

STATE OF ARIZONA

Joint Committee on Capital Review

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**** CANCELLED ****

JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, August 12, 2008

CANCELLED - 1:30 P.M.

House Hearing Room 4

MEETING NOTICE

- Call to Order
- [Approval of Minutes of June 25, 2008](#)
- DIRECTOR'S REPORT (if necessary).
- EXECUTIVE SESSION - Arizona State Parks Board - Possible Review of Request for Proposal for Lake Havasu Contact Point Development.
- 1. [ARIZONA STATE PARKS BOARD - Consider Approval of State Park Enhancement Fund Project.](#)
- 2. [MOHAVE COMMUNITY COLLEGE - Review of General Obligation Bond Projects.](#)
- 3. ARIZONA DEPARTMENT OF ADMINISTRATION
 - A. [Review of Arizona Department of Corrections - 4,000 Public Prison Beds and Yuma Water Treatment Plant.](#)
 - B. [Review of Lewis Prison Water Project.](#)
- 4. [ARIZONA DEPARTMENT OF CORRECTIONS - Review and Approval of Energy Performance Contract.](#)

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

~~8/4/08~~

8/11/08

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

Wednesday June 25, 2008

The Chairman called the meeting to order at 8:44 a.m., Wednesday June 25, 2008 in House Hearing Room 4. The following were present:

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

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee, Chairman Russell Pearce stated the minutes of May 13, 2008 would stand approved.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) – Review of Tucson Office Complex Renovation.

Mr. Dan Hunting, JLBC Staff, stated this item is a review of the expenditure for repairs and renovations to the Arizona State Office Complex at Tucson. The FY 2008 Capital Outlay Bill appropriated \$1.5 million from the Risk Management Revolving Fund to ADOA for this work. The Committee has at least the following 2 options in this matter:

- A favorable review would authorize the department to proceed with the repairs, which are to be carried out by state contract vendors and low-bid estimates.
- An unfavorable review would allow these monies to be reverted to the General Fund to reduce the budget shortfall.

Discussion on this item ensued.

(Continued)

Mr. Roger Berna, General Manager, ADOA, and Ms. Lynne Smith, Assistant Director, ADOA, responded to members questions.

Senator Burns moved that the Committee give a favorable review to the \$1.5 million State of Arizona Tucson Office Complex renovation project. The motion carried.

ARIZONA STATE UNIVERSITY (ASU) - Review of Energy Services and Performance Contract.

Ms. Leatta McLaughlin, JLBC Staff, stated that ASU is requesting 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. The \$4.8 million annual debt service payments will be paid for by annual utility cost avoidances. JLBC Staff recommends 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.

Discussion ensued on this item.

Ms. Karla Phillips, Director, State Relations, ASU, responded to members questions.

Senator Burns moved that the Committee give a favorable review of their proposal to enter into an Energy Services and Performance Contract with Energy Management Services, LLC and Arizona Public Service Energy Services Company, Inc., 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. The motion carried.

NORTHERN ARIZONA UNIVERSITY (NAU)

A. Review of Distance Learning and Arizona Universities Network Facility Bond Project.

Ms. Leah Kritzer, JLBC Staff, stated that this item is a review of the NAU Distance Learning and Arizona Universities Network Facility bond project. The proposed project will create a centralized location for approximately 140 distance learning and Arizona universities network staff. NAU plans to renovate space in the School of Communications building and construct an addition. NAU is proposing to issue \$12.5 million in system revenue bonds, repaying the bond from 3 revenue sources: Arizona Board of Regents' Technology and Research Initiative Fund, locally retained tuition, and general university funds. The JLBC Staff recommends a favorable review with the standard university provisions.

Discussion ensued on this item.

Ms. Christy Farley, Director, Government Affairs, NAU, and Mr. Fred Hearst, Vice President of Extended Programs, responded to member questions.

Senator Burns moved that the Committee give a favorable review to the NAU Distance Learning and Arizona Universities Network Facility project to be financed with a \$12.5 million 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 Recreation Field Expansion and Multipurpose Building.

Ms. Leah Kritzer, JLBC Staff, stated this item is a review of the NAU Field Expansion and Multipurpose Building bond project. The proposed project will expand the current recreation field and construct a multipurpose building. NAU plans to install artificial turf and programmable lights on the recreation fields. NAU is proposing to issue \$8.3 million in system revenue bonds for a term of 30 years, repaying the bond with recreation and wellness fee revenues. The Committee has at least the following 2 options: a favorable review or an unfavorable review with the standard university financing provisions, and the provision that NAU submit a final debt service schedule to JLBC.

Discussion on this item ensued.

Ms. Christy Farley, Director, Government Affairs, NAU, responded to members questions.

Senator Burns moved that the Committee give a favorable review with the condition that NAU report to the Committee if they increase or decrease their recreation and health fees to cover the annual debt service payments, as well as the following standard university financing provisions and the provision that they submit a final debt service schedule to JLBC:

- *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.*

Without objection, the meeting adjourned at 9:32 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: August 5, 2008

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

THRU: Richard Stavneak, Director

FROM: Art Smith, Fiscal Analyst

SUBJECT: Arizona State Parks Board – Consider Approval of State Parks Enhancement Fund Project

Request

Pursuant to A.R.S. § 41-511.11, the Arizona State Parks Board requests Committee approval of \$1,185,000 in State Parks Enhancement Fund (SPEF) monies for repairs to the Douglas Mansion at Jerome State Historical Park.

Recommendation

The Committee has at least the following 2 options:

1. Approve the Parks Board request for \$1,185,000 in SPEF monies for repairs at the Douglas Mansion, as the project expenditures comply with statute.
2. Not approve the Parks Board request. The monies requested by the Parks Board may not be sufficient to cover the cost of the project.

Analysis

SPEF revenues come from state parks user fees and concession sales. Pursuant to A.R.S. § 41-511.11, one-half of this fund is appropriated for park operations and the other half is used for park acquisition and development, including the lease-purchase payments for the Tonto Natural Bridge State Park, and other capital development projects as approved by the Parks Board and the Committee.

Since FY 2004, the SPEF statute has been suspended as a budget savings measure in order to allow more than 50% of park fees to be used for operating purposes, thereby reducing the department's General Fund expenses. The Board, however, has been able to accumulate \$6.2 million in capital monies from the portion of the fees still dedicated to capital projects.

(Continued)

The Parks Board is seeking approval for monies that will be used to conduct a damage assessment and to make repairs to the Douglas Mansion at Jerome State Historic Park. The Douglas Mansion, which completed construction in 1916, was built by James S. Douglas to house mining officials, mining investors and members of the Douglas family. The mansion is currently used as a museum that details the history of Jerome in addition to that of the Douglas family. The museum features exhibits of photographs, artifacts and geological items, in addition to video presentations of the town of Jerome and its surrounding mines.

From FY 2000 to FY 2007, Jerome State Historic Park has averaged approximately \$160,000 in revenue per year, and has operated at costs ranging from \$171,000 to \$280,000 per year. The resulting net revenues during those 8 years have ranged from \$(120,000) to \$(13,000)

Construction Costs

The Parks Board states that their request would be used to repair and stabilize adobe walls at the mansion, which have recently crumbled and shed large sections of plaster and wood beam. As a result of this damage, visitors to the mansion have been unable to visit the affected area and exhibits in that area have had to be removed. The Parks Board estimates that repairs to the Douglas Mansion could take up to 3 years from assessment to completion of repairs. The Parks Board procurement process requires that they have the funding in place before they can begin hiring engineers and contractors.

The Parks Board estimates a total cost of \$1,269,300, or \$99 per square foot, for stabilization of the 12,859 square foot Douglas Mansion. Although the SPEF request for approval totals \$1,185,000, the Parks Board says that the remaining \$84,300 would be financed using monies from the State Parks Board Heritage Fund. The project total includes direct construction costs, furniture and equipments costs, professional fees, utility and other expenses, insurance fees and contingency fees in addition to other smaller costs. *Table 1* below provides detail on the Parks Board’s expenditure plan for the mansion’s stabilization.

Table 1	
Arizona State Parks Board Douglas Mansion Stabilization Costs	
	<u>Estimated Cost</u>
Construction Costs ^{1/}	\$ 715,000
Furniture, Fixtures and Equipment	35,800
Professional Fees	184,600
Utility and Other Expenses	69,200
Insurance, Tax, Permits, and Fees	143,100
Inflation Adjustment	68,000
Contingency	<u>53,600</u>
Total	\$1,269,300 ^{2/}

^{1/} Parks Board estimate of total cost for supplies and supervision of labor.
^{2/} Parks Board SPEF request for approval is for \$1,185,000. The remaining \$84,300 in expenses would be covered with monies from the State Parks Board Heritage Fund.

The direct construction costs total \$715,000, or \$56 per square foot, which primarily include labor and material costs. *Table 2* below provides detail of the Parks Board’s estimate of the costs for construction.

Table 2	
Douglas Mansion Construction Costs	
	<u>Estimated Cost</u>
Adobe Blocks	\$160,000
Wood Beams	80,000
Windows/Lintels	60,000
Chimneys	40,000
Bond Beam/Parapet	90,000
Grade Beam	40,000
Replastering	70,000
Repainting	20,000
Roofing	120,000
Electrical	<u>35,000</u>
Total	\$715,000

There are no available projects for this upgrade to do a cost comparison, but the renovation costs of \$50 to \$100 per square foot would not be unreasonable. The Parks Board indicates, however, that it is possible that the cost estimates outlined above are low and that Committee approval for additional SPEF monies for this project might be necessary at a later date.

RS/AS:sls

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RS/AS:sls



July 11, 2008



Representative Russell Pearce, Chair
Joint Committee on Capital Review
1716 W. Adams
Phoenix, Arizona 85007

Representative Pearce:

Last fall, the Joint Committee on Capital Review (JCCR) asked to review a draft of the Request for Proposal (RFP) for the anticipated development of the Contact Point property at Lake Havasu, before Arizona State Parks (ASP) formally puts the RFP out for bid. Attached, you will find that draft.

While this draft has been reviewed by many interested parties, we anticipate further suggestions for revisions. We, therefore, make no pretense that this draft is perfect. In that light, State Parks looks forward to discussing the RFP with the Committee so that the final draft addresses all the issues concerning Lake Havasu, including our other properties.

Additionally, pursuant to ARS § 41-511.11.b, we are seeking approval for the use of \$1,185,000 from the State Parks Enhancement Fund for emergency repairs to the Douglas Mansion at Jerome State Historic Park. These funds would be used to repair and stabilize the adobe walls of the mansion, which have recently crumbled and shed large sections of plaster and wood beam (see attached pictures).

We respectfully ask that these items be placed on an upcoming JCCR agenda.

If I can be of any assistance, do not hesitate to contact me.

Sincerely,

Jay C. Ziemann
Assistant Director

XC: Sen. Bob Burns
Richard Stavneak, JLBC
Art Smith, JLBC
Thomas Sotero-McNamara, OSPB

Janet Napolitano
Governor

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Mark Winkleman
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Kenneth E. Travous
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ARIZONA STATE PARKS
PROJECT BUDGET REPORT

Jerome State Historic Park

PROJECT NAME: **JEROME Stabilization of the Douglas Mansion**

A

-----		ESTIM. & %
CONSTRUCTION ITEMS		BASED
=====		BUDGET
=====		
CONTRACTOR EXPENSES		
Rehabilitation (estimate on page 2)		715,000
Specialized Fixed Equipt.		0
Site Development		0
	SUBTOTAL	715,000
<i>F.F.&E.</i>		
Exhibits		17,875
Furniture, Fixtures & Equipment		17,875
	SUBTOTAL	35,750
<i>PROFESSIONAL FEES</i>		
Architect/Engineer (10%)*		71,500
Preprogramming (3%)		21,450
Construction Obsevation (4%)		28,600
Deconstruction Investigation**		15,000
Other: Historic Bldg.Presv.Plan***		48,000
	SUBTOTAL	184,550
<i>UTILITY EXPENSES</i>		
Utility expenses		5,000
Other		0
	SUBTOTAL	5,000
<i>OTHER EXPENSES</i>		
Staff Tasks		2,000
Surveys & Tests		10,000
Move-out & back in costs		13,500
Adver/Printing		10,725
Weather Protection		8,000
Shoring -Additional****		20,000
Other		0
	SUBTOTAL	64,225
<i>CONTINGENCIES/GEN.CONDITIONS*****</i>		
Insur., Tax, Permits & Fees (9%)		64,350
GC Fee (6%)		42,900
Design Phase Contingency (5%)		35,750
Inflation Adjustment (9.5%)		67,925
Constn Phase Contingency (7.5%)		53,625
	SUBTOTAL	264,550
=====		=====
TOTALS		1,269,075

ESTIMATE BREAKOUT:See **NOTES:** for further information

ADOBE BLOCKS	\$160,000
WOOD BEAMS	\$80,000
WINDOWS/LINTELS	\$60,000
CHIMNEYS	\$40,000
BOND BM/PARAPET	\$90,000
GRADE BM.	\$40,000
REPLASTER - EXTERIOR	\$60,000
REPLASTER - INTERIOR	\$10,000
REPAINT EXTERIOR	\$20,000
RAIN SYSTEM - ROOF DRAINS, CANNALIS	\$20,000
ROOF SHEATHING.	\$50,000
ROOFING inc. insulation and flashing	\$50,000
ELECTRICAL	\$35,000

\$715,000.00

NOTES:

*All percentages in () parenthesis are based on the Rehabilitation Cost.

