

**ARIZONA BOARD OF REGENTS
Business and Finance Committee
University of Arizona
Student Union Memorial Center–North Ballroom
Tucson, AZ**

**Wednesday, April 5, 2017
1:30 p.m. to 3:30 p.m.**

Committee Members:

Regent Rick Myers, Chair
Regent Jared Gorshe
Regent Bill Ridenour
Regent Greg Patterson (ex-officio)

Regent Jay Heiler, Vice Chair
Regent Larry Penley
Regent Ron Shoopman

**1:30 p.m. CALL TO ORDER, GREETINGS, AND ANNOUNCEMENTS FROM THE
COMMITTEE CHAIR (North Ballroom)**

1:35 p.m. 1. Approval of Minutes

The board office asks the committee to review and approve the minutes from the regular and executive sessions of the February 1, 2017, Business and Finance Committee meeting.

2. FY 2017 Financial Status Updates– SPRING

The Committee is asked to review the second FY 2016 financial status update for Arizona State University, Northern Arizona University and the University of Arizona. The reports reflect updated operating budget projections based on revenues and expenditures through February 2016.

3. Revised FY 2017 Capital Development Plan (ASU)

Arizona State University asks board approval of its Revised FY 2017 Capital Development Plan, which includes one new project, the Greek Leadership Village Community Center. This revised CDP totals \$14 million.

4. Lease for Hi Corbett Field from the City of Tucson (UA)

The University of Arizona asks board approval of a long-term lease between the UA and the City of Tucson for Hi Corbett Field (baseball stadium) and related facilities.

2:15 p.m.

EXECUTIVE SESSION (Tucson Room)

Pursuant to A.R.S. § 38-431.03 (A), the committee will convene in executive session to discuss items identified on the executive session agenda.

3:15 p.m.

RECONVENE IN PUBLIC SESSION (North Ballroom)

5. Ground Lease with American Campus Communities for Development of Privatized Honors Community (NAU)

Northern Arizona University asks board approval to execute a ground lease with American Campus Communities for the development of a privatized residence hall and Honors academic community project on the Flagstaff Campus.

6. Revised FY 2017 Revised Capital Development Plan (NAU)

Northern Arizona University asks board approval of its Revised FY 2017 Capital Development Plan, which includes one new project, a privatized residence hall with academic and core student support space for the Honors Community. The CDP financial impact totals \$9.9 million.

7. Honors Community Academic and Student Support Space Project and Financing Approval and Utility Infrastructure Financing Approval (NAU)

Northern Arizona University asks board for project and financing approval of the Honors Community \$9.9 million academic and core student support space project, and financing approval for an ancillary \$4.9 million utility infrastructure project. The projects will be financed with system revenue bonds to be repaid over a 20-year period.

3:30 p.m. ADJOURN

PLEASE NOTE: This agenda may be amended at any time prior to 24 hours before the committee meeting. Estimated starting times for the agenda items are indicated; however, discussions may commence, or action may be taken, before or after the suggested times. Any item on the agenda may be considered at any time out of order at the discretion of the committee chair. The committee may discuss, consider, or take action regarding any item on the agenda. During the meeting, the committee may convene in executive session pursuant to A.R.S. § 38-431.03(A)(3) for legal advice regarding any item on the agenda.

BUSINESS AND FINANCE COMMITTEE
EXECUTIVE SESSION AGENDA
April 5, 2017

NOTE: This agenda may be amended at any time prior to 24 hours before the Committee meeting. The executive session is scheduled for 2:15 p.m. on **Wednesday, April 5, 2017**. The executive session may be recessed and continued as necessary.

Statutory Authorization

A.R.S. § 38-431.03

Items to be Discussed

I. Northern Arizona University

(A.3, 4 & 7)

- A. The Committee will convene in executive session for legal advice and discussion regarding the ground lease with American Campus Communities related to the Honors Community.

PLEASE NOTE: This agenda may be amended at any time prior to 24 hours before the Committee meeting. Estimated starting times for the agenda items are indicated; however, discussions may commence before or after the suggested times. Any item on the agenda may be considered at any time out of order at the discretion of the Committee Chair. Pursuant to A.R.S. §38-431.03 (A)(3), the Committee may convene in Executive Session at any time during the meeting to receive legal advice regarding any item on the agenda

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DRAFT -- ARIZONA BOARD OF REGENTS

Minutes of the Business and Finance Committee

Wednesday, February 1, 2017

The Arizona Board of Regents Business and Finance Committee held a meeting on Wednesday, February 1, 2017 at Arizona State University, Student Memorial Union in Tempe, AZ.

Present: Regent Rick Myers (Chair), Regent Jay Heiler (Vice-Chair), Regent Jared Gorshe, Regent Greg Patterson, Regent Larry Penley, Regent Bill Ridenour, Regent Ron Shoopman.

Also present were: Regent Ram Krishna, Regent Vianney Careaga, Regent Lyndel Manson, President Eileen Klein (ABOR), Nancy Tribbensee (ABOR) John Arnold (ABOR), Lorenzo Martinez (ABOR), Gale Tebeau (ABOR), Sue Sosa (ABOR), President Michael Crow (ASU), Morgan Olsen (ASU), Gregg Goldman (UA), Bjorn Flugstad (NAU)

Regent Myers called the meeting to order at 12:25 p.m.

APPROVAL OF MINUTES (ITEM 1)

Upon motion by Regent Gorshe and seconded by Regent Patterson, the committee unanimously approved the minutes from the regular and executive session of the November 16, 2016 Business and Finance Committee meeting. Motion passed.

Regent Myers stated that Items 2, 3, 4 and 5 were withdrawn from the agenda; and started the meeting with Item 6.

ACKNOWLEDGMENT AND APPROVAL FOR COMPONENT UNIT TO ISSUE REFUNDING BONDS (NAU) (ITEM 6)

Bjorn Flugstad provided an overview of Northern Arizona University request to authorize Pine Ridge Village/Campus Heights, LLC, a wholly owned subsidiary of Northern Arizona Capital Facilities Finance Corporation to refund up to \$31.335 million of its Series 2008 Lease Revenue Refunding Bonds and to pay associated issuance and transaction costs.

Upon motion by Regent Gorshe and seconded by Regent Patterson, the committee recommended forwarding for board approval, Northern Arizona University's request for Pine Ridge Village/Campus Heights to refund up to \$31.3 million of its Series 2008 Lease Revenue Refunding Bond, and pay the associated issuance and transaction costs, as presented in the executive summary. Motion passed.

ARMSTRONG HALL/ROSS-BLAKELY LIBRARY RENOVATION PROJECT AND FINANCING ISSUANCE APPROVAL (ASU) (ITEM 7)

Morgan Olsen provided an overview of Arizona State University request for project approval of the \$26 million, 166,581 gross-square-foot Armstrong Hall/Ross-Blakley Library Renovation project and financing approval to sell one or more series of system revenue bonds to finance the Armstrong Hall/Ross-Blakley Library Renovation project. The renovation project will be funded with system revenue bond proceeds and debt service will be funded by tuition. The estimated direct construction cost is \$108 per gross square foot, and the estimated total project cost is \$156 per gross square foot.

Armstrong Hall and the Ross-Blakley Library, which previously housed the Sandra Day O'Connor College of Law will be repurposed to serve as the consolidated home for the College of Liberal Arts and Sciences. The relocation will open up space in the Fulton Center and other buildings across campus, providing needed growth space for the university Tempe campus.

Upon motion by Regent Gorshe and seconded by Regent Patterson, the committee recommended forwarding for board approval Arizona State University's request for the \$26 million Armstrong Hall/Ross-Blakley Library Renovation project and to sell system revenue bonds to finance the project, as presented in the executive summary. Motion passed.

SUBLEASE AGREEMENT FOR WET LABORATORY SPACE IN THE PHOENIX BIOMEDICAL CAMPUS (ASU) (ITEM 8)

Mr. Olsen provided an overview of Arizona State University request for approval to enter into a sublease with The International Genomics Consortium for 18,285 square feet of laboratory research and related office/support space at the Phoenix Bioscience Center Building, 445 N. 5th Street, Phoenix, AZ (the City of Phoenix owns the building).

Mr. Olson stated that due to the growth of the Downtown Phoenix Campus, especially in research activity at the College of Health Solutions and the Nursing and Health Innovations, there is an increased need for wet lab space. ASU has the opportunity to lease high-quality wet laboratory space at below market rent for up to 10 years. ASU plans for a much larger health and bioscience research presence (nutritional studies in particular) on the Downtown Phoenix Campus and the Phoenix Biomedical Campus, and this space will facilitate that growth. The total annual cost during the first year of lease would be about \$774, 000 and funding for the sublease payments will come from general university funds.

Regent Myers noted the Phoenix Biomedical Campus is critical for Arizona with all three of the universities having presence on the campus, and emphasized that the Enterprise Executive Committee should work closely to optimize the best use of the campus.

Upon motion by Regent Gorshe and seconded by Regent Shoopman, the committee recommended forwarding for board approval, Arizona State University's request to enter into a sublease with the International Genomics Consortium for laboratory research and related office/support space in the Phoenix Bioscience Center Building, located on the Phoenix Biomedical Campus, as presented in the executive summary. Motion passed.

ARIZONA STATE MUSEUM FEE DISCUSSION (ITEM 9)

Kim Espy and Jim Watson provided an overview, including a PowerPoint presentation, which detailed the history, background, legal framework, mandated services and methodology used for proposed rates and fees of the Arizona State Museum. Legislation (SB 1418) that passed during the last session requires the Arizona Board of Regents to review and adopt any fees for services performed by the state museum. On January 1, 2017, the University of Arizona submitted to the Board of Regents a request to increase fees. The law requires the Secretary of State to publish the request in the Register and to allow at least 30 days for public comment.

Legal mandates for the Arizona State Museum come from several obligations set forth by both federal and state statutes, as well as Arizona Board of Regents policies. The compliance process varies by the type of project sponsor and land ownership. The majority of fees are garnered from governmental infrastructure development or private development projects. The Arizona State Museum also works closely with Native American communities to preserve cultural heritage.

Regent Myers asked Mr. Arnold if in his opinion if the proposed rates and fees as presented is meeting the intent of the legislation.

Mr. Arnold stated that historically, the state museum has worked with their constituents to levy fees. There has never been an official public process before, and the intent of the legislation was to inject public transparency into the fee making process. Mr. Arnold believes that the University of Arizona has done a terrific job following the intent of the legislation and is very comfortable with the methodology they used to develop these fees. Finance staff have met and worked on the fee structure, which established rules on how to allocate costs to a particular activity. The University of Arizona has held several constituent meetings as part of this process. The most important aspects are to recover university costs. Mr. Arnold noted that federal and state laws mandate this public activity, and the legislature has chosen to fund this activity through recovery fees, which is an acceptable way to fund projects like this. It is important that the University of Arizona follow the intents of the legislature and fully recover their costs.

This item was for information only.

ADJOURNMENT

The meeting concluded at 1:00 p.m.

Submitted by:

Sue Sosa
Committee Secretary

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EXECUTIVE SUMMARY**Item Name: FY 2017 FINANCIAL STATUS UPDATES – SPRING 2017**

- Action Item
 Committee Recommendation to Full Board
 First Read of Proposed Policy Change
 Information or Discussion Item

Issue: The Committee is asked to review the spring FY 2017 financial status update for Arizona State University, Northern Arizona University and the University of Arizona. The reports reflect updated operating budget projections based on revenues and expenditures through February 2017.

