

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
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JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, February 24, 2009

8:00 A.M.

Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order
- [Approval of Minutes of November 13, 2008.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [Adoption of Committee Rules and Regulations.](#)
- 2. UNIVERSITY LOTTERY BOND PROJECTS
 - A. [Arizona State University - Review of \\$13.2 Million in University Lottery Bond Projects - Building Renewal.](#)
 - B. [University of Arizona - Review of \\$51.4 Million in University Lottery Bond Projects - Building Renewal.](#)
 - C. [Northern Arizona University - Review of \\$38.5 Million in University Lottery Bond Projects - Building Renewal.](#)
- 3. [UNIVERSITY OF ARIZONA - Review of Residence Halls and Residence Life Building Renewal.](#)
- 4. [MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT - Review of General Obligation Bond Issuance.](#)
- 5. [ARIZONA STATE LOTTERY COMMISSION - Review of FY 2009 Building Renewal Allocation Plan.](#)

6. ARIZONA DEPARTMENT OF ADMINISTRATION - Consider Recommending Partial Rent Exemption for the Department of Revenue.

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

2/17/09

sls

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

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

Thursday, November 13, 2008

The Chairman called the meeting to order at 1:40 pm, Thursday, November 13, 2008 in House Hearing Room 3.
The following were present:

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

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee, Chairman Russell Pearce stated the minutes of October 2, 2008 would stand approved.

ARIZONA DEPARTMENT OF ADMINISTRATION - Review of \$735,000 in FY 2009 Building Renewal Projects and Reallocation of \$1.3 Million in FY 2008 Building Renewal Funds.

Mr. Dan Hunting, JLBC Staff, stated that the first FY 2009 Building Renewal project on this item would repair the roof of the kitchen at the Catalina Mountain School, operated by the Department of Juvenile Corrections (DJC). DJC is now seeking approval of \$475,000 to remedy damage from the collapse and then repair the roof as originally planned.

The second FY 2009 Building Renewal project to be considered is \$260,000 to repair the roof at the Apache dormitory at the Arizona School for the Deaf and the Blind.

The Committee has at least the following 2 options for the FY 2009 Building Renewal projects: 1) a favorable review of the \$735,000 in critical projects, or 2) an unfavorable review, as these monies could be used to reduce the FY 2009 budget shortfall.

ADOA is also seeking a favorable review for reallocation of \$1.3 million in FY 2008 Building Renewal funds to repair the elevator system at the Department of Revenue Building on West Monroe.

The Committee has at least the following 2 options for the FY 2008 Building Renewal reallocation project: 1) a favorable review of the department's request to reallocate \$1,296,610 of the FY 2008 Building Renewal

(Continued)

appropriation to the elevator project at 1600 W. Monroe, or 2) an unfavorable review, as these monies could be used to reduce the FY 2009 budget shortfall.

Senator Burns moved that the Committee give a favorable review of the \$735,000 in critical FY 2009 Building Renewal Projects for the 2 roofing projects with the provision that ADOA report any project reallocations over \$100,000, as well as the request to allocate \$1,296,610 of the FY 2008 Building Renewal appropriation to the elevator project at 1600 W. Monroe. The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION - Review of \$984,700 in FY 2009 Building Renewal Projects.

Mr. Juan Beltran, JLBC Staff, stated that the Arizona Department of Transportation (ADOT) has identified 115 projects for a total of \$984,700, which they consider to be critical in nature. ADOT would allocate \$920,400 from the State Highway Fund and \$64,300 from the State Aviation Fund for these critical items.

The Committee has at least the following 2 options: 1) a favorable review of the \$985,000 in critical projects, as these projects are consistent with the Building Renewal guidelines and appropriations, or 2) an unfavorable review. Under either option, the JLBC Staff recommends that ADOT report any project reallocations above \$100,000.

Senator Burns moved that the Committee give a favorable review of the \$984,700 in critical projects with the provision that ADOT report any project reallocations over \$100,000. The motion carried.

ARIZONA STATE UNIVERSITY, UNIVERSITY OF ARIZONA, AND NORTHERN ARIZONA UNIVERSITY – Review of \$64.6 Million in University Lottery Bond Projects - Building Renewal.

Ms. Leah Kritzer, JLBC Staff, stated that Items 3A - 3C are the University Lottery Bonding Building Renewal projects. The Committee was briefed at the October 2, 2008 JCCR meeting on these items representing a total request of \$167.6 million from the 3 universities. Subsequent to the October meeting, the Chairman has decided to revise the amount the Committee will review to a total of \$64.6 million. These projects were identified by the Chairman as the most critical.

For Item 3A, Arizona State University (ASU) requested a total of \$34.4 million. Of this amount, \$20.8 million, having to do with electrical and elevator upgrades and roof repairs, will now be reviewed by the Committee.

For Item 3B, the University of Arizona (UA) requested a total of \$68.5 million. Of this amount \$17.5 million is for fire alarm and sprinkler system installations, electrical and elevator upgrades, and roof repairs, which will now be reviewed by the Committee.

For Item 3C, Northern Arizona University (NAU) requested a total of \$64.8 million. Of this amount, \$26.3 million is for the North campus utility upgrade project and North Union building renovation, which will now be reviewed by the Committee. These 2 projects have fire, life, and safety as well as electrical issues which would be addressed.

The Committee has at least the following 2 options: 1) a favorable review with the standard university financing provisions or 2) an unfavorable review. Under either option, the JLBC Staff recommends the universities submit a final debt service schedule and a list of projects.

Because the Universities were not available for questions, Senator Burns asked JLBC Staff to prepare a letter to the universities concerning his questions.

Senator Burns moved that the Committee give a favorable review to ASU's, UA's and NAU's Lottery bond Building Renewal projects with the standard university financing provisions below. In addition, the universities are required to submit a final debt service schedule and a list of projects.

(Continued)

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 project is complete.*
- *Each university shall submit to JLBC Staff any reallocation above \$500,000 between the individual projects. The Committee may review these items depending on the substantive nature of the reallocation.*

The motion carried.

Without objection, the meeting adjourned at 2:20 p.m.

Respectfully submitted:

Sandy Schumacher, Secretary

Leatta McLaughlin, Principal Fiscal Analyst

Representative Russell Pearce, Chairman

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

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DATE: February 17, 2009

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

FROM: Richard Stavneak, Director

SUBJECT: Adoption of Committee Rules and Regulations

The Committee will consider the attached rules and regulations for adoption at its February 24 meeting. The rules and regulations are the same as the Committee used in the last biennium.

RS:lm
Attachment

JOINT COMMITTEE ON CAPITAL REVIEW
RULES AND REGULATIONS

RULE 1

NAME OF COMMITTEE AND METHOD OF APPOINTMENT

The name of the Committee is the Joint Committee on Capital Review, hereinafter referred to as the Committee, consisting of fourteen members designated or appointed as follows:

1. The Chairman of the Senate and House of Representatives Appropriations Committees.
2. The Majority and Minority Leaders of the Senate and House of Representatives.
3. Four members of the Senate and four members of the House of Representatives who are members of their Appropriations Committees and who are appointed to the Committee by the President of the Senate and the Speaker of the House of Representatives, respectively.

RULE 2

CHAIRMAN OF THE COMMITTEE

The Chairman of the Senate Appropriations Committee shall have a term as Chairman of the Joint Committee on Capital Review from the first day of the First Regular Session to the first day of the Second Regular Session of each legislature and the Chairman of the House of Representatives Appropriations Committee shall have a term as Chairman from the first day of the Second Regular Session to the first day of the next legislature's First Regular Session.

RULE 3

QUORUM

A majority of the members of the Committee shall constitute a quorum for the transaction of business.

RULE 4

MEETINGS OF THE COMMITTEE

The Committee shall meet as often as the members deem necessary.

RULE 5

COMMITTEE PROCEEDINGS

The Committee proceedings shall be conducted in accordance with Mason's Manual of Legislative Procedure, except as otherwise provided by these rules.

RULE 6

STATUTORY POWER AND DUTIES OF THE COMMITTEE

The Committee shall:

1. Develop and approve a uniform formula for computing annual building renewal funding needs and a uniform format for the collection of data for the formula.
2. Approve building systems for the purposes of computing and funding building renewal and for preparing capital improvement plans.
3. Review the state capital improvement plan and make recommendations to the Legislature concerning funding for land acquisition, capital projects and building renewal. The recommendations should give priority to funding fire and life safety projects.
4. Review the expenditure of all monies appropriated for land acquisition, capital projects and building renewal.
5. Review the scope, purpose and estimated cost of the project prior to the release of monies for construction of new capital projects.
6. Approve transfers within a budget unit of monies appropriated for land acquisition, capital projects or building renewal.
7. Review and approve the acquisition of real property or buildings by the Arizona Department of Administration and Arizona Department of Transportation.
8. Review the acquisition of real property or buildings by the Department of Economic Security.
9. Determine the rental fee charged to state agencies for using space in a building leased to the state.
10. Approve expenditures from the Corrections Fund by the Director of the Department of Administration for major maintenance, construction, lease, purchase, renovation or conversion of Corrections facilities.
11. Review Arizona Board of Regents, Community College and Game and Fish bond projects.
12. Review of Arizona Board of Regents indirect debt financing projects.
13. Review School Facilities Board building renewal calculations and distributions.
14. Review School Facilities Board and school district lease-to-own projects. (Authority to issue has been repealed, but base statutes remain to allow prior issuances to continue.)
15. The Committee shall have other duties and responsibilities as outlined in statute or determined by the Chairman, consistent with law.

RULE 7

STAFF

The Joint Legislative Budget Committee Staff shall provide staff assistance to the Committee as directed by the Committee.

RULE 8

AGENDA FOR MEETINGS

An agenda for each Committee Meeting shall be prepared by the Director, and, whenever possible, mailed or delivered to members of the Committee, not less than one week prior to the meeting. The Director must have at least three weeks prior notice for any state agency-requested items that appear on the agenda, unless the Chairman of the Committee approves of a later submission.

RULE 9

ORDER OF BUSINESS

The Order of Business at a committee meeting shall be determined by the Chairman of the Committee. It shall normally be as follows:

- Call to order and roll call
- Approval of minutes
- Director's Remarks (if any)
- Review of capital projects
- Other Business - For information only
- Adjournment

RULE 10

ADOPTION AND AMENDMENT OF THE RULES AND REGULATIONS

These rules and regulations shall be adopted and may be amended by a majority vote of the Committee members.

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DATE: February 17, 2009

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

THRU: Richard Stavneak, Director

FROM: Leah Kritzer, Fiscal Analyst

SUBJECT: Arizona State University – Review of \$13.2 Million in University Lottery Bond
Projects – Building Renewal

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. Arizona State University (ASU) originally requested Committee review of \$34.4 million in Building Renewal projects (now \$34.0 million due to lower issuance costs). This issuance represents a portion of the University Lottery Bonding package as authorized by the FY 2009 Education Budget Reconciliation Bill (BRB) (Laws 2008, Chapter 287).

The \$34.0 million ASU request was presented for information only at the October 2, 2008 meeting. At its November 13, 2008 meeting, the Committee favorably reviewed fire, life and safety projects worth \$20.8 million for electrical code upgrades, elevator upgrades, and roof repairs. This memo now addresses the review of the remaining building renewal projects for approximately \$13.2 million, which also represents a revised estimate of issuance costs and interest rates.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review, with the standard university financing provisions (listed on the next page).
2. An unfavorable review.

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

(Continued)

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

Analysis

The \$13.3 million in projects include renovations and deferred maintenance (less \$100,000 in issuance savings). Stauffer Buildings A and B renovations would include deferred maintenance and minor classroom upgrades. ASU would also renovate its 476-seat Araviapa auditorium on its Polytechnic campus.

Financing

The FY 2009 Education BRB originally authorized the Arizona Board of Regents (ABOR) to enter into lease-to-own and bond transactions up to a maximum of \$1 billion to pay for building renewal projects and new facilities. However, Laws 2009, Chapter 6, 1st Special Session reduced ABOR's bonding authority from \$1 billion to \$800 million. The annual debt service payments will be paid from the newly-created University Capital Improvement Lease-to-Own and Bond (UCI) Fund and will be comprised of 80% Lottery revenues and 20% state university system revenues, as required by the FY 2009 Education BRB. Chapter 6 also prohibited ABOR from authorizing projects or issuing debt in FY 2009 above the \$167.7 million (ASU- \$34.0 million, Northern Arizona University- \$64.8 million, University of Arizona- \$68.9 million) submitted for JCCR review by the universities in October 2008.

ASU plans on issuing A1/AA- rated revenue bonds with an estimated 4.74% annual interest rate and a term of 20 years. The actual interest rate may change when the bond goes to market. Based on the total revised building renewal request (including the previously reviewed \$20.8 million) of \$34.0 million, ASU estimates an average annual debt service cost of \$2.8 million with a 20-year total cost of \$56.6 million.

The debt service is designed to be funded with 2 separate revenue streams as prescribed by the FY 2009 Education BRB. Approximately \$2.2 million, or 80%, will come from state Lottery proceeds, while \$0.6 million will come from local university funds. ASU originally planned to begin construction in October 2008. ASU indicates they will use their current cash flow to cover immediate costs of approximately \$5 million necessary to begin operation of its plan. When the bonds are issued, it is intended that ASU will be repaid with its Lottery bond proceeds.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. The FY 2009 Education BRB provided that the University Lottery building projects will be exempt from university debt limit calculations. If the debt service for the requested \$34.4 million was included in the calculation, however, the debt ratio would increase by 0.15% from the current 5.7% rate to a new debt ratio of 5.85%.

Construction Costs

Total project costs for the previously unreviewed projects are estimated at \$13.3 million, which typically include direct construction costs, architect fees, furniture and equipment costs. *Table 1* lists estimated capital costs and renovation scopes for the 3 favorably reviewed projects from the November 13, 2008 meeting and the 2 projects up for current Committee review.

Table 1			
ASU Building Renewal Costs and Scopes			
<u>Project</u>	<u>Description</u>	<u>Favorably Reviewed at Nov. Mtg.</u>	<u>Remaining Request for Review</u>
Roof Replacement and Roof Mechanical Equipment	Replace roofs and mechanical equipment located on roofs. Includes roof and mechanical replacements for 28 different buildings.	\$11,300,000	\$ 0
Stauffer Buildings A and B	Renovate for use as swing space, life/safety upgrades, and new classroom space.	0	10,000,000
Main Electrical System Replacements	Replace service entrance portions of the electrical systems. Includes replacements for 14 buildings.	5,800,000	0
Araviapa Auditorium	Renovate auditorium on Polytechnic campus.	0	3,300,000
Elevator Refurbishment	Includes replacement of flooring, doors, and wall panels for elevators in 7 buildings.	<u>3,200,000</u>	<u>0</u>
Total		\$20,300,000	\$13,300,000

ASU notes that some of their cost estimates have been developed using information from RS Means, a supplier of construction cost information, and historically comparable ASU projects. They also stated that once project design is complete, more cost information will be available.

Procurement Method

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

ASU also plans to use Job Ordering Contracting (JOC) and design/bid/build procurement methods for its other projects depending on the size and nature of the project. The JOC approach pre-qualifies contractors through a competitive selection process and bid estimates are prepared. According to ABOR policy, JOC-procured construction projects can only be used for projects with a maximum total cost of \$2 million. Under the design/bid/build method, the design and construction phases are separately contracted and done in sequence. After design is complete, the construction phase requires a competitive bid process that awards the contract to the lowest responsible and responsive bidder.

RS:LK/ss



ARIZONA STATE UNIVERSITY

September 11, 2008

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



Dear Representative Pearce:

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

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

Enclosed is pertinent information relating to this project.

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

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

Sincerely,

Richard Stanley
Senior Vice President and University Planner

Enclosures

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

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EXECUTIVE SUMMARY

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

☒ Action Item ☐ Discussion Item ☐ Information Item

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

Previous Board Actions:

FY 2009 Capital Development Plan
SPEED Projects Allocations Plan

June 2008
July 2008

Project Justification/Strategic Implications:

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

Project Description and Scope:

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

EXECUTIVE SUMMARY

- ▶ **Roof Replacements/Mechanical Equipment** - This project will replace roofs and mechanical equipment located on the roof (see Table A for buildings). Most of the roof replacement projects will require asbestos abatement prior to replacement of the roof. Older mechanical equipment and its associated electrical components which are at the end of their useful life will also be replaced. The estimated project budget is \$11,300,000.
- ▶ **Main Electrical System Replacement** – This project would replace the service entrance portions of the electrical systems in several buildings (see Table A for buildings). Due to the age of the electrical systems ASU can no longer obtain replacement parts and the systems need to be replaced with newer and more reliable systems. The estimated project budget is \$5,800,000.
- ▶ **Elevator Refurbishment** –The refurbishments will include replacement of flooring, doors and wall panels (see Table A for buildings). If necessary the refurbishment will include retrofitting inefficient leveling equipment, upgrading mechanical systems to prevent entrapments, and/or replacing obsolete or unserviceable parts. In addition, recent codes are mandating the addition of sprinklers as well as automatic recall features. The estimated project budget is \$3,200,000.
- ▶ **Aravaipa Auditorium** – This project is planned to renovate the interior of the existing 10,000 gross square foot auditorium at the Polytechnic campus. Renovations will include: seating areas, walls projection room, restrooms, stage area, and ADA access; and upgrade building infrastructure including electrical, HVAC, and plumbing. The estimated project budget is \$3,300,000.
- ▶ **Stauffer A and B** – Stauffer A has been vacated due to Cronkite School of Journalism moving to the downtown campus making it an optimal time to do upgrades in the building. As ASU finalizes its plans for SPEED implementation, Stauffer A will be used as swing space or be backfilled by academic programs that will allow for swing space in other parts of the campus. University classrooms will also be upgraded and added to Stauffer A. Stauffer B becomes vacant in early 2009 with the move of KAET to the downtown campus and ASU intends to do life/safety upgrades while the building is vacant before backfilling with the best use academic program. The estimated project budget is \$10,000,000.

EXECUTIVE SUMMARY

Table A

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

Statutory / Policy Requirements

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

Additional Project Considerations:

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

EXECUTIVE SUMMARY

Project Delivery Method and Process:

- ▶ Larger projects in the deferred maintenance bundle are planned to be delivered through the Construction Manager at Risk (CMAR) method. Other methods such as Job Order Contracting (JOC) or Design/Bid/Build may be used depending on the size and nature of the project.
- ▶ The Construction Manager (CM) at Risk approach can save time through fast-track project scheduling. It provides contractor design input and coordination throughout the project, it improves potentially adversarial project environments, and it allows for the selection of the most qualified contractor team for each individual project. With the use of two independent estimates at each phase, and low bid subcontractor work for the actual construction, this method also provides a high level of cost and quality control.
- ▶ Contracts for CMAR's will include Board approved requirements for Veteran's preference hiring programs. A final report on project control procedures such as change orders and contingency use will be provided at project completion.
- ▶ The JOC approach can reduce the overall project schedule since the advertising and selection part of the procurement process has already been completed. ASU currently has two contractors under a five year contract, renewable each year. These contractors have been pre-qualified through a competitive selection process as defined in Board Policy 3-804B. This approach can only be utilized for projects with a maximum total cost of \$1,999,999.
- ▶ The Design/Bid/Build approach will be utilized for single trade work projects such as roofs or elevators. With this approach the lowest qualified bidder will be selected.
- ▶ Selections of the Design Professional and the contractor will be through the capital project selection process prescribed by the ABOR Procurement Code. For each CMAR selection, a licensed contractor and a design professional will be included on the selection committee as required by Board Policy.

Project Costs:

- ▶ The total project budget for Phase 1a is \$33,000,000.
- ▶ The individual project budgets have been based upon preliminary cost estimates. Depending on the nature of the project the cost estimates have been developed on a cost per square foot method using either RS Means, normalized to the local area, or historical costs from recent comparable ASU projects.
- ▶ Once the design of these projects is completed cost information will be included in regular updates to the Board. Relevant comparable projects will also be included in

EXECUTIVE SUMMARY

the updates.

- ▶ For CMAR, two cost estimates for each project will be prepared independently by the Construction Manager at Risk and the Architect's estimating consultant. These estimates will be reconciled together to confirm accurate, competitive scope quantities and unit prices to form the GMP for the entire scope of work. ASU will identify what percentage of the CMAR's current estimate is made up of subcontractor bid commitments, price projections from subcontractors, and estimates prepared by the CMAR team.
- ▶ For JOC, two cost estimates will be prepared for the job based upon pre-established standard unit prices for individual tasks and pricing based on the number of units (RS Means, localized to the area) and the in-house ASU cost database. These estimates will be reconciled together to confirm accurate, competitive scope quantities and unit prices to form the job cost for the entire scope of work
- ▶ For Design/Bid/Build, ASU will seek a confirming estimate from an independent 3rd party prior to bidding. These estimates will be reconciled together to confirm accurate, competitive scope quantities and unit prices to form the construction budget for the entire scope of work.

Fiscal Impact and Financing Plan:

- ▶ Lottery Revenue Bonds will be issued to finance the project. The bonds will be repaid over a 20 year period. The annual debt service of approximately \$2.6 million will be funded from state lottery allocation proceeds (80%) and University local funds (20%).
- ▶ Debt Ratio Impact: Per the SPEED legislation (House Bill 2211), the debt service for this project is exempt from the debt service ratio calculation. If the debt service was included the incremental debt ratio for this project would be .14%.

Project Status & Schedule:

- ▶ ASU is continuing to evaluate program and define scope on all Phase 1a projects in preparation to solicit for Design Professionals (DP), Construction Managers at Risk (CMAR) and contractors by late August and early September.
- ▶ ASU intends to start construction on the Roof/Mechanical Replacement, Electrical System Replacements and Elevator Refurbishments projects in October, contingent upon all project reviews and approvals being in place. Construction completion dates will be identified in the regular update to the Board.
- ▶ The construction schedules for the Aravaipa Auditorium and Stauffer will be established once programming is finalized. These dates will be included in the regular update to the Board.

