

JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, April 5, 2016

8:00 a.m.

House Hearing Room 1

JLBC

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

DON SHOOTER
CHAIRMAN 2015
OLIVIA CAJERO BEDFORD
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STEVE MONTENEGRO

JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, April 5, 2016

8:00 A.M.

House Hearing Room 1

MEETING NOTICE

- Call to Order
- [Approval of Minutes of December 15, 2015.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [NORTHERN ARIZONA UNIVERSITY - Review of Dining Renovation Financing Project.](#)
- 2. [ARIZONA DEPARTMENT OF ADMINISTRATION - Consider Recommending FY 2016 Partial Rent Exemptions.](#)

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

3/30/16

kp

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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

December 15, 2015

The Chairman called the meeting to order at 3:16 p.m., Tuesday, December 15, 2015 in Senate Appropriations Room 109. The following were present:

Members:	Senator Shooter, Chairman	Representative Olson, Vice-Chairman
	Senator Farley	Representative Alston
	Senator Griffin	Representative Gray
	Senator Hobbs	Representative Meyer
	Senator Kavanagh	
	Senator Yarbrough	

Absent:	Senator Cajero Bedford	Representative Leach
		Representative Montenegro

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of September 24, 2015, Chairman Don Shooter stated that the minutes would stand approved.

COCHISE COMMUNITY COLLEGE DISTRICT - Review of Revenue Bond Project.

Mr. Tom Ritland, JLBC Staff, stated Cochise Community College District's is requesting review of their \$15,201,800 bond project. The project would finance the renovation of the Sierra Vista Regional Health Center in order to establish a Nursing and Allied Health Center on the district's Sierra Vista Campus. The project would be financed with the \$7,930,000 revenue bond issuance, \$1,000,000 in donations through the College Foundation, and \$6,271,800 from district reserve funds. The JLBC Staff presented options to the Committee.

Mr. J. D. Rottweiler, President, Cochise College, responded to member questions.

Representative Olson moved that the Committee give a favorable review of the \$15,201,800 bond project. The motion carried.

(Continued)

ARIZONA STATE UNIVERSITY (ASU) - Review of Student Pavilion.

Mr. Matt Gress, JLBC Staff, stated ASU is requesting review of \$39,900,000 in system revenue bond issuances over the next year to fund the construction of the Student Pavilion, which will be located on ASU's Tempe Campus. The JLBC Staff presented options to the Committee.

Representative Olson moved that the Committee give a favorable review to \$39,900,000 in system revenue bond issuances over the next year to fund the construction of the Student Pavilion, which will be located on ASU's Tempe Campus. The favorable review includes the following:

Standard University Financing Provisions

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

B. ASU shall provide the final debt service schedules for the projects as soon as they are available.

The motion carried.

ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2014, FY 2015, and FY 2016 Building Renewal Allocation Plans.

Ms. Micaela Larkin, JLBC Staff, stated ADC is requesting review of the reallocation of FY 2014, FY 2015 and FY 2016 building renewal allocation plan monies prior to expenditure. The JLBC Staff presented options to the Committee.

Representative Olson moved that the Committee give a favorable review to the reallocation to ADC's FY 2014, FY 2015, and FY 2016 building renewal reallocation plans. The favorable review includes the following provision:

A. ADC shall continue to report any change in the building renewal spending plan to the JLBC Staff, including reallocations between projects. If there is significant change of scope in the reallocation reported by ADC, the JLBC Staff shall recommend ADC request Committee review of the reallocation. Prior reviews also included this provision.

Table 1 shows the reallocation of ADC's FY 2014 Building Renewal Plan.

Table 1			
FY 2014 Building Renewal Plan			
	Approved Allocation April 1, 2015	Difference	Revised Allocation
<u>Amended Projects</u>			
Locking System and Controls - Tucson Cimarron	\$ 587,500	\$ 37,500	\$ 625,000
Generator Replacement - Tucson Whetstone	500,000	(175,000)	325,000
Gas Line Replacement - Florence East	486,000	149,000	635,000
Locking System and Controls - Douglas CDU	330,000	(30,000)	300,000
Electrical Systems Replacement - Florence	229,000	36,000	265,000
Fiber Optic Cable Upgrade - Lewis Eagle point	75,000	(15,000)	60,000
Contingency	51,700	(2,500)	49,200
Subtotal	\$2,259,200	\$ 0	\$2,259,200
<u>Projects Not Modified</u>	\$2,740,800		\$2,740,800
Total	\$5,000,000		\$5,000,000

(Continued)

Table 2 shows the reallocation of ADC's FY 2015 Building Renewal Plan.

