

JOINT COMMITTEE ON CAPITAL REVIEW

Thursday, January 29, 2026

1:30 p.m.

Senate Hearing Room 109



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DAVID C. FARNSWORTH
VICE-CHAIRMAN

LELA ALSTON
MARK FINCHEM
JOHN KAVANAGH
LAUREN KUBY
PRIYA SUNDARESHAN
CARINE WERNER

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HOUSE OF
REPRESENTATIVES

DAVID LIVINGSTON
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MICHAEL CARBONE
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STACEY TRAVERS
MICHAEL WAY

JOINT COMMITTEE ON CAPITAL REVIEW

Thursday, January 29, 2026

1:30 P.M.

Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order
- [Approval of Minutes of November 10, 2025.](#)
- 1. [*DEPARTMENT OF HEALTH SERVICES - Review of Arizona State Hospital Lease Agreement.](#)
- 2. [*DEPARTMENT OF JUVENILE CORRECTIONS - Review of Adobe Mountain School Capital Projects.](#)
- 3. [*ARIZONA STATE UNIVERSITY - Approval of SPEED Bonds and Review of System Revenue Bonds for ASU Health Headquarters Facility.](#)
- 4. NORTHERN ARIZONA UNIVERSITY
 - [*A. Approval of Cline Library Renovation SPEED Bond Project.](#)
 - [*B. Approval of Nursing Building SPEED Bond Project.](#)
- 5. [*UNIVERSITY OF ARIZONA - Approval of a Revision in the SPEED Bond Financing of the Center for Applied Molecular and Immunological Therapies \(CAMI\) Building.](#)
- * Consent Agenda - These items will be considered in one motion and no testimony will be taken.

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

01/22/2026

JB

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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

November 10, 2025

The Chairman called the meeting to order at 1:05 p.m., Monday, November 10, 2025 in Senate Hearing Room 109. The following were present:

Members:	Senator Farnsworth, Chairman Senator Angius (Temporary member in place of Senator Finchem) Senator Kavanagh Senator Kuby Senator Sundareshan Senator Werner	Representative Livingston, Vice-Chairman Representative Blattman (Temporary member in place of Representative Stahl Hamilton) Representative Gress Representative Travers Representative Way
Absent:	Senator Alston	Representative Carbone Representative De Los Santos Representative Stahl Hamilton
Excused:	Senator Finchem	

APPROVAL OF MINUTES

Representative Livingston moved that the Committee approve the minutes of April 23, 2025. The motion carried by voice vote.

REGULAR AGENDA

The following items were considered without further discussion:

1. ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of FY 2026 Building Renewal Allocation.

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for building renewal. ADOA requested review of the \$21,913,500 appropriated from the FY 2026 Capital Outlay Bill for their building renewal allocation plan. The JLBC Staff provided options.

Representative Livingston moved that the Committee give a favorable review to ADOA's FY 2026 building renewal allocation plan. The motion passed with a roll call vote of 7-4-0-3. (Attachment 1)

2. ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2026 Building Renewal and Yuma Fire Alarm Projects.

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for building renewal and capital projects. ADC requested Committee review of its FY 2026 allocation plan for \$5,864,300.

A.R.S. § 41-1252 also requires Committee review of capital projects with estimated costs exceeding \$250,000. ADC requested Committee review of the \$8,500,000 appropriated from the FY 2026 Capital Outlay Bill for its expenditure plan to upgrade the fire system at the Yuma prison. *The Committee did not review the \$8,500,000 to upgrade the fire system at the Yuma prison.* The JLBC Staff provided options.

Mr. Scott Mendel, Assistant Director of Facilities Management, ADC, responded to member questions.

Mr. Richard Evitch, Assistant Director of Financial Services, ADC, responded to member questions.

Representative Livingston moved that the Committee give a favorable review of \$1,225,000 of ADC's FY 2026 building renewal expenditure plan as follows:

- \$700,000 to convert kitchen to medical space
- \$400,000 to install a dialysis structure
- \$125,000 for security upgrades

Senator Sundareshan made a substitute motion for a favorable review of ADC's request items as submitted to the Committee. The substitute motion failed by a voice vote.

The original motion passed with a roll call vote of 8-3-0-3. (Attachment 2)

3. DEPARTMENT OF HEALTH SERVICES (DHS) -Review of Arizona State Hospital (ASH) Projects.

A.R.S. § 41-1252 requires Committee review of expenditure plans for all monies appropriated for capital projects. DHS requested review of \$958,700 for 2 capital projects appropriated from the FY 2024 and FY 2026 Capital Outlay Bills.

The FY 2024 Capital Outlay Bill appropriated \$209,000 from the Arizona State Hospital (ASH) Fund for ASH water pump replacements, and the FY 2026 Capital Outlay Bill appropriated \$695,000 from the ASH Land Earnings Fund for anti-ligature renovations at the state hospital. The JLBC Staff provided options.

Representative Livingston moved that the Committee give a favorable review of DHS's capital improvement projects. The motion passed with a roll call vote of 11-0-0-3. (Attachment 3)

4. DEPARTMENT OF JUVENILE CORRECTIONS (DJC) -Review of Adobe Mountain School Capital Projects.

A.R.S. § 41-1252 requires Committee review of the expenditure of monies appropriated for land acquisition, capital projects and building renewal. The DJC requested Committee review of its plan to spend \$1,480,600 from the Criminal Justice Enhancement Fund (CJEF) and the DJC Local Cost Sharing Fund to complete 3 capital projects at the Adobe Mountain School facility. The projects are as follows:

- a. \$641,000 to replace the make-up air unit in the kitchen
- b. \$536,600 to replace the Fire Line Booster Pumps within the water distribution system
- c. \$303,000 to replace the doors and locking systems in one of the West Housing Units

The JLBC Staff provided options.

Mr. Art Smith, Business and Finance Administrator, DJC, responded to member questions.

Representative Livingston moved that the Committee hold DJC's request for review of Adobe Mountain School Capital Projects. The motion passed by a voice vote.

The Committee requested additional details from the department regarding their plans if the Adobe Mountain School facility lease is not extended beyond FY 2027.

5. ARIZONA STATE PARKS BOARD (ASPB) - Review of Buckskin Mountain Boat Ramp Replacement.

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for building renewal and capital projects. The ASPB requested Committee review of \$1,614,900 from the non-appropriated State Lake Improvement Fund (SLIF) and federal Land and Water Conservation Fund (LWCF) to replace a boat ramp at Buckskin Mountain State Park. The JLBC Staff provided options.

Representative Livingston moved that the Committee give a favorable review of the \$1,614,900 from the non-appropriated State Lake Improvement Fund (SLIF) and federal Land and Water Conservation Fund to replace a boat ramp at Buckskin Mountain State Park. The motion passed by a roll call vote of 10-0-0-4. (Attachment 4)

6. PRESCOTT HISTORICAL SOCIETY - Review of Territorial Governor's Mansion Restoration.

A.R.S. § 41-1252 requires Committee review of the expenditure of monies appropriated for land acquisition, capital projects and building renewal. The Prescott Historical Society – Sharlot Hall Museum requested Committee review of its plan to spend a FY 2026 operating budget appropriation of \$500,000 from the General Fund for restoration of the museum's Territorial Governor's Mansion. The JLBC Staff provided options.

Mr. Stuart Rosebrook, Executive Director, Prescott Historical Society – Sharlot Hall Museum responded to member questions.

Representative Selina Bliss, House of Representatives responded to member questions.

Representative Livingston moved that the Committee give a favorable review of the Prescott Historical Society – Sharlot Hall Museum's expenditure plan. The motion passed by a roll call vote of 8-2-0-4 (Attachment 5)

7. DEPARTMENT OF PUBLIC SAFETY (DPS) - Review of FY 2026 Headquarter Electrical Upgrade Project.

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for capital projects. DPS requested Committee review of their \$11,227,100 appropriation from the FY 2026 Capital Outlay Bill to upgrade the electrical system at the department's headquarters in Phoenix. The JLBC Staff provided options.

Mr. Ryan Boyd, Chief Legislative Liaison, DPS responded to member questions.

Mr. Mike Dodd, Budget Officer, DPS responded to member questions.

Representative Livingston moved that the Committee give a favorable review of DPS's expenditure plan. The motion passed by a roll call vote of 10-0-0-4. (Attachment 6)

8A. ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of FY 2026 Building Renewal Allocation Plan.

A.R.S. § 41-1252 requires JCCR to review expenditure plans for building renewal monies. ADOT requested Committee review of its expenditure plan of \$22,990,400 from the State Highway Fund and \$394,900 from the State Aviation Fund. The JLBC Staff provided options.

Representative Livingston moved that the Committee give a favorable review of ADOT's FY 2026 building renewal allocation plan. The motion passed by a roll call vote of 10-0-0-4. (Attachment 7)

8B. ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of ADOT Capital Projects.

A.R.S. § 41-1252 requires Committee review of expenditure plans for capital projects. ADOT requested Committee review of 2 capital projects totaling \$13,812,000 from the State Highway Fund, which were funded in the FY 2026 Capital Outlay Bill:

- \$6,951,000 for a new vehicle repair shop in Avondale, and
- \$6,861,000 for new maintenance facilities in Little Antelope and Gray Mountain.

The JLBC Staff provided options.

Mr. Rob Howe, Facilities Planning Estimator, ADOT responded to member questions.

Ms. Cynthia Patchen, Legislative Liaison, ADOT responded to member questions.

Representative Livingston moved that the Committee hold ADOT's request for review of their expenditure plans for 2 capital projects. The motion passed by a voice vote.

The Committee requested additional details from the department regarding how the current facilities will be used after the construction of the new facilities.

9. NORTHERN ARIZONA UNIVERSITY - Review of Capital Infrastructure Projects.

A.R.S. § 15-1671 requires Committee review of cash projects funded by the Capital Infrastructure Fund (CIF). NAU requested Committee review of \$5,142,200 for capital improvement projects funded via CIF cash. The JLBC Staff provided options and potential provisions:

Standard University Financing Provisions

- 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 projects are complete.*
- On or before October 15 of each year until completion of the projects, NAU shall report to the JLBC Staff on the status and expenditures of the capital projects. The report shall include the project expenditures to date, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the projects.*

Ms. Katy Yanez, Vice President of Government Affairs and Community Relations, Northern Arizona University, responded to member questions.

Representative Livingston moved that the Committee give a favorable review of the capital projects totaling \$5,142,200 with the JLBC Staff provisions. The motion passed by a roll call vote of 10-0-0-4. (Attachment 8)

10. UNIVERSITY OF ARIZONA - Approval of SPEED Bond Deferred Maintenance Projects.

A.R.S. § 15-1682.03 requires Committee approval of any projects financed with lottery revenue (SPEED) bonds. The University of Arizona (UA) requested Committee approval of \$38,750,000 in SPEED bonds for deferred maintenance projects across multiple campus buildings. The debt service for SPEED bonds is paid 80% by state lottery revenues and 20% by university resources. Lottery revenues used to pay debt service would otherwise be deposited into the General Fund. The JLBC Staff provided options and potential provisions:

Standard University Financing Provisions

- A. *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.*
- B. *UA shall provide the final debt service schedule and interest rate for the projects as soon as they are available.*
- C. *On or before October 15 of each year until completion of the project, UA shall report to the JLBC Staff on the status and expenditures of the project. The report shall include the project expenditures to date by type of building system, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.*

Additional Provision

- D. *UA shall report to the Chairman and the JLBC Staff prior to reallocating monies between projects as listed in the agency submission materials.*

Mr. John Arnold, Chief Financial Officer, University of Arizona, responded to member questions.

Representative Livingston moved that the Committee approve the University of Arizona's request of \$38,750,000 in SPEED bonds for deferred maintenance projects with provisions. The motion passed by a roll call vote of 10-0-0-4. (Attachment 9)

11. ARIZONA GAME AND FISH DEPARTMENT (AGFD) - Review of FY 2025 and FY 2026 Building Renewal Allocations.

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for building renewal and capital projects and for any capital project with an estimated cost of more than \$250,000. The Arizona Game and Fish Department requested review of \$1,972,000 for 30 projects and contingency funding, of which \$330,000 will be sourced from AGFD's FY 2025 building renewal appropriation from the Game and Fish Fund and \$1,642,000 will be funded by the department's FY 2026 building renewal appropriation from the same fund. The JLBC Staff provided options and a potential provision:

- A. *In the respective quarterly capital report update, AGFD shall notify the Chairman and JLBC Staff when spending monies for an emergency maintenance and repair project. AGFD may proceed with the emergency repairs prior to Committee review.*

Mr. Christopher Cantrell, Engineering and Construction Branch Chief, Arizona Game and Fish Department, responded to member questions.

Representative Livingston moved that the Committee give a favorable review of AGFD's FY 2025 and FY 2026 building renewal allocations for capital projects totaling \$1,972,000 with the JLBC Staff provisions. The motion passed by a roll call vote of 9-1-0-4. (Attachment 10)

Without objection, the meeting adjourned at 3:10 p.m.

Respectfully submitted:

Jennifer Burns

Jennifer Burns, Secretary

Richard Stavneak

Richard Stavneak, Director

David C. Farnsworth

Senator David C. Farnsworth, Chairman

JOINT COMMITTEE ON CAPITAL REVIEW
ROLL CALL VOTE

Meeting Date: 11/10/25ITEM#: 1) ADQA - Review of FY26 Building
Renewal AllocationMOTION: Favorable
Review

	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ALSTON					✓
REP. CARBONE					✓
REP. DE LOS SANTOS					✓
SEN. FINCHEM <u>Sen. Angius</u>		✓			
REP. GRESS			✓		
SEN. KAVANAGH			✓		
SEN. KUBY		✓			
REP. STAHL-HAMILTON <u>Blattman</u>		✓			
SEN. SUNDARESHAN		✓			
REP. TRAVERS		✓			
REP. WAY			✓		
SEN. WERNER			✓		
REP. LIVINGSTON, VICE-CHAIRMAN		✓			
SEN. FARNSWORTH, CHAIRMAN		✓			
		7	4	Ø	3

**JOINT COMMITTEE ON CAPITAL REVIEW
ROLL CALL VOTE**

Meeting Date: 11/10/25ITEM#: 2) ADC - FY26 Building Renewal and
Yuma Fire Alarm Projects D, E, and FMOTION: Favorable
Review

	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ALSTON					✓
REP. CARBONE					✓
REP. DE LOS SANTOS					✓
SEN. FINCHEM <u>Angius</u>		✓			
REP. GRESS		✓			
SEN. KAVANAGH		✓			
SEN. KUBY		✓			
REP. STAHL HAMILTON <u>Blattman</u>	✓		✓		
SEN. SUNDARESHAN			✓		
REP. TRAVERS			✓		
REP. WAY		✓			
SEN. WERNER		✓			
REP. LIVINGSTON, VICE-CHAIRMAN		✓			
SEN. FARNSWORTH, CHAIRMAN		✓			
		8	3	0	3

**JOINT COMMITTEE ON CAPITAL REVIEW
ROLL CALL VOTE**

Meeting Date: 11/10/25ITEM#: 3) DHS - Review of Arizona State
Hospital Projects.MOTION: Favorable
Review

	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ALSTON					✓
REP. CARBONE					✓
REP. DE LOS SANTOS					✓
SEN. FINCHEM ANGIUS		✓			
REP. GRESS		✓			
SEN. KAVANAGH		✓			
SEN. KUBY		✓			
REP. STAHL HAMILTON BLATTMAN		✓			
SEN. SUNDARESHAN		✓			
REP. TRAVERS		✓			
REP. WAY		✓			
SEN. WERNER		✓			
REP. LIVINGSTON, VICE-CHAIRMAN		✓			
SEN. FARNSWORTH, CHAIRMAN		✓			
		11	0	0	3

**JOINT COMMITTEE ON CAPITAL REVIEW
ROLL CALL VOTE**

Meeting Date: 11/10/25ITEM#: 5) ASPB - Review of Buckskin Mountain
Boat Ramp ReplacementMOTION: Favorable
Review