EXECUTIVE SUMMARY

Recommendation:

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

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

JCCR Meeting Date: October 2, 2008

The following is information not found in the ABOR Executive Summary

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

Project Scope

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Debt Issuance

Project Costs	\$	33,600,000
Costs of Issuance (1)	\$	750,000
Total Issuance Amount	\$	34,350,000
Interest rate		5%
Payment term		20 years

Annual debt service (by fund source):

State Lottery Allocation Proceeds	\$	2,205,100
Tuition and Other Local Funds	\$	551,200
Total Annual debt service	\$	2,756,300

Total debt service (by fund source)

State Lottery Allocation Proceeds	\$	44,102,000
Tuition and Other Local Funds	\$	11,024,000
Total Debt Service	\$	55,126,000

Date of Issuance	Fall 2008/Winter 2009
Anticipated Bond Rating (2)	A1/AA-

Gifts (not applicable)

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

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

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

SOURCES AND USES OF FUNDS

\$33,715,000
Arizona State University
Subordinate Lien System Revenue Bonds/Lottery Revenue Bonds
Series 2009 - 'AA-/A1' Scenario
(Preliminary - 02-13-09)

Sources:

Bond Proceeds:	
Par Amount	33,715,000.00
Net Premium	306,430.80
	<hr/>
	34,021,430.80
	<hr/>

Uses:

Project Fund Deposits:	
University Funded Portion	6,720,000.00
Lottery Funded Portion	26,880,000.00
	<hr/>
	33,600,000.00
Delivery Date Expenses:	
Cost of Issuance	215,000.00
Underwriter's Discount	202,290.00
	<hr/>
	417,290.00
Other Uses of Funds:	
Excess Proceeds	4,140.80
	<hr/>
	34,021,430.80
	<hr/>

BOND DEBT SERVICE

\$33,715,000

Arizona State University
Subordinate Lien System Revenue Bonds/Lottery Revenue Bonds
Series 2009 - 'AA-/A1' Scenario
(Preliminary - 02-13-09)

Dated Date 05/01/2009
Delivery Date 05/01/2009

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2010			1,171,190.63	1,171,190.63	
08/01/2010			780,793.75	780,793.75	1,951,984.38
02/01/2011			780,793.75	780,793.75	
08/01/2011			780,793.75	780,793.75	1,561,587.50
02/01/2012			780,793.75	780,793.75	
08/01/2012			780,793.75	780,793.75	1,561,587.50
02/01/2013			780,793.75	780,793.75	
08/01/2013			780,793.75	780,793.75	1,561,587.50
02/01/2014			780,793.75	780,793.75	
08/01/2014			780,793.75	780,793.75	1,561,587.50
02/01/2015			780,793.75	780,793.75	
08/01/2015	1,665,000.00	3.000%	780,793.75	2,445,793.75	3,226,587.50
02/01/2016			755,818.75	755,818.75	
08/01/2016	1,710,000.00	3.250%	755,818.75	2,465,818.75	3,221,637.50
02/01/2017			728,031.25	728,031.25	
08/01/2017	1,770,000.00	3.500%	728,031.25	2,498,031.25	3,226,062.50
02/01/2018			697,056.25	697,056.25	
08/01/2018	1,830,000.00	3.750%	697,056.25	2,527,056.25	3,224,112.50
02/01/2019			662,743.75	662,743.75	
08/01/2019	1,900,000.00	4.000%	662,743.75	2,562,743.75	3,225,487.50
02/01/2020			624,743.75	624,743.75	
08/01/2020	1,975,000.00	5.000%	624,743.75	2,599,743.75	3,224,487.50
02/01/2021			575,368.75	575,368.75	
08/01/2021	2,075,000.00	5.000%	575,368.75	2,650,368.75	3,225,737.50
02/01/2022			523,493.75	523,493.75	
08/01/2022	2,175,000.00	5.000%	523,493.75	2,698,493.75	3,221,987.50
02/01/2023			469,118.75	469,118.75	
08/01/2023	2,285,000.00	5.000%	469,118.75	2,754,118.75	3,223,237.50
02/01/2024			411,993.75	411,993.75	
08/01/2024	2,400,000.00	5.000%	411,993.75	2,811,993.75	3,223,987.50
02/01/2025			351,993.75	351,993.75	
08/01/2025	2,520,000.00	5.000%	351,993.75	2,871,993.75	3,223,987.50
02/01/2026			288,993.75	288,993.75	
08/01/2026	2,645,000.00	5.000%	288,993.75	2,933,993.75	3,222,987.50
02/01/2027			222,868.75	222,868.75	
08/01/2027	2,775,000.00	5.000%	222,868.75	2,997,868.75	3,220,737.50
02/01/2028			153,493.75	153,493.75	
08/01/2028	2,920,000.00	5.125%	153,493.75	3,073,493.75	3,226,987.50
02/01/2029			78,668.76	78,668.76	
08/01/2029	3,070,000.00	5.125%	78,668.76	3,148,668.76	3,227,337.52
	33,715,000.00		22,848,696.90	56,563,696.90	56,563,696.90

STATE OF ARIZONA

Joint Committee on Capital Review

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HOUSE OF
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KYRSTEN SINEMA

DATE: February 17, 2009

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

THRU: Richard Stavneak, Director

FROM: Leah Kritzer, Fiscal Analyst

SUBJECT: University of Arizona – Review of \$51.4 Million in University Lottery Bond Projects –
Building Renewal

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. The University of Arizona (UA) originally requested Committee review of \$68.5 million in Building Renewal projects (now \$68.9 million due to higher issuance costs). This issuance represents a portion of the University Lottery Bonding package as authorized by the FY 2009 Education Budget Reconciliation Bill (BRB) (Laws 2008, Chapter 287).

The \$68.9 million UA request was presented for information only at the October 2, 2008 meeting. At its November 13, 2008 meeting, the Committee favorably reviewed fire, life and safety projects worth \$17.5 million for fire alarm and sprinkler system installations, electrical code upgrades, elevator upgrades, and roof repairs. This memo now addresses the review of the remaining building renewal projects for approximately \$51.4 million, which also represents a revised estimate of issuance costs and interest rates.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review, with the standard university financing provisions (listed on the next page).
2. An unfavorable review.

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

(Continued)

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

Analysis

The \$50.6 million in projects include 5 types of renovation projects (plus another \$800,000 in issuance costs). These requested projects include interior and exterior components, heating, ventilation and air conditioning (HVAC), mechanical system repairs and replacements, building structural repairs, and football stadium repairs. This request includes 1 project for various transformer replacements across the main campus. UA also requested 16 HVAC replacement and duct work projects. There are 43 buildings they requested for mechanical and plumbing system repairs and replacements. UA identified a total of 75 buildings that are in need of structural repairs. Lastly, UA requested structural repairs for its football stadium.

Financing

The FY 2009 Education BRB originally authorized the Arizona Board of Regents (ABOR) to enter into lease-to-own and bond transactions up to a maximum of \$1 billion to pay for building renewal projects and new facilities. However, Laws 2009, Chapter 6, 1st Special Session reduced ABOR's bonding authority from \$1 billion to \$800 million. The annual debt service payments will be paid from the newly-created University Capital Improvement Lease-to-Own and Bond (UCI) Fund and will be comprised of 80% Lottery revenues and 20% state university system revenues, as required by the FY 2009 Education BRB. Chapter 6 also prohibited ABOR from authorizing projects or issuing debt in FY 2009 above the \$167.7 million (UA- \$68.9 million, Arizona State University- \$34.0 million, Northern Arizona University- \$64.8 million) submitted for JCCR review by the universities in October 2008.

UA plans on issuing 2 A1/AA- rated revenue bonds, with estimated annual interest rates of 4.74% and 4.69%, and terms of 20 years. The actual interest rate may change when the bond goes to market. Based on the total revised building renewal request (including the previously reviewed \$17.5 million) of \$68.9 million, UA estimates an average annual debt service cost of \$5.7 million with a 20-year total cost of \$113.7 million.

The debt service is designed to be funded with 2 separate revenue streams as prescribed by the FY 2009 Education BRB. Approximately \$4.6 million, or 80%, will come from state Lottery proceeds, while \$1.1 million will come from local university funds. UA originally planned to begin construction in the fall of 2008. UA indicates they will use their current cash flow to cover immediate costs of approximately \$6.2 million necessary to begin operation of its plan. When the bonds are issued, it is intended that UA will be repaid with its Lottery bond proceeds.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. The FY 2009 Education BRB provided that the University Lottery building projects will be exempt from university debt limit calculations. If the debt service for the requested \$68.5 million was included in the calculation, however, the debt ratio would increase by 0.22% from the current 6.05% rate to a new debt ratio of 6.27%.

Construction Costs

Total project costs for the previously unreviewed projects are estimated at \$50.6 million, which typically include direct construction costs, architect fees, furniture and equipment costs. *Table 1* lists estimated capital costs and renovation scopes for the 4 favorably reviewed projects from the November 13, 2008 meeting and the 5 projects up for current Committee review.

Table 1			
UA Building Renewal Costs and Scopes			
<u>Project</u>	<u>Description</u>	<u>Favorably Reviewed at Nov. Mtg.</u>	<u>Remaining Request for Review</u>
Interior and Exterior Building Components	Various utility hook-ups and transformer installations on the main campus.	\$ 0	\$19,600,000
Heating, Ventilation, and Air Conditioning	HVAC equipment replacements and duct work in 16 buildings.	0	17,820,000
Fire Alarm and Fire Sprinklers Systems	New, replaced, and repaired systems in 17 buildings.	7,180,000	0
Mechanical System Repairs and Replacements	Mechanical and plumbing improvements in 43 buildings.	0	7,127,800
Roofing Repairs	Roofing repairs and replacements on 38 buildings.	5,560,000	0
Building Structural Repairs	The structural repairs are planned for 75 buildings.	0	3,650,000
Electrical Code Upgrades	Replacement and upgrades of switchboards, switches, battery systems and emergency generator systems. Includes work on 9 buildings.	2,634,200	0
Football Stadium Structural Repairs	Structural repairs.	0	2,400,000
Elevator Code Compliance Upgrades	Repair and replacements of shafts, hydraulics, fire alarms, and controls systems. Includes work on 15 elevators.	<u>2,028,000</u>	<u>0</u>
Total		\$17,402,200	\$50,597,800

UA notes that costs for large, complex projects were developed using independent cost estimates from specialty consultants and contractors, which considered square footage and regional cost data. Costs for smaller and less complex projects were based on recent UA projects. Lastly, equipment costs were estimated from available manufacturer price lists. The proposed projects have a large range of project specifications, and comparable projects were not applicable to assess cost reasonableness.

Procurement Method

UA is considering 3 different procurement methods for its 9 projects. Most of the projects will be procured using Job Ordering Contracting (JOC). The JOC method pre-qualifies contractors through a competitive selection process where bid estimates are prepared. According to ABOR policy, JOC-procured construction projects can only be used for projects with a maximum total cost of \$2 million. The remaining projects will be procured using the Construction Manager at Risk (CMAR) and design/bid/build methods.

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

(Continued)

separately contracted and done in sequence. After design is complete, the construction phase requires a competitive bid process that awards the contract to the lowest responsible and responsive bidder.

RS/LK:ss

Senior Vice President
for Business Affairs

THE UNIVERSITY OF
ARIZONA
TUCSON ARIZONA

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

September 23, 2008



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

Subject: University of Arizona: Economic and Education Development (SPEED)

Dear Chairman Pearce:

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

This request consists of projects approved by the Board in June 19-20, 2008 and September 3, 2008. It consists of four projects: Environmental and Natural Resources Building; Centennial Hall; Phoenix Biomedical facilities, in partnership with Arizona State University; and the Deferred Maintenance/Building Renewal projects Phase I.

The project submittals, debt service schedules and funding plan are attached and should provide the required information for your review.

Should you require additional information, please don't hesitate to call me at (520) 621-5977 or email me at jvaldez@u.arizona.edu. Thank you for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Joel D. Valdez".

Joel D. Valdez
Senior Vice President for Business Affairs

JDV/fng

Attachments

cc: President Robert Shelton
Joel Sideman
Greg Fahey
Lorenzo Martinez
Bob Smith
Charles Ingram
Leatta McLaughlin
Leah Kritzer



EXECUTIVE SUMMARY

**ITEM NAME: Combined Project Implementation Approval and Project Approval for
SPEED Deferred Maintenance and Building Renewal Projects (UA)**

☒ Action Item ☐ Discussion Item ☐ Information Item

Issue: The University of Arizona requests combined Project Implementation Approval and Project Approval for the SPEED Deferred Maintenance and Building Renewal Projects, including approval to shift funding among projects as project assessments are further developed and provided the bottom line budget is not exceeded.

Previous Board Actions: Capital Development Plan: June 2008
SPEED Projects Allocation: July 2008

Project Justification/Strategic Implications:

- The Stimulus Plan for Economic and Education Development (SPEED) initiative will provide an important economic stimulus to our State economy in a time of great need, while also providing urgently needed facilities improvements at each of the State's Universities that will help to meet the education needs of the future. The University of Arizona developed a plan to best utilize the approved SPEED funds allocated for its use to best address its greatest facilities-related priorities. This plan was then adjusted to reflect the reduced amount of SPEED funding approved.
- The Board allocated \$470 million of the SPEED project funding to the Phoenix Biomedical Campus projects, and an additional \$20 million to the Del Webb School of Construction at ASU. The remaining funding amount was divided equally to provide \$170 million to each of the three Universities to address their highest priority facilities development/improvement needs.

Project Description and Scope:

- The initial proposed list of requested SPEED projects reflected the great demand for critical new University facilities, as well as the urgent need for Deferred Maintenance and Building Renewal improvements to existing facilities. Considering the unmet demand for both new and existing facilities improvement projects, the University's current SPEED proposal is comprised of a similar project mix.

Contact Information:

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

EXECUTIVE SUMMARY

- In consideration of the numerous critical new construction and renovation needs identified, The University of Arizona SPEED projects include the two most critical New Construction projects, along with the critical Deferred Maintenance and Building Renewal renovation projects located throughout the campus:

1) Environment and Natural Resources Building – Phase II	\$ 90 Million
2) Centennial Hall Renovations (new const. & renovations)	\$ 12 Million
3) <u>Deferred Maintenance and Building Renewal Projects</u>	<u>\$ 68 Million</u>
	\$170 Million

- Of these SPEED projects, the Deferred Maintenance and Building Renewal projects are the most urgently needed, since these include fire and life safety improvements across the entire campus. These projects are also relatively small and can be constructed relatively quickly, providing the immediate economic stimulus intended from SPEED project funding.

Project Costs:

- With the lack of State funding for Deferred Maintenance and Building Renewal improvements over recent years, many of the University's existing facilities have fallen into a serious state of disrepair, reducing their safety and effectiveness, and risking the considerable investments made in these facilities. The University has identified the critical Deferred Maintenance and Building Renewal projects that are needed at this time. These improvements, which total \$68 million in cost, will address the majority of the University's serious repair and renovation needs across the entire campus.
- The University of Arizona renovation projects involve various building system improvements throughout many buildings across the campus. It has been determined that it is most efficient in most cases for this work to be organized and contracted by the type of work, rather than by building. For example, a single contract for fire alarm work can accommodate fire alarm improvements in several buildings in the most efficient and consistent manner. Therefore, these renovation projects are listed in categories related to types of improvements rather than by building. This approach also allows for efficient use of specialty contractors when appropriate through The University of Arizona Job Order Contracting process.
- Following is a breakdown of ten categories containing the many individual renovation projects throughout the campus, and their respective budgets. These renovation projects have been analyzed and estimated for each of the building locations where they will occur, to arrive at the specific cost breakdowns shown for each of the ten categories. However, due to uncertain existing conditions in these buildings that will not be confirmed until the work actually starts, the actual costs of the various renovation projects may vary, and some funds may need to be shifted from one project to another to assure that all of the required work is appropriately

EXECUTIVE SUMMARY

completed. The overall budget of the Deferred Maintenance & Building Renewal projects, however, will not be exceeded.

SPEED DEFERRED MAINTENANCE & BUILDING RENEWAL PROJECTS		
1.	Fire Alarm and Fire Sprinkler Systems	\$ 6,980,000
	New, replaced & repaired systems in twelve or more buildings across campus	
2.	Electrical Code Upgrades	\$ 2,534,248
	Replacements and upgrades of critical switchboards, switches, battery systems & emergency generator systems throughout the campus	
3.	Elevator/Code Compliance Upgrades	\$ 1,928,000
	Repair & replacements of shafts, hydraulics, fire alarms & control systems of elevators throughout campus	
4.	Interior & Exterior Building Components	\$ 19,600,000
	Utility hook-ups & transformer installations	
5.	Heating, Ventilation & Air Conditioning (HVAC)	\$ 14,820,000
	HVAC equipment replacements and critical duct work repairs around the campus	
6.	Mechanical System Repairs & Replacements	\$ 5,510,000
	Mechanical & plumbing improvements in various locations, including public restrooms	
7.	Critical Roofing Repairs	\$ 4,959,460
	Critical roofing repairs and replacements on numerous buildings around the campus	
8.	Building Structural Components	\$ 3,150,000
	Critical structural repairs to existing buildings across the campus	
9.	Football Stadium Structural Repairs	\$ 2,400,000
	Structural repairs as needed to preserve the Stadium's structural integrity	
10.	Arizona Health Sciences Critical Improvements	\$ 6,118,292
	Fire alarms/sprinklers, elevators, electrical, mechanical/ HVAC, roofing and structural components critical to AHSC facilities	
TOTAL DEFERRED MAINTENANCE & BUILDING RENEWAL PROJECTS		\$ 68,000,000

- It should be noted that over half of the SPEED funded \$12 million Centennial Hall project is also renovation work that includes fire and life safety improvements. Also, an additional \$13 million of fire and life safety improvements related to the Chemistry Building was included in the initial SPEED funding request but cannot be accomplished until all building occupants can be relocated to other as yet unavailable facilities for construction to occur at a future date.

EXECUTIVE SUMMARY

- The table at the end of the document provides a more detailed breakout of projects and categories of work to be done.

Additional Project Considerations:

- To maximize the long-term investment in these important core campus facilities, these projects will be renovated to extend the useful lives of these existing facilities by 20 to 50 years. The UA Design & Specifications Standards will be utilized, and new construction will be of high quality, durable, maintainable materials and building systems to maximize energy efficiency and minimize operational, repair and replacement costs.
- These Deferred Maintenance and Building Renewal projects will not seek a LEED certification.

Project Delivery Method and Process:

- The sizes and types of projects included in this Deferred Maintenance & Building Renewal package vary considerably, and require the use of specific project delivery methods that best fit each individual project. Most of the projects will be completed with the use of the University's very successful Job Order Contracting process, which utilizes contractors from the local community to complete small projects quickly and efficiently. These contractors will be supported by the University's in-house maintenance forces as needed to maintain an efficient flow of work that meets the needs of the facility users.

Fiscal Impact and Financing Plan:

- System Revenue Bonds (SRBs) will be issued to finance the project. The bonds will be repaid over a period of approximately 20 years and would mature not later than June 2030. This Building Renewal Project is part of the SPEED program authorized by HB-2211 to stimulate the State economy through State University construction projects. Annual debt payments on SPEED projects will be funded 80% by state lottery revenue allocations, and the universities are responsible for 20% of the debt service. Based on projections of the Lottery Revenue Fund, the UA anticipates structuring interest payments only in the early years of the debt. Assuming a 5% average interest rate, the debt service is estimated to be \$3.4 million. The cost of issuance for the SRBs is estimated to be \$566,000. While this estimate is designed to be conservative and the expectation is that the actual amount of the debt service and issuance cost will be less than the estimate, it is possible that they could be higher given recent market volatility.
- Debt Ratio Impact. The incremental debt ratio from annual debt service for this project is 0.2%. The projected highest debt ratio including this project is 6.3%. The

EXECUTIVE SUMMARY

maximum debt ratio established by ABOR policy and state statute is 8%. The UA's current total lease payments associated with capital leases as a percentage of total university expenses is .006%.

Project Status & Schedule:

- The Deferred Maintenance and Building Renewal projects will be expedited to improve campus facilities and provide an economic stimulus as quickly as reasonably possible. Although project schedules are still in review, it is anticipated that some construction work will start in Fall of 2008, and that most of the construction work will be completed within the next two years.
- Each of the various renovation projects have been analyzed and estimated, and many are ready for work to begin upon authorization. Some of the more complex renovation work will require some additional design work before construction can begin, and some projects must wait for breaks in the academic schedule for construction work to occur in vacated spaces.
- With detailed information still in preparation for many of the individual projects in various stages of development, the Project Information Summary and Capital Project Budget Summary have not been included in this submittal. This information will, however, be provided as a part of the regular reporting process as it becomes available. This regular reporting process is anticipated to be accommodated in conjunction with the quarterly reports provided to the Board.

Committee Review and Recommendation:

The Capital Committee reviewed this item at its September 3, 2008 meeting and recommended Board approval with the provision that the addition or removal of any projects from the list be submitted for Committee review and Board approval.

Recommendation:

That the Board grant combined Project Implementation and Project Approval for SPEED Deferred Maintenance and Building Renewal Projects, including approval to shift funding among projects as project assessments are further developed, provided the bottom line budget is not exceeded, and that the addition or removal of any projects be submitted for Committee review and Board approval.