** "Deconstruction Investigation" is the cost to have portions of the building opened up to see the damage inside.

****"Historic Building Preservation Plan" is a report submitted to the State Historic Preservation Office to show how the Stabilization will meet the Secretary of the Interior's Standards, since this is a National Historic Landmark Building.

*****"Shoring additional" -Two rooms have already had shoring installed because of the potential for collapse of the roof and framing. Additional will be required during the investigation period.

*****"CONTINGENCIES/GEN.CONDITIONS" are the current percentages used in the industry.

"Estimate Breakout" All costs include the material and the labor.

The adobe has disintegrated within the exterior walls - the extent is not yet known.

"Wood Beams", "Wood Lintels", "Chimneys" & "Parapet" Evidence shows extensive damage.

"Bond Beam" will be required for structural stabilization.

"Grade Beam" will solve potential foundation problems.

"Replaster" & "repaint" will be required where adobe repair is completed.

"Roof Sheathing" evidence shows damage.

The Douglas Mansion and Carriage House Square Footage is 12,859; therefore, the construction cost would be \$55.60 per square foot.

The Total Project Cost would be \$98.69 per S.F.

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DATE: August 5, 2008

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

THRU: Richard Stavneak, Director

FROM: Leah Kritzer, Fiscal Analyst

SUBJECT: Mohave Community College District – Review of General Obligation Bond Projects

Request

A.R.S. § 15-1483 requires Committee review of any community college district planned projects that will be funded with bond proceeds. The Committee is required to review the bond issuance prior to the district seeking voter approval. The Mohave Community College District requests Committee review of its proposed \$111.5 million General Obligation (GO) bond issuance.

The Mohave Community College District plans to hold a bond election in November 2008. If approved by the voters, the district would be authorized to issue \$111.5 million in GO bonds. The \$111.5 million in bond proceeds would be used to fund construction and renovation projects to address student growth and age of the buildings in the district. The bonds would be issued in 6 installments beginning with \$15 million in FY 2010 and the last installment occurring in FY 2018.

Recommendation

The Committee has at least the following 3 options:

1. A favorable review.
2. A favorable review with the provision that the district return to the Committee for review prior to each actual bond issuance. Requiring the district to return for review prior to each actual bond issuance would allow the Committee to receive greater detail on the projects to be funded with each individual issuance.
3. An unfavorable review.

In the past, the Committee has chosen the second favorable review option for Maricopa, Yuma/La-Paz, Pinal, and Cochise Community College Districts, prior to their bond elections.

(Continued)

The \$111.5 million issuance will have an estimated interest rate of 5.25% for FY 2010, and 6.0% for the remaining 5 issuances. All issuances have 25-year terms. Total interest would equal \$103.2 million, which means the total debt service would be approximately \$214.7 million. The first payment of \$2.8 million would be paid in FY 2010. Over the life of the bond, the average annual debt service payment would be \$6.5 million (*see Attachment 1*).

The Mohave Community College District currently does not levy any secondary property tax. In order to pay the annual debt service payments, the district estimates increasing the secondary property tax rate to 8.6¢ in FY 2010. This rate changes slightly over the remaining 5 issuances, increasing to 16.3¢ in FY 2016 and declining again in FY 2019 as debt service payments decrease. Over the life of the bonds, the district estimates increasing secondary property tax rates by an average of 11.3¢. This would annually result in approximately \$1.33 in additional taxes for every \$100,000 of house value.

At the end of FY 2008, the district had a total outstanding debt balance of \$12,066,100. This amount consists of Pledged Revenue Obligations (PRO), revenue bonds and lease-purchase agreements. The Constitution limits the amount of GO debt a community college district may incur; however, the district would still be below its constitutional limit after the proposed new GO issuances.

Analysis

Project Costs

Mohave Community College has 4 campuses in Bullhead City, Colorado City, Kingman, and Lake Havasu City. Of the \$111.5 million GO issuance, \$22.6 million will be used for renovations, \$74.6 for new construction, \$3.0 million for infrastructure improvements, \$1.5 million for property acquisition, and \$9.8 million for contingency. Mohave will cover the operating and maintenance of new facilities using operating funds.

Both tables in *Attachment 2* provide greater detail on the district's expenditure plan. *Table 1* provides detail on new construction projects, while *Table 2* provides detail on the renovation projects. The expenditure plan includes the renovation of approximately 178,600 square feet of current space for a total cost of \$22.6 million, or a cost per square foot of \$126. As a comparison, the Committee recently reviewed a renovation project for Northern Arizona University for a cost per square foot of \$111. Given the increased cost of construction in the remote location of Mohave County, these costs appear reasonable.

New construction will total \$74.6 million, adding approximately 342,200 square feet, for a cost per square foot of \$218. As a comparison, recent new construction projects submitted to the Committee for review by the Cochise and Yuma/La-Paz Community College Districts had an average new construction cost per square foot of \$271 and \$262, respectively. Given the similarity in costs per square foot between the districts, the estimates for new construction in Mohave appear reasonable.

Enrollment Growth

The district projects that the FY 2010 Full-Time Student Equivalent (FTSE) enrollment will be approximately 3,824. By FY 2020, the district estimates annual FTSE growth of 25% for an enrollment of 4,765 students. Total existing square footage within the district is approximately 360,700. The planned projects would provide an additional 340,100 square feet to the existing space, and demolish 49,600 square feet of current space, for a new total of 651,200.

Based on FY 2020 enrollment projections, Mohave will have approximately 137 square feet per FTSE after adding the new space. As a comparison, Cochise projected it would have 67 square feet per FTSE

after it added new space from its GO bond issuance, while Yuma La-Paz projected 123 square feet per FTSE at its campuses.

Bond Issuances and Debt Service

Attachment 1 provides information on each issuance and the district's estimated debt service payment schedule. Each of the bond issuances would have a 25-year payment term.

At the end of FY 2008, the district had a total outstanding debt balance of \$12,066,100, which will be retired by FY 2021. None of this is GO debt; instead it represents outstanding debt from PROs, revenue bonds, and lease-purchase agreements. The district would still be below its constitutional debt limit after the new GO issuances.

The Constitution limits the amount of outstanding GO debt the district may incur to 15% of the district's total Secondary Net Assessed Valuation (NAV). The FY 2010 planned issuance of \$15.0 million would equal 0.5% of Secondary NAV, and the FY 2011 issuance would increase that amount to approximately 0.9%.

Tax Rates

To pay for the annual debt service costs, the district estimates it will have to increase secondary property tax rates. *Attachment 1* details the estimated tax rates associated with the new issuances. Over the life of the debt service payments, the district estimates that rates would increase by an average of approximately 11.3¢.

To determine the level of tax rates necessary to make the debt service payments, the district has assumed no growth in FY 2010, a decline in FY 2011 through FY 2012, followed by increases in FY 2013 and FY 2014. For each subsequent year, the district has assumed 3% growth of the Secondary NAV.

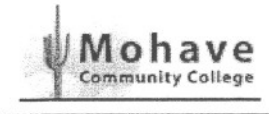
Since the actual tax rate for each year is calculated based on actual Secondary NAV, the actual tax rates required to fund the debt service payments will depend on future NAV growth. Over the past 10 years, Secondary NAV in Mohave has grown by an average of 13.8%, with substantial growth in FY 2007 of 33.4%. Based on the overall economy of Mohave County, the district is projecting an economic decline and, therefore, has adjusted its Secondary NAV growth to reflect this trend through FY 2012. If actual growth is above the district's projections, it could result in lower secondary property tax rate increases if Secondary NAV is above the original assumed rates.

RS/LK:ss

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT
\$111,500,000 General Obligation Bond Program

Fiscal Year	Secondary Assessed Valuation (a)	Estimated \$15,000,000		Estimated \$30,000,000		Estimated \$19,000,000		Estimated \$19,000,000		Estimated \$19,000,000		Estimated \$9,500,000		TOTAL			
		Series 2009: 7/1/2009		Series 2010: 7/1/2010		Series 2011: 7/1/2011		Series 2013: 7/1/2013		Series 2015: 7/1/2015		Series 2017: 7/1/2017		Debt Service	Debt Tax Rate	Fiscal Year	
		Principal	Interest (b)	Principal	Interest (c)	Principal	Interest (c)	Principal	Interest (c)	Principal	Interest (c)	Principal	Interest (c)				
2006-07	\$1,908,996,588															2006-07	
2007-08	2,516,012,949															2007-08	
2008-09	3,231,034,909															2008-09	
2009-10	3,231,034,909	\$2,000,000	\$787,500												\$2,787,500	\$0.0863	2009-10
2010-11	3,327,965,956	320,000	682,500	\$750,000	\$1,800,000										3,552,500	0.1067	2010-11
2011-12	3,552,603,658	335,000	665,700	750,000	1,755,000	\$500,000	\$1,140,000								5,145,700	0.1448	2011-12
2012-13	3,907,864,024	355,000	648,113	615,000	1,710,000	750,000	1,110,000								5,188,113	0.1328	2012-13
2013-14	4,446,758,473	370,000	629,475	650,000	1,673,100	390,000	1,065,000	\$345,000	\$1,140,000						6,262,575	0.1408	2013-14
2014-15	4,569,044,331	390,000	610,050	690,000	1,634,100	415,000	1,041,600	365,000	1,119,300						6,265,050	0.1371	2014-15
2015-16	4,694,693,050	300,000	589,575	730,000	1,592,700	435,000	1,016,700	390,000	1,097,400	\$345,000	\$1,140,000				7,636,375	0.1627	2015-16
2016-17	4,823,797,109	300,000	573,825	750,000	1,548,900	465,000	990,600	415,000	1,074,000	365,000	1,119,300				7,601,625	0.1576	2016-17
2017-18	4,956,451,530	300,000	558,075	700,000	1,503,900	465,000	962,700	415,000	1,049,100	365,000	1,097,400	\$570,000			7,986,175	0.1611	2017-18
2018-19	5,092,753,947	300,000	542,325	870,000	1,461,900	520,000	934,800	415,000	1,024,200	375,000	1,075,500	570,000			8,088,725	0.1588	2018-19
2019-20	5,232,804,680	300,000	526,575	925,000	1,409,700	550,000	903,600	490,000	999,300	435,000	1,053,000	\$75,000	570,000		8,237,175	0.1574	2019-20
2020-21	5,376,706,809	300,000	510,825	980,000	1,354,200	585,000	870,600	520,000	969,900	465,000	1,026,900	205,000	565,500		8,352,925	0.1554	2020-21
2021-22	5,524,566,246	300,000	495,075	1,040,000	1,295,400	620,000	835,500	550,000	938,700	490,000	999,000	220,000	553,200		8,336,875	0.1509	2021-22
2022-23	5,676,491,818	300,000	479,325	1,100,000	1,233,000	655,000	798,300	585,000	905,700	520,000	969,600	230,000	540,000		8,315,925	0.1465	2022-23
2023-24	5,832,595,343	620,000	463,575	1,165,000	1,167,000	695,000	759,000	620,000	870,600	550,000	938,400	245,000	526,200		8,619,775	0.1478	2023-24
2024-25	5,992,991,715	655,000	431,025	1,235,000	1,097,100	740,000	717,300	655,000	833,400	585,000	905,400	260,000	511,500		8,625,725	0.1439	2024-25
2025-26	6,157,798,987	690,000	396,638	1,310,000	1,023,000	785,000	672,900	695,000	794,100	620,000	870,300	275,000	495,900		8,627,838	0.1401	2025-26
2026-27	6,327,138,459	725,000	360,413	1,390,000	944,400	830,000	625,800	740,000	752,400	655,000	833,100	290,000	479,400		8,625,513	0.1363	2026-27
2027-28	6,501,134,767	765,000	322,350	1,475,000	861,000	880,000	576,000	785,000	708,000	695,000	793,800	310,000	462,000		8,633,150	0.1328	2027-28
2028-29	6,679,915,973	805,000	282,188	1,560,000	772,500	935,000	523,200	830,000	660,900	740,000	752,100	330,000	443,400		8,634,288	0.1293	2028-29
2029-30	6,863,613,662	845,000	239,925	1,655,000	678,900	990,000	467,100	880,000	611,100	785,000	707,700	350,000	423,600		8,633,325	0.1258	2029-30
2030-31	7,052,363,038	890,000	195,563	1,755,000	579,600	1,050,000	407,700	935,000	558,300	830,000	660,600	370,000	402,600		8,634,363	0.1224	2030-31
2031-32	7,246,303,021	935,000	148,838	1,860,000	474,300	1,110,000	344,700	990,000	502,200	880,000	610,800	390,000	380,400		8,626,238	0.1190	2031-32
2032-33	7,445,576,354	985,000	99,750	1,970,000	362,700	1,175,000	278,100	1,050,000	442,800	935,000	558,000	415,000	357,000		8,628,350	0.1159	2032-33
2033-34	7,650,329,704	915,000	48,038	2,090,000	244,500	1,250,000	207,600	1,110,000	379,800	990,000	501,900	440,000	332,100		8,508,938	0.1112	2033-34
2034-35	7,860,713,771			1,985,000	119,100	1,325,000	132,600	1,175,000	313,200	1,050,000	442,500	465,000	305,700		7,313,100	0.0930	2034-35
2035-36	8,076,883,400					885,000	53,100	1,250,000	242,700	1,110,000	379,500	495,000	277,800		4,693,100	0.0581	2035-36
2036-37	8,298,997,693							1,325,000	167,700	1,175,000	312,900	525,000	248,100		3,753,700	0.0452	2036-37
2037-38	8,527,220,130							1,470,000	88,200	1,250,000	242,400	555,000	216,600		3,822,200	0.0448	2037-38
2038-39	8,761,718,683									1,325,000	167,400	590,000	183,300		2,265,700	0.0259	2038-39
2039-40	9,002,665,947									1,465,000	87,900	625,000	147,900		2,325,800	0.0258	2039-40
2040-41	9,250,239,261											900,000	110,400		1,010,400	0.0109	2040-41
2041-42	9,504,620,840											940,000	56,400		996,400	0.0105	2041-42
Totals		\$15,000,000	\$11,287,238	\$30,000,000	\$28,296,000	\$19,000,000	\$17,434,500	\$19,000,000	\$18,243,000	\$19,000,000	\$18,245,400	\$9,500,000	\$9,729,000		\$214,735,138	Average Tax Rate \$0.1133	

