

**EXECUTIVE SUMMARY**

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**ACTION ITEM: Revised FY 2009 Capital Development Plan and Waiver of Design Fee Limits for Wellness Center Project (NAU)**

Action Item       Discussion Item       Information Item

**ISSUE:** Northern Arizona University requests ABOR approval of the Revised FY 2009 Capital Development Plan (CDP) which includes 5 projects totaling \$227.1 million, and 2 third-party housing projects, for which costs are yet to be determined. The plan includes a request for a waiver to Board policy on design fee limits for the Wellness Center Project.

**PREVIOUS BOARD ACTIONS:                      FY 2009 Capital Development Plan                      June 2008**

**BACKGROUND:**

- In June 2008, Northern Arizona University's FY 2009 Capital Development Plan was submitted and approved in accordance with Arizona Board of Regents (ABOR) Policy, Chapter VII. Modifications to the university plan are being submitted in an amended FY 2009 CDP in conformance with Board policy.

**CHANGES TO THE CAPITAL DEVELOPMENT PLAN:**

- Northern Arizona University requests the following project additions and budget revision to the University's Amended FY 2009 Capital Development Plan. Approval of the plan will allow NAU to initiate advance planning, programming and design for:
  1. **Wellness Center Project.** The project is a new four-story addition and renovation of the existing Recreation Center, Building 25, located near the sciences complex and Mountain View residence hall on north campus. The original scope and project budget have been revised to include Title IX recommendations from a recent NCAA review, the demolition and reconstruction of the Lumberjack Stadium and the addition of academic classrooms. As a result of these changes, the project is 271,960 square feet and the budget is \$115.75 million.
  2. **Northeast Campus Infrastructure Expansion.** This infrastructure project will extend steam, chilled water and reclaimed water to the northeast side of campus. Increased electrical capacity and telecom service are included in the project. This project supports increased density on north campus, including the new Wellness Center project, the future Health Professions Academic Project and additional growth on North Campus. The cost for these extensions is \$6.5 million.

**Contact Information**

MJ McMahon, Executive Vice President, (928) 523.6515, [MJ.McMahon@nau.edu](mailto:MJ.McMahon@nau.edu)

Jane Kuhn, Associate Vice President, (928) 523.7732, [Jane.Kuhn@nau.edu](mailto:Jane.Kuhn@nau.edu)

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3. **Native American Cultural Center.** The project is new construction of an estimated 12,000 square foot facility incorporating unique cultural influences and sustainable design principles. A site near the university union on central campus has been identified. The new facility will offer a network of student support services for native and non-native students. The estimated cost is \$6 million. Gifts are anticipated to fund 50% of the project.
  4. **Privatized Residence Hall.** The university intends to develop a comprehensive long-term capital improvement plan primarily for student housing utilizing 3<sup>rd</sup> Party Agreements. Development may include related projects such as parking structures, faculty and staff housing, retail space, a sports complex, and academic facilities consistent with the campus master plan, residence life programming objectives and the university's long-term capital plans.
- Additional revisions incorporated into the Amended FY 2009 Capital Development Plan include the removal of two projects which received Project Approval. These projects are: 1) Distance Learning which is in construction; and, 2) Skydome Health Issues, which is identified in the NAU Stimulus Plan for Economic and Education Development (SPEED) package.
  - The High Technology Academic Facility has been removed and the intended classrooms have been added to the Wellness Center project scope. Instead of a new, independent building, the Academic Facility scope was integrated into the Wellness Center project to maximize cost efficiencies and address academic program needs. The classrooms have been identified as part of the NAU SPEED package.

**FISCAL IMPACT AND MANAGEMENT PLAN:**

Debt Ratio Impact: The debt ratio approved by the Board in the university's Capital Improvement Plan (debt capacity study) for FY 2009-2011 projects is 6.72% of total projected expenses (ABOR and State policy max 8%). The projected debt ratios for the CDP are 7.69% of total projected expenses (ABOR and State policy max 8%). This includes all non-SPEED projects listed and projects that have received project approval. The following table identifies the incremental debt service for indebted projects in the Amended 2009 CDP:

<b>Incremental Debt Service 2009 Capital Development Projects</b>		
<b>Project Name</b>	<b>Amount Financed</b>	<b>State</b>
<b>New Projects</b>		
Northeast Campus Infrastructure Expansion	\$6,500,000	0.12%
Native American Cultural Center	\$3,000,000	0.06%
<b>Previously Approved Projects</b>		
Health Professions Expansion (SPEED)	\$80,000,000	1.56%
Wellness Center Project	\$115,750,000	2.25%
Phoenix BioMedical Campus (SPEED)	\$18,800,000	0.37%
<b>Total</b>	<b>\$224,050,000</b>	

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The incremental debt ratio from annual debt service for the total \$227.0 million is 4.36%. The incremental debt ratio from annual debt service for the \$98.25 million in Wellness and university projects is 1.85%. The incremental debt ratio from annual debt service for the \$128.8 million in SPEED projects is 2.51%.

The projected highest debt ratio including these projects is 10.20%. This includes all projects in the university as well as the SPEED funded projects. The projected highest university debt ratio for all projects not including SPEED is 7.69%, this ratio remains comfortably below the maximum debt ratio of 8%.

**RECOMMENDATION:**

It is requested that the Board grant Northern Arizona University approval of its Amended FY 2009 Capital Development Plan, requested waiver for the Wellness Center design fees and authorize NAU to proceed with the revised Wellness Center project, Northeast Campus Infrastructure Expansion, Native American Cultural Center, and a Privatized Residence Hall.