

STATE OF ARIZONA

## Joint Committee on Capital Review

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1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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**\* \* R E V I S E D \* \***

### JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, June 19, 2007 \*

9:00 a.m.

Senate Appropriations Room 109

### MEETING NOTICE

- Call to Order
- [Approval of Minutes of May 16, 2007.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [ARIZONA STATE UNIVERSITY - Review of Revised Scope of Academic Renovations and Deferred Maintenance Phase IIA Bond Projects](#)
- 2. [ARIZONA DEPARTMENT OF TRANSPORTATION - Review of Asphalt Storage Tanks Project](#)
- 3. [NORTHERN ARIZONA UNIVERSITY - Review of Dining Expansion Bond Project.](#)
- 4. [ARIZONA DEPARTMENT OF TRANSPORTATION - Review of De-Icer Buildings Project.](#)

\* If the House and the Senate are not in session on June 19, this meeting will be deferred to a later date.

The Chairman reserves the right to set the order of the agenda.  
6/18/07

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

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

Wednesday, May 16, 2007

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The Chairman called the meeting to order at 8:06 a.m., Wednesday, May 16, 2007 in Senate Appropriations Room 109. The following were present:

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

The Chairman rearranged the order of the agenda to hear the School Facilities Board Item 4 first. At the request of the State Parks Board, Item 6 was withdrawn and will be heard at a future Committee meeting.

**APPROVAL OF MINUTES**

Hearing no objections from the members of the Committee, Chairman Robert Burns stated the minutes of April 5, 2007 would stand approved.

**SCHOOL FACILITIES BOARD – Consider Approval of Refinancing Deficiencies Correction Bonds.**

Ms. Leatta McLaughlin, JLBC Staff, presented the approval for the School Facilities Board (SFB) to refinance part of the deficiencies correction bonds. In FY 2004, SFB issued \$246.6 million in revenue bonds to pay for the deficiencies corrections program. SFB is requesting to refinance \$88.6 million of the original issuance. Committee approval is sought because the refinance would change principal and interest amounts each year. The current interest rate on the \$88.6 million is 5.75%. SFB is hoping to obtain a 4.09% interest rate on the refinance. *Table 1* of the JLBC recommendation memo compares the current debt service to the possible new debt service payments. Beginning in FY 2008, General Fund savings would be approximately \$1.3 million per year for 7 years, followed by \$2.4 million per year for 3 years, and a final FY 2018 payment of \$9.9 million more than the current scheduled payment. The total aggregated savings would be approximately \$6.6 million. The JLBC Staff recommends that the Committee approve this item.

Discussion ensued on this item.

Mr. John Arnold, Executive Director, School Facilities Board, responded to member questions.

Representative Pearce requested an analysis on possible savings if \$200 million were applied to paying off outstanding debt.

*Representative Pearce moved the JLBC Staff recommendation that the Committee approve the request to refinance \$88.6 million of the State School Trust revenue bonds. The motion carried.*

**ARIZONA STATE UNIVERSITY – Reconsider Review of Indirect Financing for Downtown Campus Student Housing Project.**

Ms. Leah Ruggieri, JLBC Staff, presented the review of the Arizona State University (ASU) request to enter into a lease or sub-lease agreement with Capstone Development to construct 2 student housing facilities at the Downtown Phoenix Campus. This item was initially reviewed in January 2007, at which time the Committee gave an unfavorable review. Capstone would construct 2 facilities to serve the Downtown Phoenix Campus to accommodate 1,200 to 1,300 students. The project would be financed with an issuance of \$116.6 million in tax exempt bonds from Capstone Development. At the end of the lease period or the period of the bond indebtedness, whichever occurs first, ASU will become the owner of the land and the facilities.

The Committee previously gave an unfavorable review because the expansion of the Downtown Phoenix Campus facilities was not previously approved by the Legislature. As a result of that action, ASU held off on the construction of this project. Since the January meeting, Senator Burns has worked with the state universities to increase legislative oversight of capital projects. This expanded oversight is included as different versions in the Senate and House Higher Education Budget Reconciliation Bills (BRB). Both the House and Senate Higher Education BRBs would include provisions that would expand oversight of indirect and third party financing projects. In addition, the Senate version of the Higher Education BRB contains a provision that would require JCCR review of any new campuses established at new locations. The universities are in agreement with the new proposal. Senator Burns has requested that the Committee reconsider this item so that ASU could continue with this project.

Discussion ensued on this item.

Mr. Richard Stanley, Senior Vice President and University Planner, ASU, responded to member questions.

*Representative Pearce moved the JLBC Staff recommendation that the Committee give a favorable review to the proposal to enter into an indirect financing agreement to develop student housing for the ASU Downtown Phoenix Campus and that ASU submit for review any subsequent phases beyond Phase II of the proposed development. The motion carried.*

**ARIZONA DEPARTMENT OF ADMINISTRATION – Consider Approval of FY 2008 and FY 2009 Rental Rates for State-Owned Space.**

Mr. Lorenzo Martinez, JLBC Staff, presented the approval of rental rates charged to agencies housed in state-owned buildings. Per statute, the Arizona Department of Administration (ADOA) makes recommendations to the Committee and the Committee then determines the rental rates. For FY 2008, ADOA recommends a \$4 per square foot increase for office space and a \$1 per square foot increase for storage space. The rental charges are deposited into the Capital Outlay Stabilization Fund (COSF). COSF is primarily used to fund the ADOA operating budget. Any remaining monies are then typically applied to building renewal. In aggregate, the recommended increases would require agencies to pay \$2.8 million more out of their General Fund budgets and \$1 million more from their Other Funds budgets. Both Senate and House budget proposals, at this time, fund the increases for agency budgets. The JLBC Staff recommends that the Committee approve the FY 2008 increases contingent on funding in the final budget approval. ADOA also recommended an additional \$0.50 per square foot increase for office space in FY 2009; however, the JLBC Staff recommends that the Committee defer action until the FY 2009 budget is developed next session.

