ARIZONA BOARD OF REGENTS

ALL MEETINGS OF THE ARIZONA BOARD OF REGENTS
WILL BE VIRTUAL MEETINGS

January 28, 2021

Members of the public may attend the public portion of the virtual meeting by viewing the livestream of the meeting.

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**Schedule of Meetings**

<table>
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<th>Time</th>
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| 9:00 a.m. – 10:30 a.m. | Finance, Capital and Resources Committee Meeting  
(9:05 – 9:35 a.m. - Executive Session)  
(Members: Taylor Robson, King, Shoopman, Ridenour, DuVal, Mata and Rusk, ex-officio Penley) |
| 10:45 a.m. – 12:00 p.m. | Academic Affairs and Educational Attainment Committee Meeting  
(Members: Manson, DuVal, Taylor Robson, Shoopman, Rusk and Superintendent Hoffman, ex-officio Penley) |
| 12:00 p.m. – 1:00 p.m. | Break for Lunch                                                                               |
| 1:00 p.m. – 5:00 p.m. | Special Board Meeting  
(1:25 – TBD – Executive Session)                                                           |
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Committee Members:
Regent Karrin Taylor Robson, Chair                              Regent Kate King, Vice-Chair
Regent Fred DuVal                                              Regent Cecilia Mata
Regent Bill Ridenour                                            Regent Anthony Rusk
Regent Ron Shoopman                                             Regent Larry Penley (ex-officio)

9:00 a.m. CALL TO ORDER, GREETINGS AND ANNOUNCEMENTS FROM THE COMMITTEE CHAIR

Vote to enter into executive session. Upon motion, the committee will recess public session and convene in executive session.
9:05 a.m. RECESS PUBLIC SESSION

9:05 a.m. EXECUTIVE SESSION

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

9:35 a.m. RECONVENE INTO PUBLIC SESSION

9:35 a.m. 1. Approval of Minutes

The board office asks the committee to review and approve the minutes of the November 5, 2020 Finance, Capital and Resources Committee meeting.

9:40 a.m. 2. Review of Multiple-Year Employment Contract for Vice President for University Athletics (ASU)

Arizona State University asks the committee to review and recommend forwarding to the full board for approval an extension of the Multiple-Year Employment Contract for Raymond Anderson as Vice President for University Athletics at ASU.

9:45 a.m. 3. Review of Multiple-Year Employment Contract for Head Baseball Coach (ASU)

Arizona State University asks the committee to review and recommend forwarding to the full board for approval an extension of the Multiple-Year Employment Contract for Tracy Smith as Head Baseball Coach at ASU.

9:50 a.m. 4. Review of Multiple-Year Employment Contract for Head Women’s Basketball Coach (ASU)

Arizona State University asks the committee to review and recommend forwarding to the full board for approval an extension of the Multiple-Year Employment Contract for Charli Turner Thorne as Head Women’s Basketball Coach at ASU.

9:55 a.m. 5. Review of Multiple-Year Employment Contract for Head Coach of Football (UArizona)
The University of Arizona asks the committee to review and recommend forwarding to the full board for approval the Multiple-Year Employment Contract for Jedd Fisch as Head Coach of Football at UArizona.

10:00 a.m.  6. Review of Capital Development Plan (ASU)

Arizona State University asks the committee to review recommend forwarding to the full board for approval its $83.5 million Capital Development Plan, which includes two new projects.

10:15 a.m.  7. Review of Acquisition of Property at 1424 S. Jentilly Lane, Tempe, AZ (ASU)

Arizona State University asks the committee to review and recommend forwarding to the full board for approval the purchase of the real property located at 1424 S. Jentilly Lane, Tempe, AZ from The Fivey Company, Inc.

10:20 a.m.  8. Review of Acquisition of Residential Property in Hawaii to Support Research Conducted by ASU's Center for Global Discovery and Conservation Science (ASU)

Arizona State University asks the committee to review and recommend forwarding to the full board for approval the purchase of a single-family home in Hawaii.

10:25 a.m.  9. Review of Cash Balance Pension Plan

The board office asks the committee to review and recommend forwarding to the full board for approval of the Sixth Amendment to the Cash Balance Pension Plan.

10:30 a.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.
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### Statutory Authorization

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<th>A.R.S. § 38-431.03</th>
<th>Items to be Discussed</th>
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<td><strong>I. Arizona State University</strong></td>
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<tr>
<td>(A. 1,3 and 4)</td>
<td>A. Review of Multiple-Year Employment Contract for Vice President for University Athletics</td>
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<td><strong>II. University of Arizona</strong></td>
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(A. 1, 3 and 4)

A. Review of Multi-Year Employment Contract for Head Coach of Football

The committee may convene in executive session for legal advice, discussion and direction to designated representatives regarding the multi-year contract for Jedd Fisch as Head Coach of Football at UArizona.

(B. 3 and 4)

B. Review of Amendment to Subleases Between Campus Research Corporation and Raytheon Technologies at the UA Tech Park

The committee may convene in executive session for legal advice and discussion regarding amendments to the Subleases between Campus Research Corporation and Raytheon Technologies at the UA Tech Park.

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Instruction re: Confidentiality

Pursuant to A.R.S. § 38-431.03(B) & (C) all are reminded that minutes of and discussions that occur in executive sessions are confidential by law and that violations of that confidentiality may subject the individuals involved to such penalties as are prescribed by law, including fines, costs, attorneys’ fees, and removal from office.
The Arizona Board of Regents Finance, Capital and Resources Committee held a virtual meeting on Thursday, November 5, 2020.

Committee Members present via video: Regent Karrin Taylor Robson (chair), Regent Kate King (vice-chair), Regent Fred DuVal, Regent Cecilia Mata, Regent Bill Ridenour, Regent Anthony Rusk, Regent Ron Shoopman and Regent Larry Penley.

Other Regents present via video: Regent Nikhil Dave and Regent Lyndel Manson.

Also present via video were: from the ABOR Office; Executive Director John Arnold, Nancy Tribbensee, Jennie Pollock, Samantha Blevins, Lorenzo Martinez, Leatta McLaughlin, Suzanne Templin, Lia Foy, Ryan Tucker, Gale Tebeau, Mary Adelman, Tom Merriam; from Arizona State University; President Michael Crow, Morgan Olsen, Christine Wilkinson, JoAnne Wamsley, Lisa Loo, Jesus Antonio Diaz; from Northern Arizona University; Bjorn Flugstad, Christy Farley; from the University of Arizona; President Robert Robbins, Lisa Rulney, Jon Dudas, Liesl Folks, Laura Todd Johnson, Steve Voeller, Kody Kelleher, Jessica Summers; from RBC Capital Markets; Kurt Freund and Closed Captioner; Nicole Flaherty.

Regent Taylor Robson called the meeting to order at 1:00 p.m.

APPROVAL OF MINUTES (ITEM 1)

Upon motion by Regent Taylor Robson and seconded by Regent Shoopman, the committee approved the Public Session and Executive Session minutes from the September 10, 2020 Finance, Capital and Resources Committee meeting. Regents DuVal, King, Mata, Penley, Taylor Robson, Ridenour, Rusk and Shoopman voted in favor. None opposed and none abstained. Motion passed.

FY 2021 FINANCIAL STATUS REPORT – FALL UPDATE (ASU, NAU, UArizona) (ITEM 2)

Gale Tebeau presented an overview of the of the fall update of the FY 2021 Operating Budgets for Arizona State University (ASU), Northern Arizona University (NAU), and the University of Arizona (UArizona).

This report highlights the universities’ revised revenue and expenditure projections for this fiscal year based on actuals through September.

All three universities have adjusted revenues to include funds for the Arizona Teachers Academy, which includes the transfers of state monies appropriated to ABOR, and monies from the Governor’s Emergency Education Relief Fund that are part of the Federal CARES Act monies.
In addition, all three universities report better than expected enrollments. System-wide Full Time Equivalent (FTE) enrollments are about 8,200 over the initial budget estimates.

Excluding Arizona Teacher Academy funding, ASU projects no other changes in either revenues or expenditures. ASU’s actual enrollments exceeded initial projections by 1,604 students. Initial projections called for a 4.5 percent increase in enrollment growth. Actual enrollment came closer to 6 percent over prior year, with online driving the increase, specifically non-resident online students, which make up 80 percent of the online students. For Fall 2020, online FTE represents about 32 percent of the total fall enrollment.

Major changes in revenue for NAU were attributable to funding for the Arizona Teachers Academy, COVID-related funding from Department of Health Services, and increases in net tuition and fee revenues. NAU is also projecting additional reductions to auxiliary revenues, primarily in housing and other auxiliary activity. NAU has offset slight increases in revenues with expenses, resulting in no projected change in net position. NAU’s actual enrollments exceeded initial projections by about 1,300 students. The initial projection was for an 8 percent decline in student FTE. Actual student FTE enrollment declined close to 4 percent over previous year with nonresident online students driving the increase, although for NAU resident online students still make up the bulk of online enrollment. For this fall, online FTE represents 13 percent of total enrollment.

The major changes in revenue for UArizona were increases in tuition and fee revenues, grants and contracts due primarily from increased COVID-related initiatives, and other revenues such as sales and services and investment income. UArizona also projects significant reductions to auxiliary revenues due to fewer athletic events, UA Presents, bookstore and other on-campus activities. UArizona is estimating increases in expenses due primarily from grants and contracts activity. Overall, UArizona estimates net position to improve by $34 million from their original budget. UArizona’s actual enrollments exceeded initial projections by over 5,300 students. Initial projections anticipated a ten percent decline in student FTE. Actual student enrollment was about a two percent increase over the previous year with nonresident online enrollment driving the increase. UArizona’s nonresident online increased nearly 63 percent over last year. For the fall, total online represents 11 percent of total enrollment.

Overall, the three universities experienced a shift with a decline in nonresident students and immersion (on campus) students and significant increases in nonresident online students. This shift has probably accelerated because of the pandemic, and may likely continue at this rate in the near future. The increasing online enrollment has an impact on university revenues, as online courses are not charged at the same rates as on-campus programs, and online students tend to take fewer credit hours.

Lastly, the liquidity measure of monthly days cash-on-hand for all three universities are within the board target range of between 116 and 193 days. The target range represents plus or minus 25 percent of Moody’s most current published median for days cash on hand among rated public colleges and universities.
Lisa Rulney commented that UArizona had better than expected results in main campus tuition revenues, as well as significant improvements in online tuition revenue. Tuition revenue is a key revenue source as it represents 30 percent of the net revenue for UArizona. Ms. Rulney noted the recruiting and retention efforts of the enrollment management team, student success and retention innovation, and colleague student support across the UArizona campus community.

Although there were some positive impacts from increased net tuition revenue, the institution continues to face long-term financial challenges. UArizona reduced some of the impact through furlough and furlough-based salary programs. The revised outlook still represents a decrease of $55 million. The decreases in enrollment and main campus activity have resulted in negative impacts on auxiliary revenues of almost a 50 percent decline from the prior year, including management of lost revenue last fiscal year from the closure of the campus in March. UArizona also created a Financial Sustainability Task Force to develop mitigation strategies and to explore new opportunities. Upcoming campus construction projects have been halted and principal debt payments have been restricted to reduce expenses for FY2021. The annual merit program was postponed, a hiring pause has been implemented as well as a pause on UArizona strategic plan initiatives. The institution also received $18 million in CARES Act funding. UArizona teams are working hard to mitigate losses.

Bjorn Flugstad commented that NAU experienced slightly better enrollment than anticipated and acknowledged the work of the enrollment management office. Over 4,000 students took advantage of the remote learning option. NAU is expecting a positive net tuition revenue impact of $3 million, in conjunction with additional funding for the Arizona’s Teachers Academy and the Arizona Department of Health for contact tracing, testing and isolation and mitigation efforts. NAU is projecting an overall revenue of just over $5 million to offset higher expenditures. The result is a net position change of zero. Days cash on hand is expected to increase from 143 days to 145 days this year.

