

STATE OF ARIZONA

Joint Committee on Capital Review

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JOINT COMMITTEE ON CAPITAL REVIEW

Thursday, August 16, 2007

1:30 p.m.

Senate Appropriations Room 109

MEETING NOTICE

- Call to Order
- [Approval of Minutes of June 19, 2007.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [ARIZONA STATE PARKS BOARD - Review of State Lake Improvement Fund Projects.](#)
- 2. [SCHOOL FACILITIES BOARD - Review of FY 2008 New School Construction Report.](#)
- 3. [ARIZONA STATE UNIVERSITY - Review of Revised Scope of Academic Renovations and Deferred Maintenance Phase IIB Bond Project.](#)
- 4. [ARIZONA DEPARTMENT OF ADMINISTRATION - Review of FY 2008 Building Renewal Allocation Plan.](#)

The Chairman reserves the right to set the order of the agenda.
8/8/07

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

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

Wednesday, June 19, 2007

The Chairman called the meeting to order at 9:17 a.m., Tuesday, June 19, 2007 in Senate Appropriations Room 109. The following were present:

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

Absent:	Representative Boone
	Representative Groe
	Representative Lujan

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee, Chairman Robert Burns stated the minutes of May 16, 2007 would stand approved.

ARIZONA STATE UNIVERSITY – Review of Revised Scope of Academic Renovations and Deferred Maintenance Phase IIA Bond Projects

Ms. Leah Ruggieri, JLBC Staff, presented the Arizona State University (ASU) request for review of a scope revision to a project within the Deferred Maintenance Phase IIA bond issuance. The project was originally favorably reviewed by the Committee in August 2006. The project in particular is the Physics Chair Renovation Project. When this project was first brought to the Committee in August 2006, it encompassed 2,300 square feet with a total cost of \$1.1 million. ASU would like to change the scope to accommodate renovations for about 4,500 square feet at a new cost of \$1.9 million, a \$750,000 cost increase. This new cost increase and square footage is associated with additional research requirements for nanotechnology thin-film processing and associated renovations to accommodate the lab. ASU proposes to finance the increase by using previously unallocated funds from the Academic Renovations and Deferred Maintenance Phase IIB bond issuance, which was favorably reviewed by the Committee in January 2007. The JLBC Staff is recommending a favorable review of ASU's scope revision to the specific Physics Chair Renovation Project.

There was no discussion on this item.

Representative Pearce moved the JLBC Staff recommendation that the Committee give a favorable review to the scope revision for the Physics Chair Renovation project within the Academic Renovations and Deferred Maintenance Phase IIA with the following standard university financing provisions:

- *ASU shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add alternates that do not expand the scope of the project.*
- *ASU shall submit for Committee review any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add alternates that expand the scope of the project. In case of an emergency, ASU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. The JLBC Staff will inform the university if they do not agree with the change of scope as an emergency.*
- *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any auxiliary revenues that may be required for debt service, or any operations and maintenance costs when the project is complete. Auxiliary funds derive from substantially self-supporting university activities, including student housing.*
- *ASU shall not use bonding to finance any repairs whose typical life span is less than the bond repayment period. Such repairs include, but are not limited to new flooring and painting. The exceptions to this stipulation are circumstances where such repairs are required to complete a major renovation.*

The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION – Review of Asphalt Storage Tanks Project.

Mr. Bob Hull, JLBC Staff, presented the Arizona Department of Transportation (ADOT) request for review of the Asphalt Storage Tanks Project. ADOT will install 4 asphalt storage tanks, concrete containment basins, and dispose of the existing tanks. The JLBC Staff recommends a favorable review of the \$1,082,800 for the project, leaving a remaining balance of \$98,400 in the original appropriation. JLBC Staff also recommends ADOT report the use of any of the remaining balance or the \$134,800 contingency for a different project.

There was no discussion on this item.

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

NORTHERN ARIZONA UNIVERSITY – Review of Dining Expansion Bond Project.

Ms. Amy Strauss, JLBC Staff, presented the review of the Northern Arizona University (NAU) dining expansion bond project. The project would expand the University Union dining facilities located on the NAU main campus in Flagstaff. Statute requires Committee review of any university capital projects financed with system revenue bonds. The JLBC Staff recommends a favorable review with the standard financing provisions. NAU would issue about \$9.5 million in system revenue bonds later this summer, which is also the total project cost of the expansion. The issuance has a AA credit bond rating with an interest rate of about 5% with a 30-year term.

Discussion ensued on the capacity needs analysis conducted to support the expansion of dining facilities.

Ms. Christy Farley, Director of Government Affairs, NAU and Mr. Mark Flynn, Executive Director of Capital Assets and Services, NAU, responded to member questions.

Representative Kavanagh moved that the Committee take no action on this item pending JLBC Staff review of existing data. The motion failed.

Representative Pearce moved the JLBC Staff recommendation that the Committee give a favorable review to the dining expansion project with the following standard university financing provisions:

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

The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION – Review of De-Icer Buildings Project.

Mr. Bob Hull, JLBC Staff, presented the review of the Arizona Department of Transportation (ADOT) project to install 4 de-icer buildings. The JLBC Staff recommends that the Committee give a favorable review of \$1,478,000 for the project and that ADOT report on the use of any of the \$200,800 in the contingency for any new project.

Discussion ensued on this item.

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

Without objection, the meeting adjourned at 10:16 a.m.

Respectfully submitted:

Yvette Medina, Secretary

Lorenzo Martinez, Assistant Director

Senator Robert Burns, Chairman

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

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DATE: August 8, 2007

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

THRU: Richard Stavneak, Director

FROM: Matt Busby, Fiscal Analyst

SUBJECT: Arizona State Parks Board – Review of State Lake Improvement Fund Projects

Request

Pursuant to A.R.S. § 5-382, the Arizona State Parks Board requests Committee review of State Lake Improvement Fund (SLIF) capital grants and projects totaling \$2,452,100. Of that amount, \$1,500,000 would be for planning a new recreation area near the current Lake Havasu State Park. The remaining \$952,100 would be used for the replacement of water mains and to provide electricity and potable water to the existing campsites at Lake Havasu State Park. Of this amount, \$452,100 is unused portions of previously awarded SLIF grants.

This memo is essentially unchanged from the cancelled July 19, 2007 meeting.

Recommendation

The JLBC Staff recommends a favorable review of the portion of the Parks Board request concerning \$952,100 for improvements in existing facilities at Lake Havasu State Park.

The Committee has at least the following 2 options for the separate \$1,500,000 project to plan for a new recreation area to be called Contact Point:

- 1) A favorable review of the Parks Board request for the planning and design of Contact Point with the condition that the favorable review does not constitute an endorsement of General Fund support of the project in the future. The basis for a favorable review would be that the proposal is an allowable use of SLIF monies and there are sufficient SLIF monies available for planning.
- 2) An unfavorable review. The basis for an unfavorable review is that there is insufficient information regarding the need, capacity, and financial impact of the project for the Committee to evaluate the request. The total cost of the project is estimated to be approximately \$19 million and the long-term financing implications are unclear.

(Continued)

As an alternative, the Parks Board could report back to the Committee after conducting a smaller-scale study to assess the need for project, including how the project would affect the boat capacity of the lake. The report would include an analysis of the amount of revenue that would be generated by the new facility, along with a long-term financing plan. Upon reviewing that information, the Committee may be in a better position to assess the merits of the project before committing \$1.5 million.

Analysis

Recent SLIF History and the Current Request

SLIF receives its revenue from a portion of watercraft license fees and an allocation of gasoline tax attributable to watercraft use. Monies in the fund are available to state agencies, counties, and local governments for capital improvement projects and acquisitions of real property on waters where gasoline-powered boats are permitted.

The Arizona Outdoor Recreation Coordinating Commission (AORCC), established under A.R.S. § 41-511, reviews eligible projects and presents a list of recommendations to the Arizona State Parks Board. The Parks Board then submits proposed capital projects to the Committee for review, as required by A.R.S. § 5-382.

Current AORCC guidelines establish that no more than 30% of grant/project allocations may go to the Parks Department, and that no other applicant may receive more than 20% of available grant resources in a given grant cycle. Using the evaluation criteria, AORCC and the Parks Board have approved both projects for funding in FY 2007 at a total cost of \$2,452,100.

Contact Point Development Planning

The Parks Board requests \$1,500,000 to contract for the planning of the development of Contact Point recreation area located approximately 4 miles south of Lake Havasu State Park. Lake Havasu is a man-made lake along the Colorado River. The Contact Point recreation area would be located on undeveloped land owned by the Parks Board. However, part of the roadway that would be used to access the recreation area is located on Bureau of Land Management (BLM) land.

The Parks Board expects to use SLIF dollars in the future to fund part of the construction of the development. However, it is possible that some of the local stakeholders will also contribute to the development costs. The Parks Board estimates the cost for the construction of Contact Point to total \$19,380,000. Of that amount, the Parks Board expects to request \$17,180,000 in future SLIF grant cycles. However, the project cost would have to be spread out over several years as SLIF monies are available (see below) and because current AORCC guidelines limit the Parks Board to 30% of SLIF allocations each year. It is important to note that the amounts are Parks Board estimates and that the planning and design of the overall project will ultimately determine the cost.

The Parks Board reports that the development at Contact Point is needed because congestion at Lake Havasu State Park forces traffic to back up onto Highway 95 as people are waiting to enter the park. They state that the problem is most severe on holidays in the summer months and to a lesser degree on weekends. On holidays, the park reportedly closes its gates by 9:30 A.M. and opens the gates mid-afternoon as soon as people leave and there are available parking spaces. On a typical summer weekend, they report that the park closes the gates and stops admitting boaters around 12 P.M. This results in a potential loss of revenue to the Parks Board. The Parks Board suggests that the development of Contact Point along with the new road will allow for the excess traffic to wait on the new roadway instead of Highway 95 and additional boat launch ramps would allow for more boaters on the lake.

(Continued)

Listed below are the various projects at Contact Point along with the estimated cost for each:

- Pavement of Dirt Road on BLM land - \$2,200,000. Funds will come from the Parks Board's Arizona Department of Transportation account. Currently, the road is unpaved and is used to access BLM's dock on the lake. The road is approximately 1 mile long.
- Site preparation including grading and other earthwork - \$1,500,000.
- Marina, Fueling Station, and Boardwalk - \$5,430,000. The Parks Board would construct the new Marina using SLIF funds and is considering contracting with a private concession company to operate the Marina. The Parks Board has a similar arrangement at Kartchner Caverns. The Parks Board contracts with a private concessions vendor and retains anywhere between 3% and 27% of the revenues from the Kartchner Caverns gift shop. A similar contractual arrangement could be used at the Contact Point marina and would potentially provide revenue to the Parks Board.
- Marina Parking Lot - \$1,750,000.
- Beach Area - \$1,000,000. Retaining walls and erosion control is required to maintain the beach.
- Day Use Area - \$2,500,000. This area would include amenities similar to other areas in the Lake Havasu State Park, including picnic tables, ramadas, restrooms, etc.
- Potable and Wastewater Services - \$2,500,000.
- Boat Launch Area - \$2,500,000.

Capacity Issues

The Parks Board states that the project at Contact Point is needed to relieve congestion at Lake Havasu State Park. Developing another recreation area on the lake will increase the number of boats, which raises the question of the lake's carrying capacity. The Parks Board reports that there have not been definitive studies on the boat capacity on Lake Havasu, however, there have been a number of local and federal agency studies related to utilization of the lake. In 2005, the BLM reported that boat densities on the lake ranged from 86.2 to 102.6 boats per square mile on holiday weekends and 54.8 boats per square mile on average weekends in August. The lake covers approximately 21,000 surface acres, or 33 square miles. Based on the boat densities above, as many as 3,400 boats were found on the lake on holiday weekends. On average August weekends, there were approximately 1,800 boats. BLM also reported the average separation distances between boats varied from 255 to 312 feet and a location preference measure showed that 75% of all boating activity is located within 33-53% of the lake.

