STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

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http://www.azleg.gov/jlbc.htm

** R E V I S E D **

JOINT COMMITTEE ON CAPITAL REVIEW
Thursday, October 2, 2008
1:30 P.M.
~~House Hearing Room 4~~ **House Hearing Room 1**

MEETING NOTICE

- Call to Order

- Approval of Minutes of June 25, 2008

- DIRECTOR'S REPORT (if necessary).

- FY 2009 BUDGET UPDATE BY JLBC STAFF
  --Governor's Office Presentation and/or Comments

1. MOHAVE COMMUNITY COLLEGE - Review of General Obligation Bond Projects.

2. PINAL COMMUNITY COLLEGE - Review of General Obligation Bond Projects.

3. ARIZONA DEPARTMENT OF ADMINISTRATION PRISON PROJECTS
   A. Review of Arizona Department of Corrections 4,000 Public Prison Beds and Yuma Water Treatment Plan.
   B. Review of Lewis and Tucson Prison Water and Wastewater Projects.

4. ARIZONA DEPARTMENT OF CORRECTIONS - Review and Approval of Energy Performance Contract.

5. ARIZONA GAME AND FISH - Review of FY 2009 Building Renewal Allocation Plan and Report on Flood Warning System.

6. SCHOOL FACILITIES BOARD - Review of FY 2009 $585 Million Lease-to-own Agreement and FY 2009 New School Construction Report.

7. ARIZONA DEPARTMENT OF ADMINISTRATION - FY 2009 Building Renewal Allocation Plan and Reallocation of FY 2008 Building Renewal Funds -- Agency Request. (Information Only)

8. ARIZONA STATE PARKS BOARD - State Parks Enhancement Fund Project -- Agency Request. (Information Only)

9. ARIZONA DEPARTMENT OF TRANSPORTATION - FY 2009 Building Renewal Allocation Plan -- Agency Request. (Information Only)

10. UNIVERSITY OF ARIZONA
   A. Residence Halls and Residence Life Building Renewal -- Agency Request. (Information Only)
   B. Enterprise Systems Replacement (Mosaic) Project -- Agency Request. (Information Only)
   C. Energy Bonds -- Agency Request. (Information Only)

11. ARIZONA STATE UNIVERSITY
   A. Interdisciplinary Science and Technology Building 4 Bond Project -- Agency Request. (Information Only)
   B. University Lottery Bond Projects - Building Renewal -- Agency Request. (Information Only)

12. ADDITIONAL UNIVERSITY BOND PROJECTS
   A. University of Arizona - University Lottery Bond Projects - Building Renewal -- Agency Request (Information Only)
   B. Northern Arizona University - University Lottery Bond Projects - Building Renewal -- Agency Request (Information Only)

The Chairman reserves the right to set the order of the agenda.
~~9/25/08~~
9/30/08
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.

(Continued)

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

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

(Continued)

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: September 25, 2008

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

THRU: Richard Stavneak, Director

FROM: Leah Kritzer, Fiscal Analyst
Marge Zylla, Assistant 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.

This memo is essentially unchanged from the cancelled August 12, 2008 meeting.

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.

(Continued)

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.

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 agency request*).*

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 establishing 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 (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. The district plans to acquire land from the Bureau of Land Management for outreach centers in Beaver Dam and Golden Valley. They also plan to acquire land parcels in Lake Havasu for infrastructure improvements for a total land acquisition cost of $1.5 million. Mohave will cover the operating and maintenance of new facilities using operating funds.

Both tables in *Attachment 1* 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. New construction will total $74.6 million, adding approximately 342,200 square feet, at a cost per square foot of $218. In comparison, the Pinal Community College District is requesting review of a bond issuance that would include new construction with an average cost of $223 per square foot. Given the similarity of costs per square foot between the districts, the estimates for renovation and new construction in Mohave appear reasonable.

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 Pinal Community College District is requesting review of a bond issuance that would include renovation projects with an average cost of $138 per square foot.

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. The Department of Economic Security estimates that Mohave County population will grow 27% from 2010 to 2020. Total existing square footage within the district is approximately 304,600.

(Continued)

The planned projects would provide an additional 342,200 square feet to the existing space, and demolish 49,600 square feet of current space, for a new total of 597,200.

Based on FY 2020 enrollment projections, Mohave will have approximately 125 square feet per FTSE after adding the new space. As a comparison, Pinal County projected it would have 167 square feet per FTSE after it added new space from its GO bond issuance that is under review.

Bond Issuances and Debt Service

The agency request 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 establish secondary property tax rates. The agency request 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
Attachment

Mohave Community College District
Estimated Expenditures

Table 1

New Project Expenditures

	Total Project Cost ($ in millions)	Square Feet	Cost per Square Foot
***Bullhead City Campus**-This facility currently has 104,500 square feet.*			
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	2,790,900	14,700	190
Subtotal	$20,746,500	95,200	$218
***Lake Havasu City Campus**-This facility currently has 94,500 square feet.*			
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	380,000	2,000	190
Subtotal	$23,517,805	107,400	$219
***Neal Campus**-This facility is located in Kingman and has 95,600 square feet*			
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	2,891,200	15,200	190
Subtotal	$27,773,400	128,100	$217
***North Mohave Campus**-This facility is located in Colorado City and has 10,000 square feet.*			
Multi Purpose Facility	$1,326,600	5,800	$229
Classroom/Lab	876,300	3,800	231
Faculty Space	363,700	1,900	191
Subtotal	$2,566,600	11,500	$223
TOTAL	**$74,604,300**	**342,200**	**$218**

(Continued)

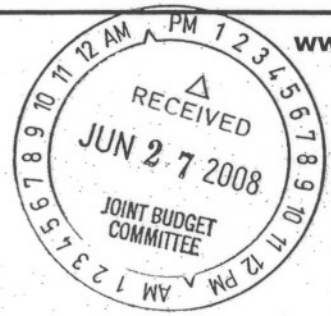
Table 2

Renovation Project Expenditures

	Total Project Cost ($ in millions)	Square Feet	Cost per Square Foot
Bullhead City Campus			
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	863,900	6,900	125
Subtotal	$7,089,000	56,200	$126
Lake Havasu City Campus			
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	325,800	2,600	125
Subtotal	$6,638,200	51,700	$128
Neal Campus - Kingman			
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	97,000	800	121
Subtotal	$7,578,600	60,700	$125
North Mohave Campus – Colorado City			
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	239,500	1,800	135
Subtotal	$1,251,700	10,000	$125
TOTAL	**$22,557,500**	**178,600**	**$126**

Mohave
Community College

www.mohave.edu



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

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

CC: [redacted]
John T. Neal, MCC District Governing Board President
Nick Dodd, RBC Dain Rauscher, Inc.

Michael J. Kearns
Chancellor
1971 Jagerson Ave.
Kingman, AZ 86409-1238
(928) 757-0801

Thomas C. Henry Campus – Bullhead City
3400 Highway 95
Bullhead City, AZ 86442
(928) 758-3926

J. Leonard and Grace Neal Campus – Kingman
1971 Jagerson Ave.
Kingman, AZ 86409
(928) 757-4331

Lake Havasu City Campus
1977 Acoma Blvd. West
Lake Havasu City, AZ 86403
(928) 855-7812

North Mohave Campus
P.O. Box 980
Colorado City, AZ 86021
(928) 875-2799

MOHAVE COUNTY COMMUNITY COLLEGE DISTRICT

$111,500,000 General Obligation Bond Program

Fiscal Year	Secondary Assessed Valuation (a)	Estimated $15,000,000 Series 2009: 7/1/2009 Principal	Estimated $15,000,000 Series 2009: 7/1/2009 Interest (b)	Estimated $30,000,000 Series 2010: 7/1/2010 Principal	Estimated $30,000,000 Series 2010: 7/1/2010 Interest (c)	Estimated $19,000,000 Series 2011: 7/1/2011 Principal	Estimated $19,000,000 Series 2011: 7/1/2011 Interest (c)	Estimated $19,000,000 Series 2013: 7/1/2013 Principal	Estimated $19,000,000 Series 2013: 7/1/2013 Interest (c)	Estimated $19,000,000 Series 2015: 7/1/2015 Principal	Estimated $19,000,000 Series 2015: 7/1/2015 Interest (c)	Estimated $9,500,000 Series 2017: 7/1/2017 Principal	Estimated $9,500,000 Series 2017: 7/1/2017 Interest (c)	TOTAL Debt Service	TOTAL Debt Tax Rate	Fiscal Year
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

-Prepared By-
RBC Capital Markets
7/23/2008

RBC Capital Markets

STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: September 25, 2008

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

THRU: Richard Stavneak, Director

FROM: Marge Zylla, Assistant Fiscal Analyst

SUBJECT: Pinal County 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 Pinal County Community College District requests Committee review of its proposed $99.0 million General Obligation (GO) bond issuance. In May 2005, the Committee favorably reviewed a GO bond issuance of $435.2 million for Pinal County; however, the voters subsequently did not pass the bond proposal.

The Pinal County Community College District plans to hold a bond election on November 4, 2008. If approved by the voters, the district would be authorized to issue $99.0 million in GO bonds. The $99.0 million in bond proceeds would be used to fund land acquisitions and construction and renovation projects to address student growth and age of the buildings in the district. The bond would be issued in a single installment of $99.0 million in FY 2010.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review.

2. An unfavorable review.

In the past, the Committee's favorable reviews of bond proposals have been contingent on the review of each individual bond issuance within a proposal. Since Pinal County is proposing a single issuance, this is not a factor.

(Continued)

The $99.0 million issuance will have an estimated average interest rate of 5.0% for the 25-year term. Total interest would equal $76.6 million, which means the total debt service would be approximately $175.6 million and will begin in FY 2010. Over the life of the bond, the average annual debt service payment would be $7.0 million *(*see agency request*).*

The Pinal County Community College District currently does not levy any secondary property tax. In order to pay the annual debt service payments, the district estimates establishing the secondary property tax rate at 16.9¢ in FY 2010. This rate decreases over the 25-year term to 6.5¢ in FY 2034. Over the life of the bond, the district estimates increasing annual secondary property tax rates by an average of 11.0¢. This would annually result in approximately $10.95 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 $22,358,000. 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

The Pinal District is known as Central Arizona Community College. The district has 3 campuses (1 in Apache Junction, another between Coolidge and Casa Grande, and a third between Winkelman and Mammoth) and 6 centers (Coolidge, Florence, Maricopa, San Tan/Johnson Ranch and 2 in Casa Grande,). A campus offers students a full range of services and facilities, whereas centers are smaller, typically leased space with some classrooms, office space, and basic student services.

Of the $99.0 million GO issuance, $8.7 million will be used for renovations, $62.0 for new construction projects, $20.1 million for land acquisition, and $7.5 million for contingency. Pinal County will cover the operating and maintenance of new facilities using operating funds.

The district plans to acquire land in the San Tan/Johnson Ranch area for a new campus and construct another new campus in the Maricopa area. These parcels are estimated to cost $10.0 million each. The district also plans to obtain land for a center in Casa Grande for $750,000.

Both tables in *Attachment 1* 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. New construction costs will add approximately 278,300 square feet at a cost per square foot of $223. In comparison, the Mohave Community College District is requesting review of a bond issuance that would include new construction with an average cost of $218 per square foot. Given the similarity of costs per square foot between the districts, the estimates for renovation and new construction in Pinal County appear reasonable.

The expenditure plan includes the renovation of approximately 63,000 square feet of current space at a cost per square foot of $138. As a comparison, the Mohave Community College District is requesting review of a bond issuance that would include renovation projects with an average cost of $126 per square foot.

Enrollment Growth

The district projects that the FY 2010 Full-Time Student Equivalent (FTSE) enrollment will be approximately 4,203. By FY 2015, the district estimates annual FTSE growth of 28% for an enrollment of 5,364 students. Although it uses a lower population count, the Department of Economic Security estimates that Pinal County population will grow 33% from 2010 to 2015. Total existing square footage

(Continued)

within the district is approximately 615,800. The planned projects would provide an additional 278,300 square feet to the existing space, for a new total of 894,100.

Based on FY 2015 enrollment projections, Pinal County will have approximately 167 square feet per FTSE after adding the new space. As a comparison, Mohave projected it would have 125 square feet per FTSE after it added new space from its GO bond issuance that is under review.

Bond Issuances and Debt Service

The agency request provides information on the issuance and the district's estimated debt service payment schedule. The bond issuance would have a 25-year payment term.

At the end of FY 2008, the district had a total outstanding debt balance of $22,358,000, which will be retired by FY 2023. 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 $99.0 million would equal 2.9% of Secondary NAV.

Tax Rates

To pay for the annual debt service costs, the district estimates it will have to establish secondary property tax rates. The agency request details the estimated tax rates associated with the new issuance. Over the life of the debt service payments, the district estimates that rates would increase by an average of approximately 11.0¢.

To determine the level of tax rates necessary to make the debt service payments, the district has assumed the Secondary NAV will grow 20.2% in FY 2010. Preliminary data from Maricopa County indicates that Maricopa County may experience a Secondary NAV growth rate of no more than 2% in FY 2010. Considering that Maricopa is a neighboring county with a possibly less variable rate, 20.2% growth does not seem likely for Pinal County. For each subsequent year, the district has assumed 4.0% 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 Pinal County has grown by an average of 20.2%, while in the growth during the past 5 years has been 28.7%. The district assumed a lower growth rate of 4.0% for 2011 through 2034 due to the declines in real estate values and the overall economy.

If actual growth is below the district's 20.2% projection in 2010, it would likely result in higher secondary property tax rate increases than projected by the district.

RS/MZ:ss
Attachments

Pinal County Community College District
Estimated Expenditures

Table 1

New Project Expenditures

	Project Cost ($ in millions)	Square Feet	Cost per Square Foot
San Tan/Johnson Ranch Area Campus- *This facility is being planned for the Johnson Ranch/San Tan/Florence area along Hunt Highway. The land purchase is estimated to be 200 acres (8,712,000 square feet) and cost $10.0 million. This cost is not included below.*			
Classrooms/Faculty Offices	$ 7,621,000	37,000	$206
Student Services	5,373,000	25,000	215
Administration/Offices	3,072,000	12,000	256
Library/Learning Assistance Center	2,614,000	10,000	261
Subtotal	$18,680,000	84,000	$222
Maricopa Area Campus - *This facility is being planned for the Maricopa/Stanfield area. The land purchase is estimated to be 200 acres (8,712,000 square feet) and cost $10.0 million. This cost is not included below.*			
Classrooms/Faculty Offices	$ 7,621,000	37,000	$206
Student Services	5,373,000	25,000	215
Administration/Offices	3,072,000	12,000	256
Library/Learning Assistance Center	2,614,000	10,000	261
Subtotal	$18,680,000	84,000	$222
Signal Peak Campus - *This facility is located in Coolidge, near Casa Grande. It currently has 440,000 square feet.*			
Communications Center/Library	$ 2,695,000	11,000	$245
Student Union	2,575,000	10,000	258
Classrooms/Labs	4,150,000	19,300	215
Subtotal	$9,420,000	40,300	$234
Superstition Mountain Campus - *This facility is located in Apache Junction. It is being converted From retail space and is currently able to use half of its 2,526,500 square feet.*			
Classrooms/Faculty Offices	$ 6,479,000	30,000	$216
Student Services	4,521,000	20,000	226
Subtotal	$11,000,000	50,000	$220
Casa Grande Center - *This facility is located in downtown Casa Grande. It currently has 5,000 square feet and is used to support the Signal Peak campus.*			
Classrooms/Faculty Offices	$ 4,250,000	20,000	$213
TOTAL	**$62,030,000**	**278,300**	**$223**

(Continued)

Table 2

Renovation Project Expenditures

	Total Project Cost ($ in millions)	Square Feet	Cost per Square Foot
Aravaipa Campus			
Classrooms/Faculty Offices Bldg B	$1,277,500	8,750	$146
Classrooms/Faculty Offices Bldg E	722,500	5,000	145
Subtotal	$2,000,000	13,750	$145
Signal Peak Campus			
Classrooms/Labs/Faculty Offices Bldg S	$3,000,000	24,525	$122
Superstition Mountain Campus			
Classrooms/Faculty Offices/Mtg Rm Bldg D	$2,000,000	14,750	$136
Casa Grande Center			
Classrooms/Faculty Offices	$ 825,000	6,000	$138
Building Demolition/Removal/Infrastructure	870,000	4,000	218
Subtotal	$1,695,000	10,000	$170
TOTAL	**$8,695,000**	**63,025**	**$138**

Central Arizona College

September 10, 2008

The Honorable Russell K. Pearce
Arizona House of Representatives
1700 W. Washington
Phoenix, Arizona 85007

Dear Mr. Pearce:

The local Governing Board of Pinal County Community College District, Central Arizona College, has voted to hold a general obligation bond election on November 4, 2008 in the amount of $98,975,000 to increase access, expand, and enhance education, training and support programs by providing improvements on or adjacent to existing campuses and learning centers and on additional land to be acquired.

We respectfully request placement on the October 2, 2008 agenda of the Joint Committee for Capital Review.

Sincerely,

Russell Banta
Vice President
Business and Administration

RB/dg

cc: Richard Stavneak, Director, JLBC
Marge Zylla, Assist. Fiscal Analyst, JLBC

Central Arizona College District Office
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PINAL COUNTY COMMUNITY COLLEGE DISTRICT
OF PINAL COUNTY, ARIZONA
DEBT SERVICE AND ESTIMATED TAX RATE

Fiscal Year	Secondary Assessed Value [1]	ELECTION OF 2008 BOND PROGRAM				New Program Estimated Tax Rate
		Principal [2]	Interest [3]	Total Debt Service	Tax Rate Impact	
2008	$2,334,827,334					
2009	3,449,599,026					
2010	4,147,797,869	$2,075,000	$4,948,750	$7,023,750	$0.1693	$0.1693
2011	4,315,700,727	2,180,000	4,845,000	7,025,000	0.1628	0.1628
2012	4,490,400,292	2,285,000	4,736,000	7,021,000	0.1564	0.1564
2013	4,672,171,696	2,400,000	4,621,750	7,021,750	0.1503	0.1503
2014	4,861,301,206	2,520,000	4,501,750	7,021,750	0.1444	0.1444
2015	5,058,086,679	2,645,000	4,375,750	7,020,750	0.1388	0.1388
2016	5,262,838,028	2,780,000	4,243,500	7,023,500	0.1335	0.1335
2017	5,475,877,711	2,920,000	4,104,500	7,024,500	0.1283	0.1283
2018	5,697,541,241	3,065,000	3,958,500	7,023,500	0.1233	0.1233
2019	5,928,177,710	3,215,000	3,805,250	7,020,250	0.1184	0.1184
2020	6,168,150,344	3,380,000	3,644,500	7,024,500	0.1139	0.1139
2021	6,417,837,070	3,545,000	3,475,500	7,020,500	0.1094	0.1094
2022	6,677,631,114	3,725,000	3,298,250	7,023,250	0.1052	0.1052
2023	6,947,941,622	3,910,000	3,112,000	7,022,000	0.1011	0.1011
2024	7,229,194,299	4,105,000	2,916,500	7,021,500	0.0971	0.0971
2025	7,521,832,084	4,310,000	2,711,250	7,021,250	0.0933	0.0933
2026	7,826,315,847	4,525,000	2,495,750	7,020,750	0.0897	0.0897
2027	8,143,125,112	4,755,000	2,269,500	7,024,500	0.0863	0.0863
2028	8,472,758,817	4,990,000	2,031,750	7,021,750	0.0829	0.0829
2029	8,815,736,094	5,240,000	1,782,250	7,022,250	0.0797	0.0797
2030	9,172,597,091	5,505,000	1,520,250	7,025,250	0.0766	0.0766
2031	9,543,903,821	5,775,000	1,245,000	7,020,000	0.0736	0.0736
2032	9,930,241,048	6,065,000	956,250	7,021,250	0.0707	0.0707
2033	10,332,217,205	6,370,000	653,000	7,023,000	0.0680	0.0680
2034	10,750,465,358	6,690,000	334,500	7,024,500	0.0653	0.0653
Total		**$98,975,000**	**$76,587,000**	**$175,562,000**		
				Average Tax Rate for Bond Program		**$0.1095**

(1) The fiscal year 2007-08 net secondary assessed valuation (SAV) figure is actual. For fiscal year 2008-09, the SAV is based on the February 2008 estimate as provided by the Pinal County Assessor.

(2) The bonds are assumed to be issued on July 1, 2009

(3) Interest on the Bonds is assumed at an average annual interest rate of 5.00%

STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

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DATE: September 25, 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, Principal Fiscal Analyst

SUBJECT: Arizona Department of Administration – 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.

The FY 2008 Criminal Justice Budget Reconciliation Bill (Laws 2007, Chapter 261) 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 (COPs) 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 the 4,000-bed proposal. The FY 2007 Capital Outlay Bill (Laws 2006, Chapter 345) appropriated $2.2 million 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.

This memo is essentially unchanged from the cancelled August 12, 2008 meeting.

(Continued)

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.

2. An unfavorable review.

Under either option, JLBC Staff recommends that the Arizona Department of Corrections (ADC) report to the Committee on:

1. The final cost details and timeline for each of the 4 bid components.

2. Any increase in costs 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 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 COPs, 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 being 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)

(Continued)

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 two-200-bed units, two-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 CMAR 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 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.

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. The total project 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	42,160
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	1,521,200	1,633,200	3,560,700	6,715,100	1,679
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.

(Continued)

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:

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 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

The FY 2007 Capital Outlay Bill appropriated $2.2 million to ADOA from the Corrections Fund for completion of the 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 RFP 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 the FY 2007 Capital Outlay Bill appropriated $2.2 million 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 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.

RS/KCS/ML:sls

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,

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
PROJECT MANAGER: Brian Johnson
SENIOR PROJECT MANAGER: Mike Rank
GENERAL MANAGER: Roger Berna

DATE PREPARED: December 1, 2007
REVISED : July 17, 2008

DESCRIPTION		AMOUNT	
FUNDING SOURCES:	INDEX:		
$200m Certificates of Participation - April 2008 Laws 2007, Chapter 261, HB2787	54381	$48,000,000	Fractional %
TOTAL FUNDING		**$48,000,000**	

PROJECT COST:		ESTIMATE	PROJECTED COST AT COMPLETION
Land Acquisition Costs:			
Subtotal		$0	$0
Professional Services:			
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
Construction Services (GC):			
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
Separate Contracts:			
Geotech Report	00320	(incl in A/E reimb.)	
Apprsaisals	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
Project Support:			
ADOA Expenses	01205	$68,750	
Risk Mgmt. Fee @.0034	01000	$153,118	
Legal Advertising	01005	$500	
Subtotal		$222,368	$0
Contingency Allowance:	00000	$2,083,971	$0
Previous/Future Projects:			
Subtotal		$0	$0
TOTAL PROJECT COST		**$ 48,000,000**	**$0**
Funds Remaining/ (Additional Funds Required)		**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**	
FUNDING SOURCES:	INDEX:		
$200m Certificates of Participation - April 2008 Laws 2007, Chapter 261, HB2787	54382	$46,000,000	Fractional %
TOTAL FUNDING		**$46,000,000**	

PROJECT COST:		**ESTIMATE**	**PROJECTED COST AT COMPLETION**
Land Acquisition Costs:			
Subtotal		$0	$0
Professional Services:			
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
Construction Services (GC):			
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
Separate Contracts:			
Geotech Report	00320	(incl in A/E reimb.)	
Apprsaisals & 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
Project Support:			
ADOA Expenses	01205	$68,750	
Risk mgmt. Fee @ .0034	01000	$144,210	
Legal Advertising/Reprog.	01005	$500	
Subtotal:		$213,460	$0
Contingency Allowance:	00000	$2,734,562	$0
Previous/Future Projects:			
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**
PROJECT NUMBER: 6225
PROJECT MANAGER: Al Francis
SENIOR PROJECT MANAGER: Mike Rank
GENERAL MANAGER: Roger Berna

DATE PREPARED: December 1, 2007
REVISED : July 17, 2008

DESCRIPTION		**AMOUNT**	
FUNDING SOURCES:	INDEX:		
$200m Certificates of Participation - April 2008	54380	$106,000,000	Fractional %
Laws 2007, Chapter 261, HB2787			
$2,189,000 Capital Approp - Corrections Fund	54369	$2,189,000	
Laws 2006, Chapter 345, HB2865			
TOTAL FUNDING		**$108,189,000**	

PROJECT COST:		**ESTIMATE**	**PROJECTED COST AT COMPLETION**
Land Acquisition Costs:			
Subtotal		$0	$0
Professional Services:			
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
Construction Services (GC):			
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
Separate Contracts:			
Geotech Report	00320	(incl. in A/E reimb.)	
Apprsaisals	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
Project Support:			
ADOA Expenses	01205	$137,500	
Risk Mgmt. Fee @ .0034	01000	$332,013	
Legal Advertising/Reprog.	01005	$500	
Subtotal		$470,013	$0
Contingency Allowance:	00000	$8,742,002	$0
Previous/Future Projects:			
Subtotal		$0	$0
TOTAL PROJECT COST		**$ 108,189,000**	**$0**
Funds Remaining/ (Additional Funds Required)		**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	$106,000,000			
$2,189,000 Capital Appropiration - Corrections Fund		Yuma	54369	$2,189,000			
Laws 2006, Chapter 345, HB2865							
	TOTAL FUNDING			**$202,189,000**			
				PN 5642 PERRYVILLE 1000 beds	**PN 5739 TUCSON 1000 beds**	**PN 6225 YUMA 2000 Beds**	**TOTAL PROJECT COMBINED**
			Cost Codes	**PROJECTED COST AT COMPLETION**	**PROJECTED COST AT COMPLETION**	**PROJECTED COST AT COMPLETION**	**PROJECTED COST AT 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.)	
Apprsaisals & 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			12500	$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:				**Perryville**	**Tucson**	**Yuma**	**Combined**
(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*	*161,836*	*Sqft*	*153,706*	*Sqft*	*161,836*	*Sqft*	*639,214*	*Sqft*
Exterior Covered	*1,380*	*Sqft*	*1,380*	*Sqft*	*1,380*	*Sqft*	*1,380*	*Sqft*	*5,520*	*Sqft*
Total Gross Square Footage (GSF)	*163,216*	*Gsf*	*163,216*	*Gsf*	*155,086*	*Gsf*	*163,216*	*Gsf*	*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		$3,000		$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

STATE SENATE

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CHAIRMAN 2007
PAULA ABOUD
AMANDA AGUIRRE
MARSHA ARZBERGER
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HOUSE OF REPRESENTATIVES

RUSSELL K. PEARCE
CHAIRMAN 2008
TOM BOONE
TRISH L. GROE
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PHIL LOPES
DAVID LUJAN
DAVID SCHAPIRA

DATE: September 25, 2008

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

THRU: Richard Stavneak, Director

FROM: Caitlin Acker, Assistant Fiscal Analyst
Martin Lorenzo, Principal Fiscal Analyst

SUBJECT: Arizona Department of Administration - Review of Lewis and Tucson Prison Water and Wastewater Projects

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 2 Arizona Department of Corrections (ADC) prison water and wastewater projects totaling $4,602,800. This amount includes; $1,900,000 for the renovation of the water treatment system at the Lewis prison, and $2,702,800 to connect the Tucson prison's sewer system with the Pima County sewer system.

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 $6,800,000 issuance in December 2007 and is now being asked to review the project specifics. The 2 projects identified above represent $4,602,800 of the $6,800,000 in COP proceeds. The remaining monies will be used for 2 additional projects to be reviewed at a later date. The entire $6,800,000 issuance will result in an average annual debt service payment of $657,300 beginning in FY 2010.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review. Based upon independent engineering assessments, the costs appear reasonable.

2. An unfavorable review.

Under either option, JLBC Staff recommends the provision that ADOA report on the use of contingency funds exceeding $500,000. (ADOA is reporting a contingency amount of $689,800.)

(Continued)

Analysis

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. The connection of the Tucson sewer system (currently being reviewed) and subsequent closure of the wastewater treatment plant (to be reviewed at a later date) is part of an Intergovernmental Agreement between ADOA and Pima County signed in 1994. This agreement consisted of 2 phases, the first phase was completed in 1994 and consisted of the connection of the north half of the prison complex to the to the Pima County sewer system. The second phase, which is included in this review, connects the remaining (or south half) of the prison complex to the Pima County sewer line.

Estimated Costs

ADOA estimates a total cost of $4,602,800 for the initial 2 projects, including, $1,900,000 for the renovation of the water treatment system at the Lewis prison, and $2,702,800 to connect the Tucson prison's sewer system to the Pima County sewer system. *Table 1* below provides a breakdown of ADOA's expenditure plan for each project.

Table 1

Arizona Department of Administration
Lewis & Tucson Prison Water Projects[1/]

	Lewis	Tucson	Total
Professional Services	$117,100	$290,300	$407,400
Construction Services	1,053,000	1,100,000	2,153,000
Separate Contracts & Fees	0	1,185,700	1,185,700
Project Support	40,100	33,200	73,300
Contingency	689,800	93,600	783,400
Total	**$1,900,000**	**$2,702,800**	**$4,602,800**

1/ For additional detail of these costs, please see ADOA's attached request for each project.

Lewis Prison Project

Construction Services for the Lewis prison project consists of 2 phases, beginning with the upgrade and repair of the current water treatment system. The second phase of construction will involve creating a new well to supply additional water to Lewis. At this time, there are no available comparable projects for this upgrade to do a cost comparison. The vendor 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 most reasonable and lowest cost solution.

Repairs and installation of new equipment will be supervised by the vendor's technicians and the consulting engineer. The total project duration is anticipated to be 6 months from the time ADOA finalizes the contract with the vendor. The contract, however, is currently being negotiated.

Tucson Prison Project

As previously indicated, the Tucson prison project would connect the south end of the prison's sewer system to the Pima County sewer system. Based on the information provided by ADOA, the project will consist of the relocation of an existing modular building in the path of the new pipe alignment, 6,200 feet of trenching and new pipe, the renovation and re-equipping of the existing pump station, the temporary pumping of wastewater, draining existing structures at the existing wastewater treatment plant, start-up, testing, and connection of the new pump station, electrical and instrumentation for the new pump works.

(Continued)

Upon completion of these items, the existing wastewater treatment plant will be closed. This, however, is anticipated to be reviewed at a later date.

Unlike the Lewis prison project, ADC will utilize a general contractor, rather than ADC personnel, to complete the work. An Invitation for Bid (IFB) has been issued with responses due in mid-October. While the IFB process will provide a more accurate estimate of the cost, ADOA has attempted to ensure their estimates provided to the Committee are reasonable by utilizing a consulting engineer. At this time, the project is anticipated to be completed in May 2009.

RS/CA/ML:sls

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 manaufacturers 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 work:

1. Install new and upgraded membrane stacks.
2. Replace flow and conductivity probes/transmitters.
3. Install a new anti-scalent feed system (1 tank with 3 pumps)
4. Upgrade existing EDR unit clean-in-place system.
5. Rebuild existing MOV valves.
6. Upgrade EDR unit piping to interface with new membrane stacks.
7. Install new equipment, startup the newly upgraded system, train facility operators on upgraded system, and provide performance testing, all of which is supervised by the manufacturer technicians.
8. Guarantee all services, warranties and the long-term price on EDR membranes.
9. Evaluate the current brine management plan.

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 16,2008

DESCRIPTION	**AMOUNT**
FUNDING SOURCES: 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**
Land Acquisition Costs:		
Subtotal	$0	$0
Professional Services:		
Phase 3 - EDR Water Plant Optimization study	74,220	
Phase 3 - Reimbursables	1,475	
Phase 4 - Production Well	41,290	
Phase 4 - Reimbursables	150	
Subtotal	$117,135	$0
Construction Services (GC):		
TBD	1,702,780	
Subtotal	$1,702,780	$0
Separate Contracts:		
Subtotal	$0	$0
Project Support:		
ADOA Expenses	30,000	
Risk Management Fee @ .0034%	8,935	
ADEQ Plan Review fee	1,000	
Legal Advertising	150	
Subtotal	$40,085	$0
Contingency Allowance:	$40,000	
Previous/Future Projects:		
Subtotal	$0	$0
TOTAL PROJECT COST	**$ 1,900,000**	**$0**
Funds Remaining/ (Additional Funds Required)	**0**	

NOTES:

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

September 11, 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 review by the Joint Committee on Capital Review (JCCR) of the final scope, purpose and probably cost of the improvements for the Arizona State Prison Complex (ASPC) Tucson Pima County sewer connection 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. The Tucson portion of this project will connect the southern half of the prison complex sewer system to the Pima County sewer system. The subsequent closure of the existing wastewater treatment plant at the Tucson prison complex will be submitted for review at a later date.

Additional information on the proposed project is attached. If you have any questions or would like further information, please contact me at (602) 542-1500.

Sincerely,

William Bell
Director

Enclosure

c: The Honorable Robert Burns, Vice-Chairman, JCCR
Richard Stavneak, Director, JLBC Staff
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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) Tucson
Connect Complex Sewer to Pima County Sewer Conveyance System

Background

House Bill 2783, Laws 2007, Chapter 257, authorized the Arizona Department of Administration (ADOA) 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. ADOA is submitting the ASPC Tucson Pima County Sewer Connection project for review at this time. The subsequent closure of the existing waste water treatment plant at the Tucson prison complex will be submitted for review at a later date.

Information

The connection of the prison complex sewer system and subsequent closure of the existing waste water treatment plant is based on an agreement with Pima County. An Intergovernmental Agreement (IGA) was signed and put into affect November of 1994. The agreement provided for a two-phase connection to the Pima County sewer system. Upon execution of the agreement the Arizona Department of Administration (ADOA) and the Arizona Department of Corrections (ADC) commenced to execute Part A of the Agreement, which connected the north half of the prison complex to the Pima County sewer system, including the Manzanita, Rincon, Echo and Catalina Units, along with support facilities within the units. The sewer connection for Part A was completed in 1994.

The current project implements Part B of the IGA, to connect the southern half of the prison complex to the Pima County sewer system. The facilities impacted include Santa Rita, Cimarron, and Winchester Units, Hub area, Complex Administration, Food factory, Laundry and support facilities. The existing prison complex sewer system will be collected at the waste water treatment plant and pumped to an existing pump station manhole that conveys the sewage to the Pima County system.

The connection of the remaining ASPC Tucson complex sewer system will comprise the following work:

1. Relocation of an existing modular building (trailer) that is in the path of new pipe alignment.
2. Trenching of new pipe alignment for 6200 feet of 8" HDPE force main.
3. Renovating and re-equipping the existing pump station.
4. Temporary pumping of influent waste water.

5. Draining existing structures at the existing waste water treatment plant.
6. Start up and testing of the new pump station and connection.
7. Electrical and instrumentation for the new pump works.

As detailed in the attached project budget, Engineering fees for the connection to Pima County are $290,000. The engineer's construction cost estimate is $1.1 million. The one-time connection fee to Pima County is $1,171,453. Other project costs and expenses are estimated at $47,398 and with a project contingency of 3.6% or $93,585, the total projected cost is $2.7 million.

Base on a scheduled Notice to Proceed of October 27, 2008, Substantial Completion will be achieved on April 27, 2009 and the Final Completion on May 27, 2009.

Request

In order to proceed with construction, ADOA requests that JCCR review the final scope, purpose and probable cost of the improvements for the ASPC Tucson Pima County sewer connection.

ARIZONA DEPARTMENT of ADMINISTRATION — CONSTRUCTION SERVICES

PROJECT: ASPC Tucson Complex - Decommission WTP/Connect to Pima County
PROJECT NUMBER: **5738**
PROJECT MANAGER: Al Francis
SENIOR PROJECT MANAGER: Mike Rank
GENERAL MANAGER: Roger Berna

DATE PREPARED: December 1, 2007
REVISED : September 9, 2008

DESCRIPTION	INDEX:	AMOUNT
FUNDING SOURCES:		
Laws 2007, Chptr. 257(Cap. Outlay Bill), COP (Part of $6.8 Issuance of COP)		
Pima County Sewer Connection	**54390**	$2,702,766.00
TOTAL FUNDING		**$2,702,766.00**

PROJECT COST:	Connection ESTIMATE	Connection PROJECTED COST AT COMPLETION
Pima County Sewer Connection / WWTP Closure Expenses		
Sewer Connection Fees (per fixture count)	1,171,453	
Subtotal	$1,171,453	$0
Professional Services:		
Phase 1A - Sewer Connection Schematic Design	27,020	
Phase 1A - Sewer Connection Reimbursables	400	
Phase 1B - Sewer Connectino Basic Design Services	141,580	
Phase 1B - Sewer Connection Construction Administration	116,260	
Phase 1B - Sewer Connection Reimbursable expenses	5,070	
Phase 2 - Close WWTP Basic Design Services		
Phase 2 - Close WWTP Reimbursables		
Phase 2 - Close WWTP Construction Administration		
Phase 2 - Close WWTP Reimbusables		
Subtotal	$290,330	$0
Construction Services (GC):		
General Contractor - TBD	1,100,000	
Subtotal	$1,100,000	$0
Separate Contracts:		
Utility locater	1,250	
Asbestos Abatement, 1structure	3,000	
Archelogical & Environmental Site Assessment	6,055	
Legal Description Retracement Survey	3,850	
Leasehold Improvement Application Fee	50	
Subtotal	$14,205	$0
Project Support:		
ADOA Expenses	30,000	
Risk Management Fee at .0034%	3,056	
Legal Advertising - Construction IFB	75	
Legal Advertising - A/E RFP	62	
	$33,193	$0
Contingency Allowance:	$93,585	$0
Previous/Future Projects:		
1.		
2.		
Subtotal	$0	$0
TOTAL PROJECT COST	**$ 2,702,766**	**$0**
Funds Remaining/ (Additional Funds Required)	**0**	**2,702,766**

NOTES:

STATE OF ARIZONA

Joint Committee on Capital Review

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DAVID SCHAPIRA

DATE: September 25, 2008

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

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Principal 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.

This memo is essentially unchanged from the cancelled August 12, 2008 meeting.

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. § 34-456 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. § 34-456.

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.

Table 1

Estimated Project Costs

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	341,100
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.

Table 2

Debt Service Payments 1/

	Principal	**Interest**	**Debt Service**
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	588,706	14,448	603,154
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.

RS/LMc:sls

Arizona Department of Corrections

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

JANET NAPOLITANO
GOVERNOR

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,

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. 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
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

STATE OF ARIZONA

Joint Committee on Capital Review

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DAVID SCHAPIRA

DATE: September 25, 2008

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

THRU: Richard Stavneak, Director

FROM: Caitlin Acker, Assistant Fiscal Analyst

SUBJECT: Arizona Game and Fish Department – Review of FY 2009 Building Renewal Allocation Plan and Report on Flood Warning System

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona Game and Fish Department (AGFD) requests Committee review of its FY 2009 Building Renewal Allocation Plan. Laws 2008, Chapter 289 appropriated $531,000 from the Game and Fish Fund to AGFD to fund 100% of the building renewal formula in FY 2009.

In addition, AGFD has submitted a report on expenditures for the $350,000 Flood Warning System project appropriated by Laws 2006, Chapter 345. AGFD did not request Committee review of the project, as required by A.R.S. § 41-1252, before they expended the funds.

Recommendation

Building Renewal Allocation Plan
The JLBC Staff recommends that the Committee give a favorable review of the department's Building Renewal Allocation Plan. The $531,000 plan includes the following expenditures:

- $52,200 for fish hatchery projects.
- $45,300 for shooting range projects.
- $433,500 for office projects.

These monies are not available to resolve the FY 2009 budget shortfall due to federal regulations that restrict their use.

Flood Warning System Report
The Committee has at least the following 2 options:

1. Accept the report on the $350,000 Flood Warning System without any further action.

(Continued)

2. Require review of all FY 2009 AGFD capital projects appropriated by Laws 2008, Chapter 289 before expenditure of the appropriations because AGFD failed to have the Flood Warning System project reviewed before beginning the project. The Committee may review any capital project regardless of its cost pursuant to A.R.S. § 41-1252.C.

Analysis

Building Renewal Allocation Plan

Laws 1986, Chapter 85 established the Joint Committee on Capital Review (JCCR) and charged it with developing a Building Renewal formula to guide the Legislature in appropriating monies for maintenance and repair of state buildings. A.R.S. § 41-1252 requires JCCR review of the expenditure plan for Building Renewal monies. Laws 2008, Chapter 289 appropriated a total of $531,000 in FY 2009 from the Game and Fish Fund to AGFD for building renewal activities.

AGFD has more than 270 structures within its building and infrastructure system across the state totaling over 542,000 square feet. Facilities include the department headquarters in Phoenix, 6 regional offices, fish hatcheries, and multiple residences and storage buildings. The FY 2009 proposed Building Renewal expenditure plan is illustrated in *Table 1*:

Table 1

Category	Building Renewal Allocation	Total Cost
Fish Hatchery Projects		
Tonto Creek – *Roofing Renovations*	$ 25,700	$ 25,700
Page Springs/Bubbling Ponds –*Roofing Renovations*	14,500	14,500
Sterling Springs – *Residence Improvements*	12,000	12,000
Shooting Range Projects		
Ben Avery Clay Target Center – *Business/Visitor Center Renovation*	39,800	180,000
Ben Avery Clay Target Center – *Customer Service Office Heat Pump*	5,500	5,500
Other Projects		
Flagstaff Regional Office – *Office Renovation*	195,000	1,064,000
Tucson Regional Office – *Flooring and Sewer Line Replacement*	60,000	60,000
Pinetop Regional Office – *Bunkhouse Remodel and Parking Lot Repairs*	36,900	36,900
Headquarters – *Major Maintenance Fund*	52,200	52,200
Kingman Regional Office – *Warehouse Evaporative Coolers*	6,800	6,800
Unanticipated modifications or repairs	82,600	0
Total	**$531,000**	**$1,457,600**

The Flagstaff Regional Office project is a major building renovation and expansion project for which building renewal funds will supplement a FY 2008 capital improvement appropriation of $1,050,000. AGFD plans to construct 2,550 square feet of office space and 3,750 square feet of storage space. Renovation of the existing 6,000 square feet of space will include new paint, flooring and roofing as well as HVAC and electrical upgrades. Last year, the Committee approved a FY 2008 building renewal allocation of $125,000 for the project. However, according to the department, the project was postponed due to cash flow issues in their Capital Improvement Fund. The $125,000 building renewal allocation was instead spent on remediating extensive termite damage at the Clay Target Visitor Center and replacement of a failed heat pump at the Mesa Regional Office. The project is now expected to go to bid in March 2009.

For the remaining projects, the department has indicated the additional project costs will be funded from other fund sources. The submitted material provides additional detail for each project. The projects are consistent with building renewal guidelines and appropriations.

(Continued)

Flood Warning System Report

Laws 2006, Chapter 345 appropriated AGFD $350,000 to develop and implement a flood warning system for 10 of the dams owned and operated by the department. AGFD has spent $250,700 of the total appropriation even though the project has not come before JCCR for review as required by A.R.S. § 41-1252. AGFD did not request Committee review because they had split the project into 3 construction contracts and 1 consulting contract, each of which was under the $250,000 minimum for required statutory review. However, A.R.S. § 41-1252 states that a capital project cannot be divided into projects with an estimated cost of less than $250,000 for the purpose of avoiding Committee review. *Table 2* provides a breakdown of already expended funds and planned expenditures for the project.

The 10 dams affected by the project were chosen because they would pose a potential hazard to property or life if the dams were to fail. The project is composed of 3 parts: a base station, remote flood warning systems and seepage monitoring systems.

Table 2

Arizona Game and Fish Department
Flood Warning System Costs

	Expenditures to Date	Planned Expenditures
Base Station		
Proportional Cost of Tower and Communications Building, Electrical Equipment and Backup Power Supply	$ 18,000	$ 0
Conduit and Building Modifications	12,000	0
Transmitter Box Installation	1,900	0
Cable Installation	1,700	0
Subtotal	$ 33,600	$ 0
Flood Warning System		
Flood Warning Equipment	$ 79,700	$ 0
Field Sensor Station Installation	73,400	0
Reimbursable Costs	26,600	0
Base Station Installation and Database Setup	10,900	0
Coordination and System Design	10,600	0
Documentation and Training	7,400	0
Repeater Design	6,400	0
Subtotal	$215,000	$ 0
Seepage Monitoring		
Scope of Work for Seepage Monitoring Sensors	$ 2,100	$ 0
Design and System Integration	0	32,500
Equipment and Installation – Lynx Lake	0	10,000
Equipment and Installation – Big Lake	0	10,000
Equipment and Installation – Lee Valley Reservoir	0	25,000[1/]
Equipment and Installation – Parker Canyon Lake	0	10,000
Equipment and Installation – Fool Hollow Lake	0	10,000
Contingency	0	500
Subtotal	$ 2,100	$99,000
Total	**$250,700**	**$99,000**

1/ Requires a second repeater site due to location.

Base Station

A total of $33,600 was spent to install receiver equipment on a Department of Public Safety (DPS) radio tower, a DPS communications building, and the server room in the AGFD headquarters in Phoenix. The configuration will allow AGFD as well as the Arizona Department of Water Resources to access and monitor data transmitted from the dams. This portion of the project is complete.

(Continued)

Flood Warning System
A total of $215,000 was spent to design the entire system and install the flood warning component at 10 lakes. This component will monitor lake levels, spillway flows, rain and snowfall. Flood warning systems have been installed at all 10 dams.

Seepage Monitoring
A total of $101,100 is allocated to design seepage monitoring devices that will be installed at 5 dam locations to allow remote monitoring of water seepage. The department has already spent $2,100 on the creation of a scope of work for the seepage monitoring sensors. Additionally, the department has completed about 50% of the system design and expects to begin system installation by January 2009. Of the 5 systems, 3 should be completely installed by early spring in 2009 and the remaining 2 are expected to be complete by FY 2010.

