

JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, December 18, 2018

10:00 a.m.

House Hearing Room 1

JLBC

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

JOHN KAVANAGH
VICE-CHAIRMAN
SYLVIA ALLEN
OLIVIA CAJERO BEDFORD
KAREN FANN
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KATIE HOBBS
KIMBERLY YEE

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HOUSE OF
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DAVID LIVINGSTON
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VINCE LEACH
REBECCA RIOS

**** REVISED #2 ****

JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, December 18, 2018

10:00 A.M.

House Hearing Room 1

MEETING NOTICE

- Call to Order
- [Approval of Minutes of September 20, 2018.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. UNIVERSITY OF ARIZONA
 - [A. Review of "Student Success District" Project.](#)
 - [B. Review of Phoenix Biomedical Partnership Building Shell Space Project.](#)
 - [***C. Review of Steward Observatory Project.](#)
- 2. ARIZONA STATE UNIVERSITY
 - [A. Consider Approval of Health Solutions Innovation Center \(HSIC\) Financing Project.](#)
 - [B. Consider Approval of Building Infrastructure Project.](#)
 - [***C. Review of Classroom, Academic and Research Laboratory Renovations.](#)
-  3. [ARIZONA DEPARTMENT OF CORRECTIONS - Review of FY 2019 Building Renewal Reallocation Plan. ~~\(For Information Only - No action will be taken.\)~~](#)
- 4. [ARIZONA STATE PARKS - Report on Status of Capital Projects.](#)
- 5. [***DEPARTMENT OF HEALTH SERVICES - Review of Arizona State Hospital Lease Agreement.](#)

6. ***ARIZONA STATE LOTTERY COMMISSION - Review of FY 2019 Building Renewal Allocation Plan.
7. ***ARIZONA GAME AND FISH DEPARTMENT - Review of Sipe Wildlife Area Barn Stabilization.

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

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

~~12/10/18~~

~~12/14/18~~

~~12/17/18~~

Im

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



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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

September 20, 2018

Chairman David Livingston called the meeting to order at 10:08 a.m., Thursday, September 20, 2018 in House Hearing Room 1. The following were present:

Members:	Senator Kavanagh, Vice-Chairman	Representative Livingston, Chairman
	Senator Cajero Bedford	Representative Allen
	Senator Fann	Representative Alston
	Senator Farley	Representative Cardenas
		Representative Leach
Absent:	Senator Allen	Representative Carter
	Senator Hobbs	Representative Rios
	Senator Yee	

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of July 24, 2018, Representative Livingston moved that the minutes be approved.

CONSENT AGENDA

The following items were considered without discussion:

ARIZONA DEPARTMENT OF VETERANS' SERVICES (ADVS) - Review of Veterans' Home Construction Projects.

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for capital projects. ADVS requested review of \$27,200,000 (\$19,200,000 from the General Fund and \$8,000,000 from the State Home for Veterans' Trust Fund) for construction of new veterans' homes facilities in Yuma and Flagstaff. These monies were appropriated in the FY 2015, FY 2017, and FY 2019 Capital Outlay Bills. The JLBC Staff provided options and potential provisions:

(Continued)

- A. *Committee review does not constitute endorsement of General Fund appropriations for start-up costs at the Yuma and Flagstaff facilities.*
- B. *ADVS shall submit a report to the Committee by September 1, 2019 on the estimated start-up costs for both the Yuma and Flagstaff facilities and if the State Home for Veterans' Trust Fund has a sufficient balance to fund those costs.*

ARIZONA GAME AND FISH DEPARTMENT (AGFD) - Review of FY 2019 Building Renewal Allocation Plan and FY 2019 Capital Projects.

A.R.S. § 41-1252 requires the Committee to review expenditure plans for monies appropriated for building renewal and capital projects and for any capital project with an estimated cost of more than \$250,000. The JLBC Staff provided options and potential provisions:

- A. *The distribution of the building renewal emergency allocation of \$75,000 shall be addressed as follows:*
 - 1. *AGFD shall notify the Chairman and the JLBC Staff that they plan to spend monies on an emergency project. The Chairman can allow AGFD to move forward with an emergency project without Committee review.*
 - 2. *If the Chairman does not agree that a project is an emergency and that the project will require full Committee review, the JLBC Staff will notify AGFD.*

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

- B. *In accordance with A.R.S. § 41-790, AGFD's Headquarters Major Maintenance Fund may not use building renewal monies for movable equipment.*

ARIZONA PIONEERS' HOME (APH) - Review of FY 2019 Capital Improvement Projects.

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for capital projects. The FY 2019 Capital Outlay Bill (Laws 2018, Chapter 277) appropriated \$600,000 from the Miners' Hospital for Miners with Disabilities Land Fund for capital improvements. APH requested review of these monies for 6 capital improvement projects. The JLBC Staff provided options and potential provisions:

- A. *APH shall report any reallocation between projects to the JLBC Staff. If there is a significant change of scope in the reallocation reported by APH, the JLBC Staff will recommend APH request Committee review of the reallocation.*
- B. *If APH adds a new project not listed in this request, the agency shall submit the proposed project and expenditure plan for Committee review.*
- C. *APH shall notify the Chairman and JLBC Staff if they plan to spend the contingency allocation. The Chairman will notify APH if the contingency plan will require full Committee review.*

(Continued)

DEPARTMENT OF EMERGENCY AND MILITARY AFFAIRS (DEMA) - Review of Tucson Readiness Center.

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for capital projects. DEMA requested review of the expenditure plan for the construction of the Tucson Readiness Center, as appropriated by the FY 2019 Capital Outlay Bill (Laws 2018, Chapter 277). The total project cost is \$24,133,000, which consists of the following fund sources: 1) \$3,759,000 from the General Fund included in the FY 2019 budget; 2) \$2,274,000 from other state monies; and 3) \$18,100,000 from Federal Funds. The JLBC Staff provided options and potential provisions:

- A. *DEMA shall report to the Committee if the Tucson Readiness Center project's total cost exceeds estimated costs by 20%. The JCCR Chairman shall determine whether the project requires further review.*
- B. *On or before July 31 of each year until project completion, DEMA shall report to the JLBC Staff on the status and expenditures of the Tucson Readiness Center project.*
- C. *A favorable review does not constitute endorsement of appropriations to pay for future operating costs.*

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of FY 2019 Building Renewal Allocation Plan.

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. ADOT requested Committee review of its \$5,492,000 FY 2019 Building Renewal Allocation Plan. The JLBC Staff provided options and potential provisions:

- A. *ADOT shall report any reallocations between projects in the FY 2019 spending plan above \$100,000 to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.*
- B. *ADOT shall provide a written explanation by October 1 of their reason for not complying with a 2017 Committee provision to report on the status of existing building renewal projects by July 31, 2018. Alternatively, ADOT may provide the status report.*
- C. *In accordance with an FY 2019 Capital Outlay Bill footnote, ADOT shall report to JLBC Staff on or before January 31, 2019 and July 31, 2019 on the status of all building renewal projects and building renewal expenditures.*

Senator Kavanagh moved that the Committee give a favorable review with provisions as outlined in the JLBC Staff analysis, to the 5 consent agenda items listed above. The motion carried.

REGULAR AGENDA

ARIZONA STATE UNIVERSITY (ASU) - Consider Approval of Interdisciplinary Science and Technology Building (ISTB) 7 Financing Project.

Mr. Matt Beienburg, JLBC Staff, stated A.R.S. § 15-1671 requires the universities to submit the scope, purpose, and estimated cost of any capital project paid with debt financing before expending monies

(Continued)

from the university's Capital Infrastructure Fund (CIF) for that project. ASU requested approval of the issuance of \$175,000,000 of system revenue bonds for the construction of the ISTB 7 at the university's Tempe Campus. Debt service on the project will be paid with monies from ASU's CIF, funded 50% with tuition revenues, and 50% with General Fund appropriations. The JLBC Staff provided options and potential provisions.

Senator Kavanagh moved that the Committee approve the issuance of \$175,000,000 of system revenue bonds for the project that will be paid with CIF monies with the following provisions:

Standard University Financing Provisions

- A. *Approval by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.*
- B. *ASU shall provide the final debt service schedule and interest rate for the project as soon as they are available.*

The motion carried.

ASU - Review of Information Technology (IT) Improvements Financing Project.

Mr. Matt Beienburg, JLBC Staff, stated A.R.S. § 15-1683 requires Committee review of any university project financed with system revenue bonds. ASU requested review of the issuance of \$32,000,000 of system revenue bonds for IT Improvements across its campuses. Debt service on the project will be paid with tuition revenues. The JLBC Staff provided options and potential provisions.

Mr. Morgan Olson, Executive Vice President, Treasurer and CFO, ASU, responded to member questions.

Senator Kavanagh moved that the Committee give a favorable review to the issuance of \$32,000,000 of system revenue bonds for the project. The favorable review included the following provisions:

Standard University Financing Provisions

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

The motion carried.

PIMA COUNTY COMMUNITY COLLEGE DISTRICT (PCCCD) - Review of Revenue Bond Projects.

Ms. Micaela Larkin, JLBC Staff, stated A.R.S. § 15-1483 requires Committee review of any community college projects financed with revenue bonds that do not require voter approval. PCCCD requested

(Continued)

review of the issuance of \$65,000,000 of revenue bonds to finance new construction and renovation at the Downtown Campus, and renovations at the East Campus and West Campus. Debt service on the project will be primarily funded from tuition and fees along with other miscellaneous operating revenues. The JLBC Staff provided options and potential provisions.

Mr. David Bea, Executive Vice Chancellor, PCCCD, responded to member questions.

Senator Kavanagh moved that the Committee give a favorable review to the issuance of \$65,000,000 of revenue bonds for the projects. The favorable review included the following provisions:

- A. *PCCCD shall provide the final debt service schedule and interest rate for the projects as soon as they are available.*
- B. *On or before July 31 of each year until completion of the projects financed from the bond issuance, PCCCD shall report to the JLBC Staff on the status and expenditures of each project. The report shall include the project expenditures to date, the expected completion date, and any change in project scope.*

The motion carried.

ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA)/ARIZONA EXPOSITION AND STATE FAIR (AESF) - Review of Funding for Cooling Units.

Ms. Morgan Dorcheus, JLBC Staff, stated A.R.S. § 41-1252 requires agencies to request Committee review of expenditure plans for building renewal monies and capital projects. Pursuant to a Committee provision, ADOA requested review of its FY 2018 building renewal allocation plan to reallocate \$400,000 to replace cooling units at the State Fair grounds. AESF proposed providing \$400,000 of matching funds to replace the cooling units, for a total project cost of \$800,000. The JLBC Staff provided options and potential provisions.

Ms. Wanell Costello, Director, AESF, responded to member questions.

Senator Kavanagh moved that the Committee give a favorable review to ADOA paying \$400,000 for the project from the agency's FY 2018 building renewal appropriation, and AESF paying \$400,000 from the agency's own funds. AESF is required to pay the \$400,000 in building renewal back to ADOA by no later than FY 2022, with payments of at least \$100,000 in each fiscal year, including \$100,000 by June 2019. The Committee may recommend a faster payback depending on the list of projects submitted each year by AESF for their annual capital appropriation review. The favorable review included the following provision:

- A. *If AESF does not spend the full \$400,000 (or \$800,000) from its own fund on the cooling unit replacement, the agency must submit a plan to JCCR for review before reallocating the monies to any other projects.*

Representative Alston made a substitute motion that the Committee give a favorable review of the request to have ADOA building renewal pay for \$400,000 of the project and AESF to pay for \$400,000 from its own funds. The latter would be funded from \$190,000 of AESF's FY 2018 capital appropriation and \$210,000 from their FY 2019 capital appropriation.

(Continued)

The substitute motion failed.

The original motion carried.

Without objection, the meeting adjourned at 11:34 a.m.

Respectfully submitted:

A handwritten signature in black ink, appearing to read "K Paddack", written over a horizontal line.

Kristy Paddack, Secretary

A handwritten signature in blue ink, appearing to read "J Brown", written over a horizontal line.

Jack Brown, Assistant Director

A handwritten signature in black ink, appearing to read "David Livingston", written over a horizontal line.

Representative David Livingston, Chairman



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DATE: December 11, 2018

TO: Members of the Joint Committee on Capital Review

FROM: Sam Beres, Fiscal Analyst *SB*

SUBJECT: University of Arizona - Review of "Student Success District" Project

Request

A.R.S. § 15-1683 requires Committee review of any university project financed with system revenue bonds. The University of Arizona (UA) requests Committee review of an \$81,000,000 project to develop a 'Student Success District' on its main campus, which will include a new student services building and renovations to the Bear Down Gym, the Science-Engineering Library, the Main Library, and outdoor spaces within the District.

The university plans to issue \$64,700,000 of system revenue bonds with annual debt service payments of \$4,300,000, which would be paid primarily from student fees, which were increased in fall 2017. The remaining project costs would be paid using \$10,000,000 in gifts and \$6,300,000 in other university cash resources.

Committee Options

The Committee has at least the following 2 options:

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

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

Standard University Financing Provisions:

- A. A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.

(Continued)

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

Key Points

- 1) UA plans \$81 M in central campus projects, including \$42 M for a new student services building.
- 2) The remaining monies would primarily renovate existing libraries and office space.
- 3) The project will be financed with \$65 M of system revenue bonds and \$16 M of cash.
- 4) The annual debt service of \$4.3 M will be paid for with student fees and other university revenues.
- 5) An annual student fee increase of \$99 will be dedicated to the payment of debt service.

Analysis

The proposed project includes several components which will co-locate student services and academic advising services around other central campus amenities, such as the libraries.

Of the project's components, only one includes new construction. UA would spend \$42.0 million to construct a 4-story, 60,000 square foot building, which would house the following services that are currently located in other campus buildings:

- A drop-in advising hub for academic and career guidance.
- A center focused on providing support to first generation college students.
- Academic advising services for students in the Science and Engineering programs, the College of Social and Behavioral Sciences, and students with no declared major.
- Tutoring services.
- UA's Student Engagement and Career Development Office, which provides support to students entering the workforce.
- A center dedicated to providing services for students with learning challenges.

The new student services building would be physically connected by a walkway to the old Bear Down Gym, which is currently used as cubicle-style office space for academic advising and tutoring programs. This project would also include a \$19.0 million renovation of this office space. Following the renovation, the old gym will house an advising resource center, which is currently located in another part of campus. The renovation will also create additional tutoring classroom space and interview rooms for prospective employers to interview students.

This project would also renovate both the Main Library and well as the Science-Engineering Library, which are both located adjacent to the site of the new student success building.

- The \$13.1 million of renovations to the Main Library will be focused on the basement and ground floor. The basement renovations will allow the library to house the university's IT support services as well as expand its existing technology lending program. The ground floor renovations will entail the creation of additional computer labs and group study spaces.
- The Weaver Science-Engineering Library will be renovated to expand its "collaborative classroom" to increase its capacity from the current 2,000 students per day, and to relocate the buildings technology lab to the Main Library (see above). This renovation will cost \$6.9 million.

UA plans to complete construction on these projects by September 2021. *(See Table 2 for additional cost details on these project components.)*

(Continued)

Financing

UA plans to pay the \$81.0 million in project costs with \$64.7 million in system revenue bonds and \$16.3 million in cash resources. The cash payments would come from \$10.0 million in gifts and \$6.3 million in other university resources.

The \$64.7 million of system revenue bonds would have a maximum maturity of 25 years and a projected rating of Aa2(Moody's)/AA-(S&P). UA estimates that these bonds would carry an interest rate of between 3.85% and 4.35%. Based on the high end of this range, total debt service on the system revenue bonds would be \$107.4 million. This amount would be paid over 25 years, with annual payments of \$4.3 million from 2020 through June 2044.

Student Fees

The debt service payments on the bonds will primarily be paid using revenues generated from student fee increases. UA increased several student fees beginning in the fall 2017 semester to help finance the project. These fees only apply to new students enrolling during the 2017-2018 academic and later years, as the university guarantees tuition and fee rates for current students. Therefore, the fees will not be generating the full amount of their projected yearly revenues until the 2020/2021 academic year. The fee increases that were specifically implemented to finance this project were as follows:

- The Student Service Fee was increased by \$54, and now totals \$150 per year.
- The Campus Health and Recreation fee was increased by \$18 and is now \$425 per year.
- The IT/Library fee was increased by \$27 and is now \$535 per year.
- In total, the annual fee increases associated with this project totaled \$99. Once fully effective in the 2020/2021 academic year, UA projects these increases will generate \$3.5 million annually.
- This \$3.5 million in revenues compares to annual debt service and increased operations and maintenance costs of \$4.8 million for the project. The remaining \$1.3 million in annual costs associated with financing this project will be paid by other university resources such as tuition.

Table 1

UA Student Success District System Revenue Bonds Detail

Issuance Amount	\$64.7 million
Issuance Date	Spring 2019
Issuance Transaction Fees	\$549,000
Rating	Aa2(Moody's)/AA-(S&P)
Interest Rate	3.85% to 4.35%
Term	25 years
Total Debt Costs	\$107.4 million
Debt Service Payments	\$4.3 million (FY 2020 – FY 2044)
Payment Source	Student Services Fee, other university revenues (including tuition)
Debt Ratio Increase	0.18% (from 5.39% to 5.57%)

(Continued)

Construction

Of the total project cost of \$81.0 million, \$56.8 million is directly associated with construction costs. The remaining \$24.2 million of project costs is associated with project planning, design, furniture, equipment, and other non-construction related costs. The overall component costs, as well as the costs directly associated with construction, can be seen in *Table 2* (below). The new student service building will account for roughly half of the overall project cost, with the other half associated with the various renovation projects.

Table 2					
Cost by Project Component					
	<u>Total Project Cost</u>	<u>Construction-only cost</u>	<u>Gross Sq. Feet</u>	<u>Project Cost/SF</u>	<u>Construction Cost /SF</u>
<u>New Construction</u>					
Student Service Building	\$42,000,000	\$29,500,000	59,750	\$703	\$494
<u>Renovations</u>					
Bear Down Gym	19,000,000	\$13,300,000	60,000	\$317	\$222
Main Library	13,100,000	9,200,000	53,000	\$247	\$174
Science and Engineering Library	<u>6,900,000</u>	<u>4,800,000</u>	<u>19,000</u>	<u>\$363</u>	<u>\$253</u>
Total	\$81,000,000	\$56,800,000	N/A	N/A	N/A

UA has provided a list of several prior projects which they believe are comparable to each component of the current submission. UA has made several adjustments to these prior project's original costs, such as adjusting for inflation that has occurred since construction. We are concerned that the inflation adjustments may be too high. Additionally, the nature of the currently proposed projects makes finding comparisons difficult. For instance, the cost of the various project components includes landscaping and renovations to outdoor areas as well as building connections such as elevated walkways.

SB:kp

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December 18, 2018

The Honorable Representative Livingston
Joint Committee on Capital Review
House of Representatives
1700 West Washington St
Phoenix, AZ 85007

Dear Representative Livingston,

In accordance with A.R.S. § 15-1683, the Arizona Board of Regents (ABOR) requests the University of Arizona (UA) Student Success District (SSD) project be placed on the next Joint Committee on Capital Review agenda. The SSD project will include renovating three buildings and construction of a new facility:

- Main Library Renovations
- Weaver Science - Engineering Library Renovations
- Bear Down Gym Renovations
- Construction of a Student Services Building

The total project cost of \$81 million is geared exclusively toward improving student experience, retention, success, and engagement. The three facilities being renovated have not been substantially refurbished since their original construction, and the renovations coupled with the new Student Services Building will create a modern, 21st century student experience.

The \$81 million project will be funded by issuing \$64.7 million of System Revenue Bonds (SRBs), \$10 million in gift funding and \$6.3 million in UA local funds. The four facilities included in this project are located in the heart of campus and will be connected to create a centralized district for all students to access wide ranging support services and collaborative classrooms. The UA intends to increase student utilization and effectiveness of these services by fostering collaboration among university departments. The departments located in these facilities provide supplemental instruction, professional tutoring, career development, job training, health and wellness, and an array of library services.

Main Library Renovations

The UA Main Library was built in the mid-1970's and only received minor renovations in the late 1990's. In its current state the Main Library is significantly outdated and has not kept pace with the 21st century

classroom and curriculum. The majority of the Main Library renovations will be on the basement and ground floor.

The basement redesign will house expanded 24/7 IT support services that provide all students with assistance on any technology issue. Currently, this service is located far from the center of campus in a building that only accommodates limited hours of operation. The basement renovation also expands the library's popular technology lending program whereby students check out laptops, tablets, and other devices. Last year there were approximately 63,782 loans from the program, while approximately 7,400 students were turned away due to a lack of equipment and space.

The renovations to the ground floor of the Main Library will accommodate technology labs and study spaces that will be available to all students. Currently a small-scale version of the lab is located in the Weaver Science - Engineering Library, which has seen significant student usage despite current space constraints. Moving the technology lab to the Main Library provides additional space to create three interconnected labs and increase student access.

Below is the estimated cost for the Main Library renovation portion of the project:

\$ 1,250,000	Pre-construction Costs <ul style="list-style-type: none">• Design-Build fees• Pre-construction phase project management
\$ 9,400,000	Building Construction Costs <ul style="list-style-type: none">• Demolition• Renovations and new construction of four structures• Construction inspections• Hazardous materials abatement• Telecommunications• Contingency
\$ 950,000	Site/Utilities Construction Costs <ul style="list-style-type: none">• Development of exterior area connecting building components• Site utilities and infrastructure
\$ 1,500,000	Indirect Costs <ul style="list-style-type: none">• Furniture, Fixtures and Equipment• Testing and Inspections• State Risk Management Insurance• Construction phase project management
Total Renovation Cost \$13,100,000	

Weaver Science - Engineering Library Renovations

The Weaver Science - Engineering Library was built in the early 1960's and has not been renovated since it was constructed. Although the building is named after the collection of books originally housed in the library, the Weaver Science - Engineering Library is open to all students. The renovations at this library are geared toward providing much-needed classroom and study space.

The ground floor currently houses the university's first collaborative classroom, which focuses on interactive learning and greater student engagement. The classroom currently supports an average of 2,000 students per day and is at capacity. The renovations will expand the space to increase access to the classroom and the relocation of the technology lab into the Main Library will allow for more student work and study space on this floor.

The renovations to the 3rd floor will primarily add a staircase for improved access to the 2nd floor.

Below is the estimated cost for the Weaver Science-Engineering Library renovation portion of the project:

\$	650,000	Pre-construction Costs <ul style="list-style-type: none">• Design-Build fees• Pre-construction phase project management
\$	4,950,000	Building Construction Costs <ul style="list-style-type: none">• Demolition• Renovations and new construction of four structures• Construction inspections• Hazardous materials abatement• Telecommunications• Contingency
\$	500,000	Site/Utilities Construction Costs <ul style="list-style-type: none">• Development of exterior area connecting building components• Site utilities and infrastructure
\$	800,000	Indirect Costs <ul style="list-style-type: none">• Furniture, Fixtures and Equipment• Testing and Inspections• State Risk Management Insurance• Construction phase project management
Total Renovation Cost		
\$6,900,000		

Bear Down Renovations

The Bear Down Gymnasium was first built in 1926 and has not seen major renovations since its construction. It is one of the six buildings on campus included in the National Register of Historic Places. The gym originally housed a basketball court and a gymnastics facility on the main level but today

houses temporary office cubicles for College of Letters, Arts and Sciences advisors and the Think Tank tutoring program. These services were temporarily moved in May 2012 during the renovations to Old Main, but due to space shortages across campus, remain in this location. The programs and services have since outgrown the temporary solution and many advisors who should be in private offices based on the nature of their work are in cubicles. The renovations will address all facility concerns, including lack of restrooms, and provide permanent space for student services.

The main floor of Bear Down will house the advising resource center, which is currently located across campus in the Beal building, drop-in advising services, and space for students to interact with potential employers. It will also house supplemental classrooms for a portion of Think Tank, which will be connected through a walkway to the 2nd floor of the Student Services building (details below).

As part of the university's emphasis on assisting graduates obtain jobs, the 2nd floor mezzanine will include several interview rooms where employers can recruit and meet students.

Consistent with its original purpose, the basement of the gym will focus on promoting student health and wellness. These health promotion services are currently located in the Highland Commons Health Center, and the relocation will free up space for new behavioral health staff. This was a primary concern and request from students during the fee negotiations.

Below is the estimated cost for the Bear Down renovation portion of the project:

\$ 1,800,000	Pre-construction Costs <ul style="list-style-type: none">• Design-Build fees• Pre-construction phase project management
\$ 13,650,000	Building Construction Costs <ul style="list-style-type: none">• Demolition• Renovations and new construction of four structures• Construction inspections• Hazardous materials abatement• Telecommunications• Contingency
\$ 1,350,000	Site/Utilities Construction Costs <ul style="list-style-type: none">• Development of exterior area connecting building components• Site utilities and infrastructure
\$ 2,200,000	Indirect Costs <ul style="list-style-type: none">• Furniture, Fixtures and Equipment• Testing and Inspections• State Risk Management Insurance• Construction phase project management

Total Renovations Cost
\$19,000,000

Below are comparable total project costs of similar renovation projects.

Project	Total Cost/sf	Const. Cost/sf
UA - Main Library	\$247	\$174
UA - Science-Engineering Library	\$363	\$253
UA - Bear Down Gym	\$317	\$222
UA - Old Main Renovations	\$814	\$595
UA - Student Rec Remodel	\$734	\$558
UA - Building 201 Remodel	\$429	\$214
UA - Arizona Stadium	\$323	\$266
ASU - Ross-Blakley Library	\$119	\$88
ASU - Hayden Library	\$413	\$289

Construction of the Student Services Building

This project includes the construction of the new four-story Student Services Building (SSB) located to the south of Bear Down Gym, with walkways connecting the two buildings. The total square feet for the SSB is 60,000 (15,000 sq ft per floor). The construction for this building will provide much-needed space for student support services that are currently located in buildings across campus.

The SSB will be comprised of the following student services:

First Floor Services (Basement Level)

- Student Success Hub and Information Center:
 - A student success hub and information center is a new service in the basement of SSB. This center will function as a drop-in advising hub for all students seeking academic and career guidance. Advisors will be available to provide immediate assistance.
- UA Thrive Center
 - UA Thrive Center works to assist students who are the first in their families to attend college. The Center offers support to students as they navigate through the four-year university experience. The services focus in areas proven to increase student retention and degree attainment. First time freshman students who participate in the First Cats program through the UA Thrive Center have a 96% retention rate, a full 16% higher than their peers. During the 2017-2018 school year approximately 2,000 students received support from the Center and it has outgrown its current space in the basement of the Nugent Building.
- Science & Engineering Advising Services

- Academic advising services will have space dedicated for students specifically enrolled in STEM related degrees.

Second Floor Services (a walkway will connect with the first floor of Bear Down Gym)

- Think Tank
 - Think Tank's 70 employees offer a variety of tutoring services (one-on-one, small group and online) in all major areas of study. Last year Think Tank provided approximately 65,600 sessions. Freshman students who utilize these services in their first year have a 10 percent higher retention rate than their peers. Think Tank services will also be provided on the ground floor of Bear Down Gym, which will be connected through walkways and bridges. This is the largest tutoring program offered at the UA campus, and keeping these services together in the SSD is a priority. Today, Think Tank is unfortunately located in multiple sites throughout the campus.

Third Floor Services (a walkway will connect with the first floor of Bear Down Gym)

- Student Engagement and Career Development Office (SECD)
 - The SECD office oversees several student engagement services, career development training and leadership programs. SECD services provide support to students entering the workforce. In 2017 the UA conducted a survey that revealed 75% of students found that participation in UA Career Services (e.g., on-campus interviews, workshops, and career fairs) impacted their employment after graduation. These programs are provided in several different locations within the Student Union. A lack of space, however, requires SECD to share the space with other growing programs such as the Transfer Student Center and the VETS Center. All programs have grown over the last several years and the current space is no longer adequate. SECD space will connect to interview rooms located on the mezzanine of Bear Down Gym.
- Career Development for Strategic Alternative Learning Techniques (SALT) Center
 - The SALT Center is an academic support program that provides services to UA students with learning and attention challenges. The SALT Center is nationally recognized for their innovative approach and is noted as one of the most successful at promoting student achievement in the university setting. The SALT Center will relocate its career services office to the third floor of the SSB to allow SALT students access to the employment opportunities provided by SECD.

Fourth Floor Services

- Academic Advising Services
 - Academic advising is available to help students understand their career goals, develop educational plans and select appropriate coursework to reach those goals and obtain a degree. The process often includes one-on-one engagement with an academic advisor. The fourth floor of the SSB will house academic advising for the approximately 13,000 undergraduate students who enter UA with an undecided major. Additionally, two of the UA's largest colleges, the College of Social and Behavioral Sciences and the College of Science, will have space on the fourth floor. All programs currently require additional space due to student demand.

Cost of Student Services Building

Below is the estimated cost of construction for this project:

\$ 3,900,000	Pre-construction Costs
	<ul style="list-style-type: none"> • Design-Build fees • Pre-construction phase project management
\$ 29,100,000	Building Construction Costs
	<ul style="list-style-type: none"> • Demolition • Renovations and new construction of four structures • Construction inspections • Hazardous materials abatement • Telecommunications • Contingency
\$ 4,300,000	Site/Utilities Construction Costs
	<ul style="list-style-type: none"> • Development of exterior area connecting building components • Site utilities and infrastructure
\$ 4,700,000	Indirect Costs
	<ul style="list-style-type: none"> • Furniture, Fixtures and Equipment • Testing and Inspections • State Risk Management Insurance • Construction phase project management

Total new construction cost
 \$ 42,000,000

Below are comparable total project costs of similar new construction projects.

Project	Total Cost/sf	Const. Cost/sf
UA - SSB	\$703	\$494
UA - ICA Academic Center	\$536	\$411
UA - Family and Consumer Sciences	\$427	\$345
ASU - Student Pavilion	\$644	\$487
ASU - Greek Comm. Center	\$582	\$437
UA – Health Sciences Innovation Building	\$833	\$691

Bond and Finance Summary

The UA intends to fund the \$81 million project through issuing \$64.7 million of System Revenue Bonds (SRBs), raising \$10 million in gift funding and \$6.3 million in UA local funds. Based on the current market conditions for university SRBs, the estimated interest rate is in the range of 3.85% to 4.35%. The UA anticipates the date of issuance to be Spring 2019. When estimating debt service payments, we used the conservative high-end rate of 4.35%, with a final maturity of approximately 25 years. Based on these assumptions, the annual debt service for the SRBs issued to fund the project is estimated to be \$4.4 million.

The UA plans to pay annual debt service with student fees and UA local funds. When the original vision for the SSD was established, it was decided that fees corresponding to the services offered at the SSD would contribute a proportional share of the total fee based on share of affected space.

Student Fee Summary

In April 2017, ABOR approved the increase of three student fees to fund capital projects and ongoing programmatic services. A portion of each fee will be used to support the SSD as noted in the table below.

From Fall 2016 to Fall 2017 the following fee increases were implemented:

Fee	Current fee as of Fall 2017	Increase from Fall 2016	SSD Allocation
Student Services	\$150	\$70	\$54
IT/Library	\$535	\$55	\$27
Health and Rec	\$425	\$125	\$18

Student fees will pay approximately \$3.55 million of the estimated \$4.4 million annual debt service. The SSD allocation from student fees will also cover the annual operations, maintenance, and utilities of the new SSB, estimated to be \$370,000 per year.

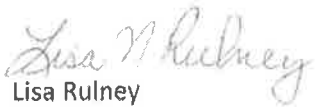
UA engaged student leaders on the SSD from its initial conception in 2015 through its current iteration, including the leadership of both undergraduate and graduate student associations and the respective fee boards, all of whom overwhelmingly supported the 2017 fee increases dedicated to the SSD. The student leaders were especially enthusiastic about this project's potential to improve the academic success of every UA student, and the fact that its design has been guided by input from student surveys and focus groups.

A portion of health insurance premium rebate dollars will bridge the gap between the required debt service and operations payments and the actual student fee revenue collected, prior to the full realization of the student fee revenue. The UA received a rebate of its student health insurance premiums from fiscal years 2014-2015 and 2015-2016. The rebate was due to the provider's faulty estimates for rising costs and a lower-than-expected utilization rate by students during those two fiscal years. For UA, the amount of the rebate totaled just over \$5.2M. The rebates were processed through ABOR and returned to UA with

the direction that they be used to support 'student health priorities' at each institution. These are non-recurring funds.

Financing this project with SRBs enables UA to match the timing of debt service payments with revenue from student fees dedicated to this project. Financing the project with cash would create a large draw on the university's fund balances, significantly depleting the university's liquidity and potentially lead to a downgrading of its credit ratings by Moody's and Standard and Poor's. A downgrade to UA's credit rating would negatively impact the university by leading to increased interest costs on future bond-financed projects and reducing its ability to refinance outstanding debt for interest cost savings.

