

STATE OF ARIZONA

## Joint Committee on Capital Review

STATE  
SENATE

ROBERT L. BURNS  
CHAIRMAN 2005  
PAULA ABOUD  
LINDA AGUIRRE  
TIMOTHY S. BEE  
ROBERT CANNELL  
RON GOULD  
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HOUSE OF  
REPRESENTATIVES

TOM BOONE  
CHAIRMAN 2006  
AMANDA AGUIRRE  
ANDY BIGGS  
JACK A. BROWN  
PHIL LOPES  
RUSSELL K. PEARCE  
STEPHEN TULLY

### JOINT COMMITTEE ON CAPITAL REVIEW

Thursday, August 24, 2006

9:30 a.m.

Senate Appropriations Room 109

#### MEETING NOTICE

- Call to Order
- [Approval of Minutes of July 27, 2006.](#)
- DIRECTOR'S REPORT (if necessary).
- 1. [ARIZONA STATE UNIVERSITY - Review of Academic Renovations and Deferred Maintenance Phase IIA Bond Projects](#)
- 2. [ARIZONA DEPARTMENT OF TRANSPORTATION - Consider Approval of Surprise Land Purchase](#)
- 3. [ARIZONA DEPARTMENT OF ADMINISTRATION - Consider Approval of Rent Exemption for Structural Pest Control Commission](#)

The Chairman reserves the right to set the order of the agenda.  
8/16/06

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

Thursday, July 27, 2006

The Chairman called the meeting to order at 1:45 p.m., Thursday, July 27, 2006 in House Hearing Room 4 and attendance was as follows:

Members:	Senator Burns, Vice-Chairman	Representative Boone, Chairman
	Senator Bee	Representative Biggs
	Senator Gould	Representative Brown
	Senator Johnson	Representative Lopes
		Representative Tully
Absent:	Senator Aboud	Representative A. Aguirre
	Senator L. Aguirre	Representative Pearce
	Senator Cannell	

*Senator Burns moved the Committee approve the minutes of June 15, 2006, as presented. The motion carried.*

#### **COCHISE COMMUNITY COLLEGE DISTRICT – Review of General Obligation Bond Projects.**

Ms. Amy Strauss, JLBC Staff, presented the review of the Cochise Community College District's proposed \$88 million General Obligation (GO) bond issuance. The district plans to hold a bond election in November 2006 for a total of \$88 million in bonds. This would be combined with approximately \$22 million from other sources for a total of \$110 million dollars in projects. This will be the Committee's fourth review of a Community College's GO bond issuance. Previously, the Committee favorably reviewed bond issuances from Maricopa, Yuma-LaPaz and Pinal Community Colleges with the provision that the district return prior to each actual bond issuance.

The district is planning 3 issuances. Each issuance will be over a 20 year period with an estimated interest rate of 5.5% in 2007, and 6% for the 2009 and 2011 issuances. Total interest payments will equal \$64 million with total debt service at \$152 million.

Attachment 1 of the JLBC recommendation memo provides a summary of new and renovated projects that will be funded by proceeds from the bonds as well as other funds. The projects will add approximately 131,000 square feet to the district with an estimated average cost per square foot of \$271 for new projects. This is comparable to Pinal and Yuma-LaPaz costs per square foot associated with bond issuances. After adding the new space, Cochise will have approximately 67 square feet per Full-Time Student Equivalent (FTSE) which is lower in comparison to Pinal's projection of 224 square feet per FTSE and 123 square feet per FTSE at Yuma-LaPaz. Debt service is paid from property taxes which will result in an increase of \$57 for every \$100,000 of house value.

There was no discussion on this item.

*Senator Burns moved the Committee give a favorable review as recommended in option 2 by the JLBC Staff to the proposed \$87.8 million General Obligation bond issuance with the provision that the district return to the Committee for review prior to each actual bond issuance. The motion carried.*

**ARIZONA STATE SCHOOLS FOR THE DEAF AND THE BLIND – Review of Preliminary Cost Estimates and Procurement Method for Capital Projects.**

Mr. Nick Klingerman, JLBC Staff, presented the Arizona State Schools for the Deaf and the Blind (ASDB) review of the Preliminary Cost Estimates and Procurement Method for Capital Projects. In the FY 2007 budget, ASDB received \$19 million for capital projects. The appropriation did not specify a list of projects to be funded, instead, it required that ASDB submit a preliminary expenditure plan for the projects and the procurement method for Committee review. The list of projects is listed on page 2 of the JLBC recommendation memo with an estimated cost and order of priority assigned to each project. Based on the preliminary cost estimates, the \$19 million would only be able to fund the first 3 projects on the list. However, since these costs are preliminary estimates, it is possible that the costs will change. ASDB has submitted 3 additional projects they would like to fund should the money from the \$19 million become available for the projects. This will not be the only time this project will be up for review by the Committee, since ASDB is required to submit the final cost estimate and scope for each project.

Mr. Lorenzo Martinez, JLBC Staff, added that another component of this item is to review the procurement method for these projects. ASDB is proposing to work with the Arizona Department of Administration (ADOA) and to use the Construction Manager at Risk (CMR) procurement method. Under this method, they will develop a list of the most qualified construction managers and negotiate a fee with the most qualified construction manager. The construction manager will then work with ASDB to develop a cost estimate of the design. When the design is complete, ASDB would then negotiate a guaranteed maximum price for the construction with that construction manager. An alternative method that would have a qualified list of contractors competitively bid for the project is not allowed under existing statute.

Chairman Tom Boone stated that he is a proponent of the qualified select bidders list method that is available to the K-12 school systems. He asked if there needs to be a change in statutory requirements to allow this method.

Mr. Martinez replied yes. The way the statutes are currently structured, developing a list of qualified bidders for the construction phase would not be allowed.

Representative Boone expressed his concern with not having competitive price bidding. He understands the CMR allows a contract with the general contractor that is the most qualified to do the job; however, he likes the qualified selected bidders lists approach because you can select a group of those qualified select contractors then have them do a actual competitive price bid on the entire project. He asked if the CMR is the recommendation of the agency and if they will do a competitive bidding on the subcontract.

Mr. Martinez replied that the statute for CMR requires that when selecting the construction manager, the construction managers are to submit their plan for how they would bid out subcontract work. The subcontracts are restricted to a bidding process based on 1) qualifications or 2) qualifications and price.

Representative Boone informed the Committee that he would like to consider the option of a 3<sup>rd</sup> party project managing firm to help oversee the project since the CMR method is recommended by the agency and the subcontractors will be bidding. Based upon his experience, when there is a qualified firm to oversee a project, it usually pays off in the end.

Senator Burns asked what the 3<sup>rd</sup> party accomplishes.

Representative Boone explained that an independent 3<sup>rd</sup> party would help review the proposals and help the state negotiate a guaranteed maximum price. Typically, the outside party is in the business on a regular basis and

knows what is happening in the industry. They can be an advantage in negotiations between the owner and the general contractor to ensure that the guaranteed maximum price is met.

Representative Phil Lopes asked what the difference in cost would be to the project based on the 3 options given in the JLBC recommendation memo.

Mr. Martinez stated that the 2<sup>nd</sup> option of having a 3<sup>rd</sup> party would typically be an additional 1% of the project cost. However, it is difficult to know what the cost differences would be between the CMR and the design-bid-build method because there are pros and cons to each method.

Representative Boone disagrees with the additional costs. He asked why the \$19 million could not be part of the budget so there would be not be additional costs.

Mr. Martinez replied that the 3<sup>rd</sup> party can help negotiate a better guaranteed maximum price that could offset the cost of the additional option.

Representative Lopes asked if the savings would be in our control.

Representative Boone replied that the \$19 million budget is the control and everything has to fit within that budget amount.

Representative Lopes stated that if 1% was built within the \$19 million, that amount difference could be used for construction.

Representative Boone replied that with his experience, the quality and savings in construction costs could be more than what would be paid for a good construction manager.

Mr. Hall Hoff, Superintendent, ASDB, said they would like to fund all 6 projects. The cost management will center on a conservative and functional building. Campus facilities will be shared to operate more efficiently with staff. The building will be flexible for specialized training. Some parts of the campus that will be vacated will be used to build and enhance preschool and elementary programs. There are urgencies with this project. Costs are going up approximately  $\frac{3}{4}$  of a percent per month. They are looking to others to give guidance and support to help manage this size of a project. ADOA has already given considerable support. A master study done in 2000 helped them to pull together numbers along with the School Facilities Board (SFB) review in 2003. SFB does not provide funding, but they do provide consultant services. The estimates for the middle school and high school are approximately \$200 per square foot, which includes construction and contingency costs and fees. As the project continues, they will come back to the Committee and share the breakdown of the costs.

Representative Boone asked why the priority of the Health Center in Tucson is further down the list of projects if there are code violations.

Mr. Hoff replied that it is part of the top 4 projects and he is confident that the projects can be completed. The issues are that the restrooms are not ADA compliant. This building was originally designed as a campus hospital 60 years ago.

Representative Boone noted that \$200 per square foot seemed high and asked for an explanation.

Mr. Hoff acknowledged that it seemed high so they looked at the master study and talked with the architect. The architect gave the amount and it includes everything, although, it may be closer to \$175 to \$180. If the SFB guidelines were used, it would be closer to \$150 to \$155.

Representative Boone asked when ASDB intends on returning to the Committee with its breakdown to fund the projects.

Mr. Hoff said they would like permission to start at the conclusion of this review. They would need to enlist an architect to get the process started to get a hard cost. When the cost is available, they can return in approximately 6 months, by December or January. The project takes 18 to 24 months and they would like the building to be complete by 2008.

*Senator Burns moved that the Committee give a favorable review as recommended in option 2 by the JLBC Staff to the preliminary cost estimates for the projects to be funded with the FY 2007 capital appropriation of \$19 million and to using the Construction Manager at Risk procurement method with competitive selection of subcontractors pursuant to A.R.S. § 41-2578, with the provision that ASDB contract with a 3<sup>rd</sup> party to assist with the project. The motion carried.*

### **ARIZONA DEPARTMENT OF TRANSPORTATION – Review of FY 2007 Construction Budget Operating Expenditure Plan.**

Mr. Lorenzo Martinez, JLBC Staff, presented the review of the Department of Transportation (ADOT) capital budget for Professional and Outside Services expenditures. In FY 2007 the department is allocating \$103.7 million for contracted services. These services include design and engineering type activities.

In addition, the statute that created the Statewide Transportation Acceleration Needs (STAN) Account requires regional entities that receive money to report expenditures each December. The recommendation includes a provision that ADOT also report on STAN Account activity by December 15.

He also noted the traffic congestion performance measures that reflect the most congested segments of the roads of Arizona have been submitted by ADOT.

