

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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HOUSE OF
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DAVID SCHAPIRA
KYRSTEN SINEMA

**** C A N C E L L E D ****

MOVED TO AUGUST 10, 2010

Wednesday, August 11, 2010
CANCELLED - 9:30 A.M.
Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order
 - [Approval of Minutes of June 16, 2010.](#)
 - DIRECTOR'S REPORT (if necessary).
1. ARIZONA DEPARTMENT OF ADMINISTRATION
 - [A. Review of FY 2011 Building Renewal Allocation Plan.](#)
 - [B. Review of FY 2009 Capitol Mall Fire Alarm Replacement Project.](#)
 - [C. Review of Lewis Prison Water Project.](#)
 - [D. Consider Recommending FY 2011 Quarterly Rent Payments.](#)
 2. ARIZONA STATE UNIVERSITY
 - [A. Review of Building Acquisition Bond Project.](#)
 - [B. Review of Building Renewal Bond Projects.](#)
 3. [ARIZONA GAME AND FISH DEPARTMENT - Review of Remaining Flagstaff Area Shooting Range Project.](#)

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

~~8/3/10~~

sls

8/6/10

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

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

Wednesday, June 16, 2010

The Chairman called the meeting to order at 11:50 a.m., Wednesday, June 16, 2010 in Senate Hearing Room 1. The following were present:

Members:	Representative Kavanagh, Chairman	Senator Pearce, Vice Chairman
	Representative Crandall	Senator Garcia
	Representative Lujan	Senator Melvin
	Representative McComish	
	Representative McLain	
	Representative Schapira	
Absent:	Representative Sinema	Senator Aboud
		Senator Aguirre
		Senator Allen
		Senator Gray

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee, Chairman John Kavanagh stated the minutes of April 27, 2010 would stand approved.

SCHOOL FACILITIES BOARD - Review of \$100 Million Lease-Purchase Issuance.

Mr. Jack Brown, JLBC Staff, stated that this item is a request for the Committee to review \$100 million in statutorily authorized new construction projects to be financed with lease-purchased agreements. This item was heard at the April 27, 2010 meeting at which time it was postponed pending the receipt of further information from the School Facilities Board (SFB).

Mr. Dean Gray, Executive Director, SFB, responded to member questions.

Mr. Grant Hammell, Financial Advisor, Stone & Youngberg, responded to member questions.

The following people spoke on behalf of their school district or school:

- Dr. Andy Rogers, Superintendent, Liberty Elementary School District;
- Tim Carter, Superintendent, Yavapai County Accommodation School;
- Hector Encinas, CFO, Sunnyside School District;

(Continued)

- Bill Johnson, Associate Superintendent, Laveen School District;
- Calvin Baker, Superintendent, Vail School District;
- Jay St. John, Superintendent, Sahuarita School District; and
- Debbi Burdick, Superintendent Cave Creek School District on behalf of Cactus Shadows High School.

Senator Pearce moved that the Committee give a favorable review of the lease-purchase issuance of \$100 million in Qualified School Construction Bonds. In addition, that the Committee give a favorable review of the 9 new construction projects with the provision that the SFB not release funds for the construction of the Laveen Elementary School District and Liberty Elementary School District projects until the Committee reviews the districts' enrollment counts in relation to their capacity. The favorable review includes a provision that SFB submit a final list of the debt service schedule associated with the lease-purchase agreements. The motion carried.

ARIZONA GAME AND FISH DEPARTMENT - Review of Remaining Ben Avery Shooting Facility Improvements.

Mr. Ted Nelson, JLBC Staff, stated that this item is a request from the Arizona Game and Fish Department to expend the remaining \$460,700 of its FY 2010 \$950,000 appropriation for improvements to the Ben Avery Shooting Facility.

Senator Pearce moved that the Committee give a favorable review of the department's request. The motion carried.

Without objection, the meeting adjourned at 1:05 p.m.

Respectfully submitted:

Sandy Schumacher, Secretary

Leatta McLaughlin, Principal Fiscal Analyst

Representative John Kavanagh, Chairman

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

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DATE: August 4, 2010

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Principal Fiscal Analyst

SUBJECT: Arizona Department of Administration – Review of FY 2011 Building Renewal
Allocation Plan

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona Department of Administration (ADOA) requests the Committee review its FY 2011 Building Renewal Allocation Plan. Laws 2010, 7th Special Session, Chapter 2 appropriated \$5,000,000 to ADOA in FY 2011. Of this amount, \$4,000,000 is from the General Fund and \$1,000,000 is from the Capital Outlay Stabilization Fund (COSF).

Recommendation

The Committee has at least the following 2 options:

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

Under either option, the JLBC Staff recommends the provision that ADOA shall report any change in the spending plan to the JLBC Staff, including reallocations between projects and allocations from the contingency plan.

Analysis

Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. The building renewal formula takes into account the replacement value, age, and life-cycle of all structures in the ADOA building system. A total of \$5,000,000 was appropriated to ADOA to fund 15% of building renewal formula in FY 2011. The FY 2011 Building Renewal Allocation Plan consists of the following projects:

(Continued)

FY 2011 Building Renewal Allocation Plan	
<u>Fire Alarm Projects</u>	
ADOA Fire Alarm System Replacement	\$500,000
DPS Fire Alarm System Upgrade	<u>160,000</u>
<i>Subtotal</i>	<i>\$660,000</i>
<u>Roofing Projects</u>	
DJC Adobe Mountain & Black Canyon Roof Replacements	\$275,000
DEQ Vehicle Emissions Inspection Facility Re-Roof	<u>26,000</u>
<i>Subtotal</i>	<i>\$301,000</i>
<u>HVAC Projects</u>	
Supreme Court Thermal Storage System Replacement	\$2,285,300
DHS Heat & Plate Exchanger Replacement	190,000
ASDB "Old" Library/Media HVAC Replacement	<u>140,000</u>
<i>Subtotal</i>	<i>\$2,615,300</i>
<u>Infrastructure Projects</u>	
DOC Central Unit Infrastructure Analysis & Upgrades	\$350,000
DES Coolidge Training Program Sewage Lift-Pump Station	<u>102,700</u>
<i>Subtotal</i>	<i>\$452,700</i>
<u>Other</u>	
Contingency	\$695,000
Construction Services Project Management Costs	275,000
Risk Management Insurance Premium	<u>1,000</u>
<i>Subtotal</i>	<i>\$971,000</i>
TOTAL	\$5,000,000

The following provides an overview of the amounts allocated to different categories of projects. The attached materials submitted by ADOA provide more detail of the individual projects.

Fire Alarm Projects

A total of \$660,000 will be allocated to 2 different projects. Of this amount, \$160,000 will upgrade the Department of Public Safety's fire alarm system as it has surpassed its expected useful life. The remaining \$500,000 will fund Phase II of fire alarm systems replacement in the Capital Mall office buildings. In FY 2009, \$491,000 was appropriated from COSF for Phase I, which is a separate agenda item up for review.

Roofing Projects

A total of \$301,000 will be allocated to 3 different projects to replace roofs that have reached the end of their useful lives and have on-going leaks. One of the projects will replace the roof at the Department of Environmental Quality's vehicle emissions inspection facility while the remaining projects will replace roofs at the Department of Juvenile Corrections' (DJC) Adobe Mountain and Black Canyon facilities.

During the last legislative session, DJC's sunset date was only extended to the end of FY 2011. The Governor's original FY 2011 budget had originally envisioned eliminating DJC and transferring responsibility for the juveniles to the counties. As a result, that discussion is likely to occur again in the next legislative session. The Executive, however, believes that it would be useful to reroof the DJC facilities as they have a significant leakage problem. In addition, the Black Canyon and Adobe Mountain facilities could be transferred to Maricopa County as part of the broader proposal to realign juvenile correction authority to the counties.

(Continued)

HVAC Projects

A total of \$2,615,300 will be allocated to 3 heating and air conditioning related projects. The monies will be used to replace air handlers, plate and frame heat exchanger, and a thermal storage system, which have all reached the end of their useful lives.

Infrastructure Projects

A total of \$452,700 will be allocated to 2 projects. These projects include replacing a roof, conducting a structural analysis, making interim fire and life safety repairs, and repairing a sewer lift station.

Other

In order to cover project management costs for FY 2011 building renewal projects, \$275,000 will be allocated. A total of \$695,000 is allocated for contingency.

RS/LMc:sls

JANICE K. BREWER
Governor



DAVID RABER
Interim Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 N 15TH AVE, SUITE 401
PHOENIX, ARIZONA 85007

(602) 542-1500



July 27, 2010

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

Dear Representative Kavanagh:

The Arizona Department of Administration (ADOA) requests the Joint Committee on Capital Review (JCCR) review ADOA's plan for allocation of the ADOA Building System's FY 2011 building renewal monies of \$5,000,000.

The FY 2011 allocation plan and supporting documentation include (a) a summary of planned projects by agency, project type, short project description, and dollar allocation, and (b) a narrative detailed description of planned projects.

Given the deteriorated conditions of the State's aging mission-critical structures, it is difficult, if not impossible, to identify which building components will fail or to predict the order in which many of these systems will fail. Increasingly, ADOA and its building system agencies undertake repairs and replacements in "crisis mode". To the extent possible, ADOA will anticipate and complete repairs to building systems before imminent failures occur to mitigate interruptions in mission critical business, property damage, and high costs associated with emergency procurements.

In the event of an unexpected failure(s) exceeding ADOA's allocation for Emergency and Imminent Failures planned allocation of \$695,000, ADOA might have to divert monies away from identified specific projects in the allocation plan.

Representative Kavanagh
July 27, 2010
Page 2 of 2

If you have any questions regarding ADOA's plan for the allocation of FY 2011 building renewal, please contact William Hernandez, Assistant Director, ADOA General Services Division, at (602) 364-2872.

Sincerely,

A handwritten signature in black ink, appearing to read 'DR', is positioned above the printed name and title.

