

STATE OF ARIZONA

## Joint Committee on Capital Review

STATE  
SENATE

RUSSELL K. PEARCE  
CHAIRMAN 2009  
PAULA ABOUD  
AMANDA AGUIRRE  
SYLVIA ALLEN  
JORGE LUIS GARCIA  
CHUCK GRAY  
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1716 WEST ADAMS  
PHOENIX, ARIZONA 85007

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

HOUSE OF  
REPRESENTATIVES

JOHN KAVANAGH  
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NANCY MCLAIN  
DAVID SCHAPIRA  
KYRSTEN SINEMA

### JOINT COMMITTEE ON CAPITAL REVIEW

Wednesday, October 6, 2010

11:30 A.M.

Senate Appropriations, Room 109

### MEETING NOTICE

- Call to Order
- [Approval of Minutes of August 10, 2010](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [SCHOOL FACILITIES BOARD - Review of Laveen Elementary School District Enrollment Counts.](#)
- 2. [ARIZONA STATE UNIVERSITY - Review of Student Health Services Center and Other Bond Projects.](#)

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

9/28/10

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

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**Joint Committee on Capital Review**

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**MINUTES OF THE MEETING  
JOINT COMMITTEE ON CAPITAL REVIEW**

Tuesday, August 10, 2010

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The Chairman called the meeting to order at 1:35 p.m., Tuesday, August 10, 2010 in Senate Appropriations Room 109. The following were present:

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

**APPROVAL OF MINUTES**

Hearing no objections from the members of the Committee, Chairman John Kavanagh stated the minutes of June 16, 2010 would stand approved.

**ARIZONA DEPARTMENT OF ADMINISTRATION**

**A. Review of FY 2011 Building Renewal Allocation Plan.**

Ms. Leatta McLaughlin, JLBC Staff, stated that this item is a review of the Arizona Department of Administration's (ADOA) FY 2011 Building Renewal Allocation Plan totaling \$5.0 million. The JLBC Staff presented options to the Committee.

Mr. John Hauptman, Capital Planner, Arizona Department of Administration, responded to member questions.

Mr. Michael Branham, Director, Department of Juvenile Corrections, responded to member questions.

*Senator Pearce moved that the Committee give a favorable review of ADOA's FY 2011 Building Renewal Allocation Plan with the provision that ADOA report any change in the spending plan to the JLBC Staff, including reallocations between projects and allocations from the contingency plan. The motion carried.*

(Continued)

**B. Review of FY 2009 Capitol Mall Fire Alarm Replacement Project.**

Mr. Juan Beltran, JLBC Staff, stated that the FY 2009 Capital Outlay Bill appropriated \$491,000 from the Capital Outlay Stabilization Fund to ADOA for the replacement of fire systems in office buildings at the Capitol Mall. ADOA is requesting to expend \$491,000 to replace fire alarm systems at 1400 W. Washington and 1616 W. Adams. The JLBC Staff recommended a favorable review.

*Senator Pearce moved that the Committee give a favorable review to expend \$491,000 for fire alarm systems in the 2 Capitol Mall office buildings. The motion carried.*

**C. Review of Lewis Prison Water Project.**

Mr. Martin Lorenzo, JLBC Staff, stated that this item is a request from ADOA to expend \$2,151,000 in remaining lease-purchase proceeds for production of a new production water well at the Arizona State Prison Complex (ASPC) Lewis. The JLBC Staff recommended a favorable review.

*Senator Pearce moved that the Committee give a favorable review to expend \$2,151,000 in lease-purchase proceeds to construct a new water well at the Lewis Prison. The motion carried.*

**D. Consider Recommending FY 2011 Quarterly Rent Payments.**

Mr. Steve Grunig, JLBC Staff, stated that this item will allow 11 state agencies to facilitate cash flow by making 4 rent payments over the course of FY 2011, instead of 1 large rent payment due at the beginning of FY 2011. The JLBC Staff recommended that the Committee recommend the proposal.

*Senator Pearce moved that the Committee the proposed FY 2011 quarterly payment plans for the Board of Barbers, Naturopathic Physicians Medical Board, Board of Examiners of Nursing Care Institution Administrators and Assisted Living Facility Managers, State Board of Optometry, State Board of Psychologist Examiners, State Boards' Office, Acupuncture Board of Examiners, State Board of Dispensing Opticians, State Board of Funeral Directors and Embalmers, Board of Homeopathic and Integrated Medicine Examiners, and State Board of Podiatry Examiners. The motion carried.*

**ARIZONA STATE UNIVERSITY**

**A. Review of Building Acquisition Bond Project.**

Ms. Leatta McLaughlin, JLBC Staff, stated that Arizona State University (ASU) is requesting the Committee review an \$11.5 million bond issuance in order to purchase an office building adjacent to the Tempe campus. The JLBC Staff presented options to the Committee.

Mr. Steve Miller, Deputy Vice President for Public Affairs, ASU, responded to member questions.

Mr. Steve Nielsen, Assistant Vice President, Real Estate, ASU, responded to member questions.

Mr. Kurt Freund, Managing Director, RBL Capital Markets, responded to member questions.

*Senator Pearce moved that the Committee give a favorable review of ASU's request for an \$11.5 million bond issuance. The review includes 3 provisions:*

1. *ASU will not issue the bond unless the appraisals are at or below the requested \$11.5 million issuance.*

Standard University Financing Provisions

2. *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.*
3. *ASU shall provide the final debt service schedule as soon as it is available.*

The motion carried.

**B. Review of Building Renewal Bond Projects.**

Ms. Leatta McLaughlin, JLBC Staff, stated that this item is a review of ASU's building renewal bond projects. ASU is requesting review of a \$28.2 million bond issuance for 20 building renewal projects, which includes general building renewal projects, classroom renovations, and lab and research space renovations. The JLBC Staff presented options to the Committee.

Mr. Steve Miller, Deputy Vice President for Public Affairs, ASU, responded to member questions.

Senator Pearce moved that the Committee give a favorable review of ASU's \$28.2 million bond issuance for 20 building renewal projects with the Standard University Financing Provisions shown above. The motion carried.

