

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
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JORGE LUIS GARCIA
CHUCK GRAY
AL MELVIN

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

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KYRSTEN SINEMA

**** REVISED ****

JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, September 22, 2009

1:00 P.M.

Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order
- [Approval of Minutes of June 16, 2009](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [DEPARTMENT OF VETERANS' SERVICES - Review of the Tucson Veterans' Home.](#)
- 2. ARIZONA DEPARTMENT OF ADMINISTRATION
 - A. [Review of the Department of Health Services' Arizona State Hospital Forensic Unit Project.](#)
 - B. [Review of FY 2010 Building Renewal Projects.](#)
 - C. [Consider Recommending FY 2010 Quarterly Rent Payments and Rent Exemption.](#)
- 3. [NORTHERN ARIZONA UNIVERSITY - Review of Health and Learning Center, Police Relocation, and Utilities Extension Bond Projects.](#)

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

~~9/14/09~~

9/17/09

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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**

Tuesday, June 16, 2009

The Chairman called the meeting to order at 8:10 a.m., Tuesday, June 16, 2009 in Senate Appropriations Room 109. The following were present:

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

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee, Chairman Russell Pearce stated the minutes of February 24, 2009 would stand approved.

ARIZONA GAME AND FISH DEPARTMENT - Review of Capital Improvement Projects.

Ms. Caitlin Acker, JLBC Staff, stated that the Arizona Game and Fish Department was previously appropriated \$2.1 million from the Game and Fish Capital Improvement Fund for 3 projects. These monies are not available to help the FY 2010 budget shortfall due to federal regulations that restrict their use.

Representative Kavanagh moved that the Committee give a favorable review to the Arizona Game and Fish Department's request for 3 capital improvement projects which include \$800,000 for the Black Canyon Dam modification project, \$1,050,000 for the Flagstaff Regional Office remodeling project, and \$250,000 for the Mesa Regional Office paving project. The motion carried.

(Continued)

ARIZONA DEPARTMENT OF ADMINISTRATION

A. Consider Recommending FY 2010 Quarterly Rent Payments for the Arizona Board of Osteopathic Examiners.

Mr. Juan Beltran, JLBC Staff, stated that this item is for the Committee to consider recommending quarterly rent payments for the Arizona Board of Osteopathic Examiners in FY 2010.

Representative Kavanagh moved that the Committee recommend the FY 2010 quarterly rent payments in September and December 2009 followed by a payment of the balance in January 2010 instead of 1 annual payment due by the beginning of FY 2010 for the Arizona Board of Osteopathic Examiners. The motion carried.

B. Review of the Department of Health Service's Arizona State Hospital Forensic Unit Project.

Ms. Leatta McLaughlin, JLBC Staff, stated that this item is for the Department of Health Service's Arizona State Hospital (ASH) Forensic Unit Project. These monies were appropriated 2 years ago. In December of 2007, JCCR favorably reviewed and approved ADOA's request of a \$32.2 million lease-purchase agreement to construct this forensic unit. ADOA is now requesting Committee review of the scope, purpose, and estimated cost of the project because they want to start construction at the end of the month.

Ms. Lynne Smith, Assistant Director, ADOA, General Services Division, responded to member questions.

Mr. John Cooper, Superintendent, ASH, responded to member questions.

Prior to completing its review, the Committee would like to know how the cost per square foot compares with similar forensic units in mental health facilities.

In addition, the Committee would like to know if there is flexibility in the design process that would help to save money and if there are elements of this project where the minimum standards have been exceeded.

Representative Kavanagh moved that the Committee give a favorable review of only renovating ASH's 24th Street entrance into the new secure main entrance for the entire campus. The motion carried.

The remainder of the ASH project will still require JCCR review prior to beginning construction.

C. Report on FY 2009 Building Renewal Projects.

Ms. Leatta McLaughlin, JLBC Staff stated that this item is a report on the ADOA's FY 2009 building renewal projects. Statute requires Committee review of building renewal plans before expenditure of monies. ADOA has stated that they are seeking Committee review for 4 projects they consider to be emergencies totalling about \$217,300. However, these requests were submitted after ADOA began the projects. These 4 projects include \$88,000 for elevator repairs at the Supreme Court building, \$61,800 for fire alarm repairs at the Senate building, \$38,000 for elevator repairs at 1300 West Washington, and \$29,500 for a broken water line at 1400 West Washington.

Since work has been completed or is already underway, the Chairman has decided not to place these 4 projects on the agenda for review. The Chairman recommends, however, that the Committee clarify its policy on emergency spending for FY 2009 and FY 2010.

(Continued)

Ms. Lynne Smith, Assistant Director, ADOA, General Services Division, responded to member questions.

Representative Pearce requested to meet with Mr. Bill Bell, Director, ADOA, to review the process for building renewal spending prior to the Committee taking action on an emergency spending policy.

Without objection, the meeting adjourned at 9:00 a.m.

Respectfully submitted:

Sandy Schumacher, Secretary

Leatta McLaughlin, Principal Fiscal Analyst

Senator Russell Pearce, Chairman

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

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DATE: September 15, 2009

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

THRU: Richard Stavneak, Director

FROM: Amy Upston, Principal Fiscal Analyst

SUBJECT: Department of Veterans' Services – Review of the Tucson Veterans' Home

Request

Pursuant to A.R.S. § 41-1252, the Arizona Department of Veterans' Services (ADVS) requests Committee review of the scope, purpose, and estimated General Fund cost of \$10 million (\$28.5 million Total Fund cost) for the construction of a new Veterans' Home in Tucson.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review of the ADVS expenditure of \$10 million from the General Fund for the construction of a new Tucson Veterans' Home.
2. An unfavorable review since the department has indicated it will need at least \$5 million in additional General Fund monies over the first few years for operation.

Analysis

Background

The FY 2007 Capital Outlay Bill (Laws 2006, Chapter 356) appropriated \$10 million from the General Fund for the construction and establishment of a veterans' home facility in Tucson. The appropriation was conditional upon receipt of a grant providing at least 65% of the total cost of the facility from the U.S. Department of Veterans Affairs (VA). The original appropriation was non-lapsing until June 30, 2008. The appropriation dates were pushed back several times. Most recently, Laws 2009, 1st Special Session, Chapter 2 made the appropriation non-lapsing through June 30, 2011.

(Continued)

Since 2006, Arizona has been on the VA priority list for the funding of the Tucson Veterans' Home. States must provide 35% of the funding for projects on the VA priority list, with the federal government paying the remaining 65%. Projects are funded by priority, as determined by the VA, and the federal match is provided as funding becomes available. If a state is unable to provide the match at the time the funds become available, the state must begin the request process from the beginning. The 2009 American Recovery and Reinvestment Act expedited the receipt of the federal match. While the federal government shares in the cost of construction, the state is then responsible for funding daily operations at the home. In addition to the proposed Home in Tucson, Arizona currently has 1 other Veterans' Home, which is located in Phoenix. The Phoenix home opened in November 1995.

Proposed Plan

The facility will be located next to the Southern Arizona Veterans Affairs Health Care System (SAVAHCS) on land donated by the SAVAHCS. This federal VA Hospital is located at 3601 South 6th Avenue in Tucson. The Veterans' Home will consist of 120 beds, which will be made up of 4 30-bed units. Applicants are eligible for admission if they are a veteran or spouse of a veteran and have been determined by a physician to be in need of skilled nursing care. There is no income eligibility requirement. Cost of care is paid for by Medicaid, Medicare, private insurance, VA per diem, and resident reimbursement.

One of the 4 units will house Alzheimer's patients and other patients needing extra supervision. Within each unit, the 30 beds will be broken down into 3 community living centers, each housing 10 people. Each person will have a private room with a bathroom. The 10 people within the living center will share a living and dining area. This design, referred to as a community living center, is different than what was previously proposed when the department was first appropriated monies for the Home, but it is consistent with the current requirement by the VA.

In addition to the 4 units, a gift shop, barber/beauty shop, meditation room, Internet room, chapel, sports bar, and game room will be located on the premises. The facility will primarily be 1 story; however, a portion of the building will be 2 stories. Some administrative offices will be located on the second story. The department is planning to break ground in February 2010 and expects construction to take 16-20 months to complete. Hiring is expected to begin at the beginning of FY 2011.

Construction Costs

ADVS is projecting that the total cost of the Tucson Veterans' Home will be \$28.5 million for 134,500 square feet, or \$212 per square foot. Of this amount, \$10 million will be funded from the General Fund and the remaining \$18.5 million from Federal Funds. The total project cost includes construction costs, equipment, architectural and engineering fees, administration and legal fees, site work, project inspection fees, land, structural and right of way appraisals, miscellaneous fees, and contingency fees. The direct construction costs total \$22 million, or \$164 per square foot, which include labor, material costs, and contingency fees. This direct cost also equates to \$238,100 per bed. A breakdown of the costs is identified in *Table 1*.

Smith Group of Phoenix completed 35% of the design plans on August 12, 2009. The Arizona Department of Administration (ADOA) has announced the Request for Qualification for the General Contractor. ADVS, under the advisement of ADOA, is proposing this project be procured using the design/build method. Under this method, the design and construction phases are separately contracted and done in sequence. After the design is complete, Statements of Qualification will be submitted to the state and a final list of 3 firms will be selected to bid on the construction portion of the project. A competitive bid process will then be used to award the construction contract based on their technical and price proposals.

(Continued)

Table 1 Arizona Department of Veterans' Services Tucson Veterans' Home Cost Projections^{1/}	
	<u>Project Cost</u>
Construction	\$21,969,800
Equipment	2,057,900
Architectural & Engineering Fees	1,465,900
Administration & Legal	745,000
Site Work	422,500
Project Inspection Fees	38,500
Land, Structure, & Right of Way Appraisals	26,000
Miscellaneous	1,043,300
Contingency	802,500
Total	\$28,571,400
^{1/} In total, construction estimates assume 134,500 square feet at an average cost of \$164 per square foot, including direct construction costs and contingency, or \$212 per square foot for the total project cost.	

Table 2 provides a breakdown of costs per bed for other facilities. Costs per bed appear to vary considerably between facilities, but the current proposal appears to be reasonable. The VA has recently changed its model from more of a hospital or institutional setting to a semi-private room setting. This new concept may increase costs.

Table 2 Tucson Veterans' Home vs. Other States Cost Comparison				
<u>Facility</u>	<u>Year Completed</u>	<u>Budget (in millions)</u>	<u>Bed Count</u>	<u>Cost/Bed (in thousands)</u>
Tucson, Arizona	In Design	\$28.6	120	\$238
Lisbon, North Dakota	In Design	31.9	150	212
Oxford, New York	2009	66.0	242	273
Richmond, Virginia	2008	25.9	160	162
Phoenix, Arizona	1995	14.3	200	72

Ongoing Operational Costs

The operations of the Tucson Veterans' Home is expected to be funded primarily through private insurance, VA per diem, Medicaid, Medicare, and resident reimbursement. In addition to these sources, ADVS indicates that they will need approximately \$5 million from the General Fund in start-up capital costs during the first few years of operation due to smaller economies of scale (it takes the same number of employees to care for 1 individual as it does 30). After the initial start-up phase, ADVS expects the facility to be self-sufficient. The agency is still working on its projected on-going operational costs.

The Arizona State Veterans' Home in Phoenix, a 200-bed facility, was initially appropriated \$3.6 million from the General Fund for its first 2 years of operations (FY 1995 - FY 1996). The Home then received additional supplemental appropriations of \$2 million General Fund and \$1 million General Fund in FY 1997 and FY 1998, respectively. From FY 1999 - FY 2007, the Phoenix Home was self sufficient. In FY 2008, the Home was appropriated \$3.5 million, then \$2.9 million in both FY 2009 and FY 2010. Total operating costs in FY 2010 are projected to be \$16.7 million. Given the need for ongoing operational costs at the Phoenix Home, it is possible that the department may later request ongoing General Fund appropriations for the Tucson Home.

JANICE K. BREWER
Governor



JOEY STRICKLAND
Director

ARIZONA DEPARTMENT OF VETERANS' SERVICES
OFFICE OF THE DIRECTOR

3839 N. Third Street, Suite 209 - Phoenix, Arizona 85012 - 2069
Telephone: (602) 255-3373 - Fax: (602) 255-1038
www.azdvs.gov

September 4, 2009

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



Dear Senator Pearce,

Laws 2009, Chapter 2 appropriated the sum of \$10,000,000 to the Arizona Department of Veterans' Services (ADVS) and authorized ADVS to construct establish a veterans' home facility in Tucson pursuant to section 41-603, subsection C, Arizona Revised Statutes.

ADVS requests that JCCR place this project on the next agenda for review in order to proceed with construction.

Additional information on the project is enclosed. If you have any questions on this project please contact Deputy Director Robert Barnes at 602-234-8417.

Sincerely,


Joey Strickland
Director

Attachments: Project information

Cc: The Honorable John Kavanagh, Vice-Chairman, JCCR
Richard Stavneak, Director, JLBC Staff
Eileen Klein, Director, OSPB
Amy Upston, Senior Fiscal Analyst, JLBC
Illa Riske, Budget Analyst, OSPB

Analysis:

Background

In 2004 the State of Arizona proposed the construction of a second Arizona State Veterans Home to be located adjacent to the campus of the Southern Arizona Health Care System (SAVAHCS) (VA medical Center) in Tucson. The grant request to the Federal VA was for matching funds or 65% of new construction cost for the project. The State Veterans Home Tucson is intended to serve the southern tier of Arizona which includes Cochise, Graham, Greenlee, Pima, Pinal, and Santa Cruz counties. The veteran population of Metropolitan Tucson is in excess of 102,073 veterans. The FY 2008 capitol outlay Bill authorized ADVS to construct a new State Veterans Home in Tucson.

The state Veterans Home Tucson has been on the Federal VA's priority one funding list since 2007. The American Recovery and Reinvestment Act (ARRA) of 2009 allowed the VA means to fund the project using stimulus dollars from the ARRA.

The Arizona Department of Veterans' Services will continue to meet the increasingly complex long-term health care needs of veterans and their spouses at its new Tucson facility in a comfortable, homelike environment, following the culture change concept. The staff will provide professional skilled nursing care for geriatric and chronically ill veterans, dependents, and surviving spouses – including respiratory therapy, rehabilitative work, therapeutic recreation, and exercise classes, physical, occupational, and speech therapy services will also be provided. Comprehensive care will be administered 24 hours a day and seven days a week. Care will encompass all aspects of wellness – physical, psychological, social, emotional, and spiritual. Care will be provided regardless of age, race, creed or sex.

Proposed Plan

The Arizona State Veteran Home Tucson will consist of four 30-bed long-term care units, and a community/administration building. The newly licensed and skilled nursing facility will be located adjacent to SAVAHCS located at 3601 South 6th Avenue in Tucson, Arizona, and will encompass approximately 134,500 square feet. The state owned and operated facility will offer services and amenities similar to those at the Arizona State Veteran Home in Phoenix, but will be designed in accordance with the Community Living Center (CLC) concept. This facility will include a separate Alzheimer's unit, a skilled nursing unit with Medicare certified beds, a gift shop, a barber/beauty shop, and a meditation room for the use of the residents and family members. Veterans Benefits Counselors will be available to assist residents in obtaining Federal and State benefits. Social services are also available to provide support for residents and their families. A southwestern motif will follow throughout the building, providing a very pleasant color scheme and well-lighted environment in a homelike atmosphere. Resident rooms have been designed to impart both a sense of privacy as

(continued)

well as convenience. All rooms will be equipped with special modifications for the wheelchair disabled, specially designed lavatories, and high commodes. Every resident will be furnished with a television with remote. Housekeeping and laundry services will also be provided.

Design Build

Smith Group of Phoenix completed 35% plans on August 12, 2009. ADOA announced the Request for Qualifications the first step in the competitive selection of the General Contractor.

In order to expedite construction ADVS is proposing the design-build procurement method. The use of design build will help attract top quality bidders with proven records for similar projects. Design-Build process decreases costs and also overall design and construction time. Change orders and disputes/claims are also reduced. Finger-pointing is severely mitigated because the Design-Builder is both the Contractor and the design professional. ADVS under the guidance and direction of ADOA will follow the two-step process. Statements of Qualifications will be submitted to the State, the Selection Committee will select a final list of 3 firms. Those 3 firms will be invited to respond to a Request for Proposal by submitting separately sealed technical and price proposals. The technical offers will be scored first, and then the price proposals will be opened and scored.

Construction Cost

The project is estimated to cost \$28.5 million or \$212.43 per square foot. The total project cost includes direct construction cost, architecture and support fees, furniture and equipment cost and contingency fees.