Morgan Olsen commented that ASU projections are in line with the operating budget the board approved. ASU is focused on two things: one is the community of care initiative, which ensures providing the safest possible environment for our students, faculty and staff, and the other is ensuring that students are aware of the offerings and activities ASU is initializing to encourage student success, including ASU Sync, which is for students not able to be on the campuses. ASU is monitoring auxiliaries, which are operating at lower than normal levels, and making sure ASU provides the highest level of service, while managing expenses.

Regent Taylor Robson commented that six months ago, we would have never thought we would be in the position we are now where we can look at the financial resiliency of the universities and the prudent management of resources in very uncertain times is commendable. She commended the efforts and hard work on the enrollment results. The universities have done very well navigating throughout this pandemic.

Regent Penley also praised the universities for both the efforts in maintaining enrollment as effectively as they have and managing the finances amid the chaos.
DISCUSSION OF FY 2021 CAPITAL DEVELOPMENT PLAN (UA) (ITEM 3)

Ms. Rulney presented an overview, including a PowerPoint presentation of the University of Arizona’s (UA) FY 2021 Capital Development Plan (CDP). The FY 2021 CDP contains no new projects for approval while the UA focuses on completing its high-priority projects. There is no additional fiscal impact from UA’s FY 2021 CDP.

Ms. Rulney provided an update on previous year activity. Two capital projects were completed, and seven capital projects have begun or are under construction. Some project completion dates have been adjusted due to the impact of the pandemic.

UA is initiating a comprehensive research space utilization study that will help identify existing building spaces that can be repurposed and avoid the need to construct new research buildings. The space utilization study will be coordinated with the deferred maintenance projects already planned.

Ms. Rulney provided a review of UA’s financial and debt capacity status as it relates to the CDP. Standard & Poor’s maintained a stable outlook, while the Moody’s outlook changed to negative due to concerns about operating performance and equity. In March of 2020, Moody’s put the entire higher-education industry on negative outlook. On October 15, 2020 UA closed its taxable bond issuance totaling approximately $96 million that included the December 2020 debt service restructuring and the refunding of the 2013 A and B System Revenue Bonds. UA realized a net present value savings of approximately $7 million through the refunding and restructuring issue. UA plans to restructure an additional $68 million in the spring of 2021. The projected debt service ratio for UA excluding SPEED is 5.8 percent and 7 percent including SPEED.

There was no action taken on this item since the FY 2021 Capital Development Plan does not include any new projects.

REVIEW OF REVISED SUNSET REVIEW FEE SCHEDULE (UA) (ITEM 4)

Dr. Liesl Folks presented an overview of the UA revised academic fees sunset review schedule. In light of the pandemic and the challenges it has presented, UA is requesting the academic fees sunset review schedule be pushed back one year.

UA’s plan for 2020 was to review differential tuition, three program fees, as well as 229 different class fees for the College of Fine Arts. Classes had to be delivered remotely and entirely online, which meant that students were not able to experience the class as it was intended to be delivered. The fees associated with these classes, which were reimbursed to the students, were to cover costs related to in-person and experimental activity. We have determined that going to these students and asking for
input to drive a process to review the fees does not seem sensible at this time. Due to
the impacts of the pandemic it has been determined it is not an appropriate time to
move forward with this review of fees.

Upon motion by Regent Taylor Robson; seconded by Regent Ridenour, the committee
approved forwarding to the board for approval the UA’s revised academic fees
sunset review schedule. Regents DuVal, King, Mata, Penley, Taylor Robson, Ridenour,
Rusk and Shoopman voted in favor. None opposed and none abstained. Motion
passed.

REVIEW OF AMENDED CAPITAL DEVELOPMENT PLAN (ASU) (ITEM 5)

President Michael Crow and Morgan Olsen presented an overview, including a
PowerPoint presentation, of Arizona State University’s (ASU) Amended Capital
Development Plan (CDP). The amended CDP includes one project, a Multi-Purpose
Arena, totaling $115 million. The arena will be approximately 179,000 gross square feet
and will include 5,000 fixed seats, 20 private suites, nine lounges and two group suites.

The project will be financed by revenue bonds over 30 years. The debt service will be
funded by three funding sources, which consist of 12 percent charitable gifts ($25
million of which almost $20 million has been raised to date), 39 percent facility revenue
($81 million) and 49 percent ($103 million) ASU athletic facilities district revenue. The
projected debt ratio for the university is 5 percent excluding SPEED and 5.4 percent
including SPEED.

Mr. Olsen stated that in the 2020 Capital Improvement Plan approved at the October
2020 Board meeting, this project included an Olympic Sports Training Facility
renovation and expansion and a budget of $120 million. ASU has decided to put this
part of the plan on hold until a later date.

In response to Regent Taylor Robson’s question on whether there are possible gift and
naming opportunities for the arena, Mr. Olson stated yes, and that ASU would make an
announcement when they are able to under the terms of the $16 million gift tied to the
naming opportunity.

In response to Regent Manson’s question regarding whether the impact of the
pandemic and restrictions on large gatherings have been modeled if the building cannot
be used to its full potential for a number of years, President Crow stated that virus
scenarios do not call for a timeframe associated with not being able to gather as the
perspective is that this is a 50 to 75-year asset. ASU has plans to deploy this spring a
rapid point of need test, which will give an instantaneous message to a cellphone that
will enable you to enter a public event. The current impact of the pandemic does not
threaten the long-term use of this facility.

In response to Regent Taylor Robson’s question regarding why the Olympic Sports
Training Facility was removed from the project, Mr. Olsen stated that multiple scenarios
were considered, and the university concluded the best thing to do is hold that project
until a later date. The project will involve additional fundraising and the project will be
brought back to the board at the appropriate time.

Upon motion by Regent Taylor Robson Taylor; seconded by Regent DuVal, the committee approved forwarding to the board for approval the amended Arizona State University Capital Development Plan. Regents DuVal, King, Mata, Penley, Taylor Robson, Ridenour, Rusk and Shoopman voted in favor. None opposed and none abstained. Motion passed.

REVIEW OF PREMIUM PAYMENT, HEALTH AND DEPENDENT CARE CAFETERIA PLAN (ITEM 6)

Mary Adelman presented an overview of the Premium Payment, Health and Dependent Care Cafeteria Plan. This amendment is to the plan document, and several of the changes relate to allowing participants more flexibility during the pandemic. These changes include allowing participants to change their contribution amounts anytime during the 2020 plan year. Another relates to extending the deadline for submitting 2019 healthcare flexible spending account claims from April 30, 2020 to June 30, 2020. A two-and-a-half-month extension will be allowed for participants to incur dependent care flexible spending account expenses. This grace period will be for plan years 2020 and 2021. Also included are recent IRS changes that expand the definition of reimbursables of over-the-counter medications and an increase in year-end carry-over for the healthcare flexible spending account from $500 to $550.

Upon motion by Regent Taylor Robson; seconded by Regent Penley, the committee approved forwarding to the board for approval the Fifth Amendment to the Premium Payment, Health and Dependent Care Cafeteria Plan. Regents DuVal, King, Mata, Penley, Taylor Robson, Ridenour, Rusk and Shoopman voted in favor. None opposed and none abstained. Motion passed.

REVIEW OF PROPOSED REVISION TO BOARD POLICY 1-117 (NAMING OF FACILITIES AND PROGRAMMATIC UNITS FOR INDIVIDUALS OR ORGANIZATIONS) AND INCORPORATION AND REPEAL OF THE GUIDELINES FOR ASSIGNING THE NAMES OF INDIVIDUALS, FAMILIES OR ORGANIZATIONS TO CAMPUS FACILITIES OR PROGRAMMATIC UNITS (First Reading) (ITEM 7)

Nancy Tribbensee presented an overview of the proposed revision to Board Policy 1-117 “Naming of Facilities and Programmatic Units for Individuals or Organizations” and the proposed incorporation and repeal of the Guidelines for Assigning the Names of Individuals, Families or Organizations to Campus Facilities or Programmatic Units.

The revision is a consolidation of the current board policy and board guidelines as well some updates to the policy. The board has delegated to the presidents the ability to manage the naming of facilities and programmatic units. The revision clarifies that the presidents also have the authority to rename or rescind a name under the appropriate circumstances. The revision also clarifies that recognition will be provided for naming, which may come from either the board or university.
Ms. Tribbensee noted that additional language will be added to the executive summary that will go to the board. The current policy focuses on honorific and philanthropic naming opportunities, and a reference to sponsorship agreements will be added.

Upon motion by Regent Taylor Robson; seconded by Regent Mata, the committee approved forwarding to the board for first reading the proposed revisions to ABOR Policy 1-117, “Naming of Facilities and Programmatic Units for Individual and Organizations” In addition, language will be added to the policy revisions to reference sponsorship agreements. Regents DuVal, King, Mata, Penley, Taylor Robson, Ridenour, Rusk and Shoopman voted in favor. None opposed and none abstained. Motion passed.

DEBT REFUNDING DISCUSSION (ASU, NAU, UArizona) (ITEM 8)

Mr. Olsen (Arizona State University), Mr. Flugstad (Northern Arizona University) and Ms. Rulney (University of Arizona) provided an update on actions taken or planned to sell System Revenue Bonds or refunding Certificates of Participation to refinance all or a portion of the principal and interest payments accruing in fiscal years 2021 through 2022 in order to provide cash flow relief in light of the financial pressures placed on the universities by the COVID-19 pandemic.

ASU
Mr. Olsen stated that ASU has not taken any action with respect to refunding debt, but ASU is working through at least the preliminarily possibility of refunding the spring debt service, which is due in June of 2021. This action could reduce budgeted expenditures by about $56 million. ASU ended FY 2020 with a positive net margin of about $6.7 million. Over the last decade ASU averaged a positive net margin of about $86 million, so the impact of the pandemic and economic fallout is clear. Having the ability to restructure debt is very helpful and Mr. Olsen expressed appreciation to the board for making that possible.

UArizona
Ms. Rulney stated that on October 15, 2020, UArizona closed on a taxable bond issuance, which totaled almost $96 million. The realized net value savings is approximately $7 million. Markets are being monitored and the university plans to restructure approximately $68 million more in the future. There is also potential for additional refunding options for the spring debt service June payment.

NAU
Mr. Flugstad stated that NAU has completed its restructuring of both fall and spring debt payments and those savings have been included in the FY 2021 budget. The cash flow savings are $21 million this year. NAU utilized a private bank placement, rather than a public offering. The tax-exempt portion of the refunding had a 1.82 percent interest rate and the taxable portion had a 2.04 percent interest rate, for a true overall interest cost of 1.96 percent. The issuance cost of was approximately half a million dollars to generate the $21 million in savings.

This item was for discussion only.
DEBT REFORM REVIEW (ITEM 9)

Mr. Olsen and Kurt Freund presented an overview, including a PowerPoint presentation, regarding guidance on pursuing statutory changes to allow the issuance of long-term debt for university capitalization. These efforts would require the board to authorize staff to seek legislation that would make changes in the statutes that govern the board’s ability to issue debt on behalf of the three universities. These changes would potentially provide additional financial tools that private and many public universities have.

In response to Regent Manson’s question on the impact to university debt ratios, Mr. Freund stated that the legislation would modify the statute to allow borrowing beyond 40 years. For this purpose, it would specifically exempt those types of borrowing from the statutory debt limit. This would be long-term capitalization of money that you would put to the side and use strategically. The way these financings are structured, you put aside some money at the front end, so you take out one or two percent of the proceeds of the issue and put that into an escrow account and allow it to be invested for a long period of time.

In response to Regent Manson’s question on whether a sinking fund would be required, Mr. Freund stated that it would not require a sinking fund because it is designed to be flexible. Another approach might be a 50-year financing for a long-term capital project that has a long useful life, although this is not mandated. It leaves the option open.

Before any of this debt is issued, the board would need to review and approve the plan, a detailed account of how the principal and interest would be covered could be reviewed at that time.

Mr. Olsen added that the structuring of the issue is also part of the presentation to the rating agencies since you need to maintain a favorable credit profile.

In response to Regent King’s question on whether the proposed legislative language would outline the uses of this type of funding, such as not to be used for operations, Mr. Olsen stated that would be addressed with the board when a specific proposal is presented.

