

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

ROBERT "BOB" BURNS
CHAIRMAN 2003
TIMOTHY S. BEE
JACK A. BROWN
ROBERT CANNELL, M.D.
SLADE MEAD
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HOUSE OF
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RUSSELL K. PEARCE
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JOINT COMMITTEE ON CAPITAL REVIEW

Thursday, October 14, 2004

1:30 p.m.

House Hearing Room 4

MEETING NOTICE

- Call to Order
- [Approval of Minutes of September 21, 2004.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [ADOPTION OF REVISED COMMITTEE RULES AND REGULATIONS.](#)
- 2. [ARIZONA DEPARTMENT OF ADMINISTRATION – Review of Revised FY 2005 Building Renewal Allocation Plan](#)
- 3. [ARIZONA STATE PARKS – Review of State Lake Improvement Fund Projects.](#)
- 4. [ARIZONA DEPARTMENT OF TRANSPORTATION –](#)
 - A. [Review of Parker Motor Vehicle Division Field Office Relocation.](#)
 - B. [Review of FY 2005 Building Renewal Allocation Plan.](#)
- 5. [UNIVERSITY OF ARIZONA – Review of La Aldea Student Housing Complex Purchase and Report on Chemistry Expansion Project Contingency Allocation.](#)
- 6. [NORTHERN ARIZONA UNIVERSITY –](#)
 - A. [Review of Capital Project Cost and Scope Changes.](#)
 - B. [Review of New System Revenue Bond Capital Projects](#)
- 7. [SCHOOL FACILITIES BOARD –](#)
 - A. [Review of Lease-to Own Projects.](#)
 - B. [Review of FY 2005 Building Renewal Allocation Plan.](#)
- 8. [DEPARTMENT OF PUBLIC SAFETY – Review of Remote Officer Housing Project.](#)
- 9. [ARIZONA STATE UNIVERSITY – Report on ASU Scottsdale Center for New Technology and Innovation.](#)

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

10/7/04

People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 542-5491.

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MINUTES OF THE MEETING JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, September 21, 2004

The Chairman called the meeting to order at 1:35 p.m. Tuesday, September 21, 2004 in House Hearing Room 4 and attendance was as follows:

Members:	Representative Pearce, Chairman	Senator Burns, Vice Chairman
	Representative Biggs	Senator Brown
	Representative Boone	Senator Cannell
	Representative Lopez	Senator Mead
	Representative Lopes	Senator Soltero
	Representative Loredó	Senator Waring
Absent:	Representative Farnsworth	Senator Bee

Representative Pearce moved the Committee approve the minutes of August 17, 2004. The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION

A. Consider Transfer of Fund Balance for Arizona State Hospital Capital Projects.

Ms. Beth Kohler, JLBC Staff, presented the Arizona Department of Administration (ADOA) request that the Committee approve the transfer of the remaining \$3.5 million from the Arizona State Hospital Capital (ASH) Construction Fund appropriation to FY 2005 building renewal for the Arizona State Hospital. There was an appropriation of \$77.5 million for the construction of the new civil hospital and renovation and expansion of the forensic hospital. The new civil hospital is up and running but, due to budget constraints, there was a transfer of \$13.4 million out of the Arizona State Hospital Capital Construction Fund, leaving the net budget for the ASH projects at \$67.1 million. Renovation and expansion of the forensic hospital was suspended.

ADOA reported that there is \$3.9 million from the original appropriation remaining in the fund. Of this amount, approximately \$375,000 is encumbered for finishing touches on existing projects, leaving \$3.5 million available to be used for other purposes. ADOA developed a prioritized list of 28 projects and the cost of the projects totals \$5.1 million. All monies in the fund remaining unexpended and unencumbered on July 1, 2005 revert to the Budget Stabilization Fund (BSF). Furthermore, any monies approved by the Committee for building renewal projects that remain unencumbered and unexpended on September 30, 2006, will revert to the BSF.

Ms. Kohler explained that the Committee had the option of approving the transfer for ASH projects or not approving the transfer in which case remaining monies would revert to the Budget Stabilization Fund.

In response to Senator Burns, Bruce Ringwald, General Manager, Construction Services, ADOA stated that when the project was started approximately 6 years ago, the scope included the civil hospital and the forensic hospital. The

costs to complete the civil hospital were identified and the remaining money would have been put toward the renovation the forensic hospital. As the civil hospital projects were completed, there was \$3.5 million left and the expectation was to apply that money into the remodel of the forensic hospital. About the time that happened the project was stopped. Subsequent to that, as time has gone by, the cost of construction has gone up considerably.

Ms. Catherine Eden, Director, Department of Health Services stated that the forensic buildings are in bad shape but wants to wait a year before submitting a proposal for consideration. Maricopa County has decided to do a lot of the restoration to competency within their own facilities. Waiting another year will show us what our population needs would be in the future.

In response to Senator Burns, Jack Silver, Superintendent, Arizona State Hospital stated that there are approximately 140 people living in the older portion of the hospital. It is an old building and they are trying to keep it in good repair.

In answer to Senator Burns, Ms. Eden stated that the law states they can either be taken to the state hospital or can be taken care of in the county jail.

Richard Stavneak, JLBC Staff mentioned that the counties are charged for the use of the state hospital. Maricopa County pays 100% and all other counties pay 86% of the costs associated with patients sent by the county.

In response to Representative Biggs, Ms. Kohler stated that the document stating that the project replacing the HVAC in the civil hospital was an error and should have been part of the central power plant under general hospital support.

Ms. Eden stated that some automated drug machines were included in the original scope for the civil Hospital. The use of these machines is now usual and customary. This is a very accurate way of dispensing medicine and keeping track of the medications for the records.

Senator Burns moved the Committee approve the transfer of \$3.5 million from the Arizona State Hospital Capital Construction Fund appropriation for FY 2005 capital projects, including building renewal at the Arizona State Hospital. The motion carried.

B. Review of Revised FY 2005 Building Renewal Allocation Plan.

Mr. Jeremy Olsen, JLBC Staff, presented the Arizona Department of Administration (ADOA) request that the Committee review \$2,500,000 of its \$3,500,000 FY 2005 Building Renewal allocation plan from the Capital Outlay Stabilization Fund (COSF). The Committee reviewed the expenditure of \$1,000,000 from this fund at its August 17, 2004 meeting.

JLBC Staff recommends a favorable review for \$1,300,000 of the request with the provisions outlined in the memo.

Combined with \$1 million reviewed at its August meeting, the Committee has favorably reviewed \$2.3 million of the \$3.5 million building renewal appropriation from the Capital Outlay Stabilization Fund.

In response to Senator Mead, Mr. Martinez stated that the funding for the State Treasurer office improvement project came from various sources. There was \$150,000 appropriated directly to the Treasurer's budget and \$170,000 allocated from the FY 2005 Building Renewal appropriation. In addition, that funding plan assumed that the Treasurer's Office would receive a \$40,000 rent exemption to move into a temporary space while their office was renovated.

Senator Burns moved the Committee give a favorable review to an additional \$1,300,000 in the revised Arizona Department of Administration FY 2005 Building Renewal allocation plan with the following provisions:

- The \$1,300,000 represents \$949,000 for the 11 projects listed in Table 1 of the memo, plus \$351,000 for FY 2005 emergency projects.*
- ADOA report to JLBC Staff any allocations for FY 2005 emergency projects from the above-referenced \$351,000 amount. JLBC Staff will report to the Committee on significant allocations, typically those above \$50,000.*
- ADOA submit for Committee review any reallocation above \$50,000 between the individual projects in the favorably reviewed \$1,300,000 plan.*

- *ADOA submit for Committee review an allocation plan for the remaining \$1.2 million COSF appropriation.* The motion carried.

ARIZONA LOTTERY COMMISSION – Review of FY 2005 Building Renewal Allocation Plan.

Mr. Brian Cary, JLBC Staff, presented the Arizona Lottery Commission FY 2005 Building Renewal allocation plan of \$41,200 from the Lottery Fund for Committee review. The Lottery's plan provides information on proposed repair expenditures for the Phoenix facility, which houses the Lottery's administrative offices as well as a ticket sales and redemption site. The Lottery plans to use \$36,500 of the FY 2005 allocation on four projects. The remaining \$4,700 is available for contingencies.

In response to Senator Burns, Mr. Cary stated that the Lottery Commission is not planning for any additional contingencies other than the extent to which the actual cost of the projects may vary from the planned estimates.

Senator Burns moved that the Committee give a favorable review to the FY 2005 Building Renewal Allocation Plan of \$41,200 from the Lottery Fund. The motion carried.

OFFICE OF THE ARIZONA STATE TREASURER – Consider Recommending Rent Exemption.

Mr. Justin Narducci, JLBC Staff, presented the Office of the State Treasurer request that the Committee consider recommending a rent exemption. The Treasurer requested \$360,000 in FY 2005 for one-time office renovations. Of this amount \$320,000 was requested for building improvements, while \$40,000 was for rent of temporary space during the renovation period.

The JLBC Staff recommends the Committee recommend the Arizona Department of Administration authorize a FY 2005 rent exemption of \$40,000, as part of the Treasurer Office's tenant improvements for FY 2005.

There was no discussion on this item.

Senator Burns moved that the Committee recommend the Arizona Department of Administration authorize a FY 2005 rent exemption of \$40,000, as part of the Treasurer Office's tenant improvements for FY 2005. The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT)

A. Report on 5-Year Transportation Plan.

Mr. Bob Hull, JLBC Staff, presented the Arizona Department of Transportation Executive Summary of the 5-Year Transportation Facilities Construction Program for FY 2005-FY 2009. Mr. Hull reviewed the handout presentation and stated that the total for the 5-year plan is \$4.5 billion, including \$3.8 billion for highways and \$0.7 billion for aviation. Mr. Hull stated that this item is for information only, and no Committee action is required. However, Mr. Hull reviewed the revised recommendation.

Representative Lopes asked if ADOT had a congestion report including the methodology on how this is accomplished. Mr. Hull stated that it is presumed that they have a methodology but it is not exactly clear on what it is.

In response to Senator Burns, Terry Trost, Director, Budgeting & Planning, ADOT stated that for the 5-Year Plan each of the organizations meet and have discussions regarding design and detail that is involved. The Transportation Board has a monthly study session and details are laid out with some discussion. Once it is ready, it is taken to the formal board meeting and adopted. There are annual updates to the plans, as one year is dropped a new year is added. Literally, the plan is revised every month. There is not a formal process of sharing the revisions with the Committee.

Chairman Pearce asked if the ½ cent tax is passed, what would it do to the 5-year plan. Mr. Trost stated that the plan would be modified.

Senator Burns asked what ADOT's plan is to update the 2001 road congestion data. Mr. Trost stated that the data used is based upon survey information collected in September 2001. There is a data time lag, Maricopa Association of Governments (MAG) and ADOT have recently received the 2002 data through the Federal Highway Administration (FHWA).

In response to Senator Burns, Mr. Trost stated that with enough resources you could do the calculations with the data regarding the road congestion. The monitoring of the federal highways is the responsibility of ADOT. They also partner with others such as MAG.

Representative Biggs asked for a copy of the projects that are planned for the next 10 years. Mr. Trost said that the next 5-year plan is in the very early phases.

Representative Biggs asked to receive information on Pinal County projects that are included in the 5-Year Plan. Mr. Trost said that he would get the information for him.

Senator Mead asked what is "set aside." Mr. Trost said that it is a way of saying that there is money identified that is being held for a project.

Senator Waring asked how it is decided to set aside the right amount of money. Mr. Trost stated it is the best estimate at this time. If the amount is substantially short, ADOT needs to go back and reprioritize its issues.

Senator Burns moved the Committee request the following information:

- *ADOT provide an Executive Summary of its 5-Year Transportation Facilities Construction Program for FY 2006-FY 2010 due by July 31, 2005.*
 - *The Executive Summary include the following additional information:*
 - *List all Maricopa County state highway segments that are "over capacity" for ½ hour or longer, including the number of "over capacity" AM and PM hours separately for each segment.*
 - *Identify the "over capacity" segments addressed in the 5-Year Plan.*
 - *Provide maps of "over capacity" segments, and which are addressed by projects in the 5-Year Plan.*
 - *Highlight changes from the 5-Year Plan submitted to the Committee in the previous year.*
 - *ADOT report to the Committee by October 27, 2004:*
 - *The status of highway congestion reporting in ½ hour increments by the Maricopa Association of Governments (MAG). MAG is currently in the process of implementing a new computer model to measure congestion. The report should include the revised congestion information, with updated maps, if it is available at that time. This update should also include an explanation of how this model works.*
 - *An explanation of highway congestion reporting for both Pima County and for the remaining 13 counties. This report should provide information on the methodology used to determine congestion and the timeliness of the data.*
 - *Recommendations for any different measures that would provide the Committee with a timely gauge of traffic congestion.*
 - *ADOT report back revisions in the 5-year plan once it is amended if the Maricopa County sales tax is extended.*
- The motion carried.

B. Review of East Valley Maintenance Yard Project.

Mr. Bob Hull, JLBC Staff, presented the Arizona Department of Transportation (ADOT) request that the Committee review the scope, purpose and estimated cost of the East Valley Maintenance Yard project.

The Department of Transportation was appropriated \$1,184,000 from the State Highway Fund to revamp the East Valley maintenance yard located in Tempe. JLBC Staff tracks action taken on previously enacted capital outlay appropriations. Since ADOT had not yet requested a review of this item, JLBC Staff inquired as to the status of the project earlier this month. The Staff was informed that ADOT had begun the project on May 3, 2004 without the required Committee review.

Mr. Terry Trost stated that the facility staff are responsible for managing these projects. When the Committee gave the authorization for the asbestos and lead testing abatement, ADOT thought that it also included approval for the East Valley Maintenance Yard renovation and they moved forward. Corrective action will be taken to control the appropriations so that this will not happen again in the future.

In response to Senator Burns, Mr. Trost mentioned that they have gotten together with the ADOA and accounting staff. One option they are considering would be to not load the appropriation until the ADOT budget office authorizes it.

Senator Burns moved that the Committee give a favorable review to the East Valley Maintenance Yard Project and request that ADOT formally respond by October 7, 2004 as to what procedures will be implemented to prevent projects from proceeding without Committee review. The motion carried.

ARIZONA STATE UNIVERSITY (ASU)

A. Report on ASU Scottsdale Center for New Technology and Innovation.

Ms. Shelli Carol, JLBC Staff, presented the report on the Arizona State University Scottsdale Center for New Technology and Innovation. The ASU Foundation (ASUF) and the City of Scottsdale together will construct the ASU Scottsdale Center for New Technology and Innovation at the site of the former Los Arcos Mall in Scottsdale. Envisioned as a blending of research park, business park, and university campus, bringing together the disciplines of engineering, art, science, and entrepreneurship, the center will house certain ASU units and private technology businesses.

ASUF has signed a 99-year ground lease for 37 acres in South Scottsdale. ASUF must construct 1.2 million square feet of space by 2028, the estimated cost of the project is between \$250 million and \$300 million, and reimburse the City of Scottsdale for the costs of the land and structural improvements, totaling \$81.4 million. If ASUF cannot or chooses not to meet the minimum schedule, the sole remedy of the City of Scottsdale is to cancel the lease on undeveloped portions of the site. ASUF would continue to own its constructed buildings and lease the developed land. The lease allows ASUF to transfer facility ownership to ASU or a private corporation, should it choose to do so in the future.

Ms. Carol continued to review the involved parties, obligations, financing and the rationale.

ASUF believes that the Center for New Technology and Innovation will provide necessary space for ASU as it expands its programs. The lease provides maximum flexibility to the foundation with a minimum of risk, allowing ASUF to transfer ownership of completed facilities to ASU or private corporations, so long as the project continues to meet its educational mission. The foundation's net profits ultimately support the university.

In response to Senator Waring, Ms. Carol stated that what is envisioned is that when ASUF completes the construction of the entire facility that it is going to be able to transfer ownership. There is nothing in the plan that suggests that ASU would assume this lease before construction is complete. If something would go wrong, the City of Scottsdale would have to pay.

Mr. Richard Stavneak, JLBC Staff mentioned that if ASU is occupying a substantial amount of space in the facility and there is a default on other tenants that there could be a pressure for ASU to acquire the facility at that point.

Mr. Scott Smith, ASU mentioned that the project is an ASUF project. The foundation representatives are not present and he cannot speak for the foundation.

Senator Burns asked for more information on the foundation; how are they funded and how are they governed. Mr. Smith said that the ASUF is governed by a Board of Directors and funded through grants and gifts. Senator Burns asked for the number of members on the Board and who they are. Mr. Smith will get that information for him.

Senator Burns questioned the fact that the ASUF bought the land and then sold it to the City of Scottsdale. Senator Burns asked why the City of Scottsdale did not buy it outright. Also, why didn't ASU get involved directly instead of the foundation. Mr. Smith stated that it is a foundation deal and cannot speak for them.

Chairman Pearce also mentioned that he had several questions regarding this issue.

Senator Waring asked how much money is brought in every year and how much money is on hand.

Ms. Carol stated that the foundation did express their willingness to answer questions. Senator Burns also suggested that a written request to the foundation be in order with questions.

Representative Biggs said that one of the revenue streams is going to be property taxes that the foundation is going to pay on the buildings and the real property is going to continue to be owned by the City of Scottsdale and the structure will be owned by the foundation. He then asked on what is the property value going to be assessed. Ms. Carol stated that the property value of the buildings will be assessed for the property tax that ASUF has to pay to the city. Representative Biggs asked if it was a normal procedure to assess property taxes for a structured independent of the property upon which it sits. Ms. Carol did not know if the City of Scottsdale could answer that.

Chairman Pearce asked what the impact would be if the issue is tabled. Mr. Stavneak stated that there is not a review requirement here because it is not a state facility.

The Committee tabled the Arizona State University – Report on ASU Scottsdale Center for New Technology and Innovation until a decision is made to hear at another JCCR meeting.

B. Review of Instructional/Research Laboratory Renovations Phase II and Report on Instructional/Research Laboratory Renovation Phase I.

Ms. Shelli Carol, JLBC Staff presented the Arizona State University request that the Committee review \$11.4 million for Instructional/Research Laboratory Renovations Phase II. ASU reports that some laboratories have code violations. ASU would finance this project with a total new revenue bond issuance of \$20 million. ASU will identify the remaining \$8.6 million in projects during the coming months.

The JLBC Staff recommends a favorable review of the \$11.4 million expenditure plan with the provisions in the memo.

In response to Senator Burns, Scott Cole, Executive Vice President, ASU stated that the university has pursued homeland security grants and as of yet, has heard nothing back.

In response to Chairman Pearce, Mr. Cole stated that the first request for security grants was approximately \$1 million. It is not clear on how much money is available for the project grants. A follow-up request is usually sent out on a monthly basis.

Chairman Pearce requested that ASU work with the Arizona Office of Homeland Security within the Department of Emergency and Military Affairs as an alternative avenue for pursuing homeland security grant funding to meet the mandates of the Federal Bioterrorism Act.

Senator Burns moved the Committee give a favorable review to \$11.4 million of the \$20 million bond issuance for Phase II of the Instructional Research Laboratory Renovations project with the following provisions:

- The \$11.4 million represents \$9.7 million for the 14 projects currently detailed in the Instructional/Research Laboratory Renovations Phase II request, plus the \$1.7 million requested as contingency funding for this plan.*
- ASU shall report to the Committee before expenditure of any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add alternates that do not expand the scope of the project. ASU shall also report to the Committee before any reallocation exceeding \$100,000 among the individual planned projects.*
- ASU shall submit for Committee review any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add alternates that expand the scope of the project. In case of an*

emergency, ASU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC staff will inform the university if they do not agree with the change of scope as an emergency.

- *ASU shall submit for Committee review an expenditure plan for the remaining \$8.6 million of Phase II, including scope of work and estimated cost for each building, prior to starting any construction with those monies.*
- *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any tuition collections that may be required for debt service.*

The motion carried.

UNIVERSITY OF ARIZONA – Reports on Capital Project Contingency Allocations

Ms. Shelli Carol, JLBC Staff, reported on the contingency allocation changes for 3 projects, due to rising raw materials prices. Those projects are the Medical Research Building, the Residence Life Building Renewal Phase I, and the Highland Avenue Parking Structure. U of A is reallocating \$3 million out of \$7.1 million in total contingency funds. The individual total budgets for the three projects remain unchanged from the original Committee-reviewed amounts and per-unit cost estimates for the projects are still reasonable after adjustment.

There was no discussion on this item and no Committee action was required.

Without objection the Committee meeting adjourned at 3:05 p.m.

Respectfully submitted:

Jan Belisle, Secretary

Lorenzo Martinez, Assistant Director

Representative Russell Pearce

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

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DATE: October 7, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

FROM: Richard Stavneak, Director

SUBJECT: ADOPTION OF REVISED COMMITTEE RULES AND REGULATIONS

The Chairman proposes the following changes in the Committee rules:

Rule 8

- revise the timeline for agencies to submit a request to appear on the JCCR agenda. A request must now be made 2 weeks prior to the meeting. The revision would require agencies to make the request 3 weeks in advance of the meeting. The rules would retain the existing language that allows the Chairman to place an item on the agenda if an agency has not met the submission deadline.

Please see the attachment for the revised rule language.

RS:jb
Attachment

JOINT COMMITTEE ON CAPITAL REVIEW
RULES AND REGULATIONS

RULE 1

NAME OF COMMITTEE AND METHOD OF APPOINTMENT

The name of the Committee is the Joint Committee on Capital Review, hereinafter referred to as the Committee, consisting of fourteen members designated or appointed as follows:

1. The Chairman of the Senate and House of Representatives Appropriations Committees.
2. The Majority and Minority Leaders of the Senate and House of Representatives.
3. Four members of the Senate and four members of the House of Representatives who are members of their Appropriations Committees and who are appointed to the Committee by the President of the Senate and the Speaker of the House of Representatives, respectively.

RULE 2

CHAIRMAN OF THE COMMITTEE

The Chairman of the Senate Appropriations Committee shall have a term as Chairman of the Joint Committee on Capital Review from the first day of the First Regular Session to the first day of the Second Regular Session of each legislature and the Chairman of the House of Representatives Appropriations Committee shall have a term as Chairman from the first day of the Second Regular Session to the first day of the next legislature's First Regular Session.

RULE 3

QUORUM

A majority of the members of the Committee shall constitute a quorum for the transaction of business.

RULE 4

MEETINGS OF THE COMMITTEE

The Committee shall meet as often as the members deem necessary.

RULE 5

COMMITTEE PROCEEDINGS

The Committee proceedings shall be conducted in accordance with Mason's Manual of Legislative Procedure, except as otherwise provided by these rules.

RULE 6

STATUTORY POWER AND DUTIES OF THE COMMITTEE

The Committee shall:

1. Develop and approve a uniform formula for computing annual building renewal funding needs and a uniform format for the collection of data for the formula.
2. Approve building systems for the purposes of computing and funding building renewal and for preparing capital improvement plans.
3. Review the state capital improvement plan and make recommendations to the Legislature concerning funding for land acquisition, capital projects and building renewal. The recommendations should give priority to funding fire and life safety projects.
4. Review the expenditure of all monies appropriated for land acquisition, capital projects and building renewal.
5. Review the scope, purpose and estimated cost of the project prior to the release of monies for construction of new capital projects.
6. Approve transfers within a budget unit of monies appropriated for land acquisition, capital projects or building renewal.
7. Review and approve the acquisition of real property or buildings by the Arizona Department of Administration and Arizona Department of Transportation.
8. Review the acquisition of real property or buildings by the Department of Economic Security.
9. Determine the rental fee charged to state agencies for using space in a building leased to the state.
10. Approve expenditures from the Corrections Fund by the Director of the Department of Administration for major maintenance, construction, lease, purchase, renovation or conversion of Corrections facilities.
11. Review Arizona Board of Regents, Community College and Game and Fish bond projects.
12. Review School Facilities Board building renewal calculations and distributions.
13. Review School Facilities Board and school district lease-to-own projects.
14. The Committee shall have other duties and responsibilities as outlined in statute or determined by the Chairman, consistent with law.

RULE 7

STAFF

The Joint Legislative Budget Committee Staff shall provide staff assistance to the Committee as directed by the Committee.

RULE 8

AGENDA FOR MEETINGS

An agenda for each Committee Meeting shall be prepared by the Director, and, whenever possible, mailed or delivered to members of the Committee, not less than one week prior to the meeting. The Director must have at least ~~two~~ THREE weeks prior notice for any state agency-requested items that appear on the agenda, unless the Chairman of the Committee approves of a later submission.

RULE 9

ORDER OF BUSINESS

The Order of Business at a committee meeting shall be determined by the Chairman of the Committee. It shall normally be as follows:

- \$ Call to order and roll call
- \$ Approval of minutes
- \$ Director's Remarks (if any)
- \$ Review of capital projects
- \$ Other Business - For information only
- \$ Adjournment

RULE 10

ADOPTION AND AMENDMENT OF THE RULES AND REGULATIONS

These rules and regulations shall be adopted and may be amended by a majority vote of the Committee members.

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DATE: October 7, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jeremy Olsen, Fiscal Analyst

SUBJECT: Arizona Department of Administration – Review of Revised FY 2005 Building Renewal Allocation Plan

Request

Laws 1986, Chapter 85 established the Joint Committee on Capital Review and charged it with developing a Building Renewal formula to guide the Legislature in appropriating monies for the maintenance and repair of state buildings. A.R.S. § 41-1252 requires JCCR review of the expenditure plan for Building Renewal monies. The Arizona Department of Administration (ADOA) requests Committee review of \$366,000 of its \$3,500,000 FY 2005 Building Renewal allocation plan from the Capital Outlay Stabilization Fund (COSF). The Committee has favorably reviewed the expenditure of \$2,300,000 from this fund in previous meetings.

Recommendation

JLBC Staff recommends a favorable review of the \$366,000 request, which is to be used for the following projects:

- Department of Corrections: \$300,000 to replace 4 air handlers at the SMU-1 facility.
- Economic Security: \$36,000 for roof repairs at ATP – Coolidge, Buildings 12 and 13.
- Economic Security: \$30,000 to replace 8 gas packs at Kingman Office.

JLBC Staff also recommends the department submit for committee review an allocation plan for the remaining \$834,000 COSF appropriation.

Analysis

At its August 17, 2004 meeting, the Committee favorably reviewed \$1,000,000 of the \$3,500,000 Capital Outlay Stabilization Fund allocation. The Committee favorably reviewed an additional \$1,300,000 of COSF expenditures at its September 21, 2004 meeting, leaving \$1,200,000 in available COSF monies.

(Continued)

If the requested \$366,000 were favorably reviewed, the remaining unallocated COSF balance would be \$834,000. Table 1 lists the items of the building renewal allocation plan that have been presented to the Committee for review to date. The costs of the 3 new projects appear reasonable and consistent with guidelines for building renewal.