Table 2			
FY 2015 Building Renewal Plan			
	Approved Allocation		Revised Allocation
	April 1, 2015	Difference	
<u>Amended Projects</u>			
New Well - Lewis	\$2,000,000	300,000	\$2,300,000
Locking and Control Systems - Phoenix Alhambra	1,034,900	(434,900)	600,000
Locking and Control Systems - Florence Central	750,000	287,500	1,037,500
Air Conditioning Conversion - Tucson Manzanita	715,500	408,800	1,124,300
Air Conditioning Conversion - Perryville Lumley	622,400	782,600	1,405,000
Air Conditioning Conversion - Lewis Barchey	438,600	(438,600)	0
Air Conditioning Conversion - Lewis Stiner	438,600	(438,600)	0
Air Conditioning Conversion - Eyman Meadows	328,900	(328,900)	0
Inpatient Care Unit Re-Model - Tucson Rincon	207,000	(4,500)	202,500
Evaporative Cooler Duct Work - Lewis Stiner	136,400	8,600	145,000
Air Conditioning Conversion - Florence South	23,200	(23,200)	0
Contingency	<u>118,800</u>	<u>(118,800)</u>	<u>0</u>
Subtotal	\$6,814,300	0	\$6,814,300
<u>Projects Not Modified</u>	\$1,650,000		\$1,650,000
Total	\$8,464,300		\$8,464,300

Table 3 shows the revisions to the FY 2016 Building Renewal Plan.

Table 3			
FY 2016 Building Renewal Plan			
	Approved Allocation		Revised Allocation
	September 17, 2015	Difference	
<u>Amended Projects</u>			
Water Line Replacement - Florence	\$1,400,000	\$ (600,000)	\$ 800,000
Gas Line Replacement - Tucson	500,000	76,000	576,000
Fire Alarm Design - Correctional Officer Training Academy	150,000	(120,400)	29,600
Control Panel Replacement - Eyman/Meadows	140,000	(25,000)	115,000
Air Conditioning - Lewis Barchey		454,400	454,400
Air Conditioning - Florence South	<u>0</u>	<u>215,000</u>	<u>215,000</u>
Subtotal	\$2,190,000	\$ 0	\$2,190,000
<u>Projects Not Modified</u>	\$3,274,300		\$3,274,300
Total	\$5,464,300		\$5,464,300

The motion carried.

ARIZONA STATE LOTTERY COMMISSION - Review of FY 2015 and FY 2016 Building Renewal Allocation Plans.

Mr. Jeremy Gunderson, JLBC Staff, stated the Arizona State Lottery Commission is requesting review of its FY 2015 and FY 2016 Building Renewal Allocation Plan. The FY 2015 Capital Outlay Bill (Laws 2014, Chapter 15) and the FY 2016 Capital Outlay Bill (Laws 2015, Chapter 9) appropriated \$97,400 and \$103,600, respectively, from the State Lottery Fund to the State Lottery Commission to fund 100% of the building renewal formula in FY 2015 and FY 2016. The JLBC Staff presented options to the Committee.

(Continued)

Representative Olson moved that the Committee give a favorable review for the Lottery Commission's FY 2015 and FY 2016 Building Renewal Allocation Plans with the following provisions:

- A. *The Commission shall report any change in the building renewal spending plan to the JLBC Staff, including non-emergency reallocations between projects. If there is significant change of scope in the reallocation reported by the Commission, the JLBC Staff shall recommend the Commission to request Committee review of the reallocation.*
- B. *The reallocation of monies for emergency projects shall be addressed as follows:*
 1. *The Commission shall notify the Chairman and the JLBC Staff that they plan to reallocate less than \$15,000 to spend on an emergency project. The Commission can proceed without Committee review.*
 2. *If the emergency project is \$15,000 or greater, the Commission will request JCCR review.*
 3. *The Chairman can allow the Commission to move forward with an emergency project of greater than \$15,000 without Committee review.*
 4. *The Chairman will notify the Commission if he does not agree that the project is an emergency and will request that the Commission not proceed with the project.*

An "emergency" project is defined as unforeseen, critical in nature, and of immediate time sensitivity.

- C. *If the Commission adds a new non-emergency project not listed in this request, the agency must submit the proposed project and expenditure plan for Committee review.*

The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Consider Recommending FY 2016 Full and Partial Rent Exemptions.

Ms. Krista MacGahan, JLBC Staff, stated A.R.S. § 41-792.01D authorizes the Director of ADOA, on recommendation from the JCCR, to grant a full or partial exemption from the payment of state-owned rental fees if the agency has vacated its space or if the agency does not have the financial resources to make the payment.

Representative Olson moved that the Committee recommend:

- *A full rent exemption totaling \$238,500 for the Secretary of State (SOS) 32nd Street Talking Book Library property.*
- *A partial rent exemption totaling \$32,500 for the Arizona Department of Education to be replaced by a corresponding rent payment from the State Board of Education.*
- *A partial rent exemption totaling \$13,700 for SOS and \$14,100 for the Independent Redistricting Commission to be replaced by a corresponding rent payment of \$27,800 from the Arizona State Parks Board.*

The motion carried.

(Continued)

Without objection, the meeting adjourned at 3:32 p.m.


Respectfully submitted:



Kristy Paddack, Secretary



Jack Brown, Assistant Director



Senator Don Shooter, Chairman



STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: March 29, 2016

TO: Representative Justin Olson, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Matt Beienburg, Fiscal Analyst *MB*

SUBJECT: Northern Arizona University - Review of Dining Renovation Financing 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 of \$14,000,000 in system revenue bond issuances to fund a \$22,000,000 renovation of the South Dining DuBois Center facilities. Auxiliary revenues from NAU's contracted food services operation will pay for the debt service on the \$14,000,000. NAU's food service vendor will pay the remaining \$8,000,000 of the \$22,000,000 renovation cost with an up front cash payment.

