

# **JOINT COMMITTEE ON CAPITAL REVIEW**

**Tuesday, September 19, 2017**

**Immediately Upon Adjournment of the JLBC Meeting**

**House Hearing Room 1**

**JLBC**

STATE OF ARIZONA

## Joint Committee on Capital Review

STATE  
SENATE

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

DEBBIE LESKO  
CHAIRMAN 2017  
SYLVIA ALLEN  
OLIVIA CAJERO BEDFORD  
STEVE FARLEY  
KATIE HOBBS  
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HOUSE OF  
REPRESENTATIVES

DON SHOOTER  
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MARK CARDENAS  
HEATHER CARTER  
VINCE LEACH  
REBECCA RIOS

### **\*\* REVISED #2 \*\***

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Tuesday, September 19, 2017  
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House Hearing Room 1

#### MEETING NOTICE

- Call to Order
- [Approval of Minutes of July 25, 2017.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [ARIZONA GAME AND FISH DEPARTMENT - Review of FY 2017 Capital Improvement Projects.](#)
- 2. [ARIZONA STATE UNIVERSITY](#)
  - A. [Review of Building Renewal and Renovation Projects.](#)
  - B. [Informational Item on West Campus Property.](#)
- 3. [\\*NORTHERN ARIZONA UNIVERSITY - Review of FY 2018 Capital Improvement Plan for One-Time Appropriation.](#)
- 4. [UNIVERSITY OF ARIZONA - Consider Approval of Renovations of School of Animal and Comparative Biomedical Science Building Project \(Building 90\).](#)
- 5. [ARIZONA STATE PARKS BOARD - Review of FY 2018 Capital Expenditure Plan of \\$1,275,000 and Reallocation of Prior Year Capital Year Funding of \\$652,800.](#)
- 6. [\\*ARIZONA DEPARTMENT OF TRANSPORTATION - Review of Building Renewal Allocation Plan.](#)
- 7. [ARIZONA DEPARTMENT OF TRANSPORTATION - Review of FY 2017 Vehicle Wash System Project.](#)

8. ARIZONA STATE PARKS BOARD - Review of Rockin' River Ranch State Park Project.



9. UNIVERSITY OF ARIZONA - Review of Honors College Complex Project.

\* Consent Agenda - These items will be considered in one motion and no testimony will be taken.

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

9/13/17

9/15/17

kp

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

July 25, 2017

Chairman Lesko called the meeting to order at 2:35 p.m., Tuesday, July 25, 2017 in Senate Appropriations Room 109. The following were present:

Members:	Senator Lesko, Chairman	Representative Shooter, Vice-Chairman
	Senator Allen	Representative Allen
	Senator Cajero Bedford	Representative Cardenas
	Senator Hobbs	Representative Carter
		Representative Leach
		Representative Rios
Absent:	Senator Farley	Representative Alston
	Senator Kavanagh	
	Senator Yee	

#### APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of June 20, 2017, Chairman Debbie Lesko stated that the minutes would stand approved.

#### ARIZONA STATE UNIVERSITY - Review of Tempe Power Plant Indirect Financing Project.

Mr. Jack Brown, JLBC Staff, stated pursuant to A.R.S. § 15-1682.02, the Joint Committee on Capital Review is required to review any university projects using indirect debt financing. The JLBC Staff presented options and potential provisions to the Committee.

Mr. Morgan Olson, Executive Vice President, Treasurer and Chief Financial Officer, Office of Business and Finance, ASU, responded to member questions.

(Continued)



Representative Shooter moved that the Committee give a favorable review of Arizona State University's (ASU) proposed construction of a second combustion turbine on its Tempe campus financed by \$21,000,000 of bonds issued by Sun Devil Energy, LLC, a subsidiary of an ASU component unit, the Arizona Capital Facilities Finance Corporation (ACFFC) with the following Standard University Financing Provision:

Standard University Financing Provision

- A. 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.

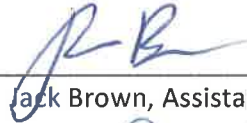
The motion carried.

Without objection, the meeting adjourned at 2:57 p.m.

Respectfully submitted:



Kristy Paddack, Secretary



Jack Brown, Assistant Director



Senator Debbie Lesko, Chairman





STATE OF ARIZONA

## Joint Committee on Capital Review

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DATE: September 12, 2017

TO: Senator Debbie Lesko, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Ben Murphy, Fiscal Analyst *BM*

SUBJECT: Arizona Game and Fish Department - Review of FY 2017 Capital Improvement Projects

### Request

The FY 2017 Capital Outlay Act appropriated \$4,739,200 to the Arizona Game and Fish Department (AZGFD) for 3 capital projects. Of that amount, AZGFD has already expended \$1,233,200 without JCCR review. Pursuant to A.R.S. § 41-1252 and the FY 2017 Capital Outlay Act, AZGFD requests Committee review of the \$3,419,000 for the following projects:

- \$2,922,000 for Sterling Spring Fish Hatchery renovations, and
- \$497,000 for 3 new boathouses and boat lifts.

### Committee Options

The Committee has at least the following 3 options:

1. A favorable review of the request of \$3,419,000 of unexpended monies.
2. A favorable review of \$360,000 for further design work on Sterling Springs Hatchery and \$497,000 for the Boat Structure projects.
3. An unfavorable review of the request of \$3,419,000 of unexpended monies.

(Continued)

Most of the funding for the Sterling Springs Hatchery project will not be expended until FY 2019. As a result, Option 2 would limit the hatchery review to \$360,000. Under this option, AZGFD can return to JCCR with better construction cost estimates once project bids have been received and analyzed.

Under any of the options, the Committee may consider the following provisions:

- A. AZGFD shall seek JCCR review prior to transferring any monies between the projects as delineated in *Table 2*. AZGFD shall also seek review before expending any of those monies for a purpose other than outlined in this memorandum.
- B. AZGFD shall seek JCCR review prior to expending any of the remaining unallocated monies for these projects.
- C. AZGFD shall notify the JCCR Chairman and JLBC Staff Director before October 2, 2017 of the agency's timetable for submitting their \$530,000 FY 2018 building renewal appropriation to JCCR for review prior to its expenditure.

**Key Points**

- 1) AZGFD has a history of expending their capital appropriations without prior JCCR review, totaling \$2.7 million from FY 2010 to FY 2016.
- 2) Despite efforts to improve AZGFD's understanding of the process, they expended another \$1,233,200 of FY 2017 capital monies without review.
- 3) AZGFD is now requesting review of \$2.9 million of unexpended FY 2017 monies for fish hatchery improvements and \$497,000 for acquisition of boathouses and boat lifts.

**Analysis**

Background

Both permanent law and the yearly Capital Outlay Act contain provisions requiring JCCR review of capital projects. In spite of this language, AZGFD has a history of expending monies without first receiving JCCR review.

A.R.S. § 41-1252 requires JCCR to review all monies appropriated for land acquisition and building renewal. Unless otherwise specified, any new capital project with a cost above \$250,000 also requires JCCR review.

Despite these provisions, AZGFD did not seek JCCR review of \$2.7 million in projects listed in *Table 1*.

**Table 1**

**Capital Expenditures without Review through FY 2016**

<u>FY</u>	<u>Project</u>	<u>Amount</u>
2010	Kingman Office Remodel	\$ 375,100
2011	Radio Tower Construction	224,600
2013	Building Renewal	523,300
2013	Property Maintenance	500,000
2013	Dam Maintenance	500,000
2016	Building Renewal	<u>530,000</u>
<b>Total</b>		<b>\$2,653,000</b>

(Continued)

The JLBC Staff discovered the lack of review for the FY 2016 building renewal appropriation a year ago. The JLBC Staff Director briefed the JCCR members on AZGFD's compliance problem at the June 2016 meeting.

In the FY 2017 budget, AZGFD received separate capital appropriations for general capital improvements, radio towers and boat structures. To ensure that AZGFD understood the review requirements, the FY 2017 Capital Outlay Act included the following language for each of the 3 separate appropriations:

"Before spending the appropriations . . . the agency (AZGFD) shall submit the scope, purpose and estimated cost of the capital improvements to the Joint Committee on Capital Review for its review pursuant to Section 41-1252, Arizona Revised Statutes."

When AZGFD had not submitted these items for review in over a year, the JLBC Staff inquired about their status. We then learned that AZGFD has spent a total of \$1,233,200 from all 3 appropriations without JCCR review.

Table 2 provides a summary for each project of how much the department is now requesting for review, the amount that has been spent without review, and the current cost estimate.

<b>Table 2</b>			
<b>Summary of FY 2017 Capital Project Expenditures</b>			
<b><u>Project</u></b>	<b><u>For Review</u></b>	<b><u>Spent w/o Review</u></b>	<b><u>Cost Estimate</u></b>
Fish Hatchery	\$2,922,000	\$ 98,000	\$3,020,000
Capital Improvements	-	787,000	787,000
Boat Structures	497,000	50,900	547,900
Radio Towers	-	297,300	297,300
<b>Total</b>	<b>\$3,419,000</b>	<b>\$ 1,233,200</b>	<b>\$4,652,200</b>

#### Capital Improvements/Sterling Springs Hatchery

The FY 2017 Capital Outlay Act appropriated \$3,867,000 for capital improvements. AZGFD has designated \$3,020,000 of that amount for repairs to the Sterling Springs Hatchery. Of that amount, AZGFD has already expended \$98,000 without JCCR review. As a result, \$2,922,000 remains to be reviewed for the Sterling Springs Hatchery.

AZGFD recently informed us that of the remaining \$847,000 designated for other capital improvements out of the original \$3,867,000 appropriation, the department has spent \$787,000 without review on statewide facility repair and maintenance; dam maintenance; and supplemental building renewal. AZGFD has not yet informed us of their plans for the remaining \$60,000.

The Sterling Springs Hatchery is 1 of 6 fish hatcheries statewide. These facilities produce the majority of the state's trout population, and supply state demand for recreational fishing beyond what the low rate of natural trout reproduction can provide. The hatchery grows fish to only the size of a finger (a fingerling) and then transfers those fish to the larger Page Hatchery.

(Continued)

The Sterling Springs Hatchery consists of a main hatchery building that grows the fish from eggs to intermediate fingerling size, outdoor artificial channels called raceways that accommodate larger volumes of more developed fingerlings, and a spring water delivery system that supplies both systems with properly treated water.

The main hatchery building and water delivery system were constructed in the 1930s and the raceways created in the 1970s. Receiving an epoxy coating in 1990, the raceways now need maintenance or replacement to prevent cracks that could affect structural integrity. In addition, the water delivery system infrastructure is inefficient.

The department spent \$98,000 on planning, design and environmental compliance in FY 2017. This amount was spent without Committee review. The hatchery is located on U.S. Forest Service Land, which requires the AZGFD to ensure all proposed renovations comply with federal regulations in the context of biological issues and historical preservation. Due to unforeseen challenges in meeting these requirements, the department will be requesting an extension on the June 2018 lapsing date of the appropriation in the upcoming legislative session.

In FY 2018, AZGFD plans to finalize the design of the renovations and solicit bids for the project, along with completing the environmental compliance requirements. Due to the lack of a finalized design and cost bids, AZGFD does not expect to begin construction until FY 2019. As a result, the JCCR may want to consider Option 2 for its review, which would provide an additional \$360,000 for its current fiscal year work. This \$360,000 would cover the remaining FY 2018 planning costs. Once AZGFD has developed more detailed cost estimates, JCCR can review additional funding at that time.

The department did not provide detail on scope of work or cost estimates.

#### Boathouses and Boat Lifts

The FY 2017 Capital Outlay Act appropriated \$874,900 to construct new boathouses and boat lifts. AZGFD has developed a plan for \$497,000 of that amount to date, and spent \$50,900 without review. AZGFD has not yet informed us of their plans for the remaining \$327,000.

AZGFD provides boating safety law enforcement and emergency responses on 50 lakes statewide. The boating law enforcement fleet is made up of nearly 50 patrol boats, which are primarily stationed at the department's headquarters and 6 regional offices. From those locations, the boats are trailered to the lakes. Local marinas and governments offer boat slips, which are small portions of piers to moor a boat. These slips, however, lack an elevation mechanism to keep the boat free of aquatic invasive species. The slips also do not provide a structure for shade and weather protection. In order to keep the patrol boats in good condition and located on the lakes they patrol, the department proposes constructing 3 boathouses as described in *Table 3* below:

<b>Table 3</b>		
<b>Boat Structures Expenditure Plan</b>		
<u>Location</u>	<u>Project</u>	<u>Amount</u>
Saguaro Lake	Two Slip Boathouse with Boat Lift	\$178,500
Canyon Lake	Two Slip Boathouse with Boat Lift	178,800
Apache Lake	Single Slip Boathouse with Boat Lift	<u>139,700</u>
<b>Total</b>		<b>\$497,000</b>

(Continued)

AZGFD has also spent \$50,900 without review, as described in *Table 4* below:

<b>Table 4</b>		
<b>Boat Structure Expenditures Without Review</b>		
<b><u>Project</u></b>		<b><u>Amount</u></b>
Electrical Service to Existing Boat Shade Canopy at Phoenix Headquarters		\$22,700
Lake Havasu Law Enforcement Dock/Slip Redesign		13,000
Boat Lift for Patagonia State Park Boathouse		10,400
Boathouse Design and Engineered Plans		<u>4,800</u>
<b>Total</b>		<b>\$50,900</b>

#### Radio Towers

The FY 2017 Capital Outlay Act appropriated \$306,000 for radio towers. To date, AZGFD has spent \$297,300 of that amount without JCCR review. AZGFD has not yet informed us of their plans for the remaining \$8,700.

AZGFD field officers serve a variety of functions, including wildlife law enforcement patrols and habitat management assistance. From its 6 regional offices, AZGFD deploys about 109 field officers who each patrol an average area of 1,200 square miles, often in remote locations. Their primary mode of communication is by radio, which is conveyed through 34 statewide mountain top radio towers owned and maintained by the Department of Public Safety (DPS). Though owned by DPS, these radio towers are a component of a statewide radio system used by a wide variety of federal, tribal, state and local agencies. AZGFD purchases the radio base stations and DPS then installs the base stations in the towers.

The current base stations are outdated, with unsupported hardware and difficulty in sourcing spare parts. Additionally, the remote location and harsh seasonal weather of many of these stations can make repairs difficult. As a result, the department expended the funding as shown in *Table 5* to replace 17 existing radio base stations.

The AZGFD submission raises the question of how their radio tower spending relates to DPS' own digital microwave tower spending, which is addressed in a separate agenda item. AZGFD reports that their base stations use the DPS microwave system as their "backbone" and that the digital upgrade to DPS' system will further improve AZGFD's communications.

<b>Table 5</b>		
<b>Radio Base Stations Upgrade Expenditures</b>		
<b><u>Component</u></b>		<b><u>Expenditure</u></b>
17 Radio Base Stations, Hardware, Software		\$209,500
Labor and Materials		43,000
Ethernet Bridge and Data Modules		29,400
Unit Fans and Power Supply		<u>15,400</u>
<b>Total</b>		<b>\$297,300</b>



THE STATE OF ARIZONA  
**GAME AND FISH DEPARTMENT**

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PHOENIX, AZ 85086-5000  
(602) 942-3000 • WWW.AZGFD.GOV

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**DIRECTOR**  
TY E. GRAY  
**DEPUTY DIRECTOR**  
TOM P. FINLEY



August 28, 2017

Senator Debbie Lesko, Chairman  
Joint Committee on Capital Review  
Arizona House of Representatives  
Capitol Complex  
1700 W. Washington  
Phoenix, AZ 85007-2890



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

Honorable Senator Lesko:

The Arizona Game and Fish Department respectfully requests to be on the next scheduled agenda of the Joint Committee on Capital Review to review the following items: 1.) the Arizona Game and Fish boat houses, boat lifts and boat shade canopy capital improvement expenditure plans (appropriated FY2017 watercraft licensing funds); 2.) Arizona Game and Fish final capital improvement radio towers expenditure plan (appropriated FY2017 game and fish fund); and 3.) design and planning of the Sterling Springs Hatchery project (appropriated FY2017 game and fish fund). The Arizona Game and Fish Department is requesting Committee review and approval to expend the remaining \$874,900 from the FY 2017 capital improvement appropriation.

The following information for this review is attached:

1. Arizona Game and Fish final boat houses, boat shade canopy and boat lift expenditure plan – FY2017 appropriation.
2. Arizona Game and Fish final capital improvement radio towers expenditure plan – FY2017 appropriation.
3. Arizona Game and Fish Sterling Spring Hatchery renovation project – status and projected schedule

Sincerely,

  
Ty E. Gray  
Director

cc: Representative Don Shooter, Vice Chairman, JCCR  
Richard Stavneak, Staff Director, JLBC  
Matthew Gress, Director, OSPB



## **Sterling Spring Hatchery Renovation Project – Status and Projected Schedule**

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### **Project: Sterling Springs Hatchery Renovation**

#### **Project Category: Preservation of Assets; Capital Improvement**

**Background:** The Sterling Spring facility produces approximately 600,000 fingerling trout each year for transfer to Page Spring Hatchery, where they are raised to catchable size for stocking at lakes and streams statewide. The original hatchery, including the main building and spring delivery system, was originally constructed in the 1930s, and the currently used multiple-use raceway system was constructed in the 1970s. The raceway system received replacement epoxy coating in 1990. The raceways are currently in need of maintenance or replacement; some units are presenting cracks that could severely compromise the structural integrity of the raceway and the spring water delivery infrastructure is severely degraded. Because of the fragile nature of fish in their early development, raceway or delivery system failure could cause a year's production loss. The fish culture on these raceways is exposed to the environment resulting in losses from increased disease risk and predation. Without renovations recreational fishing dependent on hatchery production will suffer. Implementing the facility renovations will not only improve production but also fishing opportunity. The renovation project, funded by FY2017 capital improvement appropriation from the Game and Fish Fund, includes master planning, design and building a state of the art facility utilizing current fish culture technologies. This renovation will allow the facility to improve operations, reduce costs (such as that of liquid oxygen), prevent the loss of fish to predators and predator borne disease, and secure the economic benefits associated with in-state fish production for the next 30 years. The estimated cost for renovation is \$3,020,000.

**Problem:** In FY17 the Arizona Game and Fish Department (AGFD) requested a Capital Improvement appropriation of \$604,000 from our Game and Fish Fund to initiate design and planning stages of this project. As noted in the FY17 CIP package submitted to ADOA, AGFD intended to request appropriations in FY18 and FY19 to complete the \$3,020,000 project. Unexpectedly, the entire amount of \$3,020,000 was appropriated in FY17 with a footnote that the Appropriation would expire in two years, on June 30, 2018. The Sterling Spring Hatchery Renovation Project cannot be completed within this timeframe.

**Current Status:** The project is currently advancing through the planning and design phase, which has been significantly slowed by environmental compliance that is itself complicated by biological issues and the historical nature of hatchery infrastructure. Because the hatchery is located on US Forest Service (USFS) land and operated through a special use permit environmental compliance is time dependent on when USFS resources can be assigned to review the proposed renovations. Planning and design is reliant on any restrictions or criteria established in the environmental assessment.

In FY17 AGFD secured design services for this project through an RFP process. Once on contract, AGFD worked diligently with the design consultant to develop a scope of work and final consultant fee. The RFP process and development of the scope and fee required three months to complete. The following tasks were then pursued in FY17:

- Initial meeting with Coconino National Forest to discuss project scope and map out the environmental compliance process
- Consultant subcontracts an archeological consultant to produce a cultural report on the hatchery

- Consultant inspects spring delivery system and develops options for renovation
- Consultant engages the services of a hatchery design expert from Colorado
- Consultant completes 90% design of spring delivery system
- Archeological consultant submits draft of cultural report
- AGFD and Forest Service review of cultural report determines report is deficient; consultant directed to develop more comprehensive report
- Conceptual plans with alternatives for new raceways, water storage, oxygenators, canopies and other support facilities produced and under review; final plans will be contingent both budget and environmental compliance approval by Coconino National Forest
- Archeological consultant currently directed to address comments by the Coconino National Forest archeologist on the cultural report

**FY17 Planning/Design/Environmental Compliance Expenditures: \$97,982**

**Proposed Solution:** AGFD is requesting a 2-year, no cost extension to the Appropriation. This will allow enough time to complete the environmental compliance requirements, finalize design and cost estimates, advertise for bid and implement a phased construction schedule so as to minimize impact to the hatcheries annual operational objectives.

**Consequences of Not Extending the Appropriation:** AGFD will not be able to enter the construction phase of this project

**Proposed Schedule Upon Extension of Appropriation:**

<b>2018</b>	<ul style="list-style-type: none"> <li>&gt; Complete environmental compliance requirements</li> <li>&gt; Finalize design and cost estimate of spring delivery system and hatchery production facilities</li> <li>&gt; Advertise for bid</li> <li>&gt; Implement a phased construction schedule for total renovation of spring delivery system and hatchery production facilities</li> </ul>
<b>2019</b>	<p>Construction Phase 1:</p> <ul style="list-style-type: none"> <li>&gt; Complete 75% of renovation of spring delivery system</li> <li>&gt; Complete 25% of hatchery production facilities</li> </ul>
<b>2020</b>	<p>Construction Phase 2:</p> <ul style="list-style-type: none"> <li>&gt; Complete 25% of renovation of spring delivery system</li> <li>&gt; Complete 75% of hatchery production facilities</li> </ul>

**Arizona Game and Fish Capital Improvement Projects FY 2018  
FY 2017 Capital Appropriation 02501**

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**Project: Saguaro Lake, Canyon Lake, and Apache Lake Boathouses and Boat Lifts**

**Project Category: Preservation of Assets; Capital Improvement, New Construction**

**Need:** Arizona's waterways provide over 3.5 million boater use days and over 15 million person use days each boating season primarily between the months of April through September. The Arizona Game and Fish Department (AGFD) provides boating safety patrols and emergency response to over 50 lakes throughout Arizona, including a significant law enforcement patrol presence on approximately 450 miles of the joint jurisdictional boundaries of the Colorado River. To accomplish this task, AGFD utilizes a fleet of almost fifty patrol boats that are assigned throughout the state and maintained in a constant state of readiness. Only a few of the patrol boats are stationed at major lakes while most are stationed primarily at the six Regional Offices and Headquarters. AGFD strives to protect these assets where current facilities exist at Regional Offices but staging patrol boats at these facilities requires trailering boats to patrol locations. Most trailering distances are over an hour from Regional Offices or the headquarters, increasing response times and reducing patrol efficiency. In addition to the delayed deployment response, aquatic invasive species have required the use of boat lifts to raise the patrol boat above the water level when not in use or stored overnight. Although AGFD utilizes boat slips offered by local marinas and other government agencies, the need to provide a secure, environmental shelter (shade structure) and protection from aquatic invasive species damage is necessary to ensure a constant state of readiness and efficiency for patrol boat deployment. This project will target Saguaro, Canyon and Apache Lakes with additional projects planned to provide a public safety launching dock at Roosevelt Lake, shading structures at the Phoenix headquarters and refurbish an existing boat house at Patagonia Lake State Park.

**Capital Appropriation GF02501**

**Cost Estimate:**

Cost Estimate based AGFD General Services Contractor Quote which includes design, sealed engineering plans, material fabrication, electrical power supply and delivery of three boathouses for AGFD Law Enforcement patrol boats as follows:

Saguaro Lake: Two Slip Boathouse with Hydro Hoist Boat Lift	\$178,495.49
Canyon Lake: Two Slip Boathouse with Hydro Hoist Boat Lift	\$178,809.23
<u>Apache Lake: Single Slip Boathouse with Hydro Hoist Boat Lift</u>	<u>\$139,676.42</u>
<b>TOTAL:</b>	<b>\$496,981.14</b>

**Prior Expenditures:**

Professional outside services for boathouse designs and engineered plans	\$ 4,840
Professional outside services for Lake Havasu law enforcement dock/slip redesign	\$13,035
Boat lift for Patagonia State Park boathouse	\$10,365
<u>Electrical service to existing boat shade canopy at Phoenix headquarters</u>	<u>\$22,674</u>
<b>TOTAL:</b>	<b>\$50,914</b>

**AGFD CAPITAL IMPROVEMENT PROJECT EXPENDITURE SUMMARY**

TOTAL APPROPRIATION	\$874,900
PRIOR EXPENDITURES	\$50,914
CURRENT EXPENDITURE REQUEST	\$496,981
<b>TOTAL REMAINING APPROPRIATION BALANCE:</b>	<b>\$327,005*</b>

**Impact of Not Approving this Request:** AGFD is committed to its mission of providing safe, recreational boating environment for the public by ensuring an adequate patrol boat fleet in a constant state of readiness at Arizona's waterways. Continued exposure to the elements and aquatic invasive species damage to boat hulls and engine systems increases maintenance costs, reduces asset longevity and delays response times to emergencies by extended transport times from storage locations.

\*The Arizona Game and Fish Department shall submit the scope, purpose and estimated cost of the all capital improvements under this appropriation to the JCCR for its review pursuant to A.R.S. § 41-1252. (Capital Outlay Appropriation Act footnote)

**Arizona Game and Fish Capital Improvement Projects  
FY 2017-18 Capital Appropriation 02615**

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**Project: Upgrade Communications Tower Repeater Base Stations 02615**

**Project Category: Capital Improvement, Facility Upgrade**

**Need:** The Arizona Game and Fish Department (AGFD) is a dedicated fund agency and does not receive any general fund state tax dollars. At capacity, AGFD deploys approximately 109 field officers from six regional offices located in Tucson, Mesa, Flagstaff, Kingman, Pinetop and Yuma. AGFD Officers each patrol an average area of 1,200 square miles in remote locations across the state. Effective radio communications are critical to the Department's operations and to the safety of the officers in the field. AGFD's radio communication system depends on 34 mountain top radio towers that are owned and maintained by the Department of Public Safety (DPS); AGFD purchases the base stations and DPS installs them within those tower facilities pursuant to interagency agreements. The Department's previous communication base stations were discontinued by the manufacturer and are no longer supported. Replacement of base stations and accompanying hardware was recommended as repair of unsupported hardware and the sourcing of spare parts became increasingly complex. The location of DPS radio towers on often remote mountaintops where access is difficult at the best of times and may be impossible seasonally due to weather and precludes timely repairs. These base stations are vital and provide a lifeline communication path to officers in remote areas with no other means of communication.

**Capital Appropriation GF02615**

**Project Scope:**

Purchase 17 Motorola GTR 8000 repeater base station units with accompanying hardware and software to replace unserviceable base station units installed in mountain top towers owned and maintained by DPS.

**Prior Expenditures:**

**Motorola**

Oatman Peak base station, hardware, software	\$12,323.39
Childs Mountain base station, hardware, software	\$12,323.39
Keystone Peak base station, hardware, software	\$12,323.39
Mule Mountain base station, hardware, software	\$12,323.39
Bernardino Peak base station, hardware, software	\$12,323.39
Guthrie Peak base station, hardware, software	\$12,323.39
Brookbank Peak base station, hardware, software	\$12,323.39
Mingus Mountain base station, hardware, software	\$12,323.39
Bill Williams Mountain base station, hardware, software	\$12,323.39
Roberts Ranch base station, hardware, software	\$12,323.39
Mount Eldon base station, hardware, software	\$12,323.39
Jacob Lake base station, hardware, software	\$12,323.39
Black Rock base station, hardware, software	\$12,323.39
Hualapai Mountain base station, hardware, software	\$12,323.39
Mount Lemon base station, hardware, software	\$12,323.39
Heliograph Peak base station, hardware, software	\$12,323.39
Alpine Peak base station, hardware, software	\$12,323.39

**SUBTOTAL** \$209,497.55

**Creative Communications - Ethernet Bridge and Data Modules** \$ 29,409.97

**Motorola - Unit fans and power supply** \$ 15,445.56

**Inter-Agency Transfer to DPS – Labor and materials** \$ 42,945.75

**TOTAL** **\$297,298.83**

**AGFD CAPITAL IMPROVEMENT PROJECT EXPENDITURE SUMMARY**

TOTAL APPROPRIATION	\$306,000
PRIOR EXPENDITURES	\$297,297.83
<b>TOTAL REMAINING APPROPRIATION BALANCE:</b>	<b>\$ 8701.17*</b>

\*The Arizona Game and Fish Department shall submit the scope, purpose and estimated cost of the all capital improvements under this appropriation to the JCCR for its review pursuant to A.R.S. § 41-1252. (Capital Outlay Appropriation Act footnote)

**Impact of Not Approving This Request:** The Department's communication system would become increasingly unreliable and unable to repair. Loss of communications would create an officer safety issue to officers in remote areas without any means of communication.





STATE OF ARIZONA

## Joint Committee on Capital Review

STATE  
SENATE

DEBBIE LESKO  
CHAIRMAN 2017  
SYLVIA ALLEN  
OLIVIA CAJERO BEDFORD  
STEVE FARLEY  
KATIE HOBBS  
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1716 WEST ADAMS  
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VINCE LEACH  
REBECCA RIOS

DATE: September 12, 2017

TO: Senator Debbie Lesko, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Matt Beienburg, Senior Fiscal Analyst *MB*

SUBJECT: Arizona State University - Review of Building Renewal and Renovation Projects

### Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Arizona State University (ASU) requests Committee review of \$35,000,000 in system revenue bond issuances to fund 3 building renewal and other renovation projects. The debt service payments will be funded by tuition revenues.

### Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.
2. An unfavorable review of the request.

Under either option, the Committee may also consider the following provisions:

- A. ASU may not use these monies to finance routine maintenance or upkeep (e.g. painting, caulking) that is not directly related to renovation improvements.
- B. By December 1, 2017 and June 1, 2018, ASU shall provide updates to the Committee on the specific projects to be funded with the \$35,000,000.

(Continued)

- C. Within 1 month of the debt issuance, ASU shall provide the Committee a copy of its Tax Certificate in compliance with Internal Revenue Service requirements concerning the expected economic life of the projects.

Standard University Financing Provisions

- D. 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.
- E. ASU shall provide the final debt service schedules and interest rate for the projects as soon as they are available.

**Key Points**

- 1) ASU would issue \$35.0 million of system revenue bonds for renovation projects including outdated fire and life safety, HVAC, and elevator systems, upgrading laboratory facilities, and converting spaces for new classroom and office use.
- 2) ASU has submitted a preliminary list of renovation projects that would be funded by these monies, but has not provided a finalized list of all projects that would ultimately be pursued.
- 3) The state typically does not provide funding for building renewal. If funded, the building renewal formula would generate \$44.3 million annually for ASU as of FY 2017.

**Analysis**

The \$35.0 million in bond issuances includes building renewal and academic facility renovations. Of this amount \$15.0 million will be for research laboratory renovations, \$10.0 million will be for classroom and academic renovations, and \$10.0 million will be for building renewal and campus infrastructure.

Financing

ASU intends to issue the \$35.0 million in the spring of 2018 with an anticipated rating of Aa3 (Moody's)/AA (S&P) and an estimated interest rate of 3.4% for all the projects. The \$35.0 million will be bundled with other ASU projects into a larger issuance. Bonds for the building renovation projects will be issued for a term of 20 years.

In addition to project costs, issuance costs are projected to be \$430,000. From FY 2019 to FY 2038, debt service payments, including principal, will be approximately \$2.5 million annually, for a total debt service obligation of \$49.8 million. The debt service will be paid from tuition (*See Table 3 for a summary of the bond financing terms*).

The debt service on these projects increases ASU's current debt ratio from 4.8% to 4.91%.

Construction Costs

Total project costs are projected to be \$35.0 million, which does not include issuance costs. *Table 1* provides a brief description of each project along with the project's total cost, direct construction costs, square footage and direct construction cost per square foot. The direct cost, excluding items such as design and project management costs, is \$24.3 million.

(Continued)



**Table 1**

**ASU System Revenue Bond Projects**

<u>Project</u>	<u>Total Cost</u> <sup>1/</sup>	<u>Direct Cost</u>	<u>Sq. Ft.</u>	<u>Direct Cost/ Sq. Ft.</u>
Research Laboratory Renovations - All Campuses	\$15,000,000	\$ 9,760,000	30,000	\$325
Classroom Renovations - All Campuses	10,000,000	6,500,000	30,750	211
Building Renewal and Campus Infrastructure - All Campuses	<u>10,000,000</u>	<u>8,000,000</u>	<u>N/A</u>	<u>N/A</u>
<b>Total</b>	<b>\$35,000,000</b>	<b>\$24,260,000</b>	<b>60,750</b>	<b>--</b>

<sup>1/</sup> These amounts do not include issuance costs.

