

STATE OF ARIZONA

Joint Legislative Budget Committee

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DATE: January 30, 2007

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Leah Ruggieri, Fiscal Analyst

SUBJECT: Attorney General – Review of Uncollectible Debts

Request

Pursuant to A.R.S. § 35-150(E), the Attorney General requests that the Committee review its FY 2005 listing of \$16.8 million in uncollectible debts referred to the Attorney General by state agencies for collection.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the request pending more information on 2 outstanding debts totaling \$6.8 million. A favorable review by the Committee will allow the State Comptroller to remove debt, certified by the Attorney General as uncollectible, from the state accounting system. The report meets the requirements of A.R.S. § 35-150(E).

Analysis

The Attorney General's Collection Enforcement Unit functions as a collection service for past due debts owed to state agencies, boards and commissions. The unit returns 65% of collected monies to the client agencies and retains the remaining 35% for unit operational costs. While the Collection Enforcement Unit is able to collect monies from many individuals and businesses that owe monies to the state, some debts are uncollectible.

The Attorney General's Office reviewed the cases assigned to the Collection Enforcement Unit. Based on this review, the Attorney General advises that \$16.8 million owed to the state is uncollectible. Of this amount, the Attorney General lists:

- \$6.5 million due to defunct corporations and limited liability companies;
- \$2.8 million due to insufficient debtor resources;
- \$1.0 million due to settlement;

(Continued)

- \$1.5 million due to bankruptcy;
- \$4 million due to inability to locate the debtor.

The remaining \$1.0 million is listed as uncollectible due to the debtor being deceased or incarcerated, expiration of the statute of limitation, or because the cost of collection exceeds the amount of debt owed.

A debt amount is categorized as uncollectible due to insufficient debtor resources when the Attorney General determines that the debtor has no assets, no wages, and a negative credit report. Depending on the circumstances of the case, the Attorney General may wait anywhere from 6 months to 10 years to determine a debt is uncollectible due to insufficient debtor resources. When a debt amount is determined to be uncollectible due to insufficient debtor resources and is removed by the State Comptroller from the state accounting system, the judgment remains recorded with the state and the lien imposed on the debtor is not expunged. Additionally, state income tax refunds will be offset by the amount of the debt.

The table below demonstrates that of the \$16.8 million in uncollectible debt, approximately 88% are debts that were owed to 5 agencies: the Corporation Commission, the Department of Commerce, the Registrar of Contractors, the Industrial Commission of Arizona, and the Department of Revenue. The remaining 12% are debts owed to 31 other agencies.

Uncollectible Debt Recommended for Write-Off by Client Agency		
	Amount Recommended for Write-Off	Percentage
Arizona Corporation Commission	\$ 4,966,600	30%
Department of Commerce	3,411,200	20%
Registrar of Contractors	2,682,700	16%
Industrial Commission of Arizona	1,923,800	11%
Department of Revenue	1,801,200	11%
All Others	<u>1,984,200</u>	<u>12%</u>
Total	\$16,769,700	100%

By comparison, the state removed \$10.7 million in uncollectible debts from the accounting system in FY 2004. The FY 2005 amount of \$16.8 million is greater than this year primarily due to a \$3.4 million case involving a debtor that cannot be located and a \$3.4 million case involving a defunct corporation. We have requested more information on both of these cases. The report includes a brief explanation for each uncollectible debt, the date the debt was determined uncollectible, and the dollar amount of each debt.

RS/LR:ym



Terry Goddard
Attorney General

Office of the Attorney General
State of Arizona

Anthony S. Vitagliano,
Chief Counsel TBC Section

Direct Telephone: (602) 542-8300
Tony.Vitagliano@agaz.gov

December 15, 2006

HAND-DELIVERED

Leah Ruggieri
Joint Legislative Budget Committee
1716 West Adams
Phoenix, Arizona 85007


Re: **UNCOLLECTIBLE DEBT REPORT**

Dear Ms. Ruggieri:

Pursuant to A.R.S. § 35-150(E), enclosed is the listing of all uncollectible debts owed to the State which were referred to the Collection Enforcement Revolving Fund for the fiscal year ending June 30, 2005.

If you have any questions, please do not hesitate to contact me.

Sincerely,


Anthony S. Vitagliano
Chief Counsel
Tax, Bankruptcy & Collection Section

ASV/tmm
Enclosures

cc: Senator Robert Burns, Chairman, w/attachments
Representative Russell Pearce, Vice Chairman, w/attachments
Richard Stavneak, JLBC, w/attachments
James Apperson, OSPB, w/attachments
John Stahmer, OSPB, w/attachments
Clark Partridge, State Comptroller, w/attachments
Mark Wilson, Attorney General's Office w/attachments
Richard Travis, Attorney General's Office, w/attachments

DEC 15 2006

JOINT BUDGET
COMMITTEE

December 15, 2006

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The Honorable Robert Burns, Chairman
Joint Legislative Budget Committee
Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007

The Honorable Russell Pearce, Vice Chairman
Joint Legislative Budget Committee
Arizona House of Representatives
1700 West Washington
Phoenix, Arizona 85007

Richard Stavneak
Joint Legislative Budget Committee
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Governor's Office of Strategic
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Planning and Budgeting
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Clark Partridge
State Comptroller
100 North 15th Avenue Suite 302
Phoenix, Arizona 85007

<u>Client Agency</u>	<u>Abbreviation</u>
Arizona Corporation Commission	ACC
State Board of Charter Schools	BCS
Department of Building and Fire Safety	BFS
Banking Department	BNK
Department of Commerce	CDO
Consumer Protection and Advocacy, Arizona Office of the Attorney General	CPA
Civil Rights Division, Arizona Office of the Attorney General	CRD
Department of Environmental Quality	DEQ
Department of Health Service	DHS
Department of Administration	DOA
Department of Corrections	DOC
Department of Transportation	DOT
Department of Education	EDD
State Land Fire District	FDS
Arizona Game and Fish Commission	GAF
Highway Division - Arizona Department of Transportation	HGD
Industrial Commission of Arizona	ICA
Liability Management Section	IDS
Arizona Insurance Guaranty Fund	IGF
Arizona Department of Insurance	INS
Department of Juvenile Corrections	JJC
Arizona Lottery Commission	LOT
Motor Vehicle Division - Arizona Department of Transportation	MVD
Northern Arizona University	NAU
Commission of Post-Secondary Education	PEC
Department of Real Estate	RED
Arizona State Retirement	RET
Arizona Department of Revenue	REV
Arizona Registrar of Contractors	ROC
Risk Management - Arizona Department of Administration	RSK
Right of Way Division, Arizona Department of Transportation	RWD
State Land Department	SLD
Structural Pest Control Commission	SPB
Veterans' Service Commission	VSE
Workers Compensation, Arizona Department of Administration	WKR
Department of Weights and Measures	WMD

STATE OF ARIZONA

Joint Legislative Budget Committee

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STEVE YARBROUGH

DATE: January 30, 2007

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Leah Ruggieri, Fiscal Analyst

SUBJECT: Attorney General – Review of Allocation of Settlement Monies

Request

Pursuant to a footnote in the General Appropriation Act, the Office of the Attorney General (AG) has notified the Committee of the allocation of monies received from the Sony BMG settlement agreement and the Deed and Note Traders (DNT) consent decree.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the allocation plans from the Sony BMG settlement agreement and the DNT consent decree. The allocation plans are consistent with A.R.S. § 44-1531.01, which relates to the distribution of monies recovered as a result of enforcing consumer protection or consumer fraud statutes.

