

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DON SHOOTER
CHAIRMAN 2011
PAULA A. ABOUD
ANDY BIGGS
RICH CRANDALL
LORI KLEIN
RICK MURPHY
DAVID SCHAPIRA

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 2012
LELA ALSTON
CHAD CAMPBELL
STEVE COURT
NANCY MCLAIN
JUSTIN OLSON
ANNA TOVAR

**** REVISED ****

JOINT COMMITTEE ON CAPITAL REVIEW

Thursday, October 4, 2012

2:30 P.M.

Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order
- [Approval of Minutes of June 26, 2012.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [ARIZONA STATE LOTTERY COMMISSION - Review of FY 2013 Building Renewal Allocation Plan.](#)
- 2. ARIZONA DEPARTMENT OF ADMINISTRATION
 - [A. Review of Remaining FY 2013 Building Renewal Allocation Plan.](#)
 - [B. Review and Consider Approval of Bond Refinancing.](#)
 - [C. Consider Recommending FY 2013 Rent Exemptions.](#)
- 3. [ARIZONA STATE UNIVERSITY - Review of 4 Bond Projects.](#)
- 4. [CORPORATION COMMISSION - Review of Tennant Improvements.](#)

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

~~9/27/12~~

10/3/12

tls

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.

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DON SHOOTER
CHAIRMAN 2011
PAULA A. ABOUD
ANDY BIGGS
RICH CRANDALL
LORI KLEIN
RICK MURPHY
DAVID SCHAPIRA

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 2012
LELA ALSTON
CHAD CAMPBELL
STEVE COURT
NANCY McLAIN
JUSTIN OLSON
ANNA TOVAR

MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

June 26, 2012

The Chairman called the meeting to order at 9:48 a.m., Tuesday, June 26, 2012, in Senate Appropriations Room 109. The following were present:

| | | |
|----------|-----------------------------------|--------------------------------|
| Members: | Representative Kavanagh, Chairman | Senator Shooter, Vice-Chairman |
| | Representative Alston | Senator Biggs |
| | Representative Campbell | |
| | Representative Court | |
| | Representative McLain | |
| | Representative Olson | |

| | | |
|---------|----------------------|------------------|
| Absent: | Representative Tovar | Senator Aboud |
| | | Senator Klein |
| | | Senator Murphy |
| | | Senator Schapira |

| | |
|----------|------------------|
| Excused: | Senator Crandall |
|----------|------------------|

ARIZONA DEPARTMENT OF ADMINISTRATION - Review of Revised FY 2013 Building Renewal Allocation Plan.

Mr. Stefan Shepherd, JLBC Staff, presented the Arizona Department of Administration's (ADOA) request for review of its FY 2013 Building Renewal Allocation Plan.

The JLBC Staff presented options to the Committee.

Mr. Shepherd responded to member questions.

Ms. Jean Clarke, State Procurement Administrator, ADOA, responded to member questions. Ms. Clarke, in response to a request, will be sending members information regarding regions, adjustment factors, and listed contractors.

Senator Shooter moved that the Committee give a favorable review to safety-related projects as agreed to by the Chairman. The remaining items in the allocation plan will be considered subsequent to receipt of additional information that addresses the Job Order Contract process. The favorable review included the following provisions:

(Continued)

1. *ADOA notify the Chairman and 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 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 ADC not proceed with the project.*

The motion carried.

ARIZONA DEPARTMENT OF CORRECTIONS - Review of FY 2013 Building Renewal Allocation Plan.

Mr. Stefan Shepherd, JLBC Staff, presented the Arizona Department of Corrections' (ADC) request for review of its FY 2013 Building Renewal Allocation Plan. They were appropriated \$4.6 million and would intend to spend most all of it on perimeter electronic security systems at 8 of their complexes.

The JLBC Staff presented options to the Committee.

Mr. Michael Kearns, Division Director, Administrative Services, ADC, responded to member questions.

Senator Shooter moved that the Committee give a favorable review to ADC's FY 2013 \$10,372,600 Building Renewal Allocation Plan with the provision that ADC report any change in the spending plan to the JLBC Staff, including reallocations between projects and allocations from the contingency plan. The favorable review also included the following provisions for the \$173,636 emergency contingency allocation:

1. *ADC notify the Chairman and 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 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.*

The motion carried.

ARIZONA STATE PARKS BOARD – Review of FY 2013 State Lake Improvement Fund Capital Expenditures.

Mr. Art Smith, JLBC Staff, presented the Arizona State Parks Board FY 2013 State Lake Improvement Fund (SLIF) capital projects plan totaling \$1,500,000. He noted that the Lake Havasu City Fire Department has recommended that the 4" water mains be replaced by 8" water mains at Lake Havasu State Park to improve water flow to the parks fire hydrants at a cost of \$623,300. Additionally, the Parks Board is requesting \$577,300 to provide to provide water and electricity to its 47 campsites. Both projects at Lake Havasu would also select contactors using the Job Order Contract process. Further, the Parks Board has allocated a total of \$299,400 in SLIF monies for emergency building renewal repairs and replacements.

(Continued)

The JLBC Staff presented options to the Committee.

Mr. Smith responded to member questions.

Mr. Kent Ennis, Deputy Director, Arizona State Parks, responded to member questions.

Senator Shooter moved that the Committee give a favorable review of the Arizona State Parks Board's FY 2013 State Lake Improvement Fund capital projects totaling \$1,500,000 with the provision that the projects are ultimately approved by the Parks Board. The favorable review also included the following provisions for the \$300,000 emergency contingency:

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

The motion carried.

ARIZONA GEOLOGICAL SURVEY– Consider Recommending FY 2012 Rent Exemption.

Mr. Stefan Shepherd, JLBC Staff, presented the Arizona Geological Survey (AZGS) request that the Committee recommend to ADOA a rent exemption of \$13,300 for FY 2012. The former Arizona Department of Mines and Mineral Resources (ADMMR) occupied space at 1400 W. Washington Street. When ADMMR was merged into AZGS in July 2011, AZGS never occupied the space at 1400 W. Washington Street and instead consolidated ADMMR into their current space at 1520 W. Adams Street.

The JLBC Staff presented options to the Committee.

Mr. Shepherd responded to member questions.

Ms. Nola Barnes, General Manager, Building Planning and Services, ADOA, responded to member questions.

Mr. Lee Allison, Director, Arizona Geological Survey, responded to member questions.

Senator Shooter moved that the Committee recommend to the Arizona Department of Administration a rent exemption for FY 2012 for the Arizona Geological Survey in the amount of \$13,300. The motion carried.

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of March 27, 2012, Chairman John Kavanagh stated the minutes would stand approved.

Without objection, the meeting adjourned at 11:00 a.m.

(Continued)

Respectfully submitted:

Alanna Carabott, Secretary

Leatta McLaughlin, Assistant Director

Representative John Kavanagh, Chairman

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

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DON SHOOTER
CHAIRMAN 2011
PAULA A. ABOUD
ANDY BIGGS
RICH CRANDALL
LORI KLEIN
RICK MURPHY
DAVID SCHAPIRA

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 2012
LELA ALSTON
CHAD CAMPBELL
STEVE COURT
NANCY MCCLAIN
JUSTIN OLSON
ANNA TOVAR

DATE: September 27, 2012

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

THRU: Richard Stavneak, Director

FROM: Jon Stall, Fiscal Analyst

SUBJECT: Arizona State Lottery Commission - Review of FY 2013 Building Renewal Allocation Plan

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona State Lottery Commission requests Committee review of its FY 2013 Building Renewal Allocation Plan. Laws 2012, Chapter 295 appropriated \$85,200 from the State Lottery Fund to the State Lottery Commission to fund 100% of the building renewal formula in FY 2013.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the commissions' FY 2013 Building Renewal Allocation Plan.

Analysis

Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. Laws 2012, Chapter 295 appropriated a total of \$85,200 in FY 2013 from the State Lottery Fund to the commission for building renewal.

The commission operates out of 2 facilities; a 38,600 square foot state-owned building in Phoenix, and a 3,080 square foot leased building in Tucson. The Phoenix facility includes administrative offices, ticket sales, and redemption centers. This request pertains only to the Phoenix facility.

The Lottery Commission is requesting review of their \$85,200 appropriation for a project to upgrade items housed in their ventilation system that do not comply with building codes. Total expenditures are estimated at \$110,000, and the commission plans to use \$24,800 from its operating appropriation to pay for costs not covered by the building renewal allocation. A 2006 building survey by a third party vendor identified electrical and communications items housed in the building's ventilation system that pose a fire risk, such as substandard wires and electrical panels. The commission proposes replacing the violating items with those designed with flame retardant properties.

(Continued)

The submitted material provides additional detail for the project. The project is consistent with building renewal guidelines and appropriations.

RS/JS:ac

Janice K. Brewer
Governor



Jeff Hatch-Miller
Executive Director

September 12, 2012

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



Re: JCCR Agenda Request

Dear Representative Kavanagh:

The Arizona Lottery respectfully requests placement on the JCCR meeting agenda for October 2012 to review the Lottery's FY13 Building Renewal allocation plan. A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies.

Information for this item is attached.

Sincerely,

Patricia Phillips
Deputy Director

Attachment

cc: Richard Stavneak, Director, JLBC
Jon Stall, Lottery Analyst, JLBC
John Arnold, Director, OSPB
Leah Koestner, Lottery Analyst, OSPB

Phoenix Office · 4740 East University Drive · Phoenix, Arizona 85034 · 480-921-4400 · Fax: 480-921-4488
Tucson Office · 4010 E. Grant Road · Tucson, Arizona 85712 · 520-628-5107 · Fax: 480-921-4456
www.arizonalottery.com

Gambling Problem? 1-800-NEXT STEP (1-800-639-8783)

Ⓢ Please Play Responsibly™

**The Arizona Lottery Building Renewal Funds
Fiscal Year 2013 Allocations Plan**

Background

The Arizona Lottery operates out of two facilities. A 38,600 sq. ft. building, constructed in 1987, owned by the State of Arizona in Phoenix, and a 3080 sq. ft. leased building in Tucson. The Phoenix facility includes the administrative offices, as well as a ticket sales and redemption section. The Tucson office provides space for the district sales manager and ticket sales and redemption. Maintenance of the Tucson facility is included as part of that lease agreement. This report provides information on proposed maintenance expenses for the Phoenix facility.

As part of the FY2013 Approved Budget, the Arizona Lottery received a Capital Outlay Appropriation of \$85,200 from the State Lottery Fund, to the Arizona Lottery Commission for building renewal.

| | |
|---|------------------|
| Total FY2013 Capital Expenditure Budget Allocation: | \$ 85,200 |
| Proposed FY2013 Expenditures – Plenum Project: | \$ 110,000 |
| FY2013 Funding from Lottery Operations | <u>\$ 24,800</u> |
| Remaining | \$ 0 |

FY2013 Allocation Plan

The Arizona Lottery proposes the following capital expenditures in FY2013. The cost estimates were obtained from LSW Engineers during an assessment of the condition of the existing Phoenix Building. The project was managed and solicited by the ADOA Construction Services.

Description

In 2006 the Lottery, in conjunction with ADOA Construction Services, utilized a third party vendor to conduct a survey of the entire Phoenix building. The survey included all major building systems, structures and support infrastructure with the objective to identify and prioritize issues and the level of risk that the issues pose to the State of Arizona.

One of the findings was identified as a fire safety risk. This Plenum project is based on the findings of the survey. In the ceiling space above the ceiling tiles is called the Plenum. The plenum throughout the entire building space uses the accessible ceiling space as a return air plenum. This scenario is acceptable except that there is a myriad of

non-plenum rated materials such as wiring, open junction boxes, and open HP control panels (high voltage). These issues along with the age of the building create a fire hazard. The wiring that is currently in that space is not supported or anchored. This is a violation of building codes, which requires all items in the plenum space be "Plenum Rated" to specific maximum flame spread and smoke development ratings.

Proposed Solution

The Lottery would propose moving forward working with ADOA Construction Services where a vendor will be solicited to replace existing wiring with appropriate flame spread and smoke development rating, install proper anchoring with the new electrical and data lines, and support as other future projects considered.

This project is intended to be completed along with replacement of the fire, life safety project scheduled to be completed October 2012. A separate amount of \$156,300 was appropriated to ADOA from the Lottery Fund for this purpose. Combining the two projects is intended to create cost savings.

Principal Benefits

Reduce the likelihood of an electrical fire and loss of revenue should there be a catastrophic event.

Cost Estimate

The 2006 survey conducted by LSW Anderson Engineers estimated the cost to be \$110,000. Upon approval the Lottery will work with ADOA Construction Services to seek a competitive bid.

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DON SHOOTER
CHAIRMAN 2011
PAULA A. ABOUD
ANDY BIGGS
RICH CRANDALL
LORI KLEIN
RICK MURPHY
DAVID SCHAPIRA

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 2012
LELA ALSTON
CHAD CAMPBELL
STEVE COURT
NANCY MCLAIN
JUSTIN OLSON
ANNA TOVAR

DATE: September 27, 2012

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

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Assistant Director

SUBJECT: Arizona Department of Administration - Review of Remaining FY 2013 Building
Renewal Allocation Plan

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona Department of Administration (ADOA) originally requested the Committee review its FY 2013 Building Renewal Allocation Plan. Laws 2012, Chapter 295 appropriated \$10,372,600 from the Capital Outlay Stabilization Fund (COSF) to ADOA in FY 2013.

At its June 26, 2012 meeting, the Committee favorably reviewed the safety-related projects as agreed to by the Chairman, which totaled \$3,847,600. This memo now addresses the review of the remaining building renewal projects totaling \$6,525,000.

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. ADOA plans to use the Job Order Contracting (JOC) procurement method rather than a traditional competitive bid for the majority of these building renewal projects.