	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ALSTON					✓
REP. CARBONE					✓
REP. DE LOS SANTOS					✓
SEN. FINCHEM <u>ANGIUS</u>		✓			
REP. GRESS		✓			
SEN. KAVANAGH		✓			
SEN. KUBY		✓			
REP. STAHL HAMILTON <u>BLATTMAN</u>		✓			
SEN. SUNDARESHAN					✓
REP. TRAVERS		✓			
REP. WAY		✓			
SEN. WERNER		✓			
REP. LIVINGSTON, VICE-CHAIRMAN		✓			
SEN. FARNSWORTH, CHAIRMAN		✓			
		10	0	0	4

JOINT COMMITTEE ON CAPITAL REVIEW
ROLL CALL VOTE

Meeting Date: 11/10/25

ITEM#: 6) PHS - Review of Territorial Governors
Mansion Restoration

MOTION: Favorable Review

	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ALSTON					✓
REP. CARBONE					✓
REP. DE LOS SANTOS					✓
SEN. FINCHEM <u>ANGIUS</u>		✓			
REP. GRESS	✓		✓		
SEN. KAVANAGH		✓			
SEN. KUBY		✓			
REP. STAHL-HAMILTON <u>BLATTMAN</u>		✓			
SEN. SUNDARESHAN					✓
REP. TRAVERS			✓		
REP. WAY		✓			
SEN. WERNER		✓			
REP. LIVINGSTON, VICE-CHAIRMAN		✓			
SEN. FARNSWORTH, CHAIRMAN		✓			
		8	2	Ø	4

**JOINT COMMITTEE ON CAPITAL REVIEW
ROLL CALL VOTE**

Meeting Date: 11/10/25ITEM#: 7) DPS - FY26 Headquarter Electrical Upgrade ProjectMOTION: Favorable Review

	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ALSTON					✓
REP. CARBONE					✓
REP. DE LOS SANTOS					✓
SEN. FINCHEM — <u>ANGIUS</u>		✓			
REP. GRESS		✓			
SEN. KAVANAGH		✓			
SEN. KUBY		✓			
REP. STAHL HAMILTON — <u>BLATTMAN</u>		✓			
SEN. SUNDARESHAN					✓
REP. TRAVERS		✓			
REP. WAY		✓			
SEN. WERNER		✓			
REP. LIVINGSTON, VICE-CHAIRMAN		✓			
SEN. FARNSWORTH, CHAIRMAN		✓			
		10	Ø	Ø	4

**JOINT COMMITTEE ON CAPITAL REVIEW
ROLL CALL VOTE**

Meeting Date: 11/10/25ITEM#: 8A) ADOT - FY26 Building Renewal
Allocation PlanMOTION: Favorable Review

	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ALSTON					✓
REP. CARBONE					✓
REP. DE LOS SANTOS					✓
SEN. FINCHEM <u>ANGIUS</u>		✓			
REP. GRESS		✓			
SEN. KAVANAGH		✓			
SEN. KUBY		✓			
REP. STAHL HAMILTON <u>BLATTMAN</u>		✓			
SEN. SUNDARESHAN					✓
REP. TRAVERS		✓			
REP. WAY		✓			
SEN. WERNER		✓			
REP. LIVINGSTON, VICE-CHAIRMAN		✓			
SEN. FARNSWORTH, CHAIRMAN		✓			
		10	Ø	Ø	4

**JOINT COMMITTEE ON CAPITAL REVIEW
ROLL CALL VOTE**

Meeting Date: 11/10/25

ITEM#: 9) NAV - Review of CIF Projects

MOTION: Favorable Review

	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ALSTON					✓
REP. CARBONE					✓
REP. DE LOS SANTOS					✓
SEN. FINCHEM <u>ANGIUS</u>		✓			
REP. GRESS		✓			
SEN. KAVANAGH		✓			
SEN. KUBY		✓			
REP. STAHL HAMILTON <u>BLATTMAN</u>		✓			
SEN. SUNDARESHAN					✓
REP. TRAVERS		✓			
REP. WAY		✓			
SEN. WERNER		✓			
REP. LIVINGSTON, VICE-CHAIRMAN		✓			
SEN. FARNSWORTH, CHAIRMAN		✓			
		10	0	0	4

**JOINT COMMITTEE ON CAPITAL REVIEW
ROLL CALL VOTE**

Meeting Date: 11/10/25ITEM#: 10) UofA - SPEED Bond Preferred
Maintenance ProjectsMOTION: Approval

	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ALSTON					✓
REP. CARBONE					✓
REP. DE LOS SANTOS					✓
SEN. FINCHEM <u>ANGIUS</u>		✓			
REP. GRESS		✓			
SEN. KAVANAGH		✓			
SEN. KUBY		✓			
REP. STAHL HAMILTON <u>BLATTMAN</u>		✓			
SEN. SUNDARESHAN					✓
REP. TRAVERS		✓			
REP. WAY		✓			
SEN. WERNER		✓			
REP. LIVINGSTON, VICE-CHAIRMAN		✓			
SEN. FARNSWORTH, CHAIRMAN		✓			
		10	Ø	Ø	4

JOINT COMMITTEE ON CAPITAL REVIEW

ROLL CALL VOTE

Meeting Date: 11/10/25ITEM#: 11) Game & Fish - FY25 and FY26
Building Renewal Allocation PlansMOTION: Favorable Review

	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ALSTON					✓
REP. CARBONE					✓
REP. DE LOS SANTOS					✓
SEN. FINCHEM <u>ANGIUS</u>		✓			
REP. GRESS		✓			
SEN. KAVANAGH		✓			
SEN. KUBY		✓			
REP. STAHL HAMILTON <u>BLATTMAN</u>		✓			
SEN. SUNDARESHAN					✓
REP. TRAVERS		✓			
REP. WAY		✓			
SEN. WERNER		✓			
REP. LIVINGSTON, VICE-CHAIRMAN		✓			
SEN. FARNSWORTH, CHAIRMAN			✓		
		9	1	0	4



STATE OF ARIZONA

Joint Committee on Capital Review

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MICHAEL WAY

DATE: January 22, 2026

TO: Members of the Joint Committee on Capital Review

FROM: Maggie Rocker, Principal Fiscal Analyst

SUBJECT: Department of Health Services - Review of Arizona State Hospital Lease Agreement

Request

A.R.S. § 36-136 requires Committee review of lease agreements of Arizona State Hospital (ASH) property. The Department of Health Services (DHS) requests Committee review of a lease agreement with a private health vendor for a parcel of land on ASH property.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.
2. An unfavorable review of the request.

Key Points

- 1) DHS is authorized to lease land at the ASH property subject to JCCR review.
- 2) In 2022, AHCCCS awarded a private health vendor a contract to operate a transitional housing shelter for adults with a serious mental illness on ASH grounds.
- 3) Construction of the facility was completed in 2025.
- 4) DHS entered an 18-month lease agreement with the vendor to operate the facility.
- 5) The lease ends in March 2027 and has an option to be extended for another 18 months.
- 6) The vendor will pay \$150,000 annually, which will be deposited in the ASH Charitable Trust Fund.

Analysis

A.R.S. § 36-136 allows DHS to enter into lease agreements with third parties to occupy buildings or develop land located on ASH property.

DHS has entered into an 18-month lease agreement with a nonprofit vendor (Copa Health) for a 2-acre parcel of land located at 333 North 24th Street to provide transitional "bridge" housing and behavioral health services for adults experiencing homelessness with a Serious Mental Illness (SMI). Bridge housing provides a temporary placement for individuals transitioning from homelessness to permanent housing.

Background

In 2019, the Department of Housing allocated \$3 million from a Housing Trust Fund deposit for the development of transitional housing on the ASH campus. The funding and project was later transferred to AHCCCS and supplemented by another \$3 million in federal COVID-19 emergency funding – \$2 million for two years of operations and \$1 million for additional capital costs. AHCCCS issued an RFP for the project in December 2021 and awarded the transitional shelter bridge housing contract to the vendor in April 2022. In October 2025, ADOA and AHCCCS completed construction of the 16,325-square foot, 50-bed transitional housing facility ("Pathways of Hope") on ASH grounds, which opened in December 2025. The premises includes an outpatient health care clinic separate from the housing facility. Based on the original RFP, AHCCCS will assist the vendor with securing ongoing funding for operational support of the facility.

Lease Agreement

The lease agreement, which commenced October 1, 2025 and runs through March 31, 2027, permits the vendor to provide transitional housing, behavioral health services, and alcohol and substance abuse-related services at the site. The agreement includes an option to extend the lease for another 18 months. In the event the vendor's contract with AHCCCS is terminated, the lease agreement with DHS will also terminate. Based on an independent land survey, the vendor is required to pay DHS monthly rent of \$12,500 monthly, or \$150,000 annually, for use of the premises.

Pursuant to A.R.S. § 36-136, lease revenue will be deposited to the ASH Charitable Trust Fund, which is used to benefit mentally ill persons in the state.

MR:jbu

ARIZONA

— DEPARTMENT OF —

HEALTH SERVICES

November 4, 2025

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007



The Honorable David Livingston, Vice Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

Dear Senator Kavanagh and Representative Livingston:

The Arizona State Hospital (ASH) and the Department of Health Services (DHS) respectfully requests placement on the upcoming agenda of the Joint Committee on Capital Review (JCCR). Arizona Revised Statute (A.R.S.) 36-136 requires the department to report to the JCCR on the terms; conditions, and purpose of any lease or sublease agreement entered into pursuant to this subsection relating to state hospital lands or buildings or the disposition of real property pursuant to this subsection, including state hospital lands or buildings, and the fiscal impact on the department and any revenues generated by the agreement.

Any lease or sublease agreement entered into pursuant to this subsection relating to state hospital lands or buildings or the disposition of real property pursuant to this subsection, including state hospital lands or buildings, must be reviewed by the JCCR.

Copa Health Lease - Pathways for Hope

Transitional Housing Facility for Adults with a Serious Mental Illness; Outpatient Health Clinic
Estimated Annual Revenue: \$150,000
Initial Lease Term: October 1, 2025 - March 31, 3027

Katie Hobbs | Governor

Sheila Sjolander | Interim Director

150 North 18th Avenue, Suite 500, Phoenix, AZ 85007-3247

P | 602-542-1025 W | azhealth.gov

Health and Wellness for all Arizonans

If you have any questions regarding the Hospital's lease plan, please contact Michael Sheldon at Michael.Sheldon@azdhs.gov or 602-220-6000.

Sincerely,


Sheila Sjolander (Nov 7, 2025 10:33:03 MST)

Sheila Sjolander
Interim Director
Arizona Department of Health Services

Katie Hobbs | Governor

Sheila Sjolander | Interim Director

150 North 18th Avenue, Suite 500, Phoenix, AZ 85007-3247

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Health and Wellness for all Arizonans

LEASE AGREEMENT FOR THE USE OF A STATE FACILITY
BETWEEN THE ARIZONA DEPARTMENT OF HEALTH SERVICES,
AND COPA HEALTH, INC.

WHEREAS, the Arizona Department of Health Services ("ADHS") controls the use of land on the grounds of the Arizona State Hospital, a division of ADHS; and

WHEREAS, the ADHS made a plot of land and a facility on the grounds of the Arizona State Hospital available to Copa Health, Inc. ("Copa") to facilitate the delivery of transitional housing and behavioral health services for individuals with a Serious Mental Illness (SMI) and/or other mental health needs.

WHEREAS, Copa is an Arizona non-profit corporation provider of affordable housing and mental and behavioral health care services and was awarded a contract from the Arizona Health Care Cost Containment System ("AHCCCS") to operate a transitional housing shelter on the grounds of the Arizona State Hospital; and

WHEREAS, the above parties, ADHS and Copa agree to enter into this Lease Agreement for the use of the land for the transitional housing shelter on the grounds of the Arizona State Hospital (the "Project").

WHEREAS, Copa and AHCCCS have entered into that certain contract and amendments related to the Project.

THIS LEASE AGREEMENT ("Lease") is made this 1st day of October, 2025 by and between ADHS, an Agency of the State of Arizona, hereinafter called "Lessor," and Copa hereinafter called the "Lessee."

1. PREMISES

Lessor hereby leases to Lessee and Lessee hereby leases from Lessor that plot of land and building, and the improvements and personal property located thereon, (collectively, the "Premises"), a site of approximately two acres on the grounds of the Arizona State Hospital, more fully identified by Exhibit A.

Lessee shall not make any alterations, additions, or improvements to the Premises without the prior written consent of Lessor. Any such alterations, additions, or improvements shall be made by Lessee at Lessee's sole cost and expense.

2. TERM

The initial term of this lease is for eighteen (18) months (or until sooner if terminated as herein provided), commencing on October 1, 2025, and expiring on March 31, 2027. At the mutual agreement of the Lessor and the Lessee, the Lease term may be extended for another eighteen

month term.

3. RENT

Lessee agrees to pay as base rent, at such a place as may be designated from time to time by Lessor, the sums as shown below for the first 18 months of the Lease. If applicable, such sums will be inclusive of all applicable local government rental taxes. This is a full-service lease. The Lessee is only liable for the monthly rent payment in accordance with the below:

\$12,500 per month.

The monthly Lease payment is due on the first day of the month immediately following the date of occupancy, and is due on the same day each and every month thereafter. A late charge of \$187.50 is due for any late Lease payment received more than five days after its due date.

Payment shall be initiated each month in the following manner: Lessee shall prepare and issue a warrant at the end of each month. The warrant shall be mailed to the address identified in this Lease. Any partial month shall be prorated for that portion of the month Lessee occupies the Premises.

4. USE OF PREMISES

The premises described herein is leased to the Lessee for the sole purpose of allowing Lessee to provide, or provide access to, transitional housing/behavioral health/alcohol/substance abuse related services at that site. Lessee agrees to comply with all applicable laws, ordinances, regulations and building codes, now or hereafter in force in connection with its use of the leased land. Lessee shall not commit or suffer the commission of any waste, or knowingly permit any unauthorized activity or allow firearms, explosives or hazardous substances on the premises.

5. MAINTENANCE

Subject to any contractor or manufactures warranties expressed or implied, Lessee is responsible for **all exterior and interior maintenance** of the grounds and building, including, yet not limited to, landscaping, HVAC, plumbing, janitorial, pest control, roof, windows, super structure, furnishings, fixtures and equipment. Lessee shall ensure that the building is maintained in a manner and quality consistent with other similar facilities in the Phoenix Metropolitan Area.

Lessee will, at Lessee's own cost and expense, maintain, preserve and keep the Building Systems in good repair and working order in full and complete accordance with the manufacturers specifications and any applicable building and fire codes. Building Systems shall include, but not be limited to, all electrical, mechanical, structural, plumbing, heating, ventilating, air conditioning, sprinkler, life safety or security systems serving a building.

Lessor shall have no responsibility to maintain, repair or make improvements or additions to the Premises. Lessor is responsible for capital improvements that increase the value of the asset.

Lessor or its agents shall perform biannual inspections of the building and equipment to ensure compliance with this section, with a minimum of one business day notice, unless in an emergent situation requiring an immediate response. Lessee shall provide Lessor with all documentation and maintenance logs related to any repair and maintenance activities performed by Lessee or its agents.

Moreover, Lessor and its agents shall have the right at all reasonable times to enter into and upon the Premises provided Lessor has provided Lessee a minimum of one business day notice, unless in an emergent situation requiring an immediate response. The Lessor may request reasonable maintenance measures or require a third-party vendor to provide maintenance activities at Lessee's expense if the Lessee's maintenance and repair activities are not compliant with this section or negatively impacts the Premises.

6. UTILITIES

Lessee shall establish its utility accounts for the building and is responsible for all costs and expenses related to the use of the power, phones, cable, internet, water, sanitation, sewer services and any other services necessary for the use of the building. Lessor shall not be liable to Lessee for any stoppage or interruption of such services and utilities.