Analysis

The General Appropriation Act contains a footnote that requires JLBC review of the allocation or expenditure plan for settlement monies over \$100,000 received by the AG or any other person on behalf of the State of Arizona, and it specifies that the AG shall not allocate or expend these monies until the JLBC reviews the allocations or expenditures. Settlements that are deposited in the General Fund pursuant to statute do not require JLBC review. The AG recently settled 2 cases that will result in the receipt of settlement monies over \$100,000.

Sony BMG Settlement

In December 2006, the Attorney General entered into a multistate settlement with Sony BMG as a result of allegations that the company placed anti-copying software on certain music CDs without adequate disclosures to consumers. One version of the software, XCP, was designed to automatically download on consumers' computers without their knowledge. XCP also created security vulnerabilities on

(Continued)

Windows-based computers, exposing them to viruses and other problems. In some cases, consumers who tried to remove XCP from their computers had their CD-ROM drives crash. Another version of the software, MediaMax, would download on consumers' computers even if they declined to accept the software. One version of MediaMax also created security vulnerabilities on computers. The total multistate settlement amount is \$4.25 million, of which \$313,000 will be deposited into Arizona's Consumer Fraud Revolving Fund for attorney costs and fees. In addition to the \$4.25 million payment to the states, Sony BMG will also provide refunds up to \$175 to all consumers who experienced harm to their computers when they tried to remove the software.

Deed and Note Traders Consent Decree

In December 2006, the Attorney General also entered into a consent decree with DNT as a result of allegations that the company ran 2 programs that violated consumer fraud statutes. DNT implemented a HomeSavers program that allowed consumers facing foreclosure to sell their homes to DNT and rent them until they could be re-purchased in approximately 2 years. The Attorney General's office alleged, however, that the intent of the program was to create an arrangement in which consumers would rent their homes until they could no longer afford the payments, at which time they would be evicted and DNT would receive permanent ownership. DNT also set up a Rent-to-Own program to target consumers with credit problems. Consumers were rarely able to purchase the homes they rented, however, because they had to meet multiple and onerous qualifications. The consent decree requires DNT to make restitution to 14 consumers who lost their homes to DNT in an amount exceeding \$234,000. Individual refunds range from \$1,700 to \$43,600. Additionally, \$200,000 will be deposited into the Consumer Fraud Revolving Fund for attorney costs and fees.

RS/LR:ts



Terry Goddard
Attorney General

Office of the Attorney General
State of Arizona

Rene Rebillot
Consumer Protection &
Advocacy Section

December 29, 2006

The Honorable Ken Bennett
President of the Senate
1700 West Washington
Phoenix, Arizona 85007

The Honorable James P. Weiers
Speaker of the House
1700 West Washington
Phoenix, Arizona 85007

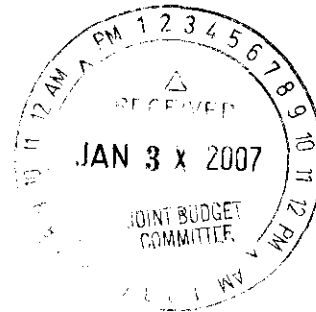
The Honorable Robert L. Burns
Chairman, Joint Legislative Budget Committee
1700 West Washington
Phoenix, Arizona 85007

Re: In the Matter of Sony BMG Music Entertainment

Dear Gentlemen:

The Attorney General participated in a multistate settlement in the consumer fraud investigation of Sony BMG. As a result of the settlement, Arizona entered into an Assurance of Discontinuance with Sony BMG. The Assurance related to allegations over Digital Rights Management (DRM) copyright software that Sony BMG placed on certain music CDs without adequate disclosures. The Assurance was approved by the Pima County Superior Court.

During 2005, SONY BMG distributed more than 12 million CDs with two kinds of anticopying software. SONY BMG did not adequately inform consumers on the outside of the CD boxes or elsewhere that the CDs contained anti-copying software or Digital Rights Management (DRM) software. One version of the software was called XCP and this software was designed to hide or "cloak" a number of the program's files and operations so that when consumers played XCP CDs in their Windows-based computers, consumers did not know that the anti-copying software was downloaded onto their computers. XCP created security vulnerabilities on Windows-based computers by exposing them to viruses and other problems. Also, when consumers did discover XCP on their computers, they experienced problems when they tried to remove



Hon. Ken Bennett
Hon. James P. Weiers
Hon. Robert L. Burns
December 29, 2006
Page 2

the software. Some consumers who tried to remove XCP had their CD-ROM drives crash.

Another version of the anti-copying software used by SONY BMG, called MediaMax, caused a driver to download on a consumer's computer even if the consumer declined to accept the software. One version of MediaMax, Media Max 5.0, also created a less significant security vulnerability on consumers' computers, by allowing subsequent users the ability to modify the contents of the computer, and to run dangerous programs that they would not otherwise have been able to run.

Overall, the Assurance provides for a \$4.25 million settlement amount, restitution and injunctive relief. Under the terms of the Assurance, SONY BMG will provide refunds up to \$175 to all consumers who experienced harm to their computers when they sought to remove the DRM software. Refund claims must be submitted to SONY BMG through a claims process which SONY BMG will publicize on its website. Sony BMG will pay approximately \$313,000 toward this office's costs and attorneys fees. The costs and attorney's fees will be placed in the Consumer Fraud Revolving Fund pursuant to A.R.S § 44-1531.01.

The injunctive relief provisions will specifically prohibit SONY BMG from using XCP or MediaMax DRM software in the future, and will sharply limit the ways in which SONY BMG may use anti-copying software. If it does choose to use DRM software in the future, SONY BMG must inform consumers about it. Sony BMG cannot use software that permanently resides on a computer's hard drive unless the user gets clear and conspicuous notice, and an option to decline installation of the files; if the user declines installation of the software, no files may be installed; and all of the material terms and conditions of the functions and features of the software must be disclosed immediately prior to installation of any software. For 6 months following execution of the Assurance, these disclosures must also be provided in an insert to the CD. Furthermore, future end user license agreements (EULA) used by Sony BMG can no longer contain specified overly restrictive and onerous terms for consumers. To the extent the EULA provides information concerning the fact that the software may limit a user's ability to transfer music to any media player or portable device such as an iPod, this limitation must also be disclosed on the outside of the CD box. Finally, Sony BMG must continue its program of pulling XCP CDs from the shelves of retailers, must destroy Media Max 5.0 CDs in wholesale stock, and must sticker Media Max 3.0 CDs still in wholesale stock with the disclosure that software is installed on a consumer's computer prior to acceptance of a EULA.