RS/CA:sls

THE STATE OF ARIZONA
GAME AND FISH DEPARTMENT
5000 W. CAREFREE HIGHWAY
PHOENIX, AZ 85086-5000
(602) 942-3000 • WWW.AZGFD.GOV

September 11, 2008

Representative Russell K. Pearce, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
Capitol Complex
1700 W. Washington
Phoenix, AZ 85007-2890

Re: Request for Placement on Joint Committee on Capital Review Agenda – October 2008

Dear Representative Pearce:

The Arizona Game & Fish Department requests placement on the October 2, 2008 agenda of the Joint Committee on Capital Review to review the following:

1. FY 2009 Building Renewal allocation and expenditure plan.

The information for this review is attached.

Sincerely,

Fred J. Bloom, P.E.
Chief Engineer

FJB:fb

cc: James Apperson, Director, OSPB
Representative Robert Burns
Richard Stavneak, Staff Director, JLBC
Leatta McLaughlin, JLBC
Caitlin Acker, JLBC
Tony Guiles, AGFD

Enc.

AGFD FY 2009 BUILDING RENEWAL EXPENDITURE PLAN	
FY 09 AGFD APPROPRIATION	**$531,000**
FISH HATCHERY PROJECTS	
Page Springs Residential Improvements	
Roofing	$14,500
Tonto Creek ResidentialWarehouse Improvements Improvements	
Roofing	$25,700
Sterling Springs Residence Improvements	
Painting, Flooring, Bathrooms, Millwork	$12,000
TOTAL:	**$52,200**
SHOOTING RANGE PROJECTS	
Ben Avery Shooting Facility - Clay Target Center	
Buisness/Visitor Center Remodel	$39,790
Replace Main Range Customer Service Office Heat Pump	$5,500
TOTAL:	**$45,290**
TOTAL:	**$97,490**
OTHER PROPERTIES	
(See attached summary of Hatchery Projects)	
Flagstaff Regional Office	
Regional Office Renovation/Expansion (Building Renewal Eligible Components)	$195,000
Kingman Regional Office	
Warehouse Evaporative Coolers Replacement	$6,750
Tucson Regional Office	
New Flooring	$35,000
Sewer Line Replacement	$25,000
Pinetop Regional Office	
Bunkhouse Renovation	$30,500
Parking Lot Repairs	$6,440
Headquarters Major Maintenance Fund (Held in trust by Wells Fargo)	$52,230
TOTAL:	**$350,920**
TOTAL PLANNED BUILDING RENEWAL EXPENDITURES	**$448,410**
Unanticipated Building Modifications, Repairs, Health and Life Saftey Items, Contingencies	**$82,590**
TOTAL FY 2009 BUILDING RENEWAL ESTIMATED EXPENDITURE:	**$531,000**

AGFD FY 09 BUILDING RENEWAL PROJECT ESTIMATE SUMMARY

PROJECT LOCATION/DESCRIPTION	Project Construction Estimate	Design/Construction Admin	FY 09 Building Renewal Portion	Supplemental Funding Sources
FISH HATCHERY PROJECTS	***Basd on recent similar work bids by the Departments On-Call Contractor***			
Page Springs Residential Improvements				
Roofing (metal)	$14,500	N/A	$14,500	None
Tonto Creek ResidentialWarehouse Improvements Improvements				
Roofing (two buildings, metal)	$25,700	N/A	$25,700	None
Sterling Springs Residence Improvements				
Painting, Flooring, Bathrooms, Millwork (Budget Allowance)	$12,000	N/A	$12,000	Work performed by hatchery staff
TOTAL:	**$52,200**		**$52,200**	
SHOOTING RANGE PROJECTS				
Ben Avery Shooting Facility - Clay Target Center				
Buisness/Visitor Center Remodel (per attached bid)	$180,000			FY 07 Building Renewal
Remediating electrical code compliance items		N/A	$3,680	None
Renovation of concession/food service area		N/A	$4,300	None
Exterior Painting		N/A	$7,960	None
Roofing (Metal)		N/A	$19,300	None
Sidewalk replacement		N/A	$4,550	None
			$39,790	
Replace Main Range Customer Service Office Heat Pump (5 ton Trane Model 4TW83042A R410 XB13HP, 14 SEER per phone quote)	$5,500		$5,500	
TOTAL:	**$185,500**		**$45,290**	
OTHER PROPERTIES				
Flagstaff Regional Office Renovation/Remodel (per attached estimate)	$1,064,040	N/A	$195,000	FY 08 COLBI
Kingman Regional Office - Warehouse Evaporative Coolers Replacement	$6,750		$6,750	None
Tucson Regional Office Flooring				
Flooring (based on recent similar project costs; ~1280 yrds @$27.40/yd)	$35,000	N/A	$35,000	None
Sewer Line Replacement (engineering estimate; 750 l.ft 8" sewer, 2 manholes)	$25,000	N/A	$25,000	None
Pintop Regional Office)			$30,500	None
Bunkhouse Remodel (per attached quote)	$30,500			
Parking Lot Repairs (per attached quote)	$6,440		$6,440	None
Headquarters Major Maintenance Fund (Held in trust by Wells Fargo)				
(See attached schedule)	$52,230	N/A	$52,230	None
TOTAL:	**$1,219,960**		**$350,920**	
TOTAL PROJECT AMOUNT:	**$1,457,660**		**$448,410**	
BALANCE TO UNANTICIPATED ACTIVITIES:			**$82,590**	
TOTAL PLANNED EXPENDITURE:			**$531,000**	

THE STATE OF ARIZONA
GAME AND FISH DEPARTMENT
5000 W. CAREFREE HIGHWAY
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September 12, 2008

Representative Russell K. Pearce, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
Capitol Complex
1700 W. Washington
Phoenix, AZ 85007-2890

Re: Request for Placement on Joint Committee on Capital Review Agenda – October 2008

Dear Representative Pearce:

The Arizona Game & Fish Department requests placement on the October 2, 2008 agenda of the Joint Committee on Capital Review to review the following:

1. FY 07 Capital Improvement Project Appropriation – Flood Warning System

The information for this review is attached.

Sincerely,

Fred J. Bloom, P.E.
Chief Engineer

FJB:fb

cc: James Apperson, Director, OSPB
Representative Robert Burns
Richard Stavneak, Staff Director, JLBC
Leatta McLaughlin, JLBC
Caitlin Acker, JLBC
Tony Guiles, AGFD

Enc.

Arizona Game and Fish ALERT Flood Warning System

Project Justification

The Arizona Game and Fish Department owns, operates and maintains thirty eight jurisdictional dams throughout the state. Seven of these dams are rated as significant hazard, three high hazard; all ten required by statute to have current Emergency Action Plans, regulated by the Dams Safety Section of the Arizona Department of Water Resources (ADWR). Emergency Action Plans must include a monitoring protocol and incident response plan in the event of a combined flood/dam failure event. Like many other dam owners/operators throughout the state, the Department has been in non-compliance with this requirement for several years. In working closely with ADWR, AGFD developed a comprehensive strategy to fulfill this important requirement of which a key component would be the use of remote sensors in the field to transmit critical data to a central base station in real time. A nationally standardized system coined "Automated Local Evaluation in Real Time (ALERT) was determined to be the appropriate and mutually beneficial system. The ALERT system consists of developing a remote flood warning system including instrumentation, hardware, and software as well as program coordination with all jurisdictional entities such as ADWR (statewide Flood Warning System), county flood control units, etc. The ALERT system would provide the AGFD as well as other jurisdictional agencies the ability to monitor rainfall and reservoir levels through an established statewide network. Through analysis of various precipitation events and watershed characteristics the system can assimilate critical data sets or "trigger points" that can be programmed into the detection software such that transmission of this data could 'alert' system monitors via base stations or by various "call up" technologies.

The cost estimate of $350,000 was generated by a consultant experienced in the installation of this equipment and is based on remote sensing stations at ten Department lakes, seepage monitoring at 5 lakes, radio repeaters as needed, two primary base stations and up to three additional monitoring stations for other jurisdictional entities. Maintenance of the equipment will be shared by the Department, county flood control agencies and ADWR.

Work Already Accomplished

Dam Reconnaissance, System Design/Integration and Field Sensor Installation

Contractor: J.E. Fuller /Hydrology and Geomorphology, Inc.
Cost: $137,423
Scope:

- Task 1 – Coordination and System Design – $10,605
- Task 2 – Field Sensor Station Installation - $73,422
- Task 3 – Base Station Installation and Database Setup - $10,877
- Task 4 – Repeater Design - $6,393
- Task 5 – Documentation and Training - $7,424
- Task 6 –Develop Scope of Work for Design of Seepage Monitoring Sensors and System Integration at Selected Dams - $2,117
- Direct Costs/Reimbursable - $26,586

Purchase of ALERT Field and Base Station Equipment
Vendor: High Sierra Electronics
Cost: $79,735

Base Station, Electrical Equipment and Antenna Installation
Contractor: Sundt Construction, Inc.
Cost: $33,568
Scope:
The base station receiver equipment shares space on a new Department of Public Safety (DPS) radio tower as well as space for equipment in the DPS climate controlled communications building (with backup generator power). AFGD constructed this facility during the new Headquarters projects in partnership with DPS, enhancing their statewide radio system and utilized by AGFD's radio system. The data will be transmitted through the communications building and conduit to the Headquarters server room, where it can be accessed on AGFD's network, as well as the Arizona Department of Water Resources statewide flood warning system. The work was performed by Sundt Construction (or their subcontractors) as part of a change order during the construction of the new Headquarters facility. The cost of the base station installation is summarized as follows:

- Proportional cost of the tower and communications building, electrical equipment, and backup power supply - $18,000
- Conduit, server room modifications, communication building modifications/equipment and utility vault costs between communications building and main office - $12,000
- Cable install from tower to main office building (server room) - $1,662
- Install two transmitter boxes on communications building - $1906

Total Expenditures to Date: $250,726

Work Remaining To Be Done
The scope of this project includes installation of the ALERT flood warning systems at ten lakes, which will monitor lake levels, spillway flows, rain and snowfall, if applicable. This work is complete. Additionally AGFD plans to install seepage monitoring devices at specified dams. Seepage is a principle cause of dam failures. This will allow remote monitoring of seepage as well as the collection of numerical data on seepage. The remaining budget for this work is estimated as follows (estimates include 5% contingency:

- Design of Seepage Sensors and System Integration for Selected Dams - $32,500
- Seepage sensor equipment and installation at Lynx Lake - $10,000
- Seepage sensor equipment and installation at Big Lake - $10,000
- Seepage sensor equipment and installation at Lee Valley Reservoir. Requires a second repeater site due to location - $25,000
- Seepage sensor equipment and installation at Parker Canyon Lake - $10,000
- Seepage sensor equipment and installation at Fool Hollow Lake - $10,000

Total Estimated Cost for Remaining Work: $99,000

Project Cost Summary

Task Description	Expended to Date	Planned Expenditures
Dam Reconnaissance, System Design/Integration and Field Sensor Installation	$137,423	$34,000
ALERT Sensor Equipment – Flood Warning	$79,735	-0-
Base Station, Electrical Equipment and Antenna Installation	$33,568	-0-
ALERT Sensor Equipment and Installation – Seepage Monitoring	-0-	$65,000
TOTAL:	**$250,726**	**$99,000**
TOTAL PROJECT COST:	**349,726**	

STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

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HOUSE OF REPRESENTATIVES

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DAVID SCHAPIRA

DATE: September 25, 2008

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

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Principal Fiscal Analyst

SUBJECT: School Facilities Board – Review of FY 2009 $585 Million Lease-to-Own Agreement and FY 2009 New School Construction Report

Request

Pursuant to A.R.S. § 15-2004, the School Facilities Board (SFB) requests the Committee review its list of $593 million in potential new construction projects to be financed with lease-to-own agreements (also known as lease-purchase agreements), which were authorized by Laws 2008, Chapter 287. The Chairman decided to agenda this item excluding the implementation of Full-Day Kindergarten (FDK) capital costs, which represents $8 million of the $593 million agreement.

In addition, pursuant to A.R.S. § 15-2002, SFB requests the Committee review its demographic assumptions, proposed construction schedule, and new school construction cost estimates for FY 2009. The board is annually required to submit this information by June 15.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review of the FY 2009 New Construction Report and $585 million lease-to-own agreement, which excludes FDK capital costs of $8 million.

2. An unfavorable review of the FY 2009 New Construction Report and $585 million lease-to-own agreement, which excludes FDK capital costs of $8 million.

Under either option, the JLBC Staff recommends that SFB submit a final list of projects and debt service schedule associated with the lease-to-own agreement along with a list of FDK projects.

Lease-to-Own Agreement

SFB has submitted for review 23 projects in 13 school districts to serve as collateral for the lease-purchase agreement. The term of the lease-purchase will be 15 years. At a projected average interest rate of 4.2%, SFB estimates a FY 2010 interest only payment of $25.0 million and remaining average annual

(Continued)

debt service payments of $57.3 million. Total debt service is estimated to be about $834.3 million, which includes $593 million in principal and $241.3 million in interest. The debt service includes $8 million to expand new construction for FDK.

New School Construction Report
The board estimates that it will oversee 29 new school construction projects in FY 2009 and will spend a total of $245.3 million. This amount includes funding for all the construction projects that have already been approved by the board prior to the FY 2008 approval cycle and $8 million for the first year capital costs of implementing FDK. Of the $245.3 million, $237 million is from the newly authorized lease-purchase proceeds.

Analysis

Lease-to-Own Agreement
The FY 2009 Education Budget Reconciliation Bill (BRB) (Laws 2008, Chapter 287) authorized SFB to enter into a maximum of $593 million worth of 15-year lease-to-own transactions in FY 2009. SFB will use $237 million for FY 2009 new construction expenditures including $8 million for FDK, while the remaining lease-purchase proceeds will be used to pay back the General Fund for previous year recoupable expenditures and for a loan to a union high school district that met certain criteria.

The potential lease-purchase projects are detailed in SFB's submitted documents. There are a total of 23 projects. Even though SFB will oversee 29 projects in FY 2009, only 23 projects were needed as collateral for the lease-purchase agreement.

New School Construction Report

New Construction Moratorium
A moratorium on new construction projects was authorized for FY 2009 by the FY 2009 Education BRB. The bill prohibits SFB from authorizing or awarding funding for the design or construction of any new school facility, except for FDK, or for school site acquisition in FY 2009. The moratorium was enacted due to declines in the state's housing market and the state's population growth rate. The moratorium also requires SFB to provide monies for architectural and engineering fees, project management services, and preconstruction services if a school district qualifies for additional space in FY 2009 due to the implementation of FDK. It also requires school districts to submit capital plans during FY 2009 and permits SFB to review and award new school projects subject to future appropriations.

Demographic Assumptions
SFB bases its demographic assumptions on its analysis of the school district forecasts of Average Daily Membership (ADM) included in the FY 2009 Capital Plans submitted by districts to the board. To conduct the analysis, SFB uses district population data, grade progression estimates, historical ADM growth, and, if applicable, residential housing growth. Analysis of student enrollment growth is performed on a district-by-district basis for districts that submitted a Capital Plan to the board.

For districts that submitted a Capital Plan to the board, SFB expects "enrollment growth" districts to increase at a slower rate in FY 2008 and FY 2009 than in FY 2007. The board expects enrollment growth to be 5.3% in FY 2008 and 5.4% in FY 2009. Actual enrollment growth was 6.8% in FY 2007. These estimates are higher than overall statewide enrollment growth since the calculation only focuses on districts with increasing population.

For FY 2009 within Maricopa County, SFB expects growth of approximately 5.1% in the southeastern portion of the county, including the cities of Chandler and Higley. In the northern part of the county, including Deer Valley and Dysart, the board also expects growth of about 5.1%. In the western and southern districts of Phoenix, including Tolleson, the board expects growth of 4.5%. In the districts

(Continued)

outlying the western edge of the Phoenix metro area, including Agua Fria, Avondale, Buckeye, Litchfield, and Saddle Mountain, SFB expects growth of 7.8%.

In the other areas of the state, the board expects an increase of 14.0% in Pinal County, 0.5% in Yuma and La Paz Counties, 4.4% in Southern Arizona, and 0.8% in Northern Arizona for FY 2009.

Due to the decline in the state's housing market, student population is expected to grow slower than compared to the previous few years. Even before the new construction moratorium was authorized, SFB put 16 of their new construction projects on-hold due to student growth not materializing as fast as previously projected.

Construction Schedule
The board estimates it will oversee 29 new school construction projects in FY 2009, of which all have been previously approved by the board since there is a moratorium on all new construction except for FDK space in FY 2009. Of the total, SFB estimates that 24 prior year projects will be completed in FY 2009 and 5 prior year projects will complete construction in FY 2010. This estimate does not include FDK projects because SFB does not have a list of those projects.

In the year of its approval, SFB awards 5% of the total project cost to the district for architectural and engineering fees. Based on historical spending patterns, SFB estimates that it will, on average, award 27.6% of the project cost in the next year, followed by 38.5%, 20.6%, 5.5%, and 2.9% each of the following years. This pattern is not intended to suggest that it takes 5 years to build a school. The delay in spending reflects that some projects will not start as quickly as anticipated.

Cost Estimates
The board estimates spending a total of $245.3 million in FY 2009, including:

- $7 million for land. The estimate is based on projects already approved by the board.
- $230.3 million for construction projects. The estimate is based on prior year expenditures and includes projects approved prior to FY 2008. This estimate does not include projects approved during FY 2008 because these projects were part of the new construction moratorium since they were not yet under construction when the moratorium took affect.
- $8 million for the first-year implementation of FDK capital costs. The FY 2009 Education BRB requires kindergarten students to be counted as a full-time ADM for purposes of determining minimum school facility adequacy guidelines, thereby requiring SFB to fund new construction costs for FDK. However, the Chairman has decided not to include this portion of the FY 2009 expenditure estimate for possible review pending further information on the resolution of the FY 2009 shortfall.

To finance the projected $245.3 million in expenditures, the board expects to use lease-purchase financing as authorized by the FY 2009 Education BRB. The board expects to allocate funding from the following revenue sources:

- FY 2009 beginning cash balance of $1.5 million.
- $237 million in lease-purchase proceeds. This is based on the newly approved lease-to-own authority authorized by the FY 2009 Education BRB. Of this amount, SFB expects to spend $8 million on FDK, which the Chairman has decided not to include this portion for possible review.
- $7 million in lease revenues from the State Land Department. The State Land Department leases land to school districts. Any monies the State Land Department receives from school district leases, however, are deposited in the New School Facilities Fund.

Table 1 lists the amounts of new construction approvals in FY 2002 through FY 2008 and an estimate for FY 2009. Even though there is a moratorium on new construction projects in FY 2009, SFB is still permitted to award new space for FDK and all other non-FDK projects subject to future appropriations.

(Continued)

SFB's FY 2009 estimate of $329.9 million in approvals includes $177.3 million for non-FDK space and $152.6 million for FDK space. While the $152.6 million amount represents the estimated level of FDK approvals, SFB projects only spending $8 million for FDK in FY 2009. This represents architectural and engineering expenditures, but SFB does not have list a of projects associated with this estimate.

There was a significant increase in approvals in FY 2006 and a corresponding decrease in FY 2008. In FY 2006, about $200 million more of new construction projects were approved than in FY 2005. A portion of the increase in FY 2006 approvals was due to a greater level of high school approvals in that year. Since high schools require more square feet under the new construction formula, they cost more to construct than an elementary or junior high school. In FY 2008, about $290 million less of new construction projects were approved than in FY 2007, which can be attributed to the decline in the housing market and the state population not growing as fast as the previous couple years.

Table 1

New School Construction Approvals [1/]

FY	New School Approvals
FY 2002	$215,310,672
FY 2003	$220,399,967
FY 2004	$272,578,172
FY 2005	$243,713,838
FY 2006	$447,978,656
FY 2007	$410,186,003
FY 2008	$119,554,680
FY 2009 - FDK	$152,600,000
- Non FDK	$177,300,000

1/ Most of the funding associated with approvals occurs in years after the actual approval.

New School Construction Funding Guidelines

SFB provides new construction funding based on the product of the following statutory New School Facility (NSF) formula:

No. of pupils x Sq. foot per pupil x Cost per sq. foot = Allocation amount

The square foot per pupil is specified in statute, and varies depending on elementary, junior high, and high schools. The cost per square foot is also specified by school type and may be adjusted annually for inflation by JLBC.

SFB has the authority to provide additional funding above and beyond the statutory allocation amount to a district if it cannot build a school within the NSF formula amount. A district can prove they cannot build a minimum guidelines school by demonstrating they are building the least expensive school they possibly can but are still over the formula amount.

Since the enactment of Students FIRST, some of these projects have been funded above the formula with SFB monies. In FY 2007, SFB funded 86% of their projects over the funding amount for a total of $33.4 million. In FY 2008, SFB funded 90% of their projects over the formula amount for a total of $31.1 million. Over the past 2 years, SFB has given additional inflationary funding of about $1.5 million to each of these projects.

RS/LMc:sls
Attachments

School Facilities Board New Construction Report Highlights

Demographic Projections

- For FY 2009, SFB projects enrollment increase of 5.4% in growing districts.
- High growth areas include Pinal County and districts outlying the western edge of Phoenix.

Construction Schedule

- SFB estimates overseeing approximately 29 projects in FY 2009.
  - Includes 24 prior year projects that will be completed in FY 2009 and 5 prior year projects that will complete construction in FY 2010.

Cost Estimates

- Total FY 2009 projected spending equals $245.3 million.
- Since kindergarten students are now required to be counted as a full Average Daily Membership, the first year for Full-Day Kindergarten capital costs will begin in FY 2009.

Expenditures		**Financing**	
Land	$ 7.0 M	Beginning Balance	$ 1.5 M
Construction Projects	230.3 M	Lease-Purchase Proceeds	237.0 M
Full-Day Kindergarten	8.0 M	Lease Revenues (Land Dept.)	7.0 M
Total	**$245.3 M**	**Total**	**$245.5 M**
		FY 2009 Expected Ending Balance	**$0.2 M**

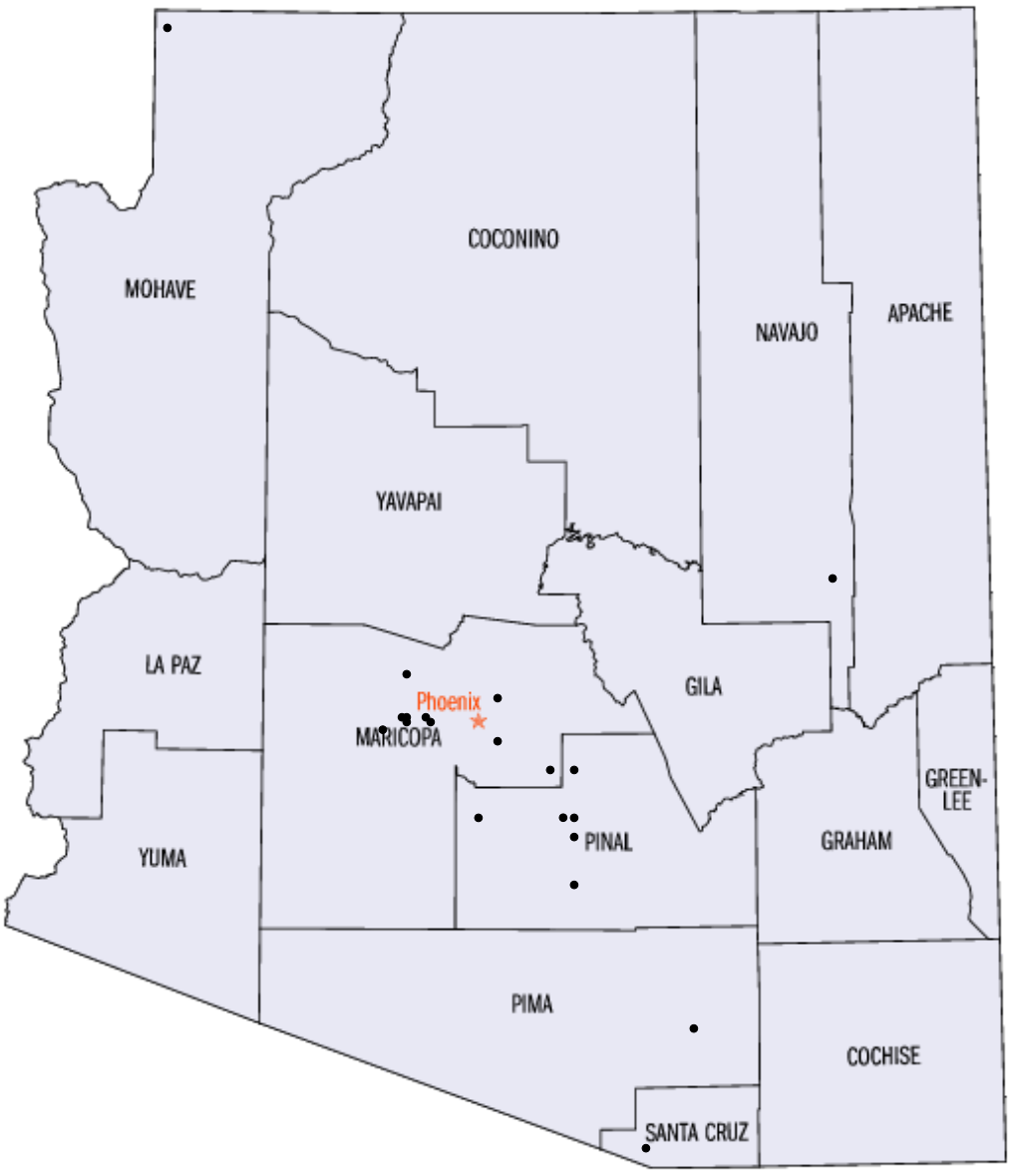
Current District Projects

District	**# of Projects**	**District**	**# of Projects**
Maricopa Unified	4	Coolidge Unified	1
Dysart Unified	3	Litchfield Elementary	1
Florence Unified	3	Littlefield Elementary	1
Chandler Unified	2	Littleton Elementary	1
JO Combs Elementary	2	Nadaburg Elementary	1
Apache Junction Unified	1	Queen Creek Unified	1
Blue Ridge Unified	1	Red Rock Elementary	1
Buckeye Elementary	1	Santa Cruz Valley Unified	1
Cartwright Elementary	1	Tolleson Union High	1
Casa Grande Union	1	Vail Unified	1
		TOTAL - 20 Districts	**29**

Attachment 2

School Facilities Board FY 2009 New Construction Projects

(29 Projects for 20 School Districts)

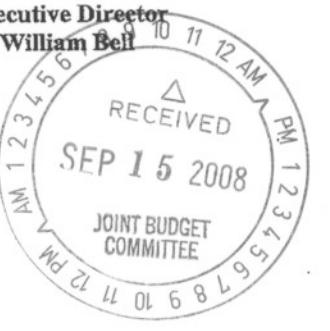


Apache Junction High – 1
Blue Ridge Unified – 1
Buckeye Elementary – 1
Cartwright Elementary – 1
Casa Grande Union – 1
Chandler Unified – 2
Coolidge Unified – 1
Dysart Unified – 3
Florence Unified – 3
JO Combs Unified – 2
Litchfield Elementary – 1
Littlefield Elementary – 1
Littleton Elementary – 1
Maricopa Unified – 4
Nadaburg Unified – 1
Queen Creek Unified – 1
Red Rock Elementary – 1
Santa Cruz Valley Unified – 1
Tolleson Union – 1
Vail Unified – 1

STATE OF ARIZONA
SCHOOL FACILITIES BOARD

Governor of Arizona
Janet Napolitano

Executive Director
William Bell



September 10, 2008

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

Dear Representative Pearce,

A.R.S. 15-2004, section I (5) requires the SFB to submit to the Joint Committee on Capital review the list of projects relating to the lease to own agreement for review. Attached to this letter are those projects. Until each district listed on the report has signed and returned the lease documents, the list cannot be finalized. We will provide the final list to you by mail. We have also attached an estimated debt service schedule for the transaction.

If you have any questions, please contact me.

Sincerely,

John Arnold

Attachments//

CC
Richard Stavneak
James Apperson
Lauren Kielsmeier

1700 WEST WASHINGTON, SUITE 230, PHOENIX, ARIZONA 85007
Phone: (602) 542-6501 • Fax: (602) 542-6529 • www.sfb.state.az.us

Draft SFB Lease To Own Projects - FY 2009
9/1/2008

District	Project Number	Grade Configuration	Lease Value
Buckeye Elementary District	070433000-9999-010N	K-8	$10,939,362
Cartwright Elementary District	070483000-9999-003N	6-8	$17,999,351
Casa Grande Union High School District	110502000-9999-001N	9-12	$60,975,363
Chandler Unified District	070280000-9999-013N	9-12	$47,989,276
Chandler Unified District	070280000-9999-020N	K-6	$17,154,077
Chandler Unified District	070280000-9999-021N	K-6	$15,865,283
Coolidge Unified District	110221000-9999-006N	9-12	$33,319,429
Dysart Unified District	070289000-9999-022N	K-8	$21,057,390
Dysart Unified District	070289000-9999-023N	K-8	$15,430,492
Dysart Unified District	070289000-9999-025N	9-12	$52,618,189
Florence Unified School District	110201000-9999-005N	9-12	$44,611,452
Florence Unified School District	110201000-9999-008N	K-8	$19,111,926
Florence Unified School District	110201000-9999-009N	K-8	$17,975,603
J O Combs Unified District	110344000-9999-007N	K-5	$10,970,080
J O Combs Unified District	110344000-9999-016N	9-12	$56,765,629
Maricopa Unified School District	110220000-9999-012N	K-5	$12,251,965
Maricopa Unified School District	110220000-9999-013N	9-12	$36,956,151
Maricopa Unified School District	110220000-9999-017N	K-5	$12,357,956
Maricopa Unified School District	110220000-9999-020N	6-8	$16,742,751
Queen Creek Unified District	070295000-9999-006N	6-8	$23,557,554
Red Rock Elementary District	110405000-9999-001N	K-8	$16,770,702
Tolleson Union High School District	070514000-9999-003N	9-12	$55,115,819
Yuma Union High School District	140570000-9999-002N	9-12	$51,165,190
Total			$667,700,990

BOND DEBT SERVICE

Arizona School Facilities Board
Arizona School Facilities Board
Estimated Lease Payment Schedule - 15 Yr Amortization

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
03/01/2009			6,646,897.80	6,646,897.80	6,646,897.80
09/01/2009			12,462,933.38	12,462,933.38	
03/01/2010			12,462,933.38	12,462,933.38	24,925,866.76
09/01/2010	16,340,000	3.125%	12,462,933.38	28,802,933.38	
03/01/2011	16,340,000	3.250%	12,207,620.88	28,547,620.88	57,350,554.26
09/01/2011	16,870,000	3.250%	11,942,095.88	28,812,095.88	
03/01/2012	16,870,000	3.375%	11,667,958.38	28,537,958.38	57,350,054.26
09/01/2012	17,440,000	3.500%	11,383,277.13	28,823,277.13	
03/01/2013	17,450,000	3.875%	11,078,077.13	28,528,077.13	57,351,354.26
09/01/2013	18,090,000	3.500%	10,739,983.38	28,829,983.38	
03/01/2014	18,095,000	3.675%	10,423,408.38	28,518,408.38	57,348,391.76
09/01/2014	18,770,000	3.875%	10,090,912.75	28,860,912.75	
03/01/2015	18,765,000	4.000%	9,727,244.00	28,492,244.00	57,353,156.75
09/01/2015	19,530,000	4.250%	9,351,944.00	28,881,944.00	
03/01/2016	19,530,000	4.250%	8,936,931.50	28,466,931.50	57,348,875.50
09/01/2016	20,360,000	4.000%	8,521,919.00	28,881,919.00	
03/01/2017	20,355,000	3.810%	8,114,719.00	28,469,719.00	57,351,638.00
09/01/2017	21,170,000	4.125%	7,726,956.25	28,896,956.25	
03/01/2018	21,165,000	4.125%	7,290,325.00	28,455,325.00	57,352,281.25
09/01/2018	22,055,000	4.250%	6,853,796.88	28,908,796.88	
03/01/2019	22,055,000	4.125%	6,385,128.13	28,440,128.13	57,348,925.01
09/01/2019	22,990,000	4.250%	5,930,243.75	28,920,243.75	
03/01/2020	22,990,000	4.000%	5,441,706.25	28,431,706.25	57,351,950.00
09/01/2020	23,945,000	4.250%	4,981,906.25	28,926,906.25	
03/01/2021	23,950,000	4.250%	4,473,075.00	28,423,075.00	57,349,981.25
09/01/2021	25,025,000	5.000%	3,964,137.50	28,989,137.50	
03/01/2022	25,025,000	5.000%	3,338,512.50	28,363,512.50	57,352,650.00
09/01/2022	26,290,000	5.000%	2,712,887.50	29,002,887.50	
03/01/2023	26,290,000	5.000%	2,055,637.50	28,345,637.50	57,348,525.00
09/01/2023	27,625,000	5.000%	1,398,387.50	29,023,387.50	
03/01/2024	27,620,000	5.125%	707,762.50	28,327,762.50	57,351,150.00
	593,000,000		241,482,251.86	834,482,251.86	834,482,251.86

STATE OF ARIZONA
SCHOOL FACILITIES BOARD

Governor of Arizona
Janet Napolitano

Executive Director
John Arnold

June 15, 2008

Representative Russell Pearce, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, Arizona 85007

Dear Chairman Pearce:

A.R.S. §15-2002, subsection A, paragraph 13, requires the School Facilities Board (SFB) to submit demographic assumptions, construction schedules, and cost estimates for the new construction program to the Joint Committee on Capital Review by June 15. SFB staff is waiting on additional information from two districts (Mobile Elementary and Yavapai Accommodation Districts) in order to complete the FY 2008 Capital Plan cycle.

So far this year, the SFB has awarded ten projects valued at $119.5 million. The Board also cancelled or revised two projects valued at $9.4 million, for a total net award of $110.1 million.

Included in this report are:

- **Demographic Assumptions**

  In the FY 2008 Capital Plan cycle, SFB staff reviewed capital plans on a regional basis. Concentrating on an entire region at once proved to be more efficient than simply reviewing Plans in the order in which they were received. Nine major regions were identified and are listed below. Regional overviews are provided in this section in addition to individual district overviews. This section also includes a summary of the statewide new construction climate and its projected impact on the SFB.

- **Projected Schedules of Projects that are Under Construction or Board Approved**

  Schedules are provided for all new construction projects approved by the SFB that are not yet completed.

- **New Construction Revenue and Cost Estimates by Fiscal Year**

  This is a schedule of SFB's New School Facilities Fund revenues and expenditures for FY 2007, and projected revenues and expenditures for FY 2008 and FY 2009. It is based

on projects that were approved or conceptually approved in the FY 2008 Capital Plan cycle and prior years.

- **Projects Scheduled to be Approved in FY 09**

  This is a list of conceptually-approved projects that could be approved in the next capital plan cycle if ADM projections materialize.

- **Backup Information used in FY 2008 Capital Plan Cycle**

  This section contains the ADM projections established for the districts that applied to the SFB for new construction in their FY 2008 Capital Plans, and information that was used in the analyses. The backup is divided into the following nine geographic regions:

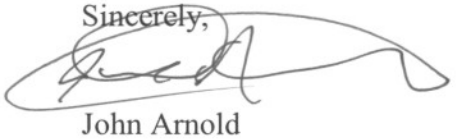
  Western Maricopa County
  Maricopa County – East Valley
  Northern Maricopa County
  Pinal County
  Yuma and La Paz Counties
  Southern Arizona
  Northern Arizona
  Mohave County
  Gila County

- **Appendix – ADM Projections Submitted by Districts <u>not</u> Requesting New Construction**

  Even districts that do not seek new construction funds from the SFB are asked to submit student population projections in their capital plans. This section contains the projections submitted by the districts that complied.

This report will also be posted on the SFB website. Please feel free to contact me with any questions or comments.

Sincerely,



John Arnold

Xc: Janet Napolitano, Governor
James Apperson, OSPB Director
Members of the School Facilities Board

STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

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THAYER VERSCHOOR
JIM WARING

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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HOUSE OF REPRESENTATIVES

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DAVID LUJAN
DAVID SCHAPIRA

DATE: September 25, 2008

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

THRU: Richard Stavneak, Director

FROM: Dan Hunting, Fiscal Analyst

SUBJECT: Arizona Department of Administration – FY 2009 Building Renewal Allocation Plan and Reallocation of FY 2008 Building Renewal Funds -- Agency Request (Information Only)

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona Department of Administration (ADOA) requests the Committee review its FY 2009 Building Renewal Allocation Plan. Laws 2008, Chapter 289 appropriated $6,100,000 from the Capital Outlay Stabilization Fund (COSF) to ADOA to fund 20% of the building renewal formula in FY 2009.

In addition, ADOA requests review of $1,296,610 worth of reallocated FY 2008 Building Renewal monies to fund the Department of Revenue Elevator Renovation Project. At the August 16, 2007 meeting, the Committee favorably reviewed the ADOA FY 2008 Building Renewal Allocation Plan with the provision that ADOA submit for Committee review any reallocation above $100,000 between the individual projects.

Recommendation

The Chairman has scheduled this item for information only and does not plan to take a vote at this meeting. The Chairman is seeking further information on the Governor's plans to resolve the FY 2009 budget shortfall and whether the funding associated with this particular agenda item could be part of the solution.

At the time the vote is taken, the Committee has at least the following options for the following 2 items:

<u>FY 2009 Building Renewal Allocation Plan</u>
The Committee has at least the following 2 options:

1. A favorable review for $6,099,500 of the COSF FY 2009 Building Renewal Allocation Plan. This allocation represents $5,279,500 for 18 projects, including project management and insurance costs, plus $820,000 for emergency projects and contingencies.

2. An unfavorable review. These monies could be used to reduce the FY 2009 budget shortfall.

Under either option, the JLBC Staff recommends the following provisions:

(Continued)

- ADOA submit for Committee review any reallocation above $100,000 between the individual projects.
- ADOA submit for Committee review any new non-emergency projects above $100,000 that are funded from the $820,000 allocated for emergency projects and contingencies.
- ADOA report to JLBC Staff within 3 days any expenditure for emergency projects above $25,000 that are funded from the $820,000 allocated for emergency projects and contingencies. The report would include the scope, estimated cost, nature of emergency and reason why the project could not await Committee review.

Reallocation of FY 2008 Building Renewal Funds
The Committee has at least the following 2 options:

1. A favorable review of the department's request to reallocate $1,296,610 for the FY 2008 Building Renewal appropriation to the elevator project at 1600 W. Monroe.

2. An unfavorable review. These monies could be used to reduce the FY 2009 budget shortfall.

Analysis

FY2009 Building Renewal Allocation Plan
The FY 2009 Building Renewal Reallocation plan consists of the following projects:

FY 2009 Building Renewal Allocation Plan

	COSF
Roofing Projects	
ADOA Statewide Roofing and Leak Abatement	$ 275,000
DJC Catalina Mountain Facility Roofing	225,000
Executive Tower Replace Roof Membrane	220,000
ASDB Roof Repair Apache Building	210,000
DPS Replace Roof Membrane at Phoenix Fleet Building	137,500
Subtotal	*$1,067,500*
HVAC Projects	
Supreme Court Replace Thermal Storage System	$1,600,000
Attorney General Replace Cooling Towers & Heat Pumps	350,000
Senate and House Replace Air Handlers	335,000
Subtotal	*$2,285,000*
Water and Sewer Projects	
DES Sewage Lift Pump Station	$ 96,000
DOC Well Renovation	80,000
DES Well Renovation	25,000
Subtotal	*$201,000*
Infrastructure Projects	
Executive Tower Replace Electrical Service Entrance	$ 600,000
Executive Tower Phase II Seal Exterior Expansion Joints	305,000
DPS Fire Alarm System	220,000
ADOA Building System Carpet & Flooring	200,000
DES Elevator Renovation	65,000
DOR Engineering Assessment	40,000
Senate Fire Alarm System	20,000
Subtotal	*$1,450,000*
Other	
Emergency Projects/Contingencies	$ 820,000
Construction Project Management	275,000
Risk Management Construction Insurance	1,000
Subtotal	*$1,096,000*
TOTAL	**$6,099,500**

(Continued)

The following provides an overview of the amounts allocated to different categories of projects. The attached materials submitted by ADOA provide more detail of the individual projects.

Roofing Projects
A total of $792,500 will be allocated to 4 different projects to replace roofs that have reached the end of their useful lives and have on-going leaking problems. Additionally, $275,000 has been allocated for roofing and leak abatement at buildings statewide. These funds will be used to perform emergency repairs and partial repairs at sites where full repair or replacement of the roof can be deferred to a later date.

HVAC Projects
A total of $2,285,000 will be allocated to 4 heating and air conditioning related projects. The monies will be used to replace air handlers, cooling towers, and a thermal storage system, which have all reached the end of their useful lives.

Water and Sewer Projects
A total of $201,000 will be allocated to 3 projects relating to water and sewer systems. The monies will be used to replace a sewage lift pump and renovate water wells.

Infrastructure Projects
A total of $1,450,000 will be allocated to 7 projects. These projects include fire alarms, elevator code related renovations, electrical upgrades, and building exterior corrections. Also included in the allocation is $200,000 to replace flooring and carpet at state facilities.

Other
In order to cover project management costs for FY 2009 building renewal projects, $275,000 will be allocated. A total of $820,000 is allocated for unanticipated and emergency projects.

Reallocation of FY 2008 Building Renewal Funds
At the August 16, 2007 meeting, JCCR favorably reviewed the ADOA FY 2008 Building Renewal Allocation Plan with the provision that ADOA submit for Committee review any reallocation above $100,000 between the individual projects. The original FY 2008 ADOA Building Renewal Allocation included $300,000 to design a 2-phase 5 cab elevator system renovation and to rebuild the freight elevator at 1600 West Monroe.

Having completed the design portion of the project, ADOA now proposes to complete both Phases 1 and 2 renovations and repairs at a cost of $1,296,610 above the original $300,000 allocated for Phase 1 of the project. This cost is higher than expected due to code requirements and interconnected control systems for the passenger and freight elevators. The cost would be reallocated from other FY 2008 Building Renewal projects. Of the proposed $1,296,610 reallocation, $506,794 would come from construction contingency funds, $343,035 from emergency funds, and the remaining $446,781 from various projects that were cancelled or did not expend their full FY 2008 allocation.

RS/DH:ss

Janet Napolitano
Governor

William Bell
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

100 North 15th Avenue
PHOENIX, ARIZONA 85007

(602) 542-1500

September 11, 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 re-allocation of $1,296,610 of the FY 2008 Building Renewal appropriation. As a provision of the original review, JCCR requested that ADOA submit for Committee review any re-allocation above $100,000 between the individual FY 2008 projects. The following re-allocation provides funding for Phase 2 of the Arizona Department of Revenue (DOR) Elevator Renovation Project at 1600 West Monroe.

FY 2008 Building Renewal Re-Allocation Summary

To Elevator Renovation Project at 1600 W. Monroe (DOR)	
Original Allocation Phase 1	$300,000
Re-Allocation to Phase 1	$334,680
Re-Allocation Phase 2	$961,930
Total Re-Allocation	$1,296,610
Total Allocation to Project	$1,596,610

From Original Project Allocations	
Construction Contingency	$506,794
Emergency Funds	$343,035
1740 W. Adams Re-roof	$179,781
DHS Sewer Line, Dietary Bldg	$137,000
1510 Utility Building Re-roof	$15,000
1300-1400 Service Entrance	$80,000
Statewide Floor Covering	$35,000
Total Available to Re-Allocate	$1,296,610

The FY 2008 Building Renewal allocation plan included $300,000 to design a five-cab traction system renovation and to re-build the freight elevator at 1600 West Monroe as Phase 1 of a two-phase plan to renovate all five cabs. The design for the renovation of

the freight elevator and the passenger elevators is complete; however, the architect's recommended Phase 1 scope of work is significantly greater than was anticipated due to code requirements for fire alarms, increased fire-proofing needs, and interconnected freight and passenger elevator control systems.

ADOA received construction bids for Phase 1 and Phase 2 in July 2008 totaling approximately $1.6 million. Given the trends of increased overhead costs as a result of escalating fuel and construction materials costs, completion of this project as a single two-phase job will reduce the potential for increased construction costs. It will also eliminate a requirement for a second procurement process and facilitate well-timed project management to circumvent delays or business interruption at the Department of Revenue.

The re-allocation of monies is necessary because of the urgency of this project and the potential for significant and negative statewide impacts if deferred. Failure of DOR's elevator system during the State's peak revenue collection period would negatively impact business continuity, including the expeditious processing of revenues and refunds. Re-allocations from FY 2008 Building Renewal projects are available due to favorable bids that were less than original project estimates and reductions in scopes of work.

If you have any questions or need additional information, please contact me at (602) 542-1500.