Administrative & legal	745,000
Land, structure and right of way appraisals etc.	26,000
Architectural and engineering fees	1,379,700
Other architectural and engineering fees	86,231
Project inspection fees	38,500
Site work	422,515
Construction	21,969,795
Equipment	2,057,918
Miscellaneous	1,043,288
Contingencies	802,482
Total	28,571,429
VA 65%	18,571,425

(continued)

LEGEND

RESIDENT CARE BUILDING

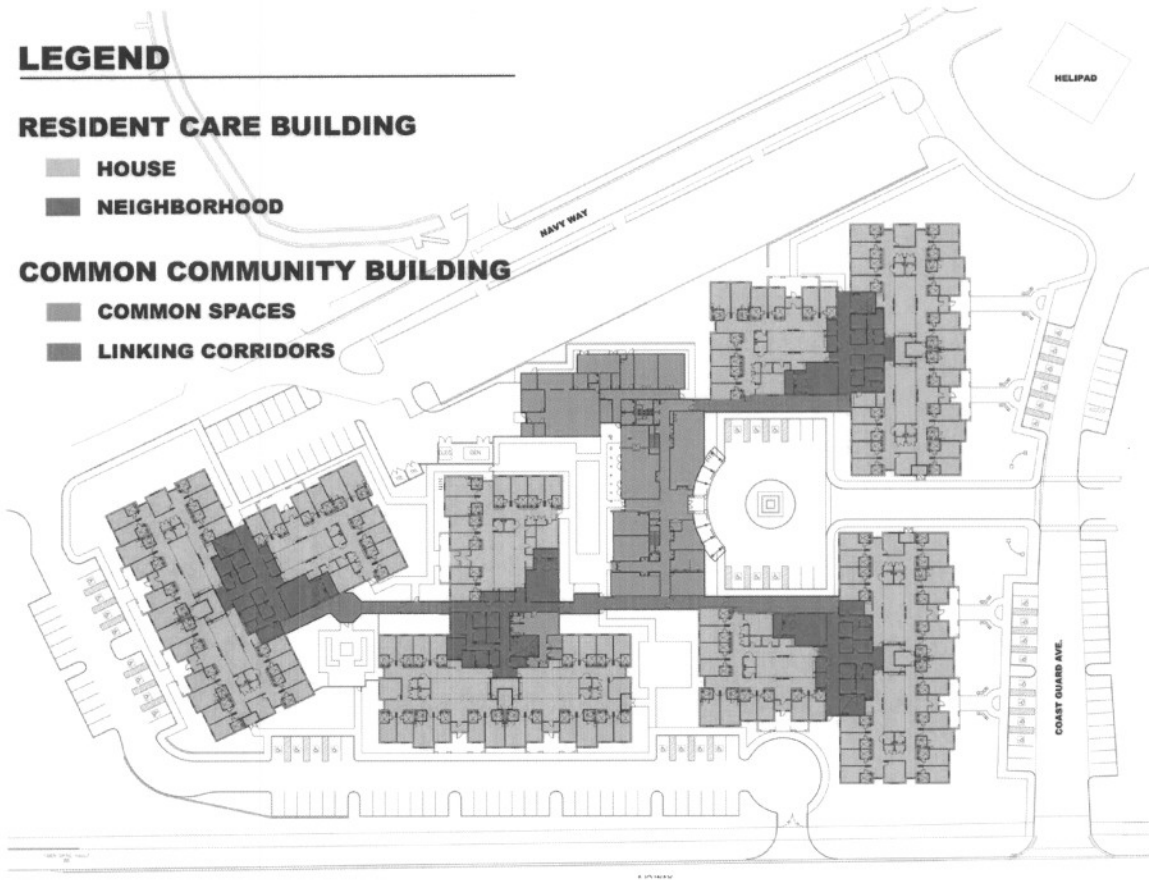
HOUSE

NEIGHBORHOOD

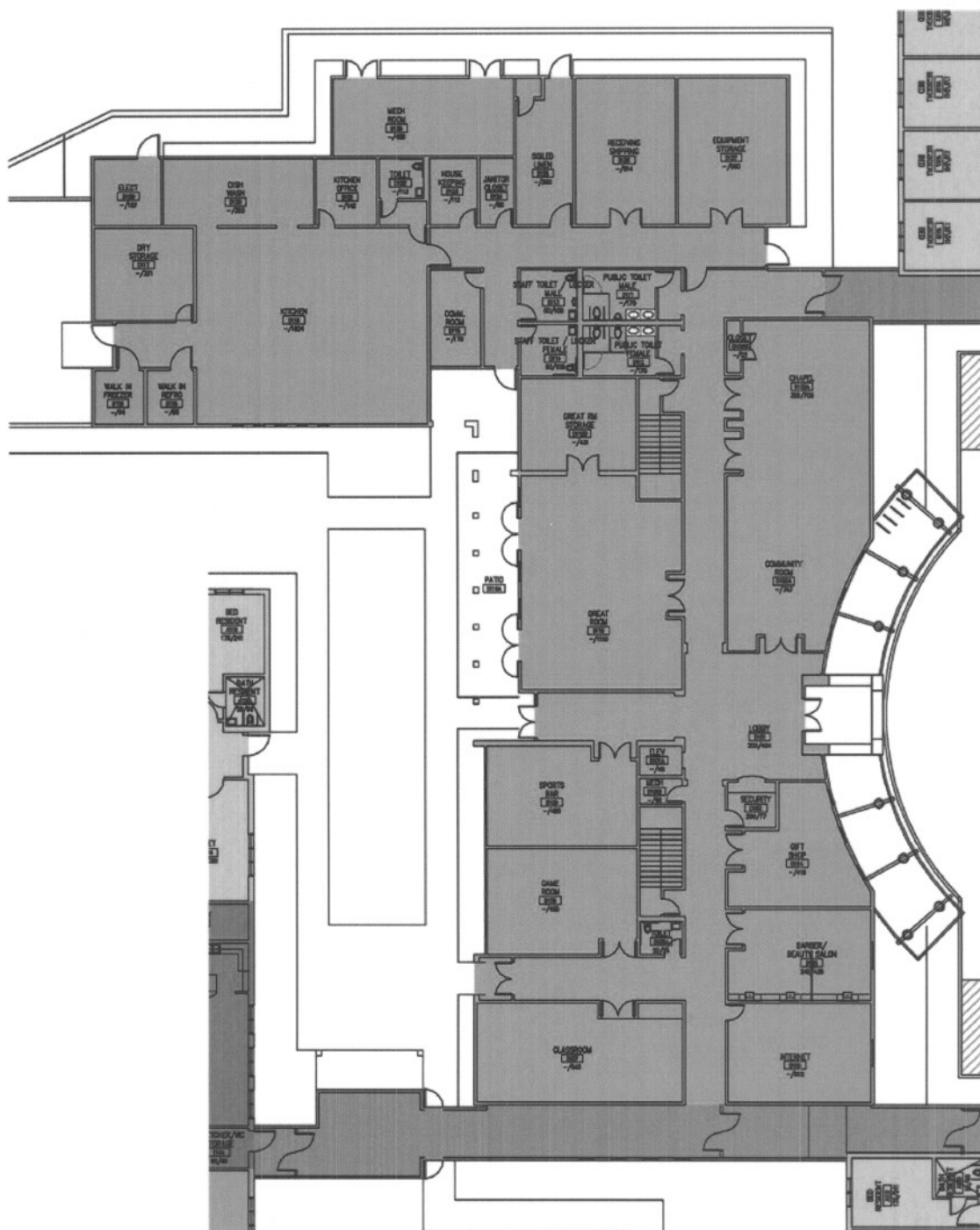
COMMON COMMUNITY BUILDING

COMMON SPACES

LINKING CORRIDORS



(continued)



Administration Building Common Areas
 Barber/Beauty shop-Gift-shop-Classroom- Game Room-Internet Room- Chapel
 Facility Kitchen
 Upstairs Administrative Offices

(continued)

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KYRSTEN SINEMA

DATE: September 15, 2009

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

THRU: Richard Stavneak, Director

FROM: Art Smith, Fiscal Analyst

SUBJECT: Arizona Department of Administration – Review of the Department of Health Services’
Arizona State Hospital Forensic Unit Project

Request

Pursuant to A.R.S. § 41-1252, the Arizona Department of Administration (ADOA) requests Committee review of the scope, purpose, and estimated cost of \$32.2 million for the construction of a new Forensic Unit at the Department of Health Services’ (DHS) Arizona State Hospital (ASH) in Phoenix. The Forensic Unit houses patients that have been charged with crimes and found not guilty by reason of insanity or guilty but insane.

The FY 2008 Capital Outlay Bill (Laws 2007, Chapter 257) authorized ADOA to enter into a lease-purchase agreement for up to 15 years for a maximum of \$32.2 million for construction of a new Forensic Unit at ASH. Pursuant to A.R.S. § 41-791.02, the Committee favorably reviewed and approved the Certificates of Participation (COPs) financing mechanism in December 2007. In April 2008, ADOA issued the COPs and received the proceeds.

At its June 2009 meeting, the Committee gave a favorable review for renovating ASH’s 24th Street entrance into the new secure main entrance for the entire campus with the provision that ADOA seek Committee review before beginning the rest of the project. At the June meeting, the Committee wanted to know how the cost per square foot compares with similar forensic units in mental health facilities; if there is flexibility in the design process that would help save money; and if there are elements of the project where the minimum standards have been exceeded. This agenda item addresses the project design and cost estimates.

Recommendation

The Committee has at least the following 2 options:

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

(Continued)

Analysis

Background

The FY 2008 Capital Outlay Bill authorized ADOA to construct a new Forensic Unit at ASH in Phoenix. The unit is currently housed in Juniper Hall, which is a 101,500 square foot, single story building that is 58 years old. This building was originally designed to house geriatric patients. Areas of the building are currently not being occupied due to plumbing system failures. A re-living study was conducted for this building by an engineering firm in January 2006. The firm concluded that it is not cost-effective to extend the useful life of the existing building.

In April 2008, ADOA issued \$32.2 million in COPs for a term of 15 years at an average interest rate of 4.8%. Total interest over the 15-year period is \$12.5 million, which means total interest plus total principal is \$44.7 million. The average annual debt service payment for this issuance is approximately \$3.1 million, which begins in FY 2010. One of the FY 2010 General Appropriation Acts (Laws 2009, 1st Regular Session, Chapter 12) includes this funding.

While the building has been described as being in critical need of replacement, ADOA and DHS have not been prompt in moving forward with this project. The funding was appropriated 2 years ago. ADOA claims that this project was complicated to design.

Proposed Plan

The main entrance for ASH is currently located along the Van Buren frontage road, and an additional entrance for the Civil Unit is located off of 24th Street. Based on JCCR's June review, ADOA is renovating the 24th Street entrance into the new secure main entrance for the entire campus so the Van Buren entrance would no longer be used. After this entrance project is completed, ADOA plans on constructing 100 new beds, which are expected to begin construction shortly and will be completed by December 2010.

The 100-bed facility will be made up of 5 20-bed units. The 5 units will be made up of 1 Intensive Care Unit, 1 Step-Down Unit, and 3 Acute Care Units.

ADOA is planning on constructing 2 more phases for this project. Phase II would consist of 60 more beds at an estimated cost of \$21.1 million. Phase III would consist of 40 more beds and the addition of 25,000 square feet for an estimated cost of \$10.5 million. However, funding has not been provided for the phase II and III projects.

CMAR

ADOA and the Construction Manager at Risk (CMAR) have completed 60% of the facility design and both the CMAR and an independent estimating firm have provided estimates of probable cost that are within the \$32.2 million budget.

In response to the Committee's inquiry at the June meeting concerning flexibility in the design process, the CMAR has an information database on construction costs for medical facilities due to its experience in participating in such projects. As a result of this database, the CMAR will be able to quickly evaluate prequalified subcontractors at 95% design completion with access to cost-effective materials to meet the project's cost and durability requirements.

In CMAR, ADOA competitively selects a General Contractor according to quality and experience. The General Contractor manages a construction project, including the associated architect and other subcontractors, from design to completion. The General Contractor chooses a qualified subcontractor for each trade based on qualifications alone or on a combination of qualifications and price.

(Continued)

Additionally, CMAR defines a Guaranteed Maximum Price (GMP). Usually the General Contractor must absorb almost all cost increases, except those caused by scope changes or unknown site conditions if a project comes in above the GMP. However, in this case, 1 of the 5 bed units will be deleted from the project if the GMP is over the \$32.2 million budget in order to ensure that the cost per bed amount does not exceed the original estimate. The GMP has already been obtained and is within the project budget.

In response to the Committee's inquiry at the June meeting concerning minimum standards being exceeded, ADOA claims that there have been no elements of the project where the minimum standards have been exceeded and that cost control has been a priority from the initial planning stages for the facility. ADOA states that the minimum required space assigned to each required function within the facility; when possible, was designed to serve multiple purposes in order to minimize the overall area; and building finishes were based upon both durability and ease of maintenance. ADOA has identified additional cost savings by re-using old perimeter material, limiting landscaping to small desert plants that require minimal irrigation, limiting finishes for walls and sidewalks and by limiting carpet to public access areas only.

Construction Costs

ADOA is projecting that the Forensic Unit will cost \$32.2 million, or \$423 per square foot. The total project cost includes direct construction costs, architecture and support fees, furniture and equipment costs, and contingency fees. The direct construction costs total \$26.5 million, or \$349 per square foot, which include labor, material costs, and contingency fees. This includes funding for 76,058 square feet of construction. A breakdown of the costs is identified in *Table 1*.

Table 1	
Arizona Department of Administration / Department of Health Services Arizona State Hospital – Forensic Unit Costs Projections ^{1/}	
	<u>Project Cost</u>
Land Acquisition	\$ 0
Professional Services	2,953,600
Construction Services (CMAR)	26,461,300
Separate Contracts	1,121,500
Project Support	509,700
Contingency	<u>1,153,900</u>
Total	\$32,200,000
^{1/} In total, construction estimates assume 76,058 square feet at an average cost of \$349 per square foot, including direct construction costs and contingency, or \$423 per square foot for the total project cost.	

In response to the Committee's inquiry at the June meeting concerning costs from comparable projects, ADOA states that the average price per square foot in other states that have recently constructed forensic units is \$269 (*See Table 2*). ASH's \$423 per square foot cost appears to be high when compared to construction costs in some other states.

Some of the cost difference may be due to forensic-only facilities having inherently higher costs due to heightened security expenses for forensic patients. With the exception of Oklahoma, the other states in the ADOA comparison have combined civil and forensic facilities (*See Table 2*).

ADOA contracted with an architect that has designed similar facilities in order to determine what this project may cost. Rather than estimate the cost per square foot, the architect estimated the cost per bed. The direct per bed cost for this project is \$265,000. The average cost per bed in other facilities is

(Continued)

approximately \$235,000. The direct per bed cost appears to be reasonable, as it is close to the per bed cost for facilities in other states.

Table 2 provides a breakdown of the costs per square foot in other states that have built forensic units.

Table 2						
ASH Forensic Unit v. Other States Cost Comparison ^{1/}						
<u>State</u>	<u>Year Completed</u>	<u>Budget (\$ in M)</u>	<u>Bed Count</u>	<u>Total Cost per Bed</u>	<u>Square Footage</u>	<u>Total Cost per Square Foot</u>
Arizona	In Design	\$32.2	100	\$322,000	76,058	\$423
Nevada	In Design	26.0	120	216,700	64,000	406
Maine	2004	33.0	92	358,700	129,000	256
Florida	2008	39.0	238	163,900	146,760	234
Oklahoma	2008	19.8	200	99,000	108,878	181
Michigan	2004	92.0	272	338,200	N/A	N/A
			Average	\$235,000		\$269
^{1/} Oklahoma is solely a forensic unit, while Nevada, Maine, Florida and Michigan have both forensic and civil units.						

ADOA states that the price variation is due to differing infrastructure costs. ADOA has also stated that while some of the costs in Table 2 indicate entire projects' costs, other costs shown are for construction only. Due to the difficulty in establishing comparisons across states, ADOA relies upon the CMAR and an independent contractor to estimate construction costs. According to ADOA, the current estimates are within the \$28 million budget that was established for construction and \$(2) million below an earlier estimate made by the CMAR.

RS/AS:sls

JANICE K. BREWER
Governor



WILLIAM BELL
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

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



July 14, 2009

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

Dear Senator Pearce:

The Arizona Department of Administration (ADOA) is responding to the June 22, 2009 letter from the Joint Committee on Capital that requests further information on the Department of Health Services (DHS) Forensic Hospital project.

How does the cost per square foot compare with similar forensic units in mental health facilities?

Based on survey results and the experience of the design team, ADOA has found the current estimated cost for the new Forensic Hospital to be comparable to that of other recently constructed similar facilities. In May 2008, ADOA and DHS began programming sessions with the architect, Jacobs, and the Construction Manager-at-Risk (CMAR), Gilbane. The initial programming sessions discussed the project budget and the available funding for construction. The Certificate of Participation (COP) funding provided \$32.2 million; \$29 million was allocated to the design, construction, fixtures, furniture and equipment for the new facility. Jacobs and their consulting mental health facility expert, Cannon, stated the nationwide average construction cost for similar facilities is \$300,000 or more per bed. Jacobs and Cannon recommended programming for a base 80- to 100-bed facility that would be constructible within the budget allowed. The resulting facility is \$230,000 per bed, or \$302 per square foot, for hard construction costs.

ADOA and DHS have surveyed other states for information on similar facilities, have consulted other architects who have designed similar facilities, and have obtained costs for similar facilities from an independent cost estimator, Rider Levett Bucknall. The results require some qualifications (Exhibit A).

States differ widely in program management and facility construction. Many states combined forensic and civil patient classifications into one facility and did not break out the cost difference for the higher security necessary for the forensic function. Each facility has varying infrastructure costs – some require extensive infrastructure improvements and some require almost none. Other states may have reported only construction costs per square foot and not the entire project cost per square foot. Few contemporary facilities are available for comparison; therefore, we have limited this report to facilities constructed in 2004 or later (more reliable results will be obtained when inflation indexes are applied to convert historical costs to current).

The current dollar average for states responding is \$399 per square foot, which is comparable to the current Arizona total project cost estimate of \$423. The range suggests that in some cases there are anomalies in figures reported or significant program differences to the Arizona facility. The project is currently carrying a 5% contingency for the construction estimate, so a 5.7% deviation is well within the acceptable range at the current level of design. If compared to other western states, a more accurate indicator, the Arizona facility at \$423 per square foot is 9% less than the western state average of \$469 per square foot.

Is there flexibility in the design process that would help save money?

Yes, the CMAR project delivery method chosen for this project is intended to maximize flexibility and provide the greatest value. The architect and CMAR are hired simultaneously and work together with the owner as a team during the project design. The architect, CMAR and owner jointly evaluate options for the various systems and materials to arrive at the most cost-effective solutions to meet the requirements of the project program.

Gilbane, the project CMAR, is experienced in the construction of medical facilities and has extensive database information on construction costs. As a result, Gilbane was quickly able to evaluate various material options for the construction of the new facility and to assist in selecting the most cost-effective material to meet the needs of initial cost and durability.

This value engineering process will continue to be applied through to the final design. The design is currently 60% complete; when 95% complete, Gilbane will solicit bids from prequalified subcontractors in an open-book process to select the best pricing for the project.

Are there elements of this project where the minimum standards have been exceeded?

No, ADOA and DHS have been diligent in the programming and design of the facility to not embellish the project and to adhere to the minimum requirements for the facility. Beginning with the initial programming for this facility, cost control has been of utmost

Russell Pearce
July 13, 2009
Page 3

importance. The minimum appropriate space was assigned to each required function. Whenever possible, a space was designed to serve multiple purposes in order to minimize the overall area. Building finishes have been selected based on durability and ease of maintenance: (1) all patient area walls are constructed of concrete block to prevent damage, (2) rubber base molding is eliminated in patient areas to prevent concealment of contraband, (3) floors in patient areas are sealed concrete for cleanliness and ease of maintenance, and (4) carpet is limited to staff areas, as patients can unravel carpet and use the threads to harm themselves or others. See Exhibit B for additional cost savings measures incorporated to date. Value engineering will continue through the final design and into construction to continually identify the most cost effective means to deliver the project.

Additional information on the project is enclosed. If you have any questions, please contact Lynne Smith, Assistant Director, General Services Division, at (602) 542-1427.

