

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

ROBERT L. BURNS
CHAIRMAN 2007
PAULA ABOUD
AMANDA AGUIRRE
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HOUSE OF
REPRESENTATIVES

RUSSELL K. PEARCE
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DAVID SCHAPIRA

JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, December 18, 2007

1:30 p.m.

Senate Appropriations Room 109

MEETING NOTICE

- Call to Order
- [Approval of Minutes of November 20, 2007.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [ARIZONA DEPARTMENT OF ADMINISTRATION - Review and Approval of Chapters 257 and 261 Prison Bed, Prison Water, and Arizona State Hospital Forensic Unit Projects.](#)
- 2. [ARIZONA STATE PARKS BOARD - Review of State Lake Improvement Fund Grants and Consider Approval of State Parks Enhancement Fund Projects.](#)
- 3. [ARIZONA DEPARTMENT OF ADMINISTRATION/LEGISLATIVE COUNCIL - Review and Approval of Land Purchase for State Archives and History Building.](#)
- 4. [ARIZONA STATE UNIVERSITY](#)
 - A. [Review of Memorial Union Fire Renovations Bond Project.](#)
 - B. [Review of Indoor Basketball Practice Facility Bond Project.](#)
- 5. [UNIVERSITY OF ARIZONA - Review of Revised Scope of Deferred Renovation Bond Project.](#)

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

12/11/07

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**

Thursday, November 20, 2007

The Chairman called the meeting to order at 2:55 p.m., Tuesday, November 20, 2007 in Senate Appropriations Room 109. The following were present:

Members:	Senator Burns, Chairman Senator Aboud Senator Aguirre Senator Johnson Senator Verschoor Senator Waring	Representative Pearce, Vice-Chairman Representative Kavanagh
Absent:	Senator Arzberger	Representative Boone Representative Groe Representative Lopes Representative Lujan Representative Schapira

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee, Chairman Robert Burns stated the minutes of October 18, 2007 would stand approved.

UNIVERSITY OF ARIZONA –

A. Review of West Stadium Renovations for the Laboratory of Tree-Ring Research Bond Project.

Ms. Leah Ruggieri, JLBC Staff, presented the University of Arizona request to issue \$2.4 million in system revenue bonds to finance renovations of the West Stadium building to accommodate the Laboratory of Tree-Ring Research. The lab first located to the West Stadium 70 years ago and only minor improvements to the facilities have been made since that time. The renovations would allow for the full lab to be located at the West Stadium building and also accommodate program expansion. The projected cost is \$3.2 million for renovations, of which \$800,000 will be funded by a federal grant and \$2.4 million will be funded by a bond issuance to be repaid with tuition collections. The per-square-foot costs for this project are comparable with similar university projects. The JLBC Staff is recommending a favorable review of this request with the standard university financing provisions.

There was no discussion on this item.

Representative Pearce moved that the Committee give a favorable review as recommended by JLBC Staff to the issuance of \$2.4 million in system revenue bonds to be combined with \$800,000 from federal grants for the West Stadium Renovations for the Laboratory of Tree-Ring Research project, with the following standard university financing provisions:

- *UA shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. UA shall also report to the Committee before any reallocation exceeding \$500,000 among the individual planned renovations, renewals, or extensions.*
- *UA shall submit for Committee review any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, UA may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.*
- *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.*

The motion carried.

B. Review of Hazardous Waste Facility Enclosure Bond Project.

Ms. Leah Ruggieri, JLBC Staff, presented the University of Arizona request for a bond issuance for \$2.8 million for the Hazardous Waste Facility Enclosure project. The current hazardous waste facility is unequipped to handle the quantity of hazardous waste currently generated by the university. The new facility would accommodate the quantity of hazardous waste, as well as address health concerns for workers. The per square foot costs for this project appear reasonable. The bond issuance of \$2.8 million would be repaid with tuition collections. The JLBC Staff is recommending a favorable review of this request with the standard university financing provisions.

Discussion ensued on this item.

Representative Pearce moved that the Committee give a favorable review as recommended by JLBC Staff to the issuance of \$2.8 million in system revenue bonds for the Hazardous Waste Facility Enclosure project with the following standard university financing provisions:

- *UA shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. UA shall also report to the Committee before any reallocation exceeding \$500,000 among the individual planned renovations, renewals, or extensions.*
- *UA shall submit for Committee review any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, UA may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.*
- *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.*

The motion carried.

C. Review of Student Recreation Center Expansion Bond Project.

Ms. Leah Ruggieri, JLBC Staff, presented the University of Arizona request for a bond issuance for a \$27.6 million Student Recreation Center Expansion project. The expansion will incorporate additional fitness facilities, a gymnasium and other amenities to accommodate growth and student recreation usage. The per-square-foot costs for this project are comparable to similar university projects. The \$27.6 million student recreation center costs would be financed with \$1.5 million in retained fees and \$26.1 million from a bond issuance that would be repaid with student recreation fees. The JLBC Staff recommends a favorable review of this project with the standard university financing provisions.

Discussion ensued on this item. Senator Verschoor asked how the existing facility was originally paid for in 1990 and when the debt would be paid off if the facility was paid for with bond proceeds.

Mr. Lorenzo Martinez, Assistant Executive Director, Arizona Board of Regents, responded to member questions.

Representative Pearce moved that the Committee give a favorable review as recommended by JLBC Staff to the issuance of \$26.1 million in system revenue bonds to be combined with \$1.5 million from the University's Utility Modification Fund for the Student Recreation Center Expansion project, with the following standard university financing provisions:

- *UA shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. UA shall also report to the Committee before any reallocation exceeding \$500,000 among the individual planned renovations, renewals, or extensions.*
- *UA shall submit for Committee review any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, UA may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.*
- *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.*

The motion carried.

ARIZONA STATE LOTTERY COMMISSION - Review of FY 2008 Building Renewal Allocation Plan.

Ms. Leatta McLaughlin, JLBC Staff, presented for review the Lottery Commission's FY 2008 Building Renewal allocation plan. In FY 2008, the commission was appropriated \$60,000 in Building Renewal monies. The projects include a \$25,000 elevator control replacement project, \$20,000 on 4 smaller projects, and \$15,000 in contingencies. The JLBC Staff recommends a favorable review of this request.

There was no discussion on this item.

Representative Pearce moved that the Committee give a favorable review as recommended by JLBC Staff to the FY 2008 Building Renewal allocation plan of \$60,000 from the State Lottery Fund, with the provision that the Commission report on the use of the \$15,000 in contingencies. The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION –

A. Review of the Department of Juvenile Corrections HVAC and Electrical Upgrades.

Mr. Jon McAvoy, JLBC Staff, presented the Arizona Department of Administration (ADOA) request for review of its \$885,000 appropriation for heating, ventilation and air-conditioning (HVAC) projects and electrical renovations at several of the Department of Juvenile Corrections schools. The funding would allow \$580,000 in HVAC repairs at the Adobe Mountain, Catalina Mountain, and Black Canyon Schools. The funding would pay for improved air conditioning at a recreation facility, administrative facility, business offices, and the separation and security dispatch facility, as well as adding the ability to direct climate control for students during power outages. In addition, ADOA is requesting \$125,000 for electrical repairs at the Black Canyon and Catalina Mountain Schools which would improve efficiency and help prevent power outages, equipment failures and power surges. The funding also includes \$180,000 for engineering and contingency fees.

Discussion ensued on this item.

Mr. Michael Branham, Director, Department of Juvenile Corrections, responded to member questions. He provided members with a list of the department's project priorities. (*Attachment A*)

Representative Pearce moved that the Committee give a favorable review to the \$835,000 for HVAC and electrical renovations for the Department of Juvenile Corrections, excluding \$50,000 for the Black Canyon School air conditioning upgrades. The motion carried.

B. Consider Recommending Rent Deferral for the Naturopathic Physicians Board of Medical Examiners.

Mr. Steve Grunig, JLBC Staff, presented the Naturopathic Physicians Board of Medical Examiners through ADOA request for deferral of \$3,300 in FY 2008 and FY 2009. The request for the rent deferral is primarily due to additional space not reflected in the budget. The Board will pay the deferred rent to ADOA along with its regular rent payment in FY 2010. The JLBC Staff recommends that the Committee recommend the deferral.

There was no discussion on this item.

Representative Pearce moved the JLBC Staff recommendation that the Committee recommend ADOA grant a partial rent deferral for \$3,300 in each of FY 2008 and FY 2009 for the Naturopathic Physicians Board of Medical Examiners. The motion carried.

ARIZONA GAME AND FISH DEPARTMENT – Review of FY 2008 Building Renewal Allocation Plan.

Ms. Caitlin Acker, JLBC Staff, presented the review of the Arizona Game and Fish FY 2008 Building Renewal Allocation Plan. The department was appropriated \$474,200 from the Game and Fish Fund in FY 2008 for Building Renewal. The projects include \$100,000 for fish hatchery projects, \$140,000 for a shooting range project and \$230,000 for office projects. The JLBC Staff recommends a favorable review of this request.

There was no discussion on this item.

Representative Pearce moved that the Committee give a favorable review as recommended by the JLBC Staff to the FY 2008 Building Renewal Allocation plan of \$474,200 from the Game and Fish Fund. The motion carried.

ARIZONA EXPOSITION AND STATE FAIR BOARD – Review of Coliseum Roof Repair Expenditure Plan.

Mr. Dan Hunting, JLBC Staff, presented the review of the \$3.3 million expenditure by the Arizona Exposition and State Fair Board (AESF) to complete repairs to the Coliseum roof. At its May 7, 2007 meeting, the Committee gave a favorable review to the first phase of repairs to the roof. At that time, 2 supporting cables had failed, making the building unsafe for use. Upon further examination of the cables, it was revealed that 12 cables had failed; 10 of those cables were repaired in time for the Coliseum to reopen for the State Fair. AESF now intends to spend \$3.2 million of FY 2008 operating funds to complete the repairs. This would fund 3 projects including \$526,000 to repair the remaining 2 cables; \$2.1 million to replace the membrane covering of the roof which would remove excess weight from the roof that has been causing stress on the cables and protect the cables from further corrosion; and \$226,000 to install an acoustical monitoring system to listen for further problems with the cables. The JLBC Staff recommends that the Committee give a favorable review to this request.

Discussion ensued on this item.

Mr. Roger Berna, General Manager, Constructions Services, ADOA, responded to member questions.

Representative Pearce moved that the Committee give a favorable review as recommended by the JLBC Staff to the use of \$3,200,500 from the Arizona Exposition and State Fair Fund to complete the Coliseum roof repair projects. The motion carried.

Without objection, the meeting adjourned at 3:30 p.m.

Respectfully submitted:

Yvette Medina, Secretary

Leatta McLaughlin, Fiscal Analyst

Senator Robert Burns, Chairman

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

**ADJC Facilities Management Documentation
FY 2008 Projects**



**JCCR Presentation
November 20, 2007
1:30PM**

Prepared November 16, 2007

House of Representatives
Forty-eighth Legislature
First Regular Session
2007

House Bill 2783

Section 3: Capital outlay appropriations; major capital projects; department of
administration

Item #2: Department of Juvenile Corrections HVAC and Electrical Renovations

Cost estimates submitted by ADOA and ADJC

Project listed in order of priority

1. CMS Chiller/Cooling Tower Replacement	\$160,000
2. AMS HVAC Replacements	\$182,000
3. AMS Emergency Generator Maximization	\$188,000
4. CMS Primary Power Quality Fluctuations	\$ 50,000
5. BCS Electrical service modification	\$ 75,000
• 6. BCS Recreation building AC Units	\$ 50,000

Engineering	\$132,750
Contingency	\$ 47,250

Total Allocation Request	\$885,000
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PRIORITY 1**CMS CHILLER REPLACEMENT****\$160,000**

- Existing 45-year old 70-ton equipment has failed regularly this past year.
- There has been an average monthly repair expenditure of \$5,000 for each of the last 10 months.
- Equipment is beyond repair; seams and connections can longer be welded.
- Proposed replacement for like-kind proposed from a state procurement mechanical contractor.
- Because failure of this equipment is imminent, not funding this project will result in the expenditure of GF monies to obtain rental equipment and ultimately to replace equipment. This will cause a disruption to the command and control center (Dispatch/Communications) of the facility, thus compromising the safety and operation of the CMS campus.

PRIORITY 2**AMS HVAC REPLACEMENTS****\$182,000**

- Equipment is 15 years old and approaching failure.
- Buildings impacted include: Security/Dispatch, the Separation Unit, the Business Office, and Administration, for a total of 14,000 square feet.
- Additional energy consumption estimated as a result of inefficiency is \$14,000/annually.
- Estimate for replacement cost retrieved from the national, reliable industry standard cost database [R.S. Means subcategory School Facilities] at \$13.00 a square foot.
- Not funding this project will result in equipment failure, leaving the campus vulnerable to: violation of CRIPA standards and disruption to the command and control center (Dispatch/Communications) of the facility.

PRIORITY 3**CMS PRIMARY ELECTRICAL SERVICE QUALITY FLUCTUATIONS****\$50,000**

- Daily (lag and surge) interruptions in power paralyzing motors that drive equipment serving the security and kitchen areas, along with the fire line pump-all provide vital functions to our daily facility operations.
- Cost is for the evaluation of the power fluctuations. Additional funding may be required for construction and equipment.
- Not funding this project will result in continued emergency replacement of motors. Using an average emergency cost of \$2,500 per motor, the monthly expenditure cumulates to approximately \$75,000 annually.

PRIORITY 4**BCS ELECTRICAL SERVICE MODIFICATION****\$ 75,000**

Primary Need: to modify the existing bus (electrical panel) to capture current underutilized utility available within BCS. Propose bus (electrical panel) remodel to maximize efficiency and utilization and therefore allows for future expansion of Vocational Education Programs and/or to support the current Culinary Arts Program.

Secondary Need: when Culinary Arts Program remodel project occurred, voltage to install commercial washer and dryer was unavailable. Commercial laundry standards apply and are a requirement for the Culinary Program, as culinary/food handling laundry requires isolation from housing unit laundry.

- Power is required to accommodate commercial laundry equipment to support the existing culinary (and future) vocational education program. Equipment is required to reduce exposure to infection and to remedy health code violation.
- Outsourcing for *laundry service* for the Culinary Arts Program could cost the agency approximately \$5,000 annually.
- Estimated project cost was provided by an electrical vendor to include bus remodel and underground cabling to within 500' (bus located on west side of campus near vehicular sallyport).
- Cost associated with not funding this item includes security hours for contraband search, infection containment, and continued emergency status for health code violation - difficult to quantify costs.

PRIORITY 5

AMS EMERGENCY GENERATOR MAXIMIZATION

\$188,000

This project will utilize the capacity of the existing emergency generator by expanding emergency power to the cooling functions in the North Housing Units (6) and chiller for West Housing Units (4).

- Power anomalies occur weekly during the summer months.
- Project is for design; cost for project is detailed in the engineer's opinion of probable cost.
- Not funding this project will result uninhabitable conditions during power anomalies.
- Disruption to basic living conditions may trigger safety and security concerns with youth.

PRIORITY 6

BCS RECREATION BUILDING A/C UNITS

\$50,000

This site does not have an air conditioned space to support athletic activity particularly during the summer months; an important element to treatment goals. Physical activity promotes structure, safety, improved attitude, and team development.

- 25,000 CF @ \$2.00/CF is the estimated equipment cost.

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DATE: December 11, 2007

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Senior Fiscal Analyst
Martin Lorenzo, Senior Fiscal Analyst

SUBJECT: Arizona Department of Administration – Review *and* Approval of Chapters 257 and 261
Prison Bed, Prison Water, and Arizona State Hospital Forensic Unit Projects

Request

A.R.S. § 41-791.02 requires Committee review *and* approval of any Arizona Department of Administration (ADOA) projects financed with Certificates of Participation (also known as COPs or lease-purchase). ADOA requests Committee review of a new \$271.3 million COPs issuance for 5 projects with payments beginning in FY 2009.

The Chairman has placed on the agenda 3 projects which were authorized in Laws 2007, Chapters 257 and 261:

1. 4,000 prison beds;
2. Prison water and wastewater projects at 3 facilities; and
3. A new forensic unit at the Arizona State Hospital (ASH).

The Chairman has not placed the other 2 projects in ADOA's request on the agenda. These 2 projects include \$7.5 million to purchase land and a building that the Department of Public Safety (DPS) is currently renting and \$24.8 million to construct a Flagstaff office building for the Department of Economic Security (DES) on current DES-owned land. The Chairman believes the full Legislature should authorize these projects prior to Committee review.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review and approval for \$239.0 million worth of COPs issuance for the 3 Chapters 257 and 261 projects with the provision that ADOA report back to the Committee prior to the beginning of construction on the estimated scope and cost of the projects.

(Continued)

2. An unfavorable review and no approval. In light of the FY 2009 budget shortfall, the Legislature may wish to revisit the authorization of these lease-purchase agreements.

Analysis

The COPs issuance for the 3 projects would be \$239.0 million with an expected interest rate of about 4.8% for a term of 20 years. Total interest over the 20-year period would be \$134.5 million, which means total principal plus total interest would equal \$373.5 million.

ADOA plans on structuring the payment schedule so the first payment in FY 2009 is about \$12.4 million. The average annual debt service payments would be approximately \$20.0 million over the first 15 years of the 20-year term. The annual debt service payments would decrease to about \$16.2 million the last 5 years of the term since the prison water and forensic unit projects have terms of 15 years and the prison beds project has a term of 20 years.

Prison Beds Project - This project's portion of the total debt service payment would be \$10.4 million in FY 2009, however, the annual payments would be about \$16.2 million over the next 20 years. Total interest over the 20-year period would be \$118.0 million, which means total principal plus total interest would equal \$318.0 million.

Prison Water Projects - This project's portion of the total annual debt service payments would be about \$345,300 in FY 2009, however, the average annual payments would be about \$667,000. Total interest over the 15-year period would be \$2.9 million, which means total principal plus total interest would equal \$9.7 million.

Forensic Unit Project - This project's portion of the total annual debt service payments would be about \$1.6 million in FY 2009, however, the average annual payments would be about \$3.2 million over the next 15 years. Total interest over the 15-year period would be \$13.7 million, which means total principal plus total interest would equal \$45.9 million.

Legislative Approved Projects

Prison Beds Project

Laws 2007, Chapter 261 authorizes ADOA to contract for the design and construction of no more than 4,000 state-owned prison beds. Further, Chapter 261 authorized ADOA to enter into a 20-year lease-purchase agreement for the issuance of COPs in an amount not to exceed \$200.0 million to fund such costs.

ADOA and the Arizona Department of Corrections (ADC) have jointly determined the type and construction sites for the 4,000 public beds. Specifically, all beds will be minimum custody beds with a medium custody perimeter to enable multi-custody use, and be constructed as follows: 1,000 female beds in Perryville, 1,000 male beds in Tucson, and 2,000 male beds in Yuma. Based on ADOA and ADC's current project timeline, a portion of the 4,000 beds would be operational beginning April 2009, with all beds online by December 2009 (FY 2010). In the event the project can be accelerated, ADOA believes the beds would open between February and July 2009.

In addition to the 4,000 state beds, Chapter 261 requires ADOA to issue a Request for Proposal for 2,000 minimum custody private prison beds to become operational on the same timeline. Proposals for this project were due in November. In absence of the 6,000 public and private beds, the prison bed shortfall is expected to reach (6,300) by December 2009.

(Continued)

Prison Water Projects

Laws 2007, Chapter 257 stipulates that ADOA may enter into a 15-year, \$6.8 million lease-purchase agreement for prison water and wastewater projects. The \$6.8 million funds the following prison water and wastewater projects located at the Lewis, Tucson, Winslow/Apache, and Douglas prison complexes:

- Lewis – Either construction of a third brine pond or to negotiate an agreement with the City of Phoenix to accept the excess brine at a landfill and construct a system to transport the brine.
- Tucson – Construction of the piping, pumps, and lift stations to connect to the Pima County main trunk sewer line and for a new one-million gallon storage tank to meet domestic and fire-fighting needs.
- Winslow/Apache – Drilling of a second well as a back-up system and to connect it to the first system.
- Douglas – Replace failing water supply line.

Forensic Unit Project

Laws 2007, Chapter 257 also stipulates that ADOA may enter into a lease-purchase agreement for up to 15 years for a maximum of \$32.2 million for construction of a new forensic unit and additional infrastructure improvements at ASH, with the first debt service payment occurring in FY 2009. The forensic unit houses pre-trial defendants that are ruled incompetent to stand trial and post-trial patients that have either received Guilty Except Insane verdicts or that have been granted conditional releases into the community. The unit is housed in Juniper Hall, which is a 101,500 square foot, single story building that is 52 years old. A re-living study was conducted for this building by an engineering firm in January 2006. The firm concluded that it is not cost-effective to extend the useful life of the existing building.

Non-Agenda Projects

DPS Project

ADOA also requests to issue COPs of \$7.5 million with a term of 20 years to purchase land and a building that DPS currently rents. The building was constructed in 1975, is located at 2222 W. Encanto in Phoenix (just west of the DPS Headquarters campus), is 90,600 square feet, and is located on 5.4 acres of land. DPS currently rents half of the building and would plan on relocating more operational units there to relieve overcrowding at DPS Headquarters.

DPS has been informed by the owner of the building that they would like to sell the building for about \$6.5 million as soon as possible. The owner has also informed DPS that they will increase their lease rates if the building does not sell. The ADOA requested amount of \$7.5 million represents the \$6.5 million purchase amount plus an allowance for any required renovations to ensure the building is in efficient operating condition. ADOA has ordered 2 appraisals and, as according to statute, will not pay more than the appraised value. If the appraisals and renovations come in lower than the estimated \$6.5 million cost, ADOA will lower the COPs issuance.

DES Project

Laws 1991, Chapter 8, 3rd Special Session appropriated \$589,000 to DES to purchase 6.6 acres of land in Flagstaff for future construction of a multi-service center. The vacant site is located at 2163 N. Vickey. ADOA requests to enter issue COPs of \$24.8 million to construct a state office on the site. The office building would be 90,000 square feet with a 200 car parking structure. This space would consolidate 21 separate state private sector leases locations into 1 DES-owned location. Only a few of the 21 separate leases are DES.