Recommendation

The Committee has at least the following 2 options:

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

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

Standard University Financing Provisions

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

(Continued)

- NAU shall provide the final debt service schedules for the project as soon as it is available.

Analysis

The \$14.0 million in bond issuances and \$8.0 million in auxiliary funds will be used to renovate and expand the capacity of the South Dining building and the adjoining DuBois Center, which houses meeting and conference rooms and other student learning spaces. The project will include converting the unexcavated dirt floor basement of the South Dining building into useable space, upgrading kitchen and dining facilities, and renovating student spaces to provide expanded access to “supplemental instruction” (such as peer-facilitated review sessions).

Currently, the South Dining building provides seating capacity for 317 students. Campus-wide residential dining capacity also includes 602 seats at the north residential dining facility for a total student capacity of 919. NAU reports that enrollment growth and the opening of 620 new on-campus residential beds in the fall of 2017 require increased dining service capacity, noting that “the current food service production facility is operating at maximum capacity and cannot fulfill the needs of the dining program due to aging equipment and inadequate infrastructure.”

The renovations will increase seating in the South Dining building from 317 to 425, in addition to providing approximately 40 outdoor seats and expanded dining access to the adjacent conference rooms. NAU indicates that the renovations will also provide more efficient, upgraded kitchen equipment and significant fire/life safety, mechanical, and electrical repairs needed to extend the facility’s useful life.

Financing

NAU intends to issue \$14.0 million of 20-year, fixed rate system revenue bonds with a rating of A1 (Moody’s)/A+ (S&P) by May 2016 at an estimated interest rate of 3.14%. NAU will not proceed with financing if the interest rate exceeds 6.0%. In addition to project costs, issuance costs are projected to not exceed \$480,000. Annual debt service payments, including principal, will be \$1.3 million based on the maximum 6.0% rate beginning FY 2017 for a 20-year total of \$25.3 million. (See *Table 2* for a summary of the bond’s financing terms). NAU charges its food services vendor a commission for operating on campus. NAU will use these monies to pay its debt service. The vendor will also provide \$8.0 million in its own funds. The vendor will pay \$5.0 million in FY 2017 and \$3.0 million in FY 2018.

Financing this project will increase NAU’s debt ratio by an estimated 0.19% from 5.14% to 5.33%.

Construction Costs

Total project costs are projected to be \$22.0 million, which does not include issuance costs. Of this amount, total direct construction costs (excluding items such as design and project management costs) are \$16.3 million. As shown in *Table 1* below, total project costs per square foot are \$433, while direct construction costs per square foot are \$320.

The project’s Construction Manager at Risk (CMAR) will complete the project under the guaranteed maximum price arrangement with NAU.

(Continued)

Table 1

NAU South Dining Renovation

Total Square Footage	50,759	
<u>Funding</u>		
System Revenue Bonds ^{1/}	14,000,000	
Auxiliary Funds	<u>8,000,000</u>	
Total	22,000,000	
<u>Costs</u>		
Direct Construction Costs	16,256,000	(\$320 per sq. ft.)
Other Costs ^{2/}	<u>5,744,000</u>	
Total	22,000,000	(\$433 per sq. ft.)

^{1/} Annual debt service payments on \$14 million principal are estimated at \$1.3 million based on 6% interest rate for a total debt service cost of \$25.3 million, to be funded by auxiliary dining revenues.

^{2/} Includes equipment, furniture, project design and management fees, and other costs.

Table 2

NAU Dining Renovation Financing Terms

Issuance Amount	\$14.0 million
Issuance Date	Spring 2016
Issuance Transaction Fees	\$480,000 (not to exceed)
Rating	A1 (Moody's) / A+ (S&P)
Interest Rate	3.14% (not to exceed 6.0%)
Term	20 years
Total Debt Costs	\$25.3 million
Debt Service Payments (at max 6.0%)	\$1.3 million
Payment Source	Auxiliary (Dining) Revenue
Debt Ratio Increase	0.19%
Construction Start	June 2016

RS/MB:kp



**NORTHERN
ARIZONA
UNIVERSITY**

**Office of the Vice President
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March 15, 2016

The Honorable Justin Olson, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
1700 W. Washington
Phoenix, AZ 85007



Subject: Northern Arizona University (NAU) Capital Projects for Review

Dear Representative Olson:

In accordance with ARS 41-1252, the Arizona Board of Regents requests the following NAU Project be placed on the next available agenda for the Joint Committee on Capital Review (JCCR):

- Northern Arizona University's du Bois Dining Renovation Financing Project

The Arizona Board of Regents Business and Finance Committee is requested to recommend approval to the full Board at its meeting to be held on April 6, 2016. The full Board of Regents will consider this project for approval as well as the financing plan at its meeting on April 7, 2016. We request that the JCCR review this project at the next scheduled meeting on April 5, 2016.

Enclosed is the pertinent information relating to this project. If you require additional information, please do not hesitate to contact me at (928) 523-8871.

Thank you for your consideration of this request.

