

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

ROBERT L. BURNS
CHAIRMAN 2007
PAULA ABOUD
AMANDA AGUIRRE
MARSHA ARZBERGER
KAREN S. JOHNSON
THAYER VERSCHOOR
JIM WARING

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

HOUSE OF
REPRESENTATIVES

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

REVISED

JOINT COMMITTEE ON CAPITAL REVIEW

Thursday, April 5, 2007

8:00 a.m.

Senate Appropriations Room 109

MEETING NOTICE

- Call to Order
- [Approval of Minutes of January 23, 2007.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [ARIZONA STATE UNIVERSITY – Review of Polytechnic Central Plant Facility.](#)
- 2. NORTHERN ARIZONA UNIVERSITY
 - A. [Review of New Residence Hall Bond Project.](#)
 - B. [Review of FY 2007 Building Renewal Allocation Plan.](#)
- 3. [UNIVERSITY OF ARIZONA – Review of FY 2007 Building Renewal Allocation Plan.](#)
- 4. [ARIZONA GAME AND FISH DEPARTMENT – Review of FY 2007 Building Renewal Allocation Plan.](#)
- 5. [ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND – Review Scope, Purpose, and Estimated Cost of Capital Projects.](#)
- 6. **Presentation on Capitol Mall Plans.**

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

4/3/07

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.

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

ROBERT L. BURNS
CHAIRMAN 2007
PAULA ABOUD
AMANDA AGUIRRE
MARSHA ARZBERGER
KAREN S. JOHNSON
THAYER VERSCHOOR
JIM WARING

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

HOUSE OF
REPRESENTATIVES

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

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

Tuesday, January 23, 2007

The Chairman called the meeting to order at 8:10 a.m., Tuesday, January 23, 2007 in Senate Appropriations Room 109 and attendance was as follows:

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

Absent:	Representative Boone
	Representative Lopes

Hearing no objections from the members of the Committee, Chairman Robert Burns stated the minutes of November 15, 2006 would stand approved.

ADOPTION OF COMMITTEE RULES AND REGULATIONS

Chairman Burns stated that the rules are the same as in the past with a couple of exceptions. Rule 12 and Rule 14 are new rules put in place based on statute passed in the last session.

Representative Russell Pearce moved that the Committee adopt the rules with the changes. The motion carried.

ARIZONA STATE UNIVERSITY

A. Review of Indirect Financing for Downtown Campus Student Housing Project.

Mr. Lorenzo Martinez, JLBC Staff, stated that Item 2A is a review of a university indirect debt financing project. Arizona State University (ASU) plans to enter into an agreement with a private developer to provide student housing at the Downtown Campus. The project would provide 1,200 to 1,300 beds in 2 phases. The first 700 to 750 beds will be available in August 2008, the remaining beds will be available August 2009. The total project cost including financing would be approximately \$116 million that the private developer would finance and use for construction. The developer would enter into an agreement with the City of Phoenix, who is providing a portion of the land for this project. ASU, as the third party, would not solicit any other entities to develop student housing provided the private developer operates the facility to the standards that are developed. ASU would also provide the land for future project phases. In addition, ASU is guaranteeing an occupancy level for the developer to make sure enough revenue is generated in case there are not enough students. ASU is

limited to \$1.2 million should that occur. Rent revenues would be used to make the debt payments and operational costs. The agreement includes a 30-year land lease and it is estimated that the financing would be repaid over 23 years. After the payoff, the land and facilities would become ASU property.

Chairman Burns asked if ASU had any liability relative to the safety of students.

Mr. Martinez replied that the agreements are between the students living at the facility and the developer. ASU has structured the agreement so they do not have any liability relative to any incidents that might occur. ASU has stated that if something should occur, there is no guarantee that they would not be brought into potential legal actions. The intent with the structure is there would be no liability.

Chairman Burns asked, in the event of a liability, if it would fall under the state's self-insurance pool.

Mr. Martinez said that ASU does participate in the state's self-insured pool. Agencies are charged an insurance premium which is deposited in the Risk Management Fund. The fund is used to pay any state liabilities.

Chairman Burns said that this question probably cannot be answered until there is a lawsuit. There is a possible liability to the state, since there is a financial and occupancy guarantee. He asked what types of options will be available if ASU becomes dissatisfied with the developer's operation.

Mr. Richard Stanley, Senior Vice President and University Planner, ASU, replied that there is an option of stopping the endorsement of Capstone as a student housing provider if ASU finds that they do not live up to the performance standards defined in the contract.

Chairman Burns asked what happens if Capstone were to go out of business.

Mr. Stanley replied that there will be a not-for-profit entity established which will issue the debt associated with the project. When the project has been completed and is operating, Capstone will be the hired operator and manager of the facility for that not-for-profit entity. If Capstone were to go out of business at that time, the not-for-profit would look for and hire another manager for the property.

Chairman Burns said this project is outside of the university debt limit established in statute. He asked what the debt limit would be if this project were included in the debt limit.

Mr. Stanley replied that JLBC Staff made a calculation of the debt limit and calculated an increased debt ratio of 5.4% to 6%. The debt limit is 8%.

Representative Pearce said there are other third party financing arrangements. He asked what the overall debt ratio would be if all the third party or other financing were included.

Mr. Stanley replied that he does not have the calculation, however, he could provide the information once it is available.

Chairman Burns requested that the Committee give an unfavorable review with the understanding that the project would not stop. He explained that the project establishes a new campus which is typically established by the full Legislature. The project has few people involved in the transaction and can become an opportunity for mischief, so this project should have broader involvement.

Representative Trish Groe referred to one of the highlights of the agreement that Capstone may raise the rent above the maximum rental price for student accommodations. She asked, since the occupancy rate is built into the contract, if the state would have to absorb the vacancies that were unfilled if Capstone were to raise the rates to an uncompetitive rate.

Mr. Stanley replied that the contract will state that the project has to open at no more than the maximum rate. If it cannot open at the maximum rate, then the university's commitment to occupancy levels in the first 4 years would not be valid. The increase in rates will be limited to no more than 4% per year. If it increases by more than 4%, the university's commitment to the project will not be required to be maintained. This is an attempt to keep the rent affordable. The management of the project will have incentives to keep the rates competitive because there is more gained by occupancy than by percentage points in the rental rate. The structure will allow the university to open and maintain a project that is affordable for the students.

Representative Groe noted that the rate can increase to 4% or higher based on the rates of Tempe housing. She asked if there is an area in the contract that prohibits Capstone from charging non-competitive rates in later years if additional housing is needed.

Mr. Stanley replied that the university will enter into additional contracts with Capstone for further phases beyond the first two phases at the time that the housing is necessary. The contracts will be negotiated at that time. The only guarantee is that Capstone would have the first right of negotiation in future housing developments. If there are no satisfactory arrangements reached for phase 3 or 4 as they become necessary on the Downtown Campus, the university would not proceed. There would be no fixed terms in place for the future contracts. The level of affordability would be determined by the circumstances in the market at the time of negotiating the next phase.

Representative Groe asked if the contract language is available to read, since JLBC Staff stated that Capstone is the sole provider for future housing. She would like to make sure that the correct language is in the contract because it seems like there is no flexibility.

Mr. Stanley read an excerpt from the Arizona Board of Regents (ABOR) Executive Summary saying, "...Approval is not being sought for any subsequent phases and ASU will review later phases with ABOR before proceeding." He noted that this is the intent to outline that the contractual terms were not being set.

Representative John Kavanagh asked how the fees of the shared room at \$695 per month compare to the Tempe campus.

Mr. Stanley replied that when the project opens in 2008 it would effectively be at the same rates as Tempe housing. The rate assumes modest levels of inflation on the existing rates at the Tempe campus and the all inclusiveness of the rate that Capstone will charge. Included in the \$695 rate is telephone, internet, cable and other services charged separately.

Representative Kavanagh asked if the students at the Downtown Campus will only take courses in their major then travel to Tempe for general studies courses, or if this is a self-contained campus where there will be no reason to opt for the Tempe campus housing.

Mr. Stanley said that the programs offered at the Downtown Campus will be self-contained programs. Some of the programs such as Nursing and Journalism are self-contained. The general courses that are required in those programs are being offered by the University College at the Downtown Campus. There may be some students who will choose to take courses outside of the traditional structure of their curriculum and will travel to other campuses, however, the student who is following the general curriculum in those programs will be able to take all of their courses at that campus.

Representative David Schapira said that the Downtown Campus is a work in progress and this project is to provide residences for the students attending the Downtown Campus. He asked how vital the project is to the continuing progress of the campus.

Mr. Stanley said that the university believes that housing, particularly for freshmen and sophomores, is critical on all campuses to increase the rates of retention and graduation. Data shows that students who live in

university housing are more successful in staying beyond their freshman year. Housing is pushed on all of the campuses.

Senator Karen Johnson asked if there was a request for proposal (RFP) on this project.

Mr. Stanley replied that there was a request for qualifications (RFQ) process that selected the team on this project. There was a competitor process that announced the universities intent to build downtown housing and asked for qualified firms or groups of firms to respond and propose how they would develop the campus. The university asked for proposal to include the nature of the housing, the nature of their experience, and their ability to bring property where housing could be built. There were 3 groups that responded. Capstone was a member of one of the groups that the university felt had the best combination of experience, property, and a team with the ability to move the project.

Senator Johnson said she had concerns relative to a November 2006 Tempe housing project that had a square foot price of \$217 and a cost per bed of \$64,800. This project has a cost of \$294 per square foot and a cost per bed of \$85,000. This is an increase in cost that seems excessive.

Mr. Stanley replied that the comparable price shown for the Tempe housing involved land that was on a lease with the university as opposed to land that was purchased by the developer. In this case, half of the land was purchased by the developer at market rates. This is included in the cost whereas it was not included in the Tempe project. The other major factor is because this is downtown housing on limited land, this is considered to be high-rise construction with the buildings being 13-15 stories high. The construction in Tempe is 6-story construction. There is a premium involved in high-rise construction because of different building codes and safety issues.

Senator Amanda Aguirre asked what the requirement for liability insurance coverage is in the sublease.

Mr. Stanley said that full insurance coverage and protection will be required to be documented.

Senator Thayer Verschoor asked for clarification on the outcome of a favorable or unfavorable review.

Chairman Burns said that the unfavorable review does not stop the project. The unfavorable review is an opportunity for the Committee to express concern about the project.

There was continued discussion on the differences between a favorable and unfavorable review.

Senator Verschoor asked if the state is responsible for the remaining vacancies if 99% occupancy is not reached.

Mr. Stanley replied that yes, for the first 4 years at the limits stated in the meeting material.

Senator Verschoor asked what the maximum cost to the state would be if there was 0% occupancy.

Mr. Stanley replied that the commitment lasts for 4 years and is limited to the last 15% of the occupancy, up to 99%. It drops to 10% in the first year, then 5% in the subsequent years. If all of the guarantees needed to be applied over the entire 4-year period, the total would be \$3.2 million which would be the responsibility of the university's auxiliary budget.