Hon. Ken Bennett
Hon. James P. Weiers
Hon. Robert L. Burns
December 29, 2006
Page 3

Our notification to you of this settlement is made without prejudice to this office's long standing position that it is not under any legal obligation to provide notices of settlements to the Joint Legislative Budget Committee. We are providing this notification to you as a courtesy so that you will be aware of this important settlement.

Please call me at (602) 542-7701 if you have any questions regarding this matter.

Sincerely,



Rene Rebillot
Section Chief Counsel
Consumer Protection and Advocacy Section

Enclosure: Assurance of Discontinuance

cc: The Honorable Russell K. Pearce
The Honorable Linda Aguirre
The Honorable Phil Lopes
Mr. Richard Stavneak
Ms. Leah Ruggieri ✓
Mr. Timothy Nelson
Mr. Richard Travis
Mr. John Stevens

#992326



Terry Goddard
Attorney General

Office of the Attorney General
State of Arizona

Rene Rebillot
Consumer Protection &
Advocacy Section

December 26, 2006

DEC 27 2006

The Honorable Ken Bennett
President of the Senate
1700 West Washington
Phoenix, Arizona 85007

The Honorable James P. Weiers
Speaker of the House
1700 West Washington
Phoenix, Arizona 85007

The Honorable Robert L. Burns
Chairman, Joint Legislative Budget Committee
1700 West Washington
Phoenix, Arizona 85007

Re: State of Arizona, ex rel. Terry Goddard, Attorney General vs. Deed and Note Traders, L.L.C

Dear Gentlemen:

The Attorney General obtained a Consent Decree from Deed and Note Traders, L.L.C. The Consent Decree was subsequently approved by the Pima County Superior Court.

DNT set up a HomeSavers program, purportedly offering consumers facing foreclosure a simple way to save their homes. Consumers would sell their homes to DNT; rent back their former homes from DNT; and, after approximately two years, re-purchase their homes from DNT. The Attorney General alleged that DNT's HomeSavers program was deceptive and misleading as DNT's intention was not to "save" consumers' homes; rather their intention was take title to the consumers' homes; rent the homes to the consumers until they were no longer able to keep up with their rent; and finally, to evict consumers and keep their homes. DNT also set up a Rent-to-Own program to target consumers with credit problems by offering a "NO QUALIFYING" transaction. DNT's offer and the Rent-to-Own program itself were deceptive. Consumers rarely were able to purchase the homes they were renting because of the many and onerous qualifications they had to meet in order to purchase the homes.

Hon. Ken Bennett
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Hon. Robert L. Burns
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The terms of the Consent Decree allow the fourteen consumers who still reside in their homes to repurchase their homes for between 25% and 74% less than DNT's repurchase price or the FMV of the homes. DNT must also make restitution to fourteen consumers who have lost their homes to DNT in an amount exceeding \$234,000. The amount of restitution is tied to the amount of money consumers lost to DNT. Refunds range from \$1,709 to \$43,566. DNT must finance the purchase of consumers' homes for those consumers who continue to lease from DNT. The company must provide financing for a minimum of 15 years to consumers for the purchase price of their homes on terms consumers have the ability to pay. DNT will also pay \$200,000 toward this office's costs and attorneys fees. The costs and attorney's fees will be placed in the Consumer Fraud Revolving Fund pursuant to A.R.S § 44-1531.01.

In addition to the monetary relief, the Consent Decree contains strong injunctive provisions. For example, DNT is prohibited from engaging in any type of mortgage foreclosure assistance. DNT is allowed to engage in Rent-to-Own transactions; however, DNT must clearly disclose all of the terms of the transaction and must determine the creditworthiness of the consumer and the consumer's ability to pay the rent.

Our notification to you of this settlement is made without prejudice to this office's long standing position that it is not under any legal obligation to provide notices of settlements to the Joint Legislative Budget Committee. We are providing this notification to you as a courtesy so that you will be aware of this important settlement.

Please call me at (602) 542-7701 if you have any questions regarding this matter.

Sincerely,



Rene Rebillot
Section Chief Counsel
Consumer Protection and Advocacy Section

Enclosure: Consent Decree and Complaint

cc: The Honorable Russell K. Pearce
The Honorable Linda Aguirre
The Honorable Phil Lopes
Mr. Richard Stavneak
Ms. Leah Ruggieri
Mr. Timothy Nelson
Mr. Richard Travis
Mr. John Stevens

STATE OF ARIZONA

Joint Legislative Budget Committee

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PETE RIOS
STEVE YARBROUGH

DATE: January 31, 2007

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Jeremy Olsen, Fiscal Analyst

SUBJECT: Arizona Department of Environmental Quality – Review of Water Quality Permit Processing Times

Request

In accordance with Laws 2006, Chapter 344, the Arizona Department of Environmental Quality (DEQ) has submitted for review a report documenting water quality permit processing times for FY 2006 and 2007.

Recommendation

The Committee has at least the following options:

- A favorable review of the request.
- An unfavorable review of the request.

Under either option, JLBC Staff recommends that DEQ report to the Committee on its rationale for not using the FY 2007 \$200,000 allocation from the Water Quality Fee Fund for additional contract permitting staff, given the increase in applications.

Analysis

Laws 2006, Chapter 344, required DEQ to submit a report on water quality permit processing times for FY 2006 and projected totals for FY 2007. This report was also required to include the total number of staff hours and total costs to process water quality permits, and the progress

(Continued)

made in reducing permit processing times. This report is included as an attachment with this memo.

In FY 2006, the department received a total of 2,899 water quality permit applications. Of 48 permit types with at least one application, on average DEQ met the Licensing Timeframe (LTF) for all but 1 permit type. For this single permit type (an Aquifer Protection Permit requiring a public hearing) the average processing time exceeded the deadline by 18 days. While the average processing time exceeded the licensing deadline for only 1 permit category, DEQ exceeded the deadline for at least 1 permit in 9 categories.

Compared to FY 2006, the department has received a total of 1,245 applications during the period of July 1 to November 30, 2006. Year to date in FY 2007, the average processing time has exceeded the deadline for 4 of 48 permits types. For all of FY 2007, the department projects that the average time to issue 2 types of Aquifer Protection Permits will exceed their permit processing timeframe.

In FY 2007, the department projects it will receive an additional 247 water permit applications, an increase of 8.5%. Costs of processing permits are expected to increase by \$930,300, or 22.1%. The table below contains actual permit information for FY 2006 and projected information for FY 2007.