7. SECURITY

Lessee is solely responsible for the security of the premises. The Lessor may request reasonable additional security measures if the Lessee's use of the Premises creates negative impacts to the Premises or nearby State property, employees, contractors or visitors.

8. FOOD SERVICES

Lessee is solely responsible for the food services provided on the premises.

9. INSPECTION AND AUDIT

In accordance with A.R.S. §§ 35-214 and 35-215, all books, accounts, reports, files and other records, hereinafter referred to as "Records", relating to this Lease shall be subject at all reasonable times to inspection and audit by the Lessor, the State Auditor, or their agents, or employees at any time during the terms of the Lease and for five (5) years after termination thereof.

10. ASSIGNMENT AND SUBLEASE

Lessee shall not assign, transfer, or encumber this lease nor sublet the leased Premises or any portion thereof without the prior written consent of Lessor, and any such act shall constitute a breach of this lease. Consent to an assignment, subletting, occupation or use by other persons shall not be unreasonably withheld and shall not release Lessee from any of Lessee's obligations hereunder or be deemed to be a consent to any subsequent assignment, subletting, occupation, or use.

Any assignment or sublease of leased Premises shall be subject to and in compliance with all of the terms and conditions of this lease.

11. LESSOR ADD-ONS

In the event the Lessee fail to maintain the building in a clean, orderly, and safe condition, or fail to provide repairs, maintenance, or other services as required herein, or fails to pay for the utility charges as required herein, then, in addition to all other rights and remedies to which the Lessor may be entitled, the Lessor may make written demand upon the Lessee to provide such required service. If the maintenance and repairs are not provided within ten (10) days after written demand has been mailed or hand-delivered to the Lessee by the Lessor then, in addition to all other rights or remedies that the Lessor may have, the Lessor may obtain such services and/or make such payment and add its costs to any rental payment which becomes due after such service has been obtained.

12. TERMINATION

Voluntary: Any party to this Lease may terminate the Lease upon 120 days prior written notice to the other parties.

Involuntary: In the event of a breach of any of the provisions of this Lease, the non-defaulting party may terminate this Lease by delivering written notice to the defaulting party of the default or breach. The defaulting party shall have 30 days to cure the default or breach. If the default or breach is not cured within that timeframe or any other time frame agreed to by the non-defaulting party, the Lease shall be deemed terminated.

Should the Lessee's contract with the Arizona Health Care Cost Containment System to operate the transitional housing shelter be terminated, not renewed, or otherwise canceled, this Agreement shall terminate concurrently with the contract to operate. The Lessee shall adhere to all transitional requirements specified in its Agreement with AHCCCS. ADHS shall NOT BE LIABLE for providing services to, or assuming the responsibility of operations for, the transitional housing shelter nor the program participants.

In addition and without limiting the foregoing, Lessor shall have the right to terminate this Lease at any time immediately upon notice of termination given by Lessor to Lessee if this Lease is reviewed and disapproved by the Joint Committee on Capital Review.

13. DISPOSITION OF BUILDING UPON TERMINATION/ EXPIRATION OF LEASE

The building, including any authorized improvement to the building, is owned by ADHS and shall remain the property of ADHS upon the termination or expiration of this Lease.

14. DESTRUCTION OF THE PREMISES

In the event the Premises are totally destroyed, this lease shall terminate. In the event the Premises are partially destroyed, Lessor, with reasonable promptness and dispatch, shall repair and rebuild. Lessee shall pay the pro-rata share of the rent, if the remaining Premises are tenantable, during such period of repair or rebuilding in the proportion of tenantable Premises occupied by Lessee. In case the remaining Premises, following a partial destruction, are untenantable by Lessee, Lessee shall have the option to cease occupancy and all rent payments

until the Premises are tenantable or terminate the Lease. The word "tenantable" as heretofore used shall be understood by the parties to mean tenantable for the purpose of performing the duties and services provided by Lessee to its clients.

15. SUBORDINATION AND ATTORNMENT

Lessor reserves the right to place liens or encumbrances on the land or any part thereof or interest therein superior in lien and effect to this lease. This lease, at the option of Lessor, shall be subject and subordinate to any and all such liens or encumbrances now or hereafter imposed by Lessor without the necessity of the execution and delivery of any further instruments on the part of the Lessee to effectuate such subordination. Lessee waives any right to terminate this Lease because of such subordination, provided the Lessor is not in breach of any material provision of this Lease.

In the event of a transfer of ownership of the Premises, Lessee agrees to attorn to the new owner acquiring the Premises and to recognize such owner as Lessor under this Lease. Lessee hereby waives any right to terminate this Lease because of such transfer, provided neither the former owner nor the current Lessor is in breach of any provision of this Lease. Lessee shall have the ability to request and receive adequate assurances of performance by any new owner as a condition of attornment.

16. NONDISTURBANCE

Subject to the terms of this Lease, so long as Lessee is not in material breach of the terms of this lease, it shall have a right to possession of the building and land without disturbance from the Lessor or any person claiming rights through Lessor, for the term of the Lease.

17. INDEMNIFICATION

To the fullest extent permitted by law, Lessee shall defend, indemnify, and hold harmless the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees (hereinafter referred to as "Indemnatee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation and litigation) (hereinafter referred to as "Claims") for bodily injury or personal injury (including death), or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of Lessee or any of its owners, officers, directors, agents, employees or subcontractors. This indemnity includes any claim or amount arising out of, or recovered under, the Workers' Compensation Law or arising out of the failure of such Lessee to conform to any federal, state, or local law, statute, ordinance, rule, regulation, or court decree. It is the specific intention of the parties that the Indemnatee shall, in all instances, except for Claims arising solely from the negligent or willful acts or omissions of the Indemnatee, be indemnified by Lessee from and against any and all claims. It is agreed that Lessee will be responsible for primary loss investigation, defense, and judgment costs where this indemnification is applicable. In consideration of the award of this Lease, the Lessee agrees to waive all rights of subrogation against the State of Arizona, its officers, officials, agents, and employees for losses arising from the work performed by the Lessee for the State of Arizona.

This indemnity shall not apply if the Lessee or sub-contractor(s) is/are an agency, board, commission or university of the State of Arizona.

18. INSURANCE REQUIREMENTS

Lessee and subcontractors shall procure and maintain, until all of their obligations have been discharged, including any warranty periods under this Lease, insurance against claims for injury to persons or damage to property arising from, or in connection with, the performance of the work hereunder by the Lessee, its agents, representatives, employees or subcontractors.

The Insurance Requirements herein are minimum requirements for this Lease and in no way limit the indemnity covenants contained in this Lease. The State of Arizona in no way warrants that the minimum limits contained herein are sufficient to protect the Lessee from liabilities that arise out of the performance of the work under this Lease by the Lessee, its agents, representatives, employees or subcontractors, and the Lessee is free to purchase additional insurance.

Minimum Scope and Limits of Insurance

Lessee shall provide coverage with limits of liability not less than those stated below.

Commercial General Liability (CGL) – Occurrence Form

Policy shall include bodily injury, property damage, and broad form contractual liability coverage.

- | | |
|---|-------------|
| ● General Aggregate | \$2,000,000 |
| ● Products – Completed Operations Aggregate | \$1,000,000 |
| ● Personal and Advertising Injury | \$1,000,000 |
| ● Damage to Rented Premises | \$100,000 |
| ● Each Occurrence | \$1,000,000 |

- a. The policy shall be endorsed, as required by this written agreement, to include the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Lessee.
- b. Policy shall contain a waiver of subrogation endorsement, as required by this written agreement, in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Lessee.

Business Automobile Liability

Bodily Injury and Property Damage for any owned, hired, and/or

non-owned automobiles used in the performance of this Contract.

- Combined Single Limit (CSL) \$1,000,000
- a. Policy shall be endorsed, as required by this written agreement, to include the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by, or on behalf of, the Lessee involving automobiles owned, hired and/or non-owned by the Lessee.
- b. Policy shall contain a waiver of subrogation endorsement as required by this written agreement in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Lessee.

Workers' Compensation and Employers' Liability

- Workers' Compensation Statutory
- Employers' Liability
 - Each Accident \$1,000,000
 - Disease – Each Employee \$1,000,000
 - Disease – Policy Limit \$1,000,000
- a. Policy shall contain a waiver of subrogation endorsement, as required by this written agreement, in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Lessee.
- b. This requirement shall not apply to each Lessee or subcontractor that is exempt under A.R.S. § 23-901, and when such Lessee or subcontractor executes the appropriate waiver form (Sole Proprietor or Independent Lessee).

Property Insurance

Property insurance on the building is only required if the Lessee is the sole occupant of the building.

- Coverage on Lessee's contents \$500,000
Replacement Value
- Coverage on building (If Lessee is sole occupant) \$5,376,844
Replacement Value

- a. Property insurance shall be written on an "all risk" replacement cost coverage, including but not limited to contingent business interruption for neighboring premises, ingress/egress and for flood and earth movement.

- b. Policy shall include Leasehold Interest or Rental Expense for a minimum of a three-month indemnity period and/or for a limit of no less than rental value.
- c. If property coverage on the building is required, and the State has an insurable interest, then Arizona Department of Administration – Risk Management (and the respective agency or university) shall be named as a loss payee.
- d. Policy shall be endorsed as required by this written agreement, to include the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the use and/or occupancy of the property subject to this Lease.
- e. Policy shall contain a waiver of subrogation endorsement as required by this written agreement in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from the Lease.

Additional Insurance Requirements

The policies shall include, or be endorsed to include, as required by this written agreement, the following provisions:

The Lessee's policies, as applicable, shall stipulate that the insurance afforded the Lessee shall be primary and that any insurance carried by the Department, its agents, officials, employees or the State of Arizona shall be excess and not contributory insurance, as provided by A.R.S. § 41-621 (E).

Insurance provided by the Lessee shall not limit the Lessee's liability assumed under the indemnification provisions of this Lease.

Notice of Cancellation

Applicable to all insurance policies required within the Insurance Requirements of this Contract, Contractor's insurance shall not be permitted to expire, be suspended, be canceled, or be materially changed for any reason without thirty (30) days prior written notice to the State of Arizona. Within two (2) business days of receipt, Contractor must provide notice to the State of Arizona if they receive notice of a policy that has been or will be suspended, canceled, materially changed for any reason, has expired, or will be expiring. Such notice shall be sent directly to the Department and shall be mailed, emailed, hand delivered or sent by facsimile transmission to (State Representative's Name, Address & Fax Number).

Acceptability of Insurers

Lessee's insurance shall be placed with companies licensed in the State of Arizona or hold approved non-admitted status on the Arizona Department of Insurance List of Qualified Unauthorized Insurers. Insurers shall have an "A.M. Best" rating of not less than A- VII. The State

of Arizona in no way warrants that the above-required minimum insurer rating is sufficient to protect the Lessee from potential insurer insolvency.

Verification of Coverage

Contractor shall furnish the State of Arizona with certificates of insurance (valid ACORD form or equivalent approved by the State of Arizona) evidencing that Contractor has the insurance as required by this Contract. An authorized representative of the insurer shall sign the certificates.

All such certificates of insurance and policy endorsements must be received by the State before work commences. The State's receipt of any certificates of insurance or policy endorsements that do not comply with this written agreement shall not waive or otherwise affect the requirements of this agreement.

Each insurance policy required by this Contract must be in effect at, or prior to, commencement of work under this Contract. Failure to maintain the insurance policies as required by this Contract, or to provide evidence of renewal, is a material breach of contract.

All certificates required by this Contract shall be sent directly to the Department. The State of Arizona project/contract number and project description shall be noted on the certificate of insurance. The State of Arizona reserves the right to require complete copies of all insurance policies required by this Contract at any time.

Subcontractors

Lessee's certificate(s) shall include all subcontractors as insureds under its policies or Lessee shall be responsible for ensuring and/or verifying that all subcontractors have valid and collectable insurance as evidenced by the certificates of insurance and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum Insurance Requirements identified above. The Department reserves the right to require, at any time throughout the life of the Lease, proof from the Lessee that its subcontractors have the required coverage.

Approval and Modifications

The Contracting Agency, in consultation with State Risk, reserves the right to review or make modifications to the insurance limits, required coverages, or endorsements throughout the life of this Lease, as deemed necessary. Such action will not require a formal Lease amendment but may be made by administrative action.

Exceptions

In the event the Lessee or subcontractor(s) is/are a public entity, then the Insurance Requirements shall not apply. Such public entity shall provide a certificate of self-insurance. If

the Lessee or subcontractor(s) is/are a State of Arizona agency, board, commission, or university, none of the above shall apply.

19. TIME

Time is of the essence of this lease and each and all of its provisions.

20. DEFINED TERMS AND MARGINAL HEADINGS

The word "Lessor" and "Lessee" as used herein shall include the plural as well as the singular. If more than one person is named as Lessee, the obligations of such persons are joint and several. The marginal headings and titles to the articles of this lease are not a part of this lease and shall have no effect upon the construction or interpretation of any part hereof.

21. HOLDOVER

Should Lessee hold possession after expiration of the lease term or any renewal thereof, Lessee shall become Lessee on a month-to-month basis upon the same terms and conditions of this lease. Either Lessor or Lessee shall have the right to terminate any holdover tenancy after thirty (30) days written notice to the Lessee or Lessor's last known address without incurring any penalty or damages.

22. ATTORNEY'S FEES

In the event of any legal action or proceeding brought by either party against the other arising out of this lease, the prevailing party shall be entitled to recover costs and reasonable attorney's fees, as determined by the court, not the jury, and such other matters deemed relevant by the court, and such amount shall be included in any judgment rendered in such proceedings.

23. WAIVER

No waiver by Lessor of any provision of this lease or of any breach by Lessee hereunder shall be deemed to be a waiver of any other provision hereof, or of any subsequent breach by Lessee of the same or any other provision. Lessor's consent to or approval of any act by Lessee requiring Lessor's consent to or approval shall not be deemed to render unnecessary the obtaining of Lessor's consent to or approval of any subsequent act of Lessee.

24. NOTICES

All notices to be given by one party to the other shall be in writing, mailed or hand delivered to each as follows:

**LESSOR: Gina Corwin
Chief Procurement Officer
Arizona Department of Health Services
150 N. 18th Avenue, Suite 530, Phoenix, AZ 85007**

**Shanda Payne
Chief Operating Officer
Arizona State Hospital
501 N. 24th Street, Phoenix, AZ 85008**

**LESSEE: Joe Keeper
Chief Financial Officer
Copa Health, Inc.
924 N. Country Club Drive; Mesa, AZ 85201**

25. AGREEMENTS AND AMENDMENTS IN WRITING

All negotiations, considerations, representations, and understandings between the parties are incorporated and expressly stated herein and may be modified and altered only by agreement in writing between the parties delivered by certified mail. This Lease contains the entire agreement between the parties and may not be modified orally. Any change, modification or extension of this Lease or any provision of the Lease must be done in writing and be signed by an authorized representative of the parties.

26. PROHIBITION OF DISCRIMINATION

The Lessee agrees to comply with State of Arizona executive order no. 09-09, "prohibition of discrimination in state contracts, nondiscrimination in employment by government contractors and subcontractors."

27. LIENS

The Lessee shall keep the Premises free from any liens arising out of any work performed, materials furnished or obligations incurred by Lessee. In the event that Lessee shall not, within ten (10) days following the imposition of any such lien, cause the same to be released of record by payment or posting of a proper bond, Lessor shall have, in addition to all other remedies provided herein by law, the right to cause the same to be released by such means as he shall deem proper, including the payment of the claim giving rise to such lien. All such sums paid by Lessor and all expenses incurred by him in connection therewith shall be considered additional rent and shall be payable by Lessee on demand with interest at ten percent (10%) per annum.

28. CAPTIONS

Captions and section headings used in this Lease are for convenience only and shall not be used to define, limit or describe the scope or intent of this Lease.