The office part of the complex would cost about \$14.9 million, or \$165 per square foot. According to RSMeans, a supplier of construction cost information, a 2-4 story office building in Flagstaff should cost \$8.2 to \$11.4 million, or \$92 to \$127 per square foot. The parking garage would have a cost of about \$3.6 million, or \$18,000 per space. This cost is comparable to the Northern Arizona University parking

(Continued)

structure bond project that had a cost of \$17,440 per space in November 2006. The remainder of the COPs issuance would be spent on developer fees, furniture, equipment, and contingency.

In 1997, the Legislature directed ADOA to conduct a feasibility study for the construction of a regional facility on the Flagstaff DES site. ADOA found that it would be cost-effective to construct a multi-agency state facility since the Flagstaff lease market had a shortage of office space that resulted in high prices. The Legislature, however, never subsequently authorized construction of a building. According to ADOA, it would still be cost-effective to construct this building.

RS/LMC/ML:ym



JANET NAPOLITANO
GOVERNOR

WILLIAM BELL
DIRECTOR

ARIZONA DEPARTMENT OF ADMINISTRATION

GENERAL ACCOUNTING OFFICE
100 NORTH 15th AVENUE • SUITE 302
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Phone: (602) 542-5601 • Fax: (602) 542-5749



November 30, 2007

Senator Robert Burns, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, AZ 85007

Dear Senator Burns:

We request placement on the upcoming Joint Committee on Capital Review (JCCR) agenda to review the project plan and issuance of Certificates of Participation (COPs) for the following items: \$200 million for a 4,000 bed prison facility construction pursuant to Laws 2007, First Regular Session, Chapter 261, Section 9; \$39 million for prison water and wastewater projects (\$6.8 million) and a new forensic unit and infrastructure improvements at the Arizona State Hospital (\$32.2 million) pursuant to Laws 2007, First Regular Session, Chapter 257, Section 8. The total estimated cost for these projects is approximately \$239 million.

We also request consideration to add two other projects to the COPs to achieve savings to the State and enhance the State's long-term strategic position. The Department of Economic Security is contracting for a Flagstaff office building (estimated cost of \$24 million). Including the financing for this project with the COPs will result in an incremental savings to the State on an already favorable project. The Department of Public Safety has the opportunity to purchase a building and property adjacent to their headquarters (estimated cost \$7.5 million) that they have been renting. The payment streams related to the financing for both of these projects is less than the projected payments if they continue to rent. We feel it would not be prudent for us to do anything other than present these projects to you for inclusion in the COPs, particularly in light of their positive cash flow projections and the State's budget needs. This would bring the total amount of the COP issuance to approximately \$271 million.

We have attached a summary and timeline for the projects, as well as the respective COP financing schedules. If you have any questions or need any additional information, please call me at 542-5405.

Sincerely,

D. Clark Partridge
State Comptroller

Attachment

cc: Representative Russell Pearce
William Bell
Dora Schriro
Jim Humble
Roger Vanderpool
Marcel Benberou

Richard Stavneak
Alex Turner
John Hallahan
Tracy Wareing
Phil Case

James Apperson
Charlotte Hosseini
Susan Gerard
Jim Hillyard
Lynne Smith



JANET NAPOLITANO
GOVERNOR

WILLIAM BELL
DIRECTOR

ARIZONA DEPARTMENT OF ADMINISTRATION

GENERAL ACCOUNTING OFFICE

100 NORTH 15th AVENUE • SUITE 302

PHOENIX, ARIZONA 85007

Phone: (602) 542-5601 • Fax: (602) 542-5749

December 11, 2007

Senator Robert Burns, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, AZ 85007



Dear Senator Burns:

We are submitting the attached information for consideration in the upcoming Joint Committee on Capital Review (JCCR) meeting. This updated information replaces the previous information provided in connection with the request dated November 30, 2007, and will facilitate the review of the Certificates of Participation (COPs).

We have attached an updated timeline for the projects along with the revised respective COP financing schedules. If you have any questions or need any additional information, please call me at 542-5405.

Sincerely,

D. Clark Partridge
State Comptroller

Attachment

cc: Representative Russell Pearce
William Bell
Dora Schriro
Jim Humble
Roger Vanderpool
Marcel Benberou

Richard Stavneak ✓
Alex Turner
John Hallahan
Tracy Wareing
Phil Case

James Apperson
Charlotte Hosseini
Susan Gerard
Jim Hillyard
Lynne Smith

**STATE OF ARIZONA
CERTIFICATES OF PARTICIPATION
SERIES 2008A**

PRELIMINARY TIMETABLE

November 2007	December 2007	January 2008	February 2008	March 2008
S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S	S M T W T F S
1 2 3	1	1 2 3 4 5	1 2	1
4 5 6 7 8 9 10	2 3 4 5 6 7 8	6 7 8 9 10 11 12	3 4 5 6 7 8 9	2 3 4 5 6 7 8
11 12 13 14 15 16 17	9 10 11 12 13 14 15	13 14 15 16 17 18 19	10 11 12 13 14 15 16	9 10 11 12 13 14 15
18 19 20 21 22 23 24	16 17 18 19 20 21 22	20 21 22 23 24 25 26	17 18 19 20 21 22 23	16 17 18 19 20 21 22
25 26 27 28 29 30	23 24 25 26 27 28 29	27 28 29 30 31	24 25 26 27 28 29	23 24 25 26 27 28 29
	30 31			30 31

Action Date	Item	Responsible Party
Month of November	Determine specific property to sell and lease-back	DOC, DOA
Month of November	Arrange for property survey/legal description of property to sell	DOC, DOA
Month of November	Arrange for appraisals of property to sell	DOC, DOA
Week of December 17	Review of lease –purchase by JCCR	DOA, RBC, BC
Week of December 17	Conference call to discuss financing	DOA, RBC, BC
Friday, January 4	Distribution of initial draft of Declaration of Trust, Lease Agreement, and other legal documents	BC
Friday, January 4	Distribution of draft of property sale documents	AG, BC
Friday, January 11	Comments due on initial draft of Trust Indenture, Lease Agreement and other documents	All Parties
Friday, January 11	Comments due on initial drafts of property sale documents	All Parties
Monday, January 14	Distribution of initial draft of Preliminary Official Statement	RBC
Wednesday, January 16	Distribution of revised draft of Trust Indenture, Lease Agreement, Property sale documents and other legal documents	BC
Friday, January 18	Comments due on initial draft of Preliminary Official Statement	All Parties

Action Date	Item	Responsible Party
Monday, January 21	Distribution of revised draft of Preliminary Official Statement	RBC
Friday, January 25	Comments due on revised legal documents, property sale documents and Preliminary Official Statement	All Parties
Monday, January 28	Distribution of Preliminary Official Statement and legal documents to rating agencies and bond insurance companies	RBC
Wednesday, January 30	Distribution of final draft of Preliminary Official Statement to financing team	RBC
Wednesday, January 30	Publish notice of property sale for March 4	DOA, AG
Friday, February 8	Receive municipal bond insurer bids and underlying ratings on the COPs	DOA, RBC
Friday, February 8	Comments due on final draft of Preliminary Official Statement	DOA, RBC
Friday, February 8	Select municipal bond insurer	DOA, RBC
Week of February 11	Finalize legal documents and Preliminary Official Statement in preparation for printing POS	DOA, RBC, BC
Week of February 11	Due diligence review call for Preliminary Official Statement	All Parties
Wednesday, February 20	Print and distribute Preliminary Official Statement	RBC
Tuesday, March 4	Price Certificates; receive bid for property sale	All Parties
Monday March 10	Distribute closing documents; print and mail final Official Statement	BC, RBC
Tuesday, March 18	Pre-Closing of financing	All Parties
Wednesday, March 19	Closing of financing	All Parties

DOA - Department of Administration
 AG - Attorney General's Office
 JCCR - Joint Committee on Capital Review
 RBC - RBC Capital Markets
 BC - Squire, Sanders & Dempsey, Special Counsel

\$271,340,000.00

State of Arizona (Department of Administration)

Certificates of Participation

Series 2008A

Total Issue Sources And Uses

Part 1 of 2

Dated 02/01/2008 | Delivered 02/01/2008

	DOC Wastewater	Forensic Hospital	Prison
Sources Of Funds			
Par Amount of Bonds	\$6,800,000.00	\$32,200,000.00	\$200,000,000.00
Reoffering Premium	91,963.40	435,347.60	2,110,722.70
Total Sources	\$6,891,963.40	\$32,635,347.60	\$202,110,722.70
Uses Of Funds			
Deposit to Project Construction Fund	6,805,000.00	32,240,000.00	199,560,000.00
Deposit to Capitalized Interest (CIF) Fund	-	-	-
Total Underwriter's Discount (0.500%)	34,000.00	161,000.00	1,000,000.00
Gross Bond Insurance Premium	29,079.93	137,701.08	953,850.92
Costs of Issuance	20,173.96	95,529.60	593,351.52
Original Issue Discount (OID)	-	-	-
Rounding Amount	3,709.51	1,116.92	3,520.26
Total Uses	\$6,891,963.40	\$32,635,347.60	\$202,110,722.70

\$271,340,000.00

State of Arizona (Department of Administration)

Certificates of Participation

Series 2008A

Total Issue Sources And Uses

Part 2 of 2

Dated 02/01/2008 | Delivered 02/01/2008

	DPS (20 years)	DES (25 years)	Issue Summary
Sources Of Funds			
Par Amount of Bonds	\$7,525,000.00	\$24,815,000.00	\$271,340,000.00
Reoffering Premium	73,798.10	-	2,711,831.80
Total Sources	\$7,598,798.10	\$24,815,000.00	\$274,051,831.80
Uses Of Funds			
Deposit to Project Construction Fund	7,500,000.00	22,500,000.00	268,605,000.00
Deposit to Capitalized Interest (CIF) Fund	-	1,947,826.57	1,947,826.57
Total Underwriter's Discount (0.500%)	37,625.00	124,075.00	1,356,700.00
Gross Bond Insurance Premium	37,003.92	144,620.20	1,302,256.05
Costs of Issuance	22,324.84	73,620.08	805,000.00
Original Issue Discount (OID)	-	26,645.40	26,645.40
Rounding Amount	1,844.34	(1,787.25)	8,403.78
Total Uses	\$7,598,798.10	\$24,815,000.00	\$274,051,831.80

\$6,800,000.00

State of Arizona (Department of Administration)

Certificates of Participation

Series 2008A (DOC Wastewater)

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Asset Maintenance	Capitalized Interest	Net New D/S
06/30/2008	-	-	-	-	-	-	-
06/30/2009	-	-	345,305.73	345,305.73	-	-	345,305.73
06/30/2010	355,000.00	4.250%	311,200.01	666,200.01	-	-	666,200.01
06/30/2011	370,000.00	4.250%	295,793.76	665,793.76	-	-	665,793.76
06/30/2012	390,000.00	4.250%	279,643.76	669,643.76	-	-	669,643.76
06/30/2013	405,000.00	4.375%	262,496.88	667,496.88	-	-	667,496.88
06/30/2014	425,000.00	4.500%	244,075.00	669,075.00	-	-	669,075.00
06/30/2015	445,000.00	4.500%	224,500.00	669,500.00	-	-	669,500.00
06/30/2016	465,000.00	4.500%	204,025.00	669,025.00	-	-	669,025.00
06/30/2017	485,000.00	4.500%	182,650.00	667,650.00	-	-	667,650.00
06/30/2018	505,000.00	4.750%	159,743.75	664,743.75	-	-	664,743.75
06/30/2019	535,000.00	5.000%	134,375.00	669,375.00	-	-	669,375.00
06/30/2020	560,000.00	5.000%	107,000.00	667,000.00	-	-	667,000.00
06/30/2021	590,000.00	5.000%	78,250.00	668,250.00	-	-	668,250.00
06/30/2022	620,000.00	5.000%	48,000.00	668,000.00	-	-	668,000.00
06/30/2023	650,000.00	5.000%	16,250.00	666,250.00	-	-	666,250.00
06/30/2024	-	-	-	-	-	-	-
06/30/2025	-	-	-	-	-	-	-
06/30/2026	-	-	-	-	-	-	-
06/30/2027	-	-	-	-	-	-	-
06/30/2028	-	-	-	-	-	-	-
06/30/2029	-	-	-	-	-	-	-
06/30/2030	-	-	-	-	-	-	-
06/30/2031	-	-	-	-	-	-	-
06/30/2032	-	-	-	-	-	-	-
06/30/2033	-	-	-	-	-	-	-
06/30/2034	-	-	-	-	-	-	-
Total	\$6,800,000.00		\$2,893,308.89	\$9,693,308.89			\$9,693,308.89

\$32,200,000.00

State of Arizona (Department of Administration)

Certificates of Participation

Series 2008A (Forensic Hospital)

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Asset Maintenance	Capitalized Interest	Net New D/S
06/30/2008	-	-	-	-	-	-	-
06/30/2009	-	-	1,635,115.63	1,635,115.63	-	-	1,635,115.63
06/30/2010	1,690,000.00	4.250%	1,473,425.00	3,163,425.00	-	-	3,163,425.00
06/30/2011	1,760,000.00	4.250%	1,400,112.50	3,160,112.50	-	-	3,160,112.50
06/30/2012	1,840,000.00	4.250%	1,323,612.50	3,163,612.50	-	-	3,163,612.50
06/30/2013	1,920,000.00	4.375%	1,242,512.50	3,162,512.50	-	-	3,162,512.50
06/30/2014	2,005,000.00	4.500%	1,155,400.00	3,160,400.00	-	-	3,160,400.00
06/30/2015	2,100,000.00	4.500%	1,063,037.50	3,163,037.50	-	-	3,163,037.50
06/30/2016	2,195,000.00	4.500%	966,400.00	3,161,400.00	-	-	3,161,400.00
06/30/2017	2,295,000.00	4.500%	865,375.00	3,160,375.00	-	-	3,160,375.00
06/30/2018	2,405,000.00	4.750%	756,618.75	3,161,618.75	-	-	3,161,618.75
06/30/2019	2,525,000.00	5.000%	636,375.00	3,161,375.00	-	-	3,161,375.00
06/30/2020	2,655,000.00	5.000%	506,875.00	3,161,875.00	-	-	3,161,875.00
06/30/2021	2,790,000.00	5.000%	370,750.00	3,160,750.00	-	-	3,160,750.00
06/30/2022	2,935,000.00	5.000%	227,625.00	3,162,625.00	-	-	3,162,625.00
06/30/2023	3,085,000.00	5.000%	77,125.00	3,162,125.00	-	-	3,162,125.00
06/30/2024	-	-	-	-	-	-	-
06/30/2025	-	-	-	-	-	-	-
06/30/2026	-	-	-	-	-	-	-
06/30/2027	-	-	-	-	-	-	-
06/30/2028	-	-	-	-	-	-	-
06/30/2029	-	-	-	-	-	-	-
06/30/2030	-	-	-	-	-	-	-
06/30/2031	-	-	-	-	-	-	-
06/30/2032	-	-	-	-	-	-	-
06/30/2033	-	-	-	-	-	-	-
06/30/2034	-	-	-	-	-	-	-
Total	\$32,200,000.00		\$13,700,359.38	\$45,900,359.38			\$45,900,359.38

\$200,000,000.00

State of Arizona (Department of Administration)

Certificates of Participation

Series 2008A (Prison)

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Asset Maintenance	Capitalized Interest	Net New D/S
06/30/2008	-	-	-	-	-	-	-
06/30/2009	-	-	10,398,618.75	10,398,618.75	-	-	10,398,618.75
06/30/2010	6,730,000.00	4.250%	9,455,712.50	16,185,712.50	-	-	16,185,712.50
06/30/2011	7,025,000.00	4.250%	9,163,418.75	16,188,418.75	-	-	16,188,418.75
06/30/2012	7,330,000.00	4.250%	8,858,375.00	16,188,375.00	-	-	16,188,375.00
06/30/2013	7,650,000.00	4.375%	8,535,268.75	16,185,268.75	-	-	16,185,268.75
06/30/2014	8,000,000.00	4.500%	8,187,925.00	16,187,925.00	-	-	16,187,925.00
06/30/2015	8,365,000.00	4.500%	7,819,712.50	16,184,712.50	-	-	16,184,712.50
06/30/2016	8,750,000.00	4.500%	7,434,625.00	16,184,625.00	-	-	16,184,625.00
06/30/2017	9,155,000.00	4.500%	7,031,762.50	16,186,762.50	-	-	16,186,762.50
06/30/2018	9,590,000.00	4.750%	6,598,012.50	16,188,012.50	-	-	16,188,012.50
06/30/2019	10,070,000.00	5.000%	6,118,500.00	16,188,500.00	-	-	16,188,500.00
06/30/2020	10,585,000.00	5.000%	5,602,125.00	16,187,125.00	-	-	16,187,125.00
06/30/2021	11,130,000.00	5.000%	5,059,250.00	16,189,250.00	-	-	16,189,250.00
06/30/2022	11,700,000.00	5.000%	4,488,500.00	16,188,500.00	-	-	16,188,500.00
06/30/2023	12,300,000.00	5.000%	3,888,500.00	16,188,500.00	-	-	16,188,500.00
06/30/2024	12,930,000.00	5.000%	3,257,750.00	16,187,750.00	-	-	16,187,750.00
06/30/2025	13,590,000.00	5.000%	2,594,750.00	16,184,750.00	-	-	16,184,750.00
06/30/2026	14,290,000.00	5.000%	1,897,750.00	16,187,750.00	-	-	16,187,750.00
06/30/2027	15,020,000.00	5.000%	1,165,000.00	16,185,000.00	-	-	16,185,000.00
06/30/2028	15,790,000.00	5.000%	394,750.00	16,184,750.00	-	-	16,184,750.00
06/30/2029	-	-	-	-	-	-	-
06/30/2030	-	-	-	-	-	-	-
06/30/2031	-	-	-	-	-	-	-
06/30/2032	-	-	-	-	-	-	-
06/30/2033	-	-	-	-	-	-	-
06/30/2034	-	-	-	-	-	-	-
Total	\$200,000,000.00		\$117,950,306.25	\$317,950,306.25			\$317,950,306.25

\$7,525,000.00

State of Arizona (Department of Administration)

Certificates of Participation

Series 2008A (DPS Building - 20 years)

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Asset Maintenance	Capitalized Interest	Net New D/S
06/30/2008	-	-	-	-	-	-	-
06/30/2009	-	-	393,832.29	393,832.29	250,585.29	-	644,417.58
06/30/2010	-	-	363,537.50	363,537.50	507,691.39	-	871,228.89
06/30/2011	255,000.00	4.250%	358,118.75	613,118.75	520,853.33	-	1,133,972.08
06/30/2012	265,000.00	4.250%	347,068.75	612,068.75	534,258.93	-	1,146,327.68
06/30/2013	280,000.00	4.375%	335,312.50	615,312.50	547,914.28	-	1,163,226.78
06/30/2014	290,000.00	4.500%	322,662.50	612,662.50	561,825.62	-	1,174,488.12
06/30/2015	305,000.00	4.500%	309,275.00	614,275.00	575,999.35	-	1,190,274.35
06/30/2016	315,000.00	4.500%	295,325.00	610,325.00	590,442.03	-	1,200,767.03
06/30/2017	330,000.00	4.500%	280,812.50	610,812.50	605,160.38	-	1,215,972.88
06/30/2018	345,000.00	4.750%	265,193.75	610,193.75	620,161.30	-	1,230,355.05
06/30/2019	360,000.00	5.000%	248,000.00	608,000.00	635,451.85	-	1,243,451.85
06/30/2020	380,000.00	5.000%	229,500.00	609,500.00	651,039.27	-	1,260,539.27
06/30/2021	400,000.00	5.000%	210,000.00	610,000.00	666,930.99	-	1,276,930.99
06/30/2022	420,000.00	5.000%	189,500.00	609,500.00	683,134.61	-	1,292,634.61
06/30/2023	440,000.00	5.000%	168,000.00	608,000.00	699,657.93	-	1,307,657.93
06/30/2024	460,000.00	5.000%	145,500.00	605,500.00	716,508.94	-	1,322,008.94
06/30/2025	485,000.00	5.000%	121,875.00	606,875.00	733,695.83	-	1,340,570.83
06/30/2026	510,000.00	5.000%	97,000.00	607,000.00	751,227.00	-	1,358,227.00
06/30/2027	535,000.00	5.000%	70,875.00	605,875.00	769,111.05	-	1,374,986.05
06/30/2028	560,000.00	5.000%	43,500.00	603,500.00	787,356.81	-	1,390,856.81
06/30/2029	590,000.00	5.000%	14,750.00	604,750.00	398,285.62	-	1,003,035.62
06/30/2030	-	-	-	-	-	-	-
06/30/2031	-	-	-	-	-	-	-
06/30/2032	-	-	-	-	-	-	-
06/30/2033	-	-	-	-	-	-	-
06/30/2034	-	-	-	-	-	-	-
Total	\$7,525,000.00		\$4,809,638.54	\$12,334,638.54	\$12,807,291.80		\$25,141,930.34

\$24,815,000.00

State of Arizona (Department of Administration)

Certificates of Participation

Series 2008A (DES Building - Flagstaff - 25 years)

Net Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Asset Maintenance	Capitalized Interest	Net New D/S
06/30/2008	-	-	-	-	-	-	-
06/30/2009	-	-	1,332,723.44	1,332,723.44	195,841.55	(1,332,723.44)	195,841.55
06/30/2010	40,000.00	4.250%	1,229,356.26	1,269,356.26	401,494.66	(615,103.13)	1,055,747.79
06/30/2011	85,000.00	4.250%	1,226,700.01	1,311,700.01	421,237.02	-	1,732,937.03
06/30/2012	125,000.00	4.250%	1,222,237.51	1,347,237.51	441,220.85	-	1,788,458.36
06/30/2013	175,000.00	4.375%	1,215,753.13	1,390,753.13	461,452.20	-	1,852,205.33
06/30/2014	225,000.00	4.500%	1,206,862.50	1,431,862.50	481,937.26	-	1,913,799.76
06/30/2015	285,000.00	4.500%	1,195,387.50	1,480,387.50	502,682.37	-	1,983,069.87
06/30/2016	345,000.00	4.500%	1,181,212.50	1,526,212.50	523,694.04	-	2,049,906.54
06/30/2017	415,000.00	4.500%	1,164,112.50	1,579,112.50	544,978.92	-	2,124,091.42
06/30/2018	490,000.00	4.750%	1,143,137.50	1,633,137.50	566,543.83	-	2,199,681.33
06/30/2019	560,000.00	5.000%	1,117,500.00	1,677,500.00	588,395.79	-	2,265,895.79
06/30/2020	655,000.00	5.000%	1,087,125.00	1,742,125.00	610,541.98	-	2,352,666.98
06/30/2021	740,000.00	5.000%	1,052,250.00	1,792,250.00	632,989.75	-	2,425,239.75
06/30/2022	830,000.00	5.000%	1,013,000.00	1,843,000.00	655,746.63	-	2,498,746.63
06/30/2023	930,000.00	5.000%	969,000.00	1,899,000.00	678,820.35	-	2,577,820.35
06/30/2024	1,030,000.00	5.000%	920,000.00	1,950,000.00	702,218.84	-	2,652,218.84
06/30/2025	1,130,000.00	5.000%	866,000.00	1,996,000.00	725,950.21	-	2,721,950.21
06/30/2026	1,265,000.00	5.000%	806,125.00	2,071,125.00	750,022.79	-	2,821,147.79
06/30/2027	1,400,000.00	5.000%	739,500.00	2,139,500.00	774,445.11	-	2,913,945.11
06/30/2028	1,530,000.00	5.000%	666,250.00	2,196,250.00	799,225.90	-	2,995,475.90
06/30/2029	1,675,000.00	5.000%	586,125.00	2,261,125.00	824,374.14	-	3,085,499.14
06/30/2030	1,820,000.00	5.000%	498,750.00	2,318,750.00	849,899.01	-	3,168,649.01
06/30/2031	1,995,000.00	5.000%	403,375.00	2,398,375.00	875,809.92	-	3,274,184.92
06/30/2032	2,170,000.00	5.000%	299,250.00	2,469,250.00	902,116.53	-	3,371,366.53
06/30/2033	2,350,000.00	5.000%	186,250.00	2,536,250.00	928,828.72	-	3,465,078.72
06/30/2034	2,550,000.00	5.000%	63,750.00	2,613,750.00	471,143.73	-	3,084,893.73
Total	\$24,815,000.00		\$23,391,732.85	\$48,206,732.85	\$16,311,612.10	(1,947,826.57)	\$62,570,518.38

DEPARTMENT OF PUBLIC SAFETY – 2222 WEST ENCANTO
ADOA FINANCIAL ANALYSIS ASSUMPTIONS
12-10-07

DEPARTMENT OF PUBLIC SAFETY – 2222 WEST ENCANTO FINANCIAL ANALYSIS ASSUMPTIONS

O & M and major maintenance payments are not financed as a component of the COP. O & M and major maintenance are mandatory to sustain the integrity of the lender's collateral. Therefore, these costs are shown on the COP schedule.