Sincerely,



Lisa Rulney
Interim Sr. VP for Business Affairs and Chief Financial Officer

Attachments

cc: John Arnold, Executive Director, ABOR
Sam Beres, JLBC Analyst
Nicole Salazar, Acting Vice President, Financial Services, UA
Lorenzo Martinez, Vice President, Finance and Administration, ABOR
Dr. Robert C. Robbins, President UA
Robert Smith, Vice President for University Planning, Design & Operations, UA
Richard Stavneak, Director, JLBC

**Joint Committee on Capital Review
December 18, 2018 JCCR Meeting
University of Arizona Project Submission**

Summary of Financing Information:

Student Success District System Revenue Bonds

Project Budget	\$81,000,000
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Funding Sources:

Gift Funds	\$10,000,000
Student Fees Collected	\$ 1,000,000
University Local Funds	\$ 5,300,000
Bonds	<u>\$64,700,000</u>
Total Funding Sources	\$81,000,000

Project Issuance Amount	\$64,700,000
Estimated Cost of Issuance:	\$ 549,000
Estimated interest rate:	3.85 – 4.35%
Payment term:	Approximately 25 years

Fund Source for debt payment:	Student Fees, University Local Funds
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Annual debt service (by fund source):

Principal & Int. FY20 – FY45 (Ave.)	Student Fees, University Local Funds	\$4,300,000
Total debt service through maturity	Student Fees, University Local Funds	\$107,400,000

Anticipated date of Issuance:	Spring 2019
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Expected bond rating:	AA- (S & P) and Aa2 (Moody's)
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Debt Ratio Information:

Current projected debt ratio	5.39%
Increment debt ratio	0.18%
Projected highest debt ratio	5.57%

**Joint Committee on Capital Review
December 18, 2018 JCCR Meeting
University of Arizona Projects Submission**

**Student Success District
System Revenue Bonds
Amortization Schedule - 4.35%**

Period Ending	Annual Principal	Annual Interest	Annual Debt Service
6/1/2020	1,480,000	2,814,450	4,294,450
6/1/2021	1,545,000	2,750,070	4,295,070
6/1/2022	1,615,000	2,682,862	4,297,862
6/1/2023	1,685,000	2,612,610	4,297,610
6/1/2024	1,755,000	2,539,312	4,294,312
6/1/2025	1,835,000	2,462,970	4,297,970
6/1/2026	1,915,000	2,383,148	4,298,148
6/1/2027	1,995,000	2,299,846	4,294,846
6/1/2028	2,085,000	2,213,062	4,298,062
6/1/2029	2,175,000	2,122,366	4,297,366
6/1/2030	2,270,000	2,027,752	4,297,752
6/1/2031	2,365,000	1,929,008	4,294,008
6/1/2032	2,470,000	1,826,130	4,296,130
6/1/2033	2,580,000	1,718,686	4,298,686
6/1/2034	2,690,000	1,606,456	4,296,456
6/1/2035	2,805,000	1,489,440	4,294,440
6/1/2036	2,930,000	1,367,422	4,297,422
6/1/2037	3,055,000	1,239,968	4,294,968
6/1/2038	3,190,000	1,107,076	4,297,076
6/1/2039	3,330,000	968,310	4,298,310
6/1/2040	3,475,000	823,456	4,298,456
6/1/2041	3,625,000	672,292	4,297,292
6/1/2042	3,780,000	514,606	4,294,606
6/1/2043	3,945,000	350,176	4,295,176
6/1/2044	4,105,000	178,568	4,283,568
	64,700,000	42,700,042	107,400,042

EXECUTIVE SUMMARY

**Arizona Board of Regents
The University of Arizona
FY 2019 Capital Development Plan (CDP)
Project Justification Report**

Student Success District

Previous Board Action

- | | |
|---|----------------|
| • Capital Improvement Plan FY 2017-2019 | September 2015 |
| • Capital Improvement Plan FY 2018-2020 | September 2016 |
| • Capital Development Plan FY 2018 | June 2017 |

Statutory and Policy Requirements

- Pursuant to Arizona Board of Regents Policy Chapter 7-102 (B)(1), all capital projects with an estimated total project cost of \$10,000,000 or more, including information technology and third-party projects, shall be included in the Capital Development Plan.

Project Justification, Description and Scope

- This revised CDP for the Student Success District project increases the project budget by ten million dollars and adds 16,000 gross square feet to incorporate additional student service programs under the Office of the Provost. The revised project has a total budget of \$81,000,000, and is approximately 200,000 gross square feet.
- The Student Success District is a project that redefines a central area of the main campus at the University of Arizona with a focus on our students. The Office of the Provost and the University Libraries have collaborated to create this District, an integrative approach to supporting student achievement by weaving together revitalized services in upgraded and new facilities. The intent of creating this District is to improve student success through direct connections between student services, academic support, and amenities in the heart of campus near other important student centered activities. The Student Success District will be a distinctive element of the UA experience, supporting student engagement and playing an important role in attracting and retaining students.
- Facility improvements within the Science & Engineering Library, Main Library and Bear Down Gym, coupled with a new Student Success Building will strategically co-locate a range of services at the students point-of-need. This will improve

EXECUTIVE SUMMARY

utilization and access and create a student hub to meet, learn, engage and innovate.

- The project includes the following physical facilities improvements:
 - renovations to Bear Down Gym
 - renovations to the Main Library, portions of levels one and two
 - renovations and an entry addition to the Science-Engineering Library, portions of levels two and three
 - a new 60,000 gsf student services building for Office of the Provost programs and advising services
 - redevelopment of adjacent exterior areas in a half block area into student focused outdoor environments
 - new linkages between buildings
- The Libraries programs support all students. Improvements to the Main Library and the Science-Engineering Library include a new and larger makerspace to provide students access to a variety of equipment and technologies for physical project development. Study areas within the two libraries will be enhanced, including reallocating floor area adjacent to outdoor environments to student study and collaboration spaces.
- Office of the Provost programs provide direct student academic support through tutoring, advising and services from other academic focused units that will now all be centrally located within the District. This direct connection to students will develop a more streamlined and seamless delivery of services.
- Programs in the Office of the Provost provide direct student academic support through tutoring, advising and services from other academic focused units that will now all be centrally located within the District. This direct connection to students will develop a more streamlined and seamless delivery of services. Advising services and special programs from some of the colleges will have a presence in the Student Success District as well. Co-locating these functions with the programs from the Office of the Provost will create a complementary relationship to the other services within the District.
- The District will also include Student Recreation programming, healthy food choices, Campus Health programs and student gathering/lounge areas. This combination of services and the creation of a central space on campus that is open and welcoming to all students provides student support related to wellness and community.
- Re-development of outdoor space is a key component to the District. The exterior environment will contribute to a cohesive zone on campus that will clearly communicate the connections between buildings and services, as well as

EXECUTIVE SUMMARY

provide additional student centered spaces. Quiet meditative spaces, study zones and larger gathering areas will provide a variety of spaces to allow for different student experiences.

- Centralizing student support is the focus of creating the Student Success District. The location, services, amenities and visibility all contribute to the goal of creating an environment that nurtures the success of University of Arizona students.

Project Delivery Method and Process

- This project is being delivered through a Design-Build (D-B) delivery method. This approach was selected to provide early cost control, save time through fast-track project scheduling, provide contractor design input and coordination throughout the project, improve potentially adversarial project environments and still allow for the selection of the most qualified architect-contractor team for this project. Through peer review of the D-B's cost estimate at each phase, and low-bid subcontractor work construction work, this method also provides a high level of cost and quality control.
- The Design-Builder provides a Guaranteed Maximum Price (GMP) based on the amount previously agreed upon in the Design-Build agreement. In the selection of major subcontractors, the Design-Builder uses a qualification-based selection process prescribed by the ABOR Procurement Code to allow major subcontractors a design-assist role during the design phase. All remaining subcontractor work is awarded on the basis of the lowest responsive and responsible subcontractor bids. For this work, a minimum of three subcontractor bids will be required, except for specialty items or instances where proprietary systems are required.
- The Design-Build Team was selected through the appropriate capital project selection committee process prescribed by the ABOR Procurement Code. A licensed contractor was included on the selection committee as required by ABOR Policy.

Project Cost

- The total project budget is \$81.0 million, with a construction cost of \$55.2 million.
- The construction budget for this project was developed by outside construction professionals. As the project progresses, peer reviews of the Design-Builder's estimates will be reconciled with the Project Team.

EXECUTIVE SUMMARY

Project Status and Schedule

- Design phase work is underway per previous CDP approval.
- Construction of Phase I is scheduled to commence January, 2019 and Phase II in May 2020, with all work scheduled to be completed for late 2021 occupancy.

Fiscal Impact and Financing Plan

- The University plans to issue \$64.7 million of System Revenue Bonds (SRBs) to finance the Student Success District project. The remaining \$16.3 million will be financed with gifts of \$10 million and University local funds of \$6.3 million. The annual debt service payments on the SRBs is estimated to be \$4.4 million. The UA plans to use student fees and University local funds to pay the debt service.
- The estimated operations and maintenance (O&M) cost of the 60,000 new square feet for the Student Success District project is \$478,400. The UA plans to fund the O&M with student fees. The additional 135,000 square feet of effected space is already included in the UA's current budget.

Debt Ratio Impact:

- The estimated annual debt service of \$4.4 million on this project SRBs would increase the UA debt ratio by 0.18 percent.

EXECUTIVE SUMMARY**Capital Project Information Summary****University:** The University of Arizona**Project Name:** Student Success District**Project Description / Location:**

This project will provide centrally located student services, located in the area between Fourth Street and University Avenue, and Cherry and Highland Avenues.

**FY 2018 Capital
Development Plan****FY 2019 Capital
Development Plan
Revised****Project Schedule (Beginning Month/Year):**

Planning	March 2017	March 2017
Design	June 2017	June 2017
Construction Phase One	July 2018	January 2019
Construction Phase Two	August 2019	August 2020
Occupancy Phase One (multiple increments)	July 2019	February 2020
Occupancy Phase Two	July 2020	September 2021

Project Budget:

Total Project Cost	\$ 71,000,000	\$ 81,000,000
Total Project Cost per GSF	\$ 409	\$ 405
Direct Construction Cost/GSF - New	\$ 386	\$ 410
Direct Construction Cost/GSF -Renovation	\$ 178	\$ 179
Direct Construction Cost per GSF - Site	\$ 24	\$ 24
Change in Annual Oper. / Maint. Cost		
Utilities	\$ 173,000	\$ 189,000
Personnel	\$ 175,000	\$ 193,700
Other	\$ 84,000	\$ 95,700

Funding Sources:

Capital:		
• System Revenue Bonds (Debt service paid by student fees and UA local funds)	\$ 68,000,000	\$ 64,700,000
• Gifts	\$ 3,000,000	\$ 10,000,000
• University Local Funds		\$ 6,300,000
Operation/Maintenance:		
• Student Fees	\$ 432,000	\$ 478,400

EXECUTIVE SUMMARY

Capital Project Budget Summary

University: The University of Arizona

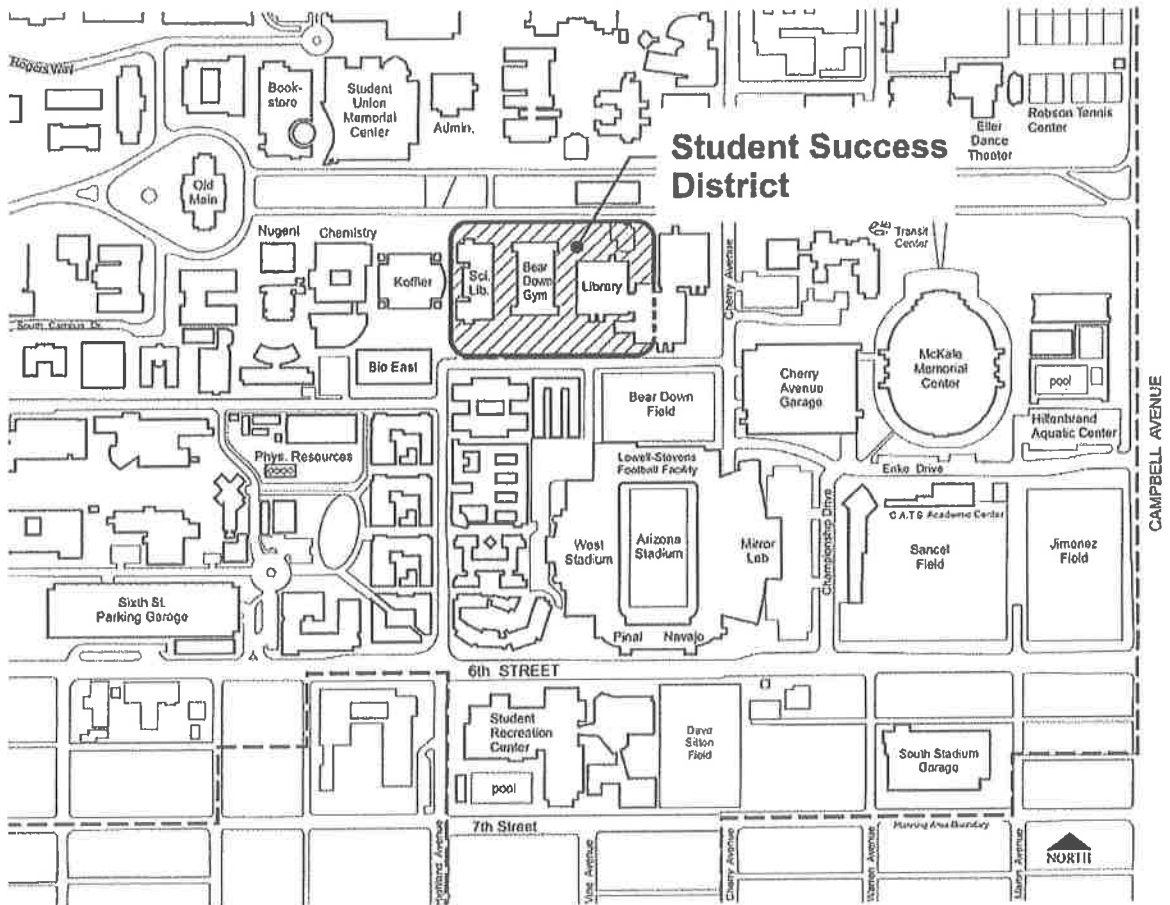
Project Name: Student Success District

<u>Date of Budget Estimate</u>	<u>FY 2018 Capital Development Plan</u>		<u>FY 2019 Capital Development Plan</u>	
	<u>June 2017</u>		<u>Revised November 2018</u>	
1. Land	\$	0	\$	0
2. Construction Cost				
A. New Construction	\$	18,300,000	\$	24,500,000
B. Renovation	\$	22,400,000	\$	23,000,000
C. Fixed Equipment	\$	200,000	\$	250,000
D. Site Development (exclude 2.E.)	\$	7,100,000	\$	7,100,000
E. Parking & Landscaping	\$	Included in 2D	\$	Included in 2D
F. Utilities Extensions	\$	Included in 2D	\$	Included in 2D
G. Other (asbestos only)	\$	100,000	\$	350,000
Subtotal Construction Cost	\$	48,100,000	\$	55,200,000
3. Consultant Fees				
A. Construction Manager	\$	700,000	\$	800,000
B. Architect/Engineering Fees	\$	5,820,000	\$	6,600,000
C. Other (Programming, Special Conslt.)	\$	150,000	\$	200,000
Subtotal Consultant Fees	\$	6,670,000	\$	7,600,000
4. Furniture Fixtures and Equipment	\$	6,600,000	\$	7,400,000
5. Contingency, Design Phase	\$	2,500,000	\$	2,000,000
6. Contingency, Construction Phase	\$	2,500,000	\$	3,000,000
7. Parking Reserve	\$	300,000	\$	600,000
8. Telecommunications Equipment	\$	1,200,000	\$	1,500,000
Subtotal Items 4-8	\$	13,100,000	\$	14,500,000
9. Additional University Costs				
A. Surveys and Tests	\$	100,000	\$	200,000
B. Move-in Costs	\$	150,000	\$	180,000
C. Public Art	\$		\$	
D. Printing/Advertisement	\$	20,000	\$	20,000
E. Univ. Facilities & Project Management	\$	2,500,000	\$	2,900,000
F. State Risk Mgt. Ins	\$	360,000	\$	400,000
Subtotal Additional University Costs	\$	3,130,000	\$	3,700,000
TOTAL CAPITAL COST	\$	71,000,000	\$	81,000,000

EXECUTIVE SUMMARY

Project Site Map

Student Success District





STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: December 11, 2018

TO: Members of the Joint Committee on Capital Review

FROM: Sam Beres, Fiscal Analyst *SB*

SUBJECT: University of Arizona - Review of Phoenix Biomedical Partnership Building Shell Space Project

Request

A.R.S. § 15-1683 requires Committee review of any university project financed with system revenue bonds. The University of Arizona (UA) requests Committee review of a \$34,000,000 project to build out the 3rd and 4th floors of its Phoenix Biomedical Sciences Partnership Building (BSPB) into laboratory space. These floors are currently vacant "shell space", meaning they currently lack standard building components such as plumbing or electrical systems.

To finance the project, UA plans to issue \$18,600,000 of system revenue bonds, the debt service for which will be paid by university resources and rental income. In addition, the university plans to issue \$15,400,000 of lottery revenue (SPEED) bonds, the debt service for which will be paid 80% by state lottery revenues and 20% by university resources. The lottery revenues used for the SPEED bond portion of financing would otherwise be deposited into the General Fund.

Committee Options

The Committee has at least the following 2 options:

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

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

(Continued)

Standard University Financing Provisions:

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

Key Points

- 1) UA's Phoenix Biomedical Building was originally reviewed by the Committee in September 2014.
- 2) The building was initially constructed with "shell" space to be built out at a later time.
- 3) UA now plans to build out the final 46,100 square feet of remaining shell space.
- 4) The total cost is \$34.0 M, or \$738/SF. Of this amount, \$629/SF is direct construction costs.
- 5) UA will finance the project with \$18.6 M of system revenue bonds and \$15.4 M of lottery revenue bonds.
- 6) Lottery revenue bonds are paid 80% from state lottery revenues and 20% from university resources.

Analysis

UA's proposed \$34.0 million project would convert 46,100 square feet on the 3rd and 4th floors of the existing Phoenix Biomedical Sciences Partnership Building (BSPB) into "wet" lab space for medical research. The university plans to add 69 new research faculty by 2020 to occupy the new lab space. The Phoenix BSPB, which was reviewed by the Committee in September 2014, is a 10-story, 245,000 square foot building located on UA's Medical Campus in Downtown Phoenix.

The university has stated that they are currently negotiating a lease with the Phoenix Veterans' Affairs Medical Center to lease space on the 7th floor of the BSPB. According to UA, this agreement, in conjunction with the expansion of UA'S Phoenix Biomedical Campus, will necessitate building out the 3rd and 4th floors of the building.

Financing

To fund the \$34.0 million project cost, UA plans to use \$18.6 million of system revenue bonds and \$15.4 million of lottery revenue (SPEED) bonds.

The \$18.6 million of system revenue bonds, which will have a term of 25 years, are expected to receive a rating of Aa2(Moody's)/AA-(S&P) with an estimated interest rate of between 4.9% and 5.4%. Based on the high-end estimate of 5.4%, the annual debt service amount would be \$1.4 million, and total debt service including principal and interest over 25 years would be \$34.3 million. These payments would come from a combination of university resources and rental income.

The projected interest rate is higher than recent university bond issuances due to recent changes in interest rates and UA's decision to issue the bonds as taxable (rather than tax-exempt) bonds. UA has stated that it plans to issue taxable bonds due to certain IRS requirements related to tax-exempt bonds.

University Lottery Bonds

In addition to the system revenue bonds, UA will issue \$15.4 million of lottery revenue bonds, also referred to as SPEED bonds. Permanent law authorizes ABOR to enter into lease-to-own and bond transactions up to a maximum of \$800.0 million to pay for building renewal projects and new facilities. Of this amount, statute allocates \$376.0 million to be used for the Phoenix Biomedical Campus.

(Continued)

At this time, the universities (both UA and NAU) have issued \$259.0 million of the \$376.0 million allocation. After this project, the universities will have remaining bonding authority of \$101.6 million for projects associated with the Phoenix Biomedical Campus.

The SPEED bonds would have a projected interest rate of Aa3(Moody's)/A+(S&P) and a projected interest rate between 5.35% and 5.85%. Based on the high end of this interest rate range, the annual debt service amount would be \$1.2 million, and total debt service including principal and interest over 25 years would be \$29.7 million. Besides the factors noted above (changing interest rates and taxable bond status), the SPEED bond interest rate is higher than other bond projects due to the SPEED bonds being rated lower by credit rating agencies.

In total, combined debt service associated with this project would be \$64.0 million over 25 years, with annual debt service payments totaling \$2.6 million [\$1.2 million for SPEED bonds + \$1.4 million for system revenue bonds]. *(See Table 1 below for a summary of these bond issuances)*

Table 1		
UA Phoenix BSPB Shell Space Project Financing Details		
	<u>System Revenue Bonds</u>	<u>SPEED Revenue Bonds</u>
Issuance Amount	\$18.6 million	\$15.4 million
Issuance Date	Spring 2019	Spring 2019
Issuance Transaction Fees	\$379,000 total for both issuances	
Rating	Aa2(Moody's)/AA-(S&P)	Aa3(Moody's)/A+(S&P)
Interest Rate	4.90% - 5.40%	5.35% - 5.85%
Term	25 years	25 years
Total Debt Costs	\$34.3 million	\$29.7 million
Debt Service Payments	\$1.4 million (FY 2020 – FY 2044)	\$1.2 million (FY 2020 – FY 2044)
Payment Source	Space rental income and university funds	80% from state lottery revenues and 20% from university funds
Debt Ratio Increase	0.06% (from 4.95% to 5.01%)	<i>(SPEED bonds exempt from statutory debt ratio calculation)</i>

Construction

The total project cost of \$34.0 million to build out 46,100 square feet of shell space amounts to a per square foot cost of \$738. Of this amount, \$629 per square foot is directly associated with construction costs; this amount does not include project costs associated with planning and design.

UA has provided a list of several prior projects which they believe are comparable to this submission, all of which had higher per square foot costs than the current proposed project. Because these prior projects were constructed multiple years ago, UA has made several adjustments to the original costs for these projects, such as adjusting for inflation. We are concerned that the inflation adjustments may be too high.

Construction is expected to begin in June 2019 and is scheduled to be complete by March 2020.

SB:kp



Administration Building Room 712
P.O. Box 210066
Tucson, AZ 85721-0066
Ofc: 520-621-5977
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December 18, 2018

The Honorable Representative Livingston
Joint Committee on Capital Review
House of Representatives
1700 West Washington St
Phoenix, AZ 85007

Dear Representative Livingston:

In accordance with A.R.S. § 15-1683, the Arizona Board of Regents (ABOR) requests the bond-financed Phoenix Biomedical Sciences Partnership Building (BSPB) 3rd and 4th Floor Finish Shell Space projects for the University of Arizona (UA) be placed on the next Joint Committee for Capital Review (JCCR) agenda for review.

Summary

The UA is planning to build out what is currently shell space at the Phoenix BSPB 3rd and 4th floors, approximately 46,100 gross square feet, for wet lab and administrative research spaces at an estimated total project cost of \$34 million. The UA intends to fund this project by issuing a combination of System Revenue Bonds (SRBs) and the UA's remaining allotted capacity of SPEED Revenue Bonds at the Phoenix Biomedical Campus (PBC). In keeping with the partnership intent of the BSPB, the UA is in negotiations with the Phoenix Veterans Affairs (VA) Medical Center to lease laboratory and support spaces on the 7th floor of the BSPB. The pending lease with the VA necessitates building out existing shell space on the BSPB 3rd and 4th floors for critical laboratory space to support the UA's Health Sciences (UAHS) programs and growing research enterprise at the PBC. The College of Medicine-Phoenix (COM-P) is actively recruiting 30 new research faculty and has plans for an additional 39 faculty recruitments by 2020 to occupy the new lab space.

Below is the estimated cost associated with each area of the project.

\$ 2,000,000

Pre-construction Costs

- Design Team Fees including pre-construction services from contractor
- Pre-construction phase project management

\$ 29,000,000

Building Construction Costs

- Build out of 3rd and 4th floor shell spaces
- Construction inspections
- Telecommunications
- Contingency

\$ 3,000,000

Indirect Costs

- Furniture, Fixtures and Equipment
- Testing and Inspections
- State Risk Management Insurance
- Construction phase project management

\$ 34,000,000

TOTAL PROJECT COST

The Arizona Board of Regents approved this project on November 15, 2018.

Bond and Finance Summary

The UA plans to issue \$18.6 million of SRBs and \$15.4 million of SPEED Revenue Bonds to finance the project cost of \$34 million. The \$15.4 million SPEED Revenue Bonds is the remaining balance of UA SPEED Revenue Bonds designated for the PBC. Based on the current market condition for taxable bonds, the estimated interest rate is in the range of 4.90% to 5.40% for SRBs and 5.35% to 5.85% for SPEED Revenue Bonds. The interest rate range for SPEED Revenue Bonds is slightly higher than the interest rate range for SRBs because SPEED Revenue Bonds bear a lower credit rating assigned by Moody's and Standard and Poor's. The UA anticipates the date of issuances to be Spring of 2019. When estimating annual debt service, a conservative approach of using the higher end rate of 5.40% for the SRBs and 5.85% for SPEED Revenue Bonds, with a final maturity of approximately 25 years on both bond issues. Based on these assumptions, the total annual debt service for the project is estimated to be \$2.6 million.

Given the structure of SPEED Revenue Bonds, the UA is obligated to fund at least 20% of annual debt service while the state lottery collections will fund up to 80% on the Bonds. The UA plans to fund annual debt service payments on the SRBs and SPEED Revenue Bonds with UA local funds, indirect cost recovery funds, and space rental income via executing a lease of current laboratory and support spaces at the BSPB 7th floor with the Phoenix (VA) Medical Center.

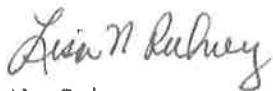
In line with the original intent of the BSPB, locating the VA at the PBC will assist in facilitating and strengthening current affiliations and additional collaborations as the VA indicates the space is being targeted for additional clinical care capacity and will free up the current space used for these purposes at the VA's existing landlocked campus. Financing this project enables the UA to match the timing of debt service payments with revenue from VA rental income, lottery revenue collections, and future indirect costs recovery associated with this project. Furthermore, the availability of SPEED Revenue Bonds designated for use by the UA at the PBC contributes to the decision to finance this project rather than pay cash.

While the wet lab space and fume hoods needed for the BSPB 3rd and 4th Floor Finish Shell Space is among the most expensive to build, the project is in line with similar projects. This is largely due to prior planning of the shell space in the original construction of the BSPB. Below are comparable total project costs of similar projects.

Project	Cost/SF	Construction Cost/SF
UA BSPB - 3rd & 4th Floor Build Out (Lab)	\$738	\$629
UA BSRL Shell Tenant Improvement (Lab)	\$944	\$801
UA Biomedical Sciences Partnership Building*	\$1,071	\$903
UA Bioscience Research Laboratories*	\$959	\$787

Note: *Comparable includes projected costs for full build out plus cost for exterior shell/core

Sincerely,



Lisa Rulney
Interim Sr. VP for Business Affairs and Chief Financial Officer

Attachments

cc: John Arnold, Executive Director, ABOR
Sam Beres, JLBC Analyst
Nicole Salazar, Acting Vice President, Financial Services, UA
Lorenzo Martinez, Vice President, Finance and Administration, ABOR
Dr. Robert C. Robbins, President UA
Robert Smith, Vice President for University Planning, Design & Operations, UA
Richard Stavneak, Director, JLBC

**Joint Committee on Capital Review
December 18, 2018 JCCR Meeting
University of Arizona Project Submission
Bioscience Partnership Building 3rd and 4th Finish Shell Space**

Summary of Financing Information:

SPEED Revenue Taxable Bonds Issuance Amount:	\$15,400,000
System Revenue Taxable Bonds Issuance Amount:	\$18,600,000
Estimated Cost of Issuance:	\$ 379,000
Estimated interest rate range - SPEED Revenue Bonds:	5.35% & 5.85%
Estimated interest rate range - System Revenue Bonds	4.90% to 5.40%
Payment term:	Approximately 25 years
 Fund Source for debt payment:	 Lottery Revenue Proceeds, Rental Income, UA Local Funds
 Annual debt service (by fund source):	
SPEED Revenue Bonds	
Principal & Int. Average amount: \$1,200,000	Lottery Revenue Proceeds, Rental, Income, UA Local Funds
 Total debt service through maturity: \$29,698,000	 Lottery Revenue Proceeds, Rental Income, UA Local Funds
System Revenue Bonds (SRBs)	
Principal & Int. Average Amount: \$1,400,000	Space Rental Income, UA Local Funds
 Total debt service through maturity: \$34,325,000	 Space Rental Income, UA Local Funds
 Anticipated date of issuance:	 Spring 2019
 Expected bond rating SRB:	 AA- (S & P) and Aa2 (Moody's)
Expected bond rating SPEED:	A+ (S & P) and Aa3 (Moody's)
 Debt Ratio Information:	
Current projected debt ratio	4.95%
Increment debt ratio	0.06%
Projected highest debt ratio	5.01%

**Joint Committee on Capital Review
December 18, 2018 JCCR Meeting
University of Arizona Projects Submission**

**Biomedical Sciences Parntership Building 3rd & 4th Floor Shell Space
Taxable SPEED Revenue Bonds
Amortization Schedule - 5.85%**

Period Ending	Annual Principal	Annual Interest	Annual Debt Service
6/1/2020	285,000	900,900	1,185,900
6/1/2021	305,000	884,228	1,189,228
6/1/2022	320,000	866,386	1,186,386
6/1/2023	340,000	847,666	1,187,666
6/1/2024	360,000	827,776	1,187,776
6/1/2025	380,000	806,716	1,186,716
6/1/2026	405,000	784,486	1,189,486
6/1/2027	425,000	760,792	1,185,792
6/1/2028	450,000	735,930	1,185,930
6/1/2029	480,000	709,606	1,189,606
6/1/2030	505,000	681,526	1,186,526
6/1/2031	535,000	651,982	1,186,982
6/1/2032	565,000	620,686	1,185,686
6/1/2033	600,000	587,632	1,187,632
6/1/2034	635,000	552,532	1,187,532
6/1/2035	670,000	515,386	1,185,386
6/1/2036	710,000	476,190	1,186,190
6/1/2037	755,000	434,656	1,189,656
6/1/2038	795,000	390,488	1,185,488
6/1/2039	845,000	343,980	1,188,980
6/1/2040	895,000	294,548	1,189,548
6/1/2041	945,000	242,190	1,187,190
6/1/2042	1,000,000	186,908	1,186,908
6/1/2043	1,060,000	128,408	1,188,408
6/1/2044	1,135,000	66,398	1,201,398
	15,400,000	14,297,996	29,697,996

**Joint Committee on Capital Review
December 18, 2018 JCCR Meeting
University of Arizona Projects Submission**

**Biomedical Sciences Parntership Building 3rd & 4th Floor Shell Space
Taxable System Revenue Bonds
Amortization Schedule - 5.40%**

Period Ending	Annual Principal	Annual Interest	Annual Debt Service
6/1/2020	370,000	1,004,400	1,374,400
6/1/2021	390,000	984,420	1,374,420
6/1/2022	410,000	963,360	1,373,360
6/1/2023	430,000	941,220	1,371,220
6/1/2024	455,000	918,000	1,373,000
6/1/2025	480,000	893,430	1,373,430
6/1/2026	505,000	867,510	1,372,510
6/1/2027	535,000	840,240	1,375,240
6/1/2028	560,000	811,350	1,371,350
6/1/2029	590,000	781,110	1,371,110
6/1/2030	625,000	749,250	1,374,250
6/1/2031	660,000	715,500	1,375,500
6/1/2032	695,000	679,860	1,374,860
6/1/2033	730,000	642,330	1,372,330
6/1/2034	770,000	602,910	1,372,910
6/1/2035	810,000	561,330	1,371,330
6/1/2036	855,000	517,590	1,372,590
6/1/2037	900,000	471,420	1,371,420
6/1/2038	950,000	422,820	1,372,820
6/1/2039	1,000,000	371,520	1,371,520
6/1/2040	1,055,000	317,520	1,372,520
6/1/2041	1,115,000	260,550	1,375,550
6/1/2042	1,175,000	200,340	1,375,340
6/1/2043	1,235,000	136,890	1,371,890
6/1/2044	1,300,000	70,200	1,370,200
	18,600,000	15,725,070	34,325,070

EXECUTIVE SUMMARY

**Arizona Board of Regents
The University of Arizona
FY 2019 Capital Development Plan (CDP)
Project Justification Report**

**Phoenix Biomedical Sciences Partnership Building (BSPB)
3rd and 4th Floor Finish Shell Space**

Previous Board Action

- Capital Improvement Plan FY 2020-2022 September 2018

Statutory and Policy Requirements

- Pursuant to Arizona Board of Regents Policy Chapter 7-102 (B)(1), all capital projects with an estimated total project cost of \$10,000,000 or more, including information technology and third-party projects, shall be included in the Capital Development Plan.

Project Justification, Description and Scope

- This \$34 million project will build out the 3rd and 4th floors of current 'shell space' of the Biomedical Sciences Partnership Building (BSPB) for wet lab and administrative research spaces to support additional faculty recruitment for the College of Medicine-Phoenix (COM-P). These floors were constructed as shell space with the objective of building out the space as needed. Building out the 3rd and 4th floors at the same time will provide us with economies of scale and reduce the duration of impacts to current occupants of the building.
- In keeping with the partnership intent of BSPB, the Phoenix Veterans Affairs Medical Center is seeking to lease the existing research space on the 7th floor of BSPB. Leasing the already built out BSPB 7th floor laboratory and support spaces will allow the VA to relocate their existing research operations which will free up space on their landlocked campus so they can improve access to clinical services there. In addition, the lease to the VA, and co-location with COM-P researchers and faculty, provides partnership opportunities and will foster improved collaborative relationships. As was originally envisioned, the utilization of the existing BSPB built out research space for partnerships triggers the need to build out current shell space to allow for growing the COM-P research enterprise.

EXECUTIVE SUMMARY

- COM-P is actively recruiting 30 research faculty and has plans for additional 39 faculty recruitments by 2020. The build out of the two floors (46,100 GSF) of research space will accommodate these pending and future recruitments. The VA lease, increased indirect cost recovery funds from sponsored research, and a modest investment from COM-P and UA will support the debt service for the use of SPEED and System Revenue Bonds.

Project Delivery Method and Process

- This project is being delivered through the Construction Manager at Risk (CM@Risk) method. This approach was selected for the project because it can save time and cost through fast-track project scheduling, provides contractor design input and coordination throughout the project, improves potentially adversarial project environments and allows for the selection of the most qualified contractor leadership team for this project. Through peer-review of the CM@Risk's cost estimates at each phase, and low-bid subcontractor pricing for the actual construction work, this method also provides a high level of cost and quality control.
- The CM@Risk was selected through the appropriate project selection committee process prescribed by the ABOR Procurement Code. A licensed contractor was on the selection committee as required by ABOR policy. The design team has been selected through a similar ABOR process.

Project Status and Schedule

- This project was reviewed by the PBC Coordinating Council on October 16, 2018, and no issues or concerns were identified in this review. Any input that might result from future EEC discussions of the project will be reported to the Board at that time
- Programming is underway. This project is scheduled to commence design during November 2018.
- Project construction is scheduled to commence during June 2019, and scheduled to be completed during February 2020.

Project Cost

- The total project budget is \$34 million, with a construction cost of \$29 million.
- The construction budget for this project was developed by in-house University professionals and outside consultants, using cost data from industry-standard

EXECUTIVE SUMMARY

cost databases and from completed comparable projects. As the project progresses, peer reviews of the CM@Risk's estimates will be reconciled by the Project Team.

Fiscal Impact and Financing Plan

- The University plans to issue \$18.6 million of System Revenue Bonds (SRBs) and \$15.4 million of SPEED Revenue Bonds to fund the BSPB 3rd and 4th Floor Finish Shell Space project. The annual debt service payments on the SRBs is estimated to be \$1.4 million. The UA plans to fund the debt service payments on the SRBs with University local funds and space rental income. The annual debt service payments on the SPEED Bonds is estimated to be \$1.2 million. Up to 80% of the SPEED debt service is planned to be paid using State Lottery Proceeds and not less than 20% is planned to be paid using University local funds.
- The estimated operations and maintenance (O&M) cost for the BSPB 3rd and 4th Floor Finish Shell Space project is \$416,000. The UA plans to fund the O&M with indirect cost recovery funds and space rental income.