Discussion ensued on this item.

*Representative Pearce moved the JLBC Staff recommendation that the Committee increase the rates for FY 2008 to \$19.50 per square foot for office space and \$7 per square foot for storage space contingent upon funding being approved in the final FY 2008 budget. Action on FY 2009 rates would be deferred to the FY 2009 budget. The motion carried.*

**ARIZONA DEPARTMENT OF ADMINISTRATION/DEPARTMENT OF JUVENILE CORRECTIONS – Review of DJC Well Renovation Project and ADOA Building Renewal Allocations.**

Ms. Kimberly Cordes-Sween, JLBC Staff, presented the ADOA request to reallocate \$200,000 of FY 2007 Building Renewal monies to partially fund the purchase and installation of an arsenic removal system for the Department of Juvenile Corrections (DJC) well renovation project. In FY 2007, the Legislature appropriated \$340,000 to bring the well into compliance with the new federal arsenic regulations. ADOA is requesting to use additional funding to make further modifications and improvements to the well renovation project including automation, 24-hour remote monitoring, and more extensive water treatments. The total project cost is anticipated to be approximately \$588,800. The JLBC Staff recommends that the Committee give a favorable review to the ADOA request with the provision that upon award of the contract, ADOA submit more detail on the cost estimates of the renovation, including separate labor and equipment costs.

Discussion ensued on this item.

*Representative Pearce moved the JLBC Staff recommendation that the Committee give a favorable review to the DJC well renovation project including the reallocation of \$200,000 in FY 2007 Building Renewal monies for the project with the provision that, upon award of a contract, ADOA submit more detailed cost estimates, including separate labor and equipment costs. The motion carried.*

**ARIZONA EXPOSITION AND STATE FAIR BOARD – Review of FY 2007 Building Renewal Allocation Plan.**

Mr. Dan Hunting, JLBC Staff, presented the Arizona Exposition and State Fair Board (AESF) Building Renewal Plan. The AESF was allocated \$1.5 million for building renewal in FY 2007, of which the Committee previously reviewed the expenditure of \$430,000 at its September 2006 meeting. The building renewal plan on the agenda for 6 projects totaling an additional \$510,000 include asphalt paving, concrete foundations, parking lot striping, and analysis and repair of the Coliseum roof. Since the distribution of the agenda, it has been realized that the problems with the Coliseum roof are more serious than anticipated. As a result, the AESF is asking to withdraw the request for the 6 projects and is submitting a revised request that focuses on the repair of the Coliseum roof.

Pictures were displayed to illustrate the 2 supporting cables on the Coliseum roof that have lost tension and failed due to corrosion. Engineers have advised that, in its current condition, the facility is unsafe for large public gatherings. AESF is proposing to restore structural integrity to the building by replacing the cables at a cost of \$2.9 million by utilizing the balance of this year's capital funding of \$1 million with the remaining monies coming from the operating budget. AESF would like to begin the project immediately so that the Coliseum is in usable condition by the start of the State Fair in October.

Once the structural repair is complete, AESF would return to the Committee for the review of another \$2.3 million from FY 2008 funding to replace the current membrane covering the roof. The current coating is over 27 years old and has exceeded its life expectancy. The new covering will protect against further structural problems with the roof. The total cost of both projects is estimated at \$5.2 million. Funding for the project would include the remaining \$1 million from the FY 2007 Building Renewal, \$1.9 million from the FY 2007 operating budget, and \$2.3 million from the FY 2008 Building Renewal and operating budgets.

Discussion ensued on this item.

Mr. Don West, Executive Director, AESF, and Mr. Roger Berna, General Manager, General Services Division, Construction Services, ADOA, responded to member questions.

*Representative Pearce moved the Committee give a favorable review to the use of \$1,077,800 in remaining FY 2007 Building Renewal monies for the Coliseum roof repair project. The motion carried.*

Without objection, the meeting adjourned at 9:06 a.m.

Respectfully submitted:

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Yvette Medina, Secretary

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Lorenzo Martinez, Assistant Director

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Senator Robert Burns, Chairman

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

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DATE: June 14, 2007

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

THRU: Richard Stavneak, Director

FROM: Leah Ruggieri, Fiscal Analyst

SUBJECT: Arizona State University – Review of Revised Scope of Academic Renovations and  
Deferred Maintenance Phase IIA Bond Projects

**Request**

Arizona State University (ASU), on behalf of the Arizona Board of Regents (ABOR), is submitting for Committee review a scope revision to a project within the Academic Renovations and Deferred Maintenance Phase IIA, a system revenue bond favorably reviewed by the Committee in August 2006. The total cost for the Physics Chair Renovation project within the Academic Renovations and Deferred Maintenance Phase IIA is increasing from \$1,100,000 to \$1,850,000. The additional \$750,000 will be funded from the Academic Renovations and Deferred Maintenance Phase IIB bond issuance.

**Recommendation**

The JLBC Staff recommends that the Committee give a favorable review of the scope revision for Academic Renovations and Deferred Maintenance Phase IIA with the following standard university financing provisions:

- ASU shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add alternates that do not expand the scope of the project.
- ASU shall submit for Committee review any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add alternates that expand the scope of the project. In case of an emergency, ASU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. The JLBC Staff will inform the university if they do not agree with the change of scope as an emergency.
- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any auxiliary revenues that may be required for debt service, or any

(Continued)

operations and maintenance costs when the project is complete. Auxiliary funds derive from substantially self-supporting university activities, including student housing.

- ASU shall not use bonding to finance any repairs whose typical life span is less than the bond repayment period. Such repairs include, but are not limited to new flooring and painting. The exceptions to this stipulation are circumstances where such repairs are required to complete a major renovation.