Enterprise

- Empower Student Success and Learning
 Advance Educational Attainment within Arizona
 Create New Knowledge
 Impact Arizona
 Compliance
 Real property purchase/sale/lease
 Other:

Statutory/Policy Requirements

ABOR Policy 3-407 – Budget Updates

Background

- Each university presents a financial status update to reflect actual expenditures-to-date, and projections for revenues and expenses for the current fiscal year. The reports include explanations for any significant variances from the initial FY 2017 Operating Budget, and first update presented to the committee at its November 2016 meeting.
- The universities also include a monthly day's cash on hand projection, in accordance with the Board's Liquidity Measure Guidelines, established to manage acceptable levels of working capital, or "reserves".

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EXECUTIVE SUMMARY**Discussion**

- The table below shows the change in projected net assets or changes in the universities' current year ending balance from the initial FY 2017 budget and from the first update presented in fall 2017. For all three universities there were considerable increases in net assets between the fall and spring estimates, with ASU and NAU projecting to end the year at much greater levels than the initial budget.
 - The actual incremental change in net assets at year-end will be adjusted downward due to GASB rules for accounting of public pension plans and other post-retirement benefits. GASB standards require a liability on the balance sheet for pension obligations, which has the effect of reducing the universities net position. The changes below do not reflect those year-end GASB adjustments.

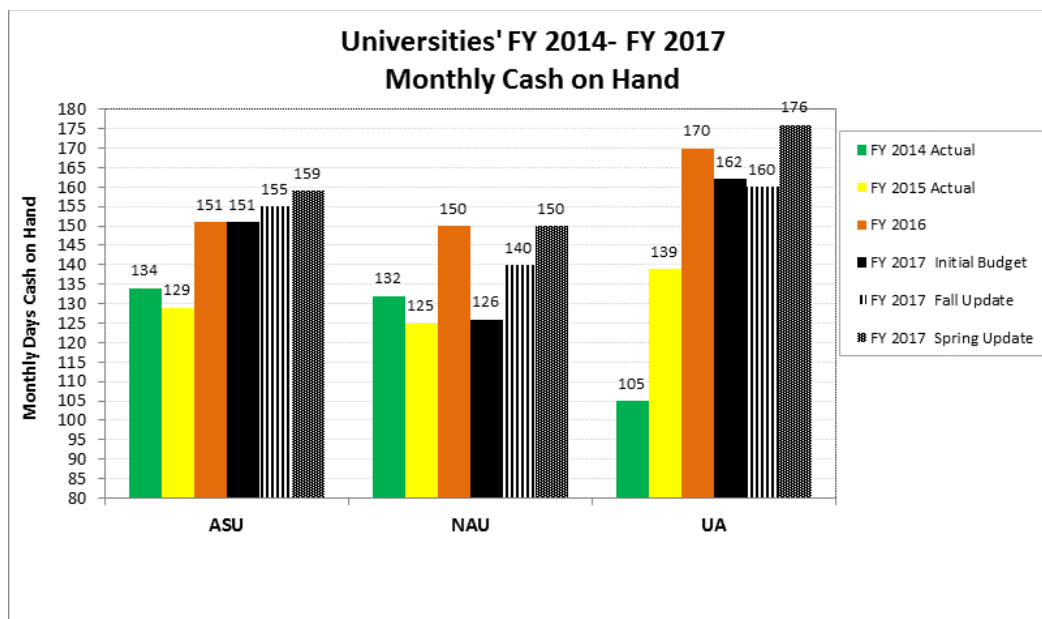
FY 2017 Change in Net Position							
(\$ millions)	FY 2017	Projections		Change between Fall & Spring Updates		Change between Initial Budget and Spring Update	
		Initial Budget Jul 2016	Fall Update Nov 2016	Spring Update Feb 2017	\$	%	\$
ASU	\$77.1	\$88.4	\$99.2	\$10.8	12.2%	\$22.1	28.7%
NAU	\$9.3	\$9.3	\$16.5	\$7.2	77.4%	\$7.2	77.4%
UA	\$109.0	\$67.2	\$108.4	\$41.2	61.3%	-\$0.6	-0.6%
System	\$195.4	\$164.9	\$224.1	\$59.2	35.9%	\$28.7	14.7%

- ASU estimates an increase in net position of \$22 million over the initial FY 2017 budget (an \$11 million increase over the fall update). The increase is due to a combination of factors. ASU projects a decrease of \$16.2 million in tuition and fee revenues due to a change in the mix of students versus the budget, i.e., more resident students and fewer international and nonresident students. Resident student enrollment was 148 FTE students higher than budget (0.3%). While international student enrollment increased 3.6% over last year, it was about 5% lower than budgeted. Similarly, nonresident enrollment exceeded last year by 3.4%, but was below budget by 395 FTE. A higher resident enrollment, combined with a student population with higher need, resulted in an increase in student financial aid, with an increase in scholarship allowance of \$15.2 million. The net reduction of \$31.4 million in tuition and fee revenues is more than offset by increases in grants and contracts including Pell grants and TRIF revenues, and reductions in total expense of \$28.4 million based on actual trends through February 28.
- NAU continues to improve its net position. With an increase of \$2.2 million in net assets in FY 2016, NAU estimated an increase of \$9.3 million in FY 2017 exclusive of GASB adjustments. NAU currently projects an increase in net position of \$7.2 million over the initial FY 2017 budget. The increase is due primarily from tuition and fees revenues, auxiliary units, and other revenues from investment income and sales and services. NAU projects its revenue from all sources to increase \$21.5 million from the initial FY 2017 budget. Net tuition and fee revenues are expecting to increase \$6.1 million due to a change in the mix of students, and a corresponding reduction in scholarship allowance.

EXECUTIVE SUMMARY

NAU's favorable enrollment mix was the result of nonresident FTE being higher to the budgeted projection by 107 FTE. The other significant revenue increase is from housing and dining revenues. Offsetting revenue increases are increases in expenses primarily from other operating expenses for services and noncapital equipment.

- The UA estimates its net position to be within a one percent margin of the initial budget. The UA continues to project decreases in scholarship awards from the original budget. As first outlined in the university's Never Settle plan, UA has targeted decreases in aid for less needy students, reducing the pool of enrollment incentives provided to incoming undergraduate students, and the size of the awards. The UA also projects a decrease in other revenues of \$5.0 million attributed to a decrease of \$10.0 million for one-time Banner funds that will not be actualized for the current year, offset by an increase of \$5.0 million in capital gifts and \$2.0 million increase in TRIF funds. These changes resulted in a \$3.5 million increase in revenues. Offsetting the revenue increases are expenses primarily due to depreciation expense attributed to the Phoenix Bioscience Partnership Building coming on line.
- The board's liquidity measure is the guideline used for the universities regarding levels of acceptable ending fund balances. Days Cash on Hand represents the number of days the university can fund expenses with cash and investments that can be liquidated (i.e. sold) within one month, and is a factor that is considered by bond rating organizations. It is calculated by dividing unrestricted cash and investments by university expenses times days in the year. This measure does not include the assets of the affiliated foundations; however, it does include unrestricted quasi-endowment amounts.
- The goal established by the board is for the universities to maintain the Monthly Days Cash on Hand ratio within a range of plus or minus 25% of the median (138 days) of public colleges and universities rated by Moody's. The FY 2017 range is between 104 and 173 days.



EXECUTIVE SUMMARY

- All three universities are estimating to be above the median range with the UA exceeding the board's recommended limit.
 - For UA, the primary reasons for the growing balance is due to its affiliation with Banner and its Academic Enhancement Fund, established to provide \$261 million for academic enhancement, faculty recruitment and program development at the medical schools. Currently, there is approximately \$38 million in the AEF. The UA also planned to reduce its cash on hand to fund some capital projects with reserve funds but those expenses have not yet occurred.
 - NAU initially expected to reduce its cash on hand to fund some capital projects with reserve funds, as outlined in their capital development plan, but is realizing slightly slower cash outlays for capital in the current fiscal year in combination with increased revenues.
- For NAU and the UA, one important consideration for maintaining adequate reserves is to cover unanticipated shortfalls in pledge/guarantee tuition revenue estimates.

Committee Review and Recommendation

This is an information item only.



Financial Status Update — FY 2017 as of February 28, 2017

(Dollars in Millions)

CHANGE IN NET POSITION			
	FY 2017 Budgeted	FY 2017 Projected	Change in Net Position
ASU	\$77.1	\$99.2	\$22.1

MONTHLY DAYS CASH ON HAND				
	FY 2015	FY 2016	FY 2017 (Budgeted)	FY 2017 (Projected)
ASU	129	151	151	159
	75%	Median	125%	
Moody's*	104	138	173	

*US Public University Range (FY 2015)

MAJOR COMPONENTS OF CHANGE IN NET POSITION				
Revenues				
	Net tuition and fees	\$ (31.4)	International and non-resident enrollment is lower than anticipated while resident enrollment increased more than budgeted.	
	Grants and contracts	11.0	Increased awards.	
	Financial aid grants	5.6	Primarily Pell Grants.	
	TRIF and Other revenues	8.5	Other revenues includes \$2M in Proposition 123 revenues and actual SPEED lottery revenues.	
Total Change in Revenues		(6.3)		
Expenses				
	Salaries, wages and benefits	10.3	Increased research activity.	
	Operating expenses	(36.4)	Adjusted to align with prior year activity.	
	Interest on Indebtedness	(2.3)	Updated for actual financing activity.	
Total Change in Expenses		(28.4)		
Net Variance		\$ 22.1		



QUARTERLY FINANCIAL STATUS UPDATE REPORT

FY 2017 (WITH FY 2016 COMPARATIVE DATA)

(\$ millions)

	FY 2017 OPERATING BUDGET					FY 2016 FINAL	
	FY 2017 OPERATING BUDGET	ACTUAL TO DATE 2/28/2017	CURRENT PROJECTED @ JUNE 30, 2017	\$ VARIANCE BETWEEN BUDGET AND PROJECTED	% VARIANCE BETWEEN BUDGET AND PROJECTED	FY 2016 FINAL	\$ VARIANCE BETWEEN FINAL FY 2016 AND JUNE 30, 2017 PROJECTED
Revenues							
State General Fund Appropriation	\$ 296.9	\$ 192.0	\$ 296.9			\$ 281.4	\$ 15.5
State Appropriation - Research Infrastructure	11.2	7.4	11.2			11.4	(0.2)
Tuition and Fees	1,594.3	1,500.9	1,578.1	\$ (16.2)	-1.0%	1,453.8	124.3
<i>less Scholarship Allowance</i>	(310.8)	(326.0)	(326.0)	(15.2)	4.9%	(296.3)	(29.7)
Net Tuition and Fees	1,283.5	1,174.9	1,252.1	(31.4)	-2.4%	1,157.5	94.6
Grants & Contracts	310.0	212.7	321.0	11.0	3.5%	309.9	11.1
Financial Aid Grants (Primarily Federal Pell Grants)	124.4	119.9	130.0	5.6	4.5%	124.2	5.8
Private Gifts	81.9	40.7	81.9	-		106.2	(24.3)
Technology & Research Initiative Fund (TRIF)	27.9	18.6	31.0	3.1	11.1%	31.1	(0.1)
Auxiliary Revenues, Net	155.0	104.1	155.0	-		149.7	5.3
Other Revenues	112.6	70.7	118.0	5.4	4.8%	117.6	0.4
Total Revenues	\$ 2,403.4	\$ 1,941.0	\$ 2,397.1	\$ (6.3)	-0.3%	\$ 2,289.0	\$ 108.1
Expenses							
Salaries and Wages	\$ 937.5	\$ 622.9	\$ 945.0	\$ 7.5	0.8%	\$ 888.9	\$ 56.1
Benefits	315.2	213.0	318.0	2.8	0.9%	327.8	(9.8)
All Other Operating	691.4	423.9	655.0	(36.4)	-5.3%	617.2	37.8
Scholarships & Fellowships, net of scholarship allowance	190.9	159.8	190.9	-		170.2	20.7
Depreciation	120.0	80.0	120.0	-		116.4	3.6
Interest on Indebtedness	71.3	46.0	69.0	(2.3)	-3.2%	60.0	9.0
Total Expenses	\$ 2,326.3	\$ 1,545.6	\$ 2,297.9	\$ (28.4)	-1.2%	\$ 2,180.5	\$ 117.4
Net Increase (Decrease)	\$ 77.1	\$ 395.4	\$ 99.2	\$ 22.1	28.7%	\$ 108.5	\$ (9.3)

Monthly days cash on hand is projected to be approximately 159 days at June 30, 2017, compared to 151 days at June 30, 2016.