Senator Karen Johnson expressed her concern with the Auditor General audit that reflects the excessive spending by ADOT on Profession and Outside Services.

Mr. Martinez said that the Auditor General did an audit of this component of the budget and they noted that the contracted services costs are higher compared to in-house staff of the department.

Representative Andy Biggs asked if the agency responded to the Auditor General report.

Representative Lopes asked why the results of the Auditor General report were not included in the review.

Mr. Richard Stavneak, JLBC Director, replied that the JLBC recommendation memo was released one day prior to the release of the Auditor General report.

Representative Biggs requested to postpone any action so that the Committee can review the Auditor General report.

Mr. Martinez replied that at its June 15 meeting, the Committee allowed ADOT to spend up to \$17.3 million to continue operations and required ADOT to return this meeting so that the agency could give more detail on the expenditure plan. Providing a review for a partial amount could be an option to consider so that the Auditor General report can be addressed.

Representative Boone asked for a sense of an appropriate amount to allow the agency to use so as not to hold up projects.

Mr. Martinez replied that the \$17.3 million was to allow 2 months of expenditures, so the amount would depend on the timetable in which the Committee would like to pursue.

In response to concerns of the Auditor General report, Mr. Terry Trost, Budget Director, ADOT, said that the report was part of the sunset review on the construction and maintenance portion of the agency operation. They agree with the elements of the Auditor General and will do their best to correct those elements. The FTE's have

remained constant and as stated in the report, there is a salary competition issue in the marketplace with the ability to maintain and attract experienced and talented engineering staff. This review is part of their spending plan so they may not spend the full \$103 million.

Representative Boone asked if a large part of the increase for contract services has been due to not being able to hire staff.

Mr. Trost replied that yes there is limited availability in hiring staff. The current salary schedule is at a competitive disadvantage in the marketplace.

Senator Johnson asked for a dollar estimate in which the agency can work with for the next 2 months, if it is different from the \$17.3 million.

Mr. Trost replied that they are concerned with the \$17.3 million, which is a reason for requesting to be on the Committee agenda. They would prefer to have the favorable review of \$103 million because of the funding of the scheduled projects could be effected if the amounts go lower.

Senator Johnson expressed her concern with proceeding and does not want a favorable recommendation of the full amount until the report is looked at by everyone on the Committee. If the Committee approves \$17 million every 2 months, it will add up to the \$103 million that is being requested.

Representative Biggs commented that the level of use of outside consultants is difficult to maintain. He would like the Committee to hold off on taking action.

Mr. Trost replied that when the pay plan was initiated in 2001, the turnover rate dropped from 12.5% to 6%. It recovered and had gone back up to 8% partly due to market improvement. Retaining employees helps the department. In regard to the \$17 million, their concern is their ability to deliver on projects.

Representative Biggs asked if the \$103 million was front-loaded and would cause harm to projects.

Mr. Trost said that it has to be front-loaded to the extent that the current year of a 5-year construction project along with other projects 3-years out where 25% of that project will be in the current year.

Representative Biggs said that if projects are front-loaded for projects, it should be known how much will be spent. He asked what amount would normally be used on projects per month.

Mr. Trost replied that he does not know that amount and could get the information.

Representative Lopes asked if a response to the Auditor General report has been prepared.

Mr. Trost replied that the response has been generated and the department agreed with all points of their findings.

Representative Lopes asked if there were practical implications to the projects if there is no action until the department returns to the Committee versus giving at favorable review to the \$17.3 million.

Mr. Trost replied that if the \$17.3 million is intended to cover August expenses with any left-over trickling a couple of weeks beyond, they would not be able to do anything if the money were to run out before the Committee's next appropriation approval. If there were a project that was scheduled to start and there was not enough money to hire the consultant to do the work, they would not be able to start that particular project.

Representative Lopes said that he understands the concern about Professional and Outside Services, however, it would be inadvisable to not review.

Representative Biggs stated that the Committee needs to act and review the Auditor General report and see how the department responds. He suggested that the department be provided with a 2 month allocation of \$17.3 million and have them return in 30 days.

Representative Boone asked if the ADOT would feel comfortable with \$34.6 million so as not to hold up projects.

Mr. Trost replied that they are not comfortable, but will look at their data and come back if they need more.

Representative Biggs said that if the annual budget is \$103 million, and the Committee approves \$34.6 million, it would be difficult to use all the money before the issue is resolved by the next meeting.

Senator Johnson concurs with Representative Biggs as long as the total does not exceed the \$103 million.

Representative Tully added that the department should advise the Committee if there is a threat of any delay in a project before the next meeting occurs.

Representative Boone clarified the motion by Representative Biggs to give a favorable review of \$34.6 million for Professional and Outside Services expenditures through October. Also, adopt the traffic congestion performance measures.

*Representative Biggs moved the motion as clarified by Representative Boone. The motion carried.*

#### **ARIZONA DEPARTMENT OF TRANSPORTATION – Review of FY 2007 Building Renewal Allocation Plan.**

Mr. Lorenzo Martinez presented the review of ADOT's FY 2007 Building Renewal Allocation Plan. JLBC Staff recommends a favorable review of the plan with the provision that ADOT report back on any allocations from the contingency amounts and they report on any new projects not shown in this plan prior to implementation, as well as reallocations beyond \$100,000. ADOT received a total of \$3.6 million for Building Renewal from the State Highway Fund that would fund 142 projects. Additionally, ADOT received \$75,800 from the State Aviation Fund that would fund 1 project at the Grand Canyon Airport. A table in the JLBC memo displays the project categories as well as higher dollar projects in the building renewal plan.

Senator Gould asked how many and why Energy Star rated thermostats will be replaced as stated in Category 4 - Major Building Systems.

Mr. Trost said that he can provide the detailed information in writing after the meeting.

*Senator Burns moved the Committee give a favorable review as recommended by JLBC Staff to the FY 2007 Building Renewal Allocation Plan with the following provisions:*

- *ADOT report to JLBC Staff any allocations for FY 2007 projects from the \$143,600 contingency amount. JLBC Staff will report to the Committee on significant allocations, typically those above \$50,000.*
- *ADOT submit any new projects for Committee review prior to implementing.*
- *ADOT submit any project reallocations above \$100,000 for Committee review.*

The motion carried.

#### **ARIZONA DEPARTMENT OF ADMINISTRATION – Review of FY 2006 Building Renewal Reallocation.**

Mr. Tyler Palmer, JLBC Staff, presented the review of the Arizona Department of Administration (ADOA) FY 2006 Building Renewal Reallocation Plan. The FY 2006 plan had a provision that any reallocation of money between projects above \$50,000 be reported to the Committee. ADOA has reported \$422,200 of unused money that is available from completed projects. They are requesting to reallocate the money to 2 on-going projects that are still unfinished from last year.

There was no discussion on this item.

*Senator Burns moved the Committee give a favorable review as recommended by JLBC Staff to reallocate \$422,200 from unused FY 2006 Building Renewal amounts for the following items:*

- \$225,000 for water leaks at the 15 S. 15<sup>th</sup> Avenue, Capitol Center Building
- \$185,000 for chillers at the 1600 W. Monroe, Department of Revenue Building
- \$12,200 for project contingencies

The motion carried.

**ARIZONA DEPARTMENT OF ADMINISTRATION – Review of FY 2007 Building Renewal Allocation Plan.**

Mr. Tyler Palmer, JLBC Staff, presented the review of FY 2007 Building Renewal Allocation Plan. He provided the Committee with a revised table from page 2 of the JLBC recommendation memo. The FY 2007 Building Renewal Allocation Plan included \$3,849,200 from the General Fund (GF) and \$3.4 million from Capital Outlay Stabilization Fund (COSF). The current request is to allocate monies to the projects as indicated in the table.

There as no discussion on this item.

*Senator Burns moved the Committee give a favorable review as recommended by JLBC Staff for \$3,849,200 of the General Fund FY 2007 Building Renewal Allocation Plan and \$3,400,000 of the COSF FY 2007 Building Renewal Allocation Plan with the following provisions:*

- ADOA submit for Committee review any reallocation above \$100,000 between the individual projects.
- ADOA report to JLBC Staff any allocations for FY 2007 emergency projects or unallocated projects. JLBC Staff will report to the Committee on significant allocations, typically those above \$50,000.

The motion carried.

**ARIZONA DEPARTMENT OF ADMINISTRATION – Review of Energy Conservation Project.**

Mr. Tyler Palmer, JLBC Staff, presented the review of ADOA's Energy Conservation Project. This project would take \$521,200 from the Utilities Special Line Item and allocate it to 3 types of projects: 1) lighting retrofit and controls; 2) HVAC lockouts; and 3) vending misers. The department estimates an energy usage reduction savings of \$300,200 during FY 2007. In working with APS, it is estimated that conservation project rebates would generate \$212,300.

Senator Burns asked what method is used to evaluate the savings on the projects.

Mr. Roger Berna, General Manager of Construction Services, ADOA, replied that Sempra Energy previously did a larger performance contract to do an audit on the buildings and determine areas of savings. The calculations were then reviewed by the department and determined to be accurate and conservative. The savings will probably be higher than projected, especially if the APS rates increase.

Senator Johnson asked what types of savings vending machine misers could have.

Mr. Berna replied that the misers optimizes the control compressors and turns off the light. In response to Senator Gould, this is proven technology. There are sample devices installed in the Capitol and various other buildings.

Senator Gould asked if the usage was monitored after installation.

Mr. Berna said that savings are small with low costs with about a 1 to 2 year payback. They only chose quick payback projects.

*Senator Burns moved the Committee give a favorable review as recommended by JLBC Staff to the use of \$521,200 from the department's utility budget for energy conservation projects. The motion carried.*

**ARIZONA DEPARTMENT OF WATER RESOURCES – Review of City of Williams Dam Repair Project.**

Mr. Matt Busby, JLBC Staff, presented the request by the Department of Water Resources (DWR) to review the City of Williams Dam Repair Project. In June 2005, the City of Williams Dam was ranked the #1 priority unsafe dam in Arizona. The Legislature appropriated \$1.5 million to DWR to repair the dam. In addition, local in-kind contributions will be used toward the project. The City of Williams put the project to competitive bid with the \$1.5 million cost estimate being the lowest bid.

Senator Gould asked who owns the dam.

Mr. Busby replied that the City of Williams owns the dam.

Representative Boone asked if the city is contributing to the cost of the project.

Mr. Darrell Jordan, Manager, Office of Water Engineering, replied that \$136,000 does include real and in-kind money. The city hired its own engineer and contracted with TCB consulting firm. They are also responsible for minor over-runs

*Senator Burns moved the Committee give a favorable review as recommended by JLBC Staff to the City of Williams Dam Repair project. The motion carried.*

Without objection the Committee meeting adjourned at 3:00 p.m.

