#### STATE OF ARIZONA

# Joint Committee on Capital Review

STATE SENATE

ANDY BIGGS
CHAIRMAN 2011
PAULA A. ABOUD
RICH CRANDALL
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1716 WEST ADAMS PHOENIX, ARIZONA 85007

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ANDY TOBIN
ANNA TOVAR

JOINT COMMITTEE ON CAPITAL REVIEW
Tuesday, April 19, 2011
9:00 A.M.
Senate Appropriations, Room 109

#### MEETING NOTICE

- Call to Order
- Approval of Minutes of December 14, 2010.
- DIRECTOR'S REPORT (if necessary).
- ADOPTION OF COMMITTEE RULES AND REGULATIONS.
- 2. ARIZONA STATE UNIVERSITY Review of Housing Indirect Financing and Dining Bond Projects.
- 3. NORTHERN ARIZONA UNIVERSITY Review of Housing Indirect Financing Projects.
- 4. MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT Review of General Obligation Bond Issuance.
- 5. ARIZONA DEPARTMENT OF ADMINISTRATION Consider Recommending FY 2011 Partial Rent Exemptions and FY 2012 FY 2013 Quarterly Rent Payments.
- 6. ARIZONA STATE LOTTERY COMMISSION Review of FY 2011 Building Renewal Allocation Plan.

The Chairman reserves the right to set the order of the agenda. 4/12/11

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

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# MINUTES OF THE MEETING JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, December 14, 2010

The Chairman called the meeting to order at 1:13 p.m., Tuesday, December 14, 2010 in Senate Appropriations Room 109. The following were present:

Members: Representative Kavanagh, Chairman Senator Allen

Representative Lujan Senator Gray
Representative McComish Senator Melvin

Representative McLain Representative Schapira

Absent: Representative Crandall Senator Pearce, Vice Chairman

Representative Sinema Senator Aboud Senator Aguirre

#### APPROVAL OF MINUTES

Hearing no objections from the members of the Committee, Chairman John Kavanagh stated the minutes of August 10, 2010 would stand approved.

# SCHOOL FACILITIES BOARD - Review of Laveen Elementary School District Enrollment Counts.

Mr. Jack Brown, JLBC Staff, stated that this item is a review of the Joint Committee on Capital Review (JCCR) request that the School Facilities Board's (SFB) provide enrollment counts before releasing funds for the construction of the Laveen Elementary School District (ESD) project. The JLBC Staff presented options to the Committee.

Mr. Jack Brown, JLBC Staff, responded to member questions.

<u>Senator Gray moved</u> that the Committee give a favorable review of the Laveen Elementary School District project. The motion carried.

# ARIZONA STATE UNIVERSITY - Review of Student Health Services Center and Other Bond Projects.

Ms. Marge Zylla, JLBC Staff, presented Arizona State University's (ASU) request for a \$14.8 million bond issuance to fund new construction and building renewal projects. The \$23.5 million debt service for the issuance will be repaid over the next 20 years with tuition revenues and the Health and Wellness student fee. The JLBC Staff presented options to the Committee.

Mr. Matt Salmon, Principal, Upstream Consulting, representing ASU, responded to member questions.

Mr. Steve Miller, Deputy Vice President for Public Affairs, ASU, responded to member questions.

<u>Senator Gray moved</u> that the Committee give a favorable review to ASU's Student Health Services Center and Other Bond Projects totaling \$14.8 million, with the following 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.
- ASU shall provide the final debt service schedule for the projects as soon as it is available.

The motion carried.

# ARIZONA GAME AND FISH DEPARTMENT - Review of FY 2011 Building Renewal Allocation and Ben Avery Shooting Facility Projects.

Mr. Ted Nelson, JLBC Staff, presented a request from Arizona Game and Fish Department (AGFD) to expend \$506,800 in appropriated funds for its FY 2011 Building Renewal Allocation Plan.

Mr. Nelson also presented the request for the Committee to review an \$800,000 expenditure for improvements to the Ben Avery Shooting Facility. The JLBC Staff presented options to the Committee.

Mr. Fred Bloom, Chief Engineer, AGFD, responded to member questions.

<u>Senator Gray moved</u> that the Committee give a favorable review to Arizona Game and Fish Departments' FY 2011 Building Renewal and Ben Avery Shooting Facility Projects. The motion carried.

# ARIZONA DEPARTMENT OF TRANSPORTATION - Review of FY 2011 Building Renewal Allocation Plan.

Mr. Juan Beltran, JLBC Staff, presented the Arizona Department of Transportation's (ADOT) request for the Committee to review its FY 2011 Building Renewal Allocation Plan. An amount of \$1,000,000 in funding for this plan will come from the State Highway Fund and \$50,000 will come from the State Aviation Fund. The JLBC Staff recommended a favorable review.

<u>Senator Gray moved</u> that the Committee give a favorable review of ADOT's FY 2011 Building Renewal Allocation Plan, including the provision that ADOT report any project reallocations above \$100,000. The motion carried.

# ARIZONA DEPARTMENT OF AMINISTRATION - Consider Recommending FY 2011 - FY 2013 Exemptions from Annual Rent Payments.

Mr. Steve Grunig, JLBC Staff, stated that this item is a request from the Arizona Department of Administration to change the annual rent payment schedule for the Office of Pest Management from yearly to semi-annual payments, and the Board of Respiratory Care Examiners from yearly to quarterly payments. The JLBC Staff recommended the proposed FY 2011, FY 2012, and FY 2013 exemptions from annual rent payments.

<u>Senator Gray moved</u> that the Committee recommend the proposed FY 2011, FY 2012, and FY 2013 annual rent payments for the Office of Pest Management and Board of Respiratory Care Examiners be changed as outlined. The motion carried.

# **EXECUTIVE SESSION – Arizona Department of Corrections – Approval of Energy Management System.**

<u>Senator Gray moved</u> that the Committee go into Executive Session. The motion carried.

At 1:32 p.m. the Joint Committee on Capital Review went into Executive Session.

<u>Senator Gray moved</u> that the Committee reconvene into open session. The motion carried.

At 1:51 p.m. the Committee reconvened into open session.

<u>Senator Gray moved</u> that the Committee approve the contract as presented. The motion carried.

Without objection, the meeting adjourned at 1:51 p.m.

Respectfully submitted:

Mya Trivison, Secretary						
Leatta I	McLaughlin, Principal Fiscal Analys					
	sentative John Kavanagh, Chairman					

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

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DATE: April 12, 2011

TO: Senator Andy Biggs, Chairman

Members, Joint Committee on Capital Review

FROM: Richard Stavneak, Director

SUBJECT: Adoption of Committee Rules and Regulations

The Committee will consider the attached rules and regulations for adoption at its April 19, 2011 meeting.

RS:lm

Attachment

# JOINT COMMITTEE ON CAPITAL REVIEW RULES AND REGULATIONS

## RULE 1

### NAME OF COMMITTEE AND METHOD OF APPOINTMENT

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

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

## RULE 2

## CHAIRMAN OF THE COMMITTEE

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

#### RULE 3

## QUORUM

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

## RULE 4

## MEETINGS OF THE COMMITTEE

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

#### RULE 5

#### **COMMITTEE PROCEEDINGS**

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

## RULE 6

#### STATUTORY POWER AND DUTIES OF THE COMMITTEE

#### The Committee shall:

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

#### RULE 7

#### **STAFF**

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

### **RULE 8**

#### **AGENDA FOR MEETINGS**

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

## RULE 9

## **ORDER OF BUSINESS**

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

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

## RULE 10

## ADOPTION AND AMENDMENT OF THE RULES AND REGULATIONS

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

JLBC Staff
4/5/11
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ANNA TOVAR

DATE: April 12, 2011

TO: Senator Andy Biggs, Chairman

Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Assistant Director

SUBJECT: Arizona State University – Review of Housing Indirect Financing and Dining Bond

**Projects** 

## Request

A.R.S. § 15-1682.02 requires Committee review of any university projects using indirect debt financing (also known as third party financing), and A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. Arizona State University (ASU) requests Committee review of their proposal to enter into ground leases with American Campus Communities (ACC) and Inland American Communities (IAC) to renovate and construct residence halls at all of their campuses. These projects would cost \$99.5 million. ASU also requests Committee review of a \$17.7 million revenue bond issuance to reimburse the third parties for construction of a dining facility at each of the West and East campuses.

## Recommendation

The Committee has at least the following 2 options for both the indirect financing agreements and the revenue bond issuance:

## <u>Indirect Debt Financing – Residence Hall Projects</u>

- 1. A favorable review of the ground lease agreements with ACC and IAC for the residence hall projects.
- 2. An unfavorable review of the ground lease agreements.

## Revenue Bond Issuance – Dining Facility Projects

- 1. A favorable review of the \$17.7 million revenue bond issuance to reimburse ACC and IAC for construction of the dining facilities.
- 2. An unfavorable review of the revenue bond issuance.

(Continued)

Under any of the options, the JLBC Staff recommends the following 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.
- ASU shall provide the final debt service schedule for the dining hall projects as soon as it is available.

## **Analysis**

ASU plans on renovating and replacing residence halls at the Tempe campus and building a new residence hall and dining facility at both the East and West campuses. The residence hall projects are scheduled to break ground in May 2011, and the dining projects are scheduled to break ground in July 2011. ASU states that the residence hall projects support their strategic goal of providing housing for all first-year students on their respective campuses and viable housing options for upper classman, and the dining hall projects would provide dining facilities for the new residence halls.

The university would enter into ground leases with ACC for the Tempe and West campuses and IAC for the East campus residence hall projects. ACC and IAC would fund all costs of the residence hall construction projects, while ASU would retain approval of design standards, exterior building elevations, exterior and interior structural building materials, and site and landscape plans. The ground leases between the university and the third parties would be for a period of 65 years with two 10-year extension options. The university conservatively estimates the annual ground lease revenue could be about \$88,000 - \$281,000 from ACC and about \$51,000 - \$66,000 from IAC.

During the lease period, the third parties would operate and maintain the facilities, which will provide them with an opportunity to recoup their capital investment. ASU does not have any obligation to financially support the facilities, and they do not have to guarantee occupancy. ASU would, however, share in any revenues generated above the occupancy rate as expected by the third party.

According to the university, the dorm rates would be comparable to similar new dorms on campus. Those similar dorm rates are currently about \$3,800, \$6,500, and \$9,000 per academic year, depending on the room configuration.

The dining facility projects at the West and East campuses would not be ground lease agreements with the third parties. These projects would instead be ASU projects in which ACC and IAC would only be responsible for construction of the projects and ASU would be responsible for paying the third parties for constructing the dining facilities, which the university would do through a \$17.7 million revenue bond (plus a \$2.2 million contribution from their dining services provider). ASU would be responsible for the bond's debt service and for the operation of the facilities.

In total, the projects would result in the renovation/remodel of 1,208 beds, the construction of 683 new beds, and the construction of 43,000 new square feet of dining hall space. The total construction cost of the facilities would be \$119.2 million, of which ASU's dining services provider would be responsible for \$2.2 million and ASU would be responsible for \$17.5 million.

#### Indirect Debt Financing – Residence Hall Projects

## ASU Tempe Campus

ASU plans on having ACC demolish and replace the existing Ocotillo Residence Hall and renovate Manzanita Hall for a total cost of \$71.7 million. Of this amount, \$21.3 million would be for the Ocotillo demolish/remodel and \$50.4 million would be for the Manzanita renovation.

According to ASU, the 325-bed existing Ocotillo Residence Hall has not been occupied for several years because the overall building condition is poor and the infrastructure is past its useful life (e.g. plumbing, HVAC). Because of the facility's condition, ASU states that remodeling the current facility is not cost effective, so demolishing and replacing it is a more economical option. The remodeled residence hall will serve upper-classman and will be a mix of townhome units and apartment-style housing with a total bed count of 392, which is a cost of \$54,300 per bed.

The 15-story Manzanita Hall has a capacity of 881 beds, however, only 214 students are currently housed at this facility. According to ASU, Manzanita Hall is serving as temporary housing and is functionally obsolete. ASU states that this facility's infrastructure is failing and needs to be replaced. Over the past several years, they have had problems with the facility's plumbing and HVAC systems, which have become unreliable. This project would completely gut and replace the existing building system and reconfigure the room layout. The renovated facility would serve as first-year housing with 816 beds, which is a cost of \$61,800 per bed.

The costs for the Ocotillo (\$54,300 per bed) and Manzanita (\$61,800 per bed) projects are relatively expensive. For comparison, the ASU West cost (see below) is \$39,700 per bed. The Ocotillo and Manzanita project costs are higher due to demolition costs, which are not included in the ASU West new construction project. The Ocotillo project would be a complete demolish before the new construction could begin, and the Manzanita project includes demolition and replacement of the interior units, replacement of all mechanical and electrical systems, and asbestos abatement. The Manzanita project costs are higher than the Ocotillo project because it is a renovation project rather than new construction.

