performance contract that the energy savings will at least equal the debt service on the bonds to be issued by EMS and other related costs.

BACKGROUND:

Increases in energy costs have heavily impacted ASU operating budgets during the past two years. In the last 12 months alone, electric rates have gone up by more than 16% and natural gas prices by more than 18%. To compound this problem, the university's on-peak demand from 11:00 a.m. to 9:00 p.m. is climbing. The combined increase in rates and usage is severely impacting ASU financial resources. Outdated infrastructure and equipment which is not energy efficient contributes to operational inefficiencies and accelerates cost increases.

Further, the State of Arizona, through statute ARS 34-451, has mandated higher levels of energy conservation. By statute, all Arizona universities have been directed to reduce energy use in

EXECUTIVE SUMMARY

public buildings by “ten percent per square foot of floor area on or before July 1, 2008 and by fifteen percent per square foot of floor area on or before July 1, 2011” from fiscal year 2002 levels. To mitigate the effects of increasing energy costs, ASU is pursuing every opportunity to reduce energy use. In 2001, APSES provided an investment grade audit of proposed improvements to ASU utility systems. In 2002, ABOR approved Phase I of an Energy Services Agreement, a \$35 million project performed by APSES to provide energy conservation projects, equipment, and technological improvements to ASU facilities through EMS. At inception, Phase 1 was expected to achieve savings of \$2.5 million per year. Actual annual savings have ranged between \$2.7 million and \$3.8 million. Environmental benefits of this project, stemming from a decrease in electrical consumption, include an annual emissions reduction of approximately 31,297.9 metric tons of carbon dioxide.

ASU has also made a major educational and research commitment by advancing principles of sustainability. Reducing energy consumption not only benefits the ASU fiscal bottom line, but also illustrates to students, staff and community that ASU “practices what it preaches” and takes balanced environmental stewardship seriously.

The aforementioned factors have led ASU to undertake additional comprehensive conservation efforts and systems modifications. ASU desires to implement a ‘Phase II’ of an energy reduction plan as well as the design and installation of numerous energy saving measures. These measures will save electrical and natural gas related costs for ASU. The program moves ASU forward toward the goal of creating a sustainable university community. Additional benefits include more reliable, efficient energy systems and systematic reductions in energy costs.

PROJECT DESCRIPTION:

ASU has received an Investment Grade Assessment Summary Proposal from APSES, providing ASU with a comprehensive set of Energy Conservation Measures (ECMs) that identifies projects ASU can implement to reduce a significant portion of energy costs across all campuses.

These projects will be self funding, meaning they are intended to use annual utility cost avoidances to fund state-of-the-art upgrades of energy related systems. These annual cost avoidances are in the form of reduced utility bills through the implementation of comprehensive energy projects, which include efficiency upgrades, replacement of aging equipment, as well as ongoing building recommissioning.

The results of the Investment Grade Assessment indicate that ASU will likely realize a total annual utility consumption and cost avoidance of approximately 53 million kWh (23% of annual consumption) and 1,700,000 Therms (35% of annual consumption). Over a 15-year period, this cost avoidance stream should more than pay for \$40 million of facility energy improvements and the related cost of financing, deliver a payback of approximately 8 years, and provide a positive cash flow to assist with increasing utility costs on a per kWh and Therm basis. Additionally,

EXECUTIVE SUMMARY

ASU and/or EMS, may qualify for more than \$600,000 in utility rebates which would be available for investment in other ECMs. Additionally, this project will deliver a reduction of over 43,671.5 metric tons of CO₂ production, 36.73 metric tons of NO_x production, and 23.13 metric tons of SO₂ production or an equivalent of removing 7,403 cars from the road per year or planting 15,543 acres of trees per year.

It is anticipated that projects may include, but are not limited to, the following:

- **Lighting projects** – design and installation of appropriate energy saving lighting at parking garages, building interiors and exteriors, walkways and landscapes
- **Building commissioning projects** – includes continuous commissioning projects that will: improve and balance air flow; improve HVAC system operation and space temperature control; optimize chilled water and hot water/steam flow; repair and clean coils, filters and steam traps.
- **Laboratory controls projects** – laboratory ventilation air will be controlled with the installation of duct probes in return air ducts and monitoring of vapor releases into the general lab spaces. Savings will be achieved by reduction of ventilation when vapor release events are not occurring.
- **Lab fume hood controls projects** – existing constant volume laboratory fume hoods will be retrofitted with sash position monitors, precise exhaust air flow valves and controls. This will require installation of precise air flow valves to control the general exhaust and supply air to the room and variable air volume exhaust and supply fan systems and controls.
- **Zone pressure sensor projects** – fume hoods will be equipped with occupancy sensors mounted on the face of the fume hood to reduce fume hood air flow to the maximum of either OSHA or ASU EH&S minimum levels when no one is standing near the hood opening. Fume hood airflow returns to desired velocity when individuals return.
- **Steam trap (condensate) survey and repair/upgrade** – repair and upgrade of leaking steam traps.
- **Heating, Ventilation and Air Conditioning (HVAC) projects** – HVAC system energy efficiency will be improved by converting constant volume air handlers on campus to variable air volume. Controls will be upgraded to digital units.
- **Digital controls upgrades projects (DDC)** – selected buildings have been prioritized for HVAC control automation to DDC and retrofit of HVAC controls. All pneumatic controls will be replaced with electronic digital controls.
- **Optimization model project** – the ASU central plant as well as the Combined Heat and Power (CHP) plant (also known as the Sun Devil Energy Center) will benefit from the development of an energy dispatch model of the ASU energy production and distribution system. Ultimately, the model will be able to determine the most efficient method of operation possible, accounting for utility rates, all energy data, and weather.

The preceding projects will be undertaken primarily, but not exclusively, at the Tempe campus.

EXECUTIVE SUMMARY

FINANCING:

APSES will undertake to provide the energy saving equipment and technological improvements and to manage the overall project on a privatized and performance contract basis. The financing period will be approximately 15 years, including the two year period of construction and initial startup. In order to finance this project on a tax-exempt basis, IRS regulations require the approval of ASU and its governing board. ASU and APSES plan to finance this project using EMS, whose sole member is Arizona Capital Facilities Finance Corporation, an Arizona non-profit corporation that qualifies for a 63-20 type financing under IRS regulations. Arizona Capital Facilities Finance Corporation has previously financed several of ASU's energy management projects as well as privatized residence halls.

APSES has provided a preliminary investment grade audit of the proposed improvements. The audit concludes that the annual cost of these improvements should be fully funded from the energy savings that will occur.

APSES will continue to have responsibility for utility billings to ASU that will reflect all costs, including: (1) energy usage charges, (2) capital cost amortization of the energy saving equipment and related conservation measures, which will be forwarded to EMS for paying debt service on their bonds issued for the project, (3) and energy monitoring and renewal charges. Even though the utility billings will be primarily from Arizona Public Service, ASU retains the rights to select the various energy suppliers to ASU. The benefits to ASU include: (1) more reliable and efficient energy systems, (2) avoidance of energy system breakdowns that could occur with some of the present equipment and systems and the resulting costs of such situations, and (3) acquisition over time of the energy systems by ASU.

The total financed amount of up to \$46 million will include capitalized interest during construction and initial startup, and costs of issuance. The financing is being done through EMS in order to obtain tax-exempt and lower cost financing than available to APSES directly.

RECOMMENDATION:

That the Board approve:

- A) (i) the issuance by Energy Management Services, LLC, whose sole member is Arizona Capital Facilities Finance Corporation, of not to exceed \$46 million in tax-exempt revenue bonds, (ii) the use of bond proceeds to purchase energy conservation equipment from APS Energy Services Company to be installed at the ASU campuses and (iii) the execution of an Energy Services Agreement with APS Energy Services Company and ASU, providing for ASU's payment of periodic energy charges, including capital recovery equal to the LLC's debt service on the bonds and the acquisition over time of the equipment by ASU; and

EXECUTIVE SUMMARY

- B) That the President of the University, Executive Vice President and CFO, Deputy Executive Vice President, Business and Finance, and the Associate Vice President for Finance and Treasurer, are each hereby authorized to take all appropriate actions to negotiate and enter into the Energy Services agreement, Phase II, with the LLC on the terms described herein, and any other necessary or appropriate documents in connection with the transaction and related financing; and take all necessary and appropriate action in this connection, with such modifications as the President of the University, Executive Vice President and CFO, Deputy Executive Vice President of Business and Finance, or the Associate Vice President for Finance and Treasurer, or any of them determine to be necessary or desirable and appropriate.