COP Payments begin in FY 2010.

Calendar year rents.

CY 2009 and CY 2010 rent analysis reflects 2007 Encanto area market for Class B & C office space, including an annual 4% escalation as per history and current market trends.

Suite 100 is a net janitorial lease of 16.80/RSF effective 10/1/07, with subsequent 5 year lease term through 9/30/12. \$1.00/RSF added to lease rate beginning first year of lease and subsequent escalations through term to convert to full service rate.

Current effective rental rate is weighted average \$16.21/RSF for 26,982' RSF for seven office space leases. (Excludes two leases with lease rate of \$7.75/RSF for storage space.)

Lease Rates are prorated to reflect lease contract escalations during a calendar year, if any. Thereafter, lease rates are calculated at full service market rates. Full service to include base rent, occupancy taxes, real estate taxes, utilities, janitorial, O & M and parking.

RSF of storage space at \$7.75 is shown through 2029 as fixed DPS rent stream.

10,000 RSF of expansion space begins 2009 per DPS statement. RSF calculated at market rents escalated 4% annually.

State tenant occupancy of balance of space beginning in 2009 at market rents.

Major maintenance is calculated per JCCR's Sherman – Durgess Building Renewal Formula:

$$2/3 \text{ Building Value } (\$6.5\text{M}) \times \text{Building Age (Beginning 2009 – 1975 = 34 years)} / 1275.$$

Operations and Maintenance includes the following:

Janitorial	\$1.00
Utilities	\$2.25
Preventative Maintenance	.50
Repair	.50
Total O & M	<u>\$4.25/GSF</u>
(O & M escalated annually by 2.5%)	

2222 West Encanto, Phoenix, AZ

DPS - Rent Streams

07 MARKET	08 MARKET	09 MARKET	10 MARKET	11 MARKET	12 MARKET	13 MARKET
\$ 20.75	\$ 21.58	\$ 22.44	\$ 23.34	\$ 24.27	\$ 25.25	\$ 26.26
CY 2008	CY 2009	CY 2010	CY 2011	CY 2012	CY 2013	

DPS - UNIT	STE	LEASE TERM	RSF	\$/RSF								
GIITEM - Impact	100	10/01/07 09/30/12	10,444	\$ 17.80	\$ 189,819.70	\$ 192,587.36	\$ 198,279.34	\$ 203,631.89	\$ 221,882.78			
GIITEM - Temp	350	mo-to-mo mo-to-mo	1,220	\$ 16.80	\$ 26,327.60	\$ 27,380.70	\$ 28,475.93	\$ 29,614.97		\$ -		
DPS - CORE	375	05/01/05 04/30/10	4,445	\$ 11.50	\$ 51,117.50	\$ 51,117.50	\$ 86,381.56	\$ 107,900.44		\$ -		
PSCC	400	07/01/06 06/30/08	2,708	\$ 11.50	\$ 44,790.32	\$ 60,776.19	\$ 63,207.23	\$ 65,735.52		\$ -		
CVE	500	05/15/04 09/30/09	3,137	\$ 11.50	\$ 36,075.50	\$ 44,657.70	\$ 73,220.49	\$ 76,149.31		\$ -		
VCRU	625	08/01/05 07/31/10	1,920	\$ 11.50	\$ 22,080.00	\$ 22,080.00	\$ 31,628.52	\$ 46,607.17		\$ -		
GIITEM - Temp -	650	mo-to-mo mo-to-mo	3,108	\$ 16.80	\$ 67,070.64	\$ 69,753.47	\$ 72,543.60	\$ 75,445.35		\$ -		
Current DPS RSF Office Space			26,982									
Current Effective Rate:			\$	16.21	\$ 437,281.26							
Proposed DPS RSF Office Space Expansion:			10,000			\$ 224,432.00	\$ 233,409.28	\$ 242,745.65	\$ 252,455.48			
Future Square Feet Office Space 2009 - 2010:			36,982			\$ 692,784.92	\$ 787,145.96	\$ 847,830.30	\$ 891,849.13	\$ 970,976.08		
Storage Space:			16,538		\$ 128,169.50	\$ 128,169.50	\$ 128,169.50	\$ 128,169.50	\$ 128,169.50	\$ 128,169.50		
DPS Total Rent Stream 2007 - 2029:			53,520		\$ 565,450.76	\$ 820,954.42	\$ 915,315.46	\$ 975,999.80	\$ 1,020,018.63	\$ 1,099,145.58		
Balance of Space to be Lease by State			34,987			\$ 785,220.24	\$ 816,629.05	\$ 849,294.21	\$ 883,265.98	\$ 918,596.62		
Gross Rentable Square Feet:			88,507			\$ 1,606,174.66	\$ 1,731,944.51	\$ 1,825,294.01	\$ 1,903,284.60	\$ 2,017,742.20		

STORAGE SPACE

800	800	07/01/05 06/30/10	12,000	\$ 7.75	\$ 93,000.00	\$ 93,000.00					
900	900	07/01/05 06/30/10	4,538	\$ 7.75	\$ 35,169.50	\$ 35,169.50	07 Rents				
						\$ 128,169.50	\$ 565,450.76				

2222 West Encanto, Phoenix, AZ
Financial Analysis - 90,597 GSF Building
20 Year Financial Analysis

		Operations & Maintenance			Total COP							
Fiscal	Principle &		Major	Total COP	Cost Per RSF	DPS Rent	Other Rent	Market Rents	Annual	Cummulative	O & M - Major	
Year	Interest (P & I)	(O & M)	Maintenance	Cost	(88,507')	Stream	Stream	2008-2029	Savings	Savings	Maintenance	
2008	\$ -	\$ 192,519	\$ 56,359	\$ 248,877	\$ 3	\$ 565,451	\$ -	\$ 316,573	\$ 316,573	\$ 248,877		
2009	\$ 212,064	\$ 197,332	\$ 116,133	\$ 525,528	\$ 6	\$ 820,954	\$ 785,220	\$ 1,606,175	\$ 1,080,646	\$ 1,397,220	\$ 313,465	
2010	\$ 363,538	\$ 202,265	\$ 119,549	\$ 685,351	\$ 8	\$ 915,315	\$ 816,629	\$ 1,731,945	\$ 1,046,593	\$ 2,443,813	\$ 321,814	
2011	\$ 618,538	\$ 207,322	\$ 122,965	\$ 948,824	\$ 11	\$ 976,000	\$ 849,294	\$ 1,825,294	\$ 876,470	\$ 3,320,283	\$ 330,286	
2012	\$ 617,700	\$ 212,505	\$ 126,380	\$ 956,585	\$ 11	\$ 1,020,019	\$ 883,266	\$ 1,903,285	\$ 946,700	\$ 4,266,983	\$ 338,885	
2013	\$ 621,438	\$ 217,817	\$ 129,796	\$ 969,051	\$ 11	\$ 1,099,146	\$ 918,597	\$ 2,017,742	\$ 1,048,691	\$ 5,315,674	\$ 347,613	
2014	\$ 619,188	\$ 223,263	\$ 133,212	\$ 975,662	\$ 11	\$ 1,137,985	\$ 955,340	\$ 2,093,325	\$ 1,117,663	\$ 6,433,337	\$ 356,474	
2015	\$ 621,138	\$ 228,844	\$ 136,627	\$ 986,609	\$ 11	\$ 1,178,377	\$ 993,554	\$ 2,171,931	\$ 1,185,322	\$ 7,618,660	\$ 365,472	
2016	\$ 617,413	\$ 234,565	\$ 140,043	\$ 992,021	\$ 11	\$ 1,220,386	\$ 1,033,296	\$ 2,253,682	\$ 1,261,661	\$ 8,880,320	\$ 374,608	
2017	\$ 618,238	\$ 240,429	\$ 143,459	\$ 1,002,126	\$ 11	\$ 1,264,074	\$ 1,074,628	\$ 2,338,702	\$ 1,336,577	\$ 10,216,897	\$ 383,888	
2018	\$ 618,388	\$ 246,440	\$ 146,875	\$ 1,011,702	\$ 11	\$ 1,309,510	\$ 1,117,613	\$ 2,427,124	\$ 1,415,421	\$ 11,632,319	\$ 393,315	
2019	\$ 617,000	\$ 252,601	\$ 150,290	\$ 1,019,891	\$ 12	\$ 1,356,764	\$ 1,162,318	\$ 2,519,082	\$ 1,499,190	\$ 13,131,509	\$ 402,891	
2020	\$ 619,000	\$ 258,916	\$ 153,706	\$ 1,031,622	\$ 12	\$ 1,405,908	\$ 1,208,810	\$ 2,614,718	\$ 1,583,096	\$ 14,714,605	\$ 412,622	
2021	\$ 620,000	\$ 265,389	\$ 157,122	\$ 1,042,511	\$ 12	\$ 1,457,017	\$ 1,257,163	\$ 2,714,180	\$ 1,671,670	\$ 16,386,275	\$ 422,511	
2022	\$ 620,000	\$ 272,024	\$ 160,537	\$ 1,052,561	\$ 12	\$ 1,510,171	\$ 1,307,449	\$ 2,817,621	\$ 1,765,060	\$ 18,151,334	\$ 432,561	
2023	\$ 619,000	\$ 278,824	\$ 163,953	\$ 1,061,777	\$ 12	\$ 1,565,451	\$ 1,359,747	\$ 2,925,199	\$ 1,863,421	\$ 20,014,756	\$ 442,777	
2024	\$ 617,000	\$ 285,795	\$ 167,369	\$ 1,070,164	\$ 12	\$ 1,622,943	\$ 1,414,137	\$ 3,037,080	\$ 1,966,916	\$ 21,981,672	\$ 453,164	
2025	\$ 619,000	\$ 292,940	\$ 170,784	\$ 1,082,724	\$ 12	\$ 1,682,733	\$ 1,470,703	\$ 3,153,436	\$ 2,070,712	\$ 24,052,384	\$ 463,724	
2026	\$ 619,750	\$ 300,263	\$ 174,200	\$ 1,094,213	\$ 12	\$ 1,744,916	\$ 1,529,531	\$ 3,274,447	\$ 2,180,234	\$ 26,232,618	\$ 474,463	
2027	\$ 619,250	\$ 307,770	\$ 177,616	\$ 1,104,636	\$ 12	\$ 1,809,586	\$ 1,590,712	\$ 3,400,298	\$ 2,295,662	\$ 28,528,280	\$ 485,386	
2028	\$ 617,500	\$ 315,464	\$ 181,031	\$ 1,113,996	\$ 13	\$ 1,876,843	\$ 1,654,341	\$ 3,531,183	\$ 2,417,188	\$ 30,945,468	\$ 496,496	
2029	\$ 619,500	\$ 323,351	\$ 184,447	\$ 1,127,298	\$ 13	\$ 1,946,789	\$ 1,720,514	\$ 3,667,304	\$ 2,540,006	\$ 33,485,474	\$ 507,798	
	\$ 12,334,639	\$ 5,556,637	\$ 3,212,453	\$ 21,103,729		\$ 29,486,338	\$ 25,102,864	\$ 54,023,752	\$ 33,168,900	\$ 309,466,453	\$ 8,769,090	

**FLAGSTAFF MULTI SERVICE CENTER
ADOA FINANCIAL ANALYSIS ASSUMPTIONS
12-10-07**

FLAGSTAFF MULTI – SERVICE CENTER FINANCIAL ANALYSIS ASSUMPTIONS

- O & M and major maintenance payments are not financed as a component of the COP. O & M and major maintenance is mandatory to sustain the integrity of the lender's collateral. Therefore, these costs are shown on the COP schedule.
- Occupancy target CY January 2010
- COP Payments begin in FY 2010
- Rent streams reflect FY 2010 anticipated market rents in the Flagstaff market. FY 2010 market rents are escalated 4% to reflect historical and current increases.
- Current effective rental rate is weighted average \$18.91/RSF for approximately 82,000' RSF of office space.
- Lease Rates are prorated to reflect lease contract escalations during a fiscal year through lease termination, if any are known. Thereafter, lease rates are calculated at full service market rates. Full service to include base rent, occupancy taxes, real estate taxes, utilities, janitorial, O & M, and parking.
- DES owns one facility in Flagstaff in which it pays O & M only. The owned O & M has been excluded from rent streams calculations.
- Major maintenance (building renewal) is calculated per JCCR's Sherman – Durgess Building Renewal Formula:

$$2/3 \text{ Building Value } (\$6.5\text{M}) \times \text{Building Age (Beginning 2009 – 1975 = 34 years)} / 1275.$$
- Operations and Maintenance is calculated at \$4.77 per Gross Square Foot (90,000).

FLAGSTAFF
3 YEAR ANNUAL LEASE PROJECTIONS

Agency Name	Total SF	Expiration	FY08 7/1/07 - 6/30/08		FY 09 7/1/08 - 6/30/09		FY 10 7/1/09 - 6/30/10	
			Rate	Annual Rent	Rate	Annual Rent	Rate	Annual Rent
Economic Security Department/DES	2,500	6/30/09	\$ 24.01	\$ 60,025.00	\$ 24.01	\$ 60,025.00	\$ 29.25	\$ 73,116.16
Economic Security Department/DES	6,813	8/31/09	\$ 21.89	\$ 149,136.57	\$ 21.89	\$ 149,136.57	\$ 28.02	\$ 190,922.97
Economic Security Department/DES	7,766	1/31/08	\$ 23.02	\$ 178,779.79	\$ 28.12	\$ 218,379.92	\$ 29.25	\$ 227,128.04
Economic Security Department/DES	4,200	3/31/09	\$ 18.67	\$ 78,414.00	\$ 21.03	\$ 88,336.50	\$ 29.25	\$ 122,835.15
Economic Security Department/DES	5,392	3/31/09	\$ 17.68	\$ 95,330.56	\$ 20.29	\$ 109,403.68	\$ 29.25	\$ 157,696.93
Economic Security Department/DES	15,701	4/30/09	\$ 19.26	\$ 302,401.26	\$ 20.74	\$ 325,586.40	\$ 29.25	\$ 459,198.73
Economic Security Department/DES	4,500	3/31/09	\$ 17.18	\$ 77,310.00	\$ 19.92	\$ 89,617.50	\$ 29.25	\$ 131,609.09
Education Department	2,088	9/30/08	\$ 15.53	\$ 32,426.64	\$ 18.68	\$ 38,998.62	\$ 29.25	\$ 61,066.62
Environmental Quality Department	4,912	5/31/09	\$ 18.23	\$ 89,562.13	\$ 19.06	\$ 93,609.08	\$ 29.25	\$ 135,150.21
Game and Fish Department	1,500	11/30/09	\$ 13.92	\$ 20,880.00	\$ 13.92	\$ 20,880.00	\$ 22.86	\$ 33,220.65
Gaming Department	1,620	5/31/10	\$ 25.30	\$ 40,986.00	\$ 25.30	\$ 40,986.00	\$ 25.63	\$ 41,497.46
Health Services Department/ADHS	2,972	8/31/08	\$ 24.20	\$ 71,917.44	\$ 27.47	\$ 81,630.93	\$ 29.25	\$ 86,920.49
Health Services Department/ADHS	800	mo-to-mo	\$ 13.23	\$ 10,584.00	\$ 28.12	\$ 22,496.00	\$ 29.25	\$ 23,397.17
Registrar of Contractors	1,200	6/30/09	\$ 21.20	\$ 25,440.00	\$ 21.20	\$ 25,440.00	\$ 29.25	\$ 35,095.76
Schools for the Deaf and Blind	6,586	9/30/10	\$ 12.20	\$ 80,349.20	\$ 12.50	\$ 82,325.00	\$ 12.80	\$ 109,898.05
Arizona Health Care Cost Containment System/AHCCCS	6,000	8/31/09	\$ 16.49	\$ 98,940.00	\$ 26.18	\$ 157,090.00	\$ 29.25	\$ 169,410.49
Corporation Commission	216	mo-to-mo	\$ 22.22	\$ 4,799.52	\$ 28.12	\$ 6,073.92	\$ 29.25	\$ 6,317.24
Corrections Department	2,600	6/30/11	\$ 17.30	\$ 44,980.00	\$ 17.30	\$ 44,980.00	\$ 17.30	\$ 44,980.00
Department Public Safety	2,500	8/31/08	\$ 19.68	\$ 49,200.00	\$ 26.71	\$ 66,783.33	\$ 29.25	\$ 73,116.16
Veterans Service Commission	875	6/30/10	\$ 17.23	\$ 15,076.25	\$ 17.84	\$ 15,610.00	\$ 18.44	\$ 16,135.00
Total:	80,741		\$ 18.92	\$ 1,526,538.37	\$ 21.92	\$ 1,737,388.46	\$ 26.73	\$ 2,198,712.36
		Effective Rate:	\$ 18.91		\$ 21.52		\$27.23	
Economic Security Department/DES				\$ 4,200.00		\$ 4,200.00		\$4,200.00
Economic Security Department/DES	5,920		NA	\$ 19,911.84		\$ 20,708.31	NA	\$21,536.65
								<u>\$25,736.65</u>

2010 Effective Rate: \$ 27.23
2010 Rent Stream including DES Operating: \$ 2,224,449.01

Flagstaff Regional Office Building
Financial Analysis - 90,000 Gross Square Foot Building - December 2007

