

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

RUSSELL K. PEARCE
CHAIRMAN 2009
PAULA ABOUD
AMANDA AGUIRRE
SYLVIA ALLEN
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<http://www.azleg.gov/jlbc.htm>

HOUSE OF
REPRESENTATIVES

JOHN KAVANAGH
CHAIRMAN 2010
RICH CRANDALL
DAVID LUJAN
JOHN MCCOMISH
NANCY MCLAIN
DAVID SCHAPIRA
KYRSTEN SINEMA

**** REVISED ****

JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, March 23, 2010

8:00 A.M.

House Hearing Room 4

MEETING NOTICE

- Call to Order
- [Approval of Minutes of January 26, 2010](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [ARIZONA GAME AND FISH DEPARTMENT - Review of Flagstaff Shooting Range Land Acquisition.](#)
- 2. ~~MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT - Review of General Obligation Bond Issuance Project Changes.~~
- 2. [ARIZONA BOARD OF REGENTS - Review of Phoenix Biomedical Campus Projects.](#)

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

~~3/15/10~~

3/18/10

sls

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

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

Tuesday, January 26, 2010

The Chairman called the meeting to order at 8:05 am., Tuesday, January 26, 2010 in House Hearing Room 4. The following were present:

Members:	Representative Kavanagh, Chairman	Senator Pearce, Vice Chairman
	Representative Crandall	Senator Aboud
	Representative Lujan	Senator Aguirre
	Representative McComish	Senator Allen
	Representative McLain	Senator Gray
	Representative Schapira	Senator Melvin
	Representative Sinema	

Absent: Senator Garcia

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee, Chairman John Kavanagh stated the minutes of November 19, 2009 would stand approved.

ARIZONA DEPARTMENT OF ADMINISTRATION - Review of FY 2010 Emergency Building Renewal Projects.

Ms. Leatta McLaughlin, JLBC Staff, stated that this item is for review of 2 emergency building renewal projects totaling \$222,500. In FY 2010, the Arizona Department of Administration (ADOA) was appropriated \$1,000,000 to spend on emergency building renewal projects. The first item is \$22,500 to repair the chimney cap at the Department of Agriculture building at 1688 W. Adams, and the second item is \$200,000 to repair 2 cooling towers at 15 S. 15th Avenue. The JLBC Staff recommended a favorable review.

Representative McLain moved that the Committee give a favorable review to ADOA's 2 emergency building renewal projects. The motion carried.

SCHOOL FACILITIES BOARD - Review of FY 2010 New School Construction Report

Mr. Jack Brown, JLBC Staff, stated that this item is the School Facilities Board (SFB) review of the FY 2010 New School Construction Report, which includes demographic assumptions, proposed construction schedule, and new school construction cost estimates. The Board estimates that it will

(Continued)

oversee 15 new school construction projects in FY 2010 for an estimated cost of \$62.6 million dollars. The JLBC Staff presented options to the Committee.

Senator Pearce moved that the Committee give a favorable review to SFB's FY 2010 New School Construction Report. The motion carried.

EXECUTIVE SESSION

Senator Pearce moved that the Committee go into Executive Session. The motion carried.

At 8:21 a.m. the Joint Committee on Capital Review (JCCR) went into Executive Session.

Senator Pearce moved that the Committee reconvene into open session. The motion carried.

At 9:02 a.m. the Committee reconvened into open session.

Arizona Department of Administration/State Department of Corrections - Review of Request for a State Prison Concession Agreement per A.R.S. § 38-431.03A2.

Representative Kavanagh moved that the Committee give a favorable review to the Request for Information for a State Prison Concession Agreement per A.R.S. § 38-431.03A2, with modified provisions. The motion carried.

Without objection, the meeting adjourned at 9:05 a.m.

Respectfully submitted:

Sandy Schumacher, Secretary

Leatta McLaughlin, Principal Fiscal Analyst

Representative John Kavanagh, 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: March 18, 2010

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Ted Nelson, Assistant Fiscal Analyst

SUBJECT: Arizona Game and Fish Department – Review of Flagstaff Area Shooting Range
Land Acquisition

Request

Pursuant to A.R.S. § 41-1252, the Arizona Game and Fish Department (AGFD) requests Committee review of \$1,120,000 to acquire land for the Flagstaff Area Shooting Range.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the department's request to purchase the land for the shooting range. These monies are not available to help resolve the FY 2010 or FY 2011 budget shortfall due to federal regulations that restrict their use.

Analysis

A.R.S. § 41-1252 requires that the Committee review the expenditure of land acquisition appropriations. Laws 2001, 1st Regular Session, Chapter 237, and Laws 2004, 2nd Regular Session, Chapter 276 appropriated AGFD a total of \$1,800,000 from the Game and Fish Capital Improvement Fund for development of a shooting range in the Flagstaff area. The department is seeking review of expenditures totaling \$1,120,000 for the acquisition of real property. AGFD expects to expend the remaining \$680,000 for construction of the shooting range project in the 3rd quarter of FY 2011, which will still require Committee review before expenditure.

The department proposes to use \$1,120,000 of the \$1,800,000 Flagstaff Area Shooting Range appropriation to secure a site within 30 miles of Flagstaff. A private parcel, Foster Ranch, has been chosen for the shooting range, and the department wants to purchase the site for the appraised value of \$1,120,000. Foster Ranch is a 162 acre private land holding south of Winona;

(Continued)

located to the east of Flagstaff within 30 minutes from the I-40/I-17 exchange. In contrast to other potential sites, AGFD reports that opposition from adjacent landowners and parties interested in protecting cultural resources is minimal. Acquisition and design elements are also most favorable at the Foster Ranch facility. As other sites are located on federal land, National Environmental Policy Act requirements and the subsequent land exchange process could take considerably more time than a private land acquisition.

RS/TN:sls



THE STATE OF ARIZONA
GAME AND FISH DEPARTMENT

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January 29, 2010

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



Re: Request for Placement on Joint Committee on Capital Review Agenda

Dear Representative Kavanagh:

The Arizona Game and Fish Department respectfully requests placement on the next scheduled agenda of the Joint Committee on Capital Review to review the following:

1. Expenditure from the Laws 2001, Chapter 237 Flagstaff Shooting Range Appropriation to acquire real property for the purpose of developing a shooting range in northern Arizona.

The information for this review is attached.

Sincerely,

Fred J. Bloom, P.E.
Chief Engineer

FJB:fb

cc: John Arnold, Director, OSPB
Bill Greeney, OSPB
Richard Stavneak, Staff Director, JLBC
Leatta McLaughlin, JLBC
Ted Nelson, JLBC
Tony Guiles, AGFD

Enc.

ARIZONA GAME AND FISH DEPARTMENT FLAGSTAFF SHOOTING RANGE PROJECT

Background: Flagstaff is the largest city in Arizona without a public shooting range, forcing recreational shooters to use makeshift areas, such as cinder pits in the forest, and causing law enforcement personnel to travel to other cities with shooting ranges for training. A local shooting range would provide multi-purpose shooting facilities that would include rifle sight-in, pistol, shotgun, clay target, and archery venues. Beginning in 1998 the Arizona Game and Fish Department (Department) began its efforts to acquire a site to construct a shooting range facility in the Flagstaff area. After a lengthy site evaluation process, the Department selected what has been commonly referred to as the Bellemont site; approximately 16 miles west of Flagstaff on Forest Service land. The Department completed an Environmental Assessment (required by the National Environmental Policy Act) for the project with a favorable memorandum of decision by the Forest Service. The property would be acquired via a land exchange between the Department and the Forest Service. However, the Department abandoned its efforts to execute the land exchange due to a Court ordered injunction postponing construction of the range as well as facing imminent litigation by adjacent private landowners who opposed the project.

The Department has continued to pursue alternative sites to achieve its objective of providing a safe, professionally designed and operated shooting facility in northern Arizona. Department staff reviewed an additional twenty-three potential sites that included public, private, state, and tribal lands in an effort to identify a suitable location that would mitigate any opposition and reduce the timeline associated with developing a fully operational shooting range. At its June 27, 2009 meeting in Phoenix, the Arizona Game and Fish Commission (Commission) directed the Department to execute an Agreement to Initiate (ATI) with the Coconino National Forest for an alternative site approximately 16 miles south of Flagstaff, referred to as the Willard Springs site. However, due to objections by an organized group of residents in the Munds Park community, the Department revisited two other sites recommended by the Forest Service and one private land holding that had concurrently been presented to the Department for consideration. The Cochran Hill and the Winona/Telephone Range sites, both on National Forest lands (Coconino National Forest) underwent cultural resource surveys to determine if acquiring either of these sites would be viable. The third alternative, Foster Ranch, a 162 acre private land holding south of Winona was also evaluated. This acquisition would be a fee simple purchase and would be the most expeditious alternative. All three sites are located to the east of Flagstaff and within 30 minutes of the I40/I17 interchange (see attached map).

The cultural surveys indicated that the Winona/Telegraph site had a dense cultural resource distribution throughout the site and was subsequently eliminated from further consideration. The Cochran Hill site presents some cultural resource concerns, but was determined to remain viable as the sites identified could likely be avoided by development.

The private holding, Foster Ranch, was also surveyed for cultural resources as well as assessed by Department staff relative to various design criteria developed to evaluate potential range sites. This site presented minimal cultural resource concerns and fairs well with regard to key range design elements. Additionally, the Foster Ranch site becomes even more attractive when considering the acquisition process. The Forest Service has indicated to the Department that the

National Environmental Policy Act requirements and subsequent land exchange process could take from 7 to 9 years, at significant expense to the Department. In contrast, a fee simple acquisition of a private land holding could be accomplished in a fraction of the time and minimal pre-acquisition cost. As such, the Department anticipates the Commission may likely direct the Department to pursue the private land acquisition.