Respectfully submitted:

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Yvette Medina, Secretary

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Lorenzo Martinez, Assistant Director

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Representative Tom Boone, Chairman

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Mr. Martinez replied that the 3<sup>rd</sup> party can help negotiate a better guaranteed maximum price that could offset the cost of the additional option.

Representative Lopes asked if the savings would be in our control.

Representative Boone replied that the \$19 million budget is the control and everything has to fit within that budget amount.

Representative Lopes stated that if 1% was built within the \$19 million, that amount difference could be used for construction.

Representative Boone replied that with his experience, the quality and savings in construction costs could be more than what would be paid for a good construction manager.

Mr. Hall Hoff, Superintendent, ASDB, said they would like to fund all 6 projects. The cost management will center on a conservative and functional building. Campus facilities will be shared to operate more efficiently with staff. The building will be flexible for specialized training. Some parts of the campus that will be vacated will be used to build and enhance preschool and elementary programs. There are urgencies with this project. Costs are going up approximately  $\frac{3}{4}$  of a percent per month. They are looking to others to give guidance and support to help manage this size of a project. ADOA has already given considerable support. A master study done in 2000 helped them to pull together numbers along with the School Facilities Board (SFB) review in 2003. SFB does not provide funding, but they do provide consultant services. The estimates for the middle school and high school are approximately \$200 per square foot, which includes construction and contingency costs and fees. As the project continues, they will come back to the Committee and share the breakdown of the costs.

Representative Boone asked why the priority of the Health Center in Tucson is further down the list of projects if there are code violations.

Mr. Hoff replied that it is part of the top 4 projects and he is confident that the projects can be completed. The issues are that the restrooms are not ADA compliant. This building was originally designed as a campus hospital 60 years ago.

Representative Boone noted that \$200 per square foot seemed high and asked for an explanation.

Mr. Hoff acknowledged that it seemed high so they looked at the master study and talked with the architect. The architect gave the amount and it includes everything, although, it may be closer to \$175 to \$180. If the SFB guidelines were used, it would be closer to \$150 to \$155.

Representative Boone asked when ASDB intends on returning to the Committee with its breakdown to fund the projects.

Mr. Hoff said they would like permission to start at the conclusion of this review. They would need to enlist an architect to get the process started to get a hard cost. When the cost is available, they can return in approximately 6 months, by December or January. The project takes 18 to 24 months and they would like the building to be complete by 2008.

*Senator Burns moved that the Committee give a favorable review as recommended in option 2 by the JLBC Staff to the preliminary cost estimates for the projects to be funded with the FY 2007 capital appropriation of \$19 million and to using the Construction Manager at Risk procurement method with competitive selection of subcontractors pursuant to A.R.S. § 41-2578, with the provision that ASDB contract with a 3<sup>rd</sup> party to assist with the project. The motion carried.*

### **ARIZONA DEPARTMENT OF TRANSPORTATION – Review of FY 2007 Construction Budget Operating Expenditure Plan.**

Mr. Lorenzo Martinez, JLBC Staff, presented the review of the Department of Transportation (ADOT) capital budget for Professional and Outside Services expenditures. In FY 2007 the department is allocating \$103.7 million for contracted services. These services include design and engineering type activities.

In addition, the statute that created the Statewide Transportation Acceleration Needs (STAN) Account requires regional entities that receive money to report expenditures each December. The recommendation includes a provision that ADOT also report on STAN Account activity by December 15.

He also noted the traffic congestion performance measures that reflect the most congested segments of the roads of Arizona have been submitted by ADOT.

Senator Karen Johnson expressed her concern with the Auditor General audit that reflects the excessive spending by ADOT on Profession and Outside Services.

Mr. Martinez said that the Auditor General did an audit of this component of the budget and they noted that the contracted services costs are higher compared to in-house staff of the department.

Representative Andy Biggs asked if the agency responded to the Auditor General report.

Representative Lopes asked why the results of the Auditor General report were not included in the review.

Mr. Richard Stavneak, JLBC Director, replied that the JLBC recommendation memo was released one day prior to the release of the Auditor General report.

Representative Biggs requested to postpone any action so that the Committee can review the Auditor General report.

Mr. Martinez replied that at its June 15 meeting, the Committee allowed ADOT to spend up to \$17.3 million to continue operations and required ADOT to return this meeting so that the agency could give more detail on the expenditure plan. Providing a review for a partial amount could be an option to consider so that the Auditor General report can be addressed.

Representative Boone asked for a sense of an appropriate amount to allow the agency to use so as not to hold up projects.

Mr. Martinez replied that the \$17.3 million was to allow 2 months of expenditures, so the amount would depend on the timetable in which the Committee would like to pursue.

In response to concerns of the Auditor General report, Mr. Terry Trost, Budget Director, ADOT, said that the report was part of the sunset review on the construction and maintenance portion of the agency operation. They agree with the elements of the Auditor General and will do their best to correct those elements. The FTE's have

remained constant and as stated in the report, there is a salary competition issue in the marketplace with the ability to maintain and attract experienced and talented engineering staff. This review is part of their spending plan so they may not spend the full \$103 million.

Representative Boone asked if a large part of the increase for contract services has been due to not being able to hire staff.

Mr. Trost replied that yes there is limited availability in hiring staff. The current salary schedule is at a competitive disadvantage in the marketplace.

Senator Johnson asked for a dollar estimate in which the agency can work with for the next 2 months, if it is different from the \$17.3 million.

Mr. Trost replied that they are concerned with the \$17.3 million, which is a reason for requesting to be on the Committee agenda. They would prefer to have the favorable review of \$103 million because of the funding of the scheduled projects could be effected if the amounts go lower.

Senator Johnson expressed her concern with proceeding and does not want a favorable recommendation of the full amount until the report is looked at by everyone on the Committee. If the Committee approves \$17 million every 2 months, it will add up to the \$103 million that is being requested.

Representative Biggs commented that the level of use of outside consultants is difficult to maintain. He would like the Committee to hold off on taking action.

Mr. Trost replied that when the pay plan was initiated in 2001, the turnover rate dropped from 12.5% to 6%. It recovered and had gone back up to 8% partly due to market improvement. Retaining employees helps the department. In regard to the \$17 million, their concern is their ability to deliver on projects.

Representative Biggs asked if the \$103 million was front-loaded and would cause harm to projects.

Mr. Trost said that it has to be front-loaded to the extent that the current year of a 5-year construction project along with other projects 3-years out where 25% of that project will be in the current year.

Representative Biggs said that if projects are front-loaded for projects, it should be known how much will be spent. He asked what amount would normally be used on projects per month.

Mr. Trost replied that he does not know that amount and could get the information.

Representative Lopes asked if a response to the Auditor General report has been prepared.

Mr. Trost replied that the response has been generated and the department agreed with all points of their findings.

Representative Lopes asked if there were practical implications to the projects if there is no action until the department returns to the Committee versus giving at favorable review to the \$17.3 million.

Mr. Trost replied that if the \$17.3 million is intended to cover August expenses with any left-over trickling a couple of weeks beyond, they would not be able to do anything if the money were to run out before the Committee's next appropriation approval. If there were a project that was scheduled to start and there was not enough money to hire the consultant to do the work, they would not be able to start that particular project.

Representative Lopes said that he understands the concern about Professional and Outside Services, however, it would be inadvisable to not review.

Representative Biggs stated that the Committee needs to act and review the Auditor General report and see how the department responds. He suggested that the department be provided with a 2 month allocation of \$17.3 million and have them return in 30 days.

Representative Boone asked if the ADOT would feel comfortable with \$34.6 million so as not to hold up projects.

Mr. Trost replied that they are not comfortable, but will look at their data and come back if they need more.

Representative Biggs said that if the annual budget is \$103 million, and the Committee approves \$34.6 million, it would be difficult to use all the money before the issue is resolved by the next meeting.

Senator Johnson concurs with Representative Biggs as long as the total does not exceed the \$103 million.

Representative Tully added that the department should advise the Committee if there is a threat of any delay in a project before the next meeting occurs.

Representative Boone clarified the motion by Representative Biggs to give a favorable review of \$34.6 million for Professional and Outside Services expenditures through October. Also, adopt the traffic congestion performance measures.

*Representative Biggs moved the motion as clarified by Representative Boone. The motion carried.*

#### **ARIZONA DEPARTMENT OF TRANSPORTATION – Review of FY 2007 Building Renewal Allocation Plan.**

Mr. Lorenzo Martinez presented the review of ADOT's FY 2007 Building Renewal Allocation Plan. JLBC Staff recommends a favorable review of the plan with the provision that ADOT report back on any allocations from the contingency amounts and they report on any new projects not shown in this plan prior to implementation, as well as reallocations beyond \$100,000. ADOT received a total of \$3.6 million for Building Renewal from the State Highway Fund that would fund 142 projects. Additionally, ADOT received \$75,800 from the State Aviation Fund that would fund 1 project at the Grand Canyon Airport. A table in the JLBC memo displays the project categories as well as higher dollar projects in the building renewal plan.

Senator Gould asked how many and why Energy Star rated thermostats will be replaced as stated in Category 4 - Major Building Systems.

Mr. Trost said that he can provide the detailed information in writing after the meeting.

*Senator Burns moved the Committee give a favorable review as recommended by JLBC Staff to the FY 2007 Building Renewal Allocation Plan with the following provisions:*

- *ADOT report to JLBC Staff any allocations for FY 2007 projects from the \$143,600 contingency amount. JLBC Staff will report to the Committee on significant allocations, typically those above \$50,000.*
- *ADOT submit any new projects for Committee review prior to implementing.*
- *ADOT submit any project reallocations above \$100,000 for Committee review.*

The motion carried.

#### **ARIZONA DEPARTMENT OF ADMINISTRATION – Review of FY 2006 Building Renewal Reallocation.**

Mr. Tyler Palmer, JLBC Staff, presented the review of the Arizona Department of Administration (ADOA) FY 2006 Building Renewal Reallocation Plan. The FY 2006 plan had a provision that any reallocation of money between projects above \$50,000 be reported to the Committee. ADOA has reported \$422,200 of unused money that is available from completed projects. They are requesting to reallocate the money to 2 on-going projects that are still unfinished from last year.

There was no discussion on this item.

*Senator Burns moved the Committee give a favorable review as recommended by JLBC Staff to reallocate \$422,200 from unused FY 2006 Building Renewal amounts for the following items:*

- \$225,000 for water leaks at the 15 S. 15<sup>th</sup> Avenue, Capitol Center Building
- \$185,000 for chillers at the 1600 W. Monroe, Department of Revenue Building
- \$12,200 for project contingencies

The motion carried.