Senator Verschoor asked if the total would be funded with non-appropriated money.

Mr. Stanley said that it would be covered through the auxiliary budget which is a fund that is used for all non-educational support services. The Legislature would not have to appropriate funds.

Senator Verschoor asked if the auxiliary fund supplants other funds that the Legislature would need to appropriate money to if the \$3.2 million were to be used.

Mr. Stanley said that no, the funds are run separately.

Senator Johnson said that past projects were brought before the Legislature for approval. She asked why this project was not done in the same manner.

Mr. Stavneak replied that the past projects used state dollars to purchase the land or build buildings. This project incorporates the City of Phoenix bond election. The bonds created the capacity to purchase the land or build the buildings. There is not something that specifically says that they have to come to the Legislature to build a campus. In this circumstance, where the financing source is the City of Phoenix, it did not require ASU to come before the Legislature to authorize the campus. There is a provision in statute passed a year ago that says if indirect debt financing is used, which this project is using, it is required that ASU come before the Committee for review. Before the passing of this statute, it would not have been required to come to the Committee for review because of the type of financing arrangement.

Senator Johnson said that this type of project should come under the purview of the Legislature.

Representative Pearce moved that the Committee give an unfavorable review as outlined in the comments by the Chairman.

Chairman Burns requested a roll call vote on the motion.

The motion carried by a roll call vote of 7-5-0-2 (*Attachment 1*).

ARIZONA STATE UNIVERSITY

B. Review of FY 2007 Building Renewal Allocation Plan.

Mr. Martinez stated that Item 2B is a review of the ASU Building Renewal allocation plan for FY 2007. In FY 2007, ABOR was appropriated \$20 million for building renewal. Of that amount, ASU has received \$6.5 million. ASU has submitted for review the 10 projects listed on page 2 of the JLBC recommendation memo. The projects listed are university-wide related to building renewal projects such as roof replacements and infrastructure repair.

There was no discussion on this item.

Representative Pearce moved the JLBC Staff recommendation that the Committee give a favorable review of the FY 2007 Building Renewal Allocation Plan with the provision that ASU report on any reallocation above \$500,000 between the individual projects. The motion carried.

ARIZONA STATE UNIVERSITY

C. Review of Academic Renovations and Deferred Maintenance Phase IIB Bond Projects and Revised Scope and Cost for Instructional/Research Laboratory Renovations Phase II.

Mr. Martinez said this item has 2 components with the first being a review of a \$10 million bond issuance for academic renovations and deferred maintenance. The second is a review of revisions to bond projects that were previously reviewed. Page 2 of the JLBC recommendation memo has the first bond issuance of \$10 million. ASU has identified 3 projects which total under \$6 million. JLBC Staff recommends that the university provide an expenditure plan for the remaining \$4 million. Page 3 shows the revisions of the previously

reviewed \$20 million bond issuance where the dollar amounts have been revised and projects have been added or removed from the expenditure plan.

There was no discussion on this item.

Representative Pearce moved the JLBC Staff recommendation that the Committee give a favorable review of the Academic Renovations and Deferred Maintenance Phase IIB and the Scope and Cost Revisions for Instructional/Research Laboratory Renovations Phase II bond projects with the provision that ASU submit to the Committee an expenditure plan for the \$4,030,000 unallocated to specific projects in Academic Renovations and Deferred Maintenance Phase IIB and the following standard university financing provisions:

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

The motion carried.

MARICOPA COMMUNITY COLLEGE DISTRICT – Review of General Obligation Bond Issuance.

Ms. Amy Strauss, JLBC Staff, presented the review of the Maricopa Community College Districts (MCCD) proposed \$240 million General Obligation (GO) Bond Issuance. In November 2004, voters approved a total bonding authority package of \$951 million that would be paid for by an increase in property taxes. At its June 2004 meeting, the Committee gave a favorable review to the entire bond proposal with the stipulation that the district return for Committee review prior to each issuance. This request by MCCD will reflect the second issuance. All issuances will fund capital projects as well as district-wide initiatives.

Attachment 1 in the agenda book provides a summary of the projects the district anticipates covering under the issuance. Attachment 3 in the agenda book provides a complete list of projects funded from the first issuance. Due to inflation, project costs were revised upward from original projections which resulted in district-wide reductions of project scopes as well as delays on lower priority projects. Approximately 1.4 million square feet are associated with these projects. This includes 338,000 square feet in remodeled projects and 1 million in new square feet. The estimated average cost per square foot is \$300, including \$346 for new space and \$160 for renovated space. The detail for these projects is provided in the district's project description and construction method worksheet on Attachment 2 in the agenda book.

Senator Johnson asked what entity reviews the projects.

Ms. Strauss replied that both the MCCD business office and the governing board review the projects covered under each bond issuance.

Senator Johnson expressed her concern with the problems that the Maricopa Community College District is having and that the oversight is not there. The issuance of the \$240 million with a debt service of \$72 million is difficult to approve.

Chairman Burns replied that the voters approve the bonding and the Committee approves the use of the bonds.

Representative Pearce moved that the Committee give a favorable review with the provision that MCCD report to the Committee on actual project costs of the second bond issuance when the district returns for review of its third issuance. The motion carried.

DEPARTMENT OF ECONOMIC SECURITY – Review of Prescott Property Conveyance.

Mr. Eric Jorgenson, JLBC Staff, presented the review of the Department of Economic Security (DES) request for a property conveyance with the City of Prescott. The property is located in Prescott and is adjacent to the Prescott College. The conveyance would occur by sale of the land to the City of Prescott for the appraised value of \$530,000. The property, through an economic development agreement, would be used to expand the Prescott College campus.

There was no discussion on this item.

Representative Pearce moved the JLBC Staff recommendation of a favorable review to the property conveyance with the City of Prescott with the provision that prior to expenditure, DES report on the use of the proceeds of the sale. The motion carried.

Without objection the Committee meeting adjourned at 8:50 a.m.

Respectfully submitted:

Yvette Medina, Secretary

Lorenzo Martinez, Assistant Director

Senator Robert Burns, Chairman

NOTE: A full tape recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams.

JOINT COMMITTEE ON CAPITAL REVIEW

Meeting Date: January 23, 2007

ITEM # 2A - *unfavorable review*

ITEM # _____

	PRESENT	ABSENT	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ABOUD	<u>X</u>	_____	<u>X</u>		<u>X</u>	<u>X</u>	
SEN. AGUIRRE	<u>X</u>	_____			<u>X</u>	<u>X</u>	
SEN. ARZBERGER	<u>X</u>	_____		<u>X</u>		<u>X</u>	
REP. BOONE	_____	<u>X</u>					<u>X</u>
REP. GROE	<u>X</u>	_____		<u>X</u>		<u>X</u>	
SEN. JOHNSON	<u>X</u>	_____		<u>X</u>		<u>X</u>	
REP. KAVANAGH	<u>X</u>	_____		<u>X</u>		<u>X</u>	
REP. LOPES	_____	<u>X</u>					<u>X</u>
REP. LUJAN	<u>X</u>	_____			<u>X</u>	<u>X</u>	
REP. SCHAPIRA	<u>X</u>	_____			<u>X</u>	<u>X</u>	
SEN. VERSCHOOR	<u>X</u>	_____		<u>X</u>		<u>X</u>	
SEN. WARING	<u>X</u>	_____			<u>X</u>	<u>X</u>	
REP. PEARCE	<u>X</u>	_____		<u>X</u>		<u>X</u>	
SEN. BURNS	<u>X</u>	_____		<u>X</u>		<u>X</u>	
TOTALS	<u>12</u>	<u>2</u>	_____	<u>7</u>	<u>5</u>	<u>12</u>	<u>2</u>

	PASS	AYE	NAY	PRESENT	ABSENT
SEN. ABOUD					
SEN. AGUIRRE					
SEN. ARZBERGER					
REP. BOONE					
REP. GROE					
SEN. JOHNSON					
REP. KAVANAGH					
REP. LOPES					
REP. LUJAN					
REP. SCHAPIRA					
SEN. VERSCHOOR					
SEN. WARING					
REP. PEARCE					
SEN. BURNS					
TOTALS	_____	_____	_____	_____	_____

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

ROBERT L. BURNS
CHAIRMAN 2007
PAULA ABOUD
AMANDA AGUIRRE
MARSHA ARZBERGER
KAREN S. JOHNSON
THAYER VERSCHOOR
JIM WARING

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

HOUSE OF
REPRESENTATIVES

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

DATE: March 30, 2007

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

THRU: Richard Stavneak, Director

FROM: Leah Ruggieri, Fiscal Analyst

SUBJECT: Arizona State University – Review of Polytechnic Central Plant Facility

Request

The Higher Education Budget Reconciliation Bill (Laws 2006, Chapter 352) approved during the last legislative session includes a provision that requires the Arizona Board of Regents (ABOR) to receive Committee review for any projects using indirect debt financing. Arizona State University (ASU), on behalf of ABOR, requests Committee review of their proposal to enter into a ground lease agreement with Polytechnic Campus Energy Center, LLC to construct the Polytechnic Central Plant Facility (CP Facility) at the ASU – Polytechnic Campus.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review, with the provision that this does not constitute endorsement of any level of General Fund appropriations for the CP Facility.

Analysis

The proposed CP Facility is a 4,500 square-foot building that would supply chilled water and emergency power to the 240,000 square-foot Polytechnic Academic Complex favorably reviewed by the Committee in September 2007 and to the 10,000 square-foot Polytechnic Auditorium. It would be designed to expand as needed to accommodate future campus growth. The CP Facility would also provide automation control and noise and vibration control.

To finance the CP Facility, ASU would enter into a ground lease agreement with the newly-formed Polytechnic Campus Energy Center, Limited Liability Company (LLC). The LLC is a creation of the Arizona Capital Facilities Finance Corporation (ACFFC), an Arizona non-profit corporation that has previously been formed and used to finance other ASU projects. The LLC financing does not count against the universities' debt ratio. The Polytechnic Campus Energy Center LLC would issue up to \$18.5 million in revenue bonds to finance the construction of the CP Facility and necessary infrastructure from the plant to the Polytechnic Academic Complex and the Polytechnic Auditorium. The maximum \$18.5

(Continued)

million revenue bond issuance would be tax-exempt and includes capitalized interest during construction and initial start up, as well as the cost of the issuance. The rental rate charged to the LLC for the ground lease would be \$1 per year. ASU's ground lease agreement with the LLC is for a term of 25 years, subject to earlier termination on repayment of the bonds, which is scheduled to occur in 22 years. Once the bonds are repaid, ownership of the CP Facility will revert to ASU.