NOTES:
(a) The 2006-07 through 2008-09 net secondary assessed valuation figures are actual. For FY 2009-10 we assumed no growth, for FY 2010-11 we assumed 3.00% growth, for FY 2011-12 we assumed 6.75% growth, for FY 2012-13 we assumed 10.00% growth, for FY 2013-14 we assumed 13.79% growth and for each year thereafter, we assumed 2.75% annual growth.
(b) The Series 2009 Bond is assumed at an annual interest rate of 5.25%.
(c) The Series 2010 through Series 2017 Bonds are assumed at an annual interest rate of 6.00%.



**Mohave Community College District
Estimated Expenditures**

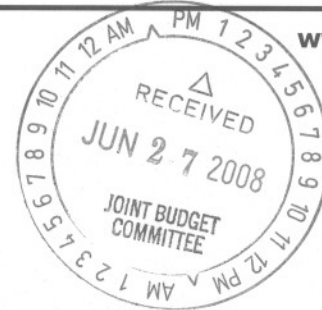
Table 1			
New Project Expenditures			
	Total Project Cost (\$ in millions)	Square Feet	Cost per Square Foot
<i>Bullhead City Campus</i>			
Classroom/Office	\$ 2,175,600	9,900	\$220
Student Services	4,927,500	21,900	224
Conference Center	4,620,000	21,000	220
Classroom/Labs	6,232,500	27,700	225
Faculty Space	<u>2,790,900</u>	<u>14,700</u>	<u>190</u>
Subtotal	\$20,746,500	95,200	\$218
<i>Lake Havasu City Campus</i>			
Classroom/Office	\$ 3,975,200	18,100	\$220
Student Services	4,185,000	18,600	225
Conference Center	4,620,000	21,000	220
Classroom/Labs	8,404,400	37,400	225
Faculty Space	1,953,200	10,300	190
Maintenance Space	<u>380,000</u>	<u>2,000</u>	<u>190</u>
Subtotal	\$23,517,805	107,400	\$219
<i>Neal Campus - Kingman</i>			
Classroom/Office	\$ 6,733,800	31,300	\$215
Student Services	4,620,000	21,000	220
Conference Center	4,620,000	21,000	220
Library	1,125,000	5,000	225
Classroom/Labs	7,783,400	34,600	225
Faculty Space	<u>2,891,200</u>	<u>15,200</u>	<u>190</u>
Subtotal	\$27,773,400	128,100	\$217
<i>North Mohave Campus – Colorado City</i>			
Multi Purpose Facility	\$1,326,600	5,800	\$229
Classroom/Lab	876,300	3,800	231
Faculty Space	<u>363,700</u>	<u>1,900</u>	<u>191</u>
Subtotal	\$2,566,600	11,500	\$223
TOTAL	\$74,604,300	342,200	\$218

(Continued)

Table 2

Renovated Project Expenditures

	Total Project Cost (\$ in millions)	Square Feet	Cost per Square Foot
<i>Bullhead City Campus</i>			
Student Services Building	\$1,923,100	15,400	\$125
Classrooms, Building 300	1,405,600	10,400	135
Classrooms, Building 313/314	208,800	1,700	123
Office and Classrooms, Building 400	445,300	3,600	124
Classrooms, Building 500	1,539,600	12,300	125
Multipurpose Room	702,700	5,900	119
Office and Classroom Pod	<u>863,900</u>	<u>6,900</u>	<u>125</u>
Subtotal	\$7,089,000	56,200	\$126
<i>Lake Havasu City Campus</i>			
Hero Building	\$3,606,900	26,700	\$135
Classrooms, Building 300	432,000	3,600	120
Science Building	474,000	3,800	125
Computer Lab	1,422,700	11,900	120
Multipurpose Room	376,800	3,100	122
Office and Classrooms, Building 700	<u>325,800</u>	<u>2,600</u>	<u>125</u>
Subtotal	\$6,638,200	51,700	\$128
<i>Neal Campus - Kingman</i>			
Administration Building	\$ 368,000	2,900	\$127
Administrative Offices, Building 101	249,600	2,100	119
Administrative Offices, Building 102	227,800	1,900	120
Building 104/111	399,600	3,300	121
Maintenance Building 105	1,334,600	10,700	125
Administrative Offices, Building 106	111,500	900	124
Student Services	1,720,300	14,300	120
Building 401	410,900	3,300	125
Building 402	156,300	1,300	120
Computer Center	1,662,800	12,300	135
Classrooms, Building 1100	403,200	3,400	119
Science Pod	437,000	3,500	125
Restrooms	<u>97,000</u>	<u>800</u>	<u>121</u>
Subtotal	\$7,578,600	60,700	\$125
<i>North Mohave Campus – Colorado City</i>			
Multipurpose Facility, Building 100	\$ 501,800	4,000	\$125
Office and Classrooms, Building 200	176,400	1,400	125
Multipurpose Facility, Building 300	334,000	2,800	120
Multipurpose Facility, Building 400	<u>239,500</u>	<u>1,800</u>	<u>135</u>
Subtotal	\$1,251,700	10,000	\$125
TOTAL	\$22,557,500	178,600	\$126



June 25, 2008

The Honorable Russell K. Pearce, Chair
Joint Committee on Capital Review
1700 West Washington
Phoenix, Arizona 85007

Re: Enclosed documentation regarding proposed JCCR review for Mohave Community College

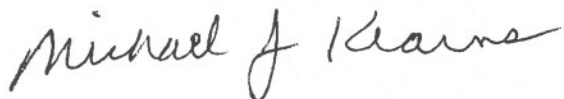
Dear Representative Pearce,

The Mohave Community College District has respectfully requested placement on the Joint Committee on Capital Review (JCCR) agenda to discuss a proposed November Bond Election. As you are aware, the College is preparing for a proposed General Obligation Bond issuance pursuant to voter approval in November 2008. Actual sale of the bonds, if approved, would commence in March of 2009.

The College has prepared detailed information regarding the Bond Issue. The Board originally received documentation from consultants (2006) and others prior to moving forward. You will find attached an updated version of that process that reflects updated population and college statistics and trends that are slightly different from the original format. The intent of the bond and its future uses on behalf of the students and citizens of Mohave County have not changed in this document and are represented as originally intended. I am forwarding a copy of the document to the JCCR staff as well.

The college will make itself available for discussion at the convenience of the committee.
Thank you for your consideration.

Sincerely,



Michael J. Kearns, D.D.S., M.B.A.
Chancellor

CC: Leah Kritzer, JLBC Analyst, Community Colleges
John T. Neal, MCC District Governing Board President
Nick Dodd, RBC Dain Rauscher, Inc.

STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: August 5, 2008

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Kimberly Cordes-Sween, Principal Fiscal Analyst
Martin Lorenzo, Senior Fiscal Analyst

SUBJECT: Arizona Department of Administration (ADOA) – Review of the Arizona Department of Corrections 4,000 Public Prison Beds and Yuma Water Treatment Plan

Request

In compliance with A.R.S. § 41-1252, the Arizona Department of Administration (ADOA) requests Committee review of the scope, purpose, and estimated cost of \$202 million for the construction of 4,000 new public prison beds, including a Yuma water treatment plant.

Laws 2007, Chapter 261 (the FY 2008 Criminal Justice Budget Reconciliation Bill) authorized ADOA to construct 4,000 new public prison beds using lease-purchase financing totaling no more than \$200 million. Pursuant to A.R.S. § 41-791.02, the Committee favorably reviewed and approved the projects financed with Certificates of Participation (COP) in December, 2007 and this request is for review of the project specifics.

ADOA is also requesting that the Committee favorably review the inclusion of the Yuma water treatment plant project into the scope of 4,000 bed proposal. Laws 2006, Chapter 345 (the FY 2007 Capital Outlay Bill) appropriated \$2.2 from the Corrections Fund for this water treatment project, but ADOA was unable to secure a competitive bid at this cost. As a result of the inclusion of this project, total funding available for both projects is \$202 million. While the total project cost is currently estimated to be \$195.3 million, including \$6.7 million in contingency, ADOA is seeking a favorable review of the full \$202 million to allow for any necessary cost adjustments.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review of an ADOA expenditure of \$202 million for the 4,000 bed contract and Yuma water treatment plant. The projects are within the total financial limitation set by the legislative authorization and ADOA's contracted engineer believes that the cost estimates are reasonable.

(Continued)

2. An unfavorable review.

Under any option, JLBC Staff recommends that ADC report to the Committee on:

- 1) The final cost details and timeline for each of the 4 bid components.
- 2) Any increase in cost above the current estimate of \$195.3 million. The Committee, however, would review any project expansion not already addressed in this memo.
- 3) The timing for opening the 4,000 beds.

Analysis

Background

The FY 2008 Criminal Justice Budget Reconciliation Bill (Laws 2007, Chapter 261) authorized ADOA to contract for 2,000 new private prison beds as well as the construction of 4,000 new public beds – to be funded via a 20-year, \$200 million lease-purchase agreement. All 4,000 public beds will be constructed at existing facilities and will be minimum custody beds. The beds are to be constructed as follows: 1,000 female beds in Perryville, 1,000 male beds in Tucson, and 2,000 male beds in Yuma. The 2,000 private beds are to be located in Kingman.

Relative to the 4,000 public beds, during the second half of FY 2008, ADOA issued \$200 million in Certificates of Participation (COP's), resulting in a total of \$199.9 million being available for the design and construction of the beds. This COP, in conjunction with the \$2.2 million in cash for the Yuma water treatment plant, brings total available project funding to \$202 million. Also in the second half of FY 2008, the programming, conceptual design and estimate (which is currently within budget), and the schematic design were completed. Recently, ADOA and the Construction Manager at Risk (CMAR) completed the design development estimate.

These projects will have an average full-year debt service payment of approximately \$16 million beginning in FY 2010.

Proposed Plan

The CMAR is proposing to “fast-track” the construction process by offering 4 bid packages with notices to proceed issued between September 2008 and February 2009. Each of the 4 bid packages will be contracted out separately to the most qualified and cost effective bidders and, in doing this, ADOA believes this will speed up the issuance, review and award process for this large project, rather than offering it in a single Request for Proposals (RFP). By “fast-tracking” the process, the CMAR hopes to avoid potential increases in construction materials.

The 4 bid packages include, in order of bid and issuance of notice to proceed, 1) Yuma water and waste water treatment equipment (as will be discussed later), which is first due to long lead times required for delivery and permitting, 2) pre-engineered steel framework for the buildings and site preparation, 3) foundations, electrical, plumbing, and all remaining site-work, and 4) water storage facilities. The project will provide 9 buildings for each 1,000 beds, including 2 200-bed units, 2 300-bed units and 1 building each for education, kitchen/dining/medical, administration, work-based education (WBE), and inmate search.