Debt Ratio Impact:

- The total estimated annual debt service of \$2.6 million on this project would increase the UA debt ratio by 0.06 percent.

Occupancy Plan

- This facility will provide new space for new researchers, it is not anticipated that space will be released.

EXECUTIVE SUMMARY**Capital Project Information Summary****University:** The University of Arizona**Project Name:** Phoenix Biomedical Sciences Partnership Building (BSPB) – 3rd and 4th Floor Finish Shell Space**Project Description / Location:**

This project will finish the shell space into wet lab space in the existing BSPB building on the 3rd and 4th floors, and will be located on the Phoenix Biomedical Campus at 475 N. 5th Street, Phoenix, AZ 85004.

**FY 2019 Capital
Development Plan**

Planning	September 2018
Design	November 2018
Construction	June 2019
Occupancy	March 2020

Total Project Cost	\$34,000,000
Total Project Cost per GSF	\$738
Direct Construction Cost - New	\$29,000,000
Construction Cost per GSF - New	\$629
Change in Annual Oper. / Maint. Cost	
Utilities	\$ 193,600
Personnel	\$ 148,900
Other	\$ 73,500

Capital:

- SPEED / System Revenue Bonds \$ 34,000,000
(Debt service paid by UA Local Funds, State Lottery Proceeds, and Space Rental Income)

Operation/Maintenance:

- Indirect Cost Recovery \$208,000
- Space Rental Income \$208,000

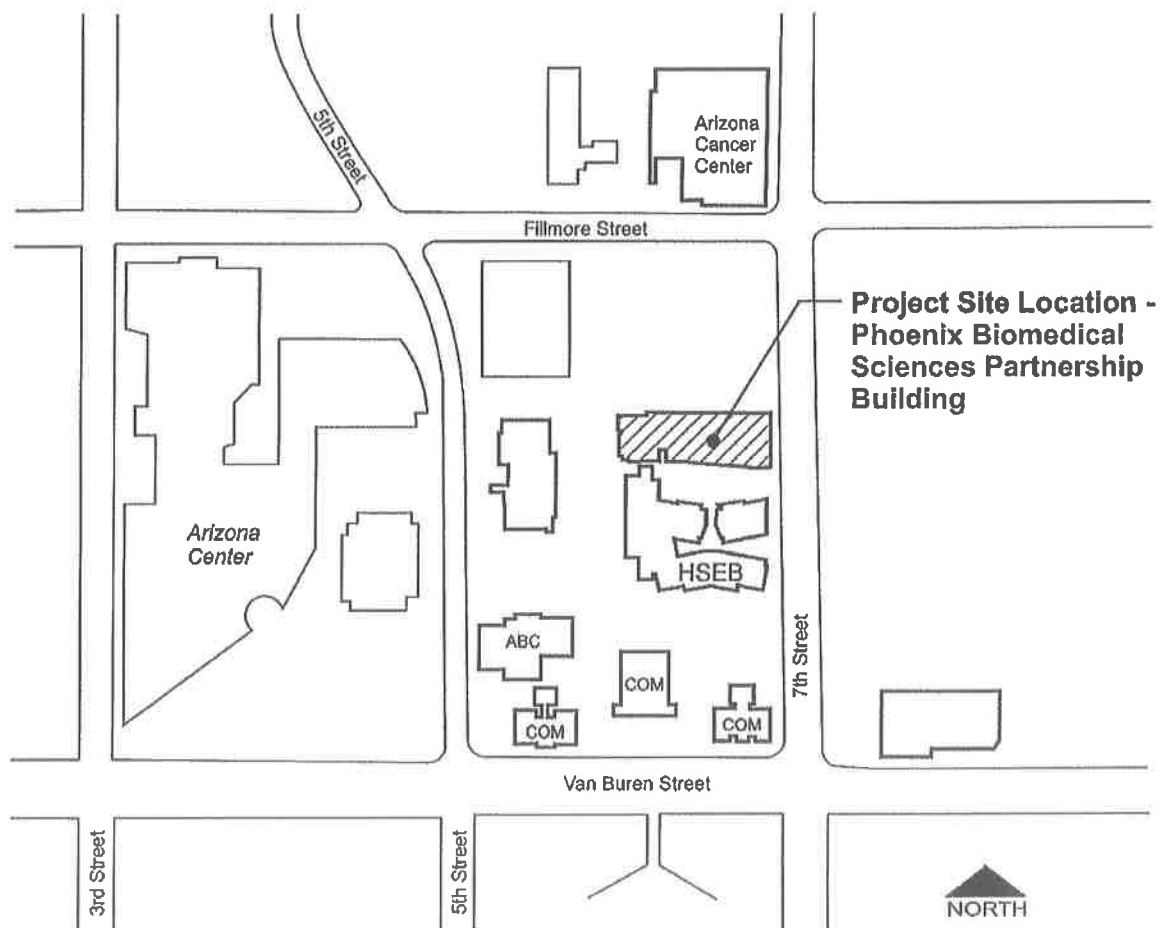
EXECUTIVE SUMMARY**Capital Project Budget Summary****University:** The University of Arizona**Project Name:** Phoenix Biomedical Sciences Partnership Building (BSPB) – 3rd and 4th Floor Finish Shell Space

<u>Date of Budget Estimate</u>		<u>FY 2019 Capital Development Plan</u>
		<u>November 2018</u>
1. Land	\$	0
2. Construction Cost		
A. New Construction	\$	28,700,000
B. Renovation	\$	0
C. Fixed Equipment	\$	300,000
D. Site Development (exclude 2.E.)	\$	0
E. Parking & Landscaping	\$	0
F. Utilities Extensions	\$	0
G. Other (asbestos only)	\$	0
Subtotal Construction Cost	\$	29,000,000
3. Consultant Fees		
A. Construction Manager	\$	235,000
B. Architect/Engineering Fees	\$	1,450,000
C. Other (Programming, Special Const.)	\$	150,000
Subtotal Consultant Fees	\$	1,835,000
4. Furniture Fixtures and Equipment	\$	750,000
5. Contingency, Design Phase	\$	615,000
6. Contingency, Construction Phase	\$	615,000
7. Parking Reserve	\$	
8. Telecommunications Equipment	\$	350,000
Subtotal Items 4-8	\$	2,330,000
9. Additional University Costs		
A. Surveys and Tests	\$	50,000
B. Move-in Costs	\$	50,000
C. Public Art	\$	0
D. Printing/Advertisement	\$	10,000
E. Univ. Facilities & Project Management	\$	550,000
F. State Risk Mgt. Ins	\$	175,000
Subtotal Additional University Costs	\$	835,000
TOTAL CAPITAL COST	\$	34,000,000

EXECUTIVE SUMMARY

Project Site Map

Phoenix Biomedical Sciences Partnership Building (BSPB) – 3rd and 4th Floor Finish
Shell Space





STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: December 11, 2018

TO: Members of the Joint Committee on Capital Review

FROM: Sam Beres, Fiscal Analyst *SB*

SUBJECT: University of Arizona - Review of Steward Observatory Project

Request

A.R.S. § 15-1671 requires Committee review of any non-debt financed university capital project paid for with funds from the university's Capital Infrastructure Fund (CIF). These CIF monies are from the \$1 billion capital investment program enacted in 2017. The University of Arizona requests Committee review of its plan to use \$11,000,000 in cash from its FY 2019 and FY 2020 CIF appropriations to pay for renovations and repairs to the Steward Observatory Building on its main campus. Because UA intends to use these appropriations to pay cash, rather than issue bonds, this project is subject to Committee review rather than approval.

This project will constitute UA's second use of the \$1 billion capital investment program. UA's first CIF funded project, the renovation of the School of Animal and Comparative Biomedical Sciences Building (Building 90), was approved in September 2017.

Committee Options

The Committee has at least the following 2 options:

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

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

(Continued)

Standard University Financing Provision

- A. A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.

Key Points

- 1) UA plans to use \$11.0 M from its Capital Infrastructure appropriation to pay cash to repair the Steward Observatory.
- 2) This project would constitute the second use of UA's funding from the \$1 billion bonding program enacted during the 2017 Legislative Session.
- 3) The project would replace aging building system components, such as the air handling system, the roof, and various electrical and mechanical components.

Analysis

The proposed project entails \$11.0 million in repairs to the Steward Observatory Building located on UA's main campus in Tucson. According to the university, the Steward Observatory was constructed in 1960 and was last renovated in 1983. The building is utilized by UA's Department of Astronomy.

The university classifies the project as critical deferred maintenance, and would include the replacement of mechanical, electrical, and plumbing systems. While the building is still in usable condition, UA has indicated that this project is required to prevent the building from becoming a safety hazard in the future. The renovation would not entail alterations or additions to the building, such as the creation of new classroom space.

Construction Costs

The \$11.0 million total project cost to renovate the 129,101 square foot Steward Observatory amounts to a per-square-foot cost of \$85. Of that amount, \$67 is directly tied to construction costs, while the remaining \$18 is associated with design, project management, contingencies, and other fees.

UA has indicated the renovation will deal with the observatory's underlying mechanical and structural issues and will not involve the replacement or upgrading of highly technical equipment (such as telescopes). The renovation components are expected to have a lifespan of 25 to 40 years. The \$11.0 million cost of the project is broken out as follows:

- \$7.9 million for replacement of building's air handling system and other ventilation components, including air ducts, exhaust fans, and terminal units.
- \$0.6 million for architectural repairs, including a new roof, skylights, and building wide waterproofing.
- \$0.2 million for electrical repairs and component replacement.
- \$2.3 million for non-construction related costs, such as project planning, inspections, warranties, and contingencies.

The nature of this project, which will replace various building system components but will not make significant building alterations, makes direct cost comparisons to prior projects difficult. The \$67 per square foot construction-only cost associated with this project is much lower than other recent

(Continued)

renovations. For example, UA's project to renovate Building 90, which was approved by the Committee in September 2017, had a construction-only cost of \$267 per square foot. However, the Building 90 renovation was significantly more extensive, including the replacement of science lab components and mold/asbestos remediation.

UA plans to complete construction by December 2019. There are no additional operations and maintenance costs expected as a result of this project.

Financing

UA will receive a total of \$21.3 million from its combined FY 2019 and FY 2020 General Fund CIF appropriations (*see University Capital Infrastructure Funds below*). Of this amount, the university will use \$11.0 million to pay cash for the Steward Observatory project. In addition, during FY 2019 and FY 2020 UA will use a total of \$1.3 million to pay the General Fund share (50%) of debt service for the previously approved Building 90 Project. The remaining \$9.0 million from the FY 2019 and FY 2020 CIF appropriations will help finance future projects that will be reviewed or approved by the Committee at a later date.

University Capital Infrastructure Funds (2017 Bonding Package)

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

- ASU: \$11,927,400
- NAU: \$4,520,900
- UA: \$10,551,700
- **Total: \$27,000,000**

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

Under the law, each university's General Fund appropriation will be deposited into a newly-created Capital Infrastructure Fund (CIF). Each university will match any General Fund contributions to its fund that are used for debt service payments at a 1:1 rate. In this particular case, there is no match requirement as UA is not using its appropriation to issue debt.

SB:kp



THE UNIVERSITY OF ARIZONA
Business Affairs

SENIOR VICE PRESIDENT FOR
BUSINESS AFFAIRS AND
CHIEF FINANCIAL OFFICER

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

December 18, 2018

The Honorable Representative Livingston
Joint Committee on Capital Review
House of Representatives
1700 West Washington St
Phoenix, AZ 85007



Dear Representative Livingston:

In accordance with ARS 15-1671 and ARS 41-1252, the Arizona Board of Regents (ABOR) request that the Steward Observatory renovation project for the University of Arizona (UA) be placed on the next Joint Committee on Capital Review agenda.

The total cost to renovate the Steward Observatory is \$11 million. The UA will utilize the Capital Infrastructure Fund (CIF) appropriations to fund the project, \$10 million will be used in FY 2019 and \$1 million will be used in FY 2020. The UA will not issue debt to finance the renovations.

The UA Steward Observatory Renovation Project

The Steward Observatory was built 1960 and has not seen major renovations since 1983. The building is 129,107 gross square feet and currently houses labs, offices, and classroom space for the UA Department of Astronomy. The UA Department of Astronomy produces the world's largest telescopes, and together with the UA Department of Planetary Sciences, was recently ranked by U.S. News and World Report 10th internationally among all programs. The faculty, students, and staff housed in the Steward Observatory have brought in \$775 million in research over the past twelve years (\$65M a year), more than any other astronomy department in the country.

The renovations will address critical deferred maintenance needs throughout the entire building. This includes replacing aging mechanical, electrical, and plumbing infrastructure that are beyond their serviceable life, which was reached in 1988. The Steward Observatory is a priority renovation project as the deteriorating infrastructure may pose a potential safety hazard in the future.

The UA consulted with a third-party firm to complete a comprehensive analysis to determine the best approach to meet the needs incurred by the Steward Observatory. The analysis surveyed the needs of the building to determine whether it was more prudent to renovate or demolish for new construction. The following factors were taken into consideration:

- Condition of existing building core & shell
- Sufficient floor-to-floor heights and structural capacity
- Capacity of renovated building to meet future facility needs
- Ability of renovated building to meet intended program needs
- Comparison of renovation vs new building cost
- Compatibility with UA Mission & Masterplan going forward

Referencing the cost of similarly constructed facilities, it was estimated that the total project cost to demolish and rebuild would be approximately \$750/sq ft. The estimated total cost to repair and renovate would be approximately \$85/sq feet (\$67/sq ft for construction, \$18/sq ft for design, project management, and contingencies). Based on the findings from this analysis, UA made the decision to renovate versus rebuild.

Below is a list of the renovations that will be addressed:

\$7,868,229	Primary Work Components - Lifespan 30-40 Heating, Air-conditioning, Ventilation, Indoor Air Quality Replace low pressure side internally lined ducts 65 and 65A Replace Terminal units Replace Air Handler Unit (AHU) Replace AHUs and Exhaust Fans Replace all Steam heating equipment Internally Clean and Re-Insulate High Pressure Ductwork
\$201,105	Electrical Repairs & Replacement – Lifespan 25 to 40 years Replace Service Entrance Switchgear 65 New Exit Signs for Life Safety 65 – Corridor Receptacles Refurbish Lightening Protection System
\$617,073	Architectural Repairs – Lifespan 30 to 40 years (Exterior Walls, Roofs, Fenestration, Exiting and Egress for Life Safety, Fire Walls) Fire Stopping and main mechanical room and elevator shafts New Skylights New Roof Repair Roof Seismic/Construction Joint between buildings Building-Wide Waterproofing
\$8,686,407	Total Construction Cost
\$2,313,593	University Facilities and Project Management <i>This line item covers cost and schedule control, plan review, construction inspection, project warranty and closeout management services. These services to assure the successful completion, quality control and code compliance for the project</i>

Joint Committee on Capital Review
December 18, 2018
Page 3 of 3

The Arizona Board of Regents approved this project on November 15, 2018. Pending a favorable review from JCCR, Engineering Design will begin in February 2019 and renovations will begin in April 2019. The project is scheduled to be completed in December 2019.

Sincerely,



Lisa Rulney
Interim Sr. VP for Business Affairs and Chief Financial Officer

Attachments

cc: John Arnold, Executive Director, ABOR
Sam Beres, JLBC Analyst
Nicole Salazar, Acting Vice President, Financial Services, UA
Lorenzo Martinez, Vice President, Finance and Administration, ABOR
Dr. Robert C. Robbins, President UA
Robert Smith, Vice President for University Planning, Design & Operations, UA
Richard Stavneak, Director, JLBC

UA Steward Observatory Building (65/65A/65B)

Overall Prioritized Recommendations List (Updated 11/7/18)

Overall Priority #	Survey Discipline	Detailed Rec. #	Description	Hard Costs Adjusted for Budget Conformance
1	Mech	1	Replace internally-lined ductwork in Bldg 65A/65B	\$1,580,082
2	Mech	6	Replace internally-lined terminal units in Bldg 65	\$569,538
3	Mech	7	Replace internally-lined terminal units in Bldg 65A/65B	\$2,447,328
4	Mech	11	Replace AHU-1,2 outside air duct risers in Bldg 65A	\$104,066
5	Mech	12	Clean AHU-1,2 outside air and return air underground ducts in Bldg 65A	\$33,390
6	Mech	9	Replace AHU-1,2 in Bldg 65A	\$921,182
7	Mech	8	Replace AHU-4,5 in Bldg 65	\$532,332
8	Mech	17	Replace duct humidifiers in room N114A, Bldg 65B	\$19,080
11	Arch	22	Bldg. 65 (1960) - Blank off all existing transfer grille door louvers with Stainless steel Armor doorplating	\$43,159
13	Mech	23	Re-route fire protection line through fire damper (65B N100W2)	\$795
14	Arch	26	Elevator #65A - Seal opening to re-establish 2-HR Fire Resistance rated Shaft Enclosure per Section 713	\$285
15	Arch	27	Elevator #65A Hydraulic line penetrating 2-HR wall is compromised with missing layer of GWB	\$285
16	Arch	31	Freight Elevator #65AF Machine Room - Firestop Pipe penetration thru concrete wall	\$271
17	Arch	42	Mechanical room firestopping	\$16,017
18	Arch	34	BLDG 65 (1960) EXIT ACCESS SOUTH STAIRWAY ISSUE - enclose the 3rd level (up to roof) with a 1-HR fire rated enclosure and ¾ HR rated door and frame. (Includes shop drawing review and fabrication time)	\$6,315

UA Steward Observatory Building (65/65A/65B)

Overall Prioritized Recommendations List (Updated 11/7/18)

Overall Priority #	Survey Discipline	Detailed Rec. #	Description	Hard Costs Adjusted for Budget Conformance
19	Arch	35	BLDG 65 (1960) EXIT ACCESS EAST STAIRWAY ISSUE - provide an operable out-swinging guardrail door at the lobby level that prevents continuous egress down to the basement.	\$739
20	Arch	41	Relocate emergency egress signage for visibility	\$1,841
21	Elec	7	Install additional exit sign lighting	\$29,129
22	Arch	12	Remove and replace 116 LF of vertical seismic joint with new Exterior Flat Seal (50% movement)	\$34,804
25	Arch	8	Bldg. 1960 & 1964 (Grade D) Remove Window Polyurethane caulk/sealant and replace with Silicone caulk/sealant	\$2,738
26	Arch	13	Bldg. 65B Skylights (Grade D) Remove and replace with new skylights	\$103,202
27	Arch	2	Bldg. 65 (1964) - Completely re-roof and reslope	\$81,282
28	Arch	28	Elevator #65A Previously removed hydraulic pipe that was abandoned in place in the machine room and elevator shaft needs to be capped to prevent conveyance of gases or vapors between spaces.	\$200
29	Mech	2	Clean all non-lined ductwork	\$167,427
30	Mech	3	Reinsulate and clean ductwork in Dome	\$36,570
31	Mech	4	Reinsulate all supply ductwork in Bldg 65	\$267,120
32	Mech	5	Provide insulation system on uninsulated supply ductwork in Bldg 65A	\$69,960
33	Mech	13	Seal concrete curb at AHU-2 return air riser in room 151, Bldg 65A	\$1,590
34	Mech	25	Replace automatic air vents on heating hot water distribution in Bldg 65B	\$189,210
35	Arch	29	Elevator #65A Hoistway pit ladder needs to be re-secured to wall and existing ladder	\$86
36	Arch	30	Freight Elevator #65AF wall ladder is not easily accessible from entry (about a 48" reach). Provide secondary step and grab bar	\$805
37	Mech	20	Upgrade room 374E shop exhaust in Bldg 65A	\$63,600

UA Steward Observatory Building (65/65A/65B)

Overall Prioritized Recommendations List (Updated 11/7/18)

Overall Priority #	Survey Discipline	Detailed Rec. #	Description	Hard Costs Adjusted for Budget Conformance
38	Mech	21	Provide dedicated exhaust systems for electronics workbenches in Bldg 65A	\$31,800
39	Mech	31	Service air compressor in NW corner of room 151, Bldg 65A	
40	Mech	24	Renovate steam/heating water equipment in Bldg 65/65A mechanical rooms	\$477,000
41	Mech	10	Replace rooftop AHU-3 of Bldg 65A	\$356,160
42	Elec	11	Refurbish lightning protection system	\$66,780
43	Elec	8	Install maintenance receptacles in corridors	\$14,884
44	Arch	7a	Power wash walls prior to application of masonry sealer for waterproofing	\$29,606
45	Arch	7	Building wide waterproofing – provide penetrating Masonry sealer (CANYON TONE CLEAR) and reseal all vertical and horizontal masonry joints (includes scaffolding & prep work)	\$272,468
58	Elec	1	Replace Bldg 65 service entrance switchgear	\$90,312
65	Mech	20	Replace rooftop exhaust fans on Bldg 65A roof	
70	Arch	5	Bldg. 65A & 65B Roof Joint – Remove and replace Roof Joint cover	\$5,997
76	Arch	23	Bldg. 65 (1960) - Upgrade existing doors with ADA lever Handle hardware	\$16,972

Construction Cost: \$8,686,407

EXECUTIVE SUMMARY

**Arizona Board of Regents
The University of Arizona
FY 2019 Capital Development Plan (CDP)
Project Justification Report**

Campus Deferred Maintenance 2019

Previous Board Action

- Capital Improvement Plan FY 2020-2022

September 2018

Statutory and Policy Requirements

- Pursuant to Arizona Board of Regents Policy Chapter 7-102 (B)(1), all capital projects with an estimated total project cost of \$10,000,000 or more, including information technology and third-party projects, shall be included in the Capital Development Plan.

Project Justification, Description and Scope

- This \$21 million project prioritizes \$11 million to address deferred maintenance in the Steward Observatory Building and \$10 million in critical system replacements across campus.
- Steward Observatory Deferred Maintenance Project - Critical deferred maintenance needs will be addressed throughout the entire building. These needs include replacing aging mechanical, electrical and plumbing infrastructure that are beyond their serviceable life. These needs were prioritized through a building Facility Condition Assessment.
- Campus Wide Deferred Maintenance Upgrades – Will address critical life safety needs on campus along with replacements of mechanical, electrical and plumbing infrastructure that are beyond their serviceable lives. These needs were prioritized through a ten-year plan.
- Addressing this deferred maintenance will allow for a more effective and efficient operation reducing unplanned breakdowns and enhancing the overall indoor air quality within various campus buildings and restoring the functionality of the buildings.

EXECUTIVE SUMMARY

Project Delivery Method and Process

- This project is being delivered through a Design-Build (D-B) delivery method. This approach was selected for this project because it can provide early cost control, save time through fast-track project scheduling while still providing contractor design input and coordination throughout the project, improving potentially adversarial project environments and still allowing for the selection of the most qualified architect-contractor team for this project. Through peer review of the D-B's cost estimate at each phase, and low-bid subcontractor work for the actual construction work, this method also provides a high level of cost and quality control.
- The Design-Builder provides a Guaranteed Maximum Price (GMP) based upon the amount previously agreed upon in the Design-Build agreement. In the selection of major subcontractors, the Design-Builder uses a qualification-based selection process prescribed by the ABOR Procurement Code to allow major subcontractors a design-assist role during the design phase. All remaining subcontractor work is awarded on the basis of the lowest responsive and responsible subcontractor bids. For this work, a minimum of three subcontractor bids will be required, except for specialty items or instances where proprietary systems are required.
- The Design-Build Team will be selected through the capital project selection committee process prescribed by the ABOR Procurement Code. A licensed contractor will be included on the selection committee as required by ABOR Policy.

Project Status and Schedule

- Programming is underway. This project is scheduled to commence design during fall of 2018.
- Project construction is scheduled to commence during winter of 2018, and will be completed winter 2019.

Project Cost

- The total project budget is \$21 million, with a construction cost of \$17.7 million.
- The construction budget for the Steward Observatory Deferred Maintenance project was developed by in-house University professionals and outside engineering firms conducting detailed Facility Condition Assessments using cost data from industry-standard cost databases and from completed comparable projects. As the project progresses, peer reviews of the Design-Builder's estimates will be reconciled by the Project Team.

EXECUTIVE SUMMARY

Fiscal Impact and Financing Plan

- The University plans to finance the Campus Deferred Maintenance 2019 project using \$11 million in state appropriations tied to the Capital Infrastructure Fund established in ARS 15-1671 and \$10 million in UA local matching funds.
- The operations and maintenance (O&M) cost for the space effected is already included in the UA's current budget.

Debt Ratio Impact:

- This project will have no impact on the University's debt ratios because no debt will be issued to finance the project.

EXECUTIVE SUMMARY**Capital Project Information Summary****University:** The University of Arizona**Project Name:** Campus Deferred Maintenance 2019**Project Description / Location:**

This project will address deferred maintenance needs and critical life safety needs on campus

**FY 2019 Capital
Development Plan**

Planning	Fall 2018
Design	Winter 2018
Construction	Early 2019
Occupancy	Winter 2019

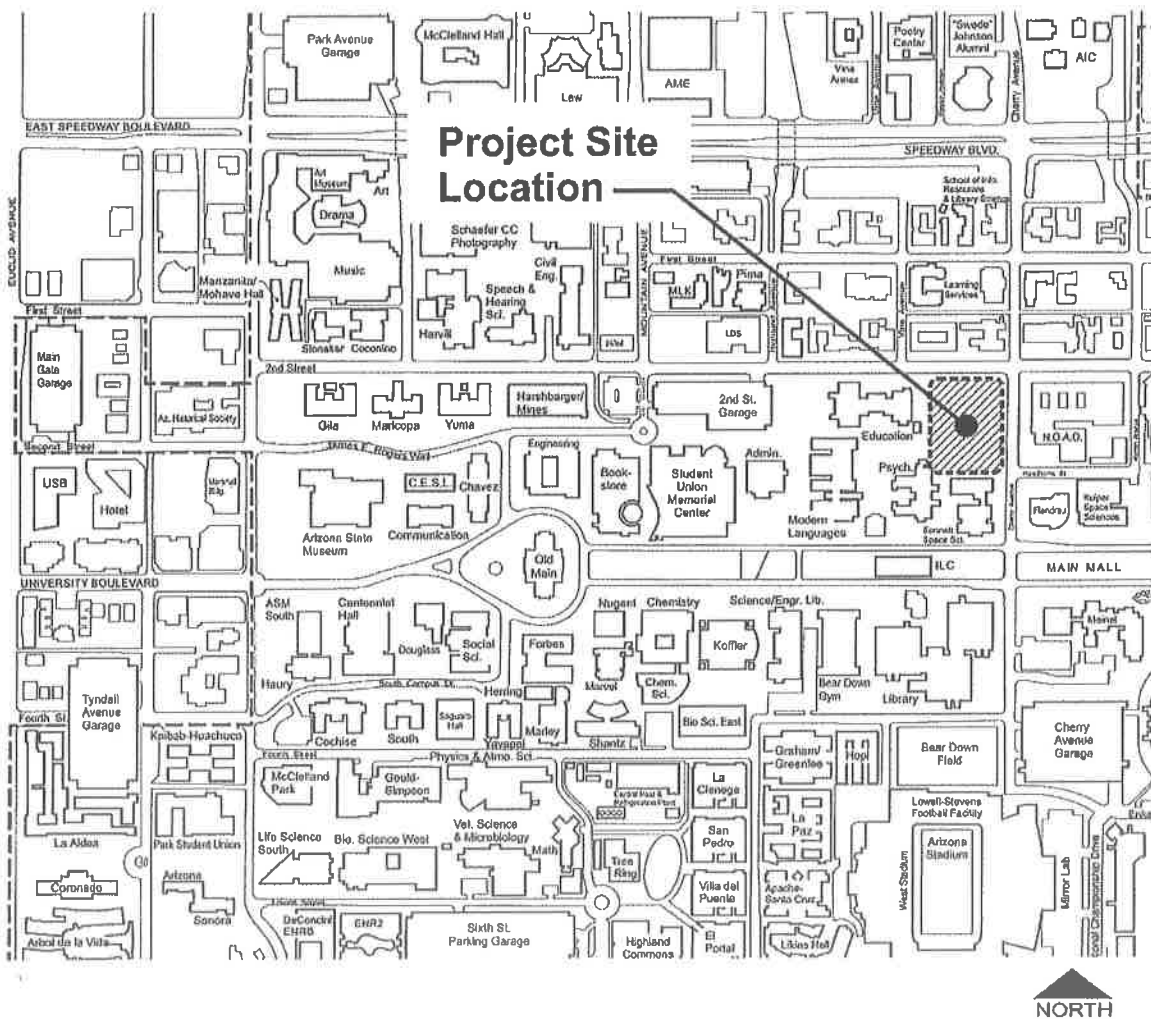
Total Project Cost	\$ 21,000,000
Total Project Cost per GSF	\$ N/A
Direct Construction Cost - New	\$ N/A
Construction Cost per GSF - New	\$ N/A
Change in Annual Oper. / Maint. Cost	
Utilities	\$ N/A
Personnel	\$ N/A
Other	\$ N/A

Capital:	
• State Appropriations	\$ 11,000,000
• UA Local Funds	\$ 10,000,000

Operation/Maintenance:	
• N/A	\$ N/A

EXECUTIVE SUMMARY**Capital Project Budget Summary****University:** The University of Arizona**Project Name:** Campus Deferred Maintenance 2019

<u>Date of Budget Estimate</u>		<u>FY 2019 Capital Development Plan</u>
		<u>November 2018</u>
1. Land	\$	0
2. Construction Cost		
A. New Construction	\$	0
B. Renovation	\$	15,700,000
C. Fixed Equipment	\$	0
D. Site Development (exclude 2.E.)	\$	0
E. Parking & Landscaping	\$	0
F. Utilities Extensions	\$	2,000,000
G. Other (asbestos only)	\$	0
Subtotal Construction Cost	\$	17,700,000
3. Consultant Fees		
A. Construction Manager	\$	180,000
B. Architect/Engineering Fees	\$	1,861,000
C. Other (Programming, Special Conslt.)	\$	0
Subtotal Consultant Fees	\$	2,041,000
4. Furniture Fixtures and Equipment	\$	0
5. Contingency, Design Phase	\$	538,000
6. Contingency, Construction Phase	\$	538,000
7. Parking Reserve	\$	0
8. Telecommunications Equipment	\$	0
Subtotal Items 4-8	\$	1,076,000
9. Additional University Costs		
A. Surveys and Tests	\$	0
B. Move-in Costs	\$	0
C. Public Art	\$	0
D. Printing/Advertisement	\$	0
E. Univ. Facilities & Project Management	\$	94,500
F. State Risk Mgt. Ins	\$	88,500
Subtotal Additional University Costs	\$	183,000
TOTAL CAPITAL COST	\$	21,000,000





STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: December 11, 2018

TO: Members of the Joint Committee on Capital Review

FROM: Morgan Dorcheus, Fiscal Analyst MD

SUBJECT: Arizona State University - Consider Approval of Health Solutions Innovation Center (HSIC) Financing Project

Request

A.R.S. § 15-1671 requires Committee approval of any debt financed university capital project paid for with funds from the university's Capital Infrastructure Fund (CIF). These monies are from the \$1 billion capital investment program enacted in 2017. Arizona State University (ASU) requests Committee approval of a \$80,000,000 bond issuance for the construction of the Health Solutions Innovation Center (HSIC).

The project will constitute ASU's third use of the \$1 billion capital investment program.

Committee Options

The Committee has at least the following 2 options:

1. Approval of the request.
2. Disapproval of the request.

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

Standard University Financing Provisions

- A. A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.

(Continued)

- B. ASU shall provide the final debt service schedule and interest rate for the project as soon as they are available.

Key Points

- 1) ASU plans to construct a 150,000 sq. foot building adjacent to the Mayo Hospital campus in Phoenix.
- 2) The building will include office, classroom, and lab space for health profession and biomedical science programs.
- 3) ASU will issue \$80 M of system revenue bonds.
- 4) ASU will pay 50% of the debt with tuition and 50% with CIF (\$1 B bonding).
- 5) The City of Phoenix will contribute up to \$8.8 M towards extension of utilities and a pedestrian bridge.

Analysis

ASU intends to construct a new 150,000 gross square foot building adjacent to the Mayo Clinic Hospital campus near 56th Street and the Loop 101.

The 2 organizations currently offer partnership programs and joint degrees at the other Mayo campus in Scottsdale, where Mayo opened its Medical School Arizona Campus in 2017 with approximately 50 students. The joint degree programs allow students to receive both an M.D. from Mayo and an M.S., J.D., or M.B.A. in related fields from ASU.

The new Phoenix facility will be used to provide professional education and research, and will house ASU programs focusing on health professions and biomedical sciences, including programs from ASU's College of Nursing and Health Innovation, the College of Health Solutions Department of Biomedical Informatics, the Fulton School of Engineering and The Center for Mindfulness.

ASU states the facility will include research labs for biomedical engineering and informatics and a "med-tech accelerator", which consists of a collaboration between ASU and Mayo to develop "entrepreneurial medical device and health care IT companies". Approximately 53% of the building will be used for academic and instruction space and 47% will be used for research space.

HSIC will be the first building constructed on the "ASU Health Solutions Innovation Zone" site. ASU states that the Innovation Zone is 24 acres of State Trust Land which is leased by the Arizona Board of Regents from the State Land Department. The Innovation Zone is within a larger 194-acre "Arizona Health Solutions Corridor" area that consists of the leased land along with land owned by Mayo. The area is intended to include ASU programs and research centers and provide opportunity for collaborations between academic and clinical entities.

In addition to the new facility, this project will address infrastructure needs of the future site, including hardscape, utility extensions, and a pedestrian bridge between the ASU building and Mayo hospital.

Financing

ASU intends to issue \$40.0 million in system revenue bonds in March 2019 and another \$40.0 million in March 2020, for a total of \$80.0 million. ASU anticipates a rating of Aa2 (Moody's)/AA (S&P) and an interest rate of 4.06% over 25-year terms.

(Continued)

ASU will make average annual debt service payments of \$2.1 million in FY 2019, \$4.6 million from FY 2020 – FY 2028, \$5.5 million from FY 2029 – FY 2037, and \$6.3 million from FY 2038 – FY 2043. Half of the debt service payments will be funded by tuition and the other half by General Fund appropriations from the \$1 billion bonding package.

Of the \$130.6 million cumulative debt service payments, \$65.3 million will be paid from tuition and \$65.3 million from the General Fund. *(See Table 2 for a summary of the bond financing terms).*

The debt service on this project increases ASU's current debt ratio by 0.19%, from 4.5% to 4.69%. Including other ASU projects on the agenda, the debt ratio would increase to 4.83%.

University Capital Infrastructure Funds (2017 Bonding Package)

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

- ASU: \$11,927,400
- NAU: \$4,520,900
- UA: \$10,551,700
- **Total: \$27,000,000**

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

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

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

Construction Costs

Of the \$80.0 million total project cost, direct construction costs (excluding items such as design and project management costs) are \$56.7 million. As shown in *Table 1*, total project costs per square foot are \$533, while direct construction costs per square foot are \$378.

