

JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, December 15, 2015

Immediately Upon Adjournment of the JLBC Meeting

Senate Appropriations Room 109

JLBC

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

DON SHOOTER
CHAIRMAN 2015
OLIVIA CAJERO BEDFORD
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JOINT COMMITTEE ON CAPITAL REVIEW
Tuesday, December 15, 2015
Immediately Upon Adjournment of the JLBC Meeting
Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order
- [Approval of Minutes of September 24, 2015.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [COCHISE COMMUNITY COLLEGE DISTRICT - Review of Revenue Bond Project.](#)
- 2. [ARIZONA STATE UNIVERSITY - Review of Student Pavilion.](#)
- 3. [ARIZONA DEPARTMENT OF CORRECTIONS - Review of FY 2014, FY 2015, and FY 2016 Building Renewal Allocation Plans.](#)
- 4. [ARIZONA STATE LOTTERY COMMISSION - Review of FY 2015 and FY 2016 Building Renewal Allocation Plans.](#)
- 5. [ARIZONA DEPARTMENT OF ADMINISTRATION - Consider Recommending FY 2016 Full and Partial Rent Exemptions.](#)

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

12/7/15

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



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ANDREW C. SHERWOOD
DAVID STEVENS

MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

September 24, 2015

The Chairman called the meeting to order at 4:05 p.m., Thursday, September 24, 2015 in Senate Hearing Room 109. The following were present:

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

Absent:	Representative Gray
	Representative Montenegro
	Representative Stevens

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of June 18, 2015, Chairman Don Shooter stated that the minutes would stand approved.

ARIZONA STATE UNIVERSITY (ASU) - Review of Sun Devil Stadium Renovation Phase 2.

Mr. Matt Gress, JLBC Staff, stated ASU is requesting review of \$107,000,000 in system revenue bond issuances over the next year to fund the second phase of a 3-part renovation of Sun Devil Stadium. The total renovation project cost is \$256,000,000, including gift revenue. The JLBC Staff presented options to the Committee.

Representative Olson moved that the Committee give a favorable review of \$107,000,000 in system revenue bond issuances over the next year to fund the second phase of a 3-part renovation of Sun Devil Stadium. The favorable review includes the following:

(Continued)

Standard University Financing Provisions

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

The motion carried.

ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of the Reallocation of FY 2016 Building Renewal Allocation Plan.

Ms. Micaela Larkin, JLBC Staff, stated ADC is requesting review of the reallocation of FY 2016 building renewal allocation plan monies prior to expenditure. The JLBC Staff presented options to the Committee.

Mr. Mike Landry, Administrator, Engineering and Facilities Bureau, ADC, responded to member questions.

Representative Olson moved that the Committee give a favorable review to the reallocation of \$2,439,000 from projected savings from reducing the scope and postponing the original projects in the approved FY 2016 Building Renewal Plan for \$5,464,300 to meet immediate needs for structural repairs at ASPC - Eyman Rynning Unit, gas line replacement at ASPC - Tucson, and water line replacement at ASPC - Florence Central Unit (See Table 1). The favorable review includes the following provision:

- A. ADC shall continue to report any change in the building renewal spending plan to the JLBC Staff, including reallocations between projects. 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.

Table 1			
FY 2016 Building Renewal Plan			
	Approved Allocation June 18, 2015	Difference	Revised Allocation
<u>Amended Projects</u>			
Structural Repairs - Florence/Central Unit	\$1,490,000	\$(1,490,000)	0
Water Tank Replacement - Yuma	850,000	(424,000)	426,000
Ductwork Replacement - Lewis	840,000	(440,000)	400,000
Control Panel Replacement - Eyman/Meadows	480,000	(85,000)	395,000
Structural Repairs - Eyman/Rynning	0	539,000	539,000
Water Line Replacement - Florence	0	1,400,000	1,400,000
Gas Line Replacement - Tucson	0	500,000	500,000
Subtotal	\$3,660,000	0	\$3,660,000
<u>Original Projects</u>	\$1,804,300		\$1,804,300
Total	\$5,464,300		\$5,464,300

(Continued)

The motion carried.

DEPARTMENT OF PUBLIC SAFETY (DPS) - Review of Proposed Microwave System Upgrades.

Mr. Eric Billings, JLBC Staff, stated the FY 2015 Capital Outlay Bill (Laws 2014, Chapter 15) appropriated \$2,000,000 from the Highway Patrol Fund to DPS for improvements to the statewide microwave system. The bill requires the Committee to review a report by DPS outlining an expenditure plan and project timeline for improvements prior to expending any monies. The funds will be used to establish 2 new tower sites creating 3 new transmission paths and make additional upgrades to 1 existing tower site that will allow for increased bandwidth across 2 transmission paths. The projects will allow for the completion of the western loop of the microwave system by the end of FY 2017. The JLBC Staff presented options to the Committee.

Mr. Kevin Rogers, Manager, Wireless Systems Bureau, DPS, responded to member questions.

Representative Olson moved that the Committee give a favorable review to the DPS proposed microwave system upgrades. The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of FY 2016 Building Renewal Allocation Plan.

Mr. Ben Beutler, JLBC Staff, stated ADOT is requesting review of its \$3,396,800 FY 2016 building renewal allocation plan prior to expenditure. ADOT has allocated \$3,191,900 from the State Highway Fund among 72 projects, leaving a contingency balance of \$99,900 and \$150,000 for project management support. ADOT has also allocated \$204,900 from the State Aviation Fund for 13 projects, with a contingency of \$2,000. The JLBC Staff presented options to the Committee.

Representative Olson moved that the Committee give a favorable review to the ADOT's FY 2016 \$3,396,800 Building Renewal Allocation Plan. The favorable review includes the provision that ADOT shall report any project reallocations above \$100,000 to JCCR. The motion carried.

ARIZONA EXPOSITION AND STATE FAIR BOARD - Review of Sewer Line and Transformer Expenditures.

Mr. Steve Grunig, JLBC Staff, stated that the Arizona Exposition and State Fair Board is requesting review of the scope, purpose and estimated cost of \$155,000 for capital improvements. The FY 2016 Capital Outlay Bill (Laws 2015, Chapter 9) appropriated \$1,000,000 from the Arizona Exposition and State Fair Fund to the Arizona Exposition and State Fair Board for capital improvements. Together with an item reviewed at the June 2015 JCCR meeting, the Arizona Exposition and State Fair Board would have \$620,000 remaining of the FY 2016 appropriation. The JLBC Staff presented options to the Committee.

Ms. Wanell Costello, Executive Director, Arizona Exposition and State Fair Board, responded to member questions.

Representative Olson moved that the Committee give a favorable review to Arizona Exposition and State Fair Board's sewer line repairs and transformer replacement with a total cost of \$155,000. The favorable review includes the provision that the Arizona Exposition and State Fair Board is to return to JCCR prior to expending any of these funds for other projects. The motion carried.

(Continued)


COCONINO ASSOCIATION FOR VOCATIONS, INDUSTRY AND TECHNOLOGY (CAVIAT) - Consider Approval of Proposed JTED Leases.

Mr. Steve Schimpp, JLBC Staff, stated that CAVIAT is requesting approval of its plan to lease a 750 square foot classroom from the Fredonia-Moccasin Unified School District and a 650 square foot classroom from the Williams Unified School District in order to establish "leased centralized JTED campus" programs at those 2 school districts. The JLBC Staff presented options to the Committee.

Representative Olson moved that the Committee approve CAVIAT's plan to lease a 750 square foot classroom from Fredonia-Moccasin Unified School District and a 650 square foot classroom from the Williams Unified School District in order to establish "leased centralized JTED campus" programs at those 2 school districts. The motion carried.

Without objection, the meeting adjourned at 4:30 p.m.


Respectfully submitted:



Kristy Paddack, Secretary



Jack Brown, Assistant Director



Senator Don Shooter, Chairman



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Joint Committee on Capital Review

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DATE: December 8, 2015

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

THRU: Richard Stavneak, Director *RS*

FROM: Tom Ritland, Senior Fiscal Analyst *TR*

SUBJECT: Cochise Community College District - Review of Revenue Bond Project

Request

A.R.S. § 15-1483 requires Committee review of any community college projects financed with revenue bonds. The Cochise County Community College District requests Committee review of their \$15,201,800 bond project. The project would finance the renovation of the Sierra Vista Regional Health Center in order to establish a Nursing and Allied Health Center on the district's Sierra Vista Campus. The project would be financed with the \$7,930,000 revenue bond issuance, \$1,000,000 in donations through the College Foundation, and \$6,271,800 from district reserve funds.

Recommendation

The Committee has at least the following 2 options:

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

Analysis

The Legacy Foundation of Southeast Arizona gifted the Sierra Vista Regional Health Center (SVRHC) to Cochise College in the fall of 2014. This regional hospital was closed in April 2015 and replaced with a new facility. The SVRHC property consists of 1 large structure and 7 smaller structures totaling 107,000 square feet. The district is planning to renovate the existing structures to create space for college health

(Continued)

and community service programs. The renovations will provide instructional space for Nursing, Certified Nurse's Assistant, Respiratory Therapy, Emergency Medical Technology, Medical Assistant, and Culinary Arts programs. The facility will also contain community service centers, including the Small Business Development Center, the Center for Economic Research, and the Center for Life Long Learning. Four of the original structures will be demolished to allow for a parking facility.

The health center was originally constructed in 1961 and received 17 later additions. Renovations will consist of demolition, hazardous materials abatement, fire safety, ADA compliance, and the assembly of new classroom, office, and conference space. The estimated cost per square foot of the renovation is \$142, including furniture, fixtures, and equipment. The Cochise District states that this cost per square foot is less than half the estimated cost of new construction for similar functions and services. At \$142 per square foot, this project is in line with the cost of a major building renovation. The district plans to complete the renovation by late summer 2016 in order to hold classes in the fall.

Financing

The Cochise District plans on issuing the \$7.9 million revenue bond in January or February 2016 with a 15-year term and an estimated interest rate of 3.67%. The annual debt service payments would be approximately \$713,000 and the total cost over the 15-year period will be \$10.8 million, \$2.9 million of which would be interest payments. The revenue bond debt service will be funded from tuition and fees, bookstore revenues, food service sales, dormitory rentals, and other operating 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 \$7.9 million revenue bond issuance would peak at \$2.7 million in FY 2020. Cochise's total budgeted expenditures for FY 2016 are \$71.7 million, resulting in an estimated debt ratio of approximately 3.8% (\$2,740,400/\$71,674,900). Cochise received an A3 bond rating from Moody's Investors Service for a bond issued in 2008 and expects a similar rating for this bond.

RS/TR:kp



COCHISE COLLEGE
OFFICE OF THE
PRESIDENT



November 16, 2015

The Honorable Don Shooter, 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 2015

Dear Senator Shooter:

The Cochise County Community College District requests a review of its Revenue Bonds, Series 2016, at the December 2015 meeting of the Joint Committee on Capital Review (JCCR).

Earlier this year, the Legacy Foundation of Southeast Arizona gifted the recently vacated Sierra Vista Regional Medical Center to Cochise College. This series of revenue bonds is being issued to renovate and improve the donated hospital into a state-of-the-art instructional facility for nursing and allied health programs. The renovated facility will also be home to many community outreach programs such as the Center for Economic Research, the Small Business Development Center, the Center for Lifelong Learning, and other community based initiatives. The total area of this renovation project is over 93,000 square feet. We are making every attempt to complete this renovation by late summer 2016 in order to hold classes in the fall.