Under either option, the JLBC Staff recommends the provision that ADOA shall report any change in the building renewal spending plan to the JLBC Staff, including reallocations between projects. If there is significant change of scope in the reallocation reported by ADOA, the JLBC Staff shall recommend ADOA to request Committee review of the reallocation.

(Continued)

Analysis

Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. The building renewal formula takes into account the replacement value, age, and life-cycle of all structures in the ADOA building system. A total of \$10,372,600 is appropriated to ADOA to fund 39% of building renewal formula in FY 2013. (These amounts exclude Department of Corrections facilities as they received their own building renewal appropriation.) Of this amount, \$3,847,600 was favorably reviewed by the Committee at its June 26, 2012 meeting. The remaining projects up for review are listed in *Table 1*. The majority of these projects will not be bid out and will instead be procured via the JOC procurement process (*see discussion below*).

The following provides an overview of the remaining amounts allocated to different categories of projects.

Major Building Services Projects

A total of \$3,750,000 will be allocated to 6 different projects. Of this amount, \$2,300,000 will be spent on replacing cooling towers at the Capitol Mall office buildings, the Department of Health Service's (DHS) Arizona State Hospital, and the Department of Public Safety's Forensic Sciences Laboratory. HVAC system replacements will cost \$750,000 at Capitol Mall office buildings. Boilers will be replaced for \$200,000 at the Pioneers' Home in Prescott. The remaining \$500,000 will replace power system panels in mechanical rooms at Capitol Mall office buildings.

Building Shell/Interior Project

A total of \$400,000 will be spent replacing carpet and flooring, which has become a safety hazard, at Capitol Mall office buildings.

Infrastructure Projects

A total of \$2,075,000 will be allocated to 3 projects. Laws 2012, Chapter 295 requires ADOA to use \$1,700,000 of the \$10,372,600 building renewal appropriation to purchase a generator for DHS's Arizona State Hospital, which will provide an emergency power system for the hospital. Phase II of water infrastructure repairs will be made at the Department of Juvenile Corrections' Adobe Mountain and Black Canyon Schools at a cost of \$125,000. The remaining \$250,000 will repair surface parking lots at Capitol Mall office buildings.

Energy Conservation Project

A total of \$300,000 will be allocated to 1 project to replace lighting at the Historical Society's Tempe and Tucson museums.

Job-Offer Contracting

At its June 26, 2012 meeting, the Chairman requested additional information addressing the JOC process. ADOA uses the JOC process to procure pre-priced major maintenance and construction projects. Under the JOC process, agencies submit the requirements for such projects to an automated system and select a single JOC Contractor to provide a job order proposal to the agency. The proposal consists of the fixed-unit prices for various components (e.g., labor costs, materials, equipment costs) multiplied by an adjustment factor, which accounts for items such as business costs, economic factors, and a contract administration fee. The agency then determines whether they approve or reject the job order price. This process is used in lieu of a request for quotation sent to multiple bidders.

(Continued)

The JOC process is required for all mechanical/electrical and general contractor projects between \$5,000 and \$1,000,000 (the process is optional for some projects between \$5,000 and \$100,000). Projects above \$1,000,000 are to be bid out. Projects below the threshold are also required to use the request for quotation process. Most of the projects in its building renewal plan would use the JOC process.

Table 1

Remaining FY 2013 Building Renewal Projects

Major Building Services Projects

| | |
|--|--------------------|
| ADOA Capitol Mall Cooling Towers Replacement | \$1,000,000 |
| DPS Forensic Lab Chiller/Cooling Tower Replacement | 900,000 |
| ADOA Capitol Mall HVAC Replacement | 750,000 |
| ADOA Capitol Mall Physical Plant Power Replacement | 500,000 |
| DHS State Hospital Cooling Towers Replacement | 400,000 |
| Pioneers' Home Boilers Replacement | <u>200,000</u> |
| <i>Subtotal</i> | <i>\$3,750,000</i> |

Building Shell/Interior Project

| | |
|---|------------|
| ADOA Capitol Mall Carpet/Flooring Replacement | \$ 400,000 |
|---|------------|

Infrastructure Projects

| | |
|--|--------------------|
| DHS State Hospital Generator Purchase | \$1,700,000 |
| ADOA Capitol Mall Parking Lots Replacement/Repair | 250,000 |
| DJC Adobe Mtn. & Black Canyon Water Infrastructure Repairs | <u>125,000</u> |
| <i>Subtotal</i> | <i>\$2,075,000</i> |

Energy Conservation Project

| | |
|---|------------|
| Historical Society Museums Lighting Replacement | \$ 300,000 |
|---|------------|

| | |
|--------------|--------------------|
| TOTAL | \$6,525,000 |
|--------------|--------------------|

RS/LMc:ts

Janice K. Brewer
Governor



Scott A. Smith
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

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

June 5, 2012



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

Dear Representative Kavanagh:

ARS § 41-1252 directs the Joint Committee on Capital Review (JCCR) to review the expenditure of all monies appropriated to building renewal. The Arizona Department of Administration (ADOA) requests JCCR to review ADOA's FY 2013 ADOA Building System building renewal allocation plan (Attachment).

Laws 2012, Second Regular Session, Chapter 295 (SB 1524) appropriates \$10,372,600 to ADOA for its Building System agencies and directs ADOA to allocate \$1,700,000 of the appropriation for new capital project that includes the engineering evaluation, design and construction of an emergency power system (generator) for the Department of Health Services (ADHS), Arizona State Hospital (ASH). ADOA is allocating \$8,672,600 to building renewal projects.

The FY 2013 allocation plan briefly includes (a) project type, (b) agency affected, (c) project description, (d) buildings/location, and (e) amount allocated to project.

To the extent possible, ADOA completes major maintenance and replacements to building systems before failures occur. Given the years of deferred major maintenance of an aging building infrastructure, it is difficult, if not impossible, to anticipate the timing and nature of building component failure. In the event of one or more unexpected critical breakdowns or imminent failures, ADOA may redirect all or some monies from an allocation to address priorities of superior urgency.

Some of ADOA's FY 2013 allocation plan includes amounts based solely on agency project scopes and cost estimates. ADOA may redirect all or some monies from an allocation if further evaluation determines the project scope and cost are unrealistic.

The Honorable Representative Kavanagh
June 5, 2012
Page 2 of 2

If you have any questions regarding ADOA's FY 2013 ADOA Building System building renewal allocation plan, please contact William Hernandez, Assistant Director, ADOA General Services Division, at (602) 364-2872.

Sincerely,


Scott A. Smith
Director

Attachment

cc: The Honorable Senator Don Shooter, Vice-Chairman, JCCR
Richard Stavneak, Director, JLBC Staff
Leatta McLaughlin, Assistant Director, JLBC Staff
John Arnold, Director, OSPB
Jennifer Uharriet, Capitol Budget Analyst, OSPB
Paul Shannon, Assistant Director, ADOA
William Hernandez, Assistant Director, ADOA
Nola Barnes, General Manager, ADOA



Arizona Department of Administration
ADOA Building System
FY 2013 Building Renewal Allocation Plan
\$10,372,600

| Project Category | Agency | FY 2013 Building Renewal Project Description | Buildings/Location | Allocation |
|--|---|--|---|--------------------|
| Fire & Life Safety | Administration, Arizona Department of | Replace or Upgrade Fire Alarm Systems – Phase IV | Capitol Mall Buildings | \$500,000 |
| Fire & Life Safety | Deaf & the Blind, Arizona State Schools for the | Upgrade Fire & Life Safety Systems - Phase II | Tucson Campus - Manzanita, Ocotillo, Yucca, & Palo Verde Dormitories | \$500,000 |
| Fire & Life Safety | Exposition & State Fair Board, Arizona | Upgrade Fire & Life Safety Systems | Arizona State Fair Grounds | \$151,500 |
| Fire & Life Safety | Health Services, Department of | Replace or Upgrade Fire & Life Safety Systems - Phase II | Arizona State Hospital | \$200,000 |
| Fire & Life Safety | Economic Security, Department of | Repair Halon Fire Suppression System | 1720 W Madison Data Center | \$100,000 |
| Fire & Life Safety | Prescott Historical Society | Replace Exterior Emergency Exit Staircase | Bashford House | \$126,100 |
| Fire & Life Safety Total | | | | \$1,577,600 |
| Major Building Services | Administration, Arizona Department of | Replace or Repair Failing HVAC | Capitol Mall Buildings - Potential projects include 1616 W Adams (chiller), 1818 W Adams (fan coils), 15 S 15th Ave (heat pumps) | \$750,000 |
| Major Building Services | Administration, Arizona Department of | Replace or Repair Cooling Towers - Phase I | Capitol Mall Buildings - Potential projects include 1200 W Washington, 1600 W Monroe, 1300/1400 W Washington | \$1,000,000 |
| Major Building Services | Administration, Arizona Department of | Engineering & Construction Design to Replace or Repair Cooling Tower | 1789 W Jefferson | \$250,000 |
| Major Building Services | Administration, Arizona Department of | Integrate & Centralize HVAC Energy Management Controls Systems | Capitol Mall & Tucson Complex Buildings - Potential projects include 1700 W Washington (Executive Tower & House of Representatives), 400, 402, & 416 W Congress | \$900,000 |
| Major Building Services | Administration, Arizona Department of | Replace Physical Plant Power Distribution (Motor Controls) Centers - Phase I | Capitol Mall Buildings - Potential projects include 1601 W Jefferson, 1700 W Washington (Executive Tower & State Senate), 1740 W Adams | \$500,000 |
| Major Building Services | Health Services, Department of | Replace Cooling Towers – Phase II | Arizona State Hospital | \$400,000 |
| Major Building Services | Public Safety, Department of | Replace Cooling Tower & Chiller - Phase II | Phoenix (Encanto) Forensic Sciences Laboratory | \$900,000 |
| Major Building Services | Pioneers' Home | Replace Boilers (up to two) | Prescott Pioneers' Home | \$200,000 |
| Major Building Services Total | | | | \$4,900,000 |
| Infrastructure | Administration, Arizona Department of | Replace or Repair Surface Parking Lots | Capitol Mall Parking Lots - Potential projects include 1616, 1624, & 1688 W Adams | \$250,000 |
| Infrastructure | Health Services, Department of | Evaluate, Design, & Construct Emergency Power System | Arizona State Hospital | \$1,700,000 |
| Infrastructure | Juvenile Corrections, Department of | Repair or Replace Water Infrastructure - Phase II | Adobe Mountain School & Black Canyon School | \$125,000 |
| Infrastructure Total | | | | \$2,075,000 |
| Energy Conservation | Historical Society, Arizona | Retrofit or Replace Lighting | Tempe & Tucson Museums | \$300,000 |
| Energy Conservation Total | | | | \$300,000 |
| Building Interior; Finishes | Administration, Arizona Department of | Replace Carpet & Floor Coverings | Capitol Mall Buildings | \$400,000 |
| Building Interior; Finishes Total | | | | \$400,000 |
| Americans With Disabilities Act (ADA) | Economic Security, Department of | ADA Modifications | DDD Group Homes & Arizona Training Program at Coolidge | \$100,000 |
| Americans With Disabilities Act (ADA) Total | | | | \$100,000 |
| Project Scoping | ADOA Building System | Building Renewal Project Priorities (FY 13 and Prospective FY 14) | ADOA Building System | \$75,000 |
| Project Scoping Total | | | | \$75,000 |
| Personnel Services or Employee Related Expenditures | Administration, Arizona Department of | Personnel Services or Employee Related Expenditures | ADOA Building System | \$275,000 |
| Personnel Services or Employee Related Expenditures Total | | | | \$275,000 |

Arizona Department of Administration
ADOA Building System
FY 2013 Building Renewal Allocation Plan
\$10,372,600

| Project Category | Agency | FY 2013 Building Renewal Project Description | Buildings/Location | Allocation |
|---|---------------------------------------|--|----------------------|--------------|
| Risk Management Insurance Premium | Administration, Arizona Department of | Risk Management Construction Insurance Premium | ADOA Building System | \$1,500 |
| Risk Management Insurance Premium Total | | | | \$1,500 |
| Emergencies & Imminent Failures | ADOA Building System | Statewide Emergencies & Imminent Failures Priorities | ADOA Building System | \$668,500 |
| Emergencies & Imminent Failures Total | | | | \$668,500 |
| Grand Total | | | | \$10,372,600 |

DEPARTMENT OF ADMINISTRATION (ADOA) BUILDING SYSTEM
FY 2013 BUILDING RENEWAL ALLOCATION PLAN
\$10,372,600

Fire and Life Safety: improve or eliminate an impending condition that threatens life or property

The ADOA Building System has a number of fire alarm and suppression systems that have exceeded their life expectancy, are functionally obsolete, and in various stages of failure, if not already failed. When fire alarm systems are out of commission for extended repair times, agencies must employ 24-hour fire watch personnel, usually on an overtime basis, to achieve fire and life safety standards. Upgrades to fire alarm and suppression systems are necessary to bring state facilities into compliance with Federal, State, and Local fire and life safety regulations.

\$500,000: Administration, Department of (ADOA) – Capitol Mall – Replace Obsolete and Unsupported Fire Alarm Systems – Phase IV

The proprietary systems in many Capitol Mall buildings are obsolete. Some of the alarm system companies have been out of business for many years and the parts are not manufactured or supported by alternative sources. Last year, ADOA implemented Phase III with FY 2012 building renewal monies, to replace fire alarm systems in 1510 W. Adams, 1537 W. Jackson, 1535 and 1601 W. Washington. The foregoing proposed allocation consists of the planned design and construction of non-proprietary fire alarm systems at 1716 W. Adams, 1740 W. Adams, and 1645 W. Jefferson.