ADOA, in consultation with the Construction Manager at Risk and architect, has determined that a phase-in of the beds will be more costly. With a phased-in approach, ADOA believes that the project will take months longer and therefore would be more subject to possible cost increases. The phase-in would also generate security concerns to the contractor since inmates would be located on site while construction is underway. As a result, the current construction schedule indicates the construction of all 4,000 beds would

(Continued)

be finished in February 2010. Previously, ADOA anticipated a phase-in of these beds between April and December of 2009. It is unclear how the availability of 4,000 beds simultaneously would impact ADC staffing and operations. JLBC Staff has requested this information from ADC, but as of the publication of this report, Staff had not received a response.

Construction Costs

ADOA is projecting that the 4,000 bed project will cost \$195.3 million, or \$303 per square foot, which is within the limit of financing available at \$202 million. This project total cost includes direct construction costs, architect and support fees, furniture and equipment costs, and contingency fees. The direct construction costs total \$175.3 million, or \$272 per square foot, which include labor, material costs and contingency fees. This includes funding for 644,734 gross square feet of construction. A breakdown of the costs is identified in *Table 1*.

Table 1					
Arizona Department of Administration / Arizona Department of Corrections 4,000 Public Prison Beds Costs Projections^{1/}					
Location	Perryville	Tucson	Yuma	Total	Total/Bed
Number of Beds	1,000	1,000	2,000	4,000	
Land Acquisition	\$0	\$0	\$0	\$0	\$0
Professional Services	3,944,400	3,944,400	8,490,600	16,379,400	4,095
Construction Services	38,788,200	41,025,200	88,826,500	168,639,900	42,180
Other Contract Services	637,400	659,100	1,326,000	2,622,500	656
Project Support	213,500	222,400	470,000	905,900	226
Contingency	<u>1,521,200</u>	<u>1,633,200</u>	<u>3,560,700</u>	<u>6,715,100</u>	<u>1,679</u>
Total	\$45,104,700	\$47,484,300	\$102,673,800	195,262,800	\$48,816
Total/Bed	\$45,105	\$47,484	\$51,337	\$48,816	

1/ In total, construction estimates assume 644,734 gross square feet at an average cost of \$272 per square foot, including direct construction costs and contingency, or \$303 per square foot for the total project cost.

There are no Arizona prison construction projects that have recent cost projections available to complete a cost comparison. As a result, ADOA contracted with a professional construction consulting firm to determine what this 4,000 bed project, including the Yuma water treatment plant, may cost. The consulting engineer based their cost estimate on the current market prices for construction and the CMAR's/ADOA's estimate is based on these documents. The consultant determined that a reasonable construction cost, including contingency, would be \$176 million, or \$275 per square foot. Since the construction cost being considered by the Committee is \$175.3 million, or \$272 per square foot, the current ADOA proposal appears to be reasonable.

While the 4,000 bed project is complete in scope, the following items were not included in the current construction plan to ensure that ADOA remained within their budget:

(Continued)

- 1) Medium security perimeters for all 3 minimum security facilities for possible multi-custody use, as was originally assumed with the project plan. The current project will only have a medium security perimeter at 1,000 of the new Yuma beds, while the other 3,000 beds will have minimum security perimeters. A medium security perimeter adds a 14 foot fence with an electronic detection system. Other than the perimeter, there is no difference between minimum and medium security facilities. The total cost to provide medium security perimeters at the remaining 3,000 beds would be an estimated \$1.7 million.
- 2) Construction of 1 additional Work-Based Education (WBE) building at the Yuma site for Yuma minimum security inmates. The construction plan originally included 1 WBE building for each 1,000 beds, but 1 of the 2 has been excluded from the Yuma site. The WBE building is for work education to better facilitate offender re-entry into society and the workplace. The cost would be an estimated \$1.2 million to add this building.

The current \$195.3 million total project cost includes \$6.7 million in contractor contingency costs, or 4% in addition to the currently estimated direct construction cost. By favorably reviewing the full \$202 million, ADOA would have an additional \$6.7 million available for contingencies and possible project additions, such as medium security perimeters or the WBE building.

Yuma Water Treatment Project

Laws 2006, Chapter 345 (the FY 2007 Capital Outlay Bill) appropriated \$2.2 million to ADOA from the Corrections Fund for completion of Yuma Water Treatment Project. Due to difficulty in awarding a competitive bid that included both a cost within budget and quality construction, the Yuma project has instead been included in the Request for Proposals for the 4,000 new public prison beds. The new Tucson and Perryville bed expansions do not require wastewater treatment since they can be served by municipal sewers.

The estimated Yuma water treatment cost is \$8.2 million. While Laws 2006, Chapter 345 appropriated \$2.2 for existing facility water treatment, this proposal provides additional funding to accommodate the Yuma prison expansion for both water and wastewater needs. The existing Yuma facility holds 2,500 inmates, which will be expanded to 4,500 under this prison bed project. According to ADOA, combining the water treatment and the prison beds projects will provide “efficiencies in construction management”.

ADOA would contract this project using Construction Manager at Risk (CMAR). In CMAR, ADOA 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, an agency may partially cover higher costs to maintain good contractor relations.

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



July 24, 2008

The Honorable Russell 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 constructing four thousand prison beds, including construction of a water treatment plant at the Yuma facility. The new units, along with necessary infrastructure improvements, will be constructed at three existing Arizona Department of Corrections facilities: one female minimum security unit at the Perryville facility in Goodyear, one minimum security male unit at the Tucson facility and two male units at the Yuma facility (one minimum and one medium security).

Additional information on the proposed project is attached. If you have any questions or would like further information, please let us know.

Sincerely,

A handwritten signature in black ink, appearing to read "William Bell".

William Bell
Director

Attachments

- 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
- Marcel Benberou, Assistant Director, OSPB
- Bill Greeney, Assistant Director, OSPB
- Matt Gottheiner, Senior Budget Analyst, OSPB
- Dora Schriro, Director, ADC
- Chuck Goldsmith, Division Director, ADC
- Scott Smith, Deputy Director, ADOA
- Lynne Smith, Assistant Director, ADOA
- Paul Shannon, Assistant Director, ADOA
- Roger Berna, General Manager, ADOA

4000 Bed Prison Addition
With
ASPC Yuma Water Treatment Plant

Background - 4000 Bed Prison Addition

Laws 2007, Chapter 261 authorized the Arizona Department of Administration (ADOA) to issue up to \$200 million in Certificates of Participation to construct up to four thousand new prison beds for the Arizona Department of Corrections (ADC). On April 30, 2008 financing closed and a net amount of \$199,855,000 was deposited for design and construction of the project.

The ADOA State Procurement Office issued requests for qualifications for both architectural and Construction Manager at Risk (CMAR) services and the firms of Arrington Watkins Architects / Durrant and McCarthy Construction were chosen as the most qualified architect and CMAR teams respectively. Design Development documents are complete and the CMAR has provided an estimate of current costs as indicated in the attached project budget documents. The current estimate is within the budget established for construction.

Four one-thousand bed units along with necessary infrastructure improvements will be constructed at three existing ADC facilities: one female minimum security unit at the Perryville facility in Goodyear, one minimum security male unit at the Tucson facility and two male units at the Yuma facility (one minimum and one medium security). The Tucson project includes demolition and construction on the site of the current Echo Unit due to its poor condition, including several buildings that are untenable due to mold. Echo houses approximately 260 inmates that will be relocated to other facilities so there will be no net loss of beds. ADC has addressed this in a separate report to the JLBC Staff. The current schedule is to complete construction of all three locations by January 31, 2010.

Information

Through architectural programming and preliminary design a proto-typical one thousand bed unit was developed to be adapted to each of the three sites. The prototypical unit is based on the ADC Physical Plant Standards and consists of nine buildings totaling 164,477 gross square feet. Each unit contains (2) 200 bed dormitory buildings, (2) 300 bed dormitory buildings, (1) Education building, (1) Support building containing kitchen, dining and medical, (1) administration building, (1) Work Based Education (WBE) building and (1) Inmate Search building. The total project contains 657,908 gross square feet for an average cost of \$270.45 per square foot. One unit in Yuma will house medium security classification inmates and will differ only in the perimeter security provided (fourteen foot high fence with electronic detection system). Also, the two WBE buildings in Yuma are being carried as alternate bid items due to budget concerns and will be added as funding allows.

To deliver the beds as quickly as possible and control cost escalations by locking in material prices, the CMAR is proposing that four bid packages be developed; each to be bid to prequalified subcontractors and a resulting Guaranteed Maximum Price provided. The design consists of pre-engineered metal buildings, chosen as the most cost effective facilities still appropriate for the intended classification of inmates. The first bid package is for the on site water and waste water treatment equipment at the Yuma site due to the long lead time required for delivery and permitting (this work is not required at the Perryville or Tucson sites as they are serviced by municipal sewer). The second will be for the metal buildings and site preparation. This package is the largest component of the project and steel prices are rising; locking in this price early will be essential to successful completion of the project. The third will be the balance of the building work including foundations, electrical, plumbing, mechanical interiors and finishes and the remainder of the site-work. The final package will be for water storage facilities not on the critical path for building completion.

To meet the project schedule and deliver all beds by the January 31, 2010 target, the contractor must have approval to proceed with the first bid package by September 8, 2008. The second bid package will be priced September 5, 2008 and notice to proceed must be issued by September 12, 2008. When the balance of the project plans are complete in October, the third package Guaranteed Maximum Price will be provided with a target notice to proceed of October 21, 2008. The final package will be provided to the CMAR in December for pricing with a target notice to proceed of February 3, 2009. Due to this fast-tracked construction process where pricing will be provided on elements as the design progresses and materials bought early to lock in prices for this project, ADOA is presenting for review the Design Development estimate, which includes the budget for all components of the project. With a favorable review, ADOA can proceed to construction without delay to maintain the project schedule. If separate JCCR reviews are required of each Guaranteed Maximum Price package, the project will be delayed. If requested, ADOA will report each package as an information item to the JCCR.

Background – ASPC Yuma Water Treatment Plant

Prior to the four thousand bed prison project, Laws 2006, Chapter 345 (the FY 2007 Capital Outlay Bill) appropriated \$2,189,000 from the Corrections Fund to ADOA for design and construction of a water treatment facility at the Arizona State Prison Complex (ASPC) Yuma. ADOA determined it would be most cost efficient to accommodate the future expansion when planning this improvement. As a result, construction documents were prepared by a professional engineer to accommodate the equipment needed to treat water for the current prison population (Phase One) as well as the anticipated addition of two thousand inmates (Phase Two). The Phase One design work only designed the portion of the system required for the existing population, but accommodated the future expansion by ensuring the system will be scalable and increasing the size of the water-plant building so that it could hold additional equipment that will be required in Phase Two.

The design for the Phase One water treatment plant was complete in February of 2008 and competitively bid on April 10, 2008 pursuant to ARS § 41 – 2533. The apparent low bidder submitted a construction bid of \$2,060,000. This bid amount was within the engineer's estimate, but exceeded the construction budget set aside for this project. Construction cost escalations and unforeseen additional scope from the time of the original agency estimate are the contributors to the increased project cost. The additional scope was comprised of costs associated with increasing the inmate population. ADOA did not award the Phase One construction bid because it was over budget.

Information – ASPC Yuma Water Treatment Plant

ADOA identified an alternate approach to further reduce costs to within budget. ADOA determined it would be in the best interest of the state to meld both water treatment projects into a single phase since Phase One (current population capacity) and Phase Two (additional capacity for two thousand inmates) are both on the critical path for completion of the four thousand bed project and combining the projects will create efficiencies in the construction management. The entire water treatment plant work is now in within the scope of work for the CMAR of the four thousand bed project. The funding for the water treatment plant will therefore be used in conjunction with the COP funding for the prison bed addition at the ASPC Yuma site, and the CMAR will bid and include the water treatment work in their Guaranteed Maximum Price. In turn, the water treatment engineer's scope of services has been expanded to include the water infrastructure design for the ultimate capacity of the prison after the addition of the new beds (as opposed to the Phase One design which only ensured compatibility with a future expansion).

Request

ADOA requests favorable review by the JCCR of the inclusion of the Yuma Water Treatment Plant into the of the scope of the four thousand bed project and favorable review of the resulting scope, purpose and probable cost for the four thousand bed project as presented, in order to proceed with construction on schedule.

