STATE OF ARIZONA

Joint Committee on Capital Review

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HOUSE OF REPRESENTATIVES

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JOINT COMMITTEE ON CAPITAL REVIEW
Tuesday, June 22, 2004
9:30 a.m.
House Hearing Room 4

MEETING NOTICE

- Call to Order
- Approval of Minutes of March 26, 2004.
- DIRECTOR'S REPORT (if necessary).

1. ARIZONA DEPARTMENT OF TRANSPORTATION – Review of FY 2005 Construction Budget Operating Expenditure Plan.
2. GAME AND FISH DEPARTMENT – Review of Canyon Creek Hatchery Project.
3. NORTHERN ARIZONA UNIVERSITY – Review of Infrastructure Research Lease-Purchase Projects.
4. UNIVERSITY OF ARIZONA –
   A. Review of Revised Cost of Chemistry Building Expansion Lease-Purchase Project.
   B. Reports on Capital Projects Contingency Allocations.
5. ARIZONA STATE UNIVERSITY – Review of Academic Renovations and Deferred Maintenance-Phase 1 Bond Project and Report on Instruction and Research Lab Renovation Lease-Purchase Projects.
6. SCHOOL FACILITIES BOARD –
   A. Consider Approval of Converting Deficiencies Correction Bonds from Variable to Fixed Interest Rates.
   B. Review of FY 2005 New School Construction Lease-Purchase Projects.
7. ARIZONA STATE PARKS – Consider Approval of Yuma Crossing Transfer.

(Continued)

8. MARICOPA COMMUNITY COLLEGE – Consider Review of $900 Million Bond Proposal.

9. DEPARTMENT OF ADMINISTRATION/DEPARTMENT OF CORRECTIONS – Reports on Prison Construction Schedule and Status of Private Prison Bed Contracts.

10. JLBC STAFF – Report on Telecommunications Privatization.

The Chairman reserves the right to set the order of the agenda.
6/15/04

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) 542-5491.

MINUTES OF THE MEETING
JOINT COMMITTEE ON CAPITAL REVIEW

Friday, March 26, 2004

The Chairman called the meeting to order at 9:40 a.m. Friday, March 26, 2004 in House Hearing Room 4 and attendance was as follows:

Members:	Representative Pearce, Chairman	Senator Burns, Vice Chairman
	Representative Biggs	Senator Bee
	Representative Lopez	Senator Brown
	Representative Lopes	Senator Waring
Absent:	Representative Farnsworth	Senator Soltero
	Representative Boone	Senator Cannell
	Representative Loredo	Senator Mead
Staff:	Richard Stavneak	Jan Belisle, Secretary
	Lorenzo Martinez	Jake Corey
	Tony Vidale	Steve Schimpp
	Shelli Carol	
Others:	Mark Swenson	Senate
	Carolyn Atwater	Senate
	Nikki Amberg	Senate
	Betsey Bayless	ADOA
	Clark Partridge	ADOA
	Bruce Ringwald	ADOA
	Alan Ecker	ADOA
	Mike Smarik	DOC
	Helen Gouvert,	DOC
	Dora Schriro	DOC
	Chris Cummiskey	GITA
	Chris Muir	GITA
	Steve Miller	ASU
	Mernoy Harrison	ASU
	Scott Cole	ASU
	Scott Smith	ASU
	Bill Greeney	OSPB
	Theresa Garcia	OSPB
	Greg Fahey	UofA
	Dick Roberts	UofA
	Charlene Ledet	UofA
	John Arnold	SFB

	William Bell	SFB
Others:	Candice Cooley	SFB
(Cont'd)	Jack Stackhouse	Burton Group
	Manny Lerma	Qwest
	Frank Saraceno	MCI
	John Kaites	Cox Telecom

Representative Pearce moved the Committee approve the minutes of December 18, 2003 with the corrections made on page 2. The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION/DEPARTMENT OF CORRECTIONS –

Consider Approval of Lease-Purchase Prison Expansion Projects.

Tony Vidale, JLBC Staff, presented the Department of Corrections request that the Committee consider approval of the 1,000-bed prison expansion projects and the issuance of $33.3 million in Certificates of Participation (COPs) to finance the projects. The plan would add 200 beds at the ASPC-Douglas, 500 Beds at ASPC-Perryville, and 300 beds at ASPC-Tucson. Total project costs are estimated to be $31,867,800 or $31,868 per bed.

The COP issuance will generate a total of $33,736,300 when reoffering premiums and interest earnings are included.

Dora Schriro, Director, Department of Corrections updated the Committee on the status of private bed contracts and in response to Chairman Pearce, Dora Schriro stated that Level 3 beds take longer to construct and the department is on schedule with their proposed timeline.

Senator Burns moved the Committee approve the 1,000-bed prison expansion projects and the COP issuance in the amount of $33,275,000 with the following stipulation:

- *Arizona Department of Administration and the Arizona Department of Corrections report to the Committee by June 1, 2004 on the construction schedule to determine if the proposed completion date of November 2004 is achievable. The report should also contain a timeline for the finalization of contracts to add 1,000 new private prison beds and projected opening dates and the issuance of $33.3. million in Certificates of Participation (COPs) to finance the projects.* The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION – Consider Approval of Refinancing of 1993B Certificates of Participation.

Jake Corey, JLBC Staff, presented the Arizona Department of Administration (ADOA) request that the Committee approve the refinancing of Certificates of Participation (COPs) that were issued in 1993. JLBC Staff recommends a favorable review and approval of the refinancing with the stipulation that ADOA report back to the Committee on the interest rate, debt service schedule, costs and estimated savings of the refinanced COPs after the issuance. The refinancing will involve the refunding of $19,896,800 in outstanding COPs. One-time savings are estimated to be $991,400, almost all of which will be realized in FY 2005. The FY 2005 $2.7 million debt service payment will be reduced to $1.8 million. Similar to the existing financing agreement, the debt service payment under the refinancing would return to $2.7 million in FY 2006 and would continue at approximately that level until FY 2011, when the final payment would be $4.0 million.

There was no discussion on this item.

Senator Burns moved the Committee give a favorable review and approve the refinancing of the 1993B Certificates of Participation (COPs) issuance with the stipulation that Arizona Department of Administration report back to the Committee on the interest rate, debt service schedule, costs and estimated savings of the refinanced COPs after the issuance. The motion carried.

(Continued)

GOVERNMENT INFORMATION TECHNOLOGY AGENCY – Review of Request for Proposals for Telecommunications Privatization.

Shelli Carol, JLBC Staff presented the Government Information Technology Agency (GITA) request that the Committee review the Request for Proposals (RFP) for Telecommunications Privatization. Laws 2003, Chapter 263, Section 101 requires that GITA, in consultation with the Arizona Department of Administration (ADOA), prepare and submit to the Joint Committee on Capital Review (JCCR) an actionable RFP to privatize the state's telecommunication services. GITA, with conditional approval from the Information Technology Authorization Committee (ITAC), issued its final draft of the RFP on October 30, 2003. ADOA must release the RFP within ten business days after JCCR review. One-hundred twenty days after the RFP release, ADOA will select the winning bid, with ITAC and this Committee's review, and oversee the implementation of the telecommunications privatization initiative.

The proposed RFP outlines a three-year contract, with possible extensions for up to two additional years. The first step in implementing the proposed RFP would be privatization. A facilities management or telecommunications services management contractor, overseen by ATS, would immediately replace ATS in administering the state's telecommunications system. The state would continue to own its core telecommunications infrastructure and utilize existing contracts through their expiration. The proposed RFP prohibits the chosen management contractor from bidding on carrier service contracts, but allows it to bid on specific agency contracts.

The second phase of the state's telecommunications initiative would be consolidation, with all agencies moving to one centralized voice network and one centralized data network, including the elimination of redundant telecommunications administration and management and improvements to inter-agency communication. Service rates would decline with increasing agency participation. The management contractor would share savings from its improvements to infrastructure, technology configuration, and procurement.

The third stage of the state's telecommunications initiative would be convergence, which involves the transmission of voice, video, and data through a single line. All bidders would be required to include a high-level plan for convergence in their RFP response. The chosen management contractor would have 180 days from the award of the contract to submit a detailed convergence plan, including cost estimates and alternative financing suggestions. Agencies would still be responsible for purchasing their own equipment. Since convergence technology is relatively new and rapidly evolving, its compatibility and prices should be more favorable as this stage begins.

The proposed RFP sets out a clear implementation only for the privatization phase of the telecommunications initiative. Neither consolidation nor convergence has a mandatory schedule and both would require state agency cooperation. Furthermore, a plan for convergence would be created only after a management contractor is selected.

The total cost of the proposed contract would be the rate offered by the chosen management contractor, multiplied by the length of the contract and the number of lines provided. The savings that the telecommunications initiative might generate for the state cannot be determined at this point. Management contractor rates lower than current ATS rates would generate short-term savings, but funding ATS oversight through a still-to-be-identified mechanism would lessen those discounts. Additionally, the lack of detail in the RFP on consolidation and convergence may prevent bidders from developing firm long-term cost estimates for this Committee's review of the final contract. The limited scope of this RFP does not address the total cost of the state's entire telecommunications initiative, which would include many complementary hardware, software, and network upgrades by individual agencies through their own RFPs.

GITA and ADOA do not agree on all aspects of the RFP.

GITA feels that the size and complexity of state government and the rapidly changing nature of the telecommunications industry and related technology make it unfeasible to identify all costs for all agencies in all three stages prior to releasing an RFP. Since the management contractor would provide only centralized services and would have information on the exact nature of those services in advance, GITA anticipates that the RFP will limit change orders. GITA believes it can control costs through its PIJ review process, in which it evaluates all automation projects with costs above $25,000.

(Continued)

ADOA believes that the RFP should identify the grand total, long-term costs for all Executive Branch agencies and all three phases of the telecommunications initiative. ADOA is concerned that, if bidders do not study all agencies in advance, the chosen management contractor would have the ability to submit change orders whenever an agency joined the system.

Under the proposed RFP, the state would continue to own all core telecommunications infrastructure. The management contractor is encouraged to propose alternative funding arrangements, such as leasing, for agency-specific capital equipment, but such projects would be handled individually. ADOA desires that all non-core telecommunications equipment for state agencies be privatized, with associated costs built into the management contractor's service rates. Meanwhile, GITA believes that a large-scale privatization would limit agency flexibility and competition and increase costs. Additionally, any uniform rate structure would force more technologically advanced agencies to subsidize less advanced ones.

The Committee has the following options:

1) A favorable review of the GITA RFP with no conditions.
2) A favorable review with the following stipulations:
    a) Delay the effective date of the favorable review until April 9. ADOA has ten business days from the date of the Committee's review to issue the RFP. By delaying the effective date of the review, ADOA will have until April 23rd to publish the RFP. This will give ADOA time to modify the RFP based on Committee input and for ITAC to approve the modified RFP.
    b) Require ADOA to submit information on funding for the non-privatized portion of the Arizona Telecommunications System (ATS) as part of its cost analysis report, which is due to JCCR before finalizing the telecommunications contract.
3) An unfavorable review. However, given that Laws 2003, Chapter 263 provides JCCR authority for only review, ADOA can still release the RFP.

In response to Senator Burns, Ms. Carol stated that it is not clear at this time whether the savings could cover the oversight amounts. This will not be known until the bids come in.

Senator Burns asked if there had been consideration to the leasing of the equipment. Ms. Carol stated that this RFP considered only the core infrastructure of the state and that will continue to be owned by the state. Individual agencies will be expected to make upgrades to their own hardware/software through separate RFP's.

In response to Senator Burns, Ms. Carol stated oversight is currently provided by ADOA. If the change order exceeds $25,000, it would then be reviewed by GITA.

Representative Lopes expressed concern of not being able to determine savings. Representative Lopes suggested that ADOA report to JCCR 10 days before entering the contract, with short and long term costs. This would give the Committee an opportunity to ask questions and or hear about cost savings. Ms. Carol stated that at the review with ADOA on the contract, you would then be provided with long and short term numbers. If compatibility does not improve, then each agency will have to choose a single vendor for all their hardware, but all agencies will not have to choose the same vendor. Each agency will have its own RFP process for its own hardware.

In response to Representative Lopez, Ms. Carol gave a quick overview of the Telecommunications RFP Review possible stipulations.

In response to Representative Lopez, Ms. Carol stated that the advantage of allowing for a 5-year contract is to encourage more bids.

Representative Lopes asked what would happen to the 60 FTEs at ATS. Ms. Carol stated that the RFP states that the management contractor would consider hiring the employees.

Chairman Pearce commented on the excellent presentation by Ms. Carol and mentioned that this is a great opportunity for the State of Arizona.

(Continued)

Betsey Bayless, Director, Arizona Department of Administration stated that they have had opportunity to look at the stipulations and commended GITA for the work that they have done in a short period of time. They will be looking at a total statewide telecommunications system eventually. As the volume increases, they would like to know how the price would increase. Eventually, the option of leasing is where they would need to go. The ADOA is in agreement with the stipulations reviewed and would make everything more efficient with the statewide telecommunications system.

In response to Representative Lopes, Ms. Bayless stated that there is no way to know what the savings will be to the state.

Chris Cummiskey, Director, Government Information Technology Agency stated that this has been a massive and complex effort trying to get this into a position for the JCCR to review. The RFP is made up of 5 components; 1) the phased approach, 2) state efficiency issue, 3) increased functionality, 4) flexibility and 5) risk mitigation. Mr. Cummiskey then highlighted three of the stipulations being #5, 6 and 9.

In response to Senator Burns, Mr. Cummiskey stated the core of this commission is the project investment justification. Every agency that came forward with a technology project was reviewed for justification.

Manny Lerma, Director of Government Relations, Qwest expressed concerns regarding bidding policies on contracts for the state.

John Kaites, COX Communications stated that they would like the ability to compete fairly and to be judged on services i.e. local and long distance service based on price. If they can provide the same level of service at a lower price they would like to be considered for the carrier service contract.

Frank Saraceno, MCI also expressed concerns regarding bidding policies from some of the vendors and mentioned that MCI could be fair and competitive in bidding for both management and carrier services contracts.

Senator Burns moved the Committee give a favorable review of the GITA RFP with the following stipulations:

1) *Delay the effective date of the favorable review until April 2. ADOA has ten business days from the date of the Committee's review to issue the RFP. By delaying the effective date of the review, ADOA will have until April 16 to publish the RFP. This will give ADOA time to modify the RFP based on Committee input and for ITAC to approve the modified RFP.*
2) *Require ADOA to submit information on funding for the non-privatized portion of the Arizona Telecommunications System (ATS) as part of its cost analysis report, which is due to JCCR before finalizing the telecommunications contract.*
3) *The State Procurement Office may make technical revisions necessary to standardize the RFP procurement language and bring the RFP into compliance with procurement code.*
4) *Direct and indirect General Fund budget increases over FY 2004 levels must be specifically reviewed and authorized by JCCR. Monies to be saved through cost reduction measures shall be reported to JCCR during the final contract review. Reported savings shall be delineated by amounts to be reinvested in the initiative, amounts to be contributed to budget reductions, and amounts to be shared with the management contractor. ADOA shall encourage bidders to provide creative funding models that do not require additional capital expenditures by the State.*
5) *The contract term shall be five years (instead of three years with an option to renew for up to two additional years).*
6) *Bidders shall include in their pricing appropriate investments in new technology to upgrade existing state telecommunications infrastructure, separately delineating the capitol mall and the rest of the state. Upgrades shall be consistent with GITA network architecture standards.*
7) *Moves/Adds/Changes (MAC) of telecommunication lines shall be the responsibility of the management contractor and such costs shall be priced as a separate fee-per-service. The State understands that, once convergence occurs, MAC will no longer have a cost, and therefore, expects the elimination of these fees under convergence.*

(Continued)

8) *The solicitation period shall include a "due diligence" component. The State Procurement Office (SPO) shall issue the final version of the RFP, receive proposals (including pricing) from vendors, short-list those vendors who submit proposals determined by the solicitation evaluation committee to be reasonably susceptible of being selected for award ("susceptible" vendors), and assist the susceptible vendors in performing a 4-week maximum due diligence to verify information provided by the State that significantly affects the vendors' proposals. Once the due diligence period and negotiations with SPO are completed, the susceptible vendors shall submit their Best and Final Offers (BAFO). The State shall then award the contract based on the vendors BAFO's, if award is advantageous to the State. Implementation in a timely fashion is a high priority and shall be a key consideration in evaluation of the RFP responses. This process shall be conducted within the time schedule required by Laws 2003, Chapter 263, Section 101.*
9) *The RFP shall provide the expected schedule for inclusion of all executive branch agencies, assuming the award of a cost-effective solution, specifying the number of lines added by month for the duration of the contract. Agencies shall conduct their implementations as a whole, to avoid urban or rural bias and leverage the benefits of one statewide network. This schedule does not represent any guarantee by the state.*
10) *The draft RFP pricing section shall be modified to request pricing for all years of the project, and to provide the opportunity to show the savings to be generated by the vendors in areas such as carrier charges and modernization. Specific pricing line items shall be provided for all RFP requested elements that are not currently in the ATS base pricing, for example, a new billing system and expanded helpdesk system. All such additional costs shall not be part of the base-offer.*

The motion carried.

ARIZONA STATE UNIVERSITY – Review of Information Technology/Telecommunications Infrastructure Upgrade Bond Project.

Lorenzo Martinez, JLBC Staff, presented the Arizona State University (ASU) request that the Committee review the Phase 1 of Information Technology/Telecommunications Infrastructure Upgrades bond project. The project will upgrade and enhance the ASU computer networks and voice, data and video distribution systems. The upgrades will supplement the existing data network with the addition of a wireless network; upgrade building wiring to meet the latest data standards; upgrade the network connections to improve the speed of communications; add redundant systems to the existing networks to improve reliability of the systems and upgrade the in-ground distribution system. The annual debt service of approximately $2.9 million will be paid from tuition collections and local retention funds over a 10-year period.

In response to Representative Biggs, Mr. Martinez stated that of the $2.9 million in debt service, $1.4 million will be paid from tuition collections and $1.4 million from indirect cost recovery funds.

<u>Senator Burns moved</u> *the Committee give a favorable review of Phase 1 of the Information Technology/Telecommunications Infrastructure Upgrades project, which will be financed with a $22,000,000 revenue bond issuance.* The motion carried.

Review of University Research Infrastructure Lease-Purchase Projects.

Lorenzo Martinez, JLBC Staff, presented the Arizona State University (ASU) request that the Committee review the Interdisciplinary Science and Technology Buildings 1 and 2. These projects will be financed with a COP issuance totaling $92,000,000. The JLBC Staff recommends a favorable review of the request with the stipulations noted in the memo. Both of these projects are research infrastructure projects that were authorized by legislation from the last session.

There was no discussion on this item.

(Continued)

<u>Senator Burns moved</u> the Committee give a favorable review to the Interdisciplinary Science and Technology Buildings university research infrastructure lease-purchase projects with the following stipulations:

- *ASU report to the Committee before expenditure of any allocations that exceed the greater of $100,000 or 10% of the reported contingency amount total for add alternates that <u>do not expand</u> the scope of the project.*
- *ASU submit for Committee review any allocations that exceed the greater of $100,000 or 10% of the reported contingency amount total for add alternates that <u>expand</u> 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.*

The motion carried

ARIZONA STATE UNIVERSITY/ARIZONA BOARD OF REGENTS – Review of Phase 3 of Infrastructure Improvements and Revised Scope and Estimated Cost of Phase 1 of the Arizona Biodesign Institute Bond Projects.

Lorenzo Martinez, JLBC Staff, presented the Arizona State University (ASU) request that the Committee review Phase 3 of Infrastructure Improvements and the revised scope and estimated cost of Phase 1 of the Arizona Biodesign Institute bond projects.

The projects will be financed with an $11,200,000 system revenue bond issuance, which will be repaid over a 30-year period at an estimated interest rate of 6%. Of the total, $7,400,000 will be used for infrastructure improvements and $3,800,000 will be used to expand the scope of the Arizona Biodesign Institute. Annual debt service of $537,600 for the infrastructure projects will be paid from tuition collections and $276,100 for the Biodesign Institute revisions will be paid from Indirect Cost Recovery Funds.

There was no discussion on this item.

<u>Senator Burns moved</u> the Committee give a favorable review of the Infrastructure Improvements and the revised scope and estimated costs of Phase 1 of the Arizona Biodesign Institute bond projects. The projects will be financed with an $11,200,000 revenue bond issuance. The motion carried

UNIVERSITY OF ARIZONA/ARIZONA BOARD OF REGENTS – Review of Parking and Residential Life Lease-Purchase Projects.

Lorenzo Martinez, JLBC Staff, presented the University of Arizona (UofA) request that the Committee review the Highland Avenue Parking Structure and Phase 1 of Residence Life Building Renewal lease-purchase projects. The Committee has 3 options as shown in the memo.

In response to Representative Biggs, Mr. Martinez stated that more information was received regarding the issue and therefore the JLBC Staff recommends a favorable review.

<u>Senator Burns moved</u> the Committee give a favorable review to the Highland Avenue Parking Structure and Phase 1 of Residence Life Building Renewal lease-purchase projects with the following stipulations:

- *The University report to the Committee before expenditure of any allocations that exceed the greater of $100,000 or 10% of the reported contingency amount total for add alternates that <u>do not expand</u> the scope of the project.*
- *The University submit for Committee review any allocations that exceed the greater of $100,000 or 10% of the reported contingency amount total for add alternates that <u>expand</u> the scope of the project. In case of an emergency, the University 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.*

The motion carried.

(Continued)

SCHOOL FACILITIES BOARD – Review of Revised Lease-to-Own Project List.

Jake Corey, JLBC Staff, presented the School Facilities Board request that the Committee review its list of $49.2 million in new school construction projects to be financed with lease-purchase agreements. The JLBC Staff recommended a favorable review of the request.

There was no discussion on this item.

Senator Burns moved the Committee give a favorable review of the to the revised Lease-to-Own Project List totaling $49,165,700. The motion carried.

Review of New School Construction Report.

Jake Corey, JLBC Staff, presented the School Facilities Board request that the Committee review its demographic assumptions, proposed construction schedule, and new school construction cost estimates for FY 2005. The JLBC Staff recommended a favorable review of the request. The board estimates that it will oversee 64 new school construction projects in FY 2005 and that it will spend $319.7 million in that year. The Committee previously heard this item at its December 2003 meeting, but did not take action on the item as SFB had not provided cost estimate information at that time.

There was no discussion on this item.

Senator Burns moved the Committee give a favorable review to the FY 2005 New School Construction Report. The motion carried.

The meeting adjourned at 11:15 a.m.

Jan Belisle, Secretary

Lorenzo Martinez, Assistant Director

Representative Russell Pearce

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

STATE OF ARIZONA

Joint Committee on Capital Review

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HOUSE OF REPRESENTATIVES

DATE: June 15, 2004

TO: Representative Russell Pearce, 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 FY 2005 Construction Budget Operating Expenditure Plan

Request

In compliance with a Capital Outlay Bill footnote, the Arizona Department of Transportation (ADOT) requests that the Committee review its FY 2005 highway construction budget expenditure plan for Professional & Outside Services (contracted consultants).

Recommendation

The JLBC Staff recommends:
1. A favorable review of ADOT's $105 million Professional & Outside Services expenditure plan for FY 2005.
2. Adoption of the traffic congestion performance measures (Tables 2, 3 and 4) with the following stipulations:
   a. ADOT report on these performance measures as part of next year's Committee review.
   b. ADOT submit for Committee review a complete list of "over capacity" state highway segments by September 1, 2004.

In summary, the Staff has recommended a favorable review as the consultants' budget remains the same as in FY 2004. It remains difficult, however, to measure the efficiency of these expenditures.

The "traffic congestion" measures have been useful in identifying the targets for future improvements. However, ADOT reports that they may not have included every "over capacity" highway segment, hence, the requirement to provide the Committee with a complete list.

Analysis

ADOT's approved operating budget, in the General Appropriation Act (Laws 2004, Chapter 275), includes $52 million and 619 FTE Positions from the State Highway Fund in FY 2005 for field administration, engineering, and oversight on highway construction projects. Additional monies for consulting services in the capital budget allow ADOT the flexibility to handle any interim changes in the level of funding for highway construction.

(Continued)

The Capital Outlay Bill appropriated $218 million from the State Highway Fund to ADOT for highway construction in FY 2005. Of the $218 million, ADOT will expend $105 million for capital construction consultant services. ADOT reports the same level of expenditures for Professional and Outside Services as in FY 2004. It is difficult to evaluate Professional and Outside Services and whether resources are being used efficiently.

Performance Measures

Last year the Committee adopted the performance measures in Tables 1-4.

Table 1

PERFORMANCE MEASURES	FY 2003 Est./Actual	FY 2004 Estimate	FY 2005 Estimate
• Design Expenditures as % of Total Construction Operating Budget	51/65	--	--
• Professional and Outside Services $ for Design Work by Consultants ($ in millions)	75.7/88	80.7	--
• Projects Designed by Consultants	1,307/1,244	1,270	--
• Personal Services $ for Design Work by ADOT Staff ($ in millions)	1.2/1.2	--	--
• Projects Designed by ADOT Staff	612/549	--	--
• Field Administration of Projects as % of Total Construction Operating Budget	24/17	--	--
• Professional and Outside Services $ for Field Administration of Projects by Consultants ($ in millions)	21.4/22.9	22.9	--
• Projects Administered by Consultants	420/370	380	--
• Personal Services $ for Field Administration of Projects by ADOT Staff ($ in millions)	13.6/12.2	--	--
• Projects Administered by ADOT Staff	521/455	--	--
• Percent of state highway system with traffic volume from 0% to 80% of capacity during peak driving periods in Phoenix Metro area 1/	62/64	64	--
• Percent of state highway system with traffic volume from 0% to 80% of capacity during peak driving periods in Tucson Metro area 1/	73/75	75	75
• Percent of state highway system with traffic volume from 0% to 80% of capacity in balance of state	97/98	96	96

1/ Peak driving periods means from 6 a.m. to 9 a.m. and from 3 p.m. to 7 p.m., Monday through Friday.

The JLBC Staff recommends eliminating the performance measures in Table 1, as these have not proven useful in evaluating ADOT's Professional & Outside Services expenditures. These "operational" performance measures tend to be descriptive of the magnitude of ADOT's work and do not necessarily measure efficiency.

(Continued)

Tables 2, 3 and 4, describe how ADOT's 5-year plan addresses some of the state's most crowded roadways. They list "over capacity" highway segments that, for the most part, have some action in the 5-Year Plan. However, ADOT reports that they may not have included every "over capacity" highway segment in the tables, making them incomplete.

Table 2

PERFORMANCE MEASURES – PHOENIX AREA	FY 2003 Est./Actual	FY 2004 Estimate	FY 2005 Estimate
• Percent of state highway system with traffic volume over 100% of capacity during peak driving periods in Phoenix Metro area	12/14	14	14

Phoenix Metro Area Highway Segments Over 100% of Capacity During Peak Driving Periods

Action in 5-Year Plan	**Route**	**Segment**	**ADOT Action**
Yes	US 60	I-10-Loop 202	8 intersection grade separations; 63% done; 6/06 completion.
Yes	I-10	Baseline-16th St	Design concept report; 50% done; spring 2006 completion.
Yes	SR 51	Northern-Thomas	HOV lanes; 95% done; summer 2004 completion.
No	I-10	7th St-67th Ave	Probable spot studies in the future.
No	Loop 101	Guadalupe-Pima	Future HOV lanes.
No	Loop 202	24th St-Loop 101	Future HOV lanes.
Completed Projects			
	I-17	Greenway-Indian School	Widening and HOV project completed.
	I-10	40th St-24th St	Environmental study part of project completed.