Due to GASB requirements related to pension benefits and OPEB (Other Post-Employment Benefits), ASU recorded \$5.7 million in pension expense and \$23.9 million in OPEB expense as Benefits expense at the end of FY 2016. These amounts may be higher or lower for FY 2017 depending on the actuarial report prepared by the State consultant. No FY 2017 pension or OPEB related GASB activity has been included in the FY 2017 actual to date or projected columns.

(Dollars in Millions)

CHANGE IN NET POSITION			MONTHLY DAYS CASH ON HAND					
	FY 2017 Budgeted	FY 2017 Projected *	Change in Net Position		FY 2015	FY 2016	FY 2017 (Budgeted)	FY 2017 (Projected)
NAU	\$3.9	\$16.5*	\$12.6	NAU	125	150	126	150
Net Position is reflected prior to GASB adjustments related to pension benefits and OPEB (Other Post-Employment Benefits). A current estimated increase of \$5.4 million to pension expense and \$7.2 million for OPEB would be recorded in this year's CAFR resulting in a projected ending net position of \$3.9 million.				Moody's	75%	Median	125%	
					104	138	173	

*US Public University Range (FY 2015)

CHANGE IN NET POSITION: BUDGETED VS PROJECTED			
Revenues			
	Tuition & Fees	\$6.1	Favorable enrollment mix.
	Financial Aid Grants	(1.0)	Adjusted to align with actual activity.
	Grants & Contracts - Research	2.0	Increased awards.
	Private Gifts	2.2	Gifts are trending higher than budget.
	Auxiliary Revenue	4.2	University housing and dining revenues trending higher.
	Other Revenue	8.0	Adjustment for prior year actuals and YTD activity.
Total Change in Revenues		\$21.5	
Expenses			
	Salaries and Wages	\$2.9	Based on expenditure trends projected through fiscal year.
	Benefits	(5.7)	Align with increase in salaries and wages and prior year actuals, remove GASB adjustments.
	All Other Operating	9.2	Increases in services and noncapital equipment.
	Scholarship & Fellowships	0.3	Allowance adjustment based on fall trends.
	Depreciation	2.7	Adjusted to align with actual activity.
	Interest	(0.5)	Decrease due to bond refinancing.
Total Change in Expenses		\$8.9	
Net Variance		\$12.6	

NORTHERN ARIZONA UNIVERSITY QUARTERLY FINANCIAL STATUS UPDATE REPORT

FY 2017 (WITH FY 2016 COMPARATIVE DATA)

(\$ millions)

For the eight months ended February 28, 2017 (Unaudited)

	FY 2017					FY 2016	
	FY 17 OPERATING BUDGET	ACTUAL TO DATE FEBRUARY 28, 2017	CURRENT PROJECTED @ JUNE 30, 2017 (3)	\$ VARIANCE BETWEEN BUDGET & PROJECTED	% VARIANCE BETWEEN BUDGET & PROJECTED	FINAL FY 2016 ACTUAL (3)	\$ VARIANCE BETWEEN FY 16 ACTUAL AND JUNE 30, 2017 PROJECTED (3)
REVENUES:							
STATE GENERAL FUND APPROPRIATION	\$ 99.1	\$ 64.6	\$ 99.1	\$ -	0%	\$ 94.6	\$ 4.5
STATE APPROPRIATION - RESEARCH INFRASTRUCTURE	4.3	2.8	4.3	-	0%	5.5	(1.2)
TUITION AND FEES	347.9	337.4	351.2	3.3	1%	318.9	32.3
LESS SCHOLARSHIP ALLOWANCE	(117.5)	(112.3)	(114.7)	2.8	-2%	(101.8)	(12.9)
NET TUITION AND FEES	230.4	225.1	236.5	6.1	3%	217.1	19.4
GRANTS & CONTRACTS - RESEARCH	48.0	30.2	50.0	2.0	4%	47.3	2.7
FEDERAL FINANCIAL AID GRANTS (Primarily Federal Pell Grants)	43.0	40.9	42.0	(1.0)	-2%	41.6	0.4
PRIVATE GIFTS	15.8	10.1	18.0	2.2	14%	16.5	1.5
TECHNOLOGY & RESEARCH INITIATIVE FUND (TRIF)	13.7	7.7	13.7	-	0%	13.8	(0.1)
AUXILIARY REVENUES, NET OF SCHOLARSHIP ALLOWANCE	57.8	47.0	62.0	4.2	7%	56.9	5.1
OTHER REVENUES (1)	37.0	25.3	45.0	8.0	22%	38.4	6.6
TOTAL REVENUES	\$ 549.1	\$ 453.7	\$ 570.6	\$ 21.5	4%	\$ 531.7	\$ 38.9
EXPENSES:							
SALARIES & WAGES	\$ 241.1	\$ 158.7	\$ 244.0	\$ 2.9	1%	233.5	10.5
BENEFITS	87.2	55.8	81.5	(5.7)	-7%	78.8	2.7
ALL OTHER OPERATING (2)	117.8	79.7	127.0	9.2	8%	120.5	6.5
SCHOLARSHIP & FELLOWSHIPS - NET OF ALLOWANCE	32.7	32.6	33.0	0.3	1%	31.5	1.5
DEPRECIATION	37.5	26.8	40.2	2.7	7%	38.0	2.2
INTEREST ON INDEBTEDNESS	28.9	19.4	28.4	(0.5)	-2%	27.2	1.2
TOTAL EXPENSES	\$ 545.2	\$ 373.1	\$ 554.1	\$ 8.9	2%	\$ 529.5	\$ 24.6
NET INCREASE/(DECREASE) (3)	\$ 3.9	\$ 80.6	\$ 16.5	\$ 12.6	323%	\$ 2.2	\$ 14.3

(1) Other Revenues includes investment income, capital grants and gifts, sales and services revenue, additions to permanent endowments, and other miscellaneous revenue.

(2) Other Operating Expenses includes payments for services, supplies and materials, non capital equipment, non financed capital equipment, and utilities.

(3) Net Increase/(Decrease) is reflected prior to GASB adjustments related to pension benefits and OPEB (Other Post-Employment Benefits). For FY16 the University reported an increase of \$5.3 million to pension expense and \$5.6 million to OPEB expense resulting in a net decrease in net position of \$(8.7) million as reflected in the FY16 CAFR. For FY17, a current estimated increase of \$5.4 million to pension expense and \$7.2 million for OPEB would be recorded in this year's CAFR resulting in a projected ending net position of +\$3.9 million.



Quarterly Status Update - FY 17 February
 (Dollars in Millions)

CHANGE IN NET POSITION			
	FY 2017 Budgeted	FY 2017 Projected	Change in Net Position Variance
UA	\$ 109.0	\$ 108.4	\$ (0.6)

MONTHLY DAYS CASH ON HAND			
	FY 2016 Actual	FY 2017 Budgeted	FY 2017 Projected
UA	170	162	176
Moody's US Public University Range (FY 2015)	75%	Median	125%
	104	138	173

CHANGE IN NET POSITION: BUDGETED VS. PROJECTED			
Revenues:			
Tuition & Fees	0.9		Increase is to agree to revised tuition and fee estimate.
Scholarship Allowances	\$ 7.6		The reduction is due to a decrease in scholarship awards.
Other Revenues	(5.0)		The net decrease in Other Revenues is due to a decrease of \$10.0M for one-time, non-contract Banner funds that will not be realized in FY17 partially offset by increases of \$3.0M in capital gifts and \$2.0M due to the passing of the Arizona Education Finance Amendment, Proposition 123.
Total Change in Revenues	\$ 3.5		
Expenses:			
Scholarships & Fellowships	(2.4)		Decrease is due to reduction in financial aid.
Depreciation	8.4		Adjusted to align with actual activity.
Interest on Indebtedness	(1.9)		The decrease is due to a new debt issuance involving refunding and new construction offset by capitalized interest for building assets.
Total Change in Expenses	\$ 4.1		
Net Variance	\$ (0.6)		

FY 2017						FY 2016	
FY 17 OPERATING BUDGET	YEAR TO DATE	CURRENT PROJECTED @ JUNE 30, 2017	\$ VARIANCE BETWEEN BUDGET & PROJECTED	% VARIANCE BETWEEN BUDGET & PROJECTED	FY 2016 AUDITED JUNE 30, 2016	\$ VARIANCE BETWEEN FY 16 ACTUAL & CURRENT PROJECTED	
Revenues							
State General Fund Appropriation	\$ 253.1	\$ 168.7	\$ 253.1	\$ -	0.0%	\$ 241.3	\$ 11.8
State Appropriation - Research Infrastructure	14.0	9.3	14.0	-	0.0%	9.6	4.4
State Appropriation - One-time technical adjustment						-	
Tuition and Fees	853.5	555.7	854.4	0.9	(a) 0.1%	805.1	49.3
less Scholarship Allowance	(212.2)	(134.0)	(204.6)	7.6	(b) 3.6%	(196.5)	(8.1)
Net Tuition and Fees	641.3	421.7	649.8	8.5	1.3%	608.6	41.2
Grants & Contracts	\$ 638.9	\$ 389.6	\$ 638.9	\$ -	0.0%	\$ 701.4	\$ (62.5)
Financial Aid Grants (Primarily Federal Pell Grants)	52.5	57.2	52.5	-	0.0%	52.0	0.5
Private Gifts (Note)	82.3	40.7	82.3	-	0.0%	80.9	1.4
Technology & Research Initiative Fund (TRIF)	27.3	13.8	27.3	-	0.0%	25.0	2.3
Auxiliary Revenues, Net	215.0	150.3	215.0	-	0.0%	206.7	8.3
Other Revenues	147.8	67.6	142.8	(5.0)	(c) -3.4%	115.3	27.5
Total Revenues	\$ 2,072.2	\$ 1,318.9	\$ 2,075.7	\$ 3.5	0.2%	\$ 2,040.8	\$ 34.9
Expenses							
Salaries and Wages	\$ 911.6	\$ 554.5	\$ 911.6	\$ -	0.0%	\$ 920.1	\$ (8.5)
Benefits	309.1	205.9	309.1	-	0.0%	328.6	(19.5)
All Other Operating	496.3	321.2	496.3	-	0.0%	454.2	42.1
Scholarships & Fellowships, Net of Scholarship Allowance	67.6	45.1	65.2	(2.4)	(d) -3.6%	54.1	11.1
Depreciation	121.8	86.8	130.2	8.4	(e) 6.9%	125.5	4.7
Interest on Indebtedness	56.8	36.6	54.9	(1.9)	(f) -3.3%	49.7	5.2
Total Expenses	\$ 1,963.2	\$ 1,250.1	\$ 1,967.3	\$ 4.1	0.2%	\$ 1,932.2	\$ 35.1
Net Increase (Decrease)	\$ 109.0	\$ 68.8	\$ 108.4	\$ (0.6)	(0.6%)	\$ 108.6	\$ (0.2)

Monthly days' cash on hand at June 30, 2017 is projected to be 176 days compared to 170 days at June 30, 2016.