**ARIZONA GAME AND FISH DEPARTMENT - Review of Remaining Flagstaff Area Shooting Range Project.**

Ms. Leatta McLaughlin, JLBC Staff, stated that the Arizona Game and Fish Department was appropriated a total of \$1.8 million to build a shooting range in the Flagstaff area. At the March, 2010 JCCR meeting, the Committee gave a favorable review for the agency to purchase land for the shooting range at a cost of \$1.2 million. The Arizona Game and Fish Department is now requesting to expend the remaining \$607,000 to construct the shooting range which will include roadway access, parking, concrete pads, and restrooms. The JLBC Staff recommended a favorable review.

Senator Pearce moved that the Committee give a favorable review to the Arizona Game and Fish Department to expend the remaining \$607,000 to construct the shooting range. The motion carried.

Without objection, the meeting adjourned at 2:10 p.m.

Respectfully submitted:

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Sandy Schumacher, Secretary

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Leatta McLaughlin, Principal Fiscal Analyst

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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>.

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KYRSTEN SINEMA

DATE: September 29, 2010

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

THRU: Richard Stavneak, Director

FROM: Jack Brown, Fiscal Analyst

SUBJECT: School Facilities Board - Review of Laveen Elementary School District Enrollment Counts

### Request

At its June meeting, the Committee gave a favorable review of the \$100 million lease-purchase issuance of Qualified School Construction Bonds, along with a favorable review of the 9 new construction projects to be financed with these funds. However, the Committee included the provision that the School Facilities Board (SFB) not release funds for the construction of the Laveen Elementary School District (ESD) and Liberty ESD projects until the Committee reviews the districts' enrollment counts in relation to their capacity.

After analyzing preliminary enrollment data for the 2011 school year, SFB is only requesting a review of Laveen ESD's enrollment counts. Due to a decline in enrollment, SFB will not be proceeding with the Liberty ESD project. SFB will be reducing the size of the bond issuance to \$91.3 million.

### Recommendation

The Committee has at least the following 2 options for the project under review:

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

### Analysis

#### Lease-Purchase Agreements

Recent budget legislation authorized SFB to enter into a maximum of \$100 million worth of lease-purchase transactions through the end of FY 2011. Pursuant to A.R.S. § 15-2004, the Committee reviewed the projects associated with this lease-purchase agreement at its June meeting.

(Continued)

Because Laveen ESD's enrollment declined from the prior school year, the Committee requested further review of the district's enrollment counts at a later date prior to issuance of the bonds.

#### Enrollment Overview

SFB enrollment projections are based on a school district's Average Daily Membership (ADM), which is the average number of students enrolled in a district over a certain number of days. This statistic is typically taken at 2 points during the school year, the 40<sup>th</sup> school day, and the 100<sup>th</sup> school day (which is usually considered the final count).

Statute requires SFB to award a new school to a district if ADM projections show the district will be over capacity within the next 2-3 years. While Laveen ESD is currently under capacity, SFB is seeking to begin the project under the assumption that the district will be over capacity next year.

#### Laveen Elementary School District

Laveen ESD is located in the southwest portion of Phoenix. The district saw substantial growth during the middle part of the past decade, but this growth slowed due to the decline in the state's housing market.

Table 1 below summarizes the historical enrollment patterns of Laveen ESD:

<b>Table 1</b>		
<b>Historical Enrollment Counts for Laveen ESD</b>		
<b><u>School Year</u></b>	<b><u>ADM (100<sup>th</sup> Day)</u></b>	<b><u>Growth/Decline From Prior Year</u></b>
2005	2,089	-
2006	2,693	28.9%
2007	3,325	23.5%
2008	4,407	32.5%
2009	4,610	4.6%
2010	4,547	(1.4)%
		Average = 17.6%

In order to analyze whether Laveen ESD will reach capacity in the near future, SFB has requested preliminary enrollment data from the district. This data is not the official 40<sup>th</sup> day ADM count from the Arizona Department of Education (ADE), rather it is the self-reported ADM count transmitted to SFB by Laveen Staff in mid-August. Along with the preliminary enrollment count, Laveen ESD staff has also estimated what they believe the district's year end 100<sup>th</sup> day ADM count will be.

Table 2 below compares Laveen ESD's preliminary enrollment counts for the 2011 school year to their districtwide capacity.

<b>Table 2</b>	
FY 2010 Enrollment	4,547
FY 2011 Enrollment (As of 8/24/10)	4,802
FY 2011 Enrollment (Projected Final)	4,931
<b>FY 2011 Growth Rate</b>	<b>8.4%</b>
District Capacity	5,027
<b>Growth needed in FY 2012 to Exceed Capacity</b>	<b>1.9%</b>

Laveen ESD's estimates currently show ADM counts growing by 8.4% above their final FY 2010 enrollment level. However, this estimate is based on the assumption that the ADM count will continue to

(Continued)

grow throughout the school year. Anecdotal evidence suggests that this is often the case with elementary school districts, as pupils tend to sign up as they move to the district, while this is not offset with students dropping out later in the year as is seen in districts containing high schools. Self-reported data by Laveen ESD staff shows that their current ADM count is 5.6% above FY 2010, which along with continued growth of 2.8% through the school year, leads to an 8.4% growth overall (5.6% base growth + 2.8% mid-year growth = 8.4% total growth).

Because of the nature of the data, JLBC Staff cannot be certain that the preliminary FY 2011 ADM count from the district will not be revised later, as all school district enrollment data typically goes through an ADE review process. Districts have until the 52<sup>nd</sup> school day to submit their 40<sup>th</sup> day ADM counts to ADE. In the case of Laveen ESD, this date falls on October 21<sup>st</sup>. In addition, the mid-year growth estimate of 2.8% is solely based on Laveen ESD Staff calculations. Historically, the district appears to typically grow anywhere from 0% - 4% between the 40<sup>th</sup> and 100<sup>th</sup> day ADM counts, with a 5-year average of 1.9%.

RS/JBr:sls





STATE OF ARIZONA  
SCHOOL FACILITIES BOARD

Governor of Arizona  
Janice K. Brewer

Executive Director  
Dean T. Gray

September 20, 2010

Representative John Kavanagh  
Senator Russell Pearce  
Joint Committee on Capital Review  
1716 W. Adams  
Phoenix, AZ 85007



Dear Representative Kavanagh and Senator Pearce:

The School Facilities Board has had discussions with both Laveen Elementary and Liberty Elementary regarding their upcoming new school construction projects. Dr. Bill Johnson from Laveen Elementary attests that their enrollment has increased approximately 8% from last year, which indicates that we have a viable project and are prepared to move ahead with the authorization to start the project.

