

JOINT COMMITTEE ON CAPITAL REVIEW

Wednesday, April 23, 2025

9:00 a.m.

Senate Hearing Room 109



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

(602) 926-5491

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JOINT COMMITTEE ON CAPITAL REVIEW

Wednesday, April 23, 2025

9:00 A.M.

Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order
 - [Approval of Minutes of January 21, 2025.](#)
 - 1. [*ARIZONA STATE LOTTERY COMMISSION - Review of FY 2025 Building Renewal Allocation Plan.](#)
 - 2. [*ARIZONA PIONEER'S HOME - Review of FY 2025 Elevator Replacement Project.](#)
 - 3. [*ARIZONA STATE UNIVERSITY - Review of Polytechnic Campus Chilled Water Expansion.](#)
- * Consent Agenda - These items will be considered in one motion and no testimony will be taken.

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

04/15/2025

JB

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



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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

January 21, 2025

The Chairman called the meeting to order at 9:33 a.m., Tuesday, January 21, 2025 in Senate Hearing Room 109. The following were present:

| | | |
|----------|----------------------------|--|
| Members: | Senator Kavanagh, Chairman | Representative Livingston, Vice-Chairman |
| | Senator Alston | Representative Carbone |
| | Senator Kuby | Representative De Los Santos |
| | Senator Sundareshan | Representative Gress |
| | | Representative Travers |
| | | Representative Way |
| Absent: | Senator Finchem | Representative Stahl-Hamilton |
| | Senator Shamp | |
| Excused: | Senator Farnsworth | |

APPROVAL OF MINUTES

Representative Livingston moved that the Committee approve the minutes of December 18, 2024. The motion carried.

CONSENT AGENDA

The following items were considered without further discussion:

1. ADOPTION OF COMMITTEE RULES AND REGULATIONS.

The Committee considered two technical changes to its rule and regulations. Rule 6 (5) was revised to match the existing statutory language that review of new capital projects is required if a project has a cost of MORE THAN \$250,000. The old rule language could be interpreted to apply to projects only with a specific cost of \$250,000. Rule 6 (14) was revised to update the old School Facilities Board reference to its current name, the School Facilities OVERSIGHT Board.

2A. UNIVERSITY OF ARIZONA (UA) - Review of the Center for Applied Molecular and Immunological Therapies (CAMI) Building.

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. The University of Arizona (UA) requested Committee review of \$75,000,000 in bond issuances to construct a new research facility for the Center for Advanced Molecular and Immunological Therapies (CAMI) at UA's Phoenix Biomedical Core (PBC) campus. The JLBC Staff provided options and potential provisions:

- A. *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.*
- B. *UA shall provide the final debt service schedule and interest rate for the project as soon as they are available.*
- C. *On or before October 15 of each year until completion of the project, UA shall report to the JLBC Staff on the status and expenditures of the project. The report shall include the project expenditures to date, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.*

2B. UNIVERSITY OF ARIZONA (UA) - Consider Approval of Deferred Maintenance Projects.

A.R.S. § 15-1671 requires Committee approval of any debt financed university capital projects paid for with funds from the university's Capital Infrastructure Fund (CIF). The University of Arizona (UA) requested Committee approval of \$45,000,000 in bond issuances for deferred maintenance projects on its Main Campus. The JLBC Staff provided options and potential provisions:

- A. *An approval by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.*
- B. *UA shall provide the final debt service schedule and interest rate for the project as soon as they are available.*
- C. *On or before October 15 of each year until completion of the project, UA shall report to the JLBC Staff on the status and expenditures of the project. The report shall include the project expenditures to date by type of building system, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.*

2C. UNIVERSITY OF ARIZONA (UA) - Review of UA Health Sciences Building 201 Renovation.

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. The University of Arizona (UA) requested Committee review of \$10,700,000 in bond issuances to renovate the UA Health Sciences (UAHS) Building 201. UA will fund the debt service with UAHS local funds. The JLBC Staff provided options and potential provisions:

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

- B. *UA shall provide the final debt service schedule and interest rate for the project as soon as they are available.*
- C. *On or before October 15 of each year until completion of the project, UA shall report to the JLBC Staff on the status and expenditures of the project. The report shall include the project expenditures to date, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.*

2D. UNIVERSITY OF ARIZONA (UA) - Review of Arizona Public Media Building.