Building Age	Fiscal Year	Principal & Interest (P & I)	Operations & Maintenance (O & M)	Major Maintenance	Total Annual COP Cost	Total COP Cost Per Gross Square Foot	DES Anticipated Rent Streams	Balance Agency's Anticipated Rent Streams	Total Anticipated Rent Streams	Annual Cost Avoidance	Cummulative Cost Avoidance	Total O & M - Major Maintenance
0	2009		\$ 145,962.00		\$ -					\$ -	\$ -	\$ 145,962.00
1	2010	\$ 717,620.31	\$ 299,222.10	\$ 15,049.41	\$ 1,031,891.82	\$ 11.47	\$ 681,253.54	\$ 418,102.65	\$ 1,099,356.18	\$ 67,464.36	\$ 67,464.36	\$ 299,222.10
2	2011	\$ 1,270,206.26	\$ 306,702.65	\$ 30,098.82	\$ 1,607,007.74	\$ 17.86	\$ 1,417,007.35	\$ 869,653.50	\$ 2,286,660.85	\$ 679,653.11	\$ 747,117.47	\$ 336,801.48
3	2012	\$ 1,313,506.26	\$ 314,370.22	\$ 45,148.24	\$ 1,673,024.71	\$ 18.59	\$ 1,473,687.65	\$ 904,439.64	\$ 2,378,127.28	\$ 705,102.57	\$ 1,452,220.04	\$ 359,518.45
4	2013	\$ 1,349,893.76	\$ 322,229.47	\$ 60,197.65	\$ 1,732,320.88	\$ 19.25	\$ 1,532,635.15	\$ 940,617.23	\$ 2,473,252.38	\$ 740,931.49	\$ 2,193,151.54	\$ 382,427.12
5	2014	\$ 1,394,581.26	\$ 330,285.21	\$ 75,247.06	\$ 1,800,113.53	\$ 20.00	\$ 1,593,940.56	\$ 978,241.92	\$ 2,572,182.47	\$ 772,068.94	\$ 2,965,220.48	\$ 405,532.27
6	2015	\$ 1,436,925.00	\$ 338,542.34	\$ 90,296.47	\$ 1,865,763.81	\$ 20.73	\$ 1,657,698.18	\$ 1,017,371.59	\$ 2,675,069.77	\$ 809,305.96	\$ 3,774,526.43	\$ 428,838.81
7	2016	\$ 1,486,800.00	\$ 347,005.90	\$ 105,345.88	\$ 1,939,151.78	\$ 21.55	\$ 1,724,006.11	\$ 1,058,066.46	\$ 2,782,072.56	\$ 842,920.78	\$ 4,617,447.21	\$ 452,351.78
8	2017	\$ 1,533,975.00	\$ 355,681.05	\$ 120,395.29	\$ 2,010,051.34	\$ 22.33	\$ 1,792,966.35	\$ 1,100,389.12	\$ 2,893,355.46	\$ 883,304.12	\$ 5,500,751.33	\$ 476,076.34
9	2018	\$ 1,588,450.00	\$ 364,573.07	\$ 135,444.71	\$ 2,088,467.78	\$ 23.21	\$ 1,864,685.01	\$ 1,144,404.68	\$ 3,009,089.68	\$ 920,621.90	\$ 6,421,373.23	\$ 500,017.78
10	2019	\$ 1,644,775.00	\$ 373,687.40	\$ 150,494.12	\$ 2,168,956.52	\$ 24.10	\$ 1,939,272.41	\$ 1,190,180.87	\$ 3,129,453.27	\$ 960,496.75	\$ 7,381,869.98	\$ 524,181.52
11	2020	\$ 1,691,500.00	\$ 383,029.59	\$ 165,543.53	\$ 2,240,073.11	\$ 24.89	\$ 2,016,843.30	\$ 1,237,788.10	\$ 3,254,631.40	\$ 1,014,558.28	\$ 8,396,428.27	\$ 548,573.11
12	2021	\$ 1,758,500.00	\$ 392,605.33	\$ 180,592.94	\$ 2,331,698.27	\$ 25.91	\$ 2,097,517.04	\$ 1,287,299.63	\$ 3,384,816.65	\$ 1,053,118.39	\$ 9,449,546.66	\$ 573,198.27
13	2022	\$ 1,810,750.00	\$ 402,420.46	\$ 195,642.35	\$ 2,408,812.81	\$ 26.76	\$ 2,181,417.72	\$ 1,338,791.61	\$ 3,520,209.32	\$ 1,111,396.51	\$ 10,560,943.17	\$ 598,062.81
14	2023	\$ 1,863,750.00	\$ 412,480.97	\$ 210,691.76	\$ 2,486,922.73	\$ 27.63	\$ 2,268,674.43	\$ 1,392,343.28	\$ 3,661,017.69	\$ 1,174,094.96	\$ 11,735,038.12	\$ 623,172.73
15	2024	\$ 1,922,250.00	\$ 422,792.99	\$ 225,741.18	\$ 2,570,784.17	\$ 28.56	\$ 2,359,421.40	\$ 1,448,037.01	\$ 3,807,458.40	\$ 1,236,674.23	\$ 12,971,712.36	\$ 648,534.17
16	2025	\$ 1,975,750.00	\$ 433,362.82	\$ 240,790.59	\$ 2,649,903.41	\$ 29.44	\$ 2,453,798.26	\$ 1,505,958.49	\$ 3,959,756.74	\$ 1,309,853.33	\$ 14,281,565.69	\$ 674,153.41
17	2026	\$ 2,024,250.00	\$ 444,196.89	\$ 255,840.00	\$ 2,724,286.89	\$ 30.27	\$ 2,551,950.19	\$ 1,566,196.83	\$ 4,118,147.01	\$ 1,393,860.12	\$ 15,675,425.80	\$ 700,036.89
18	2027	\$ 2,102,750.00	\$ 455,301.81	\$ 270,889.41	\$ 2,828,941.22	\$ 31.43	\$ 2,654,028.20	\$ 1,628,844.70	\$ 4,282,872.89	\$ 1,453,931.66	\$ 17,129,357.47	\$ 726,191.22
19	2028	\$ 2,174,500.00	\$ 466,684.36	\$ 285,938.82	\$ 2,927,123.18	\$ 32.52	\$ 2,760,189.32	\$ 1,693,998.49	\$ 4,454,187.80	\$ 1,527,064.62	\$ 18,656,422.09	\$ 752,623.18
20	2029	\$ 2,234,500.00	\$ 478,351.47	\$ 300,988.24	\$ 3,013,839.70	\$ 33.49	\$ 2,870,596.90	\$ 1,761,758.43	\$ 4,632,355.31	\$ 1,618,515.61	\$ 20,274,937.71	\$ 779,339.70
21	2030	\$ 2,303,000.00	\$ 490,310.25	\$ 316,037.65	\$ 3,109,347.90	\$ 34.55	\$ 2,985,420.77	\$ 1,832,228.76	\$ 4,817,649.53	\$ 1,708,301.63	\$ 21,983,239.33	\$ 806,347.90
22	2031	\$ 2,364,250.00	\$ 502,568.01	\$ 331,087.06	\$ 3,197,905.07	\$ 35.53	\$ 3,104,837.60	\$ 1,905,517.91	\$ 5,010,355.51	\$ 1,812,450.44	\$ 23,795,689.77	\$ 833,655.07
23	2032	\$ 2,448,250.00	\$ 515,132.21	\$ 346,136.47	\$ 3,309,518.68	\$ 36.77	\$ 3,229,031.11	\$ 1,981,738.63	\$ 5,210,769.73	\$ 1,901,251.05	\$ 25,696,940.82	\$ 861,268.68
24	2033	\$ 2,523,500.00	\$ 528,010.51	\$ 361,185.88	\$ 3,412,696.40	\$ 37.92	\$ 3,358,192.35	\$ 2,061,008.18	\$ 5,419,200.52	\$ 2,006,504.12	\$ 27,703,444.95	\$ 889,196.40
25	2034	\$ 2,595,000.00	\$ 541,210.78	\$ 376,235.29	\$ 3,512,446.07	\$ 39.03	\$ 3,492,520.05	\$ 2,143,448.50	\$ 5,635,968.54	\$ 2,123,522.47	\$ 29,826,967.41	\$ 917,446.07
26	2035	\$ 2,677,500.00	\$ 554,741.05	\$ 391,284.71	\$ 3,623,525.75	\$ 40.26	\$ 3,632,220.85	\$ 2,229,186.44	\$ 5,861,407.28	\$ 2,237,881.53	\$ 32,064,848.94	\$ 946,025.75
		<u>\$ 48,206,732.85</u>	<u>\$ 10,921,460.90</u>	<u>\$ 5,282,343.53</u>	<u>\$ 64,264,575.28</u>		<u>\$ 59,693,811.79</u>	<u>\$ 36,635,612.61</u>	<u>\$ 96,329,424.22</u>	<u>\$ 32,064,848.94</u>		<u>\$ 16,188,755.02</u>

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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DAVID SCHAPIRA

DATE: December 12, 2007

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Art Smith, Fiscal Analyst

SUBJECT: Arizona State Parks Board – Review of State Lake Improvement Fund Grants and
Consider Approval of State Parks Enhancement Fund Projects

Request

Pursuant to A.R.S. § 5-382, the Arizona State Parks Board requests Committee review of State Lake Improvement Fund (SLIF) capital grants and projects totaling \$7,104,400. Of this amount, \$6,104,400 would be for local capital grants and \$1,000,000 would be for State Parks capital projects.

In addition, pursuant to A.R.S. § 41-511.11, the Arizona State Parks Board requests Committee approval of \$1,000,000 in State Parks Enhancement Fund (SPEF) monies for State Parks capital projects.

The largest portion of the SLIF request is a \$2.1 million leasehold acquisition of waterfront property in Bullhead City along the Colorado River that is owned by the Bureau of Land Management (BLM) (*see page 3*). In addition, there is a policy question of whether or not a pre-manufactured ranger residence at Alamo Lake is permissible, because it is a project on a public campground that is not for public use (*see page 4*).

Recommendation

SLIF Capital Grants and Projects

The Committee has at least the following 2 options:

1. A favorable review of the Parks Board request for 25 SLIF grants and projects totaling \$7,104,400 with the condition that the favorable review does not constitute an endorsement of General Fund support of these projects in the future. The basis for a favorable review would be that the proposal is an allowable use of SLIF monies and there are sufficient SLIF monies available for planning.
2. An unfavorable review, as these funds might otherwise be used to resolve the state's budget shortfall.

(Continued)

SPEF Projects

The Committee has at least the following 2 options:

1. Approve the Parks Board request for \$1,000,000 in SPEF monies for 2 State Parks capital projects, as the project expenditures comply with statute.
2. Not approve the Parks Board request, as these funds might otherwise be used to resolve the state's budget shortfall.

Analysis

Recent SLIF History and the Current Request

SLIF receives its revenue from a portion of watercraft license fees and an allocation of gasoline tax attributable to watercraft use. Monies in the fund are available to state agencies, counties, and local governments for capital improvement projects and acquisitions of real property on waters where gasoline-powered boats are permitted.

The Arizona Outdoor Recreation Coordinating Commission (AORCC), established under A.R.S. § 41-511, reviews eligible projects and presents a list of recommendations to the Arizona State Parks Board. The Parks Board then submits proposed capital projects to the Committee for review, as required by A.R.S. § 5-382.

Current AORCC guidelines establish that no more than 30% of grant/project allocations may go to the Parks Board, and that no other applicant may receive more than 20% of available grant resources in a given grant cycle. Using the evaluation criteria, AORCC and the Parks Board have approved 13 local projects/grants for funding in FY 2007 at a total cost of \$6,104,400. The 13 grants/projects would be administered in 4 cities and 4 counties for purposes such as the purchase of law enforcement watercraft, the development of currently owned properties, and the purchase and development of new property.

State Parks projects would use monies from SLIF in order to meet compliance requirements, such as those established by the Arizona Department of Environmental Quality (ADEQ) and the Arizona Department of Administration (ADOA). Furthermore, SLIF monies would be used to fund capital projects for the purposes of campground safety, in addition to making monies available to address contingency issues that arise in the maintenance of state parks and the acquisition of land by the Parks Board. All monies used from SLIF for Parks Development will be used in the 7 state parks that contain lakes that meet the statutory requirements of the fund:

- Fool Hollow Lake Recreation Area
- Patagonia Lake State Park
- Lyman Lake State Park
- Alamo Lake State Park
- Buckskin Mountain State Park
- Lake Havasu State Park
- Cattail Cove State Park

The awards are listed in further detail below:

Local Boat Purchases and Refurbishments

- Bullhead City: Replace 2 law enforcement/rescue patrol boats due to age, conditions and high maintenance costs - \$123,000.

(Continued)

- La Paz County Sheriff's Office: Purchase 2 patrol/rescue watercraft - \$143,000.
- Mohave County Sheriff's Office: Replace 4 watercrafts used for law enforcement patrol and refurbish 2 additional watercrafts - \$950,000.
- Yuma County Sheriff's Office: Purchase 2 new watercrafts - 93,000.

Local Boating Area Renovations and Improvements

- Gila County: Renovation of 2 boat ramps, courtesy docks, restrooms, parking areas, safety signs and buoys - \$477,500.
- La Paz County: Replacement and upgrade to infrastructure of the La Paz County Park water and electrical systems - \$243,300.
- La Paz County: Improvements and enhancements to the existing boat ramp facilities of the Cienega Springs Boat Ramp - \$101,000.
- La Paz County/Buckskin Fire District: Improvement and expansion of the public parking area of the Water Rescue and Medical Aid Facility - \$82,200.
- Lake Havasu City: Provide public restrooms and public safety operation centers on both sides of Bridgewater Channel. The public safety operation centers would include Lake Havasu City Fire and Police Departments - \$220,000.
- Lake Havasu City: Phase II of construction on the seawall in Bridgewater Channel - \$477,500.
- Show Low: Upgrade the restroom and camping amenities in the west campground at Show Low Lake - \$625,000.
- Winslow: Purchase dredger equipment and rescue boat to dredge the bottom of Clear Creek Lake - \$703,900.

Leasehold Acquisition

- Bullhead City: Funding for the acquisition of the remaining 39 years in leasehold rights to Section 12, which is waterfront property along the Colorado River that is owned by BLM. While Bullhead City wishes to build boat launches along the leased property's shore, that equipment cost is not included in the SLIF grant - \$2,120,000.

Silver Shores, LLC purchased the leasehold rights to Section 12 in 1996, with the understanding that the company would develop the property into a recreational vehicle park, while making annual payments of \$30,000 plus a percentage of profits from the development to the federal government. For reasons that could not be determined, Silver Shores never developed the land and paid significantly less than the agreed upon amount in annual fees.

Bullhead City still wants to use the land, in order to develop a water park with motorized boat launches and made an arrangement with Silver Shores to purchase the lease. After at least 1 appraisal, the value placed on the lease was approximately \$7.7 million, of which Bullhead City would pay \$2.1 million in cash to Silver Shores with the remainder paid for with federal income tax deductions for the company.

Contingent upon a new appraisal, which has not been conducted as of yet, the State Parks Board agreed to grant Bullhead City up to the equivalent of the cash payment (\$2.1 million) made to Silver Shores; however, if the new appraisal is below \$7.7 million, the Board will reconvene to lower the value of the grant award accordingly. It should be noted that all appraisals conducted are on the value of the lease only and does not reflect the amount that would be paid to purchase the property. Additionally, the appraised cost does not account for the cost to develop the land that is leased.

State Parks Projects

- **Multi-Parks – ADA Compliance:** Enables Parks Department to retrofit or replace the agency's existing facilities or to construct new structures to comply with the current Americans with Disabilities Act (ADA) guidelines - \$45,000.
- **Multi-Parks – ADEQ Compliance:** Enables Parks Department to retrofit, repair, replace or provide for testing of the agency's water and wastewater systems to comply with current ADEQ standards - \$95,000.
- **Multi-Parks – ADEQ Consent Order:** Funding for a project to satisfy a ADEQ/Arizona State Parks consent order, which requires approval of documentation for the planning, construction and completion of capital projects, as well as the preparation of listed wastewater permit applications - \$350,000.
- **Multi-Parks – Agencywide Improvements:** Contingency funding for unidentified project needs and to cover cost over-runs and emergency repairs - \$50,000.
- **Multi-Parks – Boating Parts Capital Equipment:** Purchase of water safety and related equipment, which include boat propellers, motor-water pressure pumps and paint for boat camp facilities - \$150,000.
- **Multi-Parks – Construction Services Projects:** Funding for projects conducted by the agency's construction services crew, which is responsible for construction of various in-house small projects such as facilities plumbing, boat ramp extensions, and repairs to floating docks - \$30,000.
- **Multi-Parks – Cultural Site Clearance:** The Parks Board is required to ensure that all projects on parks department properties are investigated for impacts to prehistoric and historic cultural sites. Funding would be utilized for investigation and mitigation purposes on projects of limited size and scope - \$7,000.
- **Multi-Parks – Environmental Site Clearance:** To investigate for the presence of hazardous materials, endangered and threatened species, and other constraints and/or related concerns on existing and proposed state park properties - \$8,000.
- **Multi-Parks – Materials Fund:** Purchase of construction materials on projects of limited size and scope - \$75,000.
- **Multi-Parks – Park Land Acquisition and Planning:** Acquisition and planning for recreational and cultural state parks properties, in holdings and lands adjacent to existing state parks - \$40,000.
- **Pre-Manufactured Cabins at Alamo Lake:** Delivery and set-up of 4 simulated cabin-type facilities for rent by campers. Units will be placed at existing camps areas previously electrified - \$50,000
- **Pre-Manufactured Ranger Residence at Alamo Lake:** Purchase of mobile home to provide park personnel with adequate housing for themselves and their families - \$100,000.

Though the construction of public campgrounds is consistent with SLIF statutes, there is a policy question of whether or not it is permissible to build a residence on a public campground that is not for public use. Parks Board believes that a similar project has been favorably reviewed by the Committee in the past. JLBC Staff has not verified this information, but is in the process of doing so.

Status of SLIF

The Parks Board estimates uncommitted SLIF will have a FY 2007 ending balance of \$14,208,800, prior to consideration of the \$7,104,400 request. This amount has been adjusted for prior year obligations. (See Attachment A.)

This balance would be available for FY 2008 operating and capital expenditures. The Parks Board estimates that operating expenses will cost \$3,100,000 in FY 2008 and the Committee gave a favorable review for \$2,000,000 for the Lake Havasu Contact Point project and the replacement of water mains at Lake Havasu State Park at its August meeting. A favorable review of these projects would leave \$2,004,400 available for the Parks Board in FY 2008.

(Continued)

State Parks reports that they are working to finalize the scope of work for the Request for Proposal, which could be ready for Committee review by January 2008.

Recent SPEF History and the Current Request

SPEF revenues come from state parks user fees and concession sales. Pursuant to A.R.S. § 41-511.11, one-half of this fund is appropriated for park operations and the other half is used for park acquisition and development, including the lease-purchase payments for the Tonto Natural Bridge State Park and other capital development projects as approved by the Parks Board and the Committee.

From FY 2004 to FY 2006, the SPEF statute was suspended as a budget savings measure in order to allow almost all park fees to be used for operating purposes, thereby reducing the department's General Fund expenses. The FY 2007 General Appropriation Act changed this provision to allow the use of operational costs for capital needs, which was continued by Laws 2007, Chapter 262 through FY 2009. The FY 2008 General Appropriation Act provided an additional \$1,000,000 to shift more operating costs from SPEF to the General Fund, thereby freeing up this fund for more capital projects.

The SPEF projects are listed in further detail below.

- Picacho Peak New Visitor's Center: Design and construction of a visitor's center, which includes a conference area, gift shop, park manager's office, and bathrooms. The visitor's center will also include a contact station, in order to initiate park support for visitor needs. Other construction will include site utilities, parking and various other site amenities. This is the first project under Executive Order 2005-05, which states that all new buildings be designed to meet the silver Leadership in Energy and Environmental Design (LEED) standard - \$300,000.
- Slide Rock State Park New Wastewater Treatment Plant and Restroom Buildings: Design and construction of 2 new restrooms at the Slide Rock Wastewater Treatment Plant, as well as the demolition, design and construction of a new plant. Work will include site utilities and a treatment plant capacity for a future fire station by another state or local agency - \$700,000.

RS/AS:ym

Fund Availability for Parks Board Request State Lake Improvement Fund	
FY 2006 Ending Balance	\$19,060,000
Prior Year Obligations	(7,882,800)
Grants Approved by JCCR last November	(4,015,800)
FY 2007 Operating Expenditures	(3,036,400)
Actual FY 2007 Revenue	<u>10,083,800</u>
Estimated FY 2007 Ending Balance	\$14,208,800
Possible FY 2008 Uses: *	
FY 2008 Operating Expenditures	\$(3,100,000)
New FY 2008 SLIF Awards	(2,000,000)
FY 2008 Awards for Review	<u>(7,104,400)</u>
Estimated FY 2008 Fund Availability	\$2,004,400 **
<hr/> * Assumes FY 2008 expenditure plan similar to FY 2007 and includes SLIF monies approved in August. ** Amount available after current State Parks Board request.	



November 8, 2007

Senator Robert L. Burns, Chair
Joint Committee on Capital Review
Arizona House of Representatives
1700 West Washington
Phoenix, Arizona 85007



RE: State Lake Improvement Fund Project List Submission

Janet Napolitano
Governor

Dear Senator Burns:

**State Parks
Board Members**

Chair
William C. Cordasco
Flagstaff

Arlan Colton
Tucson

William C. Scalzo
Phoenix

Reese Woodling
Tucson

Tracey Westerhausen
Phoenix

William C. Porter
Kingman

Mark Winkleman
State Land
Commissioner

Kenneth E. Travous
Executive Director

Arizona State Parks
1300 W. Washington
Phoenix, AZ 85007

Tel & TTY: 602.542.4174
www.azstateparks.com

800.285.3703 from
(520 & 928) area codes

General Fax:
602.542.4180

Director's Office Fax:
602.542.4188

On behalf of the Arizona State Parks Board, I submit the attached list of State Lake Improvement Fund (SLIF) projects per A.R.S. §5-382 to the Joint Committee on Capital Review. Funding for these projects comes from FY 2007 SLIF revenues and de-obligated funds from prior years. The list includes the applying entity and project title, cost, and description for thirteen (13) projects totaling \$6,104,386.

Also for your review is the list of Arizona State Parks Development Projects totaling \$1,000,000 along with two Enhancement Fund projects totaling \$1,000,000.

Should you have any questions on the State Lake Improvement Fund grants to outside entities, please contact Jay Ziemann, Assistant Director, at (602) 542-7104.

Sincerely,

Kenneth E. Travous
Executive Director

KET/ds

Enclosures

cc: Representative Russell K. Pearce Vice-Chair JCCR
Richard Stavneak, Director JLBC
Arthur Smith, Fiscal Analyst, JLBC
James Apperson, Director OSPB

**Arizona State Parks
Grants to Outside Entities
State Lake Improvement Fund
FY 2007 Monies**

1. La Paz County

Project Cost: \$ 243,298
SLIF Grant: \$ 243,298

Project Description: La Paz County is requesting funds for the replacement and upgrade to infrastructure of the La Paz County Park water and electrical systems.

2. La Paz County Sheriff's Office

Project Cost: \$ 143,000
SLIF Grant: \$ 143,000

Project Description: La Paz County Sheriff's Office proposes to purchase two (2) patrol/rescue watercraft.

3. Bullhead City

Project Cost: \$ 123,000
SLIF Grant: \$123,000

Project Description: Bullhead City's Police Department is requesting funds to replace two (2) Law Enforcement/Rescue Patrol Boats due to age, condition and high maintenance cost and operability.

4. Bullhead City

Project Cost: \$ 7,659,480
SLIF Grant: \$ 2,120,000

Project Description: Bullhead City is requesting funding for the acquisition of the leasehold rights to Section 12 along the Colorado River.