In discussions with Dr. Andy Rogers, Superintendent, and Terry White, Assistant Superintendent of Business Services, from Liberty Elementary, they have indicated that their enrollment is slightly lower than last year and has not met their forecast. The district and the SFB agree that the Liberty Elementary school is not needed in the current funding window and will not be included in the SFB bond sale.

The SFB is planning to proceed with the Laveen Elementary project, but not the Liberty Elementary project. We are planning to move ahead with the bond sale, which will now total approximately \$90 million.

Attached is correspondence between the SFB and the two districts. Additional correspondence to follow.

Sincerely,

Dean T. Gray

cc: Richard Stavneak, JLBC  
John Arnold, OSPB  
Jack Brown, JLBC  
Dale Frost, OSPB



STATE OF ARIZONA  
SCHOOL FACILITIES BOARD

Governor of Arizona  
Janice K. Brewer

Executive Director  
Dean T. Gray

September 10, 2010

Andy Rogers, Superintendent  
Liberty Elementary School District  
19871 W. Fremont  
Buckeye, AZ 85326

Dear Superintendent Rogers:

In 2009, the Legislature authorized the School Facilities Board to enter into lease-to-own transactions in the amount of \$100 million for the purpose of alleviating overcrowding for districts that would exceed their student capacity by FY 2011. At the JCCR meeting in June 2010, nine projects were presented to the Committee, including Liberty Elementary's project 070425000-9999-003N. The Committee gave a favorable review to seven of those projects, and asked to see updated information for Laveen Elementary and Liberty Elementary after the start of School Year 2010-2011.

Based on the most current information we have received from your district, the district is not projected to exceed its student capacity until FY 2014. Therefore, project 003N will not be funded out of the \$100 million lease-to-own authority. The project will remain in "Approved" status for the time being, pending future spending authority from the Legislature.

Please contact me if you have any questions.

Sincerely,

Dean T. Gray

cc: Terry White  
District File

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DATE: September 29, 2010

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

THRU: Richard Stavneak, Director

FROM: Marge Zylla, Fiscal Analyst

SUBJECT: Arizona State University - Review of Student Health Services Center and Other 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 a \$14.8 million bond issuance to fund new construction and building renewal projects.

**Recommendation**

The Committee has at least the following 2 options:

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

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

*Standard University Financing Provisions*

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

**Analysis**

The \$14.8 million in projects includes new construction and renovations. Of this amount, \$10.0 million will be for the Student Health Services Center new construction and renovation at the Tempe campus,

(Continued)

\$1.5 million is for “hardscaping” (walkway renovations and lighting improvements) at the Tempe campus, and \$3.3 million is for research and office space renovations at the Downtown campus.

### Financing

The total estimated bond issuance is \$14.8 million, which does not include estimated issuance costs of \$295,000. ASU plans on issuing Aa3 (Moody’s)/AA (S&P) rated revenue bonds for the projects in the winter of 2010 or the spring of 2011 with an estimated 4.5% average annual interest rate and a term of 20 years. The university estimates annual debt service payments of \$338,900 in FY 2011 and \$1.2 million in each FY 2012 - FY 2031, with a 20-year total cost of \$23.5 million.

The hardscaping project and the research and office space project will be funded from tuition revenues. The Student Health Services Center will be funded from the current Health and Wellness Student Fee.

According to the university, any project expenditures incurred prior to the bond issuance will be funded from working capital cash balances, which will be repaid once the bond is issued. Working capital cash balances are derived from tuition, gifts, auxiliary revenues, and other local funds held temporarily with expenses occurring over several months and up to a year later. Construction for the Student Health Services Center will begin immediately after JCCR review. The hardscaping and research space projects will be scheduled based on access to the areas being renovated.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution’s total projected annual expenditures. This calculation is known as the debt ratio. The \$14.8 million revenue bond would increase the ASU debt ratio by 0.13%, from 4.9% to 5.03%.

### Construction Costs

Total project costs are estimated at \$14.8 million. The direct construction costs total \$10.5 million, which includes construction labor and material costs only. Of the remaining \$4.3 million, \$1.3 million is architect fees, \$880,000 is contingency, and \$2.1 million is furniture and equipment, data infrastructure, and other miscellaneous costs.

The \$10.5 million in direct construction costs includes \$5.0 million in Student Health Services Center new construction, \$2.3 million in Student Health Services Center renovations, \$1.1 million in hardscaping and lighting renovations, and \$2.1 million in lab and research space renovations. *Table 1* below provides a brief description of each project along with the project’s direct construction cost, square footage, and direct construction cost per square foot.

<b>Table 1</b>			
<b>ASU Bond Projects</b>			
<b><u>Project</u></b>	<b><u>Direct Cost</u></b>	<b><u>Sq. Ft.</u></b>	<b><u>Direct Cost/ Sq. Ft.</u></b>
Student Health Services Expansion and Renovation (Tempe)	\$ 7,320,600	33,800	\$217
Campus Site Improvements (Tempe)	1,100,000	609,800*	2
Research and Office Spaces (Downtown)	2,112,500	15,500	136
<b>Total</b>	<b>\$10,533,100</b>	<b>659,100</b>	<b>\$355</b>

\* gross square feet

### *Student Health Services Center Expansion and Renovation – Tempe Campus*

The Student Health Services Center is currently 23,800 square feet and was last renovated in 1968. The proposed project will renovate 14,400 square feet and demolish 8,600 square feet of the existing 23,800 square foot building. The project will also add 19,400 square feet to the center, resulting in a 34,600 square foot building. The expansion and renovation will add waiting rooms, patient exam rooms, and

consultation rooms, as well as offices for health programs. ASU reports that the new construction and renovations to the Student Health Services Center will increase the current 240 student visits per day by 40 to 50 students, decrease wait times, and increase patient privacy.

