

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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HOUSE OF
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RUSSELL K. PEARCE
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JOINT COMMITTEE ON CAPITAL REVIEW

Monday, December 20, 2004

9:00 a.m.

House Hearing Room 4

REVISED

MEETING NOTICE

- Call to Order
- Approval of Minutes of October 14, 2004.
- DIRECTOR'S REPORT (if necessary).
- 1. EXECUTIVE SESSION – ARIZONA DEPARTMENT OF ADMINISTRATION – Review of Statewide Telecommunications Management Contract. (Pursuant to Laws 2003, Chapter 263, Section 101)
- 2. SCHOOL FACILITIES BOARD/ARIZONA SCHOOL FOR THE DEAF AND THE BLIND – Review Report of ASDB Building Renewal and New Construction Estimates for FY 2006 and FY 2007.
- 3. SCHOOL FACILITIES BOARD – Review of FY 2006 New School Construction Report
- 4. ARIZONA STATE UNIVERSITY – Review of Land Acquisition with Bond Financing for Housing Project.
- 5. ARIZONA DEPARTMENT OF ADMINISTRATION –
 - A. Review of Revised FY 2005 Building Renewal Allocation Plan.
 - B. Report on Private Office Leases.
- 6. UNIVERSITY OF ARIZONA – Report on Capital Contingency Allocations.

The Chairman reserves the right to set the order of the agenda.
12/09/04

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**MINUTES OF THE MEETING
JOINT COMMITTEE ON CAPITAL REVIEW**

Thursday, October 14, 2004

The Chairman called the meeting to order at 1:35 p.m. Thursday, October 14, 2004 in House Hearing Room 4 and attendance was as follows:

Members:	Representative Pearce, Chairman	Senator Burns, Vice Chairman
	Representative Boone	Senator Brown
	Representative Lopez	Senator Soltero
	Representative Lopes	Senator Waring
	Representative Loredó	
Absent:	Representative Biggs	Senator Bee
	Representative Farnsworth	Senator Cannell
		Senator Mead

Representative Pearce moved the Committee approve the minutes of August 17, 2004 as presented. The motion carried.

DIRECTOR'S REPORT

In the absence of Mr. Richard Stavneak, Director, Mr. Lorenzo Martinez, JLBC Staff reviewed the response that was requested by the Committee from the Arizona Department of Transportation in reference to the East Valley Maintenance Project. Construction had begun on the project before Committee review and the department has set internal controls to ensure that projects do not commence without Committee review in the future.

ADOPTION OF REVISED COMMITTEE RULES

Mr. Lorenzo Martinez, JLBC Staff presented a proposed revision to the Rules and Regulations. A change is proposed to Rule 8 which sets the timeline for agencies to submit a request to appear on the Committee agenda. The revision requires agencies to make a request three weeks in advance of the meeting date, instead of two weeks. With this revision, Staff would have more time to conduct the required analysis and recommendation on the issues. The Joint Legislative Budget Committee adopted the same change at its morning meeting.

Representative Lopes expressed concern that agencies were not asked for input on the revised timeline.

Senator Burns moved the Committee adopt the revised Rules and Regulations as presented. The motion carried.

(Continued)

ARIZONA DEPARTMENT OF ADMINISTRATION – Review of Revised FY 2005 Building Renewal Allocation Plan.

Mr. Jeremy Olsen, JLBC Staff, presented the Arizona Department of Administration (ADOA) request that the Committee review the Revised FY 2005 Building Renewal Allocation Plan. The JLBC Staff recommends a favorable review of the \$366,000 request, with the stipulations outlined in the memo. Including the \$366,000, the Committee will have reviewed \$2.7 million of the \$3.5 million building renewal appropriation

In reply to Senator Soltero, Roger Berna, General Manager, General Services Division/ADOA stated that gas packs are a component of heating and ventilation systems.

Senator Burns moved the Committee give a favorable review to an additional \$366,000 in the revised Arizona Department of Administration FY 2005 Building Renewal allocation plan with the provision that ADOA submit for Committee review an allocation plan for the remaining \$834,000 Capital Outlay Stabilization Fund appropriation. The motion carried.

ARIZONA STATE PARKS – Review of State Lake Improvement Fund Projects.

Mr. Tim Sweeney, JLBC Staff, presented the Arizona State Parks request that the Committee review the State Lake Improvement Fund (SLIF) grants and projects totaling \$1,468,400. These monies are available due to the return of unused funds from a grant awarded in FY 2001, and do not include any estimated FY 2005 revenue, which is unallocated at this point. SLIF receives revenue from a portion of watercraft license fees and an allocation of gasoline tax attributable to watercraft use.

The Arizona Outdoor Recreation Coordinating Commission (AORCC) reviews eligible projects and presents a list of recommendations to the Arizona State Parks Board. The Parks Board submits proposed capital projects to the Committee for review. Current AORCC guidelines establish that no more than 30% of grant/project allocations may go to the Parks Department, and that no other entity may receive more than 20% of the available grant resources in a given grant cycle. Using the evaluation criteria, AORCC and the Parks Board have approved 10 projects/grants for funding in FY 2005 at a total cost of \$1,468,400.

In response to Chairman Pearce, Jay Ziemann, Assistant Director, State Parks stated that the majority of the funds comes from a percentage of the gas tax. Mohave County generates approximately 43% of the revenue that goes into the SLIF. Maricopa County generates 18%. A study is done every 3-years that estimates what the percentage of the total gas sold in Arizona is attributable to watercraft. The past 3-years there was \$10 million generated in revenue to the SLIF. It is estimated that for last year and the next 2 years, revenues will be \$7.5 million.

In response to Chairman Pearce, Mr. Ziemann stated that Maricopa County has received approximately \$18.1 million from the SLIF for a variety of projects. The Tempe Town Lake received 2 grants from the SLIF in 1997 and 1998, for a total of approximately \$5 million.

Chairman Pearce expressed concern on the appropriateness of some prior year grants. Mr. Ziemann stated that if an application is received, there are very few that are not funded.

Chairman Pearce requested information on the distribution of SLIF grants by city and county. Mr. Ziemann stated he would get that information.

In reply to Senator Burns, Mr. Ziemann stated that projects are reimbursed for only what is expended.

Senator Burns moved the Committee give a favorable review to 10 State Lake Improvement Fund grants and projects totaling \$1,468,400. The motion carried.

(Continued)

ARIZONA DEPARTMENT OF TRANSPORTATION

A. Review of Parker Motor Vehicle Division Field Office Relocation.

Mr. Bob Hull, JLBC Staff, presented the Arizona Department of Transportation (ADOT) request that the Committee review the Parker Motor Vehicle Division Field Office Relocation. Laws 2004, Chapter 276 appropriated \$500,000 from the State Highway Fund to the department to relocate the Parker MVD field office. A.R.S. § 41-1252 requires Committee review the scope, purpose and estimated cost, before the release of monies for construction of a new capital project costing over \$250,000.

There was no discussion on this item.

Senator Burns moved the Committee give a favorable review to the Parker Motor Vehicle Division Field Office Relocation with the stipulation that ADOT report back to the Committee with updated expenditure estimates once they have signed construction contracts. The motion carried.

B. Review of FY 2005 Building Renewal Allocation Plan.

Mr. Bob Hull, JLBC Staff, presented the Arizona Department of Transportation (ADOT) request that the Committee review the FY 2005 Building Renewal Allocation Plan. The Building Renewal Formula is a guide for the Legislature in appropriating monies for the maintenance and repair of state buildings. The plan includes \$2,715,000 from the State Highway Fund and \$65,900 from the State Aviation Fund.

There was no discussion on this item.

Senator Burns moved that the Committee give a favorable review to the FY 2005 Building Renewal Allocation Plan with the following provisions:

- ADOT report to JLBC Staff any allocations for FY 2005 projects from the \$148,800 contingency amount. JLBC Staff will report to the Committee on significant allocations, typically those above \$50,000.*
- ADOT submit for Committee review any reallocation above \$50,000 between the individual projects in the \$2,780,900 favorably reviewed plan.*

The motion carried.

UNIVERSITY OF ARIZONA – Review of La Aldea Student Housing Complex Purchase and Report on Chemistry Expansion Project Contingency Allocation.

Ms. Shelli Carol, JLBC Staff, presented the University of Arizona request the Committee review the \$21.9 million acquisition of La Aldea Student Housing Complex from Southern Arizona Capital Facilities Finance Corporation (SACFFC) and the Report on Chemistry Expansion Project Contingency Allocation. The U of A is reporting on a contingency allocation change of \$200,000 for the Chemistry Building Expansion. Total project costs remains the same.

SACFFC is a non-profit organization distinct and separate from U of A and exists to support the university in constructing capital projects. The La Aldea Student Housing Complex was behind schedule and reached only 50% occupancy in the first year. U of A expressed some dissatisfaction and the private management firm was able to raise occupancy to 71% for the current academic year. To allow the firm to make its debt service payments, U of A has rented 50 rooms in the facility for \$350,000 to be used for overflow and event housing.

The property management firm is technically in breach of its contract. U of A seeks an agreed-upon termination to avoid legal battles.

(Continued)

Ms. Carol explained that Government Accounting Standards Board Statement 39, released after this project began, considers non-profit affiliates when assessing a public institution's credit rating. A SACFFC default could affect U of A's credit rating.

U of A desires to purchase the complex in order to provide consistency and flexibility of service to students. Per bed costs are not unreasonable as compared to another U of A housing facility.

The \$21.9 million purchase price would be financed with System Revenue Bonds with a 25-year term at an interest of approximately 6%.

In response to Chairman Pearce, Mr. Greg Fahey, University of Arizona, stated that the 1st year the facility was late in opening, we are now in the 2nd year with an occupancy of 71% and the minimum to make everything work would be 90%. The property management firm's failure to meet debt service requirements constitutes a breach of both the ground lease and the management contract. U of A is seeking an agreed-upon termination and senses that the private firm, which is also losing money, is amenable to such a separation. However, SACFFC has the ability, if necessary, to cancel the lease and contract for cause. Neither SACFFC nor U of A would have a financial obligation to the property management firm. U of A would bear the \$21.9 million cost of refinancing the debt under its own administration. For the interest of the students and to protect the U of A bond rating, U of A would like to proceed and acquire the facility.

Senator Soltero asked if the university takes over the project would they will have the flexibility to be able to rent the rooms to not only graduate students but undergraduates as well. Mr. Fahey stated that there are some undergraduates that are allowed.

Senator Soltero mentioned that if the U of A can take the project and manage it, and save their bond rating from deteriorating, they should be given the chance.

In response to Chairman Pearce, Mr. Fahey mentioned that to acquire the facility would prevent a liability to the state. There are no taxpayer dollars used to deal with the situation.

In response to Senator Waring, Mr. Fahey said there is a possibility that some of the other dormitories could help with the cost.

Representative Lopes asked if there was any way to compare the rental rates that are charged to students by a private sector operated entity versus a public sector operated entity. Mr. Fahey said the new renting would not start until next July. The rents may have to be lowered, that has not been decided yet.

Senator Burns commented that there is a subsidy that gets involved from the taxpayers. If a private sector builds a facility, they pay a property tax. If the university builds it, they probably do not pay property tax.

Senator Burns moved that the Committee give a favorable review to the acquisition of La Aldea Student Housing Complex, with the provisions that University of Arizona submit for further Committee review any changes in scope, as well as the favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any rent collections that may be required for debt service. The motion carried.

