JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, December 19, 2017

9:00 a.m.

House Hearing Room 1

JLBC

STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

HOUSE OF REPRESENTATIVES

DEBBIE LESKO
CHAIRMAN
SYLVIA ALLEN
OLIVIA CAJERO BEDFORD
STEVE FARLEY
KATIE HOBBS
JOHN KAVANAGH
KIMBERLY YEE

DAVID LIVINGSTON
ACTING VICE-CHAIRMAN
JOHN M. ALLEN
LELA ALSTON
MARK CARDENAS
HEATHER CARTER
VINCE LEACH
REBECCA RIOS

JOINT COMMITTEE ON CAPITAL REVIEW
Tuesday, December 19, 2017
9:00 A.M.
House Hearing Room 1

MEETING NOTICE

- Call to Order
- Approval of Minutes of September 19, 2017.
- DIRECTOR'S REPORT (if necessary).

1.* ARIZONA STATE LOTTERY COMMISSION - Review of FY 2018 Building Renewal Allocation Plan.

2.* ARIZONA GAME AND FISH DEPARTMENT - Review of FY 2018 Building Renewal Allocation Plan.

3.* STATE DEPARTMENT OF CORRECTIONS - Review of FY 2017 Building Renewal Plan Reallocation.

4.* ARIZONA DEPARTMENT OF ADMINISTRATION - Consider Recommending FY 2018 Partial Rent Exemption.

5. UNIVERSITY OF ARIZONA - Review of Athletics Facilities Projects.

6. ARIZONA STATE UNIVERSITY
   A. Consider Approval and Review of the Hayden Library Renovation.
   B. Informational Item on West Campus Property.

7. ARIZONA BOARD OF REGENTS AND ARIZONA STATE UNIVERSITY - Recommendations Concerning Commercial Development of University Lands.

* 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.
12/12/17
kp

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.

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

HOUSE OF
REPRESENTATIVES

MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

September 19, 2017

Chairman Lesko called the meeting to order at 4:40 p.m., Tuesday, September 19, 2017 in House Hearing Room 1. The following were present:

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

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee to the minutes of July 25, 2017, Chairman Debbie Lesko stated that the minutes would stand approved.

CONSENT AGENDA

The following items were considered without discussion:

NORTHERN ARIZONA UNIVERSITY (NAU) - Review of FY 2018 Capital Improvement Plan for One-Time Appropriation.

A.R.S. § 41-1252 requires the Joint Committee on Capital Review to review the scope, purpose and estimated cost for capital improvements. The FY 2018 General Appropriation Act (Laws 2017, Chapter

(Continued)

305) appropriated $3,202,800 to NAU for operating expenditures or capital improvement projects. NAU is requesting Committee review of its $3,202,800 expenditure plan. The JLBC Staff provided options and a potential provision:

A. *NAU shall report any reallocations between projects in the FY 2018 spending plan above $200,000 (as listed in Table 1) to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.*

Table 1

Project	Allocation
Lab Renovation - Fume Hood Control Valve Replacement	$1,500,000
Underground Utility Infrastructure Improvements	1,200,000
Fire Life Safety	500,000
Total	**$3,200,000**

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

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies prior to expenditure. ADOT requested that the Committee review its $4,732,300 FY 2018 Building Renewal Allocation Plan. The JLBC Staff provided options and potential provisions:

A. *ADOT shall report any reallocations between projects in the FY 2018 spending plan above $100,000 to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review. See Tables 2 and 3 for project categories.*

B. *ADOT shall report to JLBC Staff on or before July 31, 2018 on the status of all building renewal projects and building renewal expenditures.*

Table 2

State Highway Fund Building Renewal Project Categories

Category	Projects	State Highway Fund	% of Total
Remodeling	19	$1,745,000	38%
Building Systems (HVAC, Electrical, Plumbing)	32	1,164,500	26%
Interior Finishes (Paint, Carpet, Tile)	19	318,300	7%
Infrastructure (Sewers, Wells)	11	298,000	7%
Roof Repairs/Replacement	8	292,000	6%
Exterior Preservation (Doors, Windows, Siding)	13	248,000	6%
Fire/Life/Safety	6	219,200	5%
Americans with Disabilities Act	2	25,000	1%
Project Support Management	NA	90,000	2%
Contingency	NA	100,000	2%
Total	**110**	**$4,500,000**	**100%**

(Continued)

Table 3

State Aviation Fund Building Renewal Project Categories

Category	Projects	State Aviation Fund	% of Total
Infrastructure (Sewers, Wells)	3	$102,300	44%
Exterior Preservation (Doors, Windows, Siding)	2	47,000	20%
Building Systems (HVAC, Electrical, Plumbing)	5	30,000	13%
Fire/Life Safety	2	28,000	12%
Interior Finishes (Paint, Carpet, Tile)	3	22,000	10%
Roof/Repairs Replacement	1	3,000	1%
Americans with Disabilities Act	0	0	0%
Contingency	NA	0	0%
Total	**16**	**$232,300**	**100%**

Representative Shooter moved that the Committee give a favorable review with provisions as outlined in the JLBC Staff analysis, to the 2 consent agenda items listed above. The motion carried.

REGULAR AGENDA

UNIVERSITY OF ARIZONA (UA) - Review of Honors College Complex Project.

Mr. Sam Beres, JLBC Staff, stated pursuant to A.R.S. § 15-1682.02 and A.R.S. § 15-1683, the Committee is required to review any university projects using indirect debt financing (also known as third-party financing) and any university project financed with revenue bonds, respectively. UA requested Committee review of a $136,800,000 project to construct an Honors College Community, which will contain space for housing as well as academic space, a dining hall, a new campus recreation facility and parking. The JLBC Staff provided options and potential provisions.

Dr. Robert C. Robbins, President, UA, responded to member questions.

Mr. Gregg Goldman, Senior VP for Business Affairs and Chief Financial Officer, UA, responded to member questions.

Representative Shooter moved that the Committee give a favorable review to UA's $136,800,000 Honors College Complex construction project, including the issuance of $42,100,000 in system revenue bonds. The favorable review included the following standard university financing provisions shown below:

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.

C. When available but no later than February 1, 2018, UA shall provide the Committee with the final terms and conditions of the agreement with the vendor, including the ground lease paid by the vendor, the guaranteed occupancy rate of the student housing, and details regarding the revenue sharing agreement (also referred to as "performance rent").

The motion carried.

(Continued)

UNIVERSITY OF ARIZONA (UA) - Consider Approval of Renovations of School of Animal and Comparative Biomedical Science Building Project (Building 90).

Mr. Sam Beres, JLBC Staff, stated pursuant to A.R.S. § 15-1671, the Committee is required to approve any university project financed with long-term debt that is paid for using monies from the university's Capital Infrastructure Fund (CIF). UA requested Committee approval of an $18,000,000 bond issuance for the renovation of the School of Animal and Comparative Biomedical Science Building (also known as Building 90). The JLBC Staff provided options and potential provisions.

Ms. Sabrina Vazquez, Director of State Relations, UA, responded to member questions.

Mr. Gregg Goldman, Senior VP for Business Affairs and Chief Financial Officer, UA, responded to member questions.

Senator Lesko moved that the Committee approve the $18,000,000 in system revenue bond issuances to renovate UA's Animal and Comparative Biosciences Building (Building 90). The approval included the following provisions:

A. Within 1 month of the debt issuance, UA shall provide the Committee a copy of its Tax Certificate in compliance with Internal Revenue Service requirements concerning the expected economic life of the projects.

Standard University Financing Provisions

B. 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.

C. UA shall provide the final debt service schedules and interest rate for the project as soon as they are available.

The motion carried.

ARIZONA GAME AND FISH DEPARTMENT (AZGFD) - Review of FY 2017 Capital Improvement Projects.

Mr. Richard Stavneak, JLBC Director, stated A.R.S. § 41-1252 requires the Joint Committee on Capital Review to review expenditure plans for capital projects prior to expenditure. Mr. Stavneak stated that the department has a history of not complying with the statutory review requirements.

The FY 2017 Capital Outlay Bill appropriated $4,739,200 to the Arizona Game and Fish Department (AZGFD) for 3 capital projects. Of that amount, AZGFD has already expended $1,233,200 without JCCR review. Pursuant to A.R.S. § 41-1252 and the FY 2017 Capital Outlay Bill, AZGFD requests Committee review of the $3,419,000 for the following projects (*see Table 4*):

- $2,922,000 for Sterling Spring Fish Hatchery renovations, and
- $497,000 for 3 new boathouses and boat lifts.

(Continued)

Table 4

Summary of FY 2017 Capital Project Expenditures

Project	Request For Review	Spent w/o Review	Cost Estimate	Committee Review
Fish Hatchery	$2,922,000	$ 98,000	$3,020,000	$360,000
Capital Improvements	-	787,000	787,000	0
Boat Structures	497,000	50,900	547,900	497,000
Radio Towers	-	297,300	297,300	0
Total	**$3,419,000**	**$ 1,233,200**	**$4,652,200**	**$857,000**

The JLBC Staff provided options and potential provisions.

Mr. David Fernandez, Legislative Specialist, Game and Fish Department, responded to member questions. He also stated that the department would comply with JCCR review requirements in the future.

Mr. Ty Gray, Director, Game and Fish Department, responded to member questions.

Senator Lesko moved that the Committee give a favorable review of the $360,000 for further design work on the Sterling Springs Hatchery and $497,000 for the Boat Structure projects as delineated in Table 4 ("Committee Review" column) with the following provisions:

A. AZGFD shall seek Committee review prior to transferring any monies between the projects as delineated in Table 4 ("Committee Review" column). AZGFD shall also seek review before expending any of those monies for a purpose other than outlined in Table 4 ("Committee Review" column).

B. AZGFD shall seek Committee review prior to expending any of the remaining unallocated monies for these projects.

C. AZGFD shall notify the Committee Chairman and JLBC Staff Director before October 2, 2017 of the agency's timetable for submitting their $530,000 FY 2018 building renewal appropriation to JCCR for review prior to its expenditure.

D. AZGFD shall provide to the Committee by October 2, 2017 a detailed cost list of $787,000 of supplemental building renewal and related items that they expended without Committee review.

The motion carried.

ARIZONA STATE UNIVERSITY (ASU) - Review of Building Renewal and Renovation Projects.

Mr. Matt Beienburg, JLBC Staff, stated A.R.S. § 15-1683 requires the Joint Committee on Capital Review to review any university projects financed with system revenue bonds. ASU requested review of $35,000,000 in system revenue bond issuances to fund 3 building renewal and other renovation projects. The JLBC Staff provided options and potential provisions.

(Continued)

Mr. Morgan Olson, Executive Vice President, Treasurer and Chief Financial Officer, ASU, responded to member questions.

Senator Lesko moved that the Committee give a favorable review to $35,000,000 in system revenue bond issuances for the renovation of research laboratories, classroom and academic spaces, and general building renewal and campus infrastructure projects. The favorable review includes the following provisions:

A. ASU may not use these monies to finance routine maintenance or upkeep (e.g. painting, caulking) that is not directly related to renovation improvements.

B. By December 1, 2017 and June 1, 2018, ASU shall provide updates to the Committee on the specific projects to be funded with the $35,000,000.

C. Within 1 month of the debt issuance, ASU shall provide the Committee a copy of its Tax Certificate in compliance with Internal Revenue Service requirements concerning the expected economic life of the projects.

Standard University Financing Provisions

D. 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.

E. ASU shall provide the final debt service schedules and interest rate for the projects as soon as they are available.

The motion carried.

ARIZONA STATE UNIVERSITY (ASU) - Informational Item on West Campus Property.

This item was not discussed and was held for consideration at a future meeting.

ARIZONA STATE PARKS BOARD (ASPB) - Review of FY 2018 Capital Expenditure Plan of $1,275,000 and Reallocation of Prior Year Capital Funding of $652,800.

Mr. Ben Murphy, JLBC Staff, stated that pursuant to A.R.S. § 41-1252 and A.R.S. § 5-382, ASPB requests Committee review of $1,275,000 in FY 2018 capital projects and a reallocation of prior year monies. The JLBC Staff provided options and potential provisions.

Ms. Sue Black, Director, State Parks, responded to member questions.

Senator Lesko moved that the Committee give a favorable review to the reallocation of the $652,800 in monies from prior year capital funding, with the reallocated funding being used for 2 projects at Roper Lake and Cattail Cove state parks.

(Continued)

In addition, Senator Lesko moved that the Committee give a favorable review to the Arizona State Parks Board's expenditure of $1,275,000 for FY 2018 Capital Improvement projects.

The motion included the following provisions:

A. *ASPB shall report any reallocations between projects in the FY 2018 spending plan above $100,000 (as outlined in Tables 5 and 6) to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.*

B. *ASPB shall report to the Committee on their actual FY 2018 spending by July 31, 2018 using the same categories (as outlined in Tables 5 and 6).*

Table 5

New Uses of Reallocated Funds

Fiscal Year	Park	Project	SLIF 1/	LWCF 1/	Total
2018	Roper Lake	Wastewater System	$400,000	$292,500	$ 692,500
2018	Cattail Cove	Toilet Replacements	250,000	0	250,000
2018	Lapsed Funds	NA	2,800	75,000	77,800
			$652,800	**$367,500**	**$1,020,300**

1/ SLIF = State Lake Improvement Fund. LWCF = Land and Water Conservation Fund. Only the SLIF reallocation is subject to review.

Table 6

FY 2018 Capital Improvement Projects

Location	Project	SPRF 1/	LWCF 1/	Total
Statewide	Cabin Installation	$ 705,000	$ 705,000	$1,410,000
Riordan Mansion State Park	Fire Suppression System Replacement	150,000	150,000	300,000
Riordan Mansion State Park	Roof Replacement	100,000	100,000	200,000
Dead Horse Ranch State Park	Playground Replacement	100,000	100,000	200,000
Picacho Peak State Park	New Vault Toilets	100,000	100,000	200,000
Red Rock State Park	Water Tank Replacement	50,000	50,000	100,000
Statewide	Sign Replacement	50,000	50,000	100,000
Catalina State Park	Equestrian Shelter Roof Replacement	20,000	20,000	40,000
Total		**$1,275,000**	**$1,275,000**	**$2,550,000**

1/ SPRF = State Parks Revenue Fund. LWCF = Land and Water Conservation Fund. Only the SPRF amount is subject to review.

The motion carried.

ARIZONA STATE PARKS BOARD (ASPB) - Review of Rockin' River Ranch State Park Project.

Mr. Ben Murphy, JLBC Staff, stated A.R.S. § 41-1252 requires the Committee to review expenditure plans for capital projects prior to expenditure. The FY 2018 Capital Outlay Bill (Laws 2017, Chapter 306) appropriated $4,000,000 from the State Parks Revenue Fund to ASPB for the Rockin' River Ranch State Park project for which ASPB is requesting Committee review. The JLBC Staff provided options and potential provisions.

(Continued)

Mr. Jim Keegan, Deputy Director, ASPB, responded to member questions.

Senator Lesko moved that the Committee give a favorable review of ASPB's expenditure plan of $4,006,824 for the Rockin' River Ranch State Park project. The favorable review included the following provisions:

A. Upon awarding the construction contract, the ASPB shall provide the Committee by the last day of each calendar quarter with an update on expenditures to date and a timeline for the Rockin' River Ranch State Park to open to the public.

B. ASPB shall report any reallocations over $100,000 between the 7 categories in the spending plan as delineated in Table 7 to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.

Table 7

Rockin' River Ranch Construction Cost Estimate by Category

Sanitary System	$ 1,449,950
Infrastructure	1,415,909
Restroom Renovations	555,000
Amenities	334,365
Flood Protection	130,000
Demolition	80,000
Landscape	41,600
Total	**$ 4,006,824**

The motion carried.

ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) – Review of FY 2017 Vehicle Wash Systems Project.

Mr. Ben Murphy, JLBC Staff, stated A.R.S. § 41-1252 requires Committee review of expenditure plans for capital projects with costs greater than $250,000. The FY 2017 Capital Outlay Bill (Laws 2016, Chapter 126) appropriated $2,344,800 from the State Highway Fund for 6 new vehicle wash systems. ADOT requested Committee review of the department's $2,479,600 expenditure plan for the new vehicle wash system buildings which combines the $2,344,800 appropriation with $134,800 in remaining expenditure authority from the department's FY 2015 non-lapsing vehicle was appropriation. The JLBC Staff provided options and potential provisions.

Mr. Bill Fathauer, Legislative Liaison, ADOT responded to member questions.

Senator Lesko moved that the Committee give a favorable review of the expenditure plan of $2,479,600 for the new vehicle wash system buildings, which combines the $2,344,800 appropriation with $134,800 in remaining expenditure authority from the department's FY 2015 non-lapsing vehicle wash appropriation. The favorable review includes the following provision:

A. ADOT shall report any reallocations between projects in the FY 2018 spending plan above $100,000 to the JCCR Chairman. The JCCR Chairman shall determine whether the reallocation requires further Committee review.

(Continued)

The motion carried.

Without objection, the meeting adjourned at 6:32 p.m.

Respectfully submitted:

K Paddack

Kristy Paddack, Secretary

JB

Jack Brown, Assistant Director

D Lesko

Senator Debbie Lesko, Chairman

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

STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

HOUSE OF REPRESENTATIVES

DATE: December 12, 2017

TO: Members of the Joint Committee on Capital Review

FROM: Jeremy Gunderson, Fiscal Analyst JA

SUBJECT: Arizona State Lottery Commission - Review of FY 2018 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 2018 Building Renewal Allocation Plan for $122,200. The FY 2018 Capital Outlay Bill (Laws 2017, Chapter 306) appropriated a total of $122,200 from the State Lottery Fund to the State Lottery Commission to fund 100% of the building renewal formula in FY 2018 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 provisions:

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

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

   1. The Commission shall notify the Chairman and the JLBC Staff that they plan to reallocate less than $15,000 to spend on an emergency project. The Commission can proceed without Committee review.

(Continued)

2. If the emergency project is $15,000 or greater, the Commission will request JCCR review.

3. The Chairman can allow the Commission to move forward with an emergency project of greater than $15,000 without Committee review.

4. The Chairman will notify the Commission if she does not agree that a project is an emergency and that the project will require full Committee review.

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

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

Key Points

1) The Arizona State Lottery Commission is requesting review of a $122,200 expenditure plan for its FY 2018 building renewal appropriation.
2) The expenditure plan includes projects to prevent roof leaks, improve building security, repair landscape irrigation and replace interior lighting at the agency's Phoenix headquarters.

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 $122,200 allocation plan that seeks to address 4 project areas identified at the Phoenix facility. Costs for each component of the plan are listed in *Table 1* below.

Table 1

Components of Building Renewal Plan

Install Weatherproofing Seal and Replace Skylights	$ 16,000
Upgrade Building Security	61,000
Repair Irrigation Leaks and Landscape	39,000
Replace Interior Lighting	6,200
Total Costs of Plan	**$122,200**

Install Weatherproofing Seal and Replace Skylights
The agency plans to spend $16,000 to replace aging skylights on the warehouse roof and install a weatherproofing seal on the roof of the warehouse and main building to prevent leaks. Currently, the warehouse and main building roofs leak when it rains putting electronics and other property at risk of

(Continued)

damage, and creating a slip hazard on the tile floor inside the warehouse. Applying a weatherproofing seal to the roof and replacing the warehouse skylights will prevent future water leaks and property damage.

Upgrade Building Security
The agency plans to spend $61,000 to upgrade the building security system. The agency reports that the current system no longer provides adequate security. Existing motion detectors do not always function properly and some doors are not secured by key card readers. The agency plans to upgrade existing security by replacing motion detectors and existing key card readers, and by adding additional motion detectors, cameras, and key card readers to unsecured doors.

Repair Irrigation Leaks and Landscape
The agency plans to spend $39,000 to replace the irrigation drip system used for the building landscape. The agency reports that the irrigation system requires frequent repairs caused by repeated leaks. The leaks have caused increased water costs because the leaks are underground and unnoticed until the water bill is received. The agency plans to replace the leaking system to avoid high water costs. In addition to the irrigation, the landscape rock in front of the building has eroded creating an unlevel transition from the sidewalk to the landscape. The agency plans to add more landscape rock to be even with the sidewalk, alleviating the drop-off hazard.

Replace Interior Lighting
The agency plans to spend $6,200 to replace light fixtures and bulbs throughout the Phoenix facility, including the warehouse. Building light fixtures currently have 3 bulbs per fixture. The agency plans to replace the light fixtures with a configuration that uses 2 LED bulbs per fixture. The new LED bulbs will produce the same amount of light, but produce less electricity. The agency expects to see cost savings from lower electricity usage, lower cooling costs, and fewer replacement bulbs, though the agency does not have an estimate of the potential cost savings.

JG:kp

Arizona Lottery

Douglas A. Ducey
Governor

Gregory R. Edgar
Executive Director

RECEIVED
JOINT BUDGET COMMITTEE

November 21, 2017

The Honorable Debbie Lesko, Chairman
Joint Legislative Budget Committee
Arizona State Senate
1700 W. Washington Street
Phoenix, Arizona 85007

The Honorable David Livingston, Vice-Chairman
Joint Legislative Budget Committee
Arizona House of Representatives
1700 W. Washington Street
Phoenix, Arizona 85007

Re: JCCR Agenda Request

Dear Senator Lesko:

The Arizona Lottery respectfully requests placement on the JCCR meeting agenda for the December 19, 2017, meeting to review the Lottery FY18 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,

Gregory R. Edgar
Executive Director

Attachment

cc: Richard Stavneak, Director, JLBC ✓
Jeremy Gunderson, Lottery Analyst, JLBC
Lorenzo Romero, Director, OSPB
Fletcher Montzingo, Lottery Analyst, OSPB

Arizona Lottery – Building Renewal Funds
FY18 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 FY18 approved budget, the Lottery received a capital outlay appropriation of $122,200 from the Lottery Fund for building renewal purposes.

FY18 Capital Outlay/Building Renewal Allocation:	$122,200
Proposed FY18 Expenditures –	
Building Roof Weatherproofing	16,000
Security System Upgrade	61,000
Landscape - Irrigation/Leveling	39,000
Building Interior Lighting	6,200
TOTAL:	$122,200

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 involved.

1. Building Weatherproofing - $16,000

The Lottery had a building inspection performed by ADOA in May 2016 and an additional roof inspection in May 2017. There were several areas identified that need to be addressed to prevent water damage.

Key items of focus include the Lottery's building roof, warehouse roof, and skylights – all of these areas currently leak when it rains. This puts Lottery property such as computer equipment and furniture at risk, as well as creating wall/floor damage and other issues. In addition to property, leaking skylights in the warehouse also have the potential to put employees at risk since the flooring below is tile and could create a slip hazard. Periodic maintenance is required to protect the building interior and other related structures from the elements.

Proposed Solution

Have appropriate vendors repair/replace necessary items for the identified areas. The building and warehouse roofs will require a coating to prevent leaks, which would also include removing and reinstalling solar panels and HVAC components on the Lottery's roof. The lobby skylights will require resealing at a minimum; these windows are original to the building and there is a possibility that additional repairs will be required to resolve the problem. The 11 warehouse skylights are cracked and brittle, requiring replacement.

Principal Benefits

The principal benefit would be the protection of Lottery property and employees. Other benefits include the prevention of potential electrical issues due to water damage, as well as carpet replacement for more severe water damage. The Lottery would also reduce the potential for employee and customer injuries associated with unresolved water damage. The Lottery building is over 30 years old and periodic routine maintenance will help avoid emergency repairs caused by water and/or wind damage.

2. Security System Upgrade - $61,000

The Lottery's security system needs to be upgraded. The current system is outdated and no longer provides adequate building security. Motion detectors do not always function properly, certain doors are not properly secured, and replacement parts are difficult to find or not available for the existing system. The Lottery presents an attractive target due to the nature of its business, and as criminals become more sophisticated, a robust security system is extremely important.

Proposed Solution

Update the Lottery's current security system. This would include upgrading all existing door readers, adding card readers to doors currently without them, installing additional cameras, and replacing/adding motion sensors throughout the building.

Principal Benefits

Principal benefits include a more reliable and secure building security system that will serve to both deter and prevent criminal activity.

3. Landscape - Irrigation/Leveling - $39,000

The Lottery grounds have landscaping connected to irrigation drip lines. These lines have had repeated leaks that require frequent repairs. In some instances, leaks may go undiscovered until an unusually high water bill is received, thus indicating a potential irrigation problem. In FY17, a significant underground leak occurred that flooded both the parking lot and Lottery grounds, resulting in a risk management claim.

In addition, landscape rock in front of the Lottery building has eroded or washed away over the years. This has contributed to areas of the front sidewalk that are not level with the surrounding terrain, creating an unsafe "drop-off" situation.

Proposed Solution

Replace the irrigation sy stem to reduce incidents of leaks and replenish landscape rock where needed to level out the sidewalk area with surrounding landscape.

Principal Benefits

The principal benefit of replacing the irrigation system will be water conservation due to a reduction in undetected leaks and avoidance of emergency repair costs. The principal benefit to leveling out landscape around the sidewalk area would be avoidance of potential injury created by the existing trip hazard.

4. Building Interior Lighting - $6,200

The Lottery building has approximately 350 florescent light fixtures throughout the main office and warehouse. These lights have three lamps per fixture and the current configuration does not utilize LED bulbs. Light fixtures should be upgraded to a more energy-efficient version.

Proposed Solution

Replace existing light fixtures from a two-ballast to a one-ballast configuration. The lamps would likewise be reduced from three to two per unit, but replaced with long-life LED bulbs. The amount of light would be equivalent, but consume less wattage as a result of changing to LED bulbs. This would be completed for all building light fixtures.

Principal Benefits

Although not directly measurable, the principal benefit would be decreased utility costs due to the impact of more energy-efficient LED bulbs and less heat build-up generated from existing light fixtures. Additional long-term savings would also be realized from a less frequent need to purchase and replace bulbs.

2

STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

DATE: December 12, 2017

TO: Members of the Joint Committee on Capital Review

FROM: Ben Murphy, Fiscal Analyst BM

SUBJECT: Arizona Game and Fish Department - Review of FY 2018 Building Renewal Allocation Plan

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona Game and Fish Department (AGFD) requests the Committee review its FY 2018 Building Renewal Allocation Plan for $488,300. The FY 2018 Capital Outlay Bill (Laws 2017, Chapter 306) appropriated a total of $530,000 from the Game and Fish Fund for building renewal. AGFD is requesting Committee review of 11 capital items with a total cost of $488,300 in FY 2018. AGFD would have $41,700 remaining of the FY 2018 appropriation.

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.

With *Provision D*, the proposed building renewal plan is consistent with building renewal guidelines and appropriations. As a follow up to the September meeting's review of AGFD's capital improvement projects, the department has agreed to implement procedures to ensure compliance with JCCR's statutory oversight responsibilities *(see Attachment A)*.

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

A. Prior to expenditure and in accordance with A.R.S. § 41-1252A(4), AGFD shall request Committee review of any remaining funds from FY 2018 or prior year building renewal and capital appropriations.

B. The distribution of the emergency allocation of $75,000 shall be addressed as follows:

(Continued)

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.

C. In accordance with A.R.S. § 41-1252A(4), if AGFD adds a new non-emergency project not listed in this request, the department must submit the proposed project and expenditure plan for Committee review.

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

Key Points

1) AGFD is requesting review of a $488,300 expenditure plan of its $530,000 FY 2018 building renewal appropriation, leaving $41,700 to be reviewed at a future meeting.
2) The 11 items include 5 regional office projects, 3 wildlife area projects, and 3 set-asides for maintenance and emergency expenses.
3) AGFD has agreed to implement procedures that will help ensure compliance with JCCR oversight statutes.

Analysis

Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. Please see *Table 1* below for a summary of the 11 items in the expenditure plan, as well as the descriptions below for individual project details and cost estimates.

Mesa Regional Office Projects
AGFD proposes 3 projects at its Mesa Regional Office: a renovation to its employee restrooms, a roofing upgrade, and a warehouse HVAC equipment replacement, each described in sequence below.

- The department proposes remodeling the restrooms at a cost of $77,000 to replace outdated, inefficient, ADA non-compliant fixtures and to restore deteriorated finishes. The restrooms were last upgraded in 1997.
- To preserve the 20-year-old roofing of the office's administration building and warehouse building, AGFD plans to install a fabric reinforced coating system to prevent rupturing and leakage. The project would cost $53,300.
- The office warehouse's current HVAC equipment is nonfunctional due to corrosion and exceeding operational lifespan. The department proposes replacement of 4 evaporative coolers and 4 exhaust fans at a cost of $14,500.

(Continued)

Table 1

FY 2018 Building Renewal Expenditure Plan [1/]

Regional Office Projects	
Mesa - Employee Restrooms	$ 77,100
Mesa - Roofing Project	53,300
Mesa - Warehouse HVAC	14,500
Kingman - Parking Lot Maintenance	27,700
Yuma - Bunkhouse Renovation	16,400
Subtotal	$189,000
Wildlife Area Projects	
Sipe - Visitor Center Foundation Repairs	$ 70,600
Sipe - Electrical Upgrades	29,600
House Rock - Solar Electric System	29,500
Subtotal	$129,700
Maintenance & Emergency Allocations	
Emergency Allocation	$ 75,000
Headquarters Major Maintenance Fund	52,200
Preventative Maintenance	42,400
Subtotal	$169,600
Total	**$488,300**

1/ Estimates based on bids provided by licensed contractors.