ARIZONA STATE UNIVERSITY Energy Performance Contract Phase II



Arizona Board of Regents Meeting • June 19-20, 2008 • Agenda Item #13

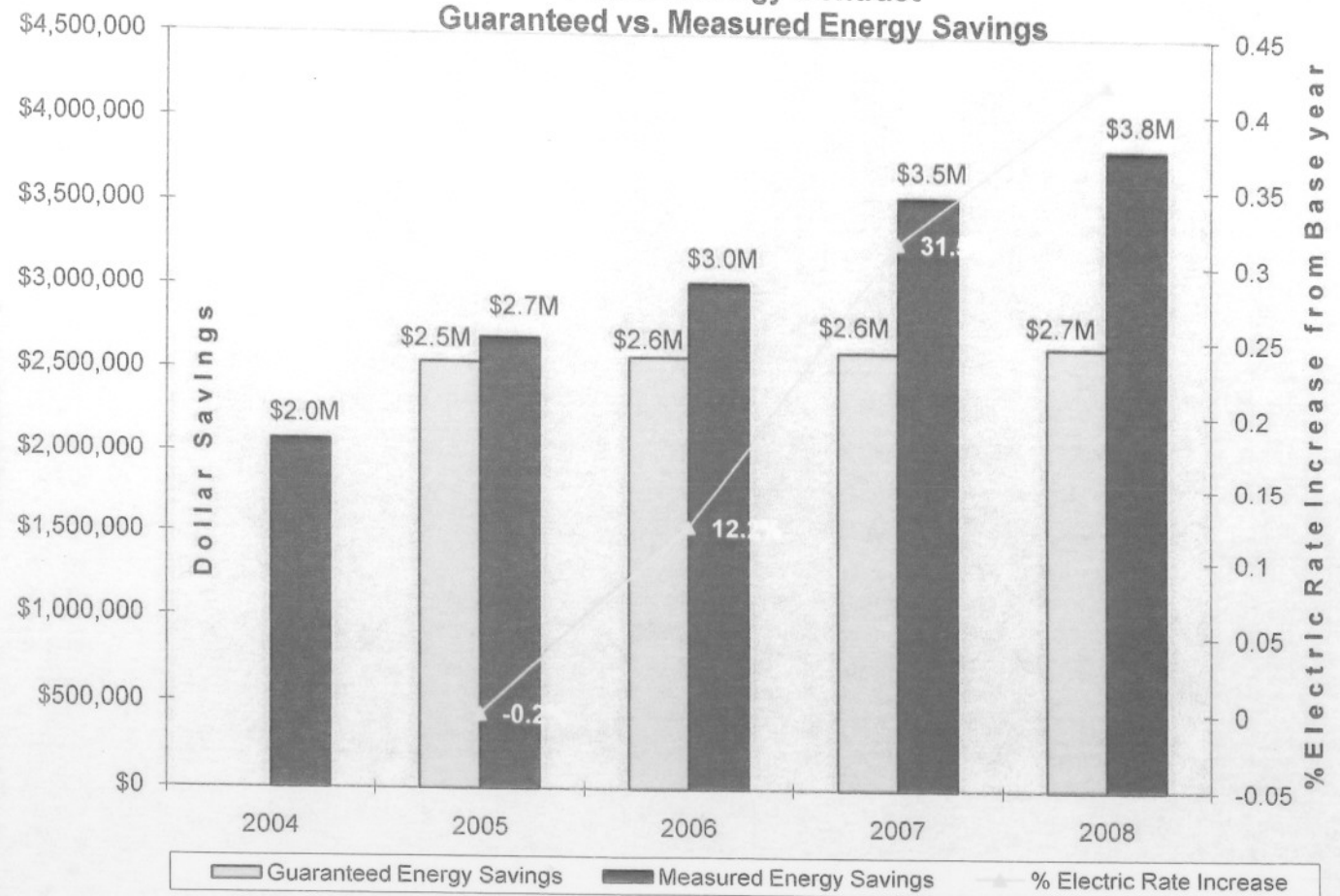
- Ph. I invested \$35M and was completed in Oct. '04. The project has saved, on average, more than \$3.3M in energy costs annually.
- Ph. II will invest \$46M and is projected to save, on average, a minimum of \$6.2M in energy costs annually.
- ASU is now contemplating Ph. III, which will study expanding energy conservation measures identified in Ph. II to additional buildings and utility distribution to various buildings.

ARIZONA STATE UNIVERSITY Energy Performance Contract Phase II



ASU

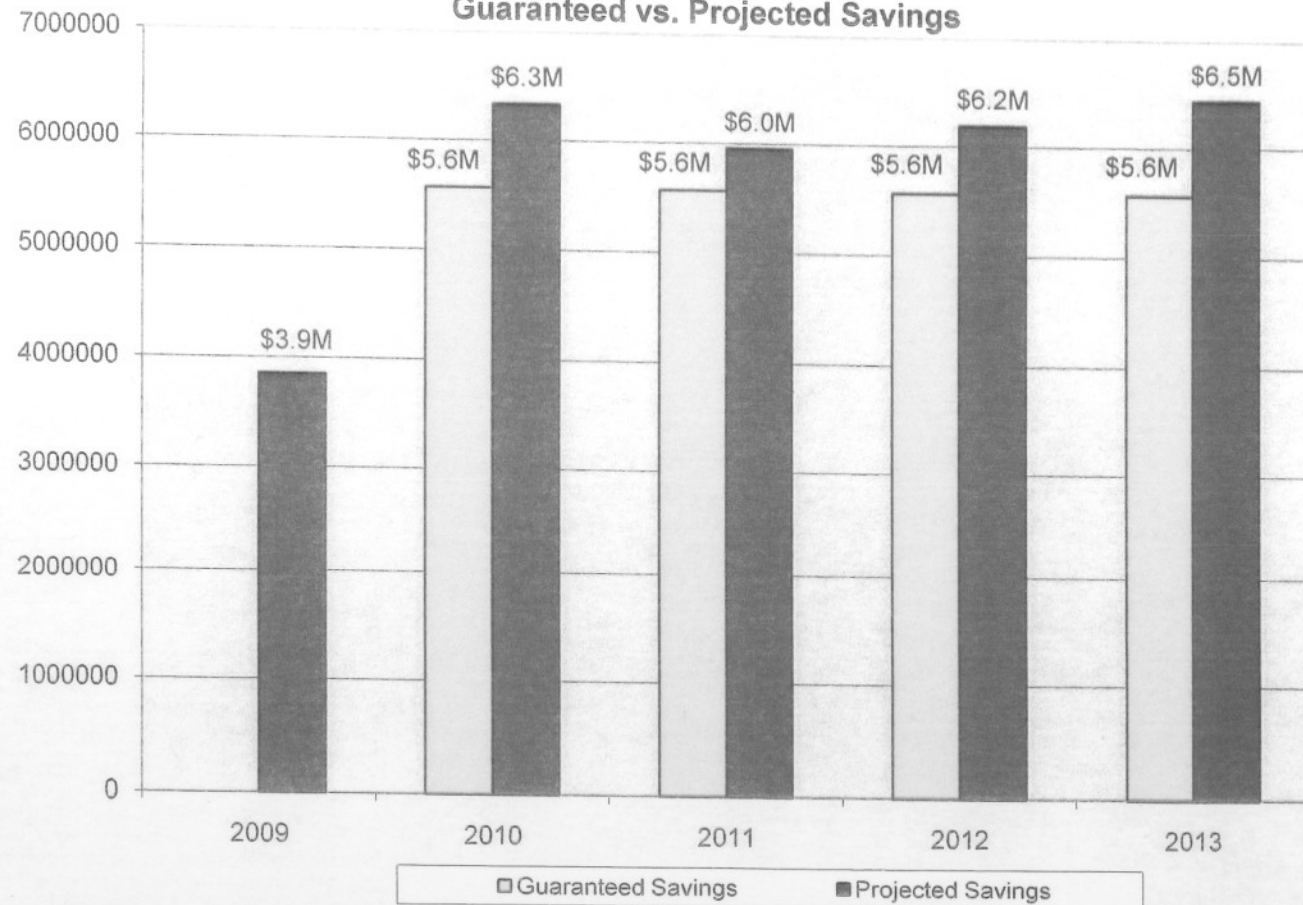
**Phase I Energy Contract
Guaranteed vs. Measured Energy Savings**



ARIZONA STATE UNIVERSITY Energy Performance Contract Phase II



Phase II Energy contract
Guaranteed vs. Projected Savings



Notes:

1. Year 1 is construction year period and no savings are guaranteed during this period; however, some savings will be realized
2. Year 2 Projected Savings includes anticipated utility company rebates

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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DATE: June 19, 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 Distance Learning and Arizona Universities
Network Facility 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 distance learning and Arizona Universities Network (AZUN) facility to be financed with a \$12.5 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.

