

JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, December 13, 2022

9:45 a.m. or Upon Adjournment of the JLBC Meeting

House Hearing Room 1



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DAVID M. GOWAN
VICE-CHAIRMAN

LELA ALSTON
SEAN BOWIE
RICK GRAY
SINE KERR
VINCE LEACH
REBECCA RIOS

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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HOUSE OF
REPRESENTATIVES

REGINA E. COBB
CHAIRMAN
REGINALD BOLDING
JOHN KAVANAGH
JOANNE OSBORNE
JUDY SCHWIEBERT
LORENZO SIERRA
BEN TOMA

**** REVISED ****

#2


JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, December 13, 2022

9:45 A.M. or Upon Adjournment of the JLBC Meeting

House Hearing Room 1

MEETING NOTICE

- Call to Order
- Approval of Minutes of September 21, 2022.
- 1. DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS - Review of the Architectural Design for the State Emergency Operations Center.
-  2. ~~ARIZONA DEPARTMENT OF CORRECTIONS – Review of Arizona Correctional Industries Automotive Service Center Project.~~
- 3. *ARIZONA STATE LOTTERY COMMISSION - Review of FY 2023 Building Renewal Allocation Plan.
- 4. *DEPARTMENT OF PUBLIC SAFETY - Review of the Southern Border Coordinated Response Center.
- 5. ARIZONA STATE UNIVERSITY
 - *A. Review of New Academic Buildings and Campus Renovation Projects.
 - *B. Review of Student Housing Indirect Financing Project.
- 6. *UNIVERSITY OF ARIZONA - Review of Deferred Maintenance Projects.

* Consent Agenda - These items will be considered in one motion and no testimony will be taken.

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

~~12/05/2022~~

~~12/09/2022~~

12/12/2022

JB

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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

September 21, 2022

The Vice-Chairman called the meeting to order at 10:04 a.m., Wednesday, September 21, 2022 in House Hearing Room 1. The following were present:

Members:	Senator Gowan, Vice-Chairman	Representative Bolding
	Senator Bowie	Representative Kavanagh
	Senator Kerr	Representative Osborne
	Senator Leach	Representative Schwiebert
	Senator Rios	Representative Sierra
		Representative Toma
Absent:	Senator Alston	Representative Cobb, Chairman
	Senator Gray	

APPROVAL OF MINUTES

Representative Kavanagh moved that the Committee approve the minutes of July 14, 2022. The motion carried.

CONSENT AGENDA

The following items were considered without discussion:

3. ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of Demolition Projects.

A.R.S. § 41-1252 requires Committee review of the expenditure of monies appropriated for land acquisition, capital projects and building renewal. The FY 2023 Capital Outlay Bill appropriated \$1,568,000 to demolish the Department of Health Services Vital Records Building (\$448,000), the Arizona Department of Administration's Maintenance Building (\$136,000) and the Department of Economic Security Data Center (\$984,000). ADOA requested review of the expenditure plan of \$1,568,000 for the demolition of the 3 buildings. The JLBC Staff provided options.

(Continued)

4. ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA)/SCHOOL FACILITIES DIVISION - Review of Minimum Adequacy Guidelines Rulemaking Fiscal Impact.

A.R.S. § 41-5711 requires ADOA School Facilities Division (SFD) to submit a fiscal impact statement for Committee review when adopting rule changes to the Minimum Adequacy Guidelines. ADOA requested Committee review of its fiscal impact statement. The JLBC Staff provided options.

5. ARIZONA DEPARTMENT OF ADMINISTRATION/JUDICIARY - Review of Air Handler and Sewer Replacement Project.

A.R.S. § 41-1252 requires the Committee to review capital projects with estimated costs exceeding \$250,000. ADOA requested Committee review of the plan it submitted on behalf of the Judiciary to spend \$3,200,000 to replace air handler units and the sewer system at the Arizona Supreme Court building. The JLBC Staff provided options.

6. ARIZONA SCHOOLS FOR THE DEAF AND THE BLIND (ASDB) - Review of FY 2023 Capital Projects.

A.R.S. § 41-1252 requires the Committee to review expenditure plans for monies appropriated for capital projects. ASDB requested Committee review of their capital project expenditure plan totaling \$866,000 to fund the 3 capital improvement projects shown in *Table 1* below.

Table 1	
Components of Capital Project Expenditure Plan	
Food Service Equipment Replacement (Phoenix and Tucson)	\$350,000
Proxy Card Upgrades (Phoenix)	420,000
Notification System Upgrade (Phoenix)	96,000
Total Costs of Plan	\$866,000

The JLBC Staff provided options and a potential provision:

- A. *Prior to spending any of the \$866,000 on projects other than in Table 1, ASDB shall report the change to the Joint Committee on Capital Review Chairman and the JLBC Staff. If there is significant change of scope in the reallocation reported by the agency, the Chairman may require further Committee review.*

7. ARIZONA EXPOSITION AND STATE FAIR BOARD (AESF) - Review of Capital Improvement Projects.

A.R.S. § 41-1252 requires the Committee to review expenditure plans for all monies appropriated for capital projects. AESF requested Committee review of its capital project request totaling \$1,350,000. The projects consist of:

- \$300,000 to repair the elevator that services the administrative offices in the Coliseum.
- \$550,000 to repair the north wall of the cattle barn.
- \$500,000 to replace the roof of the Pardi Gras building.

(Continued)

The JLBC Staff provided options.

8. DEPARTMENT OF LIQUOR LICENSES AND CONTROL - Review of Space Reconfiguration.

A.R.S. § 41-1252 requires the Committee to review expenditure plans for all monies appropriated for capital projects. The Department of Liquor Licenses and Control requested Committee review of the department's capital project request of \$3,500,000 for expansion of the department's headquarters at 800 W. Washington Street. The JLBC Staff provided options.

9. ARIZONA PIONEERS' HOME - Review of FY 2023 Capital Improvement Projects.

A.R.S. § 41-1252 requires the Committee to review expenditure plans for monies appropriated for building renewal and capital projects and for any capital project with an estimated cost of more than \$250,000. The FY 2023 Capital Outlay Bill appropriated \$396,500 from the Pioneers' Home State Charitable Fund for courtyard window replacement, parking lot maintenance, dining hall ceiling maintenance and electrical and plumbing repairs. Arizona Pioneers' Home requested Committee review of the agency's plan for capital improvement projects. The JLBC Staff provided options and a potential provision:

- A. *If the Arizona Pioneers' Home proposes to use any monies to address needs not outlined in its August 2021 Facility Assessment Report, the agency shall report to the JLBC Staff the projects and the dollar amounts prior to expenditure.*

10. ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of FY 2023 Building Renewal Allocation Plan.

A.R.S. § 41-1252 requires the Joint Committee on Capital Review to review expenditure plans for building renewal monies. ADOT requested Committee review of its FY 2023 Building Renewal Allocation Plan of \$18,139,400 from the State Highway Fund (see *Table 2*) and \$467,800 from the State Aviation Fund (see *Table 3*). The JLBC Staff provided options.

Table 2			
State Highway Fund Building Renewal Project Categories			
<u>Category</u>	<u>Projects</u>	<u>State Highway Fund</u>	<u>% of Total</u>
Fire/Life/Safety	11	\$245,000	1%
Roof Repairs/Replacement	11	1,606,000	9%
Exterior Preservation (Doors, Windows, Siding)	34	2,740,100	15%
Building Systems (HVAC, Electrical, Plumbing)	73	4,445,300	24%
Interior Finishes (Paint, Carpet, Tile)	22	512,000	2%
Remodels and Reconfigurations	18	5,291,000	29%
Americans with Disabilities Act	5	140,000	1%
Infrastructure (Sewers, Wells, Parking Lots)	29	3,020,000	17%
Project Management Support	N/A	40,000	1%
Contingency	N/A	100,000	1%
Total	203	\$18,139,400	100%

(Continued)

Table 3

State Aviation Fund Building Renewal Projects

<u>Category</u>	<u>Projects</u>	<u>State Aviation Fund</u>	<u>% of Total</u>
Fire/Life Safety	2	\$15,000	3%
Roof/Repairs Replacement	1	10,000	2%
Exterior Preservation (Doors, Windows, Siding)	2	20,000	4%
Building Systems (HVAC, Electrical, Plumbing)	4	80,000	18%
Interior Finishes (Paint, Carpet, Tile)	2	20,000	4%
Reconfigure or Remodel	1	275,800	59%
Americans with Disabilities Act	1	10,000	2%
Infrastructure	3	37,000	8%
Total	16	\$467,800	100%

11. NORTHERN ARIZONA UNIVERSITY - Review of Capital Projects.

A.R.S. § 15-1671 requires the Committee to review any non-debt financed university capital projects paid for with funds from the university's Capital Infrastructure Fund. NAU requested the Committee review its plan to spend \$17,345,600 for capital improvement projects. The JLBC Staff provided options and potential provisions:

Standard University Financing Provisions

- A. *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.*
- B. *On or before October 15 of each year until completion of the projects, NAU shall report to the JLBC Staff on the status and expenditures of the multiple capital projects. The report shall include the project expenditures to date, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the projects.*

12. UNIVERSITY OF ARIZONA (UA) - Review of Veterinary Diagnostic Laboratory Projects.

A.R.S. § 41-1252 requires the Committee review any capital project exceeding total cost of \$250,000. UA requested Committee review its plan to spend \$1,632,900 from the General Fund for Veterinary Diagnostic Laboratory (VDL) improvement projects. The JLBC Staff provided options.

The spending for this project was appropriated in the FY 2023 budget, and therefore the standard university financing provisions were not included.

Representative Kavanagh moved that the Committee give a favorable review of the agency request in consent agenda items 3 through 12 listed above with the applicable JLBC Staff provisions. The motion carried.

(Continued)

REGULAR AGENDA

1. ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of HVAC and Door, Lock and Fire System Replacement Project.

Mr. Stefan Shepherd, JLBC Staff, stated A.R.S. § 14-1252 requires that the Committee review expenditure plans for monies appropriated for building renewal and capital projects. The FY 2023 Capital Outlay Bill appropriated \$47,600,000 to replace evaporative cooling systems with air conditioning and \$20,400,000 for door, lock and fire system replacements. ADC requested Committee review of the \$20,400,000 plan for door, lock and fire system replacement, and \$47,600,000 for statewide Heating, Ventilation, and Air Conditioning (HVAC) replacement. The JLBC Staff provided options and potential provisions:

- A. Upon procurement of a vendor contract for HVAC replacement, the department shall report back to the Committee on the actual cost of the HVAC replacement project.*
- B. If the actual cost of the HVAC contract is less than the amount reviewed, the department shall return to the Committee for review of the difference prior to spending these savings on other HVAC projects.*

Mr. David Shinn, Director, ADC, responded to member questions.

Mr. Fred Moreno, Assistant Director Facilities Management, ADC, responded to member questions.

Representative Kavanagh moved that the Committee give a favorable review of the \$20,400,000 plan for door, lock and fire system replacement, and \$38,895,100 for statewide Heating, Ventilation, and Air Conditioning (HVAC) replacement, which excludes the \$8,704,900 contingency portion of the department's HVAC replacement expenditure plan. The motion carried.

2. DEPARTMENT OF PUBLIC SAFETY (DPS) - Review of Remote Housing Replacement.

Mr. Jordan Johnston, JLBC Staff, stated A.R.S. § 41-1252 requires that the Committee review expenditure plans for monies appropriated to capital projects. The FY 2023 Capital Outlay Bill appropriated \$9,750,000 to DPS for the replacement of highway patrol officer remote housing units and the purchase of new housing units. DPS requested Committee review of its expenditure plan to use \$7,750,000 to replace remote housing units and \$2,000,000 to purchase either existing houses or modular units pending additional information. The JLBC Staff provided options and a potential provision. The Chairman offered a revised option and provision:

- A. On or before December 1, 2022, the department shall report to the JCCR Chairman and JLBC Staff on the geographic areas proposed for either existing home purchases or new modular units. The report shall include the areas selected, the availability of homes in the selected areas, and the justification for choosing each area.*

Mr. Phil Case, Budget Director, DPS, responded to member questions.

(Continued)

Representative Kavanagh moved that the Committee give a favorable review of \$7,750,000 appropriated from the General Fund in the FY 2023 Capital Outlay Bill for the purchase and installation of remote housing units only, which excludes the \$2,000,000 to purchase either existing houses or modular units pending additional information with the provision above. The motion carried.

Without objection, the meeting adjourned at 10:43 a.m.

Respectfully submitted:



Kristy Paddack, Secretary

Rebecca Perrera

Rebecca Perrera, Assistant Director



Senator David Gowan, Vice-Chairman



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Joint Committee on Capital Review

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DATE: December 6, 2022

TO: Members of the Joint Committee on Capital Review

FROM: Jordan Johnston, Senior Fiscal Analyst

SUBJECT: Department of Emergency and Military Affairs - Review of the Architectural Design for the State Emergency Operations Center

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated to capital projects. The Department of Emergency and Military Affairs (DEMA) requests Committee review of \$2,000,000 of the \$30,000,000 allocated from the Border Security Fund for the renovation and expansion of the State Emergency Operations Center (SEOC) located at the Papago Park Military Reservation. The requested review of up to \$2,000,000 would cover the architectural design costs for the SEOC renovation and expansion project.

Committee Options

The Committee has at least the following 2 options:

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

Key Points

- 1) DEMA is proposing to spend \$2.0 million for an architectural design to renovate and expand the State Emergency Operations Center at 52nd Street and McDowell.
- 2) The new 23,000 square foot addition will contain space for offices, training, and communication for local, state, and federal officials to coordinate emergency responses.
- 3) The Department of Forestry and Fire Management will spend \$5.5 million to renovate 7,400 existing square feet to coordinate wildfire responses.
- 4) The remaining \$28.0 million will be reviewed at a later date.

(Continued)

Analysis

Background

Constructed in 1986, the State Emergency Operations Center (SEOC) was initially built in order for the state to meet the Nuclear Regulatory Commission requirement to have an off-site operations center to manage any potential emergency at the Palo Verde Generating Station. Since its construction, DEMA has utilized the center for all emergency response and large event public safety planning, in conjunction with federal and local officials.

As homeland security concerns have grown over time, the existing 7,400 square foot space is no longer adequate to house the multiple parties involved in emergency and large event coordination. As an example, the SEOC was used to monitor Super Bowl 49 in Glendale. For that event, 338 personnel across federal, state, and local agencies were temporarily assigned to the SEOC to coordinate emergency response efforts.

Established in 1966, the Arizona Interagency Dispatch Center (AIDC) is used by the Department of Forestry and Fire Management (DFFM) to coordinate wildfire response throughout the state. The current 3,100 square foot facility is housed in modular buildings in Deer Valley and has the same challenges as the SEOC in terms of limited space to accommodate larger groups. Although the AIDC and SEOC have similar missions, they are not related and do not function as a joint response effort.

Current Request

The FY 2023 General Appropriation Act appropriated \$30.0 million from the Border Security Fund to DEMA to construct a new SEOC. DEMA is proposing to expend \$2.0 million of the \$30.0 million appropriation to conduct an architectural design for the new 23,000 square foot addition and renovation of the 7,400 square foot current facility.

At a later date, DEMA intends to submit a review of the remaining \$28.0 million from the \$30.0 million appropriation for the construction of the new SEOC after the architectural design. The new facility would contain expanded capacity for offices, training, and communication for local, state, and federal officials to coordinate emergency responses. In addition, at that time, DFFM intends to propose to expend \$5.5 million from the Wildfire Emergency Response Fund to renovate the existing SEOC space to create a new AIDC.

The department plans to solicit bids for the architectural design starting in January 2023. The department plans to utilize a Construction Manager at Risk (CMAR) delivery method, which requires a construction manager to deliver a project within a Guaranteed Maximum Price (GMP). Under this type of construction contract, the CMAR provides professional services to manage and coordinate the project. CMAR assumes the risk of cost overages and is contractually bound to deliver the project per the architecture specifications and any contingency allowances as defined in the GMP.

The department anticipates the design will be completed by June 2023; at which time DEMA plans to submit another proposal to JCCR for the construction of the new facility. DEMA further anticipates they will finish construction of the project by June 2025, with the SEOC expansion occurring before the AIDC renovation.

JJ: jb



Douglas A. Ducey
GOVERNOR



**STATE OF ARIZONA
DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS**

5636 East McDowell Road
Phoenix, Arizona 85008-3495
(602) 267-2700 DSN: 853-2700



Major General Kerry L. Muehlenbeck
THE ADJUTANT GENERAL

November 22, 2022

The Honorable Regina E. Cobb, Chairwoman
Joint Committee on Capital Review
Arizona House of Representatives
1700 W. Washington Street
Phoenix, Arizona 85007

The Honorable David M. Gowan, Vice-Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 W. Washington Street
Phoenix, Arizona 85007

SUBJECT: Construction and Renovation to the State Emergency Operations Center

Dear Chairwoman Cobb, Vice-Chairman Gowan, and Committee Members:

The Arizona Department of Emergency and Military Affairs (DEMA) respectfully requests its placement on the December 2022 Joint Committee on Capital Review (JCCR) meeting agenda for review of the expenditure of monies for the construction of an addition and renovation of the State Emergency Operations Center pursuant to A.R.S. § 41-1252(A)(4) and Laws 2022, Ch 313, Sec 110, Subsection A, Paragraph 10.

Specifically, we are requesting concurrence from the Committee to expend up to \$2,000,000 of the \$30,000,000 appropriated for this project to begin the initial requirements for architectural design and construction manager-at-risk solicitation to develop the plans for the facility and the guaranteed maximum price of the project. Once completed, these will be submitted to the Committee for review along with a request for concurrence of additional spending authority to begin the next phase of the capital improvement project.

The mutual facility needs of DEMA and Department of Forestry and Fire Management (DFFM), along with the natural synergies we share in operational response and communications, led to the development of this proposed joint project to construct an approximate 23,000 SF addition to the current State Emergency Operations Center and renovate the existing 7,384 SF facility to provide the State a modern, adequate facility to support the emergency management and response needs of the State through DEMA's State Emergency Operations Center and the critical communication functions provided by the Arizona Interagency Dispatch Center within DFFM.

The Division of Emergency Management established under DEMA in A.R.S. § 26-305 is directed to "prepare for and coordinate those emergency management activities that may be required to reduce the impact of disaster on persons or property" and "coordinate the cooperative effort of all governmental agencies... to alleviate suffering and loss resulting from disaster." In order to meet this mission, DEMA and the Division require an adequate facility in which to do so. The State's current Emergency Operations Center grew out of a facility gifted by APS in 1982 that was intended to support the off-site nuclear response responsibilities at Palo Verde Generating Station. Although

intended and designed as the off-site operations center in the event of an emergency at Palo Verde, for lack of other options and the overall need to meet the mission of the Division the scope of the facility has expanded over the past 40 years to become the State's Emergency Operations Center for any and all hazards emergency response while continuing to support the state's requirement for off-site nuclear emergency response. The capabilities of the facility to support the state's needs, however, has not been able to keep up with this expanded scope. The current facility is obsolete and challenged to manage the growing complexity of disasters and emergencies as they occur in Arizona.

The Arizona Interagency Dispatch Center within DFFM is an essential function of the agency stood up when the original Forestry Division was established in 1966 and provides critical communications and information sharing on wildland fire and disaster response throughout the state. The Arizona Interagency Dispatch Center is the 24/7 connection for the coordination of wildland fire response for 21.9 million acres of state and private land within the state of Arizona. The center coordinates 1,605 pieces of apparatus, 3,037 overhead personnel, 13 Department of Corrections fire crews, and 3 fire crews from DFFM and 237 individual fire departments and fire districts across the state along with the State Emergency Operations Center, 15 county emergency operations centers, 9 fire specific dispatch centers, and 6 additional federal dispatch centers. The Arizona Interagency Dispatch Center is currently located in a 1960s-era modular building that is also in critical need of replacement and similarly challenged to support its mission.

Funding of \$30M for this project was appropriated to DEMA in the FY23 State Budget (HB2862 - Laws 2022, Ch 313, Sec 110(A)(10)), with DFFM funding their portion of the current facility renovation costs through the Wildfire Emergency Response Fund. Additionally, DEMA will actively seek any and all available federal grants and direct funding opportunities in the federal FY24 budget cycle to further reduce the state's construction costs.

Please find attached a description of the project. If you have any questions regarding this project, please contact Travis Schulte, DEMA Legislative Liaison, at 602.267.2732 or travis.schulte@azdema.gov.

Sincerely,



KERRY L. MUEHLENBECK
Major General, AZ ANG
The Adjutant General



DAVID TENNEY
State Forester and Director
Department of Forestry and Fire Management

cc: Matt Gress, Director, Governor's Office of Strategic Planning and Budgeting
Richard Stavneak, Director, Joint Legislative Budget Committee
Jordan Johnston, Budget Analyst, Joint Legislative Budget Committee
Kyley Jensen, Budget Manager, Governor's Office of Strategic Planning and Budgeting
Megan Fitzgerald, Military Policy Advisor to the Governor

Arizona Department of Emergency and Military Affairs
Division of Emergency Management
State Emergency Operations Center Construction

Initial Project Phase Summary

Request and Scope:

Request concurrence from the Committee to expend up to \$2,000,000 of the \$30,000,000 appropriated for this project to first solicit and contract an Architectural and Engineering firm (A/E) as well as a Construction Manager at Risk (CMAR). This A/E firm will start the design in conjunction with the state and help select the CMAR to develop the final plans for the facility and establish a guaranteed maximum price for the project. Once completed, these will be submitted to the Committee for review along with a request for concurrence of additional spending authority to begin the next phase of the capital improvement project.

Future construction phase of the project anticipates an approximate 23,000 SF addition to the current State Emergency Operations Center and remodeling of the existing 7,384 SF facility at Papago Park Military Reservation to provide the State a modern, adequate facility to support the emergency management and response needs of the State through the Department of Emergency and Military Affairs' (DEMA) State Emergency Operations Center and the critical communication functions provided by the Arizona Interagency Dispatch Center within the Department of Forestry and Fire Management (DFFM).

Purpose:

The Division of Emergency Management is established under DEMA in A.R.S. § 26-305 and directed to "prepare for and coordinate those emergency management activities that may be required to reduce the impact of disaster on persons or property" and "coordinate the cooperative effort of all governmental agencies... to alleviate suffering and loss resulting from disaster." In short, DEMA is responsible as the primary coordinator of resources, staff, and other activities when an incident exceeds the capabilities for emergency response and management of the 15 counties and 22 Native American Tribes in the state. Additionally, DEMA provides situational awareness and common operating awareness of those counties and tribal partners to the Governor, state leaders, and state agencies as required. In order to meet this mission, DEMA and the Division require an adequate facility in which to do so. The State's current Emergency Operations Center grew out of a facility gifted by APS in 1982 to support the off-site nuclear response responsibilities at Palo Verde Generating Station and does not support the capabilities needed for a state's Emergency Operations Center.

The Arizona Interagency Dispatch Center within DFFM provides critical communications and information sharing on wildland fire and disaster response throughout the state. The Arizona Interagency Dispatch Center is currently located in a 1960s-era modular building that is in critical need of replacement.

The mutual facility needs of DEMA and DFFM lead to the development of this proposed joint project.

Background:

Construction of the current State Emergency Operations Center was funded in 1982 by APS in order for the State to meet the Nuclear Regulatory Commission requirement to have an off-site operations center to manage any potential emergency at the Palo Verde Generating Station. The facility began construction in

1983 and formally entered operation on June 7, 1986, following commissioning of Unit 1 at Palo Verde Generating Station. The facility was located at Papago Park Military Reservation, not only because it is the headquarters for the Department of Emergency and Military Affairs but it is also just outside the 50-mile radius from Palo Verde Generating Station as required for the state's off-site response requirement per the Nuclear Regulatory Commission.

Although intended and designed as the off-site operations center in the event of an emergency at Palo Verde, for lack of other options and the overall need to meet the mission of the Division the scope of the facility has expanded over the past 40 years to become the State's Emergency Operations Center for any and all hazards response while continuing to support the state's requirement for off-site nuclear emergency response. The capabilities of the facility to support the state's needs, however, has not been able to keep up with this expanded scope. The current facility is obsolete and challenged to manage the growing complexity of disasters and emergencies as they occur in Arizona.

The building has been through a patchwork of alterations and associated infrastructure over the years, but reconfiguring the furniture does not create the space needed to accommodate the staff, equipment, and storage requirements to meet its mission to the people and state of Arizona. Throughout the building, the mechanical and electrical systems have reached the end of their useable life and there is no automatic fire protection system. Restroom facilities do not meet building codes or provide capacity for building occupancy during activation. Telecommunications and audio/visual systems that are essential to emergency management are outdated and difficult to upgrade without invasive construction. The building has congested circulation, substandard air conditioning, an unreliable backup electrical power supply, inadequate security, and inappropriate architectural design elements. The building also does not meet fire code or ADA requirements. During activations for emergency/disaster events, these inadequacies found within the Emergency Operations Center are magnified.

Emergency response has grown more complex over the past forty years as the original Off-Site Nuclear Emergency Response Center evolved into the current State Emergency Operations Center. This complexity has added personnel and technology, which drives space requirements. The State of Arizona has grown exponentially as well, as have the risk factors that confront the state. Arizona's population in 1983 was approximately 2,968,925. Arizona's population estimate for 2021 is 7,276,316 – a nearly 250% increase. The growth in population has increased the areas at risk for forest fires in the wildland-urban interface, compounded the complexity of evacuations and meeting the needs of mass care and the logistics needs of the emergency response, increased pressures on sustaining basic needs vital to people as well as the economy such as energy and agriculture, and helping the community recover once the emergency has subsided. Non-natural disasters are responded to in the facility as well, to include supporting border security and the communities impacted by the current crisis along the border.

Beyond these steady-state requirements, Arizona has become a destination location for large, national level events such as the Super Bowl, Phoenix Open, NCAA basketball tournament, political events, and many others. Each of these large-scale planned events triggers the need for state support above and beyond the local and county efforts. These events have become integral to the state's economy, and the state must be prepared to continue to support them as attendance grows and more locate to Arizona.

Expansion of the State EOC would provide a cohesive space for the DEMA – Division of Emergency Management to perform both their emergency and non-emergency duties. The project would provide a safe and efficient working environment for the occupants, improve access to the media and emergency management community, reduce utility costs, provide growth flexibility, and improve security. Without this critical investment, there will be continued inefficiencies in both operational and building systems, and recurring code compliance problems – any of which could impact emergency response.

Below is a comparison to illustrate the need. For Super Bowl 49 the Multi-Agency Coordination (MAC) Center was stood-up in Phoenix that housed an average of 338 personnel from 138 agencies. During any large-scale event, whether planned or unplanned, a similar amount of local, state, and federal personnel and entities will need to be represented in the State Emergency Operations Center. Pima County’s EOC is also included.

Emergency Operations Center (EOC) Comparison		
Super Bowl 49 MAC Center	Pima County EOC	Existing State EOC
Personnel: 338 assigned	Personnel: 130 assigned	Max Personnel: 85 max
Workstations: 220	Workstations: 90	Workstations: 45
	Operations Floor: 8,000 sq ft	Operations Floor: 1,615 sq ft
	(inc. 4 x 600 sq ft breakout rooms)	(no breakout rooms available)

The State of Arizona would not be alone in modernizing its Emergency Operations Center. As referenced above, Pima County updated their facility ten years ago. Pinal County just opened their new Emergency Operations Center. Maricopa County is building a new facility that is scheduled to open in 2023. The cities of Scottsdale and Gilbert have also recently modernized their facilities via a remodel and a new build, respectively.

In addition to constructing an addition to the current State Emergency Operations Center to meet the needs of the state, this project also involves remodeling the existing facility to accommodate the Arizona Interagency Dispatch Center within DFFM. The Arizona Interagency Dispatch Center is an essential function of the agency stood up when the original Forestry Division was established in 1966 and provides critical communications and information sharing on wildland fire and disaster response throughout the state. The Arizona Interagency Dispatch Center is the 24/7 connection for the coordination of wildland fire response for 21.9 million acres of state and private land within the state of Arizona. The center coordinates 1,605 pieces of apparatus, 3,037 overhead personnel, 13 Department of Corrections fire crews, and 3 fire crews from DFFM and 237 individual fire departments and fire districts across the state along with the State Emergency Operations Center, 15 county emergency operations centers, 9 fire specific dispatch centers, and 6 additional federal dispatch centers.

The Arizona Interagency Dispatch Center communication center is a critical bedrock for success in the agency’s mission. The initial coordination of the response for the closest most appropriate resources to meet the complexity of the incident are handled by the dispatch center. The subsequent incident management of the incident is handled through the command-and-control on the ground via radio and cell phone with the dispatch center. The dispatch center disseminates critical time sensitive information to the state fire management officer and to the public information officer to assure accurate information flow is

maintained during limited discretionary time high-risk events. The dispatch center is also linked in support of federal centers supporting incidents on federal land that are threatening and or spreading to state and private land. The dispatch center utilizes the Interagency Resource Ordering Capability (IROC), a national system that is utilized by every state forestry organization and federal land management agency for the accountability and deployment of resources. The dispatch center personnel are all trained on this national system and utilize it daily to support the state of Arizona.

The complexities of the Arizona landscape with multiple jurisdictions (federal, tribal, state and private) are lessened by the utilization of an agency dispatch center for this complex coordination. The dispatch center also assists county communication centers that host law enforcement and fire that struggle with the deployment of resources across jurisdictions for rapidly evolving incidents. The knowledge, skills, and abilities, of the dispatch center personnel provide the added value and customer service to all the affected jurisdictions, all the responding resources, but most of all to the taxpayer. The consolidation of effort through this dispatch center allows for the most seamless response to start resources that oftentimes must mobilize from two and three hours away to support rural responses. The time lost utilizing multiple systems and multiple dispatch centers could not be made up for and would allow very complex incidents to become even more complex.

The Arizona Interagency Dispatch Center, located in Deer Valley, is currently housed in a 3,100 SF 1960s-era modular building and has many of the same challenges as DEMA's State Emergency Operations Center. These challenges include inadequate space, mechanical and electrical systems that have reached the end of their useable life, dated telecommunications and audio/visual systems that are essential to fire dispatch and difficult to upgrade without invasive construction, congested circulation, substandard air conditioning, an unreliable backup electrical power supply, and inadequate security.

In the development of this project, the synergies of co-locating DEMA's State Emergency Operations Center and DFFM's Arizona Interagency Dispatch Center became readily apparent as both agencies frequently work together and share information in support of responding to emergencies around state. This frequent interaction, as well as a common need for updated facilities, lead our agencies to work together to develop this joint project. The remodeling of the current facility involves co-locating DEMA's communications staff with the Arizona Interagency Dispatch Center. The co-location of these two vital functions will enhance our agencies' ability to cooperate and coordinate during emergencies, and further emphasizes our mutual commitment to ensuring the public's safety and its place as the sole priority of this project.

Initial Project Phase Proposal:

\$ 1,650,000	Architectural Solicitation for the duration of the project
\$ 350,000	Construction Manager-at-Risk Solicitation and Guaranteed Maximum Pricing development
\$ 2,000,000	Total Phase Cost

Funding Sources:

\$ 30,000,000	General Fund (Laws 2022, Ch 313, Sec 110(A)(10))
\$ 5,500,000	DFFM Wildfire Emergency Response Fund
\$ 35,500,000	Available Project Funding Sources

Additionally, DEMA will actively seek available federal grants and direct funding opportunities for the federal FY24 budget cycle to further reduce the state's construction costs. This is the soonest budget cycle available for Congressionally appropriated grants.

All reductions in the state's construction cost, to include savings from the equipping and furnishing of the new State Emergency Operations Center and Arizona Interagency Dispatch Center which will be aggressively pursued by utilizing as much existing equipment as possible, will be transferred within the spending authorities itemized in Laws 2022, Ch 313, Sec 110.

Operations & Maintenance Sustainment:

No additional expenses for operations and maintenance are expected beyond amounts currently budgeted.

Initial Project Phase Timeline:

Jan 2023	DEMA Facility Management Office and DEMA Procurement solicit proposals and select for an Architectural Firm for the design and duration of the project following JCCR approval
Mar 2023	DEMA Facility Management Office and DEMA Procurement solicit proposals and select Construction Manager at Risk (CMAR)
Mar 2023 – May 2023	CMAR develops Guaranteed Maximum Pricing (GMP)
Jun 2023	GMP Presented to JCCR for review. Once GMP is accepted, the CMAR will start the second phase and move into construction activities.

Pending Future JCCR Review and Approval:

Jul 2023 – Jun 2024	Construction of new SEOC addition
Jun 2024 – Jun 2025	Remodel existing SEOC and Emergency Management Offices



STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: December 6, 2022

TO: Members of the Joint Committee on Capital Review

FROM: Geoffrey Paulsen, Principal Fiscal Analyst

SUBJECT: Arizona Department of Corrections - Review of Arizona Correctional Industries
Automotive Service Center Project

Request

A.R.S. § 41-1252(c) requires Committee review of expenditure plans for capital projects with estimated costs above \$250,000. The Arizona Department of Corrections (ADC) is requesting review \$3,493,100 for construction of a new Arizona Correctional Industries (ACI) Automotive Service Center. The funding for the project would come from the ACI Revolving Fund.

Committee Options

The Committee has at least the following 2 options:

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

Key Points

- 1) ADC requests review of \$3.5 million from the ACI Revolving Fund to establish an Automotive Service Center.
- 2) ADC proposes to modify and upgrade an existing building at the Red Rock facility, a private prison located in Eloy.
- 3) The Service Center would provide repair and maintenance services as well as the ability to retrofit vehicles for specific needs, such as K-9 accommodations, window cages, and interior dividers.
- 4) ADC projects that once operational, the facility would generate annual revenue of \$3.6 million and provide 50 additional inmate jobs.

(Continued)

Analysis

ACI is a self-funded business operated within ADC. ACI offers inmates work and job training opportunities in a variety of fields, including metal fabrication, woodworking, furniture manufacturing, call centers and heavy vehicle repair. ACI currently has operations at 9 of 10 state-operated prisons and 4 of 7 private prisons, including Red Rock.

ADC is requesting Committee review of \$3,493,100 from the non-appropriated ACI Revolving Fund to establish an Automotive Service Center (see *Table 1* for additional expenditure detail). The ACI Revolving Fund receives revenue from inmate labor contracts with private and public sector entities and through the sale of goods produced by ACI. ADC reported in FY 2022 the ACI Revolving Fund had revenue of \$46.5 million and an ending balance of \$18.2 million.

Table 1	
Automotive Up-Fitting Service Center Expenditure Plan	
	<u>Amount</u>
Renovation Cost	\$ 2,434,000
Design & Development	500,000
Permits, Fees, Taxes and Performance Bonds	319,700
Furniture, Fixtures and Equipment (FF&E)	128,000
Construction Management Fee (3.5%)	<u>111,400</u>
Total Project Costs	\$3,493,100

ADC plans to offer routine maintenance and repair services including collision repair, tire services, preventative maintenance, body work, painting and full vehicle vinyl wrapping. In addition, ADC will also offer "up-fitting" services to retrofit a commercially manufactured vehicle to meet specific usage requirements. For example, up-fitting could include the installation of interior dividers, window cages, and K-9 accommodations for law enforcement vehicles.

The service center would primarily serve state agencies such as ADC, the Department of Public Safety (DPS) and the Department of Transportation (ADOT). ADC reports that third-party vendors are currently used for up-fitting services. ADC believes they will be able offer both upfitting services and maintenance faster and at a lower cost than what DPS and ADOT currently pay for upfitting. Pending available capacity, ADC says they could potentially offer services to other organizations, such as local law enforcement.

Once fully operational, ADC estimates the service center would bring in annual revenue of \$3.6 million and offer 50 inmate jobs. ADC reports that in FY 2022 and FY 2023, they have spent a total of approximately \$700,000 for vehicle upfitting. ADC's estimate also assumes that DPS and ADOT will shift all of their upfitting needs to ACI. While ADC has had conversations with DPS and ADOT, actual revenue would depend on the actual usage.

ADC has identified an existing unused building at the Red Rock prison complex that they propose to upgrade and modify for the service center. ADC expects the renovation to take 6 months. Red Rock is a private prison located in Eloy with an operating capacity of 2,024 medium security inmates. ADC's current Red Rock contract runs through 2026, with optional extensions through 2033 when the state has the option to take ownership of the prison. If the state opts not to exercise that option, the building would remain with the private prison vendor. However, ADC reports that all equipment, machinery and other materials purchased for the service center would remain ADC property and could be relocated to another location if needed.



DOUGLAS A. DUCEY
GOVERNOR

Arizona Department of Corrections Rehabilitation & Reentry

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www.azcorrections.gov



DAVID SHINN
DIRECTOR

November 1, 2022

The Honorable Regina E. Cobb, Chairman
Joint Legislative Budget Committee
1716 West Adams
Phoenix, AZ 85007

The Honorable David M. Gowan, Vice-Chairman
Joint Legislative Budget Committee
1716 West Adams
Phoenix, AZ 85007



RE: Review of Arizona Correctional Industries (ACI) Auto Up-Fitting

Dear Representative Cobb and Senator Gowan:

The Arizona Department of Corrections, Rehabilitation, & Reentry (ADCRR) requests placement on the next meeting agenda of the Joint Legislative Committee on Capital Review (JCCR) to review plans for the Arizona Correctional Industries (ACI) Auto Up-fitting Station at the Red Rock private prison. The attachment provides details of the plan and associated costs.

As always, if I can provide additional information, please do not hesitate to contact me.

Sincerely,

David Shinn
Director

cc: Richard Stavneak, Director, Joint Legislative Budget Committee
Geoffrey Paulsen, Senior Fiscal Analyst, Joint Legislative Budget Committee
Matthew Gress, Director, Governor's Office of Strategic Planning and Budgeting
Caroline Dudas, Budget Analyst, Governor's Office of Strategic Planning and Budgeting

Arizona Correctional Industries – Automotive Up-fitting Service Center Plan

Background

Arizona Correctional Industries (ACI), established in 1969, is one of the longest tenured and most effective recidivism reduction programs the Arizona Department of Corrections, Rehabilitation, and Reentry (ADCRR) has utilized in its history. The employable skills participants develop help to facilitate a smooth transition back into the community to obtain employment and housing, which are among the leading factors in an offender's successful re-entry.

Currently, there are approximately 2,000 ACI inmate work positions available which provide employment to roughly 5% of the inmate population. To increase the number of valuable work opportunities for inmates, ACI needs to diversify operations which will broaden the vocational training programs. Research has led us to realize that one of the areas where the greatest opportunities exist is in automotive skilled trades.

ACI is requesting to establish an automotive up-fitting, repair, and maintenance center at the Red Rock private prison. Up-fitting consists of modifying a commercially manufactured vehicle to meet vehicle specifications required for usage. This facility would be capable of wiring, radio and electronic installation, interior divider, window cage, K-9 accommodations, lights – panel lights, light bar, hideaway lights, and exterior metal fabrication. The repair and maintenance services would include: collision repair, auto/van repair, tire services, preventative maintenance (oil change, brakes, etc.), body work, spot painting, full vehicle vinyl wrapping (cars, vans, buses and other larger vehicles).

Currently DPS, ADOT, and ADCRR utilize third-party vendors to up-fit vehicles and ADCRR operates service centers at each State-owned complex. Due to the utilization of third-party vendors there is little control over parts inventory, production time, and cost. This proposal presents a solution that is reliable and cost effective, increases and broadens inmate work opportunities and certifications, keeps dollars within state agencies, diversified revenue streams, and supports Arizona's trade industry.

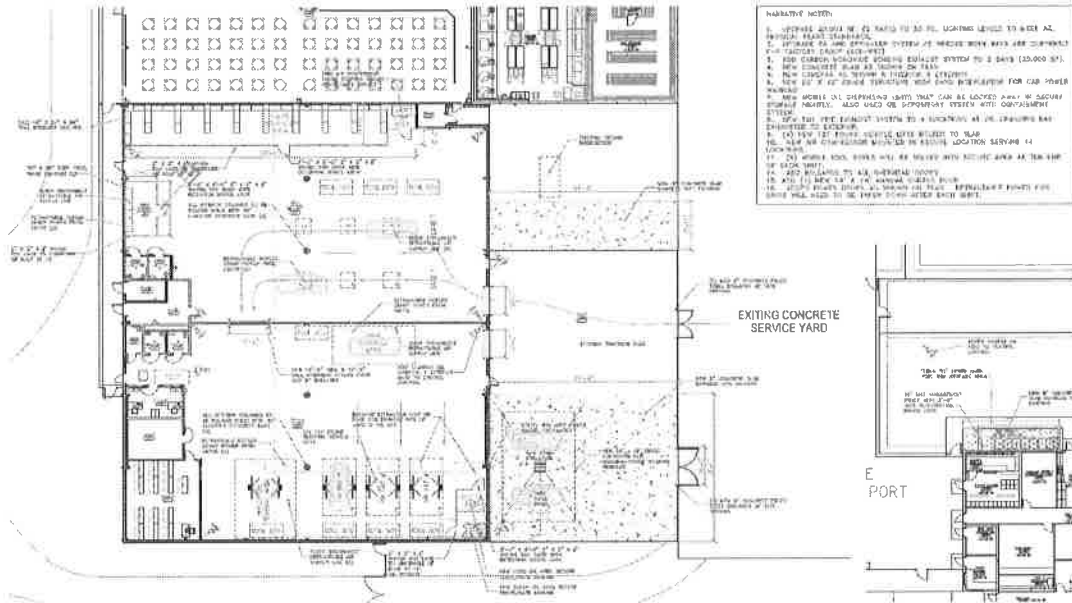
Our plan is to modify/upgrade an empty building at the Red Rock private prison. ADCRR currently has a contract through 2026, with optional extension periods through 2033 at which time the State can choose to purchase the facility. The estimated cost of the modifications/upgrades is approximately \$3.5 million dollars, and once completed and operable we project annual revenues around \$3.6 million dollars. The service center would create jobs for approximately 50 inmates.

Estimated Cost:

Basic Renovation Cost	\$2,200,000
Add 6 Skylights to meet ADOC standards	\$ 195,000
Locks	\$ 9,000
Design & Development	\$ 500,000
Permits, Fees, Taxes & Performance Bonds	\$ 319,700
Security Escorts	\$ 30,000
FF&E	\$ 128,000
Construction Management Fee @ 3.5%	<u>\$ 111,360</u>
Total	\$3,493,060

Red Rock Correctional Center
Renovated WBE/ACI space
Eloy, Az.
Conceptual Estimate

Summary of Scope of Work





STATE OF ARIZONA

Joint Committee on Capital Review

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BEN TOMA

DATE: December 6, 2022

TO: Members of the Joint Committee on Capital Review

FROM: Molly Murphy, Economist

SUBJECT: Arizona State Lottery Commission – Review of FY 2023 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 the Committee review its FY 2023 Building Renewal Allocation Plan. The FY 2023 Capital Outlay Bill appropriated \$176,400 from the Lottery Fund to the State Lottery Commission to fund 100% of the building renewal formula in FY 2023 for capital improvement projects.

Committee Options

The Committee has at least the following 2 options:

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

Key Points

- 1) The Arizona State Lottery Commission is requesting review of its \$176,400 FY 2023 Building Renewal appropriation.
- 2) The Lottery will use the funds for 5 projects that total \$176,400. These projects include a structural evaluation and skylight and door replacements, among other smaller projects.

(Continued)

Analysis

The commission operates out of 4 facilities; a 38,500 square foot state-owned building in Phoenix, a 3,398 square foot leased building in Tucson, a 500 square foot location at Phoenix Sky Harbor Airport, and a new 440 square foot space in Kingman located in a Walmart store. The Phoenix facility includes administrative offices, ticket sales, and redemption centers. The other 3 locations offer ticket sales and redemption services. This request pertains only to the main building in Phoenix.

The commission plans to spend \$176,400 on 5 building renewal projects in Phoenix. Costs for each component of the plan are listed in *Table 1* below.

Table 1	
Components of Building Renewal Plan	
Structural Evaluation – Building Wall	\$27,400
Skylight Replacement	105,000
Return Duct – Server Room	5,000
Surge Arrestor	12,000
Replace Doors – Front Sliding & Interior Access	27,000
Total Costs of Plan	\$176,400

Engineer Structural Evaluation – Building East Wall

The commission plans to spend \$27,400 to hire a contractor to perform a structural evaluation of the east wall. The intent is to determine whether any action needs to be taken to address foundational concerns about the east wall of the building.

Skylight Replacement

The commission plans to spend \$105,000 to replace a large skylight in the lobby of the Phoenix office. The skylight is original to the building constructed in 1986 and has never been replaced.

Return Duct, Server Room

To maintain a more constant temperature in the server room, the commission plans to spend \$5,000 to install a return duct dedicated to the server room.

Surge Arrestor

To protect building systems and equipment from power surges and lightning strikes, the commission plans to spend \$12,000 to install a 600-volt surge arrestor.

Replace Front Sliding and Interior Access Doors

The commission plans to spend \$27,000 to replace existing front and interior access doors to enhance the safety of both the public and employees.

MM:lm



Douglas A. Ducey
Governor

Gregory R. Edgar
Executive Director

October 31, 2022

The Honorable David M. Gowan, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington Street
Phoenix, AZ 85007

The Honorable Regina E. Cobb, Vice-Chairman
Joint Committee on Capital Review
Arizona House of Representatives
1700 West Washington Street
Phoenix, AZ 85007



Subject: JCCR Agenda Request

Dear Senator Gowan and Representative Cobb:

The Arizona Lottery respectfully requests placement on the JCCR meeting agenda for the December 2022 meeting to review the Lottery FY23 Building Renewal Allocation Plan.

A.R.S. 41-1252 requires Committee review of the expenditure plans for building renewal monies.

Information for this item is attached.

Sincerely,

Gregory R. Edgar
Executive Director
Arizona Lottery

Attachment

cc: Richard Stavneak, Director, JLBC jlbcmaster@azleg.gov
Molly Murphy, Analyst, JLBC mmurphy@azleg.gov
Matthew Gress, Director, OSPB mgress@az.gov
Zachary Milne, Analyst, OSPB zmilne@az.gov

Arizona Lottery – Building Renewal Funds FY23 Allocation Plan

Background

The Arizona Lottery operates out of four facilities – a 38,500 sq. ft. building constructed in 1987, owned by the State of Arizona, located in Phoenix, a 3,398 sq. ft. building leased in Tucson, a 500 sq. ft. leased airport location, and a 440 sq. ft. leased Kingman location housed within a local Walmart. The Phoenix facility includes administrative offices as well as a ticket sales and redemption area. The Tucson, airport, and Kingman offices provide ticket sales and redemption services. This plan provides information on proposed maintenance expenses for the Phoenix facility.

Allocation

As part of the FY23 approved budget, the Lottery received a capital outlay appropriation of \$176,400 from the Lottery Fund for building renewal purposes.

FY23 Capital Outlay/Building Renewal Allocation: \$176,400

Proposed FY23 Expenditures –

Structural Evaluation – Building Wall	27,400
Skylight Replacement	105,000
Return Duct – Server Room	5,000
Surge Arrestor	12,000
Replace Doors - Front Sliding & Interior Access	<u>27,000</u>
TOTAL:	\$176,400

Cost estimates were either supplied by state-contracted vendors or provided by ADOA. All projects are funded from the Lottery Fund - no General Funds monies are impacted.

1. Engineer Structural Evaluation - Building East Wall - \$27,400

The Lottery headquarters building in Phoenix was constructed in 1986. The east wall of the building is sinking and separating from the interior walls and large stair-step cracks where the brick is separating are clearly visible. It is also causing upward shifting in the concrete warehouse floor. The future impact on the building structure is unknown at this point. The Lottery plans to have a professional inspection of the area conducted and core samples will be taken to help determine if any action needs to be taken to address this issue.

Proposed Solution

The initial step is for a professional contractor to perform a structural evaluation of settlement damage, obtain and analyze core samples, and provide a report for any further required actions. Once the inspection portion is complete, the Lottery will be better prepared to address a more detailed plan of action if necessary.

Principal Benefits

The principal benefit is to preserve the integrity of the Lottery building foundation. Taking prompt action will help to mitigate further damage.

2. Skylight Replacement - \$105,000

The Lottery Phoenix office building has a large pyramid-shaped skylight above the lobby. It is original to the building constructed in 1986. Although some repairs have been conducted over the years for water leaks, the actual skylight glass has never been replaced. Some sections of glass are beginning

to separate and no contractor will warranty replacement unless the frame holding the glass is also replaced.

Proposed Solution

Remove the existing pyramid-shaped skylight and replace with a new pyramid-shaped skylight, to include both the glass and frame. The glass would be replaced with a lighter polycarbonate material. Quoted cost is complete and installed.

Principal Benefits

The primary benefit would be the protection of the public and Lottery employees should the existing skylight break and fall into the lobby below. The glass is very old and presents a potential hazard to public safety.

3. Return Duct, Server Room - 5,000

The Lottery Phoenix office has a separate room for server equipment. Because of the servers, this room is typically kept cooler than the rest of the building. Currently, the server room gets its return air from the plenum, the same source for building common areas and all office space. When the unit calls for cooling, the temperature in the room tends to rise since the air is from the warmer return that services the rest of the building. This room should have a designated return in order to maintain a more constant temperature.

Proposed Solution

Install a return duct dedicated to the server room. This would involve disconnecting the existing air handler, removing a section of duct, and then fabricating/installing a new section of duct for the server room area.

Principal Benefits

The principal benefit is to maintain a consistent temperature in the room where sensitive server equipment is housed in order to prevent overheating.

4. Surge Arrestor - \$12,000

There have been upgrades to systems/equipment at the Lottery Phoenix office over the years such as electronic ballasts, motors, and controllers that need to be protected from power surges and possible lightning strikes. A surge arrestor should be installed outside the Lottery's main entrance where power comes into the building, as well as the interior electrical room.

Proposed Solution

Install a 600-volt surge arrestor at the Lottery's main Phoenix office building.

Principal Benefits

The primary benefit would be to protect equipment against damage and avoid costly downtime from an electrical surge due to lightning or other unexpected event.

5. Replace Front Sliding and Interior Access Doors - \$27,000

The Lottery Phoenix office building has sliding glass entrance doors as well glass interior access doors to other areas of the building. The sliding front entrance doors are original to the building and malfunction frequently, remaining stuck in various positions. Numerous repairs have been conducted over the years to hardware/locking mechanisms and to bring it up to fire standards. The doors are past their useful life and should be replaced.

There are interior doors off the public lobby that provide access to office work areas and the second floor of the building. These doors are also glass and have had frequent repairs to door mechanisms. There are also a safety concerns since the glass structure of the doors presents a greater risk for intrusion.

Proposed Solution

Replace the existing front and interior access doors. The front door would be another automatic sliding glass door similar to what is currently in place. However, the interiors access doors would be replaced with a hardened material with minimal glass that would reduce the chance of intrusion.

Principal Benefits

The principal benefit would be to enhance the safety of both the public and employees. Malfunctioning doors creates the potential for injury. In addition, glass interior access doors pose a greater intrusion risk and threat to agency employees.



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DATE: December 6, 2022

TO: Members of the Joint Committee on Capital Review

FROM: Jordan Johnston, Senior Fiscal Analyst

SUBJECT: Department of Public Safety - Review of the Southern Border Coordinated Response Center

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated to capital projects. The Department of Public Safety (DPS) requests Committee review of a \$15,000,000 appropriation from the Border Security Fund in FY 2023 for the purchase and renovation of a facility located in Tucson to be used as the southern border coordinated response center.

Committee Options

The Committee has at least the following 2 options:

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

Key Points

- 1) DPS is proposing to expend \$15.0 million to purchase and renovate a 58,400 square foot commercial office building in Tucson for their southern border coordinated response center.
- 2) DPS has negotiated a sale price of \$8.2 million for the purchase of the building; with \$6.4 million set aside for renovation, the new facility would cost an estimated \$250 per square foot.
- 3) The new facility is intended to house over 250 DPS personnel along with federal, state, local, and tribal law enforcement partners to coordinate intelligence collection and criminal investigations.

(Continued)

Analysis

Background

In FY 2023, the Department of Emergency and Military Affairs (DEMA) was appropriated a total of \$544.2 million from the Border Security Fund for various purposes. Of these designated allocations, \$15.0 million is appropriated to DPS for the construction of a southern border coordinated response center.

The proposed facility is intended to centralize department counterterrorism efforts, the patrol operations bureau, and investigations bureau. DPS states the new center will provide tactical and strategic intelligence collection, analysis, and dissemination support to law enforcement agencies and will be a central point of contact for criminal intelligence and investigations.

Current Request

DPS is proposing to purchase and repurpose a commercial office building located at 2202 N. Forbes Blvd. in Tucson, Arizona for this new center. The proposed building has 58,400 square feet of office space and includes 268 parking spaces. DPS has negotiated a sale price of \$8.2 million. The remaining \$6.8 million will be used for renovation and equipment/furnishing costs. Combining the purchase price with the monies set aside for renovation, the new facility would cost an estimated \$250 per square foot. Please see *Table 1* below for a breakdown of the expenditure plan.

Table 1

Southern Border Coordinated Response Center Expenditure Plan

<u>Item</u>	<u>Cost Estimate</u>
Purchase of commercial office building	\$ 8,200,000
Construction/renovation (interior/exterior)	6,400,000
Equipment and furnishing costs	<u>400,000</u>
Total Budget	\$15,000,000

DPS states the renovation of the facility will include tenant improvements (i.e. floor coverings, paint, plumbing fixtures, and replacement of ceiling panels) and enhanced security infrastructure (i.e. exterior fencing, gates, electronic access readers, technology, and security cameras). The proposed office space would include 253 DPS positions along with a small number of other agency positions (i.e. highway patrol, criminal investigations, and technical services). The facility would also house a number of other federal, state, local, and tribal law enforcement agency personnel.

The department plans to complete the purchase of the property 45 days from the opening of escrow, which they anticipate will happen within the next few weeks. DPS does not currently have a projected time it would take to finish the renovation of the purchased office building.

JJ:jb



ARIZONA DEPARTMENT OF PUBLIC SAFETY

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DOUGLAS A. DUCEY HESTON SILBERT
Governor Director



November 22, 2022

Representative Regina E. Cobb, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, Arizona 85007

Dear Chairman Cobb,

The FY23 Arizona state budget provided \$15,000,000 to the Department of Public Safety (DPS) for the purchase and improvements of a building purposed for the southern Arizona counterterrorism center, patrol operations bureau, and investigations bureau.

Per ARS § 41-1252, the Joint Committee on Capital Review (JCCR) must review the intended scope, purpose, and estimated cost of this project before DPS can expend the monies. With this letter, we request placement on the next available agenda. We understand that the JCCR is tentatively scheduled to meet on Tuesday, December 13, 2022.

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

Sincerely,

Heston Silbert, Colonel
Director

cc: Senator David M. Gowan, Vice-Chairman
Matthew Gress, OSPB
Richard Stavneak, JLBC

Enclosure

**Arizona Department of Public Safety
Southern Arizona Coordinated Response Center
\$15,000,000**

The FY23 Arizona state budget allocated \$15,000,000 to the Arizona Department of Public Safety (DPS) for the purchase and improvements of a building purposed for the southern Arizona counterterrorism center, patrol operations bureau, and investigations bureau. DPS is required to present the scope, purpose, and estimated costs of this project to the Joint Committee on Capital Review (JCCR) for review.

To achieve the stated goal, DPS intends to purchase a commercial office building. The proposed office building is located at 2202 N. Forbes Blvd., in Tucson, Pima County, Arizona. The building has 58,367 square feet of office space, was built in 1993, and includes 268 parking spaces. The proposed building is listed for sale for \$8,500,000 and DPS has negotiated an acceptable sale price of \$8,200,000. The remaining allocated balance will be utilized for tenant improvements, enhanced security infrastructure to the interior and exterior, equipment and furnishings. The Arizona Department of Administration (ADOA) will provide project management of the tenant improvements and enhanced security infrastructure.

At a minimum, the facility requires tenant improvements for floor coverings, paint, plumbing fixtures, and replacement of some of the ceiling panels. Enhanced security infrastructure will include exterior fencing, gates, electronic access readers, technology, and security cameras.

Below is the estimated cost breakdown of the southern Arizona response center:

Purchase of commercial office building and vacant lot	\$8,200,000
Construction (interior/exterior)	6,400,000
Equipment and Furnishings Allowance	400,000
TOTAL	\$15,000,000

The proposed office space is sufficient to co-locate all DPS personnel, along with participating state, local, tribal, and federal law enforcement agency personnel. This includes 253 current DPS positions and a small number of other agency positions assigned to highway patrol, criminal investigations, technical services (including the southern operational communication center), agency support, and commercial vehicle enforcement divisions.

The Fleet Services Section will remain at the DPS office at 6401 S. Tucson Blvd., due to the need for the vehicle service bays, vehicle lifts, and storage space for vehicle parts and equipment. In addition, the Southern Regional Crime Laboratory will also remain at the 6401 South Tucson Blvd. address and personnel assigned to the Wireless Services Bureau will remain at the 2010 W. Ajo Way location.

Co-locating law enforcement agencies in a southern Arizona response center not only provides greater efficiencies, but is critical in providing timely intelligence, investigative, and technical support to state, local, tribal, and federal law enforcement agencies. Accurate and timely intelligence is key to the most fundamental responsibility of government, protecting its citizens and critical infrastructures. The southern Arizona response center will provide tactical and strategic intelligence collection, analysis, and dissemination support to law enforcement agencies and will be a central point of contact for criminal intelligence and criminal investigations.

The timeline to complete the purchase of the property is 45 days from the opening of escrow, which we anticipate will happen within the next few weeks. The purchase will be contingent on a favorable review from the JCCR.



STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: December 6, 2022

TO: Members of the Joint Committee on Capital Review

FROM: Morgan Dorcheus, Principal Fiscal Analyst

SUBJECT: Arizona State University - Review of New Academic Buildings and Campus Renovation Projects

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. A FY 2023 General Appropriation Act footnote also requires Committee review of any university capital projects funded from a one-time General Fund appropriation. Arizona State University (ASU) requests Committee review of \$201,500,000 to construct 2 new academic buildings and renovate existing buildings across multiple campuses. Of this amount, \$191,500,000 will be funded by system revenue bond issuances and \$10,000,000 will be funded with cash from the university's FY 2023 one-time General Fund appropriation.

Committee Options

The Committee has at least the following 2 options:

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

Under either option, the Committee may also consider the following standard university financing provisions:

Standard University Financing Provisions

- A. 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 projects are complete.

(Continued)

- B. ASU shall provide the final debt service schedule and interest rate for the projects as soon as they are available.
- C. On or before October 15 of each year until completion of the projects, ASU shall report to the JLBC Staff on the status and expenditures of the projects. The report shall include the project expenditures to date by building, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the projects.

Key Points

- 1) ASU will spend \$201.5 million on capital projects, of which \$191.5 million will be funded by system revenue bond issuances and \$10.0 million will be funded using cash from the university's FY 2023 one-time General Fund appropriation:
 - \$88.0 million to construct a new academic and office building on the Tempe Campus.
 - \$33.5 million to construct a new academic building on the West Campus.
 - \$80.0 million for renovation projects, including building and infrastructure upgrades, research lab renovations, and classroom and academic renovations.
- 2) Annual debt service payments of up to \$13.7 million will be funded by tuition revenues.

Analysis

ASU intends to complete multiple capital projects to create new classroom and academic space, modify and upgrade existing classroom and laboratory space, and make improvements to buildings and infrastructure across all campuses. The projects are estimated to cost a total of \$201.5 million.

Of the total \$201.5 million cost, \$121.5 million will be used to construct 2 new buildings:

- \$88.0 million will be used to construct a new 5-story, 128,000 square foot building on ASU's Tempe campus, located on Mill Avenue between 9th and 10th Streets. The university will lease retail space on the first floor of the building and the upper floors will be used to support programs in the Herberger Institute for the Design and the Arts, including photography, expanded arts, music therapy, animation, design architecture, and arts, media and engineering.
- \$33.5 million will be used to construct a new 4-story, 55,000 square foot building on ASU's West Campus, located on 49th Avenue between North University Way and West Wood Drive. The building will include a student gallery space and drawing labs for the School of Humanities, Arts and Cultural Studies, computer classrooms, a computational lab, faculty offices, and future growth spaces.

The remaining \$80.0 million in planned project costs will be used for various renovation projects across multiple campuses:

- \$35.0 million will be used for building and infrastructure improvements to address life safety issues and aging building systems, including mechanical systems, utility distribution systems, elevators, and roofs that the university reports are beyond useful life.
- \$30.0 million will be used for research laboratory renovations, which will include upgrades to approximately 28,400 square feet of wet and dry lab spaces. The renovations may also include other building infrastructure upgrades, such as heating and cooling, fume hoods, gas lines, and other lab-specific needs to meet code requirements.

(Continued)

- \$15.0 million will be used for renovations to classroom and academic spaces, which will include the reconfiguration of spaces to add classrooms of varying sizes and to add smaller instructional spaces in existing buildings across all campuses. The renovations will encompass approximately 39,170 square feet of space and may also include upgrades to major building systems and building interiors and will also address life safety and code compliance issues and American with Disabilities Act deficiencies.

Financing

ASU intends to issue \$191.5 million of system revenue bonds and spend \$10.0 million in cash from a one-time General Fund appropriation, for total project costs of \$201.5 million. Bonds will be issued in April 2023, April 2024 and April 2025 with an anticipated rating of Aa2 (Moody's)/AA (S&P) and estimated interest rates between 4.98% and 5.06% over 20- and 30-year terms. In addition to project costs, issuance costs are projected to be \$1.6 million. ASU will begin construction prior to bond issuance and will use their operating balances to cover costs until the bond proceeds are received.

The annual debt service will be approximately \$3.0 million in FY 2024, \$8.3 million in FY 2025, \$13.7 million from FY 2026 to FY 2045, \$8.2 million from FY 2046 to FY 2053, and \$5.2 million in FY 2054. ASU will fund the debt service with tuition. *(See Table 2 for a summary of the bond financing terms.)*

The debt service on these projects will increase ASU's current debt ratio by 0.35% from 4.7% to 5.1%.

Construction Costs

New Construction Projects

Construction of the new Tempe Campus building is estimated to begin in December 2022 and is scheduled for completion in August 2024. The university reports that the building will be completed through the Design-Build (DB) delivery method. Of the total \$88.0 million project cost for construction of a building on the Tempe Campus, \$68.0 million are direct construction costs. Total project costs per square foot are \$688, while direct construction costs per square foot are \$531 (see *Table 1*).

Construction of the new West Campus building is estimated to begin in March 2023 and is scheduled for completion in December 2024. The university reports that the building will be completed through the Construction Manager at Risk (CMAR) delivery method. Of the total \$33.5 million project costs for construction of a building on the West Campus, \$25.7 million are direct construction costs. Total projects costs per square foot are \$609, while direct construction costs per square foot are \$468 (see *Table 1*).

The most recent ASU construction project for a new academic building was reviewed by the Committee in October 2021. The 178,263 square foot project included classrooms, academic offices, meeting spaces, and student services on the Tempe Campus. The project was estimated to cost a total of \$94.6 million, or \$531 per square foot.

ASU reports that the costs for 3 recently completed, comparable projects were between \$455 and \$650 per square foot.

Building and Infrastructure Improvements

The planned building and infrastructure improvements are estimated to begin in April 2023 and are scheduled for completion in December 2026. The university reports that the projects will be completed using a combination of DB, CMAR, and Job Order Contracting (JOC) delivery methods. Due the nature of the projects, there is no estimated cost per square foot (see *Table 1*).

(Continued)

Research Laboratory Renovations

The planned research lab renovations are estimated to begin in March 2023 and are expected to be complete by December 2026. The university reports that the projects will be completed using a combination of CMAR and JOC delivery methods. Of the total \$30.0 million project cost for research lab renovations, \$21.0 million are for direct construction costs. Total project costs per square foot are \$1,056, while direct construction costs per square foot are \$739 (see *Table 1*).

The most recent ASU lab renovation project was reviewed by the Committee in October 2021. The project included renovations for approximately 32,000 square feet of space at a cost of \$20.0 million, or \$625 per square foot.

ASU reports that the costs of 5 recently completed, comparable projects ranged between \$765 and \$1,274 per square foot.

Classroom and Academic Renovations

The planned classroom and academic renovations are estimated to begin in March 2023 and are expected to be complete by December 2025. The university reports that the projects will be completed using a combination of CMAR and JOC delivery methods. Of the total \$15.0 million project cost for classroom and academic renovations, \$10.5 million is for direct construction costs. Total project costs per square foot are \$383, while direct construction costs per square foot are \$268 (see *Table 1*).

The most recent ASU classroom renovation project was reviewed by the Committee in October 2021. The project included renovations for approximately 44,643 square feet of space at a cost of \$15.0 million, or \$336 per square foot.

ASU reports that the costs of 6 recently completed, comparable projects ranged between \$194 and \$533 per square foot.

Operations and Maintenance Costs

ASU expects the newly constructed Tempe and West Campus buildings to increase operations and maintenance costs by approximately \$1.6 million annually, which will be funded by tuition revenues. The renovation projects are not expected to change operations and maintenance costs.

(Continued)

Table 1

ASU Capital Projects Construction Costs

	New Tempe Campus <u>Building</u>	New West Campus <u>Building</u>	Building & Infrastructure <u>Projects</u>	Research Laboratory <u>Renovations</u>	Classroom & Academic <u>Renovations</u>
Square Footage	128,000	55,000	N/A	28,400	39,170
<u>Fund Sourcing</u>					
System Revenue Bonds	\$88,000,000	\$33,500,000	\$35,000,000	\$20,000,000	\$15,000,000
Cash (General Fund)	-	-	-	<u>10,000,000</u>	-
Total	\$88,000,000	\$33,500,000	\$35,000,000	\$30,000,000	\$15,000,000
<u>Construction Costs</u>					
Direct Construction Costs	\$68,000,000	\$25,717,200	\$24,500,000	\$21,000,000	\$10,500,000
Other Costs ^{1/}	<u>20,000,000</u>	<u>7,782,800</u>	<u>10,500,000</u>	<u>9,000,000</u>	<u>4,500,000</u>
Total	\$88,000,000	\$33,500,000	\$35,000,000	\$30,000,000	\$15,000,000
<u>Cost Per Square Foot</u>					
Direct Construction Costs	\$531	\$468	N/A	\$739	\$268
Other Costs ^{1/}	<u>\$157</u>	<u>\$141</u>	<u>N/A</u>	<u>\$317</u>	<u>\$115</u>
Total	\$688	\$609	N/A	\$1,056	\$383
Operations & Maintenance	\$1,102,900	\$530,200	-	-	-

^{1/} Includes equipment, furniture, project design and management fees, and other costs.

Table 2

ASU Capital Projects Financing Terms

Construction Timeframe	December 2022 – December 2026
Issuance Amount	\$191.5 million
Issuance Date	April 2023 / April 2024 / April 2025
Issuance Transaction Fees	\$1.6 million
Rating	Aa2 (Moody's)/AA (S&P)
Interest Rate	4.98% - 5.06%
Term	20 years / 30 years
Total Debt Costs	\$356.7 million
Debt Service Payments	\$3.0 million (FY 2024) \$8.3 million (FY 2025) \$13.7 million (FY 2026 – FY 2045) \$8.2 million (FY 2046 – 2053) \$5.2 million (FY 2054)
Payment Source	Tuition
Debt Ratio Increase	0.35%

November 22, 2022

The Honorable Regina E. Cobb, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington Street
Phoenix, AZ 85007



Dear Representative Cobb:

In accordance with ARS 15-1683 and 15-1682.02, the Arizona Board of Regents requests that the following Arizona State University bond-financed projects be placed on the next Joint Committee on Capital Review agenda:

- Building and Infrastructure Enhancements and Modifications
- Classroom and Academic Renovations
- Research Laboratory Renovations
- Tempe Campus Academic and Office Space
- West Campus New Academic Building
- Ground Lease for the Development of Casa de Oro Residential Hall Phase II

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 dark ink, appearing to read 'Morgan R. Olsen'.

Morgan R. Olsen
Executive Vice President, Treasurer and CFO

Enclosures

- c: Richard Stavneak, Director, JLBC
John Arnold, Executive Director, Arizona Board of Regents, ABOR
Bradley Kendrex, Vice President, Finance and Administration, ABOR
Adam C. Deguire, Vice President, Government and Community Engagement, ASU
Kendra Burton, Sr. Director, State Relations, ASU
Alex Kohnen, Vice President, Facilities Development and Management, ASU
Morgan Dorcheus, Senior Fiscal Analyst, JLBC

1. Building and Infrastructure Enhancements and Modifications

Project Description

This project encompasses enhancements and modifications to ASU buildings and infrastructure across all four campuses that will address the university's primary areas of concern, which include, but are not limited to, life safety deficiencies; aging mechanical, critical building and utility distribution systems; and timeworn and unreliable elevators and roofs.

Many components of ASU infrastructure have exceeded their useful life and some are incapable of effectively supporting the advancement of the university's mission of educational and research excellence. The planned projects will ensure the efficient, reliable and safe operation of essential campus facilities, infrastructure and systems, including those that must continue without interruption to support the university's critical educational and research initiatives.

Depending on the nature of the work, components of these projects may be delivered through the Design-Build (DB), Construction Manager at Risk (CMAR) or Job Order Contracting (JOC) methods.

The \$35 million project bundle will be debt-financed with system revenue bonds amortized over an approximately twenty-year term. The annual debt service will be funded by tuition and is included in current budget planning. There are no expected increases in operations and maintenance costs associated with this project bundle.

An Arizona Board of Regents (ABOR) executive summary for this project is attached, which outlines the project description and other relevant information. The project received approval at the Arizona Board of Regents meeting on November 17, 2022.

Project Budget:

Total Project Cost	\$ 35,000,000
Total Project Construction Cost	\$ 24,500,000
Total Project Cost per GSF	\$ n/a
Construction Cost per GSF	\$ n/a

2. Classroom and Academic Renovations

Project Description

These projects will renovate approximately 39,170 gross square feet of university classroom and academic space. ASU plans to renovate existing classrooms, create new classrooms of various sizes, and add smaller instructional spaces at all four campuses.

The renovations may include, but are not limited to, heating, ventilation and air conditioning (HVAC); plumbing and electrical; flooring; ceiling; roof; elevator; windows, doors and internal walls; and partition components, as well as upgrades to address life safety and Americans with Disabilities Act deficiencies. Project components essential for life safety and code compliance and those that best support university strategic initiatives will be given top priority.

This \$15 million project bundle will be debt-financed with system revenue bonds amortized over an approximate twenty-year term. The annual debt service will be funded by tuition and is included in current budget planning. There are no expected increases in operations and maintenance costs associated with this project bundle.

The cost per square foot is higher than past comparable projects due to anticipated cost increases. Currently no preliminary external cost estimates have been provided by third-party consultants. Independent cost estimates will be provided by the DP, CMAR or JOC contractor after these selections are complete.

An Arizona Board of Regents executive summary for this project bundle is attached, which outlines the project description and other relevant information. The project received approval at the Arizona Board of Regents meeting on November 17, 2022.

Project Budget:

Total Project Cost	\$ 15,000,000
Total Project Construction Cost	\$ 10,500,000
Total Project Cost per GSF	\$ 383
Construction Cost per GSF	\$ 268

3. Research Laboratory Renovations

Project Description

These projects will renovate approximately 28,400 gross square feet of existing research laboratory space across all four campuses to meet growing demand based on increased student enrollment, new programs and updated research requirements. Multiple wet and dry laboratory spaces will be upgraded to provide future flexibility and better space utilization through shared services.

Many existing university laboratories and building systems are inadequate due to age and the requirements of emerging technologies. The poor condition of these spaces and the age of the building systems constrain the development of these strategically important areas. These projects will convert inadequate research laboratories into state-of-the-art facilities that will meet the growing demands of the university's research initiatives and comply with code requirements.

Depending on the nature of the work, components of this project may be delivered either through the Construction Manager at Risk (CMAR) or the Job Order Costing (JOC) method.

Of the \$30 million project bundle, \$20 million will be debt-financed with system revenue bonds amortized over an approximate twenty-year term. The annual debt service will be funded by tuition and is included in current budget planning. The balance of the project will be funded by a one-time state appropriation of \$10 million in accordance with Chapter 313, Laws 2022. There are no expected increases in operations and maintenance costs associated with this project bundle.

The cost per square foot is higher than past comparable projects due to anticipated cost increases in the materials and labor markets. Currently no preliminary external cost estimates have been provided by third-party consultants. Independent cost estimates will be provided by the DP, CMAR or JOC contractor after these selections are complete.

An Arizona Board of Regents executive summary for this project bundle is attached, which outlines the project description and other relevant information. The project received approval at the Arizona Board of Regents meeting on November 17, 2022.

4. Tempe Campus Academic and Office Space

Project Description

This new five-story, approximately 128,000 gross-square-foot facility will provide needed space for academic programs, offices, and leasable retail space. Located on the Tempe campus east of Mill Avenue between Ninth and Tenth Streets, the new facility will share a common wall with the west end of the new Mill Avenue Parking Structure, which is currently under construction.

The first floor of the building will include hospitality, restaurants and retail spaces with entrances along Mill Avenue. The upper stories will support university academic programs for the Herberger Institute for Design and the Arts (HIDA), including approximately 12,600 SF for Photography, 7,200 SF for Animation, 10,000 SF for Expanded Arts, 7,000 SF for Music Therapy, 16,000 SF for Design Architecture, and 10,000 SF for Arts, Media and Engineering.

HIDA connects and merges many studies across the Tempe Campus in multiple buildings such as photography, music therapy, animation, design architecture, AME, Music, and more. This project will establish a more centralized location for many of these programs, allow other programs to grow and backfill without requiring added space, and vacate older buildings that should be replaced. More specific details can be found below:

- Photography will vacate Matthews Hall. No backfill planned. Ultimately, major renovation/demolition is planned.
- Music Therapy will vacate the Community Services Building. CSB is deficient in its accessible spaces and the university would not backfill with people. Long term plan is for renovation/demolition.
- Animation will vacate Art Building that allows for Art growth as well as provide needed growth space for the growing program. AME will vacate Matthews Center, for which there is a long-term plan for renovation/demolition.
- Music Practice will gain needed growth space that allows the department to meet accreditation at Tempe Campus Academic & Office Space.
- Design Architecture will gain needed growth space in both the undergraduate and graduate programs.
- Papermaking and Letterpress will vacate West Hall and Matthews Hall. No backfill is planned as major renovations/demolition are being planned for those buildings.

The project will be constructed through the Design-Build (DB) delivery method. ASU has selected McCarthy Building Companies with DFDG Architecture as the DB team



for this project. The selection process included eight responses and five teams were interviewed.

This \$88 million project will be debt-financed with system revenue bonds amortized over an approximate thirty-year term. The annual debt service will be funded by tuition and is included in current budget planning. The estimated incremental increase in annual operations and maintenance costs associated with this project of \$1,102,868 will be funded by tuition.

Project Budget:

Total Project Cost	\$ 88,000,000
Total Project Construction Cost	\$ 68,000,000
Total Project Cost per GSF	\$ 688
Construction Cost per GSF	\$ 531

An Arizona Board of Regents executive summary for this project is attached, which outlines the project description and other relevant information. The project received approval at the Arizona Board of Regents meeting on November 17, 2022.

5. West Campus New Academic Building

Project Description

This four-story, approximately 55,000 gross-square-foot facility will consist of new student gallery space, computer labs, drawing labs, faculty offices and future growth spaces on the ASU West Campus, between North University Way and West Wood Drive on North 49th Way.

The university is not able to meet the demand for on-campus academic space at the West Campus. Increases are anticipated within the following schools at the West campus: New College, Barrett Honors College, Carey School of Business, Watts College of Public Service, Thunderbird Global Management, Health Solutions, Nursing and Mary Lou Fulton Teachers College, as well as new programs for the Fulton Schools of Engineering.

The School of Humanities, Arts and Cultural Studies will utilize the gallery space and drawing labs, totaling 2,910 square feet (SF) and 3,510 SF respectively. This project also includes planned computer classrooms totaling 10,737 SF, 1,266 SF of drawing labs, a 655 SF computational lab, and faculty offices and future growth spaces consisting of roughly 19,350 SF.

The project will be constructed through the CMAR delivery method. ASU selected Todd and Associates as the architect via a bid waiver as the firm has developed academic plans for the project.

The project will be debt-financed with approximately \$33.5 million of system revenue bonds amortized over an approximate thirty-year term. The annual debt service will be funded by tuition and is included in current budget planning. Operations and maintenance costs are estimated at \$530,224 annually and will be funded by tuition.

Project Budget:

Total Project Cost	\$	33,500,000
Total Project Construction Cost	\$	25,717,200
Total Project Cost per GSF	\$	609
Construction Cost per GSF	\$	468

An Arizona Board of Regents executive summary for this project is attached, which outlines the project description and other relevant information. The project received approval from the Arizona Board of Regents on September 30, 2022 as part of the Annual Capital Plan. It is pending individual and financing approval at the December ABOR meeting.

Project Summary – Revenue Bonds

<u>Projects:</u>	<u>Funding Sources:</u>	<u>Amount:</u>
Tempe Campus Academic and Office Space	Tuition	\$88,000,000
West Campus New Academic Building	Tuition	33,500,000
Building and Infrastructure Enhancements and Modifications	Tuition	35,000,000
Classroom and Academic Renovations	Tuition	15,000,000
Research Laboratory Renovations	Tuition	20,000,000
		<u>\$191,500,000</u>

Financing Information

System Revenue Bonds:

Project Costs	\$191,500,000
Estimated Costs of Issuance	\$1,570,000
Anticipated Bond Rating	Aa2 (Moody's) and AA (S&P)
Assumed Interest Rate	4.98% to 5.06%
Term	20 and 30 years

Estimated Debt Service Information:

FY 2024	\$3,037,807
FY 2025	\$8,251,199
FY 2026 to FY 2045	\$13,727,752
FY 2046 to FY 2053	\$8,205,407
FY2054	\$5,204,211
Total Estimated Debt Service	\$356,691,436

Debt Ratio

Debt Ratio on Existing Debt	4.7%
Incremental Debt Ratio	.4%
Project Debt Ratio	5.1%



Arizona State University
Tempe Campus Academic and Office Space
System Revenue Bonds

Fiscal Year	Estimated Issuance April 2023		
	Principal	Interest	Total
2024	\$135,000	\$2,902,807	\$3,037,807
2025	685,000	2,315,683	3,000,683
2026	720,000	2,280,289	3,000,289
2027	760,000	2,243,044	3,003,044
2028	795,000	2,203,706	2,998,706
2029	835,000	2,162,517	2,997,517
2030	885,000	2,119,234	3,004,234
2031	930,000	2,073,295	3,003,295
2032	980,000	2,025,021	3,005,021
2033	1,030,000	1,974,090	3,004,090
2034	1,080,000	1,920,505	3,000,505
2035	1,140,000	1,864,341	3,004,341
2036	1,195,000	1,804,960	2,999,960
2037	1,255,000	1,742,681	2,997,681
2038	1,325,000	1,677,262	3,002,262
2039	1,390,000	1,608,141	2,998,141
2040	1,470,000	1,535,560	3,005,560
2041	1,540,000	1,458,718	2,998,718
2042	1,625,000	1,378,173	3,003,173
2043	1,710,000	1,293,124	3,003,124
2044	1,800,000	1,203,567	3,003,567
2045	1,890,000	1,109,188	2,999,188
2046	1,990,000	1,010,060	3,000,060
2047	2,095,000	905,623	3,000,623
2048	2,205,000	795,558	3,000,558
2049	2,320,000	679,622	2,999,622
2050	2,440,000	557,573	2,997,573
2051	2,575,000	429,094	3,004,094
2052	2,710,000	293,378	3,003,378
2053	2,850,000	150,428	3,000,428
Total	\$44,360,000	\$45,717,242	\$90,077,242



Arizona State University
Tempe Campus Academic and Office Space
System Revenue Bonds

Fiscal Year	Estimated Issuance April 2024		
	Principal	Interest	Total
2025	\$135,000	\$2,927,760	\$3,062,760
2026	680,000	2,335,645	3,015,645
2027	715,000	2,300,326	3,015,326
2028	755,000	2,263,137	3,018,137
2029	790,000	2,223,838	3,013,838
2030	830,000	2,182,670	3,012,670
2031	880,000	2,139,389	3,019,389
2032	925,000	2,093,427	3,018,427
2033	975,000	2,045,110	3,020,110
2034	1,025,000	1,994,109	3,019,109
2035	1,080,000	1,940,428	3,020,428
2036	1,135,000	1,883,823	3,018,823
2037	1,190,000	1,824,292	3,014,292
2038	1,255,000	1,761,836	3,016,836
2039	1,325,000	1,695,886	3,020,886
2040	1,390,000	1,626,198	3,016,198
2041	1,465,000	1,553,014	3,018,014
2042	1,540,000	1,475,850	3,015,850
2043	1,625,000	1,394,622	3,019,622
2044	1,710,000	1,308,843	3,018,843
2045	1,795,000	1,218,512	3,013,512
2046	1,890,000	1,123,632	3,013,632
2047	1,995,000	1,023,631	3,018,631
2048	2,100,000	917,941	3,017,941
2049	2,210,000	806,558	3,016,558
2050	2,330,000	689,243	3,019,243
2051	2,450,000	565,425	3,015,425
2052	2,580,000	435,104	3,015,104
2053	2,720,000	297,792	3,017,792
2054	2,865,000	152,839	3,017,839
Total	\$44,360,000	\$46,200,880	\$90,560,880



Arizona State University
West Campus New Academic Building
System Revenue Bonds

Fiscal Year	Estimated Issuance April 2024		
	Principal	Interest	Total
2025	\$135,000	\$2,052,676	\$2,187,676
2026	550,000	1,635,577	2,185,577
2027	580,000	1,608,836	2,188,836
2028	605,000	1,580,636	2,185,636
2029	635,000	1,551,221	2,186,221
2030	670,000	1,520,347	2,190,347
2031	700,000	1,487,772	2,187,772
2032	735,000	1,453,738	2,188,738
2033	770,000	1,418,002	2,188,002
2034	805,000	1,380,565	2,185,565
2035	845,000	1,341,426	2,186,426
2036	890,000	1,300,342	2,190,342
2037	930,000	1,257,070	2,187,070
2038	975,000	1,211,854	2,186,854
2039	1,025,000	1,164,449	2,189,449
2040	1,075,000	1,114,614	2,189,614
2041	1,125,000	1,062,347	2,187,347
2042	1,180,000	1,007,650	2,187,650
2043	1,240,000	950,278	2,190,278
2044	1,300,000	889,989	2,189,989
2045	1,360,000	826,783	2,186,783
2046	1,425,000	760,660	2,185,660
2047	1,495,000	691,376	2,186,376
2048	1,570,000	618,690	2,188,690
2049	1,645,000	542,356	2,187,356
2050	1,725,000	462,376	2,187,376
2051	1,810,000	378,507	2,188,507
2052	1,900,000	290,504	2,190,504
2053	1,990,000	198,126	2,188,126
2054	2,085,000	101,372	2,186,372
Total	\$33,775,000	\$31,860,139	\$65,635,139



Arizona State University
Building and Infrastructure Enhancements and Modifications
System Revenue Bonds

Fiscal Year	Estimated Issuance April 2025		
	Principal	Interest	Total
2026	\$740,000	\$2,018,302	\$2,758,302
2027	1,180,000	1,580,779	2,760,779
2028	1,235,000	1,526,782	2,761,782
2029	1,290,000	1,470,269	2,760,269
2030	1,350,000	1,411,238	2,761,238
2031	1,410,000	1,349,462	2,759,462
2032	1,475,000	1,284,941	2,759,941
2033	1,545,000	1,217,445	2,762,445
2034	1,615,000	1,146,746	2,761,746
2035	1,685,000	1,072,843	2,757,843
2036	1,765,000	995,738	2,760,738
2037	1,845,000	914,971	2,759,971
2038	1,930,000	830,544	2,760,544
2039	2,020,000	742,227	2,762,227
2040	2,110,000	649,792	2,759,792
2041	2,205,000	553,238	2,758,238
2042	2,305,000	452,338	2,757,338
2043	2,415,000	346,861	2,761,861
2044	2,525,000	236,350	2,761,350
2045	2,640,000	120,807	2,760,807
Total	\$35,285,000	\$19,921,673	\$55,206,673



Arizona State University
Classroom and Academic Renovations
System Revenue Bonds

Fiscal Year	Estimated Issuance April 2025		
	Principal	Interest	Total
2026	\$320,000	\$865,150	\$1,185,150
2027	505,000	677,477	1,182,477
2028	530,000	654,368	1,184,368
2029	555,000	630,115	1,185,115
2030	580,000	604,718	1,184,718
2031	605,000	578,178	1,183,178
2032	635,000	550,492	1,185,492
2033	660,000	521,435	1,181,435
2034	690,000	491,234	1,181,234
2035	725,000	459,659	1,184,659
2036	755,000	426,483	1,181,483
2037	790,000	391,934	1,181,934
2038	825,000	355,784	1,180,784
2039	865,000	318,032	1,183,032
2040	905,000	278,450	1,183,450
2041	945,000	237,037	1,182,037
2042	990,000	193,794	1,183,794
2043	1,035,000	148,491	1,183,491
2044	1,080,000	101,130	1,181,130
2045	1,130,000	51,709	1,181,709
Total	\$15,125,000	\$8,535,670	\$23,660,670



Arizona State University
Research Laboratory Renovations
System Revenue Bonds

Fiscal Year	Estimated Issuance April 2025		
	Principal	Interest	Total
2026	425,000	1,153,438	1,578,438
2027	675,000	903,302	1,578,302
2028	705,000	872,414	1,577,414
2029	735,000	840,154	1,575,154
2030	770,000	806,520	1,576,520
2031	805,000	771,285	1,576,285
2032	845,000	734,448	1,579,448
2033	880,000	695,781	1,575,781
2034	920,000	655,512	1,575,512
2035	965,000	613,413	1,578,413
2036	1,010,000	569,254	1,579,254
2037	1,055,000	523,037	1,578,037
2038	1,105,000	474,760	1,579,760
2039	1,155,000	424,195	1,579,195
2040	1,205,000	371,342	1,576,342
2041	1,260,000	316,202	1,576,202
2042	1,320,000	258,544	1,578,544
2043	1,380,000	198,141	1,578,141
2044	1,440,000	134,992	1,574,992
2045	1,510,000	69,098	1,579,098
Total	20,165,000	11,385,832	31,550,832

EXECUTIVE SUMMARY

**Arizona State University
Annual Capital Plan – Project Justification Report
Building and Infrastructure Enhancements and Modifications**

Background/History of Previous Board Action

- FY 2023–2025 Capital Improvement Plan October 2021

Project Justification/Description/Scope

- These projects encompass enhancements and modifications to ASU buildings and infrastructure across all four campuses that will address the university's primary areas of concern, which include, but are not limited to, life safety deficiencies; aging mechanical, critical building and utility distribution systems; and timeworn and unreliable elevators and roofs.
- Many components of the ASU built environment have exceeded their useful life and some are incapable of effectively supporting the advancement of the university's mission of academic and research excellence. The planned projects will ensure the efficient, reliable and safe operation of all essential campus facilities, infrastructure and systems, including those that must continue without interruption to support the university's critical academic and research initiatives.
- These projects will enhance the quality of the campus infrastructure and systems, enable the university to maintain compliance with code requirements and address ABOR directives to reduce deferred maintenance. Projects essential for life safety, code compliance and the advancement of university strategic initiatives will be given top priority.

Project Delivery Method and Process

- Depending on the nature of the work, components of this project bundle may be delivered through the Design-Build (DB), Construction Manager at Risk (CMAR) or Job Order Contracting (JOC) methods.
- ASU has not yet selected a DB, CMAR, JOC or Design Professional (DP) firm for any components of this project bundle. Contractors and DPs will be selected according to ABOR policy and Arizona law.

EXECUTIVE SUMMARY

Project Status and Schedule

- DPs will be selected after project approval is in place. The project design will be completed approximately six to twelve months after the DP contract has been awarded for that component of work.
- General construction is scheduled to begin when the design is complete and after all approvals are in place. Construction on all project components is targeted for completion by December 2026.

Project Cost

- The total budget for this project bundle is \$35 million.
- Independent cost estimates will be provided by the DP, DB, CMAR or JOC contractor after these selections are complete.
- For projects selected to use the DB or CMAR delivery method, the construction manager will be at risk to provide the completed project within the agreed-upon GMP.
- The total project cost will vary depending on the scope and scale of the building and infrastructure modifications included in this bundle.

Fiscal Impact and Financing Plan

- The \$35 million project bundle will be debt-financed with system revenue bonds and amortized over an approximate twenty-year term. The annual debt service will be funded by tuition and is included in current budget planning.
- There are no expected increases in O&M costs associated with this project bundle.
- **Debt Ratio Impact:** The projected incremental debt ratio impact for this project bundle is 0.07 percent.

Occupancy Plan

- These projects will not affect occupancy or programs, but will renew building and campus infrastructure and support the advancement of the university's academic and research initiatives.

EXECUTIVE SUMMARY

Statutory/Policy Requirements

- ABOR Policy 7-102 requires all major capital projects with an estimated total project cost of \$10 million or more to be included in the Annual Capital Plan, including new construction, renovation, infrastructure, information technology, or third-party projects.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University **Project Name:** Building and Infrastructure Enhancements and Modifications

Project Description and Location: These projects encompass enhancements and modifications to ASU buildings and infrastructure that will address the university's primary areas of concern at all campuses. These concerns include, but are not limited to, life safety deficiencies; the replacement of aging mechanical, critical building and utility distribution systems; and the repair and replacement of timeworn and unreliable elevators and roofs.

Project Schedule:

Planning	November	2022
Design Start	January	2023
Construction Start	April	2023
Construction Completion	December	2026

Project Budget:

Total Project Cost	\$	35,000,000
Total Project Construction Cost	\$	24,500,000
Total Project Cost per GSF	\$	n/a
Construction Cost per GSF	\$	n/a

Estimated Annual O&M Cost:

Utilities	\$	0
Personnel		0
All Other Operations		0
Subtotal	\$	0

Funding Sources:

A: System Revenue Bonds	\$	35,000,000
Debt Service Funding Sources:		Tuition

Operation/Maintenance	\$	0
Funding Sources:		Not Applicable

EXECUTIVE SUMMARY

Arizona State University Annual Capital Plan – Project Justification Report Classroom and Academic Renovations

Background/History of Previous Board Action

- FY 2023–2025 Capital Improvement Plan October 2021

Project Justification/Description/Scope

- ASU plans to renovate existing classrooms, create new classrooms of various sizes and add smaller instructional spaces at all campuses. This project bundle will be comprised of the renovation of approximately 39,170 gross square feet of university classroom and academic space. The renovations may include heating, ventilation and air conditioning (HVAC); plumbing and electrical; flooring; ceiling; roof; elevator; window; door; internal wall; and partition components, as well as upgrades to address life safety and Americans with Disabilities Act deficiencies. These projects will comprise multiple components at each ASU campus.
- The ASU Strategic Enterprise Framework identifies several goals that will be supported by this project bundle, including improved retention and graduation performance, curricular reform and improved student outcomes. The resources needed to achieve these goals include a continued investment in faculty and in space renovations that will support teaching innovations and improved student and faculty interactions. These projects will renovate worn areas that distract from teaching and learning effectiveness and create updated and growth spaces for academic programs to enable student learning and success.
- The components included in this project bundle will enhance the quality of the built environment, comply with code requirements for safety, and reduce deferred maintenance. Project components essential for life safety and code compliance and those that support university strategic initiatives will be given top priority.

Project Delivery Method and Process

- Depending on the nature of the work, components of this project bundle may be delivered through either the CMAR or the JOC method.
- ASU has not yet selected a CMAR, JOC contractor or Design Professional (DP) firm for any components of this project bundle. Contractors and DPs will be selected according to ABOR policy and Arizona law.

EXECUTIVE SUMMARY

Project Status and Schedule

- DPs will be selected after project approval is in place. The design will be completed within approximately six to nine months after the DP contract is awarded.
- General construction for these projects is scheduled to begin when the design is complete and after all approvals are in place. Construction on all project components is targeted for completion by December 2025.

Project Cost

- The total budget for this project bundle is \$15.0 million. This budget represents an estimated construction cost of \$268 per gross square foot. The estimated total project cost is \$383 per gross square foot. The cost per square foot is higher than past comparable projects due to anticipated cost increases.
- For this ACP phase, no preliminary external cost estimates have been provided by third-party consultants. DP and CMAR or JOC contractor teams have not yet been selected for these projects. Independent cost estimates will be provided by the DP, CMAR or JOC contractor after these selections are complete.
- For projects selected to use the CMAR delivery method, the construction manager will be at risk to provide the completed project within the agreed-upon GMP.
- Comparable Projects:

Project	Location	Project Size GSF	Total Project Cost/GSF	Year Constructed
SSV Enrollment Services Office Renovation- 102079	Tempe	8,900	\$266	2022
PSF 6th Floor Renovations 102525	Tempe	18,995	\$367	2022
Payne LL Renovation to University Classrooms	Tempe	9,874	\$292	2022
FY 21 UCL Summer Renovations 102516	Tempe	6,611	\$194	2021
AZCT Mindfulness Center and CISA Office and Classroom	Tempe	600	\$435	2021
Sun Devil Hall Interplanetary Initiative	Tempe	6,298	\$533	2021
Average Comparable Total Project Cost			\$348	

Fiscal Impact and Financing Plan

- The \$15 million project bundle will be debt-financed with system revenue bonds and amortized over an approximate twenty-year term. The annual debt service will be funded by tuition and is included in current budget planning.

EXECUTIVE SUMMARY

- There are no expected increases in O&M costs associated with this project bundle.
- **Debt Ratio Impact:** The projected incremental debt ratio impact for this project bundle is 0.04 percent.

Occupancy Plan

- These project components will reconfigure and renew spaces for classroom and academic areas. Programs may be temporarily displaced as spaces are renovated.

Statutory/Policy Requirements

- ABOR Policy 7-102 requires all major capital projects with an estimated total project cost of \$10 million or more to be included in the Annual Capital Plan, including new construction, renovation, infrastructure, information technology, or third-party projects.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University **Project Name:** Classroom and Academic Renovations

Project Description and Location: This project bundle encompasses the renovation of approximately 39,170 gross square feet of classroom and academic space, including faculty and student space at all campuses. The renovations will include HVAC, plumbing and electrical, flooring, ceiling, roof, elevator, window, door, internal wall and partition components, as well as upgrades to address life safety and Americans with Disabilities Act deficiencies.

Project Schedule:

Planning	December	2022
Design Start	January	2023
Construction Start	March	2023
Construction Completion	December	2025

Project Budget:

Total Project Cost	\$	15,000,000
Total Project Construction Cost	\$	10,500,000
Total Project Cost per GSF	\$	383
Construction Cost per GSF	\$	268

Estimated Annual O&M Cost:

Utilities	\$	0
Personnel		0
All Other Operations		0
Subtotal	\$	0

Funding Sources:

A. System Revenue Bonds	\$	15,000,000
Debt Service Funding Sources:		Tuition
Operation/Maintenance	\$	0
Funding Sources:		Not applicable

EXECUTIVE SUMMARY

**Arizona State University
Annual Capital Plan - Project Justification Report
Research Laboratory Renovations**

Previous Board Action

- FY 2023–2025 Capital Improvement Plan October 2021

Project Justification/Description/Scope

- ASU plans to renovate laboratories and associated spaces across all campuses to meet growing demand based on increased student enrollment, new programs as well as updated research requirements. Many existing laboratories and building systems are inadequate due to age and the requirements of emerging technologies.
- Multiple wet and dry laboratory spaces will be upgraded to provide future flexibility and better space utilization through shared services. These planned renovations will ensure that existing facility systems meet the growing demands of the university's research initiatives and comply with code requirements.
- Many existing university laboratories and building systems are inadequate, due to age and the requirements of emerging technologies. The poor condition of these spaces and the age of the building systems constrain the development of these strategically important areas. These projects will convert inadequate research laboratories into state-of-the-art facilities that will meet the growing demands of the university's research initiatives and comply with code requirements.
- Increasing research activity and the resultant arrival of new faculty continue to make laboratory renovation projects a university imperative. Spaces must be updated and renovated to address the needs of incoming researchers and to support successful grant applications. These laboratories will provide the core infrastructure required to enable faculty and students to compete in the global marketplace of ideas, not only stimulating advances in science and human health, but also potentially advancing the regional economy.
- The university's 2021 Masterplan Update identified a need for additional research space. This project bundle will contribute to meeting this need and accomplishing the goal of establishing the university as a leading global center for interdisciplinary research, discovery and development by 2026.

EXECUTIVE SUMMARY

Project Delivery Method and Process

- Depending on the nature of the work, components of this project bundle may be delivered either through the CMAR or the JOC method.
- ASU has not yet selected a CMAR, JOC contractor or design professional (DP) firm for any components of this project bundle. Contractors and DPs will be selected according to ABOR policy and Arizona law.

Project Status and Schedule

- DPs will be selected after project approval is in place. The design will be completed within approximately 6-9 months after the DP contract is awarded.
- General construction for these projects is scheduled to begin when the design is complete and after all approvals are in place. Construction on all project components is targeted for completion by December 2026.

Project Cost

- The total budget for this project bundle is \$30 million. This budget represents an estimated construction cost of \$739 per gross square foot. The estimated total project cost is \$1,056 per gross square foot. The cost per square foot is higher than past comparable projects due to anticipated cost increases.
- For this ACP phase, no preliminary external cost estimates have been provided by third-party consultants. DP and CMAR or JOC contractor teams have not yet been selected for these projects. Independent cost estimates will be provided by the DP, CMAR or JOC contractor after these selections are complete.
- For projects selected to use the CMAR delivery method, the construction manager will be at risk to provide the completed project within the agreed-upon GMP.

EXECUTIVE SUMMARY

- Comparable Projects:

Project	Location	Project Size GSF	Total Project Cost/GSF	Year Constructed
ISTB1 Basement Surgical Suite	Tempe	400	\$765	2022
PSC 1st Floor Redding Lab Relocation	Tempe	3,300	\$683	2022
CLCC 3rd Floor Research Labs	Tempe	2,144	\$986	2022
MTW Area 5 Rolston Lab Renovation	Tempe	860	\$1,274	2022
MTW Area 3 & 5 Lab TI	Tempe	4,306	\$1,254	2022
Average Comparable Total Project Cost			\$1,006	

Fiscal Impact and Financing Plan

- Of the \$30 million project bundle, \$20 million will be debt-financed with system revenue bonds and amortized over an approximate twenty-year term. The annual debt service will be funded by tuition and is included in current budget planning. The balance of the project bundle will be funded by a one-time state appropriation of \$10 million in accordance with Chapter 313, Laws 2022.
- There are no expected increases in O&M costs associated with this project bundle.
- Debt Ratio Impact:** The projected incremental debt ratio impact for this project bundle is 0.03 percent.

Occupancy Plan

- These project components will not affect occupancy or programs but will renew research spaces and support the advancement of the university's research initiatives.

Statutory/Policy Requirements

- ABOR Policy 7-102 requires all major capital projects with an estimated total project cost of \$10 million or more to be included in the Annual Capital Plan, including new construction, renovation, infrastructure, information technology, or third-party projects.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University **Project Name:** Research Laboratory Renovations

Project Description and Location: This project bundle will encompass the renovation of approximately 28,400 gross square feet of existing research laboratory space to establish the university as a leading global center for interdisciplinary research, discovery, and development. Multiple wet and dry lab spaces, as well as infrastructure and building systems, will be upgraded to maximize adaptable and flexible technologies.

