

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DON SHOOTER
CHAIRMAN 2013
OLIVIA CAJERO BEDFORD
GAIL GRIFFIN
JOHN McCOMISH
AL MELVIN
LYNNE PANCRAZI
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HOUSE OF
REPRESENTATIVES

JOHN KAVANAGH
CHAIRMAN 2014
LELA ALSTON
CHAD CAMPBELL
TOM FORESE
DAVID GOWAN, SR.
RICK GRAY
ANDREW C. SHERWOOD

**** REVISED ****

JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, September 30, 2014

3:00 P.M. or upon adjournment of JLBC

Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order
- [Approval of Minutes of June 19, 2014.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. UNIVERSITY OF ARIZONA
 - [A. Review of Bioscience Partnership Building \(Phoenix\).](#)
 - [B. Review of Bioscience Research Laboratories Building Project \(Tucson\).](#)
- 2. [ARIZONA BOARD OF REGENTS - Review of FY 2015 Building Renewal Allocation Plan.](#)
- 3. [ARIZONA GAME AND FISH DEPARTMENT - Review of FY 2014 Building Renewal Allocation Plan.](#)
- 4. [DEPARTMENT OF TRANSPORTATION - Review of FY 2015 Building Renewal Allocation Plan.](#)
- 5. [COCONINO ASSOCIATION FOR VOCATIONS, INDUSTRY AND TECHNOLOGY - Consider Approval of Proposed JTED Lease.](#)
- 6. [ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Rent Exemption for Arizona Geological Survey.](#)

7. ARIZONA STATE PARKS BOARD - Review of FY 2015 State Parks Revenue Fund and State Lake Improvement Fund Capital Expenditures.

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

~~9/22/14~~

9/29/14

~~lm~~

kp

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



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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

June 19, 2014

The Chairman called the meeting to order at 11:58 a.m., Thursday, June 19, 2014 in Senate Appropriations Room 109. The following were present:

Members:	Senator Shooter, Vice-Chairman	Representative Kavanagh, Chairman
	Senator Cajero Bedford	Representative Alston
	Senator Griffin	Representative Campbell
	Senator McComish	Representative Sherwood
	Senator Pancrazi	
	Senator Tovar	
Absent:	Senator Melvin	Representative Forese
		Representative Gowan
		Representative Gray

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of April 8 and April 10, 2014, Chairman John Kavanagh stated that the minutes would stand approved.

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

Ms. Rebecca Perrera, JLBC Staff, stated that this item is a review of its FY 2015 Building Renewal expenditure plan. The FY 2015 Capital Outlay Bill (Laws 2014, Chapter 15) appropriated a total of \$18 million for building renewal. ADOA is requesting a review of an \$11.8 million allocation from the overall \$18 million appropriation, and plans to request review of the remaining \$6.2 million later during FY 2015. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review to ADOA's FY 2015 \$11,800,000 Building Renewal expenditure plan with the following provisions:

- A. ADOA report on actual FY 2015 building renewal spending by project and appropriation source on December 31, 2014, June 30, 2015 and June 30, 2016.

(Continued)

- B. *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 request Committee review of the reallocation.*
- C. *The distribution of the emergency contingency allocation of \$571,000 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.

The motion carried.

ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2015 Building Renewal Allocation Plan.

Ms. Micaela Larkin, JLBC Staff, stated that this item is a review of its FY 2015 Building Renewal expenditure plan. The FY 2015 Capital Outlay Bill appropriated a total of \$8.5 million for general building renewal. The JLBC Staff presented options to the Committee.

Mr. Michael Landry, Administrator, ADC, responded to member questions.

Senator Shooter moved that the Committee give a favorable review to the ADC's FY 2015 \$8,464,300 Building Renewal expenditure plan. This amount consists of \$5,464,300 from the Department of Corrections Building Renewal Fund and \$3,000,000 from the General Fund. The favorable review includes the following provisions:

- A. *ADC 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 ADC, the JLBC Staff shall recommend ADC request Committee review of the reallocation.*
- B. *The distribution of the emergency contingency allocation of \$175,800 be addressed as follows:*
1. *ADC notify the Chairman and the JLBC Staff that they plan to spend less than \$50,000 on an emergency project. ADC can proceed without Committee review.*
 2. *If the emergency project is \$50,000 or greater, ADC will request JCCR review.*
 3. *The Chairman can allow ADC to move forward with an emergency project of greater than \$50,000 without Committee review.*
 4. *The Chairman will notify ADC if he does not agree that the project is an emergency and will request that ADC not proceed with the project.*

(Continued)

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

The motion carried.

ARIZONA EXPOSITION AND STATE FAIR BOARD (AESF) - Review of Capital Improvement Expenditures.

Mr. Steve Grunig, JLBC Staff, stated that this item requires review of the scope, purpose and estimated cost before the release of monies for construction of a new capital project that has an estimated cost of more than \$250,000. The FY 2015 Capital Outlay Bill appropriated \$1.0 million from the AESF Fund to the AESF for capital improvements. AESF is requesting review of 9 capital projects with a total cost of \$731,000 in FY 2015. The JLBC Staff presented options to the Committee.

Ms. Wanell Costello, Deputy Director, AESF, responded to member questions.

Senator Shooter moved that the Committee give a favorable review to AESF’s \$731,000 expenditure plan for 9 capital projects. The motion carried.

EAST VALLEY INSTITUTE OF TECHNOLOGY (EVIT) - Consider Approval of Proposed Joint Technical Education District (JTED) Lease.

Mr. Steve Schimpp, JLBC Staff, stated that this item is for review of EVIT’s plan to lease 3 Career and Technical Education (CTE) buildings from the Apache Junction Unified School District (AJUSD) in order to establish a “leased centralized campus” at Apache Junction High School. The JLBC Staff presented options to the Committee.

Mr. Rusty Bowers, Director of External Affairs, EVIT, responded to member questions.

Senator Shooter moved that the Committee give a favorable review to EVIT’s plan to lease 3 CTE buildings from the AJUSD in order to establish a “leased centralized campus” at Apache Junction High School. The motion carried.

ARIZONA STATE UNIVERSITY (ASU) - Review of System Revenue Bond Refund and Building Acquisition.

Mr. Art Smith, JLBC Staff, stated that Committee review is required of any university projects using indirect debt financing (also known as third party financing). A.R.S. § 15-1683 requires JCCR review of any university projects financed with revenue bonds. ASU is requesting review of a \$15.7 million revenue bond issuance to refund privately-issued revenue bonds for Las Casas Residence Hall at ASU-West Campus and to acquire the property. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review to ASU’s \$15,700,000 revenue bond issuance to refund privately-issued revenue bonds for Las Casas Residence Hall at ASU - West campus and to acquire the property with the following standard university financing provisions:

Standard University Financing Provisions

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

The motion carried.

(Continued)

NORTHERN ARIZONA UNIVERSITY (NAU) - Review of Indirect Financing Project.

Mr. Art Smith, JLBC Staff, stated that Committee review is required of any university project using indirect debt financing (also known as third party financing). NAU requests Committee review of their proposal to enter into a ground lease agreement for a new Student and Academic Services building at its Flagstaff campus that would be built by a 3rd party. The total project cost is estimated to be \$38.8 million. The JLBC Staff presented options to the Committee.

Senator Shooter moved that the Committee give a favorable review to NAU's proposal to enter into a ground lease agreement for a new Student and Academic Services building at its Flagstaff campus, that would be built by a 3rd party. The total cost of this project is estimated to be \$38,800,000. The favorable review includes the provision that this does not constitute endorsement of any level of General Fund appropriations. The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of Vehicle Wash Systems Project.

Mr. Ben Beutler, JLBC Staff, stated that ADOT is requesting review of its \$2.4 million expenditure plan for 6 new vehicle wash system buildings. The FY 2014 Capital Outlay Bill (Laws 2013, 1st Special Session, Chapter 8) appropriated \$3 million from the State Highway Fund to ADOT for 6 vehicle wash systems. The JLBC Staff presented options to the Committee.

Mr. John Hetzel, Facilities Manager, ADOT, responded to member questions.

Senator Shooter moved that the Committee give a favorable review to ADOT's expenditure plan of \$2,375,000 for the construction of 6 new vehicle wash system buildings with the provision that ADOT report any project reallocations above \$100,000. The motion carried.

ARIZONA STATE UNIVERSITY (ASU) - Review of Indirect Financing for New Washington, DC Facility.

Mr. Art Smith, JLBC Staff, stated that this item is for review of any university projects using indirect debt financing (also known as third party financing). ASU is requesting Committee review of a master lease agreement for a multi-use office building in Washington, DC. The total cost of the project would be approximately \$11.5 million. The JLBC Staff presented options to the Committee.

Ms. Joanne Wamsley, Vice President for Finance and Deputy Treasurer, ASU, responded to member questions.

Mr. Richard Stanley, Senior Vice President in Planning, ASU, responded to member questions.

Senator Shooter moved that the Committee give a favorable review to ASU's master lease agreement for a multi-use office building in Washington, DC. The total cost for the project would be approximately \$11,500,000. The favorable review includes the following standard university financing provisions:

Standard University Financing Provisions

- A. A favorable review by the Committee does not constitute endorsement of any level of General Fund appropriations.*
- B. ASU shall provide the final lease terms for the project as soon as it is available.*

The motion carried.

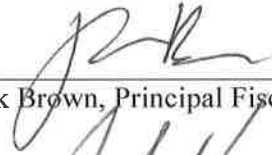
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Without objection, the meeting adjourned at 12:37 p.m.

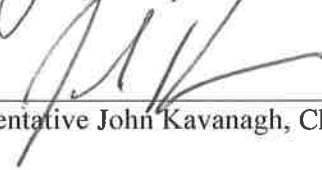
Respectfully submitted:



Kristy Paddack, Secretary



Jack Brown, Principal Fiscal Analyst



Representative John Kavanagh, Chairman



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DATE: September 23, 2014

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

THRU: Richard Stavneak, Director *RS*

FROM: Micaela Larkin, Fiscal Analyst *ML*

SUBJECT: University of Arizona - Review of Bioscience Partnership Building (Phoenix)

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. The University of Arizona (UA) requests Committee review of \$136.1 million in University Lottery revenue bond issuances to fund construction of a Bioscience Partnership Building (BPB) located in Phoenix.

Recommendation

The Committee has at least the following 2 options:

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

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

Standard University Financing Provisions

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

(Continued)

Analysis

The Phoenix Biomedical Campus houses research, instruction and clinical facilities to serve UA Health Sciences. The UA facilities exist in close proximity to a number of other public educational and research facilities, and private research facilities. The \$136.1 million bond issuance would fund new construction of the Bioscience Partnership Building, a 245,000 gross square foot 10-story building, near the University of Arizona Health Sciences Education building to house new research laboratories to support the initiative of increasing biomedical research.

Four floors of the building, roughly 92,000 gross square feet, or 37% will be unoccupied shell space to be built out at a later date dependent upon demand. The UA anticipates 2 floors will be occupied by existing programs relocating to the BPB building. The other four floors will be available for immediate occupancy.

To provide context on the overall supply and demand for biomedical research space, JLBC Staff reviewed recent data from the federal National Institute of Health (NIH) on the availability of federal funding for biomedical research. Federal funding for the biosciences through the NIH has decreased by more than 20% since 2004, and available nationwide university research space has increased from under 40 million square feet in 2011 to over 50 million square feet in 2015.

UA currently has a total of 309,133 square feet of Biomedical and Biological Sciences research space. Of this amount, 5,000 square feet are located in Phoenix.

UA believes they will have sufficient demand for the space due to pent-up demand from the university's research community and the University focus in areas of NIH interest. As UA's research space grows, another option may be more industry-sponsored research.

Financing

The source of financing for the \$136.1 million project will be University Lottery revenue bonds.

The projected repayment is expected to cost \$294.5 million. The debt service will be paid with \$235.6 million from Lottery revenues and \$58.9 million from tuition and indirect cost recovery funds. The initial debt service payment will be \$5.8 million in FY 2015 increasing to approximately \$10 million in FY 2016 and continuing through 2044. *(See Table 1 for a summary of the bond's financing terms.)*

Construction Costs

The direct construction costs for the entire project are \$106.0 million, or \$432 a square foot. At its April 2013 meeting, the Committee reviewed the construction of a Northern Arizona University (NAU) classroom and research building with a direct construction cost of \$436 per square foot. Excavation is scheduled for October 2014, and the construction of the building components is scheduled for January 2015.

University Lottery Bond Projects

The \$136.1 million of the BPB project will be financed with University Lottery revenue bonds as part of a larger issuance of \$146.9 million which also includes partial financing of the University of Arizona Bioscience Research Laboratories in Tucson (*see Agenda Item 1B*). Permanent law authorizes ABOR to enter into lease-to-own and bond transactions up to a maximum of \$800.0 million to pay for building renewal projects and new facilities. Of this amount, the UA has been allocated \$361.0 million to be used for the Phoenix Biomedical Campus. At this time, UA has issued \$230.1 million of its \$361.0 million allocation. After this project, the UA will have remaining bonding authority of \$94.0 million.

(Continued)

Table 1

Bioscience Partnership Building Financing Terms

Issuance Amount	\$136.1 million
Issuance Date	Winter 2014
Issuance Transaction Fees	\$1.1 million
Rating	Aa3 (Moody's)/A+ (S&P)
Interest Rate	6.0%
Term	30 years
Total Debt Costs	\$294.5 million
Debt Service Payments	\$5.8 million (FY 2015 interest only) \$10.0 million (FY 2016 – FY 2044)
Payment Source	80% Lottery revenues / 20% System revenues
Debt Ratio Increase	Lottery bonds exempt
ABOR Approval Status	Scheduled for September 24, 2014
Construction Start	October 2014

RS/ML:kp



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September 3, 2014

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



Dear Representative Kavanagh,

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

The University of Arizona Biosciences Partnership Building

The Biosciences Partnership Building is a proposed ten-story building (plus a partial basement) that will be located on the Phoenix Biomedical Campus (PBC) in Phoenix, Arizona. The project cost is \$136.1 million and the building size is estimated to be approximately 245,000 gross square feet including some shell space for the development of future research programs or partnerships with industry enterprises.

Bond Summary

The project will be funded through SPEED bonds. The debt service on the Bonds will be funded up to 80% by the State lottery revenue allocations and not less than 20% by UA funds. The University plans to utilize Arizona Health Science Center local funds to pay at least the 20% annual debt payments during the construction period. When the facility is occupied, the UA will utilize indirect cost recovery funds and office lease expense savings to fund the debt service. The lease expense savings will be generated when the University relocates some offices from lease spaces in Phoenix to the BPB facility.

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

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

Sincerely,

James A. Hyatt
Interim Senior Vice President for Business Affairs and Chief Financial Officer

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

xc: Tim Bee, Senior Associate Vice President, Legislative and Community Relations, UA
Dr. Ann Weaver Hart, President, UA
Eileen I. Klein, President, Arizona Board of Regents
Mark McGurk, Associate Vice President/Comptroller, UA; Art Smith, JLBC Analyst
Lorenzo Martinez, Associate Vice President for Finance and Administration, ABOR
Robert Smith, Vice President for Business Affairs, UA
Richard Stavneak, Director, JLBC

EXECUTIVE SUMMARY

**Item Name: Biosciences Partnership Building (BPB) -
Phoenix Biomedical Campus**

Project Approval (UA)

☒ Action Item ☐ Discussion Item ☐ Information Item

Issue: The University of Arizona requests Project Approval of the Biosciences Partnership Building (BPB)-Phoenix project. The 245,000 gross square feet, \$136.1 million capital project will be financed with SPEED Revenue Bonds. The debt service will be paid over approximately 30 years from State lottery funds and University local funds.

Previous Board Action:

Capital Development Plan FY 2014 - June 2013
Capital Development Plan FY 2015 - June 2014

Statutory/Policy Requirements:

- Board Policy 7-109(C): Projects may be granted project approval by the Business and Finance Committee based upon the budget, schedule, scope, and other considerations as warranted. At the Committee's discretion, any project approval request may be presented to the Board as circumstances warrant. The committee shall report to the Board on project approval actions.

Project Justification/Strategic Implications/Project Compliance with Mission, Strategic Plan, Master Plan and Community Input Process:

- This Biosciences Partnership Building (BPB) is needed to support the effective growth and development of the University of Arizona research enterprise. At the Phoenix Biomedical Campus (PBC), the Arizona Biomedical Collaborative-1 and T-Gen research facilities are fully occupied. The proposed BPB research lab facility is a critical addition, and will expand the research capacity at this complex.
- New research laboratories are needed to increase research grants, disclosures, patents and rankings. Research programs contribute greatly to the state's quality of life and economic vitality. The location of the building, with immediate adjacencies to other health-related facilities, creates opportunities for collaboration, contributing to the University research community. The new building also offers opportunities for the development of future research programs or partnerships with industry enterprises.

Contact Information:

James A. Hyatt, Interim Senior Vice President for Business Affairs and Chief Financial Officer (520) 621-5977,
jahyatt10@email.arizona.edu

EXECUTIVE SUMMARY

- PBC has been developed in partnership with the City of Phoenix to expand opportunities for education and research in the health care fields. The College of Medicine-Phoenix is strategically positioned to address a shortage of physicians in Arizona, and the Phoenix Biomedical Campus is making important contributions to the bioscience economy.
- This development is part of, and in conformance with, the Phoenix Biomedical Campus Master Plan and the Phoenix Biomedical Campus Comprehensive Development Plan.
- The primary institutional priorities supported by the project include:
 - **Academic & Research Needs:** The BPB will provide much needed research space. Research enterprise is one of the key components under the 'Innovating' category of the University of Arizona 2013 'Never Settle' Plan. The vision for the research enterprise includes increased productivity and focused initiatives in University research programs. A strategic initiative in biomedical research includes areas of strength already demonstrated by the University of Arizona, and encompasses Population Health and Health Outcomes, Healthcare Disparities, Precision Health and Neurosciences. BPB will provide the facilities necessary for conducting research to support these focus areas. A combination of wet bench labs and computational labs will create versatile space allowing opportunities for a variety of research types.

The BPB will be complementary to the Health Sciences Education Building by providing seminar spaces, graduate student research work opportunities and space for related business college programs.

An important aspect of the research goals is to recruit scientists and faculty with experience and success in basic, translational and clinical trials research. BPB's modern laboratory facilities located on a medical campus in a major metropolitan area will be positive factors in attracting targeted researchers.

The BPB will contribute to the collaborative environment for health sciences education and research on the Phoenix Biomedical Campus with its close proximity to the Health Sciences Education Building, the University of Arizona Cancer Center, Arizona Biomedical Collaborative-1, T-Gen and other educational and research facilities.

The addition of the BPB at the Phoenix Biomedical Campus will play a part in the positive economic impact associated with the expansion and development of the biomedical industries for both the University of Arizona and the State. Construction of this new facility will provide opportunities for partnerships with other medical facilities, as well as private companies developing current and future technologies for the medical field.

- **Community Service Opportunities:** The research proposed to be supported by the BPB will contribute to the community through the potential improvements in the fields of human health. The educational component will allow for an increase in degrees awarded in high

EXECUTIVE SUMMARY

demand fields.

The addition of the BPB Building to the PBC will provide new job opportunities, both long term in the health sciences fields, and in the short term during construction, as the project will bring needed workforce employment opportunities to the state's depressed building industry.