(Continued)

Analysis

NAU currently administers distance learning programs from its Flagstaff campus. NAU's distance learning program delivers classes over the internet as well as manages satellite campuses throughout Arizona. In the fall of 2007, NAU had approximately 7,363 students enrolled in its distance learning program for a total of 51,900 credit hours. Enrollment is projected to increase to 8,500 students, or 60,000 credit hours, which is a 15% increase, by the fall of 2009. NAU indicates that over the last 10 years they have seen growth averaging more than 10% in new distance learning student enrollments. NAU also administers the Arizona Board of Regents' (ABOR) AZUN program, which coordinates online degree programs by combining class offerings from all 3 Arizona universities.

NAU plans to create an expanded and centralized location for its approximately 140 distance learning and AZUN staff. NAU's distance learning and AZUN staff are currently spread out over a number of buildings on its Flagstaff campus. Additionally, the NAU distance learning program has a television studio which it shares with its Communications Department, and as a result, production time for its distance learning classes is limited.

The proposed project will include a new television studio, space for production technology, 2 classrooms, offices, storage space, restrooms, and conference rooms. NAU plans to renovate 13,500 square feet of the School of Communications building and construct a 3-story addition with 24,500 square feet of space, for a total of 38,000 square feet. The renovated area will contain the majority of the production technology space, while the new addition will house the new television studio and remaining administrative and programmatic space.

Financing

The total cost for the project is \$12.5 million and will be funded with 3 separate revenue streams. Approximately 61% will be funded by a portion of ABOR Proposition 301 monies, also referred to as the Technology and Research Initiative Fund. Locally retained tuition revenues will represent approximately 24% of the annual debt service payment, while the remaining 15% will consist of general university funds.

NAU anticipates issuing the AA rated system revenue bonds later this summer with an estimated 5% annual interest rate and a term of 30 years. The university estimates an annual debt service cost of \$833,800 with a 30-year total cost of \$25.0 million. NAU anticipates annual operating and maintenance costs of \$70,500 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 \$12.5 million system revenue bond issuance would increase the NAU debt ratio from 6.53% to 6.73%.

Construction Costs

Total project costs are estimated at \$12.5 million, which includes direct construction costs, architect fees, furniture and equipment costs, and contingency fees. The direct construction costs total \$10.5 million, which includes construction labor and material costs only. Of this amount, the renovation will cost approximately \$1.5 million, or a direct construction cost per square foot of \$111. The new addition is estimated to cost \$8.5 million, for a direct construction cost per square foot of \$347. The combined direct construction cost per square foot is \$276, which is on the higher end of recent comparable projects, but could be considered reasonable given the increased cost of constructing a television studio and accompanying production needs.

(Continued)

Table 1 illustrates the construction and project costs associated with the distance learning and AZUN renovation and expansion project, as well as previous comparable projects.

Table 1				
Northern Arizona University Distance Learning/AZUN Facility Costs				
<u>Project</u>	<u>Total Project Cost</u>	<u>Total Cost Per Square Foot</u>	<u>Direct Construction Cost</u>	<u>Direct Construction Cost Per Square Foot</u>
NAU – Distance Learning/AZUN Facility	\$12,500,000	\$329	\$10,486,000	\$276
NAU – Applied Research and Development Facility (2006) ^{1/}	\$20,500,000	\$342	\$16,484,000	\$275
ASU – Instructional/Research Lab Renovations (2007)	\$20,000,000	\$269	\$15,019,000	\$202
NAU – College of Business Administration New Construction (2004)	\$24,075,000	\$217	\$20,644,000	\$186
^{1/} Includes \$5.7 M in Federal Funds (for Applied Research)				

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.

RS:LK/ss



**NORTHERN
ARIZONA
UNIVERSITY**

Capital Assets and Services

Northern Arizona University
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June 3, 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:

We respectfully request 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 the new Distance Learning / AZUN Facility at \$12.5 million and the Recreational Fields Expansion at \$7.8 million. These projects have been reviewed and approved by the Capital Committee of the Arizona Board of Regents. They are on the consent agenda for the Board meeting in Flagstaff on June 19 – 20, 2008.

New Distance Learning / AZUN Facility:

The Distance Learning project will receive concurrent Project Implementation Approval and Project Approval during the Arizona Board of Regents (ABOR) June 19 – 20, 2008 meeting. System Revenue Bonds in the amount of \$12,500,000 will be issued to finance the project. The debt service is \$812,000 annually. The bonds will be repaid over a 30-year period using Proposition 301 funds from AZUN, Central University funds and Local funds. It is anticipated that Distance Learning summer session revenues will replace TRIF / AZUN debt service funds pending its expiration in 2021.

In January 2005, the Board entrusted Northern Arizona University with the management of the Arizona Universities Network (AZUN). With the growth in new students averaging more than 10% per year for over ten years, the added staff to serve these students and administer the AZUN project has outpaced the space available to house the services. The project is a 24,500 square feet, three-story addition to the east side of the Communications Building, Building 16, and renovation of 13,500 square feet of TV Services space in the existing Communications Building.

Recreational Fields Expansion:

The Recreational Fields Expansion project will receive concurrent Project Implementation Approval and Project Approval during the Arizona Board of Regents (ABOR) June 19 – 20, 2008 meeting. System Revenue Bonds in the amount of \$7,800,000 will be issued to finance the project. The bonds will be repaid over a 30-year period using \$540,000 annually from Auxiliary Funds. In December 2007, NAU received ABOR approval for a structured student recreation fee for recreation improvements.

The Recreational Fields Expansion on south campus will add new ADA accessible fields with artificial turf and programmable lighting and a new 4,000 square foot multi-purpose building. This project accommodates increased student demand for recreation space and concurrent intramural activities. The field expansion on south campus is one of the projects within the Recreation and Wellness Expansion Projects approved in January 2008.

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

Sincerely,



Dr. MJ McMahon
Executive Vice President



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

cc: President John D. Haeger
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

SOURCES AND USES OF FUNDS

System Revenue Bonds, Series 2008
Distance Learning

Sources:

Bond Proceeds:	
Par Amount	12,515,000.00
Premium	285,455.80
	<hr/>
	12,800,455.80
	<hr/> <hr/>

Uses:

Project Fund Deposits:	
Project Fund	12,500,000.00
Delivery Date Expenses:	
Cost of Issuance	300,000.00
Other Uses of Funds:	
Excess Proceeds	455.80
	<hr/>
	12,800,455.80
	<hr/> <hr/>

BOND DEBT SERVICE

System Revenue Bonds, Series 2008
Distance Learning

Dated Date 08/14/2008
Delivery Date 08/14/2008

Period Ending	Principal	Coupon	Interest	Debt Service
06/01/2009	145,000.00	5.250%	523,804.90	668,804.90
06/01/2010	190,000.00	5.250%	649,425.00	839,425.00
06/01/2011	200,000.00	5.250%	639,450.00	839,450.00
06/01/2012	210,000.00	5.250%	628,950.00	838,950.00
06/01/2013	220,000.00	5.250%	617,925.00	837,925.00
06/01/2014	235,000.00	5.250%	606,375.00	841,375.00
06/01/2015	245,000.00	5.250%	594,037.50	839,037.50
06/01/2016	260,000.00	5.250%	581,175.00	841,175.00
06/01/2017	275,000.00	5.250%	567,525.00	842,525.00
06/01/2018	285,000.00	5.250%	553,087.50	838,087.50
06/01/2019	300,000.00	5.250%	538,125.00	838,125.00
06/01/2020	320,000.00	5.250%	522,375.00	842,375.00
06/01/2021	335,000.00	5.250%	505,575.00	840,575.00
06/01/2022	350,000.00	5.250%	487,987.50	837,987.50
06/01/2023	370,000.00	5.250%	469,612.50	839,612.50
06/01/2024	390,000.00	5.250%	450,187.50	840,187.50
06/01/2025	410,000.00	5.250%	429,712.50	839,712.50
06/01/2026	430,000.00	5.250%	408,187.50	838,187.50
06/01/2027	455,000.00	5.250%	385,612.50	840,612.50
06/01/2028	480,000.00	5.250%	361,725.00	841,725.00
06/01/2029	505,000.00	5.250%	336,525.00	841,525.00
06/01/2030	530,000.00	5.250%	310,012.50	840,012.50
06/01/2031	560,000.00	5.250%	282,187.50	842,187.50
06/01/2032	585,000.00	5.250%	252,787.50	837,787.50
06/01/2033	615,000.00	5.250%	222,075.00	837,075.00
06/01/2034	650,000.00	5.250%	189,787.50	839,787.50
06/01/2035	685,000.00	5.250%	155,662.50	840,662.50
06/01/2036	720,000.00	5.250%	119,700.00	839,700.00
06/01/2037	760,000.00	5.250%	81,900.00	841,900.00
06/01/2038	800,000.00	5.250%	42,000.00	842,000.00
	12,515,000.00		12,513,492.40	25,028,492.40