ARIZONA DEPARTMENT of ADMINISTRATION		CONSTRUCTION SERVICES	
PROJECT: ASPC Tucson 1000 Bed Expansion PROJECT NUMBER: 5739 CG-07-08 DATE PREPARED: December 1, 2007 PROJECT MANAGER: Brian Johnson REVISSED : July 17, 2008 SENIOR PROJECT MANAGER: Mike Rank GENERAL MANAGER: Roger Berna			
DESCRIPTION		AMOUNT	
FUNDING SOURCES: INDEX: \$200m Certificates of Participation - April 2008 54381 Laws 2007, Chapter 261, HB2787		\$48,000,000	Fractional %
TOTAL FUNDING		\$48,000,000	
PROJECT COST:		ESTIMATE	PROJECTED COST AT COMPLETION
<u>Land Acquisition Costs:</u>			
Subtotal		\$0	\$0
<u>Professional Services:</u>			
AWA - Programming - Pre-Con Tasks A.1 & A.2	01364	\$257,806	
AWA - Reimbursables - Pre-Con Tasks A.1 & A.2	01365	\$7,543	
AWA - Design/CA/Warranty - Tasks A.3 to A.9.2	01364	\$3,327,452	
AWA - Reimbursables - Tasks A.3 to A.9.2	01365	\$351,638	
Subtotal		\$3,944,439	\$0
<u>Construction Services (GC):</u>			
McCarthy - PreConst Svcs - Tasks in 2.1.1 only	01700	\$8,302	
McCarthy - PreConst Svcs - Tasks 2.1.2 to 2.3	01700	\$346,844	
McCarthy Current Construction Estimate	01700	\$40,734,982	
Subtotal		\$41,090,128	\$0
<u>Separate Contracts:</u>			
Geotech Report	00320	(incl in A/E reimb.)	
Appraisals	00330	\$12,500	
Title Report	00330	\$688	
Land Surveys	00330	\$1,398	
Abestos/Lead Survey/Oversite (Echo) by EMC	02110	\$21,695	
ACI Detention Metalwork	11190	\$552,065	
Recreation/Visitation Furniture	12500	\$22,000	
AED's (15 ea)	11700	\$48,750	
Subtotal		\$659,095	\$0
<u>Project Support:</u>			
ADOA Expenses	01205	\$68,750	
Risk Mgmt. Fee @.0034	01000	\$153,118	
Legal Advertising	01005	\$500	
Subtotal		\$222,368	\$0
<u>Contingency Allowance:</u>			
	00000	\$2,083,971	\$0
<u>Previous/Future Projects:</u>			
Subtotal		\$0	\$0
TOTAL PROJECT COST		\$ 48,000,000	\$0
<u>Funds Remaining/ (Additional Funds Required)</u>		0	48,000,000

NOTES:

ARIZONA DEPARTMENT of ADMINISTRATION		CONSTRUCTION SERVICES	
PROJECT: ASPC Perryville Portion of L1 Beds - 2008 Expansion PROJECT NUMBER: 5642 PROJECT MANAGER: Mike Rank SENIOR PROJECT MANAGER: Mike Rank GENERAL MANAGER: Roger Berna		DATE PREPARED: December 1, 2007 REVISED : July 17, 2008	
DESCRIPTION		AMOUNT	
<u>FUNDING SOURCES:</u> \$200m Certificates of Participation - April 2008 Laws 2007, Chapter 261, HB2787	<u>INDEX:</u> 54382	\$46,000,000	Fractional %
TOTAL FUNDING		\$46,000,000	
PROJECT COST:		ESTIMATE	PROJECTED COST AT COMPLETION
<u>Land Acquisition Costs:</u>			
Subtotal		\$0	\$0
<u>Professional Services:</u>			
AWA - Programming - Tasks A.1 & A.2	01364	\$257,806	
AWA - Reimbursables - Tasks A.1 & A.2	01365	\$7,543	
AWA - Design/CA/Warranty - Tasks A.3 to A.9.2	01364	\$3,327,452	
AWA - Reimbursables - Tasks A.3 to A.9.2	01365	\$351,638	
Subtotal:		\$3,944,439	\$0
<u>Construction Services (GC):</u>			
McCarthy - PreConst Svcs - Tasks in 2.1.1 only	01700	\$8,302	
McCarthy - PreConst Svcs - Tasks 2.1.2 to 2.3	01700	\$346,844	
McCarthy Current Construction Estimate	01700	\$38,114,994	
Subtotal:		\$38,470,140	\$0
<u>Separate Contracts:</u>			
Geotech Report	00320	(incl in A/E reimb.)	
Appraisals & Title Reports	00330	\$12,500	
Title Reports	00330	\$688	
Land Surveys	00330	\$1,398	
ACI Detention Metalwork	11190	\$552,065	
Recreation/Visitation Furniture	12500	\$22,000	
AED's (15 ea)	11700	\$48,750	
Subtotal:		\$637,400	\$0
<u>Project Support:</u>			
ADOA Expenses	01205	\$68,750	
Risk mgmt. Fee @ .0034	01000	\$144,210	
Legal Advertising/Reprog.	01005	\$500	
Subtotal:		\$213,460	\$0
<u>Contingency Allowance:</u>	00000	\$2,734,562	\$0
<u>Previous/Future Projects:</u>			
Subtotal:		\$0	\$0
TOTAL PROJECT COST		\$ 46,000,000	\$0
Funds Remaining/ (Additional Funds Required)		0	46,000,000

NOTES:

ARIZONA DEPARTMENT of ADMINISTRATION		CONSTRUCTION SERVICES	
PROJECT: ASPC Yuma Portion of L1 Beds - 2008 Expansion		DATE PREPARED:	December 1, 2007
PROJECT NUMBER: 6225		REVISED :	July 17, 2008
PROJECT MANAGER: Al Francis			
SENIOR PROJECT MANAGER: Mike Rank			
GENERAL MANAGER: Roger Berna			
DESCRIPTION	INDEX:	AMOUNT	Fractional %
<u>FUNDING SOURCES:</u>			
\$200m Certificates of Participation - April 2008 Laws 2007, Chapter 261, HB2787	54380	\$106,000,000	
\$2,189,000 Capital Approp - Corrections Fund Laws 2006, Chapter 345, HB2865	54369	\$2,189,000	
TOTAL FUNDING		\$108,189,000	
PROJECT COST:	ESTIMATE	PROJECTED COST AT COMPLETION	
<u>Land Acquisition Costs:</u>			
Subtotal	\$0		\$0
<u>Professional Services:</u>			
AWA - Programming - Tasks A.1 & A.2	01364	\$515,612	
AWA - Reimbursables - Tasks A.1 & A.2	01365	\$15,086	
AWA - Design/CA/Warranty- Tasks A.3 to A.9.2	01364	\$6,654,905	
AWA - Reimbursables - Tasks A.3 to A.9.2	01365	\$703,275	
Kennedy-Jenks - Design/CA/Warranty (1)	01364	\$592,743	
Kennedy-Jenks - Reimbursables (1)	01365	\$9,000	
Subtotal	\$8,490,621		\$0
<u>Construction Services (GC):</u>			
McCarthy - PreConst Svcs - Tasks in 2.1.1 only	01700	\$16,604	
McCarthy - PreConst Svcs - Tasks 2.1.2 to 2.3	01700	\$693,687	
McCarthy Current Const. Estimate - Minimum Unit	01700	\$44,121,566	
McCarthy Current Const. Estimate - Medium Unit (01700	\$44,328,465	
Subtotal	\$89,160,322		\$0
<u>Separate Contracts:</u>			
Geotech Report	00320	(incl. in A/E reimb.)	
Appraisals	00330	\$25,000	
Title Report	00330	\$1,375	
Land Surveys	00330	\$2,795	
ACI Detention Metalwork	11190	\$1,139,122	
Recreation/Visitation Furniture	12500	\$44,000	
AED's (35 ea)	11700	\$113,750	
		\$1,326,042	\$0
<u>Project Support:</u>			
ADOA Expenses	01205	\$137,500	
Risk Mgmt. Fee @ .0034	01000	\$332,013	
Legal Advertising/Reprog.	01005	\$500	
Subtotal	\$470,013		\$0
<u>Contingency Allowance:</u>	00000	\$8,742,002	\$0
<u>Previous/Future Projects:</u>			
Subtotal	\$0		\$0
TOTAL PROJECT COST	\$ 108,189,000		\$0
<u>Funds Remaining/ (Additional Funds Required)</u>	0		108,189,000

NOTES:

- (1) Engineering for the water treatment plant
- (2) Includes construction cost for water treatment and waste water treatment

ARIZONA DEPARTMENT of ADMINISTRATION						
GENERAL SERVICES/CONSTRUCTION SERVICES						
PROJECT(S): FY 2008 4000 Bed Level 1 Roll-up Summary						
PROJECT NUMBER:	5642 / 5739 / 6225					
PROJECT MANAGER:	Multiple	DATE:	December 1, 2007			
SENIOR PROJECT MANAGER:	Mike Rank	REVISED DATE:	July 17, 2008			
GENERAL MANAGER:	Roger Berna					
DESCRIPTION	INDEX	AMOUNT				
FUNDING:						
\$200m Certificates of Participation - April 2008	Perryville	54382	\$46,000,000			
Laws 2007, Chapter 261, HB2787	Tucson	54381	\$48,000,000			
	Yuma	54380	\$108,000,000			
\$2,189,000 Capital Appropriation - Corrections Fund	Yuma	54369	\$2,189,000			
Laws 2006, Chapter 345, HB2865						
TOTAL FUNDING			\$202,189,000			
			PN 5642	PN 5739	PN 6225	TOTAL PROJECT
			PERRYVILLE	TUCSON	YUMA	COMBINED
			1000 beds	1000 beds	2000 Beds	
	Cost Codes	PROJECTED COST AT	PROJECTED COST AT	PROJECTED COST AT	PROJECTED COST AT	
		COMPLETION	COMPLETION	COMPLETION	COMPLETION	
Land Acquisition Costs:						
None						
	Subtotal		\$0	\$0	\$0	\$0
Professional Services:						
AWA - Programming - A.1/A.2		01364	\$257,806	\$257,806	\$515,612	\$1,031,224
AWA - Reimbursables (Est.)		01365	\$7,543	\$7,543	\$15,086	\$30,172
AWA - Design/Warranty - A.3/A.9.2		01364	\$3,327,452	\$3,327,452	\$6,654,905	\$13,309,809
AWA - Reimbursables (Est.)		01365	\$351,638	\$351,638	\$703,275	\$1,406,550
Kennedy-Jenks - Design/CA/Warranty		01364	\$0	\$0	\$592,743	\$592,743
Kennedy-Jenks - Reimbursables		01365	\$0	\$0	\$9,000	\$9,000
	Subtotal Professional Design Services:		\$3,944,439	\$3,944,439	\$8,490,621	\$16,379,498
Construction Services (GC):						
McCarthy - PreConst Svcs - Tasks in 2.1.1 only		01700	\$8,302	\$8,302	\$16,604	\$33,208
McCarthy - PreConst Svcs - Tasks 2.1.2 to 2.3		01700	\$346,844	\$346,844	\$693,687	\$1,387,374
McCarthy Current Construction Estimate		01700	\$38,114,994	\$40,734,982	\$0	\$78,849,976
McCarthy Current Const. Estimate - Minimum Unit@Yuma (1)		01700	\$0	\$0	\$44,121,566	\$44,121,566
McCarthy Current Const. Estimate - Medium Unit@Yuma (1)		01700	\$0	\$0	\$44,328,465	\$44,328,465
	Subtotal General Construction:		\$38,470,140	\$41,090,128	\$89,160,322	\$168,720,589
Separate Contracts:						
Geotech Report		00320	(incl in A/E reimb.)	(incl in A/E reimb.)	(incl. in A/E reimb.)	
Appraisals & Title Reports		00330	\$12,500	\$12,500	\$25,000	\$50,000
Title Reports		00330	\$688	\$688	\$1,375	\$2,750
Land Surveys		00330	\$1,398	\$1,398	\$2,795	\$5,590
ACI Detention Metalwork		11190	\$552,065	\$552,065	\$1,139,122	\$2,243,252
Recreation/Visitation Furniture		12600	\$22,000	\$22,000	\$44,000	\$88,000
AED's (15 ea) - Yuma (35)		11700	\$48,750	\$48,750	\$113,750	\$211,250
Abestos/Lead Survey/Oversite - ASPC Tucson-Echo		02110	\$0	\$21,695	\$0	\$21,695
	Subtotal Separate Contracts:		\$637,400	\$659,095	\$1,326,042	\$2,622,537
Project Support:						
ADOA Expenses		01205	\$68,750	\$68,750	\$137,500	\$275,000
Risk Mgmt. Fee@ .0034		01000	\$144,210	\$153,118	\$332,013	\$629,341
Legal Advertising/Reprog.		01005	\$500	\$500	\$500	\$1,500
	Subtotal Project Support:		\$213,460	\$222,368	\$470,013	\$905,841
Contingency Allowance:						
Construction Contingency		00000	\$2,734,562	\$2,083,971	\$8,742,002	\$13,560,535
TOTAL PROJECT COST			\$ 46,000,000	\$ 48,000,000	\$ 108,189,000	\$ 202,189,000
Funds Remaining/ (Additional Funds Required)			0	0	0	0
			0.062	0.045	0.088	0.072
Notes:						
(1) Includes water treatment plant and waste water treatment plant costs						
	Cost w/o Contingency:		\$43,265,438	\$45,916,029	\$99,446,998	\$188,628,465
	Cost per bed:		\$43,265	\$45,916	\$49,723	\$47,157

Arizona Department of Administration
 4000 Bed Prison Expansion
 Perryville, Tucson, Yuma
 July 29, 2008



Design Development Estimate - Detailed Summary - All Sites

Building Square Footage Summaries
 Enclosed 161,836 Sqft
 Exterior Covered 1,380 Sqft
 Total Gross Square Footage (GSF) 163,216 Gsf