- **Student Support Requirements:** New research space will create opportunities for graduate student research assistants. The BPB's adjacency to the Health Sciences Education Building provides convenient access to students in the Health Sciences fields.

The BPB will include some seminar space for instruction in the Health Sciences fields, including related business education programs, to complement the research facilities.

- **Construction Market Conditions:** With the construction industry making a slow recovery from the recent recession, construction costs could increase during the development of the BPB project. Construction labor forces were also significantly reduced during the economic downturn, and a shortage of skilled labor could also impact construction costs. Using fast-track construction methods, the BPB design and construction team can secure sub-contractors, plan material procurement and take advantage of current positive market conditions to help mitigate these cost increases to some extent.
- **Funding Sources & Financing Options:** This project is eligible for SPEED funding designated for the Phoenix Biomedical Campus uses associated with the BPB, which will minimize the project's financial impact on the University.

Key ABOR Enterprise Metrics:

- This project is in direct alignment with institutional priorities drawn from the goals established in *The Arizona Higher Education Enterprise* plan.
 - The BPB will support the Arizona Board of Regents' goal to increase the University of Arizona's research enterprise and revenues. New laboratories are needed to increase research grants, disclosures, patents and rankings.
 - The BPB will contribute to meeting the goals set for the University of Arizona for the Health Sciences Center Enterprise expanding to multiple campuses and increasing research funding.
 - The BPB will contribute to the University's ability to increase the number of degrees awarded in the high demand fields of the health sciences, as well as the goal to develop educational opportunities throughout the state.
 - The high profile location of the BPB at the PBC in downtown Phoenix responds to

EXECUTIVE SUMMARY

enhancing the prominence of the systems research enterprise. This applies to both the physical location of the building, as well as opportunities for partnerships with other health related resources. The physical proximity to the Health Sciences Education Building and the Arizona Cancer Center will bring educators, researchers, students, medical professionals and administrators to the area. The location of the building in the largest population area of Arizona will provide exposure to health care industry partners for potential collaborative opportunities.

Project Description/Scope/Compliance with Space Standards:

- The Biosciences Partnership Building (BPB) is a proposed ten-story building (plus a partial basement) to be located on the Phoenix Biomedical Campus (PBC) in Phoenix, Arizona. The project cost is \$136.1 million, and the building size is estimated to be approximately 245,000 gross square feet including some shell space for the development of future research programs or partnerships with industry enterprises.
- This facility will be a part of the continuing enhancement by the Phoenix Biomedical Campus to the Downtown Phoenix area. This project will be constructed on land within the PBC owned by the City of Phoenix (COP). COP and the University of Arizona will negotiate a ground lease for the property. The lease will include converting the property to University of Arizona ownership after approximately 58 years, which will be in alignment with the timeline for the conversion of the Health Sciences Education Building and Vivarium property to UA ownership.
- The University of Arizona will coordinate the development of this project with the City of Phoenix in the same manner coordination and management services were provided for the previously completed projects at the University of Arizona Phoenix Biomedical Campus. The project will be submitted to the City of Phoenix Planning and Development Department for review and inspection.
- The BPB will meet the City Development Density Guidelines in effect for this area of Downtown Phoenix.
- The BPB will be designed in accordance with the UA Design & Specification Standards where applicable, to maximize the University's long-term investment. The facility will be constructed of high quality durable materials and building systems to maximize energy efficiency and minimize operations and maintenance costs. The anticipated building life cycle is at least 50 - 75 years.
- In an effort to demonstrate the UA's commitment to responsible and sustainable design, this project will seek to achieve United States Green Building Council (USGBC) Leadership in Energy and Environmental Design (LEED) Silver Certification requirements at a minimum.
- The design of the project will be designed in accordance with Arizona Board of Regents Space Guidelines.

EXECUTIVE SUMMARY

Project Delivery Method and Process:

- The Construction Manager at Risk (CM@R) project delivery method was selected for the BPB project to allow for a fast-track project scheduling. This approach also provides contractor design input and coordination throughout the project, improves potentially adversarial project environments, and allows for the selection of the most qualified contractor leadership team for each individual project. With the use of two independent cost estimates at each phase, and low-bid subcontractor pricing for much of the actual construction work, this method also provides a high level of cost and quality control.
- The CM@R was selected through the capital project selection committee process prescribed by the ABOR Procurement Code. A licensed contractor from the community was included on the selection committee as required by Board Policy. The Design Professional was selected through a similar ABOR process.

Project Status and Schedule:

- Design of the BPB started in June, 2014 and will continue through December, 2014.
- This project will be constructed using a fast-track approach. Excavation is scheduled to start in October, 2014, with construction of the major building elements proposed to begin in January, 2015.
- Construction is anticipated to be completed by fall of 2016.

Project Cost:

- For this Project Approval phase, two preliminary independent cost estimates will be provided, one by the Design Professional and one by the CM@Risk. These estimates will be reconciled together to confirm accurate, competitive scope quantities and unit prices to form the estimated cost for the entire scope of work. Upon completion of the construction documents, the design and construction team will work cooperatively to develop a GMP that is in alignment with the project budget.
- The total project budget is \$136.1 million with a construction cost of \$106 million.

Fiscal Impact and Financing Plan:

- The UA intends to finance \$136.1 million for the Biosciences Partnership Building (BPB)-Phoenix project by issuing a SPEED Revenue Bond. The Bond will be secured by and payable from monies deposited to the UA's Account of the SPEED Fund, which is administered by the Board. The debt service on the Bonds will be funded up to 80% by the State lottery revenue allocations and not less than 20% by UA funds. The University plans to utilize Arizona Health

EXECUTIVE SUMMARY

Science Center local funds to pay at least the 20% annual debt payments during the construction period. When the facility is occupied, the UA will utilize indirect cost recovery funds and office lease expense savings to fund the debt service. The lease expense savings will be generated when the University relocates some offices from lease spaces in Phoenix to the BPB facility.

- Based on the budgeted interest rate of 6.0%, the estimated annual debt service is \$5.8 million in FY2015 as an interest only payment and is \$10.1 million per year in FY2016 through 2044 as full principal and interest payments (of which at least \$1.16 million in FY2015 and \$2.02 million in FY2016 through 2044 will be paid by the UA as its 20% share of the annual debt service). When the SPEED Bond is issued for the project, the University estimates that the outstanding debt at the end of the fiscal year will be \$1.4 billion. At the same time, the University would have retired \$40.5 million in debt principal. The operating and maintenance (O&M) cost associated with the BPB- Phoenix project is estimated to be \$1.8 million. The University plans to use Local Funds including Indirect Cost Recovery to pay the O&M costs.

Debt Ratio Impact:

- Pursuant to ARS 15-1683, debt service relating to SPEED project financing is exempt from the debt ratio calculation. However, if the debt service on the SPEED Revenue Bonds issued by the University was included in the ratio calculation, the University's debt ratio would increase by .46%. The projected highest debt ratio would be 5.75%.

Occupancy Plan:

- The Biosciences Partnership Building will provide wet and dry lab space for researchers, as well as administration offices and seminar rooms to support the lab functions. The new building offers the potential to relocate existing programs currently leasing space in other facilities, and to provide space for new researchers.
- The building includes several floors of shell space to accommodate future research programs and/or partnerships with industry enterprises.

Recommendation:

It is recommended that the Business and Finance Committee provide Project Approval for the Biosciences Partnership Building-Phoenix Biomedical Campus project, as presented in this Executive Summary.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: The University of Arizona **Project Name:** Biosciences Partnership Building-Phoenix Biomedical Campus

Project Description/Location: This project will be a 10-story research building located at the Phoenix Biomedical Campus on the west side of 7th Street between the Health Sciences Education Building and the University of Arizona Cancer Center.

Project Schedule (Beginning Month/Year):

Planning	complete
Design	June 2014
Construction	October 2014
Occupancy	Fall 2016

Project Budget:

Total Project Cost	\$136,100,000
Total Project Cost per GSF	\$556
Direct Construction Cost	\$106,000,000
Construction Cost per GSF	\$432
Change in Annual Oper./Maint. Cost	
• Utilities	\$947,000
• Personnel	\$493,000
• Other	\$360,000

Funding Sources:

Capital:

- SPEED \$136,100,000
 - 80% paid by the State
 - 20% paid by the UA
 - Phoenix area lease consolidations
 - Indirect Cost Recovery
 - Mission Support

Operation/Maintenance:

- Local Funds and Indirect Cost Recovery \$1,800,000

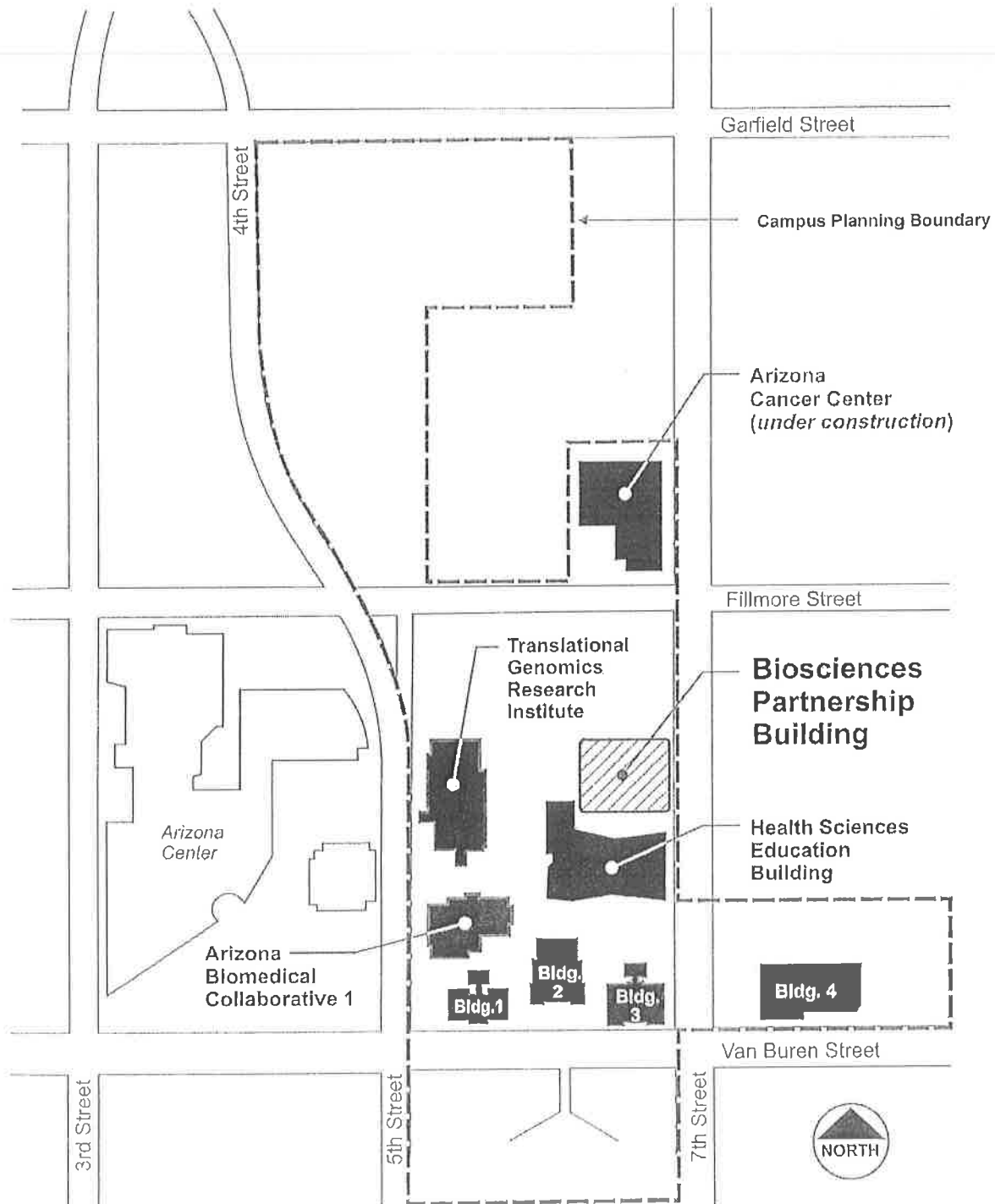
EXECUTIVE SUMMARY**Capital Project Budget Summary****University:** The University of Arizona **Project Name:** Biosciences Partnership Building-Phoenix Biomedical Campus

<u>Date of Budget Estimate</u>		<u>Capital Development</u>	<u>Project Approval</u>
		<u>Plan Approval</u>	
		Jun-14	Sep-14
1	Land Acquisition	\$ 0	\$ 0
2	Construction Cost		
	A. New Construction	104,800,000	104,700,000
	B. Renovation		
	C. Fixed Equipment	1,200,000	1,300,000
	D. Site Development (exclude 2.E.) (in 2A)		
	E. Parking & Landscaping (in 2A)		
	F. Utilities Extensions (in 2A)		
	G. Other (asbestos)		
	Subtotal Construction Cost	\$ 106,000,000	\$ 106,000,000
3	Consultant Fees		
	A. Construction Manager	1,600,000	1,600,000
	B. Architect/Engineering Fees	10,600,000	10,600,000
	C. Other (Programming, Special Consult.)	1,400,000	1,000,000
	Subtotal Consultant Fees	\$ 13,600,000	\$ 13,200,000
4	Furniture Fixtures and Equipment	4,500,000	4,500,000
5	Contingency, Design Phase	3,200,000	2,900,000
6	Contingency, Construction Phase	3,800,000	3,800,000
7	Parking Reserve		200,000
8	Telecommunications Equipment	2,000,000	2,000,000
	Subtotal Items 4-8	\$ 13,500,000	\$ 13,400,000
9	Additional University Costs		
	A. Surveys and Tests	400,000	600,000
	B. Move-in Costs	50,000	50,000
	C. Public Art		
	D. Printing/Advertisement	50,000	50,000
	E. Univ. Facilities & Project Management	2,000,000	2,000,000
	F. State Risk Mgt. Ins	500,000	800,000
	Subtotal Additional University Costs	\$ 3,000,000	\$ 3,500,000
	TOTAL CAPITAL COST	\$ 136,100,000	\$ 136,100,000

EXECUTIVE SUMMARY

Project Site Location Map

Phoenix Biomedical Campus



Joint Committee on Capital Review
September 18, 2014 JCCR Meeting
University of Arizona Projects Submission

Bioscience Partnership Building and Portion of Bioscience Research Laboratories
SPEED Revenue Bonds
Amortization Schedule

Period Ending	Annual Princ. State Lottery 80%	Annual Princ. UofA 20%	Total Annual Principal	Annual Interest State Lottery 80%	Annual Interest UofA 20%	Total Annual Interest	Annual Debt Service State Lottery 80%	Annual Debt Service UofA 20%	Total Annual Debt Service
8/1/2015				4,935,672	1,233,918	6,169,590	4,935,672	1,233,918	6,169,590
8/1/2016	1,724,000	431,000	2,155,000	7,050,960	1,762,740	8,813,700	8,774,960	2,193,740	10,968,700
8/1/2017	1,824,000	456,000	2,280,000	6,947,520	1,736,880	8,684,400	8,771,520	2,192,880	10,964,400
8/1/2018	1,936,000	484,000	2,420,000	6,838,080	1,709,520	8,547,600	8,774,080	2,193,520	10,967,600
8/1/2019	2,052,000	513,000	2,565,000	6,721,920	1,680,480	8,402,400	8,773,920	2,193,480	10,967,400
8/1/2020	2,172,000	543,000	2,715,000	6,598,800	1,649,700	8,248,500	8,770,800	2,192,700	10,963,500
8/1/2021	2,304,000	576,000	2,880,000	6,468,480	1,617,120	8,085,600	8,772,480	2,193,120	10,965,600
8/1/2022	2,444,000	611,000	3,055,000	6,330,240	1,582,560	7,912,800	8,774,240	2,193,560	10,967,800
8/1/2023	2,588,000	647,000	3,235,000	6,183,600	1,545,900	7,729,500	8,771,600	2,192,900	10,964,500
8/1/2024	2,744,000	686,000	3,430,000	6,028,320	1,507,080	7,535,400	8,772,320	2,193,080	10,965,400
8/1/2025	2,904,000	726,000	3,630,000	5,863,680	1,465,920	7,329,600	8,767,680	2,191,920	10,959,600
8/1/2026	3,080,000	770,000	3,850,000	5,689,440	1,422,360	7,111,800	8,769,440	2,192,360	10,961,800
8/1/2027	3,264,000	816,000	4,080,000	5,504,640	1,376,160	6,880,800	8,768,640	2,192,160	10,960,800
8/1/2028	3,464,000	866,000	4,330,000	5,308,800	1,327,200	6,636,000	8,772,800	2,193,200	10,966,000
8/1/2029	3,672,000	918,000	4,590,000	5,100,960	1,275,240	6,376,200	8,772,960	2,193,240	10,966,200
8/1/2030	3,888,000	972,000	4,860,000	4,880,640	1,220,160	6,100,800	8,768,640	2,192,160	10,960,800
8/1/2031	4,124,000	1,031,000	5,155,000	4,647,360	1,161,840	5,809,200	8,771,360	2,192,840	10,964,200
8/1/2032	4,368,000	1,092,000	5,460,000	4,399,920	1,099,980	5,499,900	8,767,920	2,191,980	10,959,900
8/1/2033	4,632,000	1,158,000	5,790,000	4,137,840	1,034,460	5,172,300	8,769,840	2,192,460	10,962,300
8/1/2034	4,908,000	1,227,000	6,135,000	3,859,920	964,980	4,824,900	8,767,920	2,191,980	10,959,900
8/1/2035	4,508,000	1,127,000	5,635,000	3,565,440	891,360	4,456,800	8,073,440	2,018,360	10,091,800
8/1/2036	4,780,000	1,195,000	5,975,000	3,294,960	823,740	4,118,700	8,074,960	2,018,740	10,093,700
8/1/2037	5,068,000	1,267,000	6,335,000	3,008,160	752,040	3,760,200	8,076,160	2,019,040	10,095,200
8/1/2038	5,368,000	1,342,000	6,710,000	2,704,080	676,020	3,380,100	8,072,080	2,018,020	10,090,100
8/1/2039	5,692,000	1,423,000	7,115,000	2,382,000	595,500	2,977,500	8,074,000	2,018,500	10,092,500
8/1/2040	6,032,000	1,508,000	7,540,000	2,040,480	510,120	2,550,600	8,072,480	2,018,120	10,090,600
8/1/2041	6,396,000	1,599,000	7,995,000	1,678,560	419,640	2,098,200	8,074,560	2,018,640	10,093,200
8/1/2042	6,780,000	1,695,000	8,475,000	1,294,800	323,700	1,618,500	8,074,800	2,018,700	10,093,500
8/1/2043	7,184,000	1,796,000	8,980,000	888,000	222,000	1,110,000	8,072,000	2,018,000	10,090,000
8/1/2044	7,616,000	1,904,000	9,520,000	456,960	114,240	571,200	8,072,960	2,018,240	10,091,200
	117,516,000	29,379,000	146,895,000	134,810,232	33,702,558	168,512,790	252,326,232	63,081,558	315,407,790

**Joint Committee on Capital Review
September 18 JCCR Meeting
University of Arizona Project Submission**

Summary of Financing Information:

Bioscience Partnership Building (BPB) and partial Bioscience Research Laboratories (BSRL) projects SPEED Revenue Bonds

Issuance amount (anticipated)	\$146,895,000
Bond Premium (anticipated)	\$ 0
Estimated Cost of Issuance	\$ 1,141,000
Assumed interest rate	6.0%
Payment term:	Approximately 30 years
Fund Source for debt payment:	State Lottery funds, local funds, Phoenix offices lease expense savings (relocating offices to BPB), Indirect Cost Recovery (ICR) funds
Annual debt service (by fund source):	
Interest FY2015 @ 80%	State Lottery funds \$ 4,936,000
Interest FY2015 @ 20%	Local funds \$ 1,234,000
Principal and Interest FY2016 @ 80%	State Lottery funds \$ 8,775,000
Principal and Interest FY2016 @ 20%	Local funds, \$ 2,194,000
Principal and interest FY2017-FY2019 (Ave.) @ 80%	State Lottery funds \$ 8,773,000
Principal and interest FY2017-FY2019 (Ave.) @ 20%	Local funds, lease expense savings \$ 2,193,000
Principal and interest FY2020-FY2044 (Ave.) @ 80%	State Lottery funds \$ 8,492,000
Principal and interest FY2020-FY2044 (Ave.) @ 20%	ICR, lease expense savings \$ 2,123,000
Total debt service until maturity @ 80%	State Lottery funds \$252,326,000
Total debt service until maturity @ 20%	ICR, local funds, Lease expense savings \$ 63,082,000
Anticipated date of issuance	Winter 2014
Expected bond rating	A+ (S & P) and Aa3 (Moody's)

Debt Ratio Information:

Pursuant to ARS 15-1683, debt services relating to SPEED Revenues Bonds are exempt from the debt ratio calculation. However if the debt services on SPEED Revenue Bonds are included in the debt ratio calculation, the projected debt ratio information is presented below.