**ARIZONA DEPARTMENT OF ADMINISTRATION – Review of FY 2007 Building Renewal Allocation Plan.**

Mr. Tyler Palmer, JLBC Staff, presented the review of FY 2007 Building Renewal Allocation Plan. He provided the Committee with a revised table from page 2 of the JLBC recommendation memo. The FY 2007 Building Renewal Allocation Plan included \$3,849,200 from the General Fund (GF) and \$3.4 million from Capital Outlay Stabilization Fund (COSF). The current request is to allocate monies to the projects as indicated in the table.

There as no discussion on this item.

*Senator Burns moved the Committee give a favorable review as recommended by JLBC Staff for \$3,849,200 of the General Fund FY 2007 Building Renewal Allocation Plan and \$3,400,000 of the COSF FY 2007 Building Renewal Allocation Plan with the following provisions:*

- ADOA submit for Committee review any reallocation above \$100,000 between the individual projects.
- ADOA report to JLBC Staff any allocations for FY 2007 emergency projects or unallocated projects. JLBC Staff will report to the Committee on significant allocations, typically those above \$50,000.

The motion carried.

**ARIZONA DEPARTMENT OF ADMINISTRATION – Review of Energy Conservation Project.**

Mr. Tyler Palmer, JLBC Staff, presented the review of ADOA's Energy Conservation Project. This project would take \$521,200 from the Utilities Special Line Item and allocate it to 3 types of projects: 1) lighting retrofit and controls; 2) HVAC lockouts; and 3) vending misers. The department estimates an energy usage reduction savings of \$300,200 during FY 2007. In working with APS, it is estimated that conservation project rebates would generate \$212,300.

Senator Burns asked what method is used to evaluate the savings on the projects.

Mr. Roger Berna, General Manager of Construction Services, ADOA, replied that Sempra Energy previously did a larger performance contract to do an audit on the buildings and determine areas of savings. The calculations were then reviewed by the department and determined to be accurate and conservative. The savings will probably be higher than projected, especially if the APS rates increase.

Senator Johnson asked what types of savings vending machine misers could have.

Mr. Berna replied that the misers optimizes the control compressors and turns off the light. In response to Senator Gould, this is proven technology. There are sample devices installed in the Capitol and various other buildings.

Senator Gould asked if the usage was monitored after installation.

Mr. Berna said that savings are small with low costs with about a 1 to 2 year payback. They only chose quick payback projects.

*Senator Burns moved the Committee give a favorable review as recommended by JLBC Staff to the use of \$521,200 from the department's utility budget for energy conservation projects. The motion carried.*

**ARIZONA DEPARTMENT OF WATER RESOURCES – Review of City of Williams Dam Repair Project.**

Mr. Matt Busby, JLBC Staff, presented the request by the Department of Water Resources (DWR) to review the City of Williams Dam Repair Project. In June 2005, the City of Williams Dam was ranked the #1 priority unsafe dam in Arizona. The Legislature appropriated \$1.5 million to DWR to repair the dam. In addition, local in-kind contributions will be used toward the project. The City of Williams put the project to competitive bid with the \$1.5 million cost estimate being the lowest bid.

Senator Gould asked who owns the dam.

Mr. Busby replied that the City of Williams owns the dam.

Representative Boone asked if the city is contributing to the cost of the project.

Mr. Darrell Jordan, Manager, Office of Water Engineering, replied that \$136,000 does include real and in-kind money. The city hired its own engineer and contracted with TCB consulting firm. They are also responsible for minor over-runs

*Senator Burns moved the Committee give a favorable review as recommended by JLBC Staff to the City of Williams Dam Repair project. The motion carried.*

Without objection the Committee meeting adjourned at 3:00 p.m.

Respectfully submitted:

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Yvette Medina, Secretary

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Lorenzo Martinez, Assistant Director

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Representative Tom Boone, Chairman

STATE OF ARIZONA

## Joint Committee on Capital Review

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SENATE

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CHAIRMAN 2005  
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HOUSE OF  
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RUSSELL K. PEARCE  
STEPHEN TULLY

DATE: August 17, 2006

TO: Representative Tom Boone, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Leah Ruggieri, Fiscal Analyst

SUBJECT: Arizona State University – Review of Academic Renovations and Deferred Maintenance  
Phase IIA Bond Projects

### Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Arizona State University (ASU), on behalf of the Arizona Board of Regents (ABOR), requests Committee review of Academic Renovations and Deferred Maintenance Phase IIA. ASU would finance this project with a total new revenue bond issuance of \$10,000,000.

### Recommendation

The Committee has at least the following options:

1. A favorable review. ASU has a deferred maintenance backlog of \$82.2 million. Because the renewal formula has not been funded since FY 2002, ASU has chosen to finance deferred maintenance projects with long-term debt financing.
2. An unfavorable review. ASU has received an appropriation of \$6.5 million in FY 2007 for building renewal projects. Before developing a plan for this appropriation, ASU has chosen to finance the construction projects in Academic Renovations and Deferred Maintenance Phase IIA with debt financing.

Some of the proposed building changes involve renovating space for new science faculty. If not answered by the time of the meeting, JLBC Staff recommends that ASU provide information on the grant funding that will become available as a result of the new faculty science hires.

(Continued)

Under either option, the JLBC Staff recommends the following standard university financing provisions:

- ASU 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 project.
- ASU 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 the project. In case of an emergency, ASU may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. The JLBC Staff will inform the university if they do not agree with the change of scope as an emergency.
- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any auxiliary revenues that may be required for debt service, or any operations and maintenance costs when the project is complete. Auxiliary funds derive from substantially self-supporting university activities, including student housing.
- ASU shall not use bonding to finance any repairs whose typical life span is less than the bond repayment period. Such repairs include, but are not limited to new flooring and painting. The exceptions to this stipulation are circumstances where such repairs are required to complete a major renovation.
- ASU shall submit to the Committee an expenditure plan for the \$800,000 unallocated to specific projects in Academic Renovations and Deferred Maintenance Phase IIA.

#### Procurement Method

With regard to the procurement method used for Phase IIA, the Committee has the option to make a recommendation. ASU has chosen to contract this bond project using Construction Manager at Risk (CMAR). The 2 other options are design-bid-build and qualified select bidders. All 3 options are discussed in the Analysis section.

#### **Analysis**

ASU plans to issue system revenue bonds to be repaid over a 15-year period at an estimated interest rate of 5.0%. The anticipated date of the bond issuance is February 2007. Annual debt service would be approximately \$963,400, with exactly half deriving from collected tuition and half deriving from other local funds and indirect cost recovery. The interest paid would total \$4,451,000. ASU does not anticipate any additional operating and maintenance costs associated with this project.

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 \$10 million of issued bonds would increase the ASU debt ratio from 4.7% to 4.8%.

#### *Project Specifics*

The Academic Renovations and Deferred Maintenance Phase IIA is comprised of 11 renovation and deferred maintenance projects and a total of 62,386 square-feet, at an estimated total cost of \$9.2 million. The table below lists estimated capital costs and renovation scopes for the 11 projects associated with Phase IIA. Of the \$10 million budgeted for these projects, \$1.7 million would be used as a contingency fund and \$800,000 is unallocated to specific projects.

(Continued)

<b>ASU Renovations and Deferred Maintenance Phase IIA Costs and Scopes</b>			
<b><u>Project</u></b>	<b><u>Request</u></b>	<b><u>Sq-Ft</u></b>	<b><u>Description</u></b>
Classroom Renovations - Various Locations	\$1,200,000	4,800	Renovation of classrooms across the Tempe Campus by highest building priority
Agricultural Building	1,000,000	15,661	Renovations, consolidation of academic programs in one location, growth space, and asbestos removal
West Hall	345,000	12,000	Renovations, consolidation of academic programs in one location, growth space, and asbestos removal
Wilson Hall	488,000	15,231	Renovations, consolidation of academic programs in one location, growth space, and asbestos removal
Physics Chair Renovations	1,100,000	2,315	Renovations for a new hire including offices, student work stations, labs, and upgrades
School of Earth and Space Exploration	1,542,000	1,354	Renovations for a new hire and infrastructure, an all-plastic lab, ducting, and additional space
Bateman Physical Sciences - F Wing 3rd Floor	500,000	3,200	Renovation of classrooms, offices, and labs, creations of offices and team work space, and a consolidated area
Engineering Technical Services Upgrades	1,500,000	2,350	New finishes and ceilings, HVAC and ductwork, lighting, data and electrical power, and the creation of office and lab space for new faculty and grad students
Adaptive Neural Systems Renovations	750,000	3,000	Renovation of space for new hires, relocation of faculty and grad students, and upgrades to infrastructure, equipment, and electrical and HVAC systems
Civil and Environmental Engineering Department	175,000	1,200	Renovation of space for a new hire and grad students and minor upgrades to electrical and HVAC systems
Neural Stimulation Utility Lab	605,000	1,275	Renovation of the neural stimulation utility lab for a new faculty member with infrastructure changes for water supply, HVAC, exhaust, and air
<b>Total</b>	<b>\$9,205,000</b>	<b>62,386</b>	

According to ASU, the Academic Renovations and Deferred Maintenance Phase IIA project will provide updated and growth space for academic programs that will provide improved student/faculty interaction and learning experiences. Some of the projects are backfill renovation projects that have been made possible by the departments moving to ASU at the Downtown Phoenix campus. Most of the projects involve the renovation of classrooms and improved and updated space acquired for new faculty hires. Additionally, Phase IIA will bring ASU in compliance with code requirements for safety and address ABOR directives to reduce deferred maintenance.

Of the 11 projects included in Phase IIA, 6 involve renovations associated with the addition of new science faculty members. The high-end cost of one of these renovations is \$1.5 million for improvements at the School of Earth and Space Exploration. The JLBC Staff has asked ASU how much grant funding the new hires would bring to the university.

ASU estimates the projects would take 1 year of construction. ASU does not anticipate any additional operating and maintenance costs upon project completion.

When considering all 11 projects included in Phase IIA, the average total cost per square foot would be \$148 and the direct construction cost per square foot would be \$120. These calculations do not take into account the \$800,000 unallocated to specific projects. Since Phase IIA combines both minor and major renovations, it is difficult to make meaningful comparisons to other renovation projects. However, Phase IIA as a whole has a higher average total cost and direct construction cost per square foot than those projects included in Academic Renovations and Deferred Maintenance Phase I, favorably reviewed by

(Continued)

this Committee in June 2004. For Phase 1, the average total cost per square foot was \$133 and the direct construction cost per square foot was \$100. The increase in cost for Phase IIA is likely due to inflation.