Sincerely,



William Bell
Director

Enclosures

cc: The Honorable John Kavanagh, Vice-Chairman, JCCR
Richard Stavneak, Director, JLBC Staff
Leatta McLaughlin, Principal Fiscal Analyst, JLBC Staff
Tom Manos, Deputy Chief of Staff for Finance, Governor's Office
Eileen Klein, Director, OSPB
John Cooper, Chief Executive Officer, ADHS
Donna Noriega, Chief Operating Officer, ADHS
Carlos Rodriguez, Assistant Chief Operating Officer, ADHS
Stanley Bates, Chief Security Officer, ADHS
Fernando Ortega, Administrator, ADHS
David Raber, Deputy Director of Operations, ADOA
Paul Shannon, Assistant Director, ADOA
Lynne Smith, Assistant Director, ADOA

EXHIBIT A

ARIZONA STATE HOSPITAL - NEW 100 BED FORENSIC HOSPITAL - COST COMPARISON - ARIZONA Vs OTHER STATES

STATE	YEAR COMPLETED	BUDGET	BED COUNT	COST/BED	ADJUSTED COST/BED CURRENT \$	SQUARE FOOTAGE	COST / SQUARE FOOT	ADJUSTED COST CURRENT \$	COMMENTS
								1.374	2004 PRICES ESCALATED BY A FACTOR OF 1.374; 2008 PRICES NO CHANGE
ARIZONA	IN DESIGN	32.2M	100	\$322,000	\$322,000	76,058	\$423	\$423	TOTAL BUDGET, INCLUDING INFRASTRUCTURE, DESIGN & CONSTRUCTION FOR FORENSIC, MAX SECURITY, HARDENED. (DESIGN DEVELOPMENT ESTIMATE PRIOR TO GMP.)
100 BED UNIT				\$230,030	\$230,030		\$302	\$302	CONSTRUCTION BUDGET ONLY
20 BED UNIT	IN DESIGN	3.5M	20	\$175,000	\$175,000	10,522	\$333	\$333	CONSTRUCTION COST FOR ONE ADDITIONAL 20' BED UNIT
SAN DIEGO	2008	59.7M	N/A	N/A	N/A	90,712	\$658	\$658	COUNTY MEDICAL AND FORENSICS CENTER 2-STORY, NOT GOOD COMPARISON
NEVADA	IN DESIGN	32M	50	\$640,000	\$640,000	63,423	\$504	\$504	FORENSIC, MAX. SECURITY / HIGH DESIGN / FANCY
CALIFORNIA	2004	400M	1500	\$266,666	\$366,399	1.2M	\$333	\$458	MEDIUM SECURITY
MISSOURI	2004	54M	166	\$325,301	\$446,984	180,000	\$300	\$412	MENTAL HEALTH CENTER
ARIZONA	IN DESIGN	32.2M	100	\$322,000	\$322,000	76,058	\$423	\$423	TOTAL BUDGET, INCLUDING INFRASTRUCTURE, DESIGN & CONSTRUCTION FOR FORENSIC, MAX SECURITY, HARDENED.
NEVADA	2008	26M	120	\$216,666	\$216,666	64,000	\$406	\$406	REGIONAL MEDICAL FACILITY, MAX SECURITY - CORRECTIONAL
MAINE	2004	33M	92	\$358,696	\$492,848	129,000	\$256	\$352	CIVIL & FORENSIC (BUILT ON PREVIOUS HOSPITAL SITE)
FLORIDA	2008	39M	238	\$163,865	\$163,865	148,760	\$234	\$234	CIVIL & FORENSIC
OKLAHOMA	2008	19.8M	200	\$99,000	\$99,000	108,878	\$181	\$181	FORENSIC
MICHIGAN	2004	92M	272	\$338,235	\$464,735	N/A	N/A	N/A	FORENSIC / PSYCHIATRIC-NON MEDICAL
WASHINGTON	2004	32M	240	\$150,000	\$206,100	135,500	\$266	\$365	THE SPECIFIC FACILITY TYPE WAS NOT INDICATED
			AVERAGE		\$341,858			\$399	(5.7%) DEVIATION FROM CURRENT ARIZONA ESTIMATE; THE CURRENT CONTINGENCY IS 5%
			WESTERN STATE AVERAGE		\$350,233			\$469	ARIZONA, CALIFORNIA, NEVADA AND WASHINGTON
			DEVIATION FROM ARIZONA		9%			11%	WESTERN STATES ONLY (ARIZONA, CALIFORNIA, NEVADA, WASHINGTON)
NOTES:									
1) None of the projects listed outside of Arizona referenced LEED requirements as mandated by ARS 34-451 and Arizona Executive Order 2005-05. LEED requirements add to design and construction costs but reduce operating costs.									
2) Regional comparisons seem to be within reason (California 2004, Nevada 2008)									
3) Current estimates for Arizona are based on 60% Design Phase. The final construction documents will provide a guaranteed maximum price (GMP) which should be less, reflecting the current construction market, which at present is in a "trend of deflationary momentum".									
4) Rider Levett Bucknall, Quarterly Construction Report for 2nd Quarter for 2009, which tracks the true bid cost of construction, indicates that construction spending was 10.9% below the same period in 2008 (January-February).									

EXHIBIT B

ARIZONA STATE HOSPITAL COST-SAVING MEASURES FOR THE NEW 100-BED FORENSIC HOSPITAL

PROGRAMMING ISSUES

- Designed for the treatment and rehabilitation of patients as well as for the safety and security of patients and staff. (Non existent in present facility)
- Designed to "Silver" LEED Standards per Governor's Executive Order 2005-05 "Implementing Renewable Energy and Energy Efficiency in New State Buildings" and to A.R.S. §34-451 for energy conservation.
- No kitchen (ASH uses Central Dietary, managed by private company).
- No Chapel (Religious Worshipping) Services will be performed in other meeting rooms.
- No swimming pool.
- No tennis courts
- Sports Courts: the project is designed with three exterior multi-purpose courts (half-court basketball or volleyball with concrete surface) and one interior multi-purpose gym space (half-court basketball or volleyball).
- Therapy Mall: various therapy functions will be made available to the different patient groups outside of their individual patient wings in one common building. The following functions will be provided in various multi-purpose rooms: teaching/education, library, music, sewing crafts, games, gardening and exercise rooms. The design also includes exterior garden plots for each unit.
- Reuse of existing exercise equipment.
- Reuse of existing currently vacant Commissary Building – this building will be remodeled into a new hearing room and offices for the Psychiatric Social Review Board (PSRB)

PERIMETER FENCE

- Re-using 90% of existing fence material.
- No razor ribbon wire.
- Re-using existing sliding gates and security equipment.

LANDSCAPE

- Minimal, desert plants 6" to 18".
- No grass.
- No sprinkler system.
- No boulders.
- Drip irrigation for minimal watering of small plants.

BUILDING EXTERIOR

- No paint on exterior block wall, smooth-face concrete block, sealer only (waterproof).
- No large areas of glazing to avoid breakage and injury or escape.
- Exterior walkways have been designed to minimal widths and avoiding rounded or curved edges.
- No fancy sidewalk finishes. Concrete - slip resistant only.

BUILDING INTERIOR

- Room sizes have been designed to minimal code requirements to meet the Joint Commission on the Accreditation of Healthcare Organizations (JCAHO) standards.
- Nurse stations have been designed for 24-hour observation to all patient areas with minimum staffing.
- No acoustical ceilings in corridors or patient areas.
- No cove base in patient areas (a security concern to avoid concealment of contraband).
- No floor or wall ceramic tile in patient toilets and showers (a security concern for safety and to prevent the concealment of contraband).
- Toilets are floor mounted to avoid vandalism.
- Carpet in staff areas only.
- Vinyl floor tile limited to nurses station, medicine room, dinning room.
- All other floor areas to be sealed and stained concrete.
- No garbage disposals for the entire facility.
- No walk-in freezers for storing food.

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
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CHUCK GRAY
AL MELVIN

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

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DAVID SCHAPIRA
KYRSTEN SINEMA

DATE: September 15, 2009

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

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Principal Fiscal Analyst

SUBJECT: Arizona Department of Administration – Review of FY 2010 Building Renewal Projects

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies prior to expenditure. The Arizona Department of Administration (ADOA) requests the Committee favorably review the \$1,000,000 appropriation for FY 2010 building renewal projects (Laws 2009, 1st Regular Session, Chapter 10).

In prior years, ADOA submitted specific sets of projects for review. However, due to limited funding, ADOA believes they cannot commit to any specific projects in advance. They intend to expend funds on emergency projects as the need arises.

Recommendation

The JLBC Staff recommends the Committee give a favorable review for ADOA to expend \$1,000,000 on building renewal emergency projects as the need arises with the following provisions:

1. ADOA notify the Chairman and JLBC Staff as they identify specific projects.
2. The Chairman will notify ADOA if he does not agree that the project is an emergency and will request that the Committee review the project.

An “emergency” project is defined as unforeseen, critical in nature, and of immediate time sensitivity.

Analysis

Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. The appropriations are based on support of a formula that was determined by JCCR in 1986. The formula takes into account the replacement value, age, and life-cycle of a building. ADOA is appropriated \$1,000,000 from COSF in FY 2010 to fund 3% of the building renewal formula. ADOA was originally appropriated \$6,100,000 from COSF in FY 2009 to fund 20% of the formula, however, ADOA was left

(Continued)

with \$899,300 to spend due to statewide budget reductions. In FY 2008, ADOA was appropriated \$7,257,100 from COSF to fund 26% of the formula.

ADOA has submitted a list of the most urgent projects, which total \$8,231,000 (see *Table 1*). In seeking review of \$1,000,000 in emergency authority, however, ADOA would not be limited to this list should an unforeseen event arise.

Table 1	
FY 2010 Building Renewal Projects	
<u>Building Services</u>	
Supreme Court Chiller	\$ 2,050,000
Exec. Tower/House/1740 W. Adams Main Electrical	900,000
15 S. 15 th Ave. Cooling Tower/Water Pumps/Elevators/Core Pumps	815,000
Exec. Tower Air Handlers/AC/EMS Controllers/Gearbox	438,000
House and Senate Air Handlers	345,000
1616 W. Adams Turbo Module Chiller	300,000
1535 W. Jefferson Air Handler	260,000
1818 W. Adams Air-Cooled Chiller	170,000
1535/1601/1645 W. Jefferson EMS Controllers/Hot Water	130,000
1200/1300/1400 W. Washington Gearbox	100,000
Doubletree Ranch Rd. Heat Pumps	100,000
Kingman Office Gas Packs	100,000
1520/1624/1688 W. Adams Hot Water Heating Units	90,000
1600 W. Monroe Chilled Water/Gearbox	60,000
1831 W. Jefferson Compressor Unit	50,000
10 Mechanical Room Refrigerant Leak Detection Systems	50,000
2910 N. 44 th St. Heat Pumps	44,000
1688 W. Adams/250 N. 17 th Ave. Variable Frequency Drives	30,000
1919 W. Jefferson Evaporative Coolers	25,000
1510 W. Adams Gearbox	20,000
1789 W. Jefferson Packing Glands	4,000
	<i>Subtotal</i> \$6,081,000
<u>Building Shell</u>	
Exec. Tower Roof Replacement/Re-Caulk Joints	\$ 925,000
1535/1601/1645 W. Jefferson Roof Replacement	450,000
1535 W. Jefferson Windows Resealing	180,000
1740 W. Adams Joints & Windows Resealing	150,000
Doubletree Ranch Rd. Roof Repairs	60,000
House & Senate Roof Repairs	55,000
	<i>Subtotal</i> \$ 1,820,000
<u>Fire and Life Safety</u>	
1502 W. Washington Fire Alarm System Repair	\$ 45,000
<u>Building Infrastructure</u>	
ADOA Capitol Mall Sewage Pumps/Liners/Piping Replacement	\$ 200,000
1616/1624/1688/1740 W. Adams Sewage Piping Replacement	85,000
	<i>Subtotal</i> \$ 285,000
	TOTAL ^{1/} \$8,231,000
^{1/} ADOA has also identified the following projects they think may fail in FY 2010, but they did not provide cost estimates for these projects: elevator repairs at Capital Mall buildings and fire alarm system repairs at 1616 & 1716 W. Adams, 1400 & 1502 W. Washington, and the Executive Tower.	

JANICE K. BREWER
Governor



DAVID RABER
Interim Director

ARIZONA DEPARTMENT OF ADMINISTRATION

GENERAL SERVICES DIVISION

100 N 15TH AVE, SUITE 202
PHOENIX, ARIZONA 85007
(602) 542-1427



August 21, 2009

The Honorable Russell Pearce, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 W. Washington
Phoenix, AZ 85007

Dear Senator Pearce:

The Arizona Department of Administration (ADOA) requests that the Joint Committee on Capital Review review the FY 2010 Building Renewal allocation for the ADOA Building System. The FY 2010 allocation plan with supporting information is attached.

If you have any questions, please contact Lynne Smith, Assistant Director, General Services Division, at (602) 542-1427.

Sincerely,

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

David Raber
Interim Director

Attachments

- c: Honorable John Kavanagh, Vice-Chair, JCCR
- Richard Stavneak, Director, JLBC
- Leatta McLaughlin, Senior Fiscal Analyst, JLBC
- Eileen Klein, Deputy Chief of Staff for Finance
- Paul Shannon, Assistant Director, ADOA
- Lynne Smith, Assistant Director, ADOA
- Nola Barnes, General Manager, ADOA

ADOA Building System FY 2010 Building Renewal Allocation Plan

The Arizona Department of Administration (ADOA) received a FY 2010 Building Renewal appropriation of \$1,000,000 from the Capital Outlay Stabilization Fund (COSF) for the ADOA Building System. The allocation plan for this appropriation is described below.

Facilities Emergencies (\$1,000,000)

The ADOA Building System has \$318 million of backlogged capital maintenance. Major equipment breakdowns, system failures, and physical plant shutdowns have become increasingly common, if not routine. Attachment 1 is a list of just over \$8 million in specific building components that ADOA anticipates may fail this year, based on the age and condition of the equipment. In this current climate, ADOA has allocated the FY 2010 Building Renewal allocation exclusively to address facilities emergencies.

Emergencies are by nature unpredictable, so additional components or systems will fail in FY 2010, while many of the components and systems identified in Attachment 1 will continue to function. The amount appropriated is insufficient to address all required repairs, so ADOA will address emergencies as they occur, prioritizing life/safety, ability of agencies to function, and the preservation of State assets.

The Building Renewal formula adopted by the Legislature estimates the cost of major maintenance required each year to keep buildings in their current condition. Because the formula has not been fully funded, the buildings are currently in a deteriorated condition and would require funding in excess of the formula amount to restore them to efficient operating condition. Attachment 2 compares the Building Renewal formula amounts for the ADOA Building System with the amounts appropriated, and also shows the annual emergency expenditures since FY 2006. This chart helps illustrate the funding crisis for major maintenance in the ADOA Building System, which has led to an increasing number of facility emergencies.

Attachment 3 illustrates how the amount of building renewal funding spent on emergencies has increased over the past four years – from \$394,905 in FY 2006 to \$1,216,210 in FY 2009. As the building conditions continue to decline, ADOA expects the number of failures to continue to increase. ADOA will act proactively to minimize damage and costs whenever possible.

The \$1,000,000 allocated for emergency projects includes any associated costs for project management and insurance, as described below.

Project Management

In accordance with a footnote in the FY 2010 Capital Outlay Bill, ADOA will allocate up to \$275,000 in Personal Services and Employee Related Expenditures for up to 5 FTE Positions to provide project management for emergency building renewal projects. The final allocation will depend on the actual time required to manage repairs for the emergencies that occur.

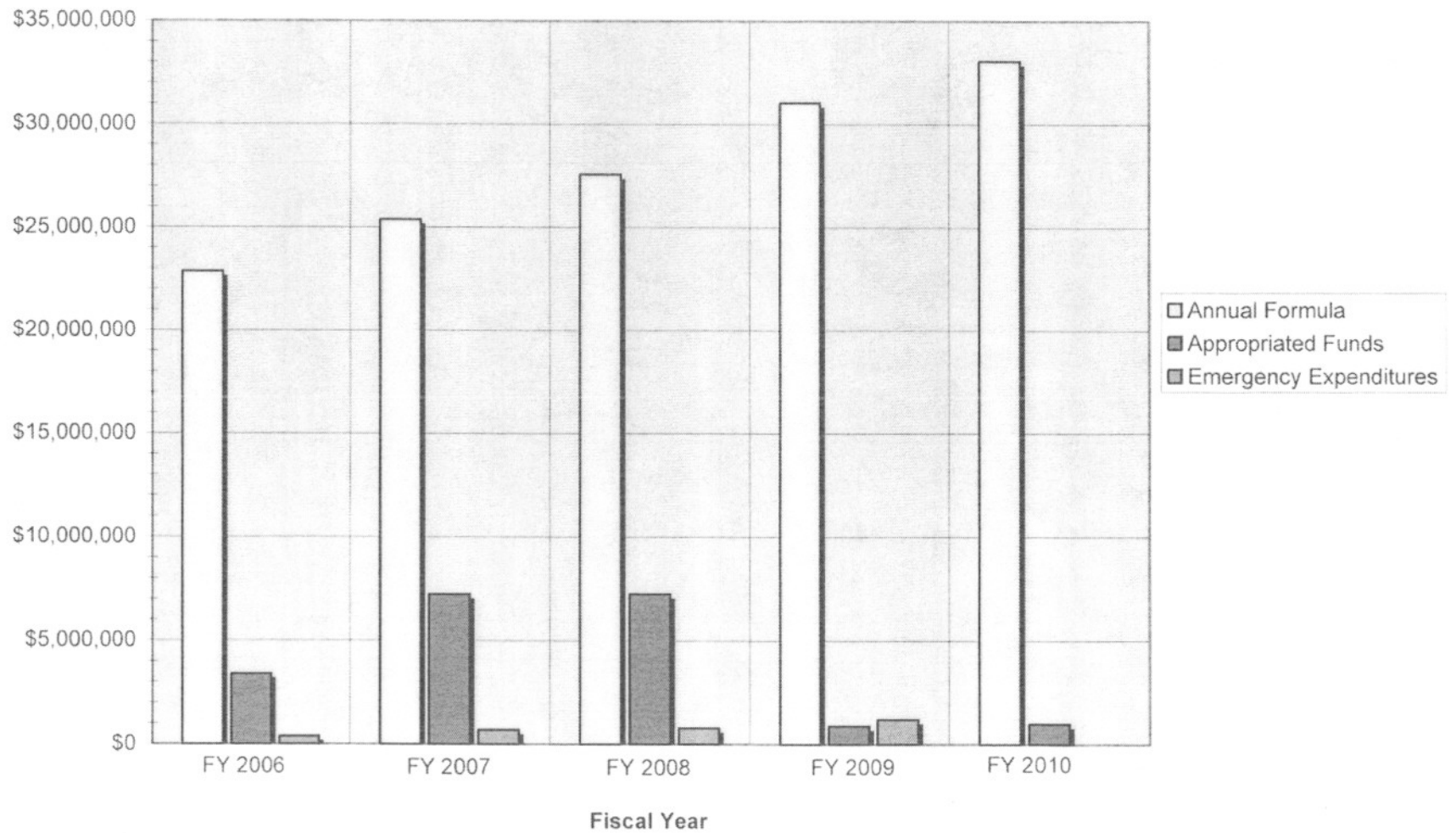
Construction Insurance

ADOA will transfer 0.34% of project-specific contracted architect or engineer services to the Construction Insurance Fund established for use by Risk Management to insure State construction losses. Assuming roughly \$350,000 in applicable architect and engineering contracts (AIA Contracts) will be required for FY 2010 emergencies, the estimated annual Construction Insurance cost is \$1,200.