161,836 Sqft
 1,380 Sqft
 163,216 Gsf

153,706 Sqft
 1,380 Sqft
 155,086 Gsf

161,836 Sqft
 1,380 Sqft
 163,216 Gsf

639,214 Sqft
 5,520 Sqft
 644,734 Gsf

Description	Perryville		Tucson		Yuma (Min)		Yuma (Med)		Total	
	Estimate	\$/Gsf	Estimate	\$/Gsf	Estimate	\$/Gsf	Estimate	\$/Gsf	Estimate	\$/Total Gsf
General Requirements	\$162,660	\$1.00	\$38,405	\$0.24	\$111,480	\$0.72	\$107,610	\$0.66	\$420,155	\$0.65
Construction Staking	\$35,000	\$0.21	\$35,000	\$0.21	\$35,000	\$0.23	\$35,000	\$0.21	\$140,000	\$0.22
Demolition	\$16,134	\$0.10	\$663,337	\$4.06					\$679,471	\$1.05
Earthwork	\$480,556	\$2.94	\$807,167	\$4.95	\$501,011	\$3.23	\$521,961	\$3.20	\$2,310,695	\$3.58
Termite Protection	\$40,808	\$0.25	\$40,808	\$0.25	\$38,775	\$0.25	\$40,808	\$0.25	\$161,199	\$0.25
Site Utilities	\$933,815	\$5.72	\$942,816	\$5.78	\$1,161,190	\$7.49	\$1,209,027	\$7.41	\$4,246,848	\$6.59
Pavement Markings										
Fences & Gates	\$772,051	\$4.73	\$711,102	\$4.36	\$660,997	\$4.26	\$991,630	\$6.08	\$3,135,780	\$4.86
Asphalt Paving	\$689,540	\$4.22	\$804,816	\$4.93	\$514,630	\$3.32	\$665,008	\$4.07	\$2,673,994	\$4.15
Outdoor Athletic Equipment	\$27,550	\$0.17	\$32,550	\$0.20	\$32,550	\$0.21	\$32,550	\$0.20	\$125,200	\$0.19
Children's Playground Allowance										
Landscaping & Irrigation	\$269,006	\$1.65	\$288,877	\$1.77	\$275,412	\$1.78	\$272,450	\$1.67	\$1,105,745	\$1.72
Site Amenities	\$47,000	\$0.29							\$47,000	\$0.07
Water Work	\$1,050,000	\$6.43	\$2,600,000	\$15.93	\$2,282,000	\$14.71	\$2,282,000	\$13.98	\$8,214,000	\$12.74
Wastewater Work					\$4,077,500	\$26.29	\$4,077,500	\$24.98	\$8,155,000	\$12.65
Concrete	\$2,088,688	\$12.80	\$2,113,795	\$12.95	\$2,316,560	\$14.94	\$2,466,311	\$15.11	\$8,985,354	\$13.94
Masonry										
Structural & Miscellaneous Steel	\$188,012	\$1.15	\$188,012	\$1.15	\$181,931	\$1.17	\$188,012	\$1.15	\$745,967	\$1.16
Rough Carpentry	\$40,808	\$0.25	\$40,808	\$0.25	\$38,775	\$0.25	\$40,808	\$0.25	\$161,199	\$0.25
Architectural Millwork	\$232,895	\$1.43	\$231,620	\$1.42	\$231,620	\$1.49	\$231,620	\$1.42	\$927,755	\$1.44
Building Insulation	\$97,517	\$0.60	\$96,010	\$0.59	\$92,530	\$0.60	\$96,010	\$0.59	\$382,067	\$0.59
Roofing System										
Flashing & Sheet Metal										
Skylights										
Roof Accessories										
Caulking & Sealants	\$39,485	\$0.24	\$39,485	\$0.24	\$38,265	\$0.25	\$39,485	\$0.24	\$156,720	\$0.24
Doors & Frames	\$338,200	\$2.07	\$336,325	\$2.06	\$320,275	\$2.07	\$336,325	\$2.06	\$1,331,125	\$2.06
Overhead Doors	\$12,000	\$0.07	\$14,500	\$0.09	\$9,500	\$0.06	\$14,500	\$0.09	\$50,500	\$0.08
Finish Hardware	\$301,100	\$1.84	\$299,650	\$1.84	\$286,350	\$1.85	\$299,650	\$1.84	\$1,186,750	\$1.84
Glass & Glazing	\$65,000	\$0.40	\$64,200	\$0.39	\$61,600	\$0.40	\$64,200	\$0.39	\$255,000	\$0.40
Metal Studs & Drywall	\$2,470,108	\$15.13	\$2,420,654	\$14.83	\$2,303,567	\$14.85	\$2,420,654	\$14.83	\$9,614,983	\$14.91
Ceramic Tile	\$580,715	\$3.56	\$556,134	\$3.41	\$549,286	\$3.54	\$556,134	\$3.41	\$2,242,269	\$3.48
Acoustical Treatment	\$129,612	\$0.79	\$119,349	\$0.73	\$113,970	\$0.73	\$119,349	\$0.73	\$482,280	\$0.75
Resilient Flooring & Carpet	\$107,637	\$0.66	\$109,186	\$0.67	\$104,491	\$0.67	\$109,186	\$0.67	\$430,500	\$0.67
Special Flooring	\$280,521	\$1.72	\$286,236	\$1.75	\$271,528	\$1.75	\$286,236	\$1.75	\$1,124,521	\$1.74
Painting	\$428,177	\$2.62	\$426,612	\$2.61	\$406,697	\$2.62	\$426,612	\$2.61	\$1,688,098	\$2.62
Prefinished Panels	\$62,167	\$0.38	\$40,317	\$0.25	\$40,317	\$0.26	\$40,317	\$0.25	\$183,118	\$0.28
Visual Display Boards										
Corner Guards	\$31,500	\$0.19	\$31,500	\$0.19	\$31,050	\$0.20	\$31,500	\$0.19	\$125,550	\$0.19
Lockers	\$1,650	\$0.01	\$1,650	\$0.01	\$1,650	\$0.01	\$1,650	\$0.01	\$6,600	\$0.01
Fire Extinguishers & Cabinets	\$9,250	\$0.06	\$9,250	\$0.06	\$8,500	\$0.05	\$9,250	\$0.06	\$36,250	\$0.06
Signage Allowance	\$19,500	\$0.12	\$19,500	\$0.12	\$18,500	\$0.12	\$19,500	\$0.12	\$77,000	\$0.12
Toilet Partitions & Accessories	\$293,965	\$1.80	\$293,965	\$1.80	\$291,275	\$1.88	\$293,965	\$1.80	\$1,173,170	\$1.82
Audio - Visual Equipment	\$3,375	\$0.02	\$3,375	\$0.02	\$3,125	\$0.02	\$3,375	\$0.02	\$13,250	\$0.02
Cubical Curtains	\$3,000	\$0.02	\$3,000	\$0.02	\$3,000	\$0.02	\$3,000	\$0.02	\$12,000	\$0.02
Food Service Equipment Allowance	\$960,000	\$5.88	\$930,000	\$5.70	\$950,000	\$6.13	\$950,000	\$5.82	\$3,790,000	\$5.88
Appliances	\$210,000	\$1.29	\$205,000	\$1.26	\$205,000	\$1.32	\$205,000	\$1.26	\$825,000	\$1.28
Equipment & Furniture	\$1,066,500	\$6.53	\$1,066,500	\$6.53	\$1,066,500	\$6.88	\$1,066,500	\$6.53	\$4,266,000	\$6.62
Vehicle Lifts - Surface Mounted										
Loading Dock Equipment	\$10,000	\$0.06	\$10,000	\$0.06	\$10,000	\$0.06	\$10,000	\$0.06	\$40,000	\$0.06
Postal Equipment										
Window Treatments	\$2,844	\$0.02	\$2,802	\$0.02	\$2,700	\$0.02	\$2,802	\$0.02	\$11,148	\$0.02
Pre-Engineered Metal Buildings	\$4,015,114	\$24.60	\$4,015,114	\$24.60	\$3,905,616	\$25.18	\$4,105,614	\$25.15	\$16,041,458	\$24.88
Fire Sprinklers	\$534,320	\$3.27	\$534,320	\$3.27	\$507,130	\$3.27	\$534,320	\$3.27	\$2,110,090	\$3.27
Plumbing	\$2,482,463	\$15.21	\$2,482,463	\$15.21	\$2,433,683	\$15.69	\$2,482,463	\$15.21	\$9,881,072	\$15.33
HVAC	\$1,975,672	\$12.10	\$1,975,672	\$12.10	\$1,841,527	\$11.87	\$1,975,672	\$12.10	\$7,768,543	\$12.05
Electrical	\$6,165,432	\$37.77	\$6,078,992	\$37.25	\$5,818,182	\$37.52	\$6,118,992	\$37.49	\$24,181,598	\$37.51
Special Systems Allowance	\$652,864	\$4.00	\$652,864	\$4.00	\$620,344	\$4.00	\$652,864	\$4.00	\$2,578,936	\$4.00
Subtotal Direct Cost	\$30,424,211	\$186.40	\$32,663,738	\$200.13	\$34,775,589	\$224.23	\$36,437,420	\$223.25	\$134,300,958	\$208.30
General Conditions	\$2,751,526	\$16.86	\$2,842,861	\$17.42	\$2,615,140	\$16.86	\$2,615,140	\$16.02	\$10,824,667	\$16.79
Contractors Contingency	\$1,521,211	\$9.32	\$1,633,187	\$10.01	\$1,738,779	\$11.21	\$1,821,871	\$11.16	\$6,715,048	\$10.42
General Liability & Umbrella Insurance	\$356,739	\$2.19	\$377,526	\$2.31	\$399,897	\$2.58	\$417,730	\$2.56	\$1,551,892	\$2.41
Builders Risk Insurance	\$120,928	\$0.74	\$127,975	\$0.78	\$135,558	\$0.87	\$141,603	\$0.87	\$526,065	\$0.82
Performance & Payment Bond	\$302,321	\$1.85	\$319,938	\$1.96	\$338,896	\$2.19	\$354,008	\$2.17	\$1,315,162	\$2.04
Plan Review & Permit Fees	Excluded		Excluded		Excluded		Excluded		Excluded	
Sewer & Water Development Fees	Excluded		Excluded		Excluded		Excluded		Excluded	
Materials Testing & Inspections	Excluded		Excluded		Excluded		Excluded		Excluded	
Document Printing	Excluded		Excluded		Excluded		Excluded		Excluded	
Sales Tax	\$2,413,943	\$14.79	\$2,133,627	\$13.07	\$2,471,064	\$15.93	\$2,581,258	\$15.81	\$9,599,892	\$14.89
Construction Fee	\$2,418,567	\$14.82	\$2,559,501	\$15.68	\$2,711,165	\$17.48	\$2,832,066	\$17.35	\$10,521,299	\$16.32
Total Construction Cost	\$40,309,446	\$246.97	\$42,658,353	\$261.36	\$45,186,089	\$291.36	\$47,201,096	\$289.19	\$175,354,983	\$271.98

STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: August 5, 2008

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

THRU: Richard Stavneak, Director

FROM: Caitlin Acker, Assistant Fiscal Analyst

SUBJECT: Arizona Department of Administration - Review of Lewis Prison Water Project

Request

In compliance with A.R.S. § 41-1252, the Arizona Department of Administration (ADOA) requests Committee review of the scope, purpose, and estimated cost of \$1,900,000 for the Arizona State Prison Complex (ASPC) Lewis water treatment system project. The FY 2008 Capital Outlay Bill (Laws 2007, Chapter 257) authorized ADOA to issue up to \$6,800,000 in Certificates of Participation (also known as COPs or lease-purchase agreements) for state prison water and wastewater projects. The Committee favorably reviewed and approved the concept of the \$6,800,000 issuance in December 2007 and is now being asked to review the project specifics.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review. Based upon an independent engineering assessment, the cost appears reasonable.
2. An unfavorable review.

Under either option, JLBC Staff recommends the provision that ADOA report on the use of contingency funds exceeding \$120,000. (ADOA is reporting a contingency amount of \$689,800.)

Analysis

The FY 2008 Capital Outlay Bill authorized ADOA to issue up to \$6,800,000 in COPs for state prison water and wastewater projects, which the Committee favorably reviewed and approved in December 2007. Of the \$6,800,000 issuance, ADOA plans on spending \$1,900,000 at ASPC-Lewis in Buckeye. The \$6,800,000 issuance will result in an average annual debt service payment of \$657,300 beginning in FY 2010.

(Continued)

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. ASPC-Lewis is the first of 4 proposed prison water or wastewater projects that would use the \$6,800,000 in COPs proceeds. According to ADOA, the current Lewis water treatment system produces too little usable potable water and too much by-product brine. The latter is the waste produced by the treatment process that is temporarily placed in a lined pond and later transported to a landfill.

Construction Costs

ADOA estimates a total cost of \$1,900,000 for the water system upgrade. *Table 1* below provides detail on ADOA's expenditure plan for the water system improvements.

Table 1	
Arizona Department of Administration ASPC-Lewis Water System Upgrades Cost	
	<u>Estimated Cost</u>
Engineering Services	\$ 75,700
Well Evaluation	41,400
Water Treatment System Construction ^{1/}	853,000
Well Construction	200,000
ADOA Expenses and Fees	40,100
Contingency ^{2/}	<u>689,800</u>
Total	\$1,900,000

^{1/} Vendor estimate of total cost of supplies and supervision of ADC labor.
^{2/} As reported by ADOA.

Construction will consist of 2 phases, beginning with the upgrade and repair of the current water treatment system. *Table 2* below provides detail of the vendor's estimate of the costs for this phase. The second phase of construction will involve creating a new well to supply additional water to ASPC-Lewis, which is the \$200,000 amount in *Table 1* above.

Table 2	
Water Treatment System Construction Cost	
	<u>Estimated Cost</u>
Membrane Stacks	\$618,500
Antiscalant Pumps and Tank	12,100
Stack Interconnecting Piping	22,200
Electrical and Mechanical Parts	88,600
Engineering and Design by Vendor	78,000
Installation Supervision and Startup	<u>33,600</u>
Total	\$853,000

There are no available comparable projects for this upgrade to do a cost comparison. GE is the sole proprietor of the system so ADOA must use their parts and services. ADOA has attempted to ensure the costs are low and reasonable in 2 ways. First, rather than hiring a contractor, ADC staff will be completing the improvements, which would result in lower costs than if the contractor were to do the improvements. Second, ADOA hired a consulting engineer who verified that the vendor's quote is the lowest cost solution and the most reasonable.

Repairs and installation of new equipment will be supervised by the vendor's technicians and the consulting engineer. ADOA estimates the project will begin in August 2008 and the total project duration will be 6 months.



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



July 24, 2008

The Honorable Russell 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 a favorable review by the Joint Committee on Capital Review (JCCR) of the final scope, purpose, and probable cost of the improvements for the Arizona State Prison Complex (ASPC) Lewis Buckeye water treatment system in order to proceed with construction.

Laws 2007, First Regular Session, Chapter 257 (HB 2783) authorized ADOA to issue up to \$6,800,000 in Certificates of Participation for state prison water and wastewater projects. Due to the current condition of the existing water treatment system at ASPC Lewis, it has become critical to make immediate repairs and improvement to the system. The plant is currently not producing adequate quantities of water for the prison needs and producing excessive waste product that is exceeding the system capacity. A catastrophic failure is likely if immediate repairs and improvements are not made.

Additional information on the proposed project is attached. If you have any questions or would like further information, please let us know.

Sincerely,


William Bell
Director

Enclosure

- 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
Marcel Benberou, Assistant Director, OSPB
Bill Greeney, Assistant Director, OSPB
Matt Gottheiner, Senior Budget Analyst, OSPB
Dora Schriro, Director, ADC
Chuck Goldsmith, Division Director, ADC
Scott Smith, Deputy Director, ADOA
Paul Shannon, Assistant Director, ADOA
Lynne Smith, Assistant Director, ADOA
Roger Berna, General Manager, ADOA

Arizona State Prison Complex (ASPC) Lewis
Water Treatment Plant Evaluation/Re-commission

Background

House Bill 2783, Laws 2007, Chapter 257, authorized the Arizona Department of Administration to issue up to \$6,800,000 in Certificates of Participation (COP's) for state prison water and wastewater projects. Projects at four facilities were identified in the Capital Improvement Plan; based on the funding provided, only the two highest priority projects will be completed: 1) connection to the Pima County sewer system for the Arizona State Prison Complex (ASPC) Tucson, including the subsequent closure and decommissioning of the existing complex waste water treatment plant, and 2) renovation of the Electrodialysis Reversal water treatment system at ASPC Lewis in Buckeye. The Tucson project is in the Design Development phase and is schedule to be submitted for JCCR review in September. ADOA is submitting the ASPC Lewis project for review at this time.

Due to the current condition of the existing Electrodialysis Reversal (EDR) water treatment system at ASPC Lewis, it has become critical that immediate repairs and improvement to the system be made. The well water at this location is high in total dissolved solids (TDS), nitrates and other harmful components that must be removed to supply water safe for drinking and suitable for use in equipment. The plant is producing quantities of finished product water far below engineered specifications while producing excessive by-product brine. The consulting engineer and the EDR manufacturer have evaluated the EDR system and have recommended repair and re-commissioning the water treatment system. The EDR system was installed eleven years ago during construction of the prison and was chosen as the most cost effective and efficient treatment system. It remains the prevailing technology utilized in the area (the town of Buckeye and various manufacturers utilizing wells in the same area use EDR systems).

Information

The recovered treated product water is currently only 65 to 70% of the well water entering the system. The system is rejecting far too much water; completely filling the evaporative ponds designed to capture the by-product brine. The EDR water treatment system currently is allowing an excessive amount of product water to cross-leak into the waste stream. The engineered specifications call for at least an 85% recovery of product water that is pumped to tanks and stored for use by the complex. The treatment process produces a waste termed, "brine," that is placed in a lined holding pond for evaporation and eventual removal to a landfill. The current condition of the EDR plant does not allow ample supply of product water for high water demands at the prison complex.

Subsequent evaluations by the consulting engineer and the EDR manufacturer have concluded that major repairs and upgrades to newer technology, followed by re-calibration and commissioning are required to restore the system to specified operating

ranges. With the EDR water treatment system operating within engineered specifications, ample product water and much less by-product brine will be produced. The estimated cost for service and re-commissioning the EDR water treatment system is approximately \$900,000 to \$1 million dollars. It is difficult to precisely estimate the repair costs as it is an existing water treatment system with possible unforeseen repair issues. ADOA has allocated \$1.9 million of the proceeds from the \$6.8 million COP for design and construction of improvements at the ASPC Lewis site. \$1.7 is budgeted for construction and engineering fees are budgeted at \$117,135.

Due to its 11-year age and current poor condition, the EDR system requires immediate repair and re-commissioning to ensure adequate water supply for the prison and manageable control of the waste product brine. The well water cannot be consumed or introduced to the distribution system without treatment. The system in its current condition requires continual emergency repairs. The excessive brine is dangerously close to overflowing the containment ponds; an environmental concern that will lead to a citation from the Arizona Department of Environmental Quality and a requirement to make immediate improvements. Complete failure of this system would leave the facility without drinking water and ADC would be forced to truck in water.

The repair and re-commissioning efforts for the EDR water treatment system project will be comprised of the following known work as quoted by GE:

1. Provide 18 (eighteen) membrane stacks with 3G retrofit spacer, 600 cell pairs per stack:\$618,500.
 2. Three (3) antiscalant pumps and a tank:\$12,090.
 3. Stack interconnecting piping:\$22,190.
 4. Electrical and mechanical parts:\$88,640.
 5. Engineering and design by GE:\$78,000.
 6. Sixteen (16) days installation supervision and startup:.....\$33,600.
- Total system price:\$853,020

The materials will be supplied by the original manufacturer, GE (formerly Ionics) and ADC staff will make the repairs under supervision by the vendor and engineer. GE will then re-commission the system for proper operation. The estimated construction duration is six (6) months from the date of approval and Notice to Proceed. Based on a starting date in August 2008, substantial completion will occur in January, 2009 and a final completion in February, 2009.

Request

ADOA requests favorable review by the JCCR of the final scope, purpose and probable cost of the improvements for the ASPC Lewis water treatment system in order to proceed with construction.

ARIZONA DEPARTMENT of ADMINISTRATION		CONSTRUCTION SERVICES	
PROJECT: ASPC Lewis Water/Wastewater Evaluation/Upgrades PROJECT NUMBER: 5505 PROJECT MANAGER: Al Francis PROJECT MANAGER: Mike Rank GENERAL MANAGER: Roger Berna		DATE PREPARED: December 1, 2007 REVISED : July 30,2008	
DESCRIPTION	AMOUNT		
<u>FUNDING SOURCES:</u> Laws 2007, Chptr. 257(Cap. Outlay Bill), COP (Part of \$6.8 Issuance of COP)			
INDEX	54392		
TOTAL FUNDING	\$1,900,000		
PROJECT COST:	ESTIMATE	PROJECTED COST AT COMPLETION	
<u>Land Acquisition Costs:</u>			
Subtotal	\$0	\$0	
<u>Professional Services:</u>			
Phase 3 - EDR Engineering services: Evaluation, inspections, oversite.	74,220		
Phase 3 - Reimbursables	1,475		
Phase 4 - Evaluate and review existing two wells, locate new well.	41,290		
Phase 4 - Reimbursables	150		
Subtotal	\$117,135	\$0	
<u>Construction Services (GC):</u>			
GE Water and Process Technolgy - Repair EDR.	853,020		
Well construction	200,000		
Subtotal	\$1,053,020	\$0	
<u>Separate Contracts:</u>			
Subtotal	\$0	\$0	
<u>Project Support:</u>			
ADOA Expenses	30,000		
Risk Management Fee @ .0034%	8,935		
ADEQ Plan Review fee	1,000		
Legal Advertising	150		
Subtotal	\$40,085	\$0	
<u>Contingency Allowance:</u>	\$689,760		
<u>Previous/Future Projects:</u>			
Subtotal	\$0	\$0	
TOTAL PROJECT COST	\$ 1,900,000	\$0	
<u>Funds Remaining/ (Additional Funds Required)</u>	0		

NOTES:

STATE OF ARIZONA

Joint Committee on Capital Review

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DAVID SCHAPIRA

DATE: August 5, 2008

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

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Senior Fiscal Analyst

SUBJECT: Arizona Department of Corrections – Review *and* Approval of Energy Performance Contract

Request

A.R.S. § 41-791.02 requires Committee review *and* approval of any lease-purchase agreement relating to energy management systems before the agreement takes effect. The Arizona Department of Corrections (ADC) requests Committee review of their proposal to enter into an Energy Performance Contract with Ameresco, Inc. This contractor will issue \$5.0 million in lease-purchase agreements on behalf of ADC to purchase and install energy conservation equipment at the Arizona State Prison Complex (ASPC) in Tucson.

Recommendation

The Committee has at least the following 3 options:

1. A favorable review and approval of the contract, as presented. The Energy Performance Contract states that ADC would retain 50% of any savings above the debt service payments, while the contractor would retain the other half of the savings.
2. A favorable review and approval, with the provision that ADC retains all energy savings in excess of the debt service payments. ADC says they intend to only accept the contract if they retain the full savings.
3. An unfavorable review and no approval.

Under either option 1 or 2, JLBC Staff recommends the provision that this does not constitute endorsement of any level of General Fund appropriations for purchase of the energy equipment or the debt service payments.

(Continued)

A.R.S. § 31-456 requires 50% of the after-contract energy savings be used to undertake additional energy conservation measures. Under either option 1 or 2, the JLBC Staff recommends that ADC also report to the Committee when they annually report to the Speaker of the House of Representatives, the President of the Senate, and the Governor concerning the expenditures, account balances, and energy and dollar savings for their energy conservation measures as required by A.R.S. § 31-456.

Analysis

ADC is requesting to implement energy conservation measures, equipment, and technological improvements at ASPC-Tucson. The contractor would provide the energy conservation equipment, along with the installation, maintenance, and services.

A.R.S. § 34-451 mandates all buildings in the Arizona Department of Administration (ADOA) building system 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. ASPC-Tucson met the 2008 10% mandate in terms of their electrical usage but not for their natural gas usage. According to ADC, the implementation of this proposal will allow them to move closer to the 2011 15% mandate.

ASPC-Tucson consists of about 190 buildings that occupy over 850,000 square feet. According to ADC, their electrical rates will increase by 6% beginning in January 2010, which will result in an annual increase of about \$109,000. Their natural gas costs have increased by \$206,000 in the past 12 months. Their water and wastewater rates have increased 12% in the last 12 months and will increase by 6% every 6 months through 2010. ADC says an increase in inmate population will also increase their utility costs. Due to new construction, their inmate population at ASPC-Tucson will increase by over 500 in the next 24 months.

ADC estimates that this proposal would reduce average annual energy costs by at least \$419,700 and reduce average annual operation and maintenance costs by \$39,900 for total annual savings of \$459,600, which they expect to increase by 3% each year. The contractor will annually review the energy-related cost savings. They have developed measurement and verification procedures to comply with the requirements of the International Performance Measurement and Verification Protocol (IPMVP) 2000. The IPMVP is published by the U.S. Department of Energy and provides an overview of current best practice techniques available for verifying results of energy efficiency, water efficiency, and renewable energy projects.