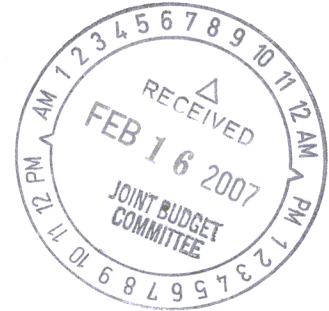
The actual design, construction, and operation of the CP Facility will be managed by the Arizona Public Service Energy Services (APSES). APSES was the successful applicant to a Request for Proposal (RFP) issued in June 2006. The LLC will be responsible for collecting an annual charge of \$2.1 million from ASU for chilled water and emergency electrical power usage. Of this amount, \$1.4 million covers the central plant debt service, \$200,000 covers APSES' purchase of electricity, water, and sewer services, and \$500,000 covers operation and maintenance costs for the central plant facility. ASU indicates that this annual cost is comparable to utility rates at the Tempe campus. The \$1.4 million portion of the billing that covers the capital cost to construct the CP Facility would be paid directly to the bond trustee on behalf of the LLC to cover the debt service. The remaining portion of the billing would be paid directly to the LLC for distribution to APSES.

Part of the contract with APSES is to provide water and sewer infrastructure on the campus to connect to the City of Mesa. The City of Mesa would reimburse APSES up to \$17 million for these costs, of which \$3.5 million is allocated in the first phase for water and sewer connections to the Polytechnic Academic Complex and the CP Facility.

RS/LR:ym

ASU
ARIZONA STATE UNIVERSITY

February 16, 2007



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

Dear Senator Burns:

In accordance with ARS 15-1682.02, the Arizona Board of Regents requests that the following indirect debt financed project for ASU be placed on the next Joint Committee on Capital review Agenda for review:

Ground Lease Agreement with Polytechnic Campus Energy Center, LLC for the Polytechnic Central Plant Facility, to be managed by Arizona Public Service Energy Services (APSES)

Enclosed is pertinent information relating to this project.

If you have any questions or desire any clarification on the enclosed material, please contact me at (480) 727-9920.

Sincerely,



Carol Campbell
Executive Vice President and CFO

Enclosures

c: Lorenzo Martinez, Assistant Director, JCCR
Joel Sideman, Executive Director, Arizona Board of Regents
David Harris, Acting Assistant Executive Director for Capital Resources, Arizona Board of Regents
Richard Stanley, Senior Vice President and University Planner
Virgil Renzulli, Vice President for Public Affairs
Scott Cole, Deputy Executive Vice President, University Services
Steve Miller, Deputy Vice President, Public Affairs
Lisa Frace, Associate Vice President for Budget and Planning
Gerald Snyder, Associate Vice President for Finance and Treasurer
James Sliwicki, Director, Budget Planning and Management
Leah Ruggieri, Fiscal Analyst, JCCR

OFFICE OF THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
Business and Finance

PO BOX 877505, TEMPE, AZ 85287-7505
(480) 727-9920 FAX: (480) 727-9922

EXECUTIVE SUMMARY

ACTION ITEM: Request for authority to enter into: (i) a Ground Lease Agreement with Polytechnic Campus Energy Center, LLC, regarding the Polytechnic Central Plant Facility, and; (ii) to issue tax-exempt revenue bonds not to exceed \$18,500,000 and; (iii) one or more intergovernmental agreements with City of Mesa relating to infrastructure for the Polytechnic campus.

ISSUE: Pursuant to ABOR Policy 7-207 ASU requests (i) Board approval to enter into a Ground Lease Agreement with Polytechnic Campus Energy Center, LLC, along with tax-exempt financing by the LLC, and (ii) pursuant to ABOR Policy 3-204, Board approval to enter into one or more intergovernmental agreements with the City of Mesa relating to infrastructure work at the Polytechnic campus.

BACKGROUND:

At the June 2006 Board of Regents meeting, the Regents approved the planning for the Polytechnic Cooling and Electrical Distribution Facilities project. Upon further analysis, it has been determined that a more cost effective option is to construct a central plant facility that produces only chilled water and emergency power (life/safety). The project is now designated as the Polytechnic Central Plant Facility (CP Facility).

PROJECT DESCRIPTION:

The 4,500 square foot central plant will support the new 240,000 square foot Polytechnic Academic Complex and the existing approximately 10,000 square foot Polytechnic Auditorium. It will be located (Exhibit A) and designed to be expandable in order to accommodate future growth of the campus. In addition to supplying chilled water and emergency power, the CP Facility will provide substantial automation control and noise and vibration control.

Financing would be provided by a newly-formed limited liability company, Polytechnic Campus Energy Center, LLC of which Arizona Capital Facilities Finance Corporation (ACFFC), an Arizona non-profit corporation, would be the sole member. ACFFC is a 501(C)(4) non-profit entity which has previously been formed and used to finance other ASU projects through other limited liability companies. The LLC can provide tax-exempt financing pursuant to IRS Revenue Ruling 63-20 and IRS Revenue Procedure 82-16 upon approval of ASU and ABOR.

A total financed amount of up to \$18,500,000 will include capitalized interest during construction and initial start up, and cost of issuance. This financed amount includes both the central plant and the necessary infrastructure from the plant to the Polytechnic Academic Complex and the existing Polytechnic Auditorium.

EXECUTIVE SUMMARY

ASU will enter into a ground lease with the LLC for a term of 25 years, subject to earlier termination on repayment of the bonds, scheduled to occur in 22 years. At the completion of the debt financing period, the utility generating facility will revert to ASU, with no further cost or obligation by ASU.

Under the terms of the ground lease, the LLC will finance the construction, the infrastructure to connect the CP Facility to the new facilities and auditorium, and will contract for the operation and maintenance of the CP Facility. The rental rate for the ground lease will be \$1 per year.

Costs associated with construction of the CP Facility, to be amortized for 20 years upon construction completion, together with projected annual operation and maintenance costs, will be factored into the utility charges incurred by ASU at the Polytechnic campus.

The LLC will bill ASU for chilled water and emergency (life/safety) electrical power usage based upon the contracted arrangement, estimated to be \$2.1 million annually which is comparable to utilities rates at the Tempe campus. The fixed capital recovery portion of the billing will be paid directly to the bond trustee on behalf of the LLC, with the remaining portion of the billing then being paid to the LLC.

If approved by ABOR, the CP Facility will be designed, constructed, operated by Arizona Public Service Energy Services (APSES). They were the successful proposer to an RFP issued in June 2006.

Included in the contract with APSES, but separate from the financed portion of this project, will be infrastructure work (Phase 1) to provide domestic water and sanitary sewer from the City of Mesa to the Polytechnic campus. The current domestic water system and sanitary sewer system on the Poly campus are inadequate to serve the new Polytechnic Academic Complex. Once the sewer and water infrastructure work is completed and accepted by the City, ASU will grant an easement to the City that will allow the City to own and maintain the improvements.

On November 7, 2006, the electorate of the City of Mesa passed a bond election for a \$261 million bond program. A portion of those bond proceeds are designated for infrastructure work to support current and future development of the Polytechnic campus. The work will occur in phases, and may include utilities and infrastructure such as improving and expanding roads, water, and wastewater control systems. An Intergovernmental Agreement with the City of Mesa, providing for the reimbursement of funds expended by APSES for Phase 1, is currently being finalized for an amount not to exceed \$3.5 million.

EXECUTIVE SUMMARY

RECOMMENDATION

RESOLVED: That the Board approve: (i) entering into a ground lease agreement with a limited liability company for the construction and operation of a central plant facility to serve the ASU Polytechnic campus, and; (ii) the issuance by a limited liability company formed by Arizona Capital Facilities Finance Corporation of tax-exempt revenue bonds in a sufficient amount to build the CP Facility at ASU's Polytechnic campus and pay for related financial costs, including capitalization of interest during construction and initial start up, and; (iii) approval to enter into one or more Intergovernmental Agreements with the City of Mesa relating to infrastructure for the Polytechnic campus.

FURTHER RESOLVED: That the President of the University, the Executive Vice President and CFO, or the Associate Vice President for Finance and Treasurer, are each hereby authorized to take all appropriate actions to negotiate, sign and enter into a ground lease agreement with the LLC for the construction, operation, and maintenance of a central plant facility to serve the ASU Polytechnic campus on the terms described herein, and any other necessary or appropriate documents in connection with the transaction and related financing, and take all necessary and appropriate actions in this connection, with such modifications as the President, Executive Vice President and CFO, or the Associate Vice President for Finance and Treasurer to be necessary or desirable and appropriate.

FURTHER RESOLVED: that the President of the University, the Executive Vice President and CFO, or the Deputy Executive Vice President for University Services, are each separately hereby authorized to take all appropriate actions to negotiate, execute and deliver an intergovernmental agreement or agreements with the City of Mesa for utilities infrastructure, such as the President, the Executive Vice President and CFO or the Deputy Executive Vice President of the University for University Services or any of them acting alone determines to be necessary or advisable or convenient and proper.

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

ROBERT L. BURNS
CHAIRMAN 2007
PAULA ABOUD
AMANDA AGUIRRE
MARSHA ARZBERGER
KAREN S. JOHNSON
THAYER VERSCHOOR
JIM WARING

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

HOUSE OF
REPRESENTATIVES

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

DATE: March 30, 2007

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

THRU: Richard Stavneak, Director

FROM: Amy Strauss, Fiscal Analyst

SUBJECT: Northern Arizona University - Review of New Residence Hall Bond Project

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Northern Arizona University (NAU) requests Committee review a new 372 bed residence hall project to be financed with a \$30 million system revenue issuance and \$400,000 from auxiliary funds.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request with the following standard university financing provisions:

- NAU shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. NAU shall also report to the Committee before any reallocation exceeding \$500,000 among the individual planned renovations, renewals, or extensions.
- NAU shall submit for Committee review any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, NAU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.
- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.

(Continued)

Analysis

NAU proposes to construct a 101,775 square foot suite-style residential complex, with classroom, exercise, and common spaces. The 3-story complex includes 93 residential suites with 372 beds. In FY 2007, on campus occupancy is at 90% with approximately 95% in single room demand. In Fall 2006, NAU opened with over 100 students in temporary housing, and demand for housing in Fall 2007 is anticipated to increase by 200 students. The project site is a parking surface located centrally on campus near several residence halls. NAU has recently completed a parking deck along Knoles Drive and across the street from the new construction to serve residential parking needs.

Total project cost for the new residence hall project is \$30.4 million, of which \$30 million will be funded by system revenue bonds and \$400,000 from auxiliary funds. NAU anticipates issuing the \$30 million in AA rated system revenue bonds later this spring with a 5.25% annual interest rate and a term of 35 years. The university estimates an annual debt service of \$1,890,000, with a 35-year total of \$36.2 million. NAU anticipates operating and maintenance costs of \$795,000 when the project is completed, and will cover these expenses from university auxiliary funds. The debt service will also be paid from auxiliary funds. Auxiliary funds are non-appropriated funds generated from self-supporting activities such as dorm fees. Even though NAU plans to use those sources for debt service, system revenue bonds are backed by all revenues generated by the university.

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 8.0% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The \$30 million system revenue bond issuance would increase the NAU debt ratio from 6.2% to 6.7%.