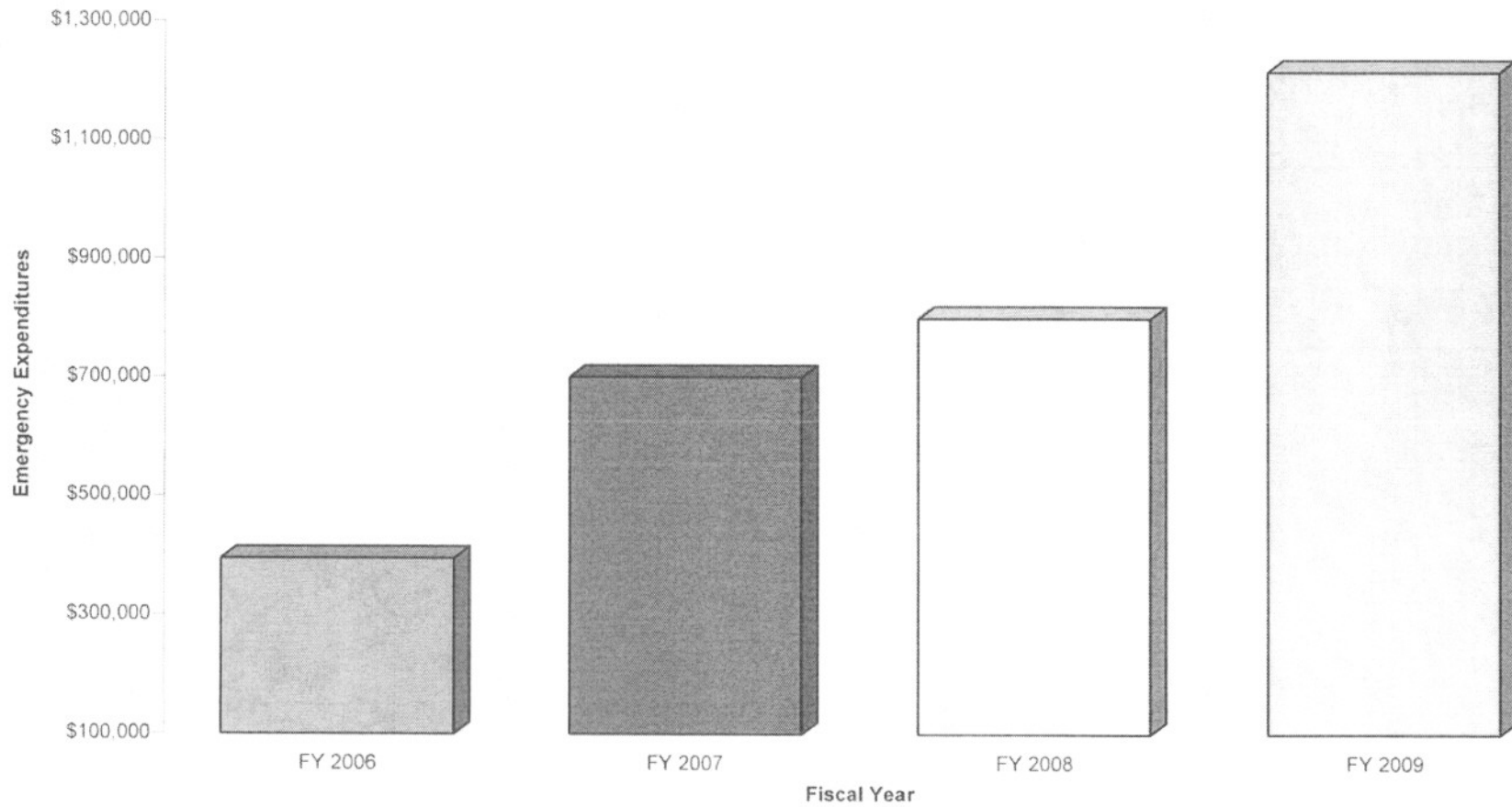
Attachment #1	
FY 2010 IMMINENT REPAIRS AND REPLACEMENTS	
DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM (ADOA Owned & Managed Only)	
Project Name	Approximate Project Cost
Building Services	
Replace Supreme Court chiller	\$2,000,000
Repair Supreme Court chiller; pending replacement	\$50,000
Replace 4 5-ton gas packs w/economizers, 519 E Beale, Kingman office building	\$100,000
Replace 60 ton a/c system, 9th floor, 1700 Executive Tower	\$200,000
Replace 14 ton two stage split a/c unit, 2nd floor protocol room, 1700 Executive Tower	\$30,000
Replace 2 air handlers-lobby, 1700 Executive Tower	\$175,000
Replace cooling tower and 10 water source heat pumps, 15 S. 15th Ave	\$375,000
Replace 2 large air handlers, 1700 House and Senate	\$345,000
Replace air handler #1, 1535 W. Jefferson	\$260,000
Replace 10 evaporative coolers, 1919 W. Jefferson	\$25,000
Repair and/or renovate 2 garage elevators, 15 S. 15th Ave	\$400,000
Repair 10 mechanical room refrigerant leak detection systems	\$50,000
Replace 15 heat pumps, 9535 & 9545 E. Doubletree Ranch Rd.	\$100,000
Replace 30 ton 2 compressor unit, 1831 W. Jefferson	\$50,000
Replace EMS controllers, 1535, 1601& 1645 W. Jefferson	\$40,000
Replace main electrical distribution (SES) 1700 Executive Tower, House, 1740 W. Adams	\$900,000
Replace 2 packing glands, 1789 W. Jefferson	\$4,000
Replace 150 ton air-cooled chiller, 1818 W. Adams	\$170,000
Replace failed Variable Frequency Drives, 1688 W. Adams	\$5,000
Replace 5 failed Variable Frequency Drives, 250 N. 17th Ave	\$25,000
Replace EMS controllers, 1700 Executive Tower	\$13,000
Replace failed 250 ton turbo module chiller, 1616 W. Adams	\$300,000
Replace hot water heating units, 1624 & 1688 W. Adams	\$60,000
Replace and/or repair hot water heating units, 1520 W. Adams	\$30,000
Replace and/or repair hot water heating units, 1535, 1601& 1645 W. Jefferson	\$90,000
Replace chilled water & condenser control valves, 1600 W. Monroe	\$20,000
Replace 20 heat pumps, 2910 N. 44th Street	\$44,000
Replace 2 circulating core pumps, 15 S. 15th Ave	\$40,000
Replace 5 gearbox and motor shafts, 1200, 1300 & 1400 W. Washington	\$100,000
Replace 1 gearbox and motor shaft, 1510 W. Adams	\$20,000
Replace 2 gearbox and motor shaft, 1600 W. Monroe	\$40,000
Replace 1 gearbox and motor shaft, 1700 Executive Tower	\$20,000
Repair elevators; capital mall buildings	Unknown (see note)
Subtotal Building Services:	\$6,081,000
Building Shell	
Re-caulk expansion joints, 1700, Executive Tower	\$700,000
Reseal windows, 1535 W. Jefferson	\$180,000
Re-seal expansion joints & windows, 1740 W. Adams	\$150,000
Repair roofs, 9535 & 9545 E. Doubletree Ranch Rd.	\$60,000
Replace south run roofs, 1601, 1645, and 1535 W. Jefferson	\$450,000
Replace roof, 1700 Executive Tower	\$225,000
Repair roofs, 1700 House & Senate	\$55,000

FY 2010 IMMINENT REPAIRS AND REPLACEMENTS	
DEPARTMENT OF ADMINISTRATION BUILDING SYSTEM (ADOA Owned & Managed Only)	
Subtotal Shell:	\$1,820,000
Fire & Life Safety	
Repair fire alarm system 1616 W. Adams	Unknown (see note)
Repair fire alarm system 1716 W. Adams	Unknown (see note)
Repair fire alarm system 1400 W. Washington	Unknown (see note)
Repair fire alarm system 1700 Executive Tower	Unknown (see note)
Repair fire alarm system 1502 W. Washington, Mines and Minerals	\$45,000
Subtotal Fire & Life Safety:	\$45,000
Building Infrastructure	
Replace 10 sewage ejector pumps, liners, controls, & piping, ADOA Capital Mall	\$200,000
Repair interior cast iron sewage piping, 1616, 1624, 1688, & 1740 W. Adams office buildings	\$85,000
Subtotal Infrastructure:	\$285,000
Approximate Total Probable Imminent Repairs and Replacements:	\$8,231,000
This list reflects imminent repairs and replacements in ADOA owned and managed buildings. The order in which these will fail is unknown. ADOA forecasts of imminent equipment failures are regularly surpassed by unpredicted incidents.	
For FY2010, ADOA was appropriated \$1,000,000 from COSF, which consists of rent payments by agencies that occupy ADOA buildings. This list does not reflect any repairs and replacements for the balance of agencies in the ADOA Building System.	
Fire alarm repairs are increasingly common. Existing systems are obsolete or unsupported; requiring expensive custom retrofit of parts and labor intensive repairs until systems can be replaced.	
Elevator repairs are increasingly common. Some elevators have outlived their useful lives; requiring expensive custom retrofit of parts.	

Attachment #2
Building Renewal Formula; Approps; Emergency Allocations FY 2006 - FY 2009



Attachment #3
Emergency Building Renewal Expenditures FY 2006 - FY 2009¹



¹ Amounts shown reflect actual expenditures from July 1 to June 30 each year. The mix of appropriation years for the monies used to fund the emergency repairs varies each year.

STATE OF ARIZONA

Joint Committee on Capital Review

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SYLVIA ALLEN
JORGE LUIS GARCIA
CHUCK GRAY
AL MELVIN

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

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KYRSTEN SINEMA

DATE: September 15, 2009

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

THRU: Richard Stavneak, Director

FROM: Dan Hunting, Fiscal Analyst

SUBJECT: Arizona Department of Administration – Consider Recommending FY 2010 Quarterly
Rent Payments and Rent Exemption

Request

A.R.S. § 41-792.01D authorizes the Director of the Arizona Department of Administration (ADOA), on recommendation from the Joint Committee on Capital Review, to exempt an agency from paying its full state-owned space rent at the beginning of the fiscal year. ADOA requests the Committee recommend allowing the Office of Pest Management, the Board of Homeopathic and Integrated Medicine Examiners, and the Board of Equalization to make payments at the end of each quarter in FY 2010 instead of 1 annual payment due by the beginning of FY 2010. Additionally, ADOA requests that the Committee recommend a partial rent exemption for the Personnel Board in FY 2010.

Recommendation

The JLBC Staff recommends that the Committee recommend the proposed payment plans for FY 2010 for the Office of Pest Management, the Board of Homeopathic and Integrated Medicine Examiners, and the Board of Equalization and the rent exemption for the Personnel Board.

Analysis

Office of Pest Management

The Office of Pest Management rents 9,457 square feet of state-owned office space at 9535 E. Doubletree Ranch Rd. in Scottsdale. The total FY 2010 rent is \$197,900. The agency's proposal would result in 4 payments of \$49,475 in September 2009, December 2009, March 2010, and June 2010. The agency is requesting the alternative payment plan because of cash flow issues.

Board of Homeopathic and Integrated Medicine Examiners

The Board of Homeopathic and Integrated Medicine Examiners rents 291 square feet of state-owned office space at 1400 W. Washington in Phoenix. The total FY 2010 rent is \$6,000. The agency's

(Continued)

proposal would result in 4 payments of \$1,500 in September 2009, December 2009, March 2010, and June 2010. The board is also requesting the alternative payment plan because of cash flow issues.

Board of Equalization

The Board of Equalization rents 3,321 square feet in a Privatized Leased-to-Own (PLTO) building at 100 N. 15th Avenue in Phoenix. The total FY 2010 rent is \$70,000. The agency's proposal would result in 4 payments of \$17,500 in September 2009, December 2009, March 2010, and June 2010. The board is also requesting the alternative payment plan because of cash flow issues.

Personnel Board

The Personnel Board has relinquished 85 square feet of storage space at 1400 W. Washington in April 2009, which has subsequently been leased to the State Board of Dispensing Opticians. ADOA is recommending a \$600 reduction in the Personnel Board's rent. Effective July 1, 2009 rent for this space will be paid by the Board of Dispensing Opticians.

Rent payments for the Office of Pest Management, the Board of Homeopathic and Integrated Medicine Examiners, and the Personnel Board are deposited into the Capital Outlay Stabilization Fund, which helps defray building renewal expenses and ADOA operating costs. Rent payments for the Board of Equalization are deposited into the PLTO Fund, which operates, maintains, and makes annual payments on PLTO buildings.

RS/DH:ss

JANICE K. BREWER
Governor



WILLIAM BELL
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

GENERAL SERVICES DIVISION

100 N 15TH AVE, SUITE 202
PHOENIX, ARIZONA 85007
(602) 542-1427



July 17, 2009

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

Dear Senator Pearce:

The Arizona Department of Administration (ADOA) requests that the Joint Committee on Capital Review (JCCR) recommend quarterly rent payments for the Office of Pest Management (OPM). OPM occupies office space in the state-owned building at 9535 E. Doubletree Ranch Road in Scottsdale. OPM has made this request for quarterly payments because of issues with cash flow.

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

If you have any questions please contact Lynne Smith, Assistant Director, General Services Division, at (602) 542-1427.

Sincerely,

A handwritten signature in cursive script, appearing to read "William Bell".
William Bell
Director

- c: Honorable John Kavanagh, Vice-Chair, JCCR
Tom Manos, Deputy Chief of Staff for Finance
Richard Stavneak, Director, JLBC Staff
Leatta McLaughlin, Senior Fiscal Analyst, JLBC Staff
Eileen Klein, Director, OSPB
Ellis Jones, Director, Office of Pest Management
Paul Shannon, Assistant Director, ADOA
Lynne Smith, Assistant Director, ADOA
Barbara Pipkin, General Manager, ADOA

JANICE K. BREWER
Governor



DAVID RABER
Interim Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

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



September 2, 2009

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

Dear Senator Pearce:

The Arizona Department of Administration (ADOA) requests that the Joint Committee on Capital Review (JCCR) recommend quarterly rent payments in FY 2010 for the Board of Homeopathic and Integrated Medicine Examiners (the Board). The Board occupies office space in the state-owned building at 1400 W. Washington in Phoenix. The Board has made this request for quarterly payments because of issues with cash flow.

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

If you have any questions please contact Lynne Smith, Assistant Director, General Services Division, at (602) 542-1427.

Sincerely,

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

David Raber
Interim Director

- c: The Honorable John Kavanagh, Vice-Chair, JCCR
Richard Stavneak, Director, JLBC Staff
Leatta McLaughlin, Principal Fiscal Analyst, JLBC Staff
Eileen Klein, Deputy Chief of Staff for Finance
Bret Cloninger, Assistant Director, OSPB
Jennifer Uharriet, Budget Analyst, OSPB
Chris Springer, Executive Director, Board of Homeopathic and Integrated Medicine Examiners
Paul Shannon, Assistant Director, ADOA
Lynne Smith, Assistant Director, ADOA
Barbara Pipkin, General Manager, ADOA
Nola Barnes, General Manager, ADOA

JANICE K. BREWER
Governor



DAVID RABER
Interim Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

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

September 8, 2009

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



Dear Senator Pearce:

The Arizona Department of Administration (ADOA) requests that the Joint Committee on Capital Review (JCCR) recommend quarterly rent payments in FY 2010 for the Arizona State Board of Equalization (the Board). The Board occupies office space in a Privatized Leased to Own (PLTO) building at 100 N. 15th Avenue in Phoenix. The Board has made this request for quarterly payments because of issues with cash flow.

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

If you have any questions please contact Lynne Smith, Assistant Director, General Services Division, at (602) 542-1427.

Sincerely,

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

David Raber
Interim Director

- c: The Honorable John Kavanagh, Vice-Chair, JCCR
Richard Stavneak, Director, JLBC Staff
Leatta McLaughlin, Principal Fiscal Analyst, JLBC Staff
Eileen Klein, Deputy Chief of Staff for Finance
Bret Cloninger, Assistant Director, OSPB
Jennifer Uharriet, Budget Analyst, OSPB
John A. Greene, Chairman, Arizona State Board of Equalization
Paul Shannon, Assistant Director, ADOA
Lynne Smith, Assistant Director, ADOA
Barbara Pipkin, General Manager, ADOA
Nola Barnes, General Manager, ADOA

JANICE K. BREWER
Governor



DAVID RABER
Interim Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

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

September 2, 2009

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



Dear Senator Pearce:

The Arizona Department of Administration (ADOA) requests that the Joint Committee on Capital Review (JCCR) recommend a partial rent exemption for the Personnel Board (the Board). The Board occupies office space in the state-owned building at 1400 W. Washington in Phoenix. The Board relinquished 85 square feet of storage space that ADOA subsequently leased to the State Board of Dispensing Opticians, which will assume responsibility for the rent.

Arizona Revised Statutes §41-792.01 provides that the rental fee authorized for state agencies occupying state-owned buildings is the greater of the amount included in each agency's annual operating budget or the pro rata amount based on actual occupancy. If a state agency does not occupy or vacates state-owned space after the beginning of the fiscal year, the Director of ADOA, on recommendation of JCCR, may authorize a whole or partial exemption from payment of the rental fee. Based on the above authority, ADOA requests that JCCR recommend reducing the Board's rent by \$600.

If you have any questions please contact Lynne Smith, Assistant Director, General Services Division, at (602) 542-1427.

Sincerely,

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

David Raber
Interim Director

- c: The Honorable John Kavanagh, Vice-Chair, JCCR
Richard Stavneak, Director, JLBC Staff
Leatta McLaughlin, Principal Fiscal Analyst, JLBC Staff
Eileen Klein, Deputy Chief of Staff for Finance
Bret Cloninger, Assistant Director, OSPB
Jennifer Uharriet, Budget Analyst, OSPB
Judy Henkel, Executive Director, Personnel Board
Paul Shannon, Assistant Director, ADOA
Lynne Smith, Assistant Director, ADOA

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

RUSSELL K. PEARCE
CHAIRMAN 2009
PAULA ABOUD
AMANDA AGUIRRE
SYLVIA ALLEN
JORGE LUIS GARCIA
CHUCK GRAY
AL MELVIN

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

HOUSE OF
REPRESENTATIVES

JOHN KAVANAGH
CHAIRMAN 2010
RICH CRANDALL
DAVID LUJAN
JOHN MCCOMISH
NANCY MCLAIN
DAVID SCHAPIRA
KYRSTEN SINEMA

DATE: September 21, 2009

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

THRU: Richard Stavneak, Director

FROM: Leah Kritzer, Fiscal Analyst

SUBJECT: Northern Arizona University - Review of Health and Learning Center, Police
Relocation, and Utilities Extension Bond Projects

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Northern Arizona University (NAU) requests Committee review of a \$114.3 million system revenue bond of which \$107.0 million is for a Health and Learning Center, \$750,000 is for the relocation of the NAU Police Department, and \$6.5 million is for their utilities extension project.

Recommendation

The Committee has at least the following 2 options:

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

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

Standard University Financing Provisions:

- NAU shall report to the Committee before expenditure of any allocations that exceed the greater of \$1,000,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. NAU shall also report to the Committee before any reallocation exceeding \$1,000,000 among the individual planned renovations, renewals, or extensions.
- NAU shall submit for Committee review any allocations that exceed the greater of \$1,000,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, NAU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.

(Continued)

- 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.
- NAU shall not use bonding to finance any costs whose typical life span is less than the bond repayment period. The exceptions to this stipulation are circumstances where such repairs are required to complete a major renovation.

Analysis

Background

Health and Learning Center

NAU proposes to fund a new Health and Learning Center, which includes renovating the current recreation center, constructing an addition for the recreation center, demolishing and rebuilding the Lumberjack stadium, and relocating the current health center and disability resources office.

The university states that the proposed project will address overcrowding and inaccessibility issues at both the health and recreation centers. NAU notes that demand for intramural activities exceeds available gym space and student access to the weight room must be regulated by a ticketing system. They state the current health center does not have enough examination rooms to provide services to students. Additionally, the university states the proposed project will address NCAA Title IX compliance issues. These include not having a separate locker room for officials and visiting sports teams or a separate locker room for its women's soccer team as it does for its men's team.