In response to Regent Tylor Robson’s question regarding whether having this long-term, low-rate funding would give an incentive to find capital projects to spend the money on, Mr. Olsen stated there could be that temptation, but it is important that the universities have a good solid plan that is reviewed with the board and that is consistent with financial stability of the institution over time. Having this tool will create more options, potentially create an additional revenue stream, and enhance the financial capacity of the institution.

Regent Taylor Robson commented that this is significant enough to continue discussions and encouraged board staff and universities to continue working on it.

Regent Penley requested John Arnold discuss the next steps in this process. Mr. Arnold stated the intent to have a discussion at the November board meeting regarding the board’s legislative package for the 2021 legislative session. There will be follow-up
discussions to decide if the board would like to include this type of legislation in that package.

Regent Ridenour stated that he is in favor of including this in the board’s legislative package.

Regent Mata stated that she agrees with Regent Ridenour that this should be included in the board’s legislative package.

This item was for discussion only.

ADRJOURNMENT

The Public Session of the meeting concluded at 2:42 p.m.

Submitted by:

_________________________
Sue Sosa, Committee Secretary
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Item Name: Review of Multiple-Year Employment Contract for Vice President for University Athletics (ASU)

☑️ Action Item

Requested Action: Arizona State University asks the committee to review and recommend forwarding to the full board for approval an extension of the Multiple-Year Employment Contract for Raymond Anderson as Vice President for University Athletics at ASU and certain other changes, as described in this executive summary.

Background/History of Previous Board Action

- Raymond Anderson ("Anderson") is currently serving as Vice President for University Athletics for Arizona State University under a Multiple-Year Employment Contract, which will expire on September 30, 2022. ASU desires to extend the term of Anderson’s contract through February 11, 2026 (the maximum term of five years) and to make certain other changes.

- Anderson came to ASU in February 2014 from the National Football League where he served as Executive Vice President of Football Operations. In his six and a half years at the helm of Sun Devil Athletics, Anderson has hired 17 of 22 current head coaches. Six of those hires have earned Coach of the Year honors (six Pac-12 and one National). Women’s Triathlon has won four straight national championships while Women’s Golf won in 2016-17. In addition, there have been 14 individual national champions during Anderson’s tenure and the 2018-19 athletic season proved to be the best so far under Anderson’s leadership, as Sun Devil Athletics finished 19th in the IMG Learfield Directors’ Cup Standings for the university’s first top-20 finish since 2012-13.

- As Sun Devil Athletics continues to grow and expand, Anderson is at the forefront of many significant capital projects, including the renovation of Sun Devil Stadium, the development of the Novus Innovation Corridor, and the recently approved multi-purpose arena, which will be home to several Sun Devil programs including hockey, gymnastics and wrestling. Anderson is a board member of the National Football Foundation’s College Football Hall of Fame, a member of the NCAA Football Oversight Committee, Chair of the new Ad Hoc NCAA Football Competition Committee, and the Green Sports Alliance Advisory Board.

- Under Anderson’s leadership, Sun Devil Athletics’ student-athletes have either maintained or exceeded all-time high performances in SDA’s key academic metrics. ASU’s Multiyear all sport Academic Progress Rate has increased from
EXECUTIVE SUMMARY

985 in the 2014-2015 academic year to an all-time high of 993 in 2018-2019. The 2018-2019 APR data marked the fourth year in a row ASU averaged a 990-plus and the Sun Devils finished with the second-highest score in the Pac-12. In addition, ASU also had 12 teams recognized in the top-10 percent for APR in Arizona State history, beating out the previous record of eight teams.

- Sun Devil Athletics has seen significant improvement in the average student-athlete cumulative GPA increasing from 3.08 (Fall 2015) to a record 3.29 at the end of the Spring 2020 semester. SDA's scholarship freshmen retention rates have also trended upwards, increasing from 84% in 2014-2015 to 90% in the 2019-2020 academic year.

- In November 2020, the NCAA announced that Sun Devil Athletics has earned a new all-time high Graduation Success Rate of 89%. Sun Devil Athletics has either maintained or surpassed its all-time best GSR every year since 2008 and is just four percentage points away from the top three in the Pac-12 Conference. A record eight teams posted GSR scores at 100% – men's basketball, women's basketball, gymnastics, hockey, women's swimming and diving, softball, women's tennis, and volleyball.

- Other measures of academic performance include continued progress with student-athlete postgraduate scholarship and awards. ASU has nine student-athlete NCAA Postgraduate Award winners, 15 Cosida Academic All Americans, and 11 Pac-12 Scholar Athletes of the year since the 2013-2014 academic year.

- Based on due diligence, ASU is not aware of any issues negatively affecting Anderson's employability such as NCAA or Pac-12 Conference rule violations, litigation, allegations of wrongdoing, or press controversies related to his employment at ASU.

- Athletic and academic performance bonuses earned by Anderson in the most recent year are summarized in the attachment to this Executive Summary.

Discussion

- All terms in Anderson’s contract previously approved by the board will remain unchanged except as follows:
  - ASU proposes to extend the term of Anderson’s contract from September 30, 2022 through February 11, 2026.
  - Anderson’s current salary is $800,000. Anderson’s annual salary may be increased on July 1 of each year by an amount determined by the ASU
President in the President’s sole discretion to the extent permitted by Board policy. ASU proposes to increase Anderson’s annual salary to $950,000.

- Under Anderson’s current contract, the total bonus payout for any given contract year is capped at 100% of Anderson’s annual salary. ASU proposes to remove the cap on bonuses.

- ASU proposes to pay Anderson a bonus of $500,000 (grossed up to cover taxes on such bonus payment) upon execution by Anderson of this extension.

- Under Anderson’s current contract, if Anderson terminates the contract at any time during its term, he shall, at the discretion of the ASU President, pay liquidated damages to ASU of up to $1 million. ASU proposes to remove the obligation to pay liquidated damages to ASU in the event of termination of the contract by Anderson.

- Under Anderson’s current contract, if ASU terminates the contract without cause, ASU is obligated to pay Anderson as liquidated damages an amount equal to two times Anderson’s annual base salary. The liquidated damages are reduced by the amount of compensation Anderson obtains from other employment during the remaining term of the contract up to a maximum reduction of 50% of the liquidated damages otherwise owed. ASU proposes to amend Anderson’s contract to remove the obligation of Anderson to mitigate ASU’s obligation to pay liquidated damages to Anderson in the event of termination of the contract without cause. In addition, under the contract, 35% of the liquidated damages are payable in a lump sum payment and the remaining 65% is payable in equal bi-weekly payments thereafter. Based on tax law changes, ASU proposes to amend Anderson’s contract to change the initial lump sum payment to 40% and the remaining 60% to be paid in equal subsequent monthly installments thereafter.

- Anderson will be credited with a retention incentive of $600,000 on the last day of each year during the 5-year contract term if he is employed on that date. The amounts credited on behalf of Anderson will not be paid to him until the last day of the 5-year term of the contract; provided however, that Anderson will receive an amount sufficient to pay taxes attributable to the annual vesting amount. If Anderson’s contract is terminated for any reason before the expiration date of the contract, Anderson will receive only the amount that has been credited to him up to the point of termination and he will not be credited with any additional retention incentives; provided however, if ASU terminates Anderson’s contract
without cause or Anderson terminates for good reason (such as a demotion), then Anderson will immediately vest and be paid the entire remaining retention incentive (a total of $3 million plus the earnings thereon).

Statutory/Policy Requirements

- ABOR Policy 6-910 requires board approval of multiple-year employment contracts for intercollegiate athletics directors.

- ABOR Policy 6-1001 provides the requirements for multiple-year appointments of intercollegiate athletics directors.
### Athletics Performance Bonuses (2019-20)

<table>
<thead>
<tr>
<th>Performance Milestone</th>
<th>Bonus</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>NCAA Post-Season Appearance – Football</td>
<td>10% of total salary</td>
<td>$80,000</td>
</tr>
<tr>
<td>Conference Coach of the Year – Wrestling</td>
<td>2% of annual salary</td>
<td>$16,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$96,000</strong></td>
</tr>
</tbody>
</table>

### Academic Performance Bonuses (2019-20)

<table>
<thead>
<tr>
<th>Performance Milestone</th>
<th>Bonus</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall APR – 993</td>
<td>15% of annual salary</td>
<td>$120,000</td>
</tr>
<tr>
<td>Football APR – 978</td>
<td>17% of annual salary</td>
<td>$136,000</td>
</tr>
<tr>
<td>Men’s Basketball APR – 995</td>
<td>17% of annual salary</td>
<td>$136,000</td>
</tr>
<tr>
<td>NCAA Public Recognition Award for APR – Men’s Basketball, Women’s Basketball, Men’s Golf, Women’s Golf, Gymnastics, Men’s &amp; Women’s Swimming and Diving, Women’s Cross Country, Women’s Soccer, Men’s Tennis, Women’s Tennis, Beach Volleyball, Women’s Water Polo</td>
<td>One week’s salary</td>
<td>$184,615</td>
</tr>
<tr>
<td>Scholarship Student-Athlete GPA – 3.30</td>
<td>10% of annual salary</td>
<td>$80,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$656,615</strong></td>
</tr>
</tbody>
</table>
Item Name:  Review of Multiple-Year Employment Contract for Head Baseball Coach (ASU)

☑️ Action Item

**Requested Action:** Arizona State University asks the committee to review and recommend forwarding to the full board for approval an extension of the Multiple-Year Employment Contract for Tracy Smith as Head Baseball Coach at ASU and certain other changes, as described in this executive summary.

**Background/History of Previous Board Action**

- Tracy Smith (“Coach”) is currently serving as Head Coach of the ASU Baseball Team under a Multiple-Year Employment Contract, which will expire on June 30, 2021. ASU desires to extend the term of Coach’s contract for an additional two years and make certain other changes.

- Coach’s sixth season with the Sun Devils was shortened as a result of the NCAA’s pandemic-related spring sport cancellations. When those cancellations were announced in March, Coach was set to lead ASU to an NCAA Regional for the fourth time in his ASU tenure. A former National Coach of the Year, Coach is one of only eight coaches in college baseball history to lead three different Division I programs to the NCAA tournament. Under Coach, the Sun Devils finished the abbreviated 2020 campaign ranked 7th nationally. Since the beginning of the 2019 season, Coach has compiled a won/loss record of 51-23, which included a nation-leading winning streak of 21 games. In 23 years as a head coach, Coach has seen 85 of his players selected in the Major League Baseball Draft, including 25 Sun Devils.

- The Sun Devil Baseball Team earned a Graduation Success Rate of 96% for 2019 (the most recent available score). The team also achieved a team GPA of 3.10 for 2019-20.

- Based on ASU’s due diligence, there are no issues concerning Coach such as NCAA or Pac-12 Conference rule violations, litigation or press controversies related to his employment as a coach, or allegations of wrongdoing.

- Athletic and academic performance bonuses earned by Coach are summarized in the attachment to this executive summary.

**Contact Information:**
José Cárdenas, ASU  jcardenas@asu.edu  480-965-4550
Ray Anderson, ASU  reanderson@asu.edu  480-965-8419
Discussion

- All terms in Coach’s contract previously approved by the board will remain unchanged except as follows:
  
  o ASU proposes to extend the term of Coach’s contract an additional two years from June 30, 2021 to June 30, 2023.

  o Coach’s current contract provides for Coach to receive a bonus based on the Sun Devil Baseball Team’s post-season performance. Currently, if the team were to appear in the College World Series (CWS), Coach would receive $20,000, and, if the team were to win the CWS, Coach would receive $25,000. ASU proposes to amend Coach’s contract to increase these bonuses to $40,000 for a CWS appearance and $50,000 for winning the CWS.

  o Under Coach’s current contract, if Coach terminates the contract early and takes another intercollegiate coaching position or a professional coaching position, ASU may require Coach to pay liquidated damages to ASU of up to $250,000. ASU proposes to amend Coach’s contract to require Coach to pay ASU liquidated damages based on the remaining 3-year contract term as follows: $500,000 if Coach terminates the contract in year 1; $250,000 if Coach terminates the contract in year 2; and nothing if Coach terminates the contract in year 3. If Coach’s contract is subsequently extended, the above terms will reset based on the remaining years of the extended contract term.

  o Under Coach’s current contract, if ASU terminates the contract without cause, ASU is obligated to pay Coach as liquidated damages 50% of the then per annum salary for the remainder of the contract term. This sum is not reduced in the event of Coach’s subsequent employment during the original term of the contract. Under the contract, 35% of the liquidated damages are payable in a lump sum payment and the remaining 65% is payable in equal bi-weekly payments thereafter. Based on tax law changes, ASU proposes to amend Coach’s contract to change the initial lump sum payment to 40% with the remaining 60% to be paid in equal monthly installments thereafter.