## ASU West Campus

The West campus currently has 1 apartment-style facility with 338 beds. According to ASU, the West campus lacks any residence hall style housing designed for first-year students and does not have adequate dining facilities for these students. ASU plans on having ACC construct a 365-bed residence hall for first-year students for a cost of \$14.5 million, which is a cost of \$39,700 per bed.

#### ASU East Campus

The East campus currently has a mix of small homes and dormitories between 20 and 50 years old, which were built as housing for the Williams Air Force Base. In total, the campus currently has 606 single family homes in 3 villages and 8 residence halls with 436 beds. According to ASU, the East campus also lacks housing designed for first-year students and does not have adequate dining facilities for their students. ASU plans on having IAC construct a 318-bed residence hall for first-year students for a cost of \$13.3 million, which is a cost of \$41,800 per bed. (The cost per bed at the West campus is about \$2,100 lower than the East campus due to economies of scale and site conditions unique to the East campus.)

## Revenue Bond Issuance – Dining Facility Projects

## ASU West Campus

The West campus currently does not have a residence dining hall but does have 8,988 square feet of student union and retail-style dining facility space spread across several buildings, which the university states is not designed for first-year students. ACC would construct a 21,500 gross square foot dining facility adjacent to the new residence hall for a cost of \$9.5 million. Of this amount, \$1.1 million would be paid by ASU's dining service provider, Aramark. ASU would be responsible for reimbursing ACC the

(Continued)

remaining \$8.4 million because ASU is under contract with Aramark for its dining services and because dining services is not an area of expertise for ACC.

## ASU East Campus

The East campus currently does not have a residence dining hall but does have 4,698 square feet of student union and retail-style dining facility space spread across several buildings, which the university states is not designed for first-year students. IAC would construct a 21,500 gross square foot dining facility adjacent to the new residence hall for a cost of \$10.2 million. Of this amount, \$1.1 million would be paid by Aramark, which would leave ASU responsible for \$9.1 million. (The cost of the East campus dining facility is about \$700,000 greater than the West campus dining facility due to water and sewer infrastructure upgrades at the East campus.)

## Financing

ASU would issue a \$17.7 million revenue bond, which includes estimated issuance costs of \$150,000, to reimburse the third parties for the dining facility construction costs. Of the \$17.7 million amount, \$8.5 million would be paid to ACC for the West campus dining facility project and \$9.2 million would be paid to IAC for the East campus dining facility project. The revenue bond is expected to be issued in the winter/spring 2012 for a rating of Aa3 (Moody's)/AA (S&P) at an estimated 5.9% interest rate for a term of 30 years. The university estimates annual debt service payments of \$1.3 million beginning in FY 2013 for a 30-year total cost of \$38.5 million. Of the \$38.5 million total debt amount, \$18.5 million would be for the West campus and \$20.0 million for the East campus. The debt service payments will be paid from auxiliary revenues generated from all of the dining hall operations.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The \$17.7 million revenue bond would increase the ASU debt ratio by 0.07%, from 5.68% to 5.75%.

The total cost per square foot for the West campus dining hall project is \$442, while the East campus project cost is \$474. The Committee most recently reviewed a university dining hall project at its June 2007 meeting for NAU at a total cost per square foot of \$365. The total cost per square foot for these projects are significantly higher than the NAU project, which could be due to the projects not being an apples-to-apples comparison. These projects are for new construction, where the NAU project was a dining hall addition to their University Union.

RS/LMc:mt



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OINT BUDGET

February 23, 2011

The Honorable John Kavanagh Joint Committee on Capital Review 1716 West Adams Phoenix, AZ 85007

Dear Representative Kavanagh:

In accordance with ARS 15-1682.02 and 15-1683, the Arizona Board of Regents requests that the following third-party financed and bond-financed items for Arizona State University be placed on the next Joint Committee on Capital Review agenda for review:

- Ground Leases with American Campus Communities for Development of New Student Housing at the Tempe and West campuses, and a related ASU bond-financed Student Dining project at the West campus
- Ground Lease with Inland American Communities for Development of Student Housing and a related ASU bond-financed Student Dining project, both at the Polytechnic Campus

Enclosed is pertinent information relating to these items.

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

Sincerely,

Morgan R. Olsen

Executive Vice President, Treasurer and CFO

Enclosures

C: Richard Stavneak, Director, JCCR
Tom Anderes, President, Arizona Board of Regents
Lorenzo Martinez, Assistant Executive Director, Capital Resources, ABOR
Richard Stanley, Vice President and University Planner
Virgil Renzulli, Vice President for Public Affairs
Steve Miller, Deputy Vice President, Public Affairs
Lisa Frace, Associate Vice President for Budget and Planning
David Brixen, Associate Vice President, Facilities Development and Management
Joanne Wamsley, Senior Associate Vice President for Finance and Deputy Treasurer
Leatta McLaughlin, Capital Review Analyst, JCCR

Item Name:	Ground Leases with American Campus Communities for Development of New Student Housing and Dining at the Tempe and West Campuses (ASU)								
with stud of a hou Imp	ona State University requests approval to execute three ground leases American Campus Communities for the development of third-party lent housing on the Tempe and West Campuses, as well as development \$9.5 million stand-alone dining facility adjacent to the West Campus sing that will be primarily financed by ASU. The request includes Project lementation Approval and Project Approval for the dining facility so this uponent can be incorporated into the third-party West Campus housing ect.								

## Statutory/Policy Requirements:

- Board Policy 7-102B requires Committee review and Board approval of projects shared with outside entities, such as third-parties.
- Board Policy 7-207 requires Committee review and Board approval for the lease of real property.
- Board Policy 7-102 requires Capital Committee review and Board approval of projects with a total project cost over \$5 million. This would apply to the West Campus dining facility primarily financed by ASU.

## Project:

American Campus Communities has been selected to develop student housing on the Tempe and West campuses of ASU. This phase is a three-component project consisting of a new residence hall and dining facility at the West Campus, and on the Tempe Campus, the renovation of the Manzanita Residence Hall and the replacement of the Ocotillo Residence Hall with new student housing.

## **Project Justification:**

In February 2006, ASU entered into a Memorandum of Understanding (MOU) with ACC which outlined the relationship and schedule for the development by ACC of student housing on the Tempe Campus. Per that MOU, ASU and ACC are initiating two projects: 1) the redevelopment of the Ocotillo Residence hall and 2) the renovation of

## **Contact Information**

Morgan R. Olsen, Executive Vice President, Treasurer and CFO; (480) 727-9920; Morgan.R.Olsen@asu.edu

the Manzanita Residence Hall. In the spring of 2009, ASU initiated a Request for Proposal process to select a third-party student housing and related dining facility development partner for the West Campus. ASU ultimately selected ACC as the exclusive student housing developer for up to 4,000 beds of housing and related dining facilities (the "Dining Facility") at the West Campus.

The proposed projects support ASU's strategic goals of housing all first-year students on the respective campuses and providing viable housing options for upper classman. Currently, the West Campus lacks any residence hall style housing designed for first-year students, and similarly does not have adequate dining facilities for these students. Manzanita Hall on the Tempe Campus is functionally obsolete and many of the building's mechanical and plumbing systems are failing, prompting the need for extensive rehabilitation. The Ocotillo project is an expansion of the existing Vista del Sol residential community that will provide additional housing for upperclassman students leveraging the existing amenities at Vista del Sol.

## **Project Description and Scope:**

Through its third-party development partnership with ACC, ASU is seeking to improve its portfolio of student housing on the Tempe and West campuses. Each of the three proposed project components fills a unique and pressing need for ASU:

- Ocotillo Redevelopment The existing Ocotillo Residence Hall has not been occupied for several years due to a variety of building-related issues. The new project will demolish the existing structure and is intended to serve upper-classmen and will provide a mix of apartment-style housing and townhome units, with an overall bed count of 392.
- Manzanita Rehabilitation This 8-story residence hall is considered a community and campus landmark because of its location and unique architecture. The building is now functionally obsolete and has only served in a limited capacity as temporary housing. The proposed renovation plan would completely gut and replace the existing building systems as well as reconfigure the room layout. The resulting project will have 702 beds and serve as first-year student housing.
- West Housing and Dining— This component is proposed to be 365 beds and will serve first-year students. The West Campus currently has one apartment-style housing project which will be converted to single bed per bedroom units and marketed to upperclassmen. The Dining Facility, proposed to be approximately 21,500 gross square feet and located adjacent to the new housing project, will be owned by ASU. This Dining Facility is necessary because the existing dining facilities at the West Campus are not adequate to meet the food-service needs created by the new housing facility. The ground lease addresses design review and procurement procedures for the Dining Facility's third party design/build process.

## **Project Cost/Financial Structure:**

- Master Lease Agreement The parties will enter into a separate Ground Lease for each project component (ASU West, Ocotillo and Manzanita). The Ground Leases are for a period of 65 years, with two 10-year options to renew.
- Lease Payments— The ground lease rental payments are tied to the combined financial performance for the three project components relative to a required return threshold.
- Operating Expenses ACC is responsible for all costs and expenses of operating and maintaining the facilities. Minimum Standards of Operation (both maintenance and staffing) will be comparable to ASU owned and operated student housing.
- Management ASU will provide the residential life programming and staffing for West and Manzanita; Ocotillo will utilize the staffing model in place for the adjacent Vista del Sol complex. ACC will employ a general manager for all of the project components and use their existing maintenance staff already employed on each of the campuses. ACC and ASU will establish a joint Advisory Committee responsible for the day-to-day operations of the housing facility, including review and approval of the annual operating budget, capital budget, and staffing plan and any proposed changes in programs, policies, and procedures. ACC retains ultimate control of those decisions that result in a material economic consequence to ACC, provided that minimum standards of operations have been satisfied.
- Dining Facility The project budget for construction of the 21,500 sq. ft. dining, meeting, and retail space (Dining Facility) is \$9.5 million. The cost is based on analysis of the conceptual plan by the construction manager and has been examined as closely as possible at this early stage of the design process.

## Fiscal Impact and Financing Plan:

- ACC will provide approximately \$86 million for construction of the project components. The project will be exclusively financed by ACC through its ACE Equity program, with a requirement that any debt placed on the improvements not exceed 60 percent of the project cost or Fair Market Value on refinancing. There will be no legal recourse to ASU in the event of a default by ACC on any financing and, except for the obligations noted above, the University has no obligation to support the facilities financially or to guarantee occupancy. ASU will be responsible for the reimbursement of construction costs for the dining hall project.
- \$1.1 million of the construction cost for the dining project will be funded by ASU's dining service provider. The balance of the \$9.5 million funding for construction

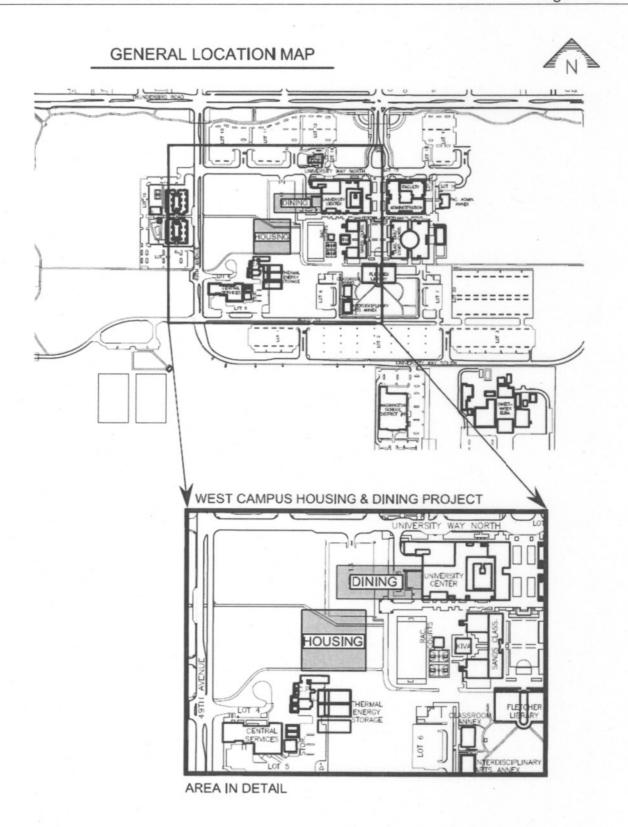
- of the Dining Facility will be funded through the issuance of system revenue bonds. The debt service will be paid from auxiliary revenues generated from the dining hall operations.
- The Dining Facility was included in the debt ratio calculation in the ASU December 2011 CDP revision, which projected that ASU's maximum annual debt service on all outstanding debt and CDP approved projects was 5.8 percent of the University's total projected expenditures. The incremental debt ratio for this project is approximately .05 percent.