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. The University of Arizona (UA) requested Committee review of \$20,000,000 in bond issuances to construct a new facility for its Arizona Public Media (AZPM) building. UA will fund debt service payments and an additional \$43,000,000 in projects costs with AZPM gift revenue, for total project costs of \$63,000,000.

- A. *A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for operations and maintenance costs when the project is complete.*
- B. *UA shall provide the final debt service schedule and interest rate for the project as soon as they are available.*
- C. *On or before October 15 of each year until completion of the project, UA shall report to the JLBC Staff on the status and expenditures of the project. The report shall include the project expenditures to date, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.*

Representative Livingston moved that the Committee:

- *Adopt the committee rules and regulations as they appear in item 1.*
- *Approve item 2B and give a favorable review of item 2C with the standard university financing provisions.*
- *Give a favorable review of the Vice-Chairman's options for consent agenda items 2A and 2D with the expectation that the University of Arizona will not seek Committee review of additional bond financing for either project if additional resources are needed, including the standard university financing provisions.*

The motion carried by voice vote.

Without objection, the meeting adjourned at 9:34 a.m.

Respectfully submitted:

Jennifer Burns

Jennifer Burns, Secretary

Richard Stavneak

Richard Stavneak, Director

David Livingston

Representative David Livingston, Chairman



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Joint Committee on Capital Review

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DATE: April 17, 2025

TO: Members of the Joint Committee on Capital Review

FROM: Benjamin Newcomb, Senior Economist

SUBJECT: Arizona State Lottery Commission - Review of FY 2025 Building Renewal Allocation Plan

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies. The Arizona State Lottery Commission requests the Committee review its FY 2025 Building Renewal Allocation Plan. The FY 2025 Capital Outlay Bill appropriated \$218,200 from the Lottery Fund to the Commission to fund 100% of the building renewal formula in FY 2025 for capital improvement projects. The Commission intends to supplement its FY 2025 Capital Outlay appropriation of \$218,200, with an additional \$3,800 from its FY 2025 operating budget, for a total of \$222,000.

Committee Options

The Committee has at least the following 2 options:

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

Key Points

- 1) The Arizona State Lottery Commission is requesting a review of its \$218,200 FY 2025 Building Renewal appropriation expenditure plan.
- 2) The Commission will use the funds to make upgrades and repairs to its primary operational facility, located in Phoenix. These include roof maintenance, reconfiguring an old and unused room, and replacing heat pumps.
- 3) Some of the cost estimates were provided by state-contracted vendors while others were provided by the Arizona Department of Administration (ADOA).

Analysis

The Commission primarily operates out of a 38,500 square foot state-owned building in Phoenix. The Commission plans to spend the entire \$218,200 building renewal appropriation plus an additional \$3,800 from its operating budget, a total of \$222,000 from the State Lottery Fund on upgrades and repairs to the main Phoenix facility. This includes \$162,000 to upgrade the roof, \$25,000 to repurpose the old server room, and \$35,000 to replace 4 heat pumps in the building.

Recoat Building Roof and Safety Upgrades- \$162,000

The Commission has been following a 7-year maintenance schedule for their roof, and a regularly scheduled repair, resealing, and recoating of the roof is scheduled for 2025. The last time roof maintenance was performed was in 2018.

The building also requires the installation of perimeter railing around the roof to comply with Occupational Safety and Health Administration (OSHA) standards. The Commission plans to install the railing along with a ladder granting access from the lower level of the building to the roof.

Reconfigure the Server Room- \$25,000

The Commission's Phoenix office includes an 800 sq. ft. room that was previously used to hold server equipment. Since the Commission switched to using cloud services in 2017, this server room has not been used due to its bare floors, sound reverberation, and lack of ventilation. With some alterations, the Commission thinks this room could be converted into another workspace or public meeting area.