*Research Laboratory Renovations - All Campuses*

ASU is planning to renovate approximately 30,000 gross square feet of laboratories throughout all of its campuses for a cost of \$15.0 million (plus estimated issuance costs of \$180,000). ASU states that many existing buildings are inadequate to support current and new research requirements. Multiple wet and dry laboratory spaces will be upgraded in order to meet these research needs. Additionally, building system upgrades such as HVAC, mechanical, gas lines, electrical and code-required life safety modernization will be made in research laboratories on all ASU campuses.

Specifically, ASU has identified the Bateman Physical Sciences Center F Wing and the Interdisciplinary Science and Technology (ISTB) I Building on the Tempe Campus and the Classroom/Lab/Computer Classroom Building on the West Campus as in need of renovations and upgrades. The university will also direct a portion of the monies to the "2018 Research Allocations" of the College of Liberal Arts and Sciences on the Tempe Campus and the Fulton Schools of Engineering on the Tempe and Polytechnic campuses in order to upgrade their laboratory infrastructure. The direct construction cost per square foot is \$325.

*Classroom Renovations - All Campuses*

ASU is planning to renovate 30,750 gross square feet of classroom and academic space throughout all of its campuses for a cost of \$10.0 million (plus estimated issuance costs of \$125,000). This amount will fund building renewal for HVAC, plumbing, electrical systems, internal walls and partitions, elevators and fire prevention equipment. The direct construction cost per square foot is \$211.

ASU has identified several specific renovation projects that will be undertaken with these funds, as listed in *Table 2*.

*Building and Infrastructure Enhancements and Modifications - All Campuses*

ASU is planning to update critical building systems within existing facilities and improving infrastructure at all of its campuses for a cost of \$10.0 million (plus estimated issuance costs of \$125,000).

The project will include upgrading, installing and replacing building systems and infrastructure such as fire sprinklers and alarms, HVAC, electrical systems, roof replacement/coating and elevator modernization.

ASU reports that some of its buildings' fire protection systems "are either not compliant, nonexistent, or beyond their design life to the point where repair parts are no longer manufactured and must be found via auction sites, such as eBay." The university also reports that HVAC systems throughout the Tempe

(Continued)

and Polytechnic Campuses "far exceed their 25-year life expectancy," and that due to age, "repair parts are no longer available" for multiple elevators, which "have begun to fail on a frequent basis."

Among the specifically identified projects, ASU intends to replace chilled water and steam utility piping in the Interdisciplinary A and B Buildings, the Polytechnic Campus Technology Center chiller, and HVAC system components in the Durham Language and Literature building. Hazardous materials abatement will be performed where necessary.

The university will also replace or add fire panels and sprinkler systems to 4 buildings and replace a roughly "half century old" power conduit for pedestrian lighting on the Tempe Campus. In addition, ASU intends to repair or upgrade elevator cabs in the Engineering Center G, Interdisciplinary B, and the Matthews Center and School of Human Evolution and Social Change buildings, extending their useful life for 25 - 40 years.

Table 2

**Classroom and Academic Renovations <sup>1/</sup>**

<b><u>Building</u></b>	<b><u>Campus</u></b>	<b><u>Description</u></b>
Health North	Downtown Phoenix	Additional office and workspaces for College of Nursing and College of Health Solutions
University Center	Downtown Phoenix	Convert office space to classrooms and upgrade HVAC for College of Integrative Sciences and Art programs
University Center	Tempe	New office space for Enrollment Services, Office of the Provost, and related units
Business Admin and McCord Hall	Tempe	Buildout of shell space for new classrooms and support areas
Bateman Physical Sciences E Wing	Tempe	Renovate 2 of 6 chemistry labs, including mechanical upgrades to HVAC, mold remediation, life safety/ADA requirements
Student Services	Tempe	Build offices and support spaces, updates to restrooms, lighting, flooring, life safety/ADA codes
Classroom Renovations	All Campuses	Allocation to improve utilization of space, lighting, ADA/life safety requirements

<sup>1/</sup> ASU states that its renovations will include, but are not limited to, the projects above. ASU intends to renovate a portion of each of the facilities listed, not necessarily the entire space.

**Use of Long-Term Debt Financing**

To ensure that long-term debt is utilized only for long-term improvements, the Committee may consider Provision A, which would prohibit the university from using the funds for routine upkeep (e.g. painting, caulking) that is not directly related to a larger renovation effort.

In addition, to ensure that the useful life of renovation improvements is at least comparable to the length of the bond term, the Committee may consider Provision C, which would require the university to provide a copy of the Tax Certificate that attests that the bond term does not significantly exceed the average useful life of the improvements.

ASU estimates that the normal expected lifespan of HVAC system upgrades, such as those it would undertake as part of these projects, is approximately 20 years. The university has stated that across its

(Continued)

campuses, however, the upgrades generally remain in service for 30 years with proper maintenance.

Recent ASU Building Renewal Projects

At its June 2016 meeting, the Committee favorably reviewed \$40.0 million of bond issuances for 3 projects that are similar to the current ASU request, which were financed with university tuition revenues. The direct and total costs per square foot for laboratory and classroom renovations were identical to the estimated costs for the current projects.

The state typically does not provide funding for building renewal. If funded, the building renewal formula would generate \$44.3 million annually for ASU as of FY 2017.

Additionally, Laws 2017, Chapter 328 appropriates \$27.0 million from the General Fund to the universities in FY 2019 for capital projects and increases the appropriation each year thereafter by 2% or the rate of inflation, whichever is less, through FY 2043. Of this amount, ASU will receive \$11.9 million in FY 2019. ASU identified \$440 million of potential projects to be funded with these monies (and the corresponding 1:1 university matching funds), including \$30 million of deferred maintenance. ASU, however, will not be using this General Fund appropriation to pay for the debt service on this \$35.0 million issuance.

**Table 3**

**ASU Building Renewal Financing Terms**

Issuance Amount	\$35.0 million
Issuance Date	Spring 2018
Issuance Transaction Fees	\$430,000
Rating	Aa3 (Moody's)/AA (S&P)
Interest Rate	3.4%
Term	20 years
Total Debt Costs	\$49.8 million
Debt Service Payments	\$2.5 million (FY 2019 – FY 2038)
Payment Source	Tuition
Debt Ratio Increase	0.11%

RS/MB:kp



May 30, 2017

The Honorable Debbie Lesko, Chairman  
Joint Committee on Capital Review  
Arizona State Senate Capitol Complex  
1700 West Washington, Room 200  
Phoenix, AZ 85007-2890



Dear Senator Lesko:

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

- Building and Infrastructure Enhancements and Modifications
- Classroom and Academic Renovations
- Research Laboratory/Faculty Startup Renovations
- Sun Devil Energy Center, LLC

Enclosed is pertinent information relating to these items.

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

Sincerely,

A handwritten signature in blue ink, appearing to read "Morgan R. Olsen".

Morgan R. Olsen  
Executive Vice President, Treasurer and CFO

Enclosures

c: Richard Stavneak, Director, JLBC  
Eileen Klein, President, Arizona Board of Regents, ABOR  
John Arnold, Vice President for Business Management and Financial Affairs, ABOR  
Lorenzo Martinez, Associate Vice President for Finance & Administration, ABOR  
Steve Miller, Deputy Vice President, Public Affairs, ASU  
Lisa Frace, Associate Vice President, Planning & Budget, and Chief Budget Officer, ASU  
Bruce Nevel, Associate Vice President, Facilities Development and Management, ASU  
Joanne Wamsley, Vice President for Finance and Deputy Treasurer, ASU  
Matt Beienburg, Fiscal Analyst, JLBC

**Joint Committee on Capital Review  
Arizona State University  
June 2017 JCCR Meeting**

## **1. BUILDING AND INFRASTRUCTURE ENHANCEMENTS AND MODIFICATIONS**

### **Project Description**

The Building and Infrastructure Enhancements and Modifications project bundle is planned to upgrade, install and replace building systems and infrastructure, such as fire sprinklers and alarms; elevators; HVAC and electrical systems (including reliability and redundancy upgrades); exhaust, chilled water and steam systems; roof replacement/coating and re-caulking windows and building joints. Abatement of hazardous materials will be performed as needed.

Campus infrastructure enhancements may include site improvements for malls, lighting, street repair and realignment, parking, site drainage and retention. Additionally, this project bundle will replace some of the infrastructure between the central plant and campus buildings, including distribution of chilled water supply and return, steam and condensate return, and domestic water and sewer systems, as needed to bring campus distribution up to current standards.

Many components of the ASU built environment are not capable of supporting additional functions required by the university to carry out its mission of research and academic excellence. Building envelope components either must be replaced or brought up to a condition that ensures protection from outside elements. Infrastructure improvement projects preserve university assets and ensure that critical systems supporting academic and research initiatives continue without interruption.

This debt-financed project bundle will be funded from \$10,000,000 in system revenue bonds.

Debt service will be funded with tuition.

An Arizona Board of Regents executive summary is attached for this project bundle, which outlines the project description and other relevant information. This project bundle is scheduled to receive Capital Development Plan approval at the June 8, 2017 Arizona Board of Regents meeting, which is the final required ABOR approval for the project bundle.

### **Project Costs**

Total Project Cost	\$ 10,000,000
Total Project Construction Cost	\$ 8,000,000
Total Project Cost per GSF	\$ N/A
Total Construction Cost per GSF	\$ N/A

Operations and maintenance costs for these projects are not expected to change.

**Joint Committee on Capital Review  
Arizona State University  
June 2017 JCCR Meeting**

## **2. CLASSROOM AND ACADEMIC RENOVATIONS**

### **Project Description**

The Classroom and Academic Renovations project bundle will renovate existing classrooms, create new classrooms of various sizes and update instructional spaces at all campuses. This project bundle will comprise multiple renovation components at each ASU campus to meet the space demands created by new hiring and new program initiatives, as well as to improve the utilization of spaces.

Building components such as HVAC, plumbing, electrical systems, flooring, ceilings, interior and exterior paint, roofs, windows, doors, internal walls and partitions, elevators, and fire prevention equipment may be upgraded in this project.

This debt-financed project bundle will be funded from \$10,000,000 in system revenue bonds.

Debt service will be funded with tuition.

An Arizona Board of Regents executive summary is attached for this project bundle, which outlines the project description and other relevant information. This project bundle is scheduled to receive Capital Development Plan approval at the June 8, 2017, Arizona Board of Regents meeting, which is the final required ABOR approval for the project bundle.

### **Project Costs**

Total Project Cost	\$ 10,000,000
Total Project Construction Cost	\$ 6,500,000
Total Project Cost per GSF	\$ 325
Total Construction Cost per GSF	\$ 211

Operations and maintenance costs for these projects are not expected to change.

**Joint Committee on Capital Review  
Arizona State University  
June 2017 JCCR Meeting**

### **3. RESEARCH LABORATORY/FACULTY STARTUP**

#### **Project Description**

The Research Laboratory/Faculty Startup project bundle will involve the renovation of laboratories and associated spaces to meet new and current research requirements within existing facilities. Multiple wet and dry lab spaces will be upgraded into spaces that will allow for future flexibility and better utilization through shared services.

Many existing university laboratories and building systems are inadequate, due to age and the requirements of emerging technologies. The poor condition of the spaces and age of the building systems constrain the development of these strategically important areas. This project bundle will ensure facility systems can meet research demands and will keep areas within code compliance. The projects will convert inadequate classroom laboratories, research laboratories and research building systems into highly productive research facilities.

This debt-financed project bundle will be funded from \$15,000,000 in system revenue bonds.

Debt service will be funded with tuition.

An Arizona Board of Regents executive summary is attached for this project bundle, which outlines the project description and other relevant information. This project bundle is scheduled to receive Capital Development Plan approval at the June 8, 2017, Arizona Board of Regents meeting, which is the final required ABOR approval for the project bundle.

#### **Project Costs**

Total Project Cost	\$ 15,000,000
Total Project Construction Cost	\$ 9,760,000
Total Project Cost per GSF	\$ 500
Total Construction Cost per GSF	\$ 325

Operations and maintenance costs for these projects are not expected to change.

**Joint Committee on Capital Review  
Arizona State University  
June 2017 JCCR Meeting**

**PROJECT SUMMARY –Revenue Bonds**

<u>Projects:</u>	<u>Funding Sources:</u>	<u>Amount:</u>
Building and Infrastructure Enhancement and Modifications	Tuition	\$10,000,000
Classroom and Academic Renovations	Tuition	10,000,000
Research Laboratory/Faculty Startup Renovations	Tuition	15,000,000
Total		<u>\$35,000,000</u>

**FINANCING INFORMATION**

System Revenue Bonds:

Project Costs	\$35,000,000
Estimated Costs of Issuance	\$430,000
Anticipated Bond Rating	Aa3 (Moody's) and AA (S&P)
Assumed Interest Rate	3.4%
Term	20 years

Debt Service Information:

Estimated Annual Debt Service	\$2,490,987
Total Estimated Debt Service Costs	\$49,819,735

**DEBT RATIO**

Debt Ratio on Existing Debt	4.80
Incremental Debt Ratio	.11
Project Debt Ratio	4.91



**Joint Committee on Capital Review  
Arizona State University  
June 2017 JCCR Meeting**

**Arizona State University  
System Revenue Bonds  
Building and Infrastructure Enhancement and Modifications**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$280,000	\$430,313	\$710,313
2020	375,000	334,730	709,730
2021	390,000	321,980	711,980
2022	405,000	308,720	713,720
2023	415,000	294,950	709,950
2024	430,000	280,840	710,840
2025	445,000	266,220	711,220
2026	460,000	251,090	711,090
2027	475,000	235,450	710,450
2028	495,000	219,300	714,300
2029	510,000	202,470	712,470
2030	525,000	185,130	710,130
2031	545,000	167,280	712,280
2032	565,000	148,750	713,750
2033	585,000	129,540	714,540
2034	600,000	109,650	709,650
2035	625,000	89,250	714,250
2036	645,000	68,000	713,000
2037	665,000	46,070	711,070
2038	690,000	23,460	713,460
	<u>\$10,125,000</u>	<u>\$4,113,193</u>	<u>\$14,238,193</u>

**Joint Committee on Capital Review  
Arizona State University  
June 2017 JCCR Meeting**

**Arizona State University  
System Revenue Bonds  
Classroom and Academic Renovations**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$280,000	\$430,313	\$710,313
2020	375,000	334,730	709,730
2021	390,000	321,980	711,980
2022	405,000	308,720	713,720
2023	415,000	294,950	709,950
2024	430,000	280,840	710,840
2025	445,000	266,220	711,220
2026	460,000	251,090	711,090
2027	475,000	235,450	710,450
2028	495,000	219,300	714,300
2029	510,000	202,470	712,470
2030	525,000	185,130	710,130
2031	545,000	167,280	712,280
2032	565,000	148,750	713,750
2033	585,000	129,540	714,540
2034	600,000	109,650	709,650
2035	625,000	89,250	714,250
2036	645,000	68,000	713,000
2037	665,000	46,070	711,070
2038	690,000	23,460	713,460
	<u>\$10,125,000</u>	<u>\$4,113,193</u>	<u>\$14,238,193</u>

**Joint Committee on Capital Review  
Arizona State University  
June 2017 JCCR Meeting**

**Arizona State University  
System Revenue Bonds  
Research Laboratory/Faculty Startup Renovations**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$420,000	\$645,149	\$1,065,149
2020	565,000	501,840	1,066,840
2021	585,000	482,630	1,067,630
2022	605,000	462,740	1,067,740
2023	625,000	442,170	1,067,170
2024	645,000	420,920	1,065,920
2025	670,000	398,990	1,068,990
2026	690,000	376,210	1,066,210
2027	715,000	352,750	1,067,750
2028	740,000	328,440	1,068,440
2029	765,000	303,280	1,068,280
2030	790,000	277,270	1,067,270
2031	815,000	250,410	1,065,410
2032	845,000	222,700	1,067,700
2033	870,000	193,970	1,063,970
2034	905,000	164,390	1,069,390
2035	935,000	133,620	1,068,620
2036	965,000	101,830	1,066,830
2037	1,000,000	69,020	1,069,020
2038	1,030,000	35,020	1,065,020
	<u>\$15,180,000</u>	<u>\$6,163,349</u>	<u>\$21,343,349</u>

**EXECUTIVE SUMMARY**

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**Arizona Board of Regents  
Arizona State University  
Capital Development Plan Project Justification Report  
Building and Infrastructure Enhancements and Modifications**

**Previous Board Action:**

- FY 2019-2020 Capital Improvement Plan September 2016

**Statutory/Policy Requirements**

- ABOR Policy 7-102 (B) requires all renovation or infrastructure projects with an estimated total project cost of \$5 million or more be brought to the Business and Finance Committee for approval, regardless of funding source or financing structure.

**Project Justification/Description/Scope**

- This project bundle is planned to upgrade, install and replace building systems and infrastructure, such as fire sprinklers and alarms; elevators; HVAC and electrical systems (including reliability and redundancy upgrades); exhaust, chilled water and steam systems; roof replacement/coating; and re-caulking windows and building joints. Abatement of hazardous materials will be performed as needed. Campus infrastructure enhancements may include site improvements for malls, lighting, street repair and realignment, parking, site drainage and retention. Additionally, this project will replace some of the infrastructure between the central plant and campus buildings, distribution of chilled water supply and return, steam and condensate return, domestic water, and sewer systems, as needed, to bring campus distribution up to current standards.
- Many components of the ASU built environment are not capable of supporting the additional functions now required by the university to carry out its mission of research and academic excellence. Building envelope components either must be replaced or brought up to a condition that ensures protection from outside elements.
- These projects not only will enhance the quality of campus infrastructure and systems, but also will keep the university in compliance with code requirements for safety and reduce deferred maintenance. Projects that are essential for life safety/code compliance and to university strategic initiatives have been given top priority.

## EXECUTIVE SUMMARY

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### **Project Delivery Method and Process:**

- Depending on the nature of the work, components of this project may be delivered through the Design Build (DB), Construction Manager at Risk (CMAR) or Job Order Contracting (JOC) methods.
- ASU has not yet selected a DB, CMAR, JOC contractor or design professional firm for any components of this project bundle. Contractors and design professionals will be selected according to ABOR policy and Arizona law.

### **Project Status and Schedule**

- Design Professionals (DPs) will be selected after CDP approval. The project design will be complete approximately six to twelve months after the DP contract is awarded for that component of work.
- General construction is scheduled to begin when the design is complete and after all approvals are in place. Construction on all project components will be completed by 2020.

### **Project Cost**

- The budget for this set of projects is \$10,000,000.
- For this Capital Development Plan phase, no preliminary external cost estimates have been provided by third-party consultants. The DP and DB, CMAR or JOC contractor teams have not yet been selected for these project components. Independent cost estimates will be provided by the DP, DB, CMAR or JOC contractor after these selections are complete.
- For projects selected to use the DB or CMAR delivery method, the CMs will be at risk to provide the completed project within the agreed-upon Guaranteed Maximum Price (GMP). A final report on project control procedures, including change orders and contingency use, will be provided at project completion.

### **Fiscal Impact and Financing Plan:**

- The \$10.0 million project budget will be funded with system revenue bonds. Debt service will be funded by tuition.
- There are no expected increases in operation and maintenance costs for these projects.

## EXECUTIVE SUMMARY

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- **Debt Ratio Impact:** The projected incremental debt ratio impact for this project bundle is 0.03 percent.

### Occupancy Plan

- These projects will not affect occupancy or programs, but will renew building and campus infrastructure and life safety systems.

**EXECUTIVE SUMMARY**

**Capital Project Information Summary**

**University:** Arizona State University    **Project Name:** Building and Infrastructure Enhancements and Modifications

**Project Description and Location:** This project bundle is planned to upgrade, install and replace building systems and infrastructure at all campuses. Abatement of hazardous materials will be performed as needed. Campus infrastructure enhancements may include site improvements for malls, lighting, street repair and realignment, parking, site drainage and retention. Additionally, this project will replace some of the infrastructure between the Tempe campus central plant and the campus buildings, distribution of chilled water supply and return, steam and condensate return, domestic water, and sewer systems, as needed, to bring campus distribution up to current standards.

**Project Schedule:**

Planning	June	2017
Design	September	2017
Construction Start	December	2017
Construction Completion	December	2020

**Project Budget:**

Total Project Cost	\$	10,000,000
Total Project Construction Cost	\$	8,000,000
Total Project Cost per GSF	\$	N/A
Construction Cost per GSF	\$	N/A

**Change in Annual O & M Cost:**

Utilities	\$	0
Personnel		
All Other Operating		0
Subtotal	\$	0

**Funding Sources:**

Capital

A. System Revenue Bonds	\$	10,000,000
Debt Service Funding Sources:		Tuition

Operation/Maintenance	\$	0
Funding Sources:		

**EXECUTIVE SUMMARY**

**Capital Project Budget Summary**

**University:** Arizona State University **Project:** Building & Infrastructure Modifications & Enhancements

	<b><u>Capital Development Plan</u></b>	<b><u>Project Approval</u></b>
Capital Costs		
1. Land Acquisition		
2. Construction Cost		
A. New Construction		
B. Bldg. Infrastructure Improvements	\$ 8,000,000	
C. Special Fixed Equipment		
D. Site Development (excl. 2.E.)		
E. Parking and Landscaping		
F. Utilities Extensions		
G. Other* (Demolition)		
Subtotal Construction Cost	<u>\$ 8,000,000</u>	<u>\$ -</u>
3. Fees		
A. CMAR Pre-Construction	\$ 120,000	
B. Architect/Engineer	650,000	
C. Other		
Subtotal Consultant Fees	<u>\$ 770,000</u>	<u>\$ -</u>
4. FF&E Movable/Security		
5. Contingency, Design Phase	300,000	
6. Contingency, Constr. Phase	500,000	
7. Parking Reserve		
8. Telecommunications Equipment		
Subtotal Items 4-8	<u>\$ 800,000</u>	<u>\$ -</u>
9. Additional University Costs		
A. Surveys, Tests, Haz. Mat. Abatement	\$ 110,000	
B. Move-in Costs		
C. Printing Advertisement		
D. Keying, signage, facilities support		
E. Project Management Cost	290,000	
F. State Risk Mgt. Ins. (.0034 **)	30,000	
Subtotal Addl. Univ. Costs	<u>\$ 430,000</u>	<u>\$ -</u>
<b>Total Capital Cost</b>	<u><u>\$ 10,000,000</u></u>	<u><u>\$ -</u></u>

\* Universities shall identify items included in this category

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



## EXECUTIVE SUMMARY

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**Arizona Board of Regents  
Arizona State University  
Capital Development Plan Project Justification Report  
Classroom and Academic Renovations**

### Previous Board Action:

- FY 2019-2020 Capital Improvement Plan September 2016

### Statutory/Policy Requirements

- ABOR Policy 7-102 (B) requires all renovation or infrastructure projects with an **Error! Hyperlink reference not valid.** estimated total project cost of \$5 million or more be brought to the Business and Finance Committee for approval, regardless of funding source or financing structure.

### Project Justification/Description/Scope

- ASU intends to renovate existing classrooms, create new classrooms of various sizes and add smaller instructional spaces at all campuses. Plans call for the renovation of approximately 30,750 gross square feet of classrooms and academic space, including faculty and student space. Building components such as HVAC, plumbing, electrical systems, flooring, ceilings, interior and exterior paint, roofs, windows, doors, internal walls and partitions, elevators, and fire prevention equipment may be upgraded in this project. The Classroom and Academic Renovations project bundle will comprise multiple components at each ASU campus.
- The ASU Strategic Enterprise Framework identifies several goals, including improving retention and graduation performance, curricular reform, and improved student outcomes. Resources needed to achieve these ends include continued investment in faculty, as well as space renovations to support teaching innovations. These projects will provide renovated and growth space for academic programs, allowing better student/faculty interaction and learning experiences. The work will create attractive spaces for student learning and renovate worn areas that distract from teaching and learning effectiveness, resulting in improved and updated space for new faculty hires.
- These project components will enhance the quality of the built environment, with improved space for faculty and a better classroom experience for students, maintain compliance with code requirements for safety, and reduce deferred maintenance.

## EXECUTIVE SUMMARY

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Project components essential for life safety/code compliance and those that support university strategic initiatives are given top priority.

### **Project Delivery Method and Process:**

- Depending on the nature of the work, components of this project may be delivered through either the Construction Manager at Risk (CMAR) or Job Order Contracting (JOC) method.
- ASU has not yet selected a CMAR, JOC contractor or design professional firm for any components of this project. Contractors and design professionals will be selected according to ABOR policy and Arizona law.

### **Project Status and Schedule**

- Design Professionals (DPs) will be selected after CDP approval. Design will be complete approximately six to nine months after the DP contract is awarded.
- General construction is scheduled to begin when the design is complete and after all approvals are in place. Construction on all project components will be completed by 2020.

### **Project Cost**

- The budget for this set of projects is \$10,000,000. The budget represents an estimated construction cost of \$211 per gross square foot. The estimated total project cost is \$325 per gross square foot.
- For this Capital Development Plan phase, no preliminary external cost estimates have been provided by third-party consultants. DP and CMAR or JOC contractor teams have not been selected yet for these projects. Independent cost estimates will be provided by the DP, CMAR or JOC contractor after these selections are complete.
- For projects selected to use the CMAR delivery method, the CMARs will be at risk to provide the completed project within the agreed-upon Guaranteed Maximum Price (GMP). A final report on project control procedures, including change orders and contingency use, will be provided at project completion.

### **Fiscal Impact and Financing Plan:**

- The \$10.0 million project budget will be funded with system revenue bonds. Debt service will be funded by tuition.

## EXECUTIVE SUMMARY

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- There are no expected increases in operation and maintenance costs for this set of projects.
- **Debt Ratio Impact:** The projected incremental debt ratio impact for this project bundle is 0.03 percent.

### Occupancy Plan

- These project components will reconfigure and renew spaces for classroom and academic areas. Programs may be temporarily displaced as spaces are renovated.

**EXECUTIVE SUMMARY**

**Capital Project Information Summary**

**University:** Arizona State University      **Project Name:** Classroom and Academic Renovations

**Project Description and Location:** This project bundle includes the renovation of approximately 30,750 gross square feet of classrooms and academic space, including faculty and student space at all campuses. Building components such as HVAC, plumbing, electrical systems, flooring, ceilings, interior and exterior paint, roofs, windows, doors, internal walls and partitions, elevators, and fire prevention equipment may be upgraded in this project.

**Project Schedule:**

Planning	June	2017
Design	September	2017
Construction Start	December	2017
Construction Completion	December	2020

**Project Budget:**

Total Project Cost	\$	10,000,000
Total Project Construction Cost	\$	6,500,000
Total Project Cost per GSF	\$	325
Construction Cost per GSF	\$	211

**Change in Annual O & M Cost:**

Utilities	\$	0
Personnel		0
All Other Operating		0
Subtotal	\$	0

**Funding Sources:**

Capital

A. System Revenue Bonds	\$	10,000,000
Debt Service Funding Sources:		Tuition

Operation/Maintenance	\$	0
Funding Sources:		

**EXECUTIVE SUMMARY**

**Capital Project Budget Summary**

**University:** Arizona State University

**Project:** Classrooms and Academic Renovations

	<b><u>Capital Development Plan</u></b>	<b><u>Project Approval</u></b>
Capital Costs		
1. Land Acquisition		
2. Construction Cost		
A. New Construction		
B. Tenant Improvements	5,300,000	
C. Special Fixed Equipment	1,000,000	
D. Site Development (excl. 2.E.)		
E. Parking and Landscaping		
F. Utilities Extensions		
G. Other* (Demolition/abatement)	200,000	
Subtotal Construction Cost	<u>\$ 6,500,000</u>	<u>\$ -</u>
3. Fees		
A. CMAR Pre-Construction	\$ 97,500	
B. Architect/Engineer	780,000	
C. Other	91,660	
Subtotal Consultant Fees	<u>\$ 969,160</u>	<u>\$ -</u>
4. FF&E Movable	\$ 325,000	
5. Contingency, Design Phase	650,000	
6. Contingency, Constr. Phase	650,000	
7. Parking Reserve		
8. Telecommunications Equipment	455,000	
Subtotal Items 4-8	<u>\$ 2,080,000</u>	<u>\$ -</u>
9. Additional University Costs		
A. Surveys, Tests, Haz. Mat. Abatement		
B. Move-in Costs	8,840	
C. Printing Advertisement		
D. Keying, signage, facilities support	50,000	
E. Project Management Cost	358,680	
F. State Risk Mgt. Ins. (.0034 **)	33,320	
Subtotal Addl. Univ. Costs	<u>\$ 450,840</u>	<u>\$ -</u>
<b>Total Capital Cost</b>	<u><u>\$ 10,000,000</u></u>	<u><u>\$ -</u></u>

\* Universities shall identify items included in this category

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

**EXECUTIVE SUMMARY**

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**Arizona Board of Regents  
Arizona State University  
Capital Development Plan Project Justification Report  
Research Laboratory/Faculty Startup**

**Previous Board Action:**

- FY 2019-2020 Capital Improvement Plan September 2016

**Statutory/Policy Requirements**

- ABOR Policy 7-102 (B), requires all renovation or infrastructure projects with an estimated total project cost of \$5 million or more be brought to the Business and Finance Committee for approval, regardless of funding source or financing structure.

**Project Justification/Description/Scope**

- The Research Laboratory/Faculty Startup projects bundle will involve the renovation of approximately 30,000 gross square feet of laboratories to meet new and current research requirements within existing facilities. Multiple wet and dry lab spaces will be upgraded, as well as infrastructure and building systems, in order to maximize adaptable and flexible technologies. Renovation activities will involve building systems such as HVAC, mechanical, fume hoods, lab gas lines, electrical, and code-required life safety upgrades.
- Many existing university laboratories and building systems are inadequate, due to age and the requirements of emerging technologies. The poor condition of the spaces and age of the building systems constrain the development of these strategically important areas. This project will ensure facility systems can meet research demands and will keep areas in code compliance. It will convert inadequate classroom laboratories, research laboratories and research building systems to state-of-the-art research facilities.
- Increasing research activity and the resultant arrival of new faculty continue to make laboratory renovation projects an imperative. Spaces must be updated and renovated for the needs of incoming researchers and successful grant applications. These laboratories will provide the core infrastructure from which faculty and students can compete in the global marketplace of ideas, not only stimulating advances in science and human health, but also potentially advancing the regional economy.

## EXECUTIVE SUMMARY

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- The 2012 campus master plan update identified a need for additional research space totaling 350,000 gross square feet. This project will contribute to meeting this need.

### **Project Delivery Method and Process:**

- Depending on the nature of the work, components of this project may be delivered through either the Construction Manager at Risk (CMAR) or Job Order Contracting (JOC) methods.
- ASU has not yet selected a CMAR, JOC contractor or design professional firm for any components of this project bundle. Contractors and design professionals will be selected according to ABOR policy and Arizona law.

### **Project Status and Schedule**

- Design Professionals (DPs) will be selected after CDP approval. Design will be complete approximately six to nine months after the DP contract is awarded.
- General construction is scheduled to begin when design is complete and after all approvals are in place. Construction on all project components is targeted for completion by December 2020.

### **Project Cost**

- The budget for this project bundle is \$15,000,000. The budget represents an estimated construction cost of \$325 per gross square foot. The estimated total project cost is \$500 per gross square foot.
- For this Capital Development Plan phase, no preliminary external cost estimates have been provided by third-party consultants. DP and CMAR or JOC contractor teams have not yet been selected for these project components. Independent cost estimates will be provided by the DP, CMAR or JOC contractor after these selections are complete.
- For project components selected to use the CMAR delivery method, the CMs will be at risk to provide the completed project within the agreed-upon Guaranteed Maximum Price (GMP). A final report on project control procedures, including change orders and contingency use, will be provided at project completion.

## EXECUTIVE SUMMARY

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### Fiscal Impact and Financing Plan:

- The \$15.0 million project bundle budget will be funded with system revenue bonds. Debt service will be funded by tuition.
- There are no expected increases in operation and maintenance costs for this project bundle.
- **Debt Ratio Impact:** The projected incremental debt ratio impact for this project bundle is 0.05 percent.

### Occupancy Plan

- These project components will not affect occupancy or programs, but will renew research spaces.