NORTHERN ARIZONA UNIVERSITY

A. Review of Capital Project Cost and Scope Changes.

Ms. Shelli Carol, JLBC Staff, presented the Northern Arizona University (NAU) request that the Committee review of \$4.4 million increase for cost and scope changes in three capital projects: the School of Communications

(Continued)

Renovation, New College of Business Administration and the College of Engineering and Technology Renovation. NAU will finance these additions as part of a new revenue bond issuance of \$15 million. NAU plans to add \$0.8 million to the \$13.9 million for the School of Communication Renovation, \$2.1 million to the \$22.0 million for the New College of Business Administration, and \$1.5 million to the \$14.0 million for the College of Engineering and Technology Renovation. Per square foot cost estimates are still reasonable.

NAU plans to issue system revenue bonds to be repaid over a 30-year period at an estimated interest rate of 5.5%. NAU would request legislative appropriations for the debt service.

In response to Senator Burns, M. J. McMahon, Executive Vice-President, NAU stated that several of the projects did require more square footage. For the School of Communication Renovation, they had to reconfigure the space for changing program needs. The College of Business Administration did a detailed study of student movement in the building and the School of Business Administration wants to have the opportunity for the additional square footage to facilitate student-faculty interaction outside the classroom. They plan to do a better job of planning in the future to ensure the scope of projects is adequate at the time when coming before the Committee.

Senator Burns moved the Committee give favorable review to the \$4.4 million expenditure plan of a \$15 million system revenue bond issuance with the following provisions:

- NAU shall report to the Committee before expenditure of any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add alternates that do not expand the scope of the projects. NAU shall also report to the Committee before any reallocation exceeding \$100,000 among the individual planned projects.*
- NAU shall submit for Committee review any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add alternates that expand the scope of any project. In case of an emergency, NAU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if we do not agree with the change of scope as an emergency.*
- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any tuition collections that may be required for debt service, or any operations and maintenance costs.*
- The Committee expresses its concerns with the NAU planning process in that such major scope changes were not anticipated in the original scope.*

The motion carried.

B. Review of New System Revenue Bond Capital Projects.

Ms. Shelli Carol, JLBC Staff, presented the NAU request that the Committee review a \$10.6 million expenditure plan for Building System Repair and Replacement and Wayfind/Landscaping Infrastructure. These new initiatives will be included in a total new revenue bond issuance of \$15 million. The remaining \$4.4 million would finance scope and project budget changes in the prior agenda item. NAU plans to issue system revenue bonds to be repaid over a 30-year period at an estimated interest rate of 5.5%. NAU would dedicate \$6.7 million of the bond issuance to Building System Repair and Replacement and \$4.0 million to Wayfind/Landscaping Infrastructure. NAU would request legislative appropriations for the debt service.

In response to Senator Burns, Ms. Carol stated that there have been no changes to the plan, but NAU is willing to work with the request to structure the bonding to pay off short-lived projects.

In response to Chairman Pearce, Ms. Carol stated that a lot of the projects are building renewal which have not been bonded for in the past, but these are necessary infrastructure improvements. A number of these projects have a useful life that is less than the 30-year repayment period.

(Continued)

Senator Burns moved that the Committee give a favorable review to the \$10.6 million expenditure plan of a \$15 million system revenue bond issuance for Building System Repair and Replacement and Wayfinding/Landscaping Infrastructure with the following provisions:

- NAU shall report to the Committee before expenditure of any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add alternates that do not expand the scope of the projects. NAU shall also report to the Committee before any reallocation exceeding \$100,000 among the individual planned projects.
- NAU shall submit for Committee review any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for add alternates that expand the scope of any project. In case of an emergency, NAU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if it does not agree with the change of scope as an emergency.
- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any tuition collections that may be required for debt service, or any operations and maintenance costs.
- NAU shall not use bonding to finance the purchase of any capital assets whose typical life span is less than the bond repayment period. The exceptions to this stipulation are circumstances where more minor repairs are required to complete a major renovation.

The motion carried.

SCHOOL FACILITIES BOARD

A. Review of Lease-to-Own Projects.

Mr. Jake Corey, JLBC Staff, presented the School Facilities Board (SFB) request that the Committee review its list of \$50 million in potential new school construction projects to be financed with lease-purchase agreements in FY 2005. The FY 2005 total is \$250 million, of which the Committee reviewed \$200 million at a prior meeting. For the \$50 million lease-purchase agreement, the board has submitted for review 4 construction projects and the Cave Creek land lease. By entering into a lease for Cave Creek with the State Land Department, any monies SFB spends to make the lease payments are automatically returned to the New School Facilities Fund. The net cost to SFB to lease the land, therefore, is zero. The size of the parcel is 160 acres and there is currently a K-5 school being constructed on the site. In the future the district plans to build a middle school and a high school on the site.

In response to Senator Waring, Mr. Corey stated that the K-5 is currently under construction and that the lease has already been executed. What would be delayed would be the entering into the \$50 million lease-purchase agreement. This would have no effect on the current construction in progress.

John Arnold, Deputy Director, School Facilities Board stated that the Cave Creek lease with the Land Department was entered into over a year and a half ago. The school is 95% built on the property.

In response to Representative Boone, Mr. Arnold stated that the statute encourages SFB to lease state property as the money flows back to the New School Facilities Fund and saves General Fund monies.

Chairman Pearce expressed concern on moving the project forward without more information.

Senator Waring commented that the district is growing rapidly and they are running out of space to put schools.

In response to Chairman Pearce, Mr. Arnold stated that the current Cave Creek population projections indicate that a high school will be approved approximately a year from now and would open in 2008-2009. Statute allows SFB to approve high schools 3-years in advance of when they would open.

(Continued)

In response to Representative Boone, Mr. Arnold stated that the acreage is all developable.

Mr. Jeff Bower, UBS Financial Services reviewed a handout and gave an overview of the market. He mentioned that the rates for bonds have been very favorable. The approximate interest rate today for lease-purchase would be below 4%-3.9%.

In response to Representative Lopez, Mr. Bower stated the expectation would be to have the financing in the market place by mid November.

Chairman Pearce expressed concern with the Qwest contract. William Bell, Director, School Facilities Board stated that it is his understanding that the original contract with Qwest went from \$70M to \$140M. He also mentioned he did not know the reason for the increase. SFB did meet with the Auditor General and questions were raised by both sides. Mr. Bell stated that he agreed with the suggestion from the Auditor General that they review the contract and that is what is being done at the present time. They have requested Qwest to check their books.

Chairman Pearce asked if the results of the federal investigation were available. Mr. Bell said that he did not know the details of the investigation.

Chairman Pearce requested the School Facilities Board provide by October 27, 2004 information related to costs and status of the Qwest contract.

Senator Burns moved that the Committee give a favorable review to the list of \$50 million in potential new school construction projects to be financed with lease-purchase agreements, and also give a favorable review to the revised list of projects associated with the \$200 million lease-purchase agreements that were previously reviewed. The motion carried.

B. Review of FY 2005 Building Renewal Allocation Plan.

Mr. Jake Corey, JLBC Staff presented the School Facilities Board request that the Committee review its proposal to distribute \$70 million of Building Renewal Fund monies for FY 2005. The monies would be distributed in two equal \$35 million installments in November 2004 and May 2005. The formula calculation generated a \$135 million amount. The board was allocated \$70 million for building renewal in FY 2005.

In response to Representative Boone, Mr. Corey stated that \$30 million was appropriated through the feedbill and \$40 million was a triggered appropriation.

Senator Burns moved the Committee give a favorable review to the proposed distribution of \$70 million of Building Renewal Allocation Fund monies for FY 2005. The motion carried.

DEPARTMENT OF PUBLIC SAFETY

Mr. Martin Lorenzo, JLBC Staff, presented the Department of Public Safety (DPS) request that the Committee review the scope, purpose and estimated cost of the remote officer housing project. The project would consist of constructing 2 housing units in Ajo and 1 housing unit in Seligman, at a total estimated cost of \$355,700.

In response to Chairman Pearce, Mr. Lorenzo stated that the DPS has forecasted through FY 2008 and the current need for remote officer housing is 11 units, which is a combination of new and replacement units. The total cost is estimated to be approximately \$1.3 million. The replacement is for 3 units, 4 additional units and 4 new units.

(Continued)

In response to Chairman Pearce, Mr. Phil Case, Comptroller, DPS stated that DPS currently maintain 16 remote housing locations with a total of 60 housing units. Mr. Case mentioned that they are trying to standardize the units by replacing the older units, many of which are single housing units, with a doublewide modular unit. Mr. Case also mentioned that the department's policy is not to take marital status into account with respect to assignment. Assignment is based on a voluntary and seniority basis. Chairman Pearce suggested that it would be cheaper if marital status is considered. It is very likely that single officers are more likely to volunteer and make themselves known to be interested in a remote duty assignment.

In response to Chairman Pearce, Mr. Case stated that the most delapidated units are going to be replaced. There used to be two remote houses in the Sunflower area. Those were eliminated after the improvements were made to the Beeline Highway and response times were improved. There is a small office at the Junction of 188 and the Beeline Highway, approximately 12-15 miles north of Sunflower.

Chairman Pearce asked the department to provide by October 27, 2004, information regarding whether the assignment of officers to remote locations based on marital status might generate savings.

Senator Burns moved the Committee give a favorable review to the scope, purpose, and estimated cost of the Remote Officer Housing Projects in Ajo and Seligman. The motion carried.

Arizona State University – Report on ASU Scottsdale Center for New Technology and Innovation.

Ms. Shelli Carol, JLBC Staff presented the Arizona State University (ASU) report on ASU Scottsdale Center for New Technology and Innovation, which is a partnership between the ASU Foundation (ASUF) and the City of Scottsdale. Together the two organizations will construct the ASU Scottsdale Center for New Technology and Innovation at the site of the former Los Arcos Mall in Scottsdale. Envisioned as a blending of research park, business park, and university campus, bringing together the disciplines of engineering, art, science and entrepreneurship, the center will house certain ASU units and private technology businesses. ASU Foundation representatives, who were previously unavailable, were present to answer.

This item is for information only and no Committee action is required. However, JLBC Staff recommends that:

- The Committee request annual updates from ASUF on the project, including physical progress, construction costs, pre-leasing and leasing activity and rates, gross revenues, debt service, and payments to the City of Scottsdale.
- ASU report to the Committee, when appropriate, on the lease rate for and amount of space the university will occupy at the Center.

Mr. Lonnie L. Ostrom, President of ASUF stated that the foundation was started in 1955 and is a separate nonprofit corporation that exists solely to support Arizona State University. The assets for ASUF are currently at \$450 million.

In response to questions, Mr. Steve Evans, Trustee of ASUF stated there was a proposal for the property for a Coyotes hockey arena, which was approved, and then the decision was made for the arena to move to Glendale. The City Council of Scottsdale voted for the ASU project without the emergency clause which then subjected the transaction to a 30-day period for signature gathering for a citizens vote. The number of signatures required were approximately 3,600 and that number was not collected.

(Continued)

There is no fixed payment on the lease to the City of Scottsdale. The lease payment is calculated as 50% of the net revenues from the project. It is a flexible number reflecting the economics of the project. ASUF will contract with a private developer for developing the site in phases. Lease revenues will fund the project.

This is a totally independent limited liability company free standing, there are no financial guarantees that run to the foundation or ASU. Should ASU elect to lease space in the facility then they would be obligated to make the lease payments, but the amount of space ASU may elect to occupy is not known at this time. The ASU Foundation is obligated to construct 150,000 feet every 3 years; however, should that not be feasible in the market, the recourse from the City of Scottsdale is to develop the remaining piece of parcels of land, they retain that and may use it for other uses. As the research activity of ASU unfolds over the 10-year period and their space needs appear, they will be offered a lease structure that will directly support that research mission.

