

STATE OF ARIZONA

## Joint Committee on Capital Review

STATE  
SENATE

DON SHOOTER  
CHAIRMAN 2013  
OLIVIA CAJERO BEDFORD  
GAIL GRIFFIN  
JOHN McCOMISH  
AL MELVIN  
LYNNE PANCRAZI  
ANNA TOVAR

1716 WEST ADAMS  
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HOUSE OF  
REPRESENTATIVES

JOHN KAVANAGH  
CHAIRMAN 2014  
LELA ALSTON  
CHAD CAMPBELL  
TOM FORESE  
DAVID GOWAN, SR.  
RICK GRAY  
ANDREW C. SHERWOOD

### JOINT COMMITTEE ON CAPITAL REVIEW

Wednesday, December 17, 2014

3:00 P.M. or upon adjournment of JLBC

House Hearing Room 4

### MEETING NOTICE

- Call to Order
- [Approval of Minutes of September 30, 2014.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. ARIZONA STATE UNIVERSITY
  - [A. Review of Sun Devil Stadium Renovations.](#)
  - [B. Review of IT Infrastructure Projects.](#)
- 2. [STATE DEPARTMENT OF CORRECTIONS - Review of FY 2014 and FY 2015 Building Renewal Appropriations Contingency Funds.](#)
- 3. [ARIZONA STATE LOTTERY COMMISSION - Review of FY 2015 Building Renewal Plan.](#)

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

12/11/14

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



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### MINUTES OF THE MEETING

#### JOINT COMMITTEE ON CAPITAL REVIEW

September 30, 2014

The Chairman called the meeting to order at 4:03 p.m., Tuesday, September 30, 2014 in Senate Appropriations Room 109. The following were present:

Members:	Senator Shooter, Vice-Chairman	Representative Kavanagh, Chairman
	Senator Cajero Bedford	Representative Alston
	Senator Griffin	Representative Gowan
	Senator McComish	Representative Gray
	Senator Melvin	Representative Sherwood
	Senator Pancrazi	
	Senator Tovar	

Absent:	Representative Campbell
	Representative Forese

#### APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of June 19, 2014, Chairman John Kavanagh stated that the minutes would stand approved.

#### UNIVERSITY OF ARIZONA (UA) - Review of Bioscience Partnership Building (Phoenix).

Ms. Micaela Larkin, JLBC Staff, stated UA is requesting review of \$136.1 million in University Lottery revenue bond issuances to fund construction of a Bioscience Partnership Building located in Phoenix. The JLBC Staff presented options to the Committee.

*Senator Shooter moved that the Committee give a favorable review to UA's \$136,100,000 in University Lottery revenue bond issuances to fund construction of a Bioscience Partnership Building located in Phoenix with 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.*

(Continued)

*B. UA shall provide the final debt service schedules for the projects as soon as they are available.*

The motion carried.

**UNIVERSITY OF ARIZONA - Review of Bioscience Research Laboratories Building Project (Tucson).**

Ms. Micaela Larkin, JLBC Staff, stated UA is requesting review of \$99.5 million in bond issuances to fund construction of a Bioscience Research Laboratories Building project in Tucson. The JLBC Staff presented options to the Committee.

Duc Ma, Assistant Vice President, Financial Services, FSO-Administration, UA, responded to member questions.

*Senator Shooter moved that the Committee give a favorable review to the UA's total of \$99,500,000 in bond issuances to fund construction of a Bioscience Research Laboratories Building project in Tucson with 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. UA shall provide the final debt service schedules for the projects as soon as they are available.*

The motion carried.

**ARIZONA BOARD OF REGENTS (ABOR) - Review of FY 2015 Building Renewal Allocation Plan.**

Mr. Art Smith, JLBC Staff, stated that ABOR is requesting Committee review of its FY 2015 Building Renewal allocation plan. The FY 2015 Capital Outlay Bill appropriated \$3 million from the General Fund for Building Renewal within the ABOR building system, with ABOR responsible for allocating these monies to the 3 state universities. Arizona State University (ASU) was allocated \$1.1 million, Northern Arizona University was allocated \$336,000 and the University of Arizona (UA) was allocated \$1.6 million. The JLBC Staff presented options to the Committee.

*Senator Shooter moved that the Committee give a favorable review to ABOR's FY 2015 \$3,000,000 building renewal allocation plan.* The motion carried.

**ARIZONA GAME AND FISH DEPARTMENT - Review of FY 2014 Building Renewal Allocation Plan.**

The Chairman noted that Arizona Game and Fish Department requested to be removed from the agenda.

**ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of FY 2015 Building Renewal Allocation Plan.**

Mr. Ben Beutler, JLBC Staff, stated that ADOT requests that the Committee review its \$3.4 million FY 2015 Building Renewal Allocation Plan. The plan calls for \$3.2 million for 133 projects and \$204,900 for 25 projects. The JLBC Staff presented options to the Committee.

(Continued)

*Senator Shooter moved that the Committee give a favorable review to ADOT's \$3,396,800 FY 2015 Building Renewal Allocation Plan, of which \$3,191,900 is from the State Highway Fund and \$204,900 is from the State Aviation Fund, along with the provision that ADOT shall report any project reallocations above \$100,000 to the JLBC Staff. The motion carried.*

**COCONINO ASSOCIATION FOR VOCATIONS, INDUSTRY AND TECHNOLOGY (CAVIAT)  
- Consider Approval of Proposed Joint Technical Education District (JTED) Lease.**

Mr. Steve Schimpp, JLBC Staff, stated that CAVIAT is requesting approval by the Committee of its plan to lease a 680 square foot classroom from the Flagstaff Unified School District (FUSD) in order to establish a "leased centralized campus" in a vacant wing of FUSD's Sinagua Middle School for the current school year. The one classroom would be used to offer a new program called Fashion Design and Merchandising where students from multiple high schools could attend. The JLBC Staff presented options to the Committee.

*Senator Shooter moved that the Committee approve CAVIAT's plan to lease a 680 square foot classroom from FUSD in order to establish a "leased centralized campus" in a vacant wing of FUSD's Sinagua Middle School. The motion carried.*

**ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Consider Recommending FY 2015 Full Rent Exemption.**

Ms. Krista MacGahan, JLBC Staff, stated that ADOA requests the Committee recommend a full rent exemption totaling \$48,100 in FY 2015 for the Arizona Geological Survey. The JLBC Staff recommends that the Committee recommend a full rent exemption.

*Senator Shooter moved that the Committee recommend a full rent exemption of \$48,100 in FY 2015 for the Arizona Geological Survey. The motion carried.*

**ARIZONA STATE PARKS BOARD (SPB) - Review of FY 2015 State Parks Revenue Fund and State Lake Improvement Fund Capital Expenditures.**

Mr. Art Smith, JLBC Staff, stated that the SPB requests Committee review of its FY 2015 capital projects totaling \$1.9 million from SLIF and the State Parks Revenue Fund (SPRF). Of that amount, \$1.5 million would be for new construction (which includes \$575,000 from SPRF and \$930,000 from SLIF) and \$350,000 would be used for building renewal (which includes \$225,000 from SPRF and \$125,000 from SLIF). The JLBC Staff presented options to the Committee.

Bryan Martyn, Executive Director, SPB, responded to member questions.

*Senator Shooter moved that the Committee give a favorable review to the Arizona State Parks Board's \$1,855,000 expenditure plan for FY 2015 capital improvements. Of that amount, \$1,505,000 would be used for new construction and \$350,000 would be used for building renewal. The favorable review included the following provisions:*

- A. The Parks Board shall report on their final operating plans for the Tonto Natural Bridge Lodge prior to public opening, including the price schedule, their projected revenue, and the use of concessionaire or internal staff.*
- B. The Parks Board is to report the progress on implementing all projects to JCCR by February 27, 2015 and June 30, 2015.*

The motion carried.

(Continued)

Without objection, the meeting adjourned at 4:25 p.m.

Respectfully submitted:

  
\_\_\_\_\_  
Kristy Paddack, Secretary

  
\_\_\_\_\_  
Jack Brown, Principal Fiscal Analyst

  
\_\_\_\_\_  
Representative John Kavanagh, Chairman





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## Joint Committee on Capital Review

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DATE: December 12, 2014

TO: Representative John Kavanagh, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Art Smith, Principal Fiscal Analyst *AS*

SUBJECT: Arizona State University - Review of Sun Devil Stadium Renovations

### 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 \$200.0 million in system revenue bond issuances over the next 2 years to fund the 3 phases of Sun Devil Stadium renovations. The total renovation project cost is \$256.0 million, including gift revenue.

The Arizona Board of Regents (ABOR) has given conceptual approval of the project along with approving the issuance of a \$60.0 million bond for Phase 1 of the project.

### Recommendation

The Committee has the options of a favorable or unfavorable review of ASU's \$200.0 million planned issuance. Since ABOR has only approved the issuance for Phase 1, the Committee may also choose to limit its review to the \$60.0 million issuance (plus \$5.7 million of gift revenue). A later review of Phases 2 and 3 may also permit ASU to refine its estimates of the sources of debt service payments.

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

ASU plans to renovate Sun Devil Stadium, which was initially constructed in 1958 with 30,500 seats. Since the initial construction, Sun Devil Stadium has been renovated and expanded to seat approximately 72,000 patrons. In April 2014, ASU began renovations in the north end zone of the stadium, which included the removal of 5,700 seats and the installation of a new video board. ASU states that this was a stand-alone project that did not require approval from the Arizona Board of Regents (ABOR), as the renovations cost less than the ABOR approval threshold of \$5.0 million. Due to the north end zone renovations, Sun Devil Stadium currently seats 66,000.

The \$200.0 million bond issuance would fund renovation of the stadium through 3 phases over a 3-year period when the ASU football team is not in season. In total, ASU plans to renovate 850,000 square feet of Sun Devil Stadium. The plan for the renovations includes the removal of additional seats, which will result in total seating capacity of approximately 60,000.

## Financing

The source of financing for the \$256.0 million project will be system revenue bonds in the amount of \$200.0 million and gift proceeds in the amount of \$56.0 million.

ASU plans to split the overall \$200.0 million revenue bond issuance into 3 parts. The first issuance, totaling \$60.0 million, would fund Phase I of the renovations. This first issuance is scheduled to occur in 2015. Second and third revenue bonds issuances, totaling \$140.0 million, would occur during 2016 and would fund Phase 2 and Phase 3 of the renovations. At this time, ABOR has only approved the bond issuance for Phase 1 of the renovations.

The Phase 1 debt service is approximately \$3.8 million starting in FY 2018, increasing to an annual level of \$5.0 million from FY 2022 through FY 2046. The projected repayment is \$139.2 million.

In terms of the total \$200.0 million multi-year issuance, the projected repayment is expected to cost \$464.0 million over the 29-year term. While ASU has priced the repayment cost on a 6.0% interest rate, they believe that the actual rate will be less.

The total revenue bond issuances will be completed by 2016 and debt service will begin in FY 2018. Between now and FY 2018, \$9.7 million of interest on the unpaid balance will be deferred and added to future regular debt service payments. In total, initial debt service payments will be \$12.7 million in FY 2018 through FY 2021. This amount will increase to approximately \$16.5 million in FY 2022 and continue through FY 2046.