(a) Increase is to agree to revised tuition and fee estimate.

(b) The reduction is due to a decrease in scholarship awards.

(c) The net decrease in Other Revenues is due to a decrease of \$10.0M for one-time, non-contract Banner funds that will not be realized in FY17 partially offset by increases of \$3.0M in capital gifts and \$2.0M due to the passing of the Arizona Education Finance Amendment, Proposition 123.

(d) Decrease is due to reduction in financial aid.

(e) Adjusted to align with actual activity.

(f) The decrease is due to a new debt issuance involving refunding and new construction offset by capitalized interest for building assets.

Notes: Private gifts do not include gifts for capital projects. Capital Gifts are reported as part of Other Revenues. The UA expects capital gift revenue of \$7.0 million for FY 2017.

Due to GASB requirements related to pension benefits and OPEB (Other Post-employment Benefits), the University reported a reduction of \$2.6 million to pension expense (more contributions than expenses) and an increase of \$26.3 million to OPEB expense at the end of FY 2016. These amounts may be higher or lower for FY 2017 depending on the actuarial report prepared by the State consultant. No FY 2017 pension or OPEB related GASB activity has been included in the FY 2017 actual to date or projected columns.

EXECUTIVE SUMMARY**Item Name: Revised FY 2017 Capital Development Plan (ASU)**

- Action Item
 Committee Recommendation to Full Board
 First Read of Proposed Policy Change
 Information or Discussion Item

Issue: Arizona State University (ASU) asks board approval of its Revised FY 2017 Capital Development Plan (CDP), which includes one new project, the Greek Leadership Village Community Center. This revised CDP totals \$14 million.

Enterprise or University Strategic Plan

(Check the element(s) of the strategic plan that this item supports or advances)

- Empower Student Success and Learning
 Advance Educational Attainment within Arizona
 Create New Knowledge
 Impact Arizona
 Compliance
 Real property purchase/sale/lease
 Other:

Statutory/Policy Requirements

- Pursuant to Arizona Board of Regents Policy, Chapter 7-107, revisions to the Capital Development Plan (CDP) are reviewed by the Capital and Project Finance Committee and approved by the Board.

Project Justification/Description/Scope

The Arizona State University Revised FY 2017 CDP totals \$14.0 million and proposes the following new major capital project for approval:

Greek Leadership Village Community Center

- This revised CDP incorporates the construction of the Greek Leadership Village (GLV) Community Center, which will be located adjacent to the new fraternity and sorority student housing being constructed on the Tempe campus. This Community Center will provide flexible office, meeting and event space to accommodate the needs of the university's Greek student organizations.

Contact Information:

Morgan R. Olsen, Executive Vice President, Treasurer and CFO; (480) 727-9920; Morgan.R.Olsen@asu.edu

EXECUTIVE SUMMARY

- The GLV Community Center project in this revised CDP reflects thoughtful and productive investment in the university's infrastructure that is so vital to student success and to supporting key elements of ASU's Strategic Enterprise Framework, including:
 - Achieving a fifty-seven percent increase in degree production
 - Establishing national standing in academic quality and the impact of colleges and schools in every field
 - Enhancing local impact and social embeddedness
 - Expanding research performance to \$815 million in annual research expenditures by 2025.

Fiscal Impact and Financing Plan:

- The ASU revised FY 2017 CDP, if fully implemented, reflects a total cost of \$14.0 million.
- The university will internally fund construction of the Greek Leadership Village Community Center project with auxiliary system revenues.
- Operations and maintenance costs for this project are estimated at \$150,974 annually and will be funded by auxiliary revenues.

Debt Ratio Impact: This project will not impact the university's debt ratio.

- The tables in Exhibits 1 and 2 provide details on the financial aspects of this project.

Requested Action

Arizona State University asks the committee forward to the full board for approval of its revised FY 2017 Capital Development Plan, as presented in this Executive Summary.

EXECUTIVE SUMMARY

Exhibit 1

ARIZONA STATE UNIVERSITY							
AMENDED FY 2017 CAPITAL DEVELOPMENT PLAN							
Project	Board Approval Status	Gross Square Footage	Project Cost	Amount Financed	Funding Method	Annual Debt Service	Debt Ratio
New Auxiliary Project							
Greek Leadership Village Community Center		30,000	\$14,000,000	-	Auxiliary Revenues	-	-
New Project Total		30,000	\$14,000,000	-			
Total		30,000	\$14,000,000	-		-	-

Exhibit 2

AMENDED CAPITAL DEVELOPMENT PLAN - OPERATION AND MAINTENANCE BY FUNDING SOURCE											
Project	TOTAL ANNUAL O&M	301	TUI	AUX	ICR	OLF	GFA	FGT	DFG	OTH	TOTAL ANNUAL O&M
New Auxiliary Project											
Greek Leadership Village Community Center	\$ 150,974			\$ 150,974							\$ 150,974
New Auxiliary Project Total	\$ 150,974	\$ -	\$ -	\$ 150,974	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,974
Total	\$ 150,974		\$ -	\$ 150,974	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 150,974

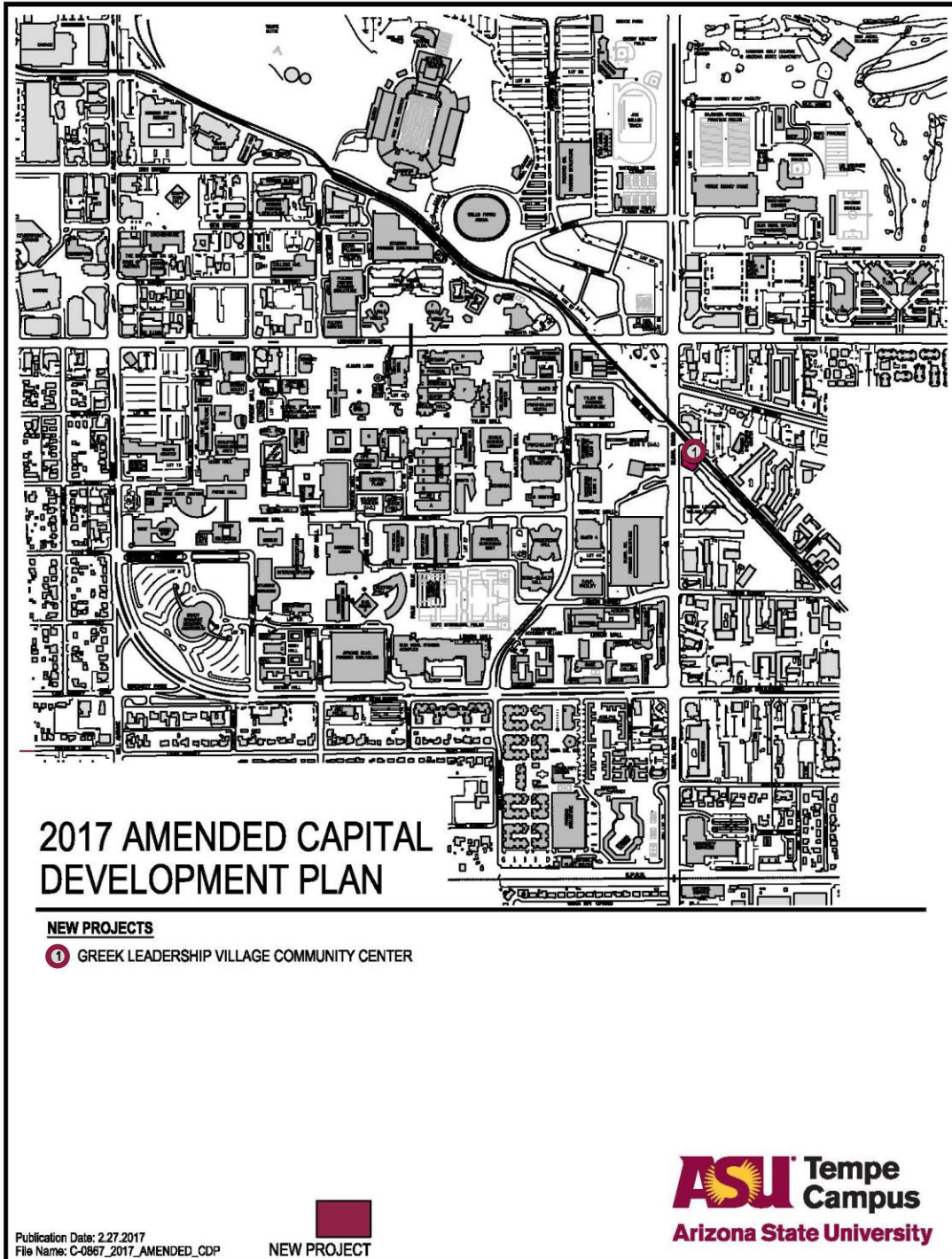
Debt Service Funding Source Codes:

(301) 301 Fund/Other
 (TUI) Tuition
 (AUX) Auxiliary
 (ICR) Indirect Cost Recovery
 (OLF) Other Local Funds
 (SLP) State Lottery Allocation Proceeds

(GFA) General Fund Appropriation
 (FGT) Federal Grant
 (DFG) Debt Financed by Gifts
 (OTH) Other

EXECUTIVE SUMMARY

EXHIBIT "A"
REVISED FY 2017 CAPITAL DEVELOPMENT PLAN
LOCATION AND SITE MAP



EXECUTIVE SUMMARY

**Arizona Board of Regents
Arizona State University
Revised Capital Development Plan Project Justification Report
Greek Leadership Village Community Center**

Previous Board Action:

- None

Statutory/Policy Requirements

- Pursuant to Arizona Board of Regents Policy, Chapter 7-102 (B), new construction projects with an estimated total cost of \$10 million or more shall be brought to the Business and Finance Committee for approval.

Project Justification/Description/Scope

- The Greek Leadership Village Community Center project will support the ABOR *2020 Vision* goal and the mission and goals of the university to enable student success and advance educational attainment within Arizona. Arizona State University continues to pursue the highest standards of excellence, access and impact. This Community Center will support the attainment of these goals by facilitating opportunities for students to learn and discover, develop leadership skills, and maximize their college experience through engagement with their school and the communities it serves.
- The Community Center will be located on the Tempe campus on the former site of the Cholla Apartments. The Community Center will be adjacent to the new fraternity and sorority student housing being constructed by American Campus Communities (ACC), pursuant to a ground lease approved by the Board in November of 2016. The project site is depicted on the map attached hereto as Exhibit B.
- The approximately 30,000 gross-square-foot, three-level Community Center will serve as a student-operated gathering space for the ASU fraternity and sorority community, including its five councils and chapters.
- The Community Center will provide meeting space for chapters to conduct their operational business and flexible office and work space for the utilization of all five councils and their staff advisors. The Community Center will include large open public gathering spaces, a visitor lobby and reception area, conference rooms, exterior terrace space to facilitate student and community events and street-level

EXECUTIVE SUMMARY

public retail space. The building will be designed to meet the specifications for LEED Silver certification.

Project Delivery Method and Process

- The Community Center will be located on a small parcel of land with limited space available for the construction of this project, immediately adjacent to and simultaneous with the greek student housing project. The proposed project would, therefore, be constructed under contract with ACC, in order to take advantage of construction management and cost efficiencies. The project is being designed under the supervision of ASU Facilities Development and Management. A fixed-price agreement will be established with ACC for the construction of this project, based on the approved design.

