JOINT COMMITTEE ON CAPITAL REVIEW

Wednesday, December 14, 2016

Immediately Upon Adjournment of the JLBC Meeting

Senate Appropriations Room 109



STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

DON SHOOTER CHAIRMAN 2015 OLIVIA CAJERO BEDFORD STEVE FARLEY GAIL GRIFFIN KATIE HOBBS JOHN KAVANAGH STEVEN B. YARBROUGH 1716 WEST ADAMS PHOENIX, ARIZONA 85007

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HOUSE OF REPRESENTATIVES

JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY VINCE LEACH ERIC MEYER, M.D. STEVE MONTENEGRO



JOINT COMMITTEE ON CAPITAL REVIEW Wednesday, December 14, 2016 Immediately Upon Adjournment of the JLBC Meeting Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order
- Approval of Minutes of September 21, 2016.
- DIRECTOR'S REPORT (if necessary).
- ARIZONA STATE UNIVERSITY

 A. Review of Armstrong Hall/Ross-Blakley Library Renovation Project Financing.
 B. Review of Student Housing Indirect Financing Project.
- 2. ARIZONA DEPARTMENT OF ADMINISTRATION Review of 1740 West Adams Renovation Plan.
- 3. ARIZONA STATE LOTTERY COMMISSION Review of FY 2017 Building Renewal Allocation Plan.
- 4. PINAL COUNTY COMMUNITY COLLEGE DISTRICT Review of Student Union and Science Building.
- 5. DEPARTMENT OF TRANSPORTATION Review of Vehicle Wash Systems Project.
- 6. DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS Review of Proposed Expenditures from the Military Installation Fund.
- 7. UNIVERSITY OF ARIZONA Review of FY 2017 Capital Improvement Plan for One-time Appropriation.

8. ARIZONA STATE PARKS BOARD - Review of City of Cottonwood Easement Agreement.

The Chairman reserves the right to set the order of the agenda. 12/7/16 12/12/16 kp

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Joint Committee on Capital Review

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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

September 21, 2016

Chairman Olson called the meeting to order at 4:45 p.m., Wednesday, September 21, 2016 in Senate Appropriations Room 109. The following were present:

Members: Senator Shooter, Vice-Chairman Senator Cajero Bedford Senator Farley Senator Griffin Senator Hobbs Senator Kavanagh Senator Yarbrough Representative Olson, Chairman Representative Alston Representative Leach Representative Meyer

Representative Gray Representative Montenegro

Absent:

STATE

SENATE

DON SHOOTER

STEVE FARLEY

GAIL GRIFFIN

KATIE HOBBS

JOHN KAVANAGH STEVEN B. YARBROUGH

OLIVIA CAJERO BEDFORD

CHAIRMAN 2015

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of June 16, 2016, Chairman Justin Olson stated that the minutes would stand approved.

CONSENT AGENDA

The following items were considered without discussion.

DEPARTMENT OF CORRECTIONS (ADC) - Review of Reallocation of FY 2017 Building Renewal Allocation Plan.

A.R.S. § 41-1252 requires the Joint Committee on Capital Review (JCCR) review expenditure plans for building renewal monies prior to expenditure. The FY 2017 Capital Outlay Bill (Laws 2016, Chapter 126) appropriated a total of \$5,464,300 from the Department of Corrections Building Renewal Fund to ADC

HOUSE OF REPRESENTATIVES

JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY VINCE LEACH ERIC MEYER, M.D. STEVE MONTENEGRO

(Continued)

for general building renewal. ADC is requesting reallocation of its FY 2017 building renewal expenditure plan. In its analysis, the JLBC Staff offered the following provisions:

- A. ADC shall report any further reallocations between projects to the JLBC Staff. If there is significant change of scope in the reallocation reported by ADC, the JLBC Staff shall recommend ADC request Committee review of the reallocation.
- B. If an emergency arises that is not addressed by the existing expenditure plan:
 - 1. ADC shall notify the Chairman and the JLBC Staff that they plan to spend less than \$50,000 on an emergency project. ADC can proceed without Committee review.
 - 2. The Chairman can allow ADC to move forward with an emergency project of greater than \$50,000 without Committee review.
 - 3. The Chairman will notify ADC if he does not agree that the project is an emergency and that the project will require full Committee review.

An "emergency" project is defined as unforeseen, critical in nature, and of immediate time sensitivity.

C. If ADC adds a new non-emergency project not listed in this request, the department must submit the proposed project and expenditure plan for Committee review.

ARIZONA GAME AND FISH DEPARTMENT (AGFD) - Review of FY 2017 Building Renewal Allocation Plan.

A.R.S. § 41-1252 requires the JCCR to review expenditure plans for building renewal monies prior to expenditure. The FY 2017 Capital Outlay Bill (Laws 2016, Chapter 126) appropriated \$530,000 to AGFD for building renewal from the Game and Fish Fund, of which AGFD is requesting review of \$182,800. In its analysis, the JLBC Staff offered the following provisions:

- A. Prior to expenditure and in accordance with A.R.S. § 41-1252 A(4), the Arizona Game and Fish Department (AGFD) shall request Committee review of any remaining funds from the FY 2017 or prior year capital appropriations.
- B. The distribution of the emergency allocation of \$75,000 shall be addressed as follows:
 - 1. AGFD shall notify the Chairman and JLBC Staff that they plan to spend monies on an emergency project. The Chairman can allow AGFD to move forward with an emergency project without Committee review.
 - 2. The Chairman will notify the AGFD if he does not agree that a project is an emergency and that the project will require full Committee review.

An "emergency" project is defined as unforeseen, critical in nature, and of immediate time sensitivity.

C. In accordance with A.R.S. § 41-1252, if AGFD adds a new non-emergency project not listed in this request, the department must submit the proposed project and expenditure plan for Committee review.

(Continued)

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of FY 2017 Building Renewal Allocation Plan.

A.R.S. § 41-1252 requires the JCCR to review expenditure plans for building renewal monies prior to expenditure. The FY 2017 Capital Outlay Bill (Laws 2016, Chapter 126) appropriated a total of \$4,232,300 for building renewal to ADOT for building renewal, which consists of \$4,000,000 from the State Highway Fund and \$232,300 from the State Aviation Fund. In its analysis, the JLBC Staff offered the following provision: ADOT shall report any project reallocations above \$100,000.

<u>Senator Shooter moved</u> that the Committee give favorable reviews to the 3 agenda items above with all the listed provisions as offered by the JLBC Staff. The motion carried.

ARIZONA STATE PARKS BOARD (ASPB) - Review of FY 2017 Capital Expenditure Plan and Reallocation of Prior Year Capital Expenditure Plans.

Ms. Micaela Larkin, JLBC Staff, stated the Committee is required to review capital projects funded from the State Lake Improvement Fund (SLIF) and State Parks Revenue Fund (SPRF). Pursuant to Committee provisions regarding reallocating expenditure plans, the Committee is to review reallocation of \$1,387,300 in monies that were previously reviewed by JCCR. The JLBC Staff presented options to the Committee.

<u>Senator Shooter moved</u> that the Committee give a favorable review to the expenditure of \$2,459,000 for the FY 2017 Capital Expenditure Plan projects and for the reallocation of the \$1,387,300 in monies from FY 2014, FY 2015, and FY 2016, with the reallocated funding being used for the expansion of projects previously reviewed by the Committee along with the new project of developing a use plan for Rockin' River Ranch State Park.

The favorable review included the following provisions:

- D. ASPB shall report any change in the FY 2017 spending plan to the JLBC Staff, including reallocations between projects. If there is a project reallocation greater than \$100,000, the JLBC Staff shall recommend that ASPB request Committee review of the reallocation.
- E. ASPB will provide JLBC Staff information by October 14 that details the previously reviewed projects and indicates which projects were cancelled or had cost savings that made monies available for the funding reallocations.
- F. ASPB shall report any further changes to the FY 2014, FY 2015, and FY 2016 spending plans to JLBC Staff, including reallocations between projects. If there is a project reallocation greater than \$100,000, the JLBC Staff shall recommend that ASPB request Committee review of the reallocation.
- G. Upon completion of the Rockin' River Ranch State Park planning process, ASPB shall submit the proposed park's Master Plan to the Committee, along with their timetable and projected costs.

The motion carried.

ARIZONA STATE PARKS BOARD (ASPB) - Review of Cabin Installation Project.

Ms. Micaela Larkin, JLBC Staff, stated that the Committee is required to review capital projects funded from the SLIF and SPRF. The JLBC Staff presented options to the Committee.

<u>Senator Shooter moved</u> that the Committee give a favorable review to the expenditure of \$963,300 for the purchase of 100 pre-engineered cabins. Of this amount, ASPB will allocate \$463,900 from the SPRF and \$500,000 from SLIF.

The favorable review included the provision that ASPB shall submit the final terms reached with the vendor, the locations of the cabins, and the timeline for opening the cabins to JLBC Staff.

The motion carried.

ARIZONA STATE PARKS BOARD (ASPB) - Review of Cattail Cove State Park Redevelopment Plan.

Ms. Micaela Larkin, JLBC Staff, stated that the Committee is required to review capital projects funded from the SLIF. The JLBC Staff presented options to the Committee.

<u>Senator Shooter moved</u> that the Committee give a favorable review to the expenditure of \$6,383,500 for the redevelopment of Cattail Cove State Park. Of the \$6,383,500, \$5,307,500 is from SLIF monies and \$1,076,000 is from Federal Land and Water Conservation Fund (LWCF) monies.

The favorable review included the following provisions:

- A. The ASPB shall provide the Committee with a comprehensive estimate of the ongoing operating expenditures of the renovated Cattail Cove, including staffing and maintenance costs by October 28, 2016.
- B. The ASPB shall submit to the Committee the final terms reached with the Cattail Cove vendor, including the level of revenue sharing and any other major contractual terms. The JCCR Chairman shall determine whether the terms and conditions warrant further Committee review.
- C. The ASPB shall submit to the Committee by October 21, 2016 a report on its agreement with a private vendor to develop Contact Point State Park. The report shall include the potential scope of the park, the revenue and cost-sharing arrangements between the vendor and the state, and any other major contractual terms. ASPB shall also report on any future plans for development of Contact Point State Park beyond the current agreement. The JCCR Chairman shall determine whether the terms and conditions warrant further Committee review.

The motion carried,

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of 1740 West Adams Renovation Plan.

Ms. Rebecca Perrera, JLBC Staff, stated the Committee is required to review the ADOA tenant relocation plan prior to expenditure of the building renewal funds. The FY 2017 Capital Outlay Bill (Laws 2016, Chapter 126) allocated \$4,200,000 in FY 2017 from ADOA building renewal appropriation to renovate the state building located at 1740 West Adams. At the June 2016 meeting, the Committee favorably reviewed \$500,000 of the \$4,200,000 allocated for the 1740 West Adams project for demolition and major building system design. The Committee deferred the review of the remaining \$3,700,000 million until ADOA submitted the tenant relocation plan. The JLBC Staff presented options to the Committee.

Mr. Ruben Duran, Capital Planner, ADOA, responded to member questions.

Chairman Olson held the item.

(Continued)

NORTHERN ARIZONA UNIVERSITY (NAU) - Review of FY 2017 Capital Improvement Plan for One-Time Appropriation.

Mr. Tom Ritland, JLBC Staff, stated the Committee is required to review the scope, purpose and estimated cost for capital improvements. Laws 2016, Chapter 117 appropriated \$4,000,000 to NAU for operating expenditures or capital improvement projects. The JLBC Staff presented options to the Committee.

<u>Senator Shooter moved</u> that the Committee give a favorable review to NAU's \$4,000,000 capital expenditure plan. The motion carried.

DEPARTMENT OF JUVENILE CORRECTIONS (DJC) - Review of FY 2017 Building Renewal Allocation Plan.

Mr. Chris Gustafson, JLBC Staff, stated the Committee is required to review expenditure plans for building renewal monies prior to expenditure. The FY 2017 Capital Outlay Bill (Laws 2016, Chapter 126) appropriated a total of \$1,100,000 for building renewal from the Criminal Justice Enhancement Fund. The JLBC Staff presented options to the Committee.

Representative John Allen, spoke. <u>Representative Heather Carter</u>, spoke and circulated a document. <u>Kristine Burnett</u>, spoke. <u>Eric Thompson</u>, spoke. <u>Julie Reed</u>, spoke. <u>Ann O'Brien</u>, spoke. <u>Mr. Art Smith, Budget Manager, DJC</u>, responded to member questions.

<u>Senator Shooter moved</u> that the Committee give a favorable review of \$350,000 for building renewal projects. DJC shall determine how to allocate the funding from among the projects in their request. Any review of additional funding will occur after the Committee considers DJC's long-term facilities plan.

The favorable review included the following provisions:

- A. On or before December 1, 2016, DJC shall report to the Committee a long-term facilities plan for the Adobe Mountain School, which shall include the following information:
 - 1. Projected resident population of the school for the next 3 years.
 - 2. A list of the age, square footage and current status of each building on campus, including vacant buildings and the length of the vacancy.
 - 3. Given current population projections, any projected change in status or usage of buildings over the next 3 years.
 - 4. Significant deferred maintenance and future building renewal projects not included in the proposed FY 2017 allocation plan.
 - 5. Any project allocations.

- 6. Options for disposition of the facility.
- B. DJC shall not use any building renewal monies for projects located in Department of Corrections occupied buildings or in currently vacant buildings.
- C. If DJC adds a new project not listed in this request, the department must submit the proposed project and expenditure plan for Committee review.

The motion carried.

Without objection, the meeting adjourned at 5:54 p.m.

Respectfully submitted:

, ddl

Kristy Paddack, Secretary

Jack Brown, Assistant Director

Representative Justin Olson, Chairman

NOTE: A full video recording of this meeting is available at http://www.azleg.gov/jlbc/meeting.htm.

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STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

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CHAIRMAN 2015

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REPRESENTATIVES JUSTIN OLSON CHAIRMAN 21

HOUSE OF

CHAIRMAN 2016 LELA ALSTON RICK GRAY VINCE LEACH ERIC MEYER, M.D. STEVE MONTENEGRO

DATE:	December 7, 2016
TO:	Representative Justin Olson, Chairman Members, Joint Committee on Capital Review
THRU:	Richard Stavneak, Director
FROM:	Matt Beienburg, Fiscal Analyst Mog
SUBJECT:	Arizona State University - Review of Armstrong Hall/Ross-Blakley Library Renovation Project Financing

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Arizona State University (ASU) requests Committee review of \$26,000,000 in system revenue bond issuances to fund renovations of the Armstrong Hall and Ross-Blakley Library buildings on the Tempe campus. The debt service payments will be funded by tuition revenues.

Recommendation

The Committee has at least the following 2 options:

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

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

Standard University Financing Provisions

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

Analysis

The \$26.0 million in bond issuances will be used to renovate the Armstrong Hall and Ross-Blakley Library buildings on ASU's Tempe campus. These facilities formerly housed the Sandra Day O'Connor College of Law prior to its relocation to the ASU campus in downtown Phoenix. ASU intends to repurpose the facilities to serve as a "consolidated home" for the College of Liberal Arts and Sciences (CLAS).

The 2-story (plus basement), 98,800 square foot Armstrong Hall will house classroom and office space and centralize CLAS support functions including the Office of the Dean and student advising.

The 67,800 square foot Ross-Blakley Library will house the CLAS English Department by providing space for classrooms, writing centers, offices, humanities research and student collaboration.

The renovations will also update the surrounding exterior spaces, improve the buildings' energy efficiency, and address "major operational and code compliance issues identified in the engineering evaluation" conducted as part of the project.

ASU indicates that the relocation of academic functions to these buildings will make space available in the Fulton Center and other facilities for future campus growth.

Financing

ASU intends to issue \$26.0 million in fixed rate system revenue bonds with a rating of Aa3 (Moody's) / AA (S&P) at an estimated interest rate of 3.60% over a 21-year term. In addition to project costs, issuance costs are estimated at \$255,000, for a total financing amount of \$26.3 million. Based on the 3.60% interest rate, ASU estimates debt service payments covering principal and interest at \$1.9 million per year from FY 2019 to FY 2038, in addition to a \$630,000 interest only payment in FY 2018, for a total debt service cost of \$37.9 million. (*Please see Table 2 for a summary of the bond's financing terms.*)

Debt service for the renovations will increase ASU's current debt ratio from 4.80% to 4.88%. The current 4.8% debt ratio is based on ASU's actual FY 2016 debt service payments of \$103.3 million as a percentage of total FY 2016 expenditures, or \$2.2 billion. This debt ratio does not include the additional debt service costs of other projects pending JCCR review or those for which bonds were issued after FY 2016, nor growth in ASU's total expenditures. ASU estimates in its 2016 Debt Capacity Report that including future projects, its total debt service payments will reach \$124.4 million in FY 2019, or 4.8% of its projected \$2.6 billion total expenditures in FY 2019.

ASU will fund the debt service payments with tuition revenues.