Table 3

PERFORMANCE MEASURES – TUCSON AREA	FY 2003 Est./Actual	FY 2004 Estimate	FY 2005 Estimate
• Percent of state highway system with traffic volume over 100% of capacity during peak driving periods in Tucson Metro area	6/10	10	10

Tucson Metro Area Highway Segments Over 100% of Capacity During Peak Driving Periods

Action in 5-Year Plan	**Route**	**Segment**	**ADOT Action**
Yes	I-10	Prince Rd – 25th Ave	Widening project and frontage roads; 2008 completion.
Yes	I-10	Ruthruaff – Prince Rd	Widen from 6 to 8 lanes; 2011 completion.
Yes	Oracle Rd	Calle Concordia - 1st Ave	Widen from 4 to 6 lanes; fall 2005 completion.
Yes	Oracle Rd	Ina Rd - River Rd	Add shoulders; 20% done; fall 2004 completion.
Completed Projects			
	I-10	Ina Rd - Contaro Rd	Widening completed.

Table 4

PERFORMANCE MEASURES – BALANCE OF STATE	FY 2003 Est./Actual	FY 2004 Estimate	FY 2005 Estimate
• Percent of state highway system with traffic volume over 100% of capacity in balance of state	1/1	1	1

State Highway Segments Over 100% of Capacity in Balance of State

Action in 5-Year Plan	**Route**	**Segment**	**ADOT Action**
Yes	SR 95	S. of Bullhead City (MP 236.2 - 242.8)	Bought right-of-way; 2006 completion.
Yes	SB 8	Yuma (MP 12 - 12.9)	Design area service highway; 2008 completion.
Yes	US 93	Hoover Dam Bypass (MP 0 – 1.7)	South bridge approach; 99% done.
Yes	US 93	Hoover Dam Bypass (MP 1.7 - 16.1)	Widen from 2 to 4 lanes; start in FY 2006.
Yes	SR 179	I-17 - Sedona (MP 306.2 - 307)	Needs study; 2009 completion.
Completed Projects			
	US 60	Miami – Globe (MP 242.8 – 243.5)	Engineering and environmental study done.

MP - Mile post. SA – Alternate route. SR - State route. SB - Business route.

RS/BH:jb

Arizona Department of Transportation Submission

AGENCY NAME & AFIS CODE: DEPARTMENT OF TRANSPORTATION DTA

COST CENTER/PROGRAM NAME: CONSTRUCTION - OPERATING

SCHEDULE 3A - FY 2005
COST CENTER/PROGRAM SUMMARY OF EXPENDITURES

AFIS OBJ CODE	CATEGORY	(A) ACTUAL FY 2003	(B) APPROPRIATED FY 2004 (EXP PLAN)	(C) FY 2005 BASE ADJUSTMENTS	(D) FY 2005 BASE BUDGET (B) + (C)	(E) MANDATED & DEMOGRAPHIC ISSUES	(F) BASE MODIFICATIONS (Net to $0)	(G) FY 2005 (D) + (E) + (F)
	EXPENDITURE DETAIL:							
6200	PROFESSIONAL & OUTSIDE SERVICES	96,059.7	105,000.0		105,000.0			105,000.0
	TOTAL PROGRAM EXPENDITURES	96,059.7	105,000.0		105,000.0			105,000.0
	FUNDING SOURCES:							
1000	GENERAL FUND							
	OTHER APPROPRIATED FUNDS	96,059.7	105,000.0		105,000.0			105,000.0
	SUBTOTAL APPROPRIATED FUNDS	96,059.7	105,000.0		105,000.0			105,000.0
	TOTAL FUNDS	96,059.7	105,000.0		105,000.0			105,000.0

AGENCY NAME & AFIS CODE: DEPARTMENT OF TRANSPORTATION DTA

COST CENTER/PROGRAM NAME: CONSTRUCTION - OPERATING

FUND NAME & AFIS NUMBER: STATE HIGHWAY FUND 2030

SCHEDULE 7
PROFESSIONAL AND OUTSIDE SERVICES

AFIS COMP SRC CLS	EXPENDITURE CATEGORY	(A) ACTUAL FY 2003	(B) APPROPRIATED FY 2004 (EXP PLAN)	(C) FY 2005 BASE ADJUSTMENTS	(D) FY 2005 BASE BUDGET (B) + (C)
6219	Other External Financial Services	186.6	750.0	(200.0)	550.0
6221	Attorney General Legal Serivces	342.6	350.0	50.0	400.0
6222	External Legal Services	69.7	150.0	(50.0)	100.0
6231	Preliminary Engineering	47,181.5	54,000.0	(4,000.0)	50,000.0
6232	Construction Engineering	17,050.4	21,000.0		21,000.0
6239	Other Design	2,486.1	5,125.0	(1,000.0)	4,125.0
6240	Temp Agency Services	642.1	600.0		600.0
6271	Education and Training	31.0	250.0	(100.0)	150.0
6299	Other Professional and Outside Services	28,067.6	22,775.0	5,300.0	28,075.0
	TOTAL Professional and Outside (to SCH. 3B)	96,057.7	105,000.0		105,000.0

AGENCY NAME & AFIS CODE: DEPARTMENT OF TRANSPORTATION DTA

COST CENTER/PROGRAM NAME: CONSTRUCTION - OPERATING

SCHEDULE 7
BUDGET JUSTIFICATION

Performance Measurements	FY 03 Actual	FY 04 Estimate	FY 05 Estimate
1. Design Expenditures as % of Total Construction Operating Budget	65%	58%	58%
2. Professional and Outside Services $ for Design Work by Consultants ($ in millions)	$88.0	$89.0	$89.0
3. Projects Designed by Consultants	1,244	1,197	1,197
4. Personal Services and ERE $ for Design Work by ADOT Staff ($ in millions)	$1.2	$1.2	$1.2
5. Projects Designed by ADOT Staff	549	513	513
6. Field Administration of Projects as % of Total Construction Operating Budget	17%	24%	24%
7. P&O Services $ for Field Administration of Projects by Consultants ($ in millions)	$22.9	$26.7	$26.7
8. Projects Administered by Consultants	370	411	411
9. PS and ERE $ for Field Administration of Projects by ADOT Staff ($ in millions)	$12.2	$11.6	$11.6
10. Projects Administered by ADOT Staff	455	492	492

Arizona Department of Transportation
Congestion Measurements Update - June 3, 2004

Table 1 Performance Measures	FY2002 Actual	FY2003 Actual	FY2004 Estimate	FY 2005 Estimate
Percent of state highway system with traffic volume from 0% to 80% of capacity during peak driving periods in Phoenix Metro area [1/]	62	64	64	64
Percent of state highway system with traffic volume from 0% to 80% of capacity during peak driving periods in Tucson Metro area [1/]	73	75	75	75
Percent of state highway system with traffic volume from 0% to 80% of capacity in balance of state	98	98	96	96

[1/] Peak driving periods means from 6AM to 9AM and from 3PM to 7PM, Monday through Friday.

Table 2 Additional Performance Measures	FY2002 Actual	FY2003 Actual	FY2004 Estimate	FY 2005 Estimate
Percent of state highway system with traffic volume over 100% of capacity during peak driving periods in Phoenix Metro area [1/]	12	14	14	14

[1/] Peak driving periods means from 6AM to 9AM and from 3PM to 7PM, Monday through Friday

Action in 5-Year Plan	Route	Segment	ADOT Action	% Completed	Completion Date
Yes	US 60	I-10 - Loop 202	5 intersection improvements completed, remaining 3 to be advertised in 05 and 06.	63%	June 2006
Yes	I-10	Baseline - 16th St (Distributor / Collector Road)	Preparing Design Concept Report and EIS Development Process	50%	Spring 2006
Yes	SR 51	Northern - Thomas Rd	HOV lanes from I-10 to Shea	95%	Summer 2004
No	I-10	7th St - 67th Ave	Probable spot studies in the future		
No	Loop 101	Guadalupe - Pima Rd	Future HOV Lane Request		
No	Loop 202	24th St - Loop 101	Future HOV Project		

Arizona Department of Transportation
Congestion Measurements Update - June 3, 2004

Table 3 Additional Performance Measures	FY2002 Actual	FY2003 Actual	FY2004 Estimate	FY 2005 Estimate
Percent of state highway system with traffic volume over 100% of capacity during peak driving periods in Tucson Metro area [1/]	6	10	10	10

[1/] Peak driving periods means from 6AM to 9AM and from 3PM to 7PM, Monday through Friday

Action in 5-Year Plan	Route	Segment	ADOT Action	% Completed	Completion Date
Yes	I-10	Ina Rd - Contaro Rd	Widening project	Completed	
Yes	I-10	Prince Rd - 25nd Ave	Widening project and frontage roads	0%	FY 2008
Yes	Oracle Rd	Calle Concordia - 1st Ave	Widen from 4 to 6 lanes, scheduled June 2005	0%	Fall 2005
Yes	Oracle Rd	Ina Rd - River Rd	Additional shoulders from River Rd to Ina Rd	20%	Fall 2004
Yes	I-10	Ruthruaff - Prince	Widen from 6 to 8 lanes	0%	FY 2011

Table 4 Additional Performance Measures	FY2002 Actual	FY2003 Actual	FY2004 Estimate	FY 2005 Estimate
Percent of state highway system with traffic volume over 100% of capacity in balance of state	1	1	1	1

Action in 5-Year Plan	Route	Segment	ADOT Action	% Completed	Completion Date
Yes	SR 95	S of Bullhead City (MP 236.2-242.8)	Right-of-Way purchase now complete	0%	2006
Yes	SB 8	Yuma (MP 12 – 12.9)	Area service highway - in design phase	0%	2008
Yes	US 93	Hoover Dam approach to Bridge (MP 0 – 1.7)	South approach on US93 finished summer of 04 and and will be left vacant until 2007 bridge completion	99%	2004
No	SR 77	Near Show Low (MP 342.7 – 343.3)	These 3 projects do not meet above congestion criteria		
No	SR 84	W of Casa Grande (MP 177 – 177.6)			
No	SR 92	S of Sierra Vista (MP 322.7 – 323.7)			
Yes	SR 179	I-17 – Sedona (MP 306.2 – 307)	Needs based study underway	0%	2009
Yes	US 93	Hoover Dam Bypass (MP 1.7 – 16.1)	Widening 2 lanes to 4 to start in FY 06	0%	TBD

STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

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http://www.azleg.state.az.us/jlbc.htm

DATE: June 15, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jeremy Olsen, Fiscal Analyst

SUBJECT: Arizona Game and Fish Department – Review of Canyon Creek Hatchery Project

Request

The Arizona Game and Fish Department (AGFD) requests the Committee review the Canyon Creek fish hatchery clarifier project. A.R.S. § 41-1252 requires Committee review of capital projects.

Recommendation

The JLBC Staff recommends a favorable review of the request. Total cost of the project is $685,000, which represents the low bid received by Arizona Game and Fish Department.

Analysis

Laws 2003, Chapter 261 (Capital Outlay Bill) appropriated $360,000 from the Game and Fish Fund in FY 2004 for Canyon Creek Hatchery improvements. AGFD will combine the appropriation with $335,000 from federal grant monies to complete the project.

The clarifier project is designed to upgrade effluent treatment facilities at the Canyon Creek fish hatchery. After completion, the hatchery will meet effluent standards set by the Arizona Department of Environmental Quality. Primary clarification is the initial phase in a series of treatment processes in which heavier waste matter generated in hatchery operations settles, allowing for its removal.

Total costs for the project are estimated to be $685,000. The budget for construction of the primary clarifier is $610,000, while the remaining $75,000 is allocated to construction of tertiary treatment facilities. A majority of the costs associated with the clarifier are for excavation, footings, walls, and slab construction. The following table shows the components of the project.

(Continued)

Category	**Expenditure Plan**
Primary Clarifier	
Design	$ 35,000
Construction	430,000
Contingencies	45,000
Construction Management	35,000
Pumping Equipment	15,000
Tractor	50,000
Tertiary Treatment	
Design	$ 15,000
Construction	50,000
Contingencies	5,000
Construction Management	5,000
Total	**$685,000**

RS/JO:jb

THE STATE OF ARIZONA
GAME AND FISH DEPARTMENT
2221 WEST GREENWAY ROAD, PHOENIX, AZ 85023-4399
(602) 942-3000 • AZGFD.COM

GOVERNOR
JANET NAPOLITANO
COMMISSIONERS
CHAIRMAN, SUSAN E. CHILTON, ARIVACA
W. HAYS GILSTRAP, PHOENIX
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MICHAEL M. GOLIGHTLY, FLAGSTAFF
JOE CARTER SAFFORD
DIRECTOR
DUANE L. SHROUFE
DEPUTY DIRECTOR
STEVE K. FERRELL

May 17, 2004

The Honorable Russell Pearce, Chairman
Joint Committee on Capital Review
1700 West Washington
Phoenix, Arizona 85007

Reference: Request to be placed on the agenda for the next meeting of the Joint Committee on Capital Review

Dear Representative Pearce,

The Arizona Game and Fish Department (Department) requests placement on the next agenda of the Joint Committee on Capital Review. The Department is ready to enter into a contract to construct a new primary clarifier for our Canyon Creek Fish Hatchery. Attached is a summary of this project. We are requesting review and approval.

Sincerely,

M. E. Weise

Mark Weise
Development Branch Chief

Attach:

cc: Richard Stavneak, Staff Director, JLBC
Lorenzo Martinez, JLBC
David Jankofsky, Director, OSPB
Bret Cloninger, OSPB
Richard Rico, AGFD
Tony Guiles, AGFD, Legislative Liaison

ARIZONA GAME AND FISH DEPARTMENT
CANYON CREEK HATCHERY CLARIFIER PROJECT

Need

This project is an essential part of a facilities upgrade intended to address deficiencies in the treatment of effluent from the Department's Canyon Creek Fish Hatchery, bringing the hatchery into compliance with current Arizona Department of Environmental Quality (ADEQ) effluent standards. Primary clarification is the initial process in a series of treatment processes, which will settle heavier waste matter generated in the hatchery operations and facilitate its mechanized removal.

Funding

The funding for this project will come from a Game and Fish Fund appropriation of $350,000 approved in the fiscal year 2004 COLBI budget request and will be used as match for an additional $335,000 in federal funding, (State Trust Fund Grants (STFG)) for a total project budget of $685,000. Note this total includes construction of a tertiary treatment system in addition to the primary clarifier, which is necessary to bring the effluent into final compliance with water quality standards. The tertiary component will be funded entirely with the federal portion of the funding as will any ancillary equipment.

Project Funding Breakdown

State Trust Fund Grants, prior year commitments	$ 35,000
State Trust Fund Grants	$300,000
2004 COLBI (Facilities Improvements)	$350,000
	Total: $685,000

Cost

To date the Department has committed $35,000 in federal funding for the design of the primary clarifier. J.G. Peterson Construction Inc. has provided a low bid for the amount of $430,000, and construction management is expected to cost $35,000, and a contingency allowance of $45,000. The remainder of the funding (federal) will be applied to secondary/tertiary treatment improvements necessary to bring the facility's discharge into compliance with ADEQ standards.

Project Cost Estimate Summary

Primary Clarifier

Item	Funding	Amount
Design - Construction plans/specifications	STFG	$ 35,000
Construction	COLBI/STFG	$430,000
Contingencies	STFG	$ 45,000
Construction Management	STFG	$ 35,000
Pumping Equipment	STFG	$ 15,000
75hpTractor	STFG	$ 50,000
		Total: $610,000

Tertiary Treatment (Wetland Treatment including riverine system and pond)

Design - Construction plans/specifications	STFG	$ 15,000
Construction	STFG	$ 50,000
Contingencies	STFG	$ 5,000
Construction Management	STFG	$ 5,000
	Total:	$ 75,000

STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

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HOUSE OF REPRESENTATIVES

DATE: June 14, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Shelli Carol, Fiscal Analyst

SUBJECT: Northern Arizona University – Review of Infrastructure Research Lease-Purchase Projects

Request

A.R.S. § 15-1682.01 requires Committee review of any university projects financed with Certificates of Participation (also known as COPs or lease-purchase). Northern Arizona University (NAU), on behalf of the Arizona Board of Regents (ABOR) requests Committee review of the College of Engineering and Technology Renovation and the Applied Research and Development Facility. These projects would be financed with a total new COP issuance of $33,000,000.

Recommendation

JLBC Staff recommends a favorable review of the request with the following stipulations:

- NAU report to the Committee before expenditure of any allocations that exceed the greater of $100,000 or 10% of the reported contingency amount total for add alternates that <u>do not expand</u> the scope of the project.
- NAU submit for Committee review any allocations that exceed the greater of $100,000 or 10% of the reported contingency amount total for add alternates that <u>expand</u> 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. 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 for operational costs when the projects are complete. These costs should be considered by the entire Legislature through the budget development process.
- NAU report to the Committee with a comparison between the costs of meeting "green building" standards and the savings generated through energy and other operating efficiencies.

(Continued)

Both of the projects under review are part of the university research infrastructure lease-purchase plan authorized by the Legislature in 2003. The College of Engineering and Technology Renovation has a total capital cost of $15,000,000, which would be financed with the COP issuance. The Applied Research and Development Facility has a total capital cost of $20,500,000, of which $18,000,000 would be financed with a COP issuance and $2,500,000 would be financed from a U.S. Department of Commerce grant. The COPs would be repaid over a 26-year period at an estimated interest rate of 5.28%. The total interest costs would be a projected $29,991,500. By FY 2008, the combined annual debt service payment would be $2,511,500 and would be paid from the $5,900,000 appropriation to NAU in Laws 2003, Chapter 267.

The per-square-foot costs for these projects are comparable to other university projects of their respective scopes. *(See tables in Analysis section for per-square-foot cost comparisons with other projects.)*

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. These projects would increase the NAU debt ratio from 5.10% to 6.19%.

NAU does not anticipate any additional operating and maintenance costs deriving from the College of Engineering and Technology Renovation. NAU estimates $400,000 of new operating and maintenance costs when the Applied Research and Development Facility is complete. The university plans to fund these operating costs through rent and the Indirect Cost Recovery Fund.

Analysis

NAU submitted both the College of Engineering and Technology Renovation and the Applied Research and Development Facility as "research infrastructure" projects. Laws 2003, Chapter 267 amended A.R.S. § 42-5075 to confer tax-exempt status on the proceeds and income of research-infrastructure-related construction contracts. A.R.S. § 15-1670 defines research infrastructure as "installations and facilities for continuance and growth of scientific and technological research activities at the university."

The intent of the Chapter 267 tax exemptions is to lower the cost of such projects and to reduce debt service payments until General Fund appropriations from Chapter 267 become available in FY 2008. Chapter 267 makes an annual General Fund appropriation of $5,900,000 to NAU for debt service payments from FY 2008 through FY 2031. These are the first Chapter 267 research infrastructure projects submitted by NAU. Assuming this COP issuance takes place, approximately $3,388,500 would remain available for debt service on other NAU research infrastructure projects.

The following table lists the capital project costs and financing related costs for each project.

NAU Research Infrastructure COP Projects

Project	Issuance Amount	Annual Debt Service	Total Debt Payments	Operating Costs
College of Engineering Technology Renovation	$15,000,000	$1,141,600	$28,632,500	$ 0
Applied Research and Development Facility	18,000,000	1,369,900	34,359,000	400,000
TOTAL	**$33,000,000**	**$2,511,500**	**$62,991,500**	**$400,000**

College of Engineering and Technology Renovation

NAU would renovate the existing three-story, 70,700 square-foot building and construct a new three-story, approximately 18,000 square-foot extension at an estimated total cost of $15,000,000. The facility has not been significantly renovated since its original construction in 1972. The north face, which would be removed for the extension, is experiencing structural problems. The facility's fire and life safety

(Continued)

system, ventilation system, and disability access are all aged and no longer comply with new codes and standards. The renovation would include asbestos abatement, replacement or addition of major mechanical and electrical systems, and a complete reconfiguration of the building interior to comply with the Americans with Disabilities Act and create integrated lab classrooms. Furthermore, the proposed renovation would address the concerns of the Accreditation Board for Engineering and Technology (ABET), which found this facility, and especially its laboratories, inadequate and antiquated.

NAU estimates the project would take 16 months of construction. NAU does not anticipate any additional operating and maintenance costs upon project completion. The university expects that installation of energy efficient systems would offset any cost increases associated with the additional square footage. Additionally, NAU plans to cover fixtures, furniture, and equipment costs through external fundraising.

The total cost per square foot for the College of Engineering and Technology Renovation would be approximately $169 and the direct construction cost per square foot would be $130. The following table shows cost comparisons for various university major renovation projects.

University Major Renovation Projects
Estimated Per Square Foot Costs

Project	Total Project Finance Cost	Total Cost Per Square Foot	Direct Construction Cost Per Square Foot
NAU-School of Communication Renovations	14,020,000	$154	$131
NAU-Engineering & Technology Renovation	**63,568,800**	**169**	**130**
AVERAGE		***$229***	***$184***
ASU-Instructional Research Renovation	10,000,000	303	236

Applied Research and Development Facility

NAU would construct a new three-story, approximately 60,000 square-foot environmental research facility at an estimated total cost of $20,500,000. The building would house the Keim Genetics Research Laboratory, the National Park Service, the U.S. Geological Survey, the Institute for Tribal Environmental Professionals, a business development center, and classroom and laboratory spaces for up to ten environmental academic programs. As such, the facility would consolidate resources now spread across campus. Rent payments collected from non-university tenants would support ongoing operating and maintenance costs.

NAU plans to construct this building to achieve the highest Leadership, Energy, and Environmental Design (LEED) rating available. This standard, published by the U.S. Green Building Council, would allow the facility to highlight environmentally friendly technologies and building processes in its very construction and significantly reduce operations and maintenance costs.

NAU estimates the project would take 18 months of construction. Annual ongoing operating and maintenance costs when the project is complete are estimated to be $400,000, a 33% reduction from standard costs for a facility of this size, due to the energy savings of the LEED design. NAU intends to fund these costs through rent and indirect cost recovery. NAU plans to cover fixtures, furniture, and equipment costs through external fundraising.

The total cost per square foot for the Applied Research and Development Facility would be approximately $342 and the direct construction cost per square foot would be $275. These estimates fall on the low end of the per-square-foot cost range of other university research infrastructure projects. The following table shows cost comparisons.

(Continued)

University Research Infrastructure Projects Estimated Per Square Foot Costs			
Project	Total Project Finance Cost	Total Cost Per Square Foot	Direct Construction Cost Per Square Foot
ASU-Interdisciplinary Science and Technology Building 2	$18,000,000	$300	$217
NAU-Applied Research and Development Facility	**18,000,000**	**342**	**275**
UA-Institute for Biomedical Science and Biotechnology Building	70,241,700	389	285
UA-Medical Research Building	63,568,800	392	287
ASU-Interdisciplinary Science and Technology Building 1	74,000,000	412	285
AVERAGE		***$404***	***$299***
ASU-Biodesign Institute 2	73,000,000	425	307
UA-Chemistry Building Expansion	53,848,200	507	410

RS/SC:jb

NORTHERN ARIZONA UNIVERSITY

OFFICE OF THE PRESIDENT

April 26, 2004

The Honorable Russell K. Pearce, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, AZ 85007

RE: Project Review

Dear Representative Pearce:

The Arizona Board of Regents for and on behalf of Northern Arizona University (NAU), is seeking favorable review at the next session from the Joint Committee on Capital Review. Northern Arizona University received Capital Development Approval (CDP) and Project Implementation Approval (PIA) by the Arizona Board of Regents for the following projects:

PROJECT	ABOR APPROVAL	EXPENDITURE
College of Engineering and Technology	*CDP, PIA 04/03*	$15 M
Applied Research and Development	*CDP, PIA 03/04*	$18 M

We appreciate your consideration of our requests. If you have any questions or desire any clarification on the enclosed material, please contact me at (928) 523-6104.

Sincerely,

John D. Haeger, President
Northern Arizona University

Dave Lorenz, VP Administration and Finance
Northern Arizona University

cc: Linda Blessing, Executive Director, Arizona Board of Regents
Joel Sideman, Deputy Executive Director, Arizona Board of Regents
Ted Gates, Asst. Exec. Director for Capital Resources, Arizona Board of Regents
Lorenzo Martinez, Assistant Director, Joint Legislative Budget Committee
M.J. McMahon, Executive Vice President, Northern Arizona University
Kurt Davis, Director Government Affairs, Northern Arizona University

EXECUTIVE SUMMARY

ACTION ITEM Northern Arizona University's 2005 Capital Development Plan

ISSUE

Northern Arizona University requests Board approval of its 2005 Capital Development Plan (CDP), and authorization to proceed with advance planning, facilities programming, and preliminary design for: 1) North Campus Research Infrastructure.

Two projects being re-activated and included as informational items are: 1) New Student Housing at Campus Heights and 2) the New Laboratory Facility.

BACKGROUND

- Northern Arizona University is requested to submit a CDP consistent with the ABOR Policy Chapter VII. The CDP identifies those projects the university intends to initiate during the current fiscal year, as well as projects that have been previously approved by the Board.
- The 2005 Capital Development Plan reflects the university's strategic capital plan priorities for developing a university for the 21st century. These projects reflect the university's commitment to teaching and research, as well as the environment and diversity. In addition, these projects directly address NAU's dedication to its core mission of undergraduate residential education.
- The June 2003 approval of House Bill #2529, the Research Infrastructure Bill, precipitated critical strategic capital planning during NAU's 2004 CDP to maximize projects meeting legislative criteria. As a result, the previously approved new Laboratory project was delayed.
- The New Laboratory project previously received CDP approval in January 2003 and Project Implementation Approval (PIA) in April 2003. Due to the rescheduling and delay of this project to maximize research infrastructure funds, NAU is re-activating the project and will be seeking Project Approval in winter 2004. The North Campus Research Infrastructure upgrades project correlates with this new facility and supports research technology requirements.
- The New Student Housing at Campus Heights received approval March 2003 to proceed with formation of a L.L.C. and ground lease for financing the design, construction, furnishing, and equipping of a central campus housing complex of up to 500 beds on the campus of Northern Arizona University. This project is re-activated as part of NAU's strategic goal of being a premier undergraduate residential learning community.

IMPLICATIONS FOR NORTHERN ARIZONA UNIVERSITY:

Northern Arizona University is requesting the following project be placed in the university's CDP. Approval of the university's CDP will allow the university to initiate advance planning, facilities programming and preliminary design for the North Campus Research Infrastructure.

- **North Campus Research Infrastructure:** This project directly supports the utility demands that state-of-the-art research technologies require. Included in this project are the replacement of an aging boiler, addition of three chillers and installation of related equipment to support research laboratory functions in the New Laboratory and renovated areas. Additional utility extensions and tunnels will be run to support research technology requirements on North Campus.