David Raber
Interim Director

Attachments

- c: The Honorable Russell Pearce, Vice-Chairman, JCCR
- Richard Stavneak, Director, JLBC
- Leatta McLaughlin, Principal Fiscal Analyst, JLBC
- John Arnold, Director, OSPB
- Jennifer Uharriet, Budget Analyst, OSPB
- Paul Shannon, Assistant Director, ADOA
- William Hernandez, Assistant Director, ADOA
- Nola Barnes, General Manager, ADOA

**FY 2011 Building Renewal Allocation Plan
ADOA Building System**

		FY 2011
<u>Fire & Life Safety</u>		
Public Safety, Department of	Upgrade Fire Alarm System; Replace Halon Fire Suppression System - Compound Computer Building	\$160,000
Administration, Department of	Replace Obsolete and Unsupported Fire Alarm Systems - Capitol Mall Office Buildings - Phase II	\$500,000
	Subtotal	\$660,000
<u>Building Shell (Asset Preservation)</u>		
Environmental Quality, Department of	Re-roof Vehicle Emissions Inspection Facility	\$26,000
Juvenile Corrections, Department of	Black Canyon and Catalina Mountain Schools Roof Replacements	\$275,000
	Subtotal	\$301,000
<u>Building Services</u>		
Judiciary - Supreme Court	Replace Thermal Storage System	\$2,285,300
Deaf & the Blind, Arizona State School for the	*Old Library/Media HVAC Replacement	\$140,000
Health Services, Department of	Replace Heat and Plate Exchanger	\$190,000
Administration, Department of	Emergency and Imminent Failures - ADOA Building System	\$695,000
	Subtotal	\$3,310,300
<u>Infrastructure</u>		
Corrections, Department of	Central Unit infrastructure upgrades	\$350,000
Economic Security, Department of	Sewage Lift-Pump Station - Coolidge Training Program	\$102,700
	Subtotal	\$452,700
<u>Project Management and Risk Management Construction Insurance Premium</u>		
Project Management	Construction Services Project Management Costs	\$275,000
Risk Mgt Insurance	Risk Management Insurance Premium	\$1,000
	Subtotal	\$276,000
Grand Total FY 2011 Building Renewal Appropriation		\$5,000,000

**DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM
FY 2011 BUILDING RENEWAL ALLOCATION PLAN**

FIRE & LIFE SAFETY

\$160,000: Public Safety, Department of – Upgrade Fire Alarm System; Replace Halon Fire Suppression System

The fire alarm system in the DPS Computer Building is approximately 22 years old and has surpassed its expected useful life. The Halon fire suppression system is obsolete and the trouble and alarm reporting features do not provide the precise information that DPS Security or building occupants require to determine specific problem locations, trouble and/or alarms. In the event of a Halon discharge, the fire suppression system would have to be retrofitted or replaced with a compatible and very expensive extinguishing agent, such as Inergen or FM200 as Halon is no longer available due to environmental concerns. These fire and life safety projects are DPS mission critical. Failure to pro-actively undertake these projects could have significant negative public safety impacts. Tragically, a fire, an alarm, or unanticipated power failure could result in the crash of DPS computers and related equipment in Arizona and in other states.

\$500,000: Administration, Department of – Replace Obsolete and Unsupported Fire Alarm Systems – Capitol Mall Office Buildings – Phase II

Working fire alarms are a basic and mandatory need in office buildings. When fire alarm systems are out of commission for extended repair times, the State must employ 24-hour fire watch personnel, usually on an overtime basis. The fire alarm systems in several Capitol Mall buildings are obsolete and parts are not manufactured or supported by alternative sources. In FY 2009, ADOA received a capital appropriation for \$491,000 for Phase I of a multi-year plan to replace obsolete and non-compatible fire alarms systems in its managed buildings. This allocation continues the multi-year phased replacements. Phase II consists of the planned design and construction of non-proprietary fire alarm systems in three buildings, 1200 and 1275 West Washington and 1520 West Adams. As part of Phase I, a Job Order Contract (JOC) has been implemented to enable ADOA to reduce unnecessary levels of engineering, design, and contract procurement time on multi-phased fire alarm projects.

BUILDING SHELL (ASSET PRESERVATION)

\$26,000: Environmental Quality, Department of – Re-Roof Vehicle Emissions Inspection Facility

The roof has exceeded its useful live and no longer effectively seals the structure from rain and leaks. The roof has been leaking for more than 11years. VEIT staff has tried to stop the leaks themselves with cold patch material; however the roof continues to leak. Without replacement of this roof, physical deterioration and repeated leaking will continue to damage the building structure and interior contents including expensive inspection equipment resulting in more significant and frequent Risk Management loss claims. The leaks can damage and render the roof insulation ineffective and can contribute to increased heating and cooling costs. Repeated leaks can lead to toxic mold growth that is often behind drywall systems, above the ceilings, and in the roof structures; particularly wood beams, joists, and decking. The potential costs of structure damage and mold abatement can often exceed the actual cost of the roof membrane.

DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM
FY 2011 BUILDING RENEWAL ALLOCATION PLAN

\$275,000: Juvenile Corrections, Department of – Black Canyon and Catalina Mountain Schools Roof Replacements

The roofs in several buildings at Black Canyon and Catalina Mountain Schools have deteriorated so much that water leaks occur every time it rains causing water damage to walls, floors and ceilings and promoting mold growth. These buildings are inhabitable at times. Maintenance and repair of the roofs has not been successful in stopping the ongoing leaks which will continue to damage the building structure and interior contents of the building as well as pose life safety risks to the youth and staff. The State will avoid costly insurance claims for injury and property loss, extend the life of the asset, and reduce energy cost by using a reflective roof assembly system.

BUILDING SYSTEMS & SERVICES

\$2.28 M: Judiciary, Supreme Court – Replace Thermal Storage System

ADOA allocated \$65,000 of the FY 2008 building renewal appropriation for an engineering design to replace the Arizona Supreme Court building's ice harvester cooling system with three new chillers. The FY 2011 allocation includes \$2.28 million to complete the project. This project includes the construction costs for three 210-ton conventional low temperature chillers, chilled water pumps, piping, electrical work, and a temporary chiller rental for a portion of the installation period. ADOA will commence the procurement process as soon as practical after funding is reviewed.

The existing 20 year old ice harvester system is based on technology used in commercial ice cube making systems. It requires immediate replacement due to its obsolescence and susceptibility for catastrophic failure. The outmoded system is tremendously energy inefficient, utilizes R-22 refrigerant, and has surpassed its useful life, resulting in routine failure. Moreover, the system and its components are no longer manufactured, making repairs difficult, and the R-22 refrigerant is being phased out of use entirely. By January 1, 2010, chemical manufacturers may still produce R-22 to service existing equipment, but not for use in new equipment. By January 1, 2020, manufacturers will no longer be able to produce R-22 to service existing air conditioners and heat pumps.

A catastrophic failure would require the rental of a 500 ton low-temperature chiller and condensing unit to sustain the Supreme Court's business continuity. The closest rental chiller of this size is in Las Vegas, Nevada. Assuming such a contingency chiller was available for rent, delivery to Phoenix would be approximately five days, plus the time required for connection. The rental fee for the chiller would be approximately \$1,000 per day. This project will facilitate conservation of energy.

Several emergency repairs including the replacement of a 185 ton Frick Screw Compressor, totaling approximately \$49,000 has taken place in the last month. This cost does not include any courts building maintenance staff time or overtime required to remediate these emergencies. The system failures and associated emergency repair costs the Supreme Court is currently experiencing are only the beginning of further failures of the courts building cooling system. ADOA strongly recommends the total replacement of the chiller system as soon as possible.

DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM
FY 2011 BUILDING RENEWAL ALLOCATION PLAN

\$140,000: Deaf & the Blind, Arizona State School for the – "Old" Library / Media HVAC Replacement – Tucson Campus

The "old" Library / Media building was constructed in 1979. The 30- year old HVAC equipment is original to the building. The HVAC equipment is obsolete and unable to cool the building. Several functions have been moved temporarily due to the heat and the inability to cool the building. Parts for this unit are becoming increasingly more difficult to find. As an interim measure to mitigate the chance of failure, ASDB has spent over \$4,000 to install an evaporator pressure regulator, a compressor, "un-loaders" on the compressor heads, un-loader control wiring, and sunscreens on west facing windows to reduce the negative impacts of high temperatures. The temporary measures have been largely unsuccessful and the aged and inefficient 25-ton unit is running almost constantly. Imminent catastrophic failure will render the building uninhabitable for students and staff.

\$190,000: Health Services, Department of –HVAC Replacement – State Hospital

The existing 900-ton plate and frame heat exchanger is unable to meet peak demands. Tank bottom corrosion is rendering recent repairs as ineffective. This replacement will include installation of an Aurora X150HV plate and frame heat exchanger and Aurora 411A pump and will be large enough to accommodate cooling of all the buildings serviced by the central plant. Overall energy consumption is expected to dramatically decrease. In addition, patient care and environmental support services will be improved and facilitate compliance requirements for direct patient care Joint Commission Accreditation.

\$695,000: Administration, Department of; ADOA Building System – Emergency and Imminent Failures

In recent years, the amount of funds directed at emergency failures or imminent failures has been growing at an increasing pace. Years of inadequate building renewal funding and aging structures are contributing to an acceleration of costly crisis repairs and replacements that negatively impact state operational efficiencies and budgets. Emergency and crisis repairs and replacements of a variety of equipment also affected mission critical functions of Department of Public Safety, Arizona State Schools for the Deaf and Blind, Juvenile Corrections, the Pioneer's Home, and others. ADOA is allocating \$695,000 for HVAC, plumbing, electrical, and other infrastructure projects. ADOA's strategy is to pro-actively address repairs and replacements of building components on this list *before* equipment failure can result in costly crisis scenario repairs, property damage, and business interruption.

INFRASTRUCTURE

\$350,000: Corrections, Department of – Central Unit Infrastructure Analysis and Upgrades

The General Services building in the Central Unit roof is obsolete and water is penetrating through the structure and down the interior walls into the electrical room. Water stains are visible on the transformer, service entrance, and circuit breaker panels. Staff reports that after a rainy day, standing water accumulates and stagnates on the electrical room floor posing a major life safety concern.

**DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM
FY 2011 BUILDING RENEWAL ALLOCATION PLAN**

Concrete spaulding areas throughout the Central Unit cellblocks are cracked leaving structural steel exposed to the elements. Physical deterioration, including leaks, oxidized roof material, missing or split shingles and tiles, punctures, tears, shrinkage, splitting, missing flashing, stained interior ceilings, sagging and decaying roof structures, and other structural decline continues unabated as a result of years of accumulated deferred routine and major maintenance. Physical deterioration of roofs and building shells beyond their useful lives are subject to repeated leaking that can damage the building structure and its interior contents resulting in significant and frequent claims of loss.