Project Schedule:

Planning	December	2022
Design Start	January	2023
Construction Start	March	2023
Construction Completion	December	2026

Project Budget:

Total Project Cost	\$	30,000,000
Total Project Construction Cost	\$	21,000,000
Total Project Cost per GSF	\$	1,056
Construction Cost per GSF	\$	739

Estimated Annual O&M Cost:

Utilities	\$	0
Personnel		0
All Other Operations		0
Subtotal	\$	0

Funding Sources:

A: System Revenue Bonds	\$	20,000,000
Debt Service Funding Sources:		Tuition
B: One-Time State Appropriation	\$	10,000,000
Operation/Maintenance	\$	0
Funding Sources:		Not Applicable

EXECUTIVE SUMMARY

**Arizona State University
Annual Capital Plan - Project Justification Report
Tempe Campus Academic and Office Space**

Previous Board Action

- FY 2023–2025 Capital Improvement Plan October 2021

Project Justification/Description/Scope

- This new five-story approximately 128,000 gross-square-foot facility will provide needed space for university academic programs, offices and leasable retail space. Located on the Tempe campus east of Mill Avenue between Ninth and Tenth Streets, as depicted on the attached map as Exhibit C, the new facility will share a common wall with the west end of the new Mill Avenue parking structure, which is currently under construction and will separate the two projects.
- The first floor of the building will include hospitality, restaurants and retail spaces with entrances along Mill Avenue.
- The upper stories will support university academic programs for the Herberger Institute for Design and the Arts (HIDA), including 12,600 SF for Photography, 7,200 SF for Animation, 10,000 SF for Expanded Arts, 7,000 SF for Music Therapy, 16,000 SF for Design Architecture, and 10,000 SF for Arts, Media and Engineering.
- The proposed building will allow for program growth and provide the university the opportunity to vacate older buildings that need replacement. In addition, the project enables the university to enhance the student experience and increase its impact and social embeddedness in the community.

Project Delivery Method and Process

- The project will be constructed through the Design-Build delivery method. This approach was selected to streamline project delivery and to alleviate potentially adversarial project environments.
- ASU has selected McCarthy Building Companies with DFDG Architecture as the DB team for this project. The selection process included eight responses and five teams were interviewed.

EXECUTIVE SUMMARY

Project Status and Schedule

- Project construction is scheduled to start in December 2022 and completion is targeted for August 2024.

Project Cost

- The budget for this approximately 128,000 gross-square-foot project is \$88 million, representing an estimated construction cost of \$68 million, which is \$531 per GSF. The estimated total project cost is \$688 per GSF.
- The budget increased by \$4 million from when this project was approved as part of the Annual Capital Plan at the September 2022 board meeting. The budget increase is due to increase costs for the building's exterior skin.
- The DB contractor will be at risk to provide the completed project within the agreed-upon GMP.
- Comparable Projects:

Project	Description	Location	Project Size GSF	Total Project Cost/GSF	Year Completed
Thunderbird School of Global Management classroom/office	Multi-level classroom and office building.	Downtown Phoenix	111,000	\$604	2021
Fusion on First (academic portion)	of a 16-story building. Music and fashion studios, classrooms and	Downtown Phoenix	76,293	\$650	2021
Average Comparable Total Project Cost				\$627	

EXECUTIVE SUMMARY

Fiscal Impact and Financing Plan

- The \$88.0 million project will be debt-financed with system revenue bonds and amortized over an approximate thirty-year term. The annual debt service will be funded by tuition and is included in current budget planning.
- The estimated incremental increase in annual O&M costs associated with this project of \$1,102,868 will be funded by tuition.
- Debt Ratio Impact: The projected incremental debt ratio impact for this project is 0.15 percent.

Occupancy Plan

- The Herberger Institute for Design and the Arts will consolidate academic programs into the new Tempe Campus Academic and Office Space including Photography, Animation, Expanded Arts, Music Therapy, Design Architecture, and Arts, Media and Engineering.
- Leasable retail space also will be available on the first floor.

Statutory/Policy Requirements

- ABOR Policy 7-102 requires all major capital projects with an estimated total project cost of \$10 million or more to be included in the Annual Capital Plan, including new construction, renovation, infrastructure, information technology or third-party projects.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University **Project Name:** Tempe Campus Academic and Office Space

Project Description and Location: This new five-story, approximately 128,000 gross-square-foot facility will provide needed space for university academic programs, offices, hospitality and leasable retail space. Located on the Tempe campus east of Mill Avenue between Ninth and Tenth Streets, as depicted on the attached map as Exhibit C, the new facility will share a common wall with the west end of the new Mill Avenue parking structure, which is currently under construction and will separate the two projects.

Project Schedule:

Planning	June	2022
Design Start	July	2022
Construction Start	December	2022
Construction Completion	August	2024

Project Budget:

Total Project Cost	\$ 88,000,000
Total Project Construction Cost	\$ 67,000,000
Total Project Cost per GSF	\$ 688
Construction Cost per GSF	\$ 531

Estimated Annual O&M Cost:

Utilities	\$ 349,186
Personnel	285,280
All Other Operations	468,402
Subtotal	\$ 1,102,868

Funding Sources:

A. System Revenue Bonds	\$ 88,000,000
Debt Service Funding Source:	Tuition
Operation/Maintenance	\$ 1,102,868
Funding Source:	Tuition

EXECUTIVE SUMMARY

Capital Project Budget Summary

University: Arizona State University
Project: Tempe Campus Academic and Office Space

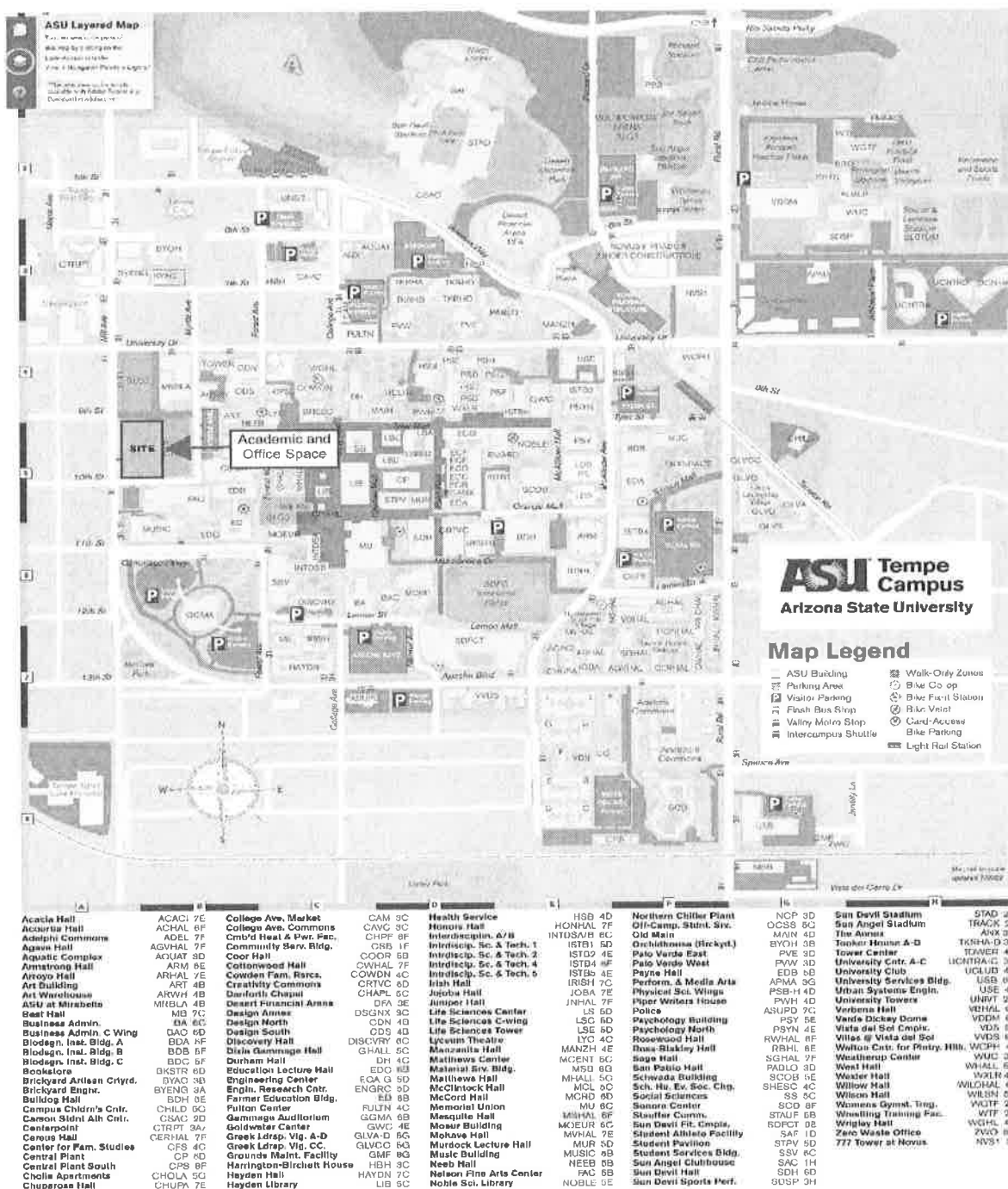
	<u>Annual Capital Plan</u>
Capital Costs	
1. Land Acquisition	
2. Construction Cost	
A. New Construction	\$ 68,000,000
B. Tenant Improvement	
C. Special Fixed Equipment	-
D. Site Development (excl. 2.E.)	-
E. Parking and Landscaping	-
F. Utilities Extensions	-
G. Other* (Demolition/abatement)	-
Subtotal Construction Cost	<u>\$ 68,000,000</u>
3. Fees	
A. CMAR Pre-Construction	\$ 600,000
B. Architect/Engineer	6,400,000
C. Other	-
Subtotal Consultant Fees	<u>\$ 7,000,000</u>
4. FF&E Movable	\$ 1,600,000
5. Contingency, Design Phase	860,000
6. Contingency, Constr. Phase	4,500,000
7. Parking Reserve	-
8. Telecommunications Equipment	3,300,000
Subtotal Items 4-8	<u>\$ 10,260,000</u>
9. Additional University Costs	
A. Surveys, Tests, Haz. Mat. Abatement	\$ 101,000
B. Move-in Costs	100,000
C. Printing Advertisement	5,000
D. Keying, signage, facilities support	94,000
E. Project Management Cost	2,163,000
F. State Risk Mgt. Ins. (.0034 **)	277,000
Subtotal Addl. Univ. Costs	<u>\$ 2,740,000</u>
Total Capital Cost	<u><u>\$ 88,000,000</u></u>

* Universities shall identify items included in this category.

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

Exhibit C

Tempe Campus Academic and Office Space Site Location Map



EXECUTIVE SUMMARY

Arizona State University Annual Capital Plan Project Justification Report West Campus New Academic Building

Previous Board Action

- FY 2023–2025 Capital Improvement Plan October 2021

Project Justification/Description/Scope

- This four-story, approximately 55,000 gross-square-foot facility will consist of new student gallery space, computer labs, drawing labs, faculty offices and future growth spaces on the ASU West campus, between North University Way and West Wood Drive on North 49th Way, as depicted on the map attached as Exhibit G.
- The university is not able to meet the demand for on-campus academic space at the West Campus. Increases are anticipated within the following schools at the West campus: New College, Barrett Honors College, Carey School of Business, Watts College of Public Service, Thunderbird Global Management, Health Solutions, Nursing and Mary Lou Fulton Teachers College, as well as new programs with Fulton Schools of Engineering.
- The new academic building, along with the proposed 141,608 gross-square-foot Casa De Oro Residence Hall with approximately 500 beds, at the West campus will facilitate university and ABOR goals of advancing student learning and empowering educational success through a safe, clean and affordable environment by offering connections, engagement and collaboration through student programming opportunities.

Project Delivery Method and Process

- The project will be constructed through the CMAR delivery method. This approach was selected to streamline project delivery and to alleviate potentially adversarial project environments.
- ASU selected Todd and Associates as the architect via a bid waiver as it has developed academic plans for the project and was selected via the design professionals ARFQ selection.
- ASU will solicit invitations to bid via a CMAR ARFQ process in accordance with ABOR requirements for the construction of the project.

EXECUTIVE SUMMARY

Project Status and Schedule

- It is anticipated that the project will begin construction in March 2023 and complete in December 2024 to support occupancy for the spring 2025 term.

Project Cost

- The budget for this approximately 55,000 gross-square-foot project is \$33.5 million. The budget represents an estimated construction cost of \$468 per gross square foot. The estimated total cost is \$609 per gross square foot.

- Comparable Projects:

Project	Description	Location	Project Size GSF	Total Project Cost/GSF	Year Completed
Fusion on First (academic portion)	Lowest three levels of a 16-story building. Music and fashion studios, classrooms and maker spaces.	Downtown Phoenix	76,293	\$650	2021
Durham Hall Renovation	Six-level classroom and office building.	Tempe	142,913	\$455	2021
Average Comparable Total Project Cost				\$553	

Fiscal Impact and Financing Plan

- The project will be debt-financed with system revenue bonds totaling approximately \$33.5 million and amortized over a thirty-year term. The annual debt service will be funded by tuition and is included in current budget planning.
- Operations and maintenance costs are estimated at \$530,224 annually and will be funded by tuition.
- Debt Ratio Impact:** The projected incremental debt ratio impact for this project is 0.06 percent.

Occupancy Plan

- When the facility opens in spring 2025, it will include new student gallery space, computer labs, drawing labs, faculty offices and future growth spaces serving students on ASU West campus

EXECUTIVE SUMMARY

Statutory/Policy Requirements

- ABOR Policy 7-102 requires all major capital projects with an estimated total project cost of \$10 million or more to be included in the Annual Capital Plan, including new construction, renovation, infrastructure, information technology or third-party projects.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University **Project Name:** West Campus New Academic Building

Project Description and Location: This four-story facility, totaling approximately 55,000 gross-square-feet, will consist of new student gallery space, computer labs, drawing labs, faculty offices and future growth spaces on the ASU West campus, between North University Way and West Wood Drive on North 49th Way, as depicted on the map attached as Exhibit A.

Project Schedule:

Planning	May	2022
Design Start	May	2022
Construction Start	March	2023
Construction Completion	December	2024

Project Budget:

Total Project Cost	\$	33,500,000
Total Project Construction Cost	\$	25,717,200
Total Project Cost per GSF	\$	609
Construction Cost per GSF	\$	468

Estimated Annual O&M Cost:

Utilities	\$	163,681
Personnel	\$	150,362
All Other Operations	\$	216,181
Subtotal	\$	530,224

Funding Sources:

A. System Revenue Bonds	\$	33,500,000
Debt Service Funding Source:		Tuition
Operation/Maintenance	\$	530,224
Funding Source:		Tuition

EXECUTIVE SUMMARY

Capital Project Budget Summary

University: Arizona State University
Project: West Campus New Academic Building

	Annual Capital Plan
Capital Costs	
1. Land Acquisition	
2. Construction Cost	
A. New Construction	\$ 25,717,200
B. Tenant Improvement	
C. Special Fixed Equipment	-
D. Site Development (excl. 2.E.)	-
E. Parking and Landscaping	-
F. Utilities Extensions	200,000
G. Other* (Demolition/abatement)	-
Subtotal Construction Cost	<u>\$ 25,917,200</u>
3. Fees	
A. CMAR Pre-Construction	\$ -
B. Architect/Engineer	1,295,860
C. Other	105,266
Subtotal Consultant Fees	<u>\$ 1,401,126</u>
4. FF&E Movable	\$ -
5. Contingency, Design Phase	194,379
6. Contingency, Constr. Phase	2,591,720
7. Parking Reserve	-
8. Telecommunications Equipment	2,000,000
Subtotal Items 4-8	<u>\$ 4,786,099</u>
9. Additional University Costs	
A. Surveys, Tests, Haz. Mat. Abatement	\$ 65,000
B. Move-in Costs	50,000
C. Printing Advertisement	5,000
D. Keying, signage, facilities support	300,000
E. Project Management Cost	865,010
F. State Risk Mgt. Ins. (.0034 **)	110,565
Subtotal Addl. Univ. Costs	<u>\$ 1,395,575</u>
Total Capital Cost	<u><u>\$ 33,500,000</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

Exhibit G
West Campus New Academic Building
Site Location Map





STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DAVID M. GOWAN
VICE-CHAIRMAN
LELA ALSTON
SEAN BOWIE
RICK GRAY
SINE KERR
VINCE LEACH
REBECCA RIOS

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HOUSE OF
REPRESENTATIVES

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JOHN KAVANAGH
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JUDY SCHWIEBERT
LORENZO SIERRA
BEN TOMA

DATE: December 6, 2022

TO: Members of the Joint Committee on Capital Review

FROM: Morgan Dorcheus, Principal Fiscal Analyst

SUBJECT: Arizona State University - Review of Student Housing Indirect Financing Project

Request

A.R.S. § 15-1682.02 requires Committee review of any university projects using indirect debt financing (also known as third-party financing). Arizona State University (ASU) requests Committee review of a ground lease for the approximately \$54,000,000 Casa de Oro Residential Hall Phase II development at its West Campus. The proposed facility would provide approximately 500 beds.

Committee Options

The Committee has at least the following 2 options:

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

Under either option, the Committee may also consider the following standard university financing provision:

Standard University Financing Provision

- A. 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.