Sincerely,

William Bell
Director

c: The Honorable Robert Burns, Vice-Chairman, JCCR
Richard Stavneak, Director, JLBC Staff
Leatta McLaughlin, Senior Analyst, JLBC Staff
James Apperson, Director, OSPB
Marcel Benberou, Assistant Director, OSPB
Matt Gottheiner, Senior Budget Analyst, OSPB
Scott Smith, Deputy Director, ADOA
Paul Shannon, Assistant Director, ADOA
Lynne Smith, Assistant Director, ADOA
Roger Berna, General Manager, ADOA
Nola Barnes, General Manager, ADOA

FY 2009 Building Renewal Allocation Plan
ADOA Building System
September 11, 2008

FY 2009 Appropriation $6.1 Million

Continuing Projects - Additional Allocations for Projects Started in FY 2008			
Supreme Court	Replace Thermal Storage System		$1,600,000
ADOA - Executive Tower	Phase II Seal Exterior Expansion and Balcony Joints		$305,000
		Subtotal	**$1,905,000**
FY 2009 Building Renewal Project Allocations			
	Fire & Life Safety		
DPS	Upgrade Fire Alarm System; Replace Halon Fire Suppression System - Compound Computer Building		$220,000
Senate	Repair Fire Alarm System		$20,000
		Subtotal	**$240,000**
	Building Shell (Asset Preservation)		
ADOA - Revenue	Engineering Assessment		$40,000
DPS	Replace "Built-Up" Roof Membrane – PHX Fleet Building		$137,500
ADJC	Catalina Mountain Facility Roofing		$225,000
Statewide Roofing	ADOA Building System-wide Roofing Repairs and Replacements		$275,000
ASDB	Roof Repair – Apache Building		$210,000
ADOA - Executive Tower	Replace Single-Ply Membrane Roof		$220,000
			$1,107,500
	Building Services		
ADOA - Executive Tower	Replace Electrical Service Entrance and Switch Gear		$600,000
House & Senate	Replace Two Roof Mounted Air Handlers		$335,500
ADOA - AG's Office	Replace Two Cooling Towers and Five Water Source Heat Pumps - 15 S. 15th Ave.		$350,000
ADES	Elevator Modernization – ADES Director's Office - 1717 W. Jefferson		$65,000
	Emergency and Imminent Failures		$820,000
		Subtotal	**$2,170,500**
	Interior Finishes		
Statewide Flooring	ADOA Building System-wide Carpet and Flooring Replacements		**$200,000**

Infrastructure

ADES	Sewage Lift-Pump Station – Coolidge Training Program		$96,000
ADES	Well No. One Renovation – Coolidge Training Program		$25,000
ADC	Well Renovation – Fort Grant, Safford		$80,000
		Subtotal	**$201,000**

Project Management and Risk Management Construction Insurance Premium

Project Management	Construction Services Project Management Costs (6/1/08-5/30/09)		$275,000
Risk Mgt Insurance	Risk Management Insurance Premium		$1,000
		Subtotal	**$276,000**
		Total Allocation	**$6,100,000**

DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM
FY 2009 BUILDING RENEWAL ALLOCATION PLAN

CONTINUING PROJECTS

$1.6 M: Arizona Supreme Court – Replace Thermal Storage System

ADOA allocated $65,000 of the FY 2008 building renewal appropriation for an engineering design to replace the Arizona Supreme Court building's ice harvester cooling system with three new chillers. The FY 2009 allocation includes $1.6 million to complete the project. This includes the construction costs for three 210-ton conventional low temperature chillers, chilled water pumps, piping, electrical work, and a temporary chiller rental for a portion of the installation period. The procurement process will commence as soon as funding is reviewed.

The existing 18 year old ice harvester system is based on technology used in commercial ice cube making systems. It requires immediate replacement due to its obsolescence and susceptibility for catastrophic failure. The outmoded system is tremendously energy inefficient, utilizes R-22 refrigerant, and has surpassed its useful life, resulting in routine failure. Moreover, the system and its components are no longer manufactured, making repairs difficult, and the R-22 refrigerant is being phased out of use entirely. By January 1, 2010, chemical manufacturers may still produce R-22 to service existing equipment, but not for use in new equipment. By January 1, 2020, manufacturers will no longer be able to produce R-22 to service existing air conditioners and heat pumps.

A catastrophic failure would require the rental of a 500 ton low-temperature chiller and condensing unit to sustain the Supreme Court's business continuity. The closest rental chiller of this size is in Las Vegas, Nevada. Assuming such a contingency chiller was available for rent, delivery to Phoenix would be approximately five days, plus the time required for connection. The rental fee for the chiller would be approximately $1,000 per day. This project will facilitate conservation of energy.

$305,000: ADOA – Executive Tower – Phase II Seal Exterior Expansion and Balcony Joints

ADOA allocated $380,000 of the FY 2008 building renewal appropriation for an architectural design (Phase I) to seal the exterior of the Executive Tower, including the soffits, balcony expansion joints, and the cavities behind the large state seal on the west side of the building. ADOA has completed Phase I. The FY 2009 allocation includes $305,000 to complete the project. The projected total cost is $685,000, including design, construction, contingency, and construction administration.

The architect's design recommends the simultaneous demolition of the deteriorated sealant and backer rod, subsequent major maintenance/replacement of the building's vertical and horizontal panel control joints, entrance canopy joints, vertical and horizontal column joints, soffit joints, and window glazing seals. The project is anticipated to commence in the fall of 2008 when outside temperatures have cooled sufficiently so as not to negatively impact the integrity of the sealant being applied to the structure joints. Completion of the work will result in increased energy efficiency and a weather tight exterior. Moreover, the Mexican Free tail bats, which are seasonally roosting in the ceiling plenums of the building, will be forced to look for other living arrangements.

NEW PROJECTS

FIRE & LIFE SAFETY

$220,000: Arizona Department of Public Safety – Upgrade Fire Alarm System; Replace Halon Fire Suppression System

The fire alarm system in the 5,500 SQFT DPS Compound East Building is approximately 20 yeas old and has surpassed its expected useful life. The Halon fire suppression system is obsolete and the trouble and alarm reporting features do

not provide the precise information that DPS Security or building occupants require to determine specific problem locations, trouble and/or alarms. In the event of a Halon discharge, the fire suppression system would have to be retrofitted or replaced with a compatible and very expensive extinguishing agent, such as Inergen or FM200 as Halon is no longer available due to environmental concerns. .

These fire and life safety projects are DPS mission critical. Failure to pro-actively undertake these projects could have significant negative public safety impacts. Tragically, a fire, an alarm, or unanticipated power failure could result in the crash of DPS computers and related equipment in Arizona and in other states.

Construction costs, design fees, and general contractor costs are projected to be $2.25 per SQFT for up-grading the fire alarm system with a Class A fully addressable system and $4.73 a CUFT for replacing the Halon fire suppression system.

$20,000: ADOA – Arizona State Senate – Repair Fire Alarm System

The Thorn Auto-Call fire alarm system in the Senate building and other structures is obsolete. Thorn Auto-Call has been out of business for many years and the parts are not manufactured or supported by an alternative source. Unfortunately, sufficient funding is not available in the ADOA building renewal appropriation to address all critical issues at this time; however, Simplex, a firm that ADOA has utilized to complete past repairs to the system, has stated it can make a significant repair to the panel to eliminate the routine trouble calls for service and keep the system operational. The Senate fire alarm system is targeted for replacement FY 2011 in the ADOA Building System Capitol Improvement Plan, though the plan might be impacted by pending suggestions of new or renovated House and Senate buildings. As ADOA replaces Thorn Auto-Call fire alarm systems throughout the Capitol Mall, the department is retaining the salvageable parts for use in the remaining systems.

BUILDING SHELL (ASSET PRESERVATION)

$40,000: ADOA – Arizona Department of Revenue – Engineering Assessment

The front entrance steps and other foundation areas at 1600 West Monroe are separating from the building creating trip hazards and structural integrity concerns. ADOA will hire a structural engineer to assess the situation and provide recommendations for a design to remediate the problem.

$275,000: ADOA Building System – Statewide Roofing and Leak Abatement

The ADOA Building System is rife with leaking roofs and rotting exterior sealants totaling millions of dollars. Agencies consistently request funding to abate water intrusion caused by leaking roofs and sealants. The FY 2009 allocation will address only a fraction of those projects. Many structures have roofs that have reached or exceeded their useful lives or have building shells that no longer effectively seal the structure from rain and leaks. In addition to the specific roof replacements identified in the "BUILDING SHELL (ASSET PRESERVATION)" section, ADOA is allocating $275,000 for statewide roofing and leak abatement projects that will be prioritized as conditions become known and funds are available. Potential projects include, but are not limited to, the following projects identified as at risk of imminent failure:

Priority Projects	Cost
Repair roofs at 9535 and 9545 East Doubletree Ranch Road	$ 50,000
Reseal windows at 1535 West Jefferson	$ 175,000
Repair roofs at 2422 West Holly	$ 40,000
Repair roofs at House and Senate	$ 50,000
Total - projects identified as at risk of imminent failure	$ 315,000

DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM

FY 2009 BUILDING RENEWAL ALLOCATION PLAN

Funds will be allocated to perform partial roof repairs for leaking buildings where the repair can defer the need for a new roof membrane, as well as for emergency roof repairs. Additional emergency projects will be generated by emergency reports from ADOA building system agencies, unanticipated storm damage, risk management evaluations, and pending building condition assessments (procured with FY 2008 building renewal funds).

Physical deterioration through the combination of wear and tear, the effects of the aging process, physical decay, the action of the elements, structural defects, and deferred maintenance have contributed to leaks, oxidized roof material, missing or split shingles and tiles, punctures, tears, shrinkage, splitting, blistering or embrittled coatings, missing flashing, stained interior ceilings, sagging or decaying roof structures, and more. Some types of deterioration may be very apparent, while others may require a more thorough examination by a qualified source. Roof replacements of ten to fifteen years ago have not held up as well as the original roofs because the quality of roofing materials has deteriorated with the increased cost of petroleum based products. Physical deterioration of roofs and building shells that are beyond their useful lives are subject to repeated leaking that can damage the building structure and its interior contents resulting in more significant and frequent Risk Management loss claims. The leaks can damage and render the roof insulation ineffective and can contribute to increased heating and cooling costs. Repeated leaks can lead to toxic mold growth that is often behind drywall systems, above the ceilings, and in the roof structures; particularly wood beams, joists, and decking. The potential costs of structure damage and mold abatement can often exceed the actual cost of the roof membrane. Comprehensive roof and sealant repairs and replacements will facilitate energy conservation.

$137,500: Department of Public Safety – Replace "Built-Up" Roof Membrane – PHX Fleet Building

DPS has requested the replacement of this roof for over three years. This allocation will allow DPS to design and replace the "built-up" roof membrane on the 15, 722 square foot Phoenix fleet building. Using current construction cost estimates, the cost for design and replacement is approximately $137,500; however, these costs have the potential to escalate given the increasing cost of asphalt (petroleum-based product). While previous year's building renewal funds have enabled partial repairs to the roof, it is not practical to continue to defer its replacement. This project will facilitate conservation of energy.

$225,000: Arizona Department of Juvenile Corrections – Catalina Mountain Facility Roofing

ADJC's primary roof repair priorities include repair of the Catalina Mountain facility kitchen dining and four South housing units. This is a continuance of funding to abate ADJC's approximate $1.4 million in deficient roofing systems. This project will facilitate conservation of energy.

ADOA allocated $275,000 for ADJC roofing projects in FY 2008 and will continue to work with ADJC to make the most of its funding for prioritized roof replacements. Funding will have to continue well into future years to correct the morass of roofing deficiencies in ADJC's mission critical structures.

$210,000: Arizona School for the Deaf and the Blind – Roof Repair – Apache Building

The flat roof in the building's equipment well is leaking and needs to be replaced. Because the roof has a limited slope, water accumulates in ponds at the south end. The roof is sagging at both ends of its well. The scope of this project includes the permanent removal of concrete paver roof ballasts, replacement of the "built-up" roof system, and any required repairs to the roof deck. Tapered roof insulation will be applied to the roof deck to create the slope necessary for facilitation of water drainage. This project will facilitate conservation of energy.

$220,000: ADOA – Executive Tower – Replace Single-Ply Membrane Roof

Several repairs to this roof have been funded from past year's building renewal funds but are becoming increasingly ineffective. This roof replacement cannot be deferred without significant risk of property damage and interruption of services that are mission critical to the state. The estimated cost includes design and replacement of the roof; however, roofing materials have the potential to escalate given the volatile cost of asphalt, which is a petroleum based product. This project will be completed after the Phase II sealant project is concluded to facilitate maximum success. This project will facilitate conservation of energy.

BUILDING SYSTEMS & SERVICES

$335,500: ADOA –Senate and House of Representatives – Replace Two Roof Mounted Air Handlers

Four of these large 50-year old roof mounted air handlers have been replaced in the past 5 years as the units have failed. These HVAC systems were original to the structures which are circa 1960's. In the most recent failure incident, water leaking during the night caused substantial damage to legislative offices and the main legislative chamber. The pro-active replacement of the remaining original aging air handlers will mitigate risk of another costly emergency incident and interruption of mission critical services. This project will result in energy conservation.

$600,000: ADOA – Executive Tower – Replace Electrical Service Entrance and Switch Gear

The Executive Tower has two connected electrical service entrances with a total of 4,166 amps. The antiquated service entrance, main breakers, and switchgear require replacement. Electrical panels have a life expectancy of 17 years and distribution and service entrance systems have an expected life of 20 years. This structure was constructed in 1974 and the main electrical panels, feeder conduit, and service entrances, which are now over 30 years old, are well beyond their expected service life. Old circuit breakers pose a potential fire hazard should they fail to interrupt a circuit in an overload or short circuit condition. Parts are very difficult to find for older electrical components and many are no longer manufactured.

Components in one of the service entrances have already failed resulting in ADOA maintenance staff having to "cannibalize" parts from a chiller electrical system until appropriate replacements for the obsolete parts could be located, delivered, and installed. Fortunately, this event took place in the cooler months so the chiller was not in use at the time. Had the failure occurred during the summer months, the electricity in the Executive Tower would have been reduced to one-half until the service entrance was repaired or replaced. New switchgear components will include a ground fault main circuit breaker, draw-out distribution breakers for ease of maintenance, digital metering for remote control and monitoring, and transient surge protection. The cost for a slightly larger capacity project divided between two service entrances is projected to cost approximately $600,000, including design costs.

$350,000: ADOA – Office of the Attorney General – 15 S. 15th Ave. – Replace Two Cooling Towers and Five Water Source Heat Pumps

The cooling system is original to the building that the State purchased from a private developer in 1985. This structure houses the AG's staff offices. ADOA has replaced individual heat pumps as failures occur. Those heat pumps that have not been recently replaced have surpassed their useful life and are in jeopardy of imminent failure. It can be reasonably predicted that these heat pumps will fail. The aging poorly performing cooling towers do not provide chilled water at the proper temperature for the water source heat pumps. As a result, the heat pumps cycle more frequently, often simultaneously, exacerbating the stress on the deteriorating cooling towers. The increased cycling facilitates failure of the heat pumps. As it can reasonably be expected that these will fail, proactive replacement of these units is prudent.

Moreover, pro-active replacement of the cooling system serves to mitigate the increased costs and business interruption associated with emergency repairs and replacements. These cooling towers will be replaced with energy efficient units.

$65,000: Arizona Department of Economic Security – Elevator Modernization – DES Director's Office

The three-floor DES facility at 1717 West Jefferson houses approximately 125 staff, including the DES Director's office and staff, and the DES Office of Personnel Management. The elevator has had only minor upgrades since it was installed. During the last year, the elevator has averaged two service calls per month (over and above regular monthly service and maintenance attention) as a result of various elevator malfunctions, several of which resulted in entrapments. The elevator is critical to DES operations. Clients, staff, community partners, and other stakeholders who require an ADA public accessibility accommodation use the elevator regularly. This allocation is anticipated to cover design and modernization costs to conclude the project.

INTERIOR FINISHES

$200,000: ADOA Building System – Statewide Floor Covering

ADOA will allocate funds to agencies to address buildings and areas with the most critical carpet and flooring needs. Some of the state's floor coverings are over 20 years old. A good portion of the buildings in the ADOA building system have floor coverings that are heavily worn, torn, rippling, and separating from the backing, creating a fine silt-type particulate that becomes airborne when vacuumed, creating frequent complaints about air quality in office spaces. Older vinyl flooring is cracking and tearing away from the floors, creating a potential hazard if the glue (mastic) holding the tiles in place contains asbestos. It is quite common for staff in state office buildings to "repair" carpet tears using duct tape. A number of Risk Management assessments have recommended the replacement of carpet and tile to mitigate air quality complaints and trip and fall claims. A statewide contract is in place for purchase and installation of carpet and tile, including removal and recycling of the old materials, and abatement of hazardous materials, if required.

The replacement of floor coverings in state owned office space is a common, yet deferred, building renewal request. The FY 2008 building renewal allocation included an allocation of $225,000 for the replacement of worn and damaged floor coverings. ADOA evaluated thousands of dollars in carpet replacement requests and completed several flooring replacement projects, including the abatement of hazardous materials such as asbestos and mold.

INFRASTRUCTURE

$96,000: Department of Economic Security – Sewage Lift-Pump Station – Coolidge Training Program

The sewer lift station has not been refurbished in over 20 years. The sewer lift station repeatedly malfunctions as a result of deferred major maintenance. An institutional facility requires a properly operating infrastructure to appropriately manage its waste effluent. The scope of work will include any associated design and construction costs.

$25,000: Department of Economic Security – Well Number One Renovation – Coolidge Training Program

The Arizona Training Program at Coolidge (ATPC) operates a complete water system using four of five water wells to meet its water usage needs. These wells meet the water requirements of approximately 155 residents and 400 staff living and working at the Coolidge facility. The wells, with the exception of one, which was renovated in FY 2003, have not been evaluated and renovated for over eight years. Well failure can result in an insufficient water pressure to meet institutional water requirements and proper operation of fire suppression and fire fighting equipment. A systematic program of providing preventative maintenance to each of the wells on a four year rotation is needed to ensure consistent water delivery for residential and fire fighting needs. Federal Title XIX regulations require a properly operating water system in order to maintain eligibility for funding.

DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM
FY 2009 BUILDING RENEWAL ALLOCATION PLAN

$80,000: Arizona Department of Corrections – Well Renovation – Fort Grant, Safford

Well Number One is the primary water source for the Fort Grant unit. It failed in 1998 and was refurbished. The well system is operated by 250-HP electric motor and a deep water turbine pump set at approximately 600 feet. Best practices indicate that well systems of this type should be refurbished on a regular seven to ten year cycle. A failure of Well Number One would result in significant expense to the department.

$820,000: ADOA Building System – Emergency and Imminent Failures

In recent years, the amount of funds directed at emergency failures or imminent failures has been growing at an increasing pace. Years of inadequate building renewal funding and aging structures are contributing to an acceleration of costly crisis repairs and replacements that negatively impact state operational efficiencies and budgets. For example, in FY 2008, building emergencies at the Legislature required $200,000 to repair worn-out obsolete critical fire alarm panels, replace HVAC and related components, and to repair water leaks that caused inconvenience to members of the Legislature and damage to state and personal property. Emergency and crisis repairs and replacements of a variety of equipment also affected mission critical functions of DPS, Arizona State Schools for the Deaf and Blind, Juvenile Corrections, the Pioneer's Home, and others. ADOA is allocating $820,000 for HVAC, plumbing, electrical, and other infrastructure projects. ADOA's strategy is to pro-actively address repairs and replacements of building components on this list *before* equipment failure can result in costly crisis scenario repairs, property damage, and business interruption. Potential projects include, but are not limited to, the following projects identified as at risk of imminent failure:

Priority Projects	Cost	
Fire & Life Safety		
Repair fire alarm system 1502 W. Washington, Mines and Minerals	$	25,000
Building Services		
Replace air handler #1-1535 W Jefferson	$	250,000
Replace 11 heat pumps, 9535& 9545 E Doubletree Ranch Rd.	$	75,000
Replace 5 ton heat pumps & ductwork-1802 W. Jackson	$	15,000
Replace 10 evaporative coolers-1919 W Jefferson	$	20,000
Replace 2 5-ton gas-packs w/economizers-519 E Beale, Kingman office building	$	45,000
Repair 60 ton a/c system, 9th floor, 1700T W. Washington, Executive tower	$	20,000
Replace 14 ton two stage split a/c unit, 2nd floor protocol room, Executive tower	$	20,000
Repair HVAC system -2422 W Holly	$	20,000
Replace 150 ton cooling tower - 2422 W Holly	$	140,000
Repair leaking chilled water valves, 1600 W. Monroe	$	30,000
Replace compressor expansion valve, 1300/1400 W. Washington	$	5,000
Replace condenser pump, 1300/1400 W. Washington	$	10,000
Replace 30 ton 2 compressor unit, 1831 W. Jefferson	$	45,000
Replace 2 boilers for heating House & Senate	$	40,000
Rebuild air-handler blower shaft, 1700S W. Washington	$	20,000
Replace 6 sewage ejector pumps, liners, controls, & piping- 1700 W. Washington	$	120,000
Repair main electrical distribution (SES) 1700H, 1740 W. Adams	$	100,000

Replace 5 sump pumps-15 S. 15th, 1616 W. Adams, 1624 W. Adams	$	40,000
Replace 19 backflow convertors- 1700T, Motor Pool, DES, 1300 W. Adams, 1400 W. Adams	$	40,000
Interior Finishes		
Replace carpet -1700T W Washington, Exec. Tower	$	35,000
Replace computer room Unit Plate Frame, 1600 W. Monroe	$	15,000
Renovate flooring in garage elevator, 15 S 15th Ave.	$	30,000
Infrastructure		
Slurry seal 2 parking lots- 1688 W. Adams, 1700H	$	100,000
Replace garage grill and gate systems- 4 Capitol Mall garages	$	50,000
Repair interior cast iron sewage piping-1616, 1624, 1688, & 1740 W. Adams office buildings	$	80,000
Total	**$**	**1,390,000**

Many of the projects on the list have been validated by building condition assessments. Project that include repairs and replacements of air handlers, exhaust fans, ductwork, pumps, piping, controls, and related electrical components are expected to reduce energy consumption.

The "Imminent Failures" list is not all inclusive because failures and imminent failures cannot always be predicted. ADOA institutional knowledge leads to reasonable expectations that certain building components are more prone to failure than others. Given the status of building components across the building system, there may be incidents of breakdown that occur before pro-active repair and major maintenance is procured. The list does not account for emergency funds that may be requested from agencies during the year; ADOA will prioritize those requests on a case by case basis.

In FY 2007, ADOA allocated approximately $710,800 of the building renewal appropriation for a variety of emergency and imminent equipment and system failures, including HVAC, electrical, plumbing, and exterior building shell repairs. In FY 2008, ADOA exhausted nearly $801,000 building renewal monies for a variety of emergency projects. Over half of this amount was amassed in May through July as aged and worn-out equipment failed to keep up with the increased cooling demands. A number of the failures that resulted in expensive emergency repairs were identified in the FY 2008 request for deferred maintenance funding, but were not funded. It is anticipated that the cumulative figure for FY 2009 emergency and critical repairs and replacements will meet or exceed the emergency expenditures of FY 2008.

PROJECT MANAGEMENT AND RISK MANAGEMENT CONSTRUCTION INSURANCE PREMIUM

$275,000: ADOA Construction Services Project Management Costs (6/1/08-5/30/09)

The FY 2008 Building Renewal appropriation included $275,000 for project management.

$1,000: FY 2008 Risk Management Construction Insurance Premium

All expenditures related to engineering and architectural services contracts include a 0.34% ADOA Risk Management construction insurance premium.

STATE OF ARIZONA

Joint Committee on Capital Review

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http://www.azleg.gov/jlbc.htm

DATE: September 25, 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 – State Parks Enhancement Fund Project -- Agency Request (Information Only)

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 Chairman has scheduled this item for information only and does not plan to take a vote at this meeting. The Chairman is seeking further information on the Governor's plans to resolve the FY 2009 budget shortfall and whether the funding associated with this particular agenda item could be part of the solution.

At the time the vote is taken, 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. These monies could instead be used to reduce the FY 2009 budget shortfall.

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.

(Continued)

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 $7.2 million in capital monies from the portion of the fees still dedicated to capital projects.

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

	Estimated Cost
Construction Costs[1/]	$ 715,000
Professional Fees	184,600
Insurance, Tax, Permits, and Fees	143,100
Utility and Other Expenses	69,200
Inflation Adjustment	68,000
Furniture, Fixtures and Equipment	35,800
Contingency	53,600
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.

(Continued)

Table 2

Douglas Mansion Construction Costs

	Estimated Cost
Adobe Blocks	$160,000
Roofing	120,000
Bond Beam/Parapet	90,000
Wood Beams	80,000
Replastering	70,000
Windows/Lintels	60,000
Chimneys	40,000
Grade Beam	40,000
Electrical	35,000
Repainting	20,000
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

Arizona State Parks

"Managing and conserving natural, cultural, and recreational resources"

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

Arizona State Parks
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ARIZONA STATE PARKS
PROJECT BUDGET REPORT

Jerome State Historic Park

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

CONSTRUCTION ITEMS		A ESTIM. & % BASED BUDGET
***CONTRACTOR** EXPENSES*		
Rehabilitation (estimate on page 2)		715,000
Specialized Fixed Equipt.		0
Site Development		0
	SUBTOTAL	715,000
F.F.&.E.		
Exhibits		17,875
Furniture, Fixtures & Equipment		17,875
	SUBTOTAL	35,750
PROFESSIONAL FEES		
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
UTILITY EXPENSES		0
Utility expenses		5,000
Other		0
	SUBTOTAL	5,000
OTHER EXPENSES		
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
*CONTINGENCIES/GEN.CONDITIONS*****		
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 submited 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 collaspe 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 disentegrated 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.

STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: September 25, 2008

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

THRU: Richard Stavneak, Director

FROM: Juan Beltran, Fiscal Analyst

SUBJECT: Arizona Department of Transportation – FY 2009 Building Renewal Allocation Plan -- Agency Request (Information Only)

Request

A.R.S. § 41-1252 requires JCCR review of the expenditure plan for Building Renewal monies. The Arizona Department of Transportation (ADOT) requests that the Committee review its $4,208,900 FY 2009 Building Renewal Allocation Plan, including $4,052,000 from the State Highway Fund and $156,900 from the State Aviation Fund.

ADOT has allocated $3,867,000 from the State Highway Fund among 286 projects, leaving a contingency amount of $100,000 and $85,000 for project management support. ADOT has allocated $156,900 from the State Aviation Fund for 25 projects.

Recommendation

The Chairman has scheduled this item for information only and does not plan to take a vote at this meeting. The Chairman is seeking further information on the Governor's plans to resolve the FY 2009 budget shortfall and whether the funding associated with this particular agenda item could be part of the solution.

At the time the vote is taken, the Committee has at least the following 2 options:

1. A favorable review of the FY 2009 expenditure plan, since the projects are consistent with Building Renewal guidelines and appropriations.

2. An unfavorable review. These monies could be used to reduce the FY 2009 budget shortfall. While State Highway Fund dollars cannot be directly transferred to the General Fund, the Building Renewal monies could be used to benefit the General Fund through other fund shifts.

(Continued)

Under either option, the JLBC Staff recommends that ADOT report to JLBC Staff any allocations for FY 2009 projects from the $100,000 contingency amount and any project reallocations above $100,000.

Analysis

The Capital Outlay Bill (Laws 2008, Chapter 289) appropriated a total of $4,208,900 to ADOT for building renewal in FY 2009, including $4,052,000 from the State Highway Fund and $156,900 from the State Aviation Fund. The FY 2009 Building Renewal appropriations represent 50% of the amount generated by the revised Building Renewal Formula for the ADOT Building System and 100% for the Grand Canyon Airport for FY 2009. The formula is based on the square footage and replacement cost of existing buildings.

ADOT expects to allocate the Building Renewal monies from the State Highway Fund in the following categories for 286 projects:

Category	Projects	State Highway Fund	% of Total
Roofs Repair/Replacement	168	$1,450,500	35.8%
Building Systems (HVAC, Electrical, Plumbing)	59	1,354,100	33.4
Infrastructure (Sewers, Parking)	13	535,800	13.2
Americans with Disabilities Act	8	207,200	5.1
Fire/Life/Safety	21	172,100	4.3
Contingencies	N/A	100,000	2.5
Project Management Support	N/A	85,000	2.1
Exterior Preservation (Doors, Windows, Siding)	9	71,500	1.8
Major Renovation	5	49,800	1.2
Interior Finishes (Paint, Carpet, Tile)	3	26,000	0.6
Total	**286**	**$4,052,000**	**100.0%**

The following 19 State Highway Fund projects require $50,000 or more:

Project	Allocation
Roof Repairs/Replacement	
Roof inspection and reporting services - ADOT Statewide	$ 100,000
Replace roof and repair parapet walls - Mesa Regional MVD (South Office)	95,000
Replace unserviceable roof including asbestos abatement - East Mesa MVD	84,400
Replace failing roof - Little Antelope Storage/Equipment Bldg. I-17, Exit 320	82,600
Replace failing roof - Prescott Office Bldg	54,900
Major Building Systems	
Install cooling tower -Traffic Operations Center, 2302 W. Durango St., Phoenix	100,000
Replace HVAC water towers, pumps, and flat plate heat exchanger - Phoenix Equipment Services, 2225 S. 22nd Ave., Phoenix	100,000
Convert HVAC controls from pneumatic to digital - West Phoenix MVD, 4005 N. 51st Ave., Phoenix	90,000
Replace pumps/motors on all de-icing tanks - Holbrook District-wide	80,000
Repair/replace failing electrical service - Tucson CDL, 621 E. 22nd St., Tucson	75,000
Replace pumps/motors on all de-icing tanks - Globe District-wide	71,000
Replace pumps/motors on all de-icing tanks - Prescott District-wide	71,000
Energy reduction feasibility study - New MVD Bldg., 1801 W. Jefferson St., Phoenix.	53,800
Americans with Disabilities Act	
Verify all MVD public facilities for ADA compliance - MVD Statewide	80,000
ADA corrections throughout building - Springerville POE MVD	55,000
Infrastructure	
Connect buildings to city sewer system - Wickenburg Maintenance Yard, 601 E. Wickenburg Way, Wickenburg	150,000
Connect remaining buildings to city sewer - Kingman District Multi-Use Facility Site, 3660 E. Andy Ave., Kingman	120,000
Design and connect buildings to existing city sewer line - Springerville Maintenance Yard	99,200
Replace unserviceable security fence and gate; relocate parking canopy to Georgia Yard - West Area Lab, 1001 N. Black Canyon Freeway, Phoenix	50,000
Total	**$1,611,900**

(Continued)

ADOT expects to allocate the $156,900 of Building Renewal monies from the State Aviation Fund for 25 projects at the Grand Canyon Airport, including replacing or repairing roofs, walls and signs, lighting, kitchen and bath counters and cabinets, and replacing 3 unserviceable vehicle gates in Grand Canyon Airport buildings.

The attached material submitted by ADOT lists each project and its estimated cost. The projects are consistent with Building Renewal guidelines and appropriations.

RS/JB:sls

Arizona Department of Transportation

Office of the Director

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

Janet Napolitano
Governor

Victor M. Mendez
Director

Richard Travis
Deputy Director

September 3, 2008

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

Dear Representative Pearce:

We respectfully request that ADOT's planned FY2009 Building Renewal projects be placed on the next JCCR meeting agenda for review and approval.

The following summary outlines the scope of work.

State Highways Fund Building Renewal Projects:	
Category 1- Fire/Live/Safety	$ 172,073
Category 2- Roof Repairs/Replacement	1,450,529
Category 3- Preservation of Asset	71,500
Category 4- Major Building Systems	1,354,127
Category 5-Interior Building Finishes	26,000
Category 6- Major Renovation	49,800
Category 7- ADA Compliance	207,200
Category 8- Infrastructure	535,771
Project Management Support	85,000
Contingency	100,000
Sub total	4,052,000
Aviation Fund Building Renewal Projects	
Category 2- Roof Repairs/Replacement	86,200
Category 3- Preservation of Asset	8,000
Category 4- Major Building Systems	7,000
Category 5-Interiour Building Finishes	38,000
Category 8- Infrastructure	17,700
Sub total	156,900
Total	$ 4,208,900

Your favorable review and approval of this request is appreciated.

Sincerely,

Victor M. Mendez

cc: Senator Robert Burns, Vice-Chairman, JLBC
Richard Stavneak, Director, JLBC
Bob Hull, Principle Research Analyst, JLBC
Juan Beltran, Analyst, JLBC
James Apperson, Director, OSPB
Marcel Benberou, Assistant Director, OSPB

STATE OF ARIZONA

FY 2009 CAPITAL IMPROVEMENT PLAN

DEPARTMENT OF TRANSPORTATION FY 2009 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY

Project Description	Estimated Cost
STATE HIGHWAY FUND	
CATEGORY 1 - FIRE/LIFE SAFETY	
Flagstaff Regional Lab - Install heated gutters to prevent ice build up	$ 6,500
Flagstaff East Yard - Design drainage to address ponding and icing at bldgs that cause slip hazard	$ 30,000
Williams Maint Office Bldg 3109 - Replace unserviceable rear steps	$ 1,200
Seligman Maint Office Bldg 3081 - Replace failing steps for safety	$ 3,000
North Phoenix Maint Yard - Install two fire department access Knox boxes	$ 7,000
Tucson District Office - Replace unsafe walkways between main office & training center	$ 20,000
Tucson Grant Rd Maint Yard - Install gas detection equipment to ensure personnel safety	$ 11,000
Quartzsite Construction Office - Repair/replace failing stairs	$ 6,000
Globe Equipment Services Shop - Repair/replace unserviceable hoist	$ 6,000
Flagstaff Equipment Services Shop - Replace windows in overhead doors & man doors for safety	$ 12,000
AZ Highways Magazine Bldg - Install emergency exit hardware on storage area doors and fire exit	$ 15,000
ADOT Statewide - Install/replace emergency exit signs and lights	$ 5,000
ADOT Statewide - Asbestos and lead paint abatement	$ 10,000
HRDC Bldg - Replace unserviceable natural lighting panels; a fall through hazard	$ 9,448
Bullhead City MVD - Eliminate tripping hazard in parking lot	$ 3,000
Nogales Truck Inspection Building - Install sprinkler head per Fire Marshal	$ 5,000
Coolidge MVD - Correct unsafe exit situation on west side	$ 5,000
Tucson North MVD - Install emergency lighting in rest rooms	$ 3,000
Safford MVD - Install emergency lighting in rest rooms & replace exit signs	$ 4,000
New MVD Bldg - Repair parking lot for safe use by pedestrians	$ 5,000
Payson Equipment Services Shop - Add fire strobe lights and adjust insulation from sprinkler heads	$ 4,925
TOTAL	**$ 172,073**

CATEGORY 2 - ROOFS	
Fredonia Maintenance Storage Bldg 3217 - Replace failing roof	$ 1,790
Fredonia Maintenance Storage Bldg 3218 - Replace failing roof	$ 2,375
Fredonia Office Equipment/Storage Bldg 3219 - Repair failing roof	$ 39,500
Flagstaff Office/Modular Bldg 324 - Repair failing roof	$ 900
Flagstaff District Office Bldg 3152 - Replace failing roof	$ 1,782
Flagstaff Office/Shop Bldg 3151 - Repair failing roof	$ 2,400
Flagstaff District Bldg 3154 - Replace failing roof	$ 6,560
Flagstaff Storage Bldg 3432 - Replace failing roof	$ 450
East Flagstaff Storage Bldg 3456 - Replace failing roof	$ 1,295
East Flagstaff Fuel Station Bldg 3460 - Replace failing roof	$ 1,495
Flagstaff Lab Bldg 3155 - Replace failing roof	$ 49,665
Flagstaff Dist. Storage Bldg 3156 - Repair failing roof	$ 1,460
Little Antelope Storage Bldg 3142 - Replace failing roof	$ 10,830
Little Antelope Storage/Equipment Bldg 3140 - Replace failing roof	$ 82,595
Little Antelope Residence Bldg 3430 - Replace failing roof	$ 4,125
Little Antelope Residence Bldg 3132 - Replace failing roof	$ 396
Little Antelope Office/Mobile Bldg 3143 - Replace failing roof	$ 15,925
Williams Water System/Pump House Bldg 3107 - Replace failing roof	$ 1,300
Williams Storage Bldg 3111 - Replace failing roof	$ 1,881
Williams Storage/Equipment Bldg 3112 - Repair failing roof	$ 32,950
Williams Office/Crew Room Bldg 3114 - Replace failing roof	$ 3,546
Tuba City Storage Bldg 3236 - Replace Failing roof	$ 660
Littlefield Residence Bldg 3188 - Replace failing roof	$ 5,575

STATE OF ARIZONA

FY 2009 CAPITAL IMPROVEMENT PLAN

DEPARTMENT OF TRANSPORTATION FY 2009 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY

Project Description	Estimated Cost
Littlefield Storage Bldg 3192 - Replace failing roof	$ 1,225
Page Office/DPS Bldg.3600 - Replace failing roof	$ 11,950
Page Water System/Pump House Bldg 3600 - Repair failing roof	$ 450
Page Storage/Tank/Asphalt Bldg.3182 - Replace failing roof	$ 590
Page Storage Bldg 3291 - Replace failing roof	$ 777
Page Fuel Station Bldg 3292 - Replace failing roof	$ 1,195
Oak Creek Equipment/Storage Bldg. 3128 - Repair failing roof	$ 23,050
Oak Creek Water System/Well House Bldg. 3129 - Replace failing roof	$ 1,007
Indian Pine Storage Bldg 3301 - Repair failing roof	$ 6,000
Indian Pine Deicer Storage Bldg 3303 - Repair failing roof	$ 1,400
Indian Pine Storage Bldg 3304 - Replace failing roof	$ 16,100
Indian Pine Storage Bldg 3395 - Replace failing roof	$ 1,400
Indian Pine Water System/Well House Bldg 3518 - Replace failing roof	$ 800
Snowflake Office/Traffic Signals Bldg 3282 - Repair failing roof	$ 3,665
Snowflake Storage Bldg 3283 - Repair failing roof	$ 500
St. Johns Fuel Station Bldg 3773 - Replace failing roof	$ 1,350
St. Johns Storage Bldg 3398 - Repair failing roof	$ 1,910
Springerville Fuel Station Bldg 3775 - Replace failing roof	$ 1,680
Holbrook District Office Bldg 3246 - Replace failing roof	$ 21,400
Holbrook Storage Bldg 3247 - Repair failing roof	$ 9,380
Holbrook Shop/Radio Bldg 3250 - Replace failing roof	$ 13,976
Holbrook Conference/Training Room Bldg 3253 - Replace failing roof	$ 9,960
Holbrook Storage Bldg 3423 - Replace failing roof	$ 675
Holbrook Storage Bldg 3422 - Replace failing roof	$ 1,250
Holbrook Storage Bldg 3591 - Replace failing roof	$ 1,275
Holbrook Office/Construction/Mobile Bldg 3421 - Replace failing roof	$ 12,425
Holbrook Office/Shop Bldg 3257 - Replace failing roof	$ 6,875
Holbrook Office/Maintenance Bldg 3263 - Replace failing roof	$ 13,950
Holbrook Lab Bldg 3245 - Repair failing roof	$ 1,680
Holbrook Storage Bldg 3461 - Replace failing roof	$ 750
Holbrook Storage Bldg 3467 - Replace failing roof	$ 750
Holbrook Signing & Striping Bldg 3264 - Replace unserviceable roof trusses	$ 15,000
Ganado Residence Bldg 3334 - Replace failing roof	$ 10,600
Ganado Equipment Storage Bldg 3335 - Repair failing roof	$ 480
Chambers Office/Equipment Storage Bldg 3329 - Replace failing roof	$ 13,101
Chambers Water System/Pump House Bldg 3330 - Repair failing roof	$ 360
Chambers Mobile/Residence Bldg 3333 - Replace failing roof	$ 12,288
Kayenta Storage Bldg 3342 - Repair failing roof	$ 3,025
Kayenta Office/Maintenance Bldg 3343 - Replace failing roof	$ 4,050
Many Farms Fuel Station Bldg 3728 - Replace failing roof	$ 690
Many Farms Storage Bldg 3376 - Replace failing roof	$ 1,275
Window Rock Office/Construction Bldg 3363 - Repair failing roof	$ 3,195
Keams Canyon Office/Mobile Bldg 3308 - Repair failing roof	$ 5,395
Keams Canyon Equipment Storage Office Bldg 3306 - Repair failing roof	$ 11,050
Keams Canyon Office/Crew Room Bldg 3475 - Replace failing roof	$ 2,725
Teec Nos Pos Residence Bldg 3367 - Repair failing roof	$ 3,075
Teec Nos Pos Residence Bldg 3368 - Repair failing roof	$ 2,595
Teec Nos Pos Fuel Station Bldg 3371 - Repair failing roof	$ 360
Teec Nos Pos Storage Bldg 3380 - Replace failing roof	$ 675
Needle Mountain Storage Bldg 3528 - Repair failing roof	$ 575
Needle Mountain Storage Bldg 3011 - Repair failing roof	$ 500
Needle Mountain Storage Bldg 3009 - Replace failing roof	$ 888

STATE OF ARIZONA

FY 2009 CAPITAL IMPROVEMENT PLAN

DEPARTMENT OF TRANSPORTATION FY 2009 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY

Project Description	Estimated Cost
Needle Mountain Storage Bldg 3004 - Replace failing roof	$ 2,075
Needle Mountain Fuel Station Bldg 3527 - Replace failing roof	$ 900
Fort Rock Water System Well House Bldg 3658 - Replace failing roof	$ 500
Fort Rock Water System/Pump House Bldg 3062 - Replace failing roof	$ 1,050
Ashfork Storage Bldg 3548 - Replace failing roof	$ 2,325
Ashfork Storage Bldg 3490 - Replace failing roof	$ 725
Lake Havasu Office/Traffic Signals/Mobile Bldg 3622 - Replace failing roof	$ 2,225
Mingus Mountain Storage/Equipment Bldg 3599 - Replace failing roof	$ 17,625
Seligman Storage/Sign Bldg 3080 - Replace failing roof	$ 10,612
Seligman Storage Bldg 3541 - Replace failing roof	$ 650
Seligman Storage Bldg 3542 - Replace failing roof	$ 650
Seligman Office/Crew Room Bldg 3078 - Replace failing roof	$ 1,350
Seligman Mobile Home Bldg 3545 - Replace failing roof	$ 7,850
Seligman Mobile Home Bldg 3546 - Replace failing roof	$ 8,200
Kingman Materials lab Bldg 3049 - Replace failing roof	$ 7,350
Kingman Conference/Training Bldg 3046 - Replace failing roof	$ 6,100
Kingman Office/Shop Bldg 3045 - Replace failing roof	$ 13,275
Kingman Office/Mobile Bldg 3042 - Replace failing roof	$ 8,014
Kingman Storage/Paint Bldg 3493 - Repair failing roof	$ 575
Kingman Storage Bldg 3038 - Replace failing roof	$ 1,895
Kingman Sign/Storage Bldg 3037 - Replace failing roof	$ 11,248
Kingman Maintenance Office Bldg 3033 - Replace failing roof	$ 10,043
Kingman Office/Crew Room Bldg 3035 - Repair failing roof	$ 500
Kingman Office Signing/Striping Bldg 3050 - Replace failing roof	$ 5,100
Kingman Office/Mobile Bldg 3052 - Replace failing roof	$ 4,086
Kingman Complex Storage Bldg 3038 - Replace failing roof	$ 6,200
Kingman Complex Fuel Station Bldg 3494 - Replace failing roof	$ 1,295
Prescott Pioneer Park Inspection Bay Bldg 3614 - Repair failing roof	$ 500
Prescott Office/District Bldg 3063 - Repair failing roof	$ 500
Prescott Office Bldg 3068 - Repair failing roof	$ 54,900
Payson Storage/Mobile Bldg 3648 - Replace failing roof	$ 9,870
Payson Storage Bldg 3650 - Replace failing roof	$ 2,810
Payson Storage Bldg 3640 - Replace failing roof	$ 650
Payson Fuel Station Bldg 3638 - Replace failing roof	$ 1,325
Payson Lab Bldg 3166 - Repair failing roof	$ 500
Payson Conference/Training/Mobile Bldg 3171 - Repair failing roof	$ 5,510
Payson Equipment Storage/Office Bldg 3169 - Repair failing roof	$ 17,275
Payson Sign/Storage Bldg 3168 - Repair failing roof	$ 500
Payson Office/Storage/Dock Bldg 3170 - Replace failing roof	$ 6,900
Colcord Office/Equipment Storage Bldg 3186 - Replace failing roof	$ 2,290
Colcord Storage Bldg 3682 - Replace failing roof	$ 12,550
Colcord Storage/Sign Bldg 3690 - Replace failing roof	$ 1,250
Colcord Storage Bldg 3691 - Replace failing roof	$ 1,000
Colcord Storage Bldg 3692 - Replace failing roof	$ 3,450
Colcord Storage Bldg 3693 - Replace failing roof	$ 2,925
Rye Water System/Well House Bldg 3685 - Replace failing roof	$ 1,695
Camp Verde Storage/Sign Bldg 3104 - Replace failing roof	$ 10,175
Camp Verde Deicer/Storage Bldg 3102 - Repair failing roof	$ 6,450
Camp Verde Office/Facilities Bldg 3101 - Replace failing roof	$ 3,448
Camp Verde Office/Facilities Bldg 3633 - Replace failing roof	$ 5,545
Camp Verde Office/Mobile Bldg 3099 - Repair failing roof	$ 18,591
Camp Verde Office/Mobile Bldg 3100 - Repair failing roof	$ 13,100

STATE OF ARIZONA

FY 2009 CAPITAL IMPROVEMENT PLAN

DEPARTMENT OF TRANSPORTATION FY 2009 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY

Project Description	Estimated Cost
Camp Verde Office/DPS Bldg 3684 - Repair failing roof	$ 6,310
Ajo Maintenance Office - Replace roof	$ 5,000
Kingman Equipment Services Shop - Repair roof	$ 10,620
Kingman Equipment Services Office Modular - Replace failing roof	$ 6,750
St Johns Equipment Services Shop Bldg 3315 - Repair failing roof	$ 10,925
Prescott Valley Equipment Services Shop - Replace failing roof	$ 79,600
Safford Equipment Services Shop (2132) - Patch & recoat roof; replace failing gutters	$ 18,500
Tucson Equipment Services Shop - Patch, recoat roof, repair gutters	$ 20,000
ADOT Statewide - Roof inspection and reporting services	$ 100,000
East Mesa MVD - Replace unserviceable roof including asbestos abatement	$ 84,380
Mesa Regional MVD (South Office) - Replace roof and repair parapet walls	$ 95,000
Tempe Enforcement - Repair inspection bay roof	$ 3,000
Tucson Regional MVD Bldg & Inspection Bay - Replace/repair failed roofs	$ 10,000
Tucson East MVD - Assess roof for repair	$ 4,000
Flagstaff MVD Bldg 3150 - Replace failing roof	$ 33,513
Teec Nos Pos Office/MVD Bldg 3364 - Replace failing roof	$ 3,950
Teec Nos Pos Storage Bldg 3366 - Repair failing roof	$ 2,895
Kingman Office/MVD Bldg 3051 - Replace failing roof	$ 18,900
Kingman Office/Mobile/CDL Bldg 3052 - Replace failing roof	$ 3,895
Littlefield MVD Bldg 3193 - Replace failing roof	$ 5,385
Lake Havasu MVD Canopy/Inspection Bldg 3659 - Repair failing roof	$ 745
Lake Havasu MVD Bldg 3002 - Repair failing roof	$ 500
Topoc POE Storage Bldg 3772 - Repair failing roof	$ 500
Topoc POE Office Bldg 3013 - Replace failing roof	$ 6,950
Topoc POE Bldg 3014 - Replace failing roof	$ 2,950
Topoc POE Office/Mobile Bldg 3015 - Repair failing roof	$ 1,300
Bullhead City Office/MVD Bldg 3028 - Repair failing roof	$ 500
Bullhead City Inspection Bay/MVD Bldg 3029 - Repair failing roof	$ 500
Sanders POE Canopy/Inspection Bldg 3726 - Repair failing roof	$ 2,400
Sanders Office/MVD Bldg 3619 - Repair failing roof	$ 1,425
Sanders Office/POE Bldg 3348 - Replace failing roof	$ 2,175
Sanders Storage POE Bldg 3347 - Replace failing roof	$ 675
Sanders Office/POE Bldg 3346 - Replace failing roof	$ 16,187
Sanders Office/POE/Mobile Bldg 3349 - Replace failing roof	$ 1,685
Chinle Office/MVD Bldg 3353 - Replace failing roof	$ 7,650
Window Rock Office/MVD/POE Bldg 3362 - Replace failing roof	$ 7,895
Springerville Office/MVD/POE Bldg 3324 - Repair failing roof	$ 11,225
Springerville POE Storage Bldg 3403 - Replace failing roof	$ 675
Page Office/MVD/POE Bldg 3300 - Repair failing roof	$ 6,795
Fredonia POE Bldg 3215 - Repair failing roof	$ 400
Tuba City MVD Bldg 3237 - Replace failing roof	$ 7,895
TOTAL	**$ 1,450,529**

CATEGORY 3 - PRESERVATION OF ASSET	
Traffic Operations Warehouse - Repaint roll up doors and exterior trim	$ 14,000
Phoenix Maint District Permits Bldg - Replace deteriorated exterior surface on west side	$ 10,000
Phoenix Maint District Bldg - Repair/fill in hole in building south side of lab	$ 1,000
Phoenix Maint District Bldg - Secure exterior comm cables to prevent bees from entering building	$ 1,000
Phoenix Maint District Bldg - Replace electrical stabilizer blocks for roof top conduit	$ 2,000
St. David Maintenance Equipment Barn - Design & replace failing support posts	$ 35,000
ADOT Statewide - Repaint exterior building surfaces	$ 3,000

STATE OF ARIZONA

FY 2009 CAPITAL IMPROVEMENT PLAN

DEPARTMENT OF TRANSPORTATION FY 2009 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY

Project Description	Estimated Cost
Administration Bldg - Repaint exterior canopy supports at Roadrunner	$ 3,500
Flagstaff MVD - Reseal tall windows to repair leaks	$ 2,000
TOTAL	**$ 71,500**

CATEGORY 4 - MAJOR BUILDING SYSTEMS	
Central Materials Lab - Replace failing heat pump in room 135	$ 7,000
Central Materials Lab - Design for chiller plant replacement	$ 35,000
Traffic Operations Center - Install cooling tower	$ 100,000
Engineering Bldg - Perform HVAC repairs	$ 20,000
Central Materials Lab - Perform HVAC repairs	$ 10,000
Globe District-wide - Replace pumps/motors on all deicing tanks	$ 71,000
Ganado Office/Equipment Storage Bldg 3338 - Replace 2 150,000 btu furnaces	$ 6,538
Ganado Office/Equipment Storage Bldg 3338 - Replace failing 5 ton split system	$ 8,904
Ganado Equipment Storage Bldg 3335 - Replace failing 250,000 btu furnace	$ 5,301
Kayenta Residence Bldg 3873 - Replace failing 4 ton gas pack	$ 10,384
Many Farms Equipment Storage Bldg 3354 - Replace failing 150,000 btu suspended furnace	$ 5,471
Teec Nos Pos Office/Equipment Storage Bldg 3372 - Install 2 ton mini split heat pump for office section	$ 9,483
Teec Nos Pos Office/Equipment Storage Bldg 3372 - Replace 2 failing 200,000 btu suspended heaters	$ 7,254
Keams Canyon Bldg 3308 - Replace failing 4 ton gas pack	$ 7,187
Many Farms Maintenance Bldg. 3356 - Replace failing wall htr and window AC with 2 ton split system	$ 8,610
Keams Canyon Equipment Storage - Replace failing furnace	$ 4,998
Keams Canyon Maintenance Bldg 3475 - Replace 2 failing 1.5 ton AC units	$ 5,837
Holbrook District-wide - Replace pumps and motors on all deicing tanks	$ 80,000
Holbrook District Office - Repair inefficient duct work in building	$ 1,992
East Area Lab Bldg - Convert HVAC from natural gas to propane	$ 9,000
Prescott District-wide - Replace Pumps/Motors on all deicing tanks	$ 71,000
Three Way Maintenance Office - Replace failing inefficient HVAC unit	$ 15,000
Safford District Office - Replace three failing inefficient HVAC units	$ 40,000
Tucson ITG Office - Replace failing inefficient HVAC system	$ 15,000
Tucson Utilities & Railroad Office - Repair failing plumbing	$ 8,000
Casa Grande Maintenance - Repair defective standpipe plumbing	$ 7,500
Quartzsite Construction Office - repair/replace failing plumbing	$ 7,000
Yuma District Office - replace failing, inefficient HVAC units	$ 30,000
Globe Equipment Services Shop - Replace/relocate existing unserviceable sump	$ 40,000
Safford Equipment Services Shop - Replace failing downdraft evap coolers	$ 35,000
Phoenix Equipment Services - Install bollards & manual HOA switches on motor control center panel boxes	$ 16,000
Phoenix Equipment Services - Replace HVAC water towers, pumps, and flat plate heat exchanger	$ 100,000
Phoenix Equipment Services Complex - Replace 5 drinking water fountains	$ 30,000
Phoenix Equipment Services Heavy Duty Shop - Replace 5 evaporative coolers	$ 25,000
Springerville Equipment Services Shop - Install floor drainage and oil separator	$ 40,000
AZ Highways Magazine Bldg - Repair a/c condensate drain line on roof	$ 2,263
ADOT Statewide - Repair HVAC systems	$ 40,000
ADOT Statewide - Repair plumbing systems	$ 15,000
ADOT Statewide - Repair electrical systems	$ 15,000
ADOT Statewide - Energy conservation lighting retrofits	$ 15,000
ADOT Statewide - Install "Energy Star" thermostats	$ 6,000
Administration Bldg - Design for SES and Motor Control Electrical System Replacement	$ 20,000
Facilities Management Bldg - Replace unserviceable heat pump unit	$ 8,605
FAST Warehouse - Convert T12 lamps to T8 for energy conservation	$ 4,500
Teec Nos Pos POE Bldg 3364 - Replace failing 3 ton electric heat pack	$ 7,972
Window Rock MVD - Replace failing 5 ton electric heat pack	$ 8,967

STATE OF ARIZONA

FY 2009 CAPITAL IMPROVEMENT PLAN

DEPARTMENT OF TRANSPORTATION FY 2009 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY

Project Description	Estimated Cost
MVD Facilities - Repair HVAC systems	$ 10,000
MVD Forms Warehouse - Reroute evap cooler wastewater to sewer line	$ 9,000
New MVD Bldg - Energy reduction feasibility study	$ 53,820
New MVD Bldg - Replace unserviceable pneumatic shutoff chilled water valve	$ 1,341
West Phoenix MVD - Convert HVAC controls from pneumatic to digital	$ 90,000
West Phoenix MVD - Repair VAV box and ducting to special plates room	$ 40,000
West Phoenix MVD - Install small animal screen around west side mechanical area	$ 5,000
San Simon POE - Repair/replace failing plumbing	$ 10,000
Tucson CDL - Repair/replace failing electrical service	$ 75,000
Ehrenberg POE Pumphouse - Replace defective sight glass and 3" valve	$ 2,000
Ehrenberg POE - Replace failing HVAC with energy-efficient unit	$ 15,000
Duncan POE - Replace unserviceable water heater with point of use unit	$ 3,000
Yuma B-8 POE - convert soffit light fixtures from T-12 to T-8	$ 3,200
TOTAL	**$ 1,354,127**

CATEGORY 5 - INTERIOR BUILDING FINISHES	
Materials Group Tucson Regional Lab Bldg - Replace flooring, includes asbestos abatement	$ 20,000
ADOT Statewide - Repair/replace flooring	$ 3,000
ADOT Statewide - Repaint interior building surfaces	$ 3,000
TOTAL	**$ 26,000**

CATEGORY 6 - RECONFIGURE OR REMODEL	
Little Antelope Wash Rack Bldg 3140 - Realign and reinstall stairs and decking	$ 12,000
Williams Wash Rack Bldg 3108 - Realign and install stairs	$ 10,000
Seligman Wash rack Bldg 3077 - Realign and install stairs	$ 6,000
Wickenburg Maint Wash Rack - Install spreader attachments	$ 1,800
Ajo Maintenance Office - Remodel office, replace flooring include asbestos abatement	$ 20,000
TOTAL	**$ 49,800**

CATEGORY 7 - ADA	
MVD Statewide - Verify all MVD public facilities for ADA compliance	$ 80,000
Bullhead City MVD Bldg 3028 - Repair ADA ramp and entryway	$ 20,000
Springerville POE MVD - ADA corrections throughout bldg	$ 55,000
Show Low MVD - Reconfigure camera back drop area to accommodate ADA	$ 1,500
Tucson North MVD - Bring west side ramp into ADA compliance	$ 25,000
Tucson North MVD - Install ADA drinking fountains	$ 6,700
Casa Grande MVD - Install ADA ramp at rear of building	$ 10,000
Safford Constr Mat Storage - Make entry door ADA compliant, repair/replace struct members	$ 9,000
TOTAL	**$ 207,200**

CATEGORY 8 - INFRASTRUCTURE	
Little Antelope Housing Bldg 3430 & 3133 - Replace failing sewer line	$ 5,220
Springerville Maintenance Yard - Design and connect buildings to existing city sewer line	$ 99,226
Kayenta Maintenance Bldg 3343 - Replace failing sewer line	$ 6,775
Many Farms Maintenance Yard - Replace failing water line from meter to buildings	$ 5,550
Kingman District Site - Connect remaining buildings to city sewer	$ 120,000
West Area Lab - Replace unserviceable security fence and gate; relocate parking canopy to Georgia Yard	$ 50,000
Wickenburg Maint Yard - Connect buildings to city sewer system	$ 150,000

STATE OF ARIZONA

FY 2009 CAPITAL IMPROVEMENT PLAN

DEPARTMENT OF TRANSPORTATION FY 2009 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY

Project Description	Estimated Cost
Safford Roadway Maintenance Yard - Repair electrical distribution system	$ 30,000
Safford Roadway Maintenance Yard - Design to connect bldgs to existing city sewer system	$ 28,000
ADOT Statewide - Repair/restripe vehicle parking pavement	$ 3,000
ADOT Statewide - Repair fencing and perimeter walls	$ 3,000
Duncan POE - Assess septic system for serviceability	$ 15,000
Casa Grande MVD - Repair failing sewer line	$ 20,000
TOTAL	$ 535,771

TOTAL OF ALL PROJECTS REQUESTED	$ 3,867,000
PROJECT MANAGEMENT SUPPORT	$ 85,000
CONTINGENCY	$ 100,000
TOTAL AUTHORIZED FUNDS	$ 4,052,000

RECAP	
CATEGORY 1 - FIRE/LIFE/SAFETY	$ 172,073
CATEGORY 2 - ROOFS	$ 1,450,529
CATEGORY 3 - PRESERVATION OF ASSET	$ 71,500
CATEGORY 4 - MAJOR BUILDING SYSTEMS	$ 1,354,127
CATEGORY 5 - INTERIOR BUILDING FINISHES	$ 26,000
CATEGORY 6 - RECONFIGURE OR REMODEL	$ 49,800
CATEGORY 7 - ADA COMPLIANCE	$ 207,200
CATEGORY 8 - INFRASTRUCTURE	$ 535,771
PROJECT MANAGEMENT SUPPORT	$ 85,000
CONTINGENCY	$ 100,000
TOTAL	$ 4,052,000

STATE OF ARIZONA

FY 2009 CAPITAL IMPROVEMENT PLAN

DEPARTMENT OF TRANSPORTATION FY 2009 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY

STATE AVIATION FUND

Project Description	Estimated Cost
CATEGORY 2 - ROOFS	
Grand Canyon Airport School Bus Stop Bldg 3058 - Replace failing roof	$ 800
Grand Canyon Airport Fire Station Bldg 3552 - Repair failing roof	$ 800
Grand Canyon Airport Office/Shop Bldg 3578 - Repair failing roof	$ 5,135
Grand Canyon Airport Administration Bldg 3582 - Replace failing roof	$ 24,175
Grand Canyon Airport Residence/Modular Bldg 3587 - Replace failing roof	$ 9,320
Grand Canyon Airport Residence/Modular Bldg 3557 - Replace failing roof	$ 9,320
Grand Canyon Airport Residence/Modular Bldg 3558 - Replace failing roof	$ 9,320
Grand Canyon Airport Residence/Modular Bldg 3560 - Replace failing roof	$ 9,320
Grand Canyon Airport Residence/Modular Bldg 3564 - Replace failing roof	$ 9,320
GCA Residence/Storage Bldg 3555 - Replace failing roof	$ 800
GCA Residence/Storage Bldg 3559 - Replace failing roof	$ 800
GCA Residence/Storage Bldg 3561 - Replace failing roof	$ 800
GCA Residence/Storage Bldg 3565 - Replace failing roof	$ 800
GCA Residence/Storage Bldg 3563 - Replace failing roof	$ 800
GCA Residence/Storage Bldg 3568 - Replace failing roof	$ 800
GCA Residence/Storage Bldg 3569 - Replace failing roof	$ 800
GCA Residence/Storage Bldg 3572 - Replace failing roof	$ 800
GCA Residence/Storage Bldg 3586 - Replace failing roof	$ 800
Grand Canyon Airport Storage Bldg 3841 - Replace failing roof	$ 1,490
TOTAL	**86,200**
CATEGORY 3 - PRESERVATION OF ASSET	
Grand Canyon Airport - Repair facade on exterior walls and signs though out site	$ 8,000
TOTAL	**8,000**
CATEGORY 4 - MAJOR BUILDING SYSTEMS	
Grand Canyon Airport Bldg 3552 - Replace old lighting system with energy efficient lighting	$ 3,000
Grand Canyon Airport Bldg 3577 - Replace old lighting system with energy efficient lighting	$ 2,000
Grand Canyon Airport Bldg 3578 - Replace old lighting system with energy efficient lighting	$ 2,000
TOTAL	**$ 7,000**
CATEGORY 5 - INTERIOR BUILDING FINISHES	
Grand Canyon Airport Bldgs 3557,3558 ,3587,3564, 3560 - Replace kitchen & bath counters & cabinets	$ 38,000
TOTAL	**$ 38,000**
CATEGORY 8 - INFRASTRUCTURE	
Grand Canyon Airport - Replace 3 unserviceable vehicle gates	$ 17,700
TOTAL	**$ 17,700**
TOTAL OF ALL PROJECTS REQUESTED	**$ 156,900**
CONTINGENCY	**$ -**

STATE OF ARIZONA

FY 2009 CAPITAL IMPROVEMENT PLAN

DEPARTMENT OF TRANSPORTATION FY 2009 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY

Project Description	Estimated Cost
TOTAL AUTHORIZED FUNDS	$ 156,900

RECAP	
CATEGORY 2 - ROOFS	$ 86,200
CATEGORY 3 - PRESERVATION OF ASSET	$ 8,000
CATEGORY 4 - MAJOR BUILDING SYSTEMS	$ 7,000
CATEGORY 5 - INTERIOR BUILDING FINISHES	$ 38,000
CATEGORY 8 - INFRASTRUCTURE	$ 17,700
TOTAL	$ 156,900

STATE OF ARIZONA

Joint Committee on Capital Review

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PHOENIX, ARIZONA 85007

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DATE: September 25, 2008

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

THRU: Richard Stavneak, Director

FROM: Kimberly Cordes-Sween, Principal Fiscal Analyst

SUBJECT: University of Arizona – Residence Halls and Residence Life Building Renewal -- Agency Request (Information Only)

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. The University of Arizona (UA) requests Committee review of $159.3 million for 2 new residence halls and $37.3 million for building renewal projects.

Recommendation

The Chairman has scheduled this item for information only and does not plan to take a vote at this meeting. The Chairman is seeking further information on the Governor's plans to resolve the FY 2009 budget shortfall and whether the funding associated with this particular agenda item could be part of the solution.

At the time the vote is taken, the Committee has at least the following options for the following 2 items:

Residence Halls Building Renewal Project
The Committee has at least the following 2 options:

1. A favorable review of the department's request to spend $37.3 million for the building renewal projects, or an increase of $15.4 million above the September 2006 JCCR approved amount of $21.9 million.

2. An unfavorable review.

(Continued)

Sixth Street Residence Halls Project
The Committee has at least the following 2 options:

1. A favorable review of the department's request to spend $159.3 million to construct 2 new residence halls at UA.

2. An unfavorable review.

Under either option for the 2 projects, the JLBC Staff recommends the following standard university financing provisions:

Standard University Financing Provisions
- UA shall report to the Committee before expenditure of any allocations that exceed the greater of $500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. UA shall also report to the Committee before any reallocation exceeding $500,000 among the individual planned renovations, renewals, or extensions.

- UA shall submit for Committee review any allocations that exceed the greater of $500,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, UA may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not 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 auxiliary revenues that may be required for debt service, or any operations and maintenance costs when the project is complete. Auxiliary funds derive from substantially self-supporting university activities, including student housing.

- UA shall not use bonding to finance any repairs whose typical life span is less than the bond repayment period. Such repairs include, but are not limited to new flooring and painting. The exceptions to this stipulation are circumstances where such repairs are required to complete a major renovation.

Analysis

Residence Life Building Renewal
UA is requesting additional funding of $15.4 million beyond the September 2006 JCCR approved amount of $21.9 million to complete Phases III and IV residence hall renovations of 321,815 gross square feet. UA's request for $37.3 million includes Coronado, Apache-Santa Cruz, and Colonia De La Paz Hall renovations, as was previously reviewed by the Committee, but no longer includes fire sprinkler renovations to Cochise Hall. According to UA, the renovations would extend the useful life of these residential facilities, minimize the risk of disruptive failures, and improve building safety. Projects are anticipated to be complete by 2012.

Construction Costs
UA anticipates that the updated total cost would be $37.3 million, or $116 per square foot. This total cost includes a design cost of $2.9 million, a direct construction cost of $32.3 million, and $2.1 million in contingencies. The total costs previously approved by the Committee totaled $21.9 million. In addition, while Cochise Hall was originally included in the September 2006 review of Phases III and IV, UA has funded and completed this project separately. The current direct construction amount consists of:

(Continued)

- $14.4 million for mechanical renovations, electrical and plumbing, in Coronado and Apache-Santa Cruz Halls
- $9.3 million for demolition and replacement of ceilings, walls and floors in Coronado and Apache-Santa Cruz Halls
- $4.9 million for asbestos abatement in Coronado and Apache-Santa Cruz Halls
- $1 million for fire sprinklers in Apache-Santa Cruz Hall
- $2.7 million for shower base and restroom renovations in La Paz Hall

Table 1 below lists the per square foot construction costs for all 4 phases of the Residence Life Building Renewal projects.

Table 1

University of Arizona Residence Life Building Renewal

Phase	Review Date	Affected Halls	Direct Costs per Square Foot
1	March 2004	Gila, Yuma, Arizona	$45
2	July 2005	Maricopa, Sonora	$40
2A	May 2006	Manzanita/Mohave	$57
3 & 4	**October 2008**	**Coronado, Apache-Santa Cruz, La Paz**	**$100**

As seen in *Table 1*, the Phase III and IV projects per square foot direct costs are higher than the other phases of the project. According to UA, the higher cost compared to prior projects can be attributed to contractors having to complete work over 2 summers, cost increases for asbestos abatement and copper piping, a longer construction phase for separate projects, and higher construction market costs. By completing the work over 2 summers, additional expenses are related to putting up temporary fencing, construction elevators, protection of existing construction and other associated costs. UA indicates that these changes resulted in the $15.3 million cost increase from September 2006. In addition, Phases III and IV will be more costly in general due to more extensive restroom facility renovations in these phases, which result in more piping, ductwork, finish materials and a general increase in the associated labor per gross square foot cost.

Financing

The project will be funded with $37.6 million in Auxiliary Fund system revenue bonds. Auxiliary Funds are non-appropriated funds generated from self-supporting activities – in this case, dorm rental revenues. UA anticipates issuing the AA rated system revenue bonds in November 2008, with an estimated 5.22% annual interest rate and a term of 23 years, including 1 year of capitalized interest. The project cost is $37.3 million, with bond issuance related costs totaling approximately $307,000, for a total cost of $37.6 million. The university estimates annual debt service of $2.9 million, with a 23-year total cost of $65.1 million. UA anticipates that these renovations will extend the life of the buildings by at least 30 years, while the debt payment schedule spans 23 years. There are no annual operating and maintenance costs associated with this project, according to UA.

Sixth Street Residence Halls

UA proposes to construct 2 new residence halls in Tucson, totaling 350,000 gross square feet, to house 1,066 freshman UA students. There will be 2 independent buildings with rooms for double occupancy – one at the northeast corner of Sixth Street and Euclid Avenue (697 students) and the other at the northeast corner of Sixth Street and Highland Avenue (369 students). Each building would range from 4 to 6 stories and would include some administrative offices at the Highland Avenue site. Both sites will be located on what is currently surface lot parking and eliminating this parking will contribute to the university effort to increase the use of parking structures. The university indicates that the projects would

(Continued)

begin construction in November 2008 and January 2009, with occupancy in August 2010 and January 2011.

Construction Costs

The $159.3 million total project cost, or $455 per square foot, includes land acquisition, direct construction costs, architect fees, furniture and equipment costs, telecommunications costs, parking reserve, and contingency fees. The direct construction costs, for comparison purposes, total $103.3 million, or $295 per square foot, including labor and material costs for new building construction and basic hardscape and landscape. In comparison, the FY 2004 ASU Hassayampa Village and the FY 2007 NAU residence hall construction projects had a direct construction cost of $180 and $245 per square foot, respectively.

The per square foot direct cost for the Sixth Street Residence Halls is higher than the other projects that were recently completed. UA explains that this request has a higher cost due to construction market cost increases, there is more construction necessary with 2 buildings, and asbestos abatement and structure demolition were not necessary with the prior projects.

Financing

The new residence halls construction project will be funded with $185.2 million in Auxiliary Fund system revenue bonds. Auxiliary Funds are non-appropriated funds generated from self-supporting activities – in this case, dorm rental revenues. UA anticipates issuing the AA rated system revenue bonds in the November 2008 with an estimated 5.27% annual interest rate and a term of 30 years. While the total project cost is $159.3, the total issuance cost will be $185.2 million, including $1.5 million for costs of issuance and $24.4 million for capitalized interest. The university estimates annual debt service payments of $9.8 million from 2009 to 2011 and $13 million starting in 2012, with a 30-year total cost of $375.7 million. UA projects that the 2 new residence halls will be constructed to last 50 to 75 years, while the debt payment schedule spans 30 years.

UA anticipates annual operating and maintenance costs of $3.9 million when the project in completed, which will be covered by university Auxiliary Funds. This cost includes utilities at $1.6 million, residence life personnel at $1.7 million, and other operating costs at $600,000.

Debt Ratios

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The 2 projects would increase the UA debt ratio by 0.82%. The current ratio is 5.14% and the adjusted debt service ratio would total 5.96%.

CMAR

UA would contract both the Residence Life Building Renewal and the Sixth Street Residence Halls bond projects using Construction Manager at Risk (CMAR). In CMAR, the university competitively selects a General Contractor according to quality and experience. The General Contractor manages a construction project, including the associated architect and other subcontractors, from design to completion. The General Contractor chooses a qualified subcontractor for each trade based on qualifications alone or on a combination of qualifications and price.

Additionally, CMAR defines a Guaranteed Maximum Price (GMP), after which the General Contractor must absorb almost all cost increases, except those caused by scope changes or unknown site conditions. Occasionally, in the case of substantial materials price inflation, a university will partially cover higher costs to maintain good contractor relations. The GMP has already been obtained and is within the projects' budgets.

RS/KCS:ss

THE UNIVERSITY OF
ARIZONA
TUCSON ARIZONA

Senior Vice President
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September 11, 2008

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

Subject: University of Arizona: Sixth Street Residence Halls Project
Residence Life Building Renewal, Phase 3 and Phase 4
Mosaic Enterprise Systems Replacement Project
Photovoltaic Arrays CREB Program Project

Dear Chairman Pearce:

On behalf of the Arizona Board of Regents (ABOR), I respectfully request that the above referenced projects for the University of Arizona be placed on the next available agenda for the Joint Committee on Capital Review.

The Arizona Board of Regents approved these projects on the dates indicated in the attached submittals. The Project Approval submittals and debt service schedules, which together should provide the required information, are attached for your review.

Please note that the two Residence Halls projects are greatly needed to provide housing for the increasing student population. These projects are funded from auxiliary revenues of the UA Residence Life Department, and will not impact the State's General Fund or tuition rates.

If you require additional information, please don't hesitate to call me at (520) 621-5977. Thank you for your assistance.

Sincerely,

Joel D. Valdez
Sr. Vice President for Business Affairs

JDV/jc

Attachments (4)

cc: President Robert Shelton
Joel Sideman
Greg Fahey
Lorenzo Martinez
Charles Ingram
Bob Smith

University of Arizona
Business Affairs - Financial Services Office
Summary of Project Debt Financing and Debt Service Information

9/11/2008

	Residence Life Building Renewal Phase 3 & 4	Sixth Street Residence Halls Project	Mosaic Enterprise Systems Replacements	Photovoltaic Arrays Project	Total
Debt Issuance:					
Anticipated Financing Method	System Revenue Bonds	System Revenue Bonds	System Revenue Bonds	Capital Lease	
Project Cost	37,300,000	159,300,000	33,000,000	2,261,000	231,861,000
Estimated Costs of Issuance	306,959	1,511,618	271,538	20,000	2,110,115
Estimated Capitalized Interest		24,396,561			24,396,561
Estimated Issuance Amount	$37,606,959	$185,208,179	$33,271,538	$2,281,000	$258,367,677
Estimated Interest Rate	5.22%	5.27%	4.76%	7.71%*	
Payment term	23	30	15	15	
Fund source for debt payment	Auxilliary Funds	Auxilliary Funds	Local Funds	Local Funds	
Annual debt service (by fund source)					
Auxilliary Funds	$2.9 million	$13 million			
Local Funds			$3.3 million	$142,000	
Federal Tax credit to the Lessor				$130,000	
Total debt service (by fund source)					
Auxilliary Funds	$65.1 million	$375.7 million			
Local Funds			$47.1 million	$2.7 million	
Federal Tax credit to the Lessor				$1.2 million	
Date of Issuance	November-08	November-08	November-08	October-08	
Bond Rating:					
Moody's	Aa3	Aa3	Aa3	A1 **	
S & P	AA	AA	AA	AA-**	
Debt Ratio:					
Current Debt Ratio (Beginning)	5.14%				
Ratio After Project (incremental)	0.10%	0.72%	0.09%	N/A ***	
Total Debt Ratio	5.24%	5.96%	6.05%	N/A ***	

* Interest rate consists of two components, CREBs treasury rate and supplemental rate assess by the lessor.
** UA's Certificates of Participation (COPs) underlying rating is utiized by lessor for capital leases.
*** The Photovoltaic Arrays Project will be acquired through a capital lease, therefore debt ratio calculation is not applicable per A.R.S. 15-1683

EXECUTIVE SUMMARY

ACTION ITEM: Project Approval for Sixth Street Residence Halls Project (UA)

ISSUE: The University of Arizona seeks Project Approval for the construction phase of the Sixth Street Residence Halls project.

PREVIOUS BOARD ACTIONS:

Project Implementation Approval (PIA):	January 2008
Capital Development Plan (CDP):	June 2007

PROJECT JUSTIFICATION:

- The purpose of this project is to construct new, critically needed, on-campus residence halls, primarily for first-year students. Existing on-campus housing is currently unable to meet the first-year student demand. In the fall of 2007, after maximizing the occupancies of all UA residence halls, nearly 700 first-year student housing applications were turned away. Recent enrollment projections indicate that a shortage of up to 1,600 on-campus first-year student beds is projected by 2011. This project is scheduled to be completed at that time, and would address a significant portion of that projected shortfall. The new residence halls will significantly increase the quantity of housing available on-campus.

- Residence Life studies have demonstrated that freshmen succeed at a considerably higher rate in grade point average, retention, and ultimately in graduation, when housed in on-campus residence halls programmed and designed for ease of transition and academic success. This project was programmed to include the meeting, study and socialization areas, and activities that serve to enhance first-year student academic performance.

- The Department of Residence Life is committed to providing housing that promotes student success through interactive living-learning communities where students can thrive in a safe and supportive environment. This goal directly supports the University's Five-Year Strategic Plan to increase student engagement, achievement, retention, and graduation rates; and to ensure that on-campus housing is safe, attractive, available to all first-year students, and conducive to a quality educational experience.

- The availability and quality of on-campus housing is often a high priority of students and their parents in the selection of a university. This project will provide considerable assistance in recruiting and retaining undergraduate students.

Contact: Joel D. Valdez, Senior Vice President for Business Affairs, (520) 621-5977, jdvaldez@u.arizona.edu

EXECUTIVE SUMMARY

PROJECT DESCRIPTION AND SCOPE:

- The new residence halls, which total 1,066 beds and 350,000 gross square feet, will be constructed on two sites:

    - *Site One:* Northeast corner of Sixth Street and Euclid Avenue
    - *Site Two:* Northeast corner of Sixth Street and Highland Avenue

  The structures are made of multiple building elements ranging in height from four to six stories. Brick will be the major exterior building material in keeping with the adjacent campus context. The student rooms are double occupancy throughout both sites.

ADDITIONAL PROJECT CONSIDERATIONS:

- To maximize the long-term investment in these important campus facilities located near prominent campus gateways, these facilities will be constructed to last 50 to 75 years. The project will be designed and constructed of high quality, durable, maintainable materials and building systems to maximize energy efficiency and minimize operational, repair and replacement costs. The facility has been designed in accordance with the UA Design & Specification Standards (with some exceptions for Residence Life facilities).

- In an effort to demonstrate the UA's commitment to responsible, sustainable design, and in response to student requests that their rent-funded housing project be designed in a sustainable manner, this project is intended to receive a LEED Silver certification. LEED certification levels for Future projects will be considered on a case by case basis, depending upon the specific goals and needs of the programs being served.

- A large amount of site preparation, utility extensions and relocations, building demolition, and stormwater management improvements are required for the two project sites to be developed, and these costs are included in the project budget.

PROJECT DELIVERY METHOD AND PROCESS:

- This project is being delivered through the Construction Manager (CM) at Risk method. This approach was selected for this project because it can save time through fast-track project scheduling, it provides contractor design input and coordination throughout the project, it improves potentially adversarial project environments, and it allows for the selection of the most qualified contractor team for each individual project. With the use of two independent estimates at each phase, and low bid subcontractor work for the actual construction, this method also provides a high level of cost and quality control.

- The CM at Risk was selected through the capital project selection committee process prescribed by the ABOR Procurement Code. Four responses to the project Request for Qualifications (RFQ) were received and all four responding teams were interviewed. A licensed contractor from the community was included on the selection committee as required by Board Policy. The Design team was selected through a similar ABOR process, and four teams were interviewed out of the seventeen RFQ responses received.

PROJECT COSTS:

- The current project budget is $159.3 million. This is a total of $25.7 million less than the CDP budget. The budget history is as follows:

  June 2007 Capital Development Plan $185 million

  The PIA budget was then reduced by $7.0 million, with no reduction in scope, based on project scope refinements and discussions with the Capital Committee.

  January 2008 Project Implementation Approval $178 million

  The budget was further reduced by $18.7 million for this PA submittal as a result of suggestions by the Arizona Board of Regents to increase the density of development, and reduce project costs. The major cost savings resulted from eliminating one site from the project scope as the existing Hopi Lodge will remain in service, and not be replaced. The approximate net number of beds that would have been gained was distributed over the two remaining sites, which resulted in increasing the density at the two remaining sites and reducing overall cost. The net total number of beds has been reduced from 1,073 to 1,066.

  August 2008 Project Approval $159.3 million

- The initial project budget was developed at the Capital Development Plan (CDP) Phase and updated at Project Initiation Approval (PIA), on the basis of information from professional cost consultants, along with other comparable project costs obtained for similar projects recently constructed nationally. This formed the basis for the construction cost budget.

EXECUTIVE SUMMARY

Relevant comparable projects identified at that time included:

Comparable Project	Location	Project Size	Escalated Const. Cost/sf
MSU, Mankato	Minnesota	145,240 gsf	$188 /sf
Baylor University	Texas	221,910 gsf	$207 /sf
University of Kentucky	Kentucky	211,606 gsf	$241 /sf
Mount Saint Mary's	Maryland	53,000 gsf	$268 /sf
George Washington Univ.	Washington DC	509,815 gsf	$282 /sf
University of Delaware	Delaware	509,815 gsf	$291 /sf
Pennsylvania State Univ.	Pennsylvania	331,000 gsf	$308 /sf
Goucher College	Maryland	74,000 gsf	$331 /sf
Washington College	Washington	93,360 gsf	$335 /sf
Amherst College	Massachusetts	62,000 gsf	$401 /sf
ASU Hassayampa Village	Tempe	550,000 gsf	$227 /sf
NAU New Residence Hall	Flagstaff	103,000 gsf	$265 /sf
UA Sixth St. Residence Halls	**Tucson**	**400,000 gsf**	**$280 /sf**
Average Comparable Project		219,027 gsf	$ 279 /sf

Note: The Sixth Street Residence Halls construction cost per square foot above is based on 2007 building construction costs, plus basic site hardscape and landscape development costs typical of these types of university projects, to provide an equitable comparison with the other projects.

- Based upon these relevant comparable construction costs, the Sixth Street Residence Halls construction budget was considered to be appropriate. Including all required indirect expenses, the resulting total project cost at Project Implementation Approval was $445/sf, reduced from $463/sf at Capital Development Plan approval.

- The current total project cost is $18.7 million less than at PIA; however, the costs per square foot have increased for several reasons. The new construction cost per square foot has increased from $269/sf to $285/sf because a portion of the escalation line has been moved up to the new construction line to reflect increases from the 2007 costs to June 2008 costs. The total construction cost has increased from $341/sf to $348/sf due in part to utilities extension costs being distributed over fewer beds. (The site that was eliminated required very few utilities extensions, so these costs are now applied to fewer beds.) Some of the design contingency has moved to the construction costs to cover increased site development costs as the site areas have been more clearly defined. Also, the building area per student has reduced slightly; 337/sf per student at PIA to 328/sf per student at PA, since fewer common use spaces are now required with only two sites being developed. Also, the gross area has been more specifically determined during the design development process, which also contributes to a higher cost per square foot.

EXECUTIVE SUMMARY

- Increases are also reflected in the total project cost per square foot, which has increased from $445/sf at PIA to $455 currently, for the same reasons described above.

- For this Project Approval phase, two cost estimates are being prepared independently by the Construction Manager at Risk and the Architect's estimating consultant. These estimates will then be reconciled together to confirm accurate, competitive scope quantities and unit prices to form the Guaranteed Maximum Price (GMP) for the entire scope of work. The CM's current estimate is made up of roughly 97% price projections from subcontractors and 3% estimates prepared by the CM team.

- Once the GMP is agreed upon, the CM is at risk to provide the completed project within that price. All subcontractor work will be awarded on the basis of the lowest responsive and responsible subcontractor bids. A minimum of three subcontractor bids are required, except for specialty items or instances where proprietary systems are required, such as for energy management systems and door locks. A final report on project control procedures such as change orders and contingency use will be provided at project completion.

FISCAL IMPACT AND FINANCING PLAN:

- The Sixth Street Residence Halls project is funded through system revenue bonds, with debt service paid by Residence Life from rental revenues.

- The estimated annual debt service for the Sixth Street Residence Halls Project will increase the debt ratio by .68% for ABOR policy and State (A.R.S. 15-1683). The projected highest debt ratio including this project is 5.93% for the upcoming three years as defined in the Capital Improvement Plan.

PROJECT STATUS AND SCHEDULE:

- The project is in the Construction Documents phase, and the Construction Manager is currently collecting and analyzing subcontractor bids in preparation of the project GMP. This Project Approval request is being submitted prior to GMP finalization to allow for timely JCCR review and bond sale preparation in a manner that will allow for construction completion prior to the start of the Fall 2010 semester.

- Construction is scheduled to begin in November 2008 at Site Two, and January 2009 at Site One, upon final completion of the construction documents and the successful negotiation of the GMP. Construction at Site Two is scheduled to be completed for occupancy August 2010 and in January 2011 for Site One.

EXECUTIVE SUMMARY

CAPITAL COMMITTEE ACTION:

- The Capital Committee reviewed this item at its July 24, 2008, meeting and recommended Board approval with the provision that UA work to obtain the GMP amount for presentation at the August ABOR meeting. If any additional GMP finalization should be needed after the ABOR meeting, it will be reported to the Board immediately upon that finalization.

RECOMMENDATION:

It is requested that the Board grant Project Approval to The University of Arizona for the Sixth Street Residence Halls project.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: The University of Arizona **Project Name:** Sixth Street Residence Halls

Project Description/Location: Construct new residence halls for 1,066 students on two sites on the University of Arizona Campus, Tucson, Arizona.

		Project Implementation Approval		Project Approval
Date of Board Action:		January 2008		August 2008
Project Scope:				
Gross Square Feet		400,000		350,000
Net Assignable Square Feet		250,000		210,000
Efficiency Ratio [NASF/GSF]		63%		66%
NASF by Space Type				
Residence Halls		246,200		205,300
Administration		2,800		3,700
Support		1,000		1,000
Project Schedule (Beginning Month/Year):				
Planning		3/07		3/07
Design		7/07		7/07
Construction: Site One		10/08		1/09
Site Two				11/08
Occupancy: Site One		1/11		1/11
Site Two		8/10		8/10
Project Budget:				
Total Project Cost	$	178,000,000	$	159,300,000
Building, Site and Off-site Construction Cost	$	136,450,000	$	121,960,000
Building Construction Cost (line 2A)	$	0	$	99,800,000
Total Project Cost per GSF	$	445	$	455
Building, Site and Off-Site Const. Cost per GSF	$	341	$	348
Building Construction Cost Per GSF (line 2A)	$	269	$	285
Change in Annual Oper./Main. Cost	$	4,561,500	$	3,915,300
Utilities	$	1,807,300	$	1,551,200
Personnel	$	2,046,200	$	1,756,300
Other	$	708,000	$	607,800
Funding Sources:				
Capital:				
A. Gifts				
• Cash	$	0	$	0
B. System Revenue Bonds				
• Residence Life auxiliary Enterprise Funds	$	178,000,000	$	159,300,000
Operation/Maintenance:				
Residence Life Auxiliary	$	4,561,500	$	3,915,300

EXECUTIVE SUMMARY

Capital Project Budget Summary

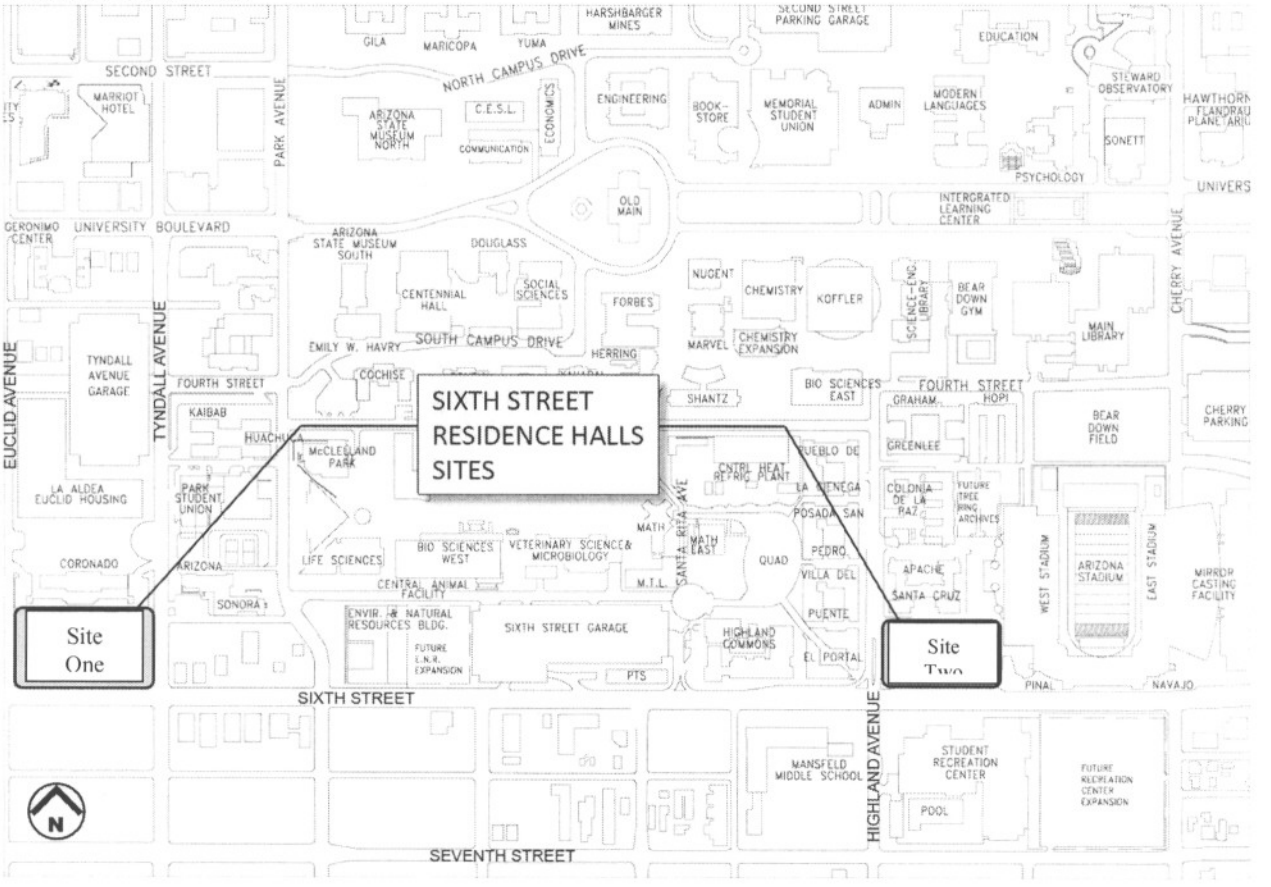
University: The University of Arizona **Project Name:** Sixth Street Residence Halls

Note: All percentages shown are of the Subtotal Construction Cost amount.