## **Analysis**

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. The Committee first favorably reviewed the Academic Renovations and Deferred Maintenance Phase IIA bond project at its August 2006 meeting, with the provision that ASU submit for Committee review any allocations that exceed the greater of \$100,000 or 10% (estimated at \$170,000) of the reported contingency amount for add alternates that expand the scope of the project. Phase IIA is comprised of 14 individual projects, most of which involve the renovation of classrooms and the improvement of space acquired for new faculty hires.

ASU now seeks to further revise the scope and cost of the Physics Chair Renovation project. This project will accommodate the new physics chair, Dr. Robert Nemanich, who began his work at ASU in July 2006. When this project was first submitted to the Committee in August 2006, it entailed the renovation of 2,315 square-feet at a total cost of \$1.1 million. ASU's new proposal is to renovate 4,480 square-feet to accommodate additional research requirements for nanotechnology thin-film processing at a total cost of \$1.9 million, or an increase of \$0.8 million. Additional requirements for the lab space include High Efficiency Particulate Air (HEPA) filtration, increased HVAC capacity, and additional fire sprinklers and gas alarms. The renovated space will also include offices and student work stations.

ASU would finance the cost increase with unallocated funds from the \$10 million Academic Renovations and Deferred Maintenance Phase IIB bond project. This project was first favorably reviewed by the Committee in January 2007, with the requirement that ASU report on their expenditure plan for \$4 million unallocated to specific projects. The proposed allocation to the Physics Chair Renovation project would reduce the unallocated amount from \$4 million to approximately \$3.3 million. As a result of this reallocation, the total cost of Academic Renovation and Deferred Maintenance Phase IIA would remain unchanged.

The new total cost-per-square-foot for the Physics Chair Renovation project would be approximately \$413 (originally \$475) and the direct construction cost-per-square-foot would be \$301. The original direct construction cost-per-square-foot was unknown as of the August 2006 review. The new total cost-per-square-foot estimate represents a decrease of (15)% due to the addition of relatively less expensive space. This additional square-footage is mostly ancillary space for mechanical rooms that do not require laboratory finishes or laboratory environmental conditions.

RS/LR:ym

May 16, 2007

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



Dear Senator Burns:

Enclosed is an update for the following previously reviewed projects:

Academic Renovations and Deferred Maintenance – Phase IIA  
Academic Renovations and Deferred Maintenance – Phase IIB

This update is being submitted due to an increase in scope and budget for one of the subprojects comprising these bundled projects. There is not, however, an increase in the total amount of financing needed.

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

Sincerely,

A handwritten signature in cursive script that reads 'Carol Campbell'.

Carol Campbell  
Executive Vice President and CFO

Enclosures

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



# JOINT COMMITTEE ON CAPITAL REVIEW

## ARIZONA STATE UNIVERSITY - PROJECT UPDATE Academic Renovations & Deferred Maintenance Phase IIA May 2007

### UPDATE - ACADEMIC RENOVATIONS AND DEFERRED MAINTENANCE PHASE IIA (AR IIA) AND ACADEMIC RENOVATIONS AND DEFERRED MAINTENANCE PHASE IIB (AR IIB)

ASU last updated JCCR on AR IIA in February 2007. Since that time, one project has increased in scope and budget. Below is a spreadsheet that details the changes:

Project	Feb. 2006 Budget	Project	Current Budget
Classroom Renovations	\$1,200,000	Classroom Renovations	unchanged
Agriculture Building Backfill Renovations	\$1,000,000 (\$927,872 from bonds, \$72,128 from minor cap)	Agriculture Building Backfill Renovations	unchanged
West Hall Backfill Renovations	\$505,000	West Hall Backfill Renovations	unchanged
Wilson Hall Backfill Renovations	\$488,000 (\$408,000 from bonds, \$80,000 from minor cap)	Wilson Hall Backfill Renovations	unchanged
Physics Chair Renovations	\$1,100,000	Physics Chair Renovations	Budget increase \$1,850,000 [\$1,100,000 from ARIIA bonds, \$750,000 from ARIIB bonds]
SESE Multicollector Renovations	\$1,542,000	SESE Multicollector Renovations	unchanged
Biophysics Renovations	\$500,000	Biophysics Renovations	unchanged
Engineering Technical Services Upgrades	\$1,500,000	Engineering Technical Services Upgrades	unchanged
Adaptive Neural Systems Renovation	\$915,000 [\$777,128 from bonds, \$137,872 from local funds (indirect cost recovery)]	Adaptive Neural Systems Renovation - Budget Increase	unchanged
Civil and Environmental Engineering Renovations - Environmental Lab	\$175,000	Civil and Environmental Engineering Renovations - Environmental Lab	unchanged
Neural Stimulation Utility Lab	\$605,000	Neural Stimulation Utility Lab	unchanged
ORSPA Relocations	\$360,000 (\$240,000 from bonds, \$120,000 from local funds)	ORSPA Relocations	unchanged
SESE ISTB II Flume Lab	\$320,000	SESE ISTB II Flume Lab	unchanged
SESE Center for Meteorite Studies – Physical Science C-Wing	\$200,000	SESE Center for Meteorite Studies – Physical Science C-Wing	unchanged
<b>Total Bond Funds</b>	<b>\$10,000,000</b>	<b>Total Bond Funds</b>	<b>\$10,000,000</b>

## JOINT COMMITTEE ON CAPITAL REVIEW

### ARIZONA STATE UNIVERSITY - PROJECT UPDATE Academic Renovations & Deferred Maintenance Phase IIA May 2007

JCCR reviewed Academic Renovations and Deferred Maintenance Phase IIB in January 2007. As the table on page 1 shows, ASU is funding a portion (\$750,000) of the Physics Chair Renovations project from AR IIB funds. The table below demonstrates how that change affects unallocated bond funds remaining in AR IIB.