Current projected debt ratio	5.29%
Increment debt ratio	0.50%
Projected highest debt ratio	5.79%

1B



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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HOUSE OF
REPRESENTATIVES

JOHN KAVANAGH
CHAIRMAN 2014
LELA ALSTON
CHAD CAMPBELL
TOM FORESE
DAVID GOWAN, SR.
RICK GRAY
ANDREW C. SHERWOOD

DATE: September 23, 2014

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

THRU: Richard Stavneak, Director *RS*

FROM: Micaela Larkin, Fiscal Analyst *ML*

SUBJECT: University of Arizona - Review of Bioscience Research Laboratories Building Project
(Tucson)

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. The University of Arizona (UA) requests Committee review of \$99.5 million in bond issuances to fund construction of a Bioscience Research Laboratories Building (BSRL) project in Tucson.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review
2. An unfavorable review

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

Standard University Financing Provisions

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

(Continued)

Analysis

The \$101.0 million project with \$99.5 million in bond issuances includes new construction of a 124,200 gross square foot building to expand the research space of the BIO5 Institute primarily located in the adjacent Thomas W. Keating Bioresearch building that houses 170,000 square feet of research space. The BIO5 Institute addresses biology based challenges affecting humanity in the 5 core disciplines of Agriculture, Engineering, Medicine, Pharmacy, and Science. A portion of the project cost will be used to improve the infrastructure to provide for the utility needs of the new building and the remodeling of 1,200 square feet within the basement of the Thomas W. Keating Bioresearch building to expand the vivarium (enclosure for housing animals/plants in natural conditions).

Financing

The financing for the \$101.0 million project will primarily come from 2 bonds. Of this amount, \$89.8 million will be issued as a system revenue bond, and a University Lottery bond for \$9.7 million. In addition, \$1.5 million will be allocated from Proposition 301 funds for the project.

The projected repayment of both bond issuances is expected to cost \$215.7 million. The annual debt payment for the system revenue bond paid from tuition and Indirect Cost Recovery Funds is estimated at \$6.5 million through FY 2045, and the University lottery bond repayment will average around \$700,000 through FY 2044. *(See Table 1 for a summary of each bond's financing terms.)*

Table 1

Bioscience Research Laboratories Building Financing Terms

	<u>System Revenue Bond</u>	<u>University Lottery Bond</u>
Issuance Amount	\$89.8 million	\$9.7 million
Issuance Date	Spring 2015	Winter 2014
Issuance Transaction Fees	\$767,000	\$76,000
Rating	Aa2 (Moody's)/AA- (S&P)	Aa3 (Moody's)/A+ (S&P)
Interest Rate	6.0%	6.0%
Term	30 years	30 years
Total Debt Costs	\$194.8 million	\$20.9 million
Debt Service Payments	\$6.5 million	\$700,000
Payment Source	\$194.8 million from System revenues	80% from Lottery revenues, and 20% from System revenues
Debt Ratio Increase	0.30% – from 4.45% to 4.75%	Lottery Bonds exempt
ABOR Approval Status	Scheduled for September 24, 2014	
Construction Start	December 2014	

(Continued)

Construction Costs

The total direct construction costs, including infrastructure augmentation, for the entire project are \$78.0 million. The direct construction costs for the BSRL building are \$62.0 million, or \$499 per square foot, and the costs for infrastructure improvements are \$16.0 million. At its April 2013 meeting, the Committee reviewed the construction of a Northern Arizona University (NAU) classroom and research building with a direct construction cost of \$436 per square foot. Construction on the infrastructure component will commence in December 2014, and the BSRL construction will start in May 2015 with completion in the spring of 2017.

University Lottery Bond Projects

The \$9.7 million of the BSRL project will be financed with University Lottery revenue bonds as part of a larger issuance of \$146.9 million which also includes the building of the Arizona Bioscience Partnership Building (*see Agenda Item 1A*). Permanent law authorizes ABOR to enter into lease-to-own and bond transactions up to a maximum of \$800.0 million to pay for building renewal projects and new facilities. Apart from the Phoenix Medical Campus, UA has been allocated \$136.0 million. With this project, the UA will exhaust its remaining \$9.7 million of University Lottery bonding authority for non-Phoenix Medical campus projects.

RS/ML:kp



Office of the Senior Vice President
for Business Affairs

Administration, Room 605
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Tel: (520) 621-5977
Fax: (520) 621-7714

September 3, 2014

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



Dear Representative Kavanagh,

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

The University of Arizona Bioscience Research Laboratories

The Bioscience Research Laboratories (BSRL) Building is needed to support the effective growth and development of the University of Arizona research enterprise, and more specifically, to establish new space for the critical bioscience research programs. This new building, with state of the art multi-disciplinary laboratory, clinic and imaging facilities, will help to attract top level researchers. The location of the building, in a rich research environment with immediate adjacencies to other facilities, will create opportunities for collaboration and enhance the University's research community. The project cost is \$101 million and the building size is estimated to be approximately 124,200 gross square feet.

This project includes a significant infrastructure component to support the utility needs of the BSRL Building. The infrastructure augmentation component of the project will increase sewer and electrical capacities and extend steam, chilled water, natural gas, telecommunications, storm drainage to facilitate the BSRL utility needs and accommodate growth while providing efficient and reliable operations of existing research and education facilities in the North Campus area.

Bond Summary

The University plans to issue System Revenue Bonds of \$89.85 million and SPEED Bonds of \$9.65 million. The UA has allocated \$1.5 million in Technology and Research Initiative funds.

The debt service for the building will be paid from indirect cost recovery and local funds. In consideration of economic pressures, the UA has reduced its capital program activity considerably in the past few years with just a few, mostly gift-funded projects, being constructed. During this time, although the UA's facilities needs grew dramatically, its debt capacity became increasingly favorable, and this project, along with other projects, can easily be accommodated within the statutory debt limits.

Debt service payments for the infrastructure augmentation component will be funded from local and state lottery funds.

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
September 3, 2014
Page Two

Enclosed is the ABOR Project Approval Submittal, System Revenue Bonds Amortization Schedules and Summary of Financing Information.

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

Sincerely,



James A. Hyatt

Interim Senior Vice President for Business Affairs and Chief Financial Officer

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

xc: Tim Bee, Senior Associate Vice President, Legislative and Community Relations, UA
Dr. Ann Weaver Hart, President, UA
Eileen I. Klein, President, Arizona Board of Regents
Mark McGurk, Associate Vice President/Comptroller, UA; Art Smith, JLBC Analyst
Lorenzo Martinez, Associate Vice President for Finance and Administration, ABOR
Robert Smith, Vice President for Business Affairs, UA
Richard Stavneak, Director, JLBC

EXECUTIVE SUMMARY

Item Name: Bioscience Research Laboratories - Project Approval (UA)

☒ Action Item ☐ Discussion Item ☐ Information Item

Issue: The University of Arizona requests Project Approval of the Bioscience Research Laboratories project. The 124,200 square feet, \$101 million capital project will be financed with System Revenue Bonds of \$89.85 million and SPEED Bonds of \$9.65 million. The UA has allocated \$1.5 million in Technology and Research Initiative funds. The debt service for the building will be paid over approximately 30 years from indirect cost recovery and local funds. The debt service for the infrastructure augmentation component will be paid over approximately 20 years from local and state lottery funds.

Previous Board Action:

Capital Improvement Plan FY 2013-2015 – September 2011
Capital Development Plan FY 2013 – June 2012

Statutory/Policy Requirements:

- Board Policy 7-109(C): Projects may be granted project approval by the Business and Finance Committee based upon the budget, schedule, scope, and other considerations as warranted. At the Committee's discretion, any project approval request may be presented to the Board as circumstances warrant. The committee shall report to the Board on Project Approval actions.

Project Justification/Strategic Implications/Project Compliance with Mission, Strategic Plan, Master Plan and Community Input Process:

- The Bioscience Research Laboratories (BSRL) is needed to support the effective growth and development of the University of Arizona research enterprise, and more specifically, to establish new space for the critical bioscience research programs. This new building, with state of the art multi-disciplinary laboratory, clinic and imaging facilities, will help to attract top level researchers. The location of the building, in a rich research environment with immediate adjacencies to other facilities, will create opportunities for collaboration and enhance the University research community.
- The location of the BSRL site, directly connected to the Medical Research Building and the Thomas W. Keating Bioresearch Building, reflects the recommendations of the Comprehensive Campus Plan. The mid-block courtyard connection across Cherry Avenue is maintained by separating the first floor into two sections and bridging across at upper levels. The addition of the BSRL completes this block, and creates a unique building

Contact Information:

James A. Hyatt, Interim Senior Vice President for Business Affairs and Chief Financial Officer
(520) 621-5977, jahyatt10@email.arizona.edu

EXECUTIVE SUMMARY

complex expanding the assets of the BIO5 Institute in the Thomas W. Keating Bioresearch Building, as well as of the Arizona Health Sciences Campus.

- The primary institutional priorities supported by the project include:
 - **Academic & Research Needs:** The BSRL project will provide critically needed space for the University of Arizona's Interdisciplinary Bioscience Research programs. Expansion of these programs will improve the recruitment and retention of qualified faculty who will bring in additional grants, increase opportunities for disclosures and patents associated with this area of research, and improve the University of Arizona's research rankings.

Additional research space will also provide employment and research opportunities for graduate students, thereby further increasing UA student involvement in Bioscience Research Initiatives, and contributing to increased enrollment and degrees awarded in a high-demand field.

- **Community Service Opportunities:** This project will strengthen Arizona's economy and improve its quality of life. On a broad scale, the areas of research proposed for the BSRL will support improvements to human health. The research conducted in BSRL will also contribute to Arizona's economic development with new research grant awards and potential for related new business spin-off opportunities.

The addition of the BSRL to the UA campus will provide new job opportunities, both long term in the biosciences fields, and in the short term during construction, as the project will bring needed workforce employment opportunities to the state's depressed building industry.

- **Student Support Requirements:** Additional research facilities on campus will accommodate the recruitment of a larger number of qualified students for careers in the valued bioscience programs. The BSRL will provide needed space and equipment for improved student success and retention by providing new opportunities for student involvement in hands-on research. This state of the art laboratory building will improve the quality of the bioscience student's research and educational experience, and increase rates of success and graduation.
- **Construction Market Conditions:** With the construction industry making a slow recovery from the recent recession, construction costs could increase during the development of the BSRL project. Construction labor forces were also significantly reduced during the economic downturn, and a shortage of skilled labor could also impact construction costs. Using fast-track construction methods, the BSRL design and construction team can secure sub-contractors, plan material procurement and take advantage of current positive market conditions to help mitigate these cost increases to some extent.

EXECUTIVE SUMMARY

- **Funding Sources & Financing Options:** The University plans to issue System Revenue Bonds (SRBs) of \$89.85 million and SPEED Bonds of \$9.65 million. The UA has allocated \$1.5 million in Technology and Research Initiative funds.

The debt service for the building will be paid from indirect cost recovery and local funds. In consideration of economic pressures, the UA has reduced its capital program activity considerably in the past few years with just a few, mostly gift-funded projects, being constructed. During this time, although the UA's facilities needs grew dramatically, its debt capacity became increasingly favorable, and this project, along with other projects, can easily be accommodated within the statutory debt limits.

Debt service payments for the infrastructure augmentation component will be funded from local and state lottery funds.

Key ABOR Enterprise Metrics:

- This project is in direct alignment with institutional priorities drawn from the goals established in *The Arizona Higher Education Enterprise* plan.
 - The programs to be located in the BSRL are in direct support of enterprise mission outlined in Goal 2, Research Excellence. The BSRL will contribute to the University of Arizona assigned goal to increase research. New laboratories in particular, are needed to increase research grants, disclosures, patents and rankings.
 - The human health related research programs envisioned to occur in the BSRL are in alignment with the enterprise mission of contributing to the knowledge economy and improving the quality of life in Arizona.
 - Access to additional graduate student employment opportunities could assist in increasing the number of degrees awarded in high demand fields.

Project Description/Scope/Compliance with Space Standards:

- The new BSRL will expand the current BIO5 Institute located in the adjacent Thomas W. Keating Bioresearch Building, increasing space for their work researching biology-based challenges affecting humanity in the five core disciplines of Agriculture, Engineering, Medicine, Pharmacy and Science.

EXECUTIVE SUMMARY

- The proposed 124,200 gross square feet (gsf) building will facilitate translational research collaborations between basic scientists and physician researchers to advance our understanding of the molecular basis of human health, aging and disease. This building will provide space and equipment for pioneering research in many health science disciplines, and bring together a core of current and new investigators for interdisciplinary research in a new cutting-edge laboratory facility. BSRL will house top research teams dedicated to making biomedical discoveries that are particularly relevant to the people of Arizona.
- This project will be integrated into the Arizona Health Sciences Campus research complex located in the North Campus area that includes the Medical Research Building (MRB) and the Thomas W. Keating Biosciences Building. The complex draws visitors from around the state and the world, including researchers, patients, bioscience industry leaders, politicians, teachers and students.
- In an effort to demonstrate the on-going UA commitment to responsible and sustainable design, this project will be designed to conform to the standard United States Green Building Council (USGBC) Leadership in Energy and Environmental Design (LEED) Silver Certification at a minimum.
- This project is designed in conformance with adopted Arizona Board of Regents Space Guidelines. The actual programmed areas for each space category have been developed as part of the building design process.
- BSRL has been designed in accordance with the UA Design & Specification Standards to minimize operations and maintenance costs, and to maximize the University's long-term investment. The building will be constructed of high quality, durable, maintainable materials and building systems to maximize energy efficiency and minimize operational, repair and replacement costs, and have an anticipated life cycle of at least 50 - 75 years.

Additional Project Considerations:

- This project includes a significant infrastructure component to support the utility needs of the BSRL. The infrastructure augmentation component of the project will increase sewer and electrical capacities and extend steam, chilled water, natural gas, telecommunications, storm drainage to facilitate the BSRL utility needs and accommodate growth and provide efficient and reliable operations of existing research and education facilities in the North Campus area. These infrastructure improvements will be designed in an energy-efficient and maintenance-friendly manner to minimize operational costs and maximize maintenance efficiencies and overall productivity. This augmentation is consistent with the UA Master Plan which identifies the need for continued utility/infrastructure upgrades and extensions to accommodate growth and system efficiencies and reliability across campus.

EXECUTIVE SUMMARY

- A small area in the basement of the existing Thomas W. Keating Biosciences Building, currently housing the research freezers, will be remodeled as part of this project for expansion of the vivarium to support the new BSRL imaging facilities. This will be effective functionally to the operations, but is also an efficient way to connect to existing infrastructure systems designed especially for the vivarium environment. The research freezers will be relocated to the new building.

Project Delivery Method and Process:

- The BSRL project is being delivered through the Construction Manager at Risk (CM@R) method. This approach was selected for the project because it provides contractor constructability input, cost estimating and coordination with the design team during the design phase and throughout the project. This delivery method improves potentially adversarial project environments and allows for the selection of the most qualified contractor leadership team specifically for this project. With the use of two independent cost estimates at each phase, and low-bid subcontractor pricing from pre-qualified firms for the actual construction work, this method also provides a high level of cost and quality control.
- The CM@R teams were selected through the capital project search committee process prescribed by the ABOR Procurement Code. A licensed contractor from the community was included on the selection committees as required by Board Policy. The Design Professionals were selected through a similar ABOR process.

Project Status and Schedule:

- Construction of the infrastructure augmentation component is scheduled to start in December, 2014, in advance of the BSRL construction which is scheduled to start in May, 2015.
- Project construction is scheduled for completion in early 2017, with building occupancy to occur in spring of 2017.

Project Cost:

- For this Project Approval phase, two preliminary independent cost estimates have been provided, one by the Design Professional and one by the CM@R. These estimates have been reconciled together to confirm accurate, competitive scope quantities and unit prices to form the estimated cost for the entire scope of work. Upon completion of the construction documents, the design and construction team will work cooperatively to develop a GMP in

EXECUTIVE SUMMARY

alignment with the project budget.

- The total budget for the BSRL is \$85 million with a construction cost of \$62 million. The total budget for the infrastructure augmentation is \$16 million. Combined total project budget is \$101 million.

Fiscal Impact and Financing Plan:

- The project budget for The University of Arizona's Bioscience Research Laboratories project is \$101 million. The University will issue \$89.85 million of System Revenue bonds (SRBs) and \$9.65 million of SPEED Revenue bonds. The UA has allocated \$1.5 million of Technology and Research Initiative Funds for the BSRL project.
- Based on the budgeted 6% interest rate per annum, the annual debt service is estimated to be approximately \$6.7 million for FY2016 through FY2035 and \$6.1 million for FY2036 through FY2045 with the final maturity on June 1, 2045 (approximately 30 years). The SRBs will be funded by indirect cost recovery and local funds. The SPEED Bonds will be secured by and payable from monies deposited to the SPEED Fund, which is administered by the Board. The debt service on the Bonds will be funded up to 80% by the State lottery revenue allocations and not less than 20% by University funds. The annual debt service on the SPEED bonds for a 20 year maturity is \$640,000 funded by the state lottery revenue allocations and \$160,000 by local funds. When both the SRB and the SPEED is issued for the project, the University estimates that the outstanding debt at the end of the fiscal year will be \$1.4 billion. At the same time, the University would have retired \$40.5 million in debt principal. The operating and maintenance (O&M) cost associated with BSRL project is estimated to be \$1.5 million. The University plans to use indirect cost recovery and local funds to pay the O&M cost.