Project Status and Schedule

- This project is in the design development phase, with construction scheduled to start in July 2017. The project is scheduled for substantial completion in July 2018.

Project Cost

- The budget for this approximately 30,000 gross-square-foot project is \$14.0 million.
- The budget represents an estimated construction cost of \$350 per gross square foot. The estimated total project cost is \$467 per gross square foot.
- For this Project Approval Phase, the DP has provided external cost estimates from independent design efforts.

Fiscal Impact and Financing Plan

- The university will internally fund construction of the Greek Leadership Village Community Center project with auxiliary system revenues.
- Operations and maintenance costs for this project are estimated at \$150,974 annually and will be funded by auxiliary revenues.

Debt Ratio Impact: This project will not impact the university's debt ratio.

Occupancy Plan

- This project will create an on-campus presence for the Greek organizations to facilitate their collaboration and community engagement activities and does not represent a backfill plan.

EXECUTIVE SUMMARY

Capital Project Information Summary**University:** Arizona State University**Project Name:** Greek Leadership Village Community Center**Project Description and Location:**

This project will construct a new, stand-alone Community Center adjacent to fraternity and sorority student housing under construction on the Tempe campus. The location of this center is depicted on the map incorporated herein as Exhibit B. The approximately 30,000 gross-square-foot, three-level Community Center will provide flexible office, meeting and event space to accommodate the needs of the university's Greek student organizations.

Project Schedule:

Planning	July	2016
Design	November	2016
Construction Start	July	2017
Construction Completion	July	2018

Project Budget:

Total Project Cost	\$ 14,000,000
Total Construction Project Cost	\$ 10,502,788
Total Project Cost per GSF	\$ 467
Construction Cost per GSF	\$ 350

Change in Annual Operations and Maintenance Cost:

Utilities	\$ 69,720
Personnel	0
All Other Operating	81,254
Subtotal	\$ 150,974

Funding Sources:

A. Auxiliary Revenues	\$ 14,000,000
Operation/Maintenance Annual	\$ 150,974
Funding Source: Auxiliary Revenues	

EXECUTIVE SUMMARY**Capital Project Budget Summary****University:** ASU Tempe Campus**Project:** Greek Leadership Village Community Center

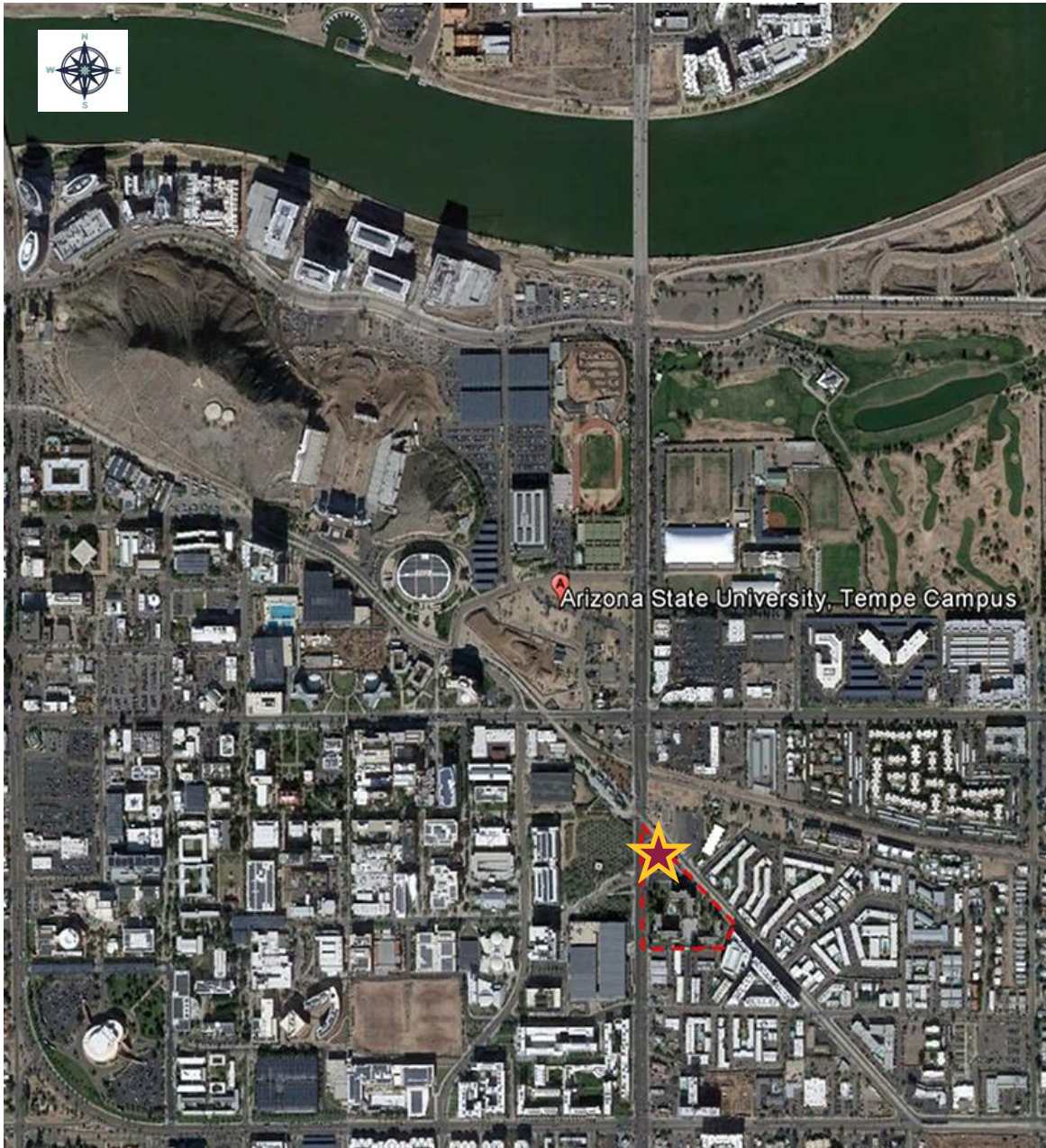
	Capital Development Plan	Project Approval
Capital Costs		
1. Land Acquisition		
2. Construction Cost		
A. New Construction	\$ 10,057,236	
B. Renovation		
C. Special Fixed Equipment	81,828	
D. Site Development (excl. 2.E.)	363,724	
E. Parking and Landscaping		
F. Utilities Extensions		
G. Other* (Demolition)		
Subtotal Construction Cost	<u>\$ 10,502,788</u>	<u>\$ -</u>
3. Fees		
A. CMAR Pre-Construction		
B. Architect/Engineer	1,050,000	
C. Other	195,665	
Subtotal Consultant Fees	<u>\$ 1,245,665</u>	<u>\$ -</u>
4. FF&E Movable	\$ 50,000	
5. Contingency, Design Phase	535,000	
6. Contingency, Constr. Phase	535,000	
7. Parking Reserve		
8. Telecommunications Equipment	250,000	
Subtotal Items 4-8	<u>\$ 1,370,000</u>	<u>\$ -</u>
9. Additional University Costs		
A. Surveys, Tests, Haz. Mat. Abatement	\$ 150,000	
B. Move-in Costs	60,000	
C. Printing Advertisement		
D. Keying, signage, facilities support	100,000	
E. Project Management Cost (2%)	535,838	
F. State Risk Mgt. Ins. (.0034 **)	35,709	
Subtotal Addl. Univ. Costs	<u>\$ 881,547</u>	<u>\$ -</u>
Total Capital Cost	<u>\$ 14,000,000</u>	<u>\$ -</u>

* Universities shall identify items included in this category

** State Risk Management Insurance factor is calculated on construction costs and consultant fees.

EXECUTIVE SUMMARY

EXHIBIT "B"
GREEK LEADERSHIP VILLAGE COMMUNITY CENTER
LOCATION AND SITE MAP



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EXECUTIVE SUMMARY

Item Name: **Lease for Hi Corbett Field from the City of Tucson (UA)**

- Action Item
- Committee Recommendation to Full Board
- First Read of Proposed Policy Change
- Information or Discussion Item

Issue: UA asks board approval of a long-term lease between the UA and the City of Tucson for Hi Corbett Field (baseball stadium) and related facilities.

Enterprise or University Strategic Plan

(Check the element(s) of the strategic plan that this item supports or advances)

- Empower Student Success and Learning
- Advance Educational Attainment within Arizona
- Create New Knowledge
- Impact Arizona
- Compliance
- Real property purchase/sale/lease
- Other:

Statutory/Policy Requirements

- ABOR Policy 7-207 requires board approval of any leases with an initial term exceeding 60 months; the initial term of this lease is 25 years.

Background/History of Previous Board Action

- On November 8, 2011, the UA and the City of Tucson (the “City”) executed a 5-year lease for the UA’s use of Hi Corbett field and certain related facilities, effective January 1, 2012. This lease was extended by the UA for an additional 5-year term, effective January 1, 2017.
- The 2011 lease was for an initial 5-year term, with the option to renew for one additional 5-year term, and board approval was not required pursuant to ABOR Policy 7-207.

Contact Information:

Gregg Goldman, Senior VP for Business Affairs and CFO, ggoldman@email.arizona.edu, 520-621-5977

EXECUTIVE SUMMARY

- Both the City and the UA seek to enter into this long-term lease for Hi Corbett, to establish a long-term home for the UA baseball team that will allow for the UA to plan capital improvements and investment in the facilities that would otherwise not be possible.

Discussion

- The UA Baseball team's move to Hi Corbett has resulted in a significant increase in the number of spectators at UA Baseball games.
- The UA Baseball team has participated in 2 College World Series (2012 and 2016) since the move, has gone to the championship game twice, and won the National Championship in 2012.
- Sancet Field, the former home of the UA Baseball team on the UA campus, has been converted into much-needed practice space for the UA football team.
- Five beach volleyball courts were added on the north end of the old football practice field to accommodate practice and competition in this new women's sport, which was added to achieve Title IX compliance.
- Under the current lease for Hi Corbett, the UA pays rent to the City of approximately \$262,000 per year, with an agreement to escalate the rent payments periodically commencing on January 1, 2018.
- The City proposes to lease Hi Corbett to the UA for 25 years, with two 5-year extension options, for a nominal (\$10/year) rent payment.
- Under the proposed Lease, the UA will have exclusive use and occupancy of Hi Corbett field and all associated offices and buildings, as well as exclusive rights to 678 parking spaces immediately adjacent to Hi Corbett, exclusive use of one of the City's four lighted practice fields and nonexclusive use of the "mini-infield."
- The UA may lease space in the office building to the City on terms to be negotiated, and both the City and the UA will have the opportunity to host events at Hi Corbett, subject to approval by the UA, that will result in additional revenues to the UA, from facilities use fees and concession sales.
- The UA will continue to receive all revenues from concession sales at Hi Corbett.

EXECUTIVE SUMMARY

- The UA will assume responsibility for all maintenance, repairs and replacements within the Hi Corbett facility for the duration of the Lease, and will be responsible for all utilities at such time as the City installs, at its costs, separate meters to the facilities leased by the UA.
- The UA Intercollegiate Athletics Department (ICA) has already received substantial donor commitments for improvements at Hi Corbett, which will be used to renovate the home team clubhouse area, replace/renovate existing batting cages, replace backstop netting and replace a significant number of the seats in the stadium.
- ICA anticipates making substantial donor-funded and other capital investment in Hi Corbett in the next five years, and will have fully recovered the value of these capital investments during the 25-year initial term of this lease, and the available extensions.
- The UA has developed a comprehensive 25-year maintenance plan, that will result in average annual costs at or below the lease rates anticipated in the current lease with the City, and will provide for a significantly enhanced facility.
- It is anticipated that the Lease will be considered for approval by the City of Tucson Mayor and Council at their meeting scheduled for March 21, 2017.