Construction Costs

Of the \$26.0 million total project cost, direct renovation costs (excluding items such as design and project management costs) are \$18.0 million. As shown in *Table 1* below, total project costs per square foot are \$156, while direct construction costs per square foot are \$108. The project is currently in the design phase, with construction scheduled to begin in February 2017. The renovations of Ross-Blakley Library and Armstrong Hall are scheduled for completion in August and December of 2017, respectively.

ASU utilized renovation cost estimates from an independent engineering consultant. The selected Construction Manager at Risk (CMAR) will complete the project under the guaranteed maximum price arrangement with ASU.

(Continued)

Operations and Maintenance Costs

ASU estimates no increases in operation and maintenance costs associated with the project.

Table 1		
ASU Armstrong Hall and	Ross-Blakley Library Rer	novations
Total Square Footage	166,600	
<u>Funding</u> System Revenue Bonds <u>1</u> /	\$26,000,000	
Costs Direct Construction Costs Other Costs ^{2/} Total	\$18,000,000 <u>8,000,000</u> \$26,000,000	(\$108 per sq. ft.) (\$48 per sq. ft.) (\$156 per sq. ft.)
 <u>1</u>/ Annual debt service payments on \$26.0 and \$1.9 million from FY 2019 – FY 2038 cost of \$37.9 million <u>2</u>/ Includes equipment, furniture, project d 	based on a 3.60% interest rate	e for a total debt service

Table 2

ASU Armstrong Hall and Ross-Blakley Library Renovations Financing Terms

Issuance Amount	\$26.0 million
Issuance Date	Fall 2017
Issuance Transaction Fees	\$255,000
Rating	Aa3 (Moody's) / AA (S&P)
Interest Rate	3.60%
Term	21 years
Total Debt Costs	\$37.9 million
Debt Service Payments (at 3.60%)	\$1.9 million
Payment Source	Tuition
Debt Ratio Increase	0.08%
Construction Start	February 2017

RS/MB:kp



December 14, 2016



The Honorable Justin Olson, Chairman Joint Committee on Capital Review Arizona House of Representatives Capital Complex 1700 West Washington, Room 114 Phoenix, AZ 85007-2890

Dear Representative Olson:

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

- Armstrong Hall/Ross-Blakley Library Renovation
- Ground Lease with ACC for Development of Third-Party Student Housing at the Tempe campus

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, 1100

Morgan R. Olsen Executive Vice President, Treasurer and CFO

Enclosures

c: Richard Stavneak, Director, JLBC

Eileen Klein, President, Arizona Board of Regents, ABOR John Arnold, Vice President for Business Management and Financial Affairs, ABOR Lorenzo Martinez, Associate Vice President for Finance & Administration, ABOR Steve Miller, Deputy Vice President, Public Affairs, ASU Lisa Frace, Associate Vice President, Planning & Budget, and Chief Budget Officer, ASU Bruce Nevel, Associate Vice President, Facilities Development and Management, ASU Joanne Wamsley, Vice President for Finance and Deputy Treasurer, ASU Matt Beienburg, Fiscal Analyst, JLBC

On behalf of the Arizona Board of Regents, ASU requests JCCR review of the following items as required by ABOR policy and ARS 15-1683 and 15-1682.02.

Issuance of Bonds

ASU plans to undertake the Armstrong Hall/Ross-Blakley Library Renovation bond-financed project to repurpose the facilities to serve as the consolidated home of the College of Liberal Arts and Sciences (CLAS) on the Tempe campus. Additional information regarding the project is shown on the following pages.

Indirect and Third-Party Financing

ASU plans to enter into a ground lease with American Campus Communities (ACC) for development of third-party student housing at the Tempe campus to meet the demand for oncampus housing. ACC will construct new, townhouse-style student housing, estimated at 300,000 square feet, which will provide approximately 950 beds geared towards Greek organizations. Each of the 27 townhouses will provide living and dining space for 18 to 42 residents to accommodate Greek organizations of various sizes, along with separate accommodations for onsite resident directors and chapter guests. Outdoor common areas and a new ASU community center will provide space for chapter activities and other student events. ACC will be responsible for operating and maintaining the facility.

An Arizona Board of Regents executive summary is attached, which outlines the ground lease terms and other relevant information. The ACC ground lease received ABOR approval at its November 16, 2016 meeting.

1. ARMSTRONG HALL/ROSS-BLAKLEY LIBRARY RENOVATION

Project Description

Armstrong Hall and the Ross-Blakley Library, which previously housed the Sandra Day O'Connor College of Law, will be repurposed to serve as the consolidated home for the College of Liberal Arts and Sciences (CLAS) on the Tempe campus. The renovation of Armstrong Hall, a two-story, approximately 98,829 gross-square- foot facility with a basement, and the approximately 67,752 gross-square-foot Ross-Blakley Library will further two campus master plan goals. This project will advance the goal of attainment of national standing for CLAS by providing the college with a consolidated home that enhances instructional and research effectiveness. The project also will strengthen the heart of the Tempe campus by repurposing existing academic space to enable the success of CLAS students, faculty, staff and administration.

Armstrong Hall will house the Office of the Dean, provide a central location for CLAS student success and advising functions, and create a hub for CLAS student instruction and collaboration. Additionally, the Great Hall will be updated for use as a large classroom and to host lectures and special events. The Ross-Blakley Library will provide classrooms, writing centers, offices and humanities research and student collaboration space for use by the English Department. The project also will include infrastructure upgrades to create more energy-efficient mechanical systems and address the major operational and code compliance issues that were identified in an engineering evaluation.

The Armstrong Hall/Ross-Blakley Library renovation project will be funded with system revenue bonds totaling \$26.0 million. Debt service will be funded by tuition. An Arizona Board of Regents executive summary is attached for this project, which outlines the project description and other relevant information. The renovation of Armstrong Hall and the Ross-Blakley Library received Capital Development Plan approval at the Arizona Board of Regents November 16, 2016 meeting.

Project Costs

Total Project Cost	\$ 26,000,000
Total Project Construction Cost	\$ 18,000,000
Total Project Cost per GSF	\$ 156
Total Construction Cost per GSF	\$ 108

There are no expected increases in operation and maintenance costs for this project.

PROJECT SUMMARY – Revenue Bonds

Project	Funding Sources	Amount
Armstrong Hall/ Ross-Blakley Library Project	Tuition	\$ 26,000,000

FINANCING INFORMATION

System Revenue Bonds: Project Costs Estimated Costs of Issuance Anticipated Bond Rating Assumed Interest Rate Term	\$ 26,000,000 \$ 255,000 Aa3 (Moody's) and AA (S&P) 3.60% 21 years
Debt Service Information: Estimated Annual Debt Service 2018	\$ 630,120

Estimated / Initial Debt Selvice 2010	Ψ	000,120
Estimated Annual Debt Service for 2019 – 2038	\$	1,864,054
Total Estimated Debt Service Costs	\$	37,911,200

DEBT RATIO

Debt Ratio on Existing Debt	4.80
Incremental Debt Ratio	0.08
Projected Debt Ratio	4.88

Arizona State University System Revenue Bonds, Series 2017 Armstrong Hall/Ross-Blakley Library Renovation

Fiscal Year	Principal	Interest	Total
2018		630,120.00	630,120
2019	920,000	945,180.00	1,865,180
2020	955,000	912,060.00	1,867,060
2021	985,000	877,680.00	1,862,680
2022	1,020,000	842,220.00	1,862,220
2023	1,060,000	805,500.00	1,865,500
2024	1,095,000	767,340.00	1,862,340
2025	1,135,000	727,920.00	1,862,920
2026	1,175,000	687,060.00	1,862,060
2027	1,220,000	644,760.00	1,864,760
2028	1,265,000	600,840.00	1,865,840
2029	1,310,000	555,300.00	1,865,300
2030	1,355,000	508,140.00	1,863,140
2031	1,405,000	459,360.00	1,864,360
2032	1,455,000	408,780.00	1,863,780
2033	1,510,000	356,400.00	1,866,400
2034	1,560,000	302,040.00	1,862,040
2035	1,620,000	245,880.00	1,865,880
2036	1,675,000	187,560.00	1,862,560
2037	1,735,000	127,260.00	1,862,260
2038	1,800,000	64,800.00	1,864,800
	\$ 26,255,000	\$ 11,656,200	\$ 37,911,200

Arizona Board of Regents Arizona State University Revised Capital Development Plan Project Justification Report Armstrong Hall/Ross-Blakley Library Renovation

Previous Board Action:

• FY 2017 Capital Development Plan

June 2016

Statutory/Policy Requirements

• Pursuant to Arizona Board of Regents Policy, Chapter 7-102, all renovation projects of \$5 million or more shall be brought to the Business and Finance Committee for approval, regardless of funding source or financing.

Project Justification/Description/Scope

- Armstrong Hall and the Ross-Blakley Library, which previously housed the Sandra Day O'Connor College of Law, will be repurposed to serve as the consolidated home for the College of Liberal Arts and Sciences (CLAS) on the Tempe campus, as depicted on the map attached hereto as Exhibit "B."
- The Armstrong Hall and Ross-Blakley Library renovation projects were included in the FY 2017 Capital Development Plan as separate projects. In the interim, the same Design Professional (DP) and Construction Manager at Risk (CMAR) were selected for both of these projects. The results of this selection process have provided ASU with an opportunity to combine these projects and thereby capture efficiencies for the project design and construction process.
- The renovation of Armstrong Hall, a two-story, approximately 98,829 gross-squarefoot facility with a basement, and the approximately 67,752 gross-square-foot Ross-Blakley Library will further two campus master plan goals. This project will advance the goal of attainment of national standing for CLAS by providing the college with a consolidated home that enhances instructional and research effectiveness. The project also will strengthen the heart of the Tempe campus by repurposing existing academic space to enable the success of CLAS students, faculty, staff and administration.
- Armstrong Hall will house the Office of the Dean, provide a central location for CLAS student success and advising functions, and create a hub for CLAS student instruction and collaboration. Additionally, the Great Hall will be updated for use as a large classroom and to host lectures and special events.

- The Ross-Blakley Library will provide classrooms, writing centers, offices and humanities research and student collaboration space for use by the English Department. The project also will include infrastructure upgrades to create more energy-efficient mechanical systems and address the major operational and code compliance issues that were identified in the engineering evaluation.
- The project also will allow for some updating of campus hardscape and landscape in the immediate area of Armstrong Hall and Ross-Blakley Library.

Project Delivery Method and Process

- This project will be delivered through the CMAR delivery method. This approach was selected to provide contractor design input and coordination throughout the project, alleviate potentially adversarial project environments and allow for the selection of the most qualified contractor team. With the use of two independent cost estimates at each phase and pre-qualified, low-bid subcontractor work for the actual construction, CMAR project delivery also provides a high level of cost and quality control.
- ASU has selected both the DP and CMAR for this project. The initial cost and scope for this project w determined through the use of a consulting engineering firm that performed an in-depth evaluation of the buildings to identify required upgrades. The proposed budget is based upon reasonable assumptions on cost per square foot for the changes needed to accommodate the new building occupants.

Project Status and Schedule

• This project is in the planning phase. The design phase is scheduled to be initiated in November 2016, with construction scheduled to start in February 2017.

Project Cost

- The budget for the combined 166,581 gross-square-foot project is \$26.0 million.
- The budget represents an estimated construction cost of \$108 per gross square foot and an estimated total project cost of \$156 per gross square foot.
- For this Capital Development Plan phase, an engineering consultant was hired to determine the scope and provide external cost estimates from independent programming efforts. Additional independent cost estimates will be provided by the DP and CMAR, as the project progresses through the design process.

• The CMAR will be at risk to provide the completed project within the agreed-upon Guaranteed Maximum Price (GMP). A final report on project control procedures, including change orders and contingency use, will be provided at project completion.

Fiscal Impact and Financing Plan:

- The \$26.0 million project budget will be funded with system revenue bonds. Debt service will be paid from tuition.
- There are no expected increases in operation and maintenance costs for this project.
- Debt Ratio Impact: The projected incremental debt ratio impact for this project is 0.08 percent.

Occupancy Plan

- Armstrong Hall will become the home of the College of Liberal Arts and Sciences on the Tempe Campus, bringing together physically separated offices, classrooms, and student support space. The Ross-Blakley Library will become home to the CLAS English Department.
- The relocation of CLAS academic functions to Armstrong Hall will open up space in the Fulton Center and other buildings across campus, providing needed Tempe campus growth space for the University.
- This project will be scheduled to minimize the impact on CLAS programs and services.

Capital Project Information Summary

<u>University:</u> Arizona State University <u>Project Name:</u> Armstrong Hall/Ross-Blakley Library Renovation

Project Description and Location:

The renovation of Armstrong Hall and the Ross-Blakley Library will prepare the buildings for the CLAS user group by creating classrooms; writing centers; research, office and student collaboration space; and updating the Great Hall. The project also will include infrastructure upgrades to create more energy-efficient mechanical systems and address the major operational and code compliance issues that were identified in the engineering evaluation. Finally, the project will allow for some updating of campus hardscape and landscape in the immediate area of Armstrong Hall and Ross-Blakley Library.

Project Schedule: Planning Design Construction Armstrong Construction Completion Ross-Blakley Construction Completion	August October February December August	2016 2016 2017 2017 2017
Project Budget: Total Project Cost Total Construction Project Cost Total Project Cost per GSF Construction Cost per GSF	\$ 26,000,00 \$ 18,000,00 \$ 15 \$ 10	00 56
<u>Change in Annual O and M Cost:</u> Utilities Personnel <u>All Other Operating</u> Subtotal	\$	0 0 0 0
Funding Sources: Capital		
A. Gifts B. System Revenue Bonds	\$ \$ 26,000,0	00
Debt Service Funding Sources: To	uition	
Operation/Maintenance Funding Sources:	\$	0

Capital Project Budget Summary

University: ASU at the Tempe Campus

Project: Armstrong Hall/Ross-Blakley Library Renovation

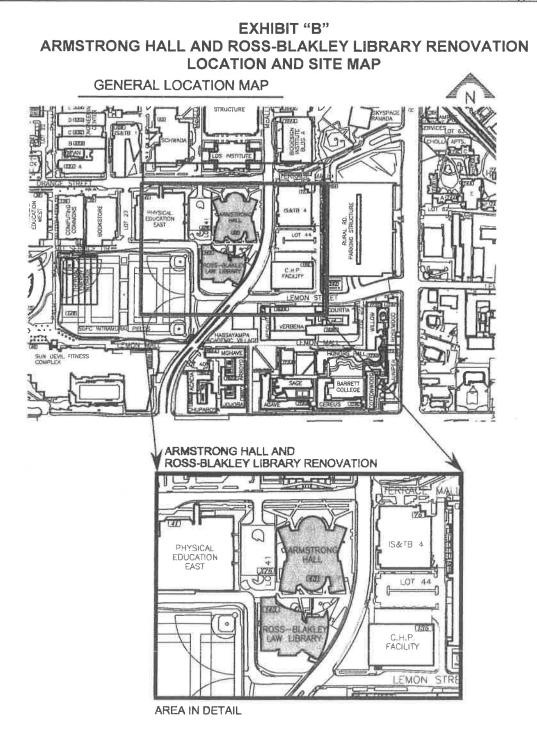
×.	Capital Development Plan	Project Approval
 Capital Costs 1. Land Acquisition 2. Construction Cost A. New Construction B. Renovation C. Special Fixed Equipment D. Site Development (excl. 2.E.) E. Parking and Landscaping F. Utilities Extensions G. Other* (Demolition) 	\$ 18,000,000	
Subtotal Construction Cost	\$ 18,000,000	\$ -
 3. Fees A. CMAR Pre-Construction B. Architect/Engineer C. Other Subtotal Consultant Fees 	 \$ 335,854 1,281,260 \$ 1,617,114 	\$
 FF&E Movable Contingency, Design Phase Contingency, Constr. Phase Parking Reserve Telecommunications Equipment Subtotal Items 4-8 	 \$ 2,432,243 150,000 1,760,000 420,000 \$ 4,762,243 	\$
 9. Additional University Costs A. Surveys, Tests, Haz. Mat. Abatement B. Move-in Costs C. Printing Advertisement D. Keying, signage, facilities support E. Project Management Cost (2%) F. State Risk Mgt. Ins. (.0034 **) Subtotal Addl. Univ. Costs Total Capital Cost 	 \$ 550,000 150,000 643 140,000 691,600 88,400 \$ 1,620,643 \$ 26,000,000 	\$ \$

* Universities shall identify items included in this category

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

Board of Regents Meeting November 17-18, 2016 Item #15 Page 12 of 17

EXECUTIVE SUMMARY



1B



STATE OF ARIZONA

Joint Committee on Capital Review

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JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY VINCE LEACH ERIC MEYER, M.D. STEVE MONTENEGRO

DATE:	December 7, 2016
TO:	Representative Justin Olson, Chairman Members, Joint Committee on Capital Review
THRU:	Richard Stavneak, Director 725
FROM:	Matt Beienburg, Fiscal Analyst MB
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 5-acre ground lease for the approximately \$72,000,000 million development of student housing associated with fraternities and sororities at its Tempe Campus. The proposed residences, known as the "Greek Leadership Village," will provide approximately 950 beds among 27 newly-constructed townhouses.