The Parks Board reports that Lake Havasu has the highest utilization of any lake in Arizona and that boat densities listed above are relatively high. They state that despite the high boat densities, however, boaters continue to use the lake. As stated above, the lake covers approximately 33 square miles. Although the Parks Board acknowledges that it appears that boaters at Lake Havasu prefer the company of other boaters, resulting in higher boat densities in some areas of the lake, they also believe opening a new recreation area at Contact Point may encourage boaters willing to travel further distances to utilize other areas.

Lake Havasu State Park Improvements

The Parks Board requests \$500,000 of new SLIF funds and \$452,100 of unused monies from previously awarded grants for capital improvements at Lake Havasu State Park's existing facilities. The monies would be used to install new 8-inch water mains with 9 hydrants and provide electricity and potable water to all 47 campsites throughout the park. Currently the park has 4-inch water mains for fire suppression. The Parks Board was recently notified by the Fire Marshall that these mains were insufficient and need to be upgraded to 8-inch mains to remain in compliance. No current campsites have electricity or potable water.

The total cost of this project is estimated to be \$1,020,000. The new monies requested and the unused portions of previous SLIF grants total \$952,100. Of the \$452,100 of unused monies, \$250,000 was reviewed by the Committee last November for the replacement of the water mains, but estimates of the

(Continued)

total cost were too low. The remaining \$202,100 was reviewed by the Committee in December 2001 for projects at Lake Havasu State Park but was never expended. The Parks Board anticipates using other fund sources for the \$67,900 balance of the total projected cost, although it is currently unclear which funds would be used.

Status of the Fund

The Parks Board estimates the uncommitted SLIF will have a FY 2007 ending balance of \$13.6 million, prior to consideration of the \$2.5 million request. This amount has been adjusted for prior year obligations. (*See Attachment A.*)

This balance would be available for FY 2008 operating and capital expenditures. In FY 2007, new capital expenses were \$4.0 million and operating expenses were \$3.0 million. If similar amounts are expended again in FY 2008 for these items, approximately \$6.6 million would remain for the Parks Board's current \$2.5 million request.

Annual fund revenues are currently \$9.5 million. At this level, full development of Contact Point would require almost 2 years worth of new revenues. Given current AORCC policy limiting the Parks Board to 30% of project grants, it would require 6 years or more to fund the project through SLIF grants.

RS/MB:ym

Fund Availability for Parks Board Request State Lake Improvement Fund	
FY 2006 Ending Balance	\$19,060,000
Prior Year Obligations	(7,882,800)
Grants Approved by JCCR last November	(4,015,800)
FY 2007 Operating Expenditures	(3,000,000)
Estimated FY 2007 Revenue	<u>9,500,000</u>
Estimated FY 2007 Ending Balance	\$13,661,400
Possible FY 2008 Uses: *	
FY 2008 Operating Expenditures	\$(3,000,000)
Estimated New FY 2008 SLIF Awards	<u>(4,000,000)</u>
Estimated FY 2008 Fund Availability	\$6,661,400 **
* Assumes FY 2008 expenditure plan similar to FY 2007. ** Amount available for State Parks Board request.	



Senator Robert L. Burns, Chair
Joint Committee on Capital Review
Arizona House of Representatives
1700 West Washington
Phoenix, Arizona 85007



Janet Napolitano
Governor

**State Parks
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Flagstaff

Arlan Colton
Tucson

William C. Scalzo
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William C. Porter
Kingman

Mark Winkleman
State Land
Commissioner

Kenneth E. Travous
Executive Director

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Director's Office Fax:
602.542.4188

RE: State Lake Improvement Fund Project Review

Dear Senator Burns:

On behalf of the Arizona State Parks (ASP) Board, I submit \$2 million of State Lake Improvement Fund projects per A.R.S. §5-382 to the Joint Committee on Capital Review. Funding for these projects comes from a portion of the fuel sales tax attributable to gas-powered boating, and watercraft registration fees.

These monies are in excess of the grant program needs for this year and would allow us to address issues surrounding Lake Havasu. ASP has one of the last developable pieces of land on the lake. Various entities (see enclosure) have requested that ASP develop this property at Contact Point to address traffic congestion, both on land and on the water, safety and law enforcement, as well as economic development. ASP would like to move forward in addressing these issues and to proceed with the planning process. The \$1.5 million should address this process and a portion of the future development costs. In addition, approximately \$500,000 would be used for improvements at Lake Havasu State Park.

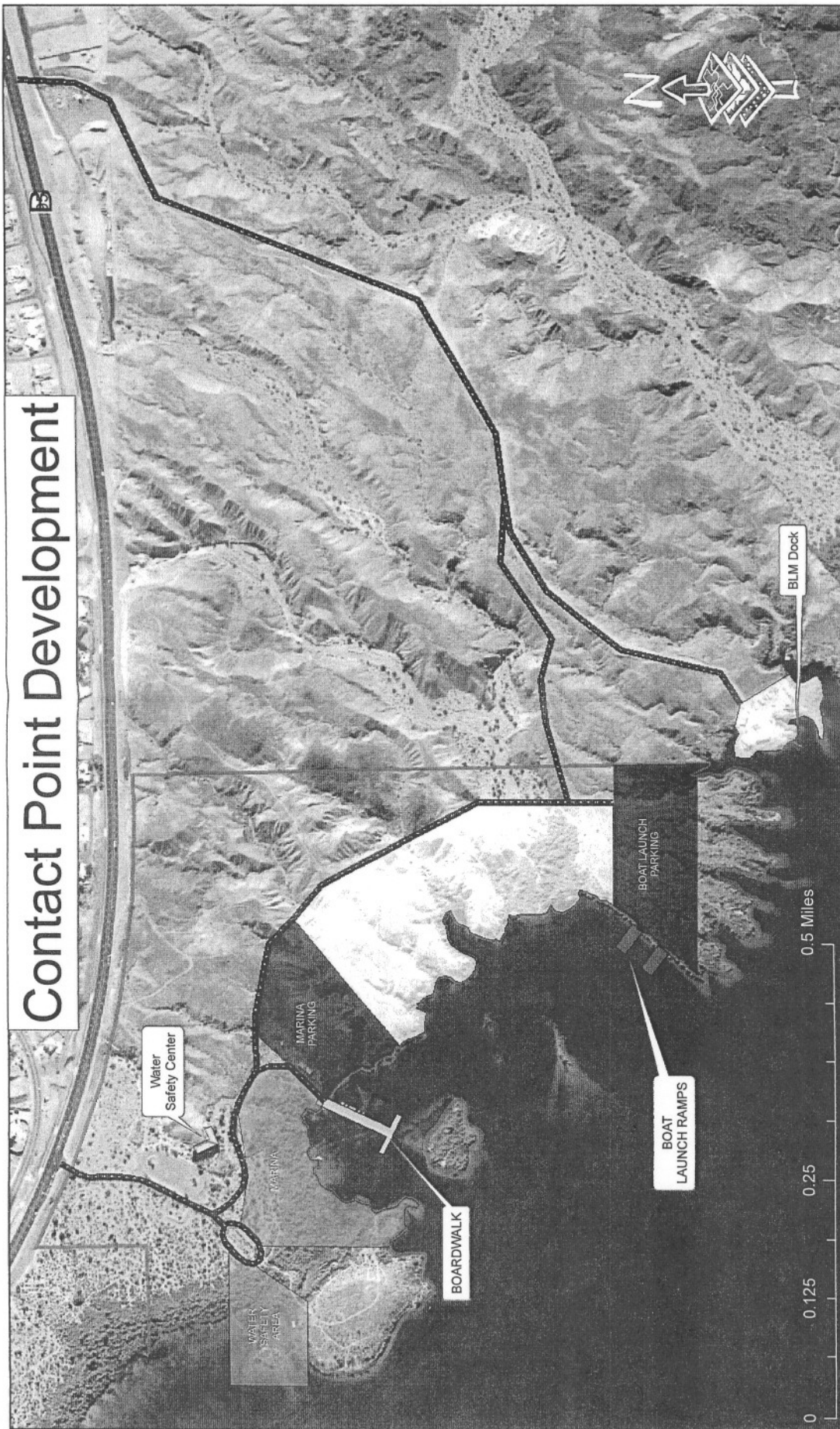
Should you have any questions on these State Lake Improvement Fund projects, please contact Jay Ziemann, Assistant Director, at (602) 542-7104.

Sincerely,

Kenneth E. Travous
Executive Director

KET/mds

Enclosure



Enclosure

List of Interested Parties

Public Entities

City of Lake Havasu
Mohave County Sheriff's Office
Mohave County Community College
Arizona Game and Fish
San Bernardino County Sheriff's Office, California
United States Coast Guard
United States Coast Guard Auxiliary
Bureau of Land Management
US Fish and Wildlife Service
Chemehuevi Tribe

Organizations

Havasu Foundation for Higher Education
Western Arizona Law Enforcement Association (14 Agencies and Departments)
Personal Water Craft Course and Stadium Group

Review of Arizona State Parks State Lake Improvement Fund (SLIF) Capital Projects

Background

The State Lake Improvement Fund (SLIF) is administered by the Arizona State Parks Board for staff support to plan and administer the SLIF and LEBSF (Law Enforcement and Boating Safety Fund) programs, to fund design and engineering for acquisition and development projects that enhance boating opportunities, and to purchase watercraft, in conjunction with other recreation plans of the Board.

Operating budgets are to be based upon 11.8% of the annual revenue, as stated in the Memorandum of Understanding (MOU) between the State Parks Board and the Arizona Outdoor Recreation Coordinating Committee (AORCC). The remaining 88.2% is split according to the MOU with 70% going to competitive grants and 30% to State Parks for qualified projects.

Due to the budget cuts and fund sweeps, Arizona State Parks (ASP) has used its SLIF capital monies for operations since FY 2002. In FY 2004 and FY 2005, grants funds were also used for operations. ASP continues to request restoration of its funding so SLIF can again be used as delineated in the MOU. In FY 2007, ASP reduced its SLIF operating budget from \$4 million to \$3 million, funded by a combination of cuts and a supplemental appropriation.

The SLIF grant program was fully funded this year with \$7,313,100 available for grants. Twelve grants were awarded for a total of \$3,765,750, leaving a \$3,547,300 grant carry-forward. ASP requests to use \$2 million of this grant carry-forward for qualified State Parks capital projects. This leaves over \$1.5 million in the grant carry-forward.

Since estimated SLIF grant revenues are over \$6 million this year, funding for next year's grant cycle should exceed \$7.5 million. The SLIF grant cycle for September 2007 has now closed with 13 applications for a total of \$6,119,386. Therefore, the SLIF grant program is fully funded for this year even with using \$2 million for qualified State Parks capital projects.

The major impetus for this request is development at Contact Point. Due to numerous interested parties, including the City of Lake Havasu, Mohave County, various Law Enforcement and Federal Agencies, etc, numerous proposals are being received by ASP regarding how to best use one of the last developable parcels of land on Lake Havasu. Before further progress can be made in discussions with the various parties, ASP needs to begin its planning process to move the project forward. It is anticipated that this funding will not only address the planning process but also a portion of ASP's share of any future development cost. Approximately \$500,000 will be available for campsite improvements and other amenities at Lake Havasu State Park.

AORCC gave a favorable review to this request.