Requested Action

UA asks the committee forward to the board for approval of the Lease between the UA and the City of Tucson for Hi Corbett Field, and further asks that the board authorize the UA President or the Senior Vice President for Business Affairs and CFO to execute the Lease and any related documents necessary to finalize the Lease, as presented in this Executive Summary.

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EXECUTIVE SUMMARY

Item Name: Ground Lease with American Campus Communities for Development of Privatized Honors Community (NAU)

- Action Item
- Committee Recommendation to Full Board
- First Read of Proposed Policy Change
- Information or Discussion Item

Issue: Northern Arizona University (NAU) asks board approval to execute a ground lease with American Campus Communities (ACC) for the development of a privatized residence hall and Honors academic community project on the Flagstaff Campus.

Previous Board Action:

FY 2018 – 2020 Capital Improvement Plan
FY 2017 Revised Capital Development Plan

September 2016
April 2017

Enterprise or University Strategic Plan

- Empower Student Success and Learning
- Advance Educational Attainment within Arizona
- Create New Knowledge
- Impact Arizona
- Compliance
- Real property purchase/sale/lease
- Other:

Statutory/Policy Requirements:

- Board Policy 7-102.B.3 requires Committee review and Board approval of projects shared with outside entities such as third parties.
- Board Policy 7-207 requires Committee review and Board approval for the lease of real property.
- ABOR Policy 7-102 requires approval of the issuance of bonds, lease-purchase agreements, certificates of participation issuance, or any debt instrument.

EXECUTIVE SUMMARY

- ABOR Policy 3-501 requires matters relating to revenue bonds, including matter relating to revenue bonds, including issuance, sale, appointment of bond counsel, appointment of financial consultant, appointment of trustee, and all other incidents connected with revenue bonds to be presented for Board action.

Project:

American Campus Communities development and construction of a new privatized residence hall and combined academic and core student support space on the Northern Arizona University Flagstaff campus (to be called Honors Community).

Project Justification

University Housing exists to provide safe, clean, affordable housing that encourages student success, connection, engagement and involvement through student programming opportunities. Student success and retention rates improve significantly when students reside on campus, particularly among first-time freshmen. Purposeful student programming and the relationship development that occurs through having staff living in and interacting directly with students has been proven to increase student satisfaction, involvement and retention across the nation.

Demand for on-campus, University –managed housing continues to grow. This academic year NAU stopped accepting housing applications in May and opened with 165 students in temporary housing. The NAU Flagstaff campus currently contains 7,548 (excluding family housing) NAU owned housing units (available beds) that are in aging facilities. A large portion of the existing inventory, approximately 5,275 beds, is reserved for first-year students. Remaining inventory is reserved for sophomores wishing to remain on campus. Beginning in 2016 for the 2016-2017 academic year the private projects were first reserved and leased to continuing students, juniors and seniors, wishing to remain on campus.

These projects support NAU’s strategic goals including:

- Meeting the 2025 Enterprise metrics targets for undergraduate enrollment by providing the necessary student housing component enabling NAU to continue as a premier residential campus while serving a growing student population.
- Increasing student retention by providing on-campus housing options with academic and other support programs shown to improve student success.
- Supporting the university mission to provide an outstanding undergraduate residential education. This past fall semester, NAU had over 600 triple-occupancy rooms and over 100 students in temporary spaces at the beginning of the semester. As the entering class continues to grow, more upperclassmen are

EXECUTIVE SUMMARY

being displaced from NAU housing.

- Aligning university facilities with the campus master plan approved by the Board in September 2010 and contributing to creating an expanded workable, livable and sustainable campus.
- In November 2016 NAU received approval to create an Honors College, to enhance efforts to meet ABOR goals 1 & 2 (educate and achieve), by promoting the highest levels of academic quality and curricular innovation. NAU currently has 1,055 students in its Honors program with an anticipated growth of 125 per year as a College. These students are currently disbursed throughout residence spaces on campus, with many of the new incoming freshman residing in Calderon Learning Community. The incoming class this past fall was approximately 550, exceeding the capacity in Calderon by approximately 75 students. Development of an Honors community is critical to continued success and expansion of the Honors College.
- NAU's Operational and Finance Review noted that expanding its high achieving student recruitment strategy through the development of an Honors College in combination with exceptional curricular experiences will help attract and retain honors students at NAU.

Project Description and Scope:

Through its agreement with NAU, ACC will construct new suite style Honors housing on the Flagstaff campus. The proposed project is 630 beds and will serve first-year Honors students.

In addition, approximately 22,294 square feet will be constructed within the facility to serve core student support and academic needs of the Honors College. This space will consist of classrooms, study spaces, academic learning spaces and Honors faculty and administrative offices. The classrooms will also serve the need for academic space on the Flagstaff campus.

The project will be constructed to standards comparable to the most recent NAU residence halls, and will be maintained throughout the lease term in Class A condition. Construction documents are subject to NAU approval with input from a third-party group for Fire Life Safety.

The project will include a landscaped courtyard and amenity spaces throughout the site. Amenity spaces include a Community Center, lobby, residence staffing offices, game room, study and social spaces throughout, computer lab, mail area and fitness center.

EXECUTIVE SUMMARY

Pending ABOR approval and favorable review from JCCR, NAU will enter into a Ground Lease and Master Sublease, and the project will begin construction in April 2017 with an anticipated completion date of August 2018.

Project Cost/Financial Structure:

- **Operating Expenses** – ACC is responsible for all costs and expenses of maintaining the residence portions of the project, including reasonable reserve deposits. NAU is responsible for maintaining the academic and core student support space. Minimum Standards of Operation (both maintenance and staffing) are defined as equal to “Class A” privatized student housing.
- **Management** – NAU will manage and provide the residential life programming and staffing, as well as enforce the NAU student code of conduct and refer violators to the NAU student judicial system at a level consistent with other on-campus freshman housing, under a Master Sublease. ACC will employ a site manager and maintenance staff. ACC and NAU will establish a Joint Advisory Committee responsible for the day-to-day operations of the housing facility, including review and approval of the annual operating budget, capital budget, staffing plan and any proposed changes in programs, policies and procedures. ACC retains ultimate control of those decisions that result in a material economic consequence to ACC, provided that minimum standards of operation have been satisfied.
- **Master Lease Agreement (Ground Lease)** – The project is to be administered by a Ground Lease Agreement between the University and ACC. The Ground Lease is for a period of 40 years with four 10-year options to renew.
- **Lease Payments**– NAU will receive rental payments in the form of annual base rent (i.e. Ground Rent) plus out performance rent should the project yield revenue in excess of the required return threshold.
- **Sublease** – NAU will enter into a sublease with ACC for the Honors Community academic and core student support space that will be initially financed by ACC pursuant to the long term lease of this space by the University. NAU may buy out the lease at any anniversary date of the lease for the remaining unamortized portion of the sublease and the University intends to subsequently refinance and pay off the lease for the Honors Community academic and student support space through the issuance of the System Revenue bonds pending project and financing approval.

EXECUTIVE SUMMARY

Fiscal Impact and Financing Plan:

ACC will fund the entire project total construction cost, estimated at \$58.8 million with 25% equity and 75% debt funding by the developer. The University will enter into a Master Sublease to manage and provide programming in the facility with NAU Residence Life staff.

Requested Action:

Northern Arizona University asks the committee forward to the board for approval of Northern Arizona University's request to enter into a Ground Lease with American Campus Communities for the development of third-party student housing and core student support space on the Flagstaff campus in accordance with the terms and conditions outlined above, and that the President and Chief Financial Officer each be separately authorized in the name of and on behalf of the board to take all appropriate actions necessary to finalize negotiations and to facilitate and execute the Ground Lease and all related documents with American Campus Communities for the development of student housing and core student support space on the Flagstaff campus, as presented in this Executive Summary.

EXECUTIVE SUMMARY

Proposed Site Plan and Project Location Map:



EXECUTIVE SUMMARY**Item Name: FY 2017 Revised Capital Development Plan (NAU)**

- Action Item
- Committee Recommendation to Full Board
- First Read of Proposed Policy Change
- Information or Discussion Item

Issue: Northern Arizona University asks board approval of its FY 2017 Revised Capital Development Plan (CDP), which includes one new project, a privatized residence hall with academic and core student support space for the Honors Community. The CDP financial impact totals \$9.9 million.

Previous Board Action

- FY 2018 – 2020 Capital Improvement Plan September 2016
- FY 2017 Capital Development Plan June 2016

Enterprise or University Strategic Plan

- Empower Student Success and Learning
- Advance Educational Attainment within Arizona
- Create New Knowledge
- Impact Arizona
- Compliance
- Real property purchase/sale/lease
- Other:

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.

EXECUTIVE SUMMARY

- 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.

Project Justification/Description/Scope

- NAU outlined plans for this project in the Capital Improvement Plan (CIP) and began presenting information at the September ABOR meeting as part of the Operational and Financial Review. This revision to the CDP moves the timeline of the project up into this fiscal year to target having the project open for the 2018-19 academic year.
- Northern Arizona University's FY 2017 Revised CDP includes this new project for a third-party privatized residence hall with academic and core student support space for the Honors College Community. This project will have a negotiated ground lease between American Campus Communities (ACC) and Northern Arizona University in which ACC will construct the Honors Community. NAU will seek project approval and approval to enter into a ground lease in a separate Board Action Item, as well as seek favorable JCCR review prior to beginning construction in accordance with ABOR policy.
- Through its agreement with NAU, ACC will construct new suite style Honors housing on the Flagstaff campus. The proposed project is 630 beds and will serve first-year Honors students. In addition, approximately 22,294 square feet will be constructed within the facility to serve core student support and academic needs of the Honors College. This space will consist of classrooms, study spaces, academic learning spaces and Honors faculty and administrative offices. Additional project information is detailed in the attached Project Justification Report.
- NAU continues to align capital projects with the approved university campus master plan and the system enterprise and university strategic goals and objectives. These projects support NAU's strategic goals including:
 - Meeting the 2025 Enterprise metrics targets for undergraduate enrollment by providing the necessary student housing component enabling NAU to continue as a premier residential campus while serving a growing student population.
 - Increasing student retention by providing on-campus housing options with academic and other support programs shown to improve student success.
 - Supporting the university mission to provide an outstanding undergraduate residential education. This past fall semester, NAU had over 600 triple-

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occupancy rooms and over 100 students in temporary spaces at the beginning of the semester. As the entering class continues to grow, more upperclassmen are being displaced from NAU housing.

- Aligning university facilities with the campus master plan approved by the Board in September 2010 and contributing to creating an expanded workable, livable and sustainable campus.
- In November 2016 NAU received approval to create an Honors College, to enhance efforts to meet ABOR goals 1 & 2 (educate and achieve), by promoting the highest levels of academic quality and curricular innovation. NAU currently has 1,055 students in its Honors program with an anticipated growth of 125 per year as a College. These students are currently disbursed throughout residence spaces on campus, with many of the new incoming freshman residing in Calderon Learning Community. The incoming class this past fall was approximately 550, exceeding the capacity in Calderon by approximately 75 students. Development of an Honors community is critical to continued success and expansion of the Honors College.
- NAU's Operational and Finance Review noted that expanding its high achieving student recruitment strategy through the development of an Honors College in combination with exceptional curricular experiences will help attract and retain honors students at NAU.
- In addition, the following primary institutional priorities for capital projects at NAU include:
 - **Student Support Requirements:** New facilities and student success programs must be provided to assure successful student recruitment, housing, socialization, retention and graduation. The model of a residential campus is successful in increasing and maintaining student retention rates as well as enhancing the student experience. As the entering freshman class size at NAU continues to grow, upperclassmen are being displaced from NAU housing. This project will build approximately 630 new beds to meet the increasing demand, as well as provide dedicated academic and student support space for the Honors program.
 - **Funding Sources & Financing Options:** Project funding and financing are carefully considered for every individual project, to take advantage of opportunities, to maximize the resources available with minimal impacts on tuition rates and to responsibly manage the assets of the University.