BOND PRICING

System Revenue Bonds, Series 2008
Distance Learning

Bond Component	Maturity Date	Amount	Rate	Yield	Price	Yield to Maturity	Call Date for Arb Yield	Call Price for Arb Yield	Premium (-Discount)
Distance Learning Project:									
	06/01/2009	145,000.00	5.250%	2.470%	102.177				3,156.65
	06/01/2010	190,000.00	5.250%	2.970%	103.956				7,516.40
	06/01/2011	200,000.00	5.250%	3.350%	105.027				10,054.00
	06/01/2012	210,000.00	5.250%	3.580%	105.874				12,335.40
	06/01/2013	220,000.00	5.250%	3.710%	106.705				14,751.00
	06/01/2014	235,000.00	5.250%	3.860%	107.152				16,807.20
	06/01/2015	245,000.00	5.250%	4.000%	107.369				18,054.05
	06/01/2016	260,000.00	5.250%	4.140%	107.326				19,047.60
	06/01/2017	275,000.00	5.250%	4.270%	107.117				19,571.75
	06/01/2018	285,000.00	5.250%	4.390%	106.781				19,325.85
	06/01/2019	300,000.00	5.250%	4.510%	105.801 C	4.563%	06/01/2018	100.000	17,403.00
	06/01/2020	320,000.00	5.250%	4.610%	104.992 C	4.693%	06/01/2018	100.000	15,974.40
	06/01/2021	335,000.00	5.250%	4.690%	104.351 C	4.790%	06/01/2018	100.000	14,575.85
	06/01/2022	350,000.00	5.250%	4.760%	103.793 C	4.869%	06/01/2018	100.000	13,275.50
	06/01/2023	370,000.00	5.250%	4.820%	103.319 C	4.931%	06/01/2018	100.000	12,280.30
	06/01/2024	390,000.00	5.250%	4.870%	102.925 C	4.980%	06/01/2018	100.000	11,407.50
	06/01/2025	410,000.00	5.250%	4.920%	102.533 C	5.024%	06/01/2018	100.000	10,385.30
	06/01/2026	430,000.00	5.250%	4.970%	102.143 C	5.065%			9,214.90
	06/01/2027	455,000.00	5.250%	5.020%	101.755 C	5.103%			7,985.25
	06/01/2028	480,000.00	5.250%	5.070%	101.368 C	5.138%			6,566.40
	06/01/2029	505,000.00	5.250%	5.120%	100.983 C	5.172%			4,964.15
	06/01/2030	530,000.00	5.250%	5.150%	100.753 C	5.191%			3,990.90
	06/01/2031	560,000.00	5.250%	5.170%	100.600 C	5.204%			3,360.00
	06/01/2032	585,000.00	5.250%	5.180%	100.524 C	5.211%			3,065.40
	06/01/2033	615,000.00	5.250%	5.190%	100.448 C	5.217%			2,755.20
	06/01/2034	650,000.00	5.250%	5.200%	100.371 C	5.223%			2,411.50
	06/01/2035	685,000.00	5.250%	5.210%	100.295 C	5.229%			2,020.75
	06/01/2036	720,000.00	5.250%	5.220%	100.219 C	5.234%			1,576.80
	06/01/2037	760,000.00	5.250%	5.230%	100.143 C	5.240%			1,086.80
	06/01/2038	800,000.00	5.250%	5.240%	100.067 C	5.245%			536.00
		12,515,000.00							285,455.80

BOND PRICING

System Revenue Bonds, Series 2008
Distance Learning

Dated Date	08/14/2008	
Delivery Date	08/14/2008	
First Coupon	12/01/2008	
Par Amount	12,515,000.00	
Premium	285,455.80	
	<hr/>	
Production	12,800,455.80	102.280909%
Underwriter's Discount		
	<hr/>	
Purchase Price	12,800,455.80	102.280909%
Accrued Interest		
	<hr/>	
Net Proceeds	12,800,455.80	

EXECUTIVE SUMMARY

ACTION ITEM: **Project Implementation Approval and Project Approval for New Distance Learning / AZUN Facility (NAU)**

ISSUE: Northern Arizona University seeks Project Implementation Approval and Project Approval for the new Distance Learning / AZUN Facility on the Flagstaff campus of NAU.

PREVIOUS BOARD ACTION: Capital Development Approval January 2008

PROJECT DESCRIPTION:

- The project is a 24,500 square feet, three-story addition to the east side of the Communications Building, Building 16. In addition, the project includes renovation of 13,500 square feet of TV Services space on the 1st and 2nd floor of the existing Communications Building, including a new 1,500 square foot TV Studio. There was some renovation in 2001 to this area of the Communication Building. Further renovation in these areas is now needed for expanded programmatic needs. Due to its critical role in academic program delivery, the existing TV studio will remain in operation during renovation. Steps are also being implemented to minimize disruption to the Communications Department operations and academic instruction, as well as address construction traffic in the academic zone.
- The project includes two classrooms, space for production technology, offices, support spaces, storage and restrooms. The new addition will provide an appropriate acoustical environment for the new TV studio to enhance academic program delivery. Energy efficient options, such as daylighting, are designed for the addition. The new addition Architecture and Landscape Architecture designs are compatible with the existing Communication Building, and the Campus Master Plan. The addition siting will preserve adjacent building sites.
- All applicable spaces within the New Distance Learning/AZUN Facility will comply with the ABOR space guidelines and ADA accessibility requirements. The anticipated life cycle for this building is well beyond the length of the debt service. Advances in technology will impact the life cycle of the TV Studio.
- It was the university plan to bring this project through the incremental capital project approval process. Due to a narrow construction window affected by seasonal weather and the targeted occupancy date, the university seeks an exception and brings the project forward for concurrent Project Implementation Approval and Project Approval.
- The Design Professional is Burns Wald Hopkins and the CMAR is Kinney Construction Services, a local Flagstaff contractor. The estimate has been corroborated by Rider Levett Bucknall and a GMP for this project has been successfully negotiated.

CONTACT: Kathleen Schedler, P.E., Special Assistant to President, (928) 523.6201, Kathleen.Schedler@nau.edu

EXECUTIVE SUMMARY

PROJECT BACKGROUND:

- At CDP, the project was initially proposed as a two-story addition with a project budget of \$8 million. At the completion of full programming and schematic design, the project scope was revised to add additional square footage to accommodate the operational needs of Distance Learning programs.
- NAU has been providing higher education opportunities through Distance Learning to Arizona citizens for 25 years. In January 2005, the Board entrusted Northern Arizona University with the management of the Arizona Universities Network (AZUN). With the growth in new students averaging more than 10% per year for over ten years, the added staff to serve these students, plus administer the AZUN project, has outpaced the space available to house the services.
- NAU Distance Learning offerings have more than doubled in the last three years, and ongoing demands for space to house the staff administering Arizona Universities Network (AZUN) activities has created a need for expanded space. The Distance Learning and AZUN staffs are located in multiple buildings. This project consolidates staff into one location in an addition near the existing TV studio for cost efficiency and program delivery enhancements. In addition, co-location promotes departmental cohesion. Consolidating staff and programs in the Communications Building is consistent with the campus master plan density goal, which promotes infill development where possible.
- The TV Services studio facilitates class delivery through an interactive digital television network, produces television programming for Northern Arizona communities, distributes educational programming through Educational Systems Programming, provides internet and network access to rural Arizona communities and disseminates educational programming through the Dish Network satellite system.

FISCAL IMPACT AND FINANCING PLAN:

Debt Ratio Impact: The existing NAU debt is 6.53% of total projected expenses. In 2009, NAU anticipates its debt ratios to fall due to final payments on existing debt. The incremental debt service for the new Distance Learning / AZUN Facility is 0.20%.