Table 1 below illustrates the construction and project costs associated with the new residential hall project, as well as previous comparable projects. The total cost per square foot for the new residential hall project is \$299, in the higher end of comparable projects. Economies of scale, coupled with higher costs of construction in the Flagstaff area, account for the difference in cost.

Table 1			
Northern Arizona University New Residence Hall Costs			
Project	<u>Total Project Cost</u>	<u>Total Cost Per Square Foot</u>	<u>Cost Per Bed</u>
NAU- New Residence Hall	\$ 30,400,000	\$299	\$81,700
ASU- Barrett College	\$110,000,000	\$224	\$64,700
ASU- South Campus Academic Village	\$130,000,000	\$228	\$70,300
ASU- Downtown Student Housing	\$106,000,000	\$294	\$85,000

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



**NORTHERN
ARIZONA
UNIVERSITY**

Office of the Vice President
For Administration and Finance

Northern Arizona University
PO Box 4088
Flagstaff, AZ 86011

928.523.2708
928.523.4230 fax
www.nau.edu

March 13, 2007

The Honorable Robert L. Burns, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, AZ 85007

RE: New Residence Hall Project



Dear Chairman Burns:

On behalf of the Arizona Board of Regents, I respectfully request the New Residence Hall project for Northern Arizona University be placed on the next available agenda for the Joint Committee on Capital Review. The ABOR Capital Committee reviewed the project at its February 15, 2007 meeting. The project received concurrent Project Implementation Approval and Project Approval during the March 8 and 9 Arizona Board of Regents meeting in Tucson.

- The total project budget is \$30.4 million. The project will be financed by system revenue bonds and auxiliary funds will be used to fund the debt service. Operations and maintenance will be funded by auxiliary funds.
- This project is new construction of a 101,775 square foot suite style residential complex, with classroom, exercise, and common spaces. The three-story complex includes 93 residential suites with 372 beds. Built along the site perimeter, the new residential complex includes an interior courtyard and green space for student activities. The site is currently a 165 space parking surface near several residence halls on central campus. The recently completed parking deck along Knoles Drive and across the street from the new construction will service new residential parking needs and the displaced parking spaces. The NAU Master Plan encourages removal of interior parking surfaces and endorses green space for student activity as well as improved infill of campus space.

NAU will be happy to supply any further information that you may request. Thank you.

Sincerely,

Kathe M. Shinham
Vice President for Administration and Finance

Attachment

cc: President John Haeger
Joel Sideman, Executive Director, Arizona Board of Regents
Richard Stavneak, Director, Joint Legislative Budget Committee
Amy Strauss, Analyst, Joint Legislative Budget Committee
Christy Farley, Director, Government Affairs, NAU
Fred Boice, Chair, ABOR Capital Committee

EXECUTIVE SUMMARY

ACTION ITEM: New Residence Hall - Project Implementation Approval and Project Approval

ISSUE: Northern Arizona University requests Project Implementation Approval and Project Approval for the New Residence Hall project.

PREVIOUS BOARD ACTION:

- Capital Development Plan Approval June 2005

PROJECT DESCRIPTION:

- This project is new construction of a 101,775 square foot suite style residential complex, with classroom, exercise, and common spaces. The three-story complex includes 93 residential suites with 372 beds. Built along the site perimeter, the new residential complex includes an interior courtyard and green space for student activities. The site is currently a 165 space parking surface near several residence halls on central campus. The recently completed parking deck along Knoles Drive and across the street from the new construction will service new residential parking needs and the displaced parking spaces. The NAU Master Plan encourages removal of interior parking surfaces and endorses green space for student activity as well as improved infill of campus space.
- The project is utilizing the Construction Manager at Risk delivery method. The Design Professional is Gould Evans and the Construction Manager at Risk is Core Construction.
- Programming and design costs for the project are expected to exceed the limits defined in ABOR Policy, Chapter VII (7-107.C.3. and 7-107.E.3) due to accelerated scheduling to optimize the construction window for the northern Arizona climate. NAU is requesting a waiver to exceed three percent (3%) of the estimated total project budget granted by Project Implementation. The approximate cost for programming and design services to achieve Project Implementation and Project Approval is \$790,000.
- The new Residence Hall was initially proposed in the 2006 Capital Development Plan submitted June 2005. The construction of this new complex coincides with the retirement of existing debt service.
- The total project budget is \$30.4 million. The project will be financed by system revenue bonds and auxiliary funds will be used to fund the debt service. Operations and maintenance will be funded by auxiliary funds.

EXECUTIVE SUMMARY

FISCAL IMPACT AND FINANCING PLAN:

Debt Ratio Impact: The incremental impact of the annual debt service for this project is 0.48% State (A.R.S.) and 0.58%ABOR. The debt ratio previously approved by the Board in NAU's 2008 – 2010 Capital Improvement Plan is 4.4 percent of estimated total expenditures (State A.R.S.) and 5.6 percent of total unrestricted expenditures and mandatory transfers (ABOR) at the end FY 2006. These ratios are within ABOR and State policy.

PROJECT JUSTIFICATION:

- Much of the existing campus housing is approaching 50 years of age and will require major mechanical renovation or replacement. In addition, these units will require modification to meet student technology needs. While NAU has added new housing on campus, both McKay Village (2006) and Pine Ridge (2003) have wait lists. In fall 2006, NAU housing had an increase of 800 students. NAU expects to experience continued growth on the Flagstaff campus in response to increased retention efforts and a growing college age population in the state.
- Stated goals within NAU's Strategic Plan include providing undergraduate educational excellence in a residential learning community. A facet of this goal includes increasing student accommodations within a vibrant community setting. Site selection for the new Residence Hall is near multiple residence halls, the Dining Expansion project, and other critical student services. Improved student and visitor environments address recruitment and retention of students. The new Residence Hall is consistent with the campus Master Plan which endorses a pedestrian campus experience, increased green spaces for student activity, and improved infill of campus spaces.

RECOMMENDATION:

RESOLVED, that the Board grant Project Implementation Approval and Project Approval to Northern Arizona University for the New Residence Hall project. Resolved, that the Board also grant for this project a waiver of ABOR policies 7-107.C.3. and 7-107.E.3.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Northern Arizona University

Project Name: New Residence Hall (Central Campus)

Project Description / Location: The project scope is new construction of a 101,775 square foot three-story suite style residential complex on central campus.

Project Schedule (Beginning Month/Year):

PIA Approval	March 2007
Project Approval	March 2007
Construction	April 2007
Occupancy	August 2008

Project Budget:

Total Project Cost	\$30,400,000
Direct Construction Cost	\$26,370,630
Total Project Cost per GSF	\$299
Construction Cost per GSF	\$259
Change in Annual O&M Costs	\$795,000
Utilities	\$500,000
Personnel	\$100,000
All Other Operating	\$195,000

Funding Sources:

Capital	
A. System Revenue Bonds	\$30,000,000
(Debt service funded by auxiliary funds)	
B. Auxiliary Funds	\$400,000
Operation / Maintenance	
A. Auxiliary Funds	\$795,000

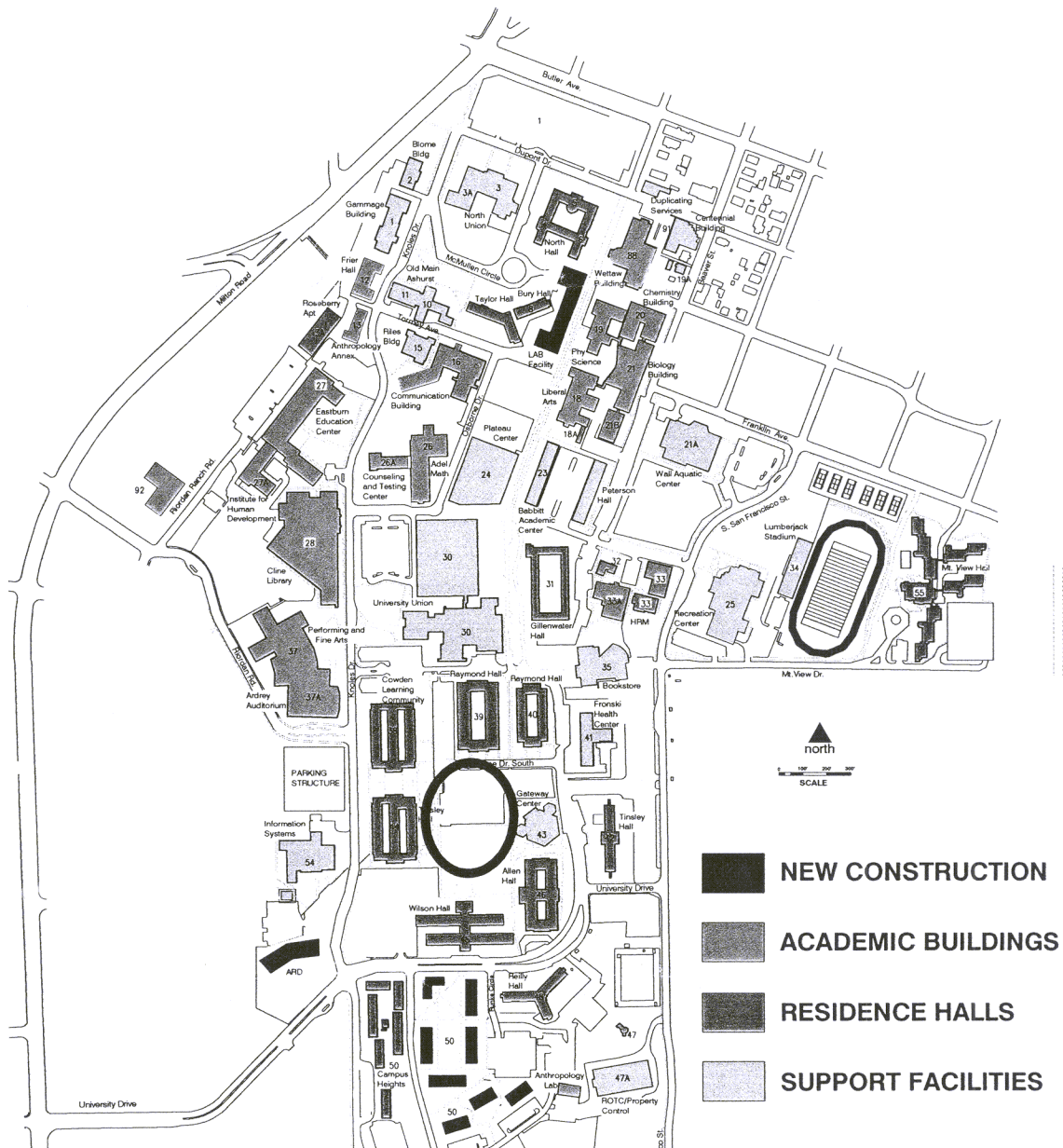
EXECUTIVE SUMMARY

Capital Project Budget Summary

University: Northern Arizona University
Project Name: New Residence Hall (Central Campus)

