

JOINT COMMITTEE ON CAPITAL REVIEW

Wednesday, December 18, 2024

9:45 a.m. or Upon Adjournment of the JLBC Meeting

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, December 18, 2024
9:45 A.M. or Upon Adjournment of the JLBC Meeting
Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order
- Approval of Minutes of November 13, 2024.
- 1. *ARIZONA DEPARTMENT OF AGRICULTURE - Review of Rio Rico Building Purchase.
- 2. *ARIZONA DEPARTMENT OF CORRECTIONS - Review of FY2024 HVAC Funding.
- 3. *ARIZONA EXPOSITION AND STATE FAIR BOARD - Review of State Fair Capital Projects.
- 4. *DEPARTMENT OF FORESTRY AND FIRE MANAGEMENT - Review of Arizona Interagency Dispatch Center Project.
- 5. *ARIZONA STATE UNIVERSITY - Review of Campus Renovation Projects.
- 6. UNIVERSITY OF ARIZONA
 - A. Review of the Center for Applied Molecular and Immunological Therapies (CAMI) Building.
 - *B. Consider Approval of Deferred Maintenance Projects.
 - *C. Review of UA Health Sciences Building 201 Renovation.
 - D. Review of Arizona Public Media Building.

- * Consent Agenda - These items will be considered in one motion and no testimony will be taken.

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

12/06/2024

JB

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MINUTES OF THE MEETING

JOINT COMMITTEE ON CAPITAL REVIEW

November 13, 2024

The Chairman called the meeting to order at 10:03 a.m. Wednesday, November 13, 2024 in House Hearing Room 1. The following were present:

Members:	Senator Kavanagh, Vice-Chairman	Representative Livingston, Chairman
	Senator Bennett	Representative Austin
	Senator Diaz	Representative Biasiucci
	Senator Epstein	Representative Blattman
		Representative Carbone
		Representative Contreras
Absent:	Senator Alston	Representative Chaplik
	Senator Borrelli	
	Senator Hoffman	

APPROVAL OF MINUTES

Senator Kavanagh moved that the Committee approve the minutes of December 14, 2023. The motion carried.

CONSENT AGENDA

The following items were considered without further discussion:

3. ARIZONA GAME AND FISH DEPARTMENT (AGFD) - Review of FY 2025 Building Renewal and Capital Projects.

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 Arizona Game and Fish Department (AGFD) requested the Committee review a total of \$3,314,800 for 32 projects, of which \$1,364,800 will be funded by a FY 2025 appropriation from the Game and Fish

Fund and \$1,950,000 will be funded by federal grants and matching monies. The JLBC Staff provided options and a potential provision:

- A. *AGFD shall notify the Chairman and JLBC Staff of the amount and purpose of any expenditures from the building renewal emergency allocation in its quarterly capital report. AGFD may proceed with an emergency repair made using this allocation prior to submitting this notification.*

5. ARIZONA STATE PARKS BOARD (ASPB) - Review of FY 2025 Capital Improvement Projects - State Parks Revenue Fund.

A.R.S. § 41-1252 requires the Committee to review expenditure plans for all monies appropriated for building renewal or capital projects. ASPB requested review of its capital project expenditure plan totaling \$3,022,000 from the State Parks Revenue Fund for major repair and maintenance projects. The JLBC Staff provided options and a potential provision:

- A. *Prior to ASPB reallocating monies between the 9 listed project categories, ASPB shall report the proposed expenditure plan to the Committee Chairman and JLBC Staff.*

6. RIO NUEVO DISTRICT (District) - Presentation of Projects.

A.R.S. § 48-4203E requires the Rio Nuevo Multipurpose Facilities District (District) to present to the Committee any construction project (or other improvement to real property) with a cost of more than \$500,000. For FY 2024, the District has allocated funds to 4 projects above this \$500,000 threshold and has agreed to spend a combined \$6,492,000 on these projects. The JLBC Staff provided options.

7A. ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) - Review of FY 2025 Building Renewal Allocation Plan.

A.R.S. § 41-1252 requires the Committee to review expenditure plans for building renewal monies. ADOT requested Committee review of its expenditure plan of \$22,082,800 from the State Highway Fund and \$457,300 from the State Aviation Fund. The JLBC Staff provided options.

7B. ARIZONA DEPARTMENT OF TRANSPORTATION (ADOT) – Vehicle Fueling Facilities.

A.R.S. § 41-1252 requires the Committee to review expenditure plans for monies appropriated for capital projects. ADOT requested review of \$9,088,200 appropriated from the State Highway Fund in FY 2025 for increased costs associated with the replacement of vehicle fueling facilities that received appropriations in prior years. The JLBC Staff provided options and a potential provision:

- A. *By 10 days before the next JCCR meeting, the department shall report the following information to the Chairman and JLBC Staff: the projected beginning construction date and the projected completion date of each of the 10 fueling facility projects. ADOT shall update this information on each of the 10 fueling facilities in their quarterly capital report until the completion of the projects.*

Senator Kavanagh moved that the Committee give a favorable review of the agency requests in consent agenda items 3, 5, 6, 7A, and 7B with the provisions. The motion carried by voice vote.

REGULAR AGENDA

1. ARIZONA DEPARTMENT OF ADMINISTRATION (ADOA) - Review of FY 2025 Building Renewal Allocation Plan.

Destin Moss, JLBC Staff, stated that A.R.S. § 41-1252 requires agencies to request review of expenditure plans for building renewal monies. ADOA requested Committee review of \$19,000,000 from the Capital Outlay Stabilization Fund for its FY 2025 Building Renewal Allocation Plan. The JLBC Staff provided options and potential provisions:

- A. *Prior to expending the emergency contingency allocation of \$502,100, ADOA shall report the use of the funds to JLBC Staff.*
- B. *The department shall report to the Chairman and the JLBC Staff prior to reallocating monies between building renewal project categories.*

Nola Barnes, Assistant Director, Arizona Department of Administration, responded to member questions.

Senator Kavanagh moved that the Committee give a favorable review of the FY 2025 building renewal allocation plan totaling \$19,000,000 with the JLBC Staff provisions. The motion carried by voice vote.

2. ARIZONA DEPARTMENT OF CORRECTIONS (ADC) - Review of FY 2025 Building Renewal Allocation Plan.

Geoff Paulsen, JLBC Staff, stated that A.R.S. § 41-1252 requires Committee review of the expenditure plans for monies appropriated for building renewal. The FY 2025 Capital Outlay Bill appropriated \$8,557,000 to ADC for building renewal. ADC's proposed expenditure plan includes a total of 17 projects across 8 prisons. The JLBC Staff provided options, including the Chairman's option.

Senator Kavanagh moved that the Committee give a favorable review of \$7,639,600, which excludes the funding to relocate utilities on the Butte Avenue bridge in Florence.

Senator Epstein made a substitute motion for a favorable review of the entire request of \$8,557,000, which would include the Butte Avenue bridge utilities relocation.

The substitute motion failed by a roll call vote of 5-5. (Attachment 1)

Senator Kavanagh's motion carried by voice vote.

4. NORTHERN ARIZONA UNIVERSITY (NAU) - Review of Capital Projects.

Ethan Scheider, JLBC Staff, stated that A.R.S. § 15-1671 requires Committee review of any non-debt financed university capital projects paid for with funds from the university's Capital Infrastructure Fund (CIF). NAU requested review of \$5,041,400 for capital improvement projects funded via CIF cash. The JLBC Staff provided options and potential provisions:

Standard University Financing Provisions

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

- B. *On or before October 15 of each year until completion of the projects, NAU shall report to the JLBC Staff on the status and expenditures of the capital projects. 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 projects.*

Katy Yanez, Vice President of Government Affairs and Community Relations, Northern Arizona University, responded to member questions.

Senator Kavanagh moved that the Committee give a favorable review of the capital projects totaling \$5,041,400 with the JLBC Staff provisions. The motion carried by voice vote.

Without objection, the meeting adjourned at 10:39 a.m.

Respectfully submitted:

Jennifer Burns

Jennifer Burns, Secretary

Richard Stavneak

Richard Stavneak, Director

David Livingston

Representative David Livingston, Chairman



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DATE: December 11, 2024

TO: Members of the Joint Committee on Capital Review

FROM: Nate Belcher, Senior Fiscal Analyst

SUBJECT: Arizona Department of Agriculture – Review of Rio Rico Building Purchase

Request

The Arizona Department of Agriculture (AZDA) requests Committee review of its purchase of 141 Paseo De Yucatan Drive in Rio Rico pursuant to A.R.S. § 41-1252. AZDA plans to spend a total of \$4,200,000 from the Federal-State Inspection Fund to purchase and renovate this building to address its increased inspection workload over the last 5 years.

Committee Options

The Committee has at least the following 3 options:

1. A favorable review of the request.
2. A favorable review of the request with a provision that AZDA provide end of the calendar quarter reports to the Chairman and JLBC Staff on the status of selling the current property until a final sale. Prior to depositing any sale proceeds into a state fund, AZDA shall request Committee review of their expenditure plan for these monies. (Chairman's option)
3. An unfavorable review of the request.

Key Points

1. The Arizona Department of Agriculture (AZDA) plans to purchase and renovate an existing building in Rio Rico due to an increased inspection workload at the Nogales Port of Entry.
2. The number of inspections has increased from 19,300 in FY 2018 to 46,900 in FY 2024.
3. The total cost of the new building is \$4.2 million, which would be paid from inspection fees deposited into the Federal-State Inspection Fund.
4. AZDA would list its current inspection building at an estimated price between \$378,000 and \$473,500.

Analysis

In coordination with the United States Department of Agriculture (USDA), AZDA operates a citrus, fruit, and vegetable inspection service in Nogales as part of the Federal-State Inspection Service (FSIS). Inspection fees are deposited into AZDA's Federal-State Inspection Fund. State inspectors visit warehouses that temporarily hold produce imported from Mexico. The inspected produce is shipped from the warehouses across the United States. The inspector workload in the Nogales sector is due to the 2019 Tomato Suspension Agreement (TSA), which requires AZDA to conduct inspections of all bulk tomato shipments entering the United States from Mexico. This is the latest in a series of agreements dating back to 1996 which suspend anti-dumping tariffs on Mexican tomato importers in exchange for restricting the price and verifying the quality of Mexican tomatoes upon their entry into the United States. The 2019 agreement included more robust inspection requirements than previous versions of the agreement.

The current 3,788 square foot building has insufficient space for staff offices and training facilities. The number of inspections has increased from 19,300 in FY 2018 to 46,900 in FY 2024, requiring AZDA to increase the number of permanent employees in Nogales from 31 FTE positions to 54 FTE positions. AZDA also hires 110 seasonal employees in the Nogales sector from November to April. During the sector's busy season, AZDA leases additional space at a local community college for the temporary staff and for training purposes. To address this increased workforce, AZDA plans to purchase a 19,307 square foot building in Rio Rico.

AZDA plans to spend \$3,750,000 at a cost of \$197 per square foot to acquire the new facility. After acquiring the property, AZDA plans to spend \$250,000 to make renovations to portions of the facility, such as remodeling holding cell bathrooms into employee bathrooms, and a further \$200,000 to furnish the building, bringing the total project cost to \$4.2 million. There may also be some additional costs for installing information technology infrastructure. These costs would all be paid from AZDA's Federal-State Inspection Fund.

Upon relocating into the new building, AZDA plans to sell its existing building which had been acquired as a donation. AZDA plans to deposit the proceeds into the Federal-State Inspection Fund. Given the uncertainty regarding the timetable for sale of the existing building, the Chairman is proposing a reporting requirement on the status of selling the facility as well as requiring AZDA to submit its plan for expending the proceeds.

NB:jbu

KATIE HOBBS
Governor



PAUL E. BRIERLEY
Director

Arizona Department of Agriculture

Citrus, Fruit and Vegetable Division
1110 W. Washington Street, Phoenix, Arizona 85007
(602) 542-0945 FAX (602) 542-0898

September 19, 2024

Representative David Livingston, Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, Arizona 85007

Dear Chairman Livingston,

The Arizona Department of Agriculture (AZDA) is requesting to be placed on the agenda of the next Joint Committee on Capital Review (JCCR) meeting being held September 2024 or the next scheduled meeting for review of purchasing a new facility and a capital project to cover renovations for the Citrus, Fruit, and Vegetable Division – Nogales USDA Federal/State Inspection Service (FSIS). Per A.R.S. 41-1252, the Joint Committee on Capital Review (JCCR) must review the intended scope, purpose, and estimated cost of this project before AZDA can expend the monies.

The real property is located at 141 Paseo De Yucatan Drive, Rio Rico, Arizona. The purchase will cost \$3.75 million. These funds are part of our Cooperative Agreement with USDA (Fund AH2113 Federal-State Inspection Fund), so this purchase and all of the ongoing operating costs will not utilize any General Funds. ADOA has confirmed that this building will not be in their system. The Assistant Attorney General assigned to AZDA has reviewed and provided approval to sign the letter of intent to purchase/contract to open escrow.

Attached is a one-page summary of the proposed purchase. We also would be happy to provide additional information to your staff prior to the meeting date. If you have any questions, please contact Teresa Lopez at 623-217-4565.

Sincerely,

A handwritten signature in cursive script that reads "Paul E. Brierley".

Paul E. Brierley
Director

Cc: Senator John Kavanagh, Vice-Chairman
Sarah Brown, OSPB
Richard Stavneak, JLBC

ARIZONA DEPARTMENT OF AGRICULTURE
New Facility Nogales USDA Federal/State Inspection Service (FSIS)
\$3.75 million - Capital Project \$250 thousand

The Arizona Department of Agriculture's (AZDA) FY 2025 State Budget includes \$3.75 million to purchase a new facility for the Citrus, Fruit, and Vegetable Division—Nogales USDA Federal/State Inspection Service (FSIS). These funds are part of our Cooperative Agreement with USDA (Fund AH2113 Federal-State Inspection Fund), so this effort would not have any impact on the General Fund.

The AZDA is secondarily seeking approval for a capital project to cover renovation costs once the purchase is complete. The building will need renovations to meet the AZDA needs and remove infrastructure installed previously by DEA; the additional cost could be up to \$250,000 and would be paid from the same fund.

The current Nogales FSIS building from which this program currently operates has insufficient office space and parking. The AZDA has worked with ADOA personnel for the past six years to locate a larger, more functional office space in Nogales. Until recently, we were unable to find an existing building that would meet our space requirements. Additionally, we have considered the option of using our funds to build a new facility, but this would be a significant undertaking for our agency and ADOA. Our facility needs include onsite training rooms, computer labs, office space, secure storage, equipment storage, and adequate parking for up to 150 staff members and the state-issued fleet vehicles.

Once a new building or location is secured, we plan to sell the current building, which is owned by the AZDA. This building does not "fit" into COSF. It would not be an ADOA-owned and managed facility pursuant to ARS 41-791; however, the building might benefit from COSF-funded building renewal appropriations in the future.

All funds for the purchase and ongoing expenses will come from our USDA FSIS (Food Safety and Inspection Service) Fund AH2113. This is a non-appropriated fund that receives revenue from fees for shipping point and terminal market inspections of fresh fruit, vegetables, and other products at the Nogales port of entry pursuant to a cooperative agreement with the United States Department of Agriculture, and used for work conducted under, and related expenses prescribed by, the cooperative agreement.

Background: In September of 2019, the Tomato Suspension Agreement (TSA)* went into effect and doubled the number of inspections conducted by the AZDA Federal State Inspection program (FSIS).

Fiscal Year	Inspections
FY 2018	19,341
FY 2019	21,010
FY 2020	30,992
FY 2021	56,362
FY 2022	40,674
FY 2023	43,829
FY 2024	46,920

**The TSA, between the Department of Commerce (DOC) and signatory producers/exporters of fresh tomatoes grown in Mexico ensures that signatory producers and exporters sell Mexican tomatoes at or above the TSA reference price to eliminate the injurious effects of exports of fresh tomatoes to the United States*

The effects of the TSA have increased the number of warehouses in the Nogales area and the number of staff needed to accommodate the mandatory inspection requests for these perishable products. Since FY 2018, FSIS has increased the number of full-time employees from 31 FTEs to 54 FTEs. In addition to the full-time staff, each year from November to April, FSIS hires approximately 110 seasonal employees in phases to support the mandatory import requirements at the various Nogales warehouses.



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DATE: December 11, 2024

TO: Members of the Joint Committee on Capital Review

FROM: Geoffrey Paulsen, Assistant Director

SUBJECT: Arizona Department of Corrections – Review of FY 2024 HVAC Funding

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for capital projects. The Arizona Department of Corrections (ADC) is requesting review of \$9,800,000 from its FY 2024 appropriation to replace evaporative cooling systems with air conditioning.

Committee Options

The Committee has at least the following 3 options:

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

Pursuant to A.R.S. § 41-794, ADC is required to submit quarterly reports to JLBC Staff on the status of all capital projects and capital expenditures for which monies are appropriated. These reports are intended to track each agency's actual expenditures on specific capital projects.

Key Points

- 1) The FY 2024 budget appropriated \$66.8 million to ADC for the second year of a 4-year project to replace all evaporative cooling systems in prison housing units with air conditioning.
- 2) The FY 2025 budget reduced the FY 2024 appropriation by \$(57.0) million, leaving \$9.8 million for the project.
- 3) ADC is requesting to utilize the \$9.8 million to supplement FY 2023 monies already reviewed by the Committee to complete upgrades in the Browning Unit at the Eyman prison complex.
- 4) Due to various project constraints, ADC estimates that project construction will span 1.5 years from October 2025 through April 2027.

Analysis

The FY 2023 budget included \$47.6 million to begin replacing evaporative cooling systems in prison housing units with air conditioning. At its September 2022 meeting, the Committee gave a favorable review to ADC's expenditure plan for its FY 2023 appropriation. With that funding, ADC began work at the Eyman and Perryville prison complexes.

The FY 2024 budget included an additional \$66.8 million for the second year of the project, and the 3-year spending plan included an additional \$29.8 million in FY 2025 and \$23.7 million in FY 2026. In total, the 4-year project was expected to cost \$167.9 million.

Due to budget constraints, the FY 2025 budget reduced the FY 2024 appropriation by \$(57.0) million and eliminated the planned appropriations in FY 2025 and FY 2026. This left \$9.8 million from the FY 2024 appropriation that has not yet been reviewed by the Committee.

ADC proposes to utilize the \$9.8 million from the FY 2024 appropriation to complete work in the Browning Unit at the Eyman prison complex. The total cost of the project is expected to be \$17.3 million. ADC would supplement the FY 2024 funding with \$7.5 million in unobligated FY 2023 monies.

ADC reports that the design work has already been completed for the Browning Unit. According to ADC's most recent timeline, project construction would span 1.5 years from October 2025 through April 2027, contingent upon JCCR review in December 2024. ADC states the delay in starting construction on the project is due a 15-month lead time for acquisition of HVAC unit replacement. The department plans to begin work on fire suppression installation before moving on to HVAC unit replacement. ADC further states that only 5 units can be replaced each month due to constraints in moving inmates around the unit.

GP:jbu

Arizona Department of Corrections Rehabilitation & Reentry



KATIE HOBBS
GOVERNOR

701 E. Jefferson St.
PHOENIX, ARIZONA 85034
(602) 542-5497
corrections.az.gov



RYAN THORNELL
DIRECTOR

October 22, 2024

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

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

Subject: Review of FY 2024 Capital Outlay Appropriation - HVAC Projects

Dear Senator Kavanagh and Representative Livingston:

The Arizona Department of Corrections, Rehabilitation, and Reentry (ADCRR) requests placement on the next meeting agenda of the Joint Committee on Capital Review (JCCR) to review the \$9,800,000 spending plan from the FY 2024 Capital Outlay – Heating, Ventilation, and Air Conditioning (HVAC) projects.

Project information and costs are included in the enclosure. If I can provide additional information, please do not hesitate to contact me.

Sincerely,

A handwritten signature in black ink, appearing to read "Ryan Thornell".

Ryan Thornell, Ph.D.
Director

Enclosure

cc: Richard Stavneak, Director, Joint Legislative Budget Committee
Sarah Brown, Director, Governor's Office of Strategic Planning and Budgeting
Geoffrey Paulsen, Assistant Director, Joint Legislative Budget Committee
Caroline Dudas, Budget Manager, Governor's Office of Strategic Planning and Budgeting
Juldich Louezi-Madingou, Budget Analyst I, Governor's Office of Strategic Planning and Budgeting

Arizona Department of Corrections Rehabilitation & Reentry

Replace evaporative cooling with HVAC projects

FY 2024 Appropriation: \$9,800,000

Location: ASPC-Eyman - Browning Unit

Cost:

GMP2 Cost	\$15,580,942	(GMP = Guaranteed Maximum Price)
Contingency 10%	<u>\$1,731,216</u>	
Total Project Cost:	\$17,312,158	

Funds:

FY 2023 Unobligated	\$7,512,158	(see FY 2023 project update on next page)
FY 2024 Funding Request	<u>\$9,800,000</u>	(JCCR review)
Total	<u>\$17,312,158</u>	(FY23 & FY24 combined funding will complete Browning unit)

Notes:

- Special Management Unit (SMU) 1 is currently unoccupied. HVAC projects for SMU1 deferred to a later date.
- Major primary electrical switchgear components have a 1 year + lead time.
- The EPA mandated new HVAC refrigerants. The new refrigerant standard requires R-410A to be phased out on January 2025. Manufacturers have transitioned HVAC units to use R454B or R32 refrigerants. The industry is expecting a of 20%-30% price increase for the HVAC units that comply with the new refrigerant requirement.



