

EXECUTIVE SUMMARY

Item Name: Amended FY 2014 Capital Development Plan and Waiver of Board Policy 7-109 (NAU)

Action Item

Discussion Item

Information Item

ISSUE: Northern Arizona University requests approval of the Amended FY 2014 Capital Development Plan (CDP) and Project Approval for the Code and Safety Renovation project. The CDP totals \$67.3 million, including a new Bond Issuance of \$12.5 million.

Previous Board Action: Amended FY 2014 Capital Development Plan September 2013
FY 2014 Capital Development Plan May 2013

Statutory/Policy Requirements:

- Pursuant to Arizona Board of Regents Policy Chapter 7-107, each university shall submit an annual Capital Development Plan for the upcoming fiscal year in accordance with the calendar approved by the President of the Board. The CDP may also be considered for revisions and include the addition of new projects, project budget adjustments, and deletion of projects.
- Capital Development Plans are reviewed by the Business and Finance Committee and approved by the Board.
- Approval of the CDP allows universities to complete design and planning in preparation for submitting individual projects for final approval by the Business and Finance Committee, with a final report to the full Board.

Overview and Alignment with Enterprise and University Goals and Objectives:

- Northern Arizona University's Amended FY 2014 CDP includes one new project, a Code and Safety Renovation project with a total project budget not-to-exceed \$19.8 million and the Amended CDP totals \$67.3 million.
- NAU continues to align capital projects with the approved university campus master plan and the system enterprise and university strategic goals and objectives. In addition, the following primary institutional priorities for capital projects at NAU include:

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Student Support Requirements, Academic & Research Needs: This new project will enhance the quality and safety of student residential facilities and demonstrate a commitment to safety for all students, faculty and staff. Nearly 50% of students who attend NAU live in campus residential facilities. While campus facilities meet code for the time in which they were constructed, upgrades to current code standards enhance safety through new intelligent technology and equipment. This project is additional to the work the university has completed through the use of SPEED and other funds to improve the physical condition and safety of academic facilities over the past several years.

Life Safety & Code Compliance: Campus safety items must take highest priority to assure the safety of students, faculty, staff and visitors. While the campus facilities identified for upgrades meet codes for the original construction time period, new inspections of campus facilities in late September 2013 identified five facilities and complexes totaling 24 individual buildings for upgrade to current fire code standards. Renovation will ensure an optimal environment for students, staff and visitors.

Campus Operations & Infrastructure Priorities: Facilities must be kept in a safe, operational and maintainable condition. Expeditious renovations are responsive and responsible. Renovation in the identified facilities will ensure operational efficiencies and enhance safe campus conditions.

Funding Sources & Financing Options: The current construction market remains very favorable although increases have been identified in certain construction commodities such as sheet rock, metal and other materials. These pending increases and the project scope make it advisable to expedite the design and construction process.

Capital Development Plan Projects:

- The following lists the project proposed for CDP approval:
 - Code and Safety Renovation
- Additional detail on project costs, financing and scope can be found in the tables in Exhibits 1 and 2 and the individual Project Justification Report attached at the end.

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Fiscal Impact and Management:

- Northern Arizona University intends to finance \$12.5 million for the Code and Safety Renovation project, issuing one or more series of System Revenue Bonds. Based on an anticipated interest rate of 6.0%, the debt service payments are estimated at \$1.1 million per year for 20 years off full principal and interest payments. The remaining \$7.3 million will be funded with Auxiliary revenues.
- New Operations and Maintenance costs associated with this project are \$35,000 a year. Properly maintained fire systems have a life expectancy of 20 years or more.
- Comparable cost data for the new project's two phases will be provided in updates to the Committee. Relevant comparable projects identified at that time will also be included in each update.
- The University will bring an update back to the Committee at GMP.
- The NAU CDP, if fully implemented, will cost a total of \$67.3 million, excluding the third-party project.

Debt Ratio Impact:

- The debt service associated with the project in the CDP will increase the estimated debt ratio by 0.62% to a total projected ratio without SPEED of 5.96% and a total with SPEED of 7.19%. This is well below the statutory limit of 8%.
- The tables in Exhibits 1 and 2 provide detailed project financing, funding sources and debt ratio impact.

Recommendation:

Northern Arizona University requests that the Business and Finance Committee review and recommend Board approval of its Amended FY 2014 Capital Development Plan.

