

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

RUTH SOLOMON
CHAIRMAN 2001
KEN BENNETT
JACK A. BROWN
EDWARD J. CIRILLO
HERB GUENTHER
DARDEN C. HAMILTON
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HOUSE OF
REPRESENTATIVES

LAURA KNAPERREK
CHAIRMAN 2002
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LINDA J. LOPEZ
RUSSELL K. PEARCE
CHRISTINE WEASON

JOINT COMMITTEE ON CAPITAL REVIEW

Thursday, October 4, 2001

9:30 a.m.

Senate Appropriations Room 109

AGENDA

- Call to Order
- [Approval of Minutes of August 30, 2001.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [ARIZONA BOARD OF REGENTS/NORTHERN ARIZONA UNIVERSITY - Review of Revised Multi-Year Bonding Plan and Consider Approval of Bonding Projects.](#)
- 2. [UNIVERSITY OF ARIZONA - Review of Scope, Purpose, and Estimated Cost of Digital Television Conversion.](#)
- 3. [ARIZONA STATE PARKS - Report on Potential Condemnation of Land Adjacent to Kartchner Caverns State Park.](#)

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

9/28/01

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) 542-5491.

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MINUTES OF THE MEETING JOINT COMMITTEE ON CAPITAL REVIEW

Thursday, August 30, 2001

The Chairman called the meeting to order at 9:35 a.m. Thursday, August 30, 2001 in Senate Appropriations Room 109 and attendance was noted.

Members:	Senator Solomon, Chairman Senator Brown Senator Cirillo Senator Guenther Senator Mitchell	Representative Knaperek, Vice Chairman Representative Cheuvront Representative Lopez Representative Pearce Representative Weason
Absent:	Senator Bowers Senator Hamilton	Representative Allen Representative Gray
Staff:	Richard Stavneak Lorenzo Martinez Bob Hull Stefan Shepherd Kim Hohman Jill Young Rebecca Hecksel	Jan Belisle, Secretary Gina Guarascio Beth Kohler Tim Sweeney Tony Vidale Chris Earnest Jason Hampton
Others:	Debbie Johnston, Senate Bruce Ringwald, ADOA Steve Miller, ASU Blake Anderson, ASU Cathy Eden, DHS John Sempert, ADOA John Webster, ADOA Bob Rocha, ADOA Gerald Wright, G & F	Tim Brand, ADOA Victor Mendez, ADOT Diane Minton, ADOT Mernoy Harrison, ASU Jay Ziemann, State Parks Bob Teel, ADOA Kristine Ward, OSPB David Jankofsky, ADOT

Senator Solomon moved the Committee approve the minutes of June 28, 2001 as presented. The motion carried.

ARIZONA BOARD OF REGENTS/ARIZONA STATE UNIVERSITY - Report on Analysis of Cost Effectiveness of Certificates of Participation Versus Bond Financing

Lorenzo Martinez, JLBC Staff presented the report from the Board of Regents and Arizona State University on the cost effectiveness of Certificates of Participation (COP) versus Bond Financing. The report indicates that COP financing is typically more expensive because of issuance costs and have higher interest rates than bond

financing. However, the ability to choose between 2 financing methods allows them to leverage a broader set of assets. The JLBC Staff recommends that the Committee have the Board of Regents submit additional information on how they decide whether to chose COP financing versus bond financing. COP issuances do not require legislative oversight whereas bond financing does.

In response to Senator Solomon, Mr. Martinez stated that the statutes for the Arizona Department of Administration (ADOA) Building System and the Department of Transportation (ADOT) Building System do require legislative review and approval of COP issuances, the universities statutes are silent on the topic.

Representative Knaperek moved that the Committee recommend to the Board of Regents that additional information be submitted to the Committee on any established guidelines used for determining whether COP financing or Bond financing should be used on projects. The motion carried.

Report on Lease-Purchase Projects.

Lorenzo Martinez, JLBC Staff presented the Board of Regents/Arizona State University report on Lease-Purchase projects. There is one residence hall project that is being partially funded with bond financing and some auxiliary bond amounts. The cost for this project has increased as a result of having to reroute utilities. The additional costs will come from the Residential Life Plant Fund Reserves. Four lease-purchase projects were detailed in the memo.

No Committee action was required.

ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Lease-to-Own Transaction for Capitol Mall Office Building

Tony Vidale, JLBC Staff presented the Arizona Department of Administration terms of its proposed contract with a private firm as part of a lease-to-own transaction to design, build and operate a new state office building and parking garage for the Department of Health Services (DHS) on the Capitol Mall. Arizona Department of Administration (ADOA) also request the Committee review the proposed land exchange with the Arizona Power Authority (APA) on which the new DHS building will be constructed.

The JLBC Staff recommends a favorable review to the proposed lease-to-own transaction with the following stipulations for the project:

- Adequate security be provided for employees required to use temporary parking areas while the project is in progress.
- ADOA work with DHS, JLBC, and the House of Representatives to ensure pedestrian safety in identified parking areas given that traffic in established alleys may increase as a result of the closure of a portion of Monroe Street as a primary thorough fare.

A portion of Monroe Street will be abandoned and lost as a primary thoroughfare with the addition of approximately 770 new employees to the Capitol Mall area. This review did not include an anticipated appropriation request of approximately \$1.1 million for telecommunication equipment and relocation costs. This request will be considered by the Legislature during the 2002 legislative session.

The JLBC Staff recommends that the Committee give a favorable review for the proposed land exchange with APA.

In reply to Senator Mitchell, Mr. Vidale stated that the Privatized Lease to Own includes maintenance and any associated costs to operate the building.

Mr. Lorenzo Martinez, JLBC Staff stated the major difference between a Privatized Lease to Own (PLTO) and a standard Lease Purchase is the PLTO has a private developer who finances the project, builds the building and leases it to the state. After the lease period, the state will take possession of it. Under the lease purchase the state acquires financing and the state builds, owns, and operates the building. There has not been an analysis of PLTO versus lease purchase.

In reply to Senator Mitchell, the agreement for the PLTO would have an opt out clause for operating and maintenance contracts. Essentially, every 5-years the state will negotiate with the private developer on the operation and maintenance costs. The state may contract out to provide its own services for the building if there is a disagreement and that component would drop out of the lease payment.

In reply to Senator Cirillo, Mr. Vidale stated that the financing for the vacated buildings that may be sold was paid for from various revenue streams. It has not been determined where the sale proceeds will be deposited.

Mr. Martinez stated the two buildings are lease purchase buildings and the lease purchase payments on the buildings come from a variety of sources. There will have to be some research as to which funds have contributed to those buildings and whether or not there is an obligation once these buildings are sold to return any monies to those funds or whether it could all be deposited in the General Fund.

In reply to Representative Pearce, Mr. Stavneak, JLBC Staff stated that it depends on what interest rates are doing in the market. We are probably receiving approximately 5% interest on deposits in the Budget Stabilization Fund.

In reply to Representative Knaperek, Mr. Vidale said the annual payment for PLTO will be approximately \$2.4 million, which is comparable to what DHS is paying in terms of private rent. For the first year, the base rent will be \$1.6 million, there will be \$765,000 for the operation/maintenance component and \$90,000 for building renewal.

Representative Knaperek asked if building renewal was funded 100%, would it be approximately the same amount of money that would be spent and asked what is spent for operations/maintenance buildings now. Mr. Stavneak referred to page two, second bullet of the document and mentioned that the PLTO O&M costs at present is \$4.50 per square foot and is currently budgeted at \$4.48 per gross square foot for state buildings. In a comparative basis, it is relatively the same. In terms of building renewal costs which is funded at \$0.53 per square foot for PLTO but will escalate to \$0.85 over 25 years. The building renewal formula calculates \$1.03, but has only been funded at 67% on average.

In reply to Representative Knaperek, Mr. Martinez stated that the intent is to keep the same number of FTE's in the operations that will be relocated in the new building and JLBC is checking on the actual number that will be moved. The Governmental Mall Commission has received information relative to the height of the DHS Office building.

In reply to Representative Knaperek, Mr. Martinez stated that the \$1,000,000 is essentially for two issues, 1) phone and data services at \$610,000 and ADOA is proposing that be funded from the Technology and Telecommunications Fund and 2) agency relocation costs at \$450,600 and ADOA is proposing those monies come from rent savings that will be generated. Approximately \$300,000 would be available through those savings and the remainder would be made up from the Capitol Outlay Stabilization Fund.

Representative Knaperek moved that the Committee give a favorable review to the proposed lease-to-own transaction with the following stipulations for the project:

- Adequate security be provided for employees required to use temporary parking areas while the project is in progress.
- Arizona Department of Arizona work with the Department of Health Services, Joint Legislative Budget Committee, and the House of Representatives to ensure pedestrian safety in identified parking areas given that traffic in established alleys may increase as a result of the closure of a portion of Monroe Street as a primary thoroughfare.

Representative Knaperek moved that the Committee give a favorable review of the proposed land exchange with Arizona Power Authority.

The motions carried.

