JOINT COMMITTEE ON CAPITAL REVIEW
Tuesday, April 27, 2010
8:00 A.M.
House Hearing Room 4

MEETING NOTICE

- Call to Order

- Approval of Minutes of March 23, 2010.

- DIRECTOR’S REPORT (if necessary).

1. ARIZONA DEPARTMENT OF ADMINISTRATION
   B. Consider Recommending FY 2010 Partial Rent Exemptions and FY 2011 Quarterly Rent Payments.

2. SCHOOL FACILITIES BOARD
   A. Review of $100 Million Lease-Purchase Issuance.
   B. Review of Lease-Purchase Refinancing.

The Chairman reserves the right to set the order of the agenda.
4/16/10

slds

People with disabilities may request accommodations such as interpreters, alternative formats, or assistance with physical accessibility. Requests for accommodations must be made with 72 hours prior notice. If you require accommodations, please contact the JLBC Office at (602) 926-5491.
MINUTES OF THE MEETING
JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, March 23, 2010

The Vice-Chairman called the meeting to order at 8:05 a.m., Tuesday, March 23, 2010 in House Hearing Room 4. The following were present:

Members: Representative Crandall                Senator Pearce, Vice Chairman
Representative Lujan                            Senator Aboud
Representative McComish                         Senator Aguirre
Representative McLain                           Senator Allen
Representative Schapira                         Senator Garcia
Representative Sinema                           Senator Melvin

Absent: Representative Kavanagh, Chairman      Senator Gray
Representative Sinema

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee, Vice Chairman Russell Pearce stated the minutes of January 26, 2010 would stand approved.

ARIZONA GAME AND FISH DEPARTMENT - Review of Flagstaff Area Shooting Range Land Acquisition.

Mr. Ted Nelson, JLBC Staff, stated that this item is a request from the Arizona Game and Fish Department to purchase 162 acres of land for the Flagstaff Area Shooting Range at the appraised value of $1,120,000. The JLBC Staff recommended a favorable review.

Senator Melvin moved that the Committee give a favorable review. The motion carried.

ARIZONA BOARD OF REGENTS - Review of Phoenix Biomedical Campus Projects.

Ms. Kim Cordes-Sween, JLBC Staff, stated that this item is for review of the Phoenix Biomedical Campus projects, which includes the construction of a Health Sciences and Education Building and renovation of the Arizona Biomedical Collaborative 1 building at an issuance cost of $172.9 million. The JLBC Staff presented options to the Committee.

The Arizona Board of Regents (ABOR) gave a handout to the Committee members regarding the Health Sciences Education Building. (Attachment 1)
Mr. Jaime Molera, Public Affairs Representative, Molera Alvarez Group; Mr. Dave Harris, Senior Project Manager, Arizona Biomedical Collaborative; Mr. Lorenzo Martinez, Assistant Executive Director, Capital Resources, ABOR; and Mr. Kurt Freund, Managing Director, RBC Capital Markets, responded to member questions.

Senator Aguirre requested that ABOR research the possibility of receiving grant monies through the Department of Commerce for the project to be completed as a green building.

Representative McComish moved that the Committee give a favorable review to ABOR’s Phoenix Biomedical Campus projects with the provision that ABOR or the universities would not request review of any of their remaining Chapter 287 bonding authority for the next 18 months. This provision is consistent with ABOR’s position to seek no additional lottery bonding projects through August 2011. The favorable review is also contingent upon the following standard university financing provisions:

- ABOR shall report to the Committee before expenditure of any allocations that exceed the greater of $5,000,000 or 10% of the reported contingency amount total for add-alternates that do not expand the scope of the project.

- ABOR shall submit for Committee review any allocations that exceed the greater of $1,000,000 or 10% of the reported contingency amount total for add-alternates that expand the scope of the project. In case of an emergency, ABOR may immediately report on the scope and estimated cost of the emergency rather than submit the item for review. JLBC Staff will inform the university if they do not concur with the emergency nature of the change in scope.

- A favorable review by the Committee does not constitute endorsement of General Fund appropriations to offset any revenues that may be required for debt service, or any operations and maintenance costs when the project is complete.

- ABOR shall provide final debt service schedules for the Phoenix Biomedical Campus as soon as they are available.

The motion carried.

Without objection, the meeting adjourned at 9:15 a.m.

Respectfully submitted:

______________________________
Sandy Schumacher, Secretary

______________________________
Leatta McLaughlin, Principal Fiscal Analyst

______________________________
Representative John Kavanagh, Chairman

NOTE: A full audio recording of this meeting is available at the JLBC Staff Office, 1716 W. Adams. A full video recording of this meeting is available at http://www.azleg.gov/jlbc/meeting.htm.
Health Sciences Education Building
Health Sciences Education Building

- EDUCATION building on the Phoenix Biomedical Campus with classrooms and educational areas for tri-university programs, including:
  - The University of Arizona College of Medicine — Phoenix in partnership with Arizona State University
  - University of Arizona College of Pharmacy
  - Arizona State University College of Nursing and Healthcare Innovation
  - Northern Arizona University allied health programs

- Funds may not start flowing until 2016; money from lottery — NOT general fund

- Funds may not start until 2016, but construction can start immediately — meaning new jobs and new state revenue now

- Allows the state to produce more physicians — which is critical since Arizona is far behind the national average in doctors per capita

- Huge economic impact for the state — $2.1 billion annually

- IMPACT of construction jobs — 5,300 on-site and 1,800 indirect jobs

- Then, creation of high-paying faculty, research and related jobs — more than 2,000 faculty and staff on the campus

- PRESENCE and growth of the medical school and academic campus are vital for growth of biosciences industry in Arizona

- ROI of academic health centers is tremendous — between 2 and 7 times the investment. College of Medicine already has more research dollars per faculty member than the national average

- RESEARCH also leads to spin-off companies that create additional revenue and help all Arizonans live healthier, more productive lives

- COLLABORATION is key to success, financially and structurally. Education building will house more than 4,400 students in the University of Arizona College of Medicine — Phoenix in partnership with Arizona State University, the UA College of Pharmacy, Northern Arizona University health-related programs and the ASU College of Nursing and Healthcare Innovation

- First building of its kind, designed to promote team-building among the disciplines and benefit from the efficiencies of shared space

- CONSTRUCTION would add $642 million in Gross Domestic Product and $208 million in personal earnings
Health Sciences Education Building -- Phoenix Biomedical Campus
The Arizona Board of Regents:
University of Arizona, Arizona State University, Northern Arizona University

Project Description
Education building for the University of Arizona College of Medicine – Phoenix in partnership with Arizona State University, UA College of Pharmacy, ASU College of Nursing and Healthcare Innovation and Northern Arizona University Allied Health programs.
Size: 255,000 GSF (151,000 Net Assignable SF)
Number of Stories: 6

Project Budget
HSEB Project cost: $164M (Direct construction cost: $115M)
Phase 1 Vivarium: $15M
ABC1 renovations: $8M
Total Capital Cost: $187M

Funding Sources
Lottery (SPEED) Revenue Bonding (80%) $136,480,000
University (SPEED) Revenue Bonding (20%) $34,120,000
City of Phoenix $1,400,000
Federal Grant $16,000,000
Total $187,000,000

Site
- Downtown Phoenix bounded by 5th Street and 7th Street to the west and east, and by Fillmore and Van Buren to the north and south
- HSEB building and related development located on existing surface parking lots and adjacent open space, consistent with the 2007 Master Plan.