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DATE: August 8, 2007

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

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Fiscal Analyst

SUBJECT: School Facilities Board – Review of FY 2008 New School Construction Report

Request

Pursuant to A.R.S. § 15-2002, the School Facilities Board (SFB) requests the Committee review its demographic assumptions, proposed construction schedule, and new school construction cost estimates for FY 2008. The board is annually required to submit this information by October 15, but the Committee deferred action on this item until the FY 2007 construction approval cycle was over, which has historically happened in May. In recognition of that, Laws 2007, Chapter 266 changed the deadline of the report from October 15 to June 15.

This memo is essentially unchanged from the cancelled July 19, 2007 meeting except for the information added at the end about SFB Staff recommended new construction safety items.

Recommendation

The Committee has at least the following 2 options:

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

This item was presented at the November meeting, but action was deferred until the board had completed its project approval process for FY 2007. The approval process begins in November and was completed in June. The Committee requested that the board report after the FY 2007 construction approval cycle was completed on its proposed construction schedule and cost estimates by project.

The board estimates that it will oversee 85 new school construction projects in FY 2008 and will spend a total of \$448.7 million. This amount includes funding for all the construction projects that have already been approved by the board in the FY 2007 approval cycle. Of the \$448.7 million, \$370 million is from the General Fund. In October, the board had originally estimated spending \$401.8 million on new school construction. The estimate has increased due to the board approving more projects in FY 2007 than

(Continued)

expected and also because of the 12.2% inflation adjustment adopted by the Joint Legislative Budget Committee (JLBC) in October.

In its original June 20th report, SFB reported a shortfall of about \$(40) million in FY 2007 and FY 2008, or a total of about \$(80) million across both years. SFB has since revised its expenditures, which shows a positive cash balance at the end of FY 2007. SFB now anticipates having a balance of \$700,500 in FY 2007 and a \$(73.0) million shortfall in FY 2008. To ensure a positive cash balance at the end of FY 2007, SFB shifted \$38.0 million (\$25.4 million of new construction projects + \$12.6 million of land projects) worth of FY 2007 expenditures into FY 2008. (Please see the attached balance sheet provided by SFB.) While SFB is projecting a FY 2008 shortfall, SFB includes the following caveat in their cover letter: "SFB staff would strongly caution the committee against relying too heavily on these projections. The SFB has limited control over when and how quickly districts choose to build awarded schools."

Analysis

Demographic Assumptions

The SFB bases its demographic assumptions on its analysis of the school district forecasts of Average Daily Membership (ADM) included in the Capital Plans submitted by districts to the board. To conduct the analysis, SFB uses state population data, grade progression estimates, historical ADM growth, and, if applicable, residential housing growth. Analysis of student enrollment growth is performed on a district-by-district basis.

Actual student growth in districts with growing enrollment was 7.6% in FY 2006. The board expects "growth districts" to increase by 6.3% in FY 2007 and 7.0% in FY 2008. In comparison, the overall K-12 growth rate, including flat and declining enrollment districts, was 2.8% in FY 2006 and is expected to be 3.25% in FY 2007 and 3.0% in FY 2008.

For FY 2008 Maricopa County "growth districts," SFB expects an increase of approximately 6.1% in the southeastern portion of the county, including the cities of Chandler and Gilbert. In the northern part of the county, including Deer Valley and Dysart, the board expects growth of about 6.7%. In the western and southern districts of Phoenix, including Tolleson, the board expects growth of 4.5%. In the districts outlying the western edge of the Phoenix metro area, including Agua Fria, Avondale, Buckeye, Litchfield, and Saddle Mountain, SFB expects growth of 11.8%.

In the other "growth districts" of the state, the board expects an increase of 20.0% in Pinal County, 2.8% in Yuma and La Paz Counties, 5.8% in Southern Arizona, and 1.4% in Northern Arizona for FY 2008.

Construction Schedule

The board estimates it will oversee 85 new school construction projects in FY 2008. Of the total, SFB estimates that 27 prior year projects will be completed in FY 2008, 3 prior year projects will be on-going (and finish construction in FY 2009), and 55 will begin construction in FY 2008.

In the year of its approval, SFB awards 5% of the total project cost to the district for architectural and engineering fees. Based on historical spending patterns, SFB estimates that it will, on average, award 26.6% of the project cost in the next year, followed by 37.8%, 20.5%, 5.3%, and 4.7% each of the following years.

Cost Estimates

The board estimates spending a total of \$448.7 million in FY 2008, including:

- \$35 million for land. The estimate is based on prior year expenditures.
- \$375.6 million for construction projects. The estimate is based on prior year expenditures and includes:

(Continued)

- \$244.1 million for projects approved prior to FY 2007.
- \$109.1 million for projects approved in FY 2007. The board approved a total of \$410.2 million of projects in FY 2007. Based on prior year trends, the board expects to spend 26.6% of the total amount, or \$109.1 million, in FY 2008.
- \$22.4 million for architecture and engineering fees. Once the board approves a project, it immediately distributes 5% of the total cost of the project to the school district. Based on an estimate of \$448.7 million of approvals in FY 2008, the board would distribute \$22.4 million for these fees.
- \$25.4 million for construction project expenditures that were shifted from FY 2007.
- \$12.6 million on land expenditures that were shifted from FY 2007.

In October, the board had originally estimated spending \$401.8 million on FY 2008 new school construction, which is \$(46.9) million less than the updated estimate of \$448.7 million. The estimate has increased due to the board approving more projects in FY 2007 than expected and also because of the 12.2% inflation adjustment adopted at the October JLBC meeting. In FY 2007, SFB expended \$332.1 million on new construction, which is \$(116.6) million less than the expected FY 2008 expenditure amount.

To finance the projected \$448.7 million in expenditures, the board expects to use new cash funding. In prior years, the board was able to use lease-purchase proceeds from prior year lease-purchase agreements, which were all spent in FY 2007.

Given the uncertainty of the estimates surrounding new approvals and project expenditures, the actual magnitude of the FY 2008 shortfall is not clear. Of the FY 2008 total \$448.7 million expenditure amount, the board expects to allocate funding from the following revenue sources:

- FY 2008 beginning cash balance of \$700,500.
- \$370 million in cash provided in FY 2008. This is based on the General Fund amount appropriated by the Legislature, and is a \$120 million increase from what SFB received in FY 2007.
- \$5 million in lease revenues from the State Land Department. The State Land Department leases land to school districts. Any monies the State Land Department receives from school district leases, however, are deposited in the New School Facilities Fund.

Table 1 lists the amounts of new construction approvals in FY 2002 through FY 2007 and an estimate for FY 2008. In FY 2007, about \$(38) million less of new construction projects were approved than in FY 2006. In FY 2006, about \$200 million more of new construction projects were approved than in FY 2005. A portion of the increase in FY 2006 approvals was due to a greater level of high school approvals in that year. Since high schools require more square feet under the new construction formula, they cost more to construct than an elementary or junior high school.

Table 1	
New School Construction Approvals	
<u>FY</u>	<u>New School Approvals</u>
FY 2002	\$215,310,672
FY 2003	\$220,399,967
FY 2004	\$272,578,172
FY 2005	\$243,713,838
FY 2006	\$447,978,656
FY 2007	\$410,186,003
FY 2008	\$448,672,703

(Continued)

New School Construction Funding Guidelines

SFB provides new construction funding based on the product of the following statutory New School Facility (NSF) formula:

$$\text{No. of pupils} \quad \times \quad \text{Sq. foot per pupil} \quad \times \quad \text{Cost per sq. foot} \quad = \quad \text{Allocation amount}$$

The square foot per pupil is specified in statute, and varies depending on elementary, junior high, and high schools. The cost per square foot is also specified by school type and may be adjusted annually for inflation by JLBC.

SFB has the authority to provide additional funding above and beyond the statutory allocation amount to a district if it cannot build a school within the NSF formula amount. A district can prove they cannot build a minimum guidelines school by demonstrating they are building the least expensive school they possibly can but are still over the formula amount.

Since the enactment of Students FIRST, some of these projects have been funded above the formula with SFB monies. In FY 2006, SFB funded 38% of their projects over the formula amount for a total additional inflationary funding of \$20.4 million. In FY 2007, SFB funded 86% of their projects over the funding amount for a total additional inflationary funding of \$33.4 million, which translates into about \$1.4 million additional funding per project.

Minimum School Facility Guidelines

Minimum guidelines for school facilities were developed by SFB, adopted by the Committee, and became effective in 1999. Since their adoption, no significant changes related to new school construction standards had been made to the guidelines until the board approved SFB Staff's recommendations on how to apply 7 areas of the minimum guidelines for new construction projects in February 2007. Those 7 areas include: indoor flooring, gym flooring, millwork (cabinetry), exterior lighting, canopies, playground structures and canopies, and landscaping. These newly adopted guidelines raised the NSF formula by about \$7 per square foot.

New Construction Safety Recommendations

At the August 2nd SFB meeting, the Board adopted Staff's recommendations for 10 new construction safety standards. SFB came up with these recommendations as a result of the Governor's office asking them to evaluate school security issues and make recommendations on these issues that might be incorporated into new school construction. SFB's 10 recommendations for funding of security elements are:

1. Exterior security lighting- Adequate vandal-proof lighting for parking areas, bus loading zones, pick-up/drop-off areas, bicycle parking areas, and walkways leading to building entrances to be provided for use after dark.
2. Administrative office locations- Locate the primary entrance at the front of the building to promote natural surveillance.
3. Classroom door locks- Classroom doors should be able to lock from the inside in case of a security emergency situation.
4. Student interior restroom configuration- Bathrooms should be designed with a maze entry consisting of a privacy screen wall that can be walked around to enter a restroom rather than a door or a vestibule with doors to facilitate faculty supervision.
5. Vestibule entry- Main schools entrances should be designed with a double door vestibule with the interior vestibule doors locked during class. The second entrance within the vestibule should either

(Continued)

open directly into the administration reception area or require that visitors be electronically “buzzed in” to the administration area.

6. Sidelights- Windows next to doors should be provided to allow teachers to keep an eye on corridors or adjacent student activity areas and to quickly see who is entering the room.
7. Perimeter fencing- Eight foot perimeter fencing is recommended for all school sites to keep outsiders out.
8. Security alarms- A duress alarm, such as a panic button, which is a portable identification alarm that identifies the device owner, is recommended.
9. Security cameras- A base camera system that provides coverage of key playground areas, building entries, main commons areas, gymnasium, and cafeteria, and includes a computer network interface is recommended: 1) to help distinguish between outsiders who do not belong on campus from employees and students and 2) so staff can monitor other areas of concern where the cameras are not located.
10. In-classroom telephones- Each classroom should have a telephone that will allow occupants to contact both the office and emergency personnel.

According to SFB, the first 6 items have either no cost or are capable of being funded within current SFB guidelines. SFB intends to seek legislative funding for items #7-10 this coming session. SFB currently does not have cost estimates for these items.

RS/LMc:ym

School Facilities Board New Construction Report Highlights

Demographic Projections

- For FY 2008, SFB projects enrollment growth of 7.0%.
- High growth areas include northwest Pinal County, districts outlying the western edge of Phoenix, and the cities of Dysart and Queen Creek.

Construction Schedule

- SFB estimates overseeing approximately 85 projects in FY 2008.
 - Includes 27 prior year projects that will be completed in FY 2008, 3 prior year projects that will be on-going (and finish construction in FY 2009), and 55 that will begin construction in FY 2008.
- SFB has approved another 7 projects that won't start construction until after FY 2008.

Cost Estimates

- Total FY 2008 projected spending equals \$448.7 million.
- According to SFB, this leaves them with a \$(73.0) million shortfall in FY 2008.