	CDP Approval	Project Implementation Approval	Project Approval
Capital Costs			
1. Land Acquisition			
2. Construction Cost			
A. New Construction	\$30,000,000	\$24,608,646	\$24,608,646
B. Renovation			
C. Special Fixed Equipment			
D. Site Development			
E. Parking and Landscaping		\$289,000	\$289,000
F. Utilities Extensions		\$250,000	\$250,000
G. Demolition			
H. Inflation /Material Cost Adjustment		\$472,984	\$472,984
Subtotal Construction Cost	<u>\$30,000,000</u>	<u>\$25,620,630</u>	<u>\$25,620,630</u>
3. Fees (% of Construction Cost)			
A. Construction Manager			
B. Engineer/Architect		\$1,801,909	\$1,801,909
C. Other: Lab/Telecom/Commissioning		\$130,000	\$130,000
D. Reimbursables		\$200,000	\$200,000
Subtotal Consultant Fees		<u>\$2,131,909</u>	<u>\$2,131,909</u>
4. FF&E Moveable / Move-in Costs		\$400,000	\$400,000
5. Contingency, Design Phase (%)		\$55,000	\$55,000
6. Contingency, Constr. Phase (%)		\$950,000	\$950,000
7. Parking Reserve		\$40,000	\$40,000
8. Telecommunications Equipment		\$238,655	\$238,655
Subtotal Items 4 - 8		<u>\$1,683,655</u>	<u>\$1,683,655</u>
9. Additional University Costs			
A. Surveys and Tests		\$130,000	\$130,000
B. Physical Plant Inspections		\$40,000	\$40,000
C. Public Art / Other			
D. Printing Advertising		\$65,927	\$65,927
E. Asbestos / Utility Impact Fee		\$100,000	\$100,000
F. Project Management Cost		\$530,000	\$530,000
H. State Risk Mgmt Ins.		\$97,327	\$97,327
Subtotal Additional University Costs		<u>\$963,254</u>	<u>\$963,254</u>
TOTAL CAPITAL COST	<u><u>\$30,000,000</u></u>	<u><u>\$30,399,448</u></u>	<u><u>\$30,399,448</u></u>

EXECUTIVE SUMMARY



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

ROBERT L. BURNS
CHAIRMAN 2007
PAULA ABOUD
AMANDA AGUIRRE
MARSHA ARZBERGER
KAREN S. JOHNSON
THAYER VERSCHOOR
JIM WARING

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

HOUSE OF
REPRESENTATIVES

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

DATE: March 28, 2007

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

THRU: Richard Stavneak, Director

FROM: Amy Strauss, Fiscal Analyst

SUBJECT: Northern Arizona University – Review of FY 2007 Building Renewal Allocation Plan

Request

Laws 1986, Chapter 85 established the Joint Committee on Capital Review and charged it with developing a Building Renewal Formula to guide the Legislature in appropriating monies for the maintenance and repair of state buildings. A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. Laws 2006, Chapter 345 appropriated \$20 million to the Arizona Board of Regents (ABOR) for building renewal. Of this amount, Northern Arizona University (NAU) received \$2.6 million. NAU requests Committee review of the FY 2007 Building Renewal Allocation Plan.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request with the following provision:

- NAU report on any reallocation above \$500,000 between the individual projects in the favorably reviewed Building Renewal Plan.

Analysis

Arizona's Building Renewal Formula takes into consideration a facility's age (adjusted to account for major renovations), replacement value, and expected life in determining a suitable appropriation level for repairs. The formula does not account for any maintenance deferred as a result of insufficient past funding. The FY 2007 Capital Outlay Bill (Laws 2006, Chapter 345) appropriated \$20 million from the General Fund to ABOR, funding 29% of the building renewal formula. ABOR has since allocated \$2.6 million of those monies to NAU for building renewal.

(Continued)

NAU has submitted for review the following projects, which total \$2.6 million in building renewal allocations. The costs of these projects appear reasonable and consistent with guidelines for building renewal.

1. Cline Library Alarm
This project replaces the failing fire alarm system and an inadequate security system in order to bring them up to code and safety needs. This project is estimated to cost \$850,000.
2. Roof Replacement and Repair
This project replaces and repairs aging roofs in buildings on the main campus. Roofs range in age from 25 years to 7 years. This project is estimated to cost \$705,400.
3. University Union Window Replacement
This project replaces failing window systems which currently allow water intrusion to facilities. This project is estimated to cost \$350,000.
4. Skydome East Side Lighting Feed
This electrical update will replace failing exterior light costs, electrical conduit, and wiring and light fixtures around the Skydome. This is meant to address safety concerns associated with the lack of adequate lighting for public events. This project is estimated to cost \$325,000.
5. Southwest Forest Science Center Boiler Repair
This project would repair a 17 year old failing boiler with multiple leaks. This project is estimated to cost \$120,000.
6. Americans with Disabilities (ADA) Compliance
This project is intended to address ADA compliance campus-wide, including concrete repairs and access ramps. This project is estimated to cost \$100,000.
7. Gammage Ceiling Repair Corridors and Training Lab
This project will replace failing and worn ceiling tiles, which have been in place for 30 years. This project is estimated to cost \$60,000.
8. Central Plant Compressor Replacement
This project replaces failing compressors which are more than 30 years old and are unable to meet capacity for all of South Campus. These compressors control air for heating and ventilating equipment. This project is estimated to cost \$55,400.
9. Manhole Access System
This project upgrades the manhole access system to meet code for safety testing. This project is estimated to cost \$54,000.
10. Sculpture Facility Gas Line
This project upgrades gas lines necessary to support building heating. This project is estimated to cost \$20,200.

The above projects total \$2.6 million in building renewal funding. Final project costs may change, as they will not be finalized until the projects are bid.

RS/AS:ym



**NORTHERN
ARIZONA
UNIVERSITY**

Office of the Vice President
For Administration and Finance

Northern Arizona University
PO Box 4088
Flagstaff, AZ 86011

928.523.2708
928.523.4230 fax
www.nau.edu



March 26, 2007

The Honorable Robert L. Burns, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, AZ 85007

RE: NAU Building Renewal Projects

Dear Chairman Burns:

On behalf of the Arizona Board of Regents and in accordance with ARS § 41-1252 (A) (4), I respectfully request the attached list of building renewal projects for NAU be placed on the next Joint Committee on Capital Review agenda for committee review.

Please contact me if you have any questions or desire any clarification on the accompanying building renewal document. Thank you.

Sincerely,

Kathe M. Shinham
Vice President for Administration and Finance

Attachment

cc: President John Haeger
Joel Sideman, Executive Director, Arizona Board of Regents
Richard Stavneak, Director, Joint Legislative Budget Committee
Amy Strauss, Analyst, Joint Legislative Budget Committee
Christy Farley, Director, Government Affairs, NAU
Fred Boice, Chair, ABOR Capital Committee

JOINT COMMITTEE ON CAPITAL REVIEW

Northern Arizona University

2006 - 2007 Building Renewal Funds Allocation Plan

The Arizona Legislature has allocated \$2,640,000 to NAU for Building Renewal for 2006 - 2007. NAU's list of priorities for the allocation is shown below, including preliminary cost estimates. Preliminary budgets are subject to change and will not be finalized until projects are bid.

PROJECT NAME	CATEGORY	PROJECT DESCRIPTION	ESTIMATE
1 Cline Library Alarm (Fire/Security)	Fire Life Safety	Replace failing fire alarm system and inadequate security system with new panel, alarms, horns, pull stations, and notifier compatible with NAU PD reporting system. New system will meet current codes and safety needs.	\$850,000
2 Roofing Replacement and Repair	Roofing	This project will repair aging and failing roofs. Buildings under consideration for complete or partial repair include Old Main, Ardrey Auditorium, Wall Aquatic, Walkup Skydome, and Bilby Research. These roofs range in age from 25 years at Ardrey to 7 years at the Skydome. Consultant is currently prioritizing roofing needs.	\$705,375
3 University Union Window Replacement	Non-Mechanical Maintenance	Replace failing window systems. The existing window, frames and failing gasket system have problems due to water intrusion, which in turn could induce mold growth. Entire system is obsolete and existing replacements are no longer available.	\$350,000
4 Skydome East Side Lighting Feed	Electrical	Replace failing exterior light posts, electrical conduit, wiring and light fixtures around Walkup Skydome. This project will remedy safety issues identified by police and Capital Assets. This facility is used for university events, high school sporting events and other major community events that attract large crowds. The exterior needs to be adequately lit for safety.	\$325,000
5 Southwest Forest Science Center Boiler Repair	HVAC	Repair failing boiler. Boilers are 17 years old and have multiple tube leaks. Repair is the most efficient option for failing systems as boilers are located in rooftop penthouse. Replacement would require access through existing roofing and support structure.	\$120,000
6 ADA Holding 2007	ADA	Various projects to address ADA compliance concerns, including concrete repairs and access ramps.	\$100,000
7 Gammage Ceiling Repair Corridors and Training Lab	Non-Mechanical Maintenance	Replace failing and worn ceiling tiles and grid. Current system is 30 years old and poses safety concerns for occupants.	\$60,000
8 Central Plant Compressor Replacement	HVAC	Replace failing compressors. Aging compressors are more than 30 years old and unable to meet capacity loads for all of South Campus, which includes academic facilities, residence halls, and the Skydome. Compressors control air for heating and ventilating equipment. Failure could cause uncontrollable heat for South Campus.	\$55,425
9 Testing Manholes Science Complex	Water / Sewer	Code required upgrades to access system for safety testing.	\$54,000
10 Sculpture Facility Gas Line	HVAC	Upgrade gas line necessary to support building heating after renovation for sculpture and metal casting program.	\$20,200
TOTAL ALLOCATION			\$2,640,000

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

ROBERT L. BURNS
CHAIRMAN 2007
PAULA ABOUD
AMANDA AGUIRRE
MARSHA ARZBERGER
KAREN S. JOHNSON
THAYER VERSCHOOR
JIM WARING

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

HOUSE OF
REPRESENTATIVES

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

DATE: March 28, 2007

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

THRU: Richard Stavneak, Director

FROM: Leah Ruggieri, Fiscal Analyst

SUBJECT: University of Arizona – Review of FY 2007 Building Renewal Allocation Plan

Request

Laws 1986, Chapter 85 established the Joint Committee on Capital Review and charged it with developing a Building Renewal Formula to guide the Legislature in appropriating monies for the maintenance and repair of state buildings. A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. Laws 2006, Chapter 345 distributed \$20 million to the Arizona Board of Regents (ABOR) for building renewal. Of this amount, the University of Arizona (UA) received \$10.9 million. UA requests Committee review of the FY 2007 Building Renewal Allocation Plan.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request with the following provision:

- UA report on any reallocation above \$500,000 between the individual projects in the favorably reviewed Building Renewal Plan.