Consider Approval of Refinancing of 1991 and 1992 Certificates of Participation (COPs)

Lorenzo Martinez, JLBC Staff presented the ADOA request that the Committee review and approve the refinancing of 4 series of Certificates of Participation (COP) that were issued in 1991 and 1992. The 4 series currently amount to \$151,255,000. The estimated savings from the refinancing would be over \$6,000,000. The JLBC Staff recommends the Committee give a favorable review and approve the refinancing of these series and that ADOA report back to the Committee with information on the refinancing packages.

Representative Knaperek moved that the Committee favorably review and approve the refinancing of the 1991, 1992, 1992B and 1992C Certificates of Participation (COP's) issuances with the stipulation that the Arizona Department of Administration report back to the Committee on the interest rate(s), debt service schedule(s), costs, and estimated savings of the refinanced COPs after the issuance(s). The motion carried.

DEPARTMENT OF HEALTH SERVICES/ARIZONA DEPARTMENT OF ADMINISTRATION - Report on the Arizona State Hospital Construction Program

Beth Kohler, JLBC Staff presented the Department of Health Services quarterly status report on the Arizona State Hospital demolition and construction project. Pre-construction has begun for the new hospital. The Least Restrictive Alternative population has been moved into Birch Hall. The demolition of the Alamo building has been completed, while completion of 2 dormitories for the Sexually Violent Persons program has been delayed from August 2001 to October 2001.

In reply to Senator Cirillo, Mr. Martinez stated that given the scope that has been proposed for the project, sufficient monies will be available; however, it is understood that there are still issues on the campus that will not be addressed by this particular fund source. As soon as the information is known, the Committee will be informed.

In reply to Representative Knaperek, Mr. Bruce Ringwald, ADOA Construction Services stated that the two SVP dormitories are being built by the inmates construction program. The inmates are from the Lewis Prison. The request is for 80 inmates per day and there are 60-65 inmates each day at the site. There has been 1 or 2 escapes from the facility and at that time, design changes were made to increase security. Since there are a limited number of inmates, they were redirected to do the security work and the completion of the SVP facilities was postponed. There is approximately 10% in savings for the construction by using the inmates to build the facility.

Chairman Solomon asked if the 10% savings is offset by higher material costs resulting from the delays. Mr. Ringwald stated that all materials have been purchased prior to the delay so there is no additional cost in materials. If a general contractor was being used there would definitely be a delayed cost in the project.

In answer to further questions, Mr. Ringwald stated that the \$80 million estimate did not assume to use inmate labor. The contingency for working on the project has been increased and there are no further delays expected. The delays happen when the inmates are directed to do other projects. The work on the Sexually Violent Persons portion of the project is being closely worked with the hospital to maintain and have the beds available when needed. The civil hospital is still on schedule.

No Committee action was required.

Review of Expenditure Plan for Cholla Hall Renovation and Preliminary Expenditures for the Forensic Facility Components of the Arizona State Hospital Construction Project

Beth Kohler, JLBC Staff presented the Arizona Department of Administration (ADOA) and Department of Health (DHS) request that the Committee review the release of \$947,900 to convert Cholla Hall from an Sexually Violent Persons (SVP) dormitory to SVP program support space. Further, ADOA and DHS request the Committee review the expenditure of up to \$100,000 to begin preliminary programming and design

requirements for the renovation of the forensic facility. ADOA plans to use the construction-manager-at-risk (CMAR) procurement method for the design and renovation of the forensic facility. The JLBC Staff recommends a favorable review of the expenditures and recommends ADOA submit the scope, purpose, and estimated costs of the renovation when preliminary programming and design activities are completed.

In reply to Representative Knaperek, Gina Guarascio, JLBC Staff stated the Cholla Hall is scheduled to be completed by FY 2003.

Representative Knaperek moved the Committee give a favorable review of the release of \$947,900 to convert Cholla Hall from a Sexually Violent Persons dormitory to SVP program support space and \$100,000 to begin preliminary programming and design requirements for the forensic facility renovations. Further, the Committee recommends that the scope, purpose, and estimated cost of the forensic facility renovations be submitted for Committee review when the preliminary programming and design activities are completed. The motion carried.

Advice on Plan to Finance Preliminary Activities for New State Health Laboratory Building

Beth Kohler, JLBC Staff presented the ADOA/DHS request that the Committee review the use of the Department of Health Services operating funds to fund preliminary activities for the new state health laboratory. Laws 2001, Chapter 237 appropriated \$2,342,900 from the General Fund in FY 2003 to ADOA for COP costs for the lease-purchase of the design and construction of a new state health laboratory. The bill as originally passed also included an FY 2002 appropriation, which was line item vetoed by the Governor. In order to begin construction in FY 2003, ADOA and DHS propose to begin project development in FY 2002 using DHS operating monies. Once the COPs are issued, DHS will be reimbursed for the monies used for project development.

In reply to Senator Cirillo, Ms. Kohler stated he was correct and the Governor vetoed the FY 2002 appropriation.

Representative Knaperek moved that the Committee concur with the plan to use \$100,000 from the Department of Health Services FY 2002 operating budget to fund preconstruction activities for the new State Health Laboratory, and to have the operating funds reimbursed from Certificates of Participation (COPs) proceeds once the COPs are issued for the project. The motion carried.

DEPARTMENT OF TRANSPORTATION - Review of FY 2002 Building Renewal Allocation Plan

Bob Hull, JLBC Staff presented the FY 2002 Building Renewal Allocation Plan. Approximately \$2.7 million is appropriated from the state Highway Fund for Building Renewal for FY 2002. The JLBC Staff recommends a favorable review of the plan and further recommends that funding for any new projects not listed in the allocation plan, reallocations between projects, and allocations from the contingency amount be reported to JLBC Staff prior to expenditure. JLBC Staff would report to the Committee on significant changes, typically above \$50,000.

Representative Knaperek moved that the Committee give a favorable review to the Department of Transportation FY 2002 building renewal allocation plan. The Committee also recommended that funding for any new projects not listed in the allocation plan, reallocations between projects, and allocations from the contingency amount be reported to the JLBC Staff prior to expenditure. The JLBC Staff would report to the Committee on significant changes, typically above \$50,000. The motion carried.

Consider Adoption of Additional Performance Measures for the FY 2002 Construction Budget Operating Expenditure Plan and Report on Arizona 5-Year Transportation Facilities Construction Program

Bob Hull, JLBC Staff presented the additional performance measures for the FY 2002 construction budget operating expenditure plan and report on Arizona's 5-year transportation facilities construction program. Mr. Hull referenced *Table 1* in the book which shows the performance measures the Committee adopted at the June

28, 2001 meeting. The revised *Table 2* (handout) contains the additional performance measures which relate to congestion on the highway system, and replaces the *Table 2* in the memo which lacked numbers. The JLBC Staff recommends adopting the additional performance measures as shown in the revised *Table 2* and require that ADOT report on these additional performance measures as part of next years Committee review of ADOT's operating budget expenditure plan for FY 2003.

Victor Mendez, Deputy Director, Arizona Department of Transportation proceeded to present to the Committee their selected key measurements. The Committee received the packet which Mr. Mendez reviewed.

Senator Cirillo mentioned that the presentation was very good and asked if there were any internal measurements regarding use of the new highways. Mr. Mendez stated that they have an internal measurement with respect to incidents and how fast the incidents are cleared. He is not aware of a measurement on construction related closures, however, a point is made as a project is planned to insure that there are not too many stretches of a highway shut down at one time.

Representative Knaperek asked about the problem areas. Mr. Mendez mentioned that they do look at the congestion that currently exists. At this point in time, they do not have a measure to look at the problem. As part of the development for the 20-year plan, the problem is being looked at from a performance based approach. The comments will be taken back to the staff in hopes to reach a measurement.

Representative Pearce asked about the measurements that have been done away with that were instituted some time ago and asked for reasons of why they were done away with. Seeing that the program is so critical, concern was expressed as to why the measurements were no longer continued. Mr. Mendez stated that he would look into that and report back with some clarification.

In answer to Representative Pearce, Mr. Mendez stated that they are still working on the speed limits. It is anticipated that in September/October, some of the recommendations may be implemented. The department wants to have a plan that can be enforced and should be done soon.

Representative Knaperek indicated the 5-year plan is appreciated but is difficult to understand. She asked that ADOT bring back to the Committee an Executive Summary that is user friendly.

Senator Guenther asked what is happening with Highway 85. Mr. Mendez stated that there will be a Transportation Board study session. They will be provided with information on State Route 85 to direct some of the concerns involved. The issue is being discussed and they plan to have answers very soon.

Representative Weason requested a meeting with Mr. Mendez regarding the roadway work in Sedona.

Mr. Hull mentioned that a report is due September 1st as a result of the Ports of Entry SPAR in which ADOT is to report on how they have improved their performance measures including mobile ports, and once that is received there should be more complete data as to the effectiveness and cost of the mobile vs the fixed ports.

Representative Knaperek moved that the Committee adopt the additional performance measures for the FY 2002 construction budget operating expenditure plan in the revised table, with the requirement that the department report on those additional performance measures as part of next year's Committee review of the highway construction budget operating expenditure plan for FY 2003.

The Committee further requested that the department:

- *Work with JLBC Staff to develop traffic mitigation performance measures*
- *Submit an Executive Summary of the 5-year transportation facilities construction plan to the Committee.*

The motion carried.