Project	Dec. 2006 Budget	Project	Current Budget
Nursing Backfill Renovation Project	\$5,000,000	Nursing Backfill Renovation Project	unchanged - \$5,000,000
Goldwater Chemistry / Geology Labs	\$850,000	Goldwater Chemistry / Geology Labs	unchanged - \$850,000
SESE/Chemistry - Keck Lab Upgrades	\$120,000	SESE/Chemistry - Keck Lab Upgrades	unchanged - \$120,000
		Physics Chair Renovations	\$1,850,000 (total project estimate - \$1,100,000 from ARIIA bonds, \$750,000 from ARIIB bonds)
Unallocated Funds	\$4,030,000	Unallocated Funds	\$3,280,000
Total Bond Funds	\$10,000,000	Total Bond Funds	\$10,000,000

Following is more specific information regarding the Physics Chair Renovations project:

#### Physics Chair Renovations – \$1,850,000 (total project cost estimate)

- This project will renovate a space in the Psychology North Building to accommodate a new hire in the Physics department that will serve as the department chair. Renovation will include student work stations, laboratories, and upgrades to electrical and HVAC systems. It will also require new exhaust lines, a chilled water loop for cooling laboratory equipment, electrical upgrades, gas cabinets, and fume hoods.
- The \$750,000 increase in budget is due to an increase in scope and square footage. Approximately 4,480 square feet will be renovated in this project. It was originally anticipated that the researcher would need 2,315 square feet.
- This increase in square footage is needed to accommodate additional research requirements for nanotechnology thin-film processing. Requirements for the lab space will now include HEPA filtration, increased HVAC capacity, increased fire sprinklers and gas alarms.

#### Physics Chair Renovations Project Budget

Total budget	\$ 1,850,000
Direct construction cost	\$ 1,350,000
Total Contingency	\$ 120,000
FF&E	\$ 130,000
Parking & Landscaping	\$ -
O&M Costs	\$ -
Other fees	\$ 250,000
Total Cost per square foot	\$ 413
Direct Construction Cost per Square Foot	\$ 301

#### Proposed Schedule

- |                      |              |
|----------------------|--------------|
| • JCCR Review        | June 2007    |
| • Construction start | June 2007    |
| • Completion         | October 2007 |

## **JOINT COMMITTEE ON CAPITAL REVIEW**

### **ARIZONA STATE UNIVERSITY - PROJECT UPDATE Academic Renovations & Deferred Maintenance Phase IIA May 2007**

#### **ACADEMIC AND OPERATIONS DISRUPTIONS AND MITIGATION PLAN**

This project will cause minimal if any disruption to the building occupants. The space being renovated is unoccupied and any disruption will be minimal. Work will be completed either before the start of classes/workday, after hours or on weekends. The building occupants will be notified in advance of upcoming construction within the building. The university has a mitigation plan for this project, which takes into account student, staff, and faculty needs as well as traffic flow to facilitate both education and administration.

#### **EXECUTIVE ORDER 2005-5 COMPLIANCE COSTS**

JCCR has directed ASU to compare compliance costs of the Governor's Executive Order 2005-05, concerning energy efficiency and other savings generated through those efficiencies. Executive Order 2005-05 applies only to new buildings; the project identified here is a renovation to an existing building.

#### **CONTRACTING METHOD**

The contracting method for these projects is construction manager at risk or CMAR.

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DATE: June 14, 2007

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

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/Fiscal Analyst

SUBJECT: Arizona Department of Transportation – Review of Asphalt Storage Tanks Project

**Request**

In compliance with A.R.S. § 41-1252, the Arizona Department of Transportation (ADOT) requests Committee review of \$1,181,200 for the Asphalt Storage Tanks project. The FY 2007 Capital Outlay Bill appropriated a total of \$1,587,600 for asphalt storage tanks. At its June 15, 2006 meeting, the Committee gave a favorable review of \$406,400 from the FY 2007 appropriation to install 2 new tanks, leaving a remaining balance of \$1,181,200 in the FY 2007 appropriation for asphalt storage tanks.

**Recommendation**

The JLBC Staff recommends that the Committee give a favorable review of \$1,082,800 for the project to install 4 asphalt storage tanks, concrete containment basins and dispose of existing tanks. Prior to expenditure of any of the remaining balance of \$98,400 or the \$134,800 in the contingency for a different project, ADOT shall report the use of these funds to the Committee.

The cost projections are consistent with the low bid and are within the proposed budget for the project.

**Analysis**

The FY 2007 Capital Outlay Bill appropriated \$1,587,600 from the State Highway Fund in FY 2007 to the department to install replacement 10,000-gallon asphalt storage tanks, concrete containment basins and dispose of existing tanks at 6 locations. A.R.S. § 41-1252 requires that the Committee review the scope, purpose and estimated cost, before the release of monies for construction of a new capital project costing over \$250,000.

(Continued)

At its June 15, 2006 meeting, the Committee gave a favorable review of \$406,400 from the FY 2007 appropriation of \$1,587,600 to install 2 new tanks, concrete containment basins and dispose of existing tanks, with the condition that prior to expenditure of any of the remaining balance of \$1,181,200, the Committee shall review the department's request for additional spending. This was done so that ADOT could avail itself of the prices for the 2 locations on an existing contract.

ADOT estimates a total cost of \$1,082,800 to install replacement 10,000-gallon asphalt storage tanks, concrete containment basins and dispose of existing tanks at 4 locations (Quartzsite, Kingman, Winslow, and Ganado), as shown in the following table.

<b>ADOT's Estimated Cost for 4 Asphalt Storage Tanks</b>	
	<b><u>Estimated Cost</u></b>
4 New Tanks, Concrete Containment Basins, Remove Old Tanks	\$ 898,700 <sup>1/</sup>
Contingency (15%)	134,800
Tax	<u>49,300</u>
<b>Total</b>	<b>\$1,082,800</b>

<sup>1/</sup> Low bid

ADOT's estimated cost for the 4 proposed locations averages \$270,700 per location. This is significantly higher than the \$209,000 per location (\$406,400 from the FY 2007 appropriation plus \$11,600 transferred from a FY 2006 capital appropriation) favorably reviewed by the Committee on June 15, 2006, and is likely due to increases in material costs, such as steel and concrete. The \$270,700 per location is consistent with the low bid and is within the proposed budget for the project.