The Commission proposes to add a drop ceiling, carpeting, ventilation, and replace the existing drywall with an acoustical grid to the room.

Replace Heat Pumps- \$35,000

The Phoenix building has a total of 42 heat pumps that help provide air conditioning to the building. These pumps typically need to be replaced every 15 years. The Commission reports that many of the existing pumps were last replaced in 2013, though some have not been replaced since around 2010. In the past few months, 4 of these pumps have failed and need to be replaced. The Commission proposes replacing them with energy efficient units that are more reliable, thus reducing maintenance costs in the future.

BN:jbu



Katie Hobbs
Governor

Alec Esteban Thomson
Executive Director

March 17, 2025

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington Street
Phoenix, AZ 85007

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



Subject: JCCR Agenda Request

Dear Senator Kavanagh and Representative Livingston:

The Arizona Lottery respectfully requests placement on the next JCCR meeting agenda to review the Lottery's FY25 Building Renewal Allocation Plan.

A.R.S. 41-1252 requires Committee review of the expenditure plans for building renewal monies.

Information for this item is attached.

Sincerely,

Alec E. Thomson
Executive Director

Attachment

| | | |
|-----|----------------------------------|--|
| cc: | Richard Stavneak, Director, JLBC | jlbcwebmaster@azleg.gov |
| | Ben Henderson, Director, OSPB | bhenderson@az.gov |
| | Ben Newcomb, JLBC | bnewcomb@azleg.gov |
| | Caroline Dudas, OSPB | cdudas@az.gov |
| | Zach Hughes, OSPB | zhughes@az.gov |

PHOENIX 4740 E. University Drive, Phoenix, AZ 85034 | TUCSON 2955 E. Grant Road, Tucson, AZ 85716

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**Arizona Lottery – Building Renewal Funds
FY25 Allocation Plan**

Background

The Arizona Lottery currently operates out of three facilities – a 38,500 sq. ft. building in Phoenix owned by the State of Arizona, a 3,398 sq. ft. building leased in Tucson, and a 440 sq. ft. leased Kingman location housed within a local Walmart. The Phoenix facility includes administrative offices as well as a ticket sales and redemption area. The Tucson and Kingman offices provide ticket sales and redemption services. This plan provides information on proposed maintenance expenses for the Phoenix facility.

Allocation

As part of the FY25 approved budget, the Lottery received a capital outlay appropriation of \$218,200 from the Lottery Fund for building renewal purposes.

| | |
|--|----------------|
| FY25 Capital Outlay/Building Renewal Allocation: | \$218,200 |
| Proposed FY25 Expenditures – | |
| Recoat Building Roof/Safety Upgrades | 162,000 |
| Reconfigure Server Room | 25,000 |
| Replace Heat Pumps | 35,000 |
| Operations Subsidy for Excess | <u>(3,800)</u> |
| TOTAL: | \$218,200 |

Cost estimates were either supplied by state-contracted vendors or provided by ADOA. All projects are funded from the Lottery Fund - no General Funds monies are impacted.

1. Recoat Building Roof and Safety Upgrades - \$162,000

The Lottery Phoenix office building, constructed in 1986, requires periodic roof maintenance. Deterioration of the flat roof has resulted in leaks within the building. As part of a routine maintenance program, a comprehensive repair, resealing, and recoating of the roof is necessary to protect the building's interior from the elements and mitigate the risk of more extensive and costly future repairs. The roof was last resealed/recoated in 2018. The Lottery has been following a 7-year maintenance schedule for roof maintenance.

The Phoenix office building has two hatches for roof access purposes. To ensure compliance with Occupational Safety and Health Administration (OSHA) standards, the installation of perimeter railings around the roof's accessible areas is required.

Proposed Solution

Repair damaged areas of the roof and resurface with a white elastomeric coating.

Install a safety railing around the perimeter of the building roof. In addition, install a ladder to gain access from the lower level to the upper level of the roof. Currently, the two roof areas are only accessible via the two separate hatches.

Principal Benefits

Regular maintenance of flat roofs is essential for preserving the structural integrity and extending the lifespan of the roof and the associated building. This proactive approach also serves to mitigate the risk of interior structural damage caused by leaks.