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Impacts to tuition are avoided when possible. Financial resources are judiciously utilized to meet the highest institutional priorities and the University's financial strength and standing must be preserved. Constructing a privatized residence hall enables the University to preserve its debt ratio and bonding capacity for academic and other facility needs.

Fiscal Impact and Financing Plan:

- Northern Arizona University is working with a third-party developer to minimize the capital outlay by the University. ACC will fund the entire project total construction cost, estimated at \$58.8 million with 25% equity and 75% debt funding provided by the developer. The University will enter into a Master Sublease to manage and provide programming in the residential facility with NAU Residence Life staff.
- The University will sublease the Honors Community Academic space including classrooms and core student support space through a long term lease agreement. The University plans to issue system revenue bonds prior to June 2018 to finance this \$9.9 million project reimbursement. Debt service will be paid from tuition and program fee revenue.
- ACC is responsible for all costs and expenses of maintaining the residence portions of the project, including reasonable reserve deposits.
- ACC is responsible for maintaining the academic and core student support space, expected to be approximately \$95,000 a year. ACC will bill NAU for this maintenance with NAU using auxiliary revenue to pay this expense.

Debt Ratio Impact:

- The projected incremental debt ratio impact from this proposed CDP project for the Honors Community Academic Space on system revenue bond debt service is .16 percent from 5.32% to 5.48% utilizing the not to exceed 6% rate.
- The tables in Exhibits 1 and 2 provide details on project financing, funding sources and debt ratio impact.

Requested Action

Northern Arizona University asks the committee forward to the full board for approval of the Revised FY 2017 Capital Development Plan, as presented in this Executive Summary.

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EXHIBIT 1

Project Summary

Project	Board Approval Status	Gross Square Footage	Project Cost	Amount Financed	Funding Method	Annual Debt Service ¹	Debt Ratio
Academic/Support Projects							
No new projects							
New Academic/Support Projects Total		-	\$ -	\$ -		\$ -	0.00%
New Auxiliary Projects							
No new projects							
New Auxiliary Total		-	\$ -	\$ -		\$ -	0.00%
Third-Party Projects							
Honors Community	CIP 9/2016	22,294	\$ 9,902,000	\$ 9,902,000	SRB	\$ 893,000	5.5%
Third-Party Total		22,294					
Resubmitted Projects							
NA							
Resubmitted Total							
TOTAL		22,294	\$ 9,902,000	\$ 9,902,000		\$893,000	5.5%

assumes 6% not to exceed rate

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EXHIBIT 2

**Annual Debt Service and Operation and Maintenance Costs
By Funding Source**

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											
No new projects											
Academic/Support Projects Total	\$ -	\$ -	\$ -	\$ -							\$ -
New Third Party Projects											
Honors Community	\$ 9,902,000		\$ 893,000								\$ 893,000
Third Party Projects Total	\$ 9,902,000	\$ -	\$ 893,000	-	-		\$ -				\$ 893,000
Resubmitted											
N/A											
Resubmitted Total	\$ -	\$ -	-	-	-		\$ -				\$ -
Total	\$ 9,902,000	\$ -	\$ 893,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 893,000

CAPITAL DEVELOPMENT PLAN - OPERATION AND MAINTENANCE BY FUNDING SOURCE										
Project	TOTAL ANNUAL O&M	301	TUI	AUX	ICR	OLF	GFA	FGT	DFG	OTH
New Academic/Support Projects										
No new projects										
Academic/Support Projects Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
New Third Party Projects										
Honors Community	\$ 95,000			\$ 95,000						
Third Party Projects Total	\$ 95,000		\$ -	\$ 95,000		\$ -				
Resubmitted										
N/A										
Resubmitted Total	\$ -									
Total	\$ 95,000	\$ -	\$ -	\$ 95,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

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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**Arizona Board of Regents
Northern Arizona University
Capital Development Plan Project Justification Report
Privatized Residence Hall – Honors Community
(NAU Project Number: #09.999.171)**

1. Previous Board Action:

- Capital Improvement Plan FY18 – FY20 September 2016

2. Statutory / Policy Requirements:

- Board Policy 7-107 B.1. requires Capital Committee review and Board approval of the annual Capital Development Plan.
- Capital projects where the Board and the University share with other entities (public/private ventures) the control, financing, or ownership (current or future) of the project and/or its delivery process and that are subject to review under Board policy 7-207, shall be included in the Capital Development Plan and reviewed by the Business and Finance Committee and approved by the Board.

3. Project Justification/Description/Scope

- The mission of Northern Arizona University is to provide an outstanding undergraduate residential education strengthened by research, graduate and professional programs, and sophisticated methods of distance delivery. This project directly supports that mission by seeking to provide residential options for students within a vibrant community setting.
- Residence Life data indicates students who live on campus have a higher success rate than those who do not. Retention and graduation rates are considerably higher for those students residing in campus housing. Campus housing provides a safe, supportive learning environment. Even with the recent addition of new residence complexes and housing, much of the existing campus housing is aging and will require major mechanical renovation or replacement. In addition, these units will require modifications to meet student technology needs in order to remain competitive as a desired housing option on a residential campus.
- University housing exists to provide safe, clean, affordable housing that encourages student success, connection, engagement and involvement

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through student programming opportunities. Student success and retention rates improve significantly when students reside on campus, particularly among first-time freshmen. Purposeful student programming and the relationship development that occurs through having staff living in and interacting directly with students has been proven to increase student satisfaction, involvement and retention across the nation.

- Demand for on-campus, University–managed housing, continues to grow. This academic year NAU stopped accepting housing applications in May 2016 and opened the Fall 2016 semester with over 100 students in temporary housing.
- The NAU Flagstaff campus currently contains 7,548 (excluding family housing) NAU-owned housing units (available beds) that are in aging facilities. A large portion of the existing inventory, approximately 5,275 beds, is reserved for first-year students. Remaining inventory is reserved for sophomores wishing to remain on campus. Beginning in Fall 2016 for the 2016-2017 academic year, the private residence halls were first reserved and leased to continuing students, juniors and seniors, wishing to remain on campus.
- Through its agreement with NAU, ACC will construct new suite style Honors housing on the Flagstaff campus. The project is proposed to be 630 beds and serve first-year Honors students.
- In addition, approximately 22,294 square feet will be constructed within the facility to serve core student support and academic needs of the Honors College. This space will consist of classrooms, study spaces, academic learning spaces and Honors faculty and administrative offices.
- The project will be constructed to standards comparable to the most recent NAU residence halls, and will be maintained throughout the lease term in Class A condition. Construction documents are subject to NAU approval with input from a third-party group for Fire Life Safety.
- The project will include a landscaped courtyard and amenity spaces throughout the site. Amenity spaces include a Community Center space which includes: lobby, residence staffing offices, game room, study and social spaces throughout, computer lab, mail area and fitness center.

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4. Project Delivery Method and Process:

- American Campus Communities was selected as the developer through an RFP process. It was the University's intent to select a qualified developer that demonstrated superior knowledge, experience, organization, and financial ability to implement large, complex, and innovative projects. The method of selection was a two-phase process consisting of a submittal of qualifications followed by price proposals.
- Phase I Qualifications were based on an Executive Summary, Developer Profile/Information, Development Team Profile, Previous Development Experience and any additional information that may have assisted in the University's evaluation.
- A list of qualified developers was created from the submitted qualifications. Developers on the qualified list were requested to submit additional detailed information on Financials, Development Proposals, and other critical criteria. ACC was selected as the student housing developer from this procurement process.
- American Campus Communities currently has three ground leases and residence halls with the University from this RFP (The Suites I & II, Hilltop Townhomes, and SkyView). The Honors Community will be a new ground lease between ACC and NAU, similar in form and function to the previous leases.

5. Project Status and Schedule:

- Pending ABOR approval and favorable review from JCCR, NAU will enter into a Ground Lease, Master Sublease and Sublease with the project to begin construction in April 2017 with an anticipated completion date of August 2018.

6. Project Cost:

- Northern Arizona University is working with a third-party developer to minimize the capital outlay by the University. ACC will fund the entire project total construction cost, estimated at \$58.8 million with 25% equity and 75% debt funding provided by the developer. The University will enter into a Master Sublease to manage and provide programming in the residential facility with NAU Residence Life staff.

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- There will be no legal recourse to NAU in the event of a default by ACC on any financing and, except for the obligations noted above, the University has no obligation to support the facilities financially or to guarantee occupancy.
- The University will sublease the Honors Academic space including classrooms and core student support space through a long-term lease agreement. The University intends to issue system revenue bonds prior to June 2018 to finance this \$9.9 million project reimbursement. Debt service will be paid from tuition and program fee revenue.

7. Fiscal Impact and Financing Plan:

- **Operating Expenses** – ACC is responsible for all costs and expenses of maintaining the residence portions of the project, including reasonable reserve deposits. NAU is responsible for maintaining the academic and core student support space. Minimum Standards of Operation (both maintenance and staffing) are defined as equal to “Class A” privatized student housing.
- **Master Lease Agreement (Ground Lease)** – The project is to be administered by a Ground Lease Agreement between the University and ACC. The Ground Lease is for a period of 40 years with four 10-year options to renew.
- **Lease Payments**– NAU will receive rental payments in the form of annual base rent (i.e. Ground Rent) plus out performance rent should the project yield revenue in excess of the required return threshold.
- **Master Sublease** – NAU enter into a Master Sublease to manage and provide the residential life programming and staffing for the residential space as well as enforce the NAU student code of conduct and refer violators to the NAU student judicial system at a level consistent with other on-campus freshman housing. ACC will employ a site manager and maintenance staff. ACC and NAU will establish a Joint Advisory Committee responsible for the day-to-day operations of the housing facility, including review and approval of the annual operating budget, capital budget, staffing plan and any proposed changes in programs, policies and procedures. ACC retains ultimate control of those decisions that result in a material economic consequence to ACC, provided that minimum standards of operation have been satisfied.

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- **Sublease** - NAU will enter into a sublease with ACC for the Honors Community academic and core student support space that will be initially financed by ACC pursuant to the long term lease of this space by the University. NAU may buy out the lease at any anniversary date of the lease for the remaining unamortized portion of the sublease and the University intends to subsequently refinance and pay off the lease for the Honors Community academic and student support space through the issuance of the System Revenue bonds pending project and financing approval.

8. Occupancy Plan:

- The Honors Community will be a residence for first-year Honors students. Additionally, Honors program faculty offices and honors classrooms will be located in the academic space of the Honors Community. Current faculty offices are in the Student and Academic Services building. These offices will be relocated to Honors Community, and the offices will be backfilled by other academic faculty. The classroom space is new dedicated space.

EXECUTIVE SUMMARY**Item Name: Honors Community Academic and Student Support Space Project and Financing Approval and Utility Infrastructure Financing Approval (NAU)**

- Action Item
 Committee Recommendation to Full Board
 First Read of Proposed Policy Change
 Information or Discussion Item

Issue: Northern Arizona University asks board for project and financing approval of the Honors Community \$9.9 million academic and core student support space project, and financing approval for an ancillary \$4.9 million utility infrastructure project. The projects will be financed with system revenue bonds to be repaid over a 20-year period.