From the issuance date until approximately 2033 (by ASU estimates), debt service on the revenue bonds would be paid from University Athletic Facilities District revenue and supplemented with a variety of Sun Devil Athletics revenue sources, such as: enhanced stadium income from renovations, conference revenue distribution provided by the Pac-12 television contract, revenue sharing from postseason football games, as well as additional Athletic Department gifts.

By approximately 2033, ASU projects that University Athletic Facilities District revenue in the form of assessments on commercial properties in the district will be sufficient to pay the entire annual debt service on the stadium renovations. *(See below for discussion of the University Athletic Facilities District.)*

(Continued)



The revenue bonds, however, are not backed solely by athletic department revenues. The bonds will be pledged against overall ASU "system revenue," which includes tuition monies. Using this broader revenue stream improves issuance marketability and lowers the bond interest cost. While ASU does not intend to use tuition monies for this project, tuition monies may be used to pay debt service, if other sources are not sufficient. JLBC Staff is continuing to work with ASU to evaluate the adequacy of the various revenue streams to pay the debt service without the use of tuition.

#### University Athletic Facilities District

Laws 2010, Chapter 140 allows the Maricopa, Pima and Coconino County Board of Supervisors to establish a University Athletic Facilities District (UAFD) to construct or modify sports facilities at a public university. The Maricopa UAFD Board was established in Fall 2012, and consists of 7 members: 2 members appointed by Maricopa County, 4 members appointed by ASU, and 1 private citizen selected by the other UAFD Board members themselves. The UAFD has established its boundaries between the southern edge of Tempe Town Lake and University Drive in Tempe, with approximate east/west boundaries of Mill Avenue to McClintock Road. The District incorporates a significant portion of the ASU Karsten Golf Course. *(See Attachment A for a map of the Maricopa UAFD.)*

ASU is currently undertaking a 9 to 12 month planning process to develop a Master Plan for commercial development of the UAFD through the use of ground leases. ASU envisions that full development of the UAFD could range from 15 to 20 years. At this time, no significant private sector construction activity has broken ground within the boundaries of the district.

The UAFD will generate revenue to pay for the stadium renovation debt service by levying an assessment on the property value of the commercial leases. Under current law, property owned by universities is exempt from property taxes. The in-lieu assessment will be based on property values as determined by ASU, which is to be done in the same manner as valuations calculated by the Maricopa County Assessor. By law, the assessment rate for a given property cannot exceed the combined overall regular property tax rate of the jurisdictions in which the property is located. Similar to property taxes, the in-lieu assessment will be updated annually to reflect current property values and the rate levied by the UAFD.

In the long term, the district assessment will be set with the intent to cover the cost of the annual debt service of the revenue bonds associated with the stadium renovation. The assessment will be levied no sooner than FY 2018, when the debt service is scheduled to begin. Given the lack of current commercial development, JLBC Staff is working with ASU to better understand the magnitude of revenue that could be potentially generated by the assessment.

#### Construction Costs/Timeline

The direct construction costs for the entire project are \$196.4 million. Based on information provided by ASU, there are 7 similar projects ranging in cost from \$97.0 million to \$182.0 million. ASU states that comparable costs per square foot average \$392, as displayed in *Table 1*. Based on the 850,000 square foot size of the project, ASU's cost per square foot is \$231.

This analysis, however, appears less than comparable due to different methods of calculating square feet between ASU and the other 7 schools. While ASU does not have an appreciably larger stadium, it is listed as being twice as large as the other schools' stadiums in *Table 1*.

The project is currently in its design stage with construction beginning in January 2015 with Phase I. The first phase of the project is projected to cost \$65.7 million, consisting of a \$60.0 million revenue bond and \$5.7 million in gifts, to construct a new student section in the south end zone of the stadium. The reconfiguration of the south end zone will include the removal of existing steel bleachers in the lower part of

(Continued)

<b>Table 1</b>				
<b><u>Comparable Stadium Construction Projects</u></b>				
				<b>(\$ in M)</b>
<b><u>Project</u></b>	<b><u>Year</u></b>	<b><u>Project Size</u></b>	<b><u>Cost/SF</u></b>	<b><u>Total</u></b>
University of Kentucky	2015	229,000	\$422	\$97
UC Berkeley	2012	309,000	\$462	\$143
University of Michigan	2009	532,000	\$342	\$182
University of Illinois	2008	313,500	\$320	\$100
University of Iowa	2007	352,400	\$293	\$103
Oregon State	2008	400,000	\$340	\$136
Oregon	2003	<u>300,000</u>	<u>\$567</u>	<u>\$170</u>
<b>Average</b>		<b>347,986</b>	<b>\$392</b>	<b>\$136</b>

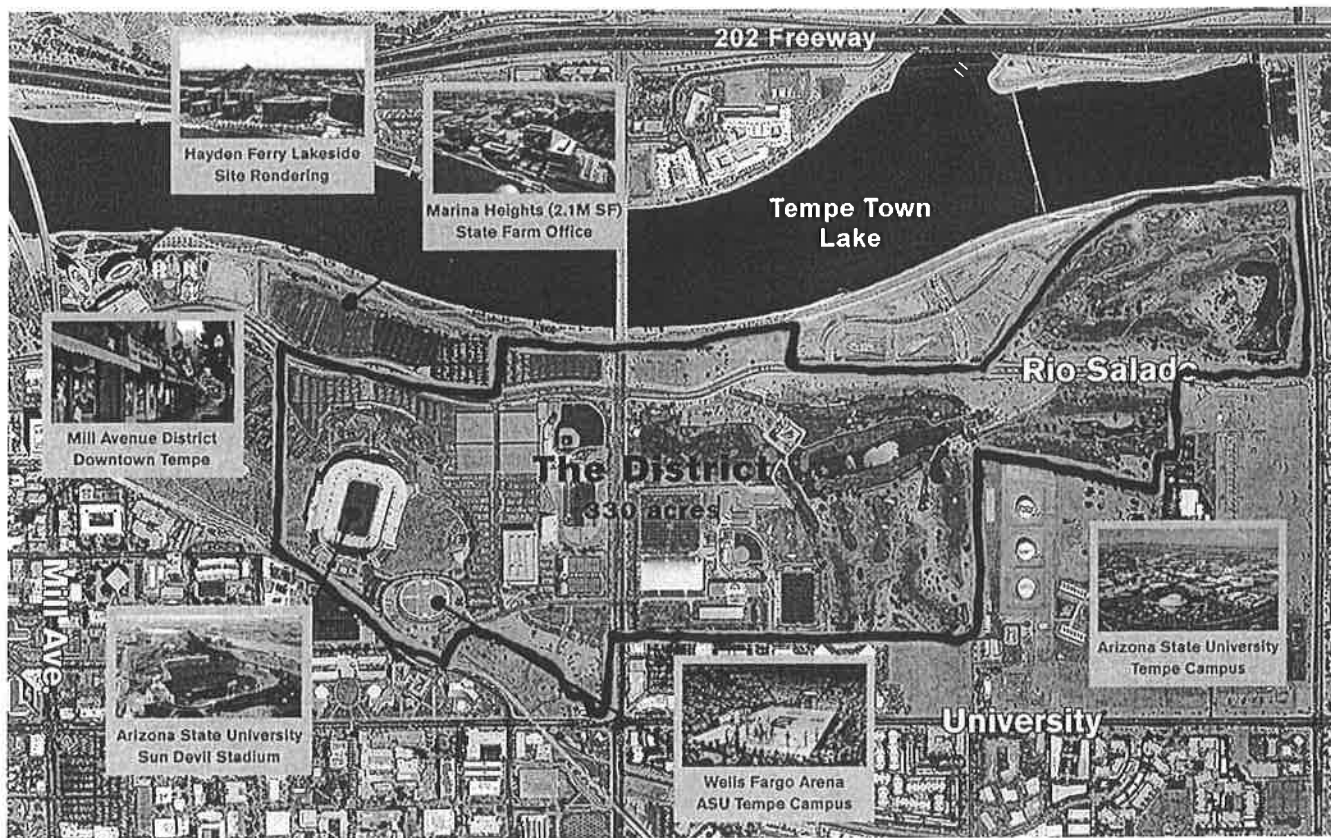
the stadium in order to create a new continuous lower bowl. The club level section will be removed with the exception of the portion connected to the Carson Student Athlete Center at the south end of the stadium. Additionally, dedicated student entrances, concession areas and restrooms will be constructed.

Phase II and Phase III will be completed in 2016 and 2017, respectively, consisting of \$140.0 million of revenues bonds and \$50.3 million of gifts. Phase II is also currently in its design stage and will include reconstruction of concourses, restrooms and concessions, as well as seating and infrastructure improvements on the east side of the stadium, in addition to shell construction of the student training facility at the north end of the stadium. Phase III will make similar upgrades to the west side of the stadium and complete the student training facility on the north end.

Additionally, the project includes construction of a new student athlete facility at the north end of the stadium. The facility would be approximately 84,500 square feet and would be integrated into the stadium structure. ASU states that the facility would include office and administrative spaces, meeting rooms, study rooms, locker rooms and conference areas.

All of the renovations are projected to be completed by August 2017 with an annual operations and maintenance cost of \$1.6 million that will be paid from athletic department revenue.

RS/AS:kp  
Attachment





ARIZONA STATE UNIVERSITY

November 4, 2014

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



Dear Representative Kavanagh:

In accordance with ARS 15-1683 and ARS1682.02, the Arizona Board of Regents requests that the following bond-financed and third-party financed items for Arizona State University be placed on the next Joint Committee on Capital Review agenda for review:

- Sun Devil Stadium Renovation
- IT Infrastructure Improvements
- Biogas Treatment Facility

Enclosed is pertinent information relating to these items.

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

Sincerely,

Morgan R. Olsen  
Executive Vice President, Treasurer and CFO

Enclosures

c: Richard Stavneak, Director, JLBC  
Eileen Klein, President, Arizona Board of Regents, ABOR  
Lorenzo Martinez, Associate Vice President for Finance & Administration, ABOR  
Steve Miller, Deputy Vice President, Public Affairs, ASU  
Lisa Frace, Associate Vice President, Planning & Budget, and Chief Budget Officer, ASU  
Bruce Nevel, Associate Vice President, Facilities Development and Management, ASU  
Joanne Wamsley, Vice President for Finance and Deputy Treasurer, ASU  
Art Smith, Senior Fiscal Analyst, JLBC

**Joint Committee on Capital Review  
Arizona State University  
November 2014 JCCR Meeting**

**1. SUN DEVIL STADIUM RENOVATION**

**Project Description**

The Sun Devil Stadium Renovation project will resolve deferred maintenance and structural issues at Sun Devil Stadium and will bring the stadium amenities up to a level expected by students, fans and players. The project will encompass:

- Demolition and rebuilding of all existing concourse levels, restrooms, concessions, access and egress components and other public amenities
- Infrastructure improvements such as waste lines, domestic water, and electrical and mechanical systems
- Development of new premium seating amenities with access to lounge areas between the upper deck and main concourse level
- Minor interior upgrades to the existing press box
- New scoreboard, technology infrastructure and sound system
- New kitchen, catering and concessions facilities
- New student seating sections and enhanced student concourse experience
- New exterior improvements, such as architectural lighting, landscaping and signage
- New north end zone events plaza
- Student Athletic Facility
- Entry modifications and amenities for ADA access.