\$500,000: Deaf and the Blind, Arizona Schools for the (ASDB) – Tucson Campus – Upgrade Fire & Life Safety Systems – Phase II

A FY 2012 allocation provided monies for a campus-wide fire alarm assessment, including prioritization recommendations. ADOA is re-prioritizing recommendations for fire alarm upgrades and replacements concurrent with a requirement to install fire *suppression* in the Manzanita, Yucca, Ocotillo, and Saguaro dormitories. The proposed allocation will provide monies for design and construction of fire alarms and fire suppression in the foregoing facilities. ASDB provided FY 2012 operating monies for environmental abatement and some Fire & Life Safety design.

\$151,500: Arizona Exposition & State Fair (AESF) – Arizona State Fair Grounds – Upgrade Fire & Life Safety Systems

Some of the fire hydrants at the AESF are deteriorating (approximately 16). The fire hydrants vary in age from 43 to 47-years old and have exceeded their life expectancy. The shut off valves are decayed and vulnerable to failure. Further, the fire suppression system in the Arizona Veterans' Memorial Coliseum and Fairgrounds Exhibit building is approaching 50-years old. The International Fire Code (IFC) requires replacement of fire suppression sprinkler heads after 50-years to maintain assembly occupancy status for the State Fair and other events.

\$200,000: Health Services, Department of (DHS) – Arizona State Hospital (ASH) – Replace or Upgrade Fire & Life Safety Systems – Phase II

A number of fire alarm and sprinkler suppression systems currently serving ASH are obsolete and in various stages of failure. The fire alarm systems consist

**DEPARTMENT OF ADMINISTRATION (ADOA) BUILDING SYSTEM
FY 2013 BUILDING RENEWAL ALLOCATION PLAN
\$10,372,600**

primarily of obsolete "Edwards" fire alarm panels and related equipment and a majority of replacement parts are no longer available. The antiquated analog computer monitoring system is inoperable, forcing ASH to rely on a less effective older "Fireworks" brand-monitoring computer. The foregoing proposed allocation facilitates Phase II continues upgrades to the campus Fire & Life Safety Systems. An FY2012 building renewal allocation provided monies for a Phase I assessment and recommendation for prioritization of Fire & Life Safety upgrades and commences the scope of work.

\$100,000: Economic Security, Department of (DES) – 1720 W. Madison Data Center – Repair Fire Suppression System

The DES Data Center is a 10,000 GSF facility supporting DES programs and services. The nearly 20-years old halon fire suppression system requires numerous repairs it to return 100% operational status. Halon is an ozone-depleting substance, and as of 1994, the Clean Air Act bans its production in the United States. The ban does not prohibit the use of halon as a fire suppressant; however, it does significantly affect on-going maintenance and repairs costs and availability. The foregoing proposed allocation facilitates repair of the halon system and provides a window of opportunity for DES to consider alternatives to halon as primary fire suppression for its Data Center.

\$126,100: Prescott Historical Society (PHS) – Bashford House – Replace Exterior Emergency Exit Staircase

The Victorian era Bashford House is a focal point of the Sharlot Hall Museum/Prescott Historical Society. PHS employs the building for use as a museum store, visitor center, and administrative offices. The exterior emergency exit staircase, which is also used for routine building access, has succumbed to the elements rendering the staircase an immediate safety hazard for visitors and PHS staff

Major Building Services: includes existing elevators, plumbing (domestic), HVAC, and electrical

The allocations in this category are projects that reflect the worsening condition of chief building services components, including large central plants, in ADOA Building System structures. Many of the failing chillers and cooling towers are original to building construction, have well surpassed their useful lives, and can no longer meet the cooling demands of the structures they support. Many systems are so weakened that unpredictable and imminent failure conditions threaten mission critical functions of public safety and institutional settings. Replacing aged and inefficient systems with new and more efficient systems will generate energy savings, protect assets, and provide comfortable climate control in Arizona's extreme environment.

\$750,000: Administration, Department of (ADOA) – Capitol Mall Office Buildings - Replace Failing HVAC

Several ADOA-managed buildings in the Capitol Mall need to have HVAC systems replaced. The proposed allocation will address the most critical HVAC

**DEPARTMENT OF ADMINISTRATION (ADOA) BUILDING SYSTEM
FY 2013 BUILDING RENEWAL ALLOCATION PLAN
\$10,372,600**

needs in the Capitol Mall to mitigate negative impacts of "crisis-mode" emergency repairs and replacements. Potential projects include:

- 1616 W. Adams – Replace failed 250-ton turbo module chiller
- 1818 W. Adams – Replace fan coils
- 15 S. 15th Ave. – Replace failing water source heat pumps

Given the years of deferred repairs and replacements, unanticipated mechanical failures of HVAC systems may warrant reprioritization of replacements.

\$1,000,000: Administration, Department of (ADOA) – Capitol Mall Office Buildings - Replace or Repair Cooling Towers – Phase I

A number of Capitol Mall buildings' cooling towers are well over 30-years old, far surpassing their expected useful service lives. The oldest and most critical cooling towers are unique, as most are permanent concrete structures built as a part of mechanical buildings.

Major maintenance can extend the service lives of the cooling tower systems by up to 25-years and facilitate maximum efficiency. The scope of work includes, but is not limited to, replacing fans, fill materials, water distribution systems, drift eliminators, etc., and rental of portable cooling towers, hoses, pumps, and fueled generators to provide temporary cooling to buildings for the duration of permanent cooling tower servicing. Failure to address the dramatic affects of constant moisture on cooling tower infrastructure might result in complete system failures, possibly during the summer months, requiring ADOA to close affected buildings until it procures temporary cooling towers and puts them into service. Emergency based procurements increase expenses and out of service times. Potential projects include:

- 1200/1275 W. Washington
- 1300/1400 W. Washington
- 1600 W. Monroe

\$250,000: Administration, Department of (ADOA) – 1789 W. Jefferson – Engineering & Construction Design to Replace or Repair Cooling Tower

1789 W. Jefferson, also referred to as "DES West," was constructed in 1991. The multi-level 556,511 GSF facility consists of four stories above grade and a four level parking complex located directly below. A forced-air HVAC system that incorporates single-zone air handling units with chilled water cooling coils serves the facility. The major HVAC components consist of two 500-ton water-cooled chillers, two custom-built cooling towers, and DX cooling split-systems. The chillers and cooling towers are original to the building's construction date and have reached the end of their intended life cycle. This system requires attention to mitigate risks of inopportune failure. A recent energy audit characterizes the aged system as inefficient and recommends replacing the system to reduce energy consumption, achieve operational efficiencies, and generate energy savings. ADOA will procure the engineering and construction design required for a future replacement of the two cooling towers with the proposed allocation.

**DEPARTMENT OF ADMINISTRATION (ADOA) BUILDING SYSTEM
FY 2013 BUILDING RENEWAL ALLOCATION PLAN
\$10,372,600**

\$900,000: Administration, Department of (ADOA) – Capitol Mall Office Buildings & Tucson Complex Buildings – Integrate & Centralize HVAC Energy Management Controls System

Various energy management systems equipped with disparate “front-ends” or “brains,” requiring multiple computers, workstations, and hardware control HVAC in ADOA buildings. The current system components are failing, lack interconnectivity, and are inefficient. Integrating the multiple systems into a single processing source will provide ADOA a centralized control of its HVAC/energy management system, decrease energy consumption, reduce equipment downtimes, and improve allocation of personnel resources.

\$500,000: Administration, Department of (ADOA) – Capitol Mall Office Buildings – Replace Physical Plant Power Distribution (Motor Controls) Centers – Phase I

The motor control centers of several Capitol Mall buildings are well over 30-years old and original to the buildings’ construction. Motor control centers stop and start motors, pumps, and chillers for building HVAC and other systems hundreds of times a day and mitigate overloads and faults. The equipment components include electromagnetic starters, disconnect switches, and fuses. The parts are subject to wear over time and many aged components are obsolete. ADOA needs to replace motor control centers in older facilities to avoid interruptions in HVAC and other primary building services. Potential projects include:

- 1601 W. Jefferson
- 1700 W. Washington (Executive Tower & State Senate)
- 1740 W. Adams

\$400,000: Health Services, Department of (DHS) – Arizona State Hospital (ASH) - Replace Cooling Towers – Phase II

DHS FY 2012 Capital Improvement Plan (CIP) requested to replace four cooling towers servicing the ASH campus. In FY 2012, ADOA allocated building renewal monies to repair/replace one of four cooling towers serving the ASH campus and to identify the scope of work and costs of replacing its other cooling towers. The proposed allocation will replace two more failing cooling towers at the ASH campus.

\$900,000: Public Safety, Department of (DPS) – Phoenix, Forensic Sciences Laboratory (FSL) - Replace Cooling Tower & Chiller – Phase II

The chiller and cooling tower system serving the seven-days per week, 24-hour a day operations of DPS’ FSL is approximately 15-years old and original to the building. Added evidence processing equipment and occupancy has generated an increased building heat load. Swelling heat load and summer cooling demands keep the system operating 24-hours a day at maximum capacity. A recent engineering assessment identified an increase in scope of work than was identified by the agency in its prior year’s request for funding. If the aging system continues to operate at peak capacity, system failure is probable, and will likely

**DEPARTMENT OF ADMINISTRATION (ADOA) BUILDING SYSTEM
FY 2013 BUILDING RENEWAL ALLOCATION PLAN
\$10,372,600**

compromise critical DPS evidence, sensitive equipment, and the lab environment.

\$200,000: Pioneers' Home, Arizona (APH) – Prescott – Replace Boilers (up to two)

The APH is a continuing care retirement home operated and supported by the State, providing care and services to residents living independently, as well as to those requiring assisted living, intermediate and skilled care. The home's two boilers were installed in 1978 and 1980, far exceeding their expected useful life of 20 years. These boilers supply both hot water and heat to the residents and staff. Replacement of the aging boilers is necessary to prevent interruption of critical services and to protect the welfare of both residents and staff.

Infrastructure: includes existing roadways, parking lots, pedestrian paving, site electrical and mechanical utilities, water supply and distribution, sanitary and storm sewers, waste treatment, electrical distribution, site lighting, fencing, communications, and security

\$250,000: Administration, Department of (ADOA) – Capitol Mall - Replace and Repair Surface Parking Lots

Many parking lots have been in a "deferred indefinitely" status for many years and in an exhausted state of deterioration because limited building renewal monies are directed at keeping failing roofs, HVAC, electrical and plumbing systems, fire alarms, sewer and water systems operational. Interim measures such as patch repairs and sealants are ineffective and the only option is to remove and replace the asphalt. The lot surfaces have succumbed to long-term erosion, shifting, and settling caused by water penetration of the underlying pavement base and extreme weather conditions further exacerbated by the weight of passing traffic. The surface parking lots at 1616, 1624, and 1688 W. Adams have surpassed their useful lives and are causing serious safety concerns.

\$1,700,000: Health Services, Department of (DHS) – Arizona State Hospital (ASH) – Evaluate, Design & Construct Emergency Power System

The Arizona State Hospital (ASH) does not have an emergency generator to provide a redundant power source for its Forensic and Civil campuses in the event of a power outage or disaster. For lack of a back-up power supply, the central power plant will shut down, resulting in interruption of critical care and security of patients and termination of building services, including HVAC environmental control. For example, the dietary services will not be able to provide staff and patient meals, the pharmacy will be unable to provide medications, and the campus computer center will shut down. A centralized emergency power system will provide for 96 hours of business continuity of hospital operations during emergencies. In addition, this will enable the Hospital to meet the stringent Joint Commission Resources standards and remain CMS certified.

**DEPARTMENT OF ADMINISTRATION (ADOA) BUILDING SYSTEM
FY 2013 BUILDING RENEWAL ALLOCATION PLAN
\$10,372,600**

\$125,000: Juvenile Corrections, Arizona Department of (ADJC) - Adobe Mountain School (AMS) and Black Canyon School (BCS) – Repair or Replace Water Infrastructure – Phase II

The AMS and BCS are in need of immediate water infrastructure repairs and modifications. The water lines, constructed of a non-standard fibrous material, have minimal valve control to isolate domestic plumbing lines. In the event of even simple repairs, water service to the AMS and BSC is interrupted, which compromises institutional operations and safety. An FY 2012 water infrastructure assessment (procured with FY 2012 building renewal monies) is the basis for the repair and replacement scope of work of the aging water infrastructure.

Energy Conservation: primarily emphasizes the reduction of energy consumption by a building, utility system, or core building component

\$300,000: Historical Society, Arizona – Tempe & Tucson Museums – Retrofit or Replace Inefficient, Aging Light Fixtures

A FY 2011 energy audit provides the basis for the proposed allocation. The energy audit prepared by Johnson Controls provided an analysis of utility usage, proposed scope of work, savings estimates, and measurement and verification procedures. The investment payback of lighting changes is approximately ten-years and the estimated savings is approaching 10% of the investment.

Building Interiors and Finishes: primarily floor coverings, interior doors and door casements, stairs

Floor covering replacements has been in a “deferred indefinitely” status for many years because limited building renewal monies are directed at keeping failing roofs, HVAC, electrical and plumbing systems, fire alarms, sewer and water systems operational. Many floor coverings - some as old as 20-years - have exhausted a deferred status and are in such poor condition they require immediate attention to avert or eliminate safety hazards. The expected useful life of most carpet in a typical office building is five to ten-years. Conditions include floor coverings completely worn through to the floor, trapped dirt accumulation, patch maintenance, stains, unraveling seams and tears, unsuccessful duct tape repairs, and extensive rippling. Further, some carpet cannot be cleaned as an interim alternative because it so deteriorated the cleaning process further damages worn or torn fibers, and water penetrates and compresses “wet” dirt onto the floor surface underneath.