Kingman Regional Office Parking Lot Maintenance
AGFD proposes a $27,700 project to remove and replace damaged asphalt; seal cracks; apply a double seal coat and apply new paint striping.

Yuma Regional Office Bunkhouse Renovation
Regional offices provide bunkhouses for overnight staff accommodations. A water leak issue in the facility bathroom has rendered the shower nonfunctional, and has damaged walls and flooring. At a cost of $16,400, the department plans to replace the shower and restroom fixtures, wall board and paint.

Sipe Wildlife Area Repairs and Upgrades
- AGFD reports that the visitor center at Sipe White Mountain Viewing Area (Sipe) is experiencing cracking in the walls and floor settlement. The department proposes a $70,600 project to permanently stabilize the foundation.
- A State Fire Marshal inspection determined that existing electrical wiring and light fixtures in several structures at Sipe did not meet current requirements. AGFD proposes replacing all wiring in its visitor center, barn and shop at a cost of $29,600.

House Rock Wildlife Area Solar Electric System
The wildlife area manager's residence, shop and bunkhouse are powered by a 12-year-old solar electric system, which has experienced operational issues. A solar installer has recommended adding an additional solar array and replacement energy storage system to improve reliability of the system at a cost of $29,500.

Maintenance and Emergency Set-Asides
The department designated 3 allocations for maintenance and emergency purposes:

- An emergency allocation of $75,000 for unscheduled and unanticipated building system or equipment repairs requiring immediate response, to be addressed as described by *Provision B*.
- The department proposes a deposit of $52,200 into its Major Maintenance Fund. This non-state interest-bearing account is designed to cover future major maintenance capital expenses for the AGFD headquarters building, which has 15 years left on its lease-purchase agreement. AGFD lists "upgrades to telecommunications and information systems" as one use of this fund. *Provision D* clarifies that telecommunications and information systems excludes movable equipment, such as laptops.
- As permitted by A.R.S. § 41-793.01D, AGFD has set aside 8%, or $42,400 of its FY 2018 building renewal appropriation for preventative maintenance, which may include maintenance contracts for HVAC, backup power generators, pavement maintenance, and sewage systems.

BM:kp

THE STATE OF ARIZONA
GAME AND FISH DEPARTMENT
5000 W. CAREFREE HIGHWAY
PHOENIX, AZ 85086-5000
(602) 942-3000 • WWW.AZGFD.GOV

November 24, 2017

Mr. Richard Stavneak, Director
Joint Legislative Budget Committee
1716 W. Adams Street
Phoenix, AZ 85007

Dear Mr. Stavneak:

I have received your November 7, 2017 follow-up letter and wish to express my appreciation for JLBC staff's guidance on this matter. The Arizona Game and Fish Department concurs with the guidance outlined in that letter, and I submit our responses to specific items as follows:

1. Beyond the design costs reviewed by JCCR in September, any remaining monies for the Sterling Springs Hatchery project are to be submitted for JCCR review before expenditure.

   AZGFD concurs with this guidance, and will submit items relating to the expenditure of monies appropriated for the Sterling Springs Hatchery project for JCCR review.

2. Before spending any of our FY 2018 building renewal appropriation, the Department's expenditure plan is to be reviewed by JCCR.

   AZGFD concurs with this guidance, and has submitted a request for JCCR review of our Building Renewal Expenditure Plan for Fiscal Year 2018. It is the Department's hope that this plan will be reviewed during the upcoming December meeting of JCCR.

3. In future years, before expending any amounts appropriated in the annual Capital Outlay Bill (for either building renewal or specific capital projects), the Department's expenditure plan is required to be reviewed by JCCR.

   AZGFD concurs with this guidance, and has updated internal processes to ensure that expenditures of monies appropriated in Capital Outlay Bill are submitted for timely JCCR review.

4. The Department will not pay for ongoing operating expenses such as preventative maintenance except as outlined in A.R.S. §41-793.01(D).

   AZGFD concurs with this guidance, and has updated internal processes to limit expenditure of building renewal monies for routine preventative maintenance to 8% of any amount appropriated for building renewal pursuant to the requirements of A.R.S. §41-793.01(D).

5. In addressing the concerns listed in item #4 above, the Department's future capital spending plans submitted to JCCR are required to conform to the uses outlined in A.R.S. §41-790, which provide definitions for "building renewal" and "capital projects".

   AZGFD works to maintain mission critical assets and projects while ensuring that the use of appropriated funds conforms to the requirements of statute. The Department concurs with this guidance and plans to submit capital spending plans that align with the definitions established by A.R.S. §41-790.

Sincerely,

Ty E. Gray
Director

THE STATE OF ARIZONA
GAME AND FISH DEPARTMENT
5000 W. CAREFREE HIGHWAY
PHOENIX, AZ 85086-5000
(602) 942-3000 • WWW.AZGFD.GOV

October 26, 2017

Senator Debbie Lesko, Chairman
Joint Committee on Capital Review
Arizona State Senate
Capitol Complex
1700 W. Washington
Phoenix, AZ 85007-2890

RECEIVED
OCT 26 2017
JOINT BUDGET COMMITTEE

Re: Request for Placement on Joint Committee on Capital Review Agenda

Honorable Senator Lesko:

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 Department's Building Renewal Expenditure Plan for Fiscal Year 2018. At this time, the Department is requesting review of proposed expenditures for 11 items totaling $488,330 of the $530,000 FY18 Building Renewal Appropriation; an expenditure plan for the balance of this appropriation will be submitted to a future meeting of JCCR for review.

The following information for this review is attached:

Arizona Game and Fish FY18 Building Renewal Expenditure Plan (as of October 2017).

Sincerely,

(for)

Ty E. Gray
Director

cc: Representative Don Shooter, Vice Chairman, JCCR
Richard Stavneak, Staff Director, JLBC
Matthew Gress, Director, OSPB

Arizona Game and Fish FY18 Building Renewal Expenditure Plan

Project: Sipe Ranch Electrical Upgrades

Category: Fire, Life Safety; Hazard Abatement

Need: As part of a May 2017 inspection of the Sipe Wildlife Area, the State Fire Marshall indicated that existing electrical wiring and light fixtures do not meet current safety and code requirements. Sipe Ranch requires fire code compliant electrical upgrades to address this violation and ensure the safety of visitors and employees.

Solution: Old wiring in several structures (Visitor Center, Barn, and shop) will be removed. New conduit and Metal Clad (MC) cabling will be installed along with weatherproof receptacles, and exterior rated LED light fixtures. A new load center (circuit breakers) will be installed.

Cost Estimate

Activity	Quantity	Unit	Unit Cost	Cost
Remove all old wiring and install conduit, MC Cable, receptacles, LED lights; install new load panels and breakers.	1	LS	$29,620.67	$29,620*
TOTAL ESTIMATE:				**$29,620**
*Estimate based on a recent bid provided by a local, licensed contractor				

Impact of Not Approving this Request: AGFD is committed to providing a safe environment to its employees and the public. To not correct the code issues identified by the State Fire Marshal would place AZGFD in violation of the Arizona State Fire Code, A.A.C. R4-36-201.

Project: Sipe Wildlife Area Visitor Center Foundation Repairs

Category: Preservation of Assets; Special Construction; Shell/Superstructure: Foundation

Need: AGFD staff has observed significant cracking in the walls; floor settlement, and fireplace failure at its Sipe Visitor Center. A forensic engineering analysis determined significant foundation settlement under the east end of the building likely due to subgrade saturation of moisture due to poor drainage and years of storm runoff. This has caused the entire building, a historic structure, to be compromised.

Solution: Permanently stabilize the perimeter foundation, and improve perimeter drainage. This will be accomplished by installing helical piles to support the foundation; lifting the settled areas of the building; installing adjustable Smartjacks to support the floor joist system; removing concrete at underpinning locations; and installing Polylevel (pumped grout that will raise concrete slabs).

Cost Estimate

Activity	Quantity	Unit	Unit Cost	Cost
Permanently stabilize foundation; lift settled foundation, permanently stabilize floor; lift and level floors; lift and level exterior concrete	1	LS	$70,607	$70,607*
TOTAL ESTIMATE:				**$70,607**
*Estimate base on a bid provided by Arizona Foundation Solutions				

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.

Project: Mesa Regional Office Employee Restrooms (4 each)

Category: Preservation of Assets; Interior Finishes; Accessibility

Need: AGFD owns and operates six Regional Offices around the state (Pinetop, Flagstaff, Kingman, Yuma, Tucson and Mesa). These offices are typically occupied by 25 to 35 permanent staff and act as a base station for law enforcement officers and other field personnel. They are also AGFD's primary customer service locations throughout the state, providing hunting and fishing license sales, boating registration and a variety of information resources regarding Arizona's wildlife. Major renovations to the Mesa Regional Office were completed in FY09 and FY14 which included office and conference room expansions, public restroom renovations and ADA upgrades, lobby/front office remodel, new interior flooring, interior and exterior painting, and lighting upgrades. However, budget constraints precluded restroom renovations, which are sorely needed. The employee restrooms have not been upgraded since 1997. Renovation of these facilities will complete the full scope of renovation for this Regional Office.

Solution: Fully renovate four employee restrooms with modern, efficient, ADA compliant fixtures and finishes.

Cost Estimate

Activity	Quantity	Unit	Unit Cost	Cost
Demo (4) restroom tile, drywall and floor tile. Demo countertops, mirrors, bath partitions, sinks, toilets, urinal, faucets, lights and countertops. Install new Durarock; install new wall tile and floor Install all new toilets, ADA faucets, sinks, (6) new mirrors, (6) new countertop soap dispensers, new LED surface mounted ceiling and mirror fixtures Remove wallpaper in back restroom. Paint the (4) restrooms walls above tile, ceilings, doors and frames inside only. Install new cabinets in the front lady's and men's restrooms Remove old bathroom vanities, install new vanities and countertops	1	LS	$77,101	$77,101
TOTAL ESTIMATE:				**$77,101**
*Estimate based on bids provided by AGFD Continuing Services, licensed general contractors Total area of improvement: 720 sq.ft. ($107.08/sqft)				

Impact of Not Approving this Request: AGFD is committed to providing a quality work environment for its employees. Deferring this critical renovation will result in further dilapidated restrooms and negatively affect employee morale.

Project: Mesa Regional Office Roofing Project (Main Admin Building and Warehouse Building)

Category: Preservation of Assets; Shell/Superstructure: Exterior enclosure and roofing;

Need: The flat, built-up roofing on the Mesa Regional Office Admin Building and Warehouse is greater than 20 years in age and has far exceeded its useful life. A recent inspection indicated imminent failure in several locations.

Solution: Install new fabric reinforced coating restoration system

Cost Estimate

Activity	Quantity	Unit	Unit Cost	Cost
Install EveryPly MIP Mineral Cap Sheet Membrane w/10 Year Warranty	1	LS	$53,330	$53,330*
TOTAL ESTIMATE:				**$53,330**
*Estimate base on bids provided by AGFD Continuing Services, licensed contractors Total area of improvement: 4,200 sq.ft. ($12.70/sqft)				

Impact of Not Approving this Request: AGFD is committed to preserving its administrative assets. To defer this work could result in interior damage, costly repairs and restoration/remediation due to roof failure.

Project: Mesa Regional Office Warehouse – Replace Evaporative Coolers and Exhaust Fans

Category: Preservation of Assets; Major Building Services: HVAC

Need: The commercial grade evaporative coolers at this facility are no longer functional. Both units have exceeded their operational lifespans and succumb to failure due to corrosion; additionally exhaust fan motors are beginning to show signs of failure. This equipment cannot be repaired. This building has multiple uses for the Region including storage of educational equipment (fishing poles and tackle, archery equipment) for public outreach and other special events. Organization of special events, many of which are public in nature, also typically occurs in the warehouse. The warehouse also includes a "Wildlife Bay" that is used extensively during mandatory wildlife check-ins (big horn sheep, bear, and mountain lions) as well as for wildlife necropsies.

Solution: Remove non-functional evaporative coolers and connection metal work; remove exhaust fans and grills; replace with high efficiency commercial grade equipment.

Cost Estimate

Activity	Quantity	Unit	Unit Cost	Cost
Demolish and haul-off (4) existing ceiling mounted exhaust fans and (4) evaporative coolers. Supply and install (4) ceiling mounted exhaust fans, CFM rating to match existing fans. Reconnect to existing duct. Supply and install (4) Evaporative coolers, CFM to match existing coolers. Includes new disconnects, new drain lines and repair to water lines as needed. Crane rental. Reconnect to existing duct, replace high voltage wiring and water supply lines. Standard equipment warranties & (1) year warranty on items provided by Copper Tree Mechanical.	1	LS	$14,740	$14,740*
TOTAL ESTIMATE:				**$14,740**
*Estimate based on bids provided by AGFD Continuing Services, licensed contractors Total area of improvement: 4,200 sq.ft. ($3.45/sqft)				

Impact of Not Approving this Request: AGFD is committed to providing a safe, quality work environment for its employees. Without appropriate cooling, the warehouse is an environment that is unsuitable to work or store equipment in. To defer this project will result in further failure of existing equipment and poor working conditions for staff.

Project: House Rock Wildlife Area Solar Electric System

Category: Preservation of Assets; Major Building Services: Electrical

Need: The House Rock Wildlife Area is remotely located in the House Rock Valley, just east of the North Rim of the Grand Canyon. This area is off the electrical grid, however it is an actively managed wildlife area and it is imperative that the manger and other AGFD staff have reliable power.. The manager's residence, shop and bunkhouse are all powered by a solar electric system that is currently more than 12 years old and a backup generator. After experiencing problems, AZGFD requested a professional solar power provider/installer evaluate the solar electric system and make recommendations for corrective action.

Solution: The provider/installer's report recommends adding a 4500 watt solar array and a replacement energy storage system (batteries). The new battery bank will be of the industrial flooded lead acid (FLA) variety in the 70kWh range of capacity. With proper maintenance these improvements could last up to 15 years.

Cost Estimate

Activity	Quantity	Unit	Unit Cost	Cost
Install new 4500 watt array; provide a new 70 kWh industrial battery bank	1	LS	$29,500	$29,500*
TOTAL ESTIMATE:				**$29,500**
*Estimate based on a comprehensive system analysis and budgetary quote provided by a professional solar equipment supplier/installer				

Impact of Not Approving this Request: Energy storage for the system (batteries) will diminish until the solar system is virtually non-functional, leaving the facility completely reliant on the backup propane generator to supply power. The remote location of this facility makes propane delivery expensive and an impractical source of electricity for regular use.

Project: Kingman Regional Office Parking Lot Maintenance

Need: The Arizona Game and Fish Department (AGFD) owns and operates six Regional Offices around the state (Pinetop, Flagstaff, Kingman, Yuma, Tucson and Mesa). These offices are typically occupied by 25 to 35 permanent staff and act as a base station for law enforcement officers and other field personnel. They are also AGFD's primary customer service locations throughout the state, providing hunting and fishing license sales, boating registration and a variety of information resources regarding Arizona's wildlife. AGFD implemented major renovations to the Kingman administrative building in FY 2016. Due to budget limitations parking lot maintenance was deferred. Both the public and employee parking lot are in strong need of repair and resurfacing.

Solution: Saw cut, remove and replace damaged asphalt; seal all cracks; apply double seal coat; apply new striping

Cost Estimate

Activity	Quantity	Unit	Unit Cost	Cost
Furnish materials, labor and equipment for AC patching, crackfill, seal coat and striping	1	LS	$27,725	$27,725*
TOTAL ESTIMATE:				**$27,725**
*Estimate based on a bids provided by local licensed contractors Total area of improvement: 77,950 sqft ($.36/sqft)				

Impact of Not Approving this Request: AGFD is committed to preserving its administrative assets. To defer this work could result in further pavement degradation and more costly repairs in the future. Poor parking lot conditions may cause damage to staff and visitor vehicles, poses a risk of walking injury, and detracts from the public's image of AGFD.

Project: Yuma Regional Office Bunkhouse Renovation

Category: Preservation of Assets; Major Building Services: Plumbing; Interiors: Interior Finishes

Need: AGFD Regional Offices have bunkhouse facilities that provide self-contained overnight accommodations for field and out of town staff. The Yuma Regional Office underwent major renovation of its administrative office in FY15. Renovation to the bunkhouse was deferred due to funding limitations. Currently there is a water leak problem in the bathroom that precludes use of the shower. This issue has also damaged interior walls and flooring.

Solution: Renovate the bunkhouse facility including shower and restroom fixtures, flooring, wall board replacement and painting.

Cost Estimate

Activity	Quantity	Unit	Unit Cost	Cost
Remove shower stall enclosure and all related fixtures; replace the bunkhouse shower enclosure and include new shower door; remove and replace damaged wall board; remove and replace VCT flooring; remove and replace all toilet accessories; repair walls and paint; clean up all debris and haul off	1	LS	$16,437	$16,437*
TOTAL ESTIMATE:				**$16,437**
*Estimate base on a bid provided by an AGFD Continuing Services, licensed Contractor; Total area of improvement: 450 sqft ($36.53/sqft)				

Impact of Not Approving this Request: AGFD is committed to providing a quality work environment for its employees. Deferring this critical renovation will result in further deterioration, increasing the cost of eventual repair. The current state of the facility discourages employee use which has negative impacts on efficiency, morale and job satisfaction.

Arizona *Game and Fish State Headquarters – Major Maintenance Fund*

Background: As part of the lease purchase agreement for the AGFD Headquarters facility, the Department committed to depositing a portion of its annual building renewal allocation into a sinking fund established through an indenture agreement with Wells Fargo Corporate Trust. This fund will cover future capital expenses associated with major cyclic maintenance items based on the following:

- Administration Building Roof Maintenance – Foam Roof Sealant every 7 years; new roof in year 25
- Interior Floors, Walls – Replace carpet flooring every 7 years; paint interior walls every 5 years; other flooring every 10 – 15 years
- Building Systems - Assumes ongoing upgrades to lighting, HVAC (energy management), telecommunication and information systems; security/access control system; fire detection and alarm system
- HVAC – Anticipated replacement of chiller in year 25; air handler unit replacements in years 20 -25; independent heat pump systems every 12 years
- Asphalt Maintenance – Crack seal every 3 years; seal coat parking lots every 5 years; slurry seal main entry road every 5 years; mill and overlay parking lot and main entry road in year 20

Estimated Annual Sinking Fund Requirement: $52,230

AGFD Building Renewal Emergency Allocation

Need: AGFD maintains more than three hundred facilities within its building and infrastructure system statewide, which comprises a great diversity of types including administrative offices, administrative sites, shooting ranges, actively and passively managed wildlife areas, dams, boating facilities and other recreational improvements. Facilities range in age from historic structures constructed in the 1930s to recently constructed operational and administrative facilities. It is critical that AGFD executes a comprehensive maintenance program that includes scheduled replacement or renovation of major building systems and other infrastructure, circumventing costly repairs and preserving the value and useful life of these mission critical assets. However, given this maintenance burden it is difficult if not impossible to anticipate the timing and nature of all building component failures. In the event of unexpected critical breakdowns or imminent failures, AGFD requires the fiscal agility to remedy those events in an expeditious manner. Accordingly, AGFD is requesting the following:

Emergency Allocation: $75,000

Expenditure Categories

1. *Emergency Maintenance and Repairs*: Unscheduled and unanticipated building system or equipment repairs requiring immediate response in order to maintain functionality of essential facilities and infrastructure.

2. *Corrective Maintenance*: These maintenance activities are typically related to health, safety or accessibility concerns as determined by the Department's Loss Prevention Coordinator or Engineering staff, and require a timely response

The distribution of the Emergency Allocation of $75,000 shall be addressed as follows:

- AGFD shall notify the Chairman and JLBC staff that they plan to spend less than $25,000 on an emergency maintenance and repair or corrective maintenance project. AGFD can proceed without Committee review
- The Chairman can allow AGFD to expend more than $25,000 on an emergency maintenance and repair or corrective maintenance project without Committee review
- The Chairman will notify AGFD if he does not agree that the project is an emergency or urgent corrective action and that the project will require full Committee review

Preventive Maintenance
Per statute, AGFD may spend up to 8% ($42,400) of the total appropriation amount on preventive maintenance which can include preventive maintenance contracts for HVAC, backup power generators, pavement maintenance (small repairs), wastewater pump stations, septic systems, etc.

FY 2018 Building Renewal Appropriation Expenditure Summary

AGFD FY18 Building Renewal Appropriation	***$530,000***
Sipe Ranch Electrical Upgrades	*$29,620*
Sipe Wildlife Area Visitor Center Foundation Repairs	*$70,607*
Mesa Regional Office Employee Restrooms	*$77,101*
Mesa Regional Office Roofing Project	*$53,330*
Mesa Regional Office Warehouse Evaporative Coolers and Exhaust Fans	*$14,470*
House Rock Wildlife Area Solar Electric System	*$29,500*
Kingman Regional Office Parking Lot Maintenance	*$27,725*
Yuma Regional Office Bunkhouse Renovation	*$16,347*
AGFD State Headquarters Major Maintenance Fund	*$52,230*
AGFD Building Renewal Emergency Allocation Fund	*$75,000*
AGFD Preventive Maintenance Fund	*$42,400*
Total Planned Expenditures:	***$488,330***
Balance:	***$41,670***

*Pursuant to ARS 41-1252 the Arizona Game and Fish Department will submit an expenditure plan for the balance to a future JCCR meeting for review and approval.

3

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DEBBIE LESKO
CHAIRMAN 2017
SYLVIA ALLEN
OLIVIA CAJERO BEDFORD
STEVE FARLEY
KATIE HOBBS
JOHN KAVANAGH
KIMBERLY YEE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

HOUSE OF
REPRESENTATIVES

DAVID LIVINGSTON
ACTING CHAIRMAN 2018
JOHN M. ALLEN
LELA ALSTON
MARK CARDENAS
HEATHER CARTER
VINCE LEACH
REBECCA RIOS

DATE: December 12, 2017

TO: Members of the Joint Committee on Capital Review

FROM: Micaela Larkin, Senior Fiscal Analyst ML

SUBJECT: Arizona Department of Corrections - Review of FY 2017 Building Renewal Plan Reallocation

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona Department of Corrections (ADC) requests review of the reallocation of the FY 2017 Building Renewal Plan. ADC requests review of a reallocation of the FY 2017 Building Renewal Plan. ADC proposes using $460,000 in savings from the ASPC - Tucson Santa Rita locking project to increase the monies allocated for the locking systems repairs at ASPC - Lewis and the structural dining room repairs at ASPC - Eyman.

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 provisions:

A. ADC shall report any reallocations between projects to the JLBC Staff. If there is significant change of scope in the reallocation reported by ADC, the JLBC Staff shall recommend ADC request Committee review of the reallocation.

B. If an emergency arises that is not addressed by the existing expenditure plan:

(Continued)

1. ADC shall notify the Chairman and the JLBC Staff that they plan to spend less than $50,000 on an emergency project. ADC can proceed without Committee review.

2. The Chairman can allow ADC to move forward with an emergency project of greater than $50,000 without Committee review.

3. The Chairman will notify ADC if she does not agree that the project is an emergency and that the project will require full Committee review.

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

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

Key Points

1) Committee favorably approved the FY 2017 ADC Building Renewal Plan for $5,464,300 for capital projects with the provision that the Committee can review significant reallocations.
2) ASPC - Tucson locking system project will cost $460,000 less than originally planned.
3) ADC proposes using the savings to increase the allocations for 2 projects: $350,000 for increased needs for the ASPC - Lewis control room locking panel upgrades; and $110,000 for additional costs for the ASPC - Eyman Rynning dining room structural repairs.

Analysis

The FY 2017 Capital Outlay Bill (Laws 2016, Chapter 126) appropriated a total of $5,464,300 from the Department of Corrections Building Renewal Fund to ADC for general building renewal, and the Committee favorably reviewed this plan at the June 16, 2016 meeting with the provision that further reallocations be reported by ADC, and that the Committee could review significant changes of scope in the reallocation. The Committee approved reallocations of the FY 2017 Building Renewal Plan at the September 21, 2016 meeting and the June 20, 2017 meeting.

FY 2017 Building Renewal Plan Reallocation

ADC requests the reallocation of $460,000 from the ASPC - Tucson Santa Rita locking system upgrade for 2 projects. The department originally allocated $725,000 to replace all locks at the Santa Rita unit based on an initial study. After further determination that most of the locks could be modified or adjusted, the project cost was decreased to $265,000. ADC proposes using the $460,000 of savings to increase the allocation for 2 projects:

- Control Room Locking Panel Upgrades at ASPC - Lewis. The department is upgrading the control room locks at the Bachman, Barchey and Buckley units. A prison unit is made up of housing units or buildings further subdivided into pods that contain individual cells. A locking and control system can operate all doors within a pod including cells, showers, and program areas. The department is allocating $350,000 from the savings to meet needs that were determined after the initial scope of work. The proposed reallocation increases the expenditures to $1,000,000.

(Continued)

- Dining Room Roof Repairs at ASPC - Eyman. In September 2016, the Committee approved a reallocation of the original FY 2017 Building Renewal Plan for $393,300 to meet an immediate need to repair the damaged roof system in the dining hall at ASPC - Eyman. The deterioration was due to the prolonged use of evaporative coolers. During work, the need for a new suspended ceiling and grid system and several exhaust fans were revealed. The proposed reallocation of $110,000 for these needed improvements to the ceiling structure and exhaust fans would bring the total project costs to $503,300.

Table 1 details the proposed revisions to the FY 2017 Building Renewal Plan:

Table 1

FY 2017 Building Renewal Plan

	Current Approved Allocation	Difference	Revised Allocation
Amended Projects			
Locking System Project - Tucson Santa Rita	$ 725,000	$ (460,000)	$ 265,000
Control Room Locking Panel Upgrades - Lewis Bachman, Barchey, and Buckley	650,000	350,000	1,000,000
Dining Room Roof Repair - Eyman Rynning	393,300	110,000	503,300
Subtotal	*$1,768,300*	$ 0	*$1,768,300*
Projects Not Modified	**$3,696,000**		**$3,696,000**
Total	**$5,464,300**		**$5,464,300**

ML:kp

Arizona Department of Corrections

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

DOUGLAS A. DUCEY
GOVERNOR

CHARLES L. RYAN
DIRECTOR

RECEIVED
JOINT BUDGET COMMITTEE

November 17, 2017

The Honorable Debbie Lesko, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, Arizona 85007

Re: Submission for review of reallocation of the FY 2017 Building Renewal Plan

Dear Senator Lesko:

The Arizona Department of Corrections (ADC) requests placement on the next meeting agenda of the Joint Committee on Capital Review (JCCR). ADC is seeking authorization to reallocate the FY 2017 Building Renewal Plan reallocation which was approved by JCCR at its June 16, 2016 meeting and most recently revised at the May 30, 2017 JCCR meeting.

In FY 2017 $5,464,300 is appropriated to ADC for building renewal. Reallocation of the plan is required to address revised scopes of work and cost estimates for three critical building renewal projects. Supporting documentation for the revised plan is enclosed.

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 Don Shooter, Vice-Chairman, JCCR
Matthew Gress, Director, Office of Strategic Planning and Budgeting
Richard Stavneak, Director, Joint Legislative Budget Committee
Ryan Vergara, Budget Analyst, Office of Strategic Planning and Budgeting
Micaela Larkin, Fiscal Analyst, Joint Legislative Budget Committee

ARIZONA DEPARTMENT OF CORRECTIONS
FY 2017 BUILDING RENEWAL REALLOCATION PLAN

LOCATION	PROJECT DESCRIPTION	APPROVED as of 5/26/2017	PROPOSED REALLOCATION	DIFFERENCE
ASPC-Lewis Stiner Unit	Health unit air conditioning conversion	$ 575,800	$ 575,800	$ -
ASPC-Eyman Meadows Unit	Health unit air conditioning conversion	$ 530,000	$ 530,000	$ -
ASPC-Perryville Lumley Unit	Maximum custody perimeter fence upgrade	$ 200,000	$ 200,000	$ -
ASPC-Tucson Santa Rita Unit	Locking system upgrade	$ 725,000	$ 265,000	$ 460,000
ASPC-Florence	Utility tunnel structural repairs	$ 250,000	$ 250,000	$ -
ASPC-Lewis	Control room locking panel upgrades (Bachman, Barchey, Buckley)	$ 650,000	$ 1,000,000	$ (350,000)
ASPC-Florence Central Unit	Electrical upgrade & generator replacement	$ 1,244,500	$ 1,244,500	$ -
ASPC-Eyman Rynning Unit	Detention unit structural repairs	$ 510,700	$ 510,700	$ -
ASPC-Eyman Rynning Unit	Dining room repairs (structural repair/cooling system upgrade)	$ 393,300	$ 503,300	$ (110,000)
ASPC-Eyman Meadows Unit	Replace control room security panels due to age are no longer repairable	$ 385,000	$ 385,000	$ -
TOTAL		$ 5,464,300	$ 5,464,300	$ -
FUND SOURCE				
BUILDING RENEWAL FUND		$ 5,464,300	$ 5,464,300	$ -
TOTAL		$ 5,464,300	$ 5,464,300	$ -

FY 2017 Building Renewal Reallocation

	Original	Revised
ASPC-Tucson Santa Rita Locking System Project	$725,000	$265,000

The locking system at the Santa Rita unit has reached the end of its service life and needs to be upgraded. The system was originally installed in 1983 and is experiencing several issues including outdated control panels that prohibit the system from functioning as designed.