Analysis

Arizona's Building Renewal Formula takes into consideration a facility's age (adjusted to account for major renovations), replacement value, and expected life in determining a suitable appropriation level for repairs. The formula does not account for any maintenance deferred as a result of insufficient past funding. The FY 2007 Capital Outlay Bill (Laws 2006, Chapter 345) appropriated \$20 million from the General Fund to ABOR, funding 29% of the building renewal formula. ABOR has since allocated \$10.9 million of those monies to UA for building renewal.

UA has submitted for review the following projects, which total \$10.9 million in building renewal allocations. Final project costs may change, as they will not be finalized until the projects are bid. The costs of these projects appear reasonable and consistent with guidelines for building renewal.

(Continued)

1. Veterinary Science and Microbiology Heating, Ventilating, and Air Conditioning (HVAC) Improvements Phase 1
The primary purpose of this project is to renovate the building exhaust system to present day standards for laboratories. The project will upgrade the HVAC system to comply with applicable codes and provide the capacity to meet the modern thermal loads of the building. Architectural and electrical improvements will also be made. This project is estimated to cost \$1,600,000.
2. Robert L. Nugent Building Renovations
This project will enable the consolidation of several groups within the Department of Multicultural Programs and Services. This project is estimated to cost \$200,000.
3. Old Main Renovations
Old Main is the UA's oldest building. This project will include exterior restoration and interior renovations necessary to preserve the building and relocate the Office of Admissions and orientation Services. This project is estimated to cost \$1,950,000.
4. Administration Building – Renovation of Suites 302, 316, and 322
This project will renovate the Administration Building suites that house the Graduate College Admissions and Degree Certification programs. The renovation will include replacing carpet and ceiling tiles, replacing main service counters with Americans with Disabilities Act (ADA) compliant counters, upgrading of electrical wiring, and building new office spaces. This project is estimated to cost \$250,000.
5. Architecture Building Renovations
This renovation project will modernize existing building systems and infrastructure, as well as improve the function and organization layout to more fully integrate the new expansion. This project is estimated to cost \$2,830,000.
6. Gould- Simpson Building – Renovation of Labs 105, 105B, 111, and 117
This project will include renovating labs that experienced water damage due to flooding and creating laboratories for the Department of Geosciences. This project is estimated to cost \$508,000.
7. Gould-Simpson Fume Hoods
This project will replace deteriorated fume hoods throughout the building that are a health concern. These replacements are estimated to cost \$492,000.
8. Arizona Health Sciences Center – Renovation of Multi-Discipline Laboratories (MDL) 3rd Floor
This project will renovate the third floor of the MDL at the Health Sciences Center. This project is estimated to cost \$800,000.
9. Harshbarger – Renovation of Labs 220, 222, 250D, 306 & 366
This project will renovate laboratory space used by the College of Engineering, Hydrology & Water Resources. This project is estimated to cost \$585,000.
10. Campus Electrical Infrastructure
This project will replace and upgrade critical distribution electrical transformer infrastructure components campus wide. This project is estimated to cost \$1,685,000.

RS/LR:ym

JOINT COMMITTEE ON CAPITAL REVIEW
The University of Arizona
FY 2006-2007 Building Renewal Allocation Plan
February 2007

Project	Estimate
VET SCIENCE & MICROBIOLOGY, HVAC IMPROVEMENTS PH I Project will provide significant improvements to heating, ventilating, and air conditioning (HVAC) systems serving the Veterinary Science and Microbiology building. Primary focus of Phase I is to renovate the building exhaust system to present day standards for laboratories. Improvements will upgrade the HVAC systems to comply with applicable codes and provide the capacity to meet the modern thermal loads of the building. Architectural and electrical improvements will also be included.	\$1,600,000
ROBERT L NUGENT BUILDING RENOVATIONS The Robert L Nugent Building renovations will enable the consolidation of several groups within the Department of Multicultural Programs and Services. This building occupies a highly visible site on the Mall and is adjacent to both Old Main and the Student Union.	\$200,000
OLD MAIN RENOVATIONS Exterior restoration and interior renovations necessary to preserve the University's oldest building and relocate the Office of Admissions and Orientation Services. This historic building will be structurally preserved and improved to serve in the recruitment of prospective students taking part in orientation and admissions activities.	\$1,950,000
ADMINISTRATION, RENOVATE SUITES 302,316 & 322 Renovation of the Administration Building, third floor suites 302, 316 and 322 for the Graduate College Admissions and Degree Certification programs. Work will include replacing deteriorated carpet and ceiling tiles, replacing main service counters with ADA compliant counters, upgrading electrical wiring, and building new office spaces.	\$250,000
ARCHITECTURE BUILDING RENOVATIONS Architecture Building renovations to modernize existing building systems and infrastructure as well as improve the function and organization layout to more fully integrate with the new expansion.	\$2,830,000
GOULD-SIMPSON, RENOVATE LABS 105,105B, 111 & 117 Renovation of laboratory suites 105, 105B, 111 and 117 in the Gould-Simpson building after water damage caused by flooding, and to create state-of-the-art clean laboratories for the Department of Geosciences.	\$508,000
GOULD-SIMPSON, FUME HOODS Replacement of deteriorated Fume Hoods presently causing health concerns throughout the Gould-Simpson Building.	\$492,000
AHSC, RENOVATE MDL 3RD FLOOR Renovation of the third floor multidiscipline laboratories (MDL), Classrooms 3113-3116 and 3184, at the Arizona Health Sciences Center (AHSC).	\$800,000
HARSHBARGER, RENOVATE LABS 220,222,250D,306 & 336 Renovation of laboratories for the College of Engineering, Hydrology & Water Resources, located at the John W Harshbarger Building, Rooms 220, 222, 250D, 306 and 336.	\$585,000
CAMPUS ELECTRICAL INFRASTRUCTURE Replacement and upgrade of critical distribution electrical transformer infrastructure components campus wide.	\$1,685,000
TOTAL FY07 BUILDING RENEWAL	\$10,900,000

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

ROBERT L. BURNS
CHAIRMAN 2007
PAULA ABOUD
AMANDA AGUIRRE
MARSHA ARZBERGER
KAREN S. JOHNSON
THAYER VERSCHOOR
JIM WARING

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

HOUSE OF
REPRESENTATIVES

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

DATE: March 29, 2007

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

THRU: Richard Stavneak, Director

FROM: Jeremy Olsen, Fiscal Analyst

SUBJECT: Arizona Game and Fish Department – Review of FY 2007 Building Renewal Allocation Plan

Request

The Arizona Game and Fish Department (AGFD) requests Committee review of its FY 2007 Building Renewal allocation plan of \$430,800 from the Game and Fish Fund.

Recommendation

JLBC Staff recommends that the Committee give a favorable review of the department's building renewal allocation plan. The \$430,800 plan includes the following expenditures:

- \$57,600 for fish hatchery projects.
- \$332,700 for shooting range projects.
- \$40,500 for office, storage, and wildlife area projects.

Analysis

Laws 1986, Chapter 85 established the Joint Committee on Capital Review (JCCR) and charged it with developing a Building Renewal Formula to guide the Legislature in appropriating monies for the maintenance and repair of state buildings. A.R.S. § 41-1252 requires JCCR review of the expenditure plan for Building Renewal monies. Laws 2006, Chapter 345 appropriated a total of \$430,800 in FY 2007 from the Game and Fish Fund to the AGFD for building renewal activities

The AGFD has more than 270 structures within its building and infrastructure system across the state totaling over 542,000 square feet. Facilities include the department headquarters in Phoenix, 6 regional offices, fish hatcheries, and multiple residences and storage buildings. The FY 2007 proposed Building Renewal expenditure plan is illustrated in the following table:

(Continued)

<u>Category</u>	<u>Building Renewal Allocation</u>	<u>Total Cost</u>
Fish Hatchery Projects		
Page Springs/Bubbling Ponds – <i>Office and Residential Maintenance</i>	\$ 38,400	\$ 96,300
Tonto Creek - <i>Visitor Center and Residential Maintenance</i>	5,200	15,700
Canyon Creek – <i>Residence and Hatchery Renovations</i>	10,000	13,900
Silver Creek – <i>Residential Maintenance and Driveway Resurfacing</i>	4,000	17,000
Shooting Range Projects		
Ben Avery Rifle/Pistol Ranges – <i>Electrical Renovations</i>	141,200	349,500
Ben Avery Clay Target Center – <i>Electrical Renovations</i>	133,500	872,800
Contingency	58,000	
Other Projects		
Deer Valley Airport Hangar – <i>Roof repairs</i>	5,000	5,000
House Rock Wildlife Area – <i>Residence Renovations</i>	14,000	20,000
Deer Valley Campus – <i>Miscellaneous Repairs as Needed</i>	5,000	5,000
Flagstaff Regional Office – <i>Replace Security Gate</i>	4,000	14,000
Unanticipated modifications or repairs	<u>12,500</u>	
Total	\$430,800	\$1,409,200

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

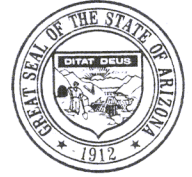
RS/JO:ym



THE STATE OF ARIZONA
GAME AND FISH DEPARTMENT

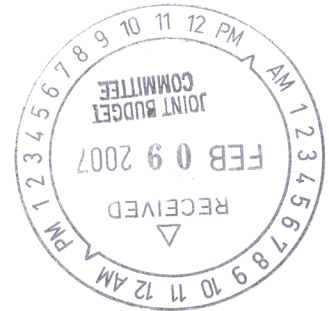
2221 WEST GREENWAY ROAD
PHOENIX, AZ 85023-4399
(602) 942-3000 • AZGFD.GOV

GOVERNOR
JANET NAPOLITANO
COMMISSIONERS
CHAIRMAN, JOE MELTON, YUMA
MICHAEL M. GOLIGHTLY, FLAGSTAFF
WILLIAM H. MCLEAN, GOLD CANYON
BOB HERNBRODE, TUCSON
JENNIFER L. MARTIN, PHOENIX
DIRECTOR
DUANE L. SHROUFE
DEPUTY DIRECTOR
STEVE K. FERRELL



January 31, 2007

Representative Robert Burns, 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 Burns:

The Arizona Game & Fish Department requests placement on the February or March 2007 agenda of the Joint Committee on Capital Review to review the following:

1. FY 2007 Building Renewal allocation and expenditure plan.

The information for this review is attached.

Sincerely,

Fred J. Bloom, P.E.
Engineering and Construction Manager

FJB:fb

cc: James Apperson, Director, OSPB
Representative Russell K. Pearce
Richard Stavneak, Staff Director, JLBC
✓ Lorenzo Martinez, JLBC
Jeremy Olsen, JLBC

Enc.



