

JOINT COMMITTEE ON CAPITAL REVIEW

Thursday, September 24, 2015

Immediately Upon Adjournment of the JLBC Meeting

Senate Appropriations Room 109

JLBC

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

DON SHOOTER
CHAIRMAN 2015
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JOINT COMMITTEE ON CAPITAL REVIEW
Thursday, September 24, 2015
Immediately Upon Adjournment of the JLBC Meeting
Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order
- [Approval of Minutes of June 18, 2015.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [ARIZONA STATE UNIVERSITY - Review of Sun Devil Stadium Renovation Phase 2.](#)
- 2. [ARIZONA DEPARTMENT OF CORRECTIONS - Review of the Reallocation of FY 2016 Building Renewal Allocation Plan.](#)
- 3. [DEPARTMENT OF PUBLIC SAFETY - Review of Proposed Microwave System Upgrades.](#)
- 4. [ARIZONA DEPARTMENT OF TRANSPORTATION - Review of FY 2016 Building Renewal Allocation Plan.](#)
- 5. [ARIZONA EXPOSITION AND STATE FAIR BOARD - Review of Sewer Line and Transformer Expenditures.](#)
- 6. [COCONINO ASSOCIATION FOR VOCATIONS, INDUSTRY AND TECHNOLOGY - Consider Approval of Proposed JTED Leases.](#)

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

9/16/15

kp

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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

June 18, 2015

The Chairman called the meeting to order at 3:19 p.m., Thursday, June 18, 2015 in House Hearing Room 4. The following were present:

Members:	Senator Shooter, Chairman	Representative Olson, Vice-Chairman
	Senator Griffin	Representative Alston
	Senator Hobbs	Representative Meyer
	Senator Kavanagh	Representative Montenegro
	Senator Yarbrough	
Absent:	Senator Cajero Bedford	Representative Gray
	Senator Farley	Representative Sherwood
		Representative Stevens

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of April 1, 2015, Chairman Don Shooter stated that the minutes would stand approved.

STATE DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2016 Building Renewal Allocation Plan.

Ms. Micaela Larkin, JLBC Staff, stated ADC is requesting review of expenditure plans for building renewal monies. The JLBC Staff presented options to the Committee.

Representative Olson moved that the Committee give a favorable review to ADC's \$5,464,300 FY 2016 Building Renewal Allocation Plan, which primarily funds the replacement of obsolete locking and control systems, structural and electrical repairs, project design and needs assessment, and the replacement of water tanks at Arizona State Prison Complex (ASPC) - Yuma (See Table 1). The favorable review includes the following provision:

(Continued)

Table 1

FY 2016 Building Renewal Allocation Plan

Structural Repairs

Structural Repairs - Florence/Central Unit	\$1,490,000
Ductwork Replacement - Lewis	<u>840,000</u>
Subtotal	\$2,330,000

Locking & Control Systems

Locking Systems - Eyman/Special Management Unit	\$1,200,000
Control Panel Replacement - Eyman/Meadows	<u>480,000</u>
Subtotal	\$1,680,000

Equipment Replacement

Water Tank Replacement - Yuma	\$ 850,000
Electrical Loop Upgrade - Douglas	<u>314,300</u>
Subtotal	\$1,164,300

Project Design & Needs Assessment

Fire Alarm Design - Correctional Officers Training Academy	\$ 150,000
Structural Needs Survey	<u>140,000</u>
Subtotal	\$ 290,000

Building Renewal Subtotal	\$5,464,300
Contingency	<u>\$ 0</u>
TOTAL	\$5,464,300

- A. ADC shall report any change in the building renewal spending plan to the JLBC Staff, including reallocations between projects. If there is significant change of scope in the reallocation reported by ADC, the JLBC Staff shall recommend ADC request Committee review of the reallocation.

The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of FY 2015 Building Renewal Allocation Plan.

Ms. Rebecca Perrera, JLBC Staff, stated ADOA is requesting review of expenditure plans for FY 2015 building renewal monies prior to expenditure. The JLBC Staff presented options to the Committee.

Representative Olson moved that the Committee give a favorable review to ADOA's FY 2015 \$1,200,000 Building Renewal Allocation Plan to be allocated to Fire and Life Safety projects at the Arizona Department of Juvenile Corrections with the following provision:

- A. ADOA shall report any change in the building renewal spending plan to the JLBC Staff, including reallocations between projects and non-emergency use of contingency monies. If there is significant change of scope in the reallocation reported by ADOA, the JLBC Staff shall recommend ADOA to request Committee review of the reallocation.

The motion carried.

(Continued)

ARIZONA DEPARTMENT OF ADMINISTRATION - Review of FY 2016 Building Renewal Allocation Plan.

Ms. Rebecca Perrera, JLBC Staff, stated ADOA is requesting review of expenditure plans for FY 2016 building renewal monies prior to expenditure. The JLBC Staff presented options to the Committee.

Representative Olson moved that the Committee give a favorable review to ADOA's FY 2016 \$14,000,000 Building Renewal Allocation Plan with the following provisions:

- A. *ADOA shall report any change in the building renewal spending plan to the JLBC Staff, including reallocations between projects and non-emergency use of contingency monies. If there is significant change of scope in the reallocation reported by ADOA, the JLBC Staff shall recommend ADOA to request Committee review of the reallocation.*
- B. *The distribution of the emergency contingency allocation of \$542,000 be addressed as follows:*
 - 1. *ADOA notify the Chairman and the JLBC Staff that they plan to spend less than \$50,000 on an emergency project. ADOA can proceed without Committee review.*
 - 2. *If the emergency project is \$50,000 or greater, ADOA will request JCCR review.*
 - 3. *The Chairman can allow ADOA to move forward with an emergency project of greater than \$50,000 without Committee review.*
 - 4. *The Chairman will notify ADOA if he does not agree that the project is an emergency and will request that ADOA not proceed with the project.*

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

- C. *If ADOA adds a new non-emergency project not listed in this request, the department must submit the proposed project and expenditure plan for Committee review.*
- D. *ADOA shall submit to JLBC Staff by December 31, 2015 an analysis of the status of the state's fire alarm systems, along with the anticipated need, cost, and timeline for the upgrade and/or replacement of systems.*

The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Lease-Purchase Refinancing.

Mr. Josh Hope, JLBC Staff, stated that A.R.S. § 41-791.02 requires the Committee to review and approve ADOA's lease-purchase agreement before the agreement takes effect. The JLBC Staff presented options to the Committee.

Representative Olson moved that the Committee give a favorable review and approval to ADOA's refinancing of 2 long-term financing agreements: 1) a Privatized Lease-to-Own (PLTO) agreement from 2005 (the Capitol Mall Project) and 2) a lease-purchase agreement that was issued in 2008 to fund

(Continued)

additional ADC prison beds and upgrade Arizona State Hospital (ASH) infrastructure. The favorable review includes the provision that ADOA is to submit a final debt service schedule associated with the refinancing agreement. The motion carried.

SCHOOL FACILITIES BOARD (SFB) - Review of Lease-Purchase Refinancing.

Mr. Josh Hope, JLBC Staff, stated SFB is requesting review of a refinancing agreement during FY 2016 that reduces the board's lease-purchase payments by a combined total of at least \$7,000,000 during FY 2016 through FY 2024. The JLBC Staff presented options to the Committee.

Representative Olson moved that the Committee give a favorable review of the refinancing agreement proposed by SFB. The favorable review includes the provision that SFB is to submit a final debt service schedule associated with the refinancing agreement along with a revised version of SFB's total debt service schedule after the refinancing agreement. The motion carried.

ARIZONA STATE UNIVERSITY (ASU) - Review of Building Renewal and Renovation Projects.

Mr. Art Smith, JLBC Staff, stated ASU is requesting review of a university project financed with revenue bonds. The JLBC Staff presented options to the Committee.

Ms. Joanne Wamsley, Vice President Finance & Deputy Treasurer, Financial Services, ASU, responded to member questions.

Representative Olson moved that the Committee give a favorable review of \$37,000,000 in system revenue bond issuances to fund 3 building renewal and other renovation projects (See Table 2). The bond debt service would be paid from tuition. The favorable review includes the following provisions:

Standard University Financing Provisions

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

The motion carried.

Table 2				
ASU System Revenue Bond Projects				
Project	Total Cost ^{1/}	Direct Cost	Sq. Ft.	Direct Cost/ Sq. Ft.
Research Laboratory Renovations – All Campuses	\$10,000,000	\$ 6,787,000	25,000	\$271
Classroom Renovations – All Campuses	10,000,000	6,787,800	50,000	136
Building Renewal and Campus Infrastructure – All Campuses	<u>17,000,000</u>	<u>14,802,400</u>	<u>N/A</u>	<u>N/A</u>
Total	\$37,000,000	\$28,377,200	75,000	---
^{1/} These amounts do not include issuance costs.				

(Continued)

ARIZONA STATE UNIVERSITY/NORTHERN ARIZONA UNIVERSITY (NAU) - Review of Housing Indirect Financing Projects.

Mr. Art Smith, JLBC Staff, stated ASU and NAU are requesting review of university projects using indirect debt financing (also known as third party financing). The JLBC Staff presented options to the Committee.

Representative Olson moved that the Committee give a favorable review of ASU's ground lease for one 1,600-bed residence hall at its Tempe Campus for a total of \$115,000,000 and NAU's second addendum to the ground lease agreements for one 620-bed additional residence hall with an adjacent parking garage on the Flagstaff campus for a total of \$55,000,000. The proposed NAU parking garage project will contain 690 spaces. The favorable reviews include the following provision:

- A. A favorable review does not constitute an endorsement of any level of General Fund appropriations for operating expenses.*

The motion carried.

ARIZONA STATE PARKS BOARD (SPB) - Review of FY 2016 State Parks Revenue Fund and State Lake Improvement Fund Capital Expenditures.

Mr. Art Smith, JLBC Staff, stated SPB is requesting review of FY 2016 capital projects totaling \$3.8 million from the State Lake Improvement Fund (SLIF) and the State Parks Revenue Fund (SPRF), which includes appropriations from FY 2015 and FY 2016. Of that amount, \$2.5 million would be for new construction and \$1.3 million would be used for building renewal. The JLBC Staff presented options to the Committee.

Mr. Kelly Moffitt, Chief of Operations, SPB, responded to member questions.

Representative Olson moved that the Committee give a favorable review of the Arizona State Parks Board's \$3,800,000 expenditure plan for FY 2016 capital projects. Of that amount, \$2,480,000 would be used for new construction and \$1,320,000 would be used for building renewal (See Table 3). The favorable review included the following provisions:

- A. The State Parks Board shall report any change in the capital spending plan to the JLBC Staff, including reallocations between projects. If there is a project reallocation greater than \$100,000, the JLBC Staff shall recommend the State Parks Board request Committee review of the reallocation.*
- B. If the State Parks Board adds a new project not listed in this request, the board must submit the proposed project and expenditure plan for Committee review.*

The motion carried.

(Continued)

Table 3

FY 2016 Arizona State Parks Capital Projects

<u>New Construction</u>	SPRF	SLIF	Federal LWCF 1/	Total
Restroom Shower Buildings	\$450,000	\$175,000	\$625,000	\$1,250,000
Cattail Cove - Sandpoint Facility	0	500,000	0	500,000
Lake Havasu - Launch Ramp Parking and Beach Area	0	450,000	0	450,000
Visitor Cabins	180,000	120,000	0	300,000
Boating Parks - Group Ramadas	0	175,000	0	175,000
Roper Lake - Wastewater Treatment Upgrades	175,000			175,000
Alamo Lake - Water and Wastewater Upgrades		105,000		105,000
Multiple Parks - Wireless Upgrades	25,000	75,000		100,000
Fort Verde - Horse Stables and Host Sites with Utilities	50,000	0	0	50,000
Subtotal - New Construction	\$880,000	\$1,600,000	\$625,000	\$3,105,000
<u>Building Renewal</u>				
Kartchner Caverns - Multiple Projects	\$570,000	\$0	\$0	\$570,000
Lake Havasu, Catalina and Roper Lake - Ranger Residences	300,000	0	0	300,000
Rockin' River Ranch - Caretaker Camp Sites and Entrance Road	125,000	0	0	125,000
Dead Horse - New Showers for Restroom Building	100,000	0	0	100,000
Jerome, Riordan Mansion and Fort Verde - Fire Suppression and Alarm Upgrades	100,000	0	0	100,000
Buckskin - Potable Water System	75,000	0	0	75,000
Slide Rock - New Roofs on Historic Buildings	50,000	0	0	50,000
Subtotal - Building Renewal	\$1,320,000	\$0	\$0	\$1,320,000
Totals	\$2,200,000	\$1,600,000	\$625,000	\$4,425,000

1/ JCCR review is not required for Federal LWCF expenditures.

2/ Of the \$4.4 million, \$3.8 million requires JCCR review for SPRF and SLIF expenditures.

ARIZONA EXPOSITION AND STATE FAIR BOARD - Review of Cattle Barn Wall Repairs.

Mr. Steve Grunig, JLBC Staff, stated that the Arizona Exposition and State Fair Board is requesting review of the scope, purpose and estimated cost of \$225,000 for capital improvements. The JLBC Staff presented options to the Committee.

Ms. Wanell Costello, Executive Director, Arizona Exposition and State Fair Board, responded to member questions.

Representative Olson moved that the Committee give a favorable review of the Arizona Exposition and State Fair Board's Cattle Barn wall repairs with a total cost of \$225,000 in FY 2016. The motion carried.

DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS (DEMA) - Review of Proposed Expenditures from the Military Installation Fund.

Mr. Eric Billings, JLBC Staff, stated DEMA is requesting review of their plan to expend \$2,894,800 from the Military Installation Fund for 2 land purchases and 1 easement near existing military facilities. The JLBC Staff presented options to the Committee.

(Continued)

Mr. Travis Schulte, Legislative Liaison, Military Installation Fund Program Manager, DEMA, responded to member questions.

Representative Olson moved that the Committee give a favorable review to DEMA's plan to expend \$2,894,800 from the Military Installation Fund for 2 land purchases and 1 easement acquisition near existing military facilities. These expenditures would be funded with existing monies in the fund.

- *\$773,300 to purchase a 27.62-acre land parcel which is 0.25 miles northwest of Luke Air Force Base Auxiliary Field near Surprise.*
- *\$843,750 to purchase a 33.75-acre land parcel which is 1.42 miles southeast of Davis-Monthan Air Force Base in Tucson.*
- *\$1,277,750 to acquire easement rights to a 54-acre parcel which is 0.15 miles southwest of Luke Air Force Base in Glendale. The easement would prohibit the land owner from engaging in any act that could hinder air traffic over the property and prevents any further development of the land.*

The motion carried.

Without objection, the meeting adjourned at 3:54 p.m.

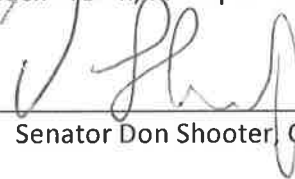
Respectfully submitted:



Kristy Paddack, Secretary



Jack Brown, Principal Fiscal Analyst



Senator Don Shooter, Chairman



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Joint Committee on Capital Review

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DATE: September 17, 2015

TO: Senator Don Shooter, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Matt Gress, Fiscal Analyst *MG*

SUBJECT: Arizona State University - Review of Sun Devil Stadium Renovation Phase 2

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. Arizona State University (ASU) requests Committee review of \$107,000,000 in system revenue bond issuances over the next year to fund the second phase of a 3-part renovation of Sun Devil Stadium. The total renovation project cost is \$256,000,000, including gift revenue.

The Arizona Board of Regents (ABOR) has only approved the bond issuance for Phase 1 of the renovations and will consider approval of Phase 2 at ABOR's September meeting.

Recommendation

The Committee has the options of a favorable or unfavorable review of ASU's \$107,000,000 planned issuance. Under a favorable review, the Committee may consider the following provision:

A. The favorable review is contingent upon ABOR approval of Phase 2 at its September 24th meeting.

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

Standard University Financing Provisions

B. 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.

C. ASU shall provide the final debt service schedules for the projects as soon as they are available.

(Continued)

Analysis

ASU is currently renovating Sun Devil Stadium, which was constructed in 1958 with 30,500 seats. Since the initial construction, Sun Devil Stadium has been expanded over the years to seat approximately 72,000 patrons. Seating capacity dropped to 66,000 in April 2014 after ASU installed a new video board in the north end zone of the stadium in preparation for more extensive construction. In January 2015, ASU began renovating 850,000 square feet of the stadium at a cost of \$256.0 million. This renovation project is divided into 3 phases and will be completed by August 2017. Additional seats will be removed as a result of the renovation, reducing total seating capacity to around 59,000.

At its December 2014 meeting, the Committee favorably reviewed Phase 1 of the stadium renovation project. The first phase cost \$65.7 million, consisting of \$60.0 million in revenue bonds and \$5.7 million in gifts, to construct a new student section in the south end zone of the stadium and add other facility enhancements. Phase 1 was completed in August 2015.

ASU has requested Committee review of the second phase. Phase 2 will cost \$107.0 million, consisting entirely of revenue bonds, to reconstruct concourses, restrooms, and concessions, as well as make seating and infrastructure improvements on the west end of the stadium. This phase also entails the construction of an 84,500 square-foot athlete training facility at the north end of the stadium. Phase 2 is scheduled to begin after the 2015 football season and be completed by August 2016.

Financing

The source of financing for the \$256.0 million project will be system revenue bonds in the amount of \$200.0 million and gift proceeds in the amount of \$56.0 million (*See Table 1*). ASU estimates the total gift proceeds will be \$84.0 million, with \$56.0 million of that amount going to finance construction costs directly and the remainder to paying a portion of future debt service payments. To date, ASU has received pledges of \$45.3 million.

Table 1

Financing of Sun Devil Stadium Renovation

Issuance/Date	Revenue Bond	Gifts	Total	Debt Service ^{1/}
1. April 2015	\$ 60.0	\$ 5.7	\$ 65.7	\$ 4.0
2. Late 2015/Early 2016	107.0	-	107.0	7.5
3. Late 2016/Early 2017	33.0	50.3	83.3	2.7
Total	\$ 200.0	\$ 56.0	\$ 256.0	\$ 14.2

^{1/} This represents the annual debt service payment for each issuance once the debt service payments are fully phased in.

ASU is splitting the overall \$200.0 million revenue bond issuance into 3 parts to align with the 3 construction phases. The first issuance of \$60.0 million, which received a favorable review from the Committee in December 2014, occurred in April 2015 to fund Phase 1 of the renovation. The second bond issuance of \$107.0 million would occur in late 2015 or early 2016 and fund Phase 2 of the

(Continued)

renovations, and the third issuance of \$33.0 million would occur in late 2016 or early 2017 to fund the final phase. At this time, ABOR has only approved the bond issuance for Phase 1 of the renovations and is considering approval of the Phase 2 issuance at ABOR's September 24th meeting.

The Phase 1 debt service is approximately \$2.8 million starting in FY 2018 and increasing to an annual level of \$4.0 million from FY 2022 through FY 2046.

The Phase 2 debt service is estimated to be \$4.8 million starting in FY 2018 and increasing to an annual level of \$7.5 million from FY 2022 through FY 2046.

In terms of the total \$200.0 million multi-year issuance, the projected repayment is expected to cost \$394.0 million over the 29-year term, but that figure will change based on the actual interest rates for Phase 2 and 3 bond issuances. In the case of Phase 1 revenue bond issuances, the interest rate 3.79%. ASU estimates a 4.15% interest rate for Phase 2 and 6.0% for Phase 3.

All revenue bond issuances will be completed by early 2017 and debt service will begin in FY 2018. In total, initial debt service payments are projected to be \$9.7 million in FY 2018 through FY 2021. This amount will increase to approximately \$14.2 million in FY 2022 and continue through FY 2046.

Through approximately 2030 (by ASU estimates), some portion of debt service on the revenue bonds would be paid from University Athletic Facilities District (UAFD) revenue and supplemented with a variety of Sun Devil Athletics revenue sources, such as enhanced stadium income from renovations, conference revenue distribution provided by the Pac-12 television contract, revenue sharing from postseason football games, as well as additional Athletic Department gifts.

By about 2030, ASU projects that UAFD revenue in the form of assessments on commercial properties in the district will be sufficient to pay the entire annual debt service on the stadium renovations. *(See below for discussion of the University Athletic Facilities District.)*

The revenue bonds, however, are not backed solely by Athletic Department revenues. The bonds will be pledged against overall ASU "system revenue," which includes tuition monies. Using this broader revenue stream improves issuance marketability and lowers the bond interest cost. While ASU does not intend to use tuition monies for this project, tuition monies may be used to pay debt service, if other sources are not sufficient.

University Athletic Facilities District

Laws 2010, Chapter 140 allows the Maricopa, Pima and Coconino County Board of Supervisors to establish a UAFD to construct or modify sports facilities at a public university. The Maricopa UAFD Board was established in fall 2012 and consists of 7 members: 2 members appointed by Maricopa County, 4 members appointed by ASU, and 1 private citizen selected by the other UAFD Board members themselves. The UAFD has established its boundaries between the southern edge of Tempe Town Lake and University Drive in Tempe, with approximate east/west boundaries of Mill Avenue to McClintock Road. The UAFD incorporates a significant portion of the ASU Karsten Golf Course. *(See Attachment A for a map of the Maricopa UAFD.)*

ASU has developed a preliminary Master Plan for commercial development of the UAFD through the use of ground leases. The first phase of development includes Sun Devil Stadium and the new construction of office, multifamily and retail buildings. This phase is already underway with the stadium renovations, and new construction is anticipated in late 2016. ASU envisions that full development of the UAFD could range from 15 to 20 years.

(Continued)

The UAFD will generate revenue to pay for the stadium renovation debt service by levying an assessment on the property value of the commercial leases. Under current law, property owned by universities is exempt from property taxes. The in-lieu assessment will be based on property values as determined by ASU, which is to be done in the same manner as valuations calculated by the Maricopa County Assessor. By law, the assessment rate for a given property cannot exceed the combined overall regular property tax rate of the jurisdictions in which the property is located. Similar to property taxes, the in-lieu assessment will be updated annually to reflect current property values and the rate levied by the UAFD.

In the long term, the UAFD assessment will be set with the intent to cover the cost of the annual debt service of the revenue bonds associated with the stadium renovation. The assessment will be levied no sooner than FY 2018, when the debt service is scheduled to begin. At full build-out, ASU estimates the assessment could generate \$23.0 million (using 2015 values). The JLBC Staff will continue to monitor the pace of development of UAFD and evaluate whether the projected timeline is feasible.

Construction Costs/Timeline

The direct construction costs for the entire project are \$210.4 million. Based on information provided by ASU, there are 7 similar projects ranging in cost from \$97.0 million to \$182.0 million. This same information was included in the JLBC Staff memo for the Committee's December 2014 Phase 1 memo.

ASU states that comparable costs per square foot average \$392, as displayed in *Table 2*. Based on the 850,000 square- foot size of the project, ASU's cost per square foot is \$248.

This analysis, however, appears less than comparable due to different methods of calculating square feet between ASU and the other 7 schools. While ASU does not have an appreciably larger stadium, it is listed as being twice as large as the other schools' stadiums in *Table 2*.

Table 2				
Comparable Stadium Construction Projects				
Project	Year	Project Size	Cost/SF	(\$ in M) Total
University of Kentucky	2015	229,000	\$ 422	\$ 97
UC Berkeley	2012	309,000	462	143
University of Michigan	2009	532,000	342	182
University of Illinois	2008	313,500	320	100
University of Iowa	2007	352,400	293	103
Oregon State	2008	400,000	340	136
Oregon	2003	300,000	567	170
Average		347,986	\$ 392	\$ 133

The first phase of the project was completed in August 2015 and cost \$65.7 million, consisting of a \$60.0 million revenue bond and \$5.7 million in gifts, to construct a new student section in the south end zone of the stadium. The reconfiguration of the south end zone included the removal of existing steel bleachers in the lower part of the stadium in order to create a new, continuous lower bowl. The club level section was removed with the exception of the portion connected to the Carson Student Athlete Center at the south end of the stadium. Additionally, dedicated student entrances, concession areas and restrooms were constructed.