<u>Expenditures</u>		<u>Financing</u>	
Land	\$ 47.7 M	Beginning Balance	\$ 0.7 M
Construction Projects	<u>401.0 M</u>	Appropriation	370.0 M
		Lease Revenues (Land Dept.)	<u>5.0 M</u>
Total	\$448.7 M	Total	\$375.7 M
FY 2008 SFB Estimated Shortfall			\$(73.0) M

Current District Projects

<u>District</u>	<u># of Projects</u>	<u>District</u>	<u># of Projects</u>	<u>District</u>	<u># of Projects</u>
Maricopa Unified	6	Littleton Elementary	2	Palo Verde Elementary	1
Chandler Unified	5	Sunnyside Unified	2	Payson Unified	1
Dysart Unified	5	Union Elementary	2	Prescott Unified	1
JO Combs Elementary	4	Agua Fria Union High	1	Queen Creek Unified	1
Marana Unified	4	Apache Junction Unified	1	Red Rock Elementary	1
Saddle Mountain Unified	4	Avondale Elementary	1	Riverside Elementary	1
Cartwright Elementary	3	Blue Ridge Unified	1	Sahuarita Unified	1
Florence Unified	3	Casa Grande Union	1	San Fernando Elementary	1
Fowler Elementary	3	Cave Creek Unified	1	Santa Cruz County Accommodation	1
Buckeye Elementary	2	Humboldt Unified	1	Santa Cruz Valley Unified	1
Buckeye Union High	2	Isaac Elementary	1	Stanfield Elementary	1
Casa Grande Elementary	2	Liberty Elementary	1	Tolleson Union High	1
Coolidge Unified	2	Maricopa County Regional	1	Vail Unified	1
Higley Unified	2	Mobile Elementary	1	Wickenburg Unified	1
Laveen Elementary	2	Nadaburg Elementary	1	Yuma Elementary	1
Litchfield Elementary	2	Navajo County Accommodation	1		
TOTAL - 47 Districts				85	

School Facilities Board FY 2008 New Construction Projects (85 Projects for 47 School Districts)



Agua Fria Union High – 1	Dysart Unified – 5	Maricopa Co. Reg. – 1	Sahuarita Unified – 1
Apache Junction High – 1	Florence Unified – 3	Maricopa Unified – 6	San Fernando Elem.- 1
Avondale Elem. – 1	Fowler Elem. – 3	Mobile Elem.- 1	Santa Cruz Co. Accom. - 1
Blue Ridge Unified -1	Higley Unified – 2	Nadaburg Elem. – 1	Santa Cruz Valley Unified – 1
Buckeye Elem. – 2	Humboldt Unified – 1	Navajo Co. Accom. – 1	Stanfield Elem. – 1
Buckeye Union High -2	Isaac Elem. – 1	Palo Verde Elem. – 1	Sunnyside Unified - 2
Cartwright Elem.- 3	JO Combs Elem. – 4	Payson Unified – 1	Tolleson Union High - 1
Casa Grande Elem. – 2	Laveen Elem. – 2	Prescott Unified – 1	Union Elem. - 2
Casa Grande Union – 1	Liberty Elem. – 1	Queen Creek Unified – 1	Vail Unified - 1
Cave Creek Unified -1	Litchfield Elem. – 2	Red Rock Elem. – 1	Wickenburg Unified - 1
Chandler Unified – 5	Littleton Elem. – 2	Riverside Elem. – 1	Yuma Elementary - 1
Coolidge Unified – 2	Marana Unified – 4	Saddle Mtn. Unified – 4	



Governor of Arizona
Janet Napolitano

STATE OF ARIZONA
SCHOOL FACILITIES BOARD



Executive Director
John Arnold

July 12, 2007

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

Dear Chairman Burns,

A.R.S. 15-2002 A 13 requires the School Facilities Board (SFB) to submit demographic assumptions, a proposed construction schedule and cost estimates for the upcoming fiscal year. To include all available information, your committee asked that we update the original report at the conclusion of the new construction award cycle. The SFB concluded the FY 2007 cycle on June 7, 2007.

This year, the SFB awarded 32 projects valued at \$410.2 million. The Board also cancelled or revised three projects valued at \$17.7 million, for a total net award of \$392.5 million.

In addition, at the request of JLBC Staff we have updated our FY 2007 projection to reflect actual expenditures. In FY 2007, we spent \$332.1 million but had to defer FY 2007 expenditures into FY 2008 to cover our projected shortfall. Approximately half of the shortfall was due to overstatements of revenues and beginning balance. The other half can be attributed to project cost increases driven by inflation.

For FY 2008 SFB staff is projecting total expenditures of \$448.7 million including the deferred FY 2007 expenditures, which creates a sizable projected shortfall in the FY 2008 anticipated SFB budget. However, SFB staff would strongly caution the committee against relying too heavily on these projections. The SFB has limited control over when and how quickly districts choose to build awarded schools. The FY 2008 projections are not based on any set of specific projects; instead, the SFB staff reviews district historical expenditure patterns in an effort to project future cash needs. Constant changes in the construction and housing markets as well as changes in migration patterns suggest expenditure patterns could also change. SFB staff will provide monthly updates to both JLBC and OSPB on specific project development in order to have a more detailed expenditure projection by January 2008.

Sincerely,

John Arnold

x.c. Richard Stavneak
James Apperson
Lauren Kielsmeier
Stacey Morley

NEW SCHOOL FACILITIES FUND -- FUND 2460

Sources and Uses Statement

	FY 2006	FY 2007	FY 2008
Beginning Balance	\$34,047,483	\$31,232,337	\$700,517
Revenues			
Transfers In			
- From School Facilities Revenue Bond Debt Fund		\$9,801,518	
- From Deficiency Corrections Fund	\$15,000,000	\$25,893,153	
Appropriation	\$250,000,000	\$250,000,000	\$370,000,000
Lease Revenues (LD Department)	\$8,946,089	\$3,094,125	\$5,000,000
Other Revenues	\$108,760	\$0	\$0
Lease To Own Transfers			
LTO FY 2003	\$6,641	\$0	\$0
LTO FY 2004	\$5,860,885	\$0	\$0
LTO FY 2005	\$56,000,000	\$12,799,956	\$0
Total Lease-to-Own Transfers	\$61,867,526	\$12,799,956	\$0
Total Revenues	\$335,922,375	\$301,588,752	\$375,000,000
Total Available	\$369,969,858	\$332,821,089	\$375,700,517
Expenditures			
Projects			
- Projects	\$276,186,356	\$308,939,018	\$375,645,822
- June 07 payments deferred to July 07			\$25,387,839
Land			
- Land Projects	\$38,713,960	\$17,477,975	\$35,000,000
- Land - June 07 payments deferred to July 07			\$12,645,000
Full Day Kindergarten	\$4,027,966	\$569,289	\$0
Transfer To Emergency Deficiency Fund	\$10,000,000	\$0	\$0
Board Expenditures	\$2,700	\$5,700	\$5,500
Operations	\$5,021	\$0	\$0
Transfers Out			
To School Facilities Revenue Bond Debt Fund	\$9,801,518		
Administrative Adjustments		\$5,128,590	
Total Expenditures	\$338,737,521	\$332,120,572	\$448,684,161
Balance	\$31,232,337	\$700,517	(\$72,983,645)

	Total Approvals	FY 2008
FY 1999	\$139,987,599	
FY 2000	\$596,707,482	
FY 2001	\$238,767,694	
FY 2002	\$215,310,672	
FY 2003	\$220,399,967	\$10,358,798
FY 2004	\$272,578,172	\$14,446,643
FY 2005	\$243,713,838	\$49,961,337
FY 2006	\$447,978,656	\$169,335,932
FY 2007	\$410,186,003	\$109,109,477
FY 2008	\$448,672,703	\$22,433,635
		\$375,645,822

Year	Percent of Total Award Expended
0	5.0%
1	26.6%
2	37.8%
3	20.5%
4	5.3%
5	4.7%
	100.0%

STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: August 8, 2007

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

THRU: Richard Stavneak, Director

FROM: Leah Ruggieri, Fiscal Analyst

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

Request

Arizona State University (ASU), on behalf of the Arizona Board of Regents (ABOR), is submitting for Committee review a scope revision to a project within the Academic Renovations and Deferred Maintenance Phase IIB, a system revenue bond favorably reviewed by the Committee in January 2007. The total cost for the Nursing Backfill Renovation project within the Academic Renovations and Deferred Maintenance Phase IIB is increasing from \$5.0 million to \$8.0 million. The additional \$3.0 million will be funded with unallocated funds from the Phase IIB bond issuance.

Recommendation

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

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

(Continued)

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

- ASU shall not use bonding to finance any repairs whose typical life span is less than the bond repayment period. Such repairs include, but are not limited to new flooring and painting. The exceptions to this stipulation are circumstances where such repairs are required to complete a major renovation.
- ASU shall submit to the Committee an expenditure plan for the \$280,000 unallocated to specific projects in Academic Renovations and Deferred Maintenance Phase IIB.

Analysis

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. The Committee first favorably reviewed the \$10.0 million Academic Renovations and Deferred Maintenance Phase IIB bond project at its January 2007 meeting.

ASU now seeks to further revise the scope and cost of the Nursing Backfill Renovation project. When this project was first submitted to the Committee in January 2007, it entailed the renovation of 48,800 square-feet at a total cost of \$5 million for backfill renovations at the Nursing Building to accommodate Office of Sustainability Initiatives (OSI) and the Global Institute of Sustainability (GIOS) program needs. GIOS engages in interdisciplinary research, education, and problem-solving related to sustainability, with a special focus on urban environments. OSI's mission is to bridge the gap between University-based research in sustainability and practical application by policy-makers and resource managers through networking, coalition building and program development. The renovation project includes life safety improvements, the improvement and addition of new classrooms, and IT cabling replacements.

ASU's new proposal is to address growing program needs for the GIOS at a total cost of \$8.0 million, or an increase of \$3.0 million. ASU will expand usable space for GIOS and make additional upgrades to the workspace in order to create a collaborative work environment by opening up closed spaces and creating shared conference rooms.

ASU would finance the \$3.0 million cost increase with unallocated funds from the Academic Renovations and Deferred Maintenance Phase IIB bond project. The proposed allocation to the Nursing Backfill Renovation project would reduce the unallocated amount from \$3,280,000 to \$280,000. As a result of the use of unallocated funds, the total cost of Academic Renovation and Deferred Maintenance Phase IIB would remain unchanged.

The new total cost-per-square-foot for the Nursing Backfill Renovation project would be approximately \$164 (originally \$102) and the direct construction cost-per-square-foot would be \$115 (originally \$86). The new total cost-per-square-foot estimate represents an increase of 61% and the new direct construction cost-per-square-foot represents an increase of 19%. While these increases in per-square-foot costs appear significant, they are comparable to the average total cost-per-square foot and the average direct construction-cost-per-square-foot for the 14 projects included in Academic Renovations and Deferred Maintenance Phase IIA bond project, which were \$148 and \$120 respectively. Many of the projects included in Phase IIA involve work similar to the revised Nursing Backfill Renovation project.

RS/LR:sls

ASU
ARIZONA STATE UNIVERSITY

July 26, 2007



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

Dear Senator Burns:

Enclosed is an update report for the following previously reviewed projects:

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

There is a budget increase for two of the subprojects that is needed to fulfill the original project requirements. There is not, however, an increase to the bond financed amount for these projects.