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Project	Board Approval Status	Gross Square Footage	Project Cost	Amount Financed	Funding Method	Annual Debt Service ¹	Debt Ratio
Academic/Support Projects							
Previously Approved							
Center for Aquatics and Tennis	CDP 9/2013	120,000	\$47,500,000	\$44,500,000	System Revenue Bonds/Local Funds	\$ 3,295,000	0.40%
New Academic/Support Projects Total		120,000	\$ 47,500,000	\$ 44,500,000		\$ 3,295,000	0.40%
New Auxiliary Projects							
Code and Safety Renovation	CDP/PA Requested	254,000	\$19,800,000	\$12,500,000	System Revenue Bonds/Auxiliary	\$ 1,110,000	0.12%
New Auxiliary Total		254,000	\$ 19,800,000	\$ 12,500,000		\$ 1,110,000	0.12%
Third-Party Projects							
Previously Approved							
Student and Academic Services	CDP 9/2013	82,250	N/A	N/A	Third-Party	N/A	N/A
Third-Party Total							
Resubmitted Projects							
NA							
Resubmitted Total							
TOTAL		374,000	\$ 67,300,000	\$ 57,000,000		\$ 4,405,000	0.40%

Note¹: Debt Service: Estimated annual payment including principal and interest, \$3,295,000 for 30 years at the 6.00% not to exceed rate for the Aquatic Tennis Center, and \$1,110,000 annually for 20 years at 6.00% not to exceed rate for the Code and Safety Renovation project.

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EXHIBIT 2



NORTHERN ARIZONA UNIVERSITY

CAPITAL DEVELOPMENT PLAN - ANNUAL DEBT SERVICE BY FUNDING SOURCE											
Project	Amount Financed	301	TUI *	AUX *	ICR	OLF	SLP	FGT	DFG	OTH	TOTAL ANNUAL DEBT SERVICE
New Academic/Support Projects											
Previously Approved											
Center for Aquatics and Tennis	\$ 44,500,000		\$ 2,702,000	\$ 593,000							\$ 3,295,000
Academic/Support Projects Total	\$ 44,500,000		\$ 2,702,000	\$ 593,000							\$ 3,295,000
Auxiliary Projects											
New Projects											
Code and Safety Renovation	\$ 12,500,000			1,110,000							\$ 1,110,000
Auxiliary Projects Total	N/A	\$ -	-	1,110,000	-		\$ -				\$ 1,110,000
New Third Party Projects											
Previously Approved											
Student and Academic Services Building	N/A										
Third Party Projects Total	N/A	\$ -	-	-	-		\$ -				\$ -
Resubmitted											
N/A											
Resubmitted Total	\$ -	\$ -	-	-	-		\$ -				\$ -
Total	\$ 44,500,000	\$ -	\$ 2,702,000	\$ 593,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,405,000

* Note: The debt service funding source is subject to change dependent on enrollment growth.