Mr. Evans stated that the City of Scottsdale owns the land, so there will be no property taxes on the land; however, the ASU Foundation will pay property taxes on the buildings that are built.

The Committee further reviewed the report on the proposed development of the new center by the Arizona State University Foundation. Committee discussion focused on the role ASU would take in the project and whether there could be any financial liability for ASU and state in the future. Given that the development is still in the preliminary stages, the role of ASU is not yet defined.

No Committee action was required.

Without objection the Committee meeting adjourned at 3:05 p.m.

Respectfully submitted:

Jan Belisle, Secretary

Lorenzo Martinez, Assistant Director

Representative Russell Pearce

NOTE: A full tape recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams.

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DATE: December 10, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Shelli Carol, Fiscal Analyst

SUBJECT: Executive Session - Arizona Department of Administration - Review of Statewide
Telecommunications Management Contract

The Arizona Department of Administration is requesting Committee review of the Statewide Telecommunications Management Contract. In accordance with the authorizing legislation (Laws 2003, Chapter 263), the Committee shall review the contract in Executive Session.

The JLBC Staff memo on this item will be distributed to members under separate cover.

RS/SC:jb

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DATE: December 2, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Eric Jorgensen, Fiscal Analyst

SUBJECT: School Facilities Board/Arizona State Schools for the Deaf and the Blind – Review of
ASDB Building Renewal and New Construction Estimates for FY 2006 and FY 2007

Request

Pursuant to A.R.S. § 15-2002A.12, the School Facilities Board (SFB) is reporting on the resources needed to fulfill the building renewal and new construction requirements in A.R.S. § 15-2031 and 15-2041 for the Arizona State Schools for the Deaf and the Blind (ASDB) in FY 2006 and FY 2007.

Recommendation

This item is for information only and no Committee action is required.

According to the SFB, the total cost for new construction and building renewal at both campuses is \$28,151,800 in FY 2006 and \$2,107,900 in FY 2007 (see Table 1). The FY 2007 estimate assumes that the FY 2006 estimate is funded. Based on A.R.S. § 15-2002, ASDB could include these amounts in its budget request, but has not done so for FY 2006. The SFB does not include these amounts in its transfer instructions to the State Treasurer for FY 2006, as statute does not permit or require it to do so.

Table 1: Estimated Total Costs

Phoenix	<u><i>FY 2006</i></u>	<u><i>FY2007</i></u>
New School Construction	\$22,247,600	\$ 893,900
Building Renewal	<u>346,500</u>	<u>361,500</u>
Total	\$22,594,100	\$1,255,400
Tucson		
New School Construction	\$5,104,400	\$375,800
Building Renewal	<u>453,300</u>	<u>476,700</u>
Total	\$5,557,700	\$852,500
Grand Total	\$28,151,800	\$2,107,9000

(Continued)

Analysis

New Construction

The SFB indicates that the minimum space per student at ASDB should be 875 square feet. This amount considers classrooms, libraries, physical education areas, administrative space, auditoriums and other types of space. The 875 square feet per pupil amount is the weighted average of space needed for different ages and special needs and is comparable to the space requirements of similar schools in other states. A.R.S. § 15-2041 sets the minimum area per student in school districts at 90 to 134 square feet depending on grade and student count. It also allows SFB to modify that amount when needed.

Based on a minimum requirement of 875 square feet per student, the Phoenix campus's current size of 109,696 square feet is adequate for 125 students. SFB projects the FY 2006 student count at 353, which would require an additional 198,906 square feet. A projected increase of about 9 students in FY 2007 would add another 7,992 square feet that year. The larger Tucson campus, with 232,964 square feet, meets the minimum requirement for 266 students. SFB projects that ASDB will have 318 students in FY 2006 and 322 in FY 2007, requiring an additional 45,636 and 3,360 square feet in those years, respectively.

SFB calculates the cost of new construction at \$111.85 per square foot based on average facility costs in the state. The following chart shows the calculated costs for new construction:

Table 2: Calculation of New Construction Costs				
	<u>FY 2006</u>		<u>FY2007</u>	
Phoenix	198,906 x \$111.85	\$ 22,247,600	7,992 x \$111.85	\$ 893,900
Tucson	45,636 x \$111.85	<u>5,104,400</u>	3,360 x \$111.85	<u>375,800</u>
Total		\$27,352,000		\$1,269,700

Building Renewal

The SFB also calculated the cost of building renewal based on the age and value of the buildings, past renovations and capacity (as determined above). SFB found that under the guidelines in A.R.S. § 15-2031, ASDB would be eligible for building renewal on both campuses totaling \$799,800 in FY 2006 (\$346,500 for Phoenix and \$453,300 for Tucson) and \$838,200 in FY 2007 (\$361,500 for Phoenix and \$476,700 for Tucson) (see Table 1).

RS/EJ:jb

STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: December 9, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jake Corey, Senior Fiscal Analyst

SUBJECT: School Facilities Board – Review of FY 2006 New School Construction Report

Request

Pursuant to A.R.S. § 15-2002, the Committee is required to review the School Facilities Board (SFB) demographic assumptions, proposed construction schedule, and new school construction cost estimates for FY 2006.

Recommendation

The JLBC Staff can not make a recommendation on the new construction report at this time as it is incomplete. The board has not submitted any information regarding demographic assumptions, and has submitted only partial information on its proposed construction schedule and cost estimates. The board has requested extending the deadline for submittal of the entire report to May 1, 2005. A.R.S. § 15-2002, however, requires the board to submit the report to the Committee by October 15.

The board has provided JLBC Staff with detail on its requested FY 2006 lease-purchase amount, which the board estimates to be \$357.6 million, and the potential effect of slowed statewide enrollment growth on construction costs. When the board submits the entire report JLBC Staff suggests it include its demographic assumptions, projected construction schedule for all outstanding projects, including those begun prior to FY 2006, and estimated FY 2006 cash flow.

Analysis

FY 2006 Lease-Purchase Request

The table below summarizes the board's requested FY 2006 lease-purchase amount.

SFB Projected FY 2006 Lease-Purchase	
FY 2005 Projects	\$ 116,273,100
FY 2006 Projects (Previously Approved)	100,625,600
FY 2006 Projects (Not Currently Approved)	135,675,600
Land	<u>5,000,000</u>
TOTAL	\$ 357,574,300

(Continued)

Of the total \$357.6 million estimated, \$116.3 million would be allocated for projects that the board has already approved and expects to begin construction in FY 2005. An additional \$100.6 million would be for projects the board has already approved and expects to begin construction in FY 2006. (*See Attachment 1.*)

The remaining \$135.7 million in FY 2006 projects have not currently been approved. The board estimates that it will ultimately approve a total of \$298.5 million in projects in FY 2006. (*See Attachment 2.*) Based on past trends, the board expects \$135.7 million of those projects to actually begin construction in FY 2006, the same year in which they are approved.

Projects Expected to be Approved in FY 2006			
<u>Project Type</u>	<u>Total Funding</u>	<u>% of Projects Expected to Begin Construction in FY 2006</u>	<u>FY 2006 Lease-Purchase Amount</u>
K-6 Projects	\$ 37,957,125	82%	\$ 31,229,907
6-8 Projects	46,033,949	59%	27,054,726
K-8 Projects	100,238,424	52%	52,060,664
9-12 Projects	<u>114,271,586</u>	22%	<u>25,330,280</u>
TOTAL	\$298,501,084		\$135,675,578

In addition to construction projects, SFB estimates including \$5.0 million for land in a FY 2006 lease-purchase agreement. The amount is based on past trends.

The \$357.6 million FY 2006 lease-purchase amount would allow the board to add an estimated 3.1 million square feet and house approximately 30,000 students.

K-12 Student Enrollment Growth

Statewide K-12 student enrollment growth may be slowing. From FY 2001 to FY 2003 the K-12 school district Average Daily Membership (ADM) population grew by an average of approximately 20,000 students a year. (Figure excludes charter schools as they do not qualify for SFB funding.) Preliminary figures from the Arizona Department of Education (ADE) indicate that the district ADM count grew by approximately 15,000 students in FY 2004. (Note: The figures from ADE are subject to revision.) The 15,000 figure represents *net* growth in Arizona districts, and therefore includes increases in growing districts and reductions in declining districts.

The board believes that that the impact of ADM growth on construction costs will depend on individual district growth rates and grade level growth rates. Regarding individual district growth rates, SFB assesses new school construction project needs on a district-by-district basis; therefore the number of projects SFB ultimately approves depends on the ADM growth in each individual district. At this time, the board has already seen slower ADM increases in some of the high growth districts. This reduced growth has already caused SFB to revise its estimated FY 2006 lease-purchase amount. In its FY 2006 budget submittal, the board had originally requested to enter into \$364.4 million in lease-purchase agreements in FY 2006. Grade level growth rates will affect construction costs as K-6 projects are considerably less expensive than high school projects.

Currently SFB projects approving approximately \$300 million in new school construction projects in FY 2005. The board will update the Committee if slower ADM growth reduces that amount.

RS/JC:jb
Attachments (2)

New School Construction Approved Projects

	<u>Board Approval Date</u>	<u>Begin Construction Date (Actual or Estimated)</u>	<u>Complete Construction Date (Estimated)</u>	<u>Project Type</u>	<u>Grade Level</u>	<u>Number of Students</u>	<u>Square Footage</u>	<u>Total Funding</u>
FY 2005 Projects								
Agua Fria Union High School District	1/8/2004	4/15/2005	April-07	New School	9-12	1,600	200,000	\$24,968,000
Avondale Elementary District	4/1/2004	4/15/2005	October-06	Additional Space	K-8	119	11,040	\$1,142,309
Avondale Elementary District	4/1/2004	4/15/2005	October-06	Additional Space	K-8	22	2,040	\$211,079
Florence Unified School District	4/1/2004	1/1/2005	June-06	New School	K-8	1,100	101,640	\$10,516,691
Glendale Elementary District	3/6/2003	1/1/2005	June-06	Core	K-8	1,000	60,060	\$5,963,958
Isaac Elementary District	2/6/2003	4/1/2005	April-06	New School	K-5	600	54,000	\$5,292,540
Pendergast Elementary District	5/9/2002	4/1/2005	October-06	New School	K-8	950	87,780	\$8,775,339
Peoria Unified District	3/6/2003	1/1/2005	January-07	Core	9-12	1,800	146,250	\$17,520,750
Peoria Unified District	1/8/2004	1/1/2005	January-07	Build Out	9-12	0	78,750	\$9,831,150
Sahuarita Unified District	1/8/2004	4/1/2005	October-06	New School	6-8	600	58,002	\$6,143,572
Sahuarita Unified District	1/8/2004	1/1/2005	January-06	Additional Space	9-12	172	23,048	\$2,877,312
Somerton Elementary District	2/6/2003	4/1/2005	April-05	Core	K-5	400	23,400	\$2,293,434
Tolleson Elementary District	1/8/2004	4/1/2005	October-06	New School	K-8	700	64,680	\$6,692,440
Yuma Union High School District	3/4/2004	4/1/2005	April-07	New School	9-12	<u>900</u>	<u>112,500</u>	<u>\$14,044,500</u>
TOTAL						9,963	1,023,190	\$116,273,074
FY 2006 Projects (Previously Approved)								
Cartwright Elementary District	5/9/2002	FY 2006	FY 2007	Additional Space	K-6	23	2,052	\$201,117
Chandler Unified District	11/6/2003	8/1/2005	August-07	New School	9-12	2,500	312,500	\$39,012,500
Crane Elementary District	4/1/2004	FY 2006	FY 2007	Additional Space	7-8	250	25,000	\$2,695,250
Deer Valley Unified District	1/8/2004	8/1/2005	August-07	New School	9-12	2,000	250,000	\$31,210,000
Laveen Elementary District	4/1/2004	FY 2006	FY 2007	New School	7-8	400	40,000	\$4,312,400
Maricopa County Regional District	6/6/2002	FY 2006	FY 2007	New School	7-12	600	73,620	\$8,419,183
Pendergast Elementary District	1/8/2004	FY 2006	FY 2007	New School	K-8	797	73,683	\$7,623,980
San Fernando Elementary District	4/4/2002	FY 2006	FY 2007	New School	K-8	50	4,620	\$458,766
Stanfield Elementary District	6/3/2004	FY 2006	FY 2007	New School	K-8	<u>700</u>	<u>64,680</u>	<u>\$6,692,440</u>
TOTAL						7,320	846,155	\$100,625,636