\$400,000: Administration, Department of (ADOA) - Capitol Mall Complex – Replace Carpet

ADOA will use \$400,000 to address buildings and areas with the most critical carpet and flooring needs. Potential projects include:

- 1616 W. Adams
- 1919 W. Jefferson
- 1300 W. Washington

**DEPARTMENT OF ADMINISTRATION (ADOA) BUILDING SYSTEM
FY 2013 BUILDING RENEWAL ALLOCATION PLAN
\$10,372,600**

Americans with Disabilities Act (ADA):

\$100,000: Economic Security, Department of (DES) - Division of Disabilities (DDD) Group Homes & Arizona Training Program at Coolidge – ADA Modifications

Modifications to group living arrangements are relevant to one or more residents aging and specific disability requirements. Progressive changes in mobility require on-going changes to bathrooms, showers, and other areas of residential facilities.

Project Scoping:

\$75,000: Administration, Department of (ADOA) – ADOA Building System – Building Renewal Project Priorities (FY 13 and Prospective FY 14) Scoping Services

As a result of State agency attrition, some of the building renewal requests ADOA receives for funding consideration has deficient or very broad scopes of work, no supporting documentation, and insufficient, unreliable, or aged cost estimates. The proposed allocation supports ADOA's mission to prepare an allocation plan that addresses the ADOA Building System's current and deferred building renewal requirements wisely and efficiently, including allocating an appropriate amount - not too much; not too little - of monies to well scoped projects.

Personnel Services or Employee Related Expenditures:

\$275,000: ADOA Construction Services Project Management Costs

ADOA may allocate up to up \$275,000 in Personal Services and Employee Related Expenses for up to 5 FTE Positions for building renewal project management.

Risk Management Insurance Premium:

\$1,500: ADOA Risk Management Construction Insurance Premium

The ADOA General Services Division (GSD) pays a .34% Construction Insurance Premium from each fiscal year's building renewal appropriation to ADOA State Risk Management for Errors and Omissions (E & O) insurance premiums associated with Engineering and Architectural (A & E) services contracts. The premium is not paid for direct construction costs or for reimbursable expenses.

**DEPARTMENT OF ADMINISTRATION (ADOA) BUILDING SYSTEM
FY 2013 BUILDING RENEWAL ALLOCATION PLAN
\$10,372,600**

Emergencies & Imminent Failures:

\$668,500: Administration, Department of (ADOA) Building System – ADOA Building System
Statewide Priorities - Emergency and Imminent Failure Contingency

ADOA will expend monies from this proposed allocation to repair or replace Pa
failed or failing HVAC, plumbing, electrical, and other building systems in mission
critical structures as the need arises.

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DON SHOOTER
CHAIRMAN 2011
PAULA A. ABOUD
ANDY BIGGS
RICH CRANDALL
LORI KLEIN
RICK MURPHY
DAVID SCHAPIRA

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 2012
LELA ALSTON
CHAD CAMPBELL
STEVE COURT
NANCY MCLAIN
JUSTIN OLSON
ANNA TOVAR

DATE: September 27, 2012

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

THRU: Richard Stavneak, Director

FROM: Art Smith, Senior Fiscal Analyst

SUBJECT: Arizona Department of Administration - Review and Consider Approval of Bond
Refinancing

Request

Pursuant to A.R.S. § 41-791.02, the Arizona Department of Administration (ADOA) requests that the Committee review and approve the refinancing of a Privatized Lease-to-Own (PLTO) agreement from 2001 and lease-purchase agreements, also referred to as Certificates of Participation (COPs), that were issued in 2002 and 2004.

Recommendation

The JLBC Staff recommends that the Committee favorably review and approve the refinancing of the PLTO and COP issuances with the stipulation that ADOA report back to the Committee on the final estimates for interest rate, debt service schedules, costs, and estimated savings of the refinances after the issuance.

At current interest rates, refinancing \$62,130,000 in outstanding principal obligations is estimated to result in interest savings of \$7,756,900 over the duration of the financing period. FY 2013 interest savings are expected to be \$973,300 with ongoing average annual interest savings of \$424,000.

Analysis

A.R.S. § 41-791.02(B and E) requires that a lease-purchase agreement be reviewed and approved by the Committee before the agreement takes effect.

In order to take advantage of current low interest rates, ADOA is proposing to refinance its 2001 PLTO agreement and COP issuances from 2002 and 2004. The 3 issuances will be refinanced into a single COP issuance; the 2001 PLTO financed construction of the Department of Health Services (DHS) building, the 2002 COP issuance financed construction of the State Health Laboratory, and the 2004 COP financed

(Continued)

1,000 prison beds in various facilities throughout the state. ADOA estimates savings of \$7,756,900 from FY 2013 until FY 2029, which takes into account approximately \$600,000 in issuances costs for the new COP.

By converting the 2001 PLTO into a COP, the DHS building will now be under a lease-purchase agreement, as opposed to being owned by a developer, and then leased to the state. While a PLTO usually requires a private entity to maintain the building until the life of the agreement is complete, ADOA states that by converting this PLTO into a COP none of the legal requirements for maintenance have changed. A private entity will continue to be responsible for the maintenance of the DHS building through the end of the issuance in 2029. ADOA states that refinancing the 3 buildings into 1 COP is more cost-effective, as the costs associated with financing a single issuance is less than the cost of financing multiple issuances.

It is estimated that the new issuance is anticipated to reduce interest rates from 5.0% to 3.3% for the 2001 PLTO, from 5% to 2.46% for the 2002 COP, and from 5.25% to 1.77% for the 2004 COP. While the 3 projects will now be financed under 1 COP issuance, the repayment period for each project will remain unchanged from the original financing. The final payment year for the 2001 COP will be 2029, the final payment for the 2002 COP will be 2023, and the final payment year for the 2004 COP will be 2019.

Annual debt service under the proposed refinancing will be reduced by an average of (9.5)% over a 17-year period. In FY 2013, the refinancing will reduce the \$7,468,800 debt service payment to \$6,495,500, a savings of \$973,300. In subsequent years, annual interest savings will average \$424,000 annually. The total debt service payment will range between \$1.3 million and \$7.3 million, as opposed to \$1.5 million and \$7.9 million prior to refinancing.

RS/AS:tls

Janice K. Brewer
Governor



Scott A. Smith
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

GENERAL ACCOUNTING OFFICE

100 NORTH FIFTEENTH AVENUE • SUITE 302
PHOENIX, ARIZONA 85007

Phone: (602) 542-5601 • Fax: (602) 542-5749

September 13, 2012

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



Dear Representative Kavanagh:

We request placement on the next Joint Committee on Capital Review (JCCR) Meeting agenda to address the refinancing opportunities for State obligations. The State has an opportunity to refinance the Series 2001 PLTOs (Capital Mall LLC II Project), Series 2002A COPs, and the Series 2004B COPs. To maximize the savings to the State, we plan to refinance all of the obligations as COPs. All other basic terms (such as timing of principal payments and length to maturity) would remain the same. The combined estimated savings over the life of the financings is \$7,756,929. Specific detail is as follows:

| <u>Refunding</u> | <u>Refunded Par</u> | <u>Net Estimated Savings</u> |
|-------------------|---------------------|------------------------------|
| Series 2001 PLTOs | \$26,855,000 | \$4,487,859 |
| Series 2002A COPs | 23,795,000 | 2,668,922 |
| Series 2004A COPs | 11,480,000 | 600,149 |
| Combined | \$62,130,000 | \$7,756,929 |

Thank you for your attention to this request. If you have any questions or need any additional information, please call me at 542-5405.

Sincerely,

A handwritten signature in cursive script, appearing to read "D. Clark Partridge".

D. Clark Partridge
State Comptroller

cc: Richard Stavneak
Brett Searle
Jack Brown
Jeff Grant
Paul Shannon

John Arnold
Ken Matthews
Scott A. Smith
Alan Ecker

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DON SHOOTER
CHAIRMAN 2011
PAULA A. ABOUD
ANDY BIGGS
RICH CRANDALL
LORI KLEIN
RICK MURPHY
DAVID SCHAPIRA

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 2012
LELA ALSTON
CHAD CAMPBELL
STEVE COURT
NANCY MCLAIN
JUSTIN OLSON
ANNA TOVAR

DATE: September 27, 2012

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

THRU: Richard Stavneak, Director

FROM: Ben Beutler, Fiscal Analyst

SUBJECT: Arizona Department of Administration - Consider Recommending FY 2013 Rent Exemptions

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 2 FY 2013 rent exemptions totaling \$42,100 for ADOA and the Arizona Department of Education (ADE). The vacated space will be occupied by other agencies for no net loss of rent.

Recommendation

The JLBC Staff recommends that the Committee recommend exemptions of \$28,500 for ADOA and \$13,600 for ADE. As a result of these exemptions, there are corresponding rent increases of \$28,000 for the Department of Economic Security (DES) and \$13,600 for the Department of Health Services (DHS).

Analysis

Effective October 1, 2012, 3,402 square feet of space at 1400 West Washington Street in Phoenix will be reallocated from ADOA to DES.

Effective November 1, 2012, 1,471 square feet of space at 400 West Congress in Tucson will be reallocated from ADE to DHS.

RS/BB:lm

Janice K. Brewer
Governor



Scott A. Smith
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401
PHOENIX, ARIZONA 85007

(602) 542-1500

September 5, 2012

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



Dear Representative Kavanagh:

As you know, A.R.S. § 41-792.01.D. provides that the Arizona Department of Administration (ADOA) Director, on recommendation of the Joint Committee on Capital Review (JCCR), may authorize a whole or partial exemption from payment of a Capital Outlay Stabilization Fund (COSF) rental fee if an agency does not occupy or vacates state-owned space after the beginning of the fiscal year.

ADOA requests the JCCR recommend a FY 2013 COSF rent exemption (refund) for the ADOA of \$28,500 for nine-months pro rata COSF rent for office space at 1400 West Washington. ADOA reallocated approximately 3,402 Rentable Square Feet (RSF) of office space to the Arizona Department of Economic Security (DES) effective October 1, 2012 and is invoicing DES for nine-months pro rata COSF rent as offset to the ADOA exemption and will include the value of the space allocation in DES' future annual COSF rent invoices.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Scott A. Smith".

Scott A. Smith
Director

The Honorable John Kavanagh
September 5, 2012
Page 2 of 2

cc: The Honorable Don Shooter, Vice-Chairman, JCCR
Richard Stavneak, Director, JLBC Staff
Leatta McLaughlin, Deputy Director, JLBC Staff
John Arnold, Director, OSPB
Ken Matthews, Budget Analyst, OSPB
Clarence Carter, Director, DES
Jim Hillyard, Deputy Director, DES
Todd Bright, Assistant Director, DES
Jeff Grant, Deputy Director, ADOA
Paul Shannon, Assistant Director, ADOA
Bill Hernandez, Assistant Director, ADOA
Nola Barnes, General Manager, ADOA

Janice K. Brewer
Governor



Scott A. Smith
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

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

September 7, 2012

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



Dear Representative Kavanagh:

As you know, A.R.S. § 41-792.01.D. provides that the Arizona Department of Administration (ADOA) Director, on recommendation of the Joint Committee on Capital Review (JCCR), may authorize a whole or partial exemption from payment of a Capital Outlay Stabilization Fund (COSF) rental fee if an agency does not occupy or vacates state-owned space after the beginning of the fiscal year.

ADOA requests the JCCR recommend a FY 2013 COSF rent exemption (refund) for the Arizona Department of Education (ADE) of \$13,600 for eight-months pro rata COSF rent for office space at 400 West Congress, Tucson, AZ. ADOA reallocated approximately 1,471 Rentable Square Feet (RSF) of office space to the Arizona Department of Health Services (ADHS) effective November 1, 2012 and will invoice ADHS \$13,600 for eight-months pro rata COSF rent as offset to the ADE exemption. ADOA will include the annualized value of the increased space allocation in ADHS' future fiscal year's COSF rent invoices.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Scott A. Smith".

Scott A. Smith
Director

The Honorable John Kavanagh

September 7, 2012

Page 2 of 2

cc: The Honorable Don Shooter, Vice-Chairman, JCCR
 x Richard Stavneak, Director, JLBC Staff
 ✓ Leatta McLaughlin, Deputy Director, JLBC Staff
 John Arnold, Director, OSPB
 Ken Matthews, Budget Analyst, OSPB
 John Huppenthal, State Superintendent of Public Instruction, ADE
 Elliott Hibbs, Deputy Superintendent of Public Instruction, ADE
 Will Humble, Director, ADHS
 Jim Humble, Assistant Director/CFO, ADHS
 Jeff Grant, Deputy Director, ADOA
 Paul Shannon, Assistant Director, ADOA
 Bill Hernandez, Assistant Director, ADOA
 Nola Barnes, General Manager, ADOA

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DON SHOOTER
CHAIRMAN 2011
PAULA A. ABOUD
ANDY BIGGS
RICH CRANDALL
LORI KLEIN
RICK MURPHY
DAVID SCHAPIRA

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 2012
LELA ALSTON
CHAD CAMPBELL
STEVE COURT
NANCY MCLAIN
JUSTIN OLSON
ANNA TOVAR

DATE: September 27, 2012

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

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Assistant Director

SUBJECT: Arizona State University - Review of 4 Bond Projects

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. Arizona State University (ASU) requests Committee review of \$59.9 million in bond issuances to fund 4 projects. This amount includes \$40.4 million for system revenue bonds and \$19.5 million for University Lottery revenue bonds. The 4 projects include construction of a new multi-use facility, Information Technology (IT) infrastructure improvements, a library renovation, and refunding a student housing bond.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review of the 4 projects.
2. An unfavorable review of the 4 projects.

Under either option, the JLBC Staff recommends the following provisions: 1) all projects are ultimately approved by the Arizona Board of Regents (ABOR), and 2) 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.
- ASU shall provide the final debt service schedules for the projects as soon as they are available.