- **New Laboratory Facility:** (Re-activated) Northern Arizona University is seeking to construct new instructional and research laboratories. The facility is anticipated to be approximately 100,000 square feet and will consist of flexible instructional and research laboratories to: 1) replace existing, obsolete instructional and research laboratories currently in existence; and, 2) enhance and support the collaborative instructional and research requirements of the increasingly complex and advanced undergraduate and graduate level laboratory sciences. The proposed Laboratory Facility will be located on north campus and directly linked to the Biology Chemistry complex. This interconnected sharing will engage undergraduate students at all levels in laboratory based research programs and technology transfer. The new laboratory facility will address student-centered learning needs and applied research needs.

- **Campus Heights Student Residential Complex:** (Re-activated) The project will demolish a section of one-story units and construct a residential complex, up to 500 beds, on the existing site which is located at the central university entrance at University Drive. The central campus site includes apartments constructed in the early 1960's that are now inefficient and functionally inadequate for the retention and recruitment of students. The university's strategic plan focuses upon improving the undergraduate residential community, increasing enrollment and retaining students. This project will be a Public / Non-Profit Partnership and directly addresses strategic university goals.

MULTI-YEAR BONDING PLAN:

- NAU is granted approval June 24, 2004 by ABOR to issue Certificates of Participation not to exceed $44 million.

- The proposed CDP can be accommodated under the university's existing bonding authority and will utilize the bond funding capacity authorized by the legislative appropriation and research infrastructure funds authorized under House Bill #2529.

FISCAL IMPACT AND MANAGEMENT PLAN:

- Debt Ratio Impact: The debt ratio previously approved by the Board in NAU's Capital Improvement Plan for FY 2005-2007 was State (A.R.S.) 4.23% and ABOR 5.29%. The revised debt ratio for the full implementation of this CDP is estimated to be: State (A.R.S.) 6.19%, limit 8% and ABOR 7.74%, limit 10%. This includes all projects listed and projects that have received project approval.

EXECUTIVE SUMMARY

Debt ratio estimates are derived from audited FY 2003 financial data that includes all final adjustments as reflected in the debt capacity report. Incremental change to the debt ratios based upon the addition of $3.3 million in annual debt service is:

1) North Campus Infrastructure - State (A.R.S.) 0.10% and ABOR 0.12%
2) New Laboratory Facility – State (A.R.S.) 0.65% and ABOR 0.82%

RECOMMENDATION:

RESOLVED: That Northern Arizona University be, and hereby is, granted approval for the 2005 Capital Development Plan, and authorization to proceed with: 1) the North Campus Research Infrastructure.

CONTACT: Dr. M.J. McMahon, Executive Vice President
(928) 523-3232 MJ.McMahon@nau.edu

Dave Lorenz, Vice President for Administration and Finance
(928) 523-6104 Dave.Lorenz@nau.edu

Dr. David Cain, Assistant Vice President for Capital Assets
(928) 523-1265 David.Cain@nau.edu

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Northern Arizona University

Project Name: College of Engineering and Technology Renovation

Project Description / Location:

A complete renovation of the entire College of Engineering and Technology facility located on the south campus of Northern Arizona University. The design of the building renovation will facilitate engineering instruction and research initiatives with integrated curricula, laboratories and classrooms. The newly renovated building will promote interdisciplinary, student-centered learning and research in a safety-conscious and technically advanced environment. A small 18,000 square foot addition, spread over three stories, will address the north face structural problems and eliminate the sloping façade in that area. Responsible design will allow the option of certifying the renovated building under the LEED™ criteria of the U.S. Green Building Council.

Project Schedule (Beginning Month/Year):

CDP Approval	01/03
PIA Approval	04/03
Design	03/03
Construction	08/04
Occupancy	11/05

Project Budget:

Total Project Cost	$15,000,000
Direct Construction Cost	$11,500,000
Total Project Cost per GSF	$169
Construction Cost per GSF	$130
Change in Annual O&M Costs	$0
Utilities	$N/A
Personnel	$N/A
All Other Operating	$N/A

Funding Sources:

Capital

A. Certificates of Participation $15,000,000

(Funding Source of Debt Service: State appropriations starting on July 1, 2007. Until that time, there will be financing assistance through the state sales tax exemption for the contractor of this project, which will be captured by NAU, and the capitalization of interest payments.)

Operation / Maintenance

A. General Funds $0

Note: NAU expects that the date and figures presented in this summary will change as the project evolves.

EXECUTIVE SUMMARY

Capital Project Budget Summary

University: Northern Arizona University
Project Name: College of Engineering and Technology Renovation

	CDP Estimate	Project Implementation Approval	Project Approval
Capital Costs			
1. Land Acquisition			
2. Construction Cost			
A. New Construction			
B. Renovation		$9,769,488	$11,434,871
C. Special Fixed Equipment			
D. Site Development			
E. Parking and Landscaping			
F. Utilities Extensions			
G. Demolition			
H. Inflation Adjustment		$195,390	$65,129
Subtotal Construction Cost		$9,964,878	$11,500,000
3. Fees (% of Construction Cost)			
A. Construction Manager			
B. Engineer		$852,190	$908,233
C. Other: Lab/Telecom/Commissioning		$249,649	$263,529
D. Reimbursables			$55,000
Subtotal Consultant Fees		$1,101,839	$1,226,762
4. FF&E Moveable			
5. Contingency, Design Phase (3%)		$31,405	$35,153
6. Contingency, Constr. Phase (10%)		$996,488	$1,292,768
7. Parking Reserve			
8. Telecommunications Equipment			
Subtotal Items 4 - 8		$1,027,893	$1,327,921
9. Additional University Costs			
A. Surveys and Tests		$109,614	$124,882
B. Physical Plant SWO's			
C. Public Art / Other		$274,034	$0
D. Printing Advertising		$27,403	$31,220
E. Asbestos – fire curtain			
F. Project Management Cost		$628,571	$714,286
H. State Risk Mgmt Ins.		$65,768	$74,929
Subtotal Additional University Costs		$1,105,390	$945,317
TOTAL CAPITAL COST		$13,200,000	$15,000,000

EXECUTIVE SUMMARY

Capital Project Budget Summary

University: Northern Arizona University
Project Name: Applied Research and Development Facility

	Project Implementation Approval	Project Approval
Capital Costs		
1. Land Acquisition		
2. Construction Cost		
A. New Construction	$16,500,000	$16,500,000
B. Renovation		
C. Special Fixed Equipment		
D. Site Development		
E. Parking and Landscaping		
F. Utilities Extensions		
G. Demolition		
H. Inflation Adjustment		
Subtotal Construction Cost	$16,500,000	$16,500,000
3. Fees (% of Construction Cost)		
A. Construction Manager		
B. Engineer/Architect	$1,371,000	$1,371,000
C. Other: Lab/Telecom/Commissioning	$88,000	$88,000
D. Reimbursables	$222,400	$222,400
Subtotal Consultant Fees	$1,681,400	$1,681,400
4. FF&E Moveable / Move-in Costs		
5. Contingency, Design Phase (2%)	$42,352	$42,352
6. Contingency, Constr. Phase (6.5%)	$1,000,000	$1,000,000
7. Parking Reserve		
8. Telecommunications Equipment	$100,000	$100,000
Subtotal Items 4 - 8	$1,142,352	$1,142,352
9. Additional University Costs		
A. Surveys and Tests	$88,000	$88,000
B. Physical Plant Inspections	$100,000	$100,000
C. Public Art / Other		
D. Printing Advertising	$10,000	$10,000
E. Asbestos – fire curtain		
F. Project Management Cost	$982,308	$982,308
H. State Risk Mgmt Ins.	$67,940	$67,940
Subtotal Additional University Costs	$1,248,248	$1,248,248
TOTAL CAPITAL COST	$20,572,000	$20,572,000

EXECUTIVE SUMMARY

ACTION ITEM: Request Project Approval, Applied Research and Development Facility

ISSUE: Northern Arizona University seeks Project Approval to construct a new multi-story research facility of approximately 60,000 – 70,000 square feet. The building will be an energy efficient facility that complies with the Leadership in Energy and Environmental Design (LEED) certification requirements incorporating energy efficient systems, environmental designs, and sustainable building systems.

PREVIOUS BOARD ACTION:

- Project received Capital Development Approval January 24, 2003
- Project received Project Implementation Approval March 12, 2004

PROJECT DESCRIPTION:

The Applied Research and Development Facility will be designed and built under the guidelines of the U.S. Green Building Council (USGBC) and its Leadership in Energy and Environmental Design (LEED) program. Within this rating system, issues of site design, adaptation, reuse and placement are a critical concern. The building will provide 60,000 – 70,000 gross square feet of high-technology, interdisciplinary, laboratory based applied research space that encompasses and makes visible the environmental commitment of NAU. As evidence of this environmental commitment, NAU will be striving for the highest LEED rating. The facility will serve as a catalyst that coordinates research related to environmental issues, supports environmental programs and initiatives, and fosters collaborative work within programmatic areas of curriculum, research and university stewardship. The university will programmatically consolidate research components that contribute to the environmental mission of the university, community and state. Presently, over 30 academic units support environmental programs.

As required, the university will seek review from the Joint Committee on Capital Review (JCCR). The university continues to seek additional funding through grants, gifts and institutional funds for additions to the project scope of work. It is anticipated NAU will seek revised Project Approval if additional funding is forthcoming.

CONTACT: M.J. McMahon, Executive Vice President
(928) 523-6515 MJ.McMahon@nau.edu

Dave Lorenz, Vice President for Administration and Finance
(928) 523-6104 Dave.Lorenz@nau.edu

David A. Cain, Assistant Vice President Capital Assets and Services
(928) 623-1265 David.Cain@nau.edu

FISCAL IMPACT AND FINANCING PLAN:

Debt Ratio Impact: The debt ratio previously approved by the Board in NAU's Capital Improvement Plan for FY 2004 was State (A.R.S.) 5.50% and ABOR 6.84%. The revised debt ratio for the full implementation of this CDP is estimated to be: State (A.R.S.) 6.19%, limit 8% and ABOR 7.74%, limit 10%. **The Applied Research and Development impact on the debt ratio is State (A.R.S.) 0.60% and ABOR 0.75%.**

PROJECT JUSTIFICATION:

The Applied Research and Development Facility will provide state-of-the-art environmental research facilities that connect scientific / technical research programs and capabilities with instructional, K-12, minority students and public / community outreach needs. The high performance facility will serve as a catalyst that coordinates research related to environmental issues, supports environmental programs and initiatives, and fosters collaborative work within three programmatic areas: 1) the curricular arm provides guidance and assistance at all levels of environmental curriculum development and integration; 2) the research arm develops and promotes environmentally relevant research at NAU and collaborating organizations to further a basic understanding of our environment and provide insight and solutions for environmental problems; and lastly, 3) the stewardship arm which connects university work with the diverse environmental needs of our social, political, educational, scientific, and cultural partners.

The facility will be comprised of selected key NAU programs that make visible the university's environmental commitment in all facets of university life and contribute to the environmental literacy of the members of the communities served by NAU. This new space will bring together a core of established and new researchers committed to interdisciplinary, environmental research relevant to Arizona, the Southwest, and the Nation. This new building will facilitate the university's capacity to deliver quality and competitive programs that impact Arizona's economic stability.

In addition, the university is utilizing an unattractive, undeveloped entrance site with constraints, such as a detention basin, that would normally preclude construction. Under the LEED criteria, the detention basin is incorporated into the design and construction elements, as well as considered an asset in the LEED rating system. The facility will embody the university's environmental responsibility and will complement NAU's unique ecological setting. NAU is taking a leading environmental role by constructing a sustainable building that demonstrates the university's commitment to its distinctive environmental setting and environmental applied research.

RECOMMENDATION:

Resolved, that Northern Arizona University be, and hereby is, granted Project Approval for the Applied Research and Development facility and is authorized to proceed to complete design and construction documentation.

Capital Project Information Summary

University: Northern Arizona University   Project Name: Applied Research and Development

Project Description / Location: The building will provide 60,000 gross square feet of high-technology, interdisciplinary, laboratory based applied research space that encompasses and makes visible the environmental commitment of NAU. The site is located at the corner of University Drive and Knolls Drive in a currently unoccupied area that includes a detention basin. The water captured in the detention basin will be aesthetically incorporated into the design and LEED certification criteria.

Project Schedule (Beginning Month/Year):

PIA Approval	March 2004
Project Approval	June 2004 (planned)
Construction	09/04
Construction Completion	02/06

Project Budget:

Total Project Cost	$20,500,000
Direct Construction Cost	$16,500,000
Total Project Cost per GSF	$342
Construction Cost per GSF	$275
Change in Annual O&M Costs	$400,000
Utilities	$N/A
Personnel	$N/A
All Other Operating	$N/A

Funding Sources:

Capital

A. Certificates of Participation $18,000,000

(Funding Source of Debt Service: State appropriations starting on July 1, 2007. Until that time, there will be financing assistance through the state sales tax exemption for the contractor of this project, which will be captured by NAU, and the capitalization of interest payments.)

B. Grant $2,500,000

Operation / Maintenance

A. Indirect Cost Recovery / Tenant Funds $400,000

A portion of O&M costs is anticipated to be covered by indirect cost recovery. As a high performance building O&M costs are anticipated to be approximately 2% rather than 2.5%.

Note: NAU expects that the date and figures presented in this summary will change as the project evolves.

STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: June 14, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Assistant Director

SUBJECT: University of Arizona – Review of Revised Cost of Chemistry Building Expansion Lease-Purchase Project

Request

The University of Arizona (UofA) requests Committee review of the revised cost for the Chemistry Building Expansion university research infrastructure project. The project was favorably reviewed by the Committee at its September 2003 meeting. A.R.S. § 15-1682.01 requires Committee review of any university projects financed with Certificates of Participation (also known as lease-purchase).

The total project cost is increasing from $45,000,000 to $46,100,000. The increase of $1,100,000 will be funded from Indirect Cost Recovery and gift monies. In addition, $2,573,000 from the project's contingency funds have been reallocated to cover higher than anticipated construction costs.

Recommendation

The Committee has at least 2 options:

1. Favorable review of the request with the same stipulations from the September meeting concerning the use of contingency funds.

2. UofA provide further information with options for keeping the project within its original budget. Prior to the cost revisions, the Chemistry Building's $475 per square foot cost was the most expensive of the university research projects by $50. With the latest cost increase, the cost per square foot is $507.

Analysis

UofA will construct 85,000 square feet (original scope was 88,500 square feet) of expansion space in the Chemistry Building. The expansion will add laboratory and office space, and allow the consolidation of the chemistry research and instructional programs in one area. The construction amount also includes $3,000,000 to relocate the insectary and agriculture greenhouses from the chemistry building to another location on campus.

(Continued)

The Committee favorably reviewed the Chemistry Building Expansion project at its September 2003 meeting. At that time, the estimated cost of the project was $45,000,000. UofA reports that the net cost of the project has increased by $1,100,000 due to rising costs for construction materials such as steel, copper and drywall. In combination with reductions for items in the original budget and the use of $2,573,000 from contingency amounts, the additional cost of $1,100,000 will be funded with Indirect Cost Recovery Fund and gift monies.

In addition to the $1,100,000 from indirect cost recovery funds and gift monies, and as part of a larger COP issuance (for Keating Bioresearch Building, Medical Research Building and Chemistry Building Expansion), UofA will allocate $53,848,200 of the proceeds to fund $45,000,000 for construction, $910,200 for issuance costs, and $7,938,000 for interest only payments through FY 2007.

The estimated annual debt service will be $3,704,100 by FY 2008. UofA will use $7,938,000 of the COP issuance to make interest only payments on the debt service through FY 2007, after which General Fund appropriations from Laws 2003, Chapter 267 will be used to make the payments. The project is estimated to take 21 months from the start of construction to completion. Annual on-going operating and maintenance costs when the project is complete are estimated to be $772,300 and will be funded with indirect cost recovery funds.

The revised cost per square foot for this project is $507 (original cost was $475) and the revised direct construction cost per square foot is $410 (original cost was $324). The square foot costs for this project are higher than costs for other research infrastructure projects the Committee has reviewed. Design and construction costs for building expansions are usually higher than new construction. The following table shows the costs for other university research infrastructure projects.

University Research Infrastructure Projects
Per Square Foot Costs

Project	Total Project Finance Cost	Total Cost Per Square Foot	Direct Construction Cost Per Square Foot
ASU-Biodesign Institute 2	$73,000,000	$425	$307
ASU-Interdisciplinary Science and Technology Building 1	74,000,000	412	285
ASU-Interdisciplinary Science and Technology Building 2	18,000,000	300	217
UA-Keating Bioresearch Building	70,241,700	389	294
UA-Medical Research Building	63,568,800	392	287
UA-Chemistry Building Expansion	53,848,200	507	410
Average		$404	$300

RS/LM:jb

June 8, 2004

The Honorable Russell Pearce, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, AZ 85007

Dear Sir:

Subject: Chemistry Expansion Project - UA Project No.: 99-8121

Please be advised that $2,573,000 of the project's contingency funds will be reallocated to the Construction Budget to allow the project to proceed with construction. The increase to the Construction Budget is primarily due to extreme cost increases in construction materials such as steel, copper, drywall and many other materials, as a result of recent market escalations. Due to the magnitude of this unprecedented nationwide cost escalation, and since previous cost control efforts have exhausted all reasonable project scope reductions, the project budget will also be increased by $1,100,000. This budget increase will be funded directly by Indirect Cost Recovery (ICR) and other internal funding sources.

The total Project Budget of $45,000,000 as presented at the September 25, 2003, JCCR meeting will therefore be revised to $46,100,000. The University of Arizona will be presenting a revised Project Approval submittal for approval to the Arizona Board of Regents at the June 24 and 25, 2004 meeting.

In order to cap further market escalation, the CM@Risk contract for the project will be amended directly to reflect this reallocation. Please let me know if you have any questions.

Sincerely,

Joel D. Valdez
Senior Vice President for Business Affairs

JDV/jc

xc: Dick Davis
Greg Fahey
Ted Gates
Lorenzo Martinez
Dick Roberts
Bob Smith
Richard Stavneak

EXECUTIVE SUMMARY

ACTION ITEM: Chemistry Building Expansion: Revised Project Approval and Budget Increase

ISSUE: The University of Arizona requests Revised Project Approval and a Budget Increase of $1.1 million to construct the expansion to the Chemistry Building.

PREVIOUS BOARD ACTIONS:

Request to exceed advance planning and programming funding limitations identified in Board Policy:	January 2000
Project Initiation Approval	March 2001
Increased spending authority	March 2003
Project Implementation Approval (PIA)	April 2003
Project Approval	August 2003

PROJECT STATUS:

- This project provides for the expansion of the Chemistry Building to improve the department's research and instructional programs. New construction includes approximately 85,000 gross square feet (gsf) to accommodate faculty offices and research laboratories in order to consolidate Chemistry's research and instructional programs in one campus area.

- Over the past few months, as the project neared completion of the Construction Documents (CD) Phase, it became apparent that the recent unforeseen market increases in construction prices would severely impact the construction costs for the Chemistry Expansion project. The project was again reviewed for possible cost saving opportunities, as it was at previous design phases. Approximately 50 percent of the budget shortfall identified at the completion of the Construction Document Phase was accommodated within the existing $42 million project budget using project contingencies and incorporating additional value engineering (VE) items. However, further reductions above those VE items already identified, will severely compromise the project. Therefore, the total project budget for the Chemistry Building Expansion is increased by $1.1 million for a revised budget of $46.1 million including the relocation of the Insectary and Agriculture Greenhouses. The overall project is currently to be funded through the General Fund Appropriations (GFA) for FY 07/08 and beyond. The University of Arizona will use a combination of Gifts, Indirect Cost Recovery (ICR) and other internal funding sources to cover FY 04 – FY07. Operations and maintenance costs will be funded through ICR.

- Debt Ratio Impact: This project was approved as part of the revised FY 04–06 Capital Improvement Plan (CIP) in November 2002 and currently represents 0.29% of the total State debt ratio and 0.26% of the total Arizona Board of Regents debt ratio.

- The University awarded the Construction Manager at Risk contract to Hensel Phelps Construction Company. A partial Guaranteed Maximum Price (GMP) has been awarded for demolition and site utilities work in order to maintain the construction completion time of Spring 2006 and to avoid further cost increases. It is expected that the full GMP will be executed in July 2004 in order to maintain the construction completion date.

RECOMMENDATION:

That the Board grant Revised Project Approval and a Budget Increase of $1.1 million to the University of Arizona for the Chemistry Building Expansion project.

Contact: Joel D. Valdez (520) 621-5977
Sr. Vice President for Business Affairs
jdvaldez@u.arizona.edu

EXECUTIVE SUMMARY

Capital Project Information Summary

University: The University of Arizona **Project Name:** Chemistry Building Expansion

Project Description/Location: The Chemistry Building is located on the main mall directly south of the Student Union / Bookstore. The expansion is planned in the area directly south of the existing building.

	Project Implementation Approval	Project Approval	Revised Project Approval
Date of Board Action:	April 2003	August 2003	June 2004
Project Scope:			
Gross Square Feet	88,500	88,500	85,000
Net Assignable Square Feet	45,270	45,270	46,800
Efficiency Ratio [NASF/GSF]	51%	51%	55%
NASF by Space Type			
Office	11,520	11,520	11,700
Research Laboratories	29,766	29,766	29,580
Instrument Laboratories	3,630	3,630	4,840
Storage	354	354	680
Project Schedule (Beginning Month/Year):			
Planning	1999	1999	1999
Design	06/02	06/02	6/02
Construction: Greenhouse Relocation		11/03	11/03
Building Addition		04/04	05/04
Occupancy	09/05	12/05	6/06
Project Budget:			
Total Project Cost (Incl. Greenhouse Reloc.)	$ 45,000,000	$ 45,000,000	$ 46,100,000
Total Project Cost (Chem. Bldg.)	$ 42,000,000	$ 42,000,000	$ 43,100,000
Direct Construction Cost (Chem. Bldg.)	$ 28,639,000	$ 28,639,000	$ 34,902,000
Total Project Cost per GSF (Chem. Bldg.)	$ 475/gsf	$ 475/gsf	$ 507/gsf
Construction Cost per GSF (Chem. Bldg.)	$ 324/gsf	$ 324/gsf	$ 410/gsf
Change in Annual Oper./Main. Cost	$ 772,300	$ 772,300	$ 772,300
Utilities	$ 364,700	$ 364,700	$ 364,700
Personnel	$ 308,800	$ 308,800	$ 308,800
Other	$ 98,800	$ 98,800	$ 98,800
Funding Sources:			
Capital			
Debt Service:			
Gifts, ICR (FY03/04 - FY 06/07)	$ 3,700,000	$ 3,700,000	$ 3,790,000
Annual State Approp. (FY 07/08 – FY 30/31)			
Operation/Maintenance: ICR	$ 772,300	$ 772,300	$ 772,300

EXECUTIVE SUMMARY

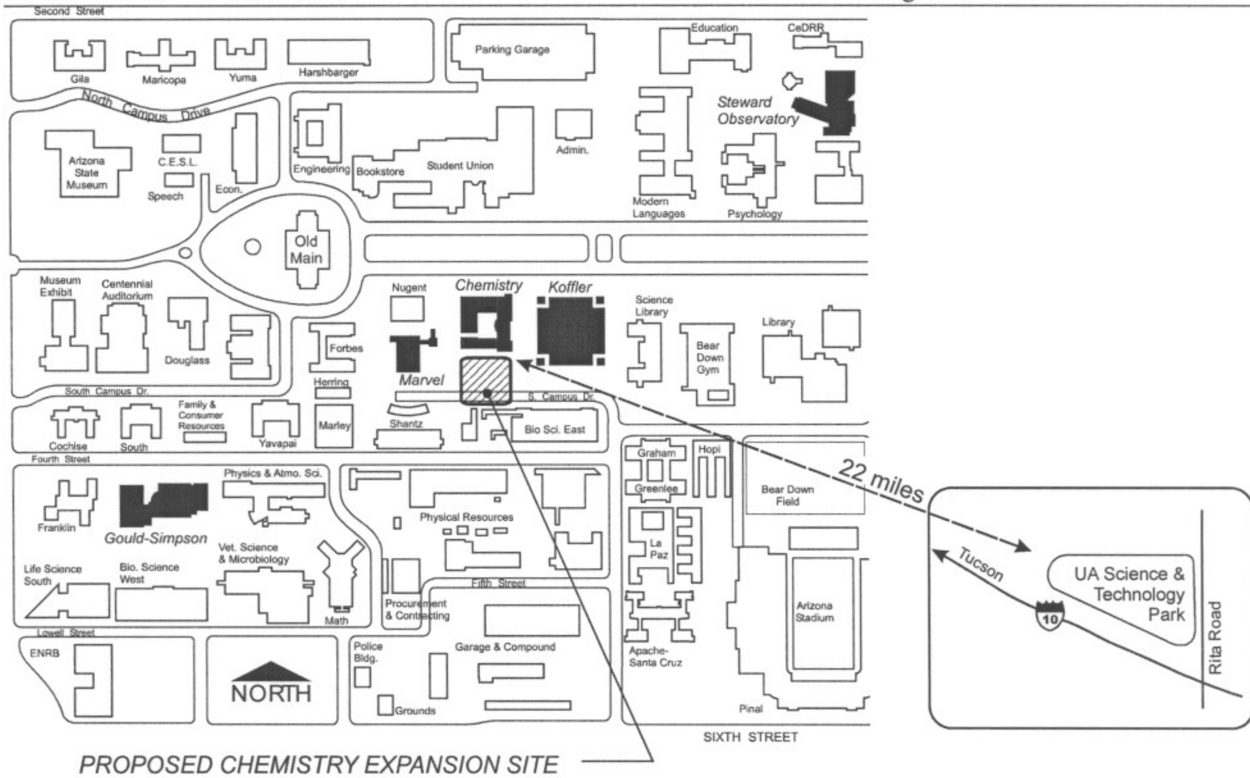
Capital Project Budget Summary

University: The University of Arizona **Project Name:** Chemistry Building Expansion

		Project Implementation Approval Estimate	Project Approval	Revised Project Approval
Date of Budget Estimate		9/02	8/03	5/04
1. Relocation of Insectary Greenhouses		3,000,000	3,000,000	3,000,000
2. Construction Cost				
A. New Construction		26,200,000	26,200,000	33,924,000
B. Renovation		0	0	0
C. Fixed Equipment		0	0	920,000
D. Site Development (exclude 2.E.)		68,000	68,000	0
E. Parking & Landscaping		740,000	740,000	0
F. Utilities Extensions		298,000	298,000	0
G. Other (Asbestos Abatement)		100,000	100,000	58,000
H. Inflation Adjustment (construction midpoint)		1,233,000	1,233,000	0
Subtotal Construction Cost	$	28,639,000 $	28,639,000 $	34,902,000
3. Consultant Fees (% of Construction Cost)				
A. Construction Manager		820,000	820,000	146,000
B. Architect/Engineering Fees		3,825,000	3,825,000	3,982,000
C. Other (Indep. Cost Est., Programming & Planning Fees)		310,000	310,000	250,000
Subtotal Consultant Fees	$	4,955,000 $	4,955,000 $	4,378,000
4. FF& E Movable		2,731,000	2,731,000	850,000
5. Contingency, Design Phase		1,632,000	1,632,000	0
6. Contingency, Construction Phase		2,291,000	2,291,000	1,350,000
7. Parking Reserve		132,000	132,000	162,000
8. Telecommunications Equipment		282,000	282,000	250,000
Subtotal Items 4-8	$	7,068,000 $	7,068,000 $	2,612,000
9. Additional University Costs				
A. Surveys and Tests		137,000	137,000	187,000
B. Move-in Costs		350,000	350,000	200,000
C. Public Art		143,000	143,000	0
D. Printing/Advertisement		55,000	55,000	55,000
E. Other		433,000	433,000	526,000
F. State Risk Mgt. Ins.		220,000	220,000	240,000
Subtotal Additional University Costs	$	1,338,000 $	1,338,000 $	1,208,000
TOTAL CAPITAL COST	$	45,000,000 $	45,000,000 $	46,100,000

Line 9E includes Project Management and Facilities Management costs

EXECUTIVE SUMMARY



LOCATION MAP - EXISTING CHEMISTRY FACILITIES

STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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FAX (602) 542-1616

http://www.azleg.state.az.us/jlbc.htm

DATE: June 15, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Assistant Director

SUBJECT: University of Arizona – Reports on Capital Project Contingency Allocations

Request

The University of Arizona (UofA) is reporting on contingency allocation changes for 2 projects previously reviewed by the Committee. The Committee requested at its September 2003 meeting that UofA report on allocations that exceed the greater of $100,000 or 10% of the contingency amounts for the Drachman Hall bond project and the Keating Bioresearch Building (formerly known as the Institute for Biomedical Science and Biotechnology) lease-purchase project.