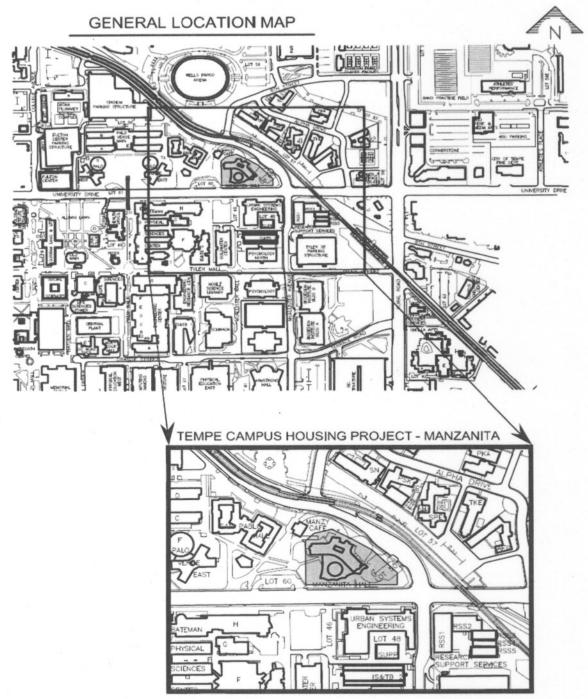
## Committee Review and Recommendation:

 The Capital and Project Finance Committee re viewed this item at its January 26, 2011 meeting and recommended forwarding for Board approval, with the provision that ASU provide updates to the Committee on the dining facility design and costs.

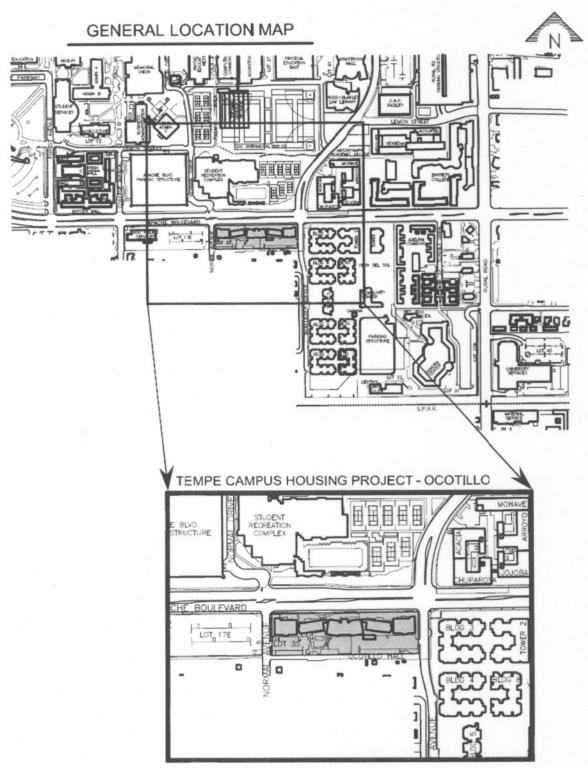
#### Recommendation to the Board:

It is recommended that the Board approve Arizona State University's request that the President, the Executive Vice President, Treasurer and Chief Financial Officer and the Assistant Vice President of Real Estate are each hereby separately authorized to take all appropriate actions necessary to facilitate and execute three (3) ground leases with American Campus Communities for the development of student housing on the Tempe and West Campuses, including Project Implementation Approval and Project Approval for the dining facility, as presented in this Executive Summary. The ground leases are to be reviewed by ABOR Counsel prior to execution.





AREA IN DETAIL



AREA IN DETAIL

Item Name: Ground Lease with Inland American Communities for Development of Student Housing and Dining at the Polytechnic Campus (ASU)									
		$\boxtimes$	Action Item		Discussion Item			Information Item	
Issue: Arizona State University requests approval to execute a ground lease with Inland American Communities for the development of third-party student housing on the Polytechnic Campus, as well as an adjacent \$10.2 million dining facility that will be primarily financed by ASU. The request includes Project Implementation and Project Approval for the dining facility so that this component can be incorporated into the third-party housing project.									

## Statutory/Policy Requirements:

- Board Policy 7-102B requires Committee review and Board approval of projects shared with outside entities, such as third-parties.
- Board Policy 7-207 requires Committee review and Board approval for the lease of real property.
- Board Policy 7-102 requires Capital Committee review and Board approval of projects with a total project cost over \$5 million. This would apply to the dining facility primarily financed by ASU.

## Project:

Inland American Communities has been selected through a public procurement process to develop a new residence hall and dining facility at the Polytechnic Campus. These facilities will provide the final Poly Campus student housing and dining facilities designed for underclassman.

## **Project Justification:**

In the spring of 2009, ASU initiated a Request for Proposal process to select a third-party student housing and related dining facility development partner for the Polytechnic Campus. ASU ultimately selected Inland American Communities (IAC) as the exclusive student housing developer for up to 4,000 beds of housing and related dining facilities (the "Dining Facility") at the Polytechnic Campus.

The Polytechnic Campus currently includes a mixture of small homes and dormitories between 20 and 50 years old, built as housing for Williams Air Force Base. Much of this

## Contact Information

Morgan R. Olsen, Executive Vice President, Treasurer and CFO; (480) 727-9920; Morgan.R.Olsen@asu.edu

housing is not conducive for first-year college students. This project meets ASU's strategic goal of housing all first-year students on their respective campuses and allows the existing housing stock to be repositioned to serve upper-class students. The dining facility is necessary because the campus lacks food service facilities sufficient to meet the needs of the residence halls.

## **Project Description and Scope:**

Through its third-party development relationship with IAC, ASU is planning to construct new residence hall style housing at the core of campus. The project is proposed to be 306 beds and to serve first-year college students. The Dining Facility, proposed to be approximately 21,500 gross square feet and located adjacent to the new housing project, will be wholly owned by ASU. The ground lease addresses design review and procurement procedures for the Dining Facility's third party design/build process.

## **Project Cost/Financial Structure:**

- Operating Expenses IAC is responsible for all costs and expenses of operating and maintaining the project, including reasonable reserve deposits. Minimum Standards of Operation (both maintenance and staffing) will be comparable to ASU owned and operated student housing.
- Management ASU will provide the residential life programming and staffing; IAC will employ a general manager and use their existing maintenance staff already employed on the campus. IAC and ASU will establish a joint Advisory Committee responsible for the day-to-day operations of the housing facility, including review and approval of the annual operating budget, capital budget, and staffing plan and any proposed changes in programs, policies, and procedures. IAC retains ultimate control of those decisions that result in a material economic consequence to IAC, provided that minimum standards of operations have been satisfied.
- Master Lease Agreement The project will be subject to a Ground Lease Agreement between the University and IAC. The Ground Lease is for a period of 65 years with two ten-year options to renew. ASU's residential life and programming costs will be paid by IAC.
- Lease Payments— The ground lease rental payments are tied to the financial performance for the project, relative to a required return threshold.
- Dining Facility The project budget for construction of the 21,500 gross square feet dining, meeting, and retail space (Dining Facility) is \$10.2 million. The cost is based on analysis of the conceptual plan by the construction manager and has been examined as closely as possible at this early stage of the design process.

## Fiscal Impact and Financing Plan:

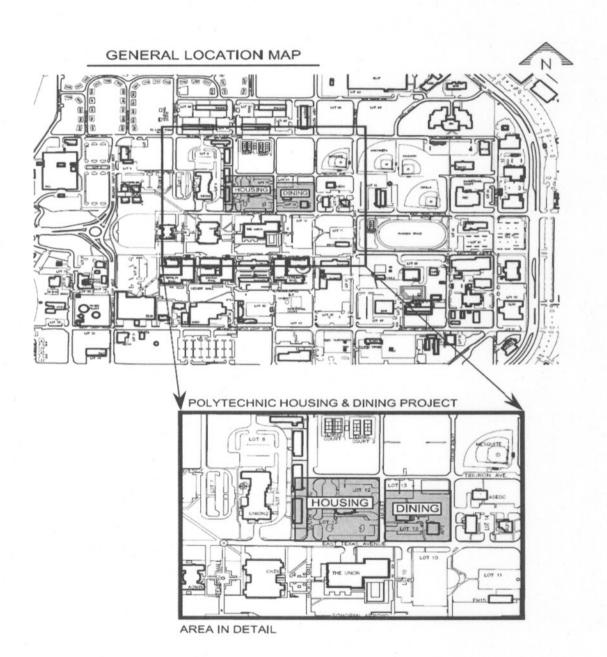
- O IAC will fund the entire housing project construction cost, estimated at \$14 million for this phase, with 100% equity funding. The project may refinance with up to 60 percent debt after five years. The University has no obligation to support the facility financially. ASU will be responsible for the reimbursement of construction costs for the dining hall project.
- \$1.1 million of the Dining Facility's cost will be funded by ASU's dining service provider. The balance of the funding for Dining Facility construction will be funded through the issuance of system revenue bonds. The debt service will be paid from auxiliary revenues generated by the dining hall operations.
- The Dining Facility was included in the debt ratio calculation in the ASU December 2011 CDP revision, which projected that ASU's maximum annual debt service on all outstanding debt and CDP-approved projects at 5.8 percent of the University's total projected expenditures. The incremental debt ratio for this project is approximately .05 percent.

## Committee Review and Recommendation:

 The Capital and Project Finance Committee reviewed this item at its January 26, 2011 meeting and recommended forwarding for Board approval, with the provision that ASU provide updates to the Committee on the dining facility design and costs.

## Recommendation to the Board:

It is recommended that the Board approve Arizona State University's request that the President, the Executive Vice President, Treasurer and Chief Financial Officer and the Assistant Vice President of Real Estate are each hereby separately authorized to take all appropriate actions necessary to facilitate and execute a ground lease with Inland American Communities for the development of student housing on the Polytechnic Campus, and including Project Implementation Approval and Project Approval for the dining facility, as presented in this Executive Summary. The ground lease is to be reviewed by ABOR Counsel prior to execution.



#### STATE OF ARIZONA

## Joint Committee on Capital Review

STATE SENATE

ANDY BIGGS
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PAULA A. ABOUD
RICH CRANDALL
LORI KLEIN
RICK MURPHY
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HOUSE OF REPRESENTATIVES

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CHAD CAMPBELL
STEVE COURT
NANCY MCLAIN
ANDY TOBIN
ANNA TOVAR

DATE: April 12, 2011

TO: Senator Andy Biggs, Chairman

Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Marge Zylla, Senior Fiscal Analyst

SUBJECT: Northern Arizona University - Review of Housing Indirect Financing Projects

## Request

A.R.S. § 15-1682.02 requires Committee review of any university projects using indirect debt financing (also known as third party financing). Northern Arizona University (NAU) requests Committee review of their proposal to enter into ground lease agreements with American Campus Communities (ACC) for development of new student housing facilities at 2 separate locations on the Flagstaff campus. The total cost of the projects is estimated to be \$68.0 million.

#### Recommendation

The Committee has at least the following 2 options:

- 1. A favorable review.
- 2. An unfavorable review.

Under either option, the JLBC Staff recommends the provision that this does not constitute endorsement of any level of General Fund appropriations.

#### **Analysis**

As the result of a recent Request for Proposal, NAU has selected ACC to construct and operate 2 residence halls on the Flagstaff campus. The residence hall projects are scheduled to break ground in May 2011 with an anticipated completion date of August 2012. NAU states that the residence hall projects support their strategic goal of increasing recruitment and retention by providing increased oncampus housing options.

The university would enter into ground leases with ACC for the 2 residence hall projects, and ACC would fund all costs of the projects. The ground leases between the university and the third party would be for a period of 40 years, with four 10-year extension options. The university estimates they would receive about \$595,000 in annual rent payments from ACC for the ground leases.

During the lease period, the third party would operate and maintain the facilities, which will provide them with an opportunity to recoup their capital investment. NAU does not have any obligation to financially support the facilities, and they do not have to guarantee occupancy. NAU would, however, share in any revenues generated above the occupancy rate as expected by ACC.

NAU's Flagstaff campus currently has 7,114 housing units between 3 and 60 years old, of which approximately 3,700 beds are designated for first-year students. NAU indicates that it was necessary for 335 students to be housed in temporary housing in fall 2010, and that several hundred additional students who expressed desire to live on-campus were not able to due to lack of sufficient on-campus housing. NAU also projects that an increase in incoming transfer students will support a need for additional student housing. The proposed residence halls would accommodate 1,126 students, of which 550 beds would be suite style to house sophomores and 576 beds would be apartment style to house juniors and seniors.

The total cost of the projects is estimated at \$68.0 million, which ACC plans to pay with 25% equity and 75% debt funding. As the operator of the facilities, ACC would fund their debt service from dorm fees. The dorm rates for the new residence halls have not yet been determined, but NAU estimates that the rates may be about \$25 to \$75 per month higher than the current rates at the NAU dorms. Current NAU dorm rates for similar facilities range from \$538 to \$561 per month and have typically increased by approximately 3% each year for incoming students.