Pursuant to ARS 17-292 the Arizona Game and Fish Capital Improvement Fund may be expended by the Department, subject to legislative appropriation for "acquiring real property for Game and Fish facilities." Because a viable private landholding alternative has been identified, the Department is requesting approval of eligible expenditures under this appropriation for all costs associated with the acquisition of the Foster Ranch property. The fair market value recently appraised by a state contracted appraiser is \$1,120,000.

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DATE: March 18, 2010

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Kimberly Cordes-Sween, Assistant Director

SUBJECT: Arizona Board of Regents – Review of Phoenix Biomedical Campus Projects

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UA) request Committee review of a \$172.9 million issuance for the Phoenix Biomedical Campus. Projects include the new Health Science Education Building and Arizona Biomedical Collaborative Building 1 renovation. This issuance represents a portion of the \$800 million University Lottery Bonding package, as originally authorized by Laws 2008, Chapter 287.

Recommendation

The Committee has at least the following 3 options:

1. A favorable review.
2. A favorable review with the provision that the Arizona Board of Regents (ABOR) or the universities would not request review of any of their remaining Chapter 287 bonding authority for the next 18 months. This provision is consistent with ABOR's position to seek no additional lottery bonding projects through August 2011 (*see agency letter*).
3. An unfavorable review.

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

Standard University Financing Provisions

- ABOR shall report to the Committee before expenditure of any allocations that exceed the greater of \$5,000,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project.

(Continued)

- ABOR shall submit for Committee review any allocations that exceed the greater of \$1,000,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, ABOR may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.
- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.
- ABOR shall provide final debt service schedules for the Phoenix Biomedical Campus as soon as they are available.

Analysis

The universities plan to complete 2 projects at the Phoenix Biomedical Campus located at 7th Street and Van Buren, including a new Health Sciences and Education Building (HSEB) and partial renovation of the Arizona Biomedical Collaborative Building (ABC 1).

The HSEB will be a new 265,000 square foot, 6-story building that will allow UA, ASU, and NAU to provide expansion of healthcare professional education and training. The facility will include large lecture halls, classrooms, clinical training suites, a simulation center, laboratories, a library and learning center, and faculty and staff offices. When completed the building will house:

- College of Medicine-Phoenix – allowing expansion from 48 to 120 first year students
- UA College of Pharmacy – new program for 80 advanced Pharmacy students
- ASU College of Nursing and Health Innovation – relocating 2,000 nursing students currently housed at the ASU Downtown Campus
- ASU Department of Biomedical Informatics expansion
- NAU Health Care Professionals Program expansion

The ABC 1 project will include renovation of 14,501 square feet to better accommodate research needs at the medical campus. ABC 1 is an 85,600 square foot collaborative UA/ASU facility built in 2007. The project would renovate the first and second floors of this building, where the ASU Department of Bioinformatics is housed, to provide additional wet laboratory research space similar to existing space on the third and fourth floors. According to ABOR, since future construction of the ABC 2 research building is likely to be delayed as a result of lower than anticipated lottery revenues, this additional research space will be needed in the interim. The ASU Department of Bioinformatics will be shifted to the Health Sciences and Education Building.

The original project request also included \$15 million for 22,000 square feet of support space for a Vivarium to conduct animal-related research. The project will now be funded entirely by a federal grant from the National Institute of Health and will not require bonding authority or Committee review.

Financing

Chapter 287 authorizes ABOR to enter into lease-to-own and bond transactions up to a maximum of \$800 million to pay for building renewal projects and new facilities. Of the \$800 million total, only \$376 million of bonding authority is permitted for the Phoenix Biomedical Campus. No debt has been issued to date for the Phoenix Biomedical Campus since this request is for Phase 1 of the project. Annual debt service payments on these university projects will be paid from the University Capital Improvement Lease-to-Own and Bond (UCI) Fund. Chapter 287 requires the UCI payments to be comprised of up to 80% Lottery revenues and at least 20% state university system revenues.

(Continued)

In February 2009, JCCR favorably reviewed \$167.7 million of University Lottery Bonding monies to be used for building renewal projects. This debt has not yet been issued. As shown in *Table 1*, the estimated debt service for interest-only payments for the first 5 years is projected at \$9.8 million in FY 2011 and \$7.8 million for FY 2012 to FY 2015. From FY 2016 until FY 2030, the fully annualized payment would be \$15.9 million. With the addition of the Phoenix Biomedical Campus projects, the total University Lottery Bonding issuance would be \$340.6 million.

The Phoenix Biomedical Campus projects include a debt issuance of \$172.9 million, including \$170.6 million for project costs and \$2.3 million for issuance costs. Ratings have not yet been obtained on the bonds; however, ASU, NAU and UA anticipate issuing revenue bonds in the "A" category with an estimated 4.88% annual interest rate and a term of 35 years, including interest-only payments in the first 5 years. The actual interest rate may change when the bond goes to market. The financing allocation among the universities is 71% for UA, 25% for ASU, and 4% for NAU. UA anticipates issuing bonds in spring 2010 and ASU and NAU are intending to issue in August 2010.

The total estimated annual debt service cost for the Phoenix Biomedical Campus will be \$7.2 million in FY 2011, \$8.2 million annually from FY 2012 to FY 2015, and \$11.1 million from FY 2016 to FY 2045, with a 35-year total cost of \$372.1 million. Under Chapter 287, these payments could be split 80% from Lottery proceeds and 20% from local university funds. *Table 1* is a summary of the payment schedule for the Phoenix Biomedical Campus and building renewal projects if the maximum of 80% of the debt service was paid from Lottery funds.

Table 1		University Lottery Bonding Projects ^{1/}					
		<u>FY 2011</u>	<u>FY 2012</u>	<u>FY 2013</u>	<u>FY 2014</u>	<u>FY 2015</u>	<u>FY 2016</u>
Projected Lottery Revenue ^{2/}		\$ 5,028,600	\$ 7,541,900	\$13,251,400	\$19,205,400	\$25,411,100	\$31,875,600
Building Renewal Projects							
Lottery Debt Service	80%	\$ 7,801,800	\$ 6,241,500	\$ 6,241,500	\$ 6,241,500	\$ 6,241,500	\$12,716,000
University Debt Service	20%	<u>1,950,500</u>	<u>1,560,400</u>	<u>1,560,400</u>	<u>1,560,400</u>	<u>1,560,400</u>	<u>3,179,000</u>
Total Debt Service for \$167.7 M		\$ 9,752,300	\$ 7,801,900	\$ 7,801,900	\$ 7,801,900	\$ 7,801,900	\$15,895,000
Phoenix Biomedical Campus							
Lottery Debt Service	80%	\$ 5,789,600	\$ 6,596,000	\$ 6,596,000	\$ 6,596,000	\$ 6,596,000	\$ 8,848,000
University Debt Service	20%	<u>1,447,400</u>	<u>1,649,000</u>	<u>1,649,000</u>	<u>1,649,000</u>	<u>1,649,000</u>	<u>2,212,000</u>
Total Debt Service for \$172.9 M		\$ 7,237,000	\$ 8,245,000	\$ 8,245,000	\$ 8,245,000	\$ 8,245,000	\$11,060,000
Total Lottery Requirement		\$13,591,400	\$12,837,500	\$12,837,500	\$12,837,500	\$12,837,500	\$21,564,000
Lottery Shortfall ^{3/}		(8,562,800)	(5,295,600)	0	0	0	0
Projected Unused Lottery Revenues		\$ 0	\$ 0	\$ 413,900	\$ 6,367,900	\$12,573,600	\$10,311,600
Projected University Cost ^{4/}		\$11,960,700	\$ 8,505,000	\$ 3,209,400	\$ 3,209,400	\$ 3,209,400	\$ 5,391,000

^{1/} All debt service estimates are rounded and final numbers will not be available until bonds are secured.
^{2/} Revenues are based on a 10-year average 5% annual increase in lottery revenues (post distribution to beneficiaries).
^{3/} University revenues would be used to offset the Lottery shortfall.
^{4/} Includes the 20% university share plus the Lottery shortfall.

Current lottery revenue projections into the UCI Fund for FY 2011 are estimated at \$5.0 million. In comparison, the Biomedical and Building Renewal projects would require \$13.6 million in Lottery funds at the 80% level. The universities would use their general system revenues to compensate for the \$8.6 million shortfall. Along with their regular 20% share, university system revenues would pay \$12.0 million of the debt service in FY 2011.

In FY 2012, UCI Lottery revenues are projected to be \$5.3 million short of the 80% threshold. In FY 2013 and thereafter, UCI Lottery revenues are projected to cover the full debt service payments for both building renewal and the Phoenix Biomedical Campus.

(Continued)

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. Chapter 287 provided that the University Lottery building projects be exempt from university debt limit calculations. If the debt service for the \$340.6 million was included in the calculation; however, UA's debt ratio would increase from the current 5.2% rate by 0.54%, ASU's current 5.1% rate would increase by 0.24%, and NAU's 6.63% rate would increase by 1.01%.

In addition to bonding for this project, the universities are leasing land from the City of Phoenix to build HSEB and other buildings for the Phoenix Biomedical Campus. The agreement is for a 60-year lease for 3 acres, after which time ABOR takes ownership of the land. The payments on this property will be split proportionately between the universities and will not begin for 10 years. For the subsequent 30 years, the annual payment will be \$98,000 and the last 20 years will be \$147,000.