The extent of damage and cost to remedy accumulating life safety and structural issues in the Central Unit are unknown. ADOA recommends using qualified professional structural engineers to conduct a structural analysis and feasibility study on the Central Unit to determine the costs and feasibility of implementing such repairs. Over time, additional funds will be necessary to resolve the deterioration of structures at the Central Unit. This allocation is supported by a recent ADOA Building Inspection report and is made to replace the General Services building roof, conduct a structural analysis of the Central Unit, and to provide interim solutions to some identified life safety issues until additional monies are available.

\$102,700: Economic Security, Department of – Sewage Lift-Pump Station – Coolidge Training Program

The sewer lift station has not been refurbished in over 20 years. The sewer lift station repeatedly malfunctions as a result of deferred major maintenance. The operation waste water treatment plant is dependent upon the existing sewer lift station and an institutional facility requires a properly operating infrastructure to appropriately manage its waste effluent.

PROJECT MANAGEMENT AND RISK MANAGEMENT CONSTRUCTION INSURANCE PREMIUM

\$275,000: ADOA Construction Services Project Management

The FY 2011 Building Renewal appropriation includes up to \$275,000 for project management.

\$1,000: FY 2010 Risk Management Construction Insurance Premium

ADOA Risk Management charges a 0.34% construction insurance premium for projects utilizing engineering and architectural services.

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DATE: August 4, 2010

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Juan Beltran, Senior Fiscal Analyst

SUBJECT: Arizona Department of Administration – Review of FY 2009 Capitol Mall Fire Alarm Replacement Project

Request

Pursuant to A.R.S. § 41-1252, the Arizona Department of Administration (ADOA) requests Committee review of the scope, purpose, and estimated cost of \$491,000 for the replacement of fire alarm systems in 2 Capitol Mall office buildings.

The FY 2009 Capital Outlay Bill (Laws 2008, Chapter 289) appropriated \$491,000 from the Capital Outlay Stabilization Fund (COSF) to ADOA for the replacement of fire systems in state-owned buildings at the Capitol Mall.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of ADOA's request to replace fire alarm systems in 2 Capitol Mall office buildings at an estimated total cost of \$491,000.

Analysis

Laws 2008, Chapter 289 appropriated \$491,000 from COSF to ADOA for the replacement of fire alarm systems at state-owned buildings located at the Capitol Mall. COSF collects monies from rents and tenant improvement charges to agencies occupying state-owned buildings. Monies are used to pay maintenance, utilities, construction, and administrative costs for state-owned buildings. A.R.S. § 41-1252 requires that the Committee review the scope, purpose, and estimated cost before the release of monies for construction of a new capital project costing over \$250,000.

Currently, 14 state buildings and 2 supporting mechanical buildings in the Capitol Mall are equipped with obsolete fire alarm systems. Replacement parts and upgrades are no longer available. ADOA originally proposed a fire alarm system replacement program based on 2 phases. As part of the first phase, ADOA would procure professional services to develop a non-proprietary fire alarm system standard and

(Continued)

specification. Specific projects would then be designed and bid for construction as funding allowed. ADOA proposed funding over at least 3 consecutive years to complete the necessary replacements. The FY 2009 \$491,000 appropriation provides funding for the first year of this multi-year plan. In order to continue this multi-year replacement plan, ADOA is additionally seeking Committee review of \$500,000 to replace fire alarm systems in 3 additional state-owned buildings as part of their separately submitted FY 2011 building renewal agenda item.

ADOA further indicates that of the \$491,000, \$95,000 has been encumbered for design and professional services with the remaining \$396,000 to be applied toward construction of new fire alarm systems in 2 state-owned buildings. These 2 buildings, 1400 W. Washington and 1616 W. Adams, were chosen based on the system's age and current condition. A breakdown of these costs is identified in the table below.

Capitol Mall Fire Alarm Replacement	
Construction Services	\$381,000
Design/Professional Services	95,000
Contingency Allowance	7,100
Asbestos Contracts	6,000
Project Support	<u>1,900</u>
Total Project Cost	\$491,000

ADOA's estimated construction costs were provided by the design engineer and were based on comparable costs of \$2.50 per square foot for similar systems. As a means of comparison, ADOA completed a fire alarm system installation in the Department of Revenue building in 2008 at a cost of \$2.38 per square foot. As a result, ADOA's construction costs appear reasonable.

RS/JB:sls

JANICE K. BREWER
Governor



DAVID RABER
Interim Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 N 15TH AVE, SUITE 401
PHOENIX, ARIZONA 85007
(602) 542-1500

July 27, 2010



The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Kavanagh:

The Arizona Department of Administration (ADOA) requests that the Joint Committee on Capital Review (JCCR) review the scope and cost of the Capitol Mall Fire Alarm replacement project prior to construction. The project includes fire alarm replacements in two buildings utilizing the Job Order contracting method.

Additional information on the proposed project is attached. If you have any questions please contact William Hernandez, Assistant Director, General Services Division, at (602) 364-2872

Sincerely,

A handwritten signature in dark ink, appearing to be "DRABER".

David Raber
Interim Director

Attachments

- c: The Honorable Russell Pearce, Vice-Chairman, JCCR
- Richard Stavneak, Director, JLBC Staff
- Leatta McLaughlin, Principal Fiscal Analyst, JLBC Staff
- John Arnold, Director, OSPB
- Jennifer Uharriet, Budget Analyst, OSPB
- Paul Shannon, Assistant Director, ADOA
- William Hernandez, Assistant Director, ADOA
- Roger Berna, General Manager, ADOA

Capitol Mall Fire Systems Replacement

Background

Laws 2008, Chapter 289, the Capital Outlay Bill, appropriated monies to the Arizona Department of Administration for the replacement of fire alarm systems in various buildings at the Capitol Mall.

The ADOA Capital Improvement Plan proposed a program for fire alarm replacements on a phased basis; first, ADOA would procure professional services to develop a non-proprietary fire alarm system standard and specification, and next, specific projects would be designed and bid for construction as funding allowed. ADOA proposed funding over at least three consecutive years to complete the necessary replacements. The first phase was funded in FY 2009 in the amount of \$491,000.

Information

Fourteen office buildings and two supporting mechanical buildings on the Capitol Mall, including those occupied by the House of Representatives, Senate, Department of Health Services, State Land Department, and Department of Corrections, are currently equipped with eight-to-ten year old Thorn Auto Call fire alarm systems; these systems are obsolete and replacement parts and upgrades are no longer available. ADOA has been maintaining these systems as best as possible by contracting with a sole source vendor as all the components and programming are proprietary. Repairs, when possible, must be made with used parts with no guarantees and when fire alarm systems are out of commission for extended repair times, ADOA must employ 24-hour fire watch personnel, usually on an overtime basis.

Through a competitive solicitation, ADOA hired the firm of LSW Engineers under an indefinite quantity contract to design and specify a standard fire alarm system for the Capitol Mall buildings and to design the specific system for the first two buildings. To best pre-qualify system manufacturers and their certified installing contractors, ADOA opted to create a Job Order Contracting program for fire alarm replacements as allowed under ARS § 41-2578. The Job Order Contracting program will achieve several goals:

- Limit manufacturers to those approved by ADOA
- Standardize systems for ease of operation and maintenance
- Reduce procurement time and cost
- Reduce design time and cost with standard systems and design assistance from contractors
- Improved performance by selecting the most qualified vendors
- Allow multiple vendors for competitive service
- Provide upfront pricing through application of the ADOA standard price book
- Firm, fixed pricing for Job Orders with no contractor generated change orders
- Expedite construction to meet the yearly goals

- High quality workmanship and service due to the desire for additional projects
- Provide the most flexible program to allow variable phases, funded over multiple years
- Offer the ability to expand the program to other agencies utilizing ADOA for project management.

Under Job Order Contracting, the owner develops the construction standards and a price book for the current market value of each installed component. Vendors are selected on the basis of qualifications, and then a discount factor and contract are negotiated. Job Orders are then priced based on the quantities from the price book with the negotiated discount applied. There is no bidding, and ADOA need only confirm the quantities quoted. ADOA now has six vendors under contract representing three different manufacturers.

A total of **\$95,020** has been encumbered to date on the above activities as follows:

Phase One: Engineering cost to develop standards and price book	\$23,320
Phase Two: Design for five buildings.....	\$32,100
Phase Three: Construction Administration for five buildings	\$27,100
Reimbursable Expenses:	\$12,500

TOTAL.....\$95,020

The balance of the appropriation, **\$395,980**, will be applied toward construction of new fire alarm systems in two buildings, as the first two Job Orders under the ADOA program.

Issue

Job Orders for the first two buildings are ready to be issued upon favorable review by the JCCR. Job Orders for the remaining three buildings are included in the ADOA Building Renewal Allocation Plan for funding in FY 2011, submitted separately for JCCR review. As required by the State Procurement Code, the agency procurement officer obtains a cost estimate for the Job Order before requesting a cost proposal from the Job Order Contractor. The engineer has prepared an opinion of probable cost prior to submitting plans to the vendors for a quote. The first two buildings, 1400 W. Washington and 1616 W. Adams were chosen on the basis of the system age and current condition. The accompanying ADOA estimate identifies the project costs to date and the cost to replace the fire alarms at 1400 W. Washington and 1616 W. Adams.

Request

ADOA requests favorable review by the JCCR for the scope and cost of the Capitol Mall Fire Alarm Project as presented prior to construction as required under A. R. S. § 41-1252.