ARIZONA GAME AND FISH DEPARTMENT – Review of Scope, Purpose, and Estimated Cost of Expansion and Renovation of ~~Game and Fish Headquarters~~ [Pinetop Regional Office]

Bruce Groll, JBLC Staff presented the department's request that the Committee review the construction and expenditure plans for an addition to and remodel of the Pinetop Regional Office. The estimated total project budget is \$1,226,300. Funds for the project are from previously appropriated Capital Outlay and Building Renewal monies and non-appropriated federal aid funds.

Representative Knaperek moved that the Committee give a favorable review to the scope, purpose and estimated cost of expansion and renovation of Game and Fish Pinetop Regional Office. The motion carried.

ARIZONA STATE PARKS – Consider Approval of FY 2001 Enhancement Fund Monies for Continued Development of Dead Horse Ranch State Park

Chris Earnest, JLBC Staff presented the department's request that the Committee release \$2.8 million from the State Parks Enhancement Fund (SPEF) for the continued development of Dead Horse Ranch State Park. The monies will be used for improvements which include the addition of restroom/shower buildings, fish cleaning stations, lagoon enhancements, campground development, connection to the City of Cottonwood waste water plant, and land acquisition. The Parks Boards has identified over \$140,000,000 in capital development and improvement needs throughout the state parks system. There is not a prioritization list of these needs. The proposal at Dead Horse Ranch, however, is consistent with the statutes.

Chairman Solomon and Representative Knaperek expressed concern regarding the prioritization of the projects and why this project is at the top of the list. Jay Ziemann, Assistant Director, State Parks, stated that there is a list but at this point in time there is not a prioritization. The last 6 years, the attention has been placed on Kartchner Caverns. There has not been time to do design for capital projects at the other parks. This project was on the table about 6 years ago and some preliminary planning and progress has been achieved already. The capital improvements will increase the revenue that can be generated.

In reply to Representative Weason, Mr. Ziemann stated that the visitation was approximately 100,000 visitors a year. The Dead Horse Park turns visitors away in the winter. Approximately 79% of the visitors are overnight campers. It is very important that the lagoons are completed.

Mr. Earnest mentioned that if the Committee approves the request, the JLBC Staff recommends 2 additional items: 1) that the land purchased with the Enhancement Fund needs to be a part of the park and 2) consistent with statute, that parks deposit any growth in the Enhancement Fund above FY 2000 into a Tonto natural bridge subaccount that will be used for the early payoff of the lease purchase.

In reply to Representative Knaperek, Mr. Earnest stated that Enhancement Fund statutes are broad enough to allow for the type of enhancements being proposed.

Mr. Ziemann stated that he was not aware of any other lagoons being built for fishing. On a more global sense the State Parks try to respond to what the visitors/customers want in the parks. Water rights for the lagoons have also been acquired through the process. Fishing is provided where accessible, the resources that we have and manage dictate as to what can be done and provided to the public. Dead Horse Park is located in the Verde Valley and readily accessible.

Senator Guenther mentioned that the state has been trying to increase the opportunity for fishing statewide.

Representative Knaperek moved that the Committee approve the release of \$2,800,000 of FY 2001 State Parks Enhancement Fund (SPEF) monies for the continued development of Dead Horse Ranch State Park conditioned on incorporating the land purchased with SPEF monies into the Dead Horse Ranch State Park boundaries. The Committee also recommended that State Parks deposit the growth in the Acquisitions and Development portion of SPEF into a Tonto natural bridge payoff subaccount pursuant to statute. Further, the Committee requests that future requests for the approval of SPEF capital expenditures be accompanied with a prioritized listing of capital needs throughout the State Parks system. The motion carried.

Report On Kartchner Caverns State Park

Tim Sweeney, JLBC Staff presented the quarterly report on Kartchner Caverns State Park. Construction continues on schedule for lower caverns opening of November 2003. There have been concerns in the past of the drying conditions inside the cave, however, those conditions have stabilized and the park staff have hired a cave resource manager to monitor environmental conditions in the cave. To date, the project has been allocated approximately \$31,465,800 from a variety of funds.

In reply to Chairman Solomon, Mr. Sweeney stated the new room will open in 2003.

Jay Zeimann stated that they are in the final push to get the lower cave open and would like to have it open before November 2003.

Representative Knaperek mentioned comments she has received about the cave indicating that it is the best caverns they have been in.

No Committee action was required.

The meeting adjourned at 12:00 p.m.

Jan Belisle, Secretary

Lorenzo Martinez, Senior Fiscal Analyst

Senator Ruth Solomon, Chairman

NOTE: A full tape recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams.

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DATE: September 28, 2001

TO: Senator Ruth Solomon, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Senior Fiscal Analyst

SUBJECT: ARIZONA BOARD OF REGENTS/NORTHERN ARIZONA UNIVERSITY - REVIEW
OF REVISED MULTI-YEAR BONDING PLAN AND CONSIDER APPROVAL OF
BONDING PROJECTS.

Request

Pursuant to Laws 1996, Chapter 334 and Laws 2001, Chapter 233, the Arizona Board of Regents (ABOR) requests Committee review of revisions to the Northern Arizona University (NAU) Multi-Year Bonding Plan and approval to issue bonds for the projects in the revised plan.

Recommendation

The JLBC Staff recommends a favorable review of the revisions to the plan and that the Committee approve the issuance of \$62,918,300 in revenue bonds for the 18 projects in the plan with the following stipulations:

- The debt service requirements on any project that benefits non-academic activities shall be cost allocated among the programs receiving direct benefit from the project. [This stipulation is recommended to ensure tuition set asides or appropriated operating funds are not the only source of debt service on projects (Central Dining Renovation and University Union Projects) that also benefit auxiliary activities. Auxiliary activities have historically been considered self-supporting.]
- By December 1, 2001, NAU report to the Committee a preliminary estimate of the debt service for any projects requiring cost allocation of debt service requirements.¹

Consistent with Chapter 334 and Chapter 233, any future revisions to the bonding plan shall be reviewed by the Committee prior to the approval of subsequent bonding projects.

Analysis

Multi-Year Bonding Plan

Laws 1996, Chapter 334 authorized ABOR to issue up to \$245,400,000 in revenue bonds for the universities under its jurisdiction. Of the total amount, NAU was allocated \$54,800,000. The Committee gave a favorable review to the initial plan in May 1997. There have been revisions to each university plan since the initial review. The last bonding plan for NAU was favorably reviewed by the Committee in June 2000. In addition to the bonding authority from Chapter 334, Laws 2001, Chapter 233, authorized additional bonding authority of \$39,100,000 for NAU. This additional amount gives NAU total bonding

(Continued)

authority of \$93,900,000. Chapter 334 and Chapter 233 require the Committee to review the multi-year bonding plan and approve any project in the plan prior to the issuance of bonds. *Table 1* shows the distribution of bonding authority from Chapter 334 and Chapter 233 for each university.

Table 1								
Planned Annual Bond Issues								
(\$ in Thousands)								
	<u>1997</u>	<u>1998</u>	<u>1999</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>Undetermined</u>	<u>Totals</u>
NAU (Current)	\$30,900	\$ --	\$ --	\$23,900	\$ --	\$ --	\$ 39,100	\$93,900
NAU (Requested)	\$30,900	\$ --	\$ --	\$ --	\$ --	\$62,918	\$ 82	\$93,900
ASU	--	--	--	15,000	--	85,000	--	100,000
UofA	--	--	--	23,683	30,000	36,900	--	90,583
TOTAL	\$30,900	\$ --	\$ --	\$38,683	\$30,000	\$184,818	\$ 82	\$284,483

Table 2 shows the current and revised bond allocations for each project.

Table 2			
Bonding Authority Allocations			
(\$ in Thousands)			
Original Projects	Original Allocation	Revised Projects	Revised Allocation
<i>1997 Bond Issuance</i>		<i>1997 Bond Issuance</i>	
Building Systems Repair/Replacement	\$ 1,441	Building Systems Repair/Replacement	\$ 1,441
Biology/Biochemistry Building	13,959	Biology/Biochemistry Building	13,959
Centennial Building	2,500	Centennial Building	2,500
Utility Infrastructure Renovation	3,000	Utility Infrastructure Renovation	3,000
Eastburn Building Renovation	4,000	Eastburn Building Renovation	4,000
Performing Arts Renovation	5,500	Performing Arts Renovation	5,500
Television Studio Renovation	500	Television Studio Renovation	500
Subtotal - 1997 Issuance	\$30,900	Subtotal 1997 Issuance	\$30,900
Gammage Building Renovation	\$ 4,000	Gammage Building Renovation	\$ 7,000
Communication Building Renovation	4,000	Communication Building Renovation	10,000
Utility Infrastructure Renovation	3,000	Forestry Building Lower Level Build Out	997
Building Systems Repair/Replacement	5,000	Creative Communication Relocation	1,200
Space Renovation	4,900	Storage Pads	200
Information Systems Building Renovation	3,000	Modular Swing Space	1,600
Unallocated	39,100	Central Dining Renovation	250
Subtotal – Post 1997 Issuance	\$63,000	Hotel & Restaurant Mgt. Renovation	500
TOTAL	\$93,900	Health Professions Addition/Renovation ^{1/}	2,000
		University Union Projects	1,701
		North Union Renovation	3,500
		Adel Math Building Renovation	1,120
		Engineering Building Renovation	3,500
		Social & Behavioral Sciences and	
		Anthropology Buildings Renovation	2,000
		Site Preparation for Applied Research Building	2,000
		Arts & Sciences Complex Renovation ^{2/}	8,000
		College of Business Renovation	5,000
		Campus Infrastructure Upgrades	11,250
		Bond Issuance Costs	1,100
		Unallocated	82
		Subtotal – Post 1997 Issuance	\$63,000
		TOTAL	\$93,900

^{1/} Total project cost is \$3,000,000. An additional \$1,000,000 will be funded from gifts.