	Water Quality Permits				
	<u>Applications</u>	<u>Staff Hours</u>	<u>Average Hours Per Permit</u>	<u>Staff Costs</u>	<u>Average Cost Per Permit</u>
FY 2006	2,899	86,919	30.0	\$4,203,400	\$1,400
FY 2007	3,146	96,623	30.7	5,133,700	1,600
Total	6,045	183,542	30.4	\$9,337,100	\$1,500

In FY 2007, the department received an appropriation of \$200,000 from the General Fund and an additional \$200,000 from the Water Quality Fee Fund to hire outside contractors to reduce the backlog of permits waiting for processing.

The department reports that nearly all of the \$200,000 General Fund appropriation has been obligated, and that the \$200,000 appropriation from the Water Quality Fee fund did not provide any additional money for permit processing because the department already had adequate appropriation authority to pay for existing Water Quality employees. The department reports that the additional General Fund monies did not substantially reduce processing timeframes, but did not provide any specific details. JLBC Staff has also requested from the department an explanation as to why it did not use the additional Water Quality Fee Fund money to contract for permit staff, considering that applications are projected to increase 8.5% over FY 2006.

For FY 2008, the JLBC Baseline budget includes an additional \$600,000 from the Water Quality Fee fund for the department's expedited water quality permitting process. The Executive budget includes approximately \$1,250,000 from the Water Quality Fee fund for 14 additional Aquifer Protection Permit FTE Positions.

RS:JO:ss



Janet Napolitano
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

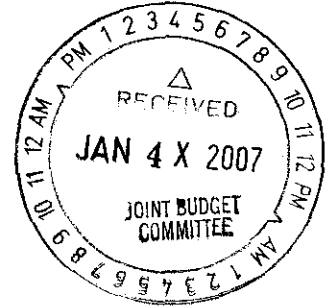
1110 West Washington Street • Phoenix, Arizona 85007
(602) 771-2300 • www.azdeq.gov



Stephen A. Owens
Director

January 4, 2007

The Honorable Robert L. Burns, Chair
Joint Legislative Budget Committee
Arizona State Senate
1700 West Washington Street
Phoenix, Arizona 85007



The Honorable Russell K. Pearce, Chair
House Appropriations Committee
Arizona House of Representatives
1700 West Washington Street
Phoenix, Arizona 85007

Re: Report on Water Quality Permitting for FY2005-2006 and FY2006-2007

Dear Chairman Burns and Chairman Pearce:

In accordance with House Bill 2863, Chapter 34, Section 13, Forty-seventh Legislature, Second Regular Session (2006), the Department of Environmental Quality (ADEQ) is submitting a written report on the Water Quality Permitting Program for review by the Joint Legislative Budget Committee. The report and associated attachments are enclosed. The report provides information on the water quality permit processing times, staff hours and total costs devoted to water quality permit processing for fiscal years 2005-2006 and 2006-2007.

The unprecedented growth throughout the state in recent years has strained the resources of the water quality permitting programs. The Department continues to process a large number of applications for all types of water quality permits. Since public reports, lots sales, construction and other development activities cannot occur without these approvals, adequate staffing and resources are critical to the Department being able to meet the demand.

If I can provide you with any further information or if you have any questions, please feel free to contact me at 602-771-2203.

Sincerely,

Stephen A. Owens
Director

- cc: Richard Stavneak, Director, JLBC
- James Apperson, Director, OSPB
- ✓ Jeremy Olsen, Analyst, JLBC
- Marcel Benberou, Analyst, OSPB

Northern Regional Office
1801 W. Route 66 • Suite 117 • Flagstaff, AZ 86001
(928) 779-0313

Southern Regional Office
400 West Congress Street • Suite 433 • Tucson, AZ 85701
(520) 628-6733



Water Quality Permit Processing Times Report, December 2006

This Report is submitted to the Joint Legislative Budget Committee in accordance with House Bill 2863, Chapter 34, Section 13, Forty-seventh Legislature, Second Regular Session (2006).

This Report details maximum, minimum and average water quality permit processing times for fiscal year 2005-2006 and the first five months of fiscal year 2006-2007, as reflected in the Department's AZURITE database. The third table provides projected totals for fiscal year 2006-2007 data based on the actual figures for the first five months. See attached tables.

This Report also includes total number of staff hours devoted to water quality permit processing in fiscal year 2005-2006 and fiscal year 2006-2007 and total costs to process these permits. The fiscal year 2005-2006 information includes actual hours and costs; fiscal year 2006-2007 shows projected totals based on actual figures for the first five months of FY07. See attached. Finally, a report of progress made in reducing water quality permit processing times, for both APP and AZPDES permits, is requested. This final request relates to the appropriation for fiscal year 2006-2007 of \$200,000 in general funds and appropriation authority of \$200,000 in water quality fee funds for water quality permit processing.

Because the general fund appropriation included no FTEs, the Department used the appropriation to hire outside contractors to review and prepare four individual AZPDES permits. This contracted permitting is underway and the Department has obligated nearly the full \$200,000 in general fund money for these contractors. In order to reduce the APP permits backlog and permit processing times and because of a shortage of appropriated FTEs in the APP program, ADEQ moved two AZPDES permit writer positions to the APP Program and these permit writers are currently working on the APP permits. While this funding enabled ADEQ to process four AZPDES permits and move two permit writer FTEs to work on APP applications, it did not help to substantially reduce the permitting backlog in either program.

As for the \$200,000 appropriation authority for the Water Quality Fee Fund (WQFF), that appropriation authority in reality provided no new money or FTEs to address the permit backlog because ADEQ already had appropriation authority from the WQFF which was adequate to pay for all existing WQFF FTEs.

The Department continues to handle a very large number of inquiries regarding the status of water quality permits in process. Since lot sales, construction and other development cannot occur without these permits, the demand for immediate permit processing is very high. While the Department is able to meet Licensing Time Frame requirements in the large majority of cases, the Department is challenged to meet the actual demand for permits without sufficient numbers of properly trained staff.

Water Quality Permit Processing

	Total Staff Hours	Total Staff Costs
July 1, 2005 – June 30, 2006	86,919	\$4,203,448
July 1, 2006 – June 30, 2007	96,623 ⁽¹⁾	\$5,133,663 ⁽²⁾
Totals	183,542	\$9,337,111

⁽¹⁾ Increased staff hours includes ADEQ's increased emphasis on filling positions made vacant when cities and counties have hired ADEQ permits and engineering staff in FY07.

⁽²⁾ Increased staff costs include the increased personnel services and ERE costs for the pay increase taking effect in March of FY06.