Operating and maintenance costs for HSEB are projected at \$2,997,100, which will be allocated among the universities through a joint agreement. ABOR anticipates requesting a General Fund appropriation to cover this expense but has also indicated if General Fund monies are not available, a combination of university tuition collections and other state and locals funds will be utilized to pay for operating and maintenance costs.

Construction Costs

Total project costs for the HSEB are estimated at \$164 million, or \$619 per square foot for 265,000 square feet. This includes direct construction costs, architect fees, furniture and equipment costs, and contingency fees. The direct construction costs total \$115 million, or \$434 per square foot, including construction labor and material costs only. In comparison, the 2010 ASU Science Building reviewed by the Committee in November, 2010, had a total project cost of \$546 and a direct construction cost of \$379. According to ABOR, the higher cost for HSEB is a result of 4 main factors: 1) HSEB is a teaching facility that requires many medical exam rooms and a significant amount of data processing, video capabilities, and other technology for both on-site and distance learning; 2) Gross Anatomy Labs have very controlled environments that have greater costs for mechanicals, electricity and plumbing, as well as epoxy walls and flooring; 3) HSEB will contain the initial infrastructure for the biomedical campus, including the lobby and mechanical and electrical spaces; and 4) each HSEB floor will have a diverse configuration and varying functional needs and will not be as repetitive as the Science Building. A portion of the HSEB costs will be funded by \$1.4 million in gift aid from the City of Phoenix, while the remaining \$162.6 million will require bonding authority.

Total project costs for the ABC 1 renovation are \$8 million, or \$552 per square foot for 14,501 square feet. Total direct construction costs are \$4.3 million or \$296 per square foot. In comparison, ASU direct construction costs for building renewal and renovation, including wet lab space, for a 2007 Science Building was \$320 per square foot and for an Engineering Technology Building was \$536 per square foot.

The universities would contract these 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. Subcontractor bids are set to expire at the end of March 2010.



ERNEST CALDERÓN

REGENT

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Arizona State University

Northern Arizona University

University of Arizona

March 17, 2010

The Honorable John Kavanagh
Chairman, Joint Committee on Capital Review
1700 W. Washington
Phoenix, AZ 85007



Dear Chairman Kavanagh:

On behalf of the Arizona Board of Regents (ABOR), thank you for including review of the Health Sciences Education Building (HSEB) project on the March 23, 2010, Joint Committee on Capital Review (JCCR) Agenda. The project includes the HSEB, support space (vivarium) and renovation of the Arizona Biomedical Collaborative (ABC) Building 1 on the Phoenix Biomedical Campus. HSEB is critical to the growth of the biomedical campus. It is a top priority for ABOR. The biomedical campus is an economic engine that draws outside investment (as evidenced by the \$15 million federal grant awarded for the facility's vivarium) and will provide over 2000 new jobs in this economic downturn.

Our university system continues to support and rely on the infrastructure investment made in the 2008 Stimulus Plan for Economic and Educational Development (SPEED). The state's current economic situation, as well as the current growth rate of lottery revenues, prompts ABOR to take an additional cautionary step. In an effort to most effectively and efficiently allocate the limited Arizona University System resources, ABOR will self impose a moratorium on submitting additional SPEED supported projects for JCCR review through August 31, 2011. At that time, ABOR will prudently advance the remaining SPEED projects for JCCR review as resources permit.

Thank you, again, for scheduling review of HSEB on the March 23, 2010, JCCR agenda. We look forward to discussing the project with the committee and receiving a favorable review on the project. We appreciate your cooperative effort and look forward to breaking ground as soon as possible to help hasten the state's economic recovery.

Sincerely,

Ernest Calderón
President

Board Members: President Ernest Calderón, Phoenix Dennis DeConcini, Tucson
Fred P. DuVal, Phoenix Mark Killian, Mesa LuAnn H. Leonard, Polacca
Anne L. Mariucci, Phoenix Bob J. McLendon, Yuma Rick Myers, Tucson
Governor Janice K. Brewer Superintendent of Public Instruction Tom Horne
Student Regents: Ross Meyer, ASU Jennifer Ginther, NAU
Executive Director: Joel Sideman

The Honorable John Kavanaugh
March 17, 2010
Page 2 of 2

- c: The Honorable Robert Burns, President of the Arizona State Senate
The Honorable Kirk Adams, Speaker, Arizona House of Representatives
Members of the Arizona Board of Regents



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Arizona State University

Northern Arizona University

University of Arizona

February 8, 2010

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



Dear Representative Kavanagh:

In response to your letter of January 28, 2010, and a JLBC Staff request, we are providing additional and updated information related to our outstanding request for JCCR review of the Health Sciences and Education Building, including support space (vivarium) and renovation of the Arizona Biomedical Collaborative (ABC) Building 1 on the Phoenix Biomedical Campus.

As was noted in the request of January 12, 2010, development of the Phoenix Biomedical Campus is a tri-university partnership. This phase of development is critical to the expansion and establishment of biomedical academic and research programs, and holds strategic implications for other initiatives on or near campus, including possible development of a cancer center, formation of hospital partnerships, and continued collaboration with other entities such as TGen.

The University of Arizona was recently awarded a \$15 million federal grant for the construction of support laboratory space (vivarium). While the overall project costs remain the same at \$187 million, the amount necessary from revenue bond financing for the project is now \$170.6 million, plus any related issuance costs.

The following outlines the updated information materials that are enclosed.

- a. The additional information requested in your letter of January 28, 2010, is attached in pages 1-3.

Board Members: President Ernest Calderón, Phoenix Fred T. Boice, Tucson Robert B. Bulla, Scottsdale
Dennis DeConcini, Tucson Fred P. DuVal, Phoenix LuAnn H. Leonard, Polacca
Anne L. Mariucci, Phoenix Bob J. McLendon, Yuma
Governor Janice K. Brewer Superintendent of Public Instruction Tom Horne
Student Regents: Ross Meyer, ASU Jennifer Ginther, NAU
Executive Director: Joel Sideman

The Honorable John Kavanagh
February 8, 2010
Page Two

- b. As requested by JLBC Staff, updated financing information and amortization schedules are attached in pages 4-17, and are based on the following revised funding allocation:

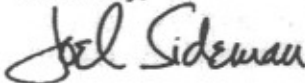
Lottery (SPEED) Revenue Bonding (80%)	\$136,480,000
University (SPEED) Revenue Bonding (20%)	\$ 34,120,000
City of Phoenix	\$ 1,400,000
Federal Grant	<u>\$ 15,000,000</u>
Total	\$187,000,000

- c. Pages 18-22 are a reorganized compilation of previous responses to follow-up questions from JLBC Staff.

- d. Pages 23-52 are the materials submitted with the January 12 request for JCCR review.

We look forward to the Committee's review at its next meeting and are ready to provide any additional information.

Sincerely,



Joel Sideman

Enclosures

- c: Richard Stavneak, Director, JLBC Staff
Kim Cordes-Sween, Assistant Director, JLBC Staff
Leatta McLaughlin, Principal Fiscal Analyst, JLBC Staff
Ernest Calderón, President, Arizona Board of Regents

**HEALTH SCIENCE AND EDUCATION BUILDING
ADDITIONAL INFORMATION FOR
REPRESENTATIVE JOHN KAVANAGH**

1. *What is the long-term dedicated fund source for this project's debt service payment, taking into consideration potential university budgetary constraints with the loss of federal American Recovery and Reinvestment Act (ARRA) monies and that the lottery revenue into the UCI Fund may be insufficient to cover the 80% contribution to the payment?*

- This is a high priority project for the ABOR system, and the universities are prepared to allocate the necessary funding from available resources.
- We acknowledge that lottery revenues are unlikely to cover the full 80% share for a limited time (through 2014), therefore financing is structured as interest-only payments for the first 5 years in order to mitigate the funding requirements while the economic and funding circumstances stabilize and improve.
- Momentum for development is optimal given favorable financing and construction costs, and synergy with other projects, such as potential development of a cancer center, as well as expanded partnerships with hospitals and other research entities such as TGen. The University of Arizona has also been awarded a \$15 million grant to fund supporting laboratory space associated with this project.

<u>FY2011-FY2015</u>	<u>20% Debt Pymt</u>	<u>Sources</u>	<u>80% Debt Pymt</u>	<u>Sources</u>
UA (71%)	\$1.2	reprioritized state, local, and tuition funding	\$4.7	lottery/reprioritized state, local, and tuition funding
ASU (25%)	0.4	tuition	1.6	lottery/tuition
NAU (4%)	0.1	reprioritized tuition local funds	0.3	lottery/tuition, local funds
Total	\$1.7		\$6.6	

<u>FY2016-FY2045</u>	<u>20% Debt Pymt</u>	<u>Sources</u>	<u>80% Debt Pymt</u>	<u>Sources</u>
UA (71%)	\$1.6	reprioritized state, local, and tuition funding	\$6.3	lottery
ASU (25%)	0.6	tuition	2.2	lottery
NAU (4%)	0.1	reprioritized tuition local funds	0.4	lottery
Total	\$2.3		\$8.9	

80% Lottery Debt Service Requirements:

	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>	<u>FY2016</u>
UCI (SPEED) Fund Revenue	\$0.0	\$1.6	\$7.2	\$13.1	\$19.2	\$26.2
Bldg Rowl \$167.7M	6.5	6.5	6.5	6.5	6.5	12.8
HSEB \$170.6M	6.6	6.6	6.6	6.6	6.6	8.9
UCI Fund surplus/(deficit)	\$(13.1)	\$(11.5)	\$(5.9)	\$0	\$6.1	\$4.5

2. *Due to the limited availability of General Fund monies for new programs or projects, what revenue source will the universities use to pay the \$3 million in operating costs for the currently proposed project?*

- The project has a 2-year construction schedule and will not be operational until August 2012.
- The universities have historically relied on state appropriations to support the operation of new facilities, although facility operational support has not been provided in the recent past. Given the 2-year window, the universities will plan accordingly to ensure operating funds are available for the facility to be operational in August 2012.