The most recent project comparables submitted by ASU are a 2010 construction cost bid of \$157 per square foot for the Gilbert Mercy Medical Building and a 2010 construction cost bid of \$172 per square foot for the PCH Clinic in Avondale. The Student Health Services Center bid of \$217 direct construction cost per square foot is more expensive based on these comparable projects. ASU notes that the other projects do not include demolition. ASU also submitted a comparable project with a more expensive cost of \$230 per square foot for the San Juan Regional Medical Center Oncology Building in Farmington, New Mexico. However, the purpose and location of the Oncology Building in New Mexico may not provide the most parallel cost comparison.

This project was approved by the full Arizona Board of Regents (ABOR) on September 23, 2010.

#### *Campus Site Improvements – Tempe Campus*

ASU reports that pathways on the north portion of the Tempe campus are in poor condition and lighting is inadequate in some areas. ASU estimates that \$250,000 of the total \$1.1 million in direct construction costs will be spent on improving walkways and the surrounding landscaping, \$350,000 will be spent on lighting improvements in the same areas, and \$500,000 will be used to upgrade or replace stormwater, waste collection and ground irrigation systems, alter vehicle entrance and egress points, and replace retaining walls in affected areas.

Since this project's individual cost is below \$5.0 million, ABOR review approval is not required for this project.

#### *Research and Office Space Renovation - Downtown Campus*

This project would renovate the Arizona Biomedical Collaborative Building 1 (ABC 1) to create research and office space for the Nutrition, Kinesiology, and Exercise and Wellness Programs that are currently located at the Tempe and Polytechnic campuses. ASU reports that these programs were recently integrated in to the College of Nursing, which is located at the Downtown Campus, and the renovation would geographically consolidate the programs.

In March 2010, the Committee favorably reviewed a 14,501 square foot renovation to the ABC 1 building that included wet lab space. However, this renovation did not occur, as ASU withdrew from the building partnership with the University of Arizona in April 2010. The ABC 1 building was built in 2007 and the first and second floors that ASU occupies are currently comprised of research space without wet labs. The proposed project would include minimal renovations to existing office, meeting and instructional space, as well as more extensive renovations to the research areas for wet lab space. Direct construction costs for this project total \$2.1 million, or \$136 per square foot.

Since this project's individual cost is below \$ 5.0 million, ABOR review approval is not required for this project.

RS/MZ:mt

**ASU**  
ARIZONA STATE UNIVERSITY

September 15, 2010

The Honorable John Kavanagh  
Joint Committee on Capital Review  
1716 West Adams  
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:

- Health Services Expansion and Renovation
- Campus Site Improvements
- Downtown Campus Research and Office Spaces

Enclosed is pertinent information relating to this item.

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

Sincerely,

Morgan R. Olsen  
Executive Vice President, Treasurer and CFO

Enclosures

- c: Richard Stavneak, Director, JCCR  
Thomas Anderes, President, Arizona Board of Regents  
Lorenzo Martinez, Assist. Exec. Dir. For Capital Resources, Arizona Board of Regents  
Richard Stanley, Vice President and University Planner  
Virgil Renzulli, Vice President for Public Affairs  
Steve Miller, Deputy Vice President, Public Affairs  
Lisa Frace, Associate Vice President for Budget and Planning  
David Brixen, Associate Vice President, Facilities Development and Management  
Joanne Wamsley, Senior Associate Vice President for Finance and Deputy Treasurer  
Leatta McLaughlin, Capital Review Analyst, JCCR

OFFICE OF THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

BUSINESS AND FINANCE

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**JCCR Capital Review  
FY 2011 Debt-Financed Projects  
Arizona State University  
September 2010**

**JCCR Meeting Date: October 6, 2010**

**Background:**

ASU intends to undertake three bond-financed projects in response to the critical need to renovate and expand aging and inadequate student health space, to perform campus site improvements, and expand academic and research space. The total estimated cost of the projects is \$14,750,000, and additional information regarding the projects is shown on the following pages. Please note that with the exception of operation and maintenance support for Academic space at the Downtown campus, no General Fund money will be required to construct or support these projects.

An Arizona Board of Regents executive summary is included with this request for the Health Services Expansion and Renovation Project. For the remaining two projects, Campus Site Improvements and Downtown Campus Research and Office Spaces, executive summaries are not included; according to ABOR Policy 7-102.B.1, ABOR approval is not required for these projects since the estimated cost of the individual projects is under \$5,000,000.

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. Working capital cash balances are derived from tuition, gifts, auxiliary revenues and other local funds held temporarily, with expenses occurring over several months and up to a year later.

Construction of the Health Services Expansion and Renovation project will begin immediately after JCCR review in order to ensure project completion for the fall 2011 semester. The other two project schedules will be determined by the academic calendar and access to areas/facilities. Construction will last 12 to 24 months.

ASU requests JCCR review on these following projects as required by ABOR policy and ARS § 15-1683.

**JCCR Capital Review  
FY 2011 Debt-Financed Projects  
Arizona State University  
September 2010**

**1. HEALTH SERVICES EXPANSION AND RENOVATION**

**Project Description and Justification**

An Arizona Board of Regents executive summary is attached for the Health Services Expansion and Renovation project, which outlines the project description, project justification, comparable cost information, and other relevant information. Project approval was granted at the September 2, 2010, Arizona Board of Regents Capital and Project Finance committee. The full Board will review the project at its September 23-24 meeting.

**Project Costs**

Total estimated project cost	\$ 10,000,000
Estimated construction cost	\$ 7,320,609
Gross square feet affected by this project	33,800
Total cost per square foot	\$ 295
Construction cost per square foot	\$ 216

**Project Delivery Method**

This project will be delivered by Construction Manager at Risk.