The current plan is to have the District's Governing Board approve the bond issue at its January meeting and to sell the proposed bonds in either late January or early February of 2016. The bond closing and delivery of proceeds to the District will occur approximately two weeks after the bonds are sold.

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

Thank you for your time and consideration.

Sincerely,

A handwritten signature in blue ink, appearing to read "J.D. Rottweiler".

J.D. Rottweiler, Ph.D.
President
Cochise County Community College District

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



COCHISE COLLEGE
OFFICE OF THE
PRESIDENT

November 25, 2015

Joint Committee on Capital Review
1700 West Washington
Phoenix, Arizona 85007

Dear Chairman Shooter and Members of the Joint Committee on Capital Review:

Please find attached for your consideration, information related to the planning, construction, and financing of the Cochise College Downtown Center.

In the Fall of 2014, Cochise County Community College District (Cochise College) was gifted the Sierra Vista Regional Health Center by the Legacy Foundation of Southeast Arizona. The facility, up until April of 2015 and the completion of the newly constructed Canyon Vista Medical Center, had operated as the regional hospital. The gift provides Cochise College the opportunity to greatly expand allied health programs and to co-locate community services into a one-stop location.

The college, as part of its Master Facilities Plan, had developed a design for the construction of a Nursing and Allied Health Center on its Sierra Vista Campus. Resources were being developed, including gifts to the Cochise College Foundation. The gifting of the old hospital has allowed the project to be fast tracked and additional services to be provided and co-located.

The location of the facility will provide for easy access for students and the community at large. It is a true win-win-win for the college, the Legacy Foundation, and the community. The college will be able to expand offerings in allied health disciplines sorely needed in rural Arizona. Currently, 80% of all practicing Registered Nurses (RNs) in Cochise County received their training at Cochise College. Likewise, the college offers a Respiratory Therapy program, EMT/Paramedicine program, a Certified Nurse Assistant (CNA) program, and a Medical Assistant program. This facility will provide appropriate instructional space for these and other, yet to be determined, allied health programs. The college will also be able to expand its Culinary Arts program by utilizing the hospital's commercial kitchen and dining facilities. The Legacy Foundation and the

community will see a significant landmark in Sierra Vista continue to be used in a manner consistent with their missions and long-term planning.

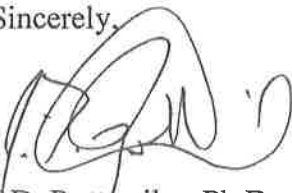
The facility will also allow for the co-locating of vital community services into a one-stop center. The college will co-locate the Small Business Development Center, the Center for Economic Research, and the Center for Lifelong Learning into specially designed spaces providing future entrepreneurs, economic development opportunities, and customized training courses a chance for growth and development. As partnering organizations, the college will provide space for the Arizona Workforce Connection for Cochise County, Disabled American Veterans (DAV), and the Volunteer Interfaith Caregiver Program (ViCap). This partnership will provide one-stop services for individuals looking for workforce training and/or career services.

Total cost of the repurpose/remodel is estimated at just over \$15.2M. With over 107,000 sqft of usable space, the cost per square foot is just over \$142 inclusive of all property acquisition, design, demolition, construction, FF&E, and owner contingency. This is less than half the estimated cost of new construction for similar functions and services. The college plans to issue Revenue Bonds in the amount of \$8M, with the remaining resources coming from the College Foundation and College Reserves.

Consistent with Arizona Revised Statute, we request JCCR review our repurpose/remodel plans and issuance of revenue bonds. It is our intent, upon JCCR approval, to have bond documentation prepared for District's Governing Board approval at its January 12, 2016 Board Meeting.

On behalf of the Governing Board and the entire District, we thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "J.D. Rottweiler", with a stylized flourish at the end.

J.D. Rottweiler, Ph.D.
President

**Revenue Bonds, Series 2016A
Downtown Center Repurpose and Remodel Project
Project Summary**

Project Cost/Funding Sources

Revenue Bond	\$8,000,000
Donation through College Foundation	\$1,000,000
District Reserves	<u>\$6,271,797</u>
Total Cost of Project	\$15,271,797

Project Background and Description

The District was gifted Sierra Vista Regional Health Center, located at 300 El Camino Real, Sierra Vista, Arizona by the Legacy Foundation of Southeast Arizona. This property consists of one large structure and seven smaller structures surrounding the hospital totaling 107,000 square feet. The purpose of this project is to repurpose and remodel the main existing structure into a state-of-the-art Allied Health and Community Services Building. When complete, the Downtown Center will provide expansion opportunities in Nursing and other allied health disciplines. Cochise College's Community Services departments will be co-located with partner agencies to provide a one-stop job training and place center. As part of the project, four of the adjacent buildings will be demolished allowing for adequate parking for the facility.

The Downtown Center

Built	1961 with 17 later additions
Square Feet	98,654
Condition	Un-usable in current layout. Until April 2015, the building was a functioning hospital so much of the facility and infrastructure can be repurposed and remodelled.

Renovations to include the following:

- Demolition
- Hazardous Materials Abatement
- Fire Safety
- ADA Compliance
- New Classroom, Office & Conference Space for:
Instructional Programs
 - Nursing
 - Certified Nurse's Assistant (CNA)
 - Respiratory Therapy

- Emergency Medical Technology (EMT)
- Medical Assistant
- Two new Allied Health Programs yet to be determined
- Culinary Arts

Community Services

- Small Business Development Center
- Center for Economic Research
- Center for Life Long Learning
- Corporate/Customized Training

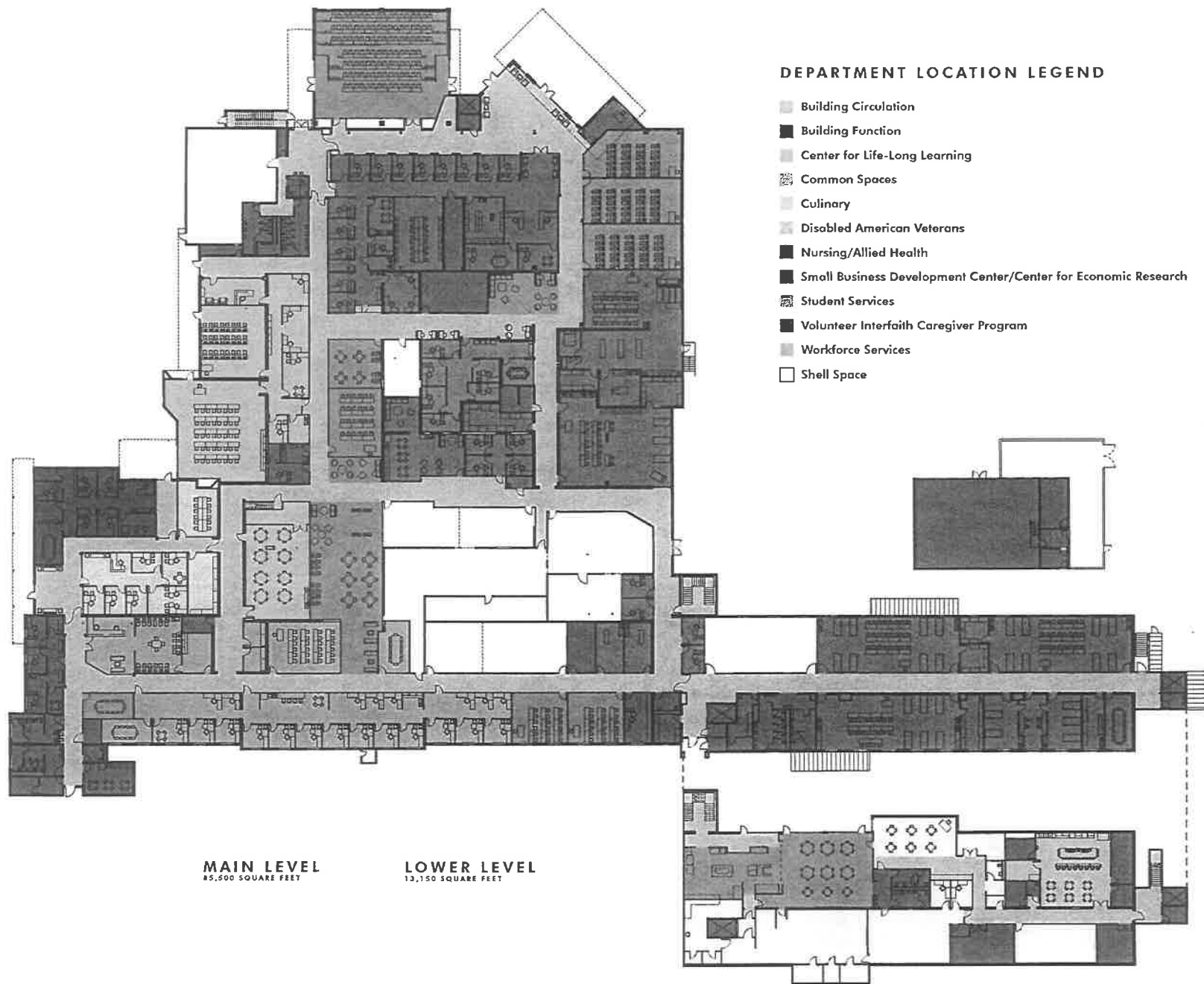
Partnerships

- Arizona Workforce Connection
- Disabled American Veterans (DAV)
- Volunteer Interfaith Caregiver Program (ViCap)
- Furniture, Fixtures and Equipment (FF&E)

Estimated cost per square foot, including FF&E and contingencies - \$142.72

Financing

The \$8 million revenue bond issuance would be repaid over 15 year term at an estimated interest rate is 3.67%. The annual debt service payment would be approximately \$713,000 per year. The bonds would be repaid from tuition and fees, bookstore revenues, food service sales, dormitory rentals and other operating revenues of the College. Combined with prior revenue debt obligations, the District's annual debt service would range from \$708,900 to \$2,740,370 between FY 2016-2017 and FY 2027-2028, peaking at \$2,740,370 in FY 2019-2020. The total outstanding debt supported by the pledged operating revenue of the College would be \$26,950,000. The College anticipates getting the bonds rated by Moody's Investors Service with an expected rating of "A3", similar to the rating received by the College in 2008 (see attached prior rating letter).