^{2/} Total project cost is \$16,900,000. An additional \$1,000,000 will be funded from reallocated bond proceeds from the 1997 issuance and \$7,900,000 will be funded with Certificates of Participation financing, which will be repaid with Proposition 301 (Technology and Research Initiative Fund) fund allocations.

(Continued)

In the 2001 legislative session, NAU was allocated \$4,000,000 in FY 2003 as part of a \$16,000,000 General Fund biennial university funding package. NAU plans to use this funding to offset tuition collections that will be used to pay the debt service on the requested bond issuance of \$62,918,300. However, given that some projects (Central Dining Renovation and University Union Projects) will directly benefit auxiliary programs, JLBC Staff recommends that the Committee favorably review the bonding plan and approve the bond projects with the stipulation that *the debt service requirements on any project that benefits non-academic activities be cost allocated among the programs receiving direct benefit from the project*. Auxiliary activities such as dining services, residence halls, and parking services have traditionally been considered self-supporting.

The repayment period for the bonds will be 30 years. *Table 3* shows the NAU estimates for debt service requirements through FY 2006 based on a 5.3% interest rate. Given current conditions in the bond market, the interest rate on the issuance is likely to be in the 4% to 4.5% range, which will result in lower debt service requirements.

	<u>FY 2002</u>	<u>FY 2003</u>	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>
Gammage Building Renovation	\$ 81	\$ 258	\$ 427	\$ 468	\$ 468
Communication Building Renovation	116	369	610	669	669
Forestry Building Lower Level Build Out	11	37	61	67	67
Creative Communication Relocation	14	44	73	80	80
Storage Pads	2	7	12	13	13
Modular Swing Space	19	59	98	107	107
Central Dining Renovation	3	9	15	17	17
Hotel & Restaurant Mgt. Renovation	6	18	31	33	33
Health Professions Addition/Renovation	23	74	122	134	134
University Union Projects	21	63	105	113	113
North Union Renovation	40	129	213	234	234
Adel Math Building Renovation	13	41	68	75	75
Engineering Building Renovation	41	129	213	234	234
Social & Behavioral Sciences and					
Anthropology Buildings Renovation	23	74	122	134	134
Site Preparation for Applied Research Building	23	74	122	134	134
Arts & Sciences Complex Renovation	93	296	488	535	535
College of Business Renovation	58	184	305	334	334
Campus Infrastructure Upgrades	131	415	686	753	753
Bond Issuance Costs	<u>13</u>	<u>41</u>	<u>67</u>	<u>74</u>	<u>74</u>
TOTAL	\$731	\$2,321	\$3,838	\$4,208	\$4,208

Bonding Projects

The following provides the NAU description of each of the 18 projects in the submitted bond issuance plan.

Gammage Building Renovation – This project involves major reconfiguration of space and replacement of mechanical/electrical systems. The original structure, now part of the Northern Arizona Normal School Historic District, was constructed in the 1930's. A three-story addition was built in 1958, but no other major modifications have been undertaken since that time. The intent of this project is to improve the effective and efficient use of space and to upgrade the structure to meet current building, fire and life safety codes. Environmental improvements include temperature control and improvements in indoor air quality. As an historic building, considerations will be made to preserve significant historic architectural features. The project will be completed in 2005.

(Continued)

Communication Building Renovation – This project involves major renovation of Building 16 to include replacement of mechanical and electrical system components and reconfiguration of space to accommodate changing program needs. Achieving compliance with building codes, correcting poor indoor air quality and ADA regulations will comprise a significant portion of the project. Connection to the north campus chilled water distribution system will eliminate the need for several high-maintenance, inefficient package cooling systems that are currently in use. The project will be completed in 2003.

Forestry Building Lower Level Build Out – This project will be a 6,000 square foot build-out of the unfinished basement of the Southwest Forest Science Complex located on South Campus. Included in the build-out will be offices, storage, dry laboratories, and plumbing and HVAC for future wet lab construction anticipated in the next two to three years. Project costs will ultimately be reimbursed by indirect costs generated by college research efforts. The project will be completed in 2002.

Creative Communication Relocation – This project involves the consolidation of creative Communications functions, the removal of Enrollment Marketing Services from inadequate space (a renovated kitchen), and in alignment with the university master plan, the relocation of both units from a student service oriented area of campus to a south campus perimeter site designated for business services not directly serving students. The renovated area will house commercial printing equipment and administrative offices for approximately 25-35 staff. Renovation will include correction of code deficiencies for mixed-use occupancy. The project will be completed in 2002.

Storage Pads – This project will construct twenty 120'x45' concrete pads, a 30' asphalt access driveway, and electrical service to each concrete pad. The pads will hold metal cargo shipping containers used by various campus departments for storage. The project will be completed in 2001.

Modular Swing Space – Phase I will include infrastructure utility and 12 building pads at an estimated total square footage of approximately 48,960. The 12-acre site will consist of 60' X 68' concrete pads to accommodate upscale modular units aesthetically integrated with existing foliage and trees. At the completion of this project, there will be approximately 25 pads with utility extensions for hook-ups to prefabricated modular buildings. The site will provide for a u-shaped 30-foot wide service/delivery road for all vehicular traffic. The project will include a drainage, storm sewer and catch basin system. Phase I will be completed in 2002.

Central Dining Renovation – The initial renovation will include installation of a stage, sound system and entertainment lighting, installation of a 16'X24' video screen and data projection system and renovation of existing restroom facilities. The complex will offer entertainment programs and activities, multiple internet terminals, food service options, and an expanded arcade. The proposed renovation addresses improved space utilization as recommended by adapting existing space for other uses. The project will be completed in 2002.

School of Hotel and Restaurant Management Renovation – Redesign of the mechanical system as well as cleaning of the plenum and delivery equipment will be required to return the system to proper operation. Enhancement of the system controls will also allow for improved, efficient operation focusing on user comfort and utility efficiency. Trip hazards and deferred maintenance issues will also be repaired. The project will be completed in 2003.

Health Professions Addition and Renovation – This project will build a 1,700 square foot addition attached to the southwest side of the Health Professions Building on South Campus and renovate approximately 4,000 square feet of the existing Dental Hygiene space. This will expand the existing 18-chair dental hygiene clinic and dental hygiene laboratory to a 36-chair clinic and laboratory. The project will be completed in 2002.

(Continued)

University Union Projects – This is a phased reallocation of space involving three projects in different locations within the University Union Facility.

1. University Union *One Stop Shop* includes modification of 4,400 square feet to include a store front for unified services incorporating Admissions Registrar, Financial Aid, Parking Services, Bursar, and other related services in one contiguous area. This project involves the reallocation of space within the University union to increase efficiency and to create a one-stop-shop for the improved delivery of student oriented services.
2. University Union Dodge City renovation will reconfigure space for student service offerings. Western motif will be removed and glass storefront will be installed. Input regarding the social learning porch will be solicited from users.
3. University Union Student Government Relocation includes the renovation of 2,000 square feet of the Kaibab conference room for Associated Students of NAU.

These University Union Space Reallocation Projects encompass approximately 11,000 square feet in the University Union. The projects will be completed in 2002.

North Union Renovation – Complete renovation of failing mechanical, electrical, and safety systems within North Union will be paramount to this renovation. Architectural details to assure ADA and functionality compliance will also be addressed. Abatement of previously identified hazardous materials in this facility will be addressed as renovation occurs. The project will be completed in 2003.

Adel Math Building Renovation – This project will renovate and modernize approximately 24,000 square feet of classrooms, renovate six restrooms, provide cooling via the addition of a cooling system connected to the central chilled water plant, and replace the existing heating system. This project will be completed in 2002.

Engineering Building Renovation – The proposed renovation project includes major modifications and upgrades to the existing College of Engineering and Technology Building, #69. Scope of the project will address the following:

- installation of an electronic life safety detection and monitoring system
- major exterior and interior structural deficiencies which are a safety concern to all building occupants
- severe stucco cracking and deterioration repair (major stucco sections peeling away from the building) resulting in rapid deterioration of building exterior integrity
- secure perimeter access of building by installing new steel clad doors to replace all exterior wood doors in need of replacement
- modification and upgrade of electrical systems.

The project will be completed in 2003.

Social and Behavioral Sciences and Anthropology Buildings Renovation – The project scope encompasses elimination of code deficiencies and hazards in both buildings including modification for ADA and interior upgrades of existing restrooms, modification and upgrade of mechanical systems, and asbestos abatement in ceilings, pipe insulation, carpet adhesive in various locations. The departments utilizing these facilities include Psychology, Criminal Justice, Sociology and Social Work, Political Science and Anthropology. Located on the first floor is a large auditorium with approximately 200 seats and one interactive television classroom. The project will be completed in 2002.