Of the \$68.0 million total project cost, \$32.3 million would be for the 550-bed McConnell Suites project and \$35.7 million would be for the 576-bed Hilltop Apartments project. The cost per bed for the McConnell Suites projects is \$58,700, and the cost per bed for the Hilltop Apartments project is \$62,000. For comparison, the Arizona State University new construction residence halls agenda item has a per bed cost of \$39,700 for the West campus, and \$41,800 for the East campus. Higher costs of construction in the Flagstaff area along with higher costs to construct suite/apartment style residence halls could account for the difference in costs between the universities.

RS/MZ:mt



Capital Assets and Services

Northern Arizona University PO Box 6016 Flagstaff, AZ 86011 928.523.4227 928.523.9441 fax www4.nau.edu/cas

March 1, 2011

The Honorable Andy Biggs, Chairperson Joint Committee on Capital Review 1716 West Adams Phoenix, AZ 85007

RE:

NAU Capital Projects for Review

Dear Senator Biggs:

In accordance with ARS 15-1682.02, the Arizona Board of Regents requests that the following third-party financed and bond-financed item for Northern ArizonaUniversity be placed on the next Joint Committee on Capital Review agenda for review:

• Ground Leases with American Campus Communities for development of new student housing at two separate locations on the Flagstaff campus.

Enclosed is the pertinent information relating to this item. The project has previously been reviewed and approved by the Board, and is on the upcoming agenda for final approval. If you have any questions or need additional clarification regarding the enclosed information, please contact me at (928) 523-8483.

Sincerely,

David Bousquet

Senior Vice President

cc: Richard Stavneak, Director, JCCR

Tom Anderes, President, Arizona Board of Regents

Lorenzo Martinez, Assistant Executive Director, Capital Resources, ABOR

John D. Haeger, President

MJ McMahon, Executive Vice President

Jennus Burton, Vice President Finance and Administration

Christy Farley, Vice President Government Affairs

Jane Kuhn, Associate Vice President

Leatta McLaughlin, Capital Review Analyst, JLBC



Page 1 of 4

## **EXECUTIVE SUMMARY**

Item Name		: Ground Leases with American Campus Communities for Development of Student Housing (NAU)								
	$\boxtimes$ /	Action Item		Discussion Item		☐ Information Item				
lea	ases wi	ith American C	ampi		CC)	val to execute two ground for the development of staff Campus.				

## Previous Board Action:

Capital Committee Executive Session Revised FY2011 Capital Development Plan FY2011 Capital Development Plan Revised FY2010 Capital Development Plan December 2010 December 2010 June 2010 January 2010

## Statutory/Policy Requirements:

- Board Policy 7-102.B.3 requires Committee review and Board approval of projects shared with outside entities such as third-parties.
- Board Policy 7-207 requires Committee review and Board approval for the lease of real property.

## Project:

American Campus Communities development of two privatized new residence halls at the Flagstaff Campus.

## **Project Justification**

In the spring of 2008, NAU initiated a Request for Proposals process to select a third-party student housing development partner for the Flagstaff Campus. A third-party option was selected as part of NAU efforts to maximize partnerships with the private sector to reduce infrastructure costs to the university, as well as privatize portions of the university enterprise where appropriate. NAU ultimately selected American Campus Communities (ACC) as the exclusive student housing developer for up to 1,126 beds of housing at the Flagstaff Campus.

The campus currently contains 7,114 housing units that are between three and 60 years old. A large portion of the inventory, approximately 3,700 beds, is for first-year students. The new projects are intended for sophomores, juniors and seniors.

## **Contact Information**

David Bousquet, Sr. Vice President, (928) 523.8449, <u>David.Bousquet@nau.edu</u> Jane Kuhn, Associate Vice President, (928) 523.7732, <u>Jane.Kuhn@nau.edu</u>

These projects meet NAU's strategic goals of:

- Increasing recruitment and retention by providing on-campus housing options with academic and other support programs shown to improve student success.
- Helping meet the university's 2020 enrollment goal of 25,000 students on the Flagstaff campus.
- Supporting the university mission to provide an outstanding undergraduate residential education. This past Fall, NAU had 335 students who were accommodated in temporary housing and Residence Life estimates several hundred more were not able to reside on campus as desired. Additionally, projections for incoming transfer students support a need for additional housing units.
- Aligning university facilities with the campus master plan approved by the Board in September 2010 and contributes to creating a more workable, livable and sustainable campus.

## Project Description and Scope:

Through its agreement with ACC, NAU will have constructed new suite style and apartment style housing on campus. The suite style project is proposed to be 550 beds and serve sophomore students. The apartment style project is proposed to be 576 beds and serve juniors and seniors.

The project will be constructed to standards comparable to the most recent NAU residence halls (Type IV). Construction documents are subject to NAU approval with input from the International Code Council for Fire Life Safety.

Both projects will begin construction in May 2011 with an anticipated completion date of August 2012.

## Project Cost/Financial Structure:

 Operating Expenses – ACC is responsible for all costs and expenses of operating and maintaining the project, including reasonable reserve deposits. Minimum Standards of Operation (both maintenance and staffing) are defined as equal to "Class A" privatized student housing.

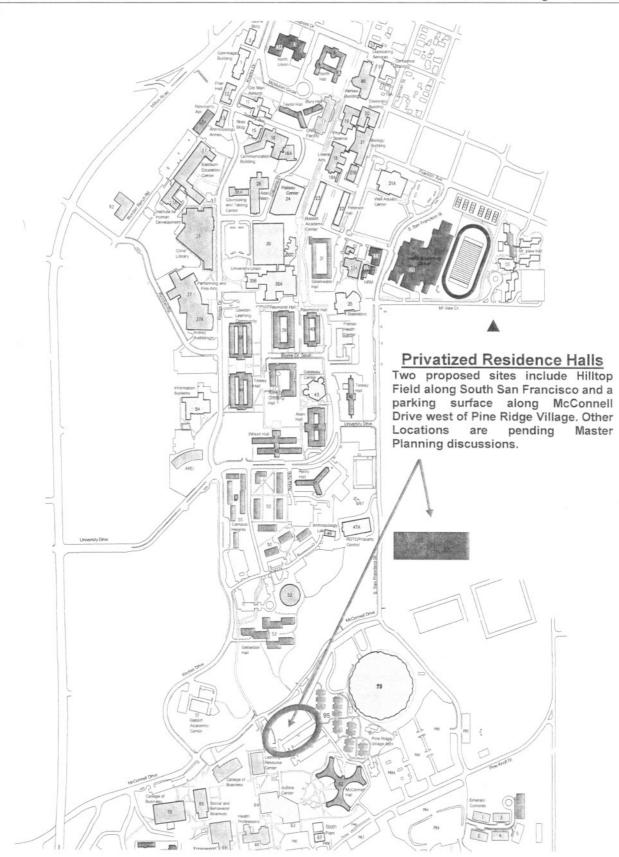
- Management ACC will provide the residential life programming and staffing and for enforcing the NAU student code of conduct and referring violators to the NAU student judicial system. ACC will also employ a general manager and maintenance staff. ACC and NAU will jointly establish an Advisory Committee responsible for the day-to-day operations of the Facilities, including review and approval of the annual operating budget, capital budget, and staffing plan and any proposed changes in programs, policies, and procedures. AAC retains ultimate control of those decisions that result in a material economic consequence to ACC, provided that Minimum Standards of Operations have been satisfied.
- Master Lease Agreement The project is to be administered by a Ground Lease Agreement between the University and ACC. The Ground Lease is for a period of 40 years with four 10-year options to renew.
- Lease Payments— NAU will receive rental payments in the form of annual base rent plus out performance rent should the project yield revenue in excess of the required return threshold.

## Fiscal Impact and Financing Plan:

ACC will fund the entire project construction cost, estimated at \$68 million initially, with 25% equity/75% debt funding. The University has no obligation to support the facility financially. The project has no occupancy guarantees from the university.

## Recommendation:

RESOLVED: That the President, the Executive Vice President, the Senior Vice President of Enrollment Management & Student Affairs, and Vice President of Finance & Administration are each hereby separately authorized to take all appropriate actions necessary to facilitate and execute two separate ground leases with American Campus Communities for the development of student housing on the Flagstaff Campus. The ground leases are to be reviewed by ABOR Counsel prior to execution.



#### STATE OF ARIZONA

## Joint Committee on Capital Review

STATE SENATE

ANDY BIGGS
CHAIRMAN 2011
PAULA A. ABOUD
RICH CRANDALL
LORI KLEIN
RICK MURPHY
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HOUSE OF REPRESENTATIVES

JOHN KAVANAGH CHAIRMAN 2012 LELA ALSTON CHAD CAMPBELL STEVE COURT NANCY MCLAIN ANDY TOBIN ANNA TOVAR

DATE: April 12, 2011

TO: Senator Andy Biggs

Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Marge Zylla, Senior Fiscal Analyst

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

Issuance

## Request

Maricopa County Community College District (MCCCD) requests the Committee review its proposed \$150 million General Obligation (GO) bond issuance. At its June 22, 2004 meeting, the Committee gave a favorable review to the entire \$951.4 million bond proposal, with the stipulation that MCCCD return for Committee review prior to each issuance. The district request reflects the fourth issuance.

#### Recommendation

The Committee has at least the following 2 options:

- 1. A favorable review.
- 2. An unfavorable review.

Under either option, the JLBC Staff recommends the provision that MCCCD: 1) seek Committee review before using any portion from the bond issuance for any project not previously reviewed by the Committee, and 2) report to the Committee on updated project costs when MCCCD returns for review of its fifth issuance.

#### **Analysis**

#### **Projects**

MCCCD was authorized by a November 2, 2004 bond election to issue a total of \$951.4 million in bonds. The first issuance of \$190.3 million took place in 2005, the second issuance of \$240 million occurred in 2007, and the third issuance of \$220 million occurred in 2009. All issuances fund capital projects, as well as district-wide initiatives. At its February 24, 2009 meeting, projects that involved funds from the third

issuance were favorably reviewed by the Committee, with the stipulation that MCCCD return for Committee review before using any portion of the bond issuance proceeds for any project not previously reviewed.

Of the total \$150 million of the fourth bond issuance, \$85.2 million would be allocated for capital projects, \$15.4 million for district-wide maintenance and regulatory compliance, \$16.8 million for district-wide occupation programs, and \$32.5 million would be used to purchase and upgrade technology and equipment.

Report C in MCCCD's materials shows all the projects that use funding from part of at least one of the bond issuances and notes which projects have been completed. These projects have been previously submitted to the Committee.

MCCCD has also submitted 1 new project that has not been previously reviewed by the Committee. The proposed project, a 6,500 sq. ft. building, would be located on the Scottsdale Community College campus and would have 2 classrooms and house equipment for students. The entire project cost would be \$1.2 million and the cost per square foot of the classroom and storage facility is \$185.

To complete its projects, MCCCD plans to use a design-bid-build procurement process for some projects and to employ a Construction Manager at Risk for others. The district will determine which method to use on a project by project basis.

## **Financing**

The \$150 million issuance would have a 14-year payment term. The annual payment for the \$150 million issuance would start at \$6.1 million and grow to \$24.5 million. Combined with prior obligations of previous bond issuances, the district's total debt service in FY 2012 would be \$47.2 million. The \$150 million issuance is expected to be issued in May 2011 for a rating of Aaa (Moody's)/AAA (S&P) at an estimated 4.0% interest rate for a term of 14 years.

MCCCD expects to market its fifth and final issuance in 2013. The total financing term will be 23 years across 5 different issuances. Debt service payments across all issuances will peak at \$86 million between FY 2019 and FY 2020.

To make the debt service payments associated with the \$951.4 million in bonding authority approved in the 2004 election, including the new \$150 million issuance, the district estimates that the secondary property tax rate will average  $15.5\phi$  over the 23 years of debt service payments. This would annually result in approximately \$15.50 in additional taxes for every \$100,000 of house value. While the tax rate will average  $15.5\phi$ , it will peak at  $24\phi$  between FY 2016 and FY 2019.

Total outstanding principal debt for the district at the beginning of FY 2010 was \$600.5 million, including \$588.0 million from GO bonds, and \$12.5 million from revenue bonds. The Constitution limits the amount of outstanding GO debt the district may incur to 15% of the district's total Secondary NAV. In FY 2010 the district's outstanding GO debt was equal to approximately 1.0% of its Secondary NAV. The FY 2011 planned issuance of \$150 million would increase that amount to approximately 1.5%.