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

Sincerely,

Gerald Snyder
Associate Vice President for Finance
and Treasurer, for and on behalf of
Carol Campbell
Executive Vice President and CFO

Enclosures

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

OFFICE OF THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
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JOINT COMMITTEE ON CAPITAL REVIEW

ARIZONA STATE UNIVERSITY - PROJECT UPDATE **Academic Renovations & Deferred Maintenance Phase IIA and Phase IIB** **July 2007**

UPDATE: ACADEMIC RENOVATIONS AND DEFERRED MAINTENANCE PHASE IIA (AR IIA) **AND ACADEMIC RENOVATIONS AND DEFERRED MAINTENANCE PHASE IIB (AR IIB)**

ASU last updated JCCR on AR IIA and AR IIB in May 2007. Both bundled projects have sub-projects with scope and budget increases. Explanations for the changes are given below and on the following pages.

AR PHASE II A

ASU last updated JCCR on AR IIA in February 2007. Since that time, the ORSPA Relocation Project has increased in scope and budget, and the Agriculture Building Backfill Renovations project has been completed under budget. ASU is shifting \$54,000 of surplus funds from the Agriculture project to the ORSPA Relocation project. Below is a table that details the changes:

Project	May 2007 Budget	Project	Current Budget
Classroom Renovations	\$1,200,000	Classroom Renovations	unchanged
Agriculture Building Backfill Renovations	\$1,000,000 (\$927,872 from bonds, \$72,128 from minor cap)	Agriculture Building Backfill Renovations	Budget Reduction \$946,000 (\$873,872 from bonds, \$72,128 from minor cap)
West Hall Backfill Renovations	\$505,000	West Hall Backfill Renovations	unchanged
Wilson Hall Backfill Renovations	\$488,000 (\$408,000 from bonds, \$80,000 from minor cap)	Wilson Hall Backfill Renovations	unchanged
Physics Chair Renovations	\$1,850,000 [\$1,100,000 from ARIIA bonds, \$750,000 from ARIIB bonds]	Physics Chair Renovations	unchanged
SESE Multicollector Renovations	\$1,542,000	SESE Multicollector Renovations	unchanged
Biophysics Renovations	\$500,000	Biophysics Renovations	unchanged
Engineering Technical Services Upgrades	\$1,500,000	Engineering Technical Services Upgrades	unchanged
Adaptive Neural Systems Renovation	\$915,000 [\$777,128 from bonds, \$137,872 from local funds (indirect cost recovery)]	Adaptive Neural Systems Renovation - Budget Increase	unchanged
Civil and Environmental Engineering Renovations - Environmental Lab	\$175,000	Civil and Environmental Engineering Renovations - Environmental Lab	unchanged
Neural Stimulation Utility Lab	\$605,000	Neural Stimulation Utility Lab	unchanged
ORSPA Relocations	\$360,000 (\$240,000 from bonds, \$120,000 from local funds)	ORSPA Relocation	Scope and Budget Increase \$491,000 (\$294,000 from bonds, \$197,000 from local funds)
SESE ISTB II Flume Lab	\$320,000	SESE ISTB II Flume Lab	unchanged
SESE Center for Meteorite Studies – Physical Science C-Wing	\$200,000	SESE Center for Meteorite Studies – Physical Science C-Wing	unchanged
Total Bond Funds	\$10,000,000	Total Bond Funds	\$10,000,000

JOINT COMMITTEE ON CAPITAL REVIEW

ARIZONA STATE UNIVERSITY - PROJECT UPDATE Academic Renovations & Deferred Maintenance Phase IIA and Phase IIB July 2007

ORSPA Relocations – Scope and Budget increase

- The total estimated project cost has increased to \$491,000 (\$294,000 from ARIIA Bonds, \$197,000 from local funds).
- The \$131,000 increase in budget is due to an increase in the renovated area. The project will now renovate 3,910 gross square feet, up from 3,380 square feet as previously proposed.
- This scope and budget increase is necessary to accommodate an increase in the number of staff members that will work at the site. The project will relocate ORSPA offices (Office for Research and Sponsored Projects Administration) from four present locations that support faculty in Engineering, Natural Sciences and Mathematics to a centrally located space in Engineering Center F-Wing.
- The project will renovate offices, student worker space, a conference room, and office services and support. The scope will include demolition, construction of finished spaces (walls, ceiling, flooring, lighting), systems furniture, signage, asbestos abatement, and data connections.

ORSPA Relocations - Budget Estimate	
Total budget	\$ 491,000
Direct construction cost	\$ 305,000
Total Contingency	\$ 33,000
FF&E	\$ 57,000
Parking & Landscaping	\$ -
O&M Costs	\$ -
Other	\$ 96,000
Total Cost per square foot	\$ 126
Direct Construction Cost per Square Foot	\$ 78

Proposed Schedule

- | | |
|--------------------------|---------------|
| • JCCR Review (original) | January 2007 |
| • JCCR Review (current) | August 2007 |
| • Construction start | August 2007 |
| • Completion | December 2007 |

JOINT COMMITTEE ON CAPITAL REVIEW

ARIZONA STATE UNIVERSITY - PROJECT UPDATE Academic Renovations & Deferred Maintenance Phase IIA and Phase IIB July 2007

AR PHASE IIB

As the table below shows, ASU proposes to fund a scope and budget increase to the Nursing Backfill Renovation Project from previously unallocated AR IIB funds. The table below demonstrates how that change affects unallocated bond funds remaining in AR IIB.

AR Phase II B			
Project	May 2007 Budget	Project	Current Budget
Nursing Backfill Renovation Project	\$5,000,000	Nursing Backfill Renovation Project	Budget Increase - \$8,000,000
Goldwater Chemistry / Geology Labs	\$850,000	Goldwater Chemistry / Geology Labs	unchanged
SESE/Chemistry - Keck Lab Upgrades	\$120,000	SESE/Chemistry - Keck Lab Upgrades	unchanged
Physics Chair Renovations	\$1,850,000 (total project estimate - \$1,100,000 from ARIIA bonds, \$750,000 from ARIIB bonds)	Physics Chair Renovations	unchanged
Unallocated Funds	\$3,280,000	Unallocated Funds	\$280,000
Total Bond Funds	\$10,000,000	Total Bond Funds	\$10,000,000

Nursing Backfill Renovation project – Scope and Budget increase

- The estimated project cost is \$8,000,000. The previous cost was \$5,000,000
- This project has been redesigned in order to fully satisfy and advance growing program needs for the Global Institute of Sustainability (GIOS). The changes will expand usable space for GIOS and make additional upgrades to the workspace in order to create a collaborative work environment. The new design will achieve these ends by opening up closed spaces and by creating shared conference rooms throughout the building. The new design will also incorporate additional sustainability features as the building is renovated. These changes to the design will also ensure that the renovated spaces will be flexible enough to accommodate future occupants with minimal renovations.
- The 48,800 square foot Nursing Building will also undergo life safety improvements such as adding fire sprinklers, upgrading fire alarms, and other life safety changes will bring the entire building into compliance with current building and fire codes. Restroom upgrades to bring the building up to current ADA standards are also included.
- Four new university classrooms will be added as well as upgrades to the ten existing classrooms in the building. General improvements such as patching walls, painting, and carpet will be upgraded on all levels of the Nursing building.

JOINT COMMITTEE ON CAPITAL REVIEW

ARIZONA STATE UNIVERSITY - PROJECT UPDATE Academic Renovations & Deferred Maintenance Phase IIA and Phase IIB July 2007

- The scope includes major renovations throughout the building. IT cabling replacement will also be made in selected areas.

Nursing Backfill Renovation Project - Budget Estimate	
Total budget	\$ 8,000,000
Direct construction cost	\$ 5,600,000
Total Contingency	\$ 500,000
FF&E	\$ 500,000
Parking & Landscaping	\$ -
IT and Mediation	\$ -
O&M Costs	\$ 130,000
Other Fees & Costs	\$ 1,270,000
Total Cost per square foot	\$ 167
Direct Construction Cost per Square Foot	\$ 115

PROPOSED SCHEDULE

- | | |
|----------------------|-------------|
| • JCCR Review | August 2007 |
| • Construction start | August 2007 |
| • Completion | March 2008 |

ACADEMIC AND OPERATIONS DISRUPTIONS AND MITIGATION PLAN

The university creates mitigation plans for each construction project, which takes into account student, staff, and faculty needs as well as traffic flow to facilitate both education and administration. The spaces being renovated in these projects are unoccupied and any disruption to students and faculty will be minimal. Occupants located nearby will be notified in advance of upcoming construction in the area.

EXECUTIVE ORDER 2005-5 COMPLIANCE COSTS

JCCR has directed ASU to compare compliance costs of the Governor's Executive Order 2005-05, concerning energy efficiency and other savings generated through those efficiencies. Executive Order 2005-05 applies only to new buildings and the projects identified here are renovations to existing buildings.

CONTRACTING METHOD

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

STATE OF ARIZONA

Joint Committee on Capital Review

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SENATE

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DATE: August 8, 2007

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

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Fiscal Analyst
Dan Hunting, Fiscal Analyst

SUBJECT: Arizona Department of Administration – Review of FY 2008 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 favorably review the FY 2008 Building Renewal Allocation Plan. Laws 2007, Chapter 257 appropriated \$7,257,100 from the Capital Outlay Stabilization Fund (COSF) to ADOA to fund 26% of the building renewal formula in FY 2008.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review for \$7,257,100 of the COSF FY 2008 Building Renewal Allocation Plan with the following provisions:

- ADOA allocate contingency monies or reallocate funding from other projects to address health and safety issues in the restroom facilities at the 1616 West Adams building, and ADOA and the Arizona State Land Department jointly report to the Committee by September 14, 2007 on the scope, estimated cost, and funding plan for the project.
- JLBC Staff, the staff of the Governor's Office of Strategic Planning and Budgeting, and ADOA shall jointly submit a plan for the ADOA Managed Buildings Condition Assessment project.
- ADOA submit for Committee review any reallocation above \$100,000 between the individual projects.
- ADOA submit for Committee review any new non-emergency projects above \$25,000 that are funded from the \$1.1 million allocated for emergency projects and contingencies.
- ADOA report to JLBC Staff within 3 days, any expenditures for emergency projects above \$25,000 that are funded from the \$1.1 million allocated for emergency projects and contingencies. The report would include the scope, estimated cost, nature of emergency and reason why project could not await Committee review.

(Continued)

This allocation represents \$6,130,700 for 25 projects, including project management and insurance costs, plus \$1,126,400 for emergency projects and contingencies.

Analysis

The FY 2008 Building Renewal Reallocation plan consists of the following projects:

FY 2008 Building Renewal Allocation Plan	
	<u>COSF</u>
<u>Roofing Projects</u>	
Supreme Court	\$ 550,000
DES	185,000
DHS	225,000
DJC	275,000
DPS	200,000
Evans House and Sharlott Hall	110,000
15 th Ave. Capital Center	490,000
	<u>Subtotal \$2,035,000</u>
<u>HVAC Projects</u>	
ASDB Tucson HVAC & Energy Management Control	\$ 150,000
Supreme Court Chiller System Design	65,000
DES HVAC Replacements	20,000
DPS HVAC Replacements	54,000
Prescott Historical Society Cooling Tower Replacement	32,000
	<u>Subtotal \$ 321,000</u>
<u>Water and Sewer Projects</u>	
DOC Tucson Prison Water Storage Tank	\$ 100,000
DES Interior Water Pipe Replacement	150,000
DHS ASH Wastewater Lines Evaluation	50,000
DHS ASH Sewer Line Reconstruction	137,000
	<u>Subtotal \$ 437,000</u>
<u>Infrastructure Projects</u>	
ADOA Building System Carpet & Flooring	\$ 225,000
ADOA Managed Buildings Condition Assessment	350,000
ASDB Phoenix Fire Alarm System	380,000
DEMA Restroom Renovations	145,000
DPS Headquarters Fire Alarm	120,000
DOR Elevator Renovation	300,000
DOR Phase II Restroom Renovation	860,000
Electrical Upgrades, 1300/1400 W. Washington	400,000
Executive Tower Expansion Joint Seal Replacement	380,000
	<u>Subtotal \$3,160,000</u>
<u>Other</u>	
Construction Project Management	\$ 175,000
Risk Management Construction Insurance	2,700
Emergency Projects/Contingencies	1,126,400
	<u>1,126,400</u>
TOTAL	\$7,257,100

(Continued)

In addition to the projects listed in the table above, the JLBC Staff recommends that ADOA allocate building renewal funding to fix health and safety issues in the restroom facilities at the 1616 W. Adams building. The building contains 6 sets of male/female restrooms which are in poor condition, including standing water, corroded pipes and malfunctioning toilets. The 6 sets would require approximately \$540,000 in renovation costs. JLBC Staff recommends that ADOA and the Land Department jointly submit a plan by September 14, 2007 on the scope, estimated cost and funding to correct the problems.