Recommendation

This item is for information only, and no Committee action is required. UofA is reallocating $420,190 of the Drachman Hall project's $2,692,000 contingency funds to cover higher than anticipated costs of construction materials (steel, copper, drywall, etc.) and data/communication infrastructure costs. UofA is also reallocating $1,544,200 of the Keating Bioresearch Building project's $5,772,000 contingency funds to cover higher costs of construction materials. The cost estimates for both projects would still be reasonable with these adjustments.

Analysis

At its September 2003 meeting, the Committee favorably reviewed the Drachman Hall bond project and the Keating Bioresearch Building university research infrastructure lease-purchase project with the stipulation that any allocations from reviewed contingency amounts that exceeded $100,000 or 10% of the contingency amount, which ever is greater, be reported to the Committee.

UofA is reporting that costs for construction material such as steel, copper and drywall have and continue to rise beyond the original estimates. As a result, UofA is shifting monies from the contingency allocations for the 2 projects to cover the higher costs of construction. The total budgets for the 2 projects remain unchanged from the amounts reported to the Committee in September.

(Continued)

The following is an excerpt from the memo presented to the Committee at the September meeting. Direct construction costs per square foot have been revised to reflect the reallocation of contingency amounts.

Drachman Hall
UofA will construct 113,000 square feet of expansion space to provide academic building space and consolidate the Colleges of Public Health, Pharmacy and Nursing at the Arizona Health Sciences Center at an estimated cost of $30,000,000.

The cost per square foot for this project is $266 and the direct construction cost per square foot is $191 ($195 with additional $420,190 from contingencies). Based on market increases for construction materials and UofA's historical actual costs for similar buildings, the costs per square foot for the project appear reasonable.

Keating Bioresearch Building (formerly Institute for Biomedical Science and Biotechnology Building)
UofA will construct 170,000 square feet of space dedicated to molecular life sciences research at an estimated cost of $65,700,000.

The cost per square foot for this project is $389 and the direct construction cost per square foot is $289 ($294 with additional $1,544,200 from contingencies). Based on market increases for construction materials and UofA's historical actual costs for similar buildings and accounting for unique research design and fixed equipment requirements, the costs per square foot for the project appear reasonable.

RS/LM:jb

Senior Vice President
for Business Affairs

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April 30, 2004

RECEIVED
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JOINT BUDGET
COMMITTEE

Richard Stavneak, Director
Joint Legislative Budget Committee
1716 West Adams
Phoenix, AZ 85007

Subject: **Roy P. Drachman Hall**
UA Project No.: 01-8339

Dear Mr. Stavneak:

Please be advised that $420,190 of the project's contingency funds must be reallocated within the overall project budget due to extreme cost increases to raw materials such as steel, copper, and drywall a result of recent market escalations as well as to cover greater than anticipated office/administrative data and communication infrastructure costs. There have also been marginal Architectural/Engineering Fee increases as a result of design phase contract amendments.

The total Project Budget of $30,000,000 as presented at the September 25, 2003 JCCR meeting remains unchanged.

In order to cap further market escalation, the CM@Risk contract for the project will be amended directly to reflect this reallocation. Please let me know if you have any questions.

Sincerely,

Joel D. Valdez
Senior Vice President for Business Affairs

JDV/jc

xc: Dick Davis
Greg Fahey
Ted Gates
Lorenzo Martinez
Dick Roberts
Bob Smith

Senior Vice President
for Business Affairs

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April 30, 2004

Richard Stavneak, Director
Joint Legislative Budget Committee
1716 West Adams
Phoenix, AZ 85007

SUBJECT: Thomas W. Keating Bioresearch Building
(Formally known as the Institute for Biomedical Science and Biotechnology)
UA Project No.: 01-8343

Dear Mr. Stavneak:

Please be advised that $1,544,200 of the project's contingency funds will be reallocated to the Construction Budget to allow the project to proceed with construction. The increase to the Construction Budget is primarily due to extreme cost increases to raw materials such as steel, copper, and drywall a result of recent market escalations, as well as marginal changes in scope that have occurred since the GMP was determined at the end of the Design Development Phase of the project.

The total project budget of $65,652,000 as presented at the September 25, 2003 Joint Committee on Capital Review meeting remains unchanged.

In order to cap further market escalation, the CM@Risk contract for the project will be amended directly to reflect this reallocation. Please let me know if you have any questions.

Sincerely,

Joel D. Valdez
Senior Vice President for Business Affairs

JDV/jc

xc: Dick Davis
Greg Fahey
Ted Gates
Lorenzo Martinez
Dick Roberts
Bob Smith

STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

http://www.azleg.state.az.us/jlbc.htm

HOUSE OF REPRESENTATIVES

DATE: June 14, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Shelli Carol, Fiscal Analyst

SUBJECT: Arizona State University – Review of Academic Renovations and Deferred Maintenance Phase I Bond Project and Report on Instruction and Research Lab Renovation Lease-Purchase Projects

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Arizona State University (ASU), on behalf of the Arizona Board of Regents (ABOR) requests Committee review of Academic Renovations and Deferred Maintenance Phase I. ASU would finance this project with a total new revenue bond issuance of $10,000,000.

Recommendation

JLBC Staff recommends a favorable review of the request with the following stipulations:

- ASU shall report to the Committee before expenditure of any allocations that exceed the greater of $100,000 or 10% of the reported contingency amount total for add alternates that <u>do not expand</u> the scope of the project.
- ASU shall submit for Committee review any allocations that exceed the greater of $100,000 or 10% of the reported contingency amount total for add alternates that <u>expand</u> 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 tuition collections that may be required for debt service.
- 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.

(Continued)

ASU plans to issue system revenue bonds to be repaid over a 15-year period at an estimated interest rate of 6.0%. Annual debt service would be approximately $1,030,000, deriving from collected tuition. The interest paid would total $5,450,000. ASU does not anticipate any additional operating and maintenance costs associated with this project.

The per-square-foot costs for this project are comparable to other university projects of its scope. *(See table in Analysis section for per-square-foot cost comparisons with other projects.)*

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. This project would increase the ASU debt ratio from 5.8% to 5.9%.

Analysis

State agencies typically fund on-going routine maintenance and minor repairs to existing facilities through their operating budgets. For example, the Arizona Department of Administration and the Arizona Department of Transportation fund maintenance for their respective building systems from their operating budgets. Larger repairs, those that would extend the useful life of a facility, qualify as building renewal. Building renewal projects are typically categorized into the following categories: Fire and life safety, preservation of assets, and critical for continued operations of existing programs. Typical building renewal projects include infrastructure replacement (utility distribution systems), HVAC system replacement and roof replacement.

ABOR policy requires the universities to request Legislative appropriations to cover the amounts needed for building renewal. The university system has not received any state funding for building renewal since FY 2001. Full annual funding of the building renewal formula in FY 2005 would have provided $16,541,600 for the ASU main campus. As a result, ASU has deferred maintenance on a number of buildings and has developed a phased approach to use long-term financing to address deferred maintenance items. In this initial phase, ASU plans to renovate eleven buildings, covering approximately 75,000 square-feet, at an estimated total cost of $10,000,000. All eleven buildings require major renovations and some violate life safety codes.

ASU seeks to improve the safety, attractiveness, and disability access of the buildings, as well as to support enrollment growth by reconfiguring the interiors to increase academic space. The estimated overall average useful life for these renovations is 17 years. Some of these repairs are cosmetic in nature and do not appear essential to the larger renovations. However, these repairs make up only a small percentage of the project total.

In general, bonding for cosmetic or other short-term renovation projects is not recommended given that the useful life of these projects is usually significantly shorter than the financing periods. To the extent cosmetic repairs are necessary as part of a larger more involved renovation whose useful life expectancy is equal to or greater than the repayment period, long-term financing is appropriate. As stand-alone or projects whose primary purpose is cosmetic in nature, long-term financing is not recommended.

The following table lists the estimated capital costs and renovation scopes of the eleven buildings associated with this $10,000,000 bond issuance.

(Continued)

ASU Academic Renovations and Deferred Maintenance Phase I Costs and Scope									
Building	Request	Ext. Structure	Int. Structure	Air	Plumbing	Electric	Safety	Elevators	Cosmetic
Payne Hall	$1,600,000	X	X	X	X	X		X	X
Nursing	1,500,000	X	X	X	X	X	X		X
Farmer Education	1,300,000	X	X	X	X	X	X	X	X
University Archives	1,200,000	X	X	X	X	X	X		X
Dixie Gammage Hall	960,000	X	X	X	X	X	X		X
Durham Language & Literature	884,000	X	X	X	X	X			X
Schwada Classroom Office	800,000	X	X	X	X		X		X
Psychology N. 2nd & 3rd Floor	716,000		X			X			X
Wilson Hall	668,000	X	X	X	X	X	X		X
Armstrong Hall	332,000		X		X	X			X
Ross-Blakely Law Library	40,000	—	X	—	—	—	—	—	—
Total	**$10,000,000**	**8**	**11**	**8**	**9**	**9**	**6**	**2**	**10**

ASU estimates the project would take 16 months of construction. ASU does not anticipate any additional operating and maintenance costs upon project completion.

The total cost per square foot for Academic Renovations and Deferred Maintenance Phase I would be approximately $133 and the direct construction cost per square foot would be $100. Since this project combines both minor and major renovations, it is difficult to make meaningful comparisons to other renovation projects. However, the following table shows cost comparisons for some assorted renovation projects.

Assorted Renovation Projects Estimated Per Square Foot Costs			
Project	Total Project Finance Cost	Total Cost Per Sq. Ft.	Direct Construction Cost Per Sq. Ft.
ASU-Backfill Space Renovation II	$3,800,000	$40	$24
Treasurer Renovations	360,000	42	34
AVERAGE		***$79***	***$63***
ASU-Academic Renovations & Deferred Maintenance Phase I	**10,000,000**	**133**	**100**
NAU-School of Communication Renovations	14,020,000	154	131

Report on Instructional / Research Laboratory Renovations

ASU has also provided a revised cost report for this previously reviewed project. In December 2003, the Committee favorably reviewed the issuance of $10,000,000 in revenue bonds for Instructional/Research Laboratory Renovations Phase I on the ASU main campus. The total funding amount remains the same, but ASU reallocated funding among two of the four buildings. The following table shows the original and revised costs of each facility.

Instructional/Research Renovation Projects		
	Original Allocation	Revised Allocation
Bateman Physical Sciences – F Wing	$ 2,810,000	$ 3,650,000
Engineering Research Center	4,500,000	2,000,000
Bio Safety/Lab Security	2,040,000	2,040,000
Schwada Classroom Office Building	650,000	650,000
Unallocated	0	1,660,000
TOTAL	**$10,000,000**	**$10,000,000**

(Continued)

The Bateman Physical Sciences research lab renovation cost will increase by $840,000. ASU will construct a metal-free clean room laboratory with a specialized HVAC system for the Geological Science Department.

Meanwhile, the university better defined the scope of code compliance upgrades for the Engineering Research Center, resulting in reduced costs for that project of $2,500,000.

Due to these cost changes, $1,660,000 remains available in project bonds. ASU plans to use these monies to renovate additional space for new hires and is currently identifying appropriate targets. The university will submit reports to the Committee as these plans progress.

RS/SC:jb

ARIZONA STATE UNIVERSITY

May 11, 2004

PM 1 2 3 4 5 6 7 8 9 10 11 12 AM
RECEIVED
MAY 11 2004
JOINT BUDGET COMMITTEE

The Honorable Russell K. Pearce, Chair
Joint Committee on Capital Review
1700 W. Washington
Phoenix, AZ 85007

Dear Representative Pearce:

In accordance with ARS 15-1683, ABOR requests that the following bond financed project for ASU be placed on the next JCCR agenda for review:

Academic Renovations and Deferred Maintenance – Phase I

Enclosed is pertinent information relating to this project.

Also enclosed is an update on the previously reviewed Instructional/Research Laboratory Renovations Phase I Project.

We appreciate your consideration of our requests. If you have any questions or desire any clarification on the enclosed material, please contact me at (480) 965-3201.

Sincerely,

Mernoy Harrison
Executive Vice President for
Administration and Finance

Enclosure

c: Lorenzo Martinez, Assistant Director, JCCR
Linda Blessing, Executive Director, Arizona Board of Regents
Ted Gates, Assistant Executive Director for Capital Resources, Arizona Board of Regents
Milton Glick, Executive Vice President and Provost
Virgil Renzulli, Vice President for Public Affairs
Scott Cole, Deputy Executive Vice President, University Services
Steve Miller, Deputy Vice President, Public Affairs
Alan Carroll, Associate Vice President, Budget Planning and Management
Gerald Snyder, Associate Vice President for Finance and Treasurer
Scott Smith, Director, State Relations

EXECUTIVE VICE PRESIDENT FOR ADMINISTRATION AND FINANCE
PO BOX 872303, TEMPE, AZ 85287-2303
(480) 965-3201 FAX: (480) 965-8388

ARIZONA STATE UNIVERSITY

ACADEMIC RENOVATIONS AND DEFERRED MAINTENANCE PHASE I JCCR REVIEW

Arizona State University must annually calculate building renewal costs for every eligible building, according to Arizona Board of Regents policy. The policy also states that ASU should report those costs to the Legislature: "Each university shall request from the Legislature, via the submission of the biennial Capital Improvement Plan, the total amount of building renewal calculated" (see ABOR Policy, Ch. VII, Sec. 114). Historically, the Legislature has not provided the University with the funding needed to renew its buildings. Since 1987, ASU has requested \$159,872,414 and received only \$56,167,250 from the Legislature, or 36 percent of its building renewal needs.

ASU has received no state funding for building renewal since 2001, when the University received \$2,741,700, or 23 percent of the formula amount of \$11.9 million. Since 1987, ASU has received 100 percent of its annual formula funding request only once, in 1999.

The effect of not receiving building renewal monies has taken a toll on ASU buildings. ASU has been required to delay repairs, and many offices and classrooms are now in an unacceptable condition and require major renovations. In several older buildings at ASU, the maintenance deferral has created non-compliance issues with life safety codes. Significant improvements are needed to upgrade the buildings to a safe, attractive, inviting university environment, and to support the enrollment growth projected for ASU in the immediate future.

The Academic Renovations and Deferred Maintenance Phase I project is ASU's response to the deferred maintenance dilemma. It is the first in a series of projects the University plans to implement to confront the looming backlog of major maintenance. With Phase I and subsequent projects, ASU will address deferred maintenance and renovations to multiple systems and spaces, including, but not limited to: heating and cooling systems, plumbing, electrical systems, carpet, interior and exterior paint, roofs, windows, doors, internal walls and partitions, elevators and fire prevention equipment. Many of the improvements will address federal, state, local, and industry life safety code upgrades. With this project, the University will also provide additional academic space for new faculty hires and students.

6/11/04

ARIZONA STATE UNIVERSITY
ASU DEBT FINANCING-Revised

	Project Costs				Debt Service					Operating Costs (Presently Estimated)			
	General Fund	Tuition	Auxiliary/ Other	Total	General Fund	Tuition	Auxiliary/ Other	Total		General Fund	Tuition	Auxiliary/ Other	Total
Bonds:													
Academic Renovations and Deferred Maintenance Phase I	-	10,000,000	-	10,000,000	-	1,030,000	-	1,030,000	(1)	-	-	-	-
Total Bonds	-	10,000,000	-	10,000,000	-	1,030,000	-	1,030,000	(2)	-	-	-	-

(1) The debt service calculation for the bond financed renovation/deferred maintenance project is based on an assumed 6.0% interest rate over 15 years. Debt service on new construction projects is calculated assuming 6% interest over 30 years. Debt service on this renovation/deferred maintenance project, however, is calculated assuming 6.0% interest over 15 years due to the estimated overall average useful life for this particular project being 17 years.

(2) ASU's debt service percentage in accordance with ARS 15-1683 will increase from 5.8% to 5.9% for the new financing (based on current expenditure estimates in most recent debt capacity study).

s-006xls-debt financings 5-3-2004Revised.xls

EXECUTIVE SUMMARY

ACTION ITEM:

Academic Renovations & Deferred Maintenance Phase I, Project Implementation Approval, Arizona State University Main (ASUM).

ISSUE:

ASU Main requests Project Implementation for Academic Renovations & Deferred Maintenance Phase I.

PROJECT DESCRIPTION:

Previous Board Action:

- 2005-2007 Capital Improvement Plan — September 2003
- 2004 Capital Development Plan — January 2004

Improvements needed include deferred maintenance and renovation to multiple systems and spaces, including, but not limited to: heating and cooling systems, plumbing, electrical systems, carpet, interior and exterior paint, roofs, windows, doors, internal walls and partitions, elevators and fire prevention equipment. The University intends to renovate and/or repair the following buildings as part of the Academic Renovations and Deferred Maintenance Phase I project:

- **University Archives** — $1,200,000

  Renovate Archives Building for the Creative Writing Program. Structural repairs necessary include: repairing and replacing of interior brick foundation walls and plywood diaphragm at roof; connecting floor joists and roof rafters to exterior masonry walls with blocking and anchors to transfer lateral forces to walls; connecting existing floor diaphragms to wall blocking and/or ledgers; removing roof well (sun deck) and reconstruction of roof framing; repairing supportive foundation to accommodate structural loads.

- **Psychology North 2nd and 3rd Floor Renovation** — $716,000

  Renovation of 930 square feet of classroom space into new research space in Psychology North Building. Project includes 19 offices, 6 workrooms and 3 conference rooms.

- **Armstrong Hall** — $332,000

  Create additional space for new faculty: move Jurimetrics Journal and Moot Court to the basement; renovate free space into four offices. Move business department to first floor from second floor; create four additional offices on second floor. Move development office to second floor.

- **Ross-Blakely Law Library** — $40,000

  Repair serious cracks in domed ceiling

Contact: Mernoy Harrison, Executive Vice President for Administration and Finance
(480) 965-3201 mernoy.harrison@asu.edu

• **Dixie Gammage Hall** $960,000

Replacement of entire HVAC system and domestic water lines throughout; removal of steam heating system and installation of steam heat exchangers; encapsulation of crawl space dirt floor to prevent mold and mildew issues; replacement of chilled water pump, upgrade lighting system, repair and replace doors and windows; repair floor and asbestos tiles; remove and replace roofing; update fire suppression system.

• **Wilson Hall** $668,000

Replace cracked parapet wall, patch and seal roofing, repair cracks in foundation, replace chipped ceiling tiles, maintain windows, repair doors, renovate restrooms; replace HVAC system, waste water lines, domestic water lines, heat exchanger and steam condensate pump; install and replace building isolation valves; replace obsolete fire alarm and sprinkler system.

• **Payne Hall** $1,600,000

Replace obsolete electrical service system; replace air compressor for control air; replace fiberglass ductwork and light troffers with metal ductwork, diffusers and grills; install chilled water control valves; repair parapet walls and exterior columns; repair interior walls and interior door system; repair elevators and bring up to ADA standards.

• **Farmer Education Building** $1,300,000

Repair cracks in exterior walls; replace asbestos-laden floor tiles; paint ceilings and rooms; install ADA signage; replace and repair doors; replace HVAC system; overhaul bathrooms, replace drinking fountains; replace steam pumps, expansion tank, and hot water/chilled water isolation valves; install new service and distribution for electrical system; repair elevators for ADA compliance; replace obsolete fire alarm system; repair roof.

• **Schwada Classroom Office Building** $800,000

Repair foundation, interior and exterior walls; replace flooring; repair roof, ceilings, windows and doors; replace coils in HVAC system; eliminate trench drains and acid dilution tank; replace heat exchangers and piping; replace building isolation valves.

• **Nursing Building** $1,500,000

Repair foundation and roof; repair interior and exterior walls; repair doors and jams; install new HVAC system; overhaul electrical system; remove asbestos in basemen and install sprinkler system; replace steam condensate transfer pump, valves, regulators, fixtures and faucets; replace hot water and cold water switching pumps.

• **Durham Language and Literature Building** $884,000

Engineering analysis and repair of cracked column, power wash and repair exterior, replace worn carpet, recoat and seal roof, repaint interior walls, seal exterior window frames, replace door hardware, repair and replace HVAC system, replace building heat exchangers; replace steam condensate, transfer pumps, building isolation valves and restroom fixtures; replace sewer pumps, chilled water pumps, and hot water pumps.

The total cost for the project is $10,000,000. Arizona State University will bring back to the board for Project Approval any project that exceeds $1,000,000.

PROPOSED SCHEDULE:

- Project Implementation Approval — April 2004
- Construction start — May 2004
- Completion — August 2006

PROJECT JUSTIFICATION:

An increasing number of buildings on campus house offices and classrooms that are in an unacceptable condition and require renovation. Problems with the buildings are further compounded because funding shortfalls have deferred maintenance in many of the older buildings; creating, in some cases, problems with life safety code requirements. Significant improvements are needed to upgrade the buildings to a safe, attractive, inviting university environment, and to support the enrollment growth projected for ASU Main in the immediate future.

FISCAL IMPACT AND FINANCING PLAN:

This project was included in the Revised 2004 Capital Development Plan submitted in January 2004 which shows that debt service on all outstanding debt would be 5.8 percent of total projected expenditures (State Law sets a maximum of 8%) and 7.2 percent of projected unrestricted expenditures (ABOR Policy sets a maximum of 10%). The debt service for this project is .06 percent (6/100th of 1%) of total projected expenditures (State Law) and .08 percent (8/100th of 1%) of projected unrestricted expenditures (ABOR Policy).

RECOMMENDATION:

That the Board grant Project Implementation Approval to Arizona State University for the Academic Renovations & Deferred Maintenance Phase I Project.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University Main

Project Name: Academic Renovations & Deferred Maintenance Phase I

Project Description/Location:

This project will include the renovation of approximately 75,000 SF of academic spaces and/or address deferred maintenance needs in various spaces.

Project Schedule (Beginning Month/Year):

Planning	September 2003
Design	April 2004
Construction	May 2004
Occupancy	August 2006

Project Budget:

Total Project Cost	$10,000,000
Direct Construction Cost	$ 7,500,000
Total Project Cost per GSF	$ N/A
Construction Cost per GSF	$ N/A
Change in Annual Oper. /Main. Cost	$ N/A
Utilities	$ N/A
Personnel	$ N/A
All Other Operating	$ N/A

Funding Sources:

Capital
A. Revenue Bonds $ 10,000,000
(Funding source for Debt service: Tuition)

Operation/Maintenance
A. General Fund $ 0

EXECUTIVE SUMMARY

Capital Project Budget Summary

University: Arizona State University Main

Project: Academic Renovations & Deferred Maintenance Phase I

	Capital Development Plan	Project Implementation Approval-Phase I	Project Approval Phase I
Capital Costs			
1. Land Acquisition			
2. Construction Cost			
A. New Construction			
B. Renovation	$ 10,000,000	$ 7,500,000	
C. Special Fixed Equipment			
D. Site Development (excl. 2.E.)			
E. Parking and Landscaping			
F. Utilities Extensions			
G. Other* (Environmental control)			
H. Inflation Adjustment			
Subtotal Construction Cost	$ 10,000,000	$ 7,500,000	$ -
3. Fees (% of Construction Cost)			
A. Construction Mgr	$ -	$ 150,000	
B. Architect/Engineer	-	900,000	
C. Other	-	41,000	
Subtotal Consultant Fees	$ -	1,091,000	
4. FF&E Movable		150,000	
5. Contingency, Design Phase	$ -	$ 375,000	$ -
6. Contingency, Constr. Phase	-	375,000	
7. Parking Reserve			
8. Telecommunications Equipment		250,000	
Subtotal Items 4-8	$ -	1,150,000	$ -
9. Additional University Costs			
A. Surveys and Tests	$ -	$ 10,000	$ -
B. Move-in Costs		10,000	
C. Printing Advertisement	-	10,000	
D. Keying, signage		50,000	
E. Project Management Cost (1.5%)	-	150,000	
F. State Risk Mgt. Ins. (.0034 **)	-	29,000	
Subtotal Addl. Univ. Costs	$ -	259,000	
TOTAL CAPITAL COST	$ 10,000,000	$ 10,000,000	$ -

* Universities shall identify items included in this category

** State Risk Management Insurance factor is calculated on construction costs and consultant fees.

Attachment A

Capital Project Information Summary

University: Arizona State University Main **Project Name:** University Archives Building Restoration

	Capital Development Plan		Project Implementation Approval		Project Approval	
Capital Costs						
1. Land Acquisition						
2. Construction Cost						
A. New Construction						
B. Renovation	$	850,000	$	700,000	$	700,000
C. Special Fixed Equipment				-		-
D. Site Development (excl. 2.E.)				40,000		40,000
E. Parking and Landscaping				-		-
F. Utilities Extensions				25,000		25,000
G. Other* (1) (Demolition, Haz Mat Abatement,Signage)				25,000		25,000
H. Inflation Adjustment (Construction Midpoint)				-		-
Subtotal Construction Cost	$	850,000	$	790,000	$	790,000
3. Fees (% of Construction Cost)						
A. Pre-construction Services (1%)			$	16,257	$	16,257
B. Architect/Engineer (10%)				98,750		98,750
C. Other (Interior Design, Special Consultant)				18,000		18,000
Subtotal Consultant Fees	$	-	$	133,007	$	133,007
4. FF&E Movable			$	40,000	$	40,000
5. Contingency, Design Phase (5%)				23,000		23,000
6. Contingency, Constr. Phase (8%)				63,200		63,200
7. Parking ReplacementReserve				-		-
8. Telecommunications Equipment				50,000		50,000
Subtotal Items 4-8	$	-	$	176,200	$	176,200
9. Additional University Costs						
A. Surveys and Tests			$	15,000	$	15,000
B. Move-in Costs				$20,000		$20,000
C. Printing Advertisement				3,950		3,950
D. Project Management Cost (1.5%)				18,000		18,000
E. Other (Facilities Support) (1)				40,705		40,705
F. State Risk Mgt. Ins. (.0034) (2)				3,138		3,138
Subtotal Addl. Univ. Costs	$	-	$	100,793	$	100,793
TOTAL CAPITAL COST	**$**	**850,000**	**$**	**1,200,000**	**$**	**1,200,000**

(1) Universities shall identify items included in this category: Line item 9F "Other" includes: demolition, hazardous material assessment and abatement, signage, alarm and detection systems).