Arizona Department of Environmental Quality
Water Quality Division
LTF Report for FY06
Actual 2005-2006 Totals

Program	License Category	Total Applications	Allowable LTF in Working Days	Max % of Timeframe Used	Min % of Timeframe Used	Average % of Timeframe Used	
DRINKING WATER PROGRAMS	Standard drinking water treatment facility, project and well ATC	493	43	200.00	2.33	60.64	
	Complex drinking water facility, project or well ATC	0	73	0.00	0.00	0.00	
	Standard public and semi-public swimming pool design approval	28	42	97.62	7.14	66.16	
	Standard drinking water treatment facility, project or well AOC	220	43	100.00	0.00	34.52	
	Standard public and semi-public swimming pool AOC	6	42	92.86	2.38	38.49	
	Standard drinking water new source approval	1	43	93.02	93.02	93.02	
	Drinking water time extension approval	16	22	100.00	9.09	47.73	
	(NRO) Standard drinking water treatment facility, project and well ATC	231	43	204.65	0.00	32.76	
	(NRO) Standard public and semi-public swimming pool design approval	11	42	50.00	7.14	23.59	
	(NRO) Complex public and semi-public swimming pool design approval	1	83	1.20	1.20	1.20	
	(NRO) Standard drinking water treatment facility, project and well AOC	132	43	83.72	0.00	26.81	
	(NRO) Standard public and semi-public swimming pool AOC	3	42	57.14	11.90	39.68	
	(NRO) Complex public and semi-public swimming pool AOC	1	83	9.64	9.64	9.64	
	(SRO) Standard drinking water treatment facility, project and well AOC	132	43	97.67	0.00	9.02	
	(SRO) Standard public and semi-public swimming pool AOC	2	42	19.05	11.90	15.48	
	Monitoring frequency change approval	37	42	100.00	7.14	43.56	
	Residual disinfectant concentration sampling interval approval	1	30	73.33	73.33	73.33	
	GROUNDWATER PROGRAMS	Subdivision Individual Facilities	57	67	100.00	0.00	31.89
		Subdivision Community Facilities	340	58	100.00	0.00	41.03
		Reuse, Individual Permit, No Public Hearing	2	221	95.02	38.91	66.97
Reuse, Type 3 General Permit		3	81	72.84	4.94	44.94	
Standard sewerage collection system AOC		3	53	50.94	32.18	42.14	
Standard wastewater treatment facility AP major modification permit with no public hearing		1	221	92.31	92.31	92.31	
Standard wastewater treatment facility AP other modification permit		1	221	87.78	87.78	87.78	
Complex industrial facility AP new permit with no public hearing		1	284	99.30	99.30	99.30	
Biosolid applicator registration request acknowledgment		18	15	140.00	6.67	30.00	
APP, Complex Individual Permit, public hearing		0	329	0.00	0.00	0.00	
APP, Individual Permit, No Public Hearing		20	221	123.98	42.08	85.68	
APP, Individual Permit, Public Hearing		4	266	122.93	82.71	106.77	
APP, Individual Permit, Significant Amendment, No Public Hearing		28	221	124.89	0.90	92.94	
APP, Individual Permit, Significant Amendment, Public Hearing		2	266	98.12	41.73	69.92	
APP, Individual Permit, Other Amendment		21	135	114.81	11.85	76.90	
APP, Type 3 General Permit		15	81	48.15	20.99	24.28	
APP, 4.01 General Permit, Pre-Construction 300 services or less		405	53	100.00	0.00	59.39	
APP, 4.01 General Permit, Post-Construction 300 services or less		343	42	97.62	0.00	30.62	
APP, 4.01 General Permit, Pre-Construction 300 services or more		17	83	97.59	6.02	50.25	
APP, 4.01 General Permit, Post-Construction 300 services or more		22	53	100.00	0.00	47.34	
APP, Standard Single 4.02, 4.03, 4.13 and 4.14 General Permits, Pre-Construction		129	42	97.62	0.00	44.28	
APP, Standard Single 4.02, 4.03, 4.13 and 4.14 General Permits, Post-Construction		55	31	93.55	0.00	25.45	
APP, 4.23 General Permit, Pre-Construction		7	83	55.42	6.02	23.24	
APP, 4.23 General Permit, Post-Construction		3	53	30.19	7.55	20.13	
APP, Standard Combined Two or Three Type 4 General Permits, Pre-Construction		22	53	100.00	9.43	42.06	
APP, Standard Combined Two or Three Type 4 General Permits, Post-Construction		8	42	71.43	0.00	24.70	
APP, Complex Combined Four or more Type 4 General Permits, Pre-Construction		3	83	55.42	4.82	37.35	
APP, Complex Combined Four or more Type 4 General Permits, Post-Construction		4	53	66.04	3.77	23.58	
SURFACE WATER		AZPDES, Individual Permit, Major Facility, No Public Hearing	15	284	124.65	41.55	88.57
		AZPDES, Individual Permit, Minor Facility, No Public Hearing	23	221	122.62	25.34	78.16
		AZPDES, Individual Permit, Major Modification, No Public Hearing	1	221	97.29	97.29	97.29
		CWA 401 state certification of a proposed CWA 404 permit	8	63	12.70	0.00	6.15
		CWA 401 state certification of a proposed CWA 402 NPDES permit	1	63	7.94	7.94	7.94
		TOTAL	2899				

Arizona Department of Environmental Quality
Water Quality Division
LTF Report for FY07
Projected 2006-2007 Totals