**Cochise County Community College District
Revenue Bonds, Series 2016A**

\$8 Million Project Deposit, 15 year term

Fiscal Year	Pledged Revenues Available for Debt Service (1)	Existing Debt Service			Existing Debt Service Coverage Ratio	\$7,930,000 Revenue Bonds Series 2016A Dated: 02/23/2016			Aggregate Debt Service			Estimated Debt Service Coverage Ratio
		Principal	Interest	Debt Service		Principal	Interest (2)	Debt Service	Total Principal	Total Interest	Total Debt Service	
2014	\$6,579,340	\$1,015,000	\$1,009,194	\$2,024,194	3.25				\$1,015,000	\$1,009,194	\$2,024,194	3.25
2015	\$6,579,340	1,055,000	968,594	2,023,594	3.25				1,055,000	968,594	2,023,594	3.25
2016	\$6,579,340	\$1,100,000	\$926,394	\$2,026,394	3.25		0.000%	\$103,347	\$1,100,000	\$1,029,740	\$2,129,740	3.09
2017	6,579,340	1,140,000	882,394	2,022,394	3.25	\$420,000	2.000%	290,663	1,560,000	1,173,056	2,733,056	2.41
2018	6,579,340	1,185,000	836,794	2,021,794	3.25	430,000	2.000%	282,263	1,615,000	1,119,056	2,734,056	2.41
2019	6,579,340	1,235,000	787,913	2,022,913	3.25	440,000	2.250%	273,663	1,675,000	1,061,575	2,736,575	2.40
2020	6,579,340	1,305,000	721,608	2,026,608	3.25	450,000	2.500%	263,763	1,755,000	985,370	2,740,370	2.41
2021	6,579,340	1,370,000	652,878	2,022,878	3.25	460,000	4.000%	252,513	1,830,000	905,390	2,735,390	2.41
2022	6,579,340	1,445,000	580,553	2,025,553	3.25	475,000	4.000%	234,113	1,920,000	814,665	2,734,665	2.41
2023	6,579,340	1,510,000	515,528	2,025,528	3.25	495,000	4.000%	215,113	2,005,000	730,640	2,735,640	2.41
2024	6,579,340	1,575,000	447,413	2,022,413	3.25	515,000	4.000%	195,313	2,090,000	642,725	2,732,725	2.41
2025	6,579,340	1,660,000	366,694	2,026,694	3.25	535,000	4.000%	174,713	2,195,000	541,406	2,736,406	2.40
2026	6,579,340	1,740,000	281,619	2,021,619	3.25	560,000	4.000%	153,313	2,300,000	434,931	2,734,931	2.41
2027	6,579,340	1,830,000	192,444	2,022,444	3.25	580,000	4.000%	130,913	2,410,000	323,356	2,733,356	2.41
2028	6,579,340	1,925,000	98,656	2,023,656	3.25	605,000	4.000%	107,713	2,530,000	206,369	2,736,369	2.40
2029	6,579,340					630,000	4.250%	83,513	630,000	83,513	713,513	9.22
2030	6,579,340					655,000	4.250%	56,738	655,000	56,738	711,738	9.24
2031	6,579,340					680,000	4.250%	28,900	680,000	28,900	708,900	9.28
		\$19,020,000	\$7,290,884	\$26,310,884		\$7,930,000	\$2,846,547	\$10,776,547	\$26,950,000	\$10,137,430	\$37,087,430	

(1) Represents actual revenues per the College's FY 2014 CAFR. Revenues in all future years assume 0% growth.

(2) Interest on the New Money Series of Bonds is estimated and based on Current Market +50 bps from Mid MMD from 10/13/2015 with a True Interest Cost (TIC) of 3.67%.



RBC Capital Markets*



Moody's Investors Service

7 World Trade Center at 250 Greenwich Street
New York, New York 10007

May 27, 2008

Mr. Kevin Butler
Vice President for Administration
Cochise County Community College District
4190 West Highway 80
Douglas, AZ 85607-6190

Dear Mr. Butler:

I wish to inform you that Moody's Investors Service has assigned an underlying rating of **A3** with a **stable** outlook to the Cochise County Community College District's Pledged Revenue Obligations Series 2008 and Revenue Bonds, Series 2008.

In order for us to maintain the currency of our ratings, we request that you provide ongoing disclosure, including annual financial and statistical information.

Moody's will monitor this rating and reserves the right to revise or withdraw it at any time in the future.

This rating, as well as any revisions or withdrawals thereof, will be publicly disseminated by Moody's through normal print and electronic media and in response to verbal requests to Moody's ratings desk.

Should you have any questions regarding the above, please do not hesitate to contact me.

Sincerely,

Amy Tanaka

AT/dr

cc: Mr. Nick Dodd
RBC Capital Markets
2398 East Camelback Road, Suite 700
Phoenix, AZ 85016



STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: December 8, 2015

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

THRU: Richard Stavneak, Director *RS*

FROM: Matt Gress, Senior Fiscal Analyst *MGS*

SUBJECT: Arizona State University - Review of Student Pavilion

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. Arizona State University (ASU) requests Committee review of \$39,900,000 in system revenue bond issuances over the next year to fund the construction of the Student Pavilion, which will be located on ASU's Tempe campus. The bond debt service would be paid from a combination of ASU's existing Student Service Facility Fee and tuition.

Recommendation

The Committee has at least the following 2 options:

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

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

Standard University Financing Provisions

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

(Continued)

Analysis

The \$39.9 million bond issuance would fund the new construction of a 74,653 gross square-foot facility (Student Pavilion) that would be located near ASU-Tempe's Memorial Union, Hayden Library, and Orange Mall. ASU states that the Student Pavilion is in "direct response to student demand for increased student service space." Comprised of 3 floors and a mezzanine, the first floor will include a 15,000 square-foot, multi-purpose event space with 1,200 seats; the second floor will provide office space for student government and student organizations; and the third floor space will house classrooms and offices.

Construction on the Student Pavilion is expected to begin January 2016 with completion set for July 2017 and open for use by the fall 2017 semester. The annual operations and maintenance cost is estimated to be \$431,100, which will most likely be paid through auxiliary and/or fee revenue.

Financing

The total \$39.9 million for the Student Pavilion will be issued in the spring of 2016 with a rating of Aa3 (Moody's)/AA (S&P) at a projected interest rate of 3.99% for a term of 30 years. In addition to project costs, issuance costs are projected to be \$650,000. Annual debt service payments, including principal, will be \$2.3 million beginning in FY 2017 for a 30-year total cost of \$70.3 million. The debt service will be paid from a combination of ASU's existing Student Service Facility Fee and tuition, based on the allocation of space within the facility for student and academic programming. The Student Service Facility Fee was authorized by the Arizona Board of Regents in 2010 to primarily fund debt service on new or expanded student service facilities, as well as fund repair and replacement costs. This mandatory fee is \$75 per semester for full-time students. *(Please see Table 1 for a summary of the bond's financing terms.)*

Table 1	
ASU Student Pavilion Financing Terms	
Issuance Amount	\$39.9 million
Issuance Date	Spring 2016
Issuance Transaction Fees	\$650,000
Rating	Aa3 (Moody's)/AA (S&P)
Interest Rate	3.99%
Term	30 years
Total Debt Costs	\$70.3 million
Debt Service Payments	\$2.3 million
Payment Source	Student Service Facility Fee and Tuition
Debt Ratio Increase	0.12%
ABOR Approval Status	November 19, 2015
Construction Start	January 2016

(Continued)

Construction Costs

The direct construction costs for the entire project are \$30.6 million. Based on information provided by ASU, there are 2 similar projects ranging in cost from \$7.2 million to \$26.5 million. ASU states that comparable costs per square foot average \$512, as displayed in *Table 2*. Based on the 74,653 square-foot size of the project, ASU's cost per square foot is \$410.

Because there are only 2 projects included in the comparative project analysis, and 1 of which is significantly smaller than ASU's Student Pavilion, the evaluation of the Student Pavilion's project costs relative to other projects is limited.

Table 2				
Comparable Construction Projects				
Project	Year	Project Size	Cost/SF	(\$ in M) Total
State University of New York - Syracuse	2013	54,000	\$ 491	\$ 27
Portland Community College	2011	13,500	533	7
Average		33,750	\$ 512	\$ 17

RS/MG:kp

ASU
ARIZONA STATE UNIVERSITY

November 24, 2015



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

Dear Senator Shooter:

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

- Student Pavilion

Enclosed is pertinent information relating to this item.

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

Sincerely,

Morgan R. Olsen
Executive Vice President, Treasurer and CFO

Enclosures

cc: 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 and 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 Gress, Principal Fiscal Analyst, JLBC

**Joint Committee on Capital Review
Arizona State University
December 2015 JCCR Meeting**

Student Pavilion

Project Description

The Student Pavilion is a new, three-story-plus-mezzanine, 74,653 square-foot facility that will be located in the heart of the Tempe campus at the nexus of student activity and traffic, ringed by the Memorial Union, Hayden Library, and Orange Mall. In direct response to student demand for increased student service space, the Pavilion will include a 15,000 square-foot, multi-purpose event space with seating for 1,200, providing a venue for guest lecturers, musical shows, comedy acts, and student productions, with the flexibility to be configured into three smaller, multi-purpose event/meeting rooms. The Pavilion's second floor will provide office space for student government and student organizations, while the third floor will provide space for classrooms and offices. The Pavilion is planned as a Net Zero Energy facility to showcase the University's commitment to Climate Neutrality and sustainable building systems.

The Student Pavilion, scheduled to open for the fall 2017 semester, will be funded by system revenue bonds. Debt service will be paid by the existing Student Service Facility Fee and tuition, based on the allocation of space within the facility for student and academic programming.

An Arizona Board of Regents executive summary is attached for this project, which outlines the project description and other relevant information. The Pavilion received Project Approval at the Arizona Board of Regents' November 19, 2015 meeting.

Project Costs

Total Project Cost	\$ 39,900,000
Total Project Construction Cost	\$ 30,592,754
Total Project Cost per GSF	\$534
Total Construction Cost per GSF	\$410

Operations and maintenance costs are expected to be \$431,061 annually for this project.

**Joint Committee on Capital Review
Arizona State University
December 2015 JCCR Meeting**

PROJECT SUMMARY –Revenue Bonds

<u>Project</u>	<u>Funding Sources</u>	<u>Amount</u>
Student Pavilion	Student Service Facility Fee, Tuition	\$ 39,900,000

FINANCING INFORMATION

System Revenue Bonds:

Project Costs	\$ 39,900,000
Estimated Costs of Issuance	\$ 650,000
Anticipated Bond Rating	Aa3 (Moody's) and AA (S&P)
Assumed Interest Rate	3.99%
Term	30 years

Debt Service Information:

Estimated Annual Debt Service For 2017 – 2046	\$ 2,342,131
Total Estimated Debt Service Costs	\$ 70,263,929

DEBT RATIO

Debt Ratio on Existing Debt	5.20
Incremental Debt Ratio	0.12
Projected Debt Ratio	5.32

**Joint Committee on Capital Review
Arizona State University
December 2015 JCCR Meeting**

**Arizona State University
System Revenue Bonds
Student Pavilion**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 725,000	\$ 1,617,945	\$ 2,342,945
2018	755,000	1,589,017	2,344,017
2019	785,000	1,558,893	2,343,893
2020	815,000	1,527,571	2,342,571
2021	845,000	1,495,053	2,340,053
2022	880,000	1,461,338	2,341,338
2023	915,000	1,426,225	2,341,225
2024	950,000	1,389,717	2,339,717
2025	990,000	1,351,812	2,341,812
2026	1,030,000	1,312,311	2,342,311
2027	1,070,000	1,271,214	2,341,214
2028	1,115,000	1,228,521	2,343,521
2029	1,160,000	1,184,033	2,344,033
2030	1,205,000	1,137,749	2,342,749
2031	1,250,000	1,089,669	2,339,669
2032	1,300,000	1,039,794	2,339,794
2033	1,355,000	987,924	2,342,924
2034	1,410,000	933,860	2,343,860
2035	1,465,000	877,600	2,342,600
2036	1,525,000	819,147	2,344,147
2037	1,585,000	758,300	2,343,300
2038	1,645,000	695,058	2,340,058
2039	1,715,000	629,422	2,344,422
2040	1,780,000	560,994	2,340,994
2041	1,850,000	489,972	2,339,972
2042	1,925,000	416,157	2,341,157
2043	2,005,000	339,350	2,344,350
2044	2,085,000	259,350	2,344,350
2045	2,165,000	176,158	2,341,158
2046	2,250,000	89,775	2,339,775
	<u>\$ 40,550,000</u>	<u>\$ 29,713,929</u>	<u>\$ 70,263,929</u>

EXECUTIVE SUMMARY

Item Name: Student Pavilion Project Approval (ASU)

- ☐ Committee Recommendation to Full Board
☒ Full Board Approval

Issue: Arizona State University requests the board to provide project approval for the Student Pavilion project.