The project will be phased over three years between seasons while the team continues to play. Renovations are scheduled to begin January 2015, with general construction completed prior to the fall 2017 season.

The \$256 million project budget will be funded with system revenue bonds and gifts. The debt financed portion totals \$200 million with the balance of \$56 million funded by gifts. The overall fundraising goal is \$85 million, with \$56 million contributing to the renovation project and the balance for bond debt service and other costs. Debt service will be funded by Sun Devil Athletics revenues, including enhanced stadium income, conference revenue distributions, gifts, and in the longer term, Athletic Facilities District revenues.

An Arizona Board of Regents executive summary is attached for this project, which outlines the project description and other relevant information. This project was granted Capital Development Plan approval by ABOR at its September 25, 2014 meeting.

**Joint Committee on Capital Review  
Arizona State University  
November 2014 JCCR Meeting**

**Project Costs**

Total Project Cost	\$ 256,000,000
Total Project Construction Cost	\$ 196,423,600
Total Project Cost per GSF	\$ 301
Construction Cost per GSF	\$ 231

Operations and maintenance costs are expected to increase by \$1,600,000 annually for this project.

**Joint Committee on Capital Review  
Arizona State University  
November 2014 JCCR Meeting**

**Arizona State University  
System Revenue Bonds  
Sun Devil Stadium Renovation**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$	\$ 12,657,437	\$ 12,657,437
2019		12,657,437	12,657,437
2020		12,657,437	12,657,437
2021		12,657,437	12,657,437
2022	3,880,000	12,657,437	16,537,437
2023	4,105,000	12,426,200	16,531,200
2024	4,355,000	12,181,500	16,536,500
2025	4,605,000	11,921,862	16,526,862
2026	4,890,000	11,647,287	16,537,287
2027	5,180,000	11,355,650	16,535,650
2028	5,495,000	11,046,662	16,541,662
2029	5,820,000	10,718,813	16,538,813
2030	6,165,000	10,371,525	16,536,525
2031	6,535,000	10,003,575	16,538,575
2032	6,915,000	9,613,450	16,528,450
2033	7,330,000	9,200,613	16,530,613
2034	7,775,000	8,762,900	16,537,900
2035	8,230,000	8,298,513	16,528,513
2036	8,735,000	7,806,875	16,541,875
2037	9,250,000	7,284,963	16,534,963
2038	9,805,000	6,732,200	16,537,200
2039	10,385,000	6,146,138	16,531,138
2040	11,005,000	5,525,300	16,530,300
2041	11,670,000	4,867,275	16,537,275
2042	12,365,000	4,169,363	16,534,363
2043	13,105,000	3,429,725	16,534,725
2044	13,890,000	2,645,663	16,535,663
2045	14,715,000	1,814,513	16,529,513
2046	15,600,000	933,825	16,533,825
	211,805,000	252,191,575	463,996,575

**EXECUTIVE SUMMARY**

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**Arizona Board of Regents  
Arizona State University  
Capital Development Plan Project Justification Report  
Sun Devil Stadium Renovation**

**Previous Board Action:**

- FY 2016-2017 Capital Improvement Plan September 2013

**Statutory/Policy Requirements**

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

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

- Arizona State University takes pride in its status as an elite institution with a top-ranked intercollegiate athletics program. Sun Devil Stadium – the largest public assembly building on campus – has been a landmark in the Valley for the last 56 years. The Stadium has operated in recent times with substandard and insufficient access, restrooms, concessions, points of sale, spectator amenities, and a lack of competitive premium seating amenities.
- The plan to renovate Sun Devil Stadium provides an opportunity to increase ASU's investment in the community and to set the standard for collegiate athletics facilities. ASU is seeking philanthropic support from the Arizona community to provide features that will enhance the game experience for both fans and student-athletes.
- The proposed plan will comprehensively renovate Sun Devil Stadium, while retaining the stadium in its iconic setting between the Tempe/Hayden Buttes. Sun Devil Athletics will utilize the inherent media interest that surrounds college football to extend ASU's prominence on a national stage and showcase the best the University has to offer. After the 1997 Rose Bowl, applications to Arizona State University increased by nearly 15 percent from the previous season. More recently, The Arizona Republic called the 2013 Pac-12 Championship, held at Sun Devil Stadium, a "...giant commercial for school and state." Sun Devil Athletics hosts an average of 180 events per year at its athletics facilities, for a total economic impact of slightly over \$209 million for the Valley.



## EXECUTIVE SUMMARY

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- ABOR's *2020 Vision* plan calls for increases in degree production, expanded engagement with business and the community, and educational excellence. ASU's strategic planning includes among its goals **enhancing local impact and social embeddedness**. With these proposed improvements, Sun Devil Stadium will be able to expand its local economic impact and community reach and support the ABOR *2020 Vision* goals in the following ways:
  - **Key ABOR enterprise metric: Expand community engagement and economic impact.** A renovated Sun Devil Stadium makes possible expanded sporting, institutional, and entertainment activities, as well as public outreach and education. The stadium contributes significantly to the ongoing invigoration of downtown Tempe, spurring new business development and creating a hub for innovative enterprises. The facility also will serve as an access point to future retail and mixed-use space.
  - **Key ABOR enterprise metric: Expanding the pipeline of new students.** The stadium complex is envisioned functionally as a student gathering place and a gateway to the community, hosting events such as movie night, road game telecasts, and concerts. The Sun Devil Stadium Renovation will create space for prospective student functions, will showcase for prospective student-athletes ASU's commitment to intercollegiate athletics, and will enhance the ASU brand. The design of the facility will provide flexibility to host a variety of additional functions and events beyond game-days, including weddings, receptions, and training table events. The renovations include restrooms, concessions, storage areas, and pantries to support anticipated functions and events.

### Project Description/Scope/Project Compliance with Space Standards:

- This project will include the resolution of deferred maintenance and structural issues at Sun Devil Stadium, in addition to bringing the stadium up to a level of excellence expected by fans and players. The project will encompass:
  - Demolition and rebuilding of all existing concourse levels, restrooms, concessions, access and egress components and other public amenities
  - Infrastructure improvements such as waste lines, domestic water, and electrical and mechanical systems
  - Development of new premium seating amenities with access to lounge areas between the upper deck and main concourse level
  - Substantial improvements to stadium outdoor seating areas
  - Minor interior upgrades to the existing press box
  - New scoreboard, technology infrastructure and sound system
  - New kitchen, catering and concessions facilities

## EXECUTIVE SUMMARY

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- New student seating sections and enhanced student concourse experience
  - New exterior improvements, such as architectural lighting, landscaping and signage
  - New north end zone events plaza atop a new Student-Athlete Training facility
  - Entry modifications and amenities for ADA access.
- The project contemplates construction of an approximately 84,500 gross-square-foot Student- Athlete Training facility at the north end of the stadium. The facility will be integrated into the stadium structure, and include office and administrative spaces, meeting rooms, support space, study rooms, storage and equipment space, locker rooms, lounge areas, athletic training space, and conference areas.

### **Project Delivery Method and Process:**

- This project will be 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 low-bid subcontractor work for the actual construction, CMAR also provides a high level of cost and quality control.
- ASU has selected a CMAR and design professionals for this project.

### **Project Costs:**

- The preliminary budget for this 850,000 gross square foot project is \$256,000,000, with a construction cost of \$196,423,600. This budget currently includes undeveloped space that will be built out as separate projects based on availability of funding.

## EXECUTIVE SUMMARY

- The budget represents an estimated construction cost of \$231 per gross square foot. The estimated total project cost is \$301 per gross square foot. See the following table for projects considered comparable to the Sun Devil Stadium Renovation Project:

Comparable Project	Location	Project Size	Year Completed	Escalated Const. Cost / SF
Kentucky Commonwealth Stadium	Lexington, KY	229,000	2015	\$422
UC Berkeley Memorial Stadium	Berkely, CA	309,000	2012	\$462
Michigan Stadium	Ann Arbor, MI	532,000	2009	\$342
Illinois Memorial Stadium Renovation	Champaign, IL	313,500	2008	\$320
Iowa Kinnick Stadium Renovation	Iowa City, IA	352,400	2007	\$293
Reser Stadium	Corvallis, OR	400,000	2008	\$340
Autzen Stadium	Eugene, OR	300,000	2003	\$567
<b>Average Comparable Project</b>		<b>347,986</b>		<b>\$392</b>

Considering these relevant comparable construction costs, the Sun Devil Stadium Renovation budget of \$301 per gross square foot is considered adequate.

- For this Capital Development Plan phase, DP and CMAR teams have provided external cost estimates from independent programming efforts. Independent cost estimates will be continue to be provided by the DP and CMAR as the project progresses through the design process.
- The CMAR will be at risk to provide the completed project within the agreed upon Guaranteed Maximum Price (GMP). A final report on project control procedures, such as change orders and contingency use, will be provided at project completion.

### Project Status and Schedule:

- This project is in the design phase. The proposed facility has been scoped through a feasibility study by Future Cities + Hunt completed in 2012 that examined the needs for Sun Devil Stadium and how they might be met without replacing the facility entirely. Additional programming was completed for the Student-Athletic Facility in July 2014 by DLR Architects, along with an update to space assumptions for the stadium program.
- Design Professionals (DPs) have been selected. Design and construction will be completed in phases to enable Sun Devil football games to be scheduled in

## EXECUTIVE SUMMARY

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the stadium throughout the construction period without temporary relocation or a significant negative impact on the fan experience.

- General construction will be completed prior to the start of the 2017 football season.
- The project will be phased in order to allow uninterrupted use of the stadium during football seasons.

### **Fiscal Impact and Financing Plan:**

- The \$256 million project budget will be funded with system revenue bonds and gifts. The debt-financed portion currently is anticipated to total \$200 million. The overall fundraising goal is \$85 million, with \$56 million contributing to the renovation project and the balance for bond debt service and other costs. Debt service will be funded by Sun Devil Athletics revenues, including enhanced stadium income, conference revenue distributions, gifts, and in the longer term, Athletic Facilities District revenues.
- Operations and maintenance costs for this project are estimated to increase by \$1,600,000 annually. The University will fund operations and maintenance increases through athletics revenues and designated funds.
- Debt ratio impact: The projected incremental debt ratio impact for this project would be 0.60 percent.

### **Backfill Plan:**

- There is no backfill required for this project. Construction activities will be performed largely in the off-season to allow continued use of the facility for home football games.

### **Alternatives:**

- ASU has considered constructing a new stadium in a different location. However, that option would have been cost-prohibitive and would not have retained the current stadium's iconic location.