The Committee most recently reviewed construction of ASU's 258,000 square foot Interdisciplinary Science and Technology (ISTB) 7 building. Total constructions costs for ISTB 7 are \$175.0 million (\$678 per square foot), of which \$126.0 million will be for direct construction costs (\$488 per square foot). It is difficult to make comparisons in constructions costs between ISTB 7 and HSIC, however, because of the differences in how building spaces are allocated. HSIC will include instruction and research space, whereas ISTB7 will also include public exhibit spaces, an auditorium, and event meeting rooms. In addition, the cost of lab spaces may vary based on specific programs. For example, HSIC will include labs in biomedical engineering and informatics, whereas ISTB 7 will include labs for biological sciences and computing and engineering.

(Continued)

ASU states that project construction will begin by February 2019, and that the Construction Manager at Risk (CMAR) will complete the project under the guaranteed maximum price arrangement with ASU by September 2020.

In addition to state and university funds, ASU states that the City of Phoenix has committed up to \$8.8 million toward the development site infrastructure, including extension of utilities and the pedestrian bridge.

Operations and Maintenance Costs

ASU estimates that the facility will require annual operations and maintenance costs of \$1.3 million, which ASU intends to fund with tuition revenues.

Table 1

HSIC Construction

Total Square Footage	150,000	
<u>Funding</u>		
System Revenue Bonds ^{1/}	\$80,000,000	
<u>Costs</u>		
Direct Construction Costs	\$56,694,000	(\$378 per sq. ft.)
Other Costs ^{2/}	<u>23,306,000</u>	<u>(\$155 per sq. ft.)</u>
Total	\$80,000,000	(\$533 per sq. ft.)
Operations & Maintenance ^{3/}	\$1,329,200	

^{1/} Annual debt service payments on \$80.0 million principal are based on a 4.06% interest rate for a total debt service cost of \$130.6 million. Debt service will be paid by CIF monies (50% General Fund, 50% tuition).

^{2/} Includes equipment, furniture, project design and management fees, and other costs.

^{3/} Annual operations and maintenance costs to be funded by tuition.

(Continued)

Table 2

HSIC Building Financing Terms

Construction Timeframe	February 2019 – September 2020
Issuance Amount	\$80.0 million
Issuance Date	March 2019, March 2020
Issuance Transaction Fees	\$720,000
Rating	Aa2 (Moody's)/AA (S&P)
Interest Rate	4.06%
Term	25 years
Total Debt Costs	\$130.6 million
Debt Service Payments (Average)	\$2.1 million (FY 2019) \$4.6 million (FY 2020 – FY 2028) \$5.5 million (FY 2029 – FY 2037) \$6.3 million (FY 2038 – FY 2043)
Payment Source	\$65.3 million General Fund (CIF) \$65.3 million tuition (CIF)
Debt Ratio Increase	0.19%

MD:kp



November 27, 2018

The Honorable David Livingston, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
1700 West Washington, Room H
Phoenix, AZ 85007

Dear Representative Livingston:

In accordance with ARS 15-1683 and ARS 15-1671, the Arizona Board of Regents requests that the following Arizona State University bond-financed projects be placed on the next Joint Committee on Capital Review agenda:

- Health Solutions Innovation Center
- Building and Infrastructure Enhancements and Modifications
- Classroom and Academic Renovations
- Research Laboratories and Faculty Startup

Enclosed is pertinent information relating to these items.

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

Sincerely,

A handwritten signature in dark ink, appearing to read "Morgan R. Olsen", followed by a horizontal line.

Morgan R. Olsen
Executive Vice President, Treasurer and CFO

Enclosures

c: Richard Stavneak, Director, JLBC
John Arnold, Executive Director, Arizona Board of Regents, ABOR
Lorenzo Martinez, Chief Financial Officer and Director of Finance, ABOR
Matt Salmon, Vice President, Government Affairs, ASU
Adam C. Deguire, Associate Vice President, Government Affairs, ASU
Courtney Coolidge, Senior Director, State Relations, ASU
Bruce Nevel, Associate Vice President, Facilities Development and Management, ASU
Joanne Wamsley, Vice President for Finance and Deputy Treasurer, ASU
Morgan Dorcheus, Fiscal Analyst, JLBC

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**Joint Committee on Capital Review
Arizona State University
December 2018 JCCR Meeting**

1. HEALTH SOLUTIONS INNOVATION CENTER

Project Description

ASU will collaborate with the Mayo Clinic to create a world-class research, innovation and learning environment in northeast Phoenix, adjacent to the Mayo Clinic Hospital campus. The planned new facility will be a physical manifestation of the shared vision of ASU and the Mayo Clinic to transform medical education and the field of health care.

This approximately 150,000 gross-square-foot, leading-edge facility will feature a med-tech innovation accelerator and biomedical engineering and informatics research labs. Programs from several ASU schools and colleges, particularly those with a focus on the health professions and biomedical sciences, will benefit from the proximity of this facility to the Mayo Clinic Hospital and Cancer Center.

This project will be funded with \$80,000,000 in system revenue bonds under the state's capital infrastructure financing program. Under this program, half of the debt service will be funded with state appropriations tied to the Capital Infrastructure Fund and half will be funded with university tuition. The annual operations and maintenance costs for this project are estimated at \$1,329,188 and will be funded with tuition.

An Arizona Board of Regents executive summary for this project is attached, which outlines the project description and other relevant information. This project received Capital Development Plan approval at the February 9, 2018 Arizona Board of Regents meeting, which is the final required ABOR approval.

Project Costs

Total Project Cost	\$ 80,000,000
Total Project Construction Cost	\$ 56,694,000
Total Project Cost per GSF	\$ 533
Total Construction Cost per GSF	\$ 378

**Joint Committee on Capital Review
Arizona State University
December 2018 JCCR Meeting**

PROJECT SUMMARY –Revenue Bonds

<u>Projects:</u>	<u>Funding Sources:</u>	<u>Amount:</u>
Health Solutions and Innovation Center	CIF Funds/Tuition	\$ 80,000,000
Building and Infrastructure Enhancements and Modifications	CIF Funds/Tuition	32,000,000
Classroom and Academic Renovations	Tuition	10,000,000
Research Laboratories and Faculty Startup	Tuition	15,000,000
Total		<u>\$137,000,000</u>

FINANCING INFORMATION

<u>System Revenue Bonds:</u>	
Project Costs	\$137,000,000
Estimated Costs of Issuance	\$1,245,000
Anticipated Bond Rating	Aa2 (Moody's) and AA (S&P)
Assumed Interest Rate	4.06%
Term	21 -25 years

<u>Debt Service Information:</u>	
Estimated Annual Debt Service FY19	\$2,399,583
Estimated Annual Debt Service FY20-43	\$9,065,104
Estimated Total Debt Service	\$219,962,067

DEBT RATIO

Debt Ratio on Existing Debt	4.50
Incremental Debt Ratio	.33
Project Debt Ratio	4.83

**Joint Committee on Capital Review
Arizona State University
December 2018 JCCR Meeting**

**Arizona State University
Health Solutions and Innovations Center
System Revenue Bonds**

Fiscal Year	Estimated Issuance March 2019		
	Principal	Interest	Total
2019	\$1,512,000	\$546,205	\$2,058,205
2020	522,000	1,577,229	2,099,229
2021	586,000	1,556,036	2,142,036
2022	652,000	1,532,244	2,184,244
2023	722,000	1,505,773	2,227,773
2024	796,000	1,476,460	2,272,460
2025	874,000	1,444,142	2,318,142
2026	956,000	1,408,658	2,364,658
2027	1,042,000	1,369,844	2,411,844
2028	1,133,000	1,327,539	2,460,539
2029	1,228,000	1,281,539	2,509,539
2030	1,328,000	1,231,682	2,559,682
2031	1,433,000	1,177,765	2,610,765
2032	1,543,000	1,119,586	2,662,586
2033	1,659,000	1,056,940	2,715,940
2034	1,781,000	989,584	2,770,584
2035	1,909,000	917,276	2,826,276
2036	2,043,000	839,770	2,882,770
2037	2,183,000	756,825	2,939,825
2038	2,331,000	668,195	2,999,195
2039	2,485,000	573,556	3,058,556
2040	2,647,000	472,665	3,119,665
2041	2,817,000	365,197	3,182,197
2042	2,994,000	250,827	3,244,827
2043	3,184,000	129,270	3,313,270
	<u>\$40,360,000</u>	<u>\$25,574,807</u>	<u>\$65,934,807</u>

**Joint Committee on Capital Review
Arizona State University
December 2018 JCCR Meeting**

**Arizona State University
Health Solutions and Innovations Center
System Revenue Bonds**

Estimated Issuance March 2020			
Fiscal Year	Principal	Interest	Total
2020	\$1,578,000	\$546,205	\$2,124,205
2021	593,000	1,574,549	2,167,549
2022	660,000	1,550,473	2,210,473
2023	731,000	1,523,677	2,254,677
2024	806,000	1,493,999	2,299,999
2025	885,000	1,461,275	2,346,275
2026	967,000	1,425,344	2,392,344
2027	1,054,000	1,386,084	2,440,084
2028	1,146,000	1,343,292	2,489,292
2029	1,242,000	1,296,764	2,538,764
2030	1,344,000	1,246,339	2,590,339
2031	1,450,000	1,191,772	2,641,772
2032	1,562,000	1,132,902	2,694,902
2033	1,679,000	1,069,485	2,748,485
2034	1,802,000	1,001,318	2,803,318
2035	1,931,000	928,157	2,859,157
2036	2,067,000	849,758	2,916,758
2037	2,209,000	765,838	2,974,838
2038	2,358,000	676,152	3,034,152
2039	2,515,000	580,418	3,095,418
2040	2,679,000	478,309	3,157,309
2041	2,851,000	369,541	3,220,541
2042	3,031,000	253,791	3,284,791
2043	3,220,000	130,732	3,350,732
	<u>\$40,360,000</u>	<u>\$24,276,174</u>	<u>\$64,636,174</u>

EXECUTIVE SUMMARY

**Arizona Board of Regents
Arizona State University
Capital Development Plan Project Justification Report
Health Solutions Innovation Center**

Previous Board Action:

- FY 2018 Capital Development Plan June 2017

Statutory/Policy Requirements

- ABOR Policy 7-102 (B) requires committee review and board approval of all capital projects with an estimated total project cost of \$10,000,000 or more for new construction.

Project Justification/Description/Scope

- ASU and the Mayo Clinic share a bold vision to transform medical education and the field of health care. The realization of this shared vision is in their plans to collaborate in a world-class research, innovation and learning environment on ASU-controlled land in northeast Phoenix, adjacent to the Mayo Clinic Hospital campus.
- The planned new facility will be the first to be located on this ASU Health Solutions Innovation zone. The Mayo Clinic's expertise in complex patient care, medical education and research will be joined with ASU's robust engineering, informatics, health solutions and nursing programs on this site. The site will be a destination for top-quality health care, professional education, industry interaction and treatment breakthroughs.
- This approximately 150,000 gross-square-foot, leading-edge facility will feature a med-tech innovation accelerator, biomedical engineering and informatics research labs, and an innovative education zone. Programs from several ASU schools and colleges, particularly those with a focus on the health professions and biomedical sciences, will benefit from the proximity of this facility to the Mayo Clinic Hospital and Cancer Center, as depicted on the map attached hereto as Exhibit I.
- As this is the first facility to be constructed on the ASU Health Solutions Innovation Zone site, the scope of this project will address not only the master plan integration, but also the initial infrastructure requirements. Components, such as hardscape for the site entry, utilities that will serve the needs of the entire future site and a bridge

EXECUTIVE SUMMARY

that connects to the Mayo Clinic Hospital site, are included in the scope and cost of this project.

- Separate from but related to this project, the City of Phoenix has agreed to contribute up to \$8.8 million toward the development of off/on-site infrastructure. These funds will support the extension of utilities to the site, as well the connection of a pedestrian/cart bridge over the existing wash.
- This project will support ABOR's goal of increasing capabilities and avenues for state-of-the-art research to enhance Arizona's economy and competitiveness.

Project Delivery Method and Process:

- This project will be delivered through the Construction Manager at Risk (CMAR) delivery method. This approach was selected to provide contractor design input and coordination throughout the project, alleviate potentially adversarial project environments and allow for the selection of the most qualified contractor team. With the use of two independent cost estimates at each phase and pre-qualified, low-bid subcontractor work for the actual construction, CMAR project delivery also provides a high level of cost and quality control.

Project Status and Schedule

- ASU has selected DPR Construction as the CMAR and Dick & Fritsche Design Group as the Design Professional (DP) for this project. During the CMAR selection process, there were ten submittal responses and four contractors were interviewed. The selection process for the DP included fifteen responses and five firms were interviewed.
- General construction is scheduled to begin when the design is complete and after all approvals are in place. Construction is scheduled for completion in December 2019.

Project Cost

- The budget for this project is \$80.0 million, and represents an estimated construction cost of \$378 per gross square foot. The estimated total project cost is \$533 per gross square foot.
- The CMAR will be at risk to provide the completed project within the agreed-upon Guaranteed Maximum Price (GMP).

EXECUTIVE SUMMARY

Fiscal Impact and Financing Plan:

- The \$80.0 million project budget will be funded with system revenue bonds. Debt service will be funded by the State of Arizona Capital Infrastructure Fund and matched with university funds.
- Operations and maintenance costs for this project are estimated at \$1,329,188 annually and will be funded by tuition
- **Debt Ratio Impact:** The projected incremental debt ratio impact for this project is 0.19 percent.

Occupancy Plan

- University programs from the College and Nursing and Health Innovation, the College of Health Solutions Department of Biomedical Informatics, the Fulton Schools of Engineering and The Center for Mindfulness are expected to occupy this facility. Backfill plans for spaces vacated by these programs are in development.

Exhibit

- Exhibit I - Site Location Map

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University **Project Name:** Health Solutions Innovation Center

Project Description and Location: The proposed new 150,000-square-foot leading-edge facility will feature a med-tech innovation accelerator, biomedical engineering and informatics research labs, and an innovative education zone. Programs from several ASU schools and colleges, particularly those with a focus on the health professions and biomedical sciences, will benefit from the proximity of this world class learning facility to the Mayo Clinic Hospital and Cancer Center, as depicted on the attached map as Exhibit I. This is the first building in conjunction with the new innovation zone at this location.

Project Schedule:

Planning	July	2017
Design	December	2017
Construction Start	August	2018
Construction Completion	December	2019

Project Budget:

Total Project Cost	\$ 80,000,000
Total Project Construction Cost	\$ 56,694,000
Total Project Cost per GSF	\$ 533
Construction Cost per GSF	\$ 378

Change in Annual O & M Cost:

Utilities	\$ 565,828
Personnel	0
All Other Operating	763,360
Subtotal	\$ 1,329,188

Funding Sources:

Capital

A. System Revenue Bonds	\$ 80,000,000
Debt Service Funding Source:	Tuition Capital Infrastructure Fund

Operation/Maintenance	\$ 1,329,188
Funding Source:	Tuition

EXECUTIVE SUMMARY

Capital Project Budget Summary

University: Arizona State University

Project: Health Solutions Innovation Center

	Capital Development Plan June 2017	Capital Development Plan February 2018
Capital Costs		
1. Land Acquisition		
2. Construction Cost		
A. New Construction	\$ 49,000,000	\$ 56,238,000
B. Tenant Improvements		-
C. Special Fixed Equipment		-
D. Site Development (excl. 2.E.)	1,000,000	-
E. Parking and Landscaping	2,500,000	456,000
F. Utilities Extensions		-
G. Other* (Demolition/abatement)		-
Subtotal Construction Cost	<u>\$ 52,500,000</u>	<u>\$ 56,694,000</u>
3. Fees		
A. CMAR Pre-Construction	\$ 787,500	\$ 850,410
B. Architect/Engineer	6,300,000	6,803,280
C. Other		
Subtotal Consultant Fees	<u>\$ 7,087,500</u>	<u>\$ 7,653,690</u>
4. FF&E Movable	\$ 2,100,000	\$ 3,401,640
5. Contingency, Design Phase	4,200,000	2,833,691
6. Contingency, Constr. Phase	4,200,000	2,834,700
7. Parking Reserve		-
8. Telecommunications Equipment	2,719,317	3,401,640
Subtotal Items 4-8	<u>\$ 13,219,317</u>	<u>\$ 12,471,671</u>
9. Additional University Costs		
A. Surveys, Tests, Haz. Mat. Abatement	\$ 25,000	\$ 500,000
B. Move-in Costs	5,000	50,000
C. Printing Advertisement	1,000	35,000
D. Keying, signage, facilities support	45,000	10,000
E. Project Management Cost	1,938,683	2,322,461
F. State Risk Mgt. Ins. (.0034 **)	178,500	263,178
Subtotal Addl. Univ. Costs	<u>\$ 2,193,183</u>	<u>\$ 3,180,639</u>
Total Capital Cost	<u><u>\$ 75,000,000</u></u>	<u><u>\$ 80,000,000</u></u>

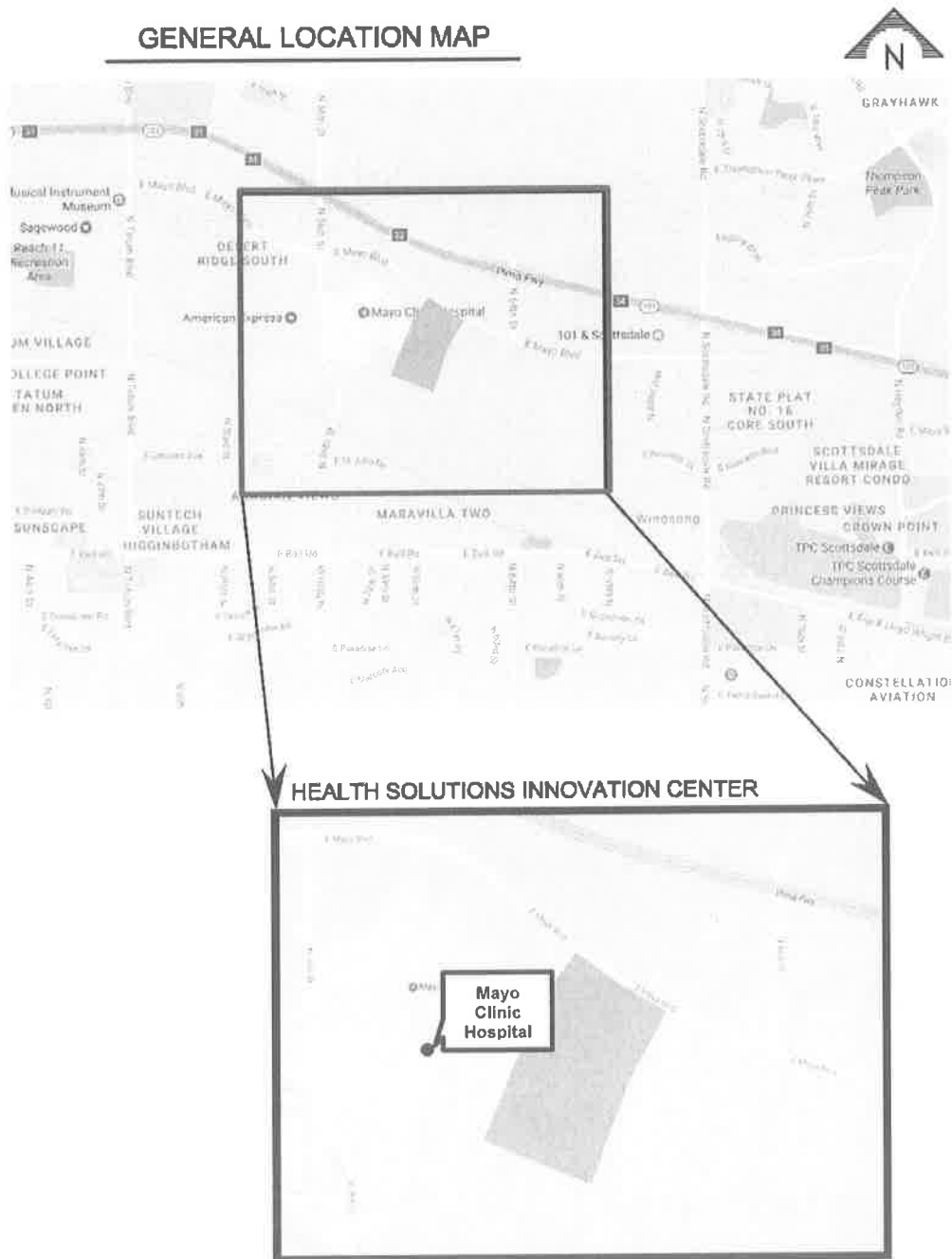
* Universities shall identify items included in this category

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

EXECUTIVE SUMMARY

EXHIBIT I
Health Solutions Innovation Center
Phoenix Site Location Map

GENERAL LOCATION MAP



HEALTH SOLUTIONS INNOVATION CENTER



AREA IN DETAIL



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Joint Committee on Capital Review

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REBECCA RIOS

DATE: December 11, 2018

TO: Members of the Joint Committee on Capital Review

FROM: Morgan Dorcheus, Fiscal Analyst MD

SUBJECT: Arizona State University - Consider Approval of Building Infrastructure Financing Project

Request

A.R.S. § 15-1671 requires Committee approval of any debt financed university capital project paid for with funds from the university's Capital Infrastructure Fund (CIF). These monies are from the \$1 billion capital investment program enacted in 2017. Arizona State University (ASU) requests Committee approval of a \$32,000,000 bond issuance for building infrastructure projects.

After accounting for Agenda Item 2A, this proposed project will constitute ASU's fourth use of the \$1 billion capital investment program.

Committee Options

The Committee has at least the following 2 options:

1. Approval of the request.
2. Disapproval of the request.

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

Standard University Financing Provisions

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

(Continued)

Key Points

- 1) ASU plans to upgrade and replace aging building systems across all campuses at a cost of \$22 M.
- 2) ASU will also map utility systems at Tempe and East campuses.
 - We are seeking more rationale for the \$10 M cost estimate.
- 3) ASU will issue \$32 M of system revenue bonds, paying 50% of the debt with tuition and 50% with CIF (\$1 B bonding).

Analysis

ASU intends to upgrade and replace aging building systems across all campuses, including mechanical, electrical, elevators, and roofs. ASU plans to prioritize life and safety projects and building code compliance, such as replacement of fire suppression systems, building transformers, and electrical distribution equipment, at a cost of \$22.0 million.

In addition to building system upgrades, ASU plans to map utility systems on the Tempe and East campuses, at a cost of \$10.0 million. ASU states that the current utility plans lack complete information and cause delays in service response times and planning for new capital projects. ASU also states that mapping these systems this will aid in prioritizing and budgeting for future infrastructure improvements and help utility providers better respond to service interruptions.

The scope of the utility mapping project is unclear. ASU states that the project "will benefit both ASU and its utility providers", however, we have asked ASU how additional utility maps would provide clarification above what existing provider maps contain. In addition, it is uncertain whether this project would involve any relocation of utility lines. We are awaiting a response from ASU on these issues and are seeking additional information on the \$10.0 million cost estimate.

Financing

ASU intends to issue \$32.0 million in system revenue bonds in March 2020. ASU anticipates a rating of Aa2 (Moody's)/AA (S&P) and interest rates of 4.06% over a 24-year term.

ASU will make average annual debt service payments of \$1.8 million from FY 2020 – FY 2027, \$2.1 million from FY 2028 – FY 2033, and \$2.5 million from FY 2034 – FY 2043. Half of the debt service payments will be funded by tuition and the other half by General Fund appropriations from the \$1 billion bonding package.

Of the \$51.7 million cumulative debt service payments, \$25.9 million will be paid from tuition and \$25.9 million from the General Fund. *(See Table 1 for a summary of the bond financing terms).*

The debt service on this project increases ASU's current debt ratio by 0.07%, from 4.5% to 4.57%. Including other ASU projects on the agenda, the debt ratio would increase to 4.83%.

University Capital Infrastructure Funds (2017 Bonding Package)

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

(Continued)

- ASU: \$11,927,400
- NAU: \$4,520,900
- UA: \$10,551,700
- **Total: \$27,000,000**

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

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

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

Construction Costs

Of the \$32.0 million total project cost, approximately \$22.0 million will be used for building system upgrades and \$10.0 million will be used for the utility mapping project.

The university reports that the various improvements will incorporate the Construction Manager at Risk (CMAR) and Job Order Contracting methods of project delivery. The project will begin March 2019, with completion scheduled by December 2021.

Operations and Maintenance Costs

ASU expects no increase in operation and maintenance costs as a result of the improvements.

Recent ASU Building Renewal Projects

At its September 2017 meeting, the Committee favorably reviewed \$35.0 million of bond issuances for building renewal projects such as laboratory and classroom upgrades and HVAC, fire, life and safety improvements across the ASU campuses. These bonds were financed with university tuition revenues.

The state typically does not provide funding for university building renewal. If funded, the building renewal formula would generate \$52.0 million for ASU in FY 2020.

Table 1

Building Infrastructure and Deferred Maintenance Financing Terms

Construction Timeframe	March 2019 – December 2021
Issuance Amount	\$32.0 million
Issuance Date	March 2020
Issuance Transaction Fees	\$300,000
Rating	Aa2 (Moody's)/AA (S&P)
Interest Rate	4.06%
Term	24 years
Total Debt Costs	\$51.7 million
Debt Service Payments (Average)	\$1.8 million (FY 2020 – FY 2027) \$2.1 million (FY 2028 – FY 2033) \$2.5 million (FY 2034 – FY 2043)
Payment Source	\$25.9 million General Fund (CIF) \$25.9 million tuition (CIF)
Debt Ratio Increase	0.07%

MD:kp



November 27, 2018

The Honorable David Livingston, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
1700 West Washington, Room H
Phoenix, AZ 85007

Dear Representative Livingston:

In accordance with ARS 15-1683 and ARS 15-1671, the Arizona Board of Regents requests that the following Arizona State University bond-financed projects be placed on the next Joint Committee on Capital Review agenda:

- Health Solutions Innovation Center
- Building and Infrastructure Enhancements and Modifications
- Classroom and Academic Renovations
- Research Laboratories and Faculty Startup

Enclosed is pertinent information relating to these items.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Morgan R. Olsen", followed by a horizontal line.

Morgan R. Olsen
Executive Vice President, Treasurer and CFO

Enclosures

c: Richard Stavneak, Director, JLBC
John Arnold, Executive Director, Arizona Board of Regents, ABOR
Lorenzo Martinez, Chief Financial Officer and Director of Finance, ABOR
Matt Salmon, Vice President, Government Affairs, ASU
Adam C. Deguire, Associate Vice President, Government Affairs, ASU
Courtney Coolidge, Senior Director, State Relations, ASU
Bruce Nevel, Associate Vice President, Facilities Development and Management, ASU
Joanne Wamsley, Vice President for Finance and Deputy Treasurer, ASU
Morgan Dorcheus, Fiscal Analyst, JLBC

**Joint Committee on Capital Review
Arizona State University
December 2018 JCCR Meeting**

PROJECT SUMMARY –Revenue Bonds

<u>Projects:</u>	<u>Funding Sources:</u>	<u>Amount:</u>
Health Solutions and Innovation Center	CIF Funds/Tuition	\$ 80,000,000
Building and Infrastructure Enhancements and Modifications	CIF Funds/Tuition	32,000,000
Classroom and Academic Renovations	Tuition	10,000,000
Research Laboratories and Faculty Startup	Tuition	15,000,000
Total		<u>\$137,000,000</u>

FINANCING INFORMATION

<u>System Revenue Bonds:</u>	
Project Costs	\$137,000,000
Estimated Costs of Issuance	\$1,245,000
Anticipated Bond Rating	Aa2 (Moody's) and AA (S&P)
Assumed Interest Rate	4.06%
Term	21 -25 years

<u>Debt Service Information:</u>	
Estimated Annual Debt Service FY19	\$2,399,583
Estimated Annual Debt Service FY20-43	\$9,065,104
Estimated Total Debt Service	\$219,962,067

DEBT RATIO

Debt Ratio on Existing Debt	4.50
Incremental Debt Ratio	.33
Project Debt Ratio	4.83

**Joint Committee on Capital Review
Arizona State University
December 2018 JCCR Meeting**

2. BUILDING AND INFRASTRUCTURE ENHANCEMENTS AND MODIFICATIONS

Project Description

The Building and Infrastructure Enhancements and Modifications project bundle will address the university's primary areas of built environment concern at all campuses, such as the upgrade and replacement of aging mechanical, electrical and other critical building systems, the renewal of aging elevators and the repair and replacement of timeworn roofs. Additionally, the university plans to map out the underground utilities for the Tempe and Polytechnic campuses to support the development of a master plan and to prioritize the required replacement of its aging utility infrastructure.

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

This project will be funded with \$32,000,000 in system revenue bonds under the state's capital infrastructure financing program. Under this program, half of the debt service will be funded with state appropriations tied to the Capital Infrastructure Fund and half will be funded with university tuition. There are no expected increases in operations and maintenance costs associated with this project bundle.

An Arizona Board of Regents executive summary for this project bundle is attached, which outlines the project description and other relevant information. This project bundle received Capital Development Plan approval at the November 16, 2018 Arizona Board of Regents meeting, which is the final required ABOR approval.

Project Costs

Total Project Cost	\$ 32,000,000
Total Project Construction Cost	\$ 17,600,000
Total Project Cost per GSF	\$ N/A
Total Construction Cost per GSF	\$ N/A

**Joint Committee on Capital Review
Arizona State University
December 2018 JCCR Meeting**

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

Fiscal Year	Estimated Issuance Date March 2020		
	Principal	Interest	Total
2020	\$1,263,000	\$437,127	\$1,700,127
2021	474,000	1,260,102	1,734,102
2022	528,000	1,240,858	1,768,858
2023	585,000	1,219,421	1,804,421
2024	645,000	1,195,670	1,840,670
2025	708,000	1,169,483	1,877,483
2026	774,000	1,140,738	1,914,738
2027	844,000	1,109,314	1,953,314
2028	917,000	1,075,047	1,992,047
2029	994,000	1,037,817	2,031,817
2030	1,075,000	997,461	2,072,461
2031	1,160,000	953,816	2,113,816
2032	1,250,000	906,720	2,156,720
2033	1,344,000	855,970	2,199,970
2034	1,442,000	801,403	2,243,403
2035	1,546,000	742,858	2,288,858
2036	1,654,000	680,091	2,334,091
2037	1,768,000	612,938	2,380,938
2038	1,887,000	541,157	2,428,157
2039	2,013,000	464,545	2,477,545
2040	2,144,000	382,817	2,526,817
2041	2,281,000	295,771	2,576,771
2042	2,426,000	203,162	2,629,162
2043	2,578,000	104,667	2,682,667
	\$32,300,000	\$19,428,953	\$51,728,953

EXECUTIVE SUMMARY

**Arizona Board of Regents
Arizona State University
Amended Capital Development Plan – Project Justification Report
Building and Infrastructure Enhancements and Modifications**

Previous Board Action

- FY 2020-2022 Capital Improvement Plan September 2018

Project Justification/Description/Scope

- This project bundle will address the university's primary areas of concern for buildings and infrastructure at all campuses, such as the upgrade and replacement of aging mechanical, electrical and other critical building systems, the renewal of aging elevators and the repair and replacement of timeworn roofs. Additionally, the university plans to map out the underground utilities for the Tempe and Polytechnic campuses to support the development of a master plan and to prioritize the required replacement of its aging utility infrastructure.
- Many components of the ASU built environment, including much of the underground infrastructure, have exceeded their useful life and are incapable of effectively supporting the advancement of the university's mission of academic and research excellence. The planned projects will ensure the efficient, reliable and safe operation of all essential campus infrastructure and systems, including those that must continue without interruption to support the university's critical academic and research initiatives.
- These projects not only will enhance the quality of the campus infrastructure and systems, but also will keep the university in compliance with code requirements and address ABOR directives to reduce deferred maintenance. Projects essential for life safety, code compliance and the advancement of university strategic initiatives will be given top priority.

Project Delivery Method and Process

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

EXECUTIVE SUMMARY

Project Status and Schedule

- Design Professionals (DPs) will be selected after CDP approval. The project design will be complete approximately six to twelve months after the DP contract has been awarded for that component of work.
- General construction is scheduled to begin when the design is complete and after all approvals are in place. Construction on all project components is targeted for completion by December 2021.

Project Cost

- The total budget for this project bundle is \$32.0 million.
- For this CDP phase, no preliminary external cost estimates have been provided by third-party consultants. The DP and DB, CMAR or JOC contractor teams have not yet been selected for these project components. Independent cost estimates will be provided by the DP, DB, CMAR or JOC contractor after these selections are complete.
- For projects selected to use the DB or CMAR delivery method, the construction manager will be at risk to provide the completed project within the agreed-upon Guaranteed Maximum Price (GMP).

Fiscal Impact and Financing Plan

- This \$32.0 million project bundle will be funded with system revenue bond proceeds. The annual debt service of approximately \$2.2 million will be funded by the State of Arizona Capital Infrastructure Fund and matched by university tuition.
- There are no expected increases in operation and maintenance costs associated with this project bundle.
- **Debt Ratio Impact:** The projected incremental debt ratio impact for this project bundle is 0.07 percent.

Occupancy Plan

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

EXECUTIVE SUMMARY

Statutory/Policy Requirements

- ABOR Policy 7-102 requires that all capital projects with an estimated total project cost of \$10.0 million or more shall be included in the Capital Development Plan.
- ABOR Policy Chapter 7-107 requires Amended Capital Development Plan approval for new projects added outside of the regular Capital Development Plan.

EXECUTIVE SUMMARY

Capital Project Information Summary

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

Project Description and Location: This project bundle will address the university's primary building and infrastructure areas of concern at all campuses, such as the upgrade and replacement of aging mechanical, electrical and other critical building systems, the renewal of aging elevators and the repair and replacement of timeworn roofs. The university also plans to map out the underground utilities for the Tempe and Polytechnic campuses to support the development of a master plan and to prioritize the required replacement of its aging utility infrastructure.

Project Schedule:

Planning	June	2018
Design Start	December	2018
Construction Start	March	2019
Construction Completion	December	2021

Project Budget:

Total Project Cost	\$	32,000,000
Total Project Construction Cost	\$	17,600,000
Total Project Cost per GSF	\$	N/A
Construction Cost per GSF	\$	N/A

Change in Annual O & M Cost:

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

Funding Sources:

Capital

A.	System Revenue Bonds	\$	32,000,000
	Debt Service Funding Sources:		Tuition
			Capital Infrastructure Fund

Operation/Maintenance	\$	0
Funding Sources:		Not Applicable



STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: December 11, 2018

TO: Members of the Joint Committee on Capital Review

FROM: Morgan Dorcheus, Fiscal Analyst MD

SUBJECT: Arizona State University - Review of Classroom, Academic and Research Laboratory Renovations

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Arizona State University (ASU) requests Committee review of \$25,000,000 in system revenue bond issuances to fund classroom, academic, and research laboratory renovations. ASU will fund the debt service payments with tuition.