	<u>Operating Costs</u>	<u>Sources</u>
UA (71%)	\$2.1	reprioritized state, local, and tuition funding
ASU (25%)	0.8	tuition
NAU (4%)	0.1	general operating funds
Total	\$3.0	

3. *Are tuition increases and additional student fees being considered to cover debt service payments or operating costs?*

- While there are instances where dedicated fees have been approved for capital projects, the process for setting tuition requires a more holistic approach. Decisions related to tuition are not made lightly and must factor all of the demands on the system.

University of Arizona:

- The University of Arizona is prepared to fund the \$6.3M interest-only debt service portion of the debt for the first five years. The University's plan is to utilize funds from resources that become available as debt is retired in the future. If Lottery funds are still not sufficiently available after these 5 years to cover the entire 80 percent of the debt obligation, the University would be required to reprioritize operational base institutional resources, which consist of all funding sources, to support these additional debt service costs.
- In FY2013, the University will request through the State Operational Budget process, the proportionate share of the estimated \$3M funding requirement for the operations and maintenance, as with any other new facility. Failing to secure additional state funding would require reprioritizing base institutional resources, which consist of all operational funding sources, to support these additional O&M costs.

Arizona State University:

- Tuition increases of significant size will be needed in FY11 and FY12 to offset the loss of ARRA funds during that period, to match educational support levels with enrollment increases, and to support the costs of a very limited number of new initiatives intended to improve the education at ASU and to advance the State's competitiveness. The expansion of the College of Medicine in Phoenix is one such project, and the ability to handle the debt service and the building operation costs of pursuing it are dependent on these tuition increases. While it is hoped that lottery funds will soon become sufficient to provide the intended offset to the project's costs, ASU's budget and tuition planning makes no assumption of the availability of the funds within our current five year planning horizon.

Northern Arizona University:

- Northern Arizona University will fund the interest-only debt service portion for the first five years from 2009 retired debt. Northern Arizona University's portion of the debt service is relatively small, and the university planned for the allocation of its retired debt service for this purpose when this project was first announced. If Lottery funds are still not sufficiently available after five years to cover the university's portion of the debt, Northern Arizona University would reprioritize its planned debt service commitments to support the required debt service.
- Tuition increases will be needed in FY11 and FY12 to offset the loss of ARRA funds and to enable the university to continue its policy of offering students both choice and predictable tuition and fees. Northern Arizona University offers its Flagstaff students a four-year tuition guarantee and its statewide community campus students, NAU-Yuma, and NAU-Yavapai lower cost tuition and fees. Increases in tuition and fees will allow continuation of these options and continued support of the university's core mission. The increases in tuition are not planned to be used for this debt service.

4. *What specific fund sources will be used if the universities choose to begin project construction prior to issuing bonds?*

- While the universities have invested a significant amount on design of the project, the Board of Regents has required that construction not begin until bond proceeds are available to fund construction activities.

**THE UNIVERSITY OF ARIZONA
COLLEGE OF MEDICINE -
PHOENIX IN PARTNERSHIP WITH ARIZONA STATE UNIVERSITY
HEALTH SCIENCE EDUCATION BUILDING FINANCING**

DEBT ISSUANCE:

The attached debt service schedules are for the planned issuance of SPEED revenue bonds for The University of Arizona (UA), Arizona State University (ASU) and Northern Arizona University (NAU) to finance not to exceed \$170.6M of project costs. The project costs will be allocated 71% to the UA (\$121.126M), 25% to ASU (\$42.65M), and 4% to NAU (\$6.824M), with the debt schedules based on the following assumptions:

1. In addition to the project costs, it is assumed that:
 - a. Issuance costs, estimated at approximately \$2,329,000 would also be financed. The issuance costs will be allocated to each university at their proportionate share mentioned above. The allocated costs are approximately \$1,544,000 for the UA, \$588,000 for ASU, and \$197,000 for NAU.
 - b. The Bonds are expected to be sold at a slight premium.
 - c. Based on the above amounts, the assumed amount of Bonds to be sold per the attached estimated schedules amounts to \$172.94M.
 - d. The estimates are subject to finalization and change at the time of the actual sale of the bonds.
2. The debt service schedules are based on estimated interest rates as of February 2010. The overall interest rate assumed for purposes of these schedules is 4.88%. These rates are subject to change and will ultimately be determined at the time the Bonds are actually sold in the marketplace.
3. The payment term is 35 years. Annual debt payments will be structured as followed:
 - a. Interest only payments for the first five years.
 - b. Principal maturities from FY2016 through FY2045.
4. Funding sources for debt payments as set forth in ARS 15-1682.03 are as follows:
 - a. No more than 80% of annual debt service paid from Lottery revenues.
 - b. At least 20% of annual debt service paid from University funds.
 - c. Estimated annual debt service by funding source (to change to reflect actual interest rates):

	Universities Funds (tuition & local funds *)	Lottery Revenues	Total
Interest only payments: FY2011	\$ 7,237,000		\$ 7,237,000
Interest only payments: FY2012 - FY2015	\$ 1,649,000	\$ 6,596,000	\$ 8,245,000
Princ. and interest payments: FY2016 - FY2045	\$ 2,212,000	\$ 8,848,000	\$ 11,060,000

* Examples of local funds are indirect cost recovery and investment income.

5. The HSEB Project SPEED Revenue Bonds are expected to be issued in the Spring/Summer 2010.
6. Bond ratings for these SPEED Revenue Bond are expected to be in the "A" level category.

**THE UNIVERSITY OF ARIZONA
COLLEGE OF MEDICINE -
PHOENIX IN PARTNERSHIP WITH ARIZONA STATE UNIVERSITY
HEALTH SCIENCE EDUCATION BUILDING FINANCING**

DEBT RATIOS:

1. The current debt ratios for the universities are:

UA, 5.20%
ASU, 5.10%
NAU, 6.63%

2. The effect on debt ratios from issuance of SPEED Bonds for HSEB are:

UA increases by .33%
ASU increases by .15%
NAU increases by .0001%

3. The projected highest debt ratios including this SPEED Revenue Bond financing are:

UA, 5.79%
ASU, 5.9%
NAU, 7.73%

Operating and Maintenance Cost:

1. Operating and maintenance (O&M) cost is estimated to be \$2,997,100. It will be allocated among the UA, ASU and NAU through a joint use agreement.
2. As has been customary, the universities intend to request General Fund appropriations for O&M costs.

HEALTH SCIENCE AND EDUCATION BUILDING PREVIOUS RESPONSES TO JLBC STAFF QUESTIONS

Unescalated Cost of Comparable Projects:

<u>Date</u>	<u>University</u>	<u>Project</u>	<u>GSF</u>	<u>Original \$/sf</u>	<u>Escalated \$/sf</u>
August 2010	ASU	ISTB4	293,000	\$ 379	\$ 379 *
April 2003	ASU	Biodesign A	178,000	\$ 283	\$ 408
January 2004	ASU	Biodesign B	175,000	\$ 333	\$ 421
January 2004	ASU/UA	ABC1	85,000	\$ 275	\$ 383
September 2003	UA	Bio 5	169,000	\$ 320	\$ 450
June 2004	UA	Med Rsch Bldg	135,000	\$ 326	\$ 425
			Avg:	\$ 319	\$ 411

* ISTB4 based on \$111M construction cost

Follow up on cost differences between ISTB4 and HSEB:

- a) The HSEB Building is a teaching facility, with many teaching exam rooms that must function for their medical exam purposes, and be fully equipped with data, video and other modern teaching equipment for local and distance learning. This increases the cost of these spaces considerably.
- b) The Gross Anatomy Labs in HSEB have extremely controlled environments, and are very mechanical-electrical-and-plumbing-system-intensive, which adds a great deal of cost to the building. These areas are considerably more expensive than other labs found in most research buildings given use of epoxy flooring, stainless steel casework, and epoxy coated walls. In addition, a refrigerator morgue with significant capacity is also required.
- c) Since this is the first phase of a much bigger master planned building complex (PBC), it contains initial infrastructure provisions that will be needed to allow for future growth, such as larger lobby, mechanical and electrical core spaces, elevator growth provisions and circulation space to accommodate the volume of use that will be accommodated when future phases are added on. This first phase provides the permanent front door to the entire PBC complex and requires more space and building system provisions to accommodate future phases.
- d) The program on ISTB4 is a fairly repetitive per floor. HSEB has a different program on each floor and required a different approach to layout and efficiency that would allow stacking of program in the most efficient shape / volume possible for that program type. This is a defining characteristic of health science education buildings. The program is diverse, ranging from lecture halls, classrooms, simulation, clinical skills training, learning resource center, food service, student life/government, gross anatomy, and offices.