The original scope of work included replacement of all locks within the unit. Further investigation revealed that most locks were in need of minor adjustment or modifications rather than replacement. The scope of work was revised accordingly and resulted in a much lower cost than originally anticipated.

ASPC-Lewis Control Room Locking Panel Upgrades	$650,000	$1,000,000

The control room locking system control panels at various units (Bachman, Barchey, and Buckley units) at the Lewis complex have reached the end of their service life. Originally installed in 1999, the current control panels have become unreliable and require doors to be manually opened and closed by staff which creates additional risk for staff.

Upon further investigation it was revealed that the original scope of work did not fully address all of the issues with the control room locking system controls. The revised scope of work has been expanded to include all issues with the current control room locking system.

ASPC-Eyman Rynning Dining Room Repairs	$393,300	$503,300

The structural integrity of the roof system at the ASPC-Eyman Rynning Unit dining building has deteriorated to the point that structural repairs must be completed to avoid failure and building abandonment. Due to prolonged use of evaporative coolers, steel structural members have deteriorated to the point of approaching failure and must be repaired or replaced. This building is critical to the operation of the Rynning Unit.

During the project it was discovered that the ceiling grid system was in need of replacement along with several exhaust fans. The revised scope of work includes the replacement of exhaust fans and a new suspended ceiling and grid system.

4

STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

DATE: December 12, 2017

TO: Members of the Joint Committee on Capital Review

FROM: Ben Murphy, Fiscal Analyst BM

SUBJECT: Arizona Department of Administration - Consider Recommending FY 2018 Partial Rent Exemptions

Request

A.R.S. § 41-792.01D, authorizes the Director of the Arizona Department of Administration (ADOA), on recommendation from the Joint Committee on Capital Review, to grant a full or partial exemption from the payment of state-owned rental fees if an agency has vacated its space or lacks the financial resources to make a payment. ADOA requests the Committee recommend:

- A partial rent exemption totaling $(5,300) for the Registrar of Contractors (ROC) and a corresponding increase of $5,300 for the State Treasurer.
- A partial rent exemption totaling $(57,300) for the Department of Health Services (DHS). There is no corresponding state agency rent increase as the vacated space is being leased to the federal government.
- A partial rent exemption totaling $(20,200) for the Automobile Theft Authority (ATA). There is no corresponding state agency increase as the vacated space will be unoccupied.
- A partial rent exemption totaling $(3,700) for the Naturopathic Physicians Medical Board (Naturopathic Board). There is no corresponding state agency increase as there is no space being vacated.
- A partial rent exemption totaling $(6,700) for the Department of Liquor Licenses and Control and an increase of $14,500 for the Attorney General.

Committee Options

The Committee has at least the following 2 options:

(Continued)

1. The Committee recommends the partial rent exemptions.

2. The Committee does not recommend the partial rent exemptions.

Key Points

1) Statute allows ADOA to grant rent exemptions to agencies who have vacated rentable space or lack resources to make a payment.
2) ADOA has reallocated 407 square feet of office space from ROC to the State Treasurer.
3) DHS has vacated 4,283 square feet of laboratory space, which ADOA will lease to the United States Department of Agriculture.
4) ATA has vacated office space that will not be leased to another tenant at this time.
5) Naturopathic Board was incorrectly charged an increase in rent, to be remedied by a partial rent exemption.
6) Department of Liquor Licenses and Control has vacated 1,659 square feet of office space, which is now occupied by the Attorney General.

Analysis

ROC Office Space at 1700 W Washington (Executive Tower)

ROC currently occupies 22,021 square feet of office space at 1700 W Washington. Beginning in July 2017, ADOA reallocated 407 square feet from ROC to the State Treasurer. ADOA will bill the State Treasurer $5,300 for the annual amount of the space allocation and will decrease the amount invoiced to ROC by a corresponding amount for FY 2018.

DHS Laboratory Space at 416 W Congress, Tucson

DHS was scheduled to be billed $57,300 in FY 2018 for 4,283 square feet of laboratory space at 416 W Congress, Tucson. DHS vacated this space several years ago, but has continued to pay rent until a replacement tenant has been determined. DHS has now leased the space to the United States Department of Agriculture (USDA) Agricultural Research Service (ARS) for a 10-year period. The USDA ARS will use the lab space to support the Arizona Cotton Research Council AF36 Program, which aims to displace toxin-producing strains of fungus that harm the state's cotton industry. Accordingly, ADOA is seeking a rent exemption for DHS for the $57,300 charge for this space.

Offsetting the reduction in DHS rent will be lease revenue from USDA. The base annual lease rate is $13.08 per square foot. Combined with ADOA-metered utilities, the annual estimated lease revenue is about $84,800.

ATA Office Space at 1400 W Washington

ATA currently occupies office space at 1400 W Washington for a rent of $34,700. Effective December 2017, ATA will vacate this space and relocate to 1110 W Washington. ADOA is seeking a rent exemption for ATA of $20,200. The vacated space at 1400 W Washington will not be leased by any other tenant at this time.

(Continued)

Naturopathic Board Rent Correction

Due to an administrative error, rent for the Naturopathic Board was increased from $4,300 in FY 2017 to $8,000 in FY 2018. The board was not appropriated additional funds to account for the rent increase. To make the adjustment to the correct rent charge of $4,300 in FY 2018, ADOA is seeking a rent exemption for the Naturopathic Board of $3,700.

Department of Liquor Office Space at 400 W Congress, Tucson

The Department of Liquor Licenses and Control (DLLC) used to occupy 1,659 square feet of office space at 400 W Congress, Tucson. In November, the department relocated to a state-owned building at 402 W Congress, Tucson, which reduced the department's office space allocation to 896 square feet. This space reduction of (763) square feet over the remaining portion of FY 2018 has reduced DLLC's rent by $(6,700). Accordingly, ADOA is seeking a rent exemption for DLLC of $6,700.

The 400 W Congress office space was backfilled by the Attorney General in November. Occupying this space has increased the Attorney General's space usage by 1,659 square feet, thereby increasing the agency's rent charge. ADOA will bill the Attorney General $14,500 in FY 2018 for the cost of this additional space over the remainder of FY 2018.

BM:kp

Douglas A. Ducey
Governor

Craig C. Brown
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

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

October 3, 2017

RECEIVED
OCT 10 2017
JOINT BUDGET COMMITTEE

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

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

Re: Capital Outlay Stabilization Fund (COSF) Rent Exemption; Registrar of Contractors

Dear Senator Lesko and Representative Shooter:

The Arizona Department of Administration (ADOA) requests the Joint Committee on Capital Review (JCCR) favorable review and recommendation of a partial Capital Outlay Stabilization Fund (COSF) rent exemption for the Arizona Registrar of Contractors (ROC) of $5,300 for FY 2018.

A.R.S. § 41-792.01(D) provides that the ADOA Director, on recommendation of the JCCR, may authorize a whole or partial exemption of COSF rent if the agency does not occupy or vacates space after the beginning of the fiscal year. Agencies that occupy state-owned buildings shall pay the higher of the amount reported by Joint Legislative Budget Committee (JLBC) Staff or the pro rata share based on actual occupancy.

The ROC was appropriated $288,000 for its FY 2018 occupancy of 22,021 rentable square feet (RSF) of office space at 1700 West Washington (Executive Tower), Phoenix, Arizona. The ROC vacated approximately 407 RSF of office space at 1700 West Washington (Executive Tower), which was backfilled by the Office of the Treasurer effective July 1, 2017. The ADOA will offset the ROC FY 2018 rent by $5,300 and bill the Office of the Treasurer $5,300. In the future, beginning with FY 2019, ADOA will include the 407 RSF in the Office of the Treasurer's annual space allocation and rental amount.

If you have any questions regarding ADOA's proposed COSF rent exemption, please contact Nola Barnes, Assistant Director, ADOA General Services Division, at 602-542-1954.

Sincerely,

Craig C. Brown

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Fiscal Analyst, JLBC Staff
Matthew Gress, Director, OSPB
Bill Greeney, Assistant Director, OSPB
Ashley Beason, Capital Analyst, OSPB
Kevin Donnellan, Deputy Director, ADOA
Derik Leavitt, Assistant Director, ADOA
Nola Barnes, Assistant Director, ADOA/GSD
John Hauptman, General Manager, ADOA/GSD/PCS
Jeff Fleetham, Director, ROC

Douglas A. Ducey
Governor

Craig C. Brown
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

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

RECEIVED
OCT 27 2017
JOINT BUDGET COMMITTEE

October 26, 2017

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

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

Re: Capital Outlay Stabilization Fund (COSF) Rent Exemption; Department of Health Services

Dear Senator Lesko and Representative Shooter:

The Arizona Department of Administration (ADOA) requests the Joint Committee on Capital Review (JCCR) favorable review and recommendation of a partial Capital Outlay Stabilization Fund (COSF) rent exemption for the Arizona Department of Health Services (DHS) of $57,300 for FY 2018.

A.R.S. § 41-792.01(D) provides that the ADOA Director, on recommendation of the JCCR, may authorize a whole or partial exemption of COSF rent if the agency does not occupy or vacates space after the beginning of the fiscal year. Agencies that occupy state-owned buildings shall pay the higher of the amount reported by Joint Legislative Budget Committee (JLBC) Staff or the pro rata share based on actual occupancy.

The DHS was appropriated $57,300 for its FY 2018 occupancy of 4,283 Rentable Square Feet (RSF) of laboratory space at 416 W. Congress, Tucson, Arizona. DHS vacated the laboratory several years ago, and since then the ADOA and DHS have sought an appropriate backfill tenant. The ADOA recently leased the space to the United States Department of Agriculture (USDA), Agricultural Research Service (ARS) for a period of ten years. The USDA ARS program housed in the State-owned facility supports the Arizona Cotton Research Council AF36 Program. For more information on the AF36 Program please link to: http://azcotton.org/aflatoxin36/AF36.html. The ten-year lease includes a base rate of $13.08/RSF plus the actual costs of utilities consumed by the lab on the premises, which ADOA will meter separately. The annual estimated revenue to COSF for the lab space is approximately $84,800.

If you have any questions regarding ADOA's proposed COSF rent exemption for the DHS, please contact Nola Barnes, Assistant Director, ADOA General Services Division, at 602-542-1954.

Sincerely,

Craig C. Brown

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Fiscal Analyst, JLBC Staff
Matthew Gress, Director, OSPB
Bill Greeney, Assistant Director, OSPB
Ashley Beason, Capital Analyst, OSPB
Dr. Cara M. Christ, Director, DHS
Tony Magliano, Deputy Director, DHS
Kevin Donnellan, Deputy Director, ADOA
Derik Leavitt, Assistant Director, ADOA
Nola Barnes, Assistant Director, ADOA/GSD
John Hauptman, General Manager, ADOA/GSD/PCS

Douglas A. Ducey
Governor

Craig C. Brown
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401
PHOENIX, ARIZONA 85007

(602) 542-1500

November 9, 2017

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

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

Re: Capital Outlay Stabilization Fund (COSF) Rent Exemption; Automobile Theft Authority

Dear Senator Lesko and Representative Shooter:

The Arizona Department of Administration (ADOA) requests the Joint Committee on Capital Review (JCCR) favorable review and recommendation of a partial Capital Outlay Stabilization Fund (COSF) rent exemption for the Automobile Theft Authority (ATA) of $20,200 for FY 2018.

A.R.S. § 41-792.01(D) provides that the ADOA Director, on recommendation of the JCCR, may authorize a whole or partial exemption of COSF rent if the agency does not occupy or vacates space after the beginning of the fiscal year. Agencies that occupy state-owned buildings shall pay the higher of the amount reported by Joint Legislative Budget Committee (JLBC) Staff or the pro rata share based on actual occupancy.

The ATA received an appropriation of $34,700 for COSF rent in FY 2018. Effective December 1, 2017, the ATA will relocate from 1400 W. Washington to 1110 W Washington, and will be subject to its proportionate share of lease-purchase payment for the facility. ADOA recommends a favorable review of a partial COSF rent exemption for the ATA of $20,200 for FY 2018.

If you have any questions regarding ADOA's proposed COSF rent exemption for the ATA, please contact Nola Barnes, Assistant Director, ADOA General Services Division, at 602-542-1954.

Sincerely,

Craig C. Brown

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Fiscal Analyst, JLBC Staff
Matthew Gress, Director, OSPB
Bill Greeney, Assistant Director, OSPB
Ashley Beason, Capital Analyst, OSPB
Frederick W. Zumbo, Executive Director, ATA
Kevin Donnellan, Deputy Director, ADOA
Derik Leavitt, Assistant Director, ADOA
Nola Barnes, Assistant Director, ADOA/GSD
John Hauptman, General Manager, ADOA/GSD/PCS

Douglas A. Ducey
Governor

Craig C. Brown
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401
PHOENIX, ARIZONA 85007

(602) 542-1500

November 9, 2017

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

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

Re: Capital Outlay Stabilization Fund (COSF) Rent Exemption; Naturopathic Physicians Medical Board

Dear Senator Lesko and Representative Shooter:

The Arizona Department of Administration (ADOA) requests the Joint Committee on Capital Review (JCCR) favorable review and recommendation of a partial Capital Outlay Stabilization Fund (COSF) rent exemption for the Naturopathic Physicians Medical Board (AZND) of $3,700 for FY 2018.

A.R.S. § 41-792.01(D) provides that the ADOA Director, on recommendation of the JCCR, may authorize a whole or partial exemption of COSF rent if the agency does not occupy or vacates space after the beginning of the fiscal year. Agencies that occupy state-owned buildings shall pay the higher of the amount reported by Joint Legislative Budget Committee (JLBC) Staff or the pro rata share based on actual occupancy.

The AZND was appropriated $4,300 for COSF rent in FY 2017. The COSF rent for the AZND was increased to $8,000 in the FY 2018 appropriations report, however the agency did not receive an increase in appropriation or occupy additional space from the prior year. This discrepancy occurred due to an administrative error and ADOA recommends a favorable review of a partial COSF rent exemption for the AZND of $3,700 for FY 2018.

If you have any questions regarding ADOA's proposed COSF rent exemption for the AZND, please contact Nola Barnes, Assistant Director, ADOA General Services Division, at 602-542-1954.

Sincerely,

Craig C. Brown

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Fiscal Analyst, JLBC Staff
Matthew Gress, Director, OSPB
Bill Greeney, Assistant Director, OSPB
Ashley Beason, Capital Analyst, OSPB
Gail Anthony, Executive Director, AZND Board
Kevin Donnellan, Deputy Director, ADOA
Derik Leavitt, Assistant Director, ADOA
Nola Barnes, Assistant Director, ADOA/GSD
John Hauptman, General Manager, ADOA/GSD/PCS

Douglas A. Ducey
Governor

Craig C. Brown
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

OFFICE OF THE DIRECTOR

100 NORTH FIFTEENTH AVENUE • SUITE 401
PHOENIX, ARIZONA 85007

(602) 542-1500

December 1, 2017

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

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

Re: Capital Outlay Stabilization Fund Rent Exemption; Arizona Department of Liquor Licenses and Control

Dear Senator Lesko and Representative Livingston:

The Arizona Department of Administration (ADOA) requests the Joint Committee on Capital Review (JCCR) favorable review and recommendation of a partial Capital Outlay Stabilization Fund (COSF) rent exemption for the Arizona Department of Liquor Licenses and Control (ADLLC) in the amount of $6,700 for FY 2018.

A.R.S. § 41-792.01(D) provides that the ADOA Director, on recommendation of the JCCR, may authorize a whole or partial exemption of COSF rent if the agency does not occupy or vacates space after the beginning of the fiscal year. Agencies that occupy state-owned buildings shall pay the higher of the amount reported by Joint Legislative Budget Committee (JLBC) Staff or the pro rata share based on actual occupancy.

The ADLLC was appropriated $21,700 for its FY 2018 occupancy of 1,659 rentable square feet (RSF) of office space at 400 West Congress, Tucson, Arizona. The ADLLC relocated from 400 West Congress to 402 West Congress in the State-owned Tucson building complex effective

November 1, 2017 and reduced its office space allocation to 896 RSF. Beginning with FY 2019, ADOA will bill the ADLLC an annualized amount of $11,700 for the RSF occupied or the amount of its appropriation for the space, whichever is greater.

The 400 West Congress space was subsequently backfilled by the Arizona Office of the Attorney General (AG) effective November 1, 2017. The ADOA will bill the AG for $14,500 for 8 months' pro rata occupancy. Beginning with FY 2019, ADOA will include the 1,659 RSF in the AG's annual space allocation and rental amount.

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

Sincerely,

Craig C. Brown

cc: Richard Stavneak, Director, JLBC Staff
Rebecca Perrera, Fiscal Analyst, JLBC Staff
Matthew Gress, Director, OSPB
Bill Greeney, Assistant Director, OSPB
Ashley Beason, Capital Analyst, OSPB
Kevin Donnellan, Deputy Director, ADOA
Derik Leavitt, Assistant Director, ADOA
Nola Barnes, Assistant Director, ADOA/GSD
John Hauptman, General Manager, ADOA/GSD/PCS
John Cocca, Director, ADLLC

STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

DATE: December 12, 2017

TO: Members of the Joint Committee on Capital Review

FROM: Sam Beres, Fiscal Analyst SB

SUBJECT: University of Arizona - Review of Athletics Facilities Projects

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 $67,900,000 project to construct a new indoor athletics practice facility and to renovate the softball field, aquatic center, football stadium, and the McKale Center locker rooms.

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 provisions:

Standard University Financing Provisions:

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

B. UA shall provide the final debt service schedule and interest rate for the projects as soon as they are available.

(Continued)

Key Points

1) The project includes a new indoor practice facility ($18 million), replacement of the intercollegiate swimming pool ($15 million), and renovations to the softball field ($8 million), football stadium ($25 million), and McKale Center locker rooms ($1.9 million).
2) No design drawings have been provided by UA.
3) The project's total debt financing cost is $109.8 million, including $42.6 million in interest payments.
4) Annual debt service of $4.4 million will be paid by a newly-implemented student athletics fee of $100.
5) Once fully implemented, UA estimates the new fee will generate $3.8 million per year.

Analysis

The proposed project would include 5 components, which are as follows:

- **New Indoor Sports Facility ($18 million) -** The new structure would be used as indoor practice facility for football as well as other sports. On gamedays, the university intends to utilize this space for fan amenities such as food, vendors, and entertainment.

- **Arizona Stadium Renovations ($25 million) -** The football stadium's improvements would include a ground level pedestrian concourse, a new student lounge area, renovations to the Stadium Club, and upgrades to restrooms and concessions. According to UA, many building systems have exceeded their life expectancy and need to be replaced to meet current codes and standards. Arizona Stadium was previously renovated in 2012, at which time the university added new football operations facilities and fan seating to the north end zone area. The proposed renovation would focus on the east side, which has not been substantially renovated since its construction in 1938.

- **Hillenbrand Aquatic Center Renovations ($15 million) -** According to UA, the current intercollegiate swimming pool is structurally failing due to age, and the chemical room is not up to code. The old pool will be replaced with a new, larger swimming pool. The old dive pool will also be demolished to make way for the larger pool. The renovation will also include other upgrades and repairs to the control and chemical systems.

- **Hillenbrand Softball Field Renovations ($8 million) -** Upgrades include seat shading, concourse improvements, fan suites, press box expansion, dugout upgrades, and replacement of the netting system behind the backstop of the UA softball team's field.

- **McKale Center Renovations ($1.9 million) -** Includes the creation of 4 additional locker rooms, and the remodeling or renovation of 3 existing ones for non-basketball team sports. The project will also add a new kitchenette for student athlete use.

Financing

UA will issue $67.2 million in system revenue bonds which are estimated to carry an interest rate between 3.6% and 4.1% and a maturity of 25 years. Assuming the 4.1% interest rate, average annual debt service is expected to be $4.4 million. Total debt service costs will be $109.8 million. For more details related to the terms of the proposed bond issuance, see *Table 1.* This bond issuance will not be part of the $1 billion bonding package passed in the 2017 Legislative Session. In addition to the bond issuance, UA would use $700,000 in Intercollegiate Athletics revenue to complete the McKale locker room renovation project, resulting in a total project cost of $67.9 million.

(Continued)

Student Athletics Fee

The debt service will be primarily paid through a new student athletics fee which was approved by the Arizona Board of Regents in the spring of 2017. The new $100 per year fee is mandatory for all undergraduate students. Graduate students pay an annual fee of $50, and have the option to opt out. UA notes that it was previously 1 of only 2 schools in the Pac-12 Athletic Conference that did not levy a fee for athletics. This fee is in addition to a health and recreation fee of $425 per year and a recreation center bond fee of $50 per year. These fees go towards funding the operations and capital costs of campus recreation and health centers.

Because of UA's tuition guarantee pledge, the new fee will not be levied on students that were enrolled prior to the fall 2017 semester, and will only apply to new students. Hence, the fee will not become fully phased in for roughly 4 years. During that time span, UA intends to use $5 million in gifts that have already been raised to supplement the fee in paying debt service on the bonds.

Once fully implemented, UA anticipates that the fee will generate $3.8 million annually, which is sufficient to pay 86% of the estimated annual debt service cost of $4.4 million. The debt service not covered by the fee will be paid for by other Intercollegiate Athletics revenues.

<u>Construction</u>

Of the total $67.9 million construction cost, $52.5 million represents direct construction costs (excluding items such as design and project management). The new 45,000 square foot indoor sports center will carry a construction cost of $13.9 million, with construction-only costs of $309/square foot. For a breakdown of the direct construction costs by project component, please see *Table 2* below.

Construction is expected to begin in early 2018 and to be completed by August 2019. At this stage, no design drawings have been provided by UA.

Table 1

UA Athletic Facilities Bond Issuance Details

Issuance Amount	$67.2 million
Issuance Date	Early 2018
Issuance Transaction Fees	$835,000
Rating	Aa2(Moody's)/AA-(S&P)
Interest Rate	3.6% - 4.1%
Term	25 years
Total Debt Costs	$109.8 million
Debt Service Payments	$1.1 million (FY 2018); $4.4 million (FY 2019 – FY 2043)
Payment Source	New $100 per year student athletics fee, gifts, other university revenues
Debt Ratio Increase	0.10% (from 5.02% to 5.12%)

(Continued)

Table 2

Project Components and Costs

	Total Project Cost	Construction Only Cost	Gross Sq. Feet	Construction Cost/SF	Anticipated Completion
New Construction					
Indoor Sports Center[1/]	$18,000,000	$13,925,000	45,000	$309	February 2019
Renovations					
Arizona Football Stadium	25,000,000	18,970,000			August 2019
Hillenbrand Aquatic Center	15,000,000	11,750,000			January 2019
Hillenbrand Softball Facility	8,000,000	6,400,000			February 2019
McKale Locker Rooms	1,900,000	1,500,000			Fall 2018
Total	**$67,900,000**	**$52,545,000**			

1/ The Indoor Sports Facility will generate additional annual operating and maintenance costs of $313,000.

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
Ofc: 520-621-5977
Fax: 520-621-7714

November 28, 2017

The Honorable Senator Lesko, Chairman
Joint Committee on Capital Review
House of Representatives
1716 West Adams
Phoenix, Arizona 85007

Dear Senator Lesko:

In accordance with ARS 15-1683, the Arizona Board of Regents (ABOR) requests that the bond-financed Intercollegiate Athletics (ICA) project for the University of Arizona (UA) be placed on the next Joint Committee on Capital Review agenda for review.

The UA is planning to complete an Intercollegiate Athletics project to address much needed upgrades to several athletic facilities. This project will allow UA to remain competitive among Division I institutions by maintaining a strong athletics program which brings exposure to the university and economic impact to the Tucson region. In 2014, a study estimated the UA's athletic program economic impact is between $120 million to $150 million each year. An additional study found that a single game, Arizona vs Iowa, had an $8 million economic impact on the greater Tucson community.

Additionally, the university's presence on cable television and other media platforms helps expand the University's brand which directly contributes to greater recruitment efforts of high quality students from around the country. In order to leverage our athletic programs as a recruitment tool and maintain a competitive edge, the UA must modernize those facilities that have not been renovated for several decades.

As presented below the Intercollegiate Athletics project will address five separate facilities.

Arizona Stadium Improvements

The east side of the Arizona Football Stadium that will be included in this phase of renovations was built in 1938, it has never been significantly renovated. Most of the restroom fixtures and mechanical/electrical equipment were installed when the building was constructed. The building system infrastructure has far exceeded its life expectancy and is performing poorly. As a result, this Stadium area is not competitive with modern Division 1 stadium standards. This renovation will improve public safety, security, disabled access, energy efficiency and maintenance costs, while significantly improving the fan experience for students and others attending the game. Life safety, security, and accessibility elements of the facility must be upgraded to meet building code requirements.

The UA chose to renovate the existing Stadium rather than build a new one due to the extreme cost of new stadium construction, and the suitability of the existing stadium for renovation.

This project will renovate the student section on the east side of the existing football stadium to provide much needed circulation, restrooms, concessions and security provisions, for the benefit of the UA students attending the games. The primary renovation area is the full length of the east side lower level of the Stadium, which serves as the student seating section. New Stadium entrances, security barriers and ticket boxes will also be provided, with the conversion of an existing service loading and parking alley behind the Student Section to a student/pedestrian concourse and student activity space. Some improvements to the intermediate level Stadium Club are also planned, to provide improved circulation, restrooms, concessions and amenities. Various structural and infrastructure repairs will also be included as needed.

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

Arizona Stadium, East Side – renovation project, approx. lifespan 50 years

$ 300,000	Demo/prep (part of the construction cost), • demolition of areas underneath the seating bowl
$ 2,400,000	Preconstruction costs • including design-build team, PDC, reimbursables
$20,800,000	Construction cost (including design & construction contingency and excluding demo/prep), • convert parking alley into pedestrian concourse • construct new restrooms and concessions area • new field level vomitories • reconfigure southeast entry gate and ramps access • support spaces including security, ticketing & storage
$ 1,500,000	Furniture, Fixtures & Equipment and other indirect costs including testing & inspections, State risk management insurance, and project management
$25,000,000	TOTAL PROJECT COST

Hillenbrand Aquatic Center Improvements

The Aquatic Center's main swimming pool, which was built in 1975, and was partially renovated in 1989. It is cracking and structurally failing, and the pump and chemical management room, which does not comply with current codes or safety standards, is breaking down with increasing frequency. Replacement parts for many equipment items are no longer available, and the maintenance costs are no longer sustainable. This new pool and pump facility will support the recruitment of student athletes, provide a wide range of training and event options for them, and provide a resource for the entire community.

This project is a life cycle replacement of the University's main swimming pool, and the pump room with its pump, filter, chemical management equipment and electronic controls. The existing control booth will be improved to effectively manage the pool equipment and scoreboard. The new pool will be enlarged to include the area currently occupied by the old dive pool, to accommodate multiple concurrent meet events. The enlarged pool will include movable bulkheads to provide flexibility for both long and short course events.

This project is considered to be a renovation, but much of the project involves the construction of a new and enlarged pool. A new pool is needed due to the structural cracking and inability to repair the existing pool. This is clearly the most cost-effective and practical approach.

Below is a list of cost associated with each area of renovation:

Hillenbrand Pool – renovation project

$ 700,000 Demolition and excavating for added pool depth

- Remove existing concrete retaining walls (50m pool and old dive pool/dispose)
- Remove concrete pool deck
- Backfill old dive pool

$ 10,500,000 New 70 meter Pool

- Concrete retaining walls
- Tiling
- Plumbing (piping and valves)
- Chemical treatment
- Filtration Equipment
- Tensile shad structures
- Moveable bulkheads
- Construction Contingency

$ 3,800,000 Indirect Cost

- Design-Build Fee
- Design Professional Fees
- Design Contingency
- University Facilities and Project Management Services

$15,000,000 TOTAL PROJECT COST

Hillenbrand Softball Facility Improvements

This Hillenbrand Softball Facility was built in 1993. Some areas of the stadium were improved in a partial phase 1 renovation in 2014, but the elements related to this project have not been previously renovated. This project is needed to provide protection from the intense sun which can cause heat-related health issues in the spectator seating. This project will also improve fan circulation and comfort. The press box improvements are needed to meet basic press and television needs, and make the stadium eligible for future televised tournament play. Dugout improvements will make the player areas more functional, and the backstop netting will improve fan safety and visibility. All of these improvements will improve recruiting and game attendance.