Previous Board Action

FY 2018 – 2020 Capital Improvement Plan

September 2016

Enterprise or University Strategic Plan

- Empower Student Success and Learning
 Advance Educational Attainment within Arizona
 Create New Knowledge
 Impact Arizona
 Compliance
 Real property purchase/sale/lease
 Other:

Statutory/Policy Requirements

- ABOR Policy 7-109 requires approval of new construction projects with a total project cost over \$10 million before contracts can be executed and construction can begin.
- ABOR Policy 7-109 requires approval of renovation or infrastructure projects with a total project cost over \$5 million before contracts can be executed and construction can begin.
- ABOR Policy 7-102 requires approval of the issuance of bonds, lease-purchase agreements, certificates of participation issuance, or any debt instrument.

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- ABOR Policy 3-501 requires matters relating to revenue bonds, including issuance, sale, appointment of bond counsel, appointment of financial consultant, appointment of trustee, and all other incidents connected with revenue bonds to be presented for Board action.

Project Justification/Description/Scope

- Northern Arizona University's FY 2017 Revised CDP includes one new project for a third-party privatized residence hall with academic and core student support space for the Honors College Community. This project will have a negotiated ground lease between American Campus Communities (ACC) and Northern Arizona University in which ACC will construct the entire Honors Community. NAU is currently seeking project approval and approval to enter into a ground lease in a separate Board Action Item, as well as seek favorable JCCR review prior to beginning construction in accordance with ABOR policy.
- Through its agreement with NAU, ACC will construct new suite style Honors housing on the Flagstaff campus. The proposed project is 630 beds and will serve first-year Honors students. In addition, approximately 22,294 square feet will be constructed on the first floor within the facility to serve core academic and student support for the Honors College. This space will consist of classrooms, study spaces, academic learning spaces and Honors faculty and administrative offices.
- NAU continues to align capital projects with the approved university campus master plan and the system enterprise and university strategic goals and objectives. These projects support NAU's strategic goals including:
 - Meeting the 2025 Enterprise metrics targets for undergraduate enrollment by providing the necessary student housing component enabling NAU to continue as a premier residential campus while serving a growing student population.
 - Increasing student retention by providing on-campus housing options with academic and other support programs shown to improve student success.
 - Supporting the university mission to provide an outstanding undergraduate residential education. This past fall semester, NAU had over 600 triple-occupancy rooms and over 100 students in temporary spaces at the beginning of the semester. As the entering class continues to grow, more upperclassmen are being displaced from NAU housing.

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- Aligning university facilities with the campus master plan approved by the Board in September 2010 and contributing to creating an expanded workable, livable and sustainable campus.
- In November 2016 NAU received approval to create an Honors College, to enhance efforts to meet ABOR goals 1 & 2 (educate and achieve), by promoting the highest levels of academic quality and curricular innovation. NAU currently has 1,055 students in its Honors program with an anticipated growth of 125 per year as a College. These students are currently disbursed throughout residence spaces on campus, with many of the new incoming freshman residing in Calderon Learning Community. The incoming class this past fall was approximately 550, exceeding the capacity in Calderon by approximately 75 students. Development of an Honors community is critical to continued success and expansion of the Honors College.
- NAU's Operational and Finance Review noted that expanding its high achieving student recruitment strategy through the development of an Honors College in combination with exceptional curricular experiences will help attract and retain honors students at NAU.
- In addition, the following primary institutional priorities for capital projects at NAU include:
 - **Student Support Requirements:** New facilities and student success programs must be provided to assure successful student recruitment, housing, socialization, retention and graduation. The model of a residential campus is successful in increasing and maintaining student retention rates as well as enhancing the student experience. As the entering freshman class size at NAU continues to grow, upperclassmen are being displaced from NAU housing. This project will build approximately 630 new beds to meet the increasing demand, as well as provide dedicated academic and student support space for the Honors program.
 - **Funding Sources & Financing Options:** Project funding and financing are carefully considered for every individual project, to take advantage of opportunities, to maximize the resources available with minimal impacts on tuition rates and to responsibly manage the assets of the University. Impacts to tuition are avoided when possible. Financial resources are judiciously utilized to meet the highest institutional priorities and the University's financial strength and standing must be preserved. Constructing a privatized residence hall enables the University to preserve its debt ratio and bonding capacity for academic and other facility needs.

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Project Delivery Method and Process

- The Honors Community project will be delivered through a third party long term lease agreement with ACC.

Project Status and Schedule

- Pending ABOR approval and favorable review from JCCR, NAU will enter into the Ground Lease and Master Sublease with ACC. Construction will begin in April 2017 with an anticipated completed date of August 2018.
- Utility Infrastructure project is a previously initiated utility infrastructure project, which was necessary for the University to engage in for safety and efficiency purposes. These improvements, scheduled to be completed March 26, 2017, will benefit this project as well as other university facilities, and fall under the ABOR project threshold requiring prior review and approval. The utility relocation includes, but is not limited to: relocation of a city sewer line, water line, electrical lines, fire hydrants, manholes and fiber optics. The site also is in a flood zone and will be over excavated and backfilled to bring it above the flood plain. The project also upgrades this infrastructure improving the overall life cycle and efficiency of the system.

Project Cost

- The portion of the Honors Community academic and student support space project is budgeted at \$9.9 million, which will be funded from System Revenue Bonds. The overall project budget for this space represents direct construction cost of \$400 per gross square foot. The estimated total project cost is \$444 per gross square foot. NAU's construction of the Student and Academic Services building in 2016 at \$320 per gross square foot, the total construction costs of \$400 per gross square foot is considered reasonable given the increased classroom technology, the podium deck construction and campus focal point this building will serve.
- **Site Agreement** - The total cost of this utility infrastructure project is \$4.9 million and will be financed with a combined debt issuance with the Honors Community academic and student support space project. Debt service for this will be paid from auxiliary funds.

Fiscal Impact and Financing Plan:

- The Honors Community academic and student support space project will be initially financed by ACC pursuant to a long-term lease of this space by the University. The University will subsequently refinance and pay off the lease for the Honors Community academic and student support space through the issuance of the System Revenue bonds authorized in this Executive Summary for the Honors Community academic and student support space project (project cost \$9.9 million).

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The Utility Infrastructure Project (project cost \$4.9 million) is anticipated to be financed at the same time through the issuance of System Revenue Bonds to save on issuance costs. The debt service on the bonds issued for both projects will be funded from tuition and fee revenue and auxiliary revenue.

- NAU intends to issue the bonds prior to June 2018 as long-term fixed rate bonds with a final mature of approximately 20 years. NAU's financial advisor estimates the overall true interest rate on the bonds as of March 13, 2017 would be approximately 4.25%; the actual interest rate conditions on the bonds may be higher or lower depending on the market interest rate conditions as of the date the bonds are issued. NAU will proceed with the System Revenue Bond financing if the overall true interest cost of the bonds is not more than 6% per annum.
- The par amount of the bonds for the academic and student support space will be in an amount not to exceed the \$9.9 million project costs plus an amount not to exceed \$325,000 to pay costs of issuance, plus an amount necessary to pay for any bond issuance or credit enhancement of the bonds provided that such issuance or credit enhancement provides a net benefit to the University. The debt service based on current interest rates for the Bonds is estimated at \$760,000 per year and will be paid over approximately 20 years from tuition and fee revenue.
- The par amount of the bonds for the utility infrastructure project will be an amount not to exceed the \$4.9 million project costs plus an amount not to exceed \$175,000 to pay costs of issuance, plus an amount necessary to pay any bond insurance or credit enhancement of the bonds provided that such insurance or credit enhancement provides a net benefit to the University. The debt service for the Bonds based on current interest rates is estimated at \$380,000 per year to be paid from auxiliary funds over a period of 20 years.
- The debt service associated with financing these projects will increase the debt ratio by 0.24%, from 5.32% to 5.56% using the not to exceed 6% rate. These numbers are stated for FY18 as they represent the future maximum projected debt service which is below the 8% statutory limit.
- NAU will evaluate bond insurance from viable bond insurers available in the market at the time of the sale. The decision as to whether bond insurance will be used will be a function of market conditions and the bond insurer's ratings at the time of bond pricing. Bond insurance will be used only if it provides a demonstrated economic benefit to NAU.

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The table below shows the anticipated pricing parameters for the financing

		Comments
Not-to-Exceed Project Costs	\$14,800,000	Total project financing
Issuance Costs (not to exceed)	\$500,000	Not to exceed \$325,000 for Honors Community project and \$175,000 for Utility project
Credit Enhancement/Insurance Cost	TBD	Only executed if economically beneficial
Interest Rate (current market as of March 13 th , 2017 / not to exceed)	4.25% / 6.00%	
Maturity Range	2018-2038	Approximately 20 years
Average Instrument Life	12.3 years	
Estimated Annual Debt Service for FY 2018 – 2038, based on 6.00% not to exceed rate	\$1,336,000	Funded from Tuition and Fees and Auxiliary Revenue

Occupancy Plan

The Honors Community will be a residence for first-year Honors students. Additionally, Honors program faculty offices and honors classrooms will be located in the academic space of the Honors Community. Current faculty offices are in the Student and Academic Services building. These offices will be relocated to Honors Community, and the offices will be backfilled by other academic faculty. The classroom space is new dedicated space.

Requested Action

Northern Arizona University asks the committee forward to the full board for project and financing approval the Honors Community academic and student support space project, financing approval for the utility infrastructure project and authorization to issue system revenue bonds to finance these projects as presented in this Executive Summary.

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Capital Project Information Summary

University: Northern Arizona University

Project Name: Honors Community
Academic and Core Student Support
Space

Project Description and Location:

The new suite style Honors Community housing project on the Flagstaff campus will include 22,284 gross square feet within the facility to serve core academic and student service needs.

Project Schedule:

Planning	November 2016
Design Start	November 2016
Construction Start	April 2017
Occupancy	August 2018

Project Budget:

Total Project Cost	\$	9,902,000
Total Project Cost per sq. ft.	\$	444
Direct Construction Cost	\$	8,908,000
Construction Cost per sq. ft.	\$	400

**Change in Annual
Operating/Maintenance Costs:**

Utilities	\$	41,000
Personnel	\$	54,000
All Other Operating	\$	0
	\$	<u>95,000</u>

Funding Sources:

Capital:

• Gifts	\$	0
• System Revenue Bonds	\$	9,902,000
• Auxiliary Funds	\$	0
	\$	<u>9,902,000</u>

Operation/Maintenance:

• Auxiliary Funds	\$	95,000
	\$	<u>95,000</u>

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Capital Project Information Summary**University:** Northern Arizona University**Project Name:** Utility Site Work Project**Project Description and Location:**

This project incorporates a previously initiated utility infrastructure project, which was necessary for the University to engage in for safety and efficiency purposes. These improvements, scheduled to be completed March 26, 2017, will benefit the Honors Community project as well as other university facilities.

Project Schedule:

Planning	November 2016
Design Start	November 2016
Construction Start	December 2016
Occupancy	March 2017

Project Budget:

Total Project Cost	\$	4,910,000
Total Project Cost per sq. ft.	\$	NA
Direct Construction Cost	\$	4,100,000
Construction Cost per sq. ft.	\$	NA

Change in Annual**Operating/Maintenance Costs:**

Utilities	\$	0
Personnel	\$	0
All Other Operating	\$	0
	\$	<u>0</u>

Funding Sources:

Capital:

• Gifts	\$	0
• System Revenue Bonds	\$	4,910,000
• Auxiliary Funds	\$	0
	\$	<u>4,910,000</u>

Operation/Maintenance:

• Auxiliary Funds	\$	0
	\$	<u>0</u>