New School Construction Projects Expected to be Approved in FY 2006

	<u>Project Type</u>	<u>Grade Level</u>	<u>Number of Students</u>	<u>Square Footage</u>	<u>Total Funding</u>
K-6 Projects					
Apache Junction Unified District	New School	K-5	650	58,500	\$5,974,605
Casa Grande Elementary District	New School	K-5	750	67,500	\$6,893,775
Chandler Unified District	New School	K-6	950	85,500	\$8,732,115
Gadsden Elementary District	Build Out	K-6	0	20,475	\$2,091,112
Gilbert Unified District	New School	K-6	952	85,680	\$8,750,498
Sahuarita Unified District	New School	K-5	<u>600</u>	<u>54,000</u>	<u>\$5,515,020</u>
Subtotal			3,902	371,655	\$37,957,125
6-8 Projects					
Casa Grande Elementary District	New School	6-8	850	82,170	\$8,703,446
Gilbert Unified District	Build Out	7-8	0	51,030	\$5,501,544
Isaac Elementary District	Build Out	6-8	0	16,917	\$1,791,849
Maricopa Unified School District	New School	7-9	1,000	111,300	\$12,630,324
Queen Creek Unified District	New School	6-8	1,000	96,670	\$10,239,286
Yuma Elementary District	New School	6-8	<u>700</u>	<u>67,669</u>	<u>\$7,167,500</u>
Subtotal			3,550	425,756	\$46,033,949
K-8 Projects					
Avondale Elementary District	New School	K-8	850	78,540	\$8,126,534
Deer Valley Unified District	New School	K-8	900	83,160	\$8,604,565
Dysart Unified District	New School	K-8	1,000	92,400	\$9,560,628
Dysart Unified District	New School	K-8	1,000	92,400	\$9,560,628
Glendale Elementary District	Build Out	K-8	0	32,340	\$3,346,220
Higley Unified District	New School	K-8	1,200	110,880	\$11,472,754
Liberty Elementary District	New School	K-8	800	73,920	\$7,648,502
Liberty Elementary District	New School	K-8	800	73,920	\$7,648,502
Littleton Elementary District	New School	K-8	972	89,813	\$9,292,951
Riverside Elementary District	New School	K-8	750	69,300	\$7,170,471
Roosevelt Elementary District	New School	K-8	800	73,920	\$7,648,502
Saddle Mountain Unified District	Build Out	K-8	0	24,255	\$2,509,665
Union Elementary District	New School	K-8	<u>800</u>	<u>73,920</u>	<u>\$7,648,502</u>
Subtotal			9,872	968,768	\$100,238,424
9-12 Projects					
Buckeye Union High School District	New School	9-12	1,200	160,800	\$20,074,272
Casa Grande Union High School District	New School	9-12	1,000	125,000	\$15,605,000
Dysart Unified District	New School	9-12	1,800	225,000	\$28,089,000
Higley Unified District	New School	9-12	1,200	160,800	\$20,074,272
Lake Havasu Unified District	Core	9-12	1,200	104,520	\$13,700,482
Sahuarita Unified District	New School	9-12	<u>1,000</u>	<u>134,000</u>	<u>\$16,728,560</u>
Subtotal			7,400	910,120	\$114,271,586
TOTAL			24,724	2,676,299	\$298,501,084



**STATE OF ARIZONA
SCHOOL FACILITIES BOARD**

**Governor of Arizona
Janet Napolitano**

**Executive Director
William Bell**

October 13, 2004

Representative Russell Pearce, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, Arizona 85007

Dear Representative Pearce:

The statute §15-2002, subsection A, paragraph 13, Arizona Revised Statutes, requires the School Facilities Board (SFB) report to the Joint Committee on Capital Review regarding demographic assumptions, construction schedules, and cost estimates for the new construction program by October 15th.

School districts are required to submit their Capital Plans on September 1st. SFB staff has had difficulty receiving all of the Capital Plans on time, and there are still a few outstanding. The October 15th deadline for this report allows only six weeks to analyze the Capital Plans of approximately 70 districts even if the reports are submitted timely.

We would like to request an extension in the filing of the New Construction Report until May 1, 2005. SFB staff believes that the extended amount of time will improve the data the committee will receive in regard to the future new school needs in Arizona.

Please feel free to contact me if you have questions or would like to discuss the report.

Sincerely,

William Bell
Executive Director

Cc: Members of the School Facilities Board
David Jankofsky, OSPB Director
Senator Burns, JLBC Chairman
Richard Stavneak, JLBC Director
SFB Senior Staff



STATE OF ARIZONA

Joint Committee on Capital Review

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November 8, 2004

William Bell, Executive Director
School Facilities Board
1700 W. Washington Street, Suite 230
Phoenix, AZ 85007

Dear Mr. Bell:

I am in receipt of your October 13, 2004 letter in which you request extending the deadline for the new school construction report to May 1, 2005.

A.R.S. § 15-2002.A13 requires the School Facilities Board to submit the report to the Joint Committee on Capital Review by October 15th of each year. The Committee has no statutory authority to grant the board an extension. Based on the comments in your letter, you may wish to seek a legislative change to the statute in the upcoming session.

In the meantime, we will need to receive information on projected costs before the end of the year. In your budget submittal you have requested authority to enter into \$364,366,900 in lease-purchase agreements to finance new school construction projects in FY 2006. (*See Attachment #1*) Please provide supporting documentation for this request. In particular, identify which projects are included in the following amounts:

- FY 2005 Total Projects - \$369,218,098 (Pg. #52A)
- FY 2005 Land - \$3,847,600 (Pg. #52A)
- Additional Land - \$5,000,000 (Pg. #52A)
- Projected FY 2005 Approvals Included in FY 2006 Financing - \$298,501,084 (Pg. #52C)

In addition, it is my understanding that your office has had discussions with JLBC Staff concerning a database with information on new school construction projects. (*See Attachment #2*) Please expand the current database to provide the following data for each project:

- Begin Construction Date
- Complete Construction Date
- Total Project Cash Financing
- Total Project Lease-Purchase Financing
- Lease-Purchase Financing Agreement

(Continued)

Please provide a response to the above requests to JLBC Staff by November 22, 2004. Thank you for your cooperation.

Sincerely,

A handwritten signature in cursive script, appearing to read "Russell Pearce".

Representative Russell Pearce, Chairman
Joint Committee on Capital Review

RP:jb

xc: Senator Bob Burns, Vice-Chairman
Richard Stavneak, Director
John Arnold, Deputy Director of Finance, School Facilities Board



STATE OF ARIZONA
SCHOOL FACILITIES BOARD

Governor of Arizona
Janet Napolitano

Executive Director
William Bell

November 22, 2004

The Honorable Russell Pearce
Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, Arizona 85007



Dear Representative Pearce,

Thank you for your letter of November 8, 2004. I appreciate that any extension to a statutory deadline will require legislative action. The pursuit of such an action is under consideration. I also appreciate your willingness to work with the School Facilities Board in identifying the components of the October 15 report that are necessary for your staff to complete budget preparations.

Attached to this letter is the budget information requested in your letter. My staff is working directly with JLBC staff to provide the database information. That data will be transferred to JLBC staff electronically.

You will note that the budget information has changed slightly from the original budget submittal. Specifically, the FY 2005 Total Projects was reduced to \$360,611,956 and the FY 2005 Land number was increased to \$5,665,469. Like many agencies in this State, the School Facilities Board budget is a caseload-driven budget. The lease-to-own authority requested is based on the number of schools we project will start construction between now and the end of FY 2006. As we move forward in time and as my staff continues to work with the school districts to identify which schools will be eligible to start construction in that timeframe, the SFB will have better data on which to base that projection. I suggest that our staffs continue to work together throughout the budget process so that the final budget will be based on the best available information.

You also asked us to address the possibility that the rate of ADM growth may be slowing. While the Department of Education reviews ADM on a statewide basis, the SFB must review each individual district's ADM. Therefore, as we anticipate the impact of a reduction in ADM growth, two factors must be considered. First, in which districts is the growth slowing. We have noted that some of our hyper-growth districts have experienced a reduction in growth. This fact has already reduced the FY 2005 Total Projects amount as noted above. However, there are new districts that are moving into the hyper-growth category. Second, which grade levels are slowing

in growth. If districts are slowing in the K-6 range but not the 9-12 range, the State may still see substantial high school construction for the next several years.

We are currently processing the FY 2005 capital plans. If growth has slowed, that will be reflected in the number of schools the SFB awards in FY 2005. We currently project awarding approximately \$300 million in new school construction. We will keep JLBC staff updated to any changes in that number.

If you or your staff has any questions regarding the information in this letter, please contact me or my staff. We look forward to a positive working relationship with JCCR throughout the upcoming session.

Sincerely,



William Bell

Attachments

C.c.