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DATE: December 11, 2024

TO: Members of the Joint Committee on Capital Review

FROM: Nate Belcher, Senior Fiscal Analyst

SUBJECT: Arizona Exposition and State Fair Board - Review of State Fair Capital Projects

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for monies appropriated for building renewal and capital projects. In addition, a FY 2025 budget footnote allows the Arizona Exposition and State Fair (AESF) Board to spend up to \$3,771,400 of its own monies for enhanced state fair operations on capital projects. AESF requests Committee review of \$2,770,000 from the Arizona Exposition and State Fair Fund for major repair and maintenance projects.

Committee Options

The Committee has at least the following 2 options:

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

A.R.S. § 41-794 requires AESF to report quarterly on the status of all appropriated capital projects, such as building renewal projects, including actual spending.

Key Points

- 1) The FY 2025 budget allows the Arizona Exposition and State Fair Board (AESF) to use up to \$3.8 million of its fund for enhanced state fair operations.
- 2) AESF is seeking Committee review of \$2.8 million of this amount for 8 capital projects and contingency funding in FY 2025.
- 3) These projects include building and parking lot repairs as well as HVAC and IT improvements.

Analysis

The FY 2025 budget includes \$3.8 million from the Arizona Exposition and State Fair Fund for enhanced state fair operations. A General Appropriations Act footnote stipulates that AESF may use this funding for capital projects provided that they first receive Committee review of proposed projects. AESF is to submit a report for review including the scope, purpose and estimated cost of projects.

As outlined in *Table 1*, AESF requests Committee review of an expenditure plan of \$2.8 million.

Table 1	
AESF FY 2025 Capital Projects	
<u>General Improvements</u>	
Parking Lot Asphalt Replacement	\$ 600,000
IT Infrastructure Improvements	150,000
Fairgrounds Security Cameras	120,000
<u>Exhibit Building</u>	
Prefabricated Restrooms	450,000
Exhibit Building Evaporative Cooler	350,000
<u>Coliseum Improvements</u>	
Arizona Veterans' Memorial Coliseum Seating Riser Replacement	500,000
<u>Planning and Contingency</u>	
South Lot Design	250,000
Restroom Renovation Design - Agriculture Bldg. and Wesley Bolin Bldg.	100,000
Contingency	<u>250,000</u>
Total Request	\$2,770,000

General Improvements

1. Parking Lot Asphalt Replacement
\$600,000 for repaving fairground parking lots. The project is now in its third phase. If present in a lot, AESF anticipates using some of these funds to update dry wells (underground stormwater drainage system that allow large amounts of water to seep down quickly into the water table without damage to nearby structures).
2. IT Improvements
\$150,000 for upgrades to information technology infrastructure.
3. Fairgrounds Security Cameras
\$120,000 for the installation new security cameras covering existing blind spots on the fairgrounds and to replace two nonfunctioning cameras. The new cameras will be installed inside the Wesley Bolin building and the Coliseum as well as on the exteriors of various buildings to provide views of streets adjacent to the fairgrounds.

Exhibit Building Improvements

4. Prefabricated Restrooms
\$450,000 for replacing temporary restroom facilities at the south end of the Exhibit Building, installed around 20 years ago, with a prefabricated restroom of the same capacity. This project may also include utility and foundation work.
5. Exhibit Building Evaporative Cooler
\$350,000 for the replacement of the last of 4 evaporative coolers, which is no longer repairable, in the Exhibit Building's HVAC system. The other 3 coolers were replaced in a project approved by the Committee in October 2023.

Coliseum Improvements

6. Arizona Veterans' Memorial Coliseum Seating Riser Replacement
\$500,000 for the replacement of 2 sets of risers in the Arizona Veterans' Memorial Coliseum building located on the North and South sides of the arena floor. AESF describes the risers as at least 35 years old and worn to the point that they cost AESF both time and manpower during event setup. In recent years, major event organizers and sporting leagues have cited their condition when declining to book events at the Coliseum.

Planning and Contingency

7. South Lot Design
\$250,000 for design and consultation for the replacement of the south parking lot on the fairgrounds. This project would include upgrades to plumbing lines, electricity infrastructure, and internet cables, as well as replacement of the asphalt itself.
8. Restroom Renovation Design
\$100,000 for design work to renovate restrooms in the Agriculture Center and Wesley Bolin buildings.
9. Contingency
\$250,000 for contingency funding to cover potential cost overruns in any of the projects listed above.

NB:jbu



November 20, 2024

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



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

Dear Representative Livingston:

The Arizona Exposition and State Fair (AESF) respectfully requests a favorable review for capital improvement projects from the FY 2025 Agency Operating Appropriation budget. These projects would be funded with the agency's operating reserves. The total expenditure request is in the amount of \$2,770,000, which includes contingency funds in the amount of 250,000 for the following capital improvement projects. AESF requests the latitude to shift funds between projects within the total amount of \$2,770,000

1. Pre-Fab Restroom	\$450,000
2. Exhibit Building Evaporative Cooler (Phase 2)	\$350,000
3. Parking Lot Asphalt Replacement	\$600,000
4. IT Improvements	\$150,000
5. Security Cameras	\$120,000
6. Coliseum Seating Riser Replacement	\$500,000
7. South Lot Design	\$250,000
8. Agricultural Center/Wesley Bolin Restroom Renovation Design	\$100,000
9. Contingency	<u>\$250,000</u>
	\$2,770,000

1. Pre-Fab Restroom - \$450,000

The temporary restrooms at the south end of the Exhibit Building are over 20 years old and severely dilapidated. The units have RV-style fixtures that are proprietary and no longer available. This project would include the purchase and installation of a pre-fabricated restroom to replace the six stalls in the current temporary units and include installing any utilities and foundation as needed.



2. Exhibit Building Evaporative Cooler (Phase 2) - \$350,000

The Committee previously approved a budget amount that allowed for replacing three of the four coolers on the Exhibit Building. This second phase would replace the final cooler that is over 14 years old and deteriorating to the point that it is no longer repairable. The new unit will be upgraded to include variable speed controls and will be prepped for remote access to improve energy efficiency.

3. Parking Lot Asphalt Replacement - Phase 3 - \$600,000

These funds would be used to continue replacing areas of asphalt in the parking lots. If the area on the northwest side of the North Parking Lot is repaved, the cost of replacing the dry wells located in the area would also be funded from this project budget.

4. IT Improvements - \$150,000

The Agency uses an extensive computer network across the grounds to support all ticketing activity, security cameras, vendor networks, and AV Systems, including Emergency Public Address Systems. This network is critical to AESF and contractual partners' business operations. The network includes an infrastructure backbone owned by the Agency consisting of nine (9) Intermediate Distribution Frame (IDF) cabinets in different buildings and locations. Each IDF is daisy-chained with an existing fiber optic cable.

For the last 12 years, the Agency has negotiated with third parties to provide and manage all of the additional equipment such as firewalls, switches, copper cabling, wireless devices, etc., required to support this network at little or no cost. The Agency is currently in the process of a ticketing solicitation and is unsure if this current arrangement with third parties will continue. Regardless, the current network limits the number of potential qualified respondents as not all ticketing companies are equipped to provide this additional service. In addition to ticketing concerns, the third-party company currently providing support for food and commercial vendors no longer desires to continue to provide network connectivity/support as there is not enough revenue to make the model feasible for them.

While a new ticketing company may provide the network under contract, that will remain unknown until the bid is finalized in mid to late January 2025. If the awarded company is unable or unwilling to provide the network as needed, it will be incumbent upon the Agency to install and manage the network hardware. Due to the importance of the network and the time needed to deploy any improvements to ensure continuity of business, Staff believes it is critical to begin the process of upgrading agency-owned equipment and scale the installation as appropriate for business needs.

5. Security Cameras - \$120,000

The current security camera network does not cover the inside of the Wesley Bolin Building, the inside of the Coliseum North and South Halls or Coliseum concourses, nor does it provide street views of McDowell Road and 19th Avenue. Staff monitors these cameras for operational and security purposes throughout the year. These cameras are also monitored by DPS during the Arizona State Fair and Maricopa County Fair, as well as during other high-profile events held at the Fairgrounds. Law enforcement has benefitted from the availability of security camera footage. The lack of coverage in these areas has proven to be a hindrance when theft or security issues occur. This project would install cameras in these areas and replace two of the existing primary outdoor security cameras that are no longer working.



6. Coliseum Seating Riser Replacement - \$500,000

There are collapsible risers in the Coliseum on three sides of the arena floor. Portable folding chairs are installed on the risers after the risers are expanded, creating the "lower bowl" seating. In addition to being used during concerts and other presentations during the Fair, the risers are currently used for AIA and graduation events, which generate in excess of \$600,000 in revenue for the Agency annually. The north and south risers are known to be over 35 years old.

The riser units are outdated and worn out making the risers not only hard to open and close but also requiring an excessively large crew size and inordinate amounts of time to set up for event seating. Additionally, due to the poor working conditions, opening and closing the risers presents a safety concern. The units, when fully extended, are not appropriately stable and create trip hazards that are mitigated through unconventional means. Due to the age of the units, parts are not available to repair or retrofit the current units and replacement is required. Additionally, the poor condition of the risers has been included as a negative decision making factor expressed by major events and sporting leagues when considering the venue as a location.

Staff recommends the replacement of both the north and south risers. The intent would be to replace both sides if an adequate budget exists. Otherwise, the project will be completed in two phases, with one side being completed with this approval. The other side will be completed after further consideration by the Board.

7. South Lot Design - \$250,000

The majority of the asphalt in the South Lot was last replaced over 20 years ago and is badly cracked and alligating beyond repair. Beyond being used most weeks of the year for revenue generation through parking sales and event rentals, the South Lot comprises nearly 30% of the traversable space during the State Fair and provides the foundation and infrastructure needed for the carnival, which on average, generates over 35% of the total Fair income or over \$5 million dollars annually. The South Lot incorporates extensive underground utilities, including water, sewer, storm drains, electric, networking, and fiber optic cabling, and a network of underground pull tubes used to pull electric cords underground to prevent trip and fall hazards.

Due to the complexity of the current infrastructure and the opportunity to prepare for future uses, Staff recommends approaching the resurfacing of South Lot from a wholistic approach that considers all components similar to the renovation or replacement of major building systems. Taking into account current and future uses, stakeholder needs, and growth potential in the planning process, Staff will be allowed to analyze the best approach to repairing, replacing, and upgrading infrastructure components as a part of the resurfacing process.

Approval of this project will allow Staff to engage necessary contractors, including architects and engineers, hold stakeholder meetings, analyze needs, and develop a comprehensive engineering plan to serve as the framework for asphalt replacement and upgrades in the area.

8. Ag Center/Wesley Bolin Restroom Renovation Design - \$100,000

The single most common comment from guests and contracted clients is the outdated and subpar functional condition of the restrooms across the grounds. Considering the age of the facility and buildings, this is not completely



unexpected. Superficial improvements over the years have sufficed but resulted in overworn, outdated aesthetics. Fixtures such as flush valves and sink faucets are outdated models that are difficult to replace and often lead to units being unusable for extended periods while replacements are being sourced. In addition, current building codes and ADA requirements should be considered and improved.

Staff requests approval of this project to contract with architects and engineers to consider the complete renovation and retrofit of the Ag Center and Wesley Bolin restrooms used during most events throughout the year. Upon completion of the design, Staff will present the Board with recommendations for future improvements.

Contingency Budget - \$250,000

AESF will utilize ADOA General Services Division to identify the most expedient and fiscally responsible processes to accomplish these projects, whether through bid, state contracts, or in-house labor.

If you have any questions or require additional information concerning the requests, please contact me at 602-252-6771

Sincerely,

A handwritten signature in black ink, appearing to read "Wanell Costello". The signature is fluid and cursive.

Wanell Costello
Executive Director

CC: Senator John Kavanagh, Vice-Chairman, JCCR
Richard Stavneak, Director, JLBC
Sarah Brown, Director, OSPB
Rudy Cen, Budget Analyst, OSPB
Nate Belcher, Senior Fiscal Analyst, JLBC
Ian O'Grady, Policy Assistant, Governor's Office



STATE OF ARIZONA

Joint Committee on Capital Review

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LUPE CONTRERAS

DATE: December 11, 2024

TO: Members of the Joint Committee on Capital Review

FROM: Nate Belcher, Senior Fiscal Analyst

SUBJECT: Arizona Department of Forestry and Fire Management - Review of Arizona Interagency Dispatch Center Project

Request

A.R.S. § 41-1252 requires Committee review of capital projects with estimated costs exceeding \$250,000. The Arizona Department of Forestry and Fire Management (DFFM) requests Committee review of \$4,175,400 from the General Fund to construct a new Arizona Interagency Dispatch Center (AIDC). These monies were appropriated to the department in prior legislative sessions for wildfire emergency response.

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.

Analysis

The Arizona Interagency Dispatch Center (AIDC) located near the intersection of I-17 and Pinnacle Peak Road is one of DFFM's main facilities for coordinating federal, state, county, and local agencies' responses to wildfires. This center is currently housed in a modular building which was erected at its current site in the 1960s. DFFM plans to construct a 7,000 square foot modular building to replace the existing facility. DFFM received bids from two vendors, which produced cost estimates of \$4.2 million

Key Points

1. The Arizona Department of Forestry and Fire Management (DFFM) currently operates its Interagency Dispatch Center from a 1960s modular building near I-17 and Pinnacle Peak Road.
2. DFFM proposes to expend \$4.2 million to acquire a new modular building at the same site.
3. The project would be funded from a General Fund appropriation in prior legislative sessions for wildfire mitigation.
4. The FY 2023 budget included \$30.0 million for a new DEMA State Emergency Operations Center. DFFM had originally planned to co-locate with DEMA near Papago Park.
5. After the DEMA funding was repurposed in FY 2025, DFFM decided to pursue its current request.

and \$4.9 million. The department plans to accept the lower \$4.2 million quote, which represents a cost of approximately \$597 per square foot. This amount includes direct constructions of approximately \$305 per square foot to purchase and erect the building. The remaining costs include site preparation and improvements, fire alarms, fencing, furnishings, dispatch equipment, insurance, 10% contingency funding, and other costs. The new building will stand on the same plot of land that DFFM uses for the existing AIDC. DFFM will demolish the current building after completing construction of the new facility.

DFFM would fund a portion of the project with monies appropriated in the 2021 Special Session for wildfire emergency response (Laws 2021, First Special Session, Chapter 1), which included \$75.0 million in non-lapsing monies from the General Fund. The FY 2023 budget included an additional \$65.0 million from the General Fund for wildfire emergency response, which is non-lapsing through FY 2025, from which DFFM would fund the remainder of the project. Of the \$140.0 million in total appropriations, \$134.3 million has been encumbered or expended to date, which leaves a \$5.7 million balance.

Both appropriations cap expenditures for capital projects at \$10.0 million, or \$20.0 million total. DFFM reports that \$14.3 million has been spent or encumbered on various small projects not subject to JCCR review. After spending an additional \$4.2 million for the AIDC facility, the department will have spent a total of \$18.5 million from the \$20.0 million allowed for capital projects.

Previously, DFFM had an agreement with the Department of Emergency and Military Affairs (DEMA) to use a portion of a DEMA-operated building as the new dispatch center near 52nd Street and McDowell Road. The FY 2023 budget appropriated \$30.0 million from the Border Security Fund to DEMA for construction of a State Emergency Operations Center (SEOC). In December 2022, the Committee reviewed \$2.0 million of the \$30.0 million appropriation for SEOC design costs, which included plans to renovate an existing 7,400 square foot facility and construct a new 23,000 square foot addition. DEMA's plan assumed DFFM would use \$5.5 million from its available wildfire mitigation monies to build out a dispatch center in the SEOC. The FY 2025 budget subsequently repurposed the remaining SEOC appropriation for the Department of Public Safety state and local border security initiatives in FY 2025. As a result, DFFM is requesting to construct a new dispatch center adjacent to its existing building at a cost of \$4.2 million.

NB:jbu



Katie Hobbs
Governor

Office of the State Forester

Arizona Department of Forestry and Fire Management



Thomas A. Torres
State Forester

The Honorable John Kavanagh, Vice-Chairman
Joint Committee on Capital Review
Arizona Senate
1700 W. Washington Street
Phoenix, Arizona 85007

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



SUBJECT: Construction and renovation to the Arizona Interagency Dispatch Center

Dear Chairman Livingston, Vice-Chairman Kavanagh, and Committee Members:

The Arizona Department of Forestry and Fire Management (DFFM) respectfully requests placement on the upcoming Fall 2024 Joint Committee on Capital Review (JCCR) meeting agenda for review of the expenditure of monies for the construction of a new Wildland Fire Communications Center pursuant to A.R.S. § 41-1252(A)(4) and Laws 2021, First Special Session, Chapter 1, Section 1, Subsection A, Paragraph 2.

Specifically, we are requesting concurrence from JCCR to begin expending the remaining \$5,000,000 of the \$10,000,000 appropriated for capital expenditures and equipment associated with fire suppression equipment and staff on the construction of a new Communications Center to replace DFFM’s existing Arizona Interagency Dispatch Center (AIDC).

The AIDC is an essential function of DFFM that originated when the original Forestry Division was established in 1966, to provide critical communications, dispatching and information sharing on wildland fire and disaster response throughout the state. The AIDC is the 24/7 connection for the coordination of wildland fire response for 21.9 million acres of state and unincorporated private land within the state of Arizona. The center coordinates over 1,600 pieces of apparatus, over 3,000 overhead personnel, DFFM’s post release fire crew, 12 ADCRR fire crews, and over 200 individual fire departments and fire districts across the state. AIDC also coordinates with the State Emergency Operations Center, 15 county emergency operations centers, 9 fire specific dispatch centers, and 6 additional federal dispatch centers. The AIDC is currently located in a 1960s-era modular building that is in critical need of replacement.

Duty Respect Integrity

DATE

Page 2

The new Communications Center will replace the existing AIDC and provide increased dispatching capacity as well as improved communications capacity to support wild fire suppression and wildland firefighter safety.

Funding for this project was appropriated to DFFM in June of 2021 during a special session called to address capital needs by DFFM and post wildfire flood mitigation necessitated by the 2021 wildfire season. Laws 2021, First Special Session, Chapter 1, Section 1, Subsection A, Paragraph 2 appropriated \$10,000,000 to DFFM for capital expenditures and equipment associated with fire suppression equipment and staff.

Please find attached a detailed cost estimate for the project. If you have any questions regarding this project, please contact Bill Boyd, DFFM Deputy Director, at 602-771-5156 or bboyd@dffm.az.gov.

Thomas A Torres

Digitally signed by Thomas A
Torres
Date: 2024.09.11 11:02:11 -07'00'

Thomas A. Torres

State Forester and Director

Arizona Department of Forestry and Fire Management

cc: Sarah Brown, Director, Governor's Office of Strategic Planning and Budgeting

Richard Stavneak, Director, Joint Legislative Budget Committee

Nate Belcher, DFFM Budget Analyst, Joint Legislative Budget Committee

Nikola Melnsvarka, DFFM Budget Analyst, Governor's Office of Strategic Planning and Budgeting

Kyley Jenson, Budget Manager, Governor's Office of Strategic Planning and Budgeting

Will Greene, Land Use Policy Advisor to the Governor



STATE OF ARIZONA

Joint Committee on Capital Review

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LUPE CONTRERAS

DATE: December 11, 2024

TO: Members of the Joint Committee on Capital Review

FROM: Grace Timpany, Fiscal Analyst

SUBJECT: Arizona State University – Review of Campus Renovation Projects

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 \$100,000,000 in system revenue bond issuances for building and infrastructure improvements, and classroom and laboratory renovations across all campuses. 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 either 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 projects, ASU shall report to the JLBC Staff on the status and expenditures of the projects. 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 projects.

Key Points

- 1) ASU intends to issue \$100.0 million in system revenue bonds for building modifications and renovations across all ASU campuses:
 - \$45.0 million for building modifications including upgrades to building systems, elevators, and roofs.
 - \$25.0 million for 65,274 square feet of classroom and academic renovations.
 - \$30.0 million 35,885 square feet of research laboratory renovations.
- 2) ASU plans to issue bonds in April 2026. The total annual debt service payment of \$7.7 million will be funded using tuition revenues.
- 3) Construction on initial projects started in November 2024 and all projects are expected to be completed by December 2027.

Analysis

ASU will complete multiple projects associated with building and infrastructure modifications, classroom renovations, and research laboratory renovations across all campuses. The projects are estimated to cost a total of \$100.0 million.

Of the \$100.0 million cost, \$45.0 million is for building improvements to address life safety deficiencies and aging systems, including mechanical systems, utility distribution systems, elevators, and roofs. ASU states that the projects are needed to upgrade infrastructure that is beyond useful life, maintain compliance with code requirements, and address Arizona Board of Regent (ABOR) directives to reduce deferred maintenance.