**EXECUTIVE SUMMARY**

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**Capital Project Information Summary**

**University:** Arizona State University **Project Name:** Research Laboratory/Faculty Startup

**Project Description and Location:** The Research Laboratory/Faculty Startup project bundle will involve the renovation of approximately 30,000 gross square feet of existing laboratory space required to establish the university as a leading center for interdisciplinary research and discovery.

**Project Schedule:**

Planning	June	2017
Design	September	2017
Construction Start	December	2017
Construction Completion	December	2020

**Project Budget:**

Total Project Cost	\$	15,000,000
Total Project Construction Cost	\$	9,760,000
Total Project Cost per GSF	\$	500
Construction Cost per GSF	\$	325

**Change in Annual O & M Cost:**

Utilities	\$	0
Personnel		0
All Other Operating		0
Subtotal	\$	0

**Funding Sources:**

Capital

A. System Revenue Bonds	\$	15,000,000
Debt Service Funding Sources:		Tuition
Operation/Maintenance	\$	0
Funding Sources:		

**EXECUTIVE SUMMARY**

**Capital Project Budget Summary**

**University:** Arizona State University    **Project:** Research Laboratory/Faculty Start Up

	<b><u>Capital Development Plan</u></b>	<b><u>Project Approval</u></b>
Capital Costs		
1. Land Acquisition		
2. Construction Cost		
A. New Construction		
B. Tenant Improvements	\$ 7,260,000	
C. Special Fixed Equipment	2,000,000	
D. Site Development (excl. 2.E.)		
E. Parking and Landscaping		
F. Utilities Extensions		
G. Other* (Demolition/abatement)	500,000	
Subtotal Construction Cost	<u>\$ 9,760,000</u>	<u>\$ -</u>
3. Fees		
A. CMAR Pre-Construction	\$ 146,400	
B. Architect/Engineer	1,171,200	
C. Other	50,000	
Subtotal Consultant Fees	<u>\$ 1,367,600</u>	<u>\$ -</u>
4. FF&E Movable	\$ 650,000	
5. Contingency, Design Phase	976,000	
6. Contingency, Constr. Phase	976,000	
7. Parking Reserve		
8. Telecommunications Equipment	650,000	
Subtotal Items 4-8	<u>\$ 3,252,000</u>	<u>\$ -</u>
9. Additional University Costs		
A. Surveys, Tests, Haz. Mat. Abatement		
B. Move-in Costs	\$ 8,772	
C. Printing Advertisement		
D. Keying, signage, facilities support	50,000	
E. Project Management Cost	528,444	
F. State Risk Mgt. Ins. (.0034 **)	33,184	
Subtotal Addl. Univ. Costs	<u>\$ 620,400</u>	<u>\$ -</u>
<b>Total Capital Cost</b>	<u><u>\$ 15,000,000</u></u>	<u><u>\$ -</u></u>

\* Universities shall identify items included in this category

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



## 1. BUILDING AND INFRASTRUCTURE ENHANCEMENTS AND MODIFICATIONS

### Project Description

The Building and Infrastructure Enhancements and Modifications project bundle will address the primary areas of concern for the university, which include life safety deficiencies, the replacement of aging mechanical systems and the upgrade of timeworn and unreliable elevators.

Many components of the ASU built environment are aging and incapable of effectively supporting the advancement of the university's mission of academic and research excellence. The projects included in this bundle will ensure the efficient, reliable operation of essential campus infrastructure and systems, including those that support critical academic and research initiatives that must continue without interruption.

This debt-financed project bundle will be funded from \$10,000,000 in system revenue bonds.

ASU's plans include, but are not limited to, the following sub-projects in this Building and Infrastructure bundle:

- A. **Life Safety Deficiency, Tempe and Polytechnic Campuses:** The projects included in this bundle primarily focus on two areas: fire protection systems and the campus-wide underground lighting conduit. Due to the varying ages of university buildings and the changes in the fire protection code over the years, ASU has a variety of fire protection systems and installations throughout its building inventory. Some of these systems, installed in buildings over 50 years old, are either not compliant, nonexistent or beyond their design life to the point where repair parts are no longer manufactured and must be found via auction sites, such as eBay. The fire protection systems project would replace or add fire panels and sprinkler systems in four buildings, with equipment designed for a useful life of 25-40 years. Additionally, pedestrian street lamps have been installed throughout the Tempe campus to ensure the safety of all users at night. The conduit that serves as the pathway for power to these lights is almost a half of a century old and is in dire need of replacement. This funding would replace all of the conduit and connections to ensure the reliable operation of this essential security lighting system.
- B. **Mechanical System Replacements, Tempe and Polytechnic Campuses:** ASU is operating heating, ventilation and air conditioning (HVAC) systems throughout the campus that far exceed their 25-year life expectancy. This funding would replace the mechanical systems in some of the oldest and most deficient buildings on the campus with systems designed for a useful life of 25-40 years. Replacement of these systems will improve their performance, reduce repair cost, and provide a more reliable heating and cooling system for the university's students, faculty, and staff. This bundle of projects

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BUSINESS AND FINANCE

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**Joint Committee on Capital Review**  
**Arizona State University**  
**July 2017**

will include the replacement of the chiller in the Technology Center on the Polytechnic campus, the replacement of the air handlers in the Engineering Center E and Life Sciences Center A buildings, the replacement of the condenser pump in the Central Plant, the repair and replacement of HVAC system components in the Durham Language and Literature building, as well as chilled water and steam utilities pipe replacement in the Interdisciplinary A and B buildings on the Tempe campus.

- C. **Elevator Upgrades, Tempe Campus:** ASU has multiple elevators that have far exceeded their design life. Because of their age, repair parts are no longer available. Additionally, the elevators have begun to fail on a frequent basis, which affects the university's ability to meet its obligations under the Americans with Disabilities Act (ADA). This project would repair several of the oldest and most unreliable elevator cabs located in the Engineering Center G, Interdisciplinary B, Matthews Center and the School of Human Evolution and Social Change buildings on the Tempe campus. The project would upgrade the electronics to modern standards, increase the safety equipment within the shaft to ensure compliance to the latest code, and extend the useful life of the elevators for 25-40 years.

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## **2. CLASSROOM AND ACADEMIC RENOVATIONS**

### **Project Description**

The Classroom and Academic Renovations project bundle will renovate existing classrooms, create new classrooms of various sizes, update instructional spaces and modify academic office spaces at all campuses. These projects are essential to meeting the growing demand for space to support student enrollment growth and the evolving program needs associated with new fields of learning and new teaching methodologies.

Renovations to existing facilities are planned, in lieu of larger-scale new construction projects, to accommodate the university's essential need for additional space. The planned renovations will include mechanical, plumbing, electrical, flooring, window, door, and internal wall and partition components, as well as upgrades required to address life safety and ADA requirements. Projects that address the university's strategic initiatives have been given top priority.

This debt-financed project bundle will be funded from \$10,000,000 in system revenue bonds.

ASU's plans include, but are not limited to, the following sub-projects in this Classroom and Academic Renovations bundle:

- A. **Health North Building, Downtown Phoenix Campus:** This project will renovate approximately 8,000 square feet of existing space to accommodate student enrollment growth and changing programming needs in the College of Nursing. This project will include the building of additional office and open workspaces.
- B. **Health North Building, Downtown Phoenix Campus:** This project will renovate approximately 3,500 square feet of existing space to accommodate student enrollment growth and evolving programming needs in the College of Health Solutions. The project will include the building of new office spaces and open work areas, as well as upgrades to the building mechanical systems.
- C. **University Center, Downtown Phoenix Campus:** This project will renovate approximately 3,500 square feet of existing space to accommodate student enrollment growth and changing programming needs in the College of Integrative Sciences and Arts academic programs. The project will convert office space to one or two science classrooms and will include needed upgrades to the HVAC system and ductwork, as well as the installation of new fume hoods.

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- D. **University Center, Tempe Campus:** This project will build out approximately 9,000 square feet of new office space for Enrollment Services, the Office of the Provost and affiliated units. The project will facilitate the consolidation of functions in the units, make better utilization of space, and free up critical space needed in the core of campus.
- E. **Business Administration Buildings and McCord Hall, Tempe Campus:** This project will renovate approximately 15,000 square feet of space in the McCord Hall, Business Administration and Business Administration C Wing buildings to accommodate student enrollment growth and changing programmatic needs. Renovations will include the build out of shell space to accommodate new classrooms and support areas, updated lighting and flooring, and the completion of necessary ADA and life safety upgrades.
- F. **Bateman Physical Sciences E Wing, Tempe Campus:** This project will completely renovate two of the six existing Chemistry instructional labs, encompassing approximately 6,000 square feet. The renovation of the labs will include revised layouts to improve the efficiency of space usage and the student experience, mechanical upgrades to the HVAC system, mold remediation and necessary updates to meet life safety and ADA codes.
- G. **Student Services, Tempe Campus:** This project will renovate approximately 15,000-20,000 square feet of space vacated by Enrollment Services and Financial Aid. This project will allow existing building units to improve their space utilization, enhance student access areas, and modernize services through improved technology and layouts. The project will include the building of offices and support spaces, updates to restrooms, lighting and flooring, and necessary life safety and ADA upgrades.
- H. **Classroom Renovations 2018, All Campuses:** This annual allocation to classroom renovations will bring obsolescent facilities up to modern standards, improve utilization of space, address lighting, ADA and life safety code issues, and modernize teaching spaces. The projects will include, but not be limited to, renovations in Murdock Hall, Payne Hall, Bateman Complex, Downtown Phoenix campus, Sands Hall at the West Campus, and the Academic Center at the Polytechnic campus.

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### **3. RESEARCH LABORATORIES/FACULTY STARTUP**

#### **Project Description**

The Research Laboratories/Faculty Startup project bundle will include the renovation of laboratories and associated spaces to meet new and current research requirements. Multiple wet and dry lab spaces will be upgraded to provide future flexibility and better space utilization through shared services.

Many existing university laboratories and building systems are inadequate, due to age and the requirements of emerging technologies. The poor condition of the spaces and the age of the building systems constrain the development of these strategically important areas. In lieu of undertaking large-scale new construction projects, these planned renovations will ensure that existing facility systems will meet the demands of the university's research initiatives and are maintained within code compliance.

This debt-financed project bundle will be funded from \$15,000,000 in system revenue bonds.

ASU's plans include, but are not limited to, the following sub-projects in this Research Laboratories/Faculty Startup bundle:

**A. College of Liberal Arts and Sciences 2018 Research Allocation, Tempe Campus:**

This allocation will fund multiple projects to provide the space required to accommodate the expansion of funded research activities in the College of Liberal Arts and Science. The renovations will improve the utilization of existing space; add infrastructure for new lab equipment; include energy-efficient lighting, address necessary life safety and ADA code upgrades; and improve technology to provide secure access systems for the research spaces.

**B. Bateman Physical Sciences Center F Wing, Tempe Campus:** This project includes the renovation of approximately 30,000 square feet of existing space to add and update laboratories, offices, and research support space in the School of Earth and Space Exploration and the Exoplanets program. The project will accommodate the School's expansion of funded research activities through better utilization of open work areas and more efficiently-sized offices and work spaces. The focus will be on dry lab space (computing); however, some wet lab space will be updated as well. Additionally, restrooms will be upgraded and exterior windows and lighting will be added to increase the functionality of the spaces.

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- C. **Interdisciplinary Science and Technology Building (ISTB) I, Tempe Campus:** This project will renovate approximately 3,400 square feet of space on the fourth floor of the building to accommodate the expansion of funded research activities. The project will convert offices into wet lab space; add infrastructure for new lab equipment; include lighting, life safety and ADA upgrades; and improve technology to provide secure access systems for the research spaces.
- D. **Fulton Schools of Engineering 2018 Research Allocation, Tempe and Polytechnic campuses:** This allocation will fund multiple renovation projects needed to support the expansion of funded research activities in the Engineering Schools. The renovations will improve the utilization of existing space; add infrastructure for new lab equipment; include energy-efficient lighting, provide life safety and ADA code upgrades; and improve technology to provide secure access systems for the research spaces.
- E. **Classroom/Lab/Computer Classroom Building, West Campus:** This project will renovate approximately 3,500-5,000 square feet of existing space in the Classroom/Lab/Computer Classroom Building. The renovation will update laboratories to accommodate changing programmatic needs. Additional forensic dry and wet labs and research support spaces will also be created to accommodate the expansion of research activities. The project will include upgrades to mechanical systems to support the increased research space in the building.







STATE OF ARIZONA

## Joint Committee on Capital Review

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DATE: September 12, 2017

TO: Senator Debbie Lesko, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Matt Beienburg, Senior Fiscal Analyst *MB*

SUBJECT: Arizona State University - Informational Item on West Campus Property

### Request

Arizona State University (ASU) has been requested to provide information on its development plans for the West Campus.

### Committee Options

This agenda item does not require Committee action. The Committee, however, may provide ASU with its perspective on West Campus development or request additional information.

#### Key Points

- 1) ASU received 300 acres of land in 1982 to establish a West Campus, with the stipulation that the lands would revert back to the state if not used for the campus.
- 2) A 2002 statutory change permits ASU to lease, but not sell, portions of the land on its West Campus for commercial development. ASU has set aside 60 acres for possible commercial uses, but has no immediate plans for development.
- 3) ASU is not restricted from selling lands on its Thunderbird School of Global Management campus, which it acquired in 2014 and which is located roughly 1 mile from ASU West.

### Analysis

Laws 1982, Chapter 248 provided 300 acres of former state trust lands to the Arizona Board of Regents (ABOR) to establish the ASU West Campus between 43<sup>rd</sup> and 51<sup>st</sup> Avenues and Sweetwater Avenue and Thunderbird Road.

(Continued)

The legislation required that "the lands revert back to the state if for any reason [ABOR] desires to or does relinquish their ownership or control of the lands [or] decides not to eventually use the lands consisting of approximately 300 acres for a western campus of [ASU]."

According to a draft issue paper that was prepared by ASU circa 2002:

The reason for the inclusion of these restrictions is not available in any official records. However, certain members of the "Westside Citizens Committee for Higher Education", a group which has been aggressively lobbying for the establishment of an ASU West Campus since 1972, remember and report that these restrictions were deliberately requested to be included . . . to serve as a means of pressuring [ABOR] to follow through with the development of the West campus (<https://repository.asu.edu/items/13605>).

Laws 2002, Chapter 200 eliminated the requirement that ABOR use all of the lands for the ASU West Campus. The amended statute required that ABOR "shall not sell or otherwise convey title" to the lands, but granted ABOR authority to "lease, license, or otherwise authorize the use of the lands for any purpose approved by [ABOR]" as long as "all revenues received by [ABOR] from such uses shall be used solely for education and education related purposes at the [ASU] West campus."

ASU reports that approximately 150 acres are identified for current and future ASU education and support purposes, with approximately 60 undeveloped acres potentially available as lease opportunities. The remaining 90 acres are reserved for a City of Phoenix community park and K-12 district use.

ASU states that there are no immediate plans to enter into lease agreements at the ASU West Campus for commercial or private development of the 60 acres.

## **Background**

### Campus Plans Over Time

The original 1985 campus plan envisioned a "total build-out" of 10,000 full-time equivalent (FTE) students at the ASU West Campus. As of fall 2016, ASU West enrollment had reached 8,504 FTE students (with a corresponding headcount of 19,382).

The 1985 campus plan envisioned 1.1 million gross square feet of academic space on 15 acres and 302,500 gross square feet of commercial space on 6.5 acres, which would include "rental apartments available to the general public." The remaining 278.5 acres were envisioned for desertscape/open spaces, athletic fields/recreation, parking and vehicle access, and pedestrian circulation/malls.

The 2002 issue paper states that the 1998 ASU West Campus Master Plan identified "about 110 acres of developable tracts of land that would remain excess even after the additional development of instructional and related facilities to serve the needs of a 15,000 student campus."

The most recent available West Campus Master Plan (2011) shows 860,000 square feet of existing academic/research/student housing space, with a proposed target of 2.9 million gross square feet for 15,000 FTE students, in addition to 70 acres remaining for (commercial) development opportunities.

(Continued)

Thunderbird School of Global Management

In 2014, ASU acquired the Thunderbird School of Global Management, located roughly 1 mile from ASU West between 55<sup>th</sup> and 59<sup>th</sup> Avenues and Greenway Road and Acoma Road. The Thunderbird lands total 148 acres, of which 85 are developed, 62 are undeveloped, and 1 is used as an APS substation. The Thunderbird lands are not restricted from sale in the same manner as the West Campus.

RS/MB:kp





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HOUSE OF  
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DATE: September 12, 2017

TO: Senator Debbie Lesko, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Sam Beres, Fiscal Analyst *SB*

SUBJECT: Northern Arizona University - Review of FY 2018 Capital Improvement Plan for One-Time Appropriation

### Request

Pursuant to the FY 2018 General Appropriation Act (Laws 2017, Chapter 305) and in accordance with A.R.S. § 41-1252, Northern Arizona University (NAU) requests Committee review of its expenditure plan for several capital improvement projects that will be funded with \$3,202,800 in one-time monies appropriated in the FY 2018 budget.

### Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.
2. An unfavorable review of the request.

Under either option, the Committee may consider the following provision:

- A. NAU shall report any reallocations between projects in the FY 2018 spending plan above \$200,000 (as listed in *Table 1*) to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.

(Continued)

#### Key Points

- 1) The FY 2018 budget appropriated \$15 million to the universities for one-time operating expenditures or capital improvements. NAU's share was \$3.2 million, which they intend to spend on capital improvements.
- 2) NAU intends to spend \$1.5 million on fume hood control valves in one of its lab buildings, \$1.2 million on underground utility improvements, and \$500,000 for fire life safety.

#### Analysis

The FY 2018 budget appropriated a total of \$15.0 million to the universities from the General Fund for one-time operating expenditures or capital improvements. Of this one-time appropriation, NAU's share was \$3.2 million. Both UA and ASU decided to use their appropriations for operating expenses, rather than capital expenses. As such, their expenditure plans are not being reviewed by JCCR.

NAU plans to use their one-time \$3.2 million appropriation on the following capital improvement projects:

- \$1.5 million for the replacement of control valves in the Wettaw Biology and Biochemistry Building. NAU plans to replace the fume hood control valves installed in the building's 27 labs. The control valves currently in place were installed when the building was constructed nearly 20 years ago. According to NAU, these valves have become obsolete over time, and can no longer be repaired in the event of a failure. The total cost of this project has been identified as \$3.5 million. The remaining \$2.0 million will be covered by other university fund sources.
- \$1.2 million for underground utility infrastructure improvements. NAU intends to focus on 4 projects that will support the planned North Campus Science Research Corridor renovation and expansion project as well as to improve the safety and efficiency of campus operations. The university intends to use \$180,000 of its own funds on these projects, bringing the total cost to \$1.4 million. Of this amount, \$415,000 will be used to expand and renovate the university's natural gas distribution system. NAU will use \$515,000 to replace a nearly 80-year-old water line between Gabaldon and McConnel Hall; NAU notes that common practice is to replace these lines between 60 and 80 years. Another \$300,000 will be used to extend a chilled waterline to the Science Annex Building, which will provide the building with cooling while also making it easier to connect the Biology Building to the chilled water system in the future. Finally, \$150,000 will be spent to remediate safety conditions in utility tunnels around campus.
- \$500,000 for fire life safety maintenance in various buildings on campus. NAU intends to use these funds to update aging fire detection and notification systems, smoke detection, ADA compliant occupant notification, unprotected stairwells, sprinkler activation alarm and system supervision, inoperable door release devices, exit and emergency illumination, and communication to NAU police. The funds will also be used to update the elevators in several buildings with new control panels and communication systems, door closure sensors, system hydraulics, and interiors. NAU notes that there are fire alarm and/or sprinkler deficiencies in the following 7 buildings; Geology, Social and Behavioral Sciences West, Facility Services, Adel Math, Gammage, Eastburn Education and Institute for Human Development, and the South Boiler Plant.

(Continued)

**Table 1**

<u>Project</u>	<u>Allocation</u>
Lab Renovation - Fume Hood Control Valve Replacement	\$1,500,000
Underground Utility Infrastructure Improvements	1,200,000
Fire Life Safety	<u>500,000</u>
<b>Total</b>	<b>\$3,200,000</b>

RS/SB:kp





Office of the Vice President  
for Capital Planning  
and Campus Operations

**Daniel T. Okoli, Ph.D.**  
**Vice President**  
nau.edu/vpadmin

928-523-2708  
PO Box 4088  
Flagstaff, AZ 86011

August 25, 2017

The Honorable Debbie Lesko, Chairman  
Joint Committee on Capital Review  
Arizona House of Representatives  
1700 W. Washington  
Phoenix, AZ 85007-2890

RE: Northern Arizona University (NAU) Capital Projects for Review

Dear Senator Lesko,

Pursuant to Laws 2017, Chapter 305 and in accordance with A.R.S 41-1252, the Arizona Board of Regents requests the attached list of capital/building renewal projects for NAU be placed on the next Joint Committee on Capital Review agenda for review.

If you have any questions or need additional clarifications regarding the enclosed information, please contact me at (928) 523-8871.

Sincerely,

A handwritten signature in black ink, appearing to read "Dan Okoli", written over a light blue horizontal line.

Daniel T. Okoli, Vice President  
Capital Planning and Campus Operations

Attachment

cc: Richard Stavneak, Director, JLBC  
Sam Beres, Fiscal Analyst, JLBC  
Eileen Klein, President, ABOR  
Lorenzo Martinez, Associate Vice President, ABOR  
Rita Hartung Cheng, President, NAU  
Christy Farley, Vice President of Government Affairs, NAU



Northern Arizona University is appreciative of the state's investments in Arizona's public universities for fiscal year 2018 including a \$3.2M one-time appropriation for NAU (\$3,202,800). NAU plans to utilize this one-time investment for FY18 to address critical infrastructure needs as outlined below. As this spring's budget discussion emphasized, university infrastructure investments are an ongoing need and priority and drove our decision to dedicate the FY17 one time state appropriation to capital infrastructure. With a deferred maintenance balance of \$120 million based on the state's formula, there are many critical areas where NAU can direct one time funds to support its infrastructure. NAU's investments for FY18 will include projects for utility infrastructure, fire life safety, and lab renovations. These investments are critical to support a safe environment for students, faculty and staff and are also an important investment for recruiting and retaining students. The specific listing of buildings and areas to be addressed are included below.

### **Capital Projects**

#### **Underground Utility Infrastructure Improvements: \$1.2 million**

NAU must address issues related to an aging infrastructure on an ongoing basis throughout the year. Additionally, as campus enrollment continues to grow, the demand placed on the existing utilities is increased. The four projects listed below represent utility projects that are necessary to enable the planned renovation and growth of a North Campus Science Research Corridor and to operate campus utilities in a safe and efficient manner.

- Main System Natural Gas Expansion
- Main System Domestic/Fire Water Renovation and Expansion
- Chilled Water Line Extension for Science Annex
- Utility Tunnels Safety Repairs

#### **Fire Life Safety: \$0.5 million**

Maintaining the investments that have been made in the existing campus infrastructure and providing a safe campus are NAU priorities. This requires regular maintenance of fire sprinkler and fire alarm systems. The buildings listed below have fire alarm or fire sprinkler deficiencies.

- Geology
- SBS West
- Facility Services
- Adel Math
- Gammage
- Eastburn Education and Institute for Human Development
- South Boiler Plant

### **Lab Renovation - Phoenix Control Valve Replacement: \$1.5 million**

Protecting NAU's existing capital and ensuring it is functional reduces replacement costs in the future and allows NAU to maximize current facilities in order to serve a growing student population on the Flagstaff Campus. The existing Wettaw Building, which is approaching 20 years of use, serves as an academic and research building for Biology and Biochemistry and utilizes Phoenix control valves originally installed in all of the fume hoods in its 27 labs. This product has become obsolete and NAU is unable to repair or replace them if there's a failure, rendering a lab unsafe and unusable if the valves fail. The valves must be replaced with a current technology, which will involve a complete retrofit, rebalancing, and recommissioning of the system. It is likely the university will need to contribute additional resources to cover the complete cost of this project and ensure the building remains operable for critical research and important academic functions.





STATE OF ARIZONA

## Joint Committee on Capital Review

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REBECCA RIOS

DATE: September 12, 2017

TO: Senator Debbie Lesko, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Sam Beres, Fiscal Analyst *SB*

SUBJECT: University of Arizona - Consider Approval of Renovations of School of Animal and Comparative Biomedical Science Building Project (Building 90)

### Request

A.R.S. § 15-1671 requires Committee approval of any university project financed with long-term debt that is paid for using monies from the university's Capital Infrastructure Fund (CIF). The University of Arizona (UA) requests Committee approval of an \$18,000,000 bond issuance for the renovation of the School of Animal and Comparative Biomedical Sciences Building (also known as Building 90). The project will constitute UA's first use of the recently enacted \$1 billion university-wide capital investment program, with debt service funded 50% by General Fund monies and 50% by university resources.

### Committee Options

The Committee has at least the following 2 options:

1. Approval of the request.
2. Disapproval of the request.

A.R.S. § 15-1671 requires JCCR approval (not review) of any debt financed projects from the \$1 billion university capital program. The Committee, however, must either approve or disapprove the project by the second meeting after the university request. UA requested approval of this project prior to the last meeting. As a result, statute requires the Committee to approve or disapprove the project at the current meeting.

(Continued)

If the Committee approves the project, it may also consider the following university financing provisions, including the Standard University Financing Provisions:

- A. Within 1 month of the debt issuance, UA shall provide the Committee a copy of its Tax Certificate in compliance with Internal Revenue Service requirements concerning the expected economic life of the projects.
- B. Standard University Financing Provisions
  - 1. Approval by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.
  - 2. UA shall provide the final debt service schedules and interest rate for the project as soon as they are available.

**Key Points**

- 1) Key components of the Building 90 renovation include replacement of much of the facility's air circulation system, asbestos and mold abatement, as well as mechanical, plumbing and electrical system upgrades.
- 2) The total cost of the renovation would be \$18 million. The debt service would be \$1.2 million annually and \$29.4 million over 25 years.
- 3) UA estimates that the total project cost of constructing a replacement facility would be \$45 million.

**Analysis**

Constructed in 1966, Building 90 houses UA's School of Animal and Comparative Biomedical Sciences laboratory and faculty office spaces. The university has conducted a survey of the facility and identified a series of deferred maintenance needs including HVAC and plumbing upgrades, electrical systems, asbestos and mold removal, water damage, and fire code compliance issues. The largest component of the project includes repairs and system upgrades to the building's air circulation and ventilation system. UA has estimated that 77% of the building is comprised of laboratory space, while the remaining 23% is comprised of classroom and office space.

Construction Costs

Of the \$18.0 million total project cost, direct construction costs (excluding items such as design and project management costs) are \$16.0 million. The bulk of the Building 90 renovation entails upgrading or replacing the majority of the building's air handling, plumbing, and electrical systems, as well as the removal of asbestos and mold. According to the university, the underlying structure of the building, including the floors, walls, and roof, and exterior shell remain sound. Given this assessment, the university has decided to renovate, rather than demolish and replace, Building 90. According to UA, while the shell of the building will remain largely unchanged, the interior systems of the renovated building would be comparable to those in a new facility. To ensure that the useful life of renovation improvements is at least comparable to the length of the bond term, the Committee may consider Provision A, which would require the university to provide a copy of the tax certificate that attests that the bond term does not significantly exceed the average useful life of the improvements.

As shown in *Table 1* below, total project costs per square foot are \$300, while direct construction costs per square foot are \$267. The cost estimates for the renovation are based on an in-depth inspection of

(Continued)

the building's condition and maintenance needs. There are no additional operations and maintenance costs associated with the project. UA has divided the \$16.0 million construction cost of the renovation into the following components:

- \$12.1 million for HVAC repair and replacement. This includes replacement of most of the building's air handling system, including components such as air ducts and hood vents.
- \$1.8 million for structural repairs. This includes repairs of water leaks and floor cracks, asbestos removal, and improvements necessary to comply with building and fire codes.
- \$1.6 million for plumbing repair and replacement.
- \$0.5 million for electrical repair and replacement.

UA will utilize a Design-Build model in which the architect-contractor team incorporates subcontractor bids for each stage of construction and guarantees a maximum price agreement with UA.

UA intends to begin the renovation in the fall of 2017, with completion by summer of 2018. The building's current occupants have been temporarily relocated to "surge space" in surrounding research facilities and will return upon completion of the renovations.

**Table 1**

**UA School of Animal & Comparative Biomedical Science Building 90**

Total Square Footage	59,914
<u>Funding</u>	
System Revenue Bonds <sup>1/</sup>	\$18,000,000
<u>Costs</u>	
Direct Construction Costs (\$267 per sq. ft.)	\$16,000,000
Other Costs <sup>2/</sup> (\$33 per sq. ft.)	<u>2,000,000</u>
<b>Total (\$300 per sq. ft.)</b>	<b>\$18,000,000</b>

<sup>1/</sup> Annual debt service payments on \$18.0 million principal are estimated at \$1.5 million in FY 2019 and \$1.2 million from FY 2020 – FY 2043 based on 4.1% interest rate for a total debt service cost of \$29.4 million.

<sup>2/</sup> Includes project design and management fees and other costs.

**Renovation vs. New Construction**

The university's decision to renovate Building 90 rather than to construct a new building is based on a comparison of the costs of both options. UA estimates that total project costs for the construction of a new facility would be \$750 per square foot, or \$45 million. Of the \$750 per square foot, the JLBC Staff estimates that the direct construction cost would be \$600 per square foot. The university's cost estimate for the construction of a comparable building comes from the historical per square foot costs of constructing similar facilities. The most recently constructed of these facilities was the UA Bioscience Research lab, which the Committee reviewed in 2014. This building had a non-inflation adjusted total cost of \$715/SF.

Table 2 shows various estimates for the total costs of a new facility. The cost to construct a new facility comparable to Building 90 would be significantly higher than the cost to renovate the existing structure. The magnitude of this difference is unclear. The College Planning & Management magazine's 20<sup>th</sup> Annual College Construction Report (2015) reports a median construction cost of university science

(Continued)

buildings of \$454/SF, which translates into \$567/SF in terms of total project costs according to an estimate by the JLBC Staff. Since a science building is not a well-defined building type, we do not know whether this assessment can be generalized to lab-based buildings such as Building 90. In 2016, the Committee reviewed UA's Medical Science Innovation Building, which had a per-square-foot construction cost comparable to UA's estimate for a replacement facility for Building 90.

<b>Table 2</b>		
<b>Building 90 Replacement Cost Comparison</b>		
	<b><u>Per-Sq. Ft Project Cost</u></b>	<b><u>Total Project Cost Estimate <sup>1/</sup></u></b>
Proposed Building 90 Renovation	\$300	\$18,000,000
<b><u>New Building Cost Estimates</u></b>		
20 <sup>th</sup> Annual College Construction Report (Median Science Building)	567 <sup>2/</sup>	34,020,000
UA Health Sciences Innovation Building (2016)	778	46,700,000
UA Bioscience Research Lab	715	42,900,000
UA Bldg. 90 Replacement Estimate <sup>3/</sup>	750	45,000,000
<sup>1/</sup> The total cost to construct a 60,000 square foot facility at the given per square foot cost. <sup>2/</sup> The 25 <sup>th</sup> Annual College Construction Report is produced by College Planning & Management Magazine. This report estimates a construction cost of \$454/SF for science buildings. However, this estimate does not account for project design and management costs. As such, the JLBC staff adjusted this estimate by 25% to account for these costs. <sup>3/</sup> UA's estimated cost to construct a new comparable facility is based on its analysis of previously constructed university buildings.		

UA also submitted the construction costs of several other facilities, but the JLBC Staff were unable to determine how comparable those estimates were to Building 90.

#### University Capital Infrastructure Funds (2017 Bonding Package)

Laws 2017, Chapter 328 establishes A.R.S. § 15-1671, which provides General Fund appropriations from FY 2019 - FY 2043 for new university research facilities, building renewal, or other capital construction projects. The law appropriates \$27.0 million to the universities in FY 2019 and increases the appropriation each year thereafter by 2.0% or the rate of inflation, whichever is less. The FY 2019 appropriations are allocated to each university as follows:

- ASU: \$11,927,400
- NAU: \$4,520,900
- UA: \$10,551,700
- **Total: \$27,000,000**

The universities may use these monies for debt service on infrastructure long-term-financing and for cash construction costs. New debt issued under this program may not exceed \$1.0 billion.