ARIZONA DEPARTMENT of ADMINISTRATION

CONSTRUCTION SERVICES

PROJECT: Capitol Mall Buildings - Fire Alarm System Replacement
 PROJECT NUMBER: 8709
 SENIOR PROJECT MANAGER: Janet Collegio
 GENERAL MANAGER: Roger Berna

DATE PREPARED: August 28, 2008
 REVISED: July 19, 2010

DESCRIPTION	AMOUNT
<u>FUNDING SOURCES:</u>	
INDEX: 54393	
TOTAL FUNDING	\$491,000.00

PROJECT COST:	Cost Code	ESTIMATE	PROJECTED COST AT COMPLETION
<u>Land Acquisition Costs:</u>			
Subtotal		\$0.00	\$0.00
<u>Professional Services:</u>			
A/E Fees - Basic Services		\$40,000.00	\$82,520.00
Reimbursables		\$3,500.00	\$2,500.00
Develop Auto Cad Backgrounds for 5 Buildings (\$2,000 per bldg)			\$10,000.00
Subtotal		\$43,500.00	\$95,020.00
<u>Construction Services (GC):</u>			
1400 W. Washington		\$156,000.00	\$156,000.00
1616 W. Adams		\$225,000.00	\$225,000.00
Subtotal		\$381,000.00	\$381,000.00
<u>Separate Contracts:</u>			
Asbestos - oversight		\$1,000.00	\$1,000.00
Asbestos Abatement		\$5,000.00	\$5,000.00
Subtotal		\$6,000.00	\$6,000.00
<u>Project Support:</u>			
Advertisement Fee		\$250.00	\$250.00
ADOA Project Management Fees			
ADOA Expenses			
Risk Management Fees .0034		\$1,463.70	\$1,838.87
Subtotal		\$1,713.70	\$1,888.87
<u>Contingency Allowance</u>		\$58,786.30	\$7,091.13
Subtotal		\$58,786.30	\$7,091.13
<u>Previous/Future Projects:</u>			
1			
2			
Subtotal		\$0.00	\$0.00
TOTAL PROJECT COST		\$491,000.00	\$491,000.00
<u>Funds Remaining / (Additional Funds Required)</u>		\$0.00	\$0.00

NOTES:

The Project Cost at Completion includes fees to develop construction documents and provide construction administration for a total of five buildings. Funding for construction of the alarm systems in three additional buildings is proposed in the ADOA FY 2011 Building Renewal Allocation Plan submitted for separate review by the JCCR.

STATE OF ARIZONA

Joint Committee on Capital Review

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NANCY MCLAIN
DAVID SCHAPIRA
KYRSTEN SINEMA

DATE: August 4, 2010

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Martin Lorenzo, Principal Fiscal Analyst

SUBJECT: Arizona Department of Administration - Review of Lewis Prison Water Project

Request

Pursuant to A.R.S. § 41-1252, the Arizona Department of Administration (ADOA) requests Committee review of the scope and estimated cost for a new production water well at the Arizona State Prison Complex (ASPC) Lewis. The project is estimated to cost \$2,151,000 and is to be funded by the remaining proceeds from a \$6,800,000 Certificates of Participation (COP) issuance authorized for prison water and wastewater projects in the FY 2008 Capital Outlay Bill (Laws 2007, Chapter 257). To date, the Committee has favorably reviewed the use of \$4,602,800 for a project at each of the Lewis and Tucson prisons.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of ADOA's request to expend the remaining \$2,151,000 in lease-purchase proceeds to construct a new water well at the Lewis prison.

Analysis

The FY 2008 Capital Outlay Bill authorized ADOA to issue up to \$6,800,000 in COPs for state prison water and wastewater projects, which the Committee favorably reviewed and approved in December 2007. Subsequent to the favorable review, ADOA issued \$6,800,000 in COPs to later use on future prison water and wastewater projects. At its October 2008 meeting, the Committee favorably reviewed the use of \$4,602,800 (of the \$6,800,000), including:

- \$1,900,000 for work at ASPC Lewis. Work completed relates to: 1) upgrades and repairs of the current water treatment system, and 2) site work for creating a new well to supply additional water. The item currently under review would expand on the site work previously completed (and favorably reviewed) by constructing a new well.
- \$2,702,800 for work at ASPC Tucson. Work completed included connecting the prison's sewer system with the Pima County sewer system.

(Continued)

Currently, the State Department of Corrections has 2 production water wells which are the sole source of water to the Lewis prison complex. These existing wells were drilled to depths in excess of 500 feet and include various pieces of equipment that allow water to be pumped and filtered for use by the nearly 4,600 inmates housed in the Lewis prison complex. During work related to the upgrade and repair of these existing production water wells, it was found that the:

- existing infrastructure is pumping water at a rate of 375 to 700 gallons per minute, well below the 1,200 gallons per minute required, and
- well equipment and casings, while rehabilitated, are subject to failure due to the water in the area being highly corrosive.

While the areas of corrosion have been patched and the wells are in operation, it is anticipated that additional failures will occur. As a result, ADOA has requested the use of the remaining monies from the COP issuance to construct a new water well. *Table 1* below provides detail on ADOA's expenditure plan for the new water system improvements and is based on an engineers projections as well as a quote from a private vendor.

Table 1	
Arizona Department of Administration	
ASPC-Lewis Water System Upgrades Cost	
	<u>Estimated Cost</u>
Professional Services (engineering)	\$ 211,600
Construction Services	1,610,000
Contracts (APS)	20,000
Project Support Services (ADOA)	31,400
Contingency	<u>278,000</u>
Total	\$2,151,000

The Committee had previously expressed interest in utilizing inmate labor to the extent possible to reduce costs for projects such as this. ADOA has indicated they recently requested in their bid for repairing the water well system located at the ASPC Safford's Fort Grant unit (which this Committee previously favorably reviewed) that the vendors specify which tasks are suitable for the use of inmate labor. While no work on that project would be suitable for inmates, ADOA has indicated they will include a similar request for this project as well.

RS/ML:sls

JANICE K. BREWER
Governor



DAVID RABER
Interim Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 N 15TH AVE, SUITE 401
PHOENIX, ARIZONA 85007
(602) 542-1500

July 27, 2010

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
1700 West Washington
Phoenix, Arizona 85007



Dear Representative Kavanagh:

The Arizona Department of Administration (ADOA) requests that the Joint Committee on Capital Review (JCCR) review the scope and cost for the new Production Water Well project at the Arizona State Prison Complex (ASPC) Lewis. This project proposes to allocate the remaining funds from the \$6.8 million Certificate of Participation issuance for statewide water and wastewater facility upgrades for the Arizona Department of Corrections, to the construction of a third well for the ASPC Lewis prison.

Additional information on the proposed project is attached. If you have any questions please contact William Hernandez, Assistant Director, General Services Division, at (602) 364-2872.

Sincerely,

A handwritten signature in dark ink, appearing to read "DRABER".

David Raber
Interim Director

Attachments

- c: The Honorable Russell Pearce, Vice-Chairman, JCCR
- Richard Stavneak, Director, JLBC Staff
- Leatta McLaughlin, Principal Fiscal Analyst, JLBC Staff
- John Arnold, Director, OSPB
- Jennifer Uharriet, Budget Analyst, OSPB

Representative Kavanagh

July 27, 2010

Page 2

Bill Greeney, Assistant Director, OSPB

Mike Kearns, Assistant Director, ADC

Paul Shannon, Assistant Director, ADOA

William Hernandez, Assistant Director, ADOA

Roger Berna, General Manager, ADOA

Arizona State Prison Complex (ASPC) Lewis Complex Water Production Wells

Background

Laws 2007, Chapter 257, the Capital Outlay Bill, authorized the Arizona Department of Administration to issue up to \$6,800,000 in Certificates of Participation (C. O. P.'s) for state prison water and wastewater projects. At its meeting of October 2, 2008, the JCCR reviewed two projects: 1) connection to the Pima County sewer system for the remaining facilities at the Arizona State Prison Complex (ASPC) Tucson and 2) water infrastructure improvements for the ASPC Lewis in Buckeye.

ASPC Tucson:

The Pima County sewer connection project was complete and accepted July 27, 2009. All prison complex sewage is now conveyed to the Pima County system. In preparation for the clean closure of the on-site waste water treatment plant (WWTP), the existing structures have been pumped, have had sludge removed and have been cleaned and disinfected. Soil testing under the sludge beds was negative for any items of concern and the plan for soil testing under the remaining structures is tentatively approved by the Arizona Department of Environmental Quality (ADEQ). With the concurrence of ADEQ, the remainder of the work to gain clean closure of the existing waste water facility will remain on hold until more critical water and waste water issues at ASPC Lewis are addressed.

ASPC Lewis:

The water infrastructure improvements included the upgrade of the Electrodialysis Reversal (EDR) water treatment system, the evaluation and repair of the two production water wells and the siting of a new well.

ADC staff and inmates with instruction and oversight from GE, installed the new components to refurbish the EDR system. GE then commissioned the system and provided additional training to ADC for the operation and maintenance. This work was complete and accepted November 26, 2009.

The production wells, known as Well #3 and Well #4 are the sole water supply source serving ASPC Lewis and the two former juvenile detention units (Eagle Point School) now occupied by ADC. After testing and evaluation, each well was re-habilitated and re-equipped with new brass pump bowl assemblies and stainless steel well equipment. The wells are back on line and operating.

Funds expended to date

The connection to the Pima County sewer is complete; the total cost is broken out as follows:

Pima County Connection

Design and Engineering Services	\$290,127
Construction.....	\$862,876
Other Contracts	\$11,205
Project Support.....	\$33,221
<u>Pima County Connection Fee</u>	<u>\$1,171,450</u>
TOTAL.....	\$2,368,879

Initial engineering for the clean closure of the ASPC Tucson waste water plant is complete, the structures have been cleaned and sanitized and all waste has been removed; total costs to date are:

ASPC Tucson WWTP Clean Closure

Design and Engineering Services	\$384,723
Sludge Removal	\$49,538
Other Contracts	\$21,684
Project support	\$7,700
<u>Testing Allowance</u>	<u>\$77,915</u>
TOTAL.....	\$541,560

GRAND TOTAL ASPC Tucson.....\$2,910,439

The renovation of the ASPC Lewis EDR system is also complete. During the course of this work, emergency repairs were also required for the two existing water wells. Each well was re-furbished and re-equipped with new brass pump bowl assemblies and stainless steel equipment. Since review by the JCCR, additional engineering services for modifications to the Aquifer Protection Permit (APP) for the site have been added. Brine will no longer be sent through the waste water plant for disposal and the Arizona Department of Environmental Quality (ADEQ) has requested that a modification to the APP be made to reflect actual operations. An additional \$49,000 in design and engineering services have been added to the EDR Plant scope of work for this task. Total costs for the work at ASPC Lewis are broken out as follows:

EDR Plant

Design and Engineering Services (EDR).....	\$58,100
Design and Engineering Services (APP)	\$49,600
Construction.....	\$981,571
<u>Project support</u>	<u>\$19,586</u>
TOTAL.....	\$1,108,857

Well Repair

Design and Engineering Services	\$103,919
Construction.....	\$506,163
<u>Project Support.....</u>	<u>\$19,586</u>
TOTAL.....	\$629,668

GRAND TOTAL ASPC Lewis	\$1,738,525
TOTAL EXPENDED.....	\$4,648,964
BALANCE OF FUNDING.....	\$2,151,036

Issue

The production water wells for ASPC Lewis, known as Well #3 and Well #4 are the sole water supply source serving ASPC Lewis and the two former juvenile detention units (Eagle Point School) now occupied by ADC. During work at the ASPC Lewis site the two production wells experienced a drop in capacity. These two wells were tested and their pumping capacity was discovered to be far below the 1200 gallons per minute (gpm) required by the facility. The pumping capacity was monitored for each well. Well #4 pumping capacity was between 600 – 700 gpm. Well #3 pumping capacity was initially 450 – 550 gpm and later fell to 375 gpm. Based on the testing results, the contracted well driller concluded the water column pipes had one or more holes due to corrosion and that the pump bowl assembly was damaged. The driller also concluded that Well #4 had the similar but less extensive damage.