ABC1 Renovation budget breakout :

Construction Cost:	\$4.7M (refer to page 21 for detail)
A&E Fees:	0.5M
Admin Costs:	0.1M
FF&E:	<u>2.7M</u> (histology, imaging, confocal microscopes)
Total	\$8.0M

Financing and Construction Timelines:

- UA will issue revenue bonds in March 2010, and ASU and NAU plan to issue in August 2010.
- Construction will not begin until the initial set of UA bond proceeds is available in the March timeframe.

Property lease agreement with the City of Phoenix:

- Lease payments to the City of Phoenix are structured as follows:
 - 60 year lease for 3 acres, after which ABOR takes ownership;
 - Years 1-10, deferred lease payments (\$0)
 - Years 11-40, \$98,010 per year
 - Years 41-60, \$147,015 per year.
- As noted in the project funding allocation, the City of Phoenix will contribute \$1.4 million for the project.

Status of initial set of \$167.7 million building renewal SPEED projects (see page 22):

- ASU will issue SPEED bonds in May 2010. Construction has begun on projects. Final completion estimated by June 2011.
- NAU target issuance date is March 9, 2010. NAU has completed design, ordered long lead items, relocated departments and started some demolition. Contracts will be executed and construction will begin by the end of February.
- UA will issue SPEED bonds in March 2010 (may issue \$25 million rather than \$10.4M noted on page 22). Construction has begun on projects. Final completion on all projects estimated for FY2011.



SYSTEMS SUMMARY
ARIZONA BIOMEDICAL COLLABORATIVE
FIRST & SECOND FLOOR REMODEL
INITIAL COST MODEL 10-26-09

PROJECT: ABC FIRST & SECOND FLOOR REMODEL
LOCATION: Phoenix, AZ
ARCHITECT: Smithgroup
CLIENT: ABC

DPR JOB NO: TBD
ESTIMATE NO: 001
DATE: 10-26-09
ESTIMATOR: AH/PB

				Scenario One Gross Area 13605		Scenario Two Gross Area 14501		Scenario Three Gross Area 14501	
SYSTEMS NUMBER	DESCRIPTION			COST	COST/GSF	COST	COST/GSF	COST	COST/GSF
1	DEMOLITION			\$ 140,676	\$ 10.34	\$ 150,440	\$ 10.37	\$ 148,734	\$ 10.26
2	SITEWORK			\$ 12,237	\$ 0.90	\$ 12,237	\$ 0.84	\$ 12,237	\$ 0.84
3	FOUNDATIONS			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
4	SUBSTRUCTURE			\$ 17,721	\$ 1.30	\$ 17,721	\$ 1.22	\$ 17,721	\$ 1.22
5	SUPERSTRUCTURE			\$ 11,900	\$ 0.87	\$ 11,900	\$ 0.82	\$ 11,900	\$ 0.82
6	EXTERIOR SKIN			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
7	ROOFING			\$ 6,000	\$ 0.44	\$ 6,000	\$ 0.41	\$ 6,000	\$ 0.41
8	INTERIOR CONSTRUCTION			\$ 422,447	\$ 31.05	\$ 489,739	\$ 33.77	\$ 485,847	\$ 33.57
9	CONVEYING			\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
10	SPECIAL CONSTRUCTION			\$ 992,464	\$ 72.95	\$ 1,073,080	\$ 74.00	\$ 1,261,339	\$ 86.98
11	PLUMBING/PROCESS PIPING			\$ 193,200	\$ 14.20	\$ 224,250	\$ 15.46	\$ 271,400	\$ 18.72
12	FIRE PROTECTION			\$ 30,611	\$ 2.25	\$ 32,627	\$ 2.25	\$ 32,627	\$ 2.25
13	MECHANICAL			\$ 403,050	\$ 29.63	\$ 445,600	\$ 30.73	\$ 472,050	\$ 32.55
14	ELECTRICAL			\$ 475,949	\$ 34.98	\$ 561,589	\$ 38.73	\$ 649,223	\$ 44.77
15	JOBSITE MANAGEMENT			\$ 296,140	\$ 21.77	\$ 340,983	\$ 23.51	\$ 355,061	\$ 24.49
16	PROJECT REQUIREMENTS			\$ 44,657	\$ 3.28	\$ 44,657	\$ 3.08	\$ 44,657	\$ 3.08
SUBTOTAL: DIRECT CONSTRUCTION COSTS				\$ 3,047,052	\$ 223.97	\$ 3,410,822	\$ 235.21	\$ 3,769,798	\$ 259.97
CONTINGENCY AND ESCALATION									
	CONSTRUCTION CONTINGENCY	10.00%		\$ 304,705	\$ 22.40	\$ 341,082	\$ 23.52	\$ 376,980	\$ 26.00
	CONSTRUCTION ESCALATION	0.00%		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
	OWNER CONTINGENCY	0.00%		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
INSURANCE AND BONDS									
	SUBGUARD INSURANCE	1.14%		\$ 38,210	\$ 2.81	\$ 42,772	\$ 2.95	\$ 47,273	\$ 3.26
	ALL RISK INSURANCE	0.30%		\$ 10,170	\$ 0.75	\$ 11,384	\$ 0.79	\$ 12,582	\$ 0.87
	CONTRACTOR'S INSURANCE	1.25%		\$ 42,502	\$ 3.12	\$ 47,576	\$ 3.28	\$ 52,583	\$ 3.63
	PAYMENT & PERFORMANCE BOND	1.03%		\$ 35,459	\$ 2.61	\$ 39,692	\$ 2.74	\$ 43,870	\$ 3.03
FEE									
	OVERHEAD AND PROFIT	4.33%		\$ 158,914	\$ 11.68	\$ 177,886	\$ 12.27	\$ 196,608	\$ 13.56
TAX									
	SALES TAX (65% of 8.3%)	5.40%		\$ 196,217	\$ 14.42	\$ 219,642	\$ 15.15	\$ 242,758	\$ 16.74
TOTAL CONSTRUCTION COSTS				\$ 3,833,229	\$ 281.75	\$ 4,290,856	\$ 295.90	\$ 4,742,452	\$ 327.04



NORTHERN
ARIZONA
UNIVERSITY

THE UNIVERSITY OF
ARIZONA.
TUCSON ARIZONA

January 12, 2010

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

Dear Representative Kavanagh:

In accordance with Arizona Revised Statutes, the Arizona Board of Regents requests that the Health Sciences and Education Building, including support space (vivarium) and renovation of the Arizona Biomedical Collaborative (ABC) Building 1 on the Phoenix Biomedical Campus be placed for review on the next Joint Committee on Capital Review agenda.

The attached materials provide information on the scope, purpose and estimated costs, including standard debt information and annual debt service schedules. Additional information requested by JLBC Staff on the scope of support space and the ABC Building 1 renovations is being developed.

As you are aware, development of the Phoenix Biomedical Campus is a tri-university partnership. This phase of development is critical to the expansion and establishment of biomedical academic and research programs, and holds strategic implications for other initiatives on or near campus, including possible development of a cancer center, formation of hospital partnerships, and continued collaboration with other entities such as TGen.

We look forward to the Committee's review and are ready to provide any additional information.

Sincerely,

Michael Crow
President
Arizona State University

John D. Haeger
President
Northern Arizona University

Robert N. Shelton
President
University of Arizona

xc: Richard Stavneak, Director, JLBC Staff
John Arnold, Director, OSPB
Kim Cordes-Sween, Principal Fiscal Analyst, JLBC Staff
Joel Sideman, Executive Director, ABOR
Members of the Arizona Board of Regents

EXECUTIVE SUMMARY

ITEM NAME: Phoenix Biomedical Campus Health Sciences Education Building, Arizona Biomedical Collaborative Building 1 Renovation, and Phase 1 Vivarium Project Approval (Arizona Biomedical Collaborative)

☒ Action Item ☐ Discussion Item ☐ Information Item

Issue: The Arizona Biomedical Collaborative (UA, ASU, NAU) requests Project Approval (PA) for three projects on the Phoenix Biomedical Campus totaling \$187 million, including: 1) 265,000 square foot Health Sciences Education Building (HSEB); 2) renovation of 20,000-25,000 square feet for lab space in the Arizona Biomedical Collaborative Building 1 (ABC 1); and 3) phase 1 construction of a vivarium. The projects will be financed with SPEED revenue bonds which are to be repaid 80% from lottery proceeds and 20% university funds. Federal stimulus monies will be used for the vivarium if the grant application is funded.

Previous Board Actions: FY 2010 Capital Development Plan June 2009
 Project Implementation Approval September 2009

Statutory/Policy Requirements:

- ▶ Board Policy 7-109 requires Capital Committee review and Board approval of projects with a total project cost over \$5 million.

Project Justification/Strategic Implications:

- ▶ The Phoenix Biomedical Campus (PBC) began operations with the completion of the restoration of three historic buildings on the former Phoenix Union High School Campus at 7th Street and Van Buren in August 2006 and the admission of 24 first-year medical students.
- ▶ Arizona Biomedical Collaborative Building 1 (ABC 1) was completed in July 2007 and now houses researchers from the ASU Department of Biomedical Informatics on the first two floors, while UA researchers occupy wet lab space on the top two floors.
- ▶ In July 2008 the number of first-year medical students was increased to 48 students.
- ▶ The next phase in the development of the campus will involve the construction of the Health Sciences Education Building (HSEB). The facility will provide a unique opportunity to train health care professionals in an integrated environment, empowering them to become national leaders in interprofessional education and delivery of health care.