RS/MZ:mt



www.maricopa.edu

**EXECUTIVE OFFICES** 

Debra Thompson Vice Chancellor **Business Services** (O) 480.731.8510 (F) 480.731.8120

2411 West 14th Street Tempe, Arizona 85281-6942

Telephone

Fax

March 22, 2011 Mr. Richard Stavneak Staff Director

Joint Committee on Capital Review 1716 West Adams

Phoenix, Arizona 85007

Maricopa Community Colleges' 2004 General Obligation Bond

Dear Mr. Stavneak:

We previously sent Senator Biggs a request for placement on the April JCCR agenda to review our planned Series D bond issuance for our 2004 General Obligation Bond program. We are pleased to follow-up with supplemental materials regarding the status of the bond program and this bond issuance.

As you may recall, in 2004, 76% of voters in Maricopa County authorized the Colleges to undertake a \$951 million capital development program to be financed by General Obligation Bonds. The referendum authorized the District to finance various capital improvements and acquisitions with proceeds of the General Obligation Bonds. As of now, \$650 million of the \$951 million total bond authorization has been issued.

The 2004 program follows the long-term capital planning approach of the Colleges that uses voter approved General Obligation bonds to finance major development and renovation of the college system. specifically, these periodic voter authorized General Obligation Bonds provide the financing for land acquisition, buildings, and other capital improvements at our ten colleges (with 14 campuses), our two skill centers, 8 other learning centers and our other facilities.

We periodically issue individual bond series based on the cash flow requirements of the overall capital development program with additional consideration of general conditions in the tax-exempt financial markets. Generally, each bond issue in the series is sized to meet the anticipated near term cash flow requirements of the program and with careful consideration of the federal tax arbitrage and bond proceeds utilization rules.

In light of the magnitude and the duration of the Colleges' voter approved bond authorizations, it is understandable (and appropriate) that the specific plans and uses of these voter approved funds evolve throughout the capital

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Chandler-Gilbert • Estrella Mountain • GateWay • Glendale • Mesa Paradise Valley • Phoenix College • Rio Salado • Scottsdale • South Mountain • Skill Centers The Maricapa County Community College District is an EEO/AA institution

planning period. To that end we have kept JCCR staff apprised of the progress and evolution of the Colleges' capital program over time.

Accompanying this letter are three reports on the many projects that collectively comprise the Colleges' current General Obligation bond supported capital plan. Report A is a summary of the full allocation of the 2004 General Obligation bond authorization by major capital line items and by specific bond series. Report B provides a listing all anticipated projects not previously submitted, including some projects that will be funded in part or full by the remaining approximately \$300 million in bonds that have yet to be issued. Report C is a detailed listing of all projects previously shared with JCCR, but excludes those projects noted in Report B that are new. Also attached are projected debt service schedules.

Since our last reports on our capital development program, a number of projects have moved from the conceptual stage to the preliminary design stage and others have moved from design to construction, with the accompanying transition from estimated costs to actual bid amounts.

The recession has affected construction costs. Rising unemployment has affected enrollment levels and patterns. Community needs and expectations have changed. To respond most appropriately to changing circumstances, some projects were advanced and others were delayed, meaning that some projects now will be financed with the proceeds of bonds that have already issued and some will be financed with the proceeds of future bond issues. The resulting modifications to the projects within the total \$951 million capital development program are delineated in these reports. But no more than \$951 million in bonds, the amount authorized by the voters for the 2004 program, will be issued.

Thank you for your consideration.

Sincerely.

Debra Thompson

Vice Chancellor for Business Services

Cc: Chancellor Rufus Glasper Marge Zylla, JLBC

# MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT

# 2004 GO Bond Program

Report A - Overview (Data as of Mar 4, 2011)

	Series A-C	Series D	Series E	TOTAL
Construction	\$ 478,489,532	\$ 79,771,560	\$ 31,022,273	\$ 589,283,365
Regulatory and Compliance Programs	10,241,907	5,000,000	4,958,093	20,200,000
Security & Specialty Programs	24,853,781	500,000	500,000	25,853,781
Construction Projects - detail below	513,585,220	85,271,560	36,480,367	635,337,146
Land Acquisition	19,000,000	0	0	19,000,000
Maintenance and Improvement Projects	29,590,416	15,376,356	26,805,082	71,771,854
Technology	53,954,705	\$ 32,517,400	63,527,895	150,000,000
Occupational Equipment	34,139,660	\$ 16,834,684	24,275,656	75,250,000
Total	\$ 650,270,000	\$ 150,000,000	\$ 151,089,000	\$ 951,359,000

# MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT 2004 GO Bond Program - Projected Amounts By Project & Program

Report B- New and Planned projects

Λ	New and Planned Projects - Balance 2004 Bond Program			Command Brief Cont	NEW SF	RMDL SF	PROJECT INFORMATION
	s	School Project		Current Prjct Cost	NEW SF	KMDL SF	PROJECT INFORMATION
	78 SC	C Student Srvcs	Storage Facility	1,200,000	6,500		This structure will securely house the growing inventory of expensive equipment used by students during their studies at the Film School. The equipment is presently stored in a production studio which is best used for the intended purpose. Additionally, the new building will feature two new classrooms support of enrollment growth in Film Studies.
			Subtotal	\$1,200,000	6,500	0	

Legend SC-Scottsdale CC

#### MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT

#### 2004 GO Bond Program - Current and Projected Amounts By Program, Project, & Series Report C - Project Detail

Projects !	Subi	mitted to JCCR	Current Prjct	NEW SF	RMDL	Series A-C	Series D	Series E	TOTAL
School		Project	Budget	NEW SI	SF		Series D	Series E	
1 CG	1	Central Plant Upgrade	\$2,070,000	None		\$2,070,000			\$2,070,000
2 CG	1	Science Bldg (Engel Hall @ Williams Campus)	10,844,000	28,659	3,024	10,844,000			10,844,000
3 CG	1	Classroom Bldg (Jacaranda Hall @ Pecos	1,000,000	3,991		1,000,000			1,000,000
		Campus)							
4 CG	1	Classroom Building at Sun Lakes Complex	1,965,000	6,000		1,965,000			1,965,000
5 CG	1	Classroom & Science Complex (Ironwood Hall	17,918,000	57,573		17,918,000			17,918,000
	_	@ Pecos Campus)							
6 CG	1	Science Bldg Remodel & Student Commons	1,518,000		10,000	1,518,000			1,518,000
7.00		(Baylor Hall @ Wms Cmps)	24 500 000	75.000		20.206.000	2 0 6 0 5 1 5	224 405	24.500.000
7 CG	١.	Health and Wellness Student Services Center	24,500,000	75,000		20,306,000	3,869,515	324,485	24,500,000
8 CG	1	Student Support Center (Bridget Hall @ Williams Campus)	7,900,000	17,000		7,900,000			7,900,000
9 CG		Classroom Building (Williams Campus)	2,184,000	10,000		1,122,000	1,062,000		2,184,000
10 CG		Educational & Arts Center Expansion	2,740,000	10,000			2,740,000		2,740,000
11 CG		Various Rmdlg/ Cnstrctn Projects	2,170,000		TBD			2,170,000	2,170,000
12 DO	1	Information Tech Disaster Recovery Center	8,403,904	7,307		8,403,904			8,403,904
		(Purchased & remodel building)							1.11.0
13 DO	1	Support Services Bldg (Purchased & remodel)	2,770,000	42,400		2,770,000			2,770,000
14 DO	1	Warehouse Building Replacement	3,612,554	40,588		3,612,554		1	3,612,554
15 EM	1	Central Plant Upgrade	3,127,000	None		3,127,000			3,127,000
16 EM	1	Science Building (Montezuma Hall)	5,285,000		20,100	5,285,000			5,285,000
17 EM	1	Built Modularized Classroom (Ocotillo Hall)	5,731,000	34,100		5,731,000		1	5,731,000
18 EM	1	Occupational Education & Health Programs Expansion @ Mariposa Hall	12,458,000	25,584	3,000	12,458,000			12,458,000
19 EM		Student Center & Classroom Complex Expansion	22,163,000	50,000	11,000	6,411,000	15,752,000		22,163,000
		@ Estrella Hall			1000 to	1247022311740403			
20 EM	1	Expand Receiving and Storage Bldg	925,000	5,850	1,600	925,000			925,000
21 EM		Various Rmdlg/ Cnstrctn Projects	3,233,000		TBD		1,111,000	2,122,000	3,233,000
22 GL	1	Central Plant Upgrade	1,802,000	None		1,802,000		1	1,802,000
23 GL	1	Purchase Modular Classroom Buildings	375,000	12,240		375,000		1	375,000
24 GL	1	Public Safety Classroom Bldg	11,026,000	22,200		11,026,000		1	11,026,000
25 GL		Renovations for Engineering, Child/Family	7,870,000		25,000		3,650,320	4,219,680	7,870,000
		Studies, Tech, Automotive Prgms							
26 GL	/	Renovate Business & IT Classroom Building	4,670,000		17,000	4,670,000			4,670,000
27 GL	1	Multi-story Life Sciences Classroom Building	25,752,000	62,046		25,752,000			25,752,000
28 GL	1	GCC North Campus Expansion	23,754,000	67,675		23,754,000			23,754,000
29 GL	1	Student Center Expansion	4,799,000	2,916	26,272	4,799,000			4,799,000
30 GL		Various Rmdlg/ Cnstrctn Projects	1,500,000		TBD		200,000	1,300,000	1,500,000

Legend CG- Chandler-Gilbert CC EM - Estrella Mountain CC

DO - District Office GL - Glendale CC

✓ - Project Complete

## MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT 2004 GO Bond Program - Current and Projected Amounts By Program, Project, & Series

#### Report C - Project Detail

Projects S	Subr	nitted to JCCR	Current Prjct	NEW SF	RMDL	Series A-C	Series D	Series E	TOTAL
School		Project	Budget	NEW SI	SF	Series A-C	Series D	Series E	TOTAL
31 GW	/	Central Plant Upgrade	1,381,000	None		1,381,000			1,381,000
32 GW		Integrated Educational Bldg	51,641,000	85,770		33,241,000	18,400,000		51,641,000
33 GW		Occupational (Maricopa Skill Center) Expansion	\$20,443,000	24,500	20,000	19,503,000	640,000	\$300,000	20,443,000
						1000			
34 GW		Bioscience Building	2,068,000	12,616	600000000	2,068,000			2,068,000
35 GW		Various Rmdlg/ Cnstrctn Projects	932,000		TBD			932,000	932,000
36 MS	1	Central Plant Upgrade	2,323,000	None		2,323,000			2,323,000
37 MS	1	Science Building (Southwest)	20,647,000	64,480		20,647,000			20,647,000
38 MS	1	Purchased Prpty @ Longmore & 60	3,908,000	30,485		3,908,000			3,908,000
39 MS	1	Classroom Building - Red Mountain Campus	18,585,000	42,870	3,580	18,585,000		1	18,585,000
40 MS		Classroom Building(s) remodel	5,410,000		22,000	5,410,000			5,410,000
41 MS		Remodel Property @ Longmore & 60	7,210,000	See Bldg purcha	se	4,495,000	2,215,000	500,000	7,210,000
42 MS	1	Remodel Nursing & Exercise Science Bldg	8,701,970	15,455	23,213	8,701,970			8,701,970
43 MS	1	Education Learning Center/ Downtown Mesa	8,633,415	25,000		5,053,000	1,150,423	2,429,992	8,633,415
44 MS		Student and Community Fine Arts Center	1,500,000	4,000			600,000	900,000	1,500,000
45 MS		Student Center Renovation	1,201,000		8,500		262,000	939,000	1,201,000
46 MS		Various Rmdlg/ Cnstrctn Projects	2,000,000		TBD			2,000,000	2,000,000
47 PC	1	Central Plant Upgrade	2,396,000	None		2,396,000			2,396,000
48 PC	1	New Fine Arts Classroom Bldg & Maintenance	13,468,000	26,798	9,840	13,468,000			13,468,000
		Complex						1	
49 PC		Student Center Remodeling & Expansion	24,490,000	13,000	47,000	15,607,000	6,546,458	2,336,542	24,490,000
50 PC	$\checkmark$	Parking Garage	6,893,000	2,245		6,893,000			6,893,000
51 PC		Renovate building into Science Classrooms and	9,471,000		20,000	472,300	3,365,032	5,633,668	9,471,000
		Labs							
52 PC	7190	Various Rmdlg/ Cnstrctn Projects	1,000,000		TBD			1,000,000	1,000,000
53 PV	/	Central Plant Upgrade	4,831,000	200000000000000000000000000000000000000		4,831,000			4,831,000
54 PV	/	Black Mountain Campus Expansion (Phase 1)	3,193,000	10,000		3,193,000			3,193,000
55 PV	$\checkmark$	Purchase County Library	4,000,000	56,617		4,000,000			4,000,000
56 PV	$\checkmark$	Remodel County Library to General Classroom/	15,515,000	See Bldg purcha	se	15,515,000			15,515,000
55 511	,	Student Support Area		20.450		17.000.000			17 202 000
57 PV	1	New Classroom & Science Lab Building	17,392,000	38,479		17,392,000			17,392,000
58 PV		Student Center Expansion / Remodeling	7,000,000	12,000	33,000	1,375,000	5,625,000		7,000,000
59 PV		Black Mtn Campus Expansion (Phase 2)	7,427,000	15,000			4,971,000	2,456,000	7,427,000
60 PV		Various Small Rmdlg/ Cnstrctn Projects	1,500,000		TBD			1,500,000	1,500,000