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.

Roofing Projects

A total of \$2,035,000 will be allocated to 6 different projects to replace roofs that have reached the end of their useful lives and have on-going leading problems.

HVAC Projects

A total of \$321,000 will be allocated to 5 heating and air conditioning related projects. The monies will be used to replace old HVAC units, a cooling tower, and a thermal storage system, which have all reached the end of their useful lives.

Water and Sewer Projects

A total of \$437,000 will be allocated to 4 projects relating to water and sewer systems. The monies will be used to replace pipes and assess interior and exterior sewer lines and an existing water tank.

Infrastructure Projects

A total of \$3,160,000 will be allocated to 9 projects. The projects that the monies will be used for are fire alarms, restroom and elevator code related renovations, electrical upgrades, and building exterior corrections.

Also included in the allocation is \$350,000 for a Condition Assessment of buildings managed by ADOA. It appears the assessment is intended to establish a baseline condition of buildings, however, it is not clear how this activity relates to the role of existing ADOA staff. In addition, a one-time assessment may not be as beneficial as establishing a mechanism to ensure that health and safety issues like the Land Department restrooms are raised and evaluated. JLBC Staff recommends that JLBC Staff, the staff of the Governor's Office of Strategic Planning and Budgeting, and ADOA jointly develop a plan to have the Condition Assessment project address these types of issues.

Other

In order to cover project management costs for FY 2008 building renewal projects, \$175,000 will be allocated. To insure the state against errors and omissions concerning engineering and architectural services contracts, \$2,700 has been allocated for risk management construction insurance. A total of \$1,126,400 is allocated for unanticipated and emergency projects.

RS/LMc/DH:ym

JANET NAPOLITANO
Governor



WILLIAM BELL
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 North Fifteenth Avenue, Suite 401
Phoenix, Arizona 85007

(602) 542-1500



July 27, 2007

The Honorable Robert L. Burns, Chairman
Joint Committee on Capital Review
1700 West Washington
Phoenix, Arizona 85007

Reference: FY 2008 Arizona Department of Administration Building Renewal Allocation Plan

Dear Senator Burns:

The Arizona Department of Administration (ADOA) respectfully requests to be placed on the August 16, 2007 meeting agenda of the Joint Committee on Capital Review. ADOA requests review of the allocation of \$7,257,100 of FY 2008 building renewal funding for the ADOA Building System.

The FY 2008 ADOA Allocation Plan and supporting narrative documentation is attached.

Sincerely,

Charlotte Hussein

William Bell
Director

WB

Attachments

cc: The Honorable Russell K. Pearce, Arizona House of Representatives
Richard Stavneak, Director, JLBC Staff
Lorenzo Martinez, Assistant Director, JLBC Staff
James Apperson, Director, OSPB
Marcel Benberou, Assistant Director, OSPB
Scott Smith, Deputy Director, ADOA
Paul Shannon, Budget Officer, ADOA
Alan Ecker, Legislative Liaison, ADOA
Lynne Smith, Assistant Director, ADOA
Nola Barnes, General Manager, ADOA
Correspondence File

**DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM
FY 2008 BUILDING RENEWAL ALLOCATION PLAN**

CONTINUING PROJECTS

\$120,000: Construction Funding for Department of Public Safety Headquarters Fire Alarm

DPS' FY 2007 request for \$50,000 to design and replace the Phoenix Headquarters fire alarm system was inadequate for both design and construction. The design is underway and the engineer's preliminary construction projection is \$120,000. The fire alarm system needs to be brought up to Class A standards, as mandated by state statutes and code. Currently, the individual buildings within the DPS Phoenix compound have fire alarm panels that send a general alarm to the main panel. The main panel is monitored; however, the general alarm does not identify where in the building the problem has been detected, nor does it differentiate the type of alarm, such as smoke, heat or sprinklers.

\$490,000: Additional Funds to Rebuild 15 S. 15th Ave. Office Building Parapet Renovation

The JCCR approved \$410,000 in the FY 2006 ADOA Building Renewal program for the re-design of the parapet and upper window details where water leaks into the 15 S. 15th Avenue office building and for the repair of the fresh air intake system that was creating negative building pressure when it operated.

First, ADOA attempted to hire a general contractor that would re-construct the building parapet in conjunction with the re-design of the fresh air intake system. There were no responsive qualified bidders. Next, ADOA bid the parapet construction and fresh air intake system repair separately. The only responsive, qualified bid for the fresh air intake system work substantially exceeded the original construction projections. This project includes the installation of two new rooftop outside air handlers and exhaust fans, temperature control valves at each make up air unit and rooftop AHU, and an Andover type building automation system. Two separate bids for the fresh air project failed to attract a responsive qualified bidder. A third bid has been received; however, construction costs have risen significantly. Thus, the remaining project funds are insufficient to meet the anticipated construction costs for the parapet re-construction that could only start upon completion of the fresh air intake work. The revised cost projection for the parapet reconstruction is \$490,000. The unused funds from the original allocation were reallocated for other emergency building renewal projects.

\$860,000: Phase II Renovate Restrooms, 1600 W Monroe (\$60,000 for projected mold abatement)

FY 2007 funding for Phase I was approved for design and limited renovation work. The project now includes renovation of 10 restrooms and the associated deteriorated vent pipes to correct water damage, deteriorated pipes, and remediation of toxic mold. Based on the architect's preliminary construction cost estimate, ADOA expects to need an additional \$860,000 to complete this work. The extent and cost of the mold remediation cannot be determined until the walls between the plumbing fixtures and the plumbing chases have been opened up so that the amount and type of mold can be assessed in each restroom chase and on the inside of the drywall. A \$60,000 allowance for mold abatement has been included in this cost projection.

NEW PROJECTS

FIRE & LIFE SAFETY

\$380,000: Replace Obsolete Fire Alarm System Arizona Schools for the Deaf and Blind/Phoenix Day School

During the design of the new high school at the Phoenix Day School, the engineers determined that the existing fire alarm system could not be connected with the new system being designed for the new school buildings. The existing system was obsolete and was barely functioning. The design for the replacement of the old fire alarm system was completed as part of the new school designs. Thus, construction funds are needed for the replacement of the existing

DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM
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panels and associated hardware and software so that all of the campus buildings can report to one location in compliance with Class "A" fully addressable requirements for state buildings and schools.

\$400,000: Replace Electrical Service Entrance, Main Panels & Conduit Feeders, 1300/1400 W. Washington Office Buildings

The underground electrical feeder lines that supply power from the mechanical building service entrance have deteriorated such that during a substantial rain storm, water can leak into the electrical feeder conduit and will flow into the electrical panels at each building. Water and live electrical lines do not mix and can create a very serious safety hazard as well as jeopardize the electrical service to each building. The buildings' electrical system, including service entrance, all feeder conduits and each building's main electrical panels will need to be evaluated by an electrical engineer. The project will also include design for the renovation of each building's electrical service and renovation of the service entrance electrical panels. The projected cost to complete this work for both 1300 and 1400 W. Washington office building is \$400,000.

Electrical panels have a life expectancy of 17 years and distribution and service entrance systems have an expected life of 20 years. These buildings were constructed in 1976 and the main electrical panels, feeder conduit, and service entrances are now 30 years old; well beyond their expected service life.

INFRASTRUCTURE

\$100,000: Assess Aging Water Storage Tank & Design Renovation, ASPC-Tucson Prison

The existing 850,000 gallon storage tank is old and in poor condition. This capacity is not adequate to meet a 24 hour supply of water. Thus, there is not an adequate supply for domestic and fire fighting needs. ADOA is currently working with contractors to renovate a large water tank at the Florence prison and a proper evaluation of the tank condition is essential before determining the most cost effective solution. The existing tank may be suitable for renovation and only a smaller second tank would be needed to meet existing water storage needs. The inside of the Florence water tank can be re-coated and does not need to be replaced. The assessment and design phase will determine the exact condition of the water tank at Tucson what is the most appropriate solution; renovating or replacing the original tank and how best to meet the 24 hour water supply needs at ASPC-Tucson.

\$137,000: Design & Re-construct Sewer Line to Dietary Building, Arizona State Hospital

The aging sewer system at the State Hospital continues to create problems and potential health issues. The original external sewer pipes that connect the older buildings to the sewer mains, as well and the piping under the buildings, continue to deteriorate. The sewer pipes under the Dietary Building kitchen area were replaced at least five years ago; however, the line from the building to the sewer main is original to the building and numerous leaks have been detected. This line must be replaced and the lines under the building may also be in poor condition. The exterior sewer line is in such bad condition, that it can no longer be repaired. The similar exterior lines to the Juniper Wick complex were replaced about three years.

The preliminary cost projection to replace the dietary building exterior sewer line, based upon the costs for the Juniper Wick building, is \$137,000. Exact costs cannot be accurately assessed until an invasive assessment and design have been completed. An assessment of the condition of the building's interior sewer pipes is included in the new FY 2008 building renewal projects for building systems.

DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM
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BUILDING SHELL

\$380,000: Seal Exterior Expansion Joints, Balcony Joints, & State Seal, Executive Tower 1700 W. Washington

The Executive Tower continues to have problems with bats entering the building, during the cooler months, through the deteriorated joints under the ninth floor balconies and from around openings behind the large state seal on the west side of the building. In addition, all of the joints between the building's exterior concrete panels have deteriorated and need to be replaced.

The Mexican Free-tail bats are protected and only enter the building during the late fall and winter. The bats have seasonally migrated out of the Tower. Thus, it is essential to begin this project this summer; work on the upper floors of the building need to be completed before the bats return.

The Department of Administration has developed a preliminary construction projection of \$380,000 which includes demolition of the deteriorated sealant and backer rod and installing new backer rod and a 2-part sealant.

BUILDING SYSTEM ROOFS

All of the agencies within the ADOA Building System have buildings with roofs that have reached and/or exceeded their useful lives. Physical deterioration through the combination of wear and tear, the effects of the aging process, physical decay, the action of the elements, structural defects, and deferred maintenance have contributed to evidence of leakage, oxidized roof material, shingles or tiles missing or split, punctures, tears, shrinkage, splitting, blistering or embrittled coatings, missing flashing, stained interior ceilings, sagging or decaying roof structures, and more. Some types of deterioration may be very apparent, while others may require a more thorough examination by a qualified source. Roof replacements of ten to fifteen years ago have not held up as well as the original roofs because the quality of roofing materials has deteriorated with the increased cost of petroleum based products. Physical deterioration of roofs that are beyond their useful lives are subject to repeated leaking that can damage the building structure and its interior contents 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 structural damage and mold abatement can often exceed the actual cost of the roof membrane.