Senator Robert Burns, Vice-Chairman

Richard Stavneak, Director JLBC

David Jankofsky, Director OSPB

FY 2006 LTO Need

November 22, 2004

FY 2005 Total Projects	\$360,611,956
FY 2005 Land	<u>\$5,665,469</u>
Total FY 2005	\$366,277,425
FY 2005 LTO	\$250,004,351
Balance	\$116,273,074
 FY 2006 Projects Currently Approved	 \$100,625,636
 Projected FY 05 Awards to Be in FY 06 LTO	 \$135,675,578
 Additional Land	 \$5,000,000
 Total FY 2006 LTO Need	 <u>\$357,574,288</u>

Approved Projects Scheduled for Construction in FY 2005

District	Project Number	Project Type	Grade Level	Number of Students	Square Footage	Status	Total NC Funding	Land	Funding Source
Agua Fria Union High School District	070516000-9999-002N	New School	9-12	1600	200,000	Board Approved	\$24,968,000		
Avondale Elementary District	070444000-9999-004N	Additional Space	K-8	119	11,040	Board Approved	\$1,142,309		
Avondale Elementary District	070444000-9999-005N	Additional Space	K-8	22	2,040	Board Approved	\$211,079		
Avondale Elementary District	070444000-9999-003N	New School	K-8	850	78,540	Board Approved	\$8,126,534		LTO 4
Buckeye Elementary District	070433000-9999-006N	Build Out	K-8	0	25,872	Under Construction	\$2,676,976		LTO 4
Buckeye Elementary District	070433000-9999-004N	Core	K-8	800	48,048	Under Construction	\$4,771,166		LTO 4
Cartwright Elementary District	070483000-9999-007N	Additional Space	K-6	365	32,838	Under Construction	\$3,218,452		LTO 4
Cartwright Elementary District	070483000-9999-009N	Replacement	K-6	289	25,992	Under Construction	\$2,654,563		LTO 4
Cave Creek Unified District	070293000-9999-004	New School	K-5			Under Construction	\$16,134,671		LTO 5
Chandler Unified District	070280000-9999-006N	New School	7-8	1200	120,000	Under Construction	\$12,697,416	\$2,160,000	LTO 4
Coconino Accommodation District	030199000-9999-201N	New School	9-12	125	16,750	Under Construction	\$2,195,758	\$775,000	LTO 4
Coconino Accommodation District	030199000-9999-202N	New School	9-12	125	16,750	Under Construction	\$2,195,758		LTO 4
Deer Valley Unified District	070297000-9999-013N	New School	K-8	900	83,160	Board Approved	\$8,257,788		LTO 4
Deer Valley Unified District	070297000-9999-012N	New School	K-8	900	83,160	Under Construction	\$8,257,788		LTO 4
Dysart Unified District	070289000-9999-010N	New School	K-8	1000	92,400	Board Approved	\$9,560,628		LTO 4
Dysart Unified District	070289000-9999-009N	New School	K-8	1000	92,400	Under Construction	\$9,560,628		LTO 4
Florence Unified School District	110201000-9999-006N	New School	K-8	1100	101,640	Board Approved	\$10,516,691		
Florence Unified School District	110201000-9999-004N	New School	K-8	1100	101,640	Under Construction	\$10,092,852	\$262,600	LTO 4
Fowler Elementary District	070445000-9999-006N	Build Out	6-8	0	27,067	Board Approved	\$2,866,937		LTO 4
Fowler Elementary District	070445000-9999-004N	New School	K-5	750	67,500	Board Approved	\$6,893,775		LTO 4
Gilbert Unified District	070241000-9999-006N	New School	K-6	952	85,680	Board Approved	\$8,397,497	\$1,087,915	LTO 4
Glendale Elementary District	070440000-9999-005N	Core	K-8	1000	60,060	Board Approved	\$5,963,958		
Higley Unified District	070260000-9999-002N	New School	K-8	1025	94,659	Under Construction	\$9,794,367		LTO 4
Humboldt Unified District	130222000-9999-001N	New School	K-5	650	58,500	Board Approved	\$6,403,760		LTO 4
Isaac Elementary District	070405000-9999-004N	New School	K-5	600	54,000	Board Approved	\$5,292,540		
J O Combs Elementary District	110344000-9999-003N	New School	K-5	750	67,500	Board Approved	\$6,893,775		LTO 4
Liberty Elementary District	070425000-9999-221N	New School	K-8	800	73,920	Under Construction	\$7,296,643		LTO 4
Litchfield Elementary District	070479000-9999-004N	New School	K-5	800	72,000	Board Approved	\$7,353,360	\$225,654	LTO 5
Litchfield Elementary District	070479000-9999-005N	Build Out	6-8	0	30,451	Under Construction	\$3,225,370		LTO 4
Littleton Elementary District	070465000-9999-005N	New School	K-8	972	89,813	Board Approved	\$9,292,951		LTO 4
Maricopa Unified School District	110220000-9999-008N	New School	K-6	450	40,500	Board Approved	\$4,136,265		LTO 5

Approved Projects Scheduled for Construction in FY 2005

District	Project Number	Project Type	Grade Level	Number of Students	Square Footage	Status	Total NC Funding	Land	Funding Source
Palominas Elementary District	020349000-9999-001N	Additional Space	K-8	250	23,100	Board Approved	\$2,509,815		LTO 4
Pendergast Elementary District	070492000-9999-004N	New School	K-8	950	87,780	Board Approved	\$8,775,339		
Peoria Unified District	070211000-9999-006N	Core	9-12	1800	225,000	Under Construction	\$27,351,900		
Queen Creek Unified District	070295000-9999-007N	Additional Space	9-12	300	40,200	Board Approved	\$5,018,568		LTO 4
Queen Creek Unified District	070295000-9999-004N	New School	K-5	700	63,000	Board Approved	\$6,434,190		LTO 4
Riverside Elementary District	070402000-9999-001N	New School	5-8	450	42,750	Under Construction	\$4,280,985		LTO 4
Roosevelt Elementary District	070466000-9999-003N	New School	K-8	800	73,920	Board Approved	\$7,340,256		LTO 4
Sahuarita Unified District	100230000-9999-003N	Additional Space	9-12	172	23,048	Board Approved	\$2,877,312		
Sahuarita Unified District	100230000-9999-002N	New School	6-8	600	58,002	Board Approved	\$6,143,572		
Somerton Elementary District	140411000-9999-002N	Core	K-5	400	23,400	Board Approved	\$2,293,434		
Sunnyside Unified District	100212000-9999-002N	New School	6-8	700	67,669	Board Approved	\$7,167,500		LTO 4
Sunnyside Unified District	100212000-9999-001N	New School	K-5	600	54,000	Board Approved	\$5,515,020		LTO 4
Tolleson Elementary District	070417000-9999-002N	New School	K-8	700	64,680	Board Approved	\$6,692,440		
Union Elementary District	070462000-9999-002N	New School	K-8	800	73,920	Under Construction	\$7,448,142	\$1,154,300	LTO 5
Vail Unified District	100220000-9999-007N	New School	6-8	650	62,836	Board Approved	\$6,655,589		LTO 4
Vail Unified District	100220000-9999-008N	New School	9-12	800	107,200	Under Construction	\$12,945,587		LTO 5
Yavapai Accommodation District	130199000-9999-001N	New School	9-12	50	3,125	Under Construction	\$552,532		LTO 4
Yuma Elementary District	140401000-9999-001N	New School	K-5	600	54,000	Board Approved	\$5,515,020		LTO 4
Yuma Union High School District	140570000-9999-002N	New School	9-12	900	112,500	Board Approved	\$14,044,500		

\$360,611,956 \$5,665,469

Approved Projects Scheduled for Construction in FY 2006

District	Project Number	Project Type	Grade Level	Number of Students	Square Footage	Status	Total NC Funding	Projected Start Date
Cartwright	070483000-9999-002N	Additional Space	K-6	23	2,052	Board Approved	\$201,117	FY 2006
Chandler Unified	070280000-9999-013N	New School	9-12	2500	312,500	Board Approved	\$39,012,500	FY 2006
Crane Elementary	140413000-9999-003N	Additional Space	7-8	250	25,000	Board Approved	\$2,695,250	FY 2006
Deer Valley Unified	070297000-9999-021N	New School	9-12	2000	250,000	Board Approved	\$31,210,000	FY 2006
Laveen Elementary	070459000-9999-004N	New School	7-8	400	40,000	Board Approved	\$4,312,400	FY 2006
Maricopa County	070199000-9999-002N	New School	7-12	600	73,620	Board Approved	\$8,419,183	FY 2006
Pendergast	070492000-9999-005N	New School	K-8	797	73,683	Board Approved	\$7,623,980	FY 2006
San Fernando	100335000-9999-001N	New School	K-8	50	4,620	Board Approved	\$458,766	FY 2006
Stanfield	110424000-9999-001N	New School	K-8	700	64,680	Board Approved	\$6,692,440	FY 2006

Total

\$100,625,636

Conceptual Projects Scheduled for Approval in FY 2005

District	Project Number	Project Type	Grade Level	Number of Students	Square Footage	Open FY	Total NC Funding
Apache Junction Unified District	110243000-9999-005N	New School	K-5	650	58500	07	\$5,974,605
Avondale Elementary District	070444000-9999-001N	New School	K-8	850	78540	08	\$8,126,534
Buckeye Union High School District	070501000-9999-002N	New School	9-12	1200	160800	08	\$20,074,272
Casa Grande Elementary District	110404000-9999-001N	New School	K-5	750	67500	07	\$6,893,775
Casa Grande Elementary District	110404000-9999-002N	New School	6-8	850	82170	08	\$8,703,446
Casa Grande Union High School District	110502000-9999-001N	New School	9-12	1000	125000	08	\$15,605,000
Chandler Unified District	070280000-9999-008N	New School	K-6	950	85500	07	\$8,732,115
Deer Valley Unified District	070297000-9999-014N	New School	K-8	900	83160	08	\$8,604,565
Dysart Unified District	070289000-9999-011N	New School	K-8	1000	92400	08	\$9,560,628
Dysart Unified District	070289000-9999-012N	New School	K-8	1000	92400	08	\$9,560,628
Dysart Unified District	070289000-9999-014N	New School	9-12	1800	225000	08	\$28,089,000
Gadsden Elementary District	140432000-9999-008N	Build Out	K-6	0	20475	07	\$2,091,112
Gilbert Unified District	070241000-9999-008N	New School	K-6	952	85680	07	\$8,750,498
Gilbert Unified District	070241000-9999-011N	Build Out	7-8	0	51030	08	\$5,501,544
Glendale Elementary District	070440000-9999-006N	Build Out	K-8	0	32340	08	\$3,346,220
Higley Unified District	070260000-9999-004N	New School	K-8	1200	110880	08	\$11,472,754
Higley Unified District	070260000-9999-005N	New School	9-12	1200	160800	08	\$20,074,272
Isaac Elementary District	070405000-9999-003N	Build Out	6-8	0	16917	08	\$1,791,849
Lake Havasu Unified District	080201000-9999-003N	Core	9-12	1200	104520	08	\$13,700,482
Liberty Elementary District	070425000-9999-003N	New School	K-8	800	73920	08	\$7,648,502
Liberty Elementary District	070425000-9999-004N	New School	K-8	800	73920	08	\$7,648,502
Littleton Elementary District	070465000-9999-006N	New School	K-8	972	89813	08	\$9,292,951
Maricopa Unified School District	110220000-9999-007N	New School	7-9	1000	111300	08	\$12,630,324
Queen Creek Unified District	070295000-9999-006N	New School	6-8	1000	96670	08	\$10,239,286
Riverside Elementary District	070402000-9999-003N	New School	K-8	750	69300	08	\$7,170,471
Roosevelt Elementary District	070466000-9999-004N	New School	K-8	800	73920	08	\$7,648,502
Saddle Mountain Unified District	070390000-9999-002N	Build Out	K-8	0	24255	08	\$2,509,665
Sahuarita Unified District	100230000-9999-005N	New School	K-5	600	54000	07	\$5,515,020
Sahuarita Unified District	100230000-9999-007N	New School	9-12	1000	134000	08	\$16,728,560
Union Elementary District	070462000-9999-005N	New School	K-8	800	73920	08	\$7,648,502
Yuma Elementary District	140401000-9999-003N	New School	6-8	700	67669	08	\$7,167,500

Total

\$298,501,084

Note: These project are not yet official Board projects. Each will be reviewed over the next six months to determine eligibility.

Projected Land Impact on LTO FY 2006

FY	LTO Project Amount	Land Amount
2003*	\$383,538,090	\$16,461,910
2004	\$244,498,832	\$5,501,168
2005**	\$228,200,531	\$21,799,469
Total	\$856,237,453	\$43,762,547

The \$5 million is an estimate based on the historical pattern.

*Includes \$11.3 million for a single high school site

** Includes 16.1 million for Cave Creek payoff

The SFB does not currently anticipate either a large high school site or lease payoff in FY 2006, therefore the land amount projected is net of these two transactions.