The remaining \$55.0 million will be used for academic and laboratory renovations across all campuses:

- \$25.0 million is planned for classroom renovations, which includes reconfiguring approximately 65,274 square feet of space to create new classrooms of various sizes and add smaller instructional spaces. The renovations may include building infrastructure upgrades such as HVAC, plumbing and electrical systems, flooring, internal wall and partition components, and upgrades to address life safety and Americans with Disabilities Act (ADA) deficiencies.
- \$30.0 million will be used to renovate approximately 35,885 square feet of research laboratory space, including both wet and dry labs. Aging laboratory spaces will be upgraded to address increases in enrollment, meet new research and code requirements, and incorporate new technologies.

Financing

ASU intends to issue \$100.0 million in system revenue bonds with an anticipated rating of Aa2 (Moody's)/AA (S&P) and estimated interest rates between 4.16% and 5.70% over 20-year terms. Issuance costs across all projects are expected to be \$807,000. 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 these projects will be approximately \$7.7 million from FY 2027 to FY 2046 and ASU will fund the debt service using tuition revenue. The debt service on these projects will increase ASU's current debt ratio by 0.16% from 4.80% to 4.96%. (See Table 2 for a summary of the bond financing terms.)

Construction Costs

Building and Infrastructure Improvements

Of the \$45.0 million for building and infrastructure projects, \$35.0 million is direct construction costs. Due to the nature of these projects, there is no estimated cost per square foot (*see Table 1*).

Classroom and Academic Renovations

Of the \$25.0 million for classroom and academic renovations, \$17.5 million is direct construction costs. The total project cost per square foot is \$383 and the direct construction cost per square foot is \$268 (*see Table 1*).

The most recent ASU classroom and academic renovation project was reviewed by the Committee in December 2022. The project included renovations for approximately 39,170 square feet of space at cost of \$15.0 million. The square foot cost of \$383 is consistent with the current request.

Research Laboratory Renovations

Of the \$30.0 million for classroom renovations, \$21.0 million is direct construction costs. The total project cost per square foot is \$836, while the direct construction cost per square foot is \$585 (*see Table 1*).

The most recent ASU research laboratory renovation project was reviewed by the Committee in December 2022. The project included approximately 28,400 square feet of space at a cost of \$30.0 million, or \$1,056 per square foot. The lower per square foot cost for the current request may be due to the purpose of the specific laboratories proposed for renovation or differences in the condition of building systems.

ASU plans to utilize Design-Build (DB), Construction Manager at Risk (CMAR), and Job Order Contracting (JOC) methods of delivery, depending on the specific projects. All projects are expected to be completed by December 2027.

Operations and Maintenance Costs

None of the projects are expected to change operations and maintenance costs.

Table 1

ASU Capital Project Construction Costs

	Building & Infrastructure Projects	Classroom & Academic Renovations	Research Laboratory Renovations
Square Footage	N/A	65,274	35,885
Funding			
System Revenue Bonds	\$45,000,000	\$25,000,000	\$30,000,000
Construction Costs			
Direct Construction Costs	\$35,000,000	\$17,500,000	\$21,000,000
Other Costs ^{1/}	<u>\$10,000,000</u>	<u>\$7,500,000</u>	<u>\$14,000,000</u>
Total	\$45,000,000	\$25,000,000	\$35,000,000
Cost Per Square Foot			
Direct Construction Costs	N/A	\$268	\$585
Other Costs ^{1/}	<u>N/A</u>	<u>\$115</u>	<u>\$251</u>
Total	N/A	\$383	\$836
Operations & Maintenance	\$0	\$0	\$0

^{1/} Includes equipment, project design and management fees and other costs.

Table 2

ASU Capital Project Financing Terms

Construction Timeframe	November 2024 – December 2027
Issuance Amount	\$100.0 million
Issuance Date	April 2026
Issuance Transaction Fees	\$807,000
Rating	Aa2 (Moody's)/AA- (S&P)
Interest Rate	4.16% - 5.70%
Term	20 years
Total Debt Service Costs	\$153.6 million
Debt Service Payments	\$7.7 million
Payment Source	Tuition
Debt Ratio Increase	0.16%



November 22, 2024

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

Dear Representative Livingston:

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:

- Building and Infrastructure Enhancements and Modifications
- Classroom and Academic Renovations
- Research Laboratory Renovations

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,

A handwritten signature in black ink, appearing to read "Morgan R. Olsen".

Morgan R. Olsen
Executive Vice President, Treasurer and CFO

Enclosures

c: Richard Stavneak, Director, JLBC
Chad Sampson, Executive Director, Arizona Board of Regents, ABOR
Bradley Kendrex, Vice President, Finance and Administration, ABOR
Adam C. 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

OFFICE OF THE EXECUTIVE VICE PRESIDENT AND CHIEF FINANCIAL OFFICER

BUSINESS AND FINANCE

PO BOX 877505, TEMPE, AZ 85287-7505
(480) 727-9920 FAX: (480) 727-9922

1. Building and Infrastructure Enhancements and Modifications

Project Description

This project encompasses enhancements and modifications to ASU buildings and infrastructure across all ASU campuses and will address the university's primary areas of concern, which include, but are not limited to, life safety deficiencies; aging mechanical, critical building and utility distribution systems; and timeworn and unreliable elevators and roofs.

Many components of the ASU built environment have exceeded their useful life and some are incapable of effectively supporting the advancement of the university's mission of academic and research excellence. The planned project will ensure the efficient, reliable and safe operation of all essential campus facilities, infrastructure and systems, including those that must continue without interruption to support the university's critical academic and research initiatives.

This project will enhance the quality of the campus infrastructure and systems, enable the university to maintain compliance with code requirements and address ABOR directives to reduce deferred maintenance. Projects essential for life safety, code compliance and the advancement of university strategic initiatives will be given top priority.

Depending on the nature of the work, components of this project bundle may be delivered through the Design-Build (DB), Construction Manager at Risk (CMAR) or Job Order Contracting (JOC) methods.

Design professionals (DPs) will be selected after project approval is in place. The project design will be completed approximately 6-12 months after the DP contract has been awarded for that component of work.

General construction is scheduled to begin when the design is complete and after all approvals are in place. Construction on all project components is targeted for completion by December 2027.

The total budget for this project bundle is \$45 million. The total project construction cost is \$34.5 million, but the individual project costs will vary depending on the scope and scale of the building and infrastructure modifications included in this bundle.

The \$45 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 bundle is 0.07 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 September 26, 2024.

Project Costs

Total Project Cost	\$ 45,000,000
Total Project Construction Cost	\$ 34,500,000
Total Project Cost per GSF	\$ N/A
Construction Cost per GSF	\$ N/A

2. Classroom and Academic Renovations

Project Description

ASU plans to renovate existing classrooms, create new classrooms of various sizes and add smaller instructional spaces at all campuses. This project bundle will be comprised of approximately 65,274 gross square feet of renovations consisting of university classroom and academic spaces. The renovations may include heating, ventilation and air conditioning (HVAC), plumbing and electrical, flooring, ceiling, roof, elevator, window, door, internal wall and partition components, as well as upgrades to address life safety and Americans with Disabilities Act deficiencies. This project will be comprised of multiple components at each ASU campus.

The ASU Enterprise Strategic Framework identifies several goals that will be supported by this project bundle, including improved retention and graduation performance, curricular reform, and improved student outcomes. The resources needed to achieve these goals include a continued investment in faculty and in space renovations that will support teaching innovations and improved student and faculty interactions. This project will renovate worn areas that distract from teaching and learning effectiveness and create updated and growth spaces for academic programs to enable student learning and success.

The components included in this project bundle will enhance the quality of the built environment, comply with code requirements for safety, and reduce deferred maintenance. Project components essential for life safety and code compliance and those that support university strategic initiatives will be given top priority.

Depending on the nature of the work, components of this project bundle may be delivered through the Design-Build (DB), Construction Manager at Risk (CMAR) or Job Order Contracting (JOC) methods.

Design professionals (DPs) will be selected after project approval is in place. The project design will be completed approximately 6-12 months after the DP contract has been awarded for that component of work.

General construction is scheduled to begin when the design is complete and after all approvals are in place. Construction on all project components is targeted for completion by December 2027.

The \$25 million project bundle will be debt-financed with system revenue bonds and amortized over an approximate 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 bundle is 0.04 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 September 26, 2024.

Project Costs

Total Project Cost	\$ 25,000,000
Total Project Construction Cost	\$ 17,500,000
Total Project Cost per GSF	\$ 383
Construction Cost per GSF	\$ 268

3. Research Laboratory Renovations

Project Description

ASU plans to renovate approximately 35,885 GSF of laboratories and associated spaces across all ASU campuses to meet growing demand based on increased student enrollment, new programs, and updated research requirements. Many existing laboratories and building systems are inadequate due to age and the requirements of emerging technologies.

Multiple wet and dry laboratory spaces will be upgraded to provide future flexibility and better space utilization through shared services. These planned renovations will ensure that existing facility systems meet the growing demands of the university's research initiatives and comply with code requirements.

Many existing university laboratories and building systems are inadequate, due to age and the requirements of emerging technologies. The poor condition of these spaces and the age of the building systems constrain the development of these strategically important areas. This project will convert inadequate research laboratories into state-of-the-art facilities that will meet the growing demands of the university's research initiatives and comply with code requirements.

Increasing research activity and the resultant arrival of new faculty continue to make laboratory renovation projects a university imperative. Spaces must be updated and renovated to address the needs of incoming researchers and to support successful grant applications. These laboratories will provide the core infrastructure required to enable faculty and students to compete in the global marketplace of ideas by stimulating advances in science and human health, and potentially advancing the regional economy.

The university's 2021 Masterplan Update identified a need for additional research space. This project bundle will contribute to meeting this need and accomplishing the goal of establishing the university as a leading global center for interdisciplinary research, discovery and development by 2029.

Depending on the nature of the work, components of this project bundle may be delivered through the Design-Build (DB), Construction Manager at Risk (CMAR) or Job Order Contracting (JOC) methods.

Design professionals (DPs) will be selected after project approval is in place. The project design will be completed approximately 6-12 months after the DP contract has been awarded for that component of work.



General construction is scheduled to begin when the design is complete and after all approvals are in place. Construction on all project components is targeted for completion by December 2027.

The \$30 million project bundle will be debt-financed with system revenue bonds and amortized over an approximate 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 bundle is 0.05 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 September 26, 2024.

Project Costs

Total Project Cost	\$ 30,000,000
Total Project Construction Cost	\$ 21,000,000
Total Project Cost per GSF	\$ 836
Construction Cost per GSF	\$ 585

Project Summary – Revenue Bonds

<u>Projects:</u>	<u>Funding Sources:</u>	<u>Amount:</u>
Building and Infrastructure Enhancements and Modifications	Tuition	\$45,000,000
Classroom and Academic Renovations	Tuition	25,000,000
Research Laboratory Renovations	Tuition	30,000,000
		<hr/>
		<u>\$100,000,000</u>

Financing Information

<u>System Revenue Bonds:</u>		\$100,000,000
Project Costs Financed		\$807,000
Estimated Costs of Issuance		
Anticipated Bond Rating	Aa2 (Moody's) and AA (S&P)	
Assumed Interest Rate	4.16% to 5.70%	
Term	20 years	

Estimated Debt Service Information:

Annual Debt Service (FY 2027 to FY 2046)	\$7,680,000
Total Estimated Debt Service (20 years)	\$153,600,000

Debt Ratio

Debt Ratio on Existing Debt	4.80%
Incremental Debt Ratio	0.16%
Project Debt Ratio	4.96%



Arizona State University
 Building and Infrastructure Enhancements and Modifications
 System Revenue Bonds

Fiscal Year	Estimated Issuance April 2026		
	Principal	Interest	Total
2027	\$1,060,000	\$2,358,413	\$3,418,413
2028	1,575,000	1,842,645	3,417,645
2029	1,640,000	1,777,141	3,417,141
2030	1,710,000	1,708,933	3,418,933
2031	1,780,000	1,637,814	3,417,814
2032	1,855,000	1,563,784	3,418,784
2033	1,935,000	1,486,635	3,421,635
2034	2,015,000	1,406,158	3,421,158
2035	2,095,000	1,322,354	3,417,354
2036	2,185,000	1,235,223	3,420,223
2037	2,275,000	1,144,349	3,419,349
2038	2,370,000	1,049,732	3,419,732
2039	2,470,000	951,163	3,421,163
2040	2,570,000	848,436	3,418,436
2041	2,680,000	741,550	3,421,550
2042	2,790,000	630,089	3,420,089
2043	2,905,000	514,052	3,419,052
2044	3,025,000	393,233	3,418,233
2045	3,150,000	267,424	3,417,424
2046	3,280,000	136,415	3,416,415
Total	\$45,365,000	\$23,015,542	\$68,380,542



Arizona State University
Classroom and Academic Renovations
System Revenue Bonds

Fiscal Year	Estimated Issuance April 2026		
	Principal	Interest	Total
2027	\$590,000	\$1,310,345	\$1,900,345
2028	875,000	1,023,738	1,898,738
2029	910,000	987,347	1,897,347
2030	950,000	949,500	1,899,500
2031	990,000	909,989	1,899,989
2032	1,030,000	868,815	1,898,815
2033	1,075,000	825,977	1,900,977
2034	1,120,000	781,268	1,901,268
2035	1,165,000	734,687	1,899,687
2036	1,215,000	686,235	1,901,235
2037	1,265,000	635,703	1,900,703
2038	1,315,000	583,092	1,898,092
2039	1,370,000	528,401	1,898,401
2040	1,430,000	471,423	1,901,423
2041	1,485,000	411,949	1,896,949
2042	1,550,000	350,188	1,900,188
2043	1,615,000	285,723	1,900,723
2044	1,680,000	218,555	1,898,555
2045	1,750,000	148,684	1,898,684
2046	1,825,000	75,902	1,900,902
Total	\$25,205,000	\$12,787,521	\$37,992,521



Arizona State University
 Research Laboratory Renovations
 System Revenue Bonds

Fiscal Year	Estimated Issuance April 2026		
	Principal	Interest	Total
2027	\$645,000	\$1,718,437	\$2,363,437
2028	1,015,000	1,346,151	2,361,151
2029	1,060,000	1,300,468	2,360,468
2030	1,110,000	1,252,681	2,362,681
2031	1,160,000	1,202,584	2,362,584
2032	1,215,000	1,150,177	2,365,177
2033	1,265,000	1,095,250	2,360,250
2034	1,320,000	1,038,013	2,358,013
2035	1,385,000	978,257	2,363,257
2036	1,445,000	915,489	2,360,489
2037	1,510,000	849,917	2,359,917
2038	1,580,000	781,334	2,361,334
2039	1,655,000	709,531	2,364,531
2040	1,725,000	634,223	2,359,223
2041	1,810,000	555,695	2,365,695
2042	1,890,000	473,170	2,363,170
2043	1,980,000	386,932	2,366,932
2044	2,065,000	296,488	2,361,488
2045	2,160,000	202,124	2,362,124
2046	2,255,000	103,269	2,358,269
Total	\$30,250,000	\$16,990,188	\$47,240,188

EXECUTIVE SUMMARY

Item Name: Individual Project and Financing for Building and Infrastructure Enhancements and Modifications for Arizona State University

Action Item

Requested Action: Arizona State University (ASU) asks the board for individual project and financing approval of its Building and Infrastructure Enhancements and Modifications project, as described in this executive summary. The \$45 million major capital project will be debt-financed with system revenue bonds. The debt service will be paid over an approximate twenty-year term and funded by tuition revenue.

Background/History of Previous Board Action

- FY 2025 – 2028 Capital Improvement Plan September 2023

Project Justification/Description/Scope

- This project encompasses enhancements and modifications to ASU buildings and infrastructure across all ASU campuses that will address the university's primary areas of concern, which include, but are not limited to, life safety deficiencies; aging mechanical, critical building and utility distribution systems; and timeworn and unreliable elevators and roofs.
- Many components of the ASU built environment have exceeded their useful life and some are incapable of effectively supporting the advancement of the university's mission of academic and research excellence. The planned project will ensure the efficient, reliable and safe operation of all essential campus facilities, infrastructure and systems, including those that must continue without interruption to support the university's critical academic and research initiatives.
- This project will enhance the quality of the campus infrastructure and systems, enable the university to maintain compliance with code requirements and address ABOR directives to reduce deferred maintenance. Projects essential for life safety, code compliance and the advancement of university strategic initiatives will be given top priority.

Contact Information:
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EXECUTIVE SUMMARY

Project Delivery Method and Process

- Depending on the nature of the work, components of this project bundle may be delivered through the Design-Build (DB), Construction Manager at Risk (CMAR) or Job Order Contracting (JOC) methods.
- ASU has not yet selected a DB, CMAR, JOC or Design Professional (DP) firm for any components of this project bundle. Contractors and DPs will be selected according to ABOR policy and Arizona law.

Project Status and Schedule

- DPs will be selected after project approval is in place. The project design will be completed approximately 6-12 months after the DP contract has been awarded for that component of work.
- General construction is scheduled to begin when the design is complete and after all approvals are in place. Construction on all project components is targeted for completion by December 2027.

Project Cost

- The total budget for this project bundle is \$45 million.
- Independent cost estimates will be provided by the DP, DB, CMAR or JOC contractor after these selections are complete.
- For projects selected to use the DB or CMAR delivery method, the construction manager will be at risk to provide the completed project within the agreed-upon Goods Manufacturing Practice (GMP).
- The total project construction cost is \$34.5 million, but the individual project costs will vary depending on the scope and scale of the building and infrastructure modifications included in this bundle.

Fiscal Impact and Financing Plan

- The \$45 million project will be debt-financed with system revenue bonds and amortized over an approximately twenty-year term. The annual debt service of \$3,306,600 will be funded by tuition revenue and is included in current budget planning.

EXECUTIVE SUMMARY

- 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 on a negotiated basis, either 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.

- **Debt Ratio Impact:** The projected incremental debt ratio impact for this project bundle is 0.07 percent.

- There are no expected increases in operations and maintenance costs associated with this project bundle.

Occupancy Plan

- This project will not affect occupancy or existing programs but will provide increased infrastructure to support the advancement of the university's academic and research initiatives.

Committee Review and Recommendation

The University Governance and Operations Committee reviewed this item at its September 12, 2024, meeting and recommended forwarding the item to the board for approval.

Statutory/Policy Requirements

- Pursuant to ABOR Policy 7-102.B.4, each university shall submit an individual project and financing plan.

- Individual project and financing plans are reviewed by the University Governance and Operations Committee and approved by the board.

- Approval of the individual project and financing plan authorizes the university to proceed with financing and execution of construction contracts for the project.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University **Project Name:** Building and Infrastructure Enhancements and Modifications

Project Description and Location: These projects encompass enhancements and modifications to ASU buildings and infrastructure that will address the university's primary areas of concern at all ASU campuses. These concerns include, but are not limited to, life safety deficiencies; the replacement of aging mechanical, critical building and utility distribution systems; and the repair and replacement of timeworn and unreliable elevators and roofs.

Project Schedule:

Planning	November	2022
Design Start	April	2023
Construction Start	November	2024
Construction Completion	December	2027

Project Budget:

Total Project Cost	\$	45,000,000
Total Project Construction Cost	\$	34,500,000
Total Project Cost per GSF	\$	n/a
Construction Cost per GSF	\$	n/a

Estimated Annual O&M Cost:

Utilities	\$	0
Personnel		0
All Other Operations		0
Subtotal	\$	0

Funding Sources:

A. System Revenue Bonds	\$	45,000,000
Debt Service Funding Source:		Tuition
Operation/Maintenance	\$	0
Funding Source:		Not Applicable

EXECUTIVE SUMMARY

Item Name: Individual Project and Financing for Classroom and Academic Renovations for Arizona State University

Action Item

Requested Action: Arizona State University (ASU) asks the board for individual project and financing approval of its Classroom and Academic Renovations project, as described in this executive summary. The approximately 65,274 square foot, \$25 million major capital project will be debt-financed with system revenue bonds. The debt service will be paid over an approximate twenty-year term and funded by tuition revenue.

Background/History of Previous Board Action

- FY 2025 – 2028 Capital Improvement Plan September 2023

Project Justification/Description/Scope

- ASU plans to renovate existing classrooms, create new classrooms of various sizes and add smaller instructional spaces at all campuses. This project bundle will be comprised of approximately 65,274 gross square feet of renovations consisting of university classroom and academic spaces. The renovations may include heating, ventilation and air conditioning (HVAC), plumbing and electrical, flooring, ceiling, roof, elevator, window, door, internal wall and partition components, as well as upgrades to address life safety and Americans with Disabilities Act deficiencies. This project will be comprised of multiple components at each ASU campus.
- The ASU Enterprise Strategic Framework identifies several goals that will be supported by this project bundle, including improved retention and graduation performance, curricular reform, and improved student outcomes. The resources needed to achieve these goals include a continued investment in faculty and in space renovations that will support teaching innovations and improved student and faculty interactions. This project will renovate worn areas that distract from teaching and learning effectiveness and create updated and growth spaces for academic programs to enable student learning and success.
- The components included in this project bundle will enhance the quality of the built environment, comply with code requirements for safety, and reduce deferred maintenance. Project components essential for life safety and code compliance and those that support university strategic initiatives will be given top priority.

Contact Information:
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EXECUTIVE SUMMARY

Project Delivery Method and Process

- Depending on the nature of the work, components of this project bundle may be delivered through either the CMAR or the JOC method.
- ASU has not yet selected a CMAR, JOC contractor or DP firm for any components of this project bundle. Contractors and DPs will be selected according to ABOR policy and Arizona law.