**JCCR Capital Review  
FY 2011 Debt-Financed Projects  
Arizona State University  
September 2010**

**Project: Health Services Expansion and Renovation**

**Debt Issuance Information**

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Projected Project Costs	\$ 10,000,000
Projected Cost of Issuance	\$ 200,000
Assumed Interest Rate	4.5%
Payment term	20 years
Projected FY 2011 Debt Service (by fund source):	
Health and Wellness Student Fee	\$ 229,500
Projected FY 2012 to FY 2031 Annual Debt Service (by fund source):	
Health and Wellness Student Fee	\$ 784,100
Projected Total Debt Service (by fund source):	
Health and Wellness Student Fee	\$ 15,911,500
Date of Issuance	Winter 2010/Spring 2011
Anticipated Bond Rating (1)	Aa3/AA

**Debt Ratio**

Debt Ratio on Existing Debt	4.9%
Incremental Ratio for this Project	.1%
Total Debt Ratio	5.0%
Highest Debt Ratio (including CDP projects)	5.8%

(1) Moody's Investor Service/S&P Rating Services

**JCCR Capital Review  
FY 2011 Debt-Financed Projects  
Arizona State University  
September 2010**

**Health Services Expansion and Renovation**

Debt Service Schedule

Fiscal Year	Payment	Principal	Interest	Outstanding
2011	229,500	0	229,500	10,200,000
012	784,100	325,100	459,000	9,874,900
2013	784,100	339,730	444,370	9,535,170
2014	784,100	355,017	429,083	9,180,153
2015	784,100	370,993	413,107	8,809,160
2016	784,100	387,688	396,412	8,421,472
2017	784,100	405,134	378,966	8,016,338
2018	784,100	423,365	360,735	7,592,973
2019	784,100	442,416	341,684	7,150,557
2020	784,100	462,325	321,775	6,688,232
2021	784,100	483,130	300,970	6,205,102
2022	784,100	504,870	279,230	5,700,232
2023	784,100	527,590	256,510	5,172,642
2024	784,100	551,331	232,769	4,621,311
2025	784,100	576,141	207,959	4,045,170
2026	784,100	602,067	182,033	3,443,103
2027	784,100	629,160	154,940	2,813,943
2028	784,100	657,473	126,627	2,156,470
2029	784,100	687,059	97,041	1,469,411
2030	784,100	717,976	66,124	751,435
2031	784,100	751,435	32,665	0
Total	15,911,500	10,200,000	5,711,500	

**JCCR Capital Review  
FY 2011 Debt-Financed Projects  
Arizona State University  
September 2010**

**2. CAMPUS SITE IMPROVEMENTS**

**Project Description**

This project will rehabilitate, renovate, and improve the safety of approximately 14 acres of pathways, open space and malls. Sites and pathways surrounding residence halls on the north portion of Tempe campus are in poor condition, creating safety hazards in some areas, exposing students to possible injury and the University to liability. Lighting, an important security feature, is also inadequate in some areas. The Site Improvements project will correct these deficiencies, and improve pedestrian circulation by providing new concrete walkways and mall areas, as well as altering service vehicle entrance and egress points at the North campus in order to provide safer accessibility and avoid pedestrian/vehicle conflicts. The project will also make improvements to hardscape areas and associated landscaping, as well as attending to previously identified lighting inadequacies.

**Project Costs**

Square feet affected by this project	609,840 GSF
Total estimated project cost	\$ 1,500,000
Estimated construction cost	\$ 1,100,000
Total cost per square foot	\$ 2.46/GSF
Construction cost per square foot	\$ 1.80/GSF

The Campus Site Improvement project is not expected to create an increase in annual operation and maintenance costs.

**JCCR Capital Review  
FY 2011 Debt-Financed Projects  
Arizona State University  
September 2010**

**Project: Campus Site Improvements**

**Debt Issuance Information**

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Projected Project Costs	\$ 1,500,000
Projected Cost of Issuance	\$ 30,000
Assumed Interest Rate	4.5%
Payment term	20 years

Projected FY 2011 Debt Service (by fund source):

Tuition	\$ 34,800
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Projected FY 2012 to FY 2031 Annual Debt Service (by fund source):

Tuition (approximately)	\$ 117,600
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Projected Total Debt Service (by fund source)

Tuition	\$ 2,386,800
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Date of Issuance

Winter 2010/Spring 2011

Anticipated Bond Rating (1)

Aa3/AA

**Debt Ratio**

Debt Ratio on Existing Debt	4.9%
Incremental Ratio for this Project	.01%
Total Debt Ratio	4.9%
Highest Debt Ratio (including CDP projects)	5.8%

(1) Moody's Investor Service/S&P Rating Services

**JCCR Capital Review  
FY 2011 Debt-Financed Projects  
Arizona State University  
September 2010**

**Campus Site Improvements**

Debt Service Schedule

Fiscal Year	Payment	Principal	Interest	Outstanding
2011	34,800	0	34,800	1,530,000
2012	117,600	48,750	68,850	1,481,250
2013	117,600	50,944	66,656	1,430,306
2014	117,600	53,236	64,364	1,377,070
2015	117,600	55,632	61,968	1,321,438
2016	117,600	58,135	59,465	1,263,303
2017	117,600	60,751	56,849	1,202,552
2018	117,600	63,485	54,115	1,139,067
2019	117,600	66,342	51,258	1,072,725
2020	117,600	69,327	48,273	1,003,398
2021	117,600	72,447	45,153	930,951
2022	117,600	75,707	41,893	855,244
2023	117,600	79,114	38,486	776,130
2024	117,600	82,674	34,926	693,456
2025	117,600	86,395	31,205	607,061
2026	117,600	90,282	27,318	516,779
2027	117,600	94,345	23,255	422,434
2028	117,600	98,590	19,010	323,844
2029	117,600	103,027	14,573	220,817
2030	117,600	107,663	9,937	113,154
2031	117,600	113,154	4,446	0
Total	2,386,800	1,530,000	856,800	

**JCCR Capital Review  
FY 2011 Debt-Financed Projects  
Arizona State University  
September 2010**

**3. DOWNTOWN CAMPUS RESEARCH AND OFFICE SPACES**

**Project Description**

The Downtown Campus Research and Office Space project will provide the University needed research and instructional facilities on the downtown campus to support faculty and student research projects in the increasingly expanding College of Nursing.

The project is designed to directly benefit the academic mission of the university by providing consolidated space for the wellness academic programs that will allow for better student/faculty interaction and learning experiences. With the growth, consolidation, and relocation of several departments within this area, there is a pressing need to improve facilities to meet the demands of students and faculty and improve the academic experience of ASU students. These projects will allow ASU to meet growing enrollment and new technical requirements.