FY 2006 Potential Approvals

	Conceptual	Expected	Value
K-6	\$37,957,125	82%	\$31,229,907
6-8	\$46,033,949	59%	\$27,054,726
K-8	\$100,238,424	52%	\$52,060,664
High	\$114,271,586	22%	\$25,330,280
	\$298,501,084		\$135,675,578

520

STATE OF ARIZONA

Joint Committee on Capital Review

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JIM WARING

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 542-5491

FAX (602) 542-1616

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DATE: December 9, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Shelli Carol, Fiscal Analyst

SUBJECT: Arizona State University – Review of Land Acquisition with Bond Financing for
Housing Project

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Arizona State University (ASU) requests Committee review of \$5.7 million to purchase 2.74 acres surrounded by the university campus. ASU plans to construct new student housing on the site, although the university has not yet selected a developer or finalized a construction plan. Currently, only the land purchase is under consideration.

Recommendation

JLBC Staff recommends a favorable review of the \$5.7 million land purchase with the following provisions:

- ASU shall submit for Committee review any increases that exceed 5% of the current land purchase price.
- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any lease payments or student-housing revenues that may be required for debt service, nor any operations, maintenance, or improvement costs.
- Upon awarding a contract resulting from the student housing development request for proposals, ASU shall report to the Committee the final development plans outlined in that contract, including all associated financing devices and cash flow effects. Of particular interest are any liabilities or credit exposures that the university might face should the project encounter difficulties.

ASU plans to issue system revenue bonds to be repaid over a 30-year period at an estimated interest rate of 6.0%. The university would merge the property purchase financing with a larger bond issuance in spring 2005. Annual debt service for the land alone would be approximately \$0.4 million. The total 30-year debt service for the acquisition would be \$12.3 million.

(Continued)

A.R.S. § 15-1683 allows each state university to incur a projected annual debt service for bonds and certificates of participation of up to 8.00% of each institution's total projected annual expenditures. This calculation is known as the debt ratio. The \$5.7 million of issued bonds would increase the ASU debt ratio from 4.74% to 4.77%.

ASU intends to lease the site to an as-yet-unselected developer and use lease revenues to pay debt service. In the event the university does not select a developer, it would fund debt service from student-housing revenues. ASU provides some of its own student housing through its Residential Life Auxiliary Program. All auxiliary programs are self-supporting, using non-appropriated funds.

Analysis

ASU seeks to purchase 2.74 acres of land located at 615 – 617 East Apache Boulevard, west of Rural Road, in Tempe. ASU owns all the land surrounding this parcel, which is less than one-half mile from the campus center. The adjoining sites include a university owned and managed residential hall to the west, a privately owned and managed residential hall to the east, the ASU Police facility to the north, and a fraternity house to the south. ASU intends to use the plot under consideration for student housing.

The land in question currently contains a 130-unit apartment complex and a 4,668 square-foot retail store. These buildings were constructed between 1964 and 1967. The apartment complex consists of 54 studios, 75 one-bedrooms, one manager's apartment, two swimming pools, laundry facilities, and around 200 parking spaces.

ASU has chosen to demolish, rather than to renovate or expand the existing residential facility. According to the university, the current apartments are at the end of their useful lives and are not configured for college student housing. Meanwhile, ASU is considering retaining the retail space. The store currently pays \$60,000 per year in rent and covers all its own operating and maintenance costs. Its initial lease term extends to 2007 and includes three 5-year optional extensions with adjustments for rent market changes.

Currently, ASU provides 5,600 beds at its Tempe campus. In August 2004, the university issued a request for proposals to design, develop, and manage a multi-phase student-housing program including various sites around campus. ASU suggested several ideas for the project. All would add approximately 5,000 beds, including housing for Barrett Honors College students. The university has not yet completed this selection and contract process.

ASU plans to expand its live-on-campus requirements, virtually guaranteeing continuing and increasing demand for student housing over the long term. The university aims to house up to 85% of freshmen on campus, as well as to provide some voluntary facilities for upper class students.

ASU intends to choose a developer by spring 2005. The university would then lease the newly acquired land to that corporation. The developer, not the university, would finance any construction and all maintenance and operations expenses of the facilities. The corporation would collect student-housing revenues to cover its own administrative and financing costs, as well as contractual fees, and to make lease payments to ASU for the land. The university will only determine the disposition of any remaining revenues, dependent upon the type of student housing and level of developer control, upon signing the final contract. The Committee does not have statutory responsibility for reviewing such agreements.

While the University of Arizona (UA) has experienced some difficulty with its corporate developers, ASU opines that its overall experience with privatized housing has been positive and productive. ASU believes that development firms have the expertise and economies of scale to provide efficient facility management, custodial, and maintenance services, allowing the Residential Life Program to focus on providing student-oriented benefits.

(Continued)

ASU obtained appraisals from both a global firm and a local one. Both appraisals support a purchase of the 2.74 acre Apache Boulevard site for \$5.5 million. The property owner has agreed to sell, by February 2005, at that price. Transaction fees and closing costs would add another \$0.2 million to the deal. In order to execute the purchase before the spring 2005 bond sale, ASU would use Residence Life Auxiliary funds for temporary financing.

In May 2002, the Governmental Accounting Standards Board (GASB) issued Statement 39, clarifying that universities are financially accountable for their legally separate nonprofit foundations. Due to this ruling, a failing UA student housing project, financed by that university's nonprofit foundation, became a credit risk for the university. To avoid this concern, ASU allows private developers, rather than its nonprofit foundations, to finance construction for the benefit of the university. It is possible that future accounting standards would mandate a level of university financial accountability for such arrangements, impacting university credit ratings.

Since ASU has not yet contracted with any developer, no information on the final development design for the site or the financing devices and university cash flow effects associated with that design are available. Should the final project encounter difficulties, ASU might face liabilities or credit exposures. Therefore, JLBC Staff recommends that, as a provision of its favorable review, the Committee request a report from ASU on the final development and financial plans for the project.

RS/SC:jb

ASU
ARIZONA STATE UNIVERSITY

TEMPE, ARIZONA 85287

November 23, 2004



The Honorable Russell K. Pearce, Chair
Joint Committee on Capital Review
1700 W. Washington
Phoenix, AZ 85007

Dear Representative Pearce:

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

Land Purchase at 615 - 617 E. Apache Blvd.

If you have any questions or desire any clarification on the enclosed material, please contact me at (480) 965-3201.

Sincerely,

A handwritten signature in black ink, appearing to read 'Mernoy Harrison'.

Mernoy Harrison
Vice President and
Interim Chief Financial Officer

Enclosure

c: Lorenzo Martinez, Assistant Director, JCCR
Joel Sideman, Executive Director, Arizona Board of Regents
Ted Gates, Assistant Executive Director for Capital Resources, Arizona Board of Regents
Milton Glick, Executive Vice President and Provost
Juan Gonzalez, Vice President for Student Affairs
Virgil Renzulli, Vice President for Public Affairs
Steve Miller, Deputy Vice President, Public Affairs
Ray Jensen, Associate Vice President for Administration
Gerald Snyder, Associate Vice President for Finance and Treasurer
James Sliwiski, Director, Budget Planning and Management
Scott Smith, Director, State Relations

EXECUTIVE SUMMARY

ACTION ITEM: Pursuant to ABOR Policy 7-203, Arizona State University seeks approval to purchase the land located at 615 – 617 E. Apache Boulevard, Tempe, Arizona, which presently contains the Oasis Apartments and Axis Sports retail store.

ISSUE: ABOR Policy 7-203 requires approval by ABOR for the purchase of certain real property.

BACKGROUND:

- ASU issued an RFP in August of 2004 for design, development, and management of a multi-phase student-housing program at Arizona State University. The initial project contemplates three student-housing models. The first is a student housing facility, of approximately 1,700 beds, for an academic/living learning community for the current Barrett Honors College. The second model represents housing for upper class and graduate students on the ASU Tempe campus. The third model represents housing for primarily freshmen within an interactive academic/living learning community at various locations on the ASU Tempe campus. The University anticipates the addition of approximately 5,000 additional beds to supplement existing student housing on the Tempe campus and the proposed Barrett Honors College facility.
- The land located at 615 – 617 E. Apache Boulevard is in the heart of ASU's south campus housing area (see **Exhibit A**), which received CDP approval in January 2004 as the South Campus Academic Village. The property is a key acquisition for the south campus master plan and is necessary for successful implementation and development of new student housing on the south campus property. The property will be redeveloped in accordance with the ASU Master Plan.
- ASU has obtained two appraisals, which support the purchase price of \$5,515,000 for the 2.74-acre property. The owner of the property, Frank Warren of Warren Properties, Inc., has agreed to sell the property to ASU for \$5,515,000.
- The site contains older improvements, which were built from 1964 to 1967. These include a 130-unit apartment complex and a 4,668 SF retail store. The apartments consist of 54 studios, 75 one-bedrooms, and one manager's apartment. Also included are two swimming pools, laundry facilities, and approximately 200 parking spaces.

CONTACT: Mernoy Harrison, Vice President and Provost, ASU Downtown Phoenix
and Interim Chief Financial Officer
(480) 965-3201; mernoy.harrison@asu.edu
Juan Gonzalez, Vice President for Student Affairs
(480) 965-7293 Juan.C.Gonzalez@asu.edu

EXECUTIVE SUMMARY

- ASU intends to immediately enlist the developer (to be selected from the August, 2004 student housing RFP) to demolish the apartments and redevelop the site. This will result in a lease of the property to the selected developer for an annual amount equal to the debt service on the property.
- The retail store is leased to Axis Ski and Sports, Inc. Axis pays rent of \$60,000 per year and in addition, Axis is responsible to pay all of the operating and maintenance costs associated with the retail building. The initial lease term expires in 2007, with 3 five-year options for tenant to extend at the then-current market rents. When ASU's selected developer begins new construction, the Axis Sports store could remain and continue to contribute rental income of \$60,000 per year (rent would increase to new market levels during the option periods beyond 2007).
- Funding of this land purchase which presently contains the apartments and retail store would be obtained through tax-exempt bonds, and, in order to minimize financing costs and obtain the lowest interest rate possible, will be included in a future bond issue with other in-process capital projects. The closing on the land purchase will be coincident with this financing. Financing for the purchase would include the purchase price of \$5,515,000 plus transaction fees and closing costs for a total financing of \$5,665,000 estimated at 6% over 30 years. The annual estimated payment is \$411,550. Funding for the bond repayment would come from a lease to the developer selected for the south campus. In the event a developer is not selected, the annual debt service will be funded from ASU Residential Life revenues.
- The \$411,550 annual debt service payment for this land acquisition will increase ASU's state debt ratio by only 3/100 of 1%, and increase the ABOR ratio by only 4/100 of 1%.