Committee Options

The Committee has at least the following 2 options:

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

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

Standard University Financing Provisions

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

(Continued)

Key Points

- 1) ASU would issue \$25.0 M of system revenue bonds for renovations, of which \$10.0 M will be for classroom/academic space, and \$15.0 M for labs.
- 2) Building systems, such as heating and cooling, plumbing, electrical, elevators, and health and life safety systems will be upgraded as necessary.
- 3) As of FY 2020, ASU's building renewal formula would generate \$52.0 million annually.

Analysis

ASU intends to renovate approximately 50,000 gross square feet of existing classroom and academic space and 40,000 gross square feet of existing research laboratory space.

Classroom renovations will include reconfiguration of spaces to add classrooms of varying sizes and to add smaller instructional spaces in existing buildings across all campuses. Renovations to classrooms and other academic space, such as faculty offices, are intended to accommodate program growth and provide updated space for new faculty hires. In addition, the university plans to update existing building systems, such as heating and cooling, plumbing, electrical, and elevators.

Research laboratory renovations will include upgrades to multiple wet and dry lab spaces to address increased research activity, support the university's research initiatives, and accommodate new faculty hires. The renovations will include building infrastructure upgrades, such as heating and cooling, fume hoods, gas lines, and other lab-specific needs to meet health and safety code requirements.

The total cost of the proposed renovation projects is \$25.0 million. Of this amount, \$10.0 million will fund renovations to classroom and academic space, and \$15.0 million will fund renovation to research lab space.

Financing

The projects are currently in the planning phase and will begin construction in March 2019. ASU then intends to issue the \$25.0 million of system revenue bonds in March 2019 with an anticipated rating of Aa2 (Moody's)/AA (S&P) and an estimated interest rate of 4.06% over a 20-year term. In addition to project costs, issuance costs are projected to be \$225,000. The annual debt service will be \$341,400 in FY 2019 and \$1.9 million from FY 2020 – FY 2039. ASU will fund the debt service with tuition. *(See Table 1 for a summary of the bond financing terms).*

The debt service on this project increases ASU's current debt ratio by 0.07% from 4.5% to 4.57%. Including other ASU projects on the agenda, the debt ratio would increase to 4.83%.

Construction Costs

Of the total \$10.0 million project cost for classroom and academic renovations, \$7.5 million are direct construction costs. Total project costs per gross square foot are \$200, while direct construction costs per gross square foot are \$150.

Of the total \$15.0 million project cost for research lab renovations, \$10.4 million are direct construction costs. Total project costs per gross square foot are \$375, while direct construction costs per gross square foot are \$260.

(Continued)

The university reports that the various improvements will incorporate the Construction Manager at Risk (CMAR) and Job Order Contracting methods of project delivery. The renovations will begin March 2019, with construction scheduled to be complete by December 2021.

Operations and Maintenance Costs

ASU expects no increase in operation and maintenance costs as a result of the improvements.

Recent ASU Building Renewal Projects

At its September 2017 meeting, the Committee favorably reviewed \$35.0 million of bond issuances for building renewal projects such as laboratory and classroom upgrades and HVAC, fire, life and safety improvements across the ASU campuses. These bonds were also financed with university tuition revenues.

The state typically does not provide funding for university building renewal. If funded, the building renewal formula would generate \$52.0 million for ASU in FY 2020.

Table 1	
Classroom Renovations Financing Terms	
Construction Timeframe	March 2019 – December 2021
Issuance Amount	\$25.0 million
Issuance Date	March 2019
Issuance Transaction Fees	\$225,000
Rating	Aa2 (Moody's)/AA (S&P)
Interest Rate	4.06%
Term	20 years
Total Debt Costs	\$37.7 million
Debt Service Payments	\$341,400 (FY 2019) \$1.9 million (FY 2020 – FY 2039)
Payment Source	Tuition
Debt Ratio Increase	0.07%

MD:kp



November 27, 2018

The Honorable David Livingston, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
1700 West Washington, Room H
Phoenix, AZ 85007

Dear Representative Livingston:

In accordance with ARS 15-1683 and ARS 15-1671, the Arizona Board of Regents requests that the following Arizona State University bond-financed projects be placed on the next Joint Committee on Capital Review agenda:

- Health Solutions Innovation Center
- Building and Infrastructure Enhancements and Modifications
- Classroom and Academic Renovations
- Research Laboratories and Faculty Startup

Enclosed is pertinent information relating to these items.

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

Sincerely,

A handwritten signature in black ink, appearing to read "Morgan R. Olsen", followed by a horizontal line.

Morgan R. Olsen
Executive Vice President, Treasurer and CFO

Enclosures

c: Richard Stavneak, Director, JLBC
John Arnold, Executive Director, Arizona Board of Regents, ABOR
Lorenzo Martinez, Chief Financial Officer and Director of Finance, ABOR
Matt Salmon, Vice President, Government Affairs, ASU
Adam C. Deguire, Associate Vice President, Government Affairs, ASU
Courtney Coolidge, Senior Director, State Relations, ASU
Bruce Nevel, Associate Vice President, Facilities Development and Management, ASU
Joanne Wamsley, Vice President for Finance and Deputy Treasurer, ASU
Morgan Dorcheus, Fiscal Analyst, JLBC

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BUSINESS AND FINANCE

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**Joint Committee on Capital Review
Arizona State University
December 2018 JCCR Meeting**

3. CLASSROOM AND ACADEMIC RENOVATIONS

Project Description

The Classroom and Academic Renovations project bundle will renovate existing classrooms, create new classrooms of various sizes, and add smaller instructional spaces at all campuses. The planned renovation of approximately 50,000 gross square feet of classroom and academic space will include upgrades of building components, such as heating, ventilation and air conditioning (HVAC), plumbing, electrical systems, flooring, ceilings, roofs, windows, doors, internal walls and partitions, elevators, and fire prevention equipment.

These projects will provide both renovated and newly added growth space for academic programs, facilitating better student and faculty interaction and learning experiences. Project components essential for life safety, code compliance and those that support university strategic initiatives will be given top priority.

This project bundle will be funded with \$10,000,000 in system revenue bonds. The debt service will be funded with tuition. There are no expected increases in operations and maintenance costs associated with this project bundle.

An Arizona Board of Regents executive summary for this project bundle is attached, which outlines the project description and other relevant information. This project bundle received Capital Development Plan approval at the November 16, 2018 Arizona Board of Regents meeting, which is the final required ABOR approval.

Project Costs

Total Project Cost	\$ 10,000,000
Total Project Construction Cost	\$ 7,500,000
Total Project Cost per GSF	\$ 200
Total Construction Cost per GSF	\$ 150

**Joint Committee on Capital Review
Arizona State University
December 2018 JCCR Meeting**

4. RESEARCH LABORATORIES AND FACULTY STARTUP

Project Description

The Research Laboratories and Faculty Startup project bundle will include the renovation of approximately 40,000 gross square feet of laboratories to meet new and current research requirements. Multiple wet and dry laboratory spaces, as well as infrastructure and building systems, will be upgraded in these projects to maximize adaptable and flexible technologies.

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

This project bundle will be funded with \$15,000,000 in system revenue bonds. The debt service will be funded with tuition. There are no expected increases in operations and maintenance costs associated with this project bundle.

An Arizona Board of Regents executive summary for this project bundle is attached, which outlines the project description and other relevant information. This project bundle received Capital Development Plan approval at the November 16, 2018 Arizona Board of Regents meeting, which is the final required ABOR approval.

Project Costs

Total Project Cost	\$ 15,000,000
Total Project Construction Cost	\$ 10,400,000
Total Project Cost per GSF	\$ 375
Total Construction Cost per GSF	\$ 260

**Joint Committee on Capital Review
Arizona State University
December 2018 JCCR Meeting**

PROJECT SUMMARY –Revenue Bonds

<u>Projects:</u>	<u>Funding Sources:</u>	<u>Amount:</u>
Health Solutions and Innovation Center	CIF Funds/Tuition	\$ 80,000,000
Building and Infrastructure Enhancements and Modifications	CIF Funds/Tuition	32,000,000
Classroom and Academic Renovations	Tuition	10,000,000
Research Laboratories and Faculty Startup	Tuition	15,000,000
Total		<u>\$137,000,000</u>

FINANCING INFORMATION

<u>System Revenue Bonds:</u>	
Project Costs	\$137,000,000
Estimated Costs of Issuance	\$1,245,000
Anticipated Bond Rating	Aa2 (Moody's) and AA (S&P)
Assumed Interest Rate	4.06%
Term	21 -25 years

<u>Debt Service Information:</u>	
Estimated Annual Debt Service FY19	\$2,399,583
Estimated Annual Debt Service FY20-43	\$9,065,104
Estimated Total Debt Service	\$219,962,067

DEBT RATIO

Debt Ratio on Existing Debt	4.50
Incremental Debt Ratio	.33
Project Debt Ratio	4.83

**Joint Committee on Capital Review
Arizona State University
December 2018 JCCR Meeting**

**Arizona State University
Classroom and Academic Renovations
System Revenue Bonds**

Fiscal Year	Estimated Issuance March 2019		
	Principal	Interest	Total
2019		\$136,551	\$136,551
2020	\$335,000	409,654	744,654
2021	350,000	396,053	746,053
2022	365,000	381,843	746,843
2023	380,000	367,024	747,024
2024	395,000	351,596	746,596
2025	410,000	335,559	745,559
2026	430,000	318,913	748,913
2027	445,000	301,455	746,455
2028	465,000	283,388	748,388
2029	480,000	264,509	744,509
2030	500,000	245,021	745,021
2031	520,000	224,721	744,721
2032	545,000	203,609	748,609
2033	565,000	181,482	746,482
2034	590,000	158,543	748,543
2035	610,000	134,589	744,589
2036	635,000	109,823	744,823
2037	665,000	84,042	749,042
2038	690,000	57,043	747,043
2039	715,000	29,029	744,029
	\$10,090,000	\$4,974,447	\$15,064,447

**Joint Committee on Capital Review
Arizona State University
December 2018 JCCR Meeting**

**Arizona State University
Research Laboratories and Faculty Startup
System Revenue Bonds**

Fiscal Year	Estimated Issuance March 2019		
	Principal	Interest	Total
2019		\$204,827	\$204,827
2020	\$505,000	614,481	1,119,481
2021	525,000	593,978	1,118,978
2022	545,000	572,663	1,117,663
2023	570,000	550,536	1,120,536
2024	595,000	527,394	1,122,394
2025	615,000	503,237	1,118,237
2026	640,000	478,268	1,118,268
2027	665,000	452,284	1,117,284
2028	695,000	425,285	1,120,285
2029	725,000	297,068	1,122,068
2030	750,000	267,633	1,117,633
2031	785,000	337,183	1,122,183
2032	815,000	305,312	1,120,312
2033	845,000	272,223	1,117,223
2034	880,000	237,916	1,117,916
2035	920,000	202,188	1,122,188
2036	955,000	164,836	1,119,836
2037	995,000	126,063	1,121,063
2038	1,035,000	85,666	1,120,666
2039	1,075,000	43,645	1,118,645
	\$15,135,000	\$7,462,686	\$22,597,686

EXECUTIVE SUMMARY

**Arizona Board of Regents
Arizona State University
Amended Capital Development Plan – Project Justification Report
Classroom and Academic Renovations**

Previous Board Action

- FY 2020-2022 Capital Improvement Plan September 2018

Project Justification/Description/Scope

- ASU intends to renovate existing classrooms, create new classrooms of various sizes and add smaller instructional spaces at all campuses. Plans call for the renovation of approximately 50,000 gross square feet of classrooms and academic space, including faculty and student space. Building components, such as heating, ventilation and air conditioning (HVAC), plumbing, electrical systems, flooring, ceilings, roofs, windows, doors, internal walls and partitions, elevators, and fire prevention equipment may be upgraded in these projects. The Classroom and Academic Renovations project bundle will comprise multiple components at each ASU campus.
- The ASU Strategic Enterprise Framework identifies several goals, including improved retention and graduation performance, curricular reform, and improved student outcomes, that will be aided by this project. Resources needed to achieve these goals include continued investment in faculty, as well as space renovations to support teaching innovations. These projects will provide renovated and growth space for academic programs, allowing better student and faculty interaction and learning experiences. The work will create attractive spaces for student learning and renovate worn areas that distract from teaching and learning effectiveness, resulting in improved and updated space for new faculty hires.
- These project components will enhance the quality of the built environment, with improved space for faculty and a better classroom experience for students, compliance with code requirements for safety, and reduced deferred maintenance. Project components essential for life safety, code compliance and those that support university strategic initiatives will be given top priority.

EXECUTIVE SUMMARY

Project Delivery Method and Process

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

Project Status and Schedule

- Design Professionals (DPs) will be selected after CDP approval. The design will be complete within approximately six to nine months after the DP contract is awarded.
- General construction is scheduled to begin when the design is complete and after all approvals are in place. Construction on all project components is targeted for completion by December 2021.

Project Cost

- The total budget for this project bundle is \$10.0 million. This budget represents an estimated construction cost of \$150 per gross square foot. The estimated total project cost is \$200 per gross square foot.
- For this CDP phase, no preliminary external cost estimates have been provided by third-party consultants. DP and CMAR or JOC contractor teams have not yet been selected for these projects. Independent cost estimates will be provided by the DP, CMAR or JOC contractor after these selections are complete.
- For projects selected to use the CMAR delivery method, the construction manager will be at risk to provide the completed project within the agreed-upon Guaranteed Maximum Price (GMP).

Fiscal Impact and Financing Plan

- This \$10.0 million project bundle will be funded with system revenue bond proceeds. The annual debt service of approximately \$0.7 million will be funded by tuition.
- There are no expected increases in operation and maintenance costs associated with this project bundle.

EXECUTIVE SUMMARY

- **Debt Ratio Impact:** The projected incremental debt ratio impact for this project bundle is 0.03 percent.

Occupancy Plan

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

Statutory/Policy Requirements

- ABOR Policy 7-102 requires that all capital projects with an estimated total project cost of \$10.0 million or more shall be included in the Capital Development Plan.
- ABOR Policy Chapter 7-107 requires Amended Capital Development Plan approval for new projects added outside of the regular Capital Development Plan.

EXECUTIVE SUMMARY

Capital Project Information Summary

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

Project Description and Location: This project bundle includes the renovation of approximately 50,000 gross square feet of classrooms and academic space, including faculty and student space at all campuses. Building components, such as HVAC, plumbing, electrical systems, flooring, ceilings, roofs, windows, doors, internal walls and partitions, elevators, and fire prevention equipment may be upgraded in these projects.

Project Schedule:

Planning	June	2018
Design Start	December	2018
Construction Start	March	2019
Construction Completion	December	2021

Project Budget:

Total Project Cost	\$	10,000,000
Total Project Construction Cost	\$	7,500,000
Total Project Cost per GSF	\$	200
Construction Cost per GSF	\$	150

Change in Annual O & M Cost:

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

Funding Sources:

Capital

A. System Revenue Bonds	\$	10,000,000
Debt Service Funding Sources:		Tuition
Operation/Maintenance	\$	0
Funding Sources:		Not applicable

EXECUTIVE SUMMARY

**Arizona Board of Regents
Arizona State University
Amended Capital Development Plan – Project Justification Report
Research Laboratories and Faculty Startup**

Previous Board Action

- FY 2020-2022 Capital Improvement Plan September 2018

Project Justification/Description/Scope

- The Research Laboratories and Faculty Startup project bundle will involve the renovation of approximately 40,000 gross square feet of laboratories to meet new and current research requirements within existing facilities. Multiple wet and dry lab spaces will be upgraded, as well as infrastructure and building systems, in order to maximize adaptable and flexible technologies. Renovation activities will involve building systems, such as heating, ventilation and air conditioning (HVAC), electrical and mechanical, as well as fume hoods, laboratory gas lines, and code-required life safety upgrades.
- Many existing university laboratories and building systems are inadequate, due to age and the requirements of emerging technologies. The poor condition of the spaces and age of the building systems constrain the development of these strategically important areas. This project bundle will ensure facility systems meet research demands and areas are maintained in code compliance. The projects will convert inadequate classroom laboratories, research laboratories and research building systems into state-of-the-art research facilities.
- Increasing research activity and the resultant arrival of new faculty continue to make laboratory renovation projects an imperative. Spaces must be updated and renovated to address the needs of incoming researchers and successful grant applications. These laboratories will provide the core infrastructure from which faculty and students can compete in the global marketplace of ideas, not only stimulating advances in science and human health, but also potentially advancing the regional economy.
- The 2012 campus master plan update identified a need for additional research space totaling 350,000 gross square feet. This project bundle will contribute to meeting this need and accomplishing the research goals of the university.

EXECUTIVE SUMMARY

Project Delivery Method and Process

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

Project Status and Schedule

- Design Professionals (DPs) will be selected after CDP approval. The design will be complete within approximately six to nine months after the DP contract is awarded.
- General construction is scheduled to begin when the design is complete and after all approvals are in place. Construction on all project components is targeted for completion by December 2021.

Project Cost

- The total budget for this project bundle is \$15.0 million. This budget represents an estimated construction cost of \$260 per gross square foot. The estimated total project cost is \$375 per gross square foot.
- For this CDP phase, no preliminary external cost estimates have been provided by third-party consultants. DP and CMAR or JOC contractor teams have not been selected yet for these project components. Independent cost estimates will be provided by the DP, CMAR or JOC contractor after these selections are complete.
- For project components selected to use the CMAR delivery method, the construction manager will be at risk to provide the completed project within the agreed-upon Guaranteed Maximum Price (GMP).

Fiscal Impact and Financing Plan

- This \$15.0 million project bundle will be funded with system revenue bond proceeds. The annual debt service of approximately \$1.1 million will be funded by tuition.
- There are no expected increases in operation and maintenance costs associated with this project bundle.

EXECUTIVE SUMMARY

- **Debt Ratio Impact:** The projected incremental debt ratio impact for this project bundle is 0.04 percent.

Occupancy Plan

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

Statutory/Policy Requirements

- ABOR Policy 7-102 requires that all capital projects with an estimated total project cost of \$10.0 million or more shall be included in the Capital Development Plan.
- ABOR Policy Chapter 7-107 requires Amended Capital Development Plan approval for new projects added outside of the regular Capital Development Plan.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University **Project Name:** Research Laboratories and Faculty Startup

Project Description and Location: This project bundle will involve the renovation of approximately 40,000 gross square feet of existing laboratory space required to establish the university as a leading center for interdisciplinary research and discovery. Multiple wet and dry lab spaces will be upgraded, as well as infrastructure and building systems, in order to maximize adaptable and flexible technologies.

Project Schedule:

Planning	June	2018
Design Start	December	2018
Construction Start	March	2019
Construction Completion	December	2021

Project Budget:

Total Project Cost	\$	15,000,000
Total Project Construction Cost	\$	10,400,000
Total Project Cost per GSF	\$	375
Total Construction Cost per GSF	\$	260

Change in Annual O & M Cost:

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

Funding Sources:

Capital

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



STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: December 11, 2018

TO: Members of the Joint Committee on Capital Review

FROM: Geoffrey Paulsen, Fiscal Analyst *GP*

SUBJECT: Arizona Department of Corrections - Review of FY 2019 Building Renewal Reallocation Plan

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona Department of Corrections (ADC) submitted its expenditure plan in July 2018 and the Committee gave a favorable review at that meeting. ADC is now requesting the Committee review its reallocation of \$500,000 for upgrading the perimeter fence at Douglas.

ADC is also updating the Committee on its \$1,497,000 emergency gas line replacement project, which the Chairman had earlier approved.

Committee Options

The Committee has at least the following 2 options:

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

The provisions of the Committee's original July 24, 2018 review still apply.

Key Points

- 1) ADC's original FY 2019 Building Renewal plan was reviewed by the Committee in July 2018.
- 2) A natural gas pipeline leak required ADC to redirect \$1.5 M of those monies for repairs. The Chairman approved this change in November.
- 3) In addition, ADC now proposes reallocating \$500,000 from the July plan to upgrade a fence at Douglas.
- 4) The better fencing is due to ADC reclassifying 240 Douglas beds from minimum to medium security.

(Continued)

Analysis

The FY 2019 Capital Outlay Bill appropriated a total of \$5.5 million from the Department of Corrections Building Renewal Fund to ADC for general building renewal. At the July 2018 meeting, the Committee reviewed the ADC expenditure plan with the provision that further reallocations be reported by ADC, and that the Committee could review significant changes. Since then, ADC has made changes to their original plan, including an emergency reallocation and the addition of a new project.

Emergency Natural Gas Pipeline Replacement Project

On November 5, 2018, ADC advised the Chairman that a natural gas pipe at Winslow was leaking and required immediate replacement. ADC projects the cost of the replacement to be about \$1.5 million. Pursuant to the emergency building renewal provisions in the Committee's July 24, 2018 review, the Chairman allowed the project to go forward without Committee review. As a result, this project does not require action by the Committee.

The pipe being replaced is 14,000 feet long (nearly 3 miles). So far, ADC reports about 5,000 feet has been trenched through rock and dirt, and 4,000 feet of pipe has been laid. Based on this pace of construction, ADC expects the project to be complete in no more than 6 months.

As a result of the project, the natural gas supply has been shut off to the entire complex. According to ADC, this impacts heating, hot water, food preparation and laundry. ADC has mitigated the impacts on staff and inmates by relocating inmates to other facilities, utilizing a temporary kitchen, providing inmates with additional blankets, and outfitting staff areas with space heaters.

The inmate population at Winslow prior to the discovery of the leak was around 1,500 inmates. As of December 5, the inmate population was 1,071, as approximately 400 inmates have been relocated due to the gas shutoff.

To fund this project, ADC has postponed 2 projects: Eyman Air Conditioning Upgrade (\$487,000), and Florence walk-in freezer replacements (\$760,000). In addition, ADC plans to redirect funding from upgrades for disabled prisoners at Florence (\$250,000). The upgrades are required to be in compliance with the American's with Disabilities Act (ADA). Instead, ADC plans to use the non-appropriated ADC Indirect Cost Recovery Fund to fund this project in FY 2019.

New Building Renewal Project

ADC also proposes to reallocate \$500,000 from the Eyman Locking and Control Center Systems project to upgrade the perimeter fence around the Eggers Unit at Douglas. The Eggers Unit is an inactive housing unit with 240 beds and is currently rated as minimum security. At the September JLBC meeting, ADC reported that Eggers was deactivated in FY 2018 due to the decreased minimum custody inmate population.

The fence upgrades are necessary to allow ADC to utilize the beds for inmates classified as medium custody. ADC currently has a shortage of medium custody beds and excess minimum custody beds. In addition to this request, ADC has also submitted an updated Bed Capacity Report to the Joint Legislative Budget Committee (JLBC) for review. The reactivation and reclassification of the Eggers Unit beds are included in that report. *(Please see the December 2018 JLBC agenda for more information.)*

(Continued)

Status of Postponed Projects

As noted above, ADC's project reallocations have resulted in postponing planned improvements totaling \$1.7 million. ADC reports that they will seek to find other funding sources within the department's operating budget in FY 2019 for the deferred projects. ADC still considers these projects a priority, and if no other funding source is found, they would be near the top of the agencies' needs for consideration for FY 2020 building renewal monies. However, ADC also noted that they have significant capital needs across all prison complexes and they will have to evaluate the most critical needs when additional building renewal funding is made available.

All changes to the original expenditure plan are detailed in *Table 1* below.

Table 1			
FY 2019 Building Renewal Reallocation Plan			
	<u>Original Plan</u>	<u>Reallocation Plan</u>	<u>Difference</u>
<u>Perimeter Security</u>			
Fence Upgrade - Eyman SMU I	\$ 825,000	\$ 825,000	\$ -
Fence Electronics Upgrade - Lewis	705,000	705,000	-
Fence Upgrade - Douglas	0	500,000	500,000
<i>Subtotal</i>	<u>\$ 1,530,000</u>	<u>\$ 2,030,000</u>	<u>\$ 500,000</u>
<u>Locking & Control Systems</u>			
Locking Systems - Eyman SMU I	\$ 1,412,300	\$ 912,300	\$(500,000)
<u>Equipment Replacement and System Improvements</u>			
Water Tank Refurbishment - Yuma	\$ 400,000	\$ 400,000	-
Walk-in Cooler and Freezer Replacements - Florence	760,000	0	\$(760,000)
Emergency Generator Replacements - Perryville	155,000	155,000	-
<i>Subtotal</i>	<u>\$1,315,000</u>	<u>\$ 555,000</u>	<u>\$(760,000)</u>
<u>Air Conditioning and/or Ductwork - Select Units</u>			
Air Conditioning - Eyman Cook	\$ 487,000	\$ 0	\$(487,000)
Rooftop Ductwork - Tucson	165,000	165,000	-
<i>Subtotal</i>	<u>\$ 652,000</u>	<u>\$ 165,000</u>	<u>\$(487,000)</u>
<u>Infrastructure</u>			
Electrical Upgrades - Florence Central Unit	\$ 305,000	\$ 305,000	-
<u>Renovation</u>			
ADA Upgrades - Florence South Unit	\$ 250,000	\$ 0	(250,000)
<u>Emergency Project</u>			
Natural Gas Pipe Replacement - Winslow	-	1,497,000	1,497,000
Building Renewal Subtotal	\$5,464,300	\$5,464,300	
Contingency	\$ 0	\$0	
TOTAL	\$5,464,300	\$5,464,300	

GP:kp



DOUGLAS A. DUCEY
GOVERNOR

Arizona Department of Corrections

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



CHARLES L. RYAN
DIRECTOR

November 27, 2018



The Honorable David Livingston, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, Arizona 85007

Re: ASPC-Winslow Gas Line Update and ASPC-Douglas Eggers Unit Perimeter Fence Upgrade

Dear Representative Livingston:

This letter provides an update on the ASPC-Winslow gas line replacement project and requests Joint Committee on Capital Review (JCCR) review of a project to upgrade the perimeter fence at ASPC-Douglas Eggers Unit.

ASPC-Winslow Gas Line Replacement Update

On November 5, 2018 the Arizona Department of Corrections (ADC) advised the JCCR that natural gas leaks discovered at ASPC-Winslow necessitated the immediate replacement of the gas line. The estimated cost of the project, \$1,497,000, has not changed and the timeframe for repair remains approximately 6 months.

ADC also advised that an action plan had been put into place to minimize the operational and fiscal impact. The action plan is operational and includes daily status updates to ADC leadership. The following is an update on the current status of the project:

- **Inmate Movement:** All inmates have been moved out of the Coronado Unit to various complexes to minimize the operational impact of the pipeline replacement. Inmate work crews needed at complex were moved from the Coronado Unit to the Kaibab Unit. Steps have been taken to winterize the Coronado Unit in anticipation that no inmates would be housed there for several months.
- **Pipe Replacement:** Excavation is ongoing and pipe is being fused and placed into the trench. The total length of pipe requiring replacement is approximately 14,000 feet. To date approximately 5,000 feet have been trenched and 4,000 feet of pipe has been laid in the trench. See enclosed photos for reference.
- **Food Preparation:** Portable kitchen was procured, delivered, and in use. A modified menu is in place and includes two hot meals and one sack lunch (or dinner). Meal service included a Thanksgiving meal which was received well by the inmate population.

- **Hot water/showers:** Portable showers with 32 total shower heads were procured, delivered, set up, and in use in the Kaibab Unit.
- **Heating:** Heating Units are in use in cell blocks and space heaters have been purchased for staff work areas. Inmates have been issued four blankets. Temperatures are being monitored with overnight lows generally between 20-30 degrees.

ASPC-Douglas Eggers Unit Perimeter Fence Upgrade

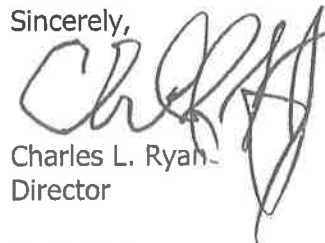
ADC has a surplus of minimum custody male beds but does not have sufficient medium custody beds. In December 2017 ADC closed ASPC-Douglas Eggers Unit due to the surplus of minimum custody male beds. The perimeter fence upgrade is required to allow ADC to re-open the Eggers Unit and utilize the beds to house a medium custody male inmate population.

The perimeter fence upgrades must be completed before proceeding with the change from minimum to medium custody. Specifically, the perimeter fence requires more razor wire along with the addition of a two foot deep concrete anti-dig barrier and a fence mounted electronic perimeter detection system. These changes will provide proper security and bring the perimeter fence into compliance with the Department's physical plant standards for a medium custody unit. The estimated total project cost is \$500,000.

Funding will be reallocated within the existing FY 2019 Building Renewal Appropriation as shown in the enclosure. The five projects shown in the enclosure will be deferred or reduced until funding is available. Where possible, projects may be reallocated to other funding sources. For example, the ADC proposes to reallocate the ASPC-Florence South Unit ADA upgrades to the Indirect Cost Fund.

If you have any questions, please contact Michael Kearns, Division Director, ADC Administrative Services Division, at (602) 542-1160.

Sincerely,



Charles L. Ryan
Director

Enclosures

cc: The Honorable John Kavanagh, Vice-Chairman, JCCR
Matthew Gress, Director, Office of Strategic Planning and Budgeting
Richard Stavneak, Director, Joint Legislative Budget Committee
Ryan Vergara, Senior Budget Analyst, Office of Strategic Planning and Budgeting
Geoffrey Paulsen, Fiscal Analyst, Joint Legislative Budget Committee

**ARIZONA DEPARTMENT OF CORRECTIONS
FY 2019 BUILDING RENEWAL REALLOCATION PLAN**

Building Renewal - Laws 2018, 2nd Regular Session, Chapter 277, Section 5 (SB 1522)

LOCATION	PROJECT DESCRIPTION	APPROVED as of JUL. 24, 2018	PROPOSED REALLOCATION	DIFFERENCE
ASPC-Douglas Eggers Unit	Perimeter Fence Upgrades	\$ -	\$ 500,000	\$ 500,000 ¹
ASPC-Winslow	Gas Line Replacement	\$ -	\$ 1,497,000	\$ 1,497,000
ASPC-Eyman SMU I	Perimeter Fence Upgrades	\$ 825,000	\$ 825,000	\$ -
ASPC-Eyman SMU I	Locking System Controls Upgrade	\$ 1,412,290	\$ 912,300	\$ (499,990) ^{1,2}
ASPC-Eyman Cook Unit	Air Conditioning Upgrade	\$ 487,010	\$ -	\$ (487,010) ²
ASPC-Florence Central Unit	Electrical Upgrades	\$ 305,000	\$ 305,000	\$ -
ASPC-Florence Central Unit	Walk-in Cooler & Freezer Replacement	\$ 385,000	\$ -	\$ (385,000) ²
ASPC-Florence North Unit	Walk-in Cooler & Freezer Upgrades	\$ 375,000	\$ -	\$ (375,000) ²
ASPC-Florence South Unit	ADA Upgrades	\$ 250,000	\$ -	\$ (250,000) ³
ASPC-Lewis Complex	Perimeter Electronics Upgrades	\$ 705,000	\$ 705,000	\$ -
ASPC-Perryville Complex	Emergency Generator Replacements (4)	\$ 155,000	\$ 155,000	\$ -
ASPC-Tucson Cimarron Unit	Roof-top Ductwork Replacement	\$ 165,000	\$ 165,000	\$ -
ASPC-Yuma Complex	Water Tank Refurbishment	\$ 400,000	\$ 400,000	\$ -
TOTAL		\$ 5,464,300	\$ 5,464,300	\$ -
FUND SOURCE				
BUILDING RENEWAL FUND		\$ 5,464,300	\$ 5,464,300	\$ -
TOTAL FUND		\$ 5,464,300	\$ 5,464,300	\$ -

¹ As of 11/28/2018, ADC reallocates \$499,900 from the ASPC Eyman Locking System Control Upgrade project to the ASPC Douglas Eggers Unit Perimeter Fence project.

² Defer indefinitely until funding is available.

³ Reallocate to the Indirect Cost Fund.













DOUGLAS A. DUCEY
GOVERNOR

Arizona Department of Corrections

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



CHARLES L. RYAN
DIRECTOR

November 5, 2018

The Honorable David Livingston, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, Arizona 85007

Re: Advisement of FY 2019 Building Renewal Plan Emergency Project

Dear Representative Livingston:

The Arizona Department of Corrections (ADC) received Joint Committee on Capital Review (JCCR) approval of its FY 2019 Building Renewal Plan at the July 24, 2018 meeting. At that time the Committee adopted provisions regarding reallocations between projects as well as emergency projects.

This letter, consistent with the provisions adopted at the July 24th meeting, advises the Chairman and JLBC Staff of an emergency project of greater than \$50,000.

On October 25, 2018 a pipeline safety inspector from the Arizona Corporation Commission conducted a routine inspection of the natural gas lines at ASPC-Winslow. During the inspection, natural gas leaks were discovered and later confirmed by an independent contractor who specializes in natural gas pipe repair and installation. The Arizona Corporation Commission has deemed the entire pipeline, which is 37 years old, in need of replacement as it has been determined that repairs to the system are not feasible. The estimated cost of the gas line replacement is \$1,497,000 and is anticipated to take approximately 6 months to complete.

The natural gas supply to all of ASPC-Winslow has been shut off. Cutting off the gas supply interrupts several operational areas, including food preparation, showers, laundry and building heat. An action plan has been put into place to minimize the operational and fiscal impact of this incident. Elements of the action plan include inmate movement to various complexes, installation of portable shower units, utilization of a temporary kitchen, and issuing all inmates additional blankets. ADC is exploring additional options for heating and to restore normal operations as soon as possible.

The JCCR provision adopted at the July 24, 2018 meeting defined an "emergency" project as unforeseen, critical in nature, and of immediate time sensitivity. This project meets all three of these criteria. Due to the emergent nature of this incident the ADC moved forward immediately with the operational action plan as well as the replacement of the gas line.

The Honorable David Livingston
November 5, 2018
Page 2

Funding will be reallocated within the existing FY 2019 Building Renewal Appropriation as shown in the enclosure. The four projects shown in the enclosure will be deferred until funding is available or reallocated where possible. For example, the ADC proposes to reallocate the ASPC-Florence South Unit ADA upgrades to the Indirect Cost Fund.

If you have any questions, please contact Michael Kearns, Division Director, ADC Administrative Services Division, at (602) 542-1160.

Sincerely,

A handwritten signature in black ink, appearing to read "Charles L. Ryan", is written over the typed name and title.