ADOT reports that the bids expire July 23, 2007, which is 90 days from the bid opening on April 25, 2007. Construction is to be completed within 120 calendar days after notice to proceed for each location. The new tanks would help ADOT comply with an environmental agreement with the Arizona Department of Environmental Quality regarding storm water/waste water.

Because the proposal appears consistent with the statutory intent for the project and the cost estimate is within the established limits, JLBC Staff recommends that the Committee give a favorable review of \$1,082,800 for the proposed asphalt storage tank project.

RS/BH:ym



# Arizona Department of Transportation

## Office of the Director

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

Janet Napolitano  
Governor

Victor M. Mendez  
Director

Richard Travis  
Deputy Director

May 10, 2007



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

Dear Senator Burns:

The Arizona Department of Transportation (ADOT) requests placement on the agenda for the next meeting of the Joint Committee on Capital Review.

For FY 2007, ADOT was appropriated \$1,587,600, from the State Highway Fund, to install asphalt storage tanks and concrete containment basins at six locations. On June 15, 2006, the JCCR gave a favorable review for two of the six locations; Springerville and St. Johns.

We are now ready to proceed on the remaining four sites Ganado, Kingman, Quartzsite, and Winslow and are requesting approval on spending the \$1,177,500 balance. A preliminary estimate is \$250,000 per tank.

All six new tanks replace existing deteriorated tanks, and allow ADOT to comply with an environmental agreement with the Arizona Department of Environmental Quality regarding storm water/wastewater.

Your Committee's favorable review of this project would be greatly appreciated.

If you have any questions about this project, please contact Melissa Wynn at 602-712-4617.

Sincerely,

Victor M. Mendez

cc: Representative Russell Pearce, Vice- Chairman, JCCR  
Richard Stavneak, Director, JLBC  
Bob Hull, Principal Research / Fiscal Analyst, JLBC  
James Apperson, Director, OSPB  
Marcel Benberou, Assistant Director, OSPB

STATE OF ARIZONA

**Joint Committee on Capital Review**

STATE  
SENATE

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

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

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REPRESENTATIVES

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CHAIRMAN 2008  
TOM BOONE  
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JOHN KAVANAGH  
PHIL LOPES  
DAVID LUJAN  
DAVID SCHAPIRA

DATE: June 18, 2007

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

THRU: Richard Stavneak, Director

FROM: Amy Strauss, Fiscal Analyst

SUBJECT: Northern Arizona University – Review of Dining Expansion Bond Project

**Request**

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Northern Arizona University (NAU) requests Committee review a dining expansion project to be financed with a \$9.5 million system revenue issuance.

**Recommendation**

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

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

(Continued)

## Analysis

NAU proposes to construct a 26,000 square foot, two-story dining hall addition to house traditional and retail dining in the University Union. Retail dining includes platform cooking, which provides cook to order options for diners. The first floor of the dining space will incorporate multi-use dining as well as activity space. The second floor will include both dining and lounge space. NAU estimates that the existing central kitchen in the Union has the capacity to service the expanded dining. NAU requires freshman to have a food service plan and estimates that there is a 27% increase in student demand for meal plans. The existing University Union is located in the central campus corridor and has traditional dining capacity for 220. The campus also houses a south dining facility, located adjacent to the DuBois Center, which provides traditional dining for 300. A random sampling from both locations averaged 750 lunch and 850 dinner transactions. The expansion would add a dining capacity of 450.

Total project cost for the new residence hall project is \$9.5 million. NAU anticipates issuing the \$9.5 million in AA rated system revenue bonds later this summer with a 5.1% annual interest rate and a term of 30 years. The university estimates an annual debt service of \$627,400, with a 30-year total of \$18,822,000. NAU anticipates operating and maintenance costs of \$237,500 when the project is completed and will cover these expenses from university auxiliary funds. The debt service will also be paid from auxiliary funds. Auxiliary funds are non-appropriated funds generated from self-supporting activities such as dorm fees. Even though NAU plans to use those sources for debt service, system revenue bonds are backed by all revenues generated by the university.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8.0% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The \$9.5 million system revenue bond issuance would increase the NAU debt ratio from 6.7% to 6.8%.

The total cost per square foot for the dining hall project is \$365. Maricopa Community College Student Service Building had a cost per square foot of \$330. The total cost per square foot for the dining hall expansion is slightly more than this comparable project. The absence of economies of scale, coupled with higher costs of construction in the Flagstaff area, account for the difference in cost.

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

RS/AS:ss





NORTHERN  
ARIZONA  
UNIVERSITY

Office of the Vice  
President for  
Administration and  
Finance

Northern Arizona University  
PO Box 4088  
Flagstaff, AZ 86011-4088

928-523-2708  
928-523-4230 fax  
www4.nau.edu/vpadmin



June 13, 2007

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

Re: Northern Arizona University Dining Expansion

Dear Chairman Burns:

On behalf of the Arizona Board of Regents, I respectfully request the Dining Expansion project for Northern Arizona University be placed on the next available agenda for the Joint Committee on Capital Review. The ABOR Capital Committee reviewed the project and granted approval at its May 31, 2007 meeting. No further ABOR approval is required.

- This project will expand traditional and retail dining in the University Union. The project scope is a two-story addition to the north side of the existing student union. Increased enrollment and student participation in the university's food service program will be accommodated by this expansion. First floor space will provide multi-use dining and activity space, while the upper area will provide dining and lounge areas. The existing central kitchen will service both the existing and additional dining facilities. The addition will include new retail facilities with platform cooking that provide cook-to-order options. The expansion will serve as a student focused activity destination in the center of campus.
- Total footage for the addition is 26,000 square feet. Based upon the GMP, the total project budget is set at \$9.5 million.

Please let me know if you any questions regarding this project. Thank you.