Equipment at each well was pulled out and evaluated. Well #3 was found to have corrosion penetrating through the column pipe in four locations. Well #4 had similar corrosion. The well pump bowl assemblies were disassembled and inspected. The Well #3 bowl assembly suction bowl was found to be sheared into two pieces. Both pump bowl assemblies were found to be highly worn and in need of replacement. The existing well casings were videoed, brushed and re-videoed prior to placing equipment. Both wells were outfitted with new stainless steel equipment and re-built brass pump bowl assemblies.

Shortly after the two production wells were both back on line, aggregate was found in the water treatment plant filter system indicating a casing failure in one of the wells. Each well was isolated and Well #3 was found to be the source of the aggregate. The well equipment was removed once again and the casing was videoed. The video revealed two new holes in the existing stainless steel casing at approximately 525 feet below ground surface. A corrosion engineer was consulted. The engineer stated corrosion of this nature would be typical with any metal alloys including the stainless steel used when with the current groundwater. Total Dissolved Solid (TDS) concentration levels currently range from 1860 to 2,130 mg/l and chloride concentration levels from 900 to 1,030 mg/l.; meaning very corrosive water. With no way to prevent further corrosion or replace the casing, the holes were repaired using a “swedge” patch. The pump bowl assembly had to be rehabilitated once again due to the damaged caused by pumping aggregate and sand. The well is now in operation, but additional failures should be expected. There is no real way to predict when failures will occur or to even determine the extent of the corrosion damage to the existing stainless steel casings.

A new production well to supplement the two existing wells is needed based on issues experienced to date. Continuous corrosion has led to several well failures at this facility. Either of the two repaired wells could fail unpredictably and the prison would not have adequate water for drinking or fire fighting. Other considerations include the natural gas fired engines that provides power for the wells that are both near end of life and are experiencing excess maintenance and breakdown. The consulting engineer recommends the following scope for the new well:

- Design and engineering
- Construction engineering.
- Drill and develop a new well.
- Provide corrosion resistant alloy inner column and shaft.
- Provide electric motor, pump and discharge head.
- Provide required sounding tubes, piping and valves to connect to existing infrastructure.
- Provide new electrical service through APS.
- Back-up Generator
- Controls
- Site work and fencing.
- Project Support

ADOA's estimate for the above scope is \$1.9 million and is included at an attachment. Unexpended funds totaling \$2.1 million can be applied to the above scope with a remaining \$200,000 contingency.

Request

ADOA requests favorable review by the JCCR of the allocation of remaining funds from the COP issuance to the construction of a new water well for the ASPC Lewis for the scope and cost presented as required under A. R. S. § 41-1252.

ARIZONA DEPARTMENT of ADMINISTRATION

CONSTRUCTION SERVICES

PROJECT: ASPC Lewis Water/Wastewater Construct New Potable Water Well

PROJECT NUMBER: 5505T1.2

DATE PREPARED: July 22, 2010

PROJECT MANAGER: Mike Rank

REVISED :

SENIOR PROJECT MANAGER: N/A

GENERAL MANAGER: Roger Berna

DESCRIPTION	INDEX	AMOUNT
<u>FUNDING SOURCES:</u>		
Laws 2007, Chptr. 257(Cap. Outlay Bill), COP (Part of \$6.8 Issuance of COP)	54392	\$ 2,151,036
TOTAL FUNDING		\$2,151,036

PROJECT COST:

ESTIMATE

PROJECTED COST
AT COMPLETIONLand Acquisition Costs:

Subtotal

\$0

\$0

Professional Services:

Engineering Services - Design, Hydrogeology

150,000

Engineering Services - Construction Specifications and Contract Administration

60,000

Reimbursable expenses

1,600

Subtotal

\$211,600

\$0

Construction Services (GC):

Drill and develop Well (960' depth, 17.5" bore)

900,000

Well casing and equipment

400,000

Electrical

120,000

Site work and fencing

50,000

Generator

100,000

Controls

40,000

\$1,610,000

\$0

Separate Contracts:

APS

20,000

Subtotal

\$20,000

\$0

Project Support:

ADOA Expenses

25,000

0

Risk Management Fee @ .34%

6,261

0

Legal Advertising

150

0

Subtotal

\$31,411

\$0

Contingency Allowance:

\$278,025

Previous/Future Projects:

Subtotal

\$0

\$0

TOTAL PROJECT COST**\$ 2,151,036****\$0**Funds Remaining (Additional Funds Required)

0

2,151,036

NOTES:

Estimate is based on engineer's projections and well driller quote.

STATE OF ARIZONA

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KYRSTEN SINEMA

DATE: August 4, 2010

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Steve Grunig, Fiscal Analyst

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

Request

A.R.S. § 41-792.01 authorizes the Arizona Department of Administration (ADOA), on recommendation from the Joint Committee on Capital Review, to authorize agencies to make their state space rent payments throughout the year rather than at one time to facilitate cash flow. On behalf of 11 state agencies, ADOA requests the Committee recommend allowing the agencies to make quarterly payments in FY 2011 instead of 1 annual payment due at the beginning of FY 2011.

Recommendation

The JLBC Staff recommends that the Committee recommend the proposed FY 2011 quarterly payment plan for the Board of Barbers, Naturopathic Physicians Medical Board, Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers, State Board of Optometry, State Board of Psychologist Examiners, State Boards' Office, Acupuncture Board of Examiners, State Board of Dispensing Opticians, State Board of Funeral Directors and Embalmers, Board of Homeopathic and Integrated Medicine Examiners, and State Board of Podiatry Examiners.

Analysis

The requests on behalf of the 11 agencies would not reduce revenues to the Capital Outlay Stabilization Fund (COSF) since the full rent payments would be paid by the end of the fiscal year. COSF collects monies from rents and tenant improvement charges to agencies occupying ADOA owned buildings. Monies are used to pay maintenance, utilities, construction, and administrative costs for state-owned buildings.

RS/SG:sls

JANICE K. BREWER
Governor



DAVID RABER
Interim Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 N 15TH AVE, SUITE 401
PHOENIX, ARIZONA 85007
(602) 542-1500



July 16, 2010

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona State House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

Dear Representative Kavanagh:

The Arizona Department of Administration (ADOA) requests that the Joint Committee on Capital Review (JCCR) recommend quarterly rent payments for the following agencies in 1400 W. Washington. The request for quarterly payments is being made due to issues with cash flow.

Board of Barbers
Board of Naturopathic Physicians
Nursing Care Institutions Administrative Board
Board of Optometry
Board of Psychologist Examiners
State Boards Administration
Board of Acupuncture Examiners
Board of Dispensing Opticians
Funeral Directors & Embalmers Board
Board of Homeopathic Medical Examiners
Board of Podiatry Examiners

Arizona Revised Statutes §41-792.01.D provides that the ADOA Director, on recommendation of JCCR, may authorize an exemption for periods of one year or more at a time for a state agency from the full payment account transfer requirements if the agency can demonstrate a practice of making full payment of rent on a different basis necessitated by its cash flow.

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

Sincerely,

A handwritten signature in dark ink, appearing to read "DRABER".

David Raber
Interim Director

John Kavanagh
July 16, 2010
Page 2 of 2

- c: The Honorable Russell Pearce, Vice-Chair, JCCR
Richard Stavneak, Director, JLBC
✓ Leatta McLaughlin, Principal Fiscal Analyst, JLBC
John Arnold, Director, OSPB
Jennifer Uharriet, Budget Analyst, OSPB
Michelle Brooks, Accountant, ADOA
Megan Darian, Administrative Services Officer, ADOA
Paul Shannon, Assistant Director, ADOA
William Hernandez, Assistant Director, ADOA
Barbara Pipkin, General Manager, ADOA
Nola Barnes, General Manager, ADOA

STATE OF ARIZONA

Joint Committee on Capital Review

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NANCY McLAIN
DAVID SCHAPIRA
KYRSTEN SINEMA

DATE: August 4, 2010

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Principal Fiscal Analyst

SUBJECT: Arizona State University – Review of Building Acquisition Bond Project

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. Arizona State University (ASU) requests Committee review of a \$11.5 million bond issuance to acquire an office building adjacent to the Tempe campus.

Recommendation

The Committee has at least the following 2 options:

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

Under either option, the JLBC Staff recommends the provision that ASU not issue the bond unless the appraisals are at or below the requested \$11.5 million issuance, along with the following standard university financing provisions:

Standard University Financing Provisions

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

(Continued)

Analysis

ASU plans on purchasing a 4-story office building at 660 S. Mill Avenue in Tempe. It is located in the Centerpoint Commercial Complex, which is located on the northwest corner of Mill Avenue and University and is immediately adjacent to the university's Tempe campus.