System Revenue Bonds in the amount of \$12,500,000 will be issued to finance the project. The debt service is \$812,000 annually for this project. The bonds will be repaid over a 30-year period using 1) \$500,000 annually from Proposition 301 funds from AZUN; 2) \$120,000 from Central University funds; and, 3) \$192,500 from Local funds. It is anticipated that Distance Learning summer session revenues will replace TRIF / AZUN debt service funds pending its expiration in 2021.

EXECUTIVE SUMMARY

PROJECT JUSTIFICATION:

- The leadership role that Northern Arizona University plays in AZUN requires space to adequately administer programmatic needs. As student participation in AZUN increases, the staff required to provide student services and technical support increases. This addition to the Communications Building will facilitate continued AZUN expansion.
- This project enhances Interactive Television and Distance Learning functions. These have long been integral in facilitating NAU's mission to provide higher education opportunities to rural Arizona and to students who are place bound. With a strong commitment to education, outreach, and technology, that mission provides for students and faculty separated by great geographical distance to interact as if they were in the same classroom. Additionally, the opportunity to interact with classmates from diverse communities around the state increases the value of classroom discussion and learning outcomes. Meeting learner needs, facilitating educational access and providing a quality learning environment are inherent in the NAU mission.

RECOMMENDATION:

RESOLVED, that the Capital Committee favorably review and forward to the Board for approval the Northern Arizona University request for Project Implementation and Project Approval for the new Distance Learning / AZUN Facility.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Northern Arizona University

Project Name: New Distance Learning / AZUN
Facility

Project Description / Location:

The project is a 24,500 square feet expansion to the east side of the Communications Building and a 13,500 square foot renovation to the existing TV Services facilities.

Project Schedule (Beginning Month/Year):

Planning	January 2008
Design	February 2008
Construction	July 2008 (pending JCCR review)
Occupancy / Use	August 2009

Project Budget:

Total Project Cost	\$12,500,000
Direct Construction Cost	\$10,486,408
Total Project Cost per GSF	\$329
Construction Cost per GSF	\$276
Change in Annual O&M Costs	\$70,500
Utilities	\$35,500
Personnel	\$25,000
All Other Operating	\$10,000

Funding Sources:

Capital	
A. System Revenue Bonds	\$12,500,000
Operation / Maintenance	
A. General University Funds	\$70,500

EXECUTIVE SUMMARY

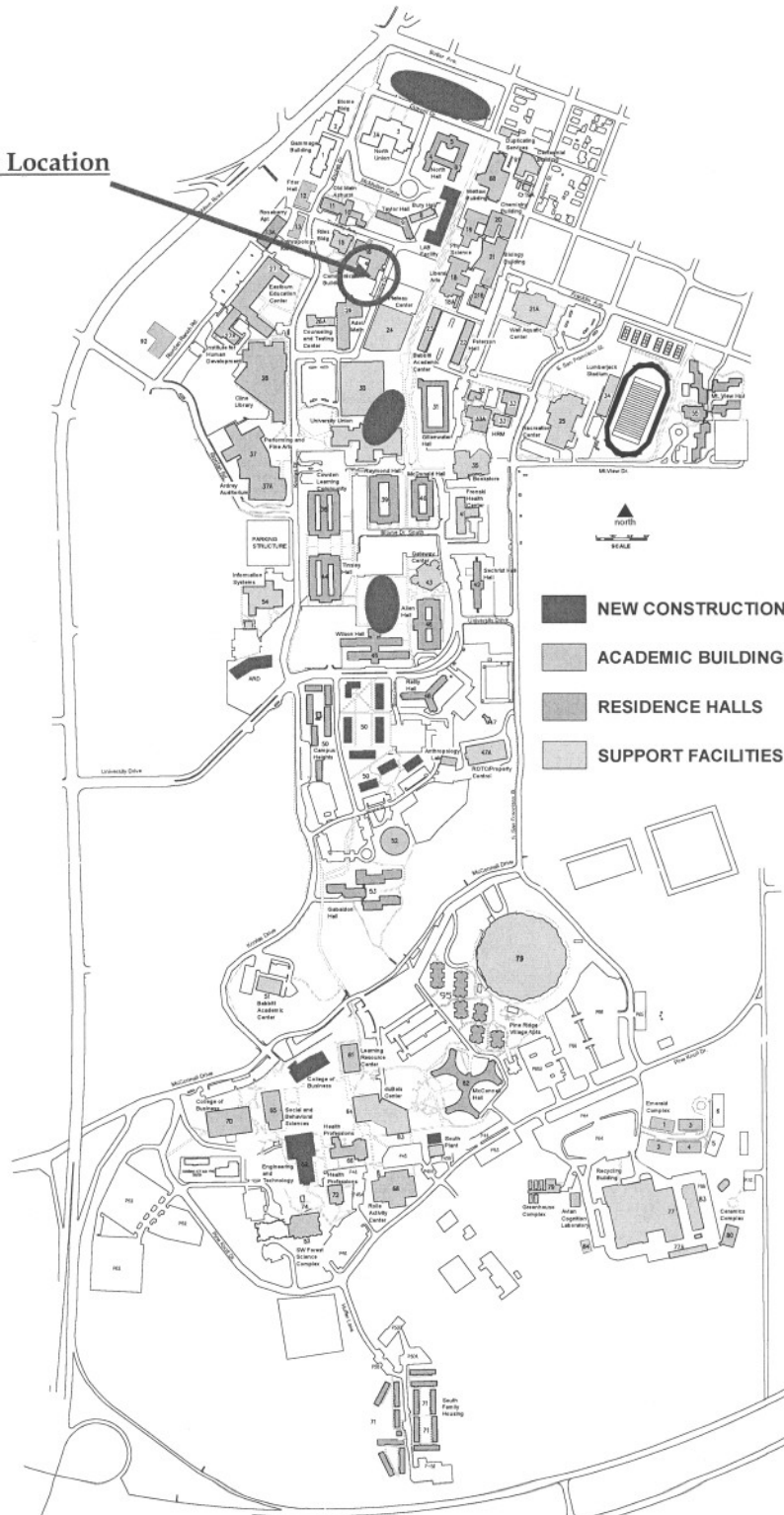
Capital Project Budget Summary

University: Northern Arizona University

Project Name: New Distance Learning / AZUN
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		\$10,012,073	\$10,012,073
B. Renovation			
C. Special Fixed Equipment			
D. Site Development			
E. Parking and Landscaping			
F. Utilities Extensions			
G. Demolition			
H. Inflation Adjustment			
Subtotal Construction Cost		\$10,012,073	\$10,012,073
3. Fees (% of Construction Cost)			
A. Construction Manager		\$145,065	\$145,065
B. Engineer / Architect		\$1,034,848	\$1,034,848
C. Other: Lab/Telecom/Commissioning		\$37,000	\$37,000
Subtotal Consultant Fees		\$1,216,913	\$1,216,913
4. FF&E Moveable			
5. Contingency, Design Phase			
6. Contingency, Constr. Phase		\$478,975	\$478,975
7. Parking Reserve			
8. Telecommunications Equipment		\$121,254	\$121,254
Subtotal Items 4 – 8		\$600,229	\$600,229
9. Additional University Costs			
A. Surveys and Tests		\$52,432	\$52,432
B. Physical Plant Inspections / Travel		\$47,792	\$47,792
C. Other: AEDs, Move in, Storage		\$201,512	\$201,512
D. Printing Advertising		\$29,258	\$29,258
E. Asbestos			
F. Project Management Cost		\$300,000	\$300,000
H. State Risk Mgmt Insurance		\$39,791	\$39,791
Subtotal Additional University Costs		\$670,785	\$670,785
TOTAL CAPITAL COST	\$8,000,000	\$12,500,000	\$12,500,000

Project Location



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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CHAIRMAN 2007
PAULA ABOUD
AMANDA AGUIRRE
MARSHA ARZBERGER
KAREN S. JOHNSON
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HOUSE OF
REPRESENTATIVES

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PHIL LOPES
DAVID LUJAN
DAVID SCHAPIRA

DATE: June 19, 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 Recreation Field Expansion and Multipurpose Building

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 recreation field expansion and multipurpose building to be financed with an \$8.6 million system revenue bond issuance. The bond issuance will be paid from a new \$50 recreation and wellness fee, which will increase to \$235 by 2011.