29. ARBITRATION

The parties agree, to the extent required by A.R.S. § 12-1518, to use arbitration, after exhausting applicable administrative review, except as may be required by other applicable statute. In the event such a dispute is arbitrated, the parties hereby agree that the prevailing party is entitled to recover its attorneys' fees and costs.

30. CONFLICT OF INTEREST

This lease is subject to cancellation for conflict of interest pursuant to A.R.S. § 38-511.

31. MATERIALITY

The parties agree that all of the conditions set forth herein are material to this Lease and that a

breach of any condition is a breach or default under this Lease.

32. FURTHER INSTRUMENTS OR DOCUMENTS

The parties agree that each shall, promptly upon the written request of another party, provide such written authorizations or assurances reasonably requested or appropriate to facilitate or give effect to the provisions of this Lease.

33. ARIZONA LAW

This lease shall be governed and interpreted by the laws of the State of Arizona. If any part of this Lease is found to be in violation of law, the parties agree that the remaining provisions of the Lease remain valid and enforceable.

IN WITNESS WHEREOF, the parties hereto have executed this instrument by proper persons thereunto duly authorized so to do the day and year first above written.

For and on Behalf of **THE LESSOR**,
Arizona Department of Health Services,
An Agency of the State of Arizona:

By: Gina Corwin Digitally signed by
Gina Corwin
Date: 2025.10.24
09:40:38 -07'00'

Printed Name: Gina Corwin

Position: Chief Procurement Officer

LESSEE:

Copa Health, Inc.
An Arizona nonprofit corporation

By: 

Printed Name: Joe Keeper

Position: Chief Financial Officer

**EXHIBIT A
PREMISES**

BUILDING ADDRESS

333 North 24th Street, Phoenix, AZ 85006

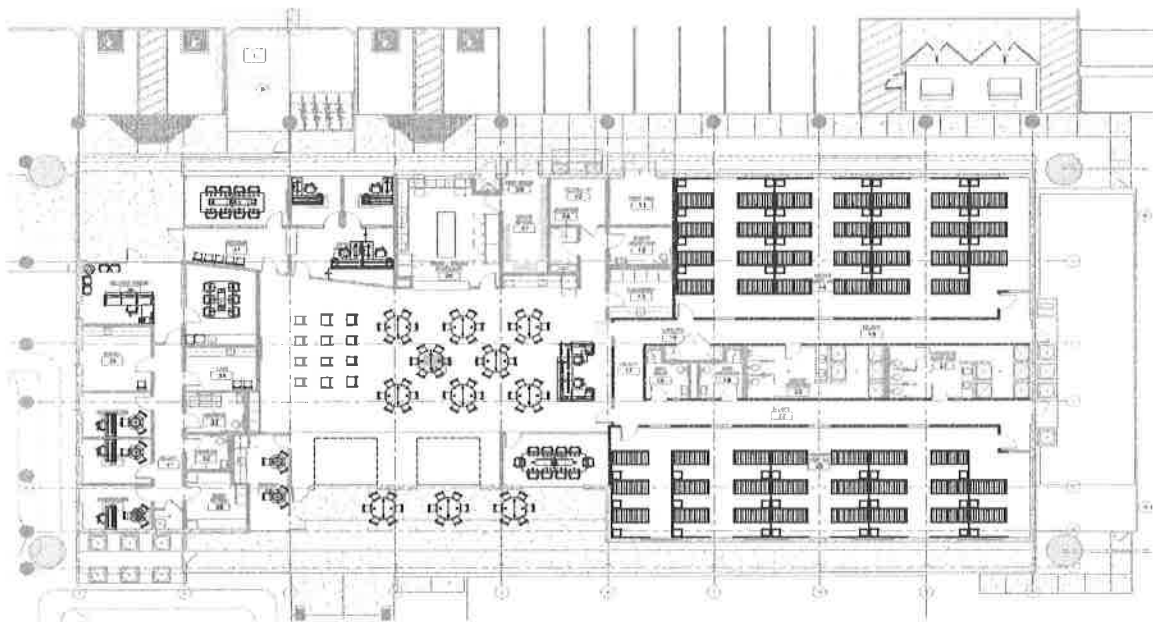
BUILDING SQUARE FOOTAGE

16,325 square feet under roof

DESCRIPTION

Bridge transitional housing facility with beds and accommodations for approximately 50 residents. Health care clinic for physical and behavioral health service, which is separate and distinct from the housing facility.

GENERAL FLOOR PLAN



FURNITURE PLAN - FOR REF ONLY

AHCCCS TRANSITIONAL SHELTER 3400 E VAN BUREN ST PHOENIX, ARIZONA	
BLEA - ARCHITECTS, LLC 1730 EAST NORTHERN AVENUE PHOENIX, AZ	
ARCHITECT/DESIGNER INTERIORS CONSULTANT/OWNER: AHCCCS DATE: 04-08-2019	
SHEET NO. 001	TOTAL SHEETS 002
PROJECT TITLE AHCCCS TRANSITIONAL SHELTER	
PROJECT LOCATION 3400 E VAN BUREN ST, PHOENIX, AZ 85018	
PROJECT NO. 19-001	
DATE 04-08-2019	
DRAWN BY J. B.	
CHECKED BY J. B.	
APPROVED BY J. B.	
SCALE 1/8" = 1'-0"	
A3.5	



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DAVID C. FARNSWORTH
VICE-CHAIRMAN
LELA ALSTON
MARK FINCHEM
JOHN KAVANAGH
LAUREN KUBY
PRIYA SUNDARESHAN
CARINE WERNER

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azjlb.gov

HOUSE OF
REPRESENTATIVES

DAVID LIVINGSTON
CHAIRMAN
MICHAEL CARBONE
OSCAR DE LOS SANTOS
MATT GRESS
STEPHANIE STAHL HAMILTON
STACEY TRAVERS
MICHAEL WAY

DATE: January 22, 2026

TO: Members of the Joint Committee on Capital Review

FROM: Ethan Scheider, Fiscal Analyst

SUBJECT: Department of Juvenile Corrections - Review of Adobe Mountain School Capital Projects

Request

A.R.S. § 41-1252 requires Committee review of the expenditure of monies appropriated for land acquisition, capital projects and building renewal. The Department of Juvenile Corrections (DJC) requests committee review of its revised plan to spend \$1,177,600 from the Criminal Justice Enhancement Fund (CJEF) and the DJC Local Cost Sharing Fund to complete 2 capital projects at the Adobe Mountain School facility.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.
2. An unfavorable review of the request.

Key Points

- 1) The FY 2026 Capital Outlay Bill appropriated \$1.5 million to DJC for 3 projects. The JCCR discussed but did not take action at the JCCR meeting on November 10, 2025
- 2) DJC is now requesting committee review of \$1.2 million to complete the following 2 projects at the Adobe Mountain School Facility:
 - \$641,000 to replace the make-up air unit in the kitchen; and
 - \$536,600 to replace the Fire Line Booster Pumps within the water distribution system.
- 3) As discussed at the last meeting, DJC's state land lease expires in November 2027. The State Land Department will not begin to appraise the DJC property until November 2026.

Analysis

The FY 2026 Capital Outlay appropriates a total of \$1,480,600 to DJC for 3 projects at the Adobe Mountain School facility. This appropriation consists of \$1,361,900 from the Criminal Justice Enhancement Fund and \$118,700 from the DJC Local Cost Sharing Fund. At the November 10, 2025 meeting, the Committee discussed a request for all 3 projects but not did not act on DJC's initial request.

The Department of Juvenile Corrections now requests review of its revised plan to spend \$1,177,600 of the FY 2026 Capital Outlay appropriation to complete 2 capital projects at the Adobe Mountain School facility as shown in *Table 1*. This request does not include the \$303,000 for school door and lock replacements included in the initial submission.

Table 1			
Adobe Mountain School Facility Projects			
<u>Project Name</u>	<u>CJEF</u>	DJC Local	<u>Total</u>
		<u>Cost Sharing</u>	
Kitchen Make-Up Air Unit Replacement	\$ 522,300	\$118,700	\$ 641,000
Fire Line Booster Pumps Replacement	536,600	0	536,600
Total	\$1,058,900	\$118,700	\$1,177,600

Kitchen Make-Up Air Unit Replacement

A make-up air unit is an air circulation system that replaces air removed by exhaust fans in an indoor space with fresh air. In the Adobe Mountain School's kitchen, DJC plans to replace the current air unit installed in 1995 that has rusted sections with a new unit, which would have service life of up to 30 years.

Fire Line Booster Pumps Replacement

Fire line booster pumps are intended to increase water pressure within a fire protection system. DJC plans to replace the damaged fire line booster pumps and install variable frequency drives (VFDs) to better regulate water pressure within the fire protection system at the Adobe Mountain School.

Adobe Mountain School Facility Land Lease

The Adobe Mountain Facility is on state trust land leased from the Arizona Land Department. The current lease expires in November 2027. At the November 10 meeting, the Committee discussed this and requested additional details regarding DJC plans if the facility's lease is not renewed. DJC reports that the State Land Department cannot begin their work on the appraisal of the land until November 2026, or 12 months before the expiration of the lease. Appraisals are used to evaluate the best use of the state trust land.

ES:jbu



100 North 15th Avenue, Suite 103
Phoenix, Arizona 85007

602.542.4302

KATIE HOBBS
GOVERNOR

DOUG SARGENT
DIRECTOR

January 6, 2026

The Honorable David Livingston, Chairman
Joint Committee on Capital Review
Arizona State House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007



The Honorable David C. Farnsworth, Vice Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

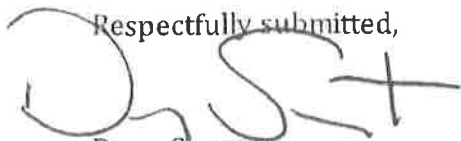
Dear Representative Livingston and Senator Farnsworth:

A.R.S. 41-1252 requires the Joint Committee on Capital Review (JCCR) to review the expenditure of all monies appropriated for capital projects. The FY 2026 Capital Outlay Bill (Laws 2025, Chapter 235) appropriated \$1,480,600 to the Arizona Department of Juvenile Corrections (ADJC) for capital projects. This amount consists of an appropriation of \$1,361,900 from the Criminal Justice Enhancement Fund (CJEF) and \$118,700 from the Local Cost Sharing Fund.

ADJC requests placement on JCCR's next agenda for review of its revised FY 2026 Capital Project Allocation Plan, which totals \$1,177,600.

If you have any questions or concerns regarding this request, please contact Art Smith, Business and Finance Administrator, at 602-542-0461 or awsmith@azdjcc.gov.

Respectfully submitted,


Doug Sargent
Director

Page 2

January 6, 2026

FY 2026 JCCR Request

cc: Richard Stavneak, Director, JLBC Staff

Ben Henderson, Director, OSPB

Ethan Scheider, Fiscal Analyst, JLBC Staff

Luke VanderSchaaff, Budget Analyst I, OSPB

Art Smith, Business and Finance Administrator, ADJC

Caitlin Imholte, Government and Public Affairs Administrator, ADJC

Replace Kitchen Make-Up Air Unit

Funding Source: Criminal Justice Enhancement Fund and Local Cost Sharing Fund

Problem: The Make-Up Air Unit (MAU) is the air circulation system used by ADJC Food Services in the kitchen at the Adobe Mountain School. MAU systems are designed to replace air in an interior space that has been removed by exhaust fans. The current MAU was installed in 1995 and is at the end of its service life. The cooling and blower sections of the MAU are significantly rusted/corroded and covered in calcium. The two heating sections of the unit are rusted and it is highly likely that the heat exchangers are cracked, which releases carbon monoxide into the air.

Solution: Replace the current MAU with a new unit. The new unit would have a service life of up to 30 years.

Cost Estimate: \$641,000

Replace Fire Line Booster Pumps

Funding Source: Criminal Justice Enhancement Fund

Problem: The fire line booster pumps at the Adobe Mountain School have been damaged due to pressure effects (water hammer) within the water distribution system. The damage from the water hammer is most attributable to the lack of variable frequency drives (VFDs) to regulate the water pressure within the system appropriately. The fire pumps should be able to escalate to intended water flow rather than the current operation where the pumps turn on at full speed, which is the cause of the water hammer.

Solution: Replace the fire line booster pumps and install VFDs. The VFDs that are included in this replacement will ensure that the system functions correctly. The system would have a service life of up to 30 years.

Cost Estimate: \$536,600

FY 2026 ADJC Building Renewal Summary (Revised)			
Project	CJEF	Local Cost Share	Totals
Kitchen Make-Up Air Unit	\$ 522,300	\$118,700	\$ 641,000
Fire Line Booster Pumps	<u>\$ 536,600</u>	<u>\$ _____ 0</u>	<u>\$ 536,600</u>
Totals	\$1,058,900	\$118,700	\$1,177,600



STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: January 22, 2026

TO: Members of the Joint Committee on Capital Review

FROM: Grace Timpany, Fiscal Analyst

SUBJECT: Arizona State University – Approval of SPEED Bonds and Review of System Revenue Bonds for Construction of ASU Health Headquarters Facility

Request

A.R.S. § 15-1682.03 requires Committee approval of any university projects financed with lottery revenue (SPEED) bonds. A.R.S. § 15-1683 requires Committee review of any university project financed with system revenue bonds. Arizona State University (ASU) requests Committee approval of \$123,500,000 in SPEED bonds and Committee review of \$71,200,000 in system revenue bond issuances for a total of \$194,700,000 to construct an ASU Health headquarters facility. The debt service for SPEED bonds is paid 80% by state lottery revenues and 20% by university resources. Lottery revenues used to pay debt service would otherwise be deposited into the General Fund.

The total project cost is \$210,000,000. In addition to bond proceeds, ASU plans to use revenue from project partners to pay for the remaining project cost.

Committee Options

The Committee has at least the following 2 options:

1. Approval of the request to issue \$123,500,000 in lottery revenue bonds and a favorable review of \$71,200,000 in system revenue bonds.
2. Disapproval of the request to issue \$123,500,000 in lottery revenue bonds and an unfavorable review of \$71,200,000 in system revenue bonds.

Under any option, the Committee may also consider the following standard university financing provisions:

Standard University Financing Provisions

- A. A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.
- B. ASU shall provide the final debt service schedule and interest rate for the project as soon as they are available.
- C. On or before October 15 of each year until completion of the project, ASU shall report to the JLBC Staff on the status and expenditures of the project. The report shall include the project expenditures to date, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.

Key Points

- 1) ASU plans to construct a new 200,000 square foot ASU Health headquarters, located within the downtown Phoenix Bioscience Core at the northwest corner of Fillmore and 5th Street.
- 2) The facility will house the new School of Medicine and Advanced Medical Engineering as well as the existing School of Technology for Public Health.
- 3) The total cost of the project is expected to be \$210.0 million. ASU will bond for \$194.7 million, of which \$123.5 million will be from lottery bonds and \$71.2 million from system revenue bonds.
- 4) ASU also expects to receive funding from project partners to pay for the remaining costs.
- 5) The total annual debt service of \$13.0 million will be paid with a combination of lottery revenues and other university resources including tuition revenue.

Analysis

ASU intends to construct a new 200,000 square foot facility to serve as the ASU Health headquarters, located at the downtown Phoenix Bioscience Core between Fillmore and Pierce Streets to the north and south and Fourth and Fifth Streets to the east and west. The facility will house the new School of Medicine and Advanced Medical Engineering and the existing School of Technology for Public Health, including faculty and administrative offices, traditional and virtual reality classrooms, and healthcare simulation and skills labs. In addition, clinical partners who contribute financially to ASU Health will be co-located in the facility.

The School of Medicine and Advanced Medical Engineering is ASU's new medical school, which received preliminary accreditation in October 2025. The university expects to admit its first cohort of approximately 36 students in Fall 2026. ASU plans to maintain the 36-student class size for the first 4 years and expand the class size thereafter. Full accreditation is typically granted after the first cohort graduates. Students at the school will concurrently earn both a Doctor of Medicine (MD) degree and a Master of Science (MS) in medical engineering over the course of 4 years and continuously work with ASU's clinical partners throughout the program. The annual academic operating cost of the School of Medicine is expected to be between \$38.8 million and \$41.5 million.