Debt Ratio Impact:

- The debt service associated with this project will increase the debt ratio by .30% excluding SPEED projects, and .34% including SPEED projects. The projected highest debt ratio is 4.75% excluding SPEED and 6.09% including SPEED. The projected highest debt ratio of 4.75% excluding SPEED remains well below the 8 percent ratio limit established by ABOR policy and state statute.

Occupancy Plan:

- The BSRL will extend research opportunities for the BIO5 Institute. The five core disciplines of BIO5, Agriculture, Engineering, Medicine, Pharmacy and Science, seek bold solutions to

EXECUTIVE SUMMARY

complex, biology-based challenges affecting humanity. New research space in BSRL will allow for expansion of these collaborative efforts.

- BSRL will create an interdisciplinary environment for new research by incorporating imaging facilities near an existing vivarium, creating new clinic space, and providing new laboratory space for both data based and bench research. The University will be seeking new research faculty and staff to occupy the BSRL.

Recommendation:

It is recommended that the Business and Finance Committee provide Project Approval for the Bioscience Research Laboratories project, as presented in this Executive Summary.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: The University of Arizona **Project Name:** Bioscience Research Laboratories

Project Description/Location: The proposed 124,200 gross square feet (GSF) (including 1,200 sf of remodeled space in the existing Keating Building) Bioscience Research Laboratories project will construct a new research facility to facilitate translational research collaborations between basic scientists and physician researchers to advance our understanding of the molecular basis of human health, aging and disease. This facility will be located in the UA North Campus district north of Speedway Blvd. on the east side of Cherry Avenue between Helen and Mabel Streets. The project also includes infrastructure augmentation in the area to provide utilities for the new building.

Project Schedule (Beginning Month/Year):

Planning	June 2012
Design	September 2012
Construction – infrastructure augmentation	December 2014
Construction - building	May 2015
Occupancy	February 2017

Project Budget:

Total Project Cost	\$101,000,000
Total Project Cost per GSF (excluding utility augmentation)	\$684
Direct Construction Cost	\$62,000,000
Construction Cost per GSF	\$499
Change in Annual Oper./Maint. Cost	
• Utilities	\$770,700
• Personnel	\$402,400
• Other	\$294,500

Funding Sources:

Capital:	
• System Revenue Bonds – paid by Indirect Cost Recovery and Local Funds	\$89,850,000
SPEED	\$9,650,000
Technology & Research Initiative Funds	\$1,500,000
Operation/Maintenance:	
• Indirect Cost Recovery & Local Funds	\$1,467,600

EXECUTIVE SUMMARY

Capital Project Budget Summary

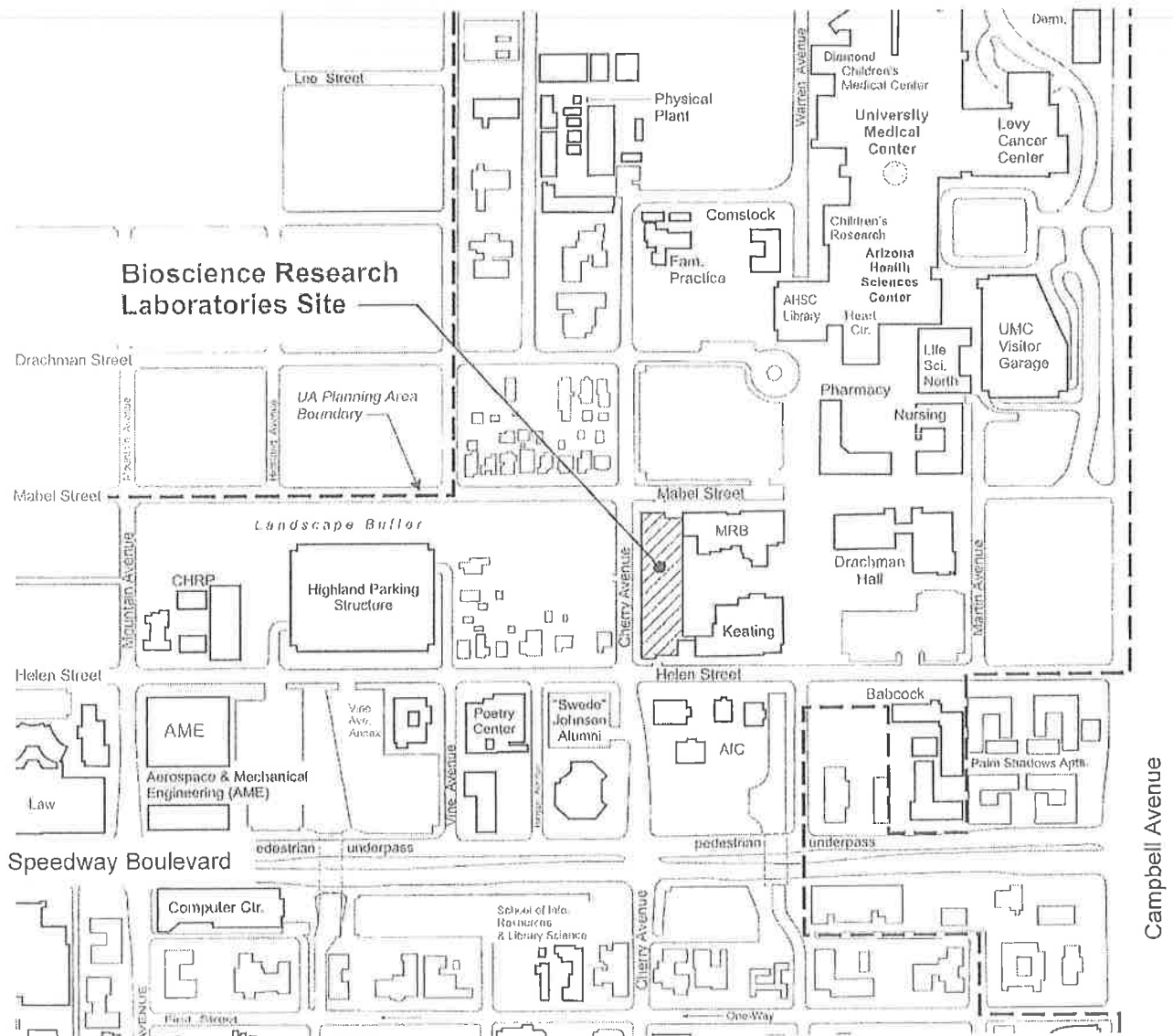
University: The University of Arizona

Project Name: Bioscience Research Laboratories

<u>Date of Budget Estimate</u>	<u>Capital Development</u>		<u>Project Approval</u>
	<u>Plan Approval</u>		Sep-14
	Jun-12		
1 Infrastructure Augmentation (previously included in a separate stand-alone infrastructure project)	\$ 0		\$ 16,000,000
2 Construction Cost			
A. New Construction	58,000,000		59,500,000
B. Renovation	0		500,000
C. Fixed Equipment	500,000		500,000
D. Site Development (in 2A)	0		0
E. Parking & Landscaping (in 2A)	0		0
F. Utilities Extensions	1,500,000		1,500,000
G. Other	0		0
Subtotal Construction Cost	\$ 60,000,000		\$ 62,000,000
3 Consultant Fees			
A. Construction Manager	600,000		650,000
B. Architect/Engineering Fees	6,000,000		6,100,000
C. Other (Programming, Special Consult)	1,400,000		1,400,000
Subtotal Consultant Fees	\$ 8,000,000		\$ 8,150,000
4 Furniture Fixtures and Equipment	4,310,000		4,500,000
5 Contingency, Design Phase	3,000,000		1,000,000
6 Contingency, Construction Phase	3,000,000		3,200,000
7 Parking Reserve	2,400,000		1,500,000
8 Telecommunications Equipment	1,300,000		1,500,000
Subtotal Items 4-8	\$ 14,010,000		\$ 11,700,000
9 Additional University Costs			
A. Surveys and Tests	1,200,000		1,200,000
B. Move-in Costs	50,000		50,000
C. Public Art	0		0
D. Printing/Advertisement	50,000		50,000
E. Univ. Facilities & Project Management	1,260,000		1,400,000
F. State Risk Mgt. Ins	430,000		450,000
Subtotal Additional University Costs	\$ 2,990,000		\$ 3,150,000
TOTAL CAPITAL COST	\$ 85,000,000		\$ 101,000,000

EXECUTIVE SUMMARY

Project Site Location Map



Joint Committee on Capital Review
September 18, 2014 JCCR Meeting
University of Arizona Projects Submission

Bioscience Research Laboratories
System Revenue Bonds
Amortization Schedule

Period Ending	Annual Principal	Annual Interest	Annual Debt Service
6/1/2016	1,200,000	5,482,510	6,682,510
6/1/2017	1,315,000	5,365,200	6,680,200
6/1/2018	1,390,000	5,286,300	6,676,300
6/1/2019	1,480,000	5,202,900	6,682,900
6/1/2020	1,565,000	5,114,100	6,679,100
6/1/2021	1,660,000	5,020,200	6,680,200
6/1/2022	1,755,000	4,920,600	6,675,600
6/1/2023	1,860,000	4,815,300	6,675,300
6/1/2024	1,980,000	4,703,700	6,683,700
6/1/2025	2,095,000	4,584,900	6,679,900
6/1/2026	2,220,000	4,459,200	6,679,200
6/1/2027	2,355,000	4,326,000	6,681,000
6/1/2028	2,495,000	4,184,700	6,679,700
6/1/2029	2,645,000	4,035,000	6,680,000
6/1/2030	2,805,000	3,876,300	6,681,300
6/1/2031	2,975,000	3,708,000	6,683,000
6/1/2032	3,150,000	3,529,500	6,679,500
6/1/2033	3,340,000	3,340,500	6,680,500
6/1/2034	3,535,000	3,140,100	6,675,100
6/1/2035	3,750,000	2,928,000	6,678,000
6/1/2036	3,420,000	2,703,000	6,123,000
6/1/2037	3,620,000	2,497,800	6,117,800
6/1/2038	3,840,000	2,280,600	6,120,600
6/1/2039	4,070,000	2,050,200	6,120,200
6/1/2040	4,315,000	1,806,000	6,121,000
6/1/2041	4,575,000	1,547,100	6,122,100
6/1/2042	4,850,000	1,272,600	6,122,600
6/1/2043	5,140,000	981,600	6,121,600
6/1/2044	5,445,000	673,200	6,118,200
6/1/2045	5,775,000	346,500	6,121,500
	90,620,000	104,181,610	194,801,610

Joint Committee on Capital Review
September 18, 2014 JCCR Meeting
University of Arizona Projects Submission

Bioscience Partnership Building and Portion of Bioscience Research Laboratories
SPEED Revenue Bonds
Amortization Schedule

Period Ending	Annual Princ. State Lottery 80%	Annual Princ. UofA 20%	Total Annual Principal	Annual Interest State Lottery 80%	Annual Interest UofA 20%	Total Annual Interest	Annual Debt Service State Lottery 80%	Annual Debt Service UofA 20%	Total Annual Debt Service
8/1/2015				4,935,672	1,233,918	6,169,590	4,935,672	1,233,918	6,169,590
8/1/2016	1,724,000	431,000	2,155,000	7,050,960	1,762,740	8,813,700	8,774,960	2,193,740	10,968,700
8/1/2017	1,824,000	456,000	2,280,000	6,947,520	1,736,880	8,684,400	8,771,520	2,192,880	10,964,400
8/1/2018	1,936,000	484,000	2,420,000	6,838,080	1,709,520	8,547,600	8,774,080	2,193,520	10,967,600
8/1/2019	2,052,000	513,000	2,565,000	6,721,920	1,680,480	8,402,400	8,773,920	2,193,480	10,967,400
8/1/2020	2,172,000	543,000	2,715,000	6,598,800	1,649,700	8,248,500	8,770,800	2,192,700	10,963,500
8/1/2021	2,304,000	576,000	2,880,000	6,468,480	1,617,120	8,085,600	8,772,480	2,193,120	10,965,600
8/1/2022	2,444,000	611,000	3,055,000	6,330,240	1,582,560	7,912,800	8,774,240	2,193,560	10,967,800
8/1/2023	2,588,000	647,000	3,235,000	6,183,600	1,545,900	7,729,500	8,771,600	2,192,900	10,964,500
8/1/2024	2,744,000	686,000	3,430,000	6,028,320	1,507,080	7,535,400	8,772,320	2,193,080	10,965,400
8/1/2025	2,904,000	726,000	3,630,000	5,863,680	1,465,920	7,329,600	8,767,680	2,191,920	10,959,600
8/1/2026	3,080,000	770,000	3,850,000	5,689,440	1,422,360	7,111,800	8,769,440	2,192,360	10,961,800
8/1/2027	3,264,000	816,000	4,080,000	5,504,640	1,376,160	6,880,800	8,768,640	2,192,160	10,960,800
8/1/2028	3,464,000	866,000	4,330,000	5,308,800	1,327,200	6,636,000	8,772,800	2,193,200	10,966,000
8/1/2029	3,672,000	918,000	4,590,000	5,100,960	1,275,240	6,376,200	8,772,960	2,193,240	10,966,200
8/1/2030	3,888,000	972,000	4,860,000	4,880,640	1,220,160	6,100,800	8,768,640	2,192,160	10,960,800
8/1/2031	4,124,000	1,031,000	5,155,000	4,647,360	1,161,840	5,809,200	8,771,360	2,192,840	10,964,200
8/1/2032	4,368,000	1,092,000	5,460,000	4,399,920	1,099,980	5,499,900	8,767,920	2,191,980	10,959,900
8/1/2033	4,632,000	1,158,000	5,790,000	4,137,840	1,034,460	5,172,300	8,769,840	2,192,460	10,962,300
8/1/2034	4,908,000	1,227,000	6,135,000	3,859,920	964,980	4,824,900	8,767,920	2,191,980	10,959,900
8/1/2035	4,508,000	1,127,000	5,635,000	3,565,440	891,360	4,456,800	8,073,440	2,018,360	10,091,800
8/1/2036	4,780,000	1,195,000	5,975,000	3,294,960	823,740	4,118,700	8,074,960	2,018,740	10,093,700
8/1/2037	5,068,000	1,267,000	6,335,000	3,008,160	752,040	3,760,200	8,076,160	2,019,040	10,095,200
8/1/2038	5,368,000	1,342,000	6,710,000	2,704,080	676,020	3,380,100	8,072,080	2,018,020	10,090,100
8/1/2039	5,692,000	1,423,000	7,115,000	2,382,000	595,500	2,977,500	8,074,000	2,018,500	10,092,500
8/1/2040	6,032,000	1,508,000	7,540,000	2,040,480	510,120	2,550,600	8,072,480	2,018,120	10,090,600
8/1/2041	6,396,000	1,599,000	7,995,000	1,678,560	419,640	2,098,200	8,074,560	2,018,640	10,093,200
8/1/2042	6,780,000	1,695,000	8,475,000	1,294,800	323,700	1,618,500	8,074,800	2,018,700	10,093,500
8/1/2043	7,184,000	1,796,000	8,980,000	888,000	222,000	1,110,000	8,072,000	2,018,000	10,090,000
8/1/2044	7,616,000	1,904,000	9,520,000	456,960	114,240	571,200	8,072,960	2,018,240	10,091,200
	117,516,000	29,379,000	146,895,000	134,810,232	33,702,558	168,512,790	252,326,232	63,081,558	315,407,790

**Joint Committee on Capital Review
September 18 JCCR Meeting
University of Arizona Project Submission**

Summary of Financing Information:

Bioscience Research Laboratories System Revenue Bonds

Issuance amount (anticipated)	\$90,620,000
Bond Premium (anticipated)	\$ 0
Estimated Cost of Issuance	\$ 767,000
Assumed interest rate	6.0%
Payment term:	Approximately 30 years

Fund Source for debt payment:	Local funds, Technology and Research Initiative Funds (TRIFs), Indirect Cost Recovery (ICR) funds
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Annual debt service (by fund source):

Principal and Interest FY2016 - FY2017 (Average)	Local funds, TRIFs,	\$ 6,681,000
Principal and interest FY2018-FY2045 (Average)	Local funds, ICR	\$ 6,480,000
Total debt service		\$194,801,000

Anticipated date of issuance	Spring 2015
Expected bond rating	AA- (S & P) and Aa2 (Moody's)

Debt Ratio Information:

Current projected debt ratio	4.45%
Increment debt ratio	0.30%
Projected highest debt ratio	4.75%

**Joint Committee on Capital Review
September 18 JCCR Meeting
University of Arizona Project Submission**

Summary of Financing Information:

Bioscience Partnership Building (BPB) and partial Bioscience Research Laboratories (BSRL) projects SPEED Revenue Bonds

Issuance amount (anticipated)	\$146,895,000
Bond Premium (anticipated)	\$ 0
Estimated Cost of Issuance	\$ 1,141,000
Assumed interest rate	6.0%
Payment term:	Approximately 30 years

Fund Source for debt payment:	State Lottery funds, local funds, Phoenix offices lease expense savings (relocating offices to BPB), Indirect Cost Recovery (ICR) funds
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Annual debt service (by fund source):

Interest FY2015 @ 80%	State Lottery funds	\$ 4,936,000
Interest FY2015 @ 20%	Local funds	\$ 1,234,000
Principal and Interest FY2016 @ 80%	State Lottery funds	\$ 8,775,000
Principal and Interest FY2016 @ 20%	Local funds,	\$ 2,194,000
Principal and interest FY2017-FY2019 (Ave.) @ 80%	State Lottery funds	\$ 8,773,000
Principal and interest FY2017-FY2019 (Ave.) @ 20%	Local funds, lease expense savings	\$ 2,193,000
Principal and interest FY2020-FY2044 (Ave.) @ 80%	State Lottery funds	\$ 8,492,000
Principal and interest FY2020-FY2044 (Ave.) @ 20%	ICR, lease expense savings	\$ 2,123,000
Total debt service until maturity @ 80%	State Lottery funds	\$252,326,000
Total debt service until maturity @ 20%	ICR, local funds, Lease expense savings	\$ 63,082,000

Anticipated date of issuance	Winter 2014
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Expected bond rating	A+ (S & P) and Aa3 (Moody's)
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Debt Ratio Information:

Pursuant to ARS 15-1683, debt services relating to SPEED Revenues Bonds are exempt from the debt ratio calculation. However if the debt services on SPEED Revenue Bonds are included in the debt ratio calculation, the projected debt ratio information is presented below.

Current projected debt ratio	5.29%
Increment debt ratio	0.50%
Projected highest debt ratio	5.79%



STATE OF ARIZONA

Joint Committee on Capital Review

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HOUSE OF
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DATE: September 23, 2014

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

THRU: Richard Stavneak, Director *RS*

FROM: Art Smith, Principal Fiscal Analyst *AS*

SUBJECT: Arizona Board of Regents - Review of FY 2015 Building Renewal Allocation Plan

Request

The FY 2015 Capital Outlay Bill appropriated \$3 million from the General Fund for Building Renewal within the Arizona Board of Regents (ABOR) building system, with ABOR responsible for allocating these monies to the 3 state universities. Arizona State University (ASU) was allocated \$1.1 million Northern Arizona University was allocated \$336,000 and the University of Arizona (UA) was allocated \$1.6 million.