EXECUTIVE SUMMARY

The University of Arizona
SPEED Deferred Maintenance/BR Project Summary
September 9, 2008

	PROJECTS							
	Proj. 1	Proj. 2	Proj. 3	Proj. 4	Proj. 5	Proj. 6	Proj. 7	Proj. 8
Building Locations (& Building Numbers)	Fire Alarm Upgrades	Electrical Upgrades	Elevator Upgrades	Misc. Bldg. Components	HVAC Upgrades	Mechanical Upgrades	Roofing Upgrades	Structural Upgrades
Comstock (559)	X				X			X
Radiology Research (211)	X					X		
Maronney (3)	X							
Administration (66)	X					X		X
Education (69)	X							X
Modern Language (67)	X					X		X
Psychology (68)	X						X	X
Marvel (37)	X		X				X	X
CHRP (46)	X	X					X	
CCIT (73)	X							
Old Engineering (20)	X		X				X	X
McClelland (108)	X							
Harvill (76)	X					X	X	X
McKale (96)	X		X					X
Various Switchboards across campus		X						
Various Transformer Meters across campus		X						
Various Emergency Generator replacement		X						
Various PAD Mount Switches across campus		X						
Various Transformers replacements		X		X				
PAS (81)			X					X
Bio West (88)			X			X		X
Family Consumer Resources (33)			X					X
Old Chemistry (41)			X					
Bio-East (43)			X			X		X
Mines (12)					X			X
Main Library (55)					X	X	X	X
Douglas (28)					X			
Harshbarger (11)					X			X
Forbes (36)					X		X	

EXECUTIVE SUMMARY

	PROJECTS							
	Proj. 1	Proj. 2	Proj. 3	Proj. 4	Proj. 5	Proj. 6	Proj. 7	Proj. 8
Building Locations (& Building Numbers)	Fire Alarm Upgrades	Electrical Upgrades	Elevator Upgrades	Misc. Bldg. Components	HVAC Upgrades	Mechanical Upgrades	Roofing Upgrades	Structural Upgrades
Gould Simpson (77)					X	X	X	X
Civil Engineering (72)					X	X		X
McClelland Hall (108)					X			X
Vet Science (90)						X		
Optical Sciences (94)						X		
Ina Gittings (93)						X		X
Anthropology (30A)						X		
Steward Observatory (65)						X		X
Central Animal Facility (101)						X	X	
Life Science South (106)						X	X	X
Marley (107)						X		
Student Recreation (117)						X		X
Campus Sewer System Master Plan for expansion						X		
Campus Sewer System Evaluation						X		
Economics (23)						X		X
Centennial Hall (29)						X	X	
Gittings Tennis Court (93A)						X		
Native American Studies						X		
Facilities Management (460)						X		
ARL/Judaic Studies (471)						X		
Center for English as a Second Language (24)						X		X
Math Annex (45A)						X		
Speech and Hearing (71)						X		X
Cesar Chavez (23)							X	
Hillenbrand (96)							X	
Computer Center (73)							X	
Old Main (21)							X	X
AHSC							X	
Alumni (109)							X	
Sunnyside (3301-3315)							X	
Drama & Theater (3)							X	X
Slonaker (6)							X	X
South Hall (32)							X	

EXECUTIVE SUMMARY

	PROJECTS							
	Proj. 1	Proj. 2	Proj. 3	Proj. 4	Proj. 5	Proj. 6	Proj. 7	Proj. 8
Building Locations (& Building Numbers)	Fire Alarm Upgrades	Electrical Upgrades	Elevator Upgrades	Misc. Bldg. Components	HVAC Upgrades	Mechanical Upgrades	Roofing Upgrades	Structural Upgrades
Nugent (40)							X	
Schaefer Center for Creative Photography (103)							X	X
1025 N. Mountain							X	
Communication (25)								X
Henry Koffler (113)								X
Art (2)								X
Arizona State Museum (north) (26)								X
Shantz (38)								X
Architecture (75)								X
Arizona Materials Lab (490)								X
House Energy Doctor (415.03)								X
Center for Desert Architecture (415.01)								X
Scholarship Suites (58.02)								X
Social Sciences (27)								X
Music (4)								X
Kuiper Space Sciences (92)								X
Electric & Computer Engineering (104)								X
Life and Work Connections								X
USB (157)								X
Art Annex (470)								X
Bear Down Gym (56)								X
Science – Engineering Library (54)								X
1203 N. Mountain								X
Esquire Apartments (420)								X
James E. Rogers Law Center (77)								X
Project Number 9								
Football Stadium Structural Repairs								X
Project Number 10								
Arizona Health Sciences Center Improvements								
Basic Science (201)					X	X		

EXECUTIVE SUMMARY

	PROJECTS							
	Proj. 1	Proj. 2	Proj. 3	Proj. 4	Proj. 5	Proj. 6	Proj. 7	Proj. 8
Building Locations (& Building Numbers)	Fire Alarm Upgrades	Electrical Upgrades	Elevator Upgrades	Misc. Bldg. Components	HVAC Upgrades	Mechanical Upgrades	Roofing Upgrades	Structural Upgrades
Babcock (151)					X			
Police (100)					X			
South Tunnel						X		
Leon Levy Cancer Center(222)						X		X
Faculty Office (220)						X		
Life Science North (221)						X	X	
Steele Memorial Children's Research (2018)						X		X
Biomedical Research Lab (209G)						X		X
Surgery (219A)						X		X
Emergency Medicine (219B)						X		X
Center On Aging (219C&D)						X		X
Various Minor AHSC Improvements			X			X	X	X
AHSC Central Plant							X	
AHSC Elevator #9		X						
AHSC Elevator #14		X						
AHSC Penthouse					X	X		
Health Related Professions (468)								X
Radiology Medical Research Lab (211)								X
Central Heat & Refrig Bldg. (205)								X
Public Health (202)								X
College of Pharmacy (207)		X			X	X		X
AHSC Faculty Offices (220)								X
Facilities Management Warehouse (215)								X
Continuing Medical Education								X
Radiology Trailer (226)								X
College of Medicine Administration								X
Facilities Management Shops (206)								X
Herbert K. Abrams Bldg. (204)								X
Facilities Management Warehouse Addition (215)								X
Sydney E. Salmon Building (222)								X
College of Nursing (203)					X	X		X

SOURCES AND USES OF FUNDS

\$33,120,000
University of Arizona
Subordinate Lien System Revenue Bonds/Lottery Revenue Bonds
Series 2010 - 'AA-/A1' Scenario
(Preliminary: 02-12-09)

Sources:

Bond Proceeds:	
Par Amount	33,120,000.00
Net Premium	301,361.35
	<hr/>
	33,421,361.35

Uses:

Project Fund Deposits:	
Lottery Funded Portion	26,400,000.00
University Funded Portion	<hr/>
	6,600,000.00
	33,000,000.00
Delivery Date Expenses:	
Cost of Issuance	220,000.00
Underwriter's Discount	<hr/>
	198,720.00
	418,720.00
Other Uses of Funds:	
Excess Proceeds	<hr/>
	2,641.35
	<hr/>
	33,421,361.35

BOND DEBT SERVICE

\$33,120,000
University of Arizona
Subordinate Lien System Revenue Bonds/Lottery Revenue Bonds
Series 2010 - 'AA-/A1' Scenario
(Preliminary: 02-12-09)

Dated Date 05/01/2010
Delivery Date 05/01/2010

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2011			1,129,171.88	1,129,171.88	
08/01/2011			752,781.25	752,781.25	1,881,953.13
02/01/2012			752,781.25	752,781.25	
08/01/2012			752,781.25	752,781.25	1,505,562.50
02/01/2013			752,781.25	752,781.25	
08/01/2013			752,781.25	752,781.25	1,505,562.50
02/01/2014			752,781.25	752,781.25	
08/01/2014			752,781.25	752,781.25	1,505,562.50
02/01/2015			752,781.25	752,781.25	
08/01/2015	1,520,000.00	2.750%	752,781.25	2,272,781.25	3,025,562.50
02/01/2016			731,881.25	731,881.25	
08/01/2016	1,555,000.00	3.000%	731,881.25	2,286,881.25	3,018,762.50
02/01/2017			708,556.25	708,556.25	
08/01/2017	1,605,000.00	3.250%	708,556.25	2,313,556.25	3,022,112.50
02/01/2018			682,475.00	682,475.00	
08/01/2018	1,655,000.00	3.500%	682,475.00	2,337,475.00	3,019,950.00
02/01/2019			653,512.50	653,512.50	
08/01/2019	1,715,000.00	3.750%	653,512.50	2,368,512.50	3,022,025.00
02/01/2020			621,356.25	621,356.25	
08/01/2020	1,780,000.00	4.000%	621,356.25	2,401,356.25	3,022,712.50
02/01/2021			585,756.25	585,756.25	
08/01/2021	1,850,000.00	5.000%	585,756.25	2,435,756.25	3,021,512.50
02/01/2022			539,506.25	539,506.25	
08/01/2022	1,945,000.00	5.000%	539,506.25	2,484,506.25	3,024,012.50
02/01/2023			490,881.25	490,881.25	
08/01/2023	2,040,000.00	5.000%	490,881.25	2,530,881.25	3,021,762.50
02/01/2024			439,881.25	439,881.25	
08/01/2024	2,145,000.00	5.000%	439,881.25	2,584,881.25	3,024,762.50
02/01/2025			386,256.25	386,256.25	
08/01/2025	2,250,000.00	5.000%	386,256.25	2,636,256.25	3,022,512.50
02/01/2026			330,006.25	330,006.25	
08/01/2026	2,365,000.00	5.000%	330,006.25	2,695,006.25	3,025,012.50
02/01/2027			270,881.25	270,881.25	
08/01/2027	2,480,000.00	5.000%	270,881.25	2,750,881.25	3,021,762.50
02/01/2028			208,881.25	208,881.25	
08/01/2028	2,605,000.00	5.000%	208,881.25	2,813,881.25	3,022,762.50
02/01/2029			143,756.25	143,756.25	
08/01/2029	2,735,000.00	5.125%	143,756.25	2,878,756.25	3,022,512.50
02/01/2030			73,671.88	73,671.88	
08/01/2030	2,875,000.00	5.125%	73,671.88	2,948,671.88	3,022,343.76
	33,120,000.00		21,638,721.89	54,758,721.89	54,758,721.89

SOURCES AND USES OF FUNDS

\$35,120,000
University of Arizona
Subordinate Lien System Revenue Bonds/Lottery Revenue Bonds
Series 2009 - 'AA-/A1' Scenario
(Preliminary: 02-12-09)

Sources:

Bond Proceeds:	
Par Amount	35,120,000.00
Net Premium	313,101.35
	<u>35,433,101.35</u>

Uses:

Project Fund Deposits:	
Lottery Funded Portion	28,000,000.00
University Funded Portion	<u>7,000,000.00</u>
	35,000,000.00
Delivery Date Expenses:	
Cost of Issuance	220,000.00
Underwriter's Discount	<u>210,720.00</u>
	430,720.00
Other Uses of Funds:	
Excess Proceeds	<u>2,381.35</u>
	<u>35,433,101.35</u>

BOND DEBT SERVICE

\$35,120,000
University of Arizona
Subordinate Lien System Revenue Bonds/Lottery Revenue Bonds
Series 2009 - 'AA-/A1' Scenario
(Preliminary: 02-12-09)

Dated Date 05/01/2009
Delivery Date 05/01/2009

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2010			1,220,001.57	1,220,001.57	
08/01/2010			813,334.38	813,334.38	2,033,335.95
02/01/2011			813,334.38	813,334.38	
08/01/2011			813,334.38	813,334.38	1,626,668.76
02/01/2012			813,334.38	813,334.38	
08/01/2012			813,334.38	813,334.38	1,626,668.76
02/01/2013			813,334.38	813,334.38	
08/01/2013			813,334.38	813,334.38	1,626,668.76
02/01/2014			813,334.38	813,334.38	
08/01/2014			813,334.38	813,334.38	1,626,668.76
02/01/2015			813,334.38	813,334.38	
08/01/2015	1,730,000.00	3.000%	813,334.38	2,543,334.38	3,356,668.76
02/01/2016			787,384.38	787,384.38	
08/01/2016	1,785,000.00	3.250%	787,384.38	2,572,384.38	3,359,768.76
02/01/2017			758,378.13	758,378.13	
08/01/2017	1,845,000.00	3.500%	758,378.13	2,603,378.13	3,361,756.26
02/01/2018			726,090.63	726,090.63	
08/01/2018	1,905,000.00	3.750%	726,090.63	2,631,090.63	3,357,181.26
02/01/2019			690,371.88	690,371.88	
08/01/2019	1,980,000.00	4.000%	690,371.88	2,670,371.88	3,360,743.76
02/01/2020			650,771.88	650,771.88	
08/01/2020	2,055,000.00	5.000%	650,771.88	2,705,771.88	3,356,543.76
02/01/2021			599,396.88	599,396.88	
08/01/2021	2,160,000.00	5.000%	599,396.88	2,759,396.88	3,358,793.76
02/01/2022			545,396.88	545,396.88	
08/01/2022	2,270,000.00	5.000%	545,396.88	2,815,396.88	3,360,793.76
02/01/2023			488,646.88	488,646.88	
08/01/2023	2,380,000.00	5.000%	488,646.88	2,868,646.88	3,357,293.76
02/01/2024			429,146.88	429,146.88	
08/01/2024	2,500,000.00	5.000%	429,146.88	2,929,146.88	3,358,293.76
02/01/2025			366,646.88	366,646.88	
08/01/2025	2,625,000.00	5.000%	366,646.88	2,991,646.88	3,358,293.76
02/01/2026			301,021.88	301,021.88	
08/01/2026	2,755,000.00	5.000%	301,021.88	3,056,021.88	3,357,043.76
02/01/2027			232,146.88	232,146.88	
08/01/2027	2,895,000.00	5.000%	232,146.88	3,127,146.88	3,359,293.76
02/01/2028			159,771.88	159,771.88	
08/01/2028	3,040,000.00	5.125%	159,771.88	3,199,771.88	3,359,543.76
02/01/2029			81,871.88	81,871.88	
08/01/2029	3,195,000.00	5.125%	81,871.88	3,276,871.88	3,358,743.76
	35,120,000.00		23,800,767.39	58,920,767.39	58,920,767.39

STATE OF ARIZONA

Joint Committee on Capital Review

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KYRSTEN SINEMA

DATE: February 17, 2009

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

THRU: Richard Stavneak, Director

FROM: Leah Kritzer, Fiscal Analyst

SUBJECT: Northern Arizona University – Review of \$38.5 Million in University Lottery Bond
Projects – Building Renewal

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. Northern Arizona University (NAU) originally requested Committee review of \$64.8 million in Building Renewal projects. This issuance represents a portion of the University Lottery Bonding package as authorized by the FY 2009 Education Budget Reconciliation Bill (BRB) (Laws 2008, Chapter 287).

The \$64.8 million NAU request was presented for information only at the October 2, 2008 meeting. At its November 13, 2008 meeting, the Committee favorably reviewed fire, life and safety projects worth \$26.3 million for the North Campus utility upgrade project and the North Union Building renovation. This memo now addresses the review of the remaining building renewal projects for approximately \$38.5 million.

Recommendation

The Committee has at least the following 2 options:

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

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

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 project is complete.

(Continued)

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

Analysis

The \$38.1 million in projects include the renovation of 3 additional buildings (plus another \$423,000 in issuance costs). The Hotel and Restaurant Management (HRM) Building renovation would convert the old Inn at NAU hotel rooms and dining areas to classroom and lab space. The Liberal Arts Building project would include roof, mechanical, and electrical system replacements in addition to classroom renovations. Lastly, NAU's Skydome renovation would address deficiencies such as seating, handrails, and wheelchair spaces in addition to electrical, mechanical, and water issues.

Financing

The FY 2009 Education BRB originally authorized the Arizona Board of Regents (ABOR) to enter into lease-to-own and bond transactions up to a maximum of \$1 billion to pay for building renewal projects and new facilities. However, Laws 2009, Chapter 6, 1st Special Session reduced ABOR's bonding authority from \$1 billion to \$800 million. The annual debt service payments will be paid from the newly-created University Capital Improvement Lease-to-Own and Bond (UCI) Fund and will be comprised of 80% Lottery revenues and 20% state university system revenues, as required by the FY 2009 Education BRB. Chapter 6 also prohibited ABOR from authorizing projects or issuing debt in FY 2009 above the \$167.7 million (NAU- \$64.8 million, Arizona State University- \$34.0 million, University of Arizona - \$68.9 million) submitted for JCCR review by the universities in October 2008.

NAU plans on issuing A/A3-rated revenue bonds with an estimated 5.02% annual interest rate and a term of 20 years. The actual interest rate may change when the bond goes to market. Based on the total building renewal request (including the previously reviewed \$26.3 million) of \$64.8 million, NAU estimates an average annual debt service cost of \$5.5 million with a 20-year total cost of \$110.7 million. The debt service is designed to be funded with 2 separate revenue streams as prescribed by the FY 2009 Education BRB. Approximately \$4.4 million, or 80%, will come from state Lottery proceeds, while \$1.1 million will come from local university funds. NAU originally planned to begin construction in January 2009. NAU indicates they will use their current cash flow to cover immediate costs of approximately \$8.4 million in pre-construction costs necessary to begin operation of its plan. When the bonds are issued, it is intended that NAU will be repaid with its Lottery bond proceeds.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. The FY 2009 Education BRB provided that the University Lottery building projects will be exempt from university debt limit calculations. If the debt service for the requested \$64.8 million was included in the calculation, however, the debt ratio would increase by 1.6% from the current 5.16% rate to a new debt ratio of 6.76%.

Construction Costs

Total project costs for the previously unreviewed projects are estimated at \$38.1 million, which typically include direct construction costs, architect fees, furniture and equipment costs. The direct construction costs total \$31.6 million, which includes construction labor and material costs only. *Table 1* lists estimated capital costs and renovation scopes for the 2 favorably reviewed projects from the November 13, 2008 meeting and the 3 projects up for current Committee review.

Table 1			
NAU Building Renewal Costs and Scopes			
<u>Project</u>	<u>Description</u>	<u>Favorably Reviewed at Nov. Mtg.</u>	<u>Remaining Request for Review</u>
North Campus Utility Upgrade (Phase 1)	Project would upgrade plumbing; electrical; lighting; and heating, ventilation, and air conditioning (HVAC) systems. Improvements to the underground delivery system and capacity are also planned.	\$22,000,000	\$ 0
Skydome Renovation	Addresses deficiencies including seating, handrails, and wheelchair space. Upgrades would include electrical and mechanical systems in addition to installing a fire suppression system. NAU also plans to remodel the men and women's locker rooms.	0	21,900,000
Liberal Arts Building Renovation	Project includes roof replacement, HVAC system upgrades, and fire sprinklers installation. NAU also plans on classroom renovations including flooring and lighting.	0	8,900,000
HRM Renovations at the old Inn at NAU	15 hotel rooms would be converted to classrooms, 3 hotel rooms would be converted to student lab space, and the kitchen would be expanded and remodeled for a lab.	0	7,340,000
North Union Building Renovation	Fire sprinklers would be installed throughout the building. Ingress and egress issues would also be addressed.	<u>4,000,000</u>	<u>0</u>
Total		\$26,000,000	\$38,140,000

NAU hired design consultants for building and utility assessments to develop cost estimates for its projects. The costs for the North Union Building were based on preliminary design work and cost estimates in 2007, which were escalated for 2008. Many of the proposed projects have a large range of project specifications and comparable projects were not applicable to assess cost reasonableness.

The Liberal Arts and HRM buildings have comparable costs. The Liberal Arts Building renovation project has a direct construction cost per square foot of \$107. The Committee recently favorably reviewed NAU's School of Communications Building renovation at a direct construction cost per square of \$111. The HRM Building renovations have a direct construction cost per square foot of \$305. This project will renovate the existing Inn at NAU into classroom, lab, and kitchen space. While this project is unique, NAU's 2007 Union Dining Expansion, which was favorably reviewed by the Committee, included both kitchen and student space. The direct construction cost per square foot was \$278.

Procurement Method

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

RS/LK:ss

September 23, 2008

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



Subject: Northern Arizona University: Stimulus Package for Economic and Educational Development - Building Renewal Projects Review

Dear Chairman Pearce:

I request that Northern Arizona University's SPEED building renewal projects be placed on the next available agenda for the Joint Committee on Capital Review.

The Arizona Board of Regents approved the university's request for SPEED building renewal projects and related cost on September 3, 2008. The Capital Committee project approval submittal, debt service schedule and funding plan should provide the required information and is attached for your review.

If you require additional information please do not hesitate to contact me at (928) 523-6515.

Thank you for your consideration of this request.

Sincerely,

M.J. McMahon
Executive Vice President

Attachments

c: Joel Sideman
Lorenzo Martinez
Christy Farley
Leah Kritzer
Kathe Shinham
Robert Norton
John Haeger

EXECUTIVE SUMMARY

ITEM NAME: Combined Project Implementation Approval and Project Approval for SPEED Deferred Maintenance and Building Renewal Projects (NAU)

☒ Action Item ☐ Discussion Item ☐ Information Item

ISSUE: Northern Arizona University seeks combined Project Implementation Approval and Project Approval for the SPEED Deferred Maintenance and Building Renewal Projects, including approval to shift funding among projects as project assessments are further developed provided the bottom line budget is not exceeded.

Previous Board Actions: Capital Development Plan: June 2008
SPEED Projects Allocation: July 2008

Project Justification/Strategic Implications:

- In June 2008, the Legislature approved the Stimulus Plan for Economic and Educational Development (SPEED) with the provision the funds would be used for critical new construction and deferred maintenance projects.
- As part of the Northern Arizona University SPEED plan approved at the July 24 Capital Committee meeting, the university identified several deferred maintenance projects based upon the following critical factors:
 1. What are the most immediate health, life, and safety issues that impact NAU students, faculty and staff?
 2. Which projects can be started immediately so that the intent of the stimulus package is fulfilled?
 3. Which buildings can be taken off line for six months to a year in order to complete the necessary renovations? The university cannot, at this stage, simply shut down a classroom building without having identified alternative space.
- The NAU SPEED plan also identified two critical new construction projects, a new Health Professions facility and new campus classrooms at the Wellness Center, as well as the NAU portion of the Biomedical facility in Phoenix.
- In addition, at the same July 24 meeting, NAU requested a waiver to seek concurrent Project Implementation and Project Approval for bundled projects with a single, combined budget for the bundle. Funds would have the flexibility

Contact Information

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Jane Kuhn, Associate Vice President, (928) 523.7732, Jane.Kuhn@nau.edu

EXECUTIVE SUMMARY

to be allocated within the bundled projects as long as the bottom line budget is not exceeded, and the Board would be provided regular updates on the projects.

Project Description and Scope:

- In accordance with the plan put forth in July, NAU is bringing forward its deferred maintenance and building renewal bundle for simultaneous Project Implementation and Project Approval. Pre-programming services are complete and Design Professional (DP) and Construction Manager at Risk (CMAR) selections are currently in process. Most selections will be completed before the September Board meeting.
- The following projects are included in this bundle:
 - 1) **Fire Life Safety projects** include Skydome Health and ADA issues, Ardrey (part of Performing and Fine Arts), and the North Union. The Skydome project addresses deficiencies in seating, handrails, and wheelchair spaces. Restricted egress and accessibility will be corrected in a number of areas as part of this project. In addition, the project addresses life-safety storage, electrical, mechanical and water issues. The Ardrey Auditorium project addresses aging, unsafe seating (a patron fell through a seat last year) and rigging, electrical, fire alarm and pit structure issues. The North Union project addresses aging wiring, sprinkling, and mechanical code issues.
 - 2) **Classroom Renovation projects** include renovations of the old Inn at NAU for Hotel and Restaurant Management classrooms, Liberal Arts 1st and 2nd floor classrooms and Performing and Fine Arts Classrooms. The nationally ranked Hotel and Restaurant Management program has outgrown its existing building and is in need of adequate lab facilities for student training. To correct these program deficiencies, The Inn will be renovated to provide larger, functional classrooms, as well as modern laboratory facilities. Performing and Fine Arts renovations address aging classrooms with an adjusted age of over 30 years. The Liberal Arts facility is approximately 40 years of age, and the building is one of the busiest on campus. Classroom renovations will correct the aging condition of these environments. These buildings are not the only aged buildings on campus, but they are some of the most heavily used and/or are home to significantly growing programs.
 - 3) **The Utilities Retrofit project** focuses on building systems such as plumbing, electrical, lighting, and HVAC that affect the operational integrity of campus buildings. Improvements to underground delivery systems and capacity will be addressed by this project.