This project will improve the existing softball stadium to provide new shade for the seating areas, retreat/standing areas, fan suites, a press box expansion, upgraded dugouts, and a new backstop netting system. The renovations would upgrade the fan, player, staff and media experiences to meet current industry norms.

The UA chose to renovate the existing Softball Facility rather than build a new one because the existing stadium works well and is in very good condition, except for the problems that this renovation project will solve. It would be extremely expensive to build a new facility, and this renovation approach is clearly the most practical and cost-effective approach.

Hillenbrand Softball – renovation project, approx. lifespan 50 years

$ 100,000	Demo/prep (part of the construction cost), • selective demolition
$ 600,000	Preconstruction including design professional, CM at Risk, PDC, reimbursables
$6,600,000	Construction cost (including design &Construction contingency and excluding demo/prep), • shade structure with pole-less foul ball protection • new press box • elevator to new loge and suite seating • dugout improvements
$ 700,000	Furniture, Fixtures & Equipment and other indirect costs including testing & inspections, State risk management insurance, and project management
$8,000,000	TOTAL PROJECT COST

Indoor Sports Facility

The Indoor Sports facility will provide protection from the excessive heat and violent monsoon storms that routinely compromise existing outdoor practice areas. The designated football practice seasons occur during the heaviest heat and lightning storm months of the year, and practice sessions are frequently compromised or cancelled as a result. This facility will also provide a large indoor environment needed for many kinds of large group, pre-game and post-game activities.

This project will construct a new 45,000 gsf building to provide safe, all-weather practice for football and other sports. It will be a multi-use facility that will benefit multiple athletic programs and serve as a game day tailgating venue for food service, vendors, music, seating and other fan experience amenities. It can also be made available for the use of community groups and events.

Indoor Sports Center – new facility, approx. lifespan 50 years

$ 700,000	Demo/prep (part of the construction cost), • demolition of portions of Sancet Stadium • utility extensions
$ 1,300,000	Preconstruction costs • including design-build team, PDC, reimbursables
$11,800,000	Construction cost (including design & construction contingency and excluding demo/prep), • Engineered metal building

- Artificial turf practice field
- Support spaces including restrooms & storage

$ 1,200,000 Furniture, Fixtures & Equipment and other indirect costs including testing & inspections, State risk management insurance, and project management

$15,000,000 TOTAL PROJECT COST

McKale Center Locker Room Improvements

The McKale Center was built in 1973, and while other areas of the building have undergone significant renovations, these specific areas of the facility have not been significantly renovated since the building opened. This project is needed to provide effective, functional and competitive facilities for 10 different athletics programs that utilize these locker room facilities.

This project will renovate multiple locker rooms and add a needed team area and kitchenette for the use of student athletes associated with many athletic programs.

McKale Center Locker Room Improvements

$ 100,000 Preconstruction costs

- Verification of existing conditions
- Design services
- Contractual documents
- Estimates
- Permitting
- Bidding
- Project Management

$ 1,500,000 Construction costs (including Design & Construction contingency)

- Four new locker rooms (women's soccer, women's track, men's golf and men's tennis). Remodel two existing locker rooms (men's track and women's swimming). Renovate visitor's locker room
- Keyless Access, telecommunication and audio visual

$ 300,000 Indirect Costs

- Furniture, Fixtures & Equipment
- Insurance
- Surveys
- Testing
- Moving

$ 1,900,000 TOTAL PROJECT COST

Bond and Finance Summary

The UA plans to issue System Revenue Bonds in the amount of $67.2 million to finance the Intercollegiate Athletics (ICA) project. Based on the current market condition, the estimated interest rate should be in the range of 3.6% to 4.1%. The actual interest rates which the bonds are sold to investors will be a function of market rate at the time the bonds are sold. The UA plans to issue the bonds in early 2018. For the purpose of estimating annual debt service, a conservative approach of using the higher end of 4.1% interest on the bonds with final maturity of approximately 25 years. The estimated annual debt service, based on the 4.1% interest, is $4.4 million. Funding for the debt service will be by a $5 million gift from a generous UA donor, from student fee revenue, and ICA auxiliary revenues. The gift funds will be used in the early years to pay the majority of the debt service until the student fee revenue reaches its capacity. ICA auxiliary revenues will be used to pay any debt service shortfall that the student fee revenue cannot cover.

UA must finance the project through long term debt because ICA does not have $67.2 million in cash to fund the project. The debt service on the project will be funded primarily by annual student fee revenue that has received student support and ABOR approval (see summary below). The project needs to be financed by long-term debt in order to align the annual debt service to the student fee revenue stream. If UA were to use central cash to fund the ICA project, it will deplete the university's liquidity significantly and could have its credit ratings downgraded by Moody's and Standard and Poor's. The credit ratings downgrade will increase interest expenses on the University's bonds. In addition, the low cash balance will jeopardize the University's ability to cover cash flow for monthly operating activities such as payroll expenses that average $92.8 million, payments to vendors and suppliers of $86.2 million, and annual debt service of $123 million. The majority of UA's federal grants and contracts of $362.5 million are cost reimbursements which require the use of UA's cash to cover expenses up front before claiming on the grants and contracts.

Student Fee

The process used to solicit student impact for the Athletics Fee included an extended period of notification and consultation with student leadership in both Associated Students of the University of Arizona (ASUA) and the Graduate and Professional Student Council (GPSC). Through cooperative efforts with student leadership to revise the terms and benefits of the fee, it was recommended to ABOR and passed in April 2017. The implementation of the student athletic fee began with the Fall 2017 freshman class and is projected to produce $1,000,000 per year. Once fully implemented the fee will fund approximately $3.8M annually to the department of intercollegiate athletics.

Prior to 2017, UA was one of only two public schools in the Pac-12 Conference that did not receive assistance via student fees. Discussions about these renovation plans are currently underway and have included ongoing conversations with the student athletic fee advisors including ASUA President and the ZonaZoo Executive Director.

Enclosed please find the ABOR Project and Financing Issuance Approval Submittal, System Revenue Bonds Amortization Schedule and Summary of Financing Information.

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

Sincerely,

Gregg Goldman
Senior VP for Business Affairs and Chief Financial Officer

Attachments: ABOR Project and Financing Issuance Approval Submittal, System Revenue Bonds Amortization Schedule and Summary of Financing Information

cc: Tim Bee, Vice President, Government and Community Relations, UA
Eileen I. Klein, President, Arizona Board of Regents
Sam Beres, JLBC Analyst
Lisa Rulney, Associate Vice President for Financial Services, UA
Lorenzo Martinez, Associate Vice President for 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 19, 2017 JCCR Meeting
University of Arizona Projects Submission

Intercollegiate Athletics Project
System Revenue Bonds
Amortization Schedule

Period Ending	Annual Principal	Annual Interest	Annual Debt Service
6/1/2018	-	1,148,000	1,148,000
6/1/2019	1,590,000	2,755,200	4,345,200
6/1/2020	1,655,000	2,690,010	4,345,010
6/1/2021	1,725,000	2,622,156	4,347,156
6/1/2022	1,795,000	2,551,430	4,346,430
6/1/2023	1,870,000	2,477,836	4,347,836
6/1/2024	1,945,000	2,401,166	4,346,166
6/1/2025	2,025,000	2,321,420	4,346,420
6/1/2026	2,110,000	2,238,396	4,348,396
6/1/2027	2,195,000	2,151,886	4,346,886
6/1/2028	2,285,000	2,061,890	4,346,890
6/1/2029	2,380,000	1,968,206	4,348,206
6/1/2030	2,475,000	1,870,626	4,345,626
6/1/2031	2,580,000	1,769,150	4,349,150
6/1/2032	2,685,000	1,663,370	4,348,370
6/1/2033	2,795,000	1,553,286	4,348,286
6/1/2034	2,910,000	1,438,690	4,348,690
6/1/2035	3,030,000	1,319,380	4,349,380
6/1/2036	3,150,000	1,195,150	4,345,150
6/1/2037	3,280,000	1,066,000	4,346,000
6/1/2038	3,415,000	931,520	4,346,520
6/1/2039	3,555,000	791,506	4,346,506
6/1/2040	3,700,000	645,750	4,345,750
6/1/2041	3,855,000	494,050	4,349,050
6/1/2042	4,010,000	335,996	4,345,996
6/1/2043	4,185,000	171,586	4,356,586
	67,200,000	42,633,656	109,833,656

Joint Committee on Capital Review
December 19, 2017 JCCR Meeting
University of Arizona Project Submission

Summary of Financing Information:

Intercollegiate Athletics System Revenue Bonds

Issuance amount:	$ 67,200,000
Estimated Cost of Issuance:	$ 835,000
Estimated interest rate:	4.1%
Payment term:	Approximately 25 years
Fund Source for debt payment:	Gift/Intercollegiate Athletics (ICA) Student Fee/Auxiliary Revenues

Annual debt service (by fund source):

Principal & Int. FY18 – FY43 (Ave.)	Gift/ ICA Student Fee/ Auxiliary Revenues	$4,400,000
Total debt service through maturity	Gift/ ICA Student Fee/ Auxiliary Revenues	$110,000,000

Anticipated date of issuance:	Early 2018
Expected bond rating:	AA- (S & P) and Aa2 (Moody's)

Debt Ratio Information:

Current projected debt ratio	5.02%
Increment debt ratio	0.10%
Projected highest debt ratio	5.12%

EXECUTIVE SUMMARY

Item Name: Intercollegiate Athletics Projects and Financing Approvals (UA)

- ☒ Action Item
- ☐ Committee Recommendation to Full Board
- ☐ First Read of Proposed Policy Change
- ☐ Information or Discussion Item

Issue: The University of Arizona asks the board for project approval of $66 million for four Intercollegiate Athletics projects, including the Arizona Stadium Improvements, Hillenbrand Aquatic Center and Hillenbrand Softball Facility Improvements, and a 45,000 square foot, Indoor Sports Center. The UA also asks the board for approval to sell system revenue bonds to finance $66 million for the projects mentioned above and $1.2 million to renovate the McKale Memorial Center locker room, and to pay costs of issuance and payments to a bond insurer or other credit enhancer if used. The debt service will be paid over approximately 25 years from student fees and gifts.

Previous Board Action

FY 2019-2021 Capital Improvement Plan – September 2017
Revised FY 2018 Capital Development Plan – November 2017

Enterprise or University Strategic Plan

- ☐ Empower Student Success and Learning
- ☐ Advance Educational Attainment within Arizona
- ☐ Create New Knowledge
- ☒ Impact Arizona
- ☒ Compliance
- ☐ Real Property Purchase/Sale/Lease
- ☐ Other:

Statutory / Policy Requirements

- ABOR Policy 7-109 requires approval of new construction projects with a total project cost over $10 million before contracts can be executed and construction can begin.
- ABOR Policy 7-109 requires approval of renovation or infrastructure projects with a total project cost over $5 million before contracts can be executed and construction can begin.

Contact Information:
Gregg Goldman, Senior Vice President and CFO, (520) 621-5977, ggoldman@email.arizona.edu

- ABOR Policy 7-102 requires approval of the issuance of bonds, lease-purchase agreements, certificates of participation issuance, or any debt instrument.

- ABOR Policy 3-501A requires matters relating to the issuance and sale of debt to be presented for board action as outlined in board policy.

Project Justification / Description / Scope

- Intercollegiate Athletics is planning to complete the following projects:

    - Renovate the east side of the existing football stadium to provide enhanced fan amenities. Primary elements at the ground level, which serves the student seating section, include conversion of a service parking alley into a pedestrian concourse and creation of a student lounge space. The primary element on the intermediate level is the renovation of the Stadium Club. Circulation, restrooms, concessions and amenities will be expanded and upgraded at each concourse level. Life cycle repairs will be made to infrastructure and systems. Construction will be phased over two football off-seasons, with work on the ground level occurring during the first phase and the upper levels during the second phase. The first phase during the 2018 off-season will include renovations in the student seating section; conversion of vehicular areas underneath the east bowl into a pedestrian concourse; construction of additional concession stands and restrooms; and modifications to the entry gates at the southeast corner of the stadium. The second phase during the 2019 off-season will include renovations to the 100 level concourse; construction of additional concession stands and restrooms; and renovations to the Stadium Club.

    - Replacement of the main swimming pool, the pump and chemical accessory rooms and either the addition of a conditioned electronic control room or the renovation of the existing control booth into conditioned space for scoreboard control. The new pool will be larger to accommodate various meet events occurring at the same time and include movable bulkheads to provide both long and short course options. The old dive pool will be demolished to create the space required for this larger pool.

    - Improvements to the existing softball stadium including the following primary items: sun shading of spectator seating areas; creating new spectator amenities including fan suites and retreat/standing areas; press box expansion and renovations; upgrading the dugouts; and replacing the backstop netting system. The renovations would upgrade the fan, player, staff and media experiences to current industry norms.

- Construct a new 45,000 gsf building to provide safe, all-weather practice for football and other sports. A multi-use facility that is envisioned to benefit multiple sports which will also serve as a game day venue providing food, vendors, music, seating and other fan experience amenities.

Project Delivery Method and Process

- A Design-Build (DB) delivery method will be utilized for the Arizona Stadium Improvement project; the Hillenbrand Aquatic Center project and the Indoor Sports Center project. The Design-Builder provides a Guaranteed Maximum Price (GMP) based upon the amount previously agreed upon in the Design-Build agreement. The Design-Builder is at risk to provide the completed project within that price. In the selection of major subcontractors, the Design-Builder uses a qualifications-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, such as for energy management systems and door locks. A final report on project control procedures will be provided at project completion.

- The Hillenbrand Softball Facility project is being delivered through the Construction Manager at Risk (CM@R) method. This approach was selected for the project because it can save time and cost, provides contractor design input and coordination throughout the project, improves potentially adversarial project environments, and allows for the selection of the most qualified contractor for this project. With the use of an independent cost estimate 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.

Project Status and Schedule

- These projects were included in the FY 2019-2021 Capital Improvement Plan which was approved by the Board in September 2017.

- Arizona Stadium Renovation project is in the planning phase, with construction of Phase 1 scheduled to begin early 2018 with completion in August 2018. Phase 2 construction is scheduled to begin early 2019 with completion in August 2019.

- Hillenbrand Aquatic Center Improvement project is in the planning phase. Construction is targeted to begin during the swimming off-season, with completion prior to the start of the swimming season.

- Indoor Sports Center project is in the planning phase. Construction is scheduled for Spring 2018, with completion in Winter of 2019.

- Hillenbrand Softball Facility project is in the planning phase. Construction is targeted to begin in the Summer of 2018, with completion in Winter 2019.

Project Cost

- The total project budget for the Arizona Stadium Renovation project is $25 million with a construction cost of $18.970 million.

- The total project budget for the Hillenbrand Aquatic Center Improvement project is $15 million with a construction cost of $11.75 million.

- The total project budget for the Indoor Sports Center project is $18 million with a construction cost of $13.925 million.

- The total project budget for the Hillenbrand Softball Facility Renovation project is $8 million with a construction cost of $6.4 million.

Fiscal Impact and Financing Plan

- The UA intends to finance the Intercollegiate Athletics (ICA) project cost of $66 million and the minor renovation project at McKale Memorial Center cost of $1.2 million totaling $67.2 million by selling System Revenue Bonds. The ICA project components to be financed are the Arizona Stadium Improvements ($25M); Hillenbrand Aquatic Center ($15M); Hillenbrand Softball Facility Improvements ($8M); Indoor Sports Center ($18M). The estimated annual debt service on the SRB is $4.4 million based on a 25-year maturity with an assumed 4.1% interest rate.

- The financing approval request includes the McKale Locker Room Renovation project which is less than $5 million and does not require project approval per ABOR policy, but does require financing approval. Intercollegiate Athletics is remodeling multiple locker rooms and is adding a lounge/team area, kitchenette, etc. This project will improve the student athlete support areas. The McKale Locker Room Renovation project is in the planning phase. Construction is targeted to begin in early 2018, with completion in Fall 2018. The total project budget for the Renovation project is $1.5 million with a construction cost of $1 million. The UA is requesting financing approval of $1.2 million. The remaining $300,000 project cost will be funded by ICA Auxiliary funds. A Design

EXECUTIVE SUMMARY

Professional was selected using the Annual Request for Qualifications process. The selected firm has an open-end contract with the UA. This ICA project will utilize a Job Order Contract contractor.

- The estimated annual operation and maintenance (O&M) cost for the Indoor Sports Center is $313,000. Since the other components are renovations, there are no expected increases in O&M costs. The UA will pay the annual O&M cost for the Indoor Sports Center with ICA Auxiliary funds.

- **Debt Ratio Impact**: The debt service associated with the ICA project will increase the debt ratio by .10 percent excluding SPEED bonds. The projected highest debt ratio is 5.12 percent excluding SPEED bonds and 6.35 percent including SPEED bonds.

- The UA intends to utilize a financial advisor, a bond counsel, and a bond trustee previously approved by the Board. The SRBs will be marketed and sold on a negotiated basis to one or more investment banking firms previously approved by the Board or through a direct sale of the SRBs to a bank or banks.

The University plans to issue System Revenue Bonds to finance the projects mentioned above in early 2018. The table below shows the anticipated pricing parameters for the SRBs.

Item		Comments
Project Costs	$ 67,200,000	Not to exceed amount
Issuance Costs (not to exceed)	$ 835,000	Not to exceed amount
Credit Enhancement/Insurance Cost	TBD	Only executed if provides benefit that exceeds cost of insurance
Fixed Interest Rate (anticipated rate /not to exceed rate)	4.1%/6%	Not to exceed 6% based on maximum the UA is willing to pay
Maturity Range	2018 - 2043	Final maturity is June 1, 2043
Average Instrument Life	15.50 years	Approximately 25 year financing period

- The university plans to use gift funding for this project.

Approved Projects					
	Approval Date	Occupancy Date	Project Cost	Gift Target	Current Gifts (cash/pledges)
ICA Project	CIP 09/2017	TBD	$67.5M	$5M	$5M

Occupancy Plan

- Arizona Stadium Renovations construction will be phased to occur during the next two football off-seasons so the use of the stadium will not be impacted.

- Construction of the Hillenbrand Aquatic Center would be during the swimming off-season. The swimming season commences in the month of January of each year and therefore completion would need to be by the end of the year prior.

- The Indoor Sports Center project site is used for outdoor football practice and for Intercollegiate Athletics storage. The adjoining Arizona Stadium would be utilized as a temporary location for these functions while the Indoor Sports Center is under construction.

- Construction of the improvements to the Hillenbrand Softball Facility would occur during the softball off-season, so use of the stadium will not be impacted.

Committee Review and Recommendation

The Business and Finance Committee reviewed this item at its November 2, 2017 meeting and recommended forwarding the item to the full board for approval.

Requested Action

The University of Arizona asks the board for Project and Financing Approval for the Intercollegiate Athletics Projects, as presented in this Executive Summary.

<u>Capital Project Information Summary</u>

EXECUTIVE SUMMARY

University: The University of Arizona **Project Name:** Arizona Stadium Improvements

Project Description/Location:
Intercollegiate Athletics is planning to renovate the east side of the existing football stadium to provide enhanced fan amenities. Primary elements at the ground level, which serves the student seating section, include conversion of a service parking alley into a pedestrian concourse and creation of a student lounge space. The primary element on the intermediate level is the renovation of the Stadium Club. Circulation, restrooms, concessions and amenities will be expanded and upgraded at each concourse level. Life cycle repairs will be made to infrastructure and systems.

Project Schedule:	Capital Development Plan Approval November 2017	Project Approval November 2017
Planning	August 2017	August 2017
Design	September 2017	September 2017
Construction – Phase 1	January 2018	January 2018
Occupancy – Phase 1	August 2018	August 2018
Construction – Phase 2	January 2019	January 2019
Occupancy – Phase 2	August 2019	August 2019
Project Budget:		
Total Project Cost	$25,000,000	$25,000,000
Construction Cost	$18,970,000	$18,970,000
Change in Annual Operation/Maintenance Cost		
• Utilities	N/A	N/A
• Personnel	N/A	N/A
• Other	N/A	N/A
Funding Sources:		
Capital:		
• System Revenue Bonds	$25,000,000	$25,000,000
Operation/Maintenance:	N/A	N/A

EXECUTIVE SUMMARY

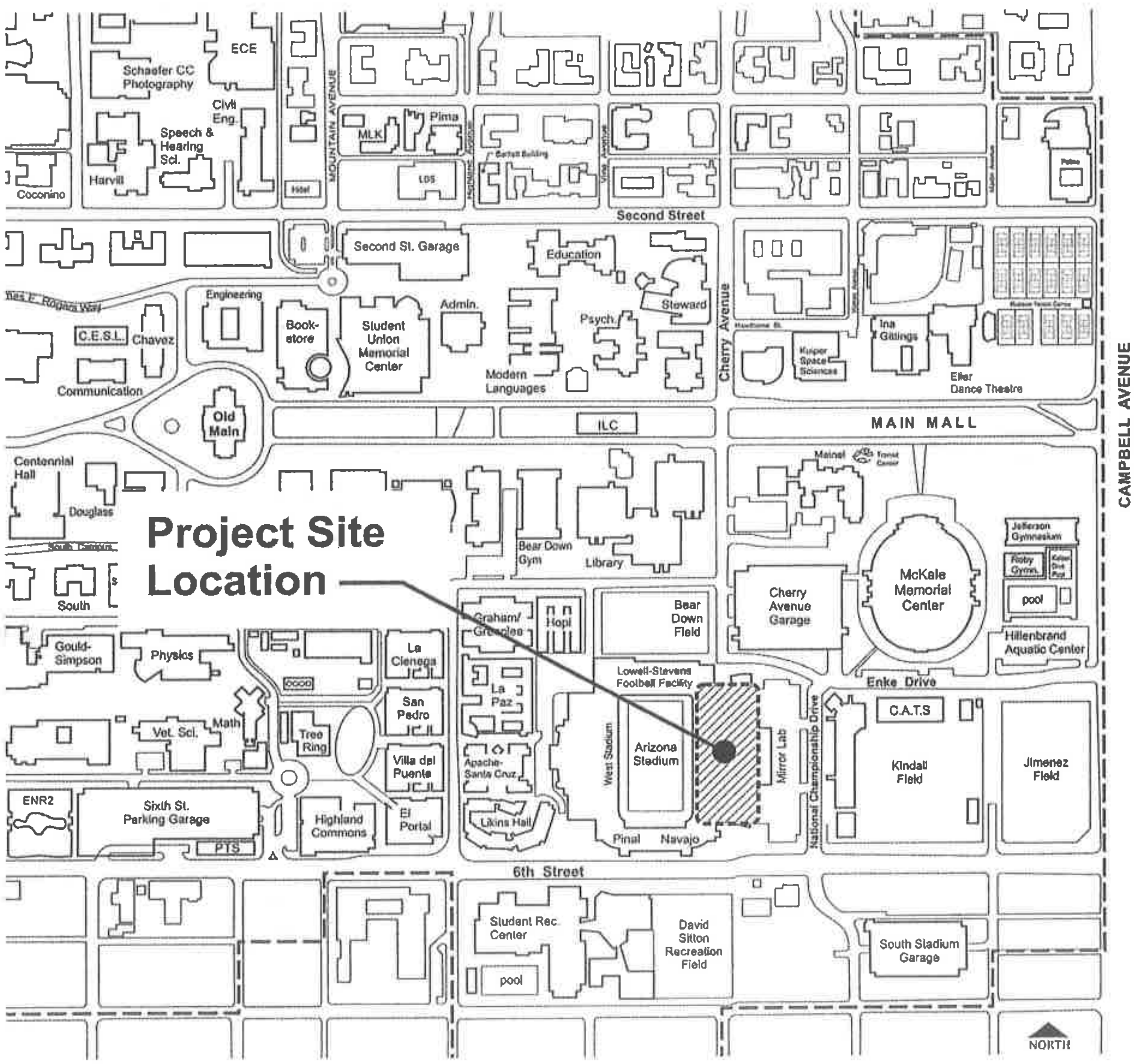
Capital Project Budget Summary

University: The University of Arizona **Project Name:** Arizona Stadium Improvements

		Capital Development Plan Approval	Project Approval
Date of Budget Estimate		Nov-17	Nov-17
1	Land Acquisition	$ -	$ -
2	Construction Cost		
	A. New Construction	$ -	$ -
	B. Renovation	$ 17,870,000	$ 17,870,000
	C. Fixed Equipment	$ -	$ -
	D. Site Development (exclude 2.E.) (in 2A)	$ -	$ -
	E. Parking & Landscaping (in 2A)	$ -	$ -
	F. Utilities Extensions (in 2A)	$ -	$ -
	G. Other (asbestos)	$ 1,100,000	$ 1,100,000
	Subtotal Construction Cost	**$ 18,970,000**	**$ 18,970,000**
3	Consultant Fees		
	A. Construction Manager	$ 190,000	$ 190,000
	B. Architect/Engineering Fees	$ 1,900,000	$ 1,900,000
	C. Other (Programming, Special Consult.)	$ 200,000	$ 200,000
	Subtotal Consultant Fees	**$ 2,290,000**	**$ 2,290,000**
4	Furniture Fixtures and Equipment	$ 500,000	$ 500,000
5	Contingency, Design Phase	$ 950,000	$ 950,000
6	Contingency, Construction Phase	$ 950,000	$ 950,000
7	Parking Reserve	$ 300,000	$ 300,000
8	Telecommunications Equipment	$ 250,000	$ 250,000
	Subtotal Items 4-8	**$ 2,950,000**	**$ 2,590,000**
9	Additional University Costs		
	A. Surveys and Tests	$ 65,000	$ 65,000
	B. Move-in Costs	$ -	$ -
	C. Public Art	$ -	$ -
	D. Printing/Advertisement	$ 5,000	$ 5,000
	E. Univ. Facilities & Project Management	$ 585,000	$ 585,000
	F. State Risk Mgt. Ins.	$ 135,000	$ 135,000
	Subtotal Additional University Costs	**$ 790,000**	**$ 790,000**
	TOTAL CAPITAL COST	**$ 25,000,000**	**$ 25,000,000**

EXECUTIVE SUMMARY

Project Site Location Map – Arizona Stadium Renovations



Capital Project Information Summary

University: The University of Arizona **Project Name:** Hillenbrand Aquatic Center Improvements

Project Description/Location:
This is a life cycle replacement of the main swimming pool, the pump and chemical accessory rooms and either the addition of a conditioned electronic control room or the renovation of the existing control booth into conditioned space for scoreboard control. The new pool will be larger to accommodate various meet events occurring at the same time and include movable bulkheads to provide both long and short course options. The old dive pool will be demolished to create the space required for this larger pool.

Project Schedule (Beginning Month/Year)	Capital Development Plan Approval	Project Approval
Planning	August 2017	August 2017
Design	December 2017	December 2017
Construction	Off-season 2018	Off-season 2018
Occupancy	January 2019	January 2019
Project Budget:		
Total Project Cost	$15,000,000	$15,000,000
Construction Cost	$11,750,000	$11,750,000
Change in Annual Operation/Maintenance Cost		
Utilities	N/A	N/A
Personnel	N/A	N/A
Other	N/A	N/A
Funding Sources:		
Capital:		
• System Revenue Bonds	$15,000,000	$15,000,000
Operation/Maintenance:		
• N/A	N/A	N/A

EXECUTIVE SUMMARY

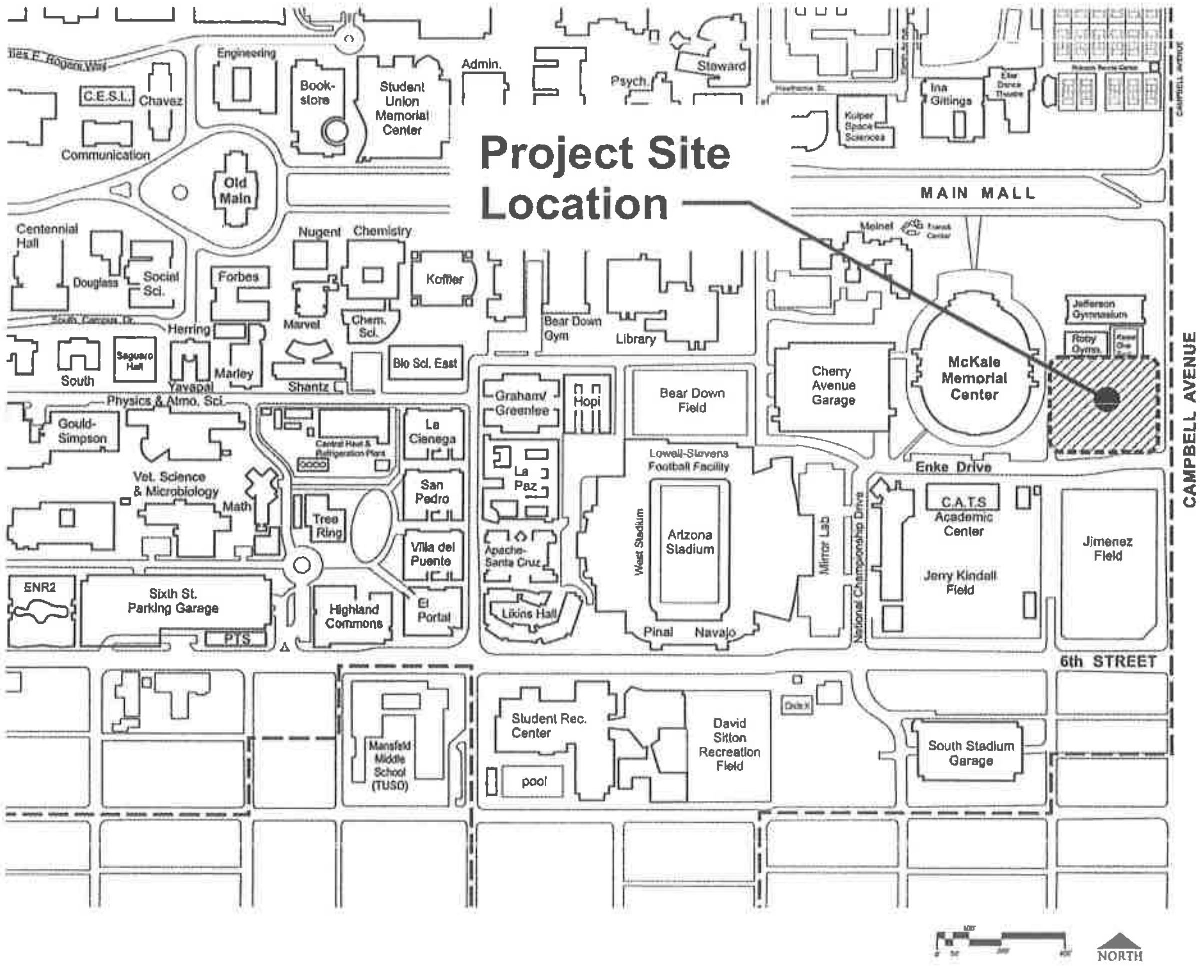
Capital Project Budget Summary

University: The University of Arizona **Project Name:** Hillenbrand Aquatic Center Improvements

		Capital Development Plan Approval	Project Approval
Date of Budget Estimate		Nov-17	Nov-17
1	Land Acquisition	$ -	$ -
2	Construction Cost		
	A. New Construction	$ -	$ -
	B. Renovation	$ 11,300,000	$ 11,300,000
	C. Fixed Equipment	$ -	$ -
	D. Site Development (exclude 2.E.) (in 2A)	$ -	$ -
	E. Parking & Landscaping (in 2A)	$ -	$ -
	F. Utilities Extensions (in 2A)	$ -	$ -
	G. Other (asbestos)	$ 450,000	$ 450,000
	Subtotal Construction Cost	**$ 11,750,000**	**$ 11,750,000**
3	Consultant Fees		
	A. Construction Manager	$ 115,000	$ 115,000
	B. Architect/Engineering Fees	$ 1,275,000	$ 1,275,000
	C. Other (Programming, Special Consult.)	$ 230,000	$ 230,000
	Subtotal Consultant Fees	**$ 1,620,000**	**$ 1,620,000**
4	Furniture Fixtures and Equipment	$ 150,000	$ 150,000
5	Contingency, Design Phase	$ 500,000	$ 500,000
6	Contingency, Construction Phase	$ 500,000	$ 500,000
7	Parking Reserve	$ 10,000	$ 10,000
8	Telecommunications Equipment	$ 40,000	$ 40,000
	Subtotal Items 4-8	**$ 1,200,000**	**$ 1,200,000**
9	Additional University Costs		
	A. Surveys and Tests	$ 25,000	$ 25,000
	B. Move-in Costs	$ -	$ -
	C. Public Art	$ -	$ -
	D. Printing/Advertisement	$ 5,000	$ 5,000
	E. Univ. Facilities & Project Management	$ 325,000	$ 325,000
	F. State Risk Mgt. Ins.	$ 75,000	$ 75,000
	Subtotal Additional University Costs	**$ 430,000**	**$ 430,000**
	TOTAL CAPITAL COST	$ 15,000,000	$ 15,000,000

EXECUTIVE SUMMARY

Project Site Location Map - Hillenbrand Aquatic Center Improvements



EXECUTIVE SUMMARY

Capital Project Information Summary

University: The University of Arizona **Project Name:** Indoor Sports Center

Project Description/Location:
A new 45,000 gsf building to provide safe, all-weather practice for football and other sports. A multi-use facility that is envisioned to benefit multiple sports which will also serve as a game day venue providing food, vendors, music, seating and other fan experience amenities. Building will be located on Sancet Field on the University of Arizona campus.

Project Schedule (Beginning Month/Year)	Capital Development Plan Approval	Project Approval
Planning	September 2017	September 2017
Design	December 2017	December 2017
Construction	Spring 2018	Spring 2018
Occupancy	Winter 2019	Winter 2019
Project Budget:		
Total Project Cost	$18,000,000	$18,000,000
Total Project Cost per GSF	$400	$400
Construction Cost	$13,925,000	$13,925,000
Construction Cost per GSF	$310	$310
Change in Annual Operation/Maintenance Cost		
• Utilities	$94,500	$94,500
• Personnel	$146,200	$146,200
• Other	$71.800	$71,800
Funding Sources:		
Capital:		
• System Revenue Bonds	$18,000,000	$18,000,000
Operation/Maintenance:		
• Other Local Funds	$312,500	$312,500

EXECUTIVE SUMMARY

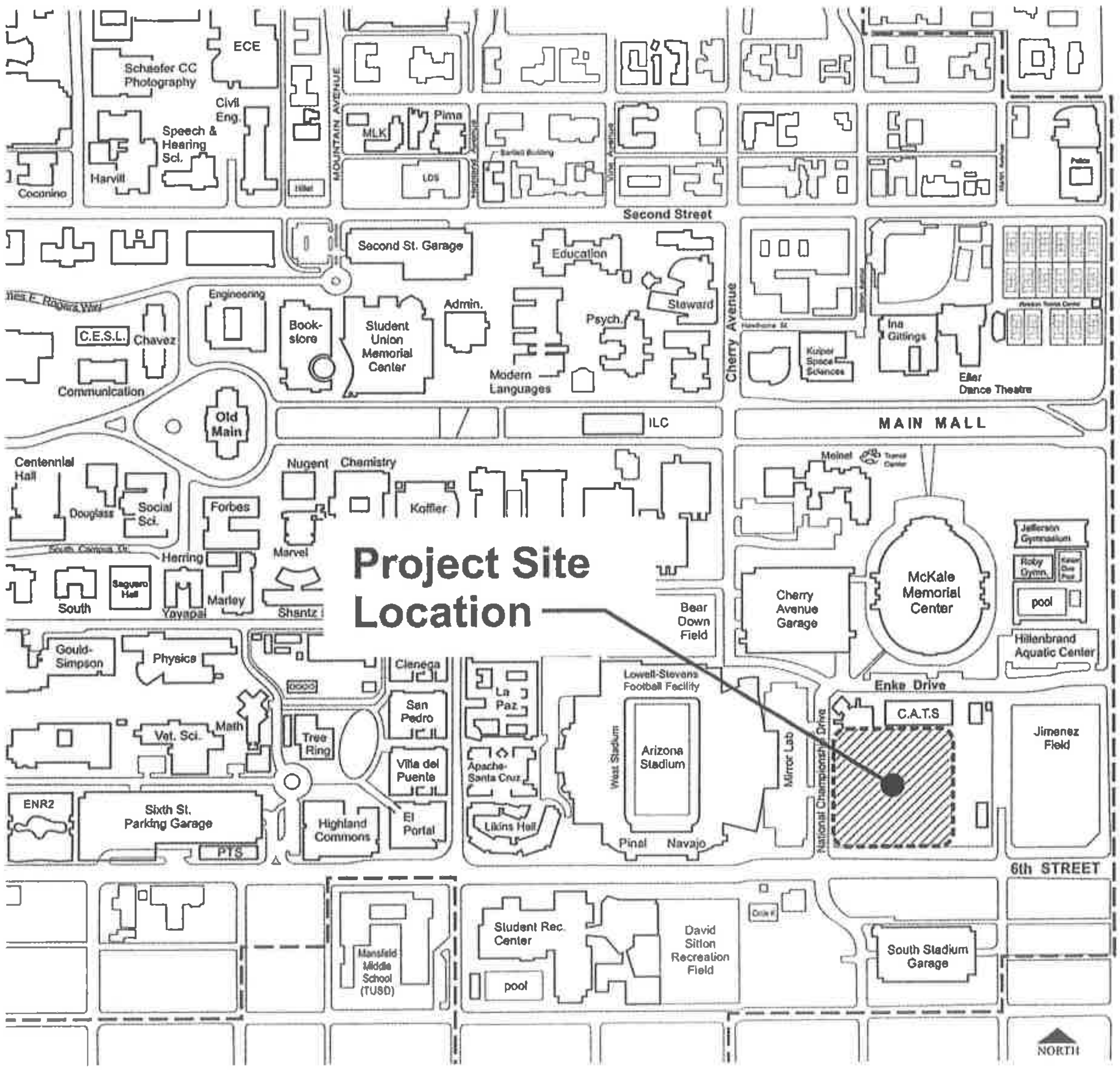
Capital Project Budget Summary

University: The University of Arizona **Project Name:** Indoor Sports Center

Date of Budget Estimate			Nov-17		Nov-17
1	Land Acquisition	$	-	$	-
2	Construction Cost				
	A. New Construction	$	13,375,000	$	13,375,000
	B. Renovation	$	-	$	-
	C. Fixed Equipment	$	-	$	-
	D. Site Development (exclude 2.E.) (in 2A)	$	-	$	-
	E. Parking & Landscaping (in 2A)	$	-	$	-
	F. Utilities Extensions (in 2A)	$	-	$	-
	G. Other	$	550,000	$	550,000
	Subtotal Construction Cost	**$**	**13,925,000**	**$**	**13,925,000**
3	Consultant Fees				
	A. Construction Manager	$	135,000	$	135,000
	B. Architect/Engineering Fees	$	1,225,000	$	1,225,000
	C. Other (Programming, Special Consult.)	$	60,000	$	60,000
	Subtotal Consultant Fees	**$**	**1,420,000**	**$**	**1,420,000**
4	Furniture Fixtures and Equipment	$	600,000	$	600,000
5	Contingency, Design Phase	$	675,000	$	675,000
6	Contingency, Construction Phase	$	675,000	$	675,000
7	Parking Reserve	$	-	$	-
8	Telecommunications Equipment	$	125,000	$	125,000
	Subtotal Items 4-8	**$**	**2,075,000**	**$**	**2,075,000**
9	Additional University Costs				
	A. Surveys and Tests	$	65,000	$	65,000
	B. Move-in Costs	$	-	$	-
	C. Public Art	$	-	$	-
	D. Printing/Advertisement	$	15,000	$	15,000
	E. Univ. Facilities & Project Management	$	400,000	$	400,000
	F. State Risk Mgt. Ins.	$	100,000	$	100,000
	Subtotal Additional University Costs	**$**	**580,000**	**$**	**580,000**
	TOTAL CAPITAL COST	**$**	**18,000,000**	**$**	**18,000,000**

EXECUTIVE SUMMARY

Project Site Location Map - Indoor Sports Center



EXECUTIVE SUMMARY

Capital Project Information Summary

University: The University of Arizona **Project Name:** Hillenbrand Softball Facility Improvements

Project Description/Location:
Intercollegiate Athletics is planning to make improvements to the existing softball stadium and is considering the following primary items: sun shading of spectator seating areas; create new spectator amenities including fan suites and retreat/standing areas; press box expansion and renovations; upgrade the dugouts; and replace the backstop netting system. The renovations would upgrade the fan, player, staff and media experiences to current industry norms.

Project Schedule (Beginning Month/Year)	Capital Development Plan Approval	Project Approval
Planning	August 2017	August 2017
Design	September 2017	September 2017
Construction	Summer 2018	Summer 2018
Occupancy	Winter 2019	Winter 2019
Project Budget:		
Total Project Cost	$8,000,000	$8,000,000
Construction Cost	$6,400,000	$6,400,000
Change in Annual Operation/Maintenance Cost:		
Utilities	N/A	N/A
Personnel	N/A	N/A
Other	N/A	N/A
Funding Sources:		
Capital:		
• System Revenue Bonds	$8,000,000	$8,000,000
Operation/Maintenance:	N/A	N/A

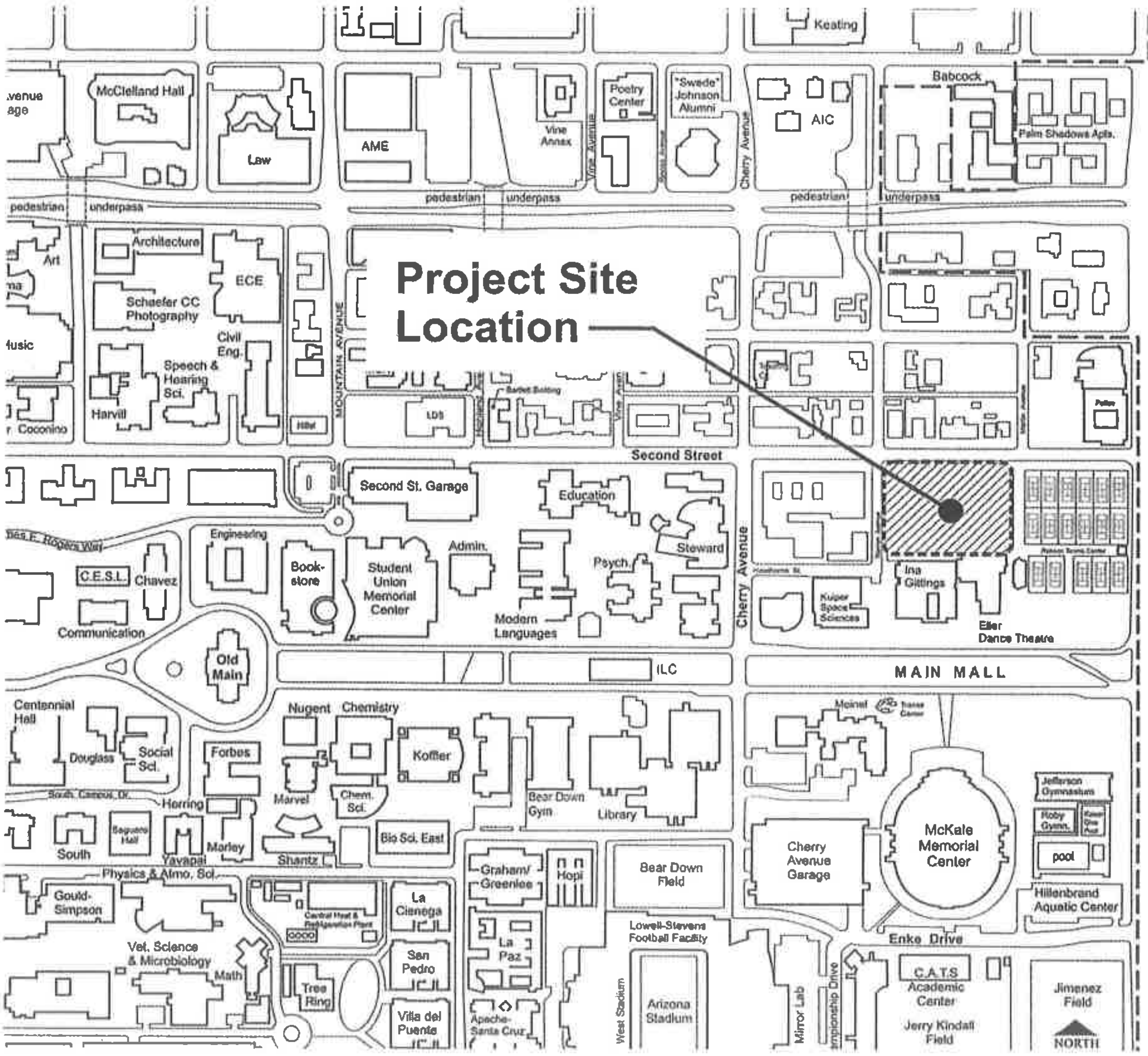
EXECUTIVE SUMMARY

Capital Project Budget Summary

University: The University of Arizona **Project Name:** Hillenbrand Softball Facility Improvements

		Capital Development Plan Approval	Project Approval
Date of Budget Estimate		Nov-17	Nov-17
1	Land Acquisition	$ -	$ -
2	Construction Cost		
	A. New Construction	$ -	$ -
	B. Renovation	$ 6,150,000	$ 6,150,000
	C. Fixed Equipment	$ -	$ -
	D. Site Development (exclude 2.E.) (in 2A)	$ -	$ -
	E. Parking & Landscaping (in 2A)	$ -	$ -
	F. Utilities Extensions (in 2A)	$ -	$ -
	G. Other (asbestos)	$ 250,000	$ 250,000
	Subtotal Construction Cost	**$ 6,400,000**	**$ 6,400,000**
3	Consultant Fees		
	A. Construction Manager	$ 60,000	$ 60,000
	B. Architect/Engineering Fees	$ 400,000	$ 400,000
	C. Other (Programming, Special Consult.)	$ 45,000	$ 45,000
	Subtotal Consultant Fees	**$ 505,000**	**$ 505,000**
4	Furniture Fixtures and Equipment	$ 150,000	$ 150,000
5	Contingency, Design Phase	$ 320,000	$ 320,000
6	Contingency, Construction Phase	$ 320,000	$ 320,000
7	Parking Reserve	$ -	$ -
8	Telecommunications Equipment	$ 30,000	$ 30,000
	Subtotal Items 4-8	**$ 820,000**	**$ 820,000**
9	Additional University Costs		
	A. Surveys and Tests	$ 25,000	$ 25,000
	B. Move-in Costs	$ -	$ -
	C. Public Art	$ -	$ -
	D. Printing/Advertisement	$ 5,000	$ 5,000
	E. Univ. Facilities & Project Management	$ 200,000	$ 200,000
	F. State Risk Mgt. Ins.	$ 45,000	$ 45,000
	Subtotal Additional University Costs	**$ 275,000**	**$ 275,000**
	TOTAL CAPITAL COST	$ 8,000,000	$ 8,000,000

Project Site Location Map – Hillenbrand Softball Facility



6A

STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

DEBBIE LESKO
CHAIRMAN
SYLVIA ALLEN
OLIVIA CAJERO BEDFORD
STEVE FARLEY
KATIE HOBBS
JOHN KAVANAGH
KIMBERLY YEE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

HOUSE OF REPRESENTATIVES

DAVID LIVINGSTON
ACTING VICE-CHAIRMAN
JOHN M. ALLEN
LELA ALSTON
MARK CARDENAS
HEATHER CARTER
VINCE LEACH
REBECCA RIOS

DATE: December 12, 2017

TO: Members of the Joint Committee on Capital Review

FROM: Matt Beienburg, Senior Fiscal Analyst MB

SUBJECT: Arizona State University - Consider Approval and Review of the Hayden Library Renovation

Request

Arizona State University (ASU) has requested the Committee's approval and review of their $90 million Hayden Library renovation. Of the $90 million, $35 million will be financed as part of the Capital Infrastructure Fund (CIF). A.R.S. § 15-1671 requires Committee approval of this portion of the transaction.

The remaining $55 million will be financed with system revenue bonds. A.R.S. § 15-1683 requires Committee review of this portion of the transaction.

The CIF portion of the project will constitute ASU's first use of the recently enacted $1 billion universitywide capital investment program.

Committee Options

The Committee has at least the following 2 options:

1. Approval and favorable review of the request.

2. Disapproval and unfavorable review of the request.

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

A. Within 1 month of the debt issuance, ASU shall provide the Committee a copy of its Tax Certificate in compliance with Internal Revenue Service requirements concerning the expected economic life of the projects.

(Continued)

Standard University Financing Provisions

B. Approval and 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.

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

Key Points

1) The main Tempe campus library is to be converted from a "bookstack-intensive traditional library"
2) The renovated building will emphasize student work and learning spaces and technology-based resources.
3) 70% of print materials to be relocated primarily to ASU East; made available via library delivery service.
4) Of the $90 million project cost, $55 million will be paid from system revenue bonds funded by tuition.
   - This portion of the project requires JCCR review.
5) The remaining $35 million will be paid from the Capital Infrastructure Fund (CIF).
   - This portion of the project requires JCCR approval.
   - This is ASU's first use of the 2017 $1 billion bonding plan.
   - Given the 1:1 CIF matching requirement, the General Fund will pay 50% of the debt service for this portion of the project.
6) The project's overall annual debt service will be $5.4 million, including $1.2 million from the General Fund.

Analysis

ASU intends to renovate and expand the main library on its Tempe campus. Constructed in 1966, and later enlarged with 2 underground levels in 1989, Hayden Library will be converted from a "bookstack-intensive traditional library" to a facility that maximizes student work and learning spaces and the availability of technology-based resources (such as computer labs and multi-media production spaces).

Space in the renovated facility will be allocated roughly as follows:

- Larger open working/study spaces (e.g. areas with tables/plugins for students to work on laptops and/or with books) (25%).
- Classrooms and instructional spaces (including reading rooms and multi-purpose space) (25%).
- Remaining collections/books (25%).
- Technology labs/specialty studios (computer labs, 3D printing equipment, etc.) (11%).
- Project/study rooms for small groups of students to work together in (10%).
- Exhibit spaces for public events (4%).

The project will entail a full renovation of all 5 levels of the original above-ground portion of the building and will add new classroom space to the 2 underground levels, which will remain open during the renovation. In doing so, the project will expand Hayden's total size from 211,000 to 240,000 square feet and increase student capacity from 1,106 to 2,917.

(Continued)

ASU will transfer approximately 860,000 volumes, or 70% of Hayden's primary source materials, to a "remote storage location" and other ASU campus libraries. The remaining volumes will be returned to Hayden after the renovation. ASU reports that library services will continue to function normally during the renovation, and that students will be able to request copies of relocated print materials using an "expedited delivery service" between the campuses. ASU reports that additional library and student staff have been hired to retrieve and deliver items overnight and that the university is also working to digitize materials held at the library for online access.

The project received the second of the 3 stages of ABOR approval at the June 8, 2017 ABOR meeting. ABOR is currently considering eliminating the third stage of approval, the individual project review, from its process for all capital projects. ABOR will instead evaluate all upcoming projects in each university's 12-month Capital Development Plan collectively once per year.

Financing

ASU intends to issue the $90.0 million of revenue bonds in December 2018 with an anticipated rating of Aa2 (Moody's)/AA (S&P) and an estimated interest rate of 4.2% over a 30-year term. ASU will fund debt service on $55.0 million of the bonds with tuition and on the remaining $35.0 million with CIF monies (which are funded with a mix of 50% tuition and 50% General Fund appropriations). As a result, the overall financing will be $72.5 million from tuition and $17.5 million from the General Fund.

In addition to project costs, issuance costs are projected to be $735,000. ASU will make an interest only payment of $2.2 million in FY 2019. From FY 2020 to FY 2049, debt service payments, including principal, will be approximately $5.4 million annually, for a total debt service obligation of $163.5 million. Of the amounts above, the General Fund will pay $432,300 of the debt service in FY 2019 and $1.2 million from FY 2020 through FY 2043, for a total of $28.8 million. *(See Table 2 for a summary of the bond financing terms).*

The debt service on this project increases ASU's current debt ratio from 4.4% to 4.68%.

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, the General Fund will finance 18% of the debt service while tuition funds the remainder.

(Continued)

Debt service payments made on CIF-funded projects will be included in the 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 $90.0 million total project cost, direct construction costs (excluding items such as design and project management costs) are $63.0 million. As shown in *Table 1*, total project costs per square foot are $375, while direct construction costs per square foot are $263.

ASU identified 2 out-of-state "comparable projects" (UC Santa Barbara library addition and North Carolina State University multi-use library) with total project costs per square foot of $397 and $528, respectively. ASU states that project construction will begin by spring 2018, and that the Construction Manager at Risk (CMAR) will complete the project under the guaranteed maximum price arrangement with ASU by fall 2019 (the classroom additions) and January 2020 (the above ground renovations).

ASU states that the project will retain the library's existing concrete structure, while undertaking a "full renovation of the original building" that will replace all interior finishes and building systems." ASU reports that the project will replace existing systems with "new, efficient infrastructure that will operate for another fifty years." The university describes Hayden's mechanical, plumbing, electrical and life safety control systems as "reaching the end of their life cycle" and estimates that the cost to replace them without the other programmatic renovations would be $44 million. The university has also stated that the cost to demolish and fully replace the library would be almost 35% higher than the budgeted renovation.

To ensure that the useful life of renovation improvements is at least comparable to the length of the bond term, the Committee may consider *Provision A*, which would require the university to provide a copy of the tax certificate that attests that the bond term does not significantly exceed the average useful life of the improvements.

Operations and Maintenance Costs

ASU estimates that the renovation will increase annual operations and maintenance costs by $96,300, which ASU intends to fund with tuition revenues.

(Continued)

Table 1

ASU Hayden Library Renovation

Total Square Footage	240,000 (increased from 211,000)	
Funding		
System Revenue Bonds [1/]	$90,000,000	
Costs		
Direct Construction Costs	$63,000,000	($263 per sq. ft.)
Other Costs [2/]	27,000,000	($112 per sq. ft.)
Total	**$90,000,000**	**($375 per sq. ft.)**
Increase in Operations & Maint. [3/]	$96,300	

1/ Annual debt service payments on $90.0 million principal are estimated at $2.2 million in FY 2019 and $5.4 million from FY 2020 – FY 2049 based on 4.2% interest rate for a total debt service cost of $163.5 million. Debt service on $35.0 million of the bonds will be paid by CIF monies (50% General Fund, 50% tuition). Debt service on the remaining $55.0 million of bonds will be paid solely by tuition.

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

3/ Increased annual operations and maintenance costs to be funded by tuition.

Table 2

ASU Hayden Library Renovation Financing Terms

Construction Timeframe	February 2018 - November 2019
Issuance Amount	$90.0 million
Issuance Date	December 2018
Issuance Transaction Fees	$735,000
Rating	Aa2 (Moody's)/AA (S&P)
Interest Rate	4.2%
Term	30 years (CIF funding for 25 years)
Total Debt Costs	$163.5 million
Debt Service Payments	$2.2 million (FY 2019) $5.4 million (FY 2020 – FY 2049)
Payment Source	$17.5 million General Fund (CIF) $17.5 million tuition (CIF) $55.0 million tuition (non-CIF)
Debt Ratio Increase	0.28%

MB:kp

ARIZONA STATE UNIVERSITY

November 29, 2017

RECEIVED
DEC 05 2017
JOINT BUDGET COMMITTEE

The Honorable Debbie Lesko, Chairman
Joint Committee on Capital Review
Arizona State Senate Capitol Complex
1700 West Washington, Room 200
Phoenix, AZ 85007-2890

Dear Senator Lesko:

In accordance with ARS 15-1671, the Arizona Board of Regents requests that the following Arizona State University (ASU) bond-financed item be placed on the December 19, 2017 Joint Committee on Capital Review agenda for approval. This will be the first ASU project to benefit from the Capital Infrastructure Fund program approved by the State.

- Hayden Library Reinvention Project

Enclosed is pertinent information relating to this item.

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

Sincerely,

Morgan R. Olsen
Executive Vice President, Treasurer and CFO

Enclosures

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

OFFICE OF THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER
BUSINESS AND FINANCE
PO BOX 877505, TEMPE, AZ 85287-7505
(480) 727-9920 FAX: (480) 727-9922

Joint Committee on Capital Review
Arizona State University
December 2017 JCCR Meeting

On behalf of the Arizona Board of Regents, Arizona State University (ASU) requests Joint Committee on Capital Review (JCCR) approval of the following item, as required by ABOR policy, ARS 15-1683 and ARS 15-1671.

Issuance of Bonds

Arizona State University plans to undertake a bond-financed project to reinvent the iconic Hayden Library on the Tempe campus. This project responds to the need to provide students, faculty and staff with high-quality facilities that will enable their success and support the key elements of ASU's Strategic Enterprise Framework. Additional information regarding this project is included on the following pages.

An Arizona Board of Regents executive summary is attached, which outlines the terms and other details relevant to this project.

Joint Committee on Capital Review
Arizona State University
December 2017 JCCR Meeting

1. HAYDEN LIBRARY REINVENTION PROJECT

Project Description

This project will transform the iconic Hayden Library, the main library at the Tempe campus, from a book-intensive traditional library into a hub for 21st century student learning, discovery and innovation.

This project will modernize the library's spaces to meet the current and future knowledge access needs of students, researchers and the communities it serves. The guiding principles of the project include:

- Maximizing and enhancing adaptable spaces for students to connect, collaborate, learn and make
- Creating high-tech learning spaces, including a geospatial center and a media lab, equipped with robust Wi-Fi and advanced digital tools and services to expand opportunities to create and share knowledge
- Enhancing the visibility of the library's unique collections and resources
- Improving overall accessibility, navigation and research discovery through a user-friendly design and multiple points of access on the main level
- Strengthening community engagement through dedicated spaces for community gatherings, curated exhibits, and makerspaces.

The transformation of Hayden Library into an innovative, state-of-the-art learning center will advance the university's goal of becoming a leading center for interdisciplinary research, discovery and scholarship, as well as enhance its local impact and social embeddedness.