The School of Technology for Public Health is an existing school which admitted its first student cohort in Fall 2025. The School is currently housed on the Downtown Phoenix campus and will move into the ASU Health headquarters facility after completion.

Financing

ASU plans to issue \$194.7 million in bonds, of which \$123.5 million will be lottery revenue (SPEED) bonds and \$71.2 million will be system revenue bonds. The SPEED bonds have an anticipated rating of

Aa3 (Moody's)/AA- (S&P). The system revenue bonds have an anticipated rating of Aa2 (Moody's)/ AA (S&P). For both bonds, the anticipated interest rate is between 5.0% and 6.4% over a 30-year term. Estimated issuance costs are \$1.5 million which will be funded using revenue from project partners.

The total annual debt service will be \$13.0 million. Of the total \$395.9 million in debt service costs, \$196.8 million (80% of the SPEED bond portion) will be paid for with lottery revenue and the remaining \$199.1 million will be paid for with other university revenue (*See Table 1 for a summary of the bond financing terms*).

The debt service on the system revenue bond issuances will increase ASU's current debt ratio by 0.11% from 4.70% to 4.81%. SPEED bonds are excluded from each university's statutory debt ratio. If SPEED bonds were included, ASU's debt ratio would increase by 0.29% from 5.20% to 5.49%.

University SPEED Bonds

Pursuant to A.R.S. § 15-1682.03, the Arizona Board of Regents (ABOR) is authorized to enter into lease-to-own and bond transactions up to a certain maximum to pay for building renewal projects and new facilities. Annual debt service payments on these transactions are funded 80% by lottery revenues and 20% by other university revenues. Any lottery revenue used for debt service payments would otherwise be deposited into the General Fund. The program began in 2010, allowing universities to bond for up to \$800.0 million. The universities have committed all the original allocation.

The FY 2026 budget increased the maximum of SPEED bond transactions from \$800.0 million to \$1.125 billion. Of the \$325.0 million increase, \$162.5 million became available in FY 2026 and \$162.5 million becomes available in FY 2027. ABOR approved allocation of the increased bonding authority at its September 2025 board meeting, distributing \$123.5 million (38%) to ASU, \$87.8 million (27%) to NAU, and \$113.8 million (35%) to UA.

The ASU Health headquarters facility would use all of ASU's newly authorized SPEED bond capacity.

Construction Costs

Of the \$210.0 million total project cost, direct construction costs are \$155.6 million. The total project cost per square foot is \$1,200, and direct construction costs per square foot are \$889 (*see Table 1*). For comparison, ASU completed a 173,200 gross square foot research building on the Polytechnic campus in 2025 at a total cost of \$1,080 per square foot.

ASU reports that the project is being delivered through the Construction Manager at Risk (CMAR) method. Construction is scheduled to begin in July 2026 and is expected to be completed in June 2028.

Operations and Maintenance Costs

ASU expects Operations and Maintenance costs for this project to be approximately \$3.5 million, which will be funded with tuition revenue. This amount excludes any academic expenses of the facility.

Table 1

ASU Health Facility		
Total Square Footage	200,000	
<u>Building Construction Costs</u>		
Direct Construction Costs	\$155,550,500	(\$889 per sq. ft.)
Other Costs ^{1/}	<u>54,449,500</u>	<u>(\$311 per sq. ft.)</u>
Total	\$210,000,000	(\$1,200 per sq. ft.)
Operations & Maintenance	\$3,459,000	
<u>1/ Includes equipment, project design and management fees and other costs</u>		

Table 2

ASU Health Facility Financing Terms	
Construction Timeframe	July 2026 – June 2028
Issuance Amount	\$194.7 million
Issuance Date	January 2026 – April 2027
Issuance Transaction Fees	\$1,540,000
Rating	Aa2 (Moody's)/AA (S&P) – System Revenue Bonds Aa3 (Moody's)/AA- (S&P) – SPEED Bonds
Interest Rate	5.0% - 6.4%
Term	30 years
Total Debt Service Costs	\$395.9 million
Debt Service Payments	\$13.0 million
Payment Source	Lottery (SPEED) Revenues, Tuition
Debt Ratio Increase	0.11% (Without SPEED)/ 0.29% (With SPEED) <i>SPEED Bonds are exempt from the statutory debt ratio calculation</i>



January 15, 2026

The Honorable David Livingston, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington Street
Phoenix, AZ 85007



Dear Chairman Livingston:

In accordance with ARS section 15-1683, the Arizona Board of Regents requests that the following Arizona State University bond-financed projects be placed on the next Joint Committee on Capital Review agenda:

- ASU Health Building

Enclosed is pertinent information relating to this item. If you have any questions or desire any clarification on the enclosed material, please contact me at (480) 727-9920.

Sincerely,

A handwritten signature in black ink, appearing to read "Morgan R. Olsen".

Morgan R. Olsen
Executive Vice President, Treasurer and CFO

c: Richard Stavneak, Director, JLBC
Grace Timpany, Fiscal Analyst, JLBC
Chad Sampson, Executive Director, ABOR
Bradley Kendrex, Vice President, Finance and Administration, ABOR
Tim Smith, Vice President, Facilities Development and Management, ASU
Adam Deguire, Vice President, Government and Community Engagement, ASU
Matthew Simon, Associate Vice President, State & Federal Relations, ASU
Kendra Burton, Executive Director, State Relations, ASU

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1. ASU Health Building

This project will construct an approximately 175,000 gross-square-foot (GSF), multi-level facility that will serve as headquarters for ASU Health, which will provide space for the Shufeldt School of Medicine and Advanced Medical Engineering and the School of Technology for Public Health, as well as other ASU Health units and functions. The facility will be located within the downtown Phoenix Bioscience Core between Fillmore and Pierce Streets to the north and south, and Fourth and Fifth Streets to the east and west.

The program will consist of faculty and administrative offices, traditional and virtual reality classrooms and healthcare simulation and skills labs. The building amenities will include, but may not be limited to, learning communities, lounges, breakrooms, a library, conference rooms, interview rooms, and wellness and storage space.

The building will include approximately 17,463 GSF for academic teaching spaces; 5,300 GSF for group based applied labs; 37,794 GSF of space for simulation, clinical skills, anatomy and SP training; 6,105 GSF for future medical suites; 2,200 GSF for health observatory and non-wet lab research; 7,068 GSF for a library and study areas; 5,225 GSF for student amenities; 15,025 GSF for admin support spaces; 8,030 GSF for an engagement center; and 4,840 GSF for building support spaces.

ASU Health includes new and existing schools with a focus on advancing health care, research, discovery and treatment. ASU Health is aligned with the Arizona Board of Regents' AZ Healthy Tomorrow initiative, a plan to grow Arizona's health care workforce.

The headquarters location was selected to be in the heart of the Phoenix Bioscience Core innovation zone, a cluster of industry leaders spearheading research on the world's most important health science discoveries.

ASU Health will be integral to solving workforce shortages and improving the quality of health for Arizona residents. Within 10 years, it is estimated to create nearly 200,000 jobs and add \$19 billion to the state's gross domestic product.

The building will house the Shufeldt School of Medicine and Advanced Medical Engineering, a new kind of medical school that will produce physicians who blend medicine, engineering, technology and humanities. Graduates will leverage new tools such as artificial intelligence and data science to connect with more patients, seek innovative practices and improve health outcomes.

The building also will be the home of the School of Technology for Public Health, which aims to create a new and rapidly evolving space for the integration of digital technology, data-driven decision-making and a significant focus on local impact within public health.



Clinical partners like HonorHealth will be co-located in the building. HonorHealth is the primary clinical affiliate for the new Shufeldt School of Medicine and Advanced Medical Engineering. ASU will identify additional industry leaders, researchers and clinical partners that can be integrated into the headquarters to advance healthcare, research, discovery and treatment.

This project will be delivered through the Construction Manager at Risk (CMAR) delivery method. ASU has selected McCarthy Building Companies as the CMAR and DFDG Architecture as the Design Professional for this project. The CMAR selection process included nine submissions and three teams were interviewed. The DP selection process included 16 submissions and three teams were interviewed.

The project is scheduled to begin construction in July 2026. The project is scheduled for completion in June 2028. The budget for this approximately 175,000 GSF project is \$210 million. The budget represents an estimated construction cost of \$155,550,000, which is approximately \$889 per GSF. The estimated total project cost is \$1,200 per GSF.

The \$210 million project will be debt-financed with SPEED bonds and system revenue bonds, amortized over approximately thirty years. This includes:

- \$123.5 million (38%) of the recent \$325 million increase in State SPEED bond authority. The Arizona Board of Regents approved this allocation at its September 25, 2025 meeting.
- Approximately \$71.2 million System revenue bonds

Other revenue of \$16.88 million is anticipated to be received from project partners.

Funding for annual debt service of \$13.0 million from lottery revenue and tuition revenue is included in current budget planning. The projected incremental debt ratio impact for this project is 0.11 percent without SPEED debt service and 0.29 percent with SPEED debt service.

The estimated operations and maintenance cost for this project is approximately \$3,459,008.

Project Costs:

Total Project Cost	\$ 210,000,000
Total Project Construction Cost	\$ 155,550,500
Total Project Cost per GSF	\$ 1,200
Construction Cost per GSF	\$ 889

An Arizona Board of Regents executive summary for this project is attached, which outlines the project description and other relevant information. The Annual Capital Plan for this project received ABOR approval on September 25, 2025 and the Individual Project and Financing Approval was approved at the Arizona Board of Regents meeting on November 20, 2025.

Project Financing Summary

Project Cost

ASU Health Building	\$210,000,000
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Project Costs Financed

SPEED and System Revenue Bonds	\$193,120,000
Estimated Costs of Issuance	\$1,540,000
Anticipated Rating – System Revenue Bonds	Aa2 (Moody's) and AA (S&P)
Anticipated Rating – SPEED Bonds	Aa3 (Moody's) and AA- (S&P)
Assumed Interest Rate	5.0% to 6.4%
Term	30 years

Estimated Debt Service

Annual Debt Service (FY 2027 to FY 2057)	\$13,030,000
Total Estimated Debt Service (30 years)	\$395,890,000
Funding Sources: Lottery Revenues, Tuition	

Debt Ratio

	<u>Without SPEED</u>	<u>With SPEED</u>
Debt Ratio on Existing Debt	4.70%	5.20%
Incremental Debt Ratio	0.11%	0.29%
Debt Ratio with Project	4.81%	5.49%
Statutory Debt Limit (ARS section 15-1683)	8.00%	n/a



**ASU Health Building
SPEED Bonds
Estimated Debt Service**

Estimated Issuance January 2026

Fiscal Year	Principal	Interest	Total
2026		1,913,000	1,913,000
2027	930,000	3,088,000	4,018,000
2028	975,000	3,041,000	4,016,000
2029	1,025,000	2,992,000	4,017,000
2030	1,075,000	2,941,000	4,016,000
2031	1,130,000	2,887,000	4,017,000
2032	1,185,000	2,831,000	4,016,000
2033	1,245,000	2,772,000	4,017,000
2034	1,310,000	2,709,000	4,019,000
2035	1,375,000	2,644,000	4,019,000
2036	1,440,000	2,575,000	4,015,000
2037	1,515,000	2,503,000	4,018,000
2038	1,590,000	2,427,000	4,017,000
2039	1,670,000	2,348,000	4,018,000
2040	1,755,000	2,264,000	4,019,000
2041	1,840,000	2,177,000	4,017,000
2042	1,930,000	2,085,000	4,015,000
2043	2,030,000	1,988,000	4,018,000
2044	2,130,000	1,887,000	4,017,000
2045	2,235,000	1,780,000	4,015,000
2046	2,350,000	1,668,000	4,018,000
2047	2,465,000	1,551,000	4,016,000
2048	2,590,000	1,428,000	4,018,000
2049	2,720,000	1,298,000	4,018,000
2050	2,855,000	1,162,000	4,017,000
2051	2,995,000	1,019,000	4,014,000
2052	3,145,000	870,000	4,015,000
2053	3,305,000	712,000	4,017,000
2054	3,470,000	547,000	4,017,000
2055	3,645,000	374,000	4,019,000
2056	3,825,000	191,000	4,016,000
Total	61,750,000	60,672,000	122,422,000



**ASU Health Building
SPEED Bonds
Estimated Debt Service**

Estimated Issuance August 2026

Fiscal Year	Principal	Interest	Total
2027		3,062,000	3,062,000
2028	930,000	3,088,000	4,018,000
2029	975,000	3,041,000	4,016,000
2030	1,025,000	2,992,000	4,017,000
2031	1,075,000	2,941,000	4,016,000
2032	1,130,000	2,887,000	4,017,000
2033	1,185,000	2,831,000	4,016,000
2034	1,245,000	2,772,000	4,017,000
2035	1,310,000	2,709,000	4,019,000
2036	1,375,000	2,644,000	4,019,000
2037	1,440,000	2,575,000	4,015,000
2038	1,515,000	2,503,000	4,018,000
2039	1,590,000	2,427,000	4,017,000
2040	1,670,000	2,348,000	4,018,000
2041	1,755,000	2,264,000	4,019,000
2042	1,840,000	2,177,000	4,017,000
2043	1,930,000	2,085,000	4,015,000
2044	2,030,000	1,988,000	4,018,000
2045	2,130,000	1,887,000	4,017,000
2046	2,235,000	1,780,000	4,015,000
2047	2,350,000	1,668,000	4,018,000
2048	2,465,000	1,551,000	4,016,000
2049	2,590,000	1,428,000	4,018,000
2050	2,720,000	1,298,000	4,018,000
2051	2,855,000	1,162,000	4,017,000
2052	2,995,000	1,019,000	4,014,000
2053	3,145,000	870,000	4,015,000
2054	3,305,000	712,000	4,017,000
2055	3,470,000	547,000	4,017,000
2056	3,645,000	374,000	4,019,000
2057	3,825,000	191,000	4,016,000
Total	61,750,000	61,821,000	123,571,000



**ASU Health Building
System Revenue Bonds
Estimated Debt Service**

Estimated Issuance April 2027

Fiscal Year	Principal	Interest	Total
2028	100,000	4,950,000	5,050,000
2029	1,040,000	3,959,000	4,999,000
2030	1,100,000	3,896,000	4,996,000
2031	1,160,000	3,840,000	5,000,000
2032	1,220,000	3,772,000	4,992,000
2033	1,290,000	3,702,000	4,992,000
2034	1,360,000	3,629,000	4,989,000
2035	1,440,000	3,553,000	4,993,000
2036	1,520,000	3,475,000	4,995,000
2037	1,600,000	3,393,000	4,993,000
2038	1,690,000	3,308,000	4,998,000
2039	1,780,000	3,209,000	4,989,000
2040	1,890,000	3,107,000	4,997,000
2041	1,990,000	3,011,000	5,001,000
2042	2,100,000	2,901,000	5,001,000
2043	2,220,000	2,777,000	4,997,000
2044	2,340,000	2,658,000	4,998,000
2045	2,470,000	2,525,000	4,995,000
2046	2,610,000	2,386,000	4,996,000
2047	2,750,000	2,243,000	4,993,000
2048	2,900,000	2,094,000	4,994,000
2049	3,060,000	1,929,000	4,989,000
2050	3,230,000	1,758,000	4,988,000
2051	3,410,000	1,581,000	4,991,000
2052	3,610,000	1,387,000	4,997,000
2053	3,810,000	1,186,000	4,996,000
2054	4,020,000	977,000	4,997,000
2055	4,240,000	751,000	4,991,000
2056	4,480,000	516,000	4,996,000
2057	4,730,000	263,000	4,993,000
Total	71,160,000	78,736,000	149,896,000



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MICHAEL WAY

DATE: January 22, 2026

TO: Members of the Joint Committee on Capital Review

FROM: Ethan Scheider, Fiscal Analyst

SUBJECT: Northern Arizona University – Approval of Cline Library Renovation SPEED Bond Project

Request

A.R.S. § 15-1682.03 requires Committee approval of any projects financed with lottery revenue (SPEED) bonds. Northern Arizona University (NAU) requests Committee approval of \$39,750,000 in SPEED bonds for a partial renovation of the Cline Library building. The debt service for SPEED bonds is paid 80% by state lottery revenues and 20% by university resources. Lottery revenues used to pay debt service would otherwise be deposited into the General Fund.