EXECUTIVE SUMMARY

- The following table shows the renovation activity to be done by building:

**NORTHERN ARIZONA UNIVERSITY
SYSTEM REPAIR TABLE**

Project / Building	Fire / Life Safety	Roof Replacement	Mechanical Replacement	Main Electrical System Replacement	Elevator Replacement
Ardrey / PFA Classrooms	X		X	X	
HRM Stimulus Renovation			X	X	
Liberal Arts Stimulus Renovation		X	X	X	
North Union Stimulus Renovation	X	X		X	
North Campus Utility Retrofit			X	X	
Skydome ADA / Health Issues	X		X		X
SBS Stimulus Renovation	X	X	X		

- The new Health Professions project which focuses upon space needs for new and existing health programs is moving forward rapidly. Approximately 100 DPs and CMARs attended the pre-submittal meeting on July 21st. Fourteen DP firms submitted and selection of the DP will be completed shortly. Twelve CMARs submitted and selection of the CMAR is in process.
- The new classrooms have been incorporated into the Wellness project. The availability of SPEED funds, along with the early stage of programming on the Wellness facility provides a unique opportunity to create additional classroom capacity with the addition of two and a half floors, without creating a separate building footprint and at a cost significantly less than originally anticipated. Expanding the Wellness Center will increase campus density while preserving green space, reduce the cost of the utility infrastructure required for a stand-alone building and provide additional flexibility for siting other future buildings.

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Statutory/Policy Requirements:

- Board Policy 7-109 requires Capital Committee review and Board approval of projects with a total project cost over \$20 million.
- As a group, the bundled projects exceed \$20 million. The new Health Professions Building is \$80 million and Wellness is approximately \$100 million with the classroom additions.

Additional Project Considerations:

- To maximize the long-term investment of the new construction projects, Wellness and Health Professions are being built to last 50 to 75 years. They will be designed in accordance with the NAU Design Standards and will be constructed of high quality, maintainable materials and building systems to maximize energy efficiency and minimize operational, repair and replacement costs.
- NAU continues its commitment to responsible, sustainable design and construction for new projects which are planned to receive, at a minimum, a LEED Silver certification in accordance with the governor's guidelines.
- NAU renovation projects will include responsible, sustainable options where feasible and depending upon the specific needs of the programs being served.

Project Delivery Method and Process:

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

EXECUTIVE SUMMARY

- Selections of the Design Professional and CMAR are ongoing. Projects have received between 10 and 25 submittals. Selections are through the capital project selection process prescribed by the ABOR Procurement Code. For each CMAR, a licensed contractor and a design professional were included on the selection committee as required by Board Policy.

Project Costs:

- The total project budget for the deferred maintenance and building renewal bundle is identified as \$73 million. Additionally, \$5,850,163 in SPEED funding is required for programming and design efforts in FY2009 for the new Health Professions building and new classrooms at the Wellness project. Also, \$1.1 million is determined as the NAU portion for the Biomedical facility this fiscal year.
- The initial project budget was developed for the University Stimulus Plan. Pre-programming efforts have developed cost estimates based upon preliminary examination of the physical conditions of the buildings identified in the deferred maintenance and building renewal bundle.
- Comparable cost data for these projects will be provided in updates to the Board. Relevant comparable projects identified at that time will also be included in the updates.
- As part of the Board updates, two cost estimates for each project will be prepared independently by the Construction Manager at Risk and the Architect's estimating consultant. These estimates will be reconciled together to confirm accurate, competitive scope quantities and unit prices to form the GMP for the entire scope of work. NAU will identify what percentage of the CMAR's current estimate is made up of subcontractor bid commitments, price projections from subcontractors, and estimates prepared by the CMAR team.
- All subcontractor work will be awarded on the basis of lowest cost and qualifications. Contracts for CMAR's will include Board approved requirements for Veteran's preference hiring programs. A final report on project control procedures such as change orders and contingency use will be provided at project completion.

Fiscal Impact and Financing Plan:

The NAU Deferred Maintenance and Building Renewal Bundle will be funded through system revenue bonds, with debt service paid from the University Capital Improvement Lease-To-Own and Bond Fund created as a result of the Stimulus Plan for Economic

EXECUTIVE SUMMARY

and Educational Development (SPEED) initiative. The fund will receive lottery revenues intended to cover 80% of the annual debt service, and university revenues intended to cover the remaining 20% of debt service.

The university will pay interest only for the first 5 years of the SPEED projects in order to allow for implementation of newly authorized lottery enhancements and full realization of increased lottery revenues from those enhancements.

The bonds for new construction will be repaid over a 35 year period, and the bonds issued for building renewal will be repaid over a 20 year period.

Debt Ratio Impact: The SPEED Projects are exempt from the university debt ratio. However, the annual debt service (principal and interest) for these projects is estimated to be \$5,578,770 for the \$73.0 million in building renewal projects and \$468,502 annually for the remaining \$7.2 million in new construction costs.

The incremental debt ratio from annual debt service for the \$73,000,000 in building renewal projects is .95%. The incremental debt ratio from annual debt service for the \$7,200,000 in new projects is .11%. The projected highest debt ratio including these projects is 10.10%. This includes all projects in the University CDP and CIP as well as the SPEED funded projects.

The projected highest University debt ratio for all projects not including SPEED is 6.59%, this ratio remains well below the maximum debt ratio of 8%.

Project Status & Schedule:

- All projects are progressing on schedule. Pre-programming or design is in process for the bundle of projects and new construction. Scheduled completion include:

Project	Completion Date
Liberal Arts	July 2009
HRM	July 2009
Skydome	July 2009
Ardrey/Performing and Fine Arts Classrooms	December 2009
Infrastructure	August 2010
Classrooms at Wellness Center	July 2011
New Health Professions Building	July 2011

EXECUTIVE SUMMARY

- Project Approval is being requested prior to the receipt of the overall GMP for the bundle projects to expedite renovations and per the approved NAU plan. NAU will provide construction and financial updates to the Board.

Committee Review and Recommendation:

The Capital Committee reviewed this item at its September 3, 2008 meeting and recommended Board approval with the provision that the addition or removal of any projects from the list be submitted for Committee review and Board approval.

Recommendation:

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

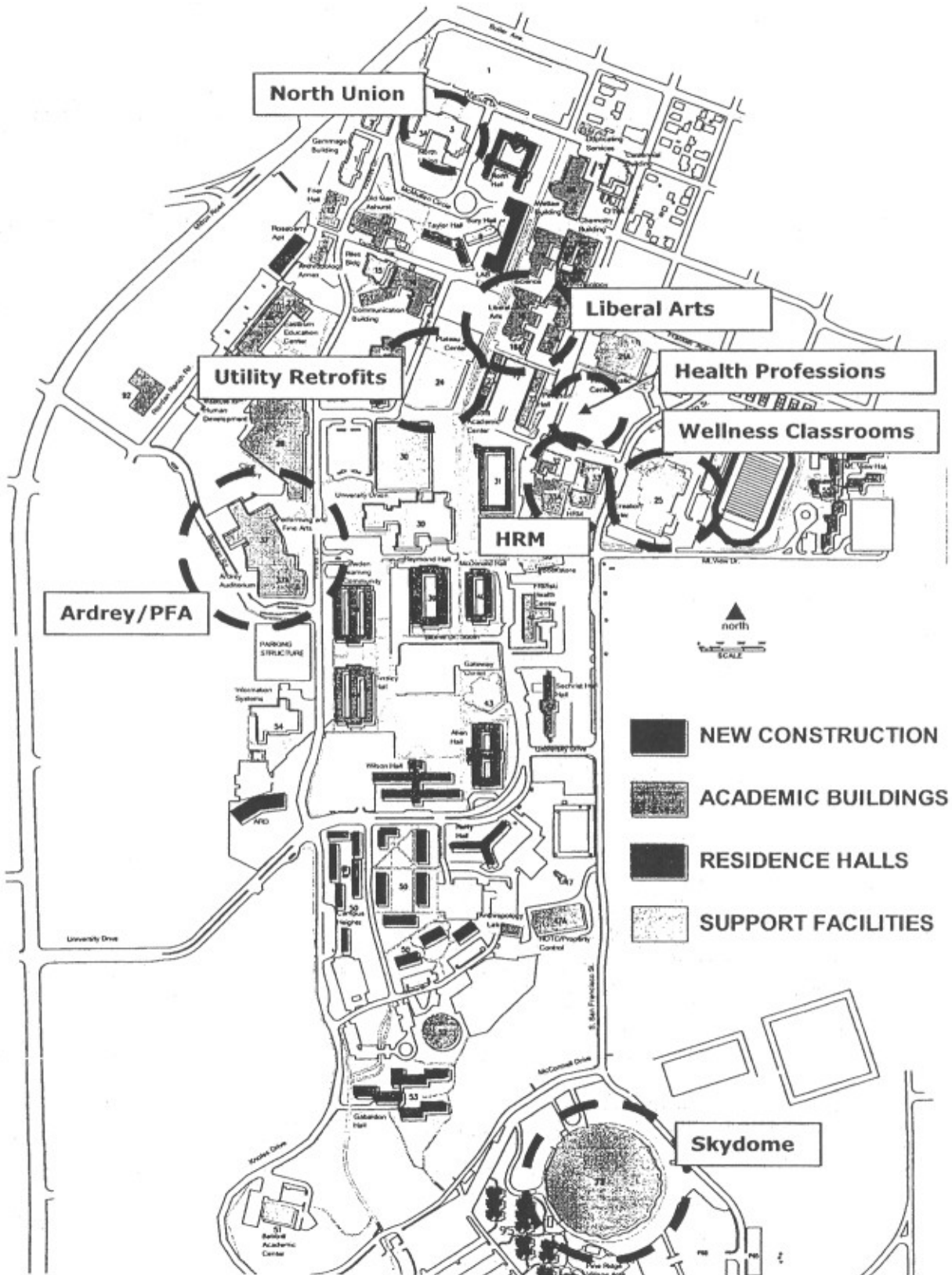
EXECUTIVE SUMMARY



NORTHERN ARIZONA UNIVERSITY

Project	Cost	GSF	Status	Description
DEFERRED MAINTENANCE / BUILDING RENEWAL				
Ardrey / PFA Classrooms	\$10,000,000	90,000	CDP 7/08	17 DP submittals, selection 9/16; 15 CMAR submittals, selection 10/7
HRM Stimulus Renovation	\$6,000,000	16,470	CDP 7/08	14 DP submittals received, DP selection 9/10; 15 CMAR submittals received, selection 9/23
Liberal Arts Stimulus Renovation	\$4,000,000	33,337	CDP 7/08	10 DP submittals, selection complete 8/20; 12 CMAR submittals, selection complete 9/05
North Union Stimulus Renovation	\$2,000,000	15,000	CDP 7/08	DP submittals due 9/30
North Campus Utility Retrofit	\$25,000,000	NA	CDP 7/08	9 DPs submittals, selection complete 8/21; 14 CMAR submittals; selection complete 9/11
Skydome ADA / Health Issues	\$20,000,000	265,056	CDP 6/08	DP selected 8/19, 8 submittals received; 10 CMAR submittals, selection 8/25
SBS Stimulus Renovation	\$13,000,000	50,000	CDP 7/08	DP submittal date TBD
Subtotal	\$80,000,000			
NEW CONSTRUCTION				
Health Professions Expansion	\$80,000,000	120,000	CDP 6/08	14 DPs submittals, selection complete 8/27; 12 CMARs submittals, selection complete 9/18
Recreation and Wellness Expansion Projects	\$100,000,000	255,000	CDP 1/08	Classrooms were approved in 9/06 as separate building. Design in process by OWPP; Mortenson is CMAR.
Phoenix BioMedical Campus	\$18,800,000	805,000	CDP 6/08	This project is managed by UofA.
Subtotal	\$198,800,000			
Cumulative Project Totals \$278,800,000				

EXECUTIVE SUMMARY



SOURCES AND USES OF FUNDS

\$65,010,000
Northern Arizona University
Subordinate Lien System Revenue Bonds/Lottery Revenue Bonds
Series 2009 - 'A/A3' Scenario
(Preliminary - 02-13-09)

Sources:

Bond Proceeds:	
Par Amount	65,010,000.00
Net Original Issue Discount	(204,980.75)
	<hr/>
	64,805,019.25

Uses:

Project Fund Deposits:	
University Funded Portion	12,820,000.00
Lottery Funded Portion	51,280,000.00
	<hr/>
	64,100,000.00
 Delivery Date Expenses:	
Cost of Issuance	310,000.00
Underwriter's Discount	390,060.00
	<hr/>
	700,060.00
 Other Uses of Funds:	
Excess Proceeds	4,959.25
	<hr/>
	64,805,019.25

BOND DEBT SERVICE

\$65,010,000
Northern Arizona University
Subordinate Lien System Revenue Bonds/Lottery Revenue Bonds
Series 2009 - 'A/A3' Scenario
(Preliminary - 02-13-09)

Dated Date 05/01/2009
Delivery Date 05/01/2009

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
02/01/2010			2,330,981.26	2,330,981.26	
08/01/2010			1,553,987.50	1,553,987.50	3,884,968.76
02/01/2011			1,553,987.50	1,553,987.50	
08/01/2011			1,553,987.50	1,553,987.50	3,107,975.00
02/01/2012			1,553,987.50	1,553,987.50	
08/01/2012			1,553,987.50	1,553,987.50	3,107,975.00
02/01/2013			1,553,987.50	1,553,987.50	
08/01/2013			1,553,987.50	1,553,987.50	3,107,975.00
02/01/2014			1,553,987.50	1,553,987.50	
08/01/2014			1,553,987.50	1,553,987.50	3,107,975.00
02/01/2015			1,553,987.50	1,553,987.50	
08/01/2015	3,180,000.00	3.500%	1,553,987.50	4,733,987.50	6,287,975.00
02/01/2016			1,498,337.50	1,498,337.50	
08/01/2016	3,295,000.00	3.500%	1,498,337.50	4,793,337.50	6,291,675.00
02/01/2017			1,440,675.00	1,440,675.00	
08/01/2017	3,405,000.00	4.000%	1,440,675.00	4,845,675.00	6,286,350.00
02/01/2018			1,372,575.00	1,372,575.00	
08/01/2018	3,545,000.00	4.000%	1,372,575.00	4,917,575.00	6,290,150.00
02/01/2019			1,301,675.00	1,301,675.00	
08/01/2019	3,690,000.00	4.000%	1,301,675.00	4,991,675.00	6,293,350.00
02/01/2020			1,227,875.00	1,227,875.00	
08/01/2020	3,835,000.00	4.500%	1,227,875.00	5,062,875.00	6,290,750.00
02/01/2021			1,141,587.50	1,141,587.50	
08/01/2021	4,005,000.00	4.500%	1,141,587.50	5,146,587.50	6,288,175.00
02/01/2022			1,051,475.00	1,051,475.00	
08/01/2022	4,190,000.00	4.500%	1,051,475.00	5,241,475.00	6,292,950.00
02/01/2023			957,200.00	957,200.00	
08/01/2023	4,375,000.00	5.000%	957,200.00	5,332,200.00	6,289,400.00
02/01/2024			847,825.00	847,825.00	
08/01/2024	4,595,000.00	5.250%	847,825.00	5,442,825.00	6,290,650.00
02/01/2025			727,206.25	727,206.25	
08/01/2025	4,835,000.00	5.250%	727,206.25	5,562,206.25	6,289,412.50
02/01/2026			600,287.50	600,287.50	
08/01/2026	5,090,000.00	5.250%	600,287.50	5,690,287.50	6,290,575.00
02/01/2027			466,675.00	466,675.00	
08/01/2027	5,355,000.00	5.500%	466,675.00	5,821,675.00	6,288,350.00
02/01/2028			319,412.50	319,412.50	
08/01/2028	5,650,000.00	5.500%	319,412.50	5,969,412.50	6,288,825.00
02/01/2029			164,037.50	164,037.50	
08/01/2029	5,965,000.00	5.500%	164,037.50	6,129,037.50	6,293,075.00
	65,010,000.00		45,658,531.26	110,668,531.26	110,668,531.26

STATE OF ARIZONA

Joint Committee on Capital Review

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HOUSE OF
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DATE: February 17, 2009

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

THRU: Richard Stavneak, Director

FROM: Leah Kritzer, Fiscal Analyst

SUBJECT: University of Arizona – Review of Residence Halls and Residence Life Building
Renewal

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. The University of Arizona (UA) requests Committee review of \$159.3 million for 2 new residence halls and \$37.3 million for building renewal projects. The UA request was presented for information only at the October 2, 2008 meeting.

Recommendation

The Committee has at least the following 2 options:

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

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

Standard University Financing Provisions

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

(Continued)

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

Analysis

Residence Life Building Renewal

UA is requesting additional funding of \$15.4 million beyond the September 2006 JCCR approved amount of \$21.9 million to complete Phases III and IV residence hall renovations at a total cost of \$37.3 million (plus another \$382,000 in issuance costs). UA has not yet expended the \$15.4 million from the 2006 review. UA's request includes Coronado, Apache-Santa Cruz, and Colonia De La Paz Hall renovations, as was previously reviewed by the Committee, but no longer includes fire sprinkler renovations to Cochise Hall. According to UA, the renovations would extend the useful life of these residential facilities, minimize the risk of disruptive failures, and improve building safety. Projects are anticipated to be complete by 2012.

Construction Costs

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

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

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

Table 1			
University of Arizona Residence Life Building Renewal			
<u>Phase</u>	<u>Review Date</u>	<u>Affected Halls</u>	<u>Direct Costs per Square Foot</u>
1	March 2004	Gila, Yuma, Arizona	\$45
2	July 2005	Maricopa, Sonora	\$40
2A	May 2006	Manzanita/Mohave	\$57
3 & 4	February 2009	Coronado, Apache-Santa Cruz, La Paz	\$100

As seen in *Table 1*, the Phase III and IV projects per square foot direct costs are higher than the other phases of the project. According to UA, the higher cost compared to prior projects can be attributed to

(Continued)

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

Financing

The project will be funded with \$37.7 million in Auxiliary Fund system revenue bonds. Auxiliary Funds are non-appropriated funds generated from self-supporting activities – in this case, dorm rental revenues. UA anticipates issuing the AA rated system revenue bonds with an estimated 4.50% annual interest rate and a term of 23 years, including 1 year of capitalized interest. The project cost is \$37.3 million, with bond issuance related costs totaling approximately \$382,000, for a total cost of \$37.7 million. The university estimates annual debt service of \$2.7 million, with a 23-year total cost of \$61.6 million. UA anticipates that these renovations will extend the life of the buildings by at least 30 years, while the debt payment schedule spans 23 years. There are no annual operating and maintenance costs associated with this project, according to UA.

Sixth Street Residence Halls

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

Construction Costs

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

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

Financing

The new residence halls construction project will be funded with \$181.7 million in Auxiliary Fund system revenue bonds. Auxiliary Funds are non-appropriated funds generated from self-supporting activities – in this case, dorm rental revenues. UA anticipates issuing the AA rated system revenue bonds with an estimated 4.83% annual interest rate and a term of 30 years. While the total project cost is \$159.3 million, the total bond related cost will be \$181.7 million, including \$1.7 million for costs of issuance and \$20.7 million for capitalized interest. The university estimates annual debt service payments of \$8.3 million from 2010 to 2011 and \$12.0 million starting in 2012, with a 30-year total cost of \$351.6 million. UA projects that the 2 new residence halls will be constructed to last 50 to 75 years, while the debt payment schedule spans 30 years.

(Continued)

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

Debt Ratios

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

CMAR

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

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

RS/LK:ss

Senior Vice President
for Business Affairs

THE UNIVERSITY OF
ARIZONA
TUCSON ARIZONA

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

September 11, 2008



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

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

Dear Chairman Pearce:

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

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

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "Joel D. Valdez".

Joel D. Valdez
Sr. Vice President for Business Affairs

JDV/jc

Attachments (4)

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



EXECUTIVE SUMMARY

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

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

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

PROJECT JUSTIFICATION:

- The purpose of this project is to construct new, critically needed, on-campus residence halls, primarily for first-year students. Existing on-campus housing is currently unable to meet the first-year student demand. In the fall of 2007, after maximizing the occupancies of all UA residence halls, nearly 700 first-year student housing applications were turned away. Recent enrollment projections indicate that a shortage of up to 1,600 on-campus first-year student beds is projected by 2011. This project is scheduled to be completed at that time, and would address a significant portion of that projected shortfall. The new residence halls will significantly increase the quantity of housing available on-campus.
- Residence Life studies have demonstrated that freshmen succeed at a considerably higher rate in grade point average, retention, and ultimately in graduation, when housed in on-campus residence halls programmed and designed for ease of transition and academic success. This project was programmed to include the meeting, study and socialization areas, and activities that serve to enhance first-year student academic performance.
- The Department of Residence Life is committed to providing housing that promotes student success through interactive living-learning communities where students can thrive in a safe and supportive environment. This goal directly supports the University's Five-Year Strategic Plan to increase student engagement, achievement, retention, and graduation rates; and to ensure that on-campus housing is safe, attractive, available to all first-year students, and conducive to a quality educational experience.
- The availability and quality of on-campus housing is often a high priority of students and their parents in the selection of a university. This project will provide considerable assistance in recruiting and retaining undergraduate students.

EXECUTIVE SUMMARY

PROJECT DESCRIPTION AND SCOPE:

- The new residence halls, which total 1,066 beds and 350,000 gross square feet, will be constructed on two sites:
 - *Site One:* Northeast corner of Sixth Street and Euclid Avenue
 - *Site Two:* Northeast corner of Sixth Street and Highland Avenue

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

ADDITIONAL PROJECT CONSIDERATIONS:

- To maximize the long-term investment in these important campus facilities located near prominent campus gateways, these facilities will be constructed to last 50 to 75 years. The project will be designed and constructed of high quality, durable, maintainable materials and building systems to maximize energy efficiency and minimize operational, repair and replacement costs. The facility has been designed in accordance with the UA Design & Specification Standards (with some exceptions for Residence Life facilities).
- In an effort to demonstrate the UA's commitment to responsible, sustainable design, and in response to student requests that their rent-funded housing project be designed in a sustainable manner, this project is intended to receive a LEED Silver certification. LEED certification levels for Future projects will be considered on a case by case basis, depending upon the specific goals and needs of the programs being served.
- A large amount of site preparation, utility extensions and relocations, building demolition, and stormwater management improvements are required for the two project sites to be developed, and these costs are included in the project budget.