	Project Implementation Approval Estimate	Project Approval Estimate
Date of Budget Estimate	January 2008	August 2008
1. Land Acquisition	$ 100,000	$ 100,000
2. Construction Cost		
A. New Construction	107,500,000	99,800,000
B. Renovation	0	0
C. Fixed Equipment (security systems)	300,000	270,000
D. Site Development (prep, on-site util., hardscape, etc.)	4,000,000	3,500,000
E. Parking & Site Storm Water Management	4,000,000	3,500,000
F. Off Site (utility extensions, street/intersection const.)	6,650,000	7,450,000
G. Other (sustainability, demolition, asbestos abatement)	3,000,000	2,750,000
H. Inflation and Market Adjustment (3.8%)	11,000,000	4,690,000
Subtotal Construction Cost	$ 136,450,000	$ 121,960,000
3. Consultant Fees		
A. Construction Manager (.7%)	1,000,000	800,000
B. Architect/Engineering Fees (8.4%)	10,650,000	10,300,000
C. Other (Programming, Special Conslt.) (.9%)	1,250,000	1,100,000
Subtotal Consultant Fees	$ 12,900,000	$ 12,200,000
4. Furniture Fixtures and Equipment	6,150,000	6,150,000
5. Contingency, Design Phase (2.8%)	6,900,000	3,400,000
6. Contingency, Construction Phase (5%)	6,900,000	6,300,000
7. Parking Reserve	2,500,000	2,500,000
8. Telecommunications Equipment	1,400,000	2,470,000
Subtotal Items 4-8	$ 23,850,000	$ 20,420,000
9. Additional University Costs		
A. Surveys and Tests	750,000	730,000
B. Move-in Costs	0	120,000
C. Public Art	0	0
D. Printing/Advertisement	100,000	100,000
E. Univ. Facilities & Project Management (1.9%)	2,900,000	2,370,000
F. State Risk Mgt. Insurance	950,000	900,000
Subtotal Additional University Costs	$ 4,700,000	$ 4,620,000
TOTAL CAPITAL COST	$ 178,000,000	$ 159,300,000

EXECUTIVE SUMMARY

LOCATION MAP



University of Arizona
Business Affairs - Financial Services Office
Debt Service Schedule

Project: Sixth Street Residence Halls

Project Cost	$ 159,300,000
Estimated Costs of Issuance	1,511,618
Estimated Capitalized Interest	24,396,561
Gross Debt Funded Project Cost =	$ 185,208,179

Year	Semi Annual Payment	Interest @ 5.27%	Principal	Principal Outstanding
1	-			185,208,179
6/1/2009	4,880,236	4,880,236		185,208,179
2	4,880,236	4,880,236		185,208,179
6/1/2010	4,880,236	4,880,236		185,208,179
3	4,880,236	4,880,236		185,208,179
6/2/2011	4,880,236	4,880,236		185,208,179
4	4,880,236	4,880,236		185,208,179
6/1/2012	8,132,080	4,880,236	3,251,844	181,956,335
Annual payment	**13,012,316**			
5	4,794,549	4,794,549		181,956,335
6/1/2013	8,217,766	4,794,549	3,423,217	178,533,118
6	4,704,348	4,704,348		178,533,118
6/1/2014	8,307,968	4,704,348	3,603,620	174,929,498
7	4,609,392	4,609,392		174,929,498
6/1/2015	8,402,923	4,609,392	3,793,531	171,135,967
8	4,509,433	4,509,433		171,135,967
6/1/2016	8,502,883	4,509,433	3,993,450	167,142,517
9	4,404,205	4,404,205		167,142,517
6/1/2017	8,608,110	4,404,205	4,203,905	162,938,612
10	4,293,432	4,293,432		162,938,612
6/1/2018	8,718,883	4,293,432	4,425,451	158,513,161
11	4,176,822	4,176,822		158,513,161
6/1/2019	8,835,494	4,176,822	4,658,672	153,854,489
12	4,054,066	4,054,066		153,854,489
6/1/2020	8,958,250	4,054,066	4,904,184	148,950,305
13	3,924,841	3,924,841		148,950,305
6/1/2021	9,087,475	3,924,841	5,162,634	143,787,671
14	3,788,805	3,788,805		143,787,671
6/1/2022	9,223,510	3,788,805	5,434,705	138,352,966
15	3,645,601	3,645,601		138,352,966
6/1/2023	9,366,715	3,645,601	5,721,114	132,631,851
16	3,494,849	3,494,849		132,631,851
6/1/2024	9,517,466	3,494,849	6,022,617	126,609,234
17	3,336,153	3,336,153		126,609,234
6/1/2025	9,676,162	3,336,153	6,340,009	120,269,226
18	3,169,094	3,169,094		120,269,226
6/1/2026	9,843,221	3,169,094	6,674,127	113,595,098
19	2,993,231	2,993,231		113,595,098
6/1/2027	10,019,085	2,993,231	7,025,854	106,569,245
20	2,808,100	2,808,100		106,569,245
6/1/2028	10,204,216	2,808,100	7,396,116	99,173,128
21	2,613,212	2,613,212		99,173,128

University of Arizona
Business Affairs - Financial Services Office
Debt Service Schedule

Project: Sixth Street Residence Halls

Project Cost	$ 159,300,000
Estimated Costs of Issuance	1,511,618
Estimated Capitalized Interest	24,396,561
Gross Debt Funded Project Cost =	$ 185,208,179

Year	Semi Annual Payment	Interest @ 5.27%	Principal	Principal Outstanding
6/1/2029	10,399,104	2,613,212	7,785,892	91,387,237
22	2,408,054	2,408,054		91,387,237
6/1/2030	10,604,262	2,408,054	8,196,208	83,191,028
23	2,192,084	2,192,084		83,191,028
6/1/2031	10,820,232	2,192,084	8,628,148	74,562,880
24	1,964,732	1,964,732		74,562,880
6/1/2032	11,047,584	1,964,732	9,082,852	65,480,028
25	1,725,399	1,725,399		65,480,028
6/1/2033	11,286,917	1,725,399	9,561,518	55,918,510
26	1,473,453	1,473,453		55,918,510
6/2/2034	11,538,863	1,473,453	10,065,410	45,853,100
27	1,208,229	1,208,229		45,853,100
6/3/2035	11,804,086	1,208,229	10,595,857	35,257,243
28	929,028	929,028		35,257,243
6/3/2036	12,083,287	929,028	11,154,259	24,102,984
29	635,114	635,114		24,102,984
6/3/2037	12,377,202	635,114	11,742,088	12,360,896
30	325,710	325,710		12,360,896
	12,686,606	325,710	12,360,896	0
	375,733,696	190,525,517	185,208,179	
	0			

EXECUTIVE SUMMARY

ACTION ITEM: **Project Approval and Budget Increase Approval for Residence Life Building Renewal, Phase 3 and Phase 4 (UA)**

ISSUE: The University of Arizona seeks Project Approval and Budget Increase Approval for the Residence Life Building Renewal Phase 3 and Phase 4 Project

PREVIOUS BOARD ACTIONS: Project Implementation Approval: September 2006
Capital Development Plan (CDP): June 2006

PROJECT JUSTIFICATION:

- The Department of Residence Life is committed to providing housing that promotes student success through interactive living and learning communities where students can thrive in a safe and supportive environment. Over 75% of the University's freshmen class is housed in residence halls. Residence Life is particularly concerned with helping students successfully transition from a home to a university environment. Consequently, Residence Life provides an extensive array of programs and services that intentionally focus on first-year learning communities. A primary part of its mission is to provide clean, comfortable, and memorable living spaces while promoting safety and security.

- Residence Life has implemented a plan to incrementally manage deferred maintenance and building renewal activities during the past sixteen years. The Long-Range Development Plan (LDP) for its facilities is a five-year projection of deferred maintenance, building renewal, life/safety improvements, and building enhancements that are necessary to maintain the high standards for buildings required for a residential program. During the past sixteen years, Residence Life has expended over $20.0 million on LDP projects. Priorities are based upon the urgency, availability of funding, and the ability of staff and/or contractors to complete the work within allotted timeframes. Most projects are completed during summer periods in order to maintain bed inventory during the academic year.

PROJECT DESCRIPTION AND SCOPE:

- The purpose of the Residence Life Building Renewal projects is to extend the useful life of aging residential facilities, and reduce the risk of potentially disruptive system failures that would adversely affect both the health and safety of the occupants. Phase 3 and Phase 4 includes the renovation of the plumbing and associated mechanical systems in Coronado Hall and Apache-Santa Cruz Hall. The work in La Paz Hall includes the replacement of the shower stalls and floor finishes. The replacement of the fire sprinkler system in Cochise Hall (Phase 3A) was completed in the summer of 2007. Phases 1, 2, and 2A have also been completed.

EXECUTIVE SUMMARY

Contact: Joel D. Valdez, Senior Vice President for Business Affairs, (520) 621-5977, jdvaldez@u.arizona.edu

ADDITIONAL PROJECT CONSIDERATIONS:

- To maximize the long-term investment in these important core campus facilities, this project will be built to extend the life of the buildings another 50 years. The facility has been designed in accordance with the UA Design & Specification Standards, and will be constructed of high quality, durable, maintainable materials and building systems to maximize energy efficiency and minimize operational, repair, and replacement costs.

- In an effort to demonstrate the UA's commitment to responsible, sustainable design and in response to student requests that their funded projects be designed in a sustainable manner; this project will utilize water efficient plumbing fixtures and energy efficient light fixtures. LEED Certification is not being pursued as part of this project.

PROJECT DELIVERY METHOD AND PROCESS:

- This project is being delivered through the Construction Manager (CM) at Risk delivery method. This approach was selected for this project because it can save time through fast-track project scheduling; it provides contractor design input and coordination throughout the project; it improves potentially adversarial project environments; and it allows for the selection of the most qualified contractor team for each individual project. With the use of two independent estimates at each phase, and low bid subcontractor work for the actual construction, this method also provides a high level of cost and quality control.

- The CM at Risk was selected through the capital project selection committee process prescribed by the ABOR Procurement Code. Five responses to the projects Request for Qualifications (RFQ) were received and three of the responding teams were short-listed for interview. A licensed contractor from the community was included on the selection committee as required by Board Policy. The Design team was selected through a similar ABOR process, and three teams were interviewed out of the twelve RFQ responses received.

PROJECT COSTS:

- The total project estimate has increased by $15.3 million to a new total of $37.3 million to accommodate the multiple mobilizations by the contractors, increased project difficulty, increased escalation from phasing the work out over a longer period of time, increased cost for asbestos abatement, and continuing construction market impacts. The difficulty and volume of work has increased with each phase; such that the work in Apache-Santa Cruz and La Paz has been divided over two summers. The work in Coronado Hall is so extensive that it must be vacated for 15 months. Therefore, Coronado Hall will be deferred until 2011 when the new Sixth Street Residence Halls have been completed to provide surge space and avoid a loss of resident bed capacity. These project phasing adjustments in the completion of the work have resulted in additional cost escalation.

EXECUTIVE SUMMARY

Additional increases are also the result of improving standards such as increased width of shower and toilet stalls. Further increases are the result of lessons learned, like foregoing the practice of trying to remove just finishes when invariably the wall or floor substrate also must be removed.

- The initial project budget was developed based on a study in 2003 of the existing conditions of the plumbing and related mechanical systems in the residence halls. The study presented a scope of work for each building, an estimate of probable costs, and a proposed schedule. This study pre-dated the sharp cost increases in materials and labor in the following years, so the included escalation rates were significantly less than actually experienced. The study also presumed all the phases could be completed by 2008, which is no longer the case. Although construction of Phase 3 and Phase 4 will be phased over a period of four years, the University proposes to move forward with bidding and buyout to avoid the impacts of future escalation. Material commitments can be made in larger quantities ahead of time, taking advantage of 2009 pricing. Labor commitments will also be made significantly ahead of time before a substantial rebound occurs in the construction industry, leading to favorable labor rates on these projects.

- Relevant comparable projects completed in the previous phases include:

Comparable Project	Location	Project Size	Escalated Const. Cost/sf
Phase 1, Arizona Hall	Tucson	62,367 gsf	$ 57/gsf
Phase 1, Gila Hall	Tucson	40,508 gsf	$ 58/gsf
Phase 1, Yuma Hall	Tucson	40,188 gsf	$ 61/gsf
Phase 2, Maricopa Hall	Tucson	33,410 gsf	$ 125/gsf
Phase 2, Sonora Hall	Tucson	65,536 gsf	$ 67/gsf
Phase 2A, Manzanita/Mohave	Tucson	76,066 gsf	$ 55/gsf
Phase 3 & Phase 4	**Tucson**	**321,815 gsf**	**$ 100/gsf**
Average Comparable Project		639,890 gsf	$ 75/gsf

- Considering these relevant comparable construction costs, the Residence Life Building Renewal Phase 3 and Phase 4 construction cost budget of $100/gsf is considered to be appropriate. Including all required indirect expenses, the resulting initial total project cost is $115/gsf. The restroom facilities to be renovated in these phases are more widely distributed within the buildings than in previous projects; resulting in more piping, ductwork, and finish materials and associated labor per gross square foot of floor area.

- For this Project Approval phase, two cost estimates are being prepared independently by the Construction Manager at Risk and the Architect's estimating consultant. These estimates will then be reconciled together to confirm accurate, competitive scope quantities and unit prices to form the Guaranteed Maximum Price (GMP) for the entire scope of work. The CM's current estimate is made up of roughly 85% subcontractor bid commitments and 15%

EXECUTIVE SUMMARY

estimates prepared by the CM team.

- Once the GMP is agreed upon, the CM is at risk to provide the completed project within that price. All subcontractor work will be awarded on the basis of the lowest responsive and responsible subcontractor bids. A minimum of three subcontractor bids are required except for specialty items or instances where proprietary systems are required, such as for energy management systems and door locks. A final report on project control procedures such as change orders and contingency use will be provided at project completion.

FISCAL IMPACT AND FINANCING PLAN:

- The Residence Life Building Renewal, Phase 3 and Phase 4 estimated project cost is $37.3 million and will be funded by System Revenue bonds with debt service paid from Residence Life Auxiliary Enterprise proceeds.

- The estimated annual debt service for the Residence Life Building Renewal Phase 3 and Phase 4 Project will increase the debt ratio by .11% for ABOR policy and State (A.R.S. 15-1683). The projected highest debt ratio including this project is 5.25% for the upcoming three years as defined in the Capital Improvement Plan.

PROJECT STATUS & SCHEDULE:

- The project is nearing completion of the Construction Documents phase, and the final GMP has been received based on the 90% Construction Documents.

- General construction is scheduled to occur during the summer 2009 and summer 2010 at La Paz Hall and Apache-Santa Cruz Hall. Following completion of the new Sixth Street Residence Halls, the on-site renovation of Coronado Hall will occur from January 2011 through July 2012.

CAPITAL COMMITTEE ACTION:

- The Capital Committee reviewed this item at its July 24, 2008, meeting and recommended Board approval.

RECOMMENDATION:

It is requested that the Board grant Project Approval and a Budget Increase of $15.3 million to The University of Arizona for the Residence Life Building Renewal Phase 3 and Phase 4.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: The University of Arizona **Project Name:** Residence Life Building Renewal Phase 3 and Phase 4

Project Description/Location: Phase 3 focuses on the replacement of plumbing/mechanical systems in Coronado Hall. Phase 4 focuses on the replacement of plumbing/mechanical systems in Apache-Santa Cruz and Colonia de La Paz Halls.

	Project Implementation Approval	Project Approval
Date of Board Action:	September 2006	August 2008
Project Scope:		
Gross Square Feet	321,815	321,815
Net Assignable Square Feet	207,874	207,874
Efficiency Ratio [NASF/GSF]	65%	65%
NASF by Space Type		
Project Schedule (Beginning Month/Year):		
Planning	FY 2005	FY 2005
Design	07/06	10/06
Construction	05/07	05/09
Occupancy	08/08	07/12
Project Budget:		
Total Project Cost	$ 21,870,000	$ 37,268,528
Direct Construction Cost	$ 18,375,000	$ 32,295,079
Total Project Cost per GSF	68	116
Construction Cost per GSF	57	100
Change in Annual Oper./Main. Cost		
Utilities	$ 0	$ 0
Personnel	$ 0	$ 0
Other	$ 0	$ 0
Funding Sources:		
Capital:		
A. Gifts		
Cash	$ 0	$ 0
B. System Revenue Bonds		
Res Life Auxiliary Enterprise Funds	$ 21,870,000	$ 37,268,528
Operation/Maintenance: (Existing)	$ 0	$ 0

NOTE: September 2006 PIA figures shown above included Phase 3A Cochise Hall $700,000 which was funded and completed separately.

EXECUTIVE SUMMARY

Capital Project Budget Summary

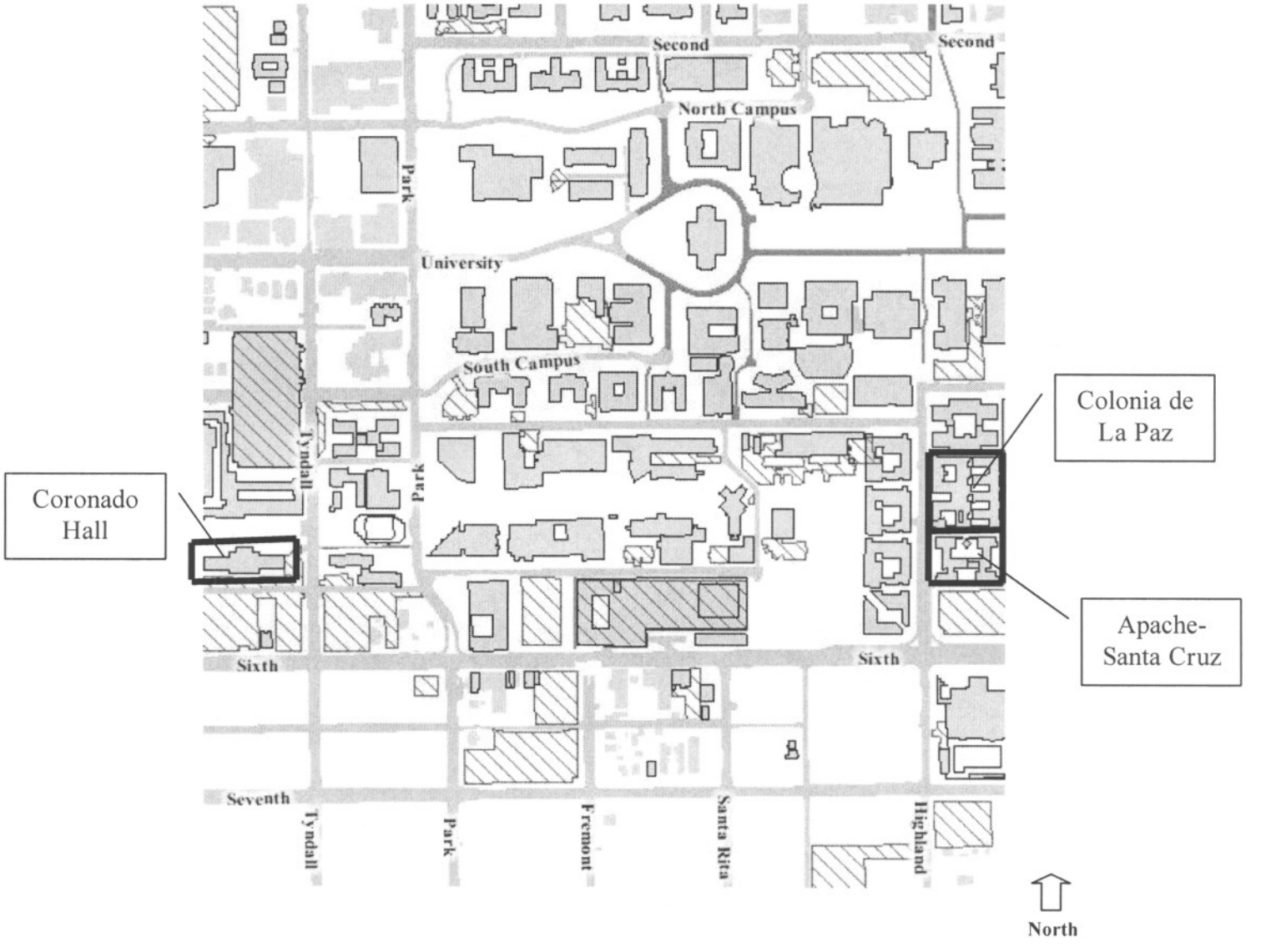
University: The University of Arizona **Project Name:** Residence Life Building Renewal Phase 3 and Phase 4

Note: All percentages shown are of the Subtotal Construction Cost amount.

	Project Implementation Approval Estimate	Project Approval Estimate
Date of Budget Estimate	September 2006	August 2008
1. Land Acquisition	$ 0	$ 0
2. Construction Cost		
A. New Construction		0
B. Renovation	14,400,000	28,198,612
C. Fixed Equipment	0	0
D. Site Development (exclude 2.E.)	0	0
E. Parking & Landscaping	0	0
F. Utilities Extensions	0	0
G. Other (asbestos)	1,400,000	2,804,350
H. Inflation and Market Adjustment (4.0%)	2,575,000	1,292,117
Subtotal Construction Cost	$ 18,375,000	$ 32,295,079
3. Consultant Fees		
A. Construction Manager (0.6%)	172,000	209,696
B. Architect/Engineering Fees (5.5%)	1,140,000	1,776,774
C. Other (Programming, Special Conslt.) (0.0%)	120,000	10,000
Subtotal Consultant Fees	$ 1,432,000	$ 1,996,470
4. Furniture Fixtures and Equipment	0	0
5. Contingency, Design Phase (1.5%)	260,000	480,000
6. Contingency, Construction Phase (5.0%)	1,050,000	1,600,000
7. Parking Reserve	0	0
8. Telecommunications Equipment	0	999
Subtotal Items 4-8	$ 1,310,000	$ 2,080,999
9. Additional University Costs		
A. Surveys and Tests	65,000	190,000
B. Move-in Costs	0	60,000
C. Public Art	0	0
D. Printing/Advertisement	30,000	14,982
E. Univ. Facilities & Project Management (1.3%)	555,000	414,998
F. State Risk Mgt. Ins	103,000	216,000
Subtotal Additional University Costs	$ 753,000	$ 895,980
TOTAL CAPITAL COST	$ 21,870,000	$ 37,268,528

EXECUTIVE SUMMARY

Location Map:



University of Arizona
Business Affairs - Financial Services Office
Debt Service Schedules

Project: Residence Life Building Renewal Phase 3 & 4

Project Cost	$ 37,300,000
Estimated Costs of Issuance	306,959
Estimated Capitalized Interest	0
Gross Debt Funded Project Cost =	$ 37,606,959

Year	Semi Annual Payment	Interest @ 5.22%	Principal	Principal Outstanding
1	-			37,606,959
6/1/2009	981,542	981,542		37,606,959
2	981,542	981,542		37,606,959
6/1/2010	1,933,058	981,542	951,517	36,655,442
Annual payment	2,914,600			
3	956,707	956,707		36,655,442
6/2/2011	1,957,893	956,707	1,001,186	35,654,256
4	930,576	930,576		35,654,256
6/1/2012	1,984,024	930,576	1,053,448	34,600,809
5	903,081	903,081		34,600,809
6/1/2013	2,011,519	903,081	1,108,438	33,492,371
6	874,151	874,151		33,492,371
6/1/2014	2,040,449	874,151	1,166,298	32,326,073
7	843,710	843,710		32,326,073
6/1/2015	2,070,889	843,710	1,227,179	31,098,894
8	811,681	811,681		31,098,894
6/1/2016	2,102,919	811,681	1,291,238	29,807,656
9	777,980	777,980		29,807,656
6/1/2017	2,136,620	777,980	1,358,640	28,449,016
10	742,519	742,519		28,449,016
6/1/2018	2,172,081	742,519	1,429,561	27,019,455
11	705,208	705,208		27,019,455
6/1/2019	2,209,392	705,208	1,504,184	25,515,270
12	665,949	665,949		25,515,270
6/1/2020	2,248,651	665,949	1,582,703	23,932,567
13	624,640	624,640		23,932,567
6/1/2021	2,289,960	624,640	1,665,320	22,267,247
14	581,175	581,175		22,267,247
6/1/2022	2,333,425	581,175	1,752,250	20,514,998
15	535,441	535,441		20,514,998
6/1/2023	2,379,159	535,441	1,843,717	18,671,281
16	487,320	487,320		18,671,281
6/1/2024	2,427,280	487,320	1,939,959	16,731,322
17	436,687	436,687		16,731,322
6/1/2025	2,477,912	436,687	2,041,225	14,690,097
18	383,412	383,412		14,690,097
6/1/2026	2,531,188	383,412	2,147,777	12,542,320
19	327,355	327,355		12,542,320
6/1/2027	2,587,245	327,355	2,259,891	10,282,429
20	268,371	268,371		10,282,429
6/1/2028	2,646,229	268,371	2,377,857	7,904,572
21	206,309	206,309		7,904,572
6/1/2029	2,708,291	206,309	2,501,981	5,402,590
22	141,008	141,008		5,402,590
6/1/2030	2,773,592	141,008	2,632,585	2,770,006
23	72,297	72,297		2,770,006
6/1/2031	2,842,303	72,297	2,770,006	(0)
	65,102,740	27,495,781	37,606,959	

STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: September 25, 2008

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

THRU: Richard Stavneak, Director

FROM: Eric Jorgensen, Principal Fiscal Analyst

SUBJECT: University of Arizona – Enterprise Systems Replacement (Mosaic) Project -- Agency Request (Information Only)

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. The University of Arizona (UA) requests Committee review of its proposed Enterprise Systems Replacement Project to be financed with a $33.3 million system revenue bond issuance.

Recommendation

The Chairman has scheduled this item for information only and does not plan to take a vote at this meeting. The Chairman is seeking further information on the Governor's plans to resolve the FY 2009 budget shortfall and whether the funding associated with this particular agenda item could be part of the solution.

At the time the vote is taken, the Committee has at least the following 2 options:

1. A favorable review, with the standard university financing provisions (listed below).

2. An unfavorable review. Redirecting indirect cost recovery funds could be viewed as a means to reduce FY 2009 budget shortfalls. UA proposes to use these funds to fund most of the project.

Standard University Financing Provisions

- UA shall report to the Committee before expenditure of any allocations that exceed the greater of $500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. UA shall also report to the Committee before any reallocation exceeding $500,000 among the individual planned project components.

- UA shall submit for Committee review any allocations that exceed the greater of $500,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, UA may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.

(Continued)

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

Analysis

In July 2008, UA began its "Mosaic" project to replace its major computer systems, including its financial, research administration, student and human resources/payroll systems. These systems will be replaced with "off-the-shelf" products that will be customized and integrated with each other and other existing systems. The project also includes new software for "Business Intelligence," which would allow increased access to data stored in the systems.

UA estimates the useful life of these new systems at 15 to 20 years. Their current systems have been in place between 20 and 26 years. While the current technology is at the end of its expected life, the existing systems do appear to be in usable form. JLBC Staff has asked UA for additional justification for proceeding with the project at the present time.

Based on UA's budget documents, excluding ongoing costs, the start-up and development costs are about $46.6 million. This amount includes a contingency of $9.1 million. This cost is similar to the cost of the enterprise system replacement project conducted over the past 7 years by the Arizona State Retirement System at $46.5 million.

UA has attempted to ensure their estimates provided to the Committee are reasonable by utilizing an independent consultant with experience in similar projects. At this time, the project has an anticipated completion date of June 2012.

Financing

The financed amount includes $271,500 for issuance costs and $33.0 million for project costs. UA plans on issuing the Aa3/AA rated system revenue bonds in 2 series in November 2008 and July 2009 with an estimated 4.8% annual interest rate and a term of 15 years. While UA uses a single fixed rate as the estimate, they have stated that they may issue some or all of the bonds with a variable rate. The university estimates an average annual debt service cost of $3.3 million with a 15-year total cost of $47.1 million.

The financed portion of the project will be funded from 2 separate revenue streams, with $1.7 million annually, or 50% of the debt service, coming from UA's Indirect Cost Recovery Fund. The remaining $1.7 million will come from an administrative services charge. JLBC Staff has asked for clarification on the source of the administrative services charge.

Including operating costs, UA estimates the total 5-year project cost at $89.4 million. The non-financed $56.1 million would be paid from various revenue sources including tuition, indirect cost recovery, investment income, administrative service charges and other funds over the course of 5 years. This includes the first 2 years of ongoing operational costs, estimated at $9.6 million annually. Ongoing operating costs include annual software licensing fees and upgrades, training, and additional technical and business staff.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The $33.3 million system revenue bond issuance would increase the UA debt ratio from 5.96% to 6.05%.

RS/EJ:sls

Senior Vice President
for Business Affairs

THE UNIVERSITY OF
ARIZONA.
TUCSON ARIZONA

Administration Building
Tucson, Arizona 85721
(520) 621-5977
FAX: (520) 621-7714

September 11, 2008

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

Subject: University of Arizona: Sixth Street Residence Halls Project
Residence Life Building Renewal, Phase 3 and Phase 4
Mosaic Enterprise Systems Replacement Project
Photovoltaic Arrays CREB Program Project

Dear Chairman Pearce:

On behalf of the Arizona Board of Regents (ABOR), I respectfully request that the above referenced projects for the University of Arizona be placed on the next available agenda for the Joint Committee on Capital Review.

The Arizona Board of Regents approved these projects on the dates indicated in the attached submittals. The Project Approval submittals and debt service schedules, which together should provide the required information, are attached for your review.

Please note that the two Residence Halls projects are greatly needed to provide housing for the increasing student population. These projects are funded from auxiliary revenues of the UA Residence Life Department, and will not impact the State's General Fund or tuition rates.

If you require additional information, please don't hesitate to call me at (520) 621-5977. Thank you for your assistance.

Sincerely,

Joel D. Valdez
Sr. Vice President for Business Affairs

JDV/jc

Attachments (4)

cc: President Robert Shelton
Joel Sideman
Greg Fahey
Lorenzo Martinez
Charles Ingram
Bob Smith

University of Arizona
Business Affairs - Financial Services Office
Summary of Project Debt Financing and Debt Service Information

9/11/2008

	Residence Life Building Renewal Phase 3 & 4	Sixth Street Residence Halls Project	Mosaic Enterprise Systems Replacements	Photovoltaic Arrays Project	Total
Debt Issuance:					
Anticipated Financing Method	System Revenue Bonds	System Revenue Bonds	System Revenue Bonds	Capital Lease	
Project Cost	37,300,000	159,300,000	33,000,000	2,261,000	231,861,000
Estimated Costs of Issuance	306,959	1,511,618	271,538	20,000	2,110,115
Estimated Capitalized Interest		24,396,561			24,396,561
Estimated Issuance Amount	$37,606,959	$185,208,179	$33,271,538	$2,281,000	$258,367,677
Estimated Interest Rate	5.22%	5.27%	4.76%	7.71%*	
Payment term	23	30	15	15	
Fund source for debt payment	Auxilliary Funds	Auxilliary Funds	Local Funds	Local Funds	
Annual debt service (by fund source) Auxilliary Funds Local Funds Federal Tax credit to the Lessor	$2.9 million	$13 million	$3.3 million	$142,000 $130,000	
Total debt service (by fund source) Auxilliary Funds Local Funds Federal Tax credit to the Lessor	$65.1 million	$375.7 million	$47.1 million	$2.7 million $1.2 million	
Date of Issuance	November-08	November-08	November-08	October-08	
Bond Rating: Moody's S & P	 Aa3 AA	 Aa3 AA	 Aa3 AA	 A1 ** AA-**	
Debt Ratio:					
Current Debt Ratio (Beginning)	5.14%				
Ratio After Project (incremental)	0.10%	0.72%	0.09%	N/A ***	
Total Debt Ratio	5.24%	5.96%	6.05%	N/A ***	

* Interest rate consists of two components, CREBs treasury rate and supplemental rate assess by the lessor.
** UA's Certificates of Participation (COPs) underlying rating is utiized by lessor for capital leases.
*** The Photovoltaic Arrays Project will be acquired through a capital lease, therefore debt ratio calculation is not applicable per A.R.S. 15-1683

EXECUTIVE SUMMARY

ACTION ITEM: Issuance of System Revenue Bonds (SRBs) to Finance a Portion of the Enterprise Systems Replacement (Mosaic) Project Budget

ISSUE:

The University of Arizona (UA) seeks Board authorization to sell one or more series of SRBs sufficient to finance (a) a portion of the Mosaic Project budget and (b) the costs of issuance of the SRBs , and payments under related interest rate lock agreements if any, and to take related actions, to enter into necessary agreements, and to execute related documents, including bond insurance, reserve fund surety bonds and bond purchase, liquidity, interest rate swap, rate lock, and continuing disclosure agreements.

BACKGROUND:

On April 23 and April 24, 2008, the Technology Oversight Committee and full Board approved the UofA's request to replace our suite of administrative applications. This project will replace all four of the University major systems: Financials, Research Administration, Student, and Human Resources/Payroll. This will affect many support and peripheral systems as well. We will replace the Student and Human Resources/Payroll components with PeopleSoft Version 9.0. The Financials and Research Administration modules will be replaced with the Kuali suites. Budgeting functionality will be integrated with PeopleSoft and Kuali, and supplemented by a Budget Modeling application. Along with replacing the core administration systems, a substantial investment will be made in Business Intelligence both to adapt to changing administrative systems and to greatly expand the availability of business information to managers and executives.

The estimated total cost for the Enterprise Systems Replacement Project (Mosaic Project) is $89 million. The project will be funded mainly from enrollment growth revenues and local funds, i.e. indirect costs, investment income and/or administrative service charges. The UA is seeking authorization to finance $33 million of the total $89 million project budget from SRBs. The UA anticipates funding debt service from local funds.

Previous Board Actions:

Project Approval: April 2008

The UA will present this project to JCCR for review prior to the sale of the SRBs.

FINANCING PLAN:

The UA intends to finance the projects described above by selling SRBs to produce sufficient proceeds to finance (a) a portion of the project budgets not exceeding $33 million and (b) the costs of issuance of the SRBs and payments under related interest rate lock agreements if any. The UA expects that the SRBs would mature over a period ending not later than June 2025.

EXECUTIVE SUMMARY

Depending upon market conditions at the time of sale, the UA may issue all or a portion of the financing as variable rate SRBs. The UA has benefited in recent years from low fixed interest rates on its borrowings, and also has had a favorable experience with variable rate borrowings for various projects. The UA also may consider entering into interest rate exchange (swap) agreements simultaneously with the issuance of variable rate SRBs or at a later date, producing a "synthetic fixed rate" obligation for the UA at a debt service cost that may be lower than directly issuing fixed-rate SRBs to the market, or "interest rate lock" agreements to secure beneficial interest rates for the future delivery of these SRBs. Any SRBs not issued as variable rate would be issued as fixed rate obligations.

The UA will be called upon to enter into various agreements in connection with the SRBs, such as bond insurance for the SRBs, reserve fund surety bonds, rate lock and bond purchase agreements, and if UA decided to issue variable rate SRBs, liquidity agreements and possibly interest rate swap agreements.

Debt Ratio Impact. The estimated annual debt service is $3.4 million assuming a 6% interest rate with 15 years maturity. The annual debt service would increase the UA's debt ratio by .12%. The projected highest debt ratio is 6.05 % for the upcoming three years.

Marketing of SRBs; Timing. All SRBs would be sold at current market rates at the time of pricing unless the interest rates have been secured previously through a rate lock mechanism. Fixed rate SRBs would not exceed a yield of 7.5% per annum and initial rates on variable rate SRBs would not exceed 6.0% per annum. The UA expects that the SRBs will be marketed and sold with multiple issues throughout Fiscal Years 2008-09 and 2009-10 in order to meet the Enterprise Systems implementation cash flow requirements.

The UA intends to utilize its current bond counsel, Squire, Sanders & Dempsey L.L.P., and its current financial advisor, RBC Capital Markets in conjunction with the proposed financing. The SRBs would be marketed and sold on a negotiated basis to one or more investment banking firms.

The action being requested would authorize the UA to execute these financings within the parameters set by the Board.

RECOMMENDATION:

It is requested that The University of Arizona be, and hereby is, authorized to sell one or more series of SRBs to produce sufficient proceeds to finance not exceeding $33 million for a portion of the Mosaic Project and to pay the costs of issuance of the SRBs and payments under related interest rate lock agreements if any, to take related actions, to enter into necessary agreements, and to execute documents -- contingent upon JCCR favorable review of the Mosaic Project.

CONTACT: Michele Norin, Chief Information Officer (520)621-5972 norin@arizona.edu

University of Arizona
Business Affairs - Financial Services Office
Debt Service Schedules

Project: Mosaic Enterprise Replacement

Project Cost	$ 33,000,000
Estimated Costs of Issuance	271,538
Estimated Capitalized Interest	0
Gross Debt Funded Project Cost =	$ 33,271,538

Year	Semi Annual Payment	Interest @ 4.76%	Principal	Principal Outstanding
1	-			33,271,538
6/1/2009	791,863	791,863		33,271,538
2	791,863	791,863		33,271,538
6/1/2010	2,517,981	791,863	1,726,119	31,545,419
Annual payment	3,309,844			
3	750,781	750,781		31,545,419
6/2/2011	2,559,063	750,781	1,808,282	29,737,137
4	707,744	707,744		29,737,137
6/1/2012	2,602,100	707,744	1,894,356	27,842,781
5	662,658	662,658		27,842,781
6/1/2013	2,647,186	662,658	1,984,528	25,858,254
6	615,426	615,426		25,858,254
6/1/2014	2,694,417	615,426	2,078,991	23,779,263
7	565,946	565,946		23,779,263
6/1/2015	2,743,897	565,946	2,177,951	21,601,312
8	514,111	514,111		21,601,312
6/1/2016	2,795,733	514,111	2,281,621	19,319,690
9	459,809	459,809		19,319,690
6/1/2017	2,850,035	459,809	2,390,227	16,929,464
10	402,921	402,921		16,929,464
6/1/2018	2,906,923	402,921	2,504,001	14,425,462
11	343,326	343,326		14,425,462
6/1/2019	2,966,518	343,326	2,623,192	11,802,270
12	280,894	280,894		11,802,270
6/1/2020	3,028,950	280,894	2,748,056	9,054,214
13	215,490	215,490		9,054,214
6/1/2021	3,094,354	215,490	2,878,863	6,175,351
14	146,973	146,973		6,175,351
6/1/2022	3,162,871	146,973	3,015,897	3,159,454
15	75,195	75,195		3,159,454
6/1/2023	3,234,649	75,195	3,159,454	0
	47,129,677	13,858,139	33,271,538	

STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: September 25, 2008

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

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Principal Fiscal Analyst

SUBJECT: University of Arizona – Energy Bonds -- Agency Request (Information Only)

Request

A.R.S. § 15-1682.02 requires Committee review of any university projects using indirect debt financing (also known as third party financing). The University of Arizona (UA) requests Committee review of their proposal to enter into a capital lease agreement with General Electric (GE) Government Finance Inc., or another third party financing company, through a Request for Proposal (RFP) process. GE will issue $2.3 million in Clean Renewable Energy Bonds (CREBs) on behalf of UA in order for them to purchase renewable energy generation equipment.

Recommendation

The Chairman has scheduled this item for information only and does not plan to take a vote at this meeting. The Chairman is seeking further information on the Governor's plans to resolve the FY 2009 budget shortfall and whether the funding associated with this particular agenda item could be part of the solution.

At the time the vote is taken, the Committee has at least the following 2 options:

1. A favorable review.

2. An unfavorable review. Redirecting indirect cost recovery funds could be viewed as a means to reduce the FY 2009 budget shortfall. UA proposes to use these funds to make the annual debt service payments.

Under either option, JLBC Staff recommends that this does not constitute endorsement of any level of General Fund appropriations for purchase of the energy equipment, the annual debt service payments, or any operations and maintenance costs when the project is complete.

(Continued)

At its June 2008 meeting, the Committee favorably reviewed Arizona State University's (ASU) Energy Performance Contract proposal. Up for review and approval at this meeting is an Energy Performance Contract for the Arizona Department of Corrections. With an Energy Performance Contract, a non-profit organization issues debt for the agency in order for them to purchase energy conservation equipment. The non-profit has the fiscal obligation of paying the annual debt service payments through annual utility cost avoidances so the state is not responsible for the debt service.

In comparison, UA is proposing to enter into a contract in which the third party will issue debt on their behalf for them to purchase energy conservation equipment, but UA is responsible for the principal portion of the annual debt service payments and also a small portion of the interest payments. The reason UA is not proposing an Energy Performance Contract is because the estimated annual utility cost avoidances are not great enough to cover the annual debt service payments.

Analysis

Through an RFP process, GE was selected by UA to be their financing institution for capital leases. The vendor is eligible to issue CREBs through the Federal Energy Policy Act created by the federal government in 2005 because they are a cooperative electric company. The goal of this program is to provide subsidies for government entities to invest in renewable energy generation such as solar energy.

The university's College of Agriculture and Life Sciences in cooperation with their energy consultant, Arizona Public Service Energy Services Company, Inc., submitted 6 proposals to the federal government in July 2007 requesting to secure CREBs for 6 of their facilities, and the federal government granted all 6 applications. According to UA, they are pursuing this project to promote a positive environmental stewardship regarding renewable energy, reduce their overall carbon footprint, educate the student body regarding solar photovoltaic systems, and facilitate the development of solar energy through research and local partnerships.

It is estimated that these improvements will collectively generate $45,000 in annual utility savings at all 6 sites. The average annual electrical utility cost at 5 of the 6 facilities is currently $126,400 (the 6th facility has not been constructed yet).

Construction Costs

UA plans on purchasing $2.3 million worth of renewable energy generation equipment to install at 6 various Agricultural Centers located around the state. The equipment that will be purchased are integrated solar panels electric producing units (also known as photovoltaic arrays), which will convert solar energy into direct current energy. Support frames, electrical cabling, metering, and inverters will also be purchased to convert the direct current energy into useable alternating current electricity. Construction is expected to be completed in April 2009. The following shows the cost for each center along with its location:

• Red Rock Agricultural Center (Marana)	$ 703,500
• Maricopa Agricultural Center (Maricopa)	314,900
• Veterinary Diagnostic Lab (Tucson)	381,200
• Campus Agricultural Center (Tucson)	396,600
• Groseta Education Center (Camp Verde)	87,600
• Yuma Agricultural Center (Yuma)	376,900
	$2,260,700

According to the university, the electrical usage and needs of each facility was reviewed and outside vendors were invited to submit cost estimates for each project in order to form each project's budget.

(Continued)

Financing

The private vendor will issue $2.3 million in CREBs on behalf of UA in order for them to purchase renewable energy generation equipment. The federal CREBs financing program allows the vendor to charge UA a small portion of the interest rate they would receive. The vendor is expecting to receive an interest rate of 7.7% for this proposal of which UA will be responsible for 2%. If UA were to use traditional capital financing instead, they would expect to receive an interest rate of almost 4% higher than the 2% rate. The vendor is responsible for paying their 5.7% portion of the interest rate, but this cost will be fully offset through a federal tax credit because CREBs are a form of "tax credit' bonds.

The $2.3 million CREBs issuance would be tax-exempt and includes $20,000 in issuance costs. This financing does not count against the university's debt ratio since the debt would not be incurred by the university. The term of the bond is for 15 years, and UA is responsible for 2% of the total interest rate. UA will purchase and hold title of the equipment, and the vendor will have a security interest in the equipment until the lease is paid off.

UA's total interest over the 15-year period would be about $419,000, which means total principal and total interest would equal $2.7 million. Annual debt service payments owed by UA to the vendor would be $186,200 and would be paid for by UA's indirect cost recovery funds, which are the costs of providing overhead and supporting services in administering federal grants and contracts. The vendor will annually pay about $82,500 in interest payments, or a total of $1.2 million over the life of the bond, which will be offset through annual tax credits.

RS/LMc:sls

Senior Vice President
for Business Affairs

THE UNIVERSITY OF
ARIZONA.
TUCSON ARIZONA

Administration Building
Tucson, Arizona 85721
(520) 621-5977
FAX: (520) 621-7714

September 11, 2008

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

Subject: University of Arizona: Sixth Street Residence Halls Project
Residence Life Building Renewal, Phase 3 and Phase 4
Mosaic Enterprise Systems Replacement Project
Photovoltaic Arrays CREB Program Project

Dear Chairman Pearce:

On behalf of the Arizona Board of Regents (ABOR), I respectfully request that the above referenced projects for the University of Arizona be placed on the next available agenda for the Joint Committee on Capital Review.

The Arizona Board of Regents approved these projects on the dates indicated in the attached submittals. The Project Approval submittals and debt service schedules, which together should provide the required information, are attached for your review.

Please note that the two Residence Halls projects are greatly needed to provide housing for the increasing student population. These projects are funded from auxiliary revenues of the UA Residence Life Department, and will not impact the State's General Fund or tuition rates.

If you require additional information, please don't hesitate to call me at (520) 621-5977. Thank you for your assistance.

Sincerely,

Joel D. Valdez
Sr. Vice President for Business Affairs

JDV/jc

Attachments (4)

cc: President Robert Shelton
Joel Sideman
Greg Fahey
Lorenzo Martinez
Charles Ingram
Bob Smith

University of Arizona
Business Affairs - Financial Services Office
Summary of Project Debt Financing and Debt Service Information

9/11/2008

	Residence Life Building Renewal Phase 3 & 4	Sixth Street Residence Halls Project	Mosaic Enterprise Systems Replacements	Photovoltaic Arrays Project	Total
Debt Issuance:					
Anticipated Financing Method	System Revenue Bonds	System Revenue Bonds	System Revenue Bonds	Capital Lease	
Project Cost	37,300,000	159,300,000	33,000,000	2,261,000	231,861,000
Estimated Costs of Issuance	306,959	1,511,618	271,538	20,000	2,110,115
Estimated Capitalized Interest		24,396,561			24,396,561
Estimated Issuance Amount	$37,606,959	$185,208,179	$33,271,538	$2,281,000	$258,367,677
Estimated Interest Rate	5.22%	5.27%	4.76%	7.71%*	
Payment term	23	30	15	15	
Fund source for debt payment	Auxilliary Funds	Auxilliary Funds	Local Funds	Local Funds	
Annual debt service (by fund source) Auxilliary Funds Local Funds Federal Tax credit to the Lessor	$2.9 million	$13 million	$3.3 million	$142,000 $130,000	
Total debt service (by fund source) Auxilliary Funds Local Funds Federal Tax credit to the Lessor	$65.1 million	$375.7 million	$47.1 million	$2.7 million $1.2 million	
Date of Issuance	November-08	November-08	November-08	October-08	
Bond Rating: Moody's S & P	 Aa3 AA	 Aa3 AA	 Aa3 AA	 A1 ** AA-**	
Debt Ratio:					
Current Debt Ratio (Beginning)	5.14%				
Ratio After Project (incremental)	0.10%	0.72%	0.09%	N/A ***	
Total Debt Ratio	5.24%	5.96%	6.05%	N/A ***	

* Interest rate consists of two components, CREBs treasury rate and supplemental rate assess by the lessor.
** UA's Certificates of Participation (COPs) underlying rating is utiized by lessor for capital leases.
*** The Photovoltaic Arrays Project will be acquired through a capital lease, therefore debt ratio calculation is not applicable per A.R.S. 15-1683

EXECUTIVE SUMMARY

ACTION ITEM: **Approval for Authority to Enter into a Capital Lease Agreement with a Third-Party to Finance the Photovoltaic Arrays Project Using Clean Renewable Energy Bonds (UA)**

ISSUE:

- The UA seeks Board authorization to enter into a capital lease agreement with the University's master lease agreement vendor G.E. Government Finance, Inc., or another third party financing company through a Request for Proposal (RFP) process to produce sufficient proceeds to finance (a) not to exceed $2.27 million of CREBs financing for the Photovoltaic Arrays Project and (b) to pay the costs associated with the capital lease, (c) and to take related actions, to enter into necessary agreements, and to execute related documents.