The project will build-out research space and faculty offices at the Downtown Phoenix campus to accommodate 15,500 GSF of instructional and research laboratory space for the Nutrition, Kinesiology, and Exercise and Wellness programs, currently located at the Polytechnic and Tempe campuses. Nutrition, Exercise and Wellness, and Kinesiology programs were recently integrated into the College of Nursing & Health Innovation, located at the Downtown Phoenix campus, and this project will geographically consolidate these related programs.

Renovations will provide space for the Instructional Physiological Assessment Laboratory, the Instructional Kinesiological Assessment Laboratory, the Metabolic Rate Assessment Laboratory, the Exercise Intervention Research Space, the Strength/Power/Balance Assessment Laboratory, and ancillary support facilities. The project will include demolition, construction of finished spaces (walls, ceiling, flooring, and lighting), lab specific FF&E, upgraded building systems, fume hoods, signage, and data connections. Life safety modifications will be made as necessary, to bring the space into compliance with current building and fire codes.

**Project Costs**

Total estimated project cost	\$	3,250,000
Estimated construction cost	\$	2,112,500
Gross square feet affected by this project		15,500
Total cost per square foot	\$	210
Construction cost per square foot	\$	136

It is anticipated that these projects will renovate existing space, and are not expected to create an increase in annual operation and maintenance costs.

**JCCR Capital Review  
FY 2011 Debt-Financed Projects  
Arizona State University  
September 2010**

**Project: Downtown Campus Research and Office Spaces**

**Debt Issuance Information**

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Projected Project Costs	\$ 3,250,000
Projected Cost of Issuance	\$ 65,000
Assumed Interest Rate	4.5%
Payment term	20 years

Projected FY 2011 Debt Service (by fund source):	
Tuition	\$ 74,600

Projected FY 2012 to FY 2031 Annual Debt Service (by fund source):	
Tuition	\$ 254,900

Projected Total Debt Service (by fund source):	
Tuition	\$ 5,172,600

Date of Issuance	Winter 2010/Spring 2011
Anticipated Bond Rating (1)	Aa3/AA

**Debt Ratio**

Debt Ratio on Existing Debt	4.9%
Incremental Ratio for this Project	.02%
Total Debt Ratio	4.9%
Highest Debt Ratio (including CDP projects)	5.8%

(1) Moody's Investor Service/S&P Rating Services

**JCCR Capital Review  
FY 2011 Debt-Financed Projects  
Arizona State University  
September 2010**

Downtown Campus Research and Office Spaces

Debt Service Schedule

Fiscal Year	Payment	Principal	Interest	Outstanding
2011	74,600	0	74,600	3,315,000
2012	254,900	105,725	149,175	3,209,275
2013	254,900	110,483	144,417	3,098,792
2014	254,900	115,454	139,446	2,983,338
2015	254,900	120,650	134,250	2,862,688
2016	254,900	126,079	128,821	2,736,609
2017	254,900	131,753	123,147	2,604,856
2018	254,900	137,681	117,219	2,467,175
2019	254,900	143,877	111,023	2,323,298
2020	254,900	150,352	104,548	2,172,946
2021	254,900	157,117	97,783	2,015,829
2022	254,900	164,188	90,712	1,851,641
2023	254,900	171,576	83,324	1,680,065
2024	254,900	179,297	75,603	1,500,768
2025	254,900	187,365	67,535	1,313,403
2026	254,900	195,797	59,103	1,117,606
2027	254,900	204,608	50,292	912,998
2028	254,900	213,815	41,085	699,183
2029	254,900	223,437	31,463	475,746
2030	254,900	233,491	21,409	242,255
2031	254,900	242,255	12,645	0
Total	5,172,600	3,315,000	1,857,600	



**EXECUTIVE SUMMARY**

**ITEM NAME: Health Services Expansion and Renovation Project Approval  
(Arizona State University)**

☒ Action Item      ☐ Discussion Item      ☐ Information Item

**Issue:** ASU requests Project Approval (PA) for the Health Services Expansion and Renovation at the Tempe campus. The project is to be financed from system revenue bonds.

**Previous Board Action:**

- ▶ FY 2009 Capital Development Plan      June 2008
- ▶ FY 2010 Capital Development Plan      June 2009
- ▶ Project Implementation Approval      June 2010

**Statutory/Policy Requirements:**

- ▶ Board Policy 7-109 requires Capital Committee review and Board approval of projects with an estimated total project cost over \$5 million.

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

- ▶ The original 8,604 gross square foot Campus Health Services building, built in 1954, was designed to house the student infirmary and health center. A 15,200 gross square foot addition was made to the building in 1968. Since that time, the building has remained untouched with the exception of maintenance work and several minor renovation projects.
- ▶ Since 1968, the Tempe campus student population has more than doubled and student health care practices have changed. When the building was last expanded in 1968, Campus Health Services provided health care for the 23,000 students of the Tempe campus. Today, Campus Health Services at the Tempe campus serves 55,000 students, and receives over 240 student visits per day during the fall and spring semesters.
- ▶ This project is planned to provide for the health care needs of an increasing student population by renovating existing space and creating sufficient new

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## **EXECUTIVE SUMMARY**

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space to improve the efficiency of Campus Health Services operations. The project will enhance student services at the Tempe Campus. When this project is complete, Campus Health Services conservatively estimates that the improved facilities will:

- allow service for 45-50 more students per day
- decrease wait times, due to more efficient rooming procedures and the availability of a fast-track area
- create more privacy for students in acute care areas, billing, insurance, referrals, and appointment check-in
- allow more evening and weekend hours
- create separate areas for primary care, isolating sick students with acute care needs, and
- further develop a separate women's health area within the health center.

### **Project Description/Scope/Compliance with Space Standards:**

- ▶ The inefficient and outdated original 1954 portion of the current facility (8,604 gross square feet) will be demolished and a 19,400 gross square foot addition will be built in its place, south of the current facility. In addition, the project will renovate approximately 14,400 gross square feet of the existing facility.
- ▶ Given the age of the facility, ASU has been working with the State Historic Preservation Office (SHPO) to address historic preservation requirements.
- ▶ The program includes additional waiting rooms, patient examination rooms, consultation rooms, and offices for Urgent Care, Primary Care, Fast Track, and Women's Health Specialty.
- ▶ Mechanical, electrical, plumbing, fire protection and communications systems in the existing building will be evaluated, where applicable, to determine connectivity to the addition. Sustainable design aspects and energy efficiency considerations will be incorporated into the renovation and expansion.
- ▶ The project is in conformance with applicable ABOR Space Guidelines.
- ▶ To maximize the long-term investment in this facility, the project will be built to last 50 to 75 years. The facility has been designed in accordance with the ASU Design Guidelines, and will be constructed of high quality, durable and maintainable materials and building systems to maximize energy efficiency and minimize operational, repair and replacement costs.