Site Preparation for Applied Research Building – The proposed project is intended to create space for the construction of the proposed Applied Research Facility. Three possible locations have been identified each requiring a different level of preparation. The next phase of the planning for this project will solidify the most appropriate location for the Applied Research Facility. The \$18,000,000 facility will

(Continued)

consist of 70,000 square feet and be financed with Certificates of Participation that will be repaid with Proposition 301 funding. Site preparation will be completed in 2002 and the building will be completed in 2005.

Arts and Sciences Complex Renovation – Scope of work includes renovation of laboratories for increased functionality, safety and code upgrades, and interior renovations for improved learning environments. Emphasis will be placed upon Biology and Chemistry facilities. Consideration will be given to relocating academic functions to more appropriate locations. The project will be completed in 2005.

College of Business Renovation – Design and construction of architectural, mechanical and electrical upgrades will be included. In addition, restoration of the building envelope and concrete surfaces will be repaired for user safety. Upgrades and modifications to ADA accessible entries will be included in the scope of work. The project will be completed in 2004.

Campus Infrastructure Upgrades – The proposed Campus Infrastructure Upgrades is replacement of campus infrastructure components on south campus (Electrical Distribution, High Temperature Hot Water Distribution, and Domestic Water Distribution) and extension of chilled water supply lines to three north campus facilities including Cline Library (Building 28), Adel Mathematics (Building 26), and the Arts and Sciences Complex (Buildings 18, 19, 20 and 21). These projects will be completed in 2004.

Excerpts from the multi-year bonding plan on strategic directions, debt services and funding breakouts are attached. The entire plan is available for review upon request.

Other Capital Projects

As part of its overall Capital Development Plan, NAU also plans to issue a total of \$26,400,000 in Certificates of Participation (COP) for the projects shown in *Table 4*. The debt service on these COPs will be funded from Proposition 301 revenues. Proposition 301 monies are distributed by ABOR to fund technology and research initiatives in the universities.

Table 4 Certificates of Participation Projects	
Arts & Sciences Complex Renovation	\$ 7,900,000
Applied Research Building	18,000,000
COP Issuance Costs	<u>500,000</u>
TOTAL	\$26,400,000

Some components of the projects listed in *Table 4* will be financed with proceeds from the bond issuance. See the description of these projects in the prior section of this memo for more detail on the project.

NAU also plans to begin the first phase of a 6-phase project to develop a Centennial Forest Field Station. The station will be located in the Centennial Forest between Flagstaff and Bellemont south of Interstate 40. The total cost for the project is estimated to be \$8,000,000. Funding will come from grants and gifts. The cost of the first phase is estimated to be \$700,000 and will include utility extensions to the site, roads, parking, offices, classroom space, and field laboratories. Future phases include an environmental camp, a forest resources enterprise center, visitor scholar housing, a teaching and research laboratory, and an environmental and education conference center.

RS/LM:jb

**Northern Arizona University
MULTI-YEAR BONDING PLAN
STRATEGIC DIRECTIONS**

Northern Arizona University's Multi-Year Bonding Plan has been developed to identify the projects which are proposed to utilize \$62.9 million in bonding authority over the next three years. The bond proceeds will allow implementation of NAU's highest priority capital projects as identified in NAU's Master Plan and the Capital Development Plan. All of the identified projects will maintain, improve and extend the life the existing facilities utilized in fulfillment of NAU's mission.

The Mission:

Northern Arizona University is a doctoral-intensive institution that has at its core undergraduate programs, significant research, and graduate programs to the doctoral level appropriate to its size and classification. Northern Arizona University aspires to be a premiere undergraduate residential institution that provides its students with an innovative and challenging liberal arts and sciences core integrated with a comprehensive number of professional programs. The learning environment at the Mountain Campus is unmatched for natural beauty and for student-centered programs and services. Undergraduate programming prepares students for life in the twenty-first century by assuring individual development through small classes, close interaction with senior faculty, and sophisticated learning technologies more commonly found at the nation's leading private universities.

Northern Arizona University also provides exceptional quality in a selected number of post-baccalaureate certificates, master's and doctoral programs in its areas of greatest strength. The University seeks to expand its post-baccalaureate programs as interdisciplinary fields expand and as the needs of economy demand increasing levels of educational preparation. Intimately linked to its undergraduate and graduate missions, the university's faculty, organized in departments, research centers and institutes, advances knowledge in traditional disciplines, in fields related to NAU's unique environment on the Colorado plateau, and in response to the needs of the state and region for solutions to real world problems.

Finally, NAU is an integral part of the northern Arizona and Flagstaff communities. It embraces its mission to serve rural Arizona, Native American peoples, and seeks a partnership in providing economic, cultural, and social opportunities for all citizens of the region. Consonant with its mission to serve the state's rural counties, the university has innovative partnerships with rural community colleges, operates an education center in Yuma and IITV sites in twenty-six locations plus technology-based delivery into offices and homes.

The Strategic Goals:

- GOAL 1: To be a premiere undergraduate residential learning community emphasizing superior undergraduate programs.
- GOAL 2: To be recognized regionally, nationally and internationally for selected creative endeavors, research and graduate programs especially those that build from our base on the Colorado Plateau.
- GOAL 3: To build on our national reputation for excellence in the preparation of teachers and in applied and professional programming in undergraduate and graduate areas that meet the needs at the regional, state and national levels.
- GOAL 4: To provide regional and national leadership in the development, use and assessment of technologies to enhance and deliver superior educational programs
- GOAL 5: To foster a culture of diversity visible in academic programming and in the recruitment and retention of faculty, staff, and students
- GOAL 6: To be the nation's leading non-tribal university in providing educational opportunities for Native American students, in providing service and applied research to Native American tribes, and in advancing research concerning the history, culture, and contemporary issues of Native American peoples
- GOAL 7: To increase private support and research funding to supplement state funding and tuition, in order to guarantee an operating budget that supports academic excellence.

Capital Facility Needs

Current Space Situation.

NAU continues to report shortages in specific kinds of space, but recent bond-funded projects such as the Biology/Biochemistry facility and the Centennial Building have relieved the most severe deficits. The most critical needs are now to address deferred maintenance and need for adaptive reuse of existing space and replace failing infrastructure. These renovation projects demonstrate NAU's commitment to caring for existing space rather than constructing new space.

Space Needs and Strategic Plan.

The strategic plan presents goals to improve, strengthen and enhance existing programs. The strategic plan does not contemplate the construction of significant amounts of new space. NAU's immediate growth in enrollment is likely to occur at sites throughout the state, with little growth anticipated in Flagstaff. Accordingly, there is little need at this time for additional space in Flagstaff. The exception is the need for additional research space, which is being accommodated in part by the 301 Proposition for the Applied

Research Facility. The Capital Development Plan and this Multiyear Bonding Plan focus on the renovation of existing facilities.

Space Needs and Multiyear Bonding Plan.

This Multiyear Bonding Plan provides for the funding of twenty-one projects identified in three phases for NAU's Capital Development Plan. Each of the projects supports one or more goals in the strategic plan; specific references are made to the strategic plan in the project justifications; and future submittals of Project Implementation documentation to the Arizona Board of Regents will further expand upon strategic justification.

Building Quality/Deferred Maintenance

Space Quality Issues.

As indicated above, the Capital Development Plan and this Multiyear Bonding Plan place emphasis on improving the quality and functionality of existing space. Several projects planned for funding under this bonding plan provide for the renovation of existing facilities, making qualitative improvements in existing space, providing for ADA access, adjusting space for programmatic changes and reducing the backlog of deferred maintenance. All projects include some mechanical upgrade and repair; a major renovation project includes repair and upgrade of failing infrastructure systems on South Campus.

Building Renewal and Deferred Maintenance.

The backlog of deferred maintenance throughout NAU is approximately \$130 million. Implementation of the earlier phase of this Multiyear Bonding Plan combined with the FY99 increased funding for Building Renewal to date has resulted in a slowing of growth of deferred maintenance. These proposed projects will begin to yield a reduction in the backlog. The backlog of infrastructure deferred maintenance is not quantified as precisely as the backlog of building deferred maintenance, although the need is a similar order of magnitude. The Campus Infrastructure Upgrades project in this plan is one of a continuing series of projects to address these needs.

Debt Service

The details of debt service for this Multi-Year Bonding Plan are presented elsewhere in this document. This plan will add \$62.9 million of new debt in 2002. In addition, the university plans to issue Certificates of Participation in the amount of \$26.4 million in 2004. Service of current bond indebtedness will end in 2017. The university's financial advisor will assist in structuring the debt in a manner that exerts the least pressure on tuition and fees. The university's debt capacity report will be presented to the Board in September 2001, in conjunction with the Capital Development Plan. The planned issuance is within NAU's debt capacity and below the debt ratios examined by the bond rating services. This additional debt is consistent with the strategic plan that provides for the best use of resources to serve the needs of students and faculty.