Reinvention of the library, first opened in 1966, will encompass an expansion of the below-grade portion of the building, as well as a full renovation of all five levels of the original "tower" portion of the building. This reinvention project will increase the gross square footage (GSF) of the building from 211,000 to approximately 240,000. The two underground library floors, constructed in 1989, will remain open and operational during the reinvention project. Library services will continue to function normally with as little disruption as possible. The reinvented Hayden Library is scheduled to open for the spring 2020 semester.

Reusing Hayden Library's robust concrete structure is a cost-effective solution to provide critical space that meets today's needs, with the cost to demolish and fully replace the Library estimated to be almost 35 percent higher. In addition to the full renovation of the original building and expansion of the lower level, existing systems will be replaced with new, efficient infrastructure that will operate for another fifty years. The building also will be brought up to current building codes and will support today's use of sophisticated technologies.

Joint Committee on Capital Review
Arizona State University
December 2017 JCCR Meeting

This project will be delivered through the Construction Manager at Risk (CMAR) delivery method. The construction manager was selected through a competitive Request for Proposal (RFP) process. Additionally, the CMAR contract and its associated general conditions require that all subcontractor trades be selected through a competitive process. 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 provides a high level of cost and quality control.

This debt-financed project will be funded with $90,000,000 in system revenue bonds. The annual operation and maintenance costs for the incremental space associated with this project are estimated at $96,343. These costs and the debt service will be funded by tuition and the capital infrastructure fund.

An Arizona Board of Regents executive summary for this project is attached, which outlines the project description and other relevant information. Additionally, tables are included in this request that summarize the financial aspects of this project. This project received Capital Development Plan Approval at the June 8, 2017, Arizona Board of Regents meeting.

Project Costs

Total Project Cost	$ 90,000,000
Total Project Construction Cost	$ 63,000,000
Total Project Cost per GSF	$ 375
Total Construction Cost per GSF	$ 263

Comparable Projects

Project	Description	Location	Project Size / SF	Project Cost / SF	Year Completed
UC Santa Barbara	Three-story addition connected to renovated existing wing	Santa Barbara, CA	154,000	$ 397 *	2016
North Carolina State University	Construction of a five-floor high-tech, multi-use library	Raleigh, NC	221,122	$ 528 *	2013
Average Comparable Project			**187,561**	**$ 463 ***	

* Project costs per square foot (SF) have been adjusted to reflect 2017 values.

Joint Committee on Capital Review
Arizona State University
December 2017 JCCR Meeting

PROJECT SUMMARY – Revenue Bonds

Project:	Funding Sources:	Amount:
Hayden Library Reinvention Project	Tuition	$55,000,000
	Capital Infrastructure Fund	35,000,000
Total		$90,000,000

FINANCING INFORMATION

System Revenue Bonds:	
Project Costs	$90,000,000
Estimated Costs of Issuance	$735,000
Anticipated Bond Rating	Aa3 (Moody's) and AA (S&P)
Assumed Interest Rate	4.2%
Term	30 years

Debt Service Information:	
Estimated Annual Debt Service (Fiscal year 2019)	$2,223,007
Estimated Annual Debt Service (Fiscal year 2020 through 2049)	$5,375,324
Total Estimated Debt Service Costs	$163,482,728

DEBT RATIO

Debt Ratio on Existing Debt	4.40
Incremental Debt Ratio	.28
Project Debt Ratio	4.68

Joint Committee on Capital Review
Arizona State University
December 2017 JCCR Meeting

Arizona State University
System Revenue Bonds
Hayden Library Reinvention Project

Fiscal Year	Principal	Interest	Total
2019	$ -	$2,223,007.50	$2,223,007.50
2020	1,565,000	3,810,870.00	5,375,870.00
2021	1,630,000	3,745,140.00	5,375,140.00
2022	1,700,000	3,676,680.00	5,376,680.00
2023	1,770,000	3,605,280.00	5,375,280.00
2024	1,845,000	3,530,940.00	5,375,940.00
2025	1,920,000	3,453,450.00	5,373,450.00
2026	2,005,000	3,372,810.00	5,377,810.00
2027	2,085,000	3,288,600.00	5,373,600.00
2028	2,175,000	3,201,030.00	5,376,030.00
2029	2,265,000	3,109,680.00	5,374,680.00
2030	2,360,000	3,014,550.00	5,374,550.00
2031	2,460,000	2,915,430.00	5,375,430.00
2032	2,565,000	2,812,110.00	5,377,110.00
2033	2,670,000	2,704,380.00	5,374,380.00
2034	2,785,000	2,592,240.00	5,377,240.00
2035	2,900,000	2,475,270.00	5,375,270.00
2036	3,020,000	2,353,470.00	5,373,470.00
2037	3,150,000	2,226,630.00	5,376,630.00
2038	3,280,000	2,094,330.00	5,374,330.00
2039	3,420,000	1,956,570.00	5,376,570.00
2040	3,560,000	1,812,930.00	5,372,930.00
2041	3,710,000	1,663,410.00	5,373,410.00
2042	3,870,000	1,507,590.00	5,377,590.00
2043	4,030,000	1,345,050.00	5,375,050.00
2044	4,200,000	1,175,790.00	5,375,790.00
2045	4,375,000	999,390.00	5,374,390.00
2046	4,560,000	815,640.00	5,375,640.00
2047	4,750,000	624,120.00	5,374,120.00
2048	4,950,000	424,620.00	5,374,620.00
2049	5,160,000	216,720.00	5,376,720.00
	$90,735,000	$72,747,727.50	$163,482,727.50

Joint Committee on Capital Review
Arizona State University
December 2017 JCCR Meeting

Capital Infrastructure Fund
System Revenue Bonds
Hayden Library Reinvention Project

Fiscal Year	Principal	Interest	Total
2019	$ -	$ 432,302.50	$ 432,302.50
2020	440,000.00	741,090.00	1,181,090.00
2021	460,000.00	722,610.00	1,182,610.00
2022	480,000.00	703,290.00	1,183,290.00
2023	500,000.00	683,130.00	1,183,130.00
2024	520,000.00	662,130.00	1,182,130.00
2025	540,000.00	640,290.00	1,180,290.00
2026	565,000.00	617,610.00	1,182,610.00
2027	585,000.00	593,880.00	1,178,880.00
2028	610,000.00	569,310.00	1,179,310.00
2029	635,000.00	543,690.00	1,178,690.00
2030	665,000.00	517,020.00	1,182,020.00
2031	690,000.00	489,090.00	1,179,090.00
2032	720,000.00	460,110.00	1,180,110.00
2033	750,000.00	429,870.00	1,179,870.00
2034	785,000.00	398,370.00	1,183,370.00
2035	815,000.00	365,400.00	1,180,400.00
2036	850,000.00	331,170.00	1,181,170.00
2037	885,000.00	295,470.00	1,180,470.00
2038	925,000.00	258,300.00	1,183,300.00
2039	960,000.00	219,450.00	1,179,450.00
2040	1,000,000.00	179,130.00	1,179,130.00
2041	1,045,000.00	137,130.00	1,182,130.00
2042	1,085,000.00	93,240.00	1,178,240.00
2043	1,135,000.00	47,670.00	1,182,670.00
2044			
2045			
2046			
2047			
2048			
2049			
	$ 17,645,000.00	$ 11,130,752.50	$ 28,775,752.50

Joint Committee on Capital Review
Arizona State University
December 2017 JCCR Meeting

Arizona State University Tuition
System Revenue Bonds
Hayden Library Reinvention Project

				ASU Tuition					
	50% CIF - $17.5MM			ASU - $55MM			TOTAL		
Fiscal Year	Principal	Interest	Debt Service	Principal	Interest	Debt Service	Principal	Interest	Total
2019	$ -	$ 432,302.50	$ 432,302.50	$ -	$ 1,358,402.50	$ 1,358,402.50	$ -	$ 1,790,705.00	$ 1,790,705.00
2020	440,000.00	741,090.00	1,181,090.00	685,000.00	2,328,690.00	3,013,690.00	1,125,000.00	3,069,780.00	4,194,780.00
2021	460,000.00	722,610.00	1,182,610.00	710,000.00	2,299,920.00	3,009,920.00	1,170,000.00	3,022,530.00	4,192,530.00
2022	480,000.00	703,290.00	1,183,290.00	740,000.00	2,270,100.00	3,010,100.00	1,220,000.00	2,973,390.00	4,193,390.00
2023	500,000.00	683,130.00	1,183,130.00	770,000.00	2,239,020.00	3,009,020.00	1,270,000.00	2,922,150.00	4,192,150.00
2024	520,000.00	662,130.00	1,182,130.00	805,000.00	2,206,680.00	3,011,680.00	1,325,000.00	2,868,810.00	4,193,810.00
2025	540,000.00	640,290.00	1,180,290.00	840,000.00	2,172,870.00	3,012,870.00	1,380,000.00	2,813,160.00	4,193,160.00
2026	565,000.00	617,610.00	1,182,610.00	875,000.00	2,137,590.00	3,012,590.00	1,440,000.00	2,755,200.00	4,195,200.00
2027	585,000.00	593,880.00	1,178,880.00	915,000.00	2,100,840.00	3,015,840.00	1,500,000.00	2,694,720.00	4,194,720.00
2028	610,000.00	569,310.00	1,179,310.00	955,000.00	2,062,410.00	3,017,410.00	1,565,000.00	2,631,720.00	4,196,720.00
2029	635,000.00	543,690.00	1,178,690.00	995,000.00	2,022,300.00	3,017,300.00	1,630,000.00	2,565,990.00	4,195,990.00
2030	665,000.00	517,020.00	1,182,020.00	1,030,000.00	1,980,510.00	3,010,510.00	1,695,000.00	2,497,530.00	4,192,530.00
2031	690,000.00	489,090.00	1,179,090.00	1,080,000.00	1,937,250.00	3,017,250.00	1,770,000.00	2,426,340.00	4,196,340.00
2032	720,000.00	460,110.00	1,180,110.00	1,125,000.00	1,891,890.00	3,016,890.00	1,845,000.00	2,352,000.00	4,197,000.00
2033	750,000.00	429,870.00	1,179,870.00	1,170,000.00	1,844,640.00	3,014,640.00	1,920,000.00	2,274,510.00	4,194,510.00
2034	785,000.00	398,370.00	1,183,370.00	1,215,000.00	1,795,500.00	3,010,500.00	2,000,000.00	2,193,870.00	4,193,870.00
2035	815,000.00	365,400.00	1,180,400.00	1,270,000.00	1,744,470.00	3,014,470.00	2,085,000.00	2,109,870.00	4,194,870.00
2036	850,000.00	331,170.00	1,181,170.00	1,320,000.00	1,691,130.00	3,011,130.00	2,170,000.00	2,022,300.00	4,192,300.00
2037	885,000.00	295,470.00	1,180,470.00	1,380,000.00	1,635,690.00	3,015,690.00	2,265,000.00	1,931,160.00	4,196,160.00
2038	925,000.00	258,300.00	1,183,300.00	1,430,000.00	1,577,730.00	3,007,730.00	2,355,000.00	1,836,030.00	4,191,030.00
2039	960,000.00	219,450.00	1,179,450.00	1,500,000.00	1,517,670.00	3,017,670.00	2,460,000.00	1,737,120.00	4,197,120.00
2040	1,000,000.00	179,130.00	1,179,130.00	1,560,000.00	1,454,670.00	3,014,670.00	2,560,000.00	1,633,800.00	4,193,800.00
2041	1,045,000.00	137,130.00	1,182,130.00	1,620,000.00	1,389,150.00	3,009,150.00	2,665,000.00	1,526,280.00	4,191,280.00
2042	1,085,000.00	93,240.00	1,178,240.00	1,700,000.00	1,321,110.00	3,021,110.00	2,785,000.00	1,414,350.00	4,199,350.00
2043	1,135,000.00	47,670.00	1,182,670.00	1,760,000.00	1,249,710.00	3,009,710.00	2,895,000.00	1,297,380.00	4,192,380.00
2044				4,200,000.00	1,175,790.00	5,375,790.00	4,200,000.00	1,175,790.00	5,375,790.00
2045				4,375,000.00	999,390.00	5,374,390.00	4,375,000.00	999,390.00	5,374,390.00
2046				4,560,000.00	815,640.00	5,375,640.00	4,560,000.00	815,640.00	5,375,640.00
2047				4,750,000.00	624,120.00	5,374,120.00	4,750,000.00	624,120.00	5,374,120.00
2048				4,950,000.00	424,620.00	5,374,620.00	4,950,000.00	424,620.00	5,374,620.00
2049				5,160,000.00	216,720.00	5,376,720.00	5,160,000.00	216,720.00	5,376,720.00
TOTAL	$ 17,645,000.00	$ 11,130,752.50	$ 28,775,752.50	$ 55,445,000.00	$ 50,486,222.50	$ 105,931,222.50	$ 73,090,000.00	$ 61,616,975.00	$ 134,706,975.00

Arizona Board of Regents
Arizona State University
Capital Development Plan Project Justification Report
Hayden Library Reinvention

Previous Board Action:

- FY 2019-2020 Capital Improvement Plan — September 2016

Statutory/Policy Requirements

- ABOR Policy 7-102 (B) requires all renovation or infrastructure projects with an estimated total project cost of $5 million or more be brought to the Business and Finance Committee for approval, regardless of funding source or financing structure.

Project Justification/Description/Scope

- This project will reinvent the original spaces of the iconic Hayden Library, the main library located at the heart of the Tempe campus. The library location is depicted on the map attached hereto as Exhibit C. The project will transform the building from a bookstack-intensive traditional library into a hub for 21st century learning, discovery and innovation.

- Reinvention of the library will encompass an expansion of the below-grade level, as well as a full renovation of all five levels of the "tower" portion of the building that was constructed in 1966. This reinvention project will increase the gross square footage (GSF) of the building from 211,000 to approximately 240,000 GSF.

- The guiding principles of the project include maximizing and enhancing space for students to connect, collaborate, learn and make; elevating the visibility of library collections; improving overall accessibility, navigation and discovery through a user-friendly design and multiple entrances on the main level; and strengthening community engagement through curated exhibits, makerspaces and a high-tech geospatial data room.

- Current and future high-technology innovations, including multi-media production spaces, will be accommodated in the flexible and adaptable project design. Building operation and code compliance issues also will be addressed in this project.

- The transformation of Hayden Library into an innovative, state-of-the-art learning center will support the university and ABOR goals of advancing student learning and educational success. The reinvention of this library also will advance the establishment of the university as a leading global center for interdisciplinary scholarship and discovery.

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 a potentially adversarial project environment and allow for the selection of the most qualified contractor team. With the use of two independent cost estimates at each phase and pre-qualified, low-bid subcontractor work for the actual construction, CMAR project delivery also provides a high level of cost and quality control.

- ASU has selected Holder Construction as the CMAR and Ayers Saint Gross as the Design Professional (DP) for this project. During the CMAR selection process, there were thirteen submittal responses and five contractors were interviewed. The selection process for the DP included twenty-three responses and five firms were interviewed.

Project Status and Schedule

- General construction is scheduled to begin when the design is complete and after all approvals are in place. Construction on all project components is scheduled for substantial completion in November 2019.

Project Cost

- The budget for this 240,000 gross-square-foot project is $90.0 million.The budget represents an estimated construction cost of $263 per gross square foot. The estimated total project cost is $375 per gross square foot.

- For this Capital Development Plan phase, preliminary cost estimates have been provided by the CMAR and a third-party consultant.

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

Fiscal Impact and Financing Plan:

- The $90.0 million project budget will be funded with system revenue bonds. Debt service will be funded by tuition.

- The annual operation and maintenance costs for the incremental space associated with this project are estimated at $96,343. These costs will be funded by tuition.

- **Debt Ratio Impact**: The projected incremental debt ratio impact for this project is 0.28 percent.

Occupancy Plan

- The two underground levels of the library, which were constructed in 1989, will remain open and operational during the reinvention project. Library services will continue to function normally with as little disruption as possible. Print materials will remain accessible to the ASU community through an expedited delivery service.

- New classrooms to be created on the below-grade level of the tower are scheduled to open in fall 2019, with the above-grade levels scheduled for substantial completion in November 2019.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University **Project Name:** Hayden Library Reinvention

Project Description and Location: This project will transform the iconic Hayden Library into a 21st century learning center. Hayden Library is the main library on the Tempe campus and is depicted on the attached map as Exhibit C. Through the creation of new entrances, better utilization of space and the inclusion of updated technologies, this renovation will gain much needed classroom, collaboration and study space to enable student success.

Project Schedule:

Planning	September	2016
Design Start	April	2017
Construction Start	January	2018
Construction Completion Lower Tower	July	2019
Construction Completion	November	2019

Project Budget:

Total Project Cost	$	90,000,000
Total Project Construction Cost	$	63,000,000
Total Project Cost per GSF	$	375
Construction Cost per GSF	$	263

Change in Annual O & M Cost:

Utilities	$	45,507
Personnel		0
All Other Operating		50,836
Subtotal	$	96,343

Funding Sources:

Capital

A. System Revenue Bonds	$	90,000,000
Debt Service Funding Sources:		Tuition
Operation/Maintenance	$	96,343
Funding Source: Tuition		

Capital Project Budget Summary

University: Arizona State University **Project:** Hayden Library Reinvention

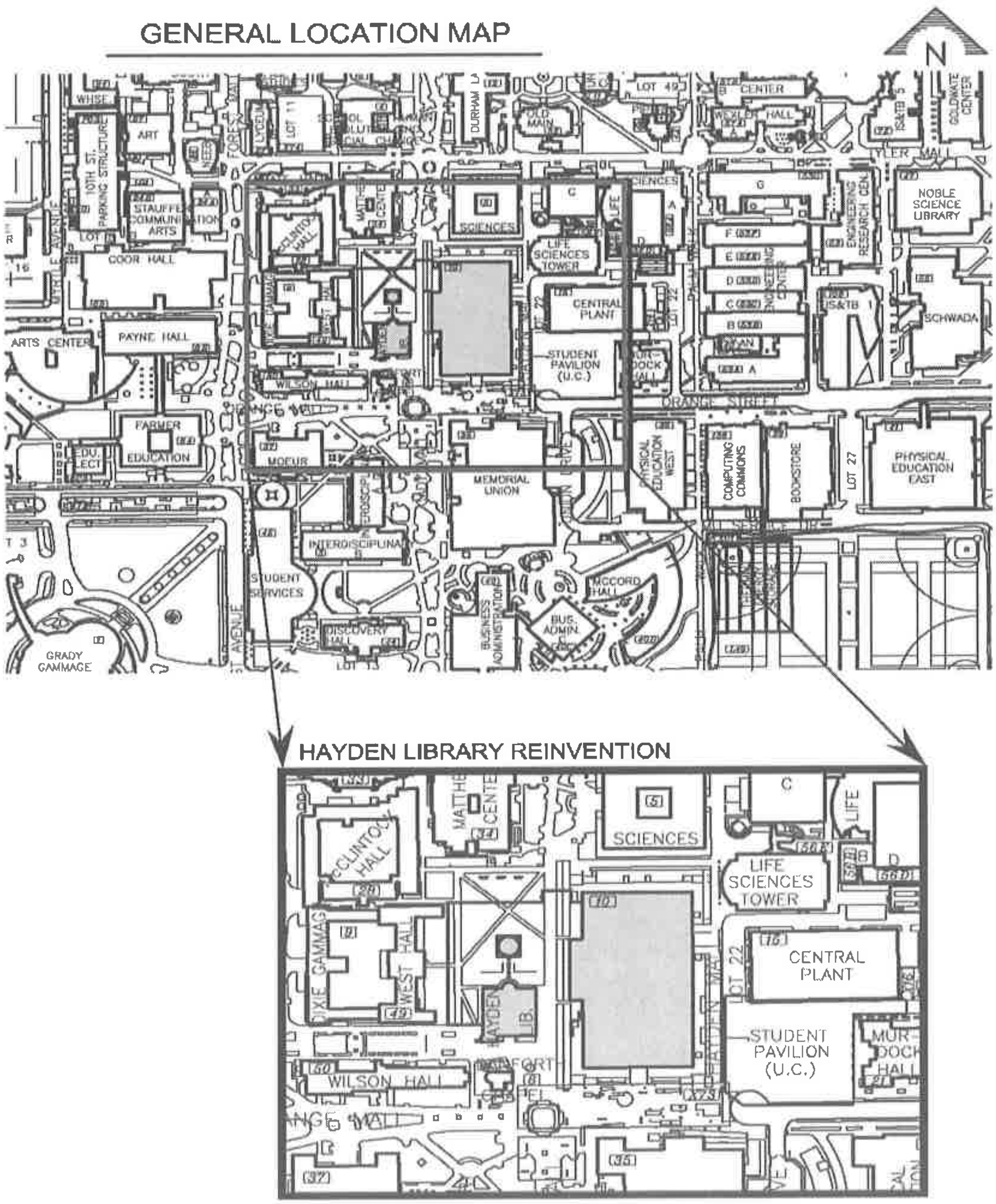
	Capital Development Plan	Project Approval
Capital Costs		
1. Land Acquisition		
2. Construction Cost		
A. New Construction	$ 11,500,000	
B. Tenant Improvements	47,000,000	
C. Special Fixed Equipment	1,000,000	
D. Site Development (excl. 2.E.)	1,500,000	
E. Parking and Landscaping	300,000	
F. Utilities Extensions		
G. Other* (Demolition/abatement)	1,700,000	
Subtotal Construction Cost	$ 63,000,000	$ -
3. Fees		
A. CMAR Pre-Construction	$ 671,667	
B. Architect/Engineer	6,099,880	
C. Other	500,000	
Subtotal Consultant Fees	$ 7,271,547	$ -
4. FF&E Movable	$ 4,500,000	
5. Contingency, Design Phase	505,000	
6. Contingency, Constr. Phase	5,500,561	
7. Parking Reserve	150,000	
8. Telecommunications Equipment	1,300,000	
Subtotal Items 4-8	$ 11,955,561	$ -
9. Additional University Costs		
A. Surveys, Tests, Haz. Mat. Abatement	$ 2,150,000	
B. Move-in Costs	550,000	
C. Printing Advertisement	15,000	
D. Keying, signage, facilities support	1,750,000	
E. Project Management Cost	3,093,692	
F. State Risk Mgt. Ins. (.0034 **)	214,200	
Subtotal Addl. Univ. Costs	$ 7,772,892	$ -
Total Capital Cost	$ 90,000,000	$ -

* Universities shall identify items included in this category

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

EXECUTIVE SUMMARY

EXHIBIT “C”
Hayden Library Reinvention



AREA IN DETAIL

6B

Joint Legislative Budget Committee
Staff Memorandum

1716 West Adams
Phoenix, Arizona 85007

Telephone: (602) 926-5491
azleg.gov

DATE: December 14, 2017

TO: Members of the Joint Committee on Capital Review

FROM: Richard Stavneak, Director RS

SUBJECT: JCCR - REVISED STAFF MEMO ON ITEM 6B

Item 6B on the December 19th agenda of the Joint Committee on Capital Review addresses Arizona State University's West Campus. We provided JCCR members with our memorandum on that agenda item on December 12th as part of regular meeting packet materials. Our memorandum also included a brief discussion of ASU's Thunderbird Campus in Glendale. Since we wrote the memorandum, ASU has announced plans to move the Thunderbird graduate programs to downtown Phoenix. As a result, we are sending a revised memorandum that provides more background on the Thunderbird transfer.

The revised memorandum is also available online.

If you have any questions, please let us know.

RS:kp

JLBC

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

DEBBIE LESKO
CHAIRMAN
SYLVIA ALLEN
OLIVIA CAJERO BEDFORD
STEVE FARLEY
KATIE HOBBS
JOHN KAVANAGH
KIMBERLY YEE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

HOUSE OF
REPRESENTATIVES

DAVID LIVINGSTON
ACTING VICE-CHAIRMAN
JOHN M. ALLEN
LELA ALSTON
MARK CARDENAS
HEATHER CARTER
VINCE LEACH
REBECCA RIOS

DATE: December 14, 2017

TO: Members of the Joint Committee on Capital Review

FROM: Matt Beienburg, Senior Fiscal Analyst MB

SUBJECT: Arizona State University - Informational Item on West Campus Property

Request

Arizona State University (ASU) has been requested to provide information on its development plans for the West Campus. Due to new information, we have updated the last section of our December 12, 2017 memorandum on the Thunderbird School of Global Management.

Committee Options

This agenda item does not require Committee action. The Committee, however, may provide ASU with its perspective on West Campus or request additional information.

Key Points

1) ASU received 300 acres of land in 1982 to establish a West Campus, with the stipulation that the lands would revert back to the state if not used for the campus.
2) A 2002 statutory change permits ASU to lease, but not sell, portions of the land on its West Campus for commercial development.
3) ASU has set aside 60 acres for possible commercial uses, but has no immediate plans for development.
4) In 2014, ASU acquired the Thunderbird School of Global Management in Glendale.
5) ASU is not restricted from selling the Thunderbird land, which is located roughly 1 mile from ASU West.
6) On December 12, 2017, ASU announced plans to relocate the Thunderbird School to the Downtown Phoenix Campus.
7) The university will construct a new, roughly 90,000 sq. foot facility to be completed by 2021.
8) ASU Enterprise Partners is working with the City of Glendale to develop the vacated 148-acre parcel of land.

(Continued)

Analysis

Laws 1982, Chapter 248 provided 300 acres of former state trust lands to the Arizona Board of Regents (ABOR) to establish the ASU West Campus between 43rd and 51st Avenues and Sweetwater Avenue and Thunderbird Road.

The legislation required that "the lands revert back to the state if for any reason [ABOR] desires to or does relinquish their ownership or control of the lands [or] decides not to eventually use the lands consisting of approximately 300 acres for a western campus of [ASU]."

According to a draft issue paper that was prepared by ASU circa 2002:

> The reason for the inclusion of these restrictions is not available in any official records. However, certain members of the "Westside Citizens Committee for Higher Education", a group which has been aggressively lobbying for the establishment of an ASU West Campus since 1972, remember and report that these restrictions were deliberately requested to be included . . . to serve as a means of pressuring [ABOR] to follow through with the development of the West campus (https://repository.asu.edu/items/13605).

Laws 2002, Chapter 200 eliminated the requirement that ABOR use all of the lands for the ASU West Campus. The amended statute required that ABOR "shall not sell or otherwise convey title" to the lands, but granted ABOR authority to "lease, license, or otherwise authorize the use of the lands for any purpose approved by [ABOR]" as long as "all revenues received by [ABOR] from such uses shall be used solely for education and education related purposes at the [ASU] West Campus."

ASU reports that approximately 150 acres are identified for current and future ASU education and support purposes, with approximately 60 undeveloped acres potentially available as lease opportunities. The remaining 90 acres are reserved for a City of Phoenix community park and K-12 district use.

ASU states that there are no immediate plans to enter into lease agreements at the ASU West Campus for commercial or private development of the 60 acres.

Background

Campus Plans Over Time

The original 1985 campus plan envisioned a "total build-out" of 10,000 full-time equivalent (FTE) students at the ASU West Campus. As of fall 2016, ASU West enrollment had reached 8,504 FTE students (with a corresponding headcount of 19,382).

The 1985 campus plan envisioned 1.1 million gross square feet of academic space on 15 acres and 302,500 gross square feet of commercial space on 6.5 acres, which would include "rental apartments available to the general public." The remaining 278.5 acres were envisioned for desertscape/open spaces, athletic fields/recreation, parking and vehicle access, and pedestrian circulation/malls.

The 2002 issue paper states that the 1998 ASU West Campus Master Plan identified "about 110 acres of developable tracts of land that would remain excess even after the additional development of instructional and related facilities to serve the needs of a 15,000 student campus."

(Continued)

The most recent available West Campus Master Plan (2011) shows 860,000 square feet of existing academic/research/student housing space, with a proposed target of 2.9 million gross square feet for 15,000 FTE students, in addition to 70 acres remaining for (commercial) development opportunities.

Thunderbird School of Global Management
In our December 12, 2017 memorandum, we noted the following:

> "In 2014, ASU acquired the Thunderbird School of Global Management, located roughly 1 mile from ASU West between 55th and 59th Avenues and Greenway Road and Acoma Road. The Thunderbird School lands total 148 acres, of which 85 are developed, 62 are undeveloped, and 1 is used as an APS substation. The Thunderbird lands are not restricted from sale in the same manner as the West Campus."

After our memorandum was written, ASU subsequently announced that it will relocate the Thunderbird School's graduate programs to ASU's Downtown Phoenix Campus (DPC). Thunderbird's undergraduate programs are already housed at the ASU West Campus and will remain there. ASU reports Thunderbird campus enrollment of 327 students as of fall 2017. The Thunderbird Global Management degrees are part of separate academic program from ASU's W.P. Carey School of Business in Tempe.