Committee Options

The Committee has at least the following 2 options:

1. Approval of the request.
2. Disapproval of the request.

Under either option, the Committee may also consider the following provisions:

Standard University Financing Provisions

- A. A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.
- B. NAU shall provide the final debt service schedule and interest rate for the projects as soon as they are available.

- C. On or before October 15 of each year until completion of the project, NAU shall report to the JLBC Staff on the status and expenditures of the project. The report shall include the project expenditures to date by type of building system, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.

Key Points

- 1) NAU plans to partially renovate the 211,300 square foot Cline Library building including:
 - a. Bringing the HVAC and fire suppression systems up to code.
 - b. Creating new office space.
 - c. Upgrading the HVAC system, building exteriors, and interior finishes and layouts.
- 2) The project will be funded with \$39,750,000 of lottery revenue (SPEED) bonds.
- 3) The annual debt service will be \$3.2 million with 80% paid by lottery revenues and 20% paid by tuition revenue.

Analysis

The renovation would:

- Separate the HVAC water supply from the fire sprinkler system in accordance with code requirements.
- Create new office space for the current occupants of the Babbitt Academic Annex. The latter has significant deferred maintenance and will be demolished to make room for a new nursing building.
- Upgrade the HVAC system and building envelope, including replacement of the deteriorating roof overhang and portions of the exterior masonry.
- Upgrade outdated interior finishes and layouts to create more functional spaces for academic support services.

Financing

UA plans to issue \$39.8 million in lottery revenue (SPEED) bonds with an anticipated rating of A1 (Moody's)/A+ (S&P) and an estimated interest rate of 5.00% over a 20-year term. Estimated issuance costs are \$397,500.

The annual debt service will be \$3.2 million from FY 2027 to FY 2046. Of the total \$63.8 million in debt service costs, \$51.0 million (80%) will be paid for with lottery revenue and the remaining \$12.8 million (20%) with university revenue. *(See Table 2 for a summary of the bond financing terms).*

SPEED bonds are excluded from each university's statutory debt ratio. UA's current projected FY 2026 debt ratio is 4.1%. If SPEED bonds were included, this project would increase the debt ratio by .44%.

University SPEED Bonds

Pursuant to A.R.S. § 15-1682.03, the Arizona Board of Regents (ABOR) is authorized to enter into lease-to-own and bond transactions up to a certain maximum to pay for building renewal projects and new facilities. Annual debt service payments on these transactions are funded 80% by lottery revenues and 20% by other university revenues. Any lottery revenue used for debt service payments would otherwise be deposited into the General Fund. The program began in 2010, allowing universities to bond for up to \$800.0 million. The universities have committed all the original allocation.

The FY 2026 budget increased the maximum of SPEED bond transactions from \$800.0 million to \$1.125 billion. Of the \$325.0 million increase, \$162.5 million became available in FY 2026 and \$162.5 million

becomes available in FY 2027. ABOR approved the allocation of the increased bonding authority at its September 2025 board meeting, distributing \$123.5 million (38%) to ASU, \$87.8 million (27%) to NAU, and \$113.8 million (35%) to UA.

The NAU Cline Library Renovation project would utilize \$39.8 million from the newly authorized bonds, leaving \$48.0 million in NAU's SPEED bonding capacity. NAU is requesting to use the entirety of their remaining SPEED bonding capacity to complete the construction of a new nursing building (see separate agenda item).

Construction Costs

Of the \$39.8 million total project cost (excluding items such as design and project management costs), direct construction costs are \$30.7 million. The total project cost per square foot is \$188, while direct construction costs per square foot are \$145 (*see Table 1*). For comparison, the university previously renovated its Bury Hall building at a total project cost of \$401 per square foot.

NAU reports that the project will be delivered through Construction Manager at Risk (CMAR) method. Construction of the project is expected to begin in December 2026, with construction completion in December 2028.

Operations and Maintenance Costs

NAU expects no changes to operations and maintenance costs resultant from this project.

Table 1

NAU Cline Library Renovation

Total Square Footage	211,312
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Building Construction Costs

Direct Construction Costs	\$30,730,000	(\$145 per sq. ft.)
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Other Costs ^{1/}	<u>9,020,000</u>	<u>(\$43 per sq. ft.)</u>
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Total	\$39,750,000	(\$188 per sq. ft.)
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Operations & Maintenance	\$0
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1/ Includes equipment, project design and management fees and other costs

Table 2

NAU Cline Library Renovation Financing Terms

Construction Timeframe	December 2026 – December 2028
Issuance Amount	\$39.8 million
Issuance Date	March 2026
Issuance Transaction Fees	\$397,500
Rating	A1 (Moody's)/A+ (S&P)
Interest Rate	5.00%
Term	20 years
Total Debt Service Costs	\$63.8 million
Debt Service Payments	\$3.2 million
Payment Source	\$51.0 million lottery revenue (SPEED) \$12.8 million tuition revenue
Debt Ratio Increase	0.00% (Without SPEED)/ 0.44% (With SPEED) <i>SPEED Bonds are exempt from the statutory debt ratio calculation</i>

ES:jbu

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NAU NORTHERN ARIZONA
UNIVERSITY



December 12th, 2025

The Honorable David Farnsworth
Chairman, Joint Committee on Capital Review
State Senate
1700 West Washington St.
Phoenix, AZ 85007-2890

The Honorable David Livingston
Vice Chairman, Joint Committee on Arizona
Capital Review
Arizona House of Representatives
1700 West Washington St.
Phoenix, AZ 85007-2890

Dear Chair Farnsworth and Vice Chair Livingston:

In accordance with A.R.S. §15-1683, the Arizona Board of Regents requests the following Northern Arizona University bond-financed projects be placed on the next Joint Committee on Capital Review agenda:

- Nursing Building
- Cline Library Renovation

Enclosed is pertinent information relating to this item. If you have any questions, please feel free to contact me at (928) 523-4240 or bjorn.flugstad@nau.edu.

Sincerely,

Bjorn Flugstad
Senior Vice President, Chief Financial Officer

Attachment

cc: Richard Stavneak, Director, JLBC
Ethan Scheider, JLBC Fiscal Analyst
Ben Onesko, OSPB, Budget Analyst
Chad Sampson, ABOR, Executive Director
Bradley Kendrex, ABOR, Vice President for Finance & Administration
Jose Luis Cruz Rivera, NAU, President
Katy Yanez, NAU, Vice President of Government Affairs and Community Relations

Cline Library Renovation

This project is a partial renovation of the 211,312 GSF Cline Library building. The primary focus is on addressing Cline library's \$13.8M in deferred maintenance, code and safety upgrades, and space optimization. The project budget is \$39,750,000.

The Cline Library renovation will address a critical life safety and code compliance issue by separating the building's HVAC water supply from its fire sprinkler water system. Currently, the two systems are connected in a manner that does not meet modern building and fire codes, creating potential risk to both building operations and occupant safety. The renovation will install dedicated, code-compliant piping and infrastructure for each system, ensuring the fire suppression system always maintains proper pressure and water quality. This improvement not only protects the health and safety of library occupants but also safeguards NAU's assets, reduces liability, and ensures full compliance with applicable building and fire protection standards.

As part of the Cline Library renovation, NAU will consolidate underutilized space by relocating occupants from the Babbitt Academic Annex into newly reconfigured areas within the library. This is an enabling move for the critical Nursing Building project. In recent years, the reduction and digitization of print collections have freed up significant floor area in the library, creating an opportunity to optimize space utilization. By converting this underused space into modern, efficient office and collaborative environments, NAU will eliminate the need to operate and maintain the Babbitt Academic Annex—an aging, low-functioning facility with substantial deferred maintenance of \$4.1M. This strategic move reduces NAU's building footprint, lowers operating costs, and creates closer proximity between library resources, academic support services, and faculty, fostering greater collaboration and student engagement.

This project will accelerate goals outlined in both the Campus Master Plan and the related Library Master Plan. The tenant improvement portion of the construction will address multiple facility needs in a single coordinated effort—avoiding costly, piecemeal renovations later. The project will upgrade building systems, finishes, and layouts in areas of the library that would otherwise remain outdated, thereby reducing the backlog of deferred maintenance. These improvements—such as modernized HVAC, building envelope modifications, life safety systems, and accessible interior layouts—align with key priorities outlined in the Library Master Plan, including creating more adaptable, technology-rich spaces and expanding capacity for academic support services. The result is a facility that is more functional, compliant, and sustainable, while simultaneously removing an entire low-functioning building from the university's deferred maintenance inventory.

This project will be delivered through the ABOR approved procurement method of hiring a Design Professional (DP) and Construction Manager at Risk (CMAR). The DP and CMAR will be selected in mid-2026. The design will be phased and anticipated to be fully completed within 12 months after the DP contract is awarded.

Construction will commence when the first phase of design is complete and after all approvals are in place. Construction is anticipated to take 24 – 36 months.

Project Summary – Cline Library Renovation

SPEED Bonds:

Project Cost Financed	\$39,750,000
Estimated Costs of Issuance	\$397,500
Anticipated Rating	A1 (Moody's) and A+ (S&P)
Assumed Interest Rate	5.0%
Term	20 years

Debt Ratio:

	Without SPEED	With SPEED
Debt Ratio on Existing Debt	4.1%	6.23%
Incremental Debt Ratio	<u>0.0%</u>	<u>0.44%</u>
Debt Ratio with Project	4.1%	6.67%
Statutory Debt Limit (A.R.S. § 15-1683)	8.00%	n/a

Project Schedule:

Planning	February 2026
Design Start	July 2026
Construction Start	December 2026
Construction Completion	December 2028

Project Budget:

Total Project Cost	\$39,750,000
Total Project Construction Cost	\$30,730,000
Total Project Cost per GSF	\$ 188
Construction Cost per GSF	\$ 145

Estimated Annual Changed O&M Cost:

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

**Cline Library Renovation
Debt Service Schedule**

\$39,750,000 Bond at 5.0% Annual Interest for 20 Years

Semi-Annual Payments (First Year: One Payment Only)

Principal Amount: \$39,750,000

Total Interest Paid: \$24,050,000

Annual Interest Rate: 5.0%

Total Amount Paid: \$63,800,000

Year	Payments	Annual Payment	Annual Principal	Annual Interest	Year-End Balance
1	2	\$3,189,643	\$1,202,143	\$1,987,500	\$38,547,857
2	2	\$3,189,643	\$1,262,250	\$1,927,393	\$37,285,607
3	2	\$3,189,643	\$1,325,362	\$1,864,280	\$35,960,245
4	2	\$3,189,643	\$1,391,631	\$1,798,012	\$34,568,614
5	2	\$3,189,643	\$1,461,212	\$1,728,431	\$33,107,402
6	2	\$3,189,643	\$1,534,273	\$1,655,370	\$31,573,129
7	2	\$3,189,643	\$1,610,986	\$1,578,656	\$29,962,143
8	2	\$3,189,643	\$1,691,536	\$1,498,107	\$28,270,607
9	2	\$3,189,643	\$1,776,112	\$1,413,530	\$26,494,495
10	2	\$3,189,643	\$1,864,918	\$1,324,725	\$24,629,577
11	2	\$3,189,643	\$1,958,164	\$1,231,479	\$22,671,413
12	2	\$3,189,643	\$2,056,072	\$1,133,571	\$20,615,340
13	2	\$3,189,643	\$2,158,876	\$1,030,767	\$18,456,464
14	2	\$3,189,643	\$2,266,820	\$922,823	\$16,189,645
15	2	\$3,189,643	\$2,380,161	\$809,482	\$13,809,484
16	2	\$3,189,643	\$2,499,169	\$690,474	\$11,310,316
17	2	\$3,189,643	\$2,624,127	\$565,516	\$8,686,189
18	2	\$3,189,643	\$2,755,333	\$434,309	\$5,930,855
19	2	\$3,189,643	\$2,893,100	\$296,543	\$3,037,755
20	2	\$3,189,643	\$3,037,755	\$151,888	\$0
TOTALS	40	\$63,792,857	\$39,750,000	\$24,042,857	\$0



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
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MICHAEL WAY

DATE: January 22, 2026

TO: Members of the Joint Committee on Capital Review

FROM: Ethan Scheider, Fiscal Analyst

SUBJECT: Northern Arizona University – Approval of Nursing Building SPEED Bond Project

Request

A.R.S. § 15-1682.03 requires Committee approval of any projects financed with lottery revenue (SPEED) bonds. Northern Arizona University (NAU) requests Committee approval of \$48,000,000 in SPEED bonds for construction of a new nursing building. The debt service for SPEED bonds is paid 80% by state lottery revenues and 20% by university resources. Lottery revenues used to pay debt service would otherwise be deposited into the General Fund.

Committee Options

The Committee has at least the following 2 options:

1. Approval of the request.
2. Disapproval of the request.

Under either option, the Committee may also consider the following provisions:

Standard University Financing Provisions

- A. A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.
- B. NAU shall provide the final debt service schedule and interest rate for the projects as soon as they are available.
- C. On or before October 15 of each year until completion of the project, NAU shall report to the JLBC Staff on the status and expenditures of the project. The report shall include the project expenditures

to date by type of building system, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.

Key Points

- 1) NAU plans to construct an approximately 40,000 gross square foot nursing building in the North campus science corridor.
- 2) The project will be funded with \$48,000,000 of lottery revenue (SPEED) bonds.
- 3) The annual debt service will be \$3.1 million with 80% paid by lottery revenues and 20% paid by tuition revenue.

Analysis

NAU intends to construct a new building in the North campus science corridor at its Flagstaff campus to consolidate the College of Nursing into one facility. According to the university, the current nursing building is 19,700 square feet, but only has one classroom available, providing space for 30-40 students. Given NAU's current nursing program enrollment of 300 students, the university currently uses other spaces across campus for nursing classrooms. The College of Nursing also utilizes the 10,000 square foot basement of the duBois South Union for simulation space and multiple classrooms in various buildings across campus for instruction. We have asked NAU how they plan to repurpose the space being vacated by the nursing program.

The new facility will include space for specialized labs, clinical training facilities and flexible classrooms. The university claims that the building's proximity to the related scientific disciplines (Biology, Chemistry, Physical Sciences) in the North campus science corridor will allow for shared use of specialized lab spaces, facilitate student movement and reduce scheduling conflicts. As part of the project, the university will demolish Peterson Hall, the Babbitt Academic Annex and Education Annex.

At its Flagstaff campus, NAU's College of Nursing currently enrolls over 300 students and typically admits 170 students annually. With the construction of the new nursing building, the university plans to admit an additional 100 students annually. Over the next 7–10 years, the building would have capacity to support enrollment of up to 1,200 nursing students.

Financing

UA plans to issue \$48.0 million in lottery revenue (SPEED) bonds with an anticipated rating of A1 (Moody's)/A+ (S&P) and an estimated interest rate of 5.00% over a 30-year term. Estimated issuance costs are \$480,000.

The annual debt service will be \$3.1 million from FY 2027 to FY 2056. Of the total \$92.3 million in debt service costs, \$73.8 million (80%) will be paid for with lottery revenue and the remaining \$18.5 million (20%) with tuition revenue. *(See Table 1 for a summary of the bond financing terms).*

SPEED bonds are excluded from each university's statutory debt ratio. UA's current projected FY 2026 debt ratio is 4.1%. If SPEED bonds were included, this project would increase the debt ratio by 0.43%.