Legend

GW- GateWay CC

MS - Mesa CC

√ - Project Complete

PC - Phoenix College

PV - Paradise Valley

# MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT 2004 GO Bond Program - Current and Projected Amounts By Program, Project, & Series Report C - Project Detail

Projects S	Subi	mitted to JCCR	Current Prjct	NEW SF	RMDL	Series A-C	Series D	Series E	TOTAL
School		Project	Budget	NEW SF	SF	Series A-C	Series D	Series E	TOTAL
61 RS	1	Education Learning Center/ Surprise	9,670,000	26,977		9,670,000			9,670,000
62 RS	1	Education Learning Center/ Avondale	2,420,000	12,170		2,420,000			2,420,000
63 RS	1	Classroom Building at Sun Cities Complex	\$2,778,000	9,531	4,959	2,778,000			2,778,000
64 RS		Educational Learning Center	4,000,000	15,000		2,069,000	1,465,000	466,000	4,000,000
65 RS	✓	Remodel Rio Tower Building	3,275,000		78,100	3,275,000			3,275,000
66 RS	1	Remodel Hohokam Building	1,686,000	See Bldg purcha	se	1,686,000			1,686,000
67 RS	1	Purchase Hohokam Building	14,142,000	67,984		14,142,000			14,142,000
68 RS		Educational Learning Center @ Northern	2,550,000	40,000		2,550,000			2,550,000
69 RS	1	Educational Learning Center @ Price Rd (inc.	2,700,000	67,500		2,700,000			2,700,000
		purchase complete; remodel in progress)							200
70 RS		7th Ave Facility	3,450,000	12,000	TBD	3,450,000			3,450,000
71 SC	1	Water Processing Plant Upgrade	4,486,000	None		4,486,000			4,486,000
72 SC	1	Central Plant Upgrade	1,599,000	None		1,599,000			1,599,000
73 SC	1	Technology Bldg Renovation	3,400,000		15,993	3,400,000			3,400,000
74 SC		New Classroom Bldg	10,000,000	21,000		10,000,000			10,000,000
75 SC	1	New Science Classroom Bldg and renovation of existing Science Building	19,914,303	47,457	22,390	19,914,303			19,914,303
76 SC		Various Rmdlg/ Cnstrctn Projects	3,450,000		TBD	2,450,000	320,000	680,000	3,450,000
77 SC		Remodel Science Building for Nursing Program	2,500,000	15,584	15,584	1,108,000	893,000	499,000	2,500,000
78 SC		Storage Facility	1,200,000	6,500		1,200,000			1,200,000
79 SC		New Student Center	8,678,000	29,000		1,029,000	5,629,000	2,020,000	8,678,000
80 SM	$\checkmark$	Central Plant Upgrade	4,371,000	2,049	2,382	4,371,000			4,371,000
81 SM	1	Guadalupe Center Expansion	1,710,000	4,953	1,276	1,710,000			1,710,000
82 SM	1	Education & Resource Center (Alliance- City of	27,132,000	34,000	16,000	21,575,189	4,554,811	1,002,000	27,132,000
		Phoenix) Only Library portion is complete							
83 SM		Various Rmdlg/ Cnstrctn Projects	1,000,000		TBD		250,000	750,000	1,000,000
		Subtotal	\$635,337,146	1,472,149	460,813	\$513,585,220	\$85,271,560	\$36,480,367	\$635,337,146

Legend

RS - Rio Salado CC

SC - Scottsdale CC

√ - Project Complete

SM - South Mountain CC

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

	2/1/2	005	4/1/2	007	4/1/2	009	6/1/20	11	6/1/2	2013			
Fiscal	Series A	(2005)	Series B	(2007)	Series C	(2009)	Series D	(2011)	Series E	(2013)		Total	
Year	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Debt Service
2005													
2006	\$10,000,000	\$6,401,590									\$10,000,000	\$6,401,590	\$16,401,590
2007	30,000,000	6,942,375									30,000,000	6,942,375	36,942,375
2008	13,000,000	6,042,375	\$15,000,000	\$12,193,926							28,000,000	18,236,301	46,236,301
2009	10,475,000	5,652,375	40,000,000	9,279,225							50,475,000	14,931,600	65,406,600
2010	10,790,000	5,233,375	12,500,000	7,479,225	\$15,000,000	\$10,990,813					38,290,000	23,703,413	61,993,413
2011	11,130,000	4,801,775	12,750,000	6,979,225	13,000,000	8,342,650					36,880,000	20,123,650	57,003,650
2012	11,500,000	4,356,575	11,000,000	6,405,475	-	7,822,650		\$6,079,633			22,500,000	24,664,333	47,164,333
2013	11,905,000	3,896,575	13,630,000	5,910,475	14,235,000	7,822,650		5,611,969			39,770,000	23,241,669	63,011,669
2014	12,335,000	3,420,375	14,280,000	5,297,125	14,735,000	7,395,600		5,611,969			41,350,000	21,725,069	63,075,069
2015	12,790,000	2,926,975	14,955,000	4,690,225	15,285,000	6,806,200		5,611,969			43,030,000	20,035,369	63,065,369
2016	13,280,000	2,415,375	15,665,000	4,054,638	15,900,000	6,194,800	\$4,000,000	5,611,969			48,845,000	18,276,781	67,121,781
2017	13,795,000	1,867,575	16,410,000	3,349,713	16,535,000	5,558,800	5,000,000	5,519,969			51,740,000	16,296,056	68,036,056
2018	14,345,000	1,281,288	17,190,000	2,611,263	17,195,000	4,732,050	6,000,000	5,391,469			54,730,000	14,016,069	68,746,069
2019	14,925,000	671,625	18,005,000	1,923,663	17,925,000	3,872,300	7,000,000	5,219,869			57,855,000	11,687,456	69,542,456
2020			18,860,000	1,158,450	18,730,000	2,976,050	19,455,000	5,000,769			57,045,000	9,135,269	66,180,269
2021			19,755,000	592,650	19,575,000	2,039,550	20,115,000	4,343,190			59,445,000	6,975,390	66,420,390
2022					20,455,000	1,256,550	20,840,000	3,617,038			41,295,000	4,873,588	46,168,588
2023					21,430,000	642,900	21,640,000	2,818,866			43,070,000	3,461,766	46,531,766
2024							22,505,000	1,948,938			22,505,000	1,948,938	24,453,938
2025							23,445,000	1,010,480			23,445,000	1,010,480	24,455,480
2026							000 * 000 * 000 (00)						
2027													
Total	\$190,270,000	\$55,910,228	\$240,000,000	\$71,925,276	\$220,000,000	\$76,453,563	\$150,000,000	\$63,398,092	\$0	\$0	\$800,270,000	\$267,687,158	\$1,067,957,158

Average life = 7.651 years

Average life = 7.633 years

Average life = 8.632 years

Average life = 10.976 years

#### MARICOPA COUNTY COMMUNITY COLLEGE DISTRICT GENERAL OBLIGATION BOND PROGRAM - ELECTION OF 2004 Issue Size for Series D (2011): \$150 million

	Net		N SI SI SI SISSISSI SIYA		1002012	20222000 120				B 1 . IT . B.t.	Voter Pamphlet	Difference in	Aggregate Debt Service	Aggregate
Fiscal Year	Secondary Assessed Value (1)	SAV Growth Factor (2)	Beginning GO Bond Debt Service (3)	Series A (2005) (4)		Series C (2009) (6)	Series D (2011) (7)	Series E (2013) (7)	Total New Debt Service	Projected Tax Rate 2004 Bond Program	Projected Tax Rate	Projected Tax Rate	(Beginning + New)	
2005	\$30,609,143,046	1.803%	\$35,551,800										12757000000	
2006	33,197,218,398	8.455%	30,017,413	\$16,401,590					\$16,401,590	\$0.04941	\$0,06549	(\$0.01608)		\$0.13790
2007	36,294,693,601	9.331%	30,425,663	36,942,375					36,942,375	0.10178	0.11878	(0.01700)		0.18310
2008	49,534,573,831	36.479%	29,380,975	19,042,375	\$27,193,926				46,236,301	0.09334	0.11420	(0.02086)		0.15140
2009	58,303,635,287	17.703%	30,289,825	16,127,375	49,279,225				65,406,600	0.11218	0.16197	(0.04979)		0.16340
2010	57,984,051,718	(0.548%)	31,715,475	16,023,375	19,979,225	\$25,990,813			61,993,413	0.10691	0.15709	(0.05018)		0.15980
2011	49,707,952,123	(14.273%)	33,657,138	15,931,775	19,729,225	21,342,650			57,003,650	0.11468	0.20425	(0.08957)		0.18020
2012	38,760,296,714	(32.034%)	33,126,150	15.856,575	17,405,475	7,822,650	\$6,079,633		47,164,333	0.12168	0.20088	(0.07920)	80,290,483	0.20715
2013	34,884,267,043	(10.000%)	14.436.850	15,801,575	19.540.475	22.057,650	5,611,969		63,011,669	0.18063	0.24570	(0,06507)	77,448,519	0.22202
2014	33,140,053,690	(5.000%)	10,214,750	15,755,375	19,577,125	22,130,600	5,611,969	\$9,820,785	72,895,854	0.21996	0.24167	(0.02170)	83,110,604	0.25079
2015	33,140,053,690	0.000%	10,899,350	15,716,975	19,645,225	22,091,200	5,611,969	9,065,340	72,130,709	0.21765	0.23767	(0.02002)	83,030,059	0.25054
2016	33,802,854,764	2.000%		15,695,375	19,719,638	22,094,800	9,611,969	14,005,340	81,127,121	0.24000	0.23377	0.00624	81,127,121	0.24000
2017	34,478,911,860	2.000%		15,662,575	19,759,713	22,093,800	10.519.969	14,708,940	82,744,996	0.23999	0.22992	0.01006	82,744,996	0.23999
2018	35,168,490,097	2.000%		15,626,288	19,801,263	21,927,050	11,391,469	15,652,540	84,398,609	0.23998	0.22615	0.01384	84,398,609	0.23998
2019	35.871.859.899	2.000%		15,596,625	19,928,663	21,797,300	12,219,869	16,538,140	86,080,596	0.23997	0.22241	0.01755	86,080,596	0.23997
2020	36,589,297,097	2.000%		17,000,000	20,018,450	21,706,050	24,455,769	20,034,540	86,214,809	0.23563	0.17138	0.06425	86,214,809	0.23563
2021	37.321.083.039	2.000%			20,347,650	21,614,550	24,458,190	20,035,340	86,455,730	0.23165	0.16856	0.06309	86,455,730	0.23165
2022	38.067.504.699	2.000%				21,711,550	24,457,038	20,035,840	66,204,428	0.17391	0.12433	0.04958	66,204,428	0.17391
2023	38,828,854,793	2.000%				22.072.900	24,458,866	20,033,340	66,565,106	0.17143	0.12229	0.04914	66,565,106	0.17143
2024	39,605,431,889	2.000%					24,453,938	20,035,140	44,489,078	0.11233	0.08018	0.03215	44,489,078	0.11233
2025	40,397,540,527	2.000%					24,455,480	20,032,940	44,488,420	0.11013	0.07887	0.03126	44,488,420	0.11013
2026	41,205,491,338	2.000%					_1,,	20,033,740	20,033,740	0.04862	0.03878	0.00984	20,033,740	0.04862
2027	42,029,601,164	2.000%						20,032,940	20,032,940	0.04766	0.03814	0.00952	20,032,940	0.04766
Total			\$289,715,388	\$246,180,228	\$311,925,276	\$296,453,563	\$213,398,092	\$240,064,905	\$1,308,022,063					

Average Tax Rate

\$0.1550

\$0.1583

(1) Actual Net Secondary Assessed Values ("SAV") for FY 2015 through FY 2012. For FY 2013 through 2014, SAVs are estimated based on a decline of 10% and 5% respectively from prior years. For FY 2015, we assumed no change in SAV and for each year thereafter, SAV is assumed to grow at 2% annually.

Prepared by: RBC Capital Markets

<sup>(2)</sup> Actual changes through FY 2012. Assumed changes thereafter.

<sup>(3)</sup> Includes the Series 2002, Series 2004 and Refunding Series 2010.

<sup>(4)</sup> Interest for the Series A (2005) Bonds is actual. For FY 2006, the interest shown is net of accrued interest (\$643,766.67) and Net Interest Premium of (\$3,214,674.20).