Statutory/Policy Requirements

- ABOR Policy 6-910 requires board approval of multiple-year employment contracts for head baseball coaches.
ABOR Policy 6-1001 provides the requirements for multiple-year appointments of head coaches.
## Athletics Performance Bonuses

<table>
<thead>
<tr>
<th>Season</th>
<th>Performance Milestone</th>
<th>Bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-19</td>
<td>N/A</td>
<td>N/A</td>
</tr>
<tr>
<td>2019-20</td>
<td>N/A (season canceled)</td>
<td>N/A</td>
</tr>
</tbody>
</table>

## Academic Performance Bonuses

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Performance Milestone</th>
<th>Bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-19</td>
<td>GPA 2.99 / GSR 94%</td>
<td>$20,000</td>
</tr>
<tr>
<td>2019-20</td>
<td>GPA 3.10 / GSR 96%</td>
<td>$20,000</td>
</tr>
</tbody>
</table>
Item Name: Review of Multiple-Year Employment Contract for Head Women’s Basketball Coach (ASU)

Action Item

Requested Action: Arizona State University asks the committee to review and recommend forwarding to the full board for approval an extension of the Multiple-Year Employment Contract for Charli Turner Thorne as Head Women’s Basketball Coach at ASU and certain other changes, as described in this executive summary.

Background/History of Previous Board Action

- Charli Turner Thorne (“Coach”) is currently serving as Head Coach of the ASU Women’s Basketball Team under a Multiple-Year Employment Contract, which will expire on June 30, 2022. ASU desires to extend the term of Coach’s contract for an additional two years and to make certain other changes.

- The 2020-21 season will be the 24th at ASU for Coach who has 504 career wins. Coach is the winningest coach in Sun Devil Women’s Basketball history and No. 2 in the Pac-12 in most career wins. After finishing with a 20-11 record in 2019-20, ASU extended its school record for consecutive 20-win seasons (seven) and finished No. 25 in the AP poll. ASU became the first unranked team to defeat consecutive Top-5 opponents when it knocked off then-No. 2 Oregon (72-66 on Jan. 10) and then-No. 3 Oregon State (54-47 on Jan. 12). The Sun Devils were preparing to make their school record seventh straight trip to the NCAA Tournament before the pandemic-related cancellation of the season. The Sun Devils have qualified for postseason all but one year since 2001, including a school record six consecutive NCAA Tournament appearances (2014-19), two Elite Eight appearances and three Sweet 16 finishes.

- The Sun Devil Women’s Basketball Team earned a Graduation Success Rate score of 100% for 2019 (the most recent available score). The team also achieved a team GPA of 3.49 in 2019-20.

- Based on ASU’s due diligence, there are no issues concerning Coach such as NCAA or Pac-12 Conference rule violations, litigation or press controversies related to her employment as a coach, or allegations of wrongdoing.

- Athletic and academic performance bonuses earned by Coach are summarized in the attachment to this executive summary.

Contact Information:
José Cárdenas, ASU  jcardenas@asu.edu  480-965-4550
Ray Anderson, ASU  reanderson@asu.edu  480-965-8419
Discussion

- All terms in Coach’s contract previously approved by the board will remain unchanged except as follows:
  - ASU proposes to extend the term of Coach’s contract an additional two years from June 30, 2022 to June 30, 2024.
  - Under Coach’s current contract, if ASU terminates the contract without cause, ASU is obligated to pay Coach as liquidated damages 100% of the then per annum salary for the remainder of the contract term. The liquidated damages payable to Coach is reduced by up to 50% if Coach accepts a new intercollegiate head coaching position during the original term of the contract. Under the contract, 35% of the liquidated damages are payable in a lump sum payment and the remaining 65% is payable in equal bi-weekly payments thereafter. Based on tax law changes, ASU proposes to amend Coach’s contract to change the initial lump sum payment to 40% and the remaining 60% to be paid in equal subsequent monthly installments thereafter.

Statutory/Policy Requirements

- ABOR Policy 6-910 requires board approval of multiple-year employment contracts for head women’s basketball coaches.

- ABOR Policy 6-1001 provides the requirements for multiple-year appointments of head coaches.
EXECUTIVE SUMMARY

CHARLI TURNER THORNE
HEAD WOMEN’S BASKETBALL COACH
Arizona State University

**Athletics Performance Bonuses**

<table>
<thead>
<tr>
<th>Season</th>
<th>Performance Milestone</th>
<th>Bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-19</td>
<td>Sweet 16 appearance</td>
<td>$35,000</td>
</tr>
<tr>
<td>2019-20</td>
<td>N/A (season canceled)</td>
<td>$0</td>
</tr>
</tbody>
</table>

**Academic Performance Bonuses**

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Performance Milestone</th>
<th>Bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018-19</td>
<td>GPA 3.40/GSR 92%</td>
<td>$25,000</td>
</tr>
<tr>
<td>2019-20</td>
<td>GPA 3.49/GSR 100%</td>
<td>$25,000</td>
</tr>
</tbody>
</table>
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Item Name:  Review of Multiple-Year Employment Contract for Head Coach of the Football (UArizona)

☑ Action Item

Requested Action:  The University of Arizona (UArizona) asks the committee to review and recommend forwarding to the full board for approval the Multiple-Year Employment Contract for Jedd Fisch as Head Coach of Football at UArizona, as described in this executive summary.

Background/History of Previous Board Action

- The UArizona seeks review and recommendation to forward to the board for approval a Multiple-year Employment Contract for Head Coach of Football for Jedd Fisch (“Fisch”). This contract would be for a five-year term.

- Fisch is a highly qualified coach with an impressive background. For the past three years, Fisch served as an assistant coach for several National Football League (NFL) teams and, during his 23-year career, he was part of the coaching staff of seven NFL teams. Fisch has also served as a college assistant football coach with the Minnesota Golden Gophers, Miami Hurricanes, Michigan Wolverines, and the Pac-12’s UCLA Bruins.

- As an assistant coach under the tutelage of some of the country’s best coaches, Fisch is an excellent recruiter and brings a high level of experience to UArizona. His new coaching staff stands out with two traits in particular: experience and diversity. Fisch’s experience at both the professional and collegiate levels, along with his strong reputation, align well with UArizona’s goals and vision for the future of its football program. His leadership will bring an exciting new era of football and a positive culture for UArizona’s student athletes, fans, and staff.

- Based on due diligence, UArizona is not aware of any issues negatively affecting Fisch’s employability, including but not limited to NCAA violations, claims or litigation related to his prior employment as an assistant coach, allegations of wrongdoing, or significant press controversies.

Discussion

- Fisch’s duties will be those customarily associated with the head coach of a

Contact Information:
Laura Todd Johnson, UA   LTJ@arizona.edu   520-621-5150
Dave Heeke, UA   daveheeke@arizona.edu   520-621-4622
Division I football program. This includes, among other items, overseeing all aspects of the program, supervising the coaches and other employees, and coaching the student-athletes, athletically and academically, all in accordance with applicable University, ABOR, Pac-12 and NCAA policies, rules, and regulations.

- Fisch’s annual salary will be $1,800,000 for the first two years of the contract and will increase to $2,000,000 for year three. In year four, Fisch’s salary will increase to $2,200,000 and will increase to $2,300,000 for his fifth and final year under this contract. In addition to this base salary, Fisch will receive compensation for peripheral duties associated with the UArizona football program, as designated by the Director of Athletics, in the amount of $500,000 annually. Finally, Fisch will accrue the equivalent of a retention payment of $100,000 each year of the first four years, paid out at the end of year four. The bonus will be vested and earned only if Fisch remains employed at UArizona in good standing as of November 30, 2024.

- Fisch may earn annual performance incentives as set forth below if the football team meets designated athletic performance thresholds. Payments are for the highest-ranked achievement in each category and are not cumulative to any lower-ranked achievements unless specifically noted otherwise below. If Fisch were to earn the maximum performance bonuses allowed, he would receive annual payments under this section not to exceed $1 million.

  i. Athletic Performance Bonuses

| A. Pac-12 Conference Southern Division Champion | $100,000 |
| B. Wins Pac-12 Conference Championship game | $200,000 |
| C. NCAA Post-Season |
| Participation in non-major, non-College Football Playoff (“CFP”) Bowl game | $25,000 |
| Participation in major non-CFP Bowl game (Rose, Sugar, Cotton, Orange, Fiesta, Peach) | $100,000 |
| Winning major non-CFP Bowl game (Rose, Sugar, Cotton, Orange, Fiesta, Peach) | $100,000 |
| Participation in CFP semi-final game | $150,000 |
| Participation in CFP Championship game | $200,000 |
| Winning CFP Championship game | $300,000 |
D. Final AP Ranking

<table>
<thead>
<tr>
<th>Ranking</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Within the Top Ten</td>
<td>$50,000</td>
</tr>
<tr>
<td>11th through 15th</td>
<td>$25,000</td>
</tr>
</tbody>
</table>

E. Recognition as National Coach of the Year

<table>
<thead>
<tr>
<th>Title</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pac-12 Conference Coach of the Year</td>
<td>$50,000</td>
</tr>
<tr>
<td>AP National Coach of the Year</td>
<td>$75,000</td>
</tr>
</tbody>
</table>

- If Fisch violates NCAA or Pac-12 Conference regulations, he may be liable to the UArizona for liquidated damages of $100,000 and would be required to return sums earned as athletic performance bonuses for any accomplishments that are subsequently lost, vacated, or diminished by such violations.

- The contract term will be for five years, ending November 2025. The first year will be from December 23, 2020 through November 30, 2021. Each successive year will be from December 1 through November 30.

- If Fisch terminates his employment at UArizona without cause, Fisch will be subject to a covenant not to compete that prevents him from accepting employment with any Pac-12 institution within one year of his employment with UArizona terminating.

- There is no buyout related to Fisch’s previous employment. In accordance with its contract, UArizona already has paid 50% of what is owed to former head football coach Kevin Sumlin, which amounts to $3,663,013.70. An equal amount is owed as of January 15, 2023, subject to offset based on compensation Sumlin may receive for certain future employment. These payments are made with Athletic Department funds.

- The contract may be terminated by UArizona for cause, in which case UArizona will be liable only for Fisch’s base salary and incentive payments earned as of the date of termination. Bases for termination for cause will include provisions relating to inability to perform job duties; dishonesty; substantial neglect of program duties or personal conduct that impairs the ability to serve as head coach; failure to cooperate in investigations; provisions relating to violations of certain laws, NCAA and Conference rules and regulations, and ABOR and University policies and rules; and provisions relating to the failure to maintain high levels of integrity, honesty, moral character, professionalism, and dedication to the University and its student athletes.
• The contract may be terminated by UArizona without cause. In that event, UArizona will pay Fisch 65% of the remainder of the value of the contract (base + additional duties compensation). If terminated during a contract year, the payout will be 65% of the remaining value of that contract year plus 65% of the remaining years of the contract. These payment amounts will be offset by any and all amounts Fisch receives if he is employed at any other university or professional team in a coaching capacity, or working in a media capacity, at any time during the contract term. Fisch will have a reasonable duty to mitigate by seeking employment following such a termination.

• The contract may be terminated by Fisch without cause. In that event, Fisch will pay UArizona liquidated damages for each year remaining in the contract, calculated as follows: $6,000,000 if terminated during or after Year 1; $5,000,000 if terminated during or after Year 2; $3,000,000 if terminated during or after Year 3; $1,500,000 if terminated during or after Year 4; $1,000,000 if terminated during Year 5.

• Fisch’s salary will be paid entirely from revenue generated by the Athletics Department. No part of his salary will be paid from appropriated funds or donor contributions.