Sincerely,

Jennus L. Burton
Vice President for Finance and Administration

Attachments

.cc Richard Stavneak, Director, JLBC
Matt Beienburg, Analyst, JLBC
Rita Cheng, President, NAU
Eileen Klein, President, ABOR
Lorenzo Martinez, Associate Vice President, ABOR
Christy Farley, Vice President, Government Affairs, NAU
Joanne Keene, Executive Vice President, NAU
Jane Kuhn, Vice President, EMSA, NAU
Wendy Swartz, Associate Vice President, Financial Services, NAU

**Joint Committee on Capital Review
Northern Arizona University
April 2016 JCCR Meeting**

South Dining Renovation

Project Description

The South Dining Renovation project will renovate the basement and first floor of the South Dining building, as well as the first floor of the adjoining DuBois Center to allow for expanded dining and student learning space. The total renovation will cover 50,759 square feet, which includes making the unexcavated dirt floor basement of the South Dining building useable space. Four hundred twenty-five (425) seats will be provided in the main dining room of the South Dining facility. The project will be designed in accordance with University design standards and will be constructed of high quality, maintainable materials and building systems to maximize energy efficiency and minimize operational, repair and replacement costs. This project will incorporate sustainable materials and practices wherever possible and is intended to receive a United States Green Building Council (USGBC) Leadership in Energy and Environmental Design (LEED) Gold Certification.

The South Dining Renovation, scheduled to open in August 2017, will be funded with system revenue bonds and auxiliary funds. Debt service will be paid with auxiliary funds, from dining revenues.

An Arizona Board of Regents executive summary is attached for this project, which outlines the project description and other relevant information. The Arizona Board of Regents Business and Finance Committee is requested to recommend approval to the full Board at its meeting to be held on April 6, 2016. The full Board of Regents will consider this project for approval as well as the financing plan at its meeting on April 7, 2016. We request that the JCCR review this project at the next scheduled meeting on April 5, 2016.

Project Costs

Total Project Cost	\$22,000,000
Total Project Construction Cost	\$16,256,000
Total Project Cost per GSF	\$320
Total Construction Cost per GSF	\$433

Operations and maintenance costs are expected to be minimally affected by this project.

**Joint Committee on Capital Review
Northern Arizona University
April 2016 JCCR Meeting**

PROJECT SUMMARY – Revenue Bonds

<u>Project</u>	<u>Funding Sources</u>	<u>Amount</u>
South Dining Renovation	System Revenue Bonds & Auxiliary funds	\$22,000,000

FINANCING INFORMATION

System Revenue Bonds:

Project Costs	\$22,000,000
Estimated Costs of Issuance	\$ 400,000
Anticipated Bond Rating	A1(Moody's) and A+(S&P)
Assumed Interest Rate	3.14%/not to exceed 6%
Term	20 years

Debt Service Information:

Estimated Annual Debt Service for 2017-2036	\$ 1,266,000
Total Estimated Debt Service Costs	\$25,321,953

DEBT RATIO

Debt Ratio on Existing Debt	5.14
Incremental Debt Ratio	0.19
Projected Debt Ratio	5.33

EXECUTIVE SUMMARY

Item Name: **South Dining Renovation Project and Financing Issuance Approval (NAU)**

- ☒ Committee Recommendation to Full Board
☐ Full Board Approval

Issue: Northern Arizona University requests project approval of South Dining Renovation. The 50,759 square foot, \$22 million capital project will be financed with \$14 million in System Revenue Bonds and \$8 million in auxiliary funds. The debt service for the Bonds of an estimated \$1,266,000 per year will be paid over approximately 20 years from auxiliary funds.

Previous Board Action

FY 2017 – 2019 Capital Improvement Plan

September 2015

Enterprise or University Strategic Plan

- ☒ Education excellence, access and degree production
☐ Research excellence
☐ Workforce and community
☐ Productivity
☐ Compliance
☐ Real property purchase/sale/lease
☒ Other: Management of increased student enrollment and quality campus life experience; applies to enrollment and retention metrics.

Statutory/Policy Requirements

- ABOR Policy 7-109 requires approval of new construction projects with a total project cost over \$10 million before contracts can be executed and construction can begin.
- ABOR Policy 7-109 requires approval of renovation or infrastructure projects with a total project cost over \$5 million before contracts can be executed and construction can begin.
- ABOR Policy 7-102 requires approval of the issuance of bonds, lease-purchase agreements, certificates of participation issuance, or any debt instrument.
- ABOR Policy 3-501 requires matters relating to revenue bonds, including issuance, sale, appointment of bond counsel, appointment of financial consultant, appointment

Contact Information:

Jennus Burton, Vice President for Finance & Administration, (928) 523-8871, jennus.burton@nau.edu

EXECUTIVE SUMMARY

of trustee, and all other incidents connected with revenue bonds to be presented for Board action.