Contact Information:

Dave Harris, Senior Project Manager, Arizona Biomedical Collaborative, (602) 827-2526, dharris@email.arizona.edu
Joel D. Valdez, Senior Vice President for Business Affairs, UA, (520) 621-5977, jvaldez@u.arizona.edu
Richard H. Stanley, Executive Vice President and University Planner, ASU, (480) 727-8307, richard.h.stanley@asu.edu
Rich Bowen, Associate Vice President for Economic Development, NAU, (928) 523-8831, Richard.bowen@nau.edu

EXECUTIVE SUMMARY

- ▶ The Health Sciences Education Building is being proposed to grow the College of Medicine-Phoenix to 120 first-year medical students and 80 advanced Pharmacy students. The facility will also support over 2,000 nursing students at the ASU Downtown Campus through the provision of much needed simulation labs, the Biomedical Informatics program, and assist with the start up of an NAU Health Professionals program.
- ▶ When completed, this facility will house components of the College of Medicine-Phoenix (a partnership between UA and ASU), the UA College of Pharmacy, the UA College of Public Health, the ASU College of Nursing and Health Innovation, the ASU Department of Biomedical Informatics, and the NAU Health Care Professionals program.

Project Description and Scope:

- ▶ The planned building site is located at 7th Street and Van Buren on the former site of the Phoenix Union High School. The land is now owned by, and will be provided by, the City of Phoenix through a contract-purchase agreement with the Arizona Board of Regents.
- ▶ The facilities planned for the 265,000 gross square foot HSEB include large lecture halls, classrooms, clinical training suites, a state-of-the-art simulation center, a large gross anatomy lab, a library and learning resource center, and faculty and staff offices.
- ▶ It was anticipated that the next phase of PBC development, to follow 1 or 2 years after HSEB, would be the Arizona Biomedical Collaborative Building 2 (ABC 2), which would house the PBC research component. Given the current budget conditions and the performance of lottery revenues, the timeline for development of ABC 2 is likely to be delayed.
- ▶ In order to bring new research space online to support the needs of faculty at PBC, a separate capital project has been developed to renovate components of the existing ABC I Building on floors 1 and 2 to provide 20,000 to 25,000 square feet of wet labs, lab support space and administrative functions, at an estimated cost of \$8 million. This planned renovation is now included in this Project Approval document. This plan will also include the accomodation of 10,000 to 12,000 square feet of space in the HSEB Building or Historic Building 3 for the relocation of the Biomedical Informatics (BMI) program, presently housed in ABC 1. This relocation may be temporary, as evaluation of the possibility of using ABC 2 space for the eventual home for BMI will be undertaken.
- ▶ During the summer, as the Project Team investigated the potential for Federal Stimulus Grants, a \$15 million grant application was submitted to the National Institute of Health to develop the first phase of a vivarium and research core to support research activities ongoing in ABC I. This \$15 million vivarium is included in the capital budget for this project.

Additional Project Considerations:

- ▶ To maximize the long-term investment in this important facility, the HSEB will be built to last 50 to 75 years. The facility has been designed in consideration of UA and ASU

EXECUTIVE SUMMARY

design and 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 University's commitment to responsible, sustainable design, this project is intended to receive a United States Green Building Council (USGBC) Leadership in Energy and Environmental Design (LEED) Silver Certification.

Project Delivery Method and Process:

- This project is being delivered through the Construction Manager (CM) at Risk method. This approach was selected for this project because it can save time through fast-track project scheduling, it provides contractor design input and coordination throughout the project, it improves potentially adversarial project environments, and it allows for the selection of the most qualified contractor team for each individual project. With the use of two independent estimates at each phase, and low bid subcontractor work for the actual construction, this method also provides a high level of cost and quality control.
- The CM at Risk was selected through the capital project selection committee process prescribed by the ABOR Procurement Code. Six (6) responses to the project RFQ were received and three (3) of the responding teams were short-listed for interview. A licensed contractor from the community was included on the selection committee as required by Board Policy. The design team was selected through a similar ABOR process, and four (4) teams were interviewed out of the fourteen (14) RFQ responses received.

Project Costs:

- The total project budget for the Health Sciences Education Building is \$164 million, which includes a construction cost of \$115 million. The total project budget for the revisions proposed for the conversion of ABC I to wet lab space will be \$8 million. The total project budget for the vivarium and core lab space will be \$15 million. The total project budget for all of this work together is therefore \$187 million.
- The project budget is developed with the assistance of the construction managers for the project, and in consideration of comparable costs from other recent ABOR projects. Relevant comparable projects identified include:

Comparable Project	Location	Project Size	Escalated Construction Cost/sf
ASU ISTB4	Phoenix	300,000 gsf	\$ 421 /sf
ASU Biodesign A	Phoenix	178,000 gsf	\$ 408 /sf
ASU Biodesign B	Phoenix	175,000 gsf	\$ 421 /sf
ABC I	Phoenix	85,000 gsf	\$ 383 /sf
Thomas Keating (Bio 5)	Tucson	169,000 gsf	\$ 450 /sf
Medical Research Building	Tucson	135,000 gsf	\$ 425 /sf
Average Comparable Project		173,667 gsf	\$418 /sf

- Considering these relevant comparable construction costs, the construction budget for

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the PBC Health Sciences Education Building of \$396 per square foot is considered to be appropriate.

- ▶ For this Project Approval phase, two cost estimates have been prepared independently by the Construction Manager at Risk and the Architect's estimating consultant. These estimates will be reconciled 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, 40% price projections from subcontractors, and 60% 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 project will be financed by each University issuing SPEED revenue bonds for its respective portion of the project costs. The debt service on the bonds will be funded up to 80% by the state lottery revenue allocations and not less than 20% by university funds. The operating and maintenance (O&M) cost associated with the Health Education Science Building project is estimated to be \$2,997,100. The cost will be allocated among UA, ASU and NAU through a joint use agreement. In aggregate, debt service payments for approximately \$189.5 million of bonds financed over 35 years is presently estimated at \$8.9 million (\$1.78 million for a 20% universities' share) for the first five years as interest only payments and \$12.0 million (\$2.4 million for a 20% universities' share) for the remaining 30 years of full principal and interest payments. These estimates are based on current market interest rates and assume an overall borrowing cost of approximately 4.81%.
- ▶ The SPEED legislation authorized financing \$376 million for the development of the PBC. The financing cost allocation for PBC is currently 71% UA, 25% ASU, and 4% NAU. It is understood that SPEED appropriations will not be available for debt service until July of 2011. Therefore funding from the three universities will be required for 100% of debt service in FY 2010/2011. It is also uncertain as to the level of SPEED funding that will be available for the years following FY 2010/2011.
- ▶ Debt Ratio Impact: Pursuant to Arizona Revised Statutes § 15-1683, debt service relating to SPEED project financing is exempt from the debt ratio calculation. However, if the debt service on the SPEED revenue bonds issued by each University for its share of this project costs was included in the ratio calculation, the incremental debt ratio would be 0.4% for UA, .15% for ASU, and .0001% for NAU. The projected highest debt ratio would be 5.86% for UA, 5.90 % for ASU, and 7.74% for NAU.

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Project Status & Schedule:

- ▶ The selected Design Professional (DP) completed the 50% Design Development & GMP Setting Documents in October and is continuing design development in preparation for site work construction to begin.
- ▶ Based on a preliminary GMP, general construction is anticipated to begin when all approvals are in place and funding has been finalized. Construction will be completed approximately two years after the CM at Risk construction contract is awarded.

Committee Review and Recommendation:

The Capital Committee reviewed this item at its November 4, 2009 meeting and recommended Board approval with the provisions that the final scope and costs for the renovation and vivarium components be submitted to the Central Office, and that construction not begin until financing approval is granted by the Board.

The Committee also requested follow-up information on the development of financing and operating plans for the project. The request for financing approval is anticipated in the January-March timeframe.

Recommendation:

That the Board grant Project Approval for the Health Sciences Education Building, the renovations of the ABC1 Building and the first phase of the vivarium on the Phoenix Biomedical Campus, as presented in this Executive Summary.

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Capital Project Information Summary

University: The University of Arizona **Project Name:** Health Sciences Education Building

Project Description/Location: The Health Sciences Education Building located in Phoenix, Arizona is the first phase of the Phoenix Biomedical Campus improvements, which will include classrooms, a state-of-the-art simulation center, pre-clinical training suites, anatomy laboratories, a library, a learning resource center, and faculty offices.