Building Details

ASU currently rents 40,735 square feet of the 79,288 square foot Centerpoint office building. ASU currently pays an average of \$24.19 per square foot at this building, which includes both office space and parking spaces. The building has 3 suites that ASU does not currently occupy. Of these 3 suites, 1 is currently unoccupied. The leases for the other 2 suites expire in CY 2012 and CY 2013 at which time ASU will move off-campus employees from 6 potential locations into these suites. Moving off-campus employees into these spaces will result in ASU not having to pay rent at these off-site locations. ASU estimates that this will result in annual rent savings of \$1.4 million in CY 2011.

The university expects operational efficiencies to result from the purchase of the building, such as the consolidation of a number of business and finance operations into a single location, co-locating like academic units, and consolidation of technology and necessary support into a single building.

Financing

The total estimated bond issuance is \$11.5 million, which does not include estimated issuance costs of \$155,000. ASU plans on issuing Aa3 (Moody's)/AA (S&P) rated revenue bonds in the fall of 2010 with an estimated 5% annual interest rate and a term of 15 years. The university estimates annual debt service payments of \$287,500 in FY 2011 and \$1.1 million in each FY 2012 - FY 2026, with a 15-year total cost of \$16.9 million.

The debt service payments will mainly be paid from redirecting ASU's current rent payment of about \$1.0 million at this building to bond payments. In addition, there will be savings from redirecting university funds from off-campus leases since occupants at 6 off-campus locations will potentially be moving into this building. ASU estimates that this will result in annual rent savings of about \$1.4 million in CY 2011. ASU will receive rental income of about \$700,000 in CY 2011 and CY 2012 and about \$170,000 in CY 2013 from 2 tenants currently occupying space in this building as their leases do not expire until CY 2012 and CY 2013.

The asking purchase price for the building was \$14.5 million, however, ASU and the current owner have agreed to a maximum price of \$11.5 million. ASU is currently in the process of getting 2 appraisals of the building, which should be available by the meeting date. According to ASU, the purchase price of the building will not exceed \$11.5 million, which equates to a purchase price of \$145 per square foot. In comparison, an office building on Mill Avenue in Tempe was recently sold for \$135 per square foot, and it was a shell building, which means it had not been completely constructed.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The \$11.5 million revenue bond would increase the ASU debt ratio by 0.07% from 5.1% to 5.17%.

RS/LMc:sls

ASU
ARIZONA STATE UNIVERSITY

July 13, 2010

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



Dear Representative Kavanagh:

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

- FY 2011 Critical Renovation Projects
- Acquisition of Centerpoint Office Building

Enclosed is pertinent information relating to these items.

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

Sincerely,

Morgan R. Olsen
Executive Vice President, Treasurer and Chief Financial Officer

Enclosures

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

OFFICE OF THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

BUSINESS AND FINANCE

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**JCCR Capital Review
Arizona State University
July 2010**

Project Name: ACQUISITION OF CENTERPOINT OFFICE BUILDING

Background

The University currently has a number of off-campus leases that are set to expire over the next one to three years. By relocating these dispersed units into a single facility, both operational efficiency and cost savings can be achieved.

An analysis of available space close to the campus identified an existing structure, close to the Fulton School of Engineering and Applied Sciences, in which ASU is the primary tenant and has invested significantly in information technology and communication capability. Ownership of this asset will take advantage of that investment and reduce potential relocation costs when considering alternative locations.

Project Description

The subject property is a four-story office building built in 1985 as part of the Centerpoint Commercial Complex at the Northwest corner of Mill Avenue and University Drive, immediately adjacent to the Tempe Campus. The building is 79,288 square feet and has use rights to 283 structured parking spaces. The University currently leases 40,735 sq. ft. of space in this building at an average rent of \$24.19 sq. ft. per month, including parking. Two suites, of 16,053 sq. ft. and 7,500 sq. ft., are occupied by other tenants. A third suite of 15,000 sq. ft. is unoccupied. The leases for the two non-ASU tenants expire in 2012 and 2013, respectively. When these leases expire, ASU can relocate other ASU units whose off-campus leases are expiring over the next two years. Additional rental income is anticipated from antenna leases on the building.

ASU projects savings of approximately \$575,000 in the first year and \$550,000 annually thereafter as a result of owning this facility rather than renting comparable space. Ownership provides the opportunity to acquire an asset, stabilize space costs and consolidate dispersed administrative and academic units.

Project Cost:

Total estimated cost	\$ 11,500,000
Gross square feet	79,288
Total cost per square foot	\$ 145

**JCCR Capital Review
Arizona State University
July 2010**

Debt Issuance Information

Project Costs	\$ 11,500,000
Total Issuance Amount	\$ 11,500,000
Assumed Interest rate	5%
Payment term (years)	15

FY 2011 Debt Service (by fund source):	
Other Local Funds	\$ 287,500

FY 2012 to FY 2026 Annual Debt Service (by fund source):	
Other Local Funds	\$ 1,108,000

Total Debt Service (by fund source):	
Other Local Funds net of Tenant Rents	\$ 16,907,500

Date of Issuance	Fall 2010
Anticipated Bond Rating (1)	Aa3/AA

Gifts (not applicable)

Total Gift Amount	NA
Current Pledged Gift Amount	NA
Current Gift In-Hand Amount	NA

Debt Ratio

Debt Ratio on Existing Debt	4.6%
Incremental Ratio for this Project	.06%
Total Debt Ratio	4.7%
Highest Debt Ratio (including CDP)	5.2%

(1) Moody's Investor Service/S&P Rating Services

**JCCR Capital Review
Arizona State University
July 2010**

Acquisition of Centerpoint Office Building

Debt Service Schedule				
Fiscal Year	Payment	Principal	Interest	Outstanding
2011	287,500	0	287,500	11,500,000
2012	1,108,000	533,000	575,000	11,967,000
2013	1,108,000	559,650	548,350	10,407,350
2014	1,108,000	587,633	520,368	9,819,717
2015	1,108,000	617,014	490,986	9,202,703
2016	1,108,000	647,865	460,135	8,554,838
2017	1,108,000	680,258	427,742	7,874,580
2018	1,108,000	714,271	393,729	7,160,309
2019	1,108,000	749,985	358,015	6,410,324
2020	1,108,000	787,484	320,516	5,622,840
2021	1,108,000	826,858	281,142	4,795,982
2022	1,108,000	868,201	239,799	3,927,781
2023	1,108,000	911,611	196,389	3,016,170
2024	1,108,000	957,191	150,809	2,058,979
2025	1,108,000	1,005,051	102,949	1,053,928
2026	1,108,000	1,053,928	54,072	0
Total	16,907,500	11,500,000	5,407,500	

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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HOUSE OF
REPRESENTATIVES

JOHN KAVANAGH
CHAIRMAN 2010
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NANCY McLAIN
DAVID SCHAPIRA
KYRSTEN SINEMA

DATE: August 4, 2010

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Principal Fiscal Analyst

SUBJECT: Arizona State University – Review of Building Renewal Bond Projects

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. Arizona State University (ASU) requests Committee review of a \$28.2 million bond issuance to fund building renewal projects.

Recommendation

The Committee has at least the following 2 options:

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

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

Standard University Financing Provisions

- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.
- ASU shall provide the final debt service schedule for the projects as soon as it is available.

Analysis

The \$28.2 million in projects includes deferred maintenance and renovations. Of this amount, \$5.8 million will be for general building renewal projects, \$8.4 million for academic renovations, and \$14.0 million for lab and research space renovations. The projects would be in addition to the \$33.6 million in

(Continued)

lottery bond building renewal projects that received favorable reviews from the Committee in November 2008 and February 2009, which ASU issued in July 2010.

Financing

The total estimated bond issuance is \$28.2 million, which does not include estimated issuance costs of \$375,000. ASU plans on issuing Aa3 (Moody's)/AA (S&P) rated revenue bonds for the projects in the fall of 2010 with an estimated 5% annual interest rate and a term of 20 years. The university estimates annual debt service payments of \$704,600 in FY 2011 and \$2.3 million in each FY 2012 – FY 2031, with a 20-year total cost of \$45.9 million.

The projects will be funded from tuition and the Indirect Cost Recovery Fund. The annual debt service payments will be comprised of 75% tuition monies and 25% Indirect Cost Recovery monies. The Indirect Cost Recovery Fund includes revenues for indirect costs that may be attributable to specific federal research grants or other projects. The indirect cost recovery rate, an additional charge on each grant, is negotiated between the university and the federal government. The average recovery rate for research projects is approximately 25% of total direct research spending. These monies will primarily be used to pay the debt service on the lab and research space renovations projects. ASU anticipates that renovating these spaces will be able to generate sufficient research to cover 25% of the indirect cost share of the annual debt service.

According to the university, initial work on some of the projects will begin prior to the bond issuance but after Committee review. These expenses will be funded from working capital cash balances, which will be repaid once the bond is issued. Working capital cash balances are derived from tuition, gifts, auxiliary revenues, and other local funds held temporarily with expenses occurring over several months and up to a year later.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The \$28.2 million revenue bond would increase the ASU debt ratio by 0.15% from 5.1% to 5.25%.

Construction Costs

Total project costs are estimated at \$28.2 million. The direct construction costs total \$19.7 million, which includes construction labor and material costs only. Of the remaining \$8.5 million, \$2.8 million is architect fees, \$2.8 million is contingency, and \$2.9 million is furniture and equipment, data infrastructure, and other miscellaneous costs.

The \$19.7 million in direct construction costs include \$4.1 million in general building renewal projects, \$5.8 million in academic renovations, and \$9.8 million in lab and research space renovations. *Tables 1 - 3* below provide a brief description of each project along with the project's direct construction cost, square footage, and direct construction cost per square foot.

General Building Renewal

Of the \$28.2 million in total project costs, \$5.8 million would be for general building renewal projects, of which \$4.1 million is direct construction costs. *Table 1* below provides a brief description of all 7 general building renewal projects, along with the project's direct construction cost, square footage (if applicable), and direct construction cost per square foot.

Many of the proposed projects have a large range of project specifications and comparable projects were not applicable to assess cost. ASU did note that some of their cost estimates have been developed using

(Continued)

information from RS Means, a supplier of construction cost information, and historically comparable ASU projects.