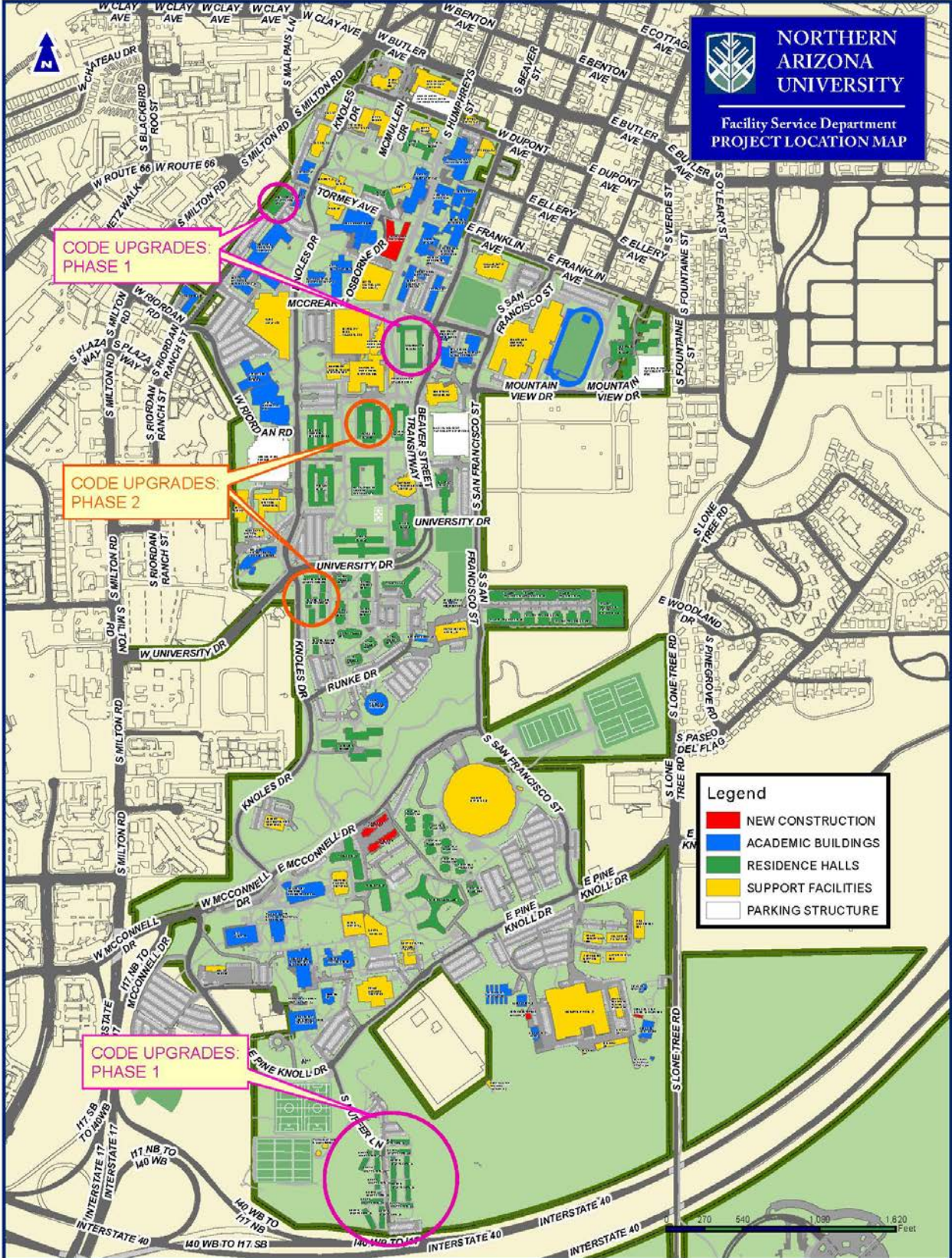
CAPITAL DEVELOPMENT PLAN - OPERATION AND MAINTENANCE BY FUNDING SOURCE											
Project	TOTAL ANNUAL O&M	301	TUI	AUX	ICR	OLF	GFA	FGT	DFG	OTH	
Academic/Support Projects											
Previously Approved											
Center for Aquatics & Tennis	\$ 430,000		\$ 215,000	\$ 215,000							
Academic/Support Projects Total	\$ 430,000		\$ 215,000	\$ 215,000							
New Auxiliary Projects											
Code and Safety Renovation	\$ 35,000			\$ 35,000							
Auxiliary Projects Total	\$ 35,000			\$ 35,000							
Third Party Projects											
Previously Approved											
Student and Academic Services Building	\$ 100,000		\$ 26,000			\$ 74,000					
Third Party Projects Total	\$ 100,000		\$ 26,000			\$ 74,000					
Resubmitted											
N/A											
Resubmitted Total	\$ -										
Total	\$ 565,000	\$ -	\$ 241,000	\$ 250,000	\$ -	\$ 74,000	\$ -	\$ -	\$ -	\$ -	\$ -

Debt Service Funding Source

- Codes: (301) 301 Fund/Other (ICR) Indirect Cost Recovery (GFA) General Fi (OTH) Other
 (TUI) Tuition (OLF) Other Local Funds (FGT) Federal Grant
 (AUX) Auxiliary (SLP) State Lottery Allocation Proceeds (DFG) Debt Financed by Gifts

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Amended FY 2014 Capital Development Plan Map



**Arizona Board of Regents
Northern Arizona University
Capital Development Plan Project Justification Report
Code and Safety Renovation
(NAU Project Number: #09.004.143)**

1. Previous Board Action: NA

2. Statutory / Policy Requirements:

- Pursuant to Arizona Board of Regents Policy Chapter 7-102, all capital projects with an estimated total project cost of \$5 million or more for renovation or infrastructure projects, or \$10 million or more for new construction or information technology projects shall be brought to the Business and Finance Committee for approval regardless of funding source or financing.