Program	License Category	Projected Total Applications	Allowable LTF in Working Days	Projected Max % of Timeframe Used	Projected Min % of Timeframe Used	Projected Average % of Timeframe Used	
DRINKING WATER PROGRAMS	Standard drinking water treatment facility, project and well ATC	537	43	95.35	0.00	37.15	
	Complex drinking water facility, project or well ATC	2	73	54.79	54.79	54.79	
	Standard public and semi-public swimming pool design approval	28	42	95.24	7.14	52.78	
	Standard drinking water treatment facility, project or well AOC	216	43	95.35	4.65	31.21	
	Standard public and semi-public swimming pool AOC	6	42	59.52	59.52	59.52	
	Standard drinking water new source approval	1	43	93.02	93.02	93.02	
	Drinking water time extension approval	14	22	86.36	4.55	50.00	
	(NRO) Standard drinking water treatment facility, project and well ATC	230	43	100.00	0.00	27.73	
	(NRO) Standard public and semi-public swimming pool design approval	9	42	26.19	0.00	15.48	
	(NRO) Complex public and semi-public swimming pool design approval	1	83	1.20	1.20	1.20	
	(NRO) Standard drinking water treatment facility, project and well AOC	167	43	100.00	0.00	30.20	
	(NRO) Standard public and semi-public swimming pool AOC	2	42	19.05	19.05	19.05	
	(NRO) Complex public and semi-public swimming pool AOC	1	83	9.64	9.64	9.64	
	(SRO) Standard drinking water treatment facility, project and well AOC	130	43	25.58	0.00	5.87	
	(SRO) Standard public and semi-public swimming pool AOC	7	42	4.76	0.00	2.38	
	Monitoring frequency change approval	35	42	97.62	7.14	44.52	
	Residual disinfectant concentration sampling interval approval	1	30	73.33	73.33	73.33	
	GROUNDWATER PROGRAMS	Subdivision Individual Facilities	100	67	100.00	1.49	31.76
		Subdivision Community Facilities	330	58	100.00	0.00	39.89
Reuse, Individual Permit, No Public Hearing		5	221	0.00	0.00	0.00	
Reuse, Type 3 General Permit		14	81	64.20	1.23	21.81	
Standard sewerage collection system AOC		3	53	50.94	32.18	42.14	
Standard wastewater treatment facility AP major modification permit with no public hearing		1	221	92.31	92.31	92.31	
Standard wastewater treatment facility AP other modification permit		1	221	87.78	87.78	87.78	
Complex industrial facility AP new permit with no public hearing		1	284	100.00	100.00	100.00	
Biosolid applicator registration request acknowledgment		18	15	140.00	6.67	30.00	
APP, Complex Individual Permit, public hearing		2	329	109.12	109.12	109.12	
APP, Individual Permit, No Public Hearing		18	221	98.64	72.85	92.68	
APP, Individual Permit, Public Hearing		4	266	122.93	82.71	106.77	
APP, Individual Permit, Significant Amendment, No Public Hearing		30	221	124.89	2.71	91.02	
APP, Individual Permit, Significant Amendment, Public Hearing		2	266	98.12	41.73	69.92	
APP, Individual Permit, Other Amendment		23	135	123.70	28.89	87.11	
APP, Type 3 General Permit		14	81	29.63	7.41	20.99	
APP, 4.01 General Permit, Pre-Construction 300 services or less		391	53	100.00	0.00	55.80	
APP, 4.01 General Permit, Post-Construction 300 services or less		370	42	247.62	0.00	40.03	
APP, 4.01 General Permit, Pre-Construction 300 services or more		18	83	71.08	6.02	29.82	
APP, 4.01 General Permit, Post-Construction 300 services or more		20	53	98.11	11.32	55.19	
APP, Standard Single 4.02, 4.03, 4.13 and 4.14 General Permits, Pre-Construction		156	42	100.00	0.00	61.44	
APP, Standard Single 4.02, 4.03, 4.13 and 4.14 General Permits, Post-Construction		93	31	83.87	0.00	27.42	
APP, 4.23 General Permit, Pre-Construction		9	83	96.39	13.25	36.45	
APP, 4.23 General Permit, Post-Construction		5	53	81.13	3.77	42.45	
APP, Standard Combined Two or Three Type 4 General Permits, Pre-Construction		30	53	67.92	7.55	42.09	
APP, Standard Combined Two or Three Type 4 General Permits, Post-Construction		5	42	9.52	0.00	4.76	
APP, Complex Combined Four or more Type 4 General Permits, Pre-Construction		12	83	83.13	15.66	40.72	
APP, Complex Combined Four or more Type 4 General Permits, Post-Construction		4	53	66.04	3.77	23.58	
SURFACE WATER		AZPDES, Individual Permit, Major Facility, No Public Hearing	17	284	70.42	49.65	60.04
		AZPDES, Individual Permit, Minor Facility, No Public Hearing	25	221	79.64	52.04	64.93
		AZPDES, Individual Permit, Major Modification, No Public Hearing	3	221	85.07	85.07	85.07
		CWA 401 state certification of a proposed CWA 404 permit	35	63	69.84	1.59	13.76
		CWA 401 state certification of a proposed CWA 402 NPDES permit	0	63			
	TOTAL	3146					

Notes:

Italics denote projected numbers of applications for category; none submitted as of 11/30/06

Arizona Department of Environmental Quality
Water Quality Division
LTF Report FY07

July 1 - November 30, 2006

Program	License Category	Actual Applications as of 11/30/06	Allowable LTF in working days	Max % of Timeframe Used	Min % of Timeframe Used	Average % of Timeframe Used as of 11/30/06	
DRINKING WATER PROGRAMS	Standard drinking water treatment facility, project and well ATC	231	43	95.35	0.00	37.15	
	Complex drinking water facility, project or well ATC	1	73	54.79	54.79	54.79	
	Standard public and semi-public swimming pool design approval	6	42	95.24	7.14	52.78	
	Standard drinking water treatment facility, project or well AOC	93	43	95.35	4.65	31.21	
	Standard public and semi-public swimming pool AOC	1	42	59.52	59.52	59.52	
	Standard drinking water new source approval	0	43	0.00	0.00	0.00	
	Drinking water time extension approval	3	22	86.36	4.55	50.00	
	(NRO) Standard drinking water treatment facility, project and well ATC	66	43	100.00	0.00	27.73	
	(NRO) Standard public and semi-public swimming pool design approval	4	42	26.19	0.00	15.48	
	(NRO) Complex public and semi-public swimming pool design approval	0	83	0.00	0.00	0.00	
	(NRO) Standard drinking water treatment facility, project and well AOC	72	43	100.00	0.00	30.20	
	(NRO) Standard public and semi-public swimming pool AOC	1	42	19.05	19.05	19.05	
	(NRO) Complex public and semi-public swimming pool AOC	0	83	0.00	0.00	0.00	
	(SRO) Standard drinking water treatment facility, project and well AOC	42	43	25.58	0.00	5.87	
	(SRO) Standard public and semi-public swimming pool AOC	3	42	4.76	0.00	2.38	
	Monitoring frequency change approval	10	42	97.62	7.14	44.52	
	Residual disinfectant concentration sampling interval approval	0	30	0.00	0.00	0.00	
	GROUNDWATER PROGRAMS	Subdivision Individual Facilities	43	67	100.00	1.49	31.76
		Subdivision Community Facilities	135	58	100.00	0.00	39.89
Reuse, Individual Permit, No Public Hearing		2	221	85.07	46.33	27.02	
Reuse, Type 3 General Permit		6	81	64.20	1.23	21.81	
Standard sewerage collection system AOC		0	53	0.00	0.00	0.00	
Standard wastewater treatment facility AP major modification permit with no public hearing		0	221	0.00	0.00	0.00	
Standard wastewater treatment facility AP other modification permit		0	221	0.00	0.00	0.00	
Complex industrial facility AP new permit with no public hearing		0	284	0.00	0.00	0.00	
Biosolid applicator registration request acknowledgment		0	15	0.00	0.00	0.00	
APP, Complex Individual Permit, public hearing		1	329	109.12	109.12	109.12	
APP, Individual Permit, No Public Hearing		6	221	98.64	72.85	92.68	
APP, Individual Permit, Public Hearing		0	266	0.00	0.00	0.00	
APP, Individual Permit, Significant Amendment, No Public Hearing		13	221	124.89	2.71	91.02	
APP, Individual Permit, Significant Amendment, Public Hearing		0	266	0.00	0.00	0.00	
APP, Individual Permit, Other Amendment		10	135	123.70	28.89	87.11	
APP, Type 3 General Permit		3	81	29.63	7.41	20.99	
APP, 4.01 General Permit, Pre-Construction 300 services or less		168	53	100.00	0.00	55.80	
APP, 4.01 General Permit, Post-Construction 300 services or less		159	42	247.62	0.00	40.03	
APP, 4.01 General Permit, Pre-Construction 300 services or more		4	83	71.08	6.02	29.82	
APP, 4.01 General Permit, Post-Construction 300 services or more		4	53	98.11	11.32	55.19	
APP, Standard Single 4.02, 4.03, 4.13 and 4.14 General Permits, Pre-Construction		67	42	100.00	0.00	61.44	
APP, Standard Single 4.02, 4.03, 4.13 and 4.14 General Permits, Post-Construction		40	31	83.87	0.00	27.42	
APP, 4.23 General Permit, Pre-Construction		4	83	96.39	13.25	36.45	
APP, 4.23 General Permit, Post-Construction		2	53	81.13	3.77	42.45	
APP, Standard Combined Two or Three Type 4 General Permits, Pre-Construction		13	53	67.92	7.55	42.09	
APP, Standard Combined Two or Three Type 4 General Permits, Post-Construction		2	42	9.52	0.00	4.76	
APP, Complex Combined Four or more Type 4 General Permits, Pre-Construction		5	83	83.13	15.66	40.72	
APP, Complex Combined Four or more Type 4 General Permits, Post-Construction		0	53	0.00	0.00	0.00	
SURFACE WATER		AZPDES, Individual Permit, Major Facility, No Public Hearing	2	284	70.42	49.65	60.04
		AZPDES, Individual Permit, Minor Facility, No Public Hearing	4	221	79.64	52.04	64.93
		AZPDES, Individual Permit, Major Modification, No Public Hearing	1	221	85.07	85.07	85.07
		CWA 401 state certification of a proposed CWA 404 permit	18	63	69.84	1.59	13.76
	CWA 401 state certification of a proposed CWA 402 NPDES permit	0	63	0.00	0.00	0.00	
	TOTAL	1245					