*This section includes the HSEB Bldg. only, Project
except where otherwise noted. Approval

Date of Board Action: December 2009

Project Scope:

Gross Square Feet	265,000
Net Assignable Square Feet	151,000
Efficiency Ratio [NASF/GSF]	57%
NASF by Space Type	
Administrative/Support/Other	41,000
Classrooms	40,000
Labs	54,000
Library	16,000

Project Schedule (Beginning Month/Year):

Planning	FY 2006-9
Design	1/08
Construction	2/10
Occupancy	5/12

Project Budget:

Total Project Cost	\$ 164,000,000
Direct Construction Cost	\$ 115,000,000
Total Project Cost per GSF	\$619
Construction Cost per GSF	\$396
Change in Annual Oper./Main. Cost	\$ 2,997,100

Funding Sources:

Capital:

A. Gifts	
• City of Phoenix	\$ 1,400,000
B. SPEED Revenue Bonds (HSEB & ABC1)	
• State Lottery Revenue allocations	\$ 136,480,000
• Tuition, Local Funds, etc.	\$ 34,120,000
C. SPEED Revenue Bonds (Vivarium)	
• State Lottery Revenue allocations	\$ 12,000,000
• Tuition, Local Funds, etc.	\$ 3,000,000
TOTAL	\$ 187,000,000

Operation/Maintenance:

General Fund Appropriation	\$ 2,997,100
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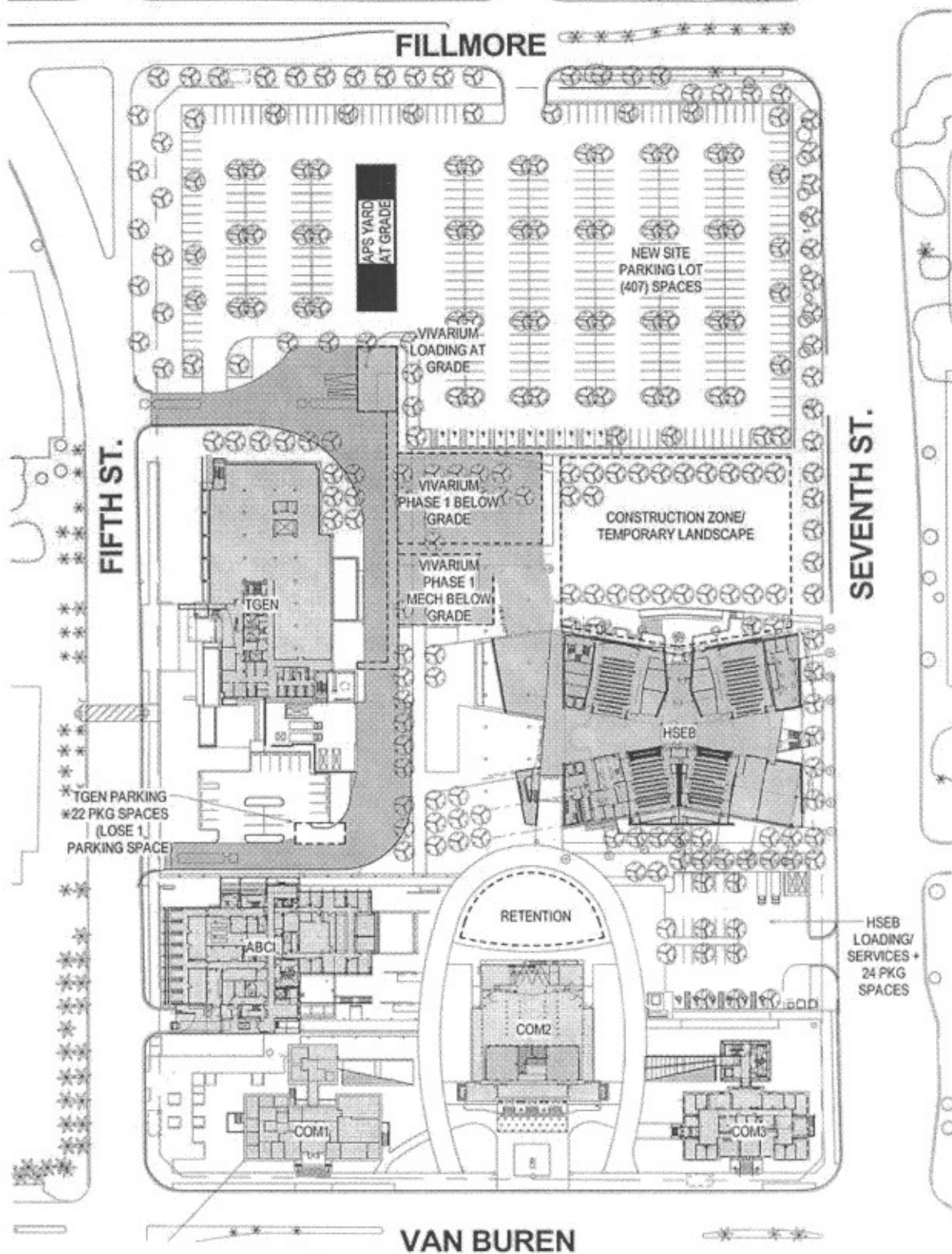
Capital Project Budget Summary

University: The University of Arizona **Project Name:** Health Sciences Education Building

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

	Project Approval <u>Estimate</u>
1. Land Acquisition	\$ 0
2. Construction Cost	
A. New Construction	103,625,000
B. Renovation	1,375,000
C. Fixed Equipment	
D. Site Development	10,000,000
E. ABCI Renovations	8,000,000
F. Phase 1 Vivarium	15,000,000
G. Inflation and Market Adjustment	
Subtotal Construction Cost	\$ 138,000,000
3. Consultant Fees	
A. Construction Manager <u>(2.5%)</u>	2,860,000
B. Architect/Engineering Fees <u>(11%)</u>	12,650,000
C. Other (Programming, schematic design for ABCII, re-design for reduced scope, reimbursables, administrative costs, commissioning) <u>(3.9%)</u>	4,512,000
Subtotal Consultant Fees	\$ 20,022,000
4. Furniture Fixtures and Equipment	6,900,000
5. Contingency, Design Phase <u>(5%)</u>	5,750,000
6. Contingency, Construction Phase <u>(9.2%)</u>	10,622,000
7. Parking Reserve	0
8. Telecommunications Equipment	2,831,500
Subtotal Items 4-8	\$ 26,103,500
9. Additional University Costs	
A. Surveys and Tests	393,600
B. Move-in Costs	65,600
C. Printing/Advertisement	82,000
D. Univ. Facilities & Project Management <u>(1.3%)</u>	1,452,968
E. State Risk Mgt. Ins	880,332
Subtotal Additional University Costs	\$ 2,874,500
TOTAL CAPITAL COST	\$ 187,000,000

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Item Name: Issuance of SPEED Revenue Bonds to Finance the Health Sciences Education Building, including Support Space and Renovation of Arizona Biomedical Collaborative Building 1 (Arizona Biomedical Collaborative)

☒ Action Item ☐ Discussion Item ☐ Information Item

Issue: The University of Arizona, Arizona State University, and Northern Arizona University seek Board authorization (A) to each sell one or more series of SPEED revenue bonds to produce sufficient proceeds to finance (1) not to exceed \$187 million for the Health Sciences Education Building (see below), (2) not to exceed \$2.5 million to pay costs of issuance (see below), (3) payments to a bond insurer or other credit enhancer provided that such payments provide a benefit that exceeds the amount of such payments, and (4) payments pursuant to any related interest rate swap or lock agreements; (B) to pledge system revenues of each university to its respective SPEED revenue bonds, such pledge being subordinate to the pledge securing existing system revenue bonds; (C) to sell such bonds at a price at, above or below par; (D) to take related actions, including designating any such bonds as Build America Bonds under federal law; and (E) to enter into necessary agreements and to execute all necessary documents including those related to bond insurance or other credit enhancement agreements.

Health Sciences Education Building Cost		
University of Arizona	\$132,770,000	71%
Arizona State University	46,750,000	25%
Northern Arizona University	7,480,000	4%
Total	\$187,000,000	
Cost of Issuance		
University of Arizona	\$ 1,670,000	67%
Arizona State University	625,000	25%
Northern Arizona University	205,000	8%
Total	\$ 2,500,000	

Previous Board Actions

Project Approval:	December 2009
Project Implementation Approval:	September 2009
FY2010 Capital Development Plan	June 2009
SPEED Projects Allocation:	July 2008

- The UA will present this project to JCCR for review prior to the sale of the SPEED revenue bonds.

Contact Information:

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Statutory/Policy Requirements

- Board Policy 7-102D requires Capital Committee review and Board approval of all bond and Certificate of Participation financings.
- A.R.S. § 15-1682.03 provides for the University Capital Improvement Lease-to-own and Bond Fund, funded by up to 80% from the State Lottery and at least 20% from the universities.

Background

- In conjunction with the Stimulus Package for Economic and Educational Development (SPEED) initiative, the three universities request authority to sell SPEED revenue bonds in an amount to produce sufficient proceeds to finance the HSEB project as outlined herein and the related costs of issuance, and to take all related actions and enter into all necessary agreements related to the bonds. The SPEED bonds will be secured by and payable from the newly created University Capital Improvement Lease-to-Own and Bond Fund (the "SPEED Fund") established by Arizona Revised Statute (ARS) § 15-1682.03. Annually, through revenues generated by the three state universities, the Board of Regents shall deposit funds to meet at least 20% of the annual debt service payments on each university's SPEED bonds. Beginning in FY 2012, the remaining 80% of the debt service payments is to be provided from revenues generated by the State lottery as defined by ARS § 5-522. In order to provide the necessary security and credit support to be able to sell the SPEED bonds to investors, each university's SPEED bonds will be further secured by a subordinate lien on the gross system revenues of each university that are pledged to their respective system revenue bonds. Because the universities need to further secure the SPEED bonds with a subordinate pledge of system revenues of each university, for which existing bonds are outstanding, it is not feasible to do a single issuance for the project.

Projects to be Financed

The proceeds of the SPEED revenue bonds will be used to finance the Health Sciences Education Building (HSEB) project, which includes supporting space and renovation of 20,000-25,000 square feet at the Arizona Biomedical Collaborative Building 1. The HSEB is designed for 265,000 gross square feet to accommodate large lecture halls, classrooms, clinical training suites, a state-of-the art simulation center, a large gross anatomy lab, a library and learning resource center, and faculty and staff offices. The building will be built on the former site of the Phoenix Union High School located at Seventh Street and Van Buren. The land is owned by the City of Phoenix however the City will transfer the property for the project through a contract-purchase agreement with the Arizona Board of Regents.