Recommendation

The Committee has at least the following 2 options:

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

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

Standard University Financing Provision

 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.

- 2 -

Analysis

ASU originally selected American Campus Communities (ACC) through a Request for Proposal (RFP) in 2004 to construct third-party student housing at its Tempe campus. ACC currently operates 5 residences on the ASU - Tempe Campus and 1 residence on the ASU - West Campus. The most recent Committee review of an indirect financing project on the Tempe Campus occurred in June 2015 for the Palo Verde Main residence hall.

In August 2016, ASU entered into a supplemental Memorandum of Understanding (MOU) with ACC for the replacement of ASU-owned housing facilities (Cholla Apartments) at the southeast corner of Rural Road and Terrace Road.

ASU describes the Cholla Apartments—built in 1969 with capacity for 378 beds—as having had "substantial infrastructure deficiencies." ASU has already undertaken and nearly completed the demolition of these facilities.

Under the proposed agreement, ASU would enter into a ground lease with ACC for the construction of 27 new townhouse-style student residences on the former Cholla site. The facilities would include 300,000 square feet and 950 beds in total, with each structure housing 18 to 42 Greek life students. Each townhouse would include separate accommodations for onsite resident directors and chapter guests.

ASU reports that it was forced to reject housing applications from approximately 800 upper class students in the past year due to insufficient capacity for on-campus housing. Currently, ASU houses about 500 Greek life students on campus, or about 10% of the Greek organization population.

During the lease period, ACC would operate and maintain the facility through an on-site general manager. ASU would provide programming and staffing for the facility and would establish—with ACC— a Joint Advisory Committee to review operations, policies, and budgets for the facilities.

ASU expects housing rates in the new facilities to be comparable to existing rates at the Tempe campus (non-Honors College housing rates currently range from \$5,800 to \$9,500 per year for the FY 2017 academic year).

Financing

ACC would provide approximately \$72.0 million in funding to construct the new residences and would be responsible for all costs and expenses associated with their operation and maintenance. The ground lease between the university and ACC would be for a period of 65 years, with two 10-year extension options.

ACC would retain ultimate decision-making authority on matters of "material economic consequence." ASU would have no obligation to pay any future debt service associated with refinancing of the facilities nor to guarantee their occupancy.

ASU would receive ground rent payments from ACC if the project meets agreed upon performance benchmarks. Specifically, ACC would provide to ASU a portion of any income generated beyond a 6.75% annual return on investment in a given year (indexed for inflation after the first year).

(Continued)

In addition to the performance-based lease payments, ASU will have rights to other revenue streams associated with the project. Under the agreement, ASU would annually have the right to master lease some or all of the residences from ACC in order to more directly manage the relationship with Greek organization chapters. ASU will generate revenues from surcharges paid by the Greek organizations occupying the townhouses.

Any townhouses that are not master leased by ASU for occupancy by a Greek organization could be made available for general ASU student housing.

The new townhouse complex would be ready for occupancy beginning fall 2018.

RS/MB:kp



December 14, 2016



The Honorable Justin Olson, Chairman Joint Committee on Capital Review Arizona House of Representatives Capital Complex 1700 West Washington, Room 114 Phoenix, AZ 85007-2890

Dear Representative Olson:

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

- Armstrong Hall/Ross-Blakley Library Renovation
- Ground Lease with ACC for Development of Third-Party Student Housing at the Tempe campus

Enclosed is pertinent information relating to these items.

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

Sincerely,

Morgan R. Olsen Executive Vice President, Treasurer and CFO

Enclosures

c: Richard Stavneak, Director, JLBC

Eileen Klein, President, Arizona Board of Regents, ABOR
John Arnold, Vice President for Business Management and Financial Affairs, ABOR
Lorenzo Martinez, Associate Vice President for Finance & Administration, ABOR
Steve Miller, Deputy Vice President, Public Affairs, ASU
Lisa Frace, Associate Vice President, Planning & Budget, and Chief Budget Officer, ASU
Bruce Nevel, Associate Vice President, Facilities Development and Management, ASU
Joanne Wamsley, Vice President for Finance and Deputy Treasurer, ASU
Matt Beienburg, Fiscal Analyst, JLBC

Ground Lease and Related Agreements for Development of Item Name: New Student Housing at the Tempe Campus (ASU)



Action Item Committee Recommendation to Full Board First Read of Proposed Policy Change

Information or Discussion Item

Arizona State University asks the board for authorization to enter into Issue: agreements to ground lease approximately 5 acres of real property located at the southeast corner of South Rural Road and South Terrace Road on the Tempe Campus (the "Parcel") to American Campus Communities or affiliates ("ACC") for development of third-party student housing, and the right to lease all or a portion of the facility at an annual cost exceeding \$500,000.

Enterprise or University Strategic Plan

- Empower Student Success and Learning
- \boxtimes Advance Educational Attainment within Arizona
 - Create New Knowledge
 - Impact Arizona
 - Compliance
 - Real property purchase/sale/lease
 - Other:

Statutory/Policy Requirements

- ABOR Policy 7-102(B) requires committee review and board approval of projects shared with outside entities, such as third parties.
- ABOR Policy 7-102(B) requires committee review and board approval of projects with a total project cost over \$10 million.
- ABOR Policy 7-207(A) requires committee review and board approval for the lease of real property.
- ABOR Policy 7-207(A)(2) requires Business and Finance Committee review and board approval for leases of real property by Arizona State University ("ASU") if the annual rent including taxes, insurance and maintenance payable by the University exceeds \$500,000.

Background

American Campus Communities (ACC) was selected in 2004 through a competitive procurement process to develop third-party student housing on the ASU Tempe campus. The current project consists of the replacement of the Cholla Apartments with new fraternity and sorority-oriented student housing.

- ASU owns approximately 5 acres of land located at the southeast corner of South Rural Road and South Terrace Road on the Tempe campus. Redevelopment of this site will provide consolidated on-campus housing for members of Greek organizations.
- In February 2006, ASU entered into a Memorandum of Understanding (MOU) with ACC which outlined the development by ACC of third-party student housing on the Tempe campus. In August 2016, ASU entered into a supplemental MOU to initiate the redevelopment of the Cholla Apartments.

Discussion

- University Housing exists to provide safe, clean, affordable student housing that encourages student success, connection, engagement and involvement through student programming opportunities. Student success and retention rates improve significantly when students reside on campus, particularly among first-time freshmen. Purposeful student programming and the relationship development that occurs through having staff living in and interacting directly with students has been proven to increase student satisfaction, involvement and retention across the nation.
- Demand for on-campus, University-managed student housing continues to grow. Last year, ASU was unable to accommodate over 800 on-campus housing applications from upper-classmen to meet demand for freshman housing. Due to limited space, ASU has only been able to accommodate approximately 500 Greek students in Adelphi Commons and the Villas at Vista apartments. This represents less than 10 percent of the total Greek population at ASU. There is sufficient demand to provide new housing for Greek students and also an opportunity to repurpose aging existing facilities to accommodate on-campus housing demand from upper-classmen.
- The Cholla Apartments, originally constructed in 1969, have substantial infrastructure deficiencies and do not meet the current growth requirements of the ASU student body.
- ACC will construct new, townhouse-style student housing, estimated at 300,000 square feet, which will provide approximately 950 beds geared towards Greek organizations for the fall 2018 semester to meet demand for on-campus housing.

Each of the 27 townhouses will provide living and dining space for 18 to 42 residents to accommodate Greek organizations of various sizes, along with separate accommodations for onsite resident directors and chapter guests. Outdoor common areas and a new ASU community center will provide space for chapter activities and other student events.

Project Cost/Financial Structure

- The parties will enter into a Ground Lease for a period of 65 years, with two tenyear options to renew.
- The University will receive ground lease payments if the project meets performance benchmarks in the pro forma negotiated with ACC and will have rights to a portion of certain revenue streams.
- ASU, at its sole discretion, will have the right, in any year, to master lease blocks of beds by house within the project. ASU annually will evaluate programmatic and Greek Housing needs when deciding whether to master lease and the number of beds to lease.
- ACC is responsible for all costs and expenses of operating and maintaining the student housing facilities. Minimum standards of operation (both maintenance and staffing) will be comparable to similar ASU-owned and operated student housing.
- 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 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.

Fiscal Impact:

• ACC will provide approximately \$72 million for construction of the new facility, net of preparatory costs and the guest suites. The project will be financed by ACC through its ACE Equity program, with a requirement that any debt placed on the improvements not exceed 65 percent of the project cost or fair market value on refinancing. There will be no legal recourse to ASU in the event of a default by ACC on any financing and, except for the obligations noted above, the University has no obligation to support the facilities financially or to guarantee occupancy.

• Annual master leases of blocks of beds within the project will be funded from University Housing revenues.

Committee Review and Recommendation

The Business and Finance Committee reviewed this item at its November 16, 2016 meeting and recommended forwarding the item to the full board for approval.

Requested Action

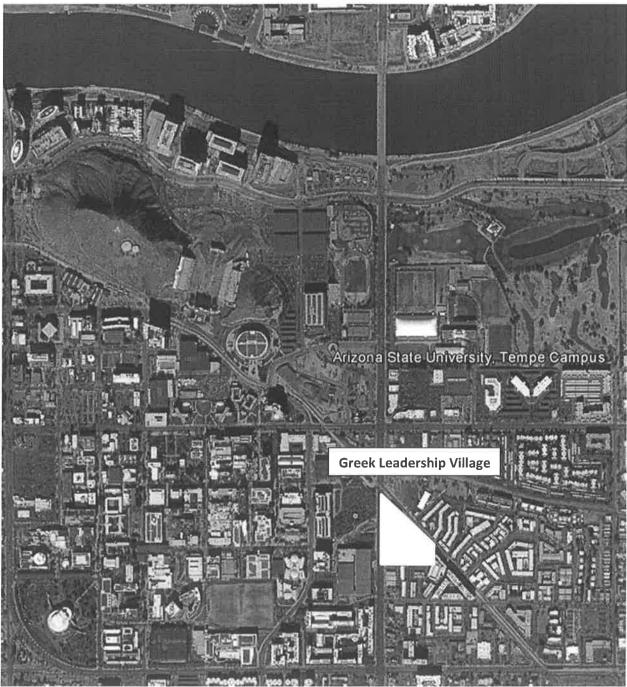
Arizona State University requests the board authorize the ASU President, the ASU Executive Vice President, Treasurer and Chief Financial Officer, and the ASU Assistant Vice President for University Real Estate Development, or any successor titles to such positions, each separately, to take all appropriate actions to enter into any and all necessary documents to ground lease and develop the Parcel in Tempe, Arizona, on substantially the terms described in this executive summary, including annual leases in excess of \$500,000.

Board of Regents Meeting November 17-18, 2016 Item #19 Page 5 of 5

EXECUTIVE SUMMARY

EXHIBIT "A"

LOCATION AND SITE MAP





STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS PHOENIX, ARIZONA 85007

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JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY VINCE LEACH ERIC MEYER, M.D. STEVE MONTENEGRO

DATE:	December 7, 2016
TO:	Representative Justin Olson, Chairman Members, Joint Committee on Capital Review
THRU:	Richard Stavneak, Director
FROM:	Rebecca Perrera, Senior Fiscal Analyst
SUBJECT:	Arizona Department of Administration - Review of 1740 West Adams Renovation Plan

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. At the June 2016 meeting, the Committee favorably reviewed Arizona Department of Administration (ADOA) building renewal projects totaling \$23,180,000. This amount included \$500,000 of the \$4,200,000 allocated for the 1740 West Adams project for demolition and major building system design. The Committee deferred the review of the remaining \$3,700,000 until ADOA submitted the tenant relocation plan. Laws 2016, Chapter 126 requires JCCR review of this plan.

In August 2016, ADOA requested review of the remaining \$3,700,000 and also submitted its tenant relocation plan. The plan included relocating 27 state agencies from private office space and other state-owned office space. At its September 2016 meeting, the Committee had considerable discussion of the ADOA request and the Chairman subsequently held the item.

ADOA is now requesting review of the tenant relocation plan and the remaining \$3,700,000 expenditure plan.

Recommendation

The Committee has at least the following 2 options:

- 1. A favorable review of the \$3,700,000 request and the tenant relocation plan.
- 2. An unfavorable review.

Under either option, the Committee may consider the following provisions:

- A. ADOA shall report to the JLBC Staff on the agency space allocations and project timeline by February 28, 2017.
- B. A favorable review by the Committee does not constitute an endorsement of additional funding to reconfigure 1740 W. Adams if the health boards are consolidated.

Analysis

ADOA's request has not been modified since the September 2016 Committee meeting.

In its September 29, 2016 letter to ADOA, the JLBC Staff stated that the "Committee expressed its concerns at the meeting about the cost estimates and design of the building given the uncertainty regarding the tenant list and proposed agency consolidations." (*See Appendix A*). ADOA's plan includes the relocation of most of the state's 90/10 regulatory boards along with a few other small agencies (*See Appendix B*). The proposal would facilitate part of the Governor's proposal to consolidate these health boards. Although the bill did not pass, HB 2501 in the Second Regular Session would have subjected these boards to the oversight of DHS. While the proposed building renovations would allow the health boards to be located in the same building, it does not change their operational independence.

At the September 2016 meeting, several Committee members raised questions of whether the possible consolidation of the agencies would affect the interior design and its possible costs. ADOA's current request does not directly address this issue. In its November 23, 2016 letter, ADOA maintains that " the consolidation effort proposed by HB 2501 or future endeavors of this nature are unrelated to ADOA's co-location plan." The JLBC Staff has asked ADOA if there would be additional costs to reconfigure the 1740 W. Adams space if consolidation similar to that proposed in HB 2501 is enacted. ADOA estimated that reconfiguration costs would be approximately \$85,000. However, this cost assumes only 20% of the space would need to be reconfigured at a cost of \$5 a square foot. Under ADOA's space allocation plan, the health boards are allocated approximately 71% of the square feet. Given the potential additional costs, the Committee may consider a provision that a favorable review by the Committee does not constitute an endorsement of additional funding to reconfigure 1740 W. Adams if the health boards are consolidated.

Prior to submitting its tenant space plan in September 2016, ADOA did not confer with the affected agencies. Several agencies expressed concern over their lack of input in the process. Specific concerns included:

- The sharing of common board space, conference rooms, and hearing rooms due to frequent or inflexible meeting requirements.
- Significant use of cubicle space. Agencies that conduct sensitive investigations expressed concerns about privacy.
- The lack of dedicated space to store agency specific confidential records.
- The lack of available parking for staff and the public.
- The use of incorrect FTE counts. Since the agencies' space allocation is based on 250 square feet per FTE, some agencies felt that they did not receive an appropriate space allocation.

In a recent letter to the Committee (*See Appendix C*), the Board of Chiropractic Examiners reiterated these ongoing concerns about agency space allocations.

In its September 29, 2016 letter to ADOA, the JLBC Staff recommended ADOA solicit feedback from impacted agencies regarding the space allocations. The JLBC Staff is aware that ADOA requested agencies complete a space survey (*See Appendix D*) and hosted a stakeholder meeting in October 2016. However, ADOA has not yet reported on the outcome of the survey or any modifications made to its tenant relocation plan as a result of this process. Given this, the Committee may consider a provision requiring ADOA report to the JLBC Staff on the agency space allocations and project timeline by February 28, 2017.

The remainder of this memo provides the same background as appeared in the September 2016 agenda packet.

Tenant Relocation Plan

The FY 2017 Capital Outlay bill allocated \$4.2 million from ADOA's building renewal appropriation for the renovation of the Department of Health Services (DHS) 1740 West Adams building. The building consists of approximately 84,900 square feet and includes 4 floors. A majority of the space has been vacant most of FY 2016 because DHS is consolidating its behavioral health staff with AHCCCS. Laws 2016, Chapter 126 requires ADOA to submit to JCCR a report for review on tenant relocation, including any planned consolidation of state agencies, the current commitment of new tenants and the timeline and estimated costs for relocation.

1740 West Adams Building Renovation

The total project costs include updating fire and life safety systems, HVAC, plumbing and electrical components. In addition, the project includes reconfiguring the office space. As identified in *Table 1* below, ADOA plans to spend \$500,000 on architectural and engineering design, \$1,000,000 on the building's exterior shell and interior systems, and \$2,200,000 on building interior construction costs (see *Table 1*). Not included in this amount is \$500,000 already allocated to demolition. The total cost per square foot is \$49, which is considerably lower than past state renovation projects.

Table 1 1740 West Adams Building Renovation Estimated Cost	
Current Request	
Architectural and Engineering Design	\$500,000
Building Shell/Interior Systems	1,000,000
Interior Buildout	2,200,000
Total	3,700,000

Agency Relocations

ADOA's proposed space allocation includes 250 square feet per FTE and a total of 3,300 square feet for shared space including bathrooms, kitchen facilities, conference rooms, and a boardroom. According to ADOA, the space allocation is an estimate based on current headcount. According to ADOA, 250 square feet per FTE is an industry standard for administrative space.