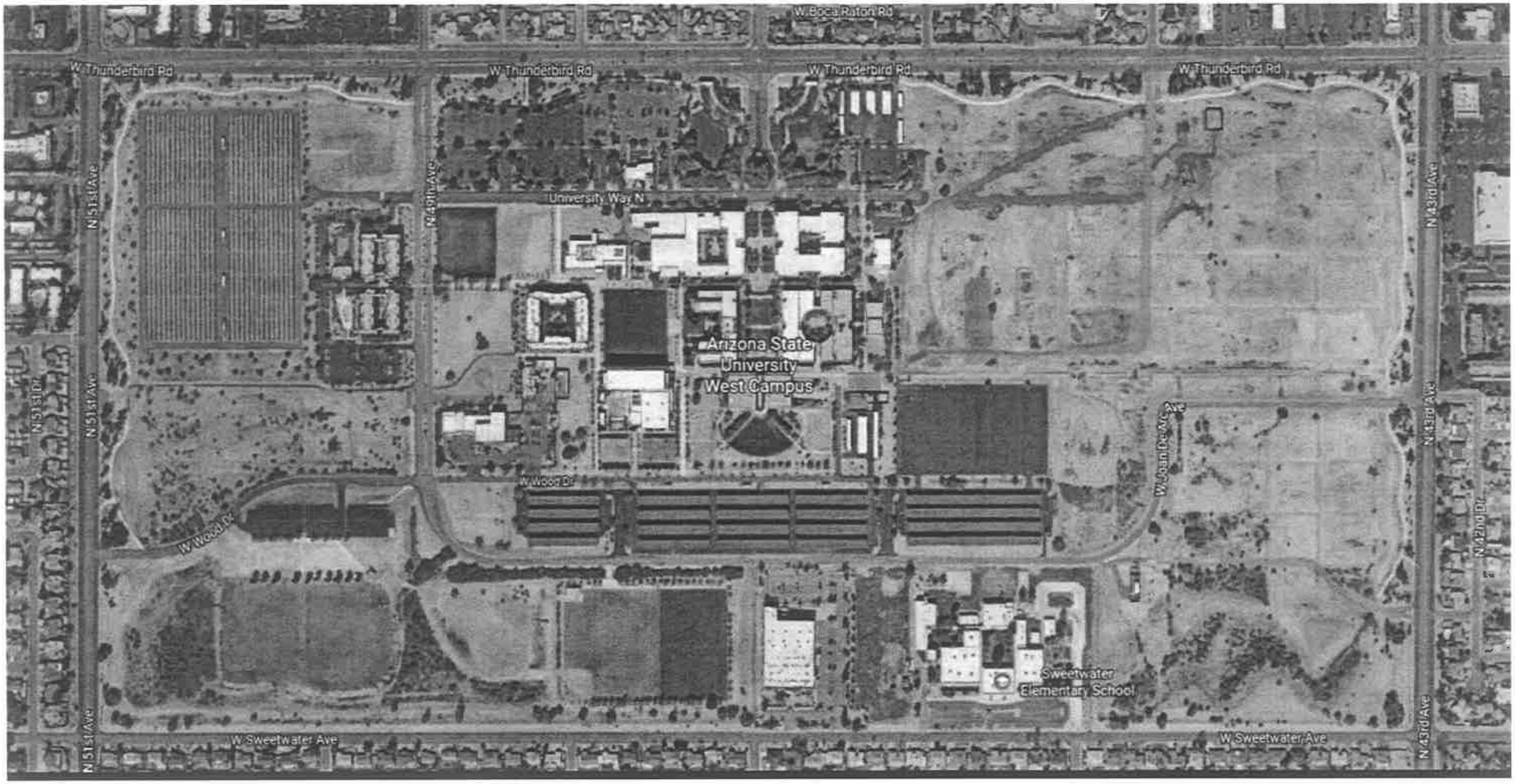
ASU will construct an approximately 90,000 square foot facility adjacent to the Sandra Day O'Connor College of Law, north of Polk Street between 1st and 2nd Streets. Students will be relocated to interim space at the Downtown Phoenix Campus by January 2019 until the building is completed in 2021.

The City of Phoenix leased three-quarters of the block bounded by Taylor Street, 1st Street, Polk Street and 2nd Street to ASU for the Law School in 2014. The lease cost was estimated to be $125,000 annually starting in 2025 until the transfer of the land's ownership to ASU in approximately 2035. We are attempting to confirm the lease arrangements for the new Thunderbird site.

The university reports that ASU Enterprise Partners—which was created in 2016 to incorporate the ASU Foundation and the university's real estate development functions, among others—has initiated discussions with the City of Glendale to create a master plan for the development of the existing Thunderbird School campus. ASU Enterprise Partners is a 501(c)3 non-profit entity.

MB:kp

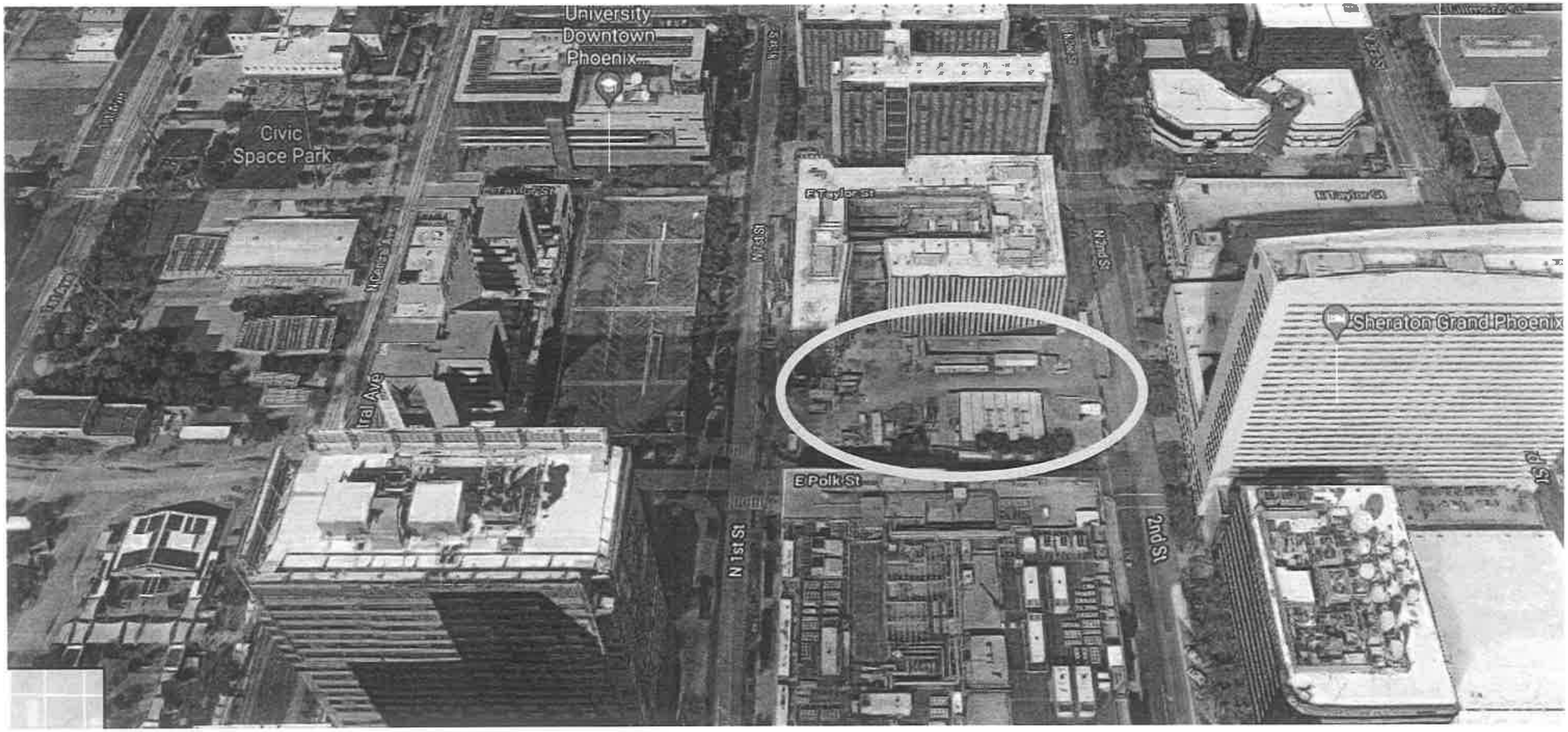
ASU West Campus



JLBC

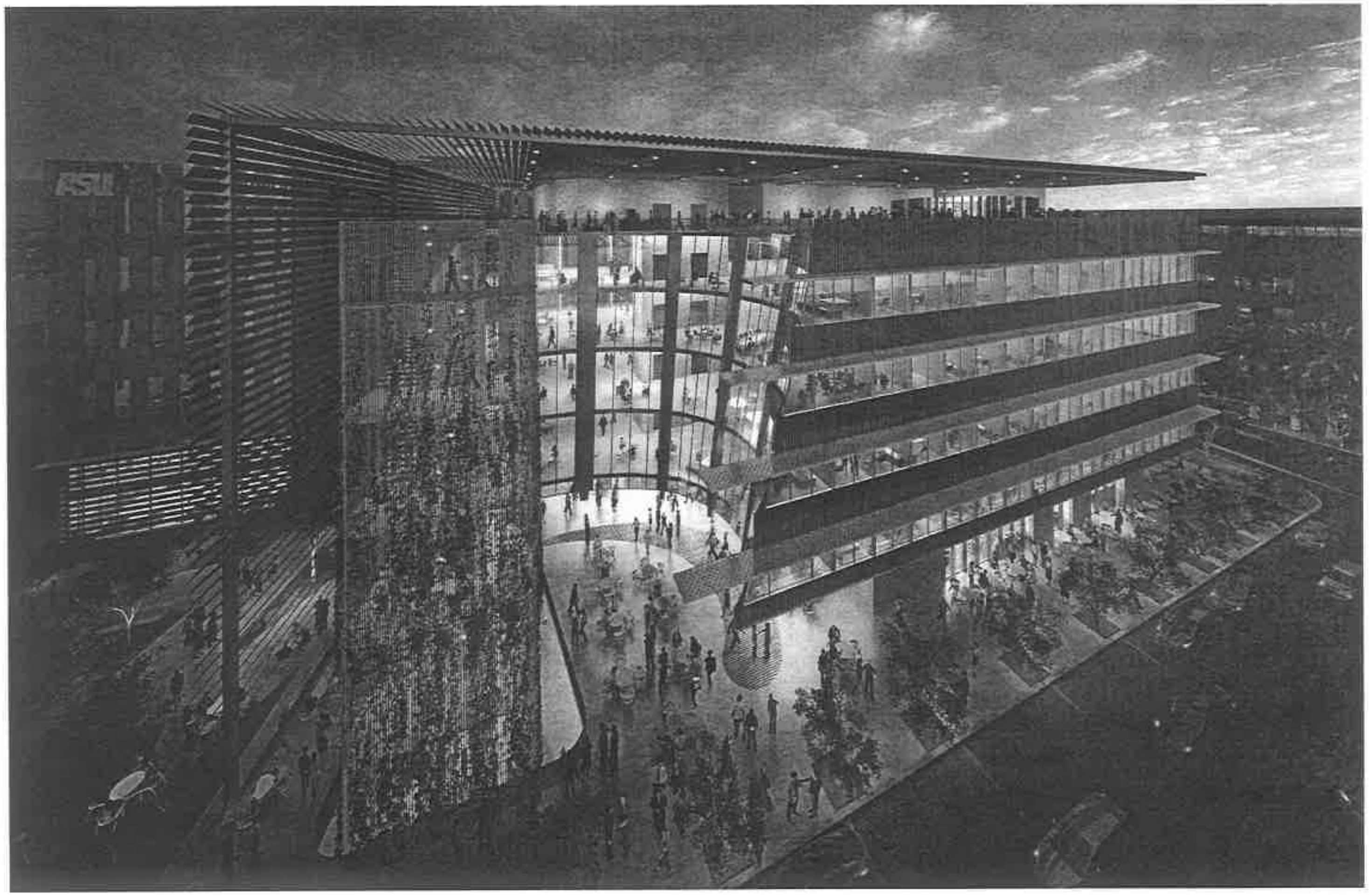
ASU Thunderbird School Campus

ASU Thunderbird School - Planned Downtown Facility



JLBC

ASU Thunderbird School - Planned Downtown Facility



7

STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

azleg.gov

DATE: December 12, 2017

TO: Members of the Joint Committee on Capital Review

FROM: Matt Beienburg, Senior Fiscal Analyst MB

SUBJECT: Arizona Board of Regents and Arizona State University - Recommendations Concerning Commercial Development of University Lands

Request

As requested by the Chairman, the Arizona Board of Regents (ABOR) and Arizona State University (ASU) have submitted a report on the proposed development of a senior retirement community and a hotel/conference center on university land at Mill Avenue and University Drive. A.R.S. § 15-1682.02 permits the Committee to make recommendations concerning commercial development on university land. While Legislative Council believes this provision is applicable for the Mill Avenue development, ASU does not.

Committee Options

The Committee has at least the following 2 options:

1. Make a recommendation on the report. A recommendation to not proceed with the retirement community or hotel/conference center may not be practicable given the current status of the projects.

2. Accept the report with no recommendations.

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

A. Committee action does not constitute a review of the planned multi-level parking garage project or any bond issuances necessary for its financing.

(Continued)

Standard University Financing Provision

B. Committee action 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 projects are complete.

Key Points

1) ASU plans to lease university land for commercial development of a 20-story senior retirement community and a 330-room hotel/conference center.
2) The projects are expected to generate at least $12.9 million in up front revenue and $1.7 million in annual payments to ASU.
3) Legislative Council believes ASU is required to report these projects to the Committee under current statute. ASU disagrees.
4) ASU will return to the Committee at a later date for review of an adjacent parking garage development.

Analysis

In 2016, ABOR approved 2 ASU proposals to lease university-owned land at Mill Avenue and University Drive for the development of a senior retirement community and a hotel/conference center. As part of the arrangements, ASU will lease approximately 3.5 of the 10 acres available on the site in exchange for ground lease and in-lieu-of-tax payments. As shown in *Table 1*, these payments will generate an estimated $12.9 million in revenue for ASU up front and $1.7 million per year thereafter. ASU also intends to develop a multi-level parking garage adjacent to these facilities.

Table 1

Revenues from Mill Avenue / University Drive Commercial Developments

	Payments to ASU	
	Up Front Lease Payment	**Annual Payment in-lieu of Taxes** 1/
Mirabella Retirement Community	$7.0 M	$0.6 M
Omni Hotel/Conference Center	$5.9 M	$1.1 M
Total	**$12.9 M**	**$1.7 M**

1/ ASU expects to receive annual in-lieu-of-tax payments of $500,000-$600,000 for the retirement center once fully occupied. ASU estimates $1,090,000 of in-lieu payments for the Omni Hotel in its first year, increasing 2.5% each year thereafter.

Mirabella Senior Retirement Community

ASU will lease 1.9 acres to the ASU Foundation (ASUF), which will partner with Pacific Retirement Services to develop the "Mirabella" branded facility.

ASU's 2016 presentation materials to ABOR stated that the Mirabella "Lifelong Learning Center" will support active living for faculty, alumni, and the broader community to allow "residents to act as academic advisors and mentors for university spin-outs and teaching . . . strengthen engagement with alumni and friends . . . collaborate with residents to become partners in grant studies and programs, [and] provide financial returns with little debt and maximum cash flow."

(Continued)

The 614,000 square foot development will feature a 20-story north tower and 13-story south tower, which together will include 266 housing units, a 1.5 story lecture hall, a 10,000 square foot multi-purpose room, 4 dining venues, and one level of underground parking. Both the lecture hall and multi-purpose room will be "available for use by ASU."

According to Mirabella promotional materials, the facility will also offer an "onsite continuum of care, including home services, assisted living, skilled nursing and rehabilitation, and memory care." Specifically, ASU reports that 41 memory care and skilled nursing units are anticipated to be constructed as part of the project.

While construction is not scheduled to begin until 2018, ASUF and Pacific Retirement Services have been actively marketing the facility. ASU reports that over 370 households have submitted priority deposits of $1,000 to reserve a unit.

ASU will enter into a 99-year ground lease with the ASU Foundation and receive a one-time up front lease payment of $7 million, "based on two independent appraisals received, determining the value to be $85 per square foot." The Foundation will also make payments to ASU in lieu of taxes "in an amount that would have been payable for ad valorem taxes and assessments with respect to the number of senior housing units that have been sold." ASU estimates that these annual payments could reach $600,000 once the facility is fully occupied "based on current Maricopa County tax rates."

The $219 million facility will be funded by the developer and is expected to open in fall 2020.

<u>Omni Hotel/Conference Center</u>
ASU will lease 1.6 acres to the Omni Hotels Corporation for the construction of a privately-operated hotel and conference center. The Omni Hotel will feature roughly 330 guest rooms and a 30,000 square foot conference center.

ASU has stated that the hotel will benefit the university by "facilitating the hosting of university-related meetings and public functions" and provide community and economic development to the City of Tempe.

ASU will fund construction of the conference center portion of the facility with $19.5 million in cash, but the university will enter into a management agreement that leaves Omni to "construct, operate, and maintain the hotel/conference center." Under the agreement, ASU "will have a presence and right to use the conference center, while Omni will pay all operating and capital maintenance costs and be entitled to revenues therefrom."

ASU states that parking for the facility will be provided in an ASU-owned parking area, of which 275 spaces will be reserved for Omni guests. (*Please see Parking Garage section below.*)

Omni will make an up front pre-paid ground lease payment of $5.9 million to ASU in addition to annual payments in lieu of property tax of $1.1 million per year (increasing 2.5% per year for inflation). ASU states that it will use the annual payments to recoup the construction costs of the conference center before making them "available to support other university initiatives."

Omni will fund the $110 million hotel and will have the option to acquire the land and improvements at the end of the 60-year ground lease term "for a nominal amount."

(Continued)

Parking Garage
ASU's development plans also include the issuance of $30.0 million of system revenue bonds for the construction of a multi-level, joint-use parking structure to replace an existing surface parking lot. The garage's expected 1,200 vehicle capacity "will support the academic, cultural, and social activities on the Tempe campus and accommodate the parking needs of [the Omni Hotel] and conference center, as well as future site development."

ASU's Capital Improvement Plan includes the parking garage in its proposed FY 2019 project list. ASU will be required to submit this project for Committee review separately. The Committee may consider *Provision A* stating that consideration of this current item does not constitute review of the planned multi-level parking garage project or its associated bond issuance.

Reporting Requirements
In 2006, the Legislature enacted legislation to require Committee review of university projects funded with indirect/third-party financing. Indirect/third-party financing involves agreements in which private developers finance costs for capital projects that are for the use or benefit of the university. In the following year, the Legislature further clarified the application of these provisions to commercial development in Laws 2007, Chapter 265. The universities are still required to submit commercial projects for Committee review if the majority of the project's business is from the university population. If the majority of the project's business is from a non-university population, however, the commercial project is no longer subject to Committee review.

While the 2007 legislation modified the review requirements, Chapter 265 established a reporting requirement that the universities submit a report on these latter types of projects to the Committee before executing any agreements. Chapter 265 also states that the Committee may provide recommendations on these projects.

As noted above, statute limits Committee review or recommendations to projects that are "for the use or benefit" of the university. ASU has previously said that "since Mirabella will not be used by ASU, it is not a project as defined" in statute, and therefore a project report is not required.

Legislative Council believes that the revenues generated for ASU by the Mill Avenue development projects constitute a benefit and require a report under A.R.S. § 15-1682.02. Additionally, ASU's report to the Chairman states that the lecture hall and multi-purpose space at Mirabella will be available for use by ASU.

Given that ASU executed an option to lease with ASUF in June 2016 and plans to finalize the ground lease the week of December 10, 2017, Committee recommendations may not be practicable at this time. The Committee may, however, provide recommendations on future projects of this type.

MB:kp

ARIZONA STATE UNIVERSITY

November 28, 2017

Senator Debbie Lesko
Arizona State Senate
1700 West Washington, Suite S 302
Phoenix, AZ 85007

Dear Senator Lesko:

Pursuant to your November 14, 2017 letter, we are pleased to provide you an update on the scope, estimated costs and expected revenue of Mirabella at ASU, the Omni Hotel and Conference Center at ASU, and additional Tempe campus parking.

Accompanying this letter are Arizona Board of Regents executive summaries for each project.

Mirabella at ASU

Mirabella at ASU is privately and jointly developed by University Realty LLC, a subsidiary of ASU Enterprise Partners, the private nonprofit organization comprised of distinct entities that generate resources in support of Arizona State University, and Pacific Retirement Services (PRS), the premier developer and operator of not-for-profit continuing care retirement communities in the western United States. When completed, the Mirabella at ASU facility will be located on a land parcel leased from Arizona State University (ASU). No public funds will finance or develop this project.

Welcoming retirement-age adults to ASU's campus fulfills a number of the New American University design principles: it encourages community interaction, creates pathways to lifelong learning for a demographic not traditionally associated with college classrooms, provides a platform to conduct use-inspired research that pursues healthcare solutions for aging adults, enhances the university's academic programs, generates work-study opportunities for students and engages older alumni, faculty, staff and friends with Tempe residents. In ten years, ASU will have 120,000 alumni over the age of 65, with half living in Arizona.

Research indicates that aging Americans increasingly prefer active, urban living where they can continue to learn alongside multi-generational communities. With 10,000 individuals in the United States turning 65 each day and a quarter of the population – about 77 million people – approaching retirement age, there is considerable demand for this first-of-its-kind local facility.

Across the nation, there are some 100 similar university-based retirement communities that exist and thrive, including at Duke University, Dartmouth College, Stanford University, the University of California, Davis, Pennsylvania State University, the University of Texas, Oberlin College and Cornell University. Mirabella at ASU will be the third "Mirabella" property developed by PRS: Mirabella Seattle opened in December 2008 and averages 98% occupancy with a 300+-person waiting list; Mirabella Portland opened in September 2010 and averages 99% occupancy with a 350+ person waiting list.

In recognition of the project's benefits and alignment with ASU's design principles, the Arizona Board of Regents in June 2016 approved a 99-year land lease to develop Mirabella at ASU at 65 East University

OFFICE OF THE PRESIDENT
FULTON CENTER 410, 300 E. UNIVERSITY DRIVE
PO BOX 877705 TEMPE, AZ 85287-7705
(480) 965-5253 FAX: (480) 965-0865
HTTP://PRESIDENT.ASU.EDU

Drive in Tempe. A one-time lease payment of approximately $7 million will be paid upon lease execution. Additionally, annual contractual payments in lieu of property tax will contribute revenue to the university, estimated at $500,000 to 600,000 when full occupied and based on current Maricopa county tax rates. The project also provides potential opportunities for estate giving directed in support of ASU and other manifestations of residents' philanthropy.

Following the ground lease approval, in January 2017, Mirabella at ASU received a permit to accept deposits from prospective residents; in response to their enthusiasm, Pacific Retirement Services opened a dedicated Mirabella at ASU sales office in August 2017. By the middle of August, 374 households (600+ individuals) submitted priority deposits of $1,000 to reserve the opportunity to reside in the Mirabella at ASU community. These residents' contributions will extend to increasing attendance at local events, enhancing retail sale dollars and broadening the economic impact of this thriving part of our state.

Later that month, Mirabella at ASU received full entitlements, which included design review by the ASU/City of Tempe Joint Review Committee. The site area will comprise a 20-story north tower, a 13-story south tower, a 1.5-story lecture hall and multi-purpose room and one level of below-grade parking. It will contain 266 dwelling units made up of independent living, assisted living and guest units. Forty-one memory care and skilled nursing units are anticipated. The development will feature four dining venues, a pool, fitness center, library and hobby shop; the lecture hall and 10,000-square foot multi-purpose space will be available for use by ASU. It will offer residents a comprehensive wellness program, maintenance-free living and a myriad of cultural opportunities in the heart of Tempe and ASU's arts, social and educational district. Construction on the project is expected to begin in January 2018, with occupancy beginning in fall 2020. The project has a construction budget of $219 million.

As the Mirabella at ASU project progresses, University Realty LLC and PRS will collaborate with ASU to develop programming that engages eager future residents. This programming will align with the university's mission to provide access to high-quality learning opportunities for all Arizonans. Partnerships could include research, teaching and learning at ASU's College of Nursing and Health Innovation, the Osher Lifelong Learning Institute, the Mary Lou Fulton Teachers College, the Herberger Institute for Design and the Arts, the School of Nutrition and Health Promotion and with Mirabella at ASU's neighbor, ASU Gammage. Mirabella at ASU will build on the university's existing lifelong learning programs, including those for children and high school students, while creating an environment that helps older adults remain mentally active (a crucial element in preventing dementia), mentor undergraduates and enjoy campus cultural, social and athletic activities.

Omni Hotel and Conference Center

The Omni Hotel and Conference Center at ASU will include a 330-room, four-star, full-service hotel with an approximately 30,000-square-foot conference center on the Tempe campus. The Omni Hotel and Conference Center at ASU will be constructed on 1.6 acres at the corner of University and Mill, adjacent to and West of Mirabella at ASU.

The presence on campus of a high-quality hotel/conference center will be highly beneficial to the University, supporting its mission as a leading global educational and research institution, by facilitating the hosting of University-related meetings and public functions. The Omni Hotel and Conference Center at ASU also will be an asset to downtown Tempe, as a larger, high-end hotel/conference center long has been an important City objective.

Examples of universities directly or indirectly partnering or developing hotels and conference centers, both on and adjacent to campus, include the NAU High Country Conference Center and Drury Inn, UCLA Luskin Conference Center and Hotel, University of Utah Marriott University Park Hotel, Purdue

University Union Club Hotel, Portland State University, University Place Hotel and Conference Center, and the Hotel at the University of Maryland.

Omni is a nationally recognized, innovative hotel brand that owns and operates 60 properties in urban and resort destinations, with a portfolio that includes over 21,000 guest rooms. As approved by the Arizona Board of Regents, Omni will make a one-time land lease payment at a market rate verified by a third-party appraisal, estimated at $5.9 million. Omni will invest approximately $110 million to develop the four-star Omni Hotel at ASU. Design is expected to begin in early calendar year 2018 and the hotel and conference center are projected for completion in 2020.

Annually, additional rent in lieu of property tax will be paid to the University, estimated at $1.1 million in the first year of operations. ASU will invest $19.5 million of working capital cash for construction of the conference center, funded by the in-lieu contractual payments over the first fifteen to twenty years of operation, after which the annual payments will be available to support other University initiatives. Omni will manage the hotel and conference center and be responsible for all costs to operate and maintain the facilities.

Tempe Campus Parking Structure
ASU is in need of additional student, staff and visitor parking on the Tempe campus to support academic, cultural, and social activities. ASU plans to construct a multi-level parking structure to replace approximately 700 existing surface spaces and add additional capacity. Parking for the Omni Hotel and Conference Center at ASU also will be provided within the structure. Omni will be responsible to operate and maintain the 275 spaces available to hotel and conference center guests. The approximately 1,200-space-parking structure will be constructed at University and Mill, south of the Omni Hotel and Conference Center. The estimated project budget of $30 million will be financed through an ASU bond issuance with debt service paid from parking revenues.

These projects are important initiatives that enable the university to increase its programmatic and economic contributions to the state, using innovative public/private partnerships that avoid burdening the State of Arizona financially. We believe these partnerships will be increasingly important in making our state an even better place to live and work; an important element in our increasingly competitive global economic environment.

Thank you for this opportunity to share more information on these exciting initiatives.

Sincerely,

Michael Crow

Michael M. Crow
President

Attachments

BOARD OF Regents ARIZONA'S PUBLIC UNIVERSITIES
EDUCATE · DISCOVER · IMPACT

2020 N. Central Avenue, Suite 230
Phoenix, Arizona 85004
P 602.229.2500
F 602.229.2555
AZRegents.edu

November 28, 2017

Senator Debbie Lesko
State Capitol
1700 West Washington, Suite S 302
Phoenix, AZ 85007-2844

Dear Senator Lesko,

Thank you for the opportunity to provide information on the Lifelong Learning Center (Mirabella) and Omni Hotel/Conference Center projects.

As you noted, the universities look for all possible opportunities to optimize the use of available assets to further the university mission of educating Arizona residents. Leasing land for the Mirabella and the hotel/conference projects will provide revenue streams that contribute to that goal.

We appreciate the funding the state has provided for our university enterprise and hope we can continue to partner with the state to achieve the funding levels outlined in our resident student funding model. The social and economic benefits for our state from an educated workforce are significant and measurable, and we hope we can get an opportunity to meet with you to review our supporting reports.

ABOR recognizes the importance of the 5-acre site for these projects as it serves as the western gateway to the ASU Tempe Campus. As a result, and beyond the financial benefits to ASU, the ABOR discussion also incorporated the connection and contribution of these projects to the ASU strategic plan and goals, as well as ensuring the site is the best location for these projects.

Both of these projects are based on ASU receiving ground lease payments from other entities that will develop the projects. In addition, ASU will receive additional revenue either through in lieu ad valorem taxes and assessments and/or additional lease payments.

Ground leases with terms greater than 10 years or annual lease payments greater than $500,000 require ABOR approval. The following provides an overview of the structure of these projects as reviewed by ABOR.