(Continued)



Under the law, each university's General Fund appropriation will be deposited into a newly-created Capital Infrastructure Fund (CIF). Each university will match any General Fund contributions to its fund that are used for debt service payments at a 1:1 rate.

Debt service payments made on CIF funded projects will be included in the statutory debt limit. Any cash-based capital projects funded with CIF monies must be reviewed by the Joint Committee on Capital Review, and any debt-financed projects funded with CIF monies must be approved by the Committee.

#### Financing

To address the deferred maintenance needs, UA intends to issue \$18.0 million of 25-year, fixed rate system revenue bonds with a projected rating of Aa2 (Moody's) / AA- (S&P). UA has estimated that these bonds will receive an interest rate of between 3.6% and 4.1%. In addition to project costs, issuance costs are projected to not exceed \$341,000. Based on the high end interest rate estimate of 4.1%, UA estimates debt service payments covering principal and interest at \$1.2 million per year from FY 2020 to FY 2043, in addition to a \$1.5 million payment in FY 2019, for a total debt service cost of \$29.4 million. *(Please see Table 3 for a summary of the bond's financing terms.) (Please see University Capital Infrastructure Funds section below for more information.)*

The ongoing \$1.2 million annual debt service payment for the Building 90 deferred maintenance project will be funded by approximately \$582,400 of General Fund monies and \$582,400 from university resources made up of tuition and indirect cost recovery monies. The General Fund portion represents approximately 5.5% of UA's FY 2019 share of the 2017 university bonding package's General Fund appropriation (\$582,400 Building 90 General Fund debt service ÷ \$10,551,700 annual appropriation = 5.5%).

Debt service for the Building 90 project will increase UA's current debt ratio from 4.68% to 4.74%.

**Table 3**

#### **UA Building 90 Financing Terms**

Issuance Amount	\$18.0 million
Issuance Date	By end of calendar year 2017
Issuance Transaction Fees	\$341,000 (not to exceed)
Rating	Aa2 (Moody's) / AA- (S&P)
Interest Rate	3.5 to 4.1% (not to exceed 6.0%)
Term	25 years
Total Debt Costs (at 4.1%)	\$29.4 million
Debt Service Payments (at 4.1%)	\$1.5 million (in FY 2019) \$1.2 million (FY 2020-2043)
Payment Source	Capital Infrastructure Fund (50% General Fund, 50% local funds)
Debt Ratio Increase	0.06%
Construction Start	Fall 2017



THE UNIVERSITY OF ARIZONA  
**Business Affairs**

SENIOR VICE PRESIDENT FOR  
BUSINESS AFFAIRS AND  
CHIEF FINANCIAL OFFICER

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August 29, 2017

The Honorable Senator Lesko, Chairman  
Joint Committee on Capital Review  
House of Representatives  
1716 West Adams  
Phoenix, Arizona 85007



Dear Senator Lesko,

In accordance with ARS 15-167, the Arizona Board of Regents (ABOR) requests that the following bond-financed item for the University of Arizona (UA) be placed on the next Joint Committee on Capital Review agenda for project approval. This will be the first UA project to benefit from the new infrastructure financing program approved by the State. Half of the debt service will be paid by State Appropriations, and half will be paid by UA Local Matching Funds.

### **The University of Arizona Deferred Maintenance Project – Building 90**

Built in 1966, Building 90 is home to the School of Animal & Comparative Biomedical Sciences. The building is 59,914 gross square feet and predominately consists of labs (46,050 gs of wet and dry lab space).

In consultation with a third party firm, UA completed a comprehensive analysis to determine the best approach to meet the needs incurred by the now non-operational Building 90. The analysis surveyed the needs of the building to determine whether it was more prudent to renovate or demolish for new construction. The following factors were taken into consideration:

- Condition of existing building core & shell
- Sufficient floor-to-floor heights and structural capacity
- Capacity of renovated building to meet future facilities needs
- Ability of renovated building to meet intended program needs
- Comparison of renovation vs new building cost
- Compatibility with UA Mission & Masterplan going forward

Referencing the cost of similarly constructed lab facilities, it was estimated that total construction cost of demolishing and rebuilding would be approximately \$750 sq ft. The estimated cost for renovation was determined through a detailed, building-wide mechanical, electrical and plumbing system inspection. Through this process it was determined that the total cost of repair and renovation would be approximately \$300 sq feet. It was through this analysis that UA made the decision to move forward with the Building 90 as a renovations project to repair and replace aging building systems and correct deficiencies.

The total cost of the Building 90 project is \$18 million. Most of the building's mechanical, electrical and plumbing systems were installed with the construction of the building roughly 50

years ago. The preliminary building survey of existing HVAC, plumbing, electrical and architectural deficiencies has been performed. Below is a list of the issues that will be addressed, separated into four major areas of construction:

**\$ 1,758,000 Structure, Walls, Ceilings, Floors & Asbestos Abatement – lifespan 25 to 40 years; asbestos removal is permanent**

Repairs of water leaks & resulting damage  
Repairs of cracks in concrete floors that permit water leakage between floors  
Asbestos removal as needed  
Improvements needed to comply with applicable building codes  
Life safety improvements related to accessibility, fire partitions and paths of egress

**\$ 12,134,000 HVAC Repair & Replacement – lifespan 40 to 50 years**

**See attached itemized list for all that is included in HVAC repair**

HVAC system repairs & replacements  
Replacement of air handling units that have reached the end of service life  
Repair & replacement of supply air ducts and insulation, and pipe insulation

**\$ 1,629,000 Plumbing Repair & Replacement – lifespan 40 to 50 years**

Plumbing system repairs & replacements

**\$ 479,000 Electrical Repair & Replacement – lifespan 25 to 40 years**

Repairs & replacements of aging & deteriorating electrical systems

**\$ 16,000,000 Total Construction Cost**

**\$ 2,000,000 University Facilities and Project Management**

This line item covers cost and schedule control, plan review, construction inspection, project warranty and closeout management services. These services to assure the successful completion, quality control and code compliance for the Fire Protection (Fire Alarm and Fire Sprinkler Systems) project

**Bond Summary**

The UA intends to finance the \$18 million Deferred Maintenance – Building 90 Renovations project by selling System Revenue Bonds (SRBs). The interest rate on the SRBs based on current market conditions is estimated to be in the range of 3.6% to 4.1%. The actual interest rates which the bonds are sold to investors will be a function of market interest rate at the time the bonds are sold. The UA plans to sell the bonds in winter 2017. For purpose of estimating annual debt service, a conservative 4.1% interest rate is used for the approximately 25-year borrowing term of the bonds. The estimated annual debt service based on this interest rate is \$1.16 million. Since this is a deferred maintenance project within an existing facility, there are no expected increases in operation and maintenance costs. This will be the first UA project to benefit from the new infrastructure financing program enacted by the Legislature in 2017. Half of the debt service will be paid by State Appropriations tied to the new Capital Infrastructure Fund, and half will be paid by UA Local Matching Funds. The rationale to issue bonds

The Honorable Senator Lesko, Chairman  
Joint Committee on Capital Review  
August 29, 2017  
Page | 3

for the project is that UA's state capital appropriation will be \$10.6M which is insufficient to cover the project cost of \$18M. Utilizing bond financing will provide the UA funding and schedule flexibility to establish and strategize research infrastructure projects and deferred maintenance projects.

Enclosed please find the ABOR Project and Financing Issuance Approval Submittal, System Revenue Bonds Amortization Schedule and Summary of Financing Information.

If you have any questions or desire any clarification on the enclosed material, please contact me at (520) 621-5977.

Sincerely,



Gregg Goldman  
Senior VP for Business Affairs and Chief Financial Officer

Attachments: ABOR Project and Financing Issuance Approval Submittal, System Revenue Bonds Amortization Schedule and Summary of Financing Information

xc: Tim Bee, Vice President, Government & Community Relations, UA  
Eileen I. Klein, President, Arizona Board of Regents  
Sam Beres, JLBC Analyst  
Duc Ma, Interim Associate Vice President  
Lorenzo Martinez, Associate Vice President for Finance and Administration, ABOR  
Dr. Robert C. Robbins, President, UA  
Robert Smith, Vice President for University Planning, Design & Operations, UA  
Richard Stavneak, Director, JLBC

**EXECUTIVE SUMMARY - Revised 8/28/17**

**Item Name: Building 90 Deferred Maintenance Project and Financing Approval (UA)**

- ☒ Action Item
- ☐ Committee Recommendation to Full Board
- ☐ First Read of Proposed Policy Change
- ☐ Information or Discussion Item

**Issue:** The University of Arizona asks the board for project approval of the \$18 million, 59,914 square foot, building 90 deferred maintenance project, and approval to sell system revenue bonds to finance the project, costs of issuance, and payments to a bond insurer or other credit enhancer if used. Debt service would be paid over 25 years with half paid from the newly approved state supported university financing program and half paid from university matching funds.

**Previous Board Action**

FY2018 Capital Development Plan – June 2017

**Enterprise or University Strategic Plan**

- ☐ Empower Student Success and Learning
- ☐ Advance Educational Attainment within Arizona
- ☐ Create New Knowledge
- ☐ Impact Arizona
- ☐ Compliance
- ☐ Real Property Purchase/Sale/Lease
- ☒ Other: Capital Deferred Maintenance

**Statutory / Policy Requirements**

- ABOR Policy 7-109 requires approval of renovation or infrastructure projects with a total project cost over \$5 million before contracts can be executed and construction can begin.
- ABOR Policy 7-102 requires approval of the issuance of bonds, lease-purchase agreements, certificates of participation issuance, or any debt instrument.

**Contact Information:**

Gregg Goldman, Senior Vice President and CFO, (520) 621-5977, ggoldman@email.arizona.edu

## **EXECUTIVE SUMMARY**

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- ABOR Policy 3-501 requires matters relating to revenue bonds, including issuance, sale, appointment of bond counsel, appointment of financial consultant, appointment of trustee, and all other incidents connected with revenue bonds to be presented for Board action.
- Arizona Revised Statute 15-1683 A. 1 (b) requires the project to be acquired with the proceeds of the bonds to be reviewed by the Joint Committee on Capital Review.

### **Project Justification / Description / Scope**

- The Building 90 Deferred Maintenance Upgrade project will refurbish aging building systems and other existing conditions to correct deficiencies.
- Building 90 is home to the School of Animal & Comparative Biomedical Sciences and is a mix of labs, classrooms and offices, consisting of 59,914 gross square feet (gsf). A preliminary building survey of existing HVAC, plumbing, electrical and architectural deficiencies has been performed. Areas to be addressed include:
  - AHU's that have reached the end of service life
  - HVAC system upgrades
  - Plumbing upgrades
  - Water leakage and accumulation
  - General condition of supply air ducts and insulation, including pipe insulation
  - General deferred maintenance of HVAC, plumbing and electrical systems
  - Building code issues and life safety concerns related to accessibility, fire partitions and paths of egress
  - Cracks in concrete floors permitting leakage between floors
  - Asbestos removal

### **Project Delivery Method and Process**

- This project is being delivered through a Design-Build (DB) delivery method. This approach was selected for this project because it can provide early cost control, save time through fast-track project scheduling while still providing contractor design input and coordination throughout the project, improving potentially adversarial project environments and still allowing for the selection of the most qualified architect-contractor team for this project. With the use of an independent cost estimate at each phase, and low-bid subcontractor work for the actual construction, this method also provides a high level of cost and quality control

## **EXECUTIVE SUMMARY**

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- The Design-Builder provides a Guaranteed Maximum Price (GMP) based upon the amount previously agreed upon in the Design-Build agreement. The Design-Builder is at risk to provide the completed project within that price. In the selection of major subcontractors, the Design-Builder uses a qualification-based selection process prescribed by the ABOR Procurement Code to allow major subcontractors a design-assist role during the design phase. All remaining subcontractor work is awarded on the basis of the lowest responsive and responsible subcontractor bids. For this work, a minimum of three subcontractor bids will be required, except for specialty items or instances where proprietary systems are required, such as for energy management systems and door locks. A final report on project control procedures will be provided at project completion.

### **Project Status and Schedule**

- This project is in the planning phase. The design phase is scheduled to be initiated in June 2017, with construction scheduled to begin in July 2017 and project completion in June 2018.

### **Project Cost**

- The budget for the combined 59,914 gross square foot (gsf) project is \$18 million
- The budget represents an estimated construction cost of \$267 per gsf and an estimated total project cost of \$300 per gsf.
- For the Capital Development Plan phase, a Design-Build Team will help identify the scope and provide external cost estimates from independent programming efforts. Additional cost estimates will be provided by the Design-Build Team as the project progresses through the design process.
- The Design-Build Team will provide the completed project within the agreed-upon Guaranteed Maximum Price (GMP). A final report on project control procedures, including change orders and contingency use, will be provided at project completion.

### **Fiscal Impact and Financing Plan**

- The UA intends to finance the \$18 million Deferred Maintenance – Building 90 Renovations project by selling System Revenue Bonds. The estimated annual debt service is \$1.2 million based on a 25-year maturity with an estimated 4.5% interest

## EXECUTIVE SUMMARY

rate. Since this is a deferred maintenance project, there are no expected increases in operation and maintenance costs. This will be the first UA project to benefit from the new bonding approval from the State. Half of the debt service will be paid by State Appropriations tied to the new bonding authority, and half will be paid by UA Local Matching Funds. The University's operating resources and state appropriations have the capacity to pay for the debt service on the Bonds.

- **Debt Ratio Impact:** The estimated annual debt service of \$1.2million for this project would increase the UA's debt ratio by .08%. The projected highest debt ratio is 4.91%, well below the 8% ABOR policy and statutory limitation.
- The UA intends to utilize a financial advisor, a bond counsel, and a bond trustee previously approved by the Board. The Bonds will be marketed and sold on a negotiated basis to one or more investment banking firms previously approved by the Board.
- The University plans to issue the long-term financing for the project by the end of calendar year 2017. The table below shows the anticipated pricing parameters for the long-term financing:

Item		Comments
Project Costs	\$18 million	Not to exceed amount
Issuance Costs (not to exceed)	\$ 341,000	Not to exceed amount
Credit Enhancement/Insurance Cost	TBD	Only executed if provides benefit that exceeds cost of insurance
Fixed Interest Rate (anticipated rate /not to exceed rate)	4.5%/6%	Not to exceed based on maximum the UA is willing to pay
Maturity Range	2019 - 2043	Final maturity is June 1, 2043
Average Instrument Life	15.24 years	Approximately 25 year financing period

## Occupancy Plan

- The building will be vacated prior to commencement of work, into surge space locations identified in nearby research buildings where they can continue their



## **EXECUTIVE SUMMARY**

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work. The occupants will then move back into the building when the deferred maintenance/renovations are completed.

### **Committee Review and Recommendation**

The Business and Finance Committee reviewed this item at its June 7, 2017 meeting and recommended forwarding the item to the full board for approval.

### **Requested Action**

The University of Arizona asks the board for project approval and financing approval for the Deferred Maintenance Project – Building 90, as presented in this Executive Summary.

## **EXECUTIVE SUMMARY**

### Capital Project Information Summary

**University:** The University of Arizona      **Project Name:** Deferred Maintenance Project – Building 90 Renovations

#### Project Description/Location:

Building 90 is home to the School of Animal & Comparative Biomedical Sciences and is a mix of labs, classrooms and offices, 59,914 gross square feet. A preliminary building survey of existing HVAC, plumbing, electrical and architectural deficiencies has been performed.

<u>Project Schedule (Beginning Month/Year)</u>	<u>Capital Development Plan Approval</u>	<u>Project Approval</u>
Planning	May 2017	May 2017
Design	June 2017	June 2017
Construction	July 2017	July 2017
Occupancy	July 2018	July 2108

#### Project Budget:

Total Project Cost	\$18,000,000	\$18,000,000
Total Project Cost per GSF (including utility augmentation)	\$0	\$0
Direct Construction Cost - New	\$0	\$0
Construction Cost per GSF - New	\$0	\$0
Change in Annual Operation/Maintenance Cost		
• Utilities	No Change	No Change
• Personnel	No Change	No Change
• Other	No Change	No Change

#### Funding Sources:

Capital:		
• State Appropriation/Local Funds	\$18,000,000	\$18,000,000
Operation/Maintenance:	No Change	No Change

**EXECUTIVE SUMMARY**

**Capital Project Budget Summary**

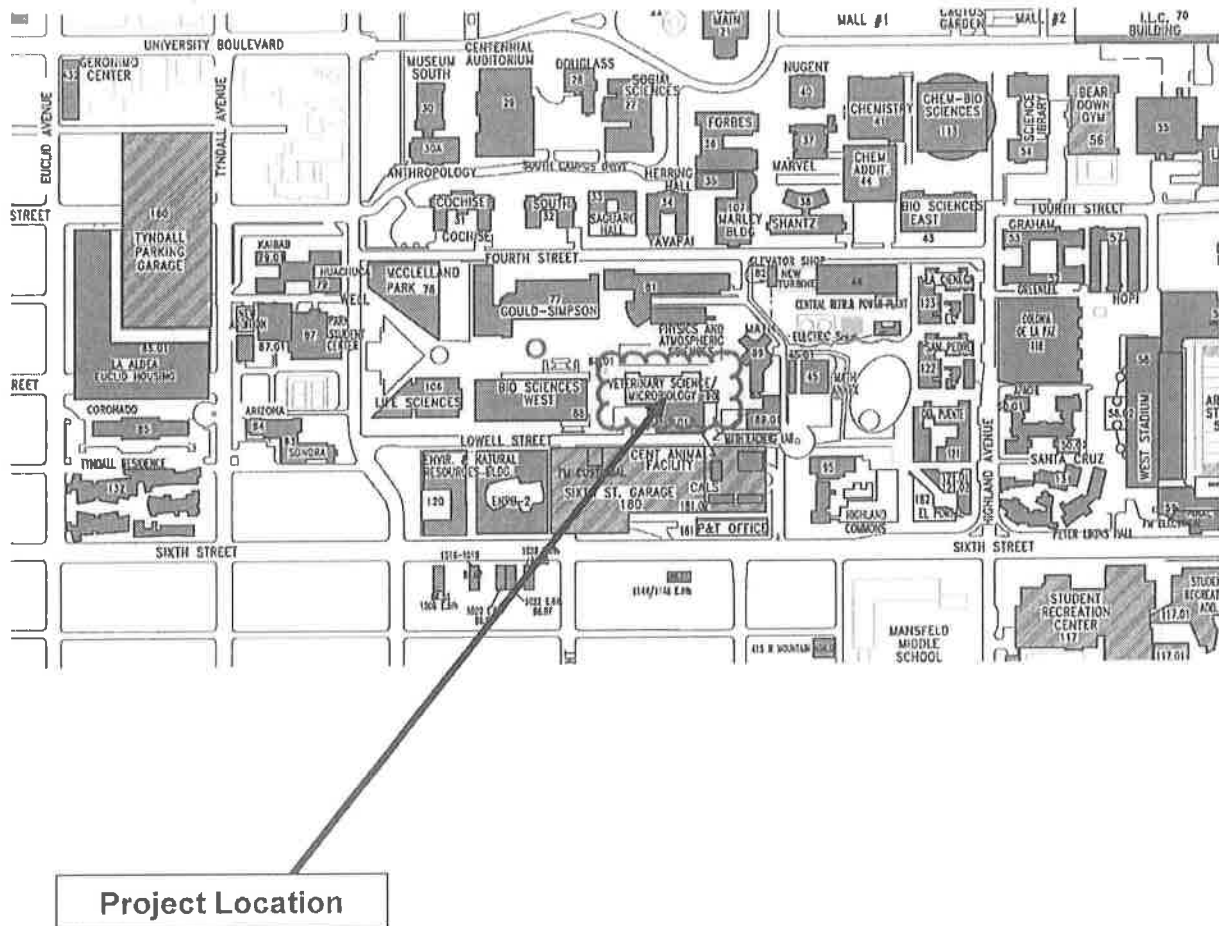
**University:** The University of Arizona

**Project Name:** Deferred Maintenance Project -- Building 90 Renovations

<u>Date of Budget Estimate</u>		<u>Capital Development</u>	<u>Project Approval</u>
		<u>Approval</u>	
		<u>Jun-17</u>	<u>Jun-17</u>
1	Land Acquisition	\$ -	\$ -
2	Construction Cost		
	A. New Construction	\$ -	\$ -
	B. Renovation	\$ 16,000,000	\$ 16,000,000
	C. Fixed Equipment	\$ -	\$ -
	D. Site Development (exclude 2.E.) (in 2A)	\$ -	\$ -
	E. Parking & Landscaping (in 2A)	\$ -	\$ -
	F. Utilities Extensions (in 2A)	\$ -	\$ -
	G. Other (asbestos)	\$ -	\$ -
	<b>Subtotal Construction Cost</b>	<b>\$ 16,000,000</b>	<b>\$ 16,000,000</b>
3	Consultant Fees		
	A. Construction Manager	\$ -	\$ -
	B. Architect/Engineering Fees	\$ 1,500,000	\$ 1,500,000
	C. Other (Programming, Special Consult.)	\$ -	\$ -
	<b>Subtotal Consultant Fees</b>	<b>\$ 1,500,000</b>	<b>\$ 1,500,000</b>
4	Furniture Fixtures and Equipment	\$ -	\$ -
5	Contingency, Design Phase	\$ 50,000	\$ 50,000
6	Contingency, Construction Phase	\$ 200,000	\$ 200,000
7	Parking Reserve	\$ -	\$ -
8	Telecommunications Equipment	\$ -	\$ -
	<b>Subtotal Items 4-8</b>	<b>\$ 250,000</b>	<b>\$ 250,000</b>
9	Additional University Costs		
	A. Surveys and Tests	\$ -	\$ -
	B. Move-in Costs	\$ 150,000	\$ 150,000
	C. Public Art	\$ -	\$ -
	D. Printing/Advertisement	\$ -	\$ -
	E. Univ. Facilities & Project Management	\$ 100,000	\$ 100,000
	F. State Risk Mgt. Ins.	\$ -	\$ -
	<b>Subtotal Additional University Costs</b>	<b>\$ 250,000</b>	<b>\$ 250,000</b>
	<b>TOTAL CAPITAL COST</b>	<b>\$ 18,000,000</b>	<b>\$ 18,000,000</b>

## EXECUTIVE SUMMARY

### Project Site Location Map



**Joint Committee on Capital Review  
September 19, 2017 JCCR Meeting  
University of Arizona Project Submission**

**Summary of Financing Information:**

Deferred Maintenance Project- Building 90 Renovation System Revenue Bonds

Issuance amount:	\$ 18,000,000
Estimated Cost of Issuance:	\$ 294,000
Estimated interest rate:	3.6% - 4.1%
Payment term:	Approximately 25 years

Fund Source for debt payment:	State appropriations/ Matching Local Funds
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Annual debt service (by fund source):

Principal & Int. FY19 – FY43 (Ave.)	State appropriations / Matching Local Funds \$1,160,000
Total debt service through maturity	State appropriations /Matching Local Funds \$29,000,000

Anticipated date of issuance:	Winter 2017
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Expected bond rating:	AA- (S & P) and Aa2 (Moody's)
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**Debt Ratio Information:**

Current projected debt ratio	4.68%
Increment debt ratio	0.06%
Projected highest debt ratio	4.74%

**Joint Committee on Capital Review  
September 19, 2017 JCCR Meeting  
University of Arizona Projects Submission**

**Deferred Maintenance Project- Building 90 Renovation  
System Revenue Bonds  
Amortization Schedule - 4.10%**

<b>Period Ending</b>	<b>Annual Principal</b>	<b>Annual Interest</b>	<b>Annual Debt Service</b>
6/1/2019	425,000	1,045,500	1,470,500
6/1/2020	445,000	720,576	1,165,576
6/1/2021	460,000	702,330	1,162,330
6/1/2022	480,000	683,470	1,163,470
6/1/2023	500,000	663,790	1,163,790
6/1/2024	520,000	643,290	1,163,290
6/1/2025	540,000	621,970	1,161,970
6/1/2026	565,000	599,830	1,164,830
6/1/2027	590,000	576,666	1,166,666
6/1/2028	610,000	552,476	1,162,476
6/1/2029	635,000	527,466	1,162,466
6/1/2030	665,000	501,430	1,166,430
6/1/2031	690,000	474,166	1,164,166
6/1/2032	720,000	445,876	1,165,876
6/1/2033	750,000	416,356	1,166,356
6/1/2034	780,000	385,606	1,165,606
6/1/2035	810,000	353,626	1,163,626
6/1/2036	845,000	320,416	1,165,416
6/1/2037	880,000	285,770	1,165,770
6/1/2038	915,000	249,690	1,164,690
6/1/2039	950,000	212,176	1,162,176
6/1/2040	990,000	173,226	1,163,226
6/1/2041	1,030,000	132,636	1,162,636
6/1/2042	1,075,000	90,406	1,165,406
6/1/2043	1,130,000	46,330	1,176,330
	<b>18,000,000</b>	<b>11,425,074</b>	<b>29,425,074</b>





STATE OF ARIZONA

## Joint Committee on Capital Review

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REBECCA RIOS

**DATE:** September 12, 2017

**TO:** Senator Debbie Lesko, Chairman  
Members, Joint Committee on Capital Review

**THRU:** Richard Stavneak, Director *RS*

**FROM:** Ben Murphy, Fiscal Analyst *BM*

**SUBJECT:** Arizona State Parks Board - Review of FY 2018 Capital Expenditure Plan of \$1,275,000 and Reallocation of Prior Year Capital Funding of \$652,800

### Request

Pursuant to A.R.S. § 41-1252 and A.R.S. § 5-382, the Arizona State Parks Board (ASPB) requests Committee review of \$1,275,000 in FY 2018 capital projects and a reallocation of prior year monies. ASPB also submitted a request to review an expenditure plan for Rockin' River Ranch State Park, which is not included in this memo and will be addressed separately.

### Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.
2. An unfavorable review of the request.

Under either option, the Committee may also consider the following provisions:

- A. ASPB shall report any reallocations between projects in the FY 2018 spending plan above \$100,000 (see *Tables 1* and *2*) to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.
- B. ASPB shall report to the Committee on their actual FY 2018 spending by July 31, 2018 using the same categories as outlined in *Tables 1* and *2*.

(Continued)



#### **Key Points**

- 1) ASPB is reallocating \$942,500 of unused prior year funds for 2 new projects at Roper Lake and Cattail Cove state parks.
- 2) ASPB is requesting review of an additional \$705,000 (plus a like amount of federal funds) for unforeseen costs of its \$1.0 million Cabin Installation proposal favorably reviewed a year ago.
- 3) ASPB is also requesting review of \$570,000 for other repair projects at state parks.

#### **Analysis**

##### Fund Background

Under permanent law, the Committee is to review expenditure of capital monies from SPRF and SLIF.

SPRF generates revenue from state parks user fees, concession sales, gift shop sales, donations and legislative appropriations. Capital projects funded by these monies are subject to JCCR review per A.R.S. § 41-511.21. Monies are also annually used for the operations of the ASPB.

SLIF generates revenues primarily from state gasoline taxes paid for boating purposes and a portion of the watercraft license tax. As provided for by A.R.S. § 5-382, the use of SLIF monies requires review by the JCCR.

LWCF is a Federal Fund. The LWCF provides matching grants to state and local governments for the development of public outdoor recreation programs and facilities. As federal monies, the use of the LWCF does not need JCCR review. The fund is included to provide information on the total cost of the projects.

##### Prior Year Capital Reallocation

ASPB proposes reallocating \$1,020,300 from prior year capital projects that have been canceled or completed under budget for 2 new projects. *Table 1* below details those projects by project status, fiscal year approved, fund source and reallocation amount. Of the \$1,020,300 amount, \$652,800 is from SLIF and \$367,500 is from the federal LWCF.

From this \$1,020,300 in available funds, ASPB plans to reallocate \$942,500 to 2 projects at Roper Lake and Cattail Cove state parks, and let the remaining \$77,800 lapse into its respective funds.

##### *Roper Lake State Park - Wastewater and Sanitary System Replacement*

ASPB requests review of a \$692,500 project to expand the scope of its original wastewater upgrade project. At the June 2016 JCCR meeting, the Committee favorably reviewed the original project, funded at \$175,000 from SPRF, to construct a new wastewater dump station, septic tank, and leach field. The primary purpose of the project was to meet Arizona Department of Environmental Quality (ADEQ) compliance.

(Continued)

Table 1

Prior Year Projects for Reallocation

**Reallocated Funds**

<u>Project Status</u>	<u>Fiscal Year</u>	<u>Fund</u>	<u>Park</u>	<u>Project</u>	<u>Reallocation</u>
Completed	2014	SLIF	Buckskin Mountain	Campground Electrification <sup>1/</sup>	\$ 299,100
Canceled	2016	SLIF	Fool Hollow	Campground Upgrade	192,500
Canceled	2016	LWCF	Fool Hollow	Campground Upgrade	192,500
Canceled	2016	LWCF	Homolovi Ruins	Shade Structures	175,000
Completed	2016	SLIF	Lake Havasu	Launch Ramp and Parking	<u>161,200</u>
<b>Total</b>					<b>\$1,020,300 <sup>2/</sup></b>

**New Uses of Reallocated Funds**

New	2018	SLIF/LWCF	Roper Lake	Wastewater System	\$ 692,500 <sup>3/</sup>
New	2018	SLIF	Cattail Cove	Toilet Replacements	250,000
New	2018	SLIF/LWCF	Lapsed Funds	NA	<u>77,800 <sup>4/</sup></u>
<b>Total</b>					<b>\$1,020,300</b>

- <sup>1/</sup> The campground electrification involved 3 different state parks, but the savings were primarily gained from the Buckskin Mountain portion of the project.  
<sup>2/</sup> ASPB identified \$1,020,300 in reallocation funding, but plans to use \$942,500 and let the remainder lapse.  
<sup>3/</sup> The Roper Lake project is funded \$400,000 from SLIF and \$292,500 from LWCF.  
<sup>4/</sup> ASPB is lapsing \$75,000 in LWCF and \$2,800 in SLIF.

An ASPB engineering analysis determined that connecting the park's wastewater collection system with the City of Safford waste collection system was a better option than constructing new leach fields. Leach fields are underground wastewater disposal facilities and require a significant amount of space. ASPB prefers to maintain space for visitor purposes and expects an operational burden to be lifted by forgoing new fields. The new dump station, which discharges wastewater to a disposal system, will still be constructed.

The additional funding is primarily for the extensive piping and trenching involved in connecting the park's and the city's wastewater collection systems.

*Cattail Cove State Park - Compost Toilet Replacements*

ASPB requests review of a \$250,000 project to replace compost toilets located along the Colorado River at Cattail Cove State Park. The funding will replace dilapidated toilets at 10 sites within the park, at a cost of \$22,000 per unit, or a total of \$220,000. The remaining \$30,000 is for material costs, such as sand and gravel.

FY 2018 Capital Improvements

The FY 2018 Capital Outlay Bill (Laws 2017, Chapter 306) appropriated \$1.3 million from SPRF for capital improvements. ASPB proposes using that appropriation for 8 different projects, and plans to match each SPRF project cost with a 50/50 matching LWCF grant, resulting in a \$2.6 million expenditure plan for FY 2018 capital improvements. Please see *Table 2* for a summary of these projects.

(Continued)

Table 2				
FY 2018 Capital Improvement Projects				
<u>Location</u>	<u>Project</u>	<u>SPRF</u>	<u>LWCF</u>	<u>Total</u>
Statewide	Cabin Installation	\$ 705,000	\$ 705,000	\$1,410,000
Riordan Mansion State Park	Fire Suppression System Replacement	150,000	150,000	300,000
Riordan Mansion State Park	Roof Replacement	100,000	100,000	200,000
Dead Horse Ranch State Park	Playground Replacement	100,000	100,000	200,000
Picacho Peak State Park	New Vault Toilets	100,000	100,000	200,000
Red Rock State Park	Water Tank Replacement	50,000	50,000	100,000
Statewide	Sign Replacement	50,000	50,000	100,000
Catalina State Park	Equestrian Shelter Roof Replacement	20,000	20,000	40,000
<b>Total</b>		<b>\$1,275,000</b>	<b>\$1,275,000</b>	<b>\$2,550,000</b>

#### *Cabin Installation*

In September 2016, the JCCR favorably reviewed a \$963,300 ASPB proposal to install 100 cabins at ASPB-operated parks statewide, funded with \$463,300 from SPRF and \$500,000 from SLIF.