(Continued)

Analysis

The \$59.9 million in bond issuances includes new construction, upgrades, renovations, and a refund. Of this amount, \$35.2 million will be for new construction, \$8.1 million will be for IT upgrades, \$3.1 million will be for renovations, and \$13.5 million will be for a bond refund.

Financing

The total \$59.9 million for the 4 projects will be issued in 2 separate bonds in the winter of 2012/2013 and the spring of 2013. Of this amount, \$40.4 million will be issued as a system revenue bond, which includes estimated issuance costs of \$1.3 million. The remaining \$19.5 million will be issued as a University Lottery revenue bond, which includes estimated issuance costs of \$485,000. In addition, \$7.5 million in private gifts and \$12.5 million from bookstore revenues will be used to finance a portion of the new construction project. So far, \$2.7 million in private gifts have been received, and the remaining \$4.8 million have been pledged.

The projected repayment of both bond issuances is expected to cost \$99.6 million. The debt service will be primarily paid with \$34.2 million from tuition, \$17.4 million from auxiliary funds, \$20.6 million from student housing fees, and \$27.4 million from Lottery revenues. (See Table 1 for a summary of each bond's financing terms.)

| Table 1 | | |
|-----------------------------|--|--|
| ASU Bonding Financing Terms | | |
| | \$40.4 Million Issuance (System Revenue Bond Projects) | \$19.5 Million Issuance (University Lottery Bond Projects) |
| Projects: | 1. \$18.8 million Multi-Use Facility – Tempe campus 2. \$8.1 million IT upgrades – all campuses 3. \$13.5 million bond refund – Tempe campus | 1. \$16.4 million Multi-Use Facility – Tempe campus 2. \$3.1 million library renovations – Tempe campus |
| Issuance Date: | Winter of 2012/2013 | Spring of 2013 |
| Rating: | Aa3 (Moody's)/AA (S&P) | A1 (Moody's)/AA- (S&P) |
| Interest Rate: | 3.99% | 4.29% |
| Term: | 30 years | 30 years |
| Total Debt Costs: | \$65.4 million, including \$1.3 million issuance costs | \$34.2 million, including \$485,000 issuance costs |
| Debt Service Payments: | \$915,200 in FY13 (interest only), \$2.6 million in FY14-FY35, \$1.0 million in FY36-FY43 | \$546,900 in FY14 & \$820,300 in FY15 (interest only), \$1.2 million in FY16-FY35, \$1.0 million in FY36-FY43 |
| Payment Source: | \$27.4 million from tuition, \$17.4 million from auxiliary funds, and \$20.6 million from student housing fees | \$27.4 million, or 80%, from Lottery revenues and \$6.8 million, or 20%, from tuition; Laws 2009, Chapter 289 requires the debt service to be paid with up to 80% Lottery revenues and at least 20% university revenues. |
| Debt Ratio | | |
| Increase: | 0.14% – from 5.5% to 5.64% | 0.06% – from 5.5% to 5.56% |

Construction Costs

Total project costs are estimated at \$78.1 million, which does not include issuance costs. Table 2 provides a brief description of each project along with the project's total cost, direct construction cost, square footage, and direct construction cost per square foot.

| Table 2 | | | | |
|--|---------------------------------|---------------------|----------------|---------------------------------|
| ASU Bond Projects | | | | |
| Project | Total Cost ^{1/} | Direct Cost | Sq. Ft. | Direct Cost/ Sq. Ft. |
| Multi-Use Facility – Tempe campus | \$54,500,000 ^{2/} | \$40,650,000 | 131,400 | \$309 |
| IT Infrastructure Upgrades – all campuses | 8,000,000 | 7,700,000 | N/A | N/A |
| Library Renovations – Tempe campus | 3,000,000 | 1,800,000 | 15,000 | 120 |
| Student Housing Bond Refund – Tempe campus | <u>12,640,000</u> | <u>N/A</u> | <u>N/A</u> | <u>N/A</u> |
| Total | \$78,140,000 | \$50,150,000 | 146,400 | \$429 |
| ^{1/} These amounts do not include issuance costs. | | | | |
| ^{2/} This amount includes \$18.5 million in system revenue bonds, \$16.0 million in University Lottery bonds, and \$20.0 million in gifts and bookstore revenues. | | | | |

(Continued)

Multi-Use Facility - Tempe Campus

ASU is planning to build a 131,400 gross square foot, 5-story Multi-Use Facility at the Tempe campus for a cost of \$54.5 million. Of this amount, \$18.5 million will be funded with system revenue bonds (plus estimated issuance costs of \$275,000), \$16.0 million will be funded with University Lottery revenue bonds (plus estimated issuance costs of \$405,000), and \$20.0 million will be funded with gifts and bookstore revenues.

The project will be located at College Avenue between East 7th Street and East 6th Street, where there is undeveloped property that isn't currently being utilized. This facility will house classrooms, office space, study space, a 200-seat auditorium, and retail space. The School of Sustainable Engineering and the Built Environment (civil, environmental, sustainable, and construction engineering and the Del E. Webb School of Construction) academic programs will occupy 56,150 gross square feet. University classroom and recruitment space will occupy 21,450 gross square feet. A 53,800 gross square foot retail space will house a bookstore. The bookstore space will include infrastructure and limited finishes, and Follett, ASU's bookstore management partner, will be responsible for tenant improvements.

The university wants to construct this new space in order to accommodate growth of the School of Sustainable Engineering and the Built Environment and to provide a new home for the Del E. Webb School of Construction, which plans to double its undergraduate enrollment and to launch a doctoral degree program.

At its September 2011 meeting, the Committee most recently reviewed an ASU classroom building that had a direct construction cost per square foot of \$298. The direct construction cost per square foot of this project is \$309, which is slightly higher than last year's project.

During the budget process, ASU will be requesting a \$501,000 annual General Fund appropriation to pay for the operations and maintenance costs of this new facility, excluding the retail space. The operations and maintenance estimated costs of \$347,000 for the retail space will be paid with auxiliary funds.

IT Infrastructure Upgrades – All Campuses

Because ASU has been experiencing increased outages and has difficulty keeping pace with system demands and bandwidth, it plans to upgrade IT infrastructure at all of its campuses for a cost of \$8.0 million. This project will be funded with an \$8.0 million system revenue bond (plus estimated issuance costs of \$120,000). Issues that could threaten IT security, reliability, and access to network systems will be addressed. The projects will include upgrading a cable plant and security infrastructure, installing security hardware, and increasing wireless networking capacity. ASU did not provide a direct construction cost per square foot for this project because this project would not affect square footage.

Library Renovations – Tempe Campus

ASU is planning to renovate 15,000 gross square feet of the Hayden Library on the Tempe campus that was originally constructed in 1966. The renovations will include 2 new Learning Laboratories (classrooms, tutoring centers, and student collaboration space), group study and breakout spaces, and support spaces. Included in the renovations will be 300 seats, along with enhancements to mechanical, electrical, and plumbing systems, fire protection, asbestos abatement, and data connectivity. The university wants to renovate this space due to the dated physical conditions and also to accommodate continued student growth. The project will be funded with a \$3.0 million University Lottery revenue bond (plus estimated issuance costs of \$80,000).

At its September 2011 meeting, the Committee most recently reviewed a renovation project for ASU academic space that had a direct construction cost per square foot of \$106. The direct construction cost per square foot of this project is \$120.

(Continued)

Student Housing Bond Refund – Tempe Campus

In July 2003, the South Campus Group Housing (SCH) issued a \$13.4 million bond to construct Adelphi Commons II, which is a 79-unit, suite-style dormitory adjacent to the Tempe campus. SCH was formed by ASU as a 3rd party financing entity to issue this debt. The bond was issued with an average annual interest rate of 5.5% for a term of 30 years. Currently \$12.6 million in principal (plus \$10.6 million in interest) is outstanding. ASU plans on issuing a \$12.6 million system revenue bond, (plus estimated issuance costs of \$865,000) to refund SCH for the outstanding amount because the bond can currently be refunded without ASU having to pay a premium and because interest cost savings can be realized. The term of the bond will be for the remaining 23 years with an estimated average annual interest rate of 3.93%. The total estimated savings over the life of the bond is \$3.1 million.

University Lottery Bond Projects

The \$3.0 million library renovation project and \$16.0 million of the \$54.5 million Multi-Use Facility project will be financed with University Lottery revenue bonds. Various statutes authorize 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. ABOR is required to allocate \$376.0 million of the \$800.0 million for the Phoenix Biomedical Campus. Of the remaining \$424.0 million in proceeds, ABOR plans to allocate \$16.0 million to ASU's School of Construction and \$136.0 million to each of the 3 universities for building renewal, deferred maintenance, and new construction projects.

At this time, ASU has \$71.3 million of its \$136.0 million building renewal/new facilities allocation remaining and is now requesting to issue \$3.0 million to renovate the Hayden Library. The university is also requesting to issue its entire \$16.0 million School of Construction allocation to build a new facility to house the Del E. Webb School of Construction, among other functions.

Under Chapter 287, the annual debt service payments were designed to be paid from at least 80% Lottery revenues and up to 20% state university system revenues. The interest-only debt service payment from Lottery revenues for this issuance would be \$437,400 in FY 2014 and \$656,300 in FY 2015. These amounts would be paid from \$1.5 million and \$9.3 million in uncommitted Lottery revenues that would otherwise revert to the General Fund in FY 2014 and FY 2015, respectively. After interest-only payments for 2 years, this issuance would annually divert about \$1.0 million in Lottery monies from the General Fund for 20 years and then about \$800,000 for the remaining 8 years.

RS:LMc:ts

ASU
ARIZONA STATE UNIVERSITY

September 13, 2012



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

Dear Representative Kavanagh:

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

- Block 12 Mixed Use Facility
- Information Technology Infrastructure Renewal
- Hayden Library Learning Laboratory Renovation
- Refund Student Housing Bonds, Series 2003

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".

Morgan R. Olsen
Executive Vice President, Treasurer and CFO

Enclosures

c: Richard Stavneak, Director, JCCR
Tom Anderes, President, Arizona Board of Regents, ABOR
Lorenzo Martinez, Assist. Executive Director for Capital Resources, ABOR
Steve Miller, Deputy Vice President, Public Affairs, ASU
Lisa Frace, Associate Vice President for Budget and Planning, ASU
David Brixen, Associate Vice President, Facilities Development and Management, ASU
Joanne Wamsley, Senior Associate Vice President for Finance and Deputy Treasurer, ASU
Leatta McLaughlin, Assistant Director, JCCR

**Joint Committee on Capital Review
Arizona State University
October 2012 JCCR Meeting**

RE: On behalf of the Arizona Board of Regents, ASU requests JCCR review the following items as required by ABOR policy and ARS § 15-1683:

- Block 12 Mixed Use Facility
- Information Technology Infrastructure Renewal
- Hayden Library Learning Laboratory Renovation
- Refund Student Housing Bonds, Series 2003

BACKGROUND

ASU plans to undertake bond-financed projects to construct a mixed use facility, renew aging information technology infrastructure, renovate a portion of Hayden Library, and refund existing student housing bonds. Additional information regarding the projects is shown on the following pages.

**Joint Committee on Capital Review
Arizona State University
October 2012 JCCR Meeting**

1. BLOCK 12 MIXED USE FACILITY

Project Description

The Block 12 Mixed Use Facility will be approximately 131,400 gross square feet, is planned to be five stories, and will house University classrooms, academic and office space, study and collaboration spaces, department offices, retail space, and a 200-seat auditorium. The project will develop a portion of a currently underutilized block on the Tempe Campus at College Avenue, between East 7th Street and East 6th Street.

Project funding includes system revenue bonds, lottery revenue bonds, gifts, and other local funds. The debt-financed portion totals \$34,500,000, with \$18,500,000 funded by system revenue bonds and \$16,000,000 funded by lottery revenue bonds. The remaining \$20,000,000 will be funded by gifts and other local funds.

Initial work on the project will begin prior to the issuance of bonds in order to meet project scheduling requirements associated with academic spaces and university classrooms. Project expenditures incurred prior to the issuance of bonds will be funded from gifts and other local funds. Debt service will be funded with auxiliary revenue, lottery revenue, and tuition.

A project summary is attached, which outlines the project description, justification, comparable project costs, and other relevant information. This project was granted Capital Development Plan approval by ABOR at its June 14, 2012 meeting.

Project Costs

| | |
|---------------------------------|---------------|
| Total Project Cost | \$ 54,500,000 |
| Total Project Construction Cost | \$ 40,650,000 |
| Total Project Cost per GSF | \$ 415 |
| Construction Cost per GSF | \$ 309 |

Project Delivery Method

This project will be delivered by the Construction Manager at Risk (CMAR) method.

**Joint Committee on Capital Review
Arizona State University
October 2012 JCCR Meeting**

2. INFORMATION TECHNOLOGY INFRASTRUCTURE RENEWAL

Project Justification

Underinvestment in information technology (IT) infrastructure, coupled with rapidly growing demand for IT services, has resulted in an infrastructure that is inadequate to meet the needs of a preeminent research university. ASU has assessed the state of its IT infrastructure while simultaneously developing a plan to align the architecture with the goals of strengthening security, reliability and stability; improving performance and throughput; and increasing flexibility and adaptability to technological change and growth.

The Information Technology Infrastructure Renewal project will address the highest priority infrastructure issues that threaten IT security, reliability, and access to critical network systems. As the potential uses of technology have grown and evolved, insufficient investment has been made in the University's IT infrastructure, leading to increased outages and significant difficulty keeping pace with system demands and bandwidth.