(2) State Risk Management Insurance factor is calculated on construction contract and architect/engineer fees if applicable.

Project:	ASU Virginia G. Piper Center for Creative Writing	
GSF:	4,272	
Type:	Historic Restoration and Rehabilitation	
Division	**Description**	**Cost**
01000	General Conditions/General Requirements	$ 111,238
01050	Survey and Layout	$ -
01732	Selective Demolition	$ 62,863
02361	Soil and Termite Treatment	$ 837
02300	Earthwork and Grading	$ 11,681
02751	Site Concrete	$ 19,070
02725	Ornamental Railings	$ -
02900	Landscape and Irrigation	$ 42,226
03300	Building Footings and SOG Concrete	$ 39,534
04901	Clay Masonry Restoration and Cleaning	$ 43,017
00550	Misc. Steel	$ 3,965
06100	Rough Carpentry	$ 45,392
06200	Finish Carpentry	$ 24,016
06345	Wood Restoration Epoxy	$ 6,598
07200	Building and Acoustical Insulation	$ 11,348
07318	Shake Roofing	$ 38,834
07400	Metal Roofing Panels	$ 7,624
07450	Single Ply Roofing	$ 6,074
07900	Joint Sealants	$ 2,375
08212	Stile and Rail Doors	$ 2,855
08200	Door Install	$ 1,360
08700	Door Hardware	$ 7,874
08592	Historic Treatment of Wood Windows	$ 8,158
08800	Glazing	$ 4,558
09260	Gypsum Board Assemblies	$ 12,932
09654	Linoleum Floor Coverings	$ 8,715
09680	Carpets and Resilient	$ -
09900	Painting	$ 17,154
09992	Painting Restoration	$ 13,829
10520	Fire Specialties	$ 309
10800	Toilet Partitions and Accessories	$ 618
10600	Install Defibulator	$ 1,483
10400	Signage	$ 989
15000	HVAC	$ 71,519
15400	Plumbing	$ 35,786
15500	Fire sprinklers	$ 34,044
16000	Electrical	$ 88,032
16500	Fire Alarm Tie in	$ 3,090
	Total	**$ 790,000**

Capital Project Budget Summary

University: Arizona State University Main

Project: Psychology North 2nd and 3rd Floor Renovation

	Capital Development Plan	Project Implementation	Project Approval
Capital Costs			
1. Land Acquisition			
2. Construction Cost			
A. New Construction			
B. Renovation			$ 382,137
C. Special Fixed Equipment			
D. Site Development (excl. 2.E.)			
E. Parking and Landscaping			
F. Utilities Extensions			
G. Other* (Environmental control)			
H. Inflation Adjustment			
Subtotal Construction Cost			$ 382,137
3. Fees (% of Construction Cost)			
A. Construction Mgr			$ 11,500
B. Architect/Engineer			57,350
C. Other			7,500
Subtotal Consultant Fees		-	$ 76,350
4. FF&E Movable			$ 71,263
5. Contingency, Design Phase			7,500
6. Contingency, Constr. Phase			39,806
7. Parking Reserve			
8. Telecommunications Equipment			28,600
Subtotal Items 4-8		-	$ 147,169
9. Additional University Costs			
A. Surveys and Tests			$ 85,000
B. Move-in Costs			3,350
C. Printing Advertisement			4,000
D. Keying, signage			5,300
E. Project Management Cost (1.5%)			10,734
F. State Risk Mgt. Ins. (.0034 **)			1,560
Subtotal Addl. Univ. Costs	$ -	-	$ 109,944
TOTAL CAPITAL COST	$ -	$ -	$ 715,600

* Universities shall identify items included in this category

** State Risk Management Insurance factor is calculated on construction costs and consultant fees.

Project:	Psychology 2nd and 3rd Floor	
GSF:	9,300	
	Item	**Cost**
	Demolition	$ 13,020
	General Cleaning/Patching	$ 13,020
	New Walls	$ 43,680
	New Doors	$ 57,260
	New Lockset Cores	$ 2,912
	New Ceiling	$ 32,550
	New Carpet Tiles/Base	$ 42,315
	Paint	$ 14,000
	Cabinets	$ 7,560
	Window Coverings	$ 10,500
	Plumbing	$ 2,100
	Mechanical Distribution	$ 65,100
	Electrical	$ 78,120
	Total	**382,137**

Capital Project Budget Summary

University: Arizona State University Main **Project:** Armstrong Hall Renovations

	Capital Development Plan	Project Implementation	Project Approval
Capital Costs			
1. Land Acquisition			
2. Construction Cost			
A. New Construction			
B. Renovation			$ 253,000
C. Special Fixed Equipment			
D. Site Development (excl. 2.E.)			
E. Parking and Landscaping			
F. Utilities Extensions			
G. Other* (Environmental control)			
H. Inflation Adjustment			
Subtotal Construction Cost			$ 253,000
3. Fees (% of Construction Cost)			
A. Construction Mgr			
B. Architect/Engineer			
C. Other			$ 3,000
Subtotal Consultant Fees		-	$ 3,000
4. FF&E Movable			$ 30,500
5. Contingency, Design Phase			
6. Contingency, Constr. Phase			25,300
7. Parking Reserve			
8. Telecommunications Equipment			10,800
Subtotal Items 4-8		-	$ 66,600
9. Additional University Costs			
A. Surveys and Tests			
B. Move-in Costs			1,000
C. Printing Advertisement			
D. Keying, signage			2,060
E. Project Management Cost (1.5%)			5,445
F. State Risk Mgt. Ins. (.0034 **)			895
Subtotal Addl. Univ. Costs	$ -	-	$ 9,400
TOTAL CAPITAL COST	$ -	$ -	$ 332,000

* Universities shall identify items included in this category

** State Risk Management Insurance factor is calculated on construction costs and consultant fees.

Project:	Armstrong Renovation	
GSF:	6,700	
	Item	**Cost**
	Demolition	9,125
	Asbestos Abatement	17,490
	New Walls	34,219
	New Exterior Windows	1,597
	New Doors	14,709
	New Locksets	6,242
	New Ceilings	32,318
	New Flooring	28,516
	Paint	6,464
	Millwork	10,328
	Plumbing	19,011
	Mechanical	24,714
	Electrical	36,120
	Data/Comm	12,148
	Total	**253,000**

Academic Renovations & Deferred Maintenance Phase I

General Renovation Projects (see detail on attachment A)	Cost	Life
University Archives	$ 1,200,000	20
Psychology North 2nd & 3rd Floor	$ 716,000	20
Armstrong Hall	$ 332,000	20

Deferred Maintenance Projects	Component to be repaired	Cost	Life
Ross-Blakely Law Library	Interior renovation (ceiling)	$ 40,000	10
	Total Ross-Blakely Law Library	$ 40,000	
Dixie Gammage Hall	HVAC	$ 485,000	15
	Plumbing	$ 66,000	20
	Electrical	$ 25,000	20
	Foundation/roof/exterior	$ 309,000	15
	Interior renovation (floors, walls, ceilings, windows, doors)	$ 35,000	10
	Fire supression/alarms	$ 40,000	25
	Total Dixie Gammage Hall	$ 960,000	
Wilson Hall	HVAC	$ 85,500	15
	Plumbing	$ 115,000	20
	Electrical	$ 195,000	20
	Foundation/roof/exterior	$ 90,000	15
	Interior renovation (walls, ceilings, windows, doors)	$ 62,500	10
	Fire supression/alarms	$ 120,000	25
	Total Wilson Hall	$ 668,000	
Payne Hall	HVAC	$ 618,000	15
	Plumbing	$ 187,000	20
	Electrical	$ 509,000	20
	Foundation/roof/exterior	$ 11,000	15
	Interior renovation (walls, doors)	$ 80,000	10
	Elevators	$ 195,000	25
	Total Payne Hall	$ 1,600,000	
Farmer Education Building	HVAC	$ 350,000	15
	Plumbing	$ 120,000	20
	Electrical	$ 336,000	20
	Foundation/roof/exterior	$ 27,000	15
	Interior renovation (floors, walls, ceilings, doors)	$ 173,000	10
	Elevators	$ 126,000	25
	Fire supression/alarms	$ 168,000	25
	Total Farmer Edudation Building	$ 1,300,000	

Academic Renovations & Deferred Maintenance Phase I

Schwada Classroom Office Building	HVAC	$	197,000	15
	Plumbing	$	149,000	20
	Electrical	$	5,000	20
	Foundation/roof/exterior	$	85,000	15
	Interior renovation (floors, walls, ceilings, windows, doors)	$	152,000	10
	Fire supression/alarms	$	212,000	25
	Total Schwada Classroom Office Building	$	800,000	
Nursing Building	HVAC	$	847,000	15
	Plumbing	$	280,000	20
	Electrical	$	165,000	20
	Foundation/roof/exterior	$	85,000	15
	Interior renovation (floors, walls, ceilings, windows, doors)	$	97,000	10
	Fire supression/alarms	$	26,000	25
	Total Nursing Building	$	1,500,000	
Durham Language and Literature Building	HVAC	$	357,000	15
	Plumbing	$	154,000	20
	Electrical	$	101,000	20
	Foundation/roof/exterior	$	228,000	15
	Interior renovation (floors, walls, windows, doors)	$	44,000	10
	Total Durham Language and Literature	$	884,000	
	Subtotal Deferred Maintenance Projects	$	7,752,000	
	TOTAL CAPITAL COST	$	10,000,000	

ARIZONA STATE UNIVERSITY

INSTRUCTIONAL/RESEARCH LABORATORY RENOVATIONS PHASE I JCCR UPDATE

The following updates information for the Instructional/Research Laboratory Renovations Phase I project, reviewed by JCCR in December 2003.

ITEM I: The Bateman Physical Sciences Center F Wing Basement Research Lab Renovation project. Since the initial review of the Instructional/Research Laboratory Renovations Phase I project in December 2003, the F Wing costs increased from $2,810,000 to $3,650,000. The source of funding is a reduction in the costs of "Engineering Research Center Code Upgrades" (see Item 2 below). The cost increase for the F Wing project is needed to prepare space for incoming Geological Science department faculty by installing a metal free clean room lab. The metal free lab is built with no metallic products used in the finish surfaces or in mechanical components. The HVAC system for the metal free lab is designed to maintain constant pressurization (24 hours a day, 7 days a week) and must tie into the central plant. Polypropylene exhaust hoods and high efficiency particulate air filters (HEPA filters) will also be installed in the lab, as well as a perchloric acid hood. There are no other changes in the scope of this project.

ITEM 2: Engineering Research Center (ERC) Code Upgrades. The ERC Code Upgrades project will bring multiple laboratory areas into compliance with OSHA (Occupational Safety and Health Administration), AIHA (American Industrial Hygiene Association) Laboratory Health and Safety Committee, and other standards. The project scope has been more sharply defined since December. The project will:

- Create three, 150 square-foot hazardous production material (HPM) rooms on floors 1, 3 and 5 to allow for proper storage and handling of hazardous chemicals
- Verify and enhance fire separation of ASU Center for Solid State Electronics Research cleanroom and ERC main building
- Reroute the solvent exhaust from the cleanroom sub-fab outside of the ERC basement, and tie directly to stack in west tower without entering ERC
- Join rooms 146B and 146C into one chemical storage room, with entries from the loading dock and another internal point
- Improve egress from the sub-fab via stairs and ladders
- Install coil type shutter doors on the elevator entrances
- Install an exit on the north side of the gas cabinet area
- Reroute acid exhaust in the cleanroom
- Install an emergency power generator

The project cost decreased from $4,500,000 to $2,000,000. Of the remaining funds, $840,000 will pay for the metal free lab identified in the Bateman Physical Sciences Center F Wing Basement Research Lab Renovation project. The remaining $1,660,000 is set aside in anticipation of the need to renovate additional labs for incoming hires. ASU will update JCCR once those projects are identified.

ITEM 3: Bio Safety / Lab Security project. There are no changes in the scope or costs in this project.

ITEM 4: Schwada Classroom Office Building Renovations. There are no changes in the scope or costs of this project.

STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

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HOUSE OF REPRESENTATIVES

DATE: June 15, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jake Corey, Fiscal Analyst

SUBJECT: School Facilities Board – Consider Approval of Converting Deficiencies Correction Bonds from Variable to Fixed Interest Rates

Request

At its August 14, 2003 meeting, the Committee gave SFB approval to issue $247.1 million in short-term taxable bonds with a variable interest rate to finance Deficiencies Correction projects. The Committee granted approval with the understanding that the bonds would be converted to long-term fixed rate tax-exempt bonds after resolving issues with the Internal Revenue Service (IRS) and that the board return to the Committee for approval prior to the conversion.

The SFB requests Committee approval to convert to long-term fixed rate tax-exempt bonds.

Recommendation

The JLBC Staff has the following concerns:

1) Neither the SFB nor its consultants anticipated the IRS issues. As a result of two different issuances, the transaction fees are significantly higher. Total bond counsel and financial advisor fees are $617,160, including $317,160 for the initial variable-rate issuance and $300,000 for the conversion to fixed-rate bonds. Each issuance also includes approximately $815,600 in other fees, primarily underwriting fees.

2) The low credit rating for land trust earnings revenue bonds was also not anticipated. The state is incurring insurance costs of $7.2 million and reserve fund costs of $12.4 million due to this low rating. If this project was going to use debt financing, it may have been less expensive to pay for the cost of the projects through some other means.

(Continued)

Despite the above concerns, the current choice is to continue with variable-rate bonds or convert to a fixed-rate. Converting the bonds will allow the state to lock in a current low fixed-rate and generate lower costs. At current interest rates, the board estimates total debt service on the bonds would be $366.9 million. As a result, the JLBC Staff recommends approval of the request.

Analysis

To pay for Deficiencies Correction Program costs, Laws 2003, Chapter 264 authorized SFB to issue up to $247.1 million in revenue bonds in FY 2004 to be paid back with earnings from the Permanent State School Fund. The legislation required SFB to receive Committee approval prior to issuing the bonds.

In preparing for the issuance, SFB was informed by the IRS that any bonds issued against Permanent State School Fund revenues would not be granted tax-exempt status. The SFB believed, however, that they could reach an agreement with the IRS that would allow the board to issue tax-exempt bonds. Since taxable bonds typically have a higher interest rate than tax-exempt bonds, the board thought that they could ultimately generate a lower interest rate by reaching an agreement with the IRS to issue tax-exempt bonds.

To continue work on the Deficiencies Correction Program and meet its cash flow needs, the board could not wait until it reached an agreement with the IRS to receive the financing from the bonds. At the August Committee meeting, therefore, SFB requested to issue short-term variable rate taxable bonds to be converted to long-term fixed rate tax-exempt bonds once the IRS approved tax-exempt status. The board provided information on long-term costs for both taxable and tax-exempt bonds, estimating total debt service would be $361.5 million for taxable bonds and $339.5 million for tax-exempt bonds at then current interest rates. The Committee approved the board’s proposal to issue short-term variable rate taxable bonds, and to convert them to long-term fixed rate tax-exempt instruments, but required SFB to return for Committee approval prior to converting the bonds.

Since that time, the bond rating agencies have indicated that $247.1 million in bonds would be rated non-investment grade (junk bonds) unless the board established a reserve fund. The poor rating for the issuance appears to be the result of a number of factors related to the Permanent State School Fund, which will pay the debt service. Revenues for the fund are generated from interest earned on securities held in the fund, leases of state land, and interest earned on state trust land purchases that are financed through the State Land Department. Reasons for the low rating include the uncertainty of year-to-year fund revenues, the risk associated with 60% of the fund being invested in equities, and a 37% decrease in fund revenues in FY 2004. The FY 2004 decrease in fund revenues was due to a new earnings formula calculation, which is based on a 5-year rolling average.

The SFB purchased insurance for $7.2 million to receive a AAA rating. The insurer required SFB to establish a reserve fund equal to 10% of the principal amount, or $24.7 million. The insurer allowed the board to establish the reserve fund with 50% of the monies provided by SFB and the other 50% provided by the insurer through which the SFB purchased a surety bond. The amounts associated with each component to achieve a higher bond rating are detailed below:

Reserve Fund – Cash	$ 12.4 M
Reserve Fund – Surety Bond	0.4 M
Insurance	7.2 M
TOTAL	**$ 20.0 M**

(Continued)

The board did not anticipate these costs when they came before the Committee in August 2003. At the time, SFB estimated insurance would cost approximately $900,000, and the board did not anticipate the need to create a reserve fund. Though SFB will later be able to recoup the cash it has provided for the reserve fund and use those monies for the final debt service payment, the need to receive up front financing generates higher interest rates for the issuance.

As stated earlier, SFB is estimating total debt service payments of $366.9 million. (See SFB Attachment #1) The payments are to be made over a 15-year period. The FY 2004 payment, which will be paid from the proceeds of the issuance, is expected to be $2.7 million. The FY 2005 budgeted payment is $23.8 million and will be made from Permanent State School Fund earnings, as will future payments. Since Permanent State School Fund expendable earnings have typically been used to defray K-12 Basic State Aid costs, any earnings used for debt service have been replaced with General Fund dollars in the Department of Education FY 2005 approved budget.

The total $366.9 million debt service payment consists of $247.1 million in principal and $132.1 million in interest. Included within the total interest amount are the costs to purchase the insurance and the surety bond mentioned above, as well as the higher interest rate costs associated with generating monies up front to pay the financing costs. In addition, the total interest amount includes $1.1 million for issuance costs associated with the initial short-term variable rate issuance, $1.1 million for issuance costs associated with the conversion to long-term fixed rate, and $2.4 million for interest and remarketing fees for the variable rate bonds. The table below details the amounts required to finance the issuances:

Credit Rating Enhancement	$ 20.0 M
Issuance Costs – Variable-Rate	1.1 M
Issuance Costs – Fixed-Rate	1.1 M
Variable-Rate Interest	0.4 M
Variable-Rate Remarketing Fees	2.0 M
TOTAL	$ 24.6 M

RS/JC:jb

STATE OF ARIZONA
SCHOOL FACILITIES BOARD

Governor of Arizona
Janet Napolitano

Executive Director
William Bell

RECEIVED
MAY 25 2004
JOINT BUDGET COMMITTEE

May 24, 2004

The Honorable Russell Pearce
Chairman
Joint Committee on Capital Review

The Honorable Bob Burns
Vice Chairman
Joint Committee on Capital Review

Dear Representative Pearce and Senator Burns:

At the September 25, 2003 JCCR meeting, the Committee approved the issuance of $247 million in short-term taxable revenue bonds with a variable interest rate, with the understanding that the bonds would be converted to long-term fixed rate tax-exempt bonds after consulting with the Internal Revenue Service to ensure the bonds could be issued tax-exempt. The Committee asked the School Facilities Board (SFB) to return for approval before converting the bonds to a long-term fixed rate. The SFB respectfully requests approval to proceed with this conversion.

Background

Laws 2003 chapter 264 sections 22-35 authorized the sale of $247 million in bonds to finance a portion of the Deficiency Correction program. This bond would be repaid with earnings from the State Education Land Trust. After a review of the proposed structure and credit provisions, bond counsel determined that current Internal Revenue Service (IRS) regulations in general prohibited the sale of these bonds on a tax-exempt basis. However, bond counsel did believe that the specific and unique circumstances of this credit warranted an appeal to the IRS requesting that they declare these bonds tax-exempt.

To allow time for such a review, the SFB asked for and received authorization from JCCR to issue taxable short-term bonds to be converted to tax-exempt long-term bonds once the IRS had acted. On March 30, 2004, the IRS released a letter ruling agreeing that the bonds could be issued tax-exempt.

The SFB estimates that the ability to issue tax-exempt will save the State approximately $33.4 million over the life of the issue relative to the taxable bonds.

Debt Service Schedules

Two debt service schedules are attached with this letter. Attachment #1 compares the debt service schedule of the proposed *non-taxable* fixed-rate financing with a debt service schedule for a theoretical *taxable* fixed-rate financing. The comparison shows that by pursuing non-taxable status instead of issuing taxable bonds, the State will save approximately $33.4 million dollars over the course of the financing.

Attachment #2 again starts with the proposed fixed-rate non-taxable financing. However, this schedule compares the proposed debt service schedule to one based on a non-credit enhanced financing. As discussed below, the SFB included two credit enhancements in the proposed bond financing. The Attachment #2 comparison shows that the credit enhancements selected by the SFB will save the State an estimated $47.7 million over the course of the financing.

Both attachments show that the non-taxable credit enhanced financing proposed is the best deal for the State.

The Variable-Rate Bonds

In preparation to sell the bonds, the School Facilities Board approached the rating agencies to rate the quality of the land trust credit. Both of the rating agencies found this credit to be highly unusual, and the revenues available to pay debt service on the bonds too unpredictable. If the School Facilities Board did not take additional steps to enhance the credit, the rating agencies indicated they would rate the bonds non-investment grade (junk bonds). The credit enhancements available included establishing a debt service reserve fund and buying credit insurance.

The SFB approached the bond insurance community. If an insurer agrees to provide the insurance, the bonds then trade at the insurance company's triple-A rating. After a round of solicitations, Ambac agreed to provide insurance conditional upon a reserve fund valued at 10 percent of the total principal ($24.7 million) being established. The trustee holds the reserve fund for the benefit of the bondholders. After negotiation, Ambac agreed that the reserve fund could consist of 50 percent cash and 50 percent surety bond. The offered price of insurance was $7.2 million; the cost of the surety bond was $432,000. The total set aside and costs of enhancing the credit were as follows:

Debt Service Reserve Fund:	$12,356,250
Insurance:	$ 7,196,451
Surety Bond:	$ 432,468
Total	$19,985,169

Ambac agreed that the insurance and surety bond costs would cover both the short-term bonds and the anticipated long-term fixed-rate bonds. This way, the fixed rate bonds could receive the benefits of credit enhancements as well. The expenses would be initially paid from the project fund and ideally be recovered when switching to the fixed rate.

To determine if the credit enhancements make fiscal sense, the SFB and its advisors compared the total cost of debt service for the enhanced bond plus the enhancement costs to a non-enhanced bond. The analysis shows that by providing the enhancements, the State will pay $47.7 million less in total debt service. This analysis appears in Attachment #2. Note that at the end of the financing, the dollars set aside for the debt service reserve fund will return to the State to be used to partially pay the final debt service payment. This return is reflected in Attachments #1 and #2.

In addition to the fiscal analysis, the short-term market place would not have accepted non-investment grade bonds. Without the enhancements, the SFB could not have sold the bonds. With the fiscal analysis and the market realities, the SFB purchased the insurance and established a debt service reserve fund with dollars from the project fund. In addition, the SFB paid the customary bond issuance costs and monthly debt service on the variable-rate bonds. The total costs of the variable-rate bonds are shown in Table 1.

Table 1

Item	**Amount**
Credit Enhancement	$19,985,169
Standard Issue Costs	$1,085,140
Remarketing Fees*	$410,000
Interest Payments*	$2,020,934
Total	**$23,501,243**

*Estimated

All of these dollars were paid from the bond proceeds reducing the available funds for the Deficiency Correction program.

The Fixed-Rate Bonds

As discussed above, the credit enhancement structure is already in place for the fixed-rate bonds. However, to recoup the dollars set aside for the debt service reserve fund and expended on the costs of the variable-rate financing, the SFB is recommending issuing premium bonds. Premium is generated when the bond purchaser pays above the face value of the bond in return for an interest rate that is above market. While the SFB is recommending paying rates above market for a triple-A rated bond, the recommended rates are still below those rates the State would have paid without the credit enhancements. The SFB is recommending a 15-year term with the average annual debt service estimated at $27.1 million. The estimated debt service schedule for the fixed rate bond is included in Attachment #2.

Timing

The SFB recommends converting these bonds to fixed-rate as soon as possible. In comparison to historical levels, current interest rates are still very low. However, the rates have increased nearly 100 basis points from lows seen last March. Additionally, the market anticipates another 50 to 75 basis point increase by the end of the calendar year. Any delay in converting to a long-term fixed-rate increases the risk of higher interest rates.

Recommendation

The School Facilities Board recommends the Committee approve the redemption of the variable-rate bonds and the issuance of fixed-rate bonds as described above. The financing proposed will provide the dollars necessary for the Deficiency program at the best possible interest rates for the State.

Sincerely,

William Bell
Executive Director
School Facilities Board

Attachments

Cc: Members of the School Facilities Board
Richard Stavneak
David Jankofsky
George Cunningham
Becky Hill

Attachment #1

State School Trust Revenue Refunding Bonds

Taxable vs. Non-Taxable

	Proposed Financing June 2004 Non-Taxable/Fixed Rate/Credit Enhanced*				Taxable ***				
	Principal	Coupon	Interest	Debt Service	Principal	Coupon	Interest	Debt Service	Annual Difference
FY 2004**			$2,653,541	$2,653,541			$12,315,820	$12,315,820	$9,662,279
FY 2005	$8,800,000	4.00%	$14,550,243	$23,350,243	$11,740,000	5.38%	$16,858,156	$28,598,156	$5,247,913
FY 2006	$13,015,000	4.75%	$14,157,938	$27,172,938	$12,370,000	5.50%	$16,227,131	$28,597,131	$1,424,194
FY 2007	$13,635,000	5.00%	$13,539,725	$27,174,725	$13,035,000	6.00%	$15,562,244	$28,597,244	$1,422,519
FY 2008	$14,315,000	5.00%	$12,857,975	$27,172,975	$13,735,000	6.50%	$14,861,613	$28,596,613	$1,423,638
FY 2009	$15,035,000	5.25%	$12,142,225	$27,177,225	$14,475,000	6.50%	$14,123,356	$28,598,356	$1,421,131
FY 2010	$15,820,000	6.00%	$11,352,888	$27,172,888	$15,250,000	6.80%	$13,345,325	$28,595,325	$1,422,438
FY 2011	$16,770,000	6.00%	$10,403,688	$27,173,688	$16,265,000	6.80%	$12,335,013	$28,600,013	$1,426,326
FY 2012	$17,780,000	6.00%	$9,397,488	$27,177,488	$17,340,000	6.80%	$11,257,456	$28,597,456	$1,419,969
FY 2013	$18,845,000	6.00%	$8,330,688	$27,175,688	$18,490,000	6.80%	$10,108,681	$28,598,681	$1,422,994
FY 2014	$19,975,000	6.00%	$7,199,988	$27,174,988	$19,715,000	6.80%	$8,883,719	$28,598,719	$1,423,732
FY 2015	$21,175,000	6.25%	$6,001,488	$27,176,488	$21,020,000	7.20%	$7,577,600	$28,597,600	$1,421,113
FY 2016	$22,495,000	6.50%	$4,678,050	$27,173,050	$22,700,000	7.20%	$5,896,000	$28,596,000	$1,422,950
FY 2017	$23,960,000	6.50%	$3,215,875	$27,175,875	$24,520,000	7.20%	$4,080,000	$28,600,000	$1,424,125
FY 2018****	$25,515,000	6.50%	$1,658,475	$14,817,225	$26,480,000	7.20%	$2,118,400	$16,242,150	$1,424,925
Total	**$247,135,000**		**$132,140,272**	**$366,919,022**	**$247,135,000**		**$165,550,514**	**$400,329,264**	**$33,410,243**

* Debt Service shown for fiscal year 2004 includes actual and projected interest payments on Series 2003A Bonds, as provided by BNY Western Trust Company plus brokerage fees. The interest rates used for projecting Series 2004A debt service assumes a spread of .25% over the prevailing high grade (AAA) MMD yields.