Charles L. Ryan
Director

Enclosure

cc: The Honorable John Kavanagh, Vice-Chairman, JCCR
Matthew Gress, Director, Office of Strategic Planning and Budgeting
Richard Stavneak, Director, Joint Legislative Budget Committee
Ryan Vergara, Senior Budget Analyst, Office of Strategic Planning and Budgeting
Geoffrey Paulsen, Fiscal Analyst, Joint Legislative Budget Committee

**ARIZONA DEPARTMENT OF CORRECTIONS
FY 2019 BUILDING RENEWAL REALLOCATION PLAN**

Building Renewal - Laws 2018, 2nd Regular Session, Chapter 277, Section 5 (SB 1522)

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ASPC-Eyman SMU I	Locking System Controls Upgrade	\$ 1,412,290	\$ 1,412,300	\$ 10
ASPC-Eyman Cook Unit	Air Conditioning Upgrade	\$ 487,010	\$ -	\$ (487,010) ¹
ASPC-Florence Central Unit	Electrical Upgrades	\$ 305,000	\$ 305,000	\$ -
ASPC-Florence Central Unit	Walk-in Cooler & Freezer Replacement	\$ 385,000	\$ -	\$ (385,000) ¹
ASPC-Florence North Unit	Walk-in Cooler & Freezer Upgrades	\$ 375,000	\$ -	\$ (375,000) ¹
ASPC-Florence South Unit	ADA Upgrades	\$ 250,000	\$ -	\$ (250,000) ²
ASPC-Lewis Complex	Perimeter Electronics Upgrades	\$ 705,000	\$ 705,000	\$ -
ASPC-Perryville Complex	Emergency Generator Replacements (4)	\$ 155,000	\$ 155,000	\$ -
ASPC-Tucson Cimarron Unit	Roof-top Ductwork Replacement	\$ 165,000	\$ 165,000	\$ -
ASPC-Yuma Complex	Water Tank Refurbishment	\$ 400,000	\$ 400,000	\$ -
TOTAL		\$ 5,464,300	\$ 5,464,300	\$ -
FUND SOURCE				
BUILDING RENEWAL FUND		\$ 5,464,300	\$ 5,464,300	\$ -
TOTAL FUND		\$ 5,464,300	\$ 5,464,300	\$ -

¹ Defer indefinitely until funding is available.

² Reallocate to the Indirect Cost Fund.



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

JOHN KAVANAGH
VICE-CHAIRMAN
SYLVIA ALLEN
OLIVIA CAJERO BEDFORD
KAREN FANN
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HOUSE OF
REPRESENTATIVES

DAVID LIVINGSTON
CHAIRMAN
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MARK CARDENAS
HEATHER CARTER
VINCE LEACH
REBECCA RIOS

DATE: December 11, 2018

TO: Members of the Joint Committee on Capital Review

FROM: Micaela Larkin, Senior Fiscal Analyst ML

SUBJECT: Arizona State Parks - Report on Status of Capital Projects

Request

Based on a Committee provision adopted at the July 24, 2018 JCCR meeting, Arizona State Parks (ASP) has provided information about the status of its capital projects.

During FY 2017 through FY 2019, ASP has developed plans for \$21.3 million in projects from all appropriated and non-appropriated funds (excluding Federal Funds). Of this amount, the Committee has reviewed a total of \$14.8 million.

This agenda item does not require Committee action.

Key Points

- 1) ASP has developed plans for projected capital expenditures of \$21.3 M.
- 2) Of this amount, the Committee has reviewed \$14.8 M; ASP has spent \$6.2 M of that amount.
- 3) Parks was only able to install 25 of the 100 planned modular cabins.
- 4) The Cattail Cove State Park project design is not complete and construction is delayed.
- 5) The Rockin' River Ranch State Park project is delayed until issues about an access road can be resolved.
- 6) The Buckskin and Oracle projects from the FY 2019 budget still need Committee review.
- 7) Of the 13 smaller projects from the FY 2017 and FY 2018 appropriations, ASP reported 4 are complete.

(Continued)

Analysis

At the July 24, 2018 JCCR meeting, the Committee approved ASP's FY 2019 Capital Improvements expenditure plan with the provision that on or before May 31 and November 30 of each year, ASP must report on all projects reviewed by JCCR since June 2016 that have not yet been completed. Based on the submission, the Chairman would have the choice to put any of the uncompleted projects on the agenda.

Based on ASP's November report, the Chairman placed the ASP status report on the agenda to allow ASP the opportunity to provide the Committee with an update.

The new ASP leadership is reviewing all capital projects to assess the viability of the project, compliance with federal, state, and local regulations, and the project schedules/completion dates. They are also reviewing the financial data and procedures for tracking project spending. ASP plans to inform the Committee of any updates to the information provided in this report.

Of the \$21.3 million in funding for capital projects during FY 2017 to FY 2019, ASP developed plans for \$17.5 million to be used for 5 major projects as shown in *Table 1*. The remainder of the funds were allocated to 13 smaller projects during FY 2017 and FY 2018, 4 of these projects are complete.

Table 1					
Status of Major Projects					
<u>Park Projects</u>	<u>FY Funded</u>	<u>JCCR Review</u>	<u>Appropriated/ Budgeted</u>	<u>Expenditures as of Nov. 30, 2018</u>	<u>Status</u>
New Cabins	2017/2018	Sept. 2016 Sept. 2017	\$1,668,900	\$1,668,600	Active
Cattail Cove	2017	Sept. 2016	\$5,307,500	\$3,119,200	Active
Rockin' River Ranch	2018	Sept. 2017	\$4,000,000	\$441,700	Active
Buckskin Mountain	2019	No	\$2,500,000	0	Planning
Oracle	2019	No	\$4,000,000	0	Planning

The status of the 3 major projects reviewed by the Committee is as follows:

- *New Cabins*: At the September 2016 meeting, the Committee favorably reviewed \$963,300 for the installation of 100 cabins statewide to be acquired through a lease-purchase agreement. At the September 2017 meeting, the Committee favorably reviewed an additional \$705,000 for additional project construction costs. ASP has only been able to purchase 25 cabins with the funds due to higher than expected site preparation costs.
- *Cattail Cove*: At the September 2016 JCCR meeting, the Committee favorably reviewed \$5.3 million of state funds for the redevelopment of camping sites and recreational vehicle stations for the park located on the southern end of Lake Havasu. ASP is currently developing the master plan for the park. Of the \$3,119,200 displayed for projected expenditures, the majority of funds are in a holding account pending further design work and initial activity from the construction vendor.

(Continued)

- *Rockin' River Ranch*: At the September 2017 JCCR meeting, the Committee favorably reviewed \$4.0 million for the development of a new state park on the Verde River near Camp Verde. Currently, ASP and the US Forest Service are working to resolve an issue concerning an entry road on a federal land.

At the July 2018 JCCR meeting, the Committee chose not to review 2 projects and asked that ASP return to the Committee upon completion of the projects' master plans. The master plans have not yet been completed, and the \$6.5 million in combined project budgets still need review. ASP described both of the master plans as still in the development phase.

- *Buckskin Mountain State Park*: Located in Parker on the Colorado River, the FY 2019 budget included \$2.5 million for the demolition of existing structures and upgrading infrastructure. The proposed plans described this as Phase One of the project and ASP intended to ask for further appropriations.
- *Oracle State Park*: This is a day-use state park in the Santa Catalina Mountains in Pinal County. The FY 2019 budget included \$4.0 million in state funds for the redevelopment of this park including the development of overnight facilities.

Of the \$14.8 million in reviewed projects, the agency has expended \$6.2 million. *Table 2* includes smaller projects beyond those described above.

Table 2		
Total Capital Spending		
	<u>Reviewed Projects</u>	<u>Expenditures as of Nov. 30, 2018</u>
FY 2017	\$ 7,500,000	\$ 4,658,600
FY 2018	5,300,000	1,499,300
FY 2019	<u>2,000,000</u>	<u>0</u>
Total	\$14,800,000	\$ 6,157,900

ML:kp



Doug Ducey
Governor

ARIZONA

STATE PARKS & TRAILS

Ted Vogt
Interim Director



November 30, 2018

The Honorable David Livingston, Chair
Joint Committee on Capital Review
1700 West Washington Street
Phoenix, Arizona 85007

RE: Report on Arizona State Parks and Trails Capital Expenditure Plans for Fiscal Years 2017 to Present

Dear Chairman Livingston:

The Joint Committee on Capital Review (JCCR) requested Arizona State Parks and Trails (ASPT) report on all projects reviewed since June 2016 that have not yet been completed.

The enclosed report includes the project expenditure to date, the expected completion date, any change in project scope, and reasons for delay in meeting the original project timeframe.

If you have any questions regarding ASPT's enclosed report, please contact Ted Vogt, Interim Director, Arizona State Parks and Trails, at (602) 542-6931 or tvogt@azstateparks.gov.

Sincerely,

Ted Vogt, Interim Director
Arizona State Parks and Trails

Cc: Senator John Kavanagh, Vice-Chair JCCR
Richard Stavneak, Director JLBC Staff
Micaela Larkin, Senior Fiscal Analyst, JLBC Staff
Matthew Gress, Director OSPB
Seth Walter, Budget Analyst, OSPB Staff

INTRODUCTION

Arizona State Parks and Trails (ASPT) presents in this report the capital expenditure plans and associated project summaries for fiscal years 2017, 2018, and 2019. The report is organized by fiscal year, beginning with FY 2017. The reporting of each project includes the project status and its expenditures. The information for Rockin' River Ranch and the Statewide Cabin Plan are also summarized at the end of this report as they are projects that span multiple fiscal year appropriations.

It is important to note that all projects are currently under review by new ASPT leadership. Projects are being assessed to determine viability and ensure all permits, clearances, and right-of-ways have been properly secured. ASPT leadership is also re-evaluating the procedures for project and fiscal tracking and reporting. As a result, the financial data presented in this report may change as leadership improves the accuracy of fiscal tracking and reporting procedures. ASPT will inform JCCR of any updates to this report as new information is identified.

ASPT acknowledges that the FY 2017 and FY 2018 appropriations will expire at the end of FY 2019 and is working with OSPB to determine if extensions will be requested. ASPT is working to accurately determine all project schedules and expected completion dates. ASPT will inform JCCR of any updates to project schedules and projected completion dates as new information becomes available.

FY 2017 CAPITAL EXPENDITURE PLAN: SUMMARIES AND EXPENDITURES

In the FY 2017 capital expenditure plan, JCCR favorably reviewed 15 projects. Three of the 15 projects are complete, 11 of the projects are active, and one project is on hold.

Dead Horse Ranch Cabin and Restroom

Status: Active

Scope: The original scope of this project has changed from four cabins and one restroom/shower building to eight cabins and one restroom/shower building. The updated design allows more space for additional cabin placements.

Expected Completion: Approvals, clearances, and securing permits are still required before the project can move forward to the construction phase. Once the approval to proceed is issued, the project should be completed within eight months.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2017	\$ 342,500.00	\$ 107,157.96	\$ 235,342.04	\$ 65,247.00	50.3%
LWCF 2016	\$ 342,500.00	\$ -	\$ 342,500.00	\$ -	0.0%

Fool Hollow Campground Upgrades

Status: On Hold

Scope: The original current scope of the project has not changed: upgrade the electrical to campground sites, lines, and primitive host sites.

Expected Completion: ASPT is currently evaluating system-wide development project priorities and the viability of this project.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SLIF 2017	\$ 192,500.00	\$ -	\$ 192,500.00	\$ -	0.0%
LWCF 2016	\$ 192,500.00	\$ -	\$ 192,500.00	\$ -	0.0%

Oracle Septic System

Status: Active

Scope: The original scope of this project has changed. The cesspool has been removed and the installation of two vault toilets are aligned with the original scope. The new septic system installation, however, is changing form the original scope due to cultural resource constraints. The new septic system is currently in design phase.

Additional Information: The cesspool has been removed and the installation locations for the two vault toilets have been identified.

Expected Completion: After the design is approved and clearances are secured, the project should be finished within six to eight months.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2017	\$ 200,000.00	\$ 105,689.39	\$ 94,310.61	\$ -	52.8%
LWCF 2016	\$ 200,000.00	\$ -	\$ 200,000.00	\$ -	0.0%

Red Rock Infrastructure

Status: Active

Scope: The original scope has been reduced from the original scope due to funding constraints. The original scope included the removal of the existing maintenance building, the construction of an amphitheater in the footprint of the existing maintenance building, and the construction of a new maintenance building in a remote area of the park. The new scope altered the location of these buildings and the timing of their construction.

Additional Information: The amphitheater is constructed and the pre-fab maintenance building is on-site waiting to be installed. This project was favorably reviewed by JCCR in FY 2019.

Expected Completion: Once clearance is secured and the approval to proceed is issued, this project should be completed within six to nine months.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2017	\$ 175,000.00	\$ 131,804.58	\$ 43,195.42	\$ 43,113.10	100.0%

Red Rock Pedestrian Bridge

Status: Active

Scope: The original scope of this project has not changed: to replace three failing bridge sections within the trail system of the park.

Additional Information: One bridge, the Kingfisher Bridge, is complete. The other two footbridges, the Black Hawk and the Sentinel, are in the planning phase and are closed for public use. The original project plans for the Black Hawk and Sentinel bridges required revision as they did not adequately address safety concerns and could cause damage to a sensitive riparian area. ASPT is consulting with ADOT and other partners on the best solution that resolves the safety issues and does not damage the riparian area.

Expected Completion: ASPT is working with several partners to develop a solution for the two remaining footbridges. A schedule of work will be developed upon the completion of the construction plan. JCCR will be provided an update once the project schedule is determined for the Black Hawk and Sentinel bridges.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2017	\$ 87,500.00	\$ -	\$ 87,500.00	\$ -	0.0%
LWCF 2016	\$ 87,500.00	\$ -	\$ 87,500.00	\$ -	0.0%

Tonto Natural Bridge Pedestrian Bridge

Status: Complete

Scope: The original project scope changed. The original project scope has changed from constructing a suspension bridge to replacing failing bridge components with pressure-treated wood and composite materials. This scope change reduced project costs. The trail upgrade was removed from the project scope and was not completed.

Additional Information: The LWCF match is a reimbursement grant. The project is currently awaiting reimbursement with project funds expended out of a temporary account separate from the SLIF 2017 appropriation. Updated financial information will be provided to JCCR once ASPT confirms receipt of these reimbursements.

Expected Completion: Construction was completed June 2018 and the structure is under review during the warranty period.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2017	\$ 231,100.00	\$ 231,100.00	\$ -	\$ -	100.0%
LWCF 2016	\$ 231,952.00	\$ -	\$ 231,952.00	\$ -	0.0%

Kartchner Caverns Lighting System

Status: Active

Scope: The original scope of this project has not changed: replacement of lighting and controllers.

Additional Information: The test phase of the lighting is completed. The light type was selected and installation is occurring soon.

Expected Completion: The project is tracking to finish no later than April 2019.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2014, 2015, 2016	\$ 300,000.00		\$ 300,000.00		0.0%

Alamo Lake Water and Wastewater

Status: Complete

Scope: The scope of this project did not change. The completed project encompasses the updating and replacing of water, wastewater, and sanitary facilities.

Expected Completion: The project was completed in June 2017.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SLIF 2016	\$ 248,900.00		\$ 248,900.00		0.0%

Lake Havasu Restroom and Lift Station

Status: Active

Status Details: ASPT is currently conducting the final design and plan review.

Scope: The original scope of this project is unchanged: build and install five new restroom/shower buildings and one new lift station.

Expected Completion: A project schedule will be compiled after the project designs are approved and cultural clearance is secured.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SLIF 2015, 2016	\$ 214,300.00		\$ 214,300.00		0.0%

Roper Lake Wastewater

Status: Active

Scope: The scope of this project has changed. The current project scope includes the construction of a wastewater dump station and connecting to City of Safford sewer. The current project scope no longer includes constructing a restroom/shower building.

Additional Information: This project was favorably reviewed by JCCR in FY 2018.

Expected Completion: Once cultural clearance is secured and final plans are approved, the project should be completed within twelve months.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2015	\$ 55,200.00		\$ 55,200.00		0.0%

Fort Verde Adobe Stabilization

Status: Active

Scope: The original scope has changed due to funding constraints. The project has reduced the number of walls to be repaired due to funding constraints. The project includes repairs to the adobe wall and foundation, gutter and downspout installation, and grading away from the building.

Expected Completion: An accurate schedule for project work will be created after ADOA approves the project designs and plans.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2015	\$ 21,000.00		\$ 21,000.00		0.0%

Jerome State Park Roofing

Status: Complete

Scope: The original scope of this project did not change. The Douglas Mansion roof was replaced.

Expected Completion: The project was completed in June 2018.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2015	\$ 13,500.00		\$ 13,500.00		0.0%

Cattail Cove Redevelopment

Status: Active

Scope: The scope of this project is unchanged: to redevelop the upper region of Cattail Cove State Park.

Additional Information: Upper Cattail Cove is a separate section of the existing Cattail Cove State Park, which is currently undergoing design for redevelopment. Formerly, this area of the park was an RV park operated by a concessionaire under contract with Arizona State Parks and Trails. The redevelopment of this area will add updated RV camping amenities, cabins, and day use areas. The park redevelopment is currently in the design phase of development and is separated into six remaining components: (1) update the masterplan and make the updates available for public comment; (2) Secure and verify cultural resource evaluation for the project area; (3) design and install a new potable water system to service the park; (4) design and install a new wastewater treatment system; (5) design and install infrastructure for the updated RV camping amenities, cabins, and day use areas; (6) design and construct a road as an entrance to the park area.

Currently, the SLIF FY 2017 CIP project 741701 budget of \$5.3 million is 64% expended. As a fundamental part of this project, ASPT is utilizing a Federal Lands Access Program (FLAP) grant award of \$4.55 million to make substantial improvements to the road that connects the main highway to the Upper Cattail Redevelopment site. The project design, engineering, contracting, construction, and administration is performed by the grantor, USDOT Federal Highways Administration, Central Federal Lands (CFL). ASPT's \$633,000 match requirement

for this grant scope has been paid from the SLIF CIP 741701 account. CFL requires advance match payment prior to publishing their solicitation of construction bids.

Expected Completion: The redevelopment of the park and the installation of additional utilities are still in the design phase and are being reviewed for feasibility. A completion schedule will be produced once the design is approved.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SLIF 2017	\$5,307,500.00	\$3,119,235.69	\$2,188,264.31	\$277,690.91	64.0%

FY 2018 CAPITAL EXPENDITURE PLAN: **SUMMARIES AND EXPENDITURES**

In the FY 2018 capital expenditure plan, JCCR favorably reviewed 11 projects. Three of the 11 projects are complete and seven of the projects are active, and one project is on hold.

Riordan Mansion Fire Suppression System Replacement

Status: Complete

Scope: The original scope was unchanged. The fire suppression system was updated and replaced.

Expected Completion: This project was completed in March 2018.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2018	\$ 150,000.00	\$ 135,082.48	\$ 14,917.52	\$ 6,664.71	94.5%

Riordan Mansion Roof Replacement

Status: Complete

Scope: The original scope was unchanged. The Riordan Mansion roof was replaced.

Expected Completion: This project was completed in March 2018.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2018	\$ 100,000.00	\$ 100,000.00	\$ -	\$ -	100.0%

Dead Horse Playground Replacement

Status: Active

Scope: The original scope is unchanged. The project includes replacing the current playground and installing an amphitheater in the day-use area of the park.

Additional Information: The playground was installed and completed in June 2018. The amphitheater is still in the construction phase. This project was favorably reviewed by JCCR in FY 2019.

Expected Completion: The installation of the amphitheater has been halted pending review of cultural clearance. Once cultural clearance is secured, the project will be completed within six months.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2018	\$ 100,000.00	\$ 82,080.00	\$ 17,920.00	\$ 17,900.00	100.0%

Picacho Peak New Vault Toilets

Status: Active

Scope: The original scope is unchanged. The project scope includes the installation of five new vault toilets that are replacing six port-a-potties.

Expected Completion: This project will be completed mid-2019.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2018	\$ 100,000.00	\$ -	\$ 100,000.00	\$ 6,575.00	6.6%

Red Rock Water Tank Replacement

Status: Active

Scope: The original scope of this project changed. The project scope has expanded from only replacing the water tank to also replacing the water tank, associated controls and piping, and upgrading the sprinkler system. The project scope was adjusted because the water tank supplies potable water for the park and supplies water for the fire suppression system.

Expected Completion: This project will be completed mid-2019.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2018	\$ 50,000.00	\$ -	\$ 50,000.00	\$ -	0.0%

Statewide Sign Replacement

Status: Active

Scope: The original scope is unchanged: install eight new master signs throughout the park system.

Additional Information: Two of the eight signs are installed. The remaining six signs require clearance and right-of-way agreements for each sign.

Expected Completion: Twelve to eighteen months to project completion.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2018	\$ 50,000.00	\$ 15,422.00	\$ 34,578.00	\$ -	30.8%

Catalina Equestrian Shelter Roof Replacement

Status: Complete

Scope: The original project scope was unchanged: replace the 80-year-old roof on the barn at the equestrian center.

Expected Completion: This project was completed in May 2018.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2018	\$ 20,000.00	\$ 20,000.00	\$ -	\$ -	100.0%

Cattail Cove Toilet Replacements

Status: On Hold

Scope: The original scope of this project changed. The original scope included replacing ten toilets along the Colorado River with compost toilets. The scope changed slightly to use vault toilets instead of compost toilets due to lower costs and lower maintenance requirements.

Additional Information: This change in scope, due to increased project costs, requires ASPT to secure additional funding before this project can continue. ASPT is reviewing all options but has not yet identified a funding source.

Expected Completion: The project is on hold until additional funds are secured. Upon receiving the funds, the project will be completed within eighteen to twenty-four months.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SLIF 2016	\$ 250,000.00	\$ 17.25	\$ 249,982.75	\$ -	0.0%

Roper Lake Wastewater Systems

Status: Active

Scope: The original scope of this project changed. The current project scope includes the construction of a wastewater dump station and connecting to City of Safford sewer. The current project scope no longer includes constructing a restroom/shower building.

Additional Information: This project was favorably reviewed by JCCR in FY 2017.

Expected Completion: Once cultural clearance is secured and final plans are approved, the project should be completed within twelve months.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SLIF 2016	\$ 368,577.00	\$ -	\$ 368,577.00	\$ -	0.0%
LWCF 2019	\$ 292,500.00	\$ -	\$ 292,500.00	\$ -	0.0%

FY 2019 CAPITAL EXPENDITURE PLAN: **SUMMARIES AND EXPENDITURES**

In the FY 2019 capital expenditure plan, JCCR reviewed six projects. The Buckskin State Park redevelopment project and the Oracle State Park redevelopment project were not reviewed by JCCR. Currently, the six JCCR reviewed projects are active and the Oracle and Buckskin state parks redevelopment projects are in the planning phase. The redevelopment masterplans for Buckskin State Park and Oracle State Park will be presented to JCCR for review upon completion.

Lost Dutchman Campground Improvements

Status: Active

Scope: The original scope of this project is unchanged: construction of a new campground loop and a restroom/shower building. This project is expected to be completed over two phases of construction.

Expected Completion: The project schedule is still being developed. More details will be released once the project is fully scoped.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2019	\$ 200,000.00	\$ -	\$ 200,000.00	\$ -	0.0%

Kartchner Caverns HVAC and Backup Power Generator

Status: Active

Scope: The original scope of this project is unchanged: replace the boiler and chiller for the Discovery Center at Kartchner Caverns.

Additional Information: In December 2018, ASPT is expected to begin paying invoices associated with this project. JCCR will be notified as the financial data for this project is updated.

Expected Completion: The construction for this project began in November 2018. The project is expected to be completed in December 2018.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2019	\$ 250,000.00	\$ -	\$ 250,000.00	\$ -	0.0%

Red Rock Maintenance Building Replacement (Phase 2)

Status: Active

Scope: The original scope has been reduced due to funding constraints. The original scope included the removal of the existing maintenance building, the construction of an amphitheater in the footprint of the existing maintenance building, and the construction of a new maintenance building in a remote area of the park. The new scope altered the location of these buildings and the timing of their construction.

Additional Information: The amphitheater is constructed and the pre-fab maintenance building is on-site waiting to be installed. This project was favorably reviewed by JCCR in FY 2017.

Expected Completion: Once clearance is secured and the approval to proceed is issued, this project should be completed within six to nine months.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2019	\$ 250,000.00	\$ -	\$ 250,000.00	\$ -	0.0%

Alamo Lake Sewer Pipe Replacement

Status: Active

Scope: The original scope of this project is unchanged: replace the main sewer pipe that connects the new lift station to the wastewater treatment area.

Expected Completion: This project should take 10-12 months to complete once permits and clearances are secured.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2019	\$ 250,000.00	\$ -	\$ 250,000.00	\$ -	0.0%

Dead Horse Ranch Playground and Amphitheater (Phase 2)

Status: Active

Scope: The original scope is unchanged. The project includes replacing the current playground and installing an amphitheater in the day-use area of the park.

Additional Information: The playground was installed and completed in June 2018. The amphitheater is still in the construction phase. This project was favorably reviewed by JCCR in FY 2018.

Expected Completion: The installation of the amphitheater has been halted pending review of cultural clearance. Once cultural clearance is secured, the project will be completed within six months.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2019	\$ 350,000.00	\$ -	\$ 350,000.00	\$ -	0.0%

Major Maintenance Statewide

Status: Active

Scope: The original scope of this project is unchanged. This project includes (a) \$500,000 for emergency repairs, (b) \$100,000 for statewide boating dock repair and replacement, and (c) \$100,000 for three repair projects associated with security gates, roofs, and walls.

Expected Completion: The project schedules are still being developed. More details will be released once the projects are fully scoped.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2019	\$ 700,000.00	\$ -	\$ 700,000.00	\$ -	0.0%

Oracle State Park Redevelopment

Status: Planning

Scope: Develop a park masterplan with the proposed redevelopment.

Additional Information: ASPT is currently requesting proposals for scope of service for a contractor to develop the park's masterplan. This project is still in the early stages of procurement.

Expected Completion: Upon completion of the park masterplan, the masterplan will need to undergo a public comment period. After ASPT incorporates the feedback from the public comment period, ASPT will present the updated plan to JCCR.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2019	\$4,000,000.00	\$ -	\$4,000,000.00	\$ -	0.0%

Buckskin State Park Redevelopment (Phase 1)

Status: Planning

Scope: Develop a park masterplan with the proposed redevelopment.

Additional Information: ASPT is currently requesting proposals for scope of service for a contractor to develop the park's masterplan. This project is still in the early stages of procurement.

Expected Completion: Upon completion of the park masterplan, the masterplan will need to undergo a public comment period. After ASPT incorporates the feedback from the public comment period, ASPT will present the updated plan to JCCR.

Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2019	\$1,500,000.00	\$ -	\$1,500,000.00	\$ -	0.0%
SLIF 2019	\$1,000,000.00	\$ -	\$1,000,000.00	\$ -	0.0%

ROCKIN' RIVER RANCH AND STATEWIDE CABIN PLAN

Rockin' River Ranch State Park Development

Status: Active

Scope: Rockin' River Ranch State Park is a new park currently in the design phase for development. It is intended to be a rustic park with tent camping, cabins, trails, and access to the Verde River.

Additional Information: The park is currently in the design phase of development. The final park designs will be conducted upon the completion of cultural resource assessments of the property. This project is separated into eight components: (1) complete the park masterplan; (2) complete the cultural resources evaluation for the Arizona State Parks and Trails land; (3) complete the cultural resources assessment of the USFS easement; (4) design and install a new potable water system; (5) design and install a new wastewater treatment and disposal system; (6) design and build infrastructure to include cabins, tent camping, and day use areas; (7) design the contact station; (8) restore an existing structure to serve as a park store.

Expected Completion: The construction schedule of this project cannot be accurately determined until the cultural resource assessment and designs are complete. An updated schedule will be provided upon the completion of the cultural resource assessment and updated park designs.

Rockin' River Ranch Expenditures					
SPRF 2016	\$ 200,000.00	\$ -	\$ 200,000.00	\$ -	0.0%
SPRF 2018	\$4,000,000.00	\$441,717.27	\$3,558,282.73	\$251,298.38	17.3%
LWCF 2018	\$ 700,000.00	\$ -	\$ 700,000.00	\$ -	0.0%

Statewide Cabin Installation

Status: Active

Scope: ASPT originally planned to install 100 cabins throughout the state park system. Currently, 25 cabins have been installed: five at Lost Dutchman State Park, seven at Patagonia Lake State Park, and 13 at Lake Havasu State Park. ASPT is currently evaluating statewide development priorities and reassessing the cabin installation plan, including future locations and the numbers of remaining cabins to be distributed.

Additional Information: The five cabins at Lost Dutchman State Park and the seven cabins at Patagonia Lake State Park are open for public use. The 13 cabins at Lake Havasu State Park are still under construction. The project budget is almost fully expended. The project expenditures included the 15% down payment on the 25 cabins, site plans and design work, site preparation, landscaping, and building infrastructure needed for the cabins.

Expected Completion: ASPT is evaluating the cabin project scope based on its recent experience installing the cabins at Lost Dutchman, Patagonia, and Lake Havasu. A more detailed schedule will follow after this project assessment.

Statewide Cabin Plan Expenditures					
Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
SPRF 2017	\$463,900.00	\$463,585.00	\$ 315.00	\$ -	99.9%
SLIF 2017	\$500,000.00	\$499,982.75	\$ 17.25	\$ -	100.0%
SPRF 2018	\$705,000.00	\$704,999.98	\$ 0.02	\$ 0.02	100.0%

APPENDIX A: CAPITAL EXPENDITURE PLAN TABLES

FY 2017 Capital Expenditure Plan						
Project	Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
Statewide Cabin Deployment:	SPRF 2017	\$ 463,900.00	\$ 463,585.00	\$ 315.00	\$ -	99.9%
	SLIF 2017	\$ 500,000.00	\$ 499,982.75	\$ 17.25	\$ -	100.0%
Upper Cattail Cove Redevelopment:	SLIF 2017	\$5,307,500.00	\$3,119,235.69	\$2,188,264.31	\$277,690.91	64.0%
	LWCF 2017	\$1,050,000.00	\$ -	\$1,050,000.00	\$ -	0.0%
Dead Horse Ranch Cabins and Restroom Bldg:	SPRF 2017	\$ 342,500.00	\$ 107,157.96	\$ 235,342.04	\$ 65,247.00	50.3%
	LWCF 2016	\$ 342,500.00	\$ -	\$ 342,500.00	\$ -	0.0%
Fool Hollow Campground Upgrades:	SLIF 2017	\$ 192,500.00	\$ -	\$ 192,500.00	\$ -	0.0%
	LWCF 2016	\$ 192,500.00	\$ -	\$ 192,500.00	\$ -	0.0%
Oracle Septic System:	SPRF 2017	\$ 200,000.00	\$ 105,689.39	\$ 94,310.61	\$ -	52.8%
	LWCF 2016	\$ 200,000.00	\$ -	\$ 200,000.00	\$ -	0.0%
Red Rock Infrastructure:	SPRF 2017	\$ 175,000.00	\$ 131,804.58	\$ 43,195.42	\$ 43,113.10	100.0%
Red Rock Pedestrian Bridges Reconstruction:	SPRF 2017	\$ 87,500.00	\$ -	\$ 87,500.00	\$ -	0.0%
	LWCF 2016	\$ 87,500.00	\$ -	\$ 87,500.00	\$ -	0.0%
Tonto Natural Bridge Pedestrian Bridge:	SPRF 2017	\$ 231,100.00	\$ 231,100.00	\$ -	\$ -	100.0%
	LWCF 2016	\$ 231,952.00	\$ -	\$ 231,952.00	\$ -	0.0%
FY 2017 Reallocations	Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
Kartchner Caverns Lighting System	SPRF 2014, 2015, 2016	\$ 300,000.00	\$ -	\$ 300,000.00		0.0%
Alamo Lake Water and Wastewater Project	SLIF 2016	\$ 248,900.00	\$ -	\$ 248,900.00	\$ -	0.0%
Lake Havasu Restroom and Lift Station Project	SLIF 2015, 2016	\$ 214,300.00	\$ -	\$ 214,300.00	\$ -	0.0%
Rockin' River State Park Planning	SPRF 2016	\$ 200,000.00	\$ -	\$ 200,000.00	\$ -	0.0%
Roper Lake Wastewater Project	SPRF 2015	\$ 55,200.00	\$ -	\$ 55,200.00	\$ -	0.0%
Fort Verde Adobe Stabilization Project	SPRF 2015	\$ 21,000.00	\$ -	\$ 21,000.00	\$ -	0.0%
Jerome State Park Roofing Project	SPRF 2015	\$ 13,500.00	\$ -	\$ 13,500.00	\$ -	0.0%

I: FY 2017 Capital Expenditure Plan

FY 2018 Capital Expenditure Plan						
Project	Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
Rockin' River Ranch SP new park development:	SPRF 2018	\$4,000,000.00	\$ 441,717.27	\$3,558,282.73	\$251,298.38	17.3%
	LWCF 2018	\$ 700,000.00	\$ -	\$ 700,000.00	\$ -	0.0%
Statewide cabins deployment:	SPRF 2018	\$ 705,000.00	\$ 704,999.98	\$ 0.02	\$ 0.02	100.0%
Riordan Mansion fire suppression system replace:	SPRF 2018	\$ 150,000.00	\$ 135,082.48	\$ 14,917.52	\$ 6,664.71	94.5%
Riordan mansion roof replacement:	SPRF 2018	\$ 100,000.00	\$ 100,000.00	\$ -	\$ -	100.0%
Dead Horse playground replacement:	SPRF 2018	\$ 100,000.00	\$ 82,080.00	\$ 17,920.00	\$ 17,900.00	100.0%
Picacho Peak new vault toilets:	SPRF 2018	\$ 100,000.00	\$ -	\$ 100,000.00	\$ 6,575.00	6.6%
Red Rock Water tank replacement:	SPRF 2018	\$ 50,000.00	\$ -	\$ 50,000.00	\$ -	0.0%
Statewide sign replacement:	SPRF 2018	\$ 50,000.00	\$ 15,422.00	\$ 34,578.00	\$ -	30.8%
Catalina equestrian shelter roof replacement:	SPRF 2018	\$ 20,000.00	\$ 20,000.00	\$ -	\$ -	100.0%
FY 2018 Reallocations	Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
Cattail Cove boat-in sites toilet replacements:	SLIF 2016	\$ 250,000.00	\$ 17.25	\$ 249,982.75	\$ -	0.0%
Roper Lake Wastewater Systems:	SLIF 2016	\$ 368,577.00	\$ -	\$ 368,577.00	\$ -	0.0%
	LWCF 2019	\$ 292,500.00	\$ -	\$ 292,500.00	\$ -	0.0%

2: FY 2018 Capital Expenditure Plan

FY 2019 Capital Expenditure Plan						
Project	Fund / Yr Alloc	Budget	Expended	Unexp. Bal.	Encumbered	% Exp / Enc
Lost Dutchman campground improvements	SPRF 2019	\$ 200,000.00	\$ -	\$ 200,000.00	\$ -	0.0%
Kartchner Caverns HVAC & backup power generator	SPRF 2019	\$ 250,000.00	\$ -	\$ 250,000.00	\$ -	0.0%
Red Rock maintenance building replacement (Phs 2)	SPRF 2019	\$ 250,000.00	\$ -	\$ 250,000.00	\$ -	0.0%
Alamo Lake sewer pipe replacement	SPRF 2019	\$ 250,000.00	\$ -	\$ 250,000.00	\$ -	0.0%
Dead Horse Ranch playground & amphitheater (Phs 2)	SPRF 2019	\$ 350,000.00	\$ -	\$ 350,000.00	\$ -	0.0%
Major Maintenance statewide	SPRF 2019	\$ 700,000.00	\$ -	\$ 700,000.00	\$ -	0.0%
Oracle State Park Redevelopment	SPRF 2019	\$4,000,000.00	\$ -	\$4,000,000.00	\$ -	0.0%
Buckskin State Park Redevelopment (phase 1)	SPRF 2019	\$1,500,000.00	\$ -	\$1,500,000.00	\$ -	0.0%
Buckskin State Park Redevelopment (phase 1)	SLIF 2019	\$1,000,000.00	\$ -	\$1,000,000.00	\$ -	0.0%

3: FY 2019 Capital Expenditure Plan



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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VICE-CHAIRMAN
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REBECCA RIOS

DATE: December 11, 2018

TO: Members of the Joint Committee on Capital Review

FROM: Morgan Dorcheus, Fiscal Analyst MD

SUBJECT: Department of Health Services - Review of Arizona State Hospital Lease Agreement

Request

A.R.S. § 36-136 requires Committee review of lease agreements of Arizona State Hospital (ASH) property. The Department of Health Services (DHS) requests Committee review of a lease agreement with the City of Phoenix for a parcel of land on ASH property.