Recommendation

The Committee has at least the following 2 options:

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

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

The JLBC Staff projects a budget shortfall of \$(282) million in FY 2015 and \$(765) million in FY 2016 when factoring in the impact of the Superior Court ruling on the K-12 inflation litigation. In resolving prior budget shortfalls, one of the Legislature's initial solutions has often been to reduce or eliminate one-time capital and building renewal monies. With a favorable review, ASU, NAU and UA may interpret these monies as not subject to a future budget reduction.

(Continued)

Analysis

Building renewal appropriations provide for major maintenance and repair of state-owned buildings. The building renewal formula takes into account the replacement, age and life cycle of all structures in the ABOR building system. A total of \$3 million is appropriated to ABOR to fund 2.8% of the Universities' building renewal formula in FY 2015. These monies are in addition to any funds allocated for building renewal from bond issuances.

See *Table 1* for a list of projects included in ABOR's FY 2015 Building Renewal Allocation Plan.

The following provides an overview of the amounts allocated to each university.

Arizona State University

A total of \$1.1 million will be allocated to 2 different projects. Of this amount, \$763,000 will fund HVAC replacement and repair in buildings in order to partially offset deferred maintenance. ASU states that many of the HVAC systems have exceeded their useful life and should be replaced with more modern technology to improve efficiency and provide additional flexibility to program and renovate facilities to meet the highest priority campus space needs. In addition, \$290,000 will fund the replacement and upgrades to new technology for ASU's Central Plant. ASU states that new technology would include chiller, pump and motor controls that will be replaced and upgraded. Current equipment at ASU's central plant ranges between 12 to 40 years of age.

Northern Arizona University

A total of \$336,000 will be allocated to 2 projects involving elevators at its Flagstaff campus. Of this amount, \$312,500 will fund replacement of an aging elevator at the College of Social and Behavioral Sciences, which has been "red tagged" meaning unsafe for use by the state elevator inspector with the Arizona Industrial Commission who determined that the elevator needs replacement. The inspector identified this particular elevator as the top priority for this appropriation. In addition, NAU has allocated \$23,500 for miscellaneous safety and elevator repairs throughout its Flagstaff campus that have also been identified by the state elevator inspector. The miscellaneous elevator safety items include door sensor replacements and the replacement of aging controllers.

University of Arizona

A total of \$1.6 million will be allocated to 4 main categories of project: Fire Safety, Elevator Modernizations, Keyless Access and Street Repaving. Of this amount, \$580,000 has been allocated to bring elevators up to code in 3 buildings, which consist of the Main Library, University Services Building and the Biosciences West Building. An additional \$572,000 has been allocated to replace fire alarm panels that are out of date or discontinued in 19 buildings. An amount of \$261,000 has been allocated for Keyless Access Phase 3, which would provide keyless technology to the Veterinary Sciences Building, Creative Photo Building, Marley Building and the Engineering Building. Lastly, UA has allocated \$198,000 for street repaving to replace the deterioration of the Tucson campus thoroughfare, in addition to providing additional safety measures for pedestrians and Americans with Disabilities Act (ADA) access throughout the campus.

Table 1

FY 2015 Arizona Board of Regents Building Renewal Allocation Plan

Arizona State University

HVAC Replacement and Repair	\$ 763,000
Central Plant Upgrades	<u>290,000</u>
Subtotal	\$ 1,053,000

Northern Arizona University

Social and Behavioral Sciences Elevator Repair	\$ 312,500
Miscellaneous Safety and Elevator Repairs	<u>23,500</u>
Subtotal	\$ 336,000

University of Arizona

Elevator Modernizations	\$ 580,000
Fire Safety	572,000
Keyless Access Phase 3	261,000
Street Repaving	<u>198,000</u>
Subtotal	\$ 1,611,000

Total	\$ 3,000,000
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RS/AS:kp

September 3, 2014

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



Dear Representative Kavanagh,

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

The University of Arizona Building Renewal FY 2015

- Fire Safety (Replace fire alarm panels that are out of UL listing or discontinued)
- Elevator Modernizations - Bringing elevators up to current code
- Keyless Access Phase 3 - Continuing campus wide exterior keyless access project. Phase 3 of 12
- Street Repaving (Cherry) - Addressing deterioration of Main Campus thoroughfare and providing safer pedestrian and ADA access throughout campus.

Bond Summary

The project will be funded through State Appropriations.

Enclosed is the List of Building Renewal Projects for FY 2014/2015.

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

Sincerely,

James A. Hyatt
Interim Senior Vice President for Business Affairs and Chief Financial Officer

Attachments: List of Building Renewal Projects for 2014/15

xc: Tim Bee, Senior Associate Vice President, Legislative and Community Relations, UA
Dr. Ann Weaver Hart, President, UA
Eileen I. Klein, President, Arizona Board of Regents
Mark McGurk, Associate Vice President/Comptroller, UA; Art Smith, JLBC Analyst
Lorenzo Martinez, Associate Vice President for Finance and Administration, ABOR
Robert Smith, Vice President for Business Affairs, UA
Richard Stavneak, Director, JLBC

Building Renewal 2014/2015
UA Facilities Management

ITEM DESCRIPTION	BUDGET
I. Fire Safety (Replace fire alarm panels that are out of UL listing or discontinued)	\$572,000
a. Slonaker	
b. CESL	
c. Alumni	
d. MLK	
e. FM Warehouse	
f. Esquire	
g. FM Admin	
h. Cesar Chavez	
i. Anthro/AZ Mus South	
j. Rogers Roundtree	
k. AHSC Animal Care	
l. AIC	
m. AML E/W	
n. Communications	
o. Mirror Casting	
p. MRI	
q. Bldg 220 (FOB)	
r. Arch Addition	
s. Learning Resources	
II. Elevator Modernizations - Bringing elevators up to current code	\$580,000
a. USB	\$155,000
b. Main Library	\$140,000
c. BSW	\$285,000
III. Keyless Access Phase 3 - Continuing campus wide exterior keyless access project. Phase 3 of 12	\$261,000
a. Vet Sciences Bldg 90	
b. Creative Photo Bldg 103	
c. Marley Bldg 107	
d. Engineering Bldg 20	
IV. Street Repaving (Cherry) - Addressing deterioration of Main Campus thoroughfare and providing safer pedestrian and ADA access throughout campus.	\$198,000
GRAND TOTAL	\$1,611,000



ARIZONA STATE UNIVERSITY

September 4, 2014

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

Dear Representative Kavanagh:

In accordance with ARS 41-1252 (A) (4), the Arizona Board of Regents requests that the attached list of building renewal projects for Arizona State University be placed on the next Joint Committee on Capital Review agenda for review:

- Central Plant Upgrades
- HVAC Replacement and Repair

Enclosed is pertinent information relating to these items.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Morgan R. Olsen', followed by a horizontal line.

Morgan R. Olsen
Executive Vice President, Treasurer and CFO

Enclosures

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

OFFICE OF THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

BUSINESS AND FINANCE

PO Box 877505, TEMPE, AZ 85287-7505

(480) 727-9920 FAX: (480) 727-9922

**Joint Committee on Capital Review
Arizona State University
2014-2015 Building Renewal Funds Allocations Plan
September 25, 2014**

The Arizona Legislature has allocated \$3,000,000 to the Arizona Board of Regents of which \$1,053,000 was further allocated to Arizona State University for building renewal for fiscal year 2015. ASU's priorities for the allocation include Central Plant Upgrades and HVAC Replacement and Repair. Preliminary budgets will be finalized after design is complete.

BUILDING RENEWAL PROJECT	ESTIMATE
Central Plant Upgrades	\$290,000
Existing central plant equipment is in need of replacement and upgrade to new technology that will increase plant efficiency and reliability. Chiller/pump/motor controls are included in planned replacement and upgrades.	
HVAC Replacement and Repair	\$763,000
In many of our buildings the HVAC systems have exceeded their useful life and should be replaced. Replacement with today's technology will improve efficiency and provide additional flexibility to program and renovate facilities to meet the highest priority campus space needs.	
Total Allocation:	\$1,053,000



NORTHERN
ARIZONA
UNIVERSITY

Office of the Vice President for
Finance and Administration

Northern Arizona University
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September 4, 2014

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

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

Dear Representative Kavanagh:

In accordance with ARS 41-1252, the Arizona Board of Regents requests the attached list of building renewal projects for Northern Arizona University be placed on the next Joint Committee on Capital Review agenda for review:

- SBS West Elevator Repair
- Miscellaneous Safety and Elevator Repairs

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Jennus L. Burton'.

Jennus L. Burton
Vice President for Finance and Administration

Attachment

cc: Richard Stavneak, Director, JLBC
Art Smith, JLBC Analyst
Eileen Klein, ABOR President
Lorenzo Martinez, Associate Vice President, ABOR
Rita Cheng, President, NAU
Christy Farley, VP Governmental Relations, NAU

JOINT COMMITTEE ON CAPITAL REVIEW

NORTHERN ARIZONA UNIVERSITY

Fiscal Year 2014 Building Renewal Funds Allocation Plan

September 2014

The Arizona Legislature has allocated \$3,000,000 to the Arizona Board of Regents (\$336,000 to NAU) for building renewal for Fiscal Year 2014. NAU's list of priorities for the allocation is shown below. Preliminary budgets are subject to change and will not be finalized until projects are bid.

BUILDING RENEWAL PROJECT

ESTIMATE

SBS West Elevator Repair	\$312,510
Replace an aging elevator at SBS West (building #70). The aging elevator at SBS West has been "red tagged" by the state elevator inspector and needs replacement. It was identified by the inspector as the top priority.	
Miscellaneous Safety and Elevator Repairs	\$23,490
Improvement of safety items on various campus elevators that have also been noted by the state elevator inspector. These safety items include things such as door edge sensor replacements, replacing aging controllers with solid state controllers, etc.	
Total Allocation:	\$336,000



STATE OF ARIZONA

Joint Committee on Capital Review

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HOUSE OF
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ANDREW C. SHERWOOD

DATE: September 23, 2014

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

THRU: Richard Stavneak, Director *RS*

FROM: Krista MacGahan, Fiscal Analyst *KM*

SUBJECT: Arizona Game and Fish Department - Review of FY 2014 Building Renewal Allocation Plan

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona Game and Fish Department (AGFD) requests the Committee review its FY 2014 Building Renewal Allocation Plan. The FY 2014 Capital Outlay Bill (Laws 2013, 1st Special Session, Chapter 8) appropriated a total of \$547,600 from the Game and Fish Fund for building renewal. The bill specified the appropriation in FY 2014 is available through the end of FY 2015.

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 provisions:

- A. AGFD report on actual FY 2014 building renewal spending by project and appropriation source on December 31, 2014, June 30, 2015 and June 30, 2016.
- B. AGFD 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 AGFD, the JLBC Staff shall recommend AGFD to request Committee review of the reallocation.

(Continued)

C. The distribution of the emergency contingency allocation of \$96,900 be addressed as follows:

1. AGFD notify the Chairman and the JLBC Staff that they plan to spend less than \$50,000 on an emergency project. AGFD can proceed without Committee review.
2. If the emergency project is \$50,000 or greater, AGFD will request JCCR review.
3. The Chairman can allow AGFD to move forward with an emergency project of greater than \$50,000 without Committee review.
4. The Chairman will notify AGFD if he does not agree that the project is an emergency and will request that AGFD not proceed with the project.

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

These provisions are comparable to conditions that JCCR has previously favorably reviewed for Arizona Department of Administration Building Renewal.

The JLBC Staff projects a budget shortfall of \$(282) million in FY 2015 and \$(765) million in FY 2016 when factoring in the impact of the Superior Court ruling on the K-12 inflation litigation. Traditionally, the Legislature has reduced or eliminated one-time capital and building renewal monies to resolve budget shortfalls. AGFD funds have not been used to address prior budget shortfalls. Federal law effectively precludes that option.

Analysis

Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. A total of \$547,600 is appropriated to AGFD for building renewal in FY 2014.

The following provides an overview of the amounts allocated to different categories of projects. Project categories include Fire and Life Safety, Building Shell/Interior, Major Building Services, Infrastructure, Preventative Maintenance and Contingencies.

Fire and Life Safety Projects

A total of \$79,200 will be allocated to fire and life safety projects. Of this amount, \$65,000 will be used to upgrade the fire alarm, panic alarm, and video surveillance systems at the Kingman Regional Office and \$14,200 will be used to install rolling security shutters at the Tucson Regional Office.

Building Shell/Interior Projects

A total of \$219,700 will be allocated to building shell and interior projects. Of this amount, \$97,300 will be used for various projects, like installing new flooring and interior and exterior painting and upgrading a public restroom to Americans with Disabilities Act standards at the Kingman Regional Office. \$122,400 will be used for various projects at the Tucson Regional Office, such as installing new walls, flooring, work stations, and customer service counters.

Major Building Services Projects

A total of \$50,000 will be used for HVAC replacement at the Kingman Regional Office.

Infrastructure

A total of \$58,000 will be allocated to replace the existing access control system at the Kingman Regional Office.

(Continued)

Preventative Maintenance

A.R.S §41-793.01 allows AGFD to allocate up to 8% of building renewal appropriations for routine preventative maintenance. A total of \$43,800 is allocated for preventative maintenance for AGFD facilities.

Other

A total of \$96,900 is allocated for contingency. AGFD will expend monies to repair or replace failed or failing HVAC, plumbing, electrical, and other building systems in mission critical structures and address unforeseen scope of work conditions.

Of the \$547,600, \$136,600 is for the Tucson Regional Office remodeling while \$270,300 is for the Kingman Regional Office repairs. The cost to remodel 850 square feet of the Tucson Regional Office is \$161 per square foot and the cost to repair 5,200 square feet of the Kingman Regional Office is \$52 per square foot. The remainder of the building renewal allocation will be spent on projects statewide.

Table 1	
FY 2014 Building Renewal Projects	
<u>Fire & Life Safety Projects</u>	
Kingman Regional Office	\$ 65,000
Tucson Regional Office	<u>14,200</u>
Subtotal	79,200
<u>Building Shell/Interior Project</u>	
Kingman Regional Office	\$ 97,300
Tucson Regional Office	<u>122,400</u>
Subtotal	219,700
<u>Major Building Services Projects</u>	
Kingman Regional Office	\$ 50,000
<u>Infrastructure</u>	
Kingman Regional Office	\$ 58,000
<u>Preventative Maintenance</u>	
Maintenance on AGFD Facilities	\$ 43,800
<u>Other</u>	
Emergency Contingency	<u>\$ 96,900</u>
TOTAL	\$547,600

RS/KM:kp



THE STATE OF ARIZONA
GAME AND FISH DEPARTMENT

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TY E. GRAY



September 3, 2014

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



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

Honorable Representative Kavanagh:

The Arizona Game and Fish Department respectfully requests to be on the next scheduled agenda of the Joint Committee on Capital Review to review the following:

1. Request to retitle FY13 Appropriation (Laws 2012, Chapter 295) Dam Maintenance - \$500,000 to "*Statewide Building and Infrastructure Maintenance*" and FY12 Appropriation (Laws 2011, Chapter 25) Dam Maintenance - \$500,000 to "*Statewide Building and Infrastructure Maintenance*"
2. Request to retitle FY11 Appropriation (Laws 2010, 7th Special Session Chapter 2) Silver Creek Hatchery Remodel/Expansion - \$1,000,000 to "*Statewide Hatchery Maintenance and Improvements*" and FY10 Appropriation (Laws 2009, 1st Regular Session Chapter 10) Silver Creek Hatchery Remodel/Expansion - \$1,900,000 to "*Statewide Hatchery Maintenance and Improvements*"
3. The Arizona Game and Fish Building Renewal Expenditure Plan (FY14 Appropriated Funds)

The following information for this review is attached:

- Justification for Retitling Prior Appropriations – Dam Maintenance
- Justification for Retitling Prior Appropriations – Silver Creek Hatchery Remodel/Expansion
- Arizona Game and Fish Building Renewal Expenditure Plan

Sincerely,

Larry D. Voyles
Director

Justification for Retitling Prior Appropriations

Retitle FY13 Appropriation (Laws 2012, Chapter 295) Dam Maintenance - \$500,000 to "Statewide Building and Infrastructure Maintenance" and FY12 Appropriation (Laws 2011, Chapter 25) Dam Maintenance - \$500,000 to "Statewide Building and Infrastructure Maintenance"

Description of Issue – How This Request Furthers the Agency's Mission/Mandates

AGFD currently maintains a diverse portfolio of over 300 structures within its building and infrastructure system across the state, totaling over 600,000 square feet. Facilities range in age and type from historic structures constructed in the 1930's to newly built or renovated administrative facilities. Estimated replacement costs exceed \$50 million. **AGFD facilities and infrastructure are critical to achieve its mission. AGFD must operate and maintain its facilities in a manner that will ensure safe, functional use by employees and the public.** To accomplish this objective AGFD requires greater fiscal agility within its established budget authority.

Proposal

Established in statute, AGFD's Capital Improvement Fund (CIF) is derived from a surcharge on the sale of hunting and fishing licenses and is eligible for renovating or improving AGFD facilities. These CIF funds will be strategically applied to maintenance and repair costs relating to mission critical facilities and infrastructure necessary to support the day to day operations of AGFD, which include the state headquarters, regional offices, fish hatcheries, shooting ranges, dams, actively managed wildlife areas and managed recreational facilities that encounter frequent human interface. Expenditure classifications are as follows:

1. **Building Maintenance:** This category refers to any real property, fixtures, furnishings and equipment that AGFD deems appropriate to carry out its mission. Projects are prioritized based on scheduled replacement or renovation of facility components as determined by their individual life expectancy or condition index, and are intended to preserve the overall value of the asset, circumvent costly repairs or maintain an established level of suitable function and appearance. AGFD identifies three major categories within its facility maintenance program:
 - Major Building System Components - Refers to the aggregate of components which contribute to the overall function of a building and related property such as plumbing, HVAC, electrical components, generators, fire prevention/life safety, ADA accessibility
 - Exterior Shell – Includes roofing, exterior painting, weatherproofing, exterior lighting, signage
 - Interior Finishes/Tenant Improvements – Includes interior painting, flooring, restroom renovations, millwork, alterations to occupied space
2. **Infrastructure Maintenance:**
 - Dams** – AGFD owns and operates 37 dams which impound many of the popular rim country and White Mountain lakes. AGFD dams range in height from less than 6 feet to over 80 feet and capacities up to 9000 acre feet. Twenty-nine dams are jurisdictional (regulated by ADWR) of which six are High Hazard, four Significant Hazard and twenty-seven Low Hazard. Hazard classifications refer to the downstream threat to property and life safety given a catastrophic failure of the dam. AGFD high and significant hazard dams have Automated Local Evaluation in Real Time "ALERT" remote sensing equipment that transmits real time data that can trigger an emergency response as determined in their Emergency Action Plans. Routine maintenance includes valve repairs, vegetation removal and control, erosion control and repair, spillway maintenance and repair and maintenance of monitoring equipment.
 - Property Maintenance** – AGFD Commission owns over sixty properties statewide. Over thirty are designated as wildlife areas totaling over 250,000 acres including twelve actively managed properties; eight properties are classified as administrative sites which include six regional offices and the state headquarters; and AGFD owns and operates six fish hatcheries and seven shooting ranges. Property

infrastructure projects can include road and pavement maintenance, drainage maintenance, irrigation systems, concrete flatwork, wells/pumps, water and wastewater systems, signage, etc.