** FY 2004 costs are the interest and remarketing costs of the variable rate financing.

*** Debt Service based on estimated taxable yields for October 8, 2003, the date of delivery for the series 2003A Bonds. Yields based on a spread over U.S. Government Securities.

Savings analysis is based on certain interest rates and costs of issuance assumptions.

**** The final year debt service is partially paid by the $12.4 million debt reserve fund.

Attachment #2

State School Trust Revenue Refunding Bonds

Enhanced vs. Non Investment Grade

	Proposed Financing June 2004 Non-Taxable/Fixed Rate/Credit Enhanced*				Non-Enhanced/Non-Taxable				
	Principal	Coupon	Interest	Debt Service	Principal	Coupon	Interest	Debt Service	Annual Difference
FY 2005	$8,800,000	4.00%	$14,550,243	$23,350,243	$10,820,000	6.75%	$18,607,933	$29,427,933	$6,077,690
FY 2006	$13,015,000	4.75%	$14,157,938	$27,172,938	$11,605,000	6.75%	$17,826,038	$29,431,038	$2,258,101
FY 2007	$13,635,000	5.00%	$13,539,725	$27,174,725	$12,385,000	6.75%	$17,042,700	$29,427,700	$2,252,975
FY 2008	$14,315,000	5.00%	$12,857,975	$27,172,975	$13,220,000	6.75%	$16,206,713	$29,426,713	$2,253,738
FY 2009	$15,035,000	5.25%	$12,142,225	$27,177,225	$14,115,000	6.75%	$15,314,363	$29,429,363	$2,252,138
FY 2010	$15,820,000	6.00%	$11,352,888	$27,172,888	$15,070,000	6.75%	$14,361,600	$29,431,600	$2,258,713
FY 2011	$16,770,000	6.00%	$10,403,688	$27,173,688	$16,200,000	7.50%	$13,231,350	$29,431,350	$2,257,663
FY 2012	$17,780,000	6.00%	$9,397,488	$27,177,488	$17,410,000	7.50%	$12,016,350	$29,426,350	$2,248,863
FY 2013	$18,845,000	6.00%	$8,330,688	$27,175,688	$18,720,000	7.50%	$10,710,600	$29,430,600	$2,254,913
FY 2014	$19,975,000	6.00%	$7,199,988	$27,174,988	$20,120,000	7.50%	$9,306,600	$29,426,600	$2,251,613
FY 2015	$21,175,000	6.25%	$6,001,488	$27,176,488	$21,630,000	8.00%	$7,797,600	$29,427,600	$2,251,113
FY 2016	$22,495,000	6.50%	$4,678,050	$27,173,050	$23,360,000	8.00%	$6,067,200	$29,427,200	$2,254,150
FY 2017	$23,960,000	6.50%	$3,215,875	$27,175,875	$25,230,000	8.00%	$4,198,400	$29,428,400	$2,252,525
FY 2018***	$25,515,000	6.50%	$1,658,475	$14,817,225	$27,250,000	8.00%	$2,180,000	$29,430,000	$14,612,775
Total	**$247,135,000**		**$129,486,731**	**$364,265,481**	**$247,135,000**		**$164,867,447**	**$412,002,447**	**$47,736,967**

* Debt Service shown for fiscal year 2004 includes actual and projected interest payments on Series 2003A Bonds, as provided by BNY Western Trust Company plus brokerage fees. The interest rates used for projecting Series 2004A debt service assumes a spread of .25% over the prevailing high grade (AAA) MMD yields.

** Debt Service based on estimated yields for an Arizona non-rated issue. Yields are market estimates and are subject to change.

*** The final year debt service is partially paid by the $12.4 million debt reserve fund for the enhanced financing. The unenhanced has no debt reserve fund.

ARIZONA SCHOOL FACILITIES BOARD
STATE SCHOOL TRUST REVENUE BONDS

Summary of Credit Issues

1. Solid history of State School Trust revenues but no guarantee of a minimum distribution from either the Land Trust or the Permanent Fund
2. No ability to tap corpus of the Permanent Fund in the event revenues are insufficient to pay debt service
3. Distributions from the Permanent Fund became more unpredictable with substantial equity investment and change in payout formula to "rolling 5-year average"
4. The mathematical possibility of a 0% distribution from the Permanent Fund based on the new equity/fixed income distribution formula
5. A 37% drop in distributions from the Permanent Fund from FY03 to FY04 due to the new income distribution formula ($93.5M to $58.7M)
6. Market risk: Equity investment exposure is high; up to 60% of the Permanent Fund
7. Corporate risk, renewal risk and default risk associated with the leasing of State land
8. Good history of Land Trust revenues (ie. current leases / financed sales / grazing income) but every year's activity is largely random
9. The State cannot be compelled to sell State land or enter into leases, financing arrangements, or natural resource contracts for the benefit of bond holders
10. The State General Fund does not provide a backstop in the event Trust Revenues are insufficient
11. Element of real estate risk associated with the land sales used to fund the Permanent Fund
12. No independent forecast or feasibility study relating to the future value and market for State land, the value of natural resources and the market for the leasing of State land or financed sales
13. No comparable issues in the country to look to for comparisons

June 8, 2004

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

http://www.azleg.state.az.us/jlbc.htm

HOUSE OF
REPRESENTATIVES

DATE: June 18, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jake Corey, Fiscal Analyst

SUBJECT: School Facilities Board – Review of FY 2005 New School Construction Lease-Purchase Projects

Request

Pursuant to A.R.S. § 15-2004, the School Facilities Board (SFB) requests the Committee review its list of $230 million in potential new school construction projects to be financed with lease-purchase agreements. The board will return to the Committee later in the year to review additional projects to bring the yearly total to $250 million.

Recommendation

The JLBC Staff recommends a favorable review of the request.

The board has submitted for review a potential list of 35 projects in 27 school districts. While the total value of these projects is $230 million; SFB will reduce the list to $200 million for its initial lease-purchase offering. The term of the lease-purchase agreement will be 15 years. Certificates of Participation will be issued at a projected average interest rate of 4.24%. The board estimates the FY 2006 payment to be approximately $17.7 million. Future year payments are estimated to average $18.6 million. Total debt service is projected to be about $278.8 million. The following table shows the estimated costs associated with the lease-purchase financing agreement.

Construction Proceeds	$200,000,000
Issuance Cost	390,000
Underwriting Fee	347,100
Insurance	569,800
Total	$201,306,900

Analysis

A.R.S. § 15-2004 grants SFB the authority to enter into lease-purchase agreements to pay for the costs of new school construction. Before any agreement takes effect, the statute requires the board to submit for Committee review the projects related to the agreement.

(Continued)

Projects

The potential lease-purchase projects are detailed in the attached letter from the agency. There are a total of 35 projects. In March 2004, when SFB submitted to the Committee its annual New School Construction Report (A.R.S. § 15-2002), the board provided a list of projects to be financed over the next couple of years. All the projects on the current list (except for one) were included on the previous list. Regarding the current list:

- Approximately 25,000 students will be housed in the space provided by these projects.
- Of the total number of projects, 25 are for new schools and 10 are for additional space at existing schools.
- Thirty-one of the projects are for K-8 space, 3 are for high school space, and 1 combines 7-8 and high school space.
- Pursuant to A.R.S. § 15-2041, the approved square footage amounts are: 90 square feet per pupil for K-6 space, 100 square feet per pupil for 7-8 space, 134 square feet per pupil for 9-12 space in a district with fewer than 1,800 high school students, and 125 square feet per pupil for 9-12 space in a district with at least 1,800 high school students.
- Currently, 7 of the projects are under construction, 2 are in the process of bidding for a contractor, and 26 are in the design phase.
- Geographically, the projects are located in the following areas:

Location	Projects
Phoenix Metropolitan Area	25
West Valley (18)	
East Valley (7)	
Tucson	3
Coconino County	1
Pinal County	2
Yavapai County	2
Cochise County	1
Yuma County	1
TOTAL	35

Financing

The board plans to enter into a total of $250 million in lease-purchase agreements in FY 2005. The board is proposing to immediately enter into a lease-purchase agreement for $200 million and subsequently enter into another agreement for $50 million.

Under A.R.S. § 15-2006, SFB only has the authority to enter into lease-purchase agreements for up to a maximum of $200 million in any one fiscal year. Laws 2004, Chapter 274 notwithstands A.R.S. § 15-2006 and grants SFB the authority to enter into lease-purchase agreements for up to a maximum of $250 million in FY 2005; however, the legislation does not become effective until August 25, 2004.

The board plans to enter into two separate agreements, rather than wait for the authority to issue all $250 million at once, so that the board can limit the impact of rising interest rates and avoid paying interest on proceeds that would not be expended until later in the year. Entering into two separate lease-purchase agreements, however, will increase the issuance costs of the total $250 million transaction.

If the board continues to lease-purchase finance new school construction in future years, the state may wish to look at options to provide SFB the ability to issue the full amount of its authorization at one time.

RS/JC:jb

STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

http://www.azleg.state.az.us/jlbc.htm

DATE: June 18, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

FROM: Richard Stavneak, Director RS

SUBJECT: School Facilities Board – Review of FY 2005 New School Construction Lease-Purchase Projects

The attached item will be discussed at the June 22, 2004 JCCR meeting as Agenda Item 6B: School Facilities Board - Review of FY 2005 New School Construction Lease-Purchase Projects.

Distribution of this item was delayed in order to incorporate additional project and financing information.

RS:ss

STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

http://www.azleg.state.az.us/jlbc.htm

DATE: June 18, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director RS

FROM: Jake Corey, Fiscal Analyst JC

SUBJECT: School Facilities Board – Review of FY 2005 New School Construction Lease-Purchase Projects

Request

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Recommendation

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Analysis

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(Continued)

Projects

The potential lease-purchase projects are detailed in the attached letter from the agency. There are a total of 35 projects. In March 2004, when SFB submitted to the Committee its annual New School Construction Report (A.R.S. § 15-2002), the board provided a list of projects to be financed over the next couple of years. All the projects on the current list (except for one) were included on the previous list. Regarding the current list:

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TOTAL	35

Financing

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If the board continues to lease-purchase finance new school construction in future years, the state may wish to look at options to provide SFB the ability to issue the full amount of its authorization at one time.

RS/JC:jb

STATE OF ARIZONA
SCHOOL FACILITIES BOARD

Governor of Arizona
Janet Napolitano

Executive Director
William Bell

May 25, 2004

The Honorable Russell Pearce
Chairman
Joint Committee on Capital Review

The Honorable Robert Burns
Vice Chairman
Joint Committee on Capital Review

Dear Representative Pearce and Senator Burns:

Pursuant to A.R.S. 15-2004, the School Facilities Board is required to provide to the Joint Committee on Capital Review the projects related to the lease to own financing. Attached is a list of projects that Board staff has identified as potential lease to own projects. Until each district listed on the report has signed and returned the lease documents, the list cannot be finalized. However, the list presented is a complete list of the potential projects. We will provide the final list to you by mail.

The list contains the name of the district, a description of the project, the total value of the project and the lease value of the project.

Please feel free to contact me if you have questions or would like to discuss the report.

Sincerely,

William Bell
Executive Director

Cc: Members of the School Facilities Board
Richard Stavneak
David Jankofsky
George Cunningham
Becky Hill

Lease To Own 2004 Projected Project List

District	Project Number	Project Type	Status	Grade Configuration	Number of Students	Total LTO	Status
Avondale Elementary District	070444000-9999-003N	New School	Board Approved	K-8	900	$8,126,534	
Buckeye Elementary	070431000-9999-006N	Buildout	Board	K-8	400	$2,676,976	Under Construction
Buckeye Elementary District	070433000-9999-004N	Core	Board	K-8	400	$4,771,166	Under Construction
Cartwright Elementary District	070483000-9999-009	New School	Board Approved	K-6	289	$2,654,563	Under Construction
Cartwright Elementary District	070483000-9999-007N	Additional Space	Board Approved	K-6	365	$3,218,452	Under Construction
Chandler Unified District	070280000-9999-006N	New School	Board Approved	7-8	850	$5,716,718	
Chandler Unified District	070280000-9999-006N	Buildout	Board Approved	7-8	1200	$9,140,698	
Coconino Accommodation District	030199000-9999-201N	New School	Board Approved	7-12	250	$5,716,183	Under Construction
Deer Valley Unified District	070297000-9999-012N	New School	Board Approved	K-8	900	$8,257,788	
Deer Valley Unified District	070297000-9999-013N	New School	Board Approved	K-8	900	$8,257,788	
Dysart Unified	070289000-9999-010N	New School	Board Approved	K-8	1,000	$9,560,628	
Dysart Unified	070289000-9999-009N	New School	Board Approved	K-8	1,000	$9,560,628	
Florence Unified School District	110201000-9999-004N	New School	Board Approved	K-8	1100	$10,355,452	Under Construction
Fowler Elementary	070445000-9999-004N	New School	Board Approved	K-5	750	$6,893,775	
Fowler Elementary	070445000-9999-006N	Buildout	Board	6-8	400	$2,866,937	
Gilbert Unified	070241000-9999-007N	School	Board	K-6	958	$8,750,498	
Higley Unified District	070260000-9999-002N	New School	Board Approved	K-8	1025	$9,794,367	Under Construction

District	Project Number	Project Type	Status	Grade Configuration	Number of Students	Total LTO	Status
Humboldt Unified District	130222000-9999-001N	New School	Board Approved	K-5	650	$5,984,550	
JO Combs	110344000-9999-003N	Additions	Board	K-5	750	$6,893,775	
Liberty Elementary District	070425000-9999-221N	New School	Board	K-8	800	$7,296,643	
Litchfield Elementary	070479000-9999-005N	Buildout	School	6-8	450	$3,225,370	
Littleton Elementary	070465000-9999-005N	Buidout	Board	K-8	972	$9,292,951	
Palominas Elementary	020349000-9999-001N	Additions	Board	K-8	250	$2,509,815	
Peoria Unified	070211000-9999-007N	Buildout	Board Approved	9-12	900	$9,831,150	
Peoria Unified District	070211000-9999-006N	Core	Board Approved	9-12	1800	$17,520,750	
Queen Creek Unified	070295000-9999-004N	School	Board	K-5	700	$6,434,190	
Riverside Elementary District	070402000-9999-001N	New School	Board Approved	5-8	450	$4,280,985	Out to Bid
Roosevelt Elementary District	070466000-9999-003N	New School	Board Approved	K-8	800	$7,340,256	
Sunnyside Unified	100212000-9999-001N	School	Board Approved	K-5	600	$5,515,020	
Sunnyside Unified	100212000-9999-002N	School	Board	6-8	700	$7,167,500	
Union Elementary	070462000-9999-003N	Buildout	Board Approved	K-8	400	$3,232,396	
Union Elementary District	070462000-9999-002N	Core	Board Approved	K-8	800	$4,771,166	
Vail Unfied	100220000-9999-007	New School	Board Approved	6-8	650	$6,655,589	
Yavapai Accommodation District	130199000-9999-001N	New School	Board Approved	9-12	50	$374,375	Out to Bid
Yuma Elementary	140401000-9999-001N	School	Board Approved	K-5	600	$5,515,020	
Total					**25,009**	**230,160,652**	

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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HOUSE OF
REPRESENTATIVES

DATE: June 15, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Tim Sweeney, Fiscal Analyst

SUBJECT: Arizona State Parks Board – Consider Approval of Yuma Crossing Transfer

Request

The Arizona State Parks Board requests the Committee approve the proposed transfer of approximately 2.2 acres at Yuma Crossing State Historical Park to the City of Yuma. Pursuant to A.R.S. § 41-511.05, any disposition of property requires Committee approval.

Recommendation

The JLBC Staff recommends the Committee approve the proposed land transfer of approximately 2.2 acres at Yuma Crossing State Historical Park to the City of Yuma with the stipulation that the U.S. General Services Administration (GSA) also approves the transfer. Per the existing agreement between the Parks Department and GSA, any reimbursement for the property would be transferred to GSA.

Analysis

The Arizona State Parks Board acquired the Yuma Crossing property from the U.S. GSA in 1999. The City of Yuma is in the process of beginning a downtown redevelopment plan that includes obtaining 2 parcels of land currently owned by the Parks Department, but that are not attached to the main section of the park. The original acquisition was made at no cost to the state, but requires that the property be maintained and used only for "historic monument purposes." State Parks officials have indicated that the GSA would agree to void the land use requirements for these 2 parcels to allow sale of the land to the City of Yuma.

The GSA would, however, require reimbursement for the land if it were transferred to the City of Yuma. Payment would be made, through the Parks Department, from the City to the GSA. The Parks Department received an appraisal, which values the land at $300,000, and GSA is currently reviewing the appraisal. The parcels of land the City is interested in obtaining are across the Yuma Main Canal from the Historical Park and the agency itself does not have plans to develop them. For this reason, and to aid the City of Yuma in their redevelopment goals, the Parks Board has authorized the transfer of this land.

While the Parks Department would not receive monetary reimbursement for transferring the 2 parcels to the City of Yuma, the agency is in the process renegotiating their current Intergovernmental Agreement (IGA) with the City of Yuma. The current IGA includes a yearly contribution of $150,000 from the city for the operations of Yuma Crossing State Historical Park and stipulates that revenue raised at the park must be spent on the operations of Yuma Crossing State Historical Park. Park revenues combined with the city's current contribution do not sufficiently cover all the operating costs of the park, therefore, the agency is anticipating that the City will agree to increase its yearly contribution. In FY 2003, park operating costs were approximately $207,000, while park revenues totaled approximately $30,000, not including the city's contribution.

RS/TS:jb

Arizona State Parks

"Managing and conserving natural, cultural, and recreational resources"

Arizona State Parks
1300 W. Washington
Phoenix, AZ 85007

Tel & TTY: 602.542.4174
www.azstateparks.com

800.285.3703 from
(520 & 928) area codes

General Fax:
602.542.4180

Director's Office Fax:
602.542.4188

April 22, 2004

Representative Russell Pearce, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
1700 W. Washington
Phoenix, Arizona 85007

Re: Yuma Crossing State Historic Park

Dear Repesentative Pearce:

Pursuant to Arizona Revised Statutes § 41-511.05.4, Arizona State Parks requests to be placed on the next agenda of the Joint Committee on Capital Review (JCCR).

At their March 18, 2004, meeting, the Arizona State Parks Board authorized the sale of approximately 2.23 acres, known as Parcel A & B, at Yuma Crossing State Historical Park to the City of Yuma for the purpose of enhancing the City's National Heritage Area riverfront project. The proposed sale was conditioned on three things: a valid current appraisal, obtaining an agreement from the United States General Services Administration to abrogate the historic covenants on Parcel A & B, and receiving approval from JCCR. The first two factors are currently in place and we now seek approval from your committee.

A complete information package will be left with JLBC staff.

If I can be of further assistance, do not hesitate to contact me.

Sincerely,

Jay C. Ziemann

Jay C. Ziemann
Assistant Director

C: Lorenzo Martinez, JLBC
Ray Warriner, Arizona State Parks

Yuma Crossing State Park Land Transfer
Description Of Transfer Parcels

The lands proposed for transfer to the City of Yuma for their Yuma Crossing National Heritage Area project are outlined on the Yuma Crossing State Historic Park map (attached) as Transfer Parcel A and Transfer Parcel B.

Transfer Parcel A is an irregular, long-narrow tract located south of the Yuma Main Canal south of the improved portion of the park. It contains approximately 14,671 square feet or 0.3368 acres. The land is relatively flat and is separated from the rest of the park by the Yuma Main Canal. It is bordered by a railroad line to the north and steep topography to the south. The railroad and the elevation of the adjacent parcel, along with its narrow configuration, severely limit the utility and thus the marketability of this parcel.

Transfer Parcel B is an irregularly shaped tract, located generally east of the improved portion of the park. As shown on the map it is adjacent to the east side of the Yuma Main Canal, which separates it from the rest of the park. This parcel contains approximately 85,328 square feet or 1.9587 acres. It is relatively flat, but there are several existing improvements that limit its utility. The City of Yuma has a 50-year lease (23 years remaining) over much of the central portion of the site. Under this lease the City installed sludge drying beds and their main pumping facility, in conjunction with their adjacent water treatment facility. The parcel's shape and these improvements render the tract unattractive to other users. Because of the effects of the lease, there is no present market for the property other than the City of Yuma.

Together the two parcels contain approximately 2.23 acres

YUMA CROSSING – PARCEL RELINQUISHMENT FOR
YUMA CROSSING NATIONAL HERITAGE AREA

As part of a long-standing partnership with the City of Yuma, Arizona State Parks has been involved in negotiations involving the transfer of a fractional parcel of Yuma Crossing State Historic Park to the City for inclusion in its National Heritage Area riverfront development project.

The City of Yuma (City) has been pursuing a significant, long-term development and revitalization plan for its downtown area for several years. In 2000, Congress designated the Yuma Crossing National Heritage Area, under a National Parks Service-administered program intended to promote collaboration and cooperation in support of both historic preservation and economic development.

In 1999, Arizona State Parks (ASP) finalized its acquisition of the Yuma Crossing State Historic Park, then known as the Quartermaster Depot, from the U.S. General Services Administration. The park was acquired at no cost to the State, but contained use restrictions from the form of a Program of Preservation and Utilization requiring that the property "shall be forever used and maintained as and for historic monument purposes."

Yuma's downtown redevelopment plan calls for a convention center and hotel complex in the Madison Avenue/riverfront area. The project plan would involve property owned by ASP, south and east of the Yuma Main Canal that separates it from the main body of the park. This area comprises approximately 2.23 acres. One portion is a strip south of the Yuma Valley Railroad right-of-way. The larger parcel contains the City's water treatment plant's sludge drying beds and the main pump station for their water distribution system. The city holds a 50-year lease for these operations. The lease was in place when ASP obtained the property.

ASP staff and the City of Yuma have been meeting on this issue since at least 2002. Three work sessions were conducted involving ASP staff, National Parks Service staff, the State Historic Preservation Officer, National Trust for Historic Preservation, staff from the City of Yuma, developer Clark-Lankford, and project architect Milford Wayne Donaldson. The product of these meeting was a Design Guidelines documents that will govern development in the riverfront area.

Subsequently, the City and ASP consulted with the staff of the General Services Administration (GSA) about relinquishing ASP's ownership and transferring the parcel, and abrogating the use restrictions of the parcel because GSA holds a reversionary interest in the property, along with an interest in the Program of Preservation covenants. GSA has indicated that they would agree to abrogate the historic preservation covenants on the 2.3 acre parcel, allowing ASP to transfer the parcel to the City. Parks' deed to the City would, however, contain restrictions in the form of the adopted Design Guidelines. Because GSA conveyed he land to ASP at no cost, GSA now requires compensation for this transfer to the City. Thus, the purchase price for the land would be paid by the City of Yuma to GSA via State Parks, through an escrow account. An appraisal obtained by ASP places the value of the parcel at $300,000. GSA is reviewing that appraisal to determine if it meets federal valuation standards and is a valuation that they would accept.

Parks compensation fro the conveyance would occur in a rewriting of the terms of the present Intergovernmental Agreement (IGA) between the City of Yuma and ASP, which provides for a $150,000 annual contribution to Yuma Crossing State Historic Park for operations. Final terms have not been agreed to, but negotiations currently underway are aimed at extending the term of the IGA to 2007 and increasing the City's contribution for that term.

At its March 18, 2004 meeting the Parks Board authorized the sale of approximately 2.23 acres, known as Parcel A & B, at Yuma Crossing State Historical Park to the City of Yuma for their National Heritage Area riverfront project, based on a valid current appraisal. Conditioned upon GSA abrogating the historic covenants of the parcel, title to the parcel being conveyed to the City with the Design Guidelines imposed as new deed restrictions, the City of Yuma and ASP entering into a revised IGA providing for annual contributions to Yuma Crossing State Historic Park, the GSA agreeing to the appraised value, and all other agency-standard acquisition requirements being met.

This decision to dispose of the parcel requires approval of the Joint Committee on Capital Review. A.R.S. § 41.511.05(3). The Parks Board hereby request your favorable consideration of this matter.

United States Department of the Interior
NATIONAL PARK SERVICE
INTERMOUNTAIN REGION
Intermountain Support Office
12795 West Alameda Parkway
PO Box 25287
Denver, Colorado 80225-0287

H34 (IMSO-DE-CR)

RECEIVED

DEC 15 2003

ARIZONA STATE PARKS/S.H.P.O.

Mr. Clark Van Epps, Director
Property Disposal Division
U.S. General Services Administration
San Francisco, CA 94102-3434

DEC 10 2003

Attn: Karen Hoover

Re: Yuma Crossing State Historical Park

Dear Mr. Epps:

Thank you for your request of November 25, 2003 relating to the abrogation of the Historic Covenants of a small portion of Yuma Crossing State Historical Park, Yuma, Arizona, which was imposed in the Quitclaim Deed dated March 19, 1999.

We concur with your finding that the proposed abrogation of the historic covenants for this 2.2957 acres will not adversely impact this property. Yuma Crossing is not only a National Historic Landmark but also a National Heritage Area. As a consequence, the National Park Service has worked closely with the City of Yuma, the Yuma Crossing National Heritage Area non-profit corporation, and the state park to ensure that the historic, archaeological, and architectural values of these lands will be forever protected for the American people. Recently "Design Guidelines" have been developed that will control and guide proposed development within this general area, to further ensure that all cultural resources and associated values will be protected.

If you have any questions, relating to this matter, please feel free to contact me at 303 969-2894.

Cordially,

Greg Kendrick
Acting Program Manager
Heritage Preservation Programs

cc:
Charlie Flynn, Executive Director
Yuma Crossing National Heritage Area
180 W. First St., Suite E
Yuma, AZ 85364

Jim Garrison, State Historic Preservation Officer
Arizona State Parks
1300 West Washington
Phoenix, AZ 85007

TAKE PRIDE IN AMERICA

STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

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PHOENIX, ARIZONA 85007

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HOUSE OF REPRESENTATIVES

DATE: June 15, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jake Corey, Fiscal Analyst

SUBJECT: Maricopa Community College District – Consider Review of Bond Projects

Request

Maricopa Community College District (MCCD) plans to hold a bond election on November 2, 2004. If approved by the voters, the district would be authorized to issue $951.4 million in General Obligation (GO) bonds. Proceeds from the issuance would be used to fund capital projects ($651.4 million) and to purchase and upgrade technology and equipment ($300.0 million) to address student growth in the district. The bonds would be issued in five equal installments of $190.3 million every two years, with the first issuance being in FY 2005.