Relocated from Doubletree Road

ADOA plans to relocate the Medical Board, Osteopathic Examiners Board, and Veterinary Medical Examining Board, which reside in state-owned space on Doubletree Road located in Scottsdale. During the FY 2017 budget process, the Governor's Office proposed selling the state buildings located at the Doubletree Road.

Relocated from Other State Buildings

ADOA also plans to relocate a majority of the state agencies located at 1400 West Washington. These agencies include:

- Board of Acupuncture Examiners
- ADOA Central Services Bureau/State Board's Office
- Office of Administrative Hearings
- Board of Barbers
- State Board of Funeral Directors and Embalmers
- Board of Homeopathic and Integrated Medicine Examiners
- Board of Massage Therapy
- Naturopathic Physicians Medical Board
- Nursing Care Institution Administrators Board
- State Board of Dispensing Opticians
- State Board of Optometry
- Personnel Board
- State Board of Podiatry Examiners
- State Board for Private Postsecondary Education
- State Board of Psychologist Examiners
- Board of Respiratory Care Examiners

In addition, ADOA plans to relocate the State Board of Pharmacy, which is currently located at 1616 West Adams.

ADOA's FY 2018 Budget request includes a request for \$10.1 million to renovate 1400 West Washington. Once renovated, ADOA proposes relocating the state agencies from state-owned space at 2910 North 44th Street including the Department of Financial Institutions, the Department of Insurance, the State Department of Real Estate, and the Auditor General. ADOA proposes to sell the 2910 North 44th Street building.

Relocated from Privately Leased Space

In addition, ADOA plans to relocate several agencies from privately leased space including:

- Board of Behavioral Health Examiners
- State Board of Chiropractic Examiners
- Board of Cosmetology
- State Board of Dental Examiners
- State Board of Nursing
- Board of Occupational Therapy
- Board of Physical Therapy Examiners

ADOA reports that most leases have a termination clause that permits termination without penalty if ADOA directs the agency to a state-owned facility. The State Board of Nursing has a \$91,200 termination policy. Therefore, ADOA would delay the relocation until the lease expires in October 2017.

RS/RP:kp

Appendix A

STATE

SENATE

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STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS PHOENIX, ARIZONA 85007

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CHAIRMAN 2015 OLIVIA CAJERO BEDFORD STEVE FARLEY GAIL GRIFFIN KATIE HOBBS JOHN KAVANAGH STEVEN B. YARBROUGH

September 29, 2016

Mr. Craig Brown, Director Arizona Department of Administration 100 N. 15th Avenue, Suite 401 Phoenix, AZ 85007

Dear Mr. Brown:

The FY 2017 Capital Outlay Bill (Laws 2016, Chapter 126) allocated \$4,200,000 in FY 2017 from the Arizona Department of Administration (ADOA) building renewal appropriation to renovate the state building located at 1740 West Adams. A footnote requires ADOA to submit its tenant relocation plan to the Joint Committee on Capital Review (JCCR) prior to expenditure of the building renewal funds.

At its June 2016 meeting, the Committee favorably reviewed \$500,000 of the 1740 West Adams allocation for demolition and major building systems design. The Committee's review included a provision deferring the review of the remaining \$3,700,000 until ADOA received review from the JCCR on the tenant relocation plan.

In August 2016, you submitted a request for the Committee to review the ADOA tenant relocation plan. The plan included relocating 27 state agencies from private office space and other state owned office space. At its September 21, 2016 meeting, the Committee decided to not review your request.

The Committee expressed concerns about the cost estimates and design of the building given the uncertainty regarding the tenant list and proposed agency consolidations. In addition, JLBC Staff recommended ADOA solicit feedback from impacted agencies regarding the space allocations.

If you have any questions relative to the action of the Committee, please let us know.

Sincerely,

Richard Stavneak Director

RS:kp

xc: Representative Justin Olson, Chairman
 Senator Don Shooter, Vice-Chairman
 House Speaker David Gowan
 Senate President Andy Biggs
 Lorenzo Romero, Director, OSPB
 Nola Barnes, Assistant Director, General Services Division, ADOA

Appendix B

1740 WEST ADAMS STREET SPACE ALLOCATION PLAN

			. I						
			Adjusted			Net			
		c	RSF	Constant	Destanted				
		Current	250 RSF/FTE	Current Rent	Projected Rent	in Rent	Current Location	Space Type	Space Disposition
Backfill Agency	FTE	RSF 1/		\$1,013,360			1740 W Adams	State-owned	DHS retains space in basement
Health Services, Department of	10	77,474	15,427	1 - / - / /	. ,		9535/3545 Doubletree Ranch Rd.	State-owned	Sell
Medical Examiners	42	15,294	10,500	. ,	\$137,340	(, , ,		State-owned	Sell
Osteopath	5	2,821	1,250		\$16,350		9535/3545 Doubletree Ranch Rd.	State-owned	Sell
Veterinarian	5	1,932	1,250	\$25,271		,	9535/3545 Doubletree Ranch Rd.	State-owned	Renovate & backfill
Psychologists	4	1,567	1,000	\$20,496		(, , ,	1400 West Washington	State-owned	Renovate & backfill
Respiratory	3	1,512	750	\$19,777			1400 West Washington		Renovate & backfill
Massage Therapy	4	2,172	1,000	\$28,410			1400 West Washington	State-owned	Renovate & backfill
Nursing Care and Asst Living Admin.	4	1,757	1,000	\$22,982			1400 West Washington	State-owned	
State Boards & Central Services	10	3,317	2,500	\$43,386			1400 West Washington	State-owned	Renovate & backfill
Podiatry Examiners	1	340	250	\$4,447		(. , ,	1400 West Washington	State-owned	Renovate & backfill
Optometry	2	701	500	\$9,169			1400 West Washington	State-owned	Renovate & backfill
Funeral Directors	3	1,162	750	\$15,199	. ,		1400 West Washington	State-owned	Renovate & backfill
Naturopath	2	619	500	\$8,097	\$6,540		1400 West Washington	State-owned	Renovate & backfill
Dispensing Opticians	1	502	250	\$6,566		() /	1400 West Washington	State-owned	Renovate & backfill
Acupuncture	1	354	250	\$4,630	\$3,270		1400 West Washington	State-owned	Renovate & backfill
Homeopathic physicians	1	385	250	\$5,036	\$3,270	(\$1,766	1400 West Washington	State-owned	Renovate & backfill
Personnel Board	2	1,892	500	\$24,747	\$6,540	(\$18,207	1401 West Washington	State-owned	Renovate & backfill
Administrative Hearings	12	15,631	3,000	\$204,453	\$ \$39,240	(\$165,213	1400 West Washington	State-owned	Renovate & backfill
Barber Board	4	957	1,000	\$12,518	\$13,080	\$562	1400 West Washington	State-owned	Renovate & backfill
Private Post Secondary Education	5	1,292	1,250	\$16,899	\$16,350	(\$549) 1400 West Washington	State-owned	Renovate & backfill
Pharmacy Board	18	9,007	4,500	\$117,812	\$58,860	V V) 1616 W Adams	State-owned	Backfill
Behavioral Health Examiners	15	5,760	3,750	\$96,019	\$49,050	(\$46,969) 3443 N. Central, Suite 1700	Private lease	Lease expires 12/31/2020 ^{2/}
Chiropractic Examiners	4	2,844	1,000	\$47,637	7 \$13,080	(\$34,557) 1951 W. Camelback Rd., Suite 330	Private lease	Lease expires 4/30/2020 ^{2/}
Dental Examiners	9	5,128	2,250	\$61,536	5 \$29,430	(\$32,106) 4205 N 7th Ave., Suites 207 & 300	Private lease	Lease expires 11/30/2020 ^{2/}
Physical Therapy Examiners	4	978	1,000	\$12,225	5 \$13,080	\$855	4205 N 7th Ave. #208	Private lease	Lease expires 7/14/2018 ^{2/}
Cosmetology	17	6,400	4,250	\$126,400	\$55,590	(\$70,810) 1721 E. Broadway	Private lease	Lease in in holdover (6/30/2016) ^{3/}
Occupational Therapy	2	1,295	500	\$14,893		(\$8,353) 4205 N. 7th Avenue, Suite 305	Private lease	Lease is in holdover (11/30/2014) 3/
Nursing Board	55	13,847	13,750		5 \$179,850) 4747 N. 7th St.	Private lease	Lease expires 9/30/2017 4/
Building Common/Flex Space	-	10,047	3,297	÷=07,0E	- 	(+ / · · · •			
	7/5	176,940	77,474	\$7 486 73	1 \$970 225	(\$1,515,999)		
Total	245	1/0,940	//,4/4	72,400,234	+ JJ/0,233	(,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	1		

1/ RSF= Rentable Square Feet

2/ Termination clause permits termination if ADOA directs to state-owned facility; no penalty for early termination

3/ 30 days notice requirement as long as lease is not renewed

4/ 120 days notice required; \$91,160 lease termination penalty. ADOA intends to wait for lease termination to relocate the agency.

Appendix C



State of Arizona Board of Chiropractic Examiners

1951 West Camelback Road, Suite 330 • Phoenix, Arizona 85015 Voice: (602) 864-5088 FAX (602) 864-5099 TTY (800) 367-8939 (AZ Relay Service) www.chiroboard.az.gov

September 28, 2016

Members of the Joint Committee on Capital Review 1700 West Washington Street Phoenix, Arizona 85007

Dear Committee Members:

Douglas A. Ducey Governor

James Badge, D.C. Chairperson

Richard Guarino, D.C. Vice-Chairperson

Gregory Katsaros, D.C. Member

Justin Bohall **Executive Director**

The Board of Chiropractic Examiners wishes to thank you for your attention to this matter. We appreciate your diligence when considering the matter of the proposed renovation plan by ADOA for the building located at 1740 West Adams. We understand the Department of Administration's desire to reduce cost and make efficiencies wherever possible. The Board is aligned with those goals as well. The Board takes great care and concern when using the licensing fees provided by the profession and does not trivialize the importance of the funds. It was for this reason that the Board carefully selected its current location and space. The Board has concerns with the renovation plan proposed by DOA for many reasons but the greatest are as follows:

- The Board currently handles many confidential files and documents including health • records and criminal background checks. These documents are protected and cannot be shared with other agencies. The proposal does not make plans for the Board to have a confidential file room or private space in which to manage or discuss these confidential files. Individual's security that has been entrusted to the Board would be broken and the Board and State would be in violation of many laws including but not limited to the Federal HIPPA Law. This would expose the State to undo risk and potential litigation regarding the information possessed by the Board.
- The renovation plan does not account for a Board Meeting room space that would be • required to conduct the business of the Board. The plan also does not address how a shared meeting space would be handled. The Chiropractic Board utilizes its current

Board Meeting space nearing 90 times a year for various functions. Other Boards and agencies utilize their space in the same capacity if not more frequently.

• The renovation plan does not account for parking. The concern about parking is two-fold. On days in which a Board meeting occurs, the Board has an average of 30 to 35 people arrive and park at the Board office. The individuals do not carpool or rideshare and will remain at the meeting location for the duration of the meeting. This relocation and renovation would require ample parking space during the Board meetings for both the public and the profession to attend. Failure to provide ample parking could be considered a violation of open meeting laws or a citizen's civil rights. The Board's current location has ample parking as the Board ensured the current location met all of the Board's needs.

We again thank you for your attention to this matter. The Board will, of course, accept any action or direction given by the Committee. We wish to express that the Board takes its duty very seriously and would not misuse the trust or funds placed in it by the Citizens and the State of Arizona. We trust the committee will consider these important issues in the interest of all parties concerned.

Kindest Regards,

James J. Badge, D.C Chairman

Gregory

Professional Member

A Gumo D.C.

Richard A. Guarino, D.C. Vice-Chairman

Justin Bohall Executive Director

What is this form?

This form is intended to help ADOA capture your space needs. The term "space needs" includes information such as space size, configuration, adjacencies, electrical and mechanical requirements, etc. The worksheet will prompt you to provide information necessary to gather space needs as a whole for the project.

Dick & Fritsche Design Group (DFDG), a local architectural firm, has been retained for this phase of the project and is gathering input which will directly impact each work area. Upon receipt and review of this information, it will be determined if a follow-up meeting is required. DFDG will utilize the information provided to facilitate and assign the required allotted times for each meeting. (Please do not contact anyone from DFDG)

How do I complete?

Please type, print or legibly write your information. It is extremely important that you include any and all information you deem necessary for this project. Feel free to elaborate on any question or to provide additional information.

What if I have questions?

Direct your questions to -

Ruben Duran ADOA GSD via email at <u>ruben.duran@azdoa.gov</u> or via phone at 602-364-4851 Britt Olachea with ADOA GSD via email at <u>britt.olachea@azdoa.gov</u> or via phone at 602-292-6229.

When is the Space Needs Assessment/Worksheet due?

The completed worksheet is due Friday, 9/23/2016.

Where do I send when completed?

Make a copy of the completed worksheet for your own file. Send an electronic copy via email to the following individuals;

Ruben Duran	(ADOA)	ruben.duran@azdoa.gov
Britt Olachea	(ADOA)	britt.olachea@azdoa.gov

What happens next?

After the Project Manager has received the completed forms and has had time to review, follow-up meetings will be scheduled for further discussion.

DEPARTMENT INFORMATION:

Department Name:		
Department's current location/address:		
Main point of contact for relocation:	Phone Number:	Email:
This form completed by:	Phone Number:	Email:

These questions serve as a guide for DFDG/ADOA to gather as much information as possible about your work area and its role. We try to anticipate several scenarios but realize that all may not be represented; therefore, we ask you to elaborate on the back of the form or on separate paper as you deem necessary and appropriate. Please complete the information as pertinent to your department. We welcome and appreciate your input.

1. **DEPARTMENT'S FUNCTION**: Provide an overview of this department's role.

2. **FUNCTIONAL RELATIONSHIP**: Which departments do you have the most contact with? List and prioritize.

3. VISITORS AND MEETINGS: Please list all that apply.

Number of Visitors	Days/Hours of	Department Meets With	Number of Public	
Daily	Operation	Public (Y/N)	Meetings Annually	
	•			

4. **STORAGE REQUIREMENTS:** (Do not include storage in individual workspaces or offices) List all that apply File Cabinets, Compressed File Systems, Secured File Systems etc.

Examples Below:

Type of System	Quantity	Size (Dimensions)	Accessed Daily (Y/N)	Location (In suite or separate storage area)	Secured Files (Y/N)
File Cabinet	Qty. 2	36" W x 18" D x 42" H	Y	In Suite Near Reception	N
Compressed File Systems	Qty. 1	10' W x 10' D x 8' H	N	Basement Storage	Y

Type of System	Quantity	Size (Dimensions)	Accessed Daily (Y/N)	Location (In suite or separate storage area)	Secured Files (Y/N)
					_
					_
		- 4 ·			
					_

5. **DEPARTMENT SUPPORT SPACE REQUIREMENTS**: Check all that apply.

Space Type	Required (Y/N)
Conference room	
Copy room	
File room	
Storage room	
Secured Storage Room	
Equipment room	
Computer room	
Reception/Waiting area	
Training room	
Board Room	
Security Monitoring Room	
Other	

6. **EQUIPMENT:** Check all that apply and quantify where applicable.

Existing Equipment	Quantity	Special Electrical Req'd (Y/N)		
Copier				
MFD Shared Printer				
Single-User Printer in office				
Fax				
Plotter				
Security Monitors				
Security Scanner				
Security Server				
Other				

- 7. ACOUSTICAL REQUIREMENTS: Is there a requirement for sound or acoustical isolation because of privacy and/or confidentiality conditions? List each space, type and reason for acoustical treatment.
- 8. SECURITY REQUIREMENTS: Are there any requirements which affect your area?
- 9. **DEPARTMENT REQUIREMENTS:** (NOT LISTED ABOVE):

1740 W. Adams Renovation SPACE NEEDS ASSESSMENT – WORKSHEET

10. PERSONNEL REQUIREMENTS:

List the total number of department personnel:

List each position within this department. If you submit an Organizational Chart, please list below see org chart.

Name of Position (Title)	Quantity of Personnel in this Position	Directly Supervises Staff (Y/N)
E		

QUESTIONS TO CONSIDER: Below is a list of questions to be answered in an effort to get you thinking about your spaces. List N/A if not applicable.

RECEPTION AREA:

- How many visitor seats do you require?
- Do you require a separate room/Barrier/waiting area for Visitors away from receptionist/admin
- Does the receptionist perform any tasks that require special equipment or proximity to equipment or specific co-workers?
- Do you have any display requirements or information and brochures which need to be displayed?

CONFERENCE ROOMS

- How many people do you need seated at the table?
- How many guest chairs do you need in addition to the table and seating?
- What type of presentations are performed and what equipment is needed for support?
- Do you reconfigure the tables and seating?
- If so, what configurations do you utilize?
- Does the space require and special lighting, mechanical or acoustical treatments?
- Does it have special equipment or electrical and data requirements?
- Where is the computer or rack of equipment located for presentations?
- Do you require microphones or recording equipment that need special power or charging areas?
- Do you require Secured Storage

BOARD ROOMS

- How many board members?
- Do you require computer access for each board member?
- How many guest chairs do you need in addition to the table and seating?
- What type of presentations are performed and what equipment is needed for support?
 - o Audio Visual
 - o Projector
 - o TV
 - o Security Monitoring
 - Light board
- Do you reconfigure the tables and seating?
- If so, what configurations do you utilize?
- Does the space require and special lighting, mechanical or acoustical treatments?
- Do you use a podium?
- Does it have special equipment or electrical and data requirements?
 - List any special equipment such as Video, computer, TV etc.

Appendix D

- Where is the computer/AV rack of equipment located for presentations?
- Do you require microphones or recording equipment that need special power or charging areas?
- Are there Security requirements?
- What is the condition of your existing Board Room furniture?
 - o Can it be repurposed?
- How large is your existing Board Room (list approximate dimension of the room)?
 - Do you utilize all of the space (can it be smaller)
- How many meetings
 - o Monthly?
 - o Yearly?
 - What are the normal times that you meet (AM/PM)?
 - What is the typical duration/range of hours for board meetings?
- Does your Board Room require a private executive session room?
 - o If so, how large?
 - o Describe the room requirements

SECURED STORAGE

- Do you require secured storage?
- Do you require a separate secured storage room?
- List any special type of records *(example HIPPA)* and secured storage requirements in your office/desk/cube?

IT RELATED

1740 W. Adams will not be housing servers on-site due to space and energy efficiencies. Preliminary plans have servers being hosted off-site or cloud based.

- Are there any special security requirements surrounding your IT services?
- Will equipment be relocated by in-house IT staff or will their need to be a contracted vendor?
- Are there special requirements for back-up data storage?

These are just preliminary questions, future meetings will be required with ASET and AZNETII in order to further detail your IT needs.

•

1740 W. Adams Renovation SPACE NEEDS ASSESSMENT – WORKSHEET

AGENCY QUESTIONS AND CONCERNS:

We thank you for your review and submission of this space plan information/worksheet. Please contact Ruben Duran 602-364-4851 or Britt Olachea 602-542-6229 with any questions.

Douglas A. Ducey Governor



Craig C. Brown Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401 PHOENIX, ARIZONA 85007

(602) 542-1500

November 23, 2016

The Honorable Justin Olson, Chairman Joint Committee on Capital Review (JCCR) Arizona House of Representatives 1700 West Washington Street Phoenix, Arizona 85007

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



Re: ADOA Building System FY 2017 Building Renewal Allocation Plan

Dear Representative Olson and Senator Shooter:

Laws 2016, 2nd Regular Session, Chapter 126 (SB1527) allocated \$4,200,000 in FY 2017 from the Arizona Department of Administration (ADOA) building renewal appropriation to renovate the state-owned office building located at 1740 West Adams.

At its June 16, 2016 meeting, the Committee favorably reviewed \$500,000 of the allocation for demolition, abatement, and major building systems design. The June review included a provision to defer review of the remaining \$3,700,000 until JCCR provided its review of the proposed tenant relocation plan at a later meeting. At its September 21, 2016 meeting, ADOA submitted its tenant relocation plan for review; however, the Committee decided not to review ADOA's plan based on the uncertainties concerning recently failed legislation (HB 2501) that proposed to consolidate Health Profession Regulatory Boards to the Department of Health Services (DHS). The legislation proposed consolidation of the foregoing boards and commissions over a period of approximately six (6) fiscal years. The consolidation effort proposed by HB 2501 or future endeavors of this nature are unrelated to ADOA's co-location plan. Most of the boards and commissions in ADOA

The Honorable Justin Olson The Honorable Don Shooter November 23, 2016 Page 2 of 2

tenant relocation plan for 1740 West Adams are *already* co-located in other state-owned and privately leased facilities.

ADOA's proposed relocation plan, including the related sale of two underutilized state-owned Scottsdale buildings, facilitates approximately \$1,500,000 in private/public annual rent savings, creates space use efficiencies, and reduces other operating expenses. The 1740 West Adams facility is vacant and currently gutted to shell space pending favorable review of remaining construction monies and tenant relocation plan. If the building remains vacant pending the outcome of consolidation legislation it could remain vacant or under-utilized for many years. Failure to proceed with this project as planned delays savings and operational efficiencies.

ADOA has met with or is currently scheduled to meet with members of the Committee to further explain the details and intent of this project. ADOA requests favorable JCCR review of the remaining \$3,700,000 in construction monies from the FY 2017 Building Renewal Allocation.

If you have any questions regarding ADOA's FY 2017 ADOA Building System building renewal allocation plan please contact Nola Barnes, Assistant Director, ADOA General Services Division (GSD), at 602-542-1954.

Sincerely,

Craig C. Brown

Attachments

cc: Richard Stavneak, Director, JLBC Staff Rebecca Perrera, Fiscal Analyst, JLBC Staff Lorenzo Romero, Director, OSPB Chris Olvey, Budget Analyst, OSPB Kevin Donnellan, Deputy Director, ADOA Nola Barnes, Assistant Director, ADOA/GSD John Hauptman, General Manager, ADOA/GSD

1740 W Adams Building Renovation Status Update

ADOA

TIMELINE

\$4.2 million allocation

MAY

2016

JUN

2016

JUL-

SEP 2016

AUG

2016

SEP 2016

SEP

2016

OCT

2016

DEC 2016 JCCR review of \$500,000 for abatement, demolition, preconstruction and preliminary design

Asbestos Abatement, Interior Demolition, Investigation

Architect selected for preliminary design; CMAR procured for preconstruction services

Space needs assessment

Existing Condition/ Building Deficiencies Report

Preliminary design

JCCR Review of \$3,700,000

The FY 2017 Capital Outlay Bill (SB 1527) allocated \$4.2 million from the FY 2017 ADOA building renewal appropriation for renovation of the 1740 West Adams office building. At its June 16th, 2016 meeting the Joint Committee on Capital Review (JCCR) gave a favorable review of \$500,000 of the total \$4.2 million allocation for demolition, abatement, and preliminary engineering and design. Asbestos abatement and interior demolition have been completed to allow for a thorough analysis of all building systems and infrastructure. The project architect, DFDG, has completed its preconstruction investigation to finalize the scope of work. Space needs assessments were distributed to the proposed tenants requesting key information necessary for programming and design in the next project phase. ADOA requests favorable JCCR review of the remaining \$3,700,000 in construction monies from the FY 2017 building renewal allocation for the 1740 West Adams renovation.

11/23/2016

ESTIMATED PROJECT COSTS

(based on preconstruction investigation and preliminary design)

Building Shell/Interior Systems	\$ 1,000,000
Interior Buildout	\$ 2,200,000
Preconstruction Services (Abatement, Demolition, Pre-Design)	\$ 500,000
Design, Engineering and Construction Administration	\$ 500,000
Total	\$ 4 200 000

BUDGET ALLOCATIONS	A	MOUNT	STATUS
			Reviewed &
Preconstruction Services	\$	500,000	Expended
			6/2016
		3,700,000	Requesting
Remaining Construction Costs	\$		Review
			12/2016
Total Allocation	\$	4,200,000	





STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

DON SHOOTER CHAIRMAN 2015 OLIVIA CAJERO BEDFORD STEVE FARLEY GAIL GRIFFIN KATIE HOBBS JOHN KAVANAGH STEVEN B. YARBROUGH 1716 WEST ADAMS PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

HOUSE OF REPRESENTATIVES

JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY VINCE LEACH ERIC MEYER, M.D. STEVE MONTENEGRO

DATE:	December 7, 2016
TO:	Representative Justin Olson, Chairman Members, Joint Committee on Capital Review
THRU:	Richard Stavneak, Director $ ho$ Jeremy Gunderson, Fiscal Analyst
FROM:	Jeremy Gunderson, Fiscal Analyst
SUBJECT:	Arizona State Lottery Commission - Review of FY 2017 Building Renewal Allocation Plan

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona State Lottery Commission requests Committee review of its FY 2017 Building Renewal Allocation Plan. The FY 2017 Capital Outlay Bill (Laws 2016, Chapter 126) appropriated \$118,100 from the State Lottery Fund to the State Lottery Commission to fund 100% of the building renewal formula in FY 2017 for capital improvement projects.

This memo also provides an update on the new Lottery retail site at Sky Harbor Airport, which was not reviewed by the Committee.

Recommendation

The Committee has at least the following 2 options:

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

Under either option, the JLBC Staff recommends the following provisions:

A. The Commission shall report any change in the building renewal spending plan to the JLBC Staff, including non-emergency reallocations between projects. If there is significant change of scope in the reallocation reported by the Commission, the JLBC Staff shall recommend the Commission to request Committee review of the reallocation.

(Continued)

- 2 -
- B. The reallocation of monies for emergency projects shall be addressed as follows:
 - The Commission shall notify the Chairman and the JLBC Staff that they plan to reallocate less than \$15,000 to spend on an emergency project. The Commission can proceed without Committee review.
 - 2. If the emergency project is \$15,000 or greater, the Commission will request JCCR review.
 - 3. The Chairman can allow the Commission to move forward with an emergency project of greater than \$15,000 without Committee review.
 - 4. The Chairman will notify the Commission if he does not agree that a project is an emergency and that the project will require full Committee review.

An "emergency" project is defined as unforeseen, critical in nature, and of immediate time sensitivity.

C. If the Commission adds a new non-emergency project not listed in this request, the agency must submit the proposed project and expenditure plan for Committee review.

Airport Retail Store Update

The agency recently completed construction on a retail store location within Terminal 4 of Sky Harbor International Airport. In March, the agency submitted a request to be on the Committee agenda to review a spending plan to build out 500 square feet of space within Terminal 4 of the airport. The review was not put on the agenda. Among the concerns were the high cost per square foot of the airport site. However, the agency continued with the project, completing construction and opening the retail store for business in August.

According to the agency, total costs of the construction were \$486,200 to build a retail store using 500 square feet of shell space, which equates to \$972 per square foot. Construction costs for the project were paid from the Advertising line item in the agency's budget. Ongoing costs for the location include annual rent payments of \$54,000, as well as \$199,000 in personnel costs to staff the retail store with 2 full-time and 4 part-time staff. The store now serves as a retail and redemption location for Arizona Lottery products.

Analysis

The commission operates out of 3 facilities; a 38,500 square foot state-owned building in Phoenix, a 3,398 square foot leased building in Tucson, and a 500 square foot location located at Phoenix Sky Harbor Airport, on which the agency recently completed construction. The Phoenix facility includes administrative offices, ticket sales, and redemption centers. This request pertains only to the Phoenix facility.

Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. Laws 2016, Chapter 126 appropriated a total of \$118,100 in FY 2017 from the State Lottery Fund to the commission for building renewal. The Lottery Commission is requesting review of their \$118,100 allocation plan that seeks to address 4 project areas identified at the Phoenix facility. Costs for each component of the plan are listed in *Table 1* below.

Table 1		
Components of Building Renewal Plan		
Upgrade HVAC Control System	\$27,000	
Replace South Water Tower for Cooling System	56,100	
Replace Exterior Door Hardware	9,000	
Replace Evaporative Coolers	26,000	
Total Cost of Plan	\$118,100	

Upgrade HVAC Control System

The agency plans to spend \$27,000 of FY 2017 building renewal funds to upgrade their current HVAC system with a computerized master control system. This project was reviewed as part of the agency's FY 2016 building renewal plan, which allocated \$27,500 of FY 2016 building renewal funds to the project. The agency reports that initial estimates for the project have changed, and the agency plans to spend a total of \$54,500 on the project, combining the FY 2016 and FY 2017 allocations.

The current control system is not centralized and allows employees to adjust thermostats beyond energy standards. A computerized system can alert to potential problems before system failures. The new system will be centralized with the Arizona Department of Administration's (ADOA) system, which allows ADOA to remotely monitor it. The agency expects that a new, computerized HVAC control system monitored by ADOA will reduce utility and system repair costs.

Replace South Water Tower for Cooling System

The agency plans to spend \$56,100 to replace 1 of 2 water towers that are part of the Phoenix facility's cooling system. The south tower is in need of replacement due to issues with rusting and water leaks, causing recurring maintenance repairs. Replacement of the north tower was included as part of the FY 2016 building renewal allocation plan. While the north tower was in greater need of replacement, an ADOA building inspection identified the south tower replacement as an additional need. The agency expects that replacing the tower will improve reliability and reduce operating and maintenance costs due to a more efficient system.

Replace Exterior Door Hardware

The agency plans to spend \$9,000 to replace hardware on exterior doors throughout the building. The agency reports that many doors around the building do not function properly, including the sliding entry door, which often comes off its track and gets stuck in the open position. The agency expects the door repairs will reduce utility costs and improve operational impacts due to malfunctions.

Replace Evaporative Coolers

The agency plans to spend \$26,000 to replace 4 evaporative coolers. The warehouse area in the building is cooled by 7 evaporative coolers, all of which, according to the ADOA building inspection in May, are in a state of disrepair. The agency plans to replace the 4 evaporative coolers in most need, while the other 3 will be replaced at a future time. According to the agency, replacing the evaporative coolers will reduce emergency repair costs and protect lottery files and equipment being stored in the warehouse that could be damaged by wide temperature fluctuations.

RS/JG:kp



Douglas A. Ducey Governor

Gregory R. Edgar Executive Director

November 22, 2016

The Honorable Justin Olson, Chairman Joint Committee on Capital Review Arizona State Senate 1700 West Washington St. Phoenix, AZ 85007



Re: JCCR Agenda Request

Dear Representative Olson:

The Arizona Lottery respectfully requests placement on the JCCR meeting agenda for the December 2016 to review the Lottery's FY17 Building Renewal allocation plan.

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

Information for this item is attached.

Sincerely,

Gregory R. Edgar

Executive Director

Attachment

cc: Senator Don Shooter, Vice-Chairman, JCCR Richard Stavneak, Director, JLBC Jeremy Guderson, Lottery Analyst, JLBC Lorenzo Romero, Director, OSPB Fletcher Montzingo, Lottery Analyst, OSPB

PHOENIX 4740 E University Dr. Phoenix, Arizona 85034 | TUCSON 2900 E Broadway Blvd., Suite 190 Tucson, Arizona 85716

Arizona Lottery – Building Renewal Funds FY17 Allocation Plan

Background

The Arizona Lottery operates out of three 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, and a 500 sq. ft. airport location. The Phoenix facility includes administrative offices as well as a ticket sales and redemption section. The Tucson and airport offices provides ticket sales and redemption services and the Tucson office also includes office space for the district sales manager. Maintenance of the Phoenix facility is the responsibility of the Lottery, while Tucson facility maintenance is included as part of the lease agreement. This plan provides information on proposed maintenance expenses for the Phoenix facility.

Allocation

As part of the FY17 approved budget, the Lottery received a capital outlay appropriation of \$118,100 from the Lottery Fund for building renewal purposes.

FY17 Capital Outlay/Building Renewal Allocation:	\$118,100
Proposed FY17 Expenditures –	
Energy Management Control System	27,000
Cooling Tower	56,100
Exterior Doors	9,000
Evaporative Coolers	26,000
TOTAL:	\$118,100

Cost estimates were either supplied by state-contracted vendors or provided by ADOA.

1. Energy Management Control System

This item was originally requested and approved as part of the FY16 allocation plan. It involves installing a computerized master energy management and HVAC control system to maximize energy efficiency and reduce repair costs.

Due to limited personnel associated with significant staffing changes, this project was not able to be completed during FY16 as originally intended. The Lottery plans to address this issue in FY17, but total cost estimates have changed in the interim. The Lottery will use the original allocation of \$27,500 from FY16 funds and will need to budget an additional \$27,000 from the FY17 allocation in order to complete this project. The cost is higher because the Lottery will now be centralized with ADOA's system instead of having a standalone system. This allows the system to be remotely monitored by ADOA, creating long-term efficiencies and savings.

Proposed Solution

The solution remains the same as the previous plan: to install a master energy management system for centralized, cost-effective building operation utilizing a combination of FY16 and FY17 building renewal funds.

Principal Benefits

A computerized system will help reduce utility costs by eliminating the ability for employees to individually adjust thermostats throughout the building. Also, a decrease in repairs will be achieved through being alerted to potential problems before reaching system failure.

2. Cooling Tower

The Lottery has two water towers that function to cool the water for the building's cooling system. Replacement of the north tower was approved as part of the FY16 building renewal expenditure plan. Although the south tower was the less urgent of the two, it is also in need of replacement due to rust issues and recurring service calls to address leaks and other malfunctions. The cooling towers were last replaced in FY04.

Proposed Solution

Replacement of the south cooling tower. The Lottery had a building inspection performed by ADOA in May 2016; this item was identified in the report as an area that should be addressed.