Project Description

This project will continue upgrades to the IT infrastructure at ASU campuses by improving and expanding services and security for current needs and projected future development. The project will deploy mission-critical hardware, as well as extend and rehabilitate existing IT infrastructure systems. The project will renew physical infrastructure for voice and data telecommunication by updating telecom rooms, cabling, grounding systems, pathways (such as conduits and duct banks), voice and data hardware, routers, switches, gateways, firewalls, and other edge and core hardware. Completion of this project will further the ASU objective of a secure, robust, and reliable computing environment that supports the realization of strategic goals.

System revenue bonds will fund the \$8,000,000 project cost. Initial work on the projects will begin prior to the issuance of bonds in order to meet project scheduling requirements associated with various University spaces. Project expenditures incurred prior to the issuance of bonds will be funded from the University's working capital cash balances, which will be restored upon sale of the bonds. Debt service will be funded with tuition. ABOR project approval is not required for IT projects with a total cost less than \$10,000,000 (ABOR Policy 7-102.B.1).

**Joint Committee on Capital Review
Arizona State University
October 2012 JCCR Meeting**

Project components may include, but are not limited to the following:

- **Cable Plant** – Upgrade category 3 network cabling in priority areas that support research and academic facilities.
- **Wireless Upgrade** – Increase the wireless networking capacity across the four campuses in support of an increasingly mobile community.
- **Security Infrastructure** – Upgrade infrastructure focused on further protecting data, processes, and personally identifiable information.
- **Secure Perimeter Architecture** – Install hardware for segmenting and zoning network traffic to improve quality of service and reduce network-based threats.
- **Converged Computing** – Reduce data center infrastructure as much as 50 percent by transitioning to unified or converged technologies.

Project Delivery Method

This project primarily will utilize the Construction Manager at Risk (CMAR) delivery method. As circumstances warrant, other project delivery methods may be used, including Job Order Contracting (JOC) and Design/Bid/Build (DBB).

Project Costs

| | |
|---------------------------------|--------------|
| Total Project Cost | \$ 8,000,000 |
| Total Project Construction Cost | 7,700,000 |
| Total Project Cost per GSF | *N/A |
| Construction Cost per GSF | *N/A |

*The project will renovate information technology infrastructure. Due to the nature of these projects, a cost per square foot is not definable.

**Joint Committee on Capital Review
Arizona State University
October 2012 JCCR Meeting**

3. HAYDEN LIBRARY LEARNING LABORATORY RENOVATION

Project Justification

Hayden Library was constructed in 1966 at the Tempe Campus and many of its features are outdated. In light of the library's dated physical condition, continued growth of the University, and the rapid transformations underway to support the ASU Strategic Business Framework and key Arizona Board of Regent objectives, ASU recognized the need for a thorough rethinking of Hayden Library as an underutilized yet critical teaching and learning resource.

In January of 2012, ASU embarked on the development of a Master Plan for Hayden Library, with the primary objective to position Hayden Library as an exceptional research and learning environment for the New American University. This project responds to one of the recommendations identified in the plan, and will utilize space in Hayden Library to meet the University's need for Learning Laboratories. The project will be completed with minimal disruption to the library, and will strengthen the presence of Hayden Library as an intellectual hub in the center of campus.

Project Description

The project will renovate approximately 15,000 gross square feet of the lower level of the library, and will construct two Learning Laboratories, group study and breakout spaces, and support spaces.

Renovations will provide approximately 300 patron seats and will include enhancements to mechanical, electrical and plumbing systems, fire protection, asbestos abatement and data connectivity. Plans also call for the relocation of existing collections from the basement level to an alternate location.

Lottery revenue bonds will fund the \$3,000,000 project cost. Initial work on the project will begin prior to the issuance of bonds in order to meet project scheduling requirements. Project expenditures incurred prior to the issuance of bonds will be funded from the University's working capital cash balances, which will be restored upon sale of the bonds. Debt service will be funded with lottery revenue and tuition. ABOR project approval is not required for renovation projects with a total cost less than \$5,000,000 (ABOR Policy 7-102.B.1).

Project Costs

| | |
|---------------------------------|--------------|
| Total Project Cost | \$ 3,000,000 |
| Total Project Construction Cost | 1,800,000 |
| Total Project Cost per GSF | 200 |
| Construction Cost per GSF | 120 |

**Joint Committee on Capital Review
Arizona State University
October 2012 JCCR Meeting**

Project Delivery Method

This project may utilize Construction Manager at Risk (CMAR) or Job Order Contracting (JOC) project delivery methods.

4. REFUND STUDENT HOUSING BONDS, SERIES 2003

This project will refund the South Campus Group Housing (SCH) student housing bonds. In July 2003, ABOR, on behalf of ASU, as lessor, approved the execution of a Ground Lease with South Campus Group Housing LLC, (SCH), as lessee, for land adjacent to the Tempe Campus upon which SCH constructed Adelphi Commons II, a 79-unit suite-style residence hall. In July 2003, SCH issued the Student Housing Revenue Bonds (SCH bonds), in the principal amount of \$13,395,000 to finance the project, of which \$12,640,000 is outstanding. The average interest rate on the outstanding SCH Bonds is 5.5 percent per annum, with final maturity in 2035.

Based on current market interest rates, the SCH Bonds can be refunded to produce significant interest cost savings. The SCH Bonds will be refinanced through the issuance of ASU System Revenue Bonds to acquire the Adelphi Commons II project. The estimated net present value savings, as of July 23, 2012, is \$1.6 million, or 12.3 percent of the outstanding principal amount of the SCH Bonds to be refunded. This refunding and acquisition was recommended for approval by the ABOR Business and Finance Committee at its August 8, 2012 meeting and is scheduled for full ABOR approval at the September 27, 2012 meeting.

**Joint Committee on Capital Review
Arizona State University
October 2012 JCCR Meeting**

PROJECT SUMMARY – System Revenue Bonds

| <u>New Construction:</u> | <u>Funding Sources:</u> | <u>Amount:</u> |
|---|-------------------------------|---------------------|
| Block 12 Mixed Use Facility | Auxiliary Revenue and Tuition | \$18,500,000 |
| <u>Renovation & Improvements:</u> | | |
| Information Technology Infrastructure Renewal | Tuition | 8,000,000 |
| <u>Refunding:</u> | | |
| Student Housing Bonds, Series 2003 | Auxiliary Revenue | 13,300,000 |
| | | <hr/> |
| | | \$39,800,000 |

FINANCING INFORMATION

| | | |
|------------------------------|----------------------------|----------------|
| <u>System Revenue Bonds:</u> | | |
| Project Costs | | \$39,800,000 |
| Estimated Costs of Issuance | | \$600,000 |
| Anticipated Bond Rating | Aa3 (Moody's) and AA (S&P) | |
| Assumed Interest Rate | | 3.99% |
| Term | | 20 to 30 years |

| | |
|---|--------------|
| <u>Debt Service Information:</u> | |
| Estimated Debt Service for 2013 (interest only) | \$915,206 |
| Estimated Annual Debt Service for 2014-2033 | \$2,591,394 |
| Estimated Annual Debt Service for 2034-2035 | \$2,000,935 |
| Estimated Annual Debt Service for 2036-2043 | \$1,077,584 |
| Total Estimated Debt Service Costs | \$65,365,628 |

DEBT RATIO

| | |
|-----------------------------|------|
| Debt Ratio on Existing Debt | 5.50 |
| Incremental Debt Ratio | .14 |
| Projected Debt Ratio | 5.64 |

**Joint Committee on Capital Review
Arizona State University
October 2012 JCCR Meeting**

Arizona State University
System Revenue Bonds

Block 12 Mixed Use Facility

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|---------------------|---------------------|
| 2013 | | 429,544 | 429,544 |
| 2014 | 340,000 | 736,362 | 1,076,362 |
| 2015 | 355,000 | 723,273 | 1,078,273 |
| 2016 | 370,000 | 709,605 | 1,079,605 |
| 2017 | 385,000 | 695,360 | 1,080,360 |
| 2018 | 400,000 | 680,537 | 1,080,537 |
| 2019 | 415,000 | 665,138 | 1,080,138 |
| 2020 | 430,000 | 649,160 | 1,079,160 |
| 2021 | 445,000 | 632,605 | 1,077,605 |
| 2022 | 465,000 | 615,472 | 1,080,472 |
| 2023 | 480,000 | 597,570 | 1,077,570 |
| 2024 | 500,000 | 579,090 | 1,079,090 |
| 2025 | 520,000 | 559,840 | 1,079,840 |
| 2026 | 540,000 | 539,820 | 1,079,820 |
| 2027 | 560,000 | 519,030 | 1,079,030 |
| 2028 | 580,000 | 497,470 | 1,077,470 |
| 2029 | 605,000 | 475,140 | 1,080,140 |
| 2030 | 625,000 | 451,848 | 1,076,848 |
| 2031 | 650,000 | 427,785 | 1,077,785 |
| 2032 | 675,000 | 402,760 | 1,077,760 |
| 2033 | 700,000 | 376,772 | 1,076,772 |
| 2034 | 730,000 | 349,823 | 1,079,823 |
| 2035 | 760,000 | 320,987 | 1,080,987 |
| 2036 | 785,000 | 290,968 | 1,075,968 |
| 2037 | 820,000 | 259,960 | 1,079,960 |
| 2038 | 850,000 | 227,570 | 1,077,570 |
| 2039 | 885,000 | 193,995 | 1,078,995 |
| 2040 | 920,000 | 158,152 | 1,078,152 |
| 2041 | 955,000 | 120,893 | 1,075,893 |
| 2042 | 995,000 | 82,215 | 1,077,215 |
| 2043 | 1,035,000 | 41,918 | 1,076,918 |
| | <u>\$18,775,000</u> | <u>\$14,010,662</u> | <u>\$32,785,662</u> |

**Joint Committee on Capital Review
Arizona State University
October 2012 JCCR Meeting**

Arizona State University
System Revenue Bonds

Information Technology Infrastructure Renewal

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|--------------------|--------------------|---------------------|
| 2013 | | 182,362 | 182,362 |
| 2014 | 275,000 | 312,620 | 587,620 |
| 2015 | 290,000 | 302,032 | 592,032 |
| 2016 | 300,000 | 290,868 | 590,868 |
| 2017 | 310,000 | 279,317 | 589,317 |
| 2018 | 320,000 | 267,383 | 587,383 |
| 2019 | 335,000 | 255,062 | 590,062 |
| 2020 | 345,000 | 242,165 | 587,165 |
| 2021 | 360,000 | 228,883 | 588,883 |
| 2022 | 375,000 | 215,022 | 590,022 |
| 2023 | 390,000 | 200,585 | 590,585 |
| 2024 | 405,000 | 185,570 | 590,570 |
| 2025 | 420,000 | 169,978 | 589,978 |
| 2026 | 435,000 | 153,807 | 588,807 |
| 2027 | 455,000 | 137,060 | 592,060 |
| 2028 | 470,000 | 119,543 | 589,543 |
| 2029 | 490,000 | 101,447 | 591,447 |
| 2030 | 505,000 | 82,583 | 587,583 |
| 2031 | 525,000 | 63,140 | 588,140 |
| 2032 | 545,000 | 42,927 | 587,927 |
| 2033 | 570,000 | 21,945 | 591,945 |
| | <u>\$8,120,000</u> | <u>\$3,854,299</u> | <u>\$11,974,299</u> |

**Joint Committee on Capital Review
Arizona State University
October 2012 JCCR Meeting**

Arizona State University
System Revenue Bonds

Refund Student Housing Bonds, Series 2003

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|--------------------|---------------------|
| 2013 | | 303,300 | 303,300 |
| 2014 | 340,000 | 519,942 | 859,942 |
| 2015 | 375,000 | 506,853 | 881,853 |
| 2016 | 410,000 | 492,415 | 902,415 |
| 2017 | 450,000 | 476,630 | 926,630 |
| 2018 | 490,000 | 459,305 | 949,305 |
| 2019 | 530,000 | 440,440 | 970,440 |
| 2020 | 485,000 | 420,035 | 905,035 |
| 2021 | 535,000 | 401,363 | 936,363 |
| 2022 | 555,000 | 380,765 | 935,765 |
| 2023 | 570,000 | 359,397 | 929,397 |
| 2024 | 595,000 | 337,453 | 932,453 |
| 2025 | 615,000 | 314,545 | 929,545 |
| 2026 | 635,000 | 290,868 | 925,868 |
| 2027 | 660,000 | 266,420 | 926,420 |
| 2028 | 685,000 | 241,010 | 926,010 |
| 2029 | 710,000 | 214,637 | 924,637 |
| 2030 | 740,000 | 187,303 | 927,303 |
| 2031 | 765,000 | 158,812 | 923,812 |
| 2032 | 795,000 | 129,360 | 924,360 |
| 2033 | 825,000 | 98,752 | 923,752 |
| 2034 | 855,000 | 66,990 | 921,990 |
| 2035 | 885,000 | 34,072 | 919,072 |
| | <u>\$13,505,000</u> | <u>\$7,100,667</u> | <u>\$20,605,667</u> |

**Joint Committee on Capital Review
Arizona State University
October 2012 JCCR Meeting**

PROJECT SUMMARY – Lottery Revenue Bonds

| <u>New Construction:</u> | <u>Funding Source:</u> | <u>Amount:</u> |
|--|-----------------------------------|--------------------------|
| Block 12 Mixed Use Facility | 80% State Lottery/ 20% Tuition | \$16,000,000 |
| <u>Renovation & Improvements:</u> | | |
| Hayden Library Learning Laboratory Renovation | 80% State Lottery/ 20% Tuition | 3,000,000 |
| Total | | <hr/> \$19,000,000 <hr/> |

FINANCING INFORMATION

Lottery Revenue Bonds:

| | |
|-----------------------------|----------------------------|
| Project Costs | \$19,000,000 |
| Estimated Costs of Issuance | \$485,000 |
| Anticipated Bond Rating | A1 (Moody's) and AA- (S&P) |
| Assumed Interest Rate | 4.29% |
| Term | 20 to 30 years |