PROJECT DELIVERY METHOD AND PROCESS:

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

EXECUTIVE SUMMARY

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

PROJECT COSTS:

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

June 2007 Capital Development Plan	\$185 million
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The PIA budget was then reduced by \$7.0 million, with no reduction in scope, based on project scope refinements and discussions with the Capital Committee.

January 2008 Project Implementation Approval	\$178 million
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The budget was further reduced by \$18.7 million for this PA submittal as a result of suggestions by the Arizona Board of Regents to increase the density of development, and reduce project costs. The major cost savings resulted from eliminating one site from the project scope as the existing Hopi Lodge will remain in service, and not be replaced. The approximate net number of beds that would have been gained was distributed over the two remaining sites, which resulted in increasing the density at the two remaining sites and reducing overall cost. The net total number of beds has been reduced from 1,073 to 1,066.

August 2008 Project Approval	\$159.3 million
------------------------------	-----------------

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

EXECUTIVE SUMMARY

Relevant comparable projects identified at that time included:

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

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

- Based upon these relevant comparable construction costs, the Sixth Street Residence Halls construction budget was considered to be appropriate. Including all required indirect expenses, the resulting total project cost at Project Implementation Approval was \$445/sf, reduced from \$463/sf at Capital Development Plan approval.
- The current total project cost is \$18.7 million less than at PIA; however, the costs per square foot have increased for several reasons. The new construction cost per square foot has increased from \$269/sf to \$285/sf because a portion of the escalation line has been moved up to the new construction line to reflect increases from the 2007 costs to June 2008 costs. The total construction cost has increased from \$341/sf to \$348/sf due in part to utilities extension costs being distributed over fewer beds. (The site that was eliminated required very few utilities extensions, so these costs are now applied to fewer beds.) Some of the design contingency has moved to the construction costs to cover increased site development costs as the site areas have been more clearly defined. Also, the building area per student has reduced slightly; 337/sf per student at PIA to 328/sf per student at PA, since fewer common use spaces are now required with only two sites being developed. Also, the gross area has been more specifically determined during the design development process, which also contributes to a higher cost per square foot.

EXECUTIVE SUMMARY

- Increases are also reflected in the total project cost per square foot, which has increased from \$445/sf at PIA to \$455 currently, for the same reasons described above.
- For this Project Approval phase, two cost estimates are being prepared independently by the Construction Manager at Risk and the Architect's estimating consultant. These estimates will then be reconciled together to confirm accurate, competitive scope quantities and unit prices to form the Guaranteed Maximum Price (GMP) for the entire scope of work. The CM's current estimate is made up of roughly 97% price projections from subcontractors and 3% estimates prepared by the CM team.
- Once the GMP is agreed upon, the CM is at risk to provide the completed project within that price. All subcontractor work will be awarded on the basis of the lowest responsive and responsible subcontractor bids. A minimum of three subcontractor bids are required, except for specialty items or instances where proprietary systems are required, such as for energy management systems and door locks. A final report on project control procedures such as change orders and contingency use will be provided at project completion.

FISCAL IMPACT AND FINANCING PLAN:

- The Sixth Street Residence Halls project is funded through system revenue bonds, with debt service paid by Residence Life from rental revenues.
- The estimated annual debt service for the Sixth Street Residence Halls Project will increase the debt ratio by .68% for ABOR policy and State (A.R.S. 15-1683). The projected highest debt ratio including this project is 5.93% for the upcoming three years as defined in the Capital Improvement Plan.

PROJECT STATUS AND SCHEDULE:

- The project is in the Construction Documents phase, and the Construction Manager is currently collecting and analyzing subcontractor bids in preparation of the project GMP. This Project Approval request is being submitted prior to GMP finalization to allow for timely JCCR review and bond sale preparation in a manner that will allow for construction completion prior to the start of the Fall 2010 semester.
- Construction is scheduled to begin in November 2008 at Site Two, and January 2009 at Site One, upon final completion of the construction documents and the successful negotiation of the GMP. Construction at Site Two is scheduled to be completed for occupancy August 2010 and in January 2011 for Site One.

EXECUTIVE SUMMARY

CAPITAL COMMITTEE ACTION:

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

RECOMMENDATION:

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

EXECUTIVE SUMMARY

Capital Project Information Summary

University: The University of Arizona

Project Name: Sixth Street Residence Halls

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

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

EXECUTIVE SUMMARY

Capital Project Budget Summary

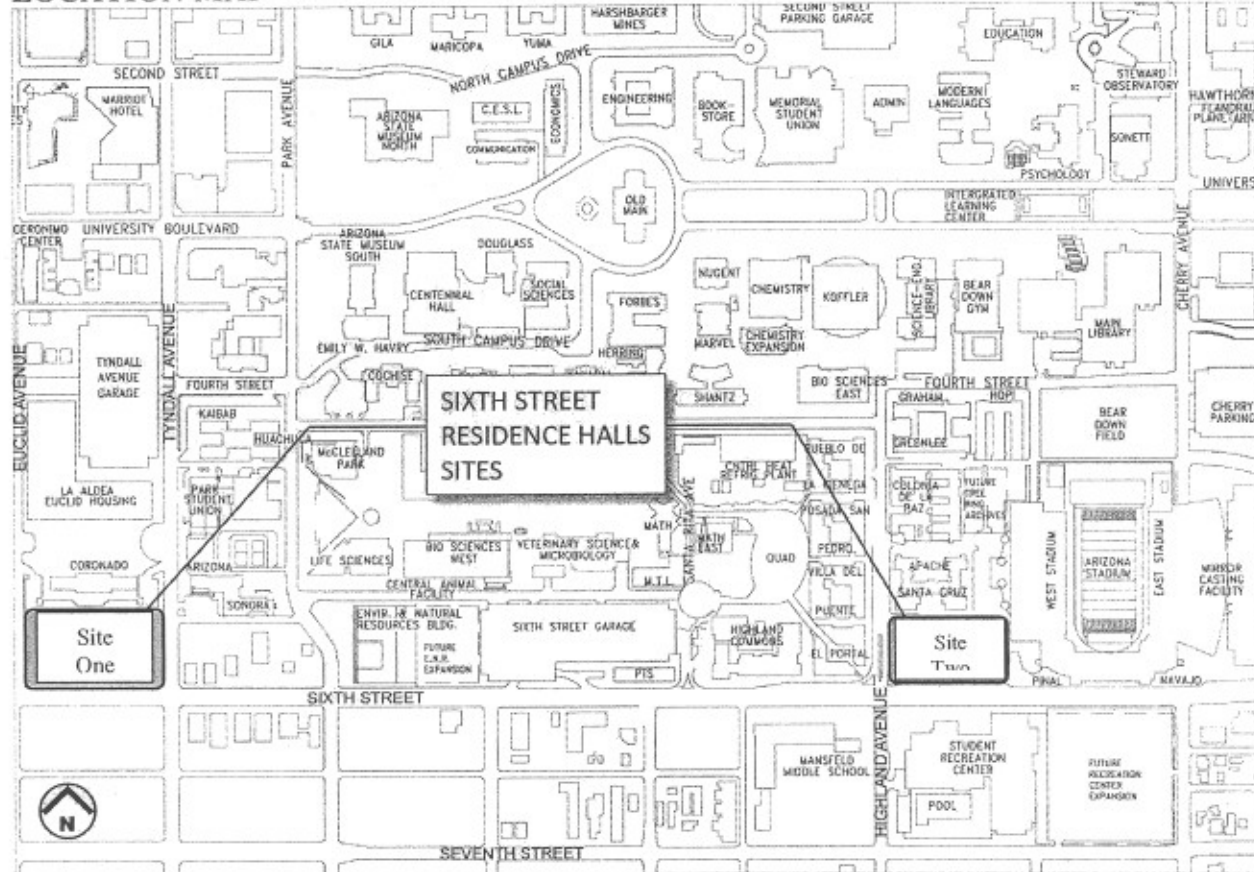
University: The University of Arizona **Project Name:** Sixth Street Residence Halls

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

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

EXECUTIVE SUMMARY

LOCATION MAP



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

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

PROJECT JUSTIFICATION:

- The Department of Residence Life is committed to providing housing that promotes student success through interactive living and learning communities where students can thrive in a safe and supportive environment. Over 75% of the University's freshmen class is housed in residence halls. Residence Life is particularly concerned with helping students successfully transition from a home to a university environment. Consequently, Residence Life provides an extensive array of programs and services that intentionally focus on first-year learning communities. A primary part of its mission is to provide clean, comfortable, and memorable living spaces while promoting safety and security.
- Residence Life has implemented a plan to incrementally manage deferred maintenance and building renewal activities during the past sixteen years. The Long-Range Development Plan (LDP) for its facilities is a five-year projection of deferred maintenance, building renewal, life/safety improvements, and building enhancements that are necessary to maintain the high standards for buildings required for a residential program. During the past sixteen years, Residence Life has expended over \$20.0 million on LDP projects. Priorities are based upon the urgency, availability of funding, and the ability of staff and/or contractors to complete the work within allotted timeframes. Most projects are completed during summer periods in order to maintain bed inventory during the academic year.

PROJECT DESCRIPTION AND SCOPE:

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

EXECUTIVE SUMMARY

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

ADDITIONAL PROJECT CONSIDERATIONS:

- To maximize the long-term investment in these important core campus facilities, this project will be built to extend the life of the buildings another 50 years. The facility has been designed in accordance with the UA Design & Specification Standards, and will be constructed of high quality, durable, maintainable materials and building systems to maximize energy efficiency and minimize operational, repair, and replacement costs.
- In an effort to demonstrate the UA's commitment to responsible, sustainable design and in response to student requests that their funded projects be designed in a sustainable manner; this project will utilize water efficient plumbing fixtures and energy efficient light fixtures. LEED Certification is not being pursued as part of this project.

PROJECT DELIVERY METHOD AND PROCESS:

- This project is being delivered through the Construction Manager (CM) at Risk delivery method. This approach was selected for this project because it can save time through fast-track project scheduling; it provides contractor design input and coordination throughout the project; it improves potentially adversarial project environments; and it allows for the selection of the most qualified contractor team for each individual project. With the use of two independent estimates at each phase, and low bid subcontractor work for the actual construction, this method also provides a high level of cost and quality control.
- The CM at Risk was selected through the capital project selection committee process prescribed by the ABOR Procurement Code. Five responses to the projects Request for Qualifications (RFQ) were received and three of the responding teams were short-listed for interview. A licensed contractor from the community was included on the selection committee as required by Board Policy. The Design team was selected through a similar ABOR process, and three teams were interviewed out of the twelve RFQ responses received.

PROJECT COSTS:

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

EXECUTIVE SUMMARY

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

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

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

- Considering these relevant comparable construction costs, the Residence Life Building Renewal Phase 3 and Phase 4 construction cost budget of \$100/gsf is considered to be appropriate. Including all required indirect expenses, the resulting initial total project cost is \$115/gsf. The restroom facilities to be renovated in these phases are more widely distributed within the buildings than in previous projects; resulting in more piping, ductwork, and finish materials and associated labor per gross square foot of floor area.
- For this Project Approval phase, two cost estimates are being prepared independently by the Construction Manager at Risk and the Architect's estimating consultant. These estimates will then be reconciled together to confirm accurate, competitive scope quantities and unit prices to form the Guaranteed Maximum Price (GMP) for the entire scope of work. The CM's current estimate is made up of roughly 85% subcontractor bid commitments and 15%

EXECUTIVE SUMMARY

estimates prepared by the CM team.

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

FISCAL IMPACT AND FINANCING PLAN:

- The Residence Life Building Renewal, Phase 3 and Phase 4 estimated project cost is \$37.3 million and will be funded by System Revenue bonds with debt service paid from Residence Life Auxiliary Enterprise proceeds.
- The estimated annual debt service for the Residence Life Building Renewal Phase 3 and Phase 4 Project will increase the debt ratio by .11% for ABOR policy and State (A.R.S. 15-1683). The projected highest debt ratio including this project is 5.25% for the upcoming three years as defined in the Capital Improvement Plan.

PROJECT STATUS & SCHEDULE:

- The project is nearing completion of the Construction Documents phase, and the final GMP has been received based on the 90% Construction Documents.
- General construction is scheduled to occur during the summer 2009 and summer 2010 at La Paz Hall and Apache-Santa Cruz Hall. Following completion of the new Sixth Street Residence Halls, the on-site renovation of Coronado Hall will occur from January 2011 through July 2012.

CAPITAL COMMITTEE ACTION:

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

RECOMMENDATION:

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

EXECUTIVE SUMMARY

Capital Project Information Summary

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

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

	Project Implementation <u>Approval</u> September 2006	Project <u>Approval</u> August 2008
<u>Date of Board Action:</u>		
<u>Project Scope:</u>		
Gross Square Feet	321,815	321,815
Net Assignable Square Feet	207,874	207,874
Efficiency Ratio [NASF/GSF]	65%	65%
NASF by Space Type		

Project Schedule (Beginning Month/Year):

	FY 2005	FY 2005
Planning		
Design	07/06	10/06
Construction	05/07	05/09
Occupancy	08/08	07/12

Project Budget:

Total Project Cost	\$ 21,870,000	\$ 37,268,528
Direct Construction Cost	\$ 18,375,000	\$ 32,295,079
Total Project Cost per GSF	68	116
Construction Cost per GSF	57	100
Change in Annual Oper./Main. Cost		
Utilities	\$ 0	\$ 0
Personnel	\$ 0	\$ 0
Other	\$ 0	\$ 0

Funding Sources:

Capital:		
A. Gifts		
Cash	\$ 0	\$ 0
B. System Revenue Bonds		
Res Life Auxiliary Enterprise Funds	\$ 21,870,000	\$ 37,268,528
Operation/Maintenance: (Existing)	\$ 0	\$ 0

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

EXECUTIVE SUMMARY

Capital Project Budget Summary

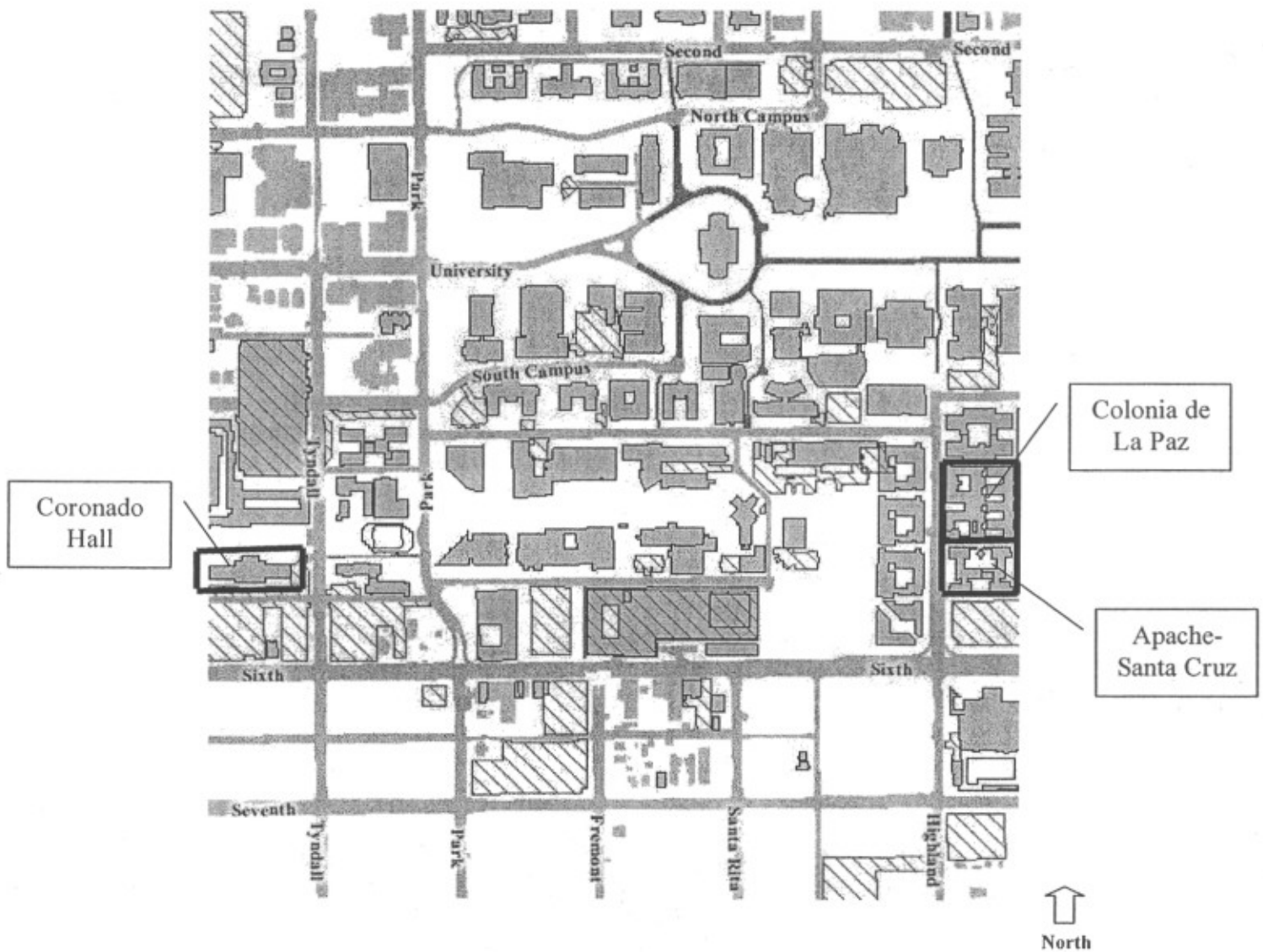
University: The University of Arizona **Project Name:** Residence Life Building Renewal
Phase 3 and Phase 4

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

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

EXECUTIVE SUMMARY

Location Map:



SOURCES AND USES OF FUNDS

Arizona Board of Regents
University of Arizona
System Revenue Bonds, Series 2009

Dated Date 06/01/2009
Delivery Date 06/01/2009

Sources:	Res Life Building Renewal (2.13.09)	Residence Hall Project (2.13.09)	Total
Bond Proceeds:			
Par Amount	37,215,000.00	181,700,000.00	218,915,000.00
Net Premium/OID	469,885.70	-4,779.35	465,106.35
	37,684,885.70	181,695,220.65	219,380,106.35
Uses:	Res Life Building Renewal (2.13.09)	Residence Hall Project (2.13.09)	Total
Project Fund Deposits:			
Project Fund	37,300,000.00	159,300,000.00	196,600,000.00
Other Fund Deposits:			
Capitalized Interest Fund		20,668,000.00	20,668,000.00
Delivery Date Expenses:			
Cost of Issuance	158,505.75	634,185.00	792,690.75
Underwriter's Discount	223,290.00	1,090,200.00	1,313,490.00
	381,795.75	1,724,385.00	2,106,180.75
Other Uses of Funds:			
Additional Proceeds	3,089.95	2,835.65	5,925.60
	37,684,885.70	181,695,220.65	219,380,106.35

BOND DEBT SERVICE

Arizona Board of Regents
University of Arizona
System Revenue Bonds, Series 2009

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2009			4,915,475.00	4,915,475.00	
06/01/2010			4,915,475.00	4,915,475.00	9,830,950.00
12/01/2010			4,915,475.00	4,915,475.00	
06/01/2011	1,165,000	2.000%	4,915,475.00	6,080,475.00	10,995,950.00
12/01/2011			4,903,825.00	4,903,825.00	
06/01/2012	4,885,000	3.000%	4,903,825.00	9,788,825.00	14,692,650.00
12/01/2012			4,830,550.00	4,830,550.00	
06/01/2013	5,030,000	2.000%	4,830,550.00	9,860,550.00	14,691,100.00
12/01/2013			4,780,250.00	4,780,250.00	
06/01/2014	5,135,000	2.250%	4,780,250.00	9,915,250.00	14,695,500.00
12/01/2014			4,722,481.25	4,722,481.25	
06/01/2015	5,250,000	2.500%	4,722,481.25	9,972,481.25	14,694,962.50
12/01/2015			4,656,856.25	4,656,856.25	
06/01/2016	5,380,000	2.750%	4,656,856.25	10,036,856.25	14,693,712.50
12/01/2016			4,582,881.25	4,582,881.25	
06/01/2017	5,525,000	3.000%	4,582,881.25	10,107,881.25	14,690,762.50
12/01/2017			4,500,006.25	4,500,006.25	
06/01/2018	5,700,000	3.250%	4,500,006.25	10,200,006.25	14,700,012.50
12/01/2018			4,407,381.25	4,407,381.25	
06/01/2019	5,885,000	3.500%	4,407,381.25	10,292,381.25	14,699,762.50
12/01/2019			4,304,393.75	4,304,393.75	
06/01/2020	6,085,000	3.750%	4,304,393.75	10,389,393.75	14,693,787.50
12/01/2020			4,190,300.00	4,190,300.00	
06/01/2021	6,315,000	4.000%	4,190,300.00	10,505,300.00	14,695,600.00
12/01/2021			4,064,000.00	4,064,000.00	
06/01/2022	6,570,000	5.000%	4,064,000.00	10,634,000.00	14,698,000.00
12/01/2022			3,899,750.00	3,899,750.00	
06/01/2023	6,895,000	5.000%	3,899,750.00	10,794,750.00	14,694,500.00
12/01/2023			3,727,375.00	3,727,375.00	
06/01/2024	7,245,000	5.000%	3,727,375.00	10,972,375.00	14,699,750.00
12/01/2024			3,546,250.00	3,546,250.00	
06/01/2025	7,600,000	5.000%	3,546,250.00	11,146,250.00	14,692,500.00
12/01/2025			3,356,250.00	3,356,250.00	
06/01/2026	7,985,000	5.000%	3,356,250.00	11,341,250.00	14,697,500.00
12/01/2026			3,156,625.00	3,156,625.00	
06/01/2027	8,380,000	5.000%	3,156,625.00	11,536,625.00	14,693,250.00
12/01/2027			2,947,125.00	2,947,125.00	
06/01/2028	8,800,000	5.000%	2,947,125.00	11,747,125.00	14,694,250.00
12/01/2028			2,727,125.00	2,727,125.00	
06/01/2029	9,245,000	5.000%	2,727,125.00	11,972,125.00	14,699,250.00
12/01/2029			2,496,000.00	2,496,000.00	
06/01/2030	9,705,000	5.000%	2,496,000.00	12,201,000.00	14,697,000.00
12/01/2030			2,253,375.00	2,253,375.00	
06/01/2031	10,190,000	5.000%	2,253,375.00	12,443,375.00	14,696,750.00
12/01/2031			1,998,625.00	1,998,625.00	
06/01/2032	10,695,000	5.000%	1,998,625.00	12,693,625.00	14,692,250.00
12/01/2032			1,731,250.00	1,731,250.00	
06/01/2033	8,505,000	5.000%	1,731,250.00	10,236,250.00	11,967,500.00
12/01/2033			1,518,625.00	1,518,625.00	