Principal Benefits

Principal benefits include a more reliable air conditioning system and reduced operational impacts due to system failures. Operating and maintenance costs will be reduced due to a more energy-efficient system and fewer repairs.

3. Exterior Doors

The exterior doors were another item identified in the ADOA building inspection. Doors throughout the building do not function properly and require frequent repairs to closers and panic bars. The sliding entry door often comes off its tracks and remains stuck in the open position, requiring a service call to repair.

Proposed Solution

Address repairs as needed so that exterior building doors function properly. This would involve replacement of major hardware components.

Principal Benefits

Reduced operational impacts due to breakdowns, including wasted utility costs incurred when the front door is stuck in the open position. An additional benefit is the avoidance of potential liability should a customer or employee be injured by a door malfunction.

4. Evaporative Coolers (4)

The Lottery has seven evaporative coolers that function to cool the 12,200 sq. ft. warehouse area. According to the ADOA building inspection, all coolers are in some state of disrepair and in need of replacement due to rust issues and operational malfunctions. The coolers regularly require troubleshooting maintenance calls and are all past their useful lives.

Proposed Solution

Replacement of the four most critical coolers with FY17 funds. The remaining evaporative coolers would be replaced at a future time.

Principal Benefits

Similar to the cooling tower, principal benefits will be a more reliable system with reduced operational impacts/emergency repair costs due to system failures. An additional benefit is the protection of Lottery files, equipment, and promotional items stored in the warehouse that could be damaged from water leaks and temperature fluctuations.





STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

DON SHOOTER CHAIRMAN 2015 OLIVIA CAJERO BEDFORD STEVE FARLEY GAIL GRIFFIN KATIE HOBBS JOHN KAVANAGH STEVEN B. YARBROUGH 1716 WEST ADAMS PHOENIX, ARIZONA 85007

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HOUSE OF REPRESENTATIVES

JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY VINCE LEACH ERIC MEYER, M.D. STEVE MONTENEGRO

DATE:	December 7, 2016
TO:	Representative Justin Olson, Chairman Members, Joint Committee on Capital Review
THRU:	Richard Stavneak, Director 25
FROM	Steve Schimpp, Deputy Director 55
SUBJECT:	Pinal County Community College District - Review of Student Union and Science Building

Request

A.R.S. § 15-1483 requires Committee review of any community college projects financed with revenue bonds that do not require voter approval. The Pinal County Community College District requests Committee review of their \$30,200,000 bond project. The project is for the construction of a new Science Building and a new Student Union Building. It would be financed with a \$30,550,000 revenue bond issuance, which includes \$30,200,000 for construction costs and \$350,000 for issuance costs.

Recommendation

The Committee has at least the following 2 options:

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

Analysis

The current Science Building and Student Union on Central Arizona College's main campus in Coolidge were built in the 1960's and according to the district there are major life safety, Americans with Disabilities Act, and structural defects in both buildings. The district has determined that remodeling these buildings would be more expensive than constructing replacements, so the district instead plans to demolish and replace the existing facilities.

(Continued)

The proposed new Science Building would be 31,520 square feet and house 9 Life Science, Physical Science, and Engineering Labs as well as storage space for chemicals and new faculty offices. It would replace the current science building, which is 24,525 square feet. The total projected construction cost is \$10,926,700 or \$347 per square foot.

The proposed new Student Union would be 34,887 square feet and would house dining facilities, retail food service, student government support spaces, a student lounge, conference room, public safety offices, and a bookstore. The building would also include support spaces for outdoor events on the existing lawn. It would replace the current student center, which is 27,120 square feet. The total projected construction cost for the Student Union is \$10,498,200, or \$301 per square foot.

The total estimated cost of the project, including furniture, fixtures and equipment (FFE), demolition and fees is \$30,200,000 or \$455 per square foot. Construction is scheduled to start in April of 2017 and be completed before the Fall Semester of 2018.

The district compared the Science Building costs to 7 recently constructed educational labs and one municipal lab which had an average project cost of \$483 per square foot. In its September 2014 meeting, the Committee gave a favorable review for a University of Arizona revenue bond project for the construction of a Bioscience Partnership Building in Phoenix at a cost of \$432 per square foot.

The district used a third-party cost estimator to develop the cost for the individual program spaces in the Student Union building, which averaged \$450 per square foot for the total project. In its December 2015 meeting, the Committee gave a favorable review for an Arizona State University revenue bond project to build a Student Pavilion at a cost per square foot of \$410.

Financing

The Pinal District plans on issuing the \$30.6 million revenue bond over a 20-year term at an estimated interest rate of 3.5%. The annual debt service payments would be approximately \$2.3 million and the total cost over the 20-year period will be \$43.1 million, \$12.5 million of which would be interest payments. The revenue bond debt service will be funded from tuition and fees, dormitory revenue, and other operating fees and revenues of the college.

A.R.S. § 15-1484 allows each community college district to incur a projected annual debt service for bonds and certificates of participation of up to 8% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. Combined with prior revenue debt obligations, the District's annual debt service obligation with the proposed \$30.6 million revenue bond issuance would peak at \$3.3 million in FY 2017. Pinal's total budgeted expenditures for FY 2017 are \$89.8 million, resulting in an estimated debt ratio of approximately 3.6% (\$3,262,200/\$89,775,000), an increase of 1.2% over the current ratio. In 2012 Pinal received an A2 bond rating from Moody's Investors Service for a bond issued in 2004 and expects a similar rating for this bond.

RS/SSc:kp



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TIMOTHY A. STRATTON 602-257-7465 FAX: 602-340-1538 tstratton@gustlaw.com

October 13, 2016

The Honorable Justin Olson, Chair Joint Committee on Capital Review 1700 West Washington Phoenix, Arizona 85007

Re: Request for Placement on Joint Committee on Capital Review Agenda in December 2016

Dear Chairman Olson:

I am writing on behalf of my client, the Pinal County Community College District (the "District). The District again requests a review of its Revenue Bonds, Series 2016 at the December 2016 meeting of the Joint Committee on Capital Review ("JCCR"). The District previously requested review of this series of revenue bonds at the September 2016 meeting of the JCCR, but for reasons unknown to the District, review of the bonds was pulled from the agenda prior to the meeting.

This series of revenue bonds is being issued to construct a student union and a science building. The student union will consist of a cafeteria, student union, and conference rooms. It will also house the police department and the book store. The science building will consist of dry and wet labs for biology, chemistry, physics, etc. It will also have space for full and part time faculty offices and general student study areas. The existing student union and science building will be demolished after the construction of the facilities.

The District's Governing Board approved the bond issue at its February meeting. The bond closing and delivery of proceeds to the District will occur approximately two weeks after the bonds are sold, currently scheduled for mid-December 2016.

With this letter, the District's prior letter dated August 22, 2016, and the attached informational packet, the District fulfils its statutory obligation to "submit information regarding the planned projects that will be funded with the bond proceeds to the joint committee on capital review for review," per Arizona Revised Statutes § 15-1483. We look forward to reciving confirmation that this item will appear on the Agenda for the next JCCR meeting. If you or any other member of the JCCR require additional information or have questions regarding the bonds, please let us know as early as possible so that we can provide such information promptly.

The Honorable Justin Olson, Chair Joint Committee on Capital Review

October 13, 2016

Thank you for your time and consideration.

Sincerely,

Timothy A. Stratton Attorney for the District

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ce: Jackie Elliott, Ed. D., President, Central Arizona College Chris Wodka, Chief Financial Officer, Central Arizona College Nicholas Dodd, RBC Capital Markets, LLC



STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

DON SHOOTER CHAIRMAN 2015 OLIVIA CAJERO BEDFORD STEVE FARLEY GAIL GRIFFIN KATIE HOBBS JOHN KAVANAGH STEVEN B. YARBROUGH 1716 WEST ADAMS PHOENIX, ARIZONA 85007 HOUSE OF REPRESENTATIVES

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JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY VINCE LEACH ERIC MEYER, M.D. STEVE MONTENEGRO

DATE:	December 7, 2016
TO:	Representative Justin Olson, Chairman Members, Joint Committee on Capital Review
THRU:	Richard Stavneak, Director RG
FROM:	Ben Murphy, Assistant Fiscal Analyst らか
SUBJECT:	Arizona Department of Transportation - Review of Vehicle Wash Systems Project
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Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for capital projects with costs greater than \$250,000. The FY 2016 Capital Outlay Bill (Laws 2015, Chapter 9) appropriated \$2,910,000 from the State Highway Fund to the Arizona Department of Transportation (ADOT) for 6 new vehicle wash systems. ADOT is requesting Committee review of the department's \$2,523,700 expenditure plan for the new vehicle wash system buildings.

Recommendation

The Committee has at least the following 2 options:

- 1. A favorable review of the \$2,523,700 plan.
- 2. An unfavorable review of the \$2,523,700 plan.

The cost projections are consistent with the low bid and are within the proposed budget for the project.

Under either option, the JLBC Staff recommends the following provisions:

A. ADOT shall report any project reallocations above \$100,000.

B. ADOT shall submit to the JLBC Staff by March 1, 2017 a cost-benefit analysis of building and operating the 10 additional vehicle wash systems authorized by the department's FY 2017 capital appropriation. The analysis shall compare the expense of building and maintaining the vehicle wash systems to any potential cost savings from the additional wash systems, including reductions in transportation costs such as fuel, vehicle depreciation and driver salaries that would result from having additional vehicle wash sites.

Analysis

The FY 2016 Capital Outlay Bill appropriated \$2,910,000 from the State Highway Fund in FY 2016 to the department to construct 6 new vehicle wash systems. The accumulation of corrosive substances such as de-icer salts and grime on ADOT highway maintenance vehicles and equipment can cause the premature deterioration of these vehicles. In order to mitigate the impact of these corrosive substances on its vehicles, ADOT washes them on a regular basis. Because the high concentration of deicing salt on ADOT vehicles exceeds the permit conditions of most private vehicle wash companies and due to the remote locations where ADOT operates, ADOT builds and operates its own vehicle wash systems.

Table 1					
6 Proposed Vehicle Wash Locations $^{1\!\!/}$					
Location	Number of Vehicles/Pieces of Equipment to be Washed ^{2/}	Nearest ADOT Wash System (Roundtrip)			
St. Johns	35	Show Low (90 miles)			
Tucson	200	Willcox (190 miles)			
Nogales	47	Willcox (320 miles)			
Camp Verde	29	Cordes Junction (48 miles)			
Keams Canyon	25	Ganado (95 miles)			
Gray Mountain	23	Flagstaff (85 miles)			
 As reported by ADOT. Number of vehicles owned by ADOT that will use each location. Most light fleet vehicles are washed 2 times per month. Heavy vehicles, such as snow plows, are washed 1 or 2 times per month and after each deployment for snow removal operations. 					

Table 1 shows the distances between the proposed vehicle wash sites and existing ADOT vehicle wash locations.

The new vehicle wash systems would help ADOT comply with an environmental agreement with the Arizona Department of Environmental Quality regarding storm water/waste water.

After having received project bids, ADOT now estimates a total cost of \$2,523,700 to construct new vehicle wash systems at 6 locations, as shown in *Table 2*.

Table 2			
ADOT's Estimated Cost for 6 Vehicle Wash Systems			
	Estimated Cost		
6 Vehicle Wash Systems	\$ 2,184,800 ^{1/}		
Engineering Services/Contingency	338,900		
Total	\$2,523,700		
1/ Low bid			

(Continued)

ADOT's estimated cost for the 6 proposed locations averages \$420,600 per location. Most recently, in June 2016, the Committee favorably reviewed ADOT's FY 2015 vehicle wash systems appropriation. The plan allocated \$2,265,300 for 6 vehicle wash systems, at an average cost of \$377,600 per location.

Between FY 2014 and FY 2017, a total of \$14,440,000 has been appropriated for vehicle wash systems at 28 sites. Capital Outlay Bills included \$3,000,000 for vehicle wash systems in each of FY 2014 and FY 2015 and included \$2,910,000 in FY 2016, but project costs came in below the appropriations.

In terms of historical vehicle wash spending, shown in the following summary are actual costs (for FY 2014, FY 2015 and FY 2016) and budgeted costs for FY 2017:

- \$2,375,000 in FY 2014 Cordes Junction, Fredonia, Ganado, Globe, Kayenta and Springerville
- \$2,265,300 in FY 2015 Chambers, Gila Bend, North Phoenix, Safford, Wilcox and Page
- \$2,523,700 in FY 2016 St. Johns, Tucson, Nogales, Camp Verde, Keams Canyon and Gray Mountain (proposed)
- \$5,530,000 in FY 2017 10 unspecified locations (has not received JCCR review)

ADOT is currently only requesting review of the FY 2016 appropriation.

RS/BM:kp

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Douglas A. Ducey, Governor John S. Halikowski, Director Scott Omer, Deputy Director for Operations Kevin Biesty, Deputy Director for Policy Dallas Hammit, Deputy Director for Transportation

December 2, 2016

The Honorable Justin Olson Chairman Joint Committee on Capital Review 1716 West Adams St. Phoenix, AZ 85007

Dear Representative Olson:

We respectfully request to be placed on the next meeting of the JCCR for review and approval of projects related to ADOT's FY2016 capital outlay appropriation.

ADOT was appropriated \$2,910,000 for the construction of vehicle wash systems as part of a multi-year program to help meet environmental wastewater regulations protecting surface and groundwater. Funds will be used to build systems at the following six (6) maintenance yards: Camp Verde, Nogales, St Johns, Tucson, Keams Canyon, and Gray Mountain.

JOINT BUDGE COMMITTEE

The total cost of the project is estimated to be \$2,523,642, which includes the current bid amount of \$2,184,767 plus \$338,875 for engineering services and contingency.

We appreciate your consideration and approval of this request. If you have any questions or need additional information, please contact Keith Fallstrom, ADOT Budget Director, at 602.712.6594.

Sincerely, Co

John S. Halikowski ADOT Director

Enclosure: Bid Abstract

cc: Richard Stavneak, JLBC Director Ben Murphy, JLBC Analyst Charles Martin, OSPB Analyst John Hetzel, ADOT

Solicitation No:ADOT17-00006847Solicitation Title:Construction of Vehicle Wash Systems

Bid Recap

			A J Roberts Industrial, Inc.		SDB, Inc.		Bayley Construction	
BASE BID								
Location	QTY	UOM		Unit Price		Unit Price		Unit Price
St. Johns Maintenance Yard	1	Total	\$	305,055.00	\$	476,740.00	\$	600,000.00
Tucson Maintenance Yard	1	Total	\$	371,617.00	\$	525,826.00	\$	585,000.00
Nogales Maintenance Yard	1	Total	\$	295,064.00	\$	452,801.00	\$	600,000.00
Camp Verde Maintenance Yard	1	Total	\$	338,061.00	\$	531,436.00	\$	600,000.00
		Subtotal	\$	1,309,797.00	\$	1,986,803.00	\$	2,385,000.00
		Taxes	\$	76,077.68	\$	115,738.83	\$	137,963.00
		Total	\$	1,385,874.68	\$	2,102,541.83	\$	2,522,963.00

			A J Roberts Industrial, Inc.		I SDB. Inc.		Bayley Construction	
ALTERNATE BID								
Location	QTY	UOM	142	Unit Price		Unit Price		Unit Price
Keams Canyon Maintenance Yard	1	Total	\$	386,916.00	\$	535,813.00	\$	645,000.00
Gray Mountai Maintenance Yard	1	Total	\$	379,610.00	\$	577,250.00	\$	630,000.00
		Subtotal	\$	766,526.00	\$	1,113,063.00	\$	1,275,000.00
		Taxes	\$	32,366.73	\$	47,134.65	\$	53,365.00
		Total	\$	798,892.73	\$	1,160,197.65	\$	1,328,365.00
	GRAN	ID TOTAL	\$	2,184,767.41	\$	3,262,739.47	\$	3,851,328.00



STATE OF ARIZONA

Joint Committee on Capital Review

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HOUSE OF REPRESENTATIVES

JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY VINCE LEACH ERIC MEYER, M.D. STEVE MONTENEGRO

DATE:	December 7, 2016
TO:	Representative Justin Olson, Chairman Members, Joint Committee on Capital Review
THRU:	Richard Stavneak, Director R, S
FROM:	Josh Hope, Fiscal Analyst 57H
SUBJECT:	Department of Emergency and Military Affairs - Review of Proposed Flagstaff Military Installation Fund Grant

Request

Pursuant to A.R.S. § 41-1252, the Department of Emergency and Military Affairs (DEMA) is requesting the review of their plan to expend \$250,000 from the Military Installation Fund for a grant to the City of Flagstaff in order to fund a light mitigation system for the City's Public Works Core Services Facility, which is located approximately 2.5 miles from the U.S. Naval Observatory – Flagstaff Station. Under the proposal, this expenditure would be funded with the existing monies in the fund.

Recommendation

The Committee has at least the following 2 options:

- 1. A favorable review of the \$250,000 grant to the City of Flagstaff.
- 2. An unfavorable review of the \$250,000 grant to the City of Flagstaff.