#### *Building Renewal*

In FY 2007, the university system was appropriated \$20,000,000 to fund 29% of the building renewal formula. Of this amount, the allocation for all ASU campuses is \$6,451,900. Building renewal appropriations provide for the major maintenance and repair of state-owned buildings. No other appropriations have been made for university building renewal since FY 2002. Since that time, ASU would have required \$107,031,500 if the formula had been fully funded. As of FY 2005, ASU estimated a deferred maintenance need of \$82,189,100. ASU has not yet submitted the required expenditure plan for the FY 2007 building renewal appropriation.

The building renewal appropriation could potentially be used as a pay-as-you-go financing option, as opposed to the debt financing option proposed for the construction projects proposed in Phase IIA that would qualify as building renewal.

Given the lack of specific building renewal appropriations over the past 4 years, the Committee has approved debt financing for deferred maintenance projects. The most recent examples are the Committee's favorable review of ASU's Academic Renovations Phases I and IIA, as well as the University of Arizona's Residence Life Building Renewal Phases I and II.

#### *Procurement Method*

ASU would contract this bond project using Construction Manager at Risk (CMAR). In CMAR, the university competitively selects a General Contractor according to quality and experience. The General Contractor manages a construction project, including the associated architect and other subcontractors, from design to completion. The General Contractor chooses a qualified subcontractor for each trade based on qualifications alone or on a combination of qualifications and price. Because the construction projects in Phase IIA vary in size and scope, ASU will most likely need to hire more than 1 General Contractor.

Additionally, CMAR defines a guaranteed maximum price, after which the General Contractor must absorb almost all cost increases, except those caused by scope changes or unknown site conditions.

Occasionally, in the case of substantial materials price inflation, a university will partially cover higher costs to maintain good contractor relations.

In the past, the Committee has discussed alternative procurement methods beyond the CMAR. As an alternative, the Committee could also request that ASU use an alternative procurement method such as design-bid-build. Under this procurement method, the design and construction phases are separately contracted and done in sequence. After design is complete, the construction phase requires a competitive bid process that awards the contract to the lowest responsible and responsive bidder. The universities are exempt from the procurement code, provided that their procurement policies and procedures are substantially equivalent to the procurement code.

JLBC Staff is researching whether an alternative method that incorporates developing a list of qualified bidders for the competitive bid process is also an option for the Committee to consider. The qualified list would be developed based on qualifications submitted by interested bidders. Only the most qualified bidders meeting established criteria would be invited to participate in the competitive bid process, which would then make an award based on best price.

RS/LR:ym

**ASU**  
ARIZONA STATE UNIVERSITY



August 3, 2006

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

Dear Representative Boone:

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:

Academic Renovations Phase II A

Enclosed is pertinent information relating to this project.

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

Sincerely,

Carol Campbell  
Executive Vice President and CFO

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  
Richard Stanley, Senior Vice President and University Planner  
Virgil Renzulli, Vice President for Public Affairs  
Scott Cole, Deputy Executive Vice President, University Services  
Steve Miller, Deputy Vice President, Public Affairs  
Lisa Frace, Associate Vice President for Budget and Planning  
Gerald Snyder, Associate Vice President for Finance and Treasurer  
James Sliwicki, Director, Budget Planning and Management  
Scott Smith, Director, State Relations

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## **EXECUTIVE SUMMARY**

### **ACTION ITEM:**

Academic Renovations and Deferred Maintenance Phase IIA, Revised Project Implementation Approval, Arizona State University.

### **ISSUE:**

ASU requests Revised Project Implementation Approval for Academic Renovations and Deferred Maintenance Phase IIA.

### **PREVIOUS BOARD ACTION:**

- 2005 Capital Development Plan June 2004
- 2006 Capital Development Plan June 2005
- Project Implementation Approval December 2005

### **BACKGROUND:**

The Academic Renovations and Deferred Maintenance Phase II presented to the Board at the December 2005 meeting included the general categories of Roof Replacements and Repairs, Fire Alarms and Sprinkler Upgrades, Bio Safety / Lab Security Phase III, Classroom Renovations, Backfill Renovations, and renovation projects involving buildings across campus for a total project cost not to exceed \$20 million.

As was noted in the Revised 2006 Capital Development Plan, submitted in February 2006, the \$20 million Academic Renovations and Deferred Maintenance Phase II project has been split into two, \$10 million projects: Phase IIA and Phase IIB.

Phase IIA will focus on specific projects that have been planned in more detail or formalized and are now ready to be brought forward for Project Implementation. These projects are backfill renovation projects made possible by departments moving to ASU at the Downtown Phoenix campus; classroom renovations and upgrades intended to enhance the student experience; and renovations for newly hired faculty. Life safety and deferred maintenance issues will also be addressed as spaces are renovated.

ASU is still in the initial phases of a comprehensive plan for Roof Replacements and Repairs, Fire Alarms and Sprinkler Upgrades, and Bio Safety / Lab Security Phase III. ASU will potentially bring those projects, as well as additional renovations for classrooms, backfill, or other projects, forward in Academic Renovations and Deferred Maintenance Phase IIB.

All projects are designed to directly benefit the academic mission of the university by providing updated space for students and incoming faculty.

## EXECUTIVE SUMMARY

- 1. Classroom Renovations in Various Locations - \$1,200,000** – This project will renovate classrooms across the Tempe campus. ASU is currently developing a plan for classroom renovations, and the highest priority buildings are the following: Nursing Building, Payne Hall, Cowden Family Resources Building, Farmer Education Building, and Business Administration C-Wing.
- 2. Agriculture Building Backfill Renovations - \$963,000** – This renovation project is an opportunity made possible by department moves to the Downtown campus and will renovate classrooms, consolidate critical academic programs in one location and provide much needed growth space to the social science departments in the College of Liberal Arts. Most significantly this renovation will allow for the consolidation of the American Indian Policy Center, American Indian Initiatives, and the American Indian Student Support Center into one building
- 3. West Hall Backfill Renovations - \$875,000** – This renovation project is an opportunity made possible by department moves to the Downtown campus. The renovations provides renovated classrooms, growth space for the Herberger School of Fine Arts for their academic advising and graduate student research, provide a location for the newly created and externally funded Donald W. Reynolds National Center for Business Journalism, and allow for a consolidation and growth of the School of Global Studies and for the Women and Gender Studies Department.
- 4. Wilson Hall Backfill Renovations - \$790,000** – This renovation project is an opportunity made possible by department moves to the Downtown campus. The project will provide consolidation and growth space for the School of Justice Studies and African and African American Studies Department. It will also provide extensive work to fire alarm and sprinkler systems.
- 5. Physics Chair Renovations – \$1,100,000** – This project will renovate a to-be determined-space to accommodate a new hire in the Physics department that will serve as the Department chair. Renovation will include offices, student work stations, laboratories, and upgrades to electrical and HVAC systems. It will also require upgrades to the chilled water loop, purified water, and vacuum and compressed air lines.
- 6. SESE Multicollector Renovations – \$1,542,000** – This project will renovate spaces in the Bateman Physical Sciences F-Wing basement for a new hire in the School of Earth and Space Exploration. The project will also provide infrastructure improvements including installing electrical distribution panels, chilled water loop, gas, vacuum and compressed air lines, purified water, and HVAC. The project will also require significant work to ducting, and will include space for laboratories, offices and student work stations.
- 7. Biophysics Renovations – \$500,000** – Renovations for the Biophysics Department will include classrooms, offices, and laboratories to accommodate biophysics research. The work includes creation of offices and team work room space in Bateman Physical Science F-Wing 3<sup>rd</sup> Floor, as well as establishing a consolidated area for the group by renovating existing space.
- 8. Engineering Technical Services Upgrades – \$1,500,000** – This project will renovate space for Engineering Technical Services in the College of Engineering. The scope of this project includes new finishes, new ceilings, HVAC and ductwork, lighting, data and electrical power. It will create office and laboratory space for new faculty and graduate students in the 4th floor of the Engineering Research Center.

## EXECUTIVE SUMMARY

9. **Adaptive Neural Systems Renovation - \$750,000** – This project will renovate spaces for new hires in the Center for Adaptive Neural Systems. The project involves providing contiguous space to include laboratory, animal holding area, and space for a new MRI in Biodesign Building B. The scope will include the relocation of faculty and graduate students as well as necessary upgrades to infrastructure and equipment. It will also upgrade electrical and HVAC systems.
10. **Civil and Environmental Engineering Renovations - Environmental Lab - \$175,000** – This project will renovate spaces for a new hire in the Civil and Environmental Engineering department. The project will include offices and laboratories, as well as spaces for graduate students in Engineering D-Wing Suite 119. It will make minor upgrades to electrical and HVAC systems.
11. **Neural Stimulation Utility Lab – \$605,000** - This project will renovate a neural stimulation utility lab for a new faculty member in the Harrington Department of Bioengineering, in the Engineering Center C Wing, Lab C115. The space will require infrastructure changes including the water supply, HVAC, exhaust, and air.

The total project cost for this phase is not to exceed \$10,000,000. ASU will update the board on the progress, additions or deletions of the projects in Academic Renovations and Deferred Maintenance Phase IIA through the Capital Projects Status Report, submitted to the board on a quarterly basis

### PROPOSED SCHEDULE:

- |   |                |
|---|----------------|
| • Revised Project Implementation Approval | August 2006    |
| • Construction start                      | September 2006 |
| • Completion                              | August 2007    |

### FISCAL IMPACT AND FINANCING PLAN:

This project was included in the ASU 2007 Capital Development Plan, submitted in June 2006, which shows that ASU debt service on all outstanding debt would be 6.2 percent of the university's total projected expenditures (State law basis, max 8 percent) and 7.7 percent of the university's projected unrestricted expenditures (ABOR policy basis, max 10 percent). The debt service for this project is .13 percent (13/100<sup>th</sup> of 1%) of ASU total projected expenditures (State Law basis) and .17 percent (17/100<sup>th</sup> of 1%) of ASU total projected unrestricted expenditures (ABOR Policy basis).

### PROJECT JUSTIFICATION:

The Academic Renovations and Deferred Maintenance Phase IIA project will directly benefit the academic mission of the university by providing updated and growth space for academic programs that will allow for better student/faculty interaction and learning experiences. With the moves of various departments to the Downtown Campus, there is an opportunity to improve the facilities on the Tempe Campus to meet the demands of our students and faculty. These projects afford ASU the opportunity to improve the academic experience of our students. In addition, the work will result in substantial renovations in classrooms and improved and updated space acquired for new faculty hires.

**EXECUTIVE SUMMARY**

These projects will not only enhance the quality of the buildings with improved space for faculty and better classroom experience for students, but will also bring the university in compliance with code requirements for safety, and address ABOR directives to reduce deferred maintenance. Projects essential for life safety/code compliance and university strategic initiatives have been given top priority.