### **Description of Other Related Projects Including Infrastructure Improvements:**

- All infrastructure costs have been included in the project budget.
- The Sun Devil Stadium Renovation project includes undeveloped space that will be built out as separate projects based on availability of funding.

## EXECUTIVE SUMMARY

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### Capital Project Information Summary

**University:** Arizona State University

**Project Name:** Sun Devil Stadium  
Renovation

**Project Description and Location:**

This project will renovate approximately 850,000 gross square feet of Sun Devil Stadium and construct a Student Athletic Facility at the Tempe Campus. The renovations will be designed and constructed to last 50 years.

**Project Schedule:**

Planning	January	2012
Design	December	2014
Construction Start	January	2015
Construction Completion	August	2017

**Project Budget:**

Total Project Cost	\$ 256,000,000
Total Project Construction Cost	\$ 196,423,600
Total Project Cost per GSF	\$ 301
Construction Cost per GSF	\$ 231

**Change in Annual O & M Cost:**

Utilities	\$ 680,000
Personnel	364,000
All Other Operating	556,000
Subtotal	\$ 1,600,000

**Funding Sources:**

Capital

C. System Revenue Bonds	\$ 200,000,000
D. Gifts	\$ 56,000,000

Funding Source for Debt Service: Auxiliary Revenue

Operation/Maintenance	\$ 1,600,000
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Funding Sources: Auxiliary and Designated Funds

**EXECUTIVE SUMMARY**

**Capital Project Budget Summary**

**University:** ASU at the Tempe Campus

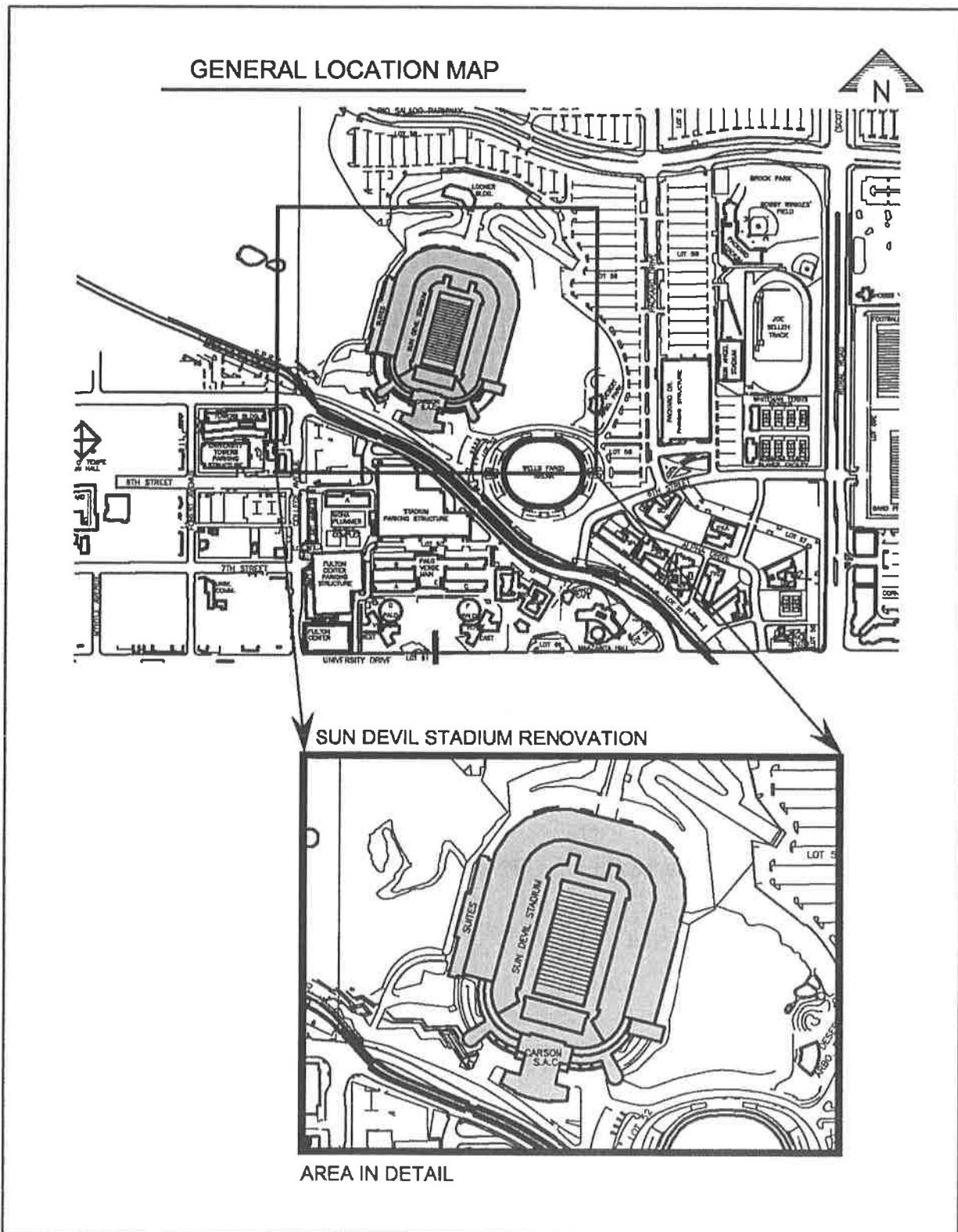
**Project:** Sun Devil Stadium  
Renovation

	<b>Capital Development Plan</b>	<b>Project Approval</b>
Capital Costs		
1. Land Acquisition	\$ -	\$ -
2. Construction Cost	-	-
A. New Construction	-	-
B. Renovation	196,000,000	-
C. Special Fixed Equipment	-	-
D. Site Development (excl. 2.E.)	-	-
E. Parking and Landscaping	423,600	-
F. Utilities Extensions	-	-
G. Other* (Demolition)	-	-
Subtotal Construction Cost	<u>\$ 196,423,600</u>	<u>\$ -</u>
3. Fees		
A. Construction Mgr	\$ 2,000,000	-
B. Architect/Engineer	16,900,000	-
C. Other	1,500,000	-
Subtotal Consultant Fees	<u>\$ 20,400,000</u>	<u>\$ -</u>
4. FF&E Movable	\$ 10,000,000	-
5. Contingency, Design Phase	2,000,000	-
6. Contingency, Constr. Phase	7,000,000	-
7. Parking Reserve	-	-
8. Telecommunications Equipment	10,000,000	-
Subtotal Items 4-8	<u>\$ 29,000,000</u>	<u>\$ -</u>
9. Additional University Costs		
A. Surveys, Tests, Haz. Mat. Abatement	\$ 1,447,008	-
B. Move-in Costs	200,000	-
C. Printing Advertisement	-	-
D. Keying, signage, facilities support	150,000	-
E. Project Management Cost (2%)	7,526,400	-
F. State Risk Mgt. Ins. (.0034 **)	852,992	-
Subtotal Addl. Univ. Costs	<u>\$ 10,176,400</u>	<u>\$ -</u>
<b>Total Capital Cost</b>	<u><u>\$ 256,000,000</u></u>	<u><u>\$ -</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



## **EXECUTIVE SUMMARY**

**Item Name:** Sun Devil Stadium Phase 1 Project Approval  
(Arizona State University)

☒ Action Item

☐ Discussion Item

☐ Information Item

**Issue:** Arizona State University requests project approval for Sun Devil Stadium Renovation Phase 1 at the Tempe Campus.

**Previous Board Action:** FY 2015 Amended CDP  
2016-2017 CIP

September 2014  
September 2013

### **Statutory/Policy Requirements**

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

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

- Arizona State University takes pride in its status as an elite institution with a top-ranked intercollegiate athletics program. Sun Devil Stadium – the largest public assembly building on campus – has been a landmark in the Valley for the last 56 years. The Stadium has operated in recent years with substandard and insufficient access, restrooms, concessions, points of sale, and spectator amenities, and a lack of competitive premium seating amenities.
- The plan to renovate Sun Devil Stadium provides an opportunity to increase ASU's investment in the community and to set the standard for collegiate athletics facilities. ASU is seeking philanthropic support from the donor community to provide features that will enhance the game experience for both fans and student-athletes.
- The proposed plan will renovate Sun Devil Stadium, while retaining the stadium in its iconic setting between the Tempe/Hayden Buttes. Sun Devil Athletics will utilize the inherent media interest that surrounds college football to extend ASU's prominence on a national stage and showcase the best the University has to offer. After the 1997 Rose Bowl, applications to Arizona State University increased by nearly 15 percent from the previous season. More recently, The Arizona Republic called the 2013 Pac-12 Championship, held at Sun Devil Stadium, a "...giant commercial for school and state." Sun Devil Athletics hosts an average of 180 events per year at its athletics facilities, for a Valley total economic impact of slightly over \$209 million.



## EXECUTIVE SUMMARY

- ABOR's *2020 Vision* plan calls for increases in degree production, expanded engagement with business and the community, and educational excellence. ASU's strategic planning includes among its goals **enhancing local impact and social embeddedness**. With these proposed improvements, Sun Devil Stadium will be able to expand its local economic impact and community reach and support the ABOR *2020 Vision* goals in the following ways:
  - **Key ABOR enterprise metric: Expand community engagement and economic impact.** A renovated Sun Devil Stadium makes possible expanded sporting, institutional, and entertainment activities, as well as public outreach and education. The stadium and the events it hosts contribute significantly to the ongoing invigoration of downtown Tempe, spurring new business development and creating a hub for innovative enterprises. The facility also will serve as an access point to future retail and mixed-use space.
  - **Key ABOR enterprise metric: Expanding the pipeline of new students.** The stadium complex is envisioned functionally as a student gathering place and a gateway to the community, hosting events such as movie night, road game telecasts, and concerts. The Sun Devil Stadium Renovation will create space for prospective student functions, will showcase for prospective student-athletes ASU's commitment to intercollegiate athletics, and will enhance the ASU brand. The design of the facility will provide flexibility to host a variety of additional functions and events beyond game-days, including weddings, receptions, and training table events. The renovations include restrooms, concessions, storage areas, and pantries to support anticipated functions and events.

### Project Description/Scope/Project Compliance with Space Standards:

The Sun Devil Stadium Renovation Project is planned in three phases, beginning after the current football season, and continuing through summer 2017, with completion in time for the start of the 2017 season. Phase 1 will construct a new student section in the South end zone. Existing steel bleachers, concession stands and utilities under and around the bleachers will be removed to create space for new concrete treads and risers, creating a continuous concrete lower seating bowl all the way around the stadium. Additionally, the existing loge structure will be removed, except for the area connected to the Carson Student Athlete Center. The South end zone will be reconfigured to include dedicated student entrances, seating and standing areas, restrooms, enhanced concessions and food service, and band seating with access to the field. The stadium's main concourse will be extended to connect seamlessly at the South end in order to optimize the use of concessions, restrooms and the pedestrian walkway. Phase 1 also includes the infrastructure to ensure a smooth transition among phases, including modifications to the existing restrooms within the

## **EXECUTIVE SUMMARY**

Carson Student Athlete Center to accommodate students. Additionally, there will be some demolition in the North end zone upper seating, which will allow the two future phases to meet their scheduled completion dates. Due to changes in elevation, temporary stairs and ramps will be utilized between Phases 1 and 2.