Committee Options

The Committee has at least the following 2 options:

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

Key Points

- 1) DHS is authorized to lease land at the ASH property.
- 2) Since 2017, JCCR is required to review the leases.
- 3) In 2017, a 20-year lease expired between DHS and the City of Phoenix.
- 4) The city leased 3 acres to operate a contracted behavioral health and addiction recovery facility.
- 5) The lease is now being extended for 5 years.
- 6) The city will now pay DHS \$90,000 annually, which DHS plans to use for ASH deferred maintenance costs.

(Continued)

Analysis

Laws 2017, Chapter 288 amended A.R.S. § 36-136 to allow DHS to enter into lease agreements with third-parties to occupy buildings or develop land located on ASH property.

DHS has entered into a 5-year lease agreement with the City of Phoenix for a 3-acre parcel of land located at 2770 East Van Buren Street to provide contracted behavioral health, alcohol abuse, and substance abuse services.

Background

The leased land has a 20,000 square foot building referred to as the Local Alcoholism Reception Center (LARC), which was constructed as part of a 20-year intergovernmental agreement (IGA) between DHS and the City of Phoenix in 1997. The city contracted out the operation of LARC for behavioral health and addiction recovery services.

DHS provided land for the city to construct the building, which generated an annual debt service obligation for the city of \$213,000 over a period of 20 years. DHS agreed to pay \$125,700, or 59%, of the debt service, and the city agreed to pay the remaining \$87,300. In addition, the agencies agreed to share building maintenance costs.

Upon expiration of the lease in 2017, the IGA agreement stated that upon expiration the city could either continue use of the LARC building or remove the structure.

The city has continued use of the building since IGA expiration in December 2017.

Lease Agreement

The new lease agreement began in January 2018 and maintains use of the LARC building for contracted behavioral health, alcohol abuse, and substance abuse services. In addition, it requires the city to pay DHS \$90,000 annually for use of the land and requires the city to take sole responsibility for improvement and maintenance costs.

Pursuant to A.R.S. § 36-136, lease revenue will be deposited to the ASH Charitable Trust Fund, which is used to benefit mentally ill persons in the state. DHS plans to spend lease revenues on deferred maintenance projects at ASH.

MD:kp



ARIZONA DEPARTMENT OF HEALTH SERVICES

November 27, 2018

The Honorable, David Livingston, Chairman
Joint Committee on Capital Review (JCCR)
1700 West Washington Street
Phoenix, AZ 85007



The Honorable, John Kavanagh, Vice Chairman
Joint Committee on Capital Review (JCCR)
1700 West Washington Street
Phoenix, AZ 85007

Dear Senator Kavanagh and Representative Livingston:

Pursuant to A.R.S. § 36-136C, the Department shall report the terms, conditions, and purpose of any lease relating to Arizona State Hospital (ASH) land or buildings to the Joint Committee on Capital Review (JCCR). Additionally, any lease agreement must be reviewed by the JCCR.

The parcel of land located at 2770 E. Van Buren Street, on the grounds of the ASH, has been leased to the City of Phoenix for the sole purpose of allowing the lessee to contract with a provider for behavioral health/alcohol/substance abuse services. All improvements, maintenance, and insurance of the building are the responsibility of the lessee. The lease will generate \$90,000 per year into the ASH Charitable Trust Fund pursuant to A.R.S. § 36-218 and will be used to offset deferred maintenance. The terms and conditions are outlined in the lease agreement.

ADHS respectfully requests JCCR to review the attached lease agreement.

If you have any questions or comments, please contact Justin Lepley, Chief Financial Officer, at (602) 542-2996.

Sincerely,


Cara M. Christ, MD, MS
Director

Attachments (1)

cc: Richard Stavneak, Director, JLBC
Matt Gress, Director, OSPB
Morgan Dorcheus, Fiscal Analyst, JLBC
Brittany Cleveland, Budget Analyst, OSPB
Don Herrington, Deputy Director, Planning & Operations

Douglas A. Ducey | Governor Cara M. Christ, MD, MS | Director

148272--0


	INTERGOVERNMENTAL AGREEMENT (IGA)	ARIZONA DEPARTMENT OF HEALTH SERVICES 150 North 18 th Avenue, Suite 260 Phoenix, Arizona 85007 (602) 542-1040 (602) 542-1741 FAX
Contract No. ADHS18-189925		

Project Title: ADHS/CITY OF PHOENIX IGA LAND LEASEBegin Date: January 1, 2018.Geographic Service Area: ARIZONA STATE HOSPITALTermination Date: January 1, 2023.

Arizona Department of Health Services has authority to contract for services specified herein in accordance with A.R.S. §§ 11-951, 11-952, 36-104 and 36-132. The Contractor represents that it has authority to contract for the performance of the services provided herein pursuant to:

<input type="checkbox"/>	Counties:	A.R.S. §§ 11-201, 11-951, 11-952 and 36-182.
<input type="checkbox"/>	Indian Tribes:	A.R.S. §§ 11-951, 11-952 and the rules and sovereign authority of the contracting Indian Nation.
<input type="checkbox"/>	School Districts:	A.R.S. §§ 11-951, 11-952, and 15-342.
<input checked="" type="checkbox"/>	City of Phoenix:	Chapter II, §§ 1 & 2, Charter, City of Phoenix.
<input type="checkbox"/>	City of Tempe:	Chapter 1, Article 1, §§ 1.01 & 1.03, Charter, City of Tempe.

Amendments signed by each of the parties and attached hereto are hereby adopted by reference as a part of this Contract; from the effective date of the Amendment, as if fully set out herein.

Arizona Transaction (Sales) Privilege: _____ Federal Employer Identification No.: <u>86-6000256</u> Tax License No.: _____ Contractor Name: Address: 200 W. Washington Street, Phoenix, AZ 85003	FOR CLARIFICATION, CONTACT: Name: _____ Phone: _____ FAX No: _____ E-mail: _____
CONTRACTOR SIGNATURE: The Contractor agrees to perform all the services set forth in the Agreement and Work Statement.  Signature of Person Authorized to Sign _____ Date <u>8/6/18</u> Marchelle F. Franklin, Human Services Director Print Name and Title _____	This Contract shall henceforth be referred to as Contract No. <u>ADHS18-189925</u> The Contractor is hereby cautioned not to commence any billable work or provide any material, service or construction under this Contract until Contractor receives a fully executed copy of the Contract. State of Arizona Signed this <u>9th</u> day of <u>August</u> , 201 <u>8</u>  Procurement Officer
CONTRACTOR ATTORNEY SIGNATURE: Pursuant to A.R.S. § 11-952, the undersigned Contractor's Attorney has determined that this Intergovernmental Agreement is in proper form and is within the powers and authority granted under the laws of Arizona.  Signature of Person Authorized to Sign _____ Date <u>8/8/18</u> Print Name and Title _____	Attorney General Contract, No. P0012014000078 , which is an Agreement between public agencies, has been reviewed pursuant to A.R.S. § 11-952 by the undersigned Assistant Attorney General, who has determined that it is in the proper form and is within the powers granted under the laws of the State of Arizona to those parties to the Agreement represented by the Attorney General. The Attorney General, BY:  Signature _____ Date <u>8/8/18</u> Assistant Attorney General: 

ATTEST:


 ACTING City Clerk


CITY CLERK DEPT.

2018 AUG 14 AM 9:00

CONTRACT NUMBER	INTERGOVERNMENTAL AGREEMENT TERMS AND CONDITIONS
ADHS18-189925	

1. **Definition of Terms.** As used in this Contract, the terms listed below are defined as follows:

- 1.1 "Attachment" means any document attached to the Contract and incorporated into the Contract.
- 1.2 "ADHS" means Arizona Department of Health Services.
- 1.3 "ASH" means the Arizona State Hospital, a division of ADHS.
- 1.4 "Contract" means the combination of the Uniform and Special Terms and Conditions, the Specifications and Statement or Scope of Work, Attachments, Referenced Documents, any Contract Amendments and any terms applied by law.
- 1.5 "Contract Amendment" means a written document signed by the Procurement Officer and the Contractor that is issued for the purpose of making changes in the Contract.
- 1.6 "Contractor" means any person who has a Contract with the Arizona Department of Health Services. In this document, the Contractor means the City of Phoenix.
- 1.7 "Days" means calendar days unless otherwise specified.
- 1.8 "Gratuity" means a payment, loan, subscription, advance, deposit of money, services, or anything of more than nominal value, present or promised, unless consideration of substantially equal or greater value is received.
- 1.9 "Materials" unless otherwise stated herein, means all property, including but not limited to equipment, supplies, printing, insurance and leases of property.
- 1.10 "Lessee" leases specified property from Lessor. In this Contract, the "Lessee" is the City of Phoenix.
- 1.11 "Lessor" leases specified property to Lessee. In this Contract, the "Lessor" is ADHS.
- 1.12 "Procurement Officer" means the person duly authorized by the State to enter into and administer Contracts and make written determinations with respect to the Contract.
- 1.13 "Purchase Order" means a written document that is signed by a Procurement Officer, that requests a vendor to deliver described goods or services at a specific price and that, on delivery and acceptance of the goods or services by ADHS, becomes an obligation of the State.
- 1.14 "Services" means the furnishing of labor, time or effort by a Contractor or Subcontractor.
- 1.15 "Subcontract" means any contract, express or implied, between the Contractor and another party or between a subcontractor and another party delegating or assigning, in whole or in part, the making or furnishing of any material or any service required for the performance of this Contract.
- 1.16 "State" means the State of Arizona and/or the ADHS. For purposes of this Contract, the term "State" shall not include the Contractor.

CONTRACT NUMBER	INTERGOVERNMENTAL AGREEMENT TERMS AND CONDITIONS
ADHS18-189925	

2. Contract Type.

This Contract shall be: (check one)

 X Land Lease

3. Contract Interpretation.

- 3.1. Arizona Law. The law of Arizona applies to this Contract including, where applicable, the Uniform Commercial Code as adopted by the State of Arizona.
- 3.2. Implied Contract Terms. Each provision of law and any terms required by law to be in this Contract are a part of this Contract as if fully stated in it.
- 3.3. Contract Order of Precedence. In the event of a conflict in the provisions of the Contract, as accepted by the State and as they may be amended, the following shall prevail in the order set forth below:
 - 3.3.1. Terms and Conditions;
 - 3.3.2. Statement or Scope of Work;
 - 3.3.3. Attachments; and
 - 3.3.4. Referenced Documents.
- 3.4. Relationship of Parties. The Contractor under this Contract is an independent Contractor. Neither party to this Contract shall be deemed to be the employee or agent of the other party to the Contract.
- 3.5. Severability. The provisions of this Contract are severable. Any term or condition deemed illegal or invalid shall not affect any other term or condition of the Contract.
- 3.6. No Parole Evidence. This Contract is intended by the parties as a final and complete expression of their agreement. No course of prior dealings between the parties and no usage of the trade shall supplement or explain any terms used in this document.
- 3.7. No Waiver. Either party's failure to insist on strict performance of any term or condition of the Contract shall not be deemed a waiver of that term or condition even if the party accepting or acquiescing in the nonconforming performance knows of the nature of the performance and fails to object to it.
- 3.8. Headings and Defined Terms. Headings are for organizational purposes only and shall not be interpreted as having legal significance or meaning. Not all Defined Terms have applicability to this Contract.

4. Contract Administration and Operation.

- 4.1. Term. As indicated on the signature page of the Contract, the Contract shall be effective as of the Begin Date and shall remain effective until the Termination Date.
- 4.2. Contract Renewal. This Contract shall not bind, nor purport to bind, the State for any contractual commitment in excess of the original Contract period. The term of the Contract shall not exceed five years. However, if the original Contract period is for less than five years, the State shall have the right, at its sole option, to renew the Contract, so long as the original Contract period together with the renewal periods does not exceed five years. If the State exercises such rights, all terms, conditions and provisions of the original Contract shall remain the same and apply during the renewal period with the exception of price and Scope of Work, which may be renegotiated.

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- 4.3. New Budget Term. If a budget term has been completed in a multi-term Contract, the parties may agree to change the amount and type of funding to accommodate new circumstances in the next budget term. Any increase or decrease in funding at the time of the new budget term shall coincide with a change in the Scope of Work or change in cost of services as approved by the Arizona Department of Health Services.
- 4.4. Non-Discrimination. The Contractor shall comply with State Executive Order No. 2009-09 and all other applicable Federal and State laws, rules and regulations, including the Americans with Disabilities Act.
- 4.5. Records and Audit. Under A.R.S. § 35-214 and A.R.S. § 35-215, the Contractor shall retain and shall contractually require each subcontractor to retain all data and other records ("records") relating to the acquisition and performance of the Contract for a period of five years after the completion of the Contract. All records shall be subject to inspection and audit by the State and where applicable the Federal Government at reasonable times. Upon request, the Contractor shall produce a legible copy of any or all such records.
- 4.6. Inspection and Testing. The Contractor agrees to permit access, at reasonable times, to its facilities. In accordance with A.R.S. §§ 35-214 and 35-215, all books, accounts, reports, files and other records, hereinafter referred to as "Records", relating to this Lease shall be subject at all reasonable times to inspection and audit by the Lessor, the State Auditor, or their agents, or employees at any time during the terms of the Lease and for five (5) years after termination thereof. Upon request, the Lessee shall produce originals of any or all such Records.
- 4.7. Notices. Notices to the Contractor required by this Contract shall be made by the State to the person indicated on the signature page by the Contractor, unless otherwise stated in the Contract. Notices to the State required by the Contract shall be made by the Contractor to an ADHS Procurement Officer, unless otherwise stated in the Contract. An authorized ADHS Procurement Officer and an authorized Contractor representative may change their respective person to whom notice shall be given by written notice, and an amendment to the Contract shall not be necessary.
- 4.8. Advertising and Promotion of Contract. The Contractor shall not advertise or publish information for commercial benefit concerning this Contract without the prior written approval of an ADHS Procurement Officer.
- 4.9. E-Verify Requirements. In accordance with A.R.S. § 41-4401, Contractor warrants compliance with all Federal immigration laws and regulations relating to employees and warrants its compliance with Section A.R.S. § 23-214, Subsection A.
- 4.10. Federal Immigration and Nationality Act. The Contractor shall comply with all federal, state and local immigration laws and regulations relating to the immigration status of their employees during the term of the Contract. Further, the Contractor shall flow down this requirement to all subcontractors utilized during the term of the Contract. The State shall retain the right to perform random audits of Contractor and subcontractor records or to inspect papers of any employee thereof to ensure compliance. Should the State determine that the Contractor and/or any subcontractors be found noncompliant, the State may pursue all remedies allowed by law, including, but not limited to; suspension of work, termination of the Contract for default and suspension and/or debarment of the Contractor.

5. Costs and Payments

- 5.1. Payments. As applicable, payments shall comply with the requirements of A.R.S. Titles 35 and 41, net 30 days. Upon receipt and acceptance of goods or services, the Contractor shall submit a complete and accurate Contractor's Expenditure Report for payment from the State within thirty (30) days, as provided in the Accounting and Auditing Procedures Manual for the ADHS.

5.2. Applicable Taxes.

- 5.2.1. State and Local Transaction Privilege Taxes. The State of Arizona is subject to all applicable state

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and local transaction privilege taxes. Transaction privilege taxes apply to the sale and are the responsibility of the seller to remit. Failure to collect taxes from the buyer does not relieve the seller from its obligation to remit taxes.

5.2.2. *Tax Indemnification.* The Contractor and all subcontractors shall pay all federal, state and local taxes applicable to its operation and any persons employed by the Contractor. Contractor shall require all subcontractors to hold the State harmless from any responsibility for taxes, damages and interest, if applicable, contributions required under Federal, and/or state and local laws and regulations and any other costs, including transaction privilege taxes, unemployment compensation insurance, Social Security and Worker's Compensation.

5.2.3. *I.R.S. W9 Form.* In order to receive payment under any resulting Contract, the Contractor shall have a current I.R.S. W9 Form on file with the State of Arizona.

6. Contract Changes

6.1. Amendments, Purchase Orders and Change Orders. This Contract is issued under the authority of the Procurement Officer who signed this Contract. The Contract may be modified only through a Contract Amendment, Purchase Order and/or Change Order within the scope of the Contract, unless the change is administrative or otherwise permitted by the Special Terms and Conditions. Changes to the Contract, including the addition of work or materials, the revision of payment terms, or the substitution of work or materials, directed by an unauthorized State employee or made unilaterally by the Contractor are violations of the Contract and of applicable law. Such changes, including unauthorized Contract Amendments, Purchase Orders and/or Change Orders, shall be void and without effect, and the Contractor shall not be entitled to any claim under this Contract based on those changes.

6.2. Subcontracts. The Contractor shall not enter into any subcontract under this Contract without the advance written approval of the Procurement Officer. The subcontract shall incorporate by reference all material and applicable terms and conditions of this Contract.

6.3. Assignments and Delegation. The Contractor shall not assign any right nor delegate any duty under this Contract without the prior written approval of the Procurement Officer. The State shall not unreasonably withhold approval.

7. Risk and Liability

7.1. Mutual Indemnification. Each Party (as "Indemnitor") agrees to defend, indemnify, and hold harmless the other party (as "Indemnitee") from and against any and all claims, losses, liability, costs, or expenses (including reasonable attorney's fees) (hereinafter collectively referred to as "Claims") arising out of bodily injury of any person (including death) or property damage, but only to the extent that such Claims which result in vicarious/derivative liability to the Indemnitee are caused by the act, omission, negligence, misconduct, or other fault of the Indemnitor, its officers, officials, agents, employees, or volunteers. The State of Arizona, Department of Health Services is self-insured per A.R.S. 41-621.

In addition, should City of Phoenix utilize a contractor(s) and subcontractor(s) the indemnification clause between City of Phoenix and its contractor(s) and subcontractor(s) shall include the following:

To the fullest extent permitted by law, Contractor shall defend, indemnify, and hold harmless the City of Phoenix and the State of Arizona, and any jurisdiction or agency issuing any permits for any work arising out of this Agreement, and its departments, agencies, boards, commissions, universities, , officers, officials, agents, and employees (hereinafter referred to as "Indemnitee") from and against any and all claims, actions, liabilities, damages, losses, or expenses (including court costs, attorneys' fees, and costs of claim processing, investigation and litigation) (hereinafter referred to as "Claims") for bodily injury or personal injury (including death), or loss or damage to tangible or intangible property caused, or alleged to be caused, in whole or in part, by the negligent or willful acts or omissions of the contractor or any of the directors, officers, agents, or employees or subcontractors of such contractor. This indemnity includes any

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claim or amount arising out of or recovered under the Workers' Compensation Law or arising out of the failure of such contractor to conform to any federal, state or local law, statute, ordinance, rule, regulation or court decree. It is the specific intention of the parties that the Indemnatee shall, in all instances, except for Claims arising solely from the negligent or willful acts or omissions of the Indemnatee, be indemnified by such contractor from and against any and all claims. It is agreed that such contractor will be responsible for primary loss investigation, defense and judgment costs where this indemnification is applicable. Additionally on all applicable insurance policies, contractor and its subcontractors shall name the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as an additional insured and also include a waiver of subrogation in favor of the State.

7.2. Insurance Requirements for Governmental Parties to an IGA. None

7.3. Insurance Requirements for Any Contractors Used by a Party to the IGA. (Note: this applies only to Contractors used by a governmental entity, not to the governmental entity itself.) The insurance requirements herein are minimum requirements and in no way limit the indemnity covenants contained in the Intergovernmental Agreement. The State of Arizona in no way warrants that the minimum limits contained herein are sufficient to protect the governmental entity or Contractor from liabilities that might arise out of the performance of the work under this Contract by the Contractor, his agents, representatives, employees or subcontractors, and Contractor and the governmental entity are free to purchase additional insurance.

7.4. Minimum Scope and Limits of Insurance. Contractor shall provide coverage with limits of liability not less than those stated below.

7.4.1. Commercial General Liability – Occurrence Form

Policy shall include bodily injury, property damage, and broad form contractual liability coverage.

- General Aggregate \$2,000,000
 - Products – Completed Operations Aggregate \$1,000,000
 - Personal and Advertising Injury \$1,000,000
 - Damage to Rented Premises \$ 50,000
 - Each Occurrence \$1,000,000
- a. The policy shall be endorsed, as required by this written agreement, to include the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of the activities performed by or on behalf of the Contractor.
 - b. Policy shall contain a waiver of subrogation endorsement, as required by this written agreement, in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

(Note that the other governmental entity(ies) is/are also required to be additional insured(s) and they should supply the Contractor with their own list of persons to be insured.)

7.4.2. Business Automobile Liability

Bodily Injury and Property Damage for any owned, hired, and/or non-owned automobiles used in the performance of this Contract.

- Combined Single Limit (CSL) \$1,000,000
- a. Policy shall be endorsed, as required by this written agreement, to include the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees as additional insureds with respect to liability arising out of

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the activities performed by, or on behalf of, the Contractor involving automobiles owned, hired and/or non-owned by the Contractor.

- b. Policy shall contain a waiver of subrogation endorsement as required by this written agreement in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

(Note that the other governmental entity(ies) is/are also required to be additional insured(s) and they should supply the Contractor with their own list of persons to be insured.)

7.4.3. Workers' Compensation and Employers' Liability

• Workers' Compensation	Statutory
• Employers' Liability	
o Each Accident	\$1,000,000
o Disease – Each Employee	\$1,000,000
o Disease – Policy Limit	\$1,000,000

- a. Policy shall contain a waiver of subrogation endorsement, as required by this written agreement, in favor of the State of Arizona, and its departments, agencies, boards, commissions, universities, officers, officials, agents, and employees for losses arising from work performed by or on behalf of the Contractor.

- b. This requirement shall not apply to each Contractor or subcontractor that is exempt under A.R.S. § 23-901, and when such Contractor or subcontractor executes the appropriate waiver form (Sole Proprietor or Independent Contractor).

- 7.5. Additional Insurance Requirements. The policies shall include, or be endorsed to include, as required by this written agreement, the following provisions:

- 7.5.1. The Contractor's policies, as applicable, shall stipulate that the insurance afforded the Contractor shall be primary and that any insurance carried by the Department, its agents, officials, employees or the State of Arizona shall be excess and not contributory insurance, as provided by A.R.S. § 41-621 (E).

- 7.5.2. Insurance provided by the Contractor shall not limit the Contractor's liability assumed under the indemnification provisions of this Contract.

- 7.6. Notice of Cancellation. Applicable to all insurance policies required within the Insurance Requirements of this Contract, Contractor's insurance shall not be permitted to expire, be suspended, be canceled, or be materially changed for any reason without thirty (30) days prior written notice to the State of Arizona. Within two (2) business days of receipt, Contractor must provide notice to the State of Arizona if they receive notice of a policy that has been or will be suspended, canceled, materially changed for any reason, has expired, or will be expiring. Such notice shall be sent directly to the Department and shall be mailed, emailed, or hand delivered to (Kristen Micurescu, 150 N. 18th Ave, Suite 260, Phoenix, AZ 85007).

- 7.7. Acceptability of Insurers. Contractor's insurance shall be placed with companies licensed in the State of Arizona or hold approved non-admitted status on the Arizona Department of Insurance List of Qualified Unauthorized Insurers. Insurers shall have an "A.M. Best" rating of not less than A- VII. The State of Arizona in no way warrants that the above-required minimum insurer rating is sufficient to protect the Contractor from potential insurer insolvency.

- 7.8. Verification of Coverage. Contractor shall furnish the State of Arizona with certificates of insurance (valid ACORD form or equivalent approved by the State of Arizona) evidencing that Contractor has the insurance as required by this Contract. An authorized representative of the insurer shall sign the certificates.

- 7.8.1. All such certificates of insurance and policy endorsements must be received by the State before

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work commences. The State's receipt of any certificates of insurance or policy endorsements that do not comply with this written agreement shall not waive or otherwise affect the requirements of this agreement.

- 7.8.2. Each insurance policy required by this Contract must be in effect at, or prior to, commencement of work under this Contract. Failure to maintain the insurance policies as required by this Contract, or to provide evidence of renewal, is a material breach of contract.
- 7.8.3. All certificates required by this Contract shall be sent directly to the Department. The State of Arizona project/contract number and project description shall be noted on the certificate of insurance. The State of Arizona reserves the right to require complete copies of all insurance policies required by this Contract at any time.
- 7.9. Subcontractors. Contractor's certificate(s) shall include all subcontractors as insureds under its policies or Contractor shall be responsible for ensuring and/or verifying that all subcontractors have valid and collectable insurance as evidenced by the certificates of insurance and endorsements for each subcontractor. All coverages for subcontractors shall be subject to the minimum Insurance Requirements identified above. The Department reserves the right to require, at any time throughout the life of the Contract, proof from the Contractor that its subcontractors have the required coverage.
- 7.10. Approval and Modifications. The Contracting Agency, in consultation with State Risk, reserves the right to review or make modifications to the insurance limits, required coverages, or endorsements throughout the life of this contract, as deemed necessary. Such action will not require a formal Contract amendment, but may be made by administrative action.
- 7.11. Exceptions. In the event the Contractor or subcontractor(s) is/are a public entity, then the Insurance Requirements shall not apply. Such public entity shall provide a certificate of self-insurance. If the Contractor or subcontractor(s) is/are a State of Arizona agency, board, commission, or university, none of the above shall apply.
- 7.12. Force Majeure.
- 7.12.1. Liability and Definition. Except for payment of sums due, neither party shall be liable to the other nor deemed in default under this Contract if and to the extent that such party's performance of this Contract is prevented by reason of force majeure. The term "*force majeure*" means an occurrence that is beyond the control of the party affected and occurs without its fault or negligence. Without limiting the foregoing, force majeure includes acts of God; acts of the public enemy; acts of terrorism; war; riots; strikes; mobilization; labor disputes; civil disorders; fire; flood; lockouts; injunctions-interventions not caused by or resulting from the act or failure to act of the parties; failures or refusals to act by government authority not caused by or resulting from the act or failure to act of the parties; and other similar occurrences beyond the control of the party declaring force majeure, which such party is unable to prevent by exercising reasonable diligence.
- 7.12.2. Exclusions. Force Majeure shall not include the following occurrences:
- 7.12.2.1. Late delivery of Materials caused by congestion at a manufacturer's plant or elsewhere, or an oversold condition of the market;
- 7.12.2.2. Late performance by a subcontractor unless the delay arises out of a force majeure occurrence in accordance with this force majeure term and condition; or
- 7.12.2.3. Inability of either the Contractor or any subcontractor to acquire or maintain any required insurance, bonds, licenses or permits.
- 7.12.3. Notice. If either party is delayed at any time in the progress of the work by force majeure, the delayed party shall notify the other party in writing of such delay, as soon as is practicable and no later than the following working day of the commencement thereof, and shall specify the causes of

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such delay in such notice. Such notice shall be delivered or mailed certified-return receipt and shall make a specific reference to this article, thereby invoking its provisions. The delayed party shall cause such delay to cease as soon as practicable and shall notify the other party in writing when it has done so. The time of completion shall be extended by Contract Amendment for a period of time equal to the time that the results or effects of such delay prevent the delayed party from performing in accordance with this Contract.

7.12.4. *Default.* Any delay or failure in performance by either party hereto shall not constitute default hereunder or give rise to any claim for damages or loss of anticipated profits if, and to the extent that, such delay or failure is caused by force majeure.

7.13. Third Party Antitrust Violations. The Contractor assigns to the State any claim for overcharges resulting from antitrust violations to the extent that those violations concern materials or services supplied by third parties to the Contractor for or toward the fulfillment of this Contract.

8. Description of Materials The following provisions shall apply to Materials only:

8.1. Liens. The Contractor agrees that the Materials supplied under this Contract are free of liens. In the event the Materials are not free of liens, Contractor shall pay to remove the lien and any associated damages or replace the Materials with Materials free of liens. The Lessee shall keep the land and building free from any liens arising out of any work performed, materials furnished or obligations incurred by Lessee. In the event that Lessee shall not, within ten (10) days following the imposition of any such lien, cause the same to be released of record by payment or posting of a proper bond, Lessor shall have, in addition to all other remedies provided herein by law, the right to cause the same to be released by such means as he shall deem proper, including the payment of the claim giving rise to such lien. All such sums paid by Lessor and all expenses incurred by him in connection therewith shall be considered additional rent and shall be payable by Lessee on demand with interest at ten percent (10%) per annum.

9. State's Contractual Remedies

9.1. Right to Assurance. If the State, in good faith, has reason to believe that the Contractor does not intend to, or is unable to, perform or continue performing under this Contract, the Procurement Officer may demand in writing that the Contractor give a written assurance of intent to perform. Failure by the Contractor to provide written assurance within the number of Days specified in the demand may, at the State's option, be the basis for terminating the Contract.

9.2. Stop Work Order.

9.2.1. *Terms.* The State may, at any time, by written order to the Contractor, require the Contractor to stop all or any part of the work called for by this Contract for a period up to ninety (90) Days after the order is delivered to the Contractor, and for any further period to which the parties may agree. The order shall be specifically identified as a stop work order issued under this clause. Upon receipt of the order, the Contractor shall immediately comply with its terms and take all reasonable steps to minimize the incurrence of costs allocable to the work covered by the order during the period of work stoppage.

9.2.2. *Cancellation or Expiration.* If a stop work order issued under this clause is canceled or the period of the order or any extension expires, the Contractor shall resume work. The Procurement Officer shall make an equitable adjustment in the delivery schedule or Contract price, or both, and the Contract shall be amended in writing accordingly.

9.3. Non-exclusive Remedies. The rights and remedies of both parties under this Contract are not exclusive, and both parties are entitled to all rights and remedies available.

10. Contract Termination

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- 10.1. Cancellation for Conflict of Interest. Pursuant to A.R.S. § 38-511, the State may cancel this Contract within three (3) years after Contract execution without penalty or further obligation if any person significantly involved in initiating, negotiating, securing, drafting or creating the Contract on behalf of the State is, or becomes at any time while the Contract or an extension of the Contract is in effect, an employee of or a consultant to any other party to this Contract with respect to the subject matter of the Contract. The cancellation shall be effective when the Contractor receives written notice of the cancellation, unless the notice specifies a later time. If the Contractor is a political subdivision of the State, it may also cancel this Contract as provided in A.R.S. § 38-511.
- 10.2. Gratuities. The State may, by written notice, terminate this Contract, in whole or in part, if the State determines that employment or a Gratuity was offered or made by the Contractor or a representative of the Contractor to any officer or employee of the State for the purpose of influencing the outcome of the procurement, securing the Contract or an Amendment to the Contract, or receiving favorable treatment concerning the Contract, including the making of any determination or decision about Contract performance. The State, in addition to any other rights or remedies, shall be entitled to recover exemplary damages in the amount of three times the value of the Gratuity offered by the Contractor.
- 10.3. Suspension or Debarment. The State may, by written notice to the Contractor, immediately terminate this Contract if the State determines that the Contractor or its subcontractor has been debarred, suspended or otherwise lawfully prohibited from participating in any public procurement activity, including but not limited to, being disapproved as a subcontractor of any public procurement unit or other governmental body.
- 10.4. Termination Without Cause.
- 10.4.1. Both the State and the Contractor may terminate this Contract at any time with nine months prior written notice specifying the termination date, and as necessary, the submission of required deliverables and payment therein. The obligation to pay rent during the notice period remains. At the end of the early terminated lease, the City will either 1) transfer title to the building and contents to ADHS or 2) move the building off the ASH campus and restore the land in accordance with other provisions of this IGA.
- 10.4.2. If the Contractor terminates the Contract, the Contractor shall indemnify the State for any sanctions imposed by the funding source as a result of the Contractor's failure to complete the Contract.
- 10.5. Termination for Default. The State reserves the right to terminate the Contract in whole or in part due to the failure of the Contractor to comply with any material obligation, term or condition of the Contract, to acquire and maintain all required insurance policies, bonds, licenses and permits, or to make satisfactory progress in performing the Contract. In the event the ADHS terminates the Contract in whole or in part as provided in this paragraph, the ADHS may procure, upon such terms and in such manner as deemed appropriate, Services or Materials, similar to those terminated, and Contractor shall be liable to the ADHS for any excess costs incurred by the ADHS in obtaining such similar Services or Materials.
- 10.6. Continuation of Performance Through Termination. Upon receipt of the notice of termination and until the effective date of the notice of termination, the Contractor shall perform work consistent with the requirements of the Contract and, if applicable, in accordance with a written transition plan approved by the ADHS. If the Contract is terminated in part, the Contractor shall continue to perform the Contract to the extent not terminated. After receiving the notice of termination, the Contractor shall immediately notify all subcontractors, in writing, to stop work on the effective date of termination, and on the effective date of termination, the Contractor and subcontractors shall stop all work.
- 10.7. Survival of Rights and Obligations After Contract Expiration and Termination.
- 10.7.1. Contractor's Representations. All representations and warranties made by the Contractor under this Contract in paragraphs 7 and 8 shall survive the expiration or termination hereof. In addition, the parties hereto acknowledge that pursuant to A.R.S. § 12-510, except as provided in A.R.S. § 12-529, the State is not subject to or barred by any limitations of actions prescribed in A.R.S. Title

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12, Chapter 5.