Debt Service Information:

| | |
|--|--------------|
| Estimated Debt Service for 2014 (interest only) | \$546,883 |
| Estimated Annual Debt Service for 2015 (interest only) | \$820,318 |
| Estimated Annual Debt Service 2016 - 2035 | \$1,239,235 |
| Estimated Annual Debt Service 2036 - 2043 | \$1,009,065 |
| Total Estimated Debt Service Costs | \$34,224,421 |

DEBT RATIO

| | |
|-----------------------------|------|
| Debt Ratio on Existing Debt | 5.50 |
| Incremental Debt Ratio | 0.06 |
| Projected Debt Ratio | 5.56 |

**Joint Committee on Capital Review
Arizona State University
October 2012 JCCR Meeting**

Arizona State University
Lottery Revenue Bonds

Block 12 Mixed Use Facility

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|---------------------|---------------------|---------------------|
| 2014 | | 460,438 | 460,438 |
| 2015 | | 690,650 | 690,650 |
| 2016 | 320,000 | 690,650 | 1,010,650 |
| 2017 | 330,000 | 677,179 | 1,007,179 |
| 2018 | 345,000 | 663,285 | 1,008,285 |
| 2019 | 360,000 | 648,761 | 1,008,761 |
| 2020 | 375,000 | 633,605 | 1,008,605 |
| 2021 | 390,000 | 617,818 | 1,007,818 |
| 2022 | 405,000 | 601,399 | 1,006,399 |
| 2023 | 425,000 | 584,348 | 1,009,348 |
| 2024 | 440,000 | 566,455 | 1,006,455 |
| 2025 | 460,000 | 547,932 | 1,007,932 |
| 2026 | 480,000 | 528,565 | 1,008,565 |
| 2027 | 500,000 | 508,358 | 1,008,358 |
| 2028 | 520,000 | 487,307 | 1,007,307 |
| 2029 | 545,000 | 465,416 | 1,010,416 |
| 2030 | 565,000 | 442,471 | 1,007,471 |
| 2031 | 590,000 | 418,684 | 1,008,684 |
| 2032 | 615,000 | 393,846 | 1,008,846 |
| 2033 | 640,000 | 367,954 | 1,007,954 |
| 2034 | 670,000 | 341,010 | 1,011,010 |
| 2035 | 695,000 | 312,803 | 1,007,803 |
| 2036 | 725,000 | 283,543 | 1,008,543 |
| 2037 | 755,000 | 253,021 | 1,008,021 |
| 2038 | 790,000 | 221,236 | 1,011,236 |
| 2039 | 820,000 | 187,976 | 1,007,976 |
| 2040 | 855,000 | 153,455 | 1,008,455 |
| 2041 | 890,000 | 117,459 | 1,007,459 |
| 2042 | 930,000 | 79,990 | 1,009,990 |
| 2043 | 970,000 | 40,833 | 1,010,833 |
| | <u>\$16,405,000</u> | <u>\$12,986,447</u> | <u>\$29,391,447</u> |

**Joint Committee on Capital Review
Arizona State University
October 2012 JCCR Meeting**

Arizona State University
Lottery Revenue Bonds

Hayden Library Learning Laboratory Renovation

| <u>Fiscal Year</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------|--------------------|--------------------|--------------------|
| 2014 | | 86,445 | 86,445 |
| 2015 | | 129,668 | 129,668 |
| 2016 | 100,000 | 129,668 | 229,668 |
| 2017 | 105,000 | 125,458 | 230,458 |
| 2018 | 110,000 | 121,038 | 231,038 |
| 2019 | 115,000 | 116,407 | 231,407 |
| 2020 | 120,000 | 111,565 | 231,565 |
| 2021 | 125,000 | 106,513 | 231,513 |
| 2022 | 130,000 | 101,251 | 231,251 |
| 2023 | 135,000 | 95,778 | 230,778 |
| 2024 | 140,000 | 90,094 | 230,094 |
| 2025 | 145,000 | 84,200 | 229,200 |
| 2026 | 155,000 | 78,095 | 233,095 |
| 2027 | 160,000 | 71,570 | 231,570 |
| 2028 | 165,000 | 64,834 | 229,834 |
| 2029 | 175,000 | 57,887 | 232,887 |
| 2030 | 180,000 | 50,520 | 230,520 |
| 2031 | 190,000 | 42,942 | 232,942 |
| 2032 | 195,000 | 34,943 | 229,943 |
| 2033 | 205,000 | 26,733 | 231,733 |
| 2034 | 210,000 | 18,103 | 228,103 |
| 2035 | 220,000 | 9,262 | 229,262 |
| | <u>\$3,080,000</u> | <u>\$1,752,974</u> | <u>\$4,832,974</u> |

PROJECT SUMMARY

Arizona State University Project Summary Block 12 Mixed Use Facility

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

- The Block 12 Mixed Use Facility has been identified as a priority on the ASU 2012 Campus Master Plan Update. The project also will advance the goals and priorities of the University outlined in the ASU Strategic Business Framework, by providing vital classroom, academic, and retail space to students, faculty, staff and community. University enterprise strategies are intrinsic to the program and design of this facility, and include the following:
 - **Establishing national standing in academic quality and impact of colleges and schools in every field.** The Block 12 Mixed Use Facility will provide growth space for the School of Sustainable Engineering and the Built Environment, including Civil, Environmental, and Sustainable Engineering, Construction Engineering, and a new home for the Del E. Webb School of Construction Management. The Del E. Webb School has drafted a new strategic vision to become a globally top-rated construction management program. The School aspires to produce superior graduates, engage in breakthrough research, and create enduring partnerships in support of the construction industry. The realization of this vision requires a state-of-the-art facility to support the program's growth. The facility also will allow the university to consolidate space for departments in the School of Sustainable Engineering and the Built Environment.
 - **Key Arizona Board of Regents enterprise metric: Achieve a 50 percent increase in degree production.** The Del E. Webb School plans to double undergraduate enrollment in order to meet the industry's need for future leaders, and has launched a doctoral degree program in construction, enabling the education of new faculty for this discipline. The School's current facilities cannot meet the needs of this growth. This project will provide the space and physical resources necessary to accommodate current and incoming students, faculty and staff.
 - **Expanding the pipeline of new students.** The Block 12 Mixed Use Facility will include a 200-seat auditorium to accommodate prospective student tours and the student tours office, providing the University with a vehicle to encourage enrollment and enhance the ASU brand.
 - **Enhancing our local impact and social embeddedness.** The Block 12 Mixed Use Facility will house a substantial retail component, increasing the University's embeddedness within the community. For the Sun Devil

PROJECT SUMMARY

Bookstore to remain successful and competitive, the additional space and program is essential. After consultation with Follett, ASU's bookstore management partner, it was determined that an additional location would best serve the needs of the University, reduce congestion within the academic core of the campus, and assist in energizing College Avenue as a gateway among light rail, the bus transit center, sports venues and the campus core.

Project Description/Scope/Project Compliance with Space Standards:

- The project will develop a portion of a currently underutilized block on the Tempe Campus at College Avenue, between East 7th Street and East 6th Street.
- The building will be approximately 131,400 gross square feet, is planned to be five stories, and will house University classrooms, academic and office space, study and collaboration spaces, department offices, retail space and a 200-seat auditorium to accommodate prospective student tours.
- Spaces for the School of Sustainable Engineering and the Built Environment (which include Civil, Environmental, and Sustainable Engineering, Construction Engineering, and the Del E. Webb School of Construction) will encompass approximately 56,150 gross square feet. Approximately 21,450 gross square feet will house University classrooms and student recruitment space.
- The marketplace component of the project will be approximately 53,800 gross square feet, comprised of retail, inventory, and applicable office and support space. The facility will require open, flexible sales and office space. ASU will construct the marketplace spaces to a white shell condition, which includes infrastructure and limited finishes. Follett, ASU's bookstore management partner, will complete tenant improvements for the bookstore/marketplace portion of the facility.

Project Delivery Method and Process:

- This project will be delivered through the Construction Manager at Risk method (CMAR). This approach was selected for the project to save time through fast-track project scheduling, provide contractor design input and coordination throughout the project, improve potentially adversarial project environments, and allow for the selection of the most qualified contractor team. With the use of two independent cost estimates at each phase, and low-bid subcontractor work for the actual construction, CMAR also provides a high level of cost and quality control.

PROJECT SUMMARY

- ASU has selected Okland Construction as the CMAR and Gensler+Architekton as the design professionals for this project.

Project Costs:

- The budget for this 131,400 gross square foot project is \$54,500,000.
- This project budget represents an estimated construction cost of \$309 per square foot. The estimated total project cost is \$415 per gross square foot.
- The following table displays comparable projects, with escalated project construction costs per square foot, escalated to second quarter 2013 (the Block 12 Mixed Use Facility project construction midpoint):

| Comparable Project | Location | Project Size | Year Complete | Escalated Construction Cost/SF |
|--|--------------|--------------|---------------|--------------------------------|
| Gateway Comm. College - Integrated Education Bldg. | Phoenix, AZ | 121,000 | 2011 | \$301 |
| ASU - New Business School Facility | Tempe, AZ | 129,000 | 2013 | \$298 |
| Chandler City Hall | Chandler, AZ | 119,998 | 2008 | \$321 |
| Brigham Young University Broadcast Building | Provo, UT | 98,800 | 2009 | \$304 |
| Average Comparable Project | | 117,200 | | \$306 |

- Considering these relevant comparable construction costs, the Block 12 Mixed Use Facility budget of \$309 per square foot is considered adequate.
- Two independent cost estimates have been provided, one by the DP and one by the CMAR. The CMAR's current estimate is made up of roughly 90 percent estimates prepared by the CMAR team, 10 percent price projections from subcontractors and 0 percent subcontractor bid commitments.

Project Status and Schedule:

- This project is in the design development phase. ASU anticipates receiving a guaranteed maximum price from the CMAR in October, and Project Approval from the Arizona Board of Regents in December. ASU has notified the Board of Regents that it will submit a request for review by the Joint Committee on Capital Review after receiving CDP approval from the Board.
- General construction is expected to begin February 2012. Construction will be complete in July 2014.

PROJECT SUMMARY

Fiscal Impact and Financing Plan:

- The project funding includes system revenue bonds, lottery revenue bonds, gifts and other local funds. The debt-financed portion is currently anticipated to total \$34,500,000, with \$18,500,000 funded by system revenue bonds and \$16,000,000 funded by lottery revenue bonds. The remaining \$20,000,000 will be funded by gifts and other local funds. Debt Service will be paid from auxiliary revenues, lottery revenue proceeds and tuition.
- Operation and maintenance costs for this project are estimated at \$848,000. The funding source for operations and maintenance will be auxiliary funds for the bookstore/marketplace portion of this project. For the academic and support components of the project, ASU will request a general fund appropriation for operations and maintenance support through the standard legislative request process.
- Debt ratio impact: The incremental debt ratio impact for this project would be 0.06 percent excluding SPEED projects, and 0.11 percent including SPEED projects.

Backfill Plan:

- The Del E. Webb School of Construction is currently housed in the Urban Systems Engineering Building. ASU is evaluating which units could be best accommodated there. It is likely the Urban Systems Engineering Building ultimately will be occupied by departments currently in leased locations, and will require minimal renovation for reuse.

Alternatives:

- After careful consideration of many sites and renovation scenarios, this solution was chosen because the project would more easily allow the University to reach its goals of establishing national standing in academic quality and impact of colleges and schools in every field, as well as expanding needed bookstore space. The alternative to constructing the facility is to retain the status quo, which has constrained growth and has not fully allowed the University to attain its educational objectives.

Description of Other Related Projects Including Infrastructure Improvements:

- All infrastructure costs have been included in the project budget.

PROJECT SUMMARY

Capital Project Information Summary

University: Arizona State University

Project Name: Block 12 Mixed Use
Facility

Project Description and Location:

This project is planned to construct a five-story, approximately 131,400 gross-square-foot classroom, office and retail building at the ASU Tempe campus.