Capital Facility Planning Process

The Arizona Board of Regents has recently proposed a new Capital Development Process, which takes the place of the existing Capital Improvement Plan. This new process requires the tri-universities to comply with a three-step approval system. Furthermore it establishes all the necessary information to be provided regarding a project to be approved.

NAU's capital development process is an iterative process involving the university's leadership groups. The proposed NAU 2002 Capital Development Plan has been reviewed and discussed with the President's Executive Leadership Team, Dean's Council, Summer Faculty Senate, Chair's Council, Student Government, and various vice presidential operational and planning teams, and other ad hoc groups within NAU. This proposal of potential candidate projects was forwarded to Capital Assets and Services department for the appropriate details of project justification and other necessary components of the CDP.

Capital Facility Funding

Sources.

The most common source for capital funding at NAU is academic bonds, but other sources are sometimes available. All projects in this Multiyear Bonding Plan will be funded with academic bonds. In the past, projects have been funded with auxiliary bonds; those projects have included residence halls and recreation facilities. Debt service on auxiliary bonds is derived from rental collections in residence halls and a student recreational fee. There are only two recent examples of capital projects funded, in whole or in part, by the General Fund: the academic facility in Yuma (1996) and proposed Signal Peak. Federal grants have funded a limited number of projects at NAU. The Southwest Forest Science Complex (houses the NAU College of Ecosystem Science and Management and the Arizona research activities of the U.S. Forest Service) was funded in large part by a federal appropriation. The entire federal portion of the building was federally funded; one-half of the NAU portion was funded by a federal grant through the General Services Administration and the other half was funded by bond revenue. In addition, a research greenhouse completed in 1988 was federally funded. Finally, a project to renovate and add to the Bookstore was funded with local funds derived from sales at the store.

Minor projects are normally funded by departments through the reallocation of operational funds or research grants. Building renewal funds are not used for new construction, but are used in connection with projects intended to reduce the backlog of deferred maintenance and provide ADA access.

The current issuance is very unique in that System Revenue bonds are being paid from a state appropriation and places no upward pressure on tuition.

Operations and Maintenance.

The operation and maintenance of new academic space is funded by way of the annual budget process. Partial funding is requested for projects that are completed during a given fiscal year, with full funding requested for the following fiscal year. The operations and maintenance costs of new facilities are presented in the detailed project information section of this plan.

Renovation projects normally result in little or no change in operations and maintenance costs. (As those focused on in this plan).

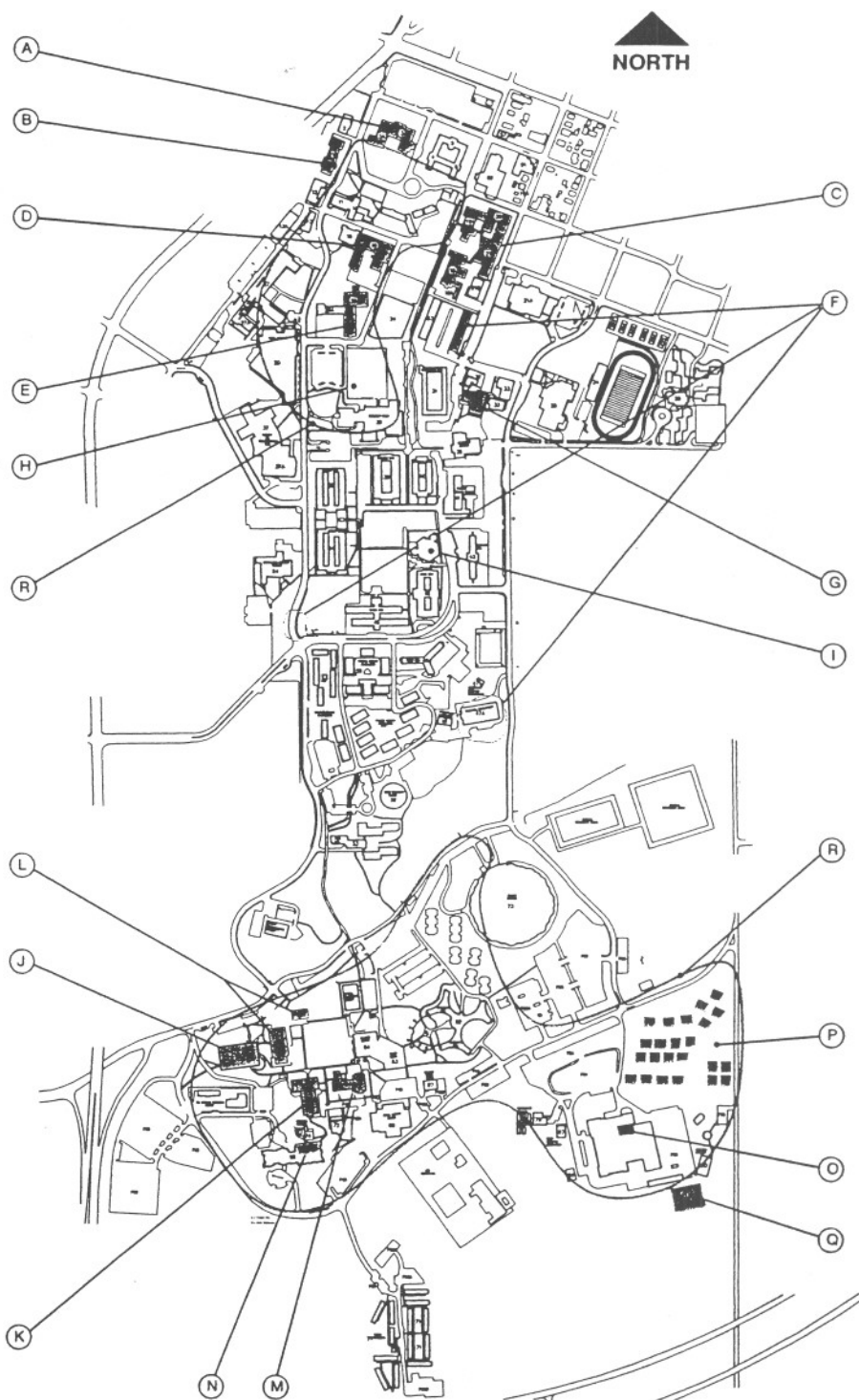
Summary

This Multi-year bonding plan presents NAU's planned use of the \$62.9 million balance in the bonding authority granted by the 2001 Legislature. Sale of the bonds will be accomplished in a single offering in 2002. This plan supports both NAU's strategic and Capital Development needs and will fund the most urgent projects. This entire plan supports NAU's commitment to minimizing the construction of new facilities thus making major investments in caring for facilities that already exist. These major renovation projects will reduce the backlog of deferred maintenance, provide for ADA compliance, and modernize an aging physical plant.

Campus Site Map

The following map illustrates the projects included in the Multiyear Bonding Plan, including general indications for the infrastructure project scope.

- A NORTH UNION RENOVATION
- B GAMMAGE RENOVATION
- C ARTS AND SCIENCES RENOVATION
- D COMMUNICATION RENOVATION
- E ADEL MATHEMATICS RENOVATION
- F APPLIED RESEARCH AND DEVELOPMENT
• Site Options 1,2&3
- G HRM RENOVATION
- H UNIVERSITY UNION
• ONE-STOP-SHOP
• DODGE CITY RENOV.
• STUDENT GOVERNMENT RELOCATION
- I CENTRAL DINING RENOVATION
- J COLLEGE OF BUSINESS RENOVATION
- K ENGINEERING RENOVATION
- L SBS/ANTHROPOLOGY RENOVATION
- M HEALTH PROFESSIONS ADDITION AND RENOVATION
- N FORESTRY LOWER LEVEL BUILD OUT
- O CREATIVE COMMUNICATIONS RELOCATION
- P MODULAR SWING SPACE
- Q STORAGE PADS
- R INFRASTRUCTURE UPGRADES



Northern Arizona University 2002 Multi-Year Bonding Plan Projects

**NORTHERN ARIZONA UNIVERSITY
MULTI YEAR BONDING PLAN**

Revenue Bond Debt Service Schedule
as of June 30, 2001
(Dollars in Thousands)

		Funding Source	Revenue Bond Debt Service for Fiscal Year				
		2002	2003	2004	2005	2006	
Academic Revenue Bonds							
Existing Academic Revenue Bonds	Local Collections	\$8,133	\$8,135	\$8,133	\$8,138	\$8,147	
Projected New Academic Revenue Bond Obligations :							
2002 (1)							
Forestry Lower Level Build Out	See note below (2)	11	37	61	67	67	
Creative Communications Relocation	See note below (2)	14	44	73	80	80	
Storage Pads	See note below (2)	2	7	12	13	13	
Modular Swing Space	See note below (2)	19	59	98	107	107	
Central Dining Renovation	See note below (2)	3	9	15	17	17	
HRM Renovation	See note below (2)	6	18	31	33	33	
Health Professions Renovation and Addition	See note below (2)	23	74	122	134	134	
Campus Infrastructure Upgrades	See note below (2)	131	415	686	753	753	
University Union Projects (3)	See note below (2)	21	63	105	113	113	
North Union Renovation	See note below (2)	40	129	213	234	234	

Note (1) Projected new academic bond debt service assumes 30 year bonds issued on January 1, 2002, debt issued at 5.3 %, and applying interest earnings on bond proceeds during construction to reduce required debt service payments.