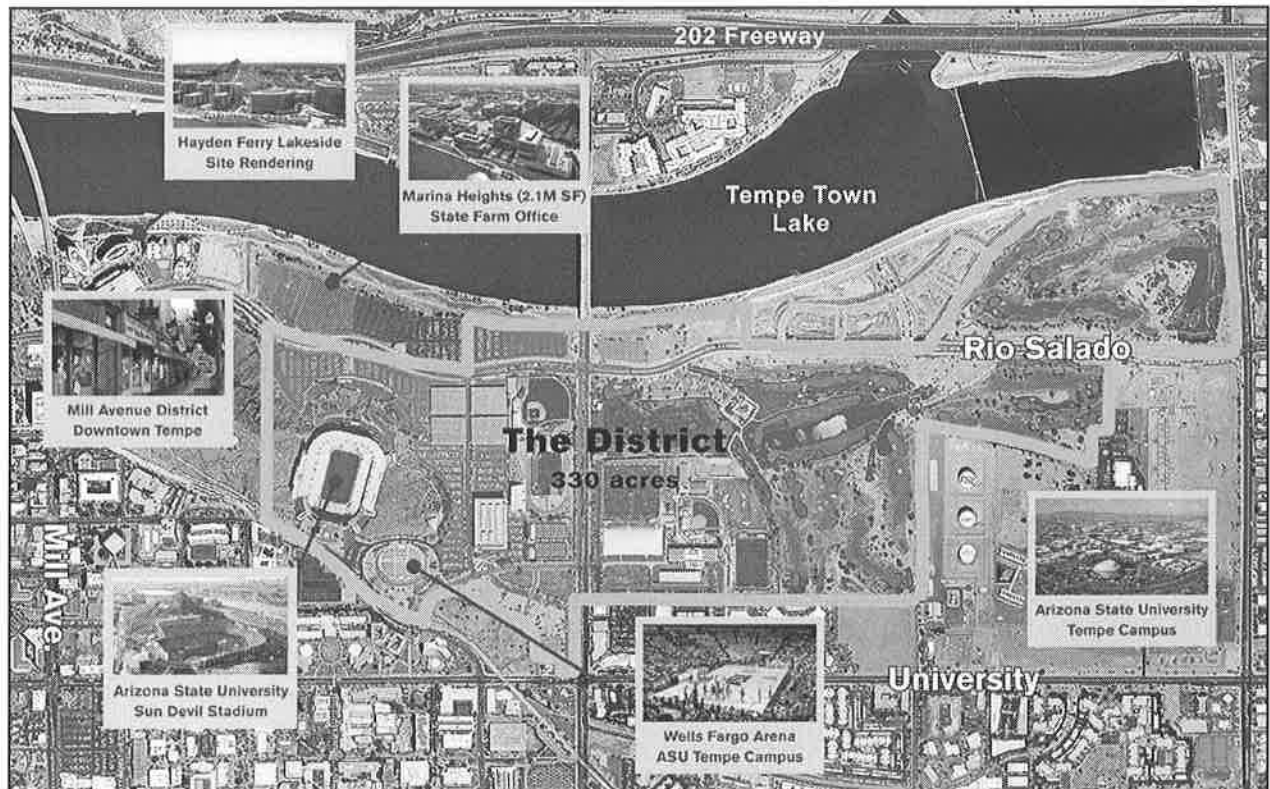
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The project is currently in its design stage of Phase 2 with construction expected to begin after ASU's 2015 football season and will be completed by August 2016. Phase 2 will include reconstruction of concourses, restrooms and concessions, as well as seating and infrastructure improvements on the west side of the stadium. In addition, exterior construction of a student athletic training facility that will be integrated into the north end zone stadium structure will be completed during Phase 2. This 84,500 square-foot facility will include office and administrative spaces, meeting rooms, study rooms, locker rooms and conference areas.

Phase 3 will make similar upgrades to the east side of the stadium and complete the student-athlete training facility on the north end.

All of the renovations are projected to be completed by August 2017 with an annual operations and maintenance cost of \$1.6 million that will be paid from athletic department revenue.

RS/MG:kp
Attachment



ASU
ARIZONA STATE UNIVERSITY

September 3, 2015



The Honorable Don Shooter, Chairman
Joint Committee on Capital Review
Arizona House of Representatives Capital Complex
1700 West Washington, Room 114
Phoenix, AZ 85007-2890

Dear Representative Shooter:

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

- Sun Devil Stadium Renovation Phase 2

Enclosed is pertinent information relating to these items.

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

Sincerely,

Morgan R. Olsen
Executive Vice President, Treasurer and CFO

Enclosures

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

**Joint Committee on Capital Review
Arizona State University
September 2015 JCCR Meeting**

SUN DEVIL STADIUM RENOVATION PHASE 2

Project Description

The Sun Devil Stadium Renovation project will resolve deferred maintenance and structural issues at Sun Devil Stadium and will bring the stadium amenities up to a level expected by students, fans and players. The project will encompass:

- Demolition and rebuilding of all existing concourse levels, restrooms, concessions, access and egress components and other public amenities
- Infrastructure improvements such as waste lines, domestic water, and electrical and mechanical systems
- Development of new premium seating amenities with access to lounge areas between the upper deck and main concourse level
- Minor interior upgrades to the existing press box
- New scoreboard, technology infrastructure and sound system
- New kitchen, catering and concessions facilities
- New student seating sections and enhanced student concourse experience
- New exterior improvements, such as architectural lighting, landscaping and signage
- New north end zone events plaza
- Student Athletic Facility
- Entry modifications and amenities for ADA access.

The renovation of Sun Devil Stadium will be phased over three years between seasons; the Sun Devils football team will continue competing in the stadium throughout the project period. Renovations began after the fall 2014 season and are scheduled for completion prior to the fall 2017 season.

Phase 2 of the Sun Devil Stadium Renovation Project, scheduled to begin construction after the fall 2015 season, will be funded with system revenue bonds totaling \$107 million. Debt service will be funded by Sun Devil Athletics revenues, including enhanced stadium income, conference revenue distributions, charitable gifts, and in the longer term, Athletic Facilities District revenues.

An Arizona Board of Regents executive summary for this project is attached, which outlines the project description and other relevant information. Phase 2 of the project is scheduled to receive Project Approval at the September 24, 2015 Arizona Board of Regents meeting.

**Joint Committee on Capital Review
Arizona State University
September 2015 JCCR Meeting**

Project Costs

Total Project Cost	\$ 256,000,000
Total Project Construction Cost	\$ 210,423,600
Total Project Cost, Phase 1	\$ 65,700,000
Total Project Cost, Phase 2	\$ 107,000,000
Total Project Cost per GSF	\$301
Total Construction Cost per GSF	\$248

There will not be an operations and maintenance increase in Phase 2. Once the project is complete, operations and maintenance costs are estimated to increase by \$1.6 million annually.

**Joint Committee on Capital Review
Arizona State University
September 2015 JCCR Meeting**

PROJECT SUMMARY –Revenue Bonds

<u>Projects:</u>	<u>Funding Sources:</u>	<u>Amount:</u>
Sun Devil Stadium Renovation Phase 2	Auxiliary Revenue	\$ 107,000,000

FINANCING INFORMATION

System Revenue Bonds:

Project Costs	\$ 107,000,000
Capitalized Interest	\$ 8,026,100
Estimated Costs of Issuance	\$ 1,013,900
Anticipated Bond Rating	Aa3 (Moody's) and AA (S&P)
Assumed Interest Rate	4.15%
Term	30 years

Debt Service Information:

Estimated Annual Debt Service For 2018 - 2021 (interest only)	\$ 4,815,660
Estimated Annual Debt Service For 2022 – 2046	\$ 7,546,169
Total Estimated Debt Service Costs	\$ 207,916,850

DEBT RATIO

Debt Ratio on Existing Debt	5.20
Incremental Debt Ratio	0.32
Projected Debt Ratio	5.52

**Joint Committee on Capital Review
Arizona State University
September 2015 JCCR Meeting**

**Arizona State University
System Revenue Bonds
Sun Devil Stadium Renovation Phase 2**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	\$ 4,815,660	\$ 4,815,660
2019		4,815,660	4,815,660
2020		4,815,660	4,815,660
2021		4,815,660	4,815,660
2022	2,730,000	4,815,660	7,545,660
2023	2,845,000	4,702,365	7,547,365
2024	2,960,000	4,584,297	7,544,297
2025	3,085,000	4,461,458	7,546,458
2026	3,215,000	4,333,430	7,548,430
2027	3,345,000	4,200,007	7,545,007
2028	3,485,000	4,061,190	7,546,190
2029	3,630,000	3,916,563	7,546,563
2030	3,780,000	3,765,917	7,545,917
2031	3,935,000	3,609,048	7,544,048
2032	4,100,000	3,445,745	7,545,745
2033	4,270,000	3,275,595	7,545,595
2034	4,450,000	3,098,390	7,548,390
2035	4,635,000	2,913,715	7,548,715
2036	4,825,000	2,721,362	7,546,362
2037	5,025,000	2,521,125	7,546,125
2038	5,235,000	2,312,588	7,547,588
2039	5,450,000	2,095,335	7,545,335
2040	5,675,000	1,869,160	7,544,160
2041	5,910,000	1,633,647	7,543,647
2042	6,160,000	1,388,383	7,548,383
2043	6,415,000	1,132,743	7,547,743
2044	6,680,000	866,520	7,546,520
2045	6,955,000	589,300	7,544,300
2046	7,245,000	300,667	7,545,667
	<u>\$ 116,040,000</u>	<u>\$ 91,876,850</u>	<u>\$ 207,916,850</u>

EXECUTIVE SUMMARY

Item Name: Sun Devil Stadium Renovation Phase 2 Project Approval (ASU)

- ☒ Committee Recommendation to Full Board
☐ Full Board Approval

Issue: Arizona State University requests project approval for Sun Devil Stadium Renovation Phase 2.

Previous Board Action

- | | |
|----------------------------|----------------|
| • FY 2016 CDP | June 2015 |
| • Phase 1 Project Approval | November 2014 |
| • FY 2015 Amended CDP | September 2014 |
| • 2016-2018 CIP | September 2013 |

Enterprise or University Strategic Plan

(Check the element(s) of the strategic plan that this item supports or advances)

- | | |
|-------------------------------------|--|
| <input checked="" type="checkbox"/> | Education excellence, access and degree production |
| <input type="checkbox"/> | Research excellence |
| <input checked="" type="checkbox"/> | Workforce and community |
| <input type="checkbox"/> | Productivity |
| <input checked="" type="checkbox"/> | Compliance |
| <input type="checkbox"/> | Real property purchase/sale/lease |
| <input type="checkbox"/> | Other: |

Statutory/Policy Requirements

- ABOR Policy 7-109 requires Committee approval of renovation or infrastructure projects with a total project cost exceeding \$5 million before contracts can be executed and construction can begin.

Project Justification/Description/Scope

- Arizona State University takes pride in its status as an elite institution with a top-ranked intercollegiate athletics program. Sun Devil Stadium, the largest public assembly building on campus, has been a landmark in the Valley for the last 56 years. The Stadium has operated in recent years with substandard and insufficient

EXECUTIVE SUMMARY

access, restrooms, concessions, points of sale, and spectator amenities, and a lack of competitive premium seating amenities.

- The plan to renovate Sun Devil Stadium provides an opportunity to increase ASU's investment in the community and to set the standard for collegiate athletics facilities. ASU is seeking philanthropic support from the Arizona community to provide features that will enhance the game day experience for both fans and student-athletes.
- The proposed plan will renovate Sun Devil Stadium, while retaining the stadium in its iconic setting between the Tempe and Hayden Buttes. Sun Devil Athletics will utilize the inherent media interest that surrounds college football to extend ASU's prominence on a national stage and showcase the best the University has to offer. After the 1997 Rose Bowl, applications to Arizona State University increased by nearly fifteen percent from the previous season. More recently, The Arizona Republic called the 2013 PAC-12 Championship football game, held at Sun Devil Stadium, a "...giant commercial for school and state." Sun Devil Athletics hosts an average of 180 events per year at its athletics facilities, for a total economic impact in the Valley of slightly over \$209 million.
- The Sun Devil Stadium Renovation Project has been planned in three phases while the team continues to play in the stadium. Phase 1 began after the 2014 football season, Phase 2 will begin after the 2015 season, and Phase 3 after the 2016 season, with completion of all phases in time for the start of the 2017 season.

Project Delivery Method and Process

- This project is being delivered through the Construction Manager at Risk (CMAR) method. This approach was selected for the project to save time through fast-track project scheduling, provide contractor design input and coordination throughout the project, improve potentially adversarial project environments, and allow for the selection of the most qualified contractor team. With the use of two independent cost estimates at each phase, and low-bid subcontractor work for the actual construction, CMAR also provides a high level of cost and quality control.
- ASU selected Hunt/Sundt Construction, a joint venture, as the CMAR and HNTB and Gould Evans as the design professionals for this project. During the selection process for the CMAR, there were three responses and three contractors interviewed. The selection process for the design professional included seven responses and four firms were interviewed.

EXECUTIVE SUMMARY

Page 3 of 8

Project Status and Schedule

- Design and construction will be completed in three phases to enable Sun Devil football games to be scheduled in the stadium throughout the construction period without temporary relocation or a significant negative impact on the fan experience. Phase 1, completed for the fall 2015 season, included construction of a new student section in the South end zone that creates a continuous concrete lower seating bowl. The new section includes infrastructure, enhanced concessions and food service, renovated and new restrooms, improved Wi-Fi, ADA enhancements and elevators.
- Phase 2 is in design, with construction scheduled to begin immediately following the fall 2015 season. General construction will be completed no later than August 2016, prior to commencement of the 2016 football season. The entire project will be completed prior to the start of the 2017 football season.
- Phase 2 will include the demolition and rebuilding of much of the west side of Sun Devil Stadium to resolve deferred maintenance and structural issues, in addition to bringing the stadium up to a level of excellence expected by fans and players. The lower bowl, the loge level, a portion of the upper deck seating, and both the main and upper deck concourses will be demolished. The reconstructed lower bowl will provide improved seating options, wider treads, and easier seat access. The main concourse will be replaced to connect seamlessly with the new south end zone concourse elevation. A new upper deck concourse will be constructed and new upper bowl seating will augment existing upper bowl seating. New premium seating will be constructed between the upper deck and the main concourse level, with improved amenities and access to premium seating lounge areas. Stadium patrons will appreciate new concessions, expanded restrooms, enhanced technology, and improved circulation on all levels of the stadium west side. Exterior construction of the Student Athletic Facility, which will be integrated into the North end zone stadium structure, will be completed during Phase 2. This phase also will address infrastructure issues, including waste lines, domestic water, and electrical and mechanical systems, and provide complete ADA upgrades.
- ASU currently plans to submit Phase 3 Project Approval on or before September 2016, with construction scheduled to begin upon conclusion of the fall 2016 season. Included in the Phase 2 budget is funding for long lead items necessary to support the Phase 3 construction timeline and ensure completion prior to the fall 2017 football season.

Project Cost

- The total budget for this 850,000 gross-square-foot project is \$256 million and the budget for Phase 2 is \$107 million. The Sun Devil Stadium Renovation project

EXECUTIVE SUMMARY

creates the potential to develop new finished amenity space that will be built out as separate projects as funding is available.

- The overall budget represents an estimated construction cost of \$248 per gross square foot. The estimated total project cost is \$301 per gross square foot. The following table presents projects considered comparable to the Sun Devil Stadium Renovation project:

Comparable Project	Location	Project Size	Year Completed	Escalated Const. Cost / SF
Kentucky Commonwealth Stadium	Lexington, KY	229,000	2015	\$422
UC Berkeley Memorial Stadium	Berkely, CA	309,000	2012	\$462
Michigan Stadium	Ann Arbor, MI	532,000	2009	\$342
Illinois Memorial Stadium Renovation	Champaign, IL	313,500	2008	\$320
Iowa Kinnick Stadium Renovation	Iowa City, IA	352,400	2007	\$293
Reser Stadium	Corvallis, OR	400,000	2008	\$340
Autzen Stadium	Eugene, OR	300,000	2003	\$567
Average Comparable Project		347,986		\$392

- The total Phase 2 budget is \$107 million, based on a construction budget of \$95.3 million (see page 7 for additional breakdowns).
- For Phase 2 Project Approval, the DP and CMAR teams have provided external cost estimates based upon independent programming and estimating efforts. The estimates are in alignment for both Phase 2 and the overall \$256 million project budget.
- The CMAR will be at risk to provide the completed project within the agreed-upon Guaranteed Maximum Price (GMP). 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:

- The \$107 million Phase 2 project budget will be funded with system revenue bond proceeds. Debt service on the bonds will be funded by Sun Devil Athletics (SDA) revenues, including enhanced stadium income, charitable gifts, conference revenue distributions, and in the longer term, Athletic Facilities District revenues.
- Debt Ratio Impact:** The debt service associated with this project will increase the debt ratio by 0.32 percent.

EXECUTIVE SUMMARY

- The following table presents the current status of gift-funded capital projects, including Sun Devil Stadium Renovation:

Project Name	ABOR Approval	Intended Occupancy Date	Total Project Cost	Gift Target	Current Gifts (Cash/ Pledges)
College Avenue Commons	PA 12/2012	7/2014	\$54.5m	\$7.5m	\$7.5m
Center for Law and Society	CDP 12/2012	7/2016	\$129.0m	\$3.0m	\$10.0m
Sun Devil Stadium Renovation	CDP 9/2014	8/2017	\$256.0m	\$56.0m	\$45.3m

Occupancy Plan

- The project is being completed in three phases between football seasons to allow uninterrupted use of the stadium during renovation. The project is scheduled to be completed prior to the fall 2017 season.
- There will not be an operations and maintenance increase in Phase 2. Once the project is complete, operations and maintenance costs are estimated to increase by \$1.6 million annually. The University will fund operations and maintenance increases through SDA revenues and designated funds.

Committee Review and Recommendation

ASU requests that the Business and Finance Committee grant favorable review of this request for Project Approval and that it forward to the full Board a recommendation that the Board provide Project Approval for Phase 2 of the Sun Devil Stadium Renovation project.

Requested Action

ASU requests that the Board provide Project Approval for Phase 2 of the Sun Devil Stadium Renovation project, as presented in this Executive Summary.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University

Project Name: Sun Devil Stadium
Renovation Phase 2

Project Description and Location:

The project will renovate approximately 850,000 gross square feet of Sun Devil Stadium and construct an integrated Student Athlete Facility at the Tempe Campus. The renovations will be designed and constructed to last 50 years.

Project Schedule:

Planning	January	2012
Design-Phase 2	December	2015
Construction Start	January	2015
Construction Completion, Phase 1	August	2015
Construction Completion, Phase 2	August	2016
Construction Completion, Total Project	August	2017

Project Budget:

Total Project Cost	\$ 256,000,000
Total Project Construction Cost	\$ 210,423,600
Total Phase 1 Cost	\$ 65,700,000
Total Phase 2 Cost	\$ 107,000,000
Total Phase 2 Construction Cost	\$ 95,300,000

Total Project Cost per GSF \$ 301

Total Construction Cost per GSF \$ 248

Change in Annual Operations and Maintenance Cost:

Utilities	\$ 680,000
Personnel	364,000
All Other Operating	<u>556,000</u>
Subtotal	\$ 1,600,000

Funding Sources:

Capital

A. System Revenue Bonds \$ 107,000,000

Funding Source for Debt Service: Auxiliary Revenue

Operation/Maintenance, Phase 2 \$ 0

Funding Sources: Auxiliary and Designated Funds

EXECUTIVE SUMMARY

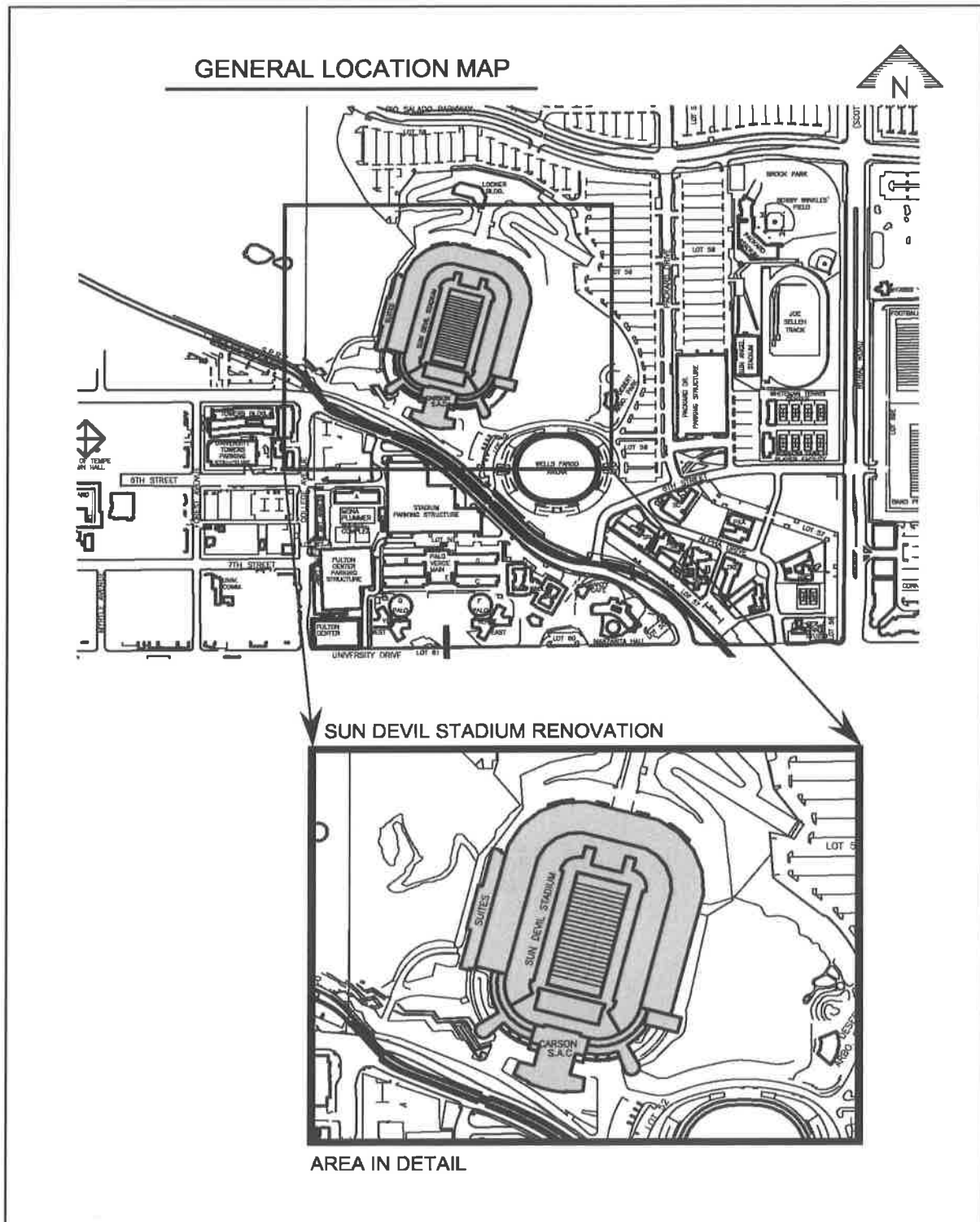
Capital Project Budget Summary

<u>University:</u> ASU at the Tempe campus	<u>Project:</u>	Sun Devil Stadium Renovation Phase 2
	<u>Phase 1 Project Approval</u>	<u>Phase 2 Project Approval</u>
Capital Costs		
1. Land Acquisition		
2. Construction Cost		
A. New Construction	\$ 28,500,000	\$ 91,258,000
B. Renovation		
C. Special Fixed Equipment		
D. Site Development (excl. 2.E.)		
E. Parking and Landscaping		
F. Utilities Extensions	7,200,000	
G. Other* (Demolition)	1,000,000	4,042,000
Subtotal Construction Cost	<u>\$ 36,700,000</u>	<u>\$ 95,300,000</u>
3. Fees		
A. Construction Mgr	\$ 2,000,000	
B. Architect/Engineer	16,900,000	
C. Other	1,500,000	\$ 450,000
Subtotal Consultant Fees	<u>\$ 20,400,000</u>	<u>\$ 450,000</u>
4. FF&E Movable		\$ 1,500,000
5. Contingency, Design Phase	\$ 3,000,000	
6. Contingency, Constr. Phase	3,000,000	1,500,000
7. Parking Reserve		
8. Telecommunications Equipment		4,700,000
Subtotal Items 4-8	<u>\$ 6,000,000</u>	<u>\$ 7,700,000</u>
9. Additional University Costs		
A. Surveys, Tests, Haz. Mat. Abatement	\$ 500,000	\$ 300,000
B. Move-in Costs		
C. Printing Advertisement	1,500	
D. Keying, signage, facilities support	15,000	104,200
E. Project Management Cost (2.9066%)	1,854,370	2,789,276
F. State Risk Mgt. Ins. (.0034 **)	229,130	356,524
Subtotal Addl. Univ. Costs	<u>\$ 2,600,000</u>	<u>\$ 3,550,000</u>
Total Capital Cost	<u><u>\$ 65,700,000</u></u>	<u><u>\$ 107,000,000</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





STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: September 17, 2015

TO: Senator Don Shooter, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Micaela Larkin, Senior Fiscal Analyst *ML*

SUBJECT: Arizona Department of Corrections - Review of the Reallocation of FY 2016 Building
Renewal Allocation Plan

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. At its June 18, 2015 meeting, the Committee favorably reviewed the Arizona Department of Corrections' (ADC's) FY 2016 Building Renewal Plan with the provision that the department seek review of reallocations with significant changes to scope.