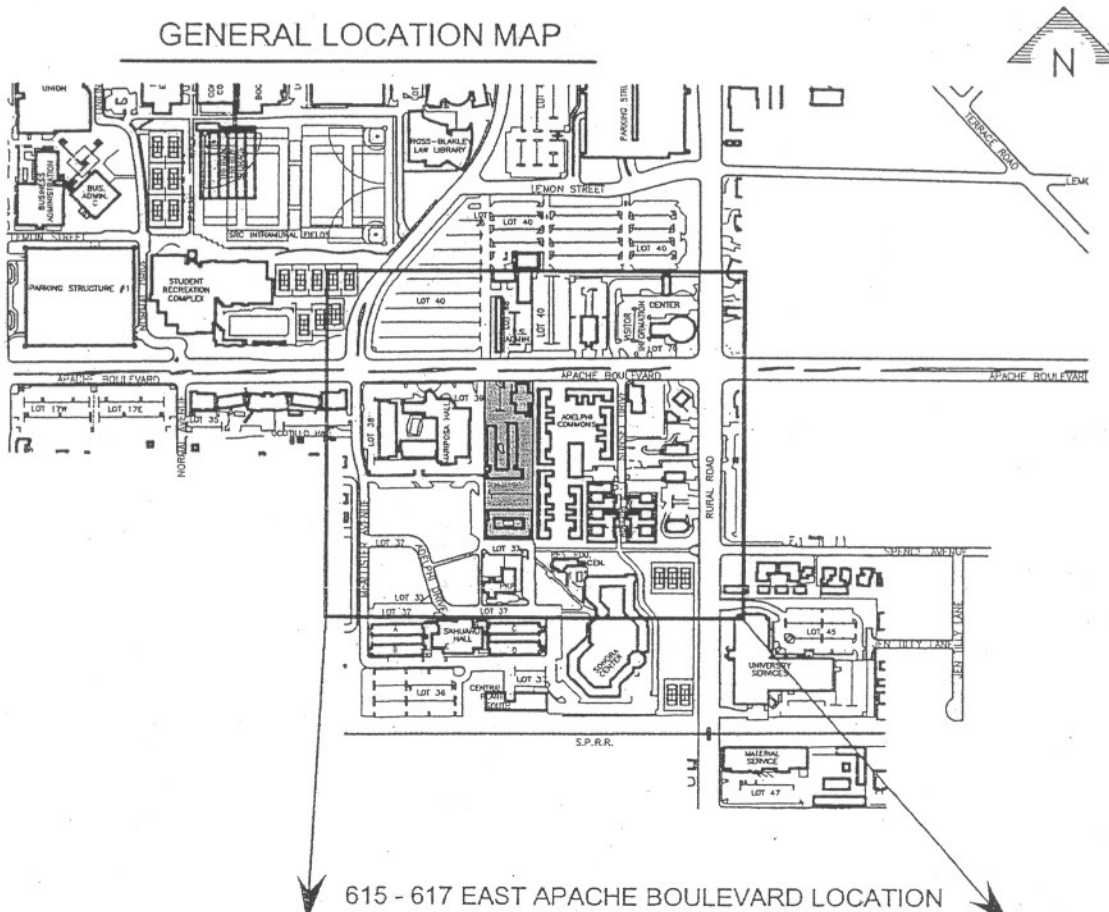
RECOMMENDATION:

RESOLVED: That the President, the Interim Chief Financial Officer, the Associate Vice President for Finance and Treasurer, or the Associate Vice President for Administration of Arizona State University, are each hereby authorized to take all actions that any of them determines to be necessary or desirable and appropriate and proper (including, among other actions, to negotiate, sign, and deliver and enter into all documents, agreements, and certificates) associated with the purchase of the land located at 615 – 617 E. Apache Boulevard, Tempe, which presently includes the Oasis Apartments and Axis Ski and Sports retail store on the terms described herein with such modifications that are in substantial accordance with the terms and conditions of the resolution.

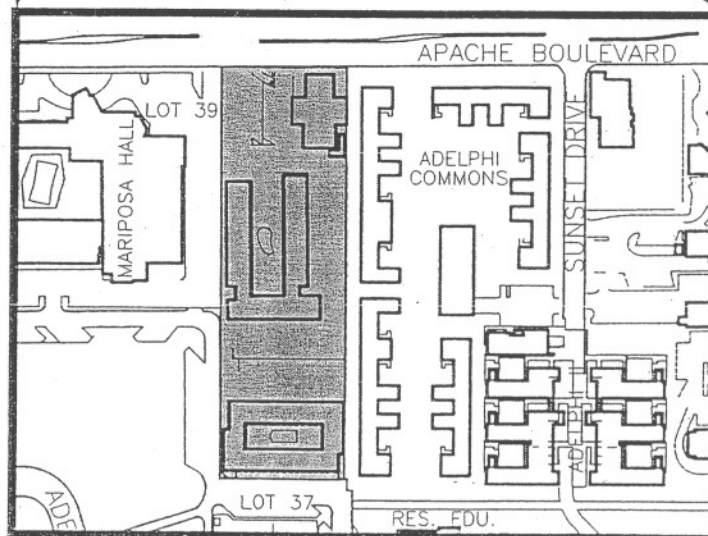
EXECUTIVE SUMMARY

Exhibit A

GENERAL LOCATION MAP



615 - 617 EAST APACHE BOULEVARD LOCATION



AREA IN DETAIL

Total Bonds

(2) ASU's debt service percentage in accordance with ARS 15-1683 will increase from 4.7 to 4.8% for the new financing (based on current expenditure estimates in most recent debt capacity study which was issued in October 2004).

STATE OF ARIZONA

Joint Committee on Capital Review

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JOHN LOREDO

DATE: December 3, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jeremy Olsen, Fiscal Analyst

DATE: November 26, 2004

SUBJECT: Arizona Department of Administration – Review of Revised FY 2005 Building
Renewal Allocation Plan

Request

Laws 1986, Chapter 85 established the Joint Committee on Capital Review and charged it with developing a Building Renewal formula to guide the Legislature in appropriating monies for the maintenance and repair of state buildings. A.R.S. § 41-1252 requires JCCR review of the expenditure plan for Building Renewal monies. The Arizona Department of Administration (ADOA) requests Committee review of \$100,000 of its \$3,500,000 FY 2005 Building Renewal allocation plan from the Capital Outlay Stabilization Fund (COSF). The Committee has favorably reviewed the expenditure of \$2,666,000 from this fund in previous meetings.

Recommendation

JLBC Staff recommends a favorable review of the \$100,000 request, which will be used for design costs associated with replacing the metal roofs of 8 housing units located at the Department of Corrections Douglas Mohave facility. The Department of Corrections estimates the total cost of replacing the roofs to be \$1,336,546. ADOA will develop a plan on addressing the most critical needs when design is complete. The cost of the new project appears reasonable and consistent with guidelines for building renewal.

JLBC Staff also recommends the department submit for Committee review an allocation plan for the remaining \$734,000 COSF appropriation.

RS/JO:jb



Janet Napolitano
GOVERNOR

Betsy Bayless
DIRECTOR

ARIZONA DEPARTMENT OF ADMINISTRATION
GENERAL SERVICES DIVISION • 100 N. 15th Ave, Suite 202
PHOENIX, ARIZONA 85007 (602) 542-1952

November 24, 2004



The Honorable Russell K. Pearce, Chairman
Joint Committee on Capital Review
1700 West Washington
Phoenix, Arizona 85007

Reference: Request for Building Renewal allocation for ASPC-Douglas Mohave Housing Unit roofs

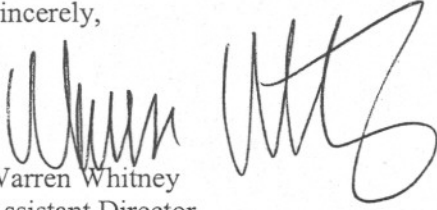
Dear Representative Pearce:

The Arizona Department of Corrections has requested \$1,336,546 to replace the metal roofs on eight 10,877 square foot level three housing units.

The Department of Administration requests the Joint Committee on Capital Review favorably consider an immediate allocation of \$100,000 from FY 2005 Building Renewal appropriation for the design of all 8 buildings' roofs. Upon completion of the design and the initial construction cost estimate, ADOA will meet with the architect and the ADOC to determine the schedule for construction based upon each building's condition and the availability of construction funds.

Attached is the Arizona Department of Correction's emergency request and supporting documents.

Sincerely,


Warren Whitney
Assistant Director

Attachments

cc: Senator Robert Burns, Arizona State Senate
Richard Stavneak, Staff Director, JLBC
✓ Lorenzo Martinez, JLBC
David Jankofsky, Director, OSPB
Bruce Ringwald, General Manager, ADOA
Paul Shannon, Budget Officer, ADOA
Roger Berna, General Manager, ADOA
Correspondence File – Building Renewal
Alan Ecker, Legislative Liaison

Arizona Department of Corrections



JANET NAPOLITANO
GOVERNOR

1601 West Jefferson
Phoenix, Arizona 85007
(602) 542-5497

RECEIVED

NOV 19 2004



DORA B. SCHIRO
DIRECTOR
BUILDING & PLANNING SERVICES

November 12, 2004

Roger Berna, General Manager
ADOA Building and Planning Section
100 North 15th Avenue, Suite 202
Phoenix, AZ 85007

RE: ASPC- Douglas, Mohave Unit Roofs

Dear Roger,

I am writing to request Building Renewal funds to replace the Mohave Unit housing roofs at the Douglas Complex. These roofs have been on the building renewal list since 1999.

This unit was built in 1984 and has not had the roofs re-surfaced since then. The current roofs are metal. They are way past their life expectancy and have been patched numerous times. Patches will no longer suffice.....they need to be torn off and replaced or new roofing systems put in place on top of them. In addition, when originally designed and built the roofs did not include "cat-walks" to access rooftop equipment. This was a serious oversight as metal roofs do not tolerate foot traffic very well without the additional support of a walking path.

At the present time the leaking inside the buildings during rain is totally unacceptable. Water is migrating into the living areas, electrical conduits and fixtures, and fire alarm systems. Inmates have to be moved to common areas to get them out of the dripping water when it rains. Please refer to the attached numerous inmate letters, staff repair requests and work orders.

The cost of replacing these roofs on our 2006 building renewal budget is \$1,336,546.00. I realize this is a tremendous amount of money, so it is possible that we will have to determine the most deteriorated buildings to do this year, and the rest next year. It is imperative that we begin this work as soon as possible to avoid an incident due to the inmates' growing frustration with the situation. We also want to avoid additional water damage to the other building components and insure a safe environment for staff and inmates. We urgently request funds to begin work as soon as possible.

Sincerely,

Cherie Randall, Acting Administrator, Facility Activation Bureau

cc: Mike Smarik, Assistant Director, Support Services

North Yard water damage assessment: (Per Sgt. Flores request.)