- The University of Arizona plans to install six small photovoltaic projects at various College of Agriculture and Life Sciences (CALS) extension/research locations around the state. These projects will be financed through the federal CREBs financing program discussed below.

- The University brings these projects to the Board's attention because, although each installation is below the Board approval requirement, they are being financed for a total of approximately $2.261 million and may or may not be awarded to a single vendor.

BACKGROUND:

- Clean Renewable Energy Bonds were created as part of the Federal Energy Policy Act of 2005. Its goal was to provide a subsidy for municipal and other government entities to invest in renewable energy generation. The bonds are "tax credit bonds" in which all or most of the interest is paid for by the Federal Government in the form of tax credits.

- Qualified borrowers are mutual or cooperative electric companies, state and local government and Indian Tribal government. Qualified projects are defined under Section 45 of the U.S. Tax Code to include wind facilities, closed-loop biomass, open-loop biomass, solar energy, qualified hydro facilities, small irrigation facilities, geothermal energy, landfill gas, trash combustion, and refined coal production. The borrowing for the facility is usually evidenced by a lease purchase agreement under which the lender receives the tax credit and an additional nominal interest rate (e.g. 1.0%).

Contact: Joel D. Valdez, Senior Vice President for Business Affairs, (520) 621-5977, jdvaldez.arizona.edu

EXECUTIVE SUMMARY

- In July 2007, the College of Agriculture and Life Sciences in cooperation with the Energy Consultant APSES submitted six (6) proposals to secure an allocation of CREBs financing for six integrated solar panels electric producing units (photovoltaic arrays) for various Agricultural Centers located around the state. The federal government granted all six applications.

PROJECT DESCRIPTION AND SCOPE:

This project will install solar photovoltaic systems totaling 270 kilowatt (kW) at the following CALS facilities; Red Rock Agricultural Center (100 kW); Maricopa Agricultural Center (40 kW); Veterinary Diagnostic Lab (40 kW); Campus Agricultural Center (40 kW); Groseta Education Center (10 kW); and Yuma Agricultural Center (40 kW). These systems will produce over 4 million kilowatt hours of electrical energy per year with an anticipated value of $45,000 at current utility rates. As the cost of electrical energy is expected to rise then the value of the solar photovoltaic energy produced will rise accordingly, thereby realizing greater reductions in annual expenditures.

ADDITIONAL PROJECT CONSIDERATIONS:

This project will help demonstrate the University's commitment to sustainability on a number of levels including: promoting a positive environmental stewardship regarding renewable energy; reducing the University's overall carbon foot print; providing an opportunity to educate the student body regarding solar photovoltaic systems by utilizing specific installations for teaching and research purposes; and helping facilitate the development of solar energy through research and local partnerships.

PROJECT DELIVERY METHOD AND PROCESS:

These projects will be individually delivered utilizing Alternative Project Delivery Methods (APDM) or individual competitive bids as may be appropriate. This approach was selected to provide the University with a number of suitably qualified solar-electric vendors and equipment types.

PROJECT COSTS:

- The total project estimate for the six installations is $2.261 million of which approximately $1.0 million is the anticipated cost of the photovoltaic panels.

EXECUTIVE SUMMARY

- The project budgets for the six proposed facilities are as follows:

Red Rock Agricultural Center (100 kW)	$703,455
Maricopa Agricultural Center (40 kW)	$314,887
Veterinary Diagnostic Lab (40 kW)	$381,228
Campus Agricultural Center (40 kW)	$396,557
Groseta Education Center (10 kW)	$87,568
Yuma Agricultural Center (40 kW)	$376,896

- Project budgets were based on studies conducted at each facility and take into consideration the characteristics and challenges of each site.

FISCAL IMPACT AND FINANCING PLAN:

The maturity of the capital lease will be 15 years. The interest rate on the capital lease consists of two components, the published treasury rate (5.71% on July 7, 2008) and the supplemental interest rate imposed by the third party financing company to achieve their minimum return. Assuming the supplemental interest is 2%, the total annual lease payment is estimated to be approximately $252,500.

The treasury interest rate cost of the lease payment is estimated to be approximately $1.13 million for the term of the lease. This amount will be funded by a federal government tax credit that the third party financing company is eligible for, and the UA will not be responsible for this payment. Therefore, the UA is only obligated to repay the principal of $2.27 million and the supplemental interest rate cost, which is estimated to be $454,000 for the term of the lease, for a total of $2.274 million. Funding for the UA's portion of the lease payment will be from local funds.

PROJECT STATUS & SCHEDULE:

The RFP process is expected to be completed by September 2008 and general construction is scheduled to be completed by April 2009.

RECOMMENDATION:

It is requested that The University of Arizona be, and hereby is, authorized to enter into a capital lease agreement with the University's master lease agreement vendor G.E. Government Finance, Inc., or another third party financing company to obtain Clean Renewable Energy Bonds (CREBs) financing for a photovoltaic arrays project, not exceeding $2.27 million and to pay the costs associated with the capital lease, and to take related actions, to enter into necessary agreements and to execute documents contingent upon favorable review by JCCR.

University of Arizona
Business Affairs - Financial Services Office
Debt Service Schedules

Project: CREB Photovoltaic Arrays

Project Cost	$ 2,261,000
Estimated Costs of Issuance	20,000
Estimated Capitalized Interest	0
Gross Debt Funded Project Cost	$ 2,281,000

Year		Semi Annual Payment	UA Total Principal & Interest Payment	Tax Credit to Financing Co. Interest @ 5.71%	UA Interest @ 2.00%	Total Interest Payment	UA Principal Payment	Principal Outstanding
1		-						2,281,000
6/1/2009	1	87,933	22,810	65,123	22,810	87,933		2,281,000
2		87,933	22,810	65,123	22,810	87,933		2,281,000
6/1/2010	2	184,103	118,980	65,123	22,810	87,933	96,170	2,184,830
First year payment		272,035	141,790	130,245				
3		84,225	21,848	62,377	21,848	84,225		2,184,830
6/2/2011	3	187,810	125,433	62,377	21,848	84,225	103,585	2,081,245
4		80,232	20,812	59,420	20,812	80,232		2,081,245
6/1/2012	4	191,803	132,384	59,420	20,812	80,232	111,571	1,969,673
5		75,931	19,697	56,234	19,697	75,931		1,969,673
6/1/2013	5	196,105	139,870	56,234	19,697	75,931	120,174	1,849,500
6		71,298	18,495	52,803	18,495	71,298		1,849,500
6/1/2014	6	200,737	147,934	52,803	18,495	71,298	129,439	1,720,060
7		66,308	17,201	49,108	17,201	66,308		1,720,060
6/1/2015	7	205,727	156,619	49,108	17,201	66,308	139,419	1,580,642
8		60,934	15,806	45,127	15,806	60,934		1,580,642
6/1/2016	8	211,102	165,974	45,127	15,806	60,934	150,168	1,430,474
9		55,145	14,305	40,840	14,305	55,145		1,430,474
6/1/2017	9	216,891	176,051	40,840	14,305	55,145	161,746	1,268,728
10		48,909	12,687	36,222	12,687	48,909		1,268,728
6/1/2018	10	223,126	186,904	36,222	12,687	48,909	174,217	1,094,511
11		42,193	10,945	31,248	10,945	42,193		1,094,511
6/1/2019	11	229,842	198,594	31,248	10,945	42,193	187,649	906,863
12		34,960	9,069	25,891	9,069	34,960		906,863
6/1/2020	12	237,076	211,185	25,891	9,069	34,960	202,116	704,746
13		27,168	7,047	20,121	7,047	27,168		704,746
6/1/2021	13	244,867	224,747	20,121	7,047	27,168	217,699	487,047
14		18,776	4,870	13,905	4,870	18,776		487,047
6/1/2022	14	253,260	239,355	13,905	4,870	18,776	234,484	252,563
15		9,736	2,526	7,211	2,526	9,736		252,563
6/1/2023	15	262,299	255,088	7,211	2,526	9,736	252,563	(0)
		3,896,429	2,700,048	1,196,381	419,048	1,615,429	2,281,000	
Avg. annual payment		268,719	186,210	82,509	28,900	111,409	157,310	

STATE OF ARIZONA

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PHIL LOPES
DAVID LUJAN
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DATE: September 25, 2008

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

THRU: Richard Stavneak, Director

FROM: Leah Kritzer, Fiscal Analyst

SUBJECT: Arizona State University - Interdisciplinary Science and Technology Building 4 Bond Project -- Agency Request (Information Only)

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Arizona State University (ASU) requests Committee review of its proposed Interdisciplinary Science and Technology Building 4 to be financed with a $185.0 million system revenue bond issuance.

Recommendation

The Chairman has scheduled this item for information only and does not plan to take a vote at this meeting. The Chairman is seeking further information on the Governor's plans to resolve the FY 2009 budget shortfall and whether the funding associated with this particular agenda item could be part of the solution.

At the time the vote is taken, the Committee has at least the following 2 options:

1. A favorable review, with the standard university financing provisions (listed below).

2. An unfavorable review. Redirecting indirect cost recovery and tuition funds could be viewed as a means to reduce the FY 2009 budget shortfall. ASU proposes to use these funds to make over half of the annual debt service payments.

Standard University Financing Provisions

- ASU shall report to the Committee before expenditure of any allocations that exceed the greater of $500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. ASU shall also report to the Committee before any reallocation exceeding $500,000 among the individual planned renovations, renewals, or extensions.

(Continued)

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

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

Analysis

ASU plans to construct a new 293,000 square foot, 8-level, Interdisciplinary Science and Technology Building on its Main Campus to house the School of Earth and Space Exploration, a number of Fulton School of Engineering research programs, and certain research units from the College of Liberal Arts and Sciences. The School of Earth and Space Exploration includes earth and planetary scientists and astronomers. The building would also include environmental engineering, energy research, and various chemistry and bioscience research programs. ASU states that these research areas will provide the university with the capacity to win funding for large scale interdisciplinary projects in the areas of climate science, energy sources, and earth systems that require specific infrastructure needs not readily available on its campus.

The proposed project will consist of lab space, offices, and a 250-seat auditorium and gallery area. The auditorium space will be used for university classrooms, K-12 educational programs, and for-profit public events. The building will include 73 dry lab modules, 81 wet lab modules, 15 general purpose lab modules, and 60 faculty offices for approximately 360 research assistant and graduate students, 60 faculty members, and 120 post-doctoral students.

Financing

The total cost for the project is $187.0 million, with $2.0 million for issuance costs and $185.0 million for project costs. ASU plans on issuing Aa3/AA rated system revenue bonds for the project in the spring or summer of 2009 with an estimated 5.5% annual interest rate and a term of 30 years. The university estimates an average annual debt service cost of $12.9 million with a 30-year total cost of $386.0 million.

The building will be funded from 4 separate revenue streams, with $6.6 million, or 51%, annually coming from ASU's Indirect Cost Recovery Fund. In FY 2008, ASU received approximately $41.2 million from that fund. ASU indicates that indirect cost recovery revenues have grown 76% from FY 2003 to FY 2008. The remaining annual revenue consists of $2.5 million from the Proposition 301 Technology Research Initiative Fund, $2.3 million from tuition revenues, and $1.5 million from other local revenues.

ASU plans on requesting state General Fund monies for estimated annual operating and maintenance costs of $4.0 million when the project is completed in November 2010. ASU noted that they have the ability to cover these costs with projected indirect costs if state funds are not available.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The $187.0 million system revenue bond issuance would increase the ASU debt ratio from 5.7% to 6.41%. As a measure of overall debt, however, the ratio's usefulness is limited since the recent $1 billion in lottery debt financing was statutorily exempt from the calculation.

(Continued)

Construction Costs

Total project costs are estimated at $185.0 million, which includes direct construction costs, architect fees, furniture and equipment costs, and contingency fees. The direct construction costs total $134.0 million, which includes construction labor and material costs only. The total cost per square foot for the building would be $631 and a direct construction cost per square foot of $457. In comparison, the 2005 Science Building had a direct construction cost of $300 per square foot. ASU notes that the higher cost reflects increases in construction goods and services. Inflation probably cannot totally explain, however, a 50% increase in per square foot cost since 2005.

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

RS/LK:ss

ASU
ARIZONA STATE UNIVERSITY

September 11, 2008

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

Dear Representative Pearce:

In accordance with ARS 15-1683, the Arizona Board of Regents requests that the following bond financed project for ASU be placed on the next (October 2, 2008) Joint Committee on Capital Review Agenda for review:

Interdisciplinary Science and Technology Building 4

Enclosed is pertinent information relating to this project.

This project is scheduled for review and approval by the Board of Regents on September 26, 2008. The Regents' Capital Committee recommended that the Board grant project approval at its September 3, 2008 meeting. If this project should not be approved by the Regents on September 26th, the request for JCCR review will be withdrawn until Regents' approval has been received.

If you have any questions or desire any clarification on the enclosed material, please contact me at (480) 727-8307.

Sincerely,

Richard Stanley
Senior Vice President and University Planner

Enclosures

c: Richard Stavneak, Director, JCCR
Joel Sideman, Executive Director, Arizona Board of Regents
Sandra Woodley, CFO, Arizona Board of Regents
Lorenzo Martinez, Assist. Exec. Dir. for Capital Resources, Arizona Board of Regents
Carol Campbell, Executive Vice President and CFO
Morgan Olsen, Executive Vice President, Treasurer, and CFO (Designate)
Virgil Renzulli, Vice President for Public Affairs
Steve Miller, Deputy Vice President, Public Affairs
Lisa Frace, Associate Vice President for Budget and Planning
James Sliwicki, Director, Budget Planning and Management
Gerald Snyder, Senior Associate Vice President for Finance and Deputy Treasurer
Karla Phillips, Director, State Relations
Leah Kritzer, Fiscal Analyst, JCCR

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EXECUTIVE SUMMARY

Item Name: Project Approval for Interdisciplinary Science and Technology Building 4 (ASU)

☒ Action Item ☐ Discussion Item ☐ Information Item

Issue: Arizona State University Requests Project Approval for a new research facility to be known as Interdisciplinary Science and Technology Building 4

Previous Board Action:

FY 2006-2008 Capital Improvement Plan	September 2004
FY 2007-2009 Capital Improvement Plan	September 2005
FY 2006 Revised Capital Development Plan	February 2006
FY 2008 Capital Development Plan	June 2007
FY 2008 Amended Capital Development Plan	December 2007
FY 2008 Revised Capital Development Plan	January 2008
Project Implementation Approval	March 2008

Project Justification

- The ISTB 4 facility will further enhance ASU's strategic investment in facilities for interdisciplinary research. ASU has been on an upward trajectory of research growth and constructing this facility will allow the university to continue to meet its research objectives.

- The School of Earth and Space Exploration (SESE) unites earth and planetary scientists with astronomers, and has strong collaborative ties with several other academic units at ASU, specifically the Fulton School of Engineering. Through an aggressive program of expansion, the faculty will grow by roughly 1/3 over the next few years. While maintaining core strengths and developing new transdisciplinary linkages among the sciences, SESE will broaden its scope to include engineering faculty with research interests in the development and deployment of scientific instrumentation on Earth and in space. A dedicated home for this School will better define the School to the public and allow the faculty to aggressively pursue large scale funding projects that include climate science, energy systems as well as planetary exploration.

- An additional area for ISTB 4 is the continued advancement of engineering research at ASU and the ongoing need to provide adequate and appropriate

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research space for growth in areas such as materials science, bio-energy, and systems engineering. Research in these areas has been accelerated by the addition of new faculty members. The third area proposed for consideration in ISTB 4 is for space needed by various researchers in chemistry and the biosciences in the College of Liberal Arts and Sciences and would accommodate spaces for new faculty hires, further allowing transdisciplinary interaction. All of these areas of research in SESE, Engineering, and CLAS have strong thematic and scientific connections.

- This project would allow ASU the best means of meeting the essential needs for quality interdisciplinary research space and the core joint-user facilities in these areas. The new facility will enable ASU to:

  - Continue to recruit the best faculty, students, and professional staff.
  - Compete in the global marketplace of ideas for federal and other research funding.
  - Implement advances in education and training for graduate and undergraduate students.
  - Engage the outside community.

Project Description and Scope:

- Research activity at ASU has grown dramatically over the last five years, rising from expenditures of $121 million in 2001-02 to $219 million in 2006-07. This 80% increase has been made possible by two major factors: the investment in new interdisciplinary research areas with novel approaches; and by the investment by the University and the State in new facilities to support growth. ASU's plans have for some time included the addition of one more new substantial research facility, and the trajectory of research funding indicates that ASU is ready for this next level of infrastructure investment.

- ISTB 4 is being proposed to meet the space needs for growth in targeted areas that generate a high level of research volume. The new building is planned to house the School of Earth and Space Exploration, Fulton School of Engineering research programs including Environmental Engineering and Energy Research Initiatives, as well as related research units from the College of Liberal Arts and Sciences. These identified areas have been recognized as those most critical to the development of ASU as a major research university and have the capacity to win funding for large scale and complex interdisciplinary projects in areas of climate science, energy sources, and earth systems that require particular infrastructure needs not readily available on campus.

- At the March 2008 ABOR meeting, ASU asked for and received approval to continue with design for ISTB 4. As a result of design efforts and careful review of the program, the square footage of the facility is proposed to be 293,000

square feet, an increase from the previously proposed 285,000 square feet. The increase in square footage will not increase the overall cost of the project. Review of the program included the best and most efficient balance between wet and dry lab space as well as the balance between office and research space. The high-rise building has been designed to control construction costs by grouping office and lab functions to increase building efficiencies. Building efficiencies were also increased by collocation of wet labs on the lower floors and placing flexible office and dry lab space on the upper floors.

- Wet lab space will be based on highly flexible modules. Other lab needs will be less hood-intensive, and upper floor research will be desk research space. Clean rooms and classroom space are also included. On the ground floor the plan is to house a 250-seat auditorium and gallery area that will serve as university classrooms as well as an outreach function for both K-12 educational programs and for-profit public events. This building is proposed to house the research groups associated with approximately 60 faculty members in 73 dry lab modules (including mass spectrometer and assembly clean rooms and labs), 81 wet lab modules (including geochemistry labs), 15 general purpose lab modules, 60 faculty offices, 120 post-docs and 360 research assistants and graduate students.

- The planned building site is Lot 44 on the Tempe Campus. The site is located south of Terrace Road, east of McAllister Avenue, north of the Combined Heat and Power Facility (CHP), and west of Parking Structure 4

- The power required for ISTB 4 will be provided by the adjacent CHP plant. ISTB 4 will be able to open with the existing CHP configuration. It should be noted that an ongoing review of the future power needs and the current means of providing back-up power to all of the existing and the planned buildings in that quadrant of the campus is underway and preliminary findings indicate that the already-approved Phase 2 of the CHP project may need to be pursued. ASU will report on the outcome and implications of this study when it has been completed and will seek separate project consideration if required.

- To maximize the long-term investment in this important core campus facility, this project will be built to last 50 to 75 years. The facility has been designed in accordance with the ASU Design Guidelines, and will be constructed of high quality, durable, maintainable materials and building systems to maximize energy efficiency and minimize operational, repair and replacement costs.

- In an effort to demonstrate the ASU commitment to responsible, sustainable design and in response to the Governor's mandate that facilities be designed in a sustainable manner, this project is intended to receive at least LEED Silver certification. LEED certification levels for future projects will be considered on a case by case basis, depending upon the specific goals and needs of the

programs being served.

Statutory / Policy Requirements

- Board Policy 7-109 requires Capital Committee review and Board approval of projects with a total project cost over $20 million.

Project Delivery Method and Process:

- This project is being delivered through the Construction Manager (CM) at Risk method. This approach was selected for this project because it can save time through fast-track project scheduling, it provides contractor design input and coordination throughout the project, it improves potentially adversarial project environments, and it allows for the selection of the most qualified contractor team for each individual project. With the use of two independent estimates at each phase, and low bid subcontractor work for the actual construction, this method also provides a high level of cost and quality control.

- The CM at Risk was selected through the capital project selection committee process prescribed by the ABOR Procurement Code. ASU received five (5) responses to the project RFQ and three (3) of the responding teams were short-listed for interview. A licensed contractor from the community was included on the selection committee as required by Board Policy. The Design team was selected through a similar ABOR process, and three (3) teams were interviewed out of the eighteen (18) RFQ responses received.

Project Costs:

- The estimated project budget is $185,000,000. This represents a construction cost of $457 per square foot and a total project cost of $631 per square foot. The construction cost is based on analysis of the conceptual plan by the construction manager and has been examined as closely as possible at this stage of the design process for efficiencies.

- On the table below is a list of comparable projects, with construction costs per square foot escalated to 4th quarter 2009 (ISTB 4 construction midpoint) costs:

Comparable Project	Location	Project Size	Escalated Const. Cost / SF
Biodesign Building A	Tempe	177,000 gsf	$ 524/sf
Biodesign Building B	Tempe	174,000 gsf	$ 503/sf
ISTB 1	Tempe	188,000 gsf	$ 466/sf
Average Comparable Project		**179,666 gsf**	**$ 497/sf**

- Considering these relevant comparable construction costs, the Interdisciplinary Science and Technology Building 4 construction cost budget of $457 was considered to be appropriate.

- For this Project Approval phase, two cost estimates are being prepared independently by the Construction Manager at Risk and the Architect's estimating consultant. These estimates will then be reconciled together to confirm accurate, competitive scope quantities and unit prices to form the GMP for the entire scope of work. The CM's current estimate is made up of roughly 85 percent subcontractor bid commitments, 0 percent price projections from subcontractors, and 15 percent estimates prepared by the CM team.

- Once the GMP is agreed upon, the CM is at risk to provide the completed project within that price. A final report on project control procedures such as change orders and contingency use will be provided at project completion.

Project Status and Schedule:

- The project is nearing completion of the Design Development phase, and the CMAR submitted the GMP in August 2008. The GMP was within the approved project budget.

- General construction is scheduled to begin in October 2008. Construction is scheduled to be complete in November 2010.

Fiscal Impact and Financing Plan:

- The funding source for this project would be system revenue bonds. Debt service would be handled from a mix of sources including: projected growth in indirect cost recovery sources; reallocation of existing local funds whose current commitment as seed funds to other research projects will be ending by FY10 and which will be available for reinvestment; and strategic investment funds currently in the University's multi-year planning budget. Investment funds are used for a

EXECUTIVE SUMMARY

wide range of projects and are generated in part by tuition. However, there are no assumptions for future tuition policy/rate increases in the financial planning for these investment funds beyond those already approved by the Board.

- Analysis of the capacity of existing and future indirect cost recovery to generate new funds has been completed, and is central to the University's decision to pursue Project Approval. That analysis was also done in the context of a careful assessment of ASU funding availability and the priority of the project within the overall educational and research development needs of ASU.

- Operations and maintenance costs are projected at $4,029,000 per year. Funding would be pursued through the standard legislative appropriations process for new facility support. The ability to cover these costs is included in the planning of uses of projected indirect costs in the event that state funds are not available.

- This project was included in the ASU 2009 Capital Development Plan, submitted in June 2009, which showed that ASU debt service on all outstanding debt was 5.7% of the university's total projected expenditures (max 8%). This ratio excludes the SPEED projects. The debt service for this project is .71% (71/100th of 1%) of ASU total projected expenditures (max 8%).

- The estimated not-to-exceed cost of the financing for ISTB4 is $2 million. There is, however, a high degree of uncertainty in this estimate at this stage of the project depending upon the actual financial market conditions in place at the time of the financing.

Recommendation:

- That the Board grant Project Approval to Arizona State University for Interdisciplinary Science and Technology Building 4.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University

Project Name: Interdisciplinary Science and Technology Building 4

Project Description and Location:
This project is planned to construct an approximately 293,000 gross square foot facility at Lot 44 at the Tempe campus. The building will house office and support spaces, circulation, meeting spaces and research spaces: wet and dry labs, teaching laboratories, and computer labs.

Project Schedule:

Planning	September 2004
Design	February 2008
Construction	October 2008
Occupancy	November 2010

Project Budget:

Facility Useful life	50-75 years (approx.)
Total Project Cost	$ 185,000,000
Total Project Construction Cost	$ 134,000,000
Total Project Cost per GSF	$ 631
Construction Cost per GSF	$ 457
Change in Annual Oper. /Main. Cost:	
Utilities	$ 2,300,000
Personnel	$ 781,000
All Other Operating	$ 948,000
Subtotal	$ 4,029,000

Funding Sources:

Capital

A. System Revenue Bonds $ 185,000,000
(Funding Source of Debt Service: Indirect Cost Recovery, Tuition and Other Local Funds)

Operation/Maintenance

A. Funding Source: General Fund Appropriation, may be supported by Indirect Cost Recovery $ 4,029,000

EXECUTIVE SUMMARY

Capital Project Cost Estimate

University: ASU at the Tempe campus **Project:** Interdisciplinary Science & Technology Building 4

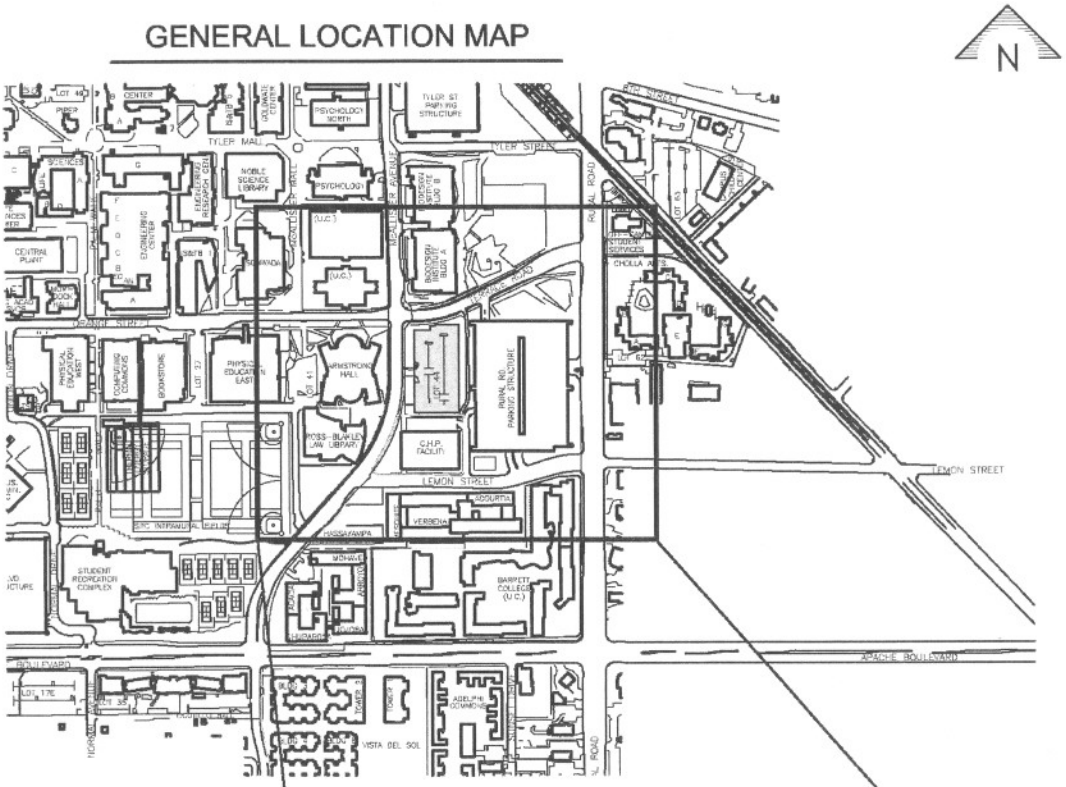
	Capital Development Plan	Project Implementation Approval	Project Approval
Capital Costs			
1. Land Acquisition	$ -	$ -	$ -
2. Construction Cost	-	-	-
A. New Construction		134,000,000	134,000,000
B. Renovation			-
C. Special Fixed Equipment	-	-	-
D. Site Development (excl. 2.E.)	-	-	-
E. Parking and Landscaping	-	-	-
F. Utilities Extensions	-	-	-
G. Other*	-	-	-
Subtotal Construction Cost	$ -	$134,000,000	$ 134,000,000
3. Fees			
A. Construction Mgr	$ -	$ 1,000,000	$ 1,000,000
B. Architect/Engineer	-	16,400,000	16,400,000
C. Other	-	100,000	100,000
Subtotal Consultant Fees	$ -	$ 17,500,000	$ 17,500,000
4. FF&E Movable	$ -	$ 8,000,000	$ 8,000,000
5. Contingency, Design Phase	-	8,000,000	8,000,000
6. Contingency, Constr. Phase	-	8,000,000	8,000,000
7. Parking Reserve	-	1,500,000	1,500,000
8. Telecommunications Equipment	-	2,500,000	2,500,000
Subtotal Items 4-8	$ -	$ 28,000,000	$ 28,000,000
9. Additional University Costs			
A. Surveys, Tests, Tempe Develop. Fee	$ -	$ 520,000	$ 520,000
B. Move-in Costs	-	300,000	300,000
C. Printing Advertisement	-	18,809	18,809
D. Keying, signage, facilities support	-	400,000	400,000
E. Project Management Cost (2.09%)		3,746,091	3,746,091
F. State Risk Mgt. Ins. (.0034 **)	-	515,100	515,100
Subtotal Addl. Univ. Costs	$ -	$ 5,500,000	- $ 5,500,000
TOTAL CAPITAL COST	$ 140,000,000	$185,000,000	$ 185,000,000

* Universities shall identify items included in this category

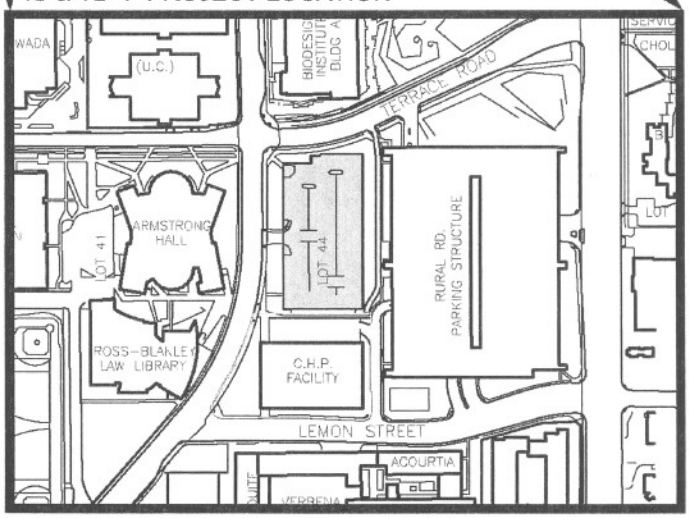
** State Risk Management Insurance factor is calculated on construction costs and consultant fees.

EXECUTIVE SUMMARY

GENERAL LOCATION MAP



IS & TB 4 PROJECT LOCATION



AREA IN DETAIL

JCCR Capital Review
Interdisciplinary Science and Technology Building 4
Arizona State University

JCCR Meeting Date **Oct 2 2008**

Project Name: Interdisciplinary Science and Technology Building 4 (ISTB4)

The following is information not found in the ABOR Executive Summary

Debt Issuance*

Project Costs	$	185,000,000
Costs of Issuance (1)	$	2,000,000
Total Issuance Amount	$	187,000,000
Interest rate		5.5%
Payment term		30 years
Annual debt service (by fund source):		
Indirect Cost Recovery	$	6,600,000
Technology Research Initiative Funding (TRIF)	$	2,500,000
Tuition	$	2,265,000
Other Local Funds	$	1,500,000
Total Annual debt service	$	12,865,000
Total debt service (by fund source):		
Indirect Cost Recovery	$	198,000,000
Technology Research Initiative Funding (TRIF)	$	75,000,000
Tuition	$	67,950,000
Other Local Funds	$	45,000,000
Total Debt Service	$	385,950,000

Date of Issuance	Spring/Summer 2009
Anticipated Bond Rating (2)	Aa3/AA

Gifts not applicable

Total Gift Amount	N/A
Current Pledged Gift Amount	N/A
Current Gift In-Hand Amount	N/A

(1) The estimated not-to-exceed cost of the financing for ISTB4 is $2 million excluding potential costs for credit enhancements which would increase the debt rating and reduce the interest rate on the debt.

(2) Moody's Investor Service/S&P Rating Services

Arizona State University - Debt Service Schedule
JCCR Capital Review - October 2, 2008
Interdisciplinary Science & Technology Building 4

30 Years
5.50% Interest Rate
187,000,000 Amount Financed

$12,865,000 Annual Debt Service

	Payment	Prin	Int	Outstanding Principal
				187,000,000
2010	12,865,000	2,580,000	10,285,000	184,420,000
2011	12,865,000	2,721,900	10,143,100	181,698,100
2012	12,865,000	2,871,605	9,993,395	178,826,495
2013	12,865,000	3,029,543	9,835,457	175,796,953
2014	12,865,000	3,196,168	9,668,832	172,600,785
2015	12,865,000	3,371,957	9,493,043	169,228,828
2016	12,865,000	3,557,414	9,307,586	165,671,414
2017	12,865,000	3,753,072	9,111,928	161,918,342
2018	12,865,000	3,959,491	8,905,509	157,958,850
2019	12,865,000	4,177,263	8,687,737	153,781,587
2020	12,865,000	4,407,013	8,457,987	149,374,575
2021	12,865,000	4,649,398	8,215,602	144,725,176
2022	12,865,000	4,905,115	7,959,885	139,820,061
2023	12,865,000	5,174,897	7,690,103	134,645,164
2024	12,865,000	5,459,516	7,405,484	129,185,648
2025	12,865,000	5,759,789	7,105,211	123,425,859
2026	12,865,000	6,076,578	6,788,422	117,349,281
2027	12,865,000	6,410,790	6,454,210	110,938,492
2028	12,865,000	6,763,383	6,101,617	104,175,109
2029	12,865,000	7,135,369	5,729,631	97,039,740
2030	12,865,000	7,527,814	5,337,186	89,511,925
2031	12,865,000	7,941,844	4,923,156	81,570,081
2032	12,865,000	8,378,646	4,486,354	73,191,436
2033	12,865,000	8,839,471	4,025,529	64,351,965
2034	12,865,000	9,325,642	3,539,358	55,026,323
2035	12,865,000	9,838,552	3,026,448	45,187,770
2036	12,865,000	10,379,673	2,485,327	34,808,098
2037	12,865,000	10,950,555	1,914,445	23,857,543
2038	12,865,000	11,552,835	1,312,165	12,304,708
2039	12,865,000	12,304,708	560,292	(0)
Total	385,950,000	187,000,000	198,950,000	

STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

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HOUSE OF REPRESENTATIVES

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DATE: September 25, 2008

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

THRU: Richard Stavneak, Director

FROM: Leah Kritzer, Fiscal Analyst

SUBJECT: Arizona State University – University Lottery Bond Projects - Building Renewal -- Agency Request (Information Only)

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. Arizona State University (ASU) requests Committee review of $34.4 million in Building Renewal projects. This issuance represents a portion of the University Lottery Bonding package as authorized by the FY 2009 Education Budget Reconciliation Bill (BRB) (Laws 2008, Chapter 287). Additional information on this legislation can be found in *Attachment 1*.

Recommendation

The Chairman has scheduled this item for information only and does not plan to take a vote at this meeting. The Chairman is seeking further information on the Governor's plans to resolve the FY 2009 budget shortfall and whether the funding associated with this particular agenda item could be part of the solution.

At the time the vote is taken, the Committee would have at least the following 2 options:

1. A favorable review, with the university standard financing provisions (listed below).

2. An unfavorable review. Projected Lottery revenues may be insufficient to repay the estimated annual debt service payments.

Under either option, the JLBC Staff recommends the provision that ASU submit a final debt service schedule and list of projects to the JLBC.

Standard University Financing Provisions

- ASU shall report to the Committee before expenditure of any allocations that exceed the greater of $500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the

(Continued)

scope of the project. ASU shall also report to the Committee before any reallocation exceeding $500,000 among the individual planned renovations, renewals, or extensions.

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

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

- ASU shall submit to JLBC Staff any reallocation above $500,000 between the individual projects. The Committee may review these items depending on the substantive nature of the reallocation.

Analysis

The project is comprised of 5 types of renovation projects, at an estimated total cost of $33.6 million. Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. The universities, however, have received about 12% of their building renewal formula over the last 10 years. ASU's FY 2009 Building Renewal formula would have been approximately $28.2 million.

The $33.6 million projects consist of 5 projects on its main and Polytechnic campuses including roof replacements, elevator refurbishment, and classroom building renovations. The 27 roof replacements will incorporate replacement of mechanical systems located on roofs and asbestos abatement, with 1 additional project consisting of a mechanical equipment replacement only. ASU has 14 main electrical system replacements, which include removing significant electrical components and replacing them with code compliant equipment. There will be 7 elevator refurbishment projects, some of which will include fire protection upgrades. Stauffer Building A and B renovations will include deferred maintenance and minor classroom upgrades. Lastly, ASU also plans on renovating its 476-seat Aravaipa auditorium on its Polytechnic campus.

ASU allocated all $33.6 million among its 5 projects with no contingency monies, noting its intention to shift monies among projects once the final building or project assessment is developed not to exceed the total project cost. The university standard financing provisions listed above include a requirement for ASU to submit for Committee review any reallocation above $500,000 between the individual projects depending on the substantive nature of the of the reallocation.

Financing

The FY 2009 Education BRB authorized the Arizona Board of Regents (ABOR) to enter into lease-to-own and bond transactions up to a maximum of $1.0 billion to pay for building renewal projects and new facilities. Of that amount, ABOR cannot issue more than $285.0 million in FY 2009 and not more than $500 million in FY 2010. The annual debt service payments will be paid from the newly-created University Capital Improvement Lease-to-Own and Bond (UCI) Fund and will be comprised of 80% Lottery revenues and 20% state university system revenues, as required by the FY 2009 Education BRB.

Under the Lottery financing proposal, the prior caps on Lottery advertising have been removed. As a result, advertising expenditures are projected to increase from $11.0 million to $20.2 million. Along with other modifications, the Lottery Commission estimates that these changes will increase Lottery proceeds by $103.2 million, or 22%, in FY 2009. After accounting for prizes, this would result in $12.7 million more for Lottery beneficiaries.

(Continued)

All current Lottery beneficiaries will continue to receive their current funding allocations with one exception. Local mass transit projects will receive $9.5 million instead of $18 million. Most of the growth will be deposited in the UCI Fund. It is uncertain whether these proposed changes will generate the percent increase in proceeds as forecast by the Commission. Given this uncertainty, more than 20% of the debt service may need to be paid by university sources.

Of the $1.0 billion amount, the FY 2009 Education BRB requires ABOR to allocate $470.0 million for construction of the University of Arizona Phoenix Biomedical Campus. The legislation permits ABOR to determine the distribution of the remaining funds. Of the remaining $530.0 million, ABOR plans on allocating $20 million to ASU's School of Construction and $170.0 million to each of the 3 universities for building renewal and new construction projects. This project represents a single ASU issuance, which is $34.4 million of ASU's $170.0 million allocation.

The total cost for the project is $34.4 million, with $0.8 million for issuance costs and $33.6 million for project costs. ASU plans on issuing A1/AA- rated system revenue bonds in the winter of 2009 with an estimated 5% annual interest rate and a term of 20 years. The university estimates an average annual debt service cost of $2.9 million with a 20-year total cost of $58.4 million.

The debt service is designed to be funded with 2 separate revenue streams as prescribed by the FY 2009 Education BRB. Approximately $2.3 million, or 80%, will come from state Lottery proceeds, while $0.6 million will come from local university funds. Given the uncertainty with Lottery proceeds as described above, local funds will likely need to provide more than their 20% share. ASU plans to begin construction in October, while the bond issuance is not expected to occur until the winter of 2009. ASU indicates they are using their current cash flow to cover immediate costs necessary to begin operations of its plan. When the bonds are issued, it is intended that ASU will be repaid with its Lottery bond proceeds.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. The FY 2009 Education BRB provided that the University Lottery building projects will be exempt from university debt limit calculations. If this debt service was included in the calculation, however, the debt ratio would increase by 0.15% from the current 5.7% rate to a new debt ratio of 5.85%.

Construction Costs

Total project costs are estimated at $33.6 million, which typically include direct construction costs, architect fees, furniture and equipment costs, and contingency fees. As noted earlier, ASU's cost estimates are still preliminary and do not include contingency or direct construction costs. *Table 1* lists estimated capital costs and renovation scopes for the 5 projects associated with this phase.

Table 1

ASU Building Renewal Costs and Scopes

Project	Request	Description
Roof Replacement and Roof Mechanical Equipment	$11,300,000	Replace roofs and mechanical equipment located on roofs. Includes roof and mechanical replacements for 28 different buildings.
Stauffer Buildings A and B	10,000,000	Renovate for use as swing space, life/safety upgrades, and new classroom space.
Main Electrical System Replacements	5,800,000	Replace service entrance portions of the electrical systems. Includes replacements for 14 buildings.
Aravaipa Auditorium	3,300,000	Renovate auditorium on Polytechnic campus.
Elevator Refurbishment	3,200,000	Includes replacement of flooring, doors, and wall panels for elevators in 7 buildings.
Total	**$33,600,000**	

(Continued)

ASU notes that some of their cost estimates have been developed using information from RS Means, a supplier of construction cost information, and historical comparable ASU projects. They also stated that once project design is complete, more cost information will be available. Many of the proposed projects have a large range of project specifications, and comparable projects were not applicable to assess cost reasonableness.

The Araviapa Auditorium 476-seat renovation project is estimated to cost $3.3 million, for a per seat cost of $6,900. ASU's 80-seat Pima room renovation project, as part of the Memorial Union renovations, cost approximately $600,000 (or $7,500 per seat). When compared to the Pima room renovations, the Araviapa Auditorium costs appear reasonable. The Stauffer A and B building projects will cost approximately $10.0 million, with $6.5 million of these costs dedicated to deferred maintenance projects. This project will consist of approximately 82,500 square feet, for a total cost per square foot of $121. In comparison, ASU completed similar renovations on its Polytechnic campus in 2003, for a cost per square foot of $101. Given increased cost of construction over 5 years, these costs appear reasonable.

Procurement Method

ASU is considering 3 different procurement methods for its 5 projects. For its larger deferred maintenance projects, ASU plans on using the Construction Manager at Risk (CMAR) method. In CMAR, the university competitively selects a general contractor according to quality and experience. The general contractor manages a construction project, including the associated architect and other subcontractors, from design to completion. The general contractor chooses a qualified subcontractor for each trade based on price competition, selecting the lowest bid. Additionally, CMAR defines a guaranteed maximum price, after which the general contractor must absorb almost all cost increases except those caused by scope changes or unknown site conditions. Occasionally, in the case of substantial materials price inflation, a university will partially cover higher costs to maintain good contractor relations.

ASU also plans to use Job Ordering Contracting (JOC) and design/bid/build procurement methods for its other projects depending on the size and nature of the project. The JOC approach pre-qualifies contractors through a competitive selection process and bid estimates are prepared. According to ABOR policy, JOC-procured construction projects can only be used for projects with a maximum total cost of $2.0 million. Under the design/bid/build method, the design and construction phases are separately contracted and done in sequence. After design is complete, the construction phase requires a competitive bid process that awards the contract to the lowest responsible and responsive bidder.

RS/LK:ss
Attachment

University Lottery Capital Projects

The FY 2009 Education BRB (Laws 2008, Chapter 287) authorized the Arizona Board of Regents (ABOR) to enter into lease-to-own and bond transactions up to a maximum of $1 billion to pay for building renewal projects and new facilities. Of that amount, ABOR cannot issue more than $285 million in FY 2009 and not more than $500 million in FY 2010.

Chapter 287 requires ABOR to allocate $470 million of the proceeds for construction of the University of Arizona Phoenix Biomedical Campus. The legislation permits ABOR to determine the distribution of the remaining funds. Of the remaining $530 million in proceeds, ABOR plans on allocating $20 million to Arizona State University's School of Construction and $170 million to each of the 3 universities for building renewal, deferred maintenance, and new construction projects.

The annual debt service payments will be paid from the newly created University Capital Improvement Lease-to-Own and Bond (UCI) Fund and will be comprised of 80% Lottery revenues and 20% state university system revenues, as required by Chapter 287. The bill also provides that the monies distributed from the UCI Fund are exempt from the university debt limit calculations. However, each university will be required to submit their debt limit calculations with and without this bonding package as part of their annual Capital Improvement Plans.