The proposal involved a revenue sharing agreement with the cabin installation vendor. ASPB would split the revenues from cabin rental fees 50/50 and would pay a 10% down payment on the pre-engineered cabins. ASPB would be responsible for all site preparation, including base engineering, concrete foundation, and running electricity to the site. After ASPB makes the down payment and prepares the site, the vendor would install the cabins.

At the September 2016 meeting, ASPB reported that each cabin had an average purchase price of \$45,000, which means ASPB would pay \$4,500 as a down payment on 100 cabins for a total of \$450,000. ASPB also estimated each cabin would require \$5,100 in site preparation costs, meaning an expense of \$510,000. The down payment expenses combined with the site preparation costs resulted in an anticipated expense of \$960,000.

ASPB is seeking another \$705,000 from SPRF (plus a like amount from federal funds) for the project. The department has substantially adjusted its estimates of site preparation costs to an average of \$20,000 per cabin, or an increase of \$14,900 from the September 2016 reviewed costs. ASPB reports that the increased site preparation cost is primarily due to unforeseen difficulties in trenching electrical lines long distances from transformers to the somewhat remote cabins.

The selected vendor has increased the down payment to 15%, but ASPB reports that the cabin costs can be reduced to \$35,000 per unit, resulting in a down payment of \$5,300, or an increase of \$800 per cabin (\$80,000 in total).

#### *Other Projects*

ASPB is also seeking review of \$570,000 of SPRF (plus a like amount of federal funds) for 7 other projects at state parks. Of that SPRF amount, \$250,000 would be expended at the Riordan Mansion in Flagstaff to replace both the fire suppression system as well as the roof.

RS/BM:kp



Doug Ducey  
Governor

# ARIZONA STATE PARKS & TRAILS

Celebrating 60 Years!

Sue Black  
Executive Director



September 19, 2017

The Honorable Debbie Lesko,  
Chair, Joint Committee on Capital Review  
1716 West Adams  
Phoenix, AZ 85007



RE: Request for JCCR review of FY 2018 Capital Development Program and prior year Capital Development Program funding adjustments.

Dear Senator Lesko,

Arizona State Parks & Trails (ASPT) requests review by the JCCR of the agency's overall FY2018 Capital Development Program.

There are no General Funds appropriated to ASPT. Funding for this request includes: State Parks Revenue Fund (SPRF) and Federal Land and Water Conservation Funds. With JCCR favorable recommendation, the State Parks Revenue Fund (SPRF) will be used to leverage Federal Land and Water Conservation Fund (LWCF) which can only be utilized to cover a maximum of 50% of the costs per project.

The projects support several park system objectives, including: public health and safety, regulatory compliance requirements, infrastructure renewal, increased visitation and revenues, and asset and resource protection.

Specific project funding details and project descriptions are attached.

Please feel free to contact me at (602)542-7102 or [sblack@azstateparks.gov](mailto:sblack@azstateparks.gov) if you have any questions.

Sincerely,

Sue Black,  
Executive Director

cc: Richard Stavneak, Director, JLBC  
Matthew Gress, Director, OSPB

## **I. Prior Year Capital Development Program**

Arizona State Parks & Trails has identified \$942,500 of capital funding capacity from projects that were completed under budget and from projects that have been deferred and reprioritized based on immediate needs.

### **Roper Lake State Park**

Project: Waste Water and Sanitary System Replacement

JCCR Original Budget Approved: \$886,042 (Reviewed in FY14 and FY15)

Additional Amount Needed: \$692,500

Project Description: The original project was for a restroom shower building, redesigned dump station and new leach fields in the park. The scope was expanded (as part of ASPT's overarching strategy to connect with local municipal wastewater systems wherever feasible) to design a waste water collection system to collect park waste from existing facilities and connect into the existing City of Safford collection system. The proposed system cost exceeds the base budget, necessitating additional funding.

The long-term benefits of connecting to the City's system include:

- Park staff will no longer have the responsibility to operate a sanitary system
- Valuable park space will be freed up
- It will allow for future park development since the system will be capable of handling higher utilization
- Ensures that park waste does not leach into the lake
- Reduces financial liability in case of system malfunction

Funding Source: \$400,000 from SLIF (State Lake Improvement Fund) and \$292,500 from LWCF.

### **Cattail Cove State Park**

Project: Boat in Site Toilet Replacements

Budget: \$250,000

Project Description: Many of the boat in site compost comfort stations located on the Colorado River managed by Cattail Cove State Park were placed nearly 50 years ago and the units are in dire need of replacement before they break down to a point where they begin to affect the water quality of the surrounding lake. The single units are priced at approximately \$22,000 each. This funding will replace the facilities at 10 sites.

Funding Source: \$250,000 from SLIF fund.

## **II. FY 2018 Capital Development Program**

ASPT will spend a total of \$6.8 million for FY 2018 capital development. This plan will consist of \$1.5 million of grants from the LWCF, which may only be used to cover a maximum of 50% of costs per project, and \$5.3 million from the State Parks Revenue Fund (SPRF). Of this amount, \$1.3 million will go to a combination of park-specific and general statewide projects along with \$4.0 million dedicated for the development of Rockin' River Ranch State Park. Below are project descriptions and cost estimates.

### **Rockin' River Ranch State Park – Park Development**

Project: New State Park Development

Budget: \$4,200,000

Project Description: The project's design process began in FY 2017 and will continue into FY 2018. Construction will begin in FY 2018 and continue through FY 2019, with the opening projected for mid FY 2019. The park, situated along the Verde River, will include river access points with beach areas, picnic areas, campgrounds, rental cabins, equestrian facilities, special event areas, and a potential bed and breakfast concessionaire.

Funding Source: \$4.0 million from SPRF and \$200,000 from LWCF.

### **Riordian Manson State Park**

Project: Fire Suppression System Replacement

Budget: \$300,000

Project Description: This funding will be used to replace the existing fire suppression system. The existing system does not meet current fire code, the system is mostly nonfunctional and has outlived its useful life.

Funding Source: \$150,000 from SPRF and \$150,000 from LWCF.

Project: Roof Replacement

Budget: \$200,000

Project Description: This funding will be used to replace the roof on the historic Riordian Manson. The existing roof has started to leak and has outlived its useful life.

Funding Source: \$100,000 from SPRF and \$100,000 from LWCF.

### **Dead Horse Ranch State Park**

Project: Playground Replacement & Amphitheater

Budget: \$200,000

Project Description: This funding will be used to replace the current antiquated play structure within the park while adding a small amphitheater to the day use area of the park that can be used for special events and performances.

Funding Source: \$100,000 from SPRF and \$100,000 from LWCF.

### **Picacho Peak State Park**

Project: New Vault Toilets

Budget: \$200,000

Project Description: This funding will be used to install five new vault toilets within Picacho Peak State Park. These new vault toilets will replace six port-a-potties that currently service the day users to the park.

Funding Source: \$100,000 from SPRF and \$100,000 from LWCF.

### **Red Rock State Park**

Project: Water Tank Replacement

Budget: \$100,000

Project Description: This funding will be used to replace the water tank that provides potable water to the park. The existing tank does not meet current ADEQ standards, has started to leak and has outlived its useful life.

Funding Source: \$50,000 from SPRF and \$50,000 from LWCF.

### **Catalina State Park**

Project: Equestrian Shelter Roof Replacement

Budget: \$40,000

Project Description: This funding will be used to replace the 80-year-old roof on the tin barn at the Equestrian Center, which has reached the end of its useful life, has started to leak and is becoming a safety hazard.

Funding Source: \$20,000 from SPRF and \$20,000 from LWCF.

### **Statewide**

Project: Cabin Installation

Budget: \$1,410,000

Project Description: This funding will be used to complete the site work and infrastructure needed to install cabins based on a new public private partnership with Cavco Industries that will provide an additional 100 Cabins to the State Parks. Under the new partnership, Cavco provides State Parks with cabins at no cost and receives 50% of the rental revenue generated by the cabins.

Funding Source: \$705,000 from SPRF and \$705,000 from LWCF.

Project: Master Sign Replacement

Budget: \$100,000

Project Description: This funding will be used to install new and replacement master signs across the State Park System. The new signs will be purchased from Arizona Correction Industries and installed by park staff.

Funding Source: \$50,000 from SPRF and \$50,000 from LWCF.







STATE OF ARIZONA

## Joint Committee on Capital Review

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VINCE LEACH  
REBECCA RIOS

DATE: September 12, 2017

TO: Senator Debbie Lesko, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Ben Murphy, Fiscal Analyst *BM*

SUBJECT: Arizona Department of Transportation - Review of FY 2018 Building Renewal Allocation Plan

### Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies prior to expenditure. The Arizona Department of Transportation (ADOT) is requesting that the Committee review its \$4,732,300 FY 2018 Building Renewal Allocation Plan.

ADOT has allocated \$4,500,000 from the State Highway Fund among 110 projects, leaving a contingency balance of \$100,000 and \$90,000 for project management support. ADOT has allocated \$232,300 from the State Aviation Fund for 16 projects, with no contingency funding.

### Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.
2. An unfavorable review of the request.

Under either option, the Committee may also consider the following provisions:

- A. ADOT shall report any reallocations between projects in the FY 2018 spending plan above \$100,000 to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.

(Continued)

- B. ADOT shall report to JLBC Staff on or before July 31, 2018 on the status of all building renewal projects and building renewal expenditures.

**Key Points**

- 1) ADOT Building Renewal projects span a range of categories including remodeling, safety improvements, compliance, and roofing replacements for offices around the state.
- 2) The \$4.5 million Building Renewal appropriation equates to approximately 36% of the formula requirement.
- 3) ADOT plans to expend \$1.7 million for remodeling and \$1.2 million for building systems (HVAC, electrical and plumbing).

**Analysis**

The FY 2018 Capital Outlay Bill (Laws 2017, Chapter 306) appropriated a total of \$4.7 million for building renewal in FY 2018, including \$4,500,000 from the State Highway Fund and \$232,300 from the State Aviation Fund. The FY 2018 Building Renewal appropriation represents 35.8% of the amount generated by the revised building renewal formula for the ADOT Building System and 96.0% for the Grand Canyon Airport building renewal formula for FY 2017. The formula is based on the square footage and replacement cost of existing buildings.

ADOT expects to allocate the Building Renewal monies from the State Highway Fund in the following categories for 110 projects:

**Table 1**

<b>State Highway Fund Building Renewal Project Categories</b>			
<b><u>Category</u></b>	<b><u>Projects</u></b>	<b><u>State Highway Fund</u></b>	<b><u>% of Total</u></b>
Remodeling	19	\$1,745,000	38%
Building Systems (HVAC, Electrical, Plumbing)	32	1,164,500	26%
Interior Finishes (Paint, Carpet, Tile)	19	318,300	7%
Infrastructure (Sewers, Wells)	11	298,000	7%
Roof Repairs/Replacement	8	292,000	6%
Exterior Preservation (Doors, Windows, Siding)	13	248,000	6%
Fire/Life/Safety	6	219,200	5%
Americans with Disabilities Act	2	25,000	1%
Project Support Management	NA	90,000	2%
Contingency	NA	100,000	2%
<b>Total</b>	<b>110</b>	<b>\$4,500,000</b>	<b>100%</b>

(Continued)

Of the 110 State Highway Fund projects, the 11 projects shown in *Table 2* require \$100,000 or more. Most of these renovations will occur on the Capitol Mall.

<b>Table 2</b>	
<b>Major State Highway Fund Building Renewal Projects</b>	
<b><u>Project</u></b>	<b><u>Allocation</u></b>
<b>Remodeling</b>	
Engineering Building - Renovate Second Floor Offices	\$ 300,000
Human Resources Building - Install Acoustic Drywall and Ceiling	170,000
Administration Building - Renovate Board Room	150,000
Superior Maintenance Building - Renovate Interior; Replace Asbestos Siding	125,000
FAST Building - Renovate Second Floor Bill Processing Office	110,000
Administration Building - Renovate Board Room	100,000
Chinle MVD Building - Relocate 3 Wide Modular Office from Flagstaff	100,000
Show Low Construction Building - Relocate 4 Wide Modular Office from Flagstaff	100,000
<b>Building Systems (HVAC, Electrical, Plumbing)</b>	
Sign Shop Building - Repair Ventilation Systems	292,000
1801 W Jefferson Building - Replace AHUs and Second Floor HVAC Controls	235,000
<b>Fire/Life/Safety</b>	
Engineering Building - Replace Fire Panel and Devices	<u>130,000</u>
<b>Total</b>	<b>\$1,812,000</b>

ADOT expects to allocate the Building Renewal monies from the State Aviation Fund for 16 projects in the following categories:

<b>Table 3</b>			
<b>State Aviation Fund Building Renewal Projects</b>			
<b><u>Category</u></b>	<b><u>Projects</u></b>	<b><u>State Aviation Fund</u></b>	<b><u>% of Total</u></b>
Infrastructure (Sewers, Wells)	3	\$102,300	44%
Exterior Preservation (Doors, Windows, Siding)	2	47,000	20%
Building Systems (HVAC, Electrical, Plumbing)	5	30,000	13%
Fire/Life Safety	2	28,000	12%
Interior Finishes (Paint, Carpet, Tile)	3	22,000	10%
Roof/Repairs Replacement	1	3,000	1%
Americans with Disabilities Act	0	0	0%
Contingency	<u>NA</u>	<u>0</u>	<u>0%</u>
<b>Total</b>	<b>16</b>	<b>\$232,300</b>	<b>100%</b>

The attached material submitted by ADOT lists each project and its estimated cost.

Given the wide range of projects in ADOT's building renewal plan, the Committee may want to consider Provision B. ADOT would be required to report by July 31, 2018 on the status of all its projects.

RS/BM:kp



Director's Office

Douglas A. Ducey, Governor

John S. Halikowski, Director

Scott Omer, Deputy Director for Operations

Kevin Blesty, Deputy Director for Policy

Dallas Hammit, Deputy Director for Transportation

August 25, 2017

The Honorable Debbie Lesko  
Chairman, Joint Committee on Capital Review  
1716 West Adams St.  
Phoenix, AZ 85007



Dear Senator Lesko:

We respectfully request that ADOT's FY 2018 Building Renewal Allocation Plan be placed on the next meeting of the JCCR for review related to ADOT's FY 2018 Capital Outlay Appropriation.

The following summary outlines the scope of work:

**Renewal Projects – State Highway Fund**

Category 1 – Fire/Life Safety	\$219,200
Category 2 – Roof Repairs/Replacement	292,000
Category 3 – Preservation of Asset	248,000
Category 4 – Major Building Systems	1,164,500
Category 5 – Interior Building Finishes	318,300
Category 6 – Reconfigure Occupied Space	1,745,000
Category 7 – ADA Compliance	25,000
Category 8 – Infrastructure	298,000
Project Management Support	90,000
Contingency	<u>100,000</u>
Subtotal	<u>\$4,500,000</u>

**Renewal Projects – State Aviation Fund**

Category 1 – Fire/Life Safety	\$28,000
Category 2 – Roof Repairs/Replacement	3,000
Category 3 – Preservation of Asset	47,000
Category 4 – Major Building Systems	30,000
Category 5 – Interior Building Finishes	22,000
Category 8 – Infrastructure	<u>102,300</u>
Subtotal	<u>\$232,300</u>

Total FY 2018 \$4,732,300

The Honorable Debbie Lesko  
August 25, 2017  
Page 2

Project details are attached. Your favorable review of our request is appreciated.

Sincerely,



John S. Halikowski  
ADOT Director

Enclosure

C: Richard Stavneak, JLBC Director ✓  
Ben Murphy, JLBC Analyst  
Ben Blink, OSPB Analyst  
John Hetzel, ADOT

**STATE OF ARIZONA**  
**FY 2018 CAPITAL IMPROVEMENT PLAN**  
**DEPARTMENT OF TRANSPORTATION FY 2018 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY**

Project Description	Estimated Cost
<b>STATE HIGHWAY FUND</b>	
<b>CATEGORY 1 - FIRE/LIFE SAFETY</b>	
Avondale Construction Office Bldg 1673 - Replace fire panel and devices	\$ 9,000
Engineering Bldg 1004 - Replace fire panel and devices	\$ 130,000
Facilities Mgt/Communications/C&S Bldg 1002 - Replace fire panel and devices	\$ 65,000
Lake Havasu City MVD Bldg 3002 - Replace unserviceable fire sprinkler heads	\$ 5,200
ADOT Statewide - Asbestos and lead paint abatement	\$ 5,000
ADOT Statewide - Repair fire alarm panels	\$ 5,000
<b>TOTAL</b>	<b>\$ 219,200</b>
<b>CATEGORY 2 - ROOFS</b>	
Central Materials Lab Bldg 1121 - Replace fire alarm panel and devices	\$ 80,000
Phoenix Equipment Services Bldg 1755 - Replace roof over welding area	\$ 80,000
Topock Port of Entry Bldg 3013 - Recoat/repair roof	\$ 15,000
Fredonia Maintenance Equipment Storage Bldg 3219 - Repair/replace roof	\$ 50,000
Bisbee/Mule Mt. Sand Shed Bldg 2117 - Repair failing concrete walls, roof and rafters	\$ 30,000
Quartzsite Maintenance Office Bldg 2066 - Recoat the roof white	\$ 12,000
Douglas Equipment Services Shop Bldg 2123 - Repair/replace failing roof	\$ 20,000
ADOT Statewide - Repair roofs	\$ 5,000
<b>TOTAL</b>	<b>\$ 292,000</b>
<b>CATEGORY 3 - PRESERVATION OF ASSET</b>	
Phoenix Equipment Services Complex Bldg 1754/55/56 - Replace unserviceable exterior joint sealant	\$ 60,000
Superior Maintenance Office Bldg 2074 - Perform asbestos abatement on deteriorated siding	\$ 20,000
Superior Spreader Racks Bldg 2395 - Repaint structural steel	\$ 17,000
Grey Peak Sand Shed Bldg 2507 - Replace vertical supports	\$ 15,000
Three Way Sand Shed Bldg 2204 - Design work to evaluate condition of structural members	\$ 10,000
Quartzsite Maintenance Office Bldg 2066 - Paint building exterior to include ADA ramp	\$ 20,000
Quartzsite Sign Storage Bldg 2224 - Paint building exterior to include repairing masonry block	\$ 15,000
Quartzsite Spreader Rack Bldg 2251 - Repaint exterior	\$ 20,000
Tonopah Maintenance Office Bldg 2045 - Repaint/repair exterior wood trim	\$ 10,000
Tonopah Maintenance Equipment Barn Bldg 2046 - Repaint/repair/replace exterior wood trim	\$ 12,000
Tonopah Maintenance Equipment Barn Bldg 2046 - Replace unserviceable window	\$ 10,000
Tonopah Maintenance Canopy Bldg 2318 - Repaint canopy	\$ 14,000
Tucson Equipment Services Bldg 2186 - Repair/replace metal siding panels	\$ 25,000
<b>TOTAL</b>	<b>\$ 248,000</b>
<b>CATEGORY 4 - MAJOR BUILDING SYSTEMS</b>	
1801 W Jefferson Bldg 1006- Replace HVAC controls and mixing boxes on 2nd floor & all AHUs	\$ 235,000
HRDC Bldg 1161 - Replace two old split system heat pump units	\$ 24,000
Northwest Phoenix MVD Bldg 1431 - Repair controls	\$ 5,000
Peerless Bldg 1171 - Replace six old split system heat pump units & controls	\$ 90,000
Sign Shop Bldg 1742 - Repair ventilation systems in three locations	\$ 292,000
Sign Shop Bldg 1742 - Replace unserviceable air compressor & drier	\$ 50,000
West Phoenix MVD Bldg 1651 - Repair east side cooling tower	\$ 30,000
Casa Grande Maintenance Office Bldg 2069 - Replace 2 old split system heat pumps	\$ 24,000
Tucson District Lab Bldg 2158 - Replace HVAC ducting	\$ 13,000
Casa Grande S&S/Permits Ofc Bldg 2064 - Replace roof top gas pack unit	\$ 12,000
Three Points Maintenance Truck Barn & Office Bldg 2163 - Replace 2 heatpump units	\$ 30,000
Ajo Road Maint Office Bldg 2059 - Replace split system HVAC unit	\$ 15,000
Tonopah Maintenance Office Bldg 2045 - Upgrade HVAC; remove evap coolers & old heaters	\$ 44,000
Tucson Equipment Services Bldg 2186 - Repair automotive exhaust ventilation system	\$ 20,000
Casa Grande Equipment Services Shop Bldg 2069 - Replace rusted evaporative coolers	\$ 16,000
Tucson Regional MVD Bldg 2150 - Replace unserviceable condensor water piping	\$ 9,500
Prescott Valley Equipment Shop Bldg 3067 - Repair automotive ventilation system	\$ 10,000
Topock Port of Entry Bldg 3013 - Replace 5 ton heat pump for inspection enclosure	\$ 10,000
Topock Port of Entry Bldg 3015 - Replace 5 ton heat pump	\$ 10,000
Chambers Maintenance Yard Pump House Bldg 3330 - Replace water tank, plumbing & electrical	\$ 30,000
Cordes Junction Lab 3801 - Reconfigure dust collection system and HVAC	\$ 60,000
Superior Maintenance Office Bldg 2074 - Replace 2 roof top gas pack units and add ducting	\$ 40,000
Safford MVD Bldg 2133 - Replace 4 each old heat pumps and 1 ea old a/c unit	\$ 50,000
ADOT Statewide - Repair electrical systems	\$ 5,000
ADOT Statewide - Repair elevator systems	\$ 5,000
ADOT Statewide - Repair HVAC systems	\$ 5,000

**STATE OF ARIZONA**  
**FY 2018 CAPITAL IMPROVEMENT PLAN**  
**DEPARTMENT OF TRANSPORTATION FY 2018 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY**

Project Description	Estimated Cost
ADOT Statewide - Repair HVAC systems in ASD buildings	\$ 5,000
ADOT Statewide - Repair HVAC systems in ECD buildings	\$ 5,000
ADOT Statewide - Repair HVAC systems in MVD buildings	\$ 5,000
ADOT Statewide - Repair HVAC systems in SEO buildings	\$ 5,000
ADOT Statewide - Repair plumbing systems	\$ 5,000
ADOT Statewide - Retrofit unserviceable light fixtures	\$ 5,000
<b>TOTAL</b>	<b>\$ 1,164,500</b>

<b>CATEGORY 5 - INTERIOR BUILDING FINISHES</b>	
Deer Valley Construction Office Bldg 1250 - Replace flooring	\$ 25,000
Engineering Survey Section Bldg 1021 - Renovate interior	\$ 70,000
Facilities Management Bldg 1002 - Replace unserviceable flooring	\$ 40,000
West Phoenix MVD Bldg 11651 - Replace flooring in CSR areas	\$ 40,000
Page Equipment Services Shop Bldg 3297 - Replace floor tile in offices	\$ 12,000
Page Equipment Services Shop Bldg 3297 - Repaint interior	\$ 8,000
Topock Port of Entry Bldg 3013 - Repaint interior walls and handrails	\$ 6,000
Topock Port of Entry Bldg 3013 - Replace flooring in 2 offices and stair edge strips	\$ 5,500
Topock Port of Entry Bldg 3015 - Replace flooring	\$ 8,000
Sanders POE Pump House Bldg 3350 - Replace unserviceable pressure tank and related plumbing	\$ 50,000
Fredonia Maintenance Bldg 3219 - Repaint office interior; replace flooring	\$ 10,000
Page Maintenance Bldg 3294 - Replace carpeting in offices	\$ 6,000
Page ITG Bldg 3293 - Replace carpeting	\$ 2,800
Page Maintenance Bldg 3294 - Repaint interior	\$ 6,000
Tucson Regional MVD Bldg 2150 - Replace failed stair treads on public stairwell	\$ 7,000
Safford MVD Bldg 2133- Repaint interior	\$ 7,000
ADOT Statewide - Repaint interior surfaces	\$ 5,000
ADOT Statewide - Repair/replace casework in MVD offices	\$ 5,000
ADOT Statewide - Repair/replace flooring	\$ 5,000
<b>TOTAL</b>	<b>\$ 318,300</b>

<b>CATEGORY 6 - RECONFIGURE OCCUPIED SPACE</b>	
1801 Bldg 1006 - Renovate space on first floor for TSMO	\$ 65,000
Administration Bldg 1005A - Renovate Room 101	\$ 100,000
Administration Bldg 1005A - Renovate Room 145	\$ 150,000
Administration Bldg 1005A - Renovate Server Team Area to remove old storage lockers	\$ 10,000
Engineering Bldg 1004 - Renovate offices on first floor	\$ 45,000
Engineering Bldg 1004 - Renovate offices on second floor	\$ 300,000
FAST Bldg 1111 - Renovate space on second floor for IDO	\$ 110,000
HRDC Bldg 1161 - Correct for noise propagation by replacing drywall with acoustical drywall and ceiling	\$ 170,000
HRDC Bldg 1161 - Renovate office space for trainers	\$ 60,000
West Valley Construction Office Bldg 1411 - Renovate interior	\$ 25,000
Chinle MVD Bldg 3623 - Relocate 3 wide modular from Flagstaff and renovate interior/exterior	\$ 100,000
Topock Port of Entry Bldg 3013 - Renovate restrooms	\$ 85,000
Show Low Construction Office Bldg 3624 - Relocate 4 wide modular from Flagstaff and renovate	\$ 100,000
Superior Maintenance Office Bldg 2074 - Renovate interior; replace exterior asbestos siding	\$ 125,000
Superior Storage Shed Bldg 2391 - Renovate shed	\$ 25,000
Superior Storage Shed Bldg 2392 - Renovate shed	\$ 60,000
Superior Salt Storage Shed Bldg 2393 - Renovate shed	\$ 60,000
Safford District Old Lab Bldg 2135 - Renovate Permits Section	\$ 75,000
Tonopah Maintenance Office Bldg 2045 - Renovate interior including ADA restroom	\$ 80,000
<b>TOTAL</b>	<b>\$ 1,745,000</b>

<b>CATEGORY 7 - ADA COMPLIANCE</b>	
ADOT Statewide - ADA compliance repairs/renovations	\$ 5,000
Chinle MVD Bldg 3623 - Replace canopy and ADA ramp	\$ 20,000
<b>TOTAL</b>	<b>\$ 25,000</b>

<b>CATEGORY 8 - INFRASTRUCTURE</b>	
Chinle MVD Site 406 - Level site for proper drainage & replace sidewalks	\$ 45,000
Gray Mountain Maintenance Yard Bldg 3510 - Replace water storage tank	\$ 30,000
Globe Maintenance Yard Site 228 - Water distribution system repairs	\$ 50,000
Globe Maintenance Yard Site 228 - Electrical system repairs	\$ 10,000
Roosevelt Maintenance Yard Site 232 - Electrical system repairs	\$ 10,000

**STATE OF ARIZONA**  
**FY 2018 CAPITAL IMPROVEMENT PLAN**  
**DEPARTMENT OF TRANSPORTATION FY 2018 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY**

Project Description	Estimated Cost
Three Points Maintenance Yard Bldg 2198 - Replace water storage tank and truck fill	\$ 15,000
Tucson I10/119 Yard Site 297 - Design for sanitary sewer connection	\$ 35,000
Tonopah Maintenance Yard Site 215 - Replace unserviceable water distribution lines	\$ 8,000
San Simon POE Bldg 2211 - Install SCADA water controls system	\$ 85,000
ADOT Statewide - Repair parking lot pavements/curbing/stripping	\$ 5,000
ADOT Statewide - Repair site wells, water, and wastewater system deficiencies	\$ 5,000
<b>TOTAL</b>	<b>\$ 298,000</b>

<b>TOTAL OF ALL PROJECTS REQUESTED</b>	<b>\$ 4,310,000</b>
<b>PROJECT MANAGEMENT SUPPORT</b>	<b>\$ 90,000</b>
<b>CONTINGENCY</b>	<b>\$ 100,000</b>
<b>TOTAL AUTHORIZED FUNDS</b>	<b>\$ 4,500,000</b>

RECAP	
CATEGORY 1 - FIRE/LIFE/SAFETY	\$ 219,200
CATEGORY 2 - ROOFS	\$ 292,000
CATEGORY 3 - PRESERVATION OF ASSET	\$ 248,000
CATEGORY 4 - MAJOR BUILDING SYSTEMS	\$ 1,164,500
CATEGORY 5 - INTERIOR BUILDING FINISHES	\$ 318,300
CATEGORY 6 - RECONFIGURE OR REMODEL	\$ 1,745,000
CATEGORY 7 - ADA COMPLIANCE	\$ 25,000
CATEGORY 8 - INFRASTRUCTURE	\$ 298,000
PROJECT MANAGEMENT SUPPORT	\$ 90,000
CONTINGENCY	\$ 100,000
<b>TOTAL</b>	<b>\$ 4,500,000</b>



STATE OF ARIZONA  
FY 2018 CAPITAL IMPROVEMENT PLAN  
DEPARTMENT OF TRANSPORTATION FY 2018 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY

Project Description	Estimated Cost
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**STATE AVIATION FUND**

**CATEGORY 1 - FIRE AND LIFE SAFETY**

Grand Canyon Airport Site 463 - Fire alarm & sprinkler repairs	\$ 18,000
Grand Canyon Airport Site 463 - Asbestos & lead paint abatement	\$ 10,000
<b>TOTAL</b>	<b>\$ 28,000</b>

**CATEGORY 2 - ROOFS**

Grand Canyon Airport Site 463 - Roof repairs	\$ 3,000
<b>TOTAL</b>	<b>\$ 3,000</b>

**CATEGORY 3 - PRESERVATION OF ASSET**

Grand Canyon Airport Site 463 - Repaint exterior of all residences	\$ 45,000
Grand Canyon Airport Site 463 - Repaint exterior	\$ 2,000
<b>TOTAL</b>	<b>\$ 47,000</b>

**CATEGORY 4 - MAJOR BUILDING SYSTEMS**

Grand Canyon Airport Site 463 - Replace water heaters in all residences	\$ 7,000
Grand Canyon Airport Site 463 - Electrical repairs	\$ 3,000
Grand Canyon Airport Site 463 - HVAC repairs	\$ 10,000
Grand Canyon Airport Site 463 - Plumbing repairs	\$ 5,000
Grand Canyon Airport Site 463 - Window replacement/repair	\$ 5,000
<b>TOTAL</b>	<b>\$ 30,000</b>

**CATEGORY 5 - INTERIOR BUILDING FINISHES**

Grand Canyon Airport Site 463 - Replace unserviceable flooring	\$ 10,000
Grand Canyon Airport Site 463 - Repaint interior	\$ 10,000
Grand Canyon Airport Site 463 - ADA repairs	\$ 2,000
<b>TOTAL</b>	<b>\$ 22,000</b>

**CATEGORY 8 - INFRASTRUCTURE**

Grand Canyon Airport Site 463 - Water and waste water system repairs	\$ 10,000
Grand Canyon Airport Site 463 - Pavement/sidewalk/signage repairs	\$ 72,300
Grand Canyon Airport Site 463 - Fence, gate and barrier wall repairs	\$ 20,000
<b>TOTAL</b>	<b>\$ 102,300</b>

<b>TOTAL OF ALL PROJECTS REQUESTED</b>	<b>\$ 232,300</b>
<b>TOTAL AUTHORIZED FUNDS</b>	<b>\$ 232,300</b>

**RECAP**

<b>CATEGORY 1 - FIRE AND LIFE SAFETY</b>	<b>\$ 28,000</b>
<b>CATEGORY 2 - ROOFS</b>	<b>\$ 3,000</b>
<b>CATEGORY 3 - PRESERVATION OF ASSET</b>	<b>\$ 47,000</b>
<b>CATEGORY 4 - MAJOR BUILDING SYSTEMS</b>	<b>\$ 30,000</b>
<b>CATEGORY 5 - INTERIOR BUILDING FINISHES</b>	<b>\$ 22,000</b>
<b>CATEGORY 8 - INFRASTRUCTURE</b>	<b>\$ 102,300</b>
<b>TOTAL</b>	<b>\$ 232,300</b>





STATE OF ARIZONA

## Joint Committee on Capital Review

STATE  
SENATE

DEBBIE LESKO  
CHAIRMAN 2017  
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REBECCA RIOS

DATE: September 15, 2017

TO: Senator Debbie Lesko, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Ben Murphy, Fiscal Analyst *BM*

SUBJECT: Arizona Department of Transportation - Review of FY 2017 Vehicle Wash Systems Project

### Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for capital projects with costs greater than \$250,000. The FY 2017 Capital Outlay Bill (Laws 2016, Chapter 126) appropriated \$2,344,800 from the State Highway Fund for 6 new vehicle wash systems. ADOT is requesting Committee review of the department's \$2,479,600 expenditure plan for the new vehicle wash system buildings, which combines the \$2,344,800 appropriation with \$134,800 in remaining expenditure authority from the department's FY 2015 non-lapsing vehicle wash appropriation.

### Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.
2. An unfavorable review of the request.

(Continued)

Under either option, the Committee may also consider the following provision:

- A. ADOT shall report any reallocations between projects in the FY 2018 spending plan above \$100,000 to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.

**Key Points**

- 1) ADOT is requesting review of \$2.5 million for construction of 6 new wash systems for both light and heavy duty vehicles.
- 2) ADOT's request would complete its multiple year plan for 24 such systems around the state.
- 3) ADOT believes that private wash systems are not large enough for some of its fleet and cannot handle the chemical run-off.

**Analysis**

The accumulation of corrosive substances such as de-icer salts and grime on ADOT highway maintenance vehicles and equipment can cause the premature deterioration of these vehicles. To mitigate the impact of these corrosive substances on its vehicles, ADOT washes them on a regular basis. Because the high concentration of de-icing salt on ADOT vehicles exceeds the permit conditions of most private vehicle wash companies and due to the remote locations where ADOT operates, ADOT builds and operates its own vehicle wash systems.

In terms of how local governments address their vehicle wash needs, ADOT has indicated that several larger cities and counties have built their own vehicle wash systems.

Table 1 shows the distances between the proposed vehicle wash sites and existing ADOT vehicle wash locations.

Table 1		
6 Proposed Vehicle Wash Locations <sup>1/</sup>		
<u>Location</u>	<u>Equipment Workload <sup>2/</sup></u>	<u>Nearest Wash System</u>
Needle Mountain	47	Kingman (65 miles)
Mesa	390	North Phoenix (32 miles)
Douglas	35	Willcox (67 miles)
Three Way	45	Safford (45 miles)
Winslow	35	Flagstaff (60 miles)
Yuma	84	Gila Bend (115 miles)
<sup>1/</sup> As reported by ADOT.		
<sup>2/</sup> Number of vehicles owned by ADOT that will use each location. Most light fleet vehicles are washed every 1 to 2 months. Heavy vehicles, such as snow plows, are washed every 2 to 4 months.		

The new vehicle wash systems would help ADOT comply with an environmental agreement with the Arizona Department of Environmental Quality regarding storm water/waste water.

(Continued)

After having received project bids, ADOT now estimates a total cost of \$2.5 million to construct new vehicle wash systems at 6 locations. ADOT's estimated cost for the 6 proposed locations averages \$413,300 per location. Most recently, in December 2016, the Committee favorably reviewed ADOT's FY 2016 vehicle wash systems appropriation. The plan allocated \$2.5 million for 6 vehicle wash systems, at an average cost of \$420,600 per location.

Including the proposed systems being reviewed, since FY 2014 a total of \$9.6 million has been allocated for vehicle wash systems at 24 sites, as follows:

- \$2,375,000 in FY 2014 - Cordes Junction, Fredonia, Ganado, Globe, Kayenta and Springerville
- \$2,265,300 in FY 2015 - Chambers, Gila Bend, North Phoenix, Safford, Wilcox and Page
- \$2,523,700 in FY 2016 - St. Johns, Tucson, Nogales, Camp Verde, Keams Canyon and Gray Mountain
- \$2,479,600 in FY 2017 - Needle Mountain, Mesa, Douglas, Three Way, Winslow and Yuma (proposed)

ADOT has indicated that with the completion of these proposed projects, its vehicle wash system network will be fully built out.

RS/BM:kp



Director's Office

**An Arizona Management System Agency**

Douglas A. Ducey, Governor

John S. Halikowski, Director

Scott Omer, Deputy Director for Operations

Kevin Biesty, Deputy Director for Policy

Dallas Hammit, Deputy Director for Transportation

August 25, 2017

The Honorable Debbie Lesko  
Chairman, Joint Committee on Capital Review  
1716 West Adams St.  
Phoenix, AZ 85007



Dear Senator Lesko:

We respectfully request to be placed on the next meeting of the JCCR for review and approval of projects related to ADOT's FY 2017 capital outlay appropriation.

For FY 2017, ADOT was originally appropriated \$5,530,000 for the construction of ten (10) vehicle wash systems as part of a multi-year program to help meet environmental wastewater regulations protecting surface and groundwater. In the FY 2018 Capital Outlay Appropriation, the appropriated amount for the construction of FY 2017 vehicle wash systems was reduced to \$2,344,800 for the construction of six (6) vehicle wash systems at the following six (6) maintenance yards: Three Way (Clifton), Douglas, Winslow, Yuma, Salt River (Mesa), and Needle Mountain.

Attached is the bid abstract showing a low bid amount of \$2,479,605. The department proposes funding this construction with \$2,344,800 from the FY 2017 appropriation and \$134,805 from the FY 2015 appropriation.

We appreciate your consideration and approval of this request. If you have any questions or need additional information, please contact Keith Fallstrom, ADOT Budget Director, at 602.712.6594.

Sincerely,

  
John S. Halikowski  
ADOT Director

Enclosure

C: Richard Stavneak, JLBC Director ✓  
Ben Murphy, JLBC Analyst  
Ben Blink, OSPB Analyst  
John Hetzel, ADOT

Solicitation No: ADOT18-00007501  
Solicitation Title: Construction of Vehicle Wash Systems

### Bid Recap

				A J Roberts Industrial, Inc	Bayley Construction
BASE BID					
Location	QTY	UOM	Unit Price	Unit Price	
Construction of Vehicle Wash System at ADOT Threeway Maintenance Yard location per the technical specifications & drawings.	1	Total	\$366,206.00	\$549,000.00	
Construction of Vehicle Wash Systems at ADOT Douglas Maintenance Yard location per the technical specifications & drawings.	1	Total	\$354,591.00	\$509,000.00	
Construction of Vehicle Wash System at ADOT Winslow Maintenance Yard location per the technical specifications & drawings.	1	Total	\$372,981.00	\$529,000.00	
Construction of Vehicle Wash System at ADOT Yuma Maintenance Yard location per the technical specifications & drawings.	1	Total	\$475,464.00	\$519,000.00	
Subtotal			\$ 1,569,242.00	\$ 2,106,000.00	
Taxes			\$ 84,739.00	\$ 119,558.00	
Total			\$ 1,653,981.00	\$ 2,225,558.00	
ALTERNATE BID				A J Roberts Industrial, Inc.	Bayley Construction
Location	QTY	UOM	Unit Price	Unit Price	
Construction of Vehicle Wash System at ADOT Mesa Maintenance Yard - alternate location per the technical specifications & drawings.	1	Total	\$438,156.00	\$559,000.00	
Construction of Vehicle Wash System at ADOT Needle Mountain Maintenance Yard - alternate location per the technical specifications & drawings.	1	Total	\$345,169.00	\$539,000.00	
Subtotal			\$ 783,325.00	\$ 1,098,000.00	
Taxes			\$ 42,299.00	\$ 47,267.00	
Total			\$ 825,624.00	\$ 1,145,267.00	
GRAND TOTAL				\$ 2,479,605.00	\$ 3,370,825.00







STATE OF ARIZONA

## Joint Committee on Capital Review

STATE  
SENATE

DEBBIE LESKO  
CHAIRMAN 2017  
SYLVIA ALLEN  
OLIVIA CAJERO BEDFORD  
STEVE FARLEY  
KATIE HOBBS  
JOHN KAVANAGH  
KIMBERLY YEE

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

(602) 926-5491

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HOUSE OF  
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HEATHER CARTER  
VINCE LEACH  
REBECCA RIOS

DATE: September 15, 2017

TO: Senator Debbie Lesko, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Ben Murphy, Fiscal Analyst *BM*

SUBJECT: Arizona State Parks Board - Review of Rockin' River Ranch State Park Project

### Request

Pursuant to A.R.S. § 41-1252, the Arizona State Parks Board (ASPB) requests Committee review of \$4,000,000 for its Rockin' River Ranch State Park project. ASPB plans to open the new state park, which is located on the Verde River, in December 2018.

### Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.
2. An unfavorable review of the request.

Under either option, the Committee may consider the following provisions:

- A. Upon awarding the construction contract, the ASPB shall provide the Committee by the last day of each calendar quarter with an update on expenditures to date and a timeline for the Rockin' River Ranch State Park to open to the public.
- B. ASPB shall report any reallocations over \$100,000 between the 7 categories in the spending plan as delineated in *Table 1* to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.

(Continued)

#### **Key Points**

- 1) ASPB purchased a 210-acre parcel on the Verde River in 2008 and plans to open the property as the Rockin' River Ranch State Park in December 2018.
- 2) ASPB's project is within their \$4.0 million appropriation. ASPB will begin construction in March 2018 with an opening date of December 2018.
- 3) ASPB predicts that the new park will generate \$396,000 in annual revenue through park entry fees and other charges.
- 4) Their projected annual park operating expenses are \$331,000, which would result in a net operating profit of \$65,000.

#### **Analysis**

##### Background

Arizona State Parks Board (ASPB) purchased the 210-acre Rockin' River Ranch for \$7 million in 2008 with monies from the Heritage Fund. Located in Camp Verde along the Verde River, the horse ranch retreat is mainly comprised of a large main lodge, a small dwelling, 2 horse barns, 6 pastures and open rangeland.

ASPB began the planning process to turn the site into a state park with \$200,000 from the State Parks Revenue Fund favorably reviewed at the September 2016 JCCR meeting. The State Parks Revenue Fund generates revenue from state parks user fees, concession sales, gift shop sales, donations and legislative appropriations.

The FY 2018 Capital Outlay Bill (Laws 2017, Chapter 306) included \$4,000,000 from the State Parks Revenue Fund in FY 2018 to ASPB for the Rockin' River Ranch state park project and designated these monies as non-lapsing until the end of FY 2019.

As part of the budget process, ASPB originally reported an estimated total project cost of \$9.0 million for design and construction, and indicated they would request additional funding in FY 2019 beyond the \$4.0 million appropriation made in the FY 2018 budget. Based on the Master Planning Process described below, ASPB has now indicated the \$4.0 million appropriation being reviewed by the Committee will be sufficient to open the park.

##### Master Planning Process

In FY 2017, ASPB contracted with a consulting firm to lead the planning process for the project. In addition, beginning in May 2017 ASPB has held meetings of a Technical Advisory Committee (TAC) comprised of stakeholder organizations (such as the Town of Camp Verde, the US Forest Service, among others) to assist in developing project goals and objectives, evaluate different conceptual designs, and discuss updates and revisions. The department also held public meetings from June to September 2017 due to the particularly strong level of public interest in this project.

Based on feedback from the TAC meetings and the public, ASPB revised the park's original master plan to its current design. The revisions mostly consisted of changes to reduce the footprint of camping sites on the property, including removing all 88 planned RV sites and reducing the number of planned cabins in the original design.

(Continued)

In October 2017, the TAC will review any technical engineering challenges involved with the current Master Plan and propose solutions to those issues. In November 2017, the TAC will evaluate the solutions to technical challenges discussed at the October meeting and decide on strategies for those problems.

In January 2018, ASPB will release its construction documents and begin bid evaluation. Within 30 to 45 days of that release, the department will select a contractor. The selected contractor will submit the final design and schedule in March 2018, at which point construction will begin.

The detailed schedule of how construction will proceed on each component of the park will not be available until the contractor is selected. However, bids submitted must meet ASPB's construction end date of November 2018. The park is scheduled to be opened in December 2018. The Committee may consider Provision A, which would require ASPB to report to the Committee quarterly on construction costs and a timeline for the Rockin' River Ranch State Park to open to the public.

#### Construction Cost Estimates

The main recreational components of the park include:

- 45 tent camping sites
- A group campground and ramadas
- An existing lodge for rent
- An existing equestrian center
- 2 river access points and a boat launch area
- 134 parking spots
- Walking trails
- Day-use picnic areas
- A wildlife viewing area

The proposed \$4.0 million construction budget includes funding for the following items:

- \$1.4 million for the installation of the park's sanitary system, including a new lift station, sewers, piping, 2 portable restrooms and septic tanks.
- \$1.4 million for park infrastructure, including parking, roads, irrigation runoff, electrical upgrades, and setting up a well for potable water. Also includes \$30,000 for foundation grading for the 7 cabins which will be installed at the park. Funding for the actual construction of the pre-manufactured cabins is included in *Agenda Item 5*.
- \$555,000 for a cabin restroom.
- \$334,400 for park amenities, including fencing/gates, hiking trail construction and signage.
- \$130,000 for flood protection. A significant portion of the proposed Rockin' River Ranch State Park is located in areas that are susceptible to flooding. With the exception of open pasture land in the Northwest portion of the park, the remaining land is designated as being in the 100-year floodplain. ASPB is proposing \$95,000 to reduce the risk of the park structures being flooded. In addition, ASPB is proposing \$35,000 for a flood evacuation warning system.
- \$80,000 for demolition of existing structures on the property and close the existing septic tank.
- \$41,600 for landscaping.

Please see *Table 1* below for a description of construction costs for the park.

(Continued)

**Table 1**

**Rockin' River Ranch Construction Cost Estimate by Category**

<b>1. <u>Sanitary System</u></b>		<b>4. <u>Amenities</u></b>	
Lift Station	\$ 630,000	Fencing and Gates	\$ 174,625
3 Gravity Sewers and Force Main	389,730	Trail Construction	73,940
Trenching and Piping	198,990	Group Ramada	45,000
2 Portable Restrooms	100,000	Signage	36,000
Septic Tanks	66,000	Wildlife Viewing Pads	4,800
Other	65,230	<b>Subtotal</b>	<b>\$ 334,365</b>
<b>Subtotal</b>	<b>\$1,449,950</b>	<b>5. <u>Flood Protection</u></b>	
<b>2. <u>Infrastructure</u></b>		Cabins, Day Use Restroom, Lift Station	\$ 95,000
Parking	\$ 322,784	Evacuation Warning System	35,000
Salt Mine Road Improvements	314,250	<b>Subtotal</b>	<b>\$ 130,000</b>
Irrigation Runoff Ditch	286,000	<b>6. <u>Demolition</u></b>	
Electrical and Telecom Upgrades	155,000	Demolish foreman house and barn	\$ 60,000
Irrigation System and Lines	115,525	Septic tank and leach field closure	20,000
Potable Water Well and Distribution Line	115,000	<b>Subtotal</b>	<b>\$ 80,000</b>
Group Camping Access Road	39,950	<b>7. <u>Landscape</u></b>	
Cabins Access Road	37,400	Tree Purchases and Establishment	\$ 21,000
Cabin Foundation Grading	30,000	Revegetation of Turf and Re-Seeding Turf	20,600
<b>Subtotal</b>	<b>\$1,415,909</b>	<b>Subtotal</b>	<b>\$ 41,600</b>
<b>3. <u>Restroom Renovations</u></b>		<b>Grand Total</b>	
Cabin Restroom	\$ 420,000		<b>\$4,006,824</b>
Contact Station Restroom	135,000		
<b>Subtotal</b>	<b>\$ 555,000</b>		

**Operating Revenues**

Based on ASPB staff analysis, Rockin' River Ranch State Park is expected to generate \$395,600 of annual revenue from the operation of the park.

This includes \$287,400 from cabin and camping areas, along with other miscellaneous rental fees (such as special events). The ASPB Staff analysis is based on operating 45 tent camping sites at a rate of \$20 per night and 7 cabins at \$60 per night, each with an assumed occupancy rate of 50%.

The remaining amount of \$108,200 will be generated by day and annual use passes. ASPB assumes that 15,330 day use passes will be purchased each year, along with 50 annual passes per year.

ASPB indicated the above usage rates were based on a comparison of the facility with the nearby Dead Horse Ranch State Park. We have requested more information from ASPB regarding the applicability of the Dead Horse Ranch Park to Rockin' River.

**Operating Costs**

In terms of costs, ASPB estimates the newly opened Rockin' River Ranch State Park will have annual operating costs of \$331,000. This includes the hiring of 5 additional FTEs (Assistant Manager, Park Ranger, and 3 Seasonal Staff) and other costs such as electricity, sanitation and maintenance.

(Continued)

As was used with the occupancy projections, the ASPB operating costs analysis is based on a comparison of the property with nearby Dead Horse Ranch State Park.

Net Operating Profit

Based on the above revenue and costs projections, ASPB is estimating the newly opened Rockin' River Ranch State Park to generate an estimated \$65,000 in annual net operating profit. Actual net operating profit will depend on occupancy rates, the number of day visitors, and any costs above ASPB projections (such as major capital repairs).

RS/BM:kp



Doug Ducey  
Governor

# ARIZONA STATE PARKS & TRAILS

Sue Black  
Executive Director



Celebrating 60 Years!

## Rockin' River Ranch Master Planning Process Summary

### Project Background:

The Arizona State Park & Trails (ASPT) purchased the Rockin' River Ranch in 2008 from the Nature Conservancy. The Park is located in Yavapai County in central Arizona near Camp Verde. Camp Verde is centrally located approximately ninety miles north of Phoenix, the State Capital. Communities within an hour drive include Sedona/Oak Creek, which is 30 miles north of Camp Verde, Flagstaff, which is 50 miles north, and Prescott, the Yavapai County Seat, which is approximately 40 miles west of Camp Verde. The Ranch is located along the Verde River near the base of Squaw Peak.

The Rockin' River Ranch was a horse ranch and retreat along the southwest banks of the Verde River. The land consists of approximately 54 acres of flood-irrigated fields that had been divided into six pastures. The balance of the property is utilized for building sites, riparian/river and open rangeland. The buildings include a large main lodge, a small two-bedroom-2 bath dwelling, a managers dwelling, a bunkhouse, two horse barns, a tack room, a storage building and a shop. The grounds contain large grass areas with pine and cottonwood trees as well as abundant riparian and other natural desert vegetation.

### Master Planning Process:

With the assistance of the State Procurement Office, ASPT released a Request for Proposal to identify a consulting firm to lead the Master Planning process. The objective of the planning process is to develop a comprehensive vision for the park in context with its location, natural resources, and visions of the community. This vision will be a framework for a park's use and development over a 20 to 30 year time period. This framework will allow ASPT to provide a variety of recreational opportunities in an environmentally sound and sensitive manner.

To ensure full representation, ASPT formed a Technical Advisory Committee (TAC) for Rockin' River Ranch State Park development. The committee is made up of representatives from Salt Mine Road, Friends of the Verde River Greenway, the Town of Camp Verde, the concessionaire who operates the Park's equestrian boarding facility, the US Forest Service, the Arizona Game and Fish Department, The Nature Conservancy, and Arizona State Parks and Trails staff.

The first TAC Meeting was held on May 16, 2017. The purpose of the TAC Workshop #1 was to introduce members of the TAC and their respective organizations, discuss how the TAC will participate throughout the master plan process to develop effective strategies for the Park and to gain support for the project. The TAC goals were to assist in developing the project's goals and objectives as well as proposed planning process, schedule, and public participation strategy.

The first Public Meeting and listening session was held on June 1, 2017. The planning objectives for the meeting were to help develop a "Balance between recreation experience and environmental preservation," "Preservation of the historic Verde River ranch ambiance,"

“Design a state park that the citizens love, enjoy, and are proud of,” “Provide a sustainable revenue stream for ASPT to maintain the Park,” and to “Build the project - on time and on Budget,” (Attachment A). Approximately 94 people attended the meeting to review the preliminary site plan (Attachment B) and provide comments.

The second TAC Meeting and listening session was held on July 13, 2017. The purpose of the second workshop was to introduce the newest members of the TAC and their respective organizations, reiterate how the TAC is anticipated to participate through the master planning process, review the updated project schedule, briefly review Workshop #1 discussion and conclusions, summarize the Inventory and Analysis phases findings, review and discuss three alternatives site designs currently being developed, and discuss public outreach approach.

The second Public Meeting and listening session was held on July 17, 2017. The planning objective for the meeting was to present the three Alternative Sites Plans (Attachments C, D & E). Approximately 50 people attended the meeting.

The third TAC Meeting was held on August 16, 2017. The purpose of the third workshop was to present and discuss the updates and revisions made to the Rockin’ River Ranch Master Plan based on comments received from the TAC and members of the public.

The third Public Meeting and listening session was held August 16, 2017. The meeting included, reviewing the updated planning objectives (Attachment F), reviewing the master planning process and reviewing the updates to the Rockin’ River Ranch Master Plan (Attachment G) including discussing changes that were made to the Master Plan based on public comments from the second public meeting. Approximately 30 people attended the meeting.

On August 18, 2017, Parks Staff and the design team presented the preliminary Master Plan to the Arizona State Parks Board (Attachment H).

#### **Legislative Contacts:**

In order to ensure that we also engaged our elected officials, a member of the design team also emailed the following to inform them that we were preparing a Master Plan for the property.

- State Representative Thorpe
- State Senator Allen
- State Senator Fann
- US Senator McCain
- US Senator Flake
- US Representative O’Halleran
- State Representative Campbell
- State Representative Stringer
- State Representative Barton

#### **Emergency Services:**

In order to ensure that we also engaged local emergency services providers, we held meetings with the following:

- Camp Verde Fire District,
- Cooper Canyon Fire and Medical Authority,
- Yavapai County Sheriff’s Office,
- Yavapai County Department of Public Works.

**Updated DRAFT Construction Cost Estimates, Revenue Estimates and Operations Expenditures:**

Attachment J

**Next Steps & Timeline:**

As the updated Planning Objectives reflect, ASPT intends to continue to engage the TAC in the development of the final design and construction documents. The TAC will hold two additional meetings to continue to provide insight on the design. The meetings are being scheduled in October and November 2017. The meeting will assist in reviewing construction documents at the 30% 60% and 90% construction plans.

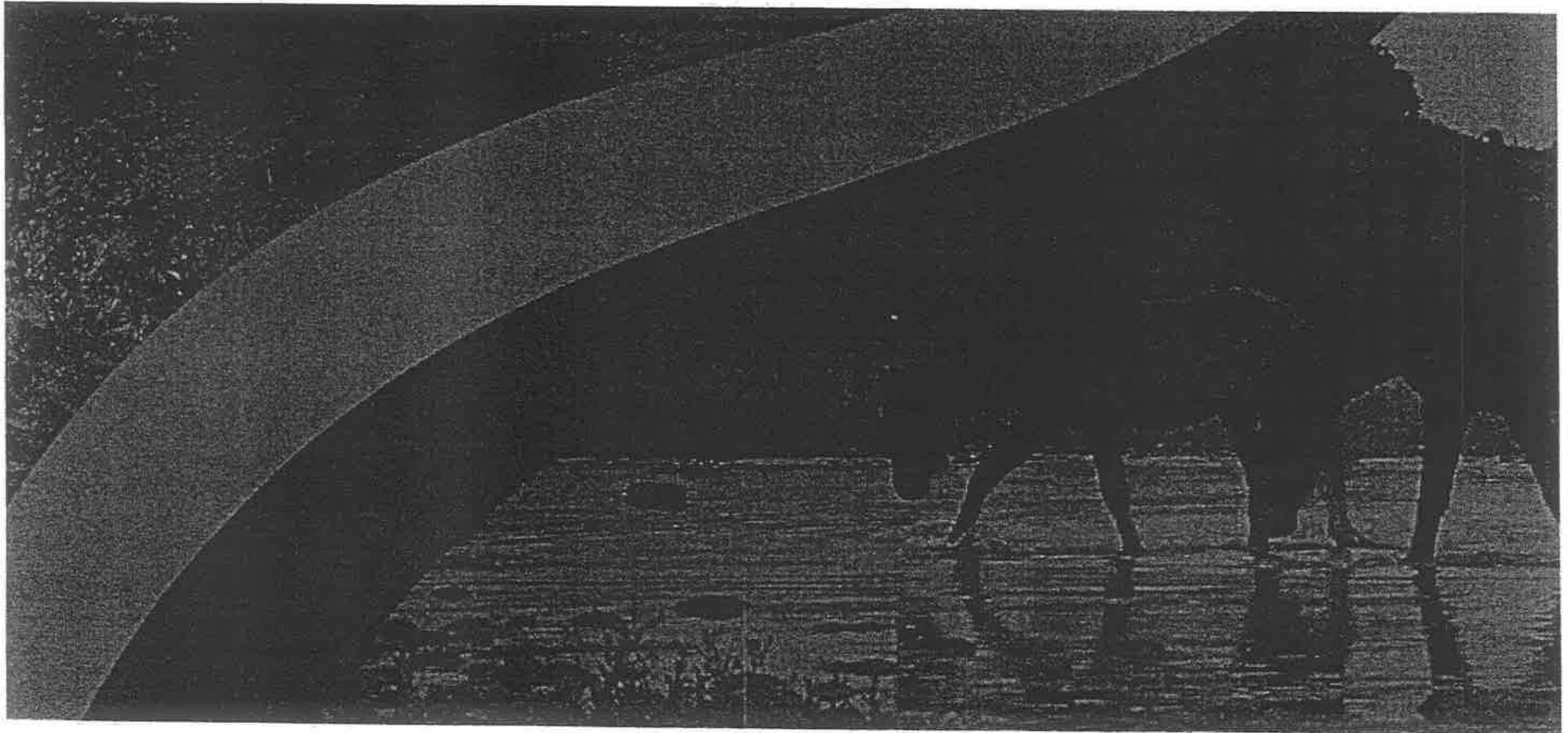
The final construction and bidding plans should be available early in 2018, it is anticipated that construction should begin in the spring of 2018, weather dependent. It is anticipated that construction should be substantially completed in late fall 2018.



## Attachment H

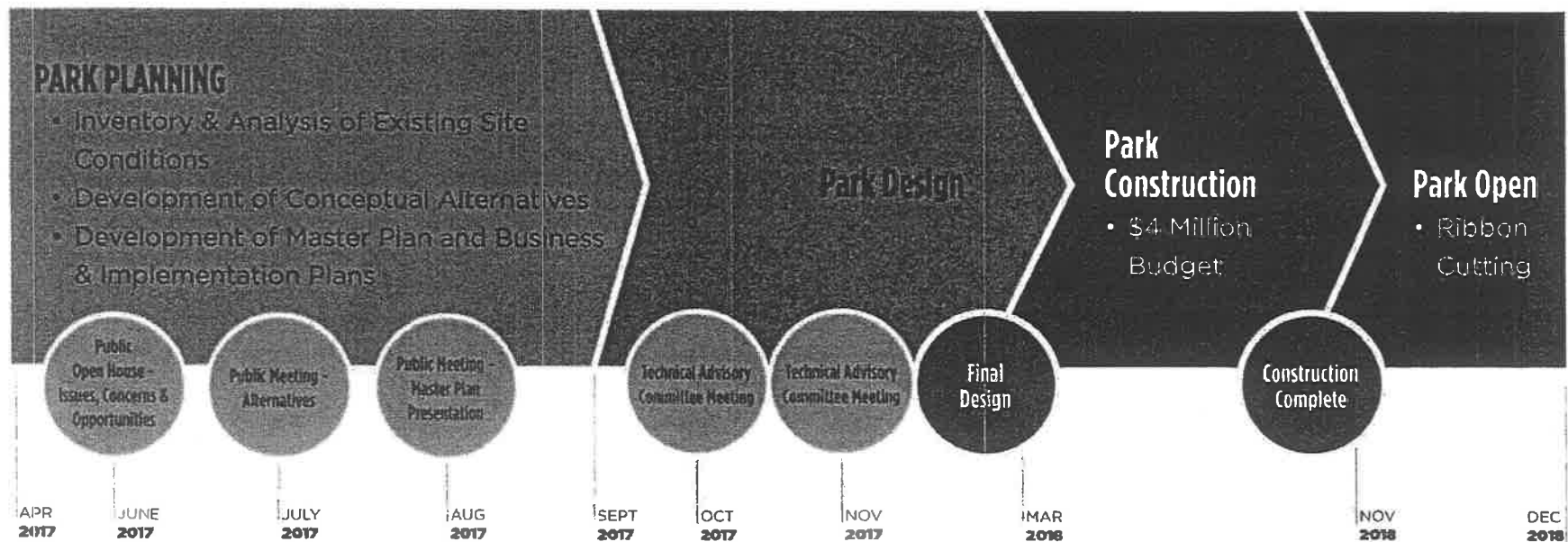
### Arizona State Parks Board Presentation

# Rockin' River Ranch State Park



# Planning Objectives

- Balance between recreation experience and environmental preservation
- Preservation of the historic Verde Ranch ambiance
- Design a state park that the citizens love, enjoy, and are proud of
- Provide a sustainable revenue stream for ASPT to maintain the Park
- Build the project—on time and on budget



# Cooperation & Partnerships

- Town of Camp Verde
- U.S. Forest Service, Prescott National Forest
- Yavapai County
  - Board of Supervisors
  - Emergency Services
  - Public Works
  - Sheriff's Office-Eastern Area Command
  - Flood Control District
- Copper Canyon Fire and Medical Authority
- Arizona Department of Transportation (ADOT)
- Arizona Department of Environmental Quality (ADEQ)
- Arizona Department of Water Quality (ADWR)
- Arizona Game and Fish Department
- Friends of the Verde River Greenway
- The Nature Conservancy

# Inventory and Analysis

- Archaeological Resources
- Biological Resources
- Building Assessments
- Demographic Characteristics
- Federal Emergency Management Agency (FEMA) Floodway and Floodplain
- Land Use and Land Ownership
- Regional Recreation Systems
- Site Survey
- Slopes
- Utilities
- Water delivery system
- Visitor Use Data
- Visual Resources

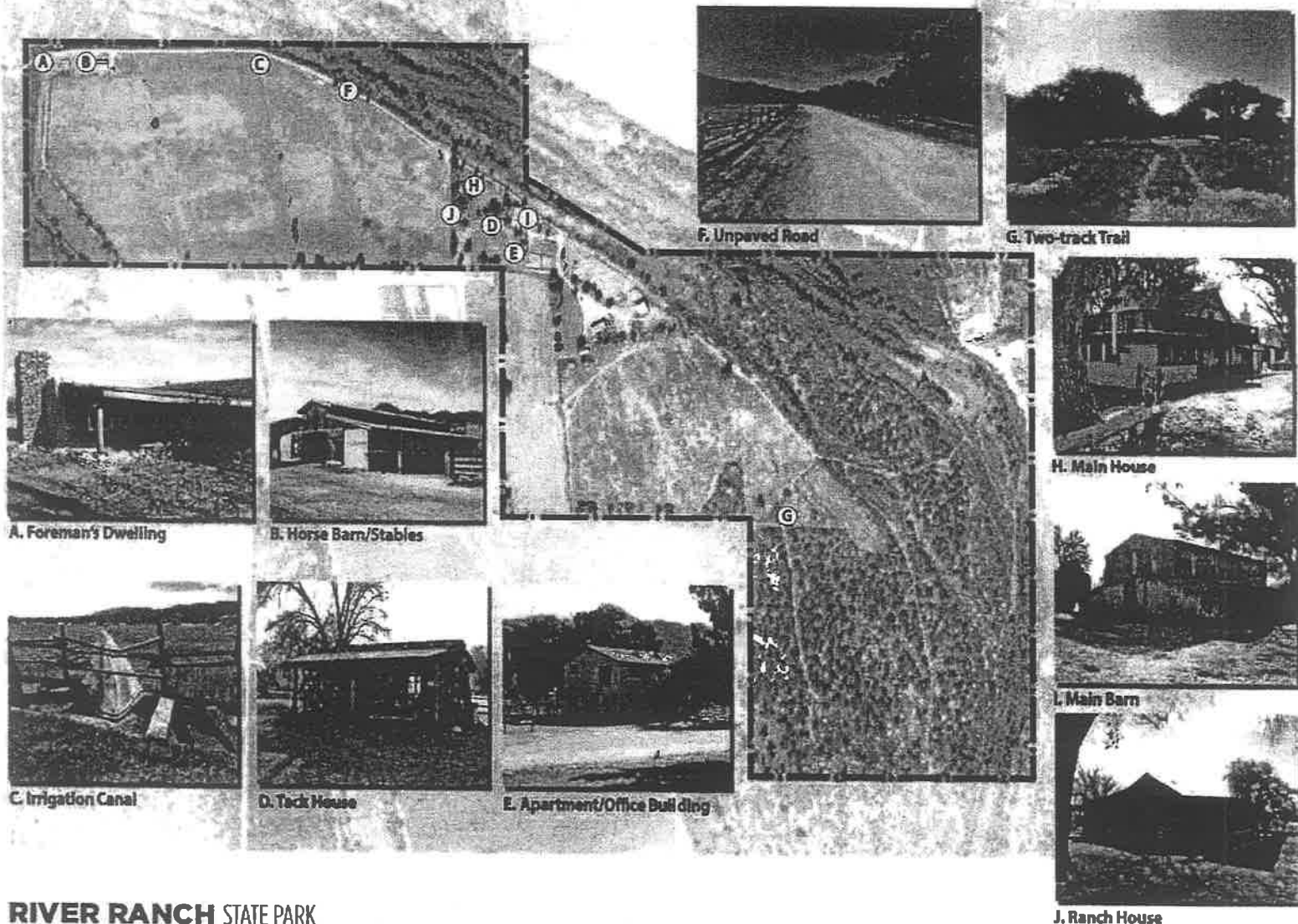
# Rockin' River Ranch Master Plan

## PROJECT ISSUES AND CHALLENGES

1. New park entry road agreement and construction
2. Park site is 60% in the 100-year floodplain
3. Historic buildings in need of renovation and re-purposing
4. Integration of water rights irrigation requirements
5. Preservation of critical environmental habitat
6. Preservation of critical cultural resources
7. Integration with greenway plan guidelines
8. Limited construction budget