The proposed Health and Learning Center project would be approximately 267,000 square feet, including 71,000 square feet of classroom space, 107,000 square feet of recreation space (39,000 square feet for renovations and 68,000 square feet for new construction), 32,000 square feet for NCAA athletic programs, and 57,000 square feet for health and wellness service space. *Table 1* displays the estimated project costs associated with the Health and Learning Center project.

Table 1	
Northern Arizona University Health and Learning Center Project Costs	
<u>Project</u>	<u>Total Project Cost (\$ in millions)</u>
Recreation Space	\$ 42.8
Classroom Space	27.7
Health and Wellness Services Space	22.5
NCAA Program Space	13.7
Issuance Costs	<u>0.3</u>
Total	\$107.0

- The university currently houses its Fronske Health Center in a 13,700 square foot stand-alone building on campus, which provides medical and mental health services to its students. NAU's disability resource office is located in a separate campus building with 6,200 square feet of space it shares with the performing arts program. The project would relocate NAU's Fronske Health Center and the Disability Resource Center, which currently uses a combined total of 19,900 square feet, to the proposed Health and Learning Center, for a new 57,000 square feet space. Once these centers are relocated, NAU indicates the current Fronske Health Center building would likely be demolished due

(Continued)

to its condition, but have not yet determined what will be done with the vacated Disability Resource Center space.

- The current recreation center is approximately 46,900 square feet and includes weight room facilities, intramural space, a gymnasium, and program offices, as well as other recreation spaces. NAU would renovate and expand its recreation space for a new total of 107,000 square feet. Arizona State University's recreation center is approximately 135,900 square feet. Once the University of Arizona (UA) has completed its expanded recreation center, it will consist of approximately 185,000 square feet. NAU's proposed project includes a gymnasium renovation, an additional gymnasium, new weight room, new intramural space, a jogging track, cardio machine area, additional locker rooms, and new group exercise rooms.
- The Health and Learning Center would also include 28 academic and multiuse classrooms, as well as operations space for NAU's Outdoor Recreation program. This would include 71,000 square feet of new classroom space, which NAU estimates will serve approximately 6,700 students daily.
- NAU's current Lumberjack Stadium consists of approximately 27,000 square feet, including bench seating for approximately 2,500, and 9,000 square feet of office space located underneath the stadium. The stadium houses the NAU Police Department and is the venue for NAU's NCAA women's and men's track and field teams as well as its women's soccer team events. NAU proposes to demolish the current Lumberjack Stadium and rebuild it to reconfigure and repurpose the space. The university indicates it decided to demolish the current Lumberjack Stadium due to its poor condition and the expense to renovate the stadium. Once the current Lumberjack Stadium is demolished, NAU proposes to build 32,000 square feet for NCAA athletic programs which includes a 1,000-seat stadium, that also includes restrooms, a concession area, press box, locker rooms, meeting space, and dark skies compliant outdoor lighting.

Police Department Relocation

NAU currently houses its police department at the Lumberjack Stadium, which occupies 8,000 square feet of space in the stadium. As previously mentioned, the proposed Health and Learning Center project would include demolishing and repurposing the stadium. NAU proposes to relocate its police department to another building on campus, which is currently used to provide temporary space to programs that are affected by construction projects. The project would provide the police department with 10,000 square feet and include a secure lobby, dispatch area, training room, locker facility, administrative and patrol offices, and secure evidence and weapons storage areas. The renovation would include reconfiguring the current space, installing a fire alarm system, telecommunications and data systems, and television services. While the budget for the proposed project is \$1.4 million, NAU only plans to bond for \$750,000 of the total cost. NAU states they are only bonding for \$750,000 since the remaining \$650,000 in project costs will not have a useful life of at least 10 years. Additionally, NAU has already spent a portion of the \$650,000 on preparation costs.

Northeast Utilities Extension

NAU proposes to use this bond issuance to fund a utilities extension project, which includes extending steam and chilled water lines and relocating power and telecommunications lines. The project is expected to increase efficiency, by eliminating stand-alone heating and cooling units in the northeastern sections of campus and older systems in the Hotel and Restaurant Management building and Recreation Center. The utilities extension will take place in the northeastern sections of campus, which will provide the preliminary infrastructure site work for the proposed Health and Learning Center and other planned buildings which include a Health Professions College. NAU indicates that the Health and Learning Center would currently be the only beneficiary of the Northeast utilities extension, since the timeline for

(Continued)

the Health Professions College is currently unknown. *Table 2* displays the estimated project costs associated with the Northeast campus utilities project.

Table 2 Northern Arizona University Utilities Extension Project Costs	
<u>Project</u>	<u>Total Project Cost</u> <u>(\$ in millions)</u>
Steam and Chilled Water Extensions	\$ 3.2
University Soft Costs	1.2
Rock Excavation, Surveys, Utility Relocation, Rigging, and Storm Drains	1.2
Power and Telecommunications Extensions	0.6
Contractor Contingency	<u>0.3</u>
Total	\$6.5

Construction Costs

Health and Learning Center

Total project costs are estimated at \$106.7 million, which includes direct construction costs, architect fees, equipment costs, and contingency fees of \$4.5 million. The direct construction costs total \$84.9 million, which includes construction labor and material costs only. Of the \$84.9 million, \$79.5 million would be for new construction, \$5.2 million would be for the recreation center renovation, and \$0.2 million for the Lumberjack Stadium demolition. The total cost per square foot is \$399, and the direct construction cost per square foot is \$318. The UA Student Recreation Center expansion project, which included both renovation and new construction, was favorably reviewed by the Committee in November 2007, with \$520 for a total cost per square foot and \$361 for direct construction costs per square foot.

Police Department Relocation

Total project costs are estimated at \$1.4 million, which includes direct construction costs, architect fees, equipment costs, and contingency fees of \$105,500. The direct construction costs total \$1.0 million, which includes construction labor and material costs only. The total cost per square foot is \$140, and the direct construction cost per square foot is \$100. The NAU Distance Learning and Arizona Universities Network Facility project was favorably reviewed by the Committee in June 2008. The project included a 13,500 square foot renovation of NAU's Communications building at a direct construction cost per square foot of \$111. The costs for the proposed police relocation project could be considered reasonable, given the increased costs for production technology necessary for the Communications building project.

Northeast Utilities Extension

Total project costs are estimated at \$6.5 million, which includes direct construction costs, architect fees, equipment costs, and contingency fees of \$250,000. At its May 2008 meeting, the Committee favorably reviewed NAU's \$15.0 million infrastructure upgrades bond project, which included 7 separate utility projects on the university's North campus. According to NAU, the North campus utility project is 90% complete and they are currently in the process of closing out the project.

Table 3 illustrates the construction and project costs associated with the Northeast campus utilities extension project in lineal feet and compares these costs with the North campus utility infrastructure project.

(Continued)

Table 3

**Northern Arizona University
Northeast Utilities Extension Costs**

<u>Project Components</u>	<u>North Campus Utility Infrastructure (2008)</u>	<u>Northeast Utilities Extension</u>
Steam Piping and Insulation per lineal foot	\$250	\$100
Tunnels (Pre-cast Concrete) per lineal foot	\$800	\$590
Chilled Water Piping per lineal foot	\$200	\$80
Steam and Chilled Water Excavation per lineal foot	\$1,125	\$130
Electrical and Telecom Installation and Excavation per lineal foot	\$550	\$170

The cost per lineal foot displayed above is lower for the Northeast utilities extension project as compared to the North campus utility infrastructure project. Since this is a utility project, costs are discussed in lineal feet, which refers to a straight line measurement, in contrast to the other project costs discussed in this memo, which are represented in square feet (multiplying length by width). The North campus utility infrastructure project included 7 separate projects, while the Northeast utilities extension project consists of 2 projects. NAU notes that 1 of the reasons for the price variation between the 2 projects can be attributed to site area differences, since the North campus utility project included solid rock excavation. These costs appear reasonable given the difference between excavating requirements and the scope of the projects.

Financing

The total cost for the 3 projects is \$114.3 million. NAU plans on a single issuance for all 3 projects with A+/A2 rated system revenue bonds in October 2009 with an estimated 6.5% annual interest rate and a term of 30 years. Total interest over the 30-year period would be \$132.0 million, which means total interest plus total principal would equal \$246.3 million. NAU plans on structuring the payment schedule so the first 5 years of payments would be annual interest only payments of approximately \$6.3 million. The annual debt service payments would increase to approximately \$8.7 million over the last 25 years of the payment term.

NAU plans to fund the Police Department relocation and Northeast utilities extension projects from its wellness fee revenues. This portion of the total cost represents approximately 6% of the annual debt service payments. It is unclear if the use of the wellness fee for annual debt service for the Police Department relocation project is appropriate. NAU states that the Police Department relocation project is a direct result of the Lumberjack Stadium renovation under the Health and Learning Center project and supports student success.

The Health and Learning Center represents approximately 94% of the annual debt service. The first 5 years of payments for this portion of the project would be annual interest only payments of approximately \$5.9 million. These annual debt service payments would increase to approximately \$8.1 million over the last 25 years of the payment term. Approximately 63% of the debt service will be funded by wellness fee revenues and 37% from tuition for the Health and Learning Center project portion of the payment amounts.

NAU assessed the feasibility of the wellness fee and associated projects by conducting a web survey and feedback sessions with students on the Flagstaff campus, which discussed both the proposed projects and fees. Students on the Flagstaff campus are charged a student recreation and wellness fee, which NAU will use to fund the majority of the 3 projects. NAU began charging the wellness fee in FY 2009, for an

(Continued)

annual cost of \$100. NAU currently charges \$260 per year for FY 2010, with the fee increasing to \$390 per year in FY 2011. In FY 2012, the fee will increase to \$470 per year and remain at this level. By FY 2012, NAU estimates the wellness fee will generate annual revenues of \$6.1 million.

NAU anticipates no new operating and maintenance costs for its Northeast utilities extension and Police Department relocation projects once the projects are completed. NAU estimates annual operating and maintenance costs of \$1.9 million when the Health and Learning Center project is completed and will cover these costs from 2 revenue sources. The operating costs will come from a minimum of 63% from the wellness fee revenues and a maximum of 37% from general university revenues.

Debt Ratios

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The 3 projects would increase the NAU debt ratio from 5.6% to 7.9%.

CMAR

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

RS/LK:sls



NORTHERN ARIZONA UNIVERSITY

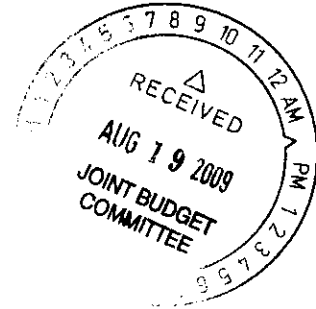
Capital Assets and Services

Northern Arizona University
PO Box 6016
Flagstaff, AZ 86011

928.523.4227
928.523.9441 fax
www4.nau.edu/cas

August 14, 2009

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



RE: NAU Capital Projects for Review

Dear Chairman Pearce:

We respectfully request the following three projects for Northern Arizona University (NAU) be placed on the next available agenda for the Joint Committee on Capital Review.

1) Northeast Campus Utility Extensions:

The Northeast Campus Utility Extensions project received concurrent Project Implementation Approval and Project Approval during the Capital Committee meeting held May 21, 2009 and the full Board meeting held June 18, 2009. System Revenue Bonds in the amount of \$6.5 million will be issued to finance the project. The debt service is \$461,000 annually. The bonds will be repaid over a 30-year period using Auxiliary and Local funds.

The scope of this project includes the extension of steam and chilled water from the North Plant to the northeastern sections of campus. During construction of the extensions, points of connection will be provided for the Hotel and Restaurant Management Building, the Recreation Center, as well as future construction likely to occur in this area of campus. This project will also include relocation of electrical and telecom lines. The lines will be consolidated and realigned south of San Francisco Street and then east along Mountain View Drive. A new pad mounted switch, utility vault and manholes will be included in this section of work.

Repair of and improvements to aging infrastructure on the NAU campus has been a continuing priority for the university due to inherent risks, the potential for failures and class disruptions. In many cases, the existing infrastructure has exceeded its useful life. Additionally, many areas do not have the capacity to service the electrical demands of today's technology utilized for academic program delivery. The critical impact on academic programs and student learning environments necessitates this project. The Northeast Campus Utility Extension project provides essential utilities that support academic and support services programs and technology demands.

2) The Health and Learning Center Project:

The project includes the renovation of 39,226 square feet of an existing recreation facility, site work encompassing 16,000 square feet, and construction of 228,000 square feet of new classroom, athletic, recreation and health services space. The total project budget is \$106.7 million and will be financed with 30-year system revenue bonds to be repaid from the wellness fee and tuition revenues.

This project was granted Project Implementation Approval at the June 18, 2009 Board meeting and is currently scheduled for Project Approval at the August 6-7, 2009 Board meeting. As part of the Project Approval process, the project was reviewed by the Capital Committee at its July 14, 2009 meeting and was forwarded to the Board for Project Approval.

The project will address overcrowding and inaccessibility issues at the existing Recreation Center. The current 46,900 square foot Recreation Center was constructed in 1989. The mission of Campus Recreation Services is to provide programs, facilities and educational opportunities that seek to meet the diverse recreational, fitness and wellness needs of the students and campus community. With the lack of adequate space for recreation programs, it has become increasingly difficult to meet this mission. At present there are 14,766 students enrolled at Flagstaff, of whom approximately 6,300 live on campus.

Currently, the Fronske Health Center, Disability Resources, and Counseling programs are located in non-contiguous space and integrated services are limited inherently by the facility of each program. The current Fronske facility does not have sufficient examination rooms to meet existing demand and therefore is constrained in its ability to efficiently and effectively meet the increased demand as campus enrollments grow. Finally, additional services cannot be provided due to building constraints that prohibit growth. The administrative functions of this program have been relocated to a trailer next to the building. The Health and Learning Center project scope defines a blended facility incorporating health, wellness and recreation into a unique service center addressing the collective mission of these organizations and the university.

Additionally, to accommodate and address NCAA findings, 32,000 square feet of athletic space is included in the Health and Learning Center project scope. The demolition and reconstruction of Lumberjack Stadium will provide the university with space for women's soccer, locker rooms for men's and women's track and field and tennis, as well as facilities for NCAA officials and visiting teams.

This comprehensive project also includes two floors of academic classrooms that were initially identified as a separate building. The classrooms were incorporated into the design of the Health and Learning Center to maximize cost efficiencies and eliminate the need for a separate building footprint, utility infrastructure and MEP systems. The location is consistent with the academic corridor and is close to residence halls, the bookstore, and dining facilities.

3) Relocation of NAU Police Department

The Police Department Relocation project is required due to demolition of Lumberjack Stadium. The NAU Police Department is being moved into space on south campus previously used as overflow space for academic needs. The existing space will be renovated into permanent offices and meeting space with security and safety accommodations for police related activities.

NAU is pleased to provide any further information required on this project.

Sincerely,



Dr. MJ McMahon
Executive Vice President

cc: President John D. Haeger
Joel Sideman, Executive Director, Arizona Board of Regents
Richard Stavneak, Director, Joint Legislative Budget Committee
Leah Kritzer, Analyst, Joint Legislative Budget Committee
Sheila Jane Kuhn, Associate Vice President, NAU
Christy Farley, Associate Vice President, Government Affairs, NAU
Bob McLendon, Chair, ABOR Capital Committee

Northern Arizona University
System Revenue Bond Issue
Estimated Debt Service Schedules
August 2009

The attached debt service schedules are for Northern Arizona University's planned issuance of System Revenue Bonds to finance not to exceed \$113.95 million of project costs. These debt service schedules are based on the following assumptions:

1. The projects to be financed consist of the following estimated amounts:

a. Health and learning Center	\$ 106.70 million
b. Northeast Campus Utility Extensions	\$ 6.50 million
c. NAU Police Relocation Project	\$.75 million
2. In addition to the project costs, it is assumed that:
 - a. issuance costs, estimated at approximately \$1,160,000, would also be financed (issuance costs are assumed based on a single, aggregate bond issue; if separate bond issues were undertaken for each project, issuance costs would be higher);
 - b. the Bonds would be sold at a slight premium (estimated at approximately \$840,000 for these schedules) which would reduce the principal amount of bonds being sold;
 - c. based on the above amounts, the assumed amount of Bonds being sold per the attached estimated schedules amounts to \$114.27 million; and
 - d. the estimates are subject to finalization and change at the time of the actual sale of the Bonds.
3. The debt service schedules are based on estimated interest rates as of July 2009. The overall interest rate assumed for purposes of these schedules is 5.63%. These rates are subject to change and will ultimately be determined at the time the Bonds are actually sold.