3. **Contingency:** *Emergency Maintenance and Repairs* - Unscheduled and unanticipated building system or equipment repairs requiring immediate response in order to maintain functionality of essential facilities and infrastructure. *Corrective Maintenance* - These maintenance activities are typically related to health, safety or accessibility concerns as determined by AGFD's Loss Prevention Coordinator or Engineering staff, and require a timely response.

Project Prioritization: The Department will use a comprehensive *Facility Condition Assessment* process that provides objective and subjective analysis of the existing and projected future condition of building systems and infrastructure. This process determines the immediate and long-term cost liabilities associated with its maintenance program. Defensible reporting of condition data will facilitate prioritization of projects and leverage procurement strategies against other program needs.

Alternatives Considered and Reasons for Rejection:

Use of other funding sources - Not all AGFD's funding sources are appropriate or eligible for building and infrastructure maintenance. In some cases operational budgets may be tapped for building and infrastructure projects, but only at the expense of compromising other mission critical activities.

Defer Maintenance - This is the practice of postponing maintenance activities in order to save costs, meet budget funding levels, or realign available budget monies. The failure to perform needed repairs could lead to asset deterioration and ultimately asset impairment.

Impact of Not Approving this Request:

Generally, a policy of continued deferred maintenance may result in higher costs, asset failure, and in some cases, health and safety implications.

Retitle FY11 Appropriation (Laws 2010, 7th Special Session Chapter 2) Silver Creek Hatchery Remodel/Expansion - \$1,000,000 to "Statewide Hatchery Maintenance and Improvements" and FY10 Appropriation (Laws 2009, 1st Regular Session Chapter 10) Silver Creek Hatchery Remodel/Expansion - \$1,900,000 to "Statewide Hatchery Maintenance and Improvements"

Description of Issue – How This Request Furthers the Agency's Mission/Mandates

The current Silver Creek fish hatchery operation is what's referred to as a single pass, grow-out system, which is a very inefficient fish culture strategy, particularly in light of current "*state of the art*" aquaculture practices. In 2009, AFGD determined that with a major hatchery renovation, the spring water used at the hatchery can be reused as many as six times before nitrates and nitrites become toxic. This means a fivefold increase in fish production and the ability of having an Apache Trout (native to Arizona) brood stock program. In addition, to the grow-out facility, a hatching and rearing building would allow AGFD to hatch and raise fish from egg to fingerlings. The two appropriations totaling \$2.9 million were requested and approved by the legislature.

The property is comprised of approximately 821 acres of deeded property at the headwater of Silver Creek (Silver Spring) and along Silver Creek as it flows northwest towards White Mountain Reservoir. Because the newly designed hatchery configuration would no longer be a "single pass" flow through facility, consultation with the Arizona Department of Water Resources concerning AGFD's in-stream water rights concluded AGFD will need to complete a severance and transfer process before the new hatchery could be constructed. No such severance or transfer of water rights will be permitted without first having obtained the written consent and approval of any irrigation district whose boundaries those rights reside in. Discussions the Silver Creek Irrigation and Drainage District indicate the severance and transfer application will be contested. Given what

likely will be a considerable delay to this project, AGFD has determined its hatchery system would be better served by retitling these appropriations allowing flexibility to address an increasing burden of deferred maintenance within its other facilities. AGFD owns and operates the following fish hatcheries:

Sterling Springs

Objective: Continue intensive fish culture operation to ensure hatching and early-life growth of trout for transfer to Page Springs Hatchery or stocking in approved waters of Arizona.

Current Deferred Maintenance Estimate: \$175,000

Page Springs

Objective: Continue intensive fish culture operations to ensure production and stocking of trout (approximately 225,000 pounds annually) in various waters of Arizona.

Current Deferred Maintenance Estimate: \$255,000

Tonto Creek

Objective: Continue intensive fish culture operation to ensure production and stocking of trout (approximately 55,000 pounds annually) in various waters of central and east central Arizona.

Current Deferred Maintenance Estimate: \$320,000

Canyon Creek

Objective: Continue intensive fish culture operations to ensure production and stocking of trout (approximately 80,000 pounds annually) in various waters of central and east central Arizona.

Current Deferred Maintenance Estimate: \$475,000

Silver Creek

Objective: Continue intensive fish culture operations to ensure production and stocking of trout (including native Brown and Apache trout; approximately 20,000 pounds annually) in various waters of east central Arizona.

Current Deferred Maintenance Estimate: \$60,000 (interim, pending complete re-construction)

Bubbling Ponds

Objective: Operate a warm water fish culture station and afford public recreational activities such as fishing access to Oak Creek and bird watching. Develop a Native Fish Conservation Facility that is focused on research into propagation techniques as well as native fish biology.

Current Deferred Maintenance Estimate: \$525,000

Example Hatchery Maintenance Projects

- Renovate Spring Collection Structures
- Fish Rearing Raceway Concrete Resurfacing or Replacement
- Raceway Canopy Repairs
- Predator Control Fencing/Netting Repairs
- Replace Rollup Doors on Hatchery Feed Buildings
- Renovate Show Ponds
- Water Conveyance Piping Repairs/Valve Replacements
- Visitor Center Refurbishing
- Asphalt Surface Repairs and Sealing
- Concrete Surface Repairs
- Signage Replacement

Impact of Not Approving this Request: A statewide angler survey assessment estimated that sport fishing in Arizona had a \$1.3 Billion impact to the state economy. Thirty percent of that figure (30%) could be directly attributed to hatchery trout stocking, which translates to \$390 Million. Deferring maintenance at the hatcheries will ultimately translate into reduced production, resulting in lower angler satisfaction and an associated negative economic impact due to a decline in angler participation.

Arizona Game and Fish Building Renewal Expenditure Plan (Using Prior Year FY14 Building Renewal Appropriation)

Kingman Regional Office Renovations

Need: AGFD's Regional Offices are typically occupied by 30+ program staff and provide regional hubs for customer service and outreach. The Kingman Regional Office will be the last of three Regional Offices to be renovated over the past 3 years. Built in the early 1990's, the office has received minimum maintenance over the last 10 years and from functional, technological and aesthetic perspectives, requires significant renovation.

Cost Estimate:

Activity	Quantity	Unit	Unit Cost	Cost
New Flooring	5200	SF	\$5.50	\$28,600
Exterior Painting	4500	SF	\$1.45	\$6,525
Interior Painting	11500	SF	\$1.65	\$18,975
Replace Ceiling Tiles	5200	SF	\$1.65	\$8,580
Upgrade Fire Alarm System	1	LS	\$20,000.00	\$20,000
Upgrade Panic Alarm System	1	LS	\$15,000.00	\$15,000
Access Control System	1	LS	\$35,000.00	\$35,000
Video Surveillance System	1	LS	\$30,000.00	\$30,000
Remodel Public Restroom (upgrade to ADA)	0	SF	\$300.00	\$0
Window Coverings	350	SF	\$9.00	\$3,150
Customer Service Area Remodel	1	LS	\$25,000.00	\$25,000
Replace HVAC	5	EA	\$10,000.00	\$50,000
Termite Treatment	5200	SF	\$1.25	\$6,500
Parking Lot Crack and Slurry Seal	9200	SY	\$2.50	\$23,000
TOTAL ESTIMATE:				\$270,330

Impact of Not Approving this Request: Continued deferred maintenance will result in higher costs, asset failure, and in some cases, health and safety implications.

Tucson Regional Office Customer Service/Lobby Remodel

Need: In addition to replacing aged mill work and finishes there are two goals in this renovation. One is to provide additional waiting and browsing space for visitors. Particularly during hunt application deadlines the lobby overflows and queuing is problematic. The additional space will be added to the lobby by removing two volunteer stations and a partition wall in the business area (two will remain) and moving the customer service counter back from the lobby. Secondly, the remodel will focus on improved security. The customer service staff feels very exposed with the current configuration. The new customer service bays will be standing height and will reduce exposure to the business office area. Security shutters will be installed for off-hours security.

Cost Estimate

Activity	Quantity	Unit	Unit Cost	Cost
Temporary Business Services Setup	1	LS	\$1,200.00	\$1,200
Demolition - Walls/Floors/Reception Area	1	LS	\$7,674.00	\$7,674
New Wall Partition and Soffit - Framing/Drywall/Texture	1300	SF	\$11.00	\$14,300
New Reception Area Counters/AV Cabinet	1	LS	\$36,114.00	\$36,114
Framing/Bracing/Ceiling Soffit for Rolling Shutters	1	LS	\$16,922.00	\$16,922
Install New Rolling Security Shutters	4	EA	\$3,560.00	\$14,240
Flooring	850	SF	\$12.45	\$10,583
Frames/Doors/Hardware	1	LS	\$6,803.00	\$6,803
Painting	1600	SF	\$4.20	\$6,720
New CS Work Stations/Volunteer Work Stations/Lobby Mill and Case Work	1	LS	\$22,114.00	\$22,114
TOTAL ESTIMATE:				\$136,670

Impact of Not Approving this Request: AGFD is committed to presenting a positive image at its Regional facilities as well as superior customer service. Continued deferred maintenance will result in dilapidated facilities, poor customer experience, and in some cases, health and safety implications.

FY 2014 Building Renewal Appropriation Balance

Original Appropriation Amount	\$547,600
<i>Kingman Regional Office Renovation</i>	<i>\$270,330</i>
<i>Tucson Customer Service/Lobby Remodel</i>	<i>\$136,670</i>
Balance:	\$140,600

Per statutory requirement, for projects exceeding \$25,000, AGFD will submit a detailed Expenditure Plan to the Joint Committee on Capital Review for review and approval. AGFD may spend up to 8% of the total appropriation amount on preventive maintenance.



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
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DATE: September 23, 2014

TO: Representative John Kavanagh, 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 2015 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 late request that the Committee review its \$3.4 million FY 2015 Building Renewal Allocation Plan.

ADOT has allocated \$3.2 million from the State Highway Fund among 133 projects, leaving a contingency balance of \$100,000 and \$110,000 for project management support. ADOT has also allocated \$204,900 from the State Aviation Fund for 25 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.

The JLBC Staff projects a budget shortfall of \$(282) million in FY 2015 and \$(765) million in FY 2016 when factoring in the impact of the Superior Court ruling on the K-12 inflation litigation. Traditionally,

(Continued)

the Legislature has reduced or eliminated one-time capital and building renewal monies to resolve budget shortfalls. ADOT's Highway Fund cannot be directly transferred to the General Fund, so deferral of these projects would not affect the level of options available to resolve the budget shortfall.

Analysis

The FY 2015 Capital Outlay Bill (Laws 2014, Chapter 15) appropriated a total of \$3.4 million for building renewal in FY 2015, including \$3.2 million from the State Highway Fund and \$204,900 from the State Aviation Fund. The FY 2015 Building Renewal appropriation represents 28.5% of the amount generated by the revised building renewal formula for the ADOT Building System and 100% for the Grand Canyon Airport building renewal formula for FY 2015. 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 133 projects:

<u>Category</u>	<u>Projects</u>	<u>State Highway Fund</u>	<u>% of Total</u>
Building Systems (HVAC, Electrical, Plumbing)	46	\$1,489,800	46%
Exterior Preservation (Doors, Windows, Siding)	42	431,600	14%
Roof Repairs/Replacement	20	409,000	13%
Remodel	4	290,000	9%
Interior Finishes (Paint, Carpet, Tile)	7	150,300	5%
Fire/Life Safety	7	85,000	3%
Infrastructure (Sewers, Wells)	6	121,200	4%
Americans with Disabilities Act	1	5,000	0%
Project Management Support	NA	110,000	3%
Contingency	<u>NA</u>	<u>100,000</u>	<u>3%</u>
Total	133	\$3,191,900	100%

Of the 133 State Highway Fund projects, the following 6 projects require \$100,000 or more:

<u>Project</u>	<u>Allocation</u>
Building Systems (HVAC, Electrical, Plumbing) Traffic Operations Center Building 1711 - Replace 4 Air Handler Units	\$ 300,000
Building Systems (HVAC, Electrical, Plumbing) Administration Building 1005A - Replace HVAC Control System	268,000
Building Systems (HVAC, Electrical, Plumbing) Administration Building 1005B - Replace CRAC Units	150,000
Building Systems (HVAC, Electrical, Plumbing) Tucson Regional MVD Building - Replace HVAC Control System	140,000
Roof Repairs/Replacement Tucson Regional MVD Building - Reroof Building	125,000
Remodel Surprise MVD Building - Replace/Repair Customer Service Counters	<u>100,000</u>
Total	\$1,083,000

(Continued)

ADOT expects to allocate the Building Renewal monies from the State Aviation Fund in the following categories for 25 projects:

<u>Category</u>	<u>Projects</u>	<u>State Aviation Fund</u>	<u>% of Total</u>
Interior Finishes (Paint, Carpet, Tile)	6	\$119,500	58%
Infrastructure (Sewers, Wells)	4	25,000	12%
Exterior Preservation (Doors, Windows, Siding)	4	24,000	12%
Building Systems (HVAC, Electrical, Plumbing)	5	12,400	6%
Remodel	3	12,000	6%
Roof Repairs/Replacement	2	8,000	4%
Fire/Life Safety	1	2,000	1%
Contingency	<u>NA</u>	<u>2,000</u>	<u>1%</u>
Total	25	\$204,900	100%

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

RS/BB:lm
Attachment

September 18, 2013

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



Dear Representative Kavanagh:

We respectfully request that ADOT's planned FY2015 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	\$ 85,000
Category 2- Roof Repairs/Replacement	409,000
Category 3- Preservation of Asset	431,630
Category 4- Major Building Systems	1,489,815
Category 5- Interior Building Finishes	150,255
Category 6- Reconfigure Occupied Space	290,000
Category 7- ADA Compliance	5,000
Category 8- Infrastructure	121,200
Project Management Support	110,000
Contingency	100,000
Subtotal	\$ <u>3,191,900</u>

Renewal Projects – State Aviation Fund:

Category 1- Fire/Live/Safety	\$ 2,000
Category 2- Roof Repairs/Replacement	8,000
Category 3- Preservation of Asset	24,000
Category 4- Major Building Systems	12,400
Category 5- Interior Building Finishes	119,500
Category 6- Reconfigure Occupied Space	12,000
Category 8- Infrastructure	25,000
Project Management	2,000
Subtotal	<u>204,900</u>

FY2015 Total \$ 3,396,800

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

Sincerely,

John S. Halikowski

c: Richard Stavneak, JLBC
Rebecca Dial, OSPBBen Beutler, JLBC
John Hetzel, ADOT

STATE OF ARIZONA
FY 2015 CAPITAL IMPROVEMENT PLAN
DEPARTMENT OF TRANSPORTATION FY 2015 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY

Project Description	Estimated Cost
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STATE HIGHWAY FUND

CATEGORY 1 - FIRE/LIFE SAFETY

Window Rock MVD Bldg 3362 - Replace fire alarm system panel	\$ 10,000
Kingman MVD Bldg 3051 - Upgrade roof access ladder	\$ 5,000
Traffic Operations Center Bldg 1711 - Replace Fire Alarm Panel	\$ 40,000
Mesa Regional MVD Bldg 1351 - Design for installation of fire sprinkler system	\$ 15,000
Phoenix Traffic Opns Office Bldg 1800 - Integrate into main bldg fire alarm system	\$ 5,000
Parker Maintenance Restroom & Fuel Station Bldgs 2564 & 2565 - Replace failing steps	\$ 5,000
ADOT Statewide - Asbestos and lead paint abatement	\$ 5,000
TOTAL	\$ 85,000

CATEGORY 2 - ROOFS

Many Farms Storage Bldg 3357 - Repair roof	\$ 15,000
Needle Mountain Sign Storage Bldg 3531 - Replace corrugated roof	\$ 10,000
Traffic Signal Office Bldg 1031 - Replace unserviceable roof	\$ 50,000
North Phoenix Landscape Maintenance Bldg 1255 - Apply white roof coating	\$ 6,000
Tempe Landscape Maintenance Bldg 1502 - Apply white roof coating	\$ 5,000
Chandler Construction Office Bldg 1521 - Apply white roof coating	\$ 6,000
Happy Valley Construction Office Bldg 1250 - Apply white roof coating	\$ 6,000
Salt River Construction Office Bldg 1346 - Apply white roof coating	\$ 6,000
48th Str Construction Office Bldg 1501 - Apply white roof coating	\$ 6,000
Douglas Maintenance Office Bldg 2120 - Repair/replace damaged roof and fascia	\$ 30,000
Grey Peak Rock House Residence Bldg 2145 - Replace failing roof	\$ 12,000
Douglas Maintenance Storage/Office Bldg 2121 - Repair/foam failing roof	\$ 20,000
Nogales Roadway Maintenance Office Bldg 2171 - Replace/foam failing roof	\$ 18,000
Yuma Construction Office Bldg 2033 - Apply white cool roof coating	\$ 5,000
Tucson Equipment Services Shop Bldg 2186 - Replace failing, unsafe roof section	\$ 15,000
Tucson Regional MVD Bldg 2150 - Reroof building	\$ 125,000
Douglas MVD Bldg 2124 - Replace failing roof	\$ 40,000
Coolidge MVD Bldg 2071 - Reroof building	\$ 25,000
Yuma B-8 POE Bldg 2015 - Repair/replace overhang/soffit	\$ 4,000
ADOT Statewide - Repair roofs	\$ 5,000
TOTAL	\$ 409,000

CATEGORY 3 - PRESERVATION OF ASSET

Prescott Valley Equipment Shop Bldg 3067 - Upgrade O/H doors to include additional bearing supports	\$ 5,000
Show Low Equipment Shop Bldg 3270 - Repaint exterior	\$ 12,000
Fredonia Maint Yard Fuel Station Bldg 3224 - Repaint wood trim	\$ 3,000
Fredonia Maint Yard Spreader Rack Bldg 3221 - Repaint steel structure	\$ 15,000
Gray Mountain Storage / De-icer Bldg 3207 - Replace unserviceable O/H door due to major corrosion	\$ 10,000
East Flagstaff Truck Wash Bldg 3157 - Replace corroded exterior siding and structural members inside	\$ 75,000
Williams Storage/ Equipment Bldg 3108 - Repaint wash rack with 2-part epoxy paint	\$ 5,000
Show Low Maintenance Bldg 3279 - Repaint exterior	\$ 15,000
Show Low Maintenance Bldg 3279 - Repaint wash rack and inside bay	\$ 7,000
Indian Pine Maint Yard Spreader Rack Bldg 3396 - Paint spreader rack	\$ 4,500
Ganado Equipment Storage Bldg 3335 - R&R damaged siding & window near entry door, paint to match	\$ 7,000
Kayenta Equip Storage Bldg 3339 - Replace damaged siding, R&R bent "C" channel	\$ 22,300
Many Farms Equipment Storage Bldg 3354 - R&R damaged siding, trim & bent "C" channel, paint to match	\$ 22,900
Many Farms Paint Storage Bldg 3357 - Install new 8' x 7' sectional door, install set of entry doors, & repair roof damage	\$ 8,530
Kayenta Equipment Storage Bldg 3339 - Repaint exterior	\$ 5,000
Kayenta Equipment Shop Bldg 3344 - Repaint exterior	\$ 8,000
Kayenta Fuel Storage Bldg 3405 - Repaint exterior	\$ 1,000
Ganado Fuel Storage Bldg 3375 - Repaint exterior	\$ 1,000
Ganado De-icer Storage Bldg 3336 - Replace 2 roll up and 2 exterior man doors	\$ 12,000
Ganado Office/Equipment Storage Bldg 3338 - Repair cracked concrete floor in shop	\$ 5,000
Ganado Equipment Storage Bldg 3338 - Repair siding and paint exterior	\$ 15,000
Ganado Equipment Storage Bldg 3338 - Replace 6 windows with energy efficient windows	\$ 3,000
Seligman Old Spreader Rack Bldg 3496 - Repaint exterior	\$ 4,850
Seligman Spreader Rack Bldg 3543 - Repaint exterior	\$ 9,250
Seligman Storage Shed Bldg 3672 - Repaint exterior	\$ 1,250
Wikieup Maint Yard Bldg 3240 - Repaint exterior and ADA ramp	\$ 9,650
Wikieup Maint Yard Bldg 3024 - Repaint north side	\$ 1,200
Wikieup Maint Yard Bldg 3770 - Repaint exterior	\$ 2,500
Kingman Maintenance Office Bldg 3033 - Repaint exterior	\$ 2,500