• Fisch will have the right to operate private youth football camps on the campus of UArizona, subject to a separate agreement between UArizona and Fisch for the use of UArizona facilities and/or marks. Fisch will own all rights to the camps and will be responsible for all aspects of the camps, including payment and expenses/liabilities of the camps.

• Fisch may enter into personal service agreements with other parties to provide services not reserved to UArizona within the contract, subject to UArizona approvals and compliance with applicable UArizona, NCAA, Pac-12, and ABOR policies. Currently, UArizona anticipates that Fisch will enter into contracts with IMG College, LLC (or its parent or affiliate company) and Nike, Inc. To the extent required by NCAA and Pac-12 Conference regulations or by UArizona, Fisch must disclose all athletically related outside income to the Athletic Director, the UArizona President, and the ABOR Executive Director annually.

• Fisch will receive all employee-related benefits normally available to UArizona employees. He will receive additional benefits, including tickets to UArizona sporting events, a country club membership, use of one automobile, use of a non-commercial airplane for in-season road trips, and a bowl game package.

• The contract will set out Fisch’s various compliance obligations, including his
obligation to promptly disclose potential NCAA or Pac-12 rules violations, his obligation to comply with NCAA, Pac-12, ABOR, and UArizona rules, regulations, and policies, and also his duties under Title IX.

Statutory/Policy Requirements

- ABOR Policy 6-910 requires board approval of multiple-year employment contracts for head football coaches.

- ABOR Policy 6-1001 provides the requirements for multiple-year appointments of head football coaches.
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Item Name: Review of Capital Development Plan (ASU)

☑ Action Item

**Requested Action:** Arizona State University asks the committee to review and recommend forwarding to the full board for approval its $83.5 million Capital Development Plan (CDP), which includes two new projects, as described in this executive summary.

**Previous Board Action**

- FY 2022 – 2024 Capital Improvement Plan  
  - ASU at Mesa City Center Tenant Improvements  
  - Bateman Physical Sciences Center Improvements  
  October 2020

**Prior Year Activity**

- Five capital projects totaling $160.55 million and one third-party project were substantially completed in the last twelve months.

- Fifteen capital projects totaling $686.6 million and one third-party project began or continued construction activity in the last twelve months.

- Details on completed and ongoing capital projects are listed in Exhibit 1.

**Overview and Alignment with Enterprise and University Goals and Objectives**

- This ASU CDP includes two new projects totaling $83.5 million.

- ASU has developed this CDP to align with the university’s campus master plan and the enterprise and university strategic goals and objectives.

- The primary institutional priorities supported by this CDP include:
  - **Academic Success:** The proposed projects will contribute to advancing the university’s twin pillars of academic success -- leadership in academic excellence and accessibility and establishing national standing in academic quality. These projects will provide essential support to achieving these goals and metrics by 2025:
    - Increase total student enrollment to 125,000

---

**Contact Information:**
Morgan R. Olsen, ASU  
Morgan.R.Olsen@asu.edu  
480-727-9920
EXECUTIVE SUMMARY

- Improve the freshman retention rate to 90 percent
- Increase the six-year graduation rate to 75 percent
- Increase the number of bachelor’s degrees awarded to 21,430 and graduate degrees to 10,670.

- **Research and Development:** The proposed projects will support the university’s research goals, including the enhancement of its research competitiveness to more than $815 million in annual research expenditures by 2025. University research expenditures are used in part to advance the state of knowledge in various fields; purchase local goods and services; help create new companies and jobs; support the development of next-generation scientists and innovators; and attract top research talent to the faculty. Research and development expenditures also support the state’s competitive advantage in the fields of science, technology and medicine.

- **Student Support and Engagement:** The proposed projects will support the advancement of the university’s mission to enhance student development and learning to national leadership levels. These projects will foster student engagement in programs, events and activities that will enhance their learning and personal development by connecting them with their campus and community, building leadership skills, and preparing them for academic, personal and career success.

- **Campus Operations and Infrastructure Priorities:** To advance the university’s academic and research goals, its facilities and related infrastructure must be maintained in a safe and reliable operational condition. Buildings and utility systems also must be cost-effective to maximize the use of the university’s operational funds over time.

- **Life Safety and Code Compliance:** Life safety and code compliance issues must be resolved promptly and assume the highest priority in ensuring the safety and security of students, faculty, staff and visitors, as well as supporting the achievement of the university’s academic and research goals.

- **Community Service:** Serving Arizona communities is an integral aspect of the university’s mission and its programs. Enhancing and expanding the university’s local impact and social embeddedness is vital to improving the quality of life and economic prosperity in Arizona.

- **Capital Infrastructure Fund:** The Bateman Physical Sciences Center Improvements project will benefit from the Capital Infrastructure Fund (CIF) to provide annual funding for capital projects, matched with tuition.
Capital Development Plan Projects

- Following are the new projects proposed for CDP approval:
  - ASU at Mesa City Center Tenant Improvements
  - Bateman Physical Sciences Center Improvements.

- Additional details on project costs, financing and scope are included in the tables in Exhibits 2 and 3 and the attached individual Project Justification Reports.

Fiscal Impact and Management

- This ASU CDP, if fully implemented, will cost a total of $83.5 million.

- Of the total amount, $60.0 million will be debt-financed with system revenue bonds. The university will internally fund $23.5 million in capital costs with tuition and amortize the cost over an approximately twenty-year term.

- The incremental total annual operating and maintenance (O&M) cost associated with the new projects in this CDP is estimated to be $1,239,495. ASU plans to use tuition revenues to pay the O&M costs.

- ASU will:
  (a) sell one or more series of System Revenue Bonds to finance the project, as identified in Exhibit 2, costs of issuance, and payments to a bond insurer or other credit enhancer, provided such payments result in a benefit that exceeds the amount of such payments;
  (b) sell bonds at a price at, above or below par, on a tax-exempt or taxable basis, in one or more series, at a fixed or variable rate of interest;
  (c) enter into necessary agreements, including those related to bond insurance or other credit enhancement agreements; and
  (d) utilize a financial advisor, bond counsel and bond trustee for the financing. The system revenue bonds will be marketed and sold on a negotiated basis, either to one or more investment banking firms currently in a pool of bond underwriters procured by the three state universities or by the State of Arizona or by a direct sale to a bank or banks or other financial institutions.

- **Debt Ratio Impact:** Based upon the projects included in this CDP and the first year of the CIP, the university’s projected debt ratio is expected to reach its maximum in FY 2022 at 4.9 percent excluding SPEED debt and 5.3 percent including SPEED debt.
• The tables in Exhibits 2 and 3 provide details on project financing, funding sources and debt ratio impact.

Statutory and Policy Requirements

• Pursuant to Arizona Board of Regents Policy Chapter 7-107, each university shall submit an annual Capital Development Plan for the upcoming year in accordance with the calendar approved by the executive director of the board.

• CDPs are reviewed by the Finance, Capital and Resources Committee and are approved by the board.

• Approval of the CDP allows the university to complete design and planning, execute construction and financing agreements, and begin construction as outlined in policy.
# Exhibit 1

## Arizona State University Capital Project Status Report

<table>
<thead>
<tr>
<th>Project Name</th>
<th>Gross Square Feet</th>
<th>Total Budget</th>
<th>Direct Construction Budget</th>
<th>Percent Work Completed</th>
<th>Percent to Gift Target</th>
<th>Date Last Board Approval</th>
<th>Original/Revised Occupancy Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ongoing Projects</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASU at Mesa City Center</td>
<td>110,000</td>
<td>$10,000,000</td>
<td>$10,000,000</td>
<td>46</td>
<td>N/A</td>
<td>11/7/2019</td>
<td>3/15/2022</td>
</tr>
<tr>
<td>Biomedical Research Laboratory Building Improvements</td>
<td>113,600</td>
<td>$40,000,000</td>
<td>$28,459,200</td>
<td>87</td>
<td>N/A</td>
<td>2/8/2018</td>
<td>3/23/2021</td>
</tr>
<tr>
<td>Building &amp; Infrastructure Enhancements and Modifications</td>
<td>N/A</td>
<td>$32,000,000</td>
<td>$17,600,000</td>
<td>67</td>
<td>N/A</td>
<td>11/15/2018</td>
<td>12/31/2021</td>
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<tr>
<td>Building &amp; Infrastructure Enhancements and Modifications</td>
<td>N/A</td>
<td>$20,000,000</td>
<td>$14,000,000</td>
<td>31</td>
<td>N/A</td>
<td>2/13/2020</td>
<td>2/28/2023</td>
</tr>
<tr>
<td>Classroom and Academic Renovations</td>
<td>50,000</td>
<td>$10,000,000</td>
<td>$7,500,000</td>
<td>85</td>
<td>N/A</td>
<td>11/15/2018</td>
<td>5/31/2023</td>
</tr>
<tr>
<td>Classroom and Academic Renovations</td>
<td>50,000</td>
<td>$15,000,000</td>
<td>$11,250,000</td>
<td>31</td>
<td>N/A</td>
<td>2/13/2020</td>
<td>2/28/2023</td>
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<td>Durham Hall Renovation</td>
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<td>$65,000,000</td>
<td>$48,600,000</td>
<td>71</td>
<td>N/A</td>
<td>2/8/2018</td>
<td>12/1/2021</td>
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<tr>
<td>Herald Examiner Building Tenant Improvements</td>
<td>74,030</td>
<td>$40,000,000</td>
<td>$28,143,414</td>
<td>43</td>
<td>33%</td>
<td>8/1/2021</td>
<td>7/30/2021</td>
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<tr>
<td>Information Technology (IT) Infrastructure Improvements</td>
<td>N/A</td>
<td>$32,000,000</td>
<td>$32,000,000</td>
<td>61</td>
<td>N/A</td>
<td>9/28/2018</td>
<td>3/31/2022</td>
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<tr>
<td>Interdisciplinary Science and Technology Building (ISTB) 7</td>
<td>281,378</td>
<td>$192,000,000</td>
<td>$149,126,103</td>
<td>63</td>
<td>N/A</td>
<td>9/19/2019</td>
<td>12/23/2021</td>
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<tr>
<td>Multipurpose Arena</td>
<td>179,238</td>
<td>$115,000,000</td>
<td>$91,486,424</td>
<td>4</td>
<td>N/A</td>
<td>11/19/2020</td>
<td>11/30/2022</td>
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<tr>
<td>Research Laboratories and Faculty Startup</td>
<td>40,000</td>
<td>$15,000,000</td>
<td>$10,400,000</td>
<td>85</td>
<td>N/A</td>
<td>11/15/2018</td>
<td>5/31/2021</td>
</tr>
<tr>
<td>Research Laboratories and Faculty Startup</td>
<td>40,000</td>
<td>$20,000,000</td>
<td>$14,000,000</td>
<td>31</td>
<td>N/A</td>
<td>2/13/2020</td>
<td>2/28/2023</td>
</tr>
<tr>
<td>Thunderbird School of Global Management</td>
<td>111,000</td>
<td>$67,000,000</td>
<td>$47,500,000</td>
<td>79</td>
<td>N/A</td>
<td>9/19/2019</td>
<td>5/28/2021</td>
</tr>
<tr>
<td>University Drive Pedestrian Bridge and Plaza</td>
<td>N/A</td>
<td>$13,600,000</td>
<td>$11,433,381</td>
<td>12</td>
<td>N/A</td>
<td>6/12/2020</td>
<td>12/23/2021</td>
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<tr>
<td><strong>Ongoing Third-Party Project</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Downtown Phoenix Residence Hall and Entrepreneurial Center</td>
<td>284,000</td>
<td>N/A</td>
<td>N/A</td>
<td>70</td>
<td>N/A</td>
<td>9/19/2019</td>
<td>7/15/2021</td>
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<tr>
<td><strong>Completed Projects</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Energy Conservation I</td>
<td>N/A</td>
<td>$12,950,000</td>
<td>$12,950,000</td>
<td>100</td>
<td>N/A</td>
<td>11/16/2017</td>
<td>3/4/2020</td>
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<tr>
<td>Health Futures Center</td>
<td>150,000</td>
<td>$80,000,000</td>
<td>$56,694,000</td>
<td>100</td>
<td>N/A</td>
<td>2/8/2018</td>
<td>11/20/2020</td>
</tr>
<tr>
<td>Novus Place Parking Structure</td>
<td>400,000</td>
<td>$36,000,000</td>
<td>$28,660,000</td>
<td>100</td>
<td>N/A</td>
<td>6/4/2018</td>
<td>5/1/2020</td>
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<tr>
<td>Novus Place Parking Structure Expansion</td>
<td>179,770</td>
<td>$16,200,000</td>
<td>$13,308,155</td>
<td>100</td>
<td>N/A</td>
<td>2/13/2020</td>
<td>10/19/2020</td>
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<tr>
<td>Recreation and Sports Fields</td>
<td>N/A</td>
<td>$15,400,000</td>
<td>$12,443,723</td>
<td>100</td>
<td>N/A</td>
<td>11/21/2019</td>
<td>10/31/2020</td>
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<tr>
<td><strong>Completed Third-Party Project</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lantana Hall (Polytechnic New Residence Hall)</td>
<td>101,000</td>
<td>N/A</td>
<td>N/A</td>
<td>100</td>
<td>N/A</td>
<td>4/11/2019</td>
<td>8/1/2020</td>
</tr>
</tbody>
</table>