Project Status and Schedule

- DPs will be selected after project approval is in place. The design will be completed within approximately 6-12 months after the DP contract is awarded.
- General construction for these projects is scheduled to begin when the design is complete and after all approvals are in place. Construction on all project components is targeted for completion by December 2027.

Project Cost

- The total budget for this project bundle is \$25 million. This budget represents an estimated construction cost of \$268 per GSF. The estimated total project cost is \$383 per GSF.
- For this ACP phase, no preliminary external cost estimates have been provided by third-party consultants. DP and CMAR or JOC contractor teams have not yet been selected for these projects. Independent cost estimates will be provided by the DP, CMAR or JOC contractor after these selections are complete.
- For projects selected to use the CMAR delivery method, the construction manager will be at risk to provide the completed project within the agreed-upon GMP.

EXECUTIVE SUMMARY

- **Comparable Projects:**

Project	Location	Project Size GSF	Total Project Cost/GSF	Year Constructed
SSV Enrollment Services Office Renovation	Tempe	8,900	\$266	2022
PSF 6th Floor Renovations	Tempe	18,995	\$367	2022
Payne LL Renovation to University Classrooms	Tempe	9,874	\$292	2022
FY 21 UCL Summer Renovations	Tempe	6,611	\$194	2021
AZCT Mindfulness Center and CISA Office and Classroom	Tempe	600	\$435	2021
Sun Devil Hall Interplanetary Initiative	Tempe	6,298	\$533	2021
Average Comparable Total Project Cost			\$348	

Fiscal Impact and Financing Plan

- The \$25 million project bundle will be debt-financed with system revenue bonds and amortized over an approximate twenty-year term. The annual debt service of \$1,837,000 will be funded by tuition revenue and is included in current budget planning.
- 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 on a negotiated basis, either 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.
- There are no expected increases in O&M costs associated with this project bundle.
- **Debt Ratio Impact:** The projected incremental debt ratio impact for this project bundle is 0.04 percent.

EXECUTIVE SUMMARY

Occupancy Plan

- These project components will reconfigure and renew spaces for classroom and academic areas. Programs may be temporarily displaced as spaces are renovated.

Committee Review and Recommendation

The University Governance and Operations Committee reviewed this item at its September 12, 2024, meeting and recommended forwarding the item to the board for approval.

Statutory/Policy Requirements

- Pursuant to ABOR Policy 7-102.B.4, each university shall submit an individual project and financing plan.
- Individual project and financing plans are reviewed by the University Governance and Operations Committee and approved by the board.
- Approval of the individual project and financing plan authorizes the university to proceed with financing and execution of construction contracts for the project.

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University **Project Name:** Classroom and Academic Renovations

Project Description and Location: This project bundle encompasses the renovation of approximately 65,274 GSF of classroom and academic space, including faculty and student space at all ASU campuses. The renovations will include HVAC, plumbing and electrical, flooring, ceiling, roof, elevator, window, door, internal wall and partition components, as well as upgrades to address life safety and Americans with Disabilities Act deficiencies.

Project Schedule:

Planning	April	2023
Design Start	April	2023
Construction Start	November	2024
Construction Completion	December	2027

Project Budget:

Total Project Cost	\$	25,000,000
Total Project Construction Cost	\$	17,500,000
Total Project Cost per GSF	\$	383
Construction Cost per GSF	\$	268

Estimated Annual O&M Cost:

Utilities	\$	0
Personnel		0
All Other Operations		0
Subtotal	\$	0

Funding Sources:

A. System Revenue Bonds	\$	25,000,000
Debt Service Funding Sources:		Tuition
Operation/Maintenance	\$	0
Funding Sources:		Not applicable

EXECUTIVE SUMMARY

Item Name: Individual Project and Financing for Research Laboratory Renovations for Arizona State University

Action Item

Requested Action: Arizona State University (ASU) asks the board for individual project and financing approval of its Research Laboratory Renovations project, as described in this executive summary. The approximately 35,885 square foot, \$30 million major capital project will be debt-financed with system revenue bonds. The debt service will be paid over an approximate twenty-year term and funded by tuition revenue.

Background/History of Previous Board Action

- FY 2025 – 2028 Capital Improvement Plan September 2023

Project Justification/Description/Scope

- ASU plans to renovate approximately 35,885 GSF of laboratories and associated spaces across all ASU campuses to meet growing demand based on increased student enrollment, new programs, and updated research requirements. Many existing laboratories and building systems are inadequate due to age and the requirements of emerging technologies.
- Multiple wet and dry laboratory spaces will be upgraded to provide future flexibility and better space utilization through shared services. These planned renovations will ensure that existing facility systems meet the growing demands of the university's research initiatives and comply with code requirements.
- Many existing university laboratories and building systems are inadequate, due to age and the requirements of emerging technologies. The poor condition of these spaces and the age of the building systems constrain the development of these strategically important areas. This project will convert inadequate research laboratories into state-of-the-art facilities that will meet the growing demands of the university's research initiatives and comply with code requirements.
- Increasing research activity and the resultant arrival of new faculty continue to make laboratory renovation projects a university imperative. Spaces must be updated and renovated to address the needs of incoming researchers and to support successful grant applications. These laboratories will provide the core infrastructure required to enable faculty and students to compete in the global marketplace of ideas by

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EXECUTIVE SUMMARY

stimulating advances in science and human health, and potentially advancing the regional economy.

- The university's 2021 Masterplan Update identified a need for additional research space. This project bundle will contribute to meeting this need and accomplishing the goal of establishing the university as a leading global center for interdisciplinary research, discovery and development by 2029.

Project Delivery Method and Process

- Depending on the nature of the work, components of this project bundle may be delivered either through the CMAR or the JOC method.
- ASU has not yet selected a CMAR, JOC contractor or DP firm for any components of this project bundle. Contractors and DPs will be selected according to ABOR policy and Arizona law.

Project Status and Schedule

- DPs will be selected after project approval is in place. The design will be completed within approximately 6-12 months after the DP contract is awarded.
- General construction for these projects is scheduled to begin when the design is complete and after all approvals are in place. Construction on all project components is targeted for completion by December 2027.

Project Cost

- The total budget for this project bundle is \$30 million. This budget represents an estimated construction cost of \$585 per gross square foot. The estimated total project cost is \$836 per gross square foot.
- For this ACP phase, no preliminary external cost estimates have been provided by third-party consultants. DP and CMAR or JOC contractor teams have not yet been selected for these projects. Independent cost estimates will be provided by the DP, CMAR or JOC contractor after these selections are complete.
- For projects selected to use the CMAR delivery method, the construction manager will be at risk to provide the completed project within the agreed-upon GMP.

EXECUTIVE SUMMARY

- **Comparable Projects:**

Project	Location	Project Size GSF	Total Project Cost/GSF	Year Constructed
ISTB1 Basement Surgical Suite	Tempe	400	\$765	2022
PSC 1st Floor Redding Lab Relocation	Tempe	3,300	\$683	2022
CLCC 3rd Floor Research Labs	Tempe	2,144	\$986	2022
MTW Area 5 Rolston Lab Renovation	Tempe	860	\$1,274	2022
MTW Area 3 & 5 Lab TI	Tempe	4,306	\$1,254	2022
Average Comparable Total Project Cost			\$1,006	

Fiscal Impact and Financing Plan

- The \$30 million project bundle will be debt-financed with system revenue bonds and amortized over an approximate twenty-year term. The annual debt service of \$2,300,200 will be funded by tuition revenue and is included in current budget planning.
- 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 on a negotiated basis, either 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.
- There are no expected increases in O&M costs associated with this project bundle.
- **Debt Ratio Impact:** The projected incremental debt ratio impact for this project bundle is 0.05 percent.

Occupancy Plan

- These project components will not affect occupancy or programs but will renew research spaces and support the advancement of the university's research initiatives.

EXECUTIVE SUMMARY

Committee Review and Recommendation

The University Governance and Operations Committee reviewed this item at its September 12, 2024, meeting and recommended forwarding the item to the board for approval.

Statutory/Policy Requirements

- Pursuant to ABOR Policy 7-102.B.4, each university shall submit an individual project and financing plan.
- Individual project and financing plans are reviewed by the University Governance and Operations Committee and approved by the board.
- Approval of the individual project and financing plan authorizes the university to proceed with financing and execution of construction contracts for the project

EXECUTIVE SUMMARY

Capital Project Information Summary

University: Arizona State University **Project Name:** Research Laboratory Renovations

Project Description and Location: This project bundle will encompass the renovation of approximately 35,885 GSF of laboratories and associated spaces across all ASU campuses to meet growing demand based on increased student enrollment, new programs and updated research requirements. Multiple wet and dry lab spaces, as well as infrastructure and building systems, will be upgraded to maximize adaptable and flexible technologies.

Project Schedule:

Planning	April	2023
Design Start	April	2023
Construction Start	November	2024
Construction Completion	December	2027

Project Budget:

Total Project Cost	\$	30,000,000
Total Project Construction Cost	\$	21,000,000
Total Project Cost per GSF	\$	836
Construction Cost per GSF	\$	585

Estimated Annual O&M Cost:

Utilities	\$	0
Personnel		0
All Other Operations		0
Subtotal	\$	0

Funding Sources:

A: System Revenue Bonds	\$	30,000,000
Debt Service Funding Sources:		Tuition
Operation/Maintenance	\$	0
Funding Sources:		Not Applicable



STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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DATE: December 11, 2024

TO: Members of the Joint Committee on Capital Review

FROM: Grace Timpany, Fiscal Analyst

SUBJECT: University of Arizona – Review of the Center for Applied Molecular and Immunological Therapies (CAMI) Building

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. The University of Arizona (UA) requests 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. UA intends to fund debt service with indirect cost recovery (university research) funds.

In addition to bond proceeds, UA plans to utilize \$150,000,000 of monies allocated from American Rescue Plan Act (ARPA) funds, \$61,000,000 from tuition, gifts and other university funds, and \$4,000,000 from Maricopa County ARPA funds, for total project costs of \$290,000,000.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.
2. A favorable review of the request with the expectation that UA will not seek JCCR review of any additional bond financing of this project if additional resources above \$75,000,000 are needed. (Chairman's Option)
3. 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. 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.

Key Points

- 1) UA plans to construct a 7-story, 205,000 square foot research and academic facility at the Phoenix Biomedical Campus on the southwest corner of Fillmore and 7th Street.
- 2) The total cost of the project is expected to be \$290.0 million. Of this, UA plans to issue \$75.0 million in system revenue bonds.
- 3) The remainder will be funded with \$150.0 million from ARPA funds, \$4.0 million from Maricopa County ARPA funds, and \$61.0 million from gifts, tuition, and other university funds.
- 4) The annual debt service is estimated to be \$4.6 million on the \$75 million bond issuance and will be paid using indirect cost recovery funds.
- 5) UA anticipates issuing the bonds in late 2025 and completing construction in May 2027. UA began construction in November 2024 and will use internal funds to cover the cost until the bond is issued.

Analysis

UA intends to construct a seven story, 205,000 square foot research building at its Phoenix Biomedical Core campus on the southwest corner of Fillmore and 7th Street. The CAMI building will house wet, dry, and clinical research labs to accommodate up to 40 research groups focused on cancer research, and infectious and autoimmune diseases. UA reports that CAMI-based research teams are expected to annually generate \$15.0 million in direct grant and clinical trial funding, \$5.0 million in indirect grant funds. They also anticipate receiving \$10.0 million from licensing, royalty, and equity transactions by year 10 of the project. The university estimates that 100 to 150 new research positions will be created, many of which will be filled by graduates of the Center of Entrepreneurial Innovation at Gateway Community College.

The project is expected to cost a total of \$290.0 million. Of this amount:

- \$150.0 million will be funded with Coronavirus State and Local Fiscal Recovery Funds (SLFRF) from the American Rescue Plan Act (ARPA).
- \$4.0 million will be funded by Maricopa County ARPA funds.
- \$61.0 million will be from gifts, tuition, other university research funds.

UA states that any of the \$61.0 million in project costs not generated via gifts, tuition, or other university revenues may be funded by additional system revenue bonds, which would require Committee review. The Committee may consider the Chairman's Option, which would give a favorable review of the \$75.0 million in system revenue bonds provided that the no additional bonds are issued to fund potential cost increases or to cover costs currently expected to be paid by other sources.

Apart from the construction funding, the City of Phoenix will provide \$20.0 million of support for CAMI, including \$16.5 million from the Downtown Community Reinvestment Fund and abatement of ground lease rent for the term of the project. Upon completion of building construction, the \$16.5 million will be paid to the university in annual \$1.5 million installments over 11 years. Funding will be used for debt service or to offset the cost of operations. Additionally, the City of Phoenix currently has a ground lease with the university, renting the land at a cost of \$1.85 per square foot or approximately \$379,250 annually for the CAMI building. The City will abate the rent for 30 years following construction completion.

Financing

UA intends to issue \$75.0 million in system revenue bonds with an anticipated rating of Aa2 (Moody's)/AA- (S&P) and an estimated interest rate of 4.45% over a 30-year term. The university states that construction began in November 2024, and it will expend the \$150.0 million from ARPA before issuing bonds in late 2025. Estimated issuance costs are \$635,000.

UA anticipates issuing the bonds in late 2025. They will use internal funds to cover the cost until the bonds are issued. UA will use bond proceeds to reimburse their internal funds.

The annual debt service for this project will be approximately \$4.6 million, funded with indirect cost recovery funds. *(See Table 2 for a summary of the bond financing terms.)*

The debt service on this project increases UA's current debt ratio by 0.10% from 3.70% to 3.80%. Including all UA projects on the agenda, the debt ratio will increase to 4.15%.

Construction Costs

Of the \$290.0 million total project cost, direct construction costs (excluding items such as design and project management costs) are \$232.0 million. Total project costs per square foot are \$1,415 and direct construction costs per square foot are \$1,132 *(see Table 1)*.

UA provided 3 cost comparisons for previously reviewed UA projects and 4 cost comparisons for similar projects completed in other states, which are summarized in *Table 3*. The projects' cost per square foot ranges from \$543 to \$1,104. For the projects from other states, UA states that cost per square foot was adjusted based on inflation rates and project location.

UA states that construction costs have increased due to a 16% increase in materials and labor between 2020 and 2023, with continued increases in inflation.

The project is being delivered through a Design-Build (DB) method. Project development is being completed in multiple phases of which the first phase of design has been completed. The entire project is expected to be completed by May 2027.

Operations and Maintenance Costs

UA expects annual Operations and Maintenance cost for the project to be \$1.8 million and plans to pay for these costs with state appropriations.

Table 1

UA CAMI Building Construction

Total Square Footage	205,000	
<u>Funding</u>		
System Revenue Bonds	\$75.0 million	
ARPA SLFRF	150.0 million	
Maricopa County ARPA	4.0 million	
Gifts, tuition, and indirect cost recovery	<u>61.0 million</u>	
Total	\$290.0 million	
<u>Costs</u>		
Direct Construction Costs	\$232.0 million	(\$1,132 per sq. ft.)
Other Costs ^{1/}	<u>\$58.0 million</u>	<u>(\$283 per sq. ft.)</u>
Total	\$290.0 million	(\$1,415 per sq. ft.)
Operations and Maintenance	\$1.8 million	

^{1/} Includes equipment, furniture, project design and management fees, and other costs.

Table 2

UA CAMI Financing Terms

Construction Timeframe	November 2024 – May 2027
Issuance Amount	\$75.0 million
Issuance Date	Late 2025
Issuance Transaction Fees	\$635,000
Rating	Aa2 (Moody's)/AA- (S&P)
Interest Rate	4.45%
Term	30 years
Total Debt Service Costs	\$136.0 million
Debt Service Payments	\$4.6 million
Payment Source	Indirect Cost Recovery Funds
Debt Ratio Increase	0.10%

Table 3

UA CAMI Construction Comparison

	<u>Project Location</u>	<u>Total Square Feet</u>	<u>Cost/ Square Foot</u>
<u>Previous UA Projects</u>			
Grand Challenges Research Building	-	107,877	\$918
Applied Research Building	-	89,000	\$955
Biomedical Sciences Partnership	-	245,000	\$543
<u>Out-of-State Projects^{1/}</u>			
SJSU Interdisciplinary Science Building	San Jose, CA	163,000	\$1,051
Cornell Physical Sciences Building	Ithaca, NY	198,00	\$1,104
UCI Interdisciplinary Science & Engineering	Irvine, CA	165,577	\$928
UNR Life Sciences Building	Reno, NV	81,000	\$1,101

^{1/} UA used a project location factor and annual inflation rates to adjust comparable costs.

GT:jbu

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November 26, 2024

The Honorable David Livingston
Chairman, Joint Committee on Capital Review
House of Representatives 1
1700 West Washington St.
Phoenix, Az 85007

Dear Representative Livingston:

In accordance with A.R.S. §15-1683, the Arizona Board of Regents requests the Center for Advanced Molecular Immunological Therapies (CAMI) project for the University of Arizona (U of A) be placed on the next Joint Committee on Capital Review agenda.

The total project cost will be \$290 million, of which \$75 million will be financed through System Revenue Bonds issued by U of A. U of A plans to use indirect cost recovery funds to pay the debt service. The estimated annual debt service for the project is \$4.6 million, increasing U of A's annual debt service ratio by 0.10%. The remainder of the project will be paid for as follows:

- \$150 million in state American Rescue Plan Act (ARPA) funding
- \$4 million in Maricopa County ARPA funding
- \$61 million from gifts, tuition, indirect cost recovery, and potentially an additional debt issuance

Additionally, the City of Phoenix unanimously voted to provide \$20 million in financial backing for CAMI. The \$20 million includes \$16.5 million in payments from the Downtown Community Reinvestment Fund, as well as the abatement of ground lease rent for the term of the project.

Project Summary

CAMI will be a national biomedical research hub on the U of A's downtown Phoenix Biomedical Core ("PBC") campus. Located on the southwest corner of Fillmore Street and 7th Street, the seven-story, 205,000 square foot building is being designed to house up to 40 principal investigator-led research groups. Researchers and physician-scientists based out of CAMI will use precision medicine to develop new cell- and gene-based therapeutical options for diseases, building on the concept that the most effective defense against health issues is the body's natural immune system. CAMI will accelerate the pursuit of immunotherapies already underway at the U of A, and open new doors to advance precision medicine to improve health outcomes for people across Arizona and around the world.

CAMI Research & Discovery

The CAMI building will provide space to accommodate approximately 40 research teams focused on the following areas:



THE UNIVERSITY OF ARIZONA
Business Affairs



- **Cancer**
Immunotherapy holds the promise of a new standard of care for treatments of cancer, a disease that disproportionately affects older people. Immunotherapy can generate precise drug treatments based on the individual patient's unique features of their cancer. The research that will take place at CAMI has the potential to fundamentally change the way cancers are treated.

- **Infectious Diseases**
The relevance of classic immunological therapies has been highlighted throughout the COVID-19 pandemic. Through the discovery and interdisciplinary research done at CAMI, new immunotherapies will be able to overcome the challenges typically faced by existing infectious disease prevention, such as drug toxicity and resistance. Ultimately, this work can change how public health efforts combat communicable diseases in Arizona and around the world.

- **Autoimmune Diseases**
Living with an autoimmune disease means the body is fighting against itself every day. The body's natural defense system cannot distinguish between its own cells and foreign cells, causing it to mistakenly attack normal cells. Research will help the body gain control over this fight. CAMI research will create immunotherapies that target or alter components of the immune system to suppress specific autoimmune diseases such as type 1 diabetes, lupus, rheumatoid arthritis, and Crohn's disease.

Once established, CAMI's research teams are expected to generate \$15 million in direct grant and clinical trial funding and an additional \$5 million in indirect grant funds annually. In addition, within the next 10 years, the U of A anticipates generating an additional \$10 million dollars annually from licensing, royalty, and equity deals from new companies that are launched based on CAMI research.

Workforce Development

Student education will be prioritized in learning spaces dedicated to programs that will allow CAMI faculty and researchers to mentor and train the next generation of scientists. A principal function of CAMI's research laboratories and student office/cubicle space is to facilitate hands-on student participation and innovation. Students with strong experience working on multidisciplinary and application-driven project teams are highly sought in today's economy. It is estimated that 100 to 150 new, high wage research positions will be created at CAMI, many of which will be filled by graduates of the Center for Entrepreneurial Innovation at Gateway Community College.

Opportunity for Public/Private Partnerships

CAMI will serve as the anchor for PBC's innovation district, a center of cell and gene therapy research, start-up activity, and corporate engagement. Laboratory space in CAMI will be designed to support translational research, clinical research, and startup incubators to create an environment ripe for commercialization opportunities. For example, the first three projects of the existing CAMI initiative have already resulted in public-private partnerships. This includes efforts to:

- Cure type 1 diabetes, in partnership with the new startup company, Aleutian Therapeutics



- Develop platforms that prevent progression of autoimmune diseases, in partnership with Module Therapeutics
- Personalize cancer therapies, in partnership with Univercells

According to a 2022 economic analysis by The Rounds Consulting Group, CAMI is expected to generate a return on investment of 2.5-to-1 in its first 10 years.