STATE OF ARIZONA
FY 2015 CAPITAL IMPROVEMENT PLAN
DEPARTMENT OF TRANSPORTATION FY 2015 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY

Project Description	Estimated Cost
Kingman Facilities Lock Shed Bldg 3532 - Replace door	\$ 1,000
Prescott District Office Bldg 3063 - Reseal & caulk 35 windows, entrance and 5 man doors to eliminate leaks	\$ 12,700
Globe Maintenance Office Bldg 2079 - Replace failing roof	\$ 10,000
Safford District Office Site 260 - Repaint all building exteriors	\$ 15,000
Willcox Maintenance Site 243 - Repaint all building exteriors	\$ 15,000
Safford Annex Site 261 - Repaint all building exteriors	\$ 15,000
Grey Peak Site 264 - Repaint all building exteriors	\$ 15,000
Tucson District Office Bldg 2178 - Replace failed wood siding at main entrance, west side	\$ 3,000
Yuma Construction Office Bldg 2033 - Repaint exterior	\$ 7,000
Yuma Maintenance Shed/Office 2032 - Repaint exterior	\$ 9,000
Yuma Construction Lab Bldg 2028 - Repaint exterior	\$ 7,000
Yuma Traffic Operations Bldg 2029 - Repaint exterior	\$ 7,500
Tucson Equipment Services Bldg 2186 - Repair/replace ceiling and wall insulation	\$ 21,000
TOTAL	\$ 431,630

CATEGORY 4 - MAJOR BUILDING SYSTEMS	
Prescott Valley Equipment Shop Bldg 3067 - Replace unserviceable exhaust hoses	\$ 2,000
Prescott Valley Equipment Shop Bldg 3067 - Upgrade 15 Master Cool evaporative coolers	\$ 30,000
Kingman Equipment Services Bldg 3031 - Replace 4 unserviceable Master Cool evaporative coolers	\$ 8,000
Show Low Equipment Shop Bldg 3270 - Replace 4 unserviceable Master Cool evaporative coolers	\$ 8,000
Flagstaff Equipment Shop Bldg 3180 - Upgrade outdated inefficient boiler for infloor heating	\$ 10,000
Teec Nos Pos POE Office Bldg 3364 - Replace HVAC unit	\$ 5,000
Gray Mountain Residences All Residences - Replace water heaters and add timers	\$ 2,500
East Flagstaff Natural Resources Office Bldg 3178 - Upgrade HVAC spit system	\$ 6,000
Show Low Bldg 3270 - Replace two failing 17,000 cfm evaporative coolers	\$ 6,000
Springerville Bldg 3323 - Replace failing 17,000 cfm evaporative cooler	\$ 3,000
St. Johns Bldg 3313 - Replace failing 17,000 cfm evaporative cooler	\$ 3,000
Ganado Office/Equipment Storage Bldg 3338 - Replace 2 150,000 btu furnaces	\$ 6,300
Ganado Office/Equipment Storage Bldg 3338 - Replace failing 5 ton split HVAC system	\$ 8,904
Ganado Equipment Storage Bldg 3335 - Replace failing 250,000 btu furnace	\$ 5,301
Kingman District Training Modular Bldg 3046 - Replace HVAC	\$ 5,000
Kingman Materials Lab Bldg 3048 - Replace insulation on HVAC ductwork	\$ 1,000
Prescott District Office Bldg 3063 - Install fence to protect condensing units from javalinas	\$ 1,500
Traffic Operations Center Bldg 1711 - Replace four unserviceable air handler units	\$ 300,000
Traffic Operations Yard Bldg 1746 - Replace 2.5 Ton unserviceable heat pump system	\$ 6,810
Traffic Operations Sign Shop Bldg 1742 - Design for ventilation problems	\$ 15,000
1801 W Jefferson Bldg 1006 - Replacement of 2nd floor blower assembly	\$ 90,000
Administration Bldg 1005A - Replace unserviceable HVAC control system	\$ 268,000
Administration Bldg 1005B - Replace unserviceable chilled water bypass valve & remove pneumatic lines	\$ 25,000
Administration Bldg 1005B - Replace unserviceable CRAC Units (2 each)	\$ 150,000
Facilities Warehouse Bldg 1003 - Replace 3 ton unserviceable roof top a/c unit	\$ 7,500
Scottsdale MVD Bldg 1211 - Replace unserviceable roof top a/c units	\$ 50,000
South Mountain MVD Bldg 1901 - Replace rusted out cooling tower	\$ 50,000
Enforcement Inspection Office Bldg 1551 - Replace unserviceable rooftop a/c units with heat pumps	\$ 25,000
Phoenix Equipment Services Bldg 1755 - Replace high bay light fixtures	\$ 24,000
Agua Fria Maintenance Office Bldg 1611 - Replace undersized heat pump unit and ducting	\$ 20,000
West Valley Construction Office Bldg 1631 - Replace rooftop 15 Ton a/c unit with heat pump	\$ 20,000
Quartzsite Maint Site 204 - Repair aging electrical distribution sys for safety & code compliance	\$ 75,000
Tucson Equipment Services Shop Bldg 2186 - Replace 2 old HVAC units	\$ 23,000
Douglas Equipment Services Shop Bldg 2123 - Replace failing evap coolers	\$ 7,000
Safford Equipment Services Shop Bldg 2132 - Replace failing evap cooler	\$ 3,500
Tucson Equipment Services Shop Bldg 2186 - Replace unserviceable light fixtures	\$ 20,000
Tucson Regional MVD Bldg 2150 - Replace unserviceable HVAC control system	\$ 140,000
San Simon POE Bldg 2446 - Replace unserviceable HVAC unit	\$ 6,000
San Simon POE CVSA Modular Office Bldg 2018 - Replace failing HVAC	\$ 10,000
Yuma WB I-8 POE Bldg 2017 - Replace failing HVAC	\$ 12,500
ADOT Statewide - Elevator Repairs	\$ 5,000
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 - Retrofit unserviceable light fixtures	\$ 5,000
TOTAL	\$ 1,489,815

CATEGORY 5 - INTERIOR BUILDING FINISHES

Gray Mountain All Residences - Replace flooring	\$ 20,000
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STATE OF ARIZONA
FY 2015 CAPITAL IMPROVEMENT PLAN
DEPARTMENT OF TRANSPORTATION FY 2015 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY

Project Description	Estimated Cost
Gray Mountain Residence Bldgs 3198, 3199, 3200, 3201, 3202 - replace kitchen sinks & counter tops	\$ 5,000
SE Mesa MVD Bldg 1331 - Replace unserviceable flooring	\$ 37,316
West Phoenix MVD Bldg 1651 - Replace unserviceable flooring	\$ 45,207
1801 W Jefferson Bldg 1006 - Replace unserviceable flooring & paint walls	\$ 20,000
Mesa Regional MVD Bldg 1351 - Replace unserviceable floor tile	\$ 17,732
ADOT Statewide - Repair/replace flooring	\$ 5,000
TOTAL	\$ 150,255

CATEGORY 6 - RECONFIGURE OCCUPIED SPACE	
Phoenix Regional Lab Bldg 1701 - Repaint offices & floor; replace ceiling grid and light fixtures	\$ 80,000
FAST Bldg 1111 - Renovate ground floor restrooms and Data Collection space	\$ 60,000
Surprise MVD Bldg 1641 - Replace/repair unserviceable customer service counters	\$ 100,000
Agua Fria Maintenance Office Bldg 1611 - Renovate interior crew room including restrooms	\$ 50,000
TOTAL	\$ 290,000

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

CATEGORY 8 - INFRASTRUCTURE	
Fredonia Maintenance Yard Site 419 - Perform site electrical systems corrective changes	\$ 80,000
SE Mesa MVD Site 025 - Repair motorcycle test track	\$ 8,200
Globe Operations Yard Site 228 - Repair failing detection loops for automatic gate	\$ 8,000
Duncan POE Site 262 - Assess septic system for serviceability	\$ 15,000
ADOT Statewide - Repair parking lot pavements/curbing/stripping	\$ 5,000
ADOT Statewide - Repair site wells, water, and wastewater system deficiencies	\$ 5,000
TOTAL	\$ 121,200

TOTAL OF ALL PROJECTS REQUESTED	\$ 2,981,900
PROJECT MANAGEMENT SUPPORT	\$ 110,000
CONTINGENCY	\$ 100,000
TOTAL AUTHORIZED FUNDS	\$ 3,191,900

RECAP	
CATEGORY 1 - FIRE/LIFE/SAFETY	\$ 85,000
CATEGORY 2 - ROOFS	\$ 409,000
CATEGORY 3 - PRESERVATION OF ASSET	\$ 431,630
CATEGORY 4 - MAJOR BUILDING SYSTEMS	\$ 1,489,815
CATEGORY 5 - INTERIOR BUILDING FINISHES	\$ 150,255
CATEGORY 6 - RECONFIGURE OR REMODEL	\$ 290,000
CATEGORY 7 - ADA COMPLIANCE	\$ 5,000
CATEGORY 8 - INFRASTRUCTURE	\$ 121,200
PROJECT MANAGEMENT SUPPORT	\$ 110,000
CONTINGENCY	\$ 100,000
TOTAL	\$ 3,191,900

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 Bldg 3551 - Replace flat roof sections over entry canopies	\$ 5,000
Grand Canyon Airport Site 463 - Roof repairs	\$ 3,000
TOTAL	\$ 8,000

STATE OF ARIZONA
FY 2015 CAPITAL IMPROVEMENT PLAN
DEPARTMENT OF TRANSPORTATION FY 2015 FINAL BUILDING RENEWAL PROJECT LIST - BY CATEGORY

Project Description	Estimated Cost
CATEGORY 3 - PRESERVATION OF ASSET	
Grand Canyon Airport Bldg 3802- Replace overhead door bump strips on bottoms of all doors	\$ 8,000
Grand Canyon Airport Bldg 3802- Repaint peeling exterior paint on trim	\$ 5,000
Grand Canyon Airport Bldg 3557 - Replace unserviceable deteriorating rear deck	\$ 2,000
Grand Canyon Airport All Residence Bldgs - Repaint exterior	\$ 9,000
TOTAL	\$ 24,000
CATEGORY 4 - MAJOR BUILDING SYSTEMS	
Grand Canyon Airport Bldg 3564 - Replace unserviceable dishwasher	\$ 400
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	\$ 3,000
Grand Canyon Airport Site 463 - Window replacement/repair	\$ 3,000
TOTAL	\$ 12,400
CATEGORY 5 - INTERIOR BUILDING FINISHES	
Grand Canyon Airport Bldg 3802- Epoxy coat flooring	\$ 40,000
Grand Canyon Airport Residences - Replace unserviceable carpeting	\$ 40,800
Grand Canyon Airport Residences - Replace unserviceable linoleum flooring	\$ 27,500
Grand Canyon Airport All Residence Bldgs - Repaint interior	\$ 10,000
Grand Canyon Airport Bldgs 3560,3564,3557- Replace unserviceable closet doors	\$ 400
Grand Canyon Airport Bldgs 3558,3564,3557- Replace outdated vanities	\$ 800
TOTAL	\$ 119,500
CATEGORY 6 - RECONFIGURE OCCUPIED SPACE	
Grand Canyon Airport Bldg 3564 - Replace unserviceable outdated kitchen cabinets & countertops	\$ 6,000
Grand Canyon Airport Bldg 3564 - Replace unserviceable paneling with drywall	\$ 3,500
Grand Canyon Airport Bldg 3722 - Relevel residence	\$ 2,500
TOTAL	\$ 12,000
CATEGORY 8 - INFRASTRUCTURE	
Grand Canyon Airport Site 463 - Water and waste water system repairs	\$ 5,000
Grand Canyon Airport Site 463 - Pavement/sidewalk/signage repair	\$ 3,000
Grand Canyon Airport Site 463 - Fencing and barrier wall repair	\$ 2,000
Grand Canyon Airport Site 463 - Refurbish reclaim water system	\$ 15,000
TOTAL	\$ 25,000
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	\$ 8,000
CATEGORY 3 - PRESERVATION OF ASSET	\$ 24,000
CATEGORY 4 - MAJOR BUILDING SYSTEMS	\$ 12,400
CATEGORY 5 - INTERIOR BUILDING FINISHES	\$ 119,500
CATEGORY 6 - RECONFIGURE OCCUPIED SPACE	\$ 12,000
CATEGORY 8 - INFRASTRUCTURE	\$ 25,000
CONTINGENCY (Project Management)	\$ 2,000
TOTAL	\$ 204,900



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
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PHONE (602) 926-5491

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HOUSE OF
REPRESENTATIVES

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RICK GRAY
ANDREW C. SHERWOOD

DATE: September 23, 2014

TO: Representative John Kavanagh, 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 Lease

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 680 square foot classroom from the Flagstaff Unified School District (FUSD) in order to establish a "leased centralized campus" in a vacant wing of FUSD's Sinagua Middle School for the current school year.

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 entities consisting of more than one public school district that join together to provide Career and Technical Education (CTE) instruction on a regional basis. Individual school districts must receive voter approval in order to join a JTED, as taxpayers in JTED "member" districts pay a 5¢ Qualifying Tax Rate (QTR) tax in addition to the QTR taxes paid to their "regular" school district in order to help fund their local JTED.

(Continued)

Like “regular” school districts, JTEDs receive K-12 equalization formula funding based on their Average Daily Membership (ADM) counts. JTED students attend CTE classes at either a “central campus” or “satellite” site. The latter are located at local high schools and can generate up to an additional 0.25 ADM per pupil above the 1.0 ADM that each of their pupils can generate 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).

A.R.S. § 15-393R4 (enacted by Laws 2013, Chapter 229) now 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), but are located in leased facilities rather than at JTED “central campus” buildings (which typically are 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 June 2014, the Committee approved a similar request from the East Valley Institute of Technology (EVIT). The EVIT request was larger in scale, however, as it was for the lease of 3 entire buildings (6,800 square feet total), whereas the current request is for one classroom only (680 square feet).

Current Request

With Committee approval, CAVIAT plans to lease a 680 square foot classroom in a vacant wing of the Sinagua Middle School from the FUSD in order to provide “leased centralized campus” instruction in Fashion Design and Merchandising to approximately 16 students during the current school year. The proposed lease would be for 10 months at a monthly rate of \$408 (so \$4,080 over the course of the lease). CAVIAT does not plan to make major renovations to the leased classroom.

CAVIAT indicates the proposed program meets the 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 16 students each at 0.75 ADM will be enrolled in the program during the current school year, which would add 12 students to its ADM count. This would be expected to increase state costs by approximately \$59,000 for FY 2015 (12 new ADM X \$4,900 per ADM = \$58,800).



August 21, 2014

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 a facility (classroom) lease agreement between our CAVIAT JTED (Joint Technical Education District) and member district Flagstaff Unified School District.

The lease amount has been established at fair market value by Flagstaff USD. The fair market value is based on fees that they currently charge other educational facilities, such as Northern Arizona University and other related entities. For details about the fair market value, please contact Mr. Bob Kun, Assistant Superintendent of Flagstaff USD: bkuhn@fUSD1.org, (928) 527-6010. The leased space is a state asset (empty classroom), property of Flagstaff USD, that otherwise would be unused or underutilized. It is located in a vacant wing of the Sinagua Middle School in Flagstaff, Arizona.

The course/program that will be taught at the leased facility site is Fashion Design and Merchandising, which qualifies as a joint technical education course as defined in section 15-391.

The course/program is 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 program addresses a specific industry need and has been developed in cooperation with that industry. All questions related to the specifics of the program and how it meets industry needs may be directed to:

Mr. Andrew Kuntz
Program Specialist/Fashion Design and Merchandising
Arizona Department of Education
Andrew.Kuntz@azed.gov
602.364.1838 (office)
602.542.5334 (fax)
602.828.0391 (cell)

Please contact me if you have questions regarding this information.

Sincerely,

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

LEASE AGREEMENT

This Lease Agreement (the "Lease") is made effective the 1st day of August, 2014, by and between Flagstaff Unified School District No. 1 of Coconino County, having its principal office at 3285 East Sparrow Avenue, Flagstaff, Arizona 86004 ("FUSD"), and the Coconino Association for Vocations, Industry and Technology, having its principal office at 19 Poplar Street, Page_ Arizona 86040___ ("CAVIAT"). For purposes of this Lease, each of FUSD and CAVIAT may be termed a "Party" and collectively may be termed "the Parties".

AGREEMENT

1. Lease and Premises

FUSD hereby leases to CAVIAT and CAVIAT hereby leases from FUSD, 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 680 square foot classroom number 604 of Sinagua Middle School in Flagstaff, Arizona, and which is depicted in Exhibit A, attached and incorporated herein by reference, all being referred to as the "Premises." FUSD 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 ten (11) months commencing on August 1st_, 2014 (the "Commencement Date"), and shall terminate on June 30, 2015 (the "Term"), unless sooner terminated as provided elsewhere herein. FUSD may terminate this agreement on one hundred eighty (180) days notice if FUSD is required to repurpose Sinagua Middle School to a high school.

(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 FUSD 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 FUSD inviting FUSD 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. FUSD 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, FUSD 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 FUSD desires to lease the Premises to a third party, FUSD 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 FUSD 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 FUSD 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 FUSD does intend to seek a lease of the Premises to a third party and FUSD receives multiple offers to rent the Premises, FUSD 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 FUSD, at the location of notice or at such place as FUSD may designate in writing from time to time, rent for the Premises in the amount of Four Hundred and

Eight Dollars (\$408.00) per month 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 FUSD 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 FUSD'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) FUSD 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 FUSD; local state or federal capital levy of FUSD; or sales, excise, franchise, gift, estate, succession, inheritance, or transfer taxes of FUSD.

(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. FUSD Access

CAVIAT shall permit FUSD 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, FUSD 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 FUSD 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. FUSD will have the right to use any means FUSD 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 FUSD's agents or employees.