ADC is now requesting to reallocate \$2,439,000 from projected savings from reducing the scope of the original projects in the approved FY 2016 Building Renewal Plan to meet immediate needs for structural repairs at ASPC - Eyman Rynning Unit, gas line replacement at ASPC - Tucson, and water line replacement at ASPC - Florence Central Unit.

Recommendation

The Committee has at least the following 2 options:

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

The proposed expenditure plan is consistent with building renewal guidelines and appropriations.

(Continued)

Under either option, the JLBC Staff recommends the following provisions:

- A. ADC shall continue to report any change in the building renewal spending plan to the JLBC Staff, including reallocations between projects. If there is significant change of scope in the reallocation reported by ADC, the JLBC Staff shall recommend ADC request Committee review of the reallocation. Prior reviews also included this provision.

Analysis

Building renewal appropriations provide for the major maintenance and repair of state owned buildings. The FY 2016 Capital Outlay Bill (Laws 2015, Chapter 9) appropriated a total of \$5,464,300 from the Department of Corrections Building Renewal Fund to the ADC for general building renewal. The committee favorably reviewed the FY 2016 Building Renewal Plan for this appropriation at its June 18, 2015 meeting. Under the provisions adopted during that meeting, ADC is now submitting further changes.

ADC is now requesting to reallocate \$2,439,000 from approved projects to meet immediate building renewal needs at ASPC - Eyman, ASPC - Florence, and ASPC - Tucson. Of this amount, ADC proposes allocating:

- \$1,400,000 for water line replacement at ASPC - Florence Central Unit. The water system serving the maximum custody unit has experienced several recent failures. These monies are to replace the piping system that is over 40 years old.
- \$539,000 for structural repairs at ASPC - Eyman Rynning. During recent months, ADC has conducted a survey of the structural issues at department facilities. ADC identified the need for immediate repair work at the Rynning Unit kitchen. ADC reports structural damage to the joists (supports for the ceiling and floor) in the dry storage area of the unit's kitchen. The prolonged use of evaporative cooling has contributed to this structural deterioration.
- \$500,000 for gas line replacement at ASPC - Tucson. ADC is required by the Arizona Corporation Commission's Pipeline Safety Division to repair the 9,100 feet of gas line serving the prison immediately. Installed 35 years ago, the gas line has developed several leaks.

To fund these new projects, ADC proposes reductions of \$2,439,000 from the following projects:

- \$1,490,000 from the deferral of structural repairs at ASPC - Florence until future funds are available.
- \$440,000 from reducing the scope of the ductwork replacement at ASPC - Lewis. Previously, ADC approved \$840,000 for ductwork replacement at the Barchey, Bachman, Buckley, and Eagle Point units at the prison. The new plan will exclude the Eagle Point unit.
- \$424,000 from reducing the scope of the water tank replacement at ASPC - Yuma. Instead of replacing the tank, ADC will repair and replace components of the water tank system.
- \$85,000 from projected savings from the costs of the control room panel replacement at the ASPC - Eyman Meadows unit. The department reports that lower bids are anticipated to result in a reduced cost.

(Continued)

Table 1 shows the proposed revisions to the FY 2016 Building Renewal Plan.

Table 1			
FY 2016 Building Renewal Plan			
	<u>Approved Allocation June 18, 2015</u>	<u>Difference</u>	<u>Revised Allocation</u>
<u>Amended Projects</u>			
Structural Repairs - Florence/Central Unit	\$1,490,000	\$(1,490,000)	0
Water Tank Replacement - Yuma	850,000	(424,000)	426,000
Ductwork Replacement - Lewis	840,000	(440,000)	400,000
Control Panel Replacement - Eyman/Meadows	480,000	(85,000)	395,000
Structural Repairs - Eyman/Rynning	0	539,000	539,000
Water Line Replacement - Florence	0	1,400,000	1,400,000
Gas Line Replacement - Tucson	<u>0</u>	<u>500,000</u>	<u>500,000</u>
<i>Subtotal</i>	<i>\$3,660,000</i>	<i>0</i>	<i>\$3,660,000</i>
<u>Original Projects</u>	\$1,804,300		\$1,804,300
Total	\$5,464,300		\$5,464,300

RS/ML:kp



DOUGLAS A. DUCEY
GOVERNOR

Arizona Department of Corrections

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(602) 542-5497
www.azcorrections.gov



CHARLES L. RYAN
DIRECTOR

September 3, 2015

The Honorable Don Shooter, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, Arizona 85007



Re: Submission for reallocation of the FY 2016 Building Renewal Plan

Dear Senator Shooter:

The Arizona Department of Corrections (ADC) requests placement on the next meeting agenda of the Joint Committee on Capital Review (JCCR). This letter replaces the reallocation request dated August 19, 2015. ADC is seeking authorization to reallocate the FY 2016 Building Renewal Plan, which was approved by JCCR at its June 18, 2016 meeting.

In FY 2016 \$5,464,300 is appropriated to ADC for building renewal. Reallocation of the plan is required to address structural issues at ASPC-Eyman Rynning Unit, water line replacement at ASPC-Florence, and gas line replacement at ASPC-Tucson. Supporting documentation for the revised plan is enclosed.

If you have any questions regarding any of the proposed items presented in the plan, please contact Michael Kearns, Division Director, ADC Administrative Services Division, at (602) 542-1160.

Sincerely,

Charles L. Ryan
Director

Enclosure

cc: The Honorable Justin Olson, Vice-Chairman, JCCR
Lorenzo Romero, Director, Office of Strategic Planning and Budgeting
Richard Stavneak, Director, Joint Legislative Budget Committee
Scott Selin, Budget & Project Manager, Office of Strategic Planning and Budgeting
Micaela Larkin, Fiscal Analyst, Joint Legislative Budget Committee

**ARIZONA DEPARTMENT OF CORRECTIONS
FY 2016 BUILDING RENEWAL REALLOCATION PLAN**

LOCATION	PROJECT DESCRIPTION	APPROVED	REALLOCATION
Various	Statewide Structural Surveys (Continued)	\$ 140,000	\$ 140,000
ASPC-Eyman SMU I	Locking Systems Upgrades - Phase III	\$ 1,200,000	\$ 1,200,000
ASPC-Eyman Meadows Unit	Control Room Panel Replacements	\$ 480,000	\$ 395,000 ¹
ASPC-Florence Central Unit	Structural Repairs - CB 1 & CB 4	\$ 1,490,000	\$ - ²
ASPC-Lewis	Ductwork Replacement At Various Units (Barchey, Bachman, Buckley, Eagle Point)	\$ 840,000	\$ 400,000 ³
ASPC-Yuma	Water Tank Replacement	\$ 850,000	\$ 426,000 ⁴
COTA	Fire Alarm Design	\$ 150,000	\$ 150,000
ASPC-Douglas Gila Unit	Electrical Loop Upgrade	\$ 314,300	\$ 314,300
ASPC-Eyman Rynning Unit	Kitchen Structural Repair	\$ -	\$ 539,000
ASPC-Florence Central Unit	Water Line Replacement	\$ -	\$ 1,400,000
ASPC-Tucson	Gas Line Replacement	\$ -	\$ 500,000
TOTAL		<u>\$ 5,464,300</u>	<u>\$ 5,464,300</u>
FUND SOURCE			
Building Renewal Fund		\$ 5,464,300	\$ 5,464,300
TOTAL FUND		<u>\$ 5,464,300</u>	<u>\$ 5,464,300</u>

¹ Lower bids anticipated to result in a reduced cost.

² Project will be deferred until funding is available.

³ Scope of the project was modified to exclude ASPC-Lewis Eagle Point.

⁴ Estimated cost reduced due to reduced project scope.

ASPC-Eyman Rynning Unit Kitchen Structural Repairs **\$539,000**

The dry storage area of the kitchen has structural damage to several of the bar joists that support the roofing system. The bar joists need to be replaced to preserve the buildings integrity. The building, in use for approximately 21 years, has evaporative cooling. This has caused a large amount of deterioration to the structural members in the immediate vicinity of the evaporative cooler over the dry storage area.

ASPC-Florence Central Unit Water Line Replacement **\$1,400,000**

The water system at ASPC-Florence Central unit has experienced several recent failures. During the repair process it was discovered that the 40+ year old piping system is completely deteriorated and is in need of replacement. This is a maximum custody unit and failure to repair the water system could result in unrest amongst the inmates.

ASPC-Tucson Gas Line Replacement **\$500,000**

The natural gas line serving ASPC-Tucson has deteriorated and is in need of replacement. The gas line installed 35 years ago, has recently developed several leaks. The Arizona Corporation Commissions Pipeline Safety Division is requiring that approximately 9,100 feet of gas line be replaced immediately.



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ANDREW C. SHERWOOD
DAVID STEVENS

DATE: September 17, 2015

TO: Senator Don Shooter, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director *RS*

FROM: Eric Billings, Principal Fiscal Analyst *EB*

SUBJECT: Department of Public Safety - Review of Proposed Microwave System Upgrades

Request

The FY 2015 Capital Outlay Bill (Laws 2014, Chapter 15) appropriated \$2,000,000 from the Highway Patrol Fund to the Department of Public Safety (DPS) for improvements to the statewide microwave system. The bill requires DPS to submit to the Joint Committee on Capital Review for review a report outlining an expenditure plan and project timeline for the improvements prior to expending any monies.

The expenditure plan submitted by DPS would utilize the \$2,000,000 Highway Patrol Fund appropriation to establish 2 new tower sites creating 3 new transmission paths and make additional upgrades to 1 existing tower site that will allow for increased bandwidth across 2 transmission paths. The projects as proposed would allow for the completion of the western loop of the microwave system by the end of FY 2017.

Recommendation

The Committee has at least the following 2 options:

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

(Continued)

Analysis

Background

The state microwave system is a DPS administered series of towers and related infrastructure situated on mountain tops that facilitate the transmission of voice and other data across the state. Currently, the system is comprised of 58 towers divided into 3 regional loops that connect to 20 state office and dispatch locations that enable federal, state, and local governmental agencies to communicate with each other across the state. A loop is a circular alignment of towers that are connected to each other, thus mitigating the chance of a communication failure in the event of an outage at one of the towers. Additionally, the system transmits some data from the Arizona Criminal Justice Information System and helps to support the Arizona Interoperability Radio System which allows different radio frequencies to communicate in the event that several agencies have to coordinate their efforts.

In FY 2005, DPS began the process of updating the microwave system from outdated analog to digital technology due to manufacturers no longer supporting analog equipment and aging infrastructure. At the time, DPS estimated the total cost of the project to be \$60.0 million. Since that time, DPS has received \$2.1 million in General Fund and \$6.5 million in other appropriated funds for this purpose and has been allocated \$6.4 million in federal homeland security grants.

Of these monies, DPS has expended at least \$11.1 million although that amount is likely higher due to a lack of data from FY 2005 and FY 2006. These funds, along with other discretionary DPS expenditures of appropriated and non-appropriated funds and partnerships that DPS has entered into with other governmental agencies, have allowed for the completion of the digital upgrades to the southern loop and a majority of the western loop. *Table 1* below outlines the appropriations, allocations, and expenditures that DPS has made for the microwave system since FY 2005.

Table 1

Microwave Appropriations/Allocations and Expenditures

	<u>Appropriations or Allocations</u>	<u>Known Expenditures</u>	<u>Remaining Balance</u>
General Fund	2,071,000	2,060,600	10,400
Game and Fish Fund	621,000	621,000	0
Highway Patrol Fund ^{1/}	3,400,000	1,400,000	2,000,000
State Highway Fund (ADOT)	2,478,000	1,776,900	701,100
Federal Funds ^{1/}	<u>6,400,000</u>	<u>5,264,300</u>	<u>1,135,700</u>
Total	\$14,970,000	\$11,122,800	\$3,847,200

^{1/} DPS did not provide data for FY 2005 and FY 2006 expenditures. Based on data provided in the DPS budget submittal we estimate that the FY 2005 \$1.4 million Highway Patrol Fund appropriation was fully expended. We cannot, however, determine how much of the \$1.6 million Federal Funds allocation was expended and have scored expenditures from this allocation as \$0.

Expenditure Plan

DPS is proposing to expend the FY 2015 \$2.0 million Highway Patrol Fund appropriation for 2 new towers and the refurbishment of an existing tower. *Table 2* below shows how the costs will be distributed across categories and fiscal year.

(Continued)

Table 2 DPS Proposed Microwave System Expenditure Plan			
	<u>FY 2016</u>	<u>FY 2017</u>	<u>Total</u>
<u>New Sites</u>			
Southern Mohave County	\$ 525,000	\$ 0	\$ 525,000
Guadalupe Peak	0	382,500	382,500
<u>Refurbishment</u>			
White Tanks	<u>950,000</u>	<u>142,500</u>	<u>1,092,500</u>
Total	\$1,475,000	\$525,000	\$2,000,000

The first proposed new site is yet to be determined but will be located in southern Mohave County near the Colorado River and will connect the Christmas Tree Pass, Nevada tower to the Black Metal Mountain, California tower (*Please see Attachment A*). As a result, the site will require 2 sets of microwave equipment and infrastructure to create a path or signal between the towers. The creation of a tower in this area will allow personnel operating in this rural area to have better access to radio centers outside of the range of their 2-way or other radio systems. The total estimated cost of the project is \$525,000 including \$335,000 for a new 80-foot tower and modular building and \$190,000 for infrastructure and equipment to establish the 2 paths. DPS estimates the project will be complete in FY 2016.

The second proposed new site would be located on Guadalupe Peak in northeastern La Paz County. The site would only require 1 path to be completed as it would only connect to the Cunningham Peak tower (*Please see Attachment A*). DPS believes that adding a new tower in this location will enhance coverage of the I-10 corridor and facilitate highway patrol communication and other governmental efforts in the area. DPS estimates that the total costs will be \$382,500 including \$335,000 for a new 40-foot tower and new support building and \$47,500 for equipment for the 1 path. DPS believes the project will take 1 year of work and will be finished in FY 2017.

The lone tower to be refurbished is the White Tanks tower which is located just southwest of Surprise in Maricopa County. The proposal would allow for the installation of a new 160-foot tall tower along with the expansion of a support building and necessary equipment to increase the bandwidth along the 2 paths that the White Tank tower services. DPS is proposing this refurbishment due in large part to increased utilization of the system and demand for physical space on the existing tower. The project is estimated to cost a total of \$1.1 million including \$950,000 for the new tower and support building and \$142,500 for additional equipment for the 2 paths. The project is estimated to be completed in FY 2017.

The completion of this work would finalize the digital upgrades on the western loop leaving only the northern loop with work remaining to be done. DPS estimates that the remaining work on the northern loop will cost approximately \$15.3 million.

RS/EB:kp
Attachment



 DENOTES PENDING DIGITAL PATHS
 DENOTES COMPLETED DIGITAL PATHS



ARIZONA DEPARTMENT OF PUBLIC SAFETY

2102 WEST ENCANTO BLVD. P.O. BOX 6638 PHOENIX, ARIZONA 85005-6638 (602) 223-2000

"Courteous Vigilance"

DOUGLAS A. DUCEY FRANK L. MILSTEAD
Governor Director

August 11, 2015

The Honorable Don Shooter, Chairman
Joint Committee on Capital Review
1716 W. Adams
Phoenix, AZ 85007



Dear Senator Shooter:

The FY 2015 Capital Outlay Bill (Laws 2014, Chapter 15) appropriated \$2,000,000 from the Highway Patrol Fund to the Department of Public Safety for Microwave System Upgrades. As required by the bill, DPS requests JCCR review of our planned use of these monies prior to expenditure.

The Highway Patrol Fund's major source of revenue is a portion of the insurance premium tax derived from automobile policies. Unfortunately, this revenue is not deposited to the Fund until late April or early May of each fiscal year. Therefore, the Department was not in a position to know how much of the appropriation was available until this timeframe. Once the deposit materialized, it was determined to be sufficient to cover the full \$2,000,000 appropriation.

In addition to the lateness of the receipt of the monies, DPS was not able to secure a contract for the upgrades until the scope of the project was determined. Once we knew the scope of the work based on available funding, we were able to get a contract in place to begin the work. Please see the attachment for project detail on the proposed work plan.

The microwave system upgrade is a critical project for DPS and for many other law enforcement agencies and State agencies which use the system. With the release of the \$2,000,000, DPS expects to be able to complete the "western loop", the second of three loops to be converted from antiquated analog technology to digital technology. The remaining "northern loop" will require an estimated \$15.3 million to complete (this figure is subject to change as we update cost estimates for the FY 2017 budget request).

Please contact Phil Case, DPS Budget Officer, at (602) 223-2463 or pcase@azdps.gov with any questions.

Sincerely,

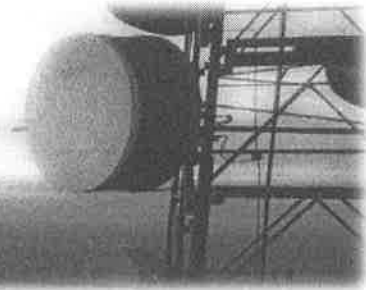
Frank L. Milstead, Colonel
Director

c: Lorenzo Romero, OSPB
Richard Stavneak, JLBC

Wireless Systems Bureau

FY 2016-2017 West Loop Microwave

Expenditure Plan

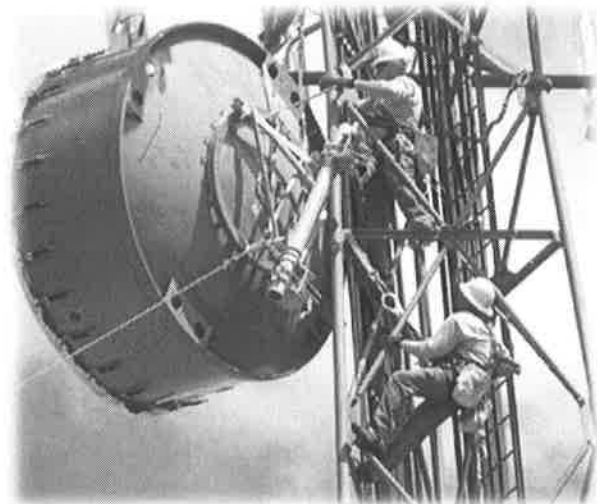


FY 2016-2017 West Loop Microwave Upgrade Expenditure Plan

	FY 2016 Qty	FY 2016 Cost Estimate	FY 2017 Qty	FY 2017 Cost Estimate	Total Qty	Total Cost Estimate
FTE Positions						-
Personal Services						-
Employee Related Expenditures						-
Travel - In State						-
Other Operating Expenditures						-
Subtotal - Operating		-		-		-
New Sites	1	335,000	1	335,000	2	670,000
Refurbished Sites	1	950,000			1	950,000
Microwave Equipment	2	190,000	3	190,000	5	380,000
Subtotal - Western Loop		1,475,000		525,000		2,000,000
Contingency	-	-	-	-	-	-
TOTAL		1,475,000		525,000		2,000,000

Projects

- Refurbish site - White Tanks tower construction
- New site - acquisition between Christmas Tree Pass and Black Metal
- New site - construction at Guadalupe Peak
- Microwave Equipment
 - Christmas Tree to New Site
 - New Site to Parker Mtn.
 - White Tanks to Smith Peak
 - Cunningham to Guadalupe Peak
 - Smith Peak to Towers Mountain



★ New Site – acquisition between Christmas Tree Pass and Black Metal
\$525,000
FY-16

New Tower

80 ft. tower

Moderate loading requirements

New Building

Modular 10x10

Emergency generator

Microwave Equipment

(2) Paths

Christmas Tree to New Site

New Site to Black Metal

Task Items

Permitting – BLM land

Foundation construction

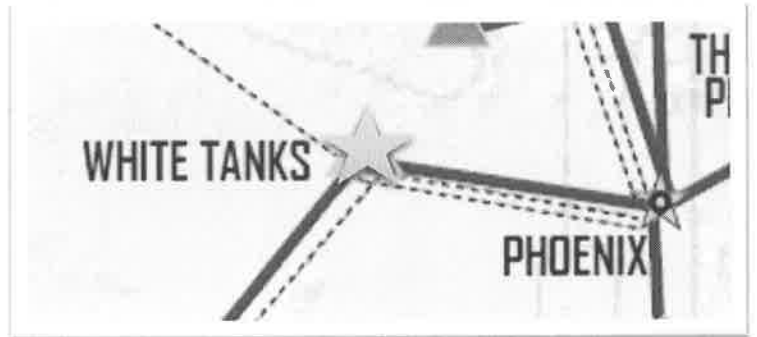
Tower installation

Antennae/dish installation





Refurbish Site – White Tanks Tower Construction \$1,092,500 FY-16/FY-17



New Tower

160 ft. tower

High loading requirements

Building expansion

Additional 260 sq. ft.

Microwave Equipment

Increase bandwidth capacity from White Tanks to Towers Mtn.

(2) Paths

White Tanks to Smith Peak

Smith Peak to Towers Mtn.

Additional site backup battery capacity

Task Items

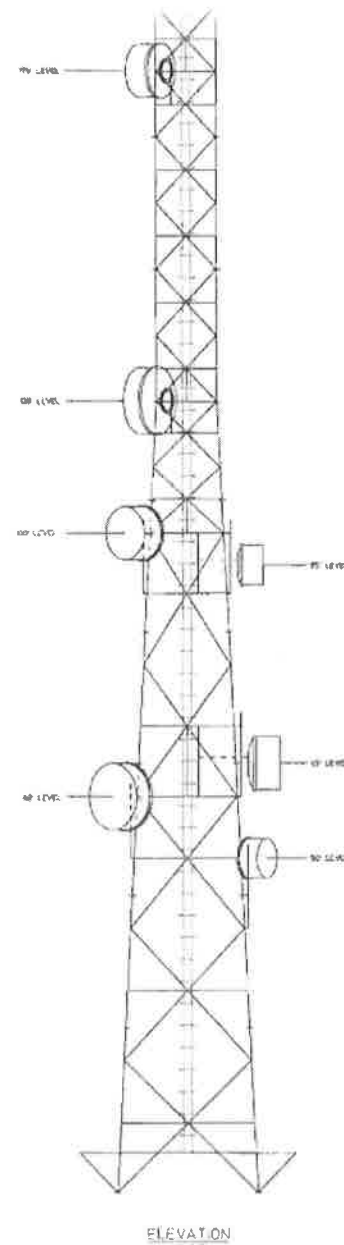
Permitting

Foundation construction

Tower installation

Antennae/dish installation

Existing Tower removal



★ **New Site – Guadalupe Peak**
\$382,500
FY-17

New Tower

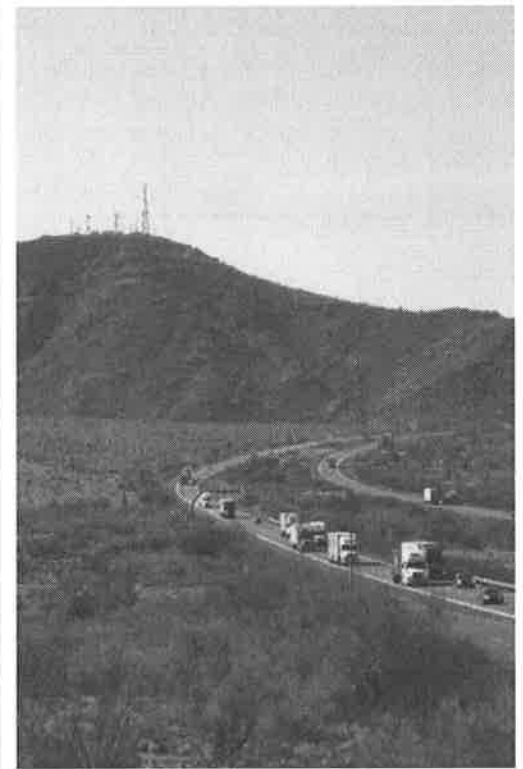
40 ft. tower

Moderate loading requirements

New Building

Modular 10x10

Emergency generator



Microwave Equipment

(1) Paths

Cunningham Peak to
Guadalupe Peak



Task Items

Land permitting

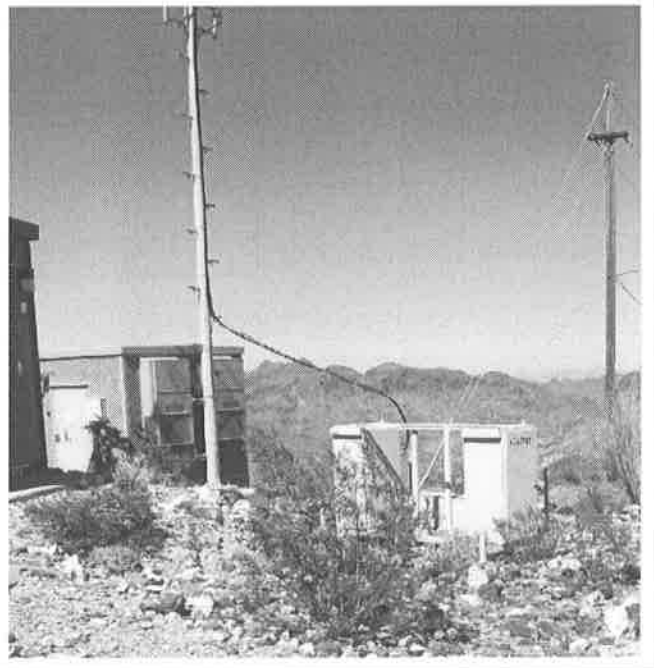
Foundation construction

Tower installation

Antennae/dish installation

Existing tower removal

New tower and building replace existing outdoor cabinet and monopole. UHF Link radio, no existing Microwave backbone to this site.





STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DON SHOOTER
CHAIRMAN 2015
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DATE: September 17, 2015

TO: Senator Don Shooter, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Ben Beutler, Senior Fiscal Analyst *BB*

SUBJECT: Arizona Department of Transportation - Review of FY 2016 Building Renewal Allocation Plan

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies prior to expenditure. The Arizona Department of Transportation (ADOT) submitted a request that the Committee review its \$3,396,800 FY 2016 Building Renewal Allocation Plan.

ADOT has allocated \$3,191,900 from the State Highway Fund among 72 projects, leaving a contingency balance of \$99,900 and \$150,000 for project management support. ADOT has also allocated \$204,900 from the State Aviation Fund for 13 projects, with a contingency of \$2,000.

Recommendation

The Committee has at least the following 2 options:

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

The proposed expenditure plan is consistent with building renewal guidelines and appropriations.

Under either option, the JLBC Staff recommends the provision that ADOT report any project reallocations above \$100,000.

(Continued)

Analysis

The FY 2016 Capital Outlay Bill (Laws 2015, Chapter 9) appropriated a total of \$3,396,800 for building renewal in FY 2016, including \$3,191,900 from the State Highway Fund and \$204,900 from the State Aviation Fund. The FY 2016 Building Renewal appropriation represents 27.1% of the amount generated by the revised building renewal formula for the ADOT Building System and 93.2% for the Grand Canyon Airport building renewal formula for FY 2016. The formula is based on the square footage and replacement cost of existing buildings.

ADOT expects to allocate the Building Renewal monies from the State Highway Fund in the following categories for 72 projects:

<u>Category</u>	<u>Projects</u>	<u>State Highway Fund</u>	<u>% of Total</u>
Building Systems (HVAC, Electrical, Plumbing)	27	\$1,384,000	43%
Remodel	7	500,000	16%
Roof Repairs/Replacement	6	376,800	12%
Exterior Preservation (Doors, Windows, Siding)	11	198,300	6%
Fire/Life Safety	5	182,000	6%
Interior Finishes (Paint, Carpet, Tile)	10	175,900	6%
Infrastructure (Sewers, Wells)	5	120,000	4%
Americans with Disabilities Act	1	5,000	0%
Project Management Support	NA	150,000	5%
Contingency	NA	99,900	2%
Total	72	\$3,191,900	100%

Of the 72 State Highway Fund projects, the following 5 projects require \$100,000 or more:

<u>Project</u>	<u>Allocation</u>
Building Systems (HVAC, Electrical, Plumbing)	
Administration Building 1005A - Replace electrical switchgear cabinets, motor controls and electrical panels	\$ 275,000
Building Systems (HVAC, Electrical, Plumbing)	
Engineering Building 1004 - Repair cooling tower	250,000
Remodel	
1801 W Jefferson Building 1006 - Renovate first floor west wing	250,000
Roof Repairs/Replacement	
Glendale MVD Building 1421 - Replace roof	180,000
Building Systems (HVAC, Electrical, Plumbing)	
Engineering Building 1004 - Replace electrical switch gear and motor control cabinets	175,000
Total	\$1,130,000

(Continued)

ADOT expects to allocate the Building Renewal monies from the State Aviation Fund in the following categories for 13 projects:

<u>Category</u>	<u>Projects</u>	<u>State Aviation Fund</u>	<u>% of Total</u>
Remodel	1	\$100,000	49%
Interior Finishes (Paint, Carpet, Tile)	2	50,000	24%
Infrastructure (Sewers, Wells)	3	22,900	11%
Building Systems (HVAC, Electrical, Plumbing)	4	16,000	8%
Exterior Preservation (Doors, Windows, Siding)	1	9,000	4%
Roof Repairs/Replacement	1	3,000	2%
Fire/Life Safety	1	2,000	1%
Contingency	<u>NA</u>	<u>2,000</u>	<u>1%</u>
Total	13	\$204,900	100%

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

RS/BB:kp



Director's Office

Douglas A. Ducey, Governor
John S. Halikowski, Director
Scott Omer, Deputy Director for Operations
Kevin Biesty, Deputy Director for Policy
Dallas Hammit, Deputy Director for Transportation

September 9, 2015

The Honorable Don Shooter, Chairman
Joint Committee on Capital Review
1700 W. Washington St.
Phoenix, Arizona 85007



Dear Senator Shooter:

We respectfully request that ADOT's planned FY2016 Building Renewal projects be placed on the next JCCR meeting agenda for review and approval.

The following summary outlines the scope of work:

Renewal Projects – State Highway Fund:

Category 1- Fire/Live/Safety	\$ 182,000
Category 2- Roof Repairs/Replacement	376,844
Category 3- Preservation of Asset	198,300
Category 4- Major Building Systems	1,383,980
Category 5- Interior Building Finishes	175,911
Category 6- Reconfigure Occupied Space	500,000
Category 7- ADA Compliance	5,000
Category 8- Infrastructure	120,000
Project Management Support	150,000
Contingency	<u>99,865</u>
Subtotal	\$ <u>3,191,900</u>

Renewal Projects – State Aviation Fund:


Category 1- Fire/Live/Safety	\$ 2,000
Category 2- Roof Repairs/Replacement	3,000
Category 3- Preservation of Asset	9,000
Category 4- Major Building Systems	16,000
Category 5- Interior Building Finishes	50,000
Category 6- Reconfigure Occupied Space	100,000
Category 8- Infrastructure	22,900
Project Management	<u>2,000</u>
Subtotal	<u>204,900</u>

FY2015 Total \$ 3,396,800

The Honorable Don Shooter, Chairman
Joint Committee on Capital Review
September 9, 2015
Page two

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

Sincerely,


John S. Halikowski
ADOT Director

Attachment

cc: Richard Stavneak, JLBC
Ben Beutler, JLBC
Charles Martin, OSPB
John Hetzel, ADOT

STATE OF ARIZONA
FY 2016 CAPITAL IMPROVEMENT PLAN
DEPARTMENT OF TRANSPORTATION FY 2016 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY

Project Description	Estimated Cost
---------------------	----------------

STATE HIGHWAY FUND

CATEGORY 1 - FIRE/LIFE SAFETY

Administration Bldg 1005B - Replace fire alarm panel system	\$ 85,000
Mesa Regional MVD Bldg 1351 - Installation of fire sprinkler system	\$ 80,000
Safford Maintenance Truck Barn Bldg 2131 - Install bird netting; health hazard	\$ 7,000
ADOT Statewide - Asbestos and lead paint abatement	\$ 5,000
ADOT Statewide - Repair fire alarm panels	\$ 5,000
TOTAL	\$ 182,000

CATEGORY 2 - ROOFS

Engineering Modular Bldg 1004A - Replace unserviceable roof	\$ 75,000
Engineering Modular Bldg 1004B - Replace unserviceable roof	\$ 75,000
Glendale MVD Bldg 1421 - Replace unserviceable roof	\$ 180,000
Phoenix Equipment Services Bldg 1772 - Replace unserviceable roof	\$ 21,844
Tucson Urban Lab Bldg 2158 - Replace failing roof	\$ 20,000
ADOT Statewide - Repair roofs	\$ 5,000
TOTAL	\$ 376,844

CATEGORY 3 - PRESERVATION OF ASSET

Old MVD Bldg 1001 - Replace/repair fascia, bird screens/spikes & repaint exterior	\$ 20,000
Mesa Regional MVD (North Bldg) Bldg 1351 - Repairs to building exterior	\$ 16,000
Mesa Regional MVD (South Parking Canopies) Bldgs 1358 & 1359 - Repaint exterior surfaces	\$ 4,000
Durango Maint Office Bldg 1729 - Replace foam/rubber filler between roof and vertical ext walls	\$ 6,000
Williams Storage/ Equipment Bldg 3112 - Replace unserviceable O/H doors to include window panels	\$ 40,000
Williams Storage/ De-icer Bldg 3115 - Replace unserviceable O/H door due to major corrosion	\$ 10,000
Williams Storage/ Equipment Bldg 3108 - Replace unserviceable overhead doors	\$ 10,000
Chambers Equipment Storage Bldg 3329 - Replace uninsul w/ insul doors w/windows, reinsulate bldg	\$ 48,000
Chambers Truck Barn Bldg 3331 - Replace two non-insulated roll up doors with new doors	\$ 19,800
Chambers Bldg 3332 - Replace failing locksets with new ADOT standard	\$ 4,500
Safford Maintenance Truck Barn Bldg 2131 - Repair/replace wall and ceiling insulation	\$ 20,000
TOTAL	\$ 198,300

CATEGORY 4 - MAJOR BUILDING SYSTEMS

Engineering Bldg 1004 - Replace unserviceable electrical switch gear and motor control cabinets	\$ 175,000
Engineering Bldg 1004 - Repairs to cooling tower	\$ 250,000
Engineering Bldg 1004 - Replacement of 1 obsolete chiller control panels	\$ 73,000
Traffic Operations Weld Shop Bldg 1747 - Replace 3 old evap coolers	\$ 9,600
Traffic Operations Sign Shop Bldg 1742 - HVAC and ventilation reconfiguration	\$ 80,000
Administration Bldg 1005A - Replace unserviceable SES, motor controls, and electrical panels	\$ 275,000
Facilities Management Bldg 1002 - Design for replacement of south AHU and ducting	\$ 20,000
West Phoenix MVD Bldg 1651 - Repair elevator system	\$ 85,000
Tempe MVD Bldg 1541 - Replace roof top unit supports	\$ 8,580
NW Phoenix MVD Bldg 1431 - Replace 7 unserviceable heat pumps and HVAC controls	\$ 90,000
West Phoenix MVD Bldg 1651 - Perform HVAC study and design	\$ 25,000
Phoenix Equipment Services Bldg 1754 - Replace 9 unserviceable evap coolers	\$ 41,400
Phoenix Equipment Services Bldg 1756 - Replace 2 unserviceable evap coolers	\$ 9,200
Phoenix Equipment Services Bldg 1758 - Replace 2 unserviceable evap coolers	\$ 9,200
Agua Fria Maintenance Office Bldg 1611 - Perform electrical repairs	\$ 28,000
Williams Storage/ Equipment Bldg 3108 - Replace unserviceable furnaces	\$ 5,000
Sonoita Maintenance Yard Bldg 2615 - Replace failing pump house tank & controls	\$ 75,000
Tucson Urban Lab Bldg 2158 - Replace 2 each unserviceable HVAC units	\$ 25,000
Quartzsite Maintenance Crew Room Bldg 2009 - Replace aged HVAC unit	\$ 9,000
Globe Equipment Services Shop Bldg 2082 - Relamp/reballast T12 light fixtures	\$ 6,000
Tucson CDL Bldg 2159 - Repair/replace electrical switchgear equipment	\$ 55,000
ADOT Statewide - Repair HVAC systems	\$ 5,000
ADOT Statewide - Repair HVAC systems in MVD buildings	\$ 5,000
ADOT Statewide - Repair plumbing systems	\$ 5,000
ADOT Statewide - Repair electrical systems	\$ 5,000
ADOT Statewide - Repair elevator systems	\$ 5,000
ADOT Statewide - Retrofit unserviceable light fixtures	\$ 5,000
TOTAL	\$ 1,383,980

CATEGORY 5 - INTERIOR BUILDING FINISHES

STATE OF ARIZONA
FY 2016 CAPITAL IMPROVEMENT PLAN
DEPARTMENT OF TRANSPORTATION FY 2016 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY

Project Description	Estimated Cost
Engineering Bldg 1004 - Replacement of unserviceable carpeting	\$ 40,000
Agua Fria Maintenance Office Bldg 1611 - Replace unserviceable flooring	\$ 19,000
Williams Storage/ Equipment Bldg 3112 - Replace deteriorated insulation	\$ 30,000
Williams Office Bldg 3109 - Repair ceiling in office	\$ 1,500
Williams Equipment Storage Bldg 3112 - Floor needs cracks repaired and sealed	\$ 15,000
Chambers Office Bldg 3332 - Replace flooring upstairs and downstairs	\$ 12,000
Safford District Office Bldg 2134 - Replace unserviceable flooring	\$ 39,411
Safford District Office Bldg 2134 - Repaint interior	\$ 8,000
Tucson Equipment Svcs Bldg 2186 - Remove VCT and install concrete floor finish in offices	\$ 6,000
ADOT Statewide - Repair/replace flooring	\$ 5,000
TOTAL	\$ 175,911

CATEGORY 6 - RECONFIGURE OCCUPIED SPACE	
Facilities Management Bldg 1002 - Renovate Engineering Records area	\$ 30,000
1801 W Jefferson Bldg 1006 - Renovate first floor west wing	\$ 250,000
Agua Fria Maintenance Office Bldg 1611 - Renovate interior spaces	\$ 25,000
Phoenix Traffic Signal Office Bldg 1021 - Renovate interior spaces	\$ 45,000
Old MVD Bldg 1001 - Renovate basement area for records storage	\$ 60,000
Quartzsite Maintenance Crew Room Bldg 2009 - Renovate restroom and office space	\$ 60,000
Tucson Equipment Svcs Bldg 2186 - Renovate rest room & bring into ADA compliance	\$ 30,000
TOTAL	\$ 500,000

CATEGORY 7 - ADA COMPLIANCE	
ADOT Statewide - ADA compliance upgrades	\$ 5,000
TOTAL	\$ 5,000

CATEGORY 8 - INFRASTRUCTURE	
Phoenix Traffic Signal Office Site 008 - Repair fences and gate	\$ 20,000
ADOT Statewide - Repair parking lot pavements/curbing/stripping	\$ 5,000
ADOT Statewide - Repair site wells, water, and wastewater system deficiencies	\$ 5,000
Casa Grande Maintenance Yard Site 223 - Repairs to electrical distribution system	\$ 75,000
Coolidge Maintenance Yard Site 225 - Assess aging electrical SES for code compliance	\$ 15,000
TOTAL	\$ 120,000

TOTAL OF ALL PROJECTS REQUESTED	\$ 2,942,035
PROJECT MANAGEMENT SUPPORT	\$ 150,000
CONTINGENCY	\$ 99,865
TOTAL AUTHORIZED FUNDS	\$ 3,191,900

RECAP	
CATEGORY 1 - FIRE/LIFE/SAFETY	\$ 182,000
CATEGORY 2 - ROOFS	\$ 376,844
CATEGORY 3 - PRESERVATION OF ASSET	\$ 198,300
CATEGORY 4 - MAJOR BUILDING SYSTEMS	\$ 1,383,980
CATEGORY 5 - INTERIOR BUILDING FINISHES	\$ 175,911
CATEGORY 6 - RECONFIGURE OR REMODEL	\$ 500,000
CATEGORY 7 - ADA COMPLIANCE	\$ 5,000
CATEGORY 8 - INFRASTRUCTURE	\$ 120,000
PROJECT MANAGEMENT SUPPORT	\$ 150,000
CONTINGENCY	\$ 99,865
TOTAL	\$ 3,191,900

STATE OF ARIZONA
FY 2016 CAPITAL IMPROVEMENT PLAN
DEPARTMENT OF TRANSPORTATION FY 2016 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY

Project Description	Estimated Cost
---------------------	----------------

STATE AVIATION FUND

CATEGORY 1 - FIRE AND LIFE SAFETY	
Grand Canyon Airport Site 463 - Perform asbestos abatement on various buildings	\$ 2,000
TOTAL	\$ 2,000

CATEGORY 2 - ROOFS	
Grand Canyon Airport Site 463 - Roof repairs	\$ 3,000
TOTAL	\$ 3,000

CATEGORY 3 - PRESERVATION OF ASSET	
Grand Canyon Airport Site 463 - Repaint exterior	\$ 9,000
TOTAL	\$ 9,000

CATEGORY 4 - MAJOR BUILDING SYSTEMS	
Grand Canyon Airport Site 463 - Electrical repairs	\$ 3,000
Grand Canyon Airport Site 463 - HVAC repairs	\$ 3,000
Grand Canyon Airport Site 463 - Plumbing repairs	\$ 5,000
Grand Canyon Airport Site 463 - Window replacement/repair	\$ 5,000
TOTAL	\$ 16,000

CATEGORY 5 - INTERIOR BUILDING FINISHES	
Grand Canyon Airport Site 463 - Replace unserviceable flooring	\$ 40,000
Grand Canyon Airport Site 463 - Repaint interior	\$ 10,000
TOTAL	\$ 50,000

CATEGORY 6 - RECONFIGURE OCCUPIED SPACE	
Grand Canyon Airport Terminal Bldg 3551 - Renovate restroom and other spaces	\$ 100,000
TOTAL	\$ 100,000

CATEGORY 8 - INFRASTRUCTURE	
Grand Canyon Airport Site 463 - Water and waste water system repairs	\$ 10,000
Grand Canyon Airport Site 463 - Pavement/sidewalk/signage repairs	\$ 10,900
Grand Canyon Airport Site 463 - Fencing and barrier wall repairs	\$ 2,000
TOTAL	\$ 22,900

TOTAL OF ALL PROJECTS REQUESTED	\$ 202,900
CONTINGENCY (Project Management)	\$ 2,000
TOTAL AUTHORIZED FUNDS	\$ 204,900

RECAP	
CATEGORY 1 - FIRE AND LIFE SAFETY	\$ 2,000
CATEGORY 2 - ROOFS	\$ 3,000
CATEGORY 3 - PRESERVATION OF ASSET	\$ 9,000
CATEGORY 4 - MAJOR BUILDING SYSTEMS	\$ 16,000
CATEGORY 5 - INTERIOR BUILDING FINISHES	\$ 50,000
CATEGORY 6 - RECONFIGURE OCCUPIED SPACE	\$ 100,000
CATEGORY 8 - INFRASTRUCTURE	\$ 22,900
CONTINGENCY (Project Management)	\$ 2,000
TOTAL	\$ 204,900



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DON SHOOTER
CHAIRMAN 2015
OLIVIA CAJERO BEDFORD
STEVE FARLEY
GAIL GRIFFIN
KATIE HOBBS
JOHN KAVANAGH
STEVEN B. YARBROUGH

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

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HOUSE OF
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JUSTIN OLSON
CHAIRMAN 2016
LELA ALSTON
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ERIC MEYER, M.D.
STEVE MONTENEGRO
ANDREW C. SHERWOOD
DAVID STEVENS

DATE: September 17, 2015

TO: Senator Don Shooter, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Steve Grunig, Senior Fiscal Analyst *SG*

SUBJECT: Arizona Exposition and State Fair Board - Review of Sewer Line and Transformer Expenditures

Request

Pursuant to A.R.S. § 41-1252 the Arizona Exposition and State Fair Board requests Committee review of the scope, purpose and estimated cost of \$155,000 for capital improvements. The FY 2016 Capital Outlay Bill (Laws 2015, Chapter 9) appropriated \$1,000,000 from the Arizona Exposition and State Fair Fund to the Arizona Exposition and State Fair Board for capital improvements. The Arizona Exposition and State Fair Board is requesting Committee review of sewer line repairs and transformer replacement with a total cost of \$155,000. Together with an item reviewed at the June 2015 JCCR meeting, the Arizona Exposition and State Fair Board would have \$620,000 remaining of the FY 2016 appropriation.

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 provision:

- A. The Arizona Exposition and State Fair Board is to return to JCCR prior to expending any of these funds for other projects.

(Continued)

Analysis

Background

The Arizona Exposition and State Fair Board requests the Committee review the following projects:

17th Avenue Sewer Line Repair

The 6" sewer line that runs from the corner of the Cattle Barn, across the 17th Avenue entrance road to the City of Phoenix sewer system, has collapsed and must be repaired. The repair must be completed immediately in order to avoid an Environmental Protection Agency violation. The simplest option is to abandon the current line and to construct a new 6" sewer line that will connect to an existing sewer line from the Coliseum. Preliminary work on the project has already begun. The estimated project cost is \$100,000.

Electric Transformer Replacement

A large transformer at the southeast corner of the Coliseum is leaking fluid and must be replaced or repaired. The transformer is primarily used to power carnival rides during State and County Fairs. The leaking unit will be replaced with a reconditioned transformer. The estimated project cost is \$55,000.

RS/SG:kp



August 24, 2015

The Honorable Don Shooter
Joint Committee on Capital Review
Arizona Senate
1700 W. Washington
Phoenix, AZ 85007

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

Dear Senator Shooter:

The Arizona Exposition and State Fair (AESF) respectfully request a favorable review for the expenditure of its Capital Improvement Appropriation on the following projects:

- | | |
|---|--------------|
| 1. 17 th Avenue Sewer Line Repair | \$100,000.00 |
| 2. South Lot Electric Transformer Replacement | \$55,000.00 |

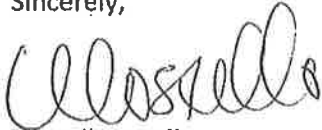
A brief description of the projects is as follows:

1. 17th Avenue Sewer Line Repair - The 6" sewer line that runs from the southeast corner of the Cattle Barn across the 17th Avenue entrance road and connects with the City of Phoenix sewer system in the McDowell Road Intersection has collapsed and must be repaired. The repair must be completed immediately in order to avoid an EPA violation. The quickest, most economical fix is to abandon the current line and re-route the existing line from the corner of the Cattle Barn, across the 17th Avenue driveway and connecting with an existing sewer line which runs north and south (see attachment). AESF will utilize ADOA General Services to identify the most expedient and fiscally responsible process to accomplish these projects.
2. Electric Transformer Replacement - AESF has twelve 500 KVA transformers in its South Parking Lot. These transformers are primarily used to power the carnival rides during the State and County Fairs. The transformer at the southeast corner of the Coliseum is leaking fluid and must be repaired or replaced. Repairs are necessary to meet contractual obligations of supplied electrical power and continued rental opportunities of the fairgrounds. The leaking unit will be replaced with a reconditioned transform. Project will be completed using state contracts for construction and repairs.

Due to health and safety issues and the restrictive time frames, work has begun on both projects. AESF is requesting a favorable review to utilize its Capital Improvement appropriation to fund these projects.

If you have any questions or require additional information concerning the requests, please contact me at 602-252-6771.