-Prepared By-
RBC Capital Markets
Financial Advisor

SOURCES AND USES OF FUNDS

\$114,270,000
Northern Arizona University
System Revenue Bonds
Series 2009
(Preliminary: 08-19-09)

Sources:	Health and Learning Center	Northeast Campus Utility Extension	Police Relocation	Total
Bond Proceeds:				
Par Amount	107,000,000.00	6,520,000.00	750,000.00	114,270,000.00
Net Premium	787,011.30	47,926.25	5,502.00	840,439.55
	107,787,011.30	6,567,926.25	755,502.00	115,110,439.55
Uses:	Health and Learning Center	Northeast Campus Utility Extension	Police Relocation	Total
Project Fund Deposits:				
Project Fund #1	106,700,000.00	6,500,000.00	750,000.00	113,950,000.00
Delivery Date Expenses:				
Cost of Issuance	444,070.60	27,059.26	3,112.64	474,242.50
Underwriter's Discount	642,000.00	39,120.00	4,500.00	685,620.00
	1,086,070.60	66,179.26	7,612.64	1,159,862.50
Other Uses of Funds:				
Additional Proceeds	940.70	1,746.99	-2,110.64	577.05
	107,787,011.30	6,567,926.25	755,502.00	115,110,439.55

BOND DEBT SERVICE

\$114,270,000
Northern Arizona University
System Revenue Bonds
Series 2009

(Preliminary: 08-19-09)

Dated Date 11/01/2009
Delivery Date 11/01/2009

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2010			3,672,429.69	3,672,429.69	3,672,429.69
12/01/2010			3,147,796.88	3,147,796.88	
06/01/2011			3,147,796.88	3,147,796.88	6,295,593.76
12/01/2011			3,147,796.88	3,147,796.88	
06/01/2012			3,147,796.88	3,147,796.88	6,295,593.76
12/01/2012			3,147,796.88	3,147,796.88	
06/01/2013			3,147,796.88	3,147,796.88	6,295,593.76
12/01/2013			3,147,796.88	3,147,796.88	
06/01/2014			3,147,796.88	3,147,796.88	6,295,593.76
12/01/2014			3,147,796.88	3,147,796.88	
06/01/2015	2,400,000	4.000%	3,147,796.88	5,547,796.88	8,695,593.76
12/01/2015			3,099,796.88	3,099,796.88	
06/01/2016	2,495,000	4.000%	3,099,796.88	5,594,796.88	8,694,593.76
12/01/2016			3,049,896.88	3,049,896.88	
06/01/2017	2,595,000	4.000%	3,049,896.88	5,644,896.88	8,694,793.76
12/01/2017			2,997,996.88	2,997,996.88	
06/01/2018	2,705,000	4.250%	2,997,996.88	5,702,996.88	8,700,993.76
12/01/2018			2,940,515.63	2,940,515.63	
06/01/2019	2,815,000	4.500%	2,940,515.63	5,755,515.63	8,696,031.26
12/01/2019			2,877,178.13	2,877,178.13	
06/01/2020	2,945,000	5.000%	2,877,178.13	5,822,178.13	8,699,356.26
12/01/2020			2,803,553.13	2,803,553.13	
06/01/2021	3,090,000	5.000%	2,803,553.13	5,893,553.13	8,697,106.26
12/01/2021			2,726,303.13	2,726,303.13	
06/01/2022	3,245,000	5.000%	2,726,303.13	5,971,303.13	8,697,606.26
12/01/2022			2,645,178.13	2,645,178.13	
06/01/2023	3,405,000	5.000%	2,645,178.13	6,050,178.13	8,695,356.26
12/01/2023			2,560,053.13	2,560,053.13	
06/01/2024	3,580,000	5.125%	2,560,053.13	6,140,053.13	8,700,106.26
12/01/2024			2,468,315.63	2,468,315.63	
06/01/2025	3,760,000	5.250%	2,468,315.63	6,228,315.63	8,696,631.26
12/01/2025			2,369,615.63	2,369,615.63	
06/01/2026	3,955,000	5.250%	2,369,615.63	6,324,615.63	8,694,231.26
12/01/2026			2,265,796.88	2,265,796.88	
06/01/2027	4,165,000	5.500%	2,265,796.88	6,430,796.88	8,696,593.76
12/01/2027			2,151,259.38	2,151,259.38	
06/01/2028	4,395,000	5.500%	2,151,259.38	6,546,259.38	8,697,518.76
12/01/2028			2,030,396.88	2,030,396.88	
06/01/2029	4,635,000	5.500%	2,030,396.88	6,665,396.88	8,695,793.76
12/01/2029			1,902,934.38	1,902,934.38	
06/01/2030	4,890,000	5.750%	1,902,934.38	6,792,934.38	8,695,868.76
12/01/2030			1,762,346.88	1,762,346.88	
06/01/2031	5,175,000	5.750%	1,762,346.88	6,937,346.88	8,699,693.76
12/01/2031			1,613,565.63	1,613,565.63	
06/01/2032	5,465,000	5.875%	1,613,565.63	7,078,565.63	8,692,131.26
12/01/2032			1,453,031.25	1,453,031.25	
06/01/2033	5,790,000	5.875%	1,453,031.25	7,243,031.25	8,696,062.50
12/01/2033			1,282,950.00	1,282,950.00	

BOND DEBT SERVICE

\$114,270,000
Northern Arizona University
System Revenue Bonds
Series 2009
(Preliminary: 08-19-09)

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2034	6,130,000	6.000%	1,282,950.00	7,412,950.00	8,695,900.00
12/01/2034			1,099,050.00	1,099,050.00	
06/01/2035	6,500,000	6.000%	1,099,050.00	7,599,050.00	8,698,100.00
12/01/2035			904,050.00	904,050.00	
06/01/2036	6,890,000	6.000%	904,050.00	7,794,050.00	8,698,100.00
12/01/2036			697,350.00	697,350.00	
06/01/2037	7,300,000	6.000%	697,350.00	7,997,350.00	8,694,700.00
12/01/2037			478,350.00	478,350.00	
06/01/2038	7,740,000	6.000%	478,350.00	8,218,350.00	8,696,700.00
12/01/2038			246,150.00	246,150.00	
06/01/2039	8,205,000	6.000%	246,150.00	8,451,150.00	8,697,300.00
	114,270,000		132,001,667.41	246,271,667.41	246,271,667.41

BOND DEBT SERVICE

Health and Learning Center

Dated Date 11/01/2009
Delivery Date 11/01/2009

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2010			3,438,742.71	3,438,742.71	3,438,742.71
12/01/2010			2,947,493.75	2,947,493.75	
06/01/2011			2,947,493.75	2,947,493.75	5,894,987.50
12/01/2011			2,947,493.75	2,947,493.75	
06/01/2012			2,947,493.75	2,947,493.75	5,894,987.50
12/01/2012			2,947,493.75	2,947,493.75	
06/01/2013			2,947,493.75	2,947,493.75	5,894,987.50
12/01/2013			2,947,493.75	2,947,493.75	
06/01/2014			2,947,493.75	2,947,493.75	5,894,987.50
12/01/2014			2,947,493.75	2,947,493.75	
06/01/2015	2,250,000	4.000%	2,947,493.75	5,197,493.75	8,144,987.50
12/01/2015			2,902,493.75	2,902,493.75	
06/01/2016	2,340,000	4.000%	2,902,493.75	5,242,493.75	8,144,987.50
12/01/2016			2,855,693.75	2,855,693.75	
06/01/2017	2,430,000	4.000%	2,855,693.75	5,285,693.75	8,141,387.50
12/01/2017			2,807,093.75	2,807,093.75	
06/01/2018	2,530,000	4.250%	2,807,093.75	5,337,093.75	8,144,187.50
12/01/2018			2,753,331.25	2,753,331.25	
06/01/2019	2,635,000	4.500%	2,753,331.25	5,388,331.25	8,141,662.50
12/01/2019			2,694,043.75	2,694,043.75	
06/01/2020	2,755,000	5.000%	2,694,043.75	5,449,043.75	8,143,087.50
12/01/2020			2,625,168.75	2,625,168.75	
06/01/2021	2,895,000	5.000%	2,625,168.75	5,520,168.75	8,145,337.50
12/01/2021			2,552,793.75	2,552,793.75	
06/01/2022	3,040,000	5.000%	2,552,793.75	5,592,793.75	8,145,587.50
12/01/2022			2,476,793.75	2,476,793.75	
06/01/2023	3,190,000	5.000%	2,476,793.75	5,666,793.75	8,143,587.50
12/01/2023			2,397,043.75	2,397,043.75	
06/01/2024	3,350,000	5.125%	2,397,043.75	5,747,043.75	8,144,087.50
12/01/2024			2,311,200.00	2,311,200.00	
06/01/2025	3,520,000	5.250%	2,311,200.00	5,831,200.00	8,142,400.00
12/01/2025			2,218,800.00	2,218,800.00	
06/01/2026	3,705,000	5.250%	2,218,800.00	5,923,800.00	8,142,600.00
12/01/2026			2,121,543.75	2,121,543.75	
06/01/2027	3,900,000	5.500%	2,121,543.75	6,021,543.75	8,143,087.50
12/01/2027			2,014,293.75	2,014,293.75	
06/01/2028	4,115,000	5.500%	2,014,293.75	6,129,293.75	8,143,587.50
12/01/2028			1,901,131.25	1,901,131.25	
06/01/2029	4,340,000	5.500%	1,901,131.25	6,241,131.25	8,142,262.50
12/01/2029			1,781,781.25	1,781,781.25	
06/01/2030	4,580,000	5.750%	1,781,781.25	6,361,781.25	8,143,562.50
12/01/2030			1,650,106.25	1,650,106.25	
06/01/2031	4,845,000	5.750%	1,650,106.25	6,495,106.25	8,145,212.50
12/01/2031			1,510,812.50	1,510,812.50	
06/01/2032	5,120,000	5.875%	1,510,812.50	6,630,812.50	8,141,625.00
12/01/2032			1,360,412.50	1,360,412.50	
06/01/2033	5,420,000	5.875%	1,360,412.50	6,780,412.50	8,140,825.00
12/01/2033			1,201,200.00	1,201,200.00	
06/01/2034	5,740,000	6.000%	1,201,200.00	6,941,200.00	8,142,400.00
12/01/2034			1,029,000.00	1,029,000.00	
06/01/2035	6,085,000	6.000%	1,029,000.00	7,114,000.00	8,143,000.00
12/01/2035			846,450.00	846,450.00	

BOND DEBT SERVICE

Health and Learning Center

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2036	6,450,000	6.000%	846,450.00	7,296,450.00	8,142,900.00
12/01/2036			652,950.00	652,950.00	
06/01/2037	6,835,000	6.000%	652,950.00	7,487,950.00	8,140,900.00
12/01/2037			447,900.00	447,900.00	
06/01/2038	7,250,000	6.000%	447,900.00	7,697,900.00	8,145,800.00
12/01/2038			230,400.00	230,400.00	
06/01/2039	7,680,000	6.000%	230,400.00	7,910,400.00	8,140,800.00
	107,000,000		123,598,555.21	230,598,555.21	230,598,555.21

BOND DEBT SERVICE

Northeast Campus Utility Extension

Dated Date 11/01/2009
Delivery Date 11/01/2009

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2010			209,551.56	209,551.56	209,551.56
12/01/2010			179,615.63	179,615.63	
06/01/2011			179,615.63	179,615.63	359,231.26
12/01/2011			179,615.63	179,615.63	
06/01/2012			179,615.63	179,615.63	359,231.26
12/01/2012			179,615.63	179,615.63	
06/01/2013			179,615.63	179,615.63	359,231.26
12/01/2013			179,615.63	179,615.63	
06/01/2014			179,615.63	179,615.63	359,231.26
12/01/2014			179,615.63	179,615.63	
06/01/2015	135,000	4.000%	179,615.63	314,615.63	494,231.26
12/01/2015			176,915.63	176,915.63	
06/01/2016	140,000	4.000%	176,915.63	316,915.63	493,831.26
12/01/2016			174,115.63	174,115.63	
06/01/2017	150,000	4.000%	174,115.63	324,115.63	498,231.26
12/01/2017			171,115.63	171,115.63	
06/01/2018	155,000	4.250%	171,115.63	326,115.63	497,231.26
12/01/2018			167,821.88	167,821.88	
06/01/2019	160,000	4.500%	167,821.88	327,821.88	495,643.76
12/01/2019			164,221.88	164,221.88	
06/01/2020	170,000	5.000%	164,221.88	334,221.88	498,443.76
12/01/2020			159,971.88	159,971.88	
06/01/2021	175,000	5.000%	159,971.88	334,971.88	494,943.76
12/01/2021			155,596.88	155,596.88	
06/01/2022	185,000	5.000%	155,596.88	340,596.88	496,193.76
12/01/2022			150,971.88	150,971.88	
06/01/2023	195,000	5.000%	150,971.88	345,971.88	496,943.76
12/01/2023			146,096.88	146,096.88	
06/01/2024	205,000	5.125%	146,096.88	351,096.88	497,193.76
12/01/2024			140,843.75	140,843.75	
06/01/2025	215,000	5.250%	140,843.75	355,843.75	496,687.50
12/01/2025			135,200.00	135,200.00	
06/01/2026	225,000	5.250%	135,200.00	360,200.00	495,400.00
12/01/2026			129,293.75	129,293.75	
06/01/2027	240,000	5.500%	129,293.75	369,293.75	498,587.50
12/01/2027			122,693.75	122,693.75	
06/01/2028	250,000	5.500%	122,693.75	372,693.75	495,387.50
12/01/2028			115,818.75	115,818.75	
06/01/2029	265,000	5.500%	115,818.75	380,818.75	496,637.50
12/01/2029			108,531.25	108,531.25	
06/01/2030	280,000	5.750%	108,531.25	388,531.25	497,062.50
12/01/2030			100,481.25	100,481.25	
06/01/2031	295,000	5.750%	100,481.25	395,481.25	495,962.50
12/01/2031			92,000.00	92,000.00	
06/01/2032	310,000	5.875%	92,000.00	402,000.00	494,000.00
12/01/2032			82,893.75	82,893.75	
06/01/2033	330,000	5.875%	82,893.75	412,893.75	495,787.50
12/01/2033			73,200.00	73,200.00	
06/01/2034	350,000	6.000%	73,200.00	423,200.00	496,400.00
12/01/2034			62,700.00	62,700.00	
06/01/2035	370,000	6.000%	62,700.00	432,700.00	495,400.00
12/01/2035			51,600.00	51,600.00	

BOND DEBT SERVICE

Northeast Campus Utility Extension

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2036	395,000	6.000%	51,600.00	446,600.00	498,200.00
12/01/2036			39,750.00	39,750.00	
06/01/2037	415,000	6.000%	39,750.00	454,750.00	494,500.00
12/01/2037			27,300.00	27,300.00	
06/01/2038	440,000	6.000%	27,300.00	467,300.00	494,600.00
12/01/2038			14,100.00	14,100.00	
06/01/2039	470,000	6.000%	14,100.00	484,100.00	498,200.00
	6,520,000		7,532,176.70	14,052,176.70	14,052,176.70

BOND DEBT SERVICE

Police Relocation

Dated Date 11/01/2009
Delivery Date 11/01/2009

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2010			24,135.42	24,135.42	24,135.42
12/01/2010			20,687.50	20,687.50	
06/01/2011			20,687.50	20,687.50	41,375.00
12/01/2011			20,687.50	20,687.50	
06/01/2012			20,687.50	20,687.50	41,375.00
12/01/2012			20,687.50	20,687.50	
06/01/2013			20,687.50	20,687.50	41,375.00
12/01/2013			20,687.50	20,687.50	
06/01/2014			20,687.50	20,687.50	41,375.00
12/01/2014			20,687.50	20,687.50	
06/01/2015	15,000	4.000%	20,687.50	35,687.50	56,375.00
12/01/2015			20,387.50	20,387.50	
06/01/2016	15,000	4.000%	20,387.50	35,387.50	55,775.00
12/01/2016			20,087.50	20,087.50	
06/01/2017	15,000	4.000%	20,087.50	35,087.50	55,175.00
12/01/2017			19,787.50	19,787.50	
06/01/2018	20,000	4.250%	19,787.50	39,787.50	59,575.00
12/01/2018			19,362.50	19,362.50	
06/01/2019	20,000	4.500%	19,362.50	39,362.50	58,725.00
12/01/2019			18,912.50	18,912.50	
06/01/2020	20,000	5.000%	18,912.50	38,912.50	57,825.00
12/01/2020			18,412.50	18,412.50	
06/01/2021	20,000	5.000%	18,412.50	38,412.50	56,825.00
12/01/2021			17,912.50	17,912.50	
06/01/2022	20,000	5.000%	17,912.50	37,912.50	55,825.00
12/01/2022			17,412.50	17,412.50	
06/01/2023	20,000	5.000%	17,412.50	37,412.50	54,825.00
12/01/2023			16,912.50	16,912.50	
06/01/2024	25,000	5.125%	16,912.50	41,912.50	58,825.00
12/01/2024			16,271.88	16,271.88	
06/01/2025	25,000	5.250%	16,271.88	41,271.88	57,543.76
12/01/2025			15,615.63	15,615.63	
06/01/2026	25,000	5.250%	15,615.63	40,615.63	56,231.26
12/01/2026			14,959.38	14,959.38	
06/01/2027	25,000	5.500%	14,959.38	39,959.38	54,918.76
12/01/2027			14,271.88	14,271.88	
06/01/2028	30,000	5.500%	14,271.88	44,271.88	58,543.76
12/01/2028			13,446.88	13,446.88	
06/01/2029	30,000	5.500%	13,446.88	43,446.88	56,893.76
12/01/2029			12,621.88	12,621.88	
06/01/2030	30,000	5.750%	12,621.88	42,621.88	55,243.76
12/01/2030			11,759.38	11,759.38	
06/01/2031	35,000	5.750%	11,759.38	46,759.38	58,518.76
12/01/2031			10,753.13	10,753.13	
06/01/2032	35,000	5.875%	10,753.13	45,753.13	56,506.26
12/01/2032			9,725.00	9,725.00	
06/01/2033	40,000	5.875%	9,725.00	49,725.00	59,450.00
12/01/2033			8,550.00	8,550.00	
06/01/2034	40,000	6.000%	8,550.00	48,550.00	57,100.00
12/01/2034			7,350.00	7,350.00	
06/01/2035	45,000	6.000%	7,350.00	52,350.00	59,700.00
12/01/2035			6,000.00	6,000.00	

BOND DEBT SERVICE

Police Relocation

Period Ending	Principal	Coupon	Interest	Debt Service	Annual Debt Service
06/01/2036	45,000	6.000%	6,000.00	51,000.00	57,000.00
12/01/2036			4,650.00	4,650.00	
06/01/2037	50,000	6.000%	4,650.00	54,650.00	59,300.00
12/01/2037			3,150.00	3,150.00	
06/01/2038	50,000	6.000%	3,150.00	53,150.00	56,300.00
12/01/2038			1,650.00	1,650.00	
06/01/2039	55,000	6.000%	1,650.00	56,650.00	58,300.00
	750,000		870,935.50	1,620,935.50	1,620,935.50

EXECUTIVE SUMMARY

Item Name: Health and Learning Center Project Approval (NAU)

☒ Action Item ☐ Discussion Item ☐ Information Item

Issue: Northern Arizona University requests Project Approval for the Health and Learning Center Project. The project costs have been reduced by \$9.1 million to \$106.7 million and include demolition of Lumberjack Stadium, renovation of 39,226 square feet of existing recreation facility, site work encompassing 16,000 square feet, and construction of 228,000 square feet of new classroom, athletic, recreation and health services space. The project will be financed with 30-year system revenue bonds to be repaid from the wellness fee and tuition revenues.

Previous Board Actions:	FY 2008 Capital Development Plan (CDP)	January 2008
	Amended FY 2009 CDP	January 2009
	FY 2010 Capital Development Plan	June 2009
	Project Implementation Approval	June 2009

Statutory / Policy Requirements:

- Board Policy 7-109 requires Capital Committee review and Board approval of projects with a total project cost over \$20 million.

Project Justification:

- In fall 2004, a web survey was conducted to assess student opinions regarding recreational opportunities. Responding students reported the availability of recreation facilities was important to them and makes a valuable contribution to their total university experience. According to the National Intramural-Recreation Sports Association (NIRSA), "research indicates that student involvement in recreational sports programs, facilities, and services plays a significant role in recruiting new students, supporting the learning environment, integrating students into the social community of the campus, affiliating them with the institution, and enhancing a number of student educational and developmental outcomes."
- With continuing enrollment growth at NAU, the university began to formulate plans to meet the needs of students by upgrading facilities and implementing new recreation and wellness amenities. A separate study of peer institutions showed that NAU students pay the lowest recreation fee compared to all other peer institutions, except Ball State University which is totally state funded. As a

Contact Information

MJ McMahon, Executive Vice President, (928) 523.6515, MJ.McMahon@nau.edu
Jane Kuhn, Associate Vice President, (928) 523.7732, Jane.Kuhn@nau.edu

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result, a recreation and health fee structure was endorsed by the NAU student community and approved by ABOR in December 2007. These approved fees are structured for implementation over a course of four years to fund 61 percent of the project, and were implemented in fall 2008.