<sup>(5)</sup> Interest for the Series B (2007) Bonds is actual. For FY 2008, the interest shown is net of accrued interest (\$248,855.63).

<sup>(6)</sup> Interest for the Series 2009 is actual and was awarded with an NIC of 4.01%.

<sup>(7)</sup> Interest for the \$150,000,000 Series 2011 is assumed at current market rates (February 22, 2011 MMD plus 50 basis points) and for the \$151,089,000 Series 2013 Bonds at an annual rate of 6.00%.

<sup>(8)</sup> Actual tax rate through FY 2011. Calculated tax rate thereafter.

#### STATE OF ARIZONA

## Joint Committee on Capital Review

STATE SENATE

ANDY BIGGS
CHAIRMAN 2011
PAULA A. ABOUD
RICH CRANDALL
LORI KLEIN
RICK MURPHY
DAVID SCHAPIRA

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HOUSE OF REPRESENTATIVES

JOHN KAVANAGH
CHAIRMAN 2012
LELA ALSTON
CHAD CAMPBELL
STEVE COURT
NANCY MCLAIN
ANDY TOBIN
ANNA TOVAR

DATE: April 12, 2011

TO: Senator Andy Biggs, Chairman

Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: James Alcantar, Fiscal Analyst

SUBJECT: Arizona Department of Administration - Consider Recommending FY 2011 Partial Rent

Exemptions and FY 2012 – FY 2013 Quarterly Rent Payments

#### Request

A.R.S. § 41-792.01 authorizes the Director of the Arizona Department of Administration (ADOA), on recommendation from the Joint Committee on Capital Review, to grant a full or partial exemption from the payment of rental/lease-purchase fees if the agency has vacated its space and to exempt an agency from paying its full rent at the beginning of the year. On behalf of 4 state agencies, ADOA requests the Committee recommend 3 partial rent exemptions for FY 2011 totaling \$1,800, and 1 rent increase of \$1,800.

Additionally, ADOA requests the Committee recommend allowing the State Board of Technical Registration to make quarterly privatized lease-to-own lease-purchase payments in FY 2012 – FY 2013 instead of 1 annual payment due at the beginning of each year.

#### Recommendation

The JLBC Staff recommends that the Committee recommend the proposed FY 2012 – FY 2013 quarterly lease-purchase payment plan for the State Board of Technical Registration, the proposed \$1,800 FY 2011 increased rent payment for the Department of Corrections (ADC), and the proposed \$1,800 FY 2011 partial rent exemptions for the State Parks Board, Secretary of State, and Governor's Office, as ADC will be renting 237 square feet of storage space that these 3 agencies currently occupy.

#### **Analysis**

Statute permits an agency to request an exemption from paying their full rent on state-owned space. The requests on behalf of the State Parks Board, Secretary of State, and Governor's Office would not reduce revenues to the Capital Outlay Stabilization Fund (COSF) since the reduction in rent payments for the 3 agencies would be offset by the increase for ADC. COSF collects monies from rents and tenant improvement charges to agencies occupying ADOA owned buildings. Monies are used to pay maintenance, utilities, construction, and administrative costs for state-owned buildings. These rent

payments are deposited into COSF, which helps defray building renewal expenses and ADOA operating costs.

Statute also permits an agency to request an exemption from paying their full lease-purchase payment on state-leased space. The State Board of Technical Registration request would not reduce revenues used to make the annual privatized lease-to-own payment since the full payment would be paid by the end of each fiscal year.

RS/JA:sls



Janice K. Brewer Governor



#### ARIZONA DEPARTMENT OF ADMINISTRATION

#### OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • ROOM 401

PHOENIX, ARIZONA 85007

(602) 542-1500

RECEIVED

APR 1 2 JOINT BUDGET

COMMITTEE

April 12, 2011

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

Dear Senator Biggs:

The Arizona Department of Administration (ADOA) respectfully requests the Joint Committee on Capital Review (JCCR) recommend *pro rata* exemptions of FY 2011 Capital Outlay Stabilization Fund (COSF) rent adjustments for three (3) agencies formerly occupying state-owned space at 1645 West Jefferson Street on the Capitol Mall.

Pursuant to A.R.S. § 41 - 791, ADOA is responsible for the allocation of space in state-owned and leased buildings in the Capitol Mall. Occupancy changes in the aforementioned building resulted in *pro rata* rent adjustments for the Department of Corrections, State Parks, the Secretary of State, and the Governor's Office effective July 1, 2010 (FY 2011) (see attachments).

A.R.S. § 41 – 41.792.01 directs ADOA to transfer rent from agencies occupying state-owned space in the amount included in each agency's annual operating budget as reported by JLBC or the *pro rata* adjusted amount based on actual occupancy at the beginning of each fiscal year. During the year, ADOA calculates adjustments to agency rents based on approved changes in occupancy. Subsequently, the ADOA Director may authorize a whole or partial exemption from payment of the rent if the agency does not occupy the space or vacates the space after the beginning of the fiscal year and JCCR recommends the exemption. Each of the foregoing agencies has remitted the FY 2011 full fiscal years annual rent to ADOA.

Based on the foregoing authority and occupancy changes, ADOA respectfully requests JCCR recommend rent exemptions in the form of "refunds" of FY 2011 rent for State Parks, the Secretary of State, and the Governor's Office totaling \$1,800. The Arizona Department of Corrections has paid ADOA \$1,800 for its adjusted increase in storage space at 1645 West Jefferson Street retroactive to July 1, 2010 (FY 2011).

Agency	FY 2011 Rent	FY 2011 Pro Rata Rent	FY 2011 Difference
Corrections	\$24,200	\$26,000	\$1,800
State Parks	\$900	0	(\$900)
Secretary of State	\$700	0	(\$700)
Governor's Office	\$1,100	\$900	(\$200)

The Honorable Andy Biggs Pro Rata Rent Adjustments April 12, 2011 Page 2 of 2

If you have any questions regarding the proposed FY 2011 rent exemptions or would like to discuss this matter further, please contact William Hernandez, Assistant Director, ADOA General Services Division (GSD), at 602-364-2872. Thank you for your consideration of this request.

Sincerely,

Scott A. Smith

Director

#### Attachments

cc: The Honorable John Kavanagh, Vice-Chair, JCCR Richard Stavneak, Director, JLBC Leatta McLaughlin, Assistant Director, JLBC John Arnold, Director, OSPB Jennifer Uharriet, Budget Analyst, OSPB Paul Shannon, Assistant Director, ADOA William Hernandez, Assistant Director, ADOA



SCOTT A. SMITH Director

#### ARIZONA DEPARTMENT OF ADMINISTRATION

GENERAL SERVICES DIVISION

100 NORTH 15<sup>TH</sup> AVENUE, SUITE 202 PHOENIX, ARIZONA 85007 (602) 542-1427

December 29, 2010

Arizona Department of Corrections Att: Mike Landry Administrator Engineering & Facilities Bureau 1645 West Jefferson Phoenix, AZ 85007

Re: Increase in Space Allocation; 1645 West Jefferson

Dear Mr. Mike:

Pursuant to ARS 41 § 791, The Arizona Department of Administration (ADOA) is responsible for the allocation of space in state-owned and leased buildings in the Capitol Mall. ADOA recently became aware of a tenant directed reallocation and backfill of space at 1645 West Jefferson effective April 1, 2010, resulting in the following:

Agency	Space Type	Former SQ FT Space Allocation	New Space SQ FT Allocation	
Corrections	Storage	3,171	3,408	
State Parks	Storage	112	0	
Secretary of State	Storage	91	0	
Governor's Office	Storage	146	112	

Additionally, pursuant to ARS 41 § 792.01, ADOA shall calculate pro rata adjustments to rents based on changes in occupancy. Pro rata adjustments to FY 2011 Capital Outlay Stabilization Fund (COSF) rent for state-owned space at 1645 West Jefferson effective April 1, 2010 result in the following:

Agency		FY 2011 Pro Rata	FY 2011
	Rent*	Rent*	Difference*
Corrections	\$24,200	\$26,000	\$1,800
State Parks	\$900	0	(\$900)
Secretary of State	\$700	0	(\$700)
Governor's Office	\$1,100	\$900	(\$200)

Corrections; 1645 W Jefferson; Increase in Space Allocation December 29, 2010 Page 2

\*The FY 2011 Annual Rent represents the COSF rent associated with the allocation/reallocation of space specifically identified above, which might or might not be the cumulative total space an agency occupies at 1645 West Jefferson.

ADOA will invoice Corrections separately from this notice for its increase in storage space at 1645 West Jefferson retro active to July 1, 2010 (FY 2011).

State agency tenants must initiate changes in agency space allocations through ADOA. ADOA is required to report adjustments in occupancy on a quarterly basis and annually for agency budget development. Increases or decreases in space can affect agency budgets. ADOA transfers the COSF rent amount of an agency's appropriation for space or it's pro rata share of space, whichever is higher.

If you have any questions regarding this notice, please contact me by phone at 602-542-1954 or by email at <a href="mailto:notice">notice</a>, please contact me by phone at 602-542-1954 or by email at <a href="mailto:notice">notice</a>, please contact me by phone at 602-542-1954 or by email at <a href="mailto:notice">notice</a>, please contact me by phone at 602-542-1954 or by email at <a href="mailto:notice">notice</a>, please contact me by phone at 602-542-1954 or by email at <a href="mailto:notice">notice</a>, please contact me by phone at 602-542-1954 or by email at <a href="mailto:notice">notice</a>, please contact me by phone at 602-542-1954 or by email at <a href="mailto:notice">notice</a>, please contact me by phone at 602-642-1954 or by email at <a href="mailto:notice">notice</a>, please contact me by phone at 602-642-1954 or by email at <a href="mailto:notice">notice</a>, please contact me by phone at 602-642-1954 or by email at <a href="mailto:notice">notice</a>, please contact me by emailto: <a href="mailto:notice">notice</a>, please contact me by email at <a href="mailto:notice">notice</a>, please contact me by emailto: <a href="mailto:notice">notice</a>, p

Sincerely,

Nola Barnes

nola Barner

cc: William Hernandez, Assistant Director, ADOA

Paul Shannon, Assistant Director, ADOA Barbara Pipkin, GSD Finance, ADOA Khala Walker, GSD Finance, ADOA

Jennifer Uharriet, Budget Analyst, OSPB

Leatta McLaughlin, Principal Fiscal Analyst, JLBC Staff





SCOTT A. SMITH Director

#### ARIZONA DEPARTMENT OF ADMINISTRATION

GENERAL SERVICES DIVISION

100 NORTH 15<sup>TH</sup> AVENUE, SUITE 202 PHOENIX, ARIZONA 85007 (602) 542-1427

December 29, 2010

Office of the Governor Att: John McCleve 1700 West Washington Street Phoenix, AZ 85007

Re:

Reduction of Space Allocation; 1645 West Jefferson (Governor's Office of Children, Youth, and Families)

Dear John:

Pursuant to ARS 41 § 791, The Arizona Department of Administration (ADOA) is responsible for the allocation of space in state-owned and leased buildings in the Capitol Mall. ADOA recently became aware of a tenant directed reallocation and backfill of space at 1645 West Jefferson effective April 1, 2010, resulting in the following:

Agency	Space Type	Former SQ FT Space Allocation	New Space SQ FT Allocation
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Agency	FY 2011	FY 2011 Pro Rata FY 2011		
	Annual Rent*	Rent*	Difference*	
Corrections	\$24,200	\$26,000	\$1,800	
State Parks	\$900	0	(\$900)	
Secretary of State	\$700	0	(\$700)	
Governor's Office	\$1,100	\$900	(\$200)	

Office of the Governor; 1645 W Jefferson; Reduction of Space Allocation December 29, 2010 Page 2

\*The FY 2011 Annual Rent represents the COSF rent associated with the allocation/reallocation of space specifically identified above, which might or might not be the cumulative total space an agency occupies at 1645 West Jefferson.

If an agency vacates state-owned space after the beginning of the fiscal year, ADOA, on recommendation of the Joint Committee on Capital Review (JCCR) may authorize a partial exemption from payment of the rental fee. ADOA reports the status of pro rata adjustments on a quarterly basis to Joint Legislative Budget Committee (JLBC) staff.

If you have any questions regarding this notice, please contact me by phone at 602-542-1954 or by email at nola.barnes@azdoa.gov.