To generate additional sales to pay the debt service, Chapter 287 removed the cap on Lottery advertising, which will effectively increase the level of advertising from $11 million to $20.2 million. Chapter 287 also appropriated $750,000 to allow Lottery staff to receive performance incentives, directly tied to sale objectives and agency sales goals. Due to the elimination of the Lottery's advertising cap and other procedural changes in the bill, the Lottery Commission expects to increase sales to pay for a deposit to the UCI Fund in FY 2009 and for their 80% portion of the annual debt service payments in FY 2010 and beyond.

Beyond the statutory revisions, the Lottery Commission plans to implement several other administrative changes to increase sales:

- Offer higher prizes and increase aggregate game payouts from 60% to 70%.
- Increase utilization of "Lottery Express" machines, where customers are able to purchase all Lottery products. These machines were first integrated into the traditional network of instant ticket vending machines in FY 2007.

In FY 2008, the Lottery had estimated sales of $467.7 million (and preliminary actual sales of $472.9 million). Prior to the Chapter 287 changes, the JLBC Staff had forecast FY 2009 sales of $481.9 million. With the Chapter 287 revisions, the Lottery Commission estimates increasing its sales level to $576.1 million.

The Lottery Commission also forecasts further sales growth in future years as a result of the Chapter 287 changes. The Lottery anticipates sales will grow to $638.4 million by FY 2010 and $836.9 million by FY 2014. *(Please see Table 1.)*

(Continued)

Table 1

Long Term Projections
($ in Millions)

	Lottery Baseline Sales [1/]	Lottery Sales with Changes [2/]	Beneficiaries Transfers [3/]	Available for University Capital Funding [4/]
FY 2010	$510.7	$638.4	$136.1	$13.6
FY 2011	552.9	694.8	137.9	26.5
FY 2012	600.2	759.1	139.8	41.4
FY 2013	630.2	797.0	141.9	48.5
FY 2014	661.8	836.9	144.1	55.8

1/ Lottery Commission Sales estimate without Chapter 287 or other changes.
2/ Lottery Commission Sales estimate with Chapter 287 and other changes.
3/ Beneficiary transfers up to and including the General Fund segment of the distribution formula.
4/ These amounts are available to pay for 80% of the annual debt service payments for the newly authorized $1 billion University Bonding Package as required by Laws 2008, Chapter 287. To the extent that these amounts are insufficient for the debt service requirement as shown in *Table 2*, the difference will be paid from the UCI Fund.

After all Lottery revenue beneficiaries have received their statutory distributions, Chapter 287 requires up to $20 million to be deposited into the UCI Fund in FY 2009. Lottery is estimating that this fund will receive about $12.7 million in FY 2009. Beginning in FY 2010, the additional Lottery revenues will be used for the debt service payments.

If the Lottery is not able to generate enough additional sales revenue to meet its current statutory obligations and its portion of the annual debt service payments, the UCI's fund balance can be drawn down to $10 million in order to make the annual debt service payments. For example, the Lottery projects that $13.6 million in Lottery revenue will be available to make their debt service payment in FY 2010. In comparison, Lottery's 80% share of the $17.2 million debt service payment is projected to be $13.8 million. This difference would be funded by reducing the balance in the UCI Fund (the $12.7 million expected to be deposited in FY 2009).

The debt service payments are expected to begin in FY 2010. *Table 2* shows the debt service payments for FY 2010 to FY 2013 as projected by the Lottery Commission. The annual debt service payments are expected to remain at the $66.4 million amount for 24 years after FY 2013.

Table 2

Income Available and
Estimated Debt Service Payments

	FY 2010	FY 2011	FY 2012	FY 2013
Income Available[1/]	$13.6	$26.5	$41.1	$48.5
Debt Service				
Lottery (80%)[2/]	13.8	25.4	41.6	53.1
Univ. Rev. (20%)[3/]	3.4	6.4	10.4	13.3
Total Debt Service	**$17.2**	**$31.8**	**$52.0**	**$66.4**

1/ Represents projected Lottery income available to UCI Fund.
2/ Represents projected debt service payment from Lottery proceeds.
3/ Represents projected debt service payment from university system revenues.

ARIZONA STATE UNIVERSITY

September 11, 2008

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

Dear Representative Pearce:

In accordance with ARS 15-1683 and pursuant to HB 2211, the Arizona Board of Regents requests that the following University Capital Improvement Lease-to-Own and Bond Fund, (primarily lottery proceeds) bond financed project for ASU be placed on the next (October 2, 2008) Joint Committee on Capital Review Agenda for review:

SPEED (Stimulus Plan for Economic and Educational Development)
Deferred Maintenance and Building Renewal Projects, Phase 1a

Enclosed is pertinent information relating to this project.

This project is scheduled for review and approval by the Board of Regents on September 26, 2008. The Regents' Capital Committee recommended that the Board grant project approval at its September 3, 2008 meeting. If this project should not be approved by the Regents on September 26th, the request for JCCR review will be withdrawn until Regents' approval has been received.

If you have any questions or desire any clarification on the enclosed material, please contact me at (480) 727-8307.

Sincerely,

Richard Stanley
Senior Vice President and University Planner

Enclosures

c: Richard Stavneak, Director, JCCR
James Apperson, OSPB
Joel Sideman, Executive Director, Arizona Board of Regents
Sandra Woodley, CFO, Arizona Board of Regents
Lorenzo Martinez, Assist. Exec. Dir. for Capital Resources, Arizona Board of Regents
Carol Campbell, Executive Vice President and CFO
Morgan Olsen, Executive Vice President, Treasurer, and CFO (Designate)
Virgil Renzulli, Vice President for Public Affairs
Steve Miller, Deputy Vice President, Public Affairs
Lisa Frace, Associate Vice President for Budget and Planning
James Sliwicki, Director, Budget Planning and Management
Gerald Snyder, Senior Associate Vice President for Finance and Deputy Treasurer
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EXECUTIVE SUMMARY

ITEM NAME: Combined Project Implementation and Project Approval for SPEED Deferred Maintenance and Building Renewal Projects Phase 1a (ASU)

☒ Action Item ☐ Discussion Item ☐ Information Item

Issue: Arizona State University requests combined Project Implementation Approval and Project Approval for the SPEED Deferred Maintenance and Building Renewal Bundle Phase 1a and requests approval to shift monies among the projects once the final building or project assessment is developed, provided that the bottom line budget will not be exceeded.

Previous Board Actions:

FY 2009 Capital Development Plan	June 2008
SPEED Projects Allocations Plan	July 2008

Project Justification/Strategic Implications:

► Arizona's public university campuses are in a serious state of disrepair because critical maintenance needs have been deferred due to lack of state funding. ASU currently faces a maintenance backlog in excess of $294 million. Since 1987, the university has submitted building renewal requests exceeding $250 million while funding over the same time period has been less than 25% of what was needed. There were five consecutive years in which no funding was provided. An ad hoc approach to maintenance can no longer deal with this growing problem. The SPEED program is a significant response to this issue.

Project Description and Scope:

► At the July 2008 Capital Committee meeting, ASU outlined its plan for a multi-phased submission of bundled projects plus some individual projects. This approach was created to meet the Legislature's expectations and the SPEED proposal's intent for expediency. ASU's plan for the FY 09' bundled projects will be broken into two submissions, with Phase 1b planned to be submitted for Board approval in December 2008. Phase 1a represents the first bundle of projects, identified below. Projects in this phase were selected because the pre-programming is already complete or they can begin construction immediately with little to no impact on students and staff.

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Carol Campbell, Executive Vice President and Chief Financial Officer, (480) 727-9920;carol.n.campbell@asu.edu

EXECUTIVE SUMMARY

- Roof Replacements/Mechanical Equipment - This project will replace roofs and mechanical equipment located on the roof (see Table A for buildings). Most of the roof replacement projects will require asbestos abatement prior to replacement of the roof. Older mechanical equipment and its associated electrical components which are at the end of their useful life will also be replaced. The estimated project budget is $11,300,000.

- Main Electrical System Replacement – This project would replace the service entrance portions of the electrical systems in several buildings (see Table A for buildings). Due to the age of the electrical systems ASU can no longer obtain replacement parts and the systems need to be replaced with newer and more reliable systems. The estimated project budget is $5,800,000.

- Elevator Refurbishment –The refurbishments will include replacement of flooring, doors and wall panels (see Table A for buildings). If necessary the refurbishment will include retrofitting inefficient leveling equipment, upgrading mechanical systems to prevent entrapments, and/or replacing obsolete or unserviceable parts. In addition, recent codes are mandating the addition of sprinklers as well as automatic recall features. The estimated project budget is $3,200,000.

- Aravaipa Auditorium – This project is planned to renovate the interior of the existing 10,000 gross square foot auditorium at the Polytechnic campus. Renovations will include: seating areas, walls projection room, restrooms, stage area, and ADA access; and upgrade building infrastructure including electrical, HVAC, and plumbing. The estimated project budget is $3,300,000.

- Stauffer A and B – Stauffer A has been vacated due to Cronkite School of Journalism moving to the downtown campus making it an optimal time to do upgrades in the building. As ASU finalizes its plans for SPEED implementation, Stauffer A will be used as swing space or be backfilled by academic programs that will allow for swing space in other parts of the campus. University classrooms will also be upgraded and added to Stauffer A. Stauffer B becomes vacant in early 2009 with the move of KAET to the downtown campus and ASU intends to do life/safety upgrades while the building is vacant before backfilling with the best use academic program. The estimated project budget is $10,000,000.

EXECUTIVE SUMMARY

Table A

BUILDING NAME	ROOF REPLACEMENT	ROOF MECHANICAL REPLACEMENT	MAIN ELECTRICAL SYSTEM REPLACEMENT	ELEVATOR REFURBISHMENT
Anthropology	X	X	X	X
Art Building		X		
Bateman Phys. Sciences Center A/ Wexler Hall	X	X	X	X
Bateman Physical Sciences Center F	X	X		
Bateman Physical Sciences Center H	X	X		
Business Administration	X	X		X
Business Administration C Wing	X	X		X
Center for Family Studies	X	X	X	
College of Design South	X	X	X	X
Cowden Family Resources Bldg	X	X	X	
Durham Language & Literature Bldg	X	X	X	
Education Lecture Hall	X	X		
Engineering Center G	X	X		
Farmer Education Building	X	X	X	
Hayden Library	X	X		X
Life Science Center A	X	X	X	
Matthews Hall	X	X	X	
Murdock Lecture Hall	X	X		
Neeb Hall	X	X		
Payne Hall	X	X	X	
Physical Education Bldg. East	X	X	X	
Physical Education Bldg. West	X	X	X	
Psychology Building	X	X		X
Psychology North	X	X	X	
Schwada Classroom Office Bldg.	X	X		
Stauffer Communication Arts A	X	X		
Stauffer Communication Arts B	X	X		
Undergraduate Academic Services	X	X	X	

Statutory / Policy Requirements

- Board Policy 7-109 requires Capital Committee review and Board approval of projects with a total project cost over $20 million.

Additional Project Considerations:

- ASU renovation projects will include responsible, sustainable options where feasible.

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Project Delivery Method and Process:

- Larger projects in the deferred maintenance bundle are planned to be delivered through the Construction Manager at Risk (CMAR) method. Other methods such as Job Order Contracting (JOC) or Design/Bid/Build may be used depending on the size and nature of the project.

- The Construction Manager (CM) at Risk approach can save time through fast-track project scheduling. It provides contractor design input and coordination throughout the project, it improves potentially adversarial project environments, and it allows for the selection of the most qualified contractor team for each individual project. With the use of two independent estimates at each phase, and low bid subcontractor work for the actual construction, this method also provides a high level of cost and quality control.

- Contracts for CMAR's will include Board approved requirements for Veteran's preference hiring programs. A final report on project control procedures such as change orders and contingency use will be provided at project completion.

- The JOC approach can reduce the overall project schedule since the advertising and selection part of the procurement process has already been completed. ASU currently has two contractors under a five year contract, renewable each year. These contractors have been pre-qualified through a competitive selection process as defined in Board Policy 3-804B. This approach can only be utilized for projects with a maximum total cost of $1,999,999.

- The Design/Bid/Build approach will be utilized for single trade work projects such as roofs or elevators. With this approach the lowest qualified bidder will be selected.

- Selections of the Design Professional and the contractor will be through the capital project selection process prescribed by the ABOR Procurement Code. For each CMAR selection, a licensed contractor and a design professional will be included on the selection committee as required by Board Policy.

Project Costs:

- The total project budget for Phase 1a is $33,000,000.

- The individual project budgets have been based upon preliminary cost estimates. Depending on the nature of the project the cost estimates have been developed on a cost per square foot method using either RS Means, normalized to the local area, or historical costs from recent comparable ASU projects.

- Once the design of these projects is completed cost information will be included in regular updates to the Board. Relevant comparable projects will also be included in

the updates.

- For CMAR, two cost estimates for each project will be prepared independently by the Construction Manager at Risk and the Architect's estimating consultant. These estimates will be reconciled together to confirm accurate, competitive scope quantities and unit prices to form the GMP for the entire scope of work. ASU will identify what percentage of the CMAR's current estimate is made up of subcontractor bid commitments, price projections from subcontractors, and estimates prepared by the CMAR team.

- For JOC, two cost estimates will be prepared for the job based upon pre-established standard unit prices for individual tasks and pricing based on the number of units (RS Means, localized to the area) and the in-house ASU cost database. These estimates will be reconciled together to confirm accurate, competitive scope quantities and unit prices to form the job cost for the entire scope of work

- For Design/Bid/Build, ASU will seek a confirming estimate from an independent 3rd party prior to bidding. These estimates will be reconciled together to confirm accurate, competitive scope quantities and unit prices to form the construction budget for the entire scope of work.

Fiscal Impact and Financing Plan:

- Lottery Revenue Bonds will be issued to finance the project. The bonds will be repaid over a 20 year period. The annual debt service of approximately $2.6 million will be funded from state lottery allocation proceeds (80%) and University local funds (20%).

- Debt Ratio Impact: Per the SPEED legislation (House Bill 2211), the debt service for this project is exempt from the debt service ratio calculation. If the debt service was included the incremental debt ratio for this project would be .14%.

Project Status & Schedule:

- ASU is continuing to evaluate program and define scope on all Phase 1a projects in preparation to solicit for Design Professionals (DP), Construction Managers at Risk (CMAR) and contractors by late August and early September.

- ASU intends to start construction on the Roof/Mechanical Replacement, Electrical System Replacements and Elevator Refurbishments projects in October, contingent upon all project reviews and approvals being in place. Construction completion dates will be identified in the regular update to the Board.

- The construction schedules for the Aravaipa Auditorium and Stauffer will be established once programming is finalized. These dates will be included in the regular update to the Board.

EXECUTIVE SUMMARY

Recommendation:

That the Board grant combined Project Implementation and Project Approval for SPEED Deferred Maintenance and Building Renewal Projects Phase 1a, including approval to shift monies among the projects once the final building or project assessment is developed, provided that the bottom line budget will not be exceeded.

JCCR Capital Review
SPEED Deferred Maintenance and Building Renewal Projects Phase 1a
Arizona State University

JCCR Meeting Date: October 2, 2008

The following is information not found in the ABOR Executive Summary

Project Name: SPEED Deferred Maintenance and Building Renewal Phase 1a

Project Scope

1. **Roof Replacements/Mechanical Equipment** - This project will replace roofs and mechanical equipment located on roofs. Most of the roof replacement projects will require asbestos abatement prior to replacement of the roof. Older mechanical equipment and its associated electrical components which are at the end of their useful life will also be replaced or repaired, depending on the condition of the components. The estimated project budget is $11,300,000.

   Roof designs for all ASU facilities are vastly different. Building use, age, number of previous replacements or repair, and differences in building design make it difficult to produce accurate cost comparisons. Costs for recent roof projects at ASU varied widely (see chart on pg. 2), depending on the type and complexity of the roof, the mechanical system replacements required, the number of roof penetrations, asbestos abatement and many other factors. In some cases, the entire roof will not be replaced if it is not necessary.

   For the SPEED Roof Replacement / Mechanical Equipment projects, preliminary costs are based on deferred maintenance inspections. ASU gathers deferred maintenance costs by inspecting its buildings on a four-year cycle, inspecting one-quarter of its buildings yearly. The costs for the roofs in this project are expected to change once the projects are bid and design is complete.

Comparable Project & Project Description	Location	Gross Square Feet	Total Cost/ SF	Total Proj. Cost
GIOS / Ceramics Buildings Roof Replacement Project	Tempe	11,678	$24.96	$418,161
Memorial Union Loading Dock Roof Replacement Project	Tempe	968	$181.62	$175,806

2. **Main Electrical System Replacement** – This project would replace the service entrance portions of the electrical systems in several buildings (see Table A in ABOR item for buildings). Due to the age of the electrical systems ASU can no longer obtain replacement parts and the systems need to be replaced with newer and more reliable systems. The estimated project budget is $5,800,000.

JCCR Capital Review
SPEED Deferred Maintenance and Building Renewal Projects Phase 1a
Arizona State University

The most recent electrical service replacement project was the $517,000 Armstrong Great Hall Electrical Upgrades project. However, this is not a comparable project to which the SPEED project can be compared. Each electrical system is different and costs will vary due to the following factors:

- Existing infrastructure: infrastructure connecting the electrical system to the building may or may not be able to be adapted to new electrical service requirements
- Physical location of equipment: some equipment is in tunnels, other equipment is two stories down or in the basement. Difficulty in accessing the equipment can dramatically affect the project cost.
- Ages and types of equipment: Electrical equipment varies in age and type and will affect the cost of retrofitting or replacing.

3. **Elevator Refurbishment** –The refurbishments will include, as necessary, retrofitting inefficient leveling equipment, upgrading mechanical systems to prevent entrapments, replacing motors, winches, cables, controllers, optics, and/or replacing any obsolete or unserviceable parts, and replacing flooring, doors and wall panels (see Table A for buildings). In addition, recent codes are mandating the addition of sprinklers as well as automatic recall features. The project may also include sump pumps in some hydraulic elevators, as well as oil/water separators. Should sprinklers need to be installed in hydraulic elevators, a sewer line connection will need to be established. Exhaust air in the shaft will also be evaluated. The estimated project budget is $3,200,000.

   There have been no known projects of this type at ASU Tempe campus. This project will completely renew and bring to code selected obsolete elevators at the Tempe campus. It will also install sprinklers, sump pumps and other code-related activity.

4. **Araviapa Auditorium** – This project is planned to renovate the interior of the existing 10,000 gross square foot auditorium at the Polytechnic campus to provide needed large classroom and event space. The auditorium is not currently usable. Renovations will include: seating areas, walls projection room, restrooms, stage area, and ADA access; and upgrade building infrastructure including electrical, HVAC, and plumbing. The estimated project budget is $3,300,000.

   ASU is not aware of any similar projects to the Araviapa Auditorium Renovation Project. ASU has contacted construction management companies to determine comparable projects; however, those companies were not aware of projects similar to the Araviapa Auditorium Renovation Project. The cost is based on estimates from a construction manager at risk and is corroborated by a third-party estimate.

JCCR Capital Review
SPEED Deferred Maintenance and Building Renewal Projects Phase 1a
Arizona State University

5. **Stauffer A and B** – Stauffer A (45,000 GSF) and B (37,000 GSF) are being vacated as a result of the move of programs to the Downtown Phoenix campus and the space will be repurposed to handle growing enrollment in programs in the College of Liberal Arts and Science and the Herberger College of Art and to add University classroom space. Before this final use, some of the space will be used as swing space to allow SPEED projects to advance efficiently. ASU intends to do life/safety upgrades, deferred maintenance, and classroom and other functional upgrades before the planned backfilling. The estimated project budget is $10,000,000.

Debt Issuance

Project Costs	$	33,600,000
Costs of Issuance (1)	$	750,000
Total Issuance Amount	$	34,350,000
Interest rate		5%
Payment term		20 years
Annual debt service (by fund source):		
State Lottery Allocation Proceeds	$	2,205,100
Tuition and Other Local Funds	$	551,200
Total Annual debt service	$	2,756,300
Total debt service (by fund source)		
State Lottery Allocation Proceeds	$	44,102,000
Tuition and Other Local Funds	$	11,024,000
Total Debt Service	$	55,126,000
Date of Issuance		Fall 2008/Winter 2009
Anticipated Bond Rating (2)		A1/AA-

Gifts (not applicable)

Total Gift Amount	NA
Current Pledged Gift Amount	NA
Current Gift In-Hand Amount	NA

(1) The estimated not-to-exceed cost of the financing for Deferred Maintenance and Building Renewal Phase 1a is $750,000 excluding potential costs for credit enhancements which would increase the debt rating and reduce the interest rate on the debt.

(2) Moody's Investor Service/S&P Rating Services

Arizona State University - Debt Service Schedule
JCCR Capital Review October 2, 2008
SPEED-Deferred Maintenance and Building Renewal Phase Ia

Fiscal Year	Payment	Principal	Interest	Outstanding Principal
				34,350,000
2009	143,125		143,125	34,350,000
2010	1,717,500		1,717,500	34,350,000
2011	1,717,500		1,717,500	34,350,000
2012	1,717,500		1,717,500	34,350,000
2013	1,717,500		1,717,500	34,350,000
2014	1,717,500		1,717,500	34,350,000
2015	3,309,300	1,591,800	1,717,500	32,758,200
2016	3,309,300	1,671,390	1,637,910	31,086,810
2017	3,309,300	1,754,959	1,554,341	29,331,851
2018	3,309,300	1,842,707	1,466,593	27,489,143
2019	3,309,300	1,934,843	1,374,457	25,554,300
2020	3,309,300	2,031,585	1,277,715	23,522,715
2021	3,309,300	2,133,164	1,176,136	21,389,551
2022	3,309,300	2,239,822	1,069,478	19,149,728
2023	3,309,300	2,351,814	957,486	16,797,915
2024	3,309,300	2,469,404	839,896	14,328,511
2025	3,309,300	2,592,874	716,426	11,735,636
2026	3,309,300	2,722,518	586,782	9,013,118
2027	3,309,300	2,858,644	450,656	6,154,474
2028	3,309,300	3,002,220	307,080	3,152,254
2029	3,309,300	3,152,253	157,047	0
Total	58,370,125	34,350,000	24,020,125	

STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: September 30, 2008

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

THRU: Richard Stavneak, Director

FROM: Leah Kritzer, Fiscal Analyst

SUBJECT: University of Arizona – University Lottery Bond Projects - Building Renewal -- Agency Request (Information Only)

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. The University of Arizona (UA) requests Committee review of $68.5 million in Building Renewal projects. This issuance represents a portion of the University Lottery Bonding package as authorized by the FY 2009 Education Budget Reconciliation Bill (BRB) (Laws 2008, Chapter 287). Additional information on this legislation can be found in *Attachment 1*.

UA submitted their request after the deadline for the meeting, but the Chairman has decided to place this information-only item on the agenda so that members can learn about all 3 university proposals simultaneously.

Recommendation

The Chairman has scheduled this item for information only and does not plan to take a vote at this meeting. The Chairman is seeking further information on the Governor's plans to resolve the FY 2009 budget shortfall and whether the funding associated with this particular agenda item could be part of the solution.

At the time the vote is taken, the Committee would have at least the following 2 options:

1. A favorable review.

2. An unfavorable review. Projected Lottery revenues may be insufficient to repay the estimated annual debt service payments.

Under either option, the JLBC Staff recommends the provision that UA submit a final debt service schedule and list of projects to the JLBC along with the following:

(Continued)

Standard University Financing Provisions

- UA shall report to the Committee before expenditure of any allocations that exceed the greater of $500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. UA shall also report to the Committee before any reallocation exceeding $500,000 among the individual planned renovations, renewals, or extensions.

- UA shall submit for Committee review any allocations that exceed the greater of $500,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, UA may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not 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.

- UA shall submit to JLBC Staff any reallocation above $500,000 between the individual projects. The Committee may review these items depending on the substantive nature of the reallocation.

Analysis

The project is comprised of 9 types of renovation projects, at an estimated total cost of $68.0 million. Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. The universities, however, have received about 12% of their building renewal formula over the last 10 years. UA's FY 2009 Building Renewal formula would have been approximately $44.2 million.

The $68.0 million projects consist of $61.9 million on the UA main campus and $6.1 million for the UA Health Sciences campus. These projects include utility hook-ups, transformer installations, heating, ventilation, and air conditioning (HVAC) replacement and repairs, and fire alarm and sprinkler upgrades. The 14 fire alarm and fire sprinkler system projects include new or replacement systems. UA plans on a total of 18 code upgrades for approximately 9 electrical systems and 9 elevators. There is 1 project for various transformer replacements across the main campus. UA also has 16 HVAC replacement and duct work projects planned. There are 43 buildings planned for mechanical and plumbing system repairs and replacements. Roofing repairs and upgrades are planned for 27 buildings. UA identified a total of 75 buildings that are in need of structural repairs. Lastly, UA plans on structural repairs for its football stadium.

UA allocated all $68.0 million among its projects with no contingency monies, noting its intention to shift monies among projects once the final building or project assessment is developed not to exceed the total project cost. The university standard financing provisions listed above include a requirement for UA to submit for Committee review any reallocation above $500,000 between the individual projects depending on the substantive nature of the reallocation.

Financing

The FY 2009 Education BRB authorized the Arizona Board of Regents (ABOR) to enter into lease-to-own and bond transactions up to a maximum of $1.0 billion to pay for building renewal projects and new facilities. Please see *Attachment 1* for more information. With the $470.0 million set aside for the Phoenix Medical School, ABOR plans on allocating $170.0 million to each of the 3 universities for building renewal and new construction projects. This project represents a single UA issuance, which is $68.5 million of UA's $170.0 million allocation.

(Continued)

The total cost for the project is $68.5 million, with $0.5 million for issuance costs and $68.0 million for project costs. UA plans on issuing A1/AA-rated system revenue bonds in the winter of 2009 with an estimated 5% annual interest rate and a term of 20 years. The average annual debt service is estimated to cost $5.8 million with a 20-year total cost of $116.1 million.

The debt service is designed to be funded with 2 separate revenue streams as prescribed by the FY 2009 Education BRB. Approximately $4.6 million, or 80%, will come from state Lottery proceeds, while $1.2 million will come from local university funds. Given the uncertainty with Lottery proceeds as described in the ASU Building Renewal memo (Agenda Item 11B), local funds will likely need to provide more than their 20% share. UA plans to begin construction in the Fall of 2008, while the bond issuance is not expected to occur until December 2009. UA indicates they are planning on paying initial project costs with other fund sources. When the bonds are issued, it is intended that UA will be repaid with its Lottery bond proceeds.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. The FY 2009 Education BRB provided that the University Lottery building projects will be exempt from university debt limit calculations. If this debt service was included in the calculation, however, the debt ratio would increase by 0.22% from the current 6.05% rate to a new debt ratio of 6.27%.

Construction Costs

Total project costs are estimated at $68.0 million, which typically include direct construction costs, architect fees, furniture and equipment costs, and contingency fees. As noted earlier, UA's cost estimates are still preliminary and do not include contingency costs. The direct construction costs total $62.2 million, which includes construction labor and material costs only.

Table 1 lists estimated capital costs and renovation scopes for the 9 types of projects on UA's Main and Health Sciences campus associated with this phase.

Table 1

UA Building Renewal Costs and Scopes

Project	Request	Description
Interior and Exterior Building Components	$19,600,000	Various utility hook-ups and transformer installations on the main campus.
Heating, Ventilation, and Air Conditioning	17,820,000	HVAC equipment replacements and duct work in 16 buildings.
Fire Alarm and Fire Sprinklers Systems	7,180,000	New, replaced, and repaired systems in 14 buildings.
Mechanical System Repairs and Replacements	7,127,800	Mechanical and plumbing improvements in 43 buildings.
Roofing Repairs	5,560,000	Roofing repairs and replacements on 27 buildings.
Building Structural Repairs	3,650,000	The structural repairs are planned for 75 buildings.
Electrical Code Upgrades	2,634,200	Replacement and upgrades of switchboards, switches, battery systems and emergency generator systems. Includes work on 9 buildings.
Football Stadium Structural Repairs	2,400,000	Structural repairs.
Elevator Code Compliance Upgrades	2,028,000	Repair and replacements of shafts, hydraulics, fire alarms, and controls systems. Includes work in 9 buildings.
Total	**$68,000,000**	

(Continued)

UA notes that costs for large, complex projects were developed using independent cost estimates from specialty consultants and contractors, which considered square footage and regional cost data. Costs for smaller and less complex projects were based on recent UA projects. Lastly, equipment costs were estimated from available manufacturer price lists. The proposed projects have a large range of project specifications, and comparable projects were not applicable to assess cost reasonableness.

Procurement Method
UA is considering 3 different procurement methods for its 9 projects. Most of the projects will be procured using Job Ordering Contracting (JOC). The JOC method pre-qualifies contractors through a competitive selection process where bid estimates are prepared. According to ABOR policy, JOC-procured construction projects can only be used for projects with a maximum total cost of $2.0 million. The remaining projects will be procured using the Construction Manager at Risk (CMAR) and design/bid/build methods.

In CMAR, the university competitively selects a general contractor according to quality and experience. The general contractor manages a construction project, including the associated architect and other subcontractors, from design to completion. The general contractor chooses a qualified subcontractor for each trade based on price competition, selecting the lowest bid. Additionally, CMAR defines a guaranteed maximum price, after which the general contractor must absorb almost all cost increases except those caused by scope changes or unknown site conditions. Occasionally, in the case of substantial materials price inflation, a university will partially cover higher costs to maintain good contractor relations. Under the design/bid/build method, the design and construction phases are separately contracted and done in sequence. After design is complete, the construction phase requires a competitive bid process that awards the contract to the lowest responsible and responsive bidder.

LK:sls
Attachment

University Lottery Capital Projects

The FY 2009 Education BRB (Laws 2008, Chapter 287) authorized the Arizona Board of Regents (ABOR) to enter into lease-to-own and bond transactions up to a maximum of $1 billion to pay for building renewal projects and new facilities. Of that amount, ABOR cannot issue more than $285 million in FY 2009 and not more than $500 million in FY 2010.

Chapter 287 requires ABOR to allocate $470 million of the proceeds for construction of the University of Arizona Phoenix Biomedical Campus. The legislation permits ABOR to determine the distribution of the remaining funds. Of the remaining $530 million in proceeds, ABOR plans on allocating $20 million to Arizona State University's School of Construction and $170 million to each of the 3 universities for building renewal, deferred maintenance, and new construction projects.

The annual debt service payments will be paid from the newly created University Capital Improvement Lease-to-Own and Bond (UCI) Fund and will be comprised of 80% Lottery revenues and 20% state university system revenues, as required by Chapter 287. The bill also provides that the monies distributed from the UCI Fund are exempt from the university debt limit calculations. However, each university will be required to submit their debt limit calculations with and without this bonding package as part of their annual Capital Improvement Plans.

To generate additional sales to pay the debt service, Chapter 287 removed the cap on Lottery advertising, which will effectively increase the level of advertising from $11 million to $20.2 million. Chapter 287 also appropriated $750,000 to allow Lottery staff to receive performance incentives, directly tied to sale objectives and agency sales goals. Due to the elimination of the Lottery's advertising cap and other procedural changes in the bill, the Lottery Commission expects to increase sales to pay for a deposit to the UCI Fund in FY 2009 and for their 80% portion of the annual debt service payments in FY 2010 and beyond.

Beyond the statutory revisions, the Lottery Commission plans to implement several other administrative changes to increase sales:

- Offer higher prizes and increase aggregate game payouts from 60% to 70%.
- Increase utilization of "Lottery Express" machines, where customers are able to purchase all Lottery products. These machines were first integrated into the traditional network of instant ticket vending machines in FY 2007.

In FY 2008, the Lottery had estimated sales of $467.7 million (and preliminary actual sales of $472.9 million). Prior to the Chapter 287 changes, the JLBC Staff had forecast FY 2009 sales of $481.9 million. With the Chapter 287 revisions, the Lottery Commission estimates increasing its sales level to $576.1 million.

The Lottery Commission also forecasts further sales growth in future years as a result of the Chapter 287 changes. The Lottery anticipates sales will grow to $638.4 million by FY 2010 and $836.9 million by FY 2014. *(Please see Table 1.)*

(Continued)

Table 1

Long Term Projections
($ in Millions)

	Lottery Baseline Sales [1/]	Lottery Sales with Changes [2/]	Beneficiaries Transfers [3/]	Available for University Capital Funding [4/]
FY 2010	$510.7	$638.4	$136.1	$13.6
FY 2011	552.9	694.8	137.9	26.5
FY 2012	600.2	759.1	139.8	41.4
FY 2013	630.2	797.0	141.9	48.5
FY 2014	661.8	836.9	144.1	55.8

1/ Lottery Commission Sales estimate without Chapter 287 or other changes.
2/ Lottery Commission Sales estimate with Chapter 287 and other changes.
3/ Beneficiary transfers up to and including the General Fund segment of the distribution formula.
4/ These amounts are available to pay for 80% of the annual debt service payments for the newly authorized $1 billion University Bonding Package as required by Laws 2008, Chapter 287. To the extent that these amounts are insufficient for the debt service requirement as shown in *Table 2*, the difference will be paid from the UCI Fund.

After all Lottery revenue beneficiaries have received their statutory distributions, Chapter 287 requires up to $20 million to be deposited into the UCI Fund in FY 2009. Lottery is estimating that this fund will receive about $12.7 million in FY 2009. Beginning in FY 2010, the additional Lottery revenues will be used for the debt service payments.

If the Lottery is not able to generate enough additional sales revenue to meet its current statutory obligations and its portion of the annual debt service payments, the UCI's fund balance can be drawn down to $10 million in order to make the annual debt service payments. For example, the Lottery projects that $13.6 million in Lottery revenue will be available to make their debt service payment in FY 2010. In comparison, Lottery's 80% share of the $17.2 million debt service payment is projected to be $13.8 million. This difference would be funded by reducing the balance in the UCI Fund (the $12.7 million expected to be deposited in FY 2009).

The debt service payments are expected to begin in FY 2010. *Table 2* shows the debt service payments for FY 2010 to FY 2013 as projected by the Lottery Commission. The annual debt service payments are expected to remain at the $66.4 million amount for 24 years after FY 2013.

Table 2

Income Available and
Estimated Debt Service Payments

	FY 2010	FY 2011	FY 2012	FY 2013
Income Available[1/]	$13.6	$26.5	$41.1	$48.5
Debt Service				
Lottery (80%)[2/]	13.8	25.4	41.6	53.1
Univ. Rev. (20%)[3/]	3.4	6.4	10.4	13.3
Total Debt Service	**$17.2**	**$31.8**	**$52.0**	**$66.4**

1/ Represents projected Lottery income available to UCI Fund.
2/ Represents projected debt service payment from Lottery proceeds.
3/ Represents projected debt service payment from university system revenues.

Senior Vice President
for Business Affairs

THE UNIVERSITY OF
ARIZONA
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September 23, 2008

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

Subject: University of Arizona: Economic and Education Development (SPEED)

Dear Chairman Pearce:

On behalf of the Arizona Board of Regents (ABOR), I respectfully request that the above referenced project for the University of Arizona be placed on the next available agenda for the Joint Committee on Capital Review.

This request consists of projects approved by the Board in June 19-20, 2008 and September 3, 2008. It consists of four projects: Environmental and Natural Resources Building; Centennial Hall; Phoenix Biomedical facilities, in partnership with Arizona State University; and the Deferred Maintenance/Building Renewal projects Phase I.

The project submittals, debt service schedules and funding plan are attached and should provide the required information for your review.

Should you require additional information, please don't hesitate to call me at (520) 621-5977 or email me at jdvaldez@u.arizona.edu. Thank you for your assistance.

Sincerely,

Joel D. Valdez
Senior Vice President for Business Affairs

JDV/fng

Attachments

cc: President Robert Shelton
Joel Sideman
Greg Fahey
Lorenzo Martinez
Bob Smith
Charles Ingram
Leatta McLaughlin
Leah Kritzer

EXECUTIVE SUMMARY

ITEM NAME: Combined Project Implementation Approval and Project Approval for SPEED Deferred Maintenance and Building Renewal Projects (UA)

☒ Action Item ☐ Discussion Item ☐ Information Item

Issue: The University of Arizona requests combined Project Implementation Approval and Project Approval for the SPEED Deferred Maintenance and Building Renewal Projects, including approval to shift funding among projects as project assessments are further developed and provided the bottom line budget is not exceeded.

Previous Board Actions: Capital Development Plan: June 2008
SPEED Projects Allocation: July 2008

Project Justification/Strategic Implications:

- The Stimulus Plan for Economic and Education Development (SPEED) initiative will provide an important economic stimulus to our State economy in a time of great need, while also providing urgently needed facilities improvements at each of the State's Universities that will help to meet the education needs of the future. The University of Arizona developed a plan to best utilize the approved SPEED funds allocated for its use to best address its greatest facilities-related priorities. This plan was then adjusted to reflect the reduced amount of SPEED funding approved.

- The Board allocated $470 million of the SPEED project funding to the Phoenix Biomedical Campus projects, and an additional $20 million to the Del Webb School of Construction at ASU. The remaining funding amount was divided equally to provide $170 million to each of the three Universities to address their highest priority facilities development/improvement needs.

Project Description and Scope:

- The initial proposed list of requested SPEED projects reflected the great demand for critical new University facilities, as well as the urgent need for Deferred Maintenance and Building Renewal improvements to existing facilities. Considering the unmet demand for both new and existing facilities improvement projects, the University's current SPEED proposal is comprised of a similar project mix.

Contact Information:
Joel D. Valdez, Senior Vice President for Business Affairs, (520) 621-5977, jdvaldez@u.arizona.edu

EXECUTIVE SUMMARY

- In consideration of the numerous critical new construction and renovation needs identified, The University of Arizona SPEED projects include the two most critical New Construction projects, along with the critical Deferred Maintenance and Building Renewal renovation projects located throughout the campus:

1) Environment and Natural Resources Building – Phase II	$ 90 Million
2) Centennial Hall Renovations (new const. & renovations)	$ 12 Million
3) Deferred Maintenance and Building Renewal Projects	$ 68 Million
	$170 Million

- Of these SPEED projects, the Deferred Maintenance and Building Renewal projects are the most urgently needed, since these include fire and life safety improvements across the entire campus. These projects are also relatively small and can be constructed relatively quickly, providing the immediate economic stimulus intended from SPEED project funding.

Project Costs:

- With the lack of State funding for Deferred Maintenance and Building Renewal improvements over recent years, many of the University's existing facilities have fallen into a serious state of disrepair, reducing their safety and effectiveness, and risking the considerable investments made in these facilities. The University has identified the critical Deferred Maintenance and Building Renewal projects that are needed at this time. These improvements, which total $68 million in cost, will address the majority of the University's serious repair and renovation needs across the entire campus.

- The University of Arizona renovation projects involve various building system improvements throughout many buildings across the campus. It has been determined that it is most efficient in most cases for this work to be organized and contracted by the type of work, rather than by building. For example, a single contract for fire alarm work can accommodate fire alarm improvements in several buildings in the most efficient and consistent manner. Therefore, these renovation projects are listed in categories related to types of improvements rather than by building. This approach also allows for efficient use of specialty contractors when appropriate through The University of Arizona Job Order Contracting process.

- Following is a breakdown of ten categories containing the many individual renovation projects throughout the campus, and their respective budgets. These renovation projects have been analyzed and estimated for each of the building locations where they will occur, to arrive at the specific cost breakdowns shown for each of the ten categories. However, due to uncertain existing conditions in these buildings that will not be confirmed until the work actually starts, the actual costs of the various renovation projects may vary, and some funds may need to be shifted from one project to another to assure that all of the required work is appropriately

EXECUTIVE SUMMARY

completed. The overall budget of the Deferred Maintenance & Building Renewal projects, however, will not be exceeded.

	SPEED DEFERRED MAINTENANCE & BUILDING RENEWAL PROJECTS	
1	Fire Alarm and Fire Sprinkler Systems	$ 6,980,000
	New, replaced & repaired systems in twelve or more buildings across campus	
2.	Electrical Code Upgrades	$ 2,534,248
	Replacements and upgrades of critical switchboards, switches, battery systems & emergency generator systems throughout the campus	
3.	Elevator/Code Compliance Upgrades	$ 1,928,000
	Repair & replacements of shafts, hydraulics, fire alarms & control systems of elevators throughout campus	
4.	Interior & Exterior Building Components	$ 19,600,000
	Utility hook-ups & transformer installations	
5.	Heating, Ventilation & Air Conditioning (HVAC)	$ 14,820,000
	HVAC equipment replacements and critical duct work repairs around the campus	
6.	Mechanical System Repairs & Replacements	$ 5,510,000
	Mechanical & plumbing improvements in various locations, including public restrooms	
7.	Critical Roofing Repairs	$ 4,959,460
	Critical roofing repairs and replacements on numerous buildings around the campus	
8.	Building Structural Components	$ 3,150,000
	Critical structural repairs to existing buildings across the campus	
9.	Football Stadium Structural Repairs	$ 2,400,000
	Structural repairs as needed to preserve the Stadium's structural integrity	
10.	Arizona Health Sciences Critical Improvements	$ 6,118,292
	Fire alarms/sprinklers, elevators, electrical, mechanical/ HVAC, roofing and structural components critical to AHSC facilities	
TOTAL DEFERRED MAINTENANCE & BUILDING RENEWAL PROJECTS		**$ 68,000,000**

- It should be noted that over half of the SPEED funded $12 million Centennial Hall project is also renovation work that includes fire and life safety improvements. Also, an additional $13 million of fire and life safety improvements related to the Chemistry Building was included in the initial SPEED funding request but cannot be accomplished until all building occupants can be relocated to other as yet unavailable facilities for construction to occur at a future date.

- The table at the end of the document provides a more detailed breakout of projects and categories of work to be done.

Additional Project Considerations:

- To maximize the long-term investment in these important core campus facilities, these projects will be renovated to extend the useful lives of these existing facilities by 20 to 50 years. The UA Design & Specifications Standards will be utilized, and new construction will be of high quality, durable, maintainable materials and building systems to maximize energy efficiency and minimize operational, repair and replacement costs.

- These Deferred Maintenance and Building Renewal projects will not seek a LEED certification.

Project Delivery Method and Process:

- The sizes and types of projects included in this Deferred Maintenance & Building Renewal package vary considerably, and require the use of specific project delivery methods that best fit each individual project. Most of the projects will be completed with the use of the University's very successful Job Order Contracting process, which utilizes contractors from the local community to complete small projects quickly and efficiently. These contractors will be supported by the University's in-house maintenance forces as needed to maintain an efficient flow of work that meets the needs of the facility users.

Fiscal Impact and Financing Plan:

- System Revenue Bonds (SRBs) will be issued to finance the project. The bonds will be repaid over a period of approximately 20 years and would mature not later than June 2030. This Building Renewal Project is part of the SPEED program authorized by HB-2211 to stimulate the State economy through State University construction projects. Annual debt payments on SPEED projects will be funded 80% by state lottery revenue allocations, and the universities are responsible for 20% of the debt service. Based on projections of the Lottery Revenue Fund, the UA anticipates structuring interest payments only in the early years of the debt. Assuming a 5% average interest rate, the debt service is estimated to be $3.4 million. The cost of issuance for the SRBs is estimated to be $566,000. While this estimate is designed to be conservative and the expectation is that the actual amount of the debt service and issuance cost will be less than the estimate, it is possible that they could be higher given recent market volatility.

- Debt Ratio Impact. The incremental debt ratio from annual debt service for this project is 0.2%. The projected highest debt ratio including this project is 6.3%. The

maximum debt ratio established by ABOR policy and state statute is 8%. The UA's current total lease payments associated with capital leases as a percentage of total university expenses is .006%.

Project Status & Schedule:

- The Deferred Maintenance and Building Renewal projects will be expedited to improve campus facilities and provide an economic stimulus as quickly as reasonably possible. Although project schedules are still in review, it is anticipated that some construction work will start in Fall of 2008, and that most of the construction work will be completed within the next two years.

- Each of the various renovation projects have been analyzed and estimated, and many are ready for work to begin upon authorization. Some of the more complex renovation work will require some additional design work before construction can begin, and some projects must wait for breaks in the academic schedule for construction work to occur in vacated spaces.

- With detailed information still in preparation for many of the individual projects in various stages of development, the Project Information Summary and Capital Project Budget Summary have not been included in this submittal. This information will, however, be provided as a part of the regular reporting process as it becomes available. This regular reporting process is anticipated to be accommodated in conjunction with the quarterly reports provided to the Board.

Committee Review and Recommendation:

The Capital Committee reviewed this item at its September 3, 2008 meeting and recommended Board approval with the provision that the addition or removal of any projects from the list be submitted for Committee review and Board approval.

Recommendation:

That the Board grant combined Project Implementation and Project Approval for SPEED Deferred Maintenance and Building Renewal Projects, including approval to shift funding among projects as project assessments are further developed, provided the bottom line budget is not exceeded, and that the addition or removal of any projects be submitted for Committee review and Board approval.

