

EXECUTIVE SUMMARY

University's considerable building renewal needs, and the previous reductions in the funding amounts available to complete those renovations, the university intends to apply any market savings for the completion of additional work within the previously approved categories of work. Any reallocations will be included in the final estimates submitted to the Capital Committee.

Project Justification/Strategic Implications:

- In June 2008, the Legislature approved the Stimulus Plan for Economic and Educational Development (SPEED) with the provision the funds would be used for critical new construction and deferred maintenance projects.
- As part of the Northern Arizona University SPEED plan approved at the July 24, 2008 Capital Committee meeting, the university identified several deferred maintenance projects based upon the following critical factors:
 1. What are the most immediate health, life, and safety issues that impact NAU students, faculty and staff?
 2. Which projects can be started immediately so that the intent of the stimulus package is fulfilled?
 3. Which buildings can be taken off line for six months to a year in order to complete the necessary renovations? The university cannot, at this stage, simply shut down a classroom building without having identified alternative space.
- In addition, at the same July 24 meeting, NAU requested a waiver to seek concurrent Project Implementation and Project Approval for bundled projects with a single, combined budget for the bundle. Funds would have the flexibility to be allocated within the bundled projects as long as the bottom line budget was not exceeded, and the Board would be provided regular updates on the projects.
- In October 2008, the SPEED allocation was reduced by 20% and NAU's portion reduced to \$136 million.
- In October 2008, JCCR gave favorable review to five of the seven renovation projects.
- With the 20% reduction, NAU has reviewed its projects, prioritized the projects and reallocated funding to address deferred maintenance within each of the projects. When the additional SPEED funding is available in 2012, NAU will put forward the SBS and Ardrey projects, as well as allocate the balance to the highest remaining priorities.

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Project Description and Scope:

- Following are the projects which received PIA/PA approvals in September 2008 and are resubmitted for Project Approval:

Project	Estimated Cost	Estimated Savings / Increases	GSF	Status	Description
DEFERRED MAINTENANCE / BUILDING RENEWAL					
Ardrey / PFA Classrooms	\$10,000,000	NA	90,000	On Hold	Not reviewed by JCCR
HRM Stimulus Renovation	\$7,340,000	(\$1,000,000)	16,470	PA 09/08	Reviewed by JCCR; 70% construction drawings
Liberal Arts Stimulus Renovation	\$8,920,847	(\$1,000,000)	33,337	PA 09/08	Reviewed by JCCR
North Union Stimulus Renovation	\$4,000,000	\$500,000	15,000	PA 09/08	Reviewed by JCCR; 100% construction drawings. Original project budget did not include temporary space
North Campus Utility Retrofit ¹	\$21,979,153	\$0	NA	PA 09/08	Reviewed by JCCR
Skydome ADA / Health Issues ¹	\$21,900,000	\$0	265,056	PA 09/08	Reviewed by JCCR; 50% - 75% Programming Phase
SBS Stimulus Renovation	\$13,000,000	NA	50,000	On Hold	Not reviewed by JCCR
Future Building Renewal Project TBD	\$33,820,000	NA	50,000	On Hold	Not reviewed by JCCR
Subtotal	\$120,960,000				
NEW CONSTRUCTION					
Phoenix BioMedical Campus	\$15,040,000		640,000	CDP 6/09	This project is managed by UofA
Subtotal	\$15,040,000				
Cumulative Project Totals	\$136,000,000				

Note¹: We have not received GMPs and completed discovery on these projects. As a result, we cannot accurately estimate the savings on the North Campus Utility Retrofit and Skydome projects.

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- The following table indicates the renovation activity to be done by building:

**NORTHERN ARIZONA UNIVERSITY
 SYSTEM REPAIR TABLE**

Project / Building	Fire / Life Safety	Roof Replacement	Mechanical Replacement	Main Electrical System Replacement	Elevator Replacement
Ardrey / PFA Classrooms	X		X	X	
HRM Stimulus Renovation	X		X	X	
Liberal Arts Stimulus Renovation	X	X	X	X	
North Union Stimulus Renovation	X	X	X	X	
North Campus Utility Retrofit	X		X	X	
Skydome ADA / Health Issues	X		X		X
SBS Stimulus Renovation	X	X	X		

Additional Project Considerations:

- NAU renovation projects will include responsible, sustainable options where feasible and depending upon the specific needs of the programs being served.