### **Project Delivery Method and Process:**

- This project will be 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 low-bid subcontractor work for the actual construction, CMAR also provides a high level of cost and quality control.
- ASU has selected a CMAR (Hunt/Sundt Construction, a joint venture) and design professionals (HNTB and Gould Evans) for this project.

### **Project Costs:**

- The total budget for Phase 1 is \$65,700,000, based on a construction budget of \$36,700,000 (see page 7 for additional break downs).
- For Phase 1 Project Approval, DP and CMAR teams have provided external cost estimates based upon independent programming efforts. They are in alignment for both this phase and the overall \$256 million project budget. Independent cost estimates will be provided by the DP and CMAR as the project progresses through the approval process for the remaining two phases.
- 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.

## **EXECUTIVE SUMMARY**

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### **Project Status and Schedule:**

- Design and construction will be completed in phases to enable Sun Devil football games to be scheduled in the stadium throughout the construction period without temporary relocation or a significant negative impact on the fan experience. The first phase of this project is in the design phase.
- General construction for Phase 1 will be completed no later than August 2015, prior to commencement of the 2015 football season. The entire project will be completed prior to the start of the 2017 football season.
- ASU currently plans to submit Phase 2 Project Approval in September 2015, with construction scheduled to begin upon conclusion of the fall 2015 season. To support the Phase 2 construction timeline and ensure completion prior to the fall 2016 football season, ASU anticipates entering into a financial commitment to pre-order Phase 2 steel, a critical long-lead item, in late spring 2015.

### **Fiscal Impact and Financing Plan:**

- Phase 1 of the project will be funded with \$60 million in system revenue bond proceeds and \$5.7 million in capital gifts. Debt service on the bonds will be funded by Sun Devil Athletics (SDA) revenues, including enhanced stadium income, charitable gifts, conference revenue distributions, and in the longer term, Athletic Facilities District revenues.
- There will not be an operations and maintenance increase in Phase 1. Once the project is complete, operations and maintenance costs are estimated to increase by \$1,600,000 annually. The University will fund operations and maintenance increases through SDA revenues and designated funds.
- Debt ratio impact: The projected incremental debt service ratio impact for Phase 1 is 0.18 percent.

### **Backfill Plan:**

- There is no backfill required for this project. Construction activities will be performed largely in the off-season to allow continued use of the facility for home football games.

### **Alternatives:**

- ASU has considered constructing a new stadium in a different location. However, that option would have been cost-prohibitive and would not have retained the current stadium's iconic location.

## **EXECUTIVE SUMMARY**

### **Description of Future Phases Including Infrastructure Improvements:**

- The overall budget for this 850,000 gross-square-foot project is \$256,000,000. The budget for phases 2 and 3 is \$190,300,000. All infrastructure costs have been included in the project budget. The Sun Devil Stadium Renovation project includes undeveloped space that will be built out as separate projects based on the availability of funding.
- The overall budget represents an estimated construction cost of \$231 per gross square foot. The estimated total project cost is \$301 per gross square foot. See the following table for projects considered comparable to the Sun Devil Stadium Renovation Project:

Comparable Project	Location	Project Size	Year Completed	Escalated Const. Cost / SF
Kentucky Commonwealth Stadium	Lexington, KY	229,000	2015	\$422
UC Berkeley Memorial Stadium	Berkely, CA	309,000	2012	\$462
Michigan Stadium	Ann Arbor, MI	532,000	2009	\$342
Illinois Memorial Stadium Renovation	Champaign, IL	313,500	2008	\$320
Iowa Kinnick Stadium Renovation	Iowa City, IA	352,400	2007	\$293
Reser Stadium	Corvallis, OR	400,000	2008	\$340
Autzen Stadium	Eugene, OR	300,000	2003	\$567
Average Comparable Project		347,986		\$392

Considering these relevant comparable construction costs, the Sun Devil Stadium Renovation budget of \$301 per gross square foot is considered adequate.

### **Recommendation:**

It is recommended that the Committee forward to the full Board for approval ASU's request for Project Approval of the Sun Devil Stadium Renovation Phase 1 project, as presented in this Executive Summary.

**EXECUTIVE SUMMARY**

**Capital Project Information Summary**

**University:** Arizona State University

**Project Name:** Sun Devil Stadium  
Renovation Phase 1

**Project Description and Location:**

The overall project will renovate approximately 850,000 gross square feet of Sun Devil Stadium and construct a Student Athletic Facility at the Tempe Campus. The renovations will be designed and constructed to last 50 years.

**Project Schedule:**

Planning	January	2012
Design	December	2014
Construction Start	January	2015
Construction Completion, Phase 1	August	2015
Construction Completion, Total Project	August	2017

**Project Budget:**

Total Project Cost	\$ 256,000,000
Total Project Construction Cost	\$ 196,423,600
Total Project Cost, Phase 1	\$ 65,700,000
Total Project Construction Cost, Phase 1	\$ 36,700,000

Total Project Cost per GSF	\$ 301
Construction Cost per GSF	\$ 231

**Change in Annual O & M Cost:**

Utilities	\$ 680,000
Personnel	364,000
All Other Operating	556,000
Subtotal	\$ 1,600,000

**Funding Sources:**

Capital

A. System Revenue Bonds	\$ 60,000,000
B. Gifts	\$ 5,700,000

Funding Source for Debt Service: Auxiliary Revenue

Operation/Maintenance, Phase 1	\$ 0
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Funding Sources: Auxiliary and Designated Funds

**EXECUTIVE SUMMARY**

**Capital Project Budget Summary**

**University:** ASU at the Tempe campus

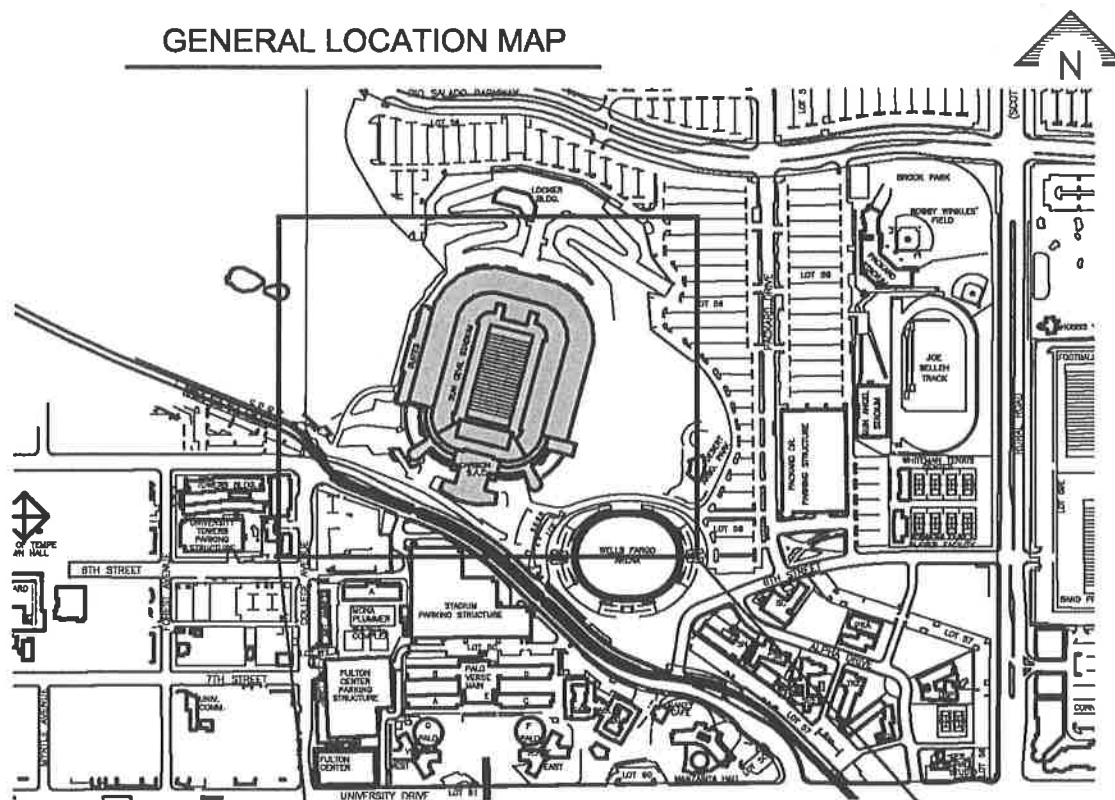
**Project:** Sun Devil Stadium  
Renovation Phase 1

	<b><u>Capital Development Plan</u></b>	<b><u>Project Approval</u></b>
Capital Costs		
1. Land Acquisition		
2. Construction Cost		
A. New Construction	\$ 196,000,000	\$ 28,500,000
B. Renovation		
C. Special Fixed Equipment		-
D. Site Development (excl. 2.E.)		
E. Parking and Landscaping	423,600	
F. Utilities Extensions	-	7,200,000
G. Other* (Demolition)	-	1,000,000
Subtotal Construction Cost	<u>\$ 196,423,600</u>	<u>\$ 36,700,000</u>
3. Fees		
A. Construction Mgr	\$ 2,000,000	\$ 2,000,000
B. Architect/Engineer	16,900,000	16,900,000
C. Other	1,500,000	1,500,000
Subtotal Consultant Fees	<u>\$ 20,400,000</u>	<u>\$ 20,400,000</u>
4. FF&E Movable	\$ 10,000,000	
5. Contingency, Design Phase	2,000,000	\$ 3,000,000
6. Contingency, Constr. Phase	7,000,000	3,000,000
7. Parking Reserve		-
8. Telecommunications Equipment	10,000,000	
Subtotal Items 4-8	<u>\$ 29,000,000</u>	<u>\$ 6,000,000</u>
9. Additional University Costs		
A. Surveys, Tests, Haz. Mat. Abatement	\$ 1,447,008	\$ 500,000
B. Move-in Costs	200,000	
C. Printing Advertisement	-	1,500
D. Keying, signage, facilities support	150,000	15,000
E. Project Management Cost (2.9066%)	7,526,400	1,854,370
F. State Risk Mgt. Ins. (.0034 **)	852,992	229,130
Subtotal Addl. Univ. Costs	<u>\$ 10,176,400</u>	<u>\$ 2,600,000</u>
<b>Total Capital Cost</b>	<u><u>\$ 256,000,000</u></u>	<u><u>\$ 65,700,000</u></u>