The following project allocations are just a small portion of the roofing work that needs to be accomplished throughout the building system.

\$550,000: Replace Building Roof Membrane, Arizona Supreme Court

The single ply roof membrane on the Courts Building is 15 years old and original to the building. The roof has been leaking for several years. The contractor that has completed most of the repairs reports that the roof membrane has reached the end of its useful life. It is no longer cost effective to repair recurring leaks on an ongoing basis.

The Arizona Supreme Court has received a preliminary design and construction projection from an architectural firm. ADOA will allocate FY 2007 building renewal funds for the design of the roof membrane replacement. The preliminary construction cost projection, before design, ranges from \$550,000 to \$600,000. The roof project has been deferred for several years because of the more immediate need to rebuild the ceramic cooling tower, including support structures, that is essential for the ongoing Supreme Court operations.

ADOA is projecting that construction can be accomplished for \$550,000 which is based upon the cost incurred for a similar project for the Arizona Department of Transportation. This early cost projection could be adversely impacted by

DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM

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roof and structural damage that is not readily apparent, increases in the cost of materials, and the availability of qualified contractors willing to bid on state roofing projects.

\$275,000: Statewide Facility Roofing Projects, Department of Juvenile Corrections

Juvenile Correction's FY 2008 Capital Plan submittal to ADOA listed facility wide roofing needs of \$1.4 million. ADOA has managed several roofing projects for ADJC during the past 5 years. ADOA will again work with ADJC to determine the most appropriate roofs that should be replaced with the proposed allocation of \$275,000.

However, funding will need to continue well into the future to correct the large number of deficient roofs that already need major repairs and/or replacement.

\$200,000: Statewide Facility Roofing Projects, Department of Public Safety

DPS has regularly requested building renewal funds to address the roofing needs for buildings that range from remote housing units, district and area offices, and buildings at both the Phoenix and Tucson complexes. DPS requested FY 2007 funding for the 47,200 square foot Tucson District office, Wikieup remote housing, Needles Mt. Area office, Phoenix Metro Fleet building and the Knutson office building. All of these roof projects were deferred in FY 2007 because of a lack of funding. Thus, these roofs will be completed with FY 2008 building renewal funds.

\$185,000: Statewide Roofing Projects, Department of Economic Security

Four roofs at the Arizona Training Program at Coolidge: Building No. 20, Adaptive Workshop, and group homes 102 and 103 for the developmentally disabled, as well as the DES Director's Office at 1717 W. Jefferson are in critical need of roof replacements. These roofs are 10 years or older and experience numerous recurring leaks that have damaged drywall and ceiling tile. Mitigation of further damage to the building structure and interior components is critical to the life safety of clients in ADES' charge.

\$225,000: Replace Roof Membrane, Department of Health Services Offices, 1740 W. Adams

The roof on the DHS occupied office building has reached the end of its useful life. The roof membrane (built up roof with an electrometric coating) was installed 16 years ago. In 2006, the membrane began showing significant signs of deterioration. The expansion joints along the exterior walls are indicating signs of decay due to moisture damage. There has been no major work on the 17,000 square foot roof since the roof was installed 16 years ago. This roof was scheduled for routine replacement in FY 2003. The roof membrane should be replaced before any major leaks impact DHS office operations, damage other building systems, and before costs for repair start escalating.

\$110,000: Statewide Historic Building Roof Replacements & Structural Repairs

Buildings that are on or are eligible for inclusion on the Federal and/or State of Arizona Historical Register present unique challenges for roof repairs and replacement. ADOA has identified three historic buildings that need roof repairs and/or replacement. The Evans House, which houses Legislative Services, has a cedar shingle roof that is difficult and costly maintain and is extremely expensive to replace. These shingles need to be treated regularly so they will not dry out and curl and to maintain some degree of fire resistance. The Bashford House at the Sharlott Hall museum also has cedar shingles and has the same problems. Fire hazard is an even more critical issue in the Prescott area. Finally, the Pioneer's Home balcony roof shows signs of water damage, most noticeably at the roof soffit above the building entrance.

The Bashford House and Evans House roofs need to be replaced and ADOA plans to hire a structural engineer to evaluate the condition of the Pioneer's Home balcony roof.

**DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM
FY 2008 BUILDING RENEWAL ALLOCATION PLAN**

BUILDING SYSTEMS & SERVICES

\$300,000: Phase I Design Five (5) Cab Traction Elevator System Renovation & Rebuild Freight Elevator, 1600 W. Monroe

The mechanical elevator operating and control system at 1600 W. Monroe (Revenue office building) is 16 years old and original to the building. Three of the four public elevators serve 9 office floors and the cafeteria in the first basement and only one public elevator serves the second basement. The freight elevator is not a public elevator and it serves both basements and all 9 office floors. This traction elevator system met all of the applicable codes when installed in 1988. The existing elevator system has essentially the same mechanical components that are being replaced at the 1789 W. Jefferson office building.

The number of employees housed in 1600 W. Monroe has increased dramatically since the building was opened in 1988. This has significantly increased demand for elevator usage and the older mechanical control system is not able to keep up with passenger loads and the cars are not dispatched very efficiently. Employees are constantly complaining about the wait times, especially during peak operating times, early morning, lunch time, and late afternoon. Employees have become conditioned to long wait times and regularly attempt to board an elevator after the doors have started to close. People bang on the mechanical safety stops to stop the elevator doors from closing so that they can enter the elevator. Eventually, these actions cause the elevator doors to go out of alignment and the elevator doors will jam in the partial open or closed position and the elevator stops operating. People become trapped in the elevator and an emergency service call is needed to free the trapped people and repair the door mechanism. Elevator failures have become quite common at the Revenue building.

The freight elevator is in particularly poor condition and this elevator must be operational during the peak tax season when thousands of forms and documents are transported into and out of the building.

Phase 1 will include the design of the total system and the complete renovation of the freight elevator. The 4 passenger elevator system will be renovated the following fiscal year. The design should provide ADOA with a more accurate cost projection for the Phase 2: passenger elevator system renovation. Total construction costs to renovate the five elevators are expected to be about \$1 million.

This project will be much more complex than the 1789 W. Jefferson elevator system project. The work cannot take place during Revenue's six-month busy tax season. This building has only four public elevators in two banks, compared to the six elevators at 1789 W. Jefferson. Only one of these elevators and the freight elevator serve the sub-basement. The building has much stricter security with public access restricted above floor 1. The freight elevator will have to be renovated first so that it can be used for passenger service when each bank of two elevators is being renovated. Construction will take place in phases over approximately a three-year period. Thus, total costs will be much higher per elevator cab than for the per cab costs incurred with the renovation of the 1789 W. Jefferson project.

\$54,000: Statewide HVAC Replacements (8 locations) Department of Public Safety

ADOA has been funding the gradual replacement of package HVAC units, compressors, and larger chillers at various DPS facilities over the past 5 years. DPS has identified more than 8 locations with relatively smaller HVAC units that have well exceeded their useful life and need to be replaced before the units completely fail. The new units will be much more energy efficient than the older units. Locations include the Phoenix Compound Computer Center, Telecom, and UPS buildings, Flagstaff Communications, Many Farms and Kayenta remote housing, Quartzite modular office, Forensic Lab mechanical building and the Tucson Headquarters building.

\$20,000: Statewide HVAC Replacements (2 units) Department of Economic Security

Two ten ton units at ATP-Coolidge administration building have exceed their useful life and need to be replaced before they fail. DES has had a difficult time getting qualified contractors to work at the relatively remote location of the Coolidge

DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM
FY 2008 BUILDING RENEWAL ALLOCATION PLAN

facility; thus, it is much better to replace the HVAC units before a unit fails and must be replaced immediately. Planned HVAC replacements usually cost less. Ten ton units may be difficult to obtain in an emergency during the summer when HVAC contractors have more work than they can usually handle. The newer units will be much more energy efficient and will cost less to operate.

\$150,000: Statewide Interior Water Pipe Replacement Department of Economic Security

The vertical and horizontal water supply pipes in many of the ATP-Coolidge buildings are 20 to 25 years old. Hard water conditions have deteriorated the pipes to such an extent that water leaks have become common. Many of the pipes are insulated with asbestos and the leaks can cause the asbestos to become friable and hazardous. Water testing indicates a high degree of lead is present, which is mostly likely due to deterioration of the old lead based pipe solder. Pipe replacement, including asbestos abatement, is needed in 11 buildings. Replacement of the potable water pipes critical to the life safety of clients in ADES' charge and is needed to avoid costly damage to flooring, walls, furniture and equipment that can be damaged when a pipe bursts.

\$150,000: Replace Energy Management Control System & HVAC Units at Arizona Schools for the Deaf and Blind/Tucson Campus

The Tucson campus has 49 HVAC units that are at least 15 years old. The number of units that have failed has dramatically increased in the past year. ASDB has now determined that the existing energy management system (EMS) which controls the HVAC units in the buildings that have been experiencing these failures is obsolete. By modern software standards the EMS, which dates from 1990, is extremely aged and showing signs of gradual corruption and deterioration. These signs are subtle and often difficult to detect. After consulting with the manufacturer of the EMS, it's been concluded that the deterioration of the software has contributed to the recent demise of the HVAC units on the Tucson Campus. The cost to upgrade the EMS is estimated at \$38,246 which is a fraction of the cost to install a new EMS or to continue replacing multiple HVAC units in an emergency. Many of the aged HVAC units are in dormitories, live in portable buildings and classrooms and these facilities become unusable when the HVAC is not working. The health of the student residents can be negatively impacted by inadequate temperature control of living spaces.

The school's ability to provide its services and programs in a safe manner will be directly impacted if critical HVAC units fail during the peak cooling times of the year. School starts in late July which is during the very hot and humid monsoon season that will stress older, less efficient HVAC units. Any new HVAC units will be much more efficient and consume less energy than units built 15 to 30 years ago.

\$50,000: Engineering Evaluation of the Deterioration of Interior Wastewater Lines/Design Pipe Replacement, Dietary Building, Arizona State Hospital

The building's interior wastewater pipes have deteriorated during the life of the building. Emergency repairs were made to part of the building's interior wastewater lines in 2001 at a cost of \$135,000. Even these new pipes may have deteriorated, in just 6 years, due to the materials that were used at that time. Thus, an engineering evaluation of all of the interior wastewater lines is needed to detect any sewage leaks and determine what measures will be needed to insure that the piping does not leak any sewage in the future. The building's exterior sewer line that connects to the campus sewer system also leaks and its replacement is being funded as an infrastructure project in FY 2008.

\$65,000: Design Chiller & Thermal Storage System Replacement w/ Conventional Very Cold Water Chillers, 1501 W. Washington, Arizona Supreme Courts

The Courts' building thermal storage system has reached the end of its design life and is extremely costly to maintain. In fact, the system has never worked according to the manufacturer's specifications. Only one other thermal storage system that has the same design as the Courts' was ever installed in Arizona.

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The thermal storage HVAC system requires a very high level of maintenance. FY 2007 projected repairs to Icemaker #1 were expected to exceed \$50,000. Between July 1, 2006 and March 1, 2007, the Courts staff repaired 32 separate refrigerant leaks, rebuilt all thermal expansion and check valves and replaced mounting bolts, installed new defrost isolation valves, and replaced the oil pump and associated oil cooling piping. Many system parts are now obsolete and replacement parts are difficult to find. Five years ago, the LSW engineering evaluation projected that the ice machines had 2 to 7 years of remaining useful life.