5. Mohave County Sheriff's Office

Project Cost: \$ 950,000
SLIF Grant: \$ 950,000

Project Description: Mohave County Sheriff's Office proposes to replace four (4) watercraft used for law enforcement patrol and refurbishing two (2) additional watercraft.

6. Lake Havasu City

Project Cost: \$ 220,000
SLIF Grant: \$ 220,000

Project Description: Lake Havasu City is requesting funds to provide public restrooms and Public Safety operations center on both sides of Bridgewater Channel.

7. Yuma County Sheriff's Office

Project Cost: \$ 93,749
SLIF Grant: \$ 93,749

Project Description: Yuma County Sheriff's Office is requesting funds to obtain one (1) new watercraft and one (1) replacement watercraft.

8. La Paz County/Buckskin Fire District

Project Cost: \$ 91,300

SLIF Grant: \$ 82,170

Project Description: La Paz County and Buckskin Fire District are requesting funds to improve and expand the public parking lot around the Fire House.

9. Lake Havasu City

Project Cost: \$ 477,500

SLIF Grant: \$ 477,500

Project Description: Lake Havasu City is requesting funds for Phase II on the seawall in Bridgewater Channel.

10. La Paz County

Project Cost: \$ 101,000

SLIF Grant: \$ 101,000

Project Description: La Paz County is requesting funds for improvements and enhancements to the existing boat ramp facilities of the Cienega Springs Boat Ramp.

11. Show Low

Project Cost: \$ 750,000

SLIF Grant: \$ 625,000

Project Description: The City of Show Low is requesting funds to upgrade the restroom and camping amenities in the west campground at Show Low Lake.

12. Winslow

Project Cost: \$ 1,038,797

SLIF Grant: \$ 703,862

Project Description: City of Winslow is requesting funds to purchase dredger equipment and rescue boat to dredge the bottom of Clear Creek Lake

13. Gila County

Project Cost: \$ 246,454

SLIF Grant: \$ 221,807

Project Description: Gila County is requesting funds to renovate two boat ramps, courtesy docks, restrooms, parking areas and safety signs and buoys.

FISCAL YEAR 2007

1. Picacho Peak New Visitor's/Contact Center/Gift Shop
Estimated Cost: \$300,000 (\$300,000 Enhancement Fund).
Scope: This project will provide design and construction of a visitor's center, conference area, gift shop and contact visitor support. Other construction will include site utilities, parking and various other site amenities. All improvements are essential to the operation of the park and protection of the environment. This is the first project under an Executive Order that all new buildings be designed for LEEDS SILVER construction. (Green Building)
2. New Pre-Manufactured Ranger Residence at Alamo
Estimated Cost: \$100,000 (\$100,000 SLIF).
Scope: This project will provide for the purchase of one mobile home at Alamo Lake. This will provide park personnel with adequate housing for themselves and their families. For security/safety purposes, many parks require that law enforcement trained and qualified park personnel reside at the park.
3. Pre-Manufactured Cabins at Alamo
Estimated Cost: \$50,000 (\$50,000 SLIF).
Scope: Funding for this project will provide delivery and set-up of 4 simulated cabin type facilities. These units will be placed at existing camp areas previously electrified. This will result in increased visitor safety and will ultimately enhance the visitors experience, protect the resource and increase the park's operational effectiveness as well as revenue.
4. Slide Rock State Park New Wastewater Treatment Plant and Two Restroom Buildings Estimated Cost: \$700,000 (\$700,000 Enhancement Fund)
Scope: This project provides for the design and construction of a 2 new restrooms along with the demolition of the existing structure. The design and construction of a new treatment plant. The work will include site utilities and a treatment plant capacity for a future fire station by others. This project is essential to the safe operation of the park and protection of its valuable historic and recreational resources.
5. Multi-Parks – ADEQ Consent Order
Estimated Cost: \$350,000 (\$350,000 SLIF)
Scope: This continued work has been compiled to satisfy the ADEQ/ASP Consent Order #P-113-04, which includes acquiring the needed documentation for Approval to Construct (ATC), Approval of Construction (AOC), Engineer's Certificates of Completion, Clean Closure documentation, preparation of listed wastewater permit applications along with administration for specified corrective actions and new construction.
6. Multi-Parks – ADA Compliance
Estimated Cost: \$45,000 (\$45,000 SLIF)
Scope: This program enables Arizona State Parks to systematically retrofit or replace the agency's existing facilities or to construct new structures. This will ensure the agency's compliance with the current American's With Disabilities Act (ADA) through ADAG. This is an on-going program that allows the agency to address future needs.
7. Multi-Parks – ADEQ Compliance
Estimated Cost: \$95,000 (\$95,000 SLIF)
Scope: This program enables Arizona State Parks to systematically retrofit, repair, replace or provide for the testing of the agency's water and wastewater systems. This will ensure compliance with current Arizona Department of Environmental Quality standards. This is an on-going program that allows the agency to address future needs.

8. Multi-Parks – Construction Services Projects
Estimated Cost: \$30,000 (\$30,000 SLIF)
Scope: This program provides funding for force account projects by the agency's Construction Services Crew. This crew is responsible for construction of various in-house small projects. This is an on-going program allowing the agency to address current and future needs and to save time as well as funding by accomplishing many tasks in-house.
9. Multi-Parks – Improvements-Agency Wide
Estimated Cost: \$50,000 (\$50,000 SLIF)
Scope: This program provides funding for unforeseen project needs, to cover cost over-runs and to fund emergency repairs. These funds are used to maximize the cost effectiveness of dollars expended on small, but complex projects or emergency repairs.
10. Multi-Parks – Materials Fund
Estimated Cost: \$75,000 (\$75,000 SLIF)
Scope: This program provides funding to our state parks for the purchase of construction materials on projects of limited size and scope. Park personnel primarily accomplish these projects. This results in the enhancement of a park's appearance. This is an on-going program allowing the agency to address current and future needs.
11. Multi-Parks – Park Land Acquisition and Planning
Estimated Cost: \$40,000 (\$40,000 SLIF)
Scope: This project funds the acquisition and planning of state park lands. The focus is on recreation and cultural state parks properties, in holdings and lands adjacent to existing state parks. This is an on-going program allowing the agency to address current and future needs.
12. Multi-Parks – Cultural Site Clearance
Estimated Cost: \$7,000 (\$7,000 SLIF)
Scope: Arizona State Parks is statutorily required to ensure that all projects on our properties are investigated for impacts to prehistoric and historic cultural sites. These funds will be utilized for investigation and mitigation purposes on projects of limited size and scope. This is an on-going program allowing the agency to address current and future needs.
13. Multi-Parks – Environmental Site Clearance
Estimated Cost: \$8,000 (\$8,000 SLIF)
Scope: This program provides funding to investigate for the presence of hazardous materials, endangered and threatened species and other constraints and/or related concerns on existing and proposed state park properties. This is an on-going program allowing the agency to address current and future needs.
14. Multi-Parks – Boating Parks Capital Equipment
Estimated Cost: \$150,000 (\$150,000 SLIF)
Scope: Funding from this program is utilized by the Operations Section for the purchase of water safety and related equipment. The primary use of these funds is to purchase equipment necessary for the safe and effective operation of our water-based parks, thus enhancing visitor safety and enjoyment. This is an on-going program allowing the agency to address current and future needs.

Total SLIF Fund Projects=	\$1,000,000.00
Total Enhancement Fund Projects=	\$1,000,000.00

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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CHAIRMAN 2007
PAULA ABOUD
AMANDA AGUIRRE
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1716 WEST ADAMS
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HOUSE OF
REPRESENTATIVES

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PHIL LOPES
DAVID LUJAN
DAVID SCHAPIRA

DATE: December 12, 2007

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leatta McLaughlin, Senior Fiscal Analyst

SUBJECT: Arizona Department of Administration/Legislative Council – Review *and* Approval of
Land Purchase for State Archives and History Building

Request

A.R.S. § 41-1252 requires Committee review for the expenditure plans of land acquisition monies, while A.R.S. § 41-791.02 requires Committee approval of any Arizona Department of Administration (ADOA) land purchase. ADOA requests Committee review and approval of \$130,000 to purchase 9,900 square feet of land adjacent to the site of the Polly Rosenbaum State Archives and History Building.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review and approval of the \$130,000 land purchase since the amount is less than the property's appraisals and will not require a new appropriation of monies. The land would be purchased by February 29, 2008.

Analysis

Laws 2004, Chapter 194 appropriated \$2.0 million to ADOA in FY 2005 for design and site preparation of a State Archives and History Building on the Capitol Mall in Phoenix. Subsequently, 3.6 acres of current state-owned land was prepared for this site, which is in-between 19th and 20th Avenues and Madison and Jackson Streets. At that time, this requested 9,900 square feet of land, which is located on the east side of the current property, was not obtained since it is privately owned and would need to be purchased.

Laws 2007, Chapter 44 authorized ADOA to purchase the 9,900 square feet of adjacent land with the monies appropriated in Laws 2004, Chapter 194. Of the \$2.0 million FY 2005 appropriation, \$224,000 is remaining. The land appraised for \$140,000 and \$145,000, but the land owner, Cooley Industries, Inc., has agreed to sell the parcel for \$130,000. The remaining \$94,000 will be spent on landscaping and to offset other project costs.

(Continued)

Laws 2005, Chapter 298 appropriated \$15.0 million in each of FY 2006 and FY 2007 for a total of \$30.0 million from the General Fund to Legislative Council for construction and related costs associated with the new State Archives and History Building. Chapter 298 also required the Committee review the procurement method, scope, purpose, and estimated cost of the project, which the Committee favorably reviewed at its December 2005 meeting.

Additionally, Laws 2006, Chapter 345 appropriated \$8.0 million from the General Fund in FY 2008 to Legislative Council for completion of the State Archives and History Building.

The structure will be a 2-story, 124,300 square foot building with receiving and processing areas, storage space, public services areas including meeting space, and parking and landscaping. Construction of the building began in January 2007 and is expected to be completed in June 2008.

RS/LMc:ym

JANET NAPOLITANO
Governor



WILLIAM BELL
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 North Fifteenth Avenue, Suite 401
Phoenix, Arizona 85007

(602) 542-1500



December 10, 2007

The Honorable Robert L. Burns, Chairman
The Joint Committee on Capital Review
1700 West Washington
Phoenix, Arizona 85007

Dear Senator Burns:

Pursuant to ARS §41-1252 and ARS §41-791.02, the Arizona Department of Administration (ADOA) requests that the Joint Committee on Capital Review (JCCR) review the expenditure of monies appropriated for land acquisition.

Laws 2007, First Regular Session, Chapter 44 authorized ADOA to purchase the property adjacent to the site of the Polly Rosenbaum State Archives and History Building. The property is situated west of 19th Avenue, south of Madison Street, east of 20th Avenue, and north of Jackson Street in Phoenix (Maricopa County Parcel 109-49-071A). The bill authorized ADOA to use monies previously appropriated by Laws 2004, Second Regular Session, Chapter 194. There is \$224,000 available from that appropriation. ADOA has negotiated an offer of \$130,000 to Cooley Industries, Inc. This offer price is less than the property's recently appraised value of \$140,000 as required by ARS § 41-792.02(I), which stipulates that the purchase price cannot exceed the appraised value.

ADOA negotiated the land purchase in coordination with the staff of Legislative Council. If you have any questions or need additional information, please contact me or Lynne Smith, Assistant Director, General Services Division, at (602) 542-1427.

Sincerely,

A handwritten signature in dark ink, appearing to read "W. Bell".
William Bell
Director

Attachment

Senator Robert Burns
December 10, 2007
Page 2

c: The Honorable Russell K. Pearce, Arizona House of Representatives
Richard Stavneak, Director, JLBC Staff
Leatta McLaughlin, JLBC Staff
Michael Braun, Director, Legislative Council
James Apperson, Director, OSPB
Marcel Benberou, Assistant Director, OSPB
Scott Smith, Deputy Director, ADOA
Paul Shannon, Assistant Director, ADOA
Alan Ecker, Legislative Liaison, ADOA
Lynne Smith, Assistant Director, ADOA
Nola Barnes, General Manager, ADOA

1 PURCHASE AGREEMENT BETWEEN
2 STATE OF ARIZONA
3 ACTING BY AND THROUGH THE
4 ARIZONA DEPARTMENT OF ADMINISTRATION
5 AND
6 COOLEY INDUSTRIES, INC., AN ARIZONA CORPORATION
7 FOR THE PURCHASE OF REALTY

8 This AGREEMENT ("Agreement") is entered into this 7th day of December, 2007, by
9 and between the STATE OF ARIZONA ("STATE") by the Arizona Department of
10 Administration ("ADOA") and Cooley Industries, Inc., an Arizona Corporation.
11

12 WHEREAS, Seller presently owns the real property situated west of 19th Avenue, south
13 of Madison Avenue and north of Jackson Street in Phoenix, Maricopa County Parcel 109-49-
14 071A, Arizona, fully described in Exhibit A.
15

16 WHEREAS, title in fee simple to the Property shall be transferred by warranty deed from
17 the Seller to the State pursuant to this Agreement;
18

19 WHEREAS, all obligations of ADOA to consummate the transaction contemplated by
20 this Agreement are contingent on the fulfillment of the conditions contained in this Agreement
21 including, but not limited to, the following: the approval of the Arizona Legislative Joint
22 Committee on Capital Review ("JCCR"); obtaining clear title together with all appurtenances;
23 Seller's performance of all conditions precedent of this Agreement; and the issuance of an ALTA
24 Extended Title Insurance Policy -- payable as per paragraph #19 of this Agreement;
25

26 WHEREAS, the undersigned are authorized to enter into this Agreement on behalf of
27 their respective parties;
28

29 NOW, THEREFORE, in consideration of the property and mutual promises and
30 undertakings herein contained, and for other good and valuable consideration, the parties agree
31 as follows:
32

- 33 1. Sale of the Property: The Seller hereby sells to the State and the State hereby buys
34 from the Seller all right, title and interest in the Property subject to the terms of
35 this Agreement.
36
- 37 2. Purchase Price: The "Purchase Price" shall be ONE HUNDRED THIRTY
38 THOUSAND DOLLARS AND NO CENTS (\$130,000.00).
39

1 3. Warranties of Seller: Seller warrants, represents, covenants and acknowledges
2 (with the understanding that the State is relying on these warranties,
3 representations, covenants and acknowledgements and that such warranties,
4 representations, covenants and acknowledgments shall survive the Close of
5 Escrow except as may be reflected in the preliminary title report at the time of
6 execution of this Agreement):
7

8 a.) Seller has the ability to and shall deliver fee title through a warranty deed
9 to the Property to the State; subject to the matters shown on such title
10 report, on the Close of Escrow, as defined hereinafter;
11

12 b) To Seller's actual knowledge there are no claims, actions, suits, or other
13 proceedings pending or overtly threatened by any governmental
14 department or agency or any other corporation, partnership, entity or
15 person (as defined in A.R.S. § 1-215) whomsoever ("Person"), nor any
16 voluntary actions or proceedings contemplated by Seller, which in any
17 manner may detrimentally affect buyer's right, title or interest in and to the
18 Property or the value of the Property or Seller's ability to perform Seller's
19 obligations under this Agreement;
20

21 c) That no Person is in adverse possession of the Property, and there are no
22 Persons who have been granted any license, lease or other right relating to
23 the use or possession of the Property by Seller other than that attached as
24 Exhibit B, which lease terminates on the day the State of Arizona
25 completes the purchase of the Property;
26

27 d) That there have been no written modifications of the Lease other than
28 those which have been provided to the State. The Lease has not been
29 modified by any oral agreements.
30

31 e) To Seller's actual knowledge there is no pending or overtly threatened
32 condemnation or similar proceeding affecting any part of the Property, and
33 Seller has not received any notice of any such proceeding and has no
34 knowledge that any such proceeding is contemplated;
35

36 f) No work has been performed or is in progress at the Property and no
37 materials have been furnished to the Property which might give rise to
38 mechanic's, material man's, or other liens against the Property;
39

40 g) Seller is not prohibited from consummating the transactions contemplated
41 by this Agreement instrument, any law, regulation, agreement, judgment;
42 instrument, restriction, order, or
43

44 h) There are no attachments, executions, assignments for the benefit of
45 creditors, receiverships, conservatorships, or voluntary or involuntary
46 proceedings in bankruptcy or pursuant to any other laws for relief of

1 debtors contemplated, filed by or pending against Seller or any entities
2 related to Seller which might affect or involve the Property.

- 3
4 i) There is no default, nor has any event occurred which with the passage of
5 time or the giving of notice or both would constitute a default in any
6 contract, mortgage, deed of trust, lease, or other instrument which relates
7 to the Property or which affects the Property in any manner whatsoever.
8
9 j) There are no contracts or other obligations outstanding for the sale,
10 exchange, or transfer of all or any part of the Property;
11
12 k) Seller shall provide water rights assignments to the State;
13
14 l) Seller shall have performed fully and complied with the agreements
15 required to be performed or complied with by it prior to or at the Close of
16 Escrow, including satisfaction of the requirements contained in the
17 "Requirements" section of Schedule "B" of the preliminary title report
18 referred to in paragraph 17 (a) of this Agreement; and
19
20 m) Seller has not and will not at any time prior to Close of Escrow grant to
21 any person an interest in the Property other than that those listed in Exhibit
22 B (the "Leases").
23
24 n) If prior to the Close of Escrow Seller becomes aware of any facts or
25 circumstances which would render any of the above representations false
26 or materially misleading, Seller shall promptly give written notice thereof
27 to the State. Seller, without obligation or liability, may attempt to rectify
28 such matters, but if the State is not reasonably satisfied with such efforts,
29 and such facts or circumstances are not the result of Seller's intentional
30 acts, the State's sole remedies shall be: (I) to accept a modified
31 representation or warranty and close escrow as provided herein, without
32 adjustment to the sales price; or (ii) to cancel this Agreement and escrow
33 by giving written notice to Seller and Escrow Agent on or before the
34 Closing Date, in which case all obligations to buy or sell the Property shall
35 terminate. "Seller's knowledge", Seller's actual knowledge" or similar
36 phrases when used in this Agreement shall mean the actual current
37 knowledge of Dean Cooley or any other officer of Cooley Industries, Inc.
38 without any investigation or inquiry whatsoever except that specifically
39 required by this Agreement.
40

41 4. Escrow Company
42

- 43 a) If not previously done, an escrow shall be opened by the State with
44 Security Title Agency.
45

1 b) By countersigning this Agreement where indicated, Escrow Company, by
2 and through its duly authorized representative, hereby accepts this
3 transaction and agrees to act as the Escrow Company in connection with
4 this Agreement. By accepting this escrow, Escrow Agent agrees to be the
5 designated "reporting person" under § 6045(e) of the U.S. Internal
6 Revenue Code with respect to the real estate transaction described in this
7 Agreement and to prepare, file and deliver such information, returns and
8 statements as the U.S. Treasury Department may require by regulations or
9 forms in connection therewith, including Form 1099-B.