Table 1

<i>Agency</i>	<i>New Projects</i>	<i>Allocation</i>
Corrections	Replace air handlers	\$ 300,000
Economic Security	Roof Repairs	36,000
Economic Security	Replace Gas Packs	<u>30,000</u>
	COSF Project Allocation Subtotal	366,000
	<i>Previously Reviewed Requests</i>	
Administration	Replace Capital Mall cooling towers	\$ 130,000
Administration	Replace carpet, 1 st & 2 nd floors, 402 W Congress, Tucson	150,000
Supreme Court	Repair & rehabilitate cooling tower, concrete repairs, condenser	200,000
Juvenile Corrections	Re-roof Esperanza building, Adobe Mountain School	225,000
Economic Security	Replace carpet in DES group homes	30,000
Economic Security	ADA bathroom renovations, group homes	40,000
Pioneers Home	Kitchen repairs phase II	40,000
School for Deaf & Blind	Replace carpet, dormitories	35,000
School for Deaf & Blind	Replace HVAC systems, Phoenix day school classrooms	40,000
Public Safety	Replace shingle roofs, Sanders remote housing units	25,000
Public Safety	Statewide HVAC replacements	24,000
Risk Management	Construction insurance premiums	10,000
Pioneers Home	Kitchen roof structural repairs phase I	100,000
State Treasurer	Remodeling	170,000
Corrections	Roof replacement of the Central Unit Kitchen at the Arizona State Prison Complex in Florence	105,000
Corporation Commission and State Parks Board	Exterior building repairs to fix multiple leaks at 1300 West Washington	86,000
Administration	Construction Services Project Management	225,000
Administration	FY 2005 Emergency Projects	<u>665,000</u>
	Previously Approved Requests Subtotal	2,300,000
To be determined	Additional ADOA allocation plan submitted for Committee review	834,000
	Building Renewal Total	\$3,500,000

TD/JO:jb

Janet Napolitano
Governor



Betsey Bayless
Director

ARIZONA DEPARTMENT OF ADMINISTRATION
GENERAL SERVICES DIVISION • 100 NORTH 15TH AVENUE, SUITE 202
PHOENIX, ARIZONA 85007

September 29, 2004

The Honorable Russell K. Pearce, Chairman
Joint Committee on Capital Review
1700 West Washington
Phoenix, Arizona 85007



Reference: Request for Joint Committee on Capital Review approval of additional FY 2005 Building Renewal Project allocations

Dear Representative Pearce:

The Department of Administration requests that the Joint Committee on Capital Review approve the allocation of \$366,000 for three additional FY 2005 Building Renewal Projects.

1. Department of Corrections- \$300,000 Replace final 4 air handlers at the SMU-1 facility.
2. Economic Security - \$36,000 Statewide roof repairs (Bldgs. 12 & 13, ATP-Coolidge).
3. Economic Security - \$30,000 Statewide HVAC replacements, 8 gas packs at Kingman office.

Sincerely,

A handwritten signature in black ink, appearing to read "Warren Whitney".

Warren Whitney
Assistant Director

Attachment

cc: Senator Robert Burns, Arizona State Senate
Richard Stavneak, Staff Director, JLBC
Lorenzo Martinez, JLBC✓
David Jankofsky, Director, OSPB
Bret Clonninger, OSPB
Betsey Bayless, Director, ADOA
Bruce Ringwald, General Manager, ADOA
Paul Shannon, Budget Officer, ADOA
Roger Berna, General Manager, ADOA
Correspondence File – Building Renewal
Alan Ecker, Legislative Liaison

STATE OF ARIZONA

Joint Committee on Capital Review

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JOHN LOREDO

DATE: October 7, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Tim Sweeney, Fiscal Analyst

SUBJECT: Arizona State Parks – Review of State Lake Improvement Fund Projects.

Request

Pursuant to A.R.S. § 5-382 the Arizona State Parks Board requests Committee review of State Lake Improvement Fund (SLIF) grants and projects totaling \$1,468,400.

Recommendation

The JLBC Staff recommends a favorable review of 10 SLIF grants and projects totaling \$1,468,400. These monies are available due to the return of unused funds from a grant awarded in FY 2001, and do not include any estimated FY 2005 revenue, which is unallocated at this point.

No SLIF funds were transferred to the General Fund for FY 2005. Due to prior obligations and the use of \$4 million from SLIF to operate State Parks in FY 2005, however, the Parks Board does not anticipate awarding any additional grants until Summer 2005.

Analysis

Recent SLIF History and the Current Request

SLIF receives its revenue from a portion of watercraft license fees and an allocation of gasoline tax attributable to watercraft use. Monies in the fund are available to state agencies, counties, and local governments for capital improvement projects and acquisitions of real property on waters where boats are permitted. SLIF grants were last reviewed and awarded in September 2001, using FY 2001 SLIF revenue. Since that time, fund transfers were enacted from SLIF to the General Fund totaling \$22.8 million between FY 2002-2004. The enacted FY 2005 budget does not transfer SLIF monies to the General Fund.

The Arizona Outdoor Recreation Coordinating Commission (AORCC), established under A.R.S. § 41-511, reviews eligible projects and presents a list of recommendations to the Arizona State Parks Board. The Parks Board then submits proposed capital projects to the Committee for review, as

required by A.R.S. § 5-382. Outside grants are evaluated based on several factors, including project design, community involvement, and the conditions of current infrastructure. In addition to awarding grants to localities, however, the Parks Department is also eligible to receive funds for capital improvement projects and real property acquisitions at parks with boating facilities. Current AORCC guidelines establish that no more than 30% of grant/project allocations may go to the Parks Department, and that no other entity may receive more than 20% of the available grant resources in a given grant cycle. Using the evaluation criteria, AORCC and the Parks Board have approved 10 projects/grants for funding in FY 2005 at a total cost of \$1,468,400. These awards include:

- 9 grants totaling \$1,268,400 to 2 cities and 6 different county governments for purposes such as the purchase of law enforcement watercraft, the development of currently owned properties, and the purchase and development of new properties. These awards are all consistent with SLIF statutes and are listed in further detail below:
 - Apache County: Law enforcement watercraft - \$11,156
 - Bullhead City: Non-motorized boat launch facility and group campground - \$294,000
 - Coconino County: Law enforcement watercraft - \$60,488
 - Gila County: Law enforcement watercraft for Roosevelt Lake - \$107,064
 - Lake Havasu City: Acquire and develop 17.6 acres of State Trust Land for public shoreline access - \$294,000
 - La Paz County: Renovate and rebuild shoreline and boating ramp at La Paz County Park - \$129,500
 - Maricopa County: Law enforcement watercraft - \$240,000
 - Maricopa County: Day use development at Lake Pleasant Regional Park - \$54,337
 - Yuma county: Law enforcement watercraft - \$77,867
- 1 State Parks project totaling \$200,000 to purchase boats, buoys, radios, signage, and boating safety and operational equipment at boating parks.

SLIF Administrative Funding

In addition to the above grants and projects, the Parks Department may use SLIF funds to administer the grant program. Based on an agreement with AORCC, the agency is allowed to use up to 11.8% of the available revenues to administer the SLIF program. Due to reduction in other funding sources, however, the Parks Board has approved the use of SLIF monies for operating costs in excess of 11.8% in FY 2004 and FY 2005.

In FY 2004 the Parks Board approved an additional \$700,000 to offset the loss of funding due to the Governor's veto of a \$700,000 appropriation from the Land Conservation Fund (LCF) Administration Account, which consists of interest earned on the Public Conservation Account (Growing Smarter). This \$700,000 is again authorized in FY 2005. SLIF funds will also be used in FY 2005 to offset losses in Heritage Fund interest earnings that have occurred since FY 2001. Heritage Fund interest earnings are used to administer the Heritage Fund grant programs, however, low interest rates have reduced interest earnings from approximately \$1.7 million in FY 2001 to approximately \$500,000 in FY 2004 (a decline of approximately 70%).

In total, the agency is expecting to use \$4 million from SLIF for operating costs in FY 2005, compared to \$1.8 million in FY 2004, and the expenditures are summarized below in *Table 1*.

Table 1		
SLIF USED FOR PARKS OPERATION		
	<u>FY 04</u>	<u>FY 05</u>
SLIF Administration	\$1,160,500	\$2,365,300
LCF Offset	613,200	700,000
Heritage Shift	-	934,700
Total	\$1,773,700	\$4,000,000

Status of the Fund

At the end of FY 2004, SLIF had cash balances of approximately \$16.5 million, though these funds are essentially all committed. Of the \$16.5 million, \$6.3 million is obligated to grants awarded in prior years and \$4.4 million is obligated for State Parks projects that have received Committee review in previous years. After taking these obligations into account, SLIF has approximately \$5.8 million in unobligated funds, prior to the realization of any FY 2005 revenue. Of this amount, the Parks Board has approved grants and projects totaling \$1.5 million, which would leave \$4.3 million in the fund, unobligated. As discussed above, the agency is expecting to use \$4 million in SLIF funds for operating costs in FY 2005.

The agency is expecting to review and award grants and projects next summer, based on actual FY 2005 revenue. *Table 2*, below, summarizes the current status of SLIF, including an estimated FY 2005 ending balance of \$7.8 million that would be available for operating expenditures and grants and projects in FY 2006.

Table 2	
STATE LAKE IMPROVEMENT FUND	
FY 04 Ending Balance	\$16,509,000
Prior Year Obligations	(10,695,500)
Current Grant/Projects Request	(1,468,400)
FY 05 Operating Expenditures	(4,000,000)
Estimated FY 05 Revenue	<u>7,500,000</u>
Estimated FY 05 Ending Balance	\$ 7,845,100

RS/TS:jb



"Managing and conserving natural, cultural, and recreational resources"

September 3, 2004

Representative Russell Pearce, Chair
Joint Committee on Capital Review
Arizona House of Representatives
1700 West Washington
Phoenix, Arizona 85007



Janet Napolitano
Governor

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Kingman

William Cordasco
Flagstaff

Gabriel Beechum
Florence

Janice Chilton
Payson

Mark Winkleman
State Land
Commissioner

Kenneth E. Travous
Executive Director

Arizona State Parks
1300 W. Washington
Phoenix, AZ 85007

tel & TTY: 602.542.4174
www.azstateparks.com

800.285.3703 from
520 & 928) area codes

General Fax:
602.542.4180

Director's Office Fax:
602.542.4188

RE: State Lake Improvement Fund Project List Submission

Dear Representative Pearce:

On behalf of the Arizona State Parks Board, I submit the attached list of State Lake Improvement Fund (SLIF) projects per A.R.S. §5-382 to the Joint Committee on Capital Review. Funding for these grant projects comes from de-obligated FY 2001 SLIF monies. The list includes the applying entity and project title, cost, and description for nine (9) projects totaling \$1,268,412. In addition, \$200,000 for Boating Parks Safety Equipment is also submitted for review from prior year revenues.

Should you have any questions on the State Lake Improvement Fund grants, please contact Jay Ziemann, Assistant Director, at (602) 542-7104.

Sincerely,

Kenneth E. Travous
Executive Director

KET/rbb

Enclosures

cc: Senator Bob Burns, Vice-Chair, Joint Committee on Capital Review
Richard Stavneak, Director, Joint Legislative Budget Committee
Tim Sweeney, Fiscal Analyst, Joint Legislative Budget Committee
David Jankofsky, Director, Office of Strategic Planning and Budgeting
Marcel Benberou, Fiscal Analyst, Office of Strategic Planning and Budgeting

**Arizona State Parks
Grants To Outside Entities
State Lake Improvement Fund
De-obligated FY2001 Monies**

**1. Apache County
Watercraft Purchase**

Project Cost: \$11,156
SLIF Grant: \$11,156

Project Description: Apache County proposes to purchase a new watercraft for law enforcement.

**2. Bullhead City
Rotary Park Non-motorized Boat Launch**

Project Cost: \$294,000
SLIF Grant: \$294,000

Project Description: Bullhead City proposes to complete a non-motorized boat launch facility and group campground at Rotary Park. The project includes ramadas, trash receptacles, drinking fountains and paving. Construction includes providing additional drainage features, electrical service and lighting, landscaping for erosion and dust control and shade.

**3. Coconino County
Patrol Boat**

Project Cost: \$60,488
SLIF Grant: \$60,488

Project Description: The Coconino County Sheriff's Office proposes to purchase a patrol boat capable of operating on the Colorado River from Glen Canyon to Lee's Ferry, Lake Powell, and other county lakes.

**4. Gila County
Two Watercraft**

Project Cost: \$107,064
SLIF Grant: \$107,064

Project Description: Gila County proposes to purchase two watercraft for law enforcement on Roosevelt Lake.

5. **Lake Havasu City**
Body Beach Acquisition and Development

Project Cost: \$2,802,500

SLIF Grant: \$294,000

Project Description: Lake Havasu City proposes to acquire and develop 17.6 acres of State Trust Land to provide shoreline public access. Development includes road access, parking, and water and sewer lines.

6. **La Paz County**
La Paz County Park Lighting and Beach

Project Cost: \$129,500

SLIF Grant: \$129,500

La Paz County proposes to renovate and repair the existing beachfront lights, install new road side lights and light poles, renovate beachfront shoreline and rebuild the existing boat ramp at the La Paz County park.

7. **Maricopa County**
Lake Patrol Equipment Replacement

Project Cost: \$310,000

SLIF Grant: \$240,000

Project Description: Maricopa County proposes to replace existing law enforcement patrol boats that have either been removed from service or have exceeded their useable service.

8. **Maricopa County**
Sunset Ridge Day-Use Area

Project Cost: \$154,287

SLIF Grant: \$54,337

Project Description: Maricopa County proposes to develop a day-use picnic area along Sunset Ridge at Lake Pleasant Regional Park. The project consists of 21 day-use sites that will each have a ramada, picnic table, barbeque grill, and gravel base.

9. **Yuma County**
Two Patrol Boats

Project Cost: \$77,867

SLIF Grant: \$77,867

Project Description: Yuma County proposes to replace two 1991 patrol boats for law enforcement use on Yuma County waterways.

Total SLIF Grants To Outside Agencies = \$1,268,412

Arizona State Parks
Capital Improvement Plan
State Lake Improvement Fund
FY 2003 and FY 2004 Monies

10. **Statewide – Boating Parks Safety Equipment**
Watercraft Purchase

Estimated Cost: \$200,000

Scope Items: Funds for the purchase of boats, buoys, radios, signage and boating park safety and operational equipment.

STATE OF ARIZONA

Joint Committee on Capital Review

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JOHN LOREDO

DATE: October 4, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/Fiscal Analyst

SUBJECT: Arizona Department of Transportation – Review of Parker Motor Vehicle Division Field
Office Relocation

Request

In compliance with A.R.S. § 41-1252, the Arizona Department of Transportation (ADOT) requests Committee review of the Parker Motor Vehicle Division (MVD) field office relocation.

Recommendation

JLBC Staff recommends a favorable review of the project with the following provision:

- ADOT report back to the Committee with updated expenditure estimates once they have signed construction contracts.

Analysis

Laws 2004, Chapter 276 appropriated \$500,000 from the State Highway Fund to the department to relocate the Parker MVD field office. 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.

ADOT reports that the current Parker MVD field office occupies 1,200 square feet in a strip mall. When the lease expired in April 2004, the owner indicated that he was looking for a different type of tenant. Since then, ADOT has rented the property month-to-month for \$1,000 per month on a 6-month extension, which runs through October 31, 2004. The owner has agreed to another extension through March 31, 2005 for \$1,000 per month.

(Continued)

ADOT proposes relocating the office and leasing 3 acres from the Colorado River Indian Tribe for 10 years at a cost of \$875 per month, with an option for an additional 10 years. ADOT would make certain improvements to the parcel and install a new triple-wide 2,880 square foot modular building. ADOT is still negotiating with the tribe, and has no contracts for site work or firm price for the modular building. The following table summarizes ADOT's projected costs.

<u>ADOT's Projected Costs</u>	
Architectural & Engineering	\$ 12,000
Site Development ^{1/}	75,000
Utility Connection	50,000
Purchase Triple-wide Modular Building	216,000
Telecommunications & Customer Tracking System	54,000
Furniture, & Security Equipment	54,000
Contingency Set Aside	<u>39,000</u>
Total	\$500,000
 ^{1/} Includes survey, clear, grade and trench the site, pave and stripe parking lot, and install curbs, barriers, lights and fences.	

The project would more than double the amount of office space from 1,200 square feet to 2,880 square feet to accommodate anticipated population growth and related staffing increases over the 10-year lease. All costs are ADOT estimates, with no contracts for site work or firm price for the modular building yet in place.

RS/BH:jb



Janet Napolitano
Governor

Victor M. Mendez
Director

Arizona Department of Transportation

Office of the Director

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

Debra Brisk
Deputy Director

September 28, 2004

The Honorable Russell Pearce
Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, Arizona 85007



Dear Representative Pearce:

We respectfully request that the release of the \$500,000 appropriated in FY 2005 for the relocation of the Motor Vehicle Service Center in Parker be placed on the October JCCR meeting agenda for Committee approval.

The \$500,000 appropriated to ADOT for this project will be used to improve a three acre parcel leased from the Colorado River Indian Tribe, purchase three modular buildings and provide utility hook-ups. The Motor Vehicle Division will provide funding for any other items such as furniture, telecommunications, equipment, security system and contingencies.

In April 2004, MVD's lease of its Parker office expired. At that time the property owner indicated he was looking for a different type of tenant. In the interim MVD has been leasing on a month to month basis at a significant rent increase. Although the landlord has indicated that he is amenable to another lease extension, he is anxious to have a more permanent tenant occupy his property.

The Committee's review and approval of this project is greatly appreciated.

Sincerely,

Victor M. Mendez

cc: Senator Bob Burns
Bob Hull, JLBC
Richard Stavneak, JLBC
Marcel Benberou, OSPB
David Jankofsky, OSPB



2001 Award Recipient

STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: October 4, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/Fiscal Analyst

SUBJECT: Department of Transportation – Review of FY 2005 Building Renewal Allocation Plan

Request

Laws 1986, Chapter 85 established the Joint Committee on Capital Review and charged it with developing a Building Renewal Formula to guide the Legislature in appropriating monies for the maintenance and repair of state buildings. A.R.S. § 41-1252 requires JCCR review of the expenditure plan for Building Renewal monies. The Arizona Department of Transportation (ADOT) requests that the Committee review its \$2,780,900 FY 2005 Building Renewal allocation plan, including \$2,715,000 from the State Highway Fund and \$65,900 from the State Aviation Fund.

Recommendation

JLBC Staff recommends a favorable review of the plan with the following provisions:

- ADOT report to JLBC Staff any allocations for FY 2005 projects from the \$148,800 contingency amount. JLBC Staff will report to the Committee on significant allocations, typically those above \$50,000.
- ADOT submit for Committee review any reallocation above \$50,000 between the individual projects in the \$2,780,900 favorably reviewed plan.

ADOT has allocated \$2,566,200 from the State Highway Fund among 135 projects leaving a contingency amount of \$148,800. ADOT has allocated \$65,900 from the State Aviation Fund for 1 project. All of the projects fit within the guidelines for building renewal projects.

Analysis

The Capital Outlay Bill (Laws 2004, Chapter 276) appropriated a total of \$2,780,900 to ADOT for building renewal in FY 2005, including \$2,715,000 from the State Highway Fund and \$65,900 from the State Aviation Fund. The FY 2005 Building Renewal appropriations represent 84% of the amount generated by the Building Renewal Formula for the ADOT Building System and 100% for the Grand Canyon Airport. ADOT expects to allocate the Building Renewal monies from the State Highway Fund in the following categories for 135 projects:

<u>Category</u>	<u>Projects</u>	<u>State Highway Fund</u>	<u>% of Total</u>
Fire/Life/Safety	21	\$ 413,200	15.2%
Roofs Repair/Replacement	17	233,300	8.6
Exterior Preservation (Doors, Windows, Siding)	36	328,100	12.1
Building Systems (HVAC, Electrical, Plumbing)	27	566,600	20.8
Interior Finishes (Paint, Carpet, Tile)	9	60,500	2.2
Remodel	10	191,800	7.1
Americans with Disabilities Act	2	295,000	10.9
Infrastructure (Sewers, Parking)	13	477,700	17.6
Contingencies		<u>148,800</u>	<u>5.5</u>
Total	135	\$2,715,000	100.0%

For the Committee's information, the following 12 State Highway Fund projects require \$50,000 or more:

<u>Project</u>	<u>Allocation</u>
Install fire detection/alarm system – Phoenix Equipment Shop	\$ 89,000
Replace footing walls of de-icer building – Keams Canyon	50,000
Inspect and report needed roof repairs – Central Region	90,000
Install new air conditioning units – Various Phoenix Locations	75,000
Replace transfer switch – Administration Building 206 S. 17 th Ave	95,000
Upgrade electrical - Seligman	90,000
Upgrade electrical – Flagstaff Shop	80,000
Remodel storage vault into office area – Administration Building	60,000
ADA compliance & remove asbestos – Phoenix Maintenance HQ	95,000
ADA compliance – Multiple MVD Locations	200,000
Connect to city sewer – Payson Maintenance Yard	225,000
Connect to city sewer – Wickenburg Maintenance Yard	<u>150,000</u>
Subtotal	\$1,299,000

ADOT expects to allocate the \$65,900 of Building Renewal monies from the State Aviation Fund for a partial reroof of the Grand Canyon Airport terminal.

The JLBC Staff recommends a favorable review of the FY 2005 expenditure plan. The attached material submitted by ADOT lists each project and its estimated cost. The projects are consistent with Building Renewal guidelines and appropriations.

RS/BH:jb



Janet Napolitano
Governor

Victor M. Mendez
Director

Arizona Department of Transportation

Office of the Director

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

September 28, 2004

Debra Brisk
Deputy Director



The Honorable Russell Pearce, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, Arizona 85007

Dear Representative Pearce:

We respectfully request that ADOT's planned FY2005 Building Renewal projects be placed on the October JCCR meeting agenda for review and approval.

The Building Renewal funds were appropriated for Fiscal Year 2005, from the State Highway and the Aviation Funds. The following summary outlines the scope of work:

State Highways Fund Building Renewal Projects

Category 1 – Fire/Life/Safety	413,150
Category 2 – Roof Repairs/Replacement	233,300
Category 3 – Preservation of Asset	328,113
Category 4 – Major Building Systems	566,600
Category 5 – Interior Building Finishes	60,500
Category 6 – Major Renovation	191,800
Category 7 – ADA Compliance	295,000
Category 8 – Infrastructure	477,700
Contingency	148,837
Total	\$2,715,000

Aviation Fund Building Renewal Projects

Category 2 – Roof Repairs/Replacement	\$ 65,900
---------------------------------------	-----------

Your favorable review and approval of this request is appreciated.

Sincerely,

Victor M. Mendez

cc: Senator Bob Burns
Bob Hull, JLBC
Richard Stavneak, JLBC
Marcel Benberou, OSPB
David Jankofsky, OSPB



STATE OF ARIZONA
ARIZONA DEPARTMENT OF TRANSPORTATION
FY 2005 CAPITAL IMPROVEMENT PLAN
SUMMARY COMBINED REGIONS - BUILDING RENEWAL PROJECT REQUESTS

PROJECT DESCRIPTION	ESTIMATED COST
CATEGORY 1 - FIRE/LIFE/SAFETY	
VISION Field Ofc-4601 E McDowell Rd-Replace 3 exit doors and install panic exit bar w/locking mechanisms	\$8,000
Wickenburg Maint Yard-600 B Wickenburg Way-Install 2 loading dock handrails	\$2,500
Mesa ES- 2409 N Country Club Rd-Install "Class A" fire alarm system integrated into the automatic sprinkler system	\$14,000
Avondale ES-1702 N 10th St.-Install "Class A" fire alarm system integrated into the automatic sprinkler system	\$20,000
Phx ES-2225 S 22nd Ave-Install fire detection/alarm system tied into air handling system for south bldg (27,700sf)	\$89,000
Phx ES-2225 S 22nd Ave-Install automatic sprinkler system for mechanical bldg and two gatehouse bldgs (5300sf)	\$12,000
Phx ES-2225 S 22nd Ave-Install tunnel - install automatic sprinkler system as required by State Fire Marshall	\$38,000
Phx ES-2225 S. 22nd Ave-Install fire detection/alarm system tied into air handling systems for mechanical bldg and two gatehouse bldgs (5300sf)	\$16,000
Tucson Shop - cover rails and drains in tire repair area	\$22,000
Engr Bldg-205 S 17th Ave-Install guardrail (990ft) on roof per OSHA standard requirements	\$31,500
Engr Bldg-205 S 17th Ave-Install exiting panic hardware on 4 exterior doors	\$9,000
Admin Building-206 S 17th Ave-Install exiting panic hardware on 5 exterior doors	\$9,800
GenOps Bldg-1655 W Jackson St-Install exiting panic hardware on 6 exterior doors	\$14,600
Coolidge MVD - Rework steps for pedestrian entrance and modify pedestrian and traffic circulation	\$1,500
MVD Bldg-1801 W Jefferson St-Replace panic door hardware at five exiting locations	\$17,500
W Phoenix MVD-4005 N 51st Ave-Replace deteriorated sidewalks & ramps on north side to eliminate trip hazards	\$35,750
Showlow Oil storage tank, replace steps and landing	\$8,000
Kayenta office, remove existing concrete floor and repour to eliminate tripping hazard in office	\$8,000
Keams Canyon storage, Replace footing walls of deicer storage building	\$50,000
Prescott Dist office, install Pressure Reducing Valve on fire sprinkler system to prevent loss of antifreeze	\$3,000
Prescott Dist lab, Install Pressure Reducing Valve on fire sprinkler system to prevent loss of antifreeze	\$3,000
TOTAL	\$413,150
CATEGORY 2 - ROOFS	
West Lab Bldg-1001 N Black Canyon Highway-Replace roof	\$16,000
Regional Facilities Office - install foam roof	\$13,000
Regional Traffic Operations - install foam roof	\$13,000
Grant Rd. Sign Storage - install foam roof	\$6,000
Safford Shop - repair leaking roof between modules	\$1,500
All ADOT Roofs in Central Region-Inspect and provide prioritized list of required repairs of all ADOT bldg roofs	\$90,000
Central Materials Lab-1221 N 21st Ave-Replace three exterior rolling steel doors	\$8,000
Bisbee MVD - re-coat roof	\$1,500
Oak Creek Rim Camp, Well house roof replace	\$3,800
Littlefield Pump House, re-roof	\$2,000
Fredonia Maintenance Replace cooler roof jacks	\$3,500
Showlow Truck Barn, reroof building	\$35,000
Kayenta Storage, replace siding and roof	\$9,000
Haviland Rest area residence, foam coat flat roof	\$4,000
Camp Verde Nat Res, Foam Coat roof	\$4,000
Cordes Junction Lab, Reroof	\$5,000
Page Port of Entry, re roof	\$18,000
TOTAL	\$233,300

STATE OF ARIZONA
ARIZONA DEPARTMENT OF TRANSPORTATION
FY 2005 CAPITAL IMPROVEMENT PLAN
SUMMARY COMBINED REGIONS - BUILDING RENEWAL PROJECT REQUESTS

PROJECT DESCRIPTION	ESTIMATED COST
CATEGORY 3 - PRESERVATION OF ASSET	
Young Maintenance Equipment Shed - replace windows and insulate	\$6,000
Parker Creek Maintenance Equipment Shed - replace windows	\$5,000
Fish Creek Maintenance Equipment Shed and Well House - paint	\$2,000
Parker Creek Maintenance - major repairs to well house to prevent pest infestation and to make weather proof	\$4,500
Recker Maint Yard-1540 S Recker Rd-Install metal stairs and handrails	\$7,200
Aqua Fria Equipment Shop-1702 N Eliseo C Felix Jr Way, Avondale-Paint roll up door	\$1,500
Phoenix Construction Dist Office-1309 N 22d Ave-Replace deteriorated modular bldg skirting	\$5,400
Camp Verde truck barn, Reinsulate building, and install wall board to prevent further damage.	\$9,520
Grey's Peak Residence (modular home) - repair/replace skirting	\$2,500
Grey's Peak Residence (modular home) - paint	\$3,000
Grey's Peak Residence (rock house) - window replacement **NATIONAL HISTORIC REGISTRY**	\$10,000
Ajo Maintenance Office - replace trailer skirting	\$1,500
Arizona Highways Magazine, 2039 W. Lewis- Phoenix-Paint exterior of building.	\$15,000
Safford Shop - conversion of carpenter shop area into parts room	\$6,000
Duncan POE - paint all buildings	\$2,100
E Mesa MVD-1731 E Main St-Replace existing shade screens at inspection lane on east & west sides	\$1,660
E Mesa MVD-1731 E Main St-Paint exterior trim	\$2,628
Glendale Service Center-5890 W Beverly Ln-Paint exterior of bldg	\$18,805
Tempe Dual MVD-1703 Larkspur Ln-Repair and Paint all interior walls and masonry cracks on outside fascia	\$9,400
Tempe Dual MVD-1703 Larkspur Ln-Install window tint on west windows for energy efficiency	\$4,900
Sun City Dual MVD-9651 N 99th Ave-Paint bldg exterior	\$4,000
S Mountain Dual MVD-221 E Olympic Dr-Paint bldg exterior	\$6,000
Avondale Dual MVD-1452 Elisea C Felix Jr Way-Paint bldg exterior	\$9,000
SE Mesa MVD-4123 E Auto Valley Dr-Reroof bldg	\$19,000
Flagstaff Maintenance truck barn, overhaul roll-up doors	\$15,000
Showlow Maintenance office, replace windows with energy efficient dual pane windows	\$3,000
Showlow Truck barn, Replace all doors. Roll up doors are not insulated and in poor condition, Several of the welds on the man doors are broken and the doors are not secure.	\$36,500
Springerville Truck barn, replace insulation due to much of the vinyl backing becoming brittle and cracking.	\$9,000
Holbrook S&S paint dock, Replace rotted decking and lumber	\$25,000
Kayenta Office, Replace single pane windows and siding	\$15,000
Wikieup truck barn, replace door insulation	\$5,000
Seligman truck barn, replace door insulation	\$7,000
Camp Verde salt barn, Replace concrete walls	\$40,000
Kayenta Shop , replace doors	\$11,000
Bullhead City Inspection Canopy, Repaint	\$2,500
Lake Havasu Inspection canopy, Repaint	\$2,500
TOTAL	\$328,113

STATE OF ARIZONA
ARIZONA DEPARTMENT OF TRANSPORTATION
FY 2005 CAPITAL IMPROVEMENT PLAN
SUMMARY COMBINED REGIONS - BUILDING RENEWAL PROJECT REQUESTS

PROJECT DESCRIPTION	ESTIMATED COST
CATEGORY 4 - INTERIOR BUILDING FINISHES	
Superior Maintenance - evaluate and upgrade electrical service to carry greater load	\$10,000
Globe District Office - evaluate (and upgrade) electrical system to accommodate increased electrical loads	\$5,000
Wickenburg Maint Yard-600 B Wickenburg Way-Replace 6500 cfm evaporative cooler for crew ready room	\$1,600
Wilcox Maintenance - Sewer manhole improvements (may require consultancy design)	\$8,000
Casa Grande Maintenance - replace HVAC unit	\$5,000
Yuma Lab sand trap installation	\$1,500
Tucson Shop - replace rusted exterior siding	\$10,000
Douglas Shop - replace failing gutters and downspouts	\$7,000
Douglas Shop - install exterior walk-through door for shop office	\$1,300
Central Region Area-Install new air-conditioning units at various locations within Phoenix	\$75,000
Admin Building-206 S 17th Ave-Replace transfer switch for Data Center for code compliance.	\$95,000
Nogales POE Scale-house - replace HVAC unit	\$5,000
San Simon POE - Upgrade electrical service to handle greater load (requires consultancy design)	\$35,000
Duncan POE - Upgrade electrical service to handle greater load (requires consultancy design)	\$25,000
Williams Maintenance truck barn, install roof fans to exhaust diesel fumes	\$9,000
Kayenta Maint office, replace aging, failing heaters with energy efficient models	\$3,500
Kayenta Truck barn, replace aging, failing heaters with energy efficient models	\$4,000
Teec Nos Pos Truck barn/Office, Replace electrical distribution panels with larger capacity panels	\$25,000
Seligman site, upgrade electrical . Existing service is too small due to continued growth, much of the direct bury wire is failing.(design only)	90000
Payson Training trailer, replace failing HVAC	\$3,000
Prescott Valley Shop, Boiler overhaul	\$2,000
Flagstaff Shop upgrade electrical to carry additional load	\$80,000
Kayenta Shop, upgrade electrical to carry additional load	\$30,000
Bullhead MVD, AC compressors	\$7,000
Lake Havasu MVD, AC Compressors	\$7,000
Chinle MVD office, Replace swamp coolers	\$8,000
Cottonwood MVD, Replace HVAC compressors	\$13,700
TOTAL	\$566,600
CATEGORY 5 - INTERIOR BUILDING FINISHES	
Globe Maintenance Equipment Shed - replace selected portions of damaged insulation	\$1,000
Quartzsite Maintenance Office - replace floor covering	\$3,000
HRDC-1130 N 22nd Ave-Paint interior halls and office	\$20,000
Yuma I-8 POE EB - abate failing asbestos containing VAT floor tile , replace with VCT floor tile	\$6,000
Tucson Regional MVD - Replace (4) deteriorated and failing bathroom sink counters	\$2,500
Yuma I-8 POE EB - paint interior	\$1,000
Showlow Sign storage, replace deteriorated flooring	\$5,000
Showlow Truck barn, reinsulated building to conserve energy	\$15,000
Prescott Valley shop, replace flooring	\$7,000
TOTAL	\$60,500

STATE OF ARIZONA
ARIZONA DEPARTMENT OF TRANSPORTATION
FY 2005 CAPITAL IMPROVEMENT PLAN
SUMMARY COMBINED REGIONS - BUILDING RENEWAL PROJECT REQUESTS

PROJECT DESCRIPTION	ESTIMATED COST
CATEGORY 6 - MAJOR RENOVATION	
Globe District Lab - repair/replace failing walls and studs in moisture room	\$4,500
Arizona Highways Magazine, 2039 W. Lewis-Renovate area for proper storage of historical items	\$24,000
Admin Building-206 S 17th Ave-Remodel data center storage vault into office area	\$60,000
Admin Building-206 S 17th Ave-Reconfigure data center for security purposes	\$25,500
Tucson North MVD - replace four (4) HVAC units	\$20,000
Casa Grande MVD install window to allow observation of customer area (security issue)	\$1,800
Showlow, Maintenance ready room, Upgrade load limit for storage above ready room	\$30,000
Showlow Ready room restroom due to age and condition, walls need to be repainted and all fixtures need to be replaced	\$6,000
Holbrook Lab, major repairs to concrete curing room, repair/reseal conc floor, water proof electrical, new water lines	\$10,000
Teec Nos Pos office, replace rest room fixtures, replace tile floor and single pane windows	\$10,000
TOTAL	\$191,800
CATEGORY 7 - ADA COMPLIANCE	
Phx Maint Dist HQ-2140 W. Hilton Ave-Renovate primary restrooms to ADA compliance and remove asbestos	\$95,000
ADA corrections/improvements to various MVDs	\$200,000
TOTAL	\$295,000
CATEGORY 8 - INFRASTRUCTURE	
Superior Maintenance - repair/replace chain link fence and gates	\$7,000
Payson Maintenance Yard - connect to City sewer system	\$225,000
Wickenburg Maintenance Yard - connect to City sewer system	\$150,000
Sierra Vista MVD - seal and re-stripe parking lot	\$10,000
Sierra Vista MVD - seal and re-stripe overflow parking lot	\$10,000
Tucson Regional MVD - seal motorcycle test area	\$3,000
Tucson East MVD - re-stripe parking lot	\$4,700
Little Antelope, Maintenance, replace water line to spreader rack	\$6,000
Flagstaff Nat Res (Green River Yard), replace water lines	\$8,000
Flagstaff Green River Yard, Replace back flow valve enclosure	\$4,000
Springerville, maintenance yard, replace damaged truck parking lighting and electrical panels.	\$15,000
Needle Mtn Mntc, replace water line to office	\$15,000
Kingman Yard, upgrade electrical to meet code Existing service is too small due to continued growth, much of the direct bury wire is failing.(Design only)	\$20,000
TOTAL	\$477,700
TOTAL OF ALL PROJECTS REQUESTED.	\$2,566,163
CONTINGENCY	\$148,837
TOTAL AUTHORIZED FUNDS	\$2,715,000

STATE OF ARIZONA
 ARIZONA DEPARTMENT OF TRANSPORTATION
 FY 2005 CAPITAL IMPROVEMENT PLAN
 SUMMARY COMBINED REGIONS - BUILDING RENEWAL PROJECT REQUESTS

PROJECT DESCRIPTION	ESTIMATED COST
RECAP	
CATEGORY 1 - FIRE/LIFE/SAFETY	\$413,150
CATEGORY 2 - ROOFS	\$233,300
CATEGORY 3 - PRESERVATION OF ASSET	\$328,113
CATEGORY 4 - INTERIOR BUILDING FINISHES	\$566,600
CATEGORY 5 - INTERIOR BUILDING FINISHES	\$60,500
CATEGORY 6 - MAJOR RENOVATION	\$191,800
CATEGORY 7 - ADA COMPLIANCE	\$295,000
CATEGORY 8 - INFRASTRUCTURE	\$477,700
CONTINGENCY	\$148,837
TOTAL	\$2,715,000

STATE OF ARIZONA
ARIZPNA DEPARTMENT OF TRANSPORTATION
FY 2005 CAPITAL IMPROVEMENT PLAN
AERONAUTICS DIVISION (AVIATION) BUILDING RENEWAL PROJECT REQUESTS

PROJECT DESCRIPTION	ESTIMATED COST
AERONAUTICS - AVIATION FUND	
Partial Reroof of Grand Canyon Airport Terminal.	\$65,900
TOTAL	\$65,900
TOTAL APPROPRIATED FUNDS	\$65,900

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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CHAIRMAN 2003
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JACK A. BROWN
ROBERT CANNELL, M.D.
SLADE MEAD
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HOUSE OF
REPRESENTATIVES

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PHIL LOPES
LINDA J. LOPEZ
JOHN LOREDO

DATE: October 7, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Shelli Carol, Fiscal Analyst

SUBJECT: University of Arizona – Review of La Aldea Student Housing Complex Purchase
and Report on Chemistry Expansion Project Contingency Allocation

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. The University of Arizona (U of A), on behalf of the Arizona Board of Regents (ABOR) requests Committee review of the \$21.9 million acquisition of La Aldea Student Housing Complex from Southern Arizona Capital Facilities Finance Corporation (SACFFC).

SACFFC is a non-profit organization distinct and separate from U of A and exists to support the university in constructing capital projects. La Aldea Student Housing Complex is the sole campus residential facility constructed through this method or managed by a private firm.

Recommendation

The Committee has at least the following options:

- A favorable review of the purchase, with the provisions that U of A submit for further Committee review any changes in scope, as well as that a favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any rent collections that may be required for debt service.
- A deferral of review until U of A pursues options for alternative management of the La Aldea Student Housing Complex.
- An unfavorable review of the purchase.

(Continued)

U of A desires to purchase the complex in order to provide consistency and flexibility of service to students. Per bed costs are not unreasonable as compared to another U of A housing facility.

U of A plans to issue system revenue bonds to be repaid over a 25-year period at an estimated interest rate of under 6.0%. Annual debt service would be approximately \$1.7 million, paid entirely from student hall rental fees. Those fees would also completely fund operations and maintenance expenses. The total 25-year debt service could reach \$42.5 million.

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 8.0% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The \$21.9 million bond issuance would increase the U of A debt ratio from 4.29% to 4.39%.

Analysis

Statewide interest in public-private property development partnerships led ABOR to create SACFFC in April 2002, for the express purpose of funding the La Aldea Student Housing Complex, a 150-unit, 325-bed facility for graduate students with no children. A board of three directors governs SACFFC. As a non-profit corporation, SACFFC had the ability to issue federal tax-exempt bonds for \$20.8 million.

U of A ground-leased a campus site to SACFFC. The ground lease terminates whenever the SACFFC bonds are retired or prepaid. U of A selected a property management firm to design, build, and manage the facility. Since the bond issuance came from SACFFC and not U of A, the project was not subject to Committee review. U of A did not provide the Committee any information at that time.

The La Aldea Student Housing Complex is the first of its kind at U of A. The university built and financed all its other residential halls through traditional direct contracts with architects, engineers, and construction managers. U of A also manages all other housing complexes through its Residence Life Auxiliary Enterprise, which has operated using student hall rental fees with no deficits.

The ground lease and the management agreement both require the private management firm, whose main experience is in undergraduate housing, to serve the bonds solely from student rent revenues. The firm has not been able to meet its contractual obligations. La Aldea Student Housing Complex fully opened by the end of September 2003, two months behind schedule and after the start of the Fall 2003 semester. Although the private management firm's market analysis indicated that a large population of graduate students were seeking on-campus housing and that proposed rents would be reasonable and obtainable, the delayed opening forced many students into alternative housing.

Occupancy in the first year of La Aldea Student Housing Complex operation was approximately 50%. U of A expressed some dissatisfaction and the private management firm was able to raise occupancy to 71% for the current academic year. To allow the firm to make its debt service payments, U of A has rented some rooms in the facility. Staff is exploring the university's use and financial loss for that space.

(Continued)

La Aldea Student Housing Complex is an apartment style residence offering 568 square-feet per bed with kitchen facilities and multiple bathrooms in each unit. The private management firm offers 10-month and 11-month leases ranging from \$495 to \$765 per month and 12-month leases ranging from \$460 to \$730 per month. For comparison, U of A Highland District Housing, which the Committee favorably reviewed at its March 2002 meeting, is a traditional dorm with double and quadruple occupancy rooms offering 330 square-feet per bed. U of A charges between \$378 and \$460 per month for the academic year at all the residence halls it manages. The university has a system-wide internal formula for calculating annual fees at the various facilities.

U of A would purchase the 325-bed La Aldea Student Housing Complex for a cost of \$67,400 per bed. Meanwhile, Highland District Housing provided 776 beds for a total cost of \$39.7 million, or \$53,600 per bed. The differences between the two buildings advise against direct comparison, but indicate that a \$21.9 million purchase price may not be unreasonable. However, since U of A may currently be losing money renting rooms in the La Aldea Complex, the \$21.9 million may not be a true reflection of the university's actual costs.

The property management firm's failure to meet debt service requirements constitutes a breach of both the ground lease and the management contract. U of A is seeking an agreed-upon termination and senses that the private firm, which is also losing money, is amenable to such a separation. However, SACFFC has the ability, if necessary, to cancel the lease and contract for cause. Neither SACFFC nor U of A would have a financial obligation to the property management firm. However, U of A would bear the \$21.9 million cost of refinancing the debt under its own administration.

U of A is reporting a 6.0% interest rate as a conservative estimate for its bond issuance. The debt service amounts described herein are based on that rate. However, the university has requested that ABOR allow a combination of interest rate strategies, based on the recommendations of a financial advisor, during the bond sale. U of A approximates that it would actually secure a bond rate between 5.25% and 5.50%.

Although U of A did not conduct any studies of the matter, the university does not believe that any other private firm could generate improved management results. Rather, U of A states that experimenting with another firm could injure the university's credit rating. Since U of A itself has the most experience in this arena, the university feels it could better serve students by acquiring and self-managing the facility.

Arizona State University (ASU) has also used public-private development partnerships to build and manage four student residential facilities: two on the main campus, one at ASU West, and one at ASU East. ASU West and its associated non-profit capital development corporation experienced a similar situation to U of A last year. The corporation leased university land, bonded for an undergraduate student-housing complex, and hired a private construction and management firm. This firm also failed to meet its occupancy targets. ASU West and its non-profit partner replaced the initial private manager with another company and are thus far pleased with the results. Staff cannot comment on the operational differences between undergraduate and graduate student housing management.

(Continued)

U of A continues to experience shortages of on-campus housing, coupled with increases in student enrollment. Through economies of scale, the university believes it can charge lower rates and provide better student residential programs. Therefore, U of A does not anticipate any difficulty finding tenants for the entire building under university control.

However, the university's lower rental rates do not appear sufficient to cover the debt service costs of purchasing La Aldea Student Housing Complex. Consequently, university housing auxiliary fund balances would subsidize debt payments. In effect, other U of A dormitory fees would support the La Aldea facility.

Chemistry Expansion Project Contingency Allocation

The University of Arizona (U of A) is reporting on a contingency allocation change for the Chemistry Building Expansion. The Committee originally favorably reviewed an 88,500 square-foot facility for \$45.0 million in September 2003. At its June 2004 meeting, the Committee favorably reviewed a total project cost increase of \$1.1 million, a reallocation of \$2.6 million of the project's \$3.9 million contingency fund, and a scope reduction to 85,000 square feet. These changes were tied to significant cost increases in raw materials. With these reviews, the Committee stipulated that U of A report on contingency allocations that exceed 10% of the project's contingency fund amount.

This item is for information only and no Committee action is required. U of A is reallocating \$0.2 million of the project's remaining \$1.3 million contingency fund to remove old underground utilities. The university's older infrastructure was not consistently documented and U of A could not predict what the contractor might uncover in site preparation. The total previously-revised project budget of \$46.1 million remains unchanged, as does the total cost per square foot, at \$507. However, the direct construction cost per square foot has increased from \$410 to \$413. As staff previously noted, the amount of specialized laboratory space in the Chemistry Building Expansion has created project costs significantly higher than in other projects of its class.

RS/SC:jb

Senior Vice President
for Business Affairs

THE UNIVERSITY OF
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TUCSON ARIZONA

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October 4, 2004

The Honorable Russell Pearce; Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, Arizona 85007



Dear Mr. Pearce:

Subject: University of Arizona – La Aldea Student Housing Complex

On behalf of the Arizona Board of Regents, I respectfully request that the University of Arizona be placed on the October 14, 2004 Joint Committee on Capital Review agenda regarding the Arizona Board of Regents recent approval of the La Aldea student housing complex acquisition.

The Arizona Board of Regents, at their September 30, 2004 meeting, granted approval to the University of Arizona to issue System Revenue Bonds not exceeding \$21.9 million to acquire the La Aldea student housing complex from Southern Arizona Capital Facilities Finance Corp (SACFFC). SACFFC is an Arizona non-profit corporation formed to finance the construction of the housing complex. The complex is located on campus within the University planning boundary and consists of 150 units with a total of 325 beds.

The acquisition of this housing complex will allow the University's Residence Life Program to provide consistent and improved services to the graduate and undergraduate students attending the University. This will maintain the University's goal of providing a positive experience and rewarding campus life to the students. Additional information is available in the attached Executive Summary.

If you require additional information, please don't hesitate to call me at (520) 621-5977. Thank you for your assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Joel D. Valdez".

Joel D. Valdez
Sr. Vice President for Business Affairs

attachment

cc: President Likins
Joel Sideman
Greg Fahey
Lorenzo Martinez
Charles Ingram
Ted Gates



EXECUTIVE SUMMARY

ACTION ITEM: The University of Arizona (UA) requests authority to sell System Revenue Bonds (SRBs) to produce sufficient proceeds to finance not exceeding \$21.9 million for the acquisition of the La Aldea student housing complex, to pay the costs of issuance of the SRBs, to take related actions, to enter into necessary agreements, and to execute documents -- contingent upon Joint Committee on Capital Review (JCCR) favorable review of such project.

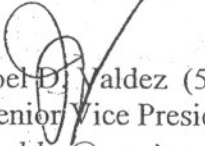
ISSUE

The University seeks Board authorization to sell one or more series of SRBs sufficient to finance the acquisition of the La Aldea student housing complex, as well as the costs of issuance related to the SRBs, and to take related actions, to enter into necessary agreements, and to execute related documents, including bond insurance, reserve fund surety bonds and bond purchase, liquidity, interest rate swap, and continuing disclosure agreements.

BACKGROUND

The La Aldea student housing complex is an on-campus apartment facility consisting of 150 units and 325 beds located in the southwest residential district of campus, adjacent to Coronado Residence Hall and the Tyndall Avenue Parking Garage. The complex was built to replace housing services for graduate students with no children, previously provided for by Christopher City. The La Aldea student housing complex was financed with the proceeds of revenue bonds issued by the Southern Arizona Capital Facilities Finance Corporation, an Arizona nonprofit corporation formed to assist UA (the Corporation), and constructed on a site owned by UA and ground leased to the Corporation. At its April 25-26, 2002 meeting, the Board approved the formation of the Corporation, the issuance of the Corporation's bonds and the ground lease for the project site. The ground lease terminates upon the retirement or prepayment of the Corporation's bonds on the complex. The debt service payments on the Corporation's bonds are made solely from rent revenues generated from the complex.

Upon completion of the La Aldea student housing complex, the Corporation entered into an agreement with a privately owned company to manage the operation of the facility. The complex has been in service since August 1, 2003. The University wishes to acquire and manage the facility internally to allow for more flexibility with its residence life strategic plan of providing enhanced services to the students.


Joel D. Valdez (520) 621-5977
Senior Vice President for Business Affairs
jvaldez@u.arizona.edu

EXECUTIVE SUMMARY

Previous Board Actions:

Graduate Housing Project Initiation:	January 2000
Formation of Southern Arizona Capital Facilities Finance Corporation and Bond Issuance:	April 2002

FINANCING PLAN

The UA intends to finance the acquisition of the facility described above by issuing SRBs to produce sufficient proceeds to acquire the facility in an amount not exceeding \$21.9 million, and to pay costs of issuance of the SRBs. The UA expects that the SRBs would mature over a period ending not later than June 2030.

Depending upon market conditions at the time of sale, UA may issue the entire financing, or some or all of the portion allocable to the Graduate Housing complex, through variable rate or adjustable rate SRBs. Although UA has benefited in recent years from low fixed interest rates on its borrowings, it has also had favorable experience with the variable rate SRBs issued for various projects. Issuing a portion of the SRBs as variable rate instruments could lessen UA's annual debt service commitments. UA may also consider entering into interest rate exchange (swap) agreements simultaneously with the issuance of variable rate SRBs or at a later date, producing a "synthetic fixed rate" obligation for UA at a debt service cost that may be lower than directly issuing fixed-rate SRBs to the market. Any SRBs not issued as variable rate SRBs would be issued as fixed obligation instruments.

The UA will be called upon to enter into various agreements in connection with the SRBs, such as bond insurance for the SRBs, reserve fund surety bonds and bond purchase agreements, and if the UA decided to issue variable rate SRBs, liquidity and possibly interest rate swap agreements.

Debt Ratio Impact. The SRBs, when issued, would bring UA's debt ratios to 4.39% under the State's statutory debt ratio limit (leaving 3.61% or \$53.5 million of debt service capacity), and 7.47% under the ABOR debt ratio (leaving 2.53% or \$23.5 million of debt service capacity)

Marketing of SRBs; Timing. UA may market all SRBs in a single financing or as separate issues to meet the acquisition schedule. All SRBs would be sold at current market rates at the time of pricing. Fixed rate SRBs would not exceed a yield of 7.5% per annum and initial rates on variable rate SRBs would not exceed 6.0% per annum. The UA expects that the SRBs will be marketed and sold during the fourth quarter of calendar year 2004. The UA intends to utilize Squire, Sanders, & Dempsey L.L.P. for bond counsel, and RBC Dain

EXECUTIVE SUMMARY

Rauscher, Inc. for financial advisor, in conjunction with the proposed financing. The SRBs would be marketed and sold on a negotiated basis to one or more of the investment banking firms previously selected by UA through a competitive process.

The action being requested would authorize UA to execute these financings within the parameters set by the Board.

RECOMMENDATION/CONCLUSION:

RESOLVED: That the University of Arizona be, and hereby is, authorized to sell one or more series of SRBs to produce sufficient proceeds to finance not exceeding \$21.9 million for the acquisition of the La Aldea student housing complex, to pay the costs of issuance of the SRBs, to take related actions, to enter into necessary agreements, and to execute documents -- contingent upon JCCR favorable review of such projects as provided in a resolution approved by Board counsel and staff.

Senior Vice President
of Business Affairs

THE UNIVERSITY OF
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October 5, 2004

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

Dear Lorenzo:

As you know, the University of Arizona is requesting a favorable review at the October 14, 2004 Joint Committee on Capital Review (JCCR) meeting to sell \$21.9 million in System Revenue Bonds (SRB's) in order to purchase the La Aldea student housing complex from the Southern Arizona Capital Finance Corporation.

The Southern Arizona Capital Finance Corporation is a 501 (c) 3 Corporation created, with ABOR approval, for the purpose of constructing and managing a student housing project at the University of Arizona.

Debt Service is estimated at approximately \$1.7 million annually and will be funded entirely from our Residence Life Auxiliary Enterprise. Revenue proceeds to sufficiently cover the debt service; as well as Operations and Maintenance (O & M), are 100% paid from student hall rental fees. The annual fee charged to student residents for the La Aldea Hall will be calculated utilizing a system wide driven formula currently in place. No State allocation or subsidy is required

The University's Residence Life Program is a very experienced and fiscally responsible entity with no funding deficits. The University has experienced substantial growth in students seeking on-campus housing in the last few years. With the addition of La Aldea to its student "bed" inventory, this will reduce Residence Life's "wait" list and at the same time substantially improve student services. Residence Life has in place an excellent student-focused residential program at all of its other Halls. La Aldea will now join this family of programs providing students and the University a more harmonious campus environment.

We are currently planning and budgeting for a twenty-five year bond at a fixed rate of 6%. On that basis the annual debt service is estimated at \$1,713,200. It is important to note that for planning and budgeting purposes we use a standard fixed rate model. At the same time we ask the Arizona Board of Regents to allow us to consider using a number of financial strategies at the time we place the bonds, based on the recommendations of our financial advisor, Dain Raushcer. Those options include variable rates, interest rate exchanges (swap), or a synthetic fixed rate.

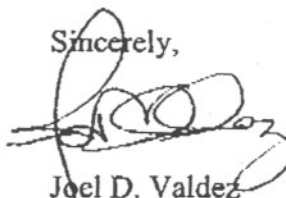


La Aldea
Page 2

Of these options we have occasionally utilized a variable rate option early in the debt service schedule. Our debt ratio estimates are always based on an assumption of a 6% interest rate. Over the last few years variable rates have been about fifteen to twenty-five basis points below fixed rates. In the last few months as interest rates have begun to rise, the spread has opened to thirty-five to fifty basis points. As a reference point we issued Drachman Hall Bonds last May at 4.85%. Depending on the market on the day we issue it is highly likely that the rate will be between 5.25% - 5.50%; hence our conservative use of 6.0% for planning and budgeting.

If you have questions or need further information, please give me a call.

Sincerely,



Joel D. Valdez
Senior Vice President for Business Affairs

JDV/dd

cc: Dick Davis
Greg Fahey
Charlie Ingram
Duc Ma
Dick Roberts

EXECUTIVE SUMMARY

ACTION ITEM: The University of Arizona (UA) requests the Board to approve the formation of the Southern Arizona Capital Facilities Finance Corporation and the issuance of the corporation's student housing revenue bonds for the purpose of financing a Graduate Housing Project on a site owned by the University of Arizona, and to approve the form of ground lease and certain other matters, actions and documents.

ISSUE

In order to meet federal tax-exempt bond rules in connection with the development and financing of the UA Graduate Housing Project, UA requests the Board to approve the formation of the Southern Arizona Capital Facilities Finance Corporation, the issuance of not exceeding \$24,000,000 principal amount of the corporation's student housing revenue bonds for such purpose, and the form of ground lease from UA to the corporation and other matters related to the completion of the project.

BACKGROUND

At its January 20-21, 2000 meeting, the Board granted Project Initiation approval for a Graduate Student Housing Project on a site owned by UA in the southwest residential district of campus, adjacent to Coronado Residence Hall and the Tyndall Avenue Parking Garage, and authorized UA to issue a Request for Proposal, select a development team and enter into a ground lease, facility lease, and related financing documents for such project.

Pursuant to such authorization, UA selected the proposal submitted by the development team headed by Ambling West, LLC. The successful development team has formed the Southern Arizona Capital Facilities Finance Corporation, an Arizona nonprofit corporation, to ground lease the site for the project from UA and to own the project during the term of the ground lease. In order to finance all or a portion of the cost of constructing the project, the corporation intends to issue not exceeding \$24,000,000 principal amount of its student housing revenue bonds, which will be payable solely from revenues derived from the project and further secured by the corporation's leasehold on the project. Upon retirement of the corporation's debt, the ground lease terminates and the title to the buildings and all improvements thereon transfers to UA at no additional cost.

The project financing structure is similar to recent financings done for student housing at Northern Arizona University and for sorority housing at Arizona State University.

CONTACT: Joel D. Valdez, (520) 621-5977
Senior Vice President for Business Affairs
jvaldez@u.arizona.edu

Board of Regents Meeting
April 25-26, 2002
Agenda Item # 11
The University of Arizona
Page 2 of 2

EXECUTIVE SUMMARY

PRESENT ACTION REQUESTED

The development team's bond counsel advises that, in order for the corporation's bonds to be issued bearing tax-exempt interest, it is necessary for the Board to approve the formation of the corporation, the issuance of its bonds for the project and certain other matters, including an agreement to accept title to the project upon retirement of the corporation's bonds. The Board is also being requested to approve the substantially final form of the ground lease and additional documents or actions necessary in order to complete the transaction. The bonds are expected to be sold in the second calendar quarter of 2002 in order to meet construction schedules.

RECOMMENDATION/CONCLUSION

RESOLVED: That the Board approves the formation of the Southern Arizona Capital Facilities Finance Corporation, the issuance of not exceeding \$24,000,000 principal amount of the corporation's student housing revenue bonds for the purpose of financing the Graduate Housing Project, and the ground lease and other related matters, actions and documents, all as provided in a resolution approved by Board counsel.

Senior Vice President
for Business Affairs

THE UNIVERSITY OF
ARIZONA
TUCSON ARIZONA

Administration Building
Tucson, Arizona 85721
(520) 621-5977
FAX: (520) 621-7714



September 23, 2004

Richard Stavneak, Director
Joint Committee on Capital Review
1716 West Adams
Phoenix, AZ 85007

Dear Mr. Stavneak:

RE: Chemistry Expansion Project - UA Project No.: 99-8121

Please be advised that \$224,000 of the project's contingency funds will be reallocated within the overall project budget to address previously unknown site conditions; primarily related to underground utilities in this congested, historic campus area where the project is located. Historic infrastructure had not been consistently documented with the as-builts that was provided to the contractor making it difficult to provide a detailed cost that should have been included in the original GMP contract

The established total Project Budget of \$46,100,000 as presented at the June 22, 2004, Joint Committee on Capital Review Meeting, remains unchanged.

Please let me know if you have any questions.

Sincerely,

Joel D. Valdez
Senior Vice President for Business Affairs

xc: Dick Davis
Greg Fahey
Ted Gates
Lorenzo Martinez
Dick Roberts
Bob Smith
Carolyn Watson



STATE OF ARIZONA

Joint Committee on Capital Review

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HOUSE OF
REPRESENTATIVES

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DATE: October 7, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Shelli Carol, Fiscal Analyst

SUBJECT: Northern Arizona University – Review of Capital Project Cost and Scope Changes

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Northern Arizona University (NAU), on behalf of the Arizona Board of Regents (ABOR) requests Committee review of \$4.4 million for cost and scope changes in three capital projects. NAU would finance these additions with a total new revenue bond issuance of \$15 million. The remaining \$10.6 million would finance new capital projects addressed separately in this agenda.

At its August 2002 meeting, the Committee approved the School of Communication Renovation, a revenue bond project. At its November 2003 meeting, the Committee approved the New College of Business Administration and the first scope revision of the School of Communication Renovation, both revenue bond projects. Then, at its June 2004 meeting, the Committee gave a favorable review for the College of Engineering and Technology Renovation, a lease-purchase research infrastructure project.

Recommendation

JLBC Staff recommends a favorable review of the \$4.4 million expenditure plan with the following provisions:

- NAU shall report to the Committee before expenditure of any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add alternates that do not expand the scope of the projects. NAU shall also report to the Committee before any reallocation exceeding \$100,000 among the individual planned projects.
- NAU shall submit for Committee review any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add alternates that expand the scope of any project. In case of an emergency, NAU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if we do not agree with the change of scope as an emergency.

(Continued)

- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any tuition collections that may be required for debt service, or any operations and maintenance costs.
- The Committee expresses its concerns with the NAU planning process. NAU is now seeking to fill out 30,000 square feet of space in the School of Communications for classrooms, to expand the New College of Business Administration building by 11,000 square feet for common areas, and to add a 10,000 square-foot shell space to the College of Engineering and Technology.

Had the planning process been more comprehensive, NAU could have included these new design elements in the original building scopes. All main design features should be incorporated in initial project plans, so that the Committee has a more accurate representation of true capital needs upon initial review. Contingency reallocations or overall cost adjustments should be reserved for commodity price increases and other uncontrollable circumstances.

NAU plans to add \$0.8 million to the \$13.9 million School of Communication Renovation, \$2.1 million to the \$22.0 million New College of Business Administration, and \$1.5 million to the \$15.0 million College of Engineering and Technology Renovation. The per-square-foot cost estimates for these three projects are still reasonable after modification. *(See table in Analysis section for a revised cost summary.)*

NAU plans to issue system revenue bonds to be repaid over a 30-year period at an estimated interest rate of 5.5%. Annual debt service would be approximately \$0.2 million, paid from tuition collections and other local university resources. NAU has stated its intention to request legislative appropriations to support the debt service, but is prepared to continue making payments from tuition. Tuition collections used for debt service would be unavailable to support operating expenses and may, therefore, impact the General Fund in the future.

The total 30-year debt service for these three scope changes would be \$6.4 million in total, with \$1.5 million for the School of Communication Renovation, \$2.8 million for the New College of Business Administration, and \$2.1 million for the College of Engineering and Technology Renovation. NAU anticipates a \$0.6 million increase in annual operating and maintenance costs associated with these scope changes. The university plans to fund those costs through local resources.

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 8.0% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The total \$15 million bond issuance would increase the NAU debt ratio from 5.3% to 5.5%.

Analysis

As NAU commenced construction on the School of Communication Renovation, the New College of Business Administration, and the College of Engineering and Technology Renovation, the university identified additional uses that the facilities could serve. While the university had hoped to accommodate its additional needs out of the existing capital budgets, NAU faces significant cost increases in both materials and labor. Due to increasing worldwide demand for raw materials, especially from economic growth areas in Asia, construction material costs for such items as steel, cement (concrete), petroleum, copper, and gypsum (drywall) continue to rise. Furthermore, Flagstaff must import construction contractors from surrounding areas and therefore, pays a premium for labor. Continuing high demand for construction workers in the Phoenix and Las Vegas metropolitan areas has exacerbated the situation.

The following table shows the total original and revised budgets and scopes for the three projects.

Northern Arizona University Capital Projects Original and Revised Costs and Scopes			
<u>Project</u>	School of Communication <u>Renovation</u> ^{1/}	New College of Business <u>Administration</u>	College of Engineering and <u>Technology Renovation</u>
Original Square Footage	90,000	100,000	88,700
Revised Square Footage	90,000	111,000	98,700
Original Total Project Budget	\$ 13,900,000	\$ 22,000,000	\$ 15,000,000
per square foot	\$ 145	\$ 202	\$ 169
Revised Total Project Budget	\$ 14,700,000	\$ 24,075,000	\$ 16,500,000
per square foot	\$ 153	\$ 217	\$ 167
Original Direct Construction Cost	\$ 11,834,981	\$ 18,150,981	\$ 12,488,197
per square foot	\$ 123	\$ 163	\$ 141
Revised Direct Construction Cost	\$ 12,604,884	\$ 20,643,995	\$ 14,122,988
per square foot	\$ 131	\$ 186	\$ 143
Annual Debt Service	\$ 50,400	\$ 94,500	\$ 70,875
Debt Ratio Change	0.012%	0.030%	0.022%
Added Operations & Maintenance	\$ 0	\$ 550,000	\$ 58,860

^{1/} At its November 2003 meeting, the Committee approved a previous scope change and project budget increase for the School of Communication Renovation.

School of Communication Renovation

The Committee originally approved the School of Communication Renovation in August 2002, to address failing electrical, mechanical, and plumbing systems, to comply with new accessibility and life safety codes, and to reconfigure the space for changing program needs. The original scope of the project was 60,000 square feet. At its November 2003 meeting, the Committee approved a scope change allowing a 30,000 square-foot expansion for a lecture hall and several classrooms, adding \$900,000 to the total project cost.

While the contractor completes remaining minor work to the building, the School of Communications is in use for the fall term. Due to the materials and labor cost increases mentioned previously, NAU built the exterior of the expansion, but was unable to complete the interior. Currently, NAU has only one lecture hall on the north side of campus. Since the contractor is still on-site, NAU seeks to complete the mediated lecture hall and classrooms by January 2005, at a total additional cost of \$800,000.

New College of Business Administration

Due to major mechanical, electrical, plumbing, and structural problems at the existing NAU College of Business Administration, the Committee approved construction of a new 100,000 square-foot facility providing state-of-the-art computer labs, classrooms, seminar and conference rooms, office space, student-centered areas, flexible spaces, and an auditorium. The new facility will house the Accounting, Computer Information Systems, Economics, Finance, and Management and Marketing programs and departments.

The final design added 11,000 square feet for common areas, including computer kiosks in hallways, to facilitate student-faculty interaction outside the classroom. NAU may also build more classrooms. Again, NAU planned to accommodate the increases out of its existing budget, but rising materials and labor costs precluded these efforts. NAU is requesting \$2.1 million to complete the project as envisioned. Construction began in July 2004, two months behind the original schedule. Since NAU will now be contending with colder weather, completion is projected to take three months longer than previously anticipated.

(Continued)

College of Engineering and Technology Renovation

At its June 2004 meeting, the Committee favorably reviewed the renovation of the 70,700 square-foot College of Engineering and Technology, including an 18,000 square-foot extension. These renovations are addressing structural, life safety, mechanical and electrical system, disability access, and space reconfiguration issues.

As university faculty more clearly defined their needs in the new building, NAU realized additional space would be required. The university plans to construct an adjoining 10,000 square-feet of empty space to house the Engineering and Applied Research Laboratory (EASEL). EASEL would attract additional opportunities for applied engineering research, entrepreneurship, and industry collaboration. NAU anticipates using future research grants from government and industry to fill the space, as the individual projects require. Since empty space costs less to construct than filled buildings, the EASEL addition would lower the total cost per square foot of this project from \$169 to \$167.

Construction began on schedule in August 2004 and NAU anticipates that the entire project can still be completed within the original 18-month timeframe.

RS/SC:jb



OFFICE OF THE VICE PRESIDENT FOR ADMINISTRATION AND FINANCE

October 5, 2004

The Honorable Russell K. Pearce, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, AZ 85007



RE: Project Review

Dear Representative Pearce:

On behalf of the Arizona Board of Regents, Northern Arizona University (NAU) is requesting to be placed on the October 14, 2004 agenda. NAU is seeking favorable review from the Joint Committee on Capital Review for budget and scope revisions on the New College of Business Administration, College of Engineering and Technology Renovation, and School of Communication Renovation. In addition, NAU is seeking favorable review on two new projects: Wayfinding / Landscaping Infrastructure and Building System Repair and Replacement.

PROJECT	APPROVALS	BOND FUNDS
New College of Business Administration	CDP, PIA 08/03, PA 06/04 JCCR 08/03	\$2.0 M
College of Engineering and Technology	CDP, PIA 04/03, PA 06/04 JCCR 06/04	\$1.5 M
School of Communication	CDP, PIA 08/02, PA 01/03 Rev PA 04/03	\$.8 M
Wayfinding / Landscaping Infrastructure	CDP 09/04	\$4.0 M
Building System Repair and Replacement	CDP 09/04	\$6.7 M

NAU will be happy to supply any further information that you may request.

Sincerely,

M.J. McMahon, Executive Vice President
Northern Arizona University

cc: Joel Sideman, Executive Director, Arizona Board of Regents
Ted Gates, Asst. Exec. Director for Capital Resources, Arizona Board of Regents
✓ Shelli Carol, Fiscal Analyst, Joint Legislative Budget Committee
John Haeger, President, Northern Arizona University
Kurt Davis, Director Government Affairs, Northern Arizona University

EXECUTIVE SUMMARY

ACTION ITEM: Request for Revised Project Approval with Budget Increase for \$.08 million for the School of Communication west wing completion

ISSUE: Northern Arizona University seeks Revised Project Approval for the School of Communication to add \$.08 million to the project budget for purpose of build out of the shell space in west wing of the new structure into a state-of-the-art fully mediated classrooms and lecture hall.

PREVIOUS BOARD ACTION:

- | | |
|-----------------------------------|--------------|
| ▪ CDP | August 2002 |
| ▪ Project Implementation Approval | August 2002 |
| ▪ Project Approval | January 2003 |
| ▪ Revised Project Approval | April 2003 |

PROJECT STATUS:

- The School of Communication project is completed and the building is in use for the Fall 2004 term. Students, faculty, and the media have all praised the facility and have expressed great satisfaction in the enhanced and modern learning environment. NAU fully expects this facility will improve student recruitment, student retention, and produce highly competitive and marketable students. The contractor is still on site finalizing closeout and minor punch list items in the building and is willing to remain on site to complete the build-out. During the GMP phase, the contractor offered competitive costs to complete the shell space if funds became available.
- Due to budget constraints, NAU made the decision to shell this space pending future funding. The evolving campus master plan and facility condition audits have shown that NAU needs more mediated and modern classrooms in the north academic core. NAU intends to make these modern classrooms available to academic programs that hold classes in the north campus academic core. This will allow for a better classroom experience for many of our undergraduate and graduate students that would otherwise be in much older less functional and effective classrooms that are awaiting renovation in a future capital project. Also, NAU will take advantage of the economies available since the contractor who has just completed the School of Communication renovation is still on-site. This work would be done during the Fall 2004 semester. The classrooms would be available in January for the Spring 2005 semester.
- The additional funds will fit-out the following areas in the west wing of Communications: 1) the 100 seat tiered classroom; 2) 50 seat tiered classroom; 3) three 50-seat classrooms and 4) daylighting fixtures on third floor.
- \$13.9 million dollars are system revenue bonds debt service supported by direct legislative appropriation and the project increase of \$.08 million will be funded by system revenue bonds supported by general university funds. Pending approval, NAU is planning a \$15 million dollar system revenue bond sale. NAU will support this bond issuance with general university funds; however, it is seeking in the FY 2006 budget request direct legislative appropriation to support the debt service for this bond issuance. If the university is unsuccessful in gaining a legislative appropriation it will continue to pay the debt service from general university funds.

CONTACT: M.J. McMahon, Executive Vice President
(928) 523-6515 MJ.McMahon@nau.edu

EXECUTIVE SUMMARY

FISCAL IMPACT AND FINANCING PLAN:

Debt Ratio Impact: The debt ratio approved by the Board in the university's Capital Improvement Plan for FY 2006-2008 projects is 5.5% of total projected expenditures and mandatory transfers (State Law Basis, max 8%) and 7.4% of projected unrestricted expenditures and mandatory transfers (ABOR Policy basis, max 10%). The School of Communication budget increase project will increase the university debt ratio by .012% under the legislative method and .014% under the ABOR method.

RECOMMENDATION:

Resolved that Northern Arizona University be, and hereby is, granted Revised Project Approval with a Budget Increase of \$.08 million for the School of Communication Renovation.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Northern Arizona University

Project Name: School of Communication
Renovation and Lecture Halls Fit-Out

Project Description / Location:

Built in 1960, Building 16 currently the School of Communication, is located on north campus at Tormey Avenue. Project is complete renovation of exterior and interior structure.

Project Schedule (Beginning Month/Year):

PIA Approval	August 2002
Project Approval	January 2003
Construction Start	May 2003 (planned)
Construction Completion	July 2004 (planned)

Project Budget:

	Project Implementation Approval	Project Approval	Revised Project Approval 04/2003	Revised Project Approval 09/2004
Total Project Cost	\$13,003,717	\$13,048,875	\$13,900,000	\$14,700,000
Direct Construction Cost	\$11,506,000	\$11,340,000	\$11,834,981	\$12,604,884
Total Project Cost per GSF	\$136	\$136	\$145	\$153
Construction Cost per GSF	\$120	\$118	\$123	\$131
Change in Annual O&M Costs	\$0	\$0	\$0	\$0
Utilities	\$N/A	\$N/A	\$N/A	\$N/A
Personnel	\$N/A	\$N/A	\$N/A	\$N/A
All Other Operating	\$N/A	\$N/A	\$N/A	\$N/A

Funding Sources:

Capital

- A. System Revenue Bonds \$13,900,000
(Debt service funded by State appropriation)
- B. System Revenue Bonds \$800,000

(Pending approval, NAU is planning a \$15 million dollar system revenue bond sale. NAU will support this bond issuance with general university funds; however, it is seeking in the FY 2006 budget request direct legislative appropriation to support the debt service for this bond issuance. If the university is unsuccessful in gaining a legislative appropriation it will continue to pay the debt service from general university funds.)

Operation / Maintenance

- A. General Funds \$0

EXECUTIVE SUMMARY

Capital Project Budget Summary

University: Northern Arizona University

Project Name: School of Communication and Lecture Halls Fit-Out

	Project Implementation Approval	Revised Project Approval 04/2003	Revised Project Approval 09/2004
Capital Costs			
1. Land Acquisition			
2. Construction Cost			
A. New Construction			
B. Renovation	\$11,000,000	\$11,490,273	\$12,113,371
C. Special Fixed Equipment			
D. Site Development			
E. Parking and Landscaping			
F. Utilities Extensions			
G. Demolition			
H. Inflation Adjustment			
Subtotal Construction Cost	\$11,000,000	\$11,490,273	\$12,113,371
3. Fees (% of Construction Cost)			
A. Construction Manager			
B. Engineer	\$880,000	\$1,100,000	\$1,164,179
C. Other: Lab/Telecom/Commissioning		\$47,340	\$47,340
Subtotal Consultant Fees	\$880,000	\$1,147,340	
4. FF&E Moveable			
5. Contingency, Design Phase (2%)	\$50,000	\$22,947	\$24,231
6. Contingency, Constr. Phase (10%)	\$506,000	\$344,708	\$363,401
7. Parking Reserve			
8. Telecommunications Equipment			\$50,000
Subtotal Items 4 - 8	\$556,000	\$367,655	
9. Additional University Costs			
A. Surveys and Tests	\$10,633	\$35,505	\$36,147
B. Physical Plant SWO's		\$59,175	\$59,175
C. Public Art / Other	\$110,000	\$67,818	\$67,818
D. Printing Advertising	\$27,500	\$29,587	\$31,191
E. Asbestos		\$90,000	\$90,000
F. Project Management Cost	\$252,121	\$534,615	\$572,274
H. State Risk Mgmt Ins.	\$69,036	\$78,032	\$80,873
Subtotal Additional University Costs	\$573,717	\$894,732	\$937,478
TOTAL CAPITAL COST	\$13,009,717	\$13,900,000	\$14,700,000

EXECUTIVE SUMMARY

ACTION ITEM: Request Revised Project Approval and Budget Increase
New College of Business Administration

ISSUE: Northern Arizona University seeks Revised Project Approval and a Budget Increase of \$2.1 million for the New College of Business Administration, a new multi-story facility of approximately 111,000 gross square feet.

PREVIOUS BOARD ACTION:

- | | |
|-----------------------------------|-------------|
| ▪ Capital Development Approval | August 2003 |
| ▪ Project Implementation Approval | August 2003 |
| ▪ Project Approval | June 2004 |

PROJECT STATUS:

- This project design was predicated on a unique student, faculty and staff behavioral analysis whose findings formed the guiding principles of design for optimal instructional and student / faculty interaction. The design includes provisions for a variety of learning porches, both formal and informal. Conceptual estimates initially were 100,000 square feet with final documents at 111,000 square feet.
- While in the process of finalizing the GMP and also driving the project to begin construction during the peak summer season, the university needed to increase the scope of the project by 10,000 square feet. This additional square footage will allow the College of Business to optimize its already well known and effective student / faculty interaction, as well as outreach efforts in economic development and economic research for Northern Arizona. NAU made every effort to fund this additional square footage within the existing GMP and not increase the overall project budget. It appeared that effort would be successful until the late spring and summer market cost increases eliminated that flexibility.
- As the project neared completion of the Construction Documents (CD) phase, it became apparent that market increases were going to affect the GMP for this project. Record cost increases in construction commodities such as steel and concrete were included in the market changes. Other market changes included less competitive bidding and higher costs from subcontractors who became extremely busy as the nearly \$1 billion dollars of construction work in Maricopa County began this past spring. NAU took aggressive measures to counter these cost increases by continuing the on-going value engineering process for possible cost saving opportunities, as it had been doing in previous design phases. The construction cost had already been value engineered to a very competitive and reasonable \$186 square foot. It was determined that further reductions above those value engineered items already identified would severely compromise the mission and intent of the project. Therefore, NAU is requesting revised project approval for an increase to the project budget of \$2.1 million, for a total project budget of \$24 million.
- Twenty-two (\$22) million are system revenue bonds debt service supported by direct legislative appropriation and the project increase of \$2.1 million will be funded by system revenue bonds supported by general university funds. Pending approval, NAU is planning a \$15 million dollar system revenue bond sale. NAU will support this bond issuance with general university funds; however, it is seeking in the FY 2006 budget request direct legislative appropriation to support the debt service for this bond issuance. If the university is unsuccessful in gaining a legislative appropriation it will continue to pay the debt service from general university funds.

CONTACT: M.J. McMahon, Executive Vice President
(928) 523-6515 MJ.McMahon@nau.edu

EXECUTIVE SUMMARY

- This first phase of the GMP is now under construction. The Anthropology building has been demolished and the site grading, site utilities and foundation work are progressing on schedule. Because the construction season is limited in Northern Arizona, the work is moving at an accelerated rate between now and December when construction is slowed considerably for four to five months.

FISCAL IMPACT AND FINANCING PLAN:

Debt Ratio Impact: The debt ratio approved by the Board in the university's Capital Improvement Plan for FY 2006-2008 projects is 5.5% of total projected expenditures and mandatory transfers (State Law Basis, max 8%) and 7.4% of projected unrestricted expenditures and mandatory transfers (ABOR Policy basis, max 10%). The New College of Business Administration project will increase the university debt ratio by .030% under the legislative method and .036% under the ABOR method.

RECOMMENDATION:

Resolved, that Northern Arizona University be, and hereby is, granted Revised Project Approval and a Budget Increase of \$2.1 million for the new College of Business Administration.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Northern Arizona University

Project Name: New College of Business Administration

Project Description / Location: The College of Business Administration is anticipated to be a new structure of approximately 111,000 square feet. Current departments include Accounting, Computer Information Systems, Economics, Finance, Management, and Marketing. The facility is anticipated to include state-of-the-art computer labs / classrooms, seminar / conference rooms, student centered areas, flexible spaces, offices, an auditorium and business development areas.

Project Schedule (Beginning Month/Year):

PIA Approval	August 2003
Project Approval	June 2004
Planning	August 2003
Design	August 2003
Construction Start	July 2004 (Demolition of Anthropology)
Construction Completion	December 2005 (planned)
Occupancy	December 2005 (planned)

Project Budget:

	Project Implementation Approval	Project Approval	Revised Project Approval
Total Project Cost	\$22,000,000	\$22,000,000	\$24,075,000
Direct Construction Cost	\$18,150,981	\$18,150,981	\$20,643,995
Total Project Cost per GSF	\$220	\$202	\$217
Construction Cost per GSF	\$182	\$163	\$186
Change in Annual O&M Costs	\$550,000	\$550,000	\$550,000
Utilities	\$N/A	\$N/A	\$N/A
Personnel	\$N/A	\$N/A	\$N/A
All Other Operating	\$N/A	\$N/A	\$N/A

Funding Sources:

Capital

- A. System Revenue Bonds \$22,000,000
(Debt service funded by State appropriation)
- B. System Revenue Bonds \$2,100,000

(System revenue bonds supported by general university funds. Pending approval, NAU is planning a \$15 million dollar system revenue bond sale. NAU will support this bond issuance with general university funds; however, it is seeking in the FY 2006 budget request direct legislative appropriation to support the debt service for this bond issuance. If the university is unsuccessful in gaining a legislative appropriation it will continue to pay the debt service from general university funds.)

Operation / Maintenance

- A. General Funds \$550,000

EXECUTIVE SUMMARY

Capital Project Budget Summary

University: Northern Arizona University
Project Name: New College of Business Administration

	Project Implementation Approval 08/2003	Project Approval 06/2004	Revised Project Approval 09/2004
Capital Costs			
1. Land Acquisition			
2. Construction Cost			
A. New Construction	\$16,500,892	\$18,150,981	\$20,643,995
B. Renovation			
C. Special Fixed Equipment			
D. Site Development			
E. Parking and Landscaping			
F. Utilities Extensions			
G. Demolition			
H. Inflation Adjustment			
Subtotal Construction Cost	<u>\$16,500,892</u>	<u>\$18,150,981</u>	<u>\$20,643,995</u>
3. Fees (% of Construction Cost)			
A. Construction Manager			
B. Architect / Engineer	\$1,815,098	\$1,815,098	\$1,815,098
C. Other:	\$181,510	\$181,510	\$198,011
Lab/Telecom/Commissioning			
Subtotal Consultant Fees	<u>\$1,996,608</u>	<u>\$1,996,608</u>	<u>\$2,013,109</u>
4. FF&E Moveable			
5. Contingency, Design Phase (2%)	\$39,932	\$0	\$0
6. Contingency, Constr. Phase (7%)	\$1,650,089	\$583,263	\$0
7. Parking Reserve			
8. Telecommunications Equipment			
Subtotal Items 4 - 8	<u>\$1,690,021</u>	<u>\$583,263</u>	<u>\$0</u>
9. Additional University Costs			
A. Surveys and Tests	\$151,510	\$100,000	\$100,000
B. Physical Plant SWO's			\$115,980
C. Public Art / Other	\$469,335	\$0	
D. Printing Advertising	\$52,891	\$52,891	\$25,000
E. Asbestos			\$98,011
F. Project Management Cost	\$1,047,619	\$1,047,619	\$1,004,028
H. State Risk Mgmt Ins.	\$68,638	\$68,638	\$74,877
Subtotal Additional University Costs	<u>\$1,837,607</u>	<u>\$1,269,148</u>	<u>\$1,417,896</u>
TOTAL CAPITAL COST	<u>\$22,000,000</u>	<u>\$22,000,000</u>	<u>\$24,075,000</u>

EXECUTIVE SUMMARY

ACTION ITEM: Request Revised Project Approval and Budget Increase
College of Engineering and Technology Renovation

ISSUE: Northern Arizona University seeks Revised Project Approval for the College of Engineering and Technology Renovation Project and a Budget Increase of \$1.5 million to construct the Engineering and Applied Research Laboratory (EASEL) expansion to the College of Engineering and Technology.

PREVIOUS BOARD ACTION:

- | | |
|-----------------------------------|--------------|
| ▪ Capital Development Approval | January 2003 |
| ▪ Project Implementation Approval | April 2003 |
| ▪ Project Approval | June 2004 |

PROJECT STATUS:

- The initial project scope provides for renovation of the three-story 70,713 square foot building constructed in 1972. Also included in the original scope is an 18,000 square foot addition, spread over three stories, which addresses the north face structural problems and eliminates the sloping façade in that area.
- The EASEL addition will facilitate applied engineering research activities, stimulate entrepreneurial behavior, continue to foster industry collaborative partnerships and provide additional research participation opportunities to engineering undergraduate students. The additional funds requested will be used to build 10,000 square feet of shell space. NAU anticipates using future research grants and industry partner collaboration funds to finish the shell space as required by selected individual research projects.
- Fifteen (\$15) million dollars are certificate of participation bonds debt service supported by direct legislative appropriation as a result of the Campus Research Infrastructure Bill and the project increase of \$1.5 million will be funded by system revenue bonds supported by general university funds. Pending approval, NAU is planning a \$15 million dollar system revenue bond sale. NAU will support this bond issuance with general university funds; however, it is seeking in the FY 2006 budget request direct legislative appropriation to support the debt service for this bond issuance. If the university is unsuccessful in gaining a legislative appropriation it will continue to pay the debt service from general university funds.

FISCAL IMPACT AND FINANCING PLAN:

Debt Ratio Impact: The debt ratio approved by the Board in the university's Capital Improvement Plan for FY 2006-2008 projects is 5.5% of total projected expenditures and mandatory transfers (State Law Basis, max 8%) and 7.4% of projected unrestricted expenditures and mandatory transfers (ABOR Policy basis, max 10%). The College of Engineering budget increase project will increase the university debt ratio by .022% under the legislative method and .027% under the ABOR method.

CONTACT: M.J. McMahon, Executive Vice President
(928) 523-6515 MJ.McMahon@nau.edu

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Northern Arizona University

Project Name: College of Engineering and Technology
Renovation and EASEL Addition

Project Description / Location:

A complete renovation of the entire College of Engineering and Technology facility located on the south campus of Northern Arizona University. A small 18,000 square foot addition, spread over three stories, will address the north face structural problems and eliminate the sloping façade in that area. In addition, to the west will be the 10,000 square foot EASEL addition.

Project Schedule (Beginning Month/Year):

CDP Approval	01/03
PIA Approval	04/03
Design	03/03
Construction	08/04
Occupancy	11/05

Project Budget:

	Project Implementation Approval	Project Approval	Revised Project Approval
Total Project Cost	\$13,200,000	\$15,000,000	\$16,500,000
Direct Construction Cost	\$10,961,366	\$12,488,197	\$14,122,988
Total Project Cost per GSF	\$148	\$169	\$167
Construction Cost per GSF	\$123	\$141	\$143
Change in Annual O&M Costs	\$0	\$0	\$58,860
Utilities	\$N/A	\$N/A	\$N/A
Personnel	\$N/A	\$N/A	\$N/A
All Other Operating	\$N/A	\$N/A	\$N/A

Funding Sources:

Capital

- A. Certificates of Participation \$15,000,000
(Funding Source of Debt Service: State appropriations starting on July 1, 2007)
- B. System Revenue Bonds \$1,500,000

(Pending approval, NAU is planning a \$15 million dollar system revenue bond sale. NAU will support this bond issuance with general university funds; however, it is seeking in the FY 2006 budget request direct legislative appropriation to support the debt service for this bond issuance. If the university is unsuccessful in gaining a legislative appropriation it will continue to pay the debt service from general university funds.)

Operation / Maintenance

- A. General Funds \$58,860

EXECUTIVE SUMMARY

Capital Project Budget Summary

University: Northern Arizona University

Project Name: College of Engineering and Technology Renovation

	Project Implementation Approval 04/03	Project Approval 06/04	Revised Project Approval 09/04
Date of Budget Estimate			
Capital Costs			
1. Land Acquisition			
2. Construction Cost			
A. New Construction			
B. Renovation	\$9,769,488	\$11,130,300	\$14,122,988
C. Special Fixed Equipment			
D. Site Development			
E. Parking and Landscaping			
F. Utilities Extensions			
G. Demolition			
H. Inflation Adjustment	\$195,390	\$222,606	
Subtotal Construction Cost	\$9,964,878	\$11,352,906	\$14,122,988
3. Fees (% of Construction Cost)			
A. Construction Manager			
B. Architect / Engineer	\$852,190	\$908,233	\$997,840
C. Other:	\$249,649	\$263,529	\$263,529
Lab/Telecom/Commissioning			
D. Reimbursables		\$55,000	\$55,000
Subtotal Consultant Fees	\$1,101,839	\$1,226,762	\$1,316,369
4. FF&E Moveable			
5. Contingency, Design Phase (3%)	\$31,405	\$35,153	\$0
6. Contingency, Constr. Phase (10%)	\$996,488	\$1,135,291	\$0
7. Parking Reserve			
8. Telecommunications Equipment			
Subtotal Items 4 - 8	\$1,027,893	\$1,170,444	\$0
9. Additional University Costs			
A. Surveys and Tests	\$109,614	\$124,882	\$75,000
B. Physical Plant SWO's			
C. Public Art / Other	\$274,034	\$304,571	
D. Printing Advertising	\$27,403	\$31,220	\$25,000
E. Asbestos			\$100,000
F. Project Management Cost	\$628,571	\$714,286	\$785,714
H. State Risk Mgmt Ins.	\$65,768	\$74,929	\$74,929
Subtotal Additional University Costs	\$1,105,390	\$1,249,888	\$1,060,643
TOTAL CAPITAL COST	\$13,200,000	\$15,000,000	\$16,500,000

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

ROBERT "BOB" BURNS
CHAIRMAN 2003
TIMOTHY S. BEE
JACK A. BROWN
ROBERT CANNELL, M.D.
SLADE MEAD
VICTOR SOLTERO
JIM WARING

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

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HOUSE OF
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LINDA J. LOPEZ
JOHN LOREDO

DATE: October 7, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Shelli Carol, Fiscal Analyst

SUBJECT: Northern Arizona University – Review of New System Revenue Bond Capital Projects

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Northern Arizona University (NAU), on behalf of the Arizona Board of Regents (ABOR) requests Committee review of \$10.6 million for Building System Repair and Replacement and Wayfinding / Landscaping Infrastructure. NAU would finance these new initiatives with a total new revenue bond issuance of \$15 million. The remaining \$4.4 million would finance scope and project budget changes addressed separately in this agenda.

Recommendation

JLBC Staff recommends a favorable review of the \$10.6 million expenditure plan with the following standard university bonding provisions:

- NAU shall report to the Committee before expenditure of any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add alternates that do not expand the scope of the projects. NAU shall also report to the Committee before any reallocation exceeding \$100,000 among the individual planned projects.
- NAU shall submit for Committee review any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add alternates that expand the scope of any project. In case of an emergency, NAU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if it does not agree with the change of scope as an emergency.
- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any tuition collections that may be required for debt service, or any operations and maintenance costs.
- NAU shall not use bonding to finance the purchase of any capital assets whose typical life span is less than the bond repayment period. The exceptions to this stipulation are circumstances where more minor repairs are required to complete a major renovation.

NAU plans to issue system revenue bonds to be repaid over a 30-year period at an estimated interest rate of 5.5%. NAU would dedicate \$6.7 million of the bond issuance to Building System Repair and Replacement and \$4.0 million to Wayfinding / Landscaping Infrastructure.

(Continued)

Annual debt service would be approximately \$422,000 for Building System Repair and Replacement and \$252,000 for Wayfinding / Landscaping Infrastructure. NAU has stated its intention to request legislative appropriations to support the debt service, but is prepared to make payments from tuition collections and other local university resources. Tuition collections used for debt service would be unavailable to support operating expenses and may, therefore, impact the General Fund in the future. The combined total 30-year debt service would be \$20.2 million.

NAU does not foresee any additional operating and maintenance costs for Building System Repair and Replacement. However, the university does anticipate a \$110,000 annual increase associated with Wayfinding / Landscaping Infrastructure. The university plans to fund these costs through local resources.

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 8.0% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The total \$15 million bond issuance would increase the NAU debt ratio from 5.3% to 5.5%.

Analysis

State agencies normally fund on-going routine maintenance and minor repairs to existing facilities through their operating budgets. For example, the Arizona Department of Administration and the Arizona Department of Transportation fund maintenance for their respective building systems from operations monies. Larger repairs, those that extend the useful life of a facility, qualify as building renewal. Building renewal projects are usually categorized into fire and life safety improvements, preservation of assets, and critical repairs for continued operation of existing programs. Typical building renewal projects include replacement of utility distribution systems; Heating, Ventilating, Air Conditioning (HVAC) systems; and roofs.

In general, bonding for cosmetic or other short-term renovation projects is problematic, given that the useful life of these projects is usually significantly shorter than the financing periods. To the extent cosmetic repairs are necessary as part of a larger, more involved renovation whose useful life expectancy is equal to or greater than the repayment period, long-term financing is appropriate. For stand-alone additions or cosmetic projects, long-term financing is not recommended.

Based on past experience, JLBC Staff does not believe that the overall average useful life for the components of Building System Repair and Replacement and Wayfinding / Landscaping Infrastructure is as long as 30 years. Therefore, Staff recommended, and NAU indicated its willingness, to restructure debt service for a shorter term. At its June 2004 meeting, the Committee provided the same guidance to Arizona State University for a similar request. Any restructuring to a shorter period would raise the annual debt service amounts and debt ratio impacts, while lowering the overall debt service amounts described herein.

Building System Repair and Replacement

ABOR policy requires the universities to request Legislative appropriations to cover the amounts needed for building renewal. Full annual funding of the building renewal formula in FY 2005 would have provided \$7.7 million for NAU. The university system has not received any state funding for building renewal since FY 2001. Consequently, NAU has deferred maintenance on a number of buildings and has developed a phased approach to use long-term financing to address deferred maintenance items. Building System Repair and Replacement encompasses 12 systems renovation initiatives, at an estimated total cost of \$6.7 million. The attached table provides project descriptions and estimated capital costs, which appear reasonable.

These renovations would address federal and state mandated fire and life safety system upgrades in 34 buildings; elevator code compliance upgrades; roof replacements; mechanical and electrical systems replacement or renovation; asbestos, chemical, and hazardous waste code compliance; disability access; and sidewalk and bridge repairs. NAU estimates the projects would take 13 months to complete.

Annual debt service on Building System Repair and Replacement would be \$422,000, representing a 0.1% increase in the university's debt ratio. NAU has stated its intention to request legislative appropriations to support the debt service, but is prepared to make payments from tuition collections and other local university resources.

(Continued)

Wayfinding / Landscaping Infrastructure

The NAU campus consists of 736 acres, including 7 miles of streets, 23 miles of pedestrian walkways, and 70 acres of parking lots. However, signage throughout the university is absent in many places and inconsistent where it does exist. NAU believes it is important to address this issue as the university focuses on recruitment and retention of students, as well as community relations. The university plans to spend \$4 million on the project. A breakdown of costs is attached. If the Committee feels that extensive signage is a priority for the NAU campus, then these costs do not appear unreasonable. However, as this project differs significantly from other university capital projects, JLBC Staff has no relevant cost comparisons to provide.

Wayfinding / Landscaping Infrastructure would target key intersections, primary campus entrances, and the entire campus boundary to create a consistent design that regulates traffic and distinguishes the university from the surrounding community. NAU would complete the project in 14 months.

NAU would install signage, including new directional monuments, campus maps, student-posting areas, building identity markers, and parking and regulatory signs. Furthermore, landscape improvements would unify the campus design. The improvements would also remove interior campus parking lots that overlap pedestrian walkways and adjoin buildings to mitigate pedestrian safety and homeland security concerns. NAU currently has excess parking capacity, especially in external parking lots, to handle the displaced vehicles. The university would also install new emergency-call light poles, as well as low-pressure sodium exterior lighting to comply with Flagstaff's new dark-sky ordinances.

Annual debt service on Wayfinding / Landscaping Infrastructure would be \$252,000, representing a 0.06% increase in the university's debt ratio. NAU has stated its intention to request legislative appropriations to support the debt service, but is prepared to make payments from tuition collections and other local university resources. NAU attempted to select the most maintenance-free signage and landscaping available, but the university still estimates annual operations and maintenance costs of \$110,000. NAU plans to fund these expenses through local resources.

RS/SC:jb



OFFICE OF THE VICE PRESIDENT FOR ADMINISTRATION AND FINANCE

October 5, 2004

The Honorable Russell K. Pearce, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, AZ 85007



RE: Project Review

Dear Representative Pearce:

On behalf of the Arizona Board of Regents, Northern Arizona University (NAU) is requesting to be placed on the October 14, 2004 agenda. NAU is seeking favorable review from the Joint Committee on Capital Review for budget and scope revisions on the New College of Business Administration, College of Engineering and Technology Renovation, and School of Communication Renovation. In addition, NAU is seeking favorable review on two new projects: Wayfinding / Landscaping Infrastructure and Building System Repair and Replacement.

PROJECT	APPROVALS	BOND FUNDS
New College of Business Administration	CDP, PIA 08/03, PA 06/04 JCCR 08/03	\$2.0 M
College of Engineering and Technology	CDP, PIA 04/03, PA 06/04 JCCR 06/04	\$1.5 M
School of Communication	CDP, PIA 08/02, PA 01/03 Rev PA 04/03	\$.8 M
Wayfinding / Landscaping Infrastructure	CDP 09/04	\$4.0 M
Building System Repair and Replacement	CDP 09/04	\$6.7 M

NAU will be happy to supply any further information that you may request.

Sincerely,

M.J. McMahon, Executive Vice President
Northern Arizona University

cc: Joel Sideman, Executive Director, Arizona Board of Regents
Ted Gates, Asst. Exec. Director for Capital Resources, Arizona Board of Regents
✓ Shelli Carol, Fiscal Analyst, Joint Legislative Budget Committee
John Haeger, President, Northern Arizona University
Kurt Davis, Director Government Affairs, Northern Arizona University

Building Systems Repair / Replacement

The project focus is resolution of significant deterioration and obsolescence of existing building systems (mechanical, electrical, architectural, etc.). Student and staff issues to be addressed include indoor air quality, campus safety issues, as well as increased academic technological needs. Life expectancy of many campus systems has been exceeded and correction will prevent catastrophic loss of facility use and provide long-term campus benefits.

	Project Name	Project Description	Estimated Cost	Cumulative Total
1	Elevator-Code Repairs	Code required per State Industrial Commission	\$350,000	\$350,000
2	Sprinkler and Fire Alarm Systems	Safety and code issue to put systems in buildings currently without fire systems or replace aging systems to include highest priority buildings 20, 21, and Skydome notification / detection system. <i>34 buildings</i> <i>1.5 million square feet</i>	\$2,500,000	\$2,850,000
3	Wall Aquatic - Chemical Storage	Code Required.	\$50,000	\$2,900,000
4	Roofing	Fieldhouse, Union Glass Atrium, 47A (ROTC), 35 (Bookstore), 68 (Rolle Activity).	\$1,200,000	\$4,100,000
5	Hazardous Waste Rooms - Code Required Modifications	Modifications to hazardous waste material storage areas to include adequate ventilation, explosion detection, and staging areas with drainage, eye wash station, spill containment options, etc.	\$300,000	\$4,400,000
6	ADA	Funding to address ADA issues as identified.	\$250,000	\$4,650,000
7	Asbestos	Funding to address Asbestos issues as identified.	\$250,000	\$4,900,000
8	Fall Protection	Safety and code upgrades to catwalks to add fall protection.	\$300,000	\$5,200,000
9	Concrete and Sidewalks	Repair of deteriorating and damaged areas for student safety and campus improvement including steps, pedways, ramps, and handrails.	\$500,000	\$5,700,000
10	Building 77A Exhaust	OSHA required ventilation upgrade to TSC shop.	\$150,000	\$5,850,000
11	Sinclair Bridge Replacement	ADA and safety required repairs to deteriorating bridge including new pilings.	\$350,000	\$6,200,000
12	Mechanical Systems Upgrades	Repair and upgrade to various mechanical systems that are deteriorating and reaching maximum life expectancy.	\$500,000	\$6,700,000



FIRE LIFE SAFETY PROJECTS

BUILDING NAME	Bldg #	REPAIR/UPGRADE	SQUARE FOOTAGE
1 Physical Sciences	19	No FLS system	50,296
2 Chemistry	20	No FLS system	54,924
3 Adel Mathematics	26	No FLS system	42,301
4 Geology Annex	13	No FLS system	7,707
5 Employee Assistance and Wellness	19A	No FLS system	1,513
6 Biological Sciences	21	No FLS system	92,365
7 Hospitality Resource and Research	32	No FLS system	2,773
8 Fronske Health Center	41	No FLS system	12,829
9 Duplicating Services	57	No FLS system	4,323
10 DuBois Conference Center	63/64	No FLS system	80,235
11 South Heating Plant	67	No FLS system	6,351
12 PD/HASTC	34	No FLS system	27,030
13 Plateau Center	24	No FLS system	65,821
14 Gammage	1	One-half system still needs upgrades	41,383
15 Hanley	7	Aging system in need of upgrade	15,205
16 Geology	12	Aging system in need of upgrade	22,048
17 Riles	15	Aging system in need of upgrade	30,400
18 Peterson	22	Aging system in need of upgrade	38,493
19 Babbitt Academic Annex	23	Aging system in need of upgrade	38,906
20 Recreation Center	25	Aging system in need of upgrade	44,905
21 HRM	33A	Aging system in need of upgrade	13,621
22 ROTC	47A	Aging system in need of upgrade	28,058
23 Counseling and Testing	26A	Aging system in need of upgrade	6,558
24 Cline Library	28	Aging system in need of upgrade	194,922
25 Bookstore	35	Aging system in need of upgrade	37,823
26 Learning Resource Center	61	Aging system in need of upgrade	17,774
27 Social and Behavioral Science	65	Aging system in need of upgrade	65,055
28 Rolle	68	Aging system in need of upgrade	37,141
29 Nursing	72	Aging system in need of upgrade	18,400
30 Skydome	73	Aging system in need of upgrade	265,056
31 Capital Assets and Services	77	Aging system in need of upgrade	117,314
32 Ceramics	80	Aging system in need of upgrade	8,542
33 Health Professions	66	Aging system in need of upgrade	58,840

TOTAL SQUARE FEET 1,548,912

NORTHERN ARIZONA UNIVERSITY

Wayfinding / Landscaping

PHASE I -CONCEPTUAL WF/LS ESTIMATE

ITEM NO.	DESCRIPTION	QUANTITY (UNITS)	UNIT	UNIT COST	TOTAL
1	Existing Primary PedWay Demolition	111,120	sf	\$1.25	\$138,900
2	Primary PedWay Grading	111,120	sf	\$0.15	\$16,668
3	Primary PedWay 6" x 12" Concrete Header	27,780	lf	\$10.00	\$277,800
4	Primary PedWay Stamped/Colored Concrete	55,560	sf	\$3.75	\$208,350
5	Primary PedWay Plain Concrete	55,560	sf	\$1.90	\$105,564
6	Primary PedWay Landscaping	92,650	sf	\$1.25	\$115,813
7	Campus Entry Monument Landscaping	6	ea	\$3,000.00	\$18,000
8	Primary PedWay Stations - 16' x 16' Canopy w/Fabric Roof	38	ea	\$5,120.00	\$194,560
9	Primary PedWay Pole Lighting	230	ea	\$1,200.00	\$276,000
10	Miscellaneous Landscape Lighting	235	ea	\$100.00	\$23,500
11	Primary PedWay Station Lighting	38	ea	\$700.00	\$26,600
12	Primary PedWay Bollards at Streets	104	ea	\$400.00	\$41,600
13	Blue Emergency Call Poles	100	ea	\$800.00	\$80,000
14	Vehicular Directional Signage	100	ea	\$2,250.00	\$225,000
15	Building Entry Marker Signage	150	ea	\$3,803.00	\$570,450
16	Campus Entry Directory	6	ea	\$10,000.00	\$60,000
17	Posting Boards - Campus Wide	30	ea	\$5,500.00	\$165,000
18	Electronic Event Sign	1	ea	\$45,000.00	\$45,000
19	Pedestrian Directional Signage	40	ea	\$2,250.00	\$90,000
	SUBTOTAL				\$2,678,805
20	General Conditions	6	mos	\$30,000.00	\$180,000
21	Bonds & Insurance - 2.7%		ls	\$72,328.00	\$72,328
22	Markup - 6%		ls	\$160,728.00	\$160,728
23	Contingency - 10%		ls	\$267,881.00	\$267,881
24	Sales Tax - 5.265%		ls	\$141,039.00	\$141,039
	SUBTOTAL				\$3,500,781
25	A/E Design / Geotech Report / Material Testing / Etc.		ls	\$420,094.00	\$420,094
26	Project Management Fees		ls	\$100,000.00	\$100,000
34	SUBTOTAL SITEWORK				\$4,020,875

EXECUTIVE SUMMARY

ARIZONA BOARD OF REGENTS

2005 CAPITAL DEVELOPMENT PLAN – PROJECT JUSTIFICATION REPORT

Northern Arizona University – Building System Repair and Replacement
(NAU Project Number: 09.002.051)

1. Project Need:

The Building System Repair and Replacement project consolidates a number of smaller projects that individually fall below the ABOR \$1 million threshold. In the past, State appropriations for Building Renewal (BR) have traditionally addressed issues that maintain and extend the useful life of campus buildings and infrastructure. The last building renewal appropriation was in fiscal year 2001 and represented approximately 23% of the requested amount. Unfunded state appropriated building renewal approaches \$45 million. Building and infrastructure improvements are necessary to maintain a campus environment that facilitates the university's core mission of instruction and research.

A list of individual projects has been generated and prioritized to establish potential project scope. These projects include code required improvements in facilities, other building renewal eligible repairs, and classroom and technology upgrades. For example, Building 24, the Plateau Center which houses the mechanical plant for north campus, as well as the sculpture studio and quaternary studies, is identified for renovation to eliminate code violations and relocate programs. Further evaluations are planned to refine all intended projects and their scope, examine benefits, review potential costs and confirm the expected life of each project in relation to the bond payment period. The project was created after confirming that state funded building renewal would not be appropriated in FY 2005.

2. Programming and Design Costs, and Exceptions (if Required), to Achieve Project Implementation:

Programming and design costs for the project through schematic design will not exceed the limits defined in ABOR Policy, Chapter VII (7-107.D.3.).

3. Estimated Project Scope and Cost:

Initially, over 50 items were identified as projects needing funds to correct known deficiencies. The list was evaluated and prioritized into 11 critical projects including regulatory and code required improvements, failed roofing, and deteriorated sidewalks and bridges whose cumulative need for repair put students, staff and the university at risk. Individually each project is estimated at less than \$1 million and several are scheduled to begin concurrently. The cumulative project budget is \$6.7 million funded by system revenue bonds supported by general university funds.

Pending approval, NAU is planning a \$15 million dollar system revenue bond sale. NAU will support this bond issuance with general university funds; however, it is seeking in the FY 2006 budget request direct legislative appropriation to support the debt service for this bond issuance. If the university is unsuccessful in gaining a legislative appropriation it will continue to pay the debt service from general university funds.

EXECUTIVE SUMMARY

4. Conformance with ABOR Space Guidelines:

The project objective is to extend the useful life of existing facilities by correcting building and infrastructure deficiencies. The project will conform to ABOR space guidelines where applicable and feasible given constraints within existing buildings.

5. Project Compliance with Mission, Strategic Plans, and Campus Master Development Plans and Community Input Process:

Mission and Strategic Plans: The Building System Repair and Replacement project will support the university's strategic goal of renovation of academic buildings. Extending the useful life of facilities is crucial to meeting the basic university mission of instruction and research.

Campus Master Plans/Land use: The proposed renovations are consistent and congruent with the land use pattern identified in the current approved Campus Master Plan. Extending the useful life of campus facilities for academic functions and research tasks supports the master plan objective and is consistent with traffic management patterns and promotion of a pedestrian campus.

Community Input Process: As part of President Haeger's community outreach plan, capital projects are shared with a variety of city agencies and authorities, as well as Flagstaff community service organizations. These presentations and meetings include participants from diverse cultures and educational backgrounds within the city of Flagstaff and surrounding region. In addition, these same presentations and information sharing opportunities have been offered to the campus community, e.g. user groups, students, departments, etc.

6. Fiscal Impact and Financing Plan:

Total Project Budget:	\$6,700,000
Source of Funds:	System Revenue Bonds
Operation & Maintenance:	NA
Annual Debt Service:	\$422,100

7. Backfill / Use Plan:

There is no release space associated with this project.

8. Alternatives:

Reinstate state appropriated Building Renewal funding.

9. Related projects and proposals: NA

EXECUTIVE SUMMARY

ACTION ITEM: Request Project Implementation Approval, Building System Repair and Replacement

ISSUE: Northern Arizona University seeks Project Implementation Approval for the Building System Repair and Replacement project in various campus buildings.

PREVIOUS BOARD ACTION: Project received Capital Development Approval September 2004

PROJECT DESCRIPTION:

- The Building System Repair and Replacement project consolidates a number of smaller projects that individually fall below the ABOR \$1 million threshold. In the past, State appropriations for Building Renewal (BR) have traditionally addressed issues that maintain and extend the useful life of campus buildings and infrastructure. The last building renewal appropriation was in fiscal year 2001 and represented approximately 23% of the requested amount. Unfunded state appropriated building renewal approaches \$45 million. Building and infrastructure improvements are necessary to maintain a campus environment that facilitates the university's core mission of instruction and research.
- A list of individual projects has been generated and prioritized to establish potential project scope. These projects include code required improvements in facilities, other building renewal eligible repairs, and classroom and technology upgrades. For example, Building 24, the Plateau Center which houses the mechanical plant for north campus, as well as the sculpture studio and quaternary studies, is identified for renovation to eliminate code violations and relocate programs. Further evaluations are planned to refine the intended project scope, examine benefits, review potential costs and confirm the expected life of each project in relation to the bond payment period. The project was created after confirming that state funded building renewal would not be appropriated in FY 2005.
- The total project budget is \$6.7 million funded by system revenue bonds supported by general university funds. Pending approval, NAU is planning a \$15 million dollar system revenue bond sale. NAU will support this bond issuance with general university funds; however, it is seeking in the FY 2006 budget request direct legislative appropriation to support the debt service for this bond issuance. If the university is unsuccessful in gaining a legislative appropriation it will continue to pay the debt service from general university funds.

FISCAL IMPACT AND FINANCING PLAN:

Debt Ratio Impact: The debt ratio approved by the Board in the university's Capital Improvement Plan for FY 2006-2008 projects is 5.5% of total projected expenditures and mandatory transfers (State Law Basis, max 8%) and 7.4% of projected unrestricted expenditures and mandatory transfers (ABOR Policy basis, max 10%). The Building System Repair and Replacement project will increase the university debt ratio by .10% under the legislative method and .12% under the ABOR method.

CONTACT: M.J. McMahon, Executive Vice President
(928) 523-6515 MJ.McMahon@nau.edu

EXECUTIVE SUMMARY

PROJECT JUSTIFICATION:

The proposed improvements are needed to maintain a campus environment that supports the university instruction and research mission. These include federal and state mandated fire life safety system upgrades, mandated elevator code compliance upgrades, roof replacements, mechanical and electrical systems replacement or renovation, asbestos regulatory compliance projects, chemical and hazardous waste system code required compliance renovations, ADA compliance projects, and general building system projects. In addition, classroom upgrades and program relocations are required to meet program delivery technology needs and code requirements.

STRATEGIC OBJECTIVES:

Mission and Strategic Plans: The Building Repair and Replacement project will support the university's strategic goal of renovation of academic buildings. Extending the useful life of facilities is crucial to meeting the basic university mission of instruction and research.

Campus Master Plans/Land use: The proposed renovations are consistent and congruent with the land use pattern identified in the current approved Campus Master Plan. Extending the useful life of campus facilities for academic functions and research tasks supports the master plan objective and is consistent with traffic management patterns and promotion of a pedestrian campus.

Community Input Process: As part of President Haeger's community outreach plan, capital projects are shared with a variety of city agencies and authorities, as well as Flagstaff community service organizations. These presentations and meetings include participants from diverse cultures and educational backgrounds within the city of Flagstaff and surrounding region. In addition, these same presentations and information sharing opportunities have been offered to the campus community, e.g. user groups, students, departments, etc.

RECOMMENDATION:

Resolved, that Northern Arizona University be granted Project Implementation Approval for the Building System Repair and Replacement project and is authorized to proceed to complete design and construction documentation.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Northern Arizona University

Project Name: Building System Repair and
Replacement

Project Description / Location: Campus projects include federal and state mandated fire life safety system upgrades, mandated elevator code compliance upgrades, roof replacements, mechanical and electrical systems replacement or renovation, asbestos regulatory compliance projects, chemical and hazardous waste system code required compliance renovations, ADA compliance projects, and general building system projects. In addition, classroom upgrades and program relocations are required to meet program delivery technology needs and code requirements.

Project Schedule (Beginning Month/Year):

PIA Approval	September 2004 (planned)
Project Approval	November 2004
Construction Start	December 2004
Construction Completion	December 2005

Project Budget:

Total Project Cost	\$6,700,000
Direct Construction Cost	\$ NA
Total Project Cost per GSF	\$ NA
Construction Cost per GSF	\$ NA
Change in Annual O&M Costs	\$ NA

Funding Sources:

Capital

A. System Revenue Bonds \$6,700,000

(System revenue bonds supported by general university funds. Pending approval, NAU is planning a \$15 million dollar system revenue bond sale. NAU will support this bond issuance with general university funds; however, it is seeking in the FY 2006 budget request direct legislative appropriation to support the debt service for this bond issuance. If the university is unsuccessful in gaining a legislative appropriation it will continue to pay the debt service from general university funds.)

B. Grant

Operation / Maintenance

A. General University Funds \$NA

EXECUTIVE SUMMARY

Capital Project Budget Summary

University: Northern Arizona University
Project Name: Building System Repair and Replacement

	<u>Project Implementation Approval</u>	<u>Project Approval</u>
Capital Costs		
1. Land Acquisition		
2. Construction Cost		
A. New Construction		
B. Renovation	\$5,250,000	
C. Special Fixed Equipment		
D. Site Development		
E. Parking and Landscaping		
F. Utilities Extensions		
G. Demolition		
H. Inflation Adjustment		
Subtotal Construction Cost	\$5,250,000	
3. Fees (% of Construction Cost)		
A. Construction Manager		
B. Engineer/Architect	\$577,500	
C. Other: Lab/Telecom/Commissioning	\$57,750	
D. Reimbursables		
Subtotal Consultant Fees	\$635,250	
4. FF&E Moveable / Move-in Costs		
5. Contingency, Design Phase (2%)	\$12,705	
6. Contingency, Constr. Phase (6.5%)	\$525,000	
7. Parking Reserve		
8. Telecommunications Equipment		
Subtotal Items 4 - 8	\$537,705	
9. Additional University Costs		
A. Surveys and Tests	\$57,750	
B. Physical Plant Inspections	\$33,237	
C. Public Art / Other		
D. Printing Advertising	\$14,438	
E. Asbestos – fire curtain	\$18,778	
F. Project Management Cost	\$131,004	
H. State Risk Mgmt Ins.	\$21,838	
Subtotal Additional University Costs	\$277,045	
TOTAL CAPITAL COST	\$6,700,000	

EXECUTIVE SUMMARY

ARIZONA BOARD OF REGENTS

2005 CAPITAL DEVELOPMENT PLAN – PROJECT JUSTIFICATION REPORT

Northern Arizona University – Wayfinding / Landscaping Infrastructure
(NAU Project Number: 08.080.042)

1. Project Need:

This project directly addresses the university environment by enhancing its image along the campus's perimeter edges and continuing into the elongated interior areas through the addition of landscaping, lighting, identity graphics, and wayfinding signage. Areas of impact include key intersections and primary entrances with landscaping and signage to create a sense of arrival and establish stronger identity gateways for the university. Over the years, campus wayfinding has evolved and lacks a common look and consistent design. The project will make the campus more understandable to students, first-time visitors and the Flagstaff community. The project will encompass consistent signage and develop areas which are visually enduring, relatively maintenance-free, and which complement the natural vegetation and architectural character of the campus.

With over 30 statewide locations, 736 acres of campus, and 23 miles of sidewalks and pedways, wayfinding is crucial to the student experience.

In addition, the project will address consistent identity for the university moving forward with the work of the strategic consultants Lipman Hearne, as well as establishment of a stronger visual identity through a variety of mechanisms including new vehicular and pedestrian directional signs, campus orientation maps, student posting areas, vehicular and building markers, building entry plaques and architectural letters, parking and regulatory signs, ADA signs, and message centers. Improvement in the pedestrian wayfinding system will contribute to campus cohesiveness, determine destination priorities, and refine circulation routes.

2. Programming and Design Costs, and Exceptions (if Required), to Achieve Project Implementation:

Programming and design costs for the project through schematic design will not exceed the limits defined in ABOR Policy, Chapter VII (7-107.D.3.).

3. Estimated Project Scope and Cost:

Included in this project are landscaping improvements and additions throughout campus to develop a consistent look and theme, removal of interior parking and re-landscaping of the emptied lots as per the NAU Master Plan, exterior lighting additions and replacements, identity graphics, and wayfinding signage. Total cost is estimated to be \$4 million funded by system revenue bonds supported by general university funds.

Pending approval, NAU is planning a \$15 million dollar system revenue bond sale. NAU will support this bond issuance with general university funds; however, it is seeking in the FY 2006 budget request direct legislative appropriation to support the debt service for this bond issuance. If the university is unsuccessful in gaining a legislative appropriation it will continue to pay the debt service from general university funds.

EXECUTIVE SUMMARY

4. Conformance with ABOR Space Guidelines:

The project objective is wayfinding and landscaping identities. The project will conform to ABOR space guidelines where applicable and feasible given constraints within existing buildings.

5. Project Compliance with Mission, Strategic Plans, University Marketing and Campus Master Development Plans and Community Input Process:

Mission, Strategic Plans and University Marketing: The Wayfinding / Landscaping Infrastructure enhances defined goals within NAU's Strategic Plan including recruitment and retention of students, establishment of NAU as an outstanding undergraduate residential learning community, and improvement in the student academic experience. Improvement in the pedestrian wayfinding system will contribute to campus cohesiveness, determine destination priorities, and refine circulation routes which all factor into the overall student campus experience.

Campus Master Plans/Land use:

The project is consistent with the land use identified in the master plan approved spring 2001. Planning, wayfinding, directing, and identifying buildings are essential, integral elements in the use of this area.

Community Input Process: As part of President Haeger's community outreach plan, capital projects are shared with a variety of city agencies and authorities, as well as Flagstaff community service organizations. These presentations and meetings include participants from diverse cultures and educational backgrounds within the city of Flagstaff and surrounding region. In addition, these same presentations and information sharing opportunities have been offered to the campus community, e.g. user groups, students, departments, etc.

6. Fiscal Impact and Financing Plan:

Total Project Budget:	\$4,000,000
Source of Funds:	System Revenue Bonds
Operation & Maintenance:	\$110,000
Annual Debt Service:	\$252,000

7. Backfill / Use Plan:

There is no release space associated with this project.

8. Alternatives: NA

9. Related projects and proposals: NA

EXECUTIVE SUMMARY

ACTION ITEM: Request Project Implementation Approval, Wayfinding / Landscaping Infrastructure

ISSUE: Northern Arizona University seeks Project Implementation Approval to implement improvements and additions in landscaping, exterior lighting, interior parking (deletions), identity graphics, and wayfinding signage.

PREVIOUS BOARD ACTION: Project received Capital Development Approval September 2004

PROJECT DESCRIPTION:

This project directly addresses the university environment by enhancing its image along the campus' perimeter edges and continuing into the elongated interior areas through the addition of landscaping, lighting, identity graphics, and wayfinding signage. Areas of impact include key intersections and primary entrances with landscaping and signage to create a sense of arrival and establish stronger identity gateways for the university. Over the years, campus wayfinding has evolved and lacks a common look and consistent design. The project will make the campus more understandable to students, first-time visitors and the Flagstaff community. The project will encompass consistent signage and develop areas which are visually enduring, relatively maintenance-free, and which complement the natural vegetation and architectural character of the campus. With over 30 statewide locations, 736 acres of campus, and 23 miles of sidewalks and pedways, wayfinding is crucial to the student experience.

In addition, the project will address consistent identity for the university moving forward with the work of the strategic consultants Lipman Hearne, as well as establishment of a stronger visual identity through a variety of mechanisms including new vehicular and pedestrian directional signs, campus orientation maps, student posting areas, vehicular and building markers, building entry plaques and architectural letters, parking and regulatory signs, ADA signs, and message centers. Improvement in the pedestrian wayfinding system will contribute to campus cohesiveness, determine destination priorities, and refine circulation routes.

The total project budget is \$4 million to be funded by system revenue bonds. Pending approval, NAU is planning a \$15 million dollar system revenue bond sale. NAU will support this bond issuance with general university funds; however, it is seeking in the FY 2006 budget request direct legislative appropriation to support the debt service for this bond issuance. If the university is unsuccessful in gaining a legislative appropriation it will continue to pay the debt service from general university funds. Operations and Maintenance will be funded through General Fund Appropriations (GFA)

FISCAL IMPACT AND FINANCING PLAN:

Debt Ratio Impact: The debt ratio approved by the Board in the university's Capital Improvement Plan for FY 2006-2008 projects is 5.5% of total projected expenditures and mandatory transfers (State Law Basis, max 8%) and 7.4% of projected unrestricted expenditures and mandatory transfers (ABOR Policy basis, max 10%). The Wayfinding/ Landscaping Infrastructure project will increase the university debt ratio by .060% under the legislative method and .072% under the ABOR method.

CONTACT: M.J. McMahon, Executive Vice President
(928) 523-6515 MJ.McMahon@nau.edu

EXECUTIVE SUMMARY

PROJECT JUSTIFICATION:

The graphic identity of an organization embodies its goals and objectives, its image and aspirations. It is imperative that NAU clearly define itself as restructuring occurs on campus and the ABOR pursues further changes within the university system. NAU must convey itself to students, faculty, the local community and state at large as a thriving university pursuing excellence in its academics and residential campus. To accomplish that, all identity and wayfinding must be applied consistently. The new identity and wayfinding system will replace the many confusing symbols and inconsistent or non existent signage. Landscaping is a natural accompaniment to wayfinding / exterior signage, maps, etc.

STRATEGIC OBJECTIVES:

Mission and Strategic Plans: The Wayfinding / Landscaping Infrastructure enhances defined goals within NAU's Strategic Plan including recruitment and retention of students, establishment of NAU as a premier undergraduate residential learning community, and improvement in the student academic experience. Improvement in the pedestrian wayfinding system will contribute to campus cohesiveness, determine destination priorities, and refine circulation routes which all factor into the overall student campus experience.

Campus Master Plans/Land use:

The project is consistent with the land use identified in the master plan approved spring 2001. Planning, wayfinding, directing, and identifying buildings are essential, integral elements in the use of this area.

Community Input Process: As part of President Haeger's community outreach plan, capital projects are shared with a variety of city agencies and authorities, as well as Flagstaff community service organizations. These presentations and meetings include participants from diverse cultures and educational backgrounds within the city of Flagstaff and surrounding region. In addition, these same presentations and information sharing opportunities have been offered to the campus community, e.g. user groups, students, departments, etc.

RECOMMENDATION:

Resolved, that Northern Arizona University be granted Project Implementation Approval for the Wayfinding / Landscaping Infrastructure project and is authorized to proceed to complete design and construction documentation.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Northern Arizona University

Project Name: Wayfinding / Landscaping
Infrastructure

Project Description / Location: The project will address consistent identity for the university, as well as establishment of a stronger visual identity through a variety of mechanisms including new vehicular and pedestrian directional signs, campus orientation maps, student posting areas, vehicular and building markers, building entry plaques and architectural letters, parking and regulatory signs, ADA signs, and message centers. Improvement in the pedestrian wayfinding system will contribute to campus cohesiveness, determine destination priorities, and refine circulation routes.

Project Schedule (Beginning Month/Year):

PIA Approval	September 2004 (planned)
Project Approval	May 2005
Construction Start	June 2005
Construction Completion	August 2006

Project Budget:

Total Project Cost	\$4,000,000
Direct Construction Cost	\$NA
Total Project Cost per GSF	\$NA
Construction Cost per GSF	\$NA
Change in Annual O&M Costs	\$110,000

Funding Sources:

Capital

A. System Revenue Bonds \$4,000,000

(Pending approval, NAU is planning a \$15 million dollar system revenue bond sale. NAU will support this bond issuance with general university funds; however, it is seeking in the FY 2006 budget request direct legislative appropriation to support the debt service for this bond issuance. If the university is unsuccessful in gaining a legislative appropriation it will continue to pay the debt service from general university funds.)

B. Grant

Operation / Maintenance

A. General University Funds \$110,000

EXECUTIVE SUMMARY

Capital Project Budget Summary

University: Northern Arizona University
Project Name: Wayfinding / Landscaping Infrastructure

	<u>Project Implementation Approval</u>	<u>Project Approval</u>
Capital Costs		
1. Land Acquisition		
2. Construction Cost		
A. New Construction	\$3,188,082	
B. Renovation		
C. Special Fixed Equipment		
D. Site Development		
E. Parking and Landscaping		
F. Utilities Extensions		
G. Demolition		
H. Inflation Adjustment		
Subtotal Construction Cost	\$3,188,082	
3. Fees (% of Construction Cost)		
A. Construction Manager		
B. Engineer/Architect	\$350,689	
C. Other: Lab/Telecom/Commissioning		
D. Reimbursables		
Subtotal Consultant Fees	\$350,689	
4. FF&E Moveable / Move-in Costs		
5. Contingency, Design Phase (2%)	\$7,014	
6. Contingency, Constr. Phase (6.5%)	\$318,808	
7. Parking Reserve		
8. Telecommunications Equipment		
Subtotal Items 4 - 8	\$325,822	
9. Additional University Costs		
A. Surveys and Tests	\$35,069	
B. Physical Plant Inspections		
C. Public Art / Other		
D. Printing Advertising	\$8,767	
E. Asbestos – fire curtain		
F. Project Management Cost	\$78,431	
H. State Risk Mgmt Ins.	\$13,140	
Subtotal Additional University Costs	\$135,407	
TOTAL CAPITAL COST	\$4,000,000	

STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: October 7, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jake Corey, Senior Fiscal Analyst

SUBJECT: School Facilities Board – Review of Lease-to Own Projects

Request

Pursuant to A.R.S. § 15-2004, the School Facilities Board (SFB) requests the Committee review its list of \$50 million in potential new school construction projects to be financed with lease-purchase agreements in FY 2005. The total amount of FY 2005 lease-purchase agreements is \$250 million. At the June 2004 meeting the Committee reviewed the other \$200 million of projects. In addition, the board requests the Committee review its slightly revised list of projects from the June 2004 meeting.

Recommendation

The Committee has at least two options:

- 1) Favorably review all projects.
- 2) Defer action on the Cave Creek Unified District land lease item until more information is received on the financing of the project, but favorably review all remaining projects. There are a number of questions concerning the Cave Creek lease and size of the parcel.

For the \$50 million lease-purchase agreement, the board has submitted for review 4 construction projects and the Cave Creek land lease. The total value of the land and construction projects is \$49.8 million. The term of the lease-purchase agreement will be 15 years. At a projected interest rate of 3.96%, SFB estimates the FY 2006 debt service payment to be \$2.1 million and remaining annual payments in the range of \$4.7 to \$5.0 million. Total debt service is estimated to be about \$70.4 million, which includes \$50.0 million in principal and \$20.4 million in interest. The following table shows the estimated costs associated with the lease-purchase financing agreement.

Construction Proceeds	\$ 49,835,200
Issuance Cost	153,000
Underwriting Fee	115,000
Insurance	119,700
Total Issuance	\$50,222,900

For the \$200 million lease-purchase agreement, the board submitted for review *potential* lease-purchase projects to be included in the agreement at the June 2004 Committee meeting. The board received a favorable review at the meeting; however, the *actual* list of projects has been slightly revised to include a project that was not submitted at the June meeting.

Analysis

A.R.S. § 15-2004 grants SFB the authority to enter into lease-purchase agreements to pay for the costs of new school construction. Before any agreement takes effect, the statute requires the board to submit for Committee review the projects related to the agreement.

\$50 Million Agreement

The 4 construction projects and the land lease the board estimates will be included in the \$50 million agreement are detailed in SFB *Attachment 1*. Regarding the 4 construction projects:

- Approximately 2,850 students will be housed in the space provided by the projects.
- All 4 projects are for new schools.
- Three of the projects are for K-8 space and 1 is for high school space.
- Two of the projects are under construction and two have been approved by the board.
- Two of the projects include the cost of land.
- Geographically, two of the projects are located in the West Valley of Phoenix, 1 is located in Pinal County, and 1 is located in the Tucson area.

The land lease is for a site in Cave Creek Unified School District where construction on a K-5 school has already begun. The term of the lease is 75 years. The construction cost of the school, as well as the first year land lease payment, was included in a \$200 million lease-purchase agreement entered into in FY 2004. The \$16.1 million that is included in the current \$50 million lease-purchase agreement will be used to pay off the remaining 74 years of the lease agreement.

A.R.S. § 15-2041 allows the board to provide monies to lease rather than purchase land if the length of the lease exceeds the life expectancy of the school by at least 50%. Per A.R.S. § 37-221, any monies the State Land Department receives from the lease of state lands for public education are transferred to the SFB New School Facilities Fund. By entering into a lease with the State Land Department, any monies SFB spends to make the lease payments are automatically returned to the board. The net cost to SFB to lease the land, therefore, is zero.

If the board had purchased the site from the State Land Department, the purchase price of the land would have been deposited in the Permanent State Land Trust. This option, however, would have cost the state \$16 million. The disadvantage of entering into a lease agreement is that the Permanent Trust Fund does not receive any monies. Interest earnings from the Trust are ultimately transferred to the Classroom Site Fund for distribution to K-12 school districts. On an annual basis, this is a loss of about \$1 million to the Classroom Site Fund.

The \$16.1 million cost for the land in Cave Creek is due to the 160 acre size of the site. The size of the parcel is considerably larger than the 17 acres allotted to the K-5 school. The board has indicated that in the future the district would add a middle school and a high school to the site. The board estimates building the high school in FY 2008 or FY 2009, and the middle school later.

\$200 Million Agreement

The actual projects to be included in the \$200 million lease-purchase agreement are identified in SFB *Attachment 2*. When SFB submitted its list of potential projects in June, the list included one project in Gilbert Unified School District that had been approved by the board in FY 2004. Since then the board has decided to delay construction on that project. The board has instead decided to include a project in Gilbert that was approved in FY 2003. The FY 2003 approved project was not included in the prior submittal as the district was not in possession of the land at that time. The district has since obtained the land and is ready to begin construction.

Including both the current \$50 million agreement and the previous \$200 million transaction, the board plans to enter into a total of \$250 million in lease-purchase agreements in FY 2005.

RS/JC:jb

Attachments (2)



STATE OF ARIZONA
SCHOOL FACILITIES BOARD

Governor of Arizona
Janet Napolitano

Executive Director
William Bell

September 30, 2004

The Honorable Russell Pearce
Chairman
Joint Committee on Capital Review

The Honorable Bob Burns
Vice Chairman
Joint Committee on Capital Review



Dear Representative Pearce and Senator Burns:


Pursuant to A.R.S. 15-2004, the School Facilities Board is required to provide to the Joint Committee on Capital Review the projects related to the lease-to-own (LTO) financing 2004 C. The School Facilities Board (SFB) anticipates completing this transaction in November of this year. Attached is the list of projects that Board staff has identified as potential LTO projects. Until each district listed on the report has signed and returned the lease documents, the list cannot be finalized. We will provide the final list to you before the transaction is finalized.

Please note that one of the projects in this list (Cave Creek Unified) was also included in the 2003 B transaction. The Cave Creek school was built on leased property from the State Land Department. The 2003 B LTO included the construction cost and the first year lease payment. The balance of the 75-year lease is now due and will be financed in the 2004 C LTO.

In addition to the projects anticipated for 2004 C, the SFB also plans to replace one project included in the 2004 B LTO. This project in the Gilbert School District is no longer being funded in this fiscal year. This delay is due to less than projected ADM growth in that district.

Please feel free to contact me if you have questions or would like to discuss the report.

Sincerely,


William Bell
Executive Director

Cc: Richard Stavneak
David Jankofsky

Lease To Own 2004 C Project List

District	Project Number	Project Type	Grade Level	Number of Students	Square Footage	Status	Total NC Funding	Land	Total LTO
Cave Creek Unified District	070293000-9999-004	New School	K-5			Construction	\$0	\$16,134,671	\$16,134,671
Union Elementary District	070462000-9999-002N	New School	K-8	800	73,920	Construction	\$7,448,142	\$1,154,300	\$8,602,442
Litchfield Elementary District	070479000-9999-004N	New School	K-5	800	72,000	Board Approved	\$7,353,360	\$225,654	\$7,579,014
Vail Unified District	100220000-9999-008N	New School	9-12	800	107,200	Construction	\$13,382,848	\$0	\$13,382,848
Maricopa Unified School District	110220000-9999-008N	New School	K-6	450	40,500	Board Approved	\$4,136,265	\$0	\$4,136,265

Total \$32,320,615 \$17,514,625 \$49,835,240

To be removed from LTO 2004 B

Gilbert Unified District	070241000-9999-007N	New School	K-6	952	85,680	Board Approved	\$8,750,498	\$0	\$8,750,498
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To be added to LTO 2004 B

Gilbert Unified District	070241000-9999-006N	New School	K-6	952	85,680	Board Approved	\$8,397,497	\$1,087,915	\$9,485,412
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Lease To Own 2004 B Projected Project List

District	Project Number	Project Type	Grade Configuration	Number of Students	New Construction Funding	Land Funding	Total LTO
Avondale Elementary District	070444000-9999-003N	New School	K-8	900	\$8,126,534		\$8,126,534
Buckeye Elementary	070431000-9999-006N	Buildout	K-8	400	\$2,676,976		\$2,676,976
Buckeye Elementary District	070433000-9999-004N	Core	K-8	400	\$4,771,166		\$4,771,166
Cartwright Elementary District	070483000-9999-009	New School	K-6	289	\$2,654,563		\$2,654,563
Cartwright Elementary District	070483000-9999-007N	Additional Space	K-6	365	\$3,218,452		\$3,218,452
Chandler Unified District	070280000-9999-006N	New School	7-8	850	\$5,716,718		\$5,716,718
Chandler Unified District	070280000-9999-006N	Buildout	7-8	1200	\$6,980,698	\$2,160,000	\$9,140,698
Coconino Accommodation District	030199000-9999-201N	New School	7-12	250	\$4,391,516	\$775,000	\$5,166,516
Deer Valley Unified District	070297000-9999-012N	New School	K-8	900	\$8,257,788		\$8,257,788
Deer Valley Unified District	070297000-9999-013N	New School	K-8	900	\$8,257,788		\$8,257,788
Dysart Unified	070289000-9999-010N	New School	K-8	1,000	\$9,560,628		\$9,560,628
Dysart Unified	070289000-9999-009N	New School	K-8	1,000	\$9,560,628		\$9,560,628
Florence Unified School District	110201000-9999-004N	New School	K-8	1100	\$10,092,852	\$262,600	\$10,355,452
Fowler Elementary	070445000-9999-004N	New School	K-5	750	\$6,893,775		\$6,893,775
Fowler Elementary	070445000-9999-006N	Buildout	6-8	400	\$2,866,937		\$2,866,937
Gilbert Unified	070241000-9999-006N	New School	K-6	958	\$8,397,497	\$1,087,915	\$9,485,412
Higley Unified District	070260000-9999-002N	New School	K-8	1025	\$9,794,367		\$9,794,367
Humboldt Unified District	130222000-9999-001N	New School	K-5	650	\$5,984,550		\$5,984,550
JO Combs	110344000-9999-003N	Additions	K-5	750	\$6,893,775		\$6,893,775
Liberty Elementary District	070425000-9999-221N	New School	K-8	800	\$7,296,643		\$7,296,643
Litchfield Elementary	070479000-9999-005N	Buildout	6-8	450	\$3,225,370		\$3,225,370
Littleton Elementary	070465000-9999-005N	Buidout	K-8	972	\$9,292,951		\$9,292,951
Palominas Elementary	020349000-9999-001N	Additions	K-8	250	\$2,509,815		\$2,509,815
Queen Creek Unified	070295000-9999-004N	School	K-5	700	\$6,434,190		\$6,434,190
Queen Creek Unified	070295000-9999-007N	Addition	9-12	300	\$5,018,568		\$5,018,568
Riverside Elementary District	070402000-9999-001N	New School	5-8	450	\$4,280,985		\$4,280,985
Roosevelt Elementary District	070466000-9999-003N	New School	K-8	800	\$7,340,256		\$7,340,256
Sunnyside Unified	100212000-9999-001N	School	K-5	600	\$5,515,020		\$5,515,020

District	Project Number	Project Type	Grade Configuration	Number of Students	New Construction Funding	Land Funding	Total LTO
Sunnyside Unified	100212000-9999-002N	School	6-8	700	\$7,167,500		\$7,167,500
Vail Unified	100220000-9999-007	New School	6-8	650	\$6,655,589		\$6,655,589
Yavapai Accommodation District	130199000-9999-001N	New School	9-12	40	\$390,124		\$390,124
Yuma Elementary	140401000-9999-001N	School	K-5	600	\$5,515,020		\$5,515,020
Total				21,399	\$195,739,239	\$4,285,515	\$200,024,754

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
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ANDY BIGGS
TOM BOONE
EDDIE FARNSWORTH
PHIL LOPES
LINDA J. LOPEZ
JOHN LOREDO

DATE: October 7, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jake Corey, Senior Fiscal Analyst

SUBJECT: School Facilities Board – Review of FY 2005 Building Renewal Allocation Plan

Request

Pursuant to A.R.S. § 15-2031, the School Facilities Board (SFB) requests that the Committee review its proposal to distribute \$70 million of Building Renewal Fund monies for FY 2005.

Recommendation

The JLBC Staff recommends a favorable review of the proposed distribution of monies. The board would distribute the \$70 million in two equal \$35 million installments in November 2004 and May 2005. The formula calculation generated a \$135 million amount. The board was allocated \$70 million for building renewal in FY 2005.

Analysis

The Building Renewal Fund is established by A.R.S. § 15-2031 to provide funding for school districts to maintain the adequacy of existing school facilities. Building renewal monies are intended for major renovations and repairs, systems upgrades to extend the life of a building, infrastructure, and relocation and placement of portable buildings. Statute requires the Committee to review the board's plan for distributing Building Renewal Funds to school districts prior to their being allocated. A.R.S. § 15-2031E requires these amounts be distributed in two equal installments in November and May, after Committee review.

The budget provides a total of \$70 million for Building Renewal in FY 2005. The proposed allocation to each district appears in the attached letter from the board. To determine individual district distributions, SFB has taken the district proportion of the \$135 million total calculated amount and has applied these ratios to the \$70 million figure.

In FY 2003, school districts spent \$44 million from their local building renewal funds. The FY 2003 year-end balance for all districts was \$135 million. (FY 2004 data is not yet available. Statute requires districts to report prior year building renewal activity to SFB by October 15.)

Regarding the on-going building renewal litigation, the Arizona Court of Appeals recently ruled that the plaintiff school districts did not show that underfunding the building renewal formula negatively impacted the districts' ability to meet academic standards. The Court of Appeals remanded the case to a trial court, where it is currently in the discovery phase.

RS/JC:jb
Attachment



STATE OF ARIZONA
SCHOOL FACILITIES BOARD

Governor of Arizona
Janet Napolitano

Executive Director
William Bell

September 29, 2004

The Honorable Russell Pearce
Chairman
Joint Committee on Capital Review

The Honorable Robert Burns
Vice Chairman
Joint Committee on Capital Review



Dear Representative Pearce and Senator Burns:

Pursuant to A.R.S. 15-2031, the School Facilities Board is required to provide to the Joint Committee on Capital Review the current year computation of building renewal and the amounts that will be distributed by district. That document is attached as "FY 2005 Building Renewal by District". The School Facilities Board requests that this item be placed on the agenda for review at the next meeting of the Joint Committee on Capital Review.

Sincerely,

William Bell
Executive Director

Cc: Richard Stavneak
David Jankofsky
George Cunningham
Becky Hill

Attachments

FY 2005 Building Renewal By District

CTD	District	Formula Amount	Available for Distribution (\$70 million)
070516000	Agua Fria Union High School District	\$564,597	\$292,983
070363000	Aguila Elementary District	\$6,159	\$3,196
100215000	Ajo Unified District	\$266,429	\$138,256
070468000	Alhambra Elementary District	\$1,126,088	\$584,354
010307000	Alpine Elementary District	\$0	\$0
100351000	Altar Valley Elementary District	\$110,395	\$57,287
100210000	Amphitheater Unified District	\$3,349,951	\$1,738,370
140550000	Antelope Union High School District	\$181,859	\$94,371
020342000	Apache Elementary District	\$4,017	\$2,085
110243000	Apache Junction Unified District	\$602,222	\$312,508
070447000	Arlington Elementary District	\$0	\$0
020453000	Ash Creek Elementary District	\$21,513	\$11,163
130231000	Ash Fork Unified District	\$109,946	\$57,054
070444000	Avondale Elementary District	\$294,762	\$152,959
130220000	Bagdad Unified District	\$94,011	\$48,784
070431000	Balsz Elementary District	\$265,754	\$137,906
130326000	Beaver Creek Elementary District	\$50,572	\$26,243
020209000	Benson Unified District	\$301,616	\$156,516
150576000	Bicentennial Union High School District	\$91,944	\$47,712
020202000	Bisbee Unified District	\$690,341	\$358,235
060322000	Blue Elementary District	\$1,430	\$742
090232000	Blue Ridge Unified District	\$628,271	\$326,025
050316000	Bonita Elementary District	\$39,773	\$20,639
150426000	Bouse Elementary District	\$0	\$0
020214000	Bowie Unified District	\$158,111	\$82,047
070433000	Buckeye Elementary District	\$89,998	\$46,702
070501000	Buckeye Union High School District	\$116,402	\$60,404
080415000	Bullhead City Elementary District	\$374,392	\$194,281
130228000	Camp Verde Unified District	\$163,103	\$84,638
130350000	Canon Elementary District	\$14,681	\$7,619
070483000	Cartwright Elementary District	\$1,620,661	\$841,000
110404000	Casa Grande Elementary District	\$675,761	\$350,669
110502000	Casa Grande Union High School District	\$207,026	\$107,431
100216000	Catalina Foothills Unified District	\$540,500	\$280,479
070293000	Cave Creek Unified District	\$389,591	\$202,168
090225000	Cedar Unified District	\$160,389	\$83,230
130314000	Champie Elementary District	\$0	\$0
070280000	Chandler Unified District	\$2,336,115	\$1,212,266
030305000	Chevelon Butte School District	\$0	\$0
010224000	Chinle Unified District	\$729,307	\$378,455
130251000	Chino Valley Unified District	\$307,735	\$159,691
080411000	Chloride Elementary District	\$51,261	\$26,601
130403000	Clarkdale-Jerome Elementary District	\$44,370	\$23,025
060203000	Clifton Unified District	\$152,480	\$79,126
020326000	Cochise Elementary District	\$59,111	\$30,674
030199000	Coconino Accommodation District	\$0	\$0

FY 2005 Building Renewal By District

CTD	District	Formula Amount	Available for Distribution (\$70 million)
080214000	Colorado City Unified District	\$29,478	\$15,297
080502000	Colorado River Union High School District	\$357,755	\$185,648
010306000	Concho Elementary District	\$802	\$416
130317000	Congress Elementary District	\$2,702	\$1,402
100339000	Continental Elementary District	\$46,305	\$24,029
110221000	Coolidge Unified District	\$660,261	\$342,626
130406000	Cottonwood-Oak Creek Elementary District	\$274,627	\$142,511
140413000	Crane Elementary District	\$382,443	\$198,459
070414000	Creighton Elementary District	\$909,877	\$472,157
130341000	Crown King Elementary District	\$9,423	\$4,890
070297000	Deer Valley Unified District	\$2,755,401	\$1,429,844
020345000	Double Adobe Elementary District	\$37,525	\$19,473
020227000	Douglas Unified District	\$1,285,691	\$667,176
060202000	Duncan Unified District	\$220,839	\$114,599
070289000	Dysart Unified District	\$720,642	\$373,958
060345000	Eagle Elementary District	\$0	\$0
020412000	Elfrida Elementary District	\$42,666	\$22,140
110411000	Eloy Elementary District	\$307,577	\$159,609
100337000	Empire Elementary District	\$0	\$0
030201000	Flagstaff Unified District	\$2,866,635	\$1,487,566
110201000	Florence Unified School District	\$317,955	\$164,994
100208000	Flowing Wells Unified District	\$1,304,791	\$677,088
020381000	Forrest Elementary District	\$0	\$0
070298000	Fountain Hills Unified District	\$215,312	\$111,731
070445000	Fowler Elementary District	\$141,851	\$73,610
030206000	Fredonia-Moccasin Unified District	\$137,347	\$71,273
020100000	Ft Huachuca Accommodation District	\$0	\$0
050207000	Ft Thomas Unified District	\$116,089	\$60,241
140432000	Gadsden Elementary District	\$131,388	\$68,180
010220000	Ganado Unified District	\$281,090	\$145,864
070224000	Gila Bend Unified District	\$205,104	\$106,433
070241000	Gilbert Unified District	\$2,388,859	\$1,239,637
070440000	Glendale Elementary District	\$1,236,832	\$641,822
070505000	Glendale Union High School District	\$2,580,125	\$1,338,889
040201000	Globe Unified District	\$758,098	\$393,395
050199000	Graham County Special Services	\$6,073	\$3,151
030204000	Grand Canyon Unified District	\$131,028	\$67,994
060100000	Greenlee Alternative School District	\$278	\$144
060199000	Greenlee County Accommodation District	\$0	\$0
080403000	Hackberry School District	\$1,800	\$934
040241000	Hayden-Winkelman Unified District	\$315,901	\$163,929
090206000	Heber-Overgaard Unified District	\$130,539	\$67,740
070260000	Higley Unified District	\$43,842	\$22,750
130335000	Hillside Elementary District	\$11,344	\$5,886
090203000	Holbrook Unified District	\$583,431	\$302,757
130222000	Humboldt Unified District	\$427,481	\$221,830

FY 2005 Building Renewal By District

CTD	District	Formula Amount	Available for Distribution (\$70 million)
140416000	Hyder Elementary District	\$150,968	\$78,341
100240000	Indian Oasis-Baboquivari Unified District	\$287,429	\$149,154
070405000	Isaac Elementary District	\$792,173	\$411,078
110344000	J O Combs Elementary District	\$30,101	\$15,620
090202000	Joseph City Unified District	\$368,603	\$191,277
090227000	Kayenta Unified District	\$585,086	\$303,615
080404000	Kingman Elementary District	\$827,628	\$429,476
130323000	Kirkland Elementary District	\$11,454	\$5,944
050309000	Klondyke Elementary District	\$0	\$0
070428000	Kyrene Elementary District	\$1,761,626	\$914,150
080201000	Lake Havasu Unified District	\$751,731	\$390,091
070459000	Laveen Elementary District	\$177,202	\$91,954
070425000	Liberty Elementary District	\$139,659	\$72,472
070479000	Litchfield Elementary District	\$400,882	\$208,027
080409000	Littlefield Elementary District	\$42,783	\$22,201
070465000	Littleton Elementary District	\$178,803	\$92,785
070438000	Madison Elementary District	\$894,796	\$464,331
030310000	Maine Consolidated District	\$28,726	\$14,906
110208000	Mammoth-San Manuel Unified District	\$717,447	\$372,301
100206000	Marana Unified District	\$1,696,103	\$880,149
070199000	Maricopa County Regional District	\$172,898	\$89,721
070177000	Maricopa County Regional Special Services District	\$0	\$0
110220000	Maricopa Unified School District	\$328,521	\$170,478
110100000	Mary C O'Brien Accommodation District	\$81,801	\$42,449
130243000	Mayer Unified District	\$129,873	\$67,394
010323000	McNary Elementary District	\$2,610	\$1,354
020355000	McNeal Elementary District	\$0	\$0
070204000	Mesa Unified District	\$12,620,093	\$6,548,871
040240000	Miami Unified District	\$378,905	\$196,623
130504000	Mingus Union High School District	\$256,683	\$133,199
070386000	Mobile Elementary District	\$44,677	\$23,184
080199000	Mohave County Accommodation District	\$0	\$0
080530000	Mohave Union High School District	\$686,476	\$356,229
080416000	Mohave Valley Elementary District	\$174,844	\$90,731
140417000	Mohawk Valley Elementary District	\$52,182	\$27,078
060218000	Morenci Unified District	\$324,069	\$168,167
070375000	Morristown Elementary District	\$39,097	\$20,288
070421000	Murphy Elementary District	\$392,947	\$203,910
020323000	Naco Elementary District	\$10,492	\$5,445
070381000	Nadaburg Elementary District	\$0	\$0
090199000	Navajo County Accommodation District	\$805	\$418
120201000	Nogales Unified District	\$1,396,836	\$724,852
110302000	Oracle Elementary District	\$121,615	\$63,109
070408000	Osborn Elementary District	\$419,616	\$217,749
080406000	Owens-Whitney Elementary District	\$39,444	\$20,469
030208000	Page Unified District	\$916,859	\$475,780

FY 2005 Building Renewal By District

CTD	District	Formula Amount	Available for Distribution (\$70 million)
070449000	Palo Verde Elementary District	\$29,121	\$15,112
070394000	Paloma Elementary District	\$25,013	\$12,980
020349000	Palominas Elementary District	\$103,047	\$53,473
070269000	Paradise Valley Unified District	\$4,156,021	\$2,156,660
150227000	Parker Unified School District	\$889,200	\$461,427
120406000	Patagonia Elementary District	\$34,303	\$17,801
120520000	Patagonia Union High School District	\$0	\$0
040210000	Payson Unified District	\$490,035	\$254,291
080208000	Peach Springs Unified District	\$94,270	\$48,919
020422000	Pearce Elementary District	\$46,294	\$24,023
070492000	Pendergast Elementary District	\$721,644	\$374,479
070211000	Peoria Unified District	\$3,273,687	\$1,698,795
070401000	Phoenix Elementary District	\$1,065,419	\$552,872
070510000	Phoenix Union High School District	\$5,586,146	\$2,898,786
110433000	Picacho Elementary District	\$24,756	\$12,847
100100000	Pima Accommodation District	\$5,267	\$2,733
050206000	Pima Unified District	\$150,432	\$78,063
110199000	Pinal County Special Education Program	\$0	\$0
040312000	Pine Strawberry Elementary District	\$34,268	\$17,782
090204000	Pinon Unified District	\$77,992	\$40,472
020464000	Pomerene Elementary District	\$24,051	\$12,481
130201000	Prescott Unified District	\$1,336,457	\$693,520
150404000	Quartzsite Elementary District	\$105,674	\$54,837
070295000	Queen Creek Unified District	\$237,483	\$123,236
110203000	Ray Unified District	\$240,438	\$124,769
010227000	Red Mesa Unified District	\$320,063	\$166,089
110405000	Red Rock Elementary District	\$20,951	\$10,872
100344000	Redington Elementary District	\$0	\$0
070402000	Riverside Elementary District	\$63,866	\$33,142
070466000	Roosevelt Elementary District	\$1,642,150	\$852,152
010210000	Round Valley Unified District	\$540,374	\$280,413
020366000	Rucker Elementary District	\$0	\$0
110418000	Sacaton Elementary District	\$141,971	\$73,672
070390000	Saddle Mountain Unified District	\$88,235	\$45,787
050201000	Safford Unified District	\$490,195	\$254,374
100230000	Sahuarita Unified District	\$425,900	\$221,010
150430000	Salome Consolidated Elementary District	\$10,779	\$5,593
040220000	San Carlos Unified District	\$262,726	\$136,335
100335000	San Fernando Elementary District	\$1,902	\$987
020218000	San Simon Unified District	\$113,838	\$59,073
010218000	Sanders Unified District	\$162,354	\$84,249
120328000	Santa Cruz Elementary District	\$49,464	\$25,668
120235000	Santa Cruz Valley Unified District	\$269,384	\$139,790
110540000	Santa Cruz Valley Union High School District	\$276,357	\$143,408
999999000	School Facilities Board	\$0	\$0
070248000	Scottsdale Unified District	\$4,222,065	\$2,190,931

FY 2005 Building Renewal By District

CTD	District	Formula Amount	Available for Distribution (\$70 million)
130209000	Sedona-Oak Creek Joint Unified District	\$235,755	\$122,339
130240000	Seligman Unified District	\$166,652	\$86,480
070371000	Sentinel Elementary District	\$469	\$243
090210000	Show Low Unified District	\$543,373	\$281,969
020268000	Sierra Vista Unified District	\$933,300	\$484,312
130315000	Skull Valley Elementary District	\$509	\$264
090205000	Snowflake Unified District	\$499,096	\$258,993
050305000	Solomon Elementary District	\$111,505	\$57,863
140411000	Somerton Elementary District	\$129,350	\$67,123
120425000	Sonoita Elementary District	\$11,401	\$5,916
020221000	St David Unified District	\$113,916	\$59,114
010201000	St Johns Unified District	\$359,625	\$186,618
110424000	Stanfield Elementary District	\$135,492	\$70,310
100212000	Sunnyside Unified District	\$2,077,294	\$1,077,958
110215000	Superior Unified District	\$345,116	\$179,089
100213000	Tanque Verde Unified District	\$148,117	\$76,861
070403000	Tempe Elementary District	\$2,532,089	\$1,313,962
070513000	Tempe Union High School District	\$3,177,933	\$1,649,106
050204000	Thatcher Unified District	\$177,529	\$92,124
070417000	Tolleson Elementary District	\$78,804	\$40,894
070514000	Tolleson Union High School District	\$600,642	\$311,688
110422000	Toltec Elementary District	\$90,236	\$46,826
020201000	Tombstone Unified District	\$150,196	\$77,940
040333000	Tonto Basin Elementary District	\$10,450	\$5,423
080412000	Topock Elementary District	\$11,344	\$5,887
030215000	Tuba City Unified District	\$991,363	\$514,442
100201000	Tucson Unified District	\$14,590,480	\$7,571,353
070462000	Union Elementary District	\$1,510	\$783
100220000	Vail Unified District	\$277,453	\$143,977
080422000	Valentine Elementary District	\$8,120	\$4,214
020522000	Valley Union High School District	\$115,746	\$60,063
010309000	Vernon Elementary District	\$23,403	\$12,145
130307000	Walnut Grove Elementary District	\$0	\$0
070406000	Washington Elementary District	\$4,355,968	\$2,260,417
140424000	Wellton Elementary District	\$107,863	\$55,973
150419000	Wenden Elementary District	\$69,079	\$35,847
090220000	Whiteriver Unified District	\$442,484	\$229,616
070209000	Wickenburg Unified District	\$448,201	\$232,583
020213000	Willcox Unified District	\$454,010	\$235,597
030202000	Williams Unified District	\$182,267	\$94,583
130302000	Williamson Valley Elementary District	\$0	\$0
070407000	Wilson Elementary District	\$314,633	\$163,271
010208000	Window Rock Unified District	\$1,090,831	\$566,058
090201000	Winslow Unified District	\$529,325	\$274,680
130352000	Yarnell Elementary District	\$0	\$0
130199000	Yavapai Accommodation District	\$0	\$0

FY 2005 Building Renewal By District

CTD	District	Formula Amount	Available for Distribution (\$70 million)
040305000	Young Elementary District	\$15,470	\$8,028
080413000	Yucca Elementary District	\$16,054	\$8,331
140199000	Yuma County Accommodation District	\$0	\$0
140401000	Yuma Elementary District	\$1,330,994	\$690,685
140570000	Yuma Union High School District	\$1,231,040	\$638,816
Total		\$134,894,470	\$70,000,000

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
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1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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HOUSE OF
REPRESENTATIVES

RUSSELL K. PEARCE
CHAIRMAN 2004
ANDY BIGGS
TOM BOONE
EDDIE FARNSWORTH
PHIL LOPES
LINDA J. LOPEZ
JOHN LOREDO

DATE: October 7, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Tony Vidale, Senior Fiscal Analyst

SUBJECT: Department of Public Safety – Review of Remote Officer Housing Project

Request

The Department of Public Safety (DPS) requests Committee review of the scope, purpose, and estimated cost of the Remote Officer Housing Project. A.R.S. § 41-1252 requires Committee review of capital projects.

Recommendation

The JLBC Staff recommends a favorable review of the request. The project would consist of constructing 2 housing units in Ajo and 1 housing unit in Seligman, at a total estimated cost of \$355,700.

Analysis

Laws 2004, Chapter 276 appropriated \$360,000 from the Arizona Highway Patrol Fund to DPS to install 3 housing units for officers stationed in remote areas of the state. The department provides housing for officers stationed in remote parts of the State where adequate housing is not readily available. The use of remote housing allows DPS to provide better coverage of rural Arizona and faster response times to collisions and other emergencies.

The department would replace 3 housing units, 2 located in Ajo and 1 in Seligman, with double-wide modular homes at an estimated total cost of \$355,700. The project will consist of purchasing the housing units, completing site-work (concrete work, grading, and fencing), and infrastructure work consisting of installing water, electrical and telephone lines and septic

(Continued)

systems. The department estimates work on the 3 sites will begin in November 2004 and be complete by June 2005. The following table lists the estimated costs of the various project components. The costs appear reasonable and are consistent with the intent of the appropriation.

Estimated Costs for Remote Officer Housing	
<u>Ajo (2 units)</u>	
Housing Units	\$ 134,000
Site-work	106,300
Storage Sheds	5,000
Contingency (5%)	<u>12,300</u>
Ajo Subtotal	\$ 257,600
<u>Seligman (1 unit)</u>	
Housing Unit	\$ 67,200
Site-work	23,800
Storage Shed	2,500
Contingency (5%)	<u>4,600</u>
Seligman Subtotal	\$ 98,100
Project Total	\$ 355,700

RS/TV:jb

ARIZONA DEPARTMENT OF PUBLIC SAFETY

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



JANET NAPOLITANO
GOVERNOR

DENNIS A. GARRETT
DIRECTOR

October 1, 2004

Mr. Richard Stavneak, Director
Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007



Dear Mr. Stavneak:

Laws 2004, Chapter 276 appropriates \$360,000 from the Arizona Highway Patrol Fund to the Department of Public Safety for Remote Officer Housing. Our original intent was to expend all of these monies to install three housing units in Ajo. On September 2, we sent a letter to the Chairman of the Joint Committee on Capital Review, Representative Pearce, with modifications to this plan. We have a further modification that will actually bring the plan more in line with the original intent.

As shown in the attached information, we now intend to install two units in Ajo and one unit in Seligman. The change in plan represents a shift in established needs and circumstances surrounding affected personnel. The Seligman unit was already reflected in our FY 2005 Capital Improvement Plan.

Per A.R.S. 41-1252 (c), the JCCR must review the intended scope, purpose, and estimated cost of this project before the Department can expend the monies. With this letter, we request placement on the next available agenda. We understand that the JCCR is tentatively scheduled to meet on October 14.

We can provide additional information to your staff prior to the meeting date. If you have any questions, please contact Phil Case, DPS Comptroller, at (602) 223-2463.

Sincerely,

A handwritten signature in dark ink, reading "Dennis A. Garrett". The signature is stylized with a large, sweeping "D" and a long, horizontal stroke at the end.

Dennis A. Garrett, Colonel
Director

Attachments

SELIGMAN ESTIMATE

8/10/2004

1.	Rough grade site & building pad	3,000.00
2.	Septic System (connect to existing)	700.00
3.	Water lines and meter	2,000.00
4.	Housing Unit	67,200.00
5.	Electrical, pole, meter and disconnect	2,000.00
6.	Telephone line trenching and backfill	600.00
7.	Concrete Work, carports, walks and patios	5,000.00
8.	Carport Covers and Porch Covers	4,500.00
9.	Fencing	4,000.00
10.	Storage Sheds	2,500.00
11.	Final grade driveway	2,000.00
	Sub-total	93,500.00
	5% Contingency	4,625.00
	Total	98,175.00

AJO ESTIMATE - 2 UNITS

9/13/2004

1.	Rough grade site, building pads, roads and culverts	38,000.00
2.	Septic systems	10,000.00
3.	Water lines	8,000.00
4.	Housing Units	134,000.00
5.	Electrical, poles, meters and disconnects	4,000.00
6.	Telephone line trenching and backfill	2,000.00
7.	Concrete Work, carports, walks and patios	10,000.00
8.	Carport Covers and Porch Covers	9,000.00
9.	Fencing	6,000.00
10.	Storage Sheds	5,000.00
11.	Final grade, roads and driveways	9,300.00
12.	Civil Engineering	10,000.00
Sub-total		245,300.00
5% Contingency		12,265.00
Total		257,565.00

REMOTE HOUSING ESTIMATE

9/13/2004

	Housing with normal infrastructure & amenities	Site related infrastructure
AJO - 2 UNITS	194,600	50,700
SELIGMAN - 1 UNIT	93,500	
SUB TOTAL	288,100	50,700
5% Contingency	14,405	2,535
TOTAL	302,505	53,235

GRAND TOTAL	355,740
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REMOTE HOUSING ESTIMATE

9/13/2004

AJO - 2 UNITS	257,565
SELIGMAN - 1 UNIT	98,175
TOTAL	355,740

STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: October 7, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Shelli Carol, Fiscal Analyst

SUBJECT: Arizona State University – Report on ASU Scottsdale Center for New Technology and Innovation

Request

At its September 2004 meeting, the Committee received information from JLBC Staff and Arizona State University (ASU) on a new partnership between the ASU Foundation (ASUF) and the City of Scottsdale. Together, the two organizations will construct the ASU Scottsdale Center for New Technology and Innovation at the site of the former Los Arcos Mall in Scottsdale. Envisioned as a blending of research park, business park, and university campus, bringing together the disciplines of engineering, art, science, and entrepreneurship, the center will house certain ASU units and private technology businesses.

As no representatives from ASUF were available to answer the Committee's more detailed questions, the Committee tabled the item for a meeting where ASUF spokespeople could attend. ASU has indicated that ASUF will send representatives to the October 14 meeting to address the Committee's concerns.

The remainder of this memo is identical to information the Committee received at its September 2004 meeting.

Recommendation

This item is for information only and no Committee action is required. JLBC Staff recommends that:

- The Committee request annual updates from ASUF on the project, including physical progress, construction costs, pre-leasing and leasing activity and rates, gross revenues, debt service, and payments to the City of Scottsdale.
- ASU report to the Committee, when appropriate, on the lease rate for and amount of space the university will occupy at the Center.

(Continued)

ASUF has entered a 99-year ground lease for 37 acres in South Scottsdale. In consideration for the lease, ASUF must construct 1.2 million square feet of space by 2028, a project estimated to cost between

\$250 million and \$300 million, and reimburse the City of Scottsdale for the costs of the land and structural improvements, totaling \$81.4 million. If ASUF cannot or chooses not to meet the minimum schedule, the sole remedy of the City of Scottsdale is to cancel the lease on undeveloped portions of the site. ASUF would continue to own its constructed buildings and lease the developed land. The lease allows ASUF to transfer facility ownership to ASU or a private corporation, should it choose to do so in the future.

Analysis

On August 9, 2004, ASUF purchased the 42-acre site of the former Los Arcos Mall at Scottsdale and McDowell Roads in Scottsdale from The Ellman Companies. The foundation immediately sold the site to the City of Scottsdale at the same price, \$41.5 million. Due to ongoing issues between the City of Scottsdale and The Ellman Companies, ASUF became the intermediary in negotiations and transactions. ASUF and the city then signed a 99-year ground lease for 37 acres of the property. The lease also provides ASUF an option for one 99-year renewal. Scottsdale will retain the other 5 acres of the site for complementary commercial development.

Involved Parties

ASUF is a non-profit organization distinct and separate from ASU and exists to support the mission of the university. Therefore, ASU has no legal responsibility for any ASUF contracts. ASUF has the financial resources to construct the Center for New Technology and Innovation, as well as the legal freedom to sublet the site, as a benefit to ASU. ASUF and the City of Scottsdale will jointly hire, by next January, a master developer to design, construct, and operate the facility. The City of Scottsdale will prepare and build infrastructure at the site, while ASUF will be responsible for constructing the office and retail space. Any site plan will be subject to public comment from the surrounding communities.

ASU envisions that the center will house existing ASU innovation, enterprise, and education units, including research labs and office space. The facility will accommodate in whole or part: ASU Technopolis, which provides strategic coaching, courses, and workshops to technology and life sciences entrepreneurs; student-focused entrepreneurship programs; the Arts, Media, and Engineering Program; the Technology-Based Learning and Research Program; the ASU President's Enrichment Series; the ASU Institute for Advanced Studies; and Arizona Technology Enterprises, LLC, an ASU-affiliated technology commercialization company.

With these core elements, the ASU Scottsdale Center for New Technology and Innovation intends to attract emerging technology and advanced science companies. ASU also predicts the center will attract technology commercialization organizations, financial investment services, professional business support services, community education programs, and compatible retail shops.

Obligations

The City of Scottsdale is responsible for preparing the site, including rezoning and structural improvements such as the demolition of Los Arcos Mall, grading, environmental remediation, and the installation of streets, utilities, and public plazas. This process must be completed by January 2006. Should the city fail to conclude site preparations on time, the lease provides ASUF additional construction time equal to the city's delay. Scottsdale will also construct parking structures for up to 4,000 vehicles, but not before July 2007 and not before ASUF completes approximately 350,000 square feet of the project.

(Continued)

The lease requires ASUF to begin construction of the Center for New Technology and Innovation by August 2006. ASUF must then build a minimum of 150,000 square feet, estimated to house 450 jobs, by August 2007, with another minimum 150,000 square feet every three years, up to a total of at least 1.2 million square feet. The final facility, as envisioned, will consist of 90% office and lab space and 10% retail space, accommodating 3,600 workers. The contract requires project completion by 2028.

ASUF believes, based on market forecasts, that sufficient demand exists to construct the facility more rapidly than the lease requires. The foundation intends to begin construction in late 2005, completing an initial 250,000 square feet of buildings, estimated to house 750 jobs, by late 2006, with another 250,000 square feet every two years. At this rate, ASUF plans to complete the entire project by 2015.

In addition to the minimum required building schedule, the lease mandates that ASUF maintain the character of the complex as a facility for technology, innovation, and creativity. Until completion of 1.0 million square feet or 2025, whichever comes first, the majority of office space must house compatible tenants.

The City of Scottsdale will retain ownership of the land and its infrastructure improvements and will be responsible for their operation and maintenance. ASUF will own the buildings it constructs and will be responsible for their operation, maintenance, and property taxes. Scottsdale will not provide ASUF with any special consideration, fee waivers, or tax abatements.

The sole remedy of the City of Scottsdale, should ASUF fail to meet the schedule or character requirements of the lease, is to terminate the lease on any land undeveloped by the foundation. The city cannot cancel the lease or seize buildings on land in development or fully developed by ASUF. The lease permits no other liability. Therefore, the only penalty to ASUF for not meeting its obligations is the loss of its option to develop the remaining property.

Financing

City of Scottsdale

The City of Scottsdale will invest \$86.5 million in the Center for New Technology and Innovation, including the \$41.5 million land purchase and up to \$45 million in infrastructure improvements. The city issued Municipal Property Corporation bonds, backed by Scottsdale excise tax revenues, to purchase the land. Initially, the city expects to spend \$10 million to \$15 million from economic investment and capital contingency reserves to prepare the site. Once the facility has sufficient mass to necessitate parking structures, Scottsdale will fund the remaining \$30 million to \$35 million of structural work from existing capital funds or additional municipal bonds. The city's infrastructure improvements and debt service will not be dependent upon lease revenues from the center. Scottsdale estimates a total debt service between \$33 million and \$43 million.

ASUF

ASUF will be responsible for the costs, ranging between \$250 million and \$300 million, of constructing the buildings themselves and making any infrastructure improvements, if needed, beyond Scottsdale's \$45 million limit. ASUF will fund the endeavor through lease revenues.

To reduce its risk, ASUF will not initiate construction on additional space until the foundation succeeds in pre-leasing approximately 80% of the area. ASUF will collect facilities rent as well as parking fees. Of the foundation's annual net revenues from the center, which exclude operations and maintenance costs, building debt service payments, and capital expenditure reserves, half will go to the City of Scottsdale as lease payment, up to \$81.4 million. This value represents the city's initial cost for the land, minus 5 acres retained, and infrastructure improvements. ASUF will not repay Scottsdale for the city's debt service costs.

(Continued)

ASUF estimates that its repayment to the City of Scottsdale could take as long as 40 years, assuming construction of the entire 1.2 million square feet, but ASUF believes the market will support a more rapid payback. The foundation believes that the ASU brand can distinguish this center from standard office parks. ASUF anticipates that it can secure a return of at least 7.5% on its initial investment. Should the foundation choose to refinance or sell the facility anytime in the future, the foundation and the City of Scottsdale will share equally in the proceeds.

The lease requires ASUF to charge fair market rates to corporate tenants. However, ASUF will negotiate a rent discount, based on market rates, to ASU for areas occupied by the university. The foundation envisions that ASU will occupy approximately 20% of the space. However, the exact amount of the facility that will house ASU programs and the funding source for university lease payments are not certain at this time.

Rationale

ASUF believes that the Center for New Technology and Innovation will provide necessary space for ASU as it expands its programs. The lease provides maximum flexibility to the foundation with a minimum of risk, allowing ASUF to transfer ownership of completed facilities to ASU or private corporations, so long as the project continues to meet its educational mission. Additionally, the foundation's net profits ultimately support the university.

The City of Scottsdale, in addition to lease payments from ASUF, anticipates revenues from the 5 acres it has retained for commercial development. The city will also collect sales and property taxes from businesses locating in the center. Furthermore, Scottsdale foresees an indirect benefit of the facility in the redevelopment of surrounding communities now in economic decline.

Several Scottsdale City Council members have expressed concern over the city's large initial capital outlay. Should ASUF fail to develop the site or prove unable to retain sub-lessees, Scottsdale would face additional costs and complications in recovering the site.

RS/SC:jb

ASU/Scottsdale Center for New Technology and Innovation

Presented to
Scottsdale City Council, Businesses and Residents

by
Stephen Evans
ASU Foundation
June 28, 2004



Center Development Schedule and Impact

Our plan

250,000 sq ft of buildings (estimated 750 jobs) every two years.

Minimum Schedule (in lease)

150,000 sq ft of buildings (estimated 450 jobs) every three years.

<u>Event</u>	<u>ASUF Plan (cumulative)</u>	<u>Minimum Schedule (Cumulative)</u>
Clean up/landscaping	Immediate	Immediate
Start construction	2005	2006
Open Phase I	2006 (250K sq ft/750 jobs)	2007 (150K sq ft/450 jobs)
Open Phase II*	2008 (500K sq ft/1500 jobs)	2010 (300K sq ft/900 jobs)
Complete Center	2015 (1.2M sq ft/3600 jobs)	2028 (1.2M sq ft/3600 jobs)

*Center reaches critical mass at 300K sq ft/900 jobs



Center Development Schedule and Impact (con't)

Scottsdale Financial Investment

Costs

Land and infrastructure	\$ 87.0M	(\$81.4M of cost relates to the Center)
<u>Interest</u>	<u>\$ 38.0M</u>	(City estimate)
Total	\$125.0M	

Scottsdale Financial Benefit

Direct Benefit

ASUF lease payments	\$ 81.4M	(50% of net revenues)
Other lease revenues	\$ 8.0M	(from property retained by Scottsdale)
<u>Direct tax revenues</u>	<u>\$ 28.8M</u>	(City estimate)
Total direct revenues	\$118.2M	

Indirect Benefit

\$148.8M (City estimate)

Total Financial Benefit \$267.0M

ASU

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**ASU/Scottsdale Center
for New Technology and Innovation**

Presented to
Scottsdale City Council, Businesses and Residents

by
Michael M. Crow
President, Arizona State University
June 28, 2004



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Not a Real Estate Deal

- Participants —
 - City of Scottsdale
 - ASU Foundation
 - Arizona State University
- ASU's principal roles —
 - Conceptualize and design an original, world-class "assembly point" for knowledge/technology businesses (not a traditional research park, business park or university campus)
 - Place key ASU units in the Center to help attract a variety of businesses, entrepreneurs and knowledge workers



Economic Development in the Knowledge Economy

➤ Requirements

- highly-educated, “creative-class” workers
- innovative and creative businesses willing to take risks
- distinctive products and services
- venture capital
- universities and private research firms in alignment with local economic goals
- ability to act quickly
- good quality of place
- patience



Economic Development in the Knowledge Economy

➤ Innovation-driven industries create substantial wealth

- pay high wages
- spawn new businesses
- attract knowledge workers
- stimulate/revitalize local economies
- have global markets
- import money



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Technology Fusion

- Some promising new commercial opportunities
 - next-generation televisions and video displays
 - digital/holographic animation and special effects
 - virtual/mixed reality
 - smart clothing
 - entertainment and domestic robotics
 - skycars
 - intelligent personal medical devices
 - genetaceuticals
 - supermaterials
 - smarter, smaller everything



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At the Center

- ASU innovation, enterprise and education units
- Technology-focused businesses
- Retail: shops, cafes, restaurants
- Investors and financial services
- Digital and video artists
- Professional business support services
- Community education programs
- Technology commercialization organizations
- Other compatible businesses



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Innovation in Business and Technology (examples)

- ASU Technopolis
- Arizona Technology Enterprises, LLC
- ASU student-focused entrepreneurship programs
- Businesses that have or want alliances with ASU research and talent
- Technology-focused service providers
- Businesses that seek benefits of knowledge cluster critical mass



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Innovation in Digital Arts (examples)

- ASU's Arts, Media and Engineering Program
- Next generation simulation, gaming and digital entertainment entrepreneurs
- Grant-writing program for research opportunities at the nexus of information technology, digital arts and entertainment



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Innovation in Community Education (examples)

- ASU's Technology-Based Learning and Research program
- ASU's President's Enrichment Series
- Joint Scottsdale Community College-ASU programs
- ASU's Institute for Advanced Studies



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Why Businesses Will Engage

- Interaction with ASU units located in the Center
- Proximity to research and knowledge activities at ASU Main
- Scottsdale's national reputation, amenities, businesses and quality of life
- Proximity to route 101, airport
- Best-in-class architectural design
- Cluster of knowledge-business opportunities
- Nothing else like it in Southwest



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Going Forward

- Study and learn from technology parks, creativity centers, digital arts projects around the globe
- Add business themes that build on Scottsdale's, ASU's and Arizona's assets and aspirations
- Engage best-in-class architects
- Work with neighbors, businesses and the City to establish a design
- Identify potential additional partners
- Develop and market first building



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Concept Summary

- Original, world-class "assembly point" for technology businesses, researchers, knowledge workers and investors
- Attract a variety of businesses and retail tenants that reflect market realities
- Not a traditional research park or campus
- Focus on technology commercialization
- Transdisciplinary: intersection of engineering, art, science and entrepreneurship



Proposed ASU-Scottsdale Center for New Technology and Innovation

**Presentation to Scottsdale City Council
June 28, 2004**

City of Scottsdale
Economic Vitality Dept.

Purpose

- Review information on the proposal to create the "ASU-Scottsdale Center for New Technology and Innovation" on the former Los Arcos site.
- Discuss questions raised by the Council and the public.
- Hear a presentation by ASU regarding the proposal.
- Council action scheduled for July 6th.

Proposal

- The City has been approached by ASU about the potential of developing the former Los Arcos Mall site into a major technology, innovation, and creativity center. This site would contain about 1.2 million sq.ft., and could support as many as 4,000 relatively high paying jobs at buildout.

Proposal

- In order to facilitate this development, the City has been asked to purchase the Los Arcos site for \$41.5 million, enter into a long-term lease with the Arizona State University Foundation, and provide up to \$45 million in site related infrastructure. The transaction must be approved by the City no later than 7/9.

Key Terms and Conditions of the Proposed Los Arcos Land Purchase by the City

Purchase Agreement

- The ASUF has negotiated a purchase agreement with The Ellman Companies to acquire the former Los Arcos Mall site for \$41.5 million, subject to approval by the Council of the purchase and lease by 7/9, and close of escrow by 7/30. The site will be conveyed to the ASUF free and clear of all existing liens, and conveyed "as-is".

Key Terms and Conditions of the Proposed Lease between the City and ASUF

- Parties: City will own the land and enter into a ground lease with the Arizona State University Foundation Scottsdale L.L.C (ASUF)
- Leased Land: The City will lease to ASUF approximately 37 of the 42 acres of the former Los Arcos Mall site. The City will retain about 2 acres along Scts. Rd. for future development, and 3 acres east of 74th St.
- Name: "ASU-Scottsdale Center for New Technology and Innovation"

- Lease Term: 99 year initial lease term, with one 99 year option to extend.
- Development: At buildout, the Center is anticipated to have approx. 1.2 mil. sq.ft. of space (about 90% office); 3,000-4,000 parking spaces (primarily structured); and open space/public plazas. Total estimated cost to develop will be \$250-300 million.
- Development Standards: The maximum permitted FAR is 0.8; the maximum permitted height will be 60'.

- City Approvals: The development will be subject to all applicable City zoning, design review, and permitting processes. There will be no fee waivers or tax abatements by the City for this project.
- City Expenditures: City will provide site infrastructure up to \$45 million, including demolition, grading, environmental remediation, streets, utilities, parking structures, public art and plazas, etc.
- ASUF Expenditures: ASUF is responsible for the cost of constructing all the buildings, and for the Center's operation/maintenance.

- Minimum Development Schedule:

By 7/05: City entitlements complete and site infrastructure construction commenced

By 8/06: Construction must begin on at least 150,000 sq.ft.

By 8/07: Construction must be complete on at least 150,000 sq.ft.

By 8/10: Construction must be complete on at least another 150,000 sq.ft.

Every 3 years thereafter: Construction of at least another 150,000 sq.ft. must be completed

Complete buildout is required by 2028; current projections anticipate buildout by 2015.

- Nature of Center: At least 51% of the office leaseable area (excluding retail) of the first 150k must be occupied by tenants involved in technology, innovation, or creativity. Thereafter ASUF is required to maintain this character until at least 1 mil. sq.ft. are built or the year 2025, whichever is first.
- Remedies for Non-Performance: If ASUF fails to meet the development timetable or fails to maintain the nature of the center, the City has the right to use the undeveloped remainder of the property.

13. Rent Payments: ASUF will pay to the City, on an annual basis, a payment equal to 50% of the net revenues generated from this project up to a maximum cap of \$81.4 million (allocable share of \$86.5 mil. in land and infrastructure costs, exclusive of 5 acres retained by the City, but not debt service costs). Net revenues are gross revenues minus project related operation/maintenance expenses, building debt service payments, and capital expenditure/tenant improvement reserve funds. The City and ASUF will share equally in any refinance or sale proceeds.

City Financing

Paying for Land

- \$41.5 million land acquisition, plus closing costs, payable prior to 7/30/04
- Proposed approach: Issue \$42 million in Municipal Property Corp. (MPC) bonds, with 30 year amortization. These bonds are backed by the City's excise tax, rather than a specific revenue source. \$42 mil. would cover closing costs and bond issuance costs. The bonds may be issued in the future with a Reimbursement Resolution.
- MPC Board has met and approved this plan

Paying for Infrastructure

- Up to \$45 million for site infrastructure
- Spread out over several years:
 - \$10-15 million within first 1-2 years (for demolition, grading, streets, utilities, etc.) This could be paid for on a "pay-as-you-go" basis out of City reserves (i.e. Economic Investment Fund, capital contingency, etc.)
 - \$30-35 million 4+ years out (for building the structured parking). This could be paid for either through planned CIP funds, or through additional MPC bonds, if necessary.

Total City Obligations

- Land Acquisition: \$42 million
 - Infrastructure: \$45 million (cap)
 - Est. debt service: \$33-43 million
- Total: \$120-130 million

Issues Raised by Council and the Community

Issues

- Fiscal Analysis
- How would alternative uses compare
- Process (timing, use of emergency clause)
- Lack of direct retail on the site
- Will this create spillover benefits
- Schedule for improvements

1. Issue --Fiscal Impacts (Direct)

- Three sources of direct fiscal impacts:
 - Lease revenue from ASUF: up to \$81.4 million (anticipated to take 30-40 years)
 - Lease revenue on 5 acres: \$8 mil. (first 30 yrs.)
 - Direct tax revenues from the site (sales tax, property tax on buildings, construction sales tax, permits and fees, bed tax, etc.):
 - Over 30 yrs. w/o inflation: \$26-32 million
 - Over 30 yrs. w/ inflation: \$35-42 million
- Total est. direct fiscal impact: \$118 mil.

Fiscal Impacts - Indirect

- Staff analysis made 2 assumptions:
 - This would spur on redevelopment of key nearby commercial properties (such as Los Arcos Crossing and the K-Mart site), which would result in a net increase in City tax revenues of about \$43 million over 30 years.
 - This would stabilize the sales and property tax revenues in this area (currently declining), which would result in a net increase in City tax revenue of about \$103 mil. over 30 years.
- Total est. indirect fiscal impact: \$149 mil.

Fiscal Summary

- Total City obligations: land acquisition, site infrastructure, debt service on the bonds: \$125 mil.
- Total New City Revenues:
 - Direct from Project: \$118 mil.
 - Indirect from Area: \$149 mil.
 - Total: \$267 mil.
- Net impact: approximately \$142 million

2. Issue - Comparison of Alternatives

Net Fiscal Impact (revenues – costs) 30 yrs.

ASU Proposal:	+ \$142 million
All High Density Residential:	+ \$ 66 million
All Retail:	+ \$112 million
Mixed Use (retail/office/resid.)	+ \$114 million

Property Tax Comparison

- ASU proposal (property tax on the improvements only): \$5.15 mil.
- Residential option: \$1.28 mil.
- Retail option: \$1.26 mil.
- Mixed Use option: \$1.35 mil.

The difference is the result of the ASU project having a significantly higher assessed valuation, even without land

3. Issue – Process/Timing

- Concerns have been raised about the fast timing – need for action by 7/9 and need to close by 7/30 – and the use of the Emergency Clause
- Based on constraints imposed by the owner of the property
- Also, based on ASU's desire to move quickly with construction of first phase

4. Issue – Lack of Retail/Services

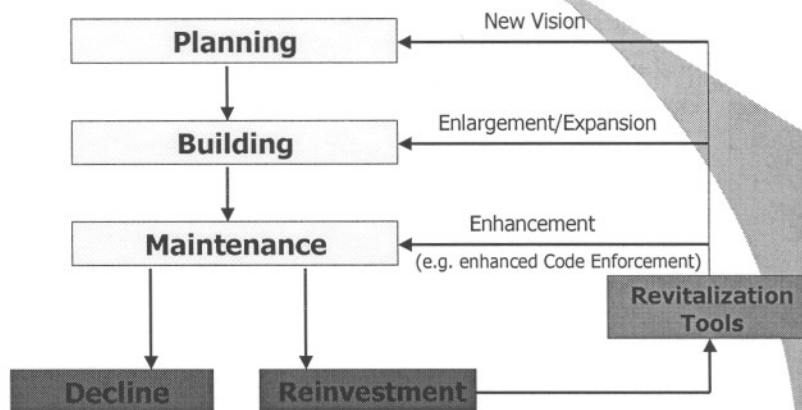
- Concerns have been raised by immediate neighborhood that this project will not provide the retail/services they desire
- Center is projected to have up to 10% of the site (max. 135,000 sq.ft.) developed as retail and support services
- Project has potential to be a catalyst for the revitalization of the area; key staff goal is working w/ key adjacent properties to facilitate new or renovated retail/services

5. Issue – Will this Create Spinoff Benefits in the Area

- Concerns have been raised about whether or not this use will create the types of positive impacts on the surrounding community to cause the revitalization of southern Scottsdale
- Ed Gawf – Deputy City Manager

Cycles of Community Change:

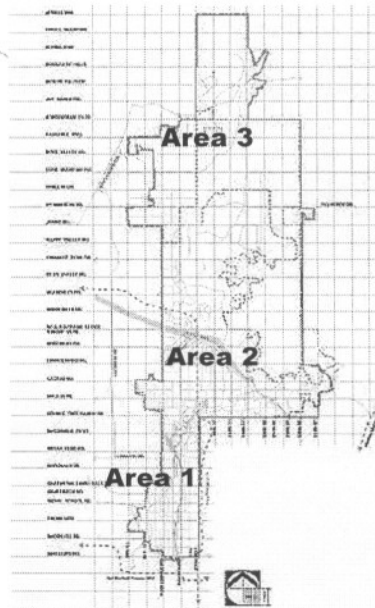
Dynamic, not Static – Most Communities (both residential and commercial) are going through one or more phases



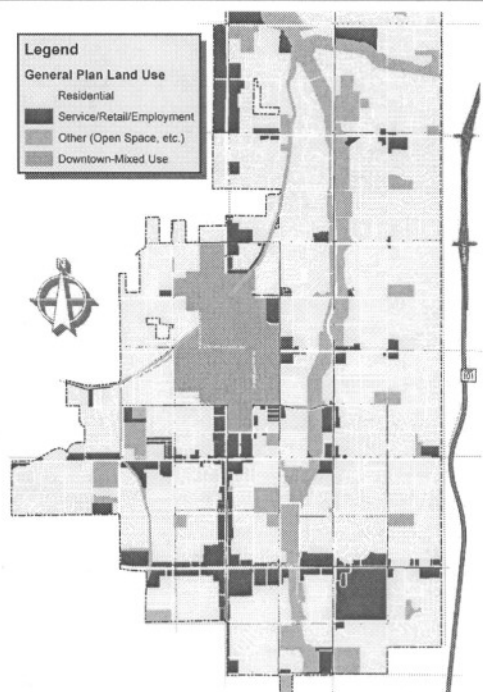
Cycles of Community Change in Scottsdale

All areas of Scottsdale (both residential & commercial) are going through one or more phases of Planning, Building or Maintenance.

- Area 3: 1980's to Present
Currently in Planning & Building Phases;
- Area 2: 1960's-1980's
Currently in Building and Maintenance Phases;
- Area 1: 1930's – 1960's
Maintenance Phase



Scottsdale South of Indian Bend Road

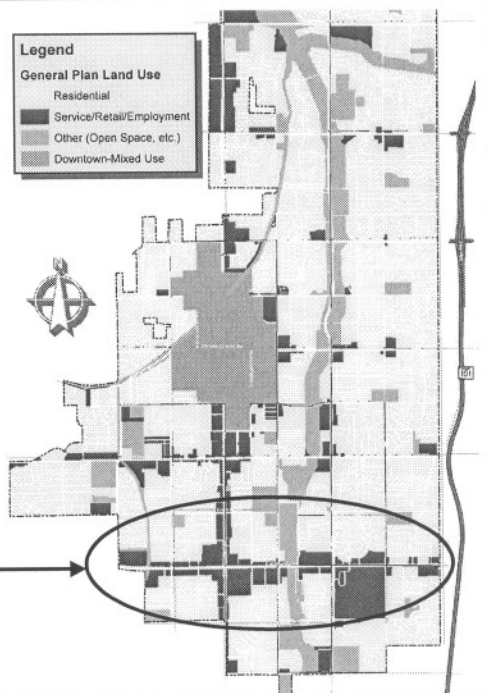


Principles of Revitalization:

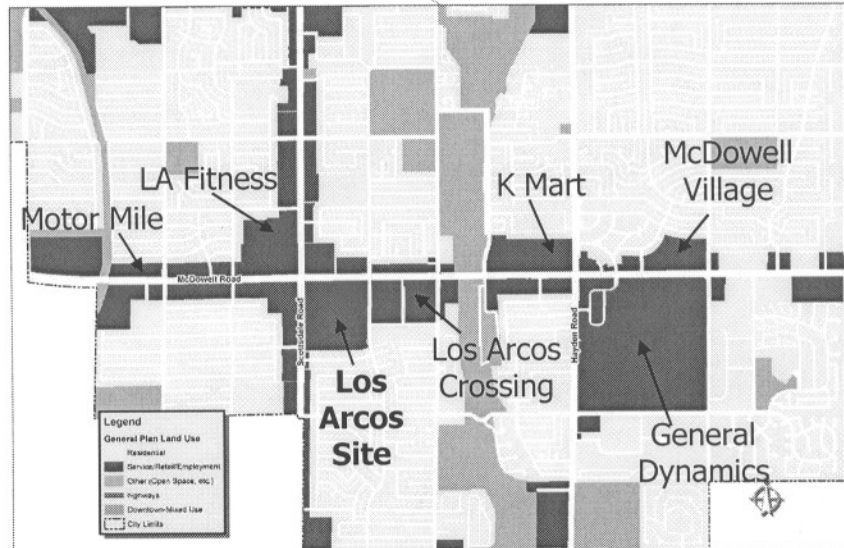
- **Economics** – Enhance existing economic drivers and target key areas for revitalization
- **Residential Revitalization** – Upgrade existing housing and encourage diversity in new housing
- **Community Pride and Characteristics** - Promote unique characteristics e.g. open space, location, etc.
- **Quality Development and City Services** – Provide services to address area needs and assure quality
- **Partnerships and Connections** – Assure regional connections to schools, ASU, SRPMIC, etc.

Scottsdale South of Indian Bend Road

McDowell Corridor



McDowell Corridor



Significance of Los Arcos Site

- Improving the Los Arcos site by itself is not enough
- Success for Scottsdale will require many individual properties to reinvest and revitalize
- However, because of the size, location, and visibility of the Los Arcos site, it is an integral component to the successful revitalization of Scottsdale
- The site along with other properties will be a catalyst for further reinvestment and optimism for the maturing neighborhoods of Scottsdale

6. Issue-Schedule

♦ Planning Entitlements

- City Initiates Rezoning (August)
- City Works with ASU Foundation on Site Plan
- ASU Foundation Submits Site Plan for Review
- Public Hearings - site plan and zoning

♦ Infrastructure

- Phase 1 Clean up (September-October)
- Phase 2 Building new Infrastructure
 - Site development (2005)
 - Parking Structure (2007)

♦ Public Outreach (focus on surrounding neighborhoods)

- Concept Master Plan - McDowell and Scottsdale Rd. Corridors
- Future Utilization of City Property
- Public Hearing Process - Zoning and DRB

♦ Financial

- MPC Bond Sale (September)

Proposed Actions on 7/6

- Authorize the real estate purchase of the Los Arcos site from the ASUF for \$41.5 mil.
- Authorize agreement w/ MPC for funding purchase
- Authorize ground lease w/ ASUF for the Center
- Approve budget expenditure for property purchase
- Approve budget transfer from Economic Investment Fund up to \$9 mil. to begin demolition/infrastructure
- Consider request by Vice Mayor to establish a formal task force to help plan 5 ac. development

Note: Items 1-3 are requested to be approved with the use of the Emergency Clause