- In fall 2007, approximately 1,200 parents responded to a survey assessing their support of health services and a health fee for their students on the NAU Flagstaff campus. The results showed: 98 percent supported increased access to illness and injury care, 93 percent supported increased access to mental health services, 90 percent supported significantly increased recreation services, and overall 64 percent of parents supported the four-year plan and the associated fees to improve the quality of recreation and health facilities for their students.
- In January 2008, the university proposed the Health and Learning Center project to address overcrowding and inaccessibility issues at the existing Recreation Center. The current 46,900 square foot Recreation Center was constructed in 1989. The mission of Campus Recreation Services is to provide programs, facilities and educational opportunities that seek to meet the diverse recreational, fitness and health needs of the students and campus community. Approximately 6,300 of the 14,766 students enrolled at Flagstaff also reside on campus. With the lack of adequate space for recreation programs, it has become increasingly difficult to meet this mission.
- Many of the activity spaces at the Recreation Center have reached maximum capacity. Demand for intramural activities exceeds available gym space. Student access to the weight room must be regulated via a numbered ticket system. To alleviate some of the overcrowding, cardio rooms were added in a few residence halls. Basketball and volleyball, popular student activities, have waiting periods up to two hours during peak times due to lack of space in the existing facility.
- Currently, the Fronske Health Center, Disability Resources, and Counseling programs are located in non-contiguous space and integrated services are limited inherently by the facility of each program. The current Fronske facility does not have sufficient examination rooms and the program cannot provide more services to meet student demand because building constraints prohibit growth. The administrative functions of this program have been relocated to a trailer next to the building. The Health and Learning Center project scope defines a blended facility incorporating health, wellness and recreation into a unique service center addressing the collective mission of these organizations and the university.

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- Over 92% of NAU students surveyed indicated that campus health services are an important part of a college campus and almost 90% overwhelmingly supported the concept of a blended facility. These student survey results defined the scope of the Health and Learning Center project which holistically integrates student medical services, mental health services, and disability resources with recreation services into a centralized location on the site of the existing Recreation Center. To meet the current demand for services and facilitate growing needs, an addition of 57,000 square feet was added during preliminary design for these various medical services and clinic programs.
- In February 2008, the university received the Athletics Master Plan update that was the result of an NCAA review of NAU athletic facilities. To address Title IX compliance concerns, the Master Plan recommended major renovations at Lumberjack Stadium, which is located directly adjacent to the Health and Learning Center project. Due to the poor condition of the stadium, preliminary cost estimates for the work at Lumberjack Stadium were significant. It was determined that because of the early design stage of the Health and Learning Center project and the proximate location, additional space could be included to meet these needs. To accommodate the NCAA findings, an additional 32,000 square feet was added to the Health and Learning Center project scope. The demolition and reconstruction of Lumberjack Stadium will provide the university with space for women's soccer, locker rooms for men's and women's track and field and tennis, as well as facilities for NCAA officials and visiting teams.
- The university received Capital Development Approval in September 2006 for a classroom building, which was delayed due to lack of funding. To address academic program needs and with the initial passage of the SPEED package, the classrooms were incorporated into the design of the Health and Learning Center to maximize cost efficiencies and eliminate the need for a separate building footprint. The location is consistent with the academic corridor and is close to residence halls, the bookstore, and dining facilities.

Project Description and Scope:

- The project scope as designed includes:
 - 1) 71,000 square feet of classroom space;
 - 2) 68,000 square feet of additional recreation space;
 - 3) 32,000 square feet of space for athletic programs;
 - 4) 57,000 square feet of space for health and wellness services;
 - 5) Renovation of approximately 39,000 square feet in the existing Recreation facility; and,
 - 6) Demolition of Lumberjack Stadium, including asbestos remediation.
- The total project square footage addressed by this project is 267,181. Including site work, the project square footage is 283,140. Many interior areas include shared space for greater flexibility and to avoid duplication of services.

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- The project will renovate a total of 39,226 gross square feet in the existing Recreation Building, which was constructed in 1989. This includes a renovation of the existing gymnasium. This project will renovate 83 percent of the existing space and will address deferred maintenance items in the building.
- The recreation expansion will address the areas with the greatest deficiencies for student activities and includes added weight rooms, racquetball courts, multi-purpose exercise and intramural spaces, a new gymnasium and a jogging track.
- As previously outlined, the programs and services of the Fronske Health Center, Disability Resources, and Counseling will be consolidated into a 57,000 square foot component.
- Two floors of academic classrooms were added to the design of the new Health and Learning Center facility creating a third and fourth floor respectively. The 28 classrooms will accommodate 30 – 70 students each and are designed for flexible use.
- After demolition of the stadium, new NCAA and Dark Skies compliant outdoor field lighting will be installed at the Lumberjack Stadium site. The new lighting will be energy efficient. The stadium will include a 1,000 capacity, covered seating arena with indoor public restrooms, concessions and a press box.
- Additionally as part of NCAA compliance activities, new space includes locker rooms for women's soccer, men's and women's tennis and track and field. Also included in the facility is space for team meetings, restrooms, showers, coaches' offices, and visiting team locker rooms. Supporting areas will include space for officials, public restrooms, a training room, concessions and equipment storage. Together, these areas make up the majority of the 32,000 square foot Athletic component to the Health and Learning Center.
- Given the increased scope of the project, NAU is in the process of soliciting input to develop a more appropriate name for the project and will provide an update to the Board.

Additional Project Considerations:

- This renovation and new construction project has been designed in accordance with university Design Guidelines, and will be constructed of high quality, durable, maintainable materials and building systems to maximize energy efficiency and minimize operational, repair and replacement costs.

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- In an effort to demonstrate the university's commitment to responsible, sustainable design and in response to the Governor's mandate that facilities be designed in a sustainable manner, this renovation project will incorporate sustainable materials and practices wherever possible.
- The backfill plan associated with this project includes the following items which are currently in review by administration. The space currently in use by Fronske Health Center, Disability Resources and Counseling will remain empty until the university determines the best use of these facilities. Some could be demolished to re-purpose sites. Lumberjack Stadium will be demolished and reconstructed as part of the Health and Learning Center project. The University Police Department, currently housed in Lumberjack Stadium, will permanently relocate to swing space on south campus.

Project Delivery Method and Process:

- This project is being delivered through the Construction Manager at Risk (CMAR) method. This approach was selected for this project because it can save time through fast-track project scheduling, it provides contractor design input and coordination throughout the project, it improves potentially adversarial project environments, and it allows for the selection of the most qualified contractor team for each individual component of the project. With the use of two independent estimates at each phase, and low bid subcontractor work for the actual construction, this method also provides a high level of cost and quality control.
- The CMAR was selected through the capital project selection committee process prescribed by the ABOR Procurement Code. The university received seven (7) responses to the project RFQ and five (5) of the responding teams were short-listed for interview. A licensed contractor from the community was included on the selection committee as required by ABOR policy. The design team was selected through a similar ABOR process, and five (5) teams were interviewed out of the fifteen (15) RFQ responses received.
- Project Management: The primary members of the project staffing plan include two (2) senior Facilities, Design and Construction members from the University of Arizona, the new NAU Manager of Construction (Agnes Drogi), and a senior project manager from NAU.

Project Costs:

- The total project budget has been reduced from \$115,750,000 at PIA to \$106,658,557 at Project Approval due to market savings and aggressive pricing from subcontractors. This represents a 10% reduction in construction costs

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achieved over the past few months. This cost reduction is in addition to the 11.4% savings noted in the following bullet.

- At schematic design phase in early November 2008, total project cost estimates were approaching \$130 million. Through a combination of design change, additional design detail and market de-escalation, an 11.4% savings was recognized at PIA.
- Due to the critical nature of this project and the uncertain economy, NAU exceeded Board requirements and three cost estimates were prepared for the Project Approval phase: 1) one independently by the CMAR, which is the GMP; 2) one by the Architect's estimating consultant; and, 3) one for the University by an independent consultant, HDR Architecture, Incorporated. These estimates were reconciled together to confirm accurate, competitive scope quantities and unit prices. Each party's cost estimates are within 1.34% of each other, consistent with the delta of 1.36% at PIA.
- No portions of the project scope were eliminated to achieve the approximate \$9 million in savings and the gross square footage of the project is unchanged. The total project budget includes the demolition of Lumberjack Stadium, construction of the classrooms and athletic space, in addition to the renovation and expansion of the existing recreation facility. Overall, this represents a construction cost of \$302 per square foot and a total project cost of \$399 per square foot.
- The table below lists comparable projects, with construction costs per square foot escalated by the Board approved inflation factor in July 2008 for the 2010 CIP. This project includes renovation, new construction and demolition of Lumberjack Stadium

Comparable Project	Location	Project Gross Square Feet	Escalated Construction Cost/sf
UA Student Rec Center Expansion	Tucson	53,000	\$361.00
Lincoln Hall, U of Illinois	Urbana, Illinois	163,850	\$363.35
Searle Hall, Northwestern	Evanston, Illinois	53,963	\$476.05
Ratner Athletic Ctr, U of Chicago	Chicago, Illinois	145,000	\$391.75
Average Comparable Project		83,163	\$398.04

- Considering these relevant comparable construction costs, the Health and Learning Center project construction budget cost of \$302 per square foot is considered to be appropriate and reflective of market de-escalation conditions. Including all required indirect expenses, the resulting total project cost at Project Approval is \$399 per square foot.
- The CMAR is at risk to provide the completed project within the agreed upon GMP price. A final report on project control procedures such as change orders and contingency use will be provided at project completion.

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Fiscal Impact and Financing Plan:

- System Revenue Bonds will be issued to finance the project. The bonds will be issued as interest only for 5 years and will be repaid over a 30-year period. The annual debt service (interest only for 5 years) of approximately \$5.9 million will be funded from the Wellness Fee approved by the Board in December 2007 (approximately 63 percent) and Tuition (maximum of 37 percent).
- Operations and maintenance costs will increase due to the new space being added, but improvements at Lumberjack Stadium will reduce the operations and maintenance expenses related to that facility. Chilled water and steam will replace stand alone equipment previously used to heat and cool the building, which will mitigate maintenance and energy costs. This work will be done as part of the Northeast Campus Utility Extensions project.
- Debt Ratio Impact: The incremental debt ratio for this project is 1.50%. The projected highest debt ratio including this project is 7.23%.

Project Status and Schedule:

- The project is nearing completion of construction documents. The GMP is based upon 90% bids from subcontractors. The estimates are within the approved project budget and include the new classrooms and athletic spaces.
- General construction is scheduled to begin in September 2009. Construction is scheduled to be complete in August 2011. This aggressive construction schedule is contingent upon JCCR review that permits NAU to begin construction by September 15, 2009.

Capital Committee Review and Recommendation:

- The Capital Committee favorably reviewed this item at its meeting on July 14, 2009, and forwarded to the Board for Project Approval.

Recommendation:

That the Board grant Project Approval to Northern Arizona University for the Health and Learning Center project.

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Capital Project Information Summary

University: Northern Arizona University

Project Name: Health and Learning
Center

Project Description and Location:

The Health and Learning Center project combines recreation and health services. This includes integrating medical services, mental health services, disability resources and recreation services and programs into a centralized location within an expanded and renovated Recreation Center. The Center will provide consolidated services for students, classrooms, athletic offices and opportunities for collaborations among medical, mental health, and fitness professionals. The estimated project budget is \$106,658,557.

Project Schedule:

Planning	Spring 2007
Design	February 2008
Construction	September 2009
Occupancy	August 2011

Project Budget:

Facility Useful Life	50-75 years	(approximately)
Total Project Cost	\$	106,658,557
Total Project Construction Cost	\$	80,656,219
Total Project Cost per GSF	\$	399
Construction Cost per GSF	\$	302

Change in Annual

Operating/Maintenance Costs:

Utilities	\$	900,000
Personnel	\$	50,000
All Other Operating	\$	988,812
Subtotal	\$	1,938,812

Funding Sources:

Capital

- A. System Revenue Bonds \$ 106,658,557
(Funding Source of Debt Service: Wellness Fee approved by Board
December 2007 (minimum of 63%), and Retained Tuition and Fees, and
Retained Tuition and /or TRIF (maximum of 37%).

Operation/Maintenance

- A. Funding Source: Wellness Fee (minimum of 63% and General University Funds
(maximum of 37%).

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Capital Project Cost Estimate

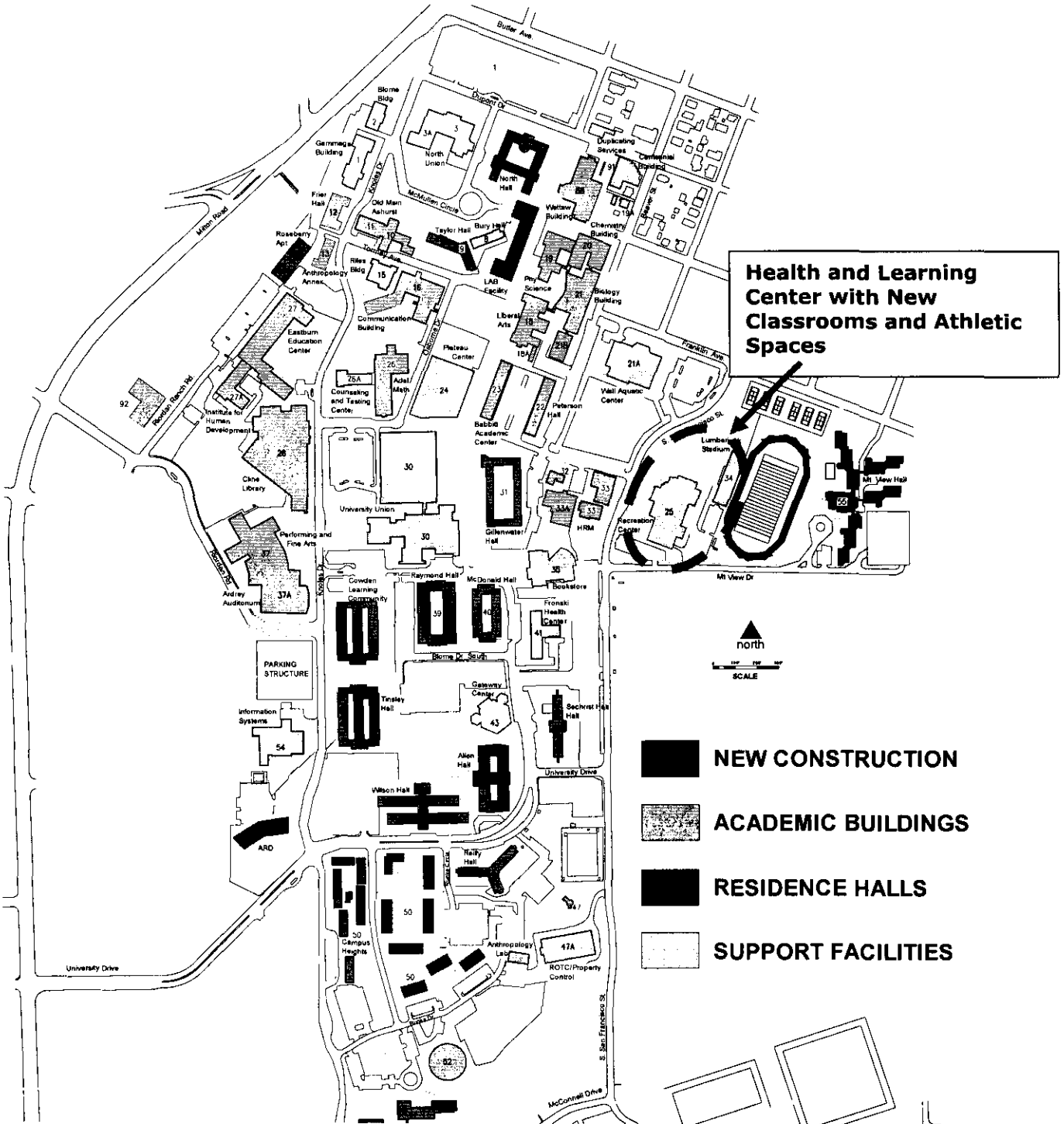
University: Northern Arizona University

Project: Health and Learning Center

	Capital Development Plan	Project Implementation Approval	Project Approval
Capital Costs			
1. Land Acquisition	\$ -	\$ -	\$ -
2. Construction Cost	-	-	-
A. New Construction		88,350,000	79,100,486
B. Renovation		-	-
C. Special Fixed Equip	-	-	1,555,733
D. Site Development (excl. 2.E.)	-	-	-
E. Parking and Landscaping	-	-	-
F. Utilities Extensions	-	-	-
G. Other*	-	-	-
Subtotal Construction Cost	<u>\$ -</u>	<u>\$ 88,350,000</u>	<u>\$ 80,656,219</u>
3. Fees			
A. Construction Mgr (0.7%)	\$ -	\$ 530,000	\$ 530,386
B. Architect/Engineer (10.4%)	-	8,383,736	8,383,736
C. Other (0.5%)	-	652,960	438,846
Subtotal Consultant Fees	<u>\$ -</u>	<u>\$ 9,566,696</u>	<u>\$ 9,352,968</u>
4. FF&E Movable	\$ -	\$ 7,462,400	\$ 7,042,182
5. Contingency, Design Phase (0.5%)	-	399,226	399,226
6. Contingency, Constr. Phase (5%)	-	4,400,000	4,059,330
7. Parking Reserve	-	35,000	35,000
8. Telecommunications Equipment	-	225,000	225,000
Subtotal Items 4-8	<u>\$ -</u>	<u>\$ 12,521,626</u>	<u>\$ 11,760,738</u>
9. Additional University Costs			
A. Surveys, Tests, Inspections, etc.	\$ -	\$ 1,199,310	\$ 1,123,451
B. Move-in Costs	-	-	-
C. Printing Advertisement	-	111,935	100,195
D. Keying, signage, facilities support	-	279,840	251,071
E. Project Management Cost (3%)	-	3,371,359	3,092,725
F. State Risk Mgt. Ins. (.0034 **)	-	349,234	321,190
Subtotal Addl. Univ. Costs	<u>\$ -</u>	<u>\$ 5,311,678</u>	<u>\$ 4,888,632</u>
TOTAL CAPITAL COST	<u><u>\$ 115,750,000</u></u>	<u><u>\$ 115,750,000</u></u>	<u><u>\$ 106,658,557</u></u>

*Universities shall identify items included in this category

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



Item Name: NAU Police Department Relocation

☐ Action Item ☐ Discussion Item ☒ Information Item

Issue: NAU Police Department Relocation required as part of Health and Learning Center project

Previous Board Action: NA; project is under Board limit

Project Justification:

- In February 2008, the university received the Athletics Master Plan update that was the result of an NCAA review of NAU athletic facilities. To address Title IX compliance concerns, the Master Plan recommended major renovations at Lumberjack Stadium, which is located directly adjacent to the Health and Learning Center project. Due to the poor condition of the stadium, preliminary cost estimates for the work at Lumberjack Stadium were significant. It was determined that because of the early design stage of the Health and Learning Center project and the proximate location, additional space could be included to meet these needs. The demolition and reconstruction of Lumberjack Stadium will require the relocation of the NAU police department.
- The space in Lumberjack Stadium used by the NAU Police is also insufficient and does not adequately meet current police needs. NAU assessed various options and concluded that the existing Building 98A in the swing space development on south campus would best meet the long term needs for the Police Department. Building 98A is currently used as a classroom building, intended for temporary use by departments displaced by remodel projects.

Project Description and Scope:

- The new space plan creates a secure lobby, dispatch center, training room, locker facility, administrative and patrol offices, secure evidence and weapons storage areas. The existing building envelope will require minor renovation including additional window installations, as well as removal of a few windows due to security needs of the Police Department. An additional employee entry will be provided on the north side.
- Interior partitions, ceilings and flooring will be removed in such as way as to protect existing concrete slabs and the building shell. Existing mechanical units will be retained, with new ducting as required. Electric service to the building will also be retained, with new distribution throughout the building. Existing lighting will be removed and relocated. The renovation includes installation of a fire alarm system, telecommunications system, data, and TV services.