HSEB Academic Programs with Class Sizes
- University of Arizona College of Medicine in partnership with Arizona State University
  120 students per class
- University of Arizona College of Pharmacy
  80 students per class
- Arizona State University College of Nursing and Health Innovation
  2000+ students
- Arizona State University Department of Biomedical Informatics
  390 undergraduate and graduate students
- Northern Arizona University College of Human and Health Services
  340 students in PT, OT, PA

HSEB Space Program
- Administrative and Faculty Offices
- Lecture Halls, Learning Studios, Classrooms – 10 classrooms, 20 small group rooms, 6 learning labs
- Student and Faculty Services – offices, lounges and locker areas
- Clinical Skills Suite – 37 educational rooms
- Simulation Suite – 28 simulation and educational rooms
- Gross Anatomy – 2 40-unit rooms
- Class Laboratories -- 6 class labs for up to 60 students
- Learning Resource Center – 44 study rooms for 1-8 people
- Building Support – security, loading dock and storage
Project Description
Size: 265,000 GSF (151,000 Net Assignable SF)
Building Occupancy: B/A3 (Non-separated Mixed use)
Number of Stories: 6 above grade + basement + partial roof top mechanical
Construction Type: 1B
Fully Sprinklered

Project Budget
HSEB Project cost: $164M (Direct construction cost: $115M)
Phase 1 Vivarium: $ 15M
ABC1 renovations: $  8M
Total Capital Cost: $187M
HSEB Academic Programs with Class Sizes

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  340 students in PT, OT, PA
HSEB Space Program

• Administrative and Faculty Offices
• Lecture Halls, Learning Studios and Classrooms
• Student and Faculty Services
• Clinical Skills Suite
• Simulation Suite
• Gross Anatomy
• Class Laboratories
• Learning Resource Center
• Building Support
Learning Resource Center - 4th Floor
DATE: April 20, 2010

TO: Representative John Kavanagh, Chairman
Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Martin Lorenzo, Principal Fiscal Analyst

SUBJECT: Arizona Department of Administration – Review of FY 2010 Emergency Building Renewal Project

Request

A.R.S. § 41-1252 requires Committee review of expenditure plans for building renewal monies prior to expenditure. At its September 2009 meeting, the Committee gave a favorable review for the Arizona Department of Administration (ADOA) to expend its FY 2010 $1,000,000 building renewal appropriation on emergency projects as the need arises as long as the Chairman is notified.

While ADOA has expended monies for several projects, ADOA is currently requesting the Committee favorably review the use of $160,000 in building renewal monies for the emergency rehabilitation of the water well system located at the Arizona State Prison Complex Safford’s Fort Grant unit.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of ADOA’s request to rehabilitate the 2 wells located at the Fort Grant units at an estimated total cost of $160,000.

Analysis

Overview

The Safford prison complex includes the Fort Grant unit, which is located approximately 50 miles away. As of March 31, 2010, the Fort Grant unit housed 920 minimum security inmates who are supplied water by 2 wells originally installed in 1958. One of these wells (Well #1), was rehabilitated in 1988 and the other well (Well #2), has never been rehabilitated despite best practices suggesting these systems should be rehabilitated every 7 to 10 years. Rehabilitating each of these wells includes removing and inspecting the well equipment as well as disassembling, inspecting, and cleaning the well casing.

Well #1 and Well #2 are each operated by an electric motor and turbine designed to produce 1,000 and 600 gallons of water per minute, respectively. In their current state, however, ADOA suggests these wells (Continued)
are pumping water at a rate of 475 (47% of capacity) and 199 (33% of capacity) gallons per minute and are unable to meet peak water demands.

ADOA indicates that the actual cost of the project is unknown as some problems are not identified until the project begins and the condition of the well equipment and components can be assessed. ADOA is requesting the Committee favorably review the use of $160,000 to repair both wells based on an estimate provided by a single vendor. This amount consists of:

- $41,200 for an engineering analysis and project contingency;
- $58,700 to repair Well #1; and
- $60,100 to repair Well #2. A private vendor has also provided ADOA with a lower cost ($21,000) option for rehabilitating Well #2. This option, however, would not change the volume of water pumped from the well from what it is currently pumping in its existing state.

If the Committee chooses not to favorably review these projects and these wells fail, ADOA indicates the Department of Corrections would need to truck water into the facility at a cost of $14,000 per day.

FY 2010 Emergency Building Renewal Expenditures
At its September 2009 meeting, the Committee gave a favorable review for ADOA to expend $1,000,000 on emergency building renewal projects in FY 2010 as the need arises with the following provisions: 1) ADOA notify the Chairman and JLBC Staff as they identify specific projects; and 2) the Chairman will notify ADOA if he does not agree that the project is an emergency and will request that the Committee review the project. (An “emergency” project was defined as unforeseen, critical in nature, and of immediate time sensitivity.)

To date, ADOA has notified the Chairman of 12 emergency projects at a cost of $327,500 since the September 2009 meeting. As a result, $672,500 of the FY 2010 building renewal monies remains available. If this $160,000 request is approved, ADOA would have $512,500 available for any future building renewal projects.

RS/ML:sls
April 5, 2010

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Kavanagh:

The Arizona Department of Administration (ADOA) requests that the Joint Committee on Capital Review (JCCR) review the allocation of approximately $160,000 from the building renewal appropriation for the emergency rehabilitation of the Arizona State Prison Complex (ASPC) Fort Grant water well system. ADOA is requesting JCCR review before proceeding with this emergency repair.

Additional information on the project is enclosed. If you have any questions please contact Bill Hernandez, Assistant Director, General Services Division, at (602) 542-1427.

Sincerely,

David Raber
Interim Director

Attachment

c:  The Honorable Russell Pearce, Vice-Chair, JCCR
    Richard Stavneak, Director, JLBC Staff
    Leatta McLaughlin, Principal Fiscal Analyst, JLBC Staff
    John Arnold, Director, OSPB
    Bret Cloninger, Assistant Director, OSPB
    Jennifer Uharriet, Senior Budget Analyst, OSPB
    Paul Shannon, Assistant Director, ADOA
    Bill Hernandez, Assistant Director, ADOA
Arizona State Prison Complex (ASPC) at Fort Grant
Refurbish Water Well #1 & #2

Information:
The two (2) water wells located at ASPC Fort Grant were originally installed in 1958 and are in serious need of rehabilitation.

Well #1 is the primary water source for ASPC Fort Grant. The well was most recently refurbished twelve (12) years ago in 1998. Well #2 has never been refurbished. Best practices indicate that water well systems of this type should be refurbished on a regular seven (7) to ten (10) year cycle.

Well #1 is operated by a 250-HP electric motor and a deep-water turbine pump set at approximately 600 feet. Well #1 is designed to produce 1,000 gallons per minute (gpm) of product water for distribution. Currently, the well pumping capacity has declined to 47% of its pumping capacity (475 gpm) and it is unable to meet peak load requirements.

The Arizona Department of Corrections (ADC) identified both wells as being needy of building renewal monies for major maintenance in its agency Capital Improvement Plan (CIP) for the past several years. ADOA recommended Well #1 for re-furbishing in its FY 2009 Building Renewal Allocation Plan to the Joint Committee on Capital Review (JCCR) before the majority of the FY 2009 appropriated building renewal monies were ex-appropriated for State budget relief.

Repairs for Well #1 includes pulling the well equipment, disassembling and inspecting the existing well casing to check conditions, sonar-jetting and swabbing the well casing to remove build up from the water inlet perforations, and cleaning out debris. The well equipment and/or components may have to be re-machined or replaced as necessary.

Well #2 will be used as the "back-up" primary water source during Well #1 rehabilitation and will require advance repair to meet the prison complex' water demand. The pumping capacity of Well #2 is even more so severely diminished than Well #1 and produces at only 33% (199 gpm) of its maximum 600 gpm pump rate, which creates formation of vapor bubbles, which rapidly collapse producing "shock waves" in the well pumps and propellers.

The replacement of these water wells is at critical status. Failure of these wells would force the prison complex to truck in water at a substantial cost ($14,000 daily) until at least one of the wells were functional again. This urgent project needs to begin as soon as possible to ensure the repairs are complete prior to the peak water load demands of summer.

Request:
ADOA requests JCCR review of the emergency repair of the two water wells at Fort Grant prison complex.
# Farwest Pump Company

## Estimate

<table>
<thead>
<tr>
<th>Date</th>
<th>Service</th>
<th>Activity</th>
<th>Rate</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>As per your request we are pleased to provide the following price quote on Well # 1</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>Labor to pull 652' of 10&quot; x 3&quot; x 1 15/16&quot; turbine pump</td>
<td>3,500.00</td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>Extra cost for broken base</td>
<td>2,500.00</td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>Labor to evaluate innercolumn</td>
<td>2,500.00</td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>Video well</td>
<td>700.00</td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>Disassemble bowl assembly to evaluate</td>
<td>400.00</td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>OPTION: Sonar-Jett the well if needed and bail</td>
<td>4,000.00</td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>OPTION: Acidizing and swabing the well if needed</td>
<td>10,000.00</td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>New bowl assembly 700 Gallos Per Minute at 770 Total Dynamic</td>
<td>11,100.00</td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>Head</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>Material if needed by past jobs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>OPTION: 10- 10&quot; x 20' column pipe</td>
<td>5,876.00</td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>OPTION: 15- 1 15/16&quot; x 3&quot; x 20' innercolumn</td>
<td>9,964.50</td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>15- Spiders 10&quot; x 3&quot;</td>
<td>180.00</td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>1- Screen 8&quot;</td>
<td>168.00</td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>Air line for draw down</td>
<td>400.00</td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>Bading materials</td>
<td>245.00</td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>Rope, soap and thread tex</td>
<td>165.00</td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>1- 10&quot; discharge head for replacement</td>
<td>3,500.00</td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>Top bushing</td>
<td>70.00</td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>Labor to install 632' of 10&quot; x 3&quot; x 1 15/16&quot; turbine</td>
<td>3,500.00</td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>NOTE: The discharge head has a broken ear, If the pump base breaks apart and the pump goes down the well the cost to retrieve it will have to be negotiated but Farwest will make every attempt to hold on to everything.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/23/2010</td>
<td>Service</td>
<td>Plus applicable taxes and freight</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Subtotal: $58,668.80**

**TAX (5.12%): $0.00**

**Total: $58,668.80**

Accepted By: ___________    Accepted Date: ___________
# Farwest Pump Company

**Address:**

Arizona State Prison Complex Safford/Ft. Grant  
P. O. Box 2222  
Safford, Az. 85548

## Estimate

<table>
<thead>
<tr>
<th>Date</th>
<th>Service</th>
<th>Activity</th>
<th>Rate</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>02/02/2010</td>
<td>Service</td>
<td>As per your request we are pleased to provide the following price quote on Well # 2</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/02/2010</td>
<td>Service</td>
<td>Farwest in checking the water system on well # 2 has found that well # 2 pumps 300 Gallons Per Minute to the boosters but the boosters are</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>designed for 500 to 600 Gallons Per Minute there for they are creating cavitation in the lines. To fix the problem there are two options.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/02/2010</td>
<td>Service</td>
<td>OPTION # 1: Install new boosters made for the water that Well # 2 produces but to the top of the tank it will only produce 200 Gallons</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Per Minute at best.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/02/2010</td>
<td>Service</td>
<td>OPTION # 2: Is to pull turbine pump and attempt to produce more water so that the booster will not cavitate. The cost for these steps are</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>as follows.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/02/2010</td>
<td>Service</td>
<td>OPTION # 1: For boosters system</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Booster Pump</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Labor and pipe fitting and welding</td>
<td>21,000.00</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/02/2010</td>
<td>Service</td>
<td>OPTION # 2: Pull turbine and reinstall with 100' extension</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/02/2010</td>
<td>Service</td>
<td>100' of 6&quot; x 2 1/2&quot; x 1 1/2&quot; column and intercolumn</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/02/2010</td>
<td>Service</td>
<td>1 Set of bowls to pump 500 to 600 Gallons Per Minute</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/02/2010</td>
<td>Service</td>
<td>1 - 150 Horse Power motor and panel and electrical materials</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/02/2010</td>
<td>Service</td>
<td>Replacement part pipe and intercolumn and top tube assembly</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/02/2010</td>
<td>Service</td>
<td>Spider and couplings, screen and rope, soap and thread tex</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/02/2010</td>
<td>Service</td>
<td>Extra labor for electrical</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/02/2010</td>
<td>Service</td>
<td>NOTE: (the well may not develop the 500 to 600 Gallons Per Minute)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>02/02/2010</td>
<td>Service</td>
<td>PLUS APPLICABLE TAXES AND FREIGHT</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>SUBTOTAL</th>
<th>$0.00</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAX (6.1%)</td>
<td></td>
</tr>
<tr>
<td>TOTAL</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

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Accepted By: ___________________________  Accepted Date: ___________________________
DATE: April 20, 2010

TO: Representative John Kavanagh, Chairman
    Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Juan Beltran, Senior Fiscal Analyst

SUBJECT: Arizona Department of Administration - Consider Recommending FY 2010 Partial Rent Exemptions and FY 2011 Quarterly Rent Payments

Request

A.R.S. § 41-792.01 authorizes the Director of the Arizona Department of Administration (ADOA), on recommendation from the Joint Committee on Capital Review, to grant a full or partial exemption from the payment of rental fees if the agency has vacated state-owned space and to exempt an agency from paying its full state-owned space rent at the beginning of the year. On behalf of 8 state agencies, ADOA requests the Committee recommend 8 partial rent exemptions for FY 2010 totaling $381,000.

Additionally, ADOA requests the Committee recommend allowing the Corporation Commission to make quarterly payments in FY 2011 instead of 1 annual payment due at the beginning of FY 2011.

Recommendation

The JLBC Staff recommends that the Committee recommend the proposed FY 2011 quarterly payment plan for the Corporation Commission and the proposed FY 2010 partial rent exemptions for the Arizona Department of Agriculture (ADA), Arizona Health Care Cost Containment System (AHCCCS), Department of Commerce, Registrar of Contractors (ROC), Department of Juvenile Corrections (DJC), Department of Mines and Mineral Resources (DMMR), Secretary of State (SOS), and Department of Water Resources (DWR).

Analysis

The following exemptions and payment plan are being requested by ADOA. The requests on behalf of AHCCCS, the Corporation Commission, ROC, and DJC would not reduce revenues to the Capital Outlay Stabilization Fund (COSF) since rents are simply being shifted to other state agencies. The Corporation Commission request also would not reduce COSF revenues since the full rent payments would be paid by the end of the fiscal year. However, the requests on behalf of ADA, DMMR, SOS, and DWR would result in a total loss of $333,300 in COSF revenues.
COSF collects monies from rents and tenant improvement charges to agencies occupying ADOA owned buildings. Monies are used to pay maintenance, utilities, construction, and administrative costs for state-owned buildings. According to ADOA, a loss of $(333,300) in revenues to COSF could result in reduced services available for tenants at ADOA owned buildings.

FY 2010 Partial Rent Exemptions

Department of Agriculture
The FY 2010 State Properties Budget Reconciliation Bill (Laws 2009, 3rd Special Session, Chapter 8) requires ADOA to sell the state-owned ADA laboratory at the 2422 W. Holly building in Phoenix, which is currently out for bid through April 30, 2010. Effective May 31, 2010, ADA will fully vacate the building and relocate operations to both 1520 W. Adams and the Department of Health Services laboratory located at 250 N. 18th Avenue. On behalf of ADA, ADOA is seeking a partial rent exemption of $273,300 for its state-owned space in FY 2010. This amount consists of a partial rent exemption of $259,300 for the 2422 W. Holly building and a $14,000 partial rent exemption for 1 month’s rent at the 1520 W. Adams building, which will be occupied by ADA. This proposal would result in a loss to COSF of $(273,300).

The total FY 2010 rent for the 2422 W. Holly building is $459,300 and ADA has already paid $200,000 ($400 in excess of their amount appropriated in FY 2010). In addition, due to budget constraints, ADOA is requesting to forgive $13,900, which represents 1 month’s rent at the 1520 W. Adams building.

Arizona Health Care Cost Containment System
AHCCCS rents 2,782 square feet of state-owned office space at 519 E. Beale Street in Kingman. The total FY 2010 rent is $58,500. Effective April 1, 2010, ADOA re-allocated 2,036 square feet of AHCCCS space at this location to the Department of Economic Security (DES). On behalf of AHCCCS, ADOA is seeking a partial rent exemption of $10,700 for its pro-rated occupancy of state-owned office space in FY 2010. ADOA is billing DES for its pro-rated occupancy of the former AHCCCS space effective April 1, 2010 and for ongoing annual rent payments beginning in FY 2011.

Department of Commerce
The Department of Commerce rents 27,367 square feet of state-owned office space at 1700 W. Washington in Phoenix. The total FY 2010 rent is $581,400. Effective October 1, 2009, ADOA has re-allocated 1,951 square feet of the Department of Commerce space at 1700 W. Washington to SOS. On behalf of the Department of Commerce, ADOA is seeking a partial rent exemption of $31,100 for its pro-rated occupancy of state-owned office space in FY 2010. ADOA is billing SOS for its pro-rated occupancy of the former Department of Commerce space effective October 1, 2009 and for ongoing annual rent payments beginning in FY 2011.

Registrar of Contractors
ROC rents 492 square feet of state-owned office space at 519 E. Beale Street in Kingman. The total FY 2010 rent is $12,100. Effective April 1, 2010, ADOA re-allocated the entire ROC space at 519 E. Beale Street to DES. On behalf of ROC, ADOA is seeking a partial rent exemption of $3,000 for its pro-rated occupancy of state-owned office space in FY 2010. ADOA is billing DES for its pro-rated occupancy of the former ROC space effective April 1, 2010 and for ongoing annual rent payments beginning in FY 2011.

Department of Juvenile Corrections
DJC rents 355 square feet of state-owned office space at 519 E. Beale Street in Kingman. The total FY 2010 rent is $7,400. Effective April 1, 2010, ADOA re-allocated the entire DJC space at 519 E. Beale Street to DES. On behalf of DJC, ADOA is seeking a partial rent exemption of $1,900 for its pro-rated occupancy of state-owned office space in FY 2010. ADOA is billing DES for its pro-rated occupancy of
the former DJC space effective April 1, 2010 and for ongoing annual rent payments beginning in FY 2011.

Department of Mines and Mineral Resources
DMMR rents 23,217 square feet of state-owned office space and 4,814 square feet of state-owned storage space at 1502 W. Washington. Their total FY 2010 rent is $524,700 whereas only $486,400 is included in DMMR’s General Fund budget for rent. DMMR has maintained for several fiscal years that the $524,700 assessment is incorrect. DMMR states that the museum is actually storage space and not office space and, therefore, it should be assessed at the lower storage rate of $7.62 instead of at the office rate of $21.02. Even though ADOA continues to maintain that the museum space should be considered office space, ADOA requests on behalf of DMMR a partial rent exemption of $51,500 due to DMMR’s budget situation in which they have reduced their non-rent expenses in proportion with the lump-sum reductions they have been required to take. This proposal would result in a loss to COSF of $(51,500).

Secretary of State
Laws 2009, 1st Regular Session, Chapter 114, required ADOA to sell or lease the state-owned 14 N. 18th Avenue building in Phoenix, which was occupied by SOS. Effective October 1, 2009, SOS vacated its 2,371 square feet of state-owned space and relocated operations to 1700 W. Washington, where the agency already occupies space. SOS consolidated its operations into its existing occupied space as well as into the 1st floor, which was previously occupied by the Department of Commerce. On behalf of SOS, ADOA is seeking a partial rent exemption of $6,900 for its net pro-rated occupancy of state-owned space in FY 2010. This proposal would result in a loss to COSF of $(6,900).

Department of Water Resources
DWR rents 5,109 square feet of state-owned office space and 407 square feet of state-owned storage space at 1520 W. Adams in Phoenix. The total FY 2010 rent is $110,800. Effective April 1, 2010, ADOA re-allocated 613 square feet of DWR’s space to ADA. On behalf of DWR, ADOA is seeking a partial rent exemption of $2,600 for its pro-rated occupancy of state-owned office and storage space in FY 2010. ADOA is billing ADA for its pro-rated occupancy of the former DWR space effective June 1, 2010 and for ongoing annual rent payments beginning in FY 2011. This proposal would result in a loss to COSF of $(1,700).

FY 2011 Quarterly Rent Payments

Corporation Commission
The Corporation Commission rents 69,939 square feet of state-owned space at 1200, 1300 and 1400 W. Washington. The total FY 2011 rent is $1,449,000. The commission’s proposal would result in 4 quarterly payments of $362,250. The commission is requesting the alternative payment plan because of cash flow issues.

Statute permits an agency to request an exemption from paying their full rent on state-owned space. These rent payments are deposited into COSF, which helps defray building renewal expenses and ADOA operating costs.

RS/JB:sls
April 5, 2010

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona State Senate
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Kavanagh:

The Arizona Department of Administration (ADOA) requests that the Joint Committee on Capital Review (JCCR) review seven (7) Capital Outlay Stabilization Fund (COSF) rent exemptions for FY 2010 totaling $329,410.

If you have any questions regarding the proposed FY 2010 COSF rent exemptions, please contact Bill Hernandez, Assistant Director, ADOA General Services Division, at (602) 542-1427.

Sincerely,

[Signature]

David Raber
Interim Director

Attachment(s)

cc: The Honorable Russell Pearce, Vice-Chair, JCCR
Richard Stavneak, Director, JLBC Staff
Leatta McLaughlin, Principal Fiscal Analyst, JLBC Staff
John Arnold, Director, OSPB
Bret Cloninger, Assistant Director, OSPB
Jennifer Uharriet, Senior Budget Analyst, OSPB
Paul Shannon, Assistant Director, ADOA
Bill Hernandez, Assistant Director, ADOA
April 5, 2010

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Kavanagh:

The Arizona Department of Administration (ADOA) requests the Joint Committee on Capital Review (JCCR) recommend a pro rata exemption of FY 2010 rent for the Arizona Department of Agriculture (Agriculture).

Laws 2009, Third Special Session, Chapter 8 (HB 2009), require ADOA sell or lease ADOA-owned and managed 2422 West Holly, in Phoenix, to the highest and best bidder.

Effective May 31, 2009 Agriculture will vacate the premises and relocate certain operations of the State Agriculture Lab to 1520 West Adams on the first and third floors and other functions to the Arizona Department of Health Services (DHS) State Health Lab located at 250 North 18th Avenue.

A.R.S. § 41-41-792.01 directs ADOA to transfer COSF rent from State agencies occupying state-owned space in the amount included in each agency's annual operating budget as reported by JLBC or the pro-rata adjusted amount based on actual occupancy promptly at the beginning of each fiscal year.

The FY 2010 JLBC Appropriations Report reflects a $259,300 reduction in Agriculture's rent appropriation for its occupancy of 2422 West Holly and it also assumes $200,000 as Agriculture's new FY 2010 amount of rent for its State Lab's occupancy in State-owned space. The rent-related budget assumptions preclude Agriculture from remitting its statutory obligated FY 2010 COSF rents for pro-rata occupancy of both 2422 West Holly and 1520 West Adams.

The following table illustrates the pro-rata increases and decreases in Useable Square Feet (USF) of space and associated rents relevant to Agriculture's COSF rent appropriations reductions and changes in State-owned space occupancy:
April 5, 2010
The Honorable John Kavanagh
Page 2

<table>
<thead>
<tr>
<th>Arizona Department of Agriculture</th>
<th>FY 2010 Annual COSF Rent</th>
<th>FY 2010 Assumed COSF Rent</th>
<th>FY 2010 Pro-Rata COSF Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>2422 West Holly</td>
<td>$ 459,300</td>
<td>$ 200,000</td>
<td>$ (259,300)</td>
</tr>
<tr>
<td>1520 West Adams</td>
<td>$ 165,500</td>
<td>$ 0</td>
<td>$ (13,967)</td>
</tr>
<tr>
<td>Total Rent Exemption FY 2010:</td>
<td></td>
<td></td>
<td>$ (273,267)</td>
</tr>
</tbody>
</table>

Statute directs upon recommendation of JCCR, the ADOA Director may authorize a whole or partial exemption from payment of the COSF rent or lease-purchase payment if a state agency does not have the financial resources to pay for the space, does not occupy the space, or vacates the space after the beginning of the fiscal year.

Based on the foregoing authority, ADOA requests that JCCR recommend reducing Agriculture’s FY 2010 Capital Outlay Stabilization Fund (COSF) rent by $273,267 for its pro-rated occupancy of State-owned space in FY 2010.

Agriculture’s FY 2011 COSF rent obligation for State-owned space at 1520 West Adams (assuming its current occupancy plan remains consistent throughout FY 2011), will be approximately $165,500, which is within the JLBC $200,000 assumed budgeted amount. Should the appropriation for the space be higher than the actual occupancy rent figure ($165,500), ADOA will bill Agriculture the higher of the two amounts in FY 2011 pursuant to statute.

If you have any questions please contact William Hernandez, Assistant Director, General Services Division, at (602) 542-1427.

Sincerely,

[Signature]

David Raber
Interim Director

c: The Honorable Russell K. Pearce, Vice-Chairman, JCCR
   Richard Stavneak, Director, JLBC Staff
   Leatta McLaughlin, Senior Fiscal Analyst, JLBC Staff
   John Arnold, Director, OSPB
   Bret Cloninger, Assistant Director, OPSB
   Donald Butler, Director, Agriculture
   Paul Shannon, Assistant Director, ADOA
   William Hernandez, Assistant Director, ADOA
   Nola Barnes, General Manager, ADOA
   Barbara Pipkin, General Manager, ADOA
April 5, 2010

The Honorable John Kavanagh, Chairman  
Joint Committee on Capital Review  
1700 West Washington  
Phoenix, Arizona 85007

Dear Representative Kavanagh:

The Arizona Department of Administration (ADOA) requests the Joint Committee on Capital Review (JCCR) recommend a pro rata exemption of FY 2010 rent for the Arizona Health Care Cost Containment System (AHCCCS).

Effective April 1, 2010, ADOA will re-allocate approximately 2,036 Usable Square Feet (USF) of AHCCCS’s allocation of space at 419 East Beale Street, in Kingman, to the Arizona Department of Economic Security (DES).

Arizona Revised Statutes § 41-792.01 provide if a state agency does not occupy owned space after the beginning of the fiscal year, the director of ADOA, on recommendation of JCCR, may authorize a whole or partial exemption from payment of the rental fee.

Based on the foregoing authority, ADOA requests JCCR recommend reducing AHCCCS; FY 2010 Capital Outlay Stabilization Fund (COSF) rent by $10,700 for its pro-rated occupancy of the space in FY 2010. ADOA is billing DES for its pro-rated occupancy of the former AHCCCS space effective April 1, 2010 and for ongoing annualized occupancy in FY 2011.

If you have any questions, please contact William Hernandez, Assistant Director, General Services Division, at (602) 542-1427.

Sincerely,

[Signature]

David Raber  
Interim Director
April 5, 2010

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Kavanagh:

The Arizona Department of Administration (ADOA) requests the Joint Committee on Capital Review (JCCR) recommend a pro rata exemption of FY 2010 rent for the Arizona Department of Commerce (Commerce).

Effective October 1, 2009, ADOA re-allocated Commerce’s 1,951 usable square feet (USF) allocation of space on the first floor at 1700 West Washington, in Phoenix, to the Arizona Secretary of State (SOS). Commerce consolidated its staff and operations formerly housed in first floor space to existing space at the same location.

Arizona Revised Statutes § 41-792.01 provide that if a state agency does not occupy owned space after the beginning of the fiscal year, the director of ADOA, on recommendation of JCCR, may authorize a whole or partial exemption from payment of the rental fee.

Based on the foregoing authority, ADOA requests JCCR recommend reducing Commerce’s FY 2010 Capital Outlay Stabilization Fund (COSF) rent by $31,086 for its pro-rated occupancy of the space in FY 2010. ADOA is billing SOS for its pro-rated occupancy of the former Commerce space effective October 1, 2009 and for ongoing annualized occupancy in FY 2011.

If you have any questions please contact William Hernandez, Assistant Director, General Services Division, at (602) 542-1427.

Sincerely,

David Raber
Interim Director
April 5, 2010

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Kavanagh:

The Arizona Department of Administration (ADOA) requests the Joint Committee on Capital Review (JCCR) recommend a pro rata exemption of FY 2010 rent for the Arizona Registrar of Contractors (ROC).

Effective April 1, 2010, ADOA will re-allocate ROC's allocation of 490 Usable Square Feet (USF) at 419 East Beale Street, in Kingman, to the Arizona Department of Economic Security (DES).

Arizona Revised Statutes § 41-792.01 provide if a state agency does not occupy owned space after the beginning of the fiscal year, the director of ADOA, on recommendation of JCCR, may authorize a whole or partial exemption from payment of the rental fee.

Based on the foregoing authority, ADOA requests JCCR recommend reducing ROC's FY 2010 Capital Outlay Stabilization Fund (COSF) rent by $3,025 for its pro-rated occupancy of the space in FY 2010. ADOA is billing DES for its pro-rated occupancy of the former ROC space effective April 1, 2010 and for ongoing annualized occupancy in FY 2011.

If you have any questions, please contact William Hernandez, Assistant Director, General Services Division, at (602) 542-1427.

Sincerely,

David Raber
Interim Director
April 5, 2010

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Kavanagh:

The Arizona Department of Administration (ADOA) requests the Joint Committee on Capital Review (JCCR) recommend a pro rata exemption of FY 2010 rent for the Arizona Department of Juvenile Corrections (ADJC).

Effective April 1, 2010, ADOA will re-allocate ADJC's allocation of 355 Usable Square Feet (USF) at 419 East Beale Street, in Kingman, to the Arizona Department of Economic Security (DES).

Arizona Revised Statutes § 41-792.01 provide if a state agency does not occupy owned space after the beginning of the fiscal year, the director of ADOA, on recommendation of JCCR, may authorize a whole or partial exemption from payment of the rental fee.

Based on the foregoing authority, ADOA requests JCCR recommend reducing ADJC's FY 2010 Capital Outlay Stabilization Fund (COSF) rent by $1,875 for its pro-rated occupancy of the space in FY 2010. ADOA is billing DES for its pro-rated occupancy of the former ADJC space effective April 1, 2010 and for ongoing annualized occupancy in FY 2011.

If you have any questions, please contact William Hernandez, Assistant Director, General Services Division, at (602) 542-1427.

Sincerely,

David Raber
Interim Director
April 15, 2010

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona State House of Representatives
1700 West Washington
Phoenix, Arizona 85007

Reference: Mines and Mineral Resources COSF Rent Exemption

Dear Representative Kavanagh:

The Arizona Department of Administration (ADOA) requests that the Joint Committee on Capital Review (JCCR) review ADOA’s proposed $51,500 Capital Outlay Stabilization Fund (COSF) rent exemption for the Department of Mines and Mineral Resources (Mines and Mineral) for FY 2010.

Pursuant to statute, ADOA invoiced Mines and Minerals its FY 2010 COSF rent of $524,700 for its actual occupancy in state-owned space at 1501 West Washington. Mines and Mineral FY 2010 appropriation for rent was $486,400, reflecting a $38,300 difference. Mines and Mineral has maintained for several years that the assessment of $524,700 is in error because the space is assessed at the “office” rate of $21.02 instead of the “storage” rate of $7.62. Mines and Mineral asserts that the museum is actually storage and not office space.

Further complicating this dispute is the requirement in ARS 41-792.01 (E.) that “...The rental fee authorized for state agencies occupying state owned buildings is the greater of the amount included in each agency's annual operating budget as reported by the staff of the joint legislative budget committee or the pro rata adjusted amount based on actual occupancy....”

The resolution of this problem in Fiscal Years 2004, 2006, 2007, 2008, and 2009 has been that ADOA would define some “office” space as “storage” space so that the rent charged equals the amount included in Mines and Mineral’s annual operating budget as reported by the staff of the JLBC (i.e. the amount of $486,400.).
The Honorable John Kavanagh  
Mines and Mineral Resources Exempt Rent FY 2010  
April 15, 2010  
Page 2  

ADOA continues to maintain that the museum space is “office” space. Moreover, ADOA’s research indicates that in the private sector, museum space is typically charged at a higher rate than office space.

Meanwhile, the budget situation for Mines and Mineral has deteriorated significantly and that agency is requesting relief again for FY 2010. At this point ADOA believes the appropriate remedy for this problem is to propose an exemption of $51,500. ADOA believes that this will substantially remedy the budget shortfall at Mines and Mineral, but the Committee should be aware that additional, significant personnel expense reductions will likely be necessary at Mines and Mineral to ultimately close the shortfall in their FY 2010 budget.

If you have any questions regarding ADOA’s proposal to exempt Mines and Mineral rents, please contact William Hernandez, Assistant Director, General Services Division, at 602-364-2872.

Sincerely,

[Signature]

David Raber  
Interim Director

c: The Honorable Russell K. Pearce, Vice-Chairman, JCCR  
Richard Stavneak, Director, JLBC Staff  
Leatta McLaughlin, Senior Fiscal Analyst, JLBC Staff  
John Arnold, Director, OSPB  
Bret Cloninger, Assistant Director, OSPB  
Paul Shannon, Assistant Director, ADOA  
William Hernandez, Assistant Director, ADOA  
Nola Barnes, General Manager, ADOA  
Barbara Pipkin, General Manager, ADOA  
Dr. Madan Singh, Executive Director, Mines and Mineral  
D. Clark Partridge, State Comptroller, ADOA
April 5, 2010

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Kavanagh:

The Arizona Department of Administration (ADOA) requests the Joint Committee on Capital Review (JCCR) recommend a pro rata exemption of FY 2010 Capital Outlay Stabilization Fund (COSF) rent for the Arizona Secretary of State (SOS).

Laws 2009, First Regular Session, Chapter 114 (HB 1091) require ADOA to sell or to lease the ADOA-owned and managed 14 North 18th Avenue building in Phoenix, formerly occupied by the SOS, to the highest and best bidder and so, effective October 1, 2009, the SOS vacated its occupancy and relocated its operations to 1700 West Washington. SOS consolidated into its existing space and it “back-filled” first floor space previously occupied by the Arizona Department of Commerce.

The following table illustrates the pro-rated increases and decreases in Useable Square Feet (USF) of space and associated rents relevant to the SOS FY 2010 changes in occupancy:

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>COSF RENTS</td>
<td>USEABLE SQ FT (USF)</td>
</tr>
<tr>
<td>14 N 18th Ave ( Appropriated)</td>
<td>$49,900</td>
<td>2,371</td>
</tr>
<tr>
<td>1700 T W Washington St (Actual Occupancy)</td>
<td>$204,000</td>
<td>9,707</td>
</tr>
</tbody>
</table>

NET FY 2010 RENT EXEMPTION: $ (6,872)

Arizona Revised Statutes § 41-792.01 provide that an agency shall transfer its COSF rent for State-owned space to ADOA in the amount of its appropriation or actual occupancy, whichever is higher. Statute further authorizes on JCCR’s recommendation, the ADOA Director may
April 5, 2010
The Honorable John Kavanagh
Page 2

authorize a partial exemption from payment of rent if a state agency does not occupy the space after the beginning of the fiscal year.

Based on the foregoing authority, ADOA requests that JCCR recommend reducing SOS’s FY 2010 Capital Outlay Stabilization Fund (COSF) rent by $6,872 for its net pro-rated occupancy of space in FY 2010.

If you have any questions please contact William Hernandez, Assistant Director, General Services Division, at (602) 542-1427.

Sincerely,

David Raber
Interim Director

c:  The Honorable Russell K. Pearce, Vice-Chairman, JCCR
    Richard Stavneak, Director, JLBC Staff
    Leatta McLaughlin, Senior Fiscal Analyst, JLBC Staff
    John Arnold, Director, OSPB
    Bret Cloninger, Assistant Director, OPSB
    Ken Bennett, Arizona Secretary of State
    Paul Shannon, Assistant Director, ADOA
    William Hernandez, Assistant Director, ADOA
    Nola Barnes, General Manager, ADOA
    Barbara Pipkin, General Manager, ADOA
April 5, 2010

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Kavanagh:

The Arizona Department of Administration (ADOA) requests that the Joint Committee on Capital Review (JCCR) recommend a pro rata exemption of FY 2010 rent for the Arizona Department of Water Resources (ADWR).

Effective April 1, 2010, ADOA will re-allocate 613 Usable Square Feet (USF) of ADWR space at 1520 West Adams, in Phoenix, to the Arizona Department of Agriculture (Agriculture).

Arizona Revised Statutes § 41-792.01 provides that if a state agency does not occupy owned space after the beginning of the fiscal year, the director of ADOA, on recommendation of JCCR, may authorize a whole or partial exemption from payment of the rental fee.

Based on the forgoing authority, ADOA requests that JCCR recommend reducing ADWR’s FY 2010 Capital Outlay Stabilization Fund (COSF) rent by $2,585 for its pro-rated occupancy of the space in FY 2010. ADOA is billing Agriculture for its pro-rated occupancy of the former ADWR space effective May 1, 2010 and for ongoing annualized occupancy in FY 2011.

If you have any questions please contact William Hernandez, Assistant Director, General Services Division, at (602) 542-1427.

Sincerely,

David Raber
Interim Director
April 9, 2010

The Honorable John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona State House of Representatives
1700 West Washington
Phoenix, Arizona 85007

Dear Representative Kavanagh:

The Arizona Department of Administration (ADOA) requests that the Joint Committee on Capital Review (JCCR) recommend quarterly rent payments in FY 2011 for the Arizona Corporation Commission.

The Commission occupies office space in the state-owned buildings at 1200, 1300 and 1400 W. Washington. The Commission has made this request for quarterly payments due to issues with cash flow.