Previous Board Action

- FY 2016 CDP June 2015
- FY 2016 Capital Improvement Plan September 2014

Enterprise or University Strategic Plan

(Check the element(s) of the strategic plan that this item supports or advances)

- ☒ Education excellence, access and degree production
☐ Research excellence
☒ Workforce and community
☐ Productivity
☐ Compliance
☐ Real property purchase/sale/lease
☐ Other:

Statutory/Policy Requirements

- Board Policy 7-109 requires Committee approval of new construction projects with a total project cost over \$10 million before contracts can be executed and construction can begin.

Project Justification/Description/Scope

- This project is in direct response to student demand for increased student service space.
- The ASU Student Facility Fee Board funded a conceptual study of an event venue to be called the Pavilion. The proposed facility has been scoped through a feasibility study by Ayres Saint Gross, completed in 2014, that examined the needs for an expanded student service facility.

EXECUTIVE SUMMARY

- The new 74,653 square foot Student Pavilion will be located in the heart of the Tempe campus, situated at the nexus of student activity and traffic and ringed by the Memorial Union, Hayden Library, and Orange Mall. The student-centric facility will be operated by students with Memorial Union staff oversight. The core of the building will be a 15,000 square foot multi-purpose event space, which will provide a venue for guest lecturers, musical shows, comedy acts, and student productions, with seating for 1,200. The event space also will include movable partitions to allow subdivision of the space into three smaller event/meeting rooms that can support student study, meeting and meals functions. The second floor will provide office space for student government and student organizations, while the third floor will provide space for classrooms and offices. The building is planned as a Net Zero Energy facility to showcase the University's commitment to Climate Neutrality and sustainable building systems.
- The project will support two initiatives identified in the 2012 campus master plan update. The Pavilion contributes to the first initiative, to strengthen the campus core, by enhancing opportunities for student engagement with a student event venue and student organization space. The second initiative, to increase academic space in the heart of the campus, is addressed by providing third-floor classroom and academic space.

Project Delivery Method and Process

- This project is being delivered through the Construction Manager at Risk (CMAR) method. This approach was selected for the project to save time through fast-track project scheduling, provide contractor design input and coordination throughout the project, improve potentially adversarial project environments, and allow for the selection of the most qualified contractor team. With the use of two independent cost estimates at each phase, and pre-qualified, low-bid subcontractor work for the actual construction, CMAR also provides a high level of cost and quality control.
- ASU selected JE Dunn, as the CMAR and Weddle Gilmore Architects as the design professionals for this project. During the selection process for the CMAR, there were 13 responses and 4 contractors interviewed. The selection process for the design professional included 26 responses and 5 firms were interviewed.

Project Status and Schedule

- This project is in the design phase with general construction scheduled to begin when all approvals are in place. Construction will be completed approximately 16 months after CMAR construction contracts are awarded.

EXECUTIVE SUMMARY

Project Cost

- The total budget for this 74,653 gross-square-foot project is \$39.9 million, a \$3.4 million increase since receiving Capital Development Plan approval in June 2015. The larger project budget addresses relocation of existing infrastructure impacted by the new building footprint, enhanced AV/IT resources and additional structural cost to allow for a 15,000 square foot event space free of columns.
- The overall budget represents an estimated construction cost of \$408 per gross square foot. The estimated total project cost is \$534 per gross square foot. The following table presents projects considered comparable to the Student Pavilion project:

Comparable Project	Location	Project Size/GSF	Year Completed	Escalated Const. Cost / SF
New berg Center, Portland Community College	Portland, OR	13,500	Aug-11	\$533
Gatew ay Center, State University of New York	Syracuse, NY	54,000	Sep-13	\$491
Average Comparable Project		33,750		\$512

Considering these relevant comparable construction costs, the Student Pavilion budget of \$408 per gross square foot is considered reasonable.

- The total budget is \$39.9 million, based on a construction budget of \$30,157,500 (see page 7 for additional breakdowns).
- For Project Approval, the DP and CMAR teams have provided external cost estimates based upon independent programming and estimating efforts. The estimates are in alignment for an overall \$39.9 million project budget.
- 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, such as change orders and contingency use, will be provided at project completion.

Fiscal Impact and Financing Plan:

- The \$39.9 million Student Pavilion will be funded with system revenue bond proceeds. Debt service on the bonds will be funded by Student Service Facility Fee revenue and tuition, based on the allocation of space within the facility for student and academic space, respectively.

EXECUTIVE SUMMARY

- Recognizing the key role student service facilities play in a positive student experience, the Student Service Facility Fee was initiated by the ASU Council of Presidents, comprised of student body presidents from all four ASU campuses, and approved by the Board of Regents in March 2010. Since that time, student leaders have been actively engaged in defining the scope and programming of the projects funded by the Student Service Facility Fee.
- Debt ratio impact: The debt service associated with this project will increase the debt ratio by 0.12 percent.
- Operations and maintenance costs for this project are estimated at \$431,061 annually. The University will fund operations and maintenance through Other Local Funds.

Occupancy Plan

- The programs housed within the Student Pavilion will include existing student groups, student government, and academic units and classes.

Committee Review and Recommendation

The Business and Finance Committee reviewed this item at its November 18, 2015 meeting and recommended forwarding the item to the full board for approval.

Requested Action

Arizona State University requests the board provide Project Approval for the Student Pavilion project, as presented in this Executive Summary.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University

Project Name: Student Pavilion

Project Description and Location:

This project will provide a three-story-plus-mezzanine, 74,653 gross-square-foot facility housing pre-function space, food service, a 1,200 seat multi-purpose event space, student organization space, as well as classrooms and academic offices. The Pavilion will be constructed in the heart of the Tempe campus on the current site of the Undergraduate Academic Services Building.

Project Schedule:

Planning	October	2013
Design	September	2014
Construction Start	January	2016
Construction Completion	July	2017

Project Budget:

Total Project Cost	\$	39,900,000
Total Project Construction Cost	\$	30,157,500
Total Project Cost per GSF	\$	534
Construction Cost per GSF	\$	408

Change in Annual O & M Cost:

Utilities	\$	174,390
Personnel		80,142
All Other Operating		176,529
Subtotal	\$	431,061

Funding Sources:

Capital

A. System Revenue Bonds \$ 39,900,000
Funding Source for Debt Service: Student Service Facility Fee Revenue and Tuition

Operation/Maintenance \$ 431,061
Funding Sources: Other Local Funds

EXECUTIVE SUMMARY

Capital Project Budget Summary

University: ASU at the Tempe campus

Project:

Student Pavilion

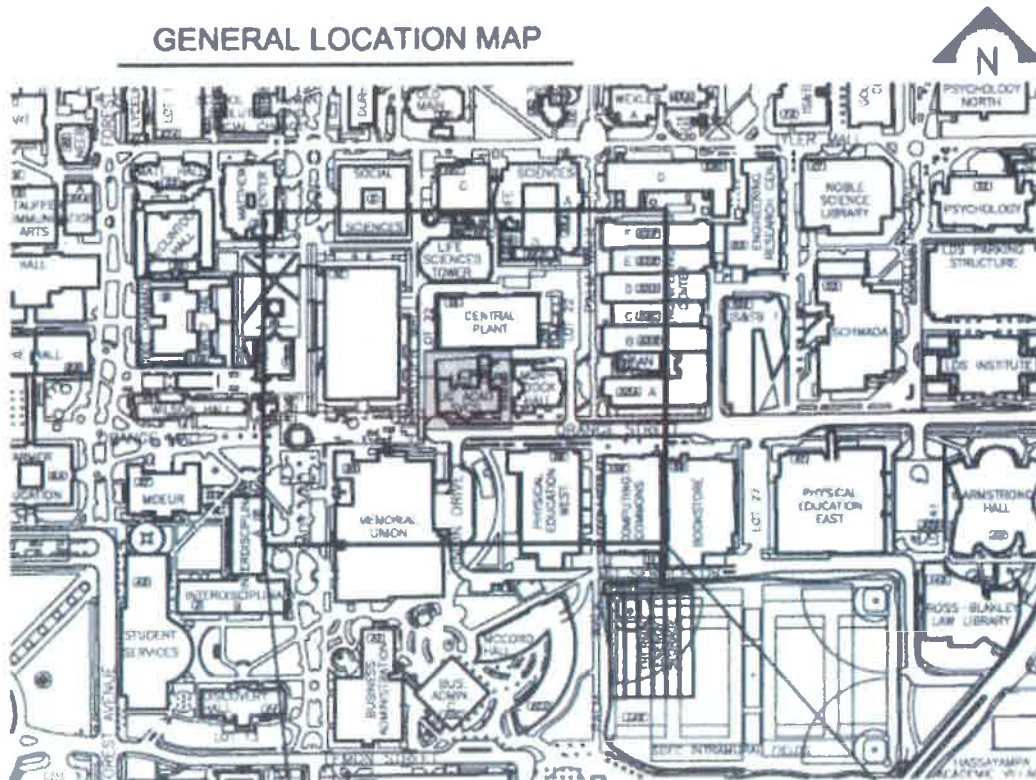
	Capital Development Plan	Project Approval
Capital Costs		
1. Land Acquisition		
2. Construction Cost		
A. New Construction	\$ 20,889,255	\$ 28,743,336
B. Renovation		
C. Special Fixed Equipment	4,963,315	
D. Site Development (excl. 2.E.)	1,185,804	1,414,220
E. Parking and Landscaping	200,000	200,000
F. Utilities Extensions		
G. Other* (Demolition)	341,250	235,198
Subtotal Construction Cost	<u>\$ 27,579,624</u>	<u>\$ 30,592,754</u>
3. Fees		
A. Construction Mgr	\$ 300,000	\$ 300,000
B. Architect/Engineer	2,880,000	2,880,000
C. Other	84,871	
Subtotal Consultant Fees	<u>\$ 3,264,871</u>	<u>\$ 3,180,000</u>
4. FF&E Movable	\$ 1,752,500	\$ 1,804,805
5. Contingency, Design Phase		
6. Contingency, Constr. Phase	620,000	700,000
7. Parking Reserve		
8. Telecommunications Equipment	1,080,860	2,300,560
Subtotal Items 4-8	<u>\$ 3,453,360</u>	<u>\$ 4,805,365</u>
9. Additional University Costs		
A. Surveys, Tests, Haz. Mat. Abatement	\$ 95,000	\$ 124,821
B. Move-in Costs	20,000	20,000
C. Printing Advertisement		
D. Keying, signage, facilities support	1,014,095	4,000
E. Project Management Cost (2.9066%)	951,432	1,040,113
F. State Risk Mgt. Ins. (.0034 **)	121,618	132,947
Subtotal Addl. Univ. Costs	<u>\$ 2,202,145</u>	<u>\$ 1,321,881</u>
Total Capital Cost	<u><u>\$ 36,500,000</u></u>	<u><u>\$ 39,900,000</u></u>

* Universities shall identify items included in this category

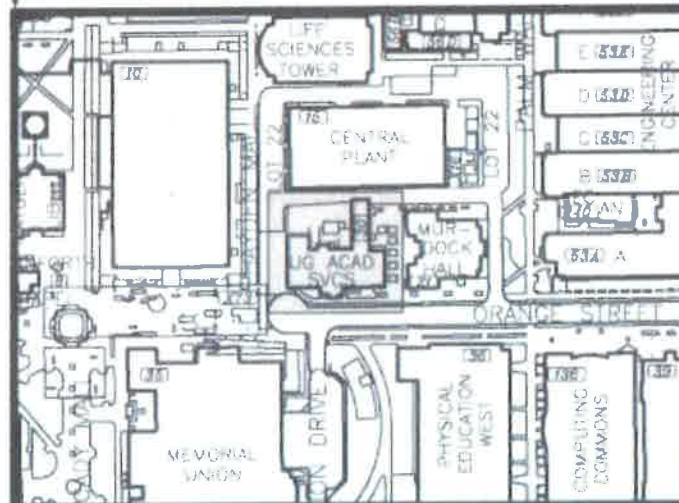
** State Risk Management Insurance factor is calculated on construction costs and consultant fees.