There are two statutory sections granting community college districts the authority to issue bonds. One section requires Committee review while the other does not. The district plans to issue the bonds under the section that does not require Committee review. As a result, the district is submitting this information as a report and is not requesting a review. A legal argument, however, can be made that legislative intent requires Committee review of this item.

Recommendation

The Committee has at least five options:

1) A favorable review with no stipulations.

2) A favorable review with the stipulation that the district return to the Committee for review prior to each actual bond issuance. The district plans to issue the first $190.3 million in FY 2005. The final issuance would not be made until FY 2013. Requiring the district to return for review prior to each actual bond issuance would allow the Committee to receive greater detail on the projects to be funded with each individual issuance.

3) An unfavorable review.

(Continued)

4) Receive the item as a report, thereby eliminating the need for a review. The Committee could require, however, that the district continue to report prior to individual bond issuances.

5) Before making a decision, receive additional information from the district on how enrollment projections for campuses relate to the issuance amounts and projects designated for each campus. The district's student population will continue to grow in future years, which will require capital expenditures. The district provided information on district-wide growth projections. JLBC Staff has requested additional information on estimates for enrollment growth by campus and how those estimates were used to determine capital needs for each campus.

The issuances represent a total of $951.4 million in projects. Over a 22-year period, and with an estimated interest rate of 6%, total interest payments would equal $485.5 million. Total debt service would be approximately $1.44 billion. The first payment of $21.0 million would be in FY 2006. The amount would progressively increase as new bonds are issued, equaling $97.2 million in FY 2013. Payments would later decline as older bonds are paid off, with the final payment in FY 2027. *(See Attachment #1)*

To make the debt service payments, the district estimates increasing the secondary property tax rate by 7¢ in FY 2006. The rate would progressively increase as new bonds are issued, equaling 26¢ in FY 2013. The rate would subsequently decline as earlier bonds are retired. Over the life of the bonds, the district estimates increasing secondary property tax rates by an average of 16¢. This would annually result in approximately $16 in additional taxes for every $100,000 of house value.

The $190.3 million FY 2005 issuance amount would increase the district's outstanding GO debt from approximately $235 million to $425 million. The Constitution limits the amount of GO debt a community college district may incur. Despite the FY 2005 increase, the district would still be well below its constitutional limit.

Analysis

Two different statutory sections authorize community college districts to issue bonds to pay for capital expenditures. One section (A.R.S. § 15-1483) requires a district, prior to the issuance of bonds, to submit information on the projects to the Committee for review. If the issuance requires voter approval, the statute requires the district to submit the information before seeking voter approval. The other section (A.R.S. § 15-1465) does not require a district to seek Committee review in order to issue bonds.

Maricopa has indicated that the district intends to issue the bonds pursuant to A.R.S. § 15-1465. The district believes, therefore, that the Committee is not required to review the projects to be financed with the bond proceeds.

JCCR has had oversight of community college bond issuances since the elimination of the State Board. Laws 2002, Chapter 330, originally amended A.R.S. § 15-1483 to require JCCR review on bond issuances prior to voter approval. As written, there were questions as to whether JCCR review applied to all bond issuances or only to bond issuances requiring voter approval. As a result, Laws 2003, Chapter 264, amended A.R.S. § 15-1483 to clarify that JCCR review was required for all projects funded with bond proceeds, not just the projects funded with bonds requiring voter approval. Given the steps the Legislature took to clarify JCCR review for bond projects, a legal argument could be made that the Legislature intended all community college bond projects undergo JCCR review. On the other hand, technically, A.R.S. § 15-1465 was never amended to require JCCR review. As noted above, MCCD is issuing bonds under A.R.S. § 15-1465, which was not addressed in either Chapter 330 or Chapter 264.

(Continued)

Project Costs

Tables 1 and 2 provide greater detail on the district's $951.4 million expenditure plan. Of the total, $536.9 would be allocated to individual colleges and $414.5 would be allocated for district-wide projects. Funds for the individual colleges would primarily be used for facilities construction, additions, and renovations. Approximately 2.2 million square feet would be involved in all projects, including both college and district-wide projects. Further detail is provided in the district's "2004 Capital Development Program Summary." *(See Attachment #2)* Information on prioritization of projects was not provided.

Table 1

Estimated College Expenditures
($ in millions)

Chandler-Gilbert	$56.1	Paradise Valley	$ 55.8
Estrella Mountain	61.1	Phoenix	55.0
Gateway	44.6	Rio Salado	50.0
Glendale	60.3	Scottsdale	50.7
Mesa	60.8	South Mountain	42.5
		Total	$ 536.9

Table 2

Estimated District-Wide Expenditures
($ in millions)

Expand Existing College Centers	$ 98.0
New College Centers	45.0
Land – Future College Development	19.0
Maintenance and Security	67.5
Regulatory Compliance, Energy and Water Conservation	20.0
Technology	95.0
Occupational Programs	70.0
Total	$ 414.5

Enrollment Growth

The district's student population will continue to grow in future years, which will require capital expenditures. The district based its capital plan on 5% annual enrollment growth. The district reported that it had a student population of 268,000 (headcount, not full-time equivalent) in FY 2003 and estimates a student population of over 400,000 (headcount) by FY 2011. While the district has identified specific capital projects for each campus, it did not provide information on estimates for enrollment growth by campus and how those estimates were used to determine capital needs for each campus. The JLBC Staff has requested additional information on enrollment projections for each campus and how the capital projects tie to those projections. The JLBC Staff also requested current square footage information and future square footage estimates as base measures for how the proposed capital projects correlate to enrollment projections.

Bond Issuances and Debt Service

Attachment #1 provides information on the issuances and the district's estimated debt service payment schedule. Bonds issued for $651.4 million in capital projects would have a 15-year payment term and bonds issued for $300 million in technology and equipment would have a 6-year payment term.

(Continued)

In addition to the debt service payments associated with the new issuance, the district is currently paying debt service on older bonds that will be retired in FY 2015. Including amounts for new and previous GO issuances, the total district FY 2006 debt service payment is estimated to be $51.1 million. By FY 2011, the district will be making a $112.1 million debt service payment for all GO issuances.

Total outstanding debt for the district at the end of FY 2003 was $285.6 million. This amount consists of $261.0 million in principal from GO bonds and $24.6 million from revenue bonds. The Constitution limits the amount of outstanding GO debt the district the district may incur to 15% of the district's total Secondary Net Assessed Valuation (NAV). In FY 2003 the district's outstanding debt was equal to approximately 1% of its Secondary NAV. The FY 2005 planned issuance of $190.3 million would increase that amount to approximately 1.5%.

Tax Rates

To pay for the annual debt service costs, the district estimates it will have to increase secondary property tax rates. *Attachment #1* details the estimated tax rates associated with the new issuances. Over the life of the debt service payments the district estimates that rates would increase by an average of approximately 16¢. *Table 3* provides the impact on the estimated tax rates for each year of the debt service and the tax revenue on a house valued at $100,000.

Table 3

Estimated Annual Impact of New Tax Rates on $100,000 House

	FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15	FY 16
Tax Rate	7¢	13¢	12¢	17¢	17¢	22¢	21¢	26¢	25¢	24¢	23¢
Revenue	$7	$13	$12	$17	$17	$22	$21	$26	$25	$24	$23
	FY 17	FY 18	FY 19	FY 20	FY 21	FY 22	FY 23	FY 24	FY 25	FY 26	FY 27
Tax Rate	23¢	22¢	21¢	16¢	16¢	11¢	11¢	7¢	7¢	3¢	3¢
Revenue	$23	$22	$21	$16	$16	$11	$11	$7	$7	$3	$3

To determine the level of tax rates necessary to make the debt service payments, the district has assumed annual Secondary NAV growth of 3%. Since the actual tax rate for each year is calculated based on actual Secondary NAV, the actual tax rates required to fund the debt service payments will depend on future NAV growth. Over the past 10 years secondary NAV in Maricopa has grown by an average of 7.6%. The district, therefore, is likely underestimating secondary NAV growth, which could result in lower secondary property tax rate increases if Secondary NAV is above the 3% used in the estimates.

RS/JC:jb

Maricopa Community College District Materials

Maricopa County Community College District
$951,359,000 General Obligation Bond Program
Five Bond Sales - 2004 Election

Fiscal Year Ending	Secondary Assessed Valuation [1]	Total Existing Debt Service	Projected Tax Rate	$190,270,000 1st Bond Issue Dated: 1-1-2005 Total D/S at 6.00%		$190,270,000 2nd Bond Issue Dated: 1-1-2007 Total D/S at 6.00%		$190,270,000 3rd Bond Issue Dated: 1-1-2009 Total D/S at 6.00%		$190,270,000 4th Bond Issue Dated: 1-1-20011 Total D/S at 6.00%		$190,279,000 5th Bond Issue Dated: 1-1-2013 Total D/S at 6.00%		Total New Bonds		Existing & New Bonds		Fiscal Year Ending
				Equipment	Other	Equipment	Other	Equipment	Other	Equipment	Other	Equipment	Other	Total Debt Service	Debt Tax Rate	Aggregate Debt Service	Aggregate Tax Rate	
2003	$24,457,047,282	$37,393,468	$0.1529													$37,393,468	$0.15	2003
2004	27,477,987,528	38,432,089	0.1399													38,432,089	0.14	2004
2005	30,066,986,670	35,551,800	0.1182													35,551,800	0.12	2005
2006	30,968,996,270	30,017,413	0.0969	$9,325,000	$11,724,300									$21,049,300	$0.0680	51,066,713	0.16	2006
2007	31,898,066,158	30,425,663	0.0954	13,234,500	7,816,200	$15,130,000	$3,908,100							40,088,800	$0.1257	70,514,463	0.22	2007
2008	32,855,008,143	29,380,975	0.0894	13,232,300	7,816,200	11,220,200	7,816,200							40,084,900	$0.1220	69,465,875	0.21	2008
2009	33,840,658,387	30,289,825	0.0895	13,234,700	7,816,200	11,220,000	7,816,200	$15,130,000	$3,908,100					59,125,200	$0.1747	89,415,025	0.26	2009
2010	34,855,878,139	31,720,081	0.0910	13,234,300	7,816,200	11,219,500	7,816,200	11,220,200	7,816,200					59,122,600	$0.1696	90,842,681	0.26	2010
2011	35,901,554,483	33,964,650	0.0946	13,234,000	7,816,200	11,216,900	7,816,200	11,220,000	7,816,200	$15,130,000	$3,908,100			78,157,600	$0.2177	112,122,250	0.31	2011
2012	36,978,601,118	33,964,650	0.0918	466,400	20,581,200	10,430,400	8,606,200	11,219,500	7,816,200	11,220,200	7,816,200			78,156,300	$0.2114	112,120,950	0.30	2012
2013	38,087,959,151	14,743,325	0.0387		21,050,300		19,033,800	11,216,900	7,816,200	11,220,000	7,816,200	$15,130,000	$3,908,370	97,191,770	$0.2552	111,935,095	0.29	2013
2014	39,230,597,926	10,555,025	0.0269		21,050,300		19,037,900	10,430,400	8,606,200	11,219,500	7,816,200	11,220,200	7,816,740	97,197,440	$0.2478	107,752,465	0.27	2014
2015	40,407,515,863	11,243,925	0.0278		21,049,900		19,036,200		19,033,800	11,216,900	7,816,200	11,220,000	7,816,740	97,189,740	$0.2405	108,433,665	0.27	2015
2016	41,619,741,339				21,046,100		19,036,600		19,037,900	10,430,400	8,606,200	11,219,500	7,816,740	97,193,440	$0.2335	97,193,440	0.23	2016
2017	42,868,333,579				21,050,900		19,036,400		19,036,200		19,033,800	11,221,900	7,816,740	97,195,940	$0.2267	97,195,940	0.23	2017
2018	44,154,383,587				21,050,400		19,037,900		19,036,600		19,037,900	10,425,100	8,611,740	97,199,640	$0.2201	97,199,640	0.22	2018
2019	45,479,015,094				21,046,300		19,038,100		19,036,400		19,036,200		19,039,040	97,196,040	$0.2137	97,196,040	0.21	2019
2020	46,843,385,547						19,034,000		19,037,900		19,036,600		19,037,840	76,146,340	$0.1626	76,146,340	0.16	2020
2021	48,248,687,114						19,037,600		19,038,100		19,036,400		19,036,140	76,148,240	$0.1578	76,148,240	0.16	2021
2022	49,696,147,727								19,034,000		19,037,900		19,036,540	57,108,440	$0.1149	57,108,440	0.11	2022
2023	51,187,032,159								19,037,600		19,038,100		19,036,340	57,112,040	$0.1116	57,112,040	0.11	2023
2024	52,722,643,124										19,034,000		19,037,840	38,071,840	$0.0722	38,071,840	0.07	2024
2025	54,304,322,417										19,037,600		19,038,040	38,075,640	$0.0701	38,075,640	0.07	2025
2026	55,933,452,090												19,033,940	19,033,940	$0.0340	19,033,940	0.03	2026
2027	57,611,455,653												19,036,540	19,036,540	$0.0330	19,036,540	0.03	2027
Total				$75,961,200	$218,730,700	$70,437,000	$215,107,600	$70,437,000	$215,107,600	$70,437,000	$215,107,600	$70,436,700	$215,119,330	$1,436,881,730				
		Total Average Life (Yrs.)		9.147		8.346		8.346		8.346		8.345						

(1) Secondary Assessed Valuation for FY 2003, 2004 and 2005 is actual. For all future years we assumed 3.0% growth.

ATTACHMENT 1

Prepared By:
RBC Dain Rauscher Inc.

6/14/04

MARICOPA COMMUNITY COLLEGES

2004 CAPITAL DEVELOPMENT PROGRAM
Summary

PROPOSED ACTIVITIES SUMMARY BY COLLEGE
DISTRICT WIDE

GSF | **DESCRIPTION** | **TOTAL COLLEGE BUDGET**

Construction and Technology Improvements at Existing Colleges

The following are common activities that will be funded by the capital development program and will occur at each of the college locations, associated with their construction projects:

- ❖ Develop the college sites with improvements such as additional parking, roads, area lighting, landscaping, signage, sidewalks and other hardscape, etc.
- ❖ Furnish and equip new and existing buildings and facilities.
- ❖ Install new and upgrade the old equipment in the central plant, such as chillers, cooling towers, pumps, motors, electrical gear, etc. in order to support the growth in facilities, increase energy efficiency and lower operating costs.
- ❖ Install new and upgrade existing utilities infrastructure, such as chilled water and potable water piping, electrical power cabling, data duct bank, storm and waste sewer lines, natural gas piping, etc.

Chandler-Gilbert Community College **$ 56,088,000**

(main campus- Sun Lakes and Williams campus are shown separately)

- 51,000 Construct a new classroom complex containing general studies, university transfer, occupational/workforce training classrooms, science classrooms and labs, faculty offices, a teaching and learning center, and support areas.
- 33,000 Construct a new information technologies complex containing classrooms and computer labs, staff and faculty offices, and support areas. Remodel vacated space in Building A (5,000 sf) for administrative offices and support services.
- 53,000 Construct a new wellness and athletics complex including main and auxiliary gyms, locker rooms, weight rooms and other fitness and athletic activity and support areas, and staff and coaches offices.
- 11,000 Construct new classrooms and practice areas to support instrumental and vocal music programs, as well as the dance program, faculty offices, and other performing arts support spaces.
- 12,000 Construct new classrooms to support health care occupations, nutrition and wellness programs, including faculty offices.
- 10,000 Construct the second phase of the Student Center to include bookstore, food services, a large meeting room, and student support services.

  - ❖ Create an entrance into the college from Gilbert Road including signage
  - ❖ Improve and extend interior roadways
  - ❖ Provide teaching and learning technology to support new construction, including student and staff technology support, media equipment, and telecommunications/ data equipment and networks

MARICOPA COMMUNITY COLLEGES

2004 CAPITAL DEVELOPMENT PROGRAM
Summary

PROPOSED ACTIVITIES SUMMARY BY COLLEGE
DISTRICT WIDE

GSF	DESCRIPTION	TOTAL COLLEGE BUDGET

Estrella Mountain Community College — **$ 61,138,000**

- 89,000 — Construct an addition to Estrella Hall to include mediated classrooms, information commons, library, learning enhancement, media areas, faculty and staff offices, and university center to enhance partnerships and transfer opportunities.
- 23,000 — Remodel spaces in Estrella Hall including the library, information commons, learning enhancement center, community room, additional teaching spaces, and office and administrative areas.
- 59,000 — Add modular classrooms and then remodel spaces in Montezuma Hall to create additional science labs, prep areas and teaching spaces.
- 33,000 — Construct occupational programs in an expanded and remodeled SouthWest Skill Center to include new classrooms and training labs for allied health, health care, art, culinary, fitness/physical education and occupational/workforce training programs, along with faculty office and support spaces.
- 7,000 — Construct a new Child Care center along with classrooms and labs for teacher education and child development.
- 7,100 — Expand the central plant building to provide additional area for shipping and receiving, maintenance shops, and administrative office spaces.

  - ❖ Create a new campus north entry connecting to Osborn Road including a bridge over the RID canal, and make sidewalk and street improvements along Dysart Road, including burying the overhead power lines.
  - ❖ Complete the loop road through the campus and make site improvements along Thomas Road
  - ❖ Provide teaching and learning technology to support new construction, including student and staff technology support, media equipment, and telecommunications/ data equipment and networks

GateWay Community College — **$ 44,606,000**

(Maricopa Skill Center is shown separately)

- 41,000 — Construct a new Student Services Building, also including mediated classrooms, computer labs and testing areas, conference and meeting rooms, offices and support areas.
- 35,000 — Construct a new library and computer commons to provide additional collections and service areas, office and support spaces, and computer labs
- 53,000 — Construct a new Instructional Building containing general-purpose classrooms and lecture halls, science labs, computer labs, faculty offices and support areas.

MARICOPA COMMUNITY COLLEGES

2004 CAPITAL DEVELOPMENT PROGRAM
Summary

PROPOSED ACTIVITIES SUMMARY BY COLLEGE
DISTRICT WIDE

GSF | **DESCRIPTION** | **TOTAL COLLEGE BUDGET**

❖ Provide teaching and learning technology to support new construction, including student and staff technology support, media equipment, and telecommunications/ data equipment and networks

Glendale Community College — **$ 60,305,000**
(main campus- GCC North is shown separately)

- 73,000 Construct a new Instructional Building for Life Sciences, Biotechnology, Nursing and Psychology programs, including general-purpose and computer classrooms, life science and multi-purpose labs, faculty offices and support space.
- 28,000 Remodel the existing Nursing Building and Life Science Building Complex, including upgrading classrooms, converting life science labs into physical science labs and life science classrooms, renovating faculty offices and the tiered lecture hall, and upgrading building utility systems.
- 23,000 Renovate the Student Union to provide student activity space and student government offices, modernized and expanded food service and dining facilities, along with additional conference areas and support area.
- 31,000 Construct a new Classroom building to support the Applied Technologies programs, including general-purpose and computer classrooms, multi-purpose life science classrooms, faculty offices and support space, and secured outdoor storage for the program's specialized vehicles.
- 33,000 Renovate the T-1 building to provide updated general use classrooms and computer classrooms, faculty and technical offices and support space.
- 51,000 Remodel the T-3/Automotive Building and a portion of the T-2 Building to provide additional classrooms, space for equipment and tools, updated engine and transmission labs, and to provide secured outdoor storage for sponsoring manufacturer vehicles.
- 17,000 Renovate the Business and IT Building classrooms to provide updated teaching spaces and convert a portion of the regular classrooms to computer labs.
- 13,500 Remodel the Women's PE Building to better serve current needs and accommodate expanded fitness programs, locker room relocations, faculty and support space, a Fitness Testing Lab, classroom/lecture area and general refreshment of the balance of the building.

❖ Provide improvements to the campus entries on Via Gaucho, Vogel Avenue and Olive Avenue to provide safer and more efficient traffic flows.

❖ Provide teaching and learning technology to support new construction, including student and staff technology support, media equipment, and telecommunications/ data equipment and networks

MARICOPA COMMUNITY COLLEGES

2004 CAPITAL DEVELOPMENT PROGRAM
Summary

PROPOSED ACTIVITIES SUMMARY BY COLLEGE
DISTRICT WIDE

GSF	DESCRIPTION	TOTAL COLLEGE BUDGET

Mesa Community College — **$ 60,835,000**

(main campus- MCC at Red Mountain is shown separately)

- 31,000 Construct a new Math/Science cluster Instructional Building, including chemistry labs and classrooms, general-purpose classrooms, faculty offices and support areas
- 37,000 Construct a new Communications/Humanities cluster Instructional Building, including general-purpose classrooms, seminar rooms and lecture halls, computer labs, faculty offices and support space.
- 22,000 Remodel the vacated space in the Physical Science building (#8) into new classrooms and study spaces. Demolish the Chemical Storage building (#10) (670 sf) that was replaced with the new Physical Science building.
- 30,500 Renovate the Liberal Arts (#3), English/Foreign Language (#2) buildings to support current teaching protocol and methods, along with changing administrative areas to instructional spaces. Demolish the associated Faculty Office Building #1 (3,100 sf) to provide room for future expansion.
- 27,000 Construct a new Visual and Performing Arts cluster Instructional Building to include classrooms, performance and practice rooms, storage and support space for instruments/costumes/music, and faculty offices.
- 26,000 Construct a new Health and Wellness cluster Instructional Building to include general-purpose classrooms, larger lecture classrooms, nursing labs, and faculty offices and support areas.
- 14,000 Remodel the vacated Nursing Building (#6), converting labs and offices areas into classrooms, and renovating existing classrooms.
- 15,000 Remodel the vacated Music Building (#43) into general-use classroom spaces and student support areas.
- 8,500 Remodel portions of the Student Center and Student Service buildings (#35, #36, #37, #38 or #39) to provide more space for student services functions and activities, renovated offices and student gathering spaces.

  - ❖ Relocate secondary athletic facilities to provide areas for new parking
  - ❖ Provide teaching and learning technology to support new construction, including student and staff technology support, media equipment, and telecommunications/ data equipment and networks

MARICOPA COMMUNITY COLLEGES

2004 CAPITAL DEVELOPMENT PROGRAM
Summary

PROPOSED ACTIVITIES SUMMARY BY COLLEGE
DISTRICT WIDE

GSF	DESCRIPTION	TOTAL COLLEGE BUDGET

Paradise Valley Community College — **$ 55,801,000**

(main campus- 56th St. and Carefree Highway is shown separately)

- 45,000 — Construct a new classroom building to include general-purpose and lecture classrooms, computer labs, faculty office/support/training rooms, practice and performance rooms and a video/editing/computer lab for Fine Arts.
- 29,000 — Construct a new classroom and life science lab building containing life science labs and support areas, general-purpose classrooms, and faculty offices and support spaces.
- 9,000 — Remodel existing areas to create a Physical Science/Applied Justice Studies lab, convert life science to physical science labs and upgrade lecture classrooms, create a ceramics studio, and expand the Library/computer commons/Learning Support Center.
- 29,000 — Construct a new Multi-Purpose Center containing a gymnasium, locker rooms and smaller physical fitness/wellness areas, general-purpose classrooms, a health skills lab to support health occupations programs, faculty offices and support areas.
- 46,000 — Expand (33,000 gsf) and remodel (13,000 sf) of the existing Student Center to include additional dining areas and conference facilities, expanded and reconfigured Student Services functions and offices, College Safety and Human Resources.
- 5,000 — Replace the existing Child Care Center with a larger facility to allow for the Student Center expansion

  - ❖ Relocate the interior main roadway connecting the campus entries and create a pedestrian mall to improve pedestrian and vehicular safety
  - ❖ Complete the inner loop road through the campus
  - ❖ Expansion or upgrading emergency and safety phone systems, CCTV and emergency communications systems, and burglar alarm systems
  - ❖ Upgrade existing college central technology network
  - ❖ Provide teaching and learning technology to support new construction, including student and staff technology support, media equipment, and telecommunications/ data equipment and networks

Phoenix College — **$ 54,957,000**

- 66,000 — Expand (29,000 gsf) and remodel (37,000 sf) the existing Hannelly Student Center to centralize all student related services at the college in one location. Services to move include the Learning Center, Admissions and Records, testing, academic advising, Student Services, and Dean of Student Services offices, cafeteria, Student Recruitment and Retention services.
- 44,000 — Completely remodel and upgrade the "C" Science building to update labs, classrooms, and technology, including areas for Chemistry, Gerontology, Nursing and allied health careers.

PROPOSED ACTIVITIES SUMMARY BY COLLEGE
DISTRICT WIDE

GSF | **DESCRIPTION** | **TOTAL COLLEGE BUDGET**

- 36,000 Construct a new Student Union building to contain the bookstore, student activities and functions, conference and meeting space, Student Life and Student Leadership offices and support. Demolish existing buildings as needed and include significant site development of the area between this building and expanded Hannelly Center.
- 33,000 Demolish existing buildings and construct a new Fine Arts building to contain art studios and supporting teaching spaces, darkrooms, general classrooms and faculty offices.
- 10,000 Construct a new Maintenance Services and deliveries building.

  ❖ Provide teaching and learning technology to support new construction, including student and staff technology support, media equipment, and telecommunications/ data equipment and networks

Rio Salado College) **$ 50,000,000**
(Sun Cities and 7th Avenue are shown separately)

- 110,000 Purchase and remodel, or construct a new Administrative building (75,000 gsf) to house administrative and faculty offices, multi-function space, course production and instructional support areas. Renovate or remodel (40,000 sf) the vacated and remaining three floors in the current Rio Salado Tempe location.
- 14,000 Purchase and remodel, or construct new, two education services centers to be strategically located in Maricopa County. Each center will provide complete student services and testing facilities for Rio Salado students who attend classes throughout the County or through distance learning.
- Replace or upgrade existing equipment for KJZZ/KBAQ and Sun Sounds, which are part of Rio Salado College's community services.

  ❖ Provide teaching and learning technology to support new construction, including student and staff technology support, media equipment, and telecommunications/ data equipment and networks

Scottsdale Community College **$ 50,743,000**

- 32,000 Construct a new physical and life sciences building, including classrooms, laboratories, computer labs, faculty offices and support spaces.
- 29,000 Construct a new Student Center including student activity spaces, food service, conference and meeting rooms, campus receiving department and related storage.
- 14,000 Expand the Music Building and Performing Arts Center to provide new classrooms and technical labs, rehearsal rooms, recording and sound studios spaces for Music and Theater.

MARICOPA COMMUNITY COLLEGES

2004 CAPITAL DEVELOPMENT PROGRAM
Summary

PROPOSED ACTIVITIES SUMMARY BY COLLEGE
DISTRICT WIDE

GSF	DESCRIPTION	TOTAL COLLEGE BUDGET

- 30,000 Construct a new general-purpose classroom building, including associated faculty offices.
- 49,000 Remodel or renovate existing space in multiple locations, including Nursing, Music, Life Science and Physical Science and other spaces vacated by functions moving into new buildings.