BOND DEBT SERVICE

Arizona Board of Regents
University of Arizona
System Revenue Bonds, Series 2009

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2034	8,930,000	5.000%	1,518,625.00	10,448,625.00	11,967,250.00
12/01/2034			1,295,375.00	1,295,375.00	
06/01/2035	9,375,000	5.000%	1,295,375.00	10,670,375.00	11,965,750.00
12/01/2035			1,061,000.00	1,061,000.00	
06/01/2036	9,845,000	5.000%	1,061,000.00	10,906,000.00	11,967,000.00
12/01/2036			814,875.00	814,875.00	
06/01/2037	10,340,000	5.000%	814,875.00	11,154,875.00	11,969,750.00
12/01/2037			556,375.00	556,375.00	
06/01/2038	10,855,000	5.000%	556,375.00	11,411,375.00	11,967,750.00
12/01/2038			285,000.00	285,000.00	
06/01/2039	11,400,000	5.000%	285,000.00	11,685,000.00	11,970,000.00
	218,915,000		194,289,750.00	413,204,750.00	413,204,750.00

BOND DEBT SERVICE

Arizona Board of Regents University of Arizona System Revenue Bonds, Series 2009 (Residence Life Building Renewal Project)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2009			781,875.00	781,875.00	
06/01/2010			781,875.00	781,875.00	1,563,750.00
12/01/2010			781,875.00	781,875.00	
06/01/2011	1,165,000	2.000%	781,875.00	1,946,875.00	2,728,750.00
12/01/2011			770,225.00	770,225.00	
06/01/2012	1,185,000	3.000%	770,225.00	1,955,225.00	2,725,450.00
12/01/2012			752,450.00	752,450.00	
06/01/2013	1,220,000	2.000%	752,450.00	1,972,450.00	2,724,900.00
12/01/2013			740,250.00	740,250.00	
06/01/2014	1,245,000	2.250%	740,250.00	1,985,250.00	2,725,500.00
12/01/2014			726,243.75	726,243.75	
06/01/2015	1,275,000	2.500%	726,243.75	2,001,243.75	2,727,487.50
12/01/2015			710,306.25	710,306.25	
06/01/2016	1,305,000	2.750%	710,306.25	2,015,306.25	2,725,612.50
12/01/2016			692,362.50	692,362.50	
06/01/2017	1,340,000	3.000%	692,362.50	2,032,362.50	2,724,725.00
12/01/2017			672,262.50	672,262.50	
06/01/2018	1,385,000	3.250%	672,262.50	2,057,262.50	2,729,525.00
12/01/2018			649,756.25	649,756.25	
06/01/2019	1,430,000	3.500%	649,756.25	2,079,756.25	2,729,512.50
12/01/2019			624,731.25	624,731.25	
06/01/2020	1,475,000	3.750%	624,731.25	2,099,731.25	2,724,462.50
12/01/2020			597,075.00	597,075.00	
06/01/2021	1,535,000	4.000%	597,075.00	2,132,075.00	2,729,150.00
12/01/2021			566,375.00	566,375.00	
06/01/2022	1,595,000	5.000%	566,375.00	2,161,375.00	2,727,750.00
12/01/2022			526,500.00	526,500.00	
06/01/2023	1,675,000	5.000%	526,500.00	2,201,500.00	2,728,000.00
12/01/2023			484,625.00	484,625.00	
06/01/2024	1,760,000	5.000%	484,625.00	2,244,625.00	2,729,250.00
12/01/2024			440,625.00	440,625.00	
06/01/2025	1,845,000	5.000%	440,625.00	2,285,625.00	2,726,250.00
12/01/2025			394,500.00	394,500.00	
06/01/2026	1,940,000	5.000%	394,500.00	2,334,500.00	2,729,000.00
12/01/2026			346,000.00	346,000.00	
06/01/2027	2,035,000	5.000%	346,000.00	2,381,000.00	2,727,000.00
12/01/2027			295,125.00	295,125.00	
06/01/2028	2,135,000	5.000%	295,125.00	2,430,125.00	2,725,250.00
12/01/2028			241,750.00	241,750.00	
06/01/2029	2,245,000	5.000%	241,750.00	2,486,750.00	2,728,500.00
12/01/2029			185,625.00	185,625.00	
06/01/2030	2,355,000	5.000%	185,625.00	2,540,625.00	2,726,250.00

BOND DEBT SERVICE

Arizona Board of Regents
University of Arizona
System Revenue Bonds, Series 2009
(Residence Life Building Renewal Project)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2030			126,750.00	126,750.00	
06/01/2031	2,475,000	5.000%	126,750.00	2,601,750.00	2,728,500.00
12/01/2031			64,875.00	64,875.00	
06/01/2032	2,595,000	5.000%	64,875.00	2,659,875.00	2,724,750.00
	37,215,000		24,344,325.00	61,559,325.00	61,559,325.00

BOND DEBT SERVICE
Arizona Board of Regents
University of Arizona
System Revenue Bonds, Series 2009
(Residence Hall Project)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2009			4,133,600.00	4,133,600.00	
06/01/2010			4,133,600.00	4,133,600.00	8,267,200.00
12/01/2010			4,133,600.00	4,133,600.00	
06/01/2011			4,133,600.00	4,133,600.00	8,267,200.00
12/01/2011			4,133,600.00	4,133,600.00	
06/01/2012	3,700,000	3.000%	4,133,600.00	7,833,600.00	11,967,200.00
12/01/2012			4,078,100.00	4,078,100.00	
06/01/2013	3,810,000	2.000%	4,078,100.00	7,888,100.00	11,966,200.00
12/01/2013			4,040,000.00	4,040,000.00	
06/01/2014	3,890,000	2.250%	4,040,000.00	7,930,000.00	11,970,000.00
12/01/2014			3,996,237.50	3,996,237.50	
06/01/2015	3,975,000	2.500%	3,996,237.50	7,971,237.50	11,967,475.00
12/01/2015			3,946,550.00	3,946,550.00	
06/01/2016	4,075,000	2.750%	3,946,550.00	8,021,550.00	11,968,100.00
12/01/2016			3,890,518.75	3,890,518.75	
06/01/2017	4,185,000	3.000%	3,890,518.75	8,075,518.75	11,966,037.50
12/01/2017			3,827,743.75	3,827,743.75	
06/01/2018	4,315,000	3.250%	3,827,743.75	8,142,743.75	11,970,487.50
12/01/2018			3,757,625.00	3,757,625.00	
06/01/2019	4,455,000	3.500%	3,757,625.00	8,212,625.00	11,970,250.00
12/01/2019			3,679,662.50	3,679,662.50	
06/01/2020	4,610,000	3.750%	3,679,662.50	8,289,662.50	11,969,325.00
12/01/2020			3,593,225.00	3,593,225.00	
06/01/2021	4,780,000	4.000%	3,593,225.00	8,373,225.00	11,966,450.00
12/01/2021			3,497,625.00	3,497,625.00	
06/01/2022	4,975,000	5.000%	3,497,625.00	8,472,625.00	11,970,250.00
12/01/2022			3,373,250.00	3,373,250.00	
06/01/2023	5,220,000	5.000%	3,373,250.00	8,593,250.00	11,966,500.00
12/01/2023			3,242,750.00	3,242,750.00	
06/01/2024	5,485,000	5.000%	3,242,750.00	8,727,750.00	11,970,500.00
12/01/2024			3,105,625.00	3,105,625.00	
06/01/2025	5,755,000	5.000%	3,105,625.00	8,860,625.00	11,966,250.00
12/01/2025			2,961,750.00	2,961,750.00	
06/01/2026	6,045,000	5.000%	2,961,750.00	9,006,750.00	11,968,500.00
12/01/2026			2,810,625.00	2,810,625.00	
06/01/2027	6,345,000	5.000%	2,810,625.00	9,155,625.00	11,966,250.00
12/01/2027			2,652,000.00	2,652,000.00	
06/01/2028	6,665,000	5.000%	2,652,000.00	9,317,000.00	11,969,000.00
12/01/2028			2,485,375.00	2,485,375.00	
06/01/2029	7,000,000	5.000%	2,485,375.00	9,485,375.00	11,970,750.00
12/01/2029			2,310,375.00	2,310,375.00	
06/01/2030	7,350,000	5.000%	2,310,375.00	9,660,375.00	11,970,750.00
12/01/2030			2,126,625.00	2,126,625.00	
06/01/2031	7,715,000	5.000%	2,126,625.00	9,841,625.00	11,968,250.00
12/01/2031			1,933,750.00	1,933,750.00	
06/01/2032	8,100,000	5.000%	1,933,750.00	10,033,750.00	11,967,500.00
12/01/2032			1,731,250.00	1,731,250.00	
06/01/2033	8,505,000	5.000%	1,731,250.00	10,236,250.00	11,967,500.00

BOND DEBT SERVICE

Arizona Board of Regents
University of Arizona
System Revenue Bonds, Series 2009
(Residence Hall Project)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
12/01/2033			1,518,625.00	1,518,625.00	
06/01/2034	8,930,000	5.000%	1,518,625.00	10,448,625.00	11,967,250.00
12/01/2034			1,295,375.00	1,295,375.00	
06/01/2035	9,375,000	5.000%	1,295,375.00	10,670,375.00	11,965,750.00
12/01/2035			1,061,000.00	1,061,000.00	
06/01/2036	9,845,000	5.000%	1,061,000.00	10,906,000.00	11,967,000.00
12/01/2036			814,875.00	814,875.00	
06/01/2037	10,340,000	5.000%	814,875.00	11,154,875.00	11,969,750.00
12/01/2037			556,375.00	556,375.00	
06/01/2038	10,855,000	5.000%	556,375.00	11,411,375.00	11,967,750.00
12/01/2038			285,000.00	285,000.00	
06/01/2039	11,400,000	5.000%	285,000.00	11,685,000.00	11,970,000.00
	181,700,000		169,945,425.00	351,645,425.00	351,645,425.00

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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AMANDA AGUIRRE
SYLVIA ALLEN
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HOUSE OF
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KYRSTEN SINEMA

DATE: February 18, 2008

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

THRU: Richard Stavneak, Director

FROM: Marge Zylla, Fiscal Analyst

SUBJECT: Maricopa County Community College District - Review of General Obligation Bond Issuance

Request

Maricopa County Community College District (MCCCD) requests the Committee review its proposed \$220 million General Obligation (GO) bond issuance. At its June 22, 2004 meeting, the Committee gave a favorable review to the entire \$951.4 million bond proposal, with the stipulation that MCCCD return for Committee review prior to each issuance. The Board request reflects the third issuance.

Recommendation

The Committee has the following options:

- 1) A favorable review, with the provision that MCCCD report to the Committee on actual project costs of the third bond issuance when the district returns for review of its fourth issuance.
- 2) An unfavorable review.

Analysis

Projects

The board was authorized by a November 2, 2004 bond election to issue a total of \$951.4 million in bonds. The first issuance of \$190.3 million took place in 2005 and the second issuance of \$240 million took place in 2007. All issuances will fund capital projects, as well as district-wide initiatives. Currently, 29 projects have been entirely completed with funding from the first 2 issuances. The 32 remaining projects that involve funds from the third issuance are moderate to large in scale. Per *Attachment #1*, 21 of the 32 projects will be funded in part by prior issuances as well as the \$220 million third bond issuance. *Attachment #1* provides a summary of the projects MCCCD anticipates covering under the \$220 million issuance.

(Continued)

Due to inflation, project costs were revised upward from original projections. This resulted in district-wide reductions in project scopes, as well as delays on lower priority projects. Due to higher construction costs, the bond issuance schedule was also altered, planning for the 3 remaining installments as follows: \$220 million; \$250 million, and \$51.1 million.

Of the total \$220 million, \$167.1 million would be allocated for capital projects, \$22.9 million for district-wide maintenance and regulatory compliance, \$15.0 million for district-wide occupation programs, and \$15.0 million would be used to purchase and upgrade technology and equipment. Approximately 649,100 square feet are associated with these projects, including 191,900 in remodeled projects, and 457,200 in new square feet. *Attachment #1* lists the portion of bond funding by project, as well as total project cost. Total project costs were used to estimate a cost per square foot for these projects. The estimated average cost per square foot is \$257. MCCCCD did not provide separate estimated costs for new space and renovated space. This information will be provided before the meeting.

To complete its projects, MCCCCD plans to use a design-bid-build procurement process for some projects and to employ a Construction Manager at Risk for others. The district will determine which method to use on a project by project basis. Further detail on all the MCCCCD projects is provided in the district's project description and construction method worksheet, which is included in the district's portion of the attachment.

Financing

The \$220 million issuance would have a 14-year payment term. The first annual payment for the \$220 million issuance is \$26.3 million. Combined with prior obligations, the district's total debt service in FY 2010 would be \$62.3 million.

To make the debt service payments associated with the \$951 million in bonding authority approved in the 2004 election, including the new \$220 million issuance, the district estimates increasing the secondary property tax rate by an average of 16¢. This would annually result in approximately \$16 in additional taxes for every \$100,000 of house value. To determine the level of tax rates necessary to make the debt service payments associated with all issuances, the district has assumed annual Secondary Net Assessed Valuation (NAV) growth of (3.0)% to 1.7% over the next five years, and 1.7% in the following years.

Total outstanding principal debt for the district at the end of FY 2008 was \$525.7 million, including \$507.4 million from GO bonds and \$18.3 million from revenue bonds. The Constitution limits the amount of outstanding GO debt the district may incur to 15% of the district's total Secondary NAV. In FY 2008 the district's outstanding GO debt was equal to approximately 0.9% of its Secondary NAV. The FY 2009 planned issuance of \$220 million would increase that amount to approximately 1.2%.

RS/MZ:sls

PROJECTS FROM 1st, 2nd, & 3rd BOND ISSUANCES

	<u>Portion Funded from \$190.3 M and \$240 M Bonds (Favorably Reviewed in 2005 & 2007)</u>	<u>Portion Funded from \$220 Bond (Current Request)</u>	<u>Total Project Cost ^{1/}</u>
Construction Projects			
<i>Chandler-Gilbert</i>			
Wellness and Athletic Complex		21,163,000	21,163,000
Classroom Complex (Ironwood Hall) (Combined Projects)	12,567,000	5,351,000	17,918,000
WEC Classroom Building (Bridget Hall)	566,000	6,484,000	7,050,000
WEC Building Remodel (Baylor Hall)	848,000	550,000	1,398,000
Central Plant Upgrade	2,070,000		2,070,000
WEC Classroom Building (Engel Hall)	10,844,000		10,844,000
Small Classroom (Jacaranda Hall)	1,000,000		1,000,000
Expand Sun Lakes	1,965,000		1,965,000
<i>Estrella Mountain</i>			
Expand/Remodel Estrella Hall	0	6,582,000	6,582,000
Occ Ed Prgms Bldg (Mariposa Hall) & Skill Ctr remodel	5,377,249	7,366,751	12,744,000
Expand Receiving and Storage Bldg	322,000	1,438,000	1,760,000
Expand/Upgrade Central Plant	4,600,000		4,600,000
Remodel Space Montezuma Hall	5,285,000		5,285,000
Modular Classroom Buildings	5,731,000		5,731,000
<i>Gateway</i>			
Master Plan Expansion	0	10,394,000	44,500,000
Expand and Remodel Maricopa Skill Center	337,000	13,960,000	19,553,000
Central Plant Upgrade	0	1,381,000	0
<i>Glendale</i>			
Campus Wide Renovation		5,426,000	5,426,000
Public Safety	5,437,000	5,589,000	11,026,000
Renovate Business & IT Building Classrooms	3,866,000	745,000	4,611,000
New Instructional Building (Life Sciences)	26,084,000		26,084,000
GCC North Expansion	23,754,000		23,754,000
Remodel and Expand Student Union	4,799,000		4,799,000
Expand/Upgrade Central Plant	1,802,000		1,802,000
Purchase Modular Buildings	375,000		375,000
<i>Mesa</i>			
Remodel property at Longmore and 60 (Phase 1)	0	5,408,000	5,408,000
Remodel Nursing & Exercise Science Building	1,917,000	5,404,000	7,321,000
Renovate Liberal Arts, English & Foreign Language	0	3,510,000	3,510,000
Red Mountain Expansion	17,382,000	2,353,000	19,735,000
Southwest Science Instructional Building	20,647,000		20,647,000
Central Plant Upgrade	2,323,000		2,323,000
Purchased property at Longmore and 60	3,908,000		3,908,000
<i>Paradise Valley</i>			
Remodel County Library	6,485,000	10,030,000	16,515,000
PVCC North Expansion	2,865,000	328,000	3,193,000
New Classroom & Life Science Lab Building	16,509,000	883,000	17,392,000
Central Plant Upgrade	4,831,000		4,831,000
Purchased County Library	4,000,000		4,000,000
<i>Phoenix</i>			
Remodel Hannelly Student Center	768,000	9,441,000	10,209,000
New Fine Arts Building & Maintenance Complex	13,468,000		13,468,000
Parking Garage	6,893,000		6,893,000
Central Plant Upgrade	2,396,000		2,396,000
<i>Rio Salado</i>			
Remodel Rio Tower Building	3,114,000	161,000	3,275,000
New Testing Center-Northeast	0	3,800,000	3,800,000
New Testing Center	0	3,800,000	3,800,000
Communiversity w/ Surprise	9,553,000	117,000	9,670,000
Remodel Hohokam Building	1,686,000		1,686,000
Education Center-Avondale	2,420,000		2,420,000
Expand and Remodel Sun Cities Campus	2,778,000		2,778,000
Purchase Hohokam Building	14,142,000		14,142,000
<i>Scottsdale</i>			
New Student Center	0	5,000,700	5,000,700

New General Purpose Classroom Building	0	3,500,000	3,500,000
Building Remodel for Technology	2,983,000	417,000	3,400,000
New Physical and Life Science Lab Building	18,100,000	3,030,000	21,130,000
Water Processing Plant Upgrade	4,486,000		4,486,000
Central Plant Upgrade	1,599,000		1,599,000
<i>South Mountain</i>			
New Community Library & Learning Resource Center	1,375,000	17,550,000	18,925,000
Upgrade Central Plant/ Expand Receiving Area	4,355,000	16,000	4,371,000
Expand Guadalupe Center	1,710,000		1,710,000
<i>District-Wide</i>			
Purchase and Remodel Disaster Recovery Center	2,497,904	5,906,000	8,403,904
Purchase and Remodel Emerald Point	2,770,000		2,770,000
Wood Street Warehouse	3,612,554		3,612,554
<i>Subtotal - Construction Projects</i>	<i>299,202,707</i>	<i>167,084,451</i>	<i>504,268,158</i>
<u>Additional Project Costs</u>			
Land Acquisition	19,000,000		
District-Wide Maintenance & Regulatory Compliance	31,884,040	22,915,549	
District-Wide Occupation Programs	26,935,259	15,000,000	
Purchase & Upgrade Technology Equipment	53,247,994	15,000,000	
<i>Subtotal - Additional Project Costs</i>	<i>131,067,293</i>	<i>52,915,549</i>	
TOTAL	\$430,270,000	\$220,000,000	



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February 12, 2009

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



**Re: Request for Placement on Joint Committee on Capital Review Agenda
in February 2009**

Dear Senator Pearce:

The Maricopa County Community College District requests a review of its Series C General Obligation bond issuance at the February 2009 meeting of the Joint Committee on Capital Review (JCCR). This memorandum provides you and JLBC staff with information on the capital initiative that was approved by 76% of Maricopa County voters on November 2, 2004.

The District's request for a review by JCCR is a follow-up to a June 22, 2004 review of the District's 2004 \$951.4 million capital program at which time JCCR requested that the District share information with the committee before issuing General Obligation bonds that finance the program, if the initiative was approved by the voters.

This is the third of five planned bond issuances. Series A was favorably reviewed by JCCR on February 9, 2005 and Series B was favorably reviewed on January 23, 2007. To meet funding requirements for the projects developed under this program, our timetable assumes that we will complete the issuance with an award to purchase and sell the bonds on March 24 and close this sale in early April 2009.

Thank you for your consideration.

Sincerely,

Rufus Glasper, Ph.D., CPA
Chancellor

cc: Honorable John Kavanaugh
Mr. Richard Stavneak, JLBC

A Community of Colleges...Colleges for the Community

Chandler-Gilbert | Estrella Mountain | GateWay | Glendale | Mesa
Paradise Valley | Phoenix College | Rio Salado | Scottsdale | South Mountain | Skill Centers

The Maricopa County Community College District is an EEO/AA institution

MARICOPA COMMUNITY COLLEGE DISTRICT 2004 CAPITAL DEVELOPMENT BOND PROGRAM

- Series A: \$190,270,000 Update
- Series B: \$240,000,000 Update
- Series C: \$220,000,000 Plan

Bond Financing Overview

The Maricopa County Community College District (MCCCD) is preparing to issue the third portion of the \$951,359,000 principal amount authorized by the voters in the general election held on November 2, 2004. After the sale of the Series C bonds totaling \$220,000,000, the District will have \$301,089,000 of authorized but unissued general obligation bonds. Previous issues include Series A of \$190,270,000 in 2005 and Series B of \$240,000,000 2007.

The Maricopa Community Colleges received very favorable bond ratings for the first series and an even higher rating for the second. The MCCCD is one of only two community college districts with a triple "A" rating from all three national rating agencies. The high bond ratings helped Maricopa obtain a lower interest rate. The net interest cost for the debt issue was 3.83 percent for Series A and 3.93 percent for Series B. The advantage to tax payers is that lower interest rates result in lower secondary property tax rates.