University SPEED Bonds

Pursuant to A.R.S. § 15-1682.03, the Arizona Board of Regents (ABOR) is authorized to enter into lease-to-own and bond transactions up to a certain maximum to pay for building renewal projects and new facilities. Annual debt service payments on these transactions are funded 80% by lottery revenues and 20% by other university revenues. Any lottery revenue used for debt service payments would otherwise

be deposited into the General Fund. The program began in 2010, allowing universities to bond for up to \$800.0 million. The universities have committed all the original allocation.

The FY 2026 budget increased the maximum of SPEED bond transactions from \$800.0 million to \$1.125 billion. Of the \$325.0 million increase, \$162.5 million became available in FY 2026 and \$162.5 million becomes available in FY 2027. ABOR approved allocation of the increased bonding authority at its September 2025 board meeting, distributing \$123.5 million (38%) to ASU, \$87.8 million (27%) to NAU, and \$113.8 million (35%) to UA.

The NAU nursing school project would utilize \$48.0 million from the newly authorized bonds, leaving \$39.8 million in NAU's SPEED bonding capacity. NAU is requesting to use the entirety of their remaining SPEED bonding capacity to complete a renovation of the Cline Library building (see separate agenda item).

Construction Costs

Of the \$48.0 million total project cost, direct construction costs are \$35.6 million. The total project cost per square foot is \$1,200, while direct construction costs per square foot are \$889 (*see Table 1*). Upon request, NAU provided 3 cost comparisons for university construction projects, which are summarized in *Table 3*. The projects' total cost per square foot ranges from \$701 to \$1,415.

NAU reports that the project will be delivered through Construction Manager at Risk (CMAR) method. Construction of the project is expected to begin in August 2027, with construction completion in August 2029.

Operations and Maintenance Costs

NAU expects annual Operations and Maintenance costs for this project to be approximately \$238,700. This amount excludes any academic expenses of the facility.

Table 1

NAU Nursing Building

Total Square Footage 40,000

Building Construction Costs

Direct Construction Costs \$35,552,500 (\$889 per sq. ft.)

Other Costs^{1/} 12,447,500 (\$331 per sq. ft.)

Total \$48,000,000 (\$1,200 per sq. ft.)

Operations & Maintenance \$238,700

1/ Includes equipment, project design and management fees and other costs

Table 2

NAU Nursing Building Financing Terms

Construction Timeframe	August 2027 – August 2029
Issuance Amount	\$48.0 million
Issuance Date	March 2026
Issuance Transaction Fees	\$480,000
Rating	A1 (Moody's)/A+ (S&P)
Interest Rate	5.00%
Term	30 years
Total Debt Service Costs	\$92.3 million
Debt Service Payments	\$3.1 million
Payment Source	\$73.8 million lottery revenue (SPEED) \$18.5 million tuition revenue
Debt Ratio Increase	0.00% (Without SPEED)/ 0.43% (With SPEED) <i>SPEED Bonds are excluded from debt ratio calculation</i>

Table 3

NAU Nursing Construction Comparison

	<u>Project Location</u>	<u>Total Square Feet</u>	<u>Cost/ Square Foot</u>
<u>University Projects</u>			
NAU South Engineering Lab	Flagstaff	9,840	\$801
NAU Student Athlete High Performance Center	Flagstaff	65,615	\$701
UA Center for Applied Molecular and Immunological Therapies (CAMI) Building	Tucson	205,000	\$1,415

Northern Arizona University
Office of the Senior Vice President
Of Business Operations
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Tel 928-523-4240 Fax 928-523-0332
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December 12th, 2025

The Honorable David Farnsworth
Chairman, Joint Committee on Capital Review
State Senate
1700 West Washington St.
Phoenix, AZ 85007-2890

The Honorable David Livingston
Vice Chairman, Joint Committee on Arizona
Capital Review
Arizona House of Representatives
1700 West Washington St.
Phoenix, AZ 85007-2890

Dear Chair Farnsworth and Vice Chair Livingston:

In accordance with A.R.S. §15-1683, the Arizona Board of Regents requests the following Northern Arizona University bond-financed projects be placed on the next Joint Committee on Capital Review agenda:

- Nursing Building
- Cline Library Renovation

Enclosed is pertinent information relating to this item. If you have any questions, please feel free to contact me at (928) 523-4240 or bjorn.flugstad@nau.edu.

Sincerely,

A handwritten signature in black ink that reads "Bjorn Flugstad".

Bjorn Flugstad
Senior Vice President, Chief Financial Officer

Attachment

cc: Richard Stavneak, Director, JLBC
Ethan Scheider, JLBC Fiscal Analyst
Ben Onesko, OSPB, Budget Analyst
Chad Sampson, ABOR, Executive Director
Bradley Kendrex, ABOR, Vice President for Finance & Administration
Jose Luis Cruz Rivera, NAU, President
Katy Yanez, NAU, Vice President of Government Affairs and Community Relations

Nursing Building

As identified as a phase 1 priority in NAU's Campus Master Plan, this 40,000 gross square feet (GSF) (approximate) replacement building will become the new home of the College of Nursing. The current Nursing Building is in poor condition, functionally inadequate for the growing program, and carries \$2.6 million in deferred maintenance costs—issues that cannot be addressed cost-effectively through renovation. These deficiencies, combined with aging infrastructure and outdated layouts, make replacement the most practical option. The new facility will unite all nursing program spaces which are currently spread across multiple buildings in space inadequate for current and future demand. Consolidating programs in one location improves space utilization and reduces duplication of specialized equipment. This project budget is \$48 million.

The Nursing Building will be a modern, purpose-built facility built to LEED silver or better standards. Nursing education requires advanced simulation labs, skills practice areas, and flexible classrooms—amenities that older buildings cannot easily or cost-effectively accommodate. By replacing facilities with high deferred maintenance and poor energy performance, NAU will reduce long-term operating costs while strengthening its leadership in healthcare education and applied research with specialized labs and clinical training facilities. The new facility will also assist with recruitment by attracting high-caliber faculty, students, and research partnerships, increasing NAU's competitiveness for grants and external funding.

The Nursing building will be centrally located in the north campus science corridor, to provide academic synergy and program integration. Nursing shares foundational coursework and research needs with Biology, Chemistry, and Physical Sciences (e.g., anatomy, physiology, microbiology). Locating Nursing near these disciplines strengthens interdisciplinary collaboration, allows shared use of specialized labs, and supports integrated learning experiences. Proximity fosters easier student movement between classes, labs, and simulation facilities, reducing travel time and scheduling conflicts. Peterson, Babbitt Academic Annex, and Academic Annex will be demolished in alignment with the Campus Master Plan as they are aging facilities with a total deferred maintenance value of \$7.9M, poor energy performance, and layouts that no longer support modern pedagogy.

This project will be delivered through the ABOR approved procurement method of hiring a Design Professional (DP) and Construction Manager at Risk (CMAR). The DP and CMAR will be selected in early 2026. The design will be completed within approximately 12 months after the DP contract is awarded.

Construction, including demolition of the existing buildings, will commence when the design is complete and after all approvals are in place. Construction is anticipated to take 24 – 36 months.

Project Summary –Nursing Building

SPEED Bonds:

Project Cost Financed	\$48,000,000
Estimated Costs of Issuance	\$480,000
Anticipated Rating	A1 (Moody's) and A+ (S&P)
Assumed Interest Rate	5.0%
Term	30 years

Debt Ratio:

	Without SPEED	With SPEED
Debt Ratio on Existing Debt	4.1%	5.80%
Incremental Debt Ratio	<u>0.0%</u>	<u>0.43%</u>
Debt Ratio with Project	4.1%	6.23%
Statutory Debt Limit (A.R.S. § 15-1683)	8.00%	n/a

Project Schedule:

Planning	October 2025
Design Start	February 2026
Construction Start	August 2027
Construction Completion	August 2029

Project Budget:

Total Project Cost	\$48,000,000
Total Project Construction Cost	\$35,552,500
Total Project Cost per GSF	\$ 1,200
Construction Cost per GSF	\$ 889

Estimated Annual O&M Cost:

Utilities	\$ 100,000
Personnel	\$ 133,170
All Other Operating	<u>\$ 5,600</u>
Total	\$ 238,770

**Nursing Building
Debt Service Schedule**

\$48,000,000 Bond at 5.0% Annual Interest for 30 Years

Semi-Annual Payments (First Year: One Payment Only)

Principal Amount: \$48,000,000

Total Interest Paid: \$44,300,000

Annual Interest Rate: 5.0%

Total Amount Paid: \$92,300,000

Year	Payments	Annual Payment	Annual Principal	Annual Interest	Year-End Balance
1	1	\$1,564,467	\$364,467	\$1,200,000	\$47,635,533
2	2	\$3,128,934	\$756,497	\$2,372,437	\$46,879,036
3	2	\$3,128,934	\$794,795	\$2,334,140	\$46,084,241
4	2	\$3,128,934	\$835,031	\$2,293,903	\$45,249,210
5	2	\$3,128,934	\$877,305	\$2,251,630	\$44,371,905
6	2	\$3,128,934	\$921,718	\$2,207,216	\$43,450,187
7	2	\$3,128,934	\$968,380	\$2,160,554	\$42,481,806
8	2	\$3,128,934	\$1,017,405	\$2,111,530	\$41,464,402
9	2	\$3,128,934	\$1,068,911	\$2,060,024	\$40,395,491
10	2	\$3,128,934	\$1,123,024	\$2,005,910	\$39,272,467
11	2	\$3,128,934	\$1,179,877	\$1,949,057	\$38,092,590
12	2	\$3,128,934	\$1,239,609	\$1,889,326	\$36,852,981
13	2	\$3,128,934	\$1,302,364	\$1,826,570	\$35,550,617
14	2	\$3,128,934	\$1,368,296	\$1,760,638	\$34,182,321
15	2	\$3,128,934	\$1,437,566	\$1,691,368	\$32,744,755
16	2	\$3,128,934	\$1,510,343	\$1,618,592	\$31,234,412
17	2	\$3,128,934	\$1,586,804	\$1,542,130	\$29,647,609
18	2	\$3,128,934	\$1,667,136	\$1,461,799	\$27,980,473
19	2	\$3,128,934	\$1,751,535	\$1,377,400	\$26,228,938
20	2	\$3,128,934	\$1,840,206	\$1,288,728	\$24,388,732
21	2	\$3,128,934	\$1,933,366	\$1,195,568	\$22,455,366
22	2	\$3,128,934	\$2,031,243	\$1,097,691	\$20,424,123
23	2	\$3,128,934	\$2,134,075	\$994,860	\$18,290,048
24	2	\$3,128,934	\$2,242,112	\$886,822	\$16,047,936
25	2	\$3,128,934	\$2,355,619	\$773,315	\$13,692,317
26	2	\$3,128,934	\$2,474,872	\$654,062	\$11,217,444
27	2	\$3,128,934	\$2,600,163	\$528,771	\$8,617,281
28	2	\$3,128,934	\$2,731,796	\$397,138	\$5,885,485
29	2	\$3,128,934	\$2,870,093	\$258,841	\$3,015,392
30	2	\$3,128,934	\$3,015,392	\$113,543	\$0
TOTALS	59	\$92,303,562	\$48,000,000	\$44,303,562	\$0



STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: January 22, 2026

TO: Members of the Joint Committee on Capital Review

FROM: Grace Timpany, Fiscal Analyst

SUBJECT: University of Arizona – Approval of a Revision in the SPEED Bond Financing of the Center for Applied Molecular and Immunological Therapies (CAMI) Building

Request

A.R.S. § 15-1682.03 requires Committee approval of any university projects financed with lottery revenue (SPEED) bonds. The University of Arizona (UA) requests Committee approval of \$75,000,000 in lottery bond issuances to construct a new research facility for the Center for Advanced Molecular and Immunological Therapies (CAMI) at the downtown Phoenix Biomedical Core (PBC) campus. The debt service for SPEED bonds is paid 80% by state lottery revenues and 20% by university resources. Lottery revenues used to pay debt service would otherwise be deposited into the General Fund.

In addition to bond proceeds, UA plans to utilize \$96,000,000 from state and county American Rescue Plan Act (ARPA) funds and \$61,000,000 from tuition, gifts and other university funds for total project costs of \$232,000,000.

This project was previously reviewed in the Committee's January 2025 meeting at a cost of \$292,000,000. UA is now requesting two changes: 1) the overall cost would decline to \$232,000,000 and 2) shift \$75,000,000 in financing from system revenue bonds to the newly expanded SPEED lottery bond authority.

Committee Options

The Committee has at least the following 2 options:

1. Approval of the request.
2. Disapproval of the request.

Under any option, the Committee may also consider the following standard university financing provisions:

Standard University Financing Provisions

- A. A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.
- B. UA shall provide the final debt service schedule and interest rate for the project as soon as they are available.
- C. On or before October 15 of each year until completion of the project, UA shall report to the JLBC Staff on the status and expenditures of the project. The report shall include the project expenditures to date, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.

Key Points

- 1) UA is constructing a 7-story, 202,000 square foot research and academic facility located at the Phoenix Biomedical Campus on the southwest corner of Fillmore and 7th Street.
- 2) JCCR previously approved this project in January 2025 at a cost of \$290 million. UA has now reduced the cost of the building to \$232 million by only building out 2 of the 7 floors.
- 3) In January 2025, UA planned to use \$75 million from system revenue bonds to finance the project.
- 4) UA is now proposing to replace the \$75 million in system revenue bonds with lottery (SPEED) bonds.
- 5) The annual debt service on the \$75.0 million SPEED bond issuance is estimated to be \$4.9 million, of which 80% is paid with lottery revenues and 20% from university research funds.
- 6) UA anticipates issuing the bonds in early 2026 and completing most of the construction in May 2027.

Analysis

UA is constructing a 7-story, 202,000 square foot research building at its Phoenix Biomedical Core campus on the southwest corner of Fillmore and 7th Street. The CAMI building will house wet, dry, and clinical research labs to accommodate up to 40 research groups focused on cancer research, and infectious and autoimmune diseases. At this stage, UA plans to complete the buildout of 2 of the 7 floors. For the remaining 5 floors, UA is exploring options for potential tenants, who would pay for tenant improvements on the floors they occupy. The university expects to have tenants prior to completion of construction. The university estimates that 100 to 150 new research positions will be created at the facility.

The university started construction on the CAMI building in November 2024 and completed construction of a portion of the building foundation and utilities infrastructure. Construction was paused in March 2025 due to funding uncertainty. UA resumed construction of the building in June 2025 using non-bonding funding sources.

The project is now expected to cost a total of \$232.0 million. Of this amount, \$75.0 million will be from lottery revenue (SPEED) bonds, \$96.0 million will be from American Rescue Plan Act (ARPA) funds and \$61.0 million will be from gifts, tuition, and other university research funds.

Financing

UA intends to issue \$75.0 million in SPEED bonds with an anticipated rating of Aa3 (Moody's)/AA- (S&P) and an estimated interest rate of 5.00% over a 30-year term. Estimated issuance costs are \$600,000.

The annual debt service will be \$4.9 million from FY 2027 to FY 2056. Of the total \$147.3 million in debt service costs, \$117.8 million (80%) will be paid for with lottery revenue and the remaining \$29.5 million

(20%) with other university revenue including indirect cost recovery (university research) funds. (See *Table 2 for a summary of the bond financing terms.*)

SPEED bonds are excluded from each university's statutory debt ratio. If SPEED bonds were included, UA projects that its highest debt ratio including this project would be 5.1%.

University SPEED Bonds

Pursuant to A.R.S. § 15-1682.03, the Arizona Board of Regents (ABOR) is authorized to enter lease-to-own and bond transactions up to a certain maximum to pay for building renewal projects and new facilities. Annual debt service payments on these transactions are funded 80% by lottery revenues and 20% by other university revenues. Any lottery revenue used for debt service payments would otherwise be deposited into the General Fund. The program began in 2010, allowing universities to bond for up to \$800.0 million. The universities have committed all the original allocation.