- 10
11 5. Close of Escrow: Close of escrow shall be on or before February 29, 2008.
12
13 6. Possession and Title: Possession and title shall pass from Seller to the State on the
14 Close of Escrow.
15
16 7. Payment: On or before the Close of Escrow the State shall pay the Purchase Price
17 to the Escrow Company. Escrow Company shall release the funds to the Seller on
18 the Close of Escrow.
19
20 8. Documents and Escrow: All documents necessary to close escrow shall be
21 deposited in escrow with the Escrow Company by the appropriate party. Except:
22 as otherwise provided in this Agreement, the Seller and the State agree to execute
23 all documents, including, but not limited to, the documents and deeds in this
24 paragraph or otherwise necessary to close this transaction, in the standard form
25 used by the Escrow Company, except that the Seller and the State hereby instruct
26 the Escrow Company to modify such documents to the extent necessary to be
27 consistent with this Agreement and to be in compliance with Arizona law.
28
29 9. Evidence of Title: Title to the Property shall be conveyed by warranty deed,
30 warranting against Seller's acts only, which shall specifically reference all of the
31 ground water and the surface water rights which are appurtenant to the property
32 and on file with the Arizona Department of Water Resources. The title shall be in
33 the name of the State of Arizona by and through the Arizona Department of
34 Administration.
35
36 10. Joint Committee on Capital Review Approval Required: The State's obligation to
37 perform under this Agreement is conditioned upon the approval of the JCCR
38 pursuant to A.R.S. § 41-791.02.
39
40 11. Time is of the Essence: Time is of the essence of this Agreement.
41
42 12. Taxes: Taxes due on the Property through the Close of Escrow shall be the
43 responsibility of and paid by the Seller. For taxes not yet due, the State shall
44 receive a credit against the purchase price for an amount prorated to the Close of
45 Escrow.
46

- 1 13. Authority: Each person signing this Agreement warrants that he has the capacity,
2 full power and authority to execute this Agreement and consummate the
3 transaction contemplated hereby on behalf of the party he represents.
4
- 5 14. Broker Commissions: Each party represents and warrants to the other that there
6 are no brokers, finders or real estate agents or other entities involved in this
7 transaction and there shall be no fees, commissions or other costs to be paid by
8 either party to any broker, finder or real estate agent or other Person due to the
9 actions of the other party.
10
- 11 15. Entire Agreement: This Agreement, together with its attached exhibits, constitutes
12 the entire agreement between the parties and supersedes any other written or oral
13 agreement between the parties.
14
- 15 16. Amendments: This Agreement can be modified only by a written amendment.
16
- 17 17. Contingencies Required To Be Met By Seller: The State's obligation to
18 consummate this transaction and to fulfill the obligations under this Agreement is
19 subject to satisfaction of the following conditions precedent:
20
- 21 a) Title Insurance and ALTA Survey
22
- 23 (i) Preliminary Title Report: Within ten (10) days of the receipt of a
24 copy of this Agreement by the Escrow Company, the Escrow
25 Company shall provide the State a current commitment for the title
26 insurance (the "Preliminary Title Report") disclosing all matters of
27 record and other matters which the Escrow Company has
28 knowledge and a legible copy of each of the instruments and
29 documents referred to in the Preliminary Title Report. State shall
30 have fourteen (14) days after receipt of the Preliminary Title
31 Report and the instruments and documents referred to therein to
32 object in writing to the Seller to any matter shown thereon. If the
33 State objects to any matter disclosed by the Preliminary Title
34 Report or any amendment thereof, Seller shall either rescind this
35 Escrow Agreement on or before 5 days prior to Close of Escrow or
36 shall have until the date of Close of Escrow to cause to be removed
37 any such objected matter from the Preliminary Title Report and
38 any amendment and policy of title insurance to be issued in favor
39 of the State. If Seller does not rescind or remove the objected to
40 matter, the State as its sole remedies may waive such default and
41 close Escrow or may cancel this Agreement by giving written
42 notice to Escrow Agent.
43
- 44 (ii) Title Policy: The Buyer shall cause Escrow Agent to furnish to the
45 State an owner's ALTA extended title insurance policy for [the full
46 amount of the Purchase Price,] to be paid for as provided in

1 paragraph 19 of this Agreement, which shall be issued by the
2 Escrow Company showing good and marketable title to the
3 Property, free from defects, claims and encumbrances, except as
4 follows: (1) restrictive covenants of record; (2) zoning regulations;
5 (3) easements and rights-of-way for public utilities; (4) printed
6 exceptions contained in the Owner's ALTA extended title
7 insurance policy; and (5) any matters contained in the Preliminary
8 Title Report and not objected to by the State pursuant to paragraph
9 17(a) (i) above. If title to the Property otherwise is defective at the
10 Close of Escrow, the State may elect at its sole option and as its
11 sole remedies, either to accept title subject to defects which are not
12 cured or to cancel this Agreement.
13

14 b) Survey: Buyer shall pay for a certified ALTA survey. ("Survey") of the
15 Property no later than fourteen (14) days prior to the Close of Escrow
16 setting forth an accurate legal description of the Property and showing the
17 location of the precise boundaries thereof, together with the
18 improvements, utilities and any other structures on the Property and all
19 easements, encroachments, rights-of -way and other matters affecting or
20 appurtenant to the Property, whether recorded, visible or otherwise known
21 to exist. The ADOA shall select the surveyor prior to the survey being
22 performed. The area of the Property shall be set forth in the Survey.
23

24 c) Examination of Property: Seller shall permit access to the Property by the
25 State and/or its agents upon reasonable advance notice to Seller prior to
26 Close of Escrow, to conduct, prepare and perform any studies including,
27 but not limited to a Phase I Environmental Assessment, surveys or reports
28 upon the Property that the State deems necessary and for the purpose of a
29 visual inspection and/or testing to determine, to the State's satisfaction, if
30 there are any hazardous wastes, or other pollutants, on the Property in
31 excess of the standards set forth in federal or state law or regulations. If
32 any possible hazardous wastes, or other pollutants, are found, whether
33 through visual inspection, testing or otherwise, the State may be required
34 to disclose these findings to third persons under the public disclosure laws,
35 and will disclose them to the appropriate federal and state agencies
36 concerned with the enforcement of environmental laws and regulations.
37 Access to the Property shall not interfere with the on-going business
38 operations on the Property. The State shall restore the Property to its
39 previous condition after any tests or investigations. The right to inspect the
40 Property shall not diminish nor nullify Seller's warranties or
41 indemnifications as set forth in this Agreement. The State will be
42 responsible to the Seller for any reasonable damages to property or injury
43 to persons, but no demises damages, to the Property caused by it during
44 any access to the Property under this paragraph. The State's obligations
45 hereunder shall survive the conveyance of title or termination of this
46 Agreement.

1
2 18. Water Rights and Non-foreign Affidavit: Seller shall provide the following
3 documents to Escrow Company at least fourteen (14) days prior to Close of
4 Escrow for review and approval by the State. If the State does not receive the
5 documents by such time, then the State shall have the right to cancel or extend the
6 Close of Escrow until fourteen (14) days after receipt of such documents without
7 penalty, at its sole option by giving written notice to Seller and Escrow Agent;
8

- 9 a) Assignments of Water Rights
10 b) Non-foreign Affidavit
11

12 19. Closing and Escrow Costs: Except as otherwise provided in this Agreement, all
13 closing and other costs shall be paid by the State. The State shall pay for the
14 ALTA survey fees. The State shall pay the premium for the standard owner's title
15 insurance policy and the additional costs of the ALTA extended owner's policy of
16 title insurance in the amount of the Purchase Price and any endorsements desired
17 by the State.
18

19 20. Seller's Warranties and Maintenance of the Property: Except as otherwise
20 provided in this Agreement, the Seller shall maintain and repair the Property so
21 that, at the time possession is transferred to the State, the Property shall be in
22 substantially the same condition as on the date of this Agreement. The Seller
23 warrants that, prior to the Close of Escrow, payment in full will have been made
24 for all labor, materials, machinery, fixtures or tools furnished within the one
25 hundred twenty days (120) days immediately preceding the Close of Escrow in
26 connection with the construction, alteration or repair of any structure on or
27 improvement to the Property by Seller.
28

29 21. Environmental Law Warranties:
30

- 31 a) Use of the Property: The Seller warrants that to Seller's actual knowledge
32 no portion of the Property is now being used for the treatment, collection,
33 storage, or disposal of any refuse, objectionable waste or any material in
34 violation of applicable federal, state or local law.
35
36 b) Superfund Liability: The Seller warrants that to Seller's actual knowledge
37 there is no current and there has been no past release of a hazardous
38 substance, pollutant, or contaminant from or onto the Property or the
39 environment adjacent to the Property by Seller that are subject to
40 regulation under applicable federal, state or local law, or that may make
41 the State liable in tort under a common law public or private nuisance
42 action.
43
44 c) Pending Investigation or Lawsuit: The Seller warrants that to its actual
45 knowledge no portion of the Property is the subject of a pending
46 investigation or lawsuit or administrative action by any person, firm,

governmental body or other entity relating to or arising from any matter of circumstance subject to regulation pursuant to any statute, ordinance, rule or regulation described in subparagraphs 21 (a) or (b) above, and the Seller has received no official notice of any alleged violation of any applicable federal, state or local environmental law.

- d) Compliance with Environmental Laws: The Seller warrants that to Seller's actual knowledge, the Property and all the operations on the Property comply fully with all federal, state or local environmental laws and regulations.
- e) Seller's Activities and Use: The Seller warrants that to Seller's actual knowledge the Seller and its employees have not engaged in nor permitted any operations on or activities upon, or any use or occupancy of the Property for the purpose of or involving the handling, treatment, storage, use, release, discharge, refining, dumping or disposal of any substance described in subparagraphs 21 (a) or (b) above, on, under, in or about the Property in violation of applicable law, nor transported any such substances to, from or across the Property in violation of applicable law, nor has Seller, its employees constructed, deposited, stored or otherwise located such substances on, under or about the Property in violation of applicable law.
- f) Indemnity: The Seller shall indemnify and hold harmless the State, its employees, and agents from and against any and all loss, damage and expense (including, but not limited to, reasonable investigation and legal fees and expenses) including, but not limited to, any damages, claim or action for injury, liability or damage to persons or property, and any and all damages, claims or actions brought by any person, firm, governmental body or other entity, resulting or arising from or in connection with a breach of any of the foregoing environmental law warranties.
- g) Survival: All warranties, agreements, and indemnifications contained in subparagraphs (a) through (f) above shall survive the Close of Escrow, and shall run to the State's successors, assigns, and subsequent purchasers.
- h) Termination/Discovery of Environmental Conditions: Notwithstanding other termination clauses in this Agreement, the State, if it is dissatisfied with the environmental data known, or which may become known, to it, may cancel this Agreement to purchase the Property by giving written notice thereof.

22. Risk of Loss: If there is any loss or damage to Persons or to the Property between the date of this Agreement and the Close of Escrow, by any reason, including but not limited to fire, vandalism, flood, earthquake, act of God, negligence,

willfulness or recklessness, the risk of loss shall be on the Seller except as to the actions of the State and its agents.

23. Cancellation: Any party who elects to cancel this Agreement because of any breach by another party, and who is not itself in breach of this Agreement except for any breach occasioned by a breach by the other party, may cancel this Agreement by delivering to the Escrow Company and the other party a written notice stating that this Agreement shall be canceled unless the breach is cured within ten (10) days following the delivery of the notice to the other party. If the breach is not cured within ten (10) days following the delivery of the notice to the other party, this Agreement shall be canceled and the breaching party shall be liable for all customary escrow cancellation charges. If this escrow fails to close for any other reason, Seller and State shall each be liable for one-half (1/2) of all customary escrow cancellation charges.

24. Survival: This Agreement shall survive the Close of Escrow as to any terms, conditions, agreements, warranties, or representations which are to apply thereafter.

25. Successors and Assigns: This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective heirs, representatives, successors-in-interest and assignees.

26. Notice: All notices, requests, demands, consents, approval and any other communications which may or are required to be served or given hereunder (for the purposes of this provision collectively called "Notices"), shall be in writing and shall be sent by registered or certified United States mail, return receipt requested, postage prepaid, addressed to the party or parties to receive such notice as follows:

a) If intended for the State to:

Arizona Department of Administration
100 N. 15th Avenue, Suite 202
Phoenix, Arizona 85007
Attn: Nola Barnes
Title: General Manager, Building & Planning Services
Phone: 602-542-1954

b) If intended for Seller to:

Cooley Industries, Inc.
P.O. Box 20188
Phoenix, Arizona 85036-0188
Attn: Dean Cooley

1 Or to such other address as either party may from time to time furnish in writing
2 to the other by notice hereunder. Any notice so mailed shall be deemed to have
3 been given as of the date such notice is received on the return receipt.
4 Furthermore, such notice may be given by delivering personally such notice, if
5 intended for the State, to Nola Barnes; if intended to the Seller to Dean Cooley or
6 to such other person as either party may from time to time designate in writing to
7 the other by notice hereunder. Any notice to deliver shall be deemed to have been
8 given as of the date such notice is personally delivered to the other party.
9

- 10 27. Time: Unless otherwise indicated, all periods of time referred to in this
11 Agreement shall refer to calendar days and shall include all Saturdays, Sundays,
12 and state or national holidays, provided that if the date or last date to perform any
13 act or give any notice with respect to this Agreement shall fall on a Saturday,
14 Sunday or state or national holiday such act or notice may be timely performed or
15 given on the next succeeding day which is not a Saturday, Sunday or state or
16 national holiday.
17
- 18 28. Headings: Headings are for convenience only and are not to be construed as part
19 of this Agreement.
20
- 21 29. Negotiated Agreement: This Agreement is the result of negotiations between the
22 parties and, accordingly, shall not be construed for or against either party
23 regardless of which party drafted this Agreement or any portion thereof.
24
- 25 30. Invalidity of a Term: The parties agree that in the event any term, covenant or
26 condition herein contained should be held to be invalid or void, the invalidity of
27 any such term, covenant or condition shall in no way affect any other term,
28 covenant or condition of this Agreement.
29
- 30 31. Conflict of Interest: The parties acknowledge that this Agreement is subject to
31 cancellation by the Governor of Arizona pursuant to A.R.S. § 38-511, the
32 provisions of which are incorporated herein.
33
- 34 32. Prohibition against Discrimination: In the event that it applies, the parties agree to
35 comply with the Arizona Governor's Executive Order No. 99-4, entitled
36 "Prohibition of Discrimination in State Contracts - Non-Discrimination in
37 Employment by Government Contractors and Subcontractors."
38
- 39 33. Maintaining and Producing Records: Pursuant to A.R.S. § 35-214, Seller shall
40 retain for inspection and audit by the State all books, accounts, reports, files, and
41 other records relating to the performance of this contract for a period of five years
42 after its completion. Upon request by the Buyer, a legible copy of all such records
43 shall be produced by the Seller at the administrative office of the State Auditor.
44 The original of all such records shall also be available and produced for
45 inspection and audit when needed to verify the authenticity of a copy.
46

- 1 34. Governing Law and Venue: This Agreement shall be construed under the laws of
2 the State of Arizona. Any arbitration or other action arising out of this Agreement,
3 whether for the enforcement thereof or otherwise, shall be brought in Maricopa
4 County, State of Arizona.
5
6 35. Arbitration: To the extent required by A.R.S. § 12-1518, the parties agree to use
7 arbitration to resolve any dispute arising out of this Agreement in accordance with
8 Arizona law.
9
10 36. Relocation Assistance: Seller acknowledges that any relocation assistance to
11 which Seller may be entitled pursuant to A.R.S. § 11-961, et seq. has been
12 included in the purchase price.
13
14 37. Exhibits: The following is a list of the exhibits attached, unless otherwise stated,
15 hereto, all of which are incorporated herein by reference as if set forth in full
16
17 A) Legal Description of the Property
18
19 B) Lease; Cooley – Mortenson Construction

IN WITNESS WHEREOF, this Agreement is executed in duplicate as of the day, month and year first above written.

Date: _____

Date: _____

Seller: Cooley Industries, Inc.

Buyer: State of Arizona acting by and
through its Department of
Administration

By: _____

By: William Bell

Title: _____

Title: Director

Security Title Agency, an Arizona corporation, by and through its duly authorized representatives, hereby agrees to act as Escrow Company in accordance with the terms of the foregoing Agreement.

DATED: _____

By: _____

Title: _____

EXHIBIT A

Legal Description

Parcel 2: (RAILROAD STRIP)

A parcel of land lying within Section 12, Township 1 North, Range 2 East, of the Gila and Salt River Base and Meridian, Maricopa County, Arizona, more particularly described as follows:

COMMENCING at the Southeast corner of Lot 28 of Block 36 of CAPITOL ADDITION according to Book 2 of Maps, Page 13, records of Maricopa County, Arizona, said point being the POINT OF BEGINNING of the herein described parcel;

thence along the Northerly right-of-way line of Jackson Street, South 89 degrees 59 minutes 26 seconds West, a distance of 78.14 feet, to the beginning of a non-tangent curve;

thence leaving said Northerly right-of-way line, Northeasterly along said curve, having a radius of 462.68 feet, concave Westerly, whose radius bears North 64 degrees 11 minutes 31 seconds West, through a central angle of 25 degrees 09 minutes 51 seconds, a distance of 203.21 feet, to the curve's end;

thence North 00 degrees 38 minutes 38 seconds East, a distance of 103.70 feet, to the Southerly right-of-way line of Madison Street;

thence along said Southerly right-of-way line, South 90 degrees 00 minutes 00 seconds East, a distance of 5.66 feet, to the Westerly right-of-way line of A.T.S.F. railroad;

Unofficial Document

thence leaving said Southerly right-of-way line along said Westerly right-of-way line, South 10 degrees 00 minutes 08 seconds East, a distance of 142.12 feet to the Westerly right-of-way line of 19th Avenue;

thence leaving said A.T.S.F. Westerly right-of-way line along said 19th Avenue Westerly right-of-way line, South 00 degrees 10 minutes 59 seconds East, a distance of 159.96 feet to the POINT OF BEGINNING

RECEIVED
DEC 15 2006
MORTENSON

LEASE AGREEMENT

This Lease Agreement made and entered into this 13th day of December 2006 by and between COOLEY INDUSTRIES, INC., "Lessor", and M. A. MORTENSON COMPANY, "Lessee".

The Lessor does hereby lease to the Lessee the parcel of land located at the northwest corner of West Jackson Street and South 19th Avenue, Phoenix, Arizona, consisting of approximately 0.2464 acres, or 10,731 square feet of land, more or less as depicted on Exhibits A-1 and A-2.

The leased premises shall be used and occupied by the Lessee solely as a temporary construction storage site.

ARTICLE I. TERMS

The term of this Lease shall be for a period commencing on December 15, 2006 and expiring on the day that the STATE OF ARIZONA completes the purchase of the property.

In the event that the STATE OF ARIZONA does not complete the purchase of this property, Lessee shall, at the end of the construction project, quit and surrender to the Lessor the leased property in good order and a clean condition, having removed all Lessee's debris, trash, property, and equipment.

ARTICLE II. CHARGES PAYABLE BY THE LESSEE

The Lessee agrees to pay the Lessor, at the address hereinafter set forth, the base rental of SEVEN HUNDRED FIFTEEN AND NO/100 DOLLARS (\$715.00) on the first day of the Lease and on the same day each month thereafter, plus any rental tax thereon.

ARTICLE III. ENVIRONMENTAL

The Lessee agrees to make every effort on this leased property to keep it clean of contaminants by removing on a regular basis any obvious contaminants that may be present. The Lessee recognizes and will comply with the requirements of the Environmental Protection Agency (EPA) and the Arizona Department of Environmental Quality (ADEQ).

ARTICLE IV. ASSIGNMENTS

Lessee agrees not to transfer or assign this Lease or let or sub-let any part of the leased premises without the written consent of the Lessor first having been obtained.

ARTICLE V. DAMAGE, INJURY, AND INSURANCE

Lessor shall not be responsible or liable for any loss, theft, damage, injury or death to any person or property on or about the leased premises, except as may be caused by the negligence of Lessor or Lessor's agent.

Lessee agrees to maintain a policy of general liability insurance against claims and damages in connection with the leased premises in the amount of not less than \$1,000,000 and a minimum limit of \$100,000 for property damage liability coverage.

All insurance policies required to be carried hereunder shall add the name of COOLEY INDUSTRIES, INC. to the policies as "Additional Insured" and agrees to insure the Lessor's interest so long as this Lease is in effect. A certificate of liability insurance evidencing that the proper insurance amounts and name addition have been made shall be provided to Lessor.

ARTICLE VI. WAIVER

Waiver of any provision of this Lease shall not be deemed to have been made by Lessor unless the same is expressed in writing and signed by Lessor.

ARTICLE VII. NOTICES

All notices, demands, payments required hereunder shall be given to:

Lessor at: 1930 West Broadway Road
Phoenix, Arizona 85041

Lessee at: 3100 West Ray Road, Suite 101
Chandler, Arizona 85226

or at such address as either shall designate in writing to the other, and shall be given by certified mail or by personal delivery with a written receipt thereon.

ARTICLE VIII. DEFAULT

If the Lessee at any time during the term of this Lease or any extension thereof (and regardless of the pendency of any bankruptcy reorganization, receivership, insolvency, or other proceedings, in law, in equity, or before an administrative tribunal, which have or might have the effect of preventing the Lessee from complying with the terms of this Lease) shall:

- (a) Fail to make any payments of any installment of rent, or of any other sum required to be paid by Lessee;

- (b) Or fails to observe or perform any of the Lessee's other covenants, agreements, or undertakings under this Lease, and if such default shall not be cured in ten (10) days after written notice thereof specifying such default or defaults;

Or, if the Lessee is adjudged bankrupt or insolvent or has a receiver appointed for it after a petition filed for the Lessee's reorganization under the BANKRUPTCY ACT OF THE UNITED STATES or any future laws having the same general purposes;

Or, if the Lessee shall make an assignment for the benefit of its creditors;

Then, and in such event, the Lessor shall have the right, at its election, then or any time thereafter while such default or defaults continue, to give the Lessee notice of the Lessor's intention to terminate this Lease and all rights and privileges granted the Lessee hereunder, on a date specified in such notice; which date shall not be less than ten (10) days after the giving of such notice; and on the date specified in such notice and term of this Lease and all rights and privileges granted the Lessee hereunder shall come to an end, as fully as if such date were the last day of the whole term herein specified.

In the event of the termination of this Lease, as in this article provided, the Lessor shall have the right to repossess the leased premises, either without process of law or through any form of suit or proceedings, as well as the right to sue for, and recover, all rents and other sums accrued up to the time of such termination, including damages arising out of any breach of any part of this Lease. The Lessor shall also have the right, without resuming possession of the leased premises or terminating this Lease, to sue for, and recover, all rents and other sums, including damages, at any time, and from time-to-time accruing hereunder.

ARTICLE IX. RESERVED RIGHTS

Each and every right, remedy, measure of damages or privilege, granted or allowed to the Lessor/Lessee by the statutes or general law of the state in which the leased premises are situated, is reserved to, and by, the Lessor/Lessee with the same force and effect as if said right, remedy, measure of damages, or privileges were set forth at length herein.

ARTICLE X. EMINENT DOMAIN

Should any portion of the leased premises be taken from Lessor under eminent domain proceedings, Lessee shall have no right or interest in any award made for such taking, except for any fixtures and improvements installed by Lessee which are the property of Lessee.

ARTICLE XI. INVALID OR VOID PROVISIONS

The parties hereto expressly agree that in the event any provision of this Lease is held invalid or void by any court of competent jurisdiction, such invalidity of any provision shall in no way affect any other provision or covenant contained in this Lease.

ARTICLE XII. BINDING TO SUCCESSORS

This Lease binds all parties hereto, including successor trustees, their heirs, legatees, devisees, administrators, executors, and assigns.

IN WITNESS WHEREOF the parties hereto have set their hands the day and year first above written.

COOLEY INDUSTRIES, INC. (Lessor)

BY: Dean L. Cooley
Dean L. Cooley, President

DATE: 12/13/06

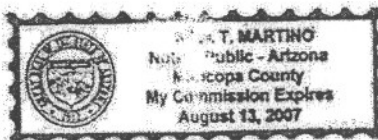
M. A. MORTENSON COMPANY (Lessee)

BY: Robert G. Hardin
Robert G. Hardin, Vice President

DATE: 12/13/06

DUPLICATE

STATE OF ARIZONA)
) ss
COUNTY OF MARICOPA)



On this 14th day of December 2006, before me, the undersigned NOTARY PUBLIC, personally appeared DEAN L. COOLEY, who acknowledged himself to be the President of COOLEY INDUSTRIES, INC., and that he, being authorized so to do, executed the foregoing instrument for the purposes therein contained by signing as President.

IN WITNESS whereof, I have hereunto set my hand and official seal.

MY COMMISSION EXPIRES:

August 13, 2007

Maria J. Martino

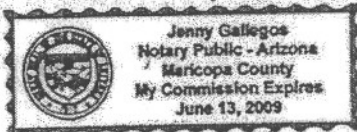
NOTARY PUBLIC

STATE OF ARIZONA)
) ss
COUNTY OF MARICOPA)

On this 13th day of December 2006, before me, the undersigned NOTARY PUBLIC, personally appeared Robert G. Hardin, who acknowledged himself to be the Vice-President for M. A. MORTENSON COMPANY, and that he, being authorized so to do, executed the foregoing instrument for the purposes herein contained by signing as Vice-President.