If we are to continue to improve our space to meet growing enrollment and new technical requirements, there are very few alternatives to this project. The cost of repairing buildings versus demolishing the buildings and constructing new facilities is continually being evaluated on a case-by-case basis. Buildings are being selected for this project only when it is more feasible to repair and remodel than to demolish and replace the facilities.

**RECOMMENDATION:**

**That the Board grant Revised Project Implementation Approval to Arizona State University for the Academic Renovations and Deferred Maintenance Phase IIA Project.**

**EXECUTIVE SUMMARY**

**Capital Project Information Summary**

**University:** Arizona State University

**Project Name:** Academic Renovations and Deferred Maintenance Phase IIA

**Project Description/Location:**

This project will include the renovation of academic spaces and/or address deferred maintenance needs in various spaces.

**Project Schedule (Beginning Month/Year):**

Planning	September 2005
Design	December 2005
Construction	September 2006
Occupancy	August 2007

**Project Budget:**

Total Project Cost	\$10,000,000
Direct Construction Cost	\$ 7,500,000
Total Project Cost per GSF	\$ 133
Construction Cost per GSF	\$ 100
Change in Annual Oper. /Main. Cost	N/A
Utilities	N/A
Personnel	N/A
All Other Operating	N/A

**Funding Sources:**

Capital	
A. Revenue Bonds	\$10,000,000
(Funding source for Debt service: Tuition, Other Local Funds and Indirect Cost Recovery)	
Operation/Maintenance	
A. Not applicable	\$ 0

**EXECUTIVE SUMMARY**

**Capital Project Budget Summary**

**University:** Arizona State University

**Project:** Academic Renovations & Deferred  
 Maintenance Phase IIA

	<b>Capital Development Plan</b>	<b>Project Implementation Approval</b>	<b>Project Approval</b>
<b>Capital Costs</b>			
1. Land Acquisition	-	-	-
2. Construction Cost	-	-	-
A. New Construction	-	-	-
B. Renovation	\$ 10,000,000	\$ 7,500,000	-
C. Special Fixed Equipment	-	-	-
D. Site Development (excl. 2.E.)	-	-	-
E. Parking and Landscaping	-	-	-
F. Utilities Extensions	-	-	-
G. Other* (Environmental control)	-	-	-
H. Inflation Adjustment	-	-	-
Subtotal Construction Cost	<u>\$ 10,000,000</u>	<u>\$ 7,500,000</u>	<u>\$ -</u>
<b>3. Fees (% of Construction Cost)</b>			
A. Construction Mgr	\$ -	\$ 150,000	-
B. Architect/Engineer	-	900,000	-
C. Other	-	41,000	-
Subtotal Consultant Fees	<u>\$ -</u>	<u>1,091,000</u>	<u>-</u>
4. FF&E Movable	-	150,000	-
5. Contingency, Design Phase	\$ -	\$ 375,000	\$ -
6. Contingency, Constr. Phase	-	375,000	-
7. Parking Reserve	-	-	-
8. Telecommunications Equipment	-	201,925	-
Subtotal Items 4-8	<u>\$ -</u>	<u>1,101,925</u>	<u>\$ -</u>
<b>9. Additional University Costs</b>			
A. Surveys and Tests	\$ -	\$ 5,000	\$ -
B. Move-in Costs	-	5,000	-
C. Printing Advertisement	-	2,500	-
D. Keying, signage	-	35,000	-
E. Project Management Cost (2.07%)	-	201,575	-
F. State Risk Mgt. Ins. (.0034 **)	-	58,000	-
Subtotal Addl. Univ. Costs	<u>\$ -</u>	<u>307,075</u>	<u>-</u>
<b>TOTAL CAPITAL COST</b>	<u><u>\$ 10,000,000</u></u>	<u><u>\$ 10,000,000</u></u>	<u><u>\$ -</u></u>

\* Universities shall identify items included in this category

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

# JOINT COMMITTEE ON CAPITAL REVIEW

## ARIZONA STATE UNIVERSITY PROJECT REVIEW Academic Renovations & Deferred Maintenance Phase IIA August 2006

### ACADEMIC RENOVATIONS AND DEFERRED MAINTENANCE PHASE IIA

Academic Renovations and Deferred Maintenance Phase IIA is a \$10 million, bond-financed project designed to directly benefit the academic mission of the university by providing updated and growth space for academic programs that will allow for better student/faculty interaction and learning experiences. With the moves of various departments to the Downtown Campus, there is an opportunity to improve facilities at ASU at the Tempe campus to meet the demands of students and faculty. These projects afford ASU the opportunity to improve the academic experience of our students. In addition, the work will result in substantial renovations in classrooms and improved and updated space acquired for new faculty hires.

These projects will not only enhance the quality of the buildings with improved space for faculty and better classroom experience for students, but will also bring the university in compliance with code requirements for safety, and address needs to reduce deferred maintenance. Projects essential for life safety/code compliance and university strategic initiatives have been given top priority.

If ASU is to continue to improve our space to meet growing enrollment and new technical requirements, there are very few alternatives to this project. The cost of repairing buildings versus demolishing the buildings and constructing new facilities is continually being evaluated on a case-by-case basis. Buildings are being selected for this project only when it is more feasible to repair and remodel than to demolish and replace the facilities.

ASU foresees including the following sub-projects in Academic Renovations and Deferred Maintenance Phase IIA:

#### **1. Classroom Renovations in Various Locations - \$1,200,000**

- This project will renovate classrooms across the Tempe campus. ASU is currently developing a plan for classroom renovations, and the highest priority buildings are the following: Nursing Building, Payne Hall, Cowden Family Resources Building, Farmer Education Building, and Business Administration C-Wing.
- This project will renovate approximately 4800 square feet of classroom space. The scope of this general renovation project will include replacement or upgrades to: ceilings, walls, floors, doors, furniture, data, and media. The project may also abate asbestos.

#### **Project Budget**

<b>Total budget</b>	\$ 1,200,000
<b>Direct construction cost</b>	\$ 560,000
<b>Total Contingency</b>	\$ 240,000
<b>FF&amp;E</b>	\$ 300,000
<b>Parking &amp; Landscaping</b>	\$ -
<b>O&amp;M Costs</b>	\$ -
<b>Other fees</b>	\$ 100,000
<b>Total Cost per square foot</b>	\$ 250
<b>Direct Construction Cost per Square Foot</b>	\$ 117

# JOINT COMMITTEE ON CAPITAL REVIEW

## ARIZONA STATE UNIVERSITY PROJECT REVIEW

### Academic Renovations & Deferred Maintenance Phase IIA August 2006

#### Proposed Schedule

- JCCR Review August 2006
- Construction start September 2006
- Completion August 2008

#### 2. Agriculture Building Backfill Renovations - \$1,000,000

- This renovation project is an opportunity made possible by department moves to the Downtown campus and will renovate classrooms, consolidate critical academic programs in one location and provide much needed growth space to the social science departments in the College of Liberal Arts. Most significantly this renovation will allow for the consolidation of the American Indian Policy Center, American Indian Initiatives, and the American Indian Student Support Center into one building.
- This renovation project is a compilation of various independent projects with differing schedules from different academic departments. Scheduling issues have required work to begin immediately for one academic department on the first floor of the Agriculture Building; therefore, that portion of the project was funded from ASU internal Minor Capital Funds in order to expedite construction. That portion of the project will cost \$72,128. The remaining costs of \$927,872 will be paid by Academic Renovations and Deferred Maintenance Phase IIA bond monies.
- This project will renovate approximately 15,661 square feet. The project scope will include asbestos removal, new ceilings, demolition and construction of walls, furniture, signage, and data connections.
- The project budget presented to ABOR was \$963,000. The cost increased by \$37,000 because of minor scope increases in asbestos abatement and movement of walls and partitions to accommodate changes in end user's needs.

#### Project Budget

#### Proposed Schedule

- JCCR Review August 2006
- Construction start September 2006
- Completion March 2007

#### 3. West Hall Backfill Renovations - \$345,000

- This renovation project is an opportunity made possible by department moves to the Downtown campus. The renovations provides renovated classrooms, growth space for the Katherine K. Herberger College of Fine Arts for their academic advising and graduate student research, provide a location for the newly created and externally funded Donald W. Reynolds National Center for Business Journalism, and allow for a consolidation and growth of the School of Global Studies and for the Women and Gender Studies Department.

# JOINT COMMITTEE ON CAPITAL REVIEW

## ARIZONA STATE UNIVERSITY PROJECT REVIEW Academic Renovations & Deferred Maintenance Phase IIA August 2006

- This renovation project is a compilation of various independent projects with differing schedules from different academic departments.
- This project will renovate approximately 12,000 square feet. The project scope will include asbestos removal, new ceilings, demolition and construction of walls, furniture, signage, and data connections. Previously, the cost estimate presented to ABOR was \$875,000. The budget has been reduced significantly due to a reduction in scope during the design process and significant value engineering of the project.

### West Hall Project Budget

<b>Total budget</b>	\$	345,000
<b>Direct construction cost</b>	\$	246,400
<b>Total Contingency</b>	\$	49,200
<b>FF&amp;E</b>	\$	-
<b>Parking &amp; Landscaping</b>	\$	-
<b>O&amp;M Costs</b>	\$	-
<b>Other fees</b>	\$	49,400
<b>Total Cost per square foot</b>	\$	29
<b>Direct Construction Cost per Square Foot</b>	\$	21

### Proposed Schedule

- JCCR Review August 2006
- Construction start August 2006
- Completion March 2007

#### 4. Wilson Hall Backfill Renovations - \$488,000

- This renovation project is an opportunity made possible by department moves to the Downtown campus. The project will provide consolidation and growth space for the School of Justice Studies and African and African American Studies Department.
- This project will renovate 15,231 square feet. The project scope will include asbestos removal, new ceilings, demolition and construction of walls, furniture, signage, and data connections.
- Previously, the cost estimate presented to ABOR was \$790,000. The budget has been reduced significantly due to a reduction in scope during the design process and significant value engineering of the project.
- This renovation project is a compilation of various independent projects with differing schedules from different academic departments. Scheduling issues have required work to begin immediately for one academic department located on the second floor of Wilson Hall; therefore, that portion of the project was funded from ASU internal Minor Capital Funds in order to expedite construction. That portion of the project will cost \$80,000. The remaining costs of \$408,000 will be paid by Academic Renovations and Deferred Maintenance Phase IIA bond monies.