This exhibit reflects the status of Arizona State University capital projects effective January 28, 2021.
## Exhibit 2

### Arizona State University Capital Development Plan

<table>
<thead>
<tr>
<th>Project</th>
<th>Board Approval Status</th>
<th>Est. Square Footage</th>
<th>Project Cost</th>
<th>Amount Financed</th>
<th>Funding Method</th>
<th>Annual Debt Service</th>
<th>Debt Ratio</th>
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</thead>
<tbody>
<tr>
<td>ASU–ASU at Mesa City Center Tenant Improvements</td>
<td>CIP 10/2020</td>
<td>118,386</td>
<td>$23,500,000</td>
<td>$0</td>
<td>Internally Financed</td>
<td>N/A</td>
<td>N/A</td>
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<tr>
<td>ASUT–Bateman Physical Sciences Center Improvements</td>
<td>CIP 10/2020</td>
<td>90,400</td>
<td>$60,000,000</td>
<td>$60,000,000</td>
<td>System Revenue Bonds</td>
<td>$4,442,000</td>
<td>0.11%</td>
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<tr>
<td>New Project Total</td>
<td></td>
<td>208,786</td>
<td>$83,500,000</td>
<td>$60,000,000</td>
<td></td>
<td>$4,442,000</td>
<td>0.11%</td>
</tr>
<tr>
<td>Total CDP</td>
<td></td>
<td>208,786</td>
<td>$83,500,000</td>
<td>$60,000,000</td>
<td></td>
<td>$4,442,000</td>
<td>0.11%</td>
</tr>
</tbody>
</table>
### Exhibit 3

#### Capital Development Plan—Annual Debt Service by Funding Source

<table>
<thead>
<tr>
<th>Project</th>
<th>CIF</th>
<th>TUI</th>
<th>AUX</th>
<th>ICR</th>
<th>OLF</th>
<th>SLP</th>
<th>FGT</th>
<th>DFG</th>
<th>OTH</th>
<th>Total Annual Debt Service</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Academic/Support Project</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASUT–Bateman Physical Sciences Center Improvements</td>
<td>$60,000,000</td>
<td>$1,969,500</td>
<td>$2,472,500</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$4,442,000</td>
</tr>
<tr>
<td>New Project Total</td>
<td>$60,000,000</td>
<td>$1,969,500</td>
<td>$2,472,500</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>Total CDP</td>
<td>$60,000,000</td>
<td>$1,969,500</td>
<td>$2,472,500</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
</tr>
</tbody>
</table>

Funding Source Codes:
- (CIF) Capital Infrastructure Fund
- (TUI) Tuition
- (AUX) Auxiliary
- (ICR) Indirect Cost Recovery
- (OLF) Other Local Funds
- (FGT) Federal Grant
- (GFA) General Fund Appropriation
- (DFG) Debt Financed by Gifts
- (OTH) Other

#### Capital Development Plan—Operation and Maintenance by Funding Source

<table>
<thead>
<tr>
<th>Project</th>
<th>CIF</th>
<th>TUI</th>
<th>AUX</th>
<th>ICR</th>
<th>OLF</th>
<th>GFA</th>
<th>FGT</th>
<th>DFG</th>
<th>OTH</th>
<th>Total Annual O &amp; M</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Academic/Support Projects</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ASU–ASU at Mesa City Center Tenant Improvements</td>
<td>$1,239,495</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>$1,239,495</td>
</tr>
<tr>
<td>ASUT–Bateman Physical Sciences Center Improvements</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>New Project Total</td>
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<td>$0</td>
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<td>$0</td>
<td>$0</td>
<td>$1,239,495</td>
</tr>
<tr>
<td>Total CDP</td>
<td>$0</td>
<td>$1,239,495</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$1,239,495</td>
</tr>
</tbody>
</table>

Funding Source Codes:
- (CIF) Capital Infrastructure Fund
- (ICR) Indirect Cost Recovery
- (TUI) Tuition
- (AUX) Auxiliary
- (OLF) Other Local Funds
- (FGA) General Fund Appropriation
- (DFG) Debt Financed by Gifts
- (OTH) Other
PURPOSE

To demonstrate Arizona State University's ability to finance additional capital investment through debt instruments and to fund the related debt service (principal and interest).

PROJECTED DEBT CAPACITY

Currently outstanding (issued) debt declines from $1.8 billion in FY 2021 to $1.1 billion in FY 2029 as debt is retired. Planned debt includes future financings of projects presented in this annual CDP and those included in the first year of the 2022-2024 CIP. Additional debt capacity represents debt that can be issued in any given year based on the statutory 8 percent debt ratio maximum.

FUTURE PROJECTS

Future debt-financed projects include those in this annual CDP, and those included in the first year of the FY 2022-2024 CIP. These projects are included in the future debt capacity assumptions.
CREDIT RATINGS

Positive rating factors cited by the credit rating agencies include ASU’s ongoing growth and increasing brand recognition that has translated into solid donor support, rising net tuition, and improved research activity; solid fiscal oversight; strong operating cash flow; consistent reserve increases; and disciplined capital investment.

Offsetting factors identified by the agencies include high debt levels, narrow reserves relative to debt, weak state funding, and high reliance on student charges with increasing price sensitivity.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Moody's Rating</th>
<th>Moody's Outlook</th>
<th>Standard &amp; Poor's Rating</th>
<th>Standard &amp; Poor's Outlook</th>
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<tr>
<td>2014</td>
<td>Aa3</td>
<td>Stable</td>
<td>AA</td>
<td>Stable</td>
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<tr>
<td>2015</td>
<td>Aa3</td>
<td>Stable</td>
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<td>Negative</td>
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<td>2016</td>
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<td>2018</td>
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<td>2019</td>
<td>Aa2</td>
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<tr>
<td>2020</td>
<td>Aa2</td>
<td>Stable</td>
<td>AA</td>
<td>Stable</td>
</tr>
</tbody>
</table>

RATIO OF DEBT SERVICE TO TOTAL EXPENSES

Annual debt service on system revenue bonds and certificates of participation (COPs) is projected to increase from $136.5 million in FY 2020 to a maximum of $171.5 million in FY 2026. The projected ratio of debt service to total expenses is expected to reach its highest point in FY 2022, at 4.9 percent. SPEED (Stimulus Plan for Economic and Educational Development) bonds are funded up to eighty percent by state lottery revenues, with the balance funded by the University. SPEED debt service is excluded from the statutory debt ratio, but if SPEED debt service of $11.9 million is included, the highest projected debt ratio increases to 5.3 percent.
Exhibit A
Arizona State University
Downtown Mesa Site Location Map

CAPITAL DEVELOPMENT PLAN

NEW PROJECT
- ASU at Mesa City Center Tenant Improvements
Exhibit B
Arizona State University
Tempe Campus Site Location Map

CAPITAL DEVELOPMENT PLAN

NEW PROJECT
BATEMAN PHYSICAL SCIENCES CENTER IMPROVEMENTS
Arizona State University
Capital Development Plan—Project Justification Report
ASU at Mesa City Center Tenant Improvements

Previous Board Action

- FY 2022 Capital Improvement Plan  
  October 2020

- Amended Capital Development Plan  
  Specialized Facility Building Systems and Required Infrastructure  
  November 2019

- Lease Agreement with the City of Mesa  
  September 2018

Project Justification/Description/Scope

- ASU has entered into a collaboration with the City of Mesa in which the city is building a facility to the university’s specifications for its Digital and Sensory Technology, Film and Media Arts, User Experience Design and Entrepreneurial Support programs. This project consists of the furniture, fixtures and equipment for the facility, as well as the technical infrastructure required to support these programs.

- The approximately 118,386 gross-square-foot, state-of-the-art facility is under construction on the northwest corner of Centennial Way and Pepper Place in downtown Mesa, as depicted on the attached map as Exhibit C. This location, which is proximate to the Mesa Arts Center and a mass transit hub, will enable the university to expand and embed its programs throughout the region. The location also is ideal for transcending academic disciplines and connecting cutting-edge arts and technology programs with commerce and business applications that will support entrepreneurial endeavors and technology start-ups, fueling economic growth.

- This world-class facility will include large program spaces for producing and experiencing film and immersive media. These spaces will include an enhanced-immersion studio, four sound stages, a 280-seat screening theater and an 80-seat screening room. The facility also will contain high-tech sound-recording studios, control rooms, editing rooms, makerspaces, exhibition spaces, classrooms and office support spaces, as well as community and industry collaboration spaces.

- The planned tenant improvements will include the installation of leading-edge audiovisual, technology, and electronic security systems, as well as the specialized infrastructure required to support these systems. High-tech cameras, sound systems, control devices, shop and makerspace equipment, as well as specialized
lighting and its supporting rigging, will be installed in the program areas. A large high-resolution video screen will be installed on the exterior of the building to enable the community to gather, engage, and experience film and digital media.

- This project will support the primary institutional priorities of enhancing our local impact and establishing the university as a leading global center for interdisciplinary discovery and development by 2025:
  - Become the leading American center for discovery and scholarship in the comprehensive arts and sciences
  - Transform regional economic competitiveness through research and value-added programs
  - Become a leading American center for innovation and entrepreneurship at all levels.

Project Delivery Method and Process

- This project will be delivered through the Construction Manager at Risk (CMAR) delivery method. This approach was selected to provide contractor design input and coordination throughout the project and alleviate potentially adversarial project environments.

- ASU utilized the annual Request for Qualifications process to select The Sextant Group, now known as NV5, as the project Design Professional. The process to select DPR Construction as the CMAR included eleven submittal responses and five contractor interviews. The project team will design and construct the improvements and infrastructure to meet ASU’s specifications.

Project Status and Schedule

- Core and shell work is currently underway. The tenant improvements are scheduled to begin when the CMAR’s Guaranteed Maximum Price (GMP) scope is substantially complete and after all approvals are in place. Project construction is scheduled to begin in April 2021 and substantial completion is targeted for April 2022.

Project Cost

- The budget for this approximately 118,386 gross-square-foot project is $23.5 million. The budget represents an estimated total project cost of $199 per gross square foot.
• The CMAR will be at risk to provide the completed project within the agreed-upon GMP.

Fiscal Impact and Financing Plan

• The university’s $23.5 million cost for the tenant improvements will be internally funded and amortized over an approximate twenty-year term with tuition funds.

• Per the lease agreement with the City of Mesa, ASU will be responsible for the estimated annual operations and maintenance costs of $1,239,495 for this project as well as the long-term capital replacement costs for the building.

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

Occupancy Plan

• Occupancy of this facility is scheduled for spring 2022. When the Herberger Institute for Design and the Arts Film programs relocate to this facility, ASU will terminate the lease on its current off-campus Sun Studios facility in Tempe.