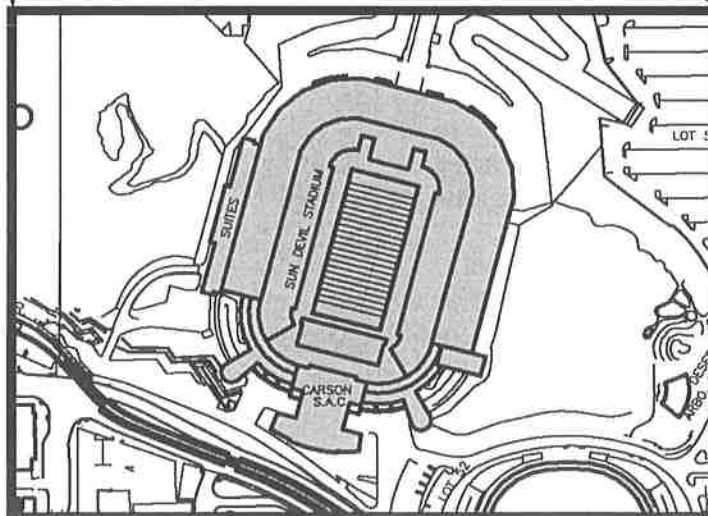
\* Universities shall identify items included in this category

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

## GENERAL LOCATION MAP



## SUN DEVIL STADIUM RENOVATION



### AREA IN DETAIL

**EXECUTIVE SUMMARY**

**Supplemental Attachment:**

**ABOR Guidelines: Status of all ASU Gift Funded Projects:**

Project Name	ABOR Approval	Intended Occupancy Date	Total Project Cost	Gift Target	Current Gifts (Cash/Pledges)
College Avenue Commons	PA 12/2012	7/2014	\$54.5m	\$7.5m	\$7.5m
Center for Law and Society	CDP 12/2012	7/2016	\$129.0m	\$3.0m	\$10.0m
Sun Devil Stadium Renovation	CDP 9/2014	8/2017	\$256.0m	\$56.0M	\$24.0m







STATE OF ARIZONA

## Joint Committee on Capital Review

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RICK GRAY  
ANDREW C. SHERWOOD

DATE: December 10, 2014

TO: Representative John Kavanagh, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Art Smith, Principal Fiscal Analyst *AS*

SUBJECT: Arizona State University - Review of IT Infrastructure Projects

### Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with revenue bonds. Arizona State University (ASU) requests Committee review of \$20.0 million in system revenue bond issuances to fund the installation of high speed broadband in over 500 classrooms and study halls at all 3 of ASU's campuses. The length of the financing term is 20 years.

### Recommendation

The Committee has at least the following 2 options:

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

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

#### Standard University Financing Provisions

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

(Continued)

## Analysis

ASU plans to use a \$20 million system revenue bond in order to replace outdated copper-based CAT3 and CAT6 internet cabling within fiber optic cabling in 24 buildings and 500 classrooms at all of its campuses. ASU states that this new cabling will impact approximately 30,000 students and provide more up-to-date internet access in 600,000 gross square feet of classroom space.

While the debt service term for this request is 20 years, the average useful life of the new fiber optic IT infrastructure is typically 7 and 10 years without proper maintenance. Because of the quality of fiber optic cabling, regular maintenance of the new IT infrastructure could be extended to 20 years, which is the equivalent of the debt service term.

## Financing

The source of financing for the \$20.0 million project will be system revenue bonds. ASU estimates that at interest rates as of October 2014, the interest rate would be 4.2%. However, ASU will proceed with the project if the interest rate does not exceed 6.0%. The projected repayment is expected to cost \$30.3 million. The debt service will be paid with tuition revenue. The initial debt service payment will be \$139,900 in FY 2015 increasing to approximately \$1.5 million FY 2016 and continuing through 2035. *(See Table 1 for a summary of the bond's financing terms.)*

## Construction Costs

Construction costs have been determined based upon a combination of recent ASU construction projects and a construction estimating program. Design for this project will begin in December 2014 with construction beginning in April 2015. Utilization of the new IT Infrastructure will begin in April 2016.

Table 1	
IT Infrastructure Financing Terms	
Issuance Amount	\$20.0 million
Issuance Date	February 2015
Issuance Transaction Fees	\$185,000
Rating	Aa3 (Moody's)/AA- (S&P)
Interest Rate	Projected 4.2% rate with a 6.0% cap
Term	20 years
Total Debt Costs	\$30.3 million
Debt Service Payments	\$139,900 (FY 2015 interest only) \$1.5 million (FY 2016 – FY 2035)
Payment Source	Tuition
Debt Ratio Increase	0.08%
ABOR Approval Status	Approved on November 19, 2014
Construction Start	April 2015



ARIZONA STATE UNIVERSITY

November 4, 2014

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



Dear Representative Kavanagh:

In accordance with ARS 15-1683 and ARS1682.02, the Arizona Board of Regents requests that the following bond-financed and third-party financed items for Arizona State University be placed on the next Joint Committee on Capital Review agenda for review:

- Sun Devil Stadium Renovation
- IT Infrastructure Improvements
- Biogas Treatment Facility

Enclosed is pertinent information relating to these items.

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

Sincerely,

Morgan R. Olsen  
Executive Vice President, Treasurer and CFO

Enclosures

c: Richard Stavneak, Director, JLBC  
Eileen Klein, President, Arizona Board of Regents, ABOR  
Lorenzo Martinez, Associate Vice President for Finance & Administration, ABOR  
Steve Miller, Deputy Vice President, Public Affairs, ASU  
Lisa Frace, Associate Vice President, Planning & Budget, and Chief Budget Officer, ASU  
Bruce Nevel, Associate Vice President, Facilities Development and Management, ASU  
Joanne Wamsley, Vice President for Finance and Deputy Treasurer, ASU  
Art Smith, Senior Fiscal Analyst, JLBC

**Joint Committee on Capital Review  
Arizona State University  
November 2014 JCCR Meeting**

**2. IT Infrastructure Improvements**

**Project Description**

The IT Infrastructure Improvements project will strengthen campus computer network capabilities to support teaching, learning and research. High-density wireless networking will be installed in over 500 classrooms and lecture halls. The project also will replace outdated CAT3 cabling with CAT6, and install fiber optic cabling in 24 buildings with more than 500 network connections, at all campuses.

System revenue bonds will fund the \$20 million project.

Debt service will be funded with tuition.

An Arizona Board of Regents executive summary is attached for this project, which outlines the project description and other relevant information. This project was granted Capital Development Plan approval by ABOR at its September 25, 2014 meeting.

**Project Costs**

Total Project Cost	\$ 20,000,000
Total Project Construction Cost	\$ n/a
Total Project Cost per GSF	\$ n/a
Construction Cost per GSF	\$ n/a

Operations and maintenance costs are not expected to change when this project is complete.

**3. Biogas Treatment Facility (Third-Party Financing)**

Sun Devil Energy Center, LLC (SDE), a subsidiary of Arizona Capital Facilities Corporation (ACFFC), operates a combined heating and cooling facility (CHP) on the ASU Tempe Campus. SDE currently purchases non-renewable natural gas on the open market to operate the CHP. SDE now intends to finance, construct and operate a biogas treatment facility to process by-product gas generated by the 91<sup>st</sup> Ave Waste Water Treatment Plant, operated by the City of Phoenix, into renewable natural gas. The biogas treatment facility will supply renewable natural gas to the CHP replacing the non-renewable gas currently used. Pursuant to a co-generation services agreement with SDE, ASU will continue to purchase the power produced by the CHP.

The ACFFC financing is scheduled for review and approval at the November 20, 2014 ABOR meeting. Additional information is available in the attached ABOR executive summary.

**Joint Committee on Capital Review  
Arizona State University  
November 2014 JCCR Meeting**

**PROJECT SUMMARY –Revenue Bonds**

<u>Projects:</u>	<u>Funding Sources:</u>	<u>Amount:</u>
Sun Devil Stadium Renovation	Auxiliary Revenue, Gifts	\$ 200,000,000

**FINANCING INFORMATION**

System Revenue Bonds:

Project Costs	\$ 200,000,000
Capitalized Interest	\$ 9,693,000
Estimated Costs of Issuance	\$ 2,112,000
Anticipated Bond Rating	Aa3 (Moody's) and AA- (S&P)
Assumed Interest Rate	6.0%
Term	30 years

Debt Service Information:

Estimated Annual Debt Service For 2018 - 2021 (interest only)	\$ 12,657,437
Estimated Annual Debt Service For 2022 – 2046	\$ 16,534,673
Total Estimated Debt Service Costs	\$ 463,996,575

**DEBT RATIO**

Debt Ratio on Existing Debt	5.80
Incremental Debt Ratio	0.60
Projected Debt Ratio	6.40

**Joint Committee on Capital Review  
Arizona State University  
November 2014 JCCR Meeting**

**Arizona State University  
System Revenue Bonds  
IT Infrastructure Improvements**

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$	\$ 139,949	\$ 139,949
2016	665,000	839,696	1,504,696
2017	695,000	812,032	1,507,032
2018	725,000	783,120	1,508,120
2019	755,000	752,960	1,507,960
2020	785,000	721,552	1,506,552
2021	820,000	688,896	1,508,896
2022	850,000	654,784	1,504,784
2023	885,000	619,424	1,504,424
2024	925,000	582,608	1,507,608
2025	960,000	544,128	1,504,128
2026	1,000,000	504,192	1,504,192
2027	1,045,000	462,592	1,507,592
2028	1,085,000	419,120	1,504,120
2029	1,130,000	373,984	1,503,984
2030	1,180,000	326,976	1,506,976
2031	1,230,000	277,888	1,507,888
2032	1,280,000	226,720	1,506,720
2033	1,335,000	173,472	1,508,472
2034	1,390,000	117,936	1,507,936
2035	1,445,000	60,112	1,505,112
	20,185,000	10,082,141	30,267,141

**Joint Committee on Capital Review  
Arizona State University  
November 2014 JCCR Meeting**

**PROJECT SUMMARY –Revenue Bonds**

<u>Projects:</u>	<u>Funding Sources:</u>	<u>Amount:</u>
IT Infrastructure Improvements	Tuition	\$ 20,000,000

**FINANCING INFORMATION**

System Revenue Bonds:

Project Costs	\$ 20,000,000
Estimated Costs of Issuance	\$ 185,000
Anticipated Bond Rating	Aa3 (Moody's) and AA- (S&P)
Assumed Interest Rate	4.2%
Term	20 years

Debt Service Information:

Estimated Debt Service For 2015 (interest only)	\$ 139,949
Estimated Annual Debt Service For 2016 – 2035	\$ 1,506,360
Total Estimated Debt Service Costs	\$ 30,267,141

**DEBT RATIO**

Debt Ratio on Existing Debt	5.80
Incremental Debt Ratio	0.08
Projected Debt Ratio	5.88



## EXECUTIVE SUMMARY

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**Arizona Board of Regents  
Arizona State University  
Capital Development Plan Project Justification Report  
IT Infrastructure Improvements**

### Previous Board Action:

- FY 2016-2017 Capital Improvement Plan                      September 2013

### Statutory/Policy Requirements

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

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

- The IT Infrastructure Improvements projects will advance the goals and priorities of the University outlined in the ASU Strategic Enterprise Framework. The projects will support the productive use of vital classroom, academic and research space by students, faculty and staff. Many IT and telecommunications components of the ASU built environment are not capable of supporting additional and new functions required by the University to carry out its mission of research and academic excellence without incremental investment. IT infrastructure requires renovation to ensure the productivity of University assets and the ability to provide consistent network connectivity to students, faculty and staff. The primary institutional priorities supported by these projects include:
  - **Key ABOR enterprise metrics: Achieve a 50 percent increase in degree production and expand research performance to \$700 million in annual research expenditures.** Campus IT infrastructure, including building and system capacities, is inadequate and cannot meet current research, laboratory and instructional demands. The IT Infrastructure Improvements projects ensure that critical IT systems supporting academic and research initiatives meet the performance requirements of modern applications.