Access to Immunotherapies for Arizonans

CAMI will work with clinical partners in Phoenix and across the state to ensure the latest personalized treatments are made available to Arizonans. Treatments to target the specific causes of an individual's illness are becoming a reality, especially for diseases like cancer. However, these treatments are often only available at the hospitals and institutions that created the therapy because they must be personalized and cannot be mass-produced. A critical component of CAMI is to incorporate the latest basic insights and cutting-edge technologies into the facility to make these therapies available to Arizonans.

Project Phases and Costs

CAMI was included in U of A's FY 23 Capital Improvement Plan. U of A is using design-build as the project delivery method, and a variety of procurement methods are being engaged for sub-contractor selection including lowest qualified bid. The project is being developed in multiple phases because the ARPA grant funds are required to be spent by October of 2026. This phased approach will allow construction to start earlier than a traditional design build project.

The first phase of design is complete and has been submitted to the City of Phoenix for permitting. The construction start date for this work was mid-November 2024. The remaining phases consist of the building exterior and interior structures. Construction on these phases will commence in the spring and summer of 2025. The entire project is scheduled to be completed in May 2027, with occupancy taking place over the summer of 2027.

Below is the estimated cost associated with each major area of the project.

\$ 32,000,000	Pre-construction Costs <ul style="list-style-type: none">• Design-build fees• Pre-construction phase project management
\$ 230,000,000	Building Construction Costs <ul style="list-style-type: none">• Demolition• New Construction• Construction Inspections• Telecommunications• Contingency
\$ 12,500,000	Site/Utilities Construction Costs <ul style="list-style-type: none">• Development of exterior area connecting building components



- Site utilities and infrastructure
- \$ 15,500,000 Indirect Costs
- Furniture, Fixtures and Equipment
 - Testing and Inspections
 - State Risk Management Insurance
 - Construction phase project management
- \$ 290,000,000 Total new project cost

Construction costs have increased dramatically since the end of the pandemic. For example, the construction market saw an approximate 16% increase in materials and labor in the years between 2020 and 2023 due to the rising demand and limited availability of materials and labor. While construction costs have leveled to a more predictable metric, estimators are still seeing roughly 4% to 5% inflation rates since this spike and are forecasting similar inflation rates in the upcoming year(s). The Phoenix market continues to see inflation rates exceeding 5% in the mechanical, electrical, and plumbing fields due to skilled labor shortages.

The table below provides construction costs for similar projects outside of Arizona. The sample projects have been escalated by industry inflation rates published in construction market indexes, such as the RLB Quarterly Construction Cost Report or similar publications, to provide an “apples to apples” cost comparison for the CAMI building.

Similar University Projects In Other States

	Project Location	Year Completed	Building Gross Square Feet (GSF)	Escalated Construction Cost Per GSF to Midpoint of CAMI Construction
SJSU Interdisciplinary Science Building	San Jose, CA	2019	163,000	\$ 1,051
Cornell Physical Sciences Building	Ithaca, NY	2009	198,000	\$ 1,104
UCI Interdisciplinary Science & Engineering Building	Irvine, CA	2018	165,577	\$ 928
UNR Life Sciences Building	Reno, NV	2024	81,000	\$ 1,101

*Data provided by McCarthy Building Companies and Rider Levett Bucknall (RLB). A project location factor has been applied to adjust construction costs to the Arizona market.

Attachment A includes the escalation factors used to calculate the values in the above table.



Summary of Financial Information:

Total Project Budget:	\$290,000,000
Portion of Budget to be Issued:	\$75,000,000
Estimated System Revenue Bond Par Amount:	\$70,400,000
Estimated System Revenue Bond Premium:	\$5,235,000
Estimated Cost of Issuance:	\$635,000
Estimated Interest Rate:	4.45%
Payment Terms:	Approximately 30 years
Fund Source for Total Debt Payment:	Indirect Cost Recovery
Total Annual Debt Service (by fund source):	
Principal & Int. FY26-45 (Avg.) \$4,585,000	Indirect Cost Recovery
Total Debt Service Through Maturity: \$135,977,000	
Anticipated Date of Issuance:	Late 2025
Expected Bond Rating:	AA- (S &P) Aa2 (Moody's)

Debt Ratio Information:

Current Projected Debt Ratio (FY26):	3.70%
Increment Debt Ratio for All Proposed Projects:	0.45%
Projected Highest Debt Ratio:	4.15%

Joint Committee on Capital Review
December 18, 2024 JCCR Meeting
University of Arizona Projects Submission

Center for Advanced Molecular & Immunological Therapies (CAMI)
Tax Exempt System Revenue Bonds
Amortization Schedule

Period Ending	Annual Principal	Annual Interest	Annual Debt Service
6/1/2026	990,000	2,053,000	3,043,000
6/1/2027	1,115,000	3,470,000	4,585,000
6/1/2029	1,170,000	3,414,000	4,584,000
6/1/2030	1,230,000	3,356,000	4,586,000
6/1/2031	1,290,000	3,294,000	4,584,000
6/1/2032	1,355,000	3,230,000	4,585,000
6/1/2033	1,420,000	3,162,000	4,582,000
6/1/2034	1,495,000	3,092,000	4,587,000
6/1/2035	1,565,000	3,016,000	4,581,000
6/1/2036	1,645,000	2,938,000	4,583,000
6/1/2037	1,730,000	2,856,000	4,586,000
6/1/2038	1,815,000	2,770,000	4,585,000
6/1/2039	1,905,000	2,680,000	4,585,000
6/1/2040	2,000,000	2,585,000	4,585,000
6/1/2041	2,100,000	2,485,000	4,585,000
6/1/2042	2,205,000	2,378,000	4,583,000
6/1/2043	2,315,000	2,268,000	4,583,000
6/1/2044	2,430,000	2,152,000	4,582,000
6/1/2045	2,555,000	2,032,000	4,587,000
6/1/2046	2,680,000	1,904,000	4,584,000
6/1/2047	2,815,000	1,770,000	4,585,000
6/1/2048	2,955,000	1,628,000	4,583,000
6/1/2049	3,105,000	1,482,000	4,587,000
6/1/2050	3,255,000	1,326,000	4,581,000
6/1/2051	3,420,000	1,164,000	4,584,000
6/1/2052	3,590,000	992,000	4,582,000
6/1/2053	3,770,000	812,000	4,582,000
6/1/2054	3,960,000	624,000	4,584,000
6/1/2055	4,155,000	426,000	4,581,000
6/1/2056	4,365,000	218,000	4,583,000
	70,400,000	65,577,000	135,977,000



Sincerely,

John S. Arnold
Sr. Vice President, COO and CFO

cc: Richard Stavneak, Director, JLBC
Grace Timpany, Fiscal Analyst
Senator John Kavanagh, Vice-Chairman

EXECUTIVE SUMMARY

Item Name: Individual Project and Financing for the Center for Advanced Molecular Immunological Therapies for the University of Arizona

Action Item

Requested Action: The University of Arizona (U of A) asks the board for individual project and financing approval of its Center for Applied Molecular and Immunological Therapies (CAMI), as described in this executive summary. The 205,000 square foot, \$290 million major capital project will be financed with system revenue bonds, State and County ARPA funds, local funds, and gifts. The debt service will be paid over 30 years from retained tuition and state capital infrastructure funds.

Background/History of Previous Board Action

- Capital Improvement Plan FY 2025 – 2028 September 2023
- This project is included in U of A's Annual Capital Plan (ACP) submitted at this meeting.

Project Justification/Description/Scope

- U of A is seeking to build a new 205,000 Gross Square Feet (GSF) research and academic facility to house the next phase of expansion on the Phoenix Bioscience Core (PBC). The new building will include space for the new Center for Advanced Molecular and Immunological Therapies (CAMI) and other academic and core research laboratory support spaces to enhance U of A's research and academic enterprises in the Phoenix area.
- The new CAMI building will be located on the prominent southwest corner of Filmore Street and 7th Street.
- The new building will be high-rise construction and will house wet lab research space to accommodate thirty-six to forty principal investigators, clinical research space, and dry lab space. Wet lab space will be capable of supporting BSL2 type research and will include provisions for drug development in addition to a Good Manufacturing Process (GMP) laboratory for the use of developing drugs for use in clinical trials. An expansion of the existing underground research core (vivarium) is to be included in the program and will be shelled for future build out.

Contact Information:
John Arnold, U of A

johnarnold@arizona.edu

520-621-5977

EXECUTIVE SUMMARY

- This project encompasses 205,000 GSF, which includes approximately 128,000 Net Assignable Square Feet (NASF). This first phase of construction includes 45,000 NASF of wet lab space, 15,000 NASF of clinical research and core lab space, and 25,000 NASF of shared academic and collaboration space. An additional 30,000 NASF of wet lab space and 7,000 NASF of vivarium space is shelled and planned for future expansion.

Project Delivery Method and Process

- This project is being delivered through the Design-Build (D-B) delivery method. This approach was selected for this project because it can provide early cost control, save time through fast-track project scheduling while still providing contractor design input and coordination throughout the project, improving potentially adversarial project environments and still allowing for the selection of the most qualified architect-contractor team for this project. Through peer review of the D-B's cost estimate at each phase, and low-bid subcontractor work for the actual construction work, this method also provides a high level of cost and quality control.
- The Design-Builder provides a Guaranteed Maximum Price (GMP) based upon the amount previously agreed upon in the D-B agreement. The Design-Builder is at risk to provide the completed project within that price. In the selection of major subcontractors, the Design-Builder uses a qualification-based selection process prescribed by the ABOR Procurement Code to allow major subcontractors a design-assist role during the design phase. All remaining subcontractor work is awarded on the basis of the lowest responsive and responsible subcontractor bids. For this work, a minimum of three subcontractor bids will be required, except for specialty items or instances where proprietary systems are required, such as for energy management systems and door locks. A final report on project control procedures will be provided at project completion.
- The D-B Team was selected through the capital project selection committee process prescribed by the ABOR Procurement Code. A licensed contractor was included on the selection committee as required by ABOR Policy.

Project Status and Schedule

- This project is on a fast track with multiple phases. The early construction and permit packages for site demolition, foundation, and site utilities are underway while Design Development for the building envelope and interior fit-out of the program spaces is occurring. The construction documents phase for the building's structural/skin and the interiors is scheduled to commence November 2024.
- Project construction is scheduled to commence during November 2024, with substantial completion anticipated for May 2027.

EXECUTIVE SUMMARY

Project Cost

- The construction cost for this project is \$230 million (\$1,132 per GSF), and the total project cost is \$290 million (\$1,415 per GSF).
- Comparable similar previously approved projects:

Comparable Similar Previously Approved Projects					
Project	University	Total Project Budget	Project GSF	Total \$/GSF	Constr. \$/GSF
Grand Challenges Research Building	U of A	\$99,000,000	107,877	\$918/gsf	\$748/gsf
Applied Research Building	U of A	\$85,000,000	89,000	\$955/gsf	\$746/gsf
Biomedical Sciences Partnership Building	U of A	\$133,000,000	245,000	\$543/gsf	\$467/gsf

Fiscal Impact and Financing Plan

- U of A plans to finance \$75.0 million for the project using system revenue bonds (SRBs). The annual debt service on the SRBs is estimated to be \$4.6 million based on a conservative budget of 5 percent interest rate for a 30-year maturity. U of A plans to use Indirect Cost Recover to pay the debt service. U of A plans to use State and County ARPA funds, local funds, additional bond funding, and gifts to finance the remaining \$215 million project costs.
- When the bond is issued for the project, the U of A's estimated outstanding debt at the end of the fiscal year will be \$1.62 billion. At the same time, the University would have retired \$78.2 million in debt principal.
- The estimated Operations and Maintenance (O&M) cost for the project is \$1,774,500. The U of A plans to fund the O&M with state appropriations.
- U of A will:
 - (a) sell one or more series of system revenue bonds to finance the project, costs of issuance 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) sell 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; and
 - (d) utilize a financial advisor, bond counsel, and bond trustee for the financing. The system revenue bonds will be marketed and sold on a negotiated basis, either to

EXECUTIVE SUMMARY

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.

Debt Ratio Impact

- The estimated annual debt service of \$4.6 million on this project's SRBs would increase the U of A debt ratio by 0.1 percent. The projected highest debt ratio is 4.3 percent, excluding SPEED revenue bonds, and 5.1 percent if including SPEED revenue bonds. This remains well below the 8.0 percent debt ratio limit established by ABOR policy and state statute.

Occupancy Plan

- The project will provide new research space for the newly created center.
- This facility will provide new space for new faculty and research. It is not anticipated that any existing space will be released, or that any existing facilities will be demolished.

Committee Review and Recommendation

The University Governance and Operations Committee reviewed this item at its September 12, 2024, meeting and recommended forwarding the item to the board for approval.

Statutory/Policy Requirements

- Pursuant to ABOR Policy 7-102.B.4, each university shall submit an individual project and financing plan.
- Individual project and financing plans are reviewed by the University Governance and Operations Committee and approved by the board.
- Approval of the individual project and financing plan authorizes the university to proceed with financing and execution of construction contracts for the project.

EXECUTIVE SUMMARY

**University of Arizona
Capital Project Information Summary
Center for Advanced Molecular Immunotherapies (CAMI)**

Project Description / Location:

This project will be a new research facility for the Center for Advanced Molecular and Immunological Therapies and will include clinical research and core facilities to support the Center along with the other research missions on the Phoenix campus. The project will be located at the Phoenix Bioscience Core in downtown Phoenix.

	<u>FY 2025 Annual Capital Plan September 2024</u>	<u>Individual Project Financing Report September 2024</u>
<u>Project Schedule (Beginning Month/Year):</u>		
Planning	August 2023	August 2023
Design	January 2024	January 2024
Construction	November 2024	November 2024
Occupancy	June 2027	June 2027

Project Budget:

Total Project Cost	\$ 290,000,000	\$ 290,000,000
Total Project Cost per GSF	\$ 1,415	\$ 1,415
Direct Construction Cost - New	\$ 232,000,000	\$ 232,000,000
Construction Cost per GSF - New	\$ 1,132	\$ 1,132
Direct Construction Cost - Renovation	\$ N/A	\$ N/A
Construction Cost per GSF - Renovation	\$ N/A	\$ N/A
Change in Annual Oper./Maint. Cost		
Utilities	\$ 820,000	\$820,000
Personnel	\$ 638,600	\$ 638,600
Other	\$ 315,900	\$ 315,900

Funding Sources:

Capital:

• State/County ARPA Funds	\$ 154,000,000	\$ 154,000,000
• System Revenue Bonds	\$136,000,000	\$75,000,000
• Local Funds and Gifts	\$ 0	\$ 61,000,000

Operation/Maintenance:

• State Appropriation and Tuition	\$1,774,500	\$1,774,500
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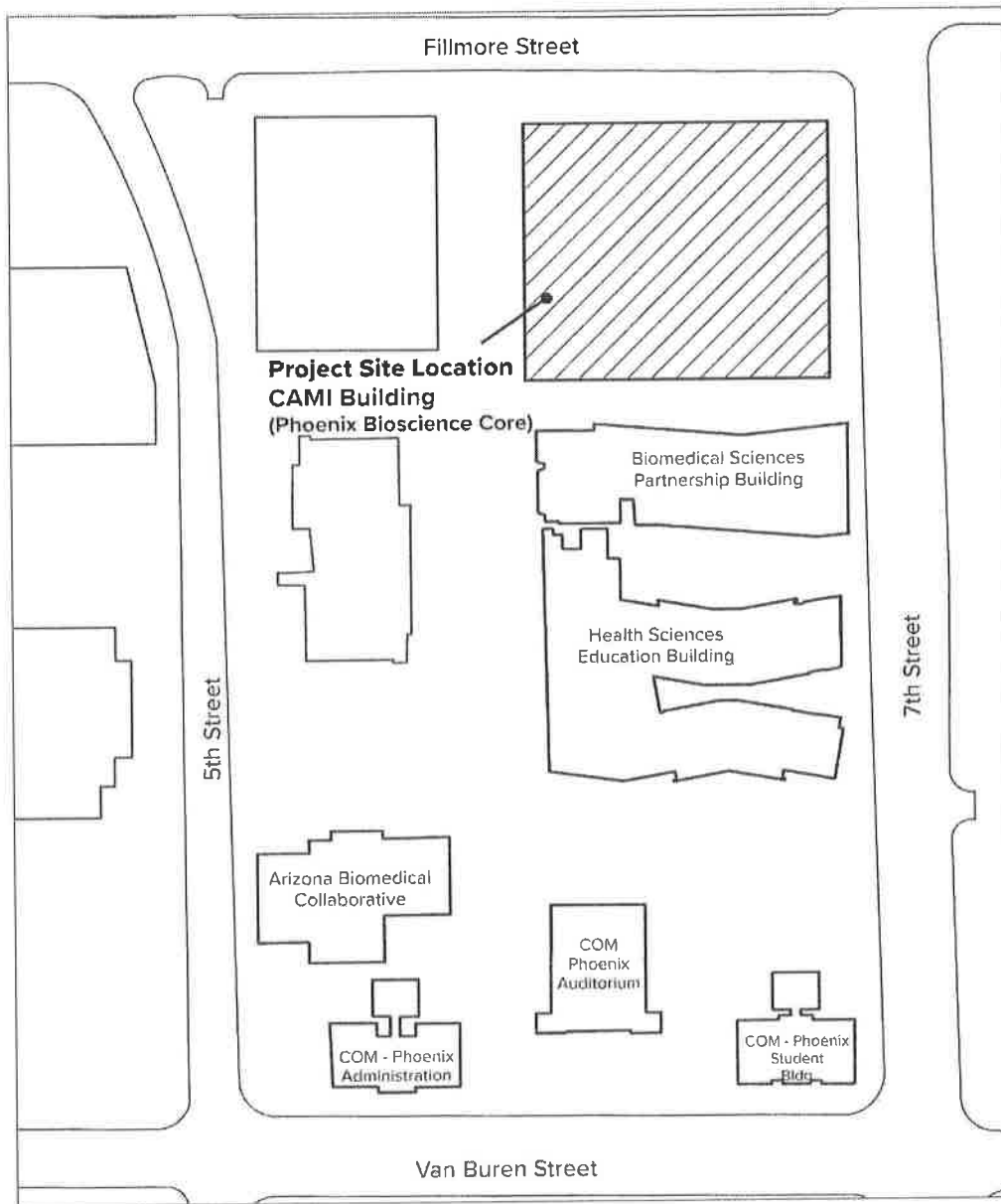
EXECUTIVE SUMMARY

**University of Arizona
Capital Project Budget Summary
Center for Advanced Molecular Immunotherapies (CAMI)**

<u>Date of Budget Estimate</u>	<u>FY 2025 Annual Capital Plan Sept 2024</u>	<u>Individual Project Financing Report Sept 2024</u>
1. Land	\$ 0	\$ 0
2. Construction Cost		
A. New Construction	\$ 228,000,000	\$ 228,000,000
B. Renovation	\$ 0	\$ 0
C. Fixed Equipment	\$ 3,000,000	\$ 3,000,000
D. Site Development (exclude 2.E.)	\$ 0	\$ 0
E. Parking & Landscaping	\$ 0	\$ 0
F. Utilities Extensions	\$ 1,000,000	\$ 1,000,000
G. Other (asbestos only)	\$ 0	\$ 0
Subtotal Construction Cost	\$ 232,000,000	\$ 232,000,000
3. Consultant Fees		
A. Construction Manager	\$ 0	\$ 0
B. Architect/Engineering Fees	\$ 29,000,000	\$ 29,000,000
C. Other (Programming, Special Consult.)	\$ 2,000,000	\$ 2,000,000
Subtotal Consultant Fees	\$ 31,000,000	\$ 31,000,000
4. Furniture Fixtures and Equipment	\$ 8,000,000	\$ 8,000,000
5. Contingency, Design Phase	\$ 4,000,000	\$ 4,000,000
6. Contingency, Construction Phase	\$ 7,000,000	\$ 7,000,000
7. Parking Reserve	\$ 0	\$ 0
8. Telecommunications Equipment	\$ 2,300,000	\$ 2,300,000
Subtotal Items 4-8	\$ 21,300,000	\$ 21,300,000
9. Additional University Costs		
A. Surveys and Tests	\$ 1,400,000	\$ 1,400,000
B. Move-in Costs	\$ 100,000	\$ 100,000
C. Public Art	\$ 0	\$ 0
D. Printing/Advertisement	\$ 0	\$ 0
E. Univ. Facilities & Project Management	\$ 3,000,000	\$ 3,000,000
F. State Risk Mgt. Ins	\$ 1,200,000	\$ 1,200,000
Subtotal Additional University Costs	\$ 5,700,000	\$ 5,700,000
TOTAL CAPITAL COST	\$ 290,000,000	\$ 290,000,000

EXECUTIVE SUMMARY

**University of Arizona
Project Site Location Map
Center for Advanced Molecular Immunotherapies (CAMI)**



**Center for Advanced Molecular &
Immunological Therapies (CAMI) Building**

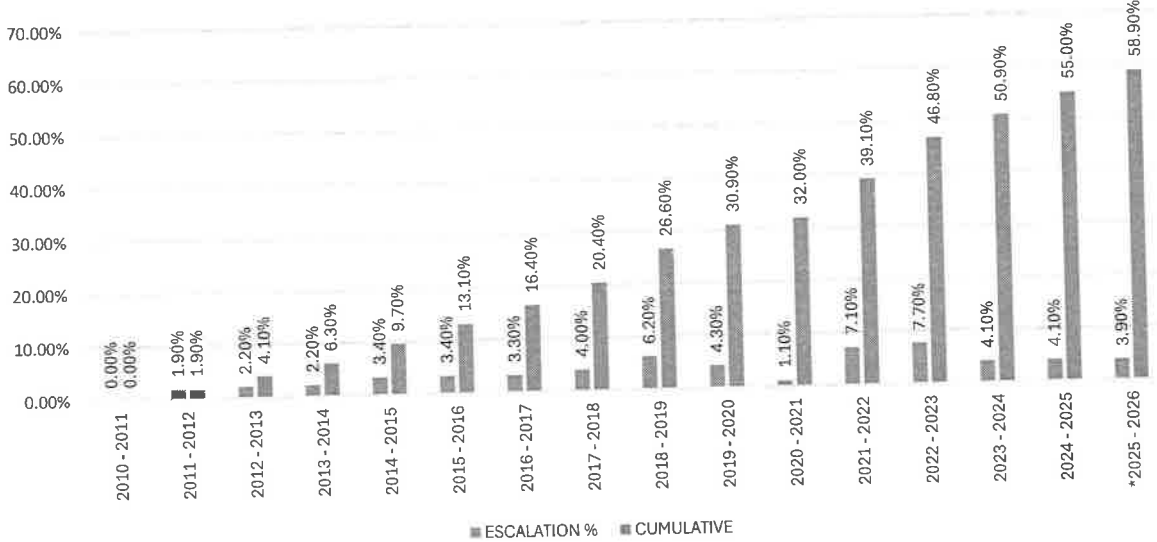




University of Arizona
 Center for Advanced Molecular & Immunological Therapies
 Historical & Forecasted Escalation - Phoenix Market
 11/26/2024
 REV 00

YEAR	ESCALATION %	CUMULATIVE
2010 - 2011	0.00%	0.00%
2011 - 2012	1.90%	1.90%
2012 - 2013	2.20%	4.10%
2013 - 2014	2.20%	6.30%
2014 - 2015	3.40%	9.70%
2015 - 2016	3.40%	13.10%
2016 - 2017	3.30%	16.40%
2017 - 2018	4.00%	20.40%
2018 - 2019	6.20%	26.60%
2019 - 2020	4.30%	30.90%
2020 - 2021	1.10%	32.00%
2021 - 2022	7.10%	39.10%
2022 - 2023	7.70%	46.80%
2023 - 2024	4.10%	50.90%
2024 - 2025	4.10%	55.00%
*2025 - 2026	3.90%	58.90%

ESCALATION % YEAR OVER YEAR



*Forecasted
 Table based on RLB Historical TPI Data for Phoenix Region



STATE OF ARIZONA

Joint Committee on Capital Review

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LUPE CONTRERAS

DATE: December 11, 2024

TO: Members of the Joint Committee on Capital Review

FROM: Grace Timpany, Fiscal Analyst

SUBJECT: University of Arizona – Consider Approval of Deferred Maintenance Projects

Request

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). These monies are from the \$1 billion capital investment program enacted in 2017. The University of Arizona (UA) requests Committee approval of \$45,000,000 in bond issuances for deferred maintenance projects on its Main Campus.