Mirabella

- At its June 8-10, 2016 committee and board meetings, ABOR reviewed and received a presentation from ASU regarding the Mirabella proposal. See Attachments A and B.

- At its June 22, 2016 meeting, ABOR approved the proposal. The approval allowed ASU to execute a 99-year lease with the ASU Foundation for 1.5 acres at $85 per square foot, based on 2 independent appraisals. In addition, the ASU Foundation will provide semi-annual payments in lieu of ad valorem taxes and assessments on the number of housing units that have been sold.

- The 500,000 square foot project anticipates 300 housing units, assisted care space, restaurant, and underground parking.

Omni Hotel/Conference Center

- At its November 16-18, 2016 committee and board meetings, ABOR reviewed and approved ASU executing a 60-year ground lease with Omni for 1.6 acres at $85 per square foot, based on 2 independent appraisals. In addition, ASU will receive additional rent beginning after construction is complete with a 2.5% increase each year through the end of the ground lease term. See Attachment C.

- The project anticipates 330 rooms and a $19.5 million 30,000 square foot conference center which ASU would fund.

- Omni would manage and operate the hotel and conference center and have the option to acquire the land and improvements at the end of the term.

- ASU would also provide 275 parking spaces in an ASU-owned parking area.

Both of these projects will bring economic activity to the community and state, and will also provide opportunities for ASU to develop relationships and partnerships that will contribute to the core academic and research missions of the university.

ASU is also providing a response to your letter that will provide the institution's perspective on the benefit these projects provide.

Sincerely,

Lorenzo Martinez
Associate Vice President for Finance and Administration

Attachments

EXECUTIVE SUMMARY

Item Name: **Option to Lease Land to the ASU Foundation for a New American University (ASU)**

☐ Committee Recommendation to Full Board
☒ Full Board Approval

Issue: Arizona State University asks the board to approve an option to lease approximately 1.5 acres of real property located at the southeast corner of Mill Avenue and University Drive (southwest corner of University Drive and Myrtle Avenue) in Tempe (the "**Property**"), to the Arizona State University Foundation for a New American University, an Arizona non-profit corporation ("**ASUF**") for development of a senior housing project.

Enterprise or University Strategic Plan

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

Statutory/Policy Requirements

- ABOR Policy 7-207 A requires board approval for the lease of real property.

Background/History of Previous Board Action

- The Property is located at the southeast corner of Mill Avenue and University Drive, Tempe, adjacent to the core ASU Tempe campus and downtown Tempe.
- The Property is a portion of a five-acre site on Block 22 in Tempe. ASU intends to develop and/or lease for development the balance of the site for use as a hotel and conference center and other ancillary improvements (parking, driveways, walkways).
- ASUF will develop and operate a senior housing project that will be marketed initially to active seniors including ASU alumni, faculty, and staff (the "**Senior Housing Project**").

Discussion

Contact Information:
Morgan R. Olsen, Executive Vice President, Treasurer and CFO • (480) 727-9920 • Morgan.R.Olsen@asu.edu

- The current real estate market is favorable for senior housing development.

- Senior housing provides an attractive opportunity for ASU alumni to maintain a close relationship with their alma mater and to assist with ASU Foundation fundraising efforts.

- The proposed 500,000 square foot project will include approximately 300 housing units, including independent living, skilled nursing and assisted living units, a 5,000 square foot restaurant and an underground parking structure.

- The Property will be offered in an option to lease format that focuses on proof of financial feasibility, committed funding and an acceptable delivery schedule for the senior housing product.

- The ground lease term will be 99 years, with rates based on two independent appraisals received, determining the value to be $85 per square foot. Following construction of the improvements, ASUF will make semi-annual payments in lieu of ad valorem taxes and assessments in an amount that would have been payable for ad valorem taxes and assessments with respect to the number of senior housing units that have been sold.

Committee Review and Recommendation

The Business and Finance Committee reviewed this item at its June 8, 2016 meeting and recommended forwarding the item to the full board for approval.

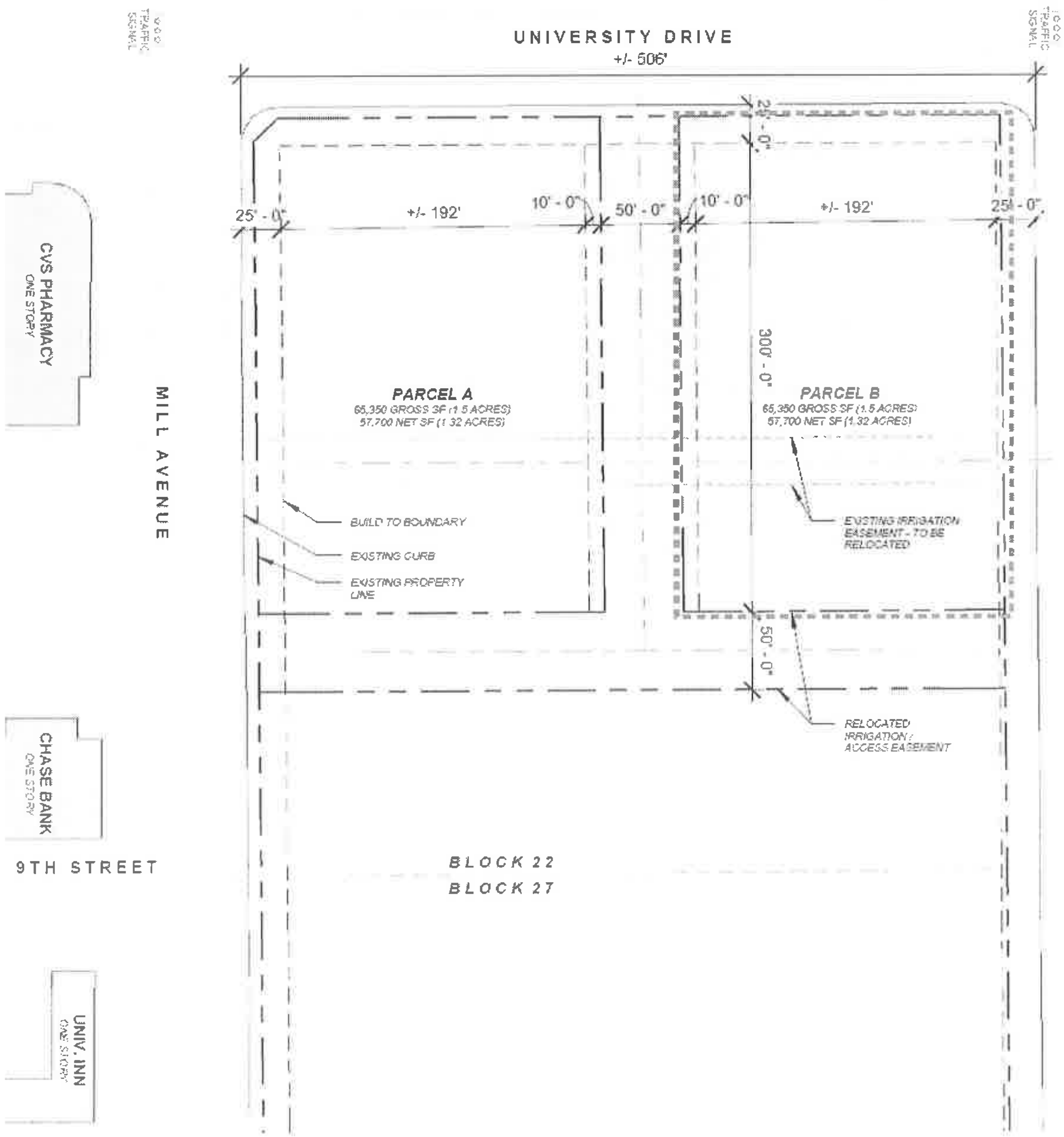
Requested Action

Arizona State University asks the board to approve authorization for the ASU President, the ASU Executive Vice President, Treasurer and Chief Financial Officer, and the ASU Assistant Vice President for Real Estate Development, or any successor titles to such positions, each separately, to take all appropriate actions to lease the Property in Tempe, Arizona, as described in this executive summary.

EXECUTIVE SUMMARY

Appendix

EXHIBIT A – LOCATION MAP



EXECUTIVE SUMMARY

Item Name: **Ground Lease, with Option to Acquire, and Related Agreements for Development of Hotel/Conference Center with Omni Hotels Corporation (ASU)**

- ☒ Action Item
- ☐ Committee Recommendation to Full Board
- ☐ First Read of Proposed Policy Change
- ☐ Information or Discussion Item

Issue: Arizona State University asks the board for authorization to enter into agreements to ground lease and develop approximately 1.6 acres of real property located at the southeast corner of Mill and University Drive on the Tempe Campus (the "**Parcel**"), to Omni Hotels Corporation, a Delaware corporation, or affiliate ("**Omni**"), for development of a privately-operated hotel, and a $19.5 million, together with an option to permit Omni to acquire the land and improvements at the end of the ground lease term.

Enterprise or University Strategic Plan

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

Statutory/Policy Requirements

- ABOR Policy 7-102(B) requires committee review and board approval of projects shared with outside entities, such as third parties.
- ABOR Policy 7-102(B) requires committee review and board approval of projects with a total project cost over $10 million.
- ABOR Policy 7-204(A) requires committee review and board approval for the sale of real property by public auction in accordance with ABOR Policy 7-104.G.
- ABOR Policy 7-202 allows the board to alter the procedures or waive any requirement or other condition for any individual transaction on application by a university.

Contact Information:
Morgan R. Olsen, Executive Vice President, Treasurer and CFO; (480) 727-9920; Morgan.R.Olsen@asu.edu

- ABOR Policy 7-206(B) requires two appraisals for the sale of real property.
- ABOR Policy 7-207(A) requires committee review and board approval for the lease of real property.

Background

- ASU owns five acres of land located on the southeast corner of Mill and University in Tempe adjacent to and connecting the Tempe campus with downtown Tempe. The redevelopment of a portion of this site for a hotel and conference center, which would be embedded within and serve the ASU and Tempe communities, has been a long-standing plan of the University.
- Omni is a nationally recognized, innovative, "four-star" hotel brand with a comprehensive management infrastructure and talent pool. Omni is an owner/operator with 60 managed properties in urban and resort destinations. Their portfolio includes over 21,000 guest rooms in 42 markets spanning 21 states, Canada and Mexico.
- In June of 2016, ABOR approved an Option to Lease Land with the ASU Foundation for a New American University for development of a lifelong learning community. The Lifelong Learning Community development will be located adjacent to the proposed Omni Hotel. Together, the projects will create a cohesive and vibrant development at the western perimeter of the Tempe campus and adjacent to Downtown Tempe.

Discussion

- The presence on campus of a high-quality hotel/conference center will be highly beneficial to the university, supporting its mission as a leading global educational and research institution by facilitating the hosting of university-related meetings and public functions. It also will be an asset to downtown Tempe, as a larger, high-end hotel/conference center long has been an important City objective.
- This hotel/conference center development, along with the planned adjacent Lifelong Learning Community, will create public-private partnerships to positively affect and increase community and economic development with strategic value to the university.
- The hotel/conference center will be located on approximately 1.6 acres of land at the southeast corner of University and Mill, as depicted on the site map attached hereto as Exhibit A (the "**Parcel**"), and will include approximately 330 guest rooms and an approximately 30,000 square foot conference center, with the capability to accommodate at least 1,000 people at a seated event. Other

amenities will be determined during the design phase with input from ASU and the City of Tempe.

- ASU anticipates entering into an agreement that will provide Omni an approximately twelve-month time period to complete due diligence, finalize design, obtain approval from the ASU/City of Tempe Joint Review Committee, and reach agreement on the various transaction documents. During this period, Omni also will be required to provide proof of financial feasibility, committed funding and an acceptable delivery schedule for the completed project.

Fiscal Impact and Management Plan

- The Parcel will be ground leased to Omni for a term of 60 years.

- Omni will construct, operate and maintain the hotel/conference center. Omni will have an option to acquire the land and improvements at the end of the ground lease for a nominal amount.

- The transaction, as structured, generates the highest and best offer for the Property; therefore, ASU requests that the board waive the requirement of 7-204(A) for a public auction, as permitted by 7-202.

- The ground lease rent will be pre-paid, equal to the fair market value of the Parcel. The fair market value of the Parcel is approximately $85.00 per square foot, based on appraisals received by ASU in accordance with Board policy. The estimated lease payment is approximately $5,900,000. Omni will pay its share of maintenance, repair, replacement and operation costs for the common areas of the project and parking, as well as annual payments of additional rent to be designated by ASU. The additional annual rent payments are estimated to be approximately $1,090,000 the first year following the completion of construction, escalating at 2.5 percent per year every year thereafter for the term of the ground lease.

- The conference center will be fully integrated within the hotel. The project budget for construction of the conference center is $19.5 million, which will be funded by ASU.

- ASU will enter into a management agreement with Omni for operation of the conference center to ensure seamless, coordinated management of the hotel and conference center. Under the terms of the management agreement, ASU will have a presence in and a right to use the conference center, while Omni will pay all operating and capital maintenance costs and be entitled to revenues therefrom.

- Parking for the hotel will be provided in an ASU-owned parking area. ASU will provide Omni with space for 275 vehicles and Omni will improve, configure and manage the space at Omni's cost. Omni will pay all ongoing operating and maintenance costs associated with its parking.

Exhibits

- Exhibit A – Location and Site Map

Committee Review and Recommendation

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

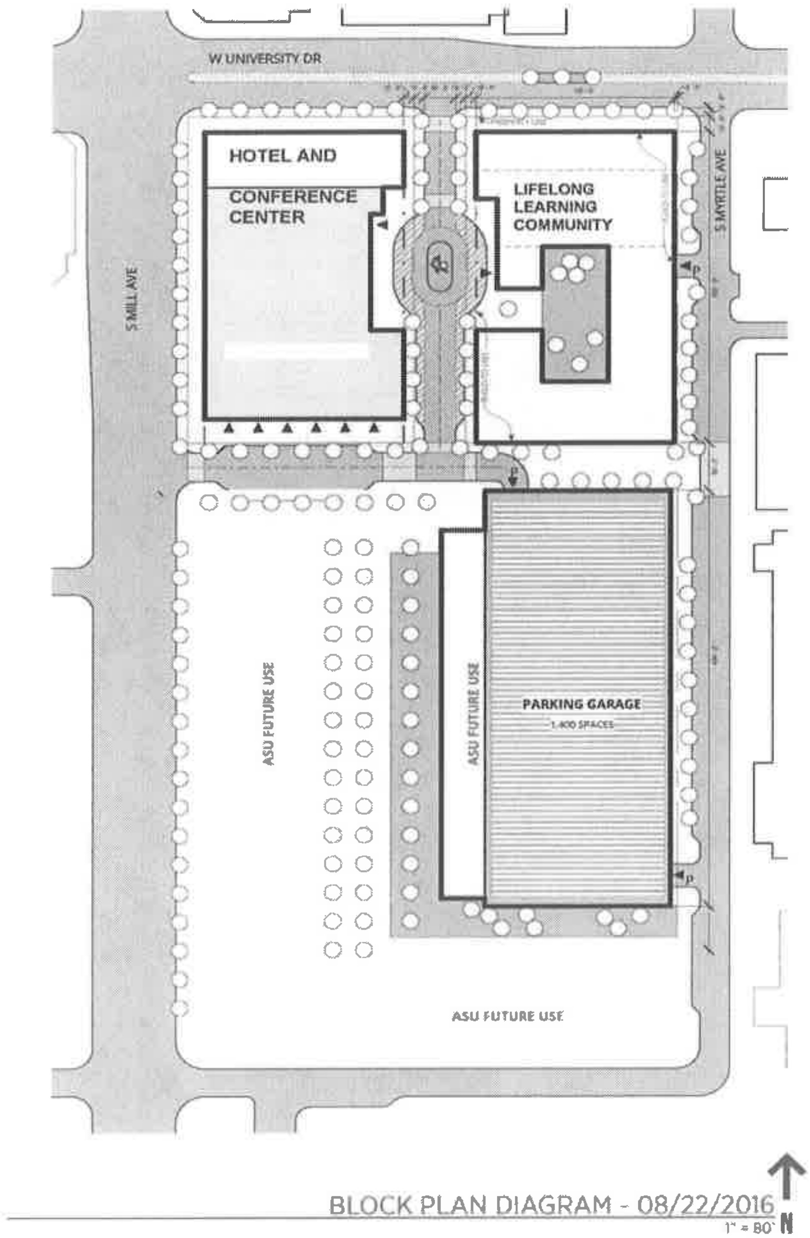
Requested Action

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

EXECUTIVE SUMMARY

EXHIBIT "A"

LOCATION AND SITE MAP



FY 2019 Project Description

Project Name: Tempe Campus Parking Structure

Priority: 3

Description

This proposed new energy-efficient, multi-level parking structure will replace an existing surface lot on a new development site at the southeast corner of University Drive and Mill Avenue in Tempe. A solar panel system is planned on this structure to provide the campus with an additional source of renewable energy and to maintain the university's commitment to sustainability. This approximately 1,200-space parking structure will support the academic, cultural and social activities on the Tempe campus and accommodate the parking needs of a new on-site hotel and conference center, as well as future site development.

Justification

This new energy-efficient parking structure will provide the essential capacity required to support the institutional priority of establishing ASU as a global center for interdisciplinary research, discovery and development. Given the close proximity of this parking structure to the rich cultural and social life that is fostered by ASU Gammage and the Mill Avenue District in downtown Tempe, this project also will enhance the local impact and social embeddedness of the university in the communities it serves.

Estimated Project Cost: $30,000,000

Funding Source: System Revenue Bonds

Attachment B

Lifelong Learning Center

Tempe, Arizona

Attachment B

Universities with Affiliated Communities

There are approximately 100 University-based lifelong learning communities including:

UC DAVIS
UNIVERSITY OF CALIFORNIA

Stanford University

Dartmouth

UF UNIVERSITY of FLORIDA

CORNELL UNIVERSITY FOUNDED A.D. 1865
Cornell University

THE UNIVERSITY OF TEXAS AT AUSTIN

Duke UNIVERSITY

OBERLIN
COLLEGE & CONSERVATORY

PennState

Attachment B

Development Partners

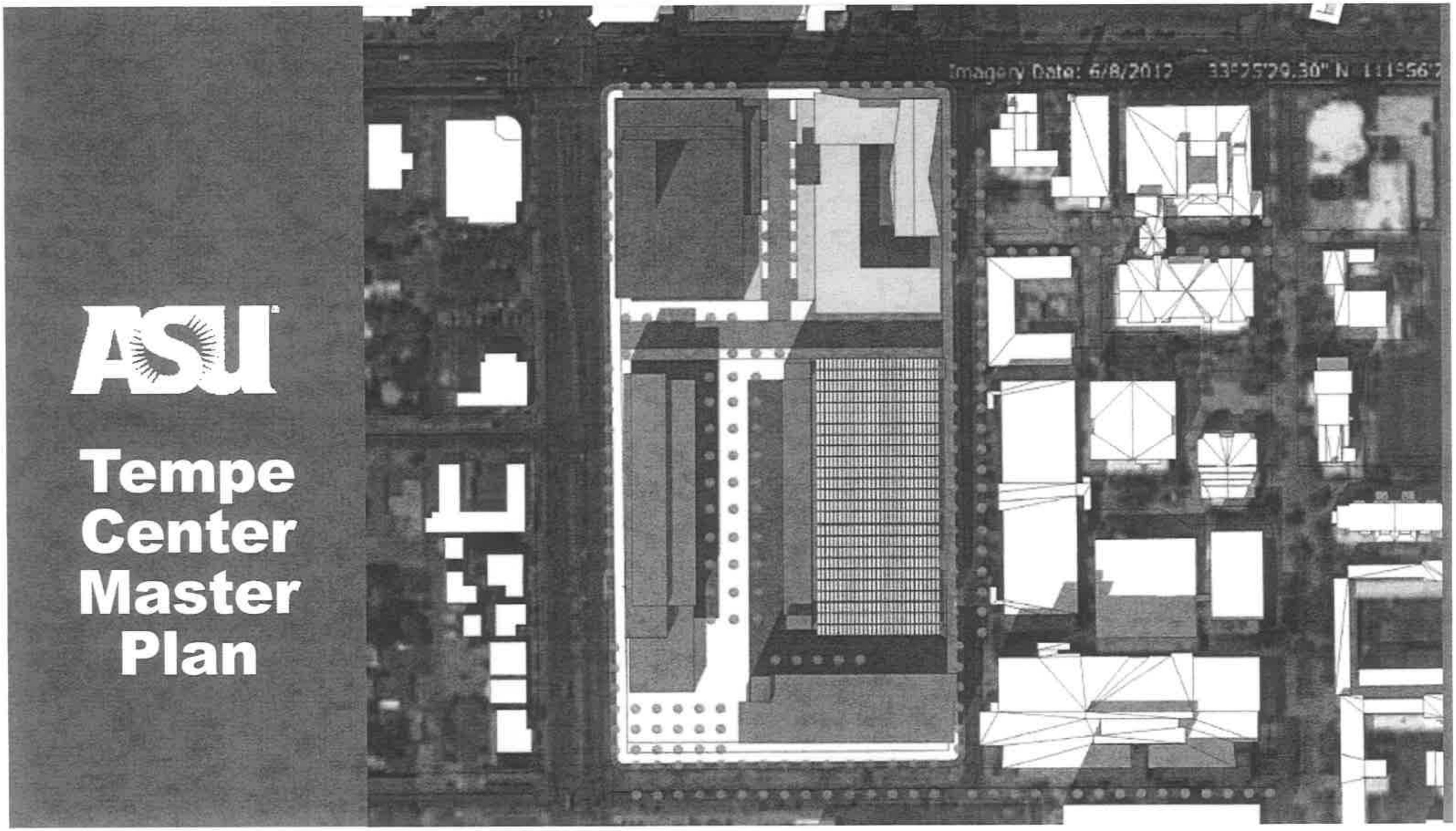
ASU Foundation

ARIZONA STATE UNIVERSITY

PACIFIC RETIREMENT SERVICES

Leadership for a new age

Attachment B



Senior Living is Changing

- Seniors today are pro-active "planners" charting out the next 30 years
- Desiring to "age-in-place" within an active and supportive environment
- Intersection of real estate/healthcare/hospitality

Benefits to ASU

- Strengthens engagement with alumni and friends
- Extends research and service mission to the broader community
- Attracts younger, vibrant and affluent residents for longer-term stay and ASU affinity
- Collaborates with residents to become partners in grant studies and programs
- Provides financial returns with little debt and maximum cash flow

Emerging Role of Universities in Lifelong Learning Communities

- Provides lifelong learning opportunities
- Gives access to on-campus cultural, social, and sports activities
- Creates an environment to remain mentally active
- Residents act as academic advisors and mentors for university spin-outs and teaching
- Advances research initiatives that contribute to life-cycle wellness
- Builds a strong base of alumni, employees, and friends
- Supports financial/estate planning and philanthropy

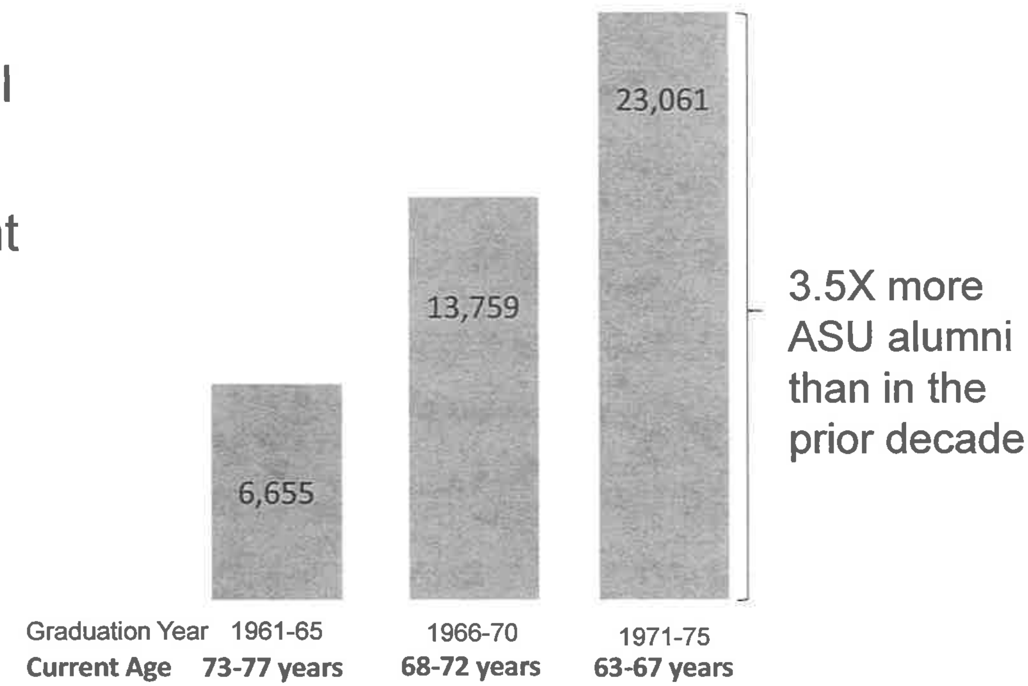
Attachment B

ASU Collaboration Opportunities

- Mayo Clinic/Medallion Program
- ASU/Mayo Medical School Partnership
- ASU College of Nursing & Health Innovation
- Osher Lifelong Learning Institute
- ASU Mary Lou Fulton Teachers College/Early Childhood Education
- Herberger Institute for Design & the Arts
- School of Nutrition & Health Promotion
- Office of Knowledge Enterprise Development

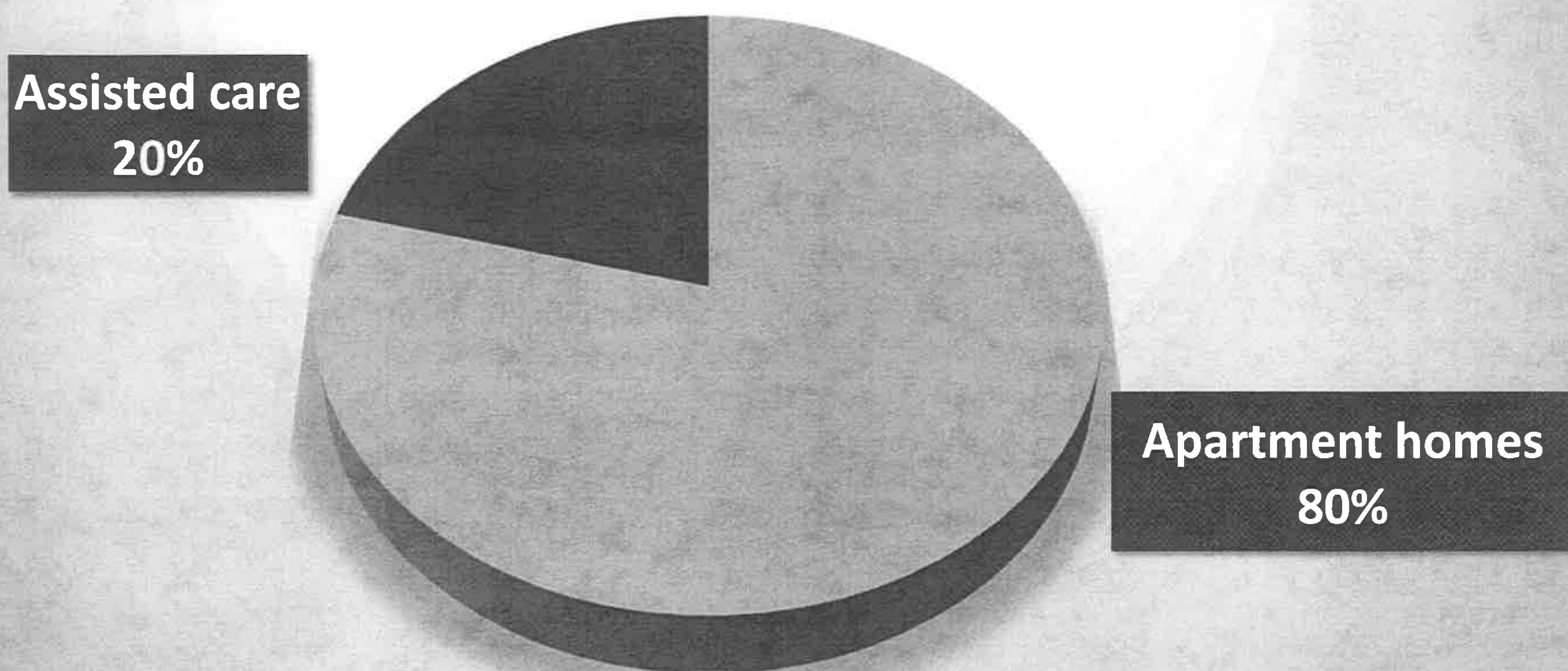
Alumni Connections

- Attract ASU alumni base as potential residents
- Create an environment for significant individual and family philanthropic funding
- Integrate more deeply with ASU



Attachment B

Proposed Unit Mix



Questions?

Attachment B

ASU

Lifelong Learning Center

Tempe, Arizona