## EXECUTIVE SUMMARY

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- **Campus Operations and Infrastructure Priorities.** ASU facilities must be kept in an operational and maintainable condition. These IT projects will ensure the campus IT infrastructure and systems are technologically current and durable, maximize the use of operational funds, and take advantage of economies of scale. The projects will protect University investment in facilities, and are essential in allowing the University to reach its goals, particularly with limited State funding for building renewal.

### **Project Description/Scope/Project Compliance with Space Standards:**

- The IT Infrastructure Improvements projects will bolster campus computer network capabilities to support teaching, learning and research. High-density wireless networking will be installed in over 500 classrooms and lecture halls. The project also will replace outdated CAT3 cabling with CAT6, and install fiber optic cabling in 24 buildings with more than 500 network connections.

### **Project Delivery Method and Process:**

- CMAR, JOC and Design/Bid/Build delivery methods will be utilized on the projects. The delivery method will be selected based upon the needs of the individual components.

### **Project Costs:**

- The budget for these projects is \$20,000,000.
- For this Capital Development Plan phase, no preliminary external cost estimates have been provided by third-party consultants. DP and CMAR or JOC contractor teams have not yet been selected. Independent cost estimates will be provided by the DP, CMAR or JOC contractor after these selections are complete.
- Comparable costs for these projects cannot be determined at this conceptual stage. Costs have been determined based on preliminary estimates using a combination of recent ASU construction projects and the nationally-recognized estimating program RS Means.
- For project components selected to use the CMAR delivery method, the CMARs, when selected, will be at risk to provide the completed project

## **EXECUTIVE SUMMARY**

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components 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.

### **Project Status and Schedule:**

- These projects are in the conceptual phase.
- Design Professionals (DPs) have not been selected. Design will be complete approximately six to nine months after the DP contract is awarded.
- General construction is scheduled to begin when all approvals are in place and will be completed within 24 months.

### **Fiscal Impact and Financing Plan:**

- These projects will be funded with system revenue bonds. The debt-financed portion is currently anticipated to total \$20 million. Debt service will be paid from tuition.
- The projects are not anticipated to require an increase in operations and maintenance costs.
- Debt ratio impact: The projected incremental debt ratio impact for the projects would be 0.08 percent.

### **Backfill Plan:**

There is no backfill required for the projects.

### **Alternatives:**

- There are no alternatives to the projects.

### **Description of Other Related Projects Including Infrastructure Improvements:**

- All infrastructure costs have been included in the project budget.

## EXECUTIVE SUMMARY

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### Capital Project Information Summary

**University:** Arizona State University

**Project Name:** IT Infrastructure  
Improvements

**Project Description and Location:**

These projects will upgrade, install and replace IT infrastructure and wireless systems at all ASU campuses.

**Project Schedule:**

Planning	September	2013
Design	December	2014
Construction	April	2015
Occupancy	April	2016

**Project Budget:**

Total Project Cost	\$	20,000,000
Total Project Cost per GSF	\$	n/a
Construction Cost per GSF	\$	n/a

**Change in Annual O & M Cost:**

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

**Funding Sources:**

Capital

A. System Revenue Bonds	\$	20,000,000
B. Gifts	\$	

Funding Source for Debt Service: Tuition

Operation/Maintenance	\$	0
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Funding Sources: Not applicable.

## EXECUTIVE SUMMARY

### Capital Project Budget Summary

**University:** ASU at the Tempe Campus

**Project:** IT Infrastructure  
Improvements

	<b>Capital Development Plan</b>	<b>Project Approval</b>
<b>Capital Costs</b>		
1. Land Acquisition	\$ -	\$ -
2. Construction Cost	-	-
A. New Construction	-	-
B. Renovation	13,677	-
C. Special Fixed Equipment	171,726	-
D. Site Development (excl. 2.E.)	-	-
E. Parking and Landscaping	-	-
F. Utilities Extensions	227,955	-
G. Other* (Demolition)	69,730	-
Subtotal Construction Cost	<u>\$ 483,088</u>	<u>\$ -</u>
<b>3. Fees</b>		
A. Construction Mgr	\$ 252,270	-
B. Architect/Engineer	1,732,453	-
C. Other	-	-
Subtotal Consultant Fees	<u>\$ 1,984,723</u>	<u>\$ -</u>
<b>4. FF&amp;E Movable</b>	\$ -	-
5. Contingency, Design Phase	650,430	-
6. Contingency, Constr. Phase	911,818	-
7. Parking Reserve	-	-
8. Telecommunications Equipment	15,196,963	-
Subtotal Items 4-8	<u>\$ 16,759,211</u>	<u>\$ -</u>
<b>9. Additional University Costs</b>		
A. Surveys, Tests, Haz. Mat. Abatement	\$ -	-
B. Move-in Costs	-	-
C. Printing Advertisement	-	-
D. Keying, signage, facilities support	111,885	-
E. Project Management Cost (2%)	595,721	-
F. State Risk Mgt. Ins. (.0034 **)	65,372	-
Subtotal Addl. Univ. Costs	<u>\$ 772,978</u>	<u>\$ -</u>
<b>Total Capital Cost</b>	<u><u>\$ 20,000,000</u></u>	<u><u>\$ -</u></u>

\* Universities shall identify items included in this category

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





STATE OF ARIZONA

## Joint Committee on Capital Review

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DAVID GOWAN, SR.  
RICK GRAY  
ANDREW C. SHERWOOD

DATE: December 10, 2014

TO: Representative John Kavanagh, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director *RS*

FROM: Micaela Larkin, Fiscal Analyst *ML*

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

### Request

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

JCCR has previously reviewed Arizona Department of Corrections' (ADC's) FY 2014 and FY 2015 Building Renewal plans, including contingency allocations. This memo addresses a reallocation between projects in both appropriations.

ADC is now proposing to allocate a total of \$227,000 contingency monies to improvements to the wastewater treatment plant at Arizona State Prison Complex (ASPC)-Eyman, a telecommunications project at ASPC - Lewis, and inpatient care beds at ASPC-Tucson Rincon.

### 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.

Under either option, the JLBC Staff recommends the provision that ADC shall report any change in the spending plan to the JLBC Staff, including reallocations between projects and non-emergency use of contingency monies. 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.

### Analysis

Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. The Committee favorably reviewed the FY 2014 Building Renewal Plan on August 20, 2013 and the FY 2015 Building Renewal Plan on June 19, 2014. Per the provisions agreed upon at the respective JCCR meetings, the department is submitting reallocation of the monies for Committee review.

(Continued)

Revised FY 2014 Building Renewal Allocation

Laws 2013, 1<sup>st</sup> Special Session, Chapter 8, appropriated \$5.0 million to ADC from the Department of Corrections Building Renewal Fund in FY 2014. The Committee favorably reviewed the department's proposal, including \$221,700 for contingency at its August 20, 2013.

ADC is now requesting to reallocate \$170,000 of contingency monies as shown in *Table 1*. Of the \$170,000, \$95,000 is to install a new chlorine disinfection system at the Eyman wastewater treatment plant. The current disinfection system has reached the end of its service life, and the system does not currently meet the Arizona Department of Environmental Quality (ADEQ) waste water quality standards due to elevated bacteria levels.

ADC would use the other \$75,000 to repair the fiber optic underground vault and cabling that connects the Eagle Point and Sunrise units at the Lewis complex. The vault has collapsed, and this has reduced the lifespan of the cable.

<b>Table 1</b>		
<b>FY 2014 Building Renewal Reallocation</b>		
	<b><u>Previously Reviewed</u></b>	<b><u>Revised Allocation</u></b>
<u>Wastewater Disinfection System Upgrade</u>		
Eyman	-	\$ 95,000
<u>Fiber Optic Cable Upgrade</u>		
Lewis	-	75,000
<u>Contingency</u>	<u>\$221,700</u>	<u>51,700</u>
<b>TOTAL</b>	<b>\$221,700</b>	<b>\$221,700</b>

Revised FY 2015 Building Renewal Allocation

Laws 2014, Chapter 15 appropriated \$8.4 million to ADC from the Department of Corrections Building Renewal Fund in FY 2015. The Committee favorably reviewed the department's proposal including \$175,800 for contingency at its June 19, 2014 meeting.

ADC plans to reallocate \$57,000 in contingency monies to fund additional infrastructure repairs identified during the remodeling and addition of inpatient care beds at ASPC - Tucson Rincon. The inpatient care is a skilled nursing setting less intensive than a hospital but still requiring a 24-hour medical presence. The 32 special use beds are being added to fulfill the contractual obligation with the private health contract provider.

The committee previously reviewed ADC's request for \$915,000 for the initial repairs for the project, and an additional \$150,000 for the installation of 2 medical isolation rooms ("negative pressure rooms") at ASPC - Tucson Rincon. Problems with the air conditioning system, building structural issues, building security and plumbing modifications were identified during construction, and the \$57,000 will be utilized to fix these issues and complete the project.

<b>Table 2</b>		
<b>FY 2015 Building Renewal Reallocation</b>		
	<b><u>Previously Reviewed</u></b>	<b><u>Revised Allocation</u></b>
<u>Inpatient Care Beds - Additional Infrastructure</u>		
Lewis	-	\$ 57,000
<u>Contingency</u>	<u>\$175,800</u>	<u>118,800</u>
<b>TOTAL</b>	<b>\$175,800</b>	<b>\$175,800</b>





# Arizona Department of Corrections

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(602) 542-5497  
www.azcorrections.gov



JANICE K. BREWER  
GOVERNOR

CHARLES L. RYAN  
DIRECTOR

November 3, 2014



The Honorable John Kavanagh, Chairman  
Joint Committee on Capital Review  
1716 West Adams  
Phoenix, Arizona 85007


Dear Representative Kavanagh:

The Arizona Department of Corrections requests placement on the next meeting agenda of the Joint Committee on Capital Review to request authorization to utilize remaining contingency funds from the AY 2014 and AY 2015 building renewal appropriations.

The funds will be used for three projects: ASPC-Lewis fiber optic cable upgrade, ASPC-Eyman wastewater disinfection system upgrade, and the ASPC-Tucson inpatient care remodel. Additional detail about the requested changes to the building renewal reallocation and project details are included on the enclosures.

If you have any questions regarding any of the proposed items, please contact Michael Kearns, Division Director of the department's Administrative Services Division, at (602) 542-1160.