The primary benefit of the railing is to ensure compliance with OSHA safety standards and to help prevent accidents when accessing the roof.

2. Reconfigure Server Room - \$25,000

The Lottery Phoenix office has a room of approximately 800 sq. ft., which previously held server equipment, including an AS400 mainframe system, multiple rack server cabinets, and printers. The server room was designed to function as an on-premise data center, which included a dedicated cooling and ventilation system with elevated tile floors and a high sheet rock ceiling.

In 2017, the Lottery conducted a large-scale digital transformation project in order to modernize IT infrastructure; the old IT hardware and cooling system were decommissioned, and new equipment was installed in off-site data centers and an adjacent equipment room, leaving the former server room empty. In its present condition, the server room is unsuitable to be used for other purposes, due to bare floors and ceilings, excessive sound reverberation, and a lack of ventilation. The server room space is located in a central location in the building next to the main lobby, and could provide significant value to the Lottery as a work space or public meeting area.

Proposed Solution

Build out the existing room into a more usable space by adding a drop ceiling and carpeting and installing ventilation into the space. Per the vendor quote, demo the existing drywall ceiling and replace with an acoustical grid, install carpet over the current flooring to match the current building carpet, add ventilation via a fresh air intake duct, and extend the west wall to the concrete floor below the elevated tile to ensure the adjacent equipment room meets industry security standards.

Principal Benefits

The existing space is not utilized as currently configured. The bare tile floors and sheet rock ceilings combined with the lack of ventilation make the room inconducive to work activities. Reconfiguring the space will allow the room to be utilized as a meeting/conference area or for workstation purposes.

3. Replace Four Heat Pumps - \$35,000

The Lottery Phoenix office building has a total of 42 heat pump units that condition the air in individual zones throughout the building, which are nearing the end of their operational lifespan. Thirty-one of the units were last replaced in 2013; the remaining units were replaced several years earlier (approximately 2010), exceeding their 15-year lifespan. Four of those units have had failures in recent months, requiring repeated repairs. One unit has cracked piping and the other three have bad compressors plus issues with the metering device. The heat pumps are at the end of their useful life and should be replaced.

Proposed Solution

Replace four of the existing building heat pumps with more energy-efficient units.

Principal Benefits

The principal benefits include more reliable equipment and reduced operational impact caused by system failures. Furthermore, maintenance costs will be reduced due to more energy-efficient units and fewer repairs.



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DATE: April 17, 2025
TO: Members of the Joint Committee on Capital Review
FROM: Destin Moss, Assistant Fiscal Analyst
SUBJECT: Arizona Pioneers' Home - Review of FY 2025 Elevator Replacement Project

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for building renewal and capital projects and for any capital project with an estimated cost of more than \$250,000. The FY 2025 Capital Outlay Bill appropriated \$465,000 from the Miners' Hospital for Miners with Disabilities Land Fund for Arizona Pioneers' Home (APH) capital improvement projects. APH is requesting review of \$413,800 of the \$465,000 appropriation for an elevator modernization project.

Committee Options

The Committee has at least the following 2 options:

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

Key Points

- 1) The FY 2025 budget appropriated \$465,000 to the Arizona Pioneers' Home for capital improvements. The appropriation is supported by the Home's land trust monies.
- 2) APH is requesting review of \$413,800 for an elevator modernization project.

Analysis

In the 2021 Facility Assessment Report, the Arizona Department of Administration (ADOA) noted the current APH elevator was first installed in 1985, with an intended life of 30 years. This modernization project will replace the elevator with a new elevator. The project will be managed by the General Services Division within ADOA and is currently expected to cost \$413,800 to complete, which includes a 10% contingency.