EXECUTIVE SUMMARY

GENERAL LOCATION MAP



STUDENT PAVILION



AREA IN DETAIL



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 8, 2015

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

THRU: Richard Stavneak, Director *RS*

FROM: Micaela Larkin, Senior Fiscal Analyst *ML*

SUBJECT: Arizona Department of Corrections - Review of FY 2014, FY 2015, and FY 2016 Building
Renewal Allocation Plans

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. The Joint Committee on Capital Review (JCCR) has previously reviewed Arizona Department of Corrections' (ADC's) FY 2014, FY 2015, and FY 2016 Building Renewal Plans including contingency monies. The Committee included the provision that the department seek review of reallocations with significant changes to scope.

ADC is now requesting further review to the FY 2014, FY 2015, and FY 2016 Building Renewal Plans. The changes to the FY 2014 Building Renewal Plan are to account for the actual costs and bids that ADC encountered for the projects. With the FY 2015 and FY 2016 Building Renewal Plans, a significant number of the proposed reallocations are to account for increased costs for air conditioning conversions.

Recommendation

The Committee has at least the following 2 options:

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

The proposed expenditure plan is consistent with building renewal guidelines and appropriations.

(Continued)

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

- A. ADC shall continue to report any change in the building renewal spending plan to the JLBC Staff, including reallocations between projects. 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. Prior reviews also included this provision.

Analysis

Revised FY 2014 Building Renewal Plan Reallocation

Laws 2013, 1st Special Session, Chapter 8 appropriated \$5,000,000 from the Department of Corrections Building Renewal Fund to ADC for general building renewal. The Committee favorably reviewed the FY 2014 allocation plan previously, but ADC is now requesting to reallocate some of the funds. *Table 1* shows the proposed reallocations:

Table 1			
FY 2014 Building Renewal Plan Amended Projects			
	<u>Approved Allocation</u> <u>April 1, 2015</u>	<u>Difference</u>	<u>Revised</u> <u>Allocation</u>
<u>Amended Projects</u>			
Locking System and Controls - Tucson Cimarron	\$ 587,500	\$ 37,500	\$ 625,000
Generator Replacement - Tucson Whetstone	500,000	(175,000)	325,000
Gas Line Replacement - Florence East	486,000	149,000	635,000
Locking System and Controls - Douglas CDU	330,000	(30,000)	300,000
Electrical Systems Replacement - Florence	229,000	36,000	265,000
Fiber Optic Cable Upgrade - Lewis Eagle point	75,000	(15,000)	60,000
Contingency	<u>51,700</u>	<u>(2,500)</u>	<u>49,200</u>
<i>Subtotal</i>	<i>\$2,259,200</i>	<i>\$ 0</i>	<i>\$2,259,200</i>
<u>Projects Not Modified</u>	<u>\$2,740,800</u>		<u>\$2,740,800</u>
Total	<u>\$5,000,000</u>		<u>\$5,000,000</u>

ADC prepares the plan prior to undertaking the procurement process and accepting bids. The proposed re-allocations account for the actuals as ADC has completed projects, or received final pricing. The significant savings of \$(175,000) were from the vendor rebuilding a generator rather than purchasing a new generator at ASPC - Tucson Whetstone.

Revised FY 2015 Building Renewal Plan Reallocation

Laws 2014, Chapter 15 appropriated \$8,464,300 for FY 2015 building renewal. While the Committee favorably reviewed the allocation plan previously, ADC is now requesting to reallocate \$1,787,500 for increased costs for their projects:

- \$782,600 increase to the \$622,400 previously allocated for air conditioning conversion at ASPC - Perryville Lumley. While pursuing the conversion of evaporative coolers to air conditioning, ADC discovered that further adjustments to the ductwork and electrical systems will be necessary at many units.
- \$408,800 increase to the \$715,500 previously allocated for air conditioning conversion at ASPC - Tucson Manzanita.

(Continued)

- \$300,000 increase to the \$2,000,000 project to drill a new well at ASPC - Lewis. The drilling team experienced tougher drilling conditions that exceeded the bid amount.
- \$287,500 increase to the \$750,000 previously allocated for the replacement of the locking systems of the maximum custody ASPC - Florence Central Unit. As they undertook the bidding process and received questions from vendors, ADC adjusted the allocation in anticipation of higher bids.
- \$8,600 increase to the \$136,400 allocated for replacing evaporative cooler ductwork at Lewis Stiner.

ADC proposes funding these project costs by reducing spending by \$(1,787,500) elsewhere in its plan:

- \$(1,229,300) from removing 4 air conditioning conversion projects: ASPC - Eyman Meadows , ASPC - Florence South, ASPC - Lewis Barchey, and ASPC - Lewis Stiner. Due to the increased costs, ADC proposes the delay of the Eyman Meadows and Lewis Stiner project until funds are available. The conversion projects at Florence South and Lewis Barchey are added to the FY 2016 Building Renewal Plan.
- \$(434,900) from savings at ASPC - Phoenix Alhambra. ADC has been able to utilize a new type of security lock that meets their needs, and that does not entail as much extensive retro-fitting.
- \$(118,800) from the contingency monies.
- \$(4,500) in savings from the inpatient care unit beds remodeling at ASPC - Tucson Rincon.

Table 2 shows the proposed revisions to the FY 2015 Building Renewal Plan.

Table 2			
	FY 2015 Building Renewal Plan		
	Approved Allocation		Revised
	April 1, 2015	Difference	Allocation
<u>Amended Projects</u>			
New Well - Lewis	\$2,000,000	300,000	\$2,300,000
Locking and Control Systems - Phoenix Alhambra	1,034,900	(434,900)	600,000
Locking and Control Systems - Florence Central	750,000	287,500	1,037,500
Air Conditioning Conversion - Tucson Manzanita	715,500	408,800	1,124,300
Air Conditioning Conversion - Perryville Lumley	622,400	782,600	1,405,000
Air Conditioning Conversion - Lewis Barchey	438,600	(438,600)	0
Air Conditioning Conversion - Lewis Stiner	438,600	(438,600)	0
Air Conditioning Conversion - Eyman Meadows	328,900	(328,900)	0
Inpatient Care Unit Re-Model - Tucson Rincon	207,000	(4,500)	202,500
Evaporative Cooler Duct Work - Lewis Stiner	136,400	8,600	145,000
Air Conditioning Conversion - Florence South	23,200	(23,200)	0
Contingency	118,800	(118,800)	0
Subtotal	\$6,814,300	0	\$6,814,300
<u>Projects Not Modified</u>	\$1,650,000		\$1,650,000
Total	\$8,464,300		\$8,464,300

Revised FY 2016 Building Renewal Plan Reallocation

Laws 2015, Chapter 9 appropriated a total of \$5,464,300 for ADC FY 2016 building renewal. While the Committee favorably reviewed the FY 2016 Building Renewal Plan for this appropriation previously, ADC is now requesting to reallocate \$745,400 for the following projects:

- \$454,400 for the conversion of evaporative coolers to air conditioning at ASPC - Lewis Barchey and \$215,000 for a similar conversion at ASPC - Florence South. These projects were previously planned to be funded with the FY 2015 appropriation.

(Continued)

- \$76,000 for increased costs for the gas line replacement at ASPC - Tucson. At its September meeting, the Committee favorably reviewed a reallocation of \$500,000 to repair the 9,100 feet of gas line for the facility. The repairs are required by the Arizona Corporation Commission's Pipeline Safety Division.

Table 3 details the proposed revisions to the FY 2016 Building Renewal Plan:

Table 3			
FY 2016 Building Renewal Plan			
	Approved Allocation September 17, 2015	Difference	Revised Allocation
<u>Amended Projects</u>			
Water Line Replacement - Florence	\$1,400,000	\$ (600,000)	\$ 800,000
Gas Line Replacement - Tucson	500,000	76,000	576,000
Fire Alarm Design - Correctional Officer Training Academy	150,000	(120,400)	29,600
Control Panel Replacement - Eyman/Meadows	140,000	(25,000)	115,000
Air Conditioning - Lewis Barchey		454,400	454,400
Air Conditioning - Florence South	0	215,000	215,000
<i>Subtotal</i>	<i>\$2,190,000</i>	<i>\$ 0</i>	<i>\$2,190,000</i>
<u>Projects Not Modified</u>	\$3,274,300		\$3,274,300
Total	\$5,464,300		\$5,464,300

To fund these new projects, ADC proposes using \$(745,400) from savings from 3 projects: \$(25,000) from the \$140,000 allocated for surveying the structural status of ADC buildings, \$(120,400) from the \$150,000 allocated for fire alarm design due to a favorable bid, and \$(600,000) from the \$1.4 million allocated for water line repairs at ASPC - Florence Central. At its September meeting, the Committee favorably reviewed ADC's plan to spend \$1,400,000 for the replacement of a 40-year-old water line. Upon further investigation of the water lines, the department reports that large main pipes of the underground lines remain serviceable if repaired. Thus, they can change the scope to complete minor repairs in many sections of the water lines and replacement of necessary pipes versus replacement of the entire piping system.

RS/ML:kp



DOUGLAS A. DUCEY
GOVERNOR

Arizona Department of Corrections

1601 WEST JEFFERSON
PHOENIX, ARIZONA 85007
(602) 542-5497
www.azcorrections.gov



CHARLES L. RYAN
DIRECTOR

November 30, 2015

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



Re: Submission for reallocation of Building Renewal Plan

Dear Senator Shooter:

The Arizona Department of Corrections (ADC) requests placement on the next meeting agenda of the Joint Committee on Capital Review (JCCR). ADC is seeking authorization to reallocate the Building Renewal Plan. The request impacts funding appropriated in FY 2014, FY 2015, and FY 2016. Attached you will find additional detail and information relating to the building renewal reallocation request.

If you have any questions regarding any of the proposed items presented in the plan, please contact Michael Kearns, Division Director, ADC Administrative Services Division, at (602) 542-1160.