## PROJECT OPPORTUNITIES

1. Beautiful historic equestrian ranch setting
2. Magnificent Verde River valley views
3. Excellent historic architecture
4. Recreational quality of Verde River
5. Verde River trail potentials



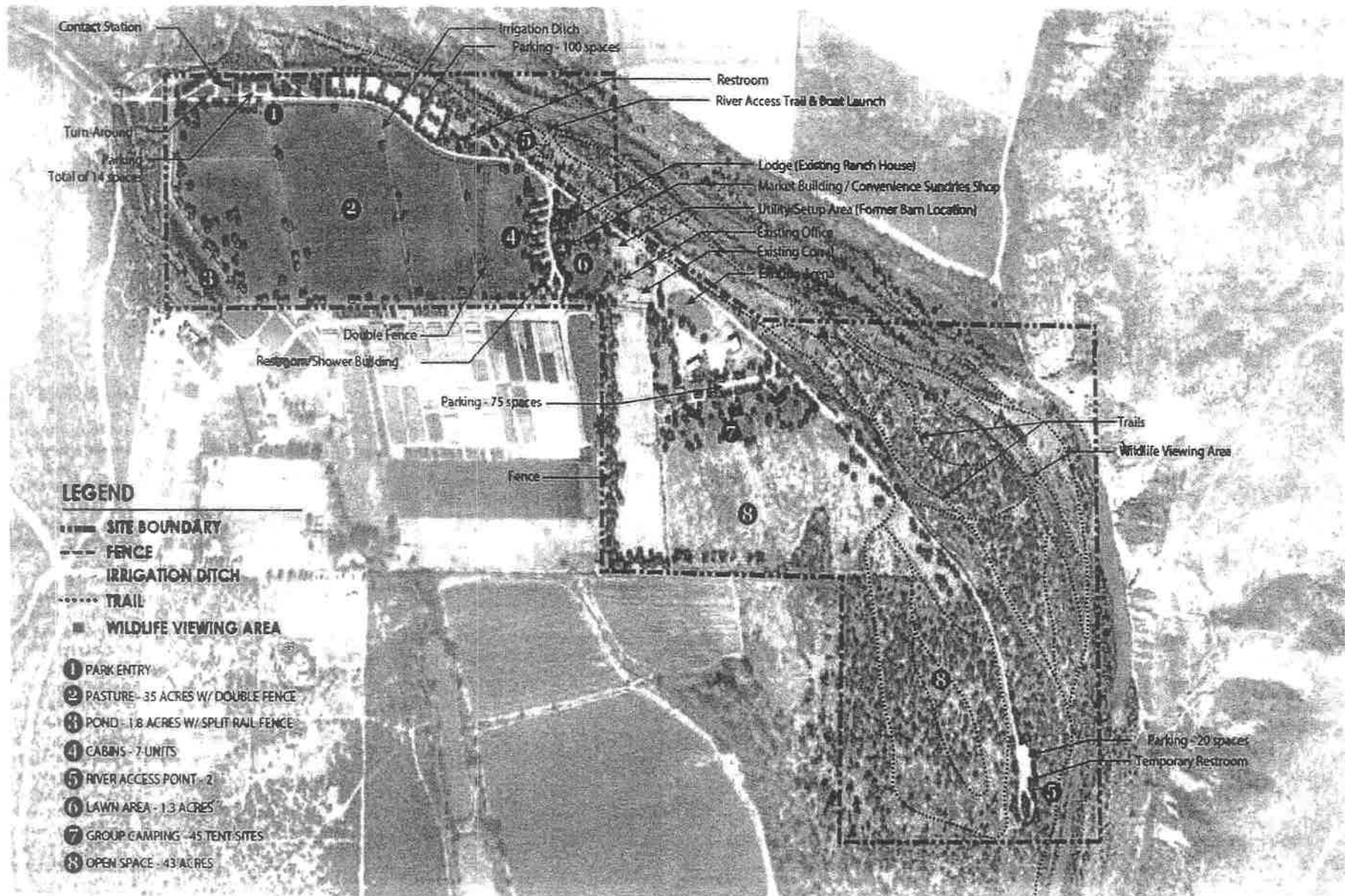
**ROCKIN' RIVER RANCH** STATE PARK

Site Analysis Summary



LOGAN SIMPSON





## ROCKIN' RIVER RANCH STATE PARK

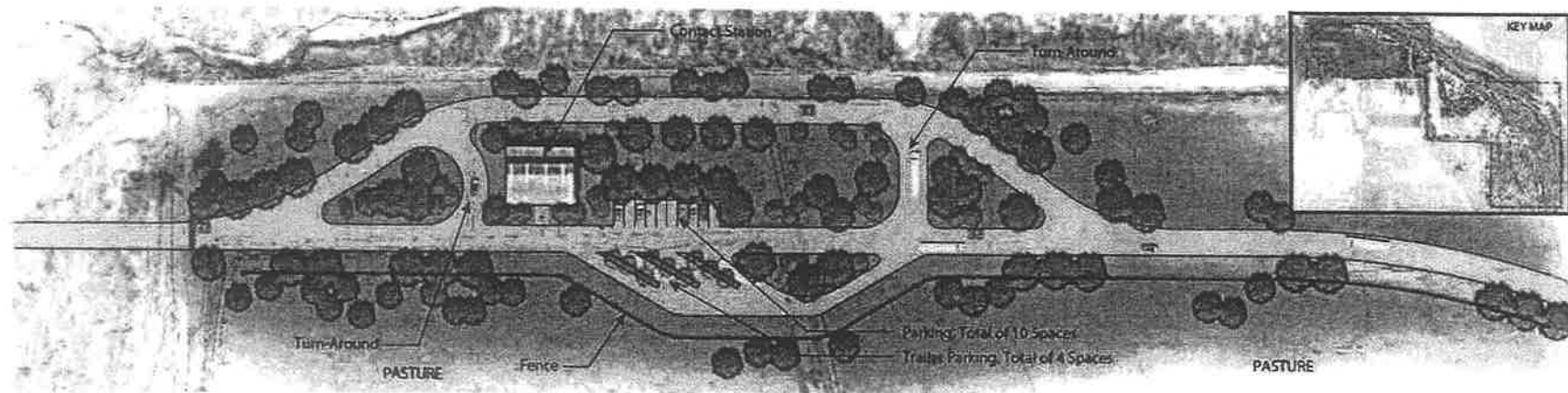
### Site Plan

August 10, 2017

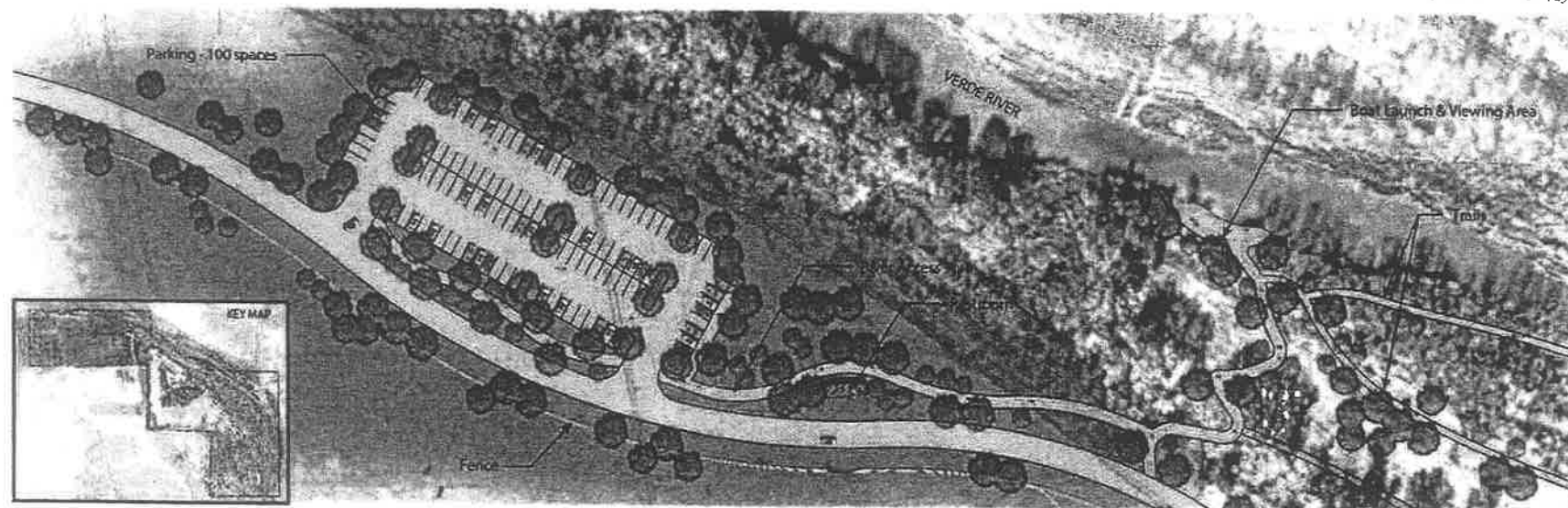


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# Rockin' River Ranch Master Plan



ENTRY AREA



DAY-USE PARKING



ROCKIN' RIVER RANCH STATE PARK

Enlargement 1 - Entry Area & Day-Use Parking

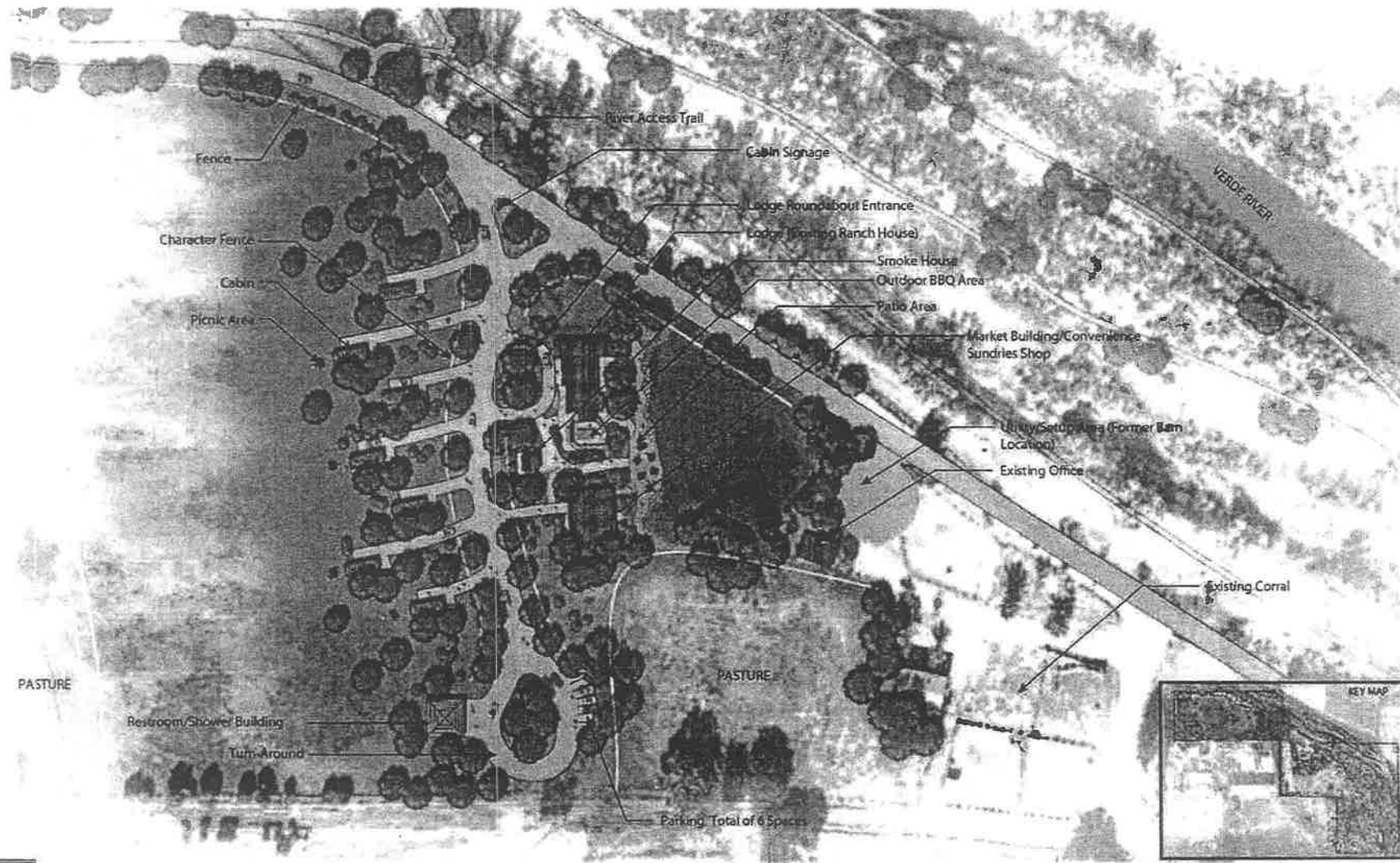
August 10, 2017



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# Rockin' River Ranch Master Plan



ROCKIN' RIVER RANCH STATE PARK

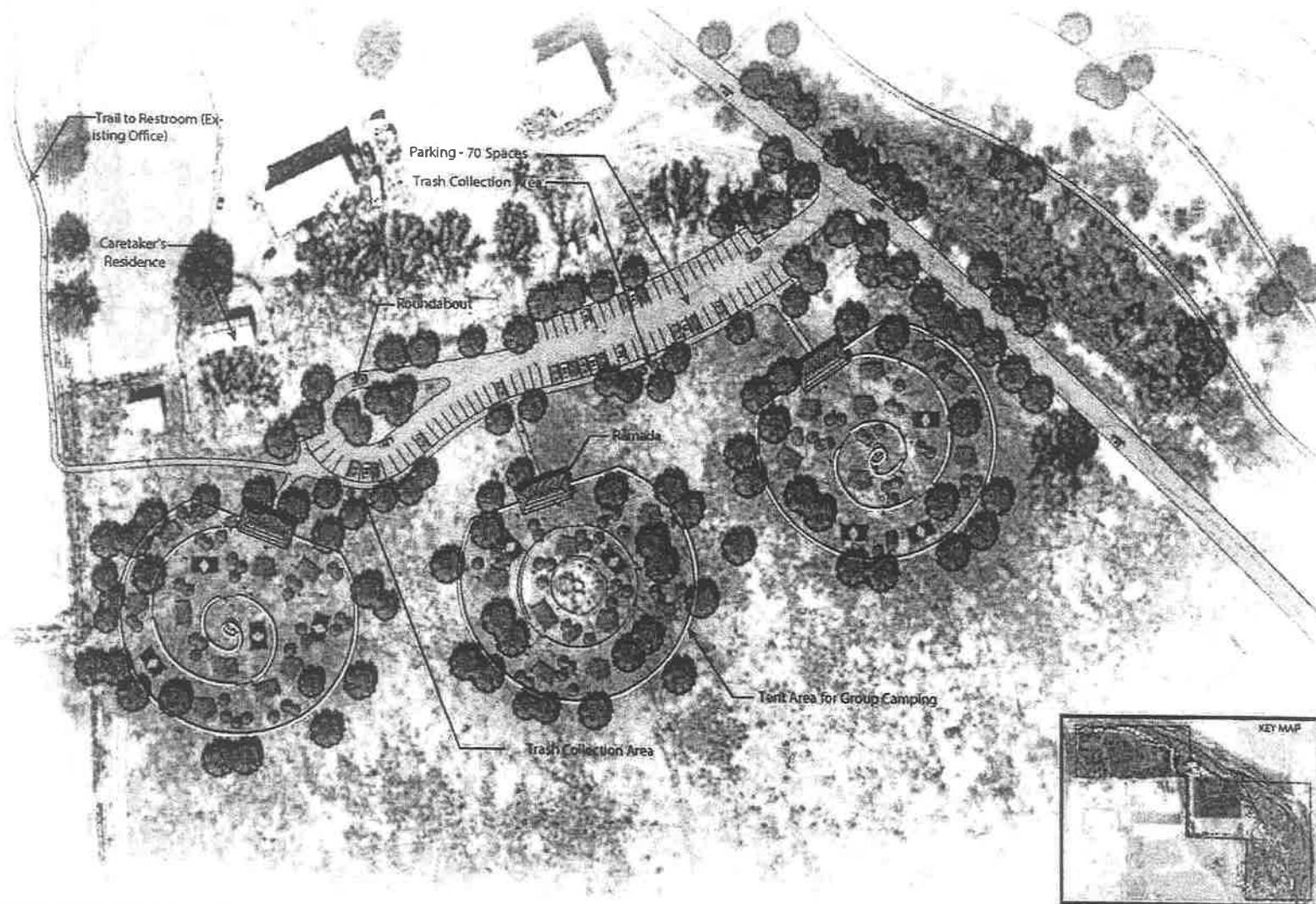
Enlargement 2 - Cabin & Event Lawn

August 10, 2017



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# Rockin' River Ranch Master Plan



ROCKIN' RIVER RANCH STATE PARK

Enlargement 3 - Group Camping

August 10, 2017



SCALE 1" = 40'  
0 20 40

LOGANSIMPSON

## **Attachment J**

### **Updated DRAFT Estimates**

- **Construction Cost,**
  - **Revenue,**
- **Operations Expenditures**

**Arizona State Parks**  
**DRAFT COST ESTIMATE SHEET**

Project Name:	Date	Life Expectancy in Years	
Rockin River Ranch (R3)	September-17	50	
Description of Project :			
Rockin' River Ranch State Park Development includes design and construction of a new 210-acre recreation park along the Verde River near Camp Verde. This development will include an entry sign, entry road on Forest Service land, contact station, new river access points, day-use picnic areas, trails, rental cabins, group campground, South Salt Mine Road intersection improvements, site roads and parking, water well, utility upgrades, sanitary sewer system, fencing, landscaping, and irrigation.			
Description	No	Cost	Cost Estimate
<b>DEMOLITION</b>			<b>\$80,000</b>
Demolish Foreman House & Barn	1	\$60,000.00	\$60,000
Septic/Leach Field Closure(s)	1	\$20,000.00	\$20,000
<b>INFRASTRUCTURE</b>			<b>\$1,300,384</b>
<b>Salt Mine Road Intersection/Entry Road</b>			<b>\$314,250</b>
Asphalt (4" AC over 8" AC)	3,600	\$55.00	\$198,000
Shoulders (6" ABC)	1,400	\$15.00	\$21,000
Roadway Striping & Marking	1	\$10,000.00	\$10,000
Storm Drain Crossing (72" CMP)	70	\$275.00	\$19,250
Irrigation Crossing (Verde Ditch)(48" CMP)	70	\$200.00	\$14,000
Inlet/Outlet Control/Erosion Control	4	\$13,000.00	\$52,000
<b>On-site Roads and Parking</b>			<b>\$400,134</b>
Group Camping Access Road (6" ABC)	2,350	\$17.00	\$39,950
Cabin Access Road (6" ABC)	2,200	\$17.00	\$37,400
Parking Lots (6" ABC)	14,000	\$21.00	\$294,000
Cabin Parking Stalls/Drives	1,799	\$16.00	\$28,784
<b>Undergrounding Tailwater Ditch (18" CMP)</b>	2,600	\$110.00	<b>\$286,000</b>
<b>Potable Water Well (and Distribution Line)</b>			<b>\$115,000</b>
Well	1	\$90,000.00	\$90,000
Distribution Line	1	\$25,000.00	\$25,000
<b>Electrical and Telecom Upgrades</b>			<b>\$155,000</b>
Service/System Upgrades	1	\$155,000.00	\$155,000
<b>Cabin Pad Grading</b>	1	<b>\$30,000.00</b>	<b>\$30,000</b>
<b>Sanitary System (septic tanks and leach fields)</b>			<b>\$1,449,950</b>
Gravity Sewer - west	200	\$99.00	\$19,800
Gravity Sewer - middle	1,345	\$99.00	\$133,155
Lift Station - middle	1	\$630,000.00	\$630,000
Force Main - middle	1,315	\$66.00	\$86,790
Gravity Sewer - east	1,515	\$99.00	\$149,985
Septic Tanks	3	\$22,000.00	\$66,000
Trench Excavations (6'D x 2'W)	4,420	\$22.00	\$97,240
Drain Gravel	655	\$66.00	\$43,230
4" Slotted Pipe	4420	\$16.50	\$72,930
Trench Backfill (4D x 2'W)	1310	\$22.00	\$28,820
Headers, Ports, Etc	1	\$22,000.00	\$22,000
Mobile Restroom (@ Day-Use & River Access)	2	\$50,000.00	\$100,000
<b>Flood Protection (cabins, restroom, sanitary)</b>			<b>\$130,000</b>

Flood Protection - Cabins	1	\$50,000.00	\$50,000
Flood Protection - Day Use Restroom	1	\$15,000.00	\$15,000
Flood Protection - Sanitary System (Lift Station)	1	\$30,000.00	\$30,000
Evacuation Warning System	1	\$35,000.00	\$35,000
<b>RESTROOM /BUILDING RENOVATIONS</b>			<b>\$555,000</b>
Stable/Contact Station	1	\$135,000.00	\$135,000
Cabin Restroom	1	\$420,000.00	\$420,000
<b>AMENITIES/OTHER</b>			<b>\$334,365</b>
Trail Construction (5' wide)	18,485	\$4.00	\$73,940
Wildlife Viewing Pads	16	\$300.00	\$4,800
Rail Fence (2 Rail, 4' - 5' Height)	3225	\$17.00	\$54,825
Chain Link Fence (8' Height)	700	\$32.00	\$22,400
Barbed-Wire Fence (4 Strand, 4' - 5' Height)	6740	\$10.00	\$67,400
Entry Sign	1	\$16,000.00	\$16,000
Miscellaneous Signage	1	\$20,000.00	\$20,000
Group Ramada (w/Solar Lighting)	3	\$15,000.00	\$45,000
Ranch Gate (at Park Entry)	1	\$30,000.00	\$30,000
Picnic Tables/Trash Receptacles/Benches	0	\$800.00	\$0
<b>LANDSCAPE/RESTORATION</b>			<b>\$41,600</b>
Trees: 15-Gallon	50	\$100.00	\$5,000
Trees: 24" Box	50	\$250.00	\$12,500
Re-Seeding Turf	4	\$3,000.00	\$12,000
Re-Vegetation of Natural Areas	2	\$4,300.00	\$8,600
Plant Establishment	1	\$3,500.00	\$3,500
Tree Pruning/Trimming	0	\$10,000.00	\$0
<b>IRRIGATION</b>			<b>\$115,525</b>
Pump System	1	\$17,500.00	\$17,500
Backflow Preventer	2	\$4,000.00	\$8,000
Irrigation Controller	2	\$6,000.00	\$12,000
Remote Control Valve	25	\$250.00	\$6,250
Impact Rotors	85	\$75.00	\$6,375
Class-200 Turf Lateral Line	18,000	\$2.05	\$36,900
Schedule-40 PVC Mainline (4")	3,750	\$6.50	\$24,375
Schedule-40 Pipe Sleeves	275	\$15.00	\$4,125
<b>TOTAL CONSTRUCTION COST</b>			<b>\$4,006,824</b>
Planning & Design			\$270,000
<b>Total Cost</b>			<b>\$4,276,824</b>



**DRAFT - Rockin' River Ranch State Park Forecasted Revenues**

<b>Description</b>	<b># of Units</b>	<b># of Day</b>	<b>Fee</b>	<b>Occupancy Rate</b>	<b>Revenue</b>
Tent Camping Sites	45	365	\$ 20.00	50%	\$ 164,250.00
*RV Camping Sites (Phase I)	0	365	\$ 35.00	50%	\$ -
Equestrian Camping Sites	0	365	\$ 30.00	50%	\$ -
Group Camp Sites	0	365	\$ 75.00	25%	\$ -
Cabins (Phase I)	7	365	\$ 60.00	50%	\$ 76,650.00
Equestrian Group Camp	0	365	\$ 75.00	25%	\$ -
Day Use (Vehicle)	40	365	\$ 7.00		\$ 102,200.00
Day Use (Individual)	2	365	\$ 3.00		\$ 2,190.00
Annual Passes	50		\$ 75.00		\$ 3,750.00
Special Events Permits	3		\$ 3,000.00		\$ 9,000.00
Equestrian Contract	1		\$25,000.00		\$ 25,000.00
Lodge Contract (Net from rentals)	1		\$10,000.00		\$ 10,000.00
Ramada Rental	0		\$ 35.00		\$ -
Market/Gift Shop (Net)	1		\$ 2,500.00		\$ 2,500.00
<b>Total Annual Revenue</b>					<b>\$ 395,540.00</b>
<i>* Includes no RV Sites</i>					

**DRAFT - Rockin' River Ranch State Park Forecasted Revenues**

<b>Description</b>	<b># of Units</b>	<b># of Day</b>	<b>Fee</b>	<b>Occupancy Rate</b>	<b>Revenue</b>
Tent Camping Sites	45	365	\$ 20.00	50%	\$ 164,250.00
*RV Camping Sites (Phase I)	20	365	\$ 35.00	50%	\$ 127,750.00
Equestrian Camping Sites	0	365	\$ 30.00	50%	\$ -
Group Camp Sites	0	365	\$ 75.00	25%	\$ -
Cabins (Phase I)	7	365	\$ 60.00	50%	\$ 76,650.00
Equestrian Group Camp	0	365	\$ 75.00	25%	\$ -
Day Use (Vehicle)	40	365	\$ 7.00		\$ 102,200.00
Day Use (Individual)	2	365	\$ 3.00		\$ 2,190.00
Annual Passes	50		\$ 75.00		\$ 3,750.00
Special Events Permits	3		\$ 3,000.00		\$ 9,000.00
Equestrian Contract	1		\$25,000.00		\$ 25,000.00
Lodge Contract (Net from rentals)	1		\$10,000.00		\$ 10,000.00
Ramada Rental	0		\$ 35.00		\$ -
Market/Gift Shop (Net)	1		\$ 2,500.00		\$ 2,500.00
<b>Total Annual Revenue</b>					<b>\$ 523,290.00</b>
<i>* Includes 20 RV Sites</i>					

<b>DRAFT -Rockin' River Ranch State Park Forecasted Expenditures</b>			
<b>Personnel</b>	<b>FTE</b>	<b>1/2 Year</b>	<b>Full Year</b>
Asst Mgr. (New)	1	\$ 32,500.00	\$ 65,000.00
Park Ranger II (New)	1	\$ 27,500.00	\$ 55,000.00
Seasonals Staff	3	\$ 36,000.00	\$ 50,000.00
<b>Total</b>		<b>\$ 96,000.00</b>	<b>\$170,000.00</b>
<b>Operation Cost</b>			
Electricity		\$ 45,000.00	\$ 60,000.00
Sanitation Waste Disposal		\$ 25,000.00	\$ 50,000.00
Housekeeping Supplies		\$ 5,000.00	\$ 7,500.00
Other Operating Supplies		\$ 1,000.00	\$ 2,000.00
Uniforms		\$ 2,000.00	\$ 2,000.00
Office Supplies		\$ 1,000.00	\$ 2,000.00
Repairs and Maintenance		\$ 15,000.00	\$ 20,000.00
Vehicle Repair and Maintenance & Fuel		\$ 10,000.00	\$ 17,500.00
<b>Total</b>		<b>\$104,000.00</b>	<b>\$161,000.00</b>

**Total Costs**

**\$ 200,000.00    \$ 331,000.00**



## Joint Committee on Capital Review

STATE  
SENATE

1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

DEBBIE LESKO  
CHAIRMAN 2017  
SYLVIA ALLEN  
OLIVIA CAJERO BEDFORD  
STEVE FARLEY  
KATIE HOBBS  
JOHN KAVANAGH  
KIMBERLY YEE

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HOUSE OF  
REPRESENTATIVES

DON SHOOTER  
CHAIRMAN 2018  
JOHN M. ALLEN  
LELA ALSTON  
MARK CARDENAS  
HEATHER CARTER  
VINCE LEACH  
REBECCA RIOS

DATE: September 18, 2017

TO: Senator Debbie Lesko, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Sam Beres, Fiscal Analyst *SB*

SUBJECT: University of Arizona - Review of Honors College Complex Project

### Request

A.R.S. § 15-1682.02 and A.R.S. § 15-1683 require Committee review of any university projects using indirect debt financing (also referred to as third-party financing) and any university project financed with system revenue bonds, respectively. The University of Arizona (UA) requests Committee review of a \$136,800,000 project to construct an Honors College Community, which will contain space for housing as well as academic space, a dining hall, a new campus recreation facility, and parking.

The third-party developer, American Campus Communities (ACC) would construct the facilities. In the long term, ACC would be responsible for paying for the \$83,500,000 cost of the housing portion of the project with dorm fees it collects. UA would reimburse ACC for the cost of auxiliary facilities in the Honors Community by issuing \$42,100,000 in system revenue bonds and with \$11,200,00 from its parking reserve fund. The total cost to the university for the non-housing auxiliary facilities would be \$53,300,000.

### Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.
2. An unfavorable review of the request.

Under either option, the Committee may also consider the following provisions:

(Continued)



Standard University Financing Provisions:

- A. 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.
- B. UA shall provide the final debt service schedules for the project as soon as they are available.

**Key Points**

- 1) The private developer will collect dorm fees to pay off the \$83 million construction cost of the 1,056 bed housing facility.
- 2) The university-financed portion of the project includes a new recreation center (\$26.0 million), a dining facility (\$9.3 million), academic space (\$6.8 million), and parking areas (\$11.2 million).
- 3) The university would finance \$42.1 million with system revenue bonds and pay the rest from parking fees.
- 4) The university has raised its student recreation and health fee (paid by all students) by \$54 in order to finance construction of the recreation center.

**Analysis**

In collaboration with ACC, UA seeks to construct a new housing complex for its Honors College. ACC, which was originally selected through a 2010 Request for Proposal (RFP) process, will be responsible for the construction of these facilities. In the past, the Committee has favorably reviewed several other ACC constructed residence hall projects at both NAU and ASU. UA notes that their current inventory of on-campus housing is at full capacity and has a waiting list. Additionally, the university feels that having a community for its Honors College such as this one would help to attract high-achieving students to the program. While there is already an existing dorm for honors students, it lacks the additional facilities discussed below, and has insufficient beds to accommodate all of the Honors College students who wish to live on campus. The existing honors dorm will be repurposed as general student housing.

The proposed Honors College Housing will be 293,600 square feet and will contain 1,056 beds. The housing complex will be built in conjunction with a new dining facility (14,600 SF), recreation center (49,700 SF), academic space (24,500 SF), a 322 space surface parking lot, and a 377 space parking garage. The student housing, academic space, and dining hall will all be contained in a single structure, while the recreation center will be located across the street. The complex, including the auxiliary structures and parking lot, will encompass roughly 3-blocks.