AGFD FY 2007 BUILDING RENEWAL EXPENDITURE PLAN	
FY 07 AGFD APPROPRIATION	\$430,800
FISH HATCHERY PROJECTS	
(See attached summary of Hatchery Projects)	
<i>Page Springs/Bubbling Ponds Office, Production Structures and Residential Renovations</i>	\$38,430
Painting, roofing, flooring, heat pump, interior renovations/rodent damage repair	
residential heater, siding, garage door replacement	
<i>Tonto Creek Visitor Center, Public Restroom and Residential Renovations</i>	\$5,150
Painting, window replacements, siding, flooring	
<i>Canyon Creek Residences and Production Structures</i>	\$10,000
Painting	
<i>Silver Creek Office/Residence</i>	\$4,000
Painting, access/parking area repairs	
TOTAL:	\$57,580
SHOOTING RANGE PROJECTS	
(See attached summary of Hatchery Projects)	
<i>Ben Avery Shooting Facility - Rifle/Pistol Ranges</i>	\$141,200
Main range electrical renovations, main range concrete resurfacing, structures painting	
<i>Ben Avery Shooting Facility - Clay Target Center</i>	\$133,500
Club house remodel, electrical renovations, repair drain field, repair water line	
Contingency (Hatchery and Shooting Range Projects)	\$57,995
TOTAL:	\$332,695
OTHER PROPERTIES	
(See attached summary of Hatchery Projects)	
<i>Deer Valley Airport Hangar</i>	\$5,000
Relocate evaporative coolers, roof repair	
<i>House Rock Wildlife Area Headquarters</i>	\$14,000
Flooring, kitchen renovation, restroom remodel	
<i>Deer Valley Campus</i>	\$5,000
Miscellaneous repairs as needed	
<i>Flagstaff Regional Office</i>	\$4,000
Replace Employee Parking Lot Security Gate	
TOTAL:	\$28,000
<i>Unanticipated Building Modifications, Repairs or Health and Life Safety Items</i>	\$12,525
TOTAL FY 2007 BUILDING RENEWAL ESTIMATED EXPENDITURE:	\$430,800

2007 Hatchery Projects By Station Building Renewal Contribution Summary

Canyon Creek Hatchery

Structure ADOA Identifier	Activity-Task
GF-70004-001 Admin/Visitor	Install vinyl soffit on eaves
GF-70004-002 Hatchery BLD	Install vinyl soffit on eaves
GF-70004-003 Residence	Install soffit, case porches, paint
GF-70004-004 Raceway canopies	Scrape and paint
GF-70004-005 Feed Storage	Install vinyl soffit on eaves, replace vinyl siding
GF-70004-006 Residence	Paint interior, window covering, vinyl soffit, case porches
GF-70004-007 Residence	Case porches & paint
GF-70004-014 Shed	Scrape and paint
GF-70004-015 Shed	Install vinyl siding, case porch, paint
GF-70004-016 Shed	Vinyl siding & soffit
Interior roads	Crack seal all
Equipment rental (man lift)	For Painting
Total Cost of Improvements	\$13,850
Total Building Renewal Funding	\$10,000

Tonto Creek Hatchery

Structure ADOA Identifier	Activity-Task
GF-7-003-001 Residence	Vinyl floor replacement, paint
GF-7-003-002 Shop/garage	Paint, window replacement, install generator
GF-7-003-003 Hatchery bld.	Vinyl flooring
GF-7-003-005 Residence	Interior paint, window replacement, soffit
GF-7-003-006 Residence	Interior paint, window replacement, soffit
GF-7-003-008 residence	Interior paint, window replacement, flooring
GF-7-003-009 Garage	Window replacement
Interior roads & visitor parking	Crack seal, curbs
Show Pond	Security fence
Total Est. Cost of Improvements	\$15,650
Total Building Renewal Funding	\$5,150

Silver Creek Hatchery

Structure ADOA Identifier	Activity-Task
GF-7-009-002 Residence	Interior paint, misc. hardware
GF-7-009- residence	Interior paint, misc. hardware, counter top, cabinet,
Interior roadway	Resurface, gravel
Total Est. Cost of Improvements	\$17,000
Total Building Renewal Funding	\$4,000

Page Springs Hatchery

Structure ADOA Identifier	Activity-Task
GF-6-003-001 Residence	Roofing, Flooring, soffit, interior paint, ceiling repair, case porch
GF-6-003-002 Residence	Flooring, soffit, case porch
GF-6-003-003 Residence	Shower stall replacement, exterior paint, window
BP001S shed	Siding, exterior paint
BP002S shed	Roof, exterior paint
BP003S shed	Entry pad, paint
GF-6-002-012 Residence	Roofing, Plumbing, wall, attic entrance, heat pump, drainage tiles
GF-6-002-016 Residence	Case trim, replace screens, counter top
GF-6-002-017 Residence	Roofing, Case trim, insulation, duct work, vegetation removal
GF-6-002-018 Garage	Case trim, re-attach ceiling, repair exterior wall
GF-6-002-019 Garage	Case trim, re-attach ceiling
GF-6-002-020 Garage	Case trim
GF-6-002-025 Shop	R & R garage doors, gutters, drainage repair, interior lights, flooring
GF-6-002-026 Office	Gutters, exterior patch and paint, replace sidewalk, flooring, interior paint, exterior security lights
GF-6-002-027 Raceway bank C	Gutters, R&R gates
GF-6-002-028 Raceway bank B	Gutters, R&R gates
GF-6-002-029 Raceway bank A	Gutters, R&R gates
GF-6-002-031 Residence	Flooring, exterior deck seal, window, plumbing
PS 017S shed	Replace porch cover, seal door jams
PS 020S shed	Case trim, paint
General	Equipment rental (man-lift); Interior roads crack sealed; Vegetation removal from all structures
Total Est. Cost of Improvements	\$96,345
Total Building Renewal Funding	\$38,430

Note: All “Cost of Improvements” estimates are for materials only. All labor will be provided by Hatchery personnel.

AGFD BUILDING RENEWAL PROJECT ESTIMATE SUMMARY				
PROJECT LOCATION/DESCRIPTION	Project Construction Estimate	Design/Construction Admin	Building Renewal Portion	Supplemental Funding Sources
SHOOTING RANGE PROJECTS				
<i>Ben Avery Shooting Facility - Rifle/Pistol Ranges</i>				
Main range electrical renovations (matched with other funding)	\$236,000	\$18,500	\$46,200	COLBI Appropriation
Structures Painting	\$71,500	n/a	\$71,500	None
	\$23,500	n/a	\$23,500	None
			\$141,200	
<i>Ben Avery Shooting Facility - Clay Target Center</i>				
Electrical Renovations to Trap and Skeet Houses	\$650,000	\$32,000	\$13,500	Shooting Range Development Fund
Club House Renovation	\$160,000	\$11,900	\$120,000	Shooting Range Development Fund
Includes:				
Remediating electrical code compliance items				
Renovation of concession/food service area				
Termite damage repairs				
Interior finishes - painting and flooring				
Club House drain field repair	\$18,900	n/a	\$18,900	None
			\$133,500	
<i>Contingency</i>				
Contingency @5% of Estimated Construction Costs			\$57,995	
TOTAL:			\$332,695	
OTHER PROPERTIES				
<i>Deer Valley Airport Hangar</i>				
Ductwork modifications to accommodate new plane/repairs to roof	\$4,200	n/a	\$4,200	None
<i>House Rock Wildlife Area Headquarters</i>				
Residence Renovations	\$20,000	n/a	\$15,000	Federal Aid
Includes:				Cost for materials only. Labor provided by AGFD personnel
Kitchen remodel				
Bathroom remodel				
Interior finishes - flooring, painting				
<i>Flagstaff Regional Office</i>				
Security gate replacement	\$14,000		\$4,000	COLBI Appropriation
TOTAL:			\$23,200	

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

ROBERT L. BURNS
CHAIRMAN 2007
PAULA ABOUD
AMANDA AGUIRRE
MARSHA ARZBERGER
KAREN S. JOHNSON
THAYER VERSCHOOR
JIM WARING

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

HOUSE OF
REPRESENTATIVES

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

DATE: March 30, 2007

TO: Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Nick Klingerman, Fiscal Analyst

SUBJECT: Arizona State Schools for the Deaf and the Blind – Review of Scope, Purpose, and Cost Estimates for Capital Projects

Request

The Arizona State Schools for the Deaf and the Blind (ASDB) requests a favorable review of the scope, purpose, and cost estimates for capital projects to be funded with its \$19 million capital appropriation from Laws 2006, Chapter 345 (Capital Outlay Bill). Chapter 345 requires ASDB to submit to the Committee the scope, purpose, and cost estimates for these projects. ASDB would also fund these capital projects with \$300,000 from their Operating Budget that has been designated for air conditioner replacement. ASDB plans to use about \$13 million of the capital appropriation to replace the middle school and high school buildings on its Phoenix Campus, \$5 million to replace the Tucson vocational education building and remodel its annex, and \$1 million to finish air condition installation at the Tucson dormitories.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the projects with the provision that ASDB report the final Guaranteed Maximum Price (GMP) for the projects.

Analysis

Background

ASDB currently operates 2 central campuses, one in Tucson that consists of 34 buildings and one in Phoenix that consists of 20 buildings. In a report presented to the Committee on December 2, 2004, the Schools Facilities Board (SFB) estimated that the minimum space per student at ASDB should be 875 square feet including not only classrooms, but also libraries, physical education areas, administrative space, auditoriums, and other types of required school space (other than dormitories). SFB set the square foot guidelines relative to schools in other states that are similar to ASDB. Currently, ASDB is providing about 495 square feet per student. The projects described below would increase that average to approximately 562 square feet per pupil, as well as eliminate some existing quality deficiencies.

(Continued)

Projects

The table below shows ASDB's capital projects and cost estimates. Funding for the projects includes ASDB's \$19 million capital appropriation and \$300,000 appropriated to ASDB for air conditioner replacement.

<u>ASDB Capital Projects</u>		
<u>Project</u>	<u>Campus</u>	<u>Cost</u>
New Middle School and High School	Phoenix	\$12,703,300
Finish Air Conditioning Dorms	Tucson	1,200,000
New Vocational Building & Health Center	Tucson	<u>5,396,700</u>
Total		<u>\$19,300,000</u>

A discussion of each proposed project appears below.

Replace Phoenix Middle School and High School

ASDB currently uses 3 different buildings for the middle school and high school (grades 7-12) at the Phoenix Campus. The buildings are converted from an old church. The 3 buildings have approximately 25,000 square feet in total and currently provide about 60 square feet of classroom space per pupil versus the SFB minimum of 100. ASDB proposes replacing each of these buildings with a single 51,836 square foot building that would address both capacity and quality deficiencies of the current structures. The following table displays the estimated cost of the Phoenix Campus proposed middle and high school projects:

<u>New Phoenix Middle School and High School</u>	
<u>Components</u>	<u>Estimated Cost</u>
Build Middle School and High School	\$9,576,100
Demolish Existing Middle and High Schools	130,000
Asbestos Abatement at Existing Schools	83,100
Furniture, Fixtures and Equipment	1,213,300
Architecture and Engineering Fees	848,500
Other Fees, Expenses, and Contingency	<u>852,300</u>
Total	<u>\$12,703,300</u>

Based on the above table, the new middle school and high school would cost an average of \$185 per square foot to build (51,836 square feet at \$9,576,100). Currently SFB provides between \$138.42 and \$160.26 per square foot for new middle and high school construction, so the proposed allocation would exceed SFB "high end" costs per square foot by approximately 15%. ASDB indicates that its construction costs are affected by specialized infrastructure needs of students with disabilities including mobility accommodations for students in wheelchairs and special flooring and lighting requirements unique to its student population. The new building will consist of 28 classrooms and a multipurpose room that can be converted to 3 classrooms. Each classroom can hold a maximum of 10 students for a total of 310 students.