Project	Description	Direct Cost	Sq. Ft.	Direct Cost/Sq. Ft.
Electrical Reliability & Redundancy	Install backup generators & automatic transfer switches. Upgrade and/or modify electrical systems within buildings to increase reliability of power systems.	\$1,518,000	N/A	N/A
Roof Replacement	Replace roofs of several facilities (Tempe campus).	730,000	41,200	\$ 17.72
Sun Devil Stadium Structural Repairs	Further investigation & repairs to extend the useful life of the stadium.	675,000	N/A	N/A
Tunnel & Fire Lane Safety	Replace campus utility tunnel covers with ones that can withstand the weight of modern fire & emergency vehicles.	603,000	22,500 (sq ft of tunnel covers)	26.80
Building Repair	Patch, repair, or replace grout on brick buildings, seal exterior surfaces, & repair or replace window casings. Asbestos or lead paint abatement may be required.	240,400	95,500 (sq ft of exterior space)	2.52
Music Building Fire Alarm Replacement	Replace the building's fire alarm system (Tempe campus).	192,000	384 (# of alarms)	500.00
Birchett House Abatement & Stabilization	Hazardous materials abatement & structurally stabilize the building (Tempe campus).	124,000	N/A	N/A
Total		\$4,082,400	N/A	N/A

Academic Renovations

Of the \$28.2 million in total project costs, \$8.4 million would be for academic renovations projects, of which \$5.8 million is direct construction costs. *Table 2* below provides a brief description of all 10 academic renovations projects, along with the project's direct construction cost, square footage, and direct construction cost per square foot.

ASU plans on renovating 70,400 square feet of academic space at a direct construction cost of \$5.8 million, which results in a direct construction cost per square foot of \$83.03. The Committee last reviewed a university academic renovation project at its February 2009 meeting. At this meeting, the Committee favorably reviewed Northern Arizona University's proposal to renovate their Liberal Arts building at a direct construction cost per square foot of \$107.

(Continued)

<u>Project</u>	<u>Description</u>	<u>Direct Cost</u>	<u>Sq. Ft.</u>	<u>Direct Cost/Sq. Ft.</u>
Coor Hall Academic Department	Modify space to accommodate faculty/staff offices, student work space, an undergraduate computer lab, a graduate student computer lab, a media lab, & shared conferencing space.	\$ 280,000	7,800	\$35.90
Young Scholars Academy	Upgrade HVAC systems, add fire protection, & renovate space to accommodate instructional programs (West campus).	210,000	6,200	33.87
Adaptive Systems Computer Lab	Renovate the Cowden Family Resources building to accommodate a new computer lab, which includes infill of existing viewing windows, asbestos abatement, electrical modifications/distribution, patch and paint, floor covering, mediation, & new furniture.	157,500	1,300	121.15
Enrollment Services/ Admissions/Financial Aid	Renovate the Quad 1 building (East campus).	105,000	2,900	36.21
Classrooms	Renovate classrooms in multiple locations to include fixed seating repair & replacement, alterations to walls, doors, floors & windows, classroom mediation, patching & painting, asbestos abatement, & furniture, fixtures & equipment.	525,000	8,500	61.76
Computing Commons	Renovate space to accommodate instructional space, faculty/staff offices, & research program space needed in Computing Commons to house the Sandra Day O'Connor College of Law & additional university classrooms.	420,000	9,200	45.65
Navy ROTC	Renovate space on the 4 th floor of the Social Sciences building, which will include space to accommodate classrooms, administrative offices, Navigation Operations Laboratory, uniform/equipment storage, locker rooms, & student support functions.	560,000	8,000	70.00
Ceramics Graduate Studio Relocation	Relocate the studio to a 5,500 gross sq ft facility. Renovations of the facility will include offices, design studios, kilns, & indoor/outdoor storage for the department.	700,000	5,500	127.27
Instructional/Research Kitchens	Renovate space in the Nursing & Health Innovation Building Phase 1, which includes an instructional food lab, support spaces, & an instructional classroom.	1,312,500	5,000	262.50
Nursing & Health Innovation	Renovate instructional & office space & build out classroom labs, graduate student areas, & faculty/staff working space.	1,575,000	16,000	98.44
Total		\$5,845,000	70,400	\$83.03 (avg)

Lab and Research Space Renovations

Of the \$28.2 million in total project costs, \$14.0 million would be for lab and research space renovations projects, of which \$9.8 million is direct construction costs. *Table 3* below provides a brief description of

(Continued)

all 4 academic renovations projects, along with the project's direct construction cost, square footage, and direct construction cost per square foot.

ASU plans on renovating 46,200 square feet of lab and research space at a direct construction cost of \$9.8 million, which results in a direct construction cost per square foot of \$212.12. The Committee last reviewed a university lab and research space renovation project at its March 2010 meeting. At this meeting, the Committee favorably reviewed the universities' proposal to renovate the Arizona Biomedical Collaborative building at the Phoenix Biomedical Campus at a direct construction cost per square foot of \$296.

Table 3				
ASU Lab and Research Space Renovations Bond Projects				
<u>Project</u>	<u>Description</u>	<u>Direct Cost</u>	<u>Sq. Ft.</u>	<u>Direct Cost/Sq. Ft.</u>
College of Liberal Arts & Sciences	Renovate multiple wet & dry lab research space to support current & upcoming research. Upgrade building systems including HVAC, code required life-safety upgrades, mechanical, fume hoods, lab gas lines, & electrical.	\$4,550,000	20,900	\$217.70
Ira A. Fulton Schools of Engineering	Renovate multiple wet & dry lab space locations to support current & upcoming research. Upgrade building systems including HVAC, code required life-safety upgrades, mechanical, fume hoods, lab gas lines, & electrical.	2,520,000	11,600	217.24
School of Life Sciences	Renovate multiple wet & dry lab space locations to support current and upcoming research. Upgrade building systems including HVAC, code required life-safety upgrades, mechanical, fume hoods, lab gas lines, & electrical.	1,750,000	8,700	201.15
Research	Renovate wet & dry lab research spaces in multiple disciplines at ASU campuses. Upgrade building systems including HVAC, code required life-safety upgrades, mechanical, fume hoods, lab gas lines, & electrical.	980,000	5,000	196.00
Total		\$9,800,000	46,200	\$212.12 (avg)

RS/LMc:sls

ASU
ARIZONA STATE UNIVERSITY



July 13, 2010

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

Dear Representative Kavanagh:

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

- FY 2011 Critical Renovation Projects
- Acquisition of Centerpoint Office Building

Enclosed is pertinent information relating to these items.

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

Sincerely,

Morgan R. Olsen
Executive Vice President, Treasurer and Chief Financial Officer

Enclosures

c: Richard Stavneak, Director, JCCR
Tom Anderes, President, Arizona Board of Regents
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OFFICE OF THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

BUSINESS AND FINANCE

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**JCCR Capital Review
Arizona State University
July 2010**

JCCR Meeting Date: TBD

Project Name: FY 2011 CRITICAL RENOVATION PROJECTS

Background

ASU plans to undertake a series of bond-financed projects to address its most pressing building renewal issues and academic and research space needs. The total estimated cost of the projects is \$28,182,000, and additional information regarding the projects is provided on the following pages. In accordance with ABOR Policy 7-102.B.1, ABOR approval is not required for these projects, since the estimated cost of each individual building renewal, academic renovation, and lab research space renovation project component is under \$5,000,000. Therefore, Arizona Board of Regents executive summaries are not included with this request.

Initial work on a number of the FY 2011 Critical Renovation Project components will begin prior to the issuance of bonds in order to meet project scheduling requirements. Project expenditures incurred prior to the issuance of bonds will be funded from the University's working capital cash balances, which will be restored upon sale of the bonds.

The FY 2011 Critical Renovation Projects largely impact academic and research facilities, so project scheduling must be coordinated with the academic calendar to support required access to the facilities. Construction of individual project components will commence following JCCR review and are scheduled to be completed over the next 12 to 18 months.

ASU requests JCCR review on the following projects as required by ABOR policy and ARS § 15-1683.

**JCCR Capital Review
Arizona State University
July 2010**

1. Building Renewal

Project Description

This project will allow ASU to address its most pressing building renewal needs. The project will replace roofs on various buildings, and repair underground utility tunnels to allow fire and other emergency vehicles to pass safely over them. The project will make exterior, electrical, and structural repairs at several buildings, and will replace fire alarms. Individual project components include:

- Electrical Reliability and Redundancy
- Roof Replacement
- Sun Devil Stadium Structural Repairs
- Tunnel and Fire Lane Safety
- Building Envelope Repair
- Music Building Fire Alarm Replacement
- Birchett House Abatement and Stabilization

Project Justification

The Building Renewal project must be bond-financed because there is no other funding available, including State of Arizona building renewal funds. In the past 20 years, only 17 percent of ASU building renewal formula requests have been funded, representing a shortfall of over \$238 million. Since the year 2000, ASU has received 6 percent of its funding request. While ASU understands the current budgetary difficulties the State faces, ASU has the responsibility to preserve its facilities in a timely way. Repairing facilities before problems become emergencies can save considerable costs and ensure public safety.

Project Costs

Total estimated project cost	\$ 5,832,000
Estimated construction cost	\$ 4,082,400
Gross square feet affected by this project	Not applicable*
Total cost per square foot	Not applicable*
Construction cost per square foot	Not applicable*

*A cost per square foot is not relevant for the project, as the work entails repairing multiple building components, such as electrical systems, walls, fire alarms, tunnels and foundations, which cannot be calculated on a cost per square foot basis.

The Building Renewal project is not expected to increase annual operation and maintenance costs.

**JCCR Capital Review
Arizona State University
July 2010**

2. Academic Renovations

Project Description

This project will renovate approximately 70,400 gross square feet of classrooms, graduate student space, computer labs, student collaboration spaces, enrollment and student services space, and departmental office space. Renovation activities will vary depending upon the scope of the individual project component. Renovations include demolition, asbestos abatement, construction of finished spaces (walls, ceiling, flooring, lighting, HVAC), systems furniture, signage and data connections. If necessary, life safety improvements such as adding fire sprinklers, upgrading fire alarms, and other life safety changes will be addressed to bring the space into compliance with current building and fire codes. Individual project components include:

- Coor Hall Academic Department Renovation
- Young Scholars Academy Renovation
- Complex Adaptive Systems Initiative Computer Lab Renovation
- Enrollment Services/Admissions/Financial Aid Renovation
- Classroom Renovations
- Computing Commons Academic Renovation
- Navy ROTC Renovation
- Ceramics Graduate Studio Relocation
- Instructional/Research Kitchens Renovation
- Nursing and Health Innovation Instructional and Office Renovation

Project Justification

The Academic Renovation project is designed to benefit the academic mission of the University directly by providing updated and growth space for academic programs that will allow for better student/faculty interaction and learning experiences. With the growth, consolidation, and relocation of academic programs, there is a pressing need to upgrade and repurpose facilities to meet the needs of students and faculty and improve the academic experience of ASU students.