### Wilson Hall Backfill Renovations Project Budget

# JOINT COMMITTEE ON CAPITAL REVIEW

## ARIZONA STATE UNIVERSITY PROJECT REVIEW Academic Renovations & Deferred Maintenance Phase IIA August 2006

<b>Total budget</b>	\$	488,000
<b>Direct construction cost</b>	\$	344,000
<b>Total Contingency</b>	\$	78,000
<b>FF&amp;E</b>	\$	-
<b>Parking &amp; Landscaping</b>	\$	-
<b>O&amp;M Costs</b>	\$	-
<b>Other fees</b>	\$	66,000
<b>Total Cost per square foot</b>	\$	32
<b>Direct Construction Cost per Square Foot</b>	\$	23

### Proposed Schedule

- JCCR Review August 2006
- Construction start August 2006
- Completion June 2007

### 5. Physics Chair Renovations – \$1,100,000

- This project will renovate a to-be determined-space to accommodate a new hire in the Physics department that will serve as the Department chair. Renovation will include offices, student work stations, laboratories, and upgrades to electrical and HVAC systems. It will also require upgrades to the chilled water loop, purified water, and vacuum and compressed air lines.
- Approximately 2,315 square feet will be renovated in this project

### Physics Chair Renovations Project Budget

### Proposed Schedule

- JCCR Review August 2006
- Construction start November 2006
- Completion November 2007

### 6. SESE Multicollector Renovations – \$1,542,000

- This project will renovate spaces in the Bateman Physical Sciences F-Wing basement for a new hire in the School of Earth and Space Exploration. The project will also provide infrastructure improvements including installing electrical distribution panels, chilled water loop, gas, vacuum and compressed air lines, purified water, and HVAC. This project will create an all-plastic laboratory with no metal surfaces in order to perform highly specialized meteorite research. The project will also require significant work to ducting, and will include space for laboratories, offices and student work stations.
- The project will renovate 1,354 square feet.

# JOINT COMMITTEE ON CAPITAL REVIEW

## ARIZONA STATE UNIVERSITY PROJECT REVIEW Academic Renovations & Deferred Maintenance Phase IIA August 2006

### Project Budget

<b>Total budget</b>	\$	1,542,000
<b>Direct construction cost</b>	\$	942,000
<b>Total Contingency</b>	\$	300,000
<b>FF&amp;E</b>	\$	150,000
<b>Parking &amp; Landscaping</b>	\$	-
<b>O&amp;M Costs</b>	\$	-
<b>Other fees</b>	\$	150,000
<b>Total Cost per square foot</b>	\$	1,139
<b>Direct Construction Cost per Square Foot</b>	\$	696

### Proposed Schedule

- JCCR Review August 2006
- Construction start September 2006
- Completion February 2007

### 7. Biophysics Renovations – \$500,000

- Renovations for the Biophysics Department will include classrooms, offices, and laboratories to accommodate biophysics research. The work includes creation of offices and team work room space in Bateman Physical Science F-Wing 3<sup>rd</sup> Floor, as well as establishing a consolidated area for the group by renovating existing space.
- This project will renovate 3,200 square feet.

# JOINT COMMITTEE ON CAPITAL REVIEW

## ARIZONA STATE UNIVERSITY PROJECT REVIEW Academic Renovations & Deferred Maintenance Phase IIA August 2006

### Project Budget

<b>Total budget</b>	\$	500,000
<b>Direct construction cost</b>	\$	300,000
<b>Total Contingency</b>	\$	100,000
<b>FF&amp;E</b>	\$	30,000
<b>Parking &amp; Landscaping</b>	\$	-
<b>O&amp;M Costs</b>	\$	-
<b>Other fees</b>	\$	70,000
<b>Total Cost per square foot</b>	\$	156
<b>Direct Construction Cost per Square Foot</b>	\$	94

### Proposed Schedule

- JCCR Review August 2006
- Construction start September 2006
- Completion January 2007

### 8. Engineering Technical Services Upgrades – \$1,500,000

- This project will renovate space for Engineering Technical Services in the College of Engineering. The scope of this project includes new finishes, new ceilings, HVAC and ductwork, lighting, data and electrical power. It will create office and laboratory space for new faculty and graduate students in the 4th floor of the Engineering Research Center.
- This project will renovate 2,350 square feet.

### Project Budget

<b>Total budget</b>	\$	1,500,000
<b>Direct construction cost</b>	\$	990,000
<b>Total Contingency</b>	\$	300,000
<b>FF&amp;E</b>	\$	90,000
<b>Parking &amp; Landscaping</b>	\$	-
<b>O&amp;M Costs</b>	\$	-
<b>Other fees</b>	\$	120,000
<b>Total Cost per square foot</b>	\$	638
<b>Direct Construction Cost per Square Foot</b>	\$	421

### Proposed Schedule

- JCCR Review August 2006
- Construction start October 2006
- Completion June 2007

### 9. Adaptive Neural Systems Renovation - \$750,000

- This project will renovate spaces for new hires in the Center for Adaptive Neural Systems. The project involves providing contiguous space to include laboratory, animal holding area, and space

# JOINT COMMITTEE ON CAPITAL REVIEW

## ARIZONA STATE UNIVERSITY PROJECT REVIEW Academic Renovations & Deferred Maintenance Phase IIA August 2006

for a new MRI in Biodesign Building B. The scope will include the relocation of faculty and graduate students as well as necessary upgrades to infrastructure and equipment. It will also upgrade electrical and HVAC systems.

- This project will renovate 3,000 square feet.

### Project Budget

<b>Total budget</b>	\$	750,000
<b>Direct construction cost</b>	\$	450,000
<b>Total Contingency</b>	\$	150,000
<b>FF&amp;E</b>	\$	75,000
<b>Parking &amp; Landscaping</b>	\$	-
<b>O&amp;M Costs</b>	\$	-
<b>Other fees</b>	\$	75,000
<b>Total Cost per square foot</b>	\$	250
<b>Direct Construction Cost per Square Foot</b>	\$	150

### Proposed Schedule

- JCCR Review August 2006
- Construction start September 2006
- Completion January 2007

### 10. Civil and Environmental Engineering Renovations - Environmental Lab - \$175,000

- This project will renovate spaces for a new hire in the Civil and Environmental Engineering department. The project will include offices and laboratories, as well as spaces for graduate students in Engineering D-Wing Suite 119. It will make minor upgrades to electrical and HVAC systems.
- This project will renovate 1,200 square feet.

### Project Budget

<b>Total budget</b>	\$	175,000
<b>Direct construction cost</b>	\$	111,000
<b>Total Contingency</b>	\$	35,000
<b>FF&amp;E</b>	\$	17,000
<b>Parking &amp; Landscaping</b>	\$	-
<b>O&amp;M Costs</b>	\$	-
<b>Other fees</b>	\$	12,000
<b>Total Cost per square foot</b>	\$	146
<b>Direct Construction Cost per Square Foot</b>	\$	93

### Proposed Schedule

- JCCR Review August 2006
- Construction start October 2006

# JOINT COMMITTEE ON CAPITAL REVIEW

## ARIZONA STATE UNIVERSITY PROJECT REVIEW Academic Renovations & Deferred Maintenance Phase IIA August 2006

- Completion February 2007

### 11. Neural Stimulation Utility Lab – \$605,000

- This project will renovate a neural stimulation utility lab for a new faculty member in the Harrington Department of Bioengineering, in the Engineering Center C Wing, Lab C115. The space will require infrastructure changes including the water supply, HVAC, exhaust, and air.
- This project will renovate 1,275 square feet.

#### Project Budget

<b>Total budget</b>	\$	605,000
<b>Direct construction cost</b>	\$	395,000
<b>Total Contingency</b>	\$	129,000
<b>FF&amp;E</b>	\$	21,000
<b>Parking &amp; Landscaping</b>	\$	-
<b>O&amp;M Costs</b>	\$	-
<b>Other fees</b>	\$	60,000
<b>Total Cost per square foot</b>	\$	475
<b>Direct Construction Cost per Square Foot</b>	\$	310

#### Proposed Schedule

- JCCR Review August 2006
- Construction start September 2006
- Completion January 2007

## JOINT COMMITTEE ON CAPITAL REVIEW

### ARIZONA STATE UNIVERSITY PROJECT REVIEW Academic Renovations & Deferred Maintenance Phase IIA August 2006

Project Budgets at July 2006 ABOR Submittal		Project Status at August 2006 JCCR Review		
Project	Original ABOR Budget	Project	Funding Source	Current Budget
Classroom Renovations	\$1,200,000	Classroom Renovations	bonds	Unchanged
Agriculture Building Backfill Renovations	\$963,000	Agriculture Building Backfill Renovations	Split (\$927,872 from bonds, \$72,128 from minor cap)	Increase to \$1,000,000
West Hall Backfill Renovations	\$875,000	West Hall Backfill Renovations	bonds	Decrease to \$345,000
Wilson Hall Backfill Renovations	\$790,000	Wilson Hall Backfill Renovations	Split (\$408,000 from bonds, \$80,000 from minor cap)	Decrease to \$488,000
Physics Chair Renovations	\$1,100,000	Physics Chair Renovations	bonds	unchanged
SESE Multicollector Renovations	\$1,542,000	SESE Multicollector Renovations	bonds	unchanged
Biophysics Renovations	\$500,000	Biophysics Renovations	bonds	unchanged
Engineering Technical Services Upgrades	\$1,500,000	Engineering Technical Services Upgrades	bonds	unchanged
Adaptive Neural Systems Renovation	\$750,000	Adaptive Neural Systems Renovation	bonds	unchanged
Civil and Environmental Engineering Renovations - Environmental Lab	\$175,000	Civil and Environmental Engineering Renovations - Environmental Lab	bonds	unchanged
Neural Stimulation Utility Lab	\$605,000	Neural Stimulation Utility Lab	bonds	unchanged
		Projects to be determined	bonds	\$795,000
<b>July 2006 Total:</b>	<b>\$10,000,000</b>	<b>August 2006 Total:</b>	<b>\$10,000,000</b>	

# **JOINT COMMITTEE ON CAPITAL REVIEW**

## **ARIZONA STATE UNIVERSITY PROJECT REVIEW Academic Renovations & Deferred Maintenance Phase IIA August 2006**

### **ACADEMIC AND OPERATIONS DISRUPTIONS AND MITIGATION PLAN**

These projects will cause minimal if any disruption to the building occupants. Typically the space being renovated is unoccupied and any disruption is minimal. In some instances, work is completed either before the start of classes/workday, after hours or on weekends. In addition, building occupants are notified in advance of upcoming construction within the building. The university creates mitigation plans for each individual project and takes into account student, staff, and faculty needs as well as traffic flow to facilitate both education and administration

### **EXECUTIVE ORDER 2005-5 COMPLIANCE COSTS**

JCCR also directed ASU to compare compliance costs of the Governor's Executive Order 2005-05, concerning energy efficiency and operating and other savings generated through those efficiencies. However, Executive Order 2005-05 applies only to new buildings, and the projects identified here focus on renovations to existing buildings, so the order does not apply to this project.