Project Justification/Description/Scope

- A university's physical campus and student support services are critical to recruiting and retaining high quality students. The student enrollment growth experienced in the last several years, and the addition of on-campus housing makes it necessary to provide increased capacity in on-campus dining services. Consequently, it is necessary for both size and efficiency reasons to enhance the amount and quality of NAU's dining space on the south campus.
- The South Dining facility is one of two all-you-care-to-eat dining facilities that primarily serves the growing on-campus population of meal plan holders. This facility has been operating for a number of years with sub-standard dining, conferencing, and student life facilities.
- The current food service production facility is operating at maximum capacity and cannot fulfill the needs of the dining program due to aging equipment and inadequate infrastructure. The renovated South Dining facility will take advantage of modern and more efficient kitchen equipment, upgraded utilities, and a design that focuses on nutrition and overall wellness. The renovated dining and conferencing spaces will allow the University to meet the projected needs of our campus population during the academic year while also expanding our ability to host off-campus groups as a function of our successful summer conference program.
- Resolving safety and code compliance matters remains an ongoing priority for limited capital resources. The existing DuBois Center and South Dining facility are in need of significant fire/life safety, mechanical, and electrical repairs to extend its useful life.
- Student retention and recruitment are inherently linked with the quality of all campus facilities, including academic, athletic, social and dining. The University strategic plan identifies student recruitment and retention as a critical strategy for ongoing development at NAU. This project is consistent with the Enterprise Plan and University goals and strategies which promote quality learning environments that facilitate student access, retention, and integration into the social community of campus.
- The project is included in the most recent Capital Improvement Plan submittal to the Board dated September 23, 2015. The project must also be included in the Capital Development Plan (CDP). Consequently, it is on the Board's agenda for CDP approval at this Board meeting as well.

EXECUTIVE SUMMARY

- **Bullet(s) describing project details**

- This project will renovate the basement and first floor of the South Dining building, as well as the first floor of the adjoining DuBois Center to allow for expanded dining and student learning space. The total renovation will cover 50,759 square feet, which includes making the unexcavated dirt floor basement of the South Dining building useable space.
- The South Dining DuBois Center facilities will be transformed to a 21st Century facility for residential dining, retail, conferencing and supplemental learning that embraces an engaged community and "Union" experience.
- The south Learning Resource Center (LRC) will have a new presence at the DuBois Center. Its placement to the north of Building 64 will be accessed centrally and adjacent to the building core. Offering accessible supplemental and engaged learning will allow the DuBois Center to become a full service Union for the South Campus.
- Four hundred twenty-five (425) seats will be provided in the main dining room of the South Dining facility. Summer conference dining activity will be able to expand to the adjacent conference rooms. The dining cashier control point for the all-you-care-to-eat dining program will be flexible to allow for access to the conference rooms during the summer so that camp and conference attendees will be able to dine without leaving the all-you-care-to-eat environment.
- Outdoor dining spaces with approximately 40 seats will be an attractive amenity to students added to this location.
- The project will be designed in accordance with University design standards and will be constructed of high quality, maintainable materials and building systems to maximize energy efficiency and minimize operational, repair and replacement costs.
- In an effort to demonstrate the University's commitment to responsible, sustainable design, this project will incorporate sustainable materials and practices wherever possible and is intended to receive a United States Green Building Council (USGBC) Leadership in Energy and Environmental Design (LEED) Gold Certification.

- **Bullet(s) connecting to master plan**

- A recent campus space assessment and the 2010 Master Plan identify the need for increased dining facilities as well as study spaces on south campus. The primary dining and study spaces are located in mid and north campus while there is a large concentration of student housing and classrooms on south campus. Current facilities do not have adequate space for current enrollment and will become more deficient as enrollment increases to meet the 2025 ABOR goals.

EXECUTIVE SUMMARY

- The master plan envisions improvements to create a more attractive and functional campus to aid in the attraction, recruitment and retention of talented students, faculty and staff.
- As part of the master plan, privatized residence halls were and continue to be constructed on south campus. The renovated South Dining Facility expands the service to accommodate the increased number of students living on South Campus, as well as provide additional academic resources in the student Learning Resource Center portion.

Project Delivery Method and Process

- This project will be delivered through the Construction Manager at Risk (CMAR) delivery method. This approach was selected to provide contractor pre-construction services and a higher level of project team integration, which alleviates potentially adversarial project environments.
- NAU utilized a request for qualifications (RFQ) to select Smithgroup JJR as the design professional and Okland Construction as the CMAR for this project. Seven design professionals responded to the RFQ and four firms were interviewed before selecting Smithgroup JJR as the most qualified design professional. Nine CMARs responded to the RFQ and five firms were interviewed before selecting Okland Construction as the most qualified CMAR.

Project Status and Schedule

- This project is in the design phase, with construction scheduled to begin when all approvals are in place. Construction is targeted to begin in June 2016, with Substantial Completion in August 2017.

Project Cost

- The total project budget is \$22 million, which is funded from \$14 million in System Revenue Bonds and \$8 million in auxiliary funds.
- The overall budget represents an estimated construction cost of \$320 per gross square foot. The estimated total project cost is \$433 per gross square foot. The following table represents projects considered comparable to this South Dining Renovation.

EXECUTIVE SUMMARY

Comparable Project	Location	Project Size/SF	Year Completed	Escalated Const. Cost/SF
University Union Dining Expansion, NAU	Flagstaff, AZ	32,877	Aug-08	\$ 327
Student Union/Dining, Fort Lewis College	Durango, CO	103,000	Mar-11	\$ 409
Dining Facility, Western Michigan University	Kalamazoo, Michigan	67,000	Oct-16	\$ 418 *
Average Comparable Project		67,626		\$ 385

*Estimated as still under construction

Considering these relevant comparable construction costs, the South Dining renovation budget of \$320 per gross square foot is considered reasonable.