The Academic Renovation project will allow ASU to address additional space requirements due to enrollment growth and to comply with new technical requirements. The project will enhance building quality with improved faculty space and a better classroom experience for students, and will address deferred maintenance.

**JCCR Capital Review
Arizona State University
July 2010**

Project Costs

Total estimated project cost	\$ 8,350,000
Estimated construction cost	\$ 5,845,000
Gross square feet affected by this project	70,400
Total cost per square foot	\$ 119
Construction cost per square foot	\$ 83

The Academic Renovation project is not expected to increase annual operation and maintenance costs.

3. Lab and Research Space Renovations

Project Description

Many existing research laboratories and research building systems are inadequate to meet the needs for today's sponsored research competitions. The poor condition of the spaces and age of the building systems renders ASU grant proposals less competitive. This project will ensure facility systems can meet research demands and will bring areas into code compliance where required.

Lab and research space renovations are required to support sponsored grant applications and to support hiring of new faculty. This project will support renovating facilities to meet the specific research needs of new faculty and to ensure competitiveness of grant applications. Expanding research opportunities and competition for new faculty create ongoing pressures to update and renovate laboratory space.

The Lab and Research Space Renovations project will address approximately 46,200 square feet of laboratory space in several buildings. The renovations will provide the University state-of-the-art research facilities for highest priority research areas. Renovations may include demolition, asbestos abatement, construction of finished spaces (walls, ceiling, flooring, and lighting), lab-specific FF&E, upgraded building systems, fume hoods, signage and data connections. If necessary, life safety improvements such as adding fire sprinklers, upgrading fire alarms, and safety showers/eye wash stations, will be addressed to bring the space into compliance with current building and fire codes.

Project Costs

Total estimated project cost	\$ 14,000,000
Estimated construction cost	\$ 9,800,000
Gross square feet affected by this project	46,200
Total cost per square foot	\$ 303
Construction cost per square foot	\$ 212

This project is not expected to increase annual operation and maintenance costs.

**JCCR Capital Review
Arizona State University
July 2010**

Debt Issuance Information

Project Costs	\$ 28,182,000
Total Issuance Amount	\$ 28,182,000
Assumed Interest rate	5%
Payment term (years)	20

FY 2011 Debt Service (by fund source):

Tuition	\$ 529,550
Indirect Cost Recovery	<u>175,000</u>
Total FY2011 Debt Service	\$ 704,550

FY 2012 to FY 2031 Annual Debt Service (by fund source):

Tuition	\$ 1,699,700
Indirect Cost Recovery	<u>561,700</u>
Total FY 2012 to FY 2031 Annual Debt Service	\$ 2,261,400

Total Debt Service (by fund source)

Tuition	\$ 34,523,550
Indirect Cost Recovery	<u>11,409,000</u>
Total Debt Service	\$ 45,932,550

Date of Issuance	Fall 2010
Anticipated Bond Rating (1)	Aa3/AA

Gifts (not applicable)

Total Gift Amount	NA
Current Pledged Gift Amount	NA
Current Gift In-Hand Amount	NA

Debt Ratio

Debt Ratio on Existing Debt	4.6%
Incremental Ratio for this Project	.1%
Total Debt Ratio	4.7%
Highest Debt Ratio (including CDP)	5.2%

(1) Moody's Investor Service/S&P Rating Services

**JCCR Capital Review
Arizona State University
July 2010**

FY 2011 Critical Renovation Projects

Debt Service Schedule				
Fiscal Year	Payment	Principal	Interest	Outstanding
2011	704,550	0	704,550	28,182,000
2012	2,261,400	852,300	1,409,100	27,329,700
2013	2,261,400	894,915	1,366,485	26,434,785
2014	2,261,400	939,661	1,321,739	25,495,124
2015	2,261,400	986,644	1,274,756	24,508,480
2016	2,261,400	1,035,976	1,225,424	23,472,504
2017	2,261,400	1,087,775	1,173,625	22,384,729
2018	2,261,400	1,142,164	1,119,236	21,242,565
2019	2,261,400	1,199,272	1,062,128	20,043,293
2020	2,261,400	1,259,235	1,002,165	18,784,058
2021	2,261,400	1,322,197	939,203	17,461,861
2022	2,261,400	1,388,307	873,093	16,073,554
2023	2,261,400	1,457,722	803,678	14,615,832
2024	2,261,400	1,530,608	730,792	13,085,224
2025	2,261,400	1,607,139	654,261	11,478,085
2026	2,261,400	1,687,496	573,904	9,790,589
2027	2,261,400	1,771,870	489,530	8,018,719
2028	2,261,400	1,860,464	400,936	6,158,255
2029	2,261,400	1,953,487	307,913	4,204,768
2030	2,261,400	2,051,162	210,238	2,153,606
2031	2,261,400	2,153,606	107,794	0
Total	45,932,550	28,182,000	17,750,550	

STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: August 4, 2010

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Ted Nelson, Assistant Fiscal Analyst

SUBJECT: Arizona Game and Fish Department – Review of Remaining Flagstaff Area
Shooting Range Project

Request

Pursuant to A.R.S. § 41-1252, the Arizona Game and Fish Department (AGFD) requests Committee review of \$607,600 to begin construction of a shooting range on the Foster Ranch property east of Flagstaff. In March, the Committee reviewed the land acquisition for this project.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review to the department's request to expend \$607,600 for the construction of a Flagstaff area shooting range. These monies are not available to help resolve the FY 2011 budget shortfall due to federal regulations that restrict their use.

Analysis

A.R.S. § 41-1252 requires that the Committee review the scope, purpose, and estimated cost before the release of monies for construction of a new capital project costing over \$250,000. Laws 2001, Chapter 237, and Laws 2004, Chapter 276, appropriated AGFD a total of \$1,800,000 from the Game and Fish Capital Improvement Fund for development of a shooting range in the Flagstaff area. AGFD is currently completing the acquisition of the 165 acre Foster Ranch property east of Flagstaff for development of a shooting range. This acquisition was reviewed by the Committee at its March 23, 2010 meeting and cost AGFD approximately \$1,192,400, including the pre-acquisition, design, and land purchase costs.

(Continued)

The department is now seeking review of the remaining \$607,600 for Phase 1 of construction, which is projected to begin in October and be completed in the fall of 2011. Of this amount, \$119,600 would be used towards the construction of access roadway and parking, \$210,000 would pay for safety and impact berms that would line the shooting range, \$60,000 would be used to pay for laying concrete pads, \$42,000 would pay for construction of restroom facilities, and \$176,000 is budgeted for the construction of a cover for the public shooting range. These facilities have been highlighted on the agency's preliminary conceptual site plan included in this agenda.

Additional construction phases would take place at a later date and require an additional appropriation. Preliminary site plans indicate that various additional shooting ranges, an RV campground, and other facilities would be added during further construction phases if there is sufficient demand for those facilities. Funding sources for additional construction phases will be determined when the agency determines there is sufficient need to expand the facility.

RS/TN:sls



THE STATE OF ARIZONA
GAME AND FISH DEPARTMENT

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June 8, 2010

Representative John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
Capitol Complex
1700 W. Washington
Phoenix, AZ 85007-2890



Re: Request for Placement on Joint Committee on Capital Review Agenda

Dear Representative Kavanagh:

The Arizona Game and Fish Department respectfully requests the addition of the following item to its previous request (dated May 24, 2010) to be on the next scheduled agenda of the Joint Committee on Capital Review to review the following:

1. Approval To Expend Remaining Funds in FY 2002 Appropriation No. 03023 – Flagstaff Shooting Range Development (\$107,638) and FY 2003 Appropriation 03026 – Flagstaff Shooting Range Development (\$499,900)

The information for this review is attached.

Sincerely,


Fred J. Bloom, P.E.
Chief Engineer

FJB:fb

cc: John Arnold, Director, OSPB
Bill Greeney, OSPB
Richard Stavneak, Staff Director, JLBC
Leatta McLaughlin, JLBC
Ted Nelson, JLBC
Tony Guiles, AGFD

Enc.

Background

The Arizona Game and Fish Department (Department) is currently completing the acquisition phase of the 165 acre Foster Ranch property east of Flagstaff. This site is being acquired to fulfill the Departments long standing commitment to building a public shooting range in northern Arizona, specifically within close proximity to Flagstaff. The Department plans to initiate construction this summer on the first phase of the shooting range. This project will provide developed site access, parking, restrooms, drainage and a functional public range facility. A preliminary cost estimate is provided below and conceptual site rendering attached. *(Note that considerable leverage of the appropriated funds will be realized through an existing donation account (~\$70,000), work performed by Department Heavy Equipment crews (force account) and donated materials, equipment and volunteer labor from local user groups. The value of these resources is not quantified in the estimate below.)*

NORTHERN ARIZONA SHOOTING FACILITY PHASE I – CONSTRUCTION COST ESTIMATE

Access Roadway and Parking: 1,700 L.F. – 24 FT. wide = 40,800 ft² = 4600 yd²
(4600)50.00/yd² for 2 lane gravel road = \$230,000.00

Berm construction @ 50, 100, 100-200 yard ranges = approximately 2,700 L.F.
Use 3,000 L.F. @ \$70.00/L.F. for 20 foot tall berm = \$210,000.00

Concrete pad for public range = 18,000 ft² = 2,000 yd²
4" thick concrete, Use 30.00/yd²
30.00 (2000) = \$60,000.00

Rest rooms CTX Precast = \$32,000.00
Placement = \$10,000.00
Total = \$42,000.00

Cover for public range
20'X440' = 8,800 ft² @ \$20.00/ft² = 176,000.00

TOTAL COST = \$718,000.00



NORTHERN ARIZONA SHOOTING FACILITY PRELIMINARY CONCEPTUAL SITE PLAN MAY 2010