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 artificial grass turf is projected to last 10 years which is less than the life of the proposed 30-year debt service repayment schedule. NAU, however, will structure its bond issuance so that the artificial turf is paid off first. We are awaiting additional information as to how they plan to accomplish this objective.

Under either option, the JLBC Staff recommends the provision that NAU submit a final debt service schedule to JLBC.

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.

(Continued)

- 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.

Analysis

NAU proposes to construct on its only south campus recreation field, a 6,000 square foot multi-purpose building, which will include restrooms, water fountains, and storage for field equipment. They plan to expand their existing recreational field of 84,600 square feet and add an additional field. NAU also plans to install programmable lighting and artificial turf for both fields covering a total area of 280,000 square feet. The existing field will be converted from natural grass to artificial turf. These fields will provide expanded space for intramural sports, which include football, baseball, and ultimate Frisbee. NAU indicates they chose artificial turf over natural grass to allow for year long usage of the fields and rapid drainage after inclement weather.

NAU states that the number of intramural participants has increased as enrollment has increased and requests for field space currently exceed capacity. The recreation field expansion and multi-purpose building represent the first of 4 phases of NAU's full student recreation and wellness initiative on its Flagstaff campus. Phase 2 represents additional recreation improvements and phases 3 and 4 will be used to construct a Wellness facility. NAU assessed the feasibility of all 4 phases by conducting a web survey and feedback sessions with students on the Flagstaff campus, which discussed the proposed projects and associated fees.

Financing

The field expansion project will be funded with \$8.6 million in auxiliary fund system revenue bonds. Auxiliary funds are non-appropriated funds generated from self-supporting activities, such as student fees. Beginning in the fall 2008 semester, NAU students on the Flagstaff campus will be charged a student recreation and wellness fee, which NAU will use to fund the field expansion project. The fee will start at \$50 per semester in fall 2008 and increase to \$235 per semester by fall 2011. NAU currently charges a \$25 recreation fee and a \$15 health fee per semester.

The project cost is \$7.8 million, with bond issuance related costs totaling approximately \$820,000 including any discounts and bond insurance, for a total cost of \$8.6 million. NAU anticipates issuing the AA rated system revenue bonds later this summer with an estimated 5% annual interest rate and a term of 30 years. The university estimates an annual debt service of \$570,000, with a 30-year total cost of \$17.0 million. The average life span of artificial turf is approximately 10 years, while the debt payment schedule spans 30 years. NAU acknowledges that turf will have to be replaced before the revenue bond is repaid and plans on funding the turf replacement with the new recreation fees.

The operating and maintenance costs for the current recreation field range between \$32,000 and \$40,000 per year. NAU anticipates operating and maintenance costs of \$90,000 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

(Continued)

calculation is known as the debt ratio. The \$8.6 million system revenue bond issuance would increase the NAU debt ratio from 6.53% to 6.78%.

Construction Costs

The \$7.8 million project cost includes direct construction costs, architect fees, furniture and equipment costs, and contingency fees. The direct construction costs total \$6.3 million, which include labor and material costs. The field expansion project includes 3 separate components: the construction of the field expansion itself, construction of the multi-purpose building, and installation of field lighting. *Table 1* provides a breakout of the direct construction costs of the 3 components with comparable Arizona recreation projects.

Table 1			
NAU FIELD EXPANSION PROJECT			
<u>Excavation, Preparation of Field, and Turf Installation</u> ^{1/}			
<u>Project</u>	<u>Total Direct Cost</u>	<u>Square Foot</u>	<u>Total Direct Cost Per Square Foot</u>
CAP Basin Park Soccer Fields	\$3.0 million	600,000	\$5.00
City of Flagstaff - Thorpe Park	\$5.3 million	557,900	\$9.50
NAU Field Expansion	\$3.1 million	280,000	\$11.16
<u>Multi-Purpose Building</u> ^{1/}			
<u>Project</u>	<u>Total Direct Cost</u>	<u>Square Foot</u>	<u>Total Direct Cost Per Square Foot</u>
NAU Field Expansion	\$584,300	6,000	\$97
City of Scottsdale - Grayhawk Park	\$372,000	1,600	\$232
Town of Fountain Hills - Desert Vista Park	\$508,000	1,872	\$271
<u>Sports Field Lighting</u>			
<u>Project</u>	<u>Total Direct Cost</u>	<u>Number of Poles</u>	<u>Total Direct Cost Per Pole</u>
NAU Field Expansion	\$682,700	16	\$42,700
City of Scottsdale - Grayhawk Park	\$640,000	11	\$58,200
City of Flagstaff - Thorpe Park	\$1,390,000	21	\$66,190
^{1/} The following comparable data were provided by NAU, which includes project costs as reported by Valley Rain Contractors.			

NAU estimates the field expansion itself, which includes turf, preparation of field, and excavation, will cost approximately \$3.1 million, or \$11.16 per square foot. The City of Flagstaff installed natural grass instead of turf at its Thorpe Park at a cost of \$9.50 per square. On average, natural grass costs approximately 44% less than turf. If NAU's costs were adjusted for the difference in cost between artificial and natural turf, NAU's adjusted cost would be \$6.70 per square foot, which appears reasonable.

The multi-purpose building is estimated to cost approximately \$584,300, or \$97 per square foot. The City of Scottsdale's Grayhawk Park has a similar building, with restrooms and a storage area, for a cost per square foot of \$232. NAU states its costs are below its comparables due to the building's simple design and minimal interior finishes. The cost estimate for NAU's multi-purpose building appears reasonable.

NAU's 16-pole sports field lighting project is estimated to cost a total of \$682,669, or an average cost per pole of \$42,700. The City of Scottsdale installed 11 sports lights at its Grayhawk Park for a total cost of \$58,200, with an average cost of \$58,200 per pole. The cost estimate provided by NAU for its sports lighting project appears reasonable.

(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.

RS/LK:ss



NORTHERN ARIZONA UNIVERSITY

Capital Assets and Services

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June 3, 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:

We respectfully request 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 the new Distance Learning / AZUN Facility at \$12.5 million and the Recreational Fields Expansion at \$7.8 million. These projects have been reviewed and approved by the Capital Committee of the Arizona Board of Regents. They are on the consent agenda for the Board meeting in Flagstaff on June 19 – 20, 2008.

New Distance Learning / AZUN Facility:

The Distance Learning project will receive concurrent Project Implementation Approval and Project Approval during the Arizona Board of Regents (ABOR) June 19 – 20, 2008 meeting. System Revenue Bonds in the amount of \$12,500,000 will be issued to finance the project. The debt service is \$812,000 annually. The bonds will be repaid over a 30-year period using Proposition 301 funds from AZUN, Central University funds and Local funds. It is anticipated that Distance Learning summer session revenues will replace TRIF / AZUN debt service funds pending its expiration in 2021.

In January 2005, the Board entrusted Northern Arizona University with the management of the Arizona Universities Network (AZUN). With the growth in new students averaging more than 10% per year for over ten years, the added staff to serve these students and administer the AZUN project has outpaced the space available to house the services. The project is a 24,500 square feet, three-story addition to the east side of the Communications Building, Building 16, and renovation of 13,500 square feet of TV Services space in the existing Communications Building.

Recreational Fields Expansion:

The Recreational Fields Expansion project will receive concurrent Project Implementation Approval and Project Approval during the Arizona Board of Regents (ABOR) June 19 – 20, 2008 meeting. System Revenue Bonds in the amount of \$7,800,000 will be issued to finance the project. The bonds will be repaid over a 30-year period using \$540,000 annually from Auxiliary Funds. In December 2007, NAU received ABOR approval for a structured student recreation fee for recreation improvements.

The Recreational Fields Expansion on south campus will add new ADA accessible fields with artificial turf and programmable lighting and a new 4,000 square foot multi-purpose building. This project accommodates increased student demand for recreation space and concurrent intramural activities. The field expansion on south campus is one of the projects within the Recreation and Wellness Expansion Projects approved in January 2008.

