

JCCR MEETING

At its May 9, 2006 meeting, the Joint Committee on Capital Review (JCCR) considered the following issues:

Northern Arizona University Applied Research Facility – The Committee favorably reviewed the use of up to \$4.0 million in lease-purchase agreements to finance the Applied Research Facility with the standard university financing provisions. By constructing the 10,000 square foot research facility on the Arizona Western College (AWC) campus, Northern Arizona University (NAU) will be expanding its 2+2 partnership with AWC. The 2+2 partnership allows students to earn credits towards a 4-year degree while taking classes at a 2-year community college.

Laws 2003, Chapter 267 appropriated \$5.9 million per year during FY's 2008-2031 from the General Fund to NAU for debt service payments on lease-purchase agreements used to acquire research related infrastructure. In exchange, NAU is required to deposit a portion of licensing, royalty, and intellectual property income into the General Fund.

Based on an estimated 4.9% interest rate, the annual debt service payment for this project will be \$300,000 for 25 years. Including this issuance, NAU has essentially used all of its annual appropriation of \$5.9 million. With the additional building, NAU estimates its annual operating and maintenance expenses will increase by \$85,000.

University of Arizona Residence Life Building Renewal – The Committee favorably reviewed the use of \$3.9 million in system revenue bonds to replace plumbing systems in the University of Arizona (UA) Residence Life building. The \$3.9 million will be used as follows: \$0.6 million for design fees, \$2.6 million for plumbing, \$0.5 million for fire sprinklers, and \$0.2 million for project contingencies.

Based on an estimated blend of fixed rate and variable rate bonds with 6.0%-7.5% interest rates, the annual debt service payment will be \$313,000 for 25 years. The higher than normal interest rate is due to the UA's plan to repay the bonds with auxiliary dorm fee funds, which the bond market views as a more volatile revenue stream.

Arizona Exposition and State Fair Building Renewal – The Committee favorably reviewed the Revised Building Renewal Plan with the provision that any reallocation of project contingency funds be

reported to JLBC Staff. Staff will notify the Committee of any significant reallocation. In FY 2006, the Arizona Exposition and State Fair received \$1,386,800 for building renewal projects. At the February meeting the Committee favorably reviewed the use of \$859,000 for 4 projects. The remaining \$527,800 was expected to be allocated to future projects. However, due to a higher than expected bid and cost increases in construction materials, the Revised Building Renewal Plan requested allocating the remaining \$527,800 to the 4 FY 2006 projects and to 1 unfinished FY 2005 project. The projects include fencing, parking resurfacing, and heating and cooling systems.

Arizona Department of Transportation Oil Storage Tanks – The Committee favorably reviewed the oil storage tank project with the provision that the department report back to JLBC Staff with the new cost estimate after the contract is awarded. Staff will notify the Committee of any substantial change, including the number of oil storage tanks and concrete containment basins to be installed. The Arizona Department of Transportation (ADOT) was appropriated \$637,600 in FY 2006 to replace 4 oil storage tanks. The current cost projections for the 3 oil storage tanks are within the appropriated budget. ADOT expects to award the contract June 14, and complete construction within 6 months.