- The CMAR will be at risk to provide the completed project within the agreed-upon Guaranteed Maximum Price (GMP). The GMP is based on 100% Schematic Design Documents. A third party estimate was complete by Gilbane. The estimate from the CMAR, and the third-party estimator are within 1% of each other on the cost of construction for the project.

Fiscal Impact and Financing Plan:

- The South Dining Renovation project will be funded with \$8 million of auxiliary funds that will come from the university partnership with Sodexo and \$14 million in System Revenue Bonds. Debt service on the bonds will be funded from auxiliary revenues.
- Current market conditions indicate that NAU will issue long-term fixed rate bonds with a final maturity of approximately 20 years. NAU's financial advisor estimates the overall true interest rate on the bonds as of March 9, 2016 will be 3.14%. NAU will proceed with the financing if the overall true interest cost of the bonds is not more than 6% per annum.
- The debt service associated with this project will increase NAU's debt ratio by 0.19% from 5.14% to 5.33%.
- NAU will use its current financial advisor, RBC Capital Markets LLC, its current Bond Counsel, Ballard Spahr LLP, and a bond trustee previously approved by the Board. The Bonds will be marketed and sold on a negotiated basis to one or more approved investment banking firms or by direct sale to a commercial bank.
- NAU will evaluate bond insurance from viable bond insurers available in the market at the time of the sale. The decision as to whether bond insurance will be used will be a function of market conditions and the bond insurer's ratings at the time of bond pricing. Bond insurance will be used only if it provides a demonstrated economic benefit to NAU.
- The university plans to issue the long-term financing for the project by May 12, 2016. The table below shows the anticipated pricing parameters for the financing.

EXECUTIVE SUMMARY

		Comments
Not-to-Exceed Project Costs	\$22,000,000	Including \$8 M auxiliary funds and \$14M of Bonds
Issuance Costs (not to exceed)	\$400,000	Not to exceed
Credit Enhancement/Insurance Cost	TBD	Only executed if economically beneficial
Interest Rate (current market as of March 9, 2016 (not to exceed)	3.14%/6.00%	
Maturity Range	2017 – 2036	Approximately 20 years
Average Instrument Life	12.14 years	
Estimated Annual Debt Service for FY 2017 – 2036, based on 6.00% not to exceed rate	\$1,266,000	Funded from auxiliary revenues

Occupancy Plan

- The South Dining facility will continue to house both retail and residential dining, with expanded seating areas. Additionally, some functions of the existing Learning Resource Center will be relocated to this renovated space. An evaluation of the vacated space in the Learning Resource Center is underway by NAU's Strategic Space Planning Committee to determine its best future use.

Committee Review and Recommendation

NAU requests the committee to review and forward to the full board for Project and Financing Approval the South Dining Renovation project and authorization to issue System Revenue Bonds, as presented in this Executive Summary.

Requested Action

NAU requests the Board provide Project and Financing Approval of the South Dining Renovation project and authorization to issue System Revenue Bonds as presented in the Executive Summary, with the terms and legal provisions of the bonds set forth in a resolution or other legal document to be prepared by bond legal counsel, including authorizing the Vice President for Finance and Administration and the Associate Vice President for Financial Services and Comptroller to execute any necessary documents to build and finance this project as described herein.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Northern Arizona University

Project Name: South Dining
Renovation

Project Description and Location:

The renovation of 50,579 gross square feet of South Dining and DuBois Center to create a South Student Learning Center and a larger, more efficient south dining space.

Project Schedule:

Planning	August 2015
Design Start	November 2015
Construction Start	June 2016
Occupancy	August 2017

Project Budget:

Total Project Cost	\$ 22,000,000
Total Project Cost per sq. ft.	\$ 433
Direct Construction Cost	\$ 16,256,000
Construction Cost per sq. ft.	\$ 320

Change in Annual Operating/Maintenance Costs:

Utilities	\$ 0
Personnel	\$ 0
All Other Operating	\$ 0
	<hr/>
	\$ 0

Funding Sources:

Capital:	
• Gifts	\$ 0
• System Revenue Bonds	\$ 14,000,000
• Auxiliary Funds	\$ 8,000,000
	<hr/>
	\$ 22,000,000

Operation/Maintenance:

• Auxiliary Funds	\$ 0
	<hr/>
	\$ 0

EXECUTIVE SUMMARY

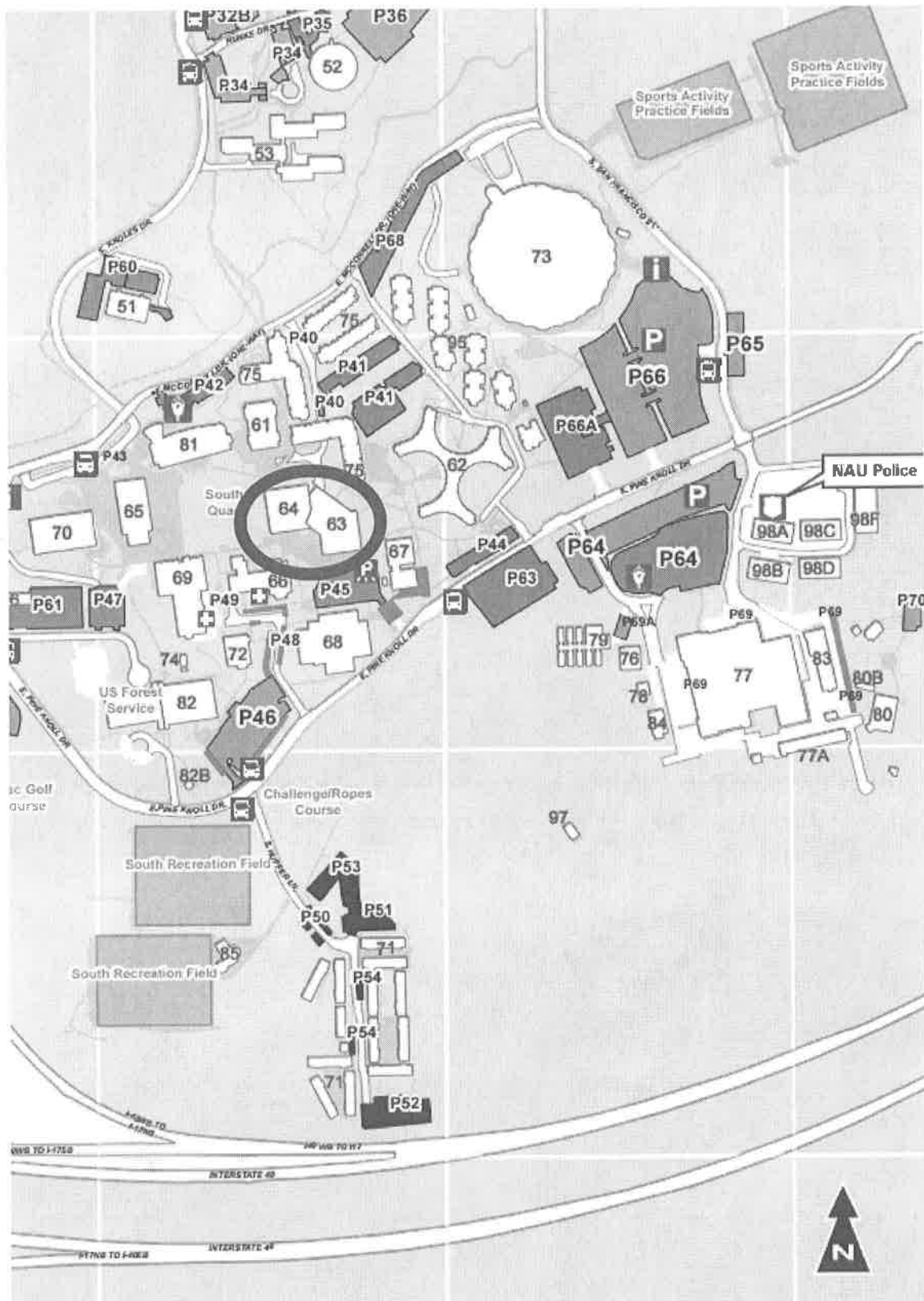
Capital Project Budget Summary

University: Northern Arizona University

Project: South Dining Renovation

	<u>Capital Development Plan</u>	<u>Project Approval</u>
Capital Costs		
1. Land Acquisition		
2. Construction Cost		
A. New Construction		
B. Renovation	\$ 16,140,000	\$ 16,140,000
C. Fixed Equipment (Owner Furnished)		
D. Site Development (excl. 2.E.)		
E. Parking and Landscaping		
F. Utilities Extensions		
G. Other (Asbestos remediation)	116,000	116,000
F. Inflation and Market Adjustment		
Subtotal Construction Cost	<u>\$ 16,256,000</u>	<u>\$ 16,256,000</u>
3. Fees		
A. Construction Mgr		
B. Architect/Engineer	\$ 1,902,200	\$ 1,902,200
C. Other		
Subtotal Consultant Fees	<u>\$ 1,902,200</u>	<u>\$ 1,902,200</u>
4. FF&E Movable	\$ 925,300	\$ 925,300
5. Contingency, Design Phase	91,400	91,400
6. Contingency, Construction Phase	821,700	821,700
7. Parking Reserve		
8. Telecommunications/Security Equip	675,000	675,000
Subtotal Items 4-8	<u>\$ 2,513,400</u>	<u>\$ 2,513,400</u>
9. Additional University Costs		
A. Surveys, Tests, Inspections, etc.	\$567,000	\$567,000
B. Move-in Costs		
C. Printing Advertisement	9,300	9,300
D. 3rd Party Estimate, Audit	50,000	50,000
E. Project Management Cost (3%)	639,000	639,000
F. State Risk Mgmt Insurance (.0034%)	63,100	63,100
Subtotal Additional University Costs	<u>\$ 1,328,400</u>	<u>\$ 1,328,400</u>
TOTAL CAPITAL COST	<u>\$ 22,000,000</u>	<u>\$ 22,000,000</u>