The new development will be located on the north end of UA's main campus. ACC already owns some of the land while UA owns the remainder. ACC plans to transfer its share of the land to UA. As state owned land, the property will not be subject to local zoning or property taxes.

According to UA, there are no on-campus locations with sufficient space to accommodate a project of this scale. Additionally, UA has noted that both Honors College and non-Honors College students attend classes near the north end of campus. As a result, UA will not limit the dining hall and recreation center to only Honors College students. The results of a student survey several years ago indicated the need for a recreation facility on the north end of campus. Students later approved a fee increase to fund the facility.

Community concerns have been raised about the development's location and size. The proposed dorm will be 4 stories tall, and the planned location is in a neighborhood that includes some residential

(Continued)

housing. UA states that they are working with neighborhood associations and the city, and have gained public support of for the project.

#### Financing

The project's total costs will be \$136.8 million, of which \$53.3 million will be paid for by the university. The remaining \$83.5 million, the cost to construct the student housing portion of the project, will be funded by ACC. The auxiliary facilities will be paid for by the university, which intends to issue system revenue bonds totaling \$42.1 million in order to fund the dining, academic, and recreation center portion of the project. Additionally, UA will fund \$11.2 million through its Parking Reserve Fund to construct the parking structures. (See Table 1 for details).

ACC will finance their portion of the project and will cover its expenses from student housing fees. These fees will be established by both the university and ACC. According to UA, the rates charged will be comparable to other top tier residence halls on the university's campus. To ensure that ACC receives adequate revenues to pay its debt service, UA has agreed to guarantee a certain level of occupancy in the new housing facility. In the event that not enough honors students sign up to live in the dorm, the university will select upper classmen or other high achieving students in order to fulfill its occupancy guarantee.

Under the proposal, UA would enter into a ground lease with ACC for the construction of the new Honors College facilities. The ground lease lasts for 40 years, after which there will be four 10-year renewal options. Upon completion, the improvements constructed by ACC will become the property of the university. As part of the ground lease, UA will receive annual rent payments plus additional rent in the event that the project yields revenues for ACC in excess of a required rate of return.

The \$42.1 million of system revenue bonds will have a maximum maturity of 25 years and a projected rating of Aa2(Moody's)/AA-(S&P). UA estimates that these bonds will carry an interest rate of between 3.6% and 4.1%. Based on the high-end estimate of 4.1%, total debt service on the system revenue bonds would be \$69.5 million. This amount would be paid over 25 years, starting with a payment of \$1.4 million in 2018 and followed by average payments of \$2.7 million through June 2043. The cost of issuance is not to exceed \$414,000.

A.R.S. § 15-1683 limits each university's annual debt service payments to 8.0% of its total projected expenditures in any year shown in its capital improvement plan. UA projects that the financing of this project will increase its debt ratio by an estimated 0.12% from 4.74% to 4.86%.

The UA debt financed portion of the project is divided into the following components.

- The campus recreation center will cost an estimated \$26.0 million, and will result in annual debt service payments of \$1.7 million. The recreation center will cost \$358,700 to operate and maintain. Both the debt service and the operations and maintenance will be paid by student recreation and health fees, which are paid by all students, as well as with concession revenues. The university implemented a student health and recreation fee increase of \$54 in order to finance the new recreation center. UA notes that this fee increase was approved by the student body during the 2016-2017 academic year.
- The new dining facility will cost an estimated \$9.3 million, and will result in annual debt service payments of \$602,000. Annual operating and maintenance costs will be \$105,200. Both the debt service and operating costs will be primarily funded by meal plan and walk-in revenues generated by the dining facility. UA anticipates heavy usage due to the dining hall's proximity to major colleges such as Business, Law, and Health.

(Continued)

- Academic spaces comprised of classrooms and office space for the Honors program will cost \$6.8 million, and will result in annual debt service payments of \$440,000. Annual operating and maintenance costs will be \$177,000. Debt service and operating expenses will be paid by a per-square-foot charge to the Honors College, which the college collects through tuition and other revenue sources. The amount paid by the Honors College will be roughly equivalent to what it was previously paying for other space that it will no longer need.

In addition to the \$42.1 million in system revenue bonds, UA will pay \$11.2 million in cash from its parking reserve funds for the construction of a 370-space parking garage as well as a 322-space surface parking lot. The total parking operating and maintenance costs of \$309,300 will be paid by parking fees.

#### Construction

The projected per-square-foot costs of each project component are as follows (*See Table 2*):

- The 293,600 square foot, 1,056 bed housing facility will cost \$79,000 per bed in total costs and \$52,400 per-bed in construction-only costs. These costs are slightly higher than other recent dorm housing construction. In 2015, the Committee reviewed 2 ACC constructed residence hall projects; the Palo Verde ASU project, which had a total per-bed cost of \$71,900, and the Hilltop Townhomes NAU project which had a per-bed total cost of \$75,000. The Committee reviewed another ACC dorm project at NAU in 2017, which had per-bed project costs of \$69,000. The construction costs of the student housing will be entirely borne by ACC.
- The 49,700 square foot campus recreation center will cost \$523/SF in total costs and \$324/SF in construction-only costs (not including project management and design). The Committee reviewed two ASU recreation facilities in 2011, which carried construction-only costs of \$308 and \$292 per square foot. In 2012, the Committee reviewed two additional ASU recreation facilities that had construction only-costs of \$242/SF and \$284/SF. Given inflation of building costs over the past several years, the \$324/SF construction cost estimate for the Honors Community recreation center seems to be in line with previously reviewed projects.
- The 14,600 square foot dining hall will cost \$637/SF in total costs and \$404/SF in construction-only costs. The most recent dining hall project reviewed by the Committee was a renovation of NAU's South Dining Hall in 2015. That project had total project costs of \$433/SF and construction-only costs of \$320/SF. According to UA, the proposed UA Honors College dining hall may carry a higher per-square-foot costs due to the fact that it is new construction rather than renovation and because the size of the proposed dining hall is much smaller than the NAU project.
- The 24,500 square feet of academic space (classrooms and offices) will cost \$278/SF in total costs and \$188/SF in construction-only costs. This cost compares favorably to a previously reviewed ACC project at NAU, where total costs for academic space were \$444/SF while construction only costs were \$400/SF.
- The 370-space parking garage will cost \$23,500 per space in total costs and \$17,300/space in construction-only costs, while the 322-space surface parking lot will cost \$7,800/space in total costs and \$5,600/space in construction-only costs.

UA plans to begin construction in December of 2017, and to have the project completed by August of 2019. The Honors College complex would be ready for occupancy by the fall 2019 semester.

(Continued)

**Table 1**

**UA Honors College Community System Revenue Bonds Detail**

Issuance Amount	\$42.1 million
Issuance Date	Winter 2017
Issuance Transaction Fees	\$414,000
Rating	Aa2(Moody's)/AA-(S&P)
Interest Rate	3.6% - 4.1%
Term	25 years
Total Debt Costs	\$69.5 million
Debt Service Payments	\$1.4 million (FY 2018); \$2.7 million (FY 2019 – FY 2043)
Payment Source	Student recreation and health fees, meal plan and walk-in dining fees, Honors College tuition and other revenues
Debt Ratio Increase	0.12% (from 4.74% to 4.86%)

**Table 2**

**UA Honors College Community Project Components**

	<b>Total Project Cost</b>	<b>Gross Sq. Feet</b>	<b>Project Cost/SF</b>	<b>Additional Operating Cost</b>	<b>Funding Source</b>
<u>ACC Costs</u>					
Honors Student Housing	\$83,500,000	293,600 1,056 beds	\$284 \$79,000/Bed	NA	Dorm Fees
<u>University Costs</u>					
Recreation and Health Center	26,000,000	49,700	523	\$358,700	Student Fees
Dining Facility	9,300,000	14,600	637	105,200	Meal plan and "walk-in" revenue
Classroom and Office Space	6,800,000	24,500	278	177,000	Tuition and Fees
Parking Lots	<u>11,200,000</u>	692 spaces	\$16,200/space	<u>309,300</u>	Parking Fund, garage revenue
<b>Total</b>	<b>\$136,800,000</b>			<b>\$950,200</b>	

RS/SB:kp



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August 29, 2017

The Honorable Senator Lesko, Chairman  
Joint Committee on Capital Review  
House of Representatives  
1716 West Adams  
Phoenix, Arizona 85007

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

**Public-Private Partnership [or P3 Project] with American Campus Communities (ACC) for the Development of an Honors College Community Including Housing, Recreation, Dining and Classroom/Academic Offices**

The University of Arizona ("UA") is working with American Campus Communities to create a new, exciting and innovative Honors Community that will allow Honors students and faculty to live, learn, connect and collaborate in a central space. The Honors Community will include a 1056-bed, dorm-style residence hall with an integrated dining facility and 24,500 square feet of classrooms, collaborative study spaces and faculty offices to serve Honors College students and faculty. The Honors College at the UA is undergoing a transformation, under the leadership of a new dean and with the creation of the Honors Community. The Honors Community represents the most attractive setting for Honors students – a true living-learning community populated with high-achieving students, extraordinary faculty, and on-site learning support, coupled with in-hall dining services, immediate, proximity to Health and Recreation services, and dedicated parking. Having the Honors Community as a showcase facility is a cornerstone to attracting and recruiting the highest-achieving students in an extremely competitive university landscape.

It is critical to the UA to increase its inventory of on-campus housing, which is currently at full capacity with a waiting list. Because first-time, full-time freshmen who live on-campus have demonstrably higher retention and graduation rates, higher grade point averages, and achieve better on all measures of academic success, the UA has a goal of providing on-campus housing for all of these students, as well as continuing Honors students, graduate students and international students who seek the on-campus housing experience. The addition of the Honors Community will enable the UA to serve more of its students who want on-campus housing, and will also provide flexibility to take other housing "off-line" for critical renovations and repairs.

The Honors Community Housing will include an integrated 14,600 square foot dining facility which will have a mandatory meal plan for all Honors College residents, but will also be open to the public. This will provide the only full-service UA dining option north of Speedway to serve the UA's Business, Law, Engineering and Health Sciences students, faculty and visitors, as well as students who live in the neighborhoods to the north of campus.

Immediately across the street from the Honors Community Housing, ACC will build for the UA a 49,700 square foot satellite Campus Recreation Center, with space included for Campus Health services to serve not only the Honors College but also the large population of students attending classes north of Speedway. In a survey of UA students three years ago, and as part of the discussion surrounding the adoption of the Health & Recreation fee earlier this year, the need for a Campus Recreation Center north of Speedway was consistently identified as a top priority, and students overwhelmingly indicated support for an additional fee to achieve that priority.

The University of Arizona will enter into a ground lease and associated agreements with ACC for the development of the Honors Community Housing. ACC will finance the Honors Community Housing through a combination of equity and third party financing, and will earn revenues and cover operating costs entirely through the housing fees paid by residents. These fees will be established by UA and ACC, and will be comparable to the rates charged for the UA's top tier residence halls.

The UA will enter into a separate development agreement for construction of the integrated dining facility, academic and classroom spaces and the satellite Campus Recreation Center. The dining facility will be financed by the UA issuing System Revenue Bonds (SRBs), with debt service and all operating costs funded through a mandatory meal plan for Honors Community residents and "walk-in" revenues from food sales. The Campus Recreation Center will be financed with SRBs. Debt service and operating costs will be covered by a student recreation and health fee that was approved by ABOR in April 2017. The UA will also enter into an agreement with ACC to construct a parking garage to serve the Honors Community Housing, and surface parking lots to serve the Campus Recreation Center and to provide additional parking for UA students, faculty and visitors. Construction of the parking facilities will be funded by the UA with its available parking reserves, and operations and maintenance will be covered by parking revenues.

This partnership with ACC is a unique opportunity to leverage approximately \$42.1 Million in UA borrowing to create an Honors College Community with a total development cost of approximately \$135.5 Million. ACC will fund \$93.4 million of the remaining development cost.

#### **Bond Summary:**

The UA intends to finance the dining facility (\$9.3 million), academic and classroom spaces (\$6.8 million), and the satellite Campus Recreation Center (\$26.0 million) totaling \$42.1 million, by selling System Revenue Bonds (SRBs). The interest rate on the SRBs based on current market conditions is estimated to be in the range of 3.6% to 4.1%. The actual interest rates which the bonds are sold to investors will be a function of market interest rate at the time the bonds are sold. The UA plans to sell the bonds in winter 2017. For purpose of estimating annual debt service, a conservative 4.1% interest rate is used for the approximately 25-year borrowing term of the bonds. The estimated annual debt service based on this interest rate is \$2.7 million. Operating and maintenance (O/M) cost on these facilities is estimated at be \$641 thousand. Funding for the debt service and O/M will be from revenues generated from the facilities, tuition, and student recreation fees.

Enclosed are the ABOR submittals for the Ground Lease with American Campus Communities and for the Honors College Community support and Auxiliary Services Project and Financing

The Honorable Senator Lesko, Chairman  
Joint Committee on Capital Review  
August 29, 2017  
Page | 3

Issuance Approval, the System Revenue Bonds Amortization Schedule and the Summary of Financing Information.

If you have any questions or desire any clarification on the enclosed material, please contact me at (520) 621-5977.

Sincerely,



Gregg Goldman  
Senior VP for Business Affairs and Chief Financial Officer

Attachments: ABOR Project and Financing Issuance Approval Submittal, System Revenue Bonds Amortization Schedule and Summary of Financing Information

xc: Tim Bee, Vice President, Government & Community Relations, UA  
Eileen I. Klein, President, Arizona Board of Regents  
Sam Beres, JLBC Analyst  
Duc Ma, Interim Associate Vice President/Comptroller, UA  
Lorenzo Martinez, Associate Vice President for Finance and Administration, ABOR  
Dr. Robert C. Robbins, President, UA  
Robert Smith, Vice President for University Planning, Design & Operations, UA  
Richard Stavneak, Director, JLBC

**EXECUTIVE SUMMARY**

**Item Name: Honors College Community Support and Auxiliary Services  
Project and Financing Issuance Approval (UA)**

- ☒ Committee Recommendation to Full Board  
☐ Information or Discussion Item

**Issue:** The University of Arizona (UA) requests Project Approval and Financing Approval of the Honors College Community Support and Auxiliary Services Project. To serve the third-party privatized Honors Residence Hall Community, the UA will enter into a development agreement with American Campus Communities to construct:

- 370-space parking garage and 322 surface parking spaces, at a total cost of approximately \$11,200,000.
- 49,700 gsf, \$26,000,000 satellite Campus Recreation Center including space dedicated to Campus Health services.
- 14,600 gsf, \$9,300,000 campus dining facility within the first and second floors of the third-party privatized Honors Residence Hall.
- 24,500 gsf, \$6,800,000 honors program administrative offices, classrooms and academic support spaces within the third-party privatized Honors Residence Hall.

The University requests financing approval to (a) sell one or more series of System Revenue Bonds (Bonds) in an amount not to exceed \$42,520,000 to finance the project and to pay the costs of issuance, (b) to sell such Bonds at a price at, above, or below par, on a tax exempt or taxable basis, and at fixed rates of interest; and (c) to take related actions, enter into necessary agreements and to execute all necessary documents. The debt service on the Bonds is estimated to be \$2,725,000 per year and will be paid over approximately 25 years. The UA plans to issue the SRBs in winter 2017 to finance the projects.

**Previous Board Action**

FY 2018-2020 Capital Improvement Plan – September 2016  
FY 2018 Capital Development Plan – June 2017

**Contact Information:**

Gregg Goldman, Senior Vice President and CFO, (520) 621-5977, ggoldman@email.arizona.edu



**EXECUTIVE SUMMARY**

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**Enterprise or University Strategic Plan**

- ☒ Empower Student Success and Learning
- ☒ Advance Educational Attainment within Arizona
- ☐ Create New Knowledge
- ☐ Impact Arizona
- ☐ Compliance
- ☐ Real Property Purchase/Sale/Lease
- ☐ Other:

**Statutory / Policy Requirements**

- ABOR Policy 7-109 requires approval of new construction projects with a total project cost over \$10 million before contracts can be executed and construction can begin.
- ABOR Policy 7-102 requires approval of the issuance of bonds, lease-purchase agreements, certificates of participation issuance, or any debt instrument.
- ABOR Policy 3-501 requires matters relating to issuance and sale of debt to be presented for Board action.

**Project Justification / Description / Scope**

- The University of Arizona seeks to create a new, exciting and innovative Honors Community that will bring together the Honors College students currently dispersed across campus. The Honors College Community would bring a robust set of Honors offerings and support into a single location that will help to attract and sustain a growing population of honors students. Providing on-campus housing options with academic and other support has proven to improve student recruitment, retention and success.
- The Honors College Community will create the first full-service, living-learning community on the UA campus. The combination of classrooms, housing, academic support spaces, faculty offices, food service, Honors College administration and Campus Recreation and Campus Health facilities give students the unique opportunity to see the Honors College Community as a campus within a campus. Honors students will be able to: interact with faculty in a variety of settings, in and out of the classroom; carry conversations from their living spaces into the academic spaces and vice versa; be exposed to unique programming specific to a diverse community of Honors learners; receive on-site advising and support from Honors College staff and administrators; and, participate in a vibrant culture of active learners throughout their entire day.

## **EXECUTIVE SUMMARY**

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- The University of Arizona's FY2018 CDP included a third-party privatized Honors College Development. This project will include a negotiated ground lease and separate development agreement between American Campus Communities (ACC) and the University of Arizona in which ACC will construct this Honors College development together with the support and auxiliary services facilities. UA is seeking approval to enter into a ground lease in a separate Board action item, as well as seeking JCCR review prior to beginning construction in accordance with applicable state law and ABOR policy.
- Through its Ground Lease with UA, ACC will finance, construct and operate the new Honors College Housing immediately adjacent to our Tucson campus. The proposed 1056 beds will serve Honors students in a single community.
- The UA will finance and ACC will construct, as part of the Honors College development, support and auxiliary services facilities including a campus dining facility, a recreation/health center, a parking garage and surface parking, Honors College administrative and faculty offices and academic space.

### **Project Delivery Method and Process**

- The Honors College Community Support and Auxiliary Services project will be delivered through a third-party Development Agreement with ACC. The Ground Lease with ACC is a separate Board action item.

### **Project Status and Schedule**

- Pending ABOR approval and review from JCCR, UA will enter into the Ground Lease, Master Sublease and Development Agreement with ACC. Construction will begin in December 2017 with an anticipated completion date of August 2019.

### **Project Cost**

- ACC is responsible for all costs and expenses of financing, constructing and operating the new Honors Housing project. UA is responsible for financing and operating the Honors College Development Support and Auxiliary Services facilities. The estimated cost of these support and auxiliary services facilities is \$53,300,000 and will be funded from System Revenue Bonds and UA Parking Reserve funds.

## EXECUTIVE SUMMARY

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### Fiscal Impact and Financing Plan

- ACC will fund the entire project cost for the Honors Housing, estimated at \$83.5 million.
- UA will fund the entire project cost for the dining facility, estimated at \$9.3 million by issuing system revenue bonds (SRBs). The estimated annual debt service on the SRBs is \$602 thousand and operating and maintenance cost is \$105 thousand. The debt service and operating and maintenance costs will be borne by UA Residence Life and the Student Union dining program, and will be funded primarily by meal plan and "walk-in" revenues from the dining facility.
- UA will fund the entire project cost for the Honors academic spaces, estimated at \$6.8 million by issuing system revenue bonds (SRBs). The estimated annual debt service on the SRBs is \$440 thousand and operating and maintenance cost is \$177 thousand. Debt service and operating and maintenance costs will be paid by revenue generated through a space charge to the Honors College of \$25.19 per square foot (as this may be adjusted from time to time) from tuition and other Honors College revenues.
- UA will fund the cost of the Honors College parking facilities estimated at \$11.2 million with parking reserve funds. Operations and maintenance costs is estimated to be \$310 thousand and will be covered with parking revenue.
- UA will fund the design and construction costs for the recreation and wellness center, estimated at \$26 million by issuing system revenue bonds (SRBs). The estimated annual debt service on the SRBs is \$1.7 million and operating and maintenance cost is \$ 359 thousand. The debt service and operating and maintenance costs will be covered by the student recreation fee and concession revenues.

### Debt Ratio Impact

- The estimated total debt service associated with the SRBs listed above is \$2,7 million and will increase the UA's debt ratio by .12 percent. The project UA highest debt ratio is 4.86 percent excluding SPEED debt, and 6.04 percent including SPEED debt.
- The UA intends to utilize a financial advisor, a bond counsel, and a bond trustee previously approved by the Board. The SRBs will be marketed and sold on a negotiated basis to one or more investment banking firms previously approved by the Board or through a direct sale of the SRBs to a bank or banks.

## EXECUTIVE SUMMARY

The University plans to issue System Revenue Bonds to finance the projects mentioned above in the winter 2017. The table below shows the anticipated pricing parameters for the SRBs

Item		Comments
Project Costs	\$ 42,100,000	Not to exceed amount
Issuance Costs (not to exceed)	\$ 414,000	Not to exceed amount
Credit Enhancement/Insurance Cost	TBD	Only executed if provides benefit that exceeds cost of insurance
Fixed Interest Rate (anticipated rate /not to exceed rate)	4.1%/6%	Not to exceed based on maximum the UA is willing to pay
Maturity Range	2018 - 2043	Final maturity is June 1, 2043
Average Instrument Life	15.06 years	Approximately 25 year financing period

### Occupancy Plan

- The Honors College Community will be a residence for Honors students, opening for the Fall Semester of 2019. Additionally, Honors program faculty offices and Honors classrooms will be located in the academic space of the Honors College Community. Current Honors housing in the disbursed Residence Life locations will be allocated to enrollment growth and relocated capacity from aging facilities taken off-line for remodeling and deferred maintenance.

### Requested Action

The University of Arizona asks that the Business and Finance Committee review and recommend Board approval for the Project and Financing Approval of the Honors College Community and Auxiliary Services project, as presented in this Executive Summary.

**EXECUTIVE SUMMARY**

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**Capital Project Information Summary**

**University:** The University of Arizona      **Project Name:** Honors College Community Support and Auxiliary Services – 370 Space Parking Garage

**Project Description/Location:** The University of Arizona seeks to bring together the currently disbursed Honors students housing and to create a new, exciting and innovative Honors Community, at the University of Arizona, Tucson.

**Project Schedule (Beginning Month/Year)**

**Project Approval**

Planning	October 2016
Design	February 2017
Construction	December 2017
Occupancy	August 2019

**Project Budget:**

Total Project Cost	\$8,700,000
Total Project Cost per Space	\$23,514
Change in Annual Operation/Maintenance Cost	\$309,300

**Funding Sources:**

Capital:

- Parking Reserve Funds \$8,700,000

Operation/Maintenance:

- Parking Revenue \$309,300

**EXECUTIVE SUMMARY**

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**Capital Project Information Summary**

**University:** The University of Arizona      **Project Name:** Honors College Community Support and Auxiliary Services – 322 Surface Parking Spaces

**Project Description/Location:** The University of Arizona seeks to bring together the currently disbursed Honors students housing and to create a new, exciting and innovative Honors Community, at the University of Arizona, Tucson.

**Project Schedule (Beginning Month/Year)**

**Project Approval**

Planning	October 2016
Design	February 2017
Construction	December 2017
Occupancy	August 2019

**Project Budget:**

Total Project Cost	\$2,500,000
Total Project Cost per Space	\$7,764

**Funding Sources:**

Capital:	
▪ Parking Reserve Funds	\$2,500,000

**EXECUTIVE SUMMARY**

**Capital Project Information Summary**

**University:** The University of Arizona      **Project Name:** Honors College Community Support and Auxiliary Services – 49,700 gsf Recreation and Health Center

**Project Description/Location:** The University of Arizona seeks to bring together the currently disbursed Honors students housing and to create a new, exciting and innovative Honors Community, at the University of Arizona, Tucson.

**Project Schedule (Beginning Month/Year)**

**Project Approval**

Planning	October 2016
Design	February 2017
Construction	December 2017
Occupancy	August 2019

**Project Budget:**

Total Project Cost	\$26,000,000
Total Project Cost per GSF	\$523
Change in Annual Operation/Maintenance Cost	
• Utilities	\$109,600
• Personnel	\$167,100
• Other	\$82,000

**Funding Sources:**

Capital:	
• System Revenue Bonds	\$26,000,000
Operation/Maintenance:	
• Student Recreation Fee and Concession Revenues	\$358,700

**EXECUTIVE SUMMARY**

**Capital Project Information Summary**

**University:** The University of Arizona      **Project Name:** Honors College Community Support and Auxiliary Services – 14,600 gsf Dining Facility

**Project Description/Location:** The University of Arizona seeks to bring together the currently disbursed Honors students housing and to create a new, exciting and innovative Honors Community, at the University of Arizona, Tucson.

**Project Schedule (Beginning Month/Year)**

**Project Approval**

Planning	October 2016
Design	February 2017
Construction	December 2017
Occupancy	August 2019

**Project Budget:**

Total Project Cost	\$9,300,000
Total Project Cost per GSF	\$637
Change in Annual Operation/Maintenance Cost	
• Utilities	\$32,100
• Personnel	\$49,000
• Other	\$24,100

**Funding Sources:**

Capital:	
• System Revenue Bonds	\$9,300,000
Operation/Maintenance:	
• Meal Plan and "walk-in" revenues	\$105,200



**EXECUTIVE SUMMARY**

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**Capital Project Information Summary**

**University:** The University of Arizona      **Project Name:** Honors College Community Support and Auxiliary Services – 24,500 gsf Administrative Offices and Academic Support Spaces

**Project Description/Location:** The University of Arizona seeks to bring together the currently disbursed Honors students housing and to create a new, exciting and innovative Honors Community, at the University of Arizona, Tucson.

**Project Schedule (Beginning Month/Year)**

Planning  
Design  
Construction  
Occupancy

**Project Approval**

October 2016  
February 2017  
December 2017  
August 2019

**Project Budget:**

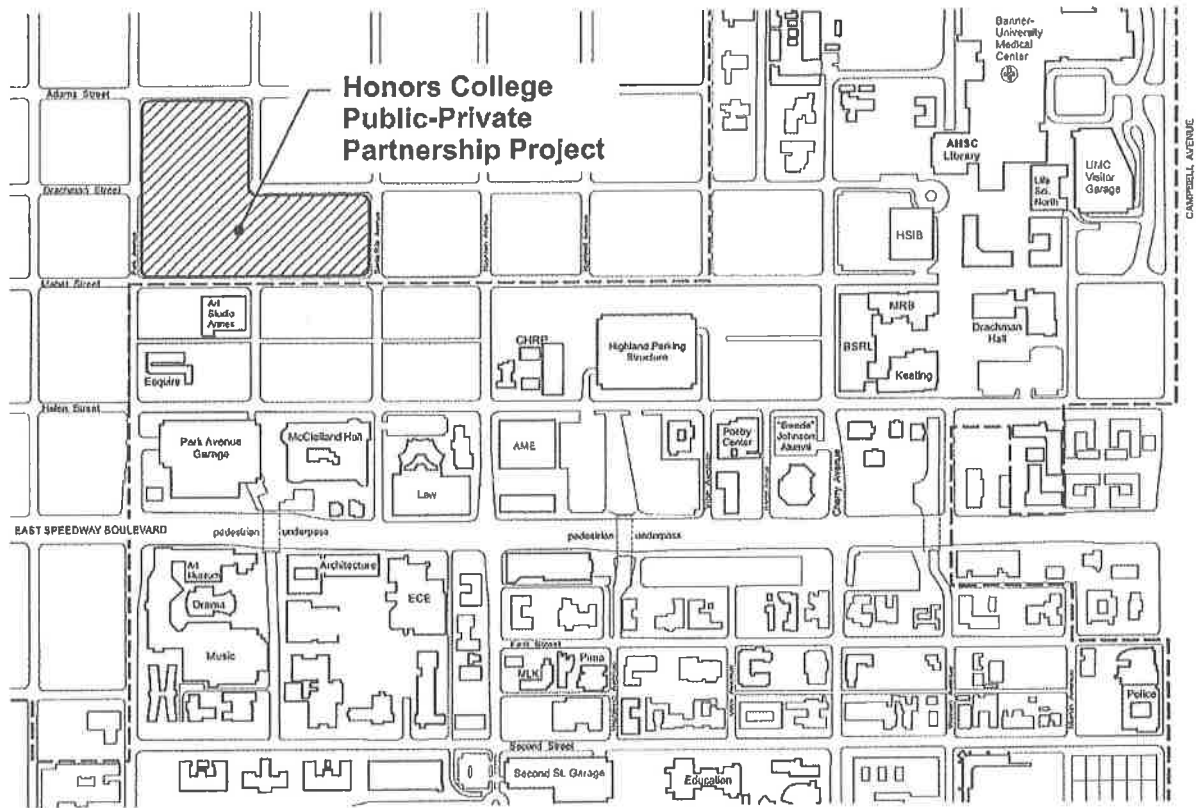
Total Project Cost	\$6,800,000
Total Project Cost per GSF	\$278
Change in Annual Operation/Maintenance Cost	
• Utilities	\$54,100
• Personnel	\$82,400
• Other	\$40,500

**Funding Sources:**

Capital:	
• System Revenue Bonds	\$6,800,000
Operation/Maintenance:	
• RCM and tuition	\$177,000

**EXECUTIVE SUMMARY**

**Project Site Location Map**



**Joint Committee on Capital Review  
September 19, 2017 JCCR Meeting  
University of Arizona Projects Submission**

**ACC Honors Projects (Dining, Academic, and Rec Center)  
System Revenue Bonds  
Amortization Schedule - 4.10%**

<b>Period Ending</b>	<b>Annual Principal</b>	<b>Annual Interest</b>	<b>Annual Debt Service</b>
6/1/2018		1,438,416	1,438,416
6/1/2019	995,000	1,726,100	2,721,100
6/1/2020	1,040,000	1,685,306	2,725,306
6/1/2021	1,080,000	1,642,666	2,722,666
6/1/2022	1,125,000	1,598,386	2,723,386
6/1/2023	1,170,000	1,552,260	2,722,260
6/1/2024	1,220,000	1,504,290	2,724,290
6/1/2025	1,270,000	1,454,270	2,724,270
6/1/2026	1,320,000	1,402,200	2,722,200
6/1/2027	1,375,000	1,348,080	2,723,080
6/1/2028	1,430,000	1,291,706	2,721,706
6/1/2029	1,490,000	1,233,076	2,723,076
6/1/2030	1,550,000	1,171,986	2,721,986
6/1/2031	1,615,000	1,108,436	2,723,436
6/1/2032	1,680,000	1,042,220	2,722,220
6/1/2033	1,750,000	973,340	2,723,340
6/1/2034	1,820,000	901,590	2,721,590
6/1/2035	1,895,000	826,970	2,721,970
6/1/2036	1,975,000	749,276	2,724,276
6/1/2037	2,055,000	668,300	2,723,300
6/1/2038	2,140,000	584,046	2,724,046
6/1/2039	2,225,000	496,306	2,721,306
6/1/2040	2,320,000	405,080	2,725,080
6/1/2041	2,415,000	309,960	2,724,960
6/1/2042	2,520,000	210,946	2,730,946
6/1/2043	2,625,000	107,626	2,732,626
	<b>42,100,000</b>	<b>27,432,838</b>	<b>69,532,838</b>

**Joint Committee on Capital Review  
September 19, 2017 JCCR Meeting  
University of Arizona Project Submission**

**Summary of Financing Information:**

Honors College Community (Dining, Academic, Rec Center) System Revenue Bonds

Issuance amount:	\$ 42,100,000
Estimated Cost of Issuance:	\$ 414,000
Estimated interest rate:	3.6% - 4.1%
Payment term:	Approximately 25 years

Fund Source for debt payment:	Student Fees, Tuition, Auxiliary Funds
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Annual debt service (by fund source):

Principal & Int. FY19 – FY43 (Ave.)	Student Fees, Tuition, Auxiliary Funds	\$2,700,000
Total debt service through maturity	Student Fees, Tuition, Auxiliary Funds	\$69,500,000

Anticipated date of issuance:	Winter 2017
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Expected bond rating:	AA- (S & P) and Aa2 (Moody's)
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**Debt Ratio Information:**

Current projected debt ratio	4.74%
Increment debt ratio	0.12%
Projected highest debt ratio	4.86%