## EXECUTIVE SUMMARY

### Project Delivery Method and Process:

- ▶ This project is being delivered through the Construction Manager (CM) at Risk method. This approach was selected for the project because it can save time through fast-track project scheduling, provides contractor design input and coordination throughout the project, improves potentially adversarial project environments, and allows 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, this method also provides a high level of cost and quality control.
- ▶ The CM at Risk (CMAR) was selected through the capital project selection committee process prescribed by the ABOR Procurement Code. 19 responses to the project RFQ were received and 5 of the responding teams were short-listed to be interviewed. A licensed contractor from the community was included on the selection committee as required by Board Policy. The design team was selected through a similar ABOR process, and 4 teams were interviewed out of the 22 RFQ responses received.

### Project Costs:

- ▶ The project budget is \$10,000,000. This represents a construction cost of \$216 per square foot and a total project cost of \$295 per square foot. The construction cost is based on analysis of the conceptual plan by the construction manager and has been examined as closely as possible at this stage of the design process for efficiencies.
- ▶ The following table identifies comparable projects, with construction costs per square foot escalated to June 2011 (the construction midpoint). The projects listed below were renovations and expansions of existing facilities, similar to the Health Services Expansion and Renovation project.

Comparable Project	Location	Project Size	Year Constructed	Escalated Const. Cost/SF
San Juan Regional Medical Center Oncology Building	Farmington, NM	10,979 gsf	2008	\$ 230/sf
Gilbert Mercy Medical Office Bldg	Gilbert, AZ	48,500 gsf	Bid in 2010	\$ 157/sf
PCH Clinic	Avondale, AZ	36,000 gsf	Bid in 2010	\$ 172/sf
<b>Average Comparable Project</b>		<b>31,826 gsf</b>		<b>\$ 186/sf</b>

## **EXECUTIVE SUMMARY**

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- ▶ Considering these relevant comparable construction costs, the Health Services Expansion and Renovation construction cost budget of \$216 was considered to be appropriate.
- ▶ For this Project Approval phase, a cost estimate was prepared by the CMAR. A second cost estimate was prepared by the Architect's estimating consultant. These estimates were reconciled to confirm accurate, competitive scope quantities and unit prices to form the Guaranteed Maximum Price (GMP) for the entire scope of work. The GMP is based upon competitive bids obtained from local subcontractors and vendors.
- ▶ Once the GMP is agreed upon, the CM is at risk to provide the completed project within that price. All subcontractor work will be awarded on the basis of the lowest responsive and responsible subcontractor bids. A minimum of three subcontractor bids are required, except for specialty items or instances where proprietary systems are required, such as for energy management systems and door locks. A final report on project control procedures such as change orders and contingency use will be provided at project completion.

### **Project Status and Schedule:**

- ▶ The project is in the Construction Documents phase. The final GMP has been submitted by the CMAR, and is within the project budget.
- ▶ General construction is scheduled to begin in late 2010, after review by the Arizona State Legislature Joint Committee on Capital Review. Construction is scheduled to be completed in mid-2012.

### **Fiscal Impact and Financing Plan:**

- ▶ System Revenue Bonds will be issued to finance the project. The bonds will be repaid over a twenty-year period. The annual debt service of approximately \$802,400, assuming an overall borrowing cost of approximately 5 percent, will be paid from Auxiliary Funds, generated from the Health and Wellness mandatory student fee.
- ▶ The increase to annual operations and maintenance costs for this facility will be \$71,800. The operations and maintenance funding will be from Auxiliary Funds generated by student fees.
- ▶ Debt Ratio Impact: This project was included in the debt ratio calculation in the ASU 2011 Capital Development Plan (CDP), submitted in June 2010, which showed that ASU's maximum annual debt service on all outstanding

**EXECUTIVE SUMMARY**

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debt and CDP approved projects was 5.2 percent of the University's total projected expenditures. This ratio excludes the SPEED projects. The incremental debt ratio for this project would be .04 percent.

**Recommendation:**

It is recommended that the Board grant Project Approval to Arizona State University for the Health Services Expansion and Renovation project.

**EXECUTIVE SUMMARY**

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**Capital Project Information Summary**

**University:** Arizona State University

**Project Name:** Health Services  
Expansion and Renovation  
project

**Project Description and Location:**

This project will renovate and expand the existing Health Services Building. The project is planned to renovate approximately 14,400 gross square feet of existing space, demolish 8,604 gross square feet of space built in 1954, and expand the facility by 19,400 gross square feet. The building is located directly east of the Bateman Physical Sciences Center and south of University Drive at the Tempe campus. The building will house clinical and office spaces.

**Project Schedule:**

Planning	December 2008
Design	April 2010
Construction	November 2010
Occupancy	January 2012

**Project Budget:**

Facility Useful life	50 to 75 years
Total Project Cost	\$ 10,000,000
Total Project Construction Cost	\$ 7,320,609
Total Project Cost per GSF	\$ 295
Construction Cost per GSF	\$ 216

**Change in Annual Oper. /Main. Cost:**

Utilities	\$ 38,000
Personnel	-
All Other Operating	33,800
Total	\$ 71,800

**Funding Sources:**

- A. System Revenue Bonds: \$ 10,000,000  
(Funding Source of Debt Service: Auxiliary Funds, generated from the Health and Wellness mandatory student fee)
- B. Operation/Maintenance \$ 71,800  
(Funding Source: Auxiliary Generated Revenue and student fees)