Project Location: South Dining Renovation



NORTHERN ARIZONA UNIVERSITY

System Revenue Bonds, Series 2016

Maximum Rate = 6% Coupon

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$350,000	\$914,653	\$1,264,653
2018	420,000	847,800	1,267,800
2019	445,000	822,600	1,267,600
2020	470,000	795,900	1,265,900
2021	500,000	767,700	1,267,700
2022	530,000	737,700	1,267,700
2023	560,000	705,900	1,265,900
2024	595,000	672,300	1,267,300
2025	630,000	636,600	1,266,600
2026	665,000	598,800	1,263,800
2027	705,000	558,900	1,263,900
2028	750,000	516,600	1,266,600
2029	795,000	471,600	1,266,600
2030	840,000	423,900	1,263,900
2031	890,000	373,500	1,263,500
2032	945,000	320,100	1,265,100
2033	1,005,000	263,400	1,268,400
2034	1,065,000	203,100	1,268,100
2035	1,125,000	139,200	1,264,200
2036	1,195,000	71,700	1,266,700
	<u>\$14,480,000</u>	<u>\$10,841,953</u>	<u>\$25,321,953</u>



STATE OF ARIZONA

Joint Committee on Capital Review

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1716 WEST ADAMS
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HOUSE OF
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VINCE LEACH
ERIC MEYER, M.D.
STEVE MONTENEGRO

DATE: March 29, 2016

TO: Representative Justin Olson, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director RS

FROM: Rebecca Perrera, Fiscal Analyst RP

SUBJECT: Arizona Department of Administration - Consider Recommending FY 2016 Partial Rent Exemptions

Request

A.R.S. § 41-792.01D authorizes the Director of the Arizona Department of Administration (ADOA), on recommendation from the Joint Committee on Capital Review, to grant a full or partial exemption from the payment of state-owned rental fees if the agency has vacated its space. ADOA requests the Committee recommend partial rent exemptions to ADOA and the Attorney General (AG) totaling \$9,000 and a corresponding rent payment to the Department of Emergency and Military Affairs (DEMA).

Recommendation

The JLBC Staff recommends that the Committee recommend partial exemptions of \$(3,200) for the AG and \$(5,800) for ADOA in FY 2016. The JLBC Staff also recommends that the Committee recommend the proposed corresponding rent payment of \$9,000 for DEMA.

Analysis

ADOA and AG to DEMA at 400 W. Congress Reallocation

In FY 2016, ADOA was charged \$53,500 and the AG was charged \$77,300 for office space at 400 W Congress in Tucson. Beginning July 1, 2015, ADOA reallocated a total of 690 square feet of this space to DEMA. ADOA will bill DEMA \$9,000 for the FY 2016 Capital Outlay Stabilization Fund (COSF) rent and will decrease the amount invoiced to ADOA by \$(5,800) and the AG by \$(3,200) for a corresponding decrease of \$(9,000).

RS/RP:kp

Douglas A. Ducey
Governor



Craig C. Brown
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401
PHOENIX, ARIZONA 85007

(602) 542-1500

December 14, 2015

The Honorable Justin Olson, Chairman
Joint Committee on Capital Review (JCCR)
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007



The Honorable Don Shooter, Vice-Chairman
Joint Committee on Capital Review (JCCR)
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007

Dear Representative Olson and Senator Shooter:

The Arizona Department of Administration (ADOA) requests the JCCR favorably review a Capital Outlay Stabilization Fund (COSF) rent exemption for the Arizona Office of the Attorney General (AG) of \$3,200 and the ADOA of \$5,800. A.R.S. § 41-792.01 (D) provides that the ADOA Director, on recommendation of the JCCR, may authorize a whole or partial exemption of COSF rent if the agency does not occupy or vacates space after the beginning of the fiscal year. Agencies that occupy State-owned buildings shall pay the higher of the amount reported by Joint Legislative Budget Committee (JLBC) Staff or the pro rata share based on actual occupancy.

Beginning July 1, 2015, ADOA reallocated office space at 400 West Congress, Tucson, Arizona of the following:

- Approximately 449 Rentable Square Feet (RSF) from the AG to the Arizona Department of Emergency and Military Affairs (DEMA) (\$3,200),
- Approximately 241 RSF from ADOA to DEMA (\$5,800)

The Honorable Justin Olson
The Honorable Don Shooter
December 14, 2015
Page 2 of 2

For FY 2016 COSF rent, ADOA will invoice DEMA \$9,000 and annually thereafter pursuant to A.R.S. § 41-792.01.

If you have any questions regarding the proposed COSF rent exemption, please contact Nola Barnes, Acting Assistant Director, ADOA General Services Division (GSD), at 602-542-1954.

Sincerely,

A handwritten signature in black ink, appearing to read 'C.C. Brown', with a long horizontal flourish extending to the right.

Craig C. Brown
Director

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Fiscal Analyst, JLBC Staff
Lorenzo Romero, Director, OSPB
Chris Olvey, Fiscal Analyst, OSPB
The Honorable Mark Brnovich, Arizona Attorney General
Leslie Welch, Director of Operations, AG
Kevin Donnellan, Deputy Director, ADOA
Paul Shannon, Assistant Director, ADOA
Nola Barnes, Acting Assistant Director, ADOA/GSD
Jerry Freeman, Finance Manager, ADOA/GSD