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

Sincerely,



Dr. MJ McMahon
Executive Vice President



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

cc: President John D. Haeger
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

SOURCES AND USES OF FUNDS

System Revenue Bonds - Wellness Center Project
Series 2008 System Revenue Bonds

Sources:

Bond Proceeds:	
Par Amount	8,620,000.00
	<hr/>
	8,620,000.00

Uses:

Project Fund Deposits:	
Project Fund	7,800,000.00
Other Fund Deposits:	
Capitalized Interest Fund	538,750.00
Delivery Date Expenses:	
Cost of Issuance	150,000.00
Underwriter's Discount	43,100.00
Bond Insurance	<hr/>
	85,212.50
	278,312.50
Other Uses of Funds:	
Excess Proceeds	2,937.50
	<hr/>
	8,620,000.00

BOND DEBT SERVICE

System Revenue Bonds - Wellness Center Project
Series 2008 System Revenue Bonds

Dated Date 03/01/2008
Delivery Date 03/01/2008

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2008			323,250.00	323,250.00	
06/01/2009			215,500.00	215,500.00	538,750.00
12/01/2009			215,500.00	215,500.00	
06/01/2010	140,000.00	5.000%	215,500.00	355,500.00	571,000.00
12/01/2010			212,000.00	212,000.00	
06/01/2011	145,000.00	5.000%	212,000.00	357,000.00	569,000.00
12/01/2011			208,375.00	208,375.00	
06/01/2012	155,000.00	5.000%	208,375.00	363,375.00	571,750.00
12/01/2012			204,500.00	204,500.00	
06/01/2013	160,000.00	5.000%	204,500.00	364,500.00	569,000.00
12/01/2013			200,500.00	200,500.00	
06/01/2014	170,000.00	5.000%	200,500.00	370,500.00	571,000.00
12/01/2014			196,250.00	196,250.00	
06/01/2015	175,000.00	5.000%	196,250.00	371,250.00	567,500.00
12/01/2015			191,875.00	191,875.00	
06/01/2016	185,000.00	5.000%	191,875.00	376,875.00	568,750.00
12/01/2016			187,250.00	187,250.00	
06/01/2017	195,000.00	5.000%	187,250.00	382,250.00	569,500.00
12/01/2017			182,375.00	182,375.00	
06/01/2018	205,000.00	5.000%	182,375.00	387,375.00	569,750.00
12/01/2018			177,250.00	177,250.00	
06/01/2019	215,000.00	5.000%	177,250.00	392,250.00	569,500.00
12/01/2019			171,875.00	171,875.00	
06/01/2020	225,000.00	5.000%	171,875.00	396,875.00	568,750.00
12/01/2020			166,250.00	166,250.00	
06/01/2021	235,000.00	5.000%	166,250.00	401,250.00	567,500.00
12/01/2021			160,375.00	160,375.00	
06/01/2022	250,000.00	5.000%	160,375.00	410,375.00	570,750.00
12/01/2022			154,125.00	154,125.00	
06/01/2023	260,000.00	5.000%	154,125.00	414,125.00	568,250.00
12/01/2023			147,625.00	147,625.00	
06/01/2024	275,000.00	5.000%	147,625.00	422,625.00	570,250.00
12/01/2024			140,750.00	140,750.00	
06/01/2025	290,000.00	5.000%	140,750.00	430,750.00	571,500.00
12/01/2025			133,500.00	133,500.00	
06/01/2026	300,000.00	5.000%	133,500.00	433,500.00	567,000.00
12/01/2026			126,000.00	126,000.00	
06/01/2027	315,000.00	5.000%	126,000.00	441,000.00	567,000.00
12/01/2027			118,125.00	118,125.00	
06/01/2028	335,000.00	5.000%	118,125.00	453,125.00	571,250.00
12/01/2028			109,750.00	109,750.00	
06/01/2029	350,000.00	5.000%	109,750.00	459,750.00	569,500.00
12/01/2029			101,000.00	101,000.00	
06/01/2030	365,000.00	5.000%	101,000.00	466,000.00	567,000.00
12/01/2030			91,875.00	91,875.00	
06/01/2031	385,000.00	5.000%	91,875.00	476,875.00	568,750.00
12/01/2031			82,250.00	82,250.00	
06/01/2032	405,000.00	5.000%	82,250.00	487,250.00	569,500.00
12/01/2032			72,125.00	72,125.00	
06/01/2033	425,000.00	5.000%	72,125.00	497,125.00	569,250.00
12/01/2033			61,500.00	61,500.00	

BOND DEBT SERVICE

System Revenue Bonds - Wellness Center Project
Series 2008 System Revenue Bonds

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2034	445,000.00	5.000%	61,500.00	506,500.00	568,000.00
12/01/2034			50,375.00	50,375.00	
06/01/2035	470,000.00	5.000%	50,375.00	520,375.00	570,750.00
12/01/2035			38,625.00	38,625.00	
06/01/2036	490,000.00	5.000%	38,625.00	528,625.00	567,250.00
12/01/2036			26,375.00	26,375.00	
06/01/2037	515,000.00	5.000%	26,375.00	541,375.00	567,750.00
12/01/2037			13,500.00	13,500.00	
06/01/2038	540,000.00	5.000%	13,500.00	553,500.00	567,000.00
	8,620,000.00		8,422,500.00	17,042,500.00	17,042,500.00

NET DEBT SERVICE

System Revenue Bonds - Wellness Center Project
Series 2008 System Revenue Bonds

Period Ending	Principal	Interest	Total Debt Service	Capitalized Interest Fund	Net Debt Service
06/01/2009		538,750.00	538,750.00	538,750.00	
06/01/2010	140,000.00	431,000.00	571,000.00		571,000.00
06/01/2011	145,000.00	424,000.00	569,000.00		569,000.00
06/01/2012	155,000.00	416,750.00	571,750.00		571,750.00
06/01/2013	160,000.00	409,000.00	569,000.00		569,000.00
06/01/2014	170,000.00	401,000.00	571,000.00		571,000.00
06/01/2015	175,000.00	392,500.00	567,500.00		567,500.00
06/01/2016	185,000.00	383,750.00	568,750.00		568,750.00
06/01/2017	195,000.00	374,500.00	569,500.00		569,500.00
06/01/2018	205,000.00	364,750.00	569,750.00		569,750.00
06/01/2019	215,000.00	354,500.00	569,500.00		569,500.00
06/01/2020	225,000.00	343,750.00	568,750.00		568,750.00
06/01/2021	235,000.00	332,500.00	567,500.00		567,500.00
06/01/2022	250,000.00	320,750.00	570,750.00		570,750.00
06/01/2023	260,000.00	308,250.00	568,250.00		568,250.00
06/01/2024	275,000.00	295,250.00	570,250.00		570,250.00
06/01/2025	290,000.00	281,500.00	571,500.00		571,500.00
06/01/2026	300,000.00	267,000.00	567,000.00		567,000.00
06/01/2027	315,000.00	252,000.00	567,000.00		567,000.00
06/01/2028	335,000.00	236,250.00	571,250.00		571,250.00
06/01/2029	350,000.00	219,500.00	569,500.00		569,500.00
06/01/2030	365,000.00	202,000.00	567,000.00		567,000.00
06/01/2031	385,000.00	183,750.00	568,750.00		568,750.00
06/01/2032	405,000.00	164,500.00	569,500.00		569,500.00
06/01/2033	425,000.00	144,250.00	569,250.00		569,250.00
06/01/2034	445,000.00	123,000.00	568,000.00		568,000.00
06/01/2035	470,000.00	100,750.00	570,750.00		570,750.00
06/01/2036	490,000.00	77,250.00	567,250.00		567,250.00
06/01/2037	515,000.00	52,750.00	567,750.00		567,750.00
06/01/2038	540,000.00	27,000.00	567,000.00		567,000.00
	8,620,000.00	8,422,500.00	17,042,500.00	538,750.00	16,503,750.00