IN WITNESS whereof, I have hereunto set my hand and official seal.

MY COMMISSION EXPIRES:



6/13/2009

Jenny Gallegos
NOTARY PUBLIC

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

ROBERT L. BURNS
CHAIRMAN 2007
PAULA ABOUD
AMANDA AGUIRRE
MARSHA ARZBERGER
KAREN S. JOHNSON
THAYER VERSCHOOR
JIM WARING

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

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FAX (602) 926-5416

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HOUSE OF
REPRESENTATIVES

RUSSELL K. PEARCE
CHAIRMAN 2008
TOM BOONE
TRISH L. GROE
JOHN KAVANAGH
PHIL LOPES
DAVID LUJAN
DAVID SCHAPIRA

DATE: December 11, 2007

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leah Ruggieri, Senior Fiscal Analyst

SUBJECT: Arizona State University – Review of Memorial Union Fire Renovations Bond Project

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Arizona State University (ASU), on behalf of the Arizona Board of Regents (ABOR), requests Committee review of the \$40.0 million Memorial Union Fire Renovations bond project. ASU would finance this project with a total new revenue bond issuance of \$13.0 million and \$27.0 million from insurance reimbursements.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request with the following standard university financing provisions:

- ASU shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. ASU shall also report to the Committee before any reallocation exceeding \$500,000 among the individual planned renovations, renewals, or extensions.
- ASU shall submit for Committee review any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, ASU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.
- 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)

The JLBC Staff additionally recommends that ASU shall submit for Committee review any change in the current \$27.0 million estimated insurance reimbursement amount in excess of \$500,000 and a revised financing plan.

Analysis

On November 1, 2007, a fire caused extensive damage to the ASU Memorial Union. The ASU Memorial Union is 255,000 square-feet in size and is located at the center of campus, providing services, dining, and office and conference space for students and organizations. To correct the fire damage and additionally renovate the Memorial Union, ASU seeks to perform the following work:

- Insure that the facility receives fire marshal approval by adding sprinklers, a fire alarm system, stairwell fire barriers, and other structural modifications;
- Restore the dining and retail venues on the first and lower levels;
- Repair or replace infrastructure, such as climate control equipment and cracks in structural walls;
- Restore a freight elevator;
- Restore public and meeting spaces and upgrade finishes and fixtures;
- Perform minor reconfigurations of space.

ASU has closed the building, but intends to open the first and lower levels by January 2008 and the second and third levels by May 2008 at the latest. In the interim, space in the Physical Education Building West currently houses a temporary food service establishment, 2 banks, several ATMs, and a travel agency. Four retail operations have been closed until the building reopens and meetings and events scheduled at the union have either been moved or canceled.

Construction Costs

ASU anticipates that the project will have a direct construction cost of \$26.7 million. This includes \$20.2 million for remediation and \$6.5 million for renovation. The total project cost also includes a \$3.0 million contingency. *Table 1* below displays the construction and project costs associated with the Memorial Union renovations alongside projects favorably reviewed by the JCCR in the past year. Although the latter projects primarily included the renovation of office and lab space, the Memorial Union renovation total cost per-square-foot at \$157 and the direct construction cost per-square-foot at \$105 fall at the lower end of the range of per-square-foot costs for the renovation projects listed below.

Table 1			
University Renovation Projects			
Estimated per Square-Foot Costs			
<u>Project</u>	<u>Total Project Cost</u>	<u>Total Cost Per Square Foot</u>	<u>Direct Construction Cost Per Square Foot</u>
Academic Renovations & Deferred Maintenance Phase IIA	\$9,955,000	\$154/sf	\$120/sf
Memorial Union Fire Renovations Project	\$40,000,000	\$157/sf	\$105/sf
Nursing Backfill Renovation Project	\$8,000,000	\$164/sf	\$115/sf
West Stadium Renovations	\$3,200,000	\$196/sf	\$136/sf
Instructional/Research Laboratory Renovations	\$20,000,000	\$269/sf	\$202/sf

ASU would contract the union renovation project using Construction Manager at Risk (CMAR). In CMAR, the university competitively selects a general contractor according to quality and experience. The general contractor manages a construction project, including the associated architect and other subcontractors, from design to completion. The general contractor chooses a qualified subcontractor for

(Continued)

each trade based on price competition, selecting the lowest bid. Additionally, CMAR defines a guaranteed maximum price, after which the general contractor must absorb almost all cost increases except those caused by scope changes or unknown site conditions. Occasionally, in the case of substantial materials price inflation, a university will partially cover higher costs to maintain good contractor relations.

Financing

The total estimated project cost for the Memorial Union renovation is \$40.0 million, of which \$27.0 million is assumed to be funded by insurance reimbursements. ASU indicates that they will hire an insurance consultant to negotiate on their behalf with the insurance company the actual amount of the insurance reimbursement. The additional \$13.0 million will be funded by system revenue bonds, of which half will be repaid with tuition collections and the other half will be repaid with other local funds. ASU anticipates issuing AAA rated system revenue bonds in the early 2008 with a 5% annual interest rate and a term of 20 years.

The university estimates an annual debt service of \$1.0 million for the project, with a 20-year total cost of \$20.9 million. ASU does not anticipate additional operating and maintenance costs when the project is completed.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8.0% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The \$13.0 million system revenue bond issuance would increase the ASU debt ratio by 0.1% from 4.2% to 4.3%.

RS/LR:ym

ASU
ARIZONA STATE UNIVERSITY

November 28, 2007



The Honorable Bob Burns, Chair
Joint Committee on Capital Review
1700 W. Washington
Phoenix, AZ 85007

Dear Senator Burns:

In accordance with ARS 15-1683, the Arizona Board of Regents requests that the following bond financed projects for ASU be placed on the next (December 18, 2007) Joint Committee on Capital Review Agenda for review:

Memorial Union Fire Renovations
Indoor Basketball Practice Facility
Indoor Football Practice Facility

Enclosed is pertinent information relating to these projects.

These projects are scheduled for review and approval by the Board of Regents on December 7, 2007. If any of the projects are not approved by the Regents at that time, the request for JCCR review will be withdrawn until Regents' approval has been received.

Also enclosed is an updated report for the following previously reviewed project:

Academic Renovations and Deferred maintenance – Phase IIA

ASU has funded one of the subprojects from another funding source and added a new subproject. There is not, however, an increase to the total bond financed amount for this project.

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

Sincerely,

Carol Campbell
Executive Vice President and CFO

Enclosures

c: Richard Stavneak, Director, JCCR
Joel Sideman, Executive Director, Arizona Board of Regents
Sandra Woodley, CFO, Arizona Board of Regents
Lorenzo Martinez, Assist. Exec. Dir. for Capital Resources, Arizona Board of Regents
Richard Stanley, Senior Vice President and University Planner
Virgil Renzulli, Vice President for Public Affairs
Scott Cole, Deputy Executive Vice President, University Services
Steve Miller, Deputy Vice President, Public Affairs
Lisa Frace, Associate Vice President for Budget and Planning
James Sliwicki, Director, Budget Planning and Management
Gerald Snyder, Associate Vice President for Finance and Treasurer
Karla Phillips, Director, State Relations
Leah Ruggieri, Fiscal Analyst, JCCR

OFFICE OF THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
Business and Finance

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

EXECUTIVE SUMMARY

ACTION ITEM: Combined Project Implementation Approval and Project Approval for Memorial Union Fire Renovations

ISSUE: ASU requests that the Board grant Project Implementation Approval and Project Approval for the Memorial Union Fire Renovations Project at ASU at the Tempe campus. A fire on November 1, 2007 caused major and extensive damage to the ASU Memorial Union, a 255,000 square foot building which serves one of the largest student populations in the U.S. The building is in the center of campus and provides services, dining, and office and conference space for students and other organizations. The building is currently closed, pending structural and other repairs due to the fire. This project would allow ASU to begin renovations necessary to reopen the facility.

PREVIOUS BOARD ACTION:

- 2009-2011 Capital Improvement Plan September 2007
- 2008 Capital Development Plan Amendment December 2007

PROJECT DESCRIPTION:

This project will repair, renovate, or upgrade the 255,000 square foot Memorial Union. ASU is now in the process of determining the extent of the fire damage and the subsequent magnitude of renovation required to make the building safe and hospitable.

The estimated budget for this project is \$40,000,000.

The lower level and first floor will primarily be repaired, while the second floor will undergo renovations. There will also be some renovation to building access, circulation, as well as renovation to bring the building in compliance with current ADA and code requirements. ASU is working in conjunction with the Arizona State Fire Marshall in this process, to ensure that the building will be brought up to all current fire code standards before it is re-occupied.

Approval of the project will allow ASU to perform the following work:

- Insure that the facility has meets all expectations of the state fire marshal, including: sprinklers, fire alarm system (including a voice annunciation system), stairwell fire barriers, and other appropriate structural modifications
- Restore the dining and retail venues on the first and lower levels

EXECUTIVE SUMMARY

- Repair/replace infrastructure (HVAC and cracks in structural walls)
- Restoration of freight elevator
- Restore the public and meeting spaces on the lower, first, and second levels with upgraded finishes and fixtures
- Minor space reconfigurations

It is the intent to have the first and lower levels operational by January 2008. ASU anticipates having the second and third levels operational by May 2008; however, every effort will be made to open some spaces earlier. These dates are needed to bring basic dining and retail services on line for the start of second semester and to have ample meeting space by the start of new student orientation.

PROJECT JUSTIFICATION

A fire on November 1, 2007 caused major and extensive damage to the ASU Memorial Union, a 255,000 square foot building which serves one of the largest student populations in the U.S. The building is currently closed, pending structural and repairs due to the fire.

Since the fire, eleven retail food venues have been closed, as well as a convenience store and a residential dining facility. Space in the Physical Education Building West is currently serving as a temporary food service establishment for the campus community, but the variety of meal options and service are much more limited than what was provided at the Memorial Union. Other meal facilities have also felt the brunt of the closure, with food services at Hassayampa, Palo Verde Main and Manzanita being pushed to capacity, creating long lines and wait times. Services of two banks, several ATMs, and a travel agency have been temporarily relocated to the Physical Education Building West. The Sun Card operation has been relocated to the Bookstore, and the four remaining retail operations have been closed until the building re-opens. All meetings and events scheduled for the Memorial Union have either been moved to another venue or canceled.

FISCAL IMPACT AND FINANCING PLAN

The funding source for this project would be insurance reimbursements or system revenue bonds. The amount to be financed versus funded from insurance reimbursements may change once the insurance claim is settled. The funding source for the debt service would be tuition and other local funds. This project was included in the ASU 2008 Capital Development Plan Amendment, submitted in December 2007, which shows that the ASU debt service on all outstanding debt would be 5.1 percent of the university's total projected expenditures (State law basis, max 8 percent) and 6.5 percent of the university's projected unrestricted expenditures (ABOR policy basis, max 10 percent).

EXECUTIVE SUMMARY

The debt service for this project is .06 percent (6/100th of 1%) of ASU total projected expenditures (State Law basis) and .08 percent (8/100th of 1%) of ASU total projected unrestricted expenditures (ABOR Policy basis).

RECOMMENDATION:

RESOLVED: That the Board grant approval to the ASU request for Project Implementation Approval and Project Approval for the Memorial Union Fire Renovations at ASU at the Tempe campus.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University

Project Name: Memorial Union Fire Renovations

Project Description/Location:

This project is planned to renovate the 255,000 square foot Memorial Union. The project will include renovations to fire, smoke, and water damaged areas, installation of all necessary fire suppression and fire warning equipment and infrastructure, including fire barriers. The project intends to repair structural deficiencies, as well as renovate second floor areas, building access, circulation areas, and bring the building into ADA compliance.

Project Schedule (Beginning Month/Year):

Planning	November 2007
Design	November 2007
Construction	November 2007
Occupancy	May 2008

Project Budget:

Total Project Cost	\$ 40,000,000
Direct Construction Cost	\$ 26,700,000
Total Project Cost per GSF	\$ 157
Construction Cost per GSF	\$ 105

Change in Annual Oper. /Main. Cost

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

Funding Sources:

Capital

A. Revenue Bonds \$ 13,000,000
(Funding source for Debt service: Tuition and Other Local Funds)

B. Insurance Settlement \$ 27,000,000
(The amount to be financed versus funded from insurance reimbursement may change once the insurance claim has been settled.)

Operation/Maintenance (Not applicable) \$ 0

EXECUTIVE SUMMARY

Capital Project Cost Estimate

University: Arizona State University at the Tempe campus

Project: Memorial Union Fire Renovations

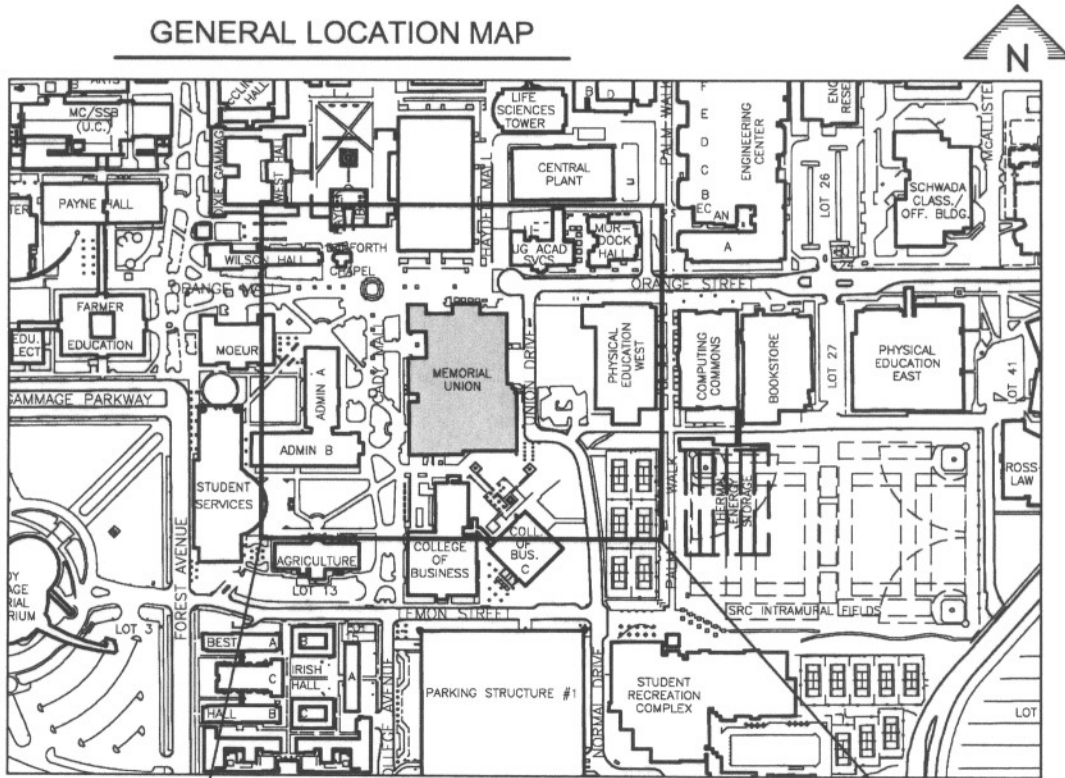
	<u>Capital Development Plan</u>	<u>Project Implementation Approval</u>	<u>Project Approval</u>
Capital Costs			
1. Land Acquisition	\$ -	\$ -	\$ -
2. Construction Cost	-	-	-
A. Remediation	20,200,000	20,200,000	20,200,000
B. Renovation	6,500,000	6,500,000	6,500,000
C. Special Fixed Equipment	-	-	-
D. Site Development (excl. 2.E.)	-	-	-
E. Parking and Landscaping	-	-	-
F. Utilities Extensions	-	-	-
G. Other* (Sustainability)	-	-	-
H. Inflation Adjustment	-	-	-
Subtotal Construction Cost	<u>\$ 26,700,000</u>	<u>\$ 26,700,000</u>	<u>\$ 26,700,000</u>
3. Fees			
A. Construction Mgr	\$ 400,500	\$ 400,500	\$ 400,500
B. Architect/Engineer	3,204,000	3,204,000	3,204,000
C. Other	-	-	-
Subtotal Consultant Fees	<u>\$ 3,604,500</u>	<u>\$ 3,604,500</u>	<u>\$ 3,604,500</u>
4. FF&E Movable	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
5. Contingency, Design Phase	1,515,225	1,515,225	1,515,225
6. Contingency, Constr. Phase	1,515,225	1,515,225	1,515,225
7. Parking Reserve	-	-	-
8. Telecommunications Equipment	700,000	700,000	700,000
Subtotal Items 4-8	<u>\$ 8,730,450</u>	<u>\$ 8,730,450</u>	<u>\$ 8,730,450</u>
9. Additional University Costs			
A. Surveys and Tests	\$ 20,000	\$ 20,000	\$ 20,000
B. Move-in Costs	-	-	-
C. Printing Advertisement	7,500	7,500	7,500
D. Keying, signage	25,397	25,397	25,397
E. Project Management Cost (2.09%)	809,118	809,118	809,118
F. State Risk Mgt. Ins. (.0034 **)	103,035	103,035	103,035
Subtotal Addl. Univ. Costs	<u>\$ 965,050</u>	<u>\$ 965,050</u>	<u>\$ 965,050</u>
TOTAL CAPITAL COST	<u><u>\$ 40,000,000</u></u>	<u><u>\$ 40,000,000</u></u>	<u><u>\$ 40,000,000</u></u>

* Universities shall identify items included in this category

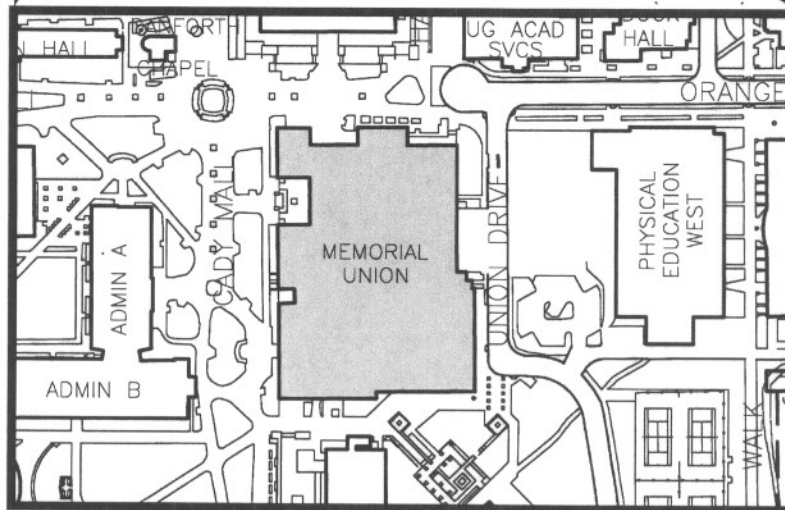
** State Risk Management Insurance factor is calculated on construction costs and consultant fees.

EXECUTIVE SUMMARY

GENERAL LOCATION MAP



MEMORIAL UNION FIRE RENOVATIONS LOCATION



AREA IN DETAIL

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

ROBERT L. BURNS
CHAIRMAN 2007
PAULA ABOUD
AMANDA AGUIRRE
MARSHA ARZBERGER
KAREN S. JOHNSON
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JIM WARING

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HOUSE OF
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RUSSELL K. PEARCE
CHAIRMAN 2008
TOM BOONE
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JOHN KAVANAGH
PHIL LOPES
DAVID LUJAN
DAVID SCHAPIRA

DATE: December 11, 2007

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Amy Strauss, Senior Fiscal Analyst

SUBJECT: Arizona State University – Review of Indoor Basketball Practice Facility Bond Project

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Arizona State University (ASU), on behalf of the Arizona Board of Regents (ABOR), requests Committee review of the \$22.0 million indoor basketball practice facility. ASU would finance this project with a total new revenue bond issuance of \$19.8 million and \$2.2 million from upfront cash gifts.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request with the following standard university financing provisions:

- ASU shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project. ASU shall also report to the Committee before any reallocation exceeding \$500,000 among the individual planned renovations, renewals, or extensions.
- ASU shall submit for Committee review any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, ASU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.
- 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)

Analysis

The ASU Athletes' Performance Institute (API) currently provides a facility for strength and conditioning training rooms located on ASU's main campus. The facility is 19,875 gross square feet in size, and was built by API under a ground lease with the university. ASU had alerted API of its intent to acquire the property in its existing condition, a provision which was included in the terms of the ground lease. The cost of terminating the lease is approximately \$2.5 million.

ASU intends to utilize the API facility in conjunction with an adjacent new indoor basketball facility known as the Weatherup Center. The Weatherup Center will provide practice and training conditions for ASU's men's and women's basketball teams. The approximately 50,000 gross square foot Weatherup Center facility will include basketball courts, offices, meeting spaces, and locker room facilities. Construction will begin in April 2008 and conclude in March 2009. Currently, both teams share practice space in the Wells Fargo Arena. Due to insufficient practice times, the teams have been practicing in local high school gymnasiums.

Estimated Costs

ASU estimates the total project cost at \$22.0 million, which includes the \$2.5 million fee for terminating the ground lease with API. Total project construction cost for the facility is estimated at \$19.5 million, and the direct construction cost is \$16.5 million. The total cost per-square-foot is \$390, and the direct construction cost per-square-foot is \$330. *Table 1* below illustrates the construction and project costs associated with the indoor basketball facility project, as well as previous comparable projects. The total cost per square foot for the facility is \$390, which is at the lower end of comparable projects; therefore, we believe the costs are reasonable.