Committee Options

The Committee has at least the following 2 options:

1. Approval of the request.
2. Disapproval of the request.

Under either 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. 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.

Key Points

- 1) UA plans to complete deferred maintenance projects across multiple buildings on their Main Campus, including upgrades to major building systems, fire alarm systems, elevator modernizations, campus streets, and HVAC upgrades.
- 2) These projects will be funded with \$45.0 million in system revenue bonds.
- 3) The annual debt service will be \$3.3 million with 50% paid by General Fund appropriations and 50% paid by tuition revenue.

Analysis

UA intends to complete deferred maintenance projects across multiple buildings on its Main Campus to address the university's aging building infrastructure needs. Projects will address life and safety items, including fire alarm systems, elevator modernizations, electrical code compliance, building automation, and roof, plumbing and campus street repairs. The university states that aging building components have reached the end of their useful life, and the upgrades will address compliance with safety and Americans with Disabilities Act (ADA) requirements.

Financing

UA plans to use \$45.0 million in system revenue bonds with an anticipated rating of Aa2 (Moody's)/AA- (S&P) and an estimated interest rate of 3.80% over a 20-year term. Estimated issuance costs are \$365,000.

The annual debt service will be \$3.3 million from FY 2026 to FY 2045. Of the total \$65.4 million in debt service costs, \$32.7 million will be paid from tuition revenue and \$32.7 million will be paid from the General Fund. (See Table 1 for a summary of the bond financing terms).

The debt service on these projects will increase UA's current debt ratio by 0.11% from 3.70% to 3.81%. Including all UA projects on the agenda, the debt ratio will increase to 4.15%.

University Capital Infrastructure Funds (2017 Bonding Package)

Laws 2017, Chapter 328 established A.R.S. § 15-1671, which provides General Fund appropriations from FY 2019 to FY 2043 for new university research facilities, building renewal, or other capital construction projects. The law appropriates \$27.0 million to the universities in FY 2019 and increases the appropriation each year thereafter by 2.0% or the rate of inflation, whichever is less. The FY 2025 appropriations are allocated to each university as follows:

- ASU: \$13,300,700
- NAU: \$5,041,400
- UA: \$11,766,600
- **Total: \$30,108,700**

The universities may use these monies for debt service on infrastructure long-term financing and for cash construction costs. New debt issued under this program may not exceed \$1.0 billion.

Under the law, each university's General Fund appropriation is deposited into a newly-created Capital Infrastructure Fund (CIF). Each university must match any General Fund contributions to its fund that are used for debt service payments at a 1:1 rate. The \$1.0 billion of new projects would thus be funded half by state appropriations and half from university resources.

Debt service payments made on CIF-funded projects are included in the universities' statutory debt limit. Any cash-based capital projects funded with CIF monies must be reviewed by the Joint Committee on Capital Review, and any debt-financed projects funded with CIF monies must be approved by the Committee.

UA has previously received Committee review/approval for 8 CIF-funded projects totaling \$243.7 million in bonds issued and \$42.9 million in cash expenditures. The deferred maintenance projects will increase bond issuances by \$45.0 million.

Construction Timeframe	Through December 2025
Issuance Amount	\$45.0 million
Issuance Date	Early 2025
Issuance Transaction Fees	\$365,000
Rating	Aa2 (Moody's)/AA- (S&P)
Interest Rate	3.80%
Term	20 years
Total Debt Service Costs	\$65.4 million
Debt Service Payments	\$3.3 million
Payment Source	\$32.7 million General Fund (CIF) \$32.7 million tuition (CIF)
Debt Ratio Increase	0.11%

GT:jbu

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Administration Building Room 712
PO Box 210066
Tucson, AZ 85721-0066
Ofc: 520-621-5977
Fax: 520-621-7714



November 26, 2024

The Honorable David Livingston
Chairman, Joint Committee on Capital Review
House of Representatives 1
1700 West Washington St.
Phoenix, Az 85007

Dear Representative Livingston:

In accordance with A.R.S. §15-1671, the Arizona Board of Regents request the proposed deferred maintenance projects for the University of Arizona (U of A) be placed on the next Joint Committee on Capital Review agenda.

The total cost for the deferred maintenance projects is \$45 million. This includes various general deferred maintenance projects for U of A campus buildings and streets. The projects will be financed through \$45 million of System Revenue Bonds (SRBs) issued by the U of A. The U of A plans to use state appropriations from the Capital Infrastructure Fund (CIF) to pay for half of the debt service and retained tuition matching funds to pay the other half. The estimated annual debt service for the project is \$3.3 million, increasing the U of A's annual debt service ratio by 0.11%.

Project Summary

The general deferred maintenance projects for U of A's campus buildings and streets consist of various fire alarm and sprinkler, heating and cooling, building automation, and campus street upgrades. In addition, various plumbing and heat exchangers, roofs, and generators will be replaced. All campus systems and infrastructure receive routine preventative inspections, maintenance, and repairs. The building components being upgraded, repaired, or replaced have reached the end of their useful life and are necessary to ensure compliance with safety codes and the American with Disabilities Act. The various project delivery methods and processes for the projects will include competitive bids, government contracts, and job order contracting. All deferred maintenance projects will be completed by the end of calendar 2025.

Total Project Cost Breakdown:

\$45,000,000

General Campus Deferred Maintenance

- Fire Alarm and Sprinkler Upgrades
- HVAC Upgrades
- Building Automation Upgrades
- Plumbing and Heat Exchangers Life
- Elevator Code Compliance/Modernizations
- Electrical Code Compliance
- Roof Replacements Life
- Campus Street Upgrades
- ADA Upgrades
- New Generators



THE UNIVERSITY OF ARIZONA
Business Affairs



Bond and Finance Summary

Total Project Budget:	\$45,000,000
Estimated System Revenue Bond Par Amount:	\$40,426,000
Estimated System Revenue Bond Premium Amount:	\$4,939,000
Estimated Cost of Issuance:	\$365,000
Estimated Interest Rate:	3.80%
Payment Terms:	Approximately 20 years
Fund Source for Total Debt Payment:	State Appropriations & Retained Tuition
Total Annual Debt Service (by fund source):	
Principal & Int. FY26-45 (Avg.) \$3,269,000	State Appropriations & Retained Tuition
Total Debt Service Through Maturity: \$65,374,000	
Anticipated Date of Issuance:	Early 2025
Expected Bond Rating:	AA- (S &P) Aa2 (Moody's)
Debt Ratio Information:	
Current Projected Debt Ratio (FY26):	3.70%
Increment Debt Ratio for All Proposed Projects:	0.45%
Projected Highest Debt Ratio:	4.15%

Joint Committee on Capital Review
December 18, 2024 JCCR Meeting
University of Arizona Projects Submission

Deferred Maintenance
Tax Exempt System Revenue Bonds
Amortization Schedule

Period Ending	Annual Principal	Annual Interest	Annual Debt Service
6/1/2026	911,500	2,356,000	3,267,500
6/1/2027	1,294,500	1,974,000	3,268,500
6/1/2028	1,358,500	1,910,000	3,268,500
6/1/2029	1,427,500	1,842,000	3,269,500
6/1/2030	1,498,500	1,771,000	3,269,500
6/1/2031	1,572,500	1,695,000	3,267,500
6/1/2032	1,651,500	1,617,000	3,268,500
6/1/2033	1,733,500	1,535,000	3,268,500
6/1/2034	1,821,500	1,448,000	3,269,500
6/1/2035	1,911,500	1,357,000	3,268,500
6/1/2036	2,006,500	1,261,000	3,267,500
6/1/2037	2,106,500	1,161,000	3,267,500
6/1/2038	2,212,500	1,056,000	3,268,500
6/1/2039	2,323,500	945,000	3,268,500
6/1/2040	2,440,500	829,000	3,269,500
6/1/2041	2,561,500	707,000	3,268,500
6/1/2042	2,689,500	579,000	3,268,500
6/1/2043	2,824,500	445,000	3,269,500
6/1/2044	2,964,500	304,000	3,268,500
6/1/2045	3,115,500	156,000	3,271,500
	40,426,000	24,948,000	65,374,000

Sincerely,



John S. Arnold
 Sr. Vice President, COO and CFO

cc: Richard Stavneak, Director, JLBC
 Grace Timpany, Fiscal Analyst
 Senator John Kavanagh, Vice-Chairman

EXECUTIVE SUMMARY

Item Name: Amended Individual Project and Financing for Deferred Maintenance for the University of Arizona

Action Item

Requested Action: The University of Arizona (U of A) asks the board to approve the amended individual project and financing of its FY 2025 Deferred Maintenance, as described in this executive summary. The approximate 4,158,786 square foot, \$45,000,000 major capital project will be financed with System Revenue Bonds. The debt service will be paid over 20 years from state capital infrastructure funds and retained tuition.

Background/History of Previous Board Action

- Deferred Maintenance was included as a three-year forecasted project in the FY 2025 – 2028 Capital Improvement Plan (CIP) approved by the board at its September 2023 meeting.
- Deferred Maintenance was also included in the U of A's FY 2025 Annual Capital Plan (ACP) approved by the board at its September 2024 meeting.
- The U of A now plans to increase the number of Deferred Maintenance projects to be addressed in FY 2025, which will increase the total project costs from \$35 million to \$45 million. The U of A still plans to use System Revenue Bonds (SRBs) to finance the Deferred Maintenance, and is asking for an amended individual project and financing approval given the \$10 million increase in the total project costs.

Project Justification/Description/Scope

- Facility Condition Assessments were completed for all campus buildings to prioritize the Deferred Maintenance needs. The items listed below were considered the highest priority. Addressing Deferred Maintenance needs and aging building infrastructure is part of the University's Annual Capital Plan. In addition, analyzing and addressing the Deferred Maintenance prioritized needs of all mechanical, electrical, plumbing, and life and safety items allow for the continuity of operations. Overall, renovated items will be more cost-effective. The renovations will all last 25-30 plus years before needing to be replaced.

Contact Information:

John Arnold, U of A

johnarnold@arizona.edu

520-621-5977

EXECUTIVE SUMMARY

- Facilities Management will be addressing campus-wide Deferred Maintenance needs at a total cost of \$45 million. These needs include fire alarm upgrades, elevator code compliance, electrical code compliance, roof replacement, plumbing upgrades, street repairs, ADA compliance, generators and building automation upgrades.

Project Delivery Method and Process

- The delivery method for each Deferred Maintenance project will be selected on a project-by-project basis depending on which method provides the most efficient and effective delivery. All projects will either follow state contracts that have been competitively bid on or will go through the JOC process.

Project Status and Schedule

- Design phase is currently underway.
- Project construction for the additional projects to be included under this request is scheduled to commence in November 2024 and will be complete in June 2025.

Project Cost

- This project encompasses multiple projects on campus and 4,158,786 gross square feet (gsf), including 4,149,800 net assignable square feet (nasf).
- The construction cost for this project is \$39,300,000 (\$9.27 per gsf) and the total project cost is \$45 million (\$10.82 per gsf).
- Comparable prior in-state university projects:

Project	University	GSF	Construction \$/GSF	Total \$GSF
HVAC	University of Arizona	650,917	\$28.73	\$24.62
Fire Safety	University of Arizona	189,608	\$33.76	\$28.94
Building Automation	University of Arizona	574,733	\$2.78	\$2.39
Street Repair	University of Arizona	260,567	\$5.20	\$4.46
Elevator	University of Arizona	331,674	\$2.63	\$2.25
ADA Compliance	University of Arizona			
Generators	University of Arizona	342,620	\$2.17	\$1.86
Roof	University of Arizona	133,686	\$6.43	\$5.51
Plumbing	University of Arizona	401,582	\$2.24	\$1.92
Electrical Code	University of Arizona	18,074	\$46.61	\$39.95
Flooring	University of Arizona	129,785	\$2.00	\$1.72
Student Union Tunnel Repair	University of Arizona	245,035	\$2.59	\$2.22

EXECUTIVE SUMMARY

Athletics Safety Upgrades	University of Arizona	34,177	\$35.11	\$30.10
Honors Kitchen Hood	University of Arizona	8,000	\$26.25	\$22.50
Engineering Classroom	University of Arizona	171,375	\$0.70	\$0.60

Fiscal Impact and Financing Plan

- The University plans to finance \$45 million for the project using System Revenue Bonds (SRBs). The annual debt service on the SRBs is estimated to be \$3.3 million based on a conservative budget of 5 percent interest rate for a 20-year maturity. The University plans to use state appropriations tied to the Capital Infrastructure Fund established in ARS 15-1671 to pay for half of the debt service and retained tuition matching funds to pay the other half. In FY 2025, the University’s budget for Tuition (without UAGC) is \$816.1 million and Capital Infrastructure Fund appropriation is \$11.8 million. These sources fund debt service on other capital projects and have existing capacity to cover this project.
- The Operations and Maintenance (O&M) cost for the project is already included in the University’s current budget.
- U of A will:
 - (a) sell one or more series of system revenue bonds to finance the project, costs of issuance 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) sell 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; and
 - (d) utilize a financial advisor, bond counsel, and bond trustee for the financing. The system revenue bonds will be marketed and sold on a negotiated basis, either 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.

Debt Ratio Impact:

- The estimated annual debt service of \$3.3 million on this project’s SRBs would increase the U of A debt ratio by .11 percent. The projected highest debt ratio is 4.2 percent, excluding SPEED revenue bonds, and 5.0 percent if including SPEED revenue bonds. This remains well below the 8.0 percent debt ratio limit established by ABOR policy and state statute.

EXECUTIVE SUMMARY

Occupancy Plan

- Work will be coordinated with building managers and there will be no displacement.

Committee Review and Recommendation

The University Governance and Operations Committee reviewed this item at its November 7, 2024 meeting and recommended forwarding the item to the board for approval.

Statutory/Policy Requirements

- Pursuant to ABOR Policy 7-102.B.4, each university shall submit an individual project and financing plan.
- Pursuant to ABOR Policy 7-102.B.4.a.iii, a project shall be resubmitted if the total project cost increases by 10% or more.
- Individual project and financing plans are reviewed by the University Governance and Operations Committee and approved by the board.
- Approval of the individual project and financing plan authorizes the university to proceed with financing and execution of construction contracts for the project.

EXECUTIVE SUMMARY

**University of Arizona
Capital Project Information Summary
Deferred Maintenance**

Project Description / Location:

This project will be at various locations throughout campus.

	<u>FY 2025 Annual Capital Plan September 2024</u>	<u>Amended Individual Project Financing Approval November 2024</u>
<u>Project Schedule (Beginning Month/Year):</u>		
Planning	7/1/2023	7/1/2023
Design	7/1/2023	7/1/2023
Construction	9/1/2024	9/1/2024
Occupancy	12/31/2024	12/31/2024
<u>Project Budget:</u>		
Total Project Cost	\$ 35,000,000	\$ 45,000,000
Total Project Cost per GSF	\$10.02	\$ 10.82
Direct Construction Cost - Renovation	\$30,000,000	\$39,300,000
Construction Cost per GSF - Renovation	\$ 8.59	\$ 9.27
Change in Annual Oper./Maint. Cost		
Utilities	N/A	\$ N/A
Personnel	N/A	\$ N/A
Other	N/A	\$ N/A
<u>Funding Sources:</u>		
Capital:		
• System Revenue Bonds	\$ 35,000,000	\$45,000,000
Operation/Maintenance:	N/A	N/A

EXECUTIVE SUMMARY

**University of Arizona
Capital Project Budget Summary**

<u>Date of Budget Estimate</u>	<u>FY 2025 Annual Capital Plan</u>	<u>Amended Individual Project Financing Approval</u>
	<u>Sept 2024</u>	<u>Nov 2024</u>
1. Land	\$ 0	\$ 0
2. Construction Cost		
A. New Construction	\$ 0	\$ 0
B. Renovation	\$ 12,365,000	\$ 13,843,400
C. Fixed Equipment	\$ 22,000,000	\$ 24,720,000
D. Site Development (exclude 2.E.)	\$ 0	\$ 0
E. Parking & Landscaping	\$ 0	\$ 0
F. Utilities Extensions	\$ 635,000	\$ 736,600
G. Other (asbestos only)	\$ 0	\$ 0
Subtotal Construction Cost	\$ 30,000,000	\$ 39,300,000
3. Consultant Fees		
A. Construction Manager	\$ 3,800,000	\$ 4,236,000
B. Architect/Engineering Fees	\$ 500,000	\$ 610,000
C. Other (Programming, Special Consult.)	\$ 0	\$ 0
Subtotal Consultant Fees	\$ 4,300,000	\$ 4,846,000
4. Furniture Fixtures and Equipment	\$ 0	\$ 0
5. Contingency, Design Phase	\$ 50,000	\$ 61,000
6. Contingency, Construction Phase	\$ 450,000	\$ 549,000
7. Parking Reserve	\$	\$
8. Telecommunications Equipment	\$	\$
Subtotal Items 4-8	\$ 500,000	\$ 610,000
9. Additional University Costs		
A. Surveys and Tests	\$ 0	\$ 0
B. Move-in Costs	\$ 0	\$ 0
C. Public Art	\$ 0	\$ 0
D. Printing/Advertisement	\$ 0	\$ 0
E. Univ. Facilities & Project Management	\$ 0	\$ 0
F. State Risk Mgt. Ins	\$ 200,000	\$ 244,000
Subtotal Additional University Costs	\$ 200,000	\$ 244,000
TOTAL CAPITAL COST	\$ 35,000,000	\$ 45,000,000



STATE OF ARIZONA

Joint Committee on Capital Review

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LUPE CONTRERAS

DATE: December 11, 2024
TO: Members of the Joint Committee on Capital Review
FROM: Grace Timpany, Fiscal Analyst
SUBJECT: University of Arizona – Review of UA Health Sciences Building 201 Renovation

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. The University of Arizona (UA) requests 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.

Committee Options

The Committee has at least the following 2 options:

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

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

Standard University Financing 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, any changes to the planned construction timeline, the expected completion date, and any change to the scope of the project.

Key Points

- 1) UA plans to renovate 16,500 square feet on the 1st floor of UAHS Building 201.
- 2) The space will provide administrative and faculty offices for the Department of Medical Imaging. Renovations will also include mechanical, electrical, and plumbing upgrades, and asbestos abatement.
- 3) The annual debt service is estimated to be \$690,000, paid for with UAHS local funds.