Sincerely,

Kathe M. Shinham  
Vice President for Administration & Finance

## **EXECUTIVE SUMMARY**

**ACTION ITEM:** University Union – Dining Expansion Project Approval

**ISSUE:** Northern Arizona University requests Project Approval for the University Union Dining Expansion project.

### **PREVIOUS BOARD ACTION:**

- Capital Development Plan Approval September 2006
- Project Implementation Approval March 2007

### **PROJECT DESCRIPTION:**

- This project will expand traditional and retail dining in the University Union. The project scope is a two-story addition to the north side of the existing student union. Increased enrollment and student participation in the university's food service program will be accommodated by this expansion. First floor space will provide multi-use dining and activity space, while the upper area will provide dining and lounge areas. The existing central kitchen will service both the existing and additional dining facilities. The addition will include new retail facilities with platform cooking that provide cook-to-order options. The expansion will serve as a student focused activity destination in the center of campus.
- Schematic design modifications added 3,000 additional square feet to accommodate changes in the existing restaurant Java.com, floor heights, and kitchen spaces. Total footage for the addition is increased to 26,000 square feet. Additional modifications in heating, a service entrance and interior platform partitions, combined with the square footage increase, have impacted the overall project budget. Based upon the GMP, the total project budget is set at \$9.5 million.
- The project will utilize the Construction Manager at Risk delivery method. The Design Professional is OWPP and the Construction Manager at Risk for preconstruction services is Turner Construction.
- The project will be financed by system revenue bonds. Auxiliary funds will be used to fund the debt service, and operations and maintenance.

### **FISCAL IMPACT AND FINANCING PLAN:**

Debt Ratio Impact: The incremental impact of the annual debt service for this project is 0.14% State (A.R.S.) and 0.18% ABOR. The debt ratio previously approved by the Board in NAU's 2008 – 2010 Capital Improvement Plan is 4.6 percent of estimated total expenditures (State A.R.S.) and 6.4 percent of total unrestricted expenditures and mandatory transfers (ABOR) at the end FY 2006. These ratios are within ABOR and State policy.

**EXECUTIVE SUMMARY**

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**PROJECT JUSTIFICATION:**

- The University Union is located in the central campus corridor. Two years ago, NAU implemented a mandatory freshman food service plan. As students continue voluntary participation throughout their tenure on the Mountain Campus, the success of the plan has stretched existing dining facilities beyond capacity. Current projections indicate a 27% increase in student demand for meal plans. The existing Union has traditional dining capacity for 220. The south dining facility, which is adjacent to duBois Center, provides traditional dining for 300. Each of these locations is currently averaging 750 lunch transactions and 850 dinner transactions. An additional 5000 cash customers per week utilize the Union dining facilities. These dining transaction numbers do not include campus guests, such as admission tours, high school tours, and high altitude training groups. The existing central kitchen in the Union has capacity to service expanded dining.
- Stated goals within NAU's Strategic Plan include the allocation of resources to enhance student activities. Providing effective, functional and accessible dining spaces are fundamental expectations and correlate with the plan. Improved student, staff and visitor environments support increased recruitment and retention. The addition to the University Union is consistent with the Master Plan which endorses a pedestrian campus experience. The existing location is near multiple residence halls and apartments.

**RECOMMENDATION:**

**RESOLVED, that the Board grant Project Approval to Northern Arizona University for the University Union – Dining Expansion.**

**EXECUTIVE SUMMARY**

Capital Project Information Summary

University: Northern Arizona University

Project Name: University Union – Dining Expansion

Project Description / Location: The project scope is a 26,000 square foot two-story addition to the north side of the existing student union located on central campus.

Project Schedule (Beginning Month/Year):

PIA Approval	March 2007
Project Approval	June 2007
Construction	July 2007
Occupancy	August 2008

Project Budget:

Total Project Cost	\$9,500,000
Direct Construction Cost	\$7,993,845
Total Project Cost per GSF	\$365
Construction Cost per GSF	\$307
Change in Annual O&M Costs	\$237,500
Utilities	\$132,500
Personnel	\$75,000
All Other Operating	\$30,000

Funding Sources:

Capital

A. System Revenue Bonds	\$9,500,000
(Debt service funded by auxiliary funds)	

Operation / Maintenance

A. Auxiliary Funds	\$237,500
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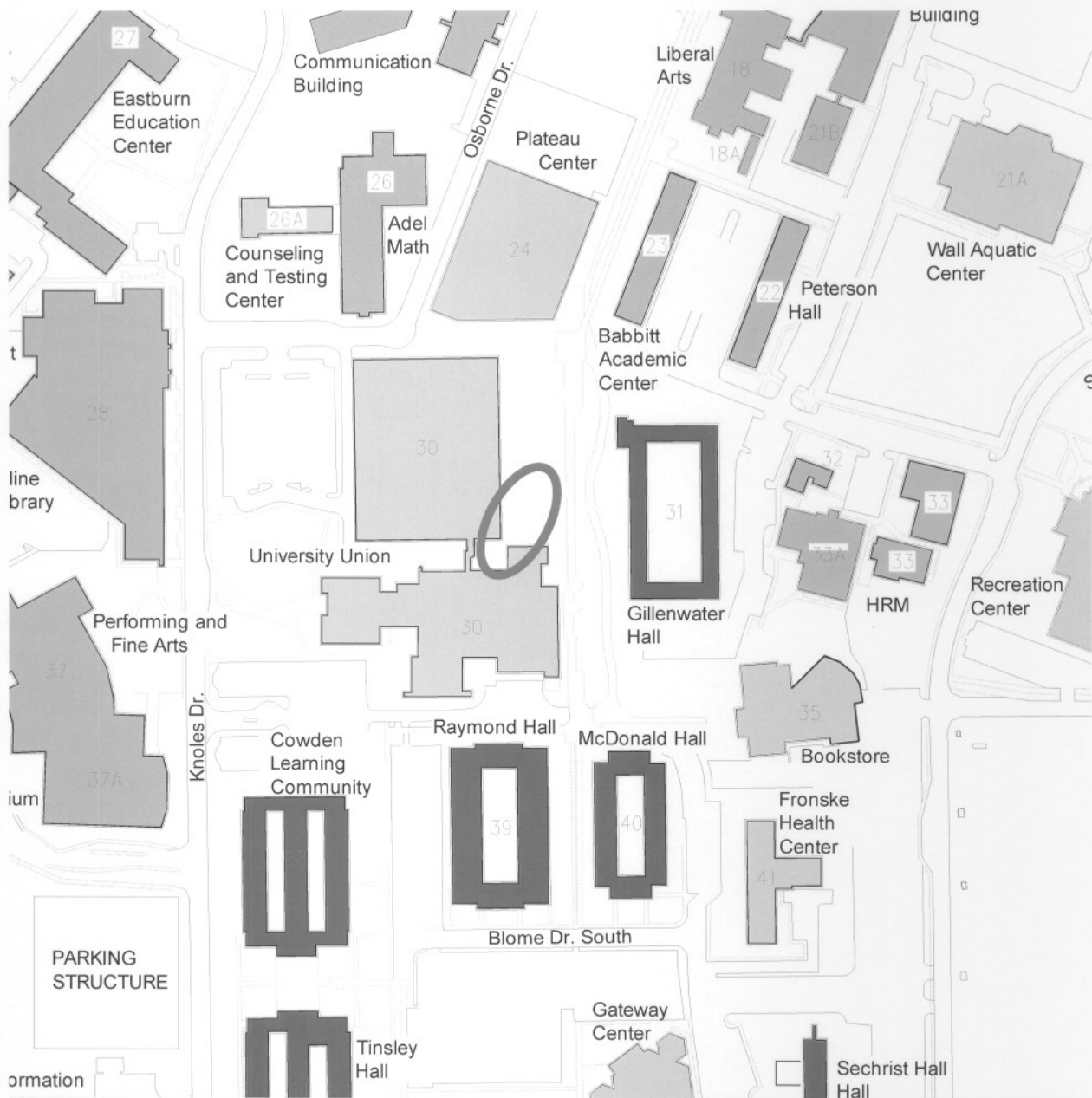
**EXECUTIVE SUMMARY**

**Capital Project Budget Summary**

University: Northern Arizona University  
Project Name: University Union – Dining Expansion

	<b>CDP Approval</b>	<b>Project Implementation Approval</b>	<b>Project Approval</b>
Capital Costs			
1. Land Acquisition			
2. Construction Cost			
A. New Construction	\$7,000,000	\$6,559,526	\$7,893,845
B. Renovation			
C. Special Fixed Equipment			
D. Site Development			
E. Parking and Landscaping			
F. Utilities Extensions		\$125,000	\$100,000
G. Demolition			
H. Inflation Adjustment		\$267,381	\$0
Subtotal Construction Cost	<u>\$7,000,000</u>	<u>\$6,951,907</u>	<u>\$7,993,845</u>
3. Fees (% of Construction Cost)			
A. Construction Manager			
B. Engineer/Architect		\$685,832	\$651,403
C. Other: Lab/Telecom/Commissioning		\$76,204	\$65,140
D. Reimbursables		\$0	\$60,000
Subtotal Consultant Fees		<u>\$762,036</u>	<u>\$776,543</u>
4. FF&E Moveable / Move-in Costs			
5. Contingency, Design Phase (2%)		\$15,241	\$0
6. Contingency, Constr. Phase (11%)		\$713,225	\$148,697
7. Parking Reserve			
8. Telecommunications Equipment		\$25,000	\$25,000
Subtotal Items 4 - 8		<u>\$753,466</u>	<u>\$173,697</u>
9. Additional University Costs			
A. Surveys and Tests		\$176,204	\$181,425
B. Physical Plant Inspections		\$76,204	\$81,425
C. Public Art / Other		\$0	\$0
D. Printing Advertising		\$19,051	\$20,356
E. Asbestos		\$56,109	\$56,109
F. Project Management Cost		\$176,471	\$186,275
H. State Risk Mgmt Ins.		\$28,552	\$30,325
Subtotal Additional University Costs		<u>\$532,591</u>	<u>\$555,915</u>
<b>TOTAL CAPITAL COST</b>	<u><b>\$7,000,000</b></u>	<u><b>\$9,000,000</b></u>	<u><b>\$9,500,000</b></u>

**EXECUTIVE SUMMARY**



Preliminary (06-14-07)

**\$9,500,000.00**

Arizona Board of Regents  
Northern Arizona University  
System Revenue Bonds, Series 2007 (Dining Hall)

## Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I
06/01/2008	180,000.00	5.000%	447,788.23	627,788.23
06/01/2009	150,000.00	5.000%	479,496.26	629,496.26
06/01/2010	155,000.00	5.000%	471,996.26	626,996.26
06/01/2011	165,000.00	5.000%	464,246.26	629,246.26
06/01/2012	170,000.00	5.000%	455,996.26	625,996.26
06/01/2013	180,000.00	5.000%	447,496.26	627,496.26
06/01/2014	190,000.00	5.000%	438,496.26	628,496.26
06/01/2015	200,000.00	5.000%	428,996.26	628,996.26
06/01/2016	210,000.00	5.000%	418,996.26	628,996.26
06/01/2017	220,000.00	5.000%	408,496.26	628,496.26
06/01/2018	230,000.00	5.000%	397,496.26	627,496.26
06/01/2019	240,000.00	5.000%	385,996.26	625,996.26
06/01/2020	255,000.00	5.000%	373,996.26	628,996.26
06/01/2021	265,000.00	5.100%	361,246.26	626,246.26
06/01/2022	280,000.00	5.100%	347,731.26	627,731.26
06/01/2023	295,000.00	5.100%	333,451.26	628,451.26
06/01/2024	310,000.00	5.125%	318,406.26	628,406.26
06/01/2025	325,000.00	5.125%	302,518.76	627,518.76
06/01/2026	340,000.00	5.125%	285,862.50	625,862.50
06/01/2027	360,000.00	5.125%	268,437.50	628,437.50
06/01/2028	375,000.00	5.125%	249,987.50	624,987.50
06/01/2029	395,000.00	5.125%	230,768.76	625,768.76
06/01/2030	415,000.00	5.250%	210,525.00	625,525.00
06/01/2031	440,000.00	5.250%	188,737.50	628,737.50
06/01/2032	460,000.00	5.250%	165,637.50	625,637.50
06/01/2033	485,000.00	5.250%	141,487.50	626,487.50
06/01/2034	510,000.00	5.250%	116,025.00	626,025.00
06/01/2035	540,000.00	5.250%	89,250.00	629,250.00
06/01/2036	565,000.00	5.250%	60,900.00	625,900.00
06/01/2037	595,000.00	5.250%	31,237.50	626,237.50
<b>Total</b>	<b>\$9,500,000.00</b>	<b>-</b>	<b>\$9,321,703.41</b>	<b>\$18,821,703.41</b>

