

TO: Joe Smith  
State Budget Officer

FROM: Gaye Murphy  
Senior Analyst

DATE: May 11, 1987

RE: ASU-West Campus Construction .

As you requested, I asked University officials at ASU-West to provide information on construction schedules for the West Campus Core assuming a pay-as-you-go scenario at a cost of about \$10 million per year until completion. The staff was already working on providing information of this type to the Board of Regents and I was given a copy of the report.

Construction of the Core Campus involves eight components: infrastructure, central plant phase I, central plant phase II, library, classroom building, lab/computer center, student services building, and faculty office. Construction of the library, central plant phase I and phase II, classroom building and the lab/computer center will not be affected the method of finance - lease-purchase or cash payment. Lease-purchase will bring the student services building on line in December of 1990 while pay-as-you-go will delay the opening by one year. The faculty office building could open as early as December of 1990 with lease-purchase while capital appropriations will complete the building by December of 1992. The final infrastructure and site improvements cannot be completed until after all buildings are constructed. With pay-as-you-go, the core campus would be completed by May, 1993. Lease-purchase financing will allow for completion of the core campus two years earlier.

I asked that the University staff speculate as to the future usage of the Alhambra Campus and the Montebello Campus. Providing that sufficient classroom space can be identified in the new library building, the Alhambra Campus may close about a year from now at a cost savings in rent of about \$150,000 per year. The construction of the new classroom building may mean that Montebello can be phased out, however it may be necessary to continue usage of the facility for faculty offices until the new faculty office building is completed. The annual rent for Montebello is about \$150,000 per year. It is anticipated that the modular facilities will be moved to the new site once the library is completed next year.

Completing the core campus will cost about \$56 million. The University staff estimate that capital outlay appropriations may add as much as an additional \$1.5 million because of the construction delay on the student services building, the faculty office, and the necessary infrastructure. Lease-purchase will involve issuance costs as well as interest payments for the next 20 years.

The cost of lease-purchase financing exceeds that of capital appropriation by \$57.1 million:

LEASE-PURCHASE

Construction	56,059,500
Issuance cost	80,000
Reserve Fund Insurance	309,000
Underwriters Discount	778,556
Capitalized Interest	4,507,944
Interest	53,032,900

TOTAL COST	<u>114,767,900</u>
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CAPITAL APPROPRIATION

Construction	56,059,000
Inflation	1,526,000

TOTAL COST	<u>57,585,500</u>
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DIFFERENCE IN TOTAL COST: 57,182,400

The issue on the method of financing comes down to a question of time vs. money. Do we really want to enter into a lease-purchase arrangement which will be, at best, only two years faster and will cost \$57.1 million more than capital appropriation? "Can we stand to wait two years longer to complete the ASU-West Core Campus if we can save \$57.1 million in the process?"