Analysis

UA plans to renovate 16,500 square feet of the 1st floor of Building 201 in the Health Sciences complex, which was previously occupied by Banner Health and is attached to UA's hospital and education facilities. The renovated space will house the Department of Medical Imaging, currently located in the Health Sciences Innovation Building. The space vacated by the Department of Medical Imaging will then make available 13,000 square feet for UA's new Physical Therapy and Physician Assistant programs. UA states that the space requires mechanical, electrical and plumbing upgrades, and asbestos abatement.

Financing

UA intends to issue \$10.7 million in system revenue bonds with an anticipated rating of Aa2 (Moody's)/AA- (S&P) and an interest rate of 4.27% over a 30-year term. Bonds will be issued in early 2025. The estimated cost of issuance is \$90,000.

UA will make a debt service payment of \$690,000 from 2026 to 2055, paid for with UAHS local funds. *(See Table 2 for a summary of the bond financing terms.)*

The debt service on this project increases UA's current debt ratio by 0.02% from 3.70% to 3.72%. Including all UA projects on the agenda, the debt ratio will increase to 4.15%.

Construction Costs

Of the \$10.7 million total project cost, direct construction costs are \$7.2 million. The total project cost per square foot is \$648, while direct construction costs per square foot are \$433 *(see Table 1)*. For comparison, the university previously renovated other sections of Building 201 at a total cost of \$580 per square foot and \$389 per square foot for direct construction costs.

UA reports that it is using the Design-Build (DB) method for construction. Demolition of the 1st floor began in August 2024 and the entire project is expected to be completed by October 2025.

Operations and Maintenance Costs

UA expects Operations and Maintenance costs to increase by \$136,900 which will be funded using Facility & Administrative rate funds, which includes monies received based on research cost sharing agreements with the federal government.

Table 1

UAHS Building 201 Renovation

Total Square Footage	16,500	
<u>Funding</u>		
System Revenue Bonds ^{1/}	\$10,700,000	
<u>Costs</u>		
Direct Construction Costs	\$7,150,000	(\$433 per sq. ft.)
Other Costs ^{1/}	<u>3,550,000</u>	<u>(\$215 per sq. ft.)</u>
Total	\$10,700,000	(\$648 per sq. ft.)
Operations & Maintenance	\$136,900	

^{1/} Includes equipment, furniture, project design and management fees, and other costs.

Table 2

UAHS Building 201 Renovation Financing Terms

Construction Timeframe	August 2024 – October 2025
Issuance Amount	\$10.7 million
Issuance Date	Early 2025
Issuance Transaction Fees	\$90,000
Rating	Aa2 (Moody's)/AA- (S&P)
Interest Rate	4.27%
Term	30 years
Total Debt Service Costs	\$20.6 million
Debt Service Payments	\$690,000
Payment Source	UAHS Local Funds
Debt Ratio Increase	0.02%

GT:jbu

BUSINESS AFFAIRS

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November 26, 2024

The Honorable David Livingston
Chairman, Joint Committee on Capital Review
House of Representatives 1
1700 West Washington St.
Phoenix, Az 85007

Dear Representative Livingston:

In accordance with A.R.S. §15-1683, the Arizona Board of Regents (ABOR) request the University of Arizona Health Sciences (UAHS) Building 201 project for the University of Arizona (U of A) be placed on the next Joint Committee on Capital Review agenda.

The UAHS Building 201 project is part of a comprehensive strategy to expand the U of A's capacity in the health sciences. The infrastructure project will provide permanent space for the U of A's Department of Medical Imaging, and make room on campus for the U of A's new Physical Therapy and Physician Assistant programs. The total project cost is \$10.7 million, which will be financed through System Revenue Bonds issued by the U of A. The U of A Health Sciences will use its local funds to pay the annual debt service. The estimated annual debt service for the project is \$664,000, increasing the U of A's annual debt service ratio by 0.02%.

Project Summary

UAHS Building 201 is located within the UAHS complex, 1501 North Campbell Ave., in Tucson. The 50-year-old, eight-floor building is attached to both the U of A's hospital and education facilities. The U of A has provided continuous maintenance throughout and made substantial upgrades to various parts of the building. This includes mechanical, electrical, and plumbing upgrades on several floors, and improvements to the research, lab, and library areas.

This project will renovate approximately 16,500 square feet on the first floor of the building, space that was previously occupied by Banner Health. The space requires mechanical, electrical and plumbing upgrades, demolition, renovation, and asbestos abatement. The renovation will provide a permanent place for the Department of Medical Imaging, currently housed in the Health Sciences Innovation Building (HSIB). It will include state-of-the-art design concepts to make the most efficient use of the space. Moving the Department of Medical Imaging to UAHS Building 201 will then make available 13,000 square feet in the HSIB to house the U of A's new Physical Therapy (PT) program, which will enroll its first class in 2025, and its new Physician Assistant (PA) program, which will begin in 2026. The PT and PA programs are part of an overall plan within the Health Sciences to help address the critical shortage of healthcare professionals throughout Arizona.

This infrastructure project was included in the U of A's FY 23 Capital Improvement Plan. ABOR approved the final Project and Financing Plan in November 2023.

The U of A is using design-build as the project delivery method, which will streamline the architectural design and construction. A variety of procurement methods are being used for the selection of subcontractors, including the lowest qualified bids. Demolition of the building began in August 2024, and construction is estimated to be complete in October 2025.





A summary of the estimated project costs is below:

\$995,511	Pre-Construction Design Phase <ul style="list-style-type: none">• Design-build fees• Pre-construction phase project management
\$6,819,151	Building Construction Costs <ul style="list-style-type: none">• Demolition• Renovations• Mechanical, electrical and plumbing• Construction inspections• Hazardous materials abatement
\$2,885,338	Fire Protection and University Department-Related Costs <ul style="list-style-type: none">• Information technology services• Signage• Fire sprinklers, alarms, message boards• Security and door locks• Audio, visual, and digital equipment
\$10,700,000	Total

Summary of Financing Information:

Total Project Budget:	\$10,700,000
Estimated System Revenue Bond Par Amount:	\$10,100,000
Estimated System Revenue Bond Premium Amount:	\$690,000
Estimated Cost of Issuance:	\$90,000
Estimated Interest Rate:	4.27%
Payment Terms:	Approximately 30 years
Fund Source for Total Debt Payment:	University Local Funds
Total Annual Debt Service (by fund source):	
Principal & Int. FY26-45 (Ave.) \$686,000	University Local Funds
Total Debt Service Through Maturity: \$20,566,000	



Anticipated Date of Issuance:

Early 2025

Expected Bond Rating:

AA- (S &P)

Aa2 (Moody's)

Debt Ratio Information:

Current Projected Debt Ratio (FY26):

3.70%

Increment Debt Ratio for all Proposed Projects:

0.45%

Projected Highest Debt Ratio:

4.15%



Joint Committee on Capital Review
December 18, 2024 JCCR Meeting
University of Arizona Projects Submission

UAHS Building 201 Renovation
Tax Exempt System Revenue Bonds
Amortization Schedule

Period Ending	Annual Principal	Annual Interest	Annual Debt Service
6/1/2026	149,000	544,000	693,000
6/1/2027	159,000	536,000	695,000
6/1/2028	169,000	527,000	696,000
6/1/2029	179,000	518,000	697,000
6/1/2030	184,000	509,000	693,000
6/1/2031	194,000	499,000	693,000
6/1/2032	204,000	489,000	693,000
6/1/2033	214,000	478,000	692,000
6/1/2034	229,000	466,000	695,000
6/1/2035	239,000	454,000	693,000
6/1/2036	249,000	441,000	690,000
6/1/2037	259,000	428,000	687,000
6/1/2038	269,000	414,000	683,000
6/1/2039	289,000	400,000	689,000
6/1/2040	299,000	385,000	684,000
6/1/2041	319,000	369,000	688,000
6/1/2042	329,000	352,000	681,000
6/1/2043	349,000	334,000	683,000
6/1/2044	369,000	315,000	684,000
6/1/2045	389,000	296,000	685,000
6/1/2046	410,000	275,000	685,000
6/1/2047	430,000	253,000	683,000
6/1/2048	450,000	230,000	680,000
6/1/2049	470,000	206,000	676,000
6/1/2050	500,000	181,000	681,000
6/1/2051	520,000	154,000	674,000
6/1/2052	550,000	126,000	676,000
6/1/2053	580,000	97,000	677,000
6/1/2054	600,000	66,000	666,000
6/1/2055	640,000	34,000	674,000
	10,190,000	10,376,000	20,566,000



Sincerely,

John S. Arnold
Sr. Vice President, COO and CFO

cc: Richard Stavneak, Director, JLBC
Grace Timpany, Fiscal Analyst
Senator John Kavanagh, Vice-Chairman

EXECUTIVE SUMMARY

Item Name: Individual Project and Financing for University of Arizona Health Services Building 201 Remodel – 1st Floor Relocation/Expansion Medical Imaging Administration and Faculty Offices Renovation Project for the University of Arizona

Action Item

Requested Action: The University of Arizona (UArizona) asks the board for individual project and financing approval of its University of Arizona Health Services (UAHS) Building 201 Remodel – 1st Floor Relocation/Expansion Medical Imaging Administration and Faculty Offices Renovation Project, as described in this executive summary. The 16,500 square foot, \$10 million major capital project will be financed with Institutional Funds.

Background/History of Previous Board Action

- Capital Improvement Plan FY 2023 – 2025 September 2021
- Annual Capital Plan September 2022
- Annual Capital Plan September 2023

Project Justification/Description/Scope

- This project is a continuation of UArizona's ongoing plan to renovate existing space within Building 201 at the University of Arizona Health Sciences complex that was vacated by Banner Health.
- This project will renovate approximately 16,500 square feet of existing space on the 1st Floor of Building 201 recently vacated by Banner Health to provide administrative and faculty offices for the Department of Medical Imaging that will incorporate the latest thinking/design concepts regarding this type of space.

Project Delivery Method and Process

- This project is being delivered through the Design-Build (D-B) delivery method. This approach was selected for this project because it can provide early cost control, save time through fast-track project scheduling while still providing contractor design input and coordination throughout the project, improving potentially adversarial project environments and still allowing for the selection of the most qualified architect-contractor team for this project. Through peer review of the D-B's cost

Contact Information:

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520-621-5977

EXECUTIVE SUMMARY

estimate at each phase, and low-bid subcontractor work for the actual construction work, this method also provides a high level of cost and quality control.

- The Design-Builder provides a Guaranteed Maximum Price (GMP) based upon the amount previously agreed upon in the Design-Build agreement. The Design-Builder is at risk to provide the completed project within that price. In the selection of major subcontractors, the Design-Builder uses a qualification-based selection process prescribed by the ABOR Procurement Code to allow major subcontractors a design-assist role during the design phase. All remaining subcontractor work is awarded on the basis of the lowest responsive and responsible subcontractor bids. For this work, a minimum of three subcontractor bids will be required, except for specialty items or instances where proprietary systems are required, such as for energy management systems and door locks. A final report on project control procedures will be provided at project completion.
- The Design-Build Team has been selected through the capital project selection committee process prescribed by the ABOR Procurement Code. A licensed contractor was included on the selection committee as required by ABOR Policy.

Project Status and Schedule

- Design and planning phase is currently underway.
- Project construction is scheduled to commence during winter 2023/2024 and will be completed during winter 2024/2025.

Project Cost

- This project encompasses 16,500 gross square feet (gsf), including 11,500 net assignable square feet (nasf).
- The construction cost for this project is \$7.15 million (\$433 per gross square foot), and the total project cost is \$10 million (\$606 per gross square foot).

EXECUTIVE SUMMARY

- Comparable previously approved projects:

Comparable Similar Previously Approved Projects					
Project	University	Total Project Budget	Project GSF	Total \$/GSF	Constr. \$/GSF
UAHS Bldg 201 Renovations	UA	\$23,000,000	39,700	\$580/GSF	\$389/GSF
UA Administration Bldg Renovation	UA	\$2,200,000	3,800	\$579/GSF	\$382/GSF

Fiscal Impact and Financing Plan

- The University plans to use \$10 million in institutional funding to finance the project.
- The estimated Operations and Maintenance (O&M) cost for the project is \$136,900. The University plans to fund the O&M with Facility & Administrative rate funds.
- **Debt Ratio Impact:** The project will have no impact on the University's debt ratios because no debt will be issued to finance the project.

Occupancy Plan

- It is anticipated that after project completion, the Department of Medical Imaging will then vacate 13,000 gsf of space for use by the UAHS Physical Therapy Program.

Statutory/Policy Requirements

- Pursuant to ABOR Policy 7-102.B.4, each university shall submit an individual project and financing plan.
- Individual project and financing plans are reviewed by the University Governance and Operations Committee and approved by the board.
- Approval of the individual project and financing plan authorizes the university to proceed with financing and execution of construction contracts for the project.

Committee Review and Recommendation

The University Governance and Operations Committee reviewed this item at its November 2, 2023 meeting and recommended forwarding the item to the board for approval.

EXECUTIVE SUMMARY

**UArizona
Capital Project Information Summary
UAHS Building 201 Remodel – 1st Floor Relocation/Expansion
Medical Imaging Administration and Faculty Offices Renovation Project**

Project Description / Location:

- This project will renovate approximately 16,500 square feet of existing space within Building 201 at University Arizona Health Sciences complex in Tucson that was vacated by Banner Health and will provide administrative and faculty offices for the Department of Medical Imaging that will incorporate the latest thinking/design concepts regarding this type of space.

	<u>FY 2024 Annual Capital Plan</u>	<u>Individual Project Financing Report</u>
<u>Project Schedule (Beginning Month/Year):</u>		
Planning	Fall 2022	Fall 2022
Design	Spring 2023	Spring 2023
Construction	Winter 2023/24	Winter 2023/24
Occupancy	Winter 2024/25	Winter 2024/25
<u>Project Budget:</u>		
Total Project Cost	\$ 10,000,000	\$ 10,000,000
Total Project Cost per GSF	\$ 606	\$ 606
Direct Construction Cost - Renovation	\$ 7,150,000	\$ 7,150,000
Construction Cost per GSF - Renovation	\$433	\$433
Change in Annual Oper./Maint. Cost		
Utilities	\$ 54,600	\$ 54,600
Personnel	\$ 55,100	\$ 55,100
Other	\$ 27,200	\$ 27,200
<u>Funding Sources:</u>		
Capital:		
• Institutional funding	\$ 10,000,000	\$ 10,000,000
Operation/Maintenance:		
• F&A	\$ 136,900	\$ 136,900

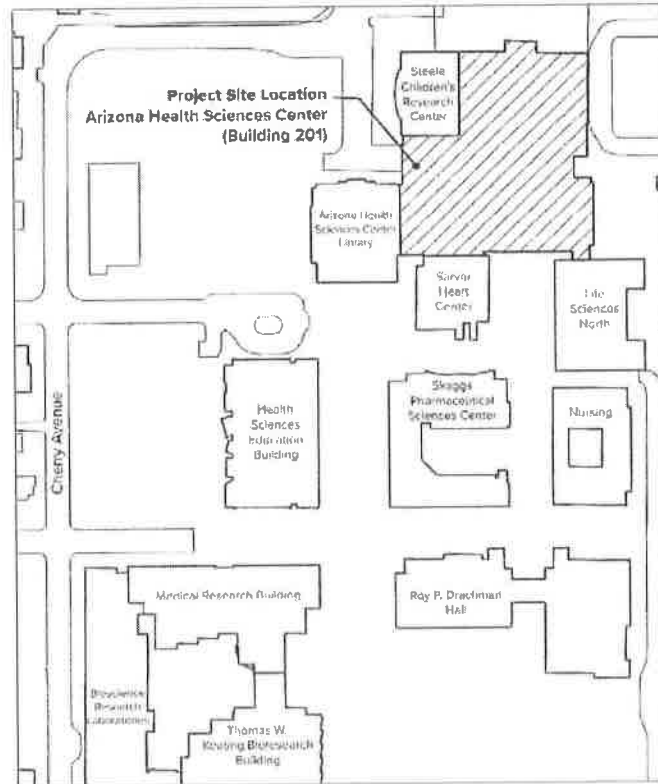
EXECUTIVE SUMMARY

**UArizona
Capital Project Budget Summary
UAHS Building 201 Remodel – 1st Floor Relocation/Expansion Medical Imaging
Administration and Faculty Offices Renovation Project**

<u>Date of Budget Estimate</u>	<u>FY 2024 Annual Capital Plan Sept 2023</u>	<u>Individual Project Financing Report Nov 2023</u>
1. Land	\$ 0	0
2. Construction Cost		
A. New Construction	\$ 0	0
B. Renovation	\$ 7,150,000	7,150,000
C. Fixed Equipment	\$ 0	0
D. Site Development (exclude 2.E.)	\$ 0	0
E. Parking & Landscaping	\$ 0	0
F. Utilities Extensions	\$ 0	0
G. Other (asbestos only)	\$ 100,000	100,000
Subtotal Construction Cost	\$ 7,250,000	7,250,000
3. Consultant Fees		
A. Construction Manager	\$ 108,000	108,000
B. Architect/Engineering Fees	\$ 795,000	795,000
C. Other (Programming, Special Consult.)	\$ 0	0
Subtotal Consultant Fees	\$ 903,000	903,000
4. Furniture Fixtures and Equipment	\$ 715,000	715,000
5. Contingency, Design Phase	\$ 216,000	216,000
6. Contingency, Construction Phase	\$ 362,000	362,000
7. Parking Reserve	\$ 0	0
8. Telecommunications Equipment	\$ 190,000	190,000
Subtotal Items 4-8	\$ 1,483,000	1,483,000
9. Additional University Costs		
A. Surveys and Tests	\$ 10,000	10,000
B. Move-in Costs	\$ 20,000	20,000
C. Public Art	\$ 0	0
D. Printing/Advertisement	\$ 5,000	5,000
E. Univ. Facilities & Project Management	\$ 277,000	277,000
F. State Risk Mgt. Ins	\$ 52,000	52,000
Subtotal Additional University Costs	\$ 364,000	364,000
TOTAL CAPITAL COST	\$ 10,000,000	10,000,000

EXECUTIVE SUMMARY

**UArizona
Project Site Location Map
UAHS Building 201 Remodel – 1st Floor Relocation/Expansion Medical
Imaging Administration and Faculty Offices Renovation Project**



UAHS Building 201 Remodel 1st Floor Relocation /
Expansion Medical Imaging Admin & Faculty Office





STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

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VICE-CHAIRMAN
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EVA DIAZ
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HOUSE OF
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LUPE CONTRERAS

DATE: December 11, 2024

TO: Members of the Joint Committee on Capital Review

FROM: Grace Timpany, Fiscal Analyst

SUBJECT: University of Arizona - Review of Arizona Public Media Building

Request

A.R.S. § 15-1683 requires Committee review of any university projects financed with system revenue bonds. The University of Arizona (UA) requests 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.

Committee Options

The Committee has at least the following 2 options:

1. A favorable review of the request.
2. A favorable review of the request with the expectation that UA will not seek JCCR review of any additional bond financing of this project if additional resources are needed. (Chairman's Option)
3. 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. 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.

Key Points

- 1) UA plans to construct a 61,500 square foot Arizona Public Media building located at the UA Tech Park on 26th Street and Kino Parkway in Tucson.
- 2) The total cost of the project is \$63.0 million of which \$43.0 million has been received in gift funds. UA plans to finance the remaining \$20.0 million with bond issuances.
- 3) The annual debt service will be approximately \$1.2 million, paid with gifts received by AZPM.
- 4) Construction began in July 2023 (funded by gift revenue) and is expected to be completed in June 2025. UA plans to issue bonds in early 2025.

Analysis

UA intends to construct a 61,500 square foot building at the UA Tech Park located on 36th Street and Kino Parkway in Tucson. The building will serve as a new facility for AZPM which operates a variety of public television program services, radio services, and online services throughout 11 Arizona counties. These include national programs from PBS, NPR, and BBC, as well as local newscasts. The building will also include multi-functional space that can be used to host large public engagements and serve as a television production studio, as well as conference rooms to host leadership meetings and other events.

UA states that AZPM is currently using a 20,000 square foot space located in the basement and sub-basement of a classroom building which cannot support contemporary program production. In addition, UA states that AZPM must update production equipment to comply with new federal protocols in 2025 requiring technology upgrades for media outlets to continue broadcasting. The university reports that students currently make up approximately 25% of AZPM's workforce and the new facility will be accessible to students for internships, apprenticeships, and student employee opportunities.

Additionally, AZPM would pursue public-private partnerships and opportunities to produce projects for commercial clients. Of the total 61,500 square feet, the building design will include 6,000 square feet of shell space, which would be built out to client specifications. The university states that if the space were leased to a third party, the cost of the build out could be paid for by the client, but they have not yet determined a specific use for this space.

The original building plans financed construction of the building entirely with cash from gift revenue and construction began in July 2023. UA states that a portion of the gift funds will not be received until after construction is complete, and to preserve cash from its operating balances, the plans were revised to finance a portion of the remaining project costs with system revenue bonds. UA expects construction to be complete in June 2025.

Financing

UA has received \$43.0 million in gift funds for the AZPM building and will finance the remaining \$20.0 million with system revenue bonds. Bonds will be issued in early 2025 with an anticipated rating of Aa2 (Moody's)/AA- (S&P) and an estimated interest rate of 4.27% over a 30-year term. The university expects issuance costs to be \$165,000.