STATE OF ARIZONA

Joint Legislative Budget Committee

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SENATE

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CHAIRMAN 2008
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HOUSE OF
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STEVE YARBROUGH

DATE: January 30, 2007

TO: Representative Russell Pearce, Chairman
Members, Joint Legislative Budget Committee

THRU: Richard Stavneak, Director

FROM: Leah Ruggieri, Fiscal Analyst

SUBJECT: Arizona State University – Review of Walter Cronkite School of Journalism

Request

The FY 2007 Higher Education Budget Reconciliation Bill (Laws 2006, Chapter 352) required Arizona State University (ASU) to submit for review to the Joint Legislative Budget Committee (JLBC) its operational and capital plans for the ASU Downtown Phoenix Campus (DPC). The Committee favorably reviewed the DPC plans at its November 2006 meeting. At the time of the review, however, ASU had not presented its agreement with a private developer to design and construct the Cronkite School of Journalism/KAET Channel 8 project.

Recommendation

The Committee has at least the following options:

- 1) A favorable review. Of the \$188 million bond amount approved by City of Phoenix voters to construct and renovate several buildings at the Downtown Phoenix Campus, \$71 million would be dedicated to the construction of the Cronkite School of Journalism at no additional cost to the state.
- 2) An unfavorable review. The agreement to construct the Cronkite School of Journalism was not previously submitted for formal legislative approval. Once the city bond is paid off, ASU will own the building, which could increase the state's operating costs and building renewal expenses.

Based on a recommendation by Senator Burns, the Joint Committee on Capital Review (JCCR) unfavorably reviewed the ASU Downtown Campus housing proposal at its January 2007 meeting, due to a lack of greater legislative involvement in the initial campus siting. Since that time, Senator Burns has announced that he is working with ASU on a plan to enhance legislative oversight, which in turn would lead to JCCR reconsidering its unfavorable review.

(Continued)

If the Committee favorably reviews the project, the Committee has the option to add its standard provision that a favorable review does not constitute an endorsement of General Fund appropriations to offset any operations and maintenance costs when the project is complete.

Analysis

In their September submission to the Committee on operational and capital plans for the DPC, ASU indicated that the Walter Cronkite School of Journalism and Mass Communication would move from the Tempe campus to the downtown campus in FY 2009. ASU estimates that beginning in FY 2009, 1,800 students (headcount) attending the DPC would be enrolled in the School of Journalism.

When the Committee favorably reviewed ASU's plans in November 2006, ASU did not submit a plan to construct the building that would house the Cronkite School of Journalism. On November 15, 2006, however, the City of Phoenix authorized Sundt Construction, Inc. in conjunction with their architectural partner, HDR Architecture, to provide programming, design, and construction for the Cronkite School of Journalism project. The project involves the construction of a 217,700 square-foot six story building located on Taylor Street between Central Avenue and First Street. It would house the School of Journalism with space for teaching newsrooms, broadcast news studios, a radio station, mediated classrooms and a central gathering space. In addition, the KAET television students would be located in the building and ground floor retail is planned for the Central Avenue side as well as on the corners of First Street and Taylor.

The total cost for the Cronkite School of Journalism is \$71 million and would be financed with proceeds from the \$188 million bond approved by City of Phoenix voters to construct and renovate several buildings at the Downtown Phoenix Campus. According to their agreement with the city, ASU is not required to make lease payments on any of the buildings constructed with bond proceeds. After 2012, ASU and the city have only committed to discuss that option.

From FY 2008 through FY 2012, however, ASU will contribute \$2 per square-foot per year to a reserve and replacement fund that will support any necessary repairs, which is approximately \$435,400 per year for the Cronkite School of Journalism. Additionally, ASU is responsible for covering the cost of Furniture Fixtures and Equipment, which is budgeted at \$7.6 million. Though KAET's specialized equipment will be relocated and reinstalled in the new building, ASU is still developing the costs associated with additional specialized equipment for the school. The project is scheduled for completion and move in by August 2008.

The School of Journalism would have a total cost per-square-foot of \$336 and a direct construction cost per-square-foot of \$251. *Table 1* compares the per-square-foot costs of the Walter Cronkite School of Journalism to those of other university non-research-related capital projects. As *Table 1* below illustrates, the magnitude of these expenses are slightly higher in comparison to the average of other university non-research-related capital projects previously approved by the Committee since June 2005. It is difficult to evaluate the reasonableness of the per-square-foot cost of the Cronkite School of Journalism compared to these projects, as it would include the KAET television studio. The non-research-related capital projects listed in *Table 1* did not involve the construction of similar space.