DM:jbu



Arizona Pioneers' Home

Katie Hobbs
Governor

300 South McCormick Street
Prescott, Arizona 86303
Phone (928) 445-2181 FAX (928) 778-1148

Jessica Sullivan
Superintendent/AL Manager

April 03, 2025

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007



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

Dear Senator Kavanagh and Representative Livingston:

The Arizona Pioneers' Home (APH) respectfully requests placement on the agenda of the Joint Committee on Capital Review (JCCR). Laws 2025, First Regular Session, Chapter 135, (SB 1722) appropriated \$465,000 from the miners' hospital for miners with disabilities land fund to the Arizona Pioneers' Home in FY 2025 for capital improvement projects. A.R.S. § 41-1252 requires the agency to submit the scope, purpose, and estimated costs to the Joint Committee on Capital Review (JCCR). The Arizona Pioneers' Home is requesting a favorable review of \$413,805.05 of the \$465,000 capital appropriation.

Arizona Pioneers' Home Electric Traction Elevator

Estimated Costs: \$ 413,805.05

The Pioneers' Home maintains 10 structures with a total area of 66,100 square feet. The Home was built in 1911, and many of its building components have exceeded their useful lives. This request is for a elevator modernization for one Electric Traction Elevator (State Identification # 2826), identified in the August 2021 Facility Assessment Report. The Facility Assessment Report details state an installation date of 1985 with a documented intended renewal date of 2015, necessary to be completed due to distress beyond service life. The proposed \$413,805.05 includes an expedited work week for residents' access and a ten percent contingency fee for unforeseen possibilities. The Arizona Department of Administration will be providing construction management services for the project.

If you have any questions regarding APH's FY 2025 Allocation Plan please contact Jessica Sullivan, Superintendent/A.L Manager, at (928) 277-2763.

Sincerely,

A handwritten signature in black ink, appearing to be 'J. Sullivan', with a long horizontal stroke extending to the right.

Jessica Sullivan
Superintendent/A.L Manager

cc: Richard Stavneak, Director, JLBC Staff
Destin Moss, Assistant Fiscal Analyst, JLBC Staff
Ben Henderson, Director, OSPB
Lexi Bensberg, Budget Analyst, OSPB



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DATE: April 17, 2025

TO: Members of the Joint Committee on Capital Review

FROM: Grace Timpany, Fiscal Analyst

SUBJECT: Arizona State University - Review of Polytechnic Campus Chilled Water Expansion

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. Arizona State University (ASU) requests Committee review of \$10,200,000 in bond issuances to expand the infrastructure of the Chilled Water Plant (CWP) on the Polytechnic campus. ASU will fund debt service payments with tuition revenues.

Committee Options

The Committee has at least the following 2 options:

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

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

Standard University Financing Provisions

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

- C. On or before October 15 of each year until completion of the project, ASU shall report to the JLBC Staff on the status and expenditures of the project. The report shall include the project expenditures to date, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.

Key Points

- 1) ASU plans to expand the infrastructure of the Chilled Water Plant to accommodate the planned expansion of the Student Union and other future developments on its Polytechnic campus.
- 2) ASU will finance the project with system revenue bonds at a total cost of \$10.2 million.
- 3) Annual debt service of approximately \$816,000 will be funded with tuition revenues.

Analysis

ASU intends to expand the infrastructure of the CWP on its Polytechnic campus. Construction will include expansion of the distribution network for chilled and heated water to accommodate planned renovations to the Student Union and future developments including academic, laboratory, and student housing projects. The existing system will be extended north along Terripin Mall and east on E. Sonoran Arroyo Mall in Mesa.

The expansion will also include installation of various water lines and four connections to the existing campus loop. ASU states that this will improve circulation and cooling capability to campus buildings, improving efficiency and operation of chilled and heated water to serve the Student Union expansion and other future developments.

Financing

ASU intends to issue \$10.2 million of system revenue bonds with an anticipated rating of Aa2 (Moody's)/ AA (S&P) and an estimated interest rate between 4.26% and 6.07% over a 20-year term. Issuance costs are expected to be \$82,000. ASU will begin construction prior to bond issuance and will use their operating balances to cover costs until the bond proceeds are received.

The annual debt service for this project will be approximately \$816,000, funded by tuition revenues. *(See Table 1 for a summary of the bond financing terms.)*

The debt service will increase ASU's debt ratio by 0.02% from 4.80% to 4.82%.