Statutory and Policy Requirements

• ABOR Policy 7-102 requires all capital projects with an estimated total project cost of $10 million or more be included in the CDP, including technology and third-party projects.
Capital Project Information Summary

University: Arizona State University  Project Name: ASU at Mesa City Center
Tenant Improvements

Project Description and Location: ASU has entered into a collaboration with the City of Mesa in which the city is building a facility to the university’s specifications for its Digital and Sensory Technology, Film and Media Arts, User Experience Design and Entrepreneurial Support programs. This project consists of the furniture, fixtures and equipment for the facility, as well as the infrastructure required to support these programs. The facility will be located on the northwest corner of Centennial Way and Pepper Place in downtown Mesa, as depicted on Exhibit C.

Project Schedule:
Planning  January 2018
Design Start  August 2019
Construction  April 2021
Construction Completion  April 2022

Project Budget:
Total Project Cost  $ 23,500,000
Total Project Construction Cost  $ 0
Total Project Cost per GSF  $ 199
Construction Cost per GSF  $ 0

Change in Annual O and M Cost:
Utilities  $ 465,247
Personnel  282,680
All Other Operating  491,568
Subtotal  $ 1,239,495

Funding Sources:
Capital
A. Tuition  $ 23,500,000

Operation/Maintenance  $ 1,239,495
Funding Source: Tuition
## Capital Project Budget Summary

**University:** Arizona State University  
**Project:** ASU at Mesa City Center Tenant Improvements

<table>
<thead>
<tr>
<th>Capital Development Plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Capital Costs</td>
</tr>
<tr>
<td>1. Land Acquisition</td>
</tr>
<tr>
<td>2. Construction Cost</td>
</tr>
<tr>
<td>A. New Construction</td>
</tr>
<tr>
<td>B. Tenant Improvement $14,029,636</td>
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<tr>
<td>C. Special Fixed Equipment $2,617,000</td>
</tr>
<tr>
<td>D. Site Development (excl. 2.E.) $-</td>
</tr>
<tr>
<td>E. Parking and Landscaping $100,000</td>
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<tr>
<td>F. Utilities Extensions $-</td>
</tr>
<tr>
<td>G. Other* (Demolition/abatement) $-</td>
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<tr>
<td>Subtotal Construction Cost $16,746,636</td>
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<td>3. Fees</td>
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<tr>
<td>A. CMAR Pre-Construction $477,294</td>
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<tr>
<td>B. Architect/Engineer $550,000</td>
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<tr>
<td>C. Other $-</td>
</tr>
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<td>Subtotal Consultant Fees $1,027,294</td>
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<td>4. FF&amp;E Movable</td>
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<tr>
<td>$1,600,000</td>
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<tr>
<td>5. Contingency, Design Phase</td>
</tr>
<tr>
<td>50,000</td>
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<tr>
<td>6. Contingency, Constr. Phase</td>
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<tr>
<td>629,468</td>
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<tr>
<td>7. Parking Reserve</td>
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<tr>
<td>$-</td>
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<td>8. Telecommunications Equipment $2,501,750</td>
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<td>Subtotal Items 4-8 $4,781,218</td>
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<td>9. Additional University Costs</td>
</tr>
<tr>
<td>A. Surveys, Tests, Haz. Mat. Abatement $100,000</td>
</tr>
<tr>
<td>B. Move-in Costs $20,000</td>
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<tr>
<td>C. Printing Advertisement $-</td>
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<tr>
<td>D. Keying, signage, facilities support $125,000</td>
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<td>E. Project Management Cost $620,535</td>
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<td>F. State Risk Mgt. Ins. (.0034 **) $79,317</td>
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<td>Subtotal Addl. Univ. Costs $944,852</td>
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<tr>
<td><strong>Total Capital Cost</strong> $23,500,000</td>
</tr>
</tbody>
</table>

* Universities shall identify items included in this category.  
** State Risk Management Insurance factor is calculated on construction costs and consultant fees.
Exhibit C
ASU at Mesa City Center Tenant Improvements
Site Location Map
Previous Board Action

• FY 2022 Capital Improvement Plan

Project Justification/Description/Scope

• This project will update and increase the number of chemistry instructional laboratories and update the research laboratories and office spaces in the D and E wings of this aging multifunctional complex. The complex is located in the core of the Tempe campus, as depicted on the attached map as Exhibit D. The planned improvements will enable the university to improve its utilization of the spaces required to advance research and discovery of public value and fulfill the evolving program needs associated with new fields of learning and teaching methodologies.

• The guiding principles of this project include modernizing, enhancing and increasing the number of spaces for students to collaborate, learn and conduct research; updating building technology and comfort; improving accessibility; and reducing energy consumption. The approximately 90,400 gross-square-foot project will encompass comprehensive improvements to the basement and three upper floors of the Center’s D wing, built in 1965, as well as improvements to the basement and three upper floors of the E wing, built in 1982.

• The scope of this project will include the abatement, demolition and improvement of all interior spaces. Research labs will be consolidated on one level at the north and south perimeter of the D wing. These labs will be equipped to accommodate diverse dry lab needs and enable future specialization as necessary. Fume hood capacity, storage, and wet lab functions will be centrally located, with layouts designed to maximize efficiency and provide the flexibility required to support the university’s current and future research initiatives.

• The planned improvements also include the creation of additional chemistry instructional labs to meet the demand for space to support student enrollment growth. These labs will include upgraded equipment and technology and incorporate a flexible design to accommodate current and emerging pedagogies. Adjacent informal spaces will be included to function as an extension of the classrooms, designed to foster creative collaboration that promotes effective solutions.
EXECUTIVE SUMMARY

- Additionally, a new roofing system will be installed and minor exterior envelope improvements are planned, including window replacements to improve the weather tightness of the building envelope, added insulation to increase the energy efficiency of the building, as well as masonry repairs. The existing building systems, including mechanical, plumbing and electrical, are beyond their useful life and will be replaced with new, energy-efficient systems. Life safety and accessibility improvements also are planned, including fire sprinkler and alarm updates and the addition of code-compliant stair towers at the east and west ends of the D wing.

- This project will enhance the quality of the built environment, maintain compliance with current building and life safety codes and Americans with Disabilities Act requirements, reduce energy consumption and deferred maintenance, and expand and enhance the use of technology to enable student success.

- The improvements to the D and E wings in this multifunctional complex will support the following priorities by 2025:
  - Become the leading American center for discovery and scholarship in the comprehensive arts and sciences
  - Enhance research competitiveness to more than $815 million in annual research expenditures
  - Transform regional economic competitiveness through research and discovery and value-added programs.

Project Delivery Method and Process

- This project will be delivered through the Construction Manager at Risk (CMAR) delivery method. This method was selected to facilitate contractor design input and coordination throughout the project, alleviate a potentially adversarial project environment and allow for the selection of the most qualified contractor team. With the use of two independent cost estimates at each phase and pre-qualified, low-bid subcontractor work for the actual construction, CMAR project delivery also provides a high level of cost and quality control.

- ASU has selected BWS Architects as the Design Professional (DP) for this project and CORE Construction as the CMAR. The selection process for the DP included thirteen responses and three firms were interviewed. The CMAR selection process included seven submittal responses and three contractors were interviewed.
Executive Summary

Project Status and Schedule

- Construction is scheduled to begin when the project design is complete and after all approvals are in place. Project construction is scheduled to begin in May 2021 and substantial completion is targeted for May 2023.

Project Cost

- The budget for this approximately 90,400 gross-square-foot project is $60.0 million. The budget represents an estimated construction cost of $531 per gross square foot. The estimated total project cost is $664 per gross square foot.

- The CMAR will be at risk to provide the completed project within the agreed-upon Guaranteed Maximum Price (GMP).

Fiscal Impact and Financing Plan

- The $60.0 million project will be debt-financed with system revenue bonds. The debt service for $51.0 million of the bonds will be funded by the State of Arizona Capital Infrastructure Fund and matched with tuition. The debt service for the remaining $9.0 million of bonds will be funded by tuition.

- Annual operations and maintenance costs will not be impacted by this project.

- **Debt Ratio Impact:** The projected incremental debt ratio for this project is 0.11 percent.

Occupancy Plan

- No backfill plan is associated with this project.

Statutory and Policy Requirements

- ABOR Policy 7-102 requires all capital projects with an estimated total project cost of $10 million or more be included in the CDP, including technology and third-party projects.
Capital Project Information Summary

University: Arizona State University  Project Name: Bateman Physical Sciences Center Improvements

Project Description and Location: This project will update and increase the number of chemistry instructional laboratories and update the research laboratories and office spaces in the D and E wings of this aging multifunctional complex. These wings are located in the northwest corner of the complex, bounded by University Drive and Palm Walk, as depicted on the attached map as Exhibit D.

Project Schedule:
- Planning: July 2018
- Design Start: June 2020
- Construction Start: May 2021
- Construction Completion: May 2023

Project Budget:
- Total Project Cost: $60,000,000
- Total Project Construction Cost: $48,000,000
- Total Project Cost per GSF: $664
- Construction Cost per GSF: $531

Change in Annual O and M Cost:
- Utilities: $0
- Personnel: 0
- All Other Operating: 0
- Subtotal: $0

Funding Sources:
- Capital
  - System Revenue Bonds: $60,000,000
  - Debt Service Funding Sources: Tuition
    - Capital Infrastructure Fund
- Operations/Maintenance: $0
  - Funding Source: N/A
# Capital Project Budget Summary

**University:** Arizona State University  
**Project:** Bateman Physical Sciences Center Improvements

## Capital Costs

1. **Land Acquisition**
2. **Construction Cost**
   - **A. New Construction**
   - **B. Tenant Improvement** $47,250,000
   - **C. Special Fixed Equipment** -
   - **D. Site Development (excl. 2.E.)** -
   - **E. Parking and Landscaping** -
   - **F. Utilities Extensions** -
   - **G. Other* (Abatement)** $750,000
   - **Subtotal Construction Cost** $48,000,000

3. **Fees**
   - **A. CMAR Pre-Construction** $609,000
   - **B. Architect/Engineer** $4,502,000
   - **C. Other (Commissioning)** $250,000
   - **Subtotal Consultant Fees** $5,361,000

4. **FF&E Movable** $1,620,000
5. **Contingency, Design Phase** $150,000
6. **Contingency, Constr. Phase** $1,290,000
7. **Parking Reserve** -
8. **Telecommunications Equipment** $1,452,000
   - **Subtotal Items 4-8** $4,512,000

9. **Additional University Costs**
   - **A. Surveys, Tests, Haz. Mat. Abatement** $75,000
   - **B. Move-in Costs** $50,000
   - **C. Printing Advertisement** -
   - **D. Keying, signage, facilities support** $240,000
   - **E. Project Management Cost** $1,762,000
   - **F. State Risk Mgmt. Ins. (.0034 **)** -
   - **Subtotal Addl. Univ. Costs** $2,127,000

   **Total Capital Cost** $60,000,000

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* Universities shall identify items included in this category.
** State Risk Management Insurance factor is calculated on construction costs and consultant fees.
Exhibit D
Bateman Physical Sciences Center Improvements
Site Location Map
ASU at Mesa City Center
Construction status
Bateman Complex
Bateman Complex
Floor plan footprint – current renovation phase

Contiguous Portions, Project Area Shaded in Gold

Bateman Complex
Fire Separations Shown in Red Plan View
Bateman Complex
Existing lab conditions – exterior
Bateman Complex

Existing lab conditions – interior
Bateman Complex
Teaching lab improvements

Existing E Wing Teaching Lab

- Dated systems.
- Does not align with current pedagogy.
- Does not allow easy group work.
- Poor visibility.
Bateman Complex
Teaching lab improvements

Sample Teaching Labs to Model

- Aligns with current pedagogy.
- Clean.
- Ease of group work.
- Flexible.
- Good visibility.
- Organized.
Item Name:  Review of Acquisition of Property at 1424 S. Jentilly Lane, Tempe, AZ (ASU)

☑️  Action Item

Requested Action:  Arizona State University asks the committee review and recommend forwarding to the full board for approval the purchase of the real property located at 1424 S. Jentilly Lane, Tempe, AZ from The Fivey Company, Inc., as described in this executive summary.

Background/History of Previous Board Action

- ASU desires to acquire this property, which is strategically located immediately adjacent to other parcels and buildings owned by ASU, to meet the space needs of the University. The property is located next to the Arizona State University Services Building and Zero Waste facility.