Contact Information

Jane Kuhn, Associate Vice President, (928) 523.7732, Jane.Kuhn@nau.edu

Project Delivery Method and Process:

- This project is being delivered through a low bid procurement method. A public bid opening was held late June and five bids were received. The variance between four bids was approximately 4%, while the high bid and outlier was 30% higher than the next highest bid.
- The Design Professional was selected through the Annual Request for Qualifications process which is limited to projects less than \$2 million and a DP contract less than \$250,000.

Project Costs:

- The total estimated project budget is \$1,400,000.

Project Status and Schedule:

- General construction is scheduled to begin late June 2009. Construction is scheduled to be complete late September 2009.
- This project construction was started with University funds. Renovation began in anticipation of completing the project upon JCCR approval in order to move the police as soon as possible to allow for the demolition of Lumberjack Stadium and the start of construction on the Health and Learning Center project.

Fiscal Impact and Financing Plan:

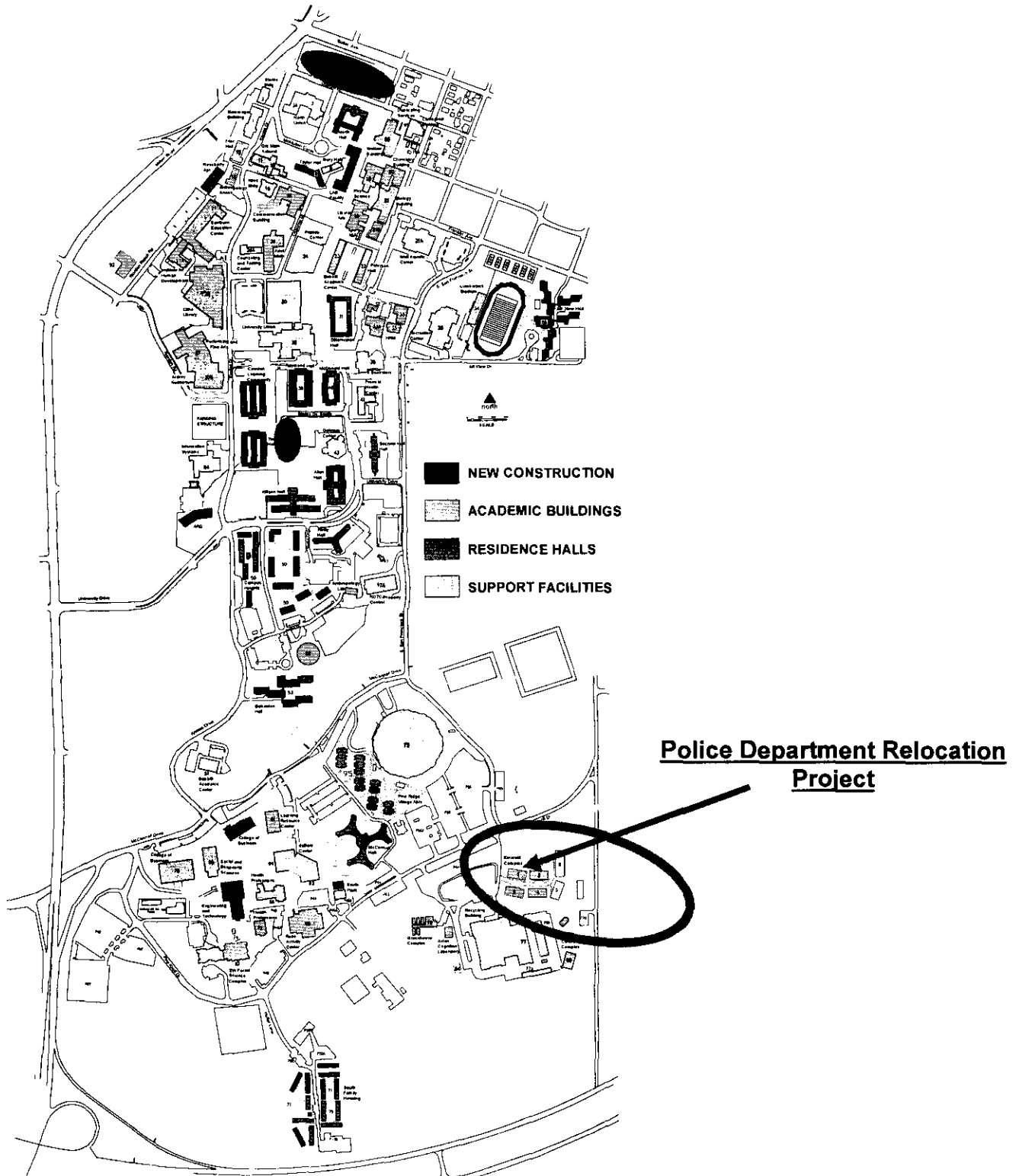
- System Revenue Bonds will be issued to finance \$750 thousand of the project. The bonds will be repaid over a 30-year period. The annual debt service of approximately \$57,000 will be funded from the Wellness fee approved by the Board in December 2007.
- Operations and maintenance costs are not projected to increase for this project.
- Debt Ratio Impact: The incremental debt ratio for this project is 0.02% principal and interest.

	Capital Development NA	Project Implementation NA	Project Budget
Capital Costs			
1. Land Acquisition	\$ -	\$ -	\$ -
2. Construction Cost	-	-	-
A. New Construction			-
B. Renovation			750,000
C. Special Fixed Equipment	-		-
D. Site Development (excl. 2.E.)	-		-
E. Parking and Landscaping	-		255,104
F. Utilities Extensions	-		-
G. Other*	-		-
Subtotal Construction Cost	<u>\$ -</u>	<u></u>	<u>\$ 1,005,104</u>
3. Fees			
A. Construction Mgr	\$ -		
B. Architect/Engineer (9%)	-		121,618
C. Other	-		7,500
Subtotal Consultant Fees	<u>\$ -</u>	<u></u>	<u>\$ 129,118</u>
4. FF&E Movable	\$ -		\$ -
5. Contingency, Design Phase (0.01%)	-		6,081
6. Contingency, Constr. Phase (10%)	-		100,510
7. Parking Reserve	-		5,000
8. Telecommunications Equipment	-		50,000
Subtotal Items 4-8	<u>\$ -</u>	<u></u>	<u>\$ 161,591</u>
9. Additional University Costs			
A. Surveys, Tests, Inspections, etc.	\$ -		\$ 64,752
B. Move-in Costs	-		5,000
C. Printing Advertisement	-		2,764
D. Keying, signage, facilities support	-		
E. Project Management Cost (2%)			27,452
F. State Risk Mgt. Ins. (.0034 **)	-		4,219
Subtotal Addl. Univ. Costs	<u>\$ -</u>	<u></u>	<u>\$ 104,187</u>
TOTAL CAPITAL COST	<u></u>	<u></u>	<u>\$ 1,400,000</u>

*Universities shall identify items included in this category

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

Project location map:



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**Item Name: Northeast Campus Utility Extensions: Combined Project
Implementation Approval and Project Approval (NAU)**

☒ Action Item ☐ Discussion Item ☐ Information Item

Issue: Northern Arizona University requests combined Project Implementation Approval and Project Approval for the Northeast Campus Utility Extension Project. The \$6.5 million project includes utility extensions for steam, chilled water, electrical and telecommunications in order to replace aged, oversubscribed stand-alone systems, as well as provide future utility capacity in the northeast portion of campus. The project will be financed with 25-year system revenue bonds to be repaid from the wellness fee and tuition revenues.

Previous Board Action: Amended FY 2009 Capital Development Plan January 2009

Project Justification:

- This project is seeking combined PIA/PA to minimize utility disruptions to students, faculty and staff by starting this work in late June 2009 when the affected residence hall is not utilized and academic programs have modified schedules for summer. Also, the construction window for outdoor construction at NAU is impacted by summer monsoons and shortened by winter weather conditions.
- Repair of aging infrastructure on the NAU campus has been a priority for the university due to past failures and inherent risks. In many cases, the existing infrastructure has exceeded its useful life. Additionally, many areas do not have the capacity to service the electrical demands of today's technology utilized for academic program delivery. The critical impact on academic programs and student learning environments necessitates this project. The Northeast Campus Infrastructure Expansion project provides essential utilities that support academic programs and technology demands.
- Utility tie-ins at Mountain View Residence Hall are among the priority infrastructure work scheduled to be completed before students return for the Fall semester. This residence hall is home to 574 students. In addition, preliminary infrastructure site work near the Wellness Center project must be completed prior to the start of that project. Underground electrical lines are being consolidated and re-routed for a new switch installation that will permit greater control of utility functions in this section of campus.

Contact Information

MJ McMahon, Executive Vice President, (928) 523.6515, MJ.McMahon@nau.edu
Jane Kuhn, Associate Vice President, (928) 523.7732, Jane.Kuhn@nau.edu

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- This project will also eliminate inefficient, stand alone heating and cooling units and aging systems in the Hotel and Restaurant Management (HRM) building and existing Recreation Center, which is scheduled for renovation as part of the Wellness Center project. The utility connections provided by this project will reduce long term costs of maintenance and equipment replacement in individual buildings, while increasing energy efficiency.
- Currently at HRM, the common areas and the kitchen are heated with five (5) gas furnaces that are aging and operate, at best, at 65% efficiency. The individual rooms have hydronic heaters that are supplied by a gas fired boiler that is also aging and inefficient. In addition, these rooms operate highly inefficient window air conditioning units for cooling. To meet demands for HRM programming, the building is scheduled for renovation into academic classrooms as part of the SPEED stimulus renovation funds. Connecting this building to the North Plant will eliminate the stand-alone systems, permit NAU to provide energy efficient steam and chilled water, and provide an improved learning and teaching environment.
- This project will eliminate the need for stand alone, gas fired boilers at the Recreation Center. With the expansion and renovation of the Recreation Center into the Wellness Center (which includes two floors of classrooms) connection to the central plant system will eliminate these stand alone units and provide more efficient heating and cooling.

Project Description and Scope:

- The scope of this project includes the extension of steam and chilled water from the North Plant to the northeastern sections of campus. During construction of the extensions, points of connection will be provided for the Hotel and Restaurant Building, the Recreation Building, as well as future construction likely to occur in this area of campus.
- The project includes approximately 3,200 lineal feet of 12 inch pipe for chilled water delivery and approximately 1,600 lineal feet of 10 inch pipe for steam delivery. There will be 9 vaults and an additional 1,350 feet of 5 feet wide tunnel system constructed as part of this project. Additionally, there is approximately 3,200 lineal feet of 2 and 3 inch piping for trapped and pumped condensate.
- This project will also include relocation of electrical and telecom lines. The lines will be consolidated and realigned south of San Francisco Street and then east along Mountain View Drive. A new pad mounted switch, utility vault and manholes will be included in this section of work.

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- This project is similar to the North Campus Utility Infrastructure project that extended electric, steam, chilled water, and reclaimed water to the north perimeter of campus in summer 2007. This project will focus on extensions and upgrades to northeastern areas of campus not included in the 2007 project. Utilities such as potable water, reclaimed water, storm drains, and / or chilled water have been addressed on south and north campus. Following is a list of recent NAU infrastructure projects and areas addressed by each project.
- Other NAU Infrastructure Projects have included:
 - a) FY2001, Infrastructure Upgrades, \$17.6 million, Project#10.010.015, complete
 - 1. South Plant chiller addition
 - 2. South Campus electrical upgrade with new switchgear and entire new cable system
 - 3. High temperature hot water piping repairs
 - b) FY2004, North Campus Research Infrastructure, \$5 million, Project#10.010.045, complete
 - 1. Utility extension to New Science Laboratory
 - 2. Utility extensions to ARD
 - 3. Upgrades to North Plant to allow distribution to Science Laboratory
 - c) FY2007, North Campus Utility Infrastructure, \$5 million, Project#10.010.073, complete
 - 1. Utility extensions to north perimeter of campus including steam, electric, water, chilled water, reclaimed water, telecom and storm drains
 - d) FY2007, Campus Infrastructure Upgrades, \$15 million, Project#10.010.074, in construction
 - 1. Chilled water extension to Information Technology Services (ITS) and Central Campus
 - 2. Reclaimed water extensions to Central Campus
 - 3. ITS electrical upgrades
 - 4. Steam and condensate repairs at North and South Plants
 - 5. Installation of two (2) 1000 ton chillers in the North Plant
 - e) FY2009, North Campus Stimulus Retrofits, \$22 million, SPEED Project#10.010.091
 - 1. North Plant boiler upgrade
 - 2. North Campus electrical upgrades including new switchgear and new cabling
- In an effort to demonstrate the university's commitment to responsible, sustainable design, and in response to the Governor's mandate that facilities be designed in a sustainable manner, this project will incorporate sustainable materials and practices where possible.

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Project Delivery Method and Process:

- This project is being delivered through the Construction Manager at Risk (CMAR) method. This approach was selected for this project because it can save time through fast-track project scheduling, it provides contractor design input and coordination throughout the project, it improves potentially adversarial project environments, and it allows for the selection of the most qualified contractor team for each individual project. With the use of two independent estimates at each phase, and low bid subcontractor work for the actual construction, this method also provides a high level of cost and quality control.
- The CMAR was selected through the capital project selection committee process prescribed by the ABOR Procurement Code. The university received ten (10) responses to the project RFQ and three (3) of the responding teams were short-listed for interview. A licensed contractor from the community was included on the selection committee as required by ABOR policy. The design team was selected through a similar ABOR process, and three (3) teams were interviewed out of the three (3) RFQ responses received.

Project Costs:

- The total estimated project budget is \$6,500,000. While the budget is larger than the similar North Campus Utility Infrastructure project, the distance of the extensions in this project is twice as long. The total budget for this project reflects reduced costs in materials. The construction cost is based on analysis of the conceptual plan by the CM and has been examined closely at this stage of the design process for efficiencies.
- The table below lists comparable projects, with lineal foot utility construction costs:

Comparable Project	Location	Utility Cost per Lineal Foot	Escalated Construction Costs
Northeast Campus Utility Extension	Flagstaff	TBD	\$6,500,000
North Campus Utility Infrastructure	Flagstaff		\$5,482,000
Steam*		\$2,100	\$2,302
Chilled Water		\$275	\$301
Reclaimed Water		\$125	\$137
Electric		\$550	\$603

Note: Infrastructure costs per lineal foot can vary widely depending upon underground conditions and unknowns. The Flagstaff campus is known to have rock in many areas, but the depth is unknown.

*Steam costs include tunnels and vaults.

EXECUTIVE SUMMARY

- For this Project Approval phase, three (3) cost estimates were prepared independently by the Construction Manager at Risk (CMAR), the Engineer, and an independent firm. These estimates were reconciled to confirm accurate, competitive scope quantities and unit prices to compare against the preliminary Guaranteed Maximum Price (GMP) for the entire scope of work. The CMAR's GMP consists of 100 percent subcontractor bid commitments.
- The CMAR is at risk is to provide the completed project within the agreed upon GMP price. A final report on project control procedures such as change orders and contingency use will be provided at project completion.

Fiscal Impact and Financing Plan:

- System Revenue Bonds will be issued to finance the project. The bonds will be repaid over a 25-year period. The annual debt service of approximately \$461,000 will be funded from the Wellness fee approved by the Board in December 2007 (50%) and General University funds (50%).
- Operations and maintenance costs are not projected to increase for this project.
- Debt Ratio Impact: The incremental debt ratio for this project is 0.12%.

Project Status and Schedule:

- The project is in the Design Development phase, and the CMAR submitted the GMP May 2009. The GMP was within the approved project budget.
- General construction is scheduled to begin late June 2009. Construction is scheduled to be complete late September 2009.

Committee Review and Recommendation:

- The Capital Committee favorably reviewed this item at its meeting on May 21, 2009 and recommended Board approval.

Recommendation:

That the Board grant combined Project Implementation Approval and Project Approval to Northern Arizona University for the Northeast Campus Utility Extension project.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Northern Arizona University

Project Name: Northeast Campus Utility Extensions

Project Description and Location:

The Northeast Campus Infrastructure Expansion project will extend steam and chilled water to the Wellness Center site on South San Francisco and the university's northeast boundary. Additionally, the project will extend increased electrical capacity and telecom services needed for today's high technology classrooms and equipment. The extension will provide future connection points for HRM and for future development. The estimated project budget is \$6,500,000.

Project Schedule:

Planning	Spring 2008
Design	Fall 2008
Construction	June 2009
Occupancy	NA

Project Budget:

Infrastructure Useful life	50-75 years (approximately)
Total Project Cost	\$ 6,500,000
Total Project Construction Cost	\$ 5,254,820
Total Project Cost per GSF	\$ NA
Construction Cost per GSF	\$ NA

Change in Annual Oper. /Main. Cost:

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

Funding Sources:

Capital

- A. System Revenue Bonds \$ 6,500,000
(Funding Source of Debt Service: Wellness fee (AUX – 50%) and General University Funds (50%))

Operation/Maintenance

- A. Funding Source: Not applicable

EXECUTIVE SUMMARY

	Capital Development Plan	Project Implementation Approval	Project Approval
Capital Costs			
1. Land Acquisition	\$ -	\$ -	\$ -
2. Construction Cost	-	-	-
A. New Construction		-	-
B. Renovation		5,254,820	5,254,820
C. Special Fixed Equipment	-	-	-
D. Site Development (excl. 2.E.)	-	-	-
E. Parking and Landscaping	-	-	-
F. Utilities Extensions	-	-	-
G. Other*	-	-	-
Subtotal Construction Cost	<u>\$ -</u>	<u>\$ 5,254,820</u>	<u>\$ 5,254,820</u>
3. Fees			
A. Construction Mgr (0.2%)	\$ -	\$ 10,000	\$ 10,000
B. Architect/Engineer (7.7%)	-	405,200	405,200
C. Other	-	-	-
Subtotal Consultant Fees	<u>\$ -</u>	<u>\$ 415,200</u>	<u>\$ 415,200</u>
4. FF&E Movable	\$ -	\$ -	\$ -
5. Contingency, Design Phase (0.2%)	-	8,104	8,104
6. Contingency, Constr. Phase (10%)	-	526,482	526,482
7. Parking Reserve	-	500	500
8. Telecommunications Equipment	-	-	-
Subtotal Items 4-8	<u>\$ -</u>	<u>\$ 535,086</u>	<u>\$ 535,086</u>
9. Additional University Costs			
A. Surveys, Tests, Inspections, etc.	\$ -	\$ 70,000	\$ 70,000
B. Move-in Costs	-	-	-
C. Printing Advertisement	-	14,478	14,478
D. Keying, signage, facilities support	-		
E. Project Management Cost (3%)		189,320	189,320
F. State Risk Mgt. Ins. (.0034 **)	-	21,096	21,096
Subtotal Addl. Univ. Costs	<u>\$ -</u>	<u>\$ 294,894</u>	<u>\$ 294,894</u>
TOTAL CAPITAL COST	<u><u>\$ 6,500,000</u></u>	<u><u>\$ 6,500,000</u></u>	<u><u>\$ 6,500,000</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

Project location map:

