

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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ANDY BIGGS
RICH CRANDALL
LORI KLEIN
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JUSTIN OLSON
ANNA TOVAR

JOINT COMMITTEE ON CAPITAL REVIEW

Thursday, November 17, 2011

1:00 P.M.

Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order
- [Approval of Minutes of September 28, 2011.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [NORTHERN ARIZONA UNIVERSITY - Review of Parking Structure Bond and Office Indirect Financing Projects.](#)
- 2. [ARIZONA STATE UNIVERSITY - Review of Recreation Facilities Projects.](#)
- 3. [UNIVERSITY OF ARIZONA - Review of Athletic Facilities Improvements Bond Projects.](#)
- 4. [PINAL COUNTY COMMUNITY COLLEGE DISTRICT - Review of General Obligation Bond Issuance.](#)
- 5. [ARIZONA DEPARTMENT OF TRANSPORTATION - Review of Sprinkler and Fire Alarm Systems Project.](#)
- 6. [ARIZONA STATE PARKS BOARD - Review of FY 2012 State Lake Improvement Fund Capital Expenditures.](#)
- 7. [ARIZONA STATE LOTTERY COMMISSION - Review of FY 2012 Building Renewal Allocation Plan.](#)
- 8. [ARIZONA DEPARTMENT OF ADMINISTRATION - Consider Recommending FY 2012 Rent Exemption.](#)

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

11/9/11

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

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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

September 28, 2011

The Chairman called the meeting to order at 3:18 p.m., Wednesday, September 28, 2011 in Senate Appropriations Room 109. The following were present:

Members:	Senator Shooter, Chairman	Representative Kavanagh, Vice-Chairman
	Senator Aboud	Representative Alston
	Senator Biggs	Representative Campbell
	Senator Crandall	Representative McLain
	Senator Klein	Representative Olson
	Senator Murphy	Representative Tovar
	Senator Schapira	

Absent: Representative Court

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of April 19, 2011, Chairman Don Shooter stated that the minutes would stand approved.

ARIZONA DEPARTMENT OF ADMINISTRATION

A. Review of FY 2012 Building Renewal Allocation Plan.

Ms. Leatta McLaughlin, JLBC Staff, presented the Arizona Department of Administration's (ADOA) FY 2012 Building Renewal Allocation Plan. In FY 2012, ADOA was appropriated \$6.5 million for Building Renewal projects. Of the \$6.5 million, ADOA plans to expend \$348,000 for emergency contingencies. The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee give a favorable review of ADOA's FY 2012 \$6.5 million Building Renewal Allocation Plan with the provision that ADOA report any change in the spending plan to the JLBC Staff, including reallocations between projects and allocations from the contingency plan. The Committee also requires the following provisions for the emergency contingency allocation:

(Continued)

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

The motion carried.

B. Consider Recommending FY 2011 and FY 2012 Rent Exemptions.

Mr. James Alcantar, JLBC Staff, presented ADOA's authorized rent exemptions. The JLBC Staff recommended the Committee recommend the ADOA request for a partial-rent exemption for the Department of Economic Security (DES) and corresponding \$1,900 rent increase to AHCCCS in FY 2011 and 2 partial-rent exemptions for the Department of Insurance and the Arizona Commission for the Deaf and the Hard of Hearing (ACDHH) for FY 2012 totaling \$44,600. This amount is less than originally written in the memo, as it took longer for the Department of Insurance to vacate their offices than anticipated.

Representative Kavanagh moved that the Committee recommend the proposed \$1,900 FY 2011 increased rent payment for AHCCCS and corresponding \$1,900 partial rent exemption for DES. The Committee also recommended the proposed \$34,500 FY 2012 partial rent exemption for ACDHH, and the proposed \$10,100 FY 2012 partial rent exemption for the Department of Insurance. The motion carried.

STATE DEPARTMENT OF CORRECTIONS - Review of FY 2012 Building Renewal Allocation Plan.

Mr. James Alcantar, JLBC Staff, presented the State Department of Corrections (ADC) FY 2012 Building Renewal Allocation Plan. On behalf of ADOA, ADC is requesting review of its \$4,630,500 FY 2012 Building Renewal Allocation Plan from the ADC Building Renewal Fund. The projects include locking systems, perimeter electronic security fences, and well and water systems, and include \$169,300 for emergency contingency. The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee give a favorable review of ADC's FY 2012 \$4,630,500 Building Renewal Allocation Plan with the provision that ADC shall report any change in the spending plan to the JLBC Staff, including reallocations between projects and allocations from the contingency plan. The Committee also requires the following provisions for the emergency contingency allocation:

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

The motion carried.

(Continued)

ARIZONA DEPARTMENT OF TRANSPORTATION – Review of FY 2012 Building Renewal Allocation Plan.

Mr. Benjamin Beutler, JLBC Staff, presented the Arizona Department of Transportation's (ADOT) FY 2012 \$1,050,000 Building Renewal Allocation Plan, including \$1,000,000 from the State Highway Fund and \$50,000 from the State Aviation Fund. ADOT has allocated \$1,000,000 from the State Highway Fund among 68 projects, leaving a contingency balance of \$17,000 and \$80,000 for project management support. ADOT has also allocated \$50,000 from the State Aviation Fund for 4 projects. The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee give a favorable review to ADOT's FY 2012 \$1,050,000 Building Renewal Allocation Plan, including the provision that ADOA report any project reallocations above \$100,000. The motion carried.

ARIZONA GAME AND FISH DEPARTMENT – Review of FY 2009 Yuma Office and FY 2012 Property and Dam Maintenance Projects.

Ms. Leatta McLaughlin, JLBC Staff, presented Arizona Game and Fish Department's (AGFD) FY 2009 \$954,000 request to remodel and expand the Yuma office, FY 2012 \$500,000 for property maintenance, and \$100,000 of their \$500,000 appropriation for dam maintenance. The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee give a favorable review of AGFD's request to expend \$954,000 for the Yuma office remodel and expansion, \$500,000 for property maintenance and \$100,000 of their \$500,000 appropriation for dam maintenance projects. The motion carried.

ARIZONA STATE UNIVERSITY – Review of 6 Bond Projects.

Ms. Leatta McLaughlin, JLBC Staff, presented Arizona State University's (ASU) request to issue 2 bonds totaling \$99.7 million to fund 6 projects. This amount includes \$67.3 million for 3 projects, including a new business school facility at the Tempe Campus, a housing bond refund at the Tempe campus, and Information Technology upgrades at all campuses. The second issuance is a \$32.4 million University Lottery bond for 3 projects, which include academic and lab space renovations and infrastructure improvements at all campuses. The JLBC Staff presented options to the Committee.

Representative Kavanagh moved that the Committee give a favorable review to ASU's \$99.7 million in bond issuances to fund 6 projects, including the following provisions:

- 1. ASU submit a list of projects for the University Lottery bond projects.*
- 2. All projects are ultimately approved by the Arizona Board of Regents.*
- 3. A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.*
- 4. ASU shall provide the final debt service schedule for the projects as soon as it is available.*

The motion carried.

Without objection, the meeting adjourned at 3:34 p.m.

(Continued)

Respectfully submitted:

Mya Trivison, Secretary

Leatta McLaughlin, Assistant Director

Senator Don Shooter, Chairman

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

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DATE: November 10, 2011

TO: Senator Don Shooter, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Marge Zylla, Senior Fiscal Analyst

SUBJECT: Northern Arizona University - Review of Parking Structure Bond and Office Indirect
Financing Projects

Request

Statute requires Committee review of any university projects financed with revenue bonds or indirect debt financing (also known as third party financing). Northern Arizona University (NAU) requests Committee review of a \$26.5 million revenue bond issuance for construction of a parking structure on its Flagstaff campus. NAU also requests Committee review of their proposal to enter into a ground lease with Northern Arizona Real Estate Holdings, LCC (NAREH), a subsidiary of the Northern Arizona University Foundation (NAUF), to construct an administrative office building on its Flagstaff campus. The total cost of the projects is estimated to be \$36.5 million.

Recommendation

The Committee has at least the following 2 options for both the revenue bond issuance and the indirect financing agreement:

Revenue Bond Issuance - Parking Structure

1. A favorable review of the \$26.5 million revenue bond issuance for construction of a parking structure.
2. An unfavorable review of the revenue bond issuance.

Indirect Debt Financing - Administrative Office Building

1. A favorable review of the ground lease and lease-purchase agreement with NAREH for the administrative office building project.
2. An unfavorable review of the ground lease and lease-purchase agreement.

(Continued)

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

Standard University Financing Provisions

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

Analysis

NAU plans on constructing a new parking structure on the northeast portion of its Flagstaff campus with bond proceeds, and plans on entering into a ground lease and a lease-purchase agreement with NAREH to construct and occupy an administrative office building on the Flagstaff campus. The parking structure and office building projects are scheduled to break ground in November or December 2011, depending on weather conditions.

NAU states that the parking structure project supports their master plan goal of relocating parking spaces from the campus center to perimeter structures, creating areas for student meeting spaces and improving pedestrian safety by reducing campus traffic. NAU states that the administrative office building would house admissions and marketing operations, the current leased building is not sufficient for this purpose and the current leasing arrangement includes an annual escalator percentage that is not financially favorable for the university.

Revenue Bond Issuance - Parking Structure

NAU's proposed 6-story parking structure will provide student, staff and visitor parking for northeast campus locations, including the bookstore, Health and Learning Center, residence halls, student success center, and science complex. The structure will replace approximately 1,000 parking spaces that have been lost as a result of other construction and development projects. NAU would construct a 463,086 gross square foot parking structure to provide approximately 1,400 parking stalls for a cost of \$25.3 million. The project includes the demolition and abatement of hazardous materials of a 14,124 square foot building constructed in the 1960s as a Health Center. The Health Center staff occupying the building will be relocated to the Health and Learning Center.

Financing

NAU would issue a \$26.5 million revenue bond, which includes estimated issuance costs of \$425,000 and \$622,000 in capitalized interest. The revenue bond is expected to be issued in the fall/winter 2011 for an expected rating of A1/A+ (or Aa3/AA+ if the bonds are insured), at an estimated 4.7% interest rate for a term of 30 years.

The university estimates annual debt service payments of \$1.7 million beginning in FY 2013 for a 30-year total cost of \$50.7 million. The debt service payments estimates reflect an uninsured bond. An analysis will be done the week before the proposed sale to determine if purchasing insurance would lower the rate and decrease the debt service payments enough that the insurance purchase would be cost effective. The debt service payments will be paid from auxiliary revenues generated from parking fees, as well as indirect cost recovery monies and other local university funds.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The \$26.5 million revenue bond would increase the NAU debt ratio by 0.24%, from 5.48% to 5.72%.

The total cost per parking stall for the parking structure is approximately \$18,096. In November 2006, another NAU parking structure bond project had a cost of \$17,440 per parking stall.

(Continued)

Indirect Debt Financing - Administrative Office Building

NAU currently leases 11,075 square feet of office space 0.25 miles west of the NAU campus for \$363,092, or \$33 per square foot, annually. This annual lease rate is up for renewal on September 30, 2012 with a 4% annual escalator.

NAU proposes entering into a ground lease and lease-purchase agreement with NAREH and discontinuing their current lease after completion of the new facility in fall 2012. NAREH would fund all costs of the office building construction project up front, which would have a maximum total construction cost of \$10.0 million, while NAU would review and approve the building construction. After completion of the construction, NAU would enter into a 20-year lease-purchase agreement with NAREH. After 20 years, NAU would own the office building.

The project would increase office space by 33,925 square feet. NAU would use the savings from the private rental payments to partially fund the NAREH lease-purchase payments.

Financing

NAREH will earn 5.5% on their maximum \$10.0 million investment through NAU's lease-purchase payments. NAUF, through its subsidiary NAREH, is able to use \$10.0 million of its assets to invest in a capital project to benefit NAU. NAUF has a policy to give NAU 5.5% of the NAUF endowment base each year. This policy would apply to the office building project, so NAU would ultimately receive all of the 5.5% that NAREH would earn from NAU's lease-purchase payments.

The project would result in the construction of 45,000 new square feet of office space. The total maximum construction cost of the building would be \$10.0 million. The maximum cost per square foot of the project would be \$222. Based on recent construction cost estimates for office buildings in the Flagstaff area, costs ranging from \$223 to \$273 per square foot appear to be reasonable for new construction.

RS/MZ:mt



NORTHERN ARIZONA UNIVERSITY

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September 9, 2011

Mr. Richard Stavneak
Director
Joint Legislative Budget Committee
1716 W. Washington
Phoenix, AZ 85007



Dear Mr. Stavneak:

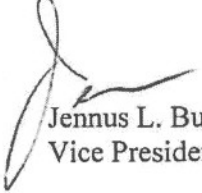
In communications with JLBC staff it has come to our attention that the materials provided on September 2, 2011 requesting review of two NAU capital projects needed some clarification and included one error. This letter is to provide verification of the areas verbally reviewed.

The Parking Structure Project & Financing materials submitted to the Arizona Board of Regents (ABOR) included submissions for two separate review and approval processes, one which occurred in June 2011 and one which occurred in September 2011. The first packet of materials (June 2011) represents the first approval stage at which point a capital project has a general scope and the university is authorized to expend funds to further define the ultimate scope, cost and financing mechanism for further ABOR review. The June 2011 materials therefore included information which was considered but not included in the final project. These areas include: solar panels which have been excluded from the final project due to unfavorable life cycle costs (as detailed in Attachment G of the original submission), and the consideration of bonding vs. self-financing of this project early on which represents the university's desire to self-finance whenever possible but was determined not to be an option for this project. The September ABOR materials accurately reflect the final project and we hope this additional clarification is sufficient to more fully explain NAU's project needs.

Lastly, the debt ratio information provided in the September ABOR materials is also accurate, but is not accurately reflected in Attachment G (6.15) of your materials. The correct debt ratio after this project will be 5.72, which continues to be well under the statutory maximum of 8%.

Thank you for open communication between NAU and your staff during this process. Please feel free to contact me with any additional questions.

Sincerely,

A handwritten signature in black ink, appearing to read 'Jennus L. Burton', with a large loop at the start and a horizontal stroke at the end.

Jennus L. Burton
Vice President for Finance and Administration

Cc: Leatta McLaughlin, JLBC Analyst
Marge Zylla, JLBC Analyst
Lorenzo Martinez, Assistant VP for Finance and Administration, ABOR



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September 2, 2011



The Honorable Don Shooter, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007

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

Dear Senator Shooter:

I request that the following NAU projects be placed on the next available agenda for the Joint Committee on Capital Review (JCCR):

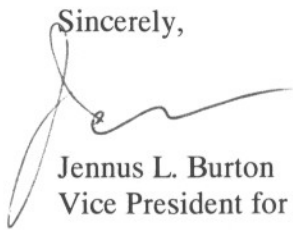
- Northern Arizona University's San Francisco Parking Structure financing project; and
- Lease Purchase Transaction with the NAU Foundation to construct a 45,000 sq. ft. administrative office building.

The Arizona Board of Regents Capital and Finance Committee recommended approval to the full Board at its meeting held on September 1, 2011. The full Board of Regents will consider these two projects at its meeting scheduled for September 22-23, 2011. Subject to the full Board's approval, we request that the JCCR review them at your next scheduled meeting. Attached for your review are the Capital Committee project approvals submittal (Attachments A, B, C and D), debt service schedules (Attachment E), and funding plan (Attachment F). Attachments G and H are summaries of both projects in the JCCR staff requested format

If you require additional information, please do not hesitate to contact me at (928) 523-8871.

Thank you for your consideration of this request.

Sincerely,

A handwritten signature in black ink, appearing to read "Jennus L. Burton". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Jennus L. Burton
Vice President for Finance and Administration

Attachments

.cc Richard Stavneak, JLBC Director
 Leatta McLaughlin, JLBC Analyst
 Tom Anderes, President, ABOR
 Lorenzo Martinez, Assistant VP for Finance & Administration, ABOR
 John Haeger, President, NAU
 MJ McMahon, Executive VP, NAU
 Christy Farley, VP, Government Affairs, NAU
 David Bousquet, Sr. VP, Enrollment Management & Student Affairs, NAU
 Robert Norton, Associate VP, Financial Services, NAU
 Mason Gerety, Vice President, University Advancement

EXECUTIVE SUMMARY

Item Name: San Francisco Parking Structure, Project Implementation Approval (NAU)

☒ Action Item ☐ Discussion Item ☐ Information Item

Issue: Northern Arizona University requests Project Implementation Approval for the San Francisco Parking Structure project. The project is congruent with the university master planning update and strategic goals. The project costs are \$30 million and the university is reviewing bonding and / or self-funding options. The debt service will be auxiliary funds.

Previous Board Actions: Amended FY 2011 Capital Development Plan December 2010
 FY 2012 Capital Development Plan June 2011

Statutory / Policy Requirements:

- Board Policy 7-102 requires Capital Committee review and Board approval of projects with a total project cost over \$5 million.

Project Justification /Strategic Implications:

- One of the organizing concepts of the newly adopted master plan is the relocation of surface parking to campus gateways and into parking garages. The proposed parking structure will be located near the northeast university entrance at San Francisco, which is the main north / south arterial route on campus. It will service parking needs for northeast campus locations, such as the Health and Learning Center, the Bookstore, the Gateway Student Success Center, the Science Complex and multiple residence halls, as well as event parking for university athletic activities.
- The parking structure will be used by students, faculty, staff and campus visitors, and it will replace approximately 1,000 parking stalls lost as a result of university development. The project supports parking needs for long-term development strategies such as the planned Science and Health Building on north campus.
- Enrollment increases of 25% over the past few years are a contributing factor to the need for additional parking compatible with the university's long range goals and master plan. The project site is consistent with locations identified in the master plan and enhances pedestrian accessibility. The parking structure will facilitate pedestrian safety improvements by reducing interior campus traffic.

Contact Information

David Bousquet, Vice President, (928) 523.8449, David.Bousquet@nau.edu
Jane Kuhn, Associate Vice President, (928) 523.7732, Jane.Kuhn@nau.edu

EXECUTIVE SUMMARY

- The university master plan identifies the need to simplify the campus circulation system and enhance landscaped open space by relocating parking surfaces from the academic core to perimeter parking structures. Elimination of interior parking allows the university to convert surface lots into future university sites and distinct, green space for students to gather and interact. In previous master plans, it was determined that approximately 65 acres of campus were devoted to surface parking and dissected the campus into a maze of disjointed parking lots. Additionally, the campus was further impacted by the associated roadways required to reach those parking lots.
- NAU is utilizing master planning guidance to improve campus functionality and safety for projected enrollment increases and residential student populations. This project continues development strategies to serve students, staff and faculty.
- Privatization of the parking structure was examined closely through a relationship with American Campus Communities; however, savings of \$1.6 million to \$6 million may be achieved by the university bonding and building the project without a private developer involved.

Project Description and Scope:

- The parking structure is a 6-story facility that will be constructed on the site of P-28, a parking surface in the area north of Sechrist Hall and south of the Bookstore. The total capacity of the parking structure will include approximately 1,400 parking spaces. The structure will be pre-cast concrete panels to maximize construction schedule and value. The structure will include 3 sets of enclosed stairways and two 2 elevators, in addition to 2 vehicular entrance lanes and 3 exit lanes. A dry standpipe system will serve as the fire safety system for the new parking structure.
- After staff in the Health Center is relocated to the Health and Learning Center, the 14,124 square foot Fronske building will be demolished to make room for the parking structure. The Fronske building is a single-story facility constructed in the 1960's as the University Health Center. Abatement of hazardous materials will be required as part of the building demolition.
- A hydronic snow and ice melt system will be installed on the top ramp to enhance use of the top deck during winter months. The interior will feature bicycle lockers for students, staff, and faculty. Three blue emergency phones will be included on each level.

EXECUTIVE SUMMARY

- In addition to the intended functionality of the parking structure, the exterior includes some architectural and landscaping features that address campus aesthetics and pedestrian safety. The parking structure is being designed for potential additions as a long-term development strategy.
- Electrical vehicle charging stations will be installed to prepare for the future. Installation of solar panels on the top deck is being designed and cost efficiencies evaluated. The project also allows for continued greening of campus, as well as removal of interior roadways and parking lots and continued improvements to the pedestrian and transit spine.

Additional Project Considerations:

- This construction project has been designed in accordance with university design guidelines, and will be constructed of high quality, durable, maintainable materials and building systems to maximize energy efficiency and minimize operational, repair and replacement costs.
- In an effort to demonstrate the university's commitment to responsible, sustainable design and in response to the Governor's mandate that facilities be designed in a sustainable manner, this project will incorporate sustainable materials and practices wherever possible. The economic feasibility of incorporating roof mounted solar panels is being determined. Additionally, the university will attempt a United States Green Building Council (USGBC) Leadership in Energy and Environmental Design (LEED) Silver Certification.
- There is no backfill plan associated with this project. The University Health Center is being permanently relocated August 2011 into the Health and Learning Center and the Fronske building will be demolished.

Project Delivery Method and Process:

- This project is being delivered through the Construction Manager at Risk (CMAR) method. This approach was selected because it can save time through fast-track project scheduling, it provides contractor design input and coordination throughout the project, it improves potentially adversarial project environments, and it allows for the selection of the most qualified contractor team for each individual component of the project. With the use of two independent estimates at each phase, and low bid subcontractor work for the actual construction, this method also provides a high level of cost and quality control.
- The CMAR was selected through the capital project selection committee process prescribed by the ABOR Procurement Code. The university received fourteen (14) responses to the project RFQ and five (5) of the responding teams were short-listed

EXECUTIVE SUMMARY

for interview. A licensed contractor from the community was included on the selection committee as required by ABOR policy, as was an architect.

- The design team was selected through an approved procurement process during the private developer RFQ/RFP process.
- Project Management: The primary members of the project staffing plan include the NAU Manager of Construction and a NAU project manager.

Project Costs:

- The total project budget for the San Francisco Parking Structure is \$30 million. The project budget includes new construction, demolition of the existing Fronske building, and site development, as well as landscaping and circulation connections between new and existing buildings, equipment, and all required indirect costs.
- The initial project budget was developed at the Capital Development Plan (CDP) phase in consideration of comparable costs from other ABOR projects and the strategic goals of the university.
- Relevant comparable projects are listed below and include:

Comparable Project	Location	Total Parking Stalls	Construction Costs/Stall
Riordan Parking Structure	NAU	721	\$17,228
Conference Ctr Parking	NAU	344	\$14,390
UMC Parking Garage	UA	1,100	\$15,455
Edward Jones Parking	ASU	1,158	\$15,748
UNM BBER Parking	Albuquerque, NM	781	\$16,325
Average Comparable Project		821	\$15,829

- Considering these relevant comparable construction costs, the San Francisco Parking Structure construction budget cost of \$16,155 per stall is within an appropriate range of the original construction costs per stall or +2% of the average stall price.
- The CMAR is at risk to provide the completed project within the agreed upon GMP price.

Fiscal Impact and Financing Plan:

- The university is investigating bonding and / or self-funding for this project. If bonded, the university would make debt payments with interest costs anticipated to be 5.5%; this debt service would be funded by auxiliary fees.

EXECUTIVE SUMMARY

- Operations and maintenance costs include the new parking structure square footage, utilities, personnel and operating costs.
- Debt Ratio Impact: If bonded, the incremental debt ratio for this project would be 0.51%.

Project Status and Schedule:

- The project is in early Design Document Phase. Two cost estimates were prepared for the Project Implementation phase: 1) one independently by the CMAR and, 2) one for the university by an independent consultant, Rider Levett Bucknall. These estimates were reconciled together to confirm accurate, competitive scope quantities and unit prices. Each party's cost estimates are consistent with the project scope at this design phase and provide corroboration of the project construction costs.
- General construction is scheduled to begin in September 2011. Construction is scheduled to be complete in August 2012.

Committee Review and Recommendation:

- The Capital and Project Finance Committee reviewed this item at its May 25, 2011 meeting and recommended forwarding for Board approval.

Recommendation to the Board

It is recommended that the Board grant Project Implementation Approval and Project Approval for the NAU San Francisco Parking Structure project, as presented in this Executive Summary.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Northern Arizona University

Project Name: San Francisco Parking
Structure

Project Description and Location:

A new 464,045 square foot parking structure with 1,400 parking stalls located on north campus along South San Francisco and southwest of the Health and Learning Center.

Project Schedule:

Planning	Winter 2010
Design	Spring 2011
Construction	September 2011
Occupancy	August 2012

Project Budget:

Facility Useful Life	50-75 years	(approximately)
Total Project Cost	\$	30,000,000
Total Project Cost per Stall	\$	21,337
Direct Construction Cost	\$	22,617,000
Construction Cost per Stall	\$	16,155

Change in Annual

Operating/Maintenance Costs:

Utilities – New Square Footage	\$	350,000
Personnel	\$	120,000
All Other Operating	\$	280,000
Subtotal	\$	750,000

Funding Sources:

Capital:

A. Gifts	\$	0
B. System Revenue Bonds	\$	30,000,000
C. Local Funds	\$	*optional
Subtotal	\$	30,000,000

Operation/Maintenance

A. Funding Source: Auxiliary Funds

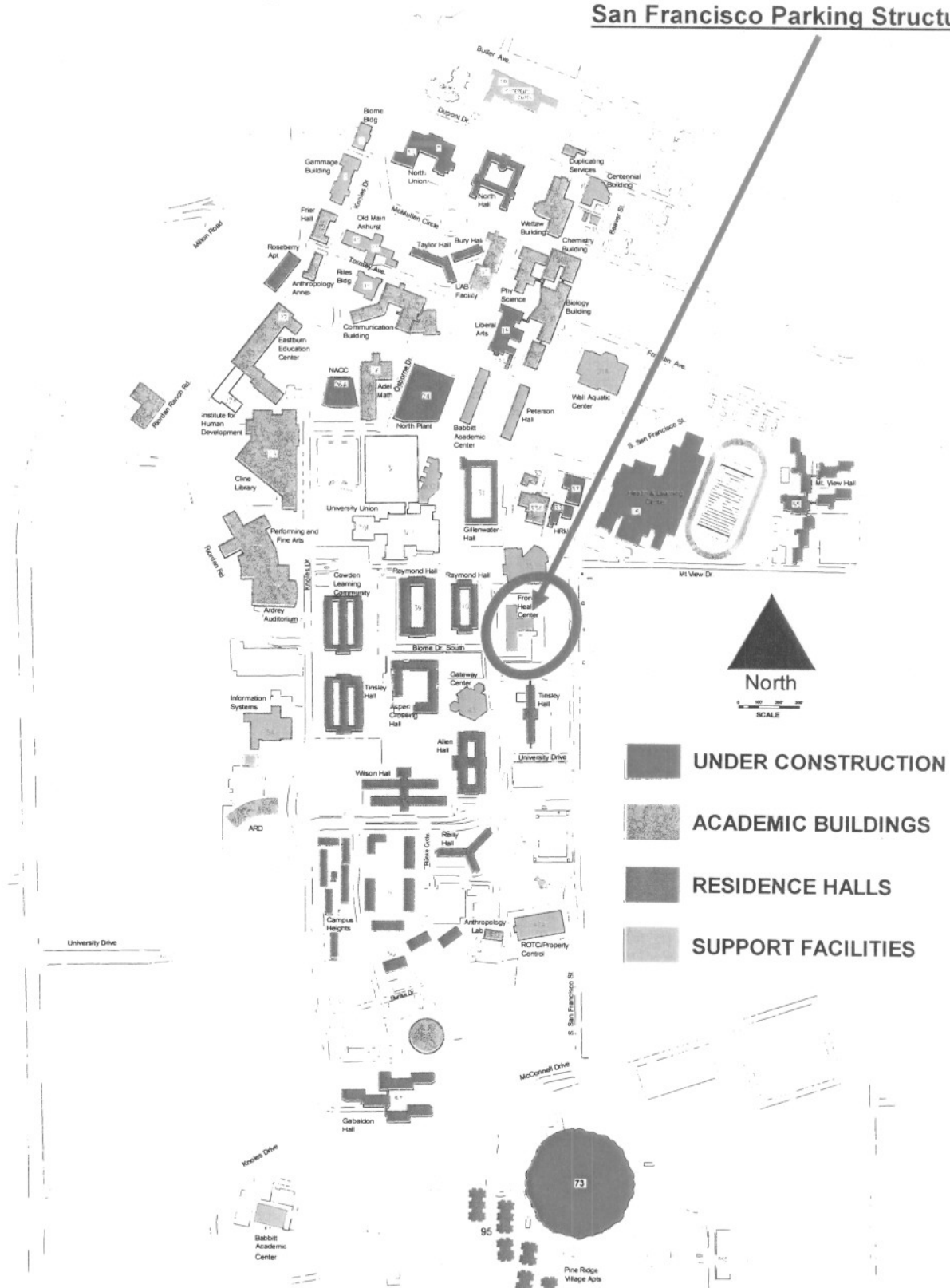
EXECUTIVE SUMMARY

Capital Project Cost Estimate

University: Northern Arizona University

Project: San Francisco Parking Structure

	Capital Development Plan	Project Implementation Approval	Project Approval
Capital Costs			
1. Land Acquisition	\$ -	\$ -	\$ -
2. Construction Cost	30,000,000	-	-
A. New Construction		22,617,000	
B. Renovation		-	-
C. Fixed Equipment (Owner Furnished)	-	-	-
D. Site Development (excl. 2.E.)	-	-	-
E. Parking and Landscaping	-	-	-
F. Utilities Extensions	-	-	-
G. Other (Solar Panels)	-	1,800,000	
G. Inflation and Market Adjustment (0.0%)	-	-	-
Subtotal Construction Cost	\$ 30,000,000	\$ 24,417,000	\$ -
3. Fees			
A. Construction Mgr (<1%)	\$ -	\$ 200,000	
B. Architect/Engineer (4.2%)	-	1,035,000	
C. Other (2%)	-	21,000	
Subtotal Consultant Fees	\$ -	\$ 1,256,000	\$ -
4. FF&E Movable	\$ -	\$ 31,500	
5. Contingency, Design Phase (10%)	-	103,500	-
6. Contingency, Construction Phase (9.8%)	-	2,390,000	
7. Parking Reserve	-	-	
8. Telecommunications/Security Equip	-	150,000	
Subtotal Items 4-8	\$ -	\$ 2,675,000	\$ -
9. Additional University Costs			
A. Surveys, Tests, Inspections, etc.	\$ -	\$ 387,000	
B. Move-in Costs	-	-	
C. Printing Advertisement	-	70,416	
D. 3rd Party Estimate, UA Review, Audit	-	229,872	
E. Project Management Cost (3%)	-	868,946	
F. State Risk Mgmt Insurance (.0034%)	-	95,766	
Subtotal Additional University Costs	\$ -	\$ 1,652,000	\$ -
TOTAL CAPITAL COST	\$ 30,000,000	\$ 30,000,000	\$ -



EXECUTIVE SUMMARY

ITEM NAME: Authorization for Issuance of System Revenue Bonds to Finance the San Francisco Parking Structure Project (NAU)

☒ Action Item ☐ Discussion Item ☐ Information Item

Issue: Northern Arizona University requests authorization: (a) to sell one or more series of System Revenue Bonds (SRBs) to produce sufficient proceeds to finance (1) not-to-exceed \$25,500,000 for the cost of acquiring, constructing and equipping the previously approved FY 2011 projects; (2) not to exceed \$425,000 for costs of issuance, including bond underwriting fees; (3) capitalized interest payments on the Bonds through June 1, 2012; (4) payments to a bond insurer or other credit enhancer, provided such payments provide a benefit that exceeds the amount of such payments; (b) to sell such bonds at a price at, above, or below par and at fixed or variable rates of interest; (c) to take related actions; and (d) to enter into necessary agreements and to execute all necessary documents including those related to bond insurance or other credit enhancement agreements.

Previous Board Actions

	<u>CDP Approval</u>	<u>PI Approval</u>	<u>PA Approval</u>	<u>Board Approval</u>
San Francisco Parking Structure Project	12/10	06/16	06/16	06/16

Statutory/Policy Requirements

- Board Policy 7-102D requires Capital Committee review and Board approval of all bond and certificates of participation (COPs) financings.

Projects to be Financed

- The proceeds of the bond issuance will be used to finance the San Francisco Parking Structure on the Northern Arizona University main campus. The project has received the required Board approvals and is expected to be reviewed at the next JCCR meeting. The project will not be financed until JCCR review has been completed.
- Proceeds of the bond sale will also be used to pay the costs of issuing the bonds.

Background/Strategic Implications

- The debt service funding sources of this project include ground rent, ticket revenue, and parking revenues.
- Existing debt service as a percentage of NAU total expenditures is 5.48 percent. The debt service for these projects will increase this ratio by an estimated .37 percent, to 5.72 percent overall.

EXECUTIVE SUMMARY

- The project will be financed on a level debt service basis beginning in fiscal year 2013 and over an approximately 30-year financing term with a final maturity of June 1, 2041.
- Based on an estimated 4.70 percent true interest rate as of August 18, 2011, the average annual debt service requirement in each Fiscal Year is estimated to be approximately \$1,690,000 per year.

Financing Approach and Structure

- Depending on market conditions at the time of sale, NAU may issue the entire amount, or a portion of the financing, through fixed rate or variable rate SRBs. Given current market conditions, including low long-term interest rates and the shortage of credit facilities in the short-term variable rate markets, NAU anticipates selling fixed rate bonds.
- The University will evaluate bond insurance from the one higher-rated bond insurer currently in the market. The final decision as to whether insurance will be used for the bond issue will be a function of market conditions and the bond insurer's ratings at the time of pricing the bonds. Bond insurance will only be used if the insurance provides a demonstrated economic benefit to NAU, as required to be certified to by the underwriter pursuant to federal tax law.
- Based on current municipal bond market conditions as of August 18, 2011 and the proposed amortization structure for the bonds (which reflects an average maturity life of 18.4 years), NAU's financial advisor estimates the bonds would sell at an overall true interest cost of approximately 4.70 percent. NAU will proceed with the project if the overall true interest cost of the issue is no more than 6.0 percent.
- The following financing parameters would apply to the sale of the bonds and be set forth in the Bond Resolution:
 - The maximum interest rate at which the bonds are authorized to be sold is a true interest cost of 6.00 percent.
 - Interest payments on the Bonds through the first interest payment date of June 1, 2012 are authorized to be capitalized and paid for from the proceeds of the Bonds.
 - The financing period for the SRBs is through June 1, 2041 (approximately 30 years from their date of issuance).
- The University will utilize its current financial advisor, RBC Capital Markets, its current bond counsel, Ballard Spahr LLP, and a bond trustee previously approved by the Board. The bonds will be marketed and sold on a negotiated basis to one or more investment banking firms selected by NAU through a competitive proposal process and previously approved by the Board.
- The University may enter into various agreements in connection with the SRBs, such as bond insurance or other credit enhancement agreements, to lower the net borrowing costs, and a reserve fund surety agreement, if needed to market the SRBs.

EXECUTIVE SUMMARY

		<u>Comments</u>
Not-to-Exceed Project Costs	\$25,500,000	
Issuance Costs (not-to-exceed)	\$425,000	
Credit Enhancement/Insurance Cost	TBD	Only executed if economically beneficial
Interest Rate (current market as of August 18, 2011/not-to-exceed)	4.70%/6.00%	Not-to-exceed based on maximum University is willing to pay.
Maturity Range	2013-2041	
Average Instrument Life	18.4 years	
Estimated Debt Service for FY 2012, funded from capitalized interest.	\$875,000	Based on the 6.00% not-to-exceed interest rate
Estimated Annual Debt Service for FY 2013 – 2041, funded from Auxiliary Revenues.	\$1,970,000	Based on the 6.00% not-to-exceed interest rate

Recommendation

That the Capital and Project Finance Committee review and recommend the Board authorize the issuance of one or more series of System Revenue Bonds for NAU to finance:

- 1) not to exceed \$25,500,000 for paying the costs associated with the San Francisco Parking structure building project;
- 2) not to exceed \$425,000 to pay costs of issuance;
- 3) capitalized interest payments through June 1, 2012; and
- 4) payments to a bond insurer or other credit enhancer provided that such payments provide a benefit that exceeds the amount of such payments.

NAU would also be further authorized to issue such Bonds at a price at, above or below par and at fixed or variable rates of interest; to take related actions; and to enter into necessary agreements and to execute all necessary documents, including those related to bond insurance or other credit enhancement and liquidity facility agreements, all as more fully provided in a supplemental Bond Resolution reviewed by Board Counsel.

**Northern Arizona University
System Revenue Bond
Series 2011**

Estimated Bond Debt Service Payments

Bond Issuance Assumptions

NAU currently expects to sell approximately \$26.547 million of System Revenue Bonds consisting of the following estimated amounts:

- \$25.500 million for funding project costs
- \$ 0.425 million for paying costs of issuing the Bonds
- \$ 0.622 million in capitalized interest to make interest payments on the Bonds in FY 2011-12 until the parking facility is built and revenues from the project are being generated

It is expected that the underlying rating on the Bonds will be "A1" by Moody's Investors Service and "A+" by Standard & Poor's.

The University will seek fee quotes from the one higher rated municipal bond insurer in the market; if the Bonds are insured, they will be rated "Aa3" by Moody's and "AA+" by S&P. Insurance would only be obtained if the cost of the insurance is more than offset by the interest savings resulting from the higher bond insurance ratings.

Based on market rates as of August 18, 2011, the expectation is that the annual debt service on the Bonds will be as shown below. The actual debt service on the Bonds will be a function of market interest rates at the time of the actual sale of the bonds, which is currently scheduled for November.

**Northern Arizona University
System Revenue Bonds
Series 2011**

Estimated Bond Debt Service Schedule

Period Ending	Principal	Interest	Total Debt Service	Capitalized Interest	Net Debt Service
06/01/2012		\$622,389	\$622,389	\$622,389	
06/01/2013	\$545,000	1,143,164	1,688,164		\$1,688,164
06/01/2014	555,000	1,134,717	1,689,717		1,689,717
06/01/2015	565,000	1,125,559	1,690,559		1,690,559
06/01/2016	575,000	1,115,389	1,690,389		1,690,389
06/01/2017	585,000	1,103,027	1,688,027		1,688,027
06/01/2018	600,000	1,088,636	1,688,636		1,688,636
06/01/2019	620,000	1,071,956	1,691,956		1,691,956
06/01/2020	635,000	1,052,922	1,687,922		1,687,922
06/01/2021	655,000	1,032,030	1,687,030		1,687,030
06/01/2022	680,000	1,009,302	1,689,302		1,689,302
06/01/2023	705,000	984,346	1,689,346		1,689,346
06/01/2024	730,000	957,062	1,687,062		1,687,062
06/01/2025	760,000	927,643	1,687,643		1,687,643
06/01/2026	795,000	896,027	1,691,027		1,691,027
06/01/2027	825,000	862,001	1,687,001		1,687,001
06/01/2028	865,000	825,866	1,690,866		1,690,866
06/01/2029	900,000	787,201	1,687,201		1,687,201
06/01/2030	945,000	746,161	1,691,161		1,691,161
06/01/2031	990,000	702,218	1,692,218		1,692,218
06/01/2032	1,035,000	655,292	1,690,292		1,690,292
06/01/2033	1,085,000	605,302	1,690,302		1,690,302
06/01/2034	1,140,000	551,920	1,691,920		1,691,920
06/01/2035	1,195,000	495,034	1,690,034		1,690,034
06/01/2036	1,255,000	434,686	1,689,686		1,689,686
06/01/2037	1,320,000	371,183	1,691,183		1,691,183
06/01/2038	1,385,000	304,259	1,689,259		1,689,259
06/01/2039	1,455,000	233,901	1,688,901		1,688,901
06/01/2040	1,530,000	159,987	1,689,987		1,689,987
06/01/2041	1,610,000	82,110	1,692,110		1,692,110

EXECUTIVE SUMMARY

ITEM NAME: Authorization for Public/Private Venture Lease/Purchase Agreement with Northern Arizona Real Estate Holding, LLC, for Office Building (NAU)

☒ Action Item ☐ Discussion Item ☐ Information Item

Issue: Northern Arizona University requests authorization to enter into a ground lease and a lease/purchase agreement between Northern Arizona University and Northern Arizona Real Estate Holdings LLC, a wholly owned subsidiary of the Northern Arizona University Foundation (NAREH). The transaction will have NAREH construct a building on the NAU campus for the backroom operations of the Admissions and Marketing Offices, along with swing space and space for other office needs.

Statutory / Policy Requirements:

- Board Policy 7-102.B.3 requires Board review and approval of public/private ventures and Board Policy 7-207 requires Committee review and Board approval for lease/purchase transactions of real property.

Background:

- NAU currently leases space off campus for the backroom operations of Admissions and Marketing. The space leased is 11,075 square feet and is located at 555 Forest Meadows, approximately 1/4 mile west of campus. The lease expires September 30, 2011; however, there are two one-year options for renewal with a 4% escalator for each year renewed. The current annual lease rate is \$349,127 plus annual maintenance costs. The current space is not sufficient for these operations, nor is it in the University's best interest to continue these financial lease arrangements with annual escalators.
- The NAU Foundation and the University have entered into discussions that will have NAREH construct a building on campus that would house the Admissions and Marketing offices and provide swing space and space for other office needs. NAREH would lease the land from the University for twenty years, utilize Foundation funds to pay for all, or a portion of, the building, arrange for third-party financing as needed, and after construction, would enter into a twenty year lease/purchase for the building with NAU.

Project Description and Costs:

- Current discussions have the building at either two or three stories totaling approximately 30,000 to 45,000 square feet. The total project budget for the design and construction of the building would be \$6 to \$10 million. The project budget includes design fees, financing fees, FF&E, and other project costs.

Contact Information: Jennus Burton, Vice President For Finance and Administration; (928) 523-8871, jennus.Burton@nau.edu

EXECUTIVE SUMMARY

- Construction standards will be less than the full current NAU standards as the building will house backroom operations and would not be frequented by the community. It is anticipated that the cost per square foot for the project will be approximately \$175 to \$225.
- The length of the lease will require approval of the Joint Committee for Capital Review as well as the Capital Committee of the Board of Regents as it exceeds the maximum length of ten years as provided in ABOR policy 7-207.
- The building construction will be reviewed and approved by NAU. Construction will not proceed until a Guaranteed Maximum Price is provided by the contractor and approved by NAREH and NAU.
- The building shall be sited at a campus location without a high visible profile and with close access to utilities to keep infrastructure costs to a minimum. Location of the building is consistent with the campus Master Plan.

Fiscal Impact and Financing Plan:

- This project, along with maintenance costs, will be funded through the use of University lease revenues currently available from the space leased off-campus and from general university sources. Depending upon which unit(s) occupy the other built-out space in the building, some amount of additional central funding may be needed.
- The swing space will remain as shell space and the occupancy of the space will be predicated upon numerous items, including the ability of the unit wishing to use the space to fund the finish out and/or pay a pro rata portion of the lease/purchase annual fee.
- The Foundation has requested a twenty-year amortization with a five-year call at a 5.5% annual interest rate. The interest rate will be adjusted at the call date depending upon the interest rate circumstances in the market at that time with an interest rate ceiling of 7.4% and a floor rate of 5.5%. If NAU were to cancel the lease, the University would be required to pay-off the outstanding principal amount. This would likely be accomplished with an alternate financing method.
- Twenty-year bonds are currently priced at 4.75%; however, the lease/purchase transaction provides benefits above the fixed-rate bond market as follows:
 - Costs of issuance are much lower; \$50,000 estimate compared to \$300,000;
 - The lease-purchase transaction does not count against the University's debt capacity calculation cap of 8%;
 - The costs of construction at \$175 to \$225 per square foot are less than the University's typical project costs for similar buildings at \$300 to \$350 per

EXECUTIVE SUMMARY

- square foot;
- This project structure is consistent with the direction provided by the Board to pursue third party partnerships in order to minimize costs;
- The construction will be completed in 12 months and ready for occupancy before the new year annual lease begins thus saving the University approximately \$363,092 (\$349,127 plus 4% escalator) in lease payments and providing these resources towards a purchase option rather than a lease option; and
- The project provides the NAU Foundation with greater diversification in its investment portfolio and a favorable return on investment. This will benefit the NAU Foundation which in turn benefits NAU with an improved long term endowment return.

Recommendation:

That the Capital and Project Finance Committee review and recommend the Board approve the ground lease between NAU as Lessor and NAREH as the Lessee, and the Capital Construction Lease Purchase document between NAU as the Lessee and NAREH as the Lessor, for the construction of an approximately 30,000 to 45,000 square foot building as described herein, and that the President, the Executive Vice President, and the Vice President for Finance and Administration are each hereby separately authorized to take all appropriate actions necessary to facilitate and execute the necessary document(s) with NAREH. The document(s) are to be reviewed by ABOR Counsel prior to execution.

Attachment E

**Lease Purchase Cost Payment Schedule
Foundation Building
Northern Arizona University**

	<u>Payment Date</u>	<u>Principal Payment</u>	<u>Interest Payment</u>	<u>Total Annual Payment</u>	<u>Payment Upon Termination</u>		
1	Sept 30, 2012	\$ 500,000	\$ 275,000	\$ 775,000	\$ 10,000,000	0.05	
2	Sept 30, 2013	\$ 290,000	\$ 522,500	\$ 812,500	\$ 9,500,000	0.029	0.088
3	Sept 30, 2014	\$ 310,000	\$ 506,550	\$ 816,550	\$ 9,210,000	0.031	
4	Sept 30, 2015	\$ 330,000	\$ 489,500	\$ 819,500	\$ 8,900,000	0.033	0.091
5	Sept 30, 2016	\$ 330,000	\$ 471,350	\$ 801,350	\$ 8,570,000	0.033	
6	Sept 30, 2017	\$ 370,000	\$ 453,200	\$ 823,200	\$ 8,240,000	0.037	0.093
7	Sept 30, 2018	\$ 400,000	\$ 432,850	\$ 832,850	\$ 7,870,000	0.04	
8	Sept 30, 2019	\$ 400,000	\$ 410,850	\$ 810,850	\$ 7,470,000	0.04	0.096
9	Sept 30, 2020	\$ 440,000	\$ 388,850	\$ 828,850	\$ 7,070,000	0.044	
10	Sept 30, 2021	\$ 460,000	\$ 364,650	\$ 824,650	\$ 6,630,000	0.046	0.098
11	Sept 30, 2022	\$ 480,000	\$ 339,350	\$ 819,350	\$ 6,170,000	0.048	
12	Sept 30, 2023	\$ 500,000	\$ 312,950	\$ 812,950	\$ 5,690,000	0.05	0.101
13	Sept 30, 2024	\$ 540,000	\$ 285,450	\$ 825,450	\$ 5,190,000	0.054	
14	Sept 30, 2025	\$ 560,000	\$ 255,750	\$ 815,750	\$ 4,650,000	0.056	0.104
15	Sept 30, 2026	\$ 600,000	\$ 224,950	\$ 824,950	\$ 4,090,000	0.06	
16	Sept 30, 2027	\$ 620,000	\$ 191,950	\$ 811,950	\$ 3,490,000	0.062	0.106
17	Sept 30, 2028	\$ 660,000	\$ 157,850	\$ 817,850	\$ 2,870,000	0.066	
18	Sept 30, 2029	\$ 700,000	\$ 121,550	\$ 821,550	\$ 2,210,000	0.07	0.11
19	Sept 30, 2030	\$ 740,000	\$ 83,050	\$ 823,050	\$ 1,510,000	0.074	
20	Sept 30, 2031	\$ 770,000	\$ 42,350	\$ 812,350	\$ 770,000	0.077	0.113
Totals		\$ 10,000,000	\$ 6,330,500	\$ 16,330,500		1.00000	1.00000

Interest Rate: 5.50%

Note: Interest Payments assume first year is 1/2 of the total annual amount due to level construction draws.

Northern Arizona University

Funding Plan

Parking Deck Project:

- Annual Debt Service estimate is \$1,680,000.
- Length of Financing is 30 years.
- Operating costs annually estimated to be \$100,000.
- Fund sources: Auxiliary Revenues from Parking Decal Sales, Ticket Facility Use Fees, and Ground Rent from the two American Campus Communities Private Housing projects. These revenue sources will generate approximately \$1.8 million annually, enough to cover the annual debt service and operating costs.

Third Party Private Administrative Office Building:

- Third party developer: Northern Arizona Real Estate Holdings, a wholly owned subsidiary of the Foundation.
- Annual lease purchase payment to third party: \$832,000.
- Length of lease is 20 years.
- Current Lease payment for off-campus space is \$350,000 paid from tuition and fee collections. The additional space will increase the lease payment to a maximum of \$832,000, funded from tuition and fee collections.
- Annual maintenance fees estimated to be \$135,000 or \$3 per square foot to be funded from tuition and fee collections.

JCCR Capital Review

ATTACHMENT G

JCCR Meeting Date**JCCR Deadline**

3 weeks before meeting

Project Name**San Francisco Parking Structure****Scope of the project**

The parking structure is a new 6-story facility that will be constructed on the site of P-28, a parking surface in the area north of Sechrist Hall and south of the Bookstore. The total capacity of the parking structure will include approximately 1,400 parking spaces. The structure will be pre-cast concrete panels to maximize construction schedule and value. The structure will include 3 sets of enclosed stairways and two 2 elevators, in addition to 3 vehicular entrance lanes and 3 exit lanes. A dry standpipe system will serve as the fire safety system for the new parking structure.

After staff in the Health Center is relocated to the Health and Learning Center, the 14,124 square foot Fronske building will be demolished to make room for the parking structure. The Fronske building is a single-story facility constructed in the 1960's as the University Health Center. Abatement of hazardous materials will be required as part of the building demolition.

Solar panels were reviewed for installation on the 6th floor, but life cycle costs were not favorable and other options are being considered. The structure will be engineered and built to support solar panels or other sustainable options.

Project Description

Date of last renovation/maintenance

NA

Total Square Feet of Existing Space

14,124

Total Square Feet of Renovation/Construction

463,086

Project Costs

Total Construction Cost

\$

25,335,000

Direct Construction Cost

\$

20,253,000

Gross square feet	\$	463,086
Total Cost per Square Foot (bed, etc)	\$	55
Direct Cost per Square Foot (bed, etc)	\$	44
Total Cost per Stall	\$	18,096
Direct Cost per Stall	\$	14,466
Annual Operating Costs	\$	450,000
Fund source for Operating Costs		Auxiliary Revenues

Cost is based upon completion of 100% construction documents and corroborating 3rd party estimate. GMP is negotiated and based upon 90% bids from subcontractors

Explanation of Cost Development for Project

Debt Issuance*

Issuance amount	\$	25,500,000 NTE
Interest rate		4.7%
Payment term		30 years

Auxiliary revenues such as student, employee and event parking fee collections, indirect cost recovery and other local university funds.

Fund source for debt payment		
Annual debt service (by fund source)	\$	1,690,000
Total debt service (by fund source)	\$	50,700,000
Date of Issuance		TBD
Bond Rating		TBD

* Please submit a debt service schedule

Gifts

Total Gift Amount	NA
Current Pledged Gift Amount	NA
Current Gift In-Hand Amount	NA

Debt Ratio

Current Debt Ratio	5.48%
Ratio After Project	6.15%
Total Debt Ratio (for all projects submitted for this meeting's review)	6.15%

Comparative Projects (List most recent comparable university project(s))

Project Name & Date

Riordan Parking Structure - 2005

Project Description	Three story, 721 stall cast-in-place concrete parking deck located at the intersection of Riordan Road and Knoles Drive, adjacent the Ardrey Auditorium and Performing and Fine Arts academic facility. Facility has same dry standpipe fire system and one elevator.	
Total Cost Per Stall	\$	20,804
Direct Construction Cost Per Stall	\$	17,228

JCCR Capital Review

ATTACHMENT H

JCCR Meeting Date**JCCR Deadline**

3 weeks before meeting date

Project Name**Private Development - Administrative
Services Building****Scope of the project****Project Description**Ground lease of a new 45,000 square foot
administrative building privately developed
by Northern Arizona Real Estate Holdings.

Date of last renovation/maintenance

N/A

Total Square Feet of Existing Space

N/A

Total Square Feet of Renovation/Construction

N/A

Project Costs**Total Construction Lease Cost**Privately developed; University lease cost
\$833,000/year (highest cost year).

Direct Construction Cost

Gross square feet

45,000

Total Cost per Square Foot (bed, etc)

N/A

Direct Cost per Square Foot (bed, etc)

N/A

Annual Operating Costs

\$

100,000

Fund source for Operating Costs

General Revenue

Explanation of Cost Development for Project

Debt Issuance*

Issuance amount

N/A

Interest rate

N/A

Payment term

N/A

Fund source for debt payment

N/A

Annual debt service (by fund source)

N/A

Total debt service (by fund source)

N/A

Date of Issuance

N/A

Bond Rating

N/A

* Please submit a debt service schedule

Gifts

if applicable

Total Gift Amount

Current Pledged Gift Amount

Current Gift In-Hand Amount

Debt Ratio

Current Debt Ratio

N/A

Ratio After Project

N/A

Total Debt Ratio (for all projects

submitted for this meeting's review)

N/A

**Comparative Projects (List most recent
comparable university project(s))**

Project Name & Date

N/A

Project Description

N/A

Total Cost Per Square Foot

N/A

Direct Construction Cost Per Square Foot

N/A

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DON SHOOTER
CHAIRMAN 2011
PAULA A. ABOUD
ANDY BIGGS
RICH CRANDALL
LORI KLEIN
RICK MURPHY
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HOUSE OF
REPRESENTATIVES

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

DATE: November 10, 2011

TO: Senator Don Shooter, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Assistant Director

SUBJECT: Arizona State University - Review of East and West Recreation Facilities and Downtown
Phoenix Post Office Projects

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. Arizona State University (ASU) requests Committee review of a \$51.2 million bond issuance to fund a Student Services Recreation Facility at each of the West and East campuses. ASU also requests Committee review of a \$4.8 million bond to fund student union space at the Downtown Phoenix campus. These projects total \$56.0 million.

Recommendation

The Committee has at least the following 2 options:

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

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

Standard University Financing Provisions

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

(Continued)

Analysis

ASU plans on building a new recreation facility at each of the West and East campuses. Both projects are scheduled to break ground in December 2011 to be completed by May 2013. ASU also plans on renovating a portion of the downtown Phoenix post office beginning March 2012 to be completed by September 2012.

Student Services Recreation Facility – West Campus

This \$25.4 million revenue bond project would provide 14.2 acres of recreational fields and a 2-story recreation and health services facility comprised of 63,800 gross square feet. According to ASU, current student service facilities are inadequate and poorly located for the current and future size of the West campus's student body. The following will be included in the scope of the project: 2 competition playing fields, renovation of a current field north of the project, a 10,000 square foot weight and fitness area, a multipurpose studio for group fitness classes, a 2-court gymnasium, a small multipurpose gymnasium, 2 racquetball courts, expanded Health Services programming space, and an outdoor lap pool.

Student Services Recreation Facility – East Campus

This \$25.8 million revenue bond project would provide a 2-story recreation and health services facility comprised of 61,000 gross square feet. According to ASU, the East campus does not have a comprehensive recreation center and it lacks union space found on most university campuses. The following will be included in the scope of the project: 3 competition playing fields, a 10,000 square foot weight and fitness area, 3 multipurpose studios for group fitness classes, a 2-court gymnasium, a multi-activity gymnasium, 2 racquetball courts, expanded Health Services programming space, and an outdoor lap pool.

The Committee most recently reviewed a similar recreation facility project for Northern Arizona University (NAU) at its September 2009 meeting. NAU's Health and Learning Center project had a direct construction cost per square foot of \$318, which is more expensive than these projects. The direct construction cost per square foot of the East campus project is \$308, and the West campus cost is \$292.

Post Office Renovation – Downtown Phoenix Campus

This \$4.8 million revenue bond project would renovate 18,800 square feet of space at the downtown Phoenix post office, which is located on Central Avenue and Taylor Street. While the Postal Service has retained a portion of the building for its operations, ASU has acquired the south side of the facility's first floor and the entire lower level. According to ASU, specific student union space does not currently exist at the Downtown Phoenix campus. The following will be included in the scope of the project: conference and meeting space, open lounge and recreation space, student organization space, and a small kitchen/vending area.

The Committee most recently reviewed university renovation projects for ASU at its September 2011 meeting. ASU's academic renovations project had a direct construction cost per square foot of \$106, and their laboratory renovations project had a direct construction cost per square foot of \$212. This project's \$186 direct construction cost per square foot falls at the high end of this range.

Financing

The bond rating is expected to be Aa3 (Moody's)/AA (S&P) at an estimated average 4.55% interest rate for a term of 30 years. Based on a total issuance of \$56.0 million, there would be an interest-only debt service payment of \$1.3 million in FY 2013 followed by annual payments of \$3.4 million from FY 2014 – FY 2032 and \$3.1 million over the remaining 10 years of the bonds' term. The total cost over the 30-year term is expected to be \$102.2 million.

The debt service payments will be paid from auxiliary funds generated through the new mandatory Student Services Facilities fee, which is \$150/year for students enrolled in 7 or more credit hours and

(Continued)

\$75/year for students enrolled in 6 or fewer credit hours. Beginning in FY 2012, the fee is estimated to generate about \$9.0 million annually, which will cover the \$3.4 million average annual debt service for all 3 projects.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. A \$56.0 million issuance would increase the ASU debt ratio by about 0.2%, from 4.9% to 5.1%.

RS/LMc:mt



ARIZONA STATE UNIVERSITY

September 7, 2011

The Honorable Don Shooter, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington
Phoenix, AZ 85007



Dear Senator Shooter:

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

- West Campus Student Services Facility
- Polytechnic Campus Student Services Facility
- New Business School Facility
- Refund Student Housing Bonds, Series 2000
- Information Technology Infrastructure Renewal
- Academic Renovations (SPEED Bond Funded)
- Lab Renovations (SPEED Bond Funded)
- Infrastructure and Campus Site Improvements (SPEED Bond Funded)

Enclosed is pertinent information relating to these items.

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

Sincerely,

Morgan R. Olsen
Executive Vice President, Treasurer and CFO

Enclosures

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

OFFICE OF THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

BUSINESS AND FINANCE

PO BOX 877505, TEMPE, AZ 85287-7505
(480) 727-9920 FAX: (480) 727-9922

**Joint Committee on Capital Review
Arizona State University
September 28, 2011 JCCR Meeting**

1. WEST CAMPUS STUDENT SERVICES FACILITY

Project Description

This project is planned to construct a 63,800 gross square foot facility and develop 14.2 acres of recreational fields at the ASU West campus to meet the pressing need for adequately sized student service facilities. The facility, planned in consultation with student government and funded by a student government endorsed facility fee, will provide a weight and fitness area, multipurpose studios, a two-court gymnasium, a small gymnasium, two racquetball courts, a wellness facility, and an outdoor pool. An Arizona Board of Regents (ABOR) executive summary is attached for this project, which outlines the project description, justification, comparable project costs, and other relevant information. This project received Project Approval from ABOR on August 5, 2011.

Project Costs

Total Project Cost	\$ 25,140,000
Total Project Construction Cost	\$ 18,640,000
Total Project Cost per GSF	\$ 394
Construction Cost per GSF	\$ 292

Project Delivery Method

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

2. POLYTECHNIC CAMPUS STUDENT SERVICES FACILITY

Project Description

This project is planned to construct a 61,000 gross square foot student recreation and health services facility, including recreational fields, at the ASU Polytechnic campus to meet the pressing need for adequately sized student service facilities. The facility, planned in consultation with student government and funded by a student government endorsed facility fee, will provide a weight and fitness area, three multipurpose studios, two gymnasiums, two racquetball courts, and an outdoor pool. An ABOR executive summary is attached for this project, which outlines the project description, justification, comparable project costs, and other relevant information. This project received Project Approval from ABOR on August 5, 2011.

Project Costs

Total Project Cost	\$ 25,590,000
Total Project Construction Cost	\$ 18,802,500
Total Project Cost per GSF	\$ 420
Construction Cost per GSF	\$ 308

Project Delivery Method

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

ARIZONA STATE UNIVERSITY
System Revenue Bonds
Series 2011

ESTIMATED DEBT SERVICE SCHEDULE

West Campus Student Services Facility

Period Ending	Principal	Interest	Debt Service
07/01/2012		\$603,986	\$603,986
07/01/2013	\$515,000	1,035,405	1,550,405
07/01/2014	520,000	1,029,125	1,549,125
07/01/2015	525,000	1,022,233	1,547,233
07/01/2016	535,000	1,014,358	1,549,358
07/01/2017	550,000	1,004,433	1,554,433
07/01/2018	560,000	992,440	1,552,440
07/01/2019	570,000	978,321	1,548,321
07/01/2020	585,000	962,346	1,547,346
07/01/2021	605,000	944,694	1,549,694
07/01/2022	625,000	925,442	1,550,442
07/01/2023	645,000	904,356	1,549,356
07/01/2024	670,000	881,351	1,551,351
07/01/2025	695,000	856,415	1,551,415
07/01/2026	720,000	829,568	1,549,568
07/01/2027	745,000	800,456	1,545,456
07/01/2028	780,000	769,656	1,549,656
07/01/2029	810,000	736,688	1,546,688
07/01/2030	850,000	701,795	1,551,795
07/01/2031	890,000	664,410	1,554,410
07/01/2032	925,000	624,470	1,549,470
07/01/2033	970,000	582,210	1,552,210
07/01/2034	1,015,000	537,041	1,552,041
07/01/2035	1,060,000	489,081	1,549,081
07/01/2036	1,110,000	438,435	1,548,435
07/01/2037	1,165,000	384,727	1,549,727
07/01/2038	1,220,000	328,220	1,548,220
07/01/2039	1,280,000	268,904	1,548,904
07/01/2040	1,340,000	206,651	1,546,651
07/01/2041	1,410,000	141,336	1,551,336
07/01/2042	1,480,000	72,380	1,552,380
Total	25,370,000	21,730,933	47,100,933

ARIZONA STATE UNIVERSITY
System Revenue Bonds
Series 2011

ESTIMATED DEBT SERVICE SCHEDULE

Polytechnic Campus Student Services Facility

Period Ending	Principal	Interest	Debt Service
07/01/2012		\$614,738	\$614,738
07/01/2013	\$525,000	1,053,836	1,578,836
07/01/2014	530,000	1,047,436	1,577,436
07/01/2015	535,000	1,040,414	1,575,414
07/01/2016	545,000	1,032,394	1,577,394
07/01/2017	555,000	1,022,289	1,577,289
07/01/2018	570,000	1,010,190	1,580,190
07/01/2019	580,000	995,826	1,575,826
07/01/2020	595,000	979,577	1,574,577
07/01/2021	620,000	961,629	1,581,629
07/01/2022	635,000	941,855	1,576,855
07/01/2023	655,000	920,437	1,575,437
07/01/2024	680,000	897,080	1,577,080
07/01/2025	705,000	871,776	1,576,776
07/01/2026	735,000	844,548	1,579,548
07/01/2027	765,000	814,846	1,579,846
07/01/2028	795,000	783,144	1,578,144
07/01/2029	830,000	749,557	1,579,557
07/01/2030	860,000	713,734	1,573,734
07/01/2031	900,000	675,919	1,575,919
07/01/2032	940,000	635,540	1,575,540
07/01/2033	985,000	592,609	1,577,609
07/01/2034	1,030,000	546,754	1,576,754
07/01/2035	1,080,000	498,098	1,578,098
07/01/2036	1,135,000	446,449	1,581,449
07/01/2037	1,185,000	391,467	1,576,467
07/01/2038	1,240,000	334,014	1,574,014
07/01/2039	1,300,000	273,750	1,573,750
07/01/2040	1,370,000	210,549	1,580,549
07/01/2041	1,435,000	143,716	1,578,716
07/01/2042	1,505,000	73,570	1,578,570
Total	25,820,000	22,117,741	47,937,741

EXECUTIVE SUMMARY

ITEM NAME: West Campus Student Services Facility Project Approval (ASU)

☒ Action Item ☐ Discussion Item ☐ Information Item

Issue: Arizona State University requests Project Approval for the ASU West Campus Student Services Facility project. This \$25.1 million project will be financed with System Revenue Bonds to be repaid with the Student Services Facilities mandatory fee over a 30-year period. The project will provide 63,800 square feet of indoor recreation and health services space, as well as other outdoor activity spaces.

Previous Board Actions:

- | | |
|------------------------------------|------------|
| • Project Implementation Approval | June 2011 |
| • FY 2011 Capital Development Plan | Dec. 2010 |
| • FY 2012 Capital Improvement Plan | Sept. 2010 |

Statutory/Policy Requirements:

- Board Policy 7-102 requires Capital Committee review and Board approval of projects with a total project cost over \$5 million.

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

- Current student service facilities are inadequate for the size of the present and future student body of ASU. At the ASU West campus, the current student recreation center is too small for the number of students it serves, and is poorly located.
- In recognition of the key role student service facilities play in the student experience, a proposal to implement a Student Services Facilities Fee was initiated by the ASU Council of Presidents, comprised of student body presidents from all four ASU campuses. Through numerous student senate meetings, open forums and town halls, ASU students supported the fee, which was subsequently approved by the ASU administration, and by the Board of Regents at the March 2010 ABOR meeting.
- Since that time, the scope of the proposed student services facilities projects at all four ASU campuses has been defined by student leaders and a consultant, with guidance from ASU administration. The priority in planning these facilities is

Contact:

Morgan R. Olsen, Executive Vice President, Treasurer and CFO, (480) 727-9920, Morgan.R.Olsen@asu.edu

EXECUTIVE SUMMARY

to provide, where possible, similar and equitable Sun Devil experiences, regardless of campus.

- The thorough community input process undertaken for this project ensures that the proposed student services facilities will provide a commensurate level of service and support to all ASU students. It is the goal of this project to enhance student life on all campuses, by encouraging enhanced connectivity to the larger community and increasing health, wellness, and social engagement through the use of community space.
- This project aligns with both the ABOR 20/20 *Vision* plan and the ASU strategic plan goal of "Access and Quality for All." This project will "...enhance student development and individual student learning..." by providing opportunities for individual student growth, recreation, and social and community involvement.

Project Description/Scope/Compliance with Space Standards:

- The ASU West Campus Student Services Facility project will construct a new student recreation center of approximately 63,800 gross square feet (gsf). The facility is planned as a focal point for student life, through student-operated recreational programs and services in indoor and outdoor activity spaces. The building is planned to be a two-story, sustainable structure, with a minimum of LEED silver certification. Planned amenities include:
 - Two new competition play fields, with softball and rugby fields overlays
 - Renovation of the existing field north of the project site for a student quad and recreational play field
 - Approximately 10,000 gross square feet of state-of-the-art weight and fitness area, including cardiovascular equipment, weight resistance equipment, and free weights
 - One multipurpose studio for group fitness classes (aerobics, boot camp, yoga, Pilates, etc.) and student club use (dance practice and other activities)
 - A two-court gymnasium for basketball, volleyball, badminton, etc.
 - A small, multipurpose gymnasium for sports and group fitness classes
 - Two racquetball courts
 - Expanded Health Services programming space
 - An outdoor leisure pool with lap lanes
 - Programs and services open during the day, evening and weekends.
- The project will be in conformance with applicable ABOR space guidelines.
- To maximize the long-term investment in this facility, the project will be built to last 100 years. The facility has been designed in accordance with the ASU

EXECUTIVE SUMMARY

Design Guidelines, and will be constructed of high quality, durable and maintainable materials and building systems to maximize energy efficiency and minimize operational, repair and replacement costs.

Project Delivery Method and Process:

- This project is being delivered through the Construction Manager (CM) at Risk method. This approach was selected for the project to save time through fast-track project scheduling, provide contractor design input and coordination throughout the project, improve potentially adversarial project environments, and allow for the selection of the most qualified contractor team. With the use of two independent cost estimates at each phase, and low-bid subcontractor work for the actual construction, the CM At Risk also provides a high level of cost and quality control.
- The Construction Manager At Risk (CMAR) was selected through the capital project selection committee process prescribed by the ABOR Procurement Code. Eighteen responses to the project Request for Qualifications (RFQ) were received, and four of the responding teams were short-listed for interview. A licensed contractor from the community was included on the selection committee as required by Board Policy. The design team was selected through a similar ABOR process, and four teams were interviewed out of the seventeen RFQ responses received.

Project Costs:

- The project budget is \$25,140,000.
- This budget represents a construction cost of \$292 per square foot for the West Campus Student Services Facilities, competition fields, leisure pool, utility infrastructure extensions and relocations costs. The estimated total project cost is \$394 per square foot. The estimated construction costs are based on analysis of the 100% schematic design plans by the CMAR and have been closely examined for efficiencies.
- The following table shows comparable projects, with total project costs per square foot, escalated to second quarter 2012 (the project construction midpoint):

EXECUTIVE SUMMARY

Comparable Project	Location	Project Size (SF)	Year Completed	Construction Cost/SF
Sacramento State Recreation and Wellness Center	Sacramento, CA	151,000	2010	\$357
University of Arizona, Student Recreation Center Expansion	Tucson, AZ	54,000	2010	\$420
Cal State University – Long Beach Student Recreation and Health Center	Long Beach, CA	115,000	2010	\$417
Average Comparable Project		106,667		\$398

- Considering these relevant comparable construction costs, the ASU West Campus Student Services Facility budget of \$292 per square foot is considered to be appropriate.
- Two preliminary independent cost estimates have been provided, one by the Design Professional and one by the CMAR. These estimates have been reconciled to confirm accurate, competitive scope quantities and unit prices to form the estimated cost for the entire scope of work. The CM's current estimate is made up of roughly 0 percent subcontractor bid commitments, 83 percent price projections from subcontractors, and 17 percent estimates prepared by the CM team.
- Once the Guaranteed Maximum Price (GMP) is agreed upon, the CM is at risk to provide the completed project within that price. All subcontractor work will be awarded on the basis of the lowest responsive and responsible subcontractor bids. A minimum of three subcontractor bids are required, except for specialty items or instances where proprietary systems are required, such as energy management systems and door locks. A final report on project control procedures including change orders and contingency use will be provided at project completion.

Project Status and Schedule:

- This project is in the design phase. The Design Professional (DP) and CMAR have been identified using a standard selection process. Design will be completed in the next few months.

EXECUTIVE SUMMARY

- General construction is scheduled to begin October 2011, and will be completed December 2012.

Fiscal Impact and Financing Plan:

- The project will be funded through System Revenue Bonds (SRBs). The debt service on these bonds will be paid from auxiliary funds, generated through the Student Services Facilities mandatory fee.
- Operation and maintenance costs for this project are estimated at \$671,000. The funding source for operations and maintenance will be local funds.
- Debt ratio impact: The incremental debt ratio for this project would be 0.10%.

Committee Review and Recommendation:

- The Capital and Project Finance Committee reviewed this item at its July 14, 2011 meeting and recommended forwarding for Board approval.
- The Committee also requested that future university requests for approval of fees dedicated to capital projects identify the timeline for when collection of fees commences and when the capital projects are anticipated to be completed and available for use.

Recommendation to the Board:

It is recommended that the Board grant Project Approval to ASU for the West Campus Student Services Facility project.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University

Project Name: ASU West
Campus Student Services Facility

Project Description and Location:

This project is planned to construct a 63,800 gsf facility and develop 14.2 acres of recreational fields at the ASU West Campus. The facility will provide a weight and fitness area, multipurpose studios, a two-court gymnasium, a small multi-purpose gymnasium, two racquetball courts, a wellness facility and an outdoor leisure pool.

Project Schedule:

Planning	August	2010
Design	February	2011
Construction	October	2011
Occupancy	December	2012

Project Budget:

Facility Useful Life (approx)		100 years
Total Project Cost	\$	25,140,000
Total Project Construction Cost	\$	18,640,000
Total Project Cost per GSF	\$	394
Construction Cost per GSF	\$	292

Change in Annual O & M Cost:

Utilities	\$	176,000
Personnel		310,000
All Other Operating		185,000
Subtotal	\$	671,000

Funding Sources:

Capital

- | | |
|--|---------------|
| A. System Revenue Bonds | \$ 25,140,000 |
| Funding Source for Debt Service: auxiliary funds, generated from the Student Services Facilities Mandatory Fee | |
| B. Operation/Maintenance | \$ 671,000 |
| Funding Source: Local funds | |

EXECUTIVE SUMMARY

Capital Project Cost Estimate

University: ASU at the West campus

Project: ASU West Campus Student Services Facility

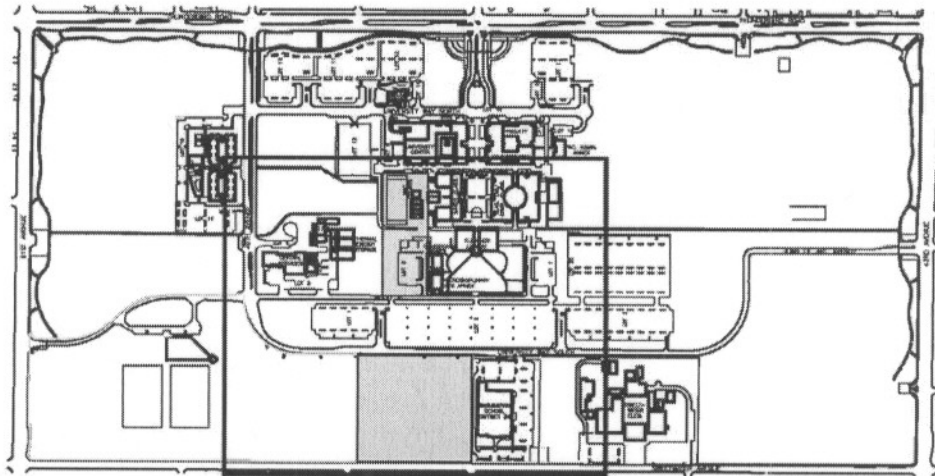
	Capital Development Plan	Project Implementation Approval	Project Approval
Capital Costs			
1. Land Acquisition	\$ -	\$ -	\$ -
2. Construction Cost	-	-	-
A. New Construction	14,550,000	14,550,000	14,550,000
B. Renovation	280,000	280,000	280,000
C. Special Fixed Equipment	-	-	-
D. Site Development (excl. 2.E.)	3,150,000	3,150,000	3,150,000
E. Parking and Landscaping	-	-	-
F. Utilities Extensions	460,000	460,000	460,000
G. Other (Demolition)	200,000	200,000	200,000
Subtotal Construction Cost	<u>\$ 18,640,000</u>	<u>\$ 18,640,000</u>	<u>\$ 18,640,000</u>
3. Fees			
A. Construction Mgr	\$ 230,000	\$ 230,000	\$ 230,000
B. Architect/Engineer	2,000,000	2,000,000	2,000,000
C. Other	30,000	30,000	30,000
Subtotal Consultant Fees	<u>\$ 2,260,000</u>	<u>\$ 2,260,000</u>	<u>\$ 2,260,000</u>
4. FF&E Movable	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
5. Contingency, Design Phase	200,000	105,000	65,000
6. Contingency, Constr. Phase	1,951,724	2,046,724	2,086,724
7. Parking Reserve	-	-	-
8. Telecommunications Equipment	320,000	320,000	320,000
Subtotal Items 4-8	<u>\$ 3,571,724</u>	<u>\$ 3,571,724</u>	<u>\$ 3,571,724</u>
9. Additional University Costs			
A. Surveys, Tests, Haz. Mat. Abatement	\$ 40,000	\$ 40,000	\$ 40,000
B. Move-in Costs	20,000	20,000	20,000
C. Printing Advertisement	-	-	-
D. Keying, signage, facilities support	20,000	20,000	20,000
E. Project Management Cost (2%)	502,800	502,800	502,800
F. State Risk Mgt. Ins. (.0034 **)	85,476	85,476	85,476
Subtotal Addl. Univ. Costs	<u>\$ 668,276</u>	<u>\$ 668,276</u>	<u>\$ 668,276</u>
TOTAL CAPITAL COST	<u><u>\$ 25,140,000</u></u>	<u><u>\$ 25,140,000</u></u>	<u><u>\$ 25,140,000</u></u>

* Universities shall identify items included in this category

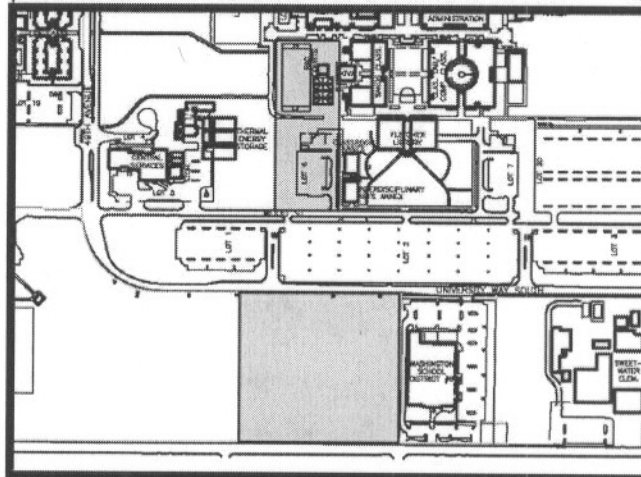
** State Risk Management Insurance factor is calculated on construction costs and consultant fees.

EXECUTIVE SUMMARY

GENERAL LOCATION MAP



WEST CAMPUS STUDENT SERVICES FACILITIES



AREA IN DETAIL

EXECUTIVE SUMMARY

ITEM NAME: Polytechnic Campus Student Services Facility Project Approval (ASU)

☒ Action Item ☐ Discussion Item ☐ Information Item

Issue: Arizona State University requests Project Approval for the ASU Polytechnic Campus Student Services Facility project. This \$25.6 million project will be financed with system revenue bonds to be repaid with the Student Services Facilities mandatory fee over a 30-year period. The project will provide 61,000 square feet of indoor recreation and health services space, as well as other outdoor activity.

Previous Board Actions:

- | | |
|------------------------------------|------------|
| • Project Implementation Approval | June 2011 |
| • FY 2011 Capital Development Plan | Dec. 2010 |
| • FY 2012 Capital Improvement Plan | Sept. 2010 |

Statutory/Policy Requirements:

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

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

- Current student service facilities are inadequate for the size of the present and future student body of ASU. The Polytechnic campus does not have a comprehensive recreation center and lacks union space found on most university campuses.
- In recognition of the key role student service facilities play in the student experience, a proposal to implement a Student Services Facility Fee was initiated by the ASU Council of Presidents, comprised of student body presidents from all four ASU campuses. Through numerous student senate meetings, open forums and town halls, ASU students supported the fee, which was subsequently approved by the ASU administration, and by the Board of Regents at the March 2010 ABOR meeting.

Contact:

Morgan R. Olsen, Executive Vice President, Treasurer and CFO, (480) 727-9920, Morgan.R.Olsen@asu.edu

EXECUTIVE SUMMARY

- Since that time, the scope of the proposed student services facilities projects at all four ASU campuses has been defined by student leaders and a consultant, with guidance from ASU administration. The priority in planning these facilities is to provide, where possible, similar and equitable Sun Devil experiences, regardless of campus.
- The thorough community input process undertaken for this project ensures that the proposed student services facilities will provide a commensurate level of service and support to all ASU students. It is the goal of this project to enhance student life on all campuses, by encouraging enhanced connectivity to the larger community and increasing health, wellness, and social engagement through the use of community space.
- This project aligns with both the ABOR 20/20 *Vision* plan and the ASU strategic plan goal of "Access and Quality for All." This project will "...enhance student development and individual student learning..." by providing opportunities for individual student growth, recreation, and social and community involvement.

Project Description/Scope/Compliance with Space Standards:

- The ASU Polytechnic Campus Student Services Facility project will construct a new student recreation center of approximately 61,000 gross square feet (gsf). The building is planned to be a two-story, sustainable structure, with a minimum of LEED silver certification. The project will enhance student life through recreational programs and services in an indoor and outdoor activity space for Polytechnic students and the campus community. The project will include:
 - Three new competition play fields, two soccer fields and one softball field
 - Approximately 10,000 gsf of state-of-the-art weight and fitness area, including cardiovascular equipment, strength machine equipment, and free weights
 - Three multipurpose studios for group fitness classes (aerobics, boot camp, yoga, Pilates, etc.) and student club use (dance practice, activities, etc.)
 - A two-court gymnasium for basketball, volleyball, badminton, etc.
 - A multi-activity gymnasium for campus events, conference space, concerts, indoor soccer, etc.
 - Two racquetball courts
 - Expanded Health Services programming
 - An outdoor leisure pool with lap lanes
 - Programs and services open during the day, evening and weekends.
- The project will be in conformance with applicable ABOR space guidelines.

EXECUTIVE SUMMARY

- To maximize the long-term investment in this facility, the project will be built to last 100 years. The facility has been designed in accordance with the ASU Design Guidelines, and will be constructed of high quality, durable and maintainable materials and building systems to maximize energy efficiency and minimize operational, repair, and replacement costs.

Project Delivery Method and Process:

- This project is being delivered through the Construction Manager (CM) at Risk method. This approach was selected for the project to save time through fast-track project scheduling, provide contractor design input and coordination throughout the project, improve potentially adversarial project environments, and allow for the selection of the most qualified contractor team. With the use of two independent cost estimates at each phase, and low-bid subcontractor work for the actual construction, CM at Risk also provides a high level of cost and quality control.
- The Construction Manager At Risk (CMAR) was selected through the capital project selection committee process prescribed by the ABOR Procurement Code. Eighteen responses to the project Request for Qualifications (RFQ) were received, and four of the responding teams were short-listed for interview. A licensed contractor from the community was included on the selection committee as required by Board Policy. The design team was selected through a similar ABOR process, and four teams were interviewed out of the twenty-one RFQ responses received.

Project Costs:

- The budget for this project is \$25,590,000.
- This represents an estimated construction cost of \$308 per square foot for the new Student Recreation Facility, competition fields, leisure pool, utility infrastructure extensions, equipment relocation costs, and tenant improvements and relocation costs for the ASU Post Office, ASU archives and the State Emergency Operation Center, all of which will be relocated to make way for this project. The estimated total project cost is \$420 per gsf. The construction costs are based on analysis of the 100% schematic design plans by the CMAR and have been closely examined for efficiencies.
- The following table displays comparable projects, with total project costs per square foot, escalated to second quarter 2012 (the ASU Polytechnic Campus Student Services Facility project construction midpoint):

EXECUTIVE SUMMARY

Comparable Project	Location	Project Size (SF)	Year Completed	Construction Cost/SF
Sacramento State Recreation and Wellness Center	Sacramento, CA	151,000	2010	\$357
University of Arizona Student Recreation Center Expansion	Tucson, AZ	54,000	2010	\$420
Cal State University – Long Beach Student Recreation and Health Center	Long Beach, CA	115,000	2010	\$417
Average Comparable Project		106,667		\$398

- Considering these relevant comparable construction costs, the ASU Polytechnic Campus Student Services Facility budget of \$308 per square foot is considered to be appropriate.
- Two preliminary independent cost estimates have been provided, one by the Design Professional and one by the CMAR. These estimates have been reconciled to confirm accurate, competitive scope quantities and unit prices to form the estimated cost for the entire scope of work. The CM's current estimate is made up of roughly 0 percent subcontractor bid commitments, 83 percent price projections from subcontractors, and 17 percent estimates prepared by the CM team.
- Once the Guaranteed Maximum Price (GMP) is agreed upon, the CM is at risk to provide the completed project within that price. All subcontractor work will be awarded on the basis of the lowest responsive and responsible subcontractor bids. A minimum of three subcontractor bids are required, except for specialty items or instances where proprietary systems are required, such as energy management systems and door locks. A final report on project control procedures including change orders and contingency use will be provided at project completion.

Project Status and Schedule:

- This project is in the design phase. The Design Professional (DP) and CMAR have been identified using a standard selection process. Design will be completed in the next few months.

EXECUTIVE SUMMARY

- General construction is scheduled to begin October 2011 and be completed December 2012.

Fiscal Impact and Financing Plan:

- The project funding will be System Revenue Bonds. The debt service on these bonds will be paid from auxiliary funds, generated from the Student Services Facilities Mandatory Fee.
- Operation and maintenance costs for this project are estimated at \$683,000. The funding source for operations and maintenance will be local funds.
- Debt ratio impact: The incremental debt ratio for this project would be 0.10%.

Committee Review and Recommendation:

- The Capital and Project Finance Committee reviewed this item at its July 14, 2011 meeting and recommended forwarding for Board approval.
- The Committee also requested that future university requests for approval of fees dedicated to capital projects identify the timeline for when collection of fees commences and when the capital projects are anticipated to be completed and available for use.

Recommendation to the Board:

It is recommended that the Board grant Project Approval to ASU for the Polytechnic Campus Student Services Facility project.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University

Project Name: ASU Polytechnic
Campus Student Services Facility

Project Description and Location:

This project is planned to construct an approximately 61,000 gsf student recreation and health services facility, including recreational fields, at the ASU Polytechnic Campus. The facility will provide a weight and fitness area, three multipurpose studios, two gymnasiums, two racquetball courts, and an outdoor pool.

Project Schedule:

Planning	July	2010
Design	February	2011
Construction	October	2011
Occupancy	December	2012

Project Budget:

Facility Useful Life (approx)		100 years
Total Project Cost	\$	25,590,000
Total Project Construction Cost	\$	18,802,500
Total Project Cost per GSF	\$	420
Construction Cost per GSF	\$	308
Change in Annual O & M Cost:		
Utilities	\$	174,000
Personnel		310,000
All Other Operating		198,000
Subtotal	\$	683,000

Funding Sources:

Capital

- | | | |
|--|----|------------|
| A. System Revenue Bonds | \$ | 25,590,000 |
| Funding Source for Debt Service: auxiliary funds, generated from the Student Services Facilities Mandatory Fee | | |
| B. Operation/Maintenance | \$ | 683,000 |
| Funding Source: Local funds | | |

EXECUTIVE SUMMARY

Capital Project Cost Estimate

University: ASU at the Polytechnic campus

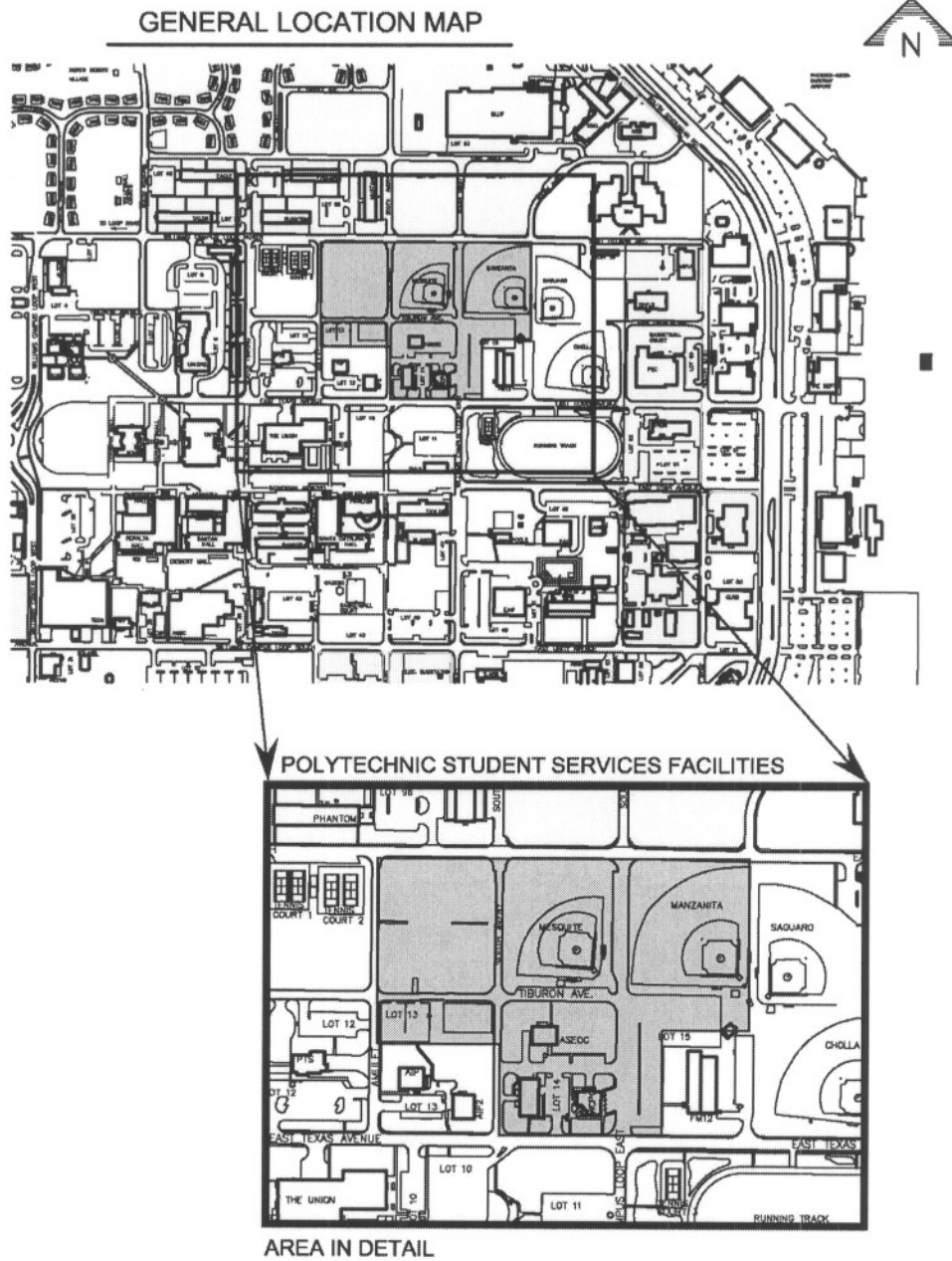
Project: ASU Polytechnic Campus Student Services Facility

	Capital Development Plan	Project Implementation Approval	Project Approval
Capital Costs			
1. Land Acquisition	\$ -	\$ -	\$ -
2. Construction Cost	-	-	-
A. New Construction	15,186,687	15,186,687	15,186,687
B. Renovation	512,500	512,500	512,500
C. Special Fixed Equipment	-	-	-
D. Site Development (excl. 2.E.)	1,185,038	1,185,038	1,185,038
E. Parking and Landscaping	922,340	922,340	922,340
F. Utilities Extensions	690,000	690,000	690,000
G. Other*(Demolition)	305,935	305,935	305,935
Subtotal Construction Cost	<u>\$ 18,802,500</u>	<u>\$ 18,802,500</u>	<u>\$ 18,802,500</u>
3. Fees			
A. Construction Mgr	\$ 187,995	\$ 187,995	\$ 187,995
B. Architect/Engineer	2,057,995	2,057,995	2,057,995
C. Other	-	-	-
Subtotal Consultant Fees	<u>\$ 2,245,990</u>	<u>\$ 2,245,990</u>	<u>\$ 2,245,990</u>
4. FF&E Movable	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000
5. Contingency, Design Phase	220,000	120,000	65,000
6. Contingency, Constr. Phase	2,014,680	2,114,680	2,169,680
7. Parking Reserve	-	-	-
8. Telecommunications Equipment	455,000	455,000	455,000
Subtotal Items 4-8	<u>\$ 3,789,680</u>	<u>\$ 3,789,680</u>	<u>\$ 3,789,680</u>
9. Additional University Costs			
A. Surveys, Tests, Haz. Mat. Abatement	\$ 95,000	\$ 95,000	\$ 95,000
B. Move-in Costs	20,000	20,000	20,000
C. Printing Advertisement	-	-	-
D. Keying, signage, facilities support	50,000	50,000	50,000
E. Project Management Cost (2%)	501,564	501,564	501,564
F. State Risk Mgt. Ins. (.0034 **)	85,266	85,266	85,266
Subtotal Addl. Univ. Costs	<u>\$ 751,830</u>	<u>\$ 751,830</u>	<u>\$ 751,830</u>
TOTAL CAPITAL COST	<u><u>\$ 25,590,000</u></u>	<u><u>\$ 25,590,000</u></u>	<u><u>\$ 25,590,000</u></u>

* Universities shall identify items included in this category

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

EXECUTIVE SUMMARY



ASU
ARIZONA STATE UNIVERSITY

October 27, 2011

The Honorable Don Shooter, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington
Phoenix, AZ 85007



Dear Senator Shooter:

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

- Tempe Campus Student Services Facility
- Downtown Phoenix Campus Student Services Facility
- Downtown Phoenix Campus - Historic Post Office Renovation

Enclosed is pertinent information relating to these items.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Morgan R. Olsen".

Morgan R. Olsen
Executive Vice President, Treasurer and CFO

Enclosures

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

OFFICE OF THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

BUSINESS AND FINANCE

PO BOX 877505, TEMPE, AZ 85287-7505
(480) 727-9920 FAX: (480) 727-9922

**Joint Committee on Capital Review
Arizona State University
November 17, 2011 JCCR Meeting**

RE: ASU requests JCCR review the following projects as required by ABOR policy and ARS § 15-1683:

- Tempe Campus Student Services Facility
- Downtown Phoenix Campus Student Services Facility
- Downtown Phoenix Campus - Historic Post Office Renovation

Background

ASU plans to undertake three bond-financed projects to expand student services across all campuses, as requested by ASU student leadership. The total cost of these projects is \$61,057,500, and additional information regarding the projects is shown on the following pages.

Initial work on the projects will begin prior to the issuance of bonds in order to meet project scheduling requirements. Project expenditures incurred prior to the issuance of bonds will be funded from the University's working capital cash balances, which will be restored upon sale of the bonds.

Arizona Board of Regents executive summaries have been included with this request for the Tempe and Downtown Campus Student Service Facilities. For the remaining project, Downtown Phoenix Campus Historic Post Office Remodel, an executive summary is not included since ABOR approval is not required for projects with an estimated cost of under \$5,000,000 (see ABOR Policy 7-102.B.1).

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

**Joint Committee on Capital Review
Arizona State University
November 17, 2011 JCCR Meeting**

3. DOWNTOWN PHOENIX CAMPUS HISTORIC POST OFFICE REMODEL

Project Description

This project will perform renovations at the Downtown Phoenix Campus Historic Post Office to create student engagement and student union functions that do not currently exist for students at the Downtown Phoenix Campus. The renovations will affect 18,800 gross square feet of space, and will include the construction of conference and meeting space, open lounge and recreation space, space for student organizations to work and administer groups, and a small kitchen/vending area. An ABOR executive summary is not included for this project since ABOR approval is not required for projects under \$5 million.

Project Costs

Total Project Cost	\$	4,770,000
Total Project Construction Cost	\$	3,500,000
Total Project Cost per GSF	\$	254
Construction Cost per GSF	\$	186

Operations and maintenance costs are not expected to change with this renovation project, because renovations will occur in existing University space.

Project Delivery Method

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

**Joint Committee on Capital Review
Arizona State University
November 17, 2011 JCCR Meeting**

FY 2012 Debt-Financed Projects

PROJECT SUMMARY

<u>New Construction:</u>	<u>Funding Source:</u>	<u>Amount:</u>
Tempe Campus Student Services Facilities	Student Service Facility Fee	\$32,155,000
Downtown Phoenix Campus Student Services Facilities	Student Service Facility Fee/Tuition	24,132,500

<u>Renovation & Improvements:</u>		
Downtown Phoenix Campus-Historic Post Office Remodel	Student Service Facility Fee	4,770,000
		<u>\$61,057,500</u>

FINANCING INFORMATION

<u>System Revenue Bonds:</u>	
Project Costs	\$61,057,500
Estimated Costs of Issuance	\$647,500
Anticipated Bond Rating	Aa3 (Moody's) and AA (S&P)
Anticipated Date of Issuance	Spring 2012
Assumed Interest Rate	4.61%
Term	20 to 30 years

<u>Debt Service Information:</u>	
Estimated Debt Service for 2012	\$650,900
Estimated Annual Debt Service for 2013 to 2032	\$3,894,100
Estimated Annual Debt Service for 2033 to 2042	\$3,538,100
Total Estimated Debt Service Costs	\$113,913,900

DEBT RATIO

Debt Ratio on Existing Debt	4.9%
Incremental Debt Ratio for FY2012 Projects	0.23%
Projected Debt Ratio	5.13%



**Joint Committee on Capital Review
Arizona State University
November 17, 2011 JCCR Meeting**

System Revenue Bonds, Series 2011B

ESTIMATED DEBT SERVICE SCHEDULE

Downtown Phoenix Campus - Historic Post Office Remodel

Period Ending	Principal	Interest	Debt Service
07/01/2012		\$43,909	\$43,909
07/01/2013	\$180,000	175,634	355,634
07/01/2014	185,000	173,024	358,024
07/01/2015	185,000	169,953	354,953
07/01/2016	190,000	166,475	356,475
07/01/2017	195,000	162,314	357,314
07/01/2018	200,000	157,459	357,459
07/01/2019	205,000	151,999	356,999
07/01/2020	210,000	145,828	355,828
07/01/2021	220,000	138,919	358,919
07/01/2022	225,000	131,131	356,131
07/01/2023	235,000	122,896	357,896
07/01/2024	245,000	114,013	359,013
07/01/2025	250,000	104,409	354,409
07/01/2026	260,000	94,259	354,259
07/01/2027	275,000	83,391	358,391
07/01/2028	285,000	71,594	356,594
07/01/2029	300,000	59,054	359,054
07/01/2030	310,000	45,554	355,554
07/01/2031	325,000	31,294	356,294
07/01/2032	340,000	16,116	356,116
Total	\$4,820,000	\$2,359,222	\$7,179,222

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

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HOUSE OF
REPRESENTATIVES

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

DATE: November 10, 2011

TO: Senator Don Shooter, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Assistant Director

SUBJECT: University of Arizona - Review of Athletic Facilities Improvements Bond Projects

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. The University of Arizona (UA) requests Committee review of a \$73.5 million bond issuance to renovate and expand the north end-zone of the football stadium and upgrade items at other campus athletic facilities.

Recommendation

The Committee has at least the following 2 options:

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

Under either option, the JLBC Staff recommends the provision that the projects are ultimately approved by the Arizona Board of Regents along with the following standard university financing provisions:

Standard University Financing Provisions

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

Analysis

UA plans to renovate and expand the north end-zone of the Arizona Stadium, which was built in 1928, and make upgrades to other athletic facilities on campus. The total project cost is \$89.5 million, of which

(Continued)

\$16.0 million will be financed with donations. The remaining \$73.5 million will be financed with a revenue bond.

Construction Costs

Of the \$89.5 million total bond project, \$72.3 million will be used to renovate and expand the football stadium's north end-zone, and \$16.5 million will be for upgrades at the stadium and other campus athletic facilities. The remaining \$0.7 million is for issuance costs. Construction is expected to begin in early 2012 and will be completed before fall 2013.

UA plans to expand the stadium by about 140,600 square feet. The 140,600 square feet will include 66,900 square feet for a new football operations facility (administrative and coaches offices, team training rooms, locker rooms, equipment rooms, meeting rooms, and cafeteria) and 73,700 square feet of stadium seating, concourses, and amenities (up to 4,600 upgraded seats and 400 premium loge seats). These 5,000 new permanent seats will replace 3,900 aluminum bleacher seats currently in the north end-zone. The current season ticket price for the 3,900 aluminum bleacher seats is \$115 for adults and \$67 for youth 18 years and younger. The expected season ticket price of the 4,600 upgraded seats will be about \$140 for adults and about \$75 for youth 18 years and younger. The season ticket price for the 400 premium loge seats is expected to be \$1,500.

UA will also renovate 43,100 square feet in the stadium, including restrooms, stairs, and elevator towers. It is estimated that the annual operating and maintenance costs for the project is \$860,100, which the university plans to fund with auxiliary revenues.

UA also plans on making other improvements to the stadium and other campus athletic facilities. The following will be included in the scope of this \$16.5 million project: a new stadium scoreboard, field lighting for the stadium and a separate soccer field, stadium electrical upgrades, football practice field improvements, conditioning equipment upgrades, and basketball locker room improvements.

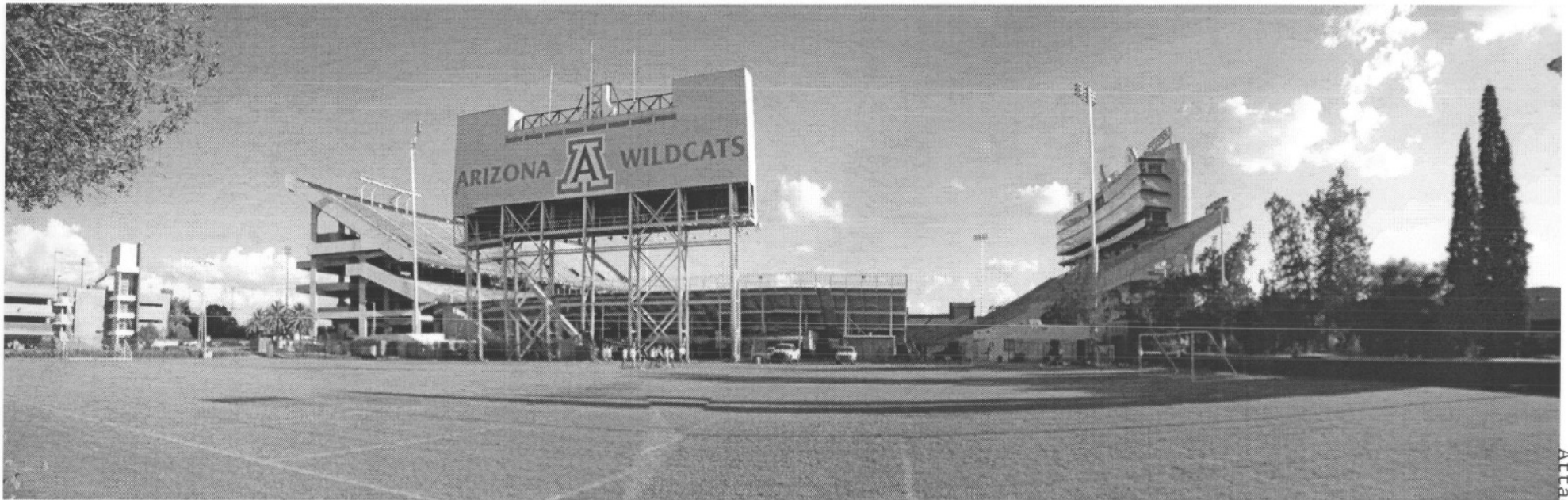
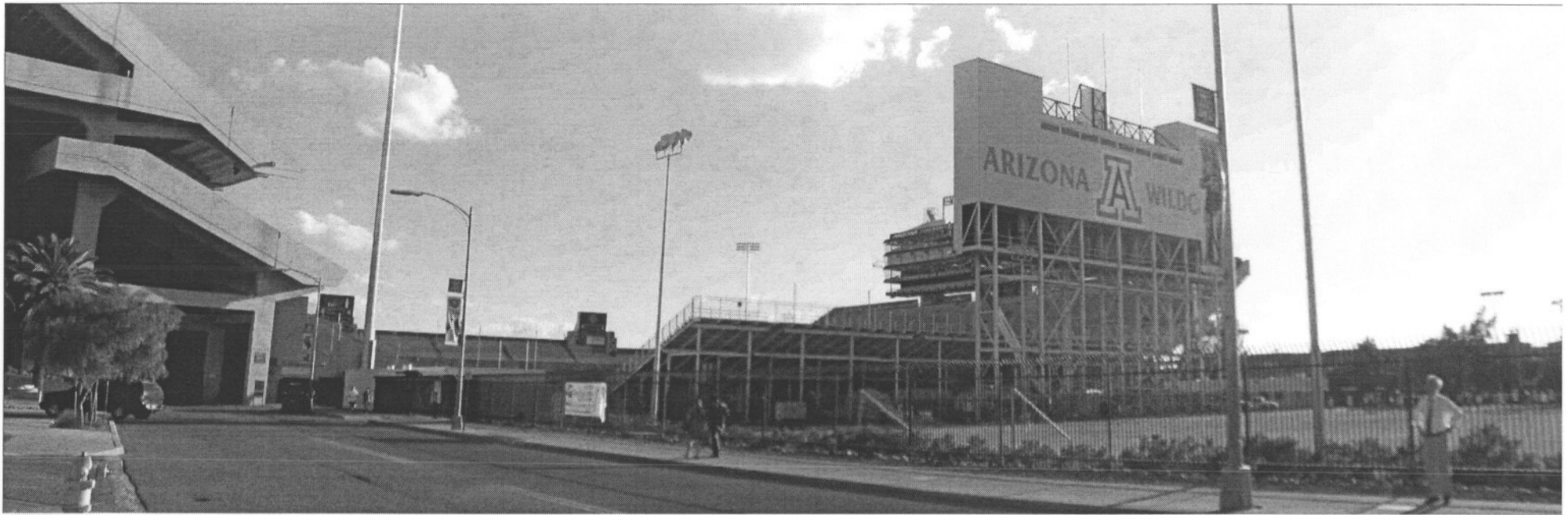
The direct construction cost per square foot for the north end-zone expansion is \$305. UA did not provide a direct construction cost per square foot for the other upgraded facilities projects because it will affect specific systems and not spaces.

Financing

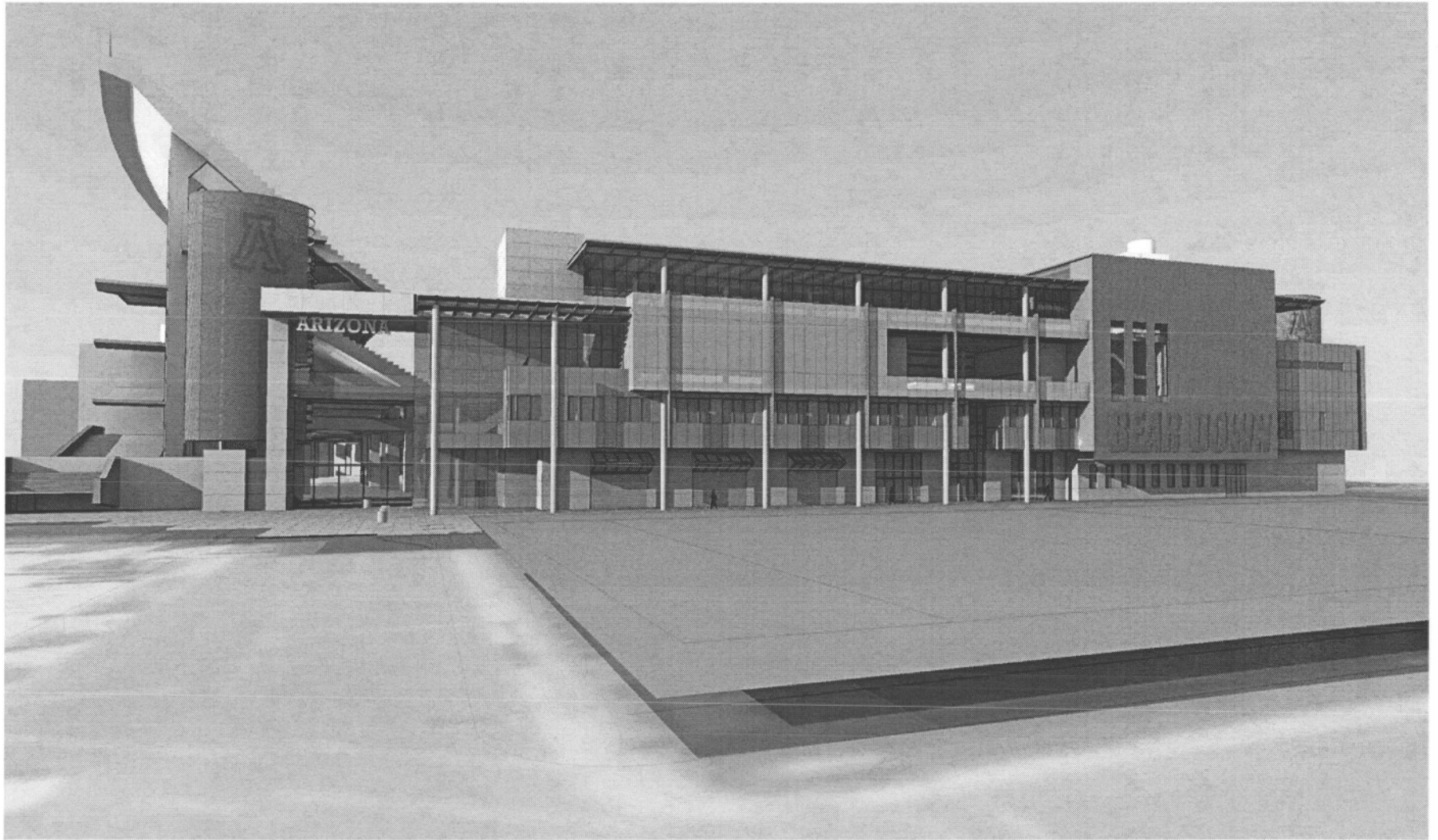
UA plans on issuing a \$73.5 million revenue bond in March 2012 for a rating of Aa2 (Moody's)/AA (S&P) at an estimated 6% interest rate for a term of 30 years. The university estimates an interest-only debt service payment of \$2.2 million in FY 2012, followed by annual payments of about \$5.3 million over the remaining 29 years of the bond's term. The total expected cost of the bond over the 30-year term is \$162.5 million.

Of the bond's \$162.5 million total debt service, \$68.1 million will be paid with donations and \$94.4 million from new PAC-12 media contract revenues. The annual increase in the new PAC-12 media contract is about \$8.0 million greater than the old contract. In terms of donations, \$14.0 million has been pledged so far, which is in addition to the \$16.0 million that will be paid upfront. According to UA, tuition revenues will not be used to make any of the debt service payments.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The \$73.5 million revenue bond would increase the UA debt ratio by 0.23%, from 5.17% to 5.4%.







October 25, 2011

The Honorable Don Shooter, Chairman
Joint Committee on Capital Review
Arizona State Senate
1716 West Adams
Phoenix, AZ 85007



Dear Senator Shooter:

In accordance with ARS 15-1683, the Arizona Board of Regents (ABOR) requests that the following bond-financed item for the University of Arizona be placed on the next Joint Committee on Capital Review meeting agenda for November 17th:

• Arizona Stadium North End Zone Expansion	\$72,300,000
• Various Other Misc. Athletics Facilities Improvements	16,477,100
• <u>Estimated Cost of Issuance</u>	<u>754,000</u>
Total Cost of Projects	\$89,531,100
• <u>Minus Donations Received and Dedicated to Projects</u>	<u>(16,000,000)</u>
Total Bond Sale Amount	\$73,531,100

These projects are critical to the University of Arizona's Intercollegiate Athletics programs, providing greatly needed seating, training, recruiting, revenue-production, ADA disabled access, and safety-related improvements to existing aging and outdated facilities. See the attached ABOR Project Approval Submittal for additional information regarding the Arizona Stadium North End Zone Expansion project. The Other Miscellaneous Athletics Facilities Improvements include various critical, recently completed upgrades and equipment replacements such as a new stadium scoreboard, field lighting for the stadium and separate soccer field, stadium electrical upgrades, football practice field improvements, conditioning equipment upgrades and basketball locker room improvements. These miscellaneous improvements have been included in the bond sale to improve liquidity and take advantage of historically favorable interest rates and bond ratings.

The UA is utilizing \$16 million in donations already received to reduce the amount to be bond financed. An additional \$14 million in pledges have been received, and additional donations are expected to continue to be received through the upcoming years. The University will use these gift revenues and PAC-12 media contract revenues to fund debt service on the System Revenue Bonds, and therefore this project will not impact the University's General Fund or tuition rates.



Please note that the Arizona Stadium North End Zone Expansion project has been previously reviewed and approved by ABOR, and is on the upcoming agenda for final approval on December 1 & 2 meeting dates. If you require additional information, please don't hesitate to contact me at (520) 621-5977.

Sincerely,



Milton M. Castillo
Senior Vice President and Chief Financial Officer

Attachment: Arizona Stadium North End Zone Expansion – ABOR Project Approval Submittal

cc: Richard Stavneak, Director, JLBC
John Arnold, Dir. Governor's OSPB
Leatta McLaughlin, Asst. Director, JLBC
Eugene G. Sander, President
Lorenzo Martinez, Asst. Exec. Director for Capital Resources, ABOR
Tom Anderes, President, Arizona Board of Regents
Tim Bee, Assoc. VP for State Relations
Charles Ingram, Assoc. VP Financial Services
Robert Smith, Sr. Assoc. VP, Business Affairs
Jim Florian, Assoc. VP & Budget Director

**THE UNIVERSITY OF ARIZONA
AMORTIZATION SCHEDULE**

ICA North End Zone project

Maturity = 30

Financing Amount =

\$ 72,777,100

757,900

Total financing Amount =

\$ 73,535,000

Base Amount =

Year	Principal and Interest payment	Interest payment @ 6.00%	Principal Payment	Principal Outstanding
				\$ 73,535,000
6/1/2012	2,206,050	2,206,050		73,535,000
1		2,206,050		73,535,000
6/1/2013	5,342,100	2,206,050	930,000	72,605,000
2		2,178,150		72,605,000
6/2/2014	5,341,300	2,178,150	985,000	71,620,000
3		2,148,600		71,620,000
6/1/2015	5,342,200	2,148,600	1,045,000	70,575,000
4		2,117,250		70,575,000
6/1/2016	5,344,500	2,117,250	1,110,000	69,465,000
5		2,083,950		69,465,000
6/1/2017	5,342,900	2,083,950	1,175,000	68,290,000
6		2,048,700		68,290,000
6/1/2018	5,342,400	2,048,700	1,245,000	67,045,000
7		2,011,350		67,045,000
6/1/2019	5,342,700	2,011,350	1,320,000	65,725,000
8		1,971,750		65,725,000
6/1/2020	5,343,500	1,971,750	1,400,000	64,325,000
9		1,929,750		64,325,000
6/1/2021	5,344,500	1,929,750	1,485,000	62,840,000
10		1,885,200		62,840,000
6/1/2022	5,340,400	1,885,200	1,570,000	61,270,000
11		1,838,100		61,270,000
6/1/2023	5,341,200	1,838,100	1,665,000	59,605,000
12		1,788,150		59,605,000
6/1/2024	5,341,300	1,788,150	1,765,000	57,840,000
13		1,735,200		57,840,000
6/1/2025	5,340,400	1,735,200	1,870,000	55,970,000
14		1,679,100		55,970,000
6/1/2026	5,343,200	1,679,100	1,985,000	53,985,000
15		1,619,550		53,985,000
6/1/2027	5,344,100	1,619,550	2,105,000	51,880,000
16		1,556,400		51,880,000
6/1/2028	5,342,800	1,556,400	2,230,000	49,650,000
17		1,489,500		49,650,000
6/1/2029	5,344,000	1,489,500	2,365,000	47,285,000
18		1,418,550		47,285,000
6/1/2030	5,342,100	1,418,550	2,505,000	44,780,000
19		1,343,400		44,780,000
6/1/2031	5,341,800	1,343,400	2,655,000	42,125,000
20		1,263,750		42,125,000
6/1/2032	5,342,500	1,263,750	2,815,000	39,310,000
21		1,179,300		39,310,000
6/1/2033	5,343,600	1,179,300	2,985,000	36,325,000
22		1,089,750		36,325,000
6/1/2034	5,344,500	1,089,750	3,165,000	33,160,000
23		994,800		33,160,000
6/1/2035	5,344,600	994,800	3,355,000	29,805,000
24		894,150		29,805,000
6/1/2036	5,343,300	894,150	3,555,000	26,250,000
25		787,500		26,250,000
6/1/2037	5,340,000	787,500	3,765,000	22,485,000
26		674,550		22,485,000
6/1/2038	5,344,100	674,550	3,995,000	18,490,000
27		554,700		18,490,000
6/1/2039	5,344,400	554,700	4,235,000	14,255,000
28		427,650		14,255,000
6/1/2040	5,340,300	427,650	4,485,000	9,770,000
29		293,100		9,770,000
6/1/2041	5,341,200	293,100	4,755,000	5,015,000
30		150,450		5,015,000
6/1/2041	5,315,900	150,450	5,015,000	-
	<u>162,457,850</u>	<u>88,922,850</u>	<u>73,535,000</u>	

Funding Source for Debt Service on North End Zone & Refinance of Other Loans

Year	Annual Debt Srvc	Source of Funding	
		Private Gifts	PAC 12 Media Rev
6/1/2012	2,206,050	2,206,050	0
6/1/2013	5,342,100	5,000,000	342,100
6/1/2014	5,341,300	2,100,000	3,241,300
6/1/2015	5,342,200	2,100,000	3,242,200
6/1/2016	5,344,500	2,100,000	3,244,500
6/1/2017	5,342,900	2,100,000	3,242,900
6/1/2018	5,342,400	2,100,000	3,242,400
6/1/2019	5,342,700	2,100,000	3,242,700
6/1/2020	5,343,500	2,100,000	3,243,500
6/1/2021	5,344,500	2,100,000	3,244,500
6/1/2022	5,340,400	2,100,000	3,240,400
6/1/2023	5,341,200	2,100,000	3,241,200
6/1/2024	5,341,300	2,100,000	3,241,300
6/1/2025	5,340,400	2,100,000	3,240,400
6/1/2026	5,343,200	2,100,000	3,243,200
6/1/2027	5,344,100	2,100,000	3,244,100
6/1/2028	5,342,800	2,100,000	3,242,800
6/1/2029	5,344,000	2,100,000	3,244,000
6/1/2030	5,342,100	2,100,000	3,242,100
6/1/2031	5,341,800	2,100,000	3,241,800
6/1/2032	5,342,500	2,100,000	3,242,500
6/1/2033	5,343,600	2,100,000	3,243,600
6/1/2034	5,344,500	2,100,000	3,244,500
6/1/2035	5,344,600	2,100,000	3,244,600
6/1/2036	5,343,300	2,100,000	3,243,300
6/1/2037	5,340,000	2,100,000	3,240,000
6/1/2038	5,344,100	2,100,000	3,244,100
6/1/2039	5,344,400	2,100,000	3,244,400
6/1/2040	5,340,300	2,100,000	3,240,300
6/1/2041	5,341,200	2,100,000	3,241,200
6/1/2042	5,315,900	2,100,000	3,215,900
	<u>162,457,850</u>	<u>68,106,050</u>	<u>94,351,800</u>

Note: other loans include Mbskt renovations, Jiminez fb practice field, Az Std lights & Az Std video, audio and Mckale video control room with a current balance of \$16,477,100.

EXECUTIVE SUMMARY

Item Name: Arizona Stadium North End-Zone Expansion
Project Approval (UA)

☒ Action Item ☐ Discussion Item ☐ Information Item

Issue: The University of Arizona requests Project Approval for the Arizona Stadium North End-Zone Expansion project, at the cost of \$72.3 million.

Previous Board Action: Project Implementation Approval – June 2011
Revised FY 2010 Capital Development Plan – January 2010

Statutory/Policy Requirements

- Board Policy 7-102 requires Capital Committee review and Board approval of projects with a total project cost over \$5 million.

Project Justification/Strategic Implications

- Built in 1928, Arizona Stadium is the oldest athletics facility on campus still in use. It is also the largest public assembly building on campus seating 57,800 event-based spectators which has been operating with substandard and insufficient access, restrooms, concessions, points of sale, spectator amenities, and a lack of appropriate premium seating amenities.
- An appropriately upgraded stadium facility is needed to provide:
 - the caliber of facility which can compete in the recruitment and training of student athletes;
 - quality premium seating and associated amenities to maintain the necessary revenue base and donor support which finances all of Arizona Athletics sport programs.
 - a positive fan experience comparable to what other PAC-12 peer institutions currently enjoy;
- As detailed in the previously submitted 2009 Intercollegiate Athletics Facilities Analysis (Master Plan), this Arizona Stadium expansion project is greatly needed as an immediate first step in implementing the UA Intercollegiate Athletics (ICA) long-term development objectives.
- To provide needed athletic program revenues, the Arizona Stadium North End-Zone Expansion project will replace substandard aluminum bleacher seating with approximately 5,000 upgraded premium spectator seats including access to club amenities. This project will also provide new concourses and elevators to offer direct and safe access to existing wheelchair seating as required for compliance with the Americans with Disabilities Act (ADA). Additional restrooms will be included to help

Contact Information:

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EXECUTIVE SUMMARY

resolve code deficiencies and the new facilities will be accessible from existing underserved east and west stadium areas.

- Enclosed spaces within this new facility will allow relocation of existing football functions away from McKale Memorial Center which will provide the needed space to house and expand all other athletic programs that will remain in McKale Memorial Center.

Project Description and Scope

- This 183,683 Gross Square Feet (GSF) project will complete the north end stadium seating bowl with new premium spectator seating, provide stairs and elevator towers to connect the existing east and west stadium sections, add new restrooms to resolve code deficiencies, and provide food service to spectators, student-athletes and the campus community. The project will provide roughly 140,589 Net Square Feet (NSF) of new space including:
 - 53,479 NSF Football operations (administrative and coaches offices, team training, locker and equipment rooms, meeting rooms, etc.)
 - 73,754 NSF Stadium seating, concourses, and amenities (up to 4,600 upgraded seats and 400 premium loge seats/club space)
 - 6,904 NSF Cafeteria serving team training, concessions, and campus community
 - 6,452 NSF Entry, lobby, public space.

Additional Project Considerations

- To maximize the long-term investment in this prominent campus stadium facility serving the entire campus community, the project will be built to last at least 50 to 75 years. The project has been designed in accordance with UA Design and Specification Standards and will be constructed of high quality, durable, maintainable materials and building systems to maximize energy efficiency and minimize operational, repair and replacement costs.
- In an effort to demonstrate the on-going UA commitment to responsible and sustainable design, this project will be designed to conform with the standard United States Green Building Council (USGBC) Leadership in Energy and Environmental Design (LEED) Silver Certification.

Project Delivery Method and Process

- This project is being delivered through the Construction Manager at Risk (CMAR) method. This approach was selected for the project because it can save time through fast-track project scheduling, provides contractor design input and coordination throughout the project, improves potentially adversarial project environments and allows for the selection of the most qualified contractor team for each individual project. With the use of two independent cost estimates at each phase, and low-bid subcontractor

EXECUTIVE SUMMARY

selections for the actual construction work, this method also provides a high level of cost and quality control, and takes advantage of the currently favorable construction market conditions.

- The CMAR was selected through the capital project selection committee process as prescribed by ABOR Procurement Code. Nine (9) responses to the project Request for Qualifications (RFQ) were received and three (3) of the responding teams were short-listed for interviews. A licensed contractor from the community was included on the selection committee as required by ABOR policy. The design team was selected through a similar ABOR process, and five (5) teams were interviewed out of the fourteen (14) RFQ responses received.

Project Costs

- The total project budget is \$72.3 million with a construction cost of \$56 million.
- This stadium expansion is a specialized building type with a number of variables that are difficult to compare with other projects. However, the following stadium expansion projects provide the best comparable project cost information available.

Comparable Project	Location	Project Size	Escalated Construction Cost/SF
Texas (1998)	Texas	80,000	\$139/SF
UNLV (1999)	Nevada	53,000	\$490/SF
SMU (2000)	Texas	262,990	\$310/SF
Texas A&M (2001)	Texas	121,000	\$215/SF
University of Oregon (2003)	Oregon	175,000	\$657/SF
Texas Tech (2003)	Texas	175,000	\$482/SF
Mal Moore Athletic Facility (2004)	Alabama	97,500	\$199/SF
Woody Hayes Athletic Center (2006)	Ohio	90,000	\$256/SF
Oregon State (2006)	Oregon	316,000	\$222/SF
Puskar Athletic Center (2006)	West Virginia	34,250	\$229/SF
Clemson End-Zone Expansion (2008)	South Carolina	222,429	\$176/SF
Average Comparable Project		147,924SF	\$309/SF

- These types of projects vary considerably in their scope and contextual conditions, and are difficult to equitably compare, but considering these reasonably relevant comparable construction costs, the Arizona Stadium North End-Zone Expansion budget of \$305/SF appears to be quite competitive.
- For this Project Approval phase, two preliminary independent cost estimates have been provided, one by the Design Professional and one by the CMAR. These estimates have

EXECUTIVE SUMMARY

been reconciled together to confirm accurate, competitive scope quantities and unit prices to form the estimated cost for the entire scope of work.

- Once the Guaranteed Maximum Price (GMP) is agreed upon, the CMAR is at risk to provide the completed project within that price. All subcontractor work will be awarded on the basis of the lowest responsive and responsible subcontractor bids. A minimum of three (3) subcontractor bids are required for all construction work to be completed, except for specialty items, or instances where proprietary systems are required, such as energy management systems and door locks. A final report on project control procedures for change orders and contingency use will be provided at project completion.

Fiscal Impact and Financing Plan

- The University plans to issue System Revenue Bonds (SRBs) to finance the Arizona Stadium North End-Zone Expansion Project. The annual debt service is estimated to be \$4.1 million based on a conservative budget of 6 percent interest rate for a 30-year maturity. The University will use gifts to pay the debt service on the SRBs, with new PAC-12 media contract funds to be made available to backstop those gift funds should they be needed. When the bond is issued for the project, the University's outstanding debt at the end of the fiscal year is estimated to be \$1.15 billion. At the same time, the University will have retired \$41.4 million in debt principal. The operating and maintenance (O&M) cost on the facility expansion is estimated to be \$860,100. The University will use auxiliary revenues to fund the O&M cost.

Debt Ratio Impact: The estimated annual debt service of \$4.1 million on the Arizona Stadium North End-Zone SRBs will increase the UA debt ratio by .23 percent. The projected highest debt ratio is 5.4 percent excluding SPEED revenue bonds, and 5.9 percent if SPEED revenue bonds are included. This remains well below the debt ratio limit of 8 percent established by ABOR policy and state statute.

Project Status & Schedule

- Following the completion of the construction documents, general construction is scheduled to begin early in 2012 with construction scheduled for completion in advance of fall 2013.

Recommendation

It is recommended that the Capital & Project Finance Committee review and recommend the Board grant Project Approval to the University of Arizona for the Arizona Stadium North End-Zone Expansion project, as presented in the executive summary.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: The University of Arizona

Project Name: Arizona Stadium North End-Zone Expansion

Project Description/Location: A new facility to house the football program, complete the seating bowl, and add stairs and elevator towers to correct access/egress deficiencies at existing upper level seating sections.

	<u>Project Implementation Approval</u>	<u>Project Approval</u>
<u>Date of Board Action:</u>	June 2011	December 2011
<u>Project Scope:</u>		
New Building Gross Square Feet	189,023	183,683
New Building Net Assignable Square Feet	133,818	140,589
New Building Efficiency Ratio [NASF/GSF]	71%	76%
New Building NASF by Space Type		
Football Staff Offices	8,025	8,938
Athletes and Coaches Locker Suites	10,420	10,303
Team Meeting Rooms and Auditorium	7,700	7,612
Strength & Conditioning and Training	16,369	20,001
Equipment Rooms	6,110	6,625
Cafeteria	6,800	6,904
Entry/Lobby/Public services	4,000	6,452
Stadium Seating/Concourses/Concessions	74,394	73,754
Renovation Net Assignable Square Feet	0	0
<u>Project Schedule (Beginning Month/Year):</u>		
Planning	11/08	11/08
Design	10/10	10/10
Construction	01/12	01/12
Occupancy	08/13	08/13
<u>Project Budget:</u>		
Total Project Cost	\$72,300,000	\$72,300,000
Total Project Cost per GSF	\$382	\$394
Direct Construction Cost – New	\$56,000,000	\$56,000,000
Construction Cost per GSF - New	\$296	\$305
Direct Construction Cost - Renovation	n/a	n/a
Construction Cost per GSF - Renovation	n/a	n/a
Change in Annual Operating & Maintenance Cost		
Utilities	\$289,500	\$289,500
Personnel	\$425,800	\$425,800
Other	\$144,800	\$144,800
<u>Funding Sources:</u>		
Capital:		
A. Gifts	\$16,000,000	\$16,000,000
B. System Revenue Bonds – Paid by Gifts & backed by PAC-12 Media Contract Revenues if needed	\$56,300,000	\$56,300,000
Operation/Maintenance:		
• Auxiliary Revenues	\$860,100	\$860,100

EXECUTIVE SUMMARY**Capital Project Cost Estimate****University:** The University of Arizona**Project Name:** Arizona Stadium North End-Zone Expansion**Project Implementation Approval****Project Approval****Date of Budget Estimate**

April 2011

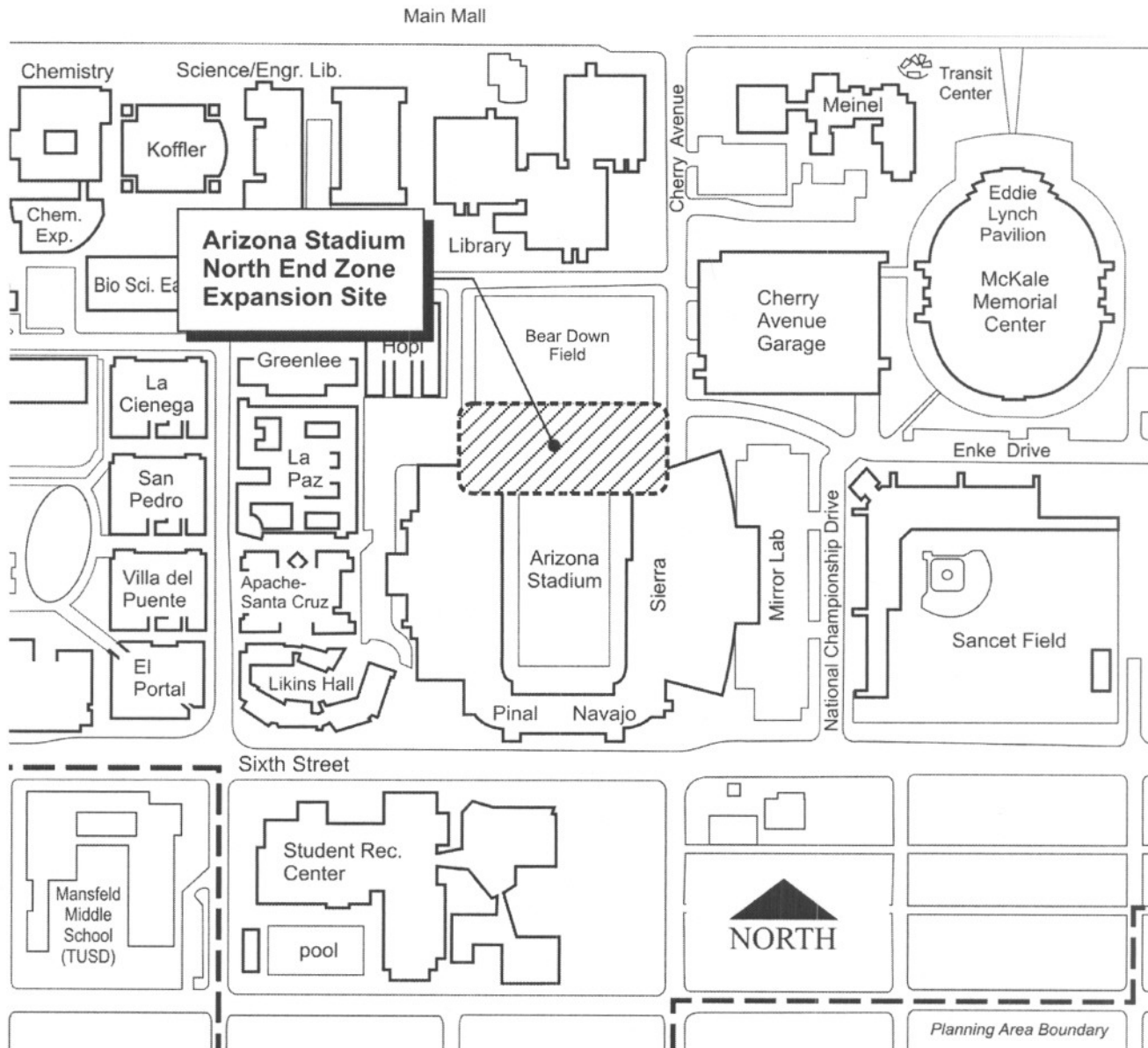
October 2011

1. Land Acquisition	\$	0	\$	0
2. Construction Cost				
A. New Construction		52,226,000		52,226,000
B. Renovation		0		0
C. Fixed Equipment (Owner-Furnished)		0		0
D. Site Development (exclude 2.E.)		0		0
E. Parking & Landscaping		0		0
F. Utilities Extensions		3,774,000		3,774,000
G. Other (asbestos)		0		0
Subtotal Construction Cost	\$	56,000,000	\$	56,000,000
3. Consultant Fees				
A. Construction Manager <u>(0.7%)</u>		415,000		415,000
B. Architect/Engineering Fees <u>(8.2%)</u>		4,446,000		4,589,846
C. Other (Programming, Special Consult.) <u>(0.1%)</u>		200,000		56,154
Subtotal Consultant Fees	\$	5,061,000	\$	5,061,000
4. Furniture Fixtures and Equipment		4,000,000		4,000,000
5. Contingency, Design Phase <u>(3.7%)</u>		2,100,000		2,100,000
6. Contingency, Construction Phase <u>(5%)</u>		2,800,000		2,800,000
7. Parking Reserve		120,000		120,000
8. Telecommunications Equipment		546,000		546,000
Subtotal Items 4-8	\$	9,566,000	\$	9,566,000
9. Additional University Costs				
A. Surveys and Tests		110,000		110,000
B. Move-in Costs		37,000		37,000
C. Public Art		0		0
D. Printing/Advertisement		10,000		10,000
E. Univ. Facilities & Project Management <u>(2%)</u>		1,120,000		1,120,000
F. State Risk Mgt. Ins		396,000		396,000
Subtotal Additional University Costs	\$	1,673,000	\$	1,673,000
TOTAL CAPITAL COST	\$	72,300,000	\$	72,300,000

Note: All percentages shown are of the subtotal construction cost amount.

EXECUTIVE SUMMARY

Project Site Location Map



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DON SHOOTER
CHAIRMAN 2011
PAULA A. ABOUD
ANDY BIGGS
RICH CRANDALL
LORI KLEIN
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HOUSE OF
REPRESENTATIVES

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

DATE: November 10, 2011

TO: Senator Don Shooter
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Marge Zylla, Senior Fiscal Analyst

SUBJECT: Pinal County Community College District - Review of General Obligation Bond Issuance

Request

Pinal County Community College District (Central Arizona College, or CAC) requests the Committee review its proposed \$59.0 million General Obligation (GO) bond issuance. At its October 2008 meeting, the Committee gave a favorable review to CAC's \$99.0 million bond proposal, which CAC planned to sell in a single issuance. Since that meeting, CAC decided to split the total bond amount into 2 issuances to better address their available cash flow. This request reflects the second and final issuance.

Recommendation

The Committee has at least the following 2 options:

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

Under either option, the JLBC Staff recommends the provision that CAC seek Committee review before using any portion from the bond issuance for any project not previously reviewed by the Committee.

Analysis

Projects

CAC was authorized by a November 4, 2008 bond election to issue a total of \$99.0 million in bonds. The first issuance of \$40.0 million took place in 2009. Both issuances will fund capital projects, as well as district-wide initiatives. At its October 2008 meeting, the Committee gave a favorable review to CAC's list of projects. An updated list of new construction projects and renovation projects, as provided by CAC, can be found on *Attachment 1* and *Attachment 2*, respectively.

(Continued)

Of the total \$99.0 million of the bond proposal, \$57.3 million is allocated for new construction, \$17.7 million is allocated for renovations, \$21.9 million was used for land purchases favorably reviewed at the October 2008 meeting, and \$2.1 million is allocated as contingency funding.

New construction and renovated space account for \$75.0 million of the total \$99.0 million bond proposal, and approximately 338,900 square feet will be newly constructed or renovated, resulting in a cost per square foot of \$221. In comparison, Maricopa County Community College District's (MCCCD) most recently submitted bond projects, which were reviewed at the Committee's April 2011 meeting, included new and remodeled space that averaged \$329 per square foot throughout all issuances of their \$951.4 million bond. MCCCD's average square footage cost may be higher due to the nature of their projects, which include lab spaces, a water plant and other central plant upgrades, and nursing program spaces, whereas CAC's projects are primarily classrooms and office spaces.

Financing

The \$59.0 million issuance would have a 25-year payment term. The annual payment for the \$59.0 million issuance would start at \$2.1 million and grow to \$4.0 million. Combined with prior obligations of the previous bond issuance, the district's total debt service in FY 2012 would be \$4.9 million, which will peak at approximately \$7.0 million between FY 2033 and FY 2034. Total interest for the \$59.0 million issuance would be \$40.3 million, making the total cost of the issuance \$99.3 million. The \$59.0 million issuance is expected to be issued in January 2012 for a rating of A1 (Moody's)/AA- (S&P) at an estimated 4.75% interest rate for a term of 25 years.

To make the debt service payments associated with the \$99.0 million in bonding authority approved in the 2008 election, including the new \$59.0 million issuance, the district estimates that the secondary property tax rate will average 27.6¢ over the 27 years of debt service payments. This would annually result in approximately \$27.60 in additional taxes for every \$100,000 of house value. While the tax rate will average 27.6¢, it will peak at 36¢ between FY 2014 and FY 2016. See *Attachment 3* for debt service detail provided by CAC.

Total outstanding principal debt for the district at the beginning of FY 2012 was \$50.9 million, including \$38.2 million from GO bonds, and \$12.8 million from revenue bonds. The Constitution limits the amount of outstanding GO debt the district may incur to 15% of the district's total Secondary NAV. In FY 2012 the district's outstanding GO debt was equal to approximately 1.7% of its Secondary NAV. The January 2012 planned issuance of \$59.0 million would increase that amount to approximately 4.4%.

RS/MZ:sk

Attachments (3)

Pinal County Community College District Estimated Expenditures Table 3 New Project Expenditures				
	Project Cost (\$ in millions)	Square Feet	Cost per Square Foot	Funded with Series A or Series B
<i>San Tan/Johnson Ranch Area Campus - This facility is being planned for the Johnson Ranch/San Tan/area.</i>				
Classrooms/Faculty Offices	\$ 7,621,000	37,000	\$ 206	Series B
Student Services	5,373,000	25,000	215	Series B
Administration/Offices	3,072,000	12,000	256	Series B
Library/Learning Assistance Center	2,614,000	10,000	261	Series B
Subtotal	\$ 18,680,000	84,000	\$ 222	
<i>Maricopa Area Campus - This facility is being planned for the Maricopa area.</i>				
Classrooms/Faculty Offices	\$ 7,621,000	37,000	\$ 206	Series B
Student Services	5,373,000	25,000	215	Series B
Administration/Offices	3,072,000	12,000	256	Series B
Library/Learning Assistance Center	2,614,000	10,000	261	Series B
Subtotal	\$ 18,680,000	84,000	\$ 222	
<i>Signal Peak Campus - This facility is located in Coolidge, near Casa Grande. It currently has 440,000 square feet.</i>				
Child Care Facility	\$ 891,144	3,562	\$ 250	Series A
<i>Superstition Mountain Campus - This facility is located in Apache Junction. It is being converted from retail space and is currently able to use half of its 2,526,500 square feet.</i>				
Central Plant/Loop Road	\$ 5,588,439	6,363	\$ 200	Series A
Classrooms/Faculty Off/Student Services	13,458,980	44,177	305	Series A & B
Subtotal	\$ 19,047,419	50,540	\$ 377	
TOTAL	\$ 57,298,563	\$ 222,102	\$ 258	

Source: Pinal County Community College District

Pinal County Community College District Estimated Expenditures Table 4 Renovation Project Expenditures				
	Total Project Cost (\$ in millions)	Square Feet	Cost per Square Foot	Funded with Series A or Series B
<i>Aravaipa Campus</i>				
Classrooms/Faculty Offices Bldg A	\$ 394,357	4,800	\$ 82	Series A
Classrooms/Faculty Offices Bldg B	1,030,956	8,000	129	Series A
Classrooms/Faculty Offices Bldg E	1,309,125	4,800	273	Series A
Subtotal	\$ 2,734,438	17,600	\$ 155	
<i>Signal Peak Campus</i>				
Administration Offices Bldg H	\$ 2,106,062	14,058	\$ 150	Series A
Student Services Center Bldg M	193,942	1,900	102	Series A
Interactive learning Center Bldg O	483,832	5,200	93	Series A
Pence Performing Arts Center Bldg P	5,951,000	25,500	233	Series A & B
Pearce Center Bldg V	500,000	5,000	100	Series A & B
WakeField Center Bldg W	1,700,000	10,650	160	Series A & B
Subtotal	\$ 10,934,836	62,308	\$ 175	
<i>Superstition Mountain Campus</i>				
Classrooms/Faculty Offices/Mtg Rm	\$ 2,347,130	26,914	\$ 87	Series B
<i>Casa Grande Center</i>				
Classrooms/Faculty Offices	\$ 825,000	6,000	\$ 138	Series B
Building Demolition/Removal/Infrastructure	870,000	4,000	218	Series B
Subtotal	\$ 1,695,000	10,000	\$ 170	
TOTAL	\$ 17,711,404	\$ 116,822	\$ 152	

Source: Pinal County Community College District

Pinal County Community College District Election of 2008 - Estimated Debt Service Table 5											
Fiscal Year Ending	Estimated Secondary Assessed Valuation	\$40,000,000 Series 2009 Dated: 07/01/2009			\$58,975,000 Series 2012 Dated: 2/01/2012						Estimated Tax Rate
		Principal	Interest ⁽¹⁾	Total	Principal	Interest ⁽²⁾	Total	Principal	Interest	Total	
2008	\$2,334,827,334										
2009	3,449,599,026										
2010	3,398,761,197	\$895,000	\$1,937,393	\$2,832,393				\$895,000	\$1,937,393	\$2,832,393	\$0.0833
2011	2,673,415,335	930,000	1,901,593	2,831,593				930,000	1,901,593	2,831,593	0.1059
2012	2,218,641,620	970,000	1,864,393	2,834,393	\$1,400,000	\$690,799	\$2,090,799	2,370,000	2,555,192	4,925,192	0.2220
2013	1,996,777,458	1,005,000	1,825,593	2,830,593	1,570,000	2,477,363	4,047,363	2,575,000	4,302,955	6,877,955	0.3445
2014	1,896,938,585	1,045,000	1,785,393	2,830,393	1,600,000	2,445,963	4,045,963	2,645,000	4,231,355	6,876,355	0.3625
2015	1,896,938,585	1,090,000	1,743,593	2,833,593	1,635,000	2,413,963	4,048,963	2,725,000	4,157,555	6,882,555	0.3628
2016	1,934,877,357	1,130,000	1,699,993	2,829,993	1,665,000	2,381,263	4,046,263	2,795,000	4,081,255	6,876,255	0.3554
2017	1,973,574,904	1,175,000	1,654,793	2,829,793	1,710,000	2,339,638	4,049,638	2,885,000	3,994,430	6,879,430	0.3486
2018	2,013,046,402	1,225,000	1,607,793	2,832,793	1,750,000	2,296,888	4,046,888	2,975,000	3,904,680	6,879,680	0.3418
2019	2,053,307,330	1,280,000	1,558,793	2,838,793	1,805,000	2,244,388	4,049,388	3,085,000	3,803,180	6,888,180	0.3355
2020	2,094,373,477	1,335,000	1,494,793	2,829,793	1,855,000	2,190,238	4,045,238	3,190,000	3,685,030	6,875,030	0.3283
2021	2,136,260,946	1,400,000	1,428,043	2,828,043	1,920,000	2,129,950	4,049,950	3,320,000	3,557,993	6,877,993	0.3220
2022	2,178,986,165	1,470,000	1,358,043	2,828,043	1,985,000	2,062,750	4,047,750	3,455,000	3,420,793	6,875,793	0.3156
2023	2,222,565,888	1,545,000	1,284,543	2,829,543	2,065,000	1,983,350	4,048,350	3,610,000	3,267,893	6,877,893	0.3095
2024	2,267,017,206	1,620,000	1,207,293	2,827,293	2,145,000	1,900,750	4,045,750	3,765,000	3,108,043	6,873,043	0.3032
2025	2,312,357,550	1,700,000	1,126,293	2,826,293	2,255,000	1,793,500	4,048,500	3,955,000	2,919,793	6,874,793	0.2973
2026	2,358,604,701	1,790,000	1,041,293	2,831,293	2,365,000	1,680,750	4,045,750	4,155,000	2,722,043	6,877,043	0.2916
2027	2,405,776,795	1,885,000	951,793	2,836,793	2,485,000	1,562,500	4,047,500	4,370,000	2,514,293	6,884,293	0.2862
2028	2,453,892,331	1,990,000	857,543	2,847,543	2,610,000	1,438,250	4,048,250	4,600,000	2,295,793	6,895,793	0.2810
2029	2,502,970,178	2,100,000	758,043	2,858,043	2,740,000	1,307,750	4,047,750	4,840,000	2,065,793	6,905,793	0.2759
2030	2,553,029,581	2,215,000	650,943	2,865,943	2,875,000	1,170,750	4,045,750	5,090,000	1,821,693	6,911,693	0.2707
2031	2,604,090,173	2,340,000	535,763	2,875,763	3,020,000	1,027,000	4,047,000	5,360,000	1,562,763	6,922,763	0.2658
2032	2,656,171,977	2,475,000	412,913	2,887,913	3,170,000	876,000	4,046,000	5,645,000	1,288,913	6,933,913	0.2610
2033	2,709,295,416	2,620,000	282,975	2,902,975	3,330,000	717,500	4,047,500	5,950,000	1,000,475	6,950,475	0.2565
2034	2,763,481,324	2,770,000	145,425	2,915,425	3,495,000	551,000	4,046,000	6,265,000	696,425	6,961,425	0.2519
2035	2,818,750,951				3,670,000	376,250	4,046,250	3,670,000	376,250	4,046,250	0.1435
2036	2,875,125,970				3,855,000	192,750	4,047,750	3,855,000	192,750	4,047,750	0.1408
2037	2,932,628,489										
Total		\$40,000,000	\$31,115,018	\$71,115,018	\$58,975,000	\$40,251,299	\$99,226,299	\$98,975,000	\$71,366,317	\$170,341,317	

Estimated Average Tax Rate

0.2764

(1) Interest on the Series 2009 Bonds is actual.

(2) Interest on the Series 2011 Bonds is estimated.



**Central
Arizona
College**



October 19, 2011

The Honorable Don Shooter, Chair
Joint Committee on Capital Review
1700 West Washington
Phoenix, AZ 85007

Re: Request for Placement on Joint Committee on Capital Review Agenda in December 2011

Dear Senator Shooter:

The Pinal County Community College District requests a review of its Project of 2008, Series B (2012) General Obligation bond issuance at the December 2011 meeting of the Joint Committee on Capital review (JCCR).

The overall capital program, bond election and projects funded by the first series of General Obligation bonds sold by the District were initially reviewed by JCCR in 2008, prior to the election and approval by the voters of the District.

This is the second and final series of General Obligation Bonds that were approved by the voters in 2008. The current plan is to sell the Series B (2012) Bonds in January of 2012 with a bond closing and delivery of proceeds to the District currently scheduled for February 1, 2012.

Please let us know what additional information is needed to assist your staff in their preparation of the report that will be reviewed by JCCR.

Thank you for your time and consideration.

Sincerely,

Dennis A. Jenkins
President
Pinal County Community College District

/dg

cc: ✓ Mr. Richard Stavneak, JLBC
Ms. Marge Zylla, JLBC
Timothy Stratton, Gust Rosenfeld P.L.C.
Nicholas Dodd, RBC Capital Markets

STATE OF ARIZONA

Joint Committee on Capital Review

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1716 WEST ADAMS
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ANNA TOVAR

DATE: November 10, 2011

TO: Senator Don Shooter, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Benjamin Beutler, Fiscal Analyst

SUBJECT: Arizona Department of Transportation - Review of Sprinkler and Fire Alarm Systems Project

Request

Pursuant to A.R.S. § 41-1252, the Arizona Department of Transportation (ADOT) requests Committee review of \$252,000 to install automatic sprinkler and fire alarm systems at equipment repair shops in Mesa and Show Low. At its May 13, 2008 meeting, the Committee favorably reviewed ADOT's plan to expend \$1,100,500 installing automatic sprinklers and fire alarm systems at 7 sites with the provision that ADOT seek Committee review prior to expending \$164,500 of undesignated monies. ADOT has expended \$1,090,500, leaving a balance of \$174,500.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review to the department's request to expend \$174,500 in remaining FY 2006 funds, \$47,200 in unspent FY 2011 building renewal funds, and \$30,300 worth of reallocated FY 2011 and FY 2012 building renewal contingency monies for the project.

Analysis

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. The FY 2006 Capital Outlay Bill (Laws 2005, Chapter 298) appropriated a total of \$1,265,000 from the State Highway Fund (SHF) to install automatic sprinkler and fire alarm systems in existing ADOT equipment services buildings. The funding was appropriated because the National Fire Protection Association and the State Fire Marshal found that 7 of ADOT's equipment repair shops were not in compliance with life safety code requirements. ADOT used \$1,090,500 of the FY 2006 appropriation to bring these 7 shops into compliance: Flagstaff, Fredonia, Holbrook, Kingman, Page, Prescott Valley, and Tucson.

(Continued)

ADOT proposes to use \$174,500 remaining from the FY 2006 appropriation, \$47,200 remaining from unspent FY 2011 building renewal funds, and \$30,300 of FY 2011 and FY 2012 building renewal contingency monies to install automatic sprinkler and fire alarm systems at repair shops in Mesa and Show Low. The plan would use \$18,500 and \$11,800 from the FY 2011 and FY 2012 building renewal contingency monies, respectively.

The department is now seeking review of the remaining expenditures and reallocated building renewal contingency monies, which totals \$252,000. Of this amount, the project would require \$5,200 for engineering, \$235,000 for construction, and \$11,800 for contingency.

RS/BB:mt



Arizona Department of Transportation

Office of the Director

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

Janice K. Brewer
Governor

John S. Halikowski
Director

October 21, 2011

John A. Bogert
Deputy Director
for Operations

Floyd Roehrich, Jr.
Deputy Director
for Policy

The Honorable Don Shooter
Chairman
Joint Committee on Capital Review
1716 West Adams St
Phoenix, AZ 85007



Dear Senator Shooter:

In FY2006, Arizona Department of Transportation (ADOT) was appropriated \$1,265,000 to upgrade and/or replace automatic sprinkler and fire alarm/detection systems at seven (7) equipment repair shops. On May 13, 2008, the Committee approved \$1.1 million for the project and required ADOT to seek Committee review prior to expending the \$165,000 balance. To date, ADOT has expended \$1,090,504, leaving a balance of \$174,496.

Project work at two (2) sites, Mesa and Show Low, was deferred due to the possibility of these shops being relocated. The relocations did not occur and ADOT is now ready to address their sprinkler and fire alarm systems.

The following is an overview of anticipated costs:

Engineering	\$ 5,195
Construction	\$ 235,014
Contingency	\$ 11,750
Project Total	<u>\$ 251,959</u>
Appropriation Balance	<u>\$ 174,496</u>
Funding shortfall	<u>(\$ 77,463)</u>

ADOT proposes to fund the \$77,463 shortfall using FY2011 and FY2012 State Highway Fund building renewal contingency as follows:

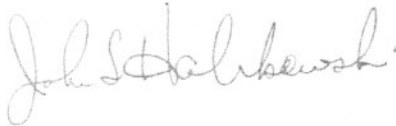
FY2011	\$ 65,713
FY2012	\$ 11,750
Total	<u>\$ 77,463</u>

The Honorable Don Shooter
Chairman
Joint Committee on Capital Review
Page 2

The project includes the installation of Class A fire alarm systems and integrated automatic sprinkler systems; upgrades to water lines, heat and cooling fan interlocks; and engineering plans for these systems.

We look forward to the Committee's favorable review of this project. If you have any questions, please contact Melissa Wynn at (602)712-8981.

Sincerely,

A handwritten signature in cursive script, reading "John S. Halikowski".

John S. Halikowski

cc: Richard Stavneak, JLBC
Ben Beutler, JLBC
Scott Selin, OSPB
John Hetzel, ADOT

STATE OF ARIZONA

Joint Committee on Capital Review

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ANNA TOVAR

DATE: November 10, 2011

TO: Senator Don Shooter, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Art Smith, Senior Fiscal Analyst

SUBJECT: Arizona State Parks Board - Review of FY 2012 State Lake Improvement Fund Capital Expenditures

Request

A.R.S. § 5-382 requires Committee review of expenditure plans for State Lake Improvement Fund (SLIF) capital projects prior to expenditure. The Arizona State Parks Board requests the Committee review its \$500,000 SLIF expenditure plan for FY 2012. They intend to expend funds on emergency projects as the need arises.

Recommendation

The Committee has at least the following 2 options:

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

Under either option, the JLBC Staff recommends the following provisions for the \$500,000 emergency contingency allocation:

1. The Parks Board notifies the Chairman and JLBC Staff that they plan to spend less than \$50,000 on an emergency project. The Parks Board can proceed without Committee review.
2. If the emergency project is \$50,000 or greater, the Parks Board will request the Joint Committee on Capital Review (JCCR) to review the project.
3. The Chairman can allow the Parks Board to move forward with an emergency project of greater than \$50,000 without Committee review.

(Continued)

4. The Chairman will notify the Parks Board if he does not agree that the project is an emergency and will request that the Parks Board not proceed with the project.

An “emergency” project is defined as unforeseen, critical in nature, and of immediate time sensitivity. These provisions are similar to those used for prior contingency allocations in other agencies.

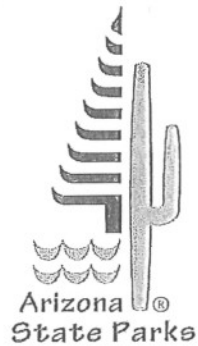
Analysis

SLIF is a non-appropriated fund that generates revenue primarily from the Highway User Revenue Fund based on a formula that estimates state gasoline taxes paid for boating purposes and is used to fund projects at boating sites. 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 gasoline-powered boats are permitted.

At its June 2011 meeting, the Joint Legislative Budget Committee (JLBC) favorably reviewed a Parks Board request for an exchange of fund transfers that would allow the Parks Board to maintain a SLIF balance that would be sufficient to cover costs for capital projects in FY 2012. The JLBC’s favorable review required that the Parks Board submit SLIF capital projects for JCCR review, in order to comply with permanent law.

The Parks Board has allocated a total of \$500,000 in SLIF monies for emergency building renewal, repairs and replacements in FY 2012. The Parks Board states that emergency repair and replacements may include pumps and blowers for wastewater treatment, HVAC units, fire alarms, security fencing, electrical systems and plumbing.

RS/AS:sk



October 26, 2011



The Honorable Don Shooter, Chair
Joint Committee on Capital Review
1700 W. Washington St.
Phoenix, AZ 85007

RE: FY 2012 State Lake Improvement Fund Repair, Replacement &
Building Renewal

Janice K. Brewer
Governor

State Parks
Board Members

Chair
Tracey Westerhausen
Phoenix

Walter D. Armer, Jr.
Vail

Reese Woodling
Tucson

Larry Landry
Phoenix

Alan Everett
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William C. Scalzo
Phoenix

Maria Baier
State Land
Commissioner

Renée E. Bahl
Executive Director

Arizona State Parks
1300 W. Washington
Phoenix, AZ 85007

Tel & TTY: 602.542.4174
AZStateParks.com

800.285.3703 from
(520 & 928) area codes

General Fax:
602.542.4180

Director's Office Fax:
602.542.4188

Dear Senator Shooter:

At its October 26, 2011 meeting, the Arizona State Parks Board requested to be included on the next available Joint Committee on Capital Review (JCCR) agenda for review of up to \$500,000 of FY 2012 State Lake Improvement Fund (SLIF) monies for repair, replacement and building renewal. The \$500,000 is currently included in the agency's operating budget.

Arizona State Parks will use the \$500,000 for unforeseen emergency repairs and replacements as needed. It is impossible to identify when or what facilities might fail requiring extensive repair or replacement. Failure of essential infrastructure items such as waste water treatment facilities, potable water treatment facilities, domestic water wells and heating, ventilation and air conditioning systems would require immediate attention as public safety is at risk. If the Arizona Parks Board recommends any FY 2012 monies be used for capital projects or grants, we will again come to JCCR for review.

If you have any questions regarding Arizona State Parks' plan for use of its State Lake Improvement Fund monies, please contact Jay Ziemann, Assistant Director, at 602-542-7104 or jziemann@azstateparks.gov.

Sincerely,

Renée E. Bahl
Executive Director

cc: Tracey Westerhausen, Chair, Arizona State Parks Board
Jay Ziemann, Assistant Director, Partnerships
Kent Ennis, Assistant Director, Administrative Services
The Honorable John Kavanagh
Richard Stavneak, Director, JLBC
John Arnold, Director, OSPB

STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: November 10, 2011

TO: Senator Don Shooter, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jon Stall, Fiscal Analyst

SUBJECT: Arizona State Lottery Commission – Review of FY 2012 Building Renewal Allocation Plan

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona State Lottery Commission requests Committee review of its FY 2012 Building Renewal Allocation Plan. Laws 2011, Chapter 25 appropriated \$79,200 from the State Lottery Fund to the State Lottery Commission to fund 100% of the building renewal formula in FY 2012.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the commissions' FY 2012 Building Renewal Allocation Plan.

Analysis

Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. Laws 2011, Chapter 25 appropriated a total of \$79,200 in FY 2012 from the State Lottery Fund to the commission for building renewal.

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

The Lottery Commission is requesting review of their \$79,200 appropriation for 2 proposed projects. The first request is for review of \$55,500 to replace the Uninterruptible Power Supply (UPS) system. This includes \$2,500 to identify proper equipment, such as existing UPS lifecycle, battery capacity and location. The UPS system supports Lottery computer systems until a generator can assume the electrical load. In the event that the generator does not turn on, this system may provide several hours of power.

(Continued)

They have been using the current UPS system since 1987, though the equipment's average life expectancy is 12 to 15 years. The system is currently operational, but the commission reports that replacement parts are no longer available if the equipment were to fail.

Secondly, the Lottery Commission is requesting review of \$21,400 to replace heat pumps and air conditioning units. Thirty-three interior units and 1 rooftop unit were installed in 1987 and therefore, have exceeded their life expectancy of 15 years. A 2010 building condition assessment by LSW Engineers Arizona identified deficiencies in the units' reliability and costliness to repair. The assessment included a recommendation that the units be replaced with new equipment, which will also be less energy-intensive. The commission has allocated \$2,300 for contingency.

The submitted material provides additional detail for each project. The projects are consistent with building renewal guidelines and appropriations.

RS/JS:mt

Janice K. Brewer
Governor



Jeff Hatch-Miller
Executive Director

October 13, 2011

The Honorable Don Shooter, Chairman
Joint Committee on Capital Review
1716 W. Adams
Phoenix, AZ 85007



Re: JCCR Agenda Request

Dear Senator Shooter:

The Arizona Lottery respectfully requests placement on the next JCCR meeting agenda to review the Lottery's FY12 Building Renewal allocation plan. A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies.

Information for this item is attached.

Sincerely,

Jeff Hatch-Miller.
Executive Director

Attachment

cc: Representative John Kavanagh, Co-Chairman
Richard Stavneak, Director, JLBC
John Arnold, Director, OSPB
Jon Stall, Fiscal Analyst, JLBC
Dale Frost, Lottery Analyst, OSPB

Phoenix Office · 4740 East University Drive · Phoenix, Arizona 85034 · 480.921.4400 · Fax: 480.921.4512
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**The Arizona Lottery Building Renewal Funds
Fiscal Year 2012 Allocations Plan**

Background

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

As part of the FY2012 Approved Budget, the Arizona Lottery received a Capital Outlay Appropriation of \$79,200.00 from the State Lottery Fund to the Arizona Lottery Commission for building renewal.

Total FY2012 Capital Expenditure Budget Allocation: 79,200.00

Proposed FY2012 Expenditures:

Engineering Services for UPS Replacement	2,500.00
Replacement UPS System	53,000.00
Replace Heat Pumps and Make-up Air Units	21,360.00
Remaining Contingency for Unexpected Repair	<u>2,340.00</u>
	79,200.00

FY2012 Allocation Plan

The Arizona Lottery proposes the following capital expenditures in FY2012. The cost estimates were obtained from ADOA Construction services, quotes solicited from vendors and historical data.

Engineering Services for UPS Replacement

The Lottery requires Engineering Services to evaluate the options for replacement of the Uninterruptible Power Supply (UPS) along with an expert evaluation for identifying the proper equipment. The UPS system supports vital Lottery computer systems until the generator can assume the electrical load. This time frame is usually seconds; however, in the event the generator does not start as expected, the UPS will supply power for a few hours allowing Lottery staff to take emergency action to problem solve. The Engineers will evaluate the Lottery's options for replacement of the existing 30 Kva/24Kw UPS system. The evaluation will consist of reviewing the existing UPS lifecycle, battery capacity and location, present load capacity of the UPS based on amp meters on the UPS, recommendations for replacement or upgrades (larger UPS vs. providing redundant UPS system). The report will also address any building code issues associated with the battery system

Proposed Solution

Identify the appropriate and necessary UPS system needed to support core business continuity of the Lottery systems.

Principal Benefits

- Proper equipment will support the needs of the Lottery
- Business continuity
- Protect computer systems from power failure

UPS Replacement

Description

The Uninterruptible Power Supply (UPS) was originally installed in 1987 when the Lottery office was built. The average UPS has a life expectancy of 12 to 15 years. During a recent monthly inspection it was discovered that parts for the system are no longer available. The system is currently operational; however, should the equipment fail, no parts are available to repair the existing unit. Failure of this equipment will place the Lottery's core computer systems at risk.

Proposed Solution

Install the necessary UPS system as approved by ADOA to support business continuity of the Lottery systems.

Principal Benefits

- Reduce risk to the state
- Business continuity
- Protect computer systems
- Continuous ability to generate revenue

Replace Heat Pumps and Make-up Air Units

Description

The Phoenix building currently has a system of water source heat pumps which conditions the air in individual zones throughout the building. There are a total of 42 interior units and one rooftop make-up air unit. Nine interior units were recently replaced, but the remaining units are original to the building and installed in 1987. They have exceeded their useful life of 15 years and more energy efficient equipment is now available. Costly repairs and failures to the original units are now occurring and negatively impacting operations. A building condition assessment, conducted in 2010 by the firm, LSW Engineers Arizona, Inc., identified these deficiencies and recommended the replacement of all the units either phased in on a scheduled basis or total one time replacement. The Lottery is opting for the phased in approach.

Proposed Solution

The principal benefit will be a reliable air conditioning system and reduced operation impacts due to system failures. Operating and maintenance costs will be reduced due to better energy efficiency and fewer repairs.

Principal Benefits

- Reduced maintenance costs
- Reliable heat pump equipment
- Improved power efficiency

STATE OF ARIZONA

Joint Committee on Capital Review

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PHOENIX, ARIZONA 85007

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JOHN KAVANAGH
CHAIRMAN 2012
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ANNA TOVAR

DATE: November 10, 2011

TO: Senator Don Shooter, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Brett Searle, Fiscal Analyst

SUBJECT: Arizona Department of Administration - Consider Recommending FY 2012 Rent Exemption

Request

A.R.S. § 41-792.01D authorizes the Director of the Arizona Department of Administration (ADOA), on recommendation from the Joint Committee on Capital Review, to grant a full or partial exemption from the payment of state-owned rental fees if the agency has vacated its space. ADOA requests the Committee recommend a partial rent exemption and corresponding \$20,100 increase in FY 2012.

Recommendation

The JLBC Staff recommends that the Committee recommend the proposed \$20,100 FY 2012 increased rent payment for the Office of the Attorney General (AG), and the corresponding \$20,100 partial rent exemption for the Department of Water Resources (DWR).

Analysis

As of October 1, 2011, 1,776 square feet of space at 400 W. Congress in Tucson was reallocated from DWR to the AG.

Statute permits an agency to request an exemption from paying their full rent on state-owned space. These requests would not reduce revenues to the Capital Outlay Stabilization Fund (COSF) since the reduction in rent payments are being offset by another agency moving into the vacated space.

COSF collects monies from rents and tenant improvement charges to agencies occupying ADOA-owned buildings. Monies are used to pay maintenance, utilities, construction, and administrative costs for state-owned buildings. These rent payments are deposited into COSF, which helps defray building renewal expenses and ADOA operating costs.

RS/BS:mt

Janice K. Brewer
Governor



Scott A. Smith
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401
PHOENIX, ARIZONA 85007

(602) 542-1500

October 11, 2011

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



Dear Senator Shooter:

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

ADOA requests that the JCCR recommend a COSF rent exemption for the reasons set forth below. ADOA submits the following agency for consideration:

An FY 2012 COSF rent exemption for the Arizona Department of Water Resources (ADWR) of \$21,100 for nine-months prorated occupancy of 1,776 Rentable Square Feet (RSF) of office space at 400 West Congress, Suite 518, Tucson, Arizona.

ADOA reallocated 1,776 RSF of office space to the Office of the Attorney General (AG) Border Crimes Division effective October 1, 2011. As of the foregoing date, the cumulative space allocated to the AG at 400 West Congress, is 8,112 RSF. ADOA is invoicing the AG for nine-month prorated expanded occupancy as offset to the ADWR exemption.

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

Sincerely,

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

Scott A. Smith
Director

The Honorable Don Shooter

October 11, 2011

Page 2 of 2

cc: The Honorable John Kavanagh, Vice-Chairman, JCCR
Richard Stavneak, Director, JLBC Staff
Leatta McLaughlin, Assistant Director, JLBC Staff
John Arnold, Director, OSPB
Jennifer Uharriet, Budget Analyst, OSPB
Jeff Grant, Deputy Director, ADOA
Paul Shannon, Assistant Director, ADOA
Bill Hernandez, Assistant Director, ADOA
Nola Barnes, General Manager, ADOA
Sandra Fabritz-Whitney, Director, ADWR
Syndia Reeder, Chief Financial Officer, ADWR