3 Project Justification/Strategic Implications/Project Compliance with Mission, Strategic Plan, Master Plan and Community Input Process:

- Expedient resolution of safety and code compliance matters in university buildings takes precedence for the University. The recent inspections in September 2013 by new staff from the State Fire Marshal's office have identified buildings and complexes for upgrades to meet today's fire code standards. With nearly 50% of the Mountain Campus student body residing on campus, the identified upgrades will ensure continued safety of university facilities occupied by students, staff and visitors.
- Record enrollments at NAU maximize student housing which begins each fall with zero vacancy. Safe conditions of campus facilities are a fundamental component of continuing enrollment growth and quality student living and learning environments.
- Student retention and recruitment are inherently linked with the quality and safety of all facilities, including academic, residential and recreational. The University strategic plan identifies student recruitment and retention as a critical strategy for ongoing development at NAU. This project is consistent with the Enterprise Plan and University goals and strategies which promote quality and safe learning environments that facilitate student access, retention, and integration into the social community of campus.

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- A key goal of the Arizona Higher Education Enterprise Plan and a guiding principle of the University's approved Master Plan are to attract and retain students through improved quality and functionality of campus facilities that support the highest quality of teaching, research, athletics and student life. This project promotes safety, functionality and quality in university facilities and demonstrates responsiveness and commitment to student safety.

4. Project Description/Scope/Compliance with Space Standards:

- This project will include renovation of approximately 254,000 gross square feet of existing residential units to meet today's current fire codes. The project encompasses a total of 24 individual buildings and includes sprinklers, new smoke detectors, audible Notifier technology and ADA strobe compliance. The project will be completed in two phases due to the complexity of the renovations and freeze conditions.
- Infrastructure will be improved in some areas including installation of new water supply piping through rock, roads and existing landscaping. Flagstaff's volcanic history requires rock cutting and drilling in all but one of the campus locations. Another project component included in the work is an estimated \$3 million in abatement to create hazard free environments rather than abating at each of the hundreds of penetration sites.
- The planned project schedule expedites the repairs while minimizing disruptions to students residing in the facilities. Some of these facilities utilize 12-month leases and have not been vacant in their lifetimes. Affected residents in Phase I have been notified of the impending work and of their need to find alternate housing for the summer of 2014. NAU is assisting with this transition as needed.
- The project will be designed in accordance with university design standards and current fire codes, the 2009 International Fire Codes and the 2010 National Fire Protection Agency codes.
- No new space is being created that will be required to comply with the ABOR space guidelines.

5. Project Delivery Method and Process:

- Selection of the Design Professional and Construction Manager at Risk (CMAR) is complete. The CMAR was selected through the capital project selection committee process prescribed by the ABOR Procurement Code. A licensed contractor from the community was included on the selection committee as required by ABOR policy.

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- This approach was selected because it can save time through fast-track project scheduling, it provides contractor design input and coordination throughout the project, it improves potentially adversarial project environments and it allows for the selection of the most qualified contractor team for each individual project. With the use of two independent estimates, qualification selection and low bid subcontractor work for the actual construction, this method also provides a high level of cost and quality control.

6. Project Status and Schedule:

- This project is in schematic design. Following was the schedule for selection of design and construction services:

DP and CMAR Selections

October 2013

- NAU received 7 submittals from Design Professionals and 4 submittals from Construction Manager at Risk firms in response to the Request for Qualifications.
- The GMP will be brought to the Committee in an Information Item, along with comparable estimates and project costs. The Construction Manager is at risk to provide the completed project within the agreed upon GMP.
- Construction completion is planned for fall 2015.

7. Fiscal Impact and Financing Plan:

- The project will be funded with System Revenue Bonds and Auxiliary revenues. Funds identified for the University portion of the debt service are Auxiliary revenues.
- Maintenance costs for the new fire systems are anticipated to be \$35,000 a year.
- Debt Ratio Impact: The incremental debt ratio for this project will be .12%.

8. Backfill / Use Plan:

- There is no backfill associated with this project.

9. Alternatives:

- The only alternative to the renovations would be to tear down the buildings and replace with new.

10. Description of Other Related Projects including Infrastructure Improvements:

- Infrastructure will be improved in some areas including installation of new water supply piping through rock, roads and existing landscaping.