The bond rating agencies, Standard & Poor's, Moody's, and Fitch each have their own approach to rating criteria, but generally consider four factors: economy, debt, financial

performance, and management. Since the District cannot change the economy, it is imperative to demonstrate competence in the remaining areas. Financial performance includes more than an examination of Maricopa's Comprehensive Annual Financial Report. The rating agencies consider budget and financial planning, accounting & reporting methods and historical operating trends. Cautious financial policies that support timely and accurate accounting, reporting, and oversight procedures are indicators of credit strength. Financial performance is linked to the analysis of debt and requires demonstration that the issuance of debt does not place an undue burden on resources.

Current Ratings for GO Bonds

- Moody's Aaa (Highest Rating)
- Fitch AAA (Highest Rating)
- S&P AAA (Highest Rating)

Management/Administrative factors address the ability of key decision makers to implement timely and sound financial decisions in response to economic and fiscal demands. Strong management signifies the ability to set priorities and direct resources to accomplish desired goals. Administrative factors affect the analysis of debt since the demonstrated ability to adhere to long range financial plans is considered an indicator of good forecasting and planning necessary to manage future debt.

Capital Planning and Administrative Oversight

Each of the ten Maricopa Colleges spent years preparing facilities master plans, meeting with their communities, planners and their faculty and staff members. The college presidents and the administration agreed on a capital development master plan for the entire district and colleges received an allocation of bond funds consistent with their plans.

College Presidents, in consultation with their respective campus and community constituencies, set campus construction priorities and then worked with the Facilities Planning and Development Department at the district office to develop these capital projects. The Facilities Planning and Development Department coordinates and oversees the capital development program at all colleges, including individual project processes for conceptual approval, design, construction, finishing and occupancy. It provides administrative and budgetary controls for projects and works closely with the Maricopa District's Budget and Financial Planning Office and Office of Financial Services and Controller to monitor actual project spending the total program.

Additional oversight is provided by the Capital Development Advisory Council (CDAC). The CDAC is designated by the MCCCCD Governing Board to review and approve capital development projects and to approve guidelines for project administration and management. Upon favorable review by the Advisory Council, projects move to the Governing Board for final approval. The Governing Board must directly approve all of the following:

- Capital Development Programs
- Conceptual stage approval for capital development projects with a budget greater than \$500,000;
- Selection of, and recommendations for award to architectural or engineering firms for capital development projects with a budget greater than \$500,000
- All intergovernmental agreements relating to real property, granting of easements, and purchases or sales of real property.
- All of the following with a value greater than \$100,000: construction contracts; maintenance contracts; contract change orders with individual items exceeding \$100,000; and procurement of furniture, fixtures, and equipment associated with capital development projects with individual items exceeding \$100,000.
- Contract change orders with time extensions exceeding 60 days.

General Obligation Bonds carry a heavy responsibility to the voters to use the funds provided in accordance with the intended purposes clearly outlined in the bond language and related documents. The Office of Financial Services and Controller has established a means within Maricopa's accounting system to track total General Obligation bond expenditures over the life of the bond. Each bond supported capital project receives a unique project number which enables detailed expenditure reporting on a project by project basis. In addition to the restrictions placed on the use of capital funds by state statutes, ARS 15-1465 specifically prohibits the use of General Obligation Bond Funds for operational costs. The Office of Financial Services and Controller monitors

expenditures to ensure the appropriate use of funds related to technology acquisition. The Governing Board receives a quarterly update of bond expenditures.

Finally, the Office of the Auditor General performs an annual financial audit of MCCCCD's Financial Statements.

In MCCCCD's most recent audit opinion dated December 15, 2008, the Auditor General states that, *"In our opinion, based on our audit and the report of the other auditors, the financial statements.... present fairly, in all material respects, the respective financial position of the business-type activities and discretely presented component unit of the Maricopa County Community College District as of June 30, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year that ended in conformity with U.S. generally accepted accounting principles."*

Inflation

The Maricopa Community Colleges plan, finance, and manage capital development programs quite differently than Arizona's public universities. The MCCCCD plans for a ten year capital development program for ten colleges that, in part, includes the following: new building construction and remodeling projects at each of the colleges and centers with the required furnishings, equipment, and technology. Meanwhile Arizona universities typically plan for and issue bonds for single individual building construction projects.

One of the major differences between capital development at the public universities and the MCCCCD is the planning for construction inflation. Since the universities plan for a single capital project, they can incorporate a current, realistic inflation factor in their project budget. On the other hand, the Maricopa Community Colleges are more vulnerable to the impacts of inflation because capital development programs are planned for a ten year period.

Until a few years ago, the rate of inflation in the construction industry has consistently averaged about 2.5 percent to 3 percent per year. In late 2003 when the Maricopa Community Colleges completed their planning for their ten year 2004 capital development program, we assumed and included in projects an inflation rate of 3.5 percent per year. However, in early 2004 the rate of construction inflation started to accelerate at record levels. The National Construction Cost Index has reported that construction inflation in 2004 was nine percent (9 percent), and in 2005 it was eight percent (8 percent). During 2006 construction inflation was running at about one percent per month.

Although the current widespread economic recession will halt runaway construction inflation for the future, the historically high rates will leave a significant impact on the Maricopa Community Colleges' ten year 2004 capital development program. As an example Glendale Community College North at 59th Avenue and Happy Valley Road had an initial budget of \$23 million which was established late in 2003. By the time the project was bid, the cost grew to \$25.4 million while the square footage constructed was

reduced from 87,900 to 67,700 square feet. Other colleges have responded to the inflation induced budget shortfalls by (a) transferring project funds from furnishings and technology to the construction budget or (b) reducing the quality of building systems or finishes in order to have more capital funds for the new space and academic programs. The latter tactic will, of course, lead to lower operating efficiency over the long run.

The most common reaction by the Maricopa Community Colleges to construction inflation is to transfer capital bond funds from later projects to earlier projects, which have a higher priority. This means that the later projects will be reduced significantly in scope or eliminated entirely due to insufficient funds. The community colleges currently receive no Capital State Aid and have no outside revenue sources with which to subsidize bond projects and make up for shortfalls related to inflation. The table below provides an example of the impact inflation has had to date on the 2004 Capital Bond Program.

College	Project(s)	Original & Adjusted Budget	Original Space & Adjusted sqft
CGCC	Classrm, Science Bldg	\$14.6→\$17.9 mil	51,300→46,500
EMCC	Modular Classrooms	\$4.1→\$5.9 mil	34,100→33,000
GCC N	New Campus	\$23.9→\$25.4 mil	87,900→67,700
GCC	New Life Science Bldg	\$24.0→\$26.0 mil	73,300→61,900
PVCC	New Life Science Bldg	\$11.7→\$17.4 mil	28,700 →38,500
SCC	New Science Bldg	\$16.5→\$23.8 mil	50,000→47,400
SMCC	New Library, Remodel LRC	\$19.1 mil	49,000 new →27,000 remodel 29,000 new→25,000 remodel

Construction Schedule and Tax Rates

Original planning for the 2004 Capital Bond Program anticipated bond issues in five equal installments of \$190.3 million every two years. Not long after the Series A issue and construction costs began climbing at an alarming rate, MCCCDD reevaluated construction scenarios and considered the feasibility of speeding up the construction schedule. This would address some concerns about inflation. Equally significant is that this acceleration will relieve pent up demand for instructional and support space, allowing colleges to serve more students and to serve them in more appropriate facilities. The revised bond issue plan anticipated five installments, about every two years as follows: \$190.3m (Series A, 2005); \$240.0m (Series B, 2007); \$260.0m; \$210m, and \$51.1m. In preparation for the Series C issue the District will fine tune the bond issue plan, reducing the third issue to \$220m so that the remaining issues will be: \$220m, \$250m and \$51.1m.

An important factor in the size and timing of the bond issue is the impact on tax rates compared to the estimates provided in the voter pamphlet for the November 2, 2004 election. According to the bond pamphlet, "Estimated average annual tax rate per \$100 of Secondary Assessed Valuation: \$0.1583". Notwithstanding the more aggressive schedule, the estimated average annual tax rate per \$100 of Secondary Assessed

Valuation is \$0.1550. Table 1 provides the detail estimate of the debt service and projected tax rate for the revised bond issue plan as compared to the 2004 voter pamphlet. Table 2 shows the estimated debt retirement schedule for the five planned bond issues at the revised amounts. One reason for the lower rate is that the District's favorable bond rating helped secure very favorable interest rates of 3.83 percent and 3.93 percent for Series A and Series B, respectively, versus an assumed rate in the pamphlet of 6 percent. As the housing market stabilizes and property values decline, tax rates will increase. The MCCCCD will continue working to maintain a good bond rating, favorable interest rates, and a tax rate that does not exceed estimated average tax rate of \$0.1538.

Land Acquisition

Obtaining land to serve as sites for future Maricopa Community Colleges was an important part of the bond issue. The MCCCCD planned \$19 million to purchase land in three areas: Southwest Phoenix/Laveen; Surprise/Peoria; and Goodyear/Buckeye. Purchases were planned to occur as part of the Series A bond issue in order to take advantage of low prices on multi-acre land parcels needed for community college sites. The MCCCCD has successfully procured the following three land parcels listed below.

- 43 acres in Laveen (55th Avenue and Southern) for \$8 Million
- 80 acres in Buckeye (Southern and Turner) for \$5 Million
- 90 acres in Surprise (203rd Ave and Grand) for \$6 Million

District Wide Projects

The 2004 bond program also includes funding for the utility infrastructure, roads, parking, and major maintenance on building systems that is required to support the regular and efficient use of the community college facilities. The actual work, which is related to these items, is scheduled as needed and it will occur during the entire ten years of the 2004 bond program.

Technology

The 2004 capital bond program includes funding to procure, install, and implement the various components and systems for technology needs over the next ten years for the colleges. These include the following for academic instruction, student services, and administrative functions: hardware, software programs, distribution equipment and infrastructure, audio/visual equipment and devices, networking, computing and telecommunications, and the requisite security measures for all of the foregoing.

The Information Technology Council is responsible for receiving project requests, analyzing them, prioritizing among them, and allocating funds for bond-related technology projects. Included with these activities related to funding, the Council has three additional responsibilities. They engage in strategic planning; they advocate/promote appropriate technological standards for the District; and they sponsor projects as an out-growth of the development of emerging standards.

Bond Update and Series C Plan

Provided in Table 3 is an update of the Series A and B bond issue as well as the plan use for Series C. Tables 4 and 5 address construction projects status and the planned gross square footage. As both tables indicate, individual projects may receive support from more than one bond issue.

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
GENERAL OBLIGATION BOND PROGRAM - ELECTION OF 2004

Fiscal Year	Secondary Assessed Value	SAV Growth Factor	Existing GO Bond Debt Service	Projected Tax Rate	2004 General Obligation Bond Election					Total New Debt Service	Projected Tax Rate 2004 Bond Program	Voter Pamphlet Projected Tax Rate	Difference in Projected Tax Rate	Aggregate Debt Service (Existing + New)	Aggregate Tax Rate
					Series A (2005) ⁽¹⁾	Series B (2007) ⁽²⁾	Series C (2009) ⁽³⁾	Series D (2011) ⁽⁴⁾	Series E (2013) ⁽⁴⁾						
2005	\$30,699,143,046	-	\$35,551,800	\$0.1161											
2006	33,197,218,398	-	30,017,413	0.0904	\$16,401,590	-	-	-	-	\$16,401,590	\$0.0494	0.0655	(0.0161)	\$46,419,003	\$0.13983
2007	36,294,691,601	-	30,425,663	0.0838	36,942,375	-	-	-	-	36,942,375	0.1018	0.1188	(0.0170)	67,368,038	0.18561
2008	49,514,573,831	-	29,380,975	0.0593	19,042,375	\$27,193,926	-	-	-	46,236,301	0.0933	0.1142	(0.0209)	75,617,276	0.15266
2009	58,305,635,287	-	10,289,825	0.0520	36,127,375	49,279,225	-	-	-	65,406,690	0.1122	0.1620	(0.0498)	95,696,425	0.16413
2010	\$7,984,051,718	-	31,720,081	0.0547	36,023,375	19,979,225	\$26,186,047	-	-	62,288,647	0.1074	0.1571	(0.0497)	94,008,728	0.16213
2011	\$6,244,530,166	-3.000%	33,964,650	0.0604	15,931,775	19,729,225	21,631,838	-	-	57,114,838	0.1019	0.2043	(0.1023)	91,279,488	0.16229
2012	\$6,244,530,166	0.000%	33,469,700	0.0595	15,856,575	17,405,475	8,263,838	\$17,187,500	-	58,113,388	0.1044	0.2009	(0.0965)	92,183,088	0.16390
2013	\$7,186,063,601	1.674%	14,743,325	0.0258	15,801,575	19,540,475	22,498,838	20,750,000	-	78,590,888	0.1374	0.2457	(0.1083)	93,334,213	0.16321
2014	\$8,143,358,306	1.674%	10,555,025	0.0182	15,755,375	19,577,125	22,500,613	20,365,000	\$5,576,675	83,774,788	0.1441	0.2417	(0.0976)	94,329,813	0.16224
2015	\$9,116,678,124	1.674%	11,243,925	0.0190	15,716,575	19,645,125	22,498,050	19,980,000	5,575,640	83,415,890	0.1411	0.2377	(0.0966)	94,659,815	0.16012
2016	\$10,106,291,316	1.674%	15,693,375	19,719,638	22,501,650	30,380,000	5,573,740	93,870,403	0.1562	0.2338	(0.0776)	93,870,403	0.15617		
2017	\$11,112,470,633	1.674%	15,662,575	19,759,713	22,500,650	30,381,825	5,572,540	93,877,303	0.1536	0.2299	(0.0763)	93,877,303	0.15361		
2018	\$12,135,493,391	1.674%	15,626,288	19,801,263	22,499,250	30,379,750	5,576,440	93,882,990	0.1511	0.2261	(0.0751)	93,882,990	0.15109		
2019	\$13,175,841,550	1.674%	15,596,625	19,928,663	22,498,463	30,381,025	5,574,540	93,979,315	0.1488	0.2224	(0.0737)	93,979,315	0.14876		
2020	\$14,233,201,790	1.674%	-	20,018,450	22,496,838	30,382,350	5,571,540	78,469,178	0.1222	0.1714	(0.0492)	78,469,178	0.12216		
2021	\$15,308,465,588	1.674%	-	20,347,650	22,498,988	30,380,425	5,571,840	78,798,903	0.1207	0.1686	(0.0479)	78,798,903	0.12066		
2022	\$16,401,729,302	1.674%	-	-	22,498,113	30,381,950	5,574,540	58,454,603	0.0880	0.1243	(0.0361)	58,454,603	0.08803		
2023	\$17,513,294,250	1.674%	-	-	22,501,500	30,383,075	5,573,740	58,458,315	0.0866	0.1223	(0.0357)	58,458,315	0.08659		
2024	\$18,641,466,796	1.674%	-	-	-	30,379,950	5,573,840	35,953,790	0.0524	0.0802	(0.0278)	35,953,790	0.05238		
2025	\$19,792,558,430	1.674%	-	-	-	30,378,725	5,573,940	35,952,665	0.0515	0.0789	(0.0274)	35,952,665	0.05151		
2026	\$20,960,885,858	1.674%	-	-	-	-	5,573,140	5,573,140	0.0079	0.0388	(0.0309)	5,573,140	0.00785		
2027	\$22,148,771,088	1.674%	-	-	-	-	5,574,540	5,574,540	0.0077	0.0381	(0.0304)	5,574,540	0.00773		
Total			\$291,362,381		\$246,180,128	\$311,925,276	\$303,696,672	\$382,891,575	\$78,036,695	\$1,321,930,445					

(1) Interest for the Series A (2005) Bonds is actual. For FY 2006, the interest shown is net of accrued interest (\$643,766.67) and Net Interest Premium of (\$3,214,674.20).

(2) Interest for the Series B (2007) Bonds is actual. For FY 2008, the interest shown is net of accrued interest (\$248,855.63).

(3) Interest for the Series 2009 is assumed at current market interest rates as of January 27, 2009 plus 100 basis points which produces at TIC of 4.41%.

(4) Interest for the Series 2011 is assumed at an annual rate of 5.50% and for the Series 2013 Bonds at an annual rate of 6.00%.

Average Tax Rate \$0.1018 \$0.1583

WORKING SERIES C 2009 BOND SALE (2/12/2009)

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT GENERAL OBLIGATION BOND PROGRAM - ELECTION OF 2004													
Fiscal Year	2/1/2005		4/1/2007		4/1/2009		4/1/2011		4/1/2013		Principal	Total	
	Series A (2005)		Series B (2007)		Series C (2009)		Series D (2011)		Series E (2013)			Interest	Debt Service
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest			
2005													
2006	\$10,000,000	\$6,401,590									\$10,000,000	\$6,401,590	\$16,401,590
2007	30,000,000	6,942,375									30,000,000	6,942,375	36,942,375
2008	13,000,000	6,042,375	\$15,000,000	\$12,193,926							28,000,000	18,236,301	46,236,301
2009	10,475,000	5,652,375	40,000,000	9,279,225							50,475,000	14,931,600	65,406,600
2010	10,790,000	5,233,375	12,500,000	7,479,225	\$15,000,000	\$11,286,047					38,290,000	23,998,647	62,288,647
2011	11,130,000	4,801,775	12,750,000	6,979,225	13,000,000	8,653,838					36,880,000	20,434,838	57,314,838
2012	11,500,000	4,356,575	11,000,000	6,405,475	0	8,263,838		\$17,187,500			22,500,000	36,213,388	58,713,388
2013	11,905,000	3,896,575	13,630,000	5,910,475	14,235,000	8,263,838	\$7,000,000	13,750,000			46,770,000	31,820,888	78,590,888
2014	12,335,000	3,420,375	14,280,000	5,297,125	14,735,000	7,765,613	7,000,000	13,365,000	\$1,745,000	\$3,831,675	50,095,000	33,679,788	83,774,788
2015	12,790,000	2,926,975	14,955,000	4,690,225	15,285,000	7,213,050	7,000,000	12,980,000	2,615,000	2,960,640	52,645,000	30,770,890	83,415,890
2016	13,280,000	2,415,375	15,665,000	4,054,638	15,900,000	6,601,650	17,785,000	12,595,000	2,770,000	2,803,740	65,400,000	28,470,403	93,870,403
2017	13,795,000	1,867,575	16,410,000	3,349,713	16,535,000	5,965,650	18,765,000	11,616,825	2,935,000	2,637,540	68,440,000	25,437,303	93,877,303
2018	14,345,000	1,281,288	17,190,000	2,611,263	17,195,000	5,304,250	19,795,000	10,584,750	3,115,000	2,461,440	71,640,000	22,242,990	93,882,990
2019	14,925,000	671,625	18,005,000	1,923,663	17,925,000	4,573,463	20,885,000	9,496,025	3,300,000	2,274,540	75,040,000	18,939,315	93,979,315
2020			18,860,000	1,158,450	18,730,000	3,766,838	22,035,000	8,347,350	3,495,000	2,076,540	63,120,000	15,349,178	78,469,178
2021			19,755,000	592,650	19,575,000	2,923,988	23,245,000	7,135,425	3,705,000	1,866,840	66,280,000	12,518,903	78,798,903
2022					20,455,000	2,043,113	24,525,000	5,856,950	3,930,000	1,644,540	48,910,000	9,544,603	58,454,603
2023					21,430,000	1,071,500	25,875,000	4,508,075	4,165,000	1,408,740	51,470,000	6,988,315	58,458,315
2024							27,295,000	3,084,950	4,415,000	1,158,840	31,710,000	4,243,790	35,953,790
2025							28,795,000	1,583,725	4,680,000	893,940	33,475,000	2,477,665	35,952,665
2026									4,960,000	613,140	4,960,000	613,140	5,573,140
2027									5,259,000	315,540	5,259,000	315,540	5,574,540
Total	\$190,270,000	\$55,910,228	\$240,000,000	\$71,925,276	\$220,000,000	\$83,696,672	\$250,000,000	\$132,091,575	\$51,089,000	\$26,947,695	\$951,359,000	\$370,571,445	\$1,321,930,445