Sincerely,

Charles L. Ryan
Director

Enclosure

cc: The Honorable Justin Olson, Vice-Chairman, JCCR
Lorenzo Romero, Director, Office of Strategic Planning and Budgeting
Richard Stavneak, Director, Joint Legislative Budget Committee
Scott Selin, Budget & Project Manager, Office of Strategic Planning and Budgeting
Micaela Larkin, Fiscal Analyst, Joint Legislative Budget Committee

**ARIZONA DEPARTMENT OF CORRECTIONS
BUILDING RENEWAL REALLOCATION PLAN**

FY 2014				
LOCATION	PROJECT DESCRIPTION	APPROVED	REALLOCATION	DIFFERENCE
ASPC-Florence South Unit	Perimeter security system and fencing upgrade	\$ 300,000	\$ 300,000	\$ -
ASPC-Yuma Cheyenne Unit	Perimeter security upgrade	\$ 308,200	\$ 308,200	\$ -
ASPC-Florence East Unit	Perimeter security upgrade	\$ 95,200	\$ 95,200	\$ -
ASPC-Perryville Santa Cruz Unit	Perimeter security upgrade	\$ 95,200	\$ 95,200	\$ -
ASPC-Tucson Cimarron Unit	Perimeter security upgrade	\$ 347,200	\$ 347,200	\$ -
ASPC-Perryville Lumley	Perimeter security upgrade	\$ 100,000	\$ 100,000	\$ -
ASPC-Tucson Cimarron Unit	Lock upgrades in housing unit 4	\$ 587,500	\$ 625,000	\$ 37,500
ASPC-Douglas CDU	Replace obsolete control panel	\$ 330,000	\$ 300,000	\$ (30,000)
ASPC-Eyman SMU I	Phase I: Replace obsolete, non-functional locks and doors	\$ 1,300,000	\$ 1,300,000	\$ -
ASPC-Lewis Eagle Point/Sunrise	Replace fiber optic cable running at ASPC-Lewis	\$ 75,000	\$ 60,000	\$ (15,000)
ASPC-Eyman	Replace current UV disinfection system with Chlorine system	\$ 95,000	\$ 95,000	\$ -
ASPC-Tucson Whetstone Unit	Generator Replacement	\$ 500,000	\$ 325,000	\$ (175,000)
ASPC-Florence East Unit	Natural Gas Line Replacement	\$ 486,000	\$ 635,000	\$ 149,000
ASPC-Florence	Electrical switch gear and distribution system replacement	\$ 229,000	\$ 265,000	\$ 36,000
ASPC-Perryville Lumley	Renovation of maximum custody Lumley unit showers	\$ 100,000	\$ 100,000	\$ -
Various	Contingency	\$ 51,700	\$ 49,200	\$ (2,500)
TOTAL		\$ 5,000,000	\$ 5,000,000	\$ -
FUND SOURCE				
Building Renewal Fund		\$ 5,000,000	\$ 5,000,000	\$ -
TOTAL FUND		\$ 5,000,000	\$ 5,000,000	\$ -

FY 2015				
LOCATION	PROJECT DESCRIPTION	APPROVED	REALLOCATION	DIFFERENCE
ASPC-Lewis	Partnering with ADOA on siting and drilling a new well	\$ 2,000,000	\$ 2,300,000	\$ 300,000 ¹
ASPC-Eyman SMU I	Phase II: Replace obsolete, non-functional locks and doors	\$ 1,200,000	\$ 1,200,000	\$ -
ASPC-Eyman Rynning Unit	Replace concrete and rebar	\$ 200,000	\$ 200,000	\$ -
ASPC-Tucson Rincon Unit	IPC - Negative Pressure Rooms-Remodel	\$ 207,000	\$ 202,500	\$ (4,500)
ASPC-Lewis Stiner Unit	Replace Evaporative Cooler Duct Work	\$ 136,400	\$ 145,000	\$ 8,600
ASPC-Phoenix Alhambra Unit	Locking System Upgrade	\$ 1,034,880	\$ 600,000	\$ (434,880)
ASPC-Florence Central Unit	Replace original locking systems at maximum custody unit	\$ 750,000	\$ 1,037,500	\$ 287,500
Various	Identify buildings with structural issues, develop scope of work	\$ 85,000	\$ 85,000	\$ -
ASPC-Winslow Apache Unit	Develop New Well	\$ 142,000	\$ 142,000	\$ -
ASPC-Tucson Manzanita Unit	A/C Conversions from Evaporative Cooling	\$ 715,500	\$ 1,124,300	\$ 408,800 ²
ASPC-Eyman Meadows Unit	A/C Conversions from Evaporative Cooling	\$ 328,893	\$ -	\$ (328,893) ^{2,3}
ASPC-Florence South Unit	A/C Conversions from Evaporative Cooling	\$ 23,250	\$ -	\$ (23,250) ^{2,4}
ASPC-Perryville Lumley Unit	A/C Conversions from Evaporative Cooling	\$ 622,400	\$ 1,405,000	\$ 782,600 ²
ASPC-Lewis Barchey Unit	A/C Conversions from Evaporative Cooling	\$ 438,600	\$ -	\$ (438,600) ^{2,4}
ASPC-Lewis Stiner Unit	A/C Conversions from Evaporative Cooling	\$ 438,600	\$ -	\$ (438,600) ^{2,3}
Central Office	preventive maintenance program throughout ADC	\$ 23,000	\$ 23,000	\$ -
Various	Contingency	\$ 118,777	\$ -	\$ (118,777)
TOTAL		\$ 8,464,300	\$ 8,464,300	\$ -
FUND SOURCE				
General Fund		\$ 3,000,000	\$ 3,000,000	\$ -
Building Renewal Fund		\$ 5,464,300	\$ 5,464,300	\$ -
TOTAL FUND		\$ 8,464,300	\$ 8,464,300	\$ -

FY 2016				
LOCATION	PROJECT DESCRIPTION	APPROVED	REALLOCATION	DIFFERENCE
Various	Identify buildings with structural issues, develop scope of work	\$ 140,000	\$ 115,000	\$ (25,000)
ASPC-Eyman SMU I	Phase III: Replace obsolete, non-functional locks and doors	\$ 1,200,000	\$ 1,200,000	\$ -
ASPC-Eyman Meadows Unit	Control room security panel replacement	\$ 395,000	\$ 395,000	\$ -
ASPC-Lewis	Evaporative cooler ductwork replacement	\$ 400,000	\$ 400,000	\$ -
ASPC-Yuma	Water tank replacement	\$ 426,000	\$ 426,000	\$ -
COTA	Fire alarm Design	\$ 150,000	\$ 29,600	\$ (120,400)
ASPC-Douglas Gila Unit	Electrical loop upgrade	\$ 314,300	\$ 314,300	\$ -
ASPC-Eyman Rynning Unit	Kitchen structural repair	\$ 539,000	\$ 539,000	\$ -
ASPC-Florence Central Unit	Water Line Replacement	\$ 1,400,000	\$ 800,000	\$ (600,000)
ASPC-Tucson	Gas Line Replacement	\$ 500,000	\$ 576,000	\$ 76,000
ASPC-Lewis Barchey Unit	A/C Conversions from Evaporative Cooling	\$ -	\$ 454,400	\$ 454,400 ^{2,4}
ASPC-Florence South Unit	A/C Conversions from Evaporative Cooling	\$ -	\$ 215,000	\$ 215,000 ^{2,4}
TOTAL		\$ 5,464,300	\$ 5,464,300	\$ -
FUND SOURCE				
Building Renewal Fund		\$ 5,464,300	\$ 5,464,300	\$ -
TOTAL FUND		\$ 5,464,300	\$ 5,464,300	\$ -

¹ Unanticipated hard drilling conditions required additional time increased expense.

² A/C conversion projects are revised as design phase revealed extensive damage to existing infrastructure resulting in increased cost estimates.

³ Project will be deferred until funding is available.

⁴ Project will be moved from FY 2015 to FY 2016.

Arizona Department of Corrections Building Renewal Reallocation Request

FY 2014 Building Renewal

FY 2014 Building Renewal projects have generally progressed through the design and procurement phase and actual work has either been completed or is in process. Final cost estimates are now available and several projects require relatively minor reallocation of the plan that was last reviewed and approved at the April 1, 2015 JCCR meeting.

As of October 31, 2015, \$4,071,421 has been expended. The remaining \$928,579 of the \$5,000,000 appropriation is anticipated to be expended by June 30, 2016.

FY 2015 Building Renewal

Updated cost estimates are also available for the FY 2015 Building Renewal projects and several projects require reallocation of the plan that was last reviewed and approved at the April 1, 2015 JCCR meeting.

The Lewis well #5 project experienced hard drilling conditions which resulted in the vendor exceeding the time for drilling allotted in the bid. The increased drilling expense will increase the project cost by \$300,000, from \$2,000,000 to \$2,300,000.

The ASPC-Phoenix Alhambra Unit locking system upgrade experienced lower than anticipated bids due to the selection of an alternative style prison security lock in the design process. The alternative locking device eliminates some of the major door and frame modifications typical to locking projects while providing the same level of security. This new locking system contributed to reduced project costs which resulted in a \$434,880 reduction from the original budget.

Air conditioning upgrades at various locations experienced some major challenges in the design phase. During the design investigation process it was discovered that due to the extensive use of evaporative cooling over several years, most of the ductwork that was originally considered serviceable is actually in poor condition.

In addition, the electrical service at most locations was inadequate to support the additional amperage required to operate air conditioning systems and new electrical equipment will have to be installed. In some locations because of new return air ductwork having to be installed to support the air conditioning systems, plumbing, electrical and fire alarm systems will have to be relocated.

Due to these unforeseen circumstances the design fees and projected construction costs for the projects were more than originally estimated. As a result, two of the projects will

Arizona Department of Corrections
Building Renewal Reallocation Request Continued

be moved to the FY 2016 Building Renewal Plan and two others must be deferred until funding is available, most likely in FY 2017. In addition, this request utilizes the \$118,777 that had been set aside as contingency.

FY 2016 Building Renewal

As a result of projected project savings ADC requests reallocation of two A/C projects originally included in the FY 2015 Building Renewal Plan and an increase of \$76,000 for the gas line replacement at ASPC-Tucson.

Savings come from three projects: structural investigation (\$25,000), COTA fire alarm design (\$120,400), and ASPC-Florence water line replacement (\$600,000). The water line savings is due to site investigation work for the project revealing that large portions of the underground water lines that were originally planned for replacement were in fact still in serviceable condition. Minor repairs can be completed on these water lines as opposed to replacing them which will keep them in service for several more years.

ADC is requesting to utilize the savings from the water line project for A/C conversions at ASPC-Lewis Barchey Unit and ASPC-Florence South Unit. The two A/C projects had been part of the FY 2015 Building Renewal Plan but are no longer able to be funded from that appropriation.



STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: December 8, 2015

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

THRU: Richard Stavneak, Director *RS*

FROM: Jeremy Gunderson, Fiscal Analyst *JG*

SUBJECT: Arizona State Lottery Commission - Review of FY 2015 and FY 2016 Building Renewal Allocation Plans

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 2015 and FY 2016 Building Renewal Allocation Plans. The FY 2015 Capital Outlay Bill (Laws 2014, Chapter 15) and the FY 2016 Capital Outlay Bill (Laws 2015, Chapter 9) appropriated \$97,400 and \$103,600, respectively, from the State Lottery Fund to the State Lottery Commission to fund 100% of the building renewal formula in FY 2015 and FY 2016.

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 provision:

- 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)

B. The reallocation of monies for emergency projects shall be addressed as follows:

1. 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 the project is an emergency and will request that the Commission not proceed with the project.

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.