Construction Costs

Of the total \$10.2 million project cost for expansion of the plant, \$7.6 million are direct construction costs. Due to the nature of the project, there are no associated costs per square foot.

To provide a comparison to other recent ASU utility projects, the Committee reviewed construction of a modular chiller plant at a cost of \$17.3 million in December 2023. The 3,000 square foot modular chiller plant also expanded chilled water capacity to the Polytechnic campus.

ASU reports that the project is being delivered through the Design-Build (DB) method. Construction will begin in May 2025 and is expected to be completed in August 2025.

Operations and Maintenance Costs

ASU expects no increase in operation and maintenance costs to be associated with this project.

| Table 1 | |
|--|------------------------|
| ASU Chilled Water Plant Financing Terms | |
| Construction Timeframe | May 2025 – August 2025 |
| Issuance Amount | \$10.2 million |
| Issuance Date | April 2026 |
| Issuance Transaction Fees | \$82,000 |
| Rating | Aa2 (Moody's)/AA (S&P) |
| Interest Rate | 4.26% - 6.07% |
| Term | 20 years |
| Total Debt Service Costs | \$16.3 million |
| Debt Service Payments | \$816,000 |
| Payment Source | Tuition Revenues |
| Debt Ratio Increase | 0.02% |

GT:jbu



April 10, 2025

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington Street
Phoenix, AZ 85007

Dear Senator Kavanagh:

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

- Polytechnic Chilled Water Expansion

Enclosed is pertinent information relating to this item. If you have any questions or desire any clarification on the enclosed material, please contact me at (480) 727-9920.

Sincerely,

Morgan R. Olsen
Executive Vice President, Treasurer and CFO

- c: Richard Stavneak, Director, JLBC
Chad Sampson, Executive Director, ABOR
Bradley Kendrex, Vice President, Finance and Administration, ABOR
Adam Deguire, Vice President, Government and Community Engagement, ASU
Kendra Burton, Executive Director, State Relations, ASU
Matthew Simon, Associate Vice President, State & Federal Relations, ASU
Tim Smith, Vice President, Facilities Development and Management, ASU
Grace Timpany, Fiscal Analyst, JLBC

1. Polytechnic Chilled Water Expansion

Project Description

This project expands the infrastructure of the hydronic loop and distribution network for chilled and heated water at the Chilled Water Plant (CWP) on the Polytechnic campus to accommodate the planned Student Union (UNION) expansion and renovation as well as future developments. The expansion will run north from 7152 Unity Avenue along Terripin Mall and then east on E. Sonoran Arroyo Mall.

The project will enhance the capabilities of the campus utility infrastructure and systems as well as enable the university to look ahead at additional development to enhance the Polytechnic campus with new academic, laboratory and student housing projects.

The existing hydronic loop serving the UNION will be extended from CWP to Chilled Water Plant 2 (CWP2) with a 24-inch chilled water header in Terripin Mall. New 20-inch chilled water lines will be installed and run north to Sonoran Arroyo where a 16-inch stub-out will be installed for future Gateway Plaza developments to the north.

The loop expansion also will expand east with the installation of 16-inch lines in the center wash area of Sonoran Arroyo. It includes the installation of four crosstie connections to the existing campus loop to improve circulation and cooling capability to campus buildings. It includes the installation of an additional eight-inch lateral line that will run north to the UNION. The main advantage of network crossties is the improved efficiency, operation and circulation of chilled and heated water to serve the planned UNION expansion and future developments.

The project will be constructed through the Design Build (DB) delivery method to streamline project delivery and alleviate potentially adversarial project environments.

ASU has selected Chasse Building Team as the contractor and Spectrum Engineers as the engineer of record for this project. The selection process included six responses and three teams were interviewed.

The project is scheduled to begin construction in May 2025. The project is scheduled for completion in August 2025.

The total budget for this project is \$10.2 million. The budget includes an estimated construction cost of \$7.6 million.

The \$10.2 million project will be debt-financed with system revenue bonds and amortized over an approximately twenty-year term. The annual debt service will be funded by tuition revenue and is included in current budget planning. The projected incremental debt ratio impact for this project is 0.02 percent.