Sincerely,

  
Charles L. Ryan  
Director

Enclosures

cc: The Honorable Don Shooter, Vice-Chairman, Joint Committee on Capital Review  
John Arnold, 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 Staff

**Arizona Department of Corrections  
Building Renewal Allocation Revision**

**AY 2014 Building Renewal Reallocation**

**ASPC-Lewis Fiber Optic Cable Upgrade:** **\$75,000**

The fiber optic underground vault that connects Eagle Point and Sunrise units with the Lewis complex has collapsed and the existing cabling is under an enormous amount of pressure which can be detrimental to the lifespan of that cable. The Arizona Department of Corrections (ADC) has no spare fiber optic cables running to these two units and if one of them fails, which is currently at risk, functionality of the telephone and/or inmate television system will be lost. This will create safety risks for the impacted units. The last time the inmate television system failed there was a major inmate disturbance. The unit cannot function safely without a telephone system.

ADC needs to install new fiber optic cable to these two units and proposes to use funds from the AY 2014 contingency remaining in the building renewal appropriation.

**ASPC-Eyman Wastewater Disinfection System Upgrade:** **\$95,000**

The ASPC-Eyman wastewater treatment plant has faced ongoing compliance challenges with ADEQ waste water quality standards due to elevated bacteria levels since 2011. The existing Ultra Violet (UV) Disinfection system has required repair and has reached the end of its service life; parts are no longer available from the manufacturer to maintain and repair the system. ADEQ recently issued a "Notice of Opportunity to Correct" due to higher than allowed bacteria counts in the waste water discharged from the plant.

ADC recommends installation of a Chlorine Disinfection system for disinfection. This option will be installed at the waste water treatment plant and will replace the UV disinfection system. This new system will provide many years of service to the plant, reduce maintenance costs, require less energy to operate, and eliminate the ADEQ waste water quality concerns. ADC requests authorization to utilize remaining contingency funding from the AY 2014 building renewal appropriation.

**AY 2015 Building Renewal Reallocation**

**ASPC-Tucson Inpatient Care Remodel:** **\$57,000**

The AY 2012 Building Renewal Appropriation included a project at ASPC-Tucson Rincon Unit to remodel and add up to 30 Inpatient Care (IPC) beds. The previously approved project is nearing completion and expands the number of on-site beds dedicated to medical care of inmates.

During completion of the project additional issues were discovered that increased the cost of the project by \$57,000. Problems that were identified were with the air conditioning system, building structural issues, building security, and plumbing modifications. These issues have been incorporated into the project scope and will be completed without delaying the project. ADC requests authorization to utilize contingency funding from the AY 2015 building renewal appropriation.

ARIZONA DEPARTMENT OF CORRECTIONS  
AY 2014 & AY 2015 BUILDING RENEWAL REALLOCATION REQUEST <sup>1</sup>

AY 2014 Building Renewal Allocation

Institution	Project Name	Project Description	Approved Project Budget <sup>2</sup>	Requested Change	Reallocation Request Budget <sup>2</sup>
ASPC-Florence South Unit	Perimeter upgrade	Perimeter security system and fencing upgrade	660,000	0	660,000
ASPC-Yuma Cheyenne Unit	Perimeter upgrade	Perimeter security upgrade	308,200	0	308,200
ASPC-Florence East Unit	Perimeter upgrade	Perimeter security upgrade	95,200	0	95,200
ASPC-Perryville Santa Cruz Unit	Perimeter upgrade	Perimeter security upgrade	95,200	0	95,200
ASPC-Tucson Cimarron Unit	Perimeter upgrade	Perimeter security upgrade	347,200	0	347,200
ASPC-Tucson Cimarron Unit	Lock upgrades in housing unit 4	Replace obsolete locking and control systems	1,132,488	0	1,132,488
ASPC-Douglas CDU	Control panel replacement	Replace obsolete control panel	840,000	0	840,000
ASPC-Eyman SMU I	Locking systems & controls	Phase I: Replace obsolete, non-functional locks and doors for 20 of 96 pods. Total project: \$6.24M	1,300,000	0	1,300,000
ASPC-Lewis Eagle Point/Sunrise	Fiber Optic Cable Upgrade	Replace fiber optic cable running from ASPC-Lewis to satellite units	0	75,000	75,000
ASPC-Eyman	Wastewater disinfection system upgrade	Replace current UV disinfection system with Chlorine system	0	95,000	95,000
Various	Contingency	Contingency	221,712	(170,000)	51,712
AY 2014 TOTAL			5,000,000	0	5,000,000

AY 2015 Building Renewal Allocation

Institution	Project Name	Project Description	Approved Project Budget <sup>3</sup>	Requested Change	Reallocation Request Budget <sup>3</sup>
ASPC-Lewis	Well#5 Relocation	Partnering with ADOA on siting and drilling a new well	2,000,000	0	2,000,000
ASPC-Eyman SMU I	SMU I Locking System Upgrade Phase II	Phase II: Replace obsolete, non-functional locks and doors for another set of 20 pods	1,200,000	0	1,200,000
ASPC-Eyman Rynning Unit	Structural Repair	Replace concrete and rebar	200,000	0	200,000
ASPC-Tucson Rincon Unit	IPC-Negative Pressure Rooms-Remodel	Install 2 negative air pressure medical isolations rooms	150,000	0	150,000
ASPC-Lewis Stiner Unit	Replace Evaporative Cooler Duct Work	Replace evaporative cooler and associated ductwork that has deteriorated	136,400	0	136,400
ASPC-Phoenix Alhambra Unit	Locking System Upgrade	Replace original locking systems at intake/maximum custody unit	1,034,880	0	1,034,880
ASPC-Florence Central Unit	Central Unit HU 5, 6, 7 Locking System Upgrade	Replace original locking systems at maximum custody unit	750,000	0	750,000
Various	Structural Investigation	Identify buildings with most severe structural issues and develop a scope of work for repairs	85,000	0	85,000
ASPC-Winslow Apache Unit	Develop New Well	Install Second Well	142,000	0	142,000
ASPC-Tucson Manzanita Unit HU6	A/C Conversions from Evaporative Cooling	A/C Conversion at a health unit	428,000	0	428,000
ASPC-Eyman Meadows Unit HU7	A/C Conversions from Evaporative Cooling	A/C Conversion at a health unit	328,893	0	328,893
ASPC-Florence South Unit HU7	A/C Conversions from Evaporative Cooling	A/C Conversion at a health unit	23,250	0	23,250
ASPC-Perryville Lumley Unit YD30	A/C Conversions from Evaporative Cooling	A/C Conversion at a health & mental health unit	622,400	0	622,400
ASPC-Lewis Barchey Unit HU6	A/C Conversions from Evaporative Cooling	A/C Conversion at a health unit	438,600	0	438,600
ASPC-Lewis Stiner Unit HU6	A/C Conversions from Evaporative Cooling	A/C Conversion at a health unit	438,600	0	438,600
ASPC-Eyman Cook Unit HU5	A/C Conversions from Evaporative Cooling	A/C Conversion at a health unit	287,500	0	287,500
Central Office	Preventive Maintenance Program	preventive maintenance program throughout ADC	23,000	0	23,000
ASPC-Tucson Rincon Unit	Inpatient Care (IPC) Remodel	Remodel and add up to 30 Inpatient Care (IPC) Beds	0	57,000	57,000
Various	Contingency	Contingency	175,777	(57,000)	118,777
AY 2015 TOTAL			8,464,300	0	8,464,300

<sup>1</sup> Laws 2012, Second Regular Session, Chapter 295 (SB 1524), Section 9 states that "Unless otherwise specified, the appropriations made in this act do not lapse until the purpose for which the appropriation was made has been accomplished or abandoned, or the appropriation stands for a full fiscal year without an expenditure or an encumbrance"

<sup>2</sup> The AY 2014 Building Renewal Plan was approved by JCCR on August 20, 2013.

<sup>3</sup> The AY 2015 Building Renewal Plan was approved by JCCR on June 19, 2014.





STATE OF ARIZONA

## Joint Committee on Capital Review

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DAVID GOWAN, SR.  
RICK GRAY  
ANDREW C. SHERWOOD

DATE: December 10, 2014

TO: Representative John Kavanagh, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jon Stall, Senior Fiscal Analyst

SUBJECT: Arizona State Lottery Commission - Review of FY 2015 Building Renewal Allocation Plan

### Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona State Lottery Commission requests Committee review of its FY 2015 Building Renewal Allocation Plan. The FY 2015 Capital Outlay Bill (Laws 2014, Chapter 15) appropriated \$97,400 from the State Lottery Fund to the State Lottery Commission to fund 100% of the building renewal formula in FY 2015.

### Recommendation

The Committee has at least the following 2 options:

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

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

- A. The Lottery Commission report on actual expenditures for the plan by June 30, 2015.
- B. The agency request Committee review prior to expending monies for projects outside their current request.

### Analysis

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.

(Continued)

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. The Lottery Commission is requesting review of their \$97,000 allocation plan that seeks to address 3 project areas identified at the Phoenix facility. Costs for each component of the plan are listed in *Table 1* below.

<b>Table 1</b>	
<b>Components of Building Renewal Plan</b>	
Replace Water Tower for Cooling System	\$56,000
Upgrade Door Hardware	32,000
Replace Stair Flooring	<u>9,000</u>
<b>Total Cost of Plan</b>	<b>\$97,000</b>

*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.

*Upgrade Door Hardware*

The agency plans to spend \$32,000 to upgrade hardware for doors at the facility. According to the agency, third party vendors have identified doors installed when the building was constructed in 1987 that have not been upgraded to meet new building codes. Project funding would also include installation of an employee badge scanning system at the entrance of certain doors. The agency expects that these upgrades will bring doors into compliance with building codes and improve security at the facility.

*Replace Stair Flooring*

The agency plans to spend \$9,000 to replace flooring of the facility's non-emergency staircase. The original stair flooring has begun to peel and may represent a safety hazard. The agency plans to replace the flooring in order to reduce the chance of injury at the office.

RS/JS:kp

Janice K. Brewer  
Governor



Jeff Hatch-Miller  
Executive Director

November 26, 2014

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



**Re: JCCR Agenda Request**

Dear Representative Kavanagh:

The Arizona Lottery respectfully requests placement on the JCCR meeting agenda for December 2014 to review the Lottery's FY15 Building Renewal allocation plan. A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies.

Information for this item is attached.

Sincerely,

Jeff Hatch-Miller  
Executive Director

**Attachment**

cc: Senator Don Shooter, Vice-Chairman, JCCR  
Richard Stavneak, Director, JLBC  
Jon Stall, Lottery Analyst, JLBC  
John Arnold, Director, OSPB

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## **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 3,080 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 Tucson facility is included as part of the lease agreement. This plan provides information on proposed maintenance expenses for the Phoenix facility.

As part of the FY2015 Approved Budget, the Arizona Lottery received a Capital Outlay Appropriation of \$97,400 from the State Lottery Fund to the Arizona Lottery Commission for building renewal.

Total FY2015 Capital Expenditure Budget Allocation:	\$ 97,400
Proposed FY2015 Expenditures –	
North Water Tower	\$ 56,000
Emergency exit door hardware	\$ 32,000
Stair trip hazard abatement	\$ 9,000
Remaining	\$ 400

### **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.



### **Emergency Door Description**

During the installation of the new fire alarm system, 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 1<sup>st</sup> and 2<sup>nd</sup> 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 vendors on state contract.