- In March 2020, ASU purchased multiple parcels to the north of the University Services Building (USB) to allow for much needed parking and equipment space at USB and to accommodate planned growth.

- The acquisition will provide ASU control of the property for future space needs of the University and continue the assemblage of contiguous parcels within this single city block.

Discussion

- A multi-family residential project was built on the property in 1981 on approximately 33,737 square feet of land. All 24 units within the project are currently owned by one owner and operated as market-rate, multi-family apartments. The project contains eight one-bedroom units and sixteen two-bedroom units.

- ASU will continue to operate the project as income-producing apartments until the parcels are combined with the existing ABOR-owned parcels to the west and to the north as part of the overall site for University Services.

- The University Services Building is currently home to ASU’s Facilities Development and Management, Financial Services, Procurement, University Technology Office and Preparedness and Security Initiatives units. This
acquisition will allow for both current needs and future growth of the University's support services, while also providing for expansion of ASU's Zero Waste program.

- The University was selected as the purchaser of this property through a competitive bidding process recently conducted by the owner. ASU requests approval to purchase this property for $5,100,000, plus customary transaction costs. The purchase price reflects the pricing of the submarket for similar quality and vintage multifamily residential units.

- ASU is obtaining two appraisals for the property as required by ABOR policy.

- The purchase price for the property will be paid from available local funds.

- ASU requests that, upon approval, the following are each separately authorized in the name and on behalf of the Board to take all appropriate actions to finalize negotiations and to sign and deliver all documents and agreements necessary to consummate the transaction described in this Executive Summary, on substantially the terms described herein: the ASU President; the ASU Executive Vice President, Treasurer and Chief Financial Officer; and the ASU Vice President for Real Estate Development, or any successor titles to such positions.

Statutory/Policy Requirements

- ABOR Policy 7-203 requires board approval for the purchase of real property if the purchase price exceeds $500,000.

- ABOR Policy 7-203 requires that a request for authorization to purchase real property include a legal description of the real property.

- ABOR Policy 7-206(B) requires two appraisals for the purchase of real property with an anticipated sale price exceeds $1,000,000.

Exhibits

- Exhibit A – Legal Description

- Exhibit B – Location Map
EXHIBIT “A”

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE COUNTY OF MARICOPA, STATE OF ARIZONA, AND IS DESCRIBED AS FOLLOWS:


TOGETHER WITH AN UNDIVIDED INTEREST IN THE COMMON ELEMENTS AS SET FORTH IN SAID DECLARATION.
EXHIBIT “B”

Location Map

Property at 1424 South Jentilly Lane, Tempe

Raintree Villas A Condominium - Amended, Book 995 of Plats, Page 1 M.C.R.
Item Name: Review of Acquisition of Residential Property in Hawaii to Support Research Conducted by ASU’s Center for Global Discovery and Conservation Science (ASU)

☑️ Action Item

Requested Action: Arizona State University asks the committee to review and forward to the full board for approval the purchase of a single-family home in Hawaii, as described in this executive summary.

Background/History of Previous Board Action

- ASU’s Center for Global Discovery and Conservation Science (GDCS) is a growing science, education, and impact operation in Miloli‘i, Hawaii. The Miloli‘i coastline contains the last intact, fully biodiverse coral reef in the Hawaiian archipelago.

- Through nearly three decades of research in this location, Dr. Greg Asner (Director of GDCS) has become instrumental in the state of Hawaii’s conservation education and coral reef preservation. His inclusive program establishes community and state-level interaction allowing for immediate educational and community impact.

- ASU science performed at this location has scaled to a global level such that the techniques developed in Miloli‘i now are being used for worldwide conservation strategies.

- ASU’s leadership and focus on conservation has created direct economic, social and cultural impact within the local village and the state of Hawaii.

- Other national and international researchers are coming to Miloli‘i to study the reef, understand the methods performed by ASU and learn how to advise conservation officials to create an impact in their larger communities.

- ASU desires to purchase a residential property to accommodate ASU's researchers and visiting national and international researchers, and to facilitate the research activities and collaborations conducted by GDCS at this location.
Discussion

- ASU requests approval to purchase a single-family residence in the Village of Captain Cook, Hawaii near the GDCS research site, which will allow ASU to support a long-term research commitment and on-going collaboration with other national and international researchers.

- A residential property located at 88-180 Kai Avenue, Captain Cook, HI has been identified as the preferred acquisition. The property is a fully furnished, three-bedroom/two bath residence.

- ASU anticipates that the purchase price will be approximately $440,000, plus customary transaction costs. Annual property taxes and annual association dues for the property are currently $2,031 and $300, respectively. ASU will apply for property tax-exempt status upon close of escrow; such exemption is anticipated to become effective one year from purchase.

- The source of funds to pay the purchase price and customary transaction costs will be GDCS gift funds.

- ASU will obtain one appraisal for the property.

- The property is expected to be marketable following conclusion of the research activities and collaborations for which this property will be acquired.

- ASU requests that, upon approval, the following are each separately authorized in the name and on behalf of the Board to take all appropriate actions to finalize negotiations and to sign and deliver all documents and agreements necessary to consummate the transaction described in this Executive Summary, on substantially the terms described herein: the ASU President; ASU Executive Vice President, Treasurer and Chief Financial Officer; and the ASU Vice President for Real Estate Development, or any successor titles to such positions.

Statutory/Policy Requirements

- ABOR Policy 7-203, requires review by the committee and approval by the board for purchase of real property not located within the university planning boundary.

- ABOR Policy 7-206(B) requires one appraisal for real property with an anticipated purchase price of more than $100,000 but less than $1,000,000.
Exhibits

- Exhibit A – Legal Description
- Exhibit B – Location Map
Exhibit A

Legal Description

All of that certain parcel of land situated at Pap 2nd, District of South Kona, Island and County of Hawaii, State of Hawaii, described as follows:

Lot 9, area 7,506 square feet, more or less, in Block 4, as delineated on the map entitled "MILOLII BEACH LOTS SUBDIVISION", which said map was filed in the Bureau of Conveyances of the State of Hawaii as File Plan No. 789.

TOGETHER WITH a non-exclusive easement for roadway and utility purposes over and across the roadway lots described and shown as Road Lots in File Plan No. 789, saving and excepting Exclusions 1, 2 and 3 shown on said File Plan 789; provided, however, that said easement shall terminate upon the dedication or conveyance by Buyer or the Miloli’i Beach Club Association of said lots to the State of Hawaii or the County of Hawaii or other governmental authority for use as public roads.
Exhibit B
Location Map

Preferred Acquisition Site - State of Hawaii

Area in Detail

Center for Global Discovery and Conservation Science
88-160 Kai Avenue, Captain Cook, HI
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Item Name: Review of Cash Balance Pension Plan

Action Item

Requested Action: The board office asks the committee to review and recommend forwarding to the full board for approval of the Sixth Amendment to the Cash Balance Pension Plan, as described in this executive summary.

Background/History of Previous Board Action

- In 1997, Congress enacted changes to the Internal Revenue Code of 1986 (the Code) permitting the Board to adopt a qualified plan for the benefit of the University Presidents and the Board Executive Director.

- In June 1998, the Board was asked to replace the Deferred Compensation Agreements with the Cash Balance Pension Plan (“Plan”). This new plan had an effective date of July 1, 1998. The Plan was more appropriate for several reasons:
  - The University Presidents and Board Executive Director could be 100% vested in their accrued benefits held under the Plan. The benefits are not subject to substantial risk of forfeiture and did not require the participant to be employed as of a specific vesting date.
  - Accrued benefits under the Plan are not subject to employment taxes (Social Security and Medicare) at the time the benefits are contributed to the Plan or when distributed.
  - Accrued benefits under the Plan are not subject to federal and state income tax until actually received by the participant.
  - Plan benefits received by a participant may be rolled over tax-free to an IRA or another qualified plan, permitting the individual to defer the payment of any federal and state income tax on the benefits until the participant has attained age 70½.
  - The Board received a favorable letter of determination from the IRS for the Plan in October 2016.
• Presidents Cheng, Crow, Robbins, Executive Director Arnold and Dr. Coor are currently participating in the Plan.

• The Board has received legal advice regarding this Cash Balance Pension Plan from its tax counsel, Mr. Charles Whetstine, who has prepared the proposed amendment.

Discussion

• The Sixth Amendment starts on page 3 of this executive summary.

• The proposed amendment is required to conform to recent changes made to the University Presidents' contracts.

Statutory/Policy Requirements

• Internal Revenue Code of 1986 (the Code)
WHEREAS, the Arizona Board of Regents (the “Board”), a body corporate created by the Arizona Constitution with powers enumerated in Article 2, Chapter 13, Title 15, Arizona Revised Statutes (A.R.S. sections 15-1621, et seq.), adopted in amended and restated form the Arizona Board of Regents Cash Balance Pension Plan (Second Amendment and Restatement), effective July 1, 2015, as amended by the First Amendment on November 17, 2016, the Second Amendment on June 8, 2017, the Third Amendment on June 15, 2018, the Fourth Amendment on April 12, 2019, and the Fifth Amendment on October 2, 2020 (the “Plan”), to provide retirement benefits to certain employees of the Board and Universities; and

WHEREAS, the Board is authorized, pursuant to Section 12.01 of the Plan, to adopt amendments to the Plan; and

WHEREAS, the Board desires to adopt an amendment to the Plan to designate the Pay-Based Credit to be made on behalf of the Presidents of the Universities and the Executive Director of the Board of Regents;

NOW, THEREFORE, pursuant to the authority granted in Section 12.01 of the Plan, the following amendments are adopted, effective as hereafter provided:

1. Section 1.25, “Pay-Based Credit,” of Section 1, DEFINITIONS, is amended in its entirety, effective July 1, 2020, to read as follows:
“1.25 "Pay-Based Credit”, except as set forth below, for a Participant in a given Plan Year means 18% of Compensation for that Plan Year.

(a) For the Participant who was the President of the University of Arizona as of June 1, 2017, “Pay-Based Credit” means as follows: For the Plan Year beginning on July 1, 2018 and ending on June 30, 2019, $121,500. For the Plan Year beginning on July 1, 2019 and ending on June 30, 2020, $125,044. For the Plan Years beginning on July 1, 2020 and ending on June 30, 2023, $125,753.

(b) For the Participant who was the President of the Arizona State University as of July 1, 2012, “Pay-Based Credit” means as follows: For the Plan Year beginning on July 1, 2018 and ending on June 30, 2019, $139,909. For the Plan Year beginning on July 1, 2019 and ending on June 30, 2020, $149,126. For the Plan Years beginning on July 1, 2020 and ending on June 30, 2025, $149,972.

(c) For the Participant who was the President of Northern Arizona University as of August 15, 2014, “Pay-Based Credit” means as follows: For the Plan Year beginning on July 1, 2018 and ending on June 30, 2019, $85,500. For the Plan Year beginning on July 1, 2019 and ending on June 30, 2020, $87,994. For the Plan Years beginning on July 1, 2020 and ending on June 30, 2022, $88,493.

(d) For the Participant who was the President of the Board of Regents as of February 4, 2013, who later became President Emerita of the Arizona Board of Regents, “Pay Based Credit” means as follows: For the Plan Years beginning on or after July 1, 2015 and before July 1, 2019, $57,600 for each Plan Year.

(e) For the Participant who was the Executive Director of the Board of Regents as of July 26, 2018, “Pay Based Credit” means as follows: For the Plan Year beginning on July 1, 2018, and ending on June 30, 2019, $49,500. For the Plan Year beginning on July 1, 2019 and ending on June 30, 2020, $50,799. For the Plan Year beginning on July 1, 2020 and ending on June 30, 2021, $51,233.
(f) If a Participant is actively employed for less than a full Plan Year, the “Pay Based Credit” dollar amount sent forth above shall be multiplied by a fraction where the numerator is the number of whole months during a Plan Year that the Participant was actively employed by the Employer and the denominator is twelve (12)."

2. Nothing in this Sixth Amendment shall be construed to adversely affect the rights of any Participant to any benefit provided under the Plan or to decrease any accrued benefit under the Plan, except to the extent permitted under the Code or necessary to maintain the Plan as one qualified under Section 401(a) of the Code.