The FY 2026 budget increased the maximum of SPEED bond transactions from \$800.0 million to \$1.125 billion. Of the \$325.0 million increase, \$162.5 million became available in FY 2026 and \$162.5 million becomes available in FY 2027. ABOR approved allocation of the increased bonding authority at its September 2025 board meeting, distributing \$123.5 million (38%) to ASU, \$87.8 million (27%) to NAU, and \$113.8 million (35%) to UA.

The Committee approved \$38.8 million of UA's newly authorized SPEED bond issuances at its November 2025 meeting for unrelated deferred maintenance issues. The CAMI building would use the remaining \$75.0 million in UA's SPEED bond capacity.

Construction Costs

Of the \$232.0 million total project cost, direct construction costs (excluding items such as design and project management costs) are \$183.9 million. Total project costs per square foot are \$1,132 and direct construction costs per square foot are \$898 (*see Table 1*). UA provided 3 cost comparisons for previously reviewed UA projects, which are summarized in *Table 3*. The projects' cost per square foot ranges from \$543 to \$918.

The project is being delivered through a Design-Build (DB) method with a variety of procurement methods being used for sub-contractor selection. The entire project is expected to be completed by May 2027.

Operations and Maintenance Costs

UA expects annual Operations and Maintenance cost for the project to be \$3.2 million and plans to pay for these costs with tuition revenue. This amount excludes any academic expenses of the facility.

Table 1

UA CAMI Building Construction

Total Square Footage	202,000	
<u>Funding</u>		
System Revenue Bonds	\$75.0 million	
ARPA	96.0 million	
Gifts, tuition, and indirect cost recovery	<u>61.0 million</u>	
Total	\$232.0 million	
<u>Costs</u>		
Direct Construction Costs	\$183.9 million	(\$898 per sq. ft.)
Other Costs ^{1/}	<u>\$48.1 million</u>	<u>(\$234 per sq. ft.)</u>
Total	\$232.0 million	(\$1,132 per sq. ft.)
Operations and Maintenance	\$3.2 million	

^{1/} Includes equipment, furniture, project design and management fees, and other costs.

Table 2

UA CAMI Financing Terms

Construction Timeframe	November 2024 – May 2027
Issuance Amount	\$75.0 million
Issuance Date	Late 2025
Issuance Transaction Fees	\$600,000
Rating	Aa3 (Moody's)/AA- (S&P)
Interest Rate	5.00%
Term	30 years
Total Debt Service Costs	\$147.3 million
Debt Service Payments	\$4.9 million
Payment Source	Indirect Cost Recovery Funds
Debt Ratio Increase	SPEED Bonds are excluded from debt ratio calculation

Table 3			
UA CAMI Construction Comparison			
	Project <u>Location</u>	Total <u>Square Feet</u>	Cost/ <u>Square Foot</u>
<u>Previous UA Projects</u>			
Grand Challenges Research Building	-	107,877	\$918
Applied Research Building	-	89,000	\$955
Biomedical Sciences Partnership	-	245,000	\$543

GT:jbu



THE UNIVERSITY OF ARIZONA
Business Affairs

BUSINESS AFFAIRS

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September 29, 2025

The Honorable David Farnsworth
Chairman, Joint Committee on Capital Review
Arizona State Senate
1700 West Washington St.
Phoenix, Az 85007-2890



Dear Senator Farnsworth:

In accordance with A.R.S. §15-1682.03, the Arizona Board of Regents requests the Center for Advanced Molecular Immunological Therapies (CAMI) and upcoming deferred maintenance projects be placed on the next Joint Committee on Capital Review agenda for approval so that the University of Arizona may utilize Stimulus Plan for Economic and Educational Development (SPEED) bonds for these projects. The committee previously approved the CAMI project in January 2025 as a system revenue bond (SRB) project. Since that review, the university has reworked the project and is requesting to change the financing mechanism from SRB to SPEED. This change will offset millions in annual debt service allowing the university to invest in other student success initiatives.

To finance these projects, the University of Arizona will issue SPEED bonds across two fiscal years in the following manner:

	Center for Advanced Molecular Immunological Therapies	Deferred Maintenance	Total
Fiscal Year 2026	\$56,875,000	\$0	\$56,875,000
Fiscal Year 2027	\$18,125,000	\$38,750,000	\$56,875,000
	<hr/> \$75,000,000	<hr/> \$38,750,000	<hr/> \$113,750,000

Included with this request, please find summaries of both projects and details on the issuance of bonds for each.

Thank you for your support of the University of Arizona's land-grant mission, as we provide access to a world-class education, research with real-world impact, and service to the state of Arizona and its people.

Sincerely,

John S. Arnold
Chief Financial Officer

cc: Representative David Livingston, Vice-Chairman
Richard Stavneak, Director, JLBC
Grace Timpany, Fiscal Analyst, JLBC



Project Summary: Center for Advanced Molecular Immunological Therapies¹

The Committee originally reviewed this project in January 2025. Since that review, U of A went through a value engineering process to reduce costs and decided to stage the interior buildout of the building. At this stage of the project, U of A will complete the buildout of 2 of the 7 floors. These changes reduced the project cost from \$290 million to \$232 million. \$75 million of the project will be financed through SPEED Bonds issued by the University of Arizona. U of A plans to use indirect cost recovery funds to pay the university portion of the debt service. The estimated annual debt service for the project is \$4.9 million. The remainder of the project will be paid for as follows:

- \$57 million in State of Arizona American Rescue Plan Act (ARPA) funding
- \$8 million in Maricopa County ARPA funding
- \$31 million from tuition and indirect cost recovery enabled through ARPA reimbursements
- \$61 million from other university funds including gifts, tuition, and indirect cost recovery

CAMI will be a national biomedical research hub on the U of A's downtown Phoenix Bioscience Core ("PBC") campus. Located on the southwest corner of Fillmore Street and 7th Street, the seven-story, 202,000 square foot building is designed to house research groups and potential private partnerships. Researchers and physician-scientists based out of CAMI will use precision medicine to develop new cell- and gene-based therapeutical options for diseases including cancer, building on the concept that the most effective defense against health issues is the body's natural immune system. CAMI will accelerate the pursuit of immunotherapies already underway at the U of A, and open new doors to advance precision medicine to improve health outcomes for people across Arizona and around the world.

CAMI Research & Discovery

The CAMI building will provide space focused on the following areas:

- **CANCER**
Immunotherapy holds the promise of a new standard of care for treatments of cancer, a disease that disproportionately affects older people. Immunotherapy can generate precise drug treatments based on the individual patient's unique features of their cancer. The research that will take place at CAMI has the potential to fundamentally change the way cancers are treated.
- **INFECTIOUS DISEASES**
The relevance of classic immunological therapies has been highlighted throughout the COVID-19 pandemic. Through the discovery and interdisciplinary research done at CAMI, new immunotherapies will be able to overcome the challenges typically faced by existing infectious disease prevention, such as drug toxicity and resistance. Ultimately, this work can change how public health efforts combat communicable diseases in Arizona and around the world.
- **AUTOIMMUNE DISEASES**
Living with an autoimmune disease means the body is fighting against itself every day. The body's natural defense system cannot distinguish between its own cells and foreign cells, causing it to

¹ Revised from January 2025 JCCR Approval

mistakenly attack normal cells. Research will help the body gain control over this fight. CAMI research will create immunotherapies that target or alter components of the immune system to suppress specific autoimmune diseases such as type 1 diabetes, lupus, rheumatoid arthritis, and Crohn's disease.

Workforce Development

Student education will be prioritized in learning spaces dedicated to programs that will allow CAMI faculty and researchers to mentor and train the next generation of scientists. A principal function of CAMI's research laboratories and student office/cubicle space is to facilitate hands-on student participation and innovation. Students with strong experience working on multidisciplinary and application-driven project teams are highly sought in today's economy. It is estimated that 100 to 150 new, high wage research positions will be created at CAMI.

Access to Immunotherapies for Arizonans

CAMI will work with clinical partners in Phoenix and across the state to ensure the latest personalized treatments are made available to Arizonans. Treatments to target the specific causes of an individual's illness are becoming a reality, especially for diseases like cancer. However, these treatments are often only available at the hospitals and institutions that created the therapy because they must be personalized and cannot be mass-produced. A critical component of CAMI is to incorporate the latest basic insights and cutting-edge technologies into the facility to make these therapies available to Arizonans.

Project Phases and Costs

U of A is using design-build as the project delivery method, and a variety of procurement methods are being engaged for sub-contractor selection including lowest qualified bid. The entire project is scheduled to be completed in May 2027, with occupancy taking place over the summer of 2027.

Below is the estimated cost associated with each major area of the \$232 million project.

\$ 183,900,000	Construction Costs
	New Construction
	Fixed Equipment
	Utilities extensions
\$ 33,600,000	Consultant Fees
	Design-Build Fees
	Special Consultants
\$ 11,400,000	Indirect Costs
	Furniture, Fixtures & Equipment
	Contingency, Design & Construction Phases
	Telecommunications Equipment
\$3,100,000	Additional Costs
	Surveys & Test
	Move-in Costs
	Construction Management
	State Risk Management Insurance

Bond and Finance Summary

Total Project Budget:	\$232,000,000
Portion of Budget to be Issued:	\$75,000,000
Estimated SPEED Revenue Bond Par Amount:	\$75,000,000
Estimated Cost of Issuance:	\$600,000
Estimated Interest Rate:	5.00%
Payment Terms:	Approximately 30 years
Fund Source for Total Debt Payment:	Lottery Revenue Proceeds & Indirect Cost Recovery
Total Annual Debt Service (by fund source):	
Principal & Int. FY26-45 (Avg.) \$4,879,000	Lottery Revenue Proceeds & Indirect Cost Recovery
Total Debt Service Through Maturity: \$147,309,000	
Anticipated Date of Issuance:	First portion: early 2026
Expected Bond Rating:	AA- (S &P) Aa3 (Moody's)

Debt Ratio Information:

Current Projected Debt Ratio (FY26):	3.28%
Increment Debt Ratio for All Proposed Projects:	0.46%
Projected Highest Debt Ratio:	3.74%

Joint Committee on Capital Review
October 2025 JCCR Meeting
University of Arizona Projects Submission

Center for Advanced Molecular & Immunological Therapies (CAMI)
Tax Exempt System Revenue Bonds
Amortization Schedule

Period Ending	Annual Principal	Annual Interest	Annual Debt Service
6/1/2027	1,130,000	4,687,500	5,817,500
6/1/2028	1,185,000	3,693,500	4,878,500
6/1/2029	1,245,000	3,634,250	4,879,250
6/1/2030	1,305,000	3,572,000	4,877,000
6/1/2031	1,370,000	3,506,750	4,876,750
6/1/2032	1,440,000	3,438,250	4,878,250
6/1/2033	1,515,000	3,366,250	4,881,250
6/1/2034	1,590,000	3,290,500	4,880,500
6/1/2035	1,670,000	3,211,000	4,881,000
6/1/2036	1,750,000	3,127,500	4,877,500
6/1/2037	1,840,000	3,040,000	4,880,000
6/1/2038	1,930,000	2,948,000	4,878,000
6/1/2039	2,025,000	2,851,500	4,876,500
6/1/2040	2,130,000	2,750,250	4,880,250
6/1/2041	2,235,000	2,643,750	4,878,750
6/1/2042	2,345,000	2,532,000	4,877,000
6/1/2043	2,465,000	2,414,750	4,879,750
6/1/2044	2,585,000	2,291,500	4,876,500
6/1/2045	2,715,000	2,162,250	4,877,250
6/1/2046	2,850,000	2,026,500	4,876,500
6/1/2047	2,995,000	1,884,000	4,879,000
6/1/2048	3,145,000	1,734,250	4,879,250
6/1/2049	3,300,000	1,577,000	4,877,000
6/1/2050	3,465,000	1,412,000	4,877,000
6/1/2051	3,640,000	1,238,750	4,878,750
6/1/2052	3,820,000	1,056,750	4,876,750
6/1/2053	4,015,000	865,750	4,880,750
6/1/2054	4,215,000	665,000	4,880,000
6/1/2055	4,425,000	454,250	4,879,250
6/1/2056	4,660,000	233,000	4,893,000
	75,000,000	72,308,750	147,308,750

Project Summary: Deferred Maintenance

The total cost for the deferred maintenance projects is \$38.75 million. This includes various general deferred maintenance projects for U of A campus buildings and streets. The projects will be financed through SPEED bonds issued by the U of A. The U of A plans to use lottery revenue proceeds and retained tuition to pay the debt service. The estimated annual debt service for the project is \$3.1 million.

The general deferred maintenance projects for U of A's campus buildings and streets consist of various fire alarm and sprinkler, heating and cooling, building automation, and campus street upgrades. In addition, various plumbing and heat exchangers, roofs, and generators will be replaced. All campus systems and infrastructure receive routine preventative inspections, maintenance, and repairs. The building components being upgraded, repaired, or replaced have reached the end of their useful life and are necessary to ensure compliance with safety codes and the Americans with Disabilities Act. The various project delivery methods and processes for the projects will include competitive bids, government cooperative contracts, and job order contracting.

Total Project Cost Breakdown:

\$38,750,000

General Campus Deferred Maintenance

- Fire Alarm and Sprinkler Upgrades
- HVAC Upgrades
- Building Automation Upgrades
- Plumbing and Heat Exchangers Life
- Elevator Code Compliance/Modernizations
- Electrical Code Compliance
- Roof Replacements Life
- Campus Street Upgrades
- ADA Upgrades
- New Generators

Bond and Finance Summary

Total Project Budget:	\$38,750,000
Estimated SPEED Revenue Bond Par Amount:	\$38,750,000
Estimated Cost of Issuance:	\$310,000
Estimated Interest Rate:	5.00%
Payment Terms:	Approximately 20 years
Fund Source for Total Debt Payment:	Lottery Revenue Proceeds & Retained Tuition
Total Annual Debt Service (by fund source):	
Principal & Int. FY26-45 (Avg.) \$3,110,000	Lottery Revenue Proceeds & Retained Tuition
Total Debt Service Through Maturity: \$62,677,000	
Anticipated Date of Issuance:	Early 2026
Expected Bond Rating:	AA- (S &P) Aa3 (Moody's)

Debt Ratio Information:

Current Projected Debt Ratio (FY26):	3.28%
Increment Debt Ratio for All Proposed Projects:	0.46%
Projected Highest Debt Ratio:	3.74%

Joint Committee on Capital Review
October 2025 JCCR Meeting
University of Arizona Projects Submission

Deferred Maintenance
Tax Exempt System Revenue Bonds
Amortization Schedule

Period Ending	Annual Principal	Annual Interest	Annual Debt Service
6/1/2027	1,170,000	2,421,875	3,591,875
6/1/2028	1,230,000	1,879,000	3,109,000
6/1/2029	1,290,000	1,817,500	3,107,500
6/1/2030	1,355,000	1,753,000	3,108,000
6/1/2031	1,425,000	1,685,250	3,110,250
6/1/2032	1,495,000	1,614,000	3,109,000
6/1/2033	1,570,000	1,539,250	3,109,250
6/1/2034	1,650,000	1,460,750	3,110,750
6/1/2035	1,730,000	1,378,250	3,108,250
6/1/2036	1,820,000	1,291,750	3,111,750
6/1/2037	1,910,000	1,200,750	3,110,750
6/1/2038	2,005,000	1,105,250	3,110,250
6/1/2039	2,105,000	1,005,000	3,110,000
6/1/2040	2,210,000	899,750	3,109,750
6/1/2041	2,320,000	789,250	3,109,250
6/1/2042	2,435,000	673,250	3,108,250
6/1/2043	2,560,000	551,500	3,111,500
6/1/2044	2,685,000	423,500	3,108,500
6/1/2045	2,820,000	289,250	3,109,250
6/1/2046	2,965,000	148,250	3,113,250
	38,750,000	23,926,375	62,676,375