The annual debt service for this project will be approximately \$1.2 million funded by AZPM gift revenue. (See Table 2 for a summary of the bond financing terms.)

The debt service will increase UA's debt ratio by 0.04% from 3.70% to 3.74%. Including all UA projects on the agenda, the debt ratio will increase to 4.15%.

Construction Costs

Of the total \$63.0 million project cost for construction of the building, \$49.7 million are direct construction costs. Total project costs per square foot are \$1,024, while direct construction costs per square foot are \$808 (see Table 1).

The university did not provide any cost comparisons for other similar projects, but states that \$940,000 of the total cost will be specifically for telecommunications equipment.

UA reports that the project is being delivered through the Design-Build (DB) method. Construction began in July 2023 and is expected to be completed in June 2025.

Operations and Maintenance Costs

UA expects annual operation and maintenance costs to increase by \$531,000, which will be funded by other local funds.

UA Arizona Public Media Building Construction Costs	
Total Square Footage	61,500
<u>Funding</u>	
Gift Revenue	\$43,000,000
System Revenue Bonds	<u>\$20,000,000</u>
Total	\$63,000,000
<u>Building Construction Costs</u>	
Direct Construction Costs	\$49,700,000
Other Costs ^{1/}	<u>\$13,300,000</u>
Total	\$63,000,000
<u>Cost Per Square Foot</u>	
Direct Construction Costs	\$808
Other Costs ^{1/}	<u>\$216</u>
Total	\$1,024
Operations & Maintenance	\$531,000
^{1/} Includes equipment, project design and management fees and other costs	

Construction Timeframe	July 2023 – June 2025
Issuance Amount	\$20.0 million
Issuance Date	Early 2025
Issuance Transaction Fees	\$165,000
Rating	Aa2 (Moody's)/AA- (S&P)
Interest Rate	4.27%
Term	30 years
Total Debt Service Costs	\$36.1 million
Debt Service Payments	\$1.2 million
Payment Source	AZPM Gift Revenue
Debt Ratio Increase	0.04%

GT:jbu

BUSINESS AFFAIRS

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



November 26, 2024

The Honorable David Livingston
Chairman, Joint Committee on Capital Review
House of Representatives 1
1700 West Washington St.
Phoenix, Az 85007

Dear Representative Livingston:

In accordance with A.R.S.§15-1683, the Arizona Board of Regents (ABOR) request the Arizona Public Media (AZPM) building project for the University of Arizona (U of A) be placed on the next Joint Committee on Capital Review agenda.

The total project cost is \$63 million, of which \$20 million will be financed through System Revenue Bonds (SRBs) issued by the U of A. The U of A plans to use gift funds to pay the debt service. The estimated annual debt service for the project is \$1.2 million, increasing the U of A's annual debt service ratio by 0.04%. The U of A will use gift funds that have already been secured to pay the remaining \$43 million in project costs.

The 61,500-square-foot AZPM building will be located at the U of A's Bridges Tech Park at 36th Street and Kino Parkway in Tucson, Arizona.

Project Summary

AZPM is the public broadcasting service of the U of A. It is an editorially independent, member supported, public media outlet operating as an educational and informational community service. AZPM exemplifies the objectives of public media and furthers the land-grant mission of the University. AZPM serves eleven Arizona counties with three public television program services (*PBS-HDTV, PBS Kids, PBS 6 PLUS*), four public radio services (*Classical 90.5, NPR 89.1, Jazz 89.1 HD2, and the BBC World Service 89.1 HD3*), and a variety of online services (*azpm.org*). In addition to delivering national programs from PBS, NPR, and the BBC, AZPM produces 17 local newscasts each weekday, award-winning public affairs programs, documentaries, and community engagement events for Southern Arizona.

AZPM has for many years, been located in the basement and sub-basement of a classroom building on the main campus of the U of A. Originally designed in the early 1960's to support instructional television, this space is not ideal for current radio, television, and digital operation, as it has limited public facing presence and no capacity for the new technologies required to produce and deliver media content. Additionally, the current dark and compartmentalized workspace provides no access to natural daylight or room for teambuilding, collaboration, and communications activities. A new, modern facility will better support the education and training of U of A students, and the interests of the community, by improving visibility, and increasing access.

The AZPM building will be accessible to students for internship, apprenticeship, and employment opportunities. Approximately 25% of AZPM's workforce is comprised of U of A students, all in compensated positions. U of A students work alongside AZPM's professional staff to gain valuable on-the-job training while helping to finance their educational expenses.



THE UNIVERSITY OF ARIZONA
Business Affairs



This project will facilitate public-private partnerships as the largest and most technologically advanced broadcast production space in Southern Arizona and one of the best in state. AZPM intends to pursue opportunities to host commercial client production projects in the new space. The building has been designed with 6,000 square feet of expansion “shell space” that can be built out to client specifications.

The U of A is using design-build as the project delivery method. A variety of procurement methods are being engaged for subcontractor selection along with the traditional lowest qualified bid selection.

The AZPM building was included in the U of A’s FY23-25 Capital Plan approved by ABOR in September 2022. The project received final Individual Project and Financing approval from ABOR in June 2023. Construction began in July 2023 and will be completed in June 2025. The original finance plan was based entirely on gifts. Gifts are often provided over time and the university did project using an internal construction loan during the course of construction. At this point, the university would prefer to finance that construction loan instead of using cash reserves.

A summary of the estimated project costs is below:

\$6,105,000	Pre-construction Costs	<ul style="list-style-type: none">• Design-Build fees• Pre-construction Phase Project Management• Estimating Services
\$52,720,000	Building Construction Costs	<ul style="list-style-type: none">• Permit Fees• Construction Inspections & Plan Review• Special Fixed Equipment• Telecommunications• Contingency
\$77,600	Site/Utilities Extensions	
\$4,097,400	Indirect Costs	<ul style="list-style-type: none">• Furniture, Fixtures and Equipment• Testing and Inspections• Moving and Relocation• State Risk Management Insurance• Construction phase project management
\$63,000,000	Total new construction cost	

Summary of Financing Information:

Total Project Budget:	\$63,000,000
Portion of Budget to be Issued:	\$20,000,000
Estimated System Revenue Bond Par Amount:	\$18,335,000



Estimated System Revenue Bond Premium Amount:	\$1,830,000
Estimated Cost of Issuance:	\$165,000
Estimated Interest Rate:	4.27%
Payment Terms:	Approximately 30 years
Fund Source for Total Debt Payment:	AZPM Gifts
Total Annual Debt Service (by fund source):	
Principal & Int. FY26-45 (Avg.) \$1,200,000	AZPM Gifts
Total Debt Service Through Maturity: \$36,067,000	
Anticipated Date of Issuance:	Early 2025
Expected Bond Rating:	AA- (S &P) Aa2 (Moody's)
Debt Ratio Information:	
Current Projected Debt Ratio (FY26):	3.70%
Increment Debt Ratio for all Proposed Projects:	0.45%
Projected Highest Debt Ratio:	4.15%



Joint Committee on Capital Review
December 18, 2024 JCCR Meeting
University of Arizona Projects Submission

Arizona Public Media New Facility
Tax Exempt System Revenue Bonds
Amortization Schedule

Period Ending	Annual Principal	Annual Interest	Annual Debt Service
6/1/2026	135,000	1,069,000	1,204,000
6/1/2027	290,000	910,000	1,200,000
6/1/2028	305,000	896,000	1,201,000
6/1/2029	320,000	880,000	1,200,000
6/1/2030	340,000	864,000	1,204,000
6/1/2031	355,000	848,000	1,203,000
6/1/2032	375,000	830,000	1,205,000
6/1/2033	390,000	810,000	1,200,000
6/1/2034	410,000	792,000	1,202,000
6/1/2035	430,000	770,000	1,200,000
6/1/2036	455,000	750,000	1,205,000
6/1/2037	475,000	726,000	1,201,000
6/1/2038	500,000	702,000	1,202,000
6/1/2039	525,000	678,000	1,203,000
6/1/2040	550,000	652,000	1,202,000
6/1/2041	580,000	624,000	1,204,000
6/1/2042	605,000	594,000	1,199,000
6/1/2043	635,000	564,000	1,199,000
6/1/2044	670,000	534,000	1,204,000
6/1/2045	705,000	500,000	1,205,000
6/1/2046	740,000	464,000	1,204,000
6/1/2047	775,000	428,000	1,203,000
6/1/2048	815,000	388,000	1,203,000
6/1/2049	855,000	348,000	1,203,000
6/1/2050	895,000	306,000	1,201,000
6/1/2051	940,000	260,000	1,200,000
6/1/2052	990,000	214,000	1,204,000
6/1/2053	1,040,000	164,000	1,204,000
6/1/2054	1,090,000	110,000	1,200,000
6/1/2055	1,145,000	57,000	1,202,000
	18,335,000	17,732,000	36,067,000



Sincerely,

A handwritten signature in black ink, appearing to read "John S. Arnold".

John S. Arnold
Sr. Vice President, COO and CFO

cc: Richard Stavneak, Director, JLBC
Grace Timpany, Fiscal Analyst
Senator John Kavanagh, Vice-Chairman

EXECUTIVE SUMMARY

Item Name: Amended Individual Project and Financing for Arizona Public Media Building for the University of Arizona

Action Item

Requested Action: The University of Arizona (U of A) asks the board to approve the amended individual project and financing of its Arizona Public Media Building, as described in this executive summary. The 61,500 square foot, \$63,000,000 major capital project will be financed with gifts and system revenue bonds. The debt service will be paid over 30 years from gifts received by Arizona Public Media.

Background/History of Previous Board Action

- Capital Improvement Plan FY 2023-2022 September 2022
- Annual Capital Plan September 2022
- Individual Project and Financing June 2023
- The Arizona Public Media (AZPM) building will be funded entirely through gifts, although a portion of the gifts will not be received until after construction of the building is complete. To preserve cash, the U of A now plans to use the \$43 million in gift funds it has received and to finance the remaining \$20 million of project costs using System Revenue Bonds (SRBs). Gift funds received by AZPM in the future will be used to pay the debt service. Given the change from institutional funding to bond funding with respect to the \$20 million, the U of A is asking for an amended individual project and financing approval for the AZPM building.

Project Justification/Description/Scope

- AZPM is an editorially independent, viewer and listener supported, not-for-profit public media organization provided as an educational and informational community service of the U of A. AZPM operates two full power television stations in Tucson and a television translator based in Duncan, AZ. AZPM also operates one AM and three FM radio stations, and six FM radio translators strategically located throughout Southern Arizona.
- AZPM exemplifies the goals and objectives of public media and furthers the land-grant mission of the U of A, servicing all or parts of eleven Arizona counties with three public television program services and four radio program services: *PBS 6* (in HDTV), *PBS Kids*, *PBS 6+*, *Classical 90.5*, *NPR 89.1*, *Jazz 89.1 HD2*, and the *BBC*

Contact Information:

John Arnold, U of A

johnarnold@arizona.edu

520-621-5977

EXECUTIVE SUMMARY

World Service on 89.1 HD3. The organization also provides a growing number of online programs and services, including *PBS Passport* streaming services and original productions at *azpm.org*.

- AZPM produces 13 local newscasts each weekday in addition to four in-depth reports each week and original podcasts on topics ranging from the arts and politics to water issues and sports. AZPM staff and productions are routinely recognized with more nominations and awards than any other public media organization in the region.
- AZPM is currently located in the basement and sub-basement of a classroom building on the main campus of the university, in a facility that was built in the early 1960s. This space is less than ideal to support contemporary television program production.
- It is cost-prohibitive and impractical to update the current facility to meet the needs of new and emerging technologies that AZPM requires to provide value and service to the community and the university. A new, modern facility will better serve the needs and interests of the community, support the education and training of students, greatly improve AZPM's visibility and community access, and model the transparency aspect of journalism.
- The new facility for AZPM will be located at the *UA Tech Park at The Bridges* located at 36th Street and Kino Parkway in Tucson. This site is approximately 3.5 miles from AZPM's current facility on U of A's main campus and will be accessible to students for internships, apprenticeships, and student employment opportunities via a *CatTran* shuttle service.
- This project encompasses 61,500 Gross Square Feet (GSF), which includes approximately 40,000 Net Assignable Square Feet (NASF).

Project Delivery Method and Process

- This project is being delivered through a Design-Build (D-B) delivery method. This approach was selected for this project because it can provide early cost control as well as contractor design input and coordination throughout the project. This improves potentially adversarial project environments while still allowing for the selection of the most qualified architect-contractor team for this project. Through peer review of the D-B's cost estimate at each phase, and low-bid subcontractor work for the actual construction work, this method also provides a high level of cost and quality control.

EXECUTIVE SUMMARY

- The Design-Builder provides a Guaranteed Maximum Price (GMP) based upon the amount previously agreed upon in the D-B agreement. The Design-Builder is at risk to provide the completed project within that price. In the selection of major subcontractors, the Design-Builder uses a qualification-based selection process prescribed by the ABOR Procurement Code to allow major subcontractors a design-assist role during the design phase. All remaining subcontractor work is awarded on the basis of the lowest responsive and responsible subcontractor bids. For this work, a minimum of three subcontractors, except for specialty items or instances where proprietary products or systems are necessary.

Project Status and Schedule

- Construction commenced in July 2023 and will be complete in June 2025.

Project Cost

- This project encompasses 61,500 GSF, including 40,000 NASF.
- The construction cost for this project is \$49,700,000 (\$808 per GSF), and the total project cost is \$63,000,000 (\$1,024 per GSF).
- Comparable prior in-state university projects:

Project	University	GSF	Construction \$/GSF	Total \$GSF
N/A*				

* No similar projects previously approved.

Fiscal Impact and Financing Plan

- The university plans to use \$43 million in gift funds and to finance \$20 million for the project using SRBs. The annual debt service on the SRBs is estimated to be \$1.2 million based on a conservative budget of 5 percent interest rate for a 30-year maturity. The University plans to use gifts received by AZPM to service the debt.
- The operations and maintenance (O&M) cost for the building is estimated to be \$531,054. Other local funds will be utilized to fund the O&M cost.

Debt Ratio Impact

- This estimated debt service of \$1.2 million on this project's SRBs would increase the UA debt ratio by .04 percent.

EXECUTIVE SUMMARY

Occupancy Plan

- This facility will provide new space for AZPM. Some existing space will be released to be used for the educational mission. No existing facilities will be demolished.

Committee Review and Recommendation

The University Governance and Operations Committee reviewed this item at its September 12, 2024, meeting and recommended forwarding the item to the board for approval.

Statutory/Policy Requirements

- Pursuant to ABOR Policy 7-102.B.4, each university shall submit an individual project and financing plan.
- Individual project and financing plans are reviewed by the University Governance & Operations Committee and approved by the board.
- Approval of the individual project and financing plan authorizes the university to proceed with financing and execution of construction contracts for the project.

EXECUTIVE SUMMARY

**University of Arizona
Capital Project Information
Summary Arizona Public Media
Building**

Project Description / Location:

This project will provide a new facility for Arizona Public Media and will be located at U of A's Bridges at the Tech Park.

Individual Project
Financing Report
June 2023

Resubmitted
Individual Project
Financing Report
Sept 2024

Project Schedule (Beginning Month/Year):

Design	February 2022	February 2022
Construction	July 2023	July 2023
Occupancy	December 2025	December 2025

Project Budget:

Total Project Cost	\$63,000,000	\$63,000,000
Total Project Cost per GSF	\$1,024	\$1,024
Direct Construction Cost - New	\$49,700,000	\$49,700,000
Construction Cost per GSF - New	\$808	\$808

Change in Annual Oper./Maint. Cost

Utilities	\$ 213,554	\$184,500
Personnel	\$212,400	\$191,600
Other	\$105,100	\$94,800

Funding Sources:

Capital:

- Gifts \$63,000,000 \$43,000,000
- System Revenue Bonds \$20,000,000

Operation/Maintenance:

- Other Local Funds \$531,054 \$531,054

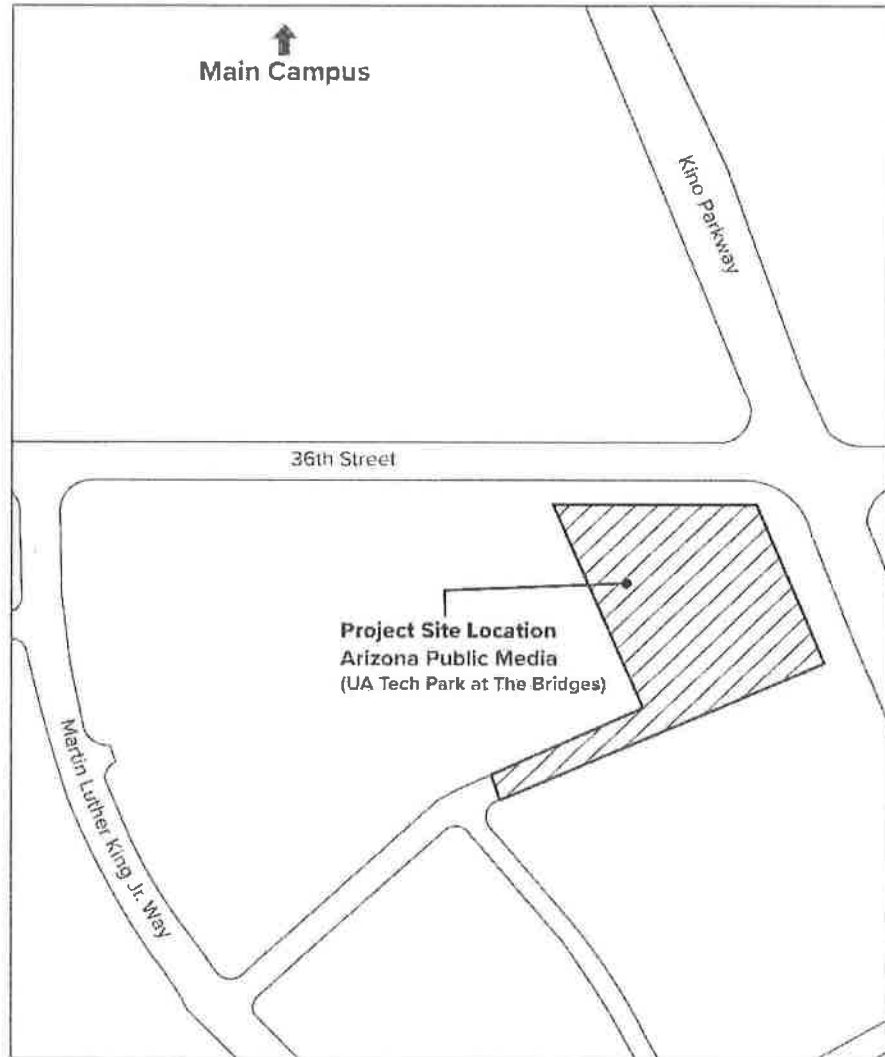
EXECUTIVE SUMMARY

**University of Arizona
Capital Project Budget Summary
Arizona Public Media Building**

<u>Date of Budget Estimate</u>	<u>Individual Project Financing Report</u> June 2023	<u>Resubmitted Individual Project Financing Report</u> Sept 2024
1. Land	\$ 0	\$ 0
2. Construction Cost		
A. New Construction	\$ 49,700,000	\$ 49,700,000
B. Renovation	\$ 0	\$ 0
C. Fixed Equipment	\$ 500,000	\$ 500,000
D. Site Development (exclude 2.E.)	\$ Incl. in 2A	\$ incl. in 2A
E. Parking & Landscaping	\$ Incl. in 2A	\$ incl. in 2A
F. Utilities Extensions	\$ Incl. in 2A	\$ incl. in 2A
G. Other (asbestos only)	\$ 0	\$ 0
Subtotal Construction Cost	\$ 50,200,000	\$ 50,200,000
3. Consultant Fees		
A. Construction Manager	\$ 550,000	\$ 550,000
B. Architect/Engineering Fees	\$ 4,400,000	\$ 4,400,000
C. Other (Programming, Special Consult.)	\$ 320,000	\$ 320,000
Subtotal Consultant Fees	\$ 5,270,000	\$ 5,270,000
4. Furniture Fixtures and Equipment	\$ 2,000,000	\$ 2,000,000
5. Contingency, Design Phase	\$ 0	\$ 0
6. Contingency, Construction Phase	\$ 2,450,000	\$ 2,450,000
7. Parking Reserve	\$ N/A	\$ N/A
8. Telecommunications Equipment	\$ 940,000	\$ 940,000
Subtotal Items 4-8	\$ 5,390,000	\$ 5,390,000
9. Additional University Costs		
A. Surveys and Tests	\$ 375,000	\$ 375,000
B. Move-in Costs	\$ 25,000	\$ 25,000
C. Public Art	\$ 0	\$ 0
D. Printing/Advertisement	\$ 10,000	\$ 10,000
E. Univ. Facilities & Project Management	\$ 1,500,000	\$ 1,500,000
F. State Risk Mgt. Ins	\$ 230,000	\$ 230,000
Subtotal Additional University Costs	\$ 2,140,000	\$ 2,140,000
TOTAL CAPITAL COST	\$ 63,000,000	\$ 63,000,000

EXECUTIVE SUMMARY

**U of A
Project Site Location Map
Arizona Public Media
Building**



Arizona Public Media Building