Sincerely,

Nola Barnes

nola Barner

cc: William Hernandez, Assistant Director, ADOA

Paul Shannon, Assistant Director, ADOA Barbara Pipkin, GSD Finance, ADOA Khala Walker, GSD Finance, ADOA

Jennifer Uharriet, Budget Analyst, OSPB

Leatta McLaughlin, Principal Fiscal Analyst, JLBC Staff



SCOTT A. SMITH Director

#### ARIZONA DEPARTMENT OF ADMINISTRATION

GENERAL SERVICES DIVISION

100 NORTH 15<sup>TH</sup> AVENUE, SUITE 202 PHOENIX, ARIZONA 85007 (602) 542-1427

December 29, 2010

Arizona State Parks Debbie Lopez, Fiscal Services 1300 West Washington Phoenix, AZ 85007

Re: Elimination of Space Allocation; 1645 West Jefferson

Dear Debbie:

Pursuant to ARS 41 § 791, The Arizona Department of Administration (ADOA) is responsible for the allocation of space in state-owned and leased buildings in the Capitol Mall. ADOA recently became aware of a tenant directed reallocation and backfill of space at 1645 West Jefferson effective April 1, 2010, resulting in the following:

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State Parks	\$900	0	(\$900)
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Arizona State Parks; 1645 W Jefferson; Elimination of Space Allocation December 29, 2010 Page 2

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If an agency vacates state-owned space after the beginning of the fiscal year, ADOA, on recommendation of the Joint Committee on Capital Review (JCCR) may authorize a partial exemption from payment of the rental fee. ADOA reports the status of pro rata adjustments on a quarterly basis to Joint Legislative Budget Committee (JLBC) staff.

If you have any questions regarding this notice, please contact me by phone at 602-542-1954 or by email at nola.barnes@azdoa.gov.

Sincerely,

Nola Barnes

nola Barner

cc: William Hernandez, Assistant Director, ADOA

Paul Shannon, Assistant Director, ADOA Barbara Pipkin, GSD Finance, ADOA Khala Walker, GSD Finance, ADOA

Jennifer Uharriet, Budget Analyst, OSPB

Leatta McLaughlin, Principal Fiscal Analyst, JLBC Staff





SCOTT A. SMITH Director

#### ARIZONA DEPARTMENT OF ADMINISTRATION

GENERAL SERVICES DIVISION

100 NORTH 15<sup>TH</sup> AVENUE, SUITE 202 PHOENIX, ARIZONA 85007 (602) 542-1427

December 29, 2010

Arizona Secretary of State
Jim Drake
Assistant Secretary of State
1700 West Washington Street; 7th Floor
Phoenix, AZ 85007

Re: Elimination of Space Allocation; 1645 West Jefferson

Dear Jim:

Pursuant to ARS 41 § 791, The Arizona Department of Administration (ADOA) is responsible for the allocation of space in state-owned and leased buildings in the Capitol Mall. ADOA recently became aware of a tenant directed reallocation and backfill of space at 1645 West Jefferson effective April 1, 2010, resulting in the following:

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Secretary of State; 1645 W Jefferson; Elimination of Space Allocation December 29, 2010 Page 2

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If an agency vacates state-owned space after the beginning of the fiscal year, ADOA, on recommendation of the Joint Committee on Capital Review (JCCR) may authorize a partial exemption from payment of the rental fee. ADOA reports the status of pro rata adjustments on a quarterly basis to Joint Legislative Budget Committee (JLBC) staff.

If you have any questions regarding this notice, please contact me by phone at 602-542-1954 or by email at <a href="mailto:notice">notice</a>, please contact me by phone at

Sincerely,

Nola Barnes

nola Barner

cc: William Hernandez, Assistant Director, ADOA

Paul Shannon, Assistant Director, ADOA Barbara Pipkin, GSD Finance, ADOA Khala Walker, GSD Finance, ADOA

Jennifer Uharriet, Budget Analyst, OSPB

Leatta McLaughlin, Principal Fiscal Analyst, JLBC Staff

Janice K. Brewer Governor



Scott A. Smith Director

#### ARIZONA DEPARTMENT OF ADMINISTRATION

#### OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • ROOM 401 PHOENIX, ARIZONA 85007

(602) 542-1500

April 12, 2011

The Honorable Andy Biggs, Chairman Joint Committee on Capital Review Arizona State Senate 1700 West Washington Phoenix, Arizona 85007



The Arizona Department of Administration (ADOA) requests that the Joint Committee on Capital Review (JCCR) recommend quarterly Privatized Lease to Own (PLTO) lease-purchase payments for the Board of Technical Registration (BTR) for FY 2012 and FY 2013

Arizona Revised Statutes § 41-792.01.E. directs ADOA shall transfer the entire amount of an agency's lease-purchase obligation at the start of each fiscal year. However, the ADOA Director, on recommendation of JCCR, may authorize an exemption from the annual full payment transfer requirements for periods of one-year or more at a time if an agency can demonstrate a practice of making full payments on a different basis necessitated by its cash flow.

BTR requested ADOA modify BTR's beginning of the fiscal year transfer requirement to a quarterly transfer schedule citing existing and anticipated cash flow difficulty (see attached). The BTR is located at 1110 West Washington and the annual PLTO lease-purchase payment for FY 2012 is approximately \$168,800.00 or \$42,200 quarterly.

ADOA will return BTR to its beginning of the fiscal year full payment transfer obligation beginning FY 2014. If an evaluation of BTR's cash flow does not support a return to the status quo, ADOA will request JCCR review of future year's exemptions from the requirement.

If you have any questions please contact William Hernandez, Assistant Director, General Services Division, at (602) 364-2872.



The Honorable Andy Biggs Board of Technical Registration; Exemption April 12, 2011

Sincerely,

Scott A. Smith

Director

#### Attachment

c: The Honorable John Kavanagh, Vice-Chair, JCCR Richard Stavneak, Director, JLBC Leatta McLaughlin, Principal Fiscal Analyst, JLBC John Arnold, Director, OSPB Jennifer Uharriet, Budget Analyst, OSPB Paul Shannon, Assistant Director, ADOA William Hernandez, Assistant Director, ADOA Ronald W. Dalrymple, Executive Director, BTR Nola Barnes, General Manager, ADOA Barbara Pipkin, General Manager, ADOA

1110 W. Washington • Suite 240 • Phoenix, Arizona 85007 • (602) 364-4930 • FAX: (602) 364-4931 • www.azbtr.gov

March 28, 2011

Mr. Scott A. Smith ADOA Director 100 N. 15<sup>th</sup> Avenue, Suite 401 Phoenix, Arizona 85007

Re: Permission Letter

Dear Mr. Smith:

The Board of Technical Registration is requesting permission for the yearly rent amount to be split into quarterly payments instead of a lump sum. The reason for the request is in fiscal year 2011 the Board experienced a shortfall of money after the rent was paid in a lump sum. This shortfall of money resulted in delays of making payments on its other obligations. The Board had to request an advance on its third and fourth quarter appropriations in order to avoid shortages in the second quarter as payment of obligations ran over from the first quarter. A review of the Board's cash flow analysis will support the negative cash flow after the rent is paid in a lump sum.

At this time, we have an ongoing project to replace our outmoded AS400 Computer System. Budgeted for this year is \$81,000 with a final cost of \$500,000. Also, the Legislation is proposing to take \$600,000 from the Board of Technical Registration fund in the next fund sweep. Paying the rent on a quarterly basis, would give the Board of Technical Registration the flexibility that we need to function properly.

If granted approval, please let the Board know if there is any additional paperwork or forms that need to be submitted.

The Board would appreciate your utmost consideration for approval to this change.

Sincerely,

Ronald W Dalrymple, CPM(

**Executive Director** 

Board of Technical Registration

Cc; Michelle Brooks CSB Manager

#### STATE OF ARIZONA

## Joint Committee on Capital Review

STATE SENATE

ANDY BIGGS
CHAIRMAN 2011
PAULA A. ABOUD
RICH CRANDALL
LORI KLEIN
RICK MURPHY
DAVID SCHAPIRA

1716 WEST ADAMS PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

HOUSE OF REPRESENTATIVES

JOHN KAVANAGH
CHAIRMAN 2012
LELA ALSTON
CHAD CAMPBELL
STEVE COURT
NANCY MCLAIN
ANDY TOBIN
ANNA TOVAR

DATE: April 12, 2011

TO: Senator Andy Biggs, Chairman

Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Ted Nelson, Fiscal Analyst

SUBJECT: Arizona State Lottery Commission – Review of FY 2011 Building Renewal Allocation

Plan

#### Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona State Lottery Commission requests Committee review of its FY 2011 Building Renewal Allocation Plan. Laws 2010, 7th Special Session, Chapter 2 appropriated \$75,600 from the State Lottery Fund to the State Lottery Commission to fund 100% of the building renewal formula in FY 2011.

#### Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the commissions' FY 2011 Building Renewal Allocation Plan.

#### **Analysis**

Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. Laws 2010, 7<sup>th</sup> Special Session, Chapter 2 appropriated a total of \$75,600 in FY 2011 from the State Lottery Fund to the commission for building renewal in accordance with A.R.S. § 41-703.

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

The commission is requesting review of their \$75,600 appropriation for 3 proposed projects. Total expenditures for these projects are estimated at \$77,000, and the commission plans to use \$1,400 from its operating appropriation to pay for costs not covered by the building renewal allocation. The first request is for review of expenditures to be made for the replacement of a generator, which requires replacement to

ensure the security of the Lottery's network and has been estimated to cost \$51,000 according to the commission's procurement process. The generator was originally installed in 1987 and has an average useful life of 15 years. The generator is reported to have become less dependable and more costly to maintain in recent years. Replacement parts are no longer available.

The commission is also requesting \$11,000 for replacement of batteries for their Uninterruptible Power Supply (UPS) system, which supports the Lottery's computer systems. The UPS system's batteries require replacement on average every 5 years and were last replaced in July 2006. Of the 48 batteries powering the unit, 12 were replaced in December due to failure and the remaining 36 were replaced in January, as the commission has stated that batteries should be replaced at the same time. Monies from the commission's operating budget were used to pay for the replacement batteries and are expected to be reimbursed with building renewal monies. Both of these systems are used to ensure basic business functioning and to power the Lottery's network in the event of a power failure. The UPS system is designed to supply power to the system until the generator is able to start.

The third project would repair a damaged light pole in the parking lot. The pole was damaged in a hit-and-run accident that has caused it to stop working, causing low visibility at night on security cameras. A preliminary bid for the repair has estimated the repair cost to be \$15,000. The commission has stated that repairing the light pole is necessary to ensure the protection of state property.

The submitted material provides additional detail for each project. The projects are consistent with building renewal guidelines and appropriations.

RS/TN:sls



Jeff Hatch-Miller Executive Director

January 26, 2011

The Honorable Andy Biggs, Chairman Joint Committee on Capital Review Arizona State Senate 1700 West Washington St. Phoenix, AZ 85007



Re: JCCR Agenda Request

Dear Senator Biggs:

The Arizona Lottery respectfully requests placement on the next JCCR meeting agenda to review the Lottery's FY11 Building Renewal allocation plan. A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies.

Information for this item is attached.

Sincerely,

Jeff Hatch-Miller. Executive Director

Attachment

cc: Richard Stavneak, Director, JLBC John Arnold, Director, OSPB Ted Nelson, Lottery Analyst, JLBC

Dale Frost, Lottery Analyst, OSPB

## The Arizona Lottery Building Renewal Funds Fiscal Year 2011 Allocations Plan

#### Background

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

As part of the FY2011 Approved Budget, the Arizona Lottery received a Capital Outlay Appropriation of \$75,600 from the State Lottery Fund to the Arizona Lottery Commission for building renewal.

Total FY2011 Capital Expenditure Budget Allocation:	75,600.00
Incremental Requirement from Operating Appropriation:	1.400.00

#### Proposed FY2011 Expenditures:

Replacement of Generator	(51,000.00)
UPS Battery Replacement	(11,000)
Damaged Lighting on Property *	(15,000)
	(77,000)

#### FY2011 Allocation Plan

The Arizona Lottery proposes the following capital expenditures in FY2011. The cost estimates were obtained from vendor quotes and historical data.

#### Generator Replacement and UPS Maintenance

#### Description

The Generator was originally installed in 1987 when the Lottery office was built. In recent years the maintenance yearly inspection has become more expensive to maintain and the unit is less dependable. Replacement parts are no longer available and during the last maintenance part failure required the maintenance company to have a custom part built. This equipment has placed the Lottery network system at risk which in case of failure could result in a loss of revenue.

In addition, the Uninterruptible Power Supplies (UPS) system requires battery replacement every 5 years on average. The UPS system supports vital lottery computer system until the Generator can assume the load. In December, 9 of the 21 batteries were replaced because of an emergency failure.

#### **Proposed Solution**

Install the necessary generator and UPS batteries as approved by ADOA to support business continuity of the Lottery systems.

#### **Principal Benefits**

- 1) Reduce risk to the state
- 2) Business continuity
- 3) Protect computer systems
- 4) Continuous ability to generate revenue

#### \*Damaged Lighting on Property

In December a hit and run accident on the Lottery property caused a light pole to be knocked out of place from the concrete base. The light is in such a position it needs to be replaced to allow the property to be visible on the security cameras. This repair is in progress to assure proper protection of state property.