**EXECUTIVE SUMMARY**

**Capital Project Cost Estimate**

**University:** ASU at the Tempe campus

**Project:** Health Services Renovation and Expansion

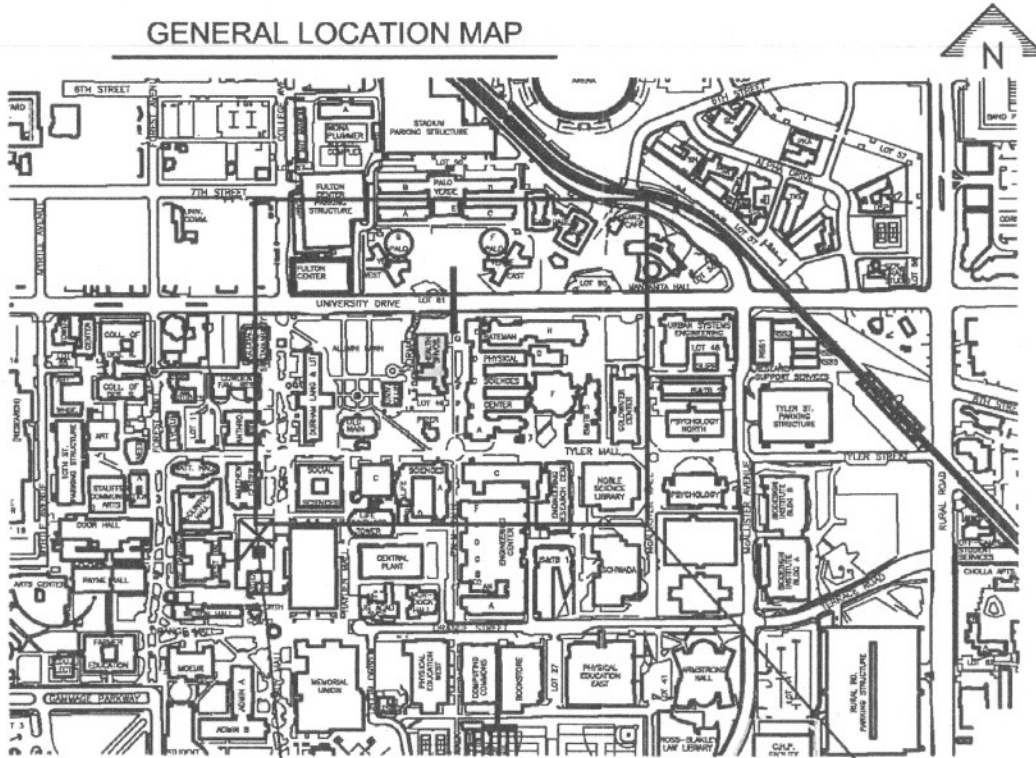
	<b>Capital Development Plan</b>	<b>Project Implementation Approval</b>	<b>Project Approval</b>
Capital Costs			
1. Land Acquisition	\$ -	\$ -	\$ -
2. Construction Cost	-	-	-
A. New Construction	4,500,000	4,500,000	4,978,014
B. Renovation	2,078,250	2,078,250	2,342,595
C. Special Fixed Equipment	-	-	-
D. Site Development (excl. 2.E.)	-	-	-
E. Parking and Landscaping	-	-	-
F. Utilities Extensions	-	-	-
G. Other*	-	-	-
Subtotal Construction Cost	<u>\$ 6,578,250</u>	<u>\$ 6,578,250</u>	<u>\$ 7,320,609</u>
3. Fees			
A. Construction Mgr	\$ 100,000	\$ 100,000	\$ 100,000
B. Architect/Engineer	712,000	712,000	712,000
C. Other	-	-	-
Subtotal Consultant Fees	<u>\$ 812,000</u>	<u>\$ 812,000</u>	<u>\$ 812,000</u>
4. FF&E Movable	\$ 460,000	\$ 460,000	\$ 460,000
5. Contingency, Design Phase	524,500	524,500	-
6. Contingency, Constr. Phase	950,000	950,000	447,490
7. Parking Reserve	-	-	66,000
8. Telecommunications Equipment	140,000	140,000	260,000
Subtotal Items 4-8	<u>\$ 2,074,500</u>	<u>\$ 2,074,500</u>	<u>\$ 1,233,490</u>
9. Additional University Costs			
A. Surveys, Tests, Tempe Develop. Fee	\$ 40,000	\$ 40,000	\$ 15,000
B. Move-in Costs	50,000	50,000	25,000
C. Printing Advertisement	250	250	250
D. Other* (Asbestos Abatement)	175,000	175,000	175,000
E. Keying, signage, facilities support	27,000	27,000	25,000
F. Project Management Cost 3.66%	209,000	209,000	366,000
G. State Risk Mgt. Ins. (.0034)	\$ 34,000	34,000	\$ 27,651
Subtotal Addl. Univ. Costs	<u>\$ 535,250</u>	<u>\$ 535,250</u>	<u>\$ 633,901</u>
<b>TOTAL CAPITAL COST</b>	<u><u>\$ 10,000,000</u></u>	<u><u>\$ 10,000,000</u></u>	<u><u>\$ 10,000,000</u></u>

\* Universities shall identify items included in this category

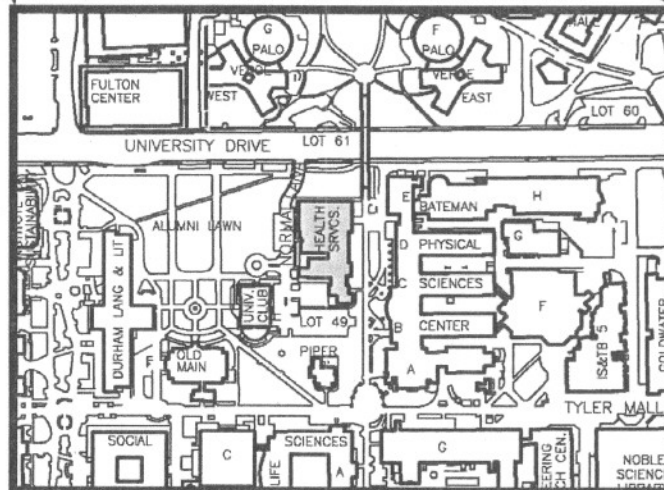


EXECUTIVE SUMMARY

GENERAL LOCATION MAP



HEALTH SERVICES EXPANSION & RENOVATION



AREA IN DETAIL