Housing Unit 8

8 D-Run

1. Ceiling damage between cubicles 27 and 28
2. Damage between I-beam & Ceiling -Heavy Leak
3. Base of wall between cubical 1 and 2
4. Officer station ceiling

8 C-Run

1. Corner of wall next to cubicle 1
2. Ceiling between cubicle land 2
3. AC Trunk line between cubicles 22 and 23
4. Leak from ceiling/wall behind bunks 17 and 18
5. Water leaking from electrical box behind bunks 14 and 13

8 E-Run No water damage detected

8 B-Run

1. Leaking from wall and floor between cubicles 1 and 2
2. AC Trunk Line between cubicles 7 and 8
3. Leaking from wall behind bunks 16 and 17

8 A-Run

1. AC Trunk Line between cubicles 7 and 8
2. Leaking water down wall behind bunks 14 and 16
3. Leaking water from base of wall between cubicles 11 and 12
4. Leaking water crack in wall between cubicles 3 and 4
5. Leaking water from officers Cage Escape Hatch

Housing Unit 7

7 D-Run

1. Leaking water from ceiling and from floor between cubicles 1 and 2
2. Leaking from ceiling between cubicles 27 and 28
3. Leaking water from AC Trunk Line between cubicles 19 and 20
4. D-Run exit door floor plate leaking water

7 C-Run

1. Leaking water at corner of wall and floor between cubicles 27 and 28
2. Leaking water from ceiling between cubicles 1 and 2
3. Leaking water from AC Trunk Line between cubicles 21 and 22
4. Leaking water from C-Run bathroom fixture

Mohave Unit Housing Unit Leak report
9/22/04

7 B-Run

1. A-B Run Day room leaking water from ceiling
2. Leaking water from ceiling between cubicles 1&2
3. AC Trunk Line between cubicles 19 and 20
4. Leaking water from ceiling between cubicles 23 and 24
5. AC Trunk line water leaking down on cubicles 22 and 23
6. Leaking water from ceiling over water fountain

7 A-Run

1. AC Trunk Line leaking water between cubicles 22, 23, and 24
2. Leak water from under water fountain

Housing Unit 6

6 D-Run

1. Leaking water from officers Cage Ceiling
2. Leaking water from wall between cubicles 9 and 10
3. Leaking water from floor behind Bunks 16 and 18
4. Leaking water from exit door (6-D) at floor level

6 C-Run

1. AC trunk line between cubicles 6 and 7
2. Leaking water from wall and floor behind bunks 12 and 13

6 B-Run

1. Leaking water from officers cage ceiling
2. Leaking water from fire detector in ceiling between cubicles 27 and 28
3. Leaking water from under water cooler
4. Leaking water from bathroom ceiling electric box plate

6 A-Run

1. Leaking water from wall and floor between cubicles 1 and 2
2. Leaking water from over water cooler
3. Leaking water from ceiling between cubicles 16 and 17
4. Leaking water from vent Dayroom
5. Leaking water from overhead electrical fixture in day room

6 E-Run

1. Leaking water in Room 120 pm floor

Mohave Unit Housing Unit Leak report
9/22/04

Housing Unit 5

5 D-Run

2. Leaking Water from ceiling in cubical 28
3. Leaking water from AC Trunk Line between cubicles, 21 & 22 and 7& 8
4. Leaking water from ceiling behind bunks 14 and 15
5. Leaking water from walls in cubicles, 5 & 6, and, 25 & 26

5 C-Run No Leaks detected on this run

5 B-Run

1. Leaking water from ceiling between cubicle 25 & 26
2. Leaking water from AC trunk line between cubicles 19 and 20
3. Leaking water from floor between cubicles 1 and 2

5 A-Run

1. Leaking water from ceiling between cubicles 1&2, and 5 and 6
2. Leaking water from walls between cubicles 27 and 28
3. Leaking water from AC trunk line between cubicle 21 and 22

5 E-Run No Leaks Detected

Housing Unit 4

4 D-Run

1. Leaking water from AC Trunk Line between cubicles 6 and 7

4 C-Run

2. Leaking water from bathroom light fixture
3. Ceiling Leaks water between cubicles 23 and 24
4. Water leaking from AC trunk line between cubicles 7 and 8

4 B-Run

1. Water leaking from ceiling between cubicles 21 and 22
2. Water leaking from ceiling over bunks 11 and 12

4 A-Run

1. Water leaking from AC trunk line between cubicles 7 and 8
2. Ceiling leaking water over bunks 15 and 16
3. Ceiling leaking water over Exit door
4. Water leaking from walls in Dayroom

4 E-Run No Leaks Detected

Mohave Unit Housing Unit Leak report
9/22/04

Housing Unit 3

3 D-Run

1. Ceiling leaking water cubicles 27 and 28 and 1 and 2
2. Leaking water from AC Trunk Line between cubicles 22 and 21
3. Wall Leaking water between cubicles 19 and 20

3 C-Run

1. Ceiling leaking water
2. Ceiling and Vents leaking water in day room

3 B-Run

1. AC Trunk line leaking water between cubicles 6,7 and 8
2. Leaking water in bathroom from ceiling vent

3 A-Run

1. Leaking water from vent in cubicle 23 and 22
2. Leaking water on floor in cubicles 23 and 24 from wall
3. Leaking water from ceiling in cubicle 4

3 E-Run No Leaks detected.

Housing Unit 2

2 D-Run

1. Leaking water from ceiling over bunks 12 and 13
2. Leaking water from AC trunk line between cubicle 22 and 23

2 C-Run

1. AC trunk line leaking water between cubicles 23 and 24
2. Water leaking in day room over entrance door
3. Leaking water in bathroom from ceiling vent

2 B-Run No Leaks

2 A-Run

1. Officer station leaking water from ceiling
2. AC Trunk Line leaking water between cubicles 23 & 24

Mohave Unit Housing Unit Leak report
9/22/04

Housing Unit 1

1 D-Run

1. AC trunk line leaking water between cubicles 7 and 8
2. Leaking water from ceiling and wall between cubicles 29 and 30
3. Leaking water from ceiling and wall between 3,4,5 and 6
4. Water leaking from ceiling in cubicle 19 and 20
5. Wall leaking water form behind bunks 13 and 14

1 C-Run

1. Water leaking from ceiling and floor in cubicle 1
2. Water leaking from under water fountain
3. Leaking water from AC trunk line between cubicles 27 and 28
4. Water leaking from wall between cubicle 11 and 12
5. Water leaking from ceiling 13, 14, 15, and 16 cubicles
6. Water leaking behind bunks 21 and 22

1 B-Run

1. Water leaking from ceiling in cubicles 1, 2, 3, 5, 6, and 7
2. Water leaking from ceiling in cubicles 17 and 18, and 11 and 12
3. Water leaking from walls in cubicles 15, 14, 20, 21, and 22

1 A-Run

1. Water leaking in bathroom from fire detector
2. Water leaking from wall and ceiling in cubicles 23 and 24
3. Water leaking from exit door frame
4. Water leaking on floor behind bunks 19 and 20

1 E-Run No leaks detected

STATE OF ARIZONA

Joint Committee on Capital Review

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DATE: December 2, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jeremy Olsen, Fiscal Analyst

SUBJECT: Arizona Department of Administration – Report on Private Office Leases

Request

The Arizona Department of Administration (ADOA) has submitted a report of office leases which exceeded the Lease Cost Review Board's (LCRB) private lease estimates for FY 2003 and FY 2004.

Recommendation

This item is for information only and no Committee action is required.

Analysis

A.R.S. § 41-792 requires the Director of ADOA and the LCRB to biennially report all leases approved during the prior two fiscal years which exceeded the estimated average square foot cost for privately owned space. The estimated average square foot cost was \$17.25 in FY 2003, and was \$18.25 in FY 2004.

For FY 2003, ADOA reports that 10 leases exceeded the estimated average square foot cost. In FY 2004, the department stated 3 leases were above the estimated \$18.25 average cost per square foot. Typically, leases which exceed the estimated average square foot cost are attributable to a lack of available space in non-metropolitan areas, increasing costs of space in metropolitan areas, or special terms of the lease.

RS/JO:jb

STATEWIDE ACTIVE OFFICE LEASES EXCEEDING \$18.25/SF for FY04

Arizona Department of Administration

General Services Division

July 1, 2004

AGENCY	ADDRESS	CITY	SQ. FT.	START DATE	END DATE	RENT/ SQ. FT.	ANNUAL RENT
DES	Hwy 260 & hwy 8/Payson Village	Payson	7,600	12/1/2003	11/30/2008	21.96	166,865
DES	8128-8136 E. Hwy 69	Prescott	8,252	7/1/2004	10/21/2007	18.66	153,981
Health Services	1900 W. University	Tempe	1,267	3/1/2004	6/30/2004	18.65	23,631

STATEWIDE ACTIVE OFFICE LEASES EXCEEDING \$17.25/SF for FY03

Arizona Department of Administration

General Services Division

July 1, 2003

AGENCY	ADDRESS	CITY	SQ. FT.	START DATE	END DATE	RENT/ SQ. FT.	ANNUAL RENT
Commerce	Taipei World Trade Center	Taipei	1,080	7/1/2002	6/30/2003	17.66	19,068
DES	Riordan Ranch St.	Flagstaff	4,200	10/1/2002	9/30/2007	20.65	86,741
DES	397 Malpais Lane	Flagstaff	15,701	1/1/2003	12/31/2003	18.46	289,871
DES	PO BOX 44	Kykotsmovi	4,320	7/1/2002	6/30/2007	18.48	79,824
DES	3912 W. Ina Rd.	Marana	4,200	7/1/2002	6/30/2007	21.55	90,504
DES	2602 S. 24th St	Phoenix	6,368	7/1/2002	6/30/2003	17.92	114,115
DES	8400 E. Florentine	Prescott	2,170	7/1/2002	9/30/2002	22.10	47,951
DES	1700 E. Broadway	Tucson	12,468	8/1/2002	7/31/2007	18.63	232,324
Health Services	800 S. Milton Rd. #15	Flagstaff	267	7/1/2002	6/30/2004	18.24	4,870
Health Services	4400 E. Broadway #300, 500	Tucson	3,551	7/1/2002	6/30/2007	19.75	70,132

STATE OF ARIZONA

Joint Committee on Capital Review

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JOHN LOREDO

DATE: December 3, 2004

TO: Representative Russell Pearce, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Shelli Carol, Fiscal Analyst

SUBJECT: University of Arizona – Report on Infrastructure Phase VI Contingency Allocation

Request

At its September 2003 review of the University of Arizona (UA) Infrastructure Phase VI, the Committee stipulated that UA report before expenditure of any project contingency allocations exceeding 10% of the reported contingency amount for non-scope related changes. UA is reporting such an allocation.

Recommendation

This item is for information only and no Committee action is required. UA is reallocating \$300,000 of the project's \$2.8 million contingency funds to meet significant cost increases for raw materials. Due to increasing worldwide demand, especially from economic growth areas in Asia, construction material costs for such items as steel, cement (concrete), petroleum, copper, and gypsum (drywall) continue to rise above the university's original estimates.

The Infrastructure Phase VI total budget of \$30.8 million remains unchanged. However, direct construction costs for the project have increased 1.5%, from \$20.5 million to \$20.8 million.

Analysis

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. The Committee favorably reviewed the \$30.8 million Infrastructure Phase VI at its September 2003 meeting. This project includes expanding and extending steam, water, electric, sewer, and telecommunication distribution systems to coincide with construction in the Institute for Biomedical Science and Biotechnology Building, the Medical Research Building, and Drachman Hall. The infrastructure improvements will also address surface drainage and landscaping for open spaces, as well as accommodate pedestrian, bicycle, and motor vehicle traffic around those buildings.

RS/SC:jb

Senior Vice President
for Business Affairs

THE UNIVERSITY OF
ARIZONA
TUCSON ARIZONA

Administration Building
Tucson, Arizona 85721
(520) 621-5977
FAX: (520) 621-7714

October 20, 2004



Richard Stavneak, Director
Joint Legislative Budget Committee
1716 West Adams
Phoenix, AZ 85007

Dear Mr. Stavneak:

Subject: Infrastructure Phase 6 - UA Project No.: 02-8412

Please be advised that \$300,000 of the project's contingency funds will be reallocated to the Construction Budget line due to significant cost increases in construction materials, such as steel (rebar, underground piping, etc.) and concrete.

The total Project Budget of \$30,800,000 as presented at the September 29, 2003, Joint Committee on Capital Review Meeting, remains unchanged.

Please let me know if you have any questions.

Sincerely,

A handwritten signature in black ink, appearing to read "Joel D. Valdez".

Joel D. Valdez
Senior Vice President, Business Affairs

cc: Dick Davis
Greg Fahey
Ted Gates
Lorenzo Martinez
Dick Roberts
Bob Smith
Carolyn Watson