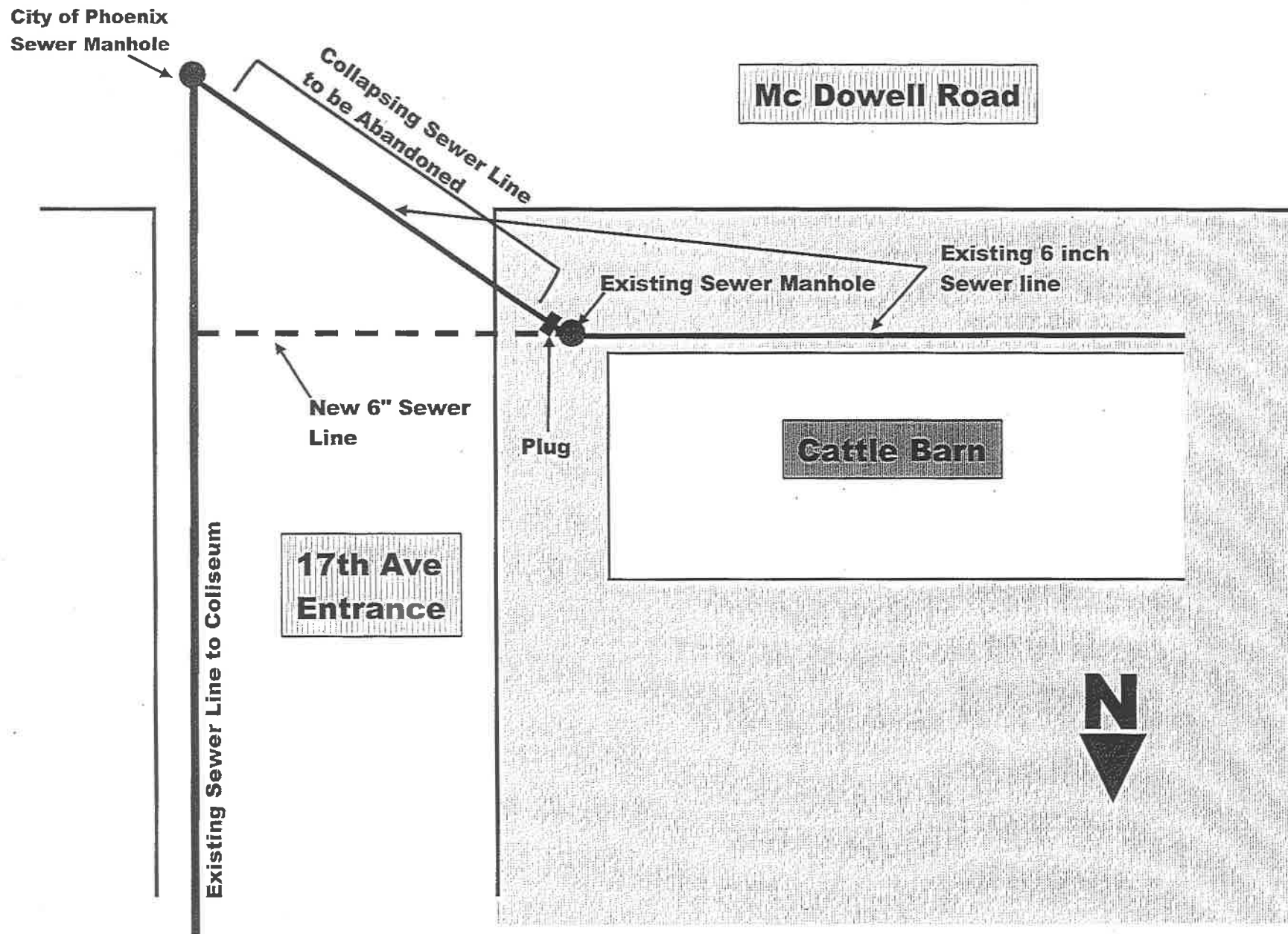
Sincerely,

A handwritten signature in black ink, appearing to read 'Wanell Costello', written in a cursive style.

Wanell Costello
Executive Director

CC: The Honorable Justin Olson
Chris Olvey, OSPB
Steve Grunig, JLBC

17th Ave / McDowell Rd Sewer Line Replacement





STATE OF ARIZONA

Joint Committee on Capital Review

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DAVID STEVENS

DATE: September 17, 2015

TO: Senator Don Shooter, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Steve Schimpp, Deputy Director *SS*

SUBJECT: Coconino Association for Vocations, Industry and Technology - Consider
Approval of Proposed JTED Leases

Request

Pursuant to A.R.S. § 15-393R4, the Coconino Association for Vocations, Industry and Technology (CAVIAT) requests approval of its plan to lease a 750 square foot classroom from the Fredonia-Moccasin Unified School District and a 650 square foot classroom from the Williams Unified School District in order to establish "leased centralized JTED campus" programs at those 2 school districts.

Recommendation

The Committee has at least the following 2 options:

1. Approve CAVIAT's request.
2. Disapprove CAVIAT's request.

Analysis

Background

Joint Technical Education Districts (JTEDs) are regional schools that provide Career and Technical Education (CTE) to students from member districts. School districts must receive

(Continued)

voter approval in order to join a JTED, as their taxpayers pay an additional 5¢ Qualifying Tax Rate (QTR) tax in order to help fund it.

Like regular school districts, JTEDs receive K-12 equalization formula funding based on their Average Daily Membership (ADM) counts. JTED students can generate ADM for their JTED by attending CTE classes at either a “central campus” or “satellite” site.

JTED satellite sites are located at local high schools and can generate up to 0.25 ADM per pupil above the 1.0 ADM that each pupil typically generates for their non-JTED classes, so up to 1.25 ADM total. JTED “central campus” programs instead typically are taught at regional facilities that students travel to each day after taking non-JTED courses at their local high school. Central campus programs can generate up to an additional 0.75 ADM per pupil for JTED attendance, so up to 1.75 ADM total. Students must receive at least 2.5 hours of instruction each day at a JTED central campus programs, however, in order to generate an additional 0.75 ADM. A central campus student who only receives 50 minutes of instruction each day would generate only 0.25 ADM.

A.R.S. § 15-393R4 (enacted by Laws 2013, Chapter 229) also permits JTEDs to generate up to 0.75 ADM for pupils taught at a “**leased** centralized campus.” These facilities function like a traditional central JTED campus, such as by serving students from multiple high schools. They typically are located, however, in leased facilities (such as at a local high school), rather than at separate JTED “central campus” facilities constructed with voter-approved bonds.

A.R.S. § 15-393R4 requires JCCR approval of JTED leases located on the site of a member district through December 31, 2016. Our understanding is that this requirement is intended to prevent “ordinary” satellite sites (ones not of a truly regional nature) from leasing themselves to their parent JTED in order to qualify for up to 1.75 ADM per site. Widespread conversions of this nature could substantially increase state General Fund costs for JTEDs.

In September 2014, the Committee approved a similar request from CAVIAT for the lease of a 680 square foot classroom from Flagstaff Unified. In June 2014, the Committee also approved a request from the East Valley Institute of Technology (EVIT) to lease 3 entire buildings (6,800 square feet total) from Apache Junction Unified for leased centralized campus JTED programs.

Current Request

With Committee approval, CAVIAT plans to lease a 750 square foot classroom at Fredonia High School from the Fredonia-Moccasin Unified School District and a 650 square foot classroom at Williams High School from the Williams Unified School District in order to provide leased centralized campus instruction in Medical Profession Foundations to approximately 52 students during the current school year. The lease at each site would be for 2 hours per day for approximately 144 instructional days at an hourly rate of \$20, so would cost approximately \$5,760 per lease for FY 2016.

(Continued)

CAVIAT indicates the proposed programs meets requirements listed in A.R.S. § 15-393R for courses taught at a JTED "leased centralized campus." This includes that the course qualifies as a JTED course pursuant to A.R.S. § 15-391, is offered to all eligible students in each member district and enrolls students from multiple high schools, and addresses a specific industry need.

State Fiscal Impact

CAVIAT indicates that 52 students (10 at Fredonia High School and 42 at Williams High School) each at 0.25 ADM (for the equivalent of 50 minutes of instruction per day) will be enrolled in the program during the current school year, which would add 13 students to its ADM count (52 students X 0.25 ADM each = 13 ADM). This would increase state costs by approximately \$63,700 for FY 2016 (13 new ADM X \$4,900 per ADM = \$63,700).

RS/SSc:kp



June 12, 2015

Joint Committee on Capital Review
c/o Mr. Steve Schimpp
Joint Legislative Budget Committee Staff
1716 West Adams
Phoenix, Arizona 85007

Dear Mr. Schimpp,

Pursuant to A.R.S. § 15-393R, paragraphs 1-4, Arizona Revised Statutes, please find (3) facility lease agreements between our CAVIAT JTED (Joint Technical Education District) and Fredonia-Moccasin USD, Williams USD and Coconino Community College.

The lease amounts have been established at fair market value. The fair market value is based on fees that they currently charge other educational facilities. The leased spaces are state assets (empty classrooms and related offices), property of the respective entities, that otherwise would be unused or underutilized.

The courses/programs that will be taught at the leased facility sites are joint technical education programs as defined in section A.R.S.15-391.

The courses/programs are being offered to all eligible students in each member district (multiple high schools) of the joint technical education district.

As a program approved by the Arizona Department of Education (ADE), the programs address specific industry needs and have been developed in cooperation with those related industries.

Please contact me if you have questions regarding this information.

Sincerely,

Mr. Brent Neilson
Superintendent, CAVIAT Joint Technical Education District
928-864-8379
bneilson@caviat.org

LEASE AGREEMENT

This Lease Agreement (the "Lease") is made effective the 1st day of **July 1, 2015**, by and between Fredonia-Moccasin Unified School District of Coconino County, having its principal office at 221 E. Horts Street, Fredonia, AZ 86022 ("FMUSD"), and the Coconino Association for Vocations, Industry and Technology, having its principal office at 19 Poplar Street, Page, AZ 86040 ("CAVIAT"). For purposes of this Lease, each of FMUSD and CAVIAT may be termed a "Party" and collectively may be termed "the Parties".

AGREEMENT

1. Lease and Premises

FMUSD hereby leases to CAVIAT and CAVIAT hereby leases from FMUSD, on the terms and subject to the conditions specified in this Lease, a portion of the real property and improvements thereon which is commonly known as the Healthcare Foundations/C.N.A. classroom located at Fredonia High School, 221 E. Horts Street, Fredonia AZ 86022, and which is depicted in Exhibit A, attached and incorporated herein by reference, all being referred to as the "Premises." FMUSD represents and warrants that it owns good and marketable title to the Premises, subject to restrictions, agreements, conditions and easements of record, conditions and notes on recorded plats or plans, and rights of any utility company.

2. Term

(A) This Lease shall be for a term of thirty six (36) weeks commencing on August 1, 2015 (the "Commencement Date"), and shall terminate on May 31, 2016 (the "Term"), unless sooner terminated as provided elsewhere herein.

(B) CAVIAT understands that the Term of this Lease is as stated in Section 2(A) and that it cannot be extended or renewed. CAVIAT remains interested in approaching FMUSD independent of this Lease to negotiate an additional lease(s) of some or all of the Premises. CAVIAT intends to submit a letter of intent to FMUSD inviting FMUSD to enter into negotiations to lease some or all of the Premises to CAVIAT for a period of time, which new lease would not begin until after this Term expires. The letter of intent will outline the terms on

which CAVIAT desires to lease some or all of the Premises. FMUSD understands of utmost importance to CAVIAT is early agreement, if possible, on the terms of a future lease in order to allow CAVIAT to make timely decisions regarding CAVIAT's operations, particularly with respect to the use CAVIAT is making of the Premises. Upon receipt of such letter of intent, FMUSD agrees to enter into good-faith negotiations with CAVIAT.

(C) In the event the negotiations described in paragraph 2 (B) fail to result in agreement of the Parties and FMUSD desires to lease the Premises to a third party, FMUSD hereby grants to CAVIAT the right of first refusal to match the financial terms of the lease to the third party. CAVIAT will have thirty days from receipt of notice from FMUSD of the terms of the lease to the third party in which to exercise this right of first refusal. During the time the right of first refusal is being considered, holdover rent, if applicable, will be abated as described in Paragraph 21 of this Lease; however, such abatement will not impact the consideration of CAVIAT as a holdover tenant possessing the Premises beyond the agreed upon Term of this Lease and will not operate to extend or renew this Lease.

(D) While CAVIAT has a first right of refusal as described above, CAVIAT acknowledges and agrees that FMUSD has no obligation to seek rental of the Premises to CAVIAT (beyond that stated in paragraph B above) or to a third party and may choose to reject any offers to rent the Premises rather than present them to CAVIAT under the right of first refusal. In addition, if FMUSD does intend to seek a lease of the Premises to a third party and FMUSD receives multiple offers to rent the Premises, FMUSD is only required to provide the best offer from a third party to CAVIAT under the right of first refusal.

3. Rent

CAVIAT agrees to pay to FMUSD, at the location of notice or at such place as FMUSD may designate in writing from time to time, rent for the Premises in the amount of Twenty Dollars (\$20.00) per hour for the full Term of the Lease, payable in advance without demand or notice on the Commencement Date and the first day of each month afterward. CAVIAT does for itself, its successors and assigns, covenant and promise to pay rent without further notice and without demand, deduction, counterclaim or set-off of any kind. Any other sums due and payable to FMUSD under this Lease shall be considered additional rent.

4. Use of Premises

The Premises may be used by CAVIAT for classrooms operated by CAVIAT related to CAVIAT's operation of a public institution of higher education. CAVIAT will not use or permit any use of the Premises in violation thereof, and will operate in a clean, safe and sanitary manner. CAVIAT will not use the Premises to operate an elementary school without FMUSD's prior written approval. CAVIAT shall be responsible to maintain and procure, at CAVIAT's own expense, all licenses, permits or inspection certificates required by any governmental authority respecting CAVIAT's use of the Premises.

5. Taxes and Utilities

(A) FMUSD will pay all real estate taxes and assessments, if any, assessed, levied, confirmed, or imposed on the Premises during the term of this Lease.

(B) CAVIAT will not be obligated to pay local, state or federal net income taxes assessed against FMUSD; local state or federal capital levy of FMUSD; or sales, excise, franchise, gift, estate, succession, inheritance, or transfer taxes of FMUSD.

(C) CAVIAT shall be liable for all business use and occupancy taxes due, if any, based on the occupancy and use of the Premises.

6. FMUSD Access

CAVIAT shall permit FMUSD and its agents, upon ~~24 hours~~ advanced notice, to enter into and upon the Premises at reasonable times during normal business hours for the purpose of inspecting the Premises. For a period of ninety (90) days prior to the termination of this Lease, FMUSD may: (i) enter upon the Premises during normal business hours to show the Premises to prospective tenants provided that such entry and showing does not interfere with the conduct of CAVIAT's operations and FMUSD provides notice to CAVIAT not less than twenty-four (24) hours before entry; and (ii) erect signage upon the Premises for the purpose of advertising the availability of the Premises for lease/sale. FMUSD will have the right to use any means FMUSD may deem proper to open doors in the Premises and to the Premises in an emergency in order to enter the Premises.

7. Insurance; Self-Insurance; Indemnification

(A) CAVIAT shall maintain during the term of this Lease adequate insurance or self-insurance, to cover liability arising from the acts or omissions of CAVIAT, its agents or employees relating to the performance of this Lease. CAVIAT shall not be responsible for maintaining insurance coverage for liability arising from the acts or omissions of the FMUSD's agents or employees.

(B) FMUSD shall maintain during the term of this Lease adequate insurance or self-insurance to cover liability arising from the acts or omissions of FMUSD's agents or employees relating to the performance of this Lease. FMUSD shall not be responsible for maintaining insurance to cover liability arising from the acts or omissions of CAVIAT's agents or employees.

(C) To the fullest extent permitted by law, each Party (as "indemnitor") agrees to indemnify, defend, and hold harmless the other Party (as "indemnitee") from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as "claims") arising out of bodily injury of any person (including death) or property damage but only to the extent that such claims which result in vicarious/derivative liability to the indemnitee, are caused by the acts, omissions, negligence, misconduct, or other fault of the indemnitor, its officers, officials, agents, employees, or volunteers.

8. Fire and Extended Coverage Insurance

(A) FMUSD shall throughout the Term of this Lease, at FMUSD's expense, either through insurance or self-insurance coverage, keep the Premises and all improvements that include the Premises (but excluding equipment, furniture, and trade fixtures on the Premises) insured in an amount equal to the full replacement cost against damages caused by fire, lightning, flood and all other causes of physical loss ("all risk" coverage). FMUSD shall deliver to CAVIAT copies of insurance certificates evidencing the aforesaid insurance at the time of execution of this Lease.

(B) CAVIAT shall throughout the term of this Lease, at CAVIAT's expense, either through insurance or self-insurance coverage, keep the equipment, furniture and trade fixtures on the Premises ("FF&E") insured in an amount equal to the actual cash value of the FF&E against damages caused by fire, lightning, flood and all other causes of physical loss.

9. [RESERVED]

10. Damages to Premises

(A) Any damage to the Premises during the use by CAVIAT shall be the responsibility of CAVIAT for any expense, repair and/or restoration. In the event the Premises are damaged or destroyed by fire or any other cause while not in use by CAVIAT, FMUSD shall, at FMUSD's expense, repair or restore the Premises. FMUSD shall complete such repairs or restorations in accordance with all applicable laws, rules, and regulations within one hundred twenty (120) days after such damage or destruction, provided however, if the completion of such repairs or restoration shall be delayed by weather, strikes, inability to procure labor or materials, fire, flood, delays in obtaining permits, insurance proceeds, or other occurrences or conditions beyond FMUSD's control, the aforesaid time periods shall be extended by the period of such delay.

(B) If any such destruction or damage shall not be of such extent as to render the Premises wholly untenable for the use contemplated under Paragraph 4 above, then CAVIAT's liability to pay rent shall not cease but the amount of rent shall be abated proportionate to the amount of floor space lost as a result of such destruction or damage. If the destruction or damage shall be of such an extent that the Premises are wholly untenable, then the rent shall cease from the time the destruction or damage occurred until the Premises are restored or repaired to a condition suitable for the use as it existed prior to the destruction or damage occurrence.

11. Condemnation

If during the Term of this Lease the Premises or a portion of the Premises shall be taken as a result of the exercise or threat of the power of eminent domain (the "Parcel Taken"), FMUSD and CAVIAT shall each have the right, at their option: (i) to terminate this Lease; or (ii) amend this Lease by deleting from the description of the Premises the Parcel Taken. As so amended, this Lease and FMUSD's and CAVIAT's obligations under this Lease, with the exception of the rent obligations specified in this Lease, which rent obligations will abate in proportion to the Parcel Taken, as of the day on which the condemning authority shall take possession, shall continue in full force and effect without change.

Following condemnation, if, in the opinion of CAVIAT, the property is no longer suitable for the operations of CAVIAT, this Lease shall be terminated as of the date on which legal title vests in the condemning authority or the date on which FMUSD settles pursuant to a contract for the sale for public use or under the threat of condemnation, whichever first occurs, and all rental and other sums payable under this Lease shall be prorated to and shall cease as of such date.

The entire amount of any award for such taking shall belong to FMUSD, and CAVIAT waives any right it may have to any portion of such award except for such amount as may reflect the value of improvements, if any, that CAVIAT has made to the Premises or to the value of FF&E, if any is taken.

12. Maintenance and Repairs; Environmental Matters

(A) Except as provided in Paragraph 12 (B), CAVIAT, at its expense, shall at all times during the Term of this Lease keep the Premises, appurtenances, fixtures, and equipment attached and related thereto, and all additions, replacements and expansions, in good condition and repair, and on termination of this Lease, will surrender all of same in good repair, broom-clean and free of trash, reasonable wear and use excepted. CAVIAT warrants that any new improvements, as may be provided by CAVIAT, shall comply with all applicable federal, state and local building codes and regulations.

(B) FMUSD shall be responsible for the repair and replacement of the parking lot, replacement or removal of landscaping features, and the maintenance, repair and replacement of the roof, structural walls and foundation. FMUSD shall be responsible for major repairs, including but not limited to the replacement of the heating, ventilation and air condition systems, plumbing and electrical systems, painting and repairs to the exterior of the building.

(C) Regarding their respective responsibilities in Paragraph 12 (A) and (B), FMUSD and CAVIAT shall, respectively, cause the Premises to remain in compliance with all applicable laws, ordinances, governmental permits and regulations (including consent decrees and administrative laws, ordinances, and regulations) relating to public health and safety and protection of the environment, all as amended and modified from time to time (collectively, the "Environmental Laws").

(D) CAVIAT will not permit to occur any release, spillage, emission, generation, manufacture, storage, treatment, transportation, or disposal of "hazardous material," as that term is defined in subparagraph (J) of this Paragraph 12, on, in or from the Premises, except for those hazardous materials that are necessary for CAVIAT's operations and then only strictly in accordance with all Environmental Laws. CAVIAT will promptly notify FMUSD, in writing, if CAVIAT has or acquires notice or knowledge that any hazardous material has been or is threatened to be released, discharged, stored, disposed of or transported in violation of the Environmental Laws. In such event, CAVIAT will immediately notify FMUSD, and CAVIAT, at its own cost and expense for those hazardous materials that have been brought onto the Premises in the course of CAVIAT's operations, will immediately take such action as is necessary to detain the spread of and remove the hazardous material in accordance with applicable Environmental Laws to the reasonable satisfaction of FMUSD and as required by appropriate governmental environmental authorities.

(E) CAVIAT will keep the Premises free of any lien imposed pursuant to any Environmental Laws.

(F) [RESERVED]

(G) FMUSD represents and warrants to CAVIAT that:

(1) FMUSD has no knowledge and has received no notice of any pollution, health, safety, fire, environmental, sewerage or building code violation, as those terms are defined in any hazardous substance laws as that term is defined in subparagraph (J);

(2) neither the Premises nor the ground under or about the Premises is contaminated with or contains any hazardous or toxic substance, pollutant, contaminants, or petroleum, including crude oil or any fraction of it, or contains any underground storage tank;

(3) the Premises are not subject to investigation or currently in administrative or judicial litigation regarding any environmental condition, such as alleged noncompliance or alleged contamination.

(4) FMUSD, at its own cost and expense, for those hazardous materials that were on the Premises prior to CAVIAT's occupation of the Premises, will immediately take such action as is necessary to detain the spread of and remove the hazardous material in accordance

with applicable Environmental Laws as required by appropriate governmental environmental authorities.

(H) If any cleanup, repair, detoxification or other similar action is required by any governmental or quasi-governmental agency as a result of the storage, release or disposal of hazardous materials by FMUSD, its agents or contractors at any time, or by any prior owner, possessor, or operator of any part of the Premises, and such action requires that CAVIAT's operations be closed or that access be denied for greater than a twenty-four (24) hour period, then the rent will be abated entirely during the period beyond twenty-four (24) hours. If the closure or denial of access persists in excess of thirty (30) days, then, at CAVIAT's election by written notice to FMUSD given within ten (10) days after the end of the thirty (30) day period, this Lease will end as of the commencement of such closure.

(I) CAVIAT will have the right to contest by appropriate proceedings diligently conducted in good faith in the name of CAVIAT, or, with the prior consent of FMUSD, in the name of FMUSD, or both, without cost or expense to FMUSD, the validity or application of any law, ordinance, order, rule, regulation or legal requirement of any nature. If compliance with any law, ordinance, order, rule regulation or requirement may legally be delayed pending the prosecution of any proceeding, without incurring any lien, charge or liability of any kind against the Premises or CAVIAT's interest in the Premises, and without subjecting CAVIAT or FMUSD to any liability, civil or criminal, for failure to so comply, CAVIAT may delay compliance until the final determination of the proceeding. Even if a lien, charge or liability may be incurred by reason of delay, CAVIAT may contest and delay, provided that the contest or delay does not subject FMUSD to criminal liability. FMUSD will not be required to join any proceedings referred to in this paragraph unless the provisions of any applicable law, rule, or regulation at the time in effect requires that the proceedings be brought by or in the name of FMUSD, or both. In that event, FMUSD will join the proceedings or permit them to be brought in its name if CAVIAT pays all related expenses.

(J) For purposes of this Lease, "hazardous material" means:

(1) "hazardous substances" or "toxic substances" as those terms are defined by the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), 42

U.S.C. §9601, et seq., or the Hazardous Materials Transportation Act, 49 U.S.C. §1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. §6901, et seq., each as amended to this date and as amended after this date;

(2) “hazardous wastes,” as that term is defined by the Resource Conservation and Recovery Act 42 U.S.C. §6902, et seq., as amended to this date and as amended after this date;

(3) any pollutant, contaminant, or hazardous, dangerous, or toxic chemical, material, or substance within the meaning of any other applicable federal, state, or local law, regulation, ordinance, or requirement (including consent decrees and administrative orders) relating to or imposing liability or standards of conduct concerning any hazardous, toxic, or dangerous waste substance or material, all as amended to this date or as amended after this date.

(K) The provisions of this Lease relating to hazardous material will survive the expiration or termination of this Lease.

13. Signs

CAVIAT shall have the right to erect signs for the purpose of identification and direction evidencing CAVIAT’s operations on the Premises. Such signs shall conform to applicable state and/or local restrictions. Installation of signs will be permitted thirty (30) days prior to the beginning of this Lease, or sooner as permitted by FMUSD. On termination or expiration of this Lease or vacating of the Premises, CAVIAT, at its own expense, shall remove any and all such signs and other indicia of CAVIAT’s operations from the Premises.