Construction Costs

The following projects would be pursued with the purchased equipment:

- Lighting upgrades – install energy-efficient lighting fixtures, bulbs, and ballasts
- Cooling tower replacement – install a cooling tower to increase cooling efficiency and eliminate patching/sealing of the system that is at least 25 years old
- Water conservation – replace all old standard flow domestic water fixtures with low flow fixtures including toilets, urinals, showers, and lavatory and kitchen faucets
- Administrative buildings temperature reset – replace all thermostats with light-sensing thermostats
- Transformer replacement – replace existing step-down transforms with energy-efficient transformers

Financing

The vendor would issue \$5.0 million in lease-purchase agreements on behalf of ADC to purchase and install the energy conservation equipment at ASPC-Tucson. The \$5.0 million lease-purchase agreement

(Continued)

would be tax-exempt and includes 14 months of capitalized interest during construction and installation, as well as issuance costs. *Table 1* shows a cost break-out of the \$5.0 lease-purchase agreement.

Subcontractor	\$ 844,000
Equipment/Supplies	1,790,700
Design	26,600
Construction Management	184,500
Commissioning	118,400
Training	118,400
Measurement/Verification of Savings	32,900
Financing Cost	397,700
Performance/Payment Bond Costs	81,000
Energy Audit & Contingencies	545,400
Overhead	511,700
Profit	<u>341,100</u>
TOTAL	\$4,992,400

The term of the bond is for 13 years at an expected interest rate of 4.5%. Once the agreements are repaid, ownership of the equipment will revert from the contractor to ADC. Total interest over the 13-year period would be \$1.7 million, which means total principal plus total interest would equal \$6.7 million (see *Table 2* below). The average annual debt service payments would be about \$515,500, which would be paid for by annual utility cost avoidances.

As noted previously, the project is expected to generate about \$459,600 in savings and cost avoidances, which would increase by 3% each year. Through a performance contract, the contractor will guarantee to find additional energy savings to at least equal the debt service payments of about \$515,000. (The total ASPC-Tucson energy budget is about \$2.6 million.) The contractor has the fiscal obligation of paying the annual debt service payments if the guaranteed savings are not met.

	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
Year 1	\$ 233,233	\$ 219,894	\$ 453,127
Year 2	262,960	208,790	471,750
Year 3	289,724	196,410	486,134
Year 4	276,831	183,636	460,467
Year 5	303,887	170,625	474,512
Year 6	332,617	156,362	488,979
Year 7	363,109	140,771	503,880
Year 8	395,458	123,769	519,227
Year 9	429,764	105,272	535,036
Year 10	466,130	85,188	551,318
Year 11	504,665	63,424	568,089
Year 12	545,484	39,879	585,363
Year 13	<u>588,706</u>	<u>14,448</u>	<u>603,154</u>
TOTAL	\$4,992,567	\$1,708,469	\$6,701,036

^{1/} Even though debt service payments would be paid on a monthly basis, they have been depicted on an annual basis.

Arizona Department of Corrections



JANET NAPOLITANO
GOVERNOR

1601 WEST JEFFERSON
PHOENIX, ARIZONA 85007
(602) 542-5536



DORA B. SCHRIRO
DIRECTOR

July 23, 2008

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



Dear Representative Pearce:

In accordance with ARS §34-455, the Arizona Department of Corrections requests that the following project be placed on the next Joint Committee on Capital Review Agenda for review:

Energy Performance Contract with Ameresco, Incorporated

An Executive Summary of this project is provided for your review. Should you have any questions or need additional information, please contact Charles Goldsmith, Support Services Division Director, at (602) 542-1160.

Sincerely,

A handwritten signature in cursive script that reads "Dora Schriro".

Dora Schriro

Enclosure

cc: Richard Stavneak, Director, Joint Legislative Budget Committee
James Apperson, Director, Governor's Office of Strategic Planning & Budgeting

EXECUTIVE SUMMARY

REQUEST: The Arizona Department of Corrections (ADC) requests approval to enter into an Energy Performance Contract with Ameresco, Inc. (Ameresco).

ISSUE: In 2007 ADC requested Ameresco to perform an investment-grade audit at Arizona State Prison Complex-Tucson (ASPC-Tucson). As a result of the audit, Ameresco agrees to provide \$4,992,567 in energy conservation measures, equipment and technological improvements over twelve to fourteen months. These improvements will be financed on a tax-exempt basis and will be paid back over 12 years from the energy savings. Ameresco will guarantee through the performance contract that the energy savings will at least equal the debt payments. Any shortfall between the guarantee and the actual savings will be paid by Ameresco. Any savings in excess of the guarantee will be retained by ADC.

BACKGROUND: Increases in energy costs and usage have significantly impacted the ADC operating budgets over the past several fiscal years and will continue to do so. Currently, the electric service provider in Tucson is seeking and will likely be granted a six percent increase in base utility rates. The city and county water and wastewater rates are also increasing by six percent, every six months until 2010. The increase in inmates housed at ASPC-Tucson will raise utility costs as well. Outdated infrastructure and equipment that is not energy efficient contribute to operational inefficiencies that further accelerate spending.

Pursuant to ARS §34-451, mandated energy reduction of 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 are required, using July 1, 2001 through June 30, 2002 as the baseline year. While ADC has decreased utility consumption using no-cost and low-cost options, significant utility reduction can only be accomplished by a significant outlay to make necessary capital equipment improvements. The performance contract provides ADC with the means to meet the legislative mandate without new spending.

PROJECT DESCRIPTION: Ameresco completed an Investment Grade Technical Energy Audit at our request providing ADC with a comprehensive set of Energy Conservation Measures (ECMs). These ECMs identify projects for implementation at ASPC-Tucson to significantly reduce its energy costs. These projects are self-funding; annual utility cost avoidances in the form of reduced utility bills and decreased operation and maintenance costs will fund state-of-the-art upgrades of energy and water related systems.

The results of the Investment Grade Technical Energy Audit indicate that ASPC-Tucson will realize a cost avoidance of 2,437,092 kWh of electricity, 62,196 therms of natural gas, and 65,388,180 gallons of water annually with the implementation of this contract. Over the 12-year period these cost avoidances should more than pay for the improvements and provide a positive cash flow to assist with increasing utility costs.

These ECMs include:

- **Lighting upgrades** – Installation of energy-efficient lighting fixtures, bulbs, and ballasts.
- **Cooling Tower Replacement** – Installation of an efficient cooling tower to increase cooling efficiency and eliminate constant patching and sealing of the 25+ year old system.
- **Water Conservation** – Replacement of all old standard flow domestic water fixtures with low flow fixtures including toilets, urinals, showers, lavatory and kitchen faucets.
- **Administrative Buildings Temperature Reset** – Replacement of all thermostats with light-sensing thermostats.
- **Transformer Replacements** – Replacement of existing step-down transformers with energy-efficient transformers.

SCHEDULE A

EQUIPMENT TO BE INSTALLED BY THE CONTRACTOR

The Contractor will install the equipment described under each Energy Conservation Measure ("ECM") listed below.

ECM-1: Lighting Upgrades

The equipment to be installed by the Contractor is set forth in Appendix B of the Technical Energy Audit and is incorporated hereto by reference.

ECM-3: Rincon Cooling Tower Replacement

The equipment to be installed by the Contractor is set forth in Appendix D of the Technical Energy Audit and is incorporated hereto by reference.

ECM-4: Water Conservation

The equipment set forth below represents fixture type and quantities to be installed by the Contractor. Please refer to Appendix E of the Technical Energy Audit for a description of each fixture type and specification.

Location	1.6 GAL. TANK	1.6 GAL. WALL	1.6 GAL. FLOOR	1.6 GAL. HNC.P. FLR.	.5 GAL. URINAL VALVE	.5 GAL. URINAL VALVE	1.0 GPM SINK AERATORS	1.6 KITCHEN NOZZLE	1.6 GAL. DETENTION ELECTRONIC FLUSH VALVES	.5 GPM DETENTION ELECTRONIC LAV. VALVES	1.5 GPM SHOWERHEADS	1.5 GPM DET. SHOWERHEADS
CDU							1		40	40		8
Cimarron			18		7		29	2	384			80
Manzanita						2	63	1	12	12		31
Minors							14		100	100		
Rincon			11	1	9		18	1	341	341	79	
Santa Rita			10				19	4	386			64
Winchester						52	82	1	15	15		67
Main Gate			5	2	2		5					
Bldg 15			1	2		1	4					
Bldg 13			2	2	1		5					
Food Factory			3		1		5					
Fleet Service			2		1		2					
Warehouse							1					
Sally Port			1				1					

Location	1.6 GAL. TANK	1.6 GAL. WALL	1.6 GAL. FLOOR	1.6 GAL. HNCP. FLR.	.5 GAL. URINAL VALVE	.5 GAL. URINAL VALVE	1.0 GPM SINK AERATORS	1.6 KITCHEN NOZZLE	1.6 GAL. DETENTION ELECTRONIC FLUSH VALVES	.5 GPM DETENTION ELECTRONIC LAV. VALVES	1.5 GPM SHOWERHEADS	1.5 GPM DET. SHOWERHEADS
Programs			2		1		4					
Inmate Health			4			1	5					
Vocational			5				5					
Laundry			2		1		1					
Sign Factory			2		1		1					
Bldg 47			3	2	1		5					
Plant Operations			1				1					
CIP							2					

ECM-5: Admin Buildings Temperature Reset

The equipment set forth below represents fixture type and quantities to be installed by the Contractor. Please refer to Appendix F of the Technical Energy Audit for a description of each equipment type and specification.

Location	No. of Thermostats
Building 7	5
Building 8	3
Building 9	2
Building 10	1
Building 12	4
Building 13	3
Building 15	2
Building 47	2

ECM-6: Transformer Replacements

The equipment set forth below represents type and quantities to be installed by the Contractor. Please refer to Appendix G of the Technical Energy Audit for a description of each equipment type and specifications.

Location	KVA						
	15	30	45	75	112.5	150	225
Hub/Admin		6	2	2	1	1	
Rincon			13				
Santa Rita			4	2	6		
Winchester	1		2		1		
Cimarron		1		4	4	1	
Catalina		6	4				
Manzanita			1	1		3	

SCHEDULE B

DESCRIPTION OF PREMISES; PRE-EXISTING EQUIPMENT INVENTORY

The Arizona State Prison Complex located in Tucson, AZ consists of approximately 190 buildings, with 10 general areas listed below, that occupy over 850,000 square feet. The Contractor has performed the detailed survey of these buildings and the overall energy utilization of the facility as more fully described in the Technical Energy Audit.

- Complex Administration
- Catalina Unit
- Rincon Unit
- Santa Rita Unit
- Cimarron Unit
- Winchester Unit
- Manzanita Unit
- Correctional Industries
- Minors Unit

Cooling Systems

The cooling plant at Building 1 consists of three chillers with associated cooling towers and pumps. The Rincon and Minors Units utilize the cooling plant at Building 1. The system is constant volume and supplies water to all of the Rincon units. Multi-zone rooftop units utilize the chilled water for the cooling of the units; all heat is provided by electric duct heaters located in the air distribution system. Catalina and Administration areas use direct-expansion (DX) cooling units located at the buildings with local control and a variety of gas and electric heating systems. Santa Rita, Winchester, Cimarron and Manzanita utilize evaporative coolers (swamp) and gas heat to provide conditioning to the facilities. Correctional Industries (Food Factory) has a small cooling tower for the process ice chiller and DX units at the building.

Water Usage

The water is drawn from two wells on site. Primary water usage at the site is for cooling through the use of evaporative coolers. Additional water is consumed for drinking, cooking, toilets, sinks and showers, and minor irrigation on site.

Sewer Treatment

Half of the sewage generated onsite is treated by a wastewater treatment facility operated by the facility staff. The remaining sewage is sent to Pima County for treatment. The existing facility is handling twice its rated capacity and is in need of some repair if it is to continue to operate. The existing State operating permit for the facility expires at the end of 2008, at which point all the sewage must be sent to Pima County.

Pre-Existing Equipment Inventory

A pre-existing equipment inventory is not required as only International Performance Measurement and Verification Protocol ("IPMVP") Option A and B will be utilized for this Contract.

SCHEDULE C

ENERGY AND COST SAVINGS GUARANTEE

The Contractor guarantees that the Department will save those units of energy, water and dollars shown below as determined in accordance with the terms set forth in Section 3 of Schedule Q.

Savings Year	Electricity (kWh)	Natural Gas (therms)	Water Savings (CCF)	Energy and Costs Savings Guarantee (\$)
1	2,652,655	62,196	83,831	466,114
2	2,652,655	62,196	83,831	480,329
3	2,652,655	62,196	83,831	494,970
4	2,652,655	62,196	83,831	469,568
5	2,652,655	62,196	83,831	483,886
6	2,652,655	62,196	83,831	498,634
7	2,652,655	62,196	83,831	513,825
8	2,652,655	62,196	83,831	529,471
9	2,652,655	62,196	83,831	545,586
10	2,652,655	62,196	83,831	562,185
11	2,652,655	62,196	83,831	579,282
12	2,652,655	62,196	83,831	596,892
13	2,652,655	62,196	83,831	615,029