Project Delivery Method and Process:

- Every project in the deferred maintenance bundle is being delivered through the Construction Manager at Risk (CMAR) method. 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.
- Selections of the Design Professional and CMAR are completed. Each project received between 10 and 25 submittals. Selections were through the capital project selection process prescribed by the ABOR Procurement Code. For each CMAR, a licensed contractor and a design professional were included on the selection committee as required by Board Policy.

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Project Costs:

- The total project budget for the JCCR approved deferred maintenance and building renewal bundle is \$64,150,000.
- The initial project budgets were developed for the University Stimulus Plan. Pre-programming efforts developed cost estimates based upon preliminary examination of the physical conditions of the buildings identified in the deferred maintenance and building renewal bundle.
- Comparable cost data and GMPs for these projects will be provided in updates to the Board. NAU anticipates the North Campus Utility Retrofit project, which has five (5) phases, will have a GMP for Phase I ready for the December Board meeting. The remaining phases and the balance of the deferred maintenance projects anticipate GMPs for the January and March Board meetings.
- As part of the Board updates, two cost estimates for each project will be prepared independently by the Construction Manager at Risk and the Architect's estimating consultant. These estimates will be reconciled to confirm accurate, competitive scope quantities and prices to form the GMP for the entire scope of work. NAU will identify what percentage of the CMAR's current estimate is made up of subcontractor bid commitments, price projections from subcontractors, and estimates prepared by the CMAR team.
- Contracts for CMAR's include Board approved requirements for Veteran's preference hiring programs. A final report on project control procedures such as change orders and contingency use will be provided at project completion.

Fiscal Impact and Financing Plan:

- The NAU Deferred Maintenance and Building Renewal Bundle will be funded through system revenue bonds, with debt service paid from the University Capital Improvement Lease-To-Own and Bond Fund created as a result of the Stimulus Plan for Economic and Educational Development (SPEED) initiative. The fund will receive lottery revenues intended to cover 80% of the annual debt service, and university revenues intended to cover the remaining 20% of debt service.
- The university will pay interest only for the first 5 years of the SPEED projects in order to allow for implementation of newly authorized lottery enhancements and full realization of increased lottery revenues from those enhancements. The bonds issued for building renewal will be repaid over a 20 year period.
- Debt Ratio Impact: The SPEED Projects are exempt from the university debt ratio. However, the annual debt service (principal and interest) for these projects is estimated to be \$3,564,000 for the \$64.5 million in building renewal projects and issuance costs.

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- The incremental debt ratio for annual debt service on the \$64.5 million in building renewal projects is .84%. The projected highest debt ratio including these projects is 7.74%. This includes all projects in the university CDP and CIP, as well as the SPEED funded projects.
- The projected highest university debt ratio for all projects not including SPEED is 6.89%. This ratio remains well below the maximum debt ratio of 8%.

Project Status & Schedule:

- All projects have been on hold pending state budget issues. Design activities will commence upon approval of the NAU administration. Estimated project schedules are as follows:

Project	Completion Date
Liberal Arts	August 2011
HRM	December 2010
Skydome	July 2011
North Union	July 2010
Infrastructure	August 2010

Committee Review and Recommendation:

The Capital Committee recommended review and re-approval of SPEED projects at its September 9, 2009 meeting.

Recommendation:

That the Board grant Project Approval (re-approval) for the NAU SPEED Deferred Maintenance and Building Renewal Projects, including approval to shift monies among the projects once the final building or project assessment is developed, provided that the bottom line budget will not be exceeded, and that the final cost estimates, and the addition or removal of any projects be submitted to the Capital Committee.

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