14. Liens

A. If any act or omission of CAVIAT or claim against CAVIAT results in a lien or claim of lien against FMUSD’s title to the Premises, CAVIAT, upon notice thereof, shall promptly remove or release same by payment of bond or otherwise to fully satisfy said lien. If not so released within fifteen (15) days after notice to CAVIAT to do so, FMUSD may (but need not) pay or discharge any lien without inquiry as to the validity thereof at CAVIAT’s expense and CAVIAT shall, within ten (10) days after demand for payment of all costs and expenses incurred by FMUSD, pay unto FMUSD the full amount plus interest at the rate of one and one-

half percent (1.5%) per month. CAVIAT may contest any lien by first furnishing FMUSD with a good and sufficient surety bond issued by a reputable surety company.

B. FMUSD warrants that during the Term of this Lease, FMUSD shall not encumber the Premises.

15. Waivers

No waiver by either party to this Lease of any provision or default under this Lease, whether in a single instance or repeatedly, shall be deemed a future waiver of such provision or default.

16. FMUSD's Representations

FMUSD represents and warrants that:

(A) FMUSD is legally empowered to execute this Lease and that the person signing this Lease on behalf of FMUSD has all authority to do so; and

(B) upon the payment by CAVIAT of the rent and other sums due FMUSD, and upon performance of all the covenants, terms and conditions on CAVIAT's part to be observed and performed, CAVIAT shall peaceably and quietly hold and enjoy the Premises or the tenancy created under this Lease without hindrance or interruption by FMUSD or any other person or persons lawfully or equitably claiming by, through or under FMUSD, subject nevertheless to the terms and conditions of this Lease.

17 Defaults and Remedies

(A) If CAVIAT defaults in performing any of the covenants or obligations specified in this Lease to be performed by CAVIAT, FMUSD shall notify CAVIAT of such default in writing. Upon notice of written default, CAVIAT shall have the right to cure any default in making a payment of rent or any other payment required to be made under this Lease by tendering such payment together with any penalty, interest or deposit to the party entitled thereto within fifteen (15) days after such notice.

(B) If CAVIAT shall default in the performance of any covenant on its part to be performed under this Lease, other than payment of rent or other payment required to be made under this Lease, and shall fail to remedy such default within the time periods set forth in Paragraph 18 (C) of this Lease, after FMUSD shall have notified CAVIAT of such default,

FMUSD, without being obligated to do so and without thereby waiving such default, may take such action as is commercially reasonable and appropriate to cure such default. FMUSD's expenditures and costs in connection therewith, together with one and one-half percent (1.5%) per month interest thereon, shall be at CAVIAT's expense and shall be payable as additional rent upon the thirtieth (30th) day of the month next following.

(C) CAVIAT shall have the right to cure any default other than nonpayment of rent or other payments due under this Lease by doing so within thirty (30) days after such notice, provided, however, that if any such other default cannot reasonably be cured within thirty (30) days, CAVIAT may cure it if CAVIAT commences such cure within thirty (30) days after such notice and thereafter diligently prosecutes such cure to completion and such cure is cured in full on or before the one hundred and twentieth (120th) day after such notice. If CAVIAT fails to cure in a timely manner any default of which it was given written notice, FMUSD may, by giving further written notice to CAVIAT at any time thereafter during the continuance of such default, either: (i) perform as provided in Paragraph B of this Section 18; or (ii) terminate this Lease; or (iii) re-enter the Premises by summary legal proceedings or otherwise, expelling CAVIAT and removing all property therefrom and reletting the Premises at the best possible rent obtainable, making reasonable efforts therefore, and receive the rent therefrom; but CAVIAT shall remain liable for the equivalent of the amount of all rent payable under this Lease less the proceeds, if any, of reletting. Any and all deficiencies in payment by CAVIAT shall be paid monthly to FMUSD on the date provided in this Lease for the payment of rent.

(D) If FMUSD defaults in performing any of the covenants or obligations specified in this Lease to be performed by FMUSD, CAVIAT shall notify FMUSD of such default in writing. If FMUSD shall fail to remedy such default within the time periods set forth Paragraph 18 (E) of this Lease, after CAVIAT shall have notified FMUSD of such default, CAVIAT, without being obligated to do so and without thereby waiving such default, may take such action as is commercially reasonable and appropriate to cure such default. CAVIAT's expenditures and costs in connection therewith, together with one and one-half percent (1.5%) per month interest thereon, shall be at FMUSD's expense and shall be withheld from subsequent rent payments until such expenditures and costs are accounted for in full.

(E) CAVIAT shall have the right to cure any default of FMUSD within thirty (30) days after notice is provided to FMUSD, provided, however, that if any such default cannot reasonably be cured within thirty (30) days, FMUSD may cure it if FMUSD commences such cure within thirty (30) days after such notice and thereafter diligently prosecutes such cure to completion and such cure is cured in full on or before the one hundred and twentieth (120th) day after such notice. If FMUSD fails to cure in a timely manner any default of which it was given written notice, CAVIAT may, by giving further written notice to FMUSD at any time thereafter during the continuance of such default: (i) perform as provided in Paragraph D of this Section 17; (ii) terminate this Lease; (iii) seek specific performance of FMUSD's covenants or obligations; and/or (iv) seek entitlement to any other remedy available at law or in equity.

18. Late Payment

Any payment due under this Lease that is received thirty (30) or more days after the due date shall be subject to a late charge equal to five percent (5%) of the amount then due.

19. Notices

All notices to be given to the FMUSD or CAVIAT shall be in writing and delivered personally or by Certified Mail sent to the Party at the address below:

If to FMUSD:

Superintendent
Fredonia-Moccasin Unified School District No. 6
PO Box 247 / 221 E. Hortt St.
Fredonia, AZ 86022-0247

Coconino County Attorney's Office
110 E. Cherry Ave.
Flagstaff, AZ 86001

If to CAVIAT:

CAVIAT
PO Box 3940 / 19 Poplar Street
Page, AZ 86040

20. Holding Over

If CAVIAT holds over after the expiration of the Term without the written consent of FMUSD, then the term of this Lease following expiration shall be construed to be a tenancy from month to month, and shall be on the terms and conditions specified in this Lease; provided

however, that the rent due monthly shall be an amount one hundred fifty percent (150%) of the rent paid immediately prior to the first month held over but prorated on a monthly basis. Notwithstanding the foregoing, if the parties are engaged in good faith negotiations of the provisions of a new lease or CAVIAT is considering the right of first refusal granted in Paragraph 2 (C) of this Lease, then FMUSD shall abate the holdover amount during such negotiations or consideration period. If FMUSD determines, in its reasonable discretion, that such negotiations are not advancing, then FMUSD shall notify CAVIAT in writing of such determination and the holdover amount will become effective ten (10) days following the receipt of notice by the CAVIAT.

21. Meaning of Words

The words "FMUSD" and "CAVIAT" shall mean respectively all parties of FMUSD or CAVIAT, regardless of number, and the word "he" shall be synonymous with "she," "it" and "they," and the word "his" shall be synonymous with "her," "its" and "their." If the Term of this Lease is extended in the manner provided elsewhere in this Lease, the word "Term" shall thereafter mean the Term of this Lease as so extended.

22. Remedies Cumulative

All remedies of the parties are cumulative.

23. Captions

The captions of this Lease are for convenience only and shall not be construed as defining or modifying any of the provisions of this Lease.

24. Governing Law

This Lease is entered into in the State of Arizona and shall be construed and interpreted in accordance with its laws, which laws shall control in the event of any conflict of law. Venue shall be Coconino County, Arizona.

25. Binding Effect

This Lease shall be binding upon and inure to the benefit of the parties and their respective officers, employees, shareholders, directors, agents, servants, representatives, parents, subsidiaries, affiliates, successors and assigns.

26. Entire Agreement

This Lease and any Exhibit attached to this Lease shall constitute the entire integrated agreement between the parties with respect to the Premises and shall not be subject to change, modification, amendment or addition without the express written consent of both parties.

27. Legal Fees

In the event that it becomes necessary for either party to retain the services of legal counsel to enforce the terms of this Lease, the prevailing party shall be entitled to recover all costs and expenses, including reasonable attorneys, expert and investigative fees, incurred in enforcing the terms of this Lease.

28. Due Diligence

Each party declares that the terms of this Lease have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain and confer with counsel. This Lease is entered into after a full investigation by the parties, and the parties are not relying upon any statements or representations not contained in this Lease.

29. Conflict of Interest

This Lease is subject to cancellation for conflict of interest under Arizona Revised Statutes Section 38-511.

30. Immigration Law

As mandated by Arizona Revised Statutes § 41-4401, each Party:

(i) warrants the Party's compliance with all federal immigration laws and regulations that relate to the Party's employees and their compliance with Arizona Revised Statutes § 23-214(A);

(ii) acknowledges that a breach of the warranty in subsection (i) of this section shall be deemed a material breach of this Lease that is subject to penalties up to and including termination of this Lease; and

(iii) retains the legal right to inspect the papers of any contractor or subcontractor employee who works pursuant to this Lease to ensure compliance with the warranty.

31. [RESERVED]

32 Books and Accounts

All books, accounts, reports, files and other records relating to this Lease shall be subject at all reasonable times to inspection and audit by the Auditor General of the State of Arizona, or their agents, for five (5) years after completion of this Lease. In the event CAVIAT is audited, FMUSD shall produce such records as are requested by CAVIAT at CAVIAT's administrative offices, or such other location as designated by CAVIAT, upon reasonable notice to FMUSD. In the event FMUSD is audited, CAVIAT shall produce such records as are requested by FMUSD at the Administrative offices of FMUSD, or such other location as designated by FMUSD, upon reasonable notice to CAVIAT.

33 Nondiscrimination

The Parties agree to comply with all applicable state and federal laws, rules, regulations and executive orders governing equal employment opportunity, immigration, nondiscrimination, including the Americans with Disabilities Act, and affirmative action.

34. Cancellation for Conflict of Interest

This Agreement may be cancelled in accordance with the provisions of A.R.S. § 38-511.

35. Certification of Contracting Agencies

This Agreement has been reviewed pursuant to A.R.S. § 11-952 by the undersigned attorneys who have determined that it is in proper form and is within the powers and authority granted under the laws of the State of Arizona to those parties of the Agreement represented by the undersigned attorneys.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the date first written above.

FOR FMUSD:

By: _____

Title: _____

Date: _____

Attorney for FMUSD

FOR CAVIAT:

By: _____

Title: _____

Date: _____

Attorney for CAVIAT

EXHIBIT A
LEGAL DESCRIPTION

Medical Professions designated classroom located at Fredonia High School, 221 E. Hortt Street, Fredonia, AZ 86022.

Approximate rental period will be for two (2) hours per day, 4 days per week, for approximately 144 instructional days.

Approximate cost based on above rental period is \$5760.00 (\$20/hour)

FMUSD may charge additional rent for extended classroom time use.

This lease is contingent on CAVIAT enrolling a minimum number of students for each program. CAVIAT will notify FMUSD by August 28, 2015 if minimum enrollment has not been achieved, thereby canceling this agreement.

LEASE AGREEMENT

This Lease Agreement (the "Lease") is made effective the 1st day of **July 1, 2015**, by and between Williams Unified School District No. 2 of Coconino County, having its principal office at 636 S. 7th Street, Williams, AZ 86046 ("WUSD"), and the Coconino Association for Vocations, Industry and Technology, having its principal office at 19 Poplar Street, Page, AZ 86040 ("CAVIAT"). For purposes of this Lease, each of WUSD and CAVIAT may be termed a "Party" and collectively may be termed "the Parties".

AGREEMENT

1. Lease and Premises

WUSD hereby leases to CAVIAT and CAVIAT hereby leases from WUSD, on the terms and subject to the conditions specified in this Lease, a portion of the real property and improvements thereon which is commonly known as the Healthcare Foundations/C.N.A. classroom located at the Williams High School Annex Building at 636 S. 7th Street, Williams, AZ 86046, and which is depicted in Exhibit A, attached and incorporated herein by reference, all being referred to as the "Premises." WUSD represents and warrants that it owns good and marketable title to the Premises, subject to restrictions, agreements, conditions and easements of record, conditions and notes on recorded plats or plans, and rights of any utility company.

2. Term

(A) This Lease shall be for a term of thirty six (36) weeks commencing on August ___, 2015 (the "Commencement Date"), and shall terminate on May ___ 2016 (the "Term"), unless sooner terminated as provided elsewhere herein.

(B) CAVIAT understands that the Term of this Lease is as stated in Section 2(A) and that it cannot be extended or renewed. CAVIAT remains interested in approaching WUSD independent of this Lease to negotiate an additional lease(s) of some or all of the Premises. CAVIAT intends to submit a letter of intent to WUSD inviting WUSD to enter into negotiations to lease some or all of the Premises to CAVIAT for a period of time, which new lease would not begin until after this Term expires. The letter of intent will outline the terms on which CAVIAT desires to lease some or all of the Premises. WUSD understands of utmost importance to

CAVIAT is early agreement, if possible, on the terms of a future lease in order to allow CAVIAT to make timely decisions regarding CAVIAT's operations, particularly with respect to the use CAVIAT is making of the Premises. Upon receipt of such letter of intent, WUSD agrees to enter into good-faith negotiations with CAVIAT.

(C) In the event the negotiations described in paragraph 2 (B) fail to result in agreement of the Parties and WUSD desires to lease the Premises to a third party, WUSD hereby grants to CAVIAT the right of first refusal to match the financial terms of the lease to the third party. CAVIAT will have thirty days from receipt of notice from WUSD of the terms of the lease to the third party in which to exercise this right of first refusal. During the time the right of first refusal is being considered, holdover rent, if applicable, will be abated as described in Paragraph 21 of this Lease; however, such abatement will not impact the consideration of CAVIAT as a holdover tenant possessing the Premises beyond the agreed upon Term of this Lease and will not operate to extend or renew this Lease.

(D) While CAVIAT has a first right of refusal as described above, CAVIAT acknowledges and agrees that WUSD has no obligation to seek rental of the Premises to CAVIAT (beyond that stated in paragraph B above) or to a third party and may choose to reject any offers to rent the Premises rather than present them to CAVIAT under the right of first refusal. In addition, if WUSD does intend to seek a lease of the Premises to a third party and WUSD receives multiple offers to rent the Premises, WUSD is only required to provide the best offer from a third party to CAVIAT under the right of first refusal.

3. Rent

CAVIAT agrees to pay to WUSD, at the location of notice or at such place as WUSD may designate in writing from time to time, rent for the Premises in the amount of Twenty Dollars (\$20.00) per hour for the full Term of the Lease, payable in advance without demand or notice on the Commencement Date and the first day of each month afterward. CAVIAT does for itself, its successors and assigns, covenant and promise to pay rent without further notice and without demand, deduction, counterclaim or set-off of any kind. Any other sums due and payable to WUSD under this Lease shall be considered additional rent.

4. Use of Premises

The Premises may be used by CAVIAT for classrooms operated by CAVIAT related to CAVIAT's operation of a public institution of higher education. CAVIAT will not use or permit any use of the Premises in violation thereof, and will operate in a clean, safe and sanitary manner. CAVIAT will not use the Premises to operate an elementary school without WUSD's prior written approval. CAVIAT shall be responsible to maintain and procure, at CAVIAT's own expense, all licenses, permits or inspection certificates required by any governmental authority respecting CAVIAT's use of the Premises.

5. Taxes and Utilities

(A) WUSD will pay all real estate taxes and assessments, if any, assessed, levied, confirmed, or imposed on the Premises during the term of this Lease.

(B) CAVIAT will not be obligated to pay local, state or federal net income taxes assessed against WUSD; local state or federal capital levy of WUSD; or sales, excise, franchise, gift, estate, succession, inheritance, or transfer taxes of WUSD.

(C) CAVIAT shall be liable for all business use and occupancy taxes due, if any, based on the occupancy and use of the Premises.

6. WUSD Access

CAVIAT shall permit WUSD and its agents, upon 24 hours notice, to enter into and upon the Premises at reasonable times during normal business hours for the purpose of inspecting the Premises. For a period of ninety (90) days prior to the termination of this Lease, WUSD may: (i) enter upon the Premises during normal business hours to show the Premises to prospective tenants provided that such entry and showing does not interfere with the conduct of CAVIAT's operations and WUSD provides notice to CAVIAT not less than twenty-four (24) hours before entry; and (ii) erect signage upon the Premises for the purpose of advertising the availability of the Premises for lease/sale. WUSD will have the right to use any means WUSD may deem proper to open doors in the Premises and to the Premises in an emergency in order to enter the Premises.

7. Insurance; Self-Insurance; Indemnification

(A) CAVIAT shall maintain during the term of this Lease adequate insurance or self-insurance, to cover liability arising from the acts or omissions of CAVIAT, its agents or employees relating to the performance of this Lease. CAVIAT shall not be responsible for maintaining insurance coverage for liability arising from the acts or omissions of the WUSD's agents or employees.

(B) WUSD shall maintain during the term of this Lease adequate insurance or self-insurance to cover liability arising from the acts or omissions of WUSD's agents or employees relating to the performance of this Lease. WUSD shall not be responsible for maintaining insurance to cover liability arising from the acts or omissions of CAVIAT's agents or employees.

(C) To the fullest extent permitted by law, each Party (as "indemnitor") agrees to indemnify, defend, and hold harmless the other Party (as "indemnitee") from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as "claims") arising out of bodily injury of any person (including death) or property damage but only to the extent that such claims which result in vicarious/derivative liability to the indemnitee, are caused by the acts, omissions, negligence, misconduct, or other fault of the indemnitor, its officers, officials, agents, employees, or volunteers.

8. Fire and Extended Coverage Insurance

(A) WUSD shall throughout the Term of this Lease, at WUSD's expense, either through insurance or self-insurance coverage, keep the Premises and all improvements that include the Premises (but excluding equipment, furniture, and trade fixtures on the Premises) insured in an amount equal to the full replacement cost against damages caused by fire, lightning, flood and all other causes of physical loss ("all risk" coverage). WUSD shall deliver to CAVIAT copies of insurance certificates evidencing the aforesaid insurance at the time of execution of this Lease.

(B) CAVIAT shall throughout the term of this Lease, at CAVIAT's expense, either through insurance or self-insurance coverage, keep the equipment, furniture and trade fixtures on

the Premises ("FF&E") insured in an amount equal to the actual cash value of the FF&E against damages caused by fire, lightning, flood and all other causes of physical loss.

9. [RESERVED]

10. Damages to Premises

(A) In the event the Premises are damaged or destroyed by fire or any other cause WUSD shall, at WUSD's expense, repair or restore the Premises. WUSD shall complete such repairs or restorations in accordance with all applicable laws, rules, and regulations within one hundred twenty (120) days after such damage or destruction, provided however, if the completion of such repairs or restoration shall be delayed by weather, strikes, inability to procure labor or materials, fire, flood, delays in obtaining permits, insurance proceeds, or other occurrences or conditions beyond WUSD's control, the aforesaid time periods shall be extended by the period of such delay.

(B) If any such destruction or damage shall not be of such extent as to render the Premises wholly untenable for the use contemplated under Paragraph 4 above, then CAVIAT's liability to pay rent shall not cease but the amount of rent shall be abated proportionate to the amount of floor space lost as a result of such destruction or damage. If the destruction or damage shall be of such an extent that the Premises are wholly untenable, then the rent shall cease from the time the destruction or damage occurred until the Premises are restored or repaired to a condition suitable for the use as it existed prior to the destruction or damage occurrence.

11. Condemnation

If during the Term of this Lease the Premises or a portion of the Premises shall be taken as a result of the exercise or threat of the power of eminent domain (the "Parcel Taken"), WUSD and CAVIAT shall each have the right, at their option: (i) to terminate this Lease; or (ii) amend this Lease by deleting from the description of the Premises the Parcel Taken. As so amended, this Lease and WUSD's and CAVIAT's obligations under this Lease, with the exception of the rent obligations specified in this Lease, which rent obligations will abate in proportion to the Parcel Taken, as of the day on which the condemning authority shall take possession, shall continue in full force and effect without change.

Following condemnation, if, in the opinion of CAVIAT, the property is no longer suitable for the operations of CAVIAT, this Lease shall be terminated as of the date on which legal title vests in the condemning authority or the date on which WUSD settles pursuant to a contract for the sale for public use or under the threat of condemnation, whichever first occurs, and all rental and other sums payable under this Lease shall be prorated to and shall cease as of such date.

The entire amount of any award for such taking shall belong to WUSD, and CAVIAT waives any right it may have to any portion of such award except for such amount as may reflect the value of improvements, if any, that CAVIAT has made to the Premises or to the value of FF&E, if any is taken.

12. Maintenance and Repairs; Environmental Matters

(A) Except as provided in Paragraph 12 (B), CAVIAT, at its expense, shall at all times during the Term of this Lease keep the Premises, appurtenances, fixtures, and equipment attached and related thereto, and all additions, replacements and expansions, in good condition and repair, and on termination of this Lease, will surrender all of same in good repair, broom-clean and free of trash, reasonable wear and use excepted. CAVIAT warrants that any new improvements, as may be provided by CAVIAT, shall comply with all applicable federal, state and local building codes and regulations.

(B) WUSD shall be responsible for the repair and replacement of the parking lot, replacement or removal of landscaping features, and the maintenance, repair and replacement of the roof, structural walls and foundation. WUSD shall be responsible for major repairs, including but not limited to the replacement of the heating, ventilation and air condition systems, plumbing and electrical systems, painting and repairs to the exterior of the building.

(C) Regarding their respective responsibilities in Paragraph 12 (A) and (B), WUSD and CAVIAT shall, respectively, cause the Premises to remain in compliance with all applicable laws, ordinances, governmental permits and regulations (including consent decrees and administrative laws, ordinances, and regulations) relating to public health and safety and protection of the environment, all as amended and modified from time to time (collectively, the "Environmental Laws").

(D) CAVIAT will not permit to occur any release, spillage, emission, generation, manufacture, storage, treatment, transportation, or disposal of "hazardous material," as that term is defined in subparagraph (J) of this Paragraph 12, on, in or from the Premises, except for those hazardous materials that are necessary for CAVIAT's operations and then only strictly in accordance with all Environmental Laws. CAVIAT will promptly notify WUSD, in writing, if CAVIAT has or acquires notice or knowledge that any hazardous material has been or is threatened to be released, discharged, stored, disposed of or transported in violation of the Environmental Laws. In such event, CAVIAT will immediately notify WUSD, and CAVIAT, at its own cost and expense for those hazardous materials that have been brought onto the Premises in the course of CAVIAT's operations, will immediately take such action as is necessary to detain the spread of and remove the hazardous material in accordance with applicable Environmental Laws to the reasonable satisfaction of WUSD and as required by appropriate governmental environmental authorities.

(E) CAVIAT will keep the Premises free of any lien imposed pursuant to any Environmental Laws.

(F) [RESERVED]

(G) WUSD represents and warrants to CAVIAT that:

(1) WUSD has no knowledge and has received no notice of any pollution, health, safety, fire, environmental, sewerage or building code violation, as those terms are defined in any hazardous substance laws as that term is defined in subparagraph (J);

(2) neither the Premises nor the ground under or about the Premises is contaminated with or contains any hazardous or toxic substance, pollutant, contaminants, or petroleum, including crude oil or any fraction of it, or contains any underground storage tank;

(3) the Premises are not subject to investigation or currently in administrative or judicial litigation regarding any environmental condition, such as alleged noncompliance or alleged contamination.

(4) WUSD, at its own cost and expense, for those hazardous materials that were on the Premises prior to CAVIAT's occupation of the Premises, will immediately take such action as is necessary to detain the spread of and remove the hazardous material in accordance

with applicable Environmental Laws as required by appropriate governmental environmental authorities.

(H) If any cleanup, repair, detoxification or other similar action is required by any governmental or quasi-governmental agency as a result of the storage, release or disposal of hazardous materials by WUSD, its agents or contractors at any time, or by any prior owner, possessor, or operator of any part of the Premises, and such action requires that CAVIAT's operations be closed or that access be denied for greater than a twenty-four (24) hour period, then the rent will be abated entirely during the period beyond twenty-four (24) hours. If the closure or denial of access persists in excess of thirty (30) days, then, at CAVIAT's election by written notice to WUSD given within ten (10) days after the end of the thirty (30) day period, this Lease will end as of the commencement of such closure.