EXECUTIVE SUMMARY

The University of Arizona
SPEED Deferred Maintenance/BR Project Summary
September 9, 2008

	PROJECTS							
	Proj. 1	Proj. 2	Proj. 3	Proj. 4	Proj. 5	Proj. 6	Proj. 7	Proj. 8
Building Locations (& Building Numbers)	Fire Alarm Upgrades	Electrical Upgrades	Elevator Upgrades	Misc. Bldg. Components	HVAC Upgrades	Mechanical Upgrades	Roofing Upgrades	Structural Upgrades
Comstock (559)	X				X			X
Radiology Research (211)	X					X		
Maroney (3)	X							
Administration (66)	X					X		X
Education (69)	X							X
Modern Language (67)	X					X		X
Psychology (68)	X						X	X
Marvel (37)	X		X				X	X
CHRP (46)	X	X					X	
CCIT (73)	X							
Old Engineering (20)	X		X				X	X
McClelland (108)	X							
Harvill (76)	X					X	X	X
McKale (96)	X		X					X
Various Switchboards across campus		X						
Various Transformer Meters across campus		X						
Various Emergency Generator replacement		X						
Various PAD Mount Switches across campus		X						
Various Transformers replacements		X		X				
PAS (81)			X					X
Bio West (88)			X			X		X
Family Consumer Resources (33)			X					X
Old Chemistry (41)			X					
Bio-East (43)			X		X	X		X
Mines (12)					X			X
Main Library (55)					X	X	X	X
Douglas (28)					X			
Harshbarger (11)					X			X
Forbes (36)					X		X	

EXECUTIVE SUMMARY

	PROJECTS							
	Proj. 1	Proj. 2	Proj. 3	Proj. 4	Proj. 5	Proj. 6	Proj. 7	Proj. 8
Building Locations (& Building Numbers)	Fire Alarm Upgrades	Electrical Upgrades	Elevator Upgrades	Misc. Bldg. Components	HVAC Upgrades	Mechanical Upgrades	Roofing Upgrades	Structural Upgrades
Gould Simpson (77)					X	X	X	X
Civil Engineering (72)					X	X		X
McClelland Hall (108)					X			X
Vet Science (90)						X		
Optical Sciences (94)						X		
Ina Gittings (93)						X		X
Anthropology (30A)						X		
Steward Observatory (65)						X		X
Central Animal Facility (101)						X	X	
Life Science South (106)						X	X	X
Marley (107)						X		
Student Recreation (117)						X		X
Campus Sewer System Master Plan for expansion						X		
Campus Sewer System Evaluation						X		
Economics (23)						X		X
Centennial Hall (29)						X	X	
Gittings Tennis Court (93A)						X		
Native American Studies						X		
Facilities Management (460)						X		
ARL/Judaic Studies (471)						X		
Center for English as a Second Language (24)						X		X
Math Annex (45A)						X		
Speech and Hearing (71)						X		X
Cesar Chavez (23)							X	
Hillenbrand (96)							X	
Computer Center (73)							X	
Old Main (21)							X	X
AHSC							X	
Alumni (109)							X	
Sunnyside (3301-3315)							X	
Drama & Theater (3)							X	X
Slonaker (6)							X	X
South Hall (32)							X	

EXECUTIVE SUMMARY

	PROJECTS							
	Proj. 1	Proj. 2	Proj. 3	Proj. 4	Proj. 5	Proj. 6	Proj. 7	Proj. 8
Building Locations (& Building Numbers)	Fire Alarm Upgrades	Electrical Upgrades	Elevator Upgrades	Misc. Bldg. Components	HVAC Upgrades	Mechanical Upgrades	Roofing Upgrades	Structural Upgrades
Nugent (40)							X	
Schaefer Center for Creative Photography (103)							X	X
1025 N. Mountain							X	
Communication (25)								X
Henry Koffler (113)								X
Art (2)								X
Arizona State Museum (north) (26)								X
Shantz (38)								X
Architecture (75)								X
Arizona Materials Lab (490)								X
House Energy Doctor (415.03)								X
Center for Desert Architecture (415.01)								X
Scholarship Suites (58.02)								X
Social Sciences (27)								X
Music (4)								X
Kuiper Space Sciences (92)								X
Electric & Computer Engineering (104)								X
Life and Work Connections								X
USB (157)								X
Art Annex (470)								X
Bear Down Gym (56)								X
Science – Engineering Library (54)								X
1203 N. Mountain								X
Esquire Apartments (420)								X
James E. Rogers Law Center (77)								X
Project Number 9								
Football Stadium Structural Repairs								X
Project Number 10								
Arizona Health Sciences Center Improvements								
Basic Science (201)					X	X		

EXECUTIVE SUMMARY

	PROJECTS							
	Proj. 1	Proj. 2	Proj. 3	Proj. 4	Proj. 5	Proj. 6	Proj. 7	Proj. 8
Building Locations (& Building Numbers)	**Fire Alarm Upgrades**	**Electrical Upgrades**	**Elevator Upgrades**	**Misc. Bldg. Components**	**HVAC Upgrades**	**Mechanical Upgrades**	**Roofing Upgrades**	**Structural Upgrades**
Babcock (151)					X			
Police (100)					X			
South Tunnel						X		
Leon Levy Cancer Center(222)						X		X
Faculty Office (220)						X		
Life Science North (221)						X	X	
Steele Memorial Children's Research (201B)						X		X
Biomedical Research Lab (209G)						X		X
Surgery (219A)						X		X
Emergency Medicine (219B)						X		X
Center On Aging (219C&D)						X		X
Various Minor AHSC Improvements			X			X	X	X
AHSC Central Plant							X	
AHSC Elevator #9		X						
AHSC Elevator #14		X						
AHSC Penthouse					X	X		
Health Related Professions (468)								X
Radiology Medical Research Lab (211)								X
Central Heat & Refrig Bldg. (205)								X
Public Health (202)								X
College of Pharmacy (207)		X			X	X		X
AHSC Faculty Offices (220)								X
Facilities Management Warehouse (215)								X
Continuing Medical Education								X
Radiology Trailer (226)								X
College of Medicine Administration								X
Facilities Management Shops (206)								X
Herbert K. Abrams Bldg. (204)								X
Facilities Management Warehouse Addition (215)								X
Sydney E. Salmon Building (222)								X
College of Nursing (203)					X	X		X

University of Arizona
Business Affairs - Financial Services Office
Summary of Project Debt Financing and Debt Service Information

9/17/2008

Debt Issuance:	Building Renewal Projects	Phoenix Biomedical Campus (PBC) Phase I	Environmental Natural Resource II Phase I	Centennial Hall Renovation	Total
Anticipated Financing Method	SPEED Revenue Bonds	SPEED Revenue Bonds	SPEED Revenue Bonds	SPEED Revenue Bonds	SPEED Revenue Bonds
Project Cost	68,000,000	19,525,000	2,594,340	12,000,000	102,119,340
Estimated Costs of Issuance *	506,200	159,604	38,550	105,800	810,154
Estimated Issuance Amount	$68,506,200	$19,684,604	$2,632,890	$12,105,800	$102,929,494
Estimated Interest Rate	5.00%	6.00%	6.00%	5.45%	
Payment term	20	35	35	25	
Asset Useful life (Years)	23	50	50	25	
Fund sources for debt payment:	State Lottery Allocation Retain Fees and Local Funds **	State Lottery Allocation Retain Fees and Local Funds **	State Lottery Allocation Retain Fees and Local Funds **	State Lottery Allocation Retain Fees and Local Funds **	State Lottery Allocation Retain Fees and Local Funds **
Annual Debt Service For	FY2010-FY2014	FY2010-FY2014	FY2010-FY2014	FY2010-FY2014	FY2010-FY2014
Lottery Allocation(80%)	$2,740,248	$944,861	$126,378	$527,813	$4,339,300
Retain Fee & Local Funds(20%)	$685,062	$236,215	$31,595	$131,953	$1,084,825
Total Annual Debt Servie	$3,425,310	$1,181,076	$157,973	$659,766	$5,424,125
Annual Debt Service For	FY2015-FY2029	FY2015-FY2044	FY2015-FY2044	FY2015-FY2034	FY2015-FY2044
Lottery Allocation(80%)	$5,280,035	$1,144,052	$153,022	$807,046	$7,384,154
Retain Fee & Local Funds(20%)	$1,320,009	$286,013	$38,255	$201,761	$1,846,039
Total Annual Debt Servie	$6,600,044	$1,430,065	$191,277	$1,008,807	$9,230,193
Total debt service (by fund source)	FY2009-FY2029	FY2009-FY2044	FY2009-FY2044	FY2009-FY2034	
Lottery Allocation(80%)	$92,901,768	$39,045,866	$5,222,532	$18,779,978	$155,950,145
Retain Fee & Local Funds(20%)	$23,225,442	$9,761,467	$1,305,633	$4,694,995	$38,987,536
Expected Date of Issuance	December-08	December 08 ***	December 08 ***	December-08	December-08

University of Arizona
Business Affairs - Financial Services Office
Summary of Project Debt Financing and Debt Service Information

9/17/2008

	Building Renewal Projects	Phoenix Biomedical Campus (PBC) Phase I	Environmental Natural Resource II Phase I	Centennial Hall Renovation	Total
Anticipated Bond Rating:					
Moody's	A1	A1	A1	A1	A1
S & P	AA -	AA -	AA -	AA -	AA -

Debt Ratio:

Pursuant to HB2211 Section 67 monies distributed from the university capital improvement lease-to -own and bond fund, established in Section 15-1682.03 Arizona Revised Statutes, shall not be included in the debt calculation limit. If included, the debt ratio impact would be as followed:

Current Debt Ratio (Beginning)	6.05%			
Ratio After Project (incremental)	0.22%	0.08%	0.02%	0.04%
Total Debt Ratio	6.27%	6.35%	6.37%	6.41%
Other Information:				
Pre design/design date	N/A	Jan 2008	Jan 2008	Jan 2008
Expected construction start date	Sept. 2008	Summer 2009	Fall 2009	May 2009
Expected completion date	Sept 2011	Spring 2013 ****	Fall 2011	Summer 2011

* The estimated costs of issuance do not include bond insurance under the current market condition. Bond insurance would only be used if it's cost effective.

** Local funds include indirect cost recovery, investment income, administrative service charge, and other funds. Annual distribution from each source for debt service will be dependent on annual revenue realized.

*** Phase II bond sale is expected to occur in the summer of 2009, and Phase III bond sale is expected to occur in Fall 2010.

**** PBC Project includes two buildings the Health Science Education (HSE) building and the ABC II building. Estimated completion date for HSE is Spring 2012, and estimated completion for ABC II building is Spring 2013.

University of Arizona
Business Affairs - Financial Services Office
Debt Service Schedule

				9/18/2008
Building Renewal Projects		$ 68,000,000	Total Project Cost	$ 68,000,000
			Cost of Issuance	506,200
TOTAL		68,000,000	Gross Debt Funded Project Cost =	$ 68,506,200

SRB Maturity 20

Year		Total Payment	Interest payment @ 5.00%	Principal payment	Principal Outstanding
					$ 68,506,200
					68,506,200
0		-			68,506,200
6/1/2009	0	-	-		68,506,200
1		1,712,655	1,712,655		68,506,200
6/1/2010	1	1,712,655	1,712,655		68,506,200
Annual int payment		3,425,310			
2		1,712,655	1,712,655		68,506,200
6/2/2011	2	1,712,655	1,712,655		68,506,200
3		1,712,655	1,712,655		68,506,200
6/1/2012	3	1,712,655	1,712,655		68,506,200
4		1,712,655	1,712,655		68,506,200
6/1/2013	4	1,712,655	1,712,655		68,506,200
5		1,712,655	1,712,655		68,506,200
6/1/2014	5	1,712,655	1,712,655	-	68,506,200
6		1,712,655	1,712,655		68,506,200
6/1/2015	6	4,887,389	1,712,655	3,174,734	65,331,466
Annual P&I payment		6,600,044			
7		1,633,287	1,633,287		65,331,466
6/1/2016	7	4,966,757	1,633,287	3,333,471	61,997,995
8		1,549,950	1,549,950		61,997,995
6/1/2017	8	5,050,094	1,549,950	3,500,144	58,497,851
9		1,462,446	1,462,446		58,497,851
6/1/2018	9	5,137,598	1,462,446	3,675,151	54,822,700
10		1,370,567	1,370,567		54,822,700
6/1/2019	10	5,229,477	1,370,567	3,858,909	50,963,790
11		1,274,095	1,274,095		50,963,790
6/1/2020	11	5,325,949	1,274,095	4,051,854	46,911,936
12		1,172,798	1,172,798		46,911,936
6/1/2021	12	5,427,246	1,172,798	4,254,447	42,657,489
13		1,066,437	1,066,437		42,657,489
6/1/2022	13	5,533,607	1,066,437	4,467,170	38,190,319
14		954,758	954,758		38,190,319
6/1/2023	14	5,645,286	954,758	4,690,528	33,499,791
15		837,495	837,495		33,499,791
6/1/2024	15	5,762,549	837,495	4,925,054	28,574,737
16		714,368	714,368		28,574,737
6/1/2025	16	5,885,676	714,368	5,171,307	23,403,429
17		585,086	585,086		23,403,429
6/1/2026	17	6,014,958	585,086	5,429,873	17,973,557
18		449,339	449,339		17,973,557
6/1/2027	18	6,150,705	449,339	5,701,366	12,272,191
19		306,805	306,805		12,272,191
6/1/2028	19	6,293,239	306,805	5,986,434	6,285,756
20		157,144	157,144		6,285,756
6/1/2029	20	6,442,900	157,144	6,285,756	0
		116,127,210	47,621,010	68,506,200	

STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: September 30, 2008

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

THRU: Richard Stavneak, Director

FROM: Leah Kritzer, Fiscal Analyst

SUBJECT: Northern Arizona University – University Lottery Bond Projects - Building Renewal -- Agency Request (Information Only)

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. Northern Arizona University (NAU) requests Committee review of $64.8 million in Building Renewal projects. This issuance represents a portion of the University Lottery Bonding package as authorized by the FY 2009 Education Budget Reconciliation Bill (BRB) (Laws 2008, Chapter 287). Additional information on this legislation can be found in *Attachment 1*.

NAU submitted their request after the deadline for the meeting, but the Chairman has decided to place this information-only item on the agenda so that members can learn about all 3 university proposals simultaneously.

Recommendation

The Chairman has scheduled this item for information only and does not plan to take a vote at this meeting. The Chairman is seeking further information on the Governor's plans to resolve the FY 2009 budget shortfall and whether the funding associated with this particular agenda item could be part of the solution.

At the time the vote is taken, the Committee would have at least the following 2 options:

1. A favorable review.

2. An unfavorable review. Projected Lottery revenues may be insufficient to repay the estimated annual debt service payments.

Under either option, the JLBC Staff recommends the provision that NAU submit a final debt service schedule and list of projects to the JLBC along with the following:

(Continued)

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.

- NAU shall submit to JLBC Staff any reallocation above $500,000 between the individual projects. The Committee may review these items depending on the substantive nature of the reallocation.

Analysis

The project is comprised of 5 renovation projects, at an estimated total cost of $64.1 million. Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. The universities, however, have received about 12% of their building renewal formula over the last 10 years. NAU's FY 2009 Building Renewal formula would have been approximately $10.4 million.

The $64.1 million projects include roof, mechanical, and electrical replacements in addition to classroom building and stadium renovations on NAU's Flagstaff campus. NAU identified their costs by building rather than project types. The Hotel and Restaurant Management (HRM) Building renovation would convert the old Inn at NAU hotel rooms and dining areas to classroom and lab space. The Liberal Arts Building project includes roof, mechanical, and electrical system replacements in addition to classroom renovations. The North Union Building project addresses aging wiring, sprinkling, and mechanical code issues. NAU has planned a utilities retrofit project for its North Campus, which would include plumbing and electrical improvements that are intended to improve capacity. Lastly, NAU's Skydome renovation will address deficiencies such as seating, handrails, and wheelchair spaces in addition to electrical, mechanical, and water issues.

NAU allocated all $64.1 million among its 5 projects with no contingency monies, noting its intention to shift monies among projects once the final building or project assessment is developed, not to exceed the total project cost. The university standard financing provisions listed above include a requirement for NAU to submit for Committee review any reallocation above $500,000 between the individual projects depending on the substantive nature of the of the reallocation.

Financing

The FY 2009 Education BRB authorized the Arizona Board of Regents (ABOR) to enter into lease-to-own and bond transactions up to a maximum of $1.0 billion to pay for building renewal projects and new facilities. Please see *Attachment 1* for more information. With $470.0 million set aside for the Phoenix Medical School, ABOR plans on allocating $170.0 million to each of the 3 universities for building renewal and new construction projects. This project represents a single NAU issuance, which is $64.8 million of NAU's $170.0 million allocation.

(Continued)

The total cost for the project is $64.8 million, with $0.7 million for issuance costs and $64.1 million for project costs. NAU plans on issuing A/A3-rated system revenue bonds in February 2009 with an estimated 5% annual interest rate and a term of 20 years. It is unclear why NAU is assuming a 5% interest rate, as both Arizona State University and University of Arizona have also assumed a 5% interest rate for their proposed Lottery project issuances and have better credit ratings than NAU. The average annual debt service is estimated to cost $5.5 million with a 20-year total cost of $110.1 million.

The debt service is designed to be funded with 2 separate revenue streams as prescribed by the FY 2009 Education BRB. Approximately $4.4 million, or 80%, will come from state Lottery proceeds, while $1.1 million will come from local university funds. Given the uncertainty with Lottery proceeds as described in the ASU Building Renewal memo (Agenda Item 11B), local funds will likely need to provide more than their 20% share. NAU plans to begin construction in January, while the bond issuance is not expected to occur until February 2009. NAU indicates they are planning on paying initial project costs with other fund sources. When the bonds are issued, it is intended that NAU will be repaid with its Lottery bond proceeds.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. The FY 2009 Education BRB provided that the University Lottery building projects will be exempt from university debt limit calculations. If this debt service was included in the calculation, however, the debt ratio would increase by 1.6% from the current 5.16% rate to a new debt ratio of 6.76%.

Construction Costs

Total project costs are estimated at $64.1 million, which typically include direct construction costs, architect fees, furniture and equipment costs, and contingency fees. As noted earlier, NAU's cost estimates are still preliminary and do not include contingency costs. The direct construction costs total $52.9 million, which includes construction labor and material costs only.

Table 1

NAU Building Renewal Costs and Scopes

Project	Request	Description
North Campus Utility Upgrade (Phase 1)	$22,000,000	Project would upgrade plumbing; electrical; lighting; and heating, ventilation, and air conditioning (HVAC) systems. Improvements to the underground delivery system and capacity are also planned.
Skydome Renovation	21,900,000	Addresses deficiencies including seating, handrails, and wheelchair space. Upgrades would include electrical and mechanical systems in addition to installing a fire suppression system. NAU also plans to remodel the men and women's locker rooms.
Liberal Arts Building Renovation	8,900,000	Project includes roof replacement, HVAC system upgrades, and fire sprinklers installation. NAU also plans on classroom renovations including flooring and lighting.
HRM Renovations at the old Inn at NAU	7,340,000	15 hotel rooms would be converted to classrooms, 3 hotel rooms would be converted to student lab space, and the kitchen would be expanded and remodeled for a lab.
North Union Building Renovation	4,000,000	Fire sprinklers would be installed throughout the building. Ingress and egress issues would also be addressed.
Total	**$64,140,000**	

NAU hired design consultants for building and utility assessments to develop cost estimates for its projects. The costs for the North Union building were based on preliminary design work and cost estimates in 2007, which were escalated for 2008. Many of the proposed projects have a large range of project specifications, and comparable projects were not applicable to assess cost reasonableness.

The 55,900 square foot Liberal Arts Building renovation project is estimated to cost a total of $8.9 million, with a direct construction cost of $7.2 million. Of this amount, $5.0 million represents the total project cost for classroom renovations, with $4.1 million for direct construction costs. The proposed

(Continued)

classroom renovations are planned on the first and second floors for a total square footage of 38,300. The total cost per square foot is $130, while the direct construction cost per square foot is $107. The Committee recently favorably reviewed NAU's School of Communications Building renovation at a direct construction cost per square of $111. When compared to the School of Communications project, the costs for the Liberal Arts Building renovation appear reasonable.

The HRM Building is estimated to cost a total of $7.3 million, with a direct construction cost of $6.1 million. The building is currently 14,600 square feet and NAU is proposing to add 5,300 square feet, for new square footage of 19,900. The total construction cost per square foot is $369, with a direct construction cost per square foot of $305. This project will renovate the existing Inn at NAU into classroom, lab, and kitchen space. While this project is unique, NAU's 2007 Union Dining Expansion, which was favorably reviewed by the Committee, included both kitchen and student space. The direct construction cost per square foot was $278. It is unclear if the costs for the HRM Building appear reasonable given the differences between the proposed project and the 2007 dining expansion project.

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

LK:sls
Attachment

University Lottery Capital Projects

The FY 2009 Education BRB (Laws 2008, Chapter 287) authorized the Arizona Board of Regents (ABOR) to enter into lease-to-own and bond transactions up to a maximum of $1 billion to pay for building renewal projects and new facilities. Of that amount, ABOR cannot issue more than $285 million in FY 2009 and not more than $500 million in FY 2010.

Chapter 287 requires ABOR to allocate $470 million of the proceeds for construction of the University of Arizona Phoenix Biomedical Campus. The legislation permits ABOR to determine the distribution of the remaining funds. Of the remaining $530 million in proceeds, ABOR plans on allocating $20 million to Arizona State University's School of Construction and $170 million to each of the 3 universities for building renewal, deferred maintenance, and new construction projects.

The annual debt service payments will be paid from the newly created University Capital Improvement Lease-to-Own and Bond (UCI) Fund and will be comprised of 80% Lottery revenues and 20% state university system revenues, as required by Chapter 287. The bill also provides that the monies distributed from the UCI Fund are exempt from the university debt limit calculations. However, each university will be required to submit their debt limit calculations with and without this bonding package as part of their annual Capital Improvement Plans.

To generate additional sales to pay the debt service, Chapter 287 removed the cap on Lottery advertising, which will effectively increase the level of advertising from $11 million to $20.2 million. Chapter 287 also appropriated $750,000 to allow Lottery staff to receive performance incentives, directly tied to sale objectives and agency sales goals. Due to the elimination of the Lottery's advertising cap and other procedural changes in the bill, the Lottery Commission expects to increase sales to pay for a deposit to the UCI Fund in FY 2009 and for their 80% portion of the annual debt service payments in FY 2010 and beyond.

Beyond the statutory revisions, the Lottery Commission plans to implement several other administrative changes to increase sales:

- Offer higher prizes and increase aggregate game payouts from 60% to 70%.
- Increase utilization of "Lottery Express" machines, where customers are able to purchase all Lottery products. These machines were first integrated into the traditional network of instant ticket vending machines in FY 2007.

In FY 2008, the Lottery had estimated sales of $467.7 million (and preliminary actual sales of $472.9 million). Prior to the Chapter 287 changes, the JLBC Staff had forecast FY 2009 sales of $481.9 million. With the Chapter 287 revisions, the Lottery Commission estimates increasing its sales level to $576.1 million.

The Lottery Commission also forecasts further sales growth in future years as a result of the Chapter 287 changes. The Lottery anticipates sales will grow to $638.4 million by FY 2010 and $836.9 million by FY 2014. *(Please see Table 1.)*

(Continued)

Table 1

Long Term Projections
($ in Millions)

	Lottery Baseline Sales [1/]	Lottery Sales with Changes [2/]	Beneficiaries Transfers [3/]	Available for University Capital Funding [4/]
FY 2010	$510.7	$638.4	$136.1	$13.6
FY 2011	552.9	694.8	137.9	26.5
FY 2012	600.2	759.1	139.8	41.4
FY 2013	630.2	797.0	141.9	48.5
FY 2014	661.8	836.9	144.1	55.8

1/ Lottery Commission Sales estimate without Chapter 287 or other changes.
2/ Lottery Commission Sales estimate with Chapter 287 and other changes.
3/ Beneficiary transfers up to and including the General Fund segment of the distribution formula.
4/ These amounts are available to pay for 80% of the annual debt service payments for the newly authorized $1 billion University Bonding Package as required by Laws 2008, Chapter 287. To the extent that these amounts are insufficient for the debt service requirement as shown in *Table 2*, the difference will be paid from the UCI Fund.

After all Lottery revenue beneficiaries have received their statutory distributions, Chapter 287 requires up to $20 million to be deposited into the UCI Fund in FY 2009. Lottery is estimating that this fund will receive about $12.7 million in FY 2009. Beginning in FY 2010, the additional Lottery revenues will be used for the debt service payments.

If the Lottery is not able to generate enough additional sales revenue to meet its current statutory obligations and its portion of the annual debt service payments, the UCI's fund balance can be drawn down to $10 million in order to make the annual debt service payments. For example, the Lottery projects that $13.6 million in Lottery revenue will be available to make their debt service payment in FY 2010. In comparison, Lottery's 80% share of the $17.2 million debt service payment is projected to be $13.8 million. This difference would be funded by reducing the balance in the UCI Fund (the $12.7 million expected to be deposited in FY 2009).

The debt service payments are expected to begin in FY 2010. *Table 2* shows the debt service payments for FY 2010 to FY 2013 as projected by the Lottery Commission. The annual debt service payments are expected to remain at the $66.4 million amount for 24 years after FY 2013.

Table 2

Income Available and
Estimated Debt Service Payments

	FY 2010	FY 2011	FY 2012	FY 2013
Income Available[1/]	$13.6	$26.5	$41.1	$48.5
Debt Service				
Lottery (80%)[2/]	13.8	25.4	41.6	53.1
Univ. Rev. (20%)[3/]	3.4	6.4	10.4	13.3
Total Debt Service	**$17.2**	**$31.8**	**$52.0**	**$66.4**

1/ Represents projected Lottery income available to UCI Fund.
2/ Represents projected debt service payment from Lottery proceeds.
3/ Represents projected debt service payment from university system revenues.

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September 23, 2008

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

Subject: **Northern Arizona University: Stimulus Package for Economic and Educational Development - Building Renewal Projects Review**

Dear Chairman Pearce:

I request that Northern Arizona University's SPEED building renewal projects be placed on the next available agenda for the Joint Committee on Capital Review.

The Arizona Board of Regents approved the university's request for SPEED building renewal projects and related cost on September 3, 2008. The Capital Committee project approval submittal, debt service schedule and funding plan should provide the required information and is attached for your review.

If you require additional information please do not hesitate to contact me at (928) 523-6515.

Thank you for your consideration of this request.

Sincerely,

M.J. McMahon
Executive Vice President

Attachments

c: Joel Sideman
Lorenzo Martinez
Christy Farley
Leah Kritzer
Kathe Shinham
Robert Norton
John Haeger

NORTHERN ARIZONA UNIVERSITY

Project / Building	Fire / Life Safety	Roof Replacement	Mechanical Replacement	Main Electrical System Replacement	Elevator Replacement
Ardrey / PFA Classrooms	X		X	X	
HRM Stimulus Renovation			X	X	
Liberal Arts Stimulus Renovation		X	X	X	
North Union Stimulus Renovation	X			X	
North Campus Utility Retrofit			X	X	
Skydome ADA / Health Issues	X		X		X
SBS Stimulus Renovation		X	X		

EXECUTIVE SUMMARY

ITEM NAME: **Combined Project Implementation Approval and Project Approval for SPEED Deferred Maintenance and Building Renewal Projects (NAU)**

☒ Action Item ☐ Discussion Item ☐ Information Item

ISSUE: Northern Arizona University seeks combined Project Implementation Approval and Project Approval for the SPEED Deferred Maintenance and Building Renewal Projects, including approval to shift funding among projects as project assessments are further developed provided the bottom line budget is not exceeded.

Previous Board Actions: Capital Development Plan: June 2008
SPEED Projects Allocation: July 2008

Project Justification/Strategic Implications:

- In June 2008, the Legislature approved the Stimulus Plan for Economic and Educational Development (SPEED) with the provision the funds would be used for critical new construction and deferred maintenance projects.

- As part of the Northern Arizona University SPEED plan approved at the July 24 Capital Committee meeting, the university identified several deferred maintenance projects based upon the following critical factors:
  1. What are the most immediate health, life, and safety issues that impact NAU students, faculty and staff?
  2. Which projects can be started immediately so that the intent of the stimulus package is fulfilled?
  3. Which buildings can be taken off line for six months to a year in order to complete the necessary renovations? The university cannot, at this stage, simply shut down a classroom building without having identified alternative space.

- The NAU SPEED plan also identified two critical new construction projects, a new Health Professions facility and new campus classrooms at the Wellness Center, as well as the NAU portion of the Biomedical facility in Phoenix.

- In addition, at the same July 24 meeting, NAU requested a waiver to seek concurrent Project Implementation and Project Approval for bundled projects with a single, combined budget for the bundle. Funds would have the flexibility

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to be allocated within the bundled projects as long as the bottom line budget is not exceeded, and the Board would be provided regular updates on the projects.

Project Description and Scope:

- In accordance with the plan put forth in July, NAU is bringing forward its deferred maintenance and building renewal bundle for simultaneous Project Implementation and Project Approval. Pre-programming services are complete and Design Professional (DP) and Construction Manager at Risk (CMAR) selections are currently in process. Most selections will be completed before the September Board meeting.

- The following projects are included in this bundle:

  1) **Fire Life Safety projects** include Skydome Health and ADA issues, Ardrey (part of Performing and Fine Arts), and the North Union. The Skydome project addresses deficiencies in seating, handrails, and wheelchair spaces. Restricted egress and accessibility will be corrected in a number of areas as part of this project. In addition, the project addresses life-safety storage, electrical, mechanical and water issues. The Ardrey Auditorium project addresses aging, unsafe seating (a patron fell through a seat last year) and rigging, electrical, fire alarm and pit structure issues. The North Union project addresses aging wiring, sprinkling, and mechanical code issues.

  2) **Classroom Renovation projects** include renovations of the old Inn at NAU for Hotel and Restaurant Management classrooms, Liberal Arts 1st and 2nd floor classrooms and Performing and Fine Arts Classrooms. The nationally ranked Hotel and Restaurant Management program has outgrown its existing building and is in need of adequate lab facilities for student training. To correct these program deficiencies, The Inn will be renovated to provide larger, functional classrooms, as well as modern laboratory facilities. Performing and Fine Arts renovations address aging classrooms with an adjusted age of over 30 years. The Liberal Arts facility is approximately 40 years of age, and the building is one of the busiest on campus. Classroom renovations will correct the aging condition of these environments. These buildings are not the only aged buildings on campus, but they are some of the most heavily used and/or are home to significantly growing programs.

  3) **The Utilities Retrofit project** focuses on building systems such as plumbing, electrical, lighting, and HVAC that affect the operational integrity of campus buildings. Improvements to underground delivery systems and capacity will be addressed by this project.

EXECUTIVE SUMMARY

- The following table shows the renovation activity to be done by building:

NORTHERN ARIZONA UNIVERSITY
SYSTEM REPAIR TABLE

Project / Building	Fire / Life Safety	Roof Replacement	Mechanical Replacement	Main Electrical System Replacement	Elevator Replacement
Ardrey / PFA Classrooms	X		X	X	
HRM Stimulus Renovation			X	X	
Liberal Arts Stimulus Renovation		X	X	X	
North Union Stimulus Renovation	X	X		X	
North Campus Utility Retrofit			X	X	
Skydome ADA / Health Issues	X		X		X
SBS Stimulus Renovation	X	X	X		

- The new Health Professions project which focuses upon space needs for new and existing health programs is moving forward rapidly. Approximately 100 DPs and CMARs attended the pre-submittal meeting on July 21st. Fourteen DP firms submitted and selection of the DP will be completed shortly. Twelve CMARs submitted and selection of the CMAR is in process.

- The new classrooms have been incorporated into the Wellness project. The availability of SPEED funds, along with the early stage of programming on the Wellness facility provides a unique opportunity to create additional classroom capacity with the addition of two and a half floors, without creating a separate building footprint and at a cost significantly less than originally anticipated. Expanding the Wellness Center will increase campus density while preserving green space, reduce the cost of the utility infrastructure required for a stand-alone building and provide additional flexibility for siting other future buildings.

Statutory/Policy Requirements:

- Board Policy 7-109 requires Capital Committee review and Board approval of projects with a total project cost over $20 million.

- As a group, the bundled projects exceed $20 million. The new Health Professions Building is $80 million and Wellness is approximately $100 million with the classroom additions.

Additional Project Considerations:

- To maximize the long-term investment of the new construction projects, Wellness and Health Professions are being built to last 50 to 75 years. They will be designed in accordance with the NAU Design Standards and will be constructed of high quality, maintainable materials and building systems to maximize energy efficiency and minimize operational, repair and replacement costs.

- NAU continues its commitment to responsible, sustainable design and construction for new projects which are planned to receive, at a minimum, a LEED Silver certification in accordance with the governor's guidelines.

- NAU renovation projects will include responsible, sustainable options where feasible and depending upon the specific needs of the programs being served.

Project Delivery Method and Process:

- Every project in the deferred maintenance bundle and new construction are being delivered through the Construction Manager at Risk (CMAR) method. This approach was selected because it can save time through fast-track project scheduling, it provides contractor design input and coordination throughout the project, it improves potentially adversarial project environments, and it allows for the selection of the most qualified contractor team for each individual project. With the use of two independent estimates, qualification selection and low bid subcontractor work for the actual construction, this method also provides a high level of cost and quality control.

EXECUTIVE SUMMARY

- Selections of the Design Professional and CMAR are ongoing. Projects have received between 10 and 25 submittals. Selections are through the capital project selection process prescribed by the ABOR Procurement Code. For each CMAR, a licensed contractor and a design professional were included on the selection committee as required by Board Policy.

Project Costs:

- The total project budget for the deferred maintenance and building renewal bundle is identified as $73 million. Additionally, $5,850,163 in SPEED funding is required for programming and design efforts in FY2009 for the new Health Professions building and new classrooms at the Wellness project. Also, $1.1 million is determined as the NAU portion for the Biomedical facility this fiscal year.

- The initial project budget was developed for the University Stimulus Plan. Pre-programming efforts have developed cost estimates based upon preliminary examination of the physical conditions of the buildings identified in the deferred maintenance and building renewal bundle.

- Comparable cost data for these projects will be provided in updates to the Board. Relevant comparable projects identified at that time will also be included in the updates.

- As part of the Board updates, two cost estimates for each project will be prepared independently by the Construction Manager at Risk and the Architect's estimating consultant. These estimates will be reconciled together to confirm accurate, competitive scope quantities and unit prices to form the GMP for the entire scope of work. NAU will identify what percentage of the CMAR's current estimate is made up of subcontractor bid commitments, price projections from subcontractors, and estimates prepared by the CMAR team.

- All subcontractor work will be awarded on the basis of lowest cost and qualifications. Contracts for CMAR's will include Board approved requirements for Veteran's preference hiring programs. A final report on project control procedures such as change orders and contingency use will be provided at project completion.

Fiscal Impact and Financing Plan:

The NAU Deferred Maintenance and Building Renewal Bundle will be funded through system revenue bonds, with debt service paid from the University Capital Improvement Lease-To-Own and Bond Fund created as a result of the Stimulus Plan for Economic

and Educational Development (SPEED) initiative. The fund will receive lottery revenues intended to cover 80% of the annual debt service, and university revenues intended to cover the remaining 20% of debt service.

The university will pay interest only for the first 5 years of the SPEED projects in order to allow for implementation of newly authorized lottery enhancements and full realization of increased lottery revenues from those enhancements.

The bonds for new construction will be repaid over a 35 year period, and the bonds issued for building renewal will be repaid over a 20 year period.

Debt Ratio Impact: The SPEED Projects are exempt from the university debt ratio. However, the annual debt service (principal and interest) for these projects is estimated to be $5,578,770 for the $73.0 million in building renewal projects and $468,502 annually for the remaining $7.2 million in new construction costs.

The incremental debt ratio from annual debt service for the $73,000,000 in building renewal projects is .95%. The incremental debt ratio from annual debt service for the $7,200,000 in new projects is .11%. The projected highest debt ratio including these projects is 10.10%. This includes all projects in the University CDP and CIP as well as the SPEED funded projects.

The projected highest University debt ratio for all projects not including SPEED is 6.59%, this ratio remains well below the maximum debt ratio of 8%.

Project Status & Schedule:

- All projects are progressing on schedule. Pre-programming or design is in process for the bundle of projects and new construction. Scheduled completion include:

Project	Completion Date
Liberal Arts	July 2009
HRM	July 2009
Skydome	July 2009
Ardrey/Performing and Fine Arts Classrooms	December 2009
Infrastructure	August 2010
Classrooms at Wellness Center	July 2011
New Health Professions Building	July 2011

EXECUTIVE SUMMARY

- Project Approval is being requested prior to the receipt of the overall GMP for the bundle projects to expedite renovations and per the approved NAU plan. NAU will provide construction and financial updates to the Board.

Committee Review and Recommendation:

The Capital Committee reviewed this item at its September 3, 2008 meeting and recommended Board approval with the provision that the addition or removal of any projects from the list be submitted for Committee review and Board approval.

Recommendation:

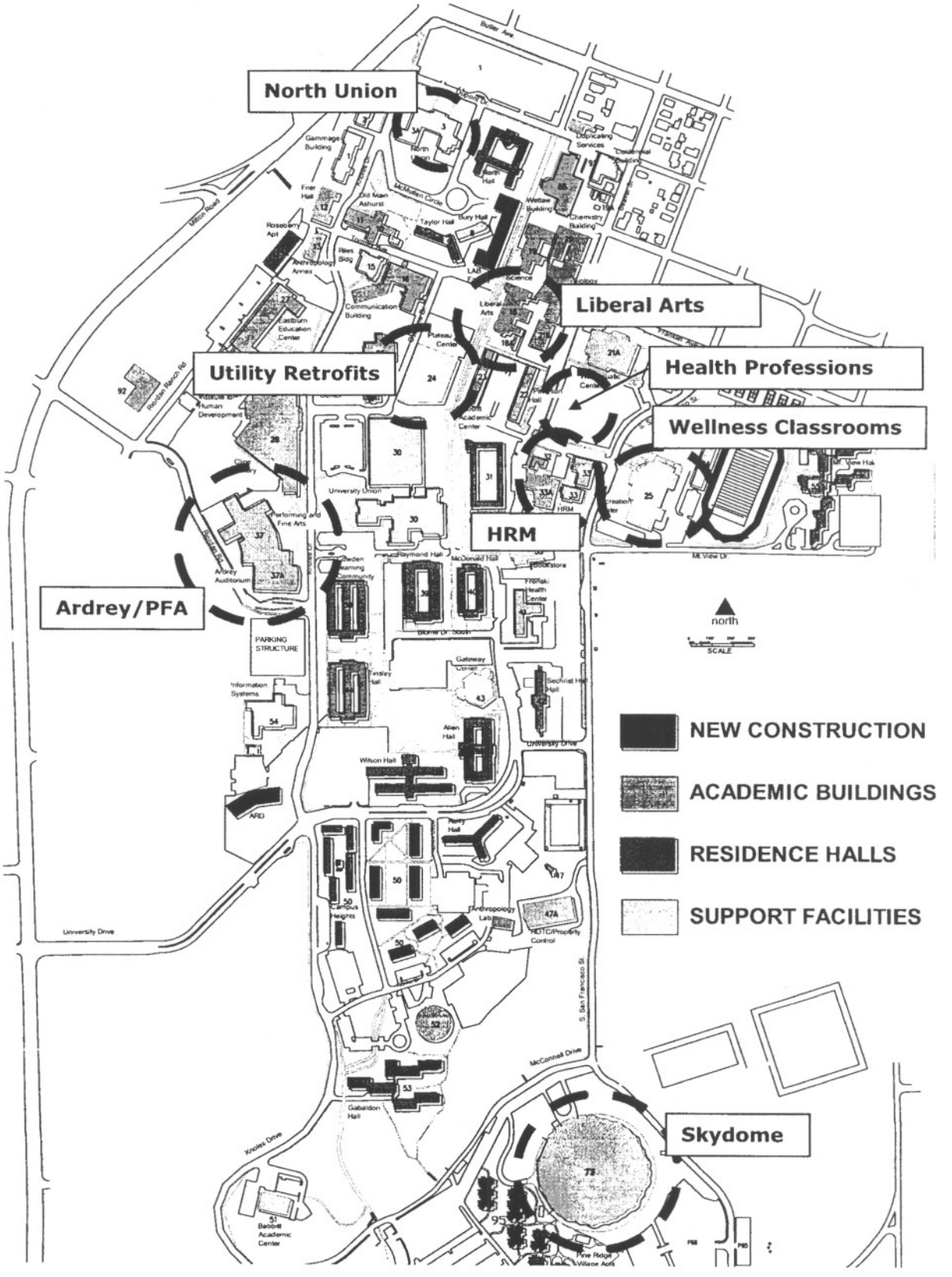
That the Board grant combined Project Implementation and Project Approval for SPEED Deferred Maintenance and Building Renewal Projects, including approval to shift monies among the projects once the final building or project assessment is developed, provided that the bottom line budget will not be exceeded, and that the addition or removal of any projects be submitted for Committee review and Board approval.

EXECUTIVE SUMMARY

NORTHERN ARIZONA UNIVERSITY

Project	Cost	GSF	Status	Description
DEFERRED MAINTENANCE / BUILDING RENEWAL				
Ardrey / PFA Classrooms	$10,000,000	90,000	CDP 7/08	17 DP submittals, selection 9/16; 15 CMAR submittals, selection 10/7
HRM Stimulus Renovation	$6,000,000	16,470	CDP 7/08	14 DP submittals received, DP selection 9/10; 15 CMAR submittals received, selection 9/23
Liberal Arts Stimulus Renovation	$4,000,000	33,337	CDP 7/08	10 DP submittals, selection complete 8/20; 12 CMAR submittals, selection complete 9/05
North Union Stimulus Renovation	$2,000,000	15,000	CDP 7/08	DP submittals due 9/30
North Campus Utility Retrofit	$25,000,000	NA	CDP 7/08	9 DPs submittals, selection complete 8/21; 14 CMAR submittals; selection complete 9/11
Skydome ADA / Health Issues	$20,000,000	265,056	CDP 6/08	DP selected 8/19, 8 submittals received; 10 CMAR submittals, selection 8/25
SBS Stimulus Renovation	$13,000,000	50,000	CDP 7/08	DP submittal date TBD
Subtotal	**$80,000,000**			
NEW CONSTRUCTION				
Health Professions Expansion	$80,000,000	120,000	CDP 6/08	14 DPs submittals, selection complete 8/27; 12 CMARs submittals, selection complete 9/18
Recreation and Wellness Expansion Projects	$100,000,000	255,000	CDP 1/08	Classrooms were approved in 9/06 as separate building. Design in process by OWPP; Mortenson is CMAR.
Phoenix BioMedical Campus	$18,800,000	805,000	CDP 6/08	This project is managed by UofA.
Subtotal	**$198,800,000**			
Cumulative Project Totals	**$278,800,000**			

EXECUTIVE SUMMARY



JCCR Capital Review
SPEED Deferred Maintenance and Building Renewal Projects
Northern Arizona University

Debt Issuance:

	Building Renewal
Anticipated Financing Method	SPEED Revenue Bonds
Project Costs	$ 64,140,000
Issuance Costs	675,000
Total issuance	$ 64,815,000
Estimated Interest Rate	5.00%
Payment Term (Years)	20
Asset Useful Life (Years)	20

Fund sources for debt payment

Annual Debt Service (2010-2014)	
State Lottery Allocation Proceeds	$2,592,600
Tuition and Other Local Funds	$648,150
Total Annual debt service	$3,240,750
Annual Debt Service (2015-2029)	
State Lottery Allocation Proceeds	$4,995,540
Tuition and Other Local Funds	$1,248,885
Total Annual debt service	$6,244,425
Total debt service (by fund source)	
State Lottery Allocation Proceeds	$88,112,154
Tuition and Other Local Funds	$22,028,039
Total Debt Service	$110,140,193
Expected Date of Issuance	February 2009
Anticipated Bond Rating (1)	A and A3

Debt Ratio:
The SPEED financed projects are exempt from the statutory debt ratio. If included, the debt ratio impact would be as follows:

Current Debt ratio (Estimated FY09)	5.16%
Incremental ratio change with SPEED debt issuance	0.83%
Total debt ratio (2)	5.99%

(1) S&P Rating Services/Moody's Investor Services
(2) based on debt service (2010-2014)
(3) The estimated not-to-exceed cost of the financing for Deferred Maintenance and Building Renewal s $675,000 excluding potential costs for credit enhancements which would increase the debt rating and reduce the interest rate on the debt.

Northern Arizona University - Debt Service Schedule
JCCR Capital Review October 2008
SPEED-Deferred Maintenance and Building Renewal Projects

Fiscal Year	Payment	Principal	Interest	Outstanding Principal
				64,815,000
2009	270,063		270,063	64,815,000
2010	3,240,750		3,240,750	64,815,000
2011	3,240,750		3,240,750	64,815,000
2012	3,240,750		3,240,750	64,815,000
2013	3,240,750		3,240,750	64,815,000
2014	3,240,750		3,240,750	64,815,000
2015	6,244,425	3,003,675	3,240,750	61,811,325
2016	6,244,425	3,153,859	3,090,566	58,657,465
2017	6,244,425	3,311,552	2,932,873	55,345,913
2018	6,244,425	3,477,130	2,767,296	51,868,784
2019	6,244,425	3,650,986	2,593,439	48,217,798
2020	6,244,425	3,833,535	2,410,890	44,384,262
2021	6,244,425	4,025,212	2,219,213	40,359,050
2022	6,244,425	4,226,473	2,017,952	36,132,577
2023	6,244,425	4,437,797	1,806,629	31,694,780
2024	6,244,425	4,659,686	1,584,739	27,035,094
2025	6,244,425	4,892,671	1,351,755	22,142,423
2026	6,244,425	5,137,304	1,107,121	17,005,119
2027	6,244,425	5,394,169	850,256	11,610,950
2028	6,244,425	5,663,878	580,547	5,947,072
2029	6,244,425	5,947,072	297,354	0
Total	110,140,193	64,815,000	45,325,193	