The 2004 Johnston Engineering HVAC options study recommended that the Turbo thermal energy storage system be replaced with three 200 ton standard chillers and that the thermal storage system should be abandoned. The thermal storage system is the only source of cooling for the building except for the west portion of the fourth floor. Because the thermal storage system has never operated according to the manufacturers claims and specifications, all parties assume that a conventional system would be more energy efficient and would require considerably less maintenance. Other parts of the HVAC system, such as the cooling tower have already been replaced with building renewal funds and only the chillers that produce ice and the storage system needs to be replaced. Courts has a preliminary cost estimate of \$1.32 million for design and installation of new chillers as well as the demolition of the existing chillers and ice storage components.

ADOA paid about \$55,000 several years ago for the design and bidding services for replacing the two five hundred ton chillers at the Revenue building. Thus, \$60,000 will be allocated just for the design of the Courts chiller replacements. The engineer's bid costs, construction administration, field inspections, etc. will be included in the construction phase of this project which will have to be funded in FY 2009.

\$32,000: Replace Museum Complex Cooling Tower, Shallot Hall Museum, Prescott Historical Society

The Museum Center cooling tower is thirty years old and this is well beyond its expected useful life. The cooling tower has substantially deteriorated from its original condition which has reduced its ability to cool tower water. A new tower will operate much more efficiently and will produce much cooler tower water. Many energy saving devices such as variable speed drives are now available for cooling tower fans so that fan motor doesn't have to run at full power all of the time. Some aspects of this project may be eligible for an Arizona Public Service energy incentive payment schedule that has been approved by the Arizona Corporation Commission.

INTERIOR RENOVATION

\$145,000: Statewide Design/Renovate Armory Restrooms (Flagstaff - Nogales), Department of Emergency and Military Affairs

The 29,900 square foot Roosevelt Street Armory was built in 1964 and the 11,232 square foot Flagstaff Armory was built in 1959. The bathrooms and fixtures in both buildings are original to building and the bathrooms have not been renovated nor modified to meet ADA requirements. The existing toilets and urinals use considerably more water than those available today.

The renovation of the bathrooms at both armories will reduce water consumption, improve the moral of the military members that train at the armory and will address potential ADA needs of community members that use the armories for other events. Each of these facilities is extensively used by the community for such purposes as voting centers, forest fire mobilization sites, and holiday food drive centers, in addition to the requirements to be disaster relief Centers. Thus, ADA compliance will be included with the complete renovation of the bathrooms.

**DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM
FY 2008 BUILDING RENEWAL ALLOCATION PLAN**

\$225,000: ADOA Building System Carpet & Flooring Replacement

The expected useful life of carpet in typical office buildings is five to ten years. The condition of carpet in any public building is one of the most visible items to both employees and visitors. Throughout the funding history of the ADOA Building System, adequate funds have never been available to replace carpet and other flooring on a regular schedule. Consequently, much of the building system's carpet is in very poor condition. Carpet is often only replaced in areas where the condition has become so bad that it presents a safety hazard to employees and visitors. Thus, floors or areas in many buildings have not been re-carpeted at one time. Carpet color that is purchased at different times can come from different dye lots and will not match. After significant delays carpet patterns may be discontinued and different styles will be found on different floors or even on the same floor. Areas that experience higher public traffic such as DES client offices, DPS area offices and parts of the Revenue building have carpet that essentially has no color left in the carpet fibers. Many areas have numerous patches and stained and worn areas.

Limited building renewal funds must be focused primarily on keeping the aging building systems operating. Most funds are spent on roofs, HVAC, electrical and plumbing system, fire alarms, sewer and water systems and emergency replacements of building system components that fail unexpectedly. Thus, carpet replacement is one of the first interior items that is easily postponed year after year. The overall poor condition of the ADOA building systems flooring is demoralizing to employee morale and gives the general public the idea that the state doesn't care about the condition of its buildings.

The \$225,000 allocation for FY 2008 will help ADOA to address the buildings and areas with the most critical carpet and flooring needs. Almost every agency has buildings with carpet that is either totally worn out or is made up of a series of patches and repairs. Many of the tenants in the ADOA managed buildings regularly contact the Department and plead for ADOA to replace the carpet in their leased space. This allocation is needed to show state employees and visitors that at least a limited flooring replacement program is underway.

ADOA will evaluate the thousands of dollars in flooring requests and immediately start the flooring purchase and installation process. The state has a contract for, removal and recycling of old carpet and the new carpet purchase and installation. Therefore, carpet replacement projects usually proceed much faster than almost any other type of interior renovation. The abatement of hazardous materials, such as asbestos containing floor tiles and mastic that may be under the carpet is the leading reason for delays.

CONDITION ASSESSMENTS

\$350,000: Condition Assessments of ADOA Managed Buildings

The condition assessment of the 2.5 million square feet of buildings is the foundation of a proactive approach to capital maintenance. Understanding the condition of assets and planning accordingly for their care can save in maintenance expenditures. This proactive approach allows for more accurate funding of projects and minimizes the risk of unexpected and costly component failures. There are four key steps in effective management of assets:

1. Assess facility condition to establish meaningful baseline data through a detailed, structured process.
2. Estimate short- and long-range maintenance needs using the data obtained from actual field assessment.
3. Determine the effect of alternative reinvestment rates on short- and long-term asset conditions using decision support models.
4. Communicate the asset condition and impact on mission support to external stakeholders, senior management, and line management responsible for maintaining the capital assets. This planning process cannot take place without a current condition assessment of each building.

DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM

FY 2008 BUILDING RENEWAL ALLOCATION PLAN

The data provided by the condition assessments will assist ADOA with quantifying and analyzing system renewal costs, implementing consistent capital planning processes across divisions and sites, collaborating on planning and budgeting decisions using standardized data, comparing lifecycle capital requirements to fund source levels, comparing projected costs to correct the deficiencies to the replacement value of the building, and implementing deferred maintenance plans.

CONTINGENCY, PROJECT MANAGEMENT, RISK INSURANCE, & UNANTICIPATED FAILURES

\$550,000: Construction Contingency Funds

Historically, ADOA's Construction Services Section has commenced each project with a 10% contingency built in to the cost estimate. Construction costs have increased dramatically in recent years. Final construction estimates provided by architects and engineers have varied significantly. Several requests for bid have resulted in little or no interest from the construction community. Major renovation projects such as HVAC, fire alarms, and roofing, are subject to additional findings that cannot be readily identified until an architect or engineer is already involved with the project design or until the actual construction has started. As such, these projects are prone to construction change orders in the midst of the construction process. ADOA has identified a 10% contingency fund for all projects undertaken with FY 2008 COSF Building Renewal Funds.

\$175,000: ADOA Construction Services Project Management Costs (6/1/08-5/30/09)

The FY 2008 Building Renewal Appropriation included \$275,000 for project management. FY 2008 Project management costs for ADOA's Construction Services section have been projected to be \$255,000. Approximately five months or \$106,000 of those costs will be paid from the FY 2007 Building Renewal project management allocations. Seven months or \$149,000 of those costs will be paid from the FY 2008 building renewal allocations. The remaining \$26,000 will pay for the first month of FY 2009's project management costs prior to the JCCR approval of the FY 2009 ADOA building renewal allocation plan. Project management costs have been proportionally allocated to the total project amounts.

\$2,700: FY 2008 Risk Management Construction Insurance Premium

ADOA Risk Management requires that all expenditures related to engineering and architectural services contracts include a .34% Construction Insurance Premium. This premium insures the State against errors and omissions. The premium is not paid for direct construction costs or for reimbursables.

\$576,400: Unanticipated Failures - Emergency Allocations 9/1/2007- 7/30/2009

ADOA allocated \$710,813 of emergency building renewal funds to various State agencies in the time period from July 1, 2006 to July 1, 2007. Unanticipated failures included replacement of roof mounted air handlers at the Senate Building, supplemental funding of the revised arsenic treatment plant for Arizona Department of Juvenile Corrections, emergency HVAC replacements for Arizona Schools for the Deaf and the Blind, and others. As the deferred maintenance list grows, unanticipated and emergency failures become more common place. Remaining re-allocated FY 2007 Building renewal funds will also be utilized to pay for part of the cost of unanticipated failures from July 1, 2007 until about January 1, 2008.

FY 2008 Building Renewal Allocation Plan
ADOA Building System
July 27, 2007

FY 2008 Appropriation

\$7,257,100

Continuing Projects

Public Safety	Construction Funding - DPS Headquarters Fire Alarm (Designed FY 2007 BR funds)	\$120,000
Attorney General Bldg	Additional Funds to Rebuild 15 S. 15th Ave. Office Bldg. Parapet Renovation	\$490,000
Revenue Bldg	Phase II: Renovate Restrooms - 1600 W. Monroe (\$60,000 for projected Mold abatement)	\$860,000
	Subtotal	\$1,470,000

New Projects

Fire Life Safety

ASDB	Replace Obsolete Fire Alarm System Phoenix Day School (Previously Designed w/High School Project)	\$380,000
Parks, Boards & Commissions Office Bldgs	Replace Electrical Service Entrance, Main Panels & Conduit feeder, 1300/1400 W. Washington	\$400,000
	Subtotal	\$780,000

Infrastructure

ADOC	Assess Condition of Aging Water Storage Tank & Design Renovation - ASPC Tucson	\$100,000
DHS	Design & Re-construct Sewer Line to Dietary Building, Arizona State Hospital	\$137,000
	Subtotal	\$237,000

Building Shell

Executive Tower	Seal Exterior Expansion & Balcony Joints, & State Seal 1700 W. Washington	\$380,000
Supreme Court	Replace Roof Membrane	\$550,000
Juvenile Corrections	Statewide Roof Replacements	\$275,000
Public Safety	Statewide Roof Replacements	\$200,000
DES	Statewide Roof Replacements - ATPC & 1717 W. Jefferson	\$185,000
DHS Office Bldg	Roof Membrane Replacement 1740 W. Adams	\$225,000
Prescott Historical Society, Legislative Services, Pioneer's Home	Statewide Historic Building Replacements & Structural Repairs - Evans House, Bashford House, & Pioneer's Home Porch Balcony	\$110,000
	Subtotal	\$1,925,000

Building Systems & Services

Revenue Office Bldg	Phase I Design Five (5) Cab Traction Elevator Sytem Renovation & Rebuild Freight Elevator, 1600 W. Monroe Revenue Bldg.	\$300,000
Public Safety	Statewide HVAC Replacements (8 locations)	\$54,000
DES	Statewide HVAC Replacements (ATPC Administration Building)	\$20,000
DES	Statewide Interior Water Pipe Replacement ATPC 11 Buildings	\$150,000
ASDB	Replace Energy Management Control System and HVAC - Tucson Campus	\$150,000
DHS	Engineering Evaluation of the Deterioration of Interior Wastewater Lines/Design Pipe Replacement (Dietary ASH)	\$50,000
Supreme Court	Design Chiller & Thermal Storage System Replacement	\$65,000
Prescott Historical Society	Replace Museum Complex Cooling Tower	\$32,000

Interior Renovation

DEMA	Statewide Design/Renovate Restrooms (Flagstaff - Nogales Armories)	\$145,000
ADOA Building System	Carpet & Flooring Replacement	\$225,000
	Subtotal	----- \$370,000

Condition Assessments

ADOA	Condition Assessments ADOA Managed Buildings	\$350,000
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Contingency, Project Management, Risk Insurance, & Unanticipated Failures

Contingency Funds	Construction Contingency	\$550,000
Project Management	Construction Services Project Management Costs (6/1/08-5/30/09)	\$175,000
Risk Mgt Insurance	Risk Management Insurance Fee	\$2,700
Unanticipated Failures	Emergency Projects (Unanticipated Failures) FY 2008 & July 2009	\$576,400
	Subtotal	----- \$1,304,100