(I) CAVIAT will have the right to contest by appropriate proceedings diligently conducted in good faith in the name of CAVIAT, or, with the prior consent of WUSD, in the name of WUSD, or both, without cost or expense to WUSD, the validity or application of any law, ordinance, order, rule, regulation or legal requirement of any nature. If compliance with any law, ordinance, order, rule regulation or requirement may legally be delayed pending the prosecution of any proceeding, without incurring any lien, charge or liability of any kind against the Premises or CAVIAT's interest in the Premises, and without subjecting CAVIAT or WUSD to any liability, civil or criminal, for failure to so comply, CAVIAT may delay compliance until the final determination of the proceeding. Even if a lien, charge or liability may be incurred by reason of delay, CAVIAT may contest and delay, provided that the contest or delay does not subject WUSD to criminal liability. WUSD will not be required to join any proceedings referred to in this paragraph unless the provisions of any applicable law, rule, or regulation at the time in effect requires that the proceedings be brought by or in the name of WUSD, or both. In that event, WUSD will join the proceedings or permit them to be brought in its name if CAVIAT pays all related expenses.

(J) For purposes of this Lease, "hazardous material" means:

(1) "hazardous substances" or "toxic substances" as those terms are defined by the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), 42

U.S.C. §9601, et seq., or the Hazardous Materials Transportation Act, 49 U.S.C. §1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. §6901, et seq., each as amended to this date and as amended after this date;

(2) “hazardous wastes,” as that term is defined by the Resource Conservation and Recovery Act 42 U.S.C. §6902, et seq., as amended to this date and as amended after this date;

(3) any pollutant, contaminant, or hazardous, dangerous, or toxic chemical, material, or substance within the meaning of any other applicable federal, state, or local law, regulation, ordinance, or requirement (including consent decrees and administrative orders) relating to or imposing liability or standards of conduct concerning any hazardous, toxic, or dangerous waste substance or material, all as amended to this date or as amended after this date.

(K) The provisions of this Lease relating to hazardous material will survive the expiration or termination of this Lease.

13. Alterations

CAVIAT shall not make any alterations, improvements or additions to the Premises without first obtaining the written permission of WUSD, which consent shall not be unreasonably withheld. WUSD’s prior written consent will not be necessary for any alteration, addition or improvement which: (i) costs less than Five Thousand Dollars (\$5,000.00) including labor and materials; (ii) does not change the general character of the Premises or reduce the fair market value of the Premises; and (iii) is in compliance with the laws, ordinances, orders, rules, regulations, certificates of occupancy or other governmental requirements.

14. Signs

CAVIAT shall have the right to erect signs for the purpose of identification and direction evidencing CAVIAT’s operations on the Premises. Such signs shall conform to applicable state and/or local restrictions. Installation of signs will be permitted thirty (30) days prior to the beginning of this Lease, or sooner as permitted by WUSD. On termination or expiration of this Lease or vacating of the Premises, CAVIAT, at its own expense, shall remove any and all such signs and other indicia of CAVIAT’s operations from the Premises.

15. Liens

A. If any act or omission of CAVIAT or claim against CAVIAT results in a lien or claim of lien against WUSD's title to the Premises, CAVIAT, upon notice thereof, shall promptly remove or release same by payment of bond or otherwise to fully satisfy said lien. If not so released within fifteen (15) days after notice to CAVIAT to do so, WUSD may (but need not) pay or discharge any lien without inquiry as to the validity thereof at CAVIAT's expense and CAVIAT shall, within ten (10) days after demand for payment of all costs and expenses incurred by WUSD, pay unto WUSD the full amount plus interest at the rate of one and one-half percent (1.5%) per month. CAVIAT may contest any lien by first furnishing WUSD with a good and sufficient surety bond issued by a reputable surety company.

B. WUSD warrants that during the Term of this Lease, WUSD shall not encumber the Premises.

16. Waivers

No waiver by either party to this Lease of any provision or default under this Lease, whether in a single instance or repeatedly, shall be deemed a future waiver of such provision or default.

17. WUSD's Representations

WUSD represents and warrants that:

(A) WUSD is legally empowered to execute this Lease and that the person signing this Lease on behalf of WUSD has all authority to do so; and

(B) upon the payment by CAVIAT of the rent and other sums due WUSD, and upon performance of all the covenants, terms and conditions on CAVIAT's part to be observed and performed, CAVIAT shall peaceably and quietly hold and enjoy the Premises or the tenancy created under this Lease without hindrance or interruption by WUSD or any other person or persons lawfully or equitably claiming by, through or under WUSD, subject nevertheless to the terms and conditions of this Lease.

18. Defaults and Remedies

(A) If CAVIAT defaults in performing any of the covenants or obligations specified in this Lease to be performed by CAVIAT, WUSD shall notify CAVIAT of such default in

writing. Upon notice of written default, CAVIAT shall have the right to cure any default in making a payment of rent or any other payment required to be made under this Lease by tendering such payment together with any penalty, interest or deposit to the party entitled thereto within fifteen (15) days after such notice.

(B) If CAVIAT shall default in the performance of any covenant on its part to be performed under this Lease, other than payment of rent or other payment required to be made under this Lease, and shall fail to remedy such default within the time periods set forth in Paragraph 18 (C) of this Lease, after WUSD shall have notified CAVIAT of such default, WUSD, without being obligated to do so and without thereby waiving such default, may take such action as is commercially reasonable and appropriate to cure such default. WUSD's expenditures and costs in connection therewith, together with one and one-half percent (1.5%) per month interest thereon, shall be at CAVIAT's expense and shall be payable as additional rent upon the thirtieth (30th) day of the month next following.

(C) CAVIAT shall have the right to cure any default other than nonpayment of rent or other payments due under this Lease by doing so within thirty (30) days after such notice, provided, however, that if any such other default cannot reasonably be cured within thirty (30) days, CAVIAT may cure it if CAVIAT commences such cure within thirty (30) days after such notice and thereafter diligently prosecutes such cure to completion and such cure is cured in full on or before the one hundred and twentieth (120th) day after such notice. If CAVIAT fails to cure in a timely manner any default of which it was given written notice, WUSD may, by giving further written notice to CAVIAT at any time thereafter during the continuance of such default, either: (i) perform as provided in Paragraph B of this Section 18; or (ii) terminate this Lease; or (iii) re-enter the Premises by summary legal proceedings or otherwise, expelling CAVIAT and removing all property therefrom and reletting the Premises at the best possible rent obtainable, making reasonable efforts therefore, and receive the rent therefrom; but CAVIAT shall remain liable for the equivalent of the amount of all rent payable under this Lease less the proceeds, if any, of reletting. Any and all deficiencies in payment by CAVIAT shall be paid monthly to WUSD on the date provided in this Lease for the payment of rent.

(D) If WUSD defaults in performing any of the covenants or obligations specified in this Lease to be performed by WUSD, CAVIAT shall notify WUSD of such default in writing. If WUSD shall fail to remedy such default within the time periods set forth Paragraph 18 (E) of this Lease, after CAVIAT shall have notified WUSD of such default, CAVIAT, without being obligated to do so and without thereby waiving such default, may take such action as is commercially reasonable and appropriate to cure such default. CAVIAT's expenditures and costs in connection therewith, together with one and one-half percent (1.5%) per month interest thereon, shall be at WUSD's expense and shall be withheld from subsequent rent payments until such expenditures and costs are accounted for in full.

(E) CAVIAT shall have the right to cure any default of WUSD within thirty (30) days after notice is provided to WUSD, provided, however, that if any such default cannot reasonably be cured within thirty (30) days, WUSD may cure it if WUSD commences such cure within thirty (30) days after such notice and thereafter diligently prosecutes such cure to completion and such cure is cured in full on or before the one hundred and twentieth (120th) day after such notice. If WUSD fails to cure in a timely manner any default of which it was given written notice, CAVIAT may, by giving further written notice to WUSD at any time thereafter during the continuance of such default: (i) perform as provided in Paragraph D of this Section 18; (ii) terminate this Lease; (iii) seek specific performance of WUSD's covenants or obligations; and/or (iv) seek entitlement to any other remedy available at law or in equity.

19. Late Payment

Any payment due under this Lease that is received thirty (30) or more days after the due date, shall be subject to a late charge equal to five percent (5%) of the amount then due.

20. Notices

All notices to be given to the WUSD or CAVIAT shall be in writing and delivered personally or by Certified Mail sent to the Party at the address below:

If to WUSD:

Superintendent
Williams Unified School District #2
636 S. 7th Street
Williams, AZ 86046

Coconino County Attorney's Office
110 E. Cherry Ave.
Flagstaff, AZ 86001

If to CAVIAT:

CAVIAT
PO Box 3940 / 19 Poplar Street
Page, AZ 86040

21. Holding Over

If CAVIAT holds over after the expiration of the Term without the written consent of WUSD, then the term of this Lease following expiration shall be construed to be a tenancy from month to month, and shall be on the terms and conditions specified in this Lease; provided however, that the rent due monthly shall be an amount one hundred fifty percent (150%) of the rent paid immediately prior to the first month held over but prorated on a monthly basis. Notwithstanding the foregoing, if the parties are engaged in good faith negotiations of the provisions of a new lease or CAVIAT is considering the right of first refusal granted in Paragraph 2 (C) of this Lease, then WUSD shall abate the holdover amount during such negotiations or consideration period. If WUSD determines, in its reasonable discretion, that such negotiations are not advancing, then WUSD shall notify CAVIAT in writing of such determination and the holdover amount will become effective ten (10) days following the receipt of notice by the CAVIAT.

22. Meaning of Words

The words "WUSD" and "CAVIAT" shall mean respectively all parties of WUSD or CAVIAT, regardless of number, and the word "he" shall be synonymous with "she," "it" and "they," and the word "his" shall be synonymous with "her," "its" and "their." If the Term of this Lease is extended in the manner provided elsewhere in this Lease, the word "Term" shall thereafter mean the Term of this Lease as so extended.

23. Remedies Cumulative

All remedies of the parties are cumulative.

24. Captions

The captions of this Lease are for convenience only and shall not be construed as defining or modifying any of the provisions of this Lease.

25. Governing Law

This Lease is entered into in the State of Arizona and shall be construed and interpreted in accordance with its laws, which laws shall control in the event of any conflict of law. Venue shall be Coconino County, Arizona.

26. Binding Effect

This Lease shall be binding upon and inure to the benefit of the parties and their respective officers, employees, shareholders, directors, agents, servants, representatives, parents, subsidiaries, affiliates, successors and assigns.

27. Entire Agreement

This Lease and any Exhibit attached to this Lease shall constitute the entire integrated agreement between the parties with respect to the Premises and shall not be subject to change, modification, amendment or addition without the express written consent of both parties.

28. Legal Fees

In the event that it becomes necessary for either party to retain the services of legal counsel to enforce the terms of this Lease, the prevailing party shall be entitled to recover all costs and expenses, including reasonable attorneys, expert and investigative fees, incurred in enforcing the terms of this Lease.

29. Due Diligence

Each party declares that the terms of this Lease have been completely read and are fully understood and voluntarily accepted by each party, after having a reasonable opportunity to retain and confer with counsel. This Lease is entered into after a full investigation by the parties, and the parties are not relying upon any statements or representations not contained in this Lease.

30. Conflict of Interest

This Lease is subject to cancellation for conflict of interest under Arizona Revised Statutes Section 38-511.

31. Immigration Law

As mandated by Arizona Revised Statutes § 41-4401, each Party:

(i) warrants the Party's compliance with all federal immigration laws and regulations that relate to the Party's employees and their compliance with Arizona Revised Statutes § 23-214(A);

(ii) acknowledges that a breach of the warranty in subsection (i) of this section shall be deemed a material breach of this Lease that is subject to penalties up to and including termination of this Lease; and

(iii) retains the legal right to inspect the papers of any contractor or subcontractor employee who works pursuant to this Lease to ensure compliance with the warranty.

32. [RESERVED]

33. Books and Accounts

All books, accounts, reports, files and other records relating to this Lease shall be subject at all reasonable times to inspection and audit by the Auditor General of the State of Arizona, or their agents, for five (5) years after completion of this Lease. In the event CAVIAT is audited, WUSD shall produce such records as are requested by CAVIAT at CAVIAT's administrative offices, or such other location as designated by CAVIAT, upon reasonable notice to WUSD. In the event WUSD is audited, CAVIAT shall produce such records as are requested by WUSD at the Administrative offices of WUSD, or such other location as designated by WUSD, upon reasonable notice to CAVIAT.

34. Nondiscrimination

The Parties agree to comply with all applicable state and federal laws, rules, regulations and executive orders governing equal employment opportunity, immigration, nondiscrimination, including the Americans with Disabilities Act, and affirmative action.

35. Cancellation for Conflict of Interest

This Agreement may be cancelled in accordance with the provisions of A.R.S. § 38-511.

36. Certification of Contracting Agencies

This Agreement has been reviewed pursuant to A.R.S. § 11-952 by the undersigned attorneys who have determined that it is in proper form and is within the powers and authority granted under the laws of the State of Arizona to those parties of the Agreement represented by the undersigned attorneys.

IN WITNESS WHEREOF, the parties hereto have executed this Lease as of the date first written above.

FOR WUSD:

By: _____

Title: _____

Date: _____

Attorney for WUSD

FOR CAVIAT:

By: _____

Title: _____

Date: _____

Attorney for CAVIAT

EXHIBIT A
LEGAL DESCRIPTION

Health Foundations/C.N.A. Classroom located at the Williams High School Annex Building, 636 S. 7th Street, Williams, AZ 86046.

Approximate rental period will be for two (2) hours per day, 4 days per week, for 36 instructional weeks (except for holidays).

Approximate cost based on above rental period is \$5760.00 (\$20/hour)

WUSD may charge additional rent for extended classroom time use.

This lease is contingent on CAVIAT enrolling a minimum number of students for each program. CAVIAT will notify FMUSD 21 school days after the first day of school if minimum enrollment has not been achieved, thereby canceling this agreement.

**INTERGOVERNMENTAL AGREEMENT
BETWEEN
COCONINO COUNTY COMMUNITY COLLEGE DISTRICT
AND
COCONINO ASSOCIATION FOR VOCATIONS, INDUSTRY, AND
TECHNOLOGY**

This **INTERGOVERNMENTAL AGREEMENT** (the “Agreement”) is made effective the 1st day of July, 2015, by and between **COCONINO COUNTY COMMUNITY COLLEGE DISTRICT**, having its principal office at 2800 South Lone Tree Road, Flagstaff, Arizona 86005 (“CCC”), and the **COCONINO ASSOCIATION FOR VOCATIONS, INDUSTRY AND TECHNOLOGY**, having its principal office at P.O. Box 3940, Page, Arizona 86040 (“CAVIAT”). For purposes of this Agreement, each of CCC and CAVIAT may be termed a “Party” and collectively may be termed “the Parties.”

AGREEMENT

1. Lease and Premises

(A) CCC hereby leases to CAVIAT and CAVIAT hereby leases from CCC, on the terms and subject to the conditions specified in this Agreement, a portion of CCC’S Fourth Street Campus in Flagstaff, Arizona and improvements thereon, commonly known as:

Classrooms B1, B2, B3, and B4;

Office Space B11 and B12; and

Conference Room B10;

together with a right to use all common areas and facilities on CCC’s Fourth Street Campus as they may now or hereafter exist, including but not limited to hallways, restrooms, break room, and parking areas, and depicted in Exhibit A, attached and incorporated herein by reference, referred to herein as the “Premises”; provided, however, that employees, agents, students, and invitees of CAVIAT shall be subject to parking rules and regulations established by CCC, including any requirements to purchase parking permits from CCC at the then-current rate.

(B) CCC represents and warrants that it has the full legal right, power, and authority to enter into this Agreement and to carry out and consummate all transactions contemplated by this Agreement.

(C) CAVIAT acknowledges that it has inspected the Premises and accepts the Premises in its condition as of the execution of this Agreement, "AS IS", and acknowledges that neither CCC nor any agent of CCC has made any representation as to the condition of the Premises or the suitability of the Premises for CAVIAT's intended use. CAVIAT acknowledges that CCC shall not be required to construct any improvements at the Premises.

2. Term and Extension of Term

(A) This Agreement shall be for a term of one (1) year commencing on July 1, 2015 (the "Commencement Date"), and shall terminate on June 30, 2016 (the "Term"), unless sooner terminated as provided elsewhere herein. CCC may terminate this agreement on one hundred eighty (180) days notice.

(B) CAVIAT shall have four (4) options (the "Option") to extend the term of this Agreement for an additional term of one (1) year per option, on the same terms and conditions as this Agreement, except as otherwise set forth herein. The Option shall be renewed upon written mutual agreement, unless earlier terminated by either party by written notice at least ninety (90) calendar days before the expiration of the initial Agreement term. The Option is automatically granted to and may be exercised by CAVIAT on the express condition that, at the time of the exercise, CAVIAT is not in default under this Agreement, and if CAVIAT is in default, the Option will lapse and be void. The Rent shall be increased during each successive one-year extension of this Agreement as provided in Paragraph 3(F).

3. Rent

(A) CAVIAT agrees to pay rent to CCC for the Premises in the amount of Four Thousand and No/100 Dollars (\$4,000.00) per month for the full term of the Agreement (the "Rent"), payable in advance on the Commencement Date and the first day of each month

afterward. The Rent is based on the estimated cost of leasing space and included utilities and services outlined on the spreadsheet attached hereto as Exhibit B.

(B) CAVIAT does for itself, its successors and assigns, covenant and promise to pay rent without further notice and without demand, deduction, counterclaim or set-off of any kind. Any other sums due and payable to CCC under this Agreement shall be considered additional rent.

(C) Any payment not received by the tenth day of the month shall accrue a late charge of five percent (5%) per annum on the amount then due, subject to the opportunity to cure under Paragraph 18(A).

(D) If payment is not received by the twentieth day of the month, such delay shall constitute a material breach of this Agreement.

(E) Rental payments shall be remitted to CCC at the following address: Coconino Community College, Attn: Controller, 2800 South Lone Tree Road, Flagstaff, Arizona 86005.

(F) For each successive one-year extension of this Agreement, and beginning with the first month the one-year extension, the Rent shall be increased by the amount of increase in the Consumer Price Index – U.S. City Average – All Urban Consumers (1982-84 = 100), as published by the United States Department of Labor's Bureau of Labor Statistics, over the Base Period Index. The Base Period Index shall be the Index for the Annual Average prior to the month in which rental commences. The Base Period Index shall be compared with the Index for the same Annual Average for each subsequent year. Utilities and maintenance costs are included in the Rent and may be increased based upon actual increased cost to CCC due to CAVIAT's occupancy. In no event shall the Rent be decreased.

4. Use of Premises; Waste

(A) The Premises shall be used and occupied by CAVIAT for classroom, office space, and conference room purposes. No part of the Premises shall be used for any other purpose or purposes without the prior written consent of CCC; provided, however, such consent shall not be unreasonably withheld. CAVIAT agrees to conduct its operations on the Premises in compliance

with all laws, ordinances, regulations, and orders of the United States, the State of Arizona, Coconino County and the City of Flagstaff; agrees to obtain and maintain, at CAVIAT's own expense, all licenses, permits, or inspection certificates required by any governmental authority respecting CAVIAT's use of the Premises; and agrees not to create or permit to exist thereon any nuisance. In addition to all other terms and provisions hereof, CAVIAT agrees that CCC may adopt and amend from time to time reasonable building, common area, and parking regulations of common application to all tenants of the building, and CAVIAT agrees to observe and to cause CAVIAT's employees, agents, customers, students, and invitees to observe such regulation of common application.

(B) CAVIAT expressly agrees, on behalf of itself and its directors, officers, employees, agents, students, and invitees, that it will conduct its operations and on the Premises in compliance with CCC's Procedural Guideline 121-03 on Security and Access to College Facilities. Failure to comply with CCC's Procedural Guideline 121-03 shall be deemed a material breach of and grounds for termination of this Agreement.

(C) CAVIAT shall not knowingly commit, suffer, or permit any waste or nuisance on the Premises or any acts to be done on the Premises in violation of any applicable laws or ordinances. CAVIAT shall keep and maintain the interior of the Premises in a safe condition.

5. Taxes and Utilities

(A) CAVIAT will not be obligated to pay real estate taxes and assessments, if any, assessed, levied, confirmed, or imposed on the Premises during the term of this Agreement.

(B) CAVIAT will not be obligated to pay local, state or federal net income taxes assessed against CCC; local state or federal capital levy of CCC; or sales, excise, franchise, gift, estate, succession, inheritance, or transfer taxes of CCC.

(C) All charges for utilities are included in the Rent paid monthly established under Paragraph 3 herein. Utilities are defined as gas, electric, water, custodial, security, and alarm. Internet access and/or service is expressly excluded from utilities.

(D) CAVIAT shall be liable for all business use and occupancy taxes due, if any, based on the occupancy and use of the Premises.

6. CCC Access

CAVIAT shall permit CCC and its agents, upon twenty-four (24) hours notice, to enter into and upon the Premises at reasonable times during normal business hours for the purpose of inspecting the Premises. For a period of ninety (90) days prior to the termination of this Agreement, CCC may: (i) enter upon the Premises during normal business hours to show the Premises to prospective tenants provided that such entry and showing does not interfere with the conduct of CAVIAT's operations and CCC provides notice to CAVIAT not less than twenty-four (24) hours before entry; and (ii) erect signage upon the Premises for the purpose of advertising the availability of the Premises for lease/sale. CCC will have the right to use any means CCC may deem proper to open doors in the Premises and to the Premises in an emergency in order to enter the Premises.

7. Insurance; Self-Insurance; Indemnification

(A) CAVIAT shall maintain during the term of this Agreement adequate insurance or self-insurance, to cover liability arising from the acts or omissions of CAVIAT, its agents, employees, or students relating to the performance of this Agreement. CAVIAT shall not be responsible for maintaining insurance coverage for liability arising from the acts or omissions of the CCC's agents or employees.

(B) CCC shall maintain during the term of this Agreement adequate insurance or self-insurance to cover liability arising from the acts or omissions of CCC's agents or employees relating to the performance of this Agreement. CCC shall not be responsible for maintaining insurance to cover liability arising from the acts or omissions of CAVIAT's agents or employees.

(C) To the fullest extent permitted by law, each Party (as "indemnitor") agrees to indemnify, defend, and hold harmless the other Party (as "indemnatee") from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (hereinafter

collectively referred to as “claims”) arising out of bodily injury of any person (including death) or property damage, but only to the extent that such claims result in vicarious/derivative liability to the indemnitee, are caused by the acts, omissions, negligence, misconduct, or other fault of the indemnitor, its officers, officials, agents, employees, or volunteers.

8. Fire and Extended Coverage Insurance

(A) CCC shall throughout the Term of this Agreement, at CCC’s expense, either through insurance or self-insurance coverage, keep the Premises and all improvements that include the Premises (but excluding equipment, furniture, and trade fixtures on the Premises) insured in an amount equal to the full replacement cost against damages caused by fire, lightning, flood and all other causes of physical loss (“all risk” coverage). CCC shall deliver to CAVIAT copies of insurance certificates evidencing the aforesaid insurance at the time of execution of this Agreement.

(B) CAVIAT shall throughout the term of this Agreement, at CAVIAT’s expense, either through insurance or self-insurance coverage, keep the equipment, furniture and trade fixtures on the Premises (“FF&E”) insured in an amount equal to the actual cash value of the FF&E against damages caused by fire, lightning, flood and all other causes of physical loss.

9. [RESERVED]

10. Damages to Premises

(A) In the event Premises are damaged or destroyed by fire or any other cause CCC shall, at CCC’s expense, repair or restore the Premises. CCC shall complete such repairs or restorations in accordance with all applicable laws, rules, and regulations within one hundred twenty (120) days after such damage or destruction, provided however, if the completion of such repairs or restoration shall be delayed by weather, strikes, inability to procure labor or materials, fire, flood, delays in obtaining permits, insurance proceeds, or other occurrences or conditions beyond CCC’s control, the aforesaid time periods shall be extended by the period of such delay.

(B) If any such destruction or damage shall not be of such extent as to render the Premises wholly untenable for the use contemplated under Paragraph 4 above, then

CAVIAT's liability to pay rent shall not cease but the amount of rent shall be abated proportionate to the amount of floor space lost as a result of such destruction or damage. If the destruction or damage shall be of such an extent that the Premises are wholly untenable, then the rent shall cease from the time the destruction or damage occurred until the Premises are restored or repaired to a condition suitable for the use as it existed prior to the destruction or damage occurrence.

11. Condemnation

If during the Term of this Agreement the Premises or a portion of the Premises shall be taken as a result of the exercise or threat of the power of eminent domain (the "Parcel Taken"), CCC and CAVIAT shall each have the right, at their option: (i) to terminate this Agreement; or (ii) amend this Agreement by deleting the Parcel Taken from the description of the Premises. As so amended, this Agreement, and CCC's and CAVIAT's obligations under this Agreement, with the exception of the rent obligations specified in this Agreement, which rent obligations will abate in proportion to the Parcel Taken, as of the day on which the condemning authority shall take possession, shall continue in full force and effect without change.