  - ❖ Construct a loop road through the campus and improve safety at the main campus entrances
  - ❖ Provide teaching and learning technology to support new construction, including student and staff technology support, media equipment, and telecommunications/ data equipment and networks

South Mountain Community College **$ 42,527,000**
(including the Guadalupe Learning Center)

- 53,000 Construct a new Library/Learning Resource Center to provide additional room for library collections and technical services, computer classrooms and open computer labs, study spaces, Teaching and Learning Center and technical support, staff office and support areas, and college learning assistance areas.
- 27,000 Remodel vacated space in the existing Library to create multi-purpose and technology enriched classrooms, faculty office and support spaces.
- 22,000 Construct a new science building (13,500 gsf) to include classrooms, physical and life science labs, and faculty office and support space. Remodel vacated space (8,500 gsf) in the Physical Science building into mathematics classrooms, faculty offices and support space
- 4,000 Expand the existing central plant to provide additional office space and receiving area
- 6,000 Expand the Guadalupe Learning Center with general education classrooms, student and academic support areas, and faculty offices.

  - ❖ Complete the loop road through the campus
  - ❖ Provide teaching and learning technology to support new construction, including student and staff technology support, media equipment, and telecommunications/ data equipment and networks

MARICOPA COMMUNITY COLLEGES

2004 CAPITAL DEVELOPMENT PROGRAM
Summary

PROPOSED ACTIVITIES SUMMARY BY COLLEGE
DISTRICT WIDE

<u>GSF</u> | <u>DESCRIPTION</u> | <u>TOTAL COLLEGE BUDGET</u>

<u>Expansion of existing college centers</u> — **<u>$ 98,000,000</u>**

The following are common activities that will be funded by the capital development program and will occur at each of these locations, associated with the construction projects:

- ❖ Further develop the sites with improvements such as parking, roads, area lighting, landscaping, signage, sidewalks, etc.
- ❖ Furnish and equip new and existing buildings and facilities, including technology and media equipment and support systems.
- ❖ Where central plants exist, install new and upgrade the old equipment such as chillers, cooling towers, pumps, motors, electrical gear, etc. in order to support the growth in facilities, to increase energy efficiency and to lower operating costs.
- ❖ As necessary, install new and upgrade the existing utilities infrastructure, such as chilled water and potable water piping, electrical power cabling, data duct bank, storm and waste sewer lines, natural gas piping, etc.

- 87,000 — Construct new buildings at **Glendale Community College North**, to include general purpose and computer classrooms, science labs, faculty offices and support, student activities, student services, fitness center, library/learning resource center, bookstore and food service, administration offices and support, technology and media support offices and support, and central receiving and services. Remodel (2,000 gsf) of existing space as functions move into the new buildings.
- 55,000 — Construct new buildings at **Mesa Community College at Red Mountain**, including general purpose and computer classrooms, faculty offices, student study areas, and additional site work and parking lots.
- 52,000 — Expand and remodel facilities at the **Williams Campus of Chandler-Gilbert Community College**:
  - Construct a new general classroom building with faculty and staff offices (15,000 gsf)
  - Expand the General Studies Building to include general purpose and computer classrooms, faculty offices and support (8,000 gsf) and remodeling of existing space (1,400 gsf)
  - Construct a new Support Services building including academic support, administration and administrative support, student services, and multi-purpose rooms (16,000 gsf)
  - Expand the existing Science Building with additional general and science classrooms, faculty offices and support, and lecture hall (9,000 gsf) and remodel of existing space (2,600 gsf)
- 15,000 — Expand (9,500 gsf) and remodel (4,500 gsf) the existing **Rio Salado College Sun Cities Center**, to provide multi-functional meeting rooms, testing labs, and offices.

MARICOPA COMMUNITY COLLEGES

2004 CAPITAL DEVELOPMENT PROGRAM
Summary

PROPOSED ACTIVITIES SUMMARY BY COLLEGE
DISTRICT WIDE

GSF	DESCRIPTION	TOTAL COLLEGE BUDGET

- 6,000 — Expand the existing **Sun Lakes Education Center of Chandler-Gilbert Community College** to include general use classrooms, a large multi-purpose room and support areas.
- 95,000 — Expand and remodel the existing **Maricopa Skill Center**. The new building (42,000 gsf) will include general purpose and occupation/vocational classrooms, computer classrooms and commons, testing and student support areas, faculty offices and support, administrative areas, conference and meeting rooms, and receiving/ storage/support. The remodeled areas (53,000 gsf) will include remodeling and expansion of general use and computer classrooms, of existing vocational/ occupational labs and classrooms, faculty and student support areas, student services and learning resource areas. Also included will be site and parking lot development for the new facilities.
- 33,000 — Demolish the existing 50+ year old **Rio Salado College 7th Avenue** facility (12,300 sf) and construct a new, larger facility to include general use classrooms, a multi-purpose science lab, computer labs, office and administrative support areas, meeting and conference space, and general support space. Also included will be redevelopment of, and improvements to, existing parking and site work.

<u>**New college centers and other locations**</u> — <u>**$ 45,000,000**</u>

- 40,000 — Construct or share facilities in a new Downtown Phoenix education center for **Gateway Community College**, in partnership with Arizona State University, the Translational Genomics Research Institute (TGEN) and other higher education institutions. This facility would include general-purpose classrooms and computer labs, science and training labs, administrative and faculty offices and support, and conference areas.
- 45,000 — Purchase, construct (15,000 sf) or remodel (30,000 sf) facilities in downtown Mesa for **Mesa Community College**. These facilities would include additional classrooms, computer labs, student and faculty support areas, enhancing and building upon the arts, business training and general education needs in the downtown area.
- +/-25,000 — On land currently owned by the District at 56th St. and the Carefree Highway, construct a new first phase campus for **Paradise Valley Community College**, including classrooms, computer labs, student and faculty support areas, and administrative offices.
- 16,000 — New healthcare education facility at Williams Center for a partnership between **Chandler-Gilbert, Mesa and GateWay Community Colleges**, including general-purpose classrooms, health science labs, lecture rooms, administrative and faculty areas.
- 5,000 — Build, purchase or lease a new education center in the Ahwatukee/Gila River Indian Community area for **South Mountain Community College**, containing classrooms, student and administrative services, faculty offices and support services.

MARICOPA COMMUNITY COLLEGES

2004 CAPITAL DEVELOPMENT PROGRAM
Summary

PROPOSED ACTIVITIES SUMMARY BY COLLEGE
DISTRICT WIDE

GSF	DESCRIPTION	TOTAL COLLEGE BUDGET

Additional Land **$ 19,000,000**

Purchase undeveloped land for future college development at the following locations:

- Southwest Phoenix/Laveen area
- Northwest Maricopa County/Surprise/Peoria area
- Southwest Maricopa County/Goodyear/Buckeye area

District-wide Maintenance, Security and Special Programs **$67,359,000**

- Maintain and improve the security of buildings and parking facilities to ensure the safety of students, faculty and visitors.
- Complete work activities at the campuses and other District locations commonly called major maintenance or facilities renewal, including improving, repairing or replacing existing building systems, finishes or site utilities.
- Maintain, repair or replace existing roofs, parking lots and roads, and central plant equipment throughout the District.
- Construct, improve, maintain, repair or replace athletic facilities and support systems throughout the District.
- Maintain, repair and improve centralized support facilities.
- Abate or remove hazardous materials found in District-wide facilities.
- Provide capital support, including the purchase and installation of facilities, equipment and improvements as needed to better protect District assets and reduce risk in District operations, including disaster recovery/business continuity, OSHA and EPA compliance issues, and other areas.

District-wide Regulatory Compliance, Energy and Water Conservation Programs **$20,000,000**

- Continue to remodel existing space, provide improvements and corrections that will bring older college buildings and sites into compliance with the Americans with Disabilities Act (ADA).
- Replacement of equipment and building components that contain hazardous or banned materials, including chillers with CFC refrigerants.
- Initiate and complete energy conservation projects to reduce power use at District facilities, including installing new or replacing/upgrading old, inefficient equipment including central plant equipment, pumps and motors, air handling equipment and energy management system controls.
- Initiate and complete water conservation projects to reduce or more efficiently use water at District facilities. This would include reducing accidental water losses; reducing the amount of water used in equipment, fixtures or processes, and outdoor water use; and developing systems to reuse water that would otherwise be discarded where it is appropriate, economical and efficient to do so.

MARICOPA COMMUNITY COLLEGES

2004 CAPITAL DEVELOPMENT PROGRAM
Summary

PROPOSED ACTIVITIES SUMMARY BY COLLEGE
DISTRICT WIDE

GSF	DESCRIPTION	TOTAL COLLEGE BUDGET

District-wide Technology **$95,000,000**

Purchase and install computing, data, telecommunications and media equipment, systems and software that will serve the entire District. Included in this funding is technology for instructional applications, network technology delivery, technology for new college locations, data and network security, strategic initiatives, and District-wide management systems.

District-wide Occupational Programs **$70,000,000**

Purchase and install new equipment and upgrade existing equipment and facilities to support occupational education and workforce development training needs of diverse employer organizations and communities throughout Maricopa County.

DISTRICT-WIDE BUDGET $951,359,000

STATE OF ARIZONA

Joint Committee on Capital Review

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HOUSE OF
REPRESENTATIVES

DATE: June 15, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Tony Vidale, Senior Fiscal Analyst

SUBJECT: Arizona Department of Administration – Reports on Prison Construction Schedule and Status of Private Prison Bed Contracts

The Arizona Department of Administration (ADOA) and Department of Corrections (ADC) are providing a report to the Committee on the construction schedule of the 1,000-bed state prison expansion projects and a timeline and current status on the acquisition of 1,000 new private prison beds.

Recommendation

This report is for information only and no Committee action is required. The construction completion date of November 2004 for the 1,000 state beds remains on schedule. ADC is currently reviewing contract proposals for the 1,000 new private prison beds and expects to award the contract in July 2004, with occupancy beginning in March 2005.

The JLBC Staff recommends the department continue to keep staff apprised of the status of these projects no later than every other month. The department has already been providing these updates on a comparable scheduled.

Analysis

At its March 26, 2004 meeting, the Committee reviewed and approved the 1,000-bed prison expansion project and issuance of Certificates of Participation (COPs) in the amount of $33,275,000. The Committee also required ADOA and ADC to report back by June 1, 2004 on the construction schedule for the 1,000 state beds and provide a timeline for finalization of contracts to add 1,000 new private prison beds and their projected opening dates.

Laws 2003, Chapter 5, 2nd Special Session authorized ADOA to issue COPs for the expansion of facilities that will provide 1,000 beds in the prison system. Chapter 5 also directed ADC to contract for 1,000 new private prison beds.

(Continued)

1,000 State Prison Beds
COPs have been issued and construction documents completed for expansion of the Douglas, Perryville, and Tucson prison complexes. Relocation of existing utilities has started at Perryville and Douglas and grading and earthwork at the 3 sites are scheduled for June. The construction contractor has confirmed substantial completion by November 2004 and the department will begin occupancy in December 2004.

1,000 Private Prison Beds
ADC is currently reviewing contract proposals for the 1,000 new private prison beds and expects to award the contract in July 2004, pending resolution of any environmental requirements and approval of the contract by the Office of the Attorney General (AG). The 2 proposed sites are ASP-Florence West, operated by Correctional Services Corporation (CSC) and the Eloy Detention Center, operated by Corrections Corporation of America (CCA). While ADC expects an occupancy date of March 2005, vendors have estimated a construction timeline of 8 to 12 months for the private prison beds to open.

The following table displays ADC's timeline and status of acquisition of the private beds.

Timeline and Status of 1,000 New Private Prison Beds

February 20, 2004	ADC issues a proposed contract
March 8, 2004	ADC received responses from vendors
April 16, 2004	ADC evaluated proposals and requested clarifications
April 26, 2004	ADC received and evaluated clarifications
May 11-12, 2004	ADC conducted public hearings
May 13-14, 2004	ADC met with vendors and discussed modifications
June 18, 2004	Best and Final Offers are expected
July 30, 2004	Award of contract
March 2005	Begin occupancy

In addition, the department has been providing periodic updates on these projects and expects to continue providing these updates until project completion.

RS/TV:jb

JANET NAPOLITANO
GOVERNOR

BETSEY BAYLESS
DIRECTOR

ARIZONA DEPARTMENT OF ADMINISTRATION

GENERAL SERVICES DIVISION

100 NORTH 15TH AVENUE, SUITE 202
PHOENIX, ARIZONA 85007

May 27, 2004

The Honorable Russell K. Pearce, Chairman
Joint Committee on Capital Review
1700 West Washington
Phoenix, AZ 85007

RE: 1,000-Bed prison expansion plan report

Dear Representative Pearce:

Per the March 26, 2004 JCCR request the Department of Administration presents the following report on the schedule for the completion of the 1000 prison bed expansion as follows:

Laws 2003, 2nd Special Session, Chapter 5, signed by Governor Napolitano December 15, 2003 authorized ADOA to issue Certificates of Participation ("Certificates") in association with lease-purchase financing of the design and construction of a 1,000-Bed expansion to the Department of Corrections'. The Certificates are planned to be repaid over a fifteen-year period. The sites selected for expansion are ASPCs Perryville, Tucson and Douglas.

Status:

- Certificates have been issued.
- Construction documents have been completed.
- A contract has been issued to McCarthy Construction to construct the 1000 beds.
- McCarthy has mobilized at the three sites.
- Relocation of existing utilities has started at Perryville and Douglas.
- Grading and earthwork is scheduled to start the first week in June.
- McCarthy has confirmed the substantial completion by the end of November, 2004.
- ADC will begin occupying the new facilities by the end of December, 2004.

Sincerely,

Warren Whitney

Warren Whitney, Assistant Director
General Services Division
Department of Administration

Attachments

Cc: Senator Robert Burns,
David P. Jankofsky, Director, OSPB
Richard Stavneak, Staff Dir, JLBC
Lorenzo, Martinez, JLBC
~~William Greeney, OSPB~~
Betsey Bayless, Director, ADOA
Doris Schriro, Director, ADC
Michael Smarik, Asst Dir, ADC
Alan Ecker, Legislative Liaison, ADOA
Bruce Ringwald, GM, ADOA Construction Services

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JANET NAPOLITANO
GOVERNOR

BETSEY BAYLESS
DIRECTOR

ARIZONA DEPARTMENT OF ADMINISTRATION

GENERAL SERVICES DIVISION

100 NORTH 15TH AVENUE, SUITE 202
PHOENIX, ARIZONA 85007

June 4, 2004

The Honorable Russell K. Pearce, Chairman
Joint Committee on Capital Review
1700 West Washington
Phoenix, AZ 85007

RE: 1,000-Bed prison expansion plan expenditure plan update

Dear Representative Pearce:

Laws 2003, 2nd Special Session, Chapter 5, signed by Governor Napolitano December 15, 2003 authorized ADOA to issue Certificates of Participation ("Certificates") in association with lease-purchase financing of the design, construction and construction oversight of a 1,000-Bed expansion to the Department of Corrections. The proceeds of the Certificates may be considered state matching monies for any available federal monies.

Laws 2004, 2nd Regular Session, Chapter 281, signed by Governor Napolitano May 28th, 2004 , amended Laws 2003, 2nd Special Session, Chapter 5, Section 16 to include the purchase of furniture, fixtures and equipment (FF & E).

Funding Status:

- Certificates have been issued and the requested $31,867,800 is available for design, construction and construction oversight.
- $4,500,000 will be added to the construction funds from the Federal VOITIS grant funds making $4,500,000 of the COP funds available for purchase of FF & E for the new facilities.
- Any remaining contingency at the end of construction will be used to purchase FF & E.

If you have any question please call me at 602-542-1701.

Sincerely,

Warren Whitney, Assistant Director
General Services Division
Department of Administration

Attachments

Cc: Senator Robert Burns,
David P. Jankofsky, Director, OSPB
Richard Stavneak, Staff Dir, JLBC
Lorenzo, Martinez, JLBC
William Greeney, OSPB
Betsey Bayless, Director, ADOA
Dora Schriro, Director, ADC
Michael Smarik, Asst Dir, ADC
Alan Ecker, Legislative Liaison, ADOA
Bruce Ringwald, GM, ADOA Construction Services

Arizona Department of Corrections

1601 WEST JEFFERSON
PHOENIX, ARIZONA 85007
(602) 542-5497

JANET NAPOLITANO
GOVERNOR

DORA B. SCHRIRO
DIRECTOR

June 1, 2004

RECEIVED
JUN - 1 2004
JOINT BUDGET COMMITTEE

The Honorable Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review
1700 W. Washington
Phoenix, AZ 85007

Dear Representative Pearce and Members:

Included in the March 26, 2004 meeting of the Joint Committee on Capital Review was a reporting requirement that:

> ADOA and ADC report to the Committee by June 1, 2004 on the construction schedule to determine if the proposed completion date of November 2004 is achievable. The report should also contain a timeline for the finalization of contracts to add 1,000 new private prison beds and projected opening dates.

The contracting process to add 1,000 instate private prison beds was initiated immediately upon closure of Laws 2003, 2nd Special Session. The timeline and current status of acquisition of the new beds is as follows.

Status:

- ADC issued a proposed contract on February 20, 2004.
- ADC received responses from Corrections Corporation of America (CCA) and Correctional Services Corporation (CSC) by the March 8, 2004 deadline.
- Evaluation of the proposals was conducted and clarifications were requested by ADC of the vendors on April 16, 2004.
- Proposers' clarifications were received and evaluated by ADC on April 26, 2004.
- Proposed sites are expansions of ASP-Florence West operated by CSC and the Eloy Detention Center operated by CCA.
- The two vendors have estimated the construction timeline as eight to twelve months in duration.
- Public hearings were conducted May 11 and 12, 2004.
- On May 13 and 14 ADC met with each vendor and the parties discussed certain modifications. Proposed modifications are under review for acceptability.
- Best And Final Offers are expected by June 18, 2004.
- Award of contract is projected for July 30, 2004 pending resolution of National Environmental Policy Act (NEPA) requirements and contract review by the Office of the Arizona Attorney General.
- The ADC is seeking an occupancy date of March 2005.

The Honorable Russell Pearce and Members JCCR
June 1, 2004
Page Two

The Arizona Department of Administration is reporting the status of the construction of 1,000 state beds under separate cover.

Sincerely,

Dora Schriro

Dora B. Schriro
Director

c:	David P. Jankofsky, Director, OSPB	Betsey Bayless, Director, ADOA
	Richard Stavneak, Director, JLBC	Michael Smarik, Deputy Director, ADC
	Lorenzo Martinez, JLBC	Jeff Hood, Deputy Director, ADC
	Tony Vidale, JLBC	William Greeney, OSPB
	Bruce Ringwald, ADOA	

STATE OF ARIZONA

Joint Committee on Capital Review

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HOUSE OF REPRESENTATIVES

DATE: June 15, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Shelli Carol, Fiscal Analyst

SUBJECT: JLBC Staff - Report on Telecommunications Privatization

Background

Laws 2003, Chapter 263 required the Government Information Technology Agency (GITA), in consultation with the Arizona Department of Administration (ADOA), to prepare and submit to the Joint Committee on Capital Review (JCCR) an actionable request for proposals (RFP) to privatize the state's telecommunication services. That draft RFP was favorably reviewed by the Information Technology Authorization Committee (ITAC), as well as by JCCR on March 26, 2004.

While Chapter 263 assigned GITA the responsibility to develop the draft RFP, the statute required ADOA to release the bid and select a contractor. ADOA released the Statewide Telecommunications Outsourcing RFP on April 16, 2004 as scheduled. However, the ADOA RFP significantly changed several business decisions, as outlined below, from the original ITAC RFP. ITAC approved the ADOA RFP on May 12, 2004. The ITAC approval included conditions seeking detailed information on bid evaluation criteria, reasoning behind bid selection, methods of approach, and exit strategies. ITAC also requested monthly status reports. GITA recommended that JCCR, as well, review the new ADOA RFP.

The solicitation period for the telecommunications RFP closed on June 2, 2004. ADOA received proposals from eight vendors. ADOA has put together an evaluation committee of eight voting members and over twenty technical advisors and anticipates choosing a competitive range of bidders for the second phase of the solicitation process in the next few weeks. ADOA plans to have any final contracts ready for ITAC approval and JCCR review in mid-August.

Recommendation

This report is for information only and requires no Committee action. However, JLBC Staff recommends that ADOA report on the status of the Committee's prior stipulations when it submits any final contracts for review.

(Continued)

Key Changes to Original JCCR-Reviewed ITAC RFP

- The ADOA RFP extended the range of possible telecommunications plans to include full scale outsourcing of the state's telecommunications services, including management, core infrastructure, carrier services, agency equipment, and maintenance, to one contractor. The original ITAC RFP envisioned outsourcing management services only, leaving all other telecommunications services under the control of the various state agencies. It is possible, although not required, that a single contractor could provide all management, carrier, and maintenance services, as well as hardware and software to agencies without going through any other solicitation process.

- The ADOA RFP asked bidders to provide pricing information using separate totals for each agency, rather than the universal service rates requested by the original ITAC RFP. This change requires specific agency information, which bidders may have difficulty obtaining.

- The ADOA RFP specified that the contractor will own all assets it provides to the state, including core telecommunications infrastructure. The state earns ownership only when the contractor recovers the cost of such assets through fees to the state or the state purchases such assets or assumes such leases at the termination of the contract. The original ITAC RFP required that the state retain ownership of all infrastructure assets. The ADOA modification could complicate any transition to a different contractor in the future. The cost and legal implications of the final asset ownership plan merit review before the state awards any contracts.

- The ADOA RFP did not allow the contractor to consolidate certain overhead that the original ITAC RFP envisioned outsourcing. ADOA will retain the first level of technical support and the contractor must hire all affected employees. ADOA estimates that up to 154 FTE Positions could be impacted.

- The ADOA RFP did not include an expected month-by-month detailed schedule for consolidation of all executive branch agencies, although JCCR Review Stipulation #9 requested one. ADOA added the GITA Telecommunications Roadmap as an amendment to the released RFP. The Roadmap contained only a preliminary schedule.

- JCCR Review Stipulation #6 requested that the released RFP solicit separately delineated pricing for the various corridors of the state, to provide a better understanding of the differences in urban and rural costs. Additionally, JCCR Review Stipulation #9 advised agencies to conduct their telecommunications implementations as a whole, providing improvements to both urban and rural sites. The ADOA RFP did not include requirements to address either stipulation. ADOA plans to address specific corridor costs during the second stage of the solicitation process. However, ADOA states that delivery of broadband services to rural Arizona is not achievable in any contract resulting from this solicitation.

Laws 2003, Chapter 263 mandates that ADOA secure approval from ITAC before awarding a contract or contracts. Once ITAC approves any contracts, Chapter 263 also requires ADOA to submit the contract provisions for JCCR review in Executive Session.

RS/SC:jb

JANET NAPOLITANO
GOVERNOR

CHRIS CUMMISKEY
DIRECTOR

STATE OF ARIZONA
GOVERNMENT INFORMATION TECHNOLOGY AGENCY
100 N. 15th Avenue, Suite 440
Phoenix AZ 85007

May 17, 2004

Betsey Bayless, Director
Arizona Department of Administration
100 North 15th Avenue
Phoenix AZ 85007

Dear Betsey:

The Information Technology Authorization Committee (ITAC) met on May 12, 2004 to consider the Arizona Department of Administration (ADOA) Telecommunications Privatization Executive Summary and Request for Proposal (RFP).

As you know, GITA worked with ADOA staff and agency stakeholders over a number of months to draft the original RFP. Pursuant to HB2533, that RFP was approved by ITAC in October 2003. The GITA RFP was then reviewed by the Joint Committee on Capitol Review (JCCR) in April 2004.

Because ADOA Arizona Telecommunications Systems (ATS) staff and ADOA State Procurement Office (SPO) staff had fully participated in the drafting of the original GITA RFP it was our assumption that all ADOA issues were resolved and the document was ready for a final technical review by SPO for conformance with procurement code.

However, the RFP published by ADOA/SPO on April 16, 2004 was significantly different from the original RFP drafted by GITA and approved by ITAC and JCCR. ADOA staff explained that changes were made to accommodate ADOA procurement, business and financial concerns.

HB 2533 required ITAC approval of the GITA RFP. Given the significant changes made by ADOA it was GITA's belief that ITAC review and approval of the ADOA RFP was necessary and appropriate.

HB2533 calls for a 120 day timeline for the procurement and contract award. The law also requires ITAC to review the successful bidder's proposed contract for approval or disapproval.

Since the law requires ITAC to render the final decision on privatization, and no contract can be awarded without ITAC approval, it was GITA's recommendation that ITAC consider the ADOA Executive Summary and RFP as an actionable item.

Phone: (602) 364-GITA ■ Fax: (602) 364-4799
Web: http://www.gita.state.az.us

GITA recommended and ITAC voted in the affirmative for **Approval with Conditions** of the Privatization Executive Summary and RFP as follows:

1. The ADOA Executive Summary represents a clarification and explanation of the intent of the ADOA Privatization Request for Proposal. As such, it must be included in the procurement as an attachment and related provisions of the RFP must be amended, as necessary, to be consistent with the Executive Summary, including inclusion of the Roadmap approved by the Committee.

2. Execution of a State contract for privatized telecommunications is subject to ITAC review and approval under HB 2533. After vendor proposals have been evaluated and ADOA has selected a Best and Final Offer, ADOA staff must present the following confidential information to the Committee:

   - A list of evaluators including name, title and agency represented;

   - A description of evaluation criteria and how the offerors, including the potential awardee, were rated in regard to each criteria;

   - A summary of all proposals received and an explanation of why the Procurement Officer believes the potential awardee is the best selection;

   - A side by side Cost/Benefit Analysis between current/anticipated total costs of ATS operations to the State (and all impacted agencies) and anticipated costs (State, outsourcer and other) if the proposed contract is awarded, including operating costs, savings and total cost for each year of the contract (and any optional extension terms). Costs must include all costs, including Teleprocessing Project Office (TPO) costs for project management and for functions that ADOA is retaining, as well as costs for third party expenses and anticipated capital expenditures expressed as cash outlay or lease-to-own costs. Savings may result from anticipated lower rates, reduced labor costs, elimination of duplicated services, etc.;

   - A brief summary of the selected offeror's Method of Approach required by the Special Instructions of the Solicitation, to include their understanding of the Scope of Work and Requirements, proposed implementation and transition plan, their approach to planning and managing the implementation, a description of how the offeror will handle current State employees, their plan to build a converged backbone network, their philosophy on external benchmarking, their methodology used to develop an annual operating plan, their approach to disaster recovery planning, and their approach to service level management including damages and incentives;

   - A list of personnel involved in the implementation and management of privatized telecommunications including job descriptions, roles and responsibilities;

- A description of the exit strategy including potential buy-out costs and any other potential liabilities so that a risk analysis may be performed.

- Recommendation from ADOA/SPO regarding whether they believe award of the contract is in the State's best interests and reasoning for such recommendation.

During their presentation, ADOA staff assured ITAC that the ADOA RFP was fully compliant with conditions imposed by JCCR on the original GITA RFP. While this may be the case, it is GITA's recommendation that you and your staff submit the ADOA RFP to JCCR for review in accordance with the requirements of the law.

ITAC requests monthly status reports from ADOA and delivery of the above noted information to GITA by August 4, 2004.

Best wishes,

Chris Cummiskey

Chris Cummiskey
Director, State CIO

cc: Andre Briere, ADOA
John Adler, ADOA
Charles Grube, AGO
David Jankofsky, OSPB
Shelli Carol, JLBC
Chris Muir, GITA
Frank Somers, GITA