Note (2) Tuition offset of a general fund base budget appropriation.

Note (3) Includes University Union One-Stop-Shop, University Union (Dodge City Renovation) and Union Student Government Relocation. All projects under \$1,000,000 individually.

Note (4) In addition, the University plans to issue \$26,445,000 in Certificates of Participation (COPS) in conjunction with the Capital Development Plan. The source of repayment will be Proposition 301 monies as allocated to NAU.

**NORTHERN ARIZONA UNIVERSITY
MULTI YEAR BONDING PLAN**

Revenue Bond Debt Service Schedule (continued)
as of June 30, 2001
(Dollars in Thousands)

Adel Math Renovation	See note below (2)	13	41	68	75	75
Engineering Renovation	See note below (2)	41	129	213	234	234
Communication Renovation	See note below (2)	116	369	610	669	669
SBS/Anthropology Renovation	See note below (2)	23	74	122	134	134
Site Prep Applied Research	See note below (2)	23	74	122	134	134
Gammage Renovation	See note below (2)	81	258	427	468	468
Arts and Sciences Renovation	See note below (2)	93	296	488	535	535
College of Business Renovation	See note below (2)	58	184	305	334	334
State Revenue Bonds	See note below (2)	13	41	67	74	74
Sub Total		731	2,321	3,838	4,208	4,208
Total Existing and Projected Academic Revenue Bonds		<u>\$8,864</u>	<u>\$10,456</u>	<u>\$11,971</u>	<u>\$12,346</u>	<u>\$12,355</u>

Note (1) Projected new academic bond debt service assumes 30 year bonds issued on January 1, 2002, debt issued at 5.3 %, and applying interest earnings on bond proceeds during construction to reduce required debt service payments.

Note (2) Tuition offset of a general fund base budget appropriation.

Note (3) Includes University Union One-Stop-Shop, University Union (Dodge City Renovation) and Union Student Government Relocation. All projects under \$1,000,000 individually.

Note (4) In addition, the University plans to issue \$26,445,000 in Certificates of Participation (COPS) in conjunction with the Capital Development Plan. The source of repayment will be Proposition 301 monies as allocated to NAU.

**NORTHERN ARIZONA UNIVERSITY
MULTI YEAR BONDING PLAN**

Revenue Bond Debt Service Schedule
as of June 30, 2001
(Dollars in Thousands)

	Funding Source	Revenue Bond Debt Service for Fiscal Year					
		2002	2003	2004	2005	2006	
<u>Auxiliary Revenue Bonds (1)</u>							
Existing	Auxiliary Revenue Bonds	Auxiliary	\$2,244	\$2,243	\$2,241	\$2,246	\$2,250
Projected New Auxiliary Revenue Bond Obligations:							
None (2)							
Total Existing and Projected Auxiliary Revenue Bonds (3)			\$2,244	\$2,243	\$2,241	\$2,246	\$2,250

Note (1) Existing debt service remains constant from the year 2002 through final maturity in 2008.

Note (2) There are no plans currently to issue auxiliary debt, however, the University has entered into a Private/Public Partnership with Ambling Corporation to construct new student housing utilizing 6320 Corporation financing.

Note (3) In addition, the University plans to issue \$26,445,000 in Certificates of Participation (COPS) in conjunction with the Capital Development Plan. The source of repayment will be Proposition 301 monies as allocated to NAU.

**Northern Arizona University
Multi Year Bonding Plan**

Existing and Projected Bond Debt Service Schedule
(Dollars In Thousands)

Fiscal Year	Existing Debt Service	Projected 2002 Debt Service	Total Existing & New Debt Service
2001	\$10,375		\$10,375
2002	10,377	\$731	11,108
2003	10,378	2,321	12,699
2004	10,374	3,838	14,212
2005	10,384	4,208	14,592
2006	10,397	4,208	14,605
2007	9,848	4,204	14,052
2008	9,703	4,207	13,910
2009	4,391	4,206	8,597
2010	4,358	4,206	8,564
2011	4,324	4,207	8,531
2012	4,341	4,204	8,545
2013	4,351	4,206	8,557
2014	4,365	4,203	8,568
2015	4,385	4,201	8,586
2016	4,406	4,203	8,609
2017	4,436	4,204	8,640
2018		4,204	4,204
2019		4,203	4,203
2020		4,201	4,201
2021		4,198	4,198
2022		4,198	4,198
2023		4,196	4,196
2024		4,198	4,198
2025		4,197	4,197
2026		4,197	4,197
2027		4,195	4,195
2028		4,193	4,193
2029		4,193	4,193
2030		4,192	4,192
2031		4,191	4,191
2032		4,195	4,195
	<u>\$121,193</u>	<u>\$124,508</u>	<u>\$245,701</u>

Note (1) In addition, the University plans to issue \$26,445,000 in Certificates of Participation (COPS) in conjunction with the Capital Development Plan. The source of repayment will be Proposition 301 monies as allocated to NAU.

**NORTHERN ARIZONA UNIVERSITY
2002 Funding Breakout**

Project	Project Cost	Funding Source	Encumbered bond funds
ACADEMIC / RESEARCH			
New Capital Project Proposal			
Creative Communications Relocation	\$1,200,000	02 Issuance ⁴	\$1,200,000
Storage Pads	\$200,000	02 Issuance ⁴	\$200,000
Site Prep Applied Research	\$2,000,000	02 Issuance	\$2,000,000
Communication Renovation	\$10,000,000	02 Issuance	\$10,000,000
Arts and Sciences Renovation	\$16,900,000	02 Issuance/301/97 Issuance ²	\$8,000,000
North Union Renovation	\$3,500,000	02 Issuance	\$3,500,000
Adel Math Renovation	\$1,120,000	02 Issuance	\$1,120,000
College of Business Renovation	\$5,000,000	02 Issuance	\$5,000,000
Engineering Renovation	\$3,500,000	02 Issuance	\$3,500,000
Health Professions Addition and Renovation	\$3,000,000	02 Issuance / GIF ³	\$2,000,000
Gammage Renovation	\$7,000,000	02 Issuance	\$7,000,000
SBS/Anthropology Renovation	\$2,000,000	02 Issuance	\$2,000,000
HRM Renovation	\$500,000	02 Issuance	\$500,000
Forestry Lower Level Build Out	\$997,300	02 Issuance ⁴	\$997,300
Modular Swing Space	\$1,600,000	02 Issuance ⁴	\$1,600,000
Centennial Forest Field Station	\$700,000	Plant Fund / GIF	NA
INFRASTRUCTURE			
New Capital Project Proposal			
Campus Infrastructure Upgrades	\$11,250,000	02 Issuance	\$11,250,000
Costs of Issuance			
State Revenue Bonds	\$1,100,000	02 Issuance	\$1,100,000
Academic/Research Subtotal	\$71,567,300		\$60,967,300
AUXILIARY			
STUDENT SERVICES			
University Union Projects ⁵	\$1,701,000	02 Issuance ⁴	1,701,000
Central Dining Renovation	\$250,000	02 Issuance ⁴	\$250,000
Auxiliary Subtotal	\$1,951,000		\$1,951,000
Cumulative Totals	\$73,518,300	BONDS	\$62,918,300
COPS			
New Capital Project Proposal			
Applied Research Facility	\$18,000,000	301	\$18,000,000
Arts and Sciences Renovation			\$7,900,000
Costs of Issuance			
COPs	\$500,000	Proposition 301	\$500,000
		COPS	\$26,400,000

Cumulative Project Totals **\$92,018,300**

Note¹: Estimated maximum projected debt service.

Note²: Total project budget is \$16.9M; \$8M 02 Issuance, \$1M 97 Issuance and \$7.9 301 Funds.

Note³: Total project budget is \$3M; \$2M 02 Issuance and \$1M anticipated gift.

Note⁴: Plant Fund to be utilized initially; will be reimbursed by Bond Dispersal (BIO2)

Note⁵: Includes University Union One Stop Shop, University Union (Dodge City Renovation) and University Union Student Government Relocation.

STATE OF ARIZONA

Joint Committee on Capital Review

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CHAIRMAN 2001
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CHRISTINE WEASON

DATE: Septembert 27, 2001

TO: Senator Ruth Solomon, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Lorenzo Martinez, Senior Fiscal Analyst

SUBJECT: UNIVERSITY OF ARIZONA - REVIEW OF SCOPE, PURPOSE, AND
ESTIMATED COST OF DIGITAL TELEVISION CONVERSION

Request

The University of Arizona (UofA) is requesting Committee review of the conversion of the UofA public television station, KUAT, to digital broadcasting by 2003 as required by the Federal Telecommunications Act of 1996.

Recommendation

The JLBC Staff recommends a favorable review of the request. Total project cost is estimated to be \$7,105,500. The project will be funded from a General Fund appropriation of \$2,500,000 and the remaining requirement of \$4,605,500 will be funded by gifts.

Analysis

The Federal Telecommunications Act of 1996 mandates public television stations to be converted to digital broadcasting by May 2003. Laws 2001, Chapter 237 (Capital Outlay Bill) appropriated General Fund monies in FY 2002 totaling \$2,500,000 for UofA and \$1,500,000 for Arizona State University to convert their public television stations to digital format.