(B) FUSD shall maintain during the term of this Lease adequate insurance or self-insurance to cover liability arising from the acts or omissions of FUSD's agents or employees relating to the performance of this Lease. FUSD 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 which result in vicarious/derivative liability to the indemnatee, 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) FUSD shall throughout the Term of this Lease, at FUSD'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). FUSD 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 FUSD shall, at FUSD's expense, repair or restore the Premises. FUSD 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 FUSD'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"), FUSD 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 FUSD'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 FUSD 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 FUSD, 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) FUSD 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. FUSD 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), FUSD 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 FUSD, 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 FUSD, 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 FUSD 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) FUSD represents and warrants to CAVIAT that:

(1) FUSD 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) FUSD, 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 FUSD, 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 FUSD 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 FUSD, in the name of FUSD, or both, without cost or expense to FUSD, 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 FUSD 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 FUSD to criminal liability. FUSD 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 FUSD, or both. In that event, FUSD 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 FUSD, which consent shall not be unreasonably withheld. FUSD'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 FUSD. 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 FUSD'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, FUSD 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 FUSD, pay unto FUSD 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 FUSD with a good and sufficient surety bond issued by a reputable surety company.

B. FUSD warrants that during the Term of this Lease, FUSD 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. FUSD's Representations

FUSD represents and warrants that:

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

(B) upon the payment by CAVIAT of the rent and other sums due FUSD, 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 FUSD or any other person or persons lawfully or equitably claiming by, through or under FUSD, 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, FUSD 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 FUSD shall have notified CAVIAT of such default, FUSD, 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. FUSD'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, FUSD 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 therefor, 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 FUSD on the date provided in this Lease for the payment of rent.

(D) If FUSD defaults in performing any of the covenants or obligations specified in this Lease to be performed by FUSD, CAVIAT shall notify FUSD of such default in writing. If FUSD shall fail to remedy such default within the time periods set forth Paragraph 18 (E) of this Lease, after CAVIAT shall have notified FUSD 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 FUSD'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 FUSD within thirty (30) days after notice is provided to FUSD, provided, however, that if any such default cannot reasonably be cured within thirty (30) days, FUSD may cure it if FUSD 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 FUSD fails to cure in a timely manner any default of which it was given written notice, CAVIAT may, by giving further written notice to FUSD 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 FUSD'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 FUSD or CAVIAT shall be in writing and delivered personally or by Certified Mail sent to the Party at the address below:

If to FUSD:

Superintendent
Flagstaff Unified School District No. 1
3285 East Sparrow Avenue
Flagstaff, AZ 86004

With copies to:

Assistant Superintendent of Operations
Flagstaff Unified School District No. 1
3285 East Sparrow Avenue
Flagstaff, AZ 86004

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

Flagstaff, AZ 86002-0010

If to CAVIAT:

With copies to:

21. Holding Over

If CAVIAT holds over after the expiration of the Term without the written consent of FUSD, 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 FUSD shall abate the holdover amount during such negotiations or consideration period. If FUSD determines, in its reasonable discretion, that such negotiations are not advancing, then FUSD 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 "FUSD" and "CAVIAT" shall mean respectively all parties of FUSD 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, FUSD 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 FUSD. In the event FUSD is audited, CAVIAT shall produce such records as are requested by FUSD at the

Administrative offices of FUSD, or such other location as designated by FUSD, 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 Lease as of the date first written above.

FOR FUSD:

By: 

Title: Asst. Supt. of Operations

Date: Aug 22 2014

FOR CAVIAT:

By: 

Title: Supt. of CAVIAT

Date: August 22, 2014

EXHIBIT A
LEGAL DESCRIPTION

Room 604 Sinagua Middle School 3950 E. Butler Avenue



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DON SHOOTER
CHAIRMAN 2013
OLIVIA CAJERO BEDFORD
GAIL GRIFFIN
JOHN McCOMISH
AL MELVIN
LYNNE PANCRAZI
ANNA TOVAR

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

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

HOUSE OF
REPRESENTATIVES

JOHN KAVANAGH
CHAIRMAN 2014
LELA ALSTON
CHAD CAMPBELL
TOM FORESE
DAVID GOWAN, SR.
RICK GRAY
ANDREW C. SHERWOOD

DATE: September 23, 2014

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

THRU: Richard Stavneak, Director *RS*

FROM: Krista MacGahan, Fiscal Analyst *KM*

SUBJECT: Arizona Department of Administration - Consider Recommending FY 2015 Full Rent Exemption

Request

A.R.S. § 41-792.01D authorizes the Director of the Arizona Department of Administration (ADOA), on recommendation from the Joint Committee on Capital Review, to grant a full or partial exemption from the payment of state-owned rental fees if the agency has vacated its space or if an agency does not have the financial resources to make the payment. ADOA requests the Committee recommend a full rent exemption totaling \$48,100 in FY 2015 for the Arizona Geological Survey.

Recommendation

The JLBC Staff recommends that the Committee recommend a full exemption of \$48,100 in FY 2015 for the Arizona Geological Survey.

Analysis

The Arizona Geological Survey was appropriated \$48,100 in FY 2015 for its occupancy of state-owned space at 1520 West Adams in Phoenix. In June 2014, the Arizona Geological Survey moved from the state-owned property to privately leased space at 3550 North Central Avenue in Phoenix to collocate with the Arizona Department of Water Resources. ADOA will occupy the Arizona Geological Survey's former space at 1520 West Adams and pay the FY 2015 rent of \$48,100.

RS/KM:kp

Janice K. Brewer
Governor



Brian C. McNeil
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401
PHOENIX, ARIZONA 85007
(602) 542-1500

August 20, 2014

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

The Honorable Don Shooter, Vice-Chairman
Joint Committee on Capital Review (JCCR)
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007



Dear Representative Kavanagh and Senator Shooter:

The Arizona Department of Administration (ADOA) requests the JCCR favorably review our recommendation of a partial Capital Outlay Stabilization Fund (COSF) rent exemption for the Arizona Geological Survey (AGS) of \$48,100. A.R.S. § 41-792.01(D) provides that the ADOA Director, on recommendation of the JCCR, may authorize a whole or partial exemption of COSF rent if the agency does not occupy or vacates space after the beginning of the fiscal year. Agencies that occupy state-owned buildings shall pay the higher of the amount reported by Joint Legislative Budget Committee (JLBC) Staff or the pro rata share based on actual occupancy.

The AGS was appropriated \$48,100 for its FY 2015 occupancy of the State-owned space at 1520 West Adams, Phoenix, Arizona. In June 2014, the AGS moved to privately leased office space to collocate with the Department of Water Resources (ADWR) at 3550 North Central Avenue, in Phoenix. The ADOA will backfill the AGS' former space at 1520 West Adams and pay the FY 2015 COSF rent of \$48,100.

If you have any questions regarding the proposed COSF rent exemption, please contact William Hernandez, Assistant Director, ADOA General Services Division (GSD), at 602-364-2872.

Sincerely,

A handwritten signature in black ink, appearing to read "Brian C. McNeil".
Brian C. McNeil
Director

cc: ✓Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Fiscal Analyst, JLBC Staff
John Arnold, Director, OSPB
Will Palmisano, Fiscal Analyst, OSPB
Lee Allison, Executive Director, Arizona Geological Survey
Jeff Grant, Deputy Director, ADOA
Paul Shannon, Assistant Director, ADOA
William Hernandez, Assistant Director, ADOA/GSD
Nola Barnes, General Manager, ADOA/GSD



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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CHAIRMAN 2013
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HOUSE OF
REPRESENTATIVES

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RICK GRAY
ANDREW C. SHERWOOD

DATE: September 29, 2014

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

THRU: Richard Stavneak, Director *RS*

FROM: Art Smith, Principal Fiscal Analyst *AS*

SUBJECT: Arizona State Parks Board - Review of FY 2015 State Parks Revenue Fund and State Lake Improvement Fund Capital Expenditures

Request

The Arizona State Parks Board requests Committee review of FY 2015 capital projects totaling \$1.9 million from the State Lake Improvement Fund (SLIF) and the State Parks Revenue Fund (SPRF). Of that amount, \$1.5 million would be for new construction and \$350,000 would be used for building renewal.

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 provisions:

- A. The Parks Board shall report on their final operating plans for the Tonto Natural Bridge Lodge prior to public opening, including the price schedule, their projected revenue, and the use of concessionaire or internal staff.
- B. The Parks Board is to report the progress on implementing all projects to JCCR by February 27, 2015 and June 30, 2015.

The JLBC Staff projects a budget shortfall of \$(282) million in FY 2015 and \$(765) million in FY 2016 when factoring in the impact of the Superior Court ruling on the K-12 inflation litigation. In resolving prior budget shortfalls, one of the Legislature's initial solutions has often been to reduce or eliminate one-time capital and building renewal monies. With a favorable review, the Arizona State Parks Board may interpret these monies as not subject to a future budget reduction.

(Continued)

Analysis

The FY 2015 Capital Outlay Bill (Laws 2014, Chapter 15) appropriates \$1.5 million from SPRF to the Arizona State Parks Board for capital improvements. As outlined by A.R.S. § 41-1252, the Capital Outlay Bill requires Committee review of the scope, purpose and estimated cost of the SPRF capital appropriation. A.R.S. § 5-382 requires Committee review of the capital expenditure plan for projects funded from SLIF.

SLIF is a non-appropriated fund that generates revenue primarily from the Highway User Revenue Fund based on a formula that estimates state gasoline taxes paid for boating purposes, in addition to a portion of the watercraft license tax, in order to fund projects at parks that allow the use of motorized boats. Monies in the fund are available for capital improvement projects and acquisitions of real property where gasoline-powered boats are permitted.

According to the Parks Board, the beginning balance of SLIF in FY 2015 is \$6.6 million. The Parks Board estimates that SLIF will generate \$7.5 million, for total resources of \$14.1 million in FY 2015. Monies in SLIF are primarily used by the Parks Board for operating expenses. The Parks Board proposes to spend \$1.1 million from SLIF on capital projects in FY 2015.

SPRF is an appropriated fund that primarily generates revenue from park user fees and concession sales, in addition to reservation surcharges and publication and souvenir revenues. According to the Parks Board, the beginning balance of SPRF is \$8.3 million. The Parks Board estimates that SPRF will generate \$12.0 million of revenue for total resources of \$20.3 million. In addition to its \$12.8 million operating appropriation from SPRF, the Parks Board proposes to spend \$800,000 from SPRF on capital projects in FY 2015.

The Federal Land and Water Conservation Fund (LWCF) provides matching grants to state and local governments for the development of public outdoor recreation programs and facilities.

Table 1 below provides a summary of the Parks Board's capital project fund sources.

Table 1				
FY 2015 Arizona State Parks Capital Projects				
<u>New Construction</u>	<u>SPRF</u>	<u>SLIF</u>	<u>Federal LWCF</u> ^{1/}	<u>Total</u> ^{2/}
Lake Havasu - Restrooms and Lift Station	\$ 0	\$ 930,000	\$930,000	\$1,860,000
Tonto Natural Bridge - Lodge Renovation	475,000	0	0	475,000
Tonto Natural Bridge - Lodge Caretaker Cabin	100,000	0	0	100,000
Subtotal - New Construction	\$575,000	\$ 930,000	\$930,000	\$2,435,000
<u>Building Renewal</u>				
Alamo Lake - Launch Ramp Extension	\$ 0	\$ 125,000	\$ 0	\$ 125,000
Jerome - Roof Repairs	125,000	0	0	125,000
Fort Verde - Adobe Stabilization	100,000	0	0	100,000
Subtotal - Building Renewal	\$225,000	\$ 125,000	\$ 0	\$ 350,000
Totals	\$800,000	\$1,055,000	\$930,000	\$2,785,000
^{1/} JCCR review is not required for Federal LWCF expenditures. ^{2/} Of the \$2.8 million, \$1.9 million requires JCCR review for SPRF and SLIF expenditures.				

(Continued)

New Construction

The Parks Board requests review of \$930,000 in SLIF funding for the construction of 5 new restroom buildings and a lift station for boats at Lake Havasu. The project would include the demolition of 5 existing restrooms, one of which includes showers, followed by new construction. The Parks Board states that the 5 existing restrooms are being demolished because they are outdated and it is impractical to attempt to repair the existing facilities being them up to current code compliance, specifically with respect to the Americans with Disabilities Act (ADA). The Parks Board states that 2 of the 5 new restroom facilities would include showers and 1 of the new facilities would include a concession area. The \$1.9 million total cost at Lake Havasu would include \$930,000 from SLIF and a matching \$930,000 from the Federal LWCF. Expenditures from the LWCF are not subject to Committee review; however, the Parks Board has provided this information to show the total cost of this specific project.

New construction would also include work at the Tonto Natural Bridge State Park. There is an 11-room historic lodge on the property that predates the state's acquisition of the park grounds in the 1990's. The visitors' center and a gift shop on the first floor are open to the public. Additionally, the Parks Board has used the lodge to host retreats for various state agencies in the past.

The Parks Board now plans to make the lodge available for overnight accommodations to the public, which has not previously been attempted. To accomplish that objective, the Parks Board must make the facility compliant with Americans with Disabilities Act (ADA) requirements. The projected cost of the renovations is \$475,000 from SPRF. The renovations will involve installing ramps and making 1 guest room handicap accessible.

The Parks Board has not projected the annual revenues to be generated by the lodge at this time. The Parks Board will only rent out the entire lodge and not single rooms. The Parks Board states that the purpose of the lodge is for large gatherings, such as weddings and family reunions, as well as corporate retreats. The Parks Board plans for the lodge to be open 12 months per year, with prices based on seasonality, although the price schedule is yet to be determined. They may charge approximately \$1,000 per night. The Parks Board has not yet decided whether they will operate the facility by themselves or contract with a concessionaire.

As a result of the evolving nature of the Parks Board plans, the JLBC Staff recommends that they report back on their final operating plans prior to public opening, including the price schedule, their projected revenue, and the use of concessionaire or internal staff.

The Parks Board also proposes to spend \$100,000 for a 348 square foot pre-manufactured cabin on the Tonto grounds. The individual occupying the cabin will either be a Parks Board employee or a private concessionaire and would be responsible for the management of the lodge. The Parks Board states that design of the operating cabin is 95% complete and that the project would be ready for bid following Committee review. With respect to the rest of the park, the Parks Board will have 2 rangers onsite who will occupy ranger residences that are already present on the property.

Building Renewal

The Parks Board has allocated \$125,000 in building renewal monies from SLIF for a boat launch extension at Alamo Lake. When the water level decreases, the structural integrity of the boat launch is disrupted by wave action on the current shorter boat launch. At present the water level is at a high enough level so that no current construction can take place. The water level is in part determined by the weather, the season and the amount of water released by the Army Corps of Engineers from the dam at Alamo Lake.

(Continued)

The Parks Board has also allocated \$125,000 from SPRF for roof repairs in Jerome. In this instance, the Parks Board will not know the extent of the damage until they have completed their architectural investigation of the Douglas Mansion. One additional roof may also need repair out of this allocation, which is a carriage house that contains a classic vehicle on the Douglas Mansion property.

Additionally, \$100,000 has been allocated from SPRF for the stabilization of the adobe administration building at Fort Verde.

RS/AS:lm

Janice K. Brewer
Governor

Bryan Martyn
Executive Director



Board Members

Alan Everett, Sedona, *Chair*
Walter D. Armer, Jr., Vail
Mark Brnovich, Phoenix
R. J. Cardin, Phoenix
Kay Daggett, Sierra Vista
Larry Landry, Phoenix
Vanessa Hickman,
State Land Commissioner

September 25, 2014

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



RE: Revised Request for JCCR review of FY 2015 Capital Project Recommendations

Dear Representative Kavanagh:

Arizona State Parks is requesting the Joint Committee on Capital Review (JCCR) review the capital outlay projects listed below. These projects will be funded, or obligated, during FY 2015, using available appropriations, cash balances and Federal grants from the State Parks Revenue Fund (SPRF), the State Lake Improvement Fund (SLIF), and the Federal Land & Water Conservation Fund (LWCF). Sufficient revenues, cash balances forward and grant funds are projected, or available, in each of the funds to pay for the projects, while also providing adequate cash flow for agency operational needs.

A.R.S. §5-382 requires JCCR review of expenditure plans for SLIF capital projects prior to expenditure. A.R.S. §41-1252 requires JCCR review of capital projects with an estimated cost exceeding \$250,000. Per the Capital Appropriations Bill, Laws 2014, 51st Legislature, 2nd Regular Session, Chapter 15, HB 2709, Section 3, the agency is appropriated \$1.5 million in FY 2015 for capital improvements from the State Parks Revenue Fund, subject to review by the JCCR.

The recommended projects reflect the agency's highest priorities and most time-sensitive facilities issues. Projects include a mix of New Construction and Facilities Renewal. The total \$2,785,000 of recommended capital projects are funded with \$800,000 from the SPRF, \$1,055,000 from the SLIF, and \$930,000 from the Federal LWCF. Please see attached table of specific projects and associated funding sources.

New Construction Projects \$2,435,000:

- 1) Lake Havasu – Five New Restroom Buildings and Lift Station; includes demolition of existing restrooms; two buildings include showers; one building includes a concession area
- 2) Tonto Natural Bridge – ADA Compliant Cabin
- 3) Tonto Natural Bridge – ADA Historic Lodge Access



New Construction projects are targeted to increase visitation within the park system and surrounding communities, generate additional park user fee revenue and address ADEQ compliance issues.

Facilities Renewal Projects \$350,000:

- 1) Alamo Lake – Cholla Launch Ramp Extension
- 2) Fort Verde – Adobe Building Stabilization
- 3) Jerome – Douglas Mansion and Carriage House Roof Repair

Facilities Renewal projects are targeted to renovate or replace aging infrastructure assets that are currently in states of disrepair or functional obsolescence.

The agency is ready to move forward with these projects pending favorable review. If you have any questions regarding Arizona State Parks' capital projects, or funding of the projects, please contact me at 602-542-4174, or bmartyn@azstateparks.gov, or you may contact Kent Ennis, Deputy Director, at 602-542-6920 or kennis@azstateparks.gov.

Sincerely,



Bryan Martyn
Executive Director

Enclosure

cc: Richard Stavneak, Director, JLBC Staff
John Arnold, Director, OSPB
Alan Everett, Chair, Arizona State Parks Board
Kent Ennis, Deputy Director, Arizona State Parks
Jay Ream, Deputy Director of Parks, Arizona State Parks

Arizona State Parks FY 2015 Capital Projects Recommendation

Approved by the Arizona State Parks Board on July 16, 2014

Prepared for Review by JCCR on September 30, 2014

<u>Funding Source --></u>	<u>SPRF FY15 Capital Appropriation</u>	<u>Federal LWCF Grant Program</u>	<u>State Lake Improvement Fund</u>	<u>Total FY15 Capital Projects Recomm.</u>
<u>New Construction:</u>				
Lake Havasu - Five New Restroom Buildings & Lift Station		\$930,000	\$930,000	\$1,860,000
Tonto Natural Bridge - ADA Compliant Cabin	\$100,000			\$100,000
Tonto Natural Bridge - ADA Historic Lodge Access	\$475,000			\$475,000
Subtotal New Construction	\$575,000	\$930,000	\$930,000	\$2,435,000
<u>Facilities Renewal:</u>				
Alamo Lake - Cholla Launch Ramp Extension			\$125,000	\$125,000
Fort Verde - Adobe Stabilization	\$100,000			\$100,000
Jerome - Repair Roofs	\$125,000			\$125,000
Subtotal Facilities Renewal	\$225,000	\$0	\$125,000	\$350,000
Total FY 2015 Recommended Capital Projects	<u>\$800,000</u>	<u>\$930,000</u>	<u>\$1,055,000</u>	<u>\$2,785,000</u>