ASU will:

- (a) issue one or more series of system revenue bonds to finance the project, costs of issuance of the bonds and payments to a bond insurer or other credit enhancer, provided such payments result in a benefit that exceeds the amount of such payments
- (b) issue bonds at a price at, above or below par, on a tax-exempt or taxable basis, in one or more series, at a fixed or variable rate of interest
- (c) enter into necessary agreements, including those related to bond insurance or other credit enhancement agreements, if any
- (d) utilize a financial advisor, bond counsel, and bond trustee for the financing. The system revenue bonds will be marketed and sold either on a competitive or negotiated basis, in the open market or to one or more investment banking firms currently in a pool of bond underwriters procured by the three state universities, or by the State of Arizona, or by a direct sale to a bank or banks or other financial institutions.

An Arizona Board of Regents executive summary for this project is attached, which outlines the project description and other relevant information. The Annual Capital Plan and Individual Project and Financing Approval for this project received final approval at the Arizona Board of Regents meeting on April 10, 2025.

Project Costs

| | |
|---------------------------------|---------------|
| Total Project Cost | \$ 10,200,000 |
| Total Project Construction Cost | \$ 7,615,000 |
| Total Project Cost per GSF | \$ N/A |
| Construction Cost per GSF | \$ N/A |



Project Summary – Revenue Bonds

| <u>Projects:</u> | <u>Funding Sources:</u> | <u>Amount:</u> |
|-------------------------------------|-------------------------|---------------------|
| Polytechnic Chilled Water Expansion | Tuition | \$10,200,000 |
| | | <u>\$10,200,000</u> |

Financing Information

System Revenue Bonds:

| | |
|-----------------------------|----------------------------|
| Project Costs Financed | \$10,200,000 |
| Estimated Costs of Issuance | \$82,000 |
| Anticipated Bond Rating | Aa2 (Moody's) and AA (S&P) |
| Assumed Interest Rate | 4.26% to 6.07% |
| Term | 20 years |

Estimated Debt Service Information:

| | |
|--|--------------|
| Annual Debt Service (FY 2027 to FY 2046) | \$816,000 |
| Total Estimated Debt Service (20 years) | \$16,314,000 |

Debt Ratio

| | |
|---|--------------|
| Debt Ratio on Existing Debt | <u>4.80%</u> |
| Incremental Debt Ratio | <u>0.02%</u> |
| Project Debt Ratio | 4.82% |
| Statutory Debt Limit (A.R.S. § 15-1683) | 8.00% |



Arizona State University
Polytechnic Chilled Water Expansion
System Revenue Bonds

| Fiscal Year | Estimated Issuance April 2026 | | |
|-------------|-------------------------------|-------------|--------------|
| | Principal | Interest | Total |
| 2027 | \$210,000 | \$606,202 | \$816,202 |
| 2028 | 340,000 | 475,382 | 815,382 |
| 2029 | 355,000 | 459,541 | 814,541 |
| 2030 | 375,000 | 442,970 | 817,970 |
| 2031 | 390,000 | 425,456 | 815,456 |
| 2032 | 410,000 | 407,213 | 817,213 |
| 2033 | 430,000 | 388,028 | 818,028 |
| 2034 | 445,000 | 367,900 | 812,900 |
| 2035 | 470,000 | 347,042 | 817,042 |
| 2036 | 490,000 | 324,939 | 814,939 |
| 2037 | 510,000 | 301,893 | 811,893 |
| 2038 | 540,000 | 277,904 | 817,904 |
| 2039 | 565,000 | 252,457 | 817,457 |
| 2040 | 590,000 | 225,763 | 815,763 |
| 2041 | 615,000 | 197,914 | 812,914 |
| 2042 | 645,000 | 168,819 | 813,819 |
| 2043 | 675,000 | 138,265 | 813,265 |
| 2044 | 710,000 | 106,252 | 816,252 |
| 2045 | 745,000 | 72,567 | 817,567 |
| 2046 | 780,000 | 37,120 | 817,120 |
| Total | \$10,200,000 | \$6,023,623 | \$16,313,623 |