Analysis

FY 2015 Revisions

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

Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. Laws 2014, Chapter 15 appropriated a total of \$97,400 in FY 2015 from the State Lottery Fund to the commission for building renewal. At the December 2014 meeting, the Committee gave a favorable review to the Lottery Commission's FY 2015 \$97,000 allocation plan. Of that amount, Lottery is planning to defer the \$56,000 water tower project to FY 2016 (*see below*). In its place, Lottery would spend a total of \$53,300 on 2 new projects. Costs for each component of the plan are listed in *Table 1* below.

Table 1	
Components of FY 2015 Building Renewal Plan	
Build Secure IT Room	\$23,400
Repair Balcony Leaks	<u>29,900</u>
Total Cost of Plan	\$53,300

Build Secure IT Room

The agency plans to spend \$23,400 to build a secure IT room to house draw game operators. The agency reports that this renovation is necessary to fulfill the requirements set by the Multi-State Lottery Association (MUSL) to participate in the Powerball game. MUSL requires that game operators not have visual access to anyone other than game operators. The current IT department is separated by a wall that is not built from floor to ceiling. The agency plans to remove this wall and build a secure room to house game operators. The secure IT room will be built within the IT department and will ensure that game operators are compliant with MUSL rules, preventing visual access to other personnel or members of the public not working on the draw game operations. Construction on this project began in November.

(Continued)

Repair Balcony Leaks

The agency plans to spend \$29,900 to repair water leaks found in expansion joints and window seals. In FY 2014, the agency spent \$90,300 to repair leaks on the second story balcony. During the leak testing process, vendors discovered additional leaks caused by deteriorated joints and window seals that had never been replaced since the building was built in 1987. The agency plans to replace old backer rods, gaskets and sealant to prevent water leaks from getting into the building.

FY 2016

Laws 2015, Chapter 9 appropriated a total of \$103,600 in FY 2016 from the State Lottery Fund to the commission for building renewal. The Lottery Commission is requesting review of their \$106,000 allocation plan that seeks to address 3 project areas identified at the Phoenix facility. Project costs exceeding the \$103,600 appropriation would be funded through the Lottery Commission's FY 2016 operating budget appropriation. Costs for each component of the plan are listed in *Table 2* below.

Table 2	
Components of FY 2016 Building Renewal Plan	
Replace Water Tower for Cooling System	\$56,000
Repair Parking Lot	22,500
Upgrade HVAC Control System	<u>27,500</u>
Total Cost of Plan	\$106,000

Replace Water Tower for Cooling System

The agency plans to spend \$56,000 to replace 1 of 2 water towers that are part of the Phoenix facility's cooling system. The north water tower has begun to leak water and has more frequently required repairs. According to the agency, failures of the water tower have negatively impacted operations in the past. The commission expects that replacing the north water tower will improve reliability and reduce need for repairs of the building's cooling system. The Committee originally favorably reviewed this project as part of the FY 2015 Building Renewal plan, but the Commission is now shifting the project to FY 2016.

Repair Parking Lot

The agency plans to spend \$22,500 to repair the parking lot asphalt. According to the agency, the parking lot has deteriorated to the point that cracks and holes in the asphalt have created a tripping hazard. The agency plans to repair the asphalt to reduce the risk of injury.

Replace HVAC Control System

The agency plans to spend \$27,500 to upgrade their current HVAC system with a computerized master control system. The current control system is not centralized and allows employees to adjust thermostats beyond energy standards. A computerized control system can alert to potential problems before system failures arise. The agency expects that a new, computerized HVAC control system will reduce utility and system repair costs.

RS/JG:kp



Douglas A. Ducey
Governor

Tony V. Bouie
Executive Director

November 24, 2015

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



Re: JCCR Agenda Request

Dear Senator Shooter:

The Arizona Lottery respectfully requests placement on the JCCR meeting agenda for December 2015 to review the Lottery's FY16 Building Renewal allocation plan and also to obtain approval to redirect project funds previously approved for the FY15 allocation.

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

Information for this item is attached.

Sincerely,

Tony V. Bouie, MA, MS, MBA
Executive Director

Attachment

cc: Representative Justin Olson, Vice-Chairman, JCCR
Richard Stavneak, Director, JLBC
Jeremy Gunderson 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

**The Arizona Lottery Building Renewal Funds
Fiscal year 2015 Allocation Plan**

Background

The Arizona Lottery operates out of two facilities, a 38,600 sq. ft. building constructed in 1987, owned by the State of Arizona, located in Phoenix and a 3,398 sq. ft. building leased in Tucson. The Phoenix facility includes administrative offices as well as a ticket sales and redemption section. The Tucson office provides space for the district sales manager and ticket sales and redemption. Maintenance of the Phoenix facility is the responsibility of the Lottery while the Tucson facility maintenance is included as part of the lease agreement. This plan provides information on proposed maintenance expenses for the Phoenix facility.

As part of the FY15 approved budget, the Arizona Lottery received a Capital Outlay Appropriation of \$97,400 from the State Lottery Fund for building renewal.

The FY15 Capital Expenditure Budget Allocation was:	\$97,400
Proposed FY2015 Expenditures were -	
North Water Tower	\$56,000
Emergency exit door hardware	\$32,000
Stair trip abatement	\$ 9,000
Remaining	<u>\$ 400</u>
	\$97,400

Since the Lottery's FY15 Capital Expenditure request, The Arizona Lottery (AZLO) had an audit by the entity that governs the Powerball game and must make physical changes to its structure in order to comply with the requirements for participating in Powerball. AZLO requests the following changes to its FY15 Capital Expenditure request:

Proposed FY2015 Expenditures -	
IT room addition and wall removal	\$23,400
Repair and seal building expansion joints	\$29,900
Emergency exit door hardware	\$32,000
Stair trip abatement	\$ 9,000
Remaining	<u>\$ 3,100</u>
	\$97,400

IT room addition and wall removal

The Arizona Lottery (AZLO) participates in the Powerball game which is overseen by the Multi-State Lottery Association (MUSL). In order for AZLO to participate in the Powerball game, it must adhere to MUSL Rule 2 which sets forth requirements for both physical and logical game security. A recent audit found that AZLO did not meet some of the physical security requirements set forth in MUSL Rule 2. Specifically, Rule 2.5C states "the ICS (Internal control system) and the operators of the ICS shall have a solution in place to actively prevent personnel working inside these areas from gaining visual access to anyone outside these area not working the draw during lockdowns".

To comply with this rule, AZLO is looking at removing a wall separating the IT Dept. from the rest of the agency and building a secure room that will house the draw game operators. The construction of the operators' room will prevent the visual access to outside entities. Further, a video surveillance system will monitor activities both inside and outside the room. The current IT wall is not built from floor to ceiling and has become unstable due to lack of proper support. The removal of this wall and the construction of a draw game operators' room will allow AZLO to comply with MUSL requirements.

Proposed Solution

Removal of existing IT wall and the construction of a draw game operator's room that will prevent outside access during draw times.

Principal Benefits

Will allow Arizona to continue to participate in the Powerball game which generates \$93.6 million in sales to Arizona.

Expansion Joint Repairs and Seals

During the repair of our balcony leaks in FY15, vendors discovered an additional source of building leaks caused from deteriorated building expansion joints and window seals. The AZLO building is 27 years old and the joints and seals have never been replaced. These faulty expansion joints and window seals allow water to penetrate into the building at many different points of entry and cause ceiling leaks, foundation problems and more.

Proposed Solution

Removal/disposal of old sealants, backer rods, and gaskets. Installation of new backer rods, gaskets and seals at all expansion joints and windows.

Principal Benefits

Elimination of building leaks, structural damage and potential mold occurrences.

Emergency Door Description

During the installation of the Lottery's new fire alarm system a year ago, vendors pointed out the deterioration of our emergency egress door hardware. Many of the door handles are broken and come apart when used. It was also discovered that after 26 years in the building, building and security functions have changed over time and doors do not have all the required emergency hardware to meet code.

Proposed Solution

Install hardware for doors/panic hardware/badge readers such that the affected doors will be able to maintain security through badge readers but still be able to have the required 2 methods of fail-safe egress in the event of an emergency.

Principal Benefits

Installation of emergency exit hardware on doors and replacement of broken door hardware will insure that employees and visitors will be able to exit the building in case of a fire/emergency.

Stairs Trip/Slip Hazard Description

Due to normal aging and wear, the only non-emergency stairs between our 1st and 2nd floors need new flooring. The flooring is cracking, peeling and coming up. The stairs have now reached a point that they pose a tripping/slipping hazard and the flooring needs to be replaced. Injuries have occurred on these stairs and safety hazards need to be eliminated.

Proposed Solution

Remove and replace the existing flooring with new, similar flooring.

Principal Benefits

Replacement of the flooring will eliminate safety hazards, potential injuries and associated litigation.

Cost Estimates

Cost estimates were developed by SPO approved vendors.

The Arizona Lottery Building Renewal Funds Fiscal year 2016 Allocation Plan

Background

The Arizona Lottery operates out of two facilities, a 38,600 sq. ft. building constructed in 1987, owned by the State of Arizona, located in Phoenix and a 3,398 sq. ft. building leased in Tucson. The Phoenix facility includes administrative offices as well as a ticket sales and redemption section. The Tucson office provides space for the district sales manager and ticket sales and redemption. Maintenance of the Phoenix facility is the responsibility of the Lottery while the Tucson facility maintenance is included as part of the lease agreement. This plan provides information on proposed maintenance expenses for the Phoenix facility.

As part of the FY16 approved budget, the Arizona Lottery received a Capital Outlay Appropriation of \$103,600 from the State Lottery Fund for building renewal.

The FY16 Capital Expenditure Budget Allocation was:	\$103,600
Proposed FY2016 Expenditures -	
North Water Tower	\$56,000
Repair/Resurface Parking Lot	\$22,500
Energy Management System of Control	<u>\$27,500</u>
	\$106,400

Monies over the FY16 Allocation will come out of the Lottery Operating funds.

Water Tower Description

The Arizona Lottery has two cooling towers that function to cool the water for the building's cooling system. The north tower has many leaks, extensive rust issues and requires many costly repairs. The south tower is in better condition and functions more effectively. Costly repairs and failures to the units (primarily the north tower) are now occurring and negatively impact operations.

Proposed Solution

Replacement of the north cooling tower. Replacement of the south tower would occur at a future time.

Principal Benefits

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

Repair/Resurface Parking Lot

Due to normal aging and deterioration, the parking lot needs to be treated on a regular basis. This helps extend its useful life and postpones its replacement. The parking lot has now reached a point it poses a tripping hazard to visitors and employees and needs to be repaired. Injuries have occurred due to tripping as a result of cracks/rocks/holes.

Proposed Solution

Crack fill, sealcoat, slurry seal and or replace asphalt. Re-stripe parking spaces.

Principal Benefits

Eliminate many safety hazards, potential injuries and associated litigation. Prevent further deterioration and subsequent higher costs of continually repairing areas and/or asphalt replacement.

Energy Management System of Control

To maximize energy efficiency and reduce utility and repair costs, the AZ Lottery building requires a computerized master energy management and HVAC control system. The AZ Lottery is currently unable to monitor temperature of the HVAC system components as well as thermostat settings throughout the system. Without an automated control system, we have no prior warnings of system failures that we would receive with the alerts afforded by a computerized control system. Without the automated control system, employees frequently adjust thermostat settings despite locking covers, instructions to the contrary and ignore energy standards. Without this system, we aren't able to gain efficiencies of our system components by setting zones and having all the system components communicating.

Proposed Solution

Install a master energy management system for centralized cost-effective operation.