### **CONTRACTING METHOD**

The contracting method for these projects is construction manager at risk or CMAR

ARIZONA STATE UNIVERSITY  
ASU DEBT FINANCING

	Project Costs				Debt Service				Operating Costs (Presently Estimated)			
	General Fund	Tuition	Auxiliary/ Other	Total	General Fund	Tuition	Auxiliary/ Other	Total	General Fund	Tuition	Auxiliary/ Other	Total
<b>Bonds:</b>												
Academic Renovations /Deferred Maintenance Phase II A	-	5,000,000	5,000,000	10,000,000	-	481,700	481,700	963,400 (1)	-	-	-	-
<b>Total Bonds</b>	-	5,000,000	5,000,000	10,000,000	-	481,700	481,700	963,400 (2)	-	-	-	-

(1) The debt service calculation for this bond financed project is based on an assumed 5.0% interest rate over 15 years.

(2) ASU's debt service percentage in accordance with ARS 15-1683 will be 4.8% including the new financing. The debt percentages have been updated based on current expenditure estimates in most recent debt capacity study which was issued in September 2005).

STATE OF ARIZONA

## Joint Committee on Capital Review

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SENATE

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DATE: August 17, 2006

TO: Representative Tom Boone, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Bob Hull, Principal Research/Fiscal Analyst

SUBJECT: Arizona Department of Transportation – Consider Approval of Surprise Land Purchase

### Request

The Arizona Department of Transportation (ADOT) requests that the Committee approve the scope, purpose, and estimated cost of \$1,779,000 to purchase land for a new Surprise MVD Service Center (\$2,736,200 FY 2007 appropriation). ADOT's request was received on August 11, which is less than the 3-week advance required by Committee rules. The issue is being considered, however, to facilitate ADOT's schedule.

### Recommendation

The JLBC Staff recommends that the Committee approve the land purchase with the provision that the purchase price not exceed the appraised value. The JLBC Staff further recommends that ADOT report the appraised value to the Committee.

### Analysis

A.R.S. § 28-368 requires JCCR approval of ADOT land purchases.

Laws 2006, Chapter 345, appropriated \$2,736,200 in FY 2007 from the State Highway Fund to ADOT, to purchase land in Surprise for a new Surprise MVD Service Center. ADOT has located a 6.2 acre parcel with an asking price of \$1,763,000. The parcel is near Bell and Dysart and is just north of the current Surprise MVD Customer Service Center. The developer is bringing electrical and sewer services into the intended right-of-way, and will provide full street/pavement development. ADOT would be responsible for connecting and extending all utilities and roadways within the property boundaries.

ADOT expects to make an offer on August 17, 2006 contingent on an environmental report, appraisal, clear title, and favorable review by the Committee. ADOT estimates an additional cost of \$6.7 million from the State Highway Fund in FY 2008 to build a new 14,500 square foot facility, which would replace a crowded 6,200 square foot facility with insufficient parking located on 2.3 acres just south of the

(Continued)

proposed new location. ADOT estimates that they would begin the appraisal, environmental assessment, and boundary survey by August 31, 2006, complete them by October 21, 2006, and close escrow by October 31, 2006.

The department estimates a total cost of \$1,779,000 for the land, including the \$1,763,000 purchase price, \$5,000 for the appraisal, \$6,000 for a boundary survey, and \$5,000 for an environmental assessment. The cost of the subject property would average \$286,900 per acre. For comparison, the department spent \$1,042,000 in August, 1999 to purchase 4.7 acres of land for a Glendale MVD Service Center located ¼ mile south of the intersection of 59<sup>th</sup> Avenue and Bell Road, for an average cost of \$221,700 per acre.

Based on 5 recent comparable land purchases in the area, the proposed price appears reasonable. As a result, the JLBC Staff recommends approval of the land purchase with the provision that the purchase price not exceed the appraised value. The request is within the scope, purpose, and \$2,736,200 appropriation for this project.

RS/BH:ym



# Arizona Department of Transportation

## Office of the Director

206 South Seventeenth Avenue Phoenix, Arizona 85007-3213

Janet Napolitano  
Governor

Victor M. Mendez  
Director

August 10, 2006

David P. Jankofsky  
Deputy Director



The Honorable Tom Boone  
House of Representatives  
1700 W. Washington  
Phoenix, Arizona 85007

Dear Representative Boone:

We respectfully request that the release of \$1,778,000 from ADOT's FY 2007 capital outlay appropriation to purchase land for the construction of a Surprise MVD Customer Service Center be placed on the agenda of the next JCCR meeting for Committee consideration.

We have located a parcel just north of the current Surprise MVD Customer Service Center. The parcel, lot number 2 in the Bell & Dysart Commerce Center, (see the attached plot map) is 6.223 acres (271,073.11 square feet).

We need:

- \$1,762,975 for the purchase of the land.
- \$5,000 for an appraisal.
- \$6,000 for a boundary survey.
- \$5,000 for an environmental assessment.
- 

We believe this to be an exceptional value with a price that is below market for comparable, commercial property in the area. The parcel is zoned C-3 and is located approximately 600 feet northeast of the intersection of Dysart and Bell Roads within the City of Surprise.

The Committee's review and authorization to proceed with this project would be greatly appreciated.

If you have any questions please contact Terry Trost, 712-8981.

Sincerely,

Victor M. Mendez

cc: Senator Bob Burns, Vice-Chair, JCCR  
Richard Stavneak, Director, JLBC  
Gary Yaquinto, Director, OSPB  
Bob Hull, JLBC  
Marcel Benberou, Principal Analyst, OSPB



2001 Award Recipient

STATE OF ARIZONA

## Joint Committee on Capital Review

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HOUSE OF  
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STEPHEN TULLY

DATE: August 17, 2006

TO: Representative Tom Boone, Chairman  
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Tyler Palmer, Fiscal Analyst

SUBJECT: Arizona Department of Administration – Consider Approval of Rent Exemption for the Structural Pest Control Commission

### Request

A.R.S. § 41-792.01 authorizes the Director of the Arizona Department of Administration (ADOA), on recommendation from the Joint Committee on Capital Review, to grant a full or partial exemption from the payment of rental fees if the agency has vacated state-owned space. On behalf of the Structural Pest Control Commission (SPCC), ADOA requests a favorable review to grant a partial rent exemption for \$8,800 of FY 2007 rent charges.

### Recommendation

The JLBC Staff recommends that the Committee approve the agency request.

### Analysis

The SPCC occupies office space in the state-owned building at 9535 E. Doubletree Ranch Road. Even though the Arizona Medical Board and the Arizona Board of Osteopathic Examiners have occupied 568 square feet of the building during the past several years, the \$15.50 per square foot charge (\$8,800 annually) has been paid by the SPCC. ADOA has notified the Medical Board and the Arizona Board of Osteopathic Examiners that should the rent exemption be granted they will be charged their share of the rent if they continue occupying the space.

Since these boards use the space for storage, ADOA will charge the storage rate of \$6.00 per square foot instead of the \$15.50 per square foot rate for office space. Each board occupies 50% of the space. The Arizona Medical Board and the Arizona Board of Osteopathic Examiners will each absorb the additional \$1,700 in their existing budgets. The SPCC proposes using the \$8,800 from the rent exemption for laptops and motor pool charges for 2 new FTE Positions authorized by Laws 2006, Chapter 311, which expanded to SPCC responsibilities.

RS/TP:ym

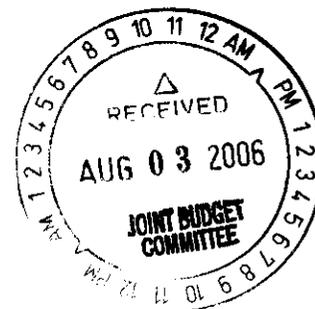


Janet Napolitano  
Governor

William Bell  
Director

ARIZONA DEPARTMENT OF ADMINISTRATION

100 North 15<sup>th</sup> Avenue  
PHOENIX, ARIZONA 85007  
(602) 542-1500



July 31, 2006

The Honorable Tom Boone, Chairman  
Joint Committee on Capital Review  
Arizona House of Representatives  
1700 West Washington  
Phoenix, Arizona 85007

Dear Representative Boone:

The Arizona Department of Administration (ADOA) requests that the Joint Committee on Capital Review (JCCR) recommend a partial exemption of FY 2007 rent for the Structural Pest Control Commission (SPCC).

The SPCC occupies office space in the state-owned building at 9535 East Doubletree Ranch Road. For the last several years, the Arizona Medical Board and the Osteopathic Board have occupied 568 square feet that is charged to SPCC. As a result, SPCC has been overpaying rent by \$8,800 per year. This occupancy change was first reported to ADOA in the last quarter of FY 2006.

Arizona Revised Statutes §41-792.01 provides that the rental fee authorized for state agencies occupying state-owned buildings is the greater of the amount included in each agency's annual operating budget or the pro rata amount based on actual occupancy. If a state agency does not occupy owned space after the beginning of the fiscal year, the director of the Department of Administration, on recommendation of JCCR, may authorize a whole or partial exemption from payment of the rental fee.

Based on the above authority, ADOA requests that JCCR recommend reducing SPCC's FY 2007 rent by \$8,800. At the same time, the Medical Board and the Osteopathic Board have been notified that if they elect to remain in the space for FY 2007, they will be charged rent at the COSF rate of \$15.50/square foot/year.

I look forward to your favorable review of our request. If you have any questions please contact Lynne Smith, Assistant Director, General Services Division, at (602) 542-1427.

Sincerely,

William Bell  
Director

Honorable Tom Boone

July 31, 2006

Page 2

cc: The Honorable Robert Burns, Arizona State Senate  
The Honorable Russell Pearce, Arizona State House of Representatives  
Jack Confer, Executive Director, Board of Osteopathic Examiners in Medicine and Surgery  
Lisa Gervase, Executive Director, Structural Pest Control Commission  
Timothy C. Miller, Executive Director, Arizona Medical Board  
Richard Stavneak, Director, Joint Legislative Budget Committee Staff  
Lorenzo Martinez, Assistant Director, Joint Legislative Budget Committee Staff  
Tyler Palmer, Fiscal Analyst, Joint Legislative Budget Committee Staff  
Gary Yaquinto, Director, Office of Strategic Planning and Budgeting  
Marcel Benberou, Principal Budget Analyst, Governor's Office of Strategic Planning and Budgeting  
Matt Gottheiner, Senior Budget Analyst, Governor's Office of Strategic Planning and Budgeting  
Jerry Oliver, Deputy Director, ADOA  
Paul Shannon, Budget Manager, ADOA  
Lynne Smith, Assistant Director of General Services Division, ADOA  
Roger Berna, General Manager of Building and Planning Services, ADOA  
Alan Ecker, Legislative Liaison, ADOA