Analysis

Under the proposed agreement, ASU would enter into a ground lease with a third party to construct a 134,264 square foot housing facility on the West campus. The project will constitute the second phase

(Continued)

Key Points

- 1) ASU plans to enter into a ground lease with a private vendor to construct a new residence hall on its West campus.
- 2) The new 134,264 square foot facility will include 500 beds for undergraduate students.
- 3) The vendor will be responsible for approximately \$54.0 million in construction costs and ongoing maintenance costs.
- 4) ASU would provide the residential life staff and receive ground payments from the private vendor.

of the Casa de Oro student housing development and will be built on 49th Avenue between North University Way and West Wood Drive. The facility will include approximately 500 beds for undergraduate students, additional spaces to support student activities, and outdoor common areas.

ASU reports that the current housing facilities available on the West Campus are operating at capacity and have waiting lists due to increased enrollment in cyber security and gaming programs. ASU also anticipates enrollment increases in other programs located on the west campus, including business, global management, health solutions, nursing, teaching, and other programs. In fall 2022, the West Campus had total enrollment of 5,244 full-time equivalent students and 779 beds available in the existing residence halls. ASU's goal is to enroll a total of 15,000 students on the West Campus.

ASU's on-campus housing rates currently range between \$7,300 and \$9,500 per year on the West Campus depending on certain factors, such as unit size, number of bathrooms, and building age. ASU did not provide the expected housing rates for the new facility.

The most recent Committee review of an indirect financing project for ASU student housing was in September 2019 for a residence hall on ASU's Downtown Phoenix campus.

Financing

The vendor would provide approximately \$54.0 million to construct the new residences and would be responsible for the cost of operating and maintaining the facility. ASU would provide all programming and residential life staff for the facility, consistent with other on-campus housing facilities.

For prior student housing projects, the ground lease agreement specified that ASU will receive payments from the vendor if the project meets agreed upon performance benchmarks, which included an annual fee for programming and staffing costs. ASU has not provided the specific details of the Casa de Oro ground lease agreement or the estimated annual revenue. ASU and the vendor would establish a joint advisory committee to approve annual operating and capital budgets, staffing plans, and proposed changes to policies and procedures at the facility.

The facility is expected to begin construction in February 2023 and be ready for occupancy by the fall 2024 semester.

MD:jb



November 22, 2022

The Honorable Regina E. Cobb, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington Street
Phoenix, AZ 85007



Dear Representative Cobb:

In accordance with ARS 15-1683 and 15-1682.02, the Arizona Board of Regents requests that the following Arizona State University bond-financed projects be placed on the next Joint Committee on Capital Review agenda:

- Building and Infrastructure Enhancements and Modifications
- Classroom and Academic Renovations
- Research Laboratory Renovations
- Tempe Campus Academic and Office Space
- West Campus New Academic Building
- Ground Lease for the Development of Casa de Oro Residential Hall Phase II

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, JLBC
John Arnold, Executive Director, Arizona Board of Regents, ABOR
Bradley Kendrex, Vice President, Finance and Administration, ABOR
Adam C. Deguire, Vice President, Government and Community Engagement, ASU
Kendra Burton, Sr. Director, State Relations, ASU
Alex Kohnen, Vice President, Facilities Development and Management, ASU
Morgan Dorcheus, Senior Fiscal Analyst, JLBC

6. Casa de Oro Residential Hall Phase II

Project Description

This four-story, approximately 134,264 gross-square-foot facility will consist of new student housing with approximately 500 beds as well as academic, innovation and core support spaces for students at the ASU West campus, between North University Way and West Wood Drive on North 49th Way.

The university is not able to meet the demand for on-campus student housing at the West Campus with Casa De Oro and Las Casas Residence Halls at capacity. There are 414 beds at Las Casas and 365 beds at Casa De Oro and there is a waiting list for on-campus housing.

ASU West Campus programs continue to expand due to increased student enrollment. Enrollment increases are attributable to programs offerings in cyber security and gaming. Increases are anticipated within the following schools at the West Campus: New College, Barrett Honors College, Carey School of Business, Watts College of Public Service, Thunderbird Global Management, Health Solutions, Nursing and Mary Lou Fulton Teachers College. Additional student housing is part of the university's campus master plan, to support growth toward a total enrollment goal of 15,000 students at the West campus.

Through its agreement with ASU, American Campus Communities (ACC) Development Partners will construct the new residence hall targeted for undergraduate students. Outdoor common areas and interior amenity spaces will be included to support student activities and events.

ASU will contract with ACC for development and management of the next phase of student housing at the West Campus. The university selected ACC due to its robust track record of successful student housing projects, including Barrett Honors College Housing, Tooker House and Greek Leadership Village on the Tempe campus. The developer in association with ASU selected Okland Construction as the contractor and Todd and Associates as the architect for this third-party project.

ACC will provide approximately \$54 million of capital for construction of the new facility and will be responsible for the costs of maintaining the student housing facility. Minimum standards of operation (both maintenance and staffing) will be comparable to similar ASU-owned and operated student housing.

ASU has determined that, given its existing debt capacity, the priority of academic and research facility needs, and the existence of a private sector capability to develop



student housing, it can best meet the housing needs of the West Campus through a public/private partnership.

An Arizona Board of Regents executive summary for this project is attached, which outlines the project description and other relevant information. The project received approval from the Arizona Board of Regents on September 30, 2022 as part of the Annual Capital Plan. Ground lease approval is anticipated at the December 2022 ABOR meeting.

EXECUTIVE SUMMARY

**Arizona State University
Annual Capital Plan Project Justification Report
Casa De Oro Residence Hall Phase II – Public Private Partnership**

Previous Board Action

- FY 2023–2025 Capital Improvement Plan October 2021

Project Justification/Description/Scope

- This four-story, approximately 134,264 gross-square-foot facility will consist of new student housing with academic, innovation and core support spaces for students at ASU West campus, between North University Way and West Wood Drive on North 49th Way, as depicted on the map attached as Exhibit F.
- ASU West campus programs continue to expand due to increased student enrollment. Enrollment increases are attributable to programs offerings in cyber security and gaming. Increases are anticipated within the following schools at the West Campus: New College, Barrett Honors College, Carey School of Business, Watts College of Public Service, Thunderbird Global Management, Health Solutions, Nursing and Mary Lou Fulton Teachers College.
- The university is not able to meet the demand for on-campus student housing at the West Campus, with Casa De Oro and Las Casas Residence Halls at capacity.
- Through its agreement with ASU, American Campus Communities Development Partners will construct the new residence hall that will support approximately 500 beds, targeted for college undergraduate students. Outdoor common areas and interior amenity spaces will be included to support student activities and events.
- The construction of this new living and learning facility will support University and ABOR goals of advancing student learning and empowering educational success through a safe, clean and affordable environment by facilitating connections, engagement and collaboration through student programming opportunities. Student success and retention rates improve significantly when students reside on campus. Purposeful student programming and the relationship development that occurs when staff live on-site and interact directly with students has been proven to increase student satisfaction, engagement and retention.

EXECUTIVE SUMMARY

Project Delivery Method and Process

- ASU will contract with American Campus Communities (ACC) for development and management of the next phase of student housing at the West Campus.
- The university selected ACC due to its robust track record of successful student housing projects including as the developer and operator of Barrett Honors College Housing, Tooker House and Greek Leadership Village on the Tempe Campus.
- The developer in association with ASU selected Okland Construction as the contractor and Todd and Associates as the architect for this third-party project.

Project Status and Schedule

- It is anticipated that the project will begin construction in February 2023 to support occupancy for the fall 2024 term.

Fiscal Impact and Financing Plan

- American Campus Communities will provide approximately \$54 million of capital for construction of the new facility and will be responsible for the costs of maintaining the student housing facility. Minimum standards of operation (both maintenance and staffing) will be comparable to similar ASU-owned and operated student housing.
- ASU has determined that, given its existing debt capacity, the priority of academic and research facility needs, and the existence of a private sector capability to develop student housing, it can best meet the housing needs of the West Campus through a public/private partnership.
- Approval to enter into a long-term ground lease will be brought to ABOR for approval in a separate Board Action Item at a future meeting.
- ASU may master lease a portion of the beds within the project. Annual leases within the project will be funded from University Housing revenues.
- ASU will provide appropriate residential life programming and staffing for the new facility at a level consistent with other comparable on-campus housing. ACC will employ a general manager and maintenance staff for the facility. ACC and ASU will establish a Joint Advisory Committee responsible for the day-to-day operations of the housing facility, including review and approval of the annual operating budget, capital budget, staffing plan and any proposed changes in programs, policies and

EXECUTIVE SUMMARY

procedures. ACC retains ultimate control of those decisions that result in a material economic consequence to ACC, provided that minimum standards of operation have been satisfied

Occupancy Plan

- When the hall opens in fall 2024, the housing complex will provide approximately 500 beds to meet demand from incoming students.

Statutory/Policy Requirements

- ABOR Policy 7-102(A)(3) requires approval of major capital projects where the board and the university share with other entities (e.g., federal, state, local, development groups, public/private ventures, etc.) the control, financing, or ownership (current or future) of the project and/or its delivery process and that are for university use and are subject to review under Board Policy 7-207(A)(1).
- ABOR Policy 7-207(A) requires that all lease agreements and amendments of lease agreements of real property, including lease agreements in connection with any development of capital projects, as defined in board policy 7-102(A)(3) shall be reviewed by the Finance, Capital and Resources Committee and approved by the board before becoming effective.

EXECUTIVE SUMMARY

Exhibit F
Casa De Oro Residence Hall Phase II – Public Private Partnership
Site Location Map





STATE OF ARIZONA

Joint Committee on Capital Review

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LORENZO SIERRA
BEN TOMA

DATE: December 6, 2022

TO: Members of the Joint Committee on Capital Review

FROM: Cameron Mortensen, Fiscal Analyst

SUBJECT: University of Arizona - Review of Deferred Maintenance Projects

Request

A.R.S. § 15-1671 requires Committee review of any non-debt financed university capital projects paid for with funds from the university's Capital Infrastructure Fund (CIF). These monies are from the \$1 billion capital investment program enacted in 2017. The University of Arizona (UA) requests Committee review of its plan to use \$5,000,000 in cash from CIF to pay for deferred maintenance projects on its main campus.

Committee Options

The Committee has at least the following 2 options:

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

Under either option, the Committee may also consider the following standard university financing provisions:

Standard University Financing Provisions

- A. A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.
- B. On or before October 15 of each year until completion of the project, UA shall report to the JLBC Staff on the status and expenditures of the Deferred Maintenance project. The report shall include the project expenditures to date by type of building system, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.

(Continued)

Key Points

- 1) UA plans to complete deferred maintenance projects across multiple buildings on their Main Campus, including upgrades to major building systems, code compliance, campus streets, and other projects.
- 2) These projects will be funded with \$5.0 million in cash from the university's Capital Infrastructure Fund (\$1 billion capital investment program).

Analysis

UA intends to complete deferred maintenance projects across multiple buildings on its Main Campus, which will address the university's aging building infrastructure needs. Of the total \$5.0 million cost, \$1.3 million will be used for HVAC system upgrades in 2 buildings and \$1.2 million will be used for improvements to building automation systems across 5 buildings. UA reports that the existing systems are over 30 years old and have exceeded their useful lifespan. The expected lifespan of the new systems is 25-30 years and is expected to lower energy costs for the university.

The remaining \$2.5 million in project costs will address plumbing upgrades, elevator and electrical code compliance, keyless access, campus streets, asbestos abatement, roofing, ADA compliance, and generator replacements in various locations. Please see *Table 1* for a complete list of projects.

Table 1

University of Arizona Deferred Maintenance Projects

HVAC Upgrades	\$1,259,600
Building Automation Upgrades	1,199,600
Plumbing Upgrades	620,800
Elevator Code Compliance	494,600
Electrical Code Compliance	390,700
Keyless Access	240,000
Campus Street Upgrades	204,000
Asbestos Abatement	184,500
Roof Replacement	149,800
ADA Upgrades	144,200
Generator Replacement	112,200
TOTAL	\$5,000,000

Financing

UA plans to use \$5.0 million in cash from the Capital Infrastructure Fund (CIF), which receives state General Fund appropriations for university capital projects. The projects will be completed through Request for Proposals (RFP), state contracts or other approved regional or national purchasing contracts.

(Continued)

University Capital Infrastructure Funds (2017 Bonding Package)

Laws 2017, Chapter 328 established A.R.S. § 15-1671, which provides General Fund appropriations from FY 2019 to FY 2043 for new university research facilities, building renewal, or other capital construction projects. The law appropriates \$27.0 million to the universities in FY 2019 and increases the appropriation each year thereafter by 2.0% or the rate of inflation, whichever is less. The FY 2023 appropriations are allocated to each university as follows:

- ASU: \$12,784,200
- NAU: \$4,845,600
- UA: \$11,309,700
- **Total: \$28,939,500**

The universities may use these monies for debt service on infrastructure long-term financing and for cash construction costs. New debt issued under this program may not exceed \$1.0 billion.

Under the law, each university's General Fund appropriation is deposited into a newly-created Capital Infrastructure Fund (CIF). Each university must match any General Fund contributions to its fund that are used for debt service payments at a 1:1 rate. The \$1.0 billion of new projects would thus be funded half by state appropriations and half from university resources.

Debt service payments made on CIF-funded projects are included in the universities' statutory debt limit. Any cash-based capital projects funded with CIF monies must be reviewed by the Joint Committee on Capital Review, and any debt-financed projects funded with CIF monies must be approved by the Committee.

UA has previously received Committee review/approval for 7 CIF-funded projects totaling \$243.7 million in bonds issued and \$37.9 million in cash expenditures. The deferred maintenance projects will increase cash expenditures from CIF by \$5.0 million.

CM:jb

BUSINESS AFFAIRS

Administration Building Room 712
PO Box 210066
Tucson, AZ 85721-0066

Ofc: 520-621-5977
Fax: 520-621-7714



November 21, 2022

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

Dear Representative Cobb:

In accordance with A.R.S. 15-1671, the Arizona Board of Regents request the proposed deferred maintenance project for the University of Arizona (UA) be placed on the next Joint Committee on Capital Review agenda.

The total cost of the deferred maintenance project is \$5,000,000. UA plans to use state appropriations from the Capital Infrastructure Fund (CIF) to fund the project. The total \$5,000,000 will be used by December 2023. UA will use all cash to fund the project, no debt will be issued to finance any component.

Project Summary


These deferred maintenance projects are addressing mechanical, electrical, plumbing, and life safety needs across the University's main campus. Additionally, UA will make significant automation upgrades to five buildings, and two buildings will receive HVAC upgrades. The systems being upgraded are 30+ years-old and have passed their intended lifespan. Addressing deferred maintenance needs and aging building infrastructure is part of the UA's Capital Plan. The expected lifespan for the upgraded systems range from 25 to 30+ years and will result in cost-savings by increasing efficiency in energy use. The University will be using Request for Proposals, State contracts, or other approved regional or national purchasing contracts to deliver these projects.

Below is a breakdown of the \$5,000,000:

\$1,199,550	<i>Building Automation Upgrades (allows for central computer adjustment)</i> Life Sciences North, Nursing, Centennial, Ina A. Gittings, Old Engineering, and Kuiper
\$1,259,598	<i>HVAC Upgrades</i> Electrical & Computer Engineering and Arizona State Museum
\$620,788	<i>Plumbing Upgrades</i> Ina A. Gittings – replace existing pumps and isolation valves, add domestic water backflow
\$494,644	<i>Elevator Code Compliance</i> Koffler – upgrades to elevator #1
\$390,676	<i>Electrical Code Compliance</i> Science Library – replace and upgrade electrical at entrance
\$240,000	<i>Keyless Access Upgrades</i> Meinel and Music
\$203,954	<i>Campus Street Upgrades</i> 1st Street between Mountain & Cherry, Old Engineering - Cesar Chavez



THE UNIVERSITY OF ARIZONA
Business Affairs



<i>\$184,539</i>	<i>Asbestos Abatement</i> Various Locations
<i>\$149,816</i>	<i>Roof Replacement</i> Women's Studies and Facilities Maintenance Business Services
<i>\$144,237</i>	<i>Americans with Disabilities Act (ADA) Upgrades</i> Various Locations – ADA curb and ramp repairs Koffler – bathroom upgrades for ADA Student Union and Koffler – automatic door openers
<i>\$112,198</i>	<i>Generator Replacement</i> Education – replace emergency generator
<i>\$5,000,000</i>	<i>Total Cost</i>

These upgrades are planned to begin in the first quarter of 2023 and end in late 2023, depending on the availability of materials for each project.

Sincerely,



Lisa N. Rulney
Senior Vice President for Business Affairs and Chief Financial Officer
The University of Arizona

cc: John Arnold, Executive Director, Arizona Board of Regents
Dr. Robert C. Robbins, President, University of Arizona
Richard Stayneak, Director, Joint Legislative Budget Committee
Morgan Dorcheus, Analyst, Joint Legislative Budget Committee
Steve Voeller, Vice President for Government & Community Relations, University of Arizona