The UofA will use the \$2,500,000 appropriation and \$4,605,500 from gift funding to purchase and install equipment necessary to allow their public broadcasting station, KUAT, to produce and broadcast digital television programs. The project will require construction and installation of new equipment at the 2 transmitter sites located on Mt. Bigalow and Tumamoc Hill as well as at the studio on the UofA campus. The last page of the UofA submission includes the latest estimates of the components of the 3-phase project.

RS/LM:jb

Senior Vice President
for Business Affairs

THE UNIVERSITY OF
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TUCSON ARIZONA

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Tucson, Arizona 85721
Tel (520) 621-5977
Fax (520) 621-7714

September 19, 2001

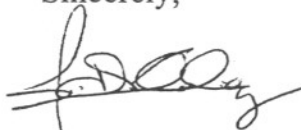
Honorable Ruth Solomon
Chair, Joint Committee on Capital Review
State Senate
1700 W. Washington
Phoenix, AZ 85007

Dear Senator Solomon:

The University of Arizona respectfully requests the authority to expend the \$2.5 million appropriated for the KUAT upgrade.

The attached Executive Summary explains the project. If you require further information please call me at (520) 621-5977.

Sincerely,



Joel D. Valdez
Sr. Vice President for Business Affairs

JDV:dak

attachment

cc: Lorenzo Martinez
Greg Fahey



EXECUTIVE SUMMARY

ACTION ITEM: The University of Arizona requests authority to expend State appropriations in the amount of \$2.5 million, allocated to fund the federally mandated digital conversion of its public television station.

ISSUE:

- The State of Arizona has appropriated \$2.5 million for FY 2000/2001 toward meeting the requirements of the Federal Communications Act of 1996 with the conversion of the UA public television station (KUAT) to digital broadcasting by 2003. The conversion includes the purchase and installation of the equipment needed to produce and broadcast digital TV programs and upgrade transmitter stations at Mount Bigalow and Tumamoc Hill.
- The total project budget is \$6 million. The project will be funded by gifts (\$3.5 million) and State appropriations (\$2.5 million). The University has utilized gift funds for all design work completed to date, but the project must be fully funded to proceed with needed equipment purchase and installation.

RECOMMENDATION:

That the State authorize the release of State appropriations in the amount of \$2.5 million, allocated to fund the federally mandated digital conversion of the University of Arizona's public television station.

Contact: Joel D. Valdez (520) 621-5977
Sr. Vice President for Business Affairs
jdvaldez@u.arizona.edu

Senior Vice President
for Business Affairs

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September 21, 2001

Mr. Lorenzo Martinez
Joint Legislative Budget Committee
1716 W. Adams
Phoenix, AZ 85007

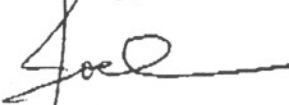
Subject: KUAT Digital Conversion

Dear Mr. Martinez:

The pages I'm sending display our latest cost estimates for the construction and equipping the two sites and our main studio at the Main Campus. The estimates we used in year 2000 have been revised to reflect current conditions.

The \$3,805,500 above the double line includes the \$2.5 million allocated by the State. Staff is raising the required remainder. If you need any more information, please advise.

Sincerely,



Joel D. Valdez
Sr. Vice President for Business Affairs

JDV:dak

attachment



KUAT DIGITAL TV CONVERSION REVISED BUDGET SEPTEMBER, 2001

Channel 30
Mt Bigalow

Channel 28
Tumamoc Hill



PHASE 1 PLANNING

Expense to date FDC \$74,500; KUAT Consultants \$26,100

PHASE 2 TRANSMISSION WITH LOCAL INSERTION

PASS THROUGH ONLY

1 FDC portion

FDC (Building) + Tower RFP	1,165,500	100,000		1,265,500
Tower RFP	200,000			200,000
SUBTOTAL FDC PASS THROUGH PORTION	1,365,500	100,000	0	1,465,500

2 KUAT Portion

Transmission RFP	1,100,000	800,000		1,900,000
Transmitter, Antenna, Demod, Coax Transmission line				
STL (Studio to Transmitter link) RFP	150,000	150,000		300,000
Remote control RFP	50,000	50,000		100,000
PSIP Regenerator RFQ *	10,000	10,000		20,000
Monitoring equipment RFQ			20,000	20,000
SUBTOTAL KUAT PASS THROUGH PORTION	1,310,000	1,010,000	20,000	2,340,000
PASS THROUGH TOTAL	2,675,500	1,110,000	20,000	3,805,500

LIMITED LOCAL INSERTION (Multi RFQs)

Encoders (less HD) mux		250,000		250,000
Routing Switcher		150,000		150,000
Automation RFP ***		150,000		150,000
Terminal (Multiframes with cards)		50,000		50,000
Test Equipment		50,000		50,000
Logo/Captioning		50,000		50,000
PSIP Generator *		50,000		50,000
SUBTOTAL LIMITED LOCAL INSERTION	0	0	750,000	750,000

EXPANDED LOCAL INSERTION (To be purchased in 2-3 years.) ✓

Master Control Switcher		200,000		200,000
Store & Forward HD Video Server		100,000		100,000
Additional Terminal		50,000		50,000
SUBTOTAL EXPANDED LOCAL INSERTION	0	0	350,000	350,000

TOTAL PHASE 2

2,675,500	1,110,000	1,120,000	4,905,500
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PHASE 3 LOCAL PRODUCTION CAPABILITY ***

Multi RFPs

Control & Studio equipment		2,000,000		2,000,000
Remote Equipment				
Editing Equipment				
Non-linear Editing				
Installation and contingency				
HD Encoder				
TOTAL PHASE 3	0	0	2,000,000	2,000,000

PROJECT TOTAL

2,675,500	1,110,000	3,320,000	7,105,500
-----------	-----------	-----------	-----------

Local insertion includes ability to transmit local underwriting, fundraising, multicasting.

* Pending decision: order order 1 PSIP regenerator + PSIP Generator up front or
or order 2 PSIP regenerators to transmit w/o local insertion and order PSIP generator later for local insertion.

*** Automation system: May order this summer to train & to help solve current operational issues, expand later.

*** Phase 3 Local Production equipment was originally estimated at \$2,775,000. Revised 6/01 per David Ross.
Anticipating reduced costs as technology advances.

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CHRISTINE WEASON

DATE: September 28, 2001

TO: Senator Ruth Solomon, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Timothy Sweeney, Fiscal Analyst

SUBJECT: ARIZONA STATE PARKS – REPORT ON POTENTIAL CONDEMNATION OF
LAND ADJACENT TO KARTCHNER CAVERNS STATE PARK

Request

The State Parks Board is considering the condemnation of private property adjacent to Kartchner Caverns State Park if mutual agreement on the sale of the property cannot be reached between State Parks and the property owner. The Chair has requested that this item be brought to the attention of the Committee.

Recommendation

This item is for information only and no Committee action is required. Arizona State Parks Board statutes authorize the Board to acquire land through condemnation without legislative review or approval. However, A.R.S. § 41-511.05 does not allow land acquisitions requiring expenditures in excess of funds budgeted or received for such purposes. A.R.S. § 41-511.05 also requires an act of the Legislature for any additions to parks in excess of 160 acres. The restrictions from A.R.S. § 41-511.05 do not apply to Heritage Fund acquisitions.

If mutual agreement on the sale of the property adjacent to Kartchner Caverns cannot be reached, the State Parks Board will consider acquiring the property through condemnation at its October meeting.

Analysis

A privately owned 180-acre parcel of land adjacent to Kartchner Caverns State Park is being considered for development as a luxury resort. Based on a commissioned analysis of the area, the Parks Dept. believes subsurface water flows from the resort could endanger Kartchner Caverns. The private developer does not agree.

(Continued)

Based on an appraisal of the private land, the Parks Department made an offer to purchase the property. The owner did not respond and the recommendation to condemn the property was presented to the State Parks Board at its September meeting. The board directed Parks Dept. staff to renew discussions with the private owner, to update the appraisal of the property, and make another offer to the owner. If mutual agreement on the acquisition of the property by the Parks Dept. cannot be reached, the State Parks Board will consider acquiring the property through condemnation at its October 18, 2001 meeting.

The Parks Department intends to use Heritage Fund monies if mutual agreement on the acquisition of the property is reached. A.R.S. § 41-502 does not allow the use of Heritage Fund monies to acquire property through condemnation. Heritage Fund monies are not subject to legislative appropriation. If the State Parks Board votes to acquire the land through condemnation, the Parks Dept. intends to use State Parks Enhancement Fund (SPEF) monies to acquire the property. A.R.S. § 41-511.11 requires Committee approval for the use of SPEF monies to purchase land.

The appraised value for the 180 acres is \$1,050,000. However, the appraised value for the 152 acres the Parks Dept. believes are required to protect Kartchner Caverns is \$1,026,000. The projected FY 2002 ending balance in the Heritage Fund is \$29,501,500. The projected ending balance in the acquisitions and development portion of the State Parks Enhancement Fund is \$4,500,000.

RS/TS:jb