Rider Hunt Levett & Bailey, a property and construction consultant group, estimated in their 2006 3rd quarter Construction Cost Report that construction of a university building would range from \$180 to \$370 per-square foot. The low-end of this range represents the cost to construct a university building that contains strictly classroom space, whereas the high-end of this range represents the cost to construct a university building that contains lab space. The Cronkite School of Journalism costs are expected to be closer to the high end of this range, as it involves the construction of specialized space.

(Continued)

Additionally, materials costs have risen markedly in the past few years due to increasing worldwide demand. Between 2005 and 2006 alone, the cost per-square-foot to construct a 2-4 story office building in Phoenix increased by 11.7% according to RSMeans, a supplier of construction cost information. When accounting for the specialized features in the Cronkite School of Journalism as well as the increase in construction costs due to inflation, the JLBC Staff finds that the per-square-foot costs of this project are reasonable.

<u>Project</u>	<u>Review Date</u>	<u>Total Project Cost</u>	<u>Total Cost Per Square Foot</u>	<u>Direct Construction Cost Per Square Foot</u>
UA-Architecture Building Expansion	June 2005	\$9,400,000	\$281	\$202
ASU PD Facility	October 2006	12,500,000	328	229
Cronkite School of Journalism	January 2007	71,000,000	336	\$251
UA-Poetry Center	June 2005	6,800,000	385	286
AVERAGE			\$333	\$242

The City of Phoenix contracted this project with the design/build method. Under this procurement method, the total project budget is determined first, after which a RFP is issued for a designer/contractor team to design and construct the project. The team selected from the RFP process develops a proposal that meets the pre-determined budget amount and a timeline for project completion.

RS/LR:ts



Responses to Questions from JLBC on Downtown Phoenix Campus Report following Committee Review

Mr. Stavneak's letter to President Crow on November 22, 2006 requested that ASU provide answers to six questions that the Committee delineated. The answers to those questions were provided in an email to JLBC staff on November 14, 2006.

Subsequent discussion with staff indicated that more detailed information was requested for question #1, including the break-out of capital expenditures for the Downtown Phoenix Campus between acquisition costs and renovations by building. That information follows:

ARIZONA STATE UNIVERSITY DOWNTOWN PHOENIX CAMPUS ACQUISITION AND RENOVATION COSTS					
	(\$millions)				
	Property Acquisition	Renovation	Total Acquisition and Renovation Costs	Building Square Footage	Cost per sf
The 411 Building	30.5	26.3	56.8	315,068	\$ 83
Park Place	10.4	10.0	20.4	82,453	\$ 121
Contingency for Property Acquisition (Phase II), including supporting cost	10.4	1.3	11.7		
Mercado		1.9	1.9	110,381	\$ 17
Post Office Building		4.0	4.0	100,293	\$ 40
Financing		1.0	1.0		
Relocation of Existing Tenants		3.0	3.0		
Misc. City Costs (permitting, legal, etc.)		1.9	1.9		
	51.3	49.4	100.7	608,195	\$ 81

Note: The Acquisition Costs for Phase II have not been completed and are a part of an eminent domain case. The estimates here are the best estimates for the maximum cost of the acquisition and related legal and other costs.

Furthermore, JLBC requested details for the design and construction of the Cronkite/KAET building project. The information follows:

The Walter Cronkite School of Journalism and 8/KAET will be housed in a building that is estimated to be 211,000 GSF. The building will be a six story building and will be located on the ASU Downtown Phoenix Campus on Taylor Street between Central Avenue and First Street. Ground floor retail is planned for the Central Avenue side as well on the corner of First Street and Taylor.

Housed within this building will be the Cronkite School of Journalism whose space will include teaching newsrooms, broadcast news studios, a radio station, mediated classrooms and a central gathering space for large group presentations. KAET/8 operations will also be located in its entirety there with two television studios and facilities that will have the ability to televise live town halls and fundraising events. University classrooms serving the entire downtown campus will also be housed in this building.

The City of Phoenix is responsible for the cost of construction and is funded through the bond election that occurred in March 2006. The project's budget has been set at \$71 million.

ASU is responsible for furniture, fixtures and equipment and is budgeted at \$7 million.

This design-build project is currently in the final programming stages and is scheduled for completion and move in by August 2008.

ITEM 54

DISTRICT 8

CD20000006 - CRONKITE
SCHOOL OF JOURNALISM/
KAET CHANNEL 8

1-STEP DESIGN/BUILD
PROGRAMMING AND
CONCEPTUALIZATION

Request to authorize the City Manager to enter into an agreement with Sundt Construction, Inc. in conjunction with their architectural partner, HDR Architecture, to provide programming, design, construction, and construction administration and inspection services for the Cronkite School of Journalism/KAET Channel 8 project.

The advertisement for this project was issued in August 2006. A total of ten teams submitted acceptable Statements of Qualifications for this project. The selection committee interviewed three firms on October 6, 2006. After discussions between the committee members, the team of Sundt Construction, Inc. and HDR Architecture, Inc. was selected as the panel recommendation to provide these design-build services.

The Cronkite School of Journalism/KAET Channel 8 project involves an approximately 244,000 gross square foot, multi-story facility to be located at 415 North Central Avenue and will include retail space, a television broadcast studio, classrooms, offices, shell space, and mechanical and electrical rooms.

The initial phase is anticipated to involve the programming and conceptualization of the Cronkite School of Journalism/KAET Channel 8, located at 415 North Central Avenue. The schedule requires that this facility be fully operational by August 2008.

In order to meet the accelerated schedule, the total project cost of \$71,000,000 is being requested for approval at this time. This includes all design, construction, construction administration and inspection fees, and other associated City and ASU fees.

Financial Impact

Funding for this project is available from 2006 General Obligation (G.O.) Bonds plus the use of interim financing approved by the City Council on June 21, 2006. The cost of the interim financing is not expected to exceed \$3.0 million over the construction period. The interim financing costs will be funded from \$600,000 in non-ASU tenant rents received by the City from properties on the current downtown ASU campus, predominately the 411 N. Central Avenue property, and an amount not to exceed \$600,000 from ASU with the remainder of the interim financing costs paid from the Downtown Community Reinvestment Fund.

Affirmative Action

Sundt Construction, Inc. is eligible to do business with the City of Phoenix until September 30, 2007, by its compliance with the affirmative action requirements of the City Code, Chapter 18, Article V. The firm is responsible for maintaining its eligibility during the life of the contract and failure to do so may result in termination of the contract.

This Council award is subject to execution of the agreement by all of the parties.

This item is recommended by Mr. Cavazos, the Engineering and Architectural Services Department and the Downtown Development Office.

This item is also recommended by Mr. Cavazos.

Approved: ◆ Remarks:
Disapproved: ◆
Continued: ◆