11. Arbitration

Pursuant to A.R.S. § 12-1518, disputes under this Contract shall be resolved through the use of arbitration when the case or lawsuit is subject to mandatory arbitration pursuant to rules adopted under A.R.S. § 12 -133.

In the event arbitration is not required the parties can mutually agree to utilize the services of a skilled mediator in an attempt to resolve any disputes prior to the filing of any legal action or proceeding, but are not required to do so. The parties agree to split the costs of such mediation.

In the event of any legal action or proceeding brought by either party against the other arising out of this lease, the prevailing party is entitled to its reasonable attorneys' fees and costs.

12. Client Grievances

If applicable, the Contractor and its subcontractors shall use a procedure through which clients may present grievances about the operation of the program that result in the denial, suspension or reduction of services provided pursuant to this Contract and which is acceptable to and approved by the State.

13. Sovereign Immunity

Pursuant to A.R.S. § 41-621(O), the obtaining of insurance by the State shall not be a waiver of any sovereign immunity defense in the event of suit.

14. Administrative Changes

The Procurement Officer, or authorized designee, reserves the right to correct any obvious clerical, typographical or grammatical errors, as well as errors in party contact information (collectively, "Administrative Changes"), prior to or after the final execution of a Contract or Contract Amendment. Administrative Changes subject to permissible corrections include: misspellings, grammar errors, incorrect addresses, incorrect Contract Amendment numbers, pagination and citation errors, mistakes in the labeling of the rate as either extended or unit, and calendar date errors that are illogical due to typographical error. The Procurement Office shall subsequently send to the Contractor notice of corrections to administrative errors in a written confirmation letter with a copy of the corrected Administrative Change attached.

15. Survival of Terms After Termination or Cancellation of Contract

All applicable Contract terms shall survive and apply after Contract termination or cancellation to the extent necessary for Contractor to complete and for the ADHS to receive and accept any final deliverables that are due after the date of the termination or cancellation.

16. Health Insurance Portability and Accountability Act of 1996 (HIPAA)

16.1. The Contractor warrants that it is familiar with the requirements of HIPAA, as amended by the Health Information Technology for Economic and Clinical Health Act (HITECH Act) of 2009, and accompanying regulations and will comply with all applicable HIPAA requirements in the course of this Contract. Contractor warrants that it will cooperate with the Arizona Department of Health Services (ADHS) in the course of performance of the Contract so that both ADHS and Contractor will be in compliance with HIPAA, including cooperation and coordination with the Arizona Department of Administration-Arizona Strategic Enterprise Technology (ADOA-ASET) Office, the ADOA-ASET Arizona State Chief Information Security Officer and HIPAA Coordinator and other compliance officials required by HIPAA and its regulations. Contractor will sign any documents that are reasonably necessary to keep ADHS and Contractor in compliance with HIPAA, including, but not limited to, business associate agreements.

16.2. If requested by the ADHS Procurement Office, Contractor agrees to sign a "Pledge To Protect Confidential

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Information" and to abide by the statements addressing the creation, use and disclosure of confidential information, including information designated as protected health information and all other confidential or sensitive information as defined in policy. In addition, if requested, Contractor agrees to attend or participate in HIPAA training offered by ADHS or to provide written verification that the Contractor has attended or participated in job related HIPAA training that is: (1) intended to make the Contractor proficient in HIPAA for purposes of performing the services required and (2) presented by a HIPAA Privacy Officer or other person or program knowledgeable and experienced in HIPAA and who has been approved by the ADOA-ASET Arizona State Chief Information Security Officer and HIPAA Coordinator.

17. Contracting; Procurement; Investment; Prohibitions

- 17.1. A public entity may not enter into a contract with a company to acquire or dispose of services, supplies, information technology or construction unless the contract includes a written certification that the company is not currently engaged in, and agrees for the duration of the contract to not engage in, a boycott of Israel.
- 17.2. A public entity may not adopt a procurement, investment or other policy that has the effect of inducing or requiring a person or company to boycott Israel.
- 17.3. Contractor hereby certifies that it is not currently engaged in, and will not for the duration of this Contract engage in, a boycott of Israel as defined by A.R.S. § 35-393.01. Violation of this certification by Contractor may result in action by the State up to and including termination of this Contract.

18. Comments Welcome

The ADHS Procurement Office periodically reviews the Uniform Terms and Conditions and welcomes any comments you may have. Please submit your comments to: ADHS Procurement Administrator, Arizona Department of Health Services, 150 North 18th Avenue, Suite 260, Phoenix, Arizona 85007.

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ADHS18-189925	LAND LEASE SCOPE OF WORK

1. Background

The Arizona Department of Health Services (ADHS) and the City of Phoenix (City) desire to enter into a lease agreement for the City's use of the ADHS land on the grounds of the Arizona State Hospital (ASH).

2. Lease Requirements

2.1 Premises ADHS controls the use of land on the grounds of the ASH, a division of ADHS; and

2.1.1 ADHS made a plot of land on the grounds of the ASH available to the City to erect a non-permanent building ("Building") to facilitate the delivery of behavioral health/substance abuse services to residents of the City. Those services include, but are not limited to, behavioral health services, alcohol abuse services, and substance abuse services; and

2.1.2 Lessor hereby leases to Lessee and Lessee hereby leases from Lessor that plot of land, hereinafter called "Land," a site of approximately three acres on the grounds of the Arizona State Hospital, more fully identified by Exhibit A. Lessee has erected a building on the Land that it subleases for use by a behavioral health/alcohol/substance abuse service provider; Lessor is not a party to that sublease contract. However, beginning in January, 2019, Lessor has the right to pre-approve any City sublease contract for the use of the building on its Land to ensure that the building is being used for a behavioral health-related purpose.

2.1.3 Lessee agrees to not make any external alterations, additions or improvements to the building or land without the prior written consent of Lessor. Any such alterations, additions or improvements, shall be made by Lessee at Lessee's sole cost and expense.

2.2 Use of Land The land described herein is leased to the Lessee for the sole purpose of allowing the Lessee to contract with a provider for behavioral health/alcohol/substance abuse services at that site. Lessee agrees to comply with all applicable laws, ordinances, regulations and building codes, now or hereafter in force in connection with its use of the leased land. Lessee shall not allow the commission of any waste, or knowingly permit any unauthorized activity or allow explosives or hazardous materials on the premises.

2.3 Maintenance and Utilities Lessee is responsible for all exterior and interior maintenance of the grounds and building, including roof, windows, furnishings and equipment. Lessees shall ensure that the building is maintained in a manner and quality consistent with other similar health care facilities in the Phoenix Metropolitan Area.

2.3.1 Lessor is responsible for providing Lessee access to power, water, sanitation, and sewer on its land. Lessee is responsible for all costs and expenses related to the use of the power, water, sanitation, sewer services and any other services necessary for the use of the building. Lessor shall not be liable to Lessee for any stoppage or interruption of such services and utilities as a result of causes outside Lessor's control.

2.4 Assignment and Sublease Lessee shall not assign, transfer, or encumber this lease nor sublet the land or building or any portion thereof without the prior written consent of Lessor. Consent to an assignment, subletting, occupation or use by other persons shall not be unreasonably withheld and shall not release Lessee from any of Lessee's obligations hereunder or be deemed to be consent to any subsequent assignment, subletting, occupation or use.

2.5 Lessor Add-Ons In the event the Lessee fails to maintain the building in a clean, orderly, and safe condition, or fails to provide repairs, maintenance, or other services to the building or the land as required herein, or fails to pay for the utility charges as required herein, then, in addition to all other rights and remedies to which the Lessor may be entitled, the Lessor may make written demand upon the Lessee to provide such required service. If the maintenance, repairs or other services are not provided, or utility services are not paid for within ten (10) days after written demand has been mailed or hand-delivered to the Lessees by the Lessor then, in addition to all other rights or remedies that the Lessor may have, the Lessor may obtain such services and/or make such payment and add its costs to any rental payment which becomes due after such service has been obtained.

CONTRACT NUMBER	INTERGOVERNMENTAL AGREEMENT
ADHS18-189925	LAND LEASE SCOPE OF WORK

- 2.6 Disposition of Building Upon Termination/Expiration of Lease The building, including any authorized improvement to the building, is owned by the City and shall remain the property of the City during the initial lease term unless the lease is terminated early.
- If the lease is terminated early by either party giving the nine month notice set forth in section 10.4, the City will have that nine month period of time to either 1) transfer title to the building and contents to ADHS or 2) move the building off the ASH campus and restore the land in accordance with other provisions of this IGA. During that early termination notice period, the City will be responsible for all rent payments.
- At the end of the initial lease term, if the parties to this Lease do not agree on an extension, the City agrees that the building, its contents, and all improvements will be abandoned to ADHS and City agrees to transfer title of the building to ADHS within 15 days of the end of the lease term. In addition, if the parties to this Lease do not agree on an extension, the City will also immediately discontinue or cause the discontinuance of the provision of services from that location by the end of the lease term. If the City complies with this section, it will owe no additional money to ADHS. If the City does not fully comply with this section, it will be responsible for the next quarterly rent payment to Lessor on the 16th day following the end of the initial lease term, and agrees not to contest any legal action taken by ADHS to gain title and possession of the building, its contents, and any improvements.
- At the end of the initial lease term, if the parties to this Lease agree on an extension of the Lease, the City agrees to perform as required under such an extension. In addition, the City agrees to transfer title of the building and any improvements to ADHS, at any time upon request by ADHS, during the term of the Lease extension. In such an event, absent a default, ADHS will allow the building to be used by the City or its sublessee for the remaining term of the extension.
- 2.7 Destruction of the Premises In the event the building is partially destroyed, Lessee, with reasonable promptness and dispatch, shall repair and rebuild the same within ninety (90) working days. Lessor, at its sole discretion, may extend that repair timeframe. Lessees shall pay rent during such period of repair or rebuilding unless relieved of some or all of those payments by the Lessor in writing. In the event the building is totally destroyed, this lease may be terminated only after 1) the Lessees restore the site to its original condition and 2) after payment by the Lessees of rent for the month(s) that the property site was undergoing clean-up, and one additional month quarter's rent.
- 2.8 Subordination and Attornment Lessor reserves the right to place liens or encumbrances on the land or any part thereof or interest therein superior in lien and effect to this lease. This lease, at the option of Lessor, shall be subject and subordinate to any and all such liens or encumbrances now or hereafter imposed by Lessor without the necessity of the execution and delivery of any further instruments on the part of the Lessees to effectuate such subordination. Lessees waive any right to terminate this Lease because of such subordination, provided the Lessor is not in breach of any material provision of this Lease.
- 2.9 Nondisturbance Subject to the terms of this Lease, so long as Lessees are not in breach of the terms of this lease, it shall have a right to possession of the building without disturbance from the Lessor or any person claiming rights through Lessor, for the term of the Lease.
- 2.10 Time Time is of the essence of this lease and each and all of its provisions.
- 2.11 Holdover Should Lessee, with the Lessor's approval, hold-over possession after expiration of the lease term or any renewal thereof, Lessee shall become a Lessee on a month-to-month basis upon the same terms and conditions of this lease and or any written amendment. Lessor or Lessee shall have the right to terminate any holdover tenancy after providing thirty (30) days written notice to the Lessee or Lessor's last known address without incurring any additional penalty or damages.
- 2.12 Attorney's Fees In the event of any legal action or proceeding brought by either party against the other arising out of this lease, the prevailing party shall be entitled to recover costs and reasonable attorney's fees, as determined by a court, not a jury, and such other matters deemed relevant by the court, and such amount shall be included in any judgment rendered in such proceedings.

CONTRACT NUMBER	INTERGOVERNMENTAL AGREEMENT LAND LEASE SCOPE OF WORK
ADHS18-189925	

- 2.13 Materiality The parties agree that all of the terms and conditions set forth herein are material to this Lease and that a breach of any term or condition may constitute a breach or default under this Lease.
- 2.14 Further Instruments or Documents The parties agree that each shall, promptly upon the written request of another party, provide such written authorizations or assurances reasonably requested or appropriate to facilitate or give effect to the provisions of this Lease.

3. Deliverables and Delivery Schedule

- 5.1 Lease/Rent Lessee agree to pay as rent, at such a place as may be designated from time to time by Lessor, an amount calculated on the basis of the sums as shown below for the first 60 months of the Lease. Lessee has the option, with Lessor's approval, to choose to make rental payments in a monthly, quarterly, semi-annual or annual basis provided that the payments are made in advance. Initially, Lessee has indicated that it will pay on a quarterly basis beginning with the first quarter, 2018. Such sums will be inclusive of any applicable local government rental taxes. This is a triple net lease where the Lessee is responsible to pay the property taxes, property insurance, and maintenance of the property.

Year One	\$7,500.00 per month; \$22,500 per quarter; \$45,000 semi-annually; or \$90,000 annually.
Year Two	\$7,500.00 per month.
Year Three	\$7,500.00 per month.
Year Four	\$7,500.00 per month.
Year Five	\$7,500.00 per month.

The Lease payment is due on the first of every month or other pay period chosen. Lessee agrees to catch up any and all payments due on the date that the Lease is executed. The lease payment is due on the same day each and every month or pay period thereafter. Any partial month pay period shall be prorated for that portion of the month time Lessee occupies the land. A late charge of \$750 is due on any late payment received within five days after its due date. A late charge of \$1,500.00 is due for any late Lease payment received more than five days after its due date and paid within the first 15 days of its due date; thereafter, the late charge will be set as a prorated amount for the time the land is occupied.

4. Notices, Correspondence, Reports, and Warrants

- 4.1. All notices to be given by one party to the other shall be in writing, mailed or hand delivered to each as follows:

Lessor: Arizona State Hospital
ATTN: Michael Sheldon, COO
501 North 24th Street
Phoenix, AZ 85008

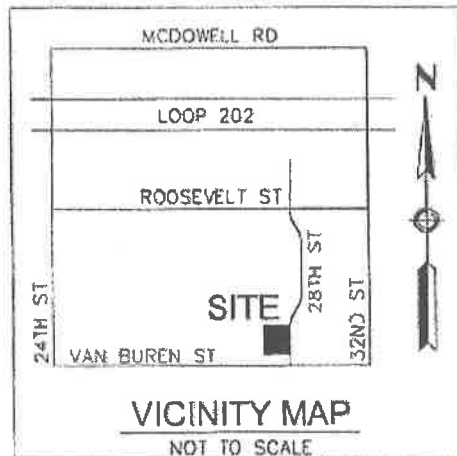
Lessee: _____

- 4.2. Warrants for the lease payments shall be mailed to:

Lessor: Arizona State Hospital.
ATTN: Finance
501 North 24th Street
Phoenix, AZ 85008

CONTRACT NUMBER

ADHS18-189925

INTERGOVERNMENTAL AGREEMENT
LAND LEASE SCOPE OF WORKEXHIBIT
LEASE PARCEL

LINE DATA

LINE	BEARING	LENGTH
L1	N00°05'10"W	40.00'
L2	N00°14'15"E	40.00'
L3	N07°16'35"E	100.32'
L4	S34°06'42"E	15.25'
L5	N88°02'12"E	18.47'
L6	S01°58'09"W	3.25'
L7	N88°02'12"E	2.51'
L8	N01°58'09"E	3.25'
L9	N88°02'18"E	83.14'

REFERENCE

DEED AS RECORDED IN DOCUMENT
No: 2010-0063612, M.C.R

LEGEND

- FOUND STONE IN HAND HOLE
- FOUND BRASS CAP IN HAND HOLE
- FOUND BRASS CAP FLUSH
- EXISTING FENCE POST (FENCE CORNER)
- SECTIONAL LINES
- SUBJECT PROPERTY LINE
- TIES
- DETAIL LINE
- M.C.R. MARICOPA COUNTY RECORDS
- R/W RIGHT OF WAY
- P.O.C. POINT OF COMMENCEMENT
- P.O.B. POINT OF BEGINNING
- N.T.S. NOT TO SCALE

NOTE

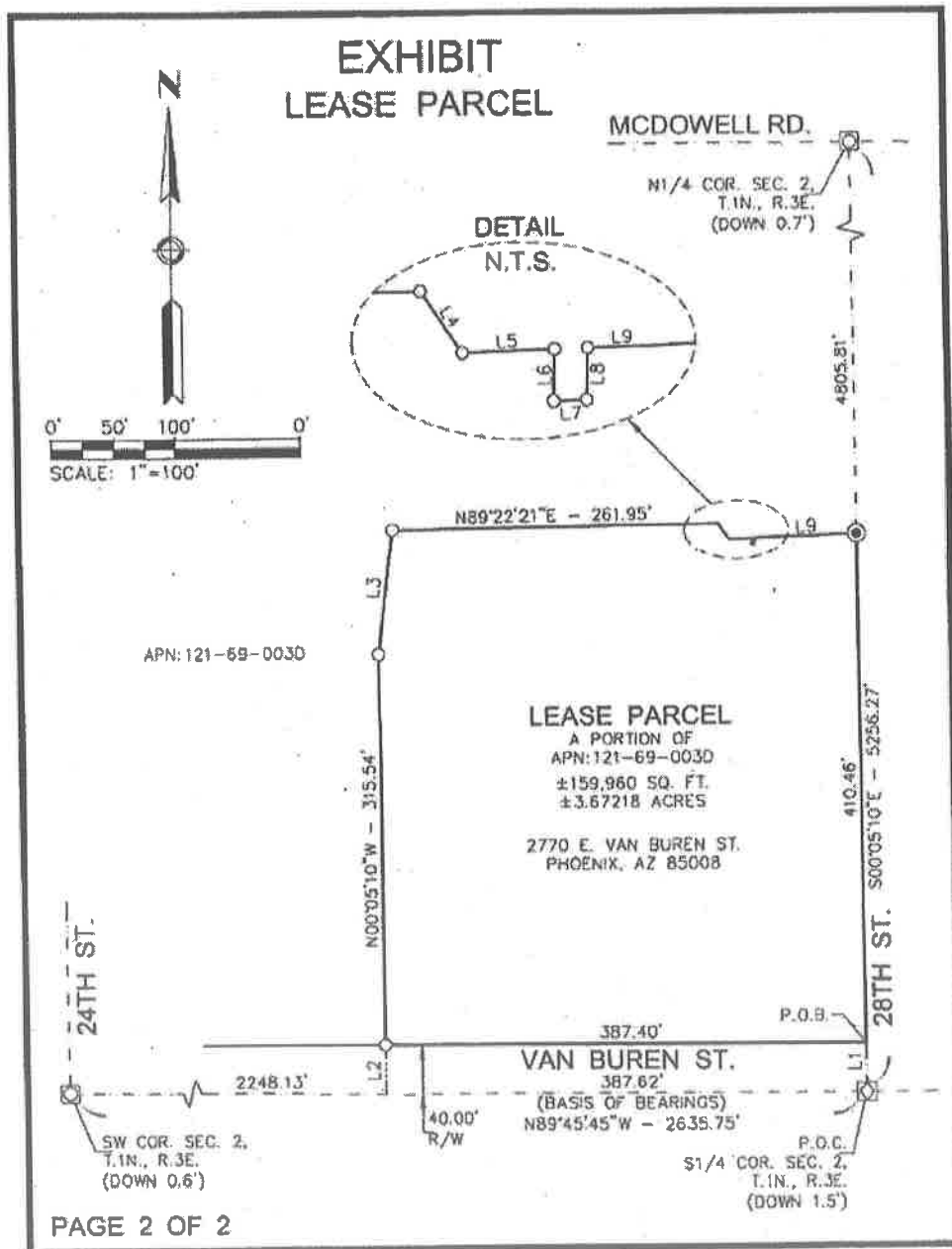
EXISTING FENCE LOCATION WAS USED TO DETERMINE
NORTHERLY AND WESTERLY BOUNDARIES OF LEASE PARCEL
AREA.



CONTRACT NUMBER

ADHS18-189925

INTERGOVERNMENTAL AGREEMENT
LAND LEASE SCOPE OF WORK



CONTRACT NUMBER

ADHS18-189925

INTERGOVERNMENTAL AGREEMENT
LAND LEASE SCOPE OF WORK

LEGAL DESCRIPTION
FOR LEASE PARCEL

THAT PORTION OF THE SOUTHWEST QUARTER OF SECTION 2, TOWNSHIP 1 NORTH, RANGE 3 EAST, OF THE GILA AND SALT RIVER BASE AND MERIDIAN, MARICOPA COUNTY, ARIZONA, MORE PARTICULARLY DESCRIBED AS FOLLOWS:

COMMENCING AT THE SOUTH QUARTER CORNER OF SAID SECTION 2, FROM WHICH THE SOUTHWEST CORNER OF SAID SECTION 2 BEARS NORTH 89 DEGREES 45 MINUTES 45 SECONDS WEST, A DISTANCE OF 2635.75 FEET;

THENCE NORTH 00 DEGREES 05 MINUTES 10 SECONDS WEST, ALONG THE EAST LINE OF SAID SOUTHWEST QUARTER OF SECTION 2, A DISTANCE OF 40.00 FEET TO THE NORTH LINE OF THE SOUTH 40.00 FEET OF SAID SOUTHWEST QUARTER AND THE TRUE POINT OF BEGINNING;

THENCE ALONG SAID NORTH LINE, NORTH 89 DEGREES 45 MINUTES 45 SECONDS WEST, A DISTANCE OF 387.40 FEET;

THENCE DEPARTING SAID NORTH LINE, NORTH 00 DEGREES 05 MINUTES 10 SECONDS WEST, PARALLEL WITH THE EAST LINE OF SAID SOUTHWEST QUARTER OF SECTION 2, A DISTANCE OF 315.54 FEET;

THENCE NORTH 07 DEGREES 16 MINUTES 35 SECONDS EAST, A DISTANCE OF 100.32 FEET;

THENCE NORTH 89 DEGREES 22 MINUTES 21 SECONDS EAST, A DISTANCE OF 261.95 FEET;

THENCE SOUTH 34 DEGREES 06 MINUTES 42 SECONDS EAST, A DISTANCE OF 15.25 FEET;

THENCE NORTH 88 DEGREES 02 MINUTES 12 SECONDS EAST, A DISTANCE OF 18.47 FEET;

THENCE SOUTH 01 DEGREES 58 MINUTES 09 SECONDS WEST, A DISTANCE OF 5.25 FEET;

THENCE NORTH 88 DEGREES 02 MINUTES 12 SECONDS EAST, A DISTANCE OF 2.51 FEET;

THENCE NORTH 01 DEGREES 58 MINUTES 09 SECONDS EAST, A DISTANCE OF 5.25 FEET;

THENCE NORTH 88 DEGREES 02 MINUTES 18 SECONDS EAST, A DISTANCE OF 83.14 FEET TO SAID EAST LINE OF THE SOUTHWEST QUARTER OF SECTION 2;

THENCE SOUTH 00 DEGREES 05 MINUTES 10 SECONDS EAST, ALONG SAID EAST LINE, A DISTANCE OF 410.46 FEET TO THE TRUE POINT OF BEGINNING.

SAID PARCEL CONTAINING 159,960 SQUARE FEET OR 3.67218 ACRES, MORE OR LESS.





STATE OF ARIZONA

Joint Committee on Capital Review

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REBECCA RIOS

DATE: December 11, 2018

TO: Members of the Joint Committee on Capital Review

FROM: Jeremy Gunderson, Fiscal Analyst 

SUBJECT: Arizona State Lottery Commission - Review of FY 2019 Building Renewal Allocation Plan

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona State Lottery Commission requests the Committee review its FY 2019 Building Renewal Allocation Plan for \$126,300. The FY 2019 Capital Outlay Bill appropriated this amount from the State Lottery Fund to the State Lottery Commission to fund 100% of the building renewal formula in FY 2019 for capital improvement projects.

Committee Options

The Committee has at least the following 2 options:

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

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

- A. The Commission shall report any change in the building renewal spending plan to the Joint Committee on Capital Review Chairman and the JLBC Staff. If there is significant change of scope in the reallocation reported by the Commission, the Chairman may require further Committee review.

Key Points

- 1) The Arizona State Lottery Commission is requesting review of a \$126,300 expenditure plan for its FY 2019 building renewal appropriation.
- 2) The expenditure plan includes projects to repaint building exterior surfaces, reseal exterior windows and re-route parking lot drainage to prevent flooding.

(Continued)

Analysis

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

The Lottery Commission is requesting review of their \$126,300 allocation plan that seeks to address 3 project areas identified at the Phoenix facility. Costs for each component of the plan are listed in *Table 1* below.

Table 1	
Components of Building Renewal Plan	
Repaint and Seal Building Exterior	\$ 99,100
Reseal Windows	8,700
Evaluation to Re-Route Parking Lot Drainage	<u>18,500</u>
Total Costs of Plan	\$126,300

Repaint and Seal Building Exterior

The agency plans to spend \$99,100 to clean and seal cracks on the building exterior as well as repaint all the exterior metal on the building and parking covering. The current paint is approximately 15 years old and the agency reports that the life expectancy of the exterior paint is 5-8 years. According to the Lottery, this will prevent future moisture leaks into the building as well as improve the aesthetic look of the building exterior for customers.

Reseal Windows

The agency plans to spend \$8,700 to replace dried gaskets and reseal the lobby skylights and windows around the building warehouse. Rubber window gaskets around the windows and skylights have dried, cracked and broken, allowing water to leak into the building. According to the agency, this project will mitigate these problems as well as improve energy efficiency and reduce utility costs.

Evaluation to Re-Route Parking Lot Drainage

The agency is currently evaluating a potential project to re-route the parking lot drainage system to prevent flooding. The agency is proposing to use the remaining \$18,500 of FY 2019 building renewal monies to evaluate the problem and submit a construction proposal. The actual construction and re-routing work will be completed using agency operating monies or FY 2020 building renewal monies. The potential total cost to complete the project is unknown.

During heavy rain this year, the Lottery parking lot experienced flooding, including filling an underground fiber box responsible for receiving inbound and outbound building communications. The flooding required the Lottery to rent a pump to remove the water from the parking lot. According to Lottery, the drainage solution will protect the building from potentially severe property damage in case of high flooding and protect customers from injury.

JG:kp



Douglas A. Ducey
Governor

Gregory R. Edgar
Executive Director

November 21, 2018

The Honorable David Livingston, Chairman
Joint Legislative Budget Committee
Arizona House of Representatives
1700 W. Washington Street
Phoenix, AZ 85007



The Honorable John Kavanagh, Vice-Chairman
Joint Legislative Budget Committee
Arizona State Senate
1700 W. Washington Street
Phoenix, AZ 85007

Re: JCCR Agenda Request

Dear Representative Livingston:

The Arizona Lottery respectfully requests placement on the JCCR meeting agenda for the December 18, 2018, meeting to review the Lottery FY19 Building Renewal Allocation Plan.

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

Information of this item is attached.

Sincerely,

A handwritten signature in black ink, appearing to be "G. Edgar".

Gregory R. Edgar
Executive Director

Attachment

cc: Richard Stavneak, Director, JLBC
Jeremy Gunderson, Lottery Analyst, JLBC
Matthew Gress, Director, OSPB
Elise Kulik, Lottery Analyst, OSPB

Arizona Lottery – Building Renewal Funds FY19 Allocation Plan

Background

The Arizona Lottery operates out of three facilities – a 38,500 sq. ft. building constructed in 1987, owned by the State of Arizona, located in Phoenix, a 3,398 sq. ft. building leased in Tucson, and a 500 sq. ft. airport location. The Phoenix facility includes administrative offices as well as a ticket sales and redemption section. The Tucson and airport offices provides ticket sales and redemption services and the Tucson office also includes office space for the district sales manager. Maintenance of the Phoenix facility is the responsibility of the Lottery, while Tucson facility maintenance is included as part of the lease agreement. This plan provides information on proposed maintenance expenses for the Phoenix facility.

Allocation

As part of the FY19 approved budget, the Lottery received a capital outlay appropriation of \$126,300 from the Lottery Fund for building renewal purposes.

FY19 Capital Outlay/Building Renewal Allocation:	\$126,300
Proposed FY19 Expenditures –	
Seal/Paint Building Exterior	99,100
Reseal Windows	8,700
Drainage Mitigation	<u>18,500</u>
TOTAL:	\$126,300

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

1. Seal/Paint Building Exterior - \$99,100

Due to weather conditions in Arizona, the life expectancy for exterior paint is approximately 5-8 years. Although the front fascia has been touched up periodically, the full exterior of the Lottery building was last painted in 2004 and there are several areas where the paint is now peeling. In addition, some areas of the block are discolored and have cracks. The Lottery building services customers on a daily basis, making it important to maintain building appearances. The exterior paint is currently about 15 years old and should be renewed to extend the life of the building.

Proposed Solution

Pressure wash and seal block components of the building. Clean and repaint steel of the building, to include all exterior metal, iron gates and interior entrance. In addition, building curbing and the exterior parking structure are included in the proposal.

Principal Benefits

Maintaining a proper maintenance schedule helps preserve the life of the building. Painting may also lead to detection of small cracks or holes that if left unaddressed, can facilitate passage of water and moisture through walls. The Lottery building is over 31 years old and periodic routine maintenance is required for both functional and aesthetic reasons.

2. Reseal Windows - \$8,700

The windows in front entry, skylights, and warehouse of the Lottery's Phoenix office need to be resealed. Over the years the gaskets have dried out, deteriorated, and become brittle. In many areas

they are broken or missing large pieces that allow water to come in when it rains. This puts Lottery property and equipment at risk of water damage. This is a routine maintenance item that needs to be addressed.

Proposed Solution

Remove the old, brittle rubber gaskets; replace with new gaskets and caulk around external windows to properly seal from the elements. This includes front entry, skylights, and warehouse windows.

Principal Benefits

The principal benefit would be to protect Lottery property from water damage. Properly sealed windows will also provide improved efficiency with respect to utility costs. Routine maintenance will help avoid the need for emergency repairs due to leaks.

3. Drainage Mitigation - \$18,500

The Lottery parking lot experiences severe flooding when measurable rain occurs. When the area had substantial rain this past October, the parking lot was flooded so badly the Lottery had to rent a pump to remove some of the water that threatened building premises. The water had completely filled the underground fiber box, which brings all inbound/outbound communications to the Lottery. Below are photos of the parking lot after the rain.



Proposed Solution

Evaluate and re-route drainage channels to divert water away from the Lottery building and parking lot. We are in the process of evaluating potential solutions. The actual solution is unknown until evaluations are completed, but costs up to \$18,500 can be budgeted from FY19 capital outlay funds; any expenses above this amount will need to be subsidized from the operating appropriation.

Principal Benefits

The principal benefit is to protect Lottery property from potentially severe water damage. Proper drainage will also make the parking lot safer for Lottery customers and reduce the potential for injury.



STATE OF ARIZONA

Joint Committee on Capital Review

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REBECCA RIOS

DATE: December 11, 2018

TO: Members of the Joint Committee on Capital Review

FROM: Ben Murphy, Fiscal Analyst *BM*

SUBJECT: Arizona Game and Fish Department - Review of Sipe Wildlife Area Barn Stabilization

Request

A.R.S. § 41-1252 requires Committee review of expenditures for all monies appropriated for building renewal. The Arizona Game and Fish Department (AGFD) requests Committee review of \$35,500 in FY 2019 building renewal monies for partial funding of a stabilization project for its barn structure at Sipe Wildlife Area. Combined with \$118,500 of federal funding, the total project cost is \$154,000.

Committee Options

The Committee has at least the following 2 options:

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

Key Points

- 1) A structure at the Sipe Wildlife Area has a serious structural problem.
- 2) AGFD proposes to expend \$154,000 for repairs.
- 3) The project will stabilize the foundation, enhance columns, and improve drainage.

(Continued)

Analysis

At the September 20, 2018 JCCR meeting, the Committee favorably reviewed AGFD's expenditure plan for its FY 2019 building renewal appropriation of \$981,400. The department has identified savings of \$35,500 from that expenditure plan and is now proposing using that balance to partially fund a new project.

The Sipe Wildlife Area is 1,362 acres in Apache County. The wildlife area includes an 11,800 square foot barn structure, which is used for equipment storage. The department recently conducted an engineering analysis on the barn structure, which revealed significant structural concerns.

To address those concerns, AGFD proposes to stabilize the barn's foundation, provide additional support to its building columns, and improve drainage surrounding the structure. The project's total cost, as estimated by contractor quotes, is \$154,000. The department would fund the project with \$118,500 in Federal Funds and \$35,500 in unexpended FY 2019 building renewal monies.

BM:kp



November 27, 2018



Representative David Livingston, Chairman
Joint Committee on Capital Review
Capitol Complex
1700 W. Washington
Phoenix, AZ 85007-2890

Re: Request for Placement on Joint Committee on Capital Review Agenda

Honorable Representative Livingston:

In accordance with A.R.S. § 41-1252 A(4), the Arizona Game and Fish Department respectfully requests to be on the next scheduled agenda of the Joint Committee on Capital Review to review the Arizona Game and Fish Department's FY19 Building Renewal Expenditure Summary, FY19 Capital Project Expenditure Summary, and request for review of proposed expenditures relating to the Department's Sipe White Mountain Wildlife Area.

Sincerely,

A handwritten signature in black ink, appearing to read "Ty E. Gray".

Ty Gray
Director

cc: Senator John Kavanagh, Vice Chairman, JCCR
Richard Stavneak, Staff Director, JLBC
Matthew Gress, Director, OSPB

New Project Request

The following is a new project request. The Building Renewal funding will be from the balance saving from other Building Renewal projects that have been completed or has a purchase order for construction.

Project: Sipe Wildlife – Barn Column stabilization

Category: Fire, Life Safety; Hazard Abatement

Need: A forensic engineering analysis determined significant structural concerns with the barn structure. This has caused the entire building, a historic structure, to be compromised.

Solution: Permanently stabilize the foundation and provide additional support to the base of the columns, and improve perimeter drainage. The total estimate for this project is \$154,000 this will be split between multiple funding sources (\$118,500 from federal money and \$35,500 from Building renewal).

Cost Estimate

Activity	Quantity	Unit	Unit Cost	Cost
Permanently stabilize the foundation and provide additional support to the base of the columns, and improve perimeter drainage.	1	LS	\$154,000	\$154,000*
TOTAL ESTIMATE:				\$154,000
*Estimate based on Contractor quotes				

Impact of Not Approving this Request: AGFD is committed to providing a safe environment to its employees and the public. Deferring this work would likely result in the need to condemn this valuable historic structure. Restoration will become more costly and impractical, if not impossible, the longer this issue persists.