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Project Justification/Strategic Implications

- The HSEB is a component of the Phoenix Biomedical Campus (PBC). As provided in the SPEED legislation, the Arizona Board of Regents has approved allocation of \$376 million for the development of PBC. The financing cost allocation for PBC is currently 71% UA, 25% ASU, and 4% NAU. The HSEB will provide a unique opportunity to train health care professionals in an integrated environment, empowering them to become national leaders in inter-professional education and delivery of health care.
- The Health Sciences Education Building is being proposed to grow the College of Medicine Phoenix to 120 first-year medical students and 80 advanced pharmacy students. The facility will also support over 2,000 nursing students at the ASU Downtown Campus through the provision of much needed simulation labs, the Biomedical Informatics program, and assist with the start up of an NAU Health Professionals program.
- When completed, this facility will house components of the College of Medicine-Phoenix (a partnership between UA and ASU), the UA College of Pharmacy, the UA College of Public Health, the ASU College of Nursing and Health Innovation, the ASU Department of Biomedical Informatics, and the NAU Health Care Professionals program.

Fiscal and Financing Plan

- The HSEB project is anticipated to be financed by the three universities each issuing one or more series of SPEED revenue bonds for its respective portion of the project costs. The bonds will be secured by and payable from monies deposited to the SPEED fund, which is administered by the Board. The debt service on the bonds will be funded up to 80% by the State lottery revenue allocations and not less than 20% by university funds. The operating and maintenance (O&M) cost associated with the Health Education Sciences Building project is estimated to be \$2,997,100. The cost will be allocated among the UA, ASU and NAU through a joint use agreement. In aggregate, debt service payments for approximately \$189.5 million of bonds financed over 35 years is presently estimated at \$8.9 million (\$1.78 million for a 20% universities' share) for the first five years as interest only payments and \$12.0 million (\$2.4 million for a 20% universities' share) for the remaining 30 years of full principal and interest payments. These estimates are based on current market interest rates as of the end of October and assume an overall borrowing cost of approximately 4.81%.
- The SPEED funding mechanism is intended to provide monies for 100% of the annual debt service payments on the bonds (80% from lottery revenues and 20% from each university). However, in order to obtain an investment grade rating on the bonds, as well as to be able to obtain investors willing to purchase the bonds, additional security must be provided to create debt service coverage on the bond payments. To accomplish that, the Board, on behalf of the universities, will provide that each university's bonds are further secured by and payable from a subordinate lien on such university's gross system revenues. The lien will be

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subordinate to the pledge of these revenues that secures each university's existing and future system revenue bonds.

- While ratings have not yet been obtained on the bonds, the expectation is that each series of bonds will carry ratings somewhere in the "A" category. The universities will solicit bond insurance and fee quotes from any higher rated bond insurer. If available, bond insurance would only be used if it would yield an overall lower borrowing cost after taking into consideration the cost of the insurance. The final decision as to whether insurance will be used for any bond issue will be a function of market conditions, and the bond insurer's ratings at the actual time of pricing any series of bonds. Bond insurance will only be used in association with the sale of any of the bonds if the insurance provides a demonstrated economic benefit to the universities, as required to be certified to by the underwriter pursuant to federal law.
- Depending on market conditions at the time of any sale, each university will consider issuing the entire amount or a portion of the financing as either fixed or variable interest rate bonds. Given current market conditions, including low long-term interest rates and the recent dislocations in the short-term, variable rate market, it is likely the bonds will be sold as fixed rate bonds with a 35-year financing term and a final maturity in FY 2045. Each university currently intends to structure any issue of bonds with interest-only payments for the first five years (through FY 2015) due to the current economic conditions and the impact it is having on lottery revenues. In FY 2016 and thereafter, the debt service on the bonds is structured as approximately level annual debt service.
- Each university also intends to analyze selling a portion of the bonds as designated Build America Bonds ("BABs"). This somewhat new financing approach was created in February 2009 under the American Recovery and Reinvestment Act as part of the federal government's economic stimulus program. BABs entail the issuance of the SPEED bonds with a taxable rate of interest, but permit the university to then file for a cash subsidy payment from the U.S. Treasury in an amount equal to 35% of the interest costs paid on each interest payment date on any bonds designated as Build America Bonds. This approach broadens the potential buyers for the university's bonds to include investors in the much larger taxable bond markets. While not beneficial in all cases, BAB's have been used by a number of issuers in Arizona and across the country on approximately \$60 billion of bonds to achieve lower interest rates, net of the credit from the federal government, than could otherwise be achieved if the bonds were sold as tax-exempt bonds. To date the economic value and investor reception for BABs have been more pronounced on longer maturity bonds (generally ten-year maturities and longer). Bond issuance costs for BABs have also been noticeably higher than for bonds issued on a tax-exempt basis. The decision to designate and issue all or any portion of any series of bonds as BABs will be a function of market conditions at the time the bonds are sold to investors and would be utilized if issuing any of the bonds as BABs provides a significant cost savings, net of any increased costs.

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- For each maturity of bonds, a comparison will be done of the interest rate likely to be obtained if that maturity of SPEED bonds were sold as tax-exempt bonds or as BABs. If in making this comparison, issuing BABs results in a lower all-in interest cost, then that maturity of bonds would be more financially beneficial to be sold as BABs. The Financial Advisor to each university will assist the university in reviewing the information provided by the underwriter to validate that the interest rate assumptions reflect market conditions and the mathematical computations of estimated "savings" have been correctly calculated. The affected university will analyze the potential savings on a maturity-by-maturity basis and only select the maturities to issue as designated BABs that will result in lower interest costs.
- Based on current conditions in the municipal bond markets as of the end of October and the proposed amortization for the bonds as a whole, the Financial Advisor estimates that the bonds would currently sell at an overall interest rate of 4.81%. The actual interest rate at which any series of bonds will sell cannot be determined until any series of bonds are taken to market. Each university will proceed with its SPEED revenue bond issuance if the overall true interest cost of the issue is no more than 6.50%.
- The financing is designed to be structured conservatively around projections of estimated lottery revenues, with interest-only payments for the first five years of the debt service. Following that, the debt service is structured with level annual debt service payments or annual payments through the final maturity in 35 years.
- Debt Ratio Impact: Pursuant to ARS § 15-1683, debt service relating to SPEED project financing is exempt from the debt ratio calculation. However, if the debt service on the SPEED revenue bonds issued by each university for its share of the project costs was included in the ratio calculation, the incremental debt ratio would be 0.4% for UA, .15% for ASU, and .0001% for NAU. The projected highest debt ratio would be 5.86% for UA, 5.90% for ASU, and 7.74% for NAU. The statutory limit is 8% exclusive of the SPEED revenue bonds.
- Each university will be called upon to enter into various agreements in conjunction with the respective bonds. These may include a bond insurance agreement (provided that it lowers the net borrowing cost as noted herein), a continuing disclosure agreement and a bond purchase agreement.
- The three universities intend to utilize their current bond counsel, Squire, Sanders & Dempsey L.L.P. for the UA and Ballard Spahr L.L.P. for ASU and NAU, and their current financial advisor, RBC Capital Markets in conjunction with the proposed financings. The bonds would be marketed and sold on a negotiated basis to one or more investment banking firms selected by each university through a competitive process.

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- The action being requested would authorize each university to execute these financings within the following parameters to be set forth in the bond resolutions: **the maximum interest rates at which the bonds are authorized to be sold is a true interest rate of 6.50% for the issue. As noted previously, the estimated overall true interest rate based on current market conditions is 4.81%. If any of the bonds are sold as BABs, the true interest rate for such bonds will be calculated net of the 35% interest rate subsidy to be provided by the federal government. The financing period for the bonds is a maximum of 35 years from their date of issuance.**

<u>Item</u>		<u>Comments</u>
Project Costs	\$187,000,000	
Issuance Costs (not to exceed)	\$2,500,000	BABs could have increased fees which could impact issuance costs
Credit Enhancement/Insurance Cost	TBD	Only executed if it provides benefit that exceeds cost of insurance
Interest Rate (current market/not to exceed)	4.81%/ 6.50%	Not to exceed based on maximum universities are willing to pay
Maturity Range	2016-2045	Different series of the issuance may have different maturity dates
Average Instrument Life	23.4 years	35-year financing period
Annual Debt Payment (Interest only)	\$8,900,000	Interest only payments for first five years
Annual Debt Payment (Principal and interest beginning in FY 2016)	\$12,000,000	Level debt service after first five years

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Recommendation

That the University of Arizona, Arizona State University, and Northern Arizona University each are authorized to sell one or more series of SPEED revenue bonds to produce sufficient proceeds to finance (1) not to exceed \$187 million for paying the costs associated with the Health Sciences Education Building Project; (2) not to exceed \$2.5 million to pay costs of issuance; (3) payments to a bond insurer or other credit enhancer provided that such payments provide a benefit that exceeds the amount of such payments; and (4) payments pursuant to any related interest rate swap or lock agreements. The SPEED bonds issued by each university are authorized to be secured by and payable from monies deposited to the University Capital Improvement Lease-to-Own and Bond Fund established by Arizona Revised Statutes section 15-1682.03 and by a subordinate lien on the university's system revenues that are pledged to system revenue bonds. Each university is further authorized to sell the SPEED bonds at a price at, above, or below par and at a fixed or variable rate of interest; to take related actions; and to enter into necessary agreements and to execute all necessary documents including those related to bond insurance or other credit enhancement and derivative agreements, all as more fully provided in a resolution reviewed by Board Counsel and executed by the Board President.