Analysis

The Military Installation Fund was created by Laws 2004, Chapter 235 for the purpose of helping to maintain the presence of military facilities in Arizona through the provision of funding to state and local entities to purchase, preserve, or maintain land near military facilities. The Military Installation Fund receives revenue from one-time General Fund appropriations and interest on the fund balance. As November 21, 2016, the fund had an unreserved balance of \$3.1 million. The last General Fund appropriation was made in FY 2015 in the amount of \$2.5 million.

(Continued)

A.R.S. § 26-262 requires that 80% of the monies received by the Military Installation Fund be utilized for land purchases, land improvements, and the acquisition of development rights. The remaining 20% is required to be provided to local governments for capital or infrastructure improvements, renovations, the removal of structures, military installation preservation and enhancement projects requested by federal or state agencies, and the management of acquired property.

The Military Installation Fund is administered by DEMA with allocation recommendations made by the Military Affairs Commission. The commission is comprised of 18 individuals appointed by the Governor, Senate President, or Speaker of the House of Representatives that are either elected officials, appointed officials, individuals with military expertise, or residents with private property interests around the state's major military installations. The commission makes Military Installation Fund allocation recommendations to DEMA based on a number of factors including the proximity of the land to the base, installation needs, and risk to land users. Once the recommendations are made, DEMA makes the final allocation decision, although, the commission's decisions are usually accepted.

\$250,000 Grant to the City of Flagstaff

This would pay for a light mitigation system to be incorporated into the city's Public Works Core Services Facility under construction on 99 acres of city property that is approximately 2.5 miles from the U.S. Naval Observatory – Flagstaff Station (NOFS). The NOFS is an astronomical observatory near Flagstaff, Arizona that provides data to the U.S. Navy and U.S. Department of Defense for time and mapping systems.

An analysis by the U.S. Navy determined that the facility would produce up to 600,000 lumens and would adversely affect the NOFS. The \$250,000 grant proposed by DEMA would fund the entire cost of installing a light mitigation system that would reduce the lighting impact by an estimated 94% throughout the 99 acre site, which would significantly reduce its adverse impact on the observatory. The light mitigation system would use bulbs that produce a narrower spectrum of light, allow for dimming, use motion sensors and timers to reduce unnecessary use of lighting, and use directional lighting and light shielding that prevent light spillage.

The City of Flagstaff has indicated that it does not have available funding for this light mitigation project from the Public Works Facility bond issuance and does not have any other funds available to pay for this project. DEMA has previously used the Military Installation Fund to provide grant funding for a light mitigation project. In 2008, Huachuca City near Fort Huachuca received a grant of \$528,800 to mitigate light pollution from street lights and various buildings that were interfering with night training on the base.

DEMA Military Installation Fund grant monies are disbursed on a reimbursement basis only. No expenditure has been made on this project so far.

Additional Projects Requested By DEMA

Beyond the proposed grant to the City of Flagstaff, DEMA has also requested review of the following 2 items, which are not part of the current agenda item being considered by the Committee:

\$250,000 Grant to Pima County

This proposed grant would provide financial assistance to Pima County in acquiring up to 89 acres of privately held properties within the Davis-Monthan Air Force Base (AFB) fence line. Pima County would combine these grant monies with other available funding to acquire the land. This purchase was originally scheduled to be made with funds from a Pima County bond issuance, however, voters rejected that issuance in November 2015.

(Continued)

There is a total of 99 privately held acres within the Davis-Monthan AFB fence line. At the June 2016 meeting, DEMA proposed a direct purchase of the remaining 10 acres from the owner, Kolb Road Development. The Committee held consideration of the direct purchase of this 10-acre parcel.

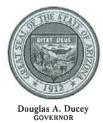
Subsequent to the June 2016 JCCR meeting, those 10 acres were appraised at \$102,000. There has been no further action to acquire the 10 acres at this cost.

\$900,000 Easement Purchase Near Fort Huachuca

This proposed purchase would allocate \$900,000 to acquire conservation easement rights to a 300-acre parcel which is located approximately 1 mile north of Fort Huachuca. Under this purchase, the landowner would grant a conservation easement to restrict development and to protect resources, while retaining rights of private ownership.

Fort Huachuca's interest in this land results from its desire to protect the Buffalo Soldier Electronic Test Range and restricted military airspace relating to its remotely piloted aircraft mission. At its June 2016 meeting, the Committee held consideration of this 300-acre conservation easement purchase.

RS/JH:kp



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 Michael T. McGuire THE ADJUTANT GENERAL

November 22, 2016

The Honorable Justin Olson, Chairman Joint Committee on Capital Review (JCCR) Arizona House of Representatives 1700 West Washington Street Phoenix, Arizona 85007

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



SUBJECT: Military Installation Fund Recommended Acquisitions

Dear Representative Olson, Senator Shooter, and Committee Members:

The Arizona Department of Emergency and Military Affairs (DEMA) respectfully requests its placement on the December 14, 2016 Joint Committee on Capital Review (JCCR) meeting agenda for review of the expenditure of monies appropriated to the Military Installation Fund for land acquisition and capital projects pursuant to A.R.S. § 41-1252.

A.R.S. § 26-262(G) directs DEMA, upon recommendation by the Military Affairs Commission, to acquire private property or property rights for the purpose of preserving or enhancing a military installation. At the Joint Committee on Capital Review meeting on June 16, 2016, two applications that were recommended for funding by the Military Affairs Commission to protect and enhance Arizona's military installations and assist property owners impacted by those adjacent military installations were tabled to provide additional time to answer members' questions. The application from Kolb Road Development is still pending a second appraisal as allowed by A.R.S. § 41-791.02(I) and is not ready for review by the Committee at this time. Your review of the other application from BBA Foresight and Arizona Land and Water Trust (ALWT) is requested:

Proposed Conservation Easement Acquisition - \$900,000.00 to BBA Foresight/ALWT

- 300 acres within the Rain Valley area of Cochise County near Fort Huachuca and within the Buffalo Soldier Electronic Testing Range as identified by A.R.S. § 37-102(H)(3).
- Leverages over \$4.5M from the Department of Agriculture and REPI Program.
- Proximate to 3,300 acres that have been conserved by Fort Huachuca through the Army Compatible Use Buffer (ACUB) program.
- Protects the mission of Fort Huachuca and the Buffalo Soldier Electronic Testing Range by preserving the ranching industry currently performed in the area, which is an economically compatible development of the land that does not produce electronic interference within the Range that would endanger the mission and the base's economic impact of \$2.4 billion to southern Arizona.

The Honorable Justin Olson The Honorable Don Shooter November 22, 2016 Page 2 of 3

Additionally, A.R.S. § 26-262(G) directs DEMA, upon recommendation by the Military Affairs Commission, to award grants to political subdivisions for military installation preservation and enhancement projects. Grants monies are only disbursed on a reimbursement basis. The Military Affairs Commission recommended two Military Preservation Projects for funding:

Proposed Military Preservation Project Grant - Up to \$250,000 to City of Flagstaff

- Grant would provide for a Lighting Mitigation & Management System to be incorporated into the city's Public Works Core Services Facility under construction on 99 acres of city property that is proximate to the U.S. Naval Observatory – Flagstaff Station (NOFS).
- The Core Services Facility's current lighting configuration meets city ordnance requirements; however, an analysis determined the facility would produce as much as 600,000 lumens and would have a severe and detrimental impact to the NOFS.
- The proposed Core Services Facility's Lighting Mitigation & Management System (LMS) will reduce the lighting impact on the dark sky and NOFS by an estimated 94% throughout the 99 acre site.
- The U.S. Navy provided testimony to the Military Affairs Commission on the importance of grant. The NOFS is a unique facility with a specialized mission that cannot be relocated and is vital to national security that will be severely impacted without the LMS.
- The Core Services Facility was approved through bond funding, and the city does not have the ability to meet the additional LMS funding requirements. Mayors on the Military Affairs Commission acknowledged these limits exist on cities.

Proposed Military Preservation Project Grant – Up to \$250,000 to Pima County

- Grant would contribute to the acquisition of up to 89 acres of privately owned properties. The subject properties are within the Davis-Monthan AFB fence line and adjacent to the Munitions Storage Area (MSA), which places the properties within the Quantity Distance Explosive Safety Arcs where occupied structures are prohibited.
- There is a total of 99 privately held acres within Davis-Monthan AFB. The owner of 10.18 of those privately held acres submitted a separate application for acquisition by the Military Installation Fund (the Kolb Road Development application).
- Grant was originally going to be added to a proposed \$5 million bond that was ultimately defeated in November 2015. The proposed bond would have included the acquisition of state land within Davis-Monthan AFB. With the defeat of the bond, Pima County will combine the grant dollars with other available funding to acquire only the 89 privately held acres.
- Davis-Monthan currently pays \$324,000 annually to lease the private property. Acquisition of these properties would eliminate the requirement for Davis-Monthan AFB to lease the proposed property, greatly improving the long-term viability of Davis-Monthan AFB by reducing the future operational expense of the installation which employees over 8,900 Airmen and civilians and provides over \$1.5 billion in economic impact to the region.

DEMA respectfully submits the aforementioned recommended acquisitions for JCCR review.

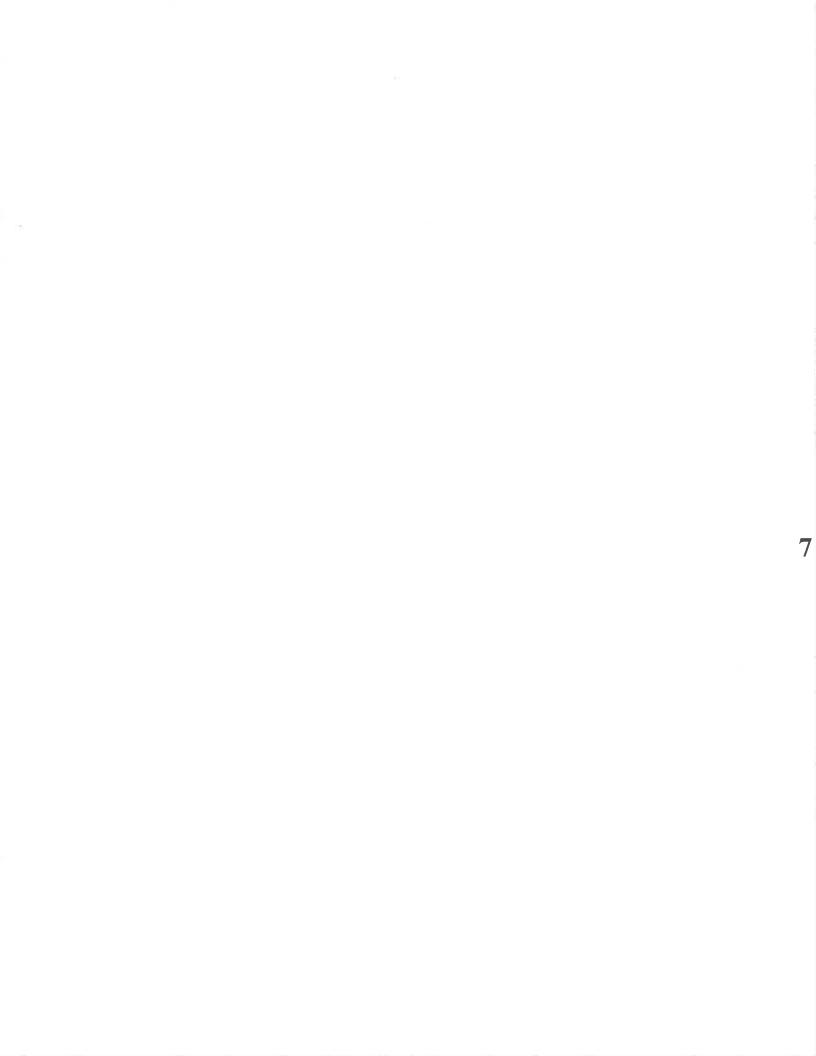
The Honorable Justin Olson The Honorable Don Shooter November 22, 2016 Page 3 of 3

If you have any questions regarding these proposed acquisitions, please contact Travis Schulte, DEMA Legislative Policy Administrator and Coordinator for the Military Affairs Commission, at 602.267.2732 or travis.schulte@azdema.gov.

Sincerely,

Michael T. McGuire Major General, AZ ANG The Adjutant General

cc: Richard Stavneak, Staff Director JLBC Joshua Hope, DEMA Analyst, JLBC Lorenzo Romero, Director, OSPB Laura Johnson, DEMA Budget Analyst, OSPB Michael Braun, Director, Legislative Council Correspondence File





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JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY VINCE LEACH ERIC MEYER, M.D. STEVE MONTENEGRO

DATE:	December 9, 2016
TO:	Representative Justin Olson, Chairman Members, Joint Committee on Capital Review
THRU:	Richard Stavneak, Director 725
FROM:	Micaela Larkin, Senior Fiscal Analyst ML
SUBJECT:	University of Arizona - Review of FY 2017 Capital Improvement Plan for One-time Appropriation

Request

Pursuant to Laws 2016, Chapter 117 and in accordance with A.R.S. § 41-1252, the University of Arizona (UA) requests Committee review of its expenditure plan for the renovation of and capital equipment for a facility to be used by the proposed veterinary school that will be funded with \$8,000,000 in one-time monies appropriated in the FY 2017 budget.

Recommendation

The Committee has at least the following 2 options:

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

Under either option, the Committee may consider the following provisions:

A. UA shall report to the Committee if results of the current accreditation appeals process affect the planned expenditures for renovation and capital equipment.

Standard University Provision

B. A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any operations and maintenance costs when the project is complete.

(Continued)

Analysis

The FY 2017 budget appropriated a total of \$19.0 million to the universities from the General Fund for one-time operating expenditures on capital improvements. Of this amount, \$4.0 million was appropriated to NAU, \$8.0 million to the University of Arizona, and \$7.0 million to Arizona State University.

UA plans to use their one-time \$8.0 million appropriation as a cash payment for the renovation of an existing university-owned research facility in Oro Valley at 1580 E Hanley Road to be used for a proposed veterinary school. The renovations will cost \$6.1 million, and the remaining \$1.9 million is allocated for equipment purchases. The site will serve as the base for UA's proposed veterinary school. Students pursuing a Master's of Science in Animal and Biomedical Industries will also use the facility.

Background On Veterinary School

UA has proposed a Doctor of Veterinary Medicine (DVM) Program to open in fall 2018. The proposed program would accept undergraduate students with the proper prerequisites and graduate students seeking a veterinary degree. For Year 1, all students will take 2 semesters of courses that provide a curriculum emphasizing the integration of biomedical sciences, ethics, and commerce. Students will develop skills to pursue 1 of 2 paths: 1) work in commercial agribusiness enterprises and research labs or 2) pursue a DVM. UA anticipates accepting 500 students for this program every year. The program will be located at the Oro Valley campus. Of the 500 students, 95% will already have a bachelor's degree and 5% will be undergraduates.

Of the 500 students in the class, UA will accept 100 students in their second year to pursue a DVM degree. The remaining 400 students may receive a masters' degree at the end of the first year if they already have a bachelor's degree. Any undergraduate in program who was not admitted to the DVM program will pursue a different bachelor's degree at the university.

During Years 2 - 4, DVM students will be based at the Oro Valley facility. They will also undertake rotations with contracted veterinarians at sites across the state. In the United States, veterinary schools often have an associated teaching hospital. In this case, students will work with contracted veterinarians and at university-run sites across the states for their clinical education.

As of July 2015, the American Veterinary Medical Association (AVMA) voted to deny accreditation to UA for the DVM program. The accrediting body cited the overreliance on first year students for funding the program, failure to identify income from the clinical practice partnerships, and questions about the ability to provide the students a common and integrated experience. On September 9, 2016, the University of Arizona submitted an appeal. A hearing is scheduled for December 14, 2016. The University will likely not hear the results of the appeal until spring 2017.

Renovation and Repair of the Building

With JCCR review, UA will immediately begin renovating the facilities for use by August 2018. If the accreditation process is delayed, UA would still proceed with the MS in Animal and Biomedical Industries program.

The Oro Facility was purchased by UA in June 2010 for \$3.1 million and includes 1 building.

UA proposes spending \$6.1 million for the renovation of the 27,500 square foot Oro Valley facility building and an additional \$1.9 million for equipment. The renovation cost is \$223 per square foot.

UA indicated the expenditures will be used to develop the following specialized areas: Examination and surgical rooms, diagnostic laboratory for clinical pathology, simulation and anatomy laboratory, collaborative learning rooms that are connected to UA - Main faculty in other departments and external partners, radiology and imaging area, and other support areas for pharmacy, animal boarding, equipment storage, lockers, and bathrooms.