### Yield Statistics

Bond Year Dollars	\$179,803.33
Average Life	18.927 Years
Average Coupon	5.1843885%
Net Interest Cost (NIC)	5.1196666%
True Interest Cost (TIC)	5.0654434%
Bond Yield for Arbitrage Purposes	5.0825165%
All Inclusive Cost (AIC)	5.1722322%

### IRS Form 8038

Net Interest Cost	5.0075876%
Weighted Average Maturity	18.924 Years

Series 2007 SRB (061407) | Dining Hall Expansion | 6/14/2007 | 10:19 PM



STATE OF ARIZONA

**Joint Committee on Capital Review**

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DAVID LUJAN  
DAVID SCHAPIRA

DATE: June 18, 2007

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

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/Fiscal Analyst

SUBJECT: Arizona Department of Transportation – Review of De-Icer Buildings Project

**Request**

In compliance with A.R.S. § 41-1252, the Arizona Department of Transportation (ADOT) requests Committee review of \$1,478,000 for the De-Icer Buildings project. The FY 2007 Capital Outlay Bill appropriated a total of \$1,478,000 for de-icer buildings.

**Recommendation**

The JLBC Staff recommends that the Committee give a favorable review of \$1,478,000 for the project to install 4 de-icer buildings. Prior to expenditure of any of the \$200,800 in the contingency for any new project, ADOT shall report the use of these funds to the Committee.

The cost projections are consistent with the low bid and are within the proposed budget for the project.

**Analysis**

The FY 2007 Capital Outlay Bill appropriated \$1,478,000 from the State Highway Fund in FY 2007 to the department to construct 4 new buildings to house de-icer chemicals, bulk sand, and cinders used during winter months to de-ice highways. A.R.S. § 41-1252 requires that the Committee review the scope, purpose and estimated cost, before the release of monies for construction of a new capital project costing over \$250,000.

ADOT estimates a total cost of \$1,478,000 to construct new de-icer buildings at 4 locations (Springerville, Indian Pine, Page, and Flagstaff), as shown in the following table:

(Continued)



<b>ADOT's Estimated Cost for 4 De-Icer Buildings</b>	
	<b><u>Estimated Cost</u></b>
4 De-Icer Buildings	\$ 1,187,200 <sup>1/</sup>
Architectural & Engineering Fees	90,000
Contingency	<u>200,800</u>
<b>Total</b>	<b>\$1,478,000</b>
<hr/>	
<sup>1/</sup> Low bid	

ADOT's estimated cost for the 4 proposed locations averages \$369,500 per location. This is significantly higher than the \$272,250 per location (\$1,089,000 from the FY 2006 capital appropriation) favorably reviewed by the Committee on February 23, 2006, and is likely due to increases in material costs, such as steel and concrete. The \$369,500 per location is consistent with the low bid and is within the proposed budget for the project.

ADOT reports that the bids were opened May 23, 2007. Construction is to be completed within 120 calendar days after notice to proceed for each location. The new de-icer buildings would replace existing outside storage, and would help ADOT comply with an environmental agreement with the Arizona Department of Environmental Quality regarding storm water/waste water.

Because the proposal appears consistent with the statutory intent for the project and the cost estimate is within the established limits, JLBC Staff recommends that the Committee give a favorable review of \$1,478,000 for the proposed de-icer building project.

RS/BH:ym



# Arizona Department of Transportation

## Office of the Director

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

Janet Napolitano  
Governor

Victor M. Mendez  
Director

Richard Travis  
Deputy Director

June 14, 2007



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

Dear Senator Burns:

We respectfully request to be placed on the July agenda in order to obtain approval to spend the \$1,478,000 appropriated to the Department in FY07 for the construction of four de-icing material storage buildings.

The funds will be used to build 40 ft. x 60 ft. steel-frame buildings at the Springerville, Indian Pine, and Page maintenance yards, and a 71 ft. x 126 ft. membrane-covered steel-frame building at the Flagstaff maintenance yard.

ADOT originally identified Fredonia as one of the four sites to receive a new building. However, upon further review, it was determined that Flagstaff would be a more appropriate site for a building. Fredonia is physically much closer to the de-icing vendor and will experience less product degradation; thus the reason for the change in location.

The current bid amount is \$1,187,163. The remaining \$290,837 will be used for A&E fees and contingency. Construction of these buildings will allow ADOT to better protect the materials from the erosive effect of the elements and comply with all applicable environmental laws and regulations.

Your Committee's favorable review and authorization to proceed with this project would be greatly appreciated.

If you have any questions please contact Melissa Wynn at 602-712-8981.

Sincerely,

Victor M. Mendez

cc: Representative Russell Pearce, Vice-Chair, JCCR  
Richard Stavneak, Director, JLBC  
Bob Hull, Principal Research/Fiscal Analyst, JLBC  
Marcel Benberou, Assistant Director, OSPB