Table 1			
Arizona State University			
Indoor Basketball Facility Project Costs			
<u>Project</u>	<u>Total Construction</u>	<u>Total Cost Per</u>	<u>Direct</u>
	<u>Project Cost</u>	<u>Square Foot</u>	<u>Construction Cost</u>
			<u>Per Square Foot</u>
ASU - Indoor Basketball Facility	\$19,500,000	\$390	\$330/sf
UA - Student Recreational Center	\$27,600,000	\$520	\$361/sf
UA - Athletic Facilities Additions and Renovations Project	\$20,000,000	\$476	\$336/sf

ASU would contract this bond project using Construction Manager at Risk (CMAR). In CMAR, the university competitively selects a general contractor according to quality and experience. The general contractor manages a construction project, including the associated architect and other subcontractors, from design to completion. The general contractor chooses a qualified subcontractor for each trade based on price competition, selecting the lowest bid. Additionally, CMAR defines a guaranteed maximum price, after which the general contractor must absorb almost all cost increases except those caused by scope changes or unknown site conditions. Occasionally, in the case of substantial materials price inflation, a university will partially cover higher costs to maintain good contractor relations.

Financing

Total project cost for the indoor basketball facility is \$22.0 million, of which \$19.8 million will be funded by system revenue bonds, and \$2.2 million in up-front cash gifts. ASU aims to raise 100% of the project costs by a combination of pledged and in-cash gifts. Currently, up-front cash gifts total \$2.2 million, and pledges are estimated at \$8 million, which combined is approximately 46% of the total project cost. ASU estimates raising the entirety of the total project cost by December 2012.

(Continued)

ASU anticipates issuing AAA rated system revenue bonds in the spring of 2008 with a 6% annual interest rate and a term of 30 years. The university estimates an annual debt service of \$1.43 million, with a 30-year total of approximately \$43.0 million. ASU would pay this debt service payment by up-front cash gifts. If the amount of gift revenue cannot cover this payment, ASU will use athletic revenues to cover the cost. ASU anticipates an additional annual operating and maintenance cost of \$321,000 when the project is completed, and will request a General Fund appropriation to cover this additional cost.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8.0% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The \$19.8 million system revenue bond issuance would increase the ASU debt ratio by 0.1 % from 4.2% to 4.3%.

RS/AS:ym



ARIZONA STATE UNIVERSITY

November 28, 2007



The Honorable Bob Burns, Chair
Joint Committee on Capital Review
1700 W. Washington
Phoenix, AZ 85007

Dear Senator Burns:

In accordance with ARS 15-1683, the Arizona Board of Regents requests that the following bond financed projects for ASU be placed on the next (December 18, 2007) Joint Committee on Capital Review Agenda for review:

Memorial Union Fire Renovations
Indoor Basketball Practice Facility
Indoor Football Practice Facility

Enclosed is pertinent information relating to these projects.

These projects are scheduled for review and approval by the Board of Regents on December 7, 2007. If any of the projects are not approved by the Regents at that time, the request for JCCR review will be withdrawn until Regents' approval has been received.

Also enclosed is an updated report for the following previously reviewed project:

Academic Renovations and Deferred maintenance – Phase IIA

ASU has funded one of the subprojects from another funding source and added a new subproject. There is not, however, an increase to the total bond financed amount for this project.

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

Sincerely,

Carol Campbell
Executive Vice President and CFO

Enclosures

c: Richard Stavneak, Director, JCCR
Joel Sideman, Executive Director, Arizona Board of Regents
Sandra Woodley, CFO, Arizona Board of Regents
Lorenzo Martinez, Assist. Exec. Dir. for Capital Resources, Arizona Board of Regents
Richard Stanley, Senior Vice President and University Planner
Virgil Renzulli, Vice President for Public Affairs
Scott Cole, Deputy Executive Vice President, University Services
Steve Miller, Deputy Vice President, Public Affairs
Lisa Frace, Associate Vice President for Budget and Planning
James Sliwicki, Director, Budget Planning and Management
Gerald Snyder, Associate Vice President for Finance and Treasurer
Karla Phillips, Director, State Relations
Leah Ruggieri, Fiscal Analyst, JCCR

OFFICE OF THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
Business and Finance

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

EXECUTIVE SUMMARY

PROJECT JUSTIFICATION

Intercollegiate Athletics (ICA) is in need of an indoor basketball practice facility which creates a high quality and competitive NCAA Division I training environment for ASU athletes. Currently, the only practice court space available for these teams is in Wells Fargo Arena. Five teams compete for use of the facility for both practice and game times. There are no alternative practice sites available for basketball on campus. Both men's and women's teams have had to practice in local high school gymnasiums due to insufficient practice times being available in the Wells Fargo Arena.

This facility will also enhance recruitment for our men's and women's basketball programs and attract premier athletes. This will continue to strengthen and build the basketball programs at ASU into a consistent top 20 contender.

FISCAL IMPACT AND FINANCING PLAN

The funding source for this project will be system revenue bonds and upfront cash gifts. The debt service will be paid by gifts. Fundraising efforts are currently underway.

While there may be scheduling pressures to balance the construction start date against the timing needed to have the facility open at the start of basketball practice season, it is the goal to raise 100% of the project costs with 75% of gifts pledged and 10% of the gifts in hand at time of project approval.

This project was included in the ASU 2008 Capital Development Plan, submitted in June 2007, which shows that the ASU debt service on all outstanding debt would be 5.0 percent of the university's total projected expenditures (State law basis, max 8 percent) and 6.4 percent of the university's projected unrestricted expenditures (ABOR policy basis, max 10 percent). The debt service for this project is .08 percent (8/100th of 1%) of ASU total projected expenditures (State Law basis) and .10 percent (10/100th of 1%) of ASU total projected unrestricted expenditures (ABOR Policy basis).

RECOMMENDATION:

RESOLVED: That the Board approve the Arizona State University request for Project Implementation Approval for the new Indoor Basketball Practice Facility, known as Weatherup Center, including the acquisition of the Athletes' Performance Institute facility.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University

Project Name: Weatherup Center

Project Description/Location:

This facility is planned to encompass approximately 50,000 gross square feet of new construction and will include basketball court spaces, coaches' offices, team learning and training spaces, and locker room facilities.

Project Schedule (Beginning Month/Year):

Planning	July 2007
Design	August 2007
Construction	April 2008
Occupancy	March 2009

Project Budget:

Total Project Cost	\$ 22,000,000
Total Project Construction Cost	\$ 19,500,000
Direct Construction Cost	\$ 16,450,000
Total Project Cost per GSF	\$ 390
Construction Cost per GSF	\$ 329

Change in Annual Oper. /Main. Cost

Utilities	\$ 143,000
Personnel	\$ 50,000
All Other Operating	\$ 128,000

Funding Sources:

Capital

A. Revenue Bonds	\$ 19,800,000
(Funding source for Debt service: Gifts)	
B. Gifts	\$ 2,200,000

Operation/Maintenance

A. University funds	\$ 321,000
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EXECUTIVE SUMMARY

Capital Project Cost Estimate

University: Arizona State University at the Tempe campus

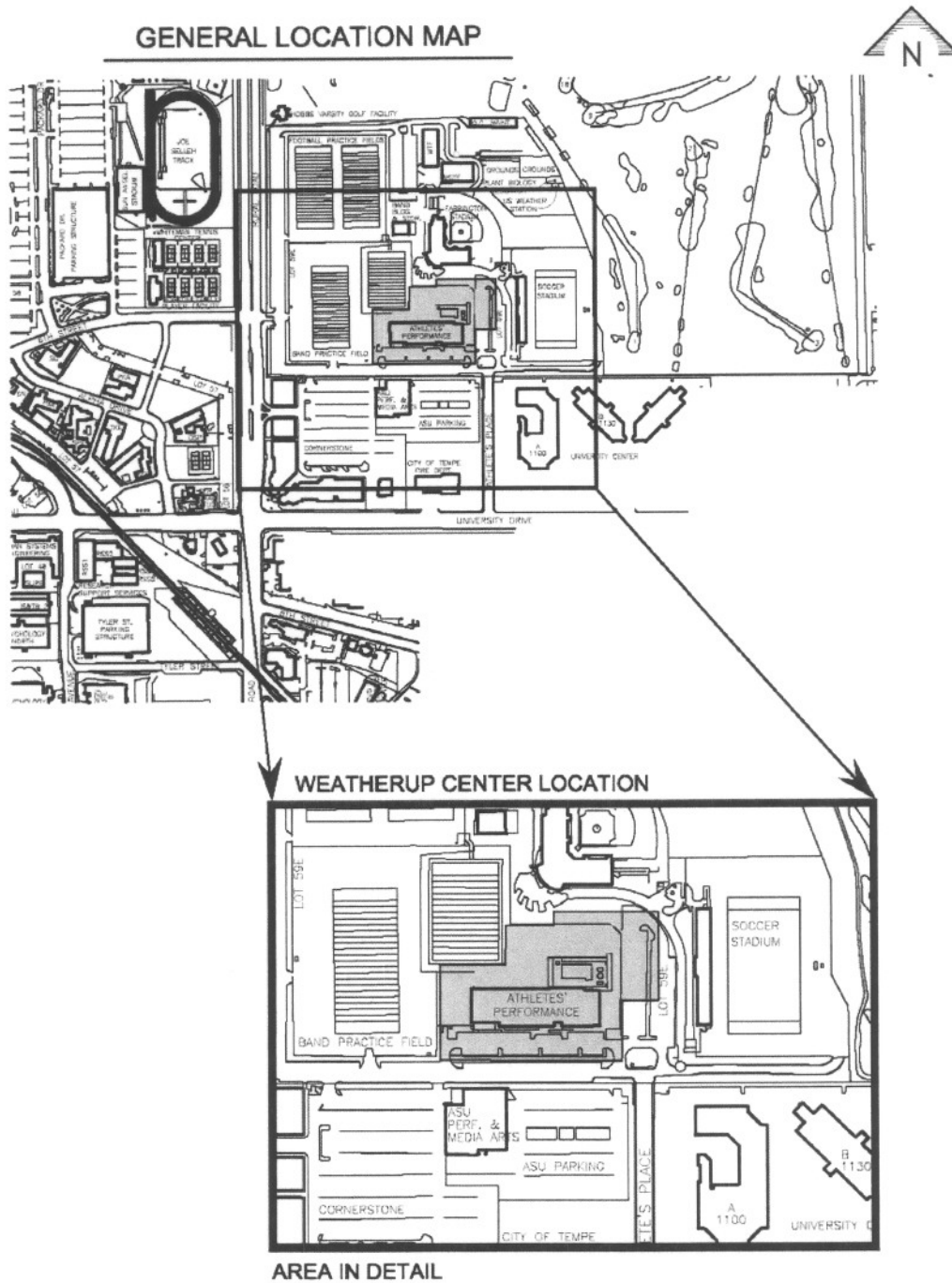
Project: Weatherup Center

	Capital Development Plan	Project Implementation Approval	Project Approval
Capital Costs			
1. Land Acquisition	\$ 2,500,000	\$ 2,500,000	\$ -
2. Construction Cost	-	-	-
A. New Construction	17,000,000	13,000,000	-
B. Renovation	-	-	-
C. Special Fixed Equipment	-	-	-
D. Site Development (excl. 2.E.)	-	-	-
E. Parking and Landscaping	250,000	250,000	-
F. Utilities Extensions	700,000	700,000	-
G. Other* (Sustainability)	-	-	-
H. Inflation Adjustment	-	-	-
Subtotal Construction Cost	<u>\$ 20,450,000</u>	<u>\$ 16,450,000</u>	<u>\$ -</u>
3. Fees			
A. Construction Mgr	\$ 250,000	\$ 193,275	\$ -
B. Architect/Engineer	1,600,000	1,493,000	-
C. Other	10,000	25,000	-
Subtotal Consultant Fees	<u>\$ 1,860,000</u>	<u>\$ 1,711,275</u>	<u>\$ -</u>
4. FF&E Movable	\$ 400,000	\$ 420,000	\$ -
5. Contingency, Design Phase	900,000	792,064	-
6. Contingency, Constr. Phase	2,000,000	1,594,128	-
7. Parking Reserve	250,000	260,000	-
8. Telecommunications Equipment	240,000	221,000	-
Subtotal Items 4-8	<u>\$ 3,790,000</u>	<u>\$ 3,287,192</u>	<u>\$ -</u>
9. Additional University Costs			
A. Surveys and Tests	\$ -	\$ 23,136	\$ -
B. Move-in Costs	-	27,476	-
C. Printing Advertisement	-	250	-
D. Keying, signage	-	51,000	-
E. Project Management Cost (2.09%)	-	396,491	-
F. State Risk Mgt. Ins. (.0034 **)	-	53,180	-
Subtotal Addl. Univ. Costs	<u>\$ -</u>	<u>\$ 551,533</u>	<u>-</u>
TOTAL CAPITAL COST	<u><u>\$ 26,100,000</u></u>	<u><u>\$ 22,000,000</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



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
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AMANDA AGUIRRE
MARSHA ARZBERGER
KAREN S. JOHNSON
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HOUSE OF
REPRESENTATIVES

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DAVID SCHAPIRA

DATE: December 11, 2007

TO: Senator Bob Burns, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leah Ruggieri, Senior Fiscal Analyst

SUBJECT: University of Arizona – Review of Revised Scope of Deferred Renovation Bond Project

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. The University of Arizona (UA), on behalf of the Arizona Board of Regents (ABOR), is submitting for Committee review a scope revision to the Deferred Renovation project, a \$20.0 million system revenue bond first favorably reviewed by the Committee in July 2005. UA now seeks to reallocate \$4.1 million from the original list of projects to the replacement of an aging cooling tower on the main campus. This reallocation will not increase the overall cost of the Deferred Renovation project, as funding from the building renewal appropriation in FY 2007 was used to cover the cost of other building renewal projects originally planned for bond financing.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the scope revision for the Deferred Renovation bond project with the following standard university financing provisions:

- UA shall report to the Committee before expenditure of any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add alternates that do not expand the scope of the project. UA shall also report to the Committee before any reallocation exceeding \$500,000 among the individual planned renovations, renewals, or extensions.
- UA shall submit for Committee review any allocations that exceed the greater of \$500,000 or 10% of the reported contingency amount total for add alternates that expand the scope of the project. In case of an emergency, UA may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not agree with the change of scope as an emergency.
- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any auxiliary revenues that may be required for debt service, or any

(Continued)

operations and maintenance costs when the project is complete. Auxiliary funds derive from substantially self-supporting university activities, including student housing.

- UA shall not use bonding to finance any repairs whose typical life span is less than the bond repayment period. Such repairs include, but are not limited to, new flooring and painting. The exceptions to this stipulation are circumstances where such repairs are required to complete a major renovation.

Analysis

The Committee first favorably reviewed the \$20.0 million Deferred Renovation bond project at its July 2005 meeting, with the provision that UA submit for Committee review any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount for add alternates that expand the scope of the project. The Deferred Renovation bond project is comprised of 22 individual projects that include standard building upgrades, water and electrical distribution extensions, and paving and drainage improvements.

UA now seeks to reallocate \$4.1 million from the original list of projects to replace an aging cooling tower on the main campus. The cooling tower was built in 1967 with additions in 1973 and 1981, both of which have exceeded their 20-year useful life span. Because the replacement tower is more energy efficient and would not require ongoing maintenance, UA estimates that it will result in savings equal to \$578,700 annually. In total, the tower will cost \$7.1 million to replace. UA will finance the remaining \$3.0 million with operating funds. As this particular project is not comparable to any other renewal or renovation project conducted by the universities, JLBC Staff cannot offer an analysis on the reasonability of this cost.

UA would contract the Deferred Renovation projects using Construction Manager at Risk (CMAR). In CMAR, the university competitively selects a general contractor according to quality and experience. The general contractor manages a construction project, including the associated architect and other subcontractors, from design to completion. The general contractor chooses a qualified subcontractor for each trade based on price competition, selecting the lowest bid. Additionally, CMAR defines a guaranteed maximum price, after which the general contractor must absorb almost all cost increases except those caused by scope changes or unknown site conditions. Occasionally, in the case of substantial materials price inflation, a university will partially cover higher costs to maintain good contractor relations.

Financing

Subsequent to the Committee's initial review in July 2005, UA only issued \$10.0 million of the \$20.0 million authorized amount for the Deferred Renovation project because it utilized a \$10.9 million appropriation for building renewal in FY 2007 to cover the other half of the total project cost. UA now seeks to issue debt for the remaining to \$10.0 million of the authorized total.

UA will finance the \$10.0 million bond issuance with tuition collections. UA anticipates issuing AAA rated system revenue bonds with a 6% annual interest rate and a term of 25 years. The university estimates an annual debt service of \$782,000 for the project, with a 25-year total cost of \$19.6 million. UA does not anticipate additional operating and maintenance costs when the project is completed.

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8.0% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The \$10.0 million system revenue bond issuance would increase the UA debt ratio by 0.05% from 5.09% to 5.14%.

Senior Vice President
for Business Affairs

THE UNIVERSITY OF
ARIZONA
TUCSON ARIZONA

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December 10, 2007

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

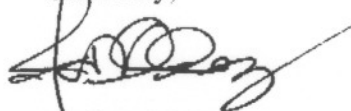
Dear Chairman Burns:

On behalf of the Arizona Board of Regents, I respectfully request that the University of Arizona be placed on the next available agenda of the Joint Committee on Capital Review.

In June 2005, the Committee granted favorable review on a \$20.0 million deferred renovation plan to be financed with System Revenue Bonds. The University of Arizona received \$10.9 million of building renewal funding from the Legislature for FY 06-07 and therefore it was decided to sell only \$10.0 million of the authorized amount.

Since no building renewal funds were appropriated for FY 07-08, it is now respectfully requested that the Committee grant favorable review of the proposed sale of \$10.0 million for the eight projects listed in the attached Executive Summary.

Sincerely,



Joel D. Valdez
Senior Vice President for Business Affairs

JDV/dk

Attachment

cc: President Robert Shelton
Joel Sideman
Greg Fahey
Lorenzo Martinez
Charles Ingram
Bob Smith
Leah Ruggieri



EXECUTIVE SUMMARY

ACTION ITEM: **Sale of \$10 Million of System Revenue Bonds for Deferred Renovation, Building Renewal and Infrastructure Projects and Replacement of the Main Campus Cooling Tower (UA)**

ISSUE:

On January 27-28, 2005 the Arizona Board of Regents authorized the issuance of \$20 million System Revenue Bond's (SRB's) to finance projects named above. In June of 2005, the Joint Committee on Capital Review (JCCR) gave favorable review of the projects and bonding requested.

DISCUSSION:

- The Legislature appropriated \$10.9 million building renewal funds for FY 06-07, and in order to save debt service payments on \$20 million, the University decided to sell only \$10 million and combine these funds with the State funds to do the projects. The \$10 million in bonds were sold in January 2006.
- The absence of Building Renewal (BR) funds for FY 07-08 created the need to sell the remaining \$10 million originally authorized by the Board to complete the remaining projects and include a new project, namely, the replacement of any aging cooling tower on the main campus.
- The Executive Summary of January 27-28, 2005, stated, "The absence of future BR funding may also require adjustments to proposed projects and budgets to address future deficiencies that become a higher priority." Such is the case for replacing the cooling tower.
- This Cooling Tower facility was built in 1967 with additions in 1973 and 1981, which have all exceeded their 20 year life span. Temporary safety repairs have been made since 2004 to keep the towers operating. There is substantial energy savings with modern tower designs with less energy, decreasing the chiller electrical needs and reducing the overall plant operating costs.

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 Senior Vice President for Business Affairs
 jdvaldez@u.arizona.edu

EXECUTIVE SUMMARY

Tower efficiencies and controls have improved on a very large scale since the original towers were built. The project will be built over a two year time frame. Phase I can be built with the requested \$4.1 million of SRB's and the remaining \$3.6 million will be budgeted in FY 08-09 budget.

Cooling Tower Data

Four Cell Unit - Capacity - 12,000 tons / Foot Print 6,300 square feet

Cost:

Engineering	\$ 622,732
Manufacturer (Estimate, to be bid)	1,800,000
Installation:	
Mechanical, Structural, Civil (Estimate, to be bid)	<u>4,687,660</u>
	\$7,110,392*

*Includes taxes, bonding, profit and overhead

(Note: Engineering is a fixed price; manufacturer and installation cost data came from preliminary estimates.)

- The \$10 million will be funded through debt financing with System Revenue Bonds. The term of the bonds will be for 25 years, at an interest rate of 6% per annum. The estimated debt service is \$782,000 per year. When issued, the projected highest debt ratio is 5.14% State (ARS) limit 8% and 7.65 % ABOR limit 10%. The incremental changes to the debt ratios associated with these projects financing are State (ARS) .05% and ABOR .08%. The projected highest debt ratios reflected are within the next five years.

RECOMMENDATION:

That the Board grant project approval to the University of Arizona for the deferred renovation, Building Renewal and Infrastructure project, the issuance of \$10 million System Revenue Bonds and the inclusion of the cooling tower project.

EXECUTIVE SUMMARY

**THE UNIVERSITY OF ARIZONA
DEFERRED RENOVATION AND BUILDING RENEW PROJECT FINANCING REQUIREMENT**

Project Category	JCCR Review & ABOR Approved In 2005	Issued 1st \$10 million 2005 SRBs	Original Remaining \$10 million to be issue	Revised Project Category *
Building Renewal (BR)	\$ 10,360,000	\$ 6,883,640	\$ 3,476,360	\$ 2,814,193
Building Renovation (BRN)	2,460,000	920,000	1,540,000	1,050,000
Utility Extensions and Improvements (U)	5,030,000	1,668,685	3,361,315	6,135,807
Surface Infrastructure (SI)	2,150,000	527,675	1,622,325	
Total	\$ 20,000,000	\$ 10,000,000	\$ 10,000,000	\$ 10,000,000

* See below for the list of projects

**NEW DEFERRED RENOVATION AND BUILDING RENEW PROJECT LIST
FOR THE REMAINING \$10 MILLION FINANCING APPROVED BY ABOR
PROPOSE FINANCING WITH SYSTEM REVENUE BONDS**

Project Description	Amount
1. Cooling Tower Replacement (U)	\$ 4,135,807
2. Roofs (BR)	1,280,000
3. Fire Alarm Systems Upgrade (BR)	1,214,193
4. Replace Huachuca Well (U)	1,000,000
5. Electrical Upgrade – Multiyear Project (U)	1,000,000
6. Elevator Upgrades (BR)	220,000
7. Tree Ring External Structure Repair (BRN)	1,050,000
8. Gould Simpson - Replace Exhaust Fan Scrubbers (BR)	100,000
Total	\$ 10,000,000