Table 1 details the renovation budget:

Table 1				
Breakdown of Oro Valley Costs				
Project	Allocation			
Renovation of Oro Valley Facility				
Construction Cost	\$ 4,912,600			
Consultant Fees	572,000			
Telecommunications Costs	100,000			
Project Management/Permitting	208,400			
Contingency	336,000			
Total	\$6,129,000			
Equipment Purchase	1,871,000			
Total	\$ 8,000,000			

In addition to the costs included above, UA indicates there is other deferred maintenance for mechanical systems that need to be addressed, such as HVAC system and boilers. These are expected to total approximately \$1.4 million and will be paid from gifts and donations.

RS/ML:kp



SENIOR VICE PRESIDENT FOR BUSINESS AFFAIRS AND CHIEF FINANCIAL OFFICER

Administration Building Room 712 P.O. Box 210066 Tucson, AZ 85721-0066 Ofc: 520-621-5977 Fax: 520-621-7714

November 22, 2016

The Honorable Justin Olson, Chairman Joint Committee on Capital Review House of Representatives 1700 W. Washington Phoenix, Arizona 85007-2890



RE: University of Arizona (UA) Capital Project Review

Dear Representative Olson,

Pursuant to Laws 2016, Chapter 117 and in accordance with A.R.S. 41-1252, the Arizona Board of Regents request Committee review of its expenditure plan for the University of Arizona's \$8,000,000 FY2017 State General Fund Appropriation for capital improvements.

If you have any questions or desire any clarification on the enclosed material, please contact me at (520) 621-5977.

Sincerely,

show Del

Gregg Goldman Senior VP for Business Affairs and Chief Financial Officer

Attachment

 cc: Tim Bee, Senior Associate Vice President, Legislative and Community Relations, UA Dr. Ann Weaver Hart, President, UA
 Eileen I. Klein, President, Arizona Board of Regents
 Duc Ma, Interim Associate Vice President, UA
 Micaela Larkin, JLBC Analyst
 Lorenzo Martinez, Associate Vice President for Finance and Administration, ABOR
 Robert Smith, Vice President for University Planning, Design & Operations, UA
 Richard Stavneak, Director, JLBC



University of Arizona (UA) is appreciative of the State's reinvestment in the State's public universities for fiscal year 2017 including an \$8 million one-time appropriation to the UA.

In response to our land-grant promise, the UA plans to utilize the State's one-time investment in support of the much-needed and revolutionary program to train DVMs (Doctors of Veterinary Medicine). These funds are specifically for facilities renovations and capital equipment in Oro Valley, Arizona (a research facility at 1580 E. Hanley Blvd.). This existing facility is owned by the Arizona Board of Regents on behalf of the UA, and this investment will facilitate the renovations required to appropriately accommodate the DVM program. The Oro Valley site will serve as the base that trains students for clinical rotations around the state.

DVMs of the 21st century are challenged by animal health and biological issues that transcend and intersect with human well-being and community health, food safety, and agricultural productivity, and national security and economic development. This program is founded on three pillars: Commerce, Human-Animal Interdependence and One Health. This financial investment by the State will support significant economic development both through the immediate construction and facility improvement, and also over the long term though supporting an educational program that will trigger the hire of 50 professional positions, and generate approximately \$24.4 million in tuition revenue annually. At least half of this tuition revenue is anticipated to come from out-of-state students.

Founding principles for the program include a commitment to broad student accessibility, efficiency of delivery, and no competition with Arizona's private industry. Our teaching facilities will not compete with private enterprise. Instead, we will maximize public-private partnerships and economic development at sites and clinics around the State. We will train DVMs not just for jobs today, but for careers yet to be discovered.

The curriculum is structured around a four-year program amounting to 11 semester-equivalents of education, compared to eight semesters in a typical program. Upon graduation, students will have more training and clinical practice exposure than other DVM programs, along with reduced costs of attendance. In addition to the advantaged pricing for students making the program broadly accessible, mandatory financial aid support and philanthropic scholarships add to the affordability.

DVM education fulfills the UA's land-grant mission to respond to Arizona's needs in educational attainment, research expansion and community impact, and drives the State economy by directly developing critical workforce components especially in the State's agricultural enterprise. The investment in these facility renovations and the DVM program will have a long term beneficial impact distributed across the State, including rural communities.

The \$8 million one-time appropriation will be used to renovate, and equip the facility in Oro Valley to appropriately accommodate the DVM program. The funds will be budgeted as followed:

Renovation	\$6,129,000
Equipment	\$1,871,000
TOTAL	\$8,000,000

The 27,500 gross square feet Oro Valley facility will be renovated to provide the necessary programmatic areas to support student teaching, learning and hands-on experience. The technically specialized areas will include the following:

Live Animal Clinical Skills, Surgery and Dentistry Rooms

Students will conduct wellness/physical/behavioral examinations/minor surgery/dentistry on small companion animals.

Clinical Pathology Diagnostic Laboratory

Students will conduct diagnostic sampling.

Simulation and Anatomy Laboratory

State-of-the-art animal models will be used by the students prior to performing medical or surgical procedures on a live animal.

Collaborative Learning, Communication and Professional Skills Area

Students will experience team based learning on clinical and non-clinical cases. These rooms will be linked to the UA main campus faculty and external affiliates to coordinate learning across campuses. Microbiology, histology, anatomy, communication/team based skills, professional ethics, and other veterinary medical sciences will be taught here in a collaborative environment.

Radiology and Imaging Area

Students will practice radiographic and imaging techniques.

Other Ancillary Support Areas

Pharmacy, Post Surgery/Anesthesia Prep, Exam Rooms, Storage, Autoclave, Cold Room, Student/Faculty Lockers, Bathrooms.

It is anticipated that renovation construction will be completed and ready for occupancy by Fall 2018.



STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

DON SHOOTER CHAIRMAN 2015 OLIVIA CAJERO BEDFORD STEVE FARLEY GAIL GRIFFIN KATIE HOBBS JOHN KAVANAGH STEVEN B. YARBROUGH HOUSE OF REPRESENTATIVES

1716 WEST ADAMS PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

JUSTIN OLSON CHAIRMAN 2016 LELA ALSTON RICK GRAY VINCE LEACH ERIC MEYER, M.D. STEVE MONTENEGRO

DATE:	December 9, 2016
TO;	Representative Justin Olson, Chairman Members, Joint Committee on Capital Review
THRU:	Richard Stavneak, Director
FROM:	Ben Murphy, Assistant Fiscal Analyst $~ \mathcal{B} \mathcal{M}$
SUBJECT:	Arizona State Parks Board - Review of City of Cottonwood Easement Agreement
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Request

The Arizona State Parks (ASP) Board requests the Committee review ASP's proposed easement agreement with the City of Cottonwood (City) at Dead Horse Ranch State Park (Park). ASP will provide to the City a no cost easement to one of the Park's sewer lift stations in exchange for the City assuming ownership of the lift station and providing for all of its future operating and maintenance costs.

Recommendation

The Committee has at least the following 2 options:

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

Analysis

Dead Horse Ranch State Park has varying degrees of elevation and uses 3 sewer lift stations. Waste is collected at 2 initial lift stations, which is then pumped to the final lift station. The final lift station connects to the City sewer outside of the park.

(Continued)

For technical reasons with its existing sewer system, the City of Cottonwood entered into discussions to connect several properties within the City directly to the Dead Horse Ranch State Park final lift station. In order to do this, the Parks Board would need to authorize an easement on Dead Horse Ranch State Park property.

In exchange for granting the easement, the City of Cottonwood would assume ownership of the final lift station.

As owners of the final lift station, the City would assume responsibility for any maintenance and operations costs. Besides repairs and utility costs, the City would also be responsible for site maintenance at the final lift station, such as fencing, access hatches, lighting and weed abatement. In the case that combined usage at the final lift station from nearby municipal properties and the Park exceeds the lift station's capacity, the City will be responsible for any upgrades necessary.

As the City connects properties to the system, the City must submit a detailed scope of work for ASP approval. The City would be responsible for providing project management services, for complying with the development plan of the park, and for obtaining all necessary construction permits and authorizations.

The easement agreement also requires that the City assist ASP in the operation and maintenance of the Park's potable water system and waste system. This assistance includes providing daily inspections of both systems, analysis of bacteriological samples, maintenance and operation of chlorine disinfection equipment, technical expertise and advice, and monitoring grinder pump operations. These terms were first established in a 2011 Intergovernmental Agreement (IGA) between ASP and the City, where the City offered this assistance to ASP at no cost. The 2011 IGA expired in 2016. However, the proposed easement agreement reiterates and continues this assistance agreement.

The agreement involves no transfer of funds between ASP and the City. ASP benefits from no longer having to pay any operational or maintenance costs for the final lift station, as well as having the assistance of the City in operating and maintaining the Park's potable water system and waste system. In return, the City of Cottonwood would receive increased capacity for municipal sewage afforded by connection to the final lift station.

RS/BM:kp



Doug Ducey Governor



December 5, 2016

The Honorable Justin Olson, Chairman Joint Committee on Capital Review 1716 West Adams Phoenix, AZ 85007



RE: Request for JCCR review of an Easement Agreement between the Arizona State Parks and the City of Cottonwood

Dear Representative Olson,

Arizona State Parks (ASP) requests review by the JCCR of the agency's proposed easement agreement with the City of Cottonwood (City).

In 2011, the ASP entered into Intergovernmental Agreement (IGA) with the City for assistance in operating the Dead Horse Ranch State Water & Waste System. The original agreement expired in 2016.

The new IGA expands our partnership to allow the City to take ownership of the last sanitary lift station in the system. ASP will benefit and has an interest in the City operating and maintaining the Park potable water system and wastewater/sewage system, and the City will benefit and has an interest in utilizing the wastewater/sewage system and last lift station to provide services to additional municipal sewage users.

ASP is ready to move forward with our recommended Easement Agreement with the City, pending favorable review by the JCCR.

If you have any questions regarding the proposed agreement, please contact me at (602) 542-4174, or <u>sblack@azstateparks.gov</u>, or James Keegan, at 602-542-6920 or jkeegan@azstateparks.gov.

Sincerely Rack

Sue Black, Executive Director

23751 N. 23rd Ave. #190 | Phoenix, AZ 85085 | 602.542.4174 | AZStateParks.com "Managing and conserving natural, cultural, and recreational resources for the benefit of the people, both in our Parks and through our Partners." cc: Richard Stavneak, Director, JLBC Lorenzo Romero, Director, OSPB

Public Utility Easement

This access and utility easement is made this ____ day of _____, 2016, by and between the State of Arizona, Arizona State Parks Board ("ASPB") and the City of Cottonwood ("City"), an Arizona municipality (collectively the "Parties").

Recitals

- A. ASPB is the owner of certain real property located in the City of Cottonwood, Arizona, and known as Dead Horse Ranch State Park and the Verde River Greenway (collectively the "Park"); and
- B. City, in accordance with the Intergovernmental Agreement attached hereto as "Exhibit A", operates ASPB's potable water system and wastewater/sewage system at the Park, including all lift stations and all mains and appurtenances on Park property that run to the City's sewer main line located on 10th Street.

NOW, THEREFORE, in consideration of the promises contained herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Parties agree as follows:

1. <u>Grant of Easement</u>. ASPB hereby grants and conveys to City a perpetual, twenty (20) foot wide easement for ingress, egress, construction, and utilities in the location described in Exhibit "B", subject to the terms and conditions contained herein.

2. <u>Preservation of Access.</u> If either Party proposes to take any action which would impact the other Party's use of the non-exclusive easement granted here, the Party seeking to take such action shall seek the advance written approval of the other Party. Such approval shall not be unreasonably withheld. If there has been no response after sixty days, the action shall be deemed approved.

3. <u>Intention of the Parties.</u> The Parties' intention is that the City connects nearby properties to ASPB's wastewater/sewage system. If it is determined that this Easement does not accomplish that action, the Parties agree to take such action as is necessary to accomplish the stated purpose of the easement.

4. <u>Termination</u>. This easement shall be perpetual and will only terminate upon mutual consent of both parties.

5. <u>Counterparts.</u> This Easement may be executed in one or more counterparts, each of which in the aggregate shall constitute one and the same instrument.

IN WITNESS THEREOF, the parties have executed this Easement as of the date and year first written above.

STATE OF ARIZONA, STATE PARKS BOARD

BY:

NAME:

ITS:

CITY OF COTTONWOOD

BY:_____

NAME:

ITS:_____

State of Arizona

County of Yavapai

The foregoing instrument was acknowledged before me this _____ day of _____, 2016

by ______ of the City of Cottonwood, an Arizona municipality.

(Seal and Expiration Date)

Notary Public



SOUTHWESTERN ENVIRONMENTAL CONSULTANTS, INC.

SINCE 1974 -

E-mail: info@sec-landmgt.com www.sec-landmgt.com City of Cottonwood 15-1210CS Page 1 of 4

LEGAL DESCRIPTION 20' WIDE PUBLIC UTILITIES EASEMENT

A parcel of land being a part of Section 27, Township 16 North, Range 3 East, of the Gila and Salt River Meridian, City of Cottonwood, Yavapai County, Arizona, Public Utilities Easement more particularly described as follows:

Commencing at the Southwest corner of that certain parcel of land described in Book 2769 at Pages 14-16 of the Official Records of Yavapai County, Arizona, monumented by a found 1/2 inch diameter rebar with plastic cap stamped "LS 5357" from which the Northwest corner of said Section 27 lies North 00°43'28" East a measured distance of 1882.83 feet, recorded as North 00°43'28" East a distance of 1882.86 in Book 2769 at Pages 14-16 of the Official Records of Yavapai County, Arizona, and used as the **Basis of Bearings**, monumented by a found 1940 G.L.O. brass cap;

Thence, North 86°19'47" East along the southerly boundary of that said certain parcel a measured distance of 756.53 feet, recorded as North 86°21'40" East a distance of 756.54 feet in Book 2855 at Pages 332-340 of the Official Records of Yavapai County, Arizona, to the Southeast corner of that said certain parcel;

Thence, North 00°01'20" West along the easterly boundary of that said certain parcel a measured distance of 25.00 feet to the centerline of a 50' ingress, egress, and public utilities easement described in Book 4653 of Official Records, Page 875, and in Book 180 of Land Surveys, Pages 11-12 Yavapai County, Arizona, henceforth referred to as R3,

Thence, along said centerline South 89°55'24" East a distance of 389.84 feet per R3 to a point;

Thence, along said centerline being a tangent curve to the right having a chord bearing of South 53°56'53" East, a chord distance of 264.35 feet and a radius of 225.00 feet through a central angle of 71°57'02" for a distance of 282.55 feet per R3 to a point;



CORPORATE OFFICE = 20 STUTZ BEARCAT DR. #6, SEDONA, AZ 86336 = (928) 282-7787 (800) 264-7787 FAX (928) 282-0731 825 COVE PARKWAY, SUITE A, COTTONWOOD, ARIZONA 86326 = (928) 634-5889 (800) 264-7787 FAX: (928) 634-2222

City of Cottonwood 15-1210CS Page 2 of 4

Thence, along said centerline South 17°58'22" East a distance of 346.48 feet per R3 to a point;

Thence, along said centerline being a tangent curve to the right having a chord bearing of South 11°42'35" East, a chord distance of 109.09 feet and a radius of 500.00 feet through a central angle of 12°31'33" for a distance of 109.31 feet per R3 to a point;

Thence, along said centerline South 05°26'49" East a distance of 127.45 feet per R3 to a point;

Thence, along said centerline being a tangent curve to the right having a chord bearing of South 00°06'20" East, a chord distance of 116.36 feet and a radius of 625.00 feet through a central angle of 10°40'58" for a distance of 116.53 feet per R3 to a point;

Thence, along said centerline South 05°14'09" West a distance of 160.69 feet per R3 to a point;

Thence, along said centerline being a tangent curve to the left having a chord bearing of South 02°46'27" West, a chord distance of 35.65 feet and a radius of 415.00 feet through a central angle of 04°55'25" for a distance of 35.66 feet per R3 to a point;

Thence, along said centerline South 00°18'44" West a measured distance of 19.17 feet, bearing recorded as South 00°18'44" West per R3, to a point being the True Point of Beginning;

Thence, South 89°43'05" East a measured distance of 137.41 feet to a point;

Thence, South 00°16'55" West a measured distance of 20.00 feet to a point;

Thence, North 89°43'05" West a measured distance of 137.42 feet to a point on the centerline described in R3;



City of Cottonwood 15-1210CS Page 3 of 4

Thence, North 00°18'44" East a measured distance of 20.00 feet, bearing recorded as North 00°18'44" East in R3, to the True Point of Beginning and containing 2,748 square feet more or less and being subject to any easements or encumbrances of record.

The description hereon was prepared by SEC Inc. on December 22, 2015, at the request of the City of Cottonwood for the purpose of describing a utility easement in Yavapai County, Arizona. The authorized user is the City of Cottonwood.

Unauthorized use is strictly prohibited.

SEC Inc. and the registrant cited below will not be responsible for errors committed by others if this description is not reproduced in its entirety exactly as written above including this disclaimer. No liability is accepted for misuse or assumptions made by unauthorized users.

The description above is graphically depicted in Exhibit A attached hereto and made a part hereof without which this document is to be considered incomplete.

The author of this description is Mark J. Farr RLS 40829.