Project Schedule:

| | | |
|--------------|----------|------|
| Planning | January | 2008 |
| Design | May | 2012 |
| Construction | February | 2012 |
| Occupancy | July | 2014 |

Project Budget:

| | |
|---------------------------------|---------------|
| Facility Useful Life (approx) | 100 years |
| Total Project Cost | \$ 54,500,000 |
| Total Project Construction Cost | \$ 40,650,000 |
| Total Project Cost per GSF | \$ 415 |
| Construction Cost per GSF | \$ 309 |

Change in Annual O & M Cost:

| | |
|---------------------|------------|
| Utilities | \$ 385,500 |
| Personnel | 73,500 |
| All Other Operating | 389,000 |
| Subtotal | \$ 848,000 |

Funding Sources:

Capital

| | |
|--------------------------------|---------------|
| A. System Revenue Bonds | \$ 18,500,000 |
| B. Lottery Revenue Bonds | \$ 16,000,000 |
| C. Gifts and Other Local Funds | \$ 20,000,000 |

Funding Source for Debt Service: Auxiliary Revenues, Lottery Revenue
Proceeds and Tuition

| | |
|-----------------------|------------|
| Operation/Maintenance | \$ 848,000 |
|-----------------------|------------|

Funding Sources: General Fund Appropriation and Auxiliary Funds

PROJECT SUMMARY

Capital Project Budget Summary

University: ASU at the Tempe campus

Project: Block 12 Mixed Use Facility

Capital Costs

| | | |
|--|----|-------------------|
| 1. Land Acquisition | \$ | - |
| 2. Construction Cost | | - |
| A. New Construction | | 35,400,000 |
| B. Renovation | | |
| C. Special Fixed Equipment | | 2,100,000 |
| D. Site Development (excl. 2.E.) | | 1,250,000 |
| E. Parking and Landscaping | | 1,500,000 |
| F. Utilities Extensions | | 400,000 |
| G. Other*(Demolition) | | |
| Subtotal Construction Cost | \$ | 40,650,000 |
| 3. Fees | | |
| A. Construction Mgr | \$ | 455,000 |
| B. Architect/Engineer | | 3,400,000 |
| C. Other | | 375,000 |
| Subtotal Consultant Fees | \$ | 4,230,000 |
| 4. FF&E Movable | \$ | 3,261,400 |
| 5. Contingency, Design Phase | | 450,000 |
| 6. Contingency, Constr. Phase | | 3,045,239 |
| 7. Parking Reserve | | |
| 8. Telecommunications Equipment | | 1,225,000 |
| Subtotal Items 4-8 | \$ | 7,981,639 |
| 9. Additional University Costs | | |
| A. Surveys, Tests, Haz. Mat. Abatement | \$ | 210,000 |
| B. Move-in Costs | | 55,000 |
| C. Printing Advertisement | | |
| D. Keying, signage, facilities support | | 55,000 |
| E. Project Management Cost (3%) | | 1,182,915 |
| F. State Risk Mgt. Ins. (.0034 **) | | 135,446 |
| Subtotal Addl. Univ. Costs | \$ | 1,638,361 |
| Total Capital Cost | \$ | 54,500,000 |

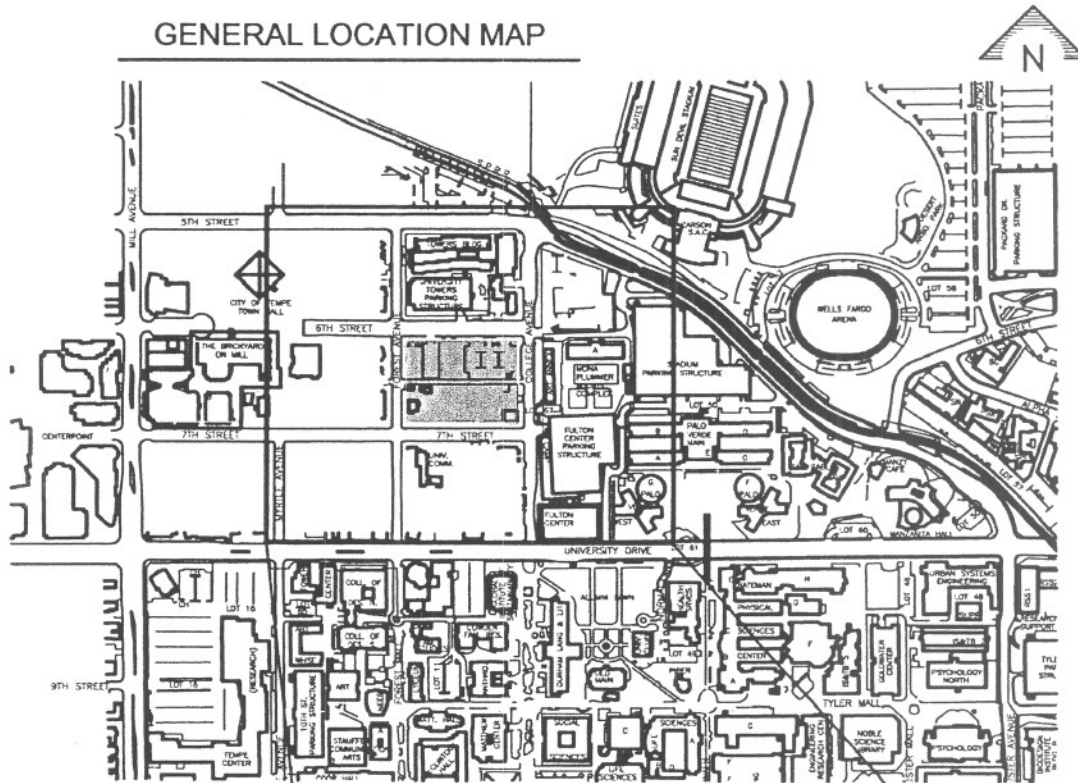
* Universities shall identify items included in this category

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

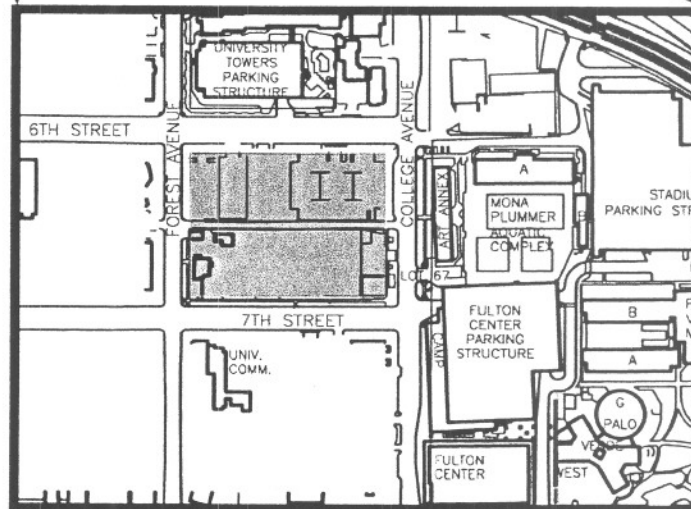
PROJECT SUMMARY

Joint Committee on Capital Review
Oct. 4, 2012

GENERAL LOCATION MAP



BLOCK 12 MIXED USE FACILITY



AREA IN DETAIL

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DON SHOOTER
CHAIRMAN 2011
PAULA A. ABOUD
ANDY BIGGS
RICH CRANDALL
LORI KLEIN
RICK MURPHY
DAVID SCHAPIRA

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 2012
LELA ALSTON
CHAD CAMPBELL
STEVE COURT
NANCY MCLAIN
JUSTIN OLSON
ANNA TOVAR

DATE: October 3, 2012

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

THRU: Richard Stavneak, Director

FROM: Jon Stall, Fiscal Analyst

SUBJECT: Arizona Corporation Commission - Review of FY 2013 Tenant Improvements

Request

Pursuant to A.R.S. § 41-1252, the Arizona Corporation Commission requests Committee review of the scope, purpose, and estimated cost of \$351,100 for a tenant improvement project at their 1200 W. Washington building. The agency requested on Wednesday, October 3, 2012 to be on the agenda.

The FY 2013 General Appropriation Bill (Laws 2012, Chapter 294) appropriated \$1,955,200 from the Utilities Regulation Revolving Fund (URRF) to the Corporation Commission to fund construction and staffing of an additional large hearing room in FY 2013. Of this amount, \$350,000 is to be used to construct a hearing room. In addition, the agency plans to use \$1,100 of their staffing allotment for construction purposes for a total of \$351,100.

Recommendation

The Committee has at least the following 2 options:

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

Analysis

Laws 2012, Chapter 294 appropriated \$1,955,200 from URRF to the Corporation Commission for construction, equipment, and staffing costs associated with adding a large hearing room at their 1200 W. Washington facility. The Corporation Commission is requesting review of \$350,000 of the \$1,955,200 appropriation, which is to be used to construct and equip the hearing room and an adjoining break room. A.R.S. § 41-1252 requires that the Committee review the scope, purpose, and estimated cost before the release of monies for construction of a new capital project costing over \$250,000.

(Continued)

The project's purpose is to address growth in large utility rate cases, which the agency currently hears in 1 main hearing room at the 1200 W. Washington building. From FY 2008 to FY 2011 the average duration of these cases increased from 16 months to 20 months, which exceeds the Administrative Code mandate of only 12 months. The agency expects the project to reduce the average duration of large rate cases below the mandated amount and address delays for other cases.

The project would convert existing office space to a hearing room and break room. The total space consists of 2,472 square feet, of which the hearing room comprises 2,262 square feet and the break room 210 square feet. The hearing room would seat 175 audience members and 20 hearing participants.

ADOA estimates the project to cost \$351,100, which is further broken out in the table below.

| Tenant Improvement Project | |
|--|------------------|
| Electrical | \$108,500 |
| Walls, Ceilings and Doorways | 91,500 |
| Carpeting | 35,000 |
| Project Management | 34,800 |
| Fire and Life Safety | 17,800 |
| Contingency (5%) | 15,100 |
| HVAC, Plumbing, Concrete, and Furnishings | <u>48,400</u> |
| Total Project Cost | \$351,100 |

The submitted material provides additional detail for the project. The project is consistent with capital project guidelines and appropriations.

RS/JS:ts

COMMISSIONERS
GARY PIERCE - Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS



ERNEST G. JOHNSON
Executive Director

ARIZONA CORPORATION COMMISSION

October 2, 2012

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



Re: Review proposed tenant improvement construction project
Corporation Commission Second Hearing Room FY2013

Dear Representative Kavanagh:

The Arizona Corporation Commission ("Commission") requests to be placed on the October 4, 2012 agenda of the Joint Committee on Capital Review ("JCCR") for review of a proposed tenant improvement construction project at 1200 West Washington. A.R.S. § 41-1252.C. directs JCCR review the scope, purpose, and estimated cost of capital projects of more than \$250,000.

Laws 2012, First Regular Session, Chapter 294 (SB1523) appropriated an increase of \$1,955,200 to the Commission from the Utilities Regulation Revolving Fund for constructing and staffing a large rate case hearing room to address delays caused by limited access to hearing rooms/court rooms. The addition of the second hearing room will increase rate-case efficiencies, reduce regulatory lag, and benefit both utilities and ratepayers.

The Commission is located at 1200 West Washington an Arizona Department of Administration (ADOA) owned and managed building. ADOA provided an estimate of approximately \$351,100 for a tenant improvement scope of work that briefly includes demolition and construction of office space, constructing a large hearing room/court room, break room, and ante room, relocating modular work stations, replacing carpeting, upgrading electrical, minor plumbing work, installing soundproofing and upgrading the ceiling suspension system, installing new lighting, etc. See Attachment 1 for more detailed cost and scope information.

The Commission has a limited number of hearing room/courtrooms in its current space configuration. The addition of the proposed hearing room/court room will seat approximately 175 persons in the audience, 15 persons at the counsel tables, and five elected Commissioners and advisors at the dais.

Primary cost allocations of the \$351,100 include:

Electrical - \$108,500 - upgraded electrical requirements for audio and television broadcast capabilities and electronic case presentations, lighting, and occupancy sensors

Finishes - \$66,800 – drywall construction and finishes; acoustical ceiling panel; ceiling suspension system; paint (existing ceiling panels and tiles are reused whenever possible)

Openings - \$24,700 - secured access doors to secure access to the hearing room and to other secured areas of the building.

Fire and Life Safety - \$17,800 – magnetic door locks, smoke detectors, and fire suppression

Thank you for your consideration of the Commission's agenda item request. The Commission staff is available to answer any questions you or other Committee members may have.

Sincerely,



Ernest G. Johnson
Executive Director

Attachment

cc: The Honorable Don Shooter, Vice-Chairman, JCCR
Richard Stavneak, Director, JLBC Staff
Stefan Shepherd, Deputy Director, JLBC Staff
Leatta McLaughlin, Deputy Director, JLBC Staff
Jon Stall, Fiscal Analyst, JLBC Staff
John Arnold, Director, OSPB
Kris Okasaki, Budget and Project Manager, OSPB
Scott A. Smith, Director, ADOA
Jeff Grant, Deputy Director, ADOA
William G. Hernandez, Assistant Director, ADOA

The Arizona Corporation Commission
 Tenant Improvement Construction
 1200 West Washington - First Floor
 Construct Hearing Room

| Primary Project Components | Cost | Project Component General Description |
|---|--------------------------|---|
| General Requirements: | \$ 19,700 | State Fire Marshal permitting fees; construction debris storage, hauling, and disposal; |
| Site Work & Concrete: | \$ 12,500 | Drywall demolition; concrete demolition (hand and saw-cut); pour concrete; demolition of track door and television supports |
| Fire Suppression: | \$ 10,000 | Concealed wet piping and fittings; automatic sprinkler system; supports; sprinkler heads; bleed and refill existing lines |
| Plumbing: | \$ 1,200 | Stainless steel sink; faucet; replace shut-off valves; replace supply lines; hangars; couplings; elbows; tees; reducers; p-trap; |
| HVAC: | \$ 8,000 | Ceiling diffuser; louvers; lay-in ductwork; remove and reinstall electric unit heater; |
| Electrical: | \$ 108,500 | Circuit tracing; demo and reinstall new wiring; conduit; fasteners; connectors; gang boxes; duplex receptacles; wall switches; occupancy sensors; remove and reinstall panelboards; modular lighting; remove and reinstall lay-in light fixtures; exit and emergency lighting |
| Fire Alarms & Security: | \$ 7,800 | Magnetic door locks; smoke detectors; horns; strobes; program and test fire alarm devices |
| Openings: | \$ 24,700 | Doors; solid core doors; doors with tempered glass; door frames; door hardware and locksets |
| Finishes | \$ 66,800 | Studs and track; drywall; drywall finish; acoustical ceiling panel; ceiling suspension system; paint |
| Millwork & Furnishings: | \$ 7,000 | Base cabinets; wall cabinets; countertops |
| Floor Covering (Carpet): | \$ 35,000 | Carpeting; cove base |
| Sub-Total Tenant Improvement Construction: | <u>\$ 301,200</u> | |
| Contingency (5%): | \$ 15,100 | Any funds remaining at conclusion of project are returned to customer |
| Sub-Total Tenant Improvement Construction & Contingency: | <u>\$ 316,300</u> | |
| Project Management & Oversight: | \$ 34,800 | |
| Grand Total Tenant Improvement Construction Cost: | <u>\$ 351,100</u> | |