Principal Benefits

A computerized system will provide computerized, consistent and cost-effective HVAC control to the facility. Reductions in utility costs and a corresponding decrease in system repairs will be gained through being alerted to potential problems before reaching system failures. The energy management system will be able to tie into other building systems so that we can efficiently manage the building.

Cost Estimates

Cost estimates were developed by SPO approved vendors.



STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: December 8, 2015

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

THRU: Richard Stavneak, Director *RS*

FROM: Krista MacGahan, Fiscal Analyst *KM*

SUBJECT: Arizona Department of Administration - Consider Recommending FY 2016 Full and Partial Rent Exemptions

Request

A.R.S. § 41-792.01D authorizes the Director of the Arizona Department of Administration (ADOA), on recommendation from the Joint Committee on Capital Review, to grant a full or partial exemption from the payment of state-owned rental fees if the agency has vacated its space or if an agency does not have the financial resources to make the payment. ADOA requests the Committee recommend:

- A full rent exemption totaling \$238,500 for the Secretary of State (SOS) 32nd Street Talking Book Library property
- A partial rent exemption totaling \$32,500 for the Arizona Department of Education (ADE) and a corresponding increase of \$32,500 for the State Board of Education (SBE) and
- A partial rent exemption totaling \$13,700 for SOS and \$14,100 for the Independent Redistricting Commission (IRC) and a corresponding increase of \$27,800 for the Arizona State Parks Board.

Recommendation

The JLBC Staff recommends that the Committee recommend FY 2016 rent exemptions of:

- \$238,500 for SOS.
- \$32,500 for ADE and a corresponding increase of \$32,500 from the SBE.
- \$13,700 for SOS and \$14,100 for IRC and a corresponding increase of \$27,800 for State Parks Board.

(Continued)

Analysis

SOS ASLAPR Division at 1030 North 32nd Street

SOS was charged an annual Capital Outlay Stabilization Fund (COSF) rent of \$238,500 in FY 2016 for the ADOA facility located at 1030 North 32nd St in Phoenix. The lease-purchase agreement for this property was paid off in 2012. Since that time, ADOA has believed the property should be charged COSF rent, according to standard practice. However, FY 2016 is the first time ADOA has formally billed the property for rent. While rent charges are paid on all Capitol Mall state-owned space, that practice has not been applied uniformly outside the Capitol Mall.

SOS, however, did not receive an appropriation for the FY 2016 COSF rent amount charged by ADOA for the operations and maintenance of the facility. The facility houses the Arizona State Library, Archives, and Public Records (ASLAPR) Division Talking Books Library that provides books, magazines, and other library resources in alternative formats for Arizona residents whose visual or physical disabilities prevent them from reading conventional print materials.

ADE and SBE Boardroom Space at 1535 West Jefferson

ADE was appropriated \$996,300 in FY 2016 for its occupancy of 1535 West Jefferson, which included boardroom space. Beginning in July 2015, ADOA reallocated 2,475 square feet of boardroom space from ADE to SBE. ADOA will bill SBE \$32,500 for the annualized amount of the space allocation and will decrease the amount invoiced to ADE by a corresponding amount for FY 2016.

SOS, IRC, and SHPO at 1100 West Washington

In FY 2016, SOS was charged \$13,700 for 1,799 square feet and IRC was charged \$14,100 for 1,851 square feet for office space at 1100 West Washington. Beginning December 1, 2015, ADOA reallocated that 3,650 square feet to the State Parks Board's State Historic Preservation Office. ADOA will bill the State Historical Preservation Office \$27,800 for the prorated amount of the space and will decrease the amount invoiced to SOS and IRC by a corresponding amount for FY 2016.

RS/KM:kp

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

October 29, 2015

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



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

Dear Senator Shooter and Representative Olson:

The Arizona Department of Administration (ADOA) requests the JCCR favorably review a Capital Outlay Stabilization Fund (COSF) rent exemption for the Arizona Secretary of State (SOS), Arizona State Library, Archives & Public Records (ASLAPR) Division. A.R.S. § 41-792.01 (D) provides that the ADOA Director, on recommendation of the JCCR, may authorize a whole or partial exemption of COSF rent if the agency does not have the financial resources for state-owned space.

The SOS requests an FY 2016 annualized exemption of COSF rent of \$238,500 for the ADOA facility located at 1030 North 32nd Street, Phoenix, AZ. The facility houses the ASLAPR Talking Book Library that provides books, magazines, and other library resources in alternative formats. The SOS did not receive an appropriation for the FY 2016 COSF rent charges collected by ADOA for the operations and maintenance of the facility. The annual COSF rent at FY 2016 rates is \$238,500.

If you have any questions regarding the proposed COSF rent exemption, please contact Nola Barnes, Acting Assistant Director, ADOA General Services Division (GSD), at 602-542-1954.

The Honorable Don Shooter
The Honorable Justin Olson
October 29, 2015
Page 2 of 2

Sincerely,

A handwritten signature in black ink, appearing to read 'C.C. Brown', with a long horizontal stroke extending to the right.

Craig C. Brown
Director

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Fiscal Analyst, JLBC Staff
Lorenzo Romero, Director, OSPB
Chris Olvey, Fiscal Analyst, OSPB
The Honorable Michele Reagan, Secretary of State
Liz Atkinson, Chief Financial Officer, SOS
Kevin Donnellan, Deputy Director, ADOA
Paul Shannon, Assistant Director, ADOA
Nola Barnes, Acting Assistant Director, ADOA/GSD
John Hauptman, General Manager, ADOA/GSD



MICHELE REAGAN
Secretary of State
State of Arizona

September 29, 2015

Craig C Brown, Director
Arizona Department of Administration
100 North 15th Avenue, Suite
Phoenix, Arizona 85007

Dear Mr. Brown:

The Department of State is requesting an exemption from the rent expense of the 1030 North 32nd Street building. This building houses the Arizona Talking Book Library that provides books, magazines and other library resources in alternate formats for all Arizona residents whose visual or physical disabilities prevent the reading of conventional print materials.

The Department has been using this building rent-free, excluding maintenance and upkeep, as it was gifted to the Arizona Talking Book Library. The increase of rental expenses to \$238,500 is sizable and the Department is unable to find the additional funding without severe cuts to staffing and programs. During the budget cycle, staff was informed that a request would be made on behalf of the Department to increase the appropriation to cover the increase costs being presented to the Department. Unfortunately, the increased appropriation was not completed prior to the closing of the 52nd Legislature.

Thank you in advance for your consideration and should you have any questions, please contact me at 602-542-6171 or latkinson@azsos.gov.

Sincerely,

A handwritten signature in black ink, appearing to be "Liz Atkinson", written over a circular stamp or seal.

Liz Atkinson
Chief Financial Officer

CC: Nola Barnes, Acting Assistant Director, General Services Division

Douglas A. Ducey
Governor



Craig C. Brown
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

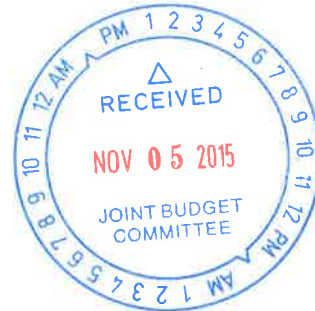
OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401
PHOENIX, ARIZONA 85007
(602) 542-1500

November 4, 2015

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

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



Dear Senator Shooter and Representative Olson:

The Arizona Department of Administration (ADOA) requests the JCCR favorably review a partial Capital Outlay Stabilization Fund (COSF) rent exemption for the Arizona Department of Education (ADE) of \$32,500. A.R.S. § 41-792.01 (D) provides that the ADOA Director, on recommendation of the JCCR, may authorize a whole or partial exemption of COSF rent if the agency does not occupy or vacates space after the beginning of the fiscal year. Agencies that occupy State-owned buildings shall pay the higher of the amount reported by Joint Legislative Budget Committee (JLBC) Staff or the pro rata share based on actual occupancy.

Beginning July 1, 2015, ADOA reallocated approximately 2,475 Rentable Square Feet (RSF) of space at 1535 West Jefferson from the ADE to the State Board of Education (SBE) for its dedicated boardroom space on the first floor. ADOA will invoice SBE \$32,500 for the annualized amount of the space allocation and offset the ADE appropriated amount, which it has invoiced ADE, of \$996,300 for its occupancy of 1535 West Jefferson by \$32,500 pursuant to A.R.S. § 41-792.01.

If you have any questions regarding the proposed COSF rent exemption, please contact Nola Barnes, Acting Assistant Director, ADOA General Services Division (GSD), at 602-542-1954.

The Honorable Don Shooter
The Honorable Justin Olson
November 4, 2015
Page 2 of 2

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Brown', with a long horizontal flourish extending to the right.

Craig C. Brown
Director

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Fiscal Analyst, JLBC Staff
Lorenzo Romero, Director, OSPB
Chris Olvey, Fiscal Analyst, OSPB
The Honorable Diane Douglas, Superintendent of Public Instruction, ADE
Christine M. Thompson, Executive Director, SBE
Kevin Donnellan, Deputy Director, ADOA
Paul Shannon, Assistant Director, ADOA
Nola Barnes, Acting Assistant Director, ADOA/GSD
John Hauptman, General Manager, ADOA/GSD

Douglas A. Ducey
Governor



Craig C. Brown
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

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PHOENIX, ARIZONA 85007

(602) 542-1500

November 18, 2015

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



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

Dear Senator Shooter and Representative Olson:

The Arizona Department of Administration (ADOA) requests the JCCR favorably review a partial (seven months) Capital Outlay Stabilization Fund (COSF) rent exemption for the Arizona Secretary of State (SOS) of \$13,700 and the Arizona Independent Redistricting Commission (IRC) of \$14,100. A.R.S. § 41-792.01 (D) provides that the ADOA Director, on recommendation of the JCCR, may authorize a whole or partial exemption of COSF rent if the agency does not occupy or vacates space after the beginning of the fiscal year. Agencies that occupy State-owned buildings shall pay the higher of the amount reported by Joint Legislative Budget Committee (JLBC) Staff or the pro rata share based on actual occupancy.

Beginning December 1, 2015, ADOA reallocated approximately 3,650 Rentable Square Feet (RSF) of office space at 1100 West Washington from the SOS (1,799 RSF) and the IRC (1,851 RSF) to the Arizona State Parks Board (State Parks) State Historic Preservation Office (SHPO). ADOA will invoice State Parks SHPO \$27,800 for the FY 2016 prorated COSF rent and annually thereafter for a full fiscal year's amount pursuant to A.R.S. § 41-792.01.

If you have any questions regarding the proposed COSF rent exemption, please contact Nola Barnes, Acting Assistant Director, ADOA General Services Division (GSD), at 602-542-1954.

The Honorable Don Shooter
The Honorable Justin Olson
November 18, 2015
Page 2 of 2

Sincerely,

A handwritten signature in black ink, appearing to read 'C. Brown', with a stylized flourish at the end.

Craig C. Brown
Director

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Fiscal Analyst, JLBC Staff
Lorenzo Romero, Director, OSPB
Chris Olvey, Fiscal Analyst, OSPB
The Honorable Michele Reagan, Secretary of State
Liz Atkinson, Chief Financial Officer, SOS
Ray Bladine, Executive Director, IRC
Kevin Donnellan, Deputy Director, ADOA
Paul Shannon, Assistant Director, ADOA
Nola Barnes, Acting Assistant Director, ADOA/GSD
John Hauptman, General Manager, ADOA/GSD