Following condemnation, if, in the opinion of CAVIAT, the property is no longer suitable for the operations of CAVIAT, this Agreement shall be terminated as of the date on which legal title vests in the condemning authority or the date on which CCC settles pursuant to a contract for the sale for public use or under the threat of condemnation, whichever first occurs, and all rental and other sums payable under this Agreement shall be prorated to and shall cease as of such date.

The entire amount of any award for such taking shall belong to CCC, and CAVIAT waives any right it may have to any portion of such award except for such amount as may reflect the value of improvements, if any, that CAVIAT has made to the Premises or to the value of FF&E, if any is taken.

12. Maintenance and Repairs; Environmental Matters

(A) Except as provided in Paragraph 12(B), CAVIAT, at its expense, shall at all times during the Term of this Agreement keep the Premises, appurtenances, fixtures, and equipment attached and related thereto, and all additions, replacements and expansions, in good condition and repair, and on termination of this Agreement, will surrender all of same in good repair, broom-clean and free of trash, reasonable wear and use excepted. CAVIAT warrants that any new improvements, as may be provided by CAVIAT, shall comply with all applicable federal, state and local building codes and regulations. CAVIAT shall be responsible for minor, routine maintenance and repair of the Premises, including but not limited to replacing broken window glass, minor repairs and maintenance to the building interior.

(B) CCC shall be responsible for the repair and replacement of the parking lot, replacement or removal of landscaping features, and the maintenance, repair and replacement of the roof, structural walls and foundation. CCC shall be responsible for major repairs, including but not limited to the replacement of the heating, ventilation and air condition systems, plumbing and electrical systems, janitor and cleaning services, window washing, painting and repairs to the exterior of the building.

(C) Regarding their respective responsibilities in Paragraph 12(A) and (B), CCC and CAVIAT shall, respectively, cause the Premises to remain in compliance with all applicable laws, ordinances, governmental permits and regulations (including consent decrees and administrative laws, ordinances, and regulations) relating to public health and safety and protection of the environment, all as amended and modified from time to time (collectively, the “Environmental Laws”).

(D) CAVIAT will not permit to occur any release, spillage, emission, generation, manufacture, storage, treatment, transportation, or disposal of “hazardous material,” as that term is defined in subparagraph (J) of this Paragraph 12, on, in or from the Premises, except for those hazardous materials that are necessary for CAVIAT’s operations and then only strictly in accordance with all Environmental Laws. CAVIAT will promptly notify CCC, in writing, if

CAVIAT has or acquires notice or knowledge that any hazardous material has been or is threatened to be released, discharged, stored, disposed of or transported in violation of the Environmental Laws. In such event, CAVIAT will immediately notify CCC, and CAVIAT, at its own cost and expense for those hazardous materials that have been brought onto the Premises in the course of CAVIAT's operations, will immediately take such action as is necessary to detain the spread of and remove the hazardous material in accordance with applicable Environmental Laws to the reasonable satisfaction of CCC and as required by appropriate governmental environmental authorities.

(E) CAVIAT will keep the Premises free of any lien imposed pursuant to any Environmental Laws.

(F) [RESERVED]

(G) CCC represents and warrants to CAVIAT that:

(1) CCC has no knowledge and has received no notice of any pollution, health, safety, fire, environmental, sewerage or building code violation, as those terms are defined in any hazardous substance laws as that term is defined in subparagraph (J);

(2) neither the Premises nor the ground under or about the Premises is contaminated with or contains any hazardous or toxic substance, pollutant, contaminants, or petroleum, including crude oil or any fraction of it, or contains any underground storage tank;

(3) the Premises are not subject to investigation or currently in administrative or judicial litigation regarding any environmental condition, such as alleged noncompliance or alleged contamination;

(4) CCC, at its own cost and expense, for those hazardous materials that were on the Premises prior to CAVIAT's occupation of the Premises (if any), will immediately take such action as is necessary to detain the spread of and remove the hazardous material in accordance with applicable Environmental Laws as required by appropriate governmental environmental authorities.

(H) If any cleanup, repair, detoxification or other similar action is required by any governmental or quasi-governmental agency as a result of the storage, release or disposal of hazardous materials by CCC, its agents or contractors at any time, or by any prior owner, possessor, or operator of any part of the Premises, and such action requires that CAVIAT's operations be closed or that access be denied for greater than a twenty-four (24) hour period, then the rent will be abated entirely during the period beyond twenty-four (24) hours. If the closure or denial of access persists in excess of thirty (30) days, then, at CAVIAT's election by written notice to CCC given within ten (10) days after the end of the thirty (30) day period, this Agreement will end as of the commencement of such closure.

(I) CAVIAT will have the right to contest by appropriate proceedings diligently conducted in good faith in the name of CAVIAT, or, with the prior consent of CCC, in the name of CCC, or both, without cost or expense to CCC, the validity or application of any law, ordinance, order, rule, regulation or legal requirement of any nature. If compliance with any law, ordinance, order, rule, regulation or requirement may legally be delayed pending the prosecution of any proceeding, without incurring any lien, charge or liability of any kind against the Premises or CAVIAT's interest in the Premises, and without subjecting CAVIAT or CCC to any liability, civil or criminal, for failure to so comply, CAVIAT may delay compliance until the final determination of the proceeding. Even if a lien, charge or liability may be incurred by reason of delay, CAVIAT may contest and delay, provided that the contest or delay does not subject CCC to criminal liability. CCC will not be required to join any proceedings referred to in this paragraph unless the provisions of any applicable law, rule, or regulation at the time in effect requires that the proceedings be brought by or in the name of CCC, or both. In that event, CCC will join the proceedings or permit them to be brought in its name if CAVIAT pays all related expenses.

(J) For purposes of this Agreement, "hazardous material" means:

(1) "hazardous substances" or "toxic substances" as those terms are defined by the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA), 42

U.S.C. §9601, et seq., or the Hazardous Materials Transportation Act, 49 U.S.C. §1801, et seq., the Resource Conservation and Recovery Act, 42 U.S.C. §6901, et seq., each as amended to this date and as amended after this date;

(2) “hazardous wastes,” as that term is defined by the Resource Conservation and Recovery Act 42 U.S.C. §6902, et seq., as amended to this date and as amended after this date;

(3) any pollutant, contaminant, or hazardous, dangerous, or toxic chemical, material, or substance within the meaning of any other applicable federal, state, or local law, regulation, ordinance, or requirement (including consent decrees and administrative orders) relating to or imposing liability or standards of conduct concerning any hazardous, toxic, or dangerous waste substance or material, all as amended to this date or as amended after this date.

(K) The provisions of this Agreement relating to hazardous material will survive the expiration or termination of this Agreement.

13. Alterations

CAVIAT shall not make any alterations, improvements or additions to the Premises without first obtaining the written permission of CCC, which consent shall not be unreasonably withheld. CCC’s prior written consent will not be necessary for any alteration, addition or improvement that: (i) costs less than Two Thousand Five Hundred and No/100 Dollars (\$2,500.00) including labor and materials; (ii) does not change the general character of the Premises or reduce the fair market value of the Premises; and (iii) is in compliance with the laws, ordinances, orders, rules, regulations, certificates of occupancy or other governmental requirements. Any approved alterations, improvements or additions shall be at CAVIAT’s sole expense, including the expense for damage cause by such alterations, improvements or additions.

14. Signs

CAVIAT shall provide a logo- and art-ready computer file (preferably in .____ format) to CCC for classroom and office signs to be obtained (or created) and installed by CCC. CAVIAT shall also provide logo- and art-ready file (preferably in .____ format) for: (a) a main entrance

sign to be obtained (or created) and placed at the west end of the Fourth Street Campus parking lot; and (b) a back-lit sign to be obtained (or created) and placed on the outside of Building B1 at the Fourth Street Campus. CAVIAT shall pay for all signs at the invoice price from supplier and shall be responsible for replacement of such signs as may be required during the term of this Agreement.

15. Liens

(A) If any act or omission of CAVIAT or claim against CAVIAT results in a lien or claim of lien against CCC's interest in the Premises, CAVIAT, upon notice thereof, shall promptly remove or release same by payment of bond or otherwise to fully satisfy said lien. If not so released within fifteen (15) days after notice to CAVIAT to do so, CCC may (but need not) pay or discharge any lien without inquiry as to the validity thereof at CAVIAT's expense and CAVIAT shall, within ten (10) days after demand for payment of all costs and expenses incurred by CCC, pay unto CCC the full amount plus interest at the rate of one and one-half percent (1.5%) per month. CAVIAT may contest any lien by first furnishing CCC with a good and sufficient surety bond issued by a reputable surety company.

(B) CCC warrants that during the Term of this Agreement, CCC shall not encumber its interest in the Premises.

16. Waivers

No waiver by either party of any provision or default under this Agreement, whether in a single instance or repeatedly, shall be deemed a future waiver of such provision or default.

17. CCC's Representations

CCC represents and warrants that:

(A) CCC is legally empowered to execute this Agreement and that the person signing this Agreement on behalf of CCC has all authority to do so; and

(B) CCC is the owner of the improvements on CCC's Fourth Street Campus and owns a leasehold interest in a ground lease for the lot upon which the Fourth Street Campus is located.

(C) The execution, delivery, and performance of this Agreement, and compliance with its terms and conditions, will not conflict with or constitute a violation or breach of or default under any indenture, mortgage, deed of trust, agreement, lease, contract, or other agreement or instrument to which CCC is a party or under which CCC or its properties are bound; or to CCC's knowledge, any applicable law or court order or decree, administrative rule, regulation, or administrative order or decree; or result in the creation or imposition of any prohibitive lien, charge, or encumbrance on the property or assets of CCC, that would materially and adversely affect this Agreement or the financial condition, assets, properties, or operations of CAVIAT.

(D) Upon the payment by CAVIAT of the rent and other sums due CCC, and upon performance of all the covenants, terms and conditions on CAVIAT's part to be observed and performed, CAVIAT shall peaceably and quietly hold and enjoy the Premises or the tenancy created under this Agreement without hindrance or interruption by CCC or any other person or persons lawfully or equitably claiming by, through or under CCC, subject to the terms and conditions of this Agreement.

18. Defaults and Remedies

(A) If CAVIAT defaults in performing any of the covenants or obligations specified in this Agreement to be performed by CAVIAT, CCC shall notify CAVIAT of such default in writing. Upon notice of written default, CAVIAT shall have the right to cure any default in making a payment of rent or any other payment required under this Agreement by tendering such payment together with any penalty, interest or deposit to CCC: (i) by the twentieth day of the month for a default in making timely payment of rent; and (ii) within fifteen (15) days after notice of default for any other payment required under this Agreement.

(B) If CAVIAT shall default in the performance of any covenant on its part to be performed under this Agreement, other than payment of rent or other payment required under this Agreement, and shall fail to remedy such default within the time periods set forth in Paragraph 18(C) of this Agreement, after CCC shall have notified CAVIAT of such default,

CCC, without being obligated to do so and without thereby waiving such default, may take such action as is commercially reasonable and appropriate to cure such default. CCC's expenditures and costs in connection therewith, together with one and one-half percent (1.5%) per month interest thereon, shall be at CAVIAT's expense and shall be payable as additional rent upon the thirtieth (30th) day of the month next following.

(C) CAVIAT shall have the right to cure any default other than nonpayment of rent or other payments due under this Agreement by doing so within thirty (30) days after such notice, provided, however, that if any such other default cannot reasonably be cured within thirty (30) days, CAVIAT may cure it if CAVIAT commences such cure within thirty (30) days after such notice and thereafter diligently prosecutes such cure to completion and such cure is cured in full on or before the one hundred and twentieth (120th) day after such notice. If CAVIAT fails to cure in a timely manner any default of which it was given written notice, CCC may, by giving further written notice to CAVIAT at any time thereafter during the continuance of such default, either: (i) perform as provided in Paragraph B of this Section 18; or (ii) terminate this Agreement; or (iii) re-enter the Premises by summary legal proceedings or otherwise, expelling CAVIAT and removing all property therefrom and reletting the Premises at the best possible rent obtainable, making reasonable efforts therefor, and receive the rent therefrom; but CAVIAT shall remain liable for the equivalent of the amount of all rent payable under this Agreement less the proceeds, if any, of reletting. Any and all deficiencies in payment by CAVIAT shall be paid monthly to CCC on the date provided in this Agreement for the payment of rent.

(D) If CCC defaults in performing any of the covenants or obligations specified in this Agreement to be performed by CCC, CAVIAT shall notify CCC of such default in writing. If CCC shall fail to remedy such default within the time periods set forth Paragraph 18(E) of this Agreement, after CAVIAT shall have notified CCC of such default, CAVIAT, without being obligated to do so and without thereby waiving such default, may take such action as is commercially reasonable and appropriate to cure such default. CAVIAT's expenditures and costs in connection therewith, together with one and one-half percent (1.5%) per month interest

thereon, shall be at CCC's expense and shall be withheld from subsequent rent payments until such expenditures and costs are accounted for in full.

(E) CAVIAT shall have the right to cure any default of CCC within thirty (30) days after notice is provided to CCC, provided, however, that if any such default cannot reasonably be cured within thirty (30) days, CCC may cure it if CCC commences such cure within thirty (30) days after such notice and thereafter diligently prosecutes such cure to completion and such cure is cured in full on or before the one hundred and twentieth (120th) day after such notice. If CCC fails to cure in a timely manner any default of which it was given written notice, CAVIAT may, by giving further written notice to CCC at any time thereafter during the continuance of such default: (i) perform as provided in Paragraph D of this Section 18; (ii) terminate this Agreement; (iii) seek specific performance of CCC's covenants or obligations; and/or (iv) seek entitlement to any other remedy available at law or in equity.

19. Relationship of Parties

CAVIAT and its directors, officers, employees, and agents, in the performance of this Agreement, shall act in an independent capacity and not as directors, officers, employees, or agents of CCC. The directors, officers, employees, and agents of CCC who participate in the performance of this Agreement are not agents of CAVIAT.

20. Notices

All notices to be given to the CCC or CAVIAT shall be in writing and delivered personally or by Certified Mail sent to the Party at the address below:

If to CCC:

Attn: Director of Purchasing
Coconino County Community College District
2800 South Lone Tree Road
Flagstaff, AZ 86005

With copies to:

Mangum, Wall, Stoops & Warden, PLLC
P.O. Box 10

Flagstaff, AZ 86002-0010

If to CAVIAT:

Attn: Brent Neilson
Coconino Association For Vocations, Industry And Technology
P.O. Box 3940
Page, AZ 86040

With copies to:

21. Holding Over

If CAVIAT holds over after the expiration of the Term without the written consent of CCC, then the term of this Agreement following expiration shall be construed to be a tenancy from month to month, and shall be on the terms and conditions specified in this Agreement; provided however, that the rent due monthly shall be an amount one hundred fifty percent (150%) of the rent paid immediately prior to the first month held over but prorated on a monthly basis. Notwithstanding the foregoing, if the parties are engaged in good faith negotiations of the provisions of a new lease, then CCC shall abate the holdover amount during such negotiations or consideration period. If CCC determines, in its reasonable discretion, that such negotiations are not advancing, then CCC shall notify CAVIAT in writing of such determination and the holdover amount will become effective ten (10) days following the receipt of notice by the CAVIAT.

22. Meaning of Words

The words "CCC" and "CAVIAT" shall mean respectively all parties of CCC or CAVIAT, regardless of number, and the word "he" shall be synonymous with "she," "it" and "they," and the word "his" shall be synonymous with "her," "its" and "their." If the Term of this Agreement is extended in the manner provided elsewhere in this Agreement, the word "Term" shall thereafter mean the Term of this Agreement as so extended.

23. Remedies Cumulative

All remedies of the parties are cumulative.

24. Captions

The captions of this Agreement are for convenience only and shall not be construed as defining or modifying any of the provisions of this Agreement.

25. Governing Law

This Agreement is entered into in the State of Arizona and shall be construed and interpreted in accordance with its laws, which laws shall control in the event of any conflict of law. Venue shall be Coconino County, Arizona.

26. Binding Effect

This Agreement shall be binding upon and inure to the benefit of the parties and their respective officers, employees, shareholders, directors, agents, servants, representatives, parents, subsidiaries, affiliates, successors and assigns.

27. Entire Agreement

This Agreement and any Exhibit(s) attached to this Agreement shall constitute the entire integrated agreement between the Parties with respect to the Premises and shall not be subject to change, modification, amendment or addition without the express written consent of both Parties. No prior oral or written agreement shall have any force or effect.

28. Legal Fees

In the event that it becomes necessary for either party to retain the services of legal counsel to enforce the terms of this Agreement, the prevailing party shall be entitled to recover all costs and expenses, including reasonable attorney, expert and investigative fees, incurred in enforcing the terms of this Agreement.

29. Due Diligence

Each Party declares that the terms of this Agreement have been completely read and are fully understood and voluntarily accepted by each Party, after having a reasonable opportunity to retain and confer with counsel. This Agreement is entered into after a full investigation by the

Parties, and the Parties are not relying upon any statements or representations not contained in this Agreement.

30. Conflict of Interest

This Agreement is subject to cancellation for conflict of interest under Arizona Revised Statutes Section 38-511.

31. Immigration Law

As mandated by Arizona Revised Statutes § 41-4401, each Party:

(i) warrants the Party's compliance with all federal immigration laws and regulations that relate to the Party's employees and their compliance with Arizona Revised Statutes § 23-214(A);

(ii) acknowledges that a breach of the warranty in subsection (i) of this section shall be deemed a material breach of this Agreement that is subject to penalties up to and including termination of this Agreement; and

(iii) retains the legal right to inspect the papers of any contractor or subcontractor employee who works pursuant to this Agreement to ensure compliance with the warranty.

32. Assignment; Sublease

(A) CCC may, at any time, assign, transfer, or otherwise convey all or any part of its right, title, and interest in the Premises or this Agreement, including CCC's rights to receive rental payments or any part thereof, in which event, CAVIAT agrees to make all rental payments to the assignee designated by CCC.

(B) CAVIAT may not sublet the Premises or assign this Agreement, or any interest therein, without the prior written consent of CCC, which consent may not be unreasonably withheld by CCC.

33. Books and Accounts

All books, accounts, reports, files and other records relating to this Agreement shall be subject at all reasonable times to inspection and audit by the Auditor General of the State of

Arizona, or their agents, for five (5) years after completion of this Agreement. In the event CAVIAT is audited, CCC shall produce such records as are requested by CAVIAT at CAVIAT's administrative offices, or such other location as designated by CAVIAT, upon reasonable notice to CCC. In the event CCC is audited, CAVIAT shall produce such records as are requested by CCC at the Administrative offices of CCC, or such other location as designated by CCC, upon reasonable notice to CAVIAT.

34. Nondiscrimination

The Parties agree to comply with all applicable state and federal laws, rules, regulations and executive orders governing equal employment opportunity, immigration, nondiscrimination, including the Americans with Disabilities Act, and affirmative action.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date first written above.

FOR CCC:

FOR CAVIAT:

By: _____

By: _____

Title: President _____

Title: _____

Date: _____

Date: _____

APPROVED AS TO FORM AND LEGAL AUTHORITY UNDER A.R.S. § 11-952:

FOR CCC:

FOR CAVIAT:

Mangum, Wall, Stoops & Warden, P.L.L.C.

By: _____

By: _____

Title: _____

Title: _____

Date: _____

Date: _____

EXHIBIT A
LEGAL DESCRIPTION

The Premises consists of classroom, office, and conference room space at CCC'S Fourth Street Campus in Flagstaff, Arizona and improvements thereon, commonly known as:

Classrooms B1, B2, B3, and B4;

Office Space B11 and B12; and

Conference Room B10;

together with a right to use all common areas and facilities on CCC's Fourth Street Campus as they may now or hereafter exist, including but not limited to hallways, restrooms, break room, and parking areas.

CCC's Fourth Street Campus is identified on the following Exhibit A-1.

The Premises leased to CAVIAT (the classrooms, office space, and conference room) is identified on the following Exhibit A-2.

EXHIBIT A-1
LEGAL DESCRIPTION
CCC's FOURTH STREET CAMPUS



EXHIBIT A-2
LEGAL DESCRIPTION
PREMISES LEASED

Fourth St Campus

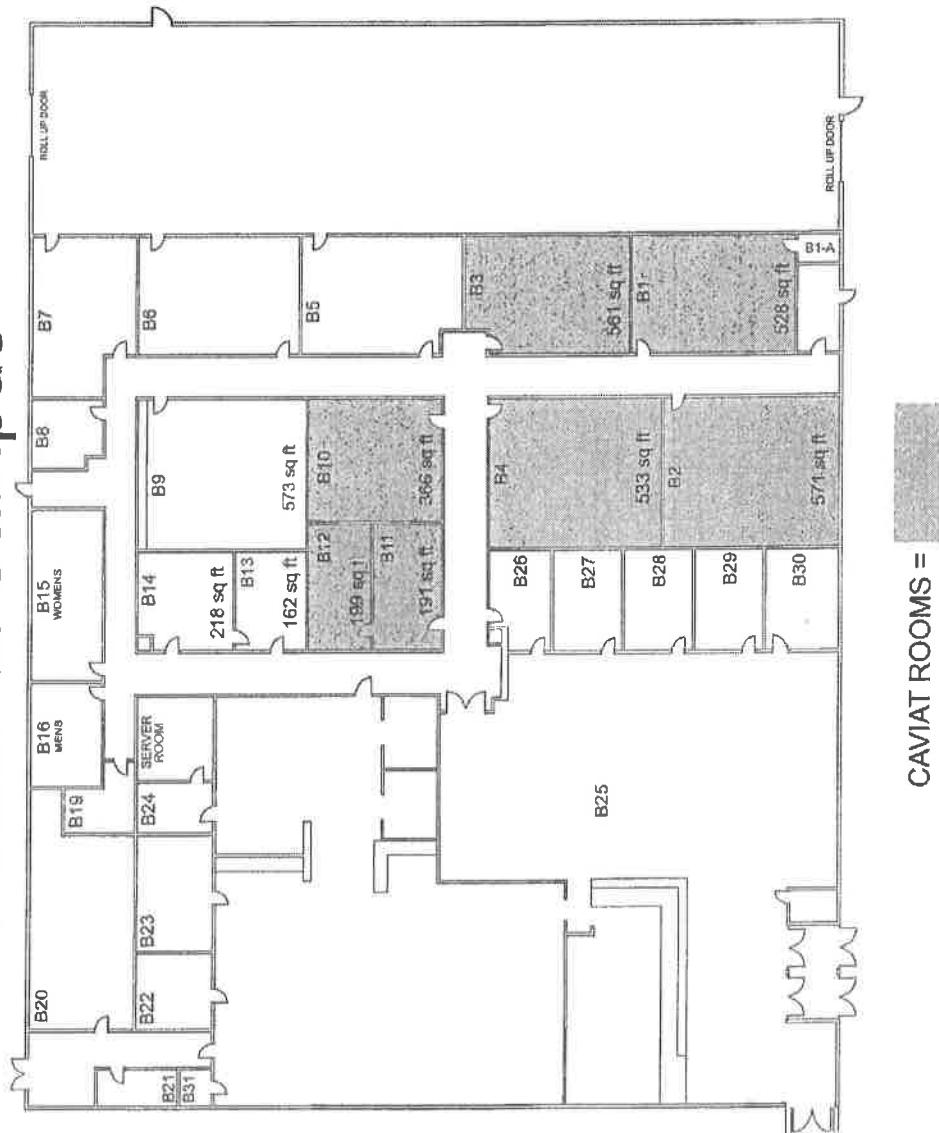


EXHIBIT B

ESTIMATED COST OF LEASING SPACE AND

INCLUDED UTILITIES AND SERVICES

Coconino Community College
 REVISED - Fourth Street Campus Lease Option for CAVIAT
 31-Mar-15

Option 4 - Dedicated CAVIAT Classroom Space, Conference Room, & Two Offices	Room	Sq. ft.	Rent, furnished	Utilities - gas, electric, water	Custodial	Security and alarm	total
Conference room	B10	366					
Office	B11	191					
Office	B12	199					
Classroom	B1	578					
Classroom	B2	571					
Classroom	B3	561					
Classroom	B4	533					
Total Sq. ft.		2,999	1.00	0.1738	0.07	0.09	1.3338
			\$ 35,988.00	\$ 6,254.71	\$ 2,519.16	\$ 3,238.92	\$ 48,000.79

Notes

Includes use of 1,644 sq. ft. of hallways, men's and women's restrooms and Break room at no charge.

Option 4 - provides conferenc room, two offices, and 4 dedicated classrooms

Includes existing furniture

Excludes network, Internet, printer, copier, computers, phones, and projectors

Annual Increases based upon CPI

Term - 1 yr with 4 additional 1 yr renewal options for a tototal of five years