BOND PRICING

System Revenue Bonds - Wellness Center Project Series 2008 System Revenue Bonds

Bond Component	Maturity Date	Amount	Rate	Yield	Price
Serial Bond:					
	06/01/2010	140,000.00	5.000%	5.000%	100.000
	06/01/2011	145,000.00	5.000%	5.000%	100.000
	06/01/2012	155,000.00	5.000%	5.000%	100.000
	06/01/2013	160,000.00	5.000%	5.000%	100.000
	06/01/2014	170,000.00	5.000%	5.000%	100.000
	06/01/2015	175,000.00	5.000%	5.000%	100.000
	06/01/2016	185,000.00	5.000%	5.000%	100.000
	06/01/2017	195,000.00	5.000%	5.000%	100.000
	06/01/2018	205,000.00	5.000%	5.000%	100.000
	06/01/2019	215,000.00	5.000%	5.000%	100.000
	06/01/2020	225,000.00	5.000%	5.000%	100.000
	06/01/2021	235,000.00	5.000%	5.000%	100.000
	06/01/2022	250,000.00	5.000%	5.000%	100.000
	06/01/2023	260,000.00	5.000%	5.000%	100.000
	06/01/2024	275,000.00	5.000%	5.000%	100.000
	06/01/2025	290,000.00	5.000%	5.000%	100.000
	06/01/2026	300,000.00	5.000%	5.000%	100.000
	06/01/2027	315,000.00	5.000%	5.000%	100.000
	06/01/2028	335,000.00	5.000%	5.000%	100.000
		<u>4,230,000.00</u>			
Term Bond 2033:					
	06/01/2029	350,000.00	5.000%	5.000%	100.000
	06/01/2030	365,000.00	5.000%	5.000%	100.000
	06/01/2031	385,000.00	5.000%	5.000%	100.000
	06/01/2032	405,000.00	5.000%	5.000%	100.000
	06/01/2033	425,000.00	5.000%	5.000%	100.000
		<u>1,930,000.00</u>			
Term Bond 2038:					
	06/01/2034	445,000.00	5.000%	5.000%	100.000
	06/01/2035	470,000.00	5.000%	5.000%	100.000
	06/01/2036	490,000.00	5.000%	5.000%	100.000
	06/01/2037	515,000.00	5.000%	5.000%	100.000
	06/01/2038	540,000.00	5.000%	5.000%	100.000
		<u>2,460,000.00</u>			
		<u>8,620,000.00</u>			

BOND PRICING

System Revenue Bonds - Wellness Center Project
Series 2008 System Revenue Bonds

Dated Date	03/01/2008	
Delivery Date	03/01/2008	
First Coupon	12/01/2008	
Par Amount	8,620,000.00	
Original Issue Discount		
Production	8,620,000.00	100.000000%
Underwriter's Discount	(43,100.00)	(0.500000)
Purchase Price	8,576,900.00	99.500000%
Accrued Interest		
Net Proceeds	8,576,900.00	

EXECUTIVE SUMMARY

ACTION ITEM: **Project Implementation Approval and Project Approval for Recreation Fields Expansion (NAU)**

ISSUE: Northern Arizona University seeks Project Implementation Approval and Project Approval for new and renovated recreation fields on the Flagstaff campus of NAU.

PREVIOUS BOARD ACTION: Capital Development Approval January 2008

PROJECT DESCRIPTION:

- The Recreational Fields Expansion on south campus will add new ADA accessible fields with artificial turf and programmable lighting. A new 4,000 square foot multi-purpose building with ADA accessible restrooms, water fountains, and field equipment storage will be sited between the two fields. An existing disc golf course is adjacent to the field site and a new throwing field for discus and hammer will be located to the west of the recreation fields.
- The existing south field (A) will be expanded to a dimension of 400 feet by 350 feet. A new field (B) will be added south of field A and will have similar dimensions. The addition of lighting will expand field activity into the evening hours and the lighting will have automatic timing devices to comply with Flagstaff Dark Skies ordinances. Low lighting will be available as a sustainable option. Other sustainable features include use of reclaimed water to cool and rinse the artificial turf, as well as use in the restroom toilets.
- All fields for this project are located on south campus across from the Southwest Forest Science Building. The fields are within walking distance of McConnell Hall and Pine Ridge Village, as well as the Walkup Skydome and Rolle Activity Center. The throwing field improvements are on state trust land and comply with NAU's lease. The building life cycle and other improvements will extend beyond the debt plan. The artificial turf has a life expectancy of 10 years and is rated for high UVA exposure.
- The Design Professional is CMX and the selected CMAR is Valley Rain. The artificial turf was procured through NAU Purchasing Services and awarded to Hellas. A corroborating estimate was provided by Arizona Engineering and a GMP for this project has been successfully negotiated.

PROJECT BACKGROUND:

- The Recreational Fields Expansion on south campus is one of the projects within the Recreation and Wellness Expansion Projects approved in January 2008. The Fields Expansion project accommodates increased student demand for recreation space and concurrent intramural activities.

CONTACT: Kathleen Schedler, P.E., Special Assistant to President, (928) 523.6201, Kathleen.Schedler@nau.edu

EXECUTIVE SUMMARY

- In fall 2004, a web survey was conducted to assess NAU student opinions regarding recreational opportunities. Responding students reported the availability of recreation facilities was important to them and makes a valuable contribution to their total university experience. A significant number of responding students supported additional recreation fees to fund facility expansions. A recreation and health fee structure was endorsed by the NAU student community and approved by ABOR. These newly approved fees are structured for implementation over a course of three years.
- A National Intramural-Recreational Sports Association (NIRSA) study found that student involvement in recreational sports programs, facilities, and services plays a significant role in recruiting new students, supporting the learning environment, integrating students into the social community of the campus, affiliating them with the institution, and enhancing a number of student educational and developmental outcomes.

FISCAL IMPACT AND FINANCING PLAN:

Debt Ratio Impact: The existing NAU debt is 6.53% of total project expenses. In 2009, NAU anticipates its debt ratios to fall due to final payments on existing debt.

The incremental debt service for the Recreation Fields Expansion is 0.14%.

System Revenue Bonds in the amount of \$7,800,000 will be issued to finance the project. The bonds will be repaid over a 30-year period using \$540,000 annually from Auxiliary Funds. In December 2007, NAU received ABOR approval for a structured student recreation fee for recreation improvements.

PROJECT JUSTIFICATION:

- The existing site currently includes a large, grass intramural field with neither lighting nor restrooms. Use of the field is limited to daylight hours leading to shortened intramural schedules and activities. Lack of facilities and ADA accessibility further limit activities at the existing field.
- This project is in direct response to student input and demand for better facilities and activity spaces.

RECOMMENDATION:

RESOLVED, that the Capital Committee favorably review and forward to the Board for approval the Northern Arizona University request for Project Implementation and Project Approval for the Recreation Fields Expansion project.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Northern Arizona University

Project Name: Recreation Fields Expansion

Project Description / Location:

The project is an expansion of an existing recreation field and the addition of a new field and a 4,000 square foot multipurpose building on south campus for student intramural and recreation activities.

Project Schedule (Beginning Month/Year):

Planning	January 2008
Design	February 2008
Construction	June 2008 (pending JCCR review)
Occupancy / Use	September 2008 (Field A)

Project Budget:

Total Project Cost	\$7,800,000
Direct Construction Cost	\$6,321,508
Total Project Cost per GSF	\$29
Construction Cost per GSF	\$23
Change in Annual O&M Costs	\$90,000
Utilities	\$50,000
Personnel	\$25,000
All Other Operating	\$15,000

Funding Sources:

Capital	
A. System Revenue Bonds	\$7,800,000
Operation / Maintenance	
A. Auxiliary Funds	\$90,000

EXECUTIVE SUMMARY

Capital Project Budget Summary

University: Northern Arizona University

Project Name: Recreation Fields Expansion

	<u>CDP Approval</u>	<u>Project Implementation Approval</u>	<u>Project Approval</u>
Capital Costs			
1. Land Acquisition			
2. Construction Cost			
A. New Construction		\$4,390,934	\$4,390,934
B. Renovation			
C. Special Fixed Equipment			
D. Site Development		\$1,100,494	\$1,100,494
E. Parking and Landscaping - Turf		\$830,080	\$830,080
F. Utilities Extensions			
G. Demolition			
H. Inflation Adjustment			
Subtotal Construction Cost		\$6,321,508	\$6,321,508
3. Fees (% of Construction Cost)			
A. Construction Manager		\$131,622	\$131,622
B. Engineer / Architect		\$660,406	\$660,406
C. Other: Lab/Telecom/Commissioning		\$67,640	\$67,640
Subtotal Consultant Fees		\$859,668	\$859,668
4. FF&E Moveable			
5. Contingency, Design Phase		\$14,561	
6. Contingency, Constr. Phase		\$310,888	\$419,707
7. Parking Reserve			
8. Telecommunications Equipment		\$12,000	\$12,000
Subtotal Items 4 – 8		\$337,449	\$337,449
9. Additional University Costs			
A. Surveys and Tests		\$58,000	\$58,000
B. Physical Plant Inspections / Travel		\$25,000	\$25,000
C. Other: AED		\$3,000	\$3,000
D. Printing Advertising		\$16,910	\$16,910
E. Asbestos			
F. Project Management Cost		\$152,941	\$152,941
H. State Risk Mgmt Insurance		\$25,524	\$25,524
Subtotal Additional University Costs		\$281,375	\$281,375
TOTAL CAPITAL COST	\$5,500,000	\$7,800,000	\$7,800,000

EXECUTIVE SUMMARY

**Recreation Fields Expansion
South Campus**