Construction is scheduled to begin June 2007 and be completed prior to August 2008. During construction, ASDB plans to demolish the 3 existing classroom buildings on the Phoenix Campus because they are former church buildings that were not designed to serve as schools and furthermore are not compliant with the Americans with Disabilities Act (ADA). The second floor of the middle school building, for example, lacks restrooms and does not have adequate wheelchair access. The Arizona Department of Administration indicates that it would be more expensive to update these structures to meet existing building codes and ADA compliance issues for classroom space than to replace them with new buildings. Demolition costs for the existing middle and high school buildings are estimated to be

(Continued)

\$130,000 (24,808 square feet at \$5.24), and the cost to remove asbestos in them prior to demolition is estimated at \$3.35 per square foot (24,808 square feet at \$83,100).

During construction, students will be served in other locations on the ASDB campus. However, ASDB needs 4 additional classrooms to meet the needs of all students. ASDB proposes purchasing a 1,680 square foot modular classroom building for \$105,600, or \$62.85 per square foot. When construction of the middle school/high school building is completed, ASDB will install the modular classrooms at the Tucson Campus to replace lost space as a result of the new vocational and student health center building. *(Please see the Vocational and Student Health Center issue for more information).*

The estimated middle and high school project cost for furniture, fixtures and equipment is \$1,213,300 which appears reasonable as it represents 10% of total project costs.

Finish Air Conditioning Conversion for Tucson Dorms

The ASDB Tucson Campus houses approximately 175 students who live on campus during the school year. Of the 8 dormitories on the Tucson campus, only 4 are air conditioned. The remaining 4 dormitories have evaporative cooling instead. ASDB plans to replace the existing evaporative coolers with 4 air conditioners. These buildings do not have 3 phase electric power and will need additional electric modifications to accommodate the new air conditioners. In addition, the buildings will require modifications as a result of duct work changes. The table below shows ASDB's cost estimates for this project. ASDB received a \$300,000 appropriation for air conditioner replacement in their FY 2007 operating budget. This amount will be applied to this project in addition to the \$19 million appropriated for capital projects.

<u>Tucson Dormitory Air Conditioning Conversion</u>	
<u>Component</u>	<u>Estimated Cost</u>
Construction Cost	\$ 950,000
Architect and Engineering Fees	89,900
Asbestos Abatement	41,000
Other Fees, Expenses and Contingency	<u>119,100</u>
Total	\$1,200,000

Vocational Building and Student Health Center

ASDB proposes replacing the existing Vocational Building and the Student Health Center with a 25,000 square foot Vocational and Student Health Center building. The Vocational Building on the Tucson Campus was built in 1952, lacks adequate wheelchair accessibility, contains safety hazards and has antiquated electrical and other major mechanical systems. ASDB proposes to retain this building for storage due to asbestos abatement costs.

ASDB also proposes to demolish the existing Student Health Center and the Transportation Building to build a new Vocational and Student Health Center. The existing 4,685 square foot Student Health Center on the Tucson Campus was built in 1949 and has experienced major building system problems in recent years, one of which required evacuation of the building for part of the school year. The building is cooled with individual window air conditioning units, which provide inadequate climate control and are expensive to operate and maintain. The building also is not ADA compliant and its pharmacy and kitchen utilize the same space, which violates health codes. Based on renovation estimates received in recent years, ASDB believes that it would be more cost efficient to replace rather than renovate this building.

The Transportation Building was built in 1932 and is 1,374 square feet. The building is adjacent to the current Student Health Center and will be demolished to create space for the new Vocational/Student Health Center. After the Middle School/High School Building on the Phoenix Campus is completed, ASDB will transport the modular buildings purchased for additional class space to Tucson to function as

(Continued)

the new Transportation Building. *(Please see the Replace Middle School and High School issue for more information).*

The table below shows ASDB's current cost estimate for this project. The project will cost about \$160 per square foot. ASDB worked with ADOA and a 3rd party to develop the \$160 per square preliminary estimate.

<u>Student Health Center and Vocational Building</u>	
<u>Components</u>	<u>Estimated Cost</u>
Construction Cost (25,000 sq. ft. X \$160)	\$4,002,500
Asbestos Abatement	40,000
Furniture, Fixtures and Equipment	500,000
Architect and Engineering Fees	392,300
Other Fees, Expenses, and Contingency	<u>461,900</u>
Total	\$5,396,700

Procurement

Laws 2006, Chapter 345 required ASDB to submit the proposed procurement method to JCCR. The Committee favorably reviewed the procurement method at its July 27, 2006 meeting with the provision that ASDB contract with a 3rd party to assist with negotiations with the CMR in establishing a GMP on both the Middle School/High School project and the Student Health Center and Vocational Building. ASDB subsequently hired a 3rd party to provide the required oversight. The total cost for the 3rd party contract is \$40,900 and is reflected in the costs above.

RS/NK:ss



Agency Administration
P.O. Box 88510
Tucson, AZ 85754
520.770.3824 V/TDD
520.770.3711 FAX
www.asdb.state.az.us

Tucson Campus
P.O. Box 85000
Tucson, AZ 85754
520.770.3667 V/TDD
520.770.3003 FAX

Phoenix Campus
1935 W. Hayward Avenue
Phoenix, AZ 85021
602.336.6804 V/TDD
602.336.6944 FAX

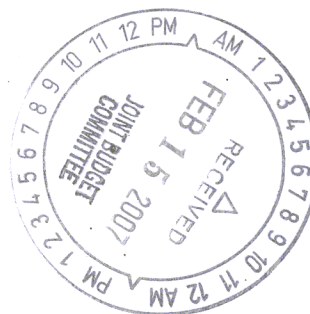
Desert Valleys
Regional Cooperative
8055 N. 24th Ave., Ste. 103
Phoenix, AZ 85021
602.544.1670 V/TDD
602.544.1704 FAX

Southeast
Regional Cooperative
P.O. Box 87010
Tucson, AZ 85754
520.770.3200 V/TDD
520.770.3782 FAX

Southwest
Regional Cooperative
1047 S. 4th Avenue
Yuma, AZ 85364
928.317.0429 V/TDD
928.317.0447 FAX

North Central
Regional Cooperative
1000 E. Butler Ave., Ste 115
Flagstaff, AZ 86001
928.774.0655 V/TDD

Eastern Highlands
Regional Cooperative
1607 N. Navajo Blvd.
Holbrook, AZ 86025
928.528.6770 V/TDD
928.528.6779 FAX



February 14, 2007

Senator Robert Burns
Joint Committee Capital Review
State of Arizona
1700 West Washington Street
Phoenix, Arizona 85007-2890

Re: Joint Committee on Capital Review Agenda

Dear Senator Burns:

Please consider this letter as a request to be placed on the February 2007 agenda to present the ASDB building plan.

Background

House Bill 2865, Forty-seventh Legislature, Second Regular Session, 2006, appropriated \$19,000,000.00 from the state general fund in FY2006-07 to the Arizona State Schools for the Deaf and the Blind (ASDB) for new facilities and building renovations at the Phoenix and Tucson Campuses. In addition, ASDB received supplemental funding in FY 2006 in the amount of \$300,000.00 to convert four (4) dormitories from evaporative cooling to HVAC. At the July 27, 2006 meeting of the Joint Committee on Capital Review (JCCR), favorable review was granted for the preliminary cost estimates presented for the projects to be funded with the above appropriation and to using the Construction Manager at Risk procurement method with competitive selection of subcontractors pursuant to A.R.S. § 41-2578, with the provision that ASDB contract with a third party to assist with the project. It was also requested that ASDB return with a breakdown of the specific projects to be funded from this appropriation.

Information

Three projects from the original list previously submitted to the JCCR are now proposed, with detailed budgets attached. The first is a new 51,836 square foot High School/Elementary School Building for the Phoenix Campus located at 1935 West Hayward Avenue, Phoenix, Arizona. The estimated budget for design, construction, fixtures, furnishings and equipment is \$12,703,345.00. Estimated project duration is 24 months, with a completion target of August, 2008 prior to the start of the 2008/2009 school year.

The second project combines two projects from the original list; a new 25,000 square foot combined Vocational Classroom Building/Student Health Center on the Tucson Campus located at 1200 West Speedway, Tucson, Arizona 85007. The estimated budget for design, construction, fixtures, furnishings and equipment is

\$5,396,655.00. Estimated project duration is 18 months, with a completion target of August 2008 prior to the start of the 2008/2009 school year.

The third project is the replacement of evaporative cooling with new package HVAC (air conditioning) Systems at the Ocotillo Dormitory (approximately 6,141 square feet); Palo Verde Dormitory (approximately 6,589 square feet), Pima Dormitory (approximately 14,263 square feet) and Saguaro dormitory (approximately 4,387 square feet). This project will include building modification and repairs to accommodate the duct work changes, removal of existing HVAC duct system, new duct systems, electrical and fire alarm modifications, including but not limited to electrical services upgrades where applicable. The estimated budget for design and construction is \$1,200,000.00. This project will be partially funded from the \$300,000.00 supplemental to ASDB. Estimated project duration is 18 months, with a completion target of November 2007.

Under an Interagency Service Agreement, ASDB has transferred funds from the above appropriations to the Arizona Department of Administration (ADOA) to manage the project and procure the design and construction. ADOA prepared these project estimates with the assistance of the project architect, DLR Group and the Construction Manager at Risk, W. E. O'Neil Construction. In addition, and as requested by Representative Boone in the JCCR meeting of July 27, 2006, the Arizona Schools for the Deaf and Blind/Phoenix Day School has issued Purchase Order Number EP07-0575 to Ryder Hunt Levett & Bailey in the amount of \$40,850.00 to act as an Independent Cost Advisory (third party oversight) to assist with the negotiations between the Owner and the Construction Manager at Risk in establishing the Guaranteed Maximum Price.

Request

ADOA and ASDB requests favorable review by the JCCR of the final scope, purpose and estimated cost of these projects in order to proceed with construction as required under A.R.S. § 41-1252.

If you have any questions, I can be reached at 520-770-3704.

Sincerely,



Harold E. Hoff, Ph.D.

Superintendent

Arizona State Schools for the Deaf and the Blind

HEH/dg

cc: Office of Strategic Planning and Budget
— Nick Klingerman
Stacy Morley