Average life = 7.651 years

Average life = 7.633 years

Average life = 8.632 years

Average life = 9.607 years

Average life = 8.791 years

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT

Project Description

College & Project Description	Completed Size and Budget	Bond Issue	Notes
PROJECTS IN CONSTRUCTION (Need Funding from Series C to Complete)			
CGCC Classroom Bldg (Ironwood Hall) Size in gsf (new) Total budget	57,573 \$17,918,000	B&C	Project was in response to continuing enrollment growth for this Southeast Valley location. This new facility provides new science labs, general purpose classrooms, meeting rooms, and student support space to provide a facility that meets the requirements of our students. Anticipated completion date for the new facility is Spring 2010.
CGCC Williams Campus (Bridget Hall) Size in gsf (new) Total budget	17,000 \$7,050,000	B&C	This new building will provide needed multipurpose space to the expanding Williams Campus including a Learning Commons, Student Services Area and a Student Activity Center. This project will be a major step in developing a comprehensive campus that enhances the learning environment. Anticipated completion date for this project is fall 2010.
CGCC Williams Campus (Baylor Hall) Size in gsf (remodeled) Total budget	10,000 \$1,398,000	B&C	This project will renovate the existing Fire Science and General Science Buildings to provide facilities suitable to meet current program needs. A student common area will be created that will functionally join the two buildings to create a single complex. Anticipated completion date for the project is Fall 2009.
EMCC Occupational Programs Bldg Size in gsf (new) Size in gsf (remodeled) Total budget	25,584 3,000 \$12,744,000	B&C	This project will provide classrooms, labs and updated equipment for Occ Ed and Allied Health programs as well as general purpose classrooms. This building was designed to accommodate growth in instructional divisions as well as provide an upgraded Computer Technology area. Also included in this project are a flex lab for phlebotomy and nursing as well as a new testing center. Anticipated completion date for the new facility is Spring 2010.
EMCC Receiving Expansion Size in gsf (new) Size in gsf (remodeled) Total budget	5,850 1,600 \$1,760,000	B&C	This project will provide the growing campus with additional receiving and maintenance space to include equipment storage and office space. Anticipated completion date for this project is winter 2010.
GCC Classroom Building (Public Safety) Size in gsf (new) Total budget	22,200 \$11,026,000	A&B&C	Project provides needed classrooms for the following education programs: EMT, fire, & police training. It also will include meeting rooms and student support space to enhance the learning environment. Anticipated completion date for the new facility is Spring 2010.
GCC Business and IT Bldg Remodel Size in gsf (remodeled) Total budget	17,000 \$4,611,000	B&C	This project will remodel classrooms, update equipment, provide a commuter commons, and add admin service space. Anticipated completion date for the new facility is Winter 2009.
MCC Nursing and Exercise Science Size in gsf (remodeled) Total budget	22,000 \$7,321,000	B&C	This project will renovate three existing buildings to provide additional lecture space, student workrooms, and student support space. This project also includes learning resource and simulation labs for the nursing program. Anticipated completion date for this project is early 2010.
MCC Red Mountain Classroom Bldg Size in gsf (new) Size in gsf (remodeled) Total budget	42,870 3,580 \$19,735,000	A&B&C	Project provides general classrooms, meeting rooms, and student support space. Existing science labs will be renovated for other science disciplines. Anticipated completion date for the new facility is Fall 2009.
PVCC Building Remodel Size in gsf (remodel purchased building) Purchase Price Remodel Budget Total budget	56,617 \$4,000,000 <u>\$16,515,000</u> \$20,515,000	A&B&C	This multi-phase remodeling project will convert the former county library to a general classroom building complete with student support areas. Anticipated completion date for this project is Fall 2010.
PVCC North/ YMCA Project Size in gsf (new) Total budget	10,000 \$3,193,000	B&C	This joint project with the Valley of the Sun YMCA and Foothills Community Center will allow us to share a building complex with the Desert Foothills YMCA to meet the overall needs of the community. Our portion of the building will include classrooms, student common space and admin space. Anticipated completion date for the new facility is Fall 2009.
PVCC New Life Science Lab Bldg Size in gsf Total budget	38,479 \$17,392,000	A&B&C	Project will redesign old county library to meet educational program needs. Facility will be updated with life science classrooms, labs and student support space. Part of this building is still occupied by a Charter School which will not be included in the remodeling project. Anticipated completion date for the new facility is Fall 2009.
PC Hannely Center Size in gsf (new) Size in gsf (remodeled) Total budget	13,000 47,000 \$24,490,000	B&C	This project will consolidate student services into one area, build a new career center, and update the Cafeteria. Additionally, part of the remodeling phase of this project includes the creation of an outdoor learning center and student common area. It is anticipated that the expansion phase will be completed during summer 2011 and the entire project should be completed by winter 2012.
RSCC RIO Tower Remodel Size in gsf (remodeled) Total budget	78,100 \$3,275,000	A&B&C	Several small, diverse projects to update current building (6 floors) and revise space to educational uses as certain administrative functions moved to the Hohokam Building.
RSCC Communiversity Size in gsf (new) Total budget	26,977 \$9,670,000	B&C	This is a joint project with the City of Surprise and will include other post-secondary education providers and partners. RSCC will operate the facility offering certificate and associate degree programs. Anticipated completion date for the new facility is Winter 2009.
SCC New Phys & Remodel Life Sci Labs Size in gsf (new) Size in gsf (remodeled) Total budget	47,457 22,390 \$21,130,000	A&B&C	Project provides life science, physical science and chemistry classrooms, labs and student support space. Anticipated completion date for the new facility is April 2009 with the remodeling to be completed by January 2010.
SCC Building Renovation Size in gsf (remodeled) Total budget	15,993 \$3,400,000	B&C	This project will completely renovate the existing building and transform it to an Information Technology Center for students and the college. Anticipated completion date for this project is late Summer 2009.

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
Project Description

College & Project Description	Completed Size and Budget	Bond Issue	Notes
SMCC Maintenance Office			
Size in gsf (new)	2,049	A&B&C	This project will expand the central receiving area, provide additional storage, and remodel the maintenance offices. Funding is include in SMs Central Plant project that is part of the District Wide Central Plant Upgrade initiative. Antedated completion date is fall 2009.
Size in gsf (remodeled)	2,382		
Total budget	See Central Plant Project		
SMCC Community Library (Phase 1)	34,000	B&C&D	This is a joint project with the city of Phoenix to build a new community library and learning resource center. Anticipated completion date for this project phase is early summer 2011.
Size in gsf (new)	\$19,112,000		
Total budget			
Remodel Existing Library (Phase 2 & 3)	16,000	B&C&D	Once the new community library completed, phase 2 of this project will remodel the existing library to provide additional classrooms and a learning center. Phase 3 will add apx 300 to 500 parking spaces. Anticipated completion date for the entire project is early spring 2012.
Size in gsf (remodeled)	\$8,020,000		
Total budget			
MCCD Disaster Recovery Center			
Size in gsf (remodel purchased building)	7,307	A&B&C&D	This remodeling project will project will convert this facility to a back up data center and disaster recovery center for the MCCCD Computer systems. Anticipated completion date for this project is Fall 2009.
Purchase Price	\$1,997,904		
Remodel Budget	\$5,406,000		
Total budget	\$7,403,904		
System Wide Central Plant Upgrade			
Size in gsf	None	A&B&C	Project will consists of three phases to expand/modernize all central plant operations. This project is needed to increase capacity to offset additional demands resulting form new buildings as well as updating/ replacing existing equipment. Upgrades at several sites have been complete and it is anticipated that the remainder of sites (PV, EM, GW) will be completed by the end of 2010.
Total budget	\$25,373,000		

PROJECTS NEAR INITIATION (will be started with Series C Funding)

CCGC Multi Purpose and Classroom Center			
Size in gsf (new)	75,000	C&D	The anticipated scope of this project is to provide space for students to learn about the following areas: health care/nutritional regiments, exercise science, health science, and performance management. The facility will provide classrooms, a student common area for group learning and student activities, as well space required to teach concepts related to the program areas. Anticipated completion date for this project is late 2011/ early 2012.
Total budget	\$26,290,000		
Anticipated Governing Board Approval	Apr-2009		
EMCC Estrella Hall Expansion			
Size in gsf (new)	50,000	C&D	This project will provide mediated classrooms, a new computer commons, library, learning enhancement center, and general student support/ common areas. This "university center" will enhance transfer opportunities and be part of a comprehensive campus to serve the West Valley. Anticipated completion date for this project is late 2012 to early 2013.
Size in gsf (remodeled)	11,000		
Total budget	\$22,163,000		
Anticipated Governing Board Approval	Fall 2009		
GWCC Classroom and Library Complex			
Size in gsf (new)	80,000	C&D	The anticipated scope of this project is to provide a contemporary campus design to enhance the student learning experience. Specifically, this project will coordinate student services into a single location, provide a new library, new classrooms, and additional student common space to support group learning and student activities. Anticipated completion date of entire project is late 2012 or early 2013.
Total budget	\$44,500,000		
Anticipated Governing Board Approval	Summer -2009		
Maricopa Skill Center Expansion			
Size in gsf (new)	42,000		This project includes new classrooms and labs for Occupational Work Programs as well as upgrades and improvements for the existing facility which will include improved computer wiring and HVAC Systems. Anticipated completion date is sometime during Summer/Fall 2012.
Size in gsf (remodeled)	53,000		
Total budget	\$19,553,000		
Anticipated Governing Board Approval	Summer -2009		
GCC Renovation			
Size in gsf (remodeled)	84,000		This will be the final major project for the GCC Campus. This project will entail several remodeling projects throughout campus to update facilities, redesign space to meet existing and anticipated program needs, as well as provide additional student support areas. Anticipated completion date is early 2012.
Total budget	\$9,403,000		
Anticipated Governing Board Approval	Fall/Winter -2009		
MCC Language/ Liberal Arts			
Size in gsf (remodeled)	22,000	B&C	This project will remodel/redesign existing building to meet current/anticipated program needs as well provide upgrades/improvements to the structure. Anticipated completion date is sometime in Summer/Fall 2010.
Total budget Estimate	\$3,510,000		
Anticipated Governing Board Approval	Mar-2009		
MCC Property at Longmore and 60			
Size in gsf (remodel purchased building)	30,485		Property has been purchased with remodeling plans pending on outcome of curriculum programs that will be offered at the new site. Renovation's will likely occur in phases and anticipate the first phase to be initiated Fall 2009.
Purchase Price	\$3,908,000		
Remodel Budget	\$5,408,000		
Total budget	\$9,316,000		
Anticipated Governing Board Approval	Fall -2009		
RSCC Education Center			
Size in gsf (new)	12,000		Planned project is to build an education center. Details are currently being finalized with hope that project may start in next 6-12 months.
Total budget	\$3,800,000		
Anticipated Governing Board Approval	Summer -2009		
			Current goal is to build an additional testing center in the Northeast Valley
Size in gsf (new)	12,000		
Total budget	\$3,800,000		
Anticipated Governing Board Approval	Spring 2010		
SCC New Buildings			
Student Center			
Size in gsf (new)	29,000		Construct a new student center to serve as the hub of a comprehensive campus environment. Facility will include Food Service, student activity spaces, conference and meeting rooms, and a campus receiving are. Anticipated completion is Summer 2012.
Total budget	\$8,678,000		
Anticipated Governing Board Approval	Spring 2010		
General Classroom Building			
Size in gsf (new)	21,000		Facility will be a general purpose classroom building with final scope determined by available funding. Anticipated completion is Spring 2012
Total budget	\$5,356,000		
Anticipated Governing Board Approval	Late 2009, early 2010		

MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT
Project Description

College & Project Description	Completed Size and Budget	Bond Issue	Notes
PROJECTS COMPLETED			
CGCC Sun Lakes Expansion			
Size in gsf	6,000	A	Classroom Building completed in late 2006.
Total budget	\$1,965,000		
CGCC Jacaranda Hall			
Size in gsf (new)	3,991	B	Project included additional classrooms to meet continuing enrollment growth at Chandler Gilbert CC. We began using the facility in August 2008.
Total budget	\$1,000,000		
CGCC Williams Classroom Complex,			
Size in gsf (Classrooms)	28,659	A&B	Project provides general classrooms, healthcare classrooms, and a new central plant. This was the first major project in developing a comprehensive learning institution at the CCCC Williams Campus. We began using the facility in early January, 2009.
Size in gsf (Central Plant)	3,024		
Total budget	\$10,844,000		
EMCC Montezuma Sci Labs Remodel			
Size in gsf	20,100	A&B	Science Building and lab remodeling project completed in two phases - Phase 1 was completed in Jan 2007 and Phase 2 was completed in May 2007.
Total budget	\$5,285,000		
EMCC Modular Classrooms:			
Size in gross square feet	34,100	A	Classroom Building completed in January 2006.
Total budget in dollars	\$5,731,000		
GCC Life Sci Bldg			
Size in gsf (new)	62,046	A&B	Project provides educational space for the life science program to include classrooms, labs with contemporary equipment, and student support space. We began using the facility in August 2008.
Total budget	\$26,084,000		
GCC North Permanent Phase 1			
Size in gsf (new)	67,675	A&B	Project included additional classrooms, labs, student space and admin services. This is the first major expansion at this site and will be the foundation to provide a comprehensive campus for the Northwest Valley. We began using the facility in August 2008.
Total budget	\$23,754,000		
GCC Student Union Remodel			
Size in gsf new	2,916	A&B	Remodeled and expanded the student services center to additional meeting rooms and student space. We began using the new facility in Summer 2007.
Size in gsf remodel	26,272		
Total budget	\$4,799,000		
GCC Modular Building Purchase (Used)			
Size in gsf (new)	12,240	A	Project provided additional classrooms and was remodeled using non-bond sources. Purchase was completed Summer 2007.
Total budget	\$375,000		
MCC New S.W. Science Bldg			
Size in gsf (new)	64,480	A&B	Project included classrooms for math and science as well as lab space. We began using the facility in August 2008.
Total budget	\$20,647,000		
PC Parking Garage			
Size in gsf (new)	2,245	A&B	Project provided needed parking space and a safety office. The facility was utilized beginning August 2008.
Parking Spaces	300		
Total budget	\$6,893,000		
PC Fine Arts Bldg & Maint Complex			
Size in gsf (new)	26,798	A&B	Project provides classrooms, art studios as well as a new maintenance complex. We began using the facility in early January, 2009.
Size in gsf (remodeled)	9,840		
Total budget	\$13,468,000		
RSC Sun Cities Expansion, Remodel			
Size in gsf new	9,531	A&B	Remodeled existing facilities and added additional classrooms. We began using the facility in Summer 2007.
Size in gsf remodel	4,959		
Total budget	\$2,778,000		
RSCC Hohokam Dr Building			
Size in gsf	67,984	A&B	Purchase and remodeled building adjacent to RSCC in Tempe. Purchase was finalized in December 2006 with use beginning in summer 2007. Anticipate all remodeling work to be completed by Summer 2009.
Total budget	\$15,828,000		
RSCC Avondale Center			
Size in gsf (new)	12,170	A&B	Education Center includes classrooms, testing rooms and student services. We began using the facility in January 2008.
Total budget	\$2,420,000		
SCC Water Processing Project			
Size in gsf	None	A&B	Project was required to meet new EPA Regulations. Project completed during the fall of 2008.
Total budget	\$4,486,000		
SMCC Guadalupe Ctr Expansion			
Size in gsf new	4,953	A&B	Project included additional classrooms and student service space. We began using the facility in September 2008.
Size in gsf remodel	1,276		
Total budget	\$1,710,000		
DSSC Emerald Point Building			
Size in gsf (new)	42,400	A&B	Purchase and remodeled building adjacent to DSCC in Tempe. Purchase was finalized in January 2007 with remodeling completed in March 2008.
Total budget	\$2,750,000		

STATE OF ARIZONA

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DATE: February 17, 2009

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

THRU: Richard Stavneak, Director

FROM: Juan Beltran, Fiscal Analyst

SUBJECT: Arizona State Lottery Commission – Review of FY 2009 Building Renewal Allocation Plan

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona State Lottery Commission requests Committee review of its FY 2009 Building Renewal allocation plan for a new fire suppression system. Laws 2008, Chapter 289 appropriated \$68,000 from the State Lottery Fund to the Lottery Commission to fund 100% of the building renewal formula in FY 2009. In addition, the plan includes \$3,700 from the FY 2008 building renewal contingency allocation, which does not require Committee review.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the FY 2009 Building Renewal allocation plan. The proposed expenditure plan is consistent with building renewal requirements.

Analysis

Laws 2008, Chapter 289 appropriated a total \$68,000 in FY 2009 from the State Lottery Fund to the Lottery Commission to be used for major maintenance and repair activities in accordance with A.R.S. § 41-793.

The Lottery Commission operates out of 2 facilities; a 38,600 square foot state-owned building in Phoenix and a 3,080 square foot leased building in Tucson. The Phoenix facility includes administrative offices and a ticket and redemption section. This request pertains to the Building Renewal of the Phoenix facility only.

(Continued)

The Lottery Commission plans to use its \$68,000 FY 2009 allocation and \$3,700 from the FY 2008 contingency allocation on the following project:

Fire Suppression System	
Optional complete re-piping of the distribution network	\$23,700
1 clean agent hardware replacement cylinder, manifold and nozzles	19,600
1 control system to replace existing control panel and field devices	18,400
1 early warning smoke detection system for each additional critical area	<u>10,000</u>
Total	\$71,700

These cost estimates were obtained from vendor quotes solicited by the Arizona Department of Administration and historical data.

The Lottery Commission requests to install a new fire suppression system with improved environmental and safety standards. The requested system contains an intelligent controller, an early warning smoke detection system, and a fire suppression clean agent. The current fire suppression system was installed in 1987, but a survey conducted in March 2006 concluded that their current system is inadequate for fire suppression since it releases a hazardous chemical agent to extinguish the fire without the use of water. The Lottery Commission reports that at the time it was the preferred chemical agent for that environment.

RS/JB:sls

Janice K. Brewer
Governor



J. Art Macias, Jr.
Executive Director



January 27, 2009

Senator Russell K. Pearce, Chairman, JCCR
Arizona House of Representatives
1700 West Washington St.
Phoenix, AZ 85007

Re: Request for Placement on Joint Committee on the next scheduled Capital Review Agenda

Dear Senator Pearce:

The Arizona Lottery respectfully requests placement on the next scheduled agenda of the Joint Committee on Capital Review to present the FY 2009 Building Renewal expenditure plan. A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies.

Information for this item is enclosed.

Sincerely,

J. Art Macias, Jr.
Executive Director

Enclosure

Cc: Representative John Kavanagh, Co-Chairman JCCR
Mr. Richard Stavneak, Director, JLBC
Mr. Juan Beltran, Lottery Budget Analyst, JLBC
Mr. Patrick Makin, Lottery Budget Analyst, OSPB

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**The Arizona Lottery Building Renewal Funds
Fiscal Year 2009 Allocations Plan**

Background

The Arizona Lottery operates out of two facilities. A 38,600 sq. ft. building, constructed in 1987, owned by the State of Arizona in Phoenix, and a 3080 sq. ft. leased building in Tucson. The Phoenix facility includes the administrative offices, as well as a ticket sales and redemption section. The Tucson office provides space for the district sales manager and ticket sales and redemption. Maintenance of the Tucson facility is included as part of that lease agreement. This report provides information on proposed maintenance expenses for the Phoenix facility.

As part of the FY2009 Approved Budget, the Arizona Lottery received a Capital Outlay Appropriation of \$68,000 from the State Lottery Fund to the Arizona Lottery Commission for building renewal.

Total FY2009 Capital Expenditure Budget Allocation:	\$ 68,000
Proposed FY2009 Expenditures:	\$ 71,742
FY2008 Contingency	(+) \$ 3,742
	<u>\$ 0</u>

FY2009 Allocation Plan

The Arizona Lottery proposes the following capital expenditures in FY2009. The cost estimates were obtained from vendor quotes solicited by the ADOA construction services and historical data.

Description

The current fire suppression system was installed in 1987 and at the time was the preferred chemical agent for that environment. A survey conducted March 3rd, 2006 concluded the current Halon fire suppression system is inadequate for safe fire suppression. The current system deploys a chemical agent in the data center to distinguish fire without the use of water. When the chemical is released into the environment it immediately eliminates oxygen from the room and causes the fire to smother and extinguish. The release of the Halon is a hazard for employees who may be in the room at the time it is released.

Proposed Solution

The proposed solution is to install a new system with improved environmental and safety standards. The recommended system is a Fike® Cheetah Xi intelligent controller, along with early warning smoke detection and Fike® ECARO 25® fire suppression clean agent.

Principal Benefits

The Fike® ECARO 25® is people-safe, electrically non-conductive, environmentally safe, more effective pound-for-pound and more economical.

Cost Estimate Detail

QTY	EQUIPMENT DESCRIPTION	UNIT PRICE	AMOUNT
1	Fike ECARO25 Clean Agent Hardware Replacement Cylinder, Manifold and Nozzles. Includes Fike Interface Firing Module. (Assumes utilizing existing piping network)	19,624.00	19,624.00 0.00 0.00
1	Fike Cheeta Xi Control System to replace existing control panel and field devices. (Assumes utilizing existing conduit and wiring)	18,428.00	18,428.00 0.00 0.00
1	Vesda FOCUS Early Warning Smoke Detection System for each additional critical areas not currently protected by the Clean Agent Suppression Sys.	9,968.00	9,968.00 0.00
1	Optional Complete Re-Piping of the Distribution Network	23722.00	23722.00
	TOTAL:		\$71742.00

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KYRSTEN SINEMA

DATE: February 17, 2009

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

THRU: Richard Stavneak, Director

FROM: Juan Beltran, Fiscal Analyst

SUBJECT: Arizona Department of Administration – Consider Recommending Partial Rent
Exemption for the Department of Revenue

Request

A.R.S. § 41-792.01 authorizes the Director of the Arizona Department of Administration (ADOA), on recommendation from the Joint Committee on Capital Review, to grant a full or partial exemption from the payment of rental fees if the agency has vacated state-owned space. On behalf of the Department of Revenue (DOR), ADOA requests the Committee recommend a partial rent exemption of \$7,900 for the second half of FY 2009.

Recommendation

The JLBC Staff recommends that the Committee recommend the proposed exemption.

Analysis

DOR rents 10,929 square feet of state-owned office space at 402 West Congress in Tucson. The total FY 2009 rent is \$229,400. Effective January 1, 2009, DOR is vacating 756 square feet of space at the request of ADOA's Information Services Division (ISD). ISD is in the final stages of construction design to renovate the space into the state's off-Capital Mall disaster-recovery data center that supports the statewide business continuity plan. DOR does not plan to acquire any additional space.

Statute permits an agency to request an exemption from paying their full rent on state-owned space. These rent payments are deposited into the Capital Outlay Stabilization Fund, which helps defray building renewal expenses and ADOA operating costs.

DOR is seeking a partial rent exemption of \$7,900 for the second half of FY 2009. If recommended by the Committee, ISD would commence with the second half FY 2009 rent payments for the 756 square feet of vacated space beginning January 1, 2009 and would continue annual rent payments beginning in FY 2010.

RS/JB:sls

JANET NAPOLITANO
Governor



WILLIAM BELL
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 North Fifteenth Avenue, Suite 401
Phoenix, Arizona 85007

(602) 542-1500

January 14, 2009

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



Dear Representative Pearce:

The Arizona Department of Administration (ADOA) requests that the Joint Committee on Capital Review (JCCR) recommend the partial exemption of FY 2009 rent for the Arizona Department of Revenue (DOR).

DOR occupies office space in the state-owned building at 402 West Congress in Tucson. Effective January 1, 2009, DOR is voluntarily vacating 756 square feet of space at the request of the Information Services Division (ISD) so that ADOA can re-allocate the space to ADOA ISD. ISD is in the final stages of construction design to renovate the space into the state's off-Capital Mall disaster-recovery data center that supports the statewide business continuity plan.

Arizona Revised Statutes §41-792.01 provides that the rental fee authorized for state agencies occupying state-owned buildings is the greater of the amount included in each agency's annual operating budget or the pro rata amount based on actual occupancy. If a state agency does not occupy owned space after the beginning of the fiscal year, the Director of ADOA, on recommendation of JCCR, may authorize a whole or partial exemption from payment of the rental fee.

Based on the above authority, ADOA requests that JCCR recommend reducing DOR's second half of FY 2009 Capital Outlay Stabilization Fund (COSF) rent by \$7,946. ISD will commence with the second half FY 2009 COSF rent payments beginning January 1, 2009 and will continue annual rent payments beginning FY 2010.

If you have any questions please contact Lynne Smith, Assistant Director, General Services Division, at (602) 542-1427.

Sincerely,

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