Arizona Revised Statutes §41-792.01.D provides that the ADOA Director, on recommendation of JCCR, may authorize an exemption for periods of one year or more at a time for a state agency from the full payment account transfer requirements if the agency can demonstrate a practice of making full payment of rent on a different basis necessitated by its cash flow.

If you have any questions please contact William Hernandez, Assistant Director, General Services Division, at (602) 364-2872.

Sincerely,

David Raber
Interim Director
DATE: April 20, 2010  
TO: Representative John Kavanagh, Chairman  
Members, Joint Committee on Capital Review  
THRU: Richard Stavneak, Director  
FROM: Jack Brown, Fiscal Analyst  
SUBJECT: School Facilities Board – Review of $100 Million Lease-Purchase Issuance  

Request  
Pursuant to A.R.S. § 15-2004, the School Facilities Board (SFB) requests the Committee review $100 million in statutorily authorized new construction projects to be financed with lease-purchase agreements. SFB presents 2 methods of financing which are summarized on page 2.  

Recommendation  
The Committee has at least the following 3 options:  
1. A favorable review of the projects to be financed with Build America Bonds.  
2. A favorable review of the projects to be financed with Qualified School Construction Bonds.  
3. An unfavorable review of the projects.  

Under any option, the JLBC Staff recommends that SFB submit a final list of projects and debt service schedule associated with the lease-purchase agreement.  

Analysis  
Lease-Purchase Agreement  
Originally, the FY 2010 Education Budget Reconciliation Bill (BRB) authorized SFB to enter into a maximum of $100 million worth of lease-purchase transactions through the middle of FY 2011, to be financed through a federal bonding program known as Qualified School Construction Bonds (QSCBs). The FY 2011 Education BRB (Laws 2010, 7th Special Session, Chapter 8) retained the $100 million cap, but expanded this authority to include another federal bonding program, Build America Bonds (BABs), and allowed SFB to issue the bonds through the end of FY 2011.  

SFB plans on using the $100 million of proceeds to construct 9 new construction projects beginning in FY 2011. Of these 9 projects, 4 are located in districts which were above capacity. This means that the
The transaction costs for the issuance (underwriting fees, insurance, etc.) will be approximately $1.0 to $1.5 million, and will be paid from the proceeds of the issuance, which is expected to occur in July or August 2010.

Table 1 below summarizes the 2 potential financing arrangements for the lease-purchase agreements:

<table>
<thead>
<tr>
<th></th>
<th>BAB</th>
<th>QSCB</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Proceeds</td>
<td>$100,000,000</td>
<td>$100,000,000</td>
</tr>
<tr>
<td>Term (years)</td>
<td>15</td>
<td>15</td>
</tr>
<tr>
<td>Market Interest Rate</td>
<td>5.7%</td>
<td>6.3%</td>
</tr>
<tr>
<td>Effective Interest Rate</td>
<td>3.7%</td>
<td>0.6%</td>
</tr>
<tr>
<td>Davis-Bacon (Prevailing Wage Requirement)</td>
<td>No</td>
<td>Yes</td>
</tr>
<tr>
<td>Annual Debt Service</td>
<td>$8.8 M</td>
<td>$6.0 M</td>
</tr>
<tr>
<td>Total Cost Over Term</td>
<td>$132.5 M</td>
<td>$89.3 M</td>
</tr>
</tbody>
</table>

Federal Bonding Programs

**Build America Bonds – Option 1**

The American Recovery and Reinvestment Act of 2009 (ARRA) created a new category of bonds known as BABs. These taxable bonds entitle the bond issuer to a 35% “direct pay subsidy.” This subsidy is set by federal statute and is a fixed rate of 35% of interest costs.

For example, if the state issued a bond with an interest rate of 5.7%, upon each interest payment the state would receive a direct 35% interest subsidy from the federal government, which would leave the state to pay the remaining 65% of interest costs, for an effective interest rate of 3.7%. Federal regulations mandate that the subsidy percentage remain the same throughout the life of the bond.

SFB has requested that the Committee consider the BABs as 1 method of financing the $100 million lease-purchase agreement. Under this scenario, the state would make traditional debt service payments of approximately $8.84 million annually through FY 2026, at an effective interest rate of 3.7%. Over the term of the lease-purchase agreement, the state’s debt service would total $132.5 million, which consists of $100 million of principal and $32.5 million of interest.

BABs have 1 important feature – projects funded with BAB proceeds are not subject to Davis-Bacon wage requirements. The Davis-Bacon Act is a federal law which mandates that certain federally funded projects pay prevailing wage rates determined by the U.S. Department of Labor. SFB estimates that this requirement will typically add 6% to the cost of a new construction project. Because SFB new construction awards are based on a statutory formula, any additional Davis-Bacon costs would be absorbed by local school districts.

**Qualified School Construction Bonds – Option 2**

ARRA and subsequent federal legislation also created a new category of bonds known as QSCBs. QSCBs currently allow bond issuers to receive a federal subsidy, at a rate which is determined by the U.S. Department of Treasury. This “direct pay subsidy” is paid by the federal government directly to the state upon each debt service payment. For example, if the state issued a bond with an interest rate of 6.32%,
upon each interest payment the state would receive a direct interest rate subsidy from the federal government of 5.75%, leaving the state paying an effective interest rate of 0.57%.

SFB has requested that the Committee consider the QSCBs as 1 method of financing the $100 million lease-purchase agreement. Under this scenario, the state would make annual deposits into a separate account known as a “sinking fund” through FY 2026. A portion of each annual deposit would go to pay interest on the bond, with the rest remaining in the fund to earn interest. As each year passes, the sinking fund receives additional deposits and earns interest on past deposits. At the end of the 15-year lease-purchase agreement, the balance of the sinking fund is used to pay off the $100 million value of the bond.

Unlike BABs, the QSCB program allows bond issuers to make deposits into a sinking fund, which can earn interest over time and reduce overall debt service levels. Given the 0.57% effective interest rate of Option 2 and the fact that the sinking fund can earn interest at a rate of approximately 3%, the state would make significantly less debt service payments using QSCBs as opposed to the BABs scenario.

Given this, the QSCB scenario would result in the state making annual debt service payments of $5.95 million. Over the term of the lease-purchase agreement, the state would make $89.3 million of debt service payments, which is approximately $(43.2) million less than the BABs scenario.

Unlike BABs, projects funded with QSCBs are subject to Davis-Bacon requirements.

Construction Schedule
The board estimates it will oversee 9 new school construction projects in FY 2011. Table 2 below lists the county in which these projects are located (see Attachment 1 for a detailed map).

<table>
<thead>
<tr>
<th>Location of FY 2011 New Construction Projects</th>
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<tbody>
<tr>
<td>Maricopa County</td>
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<tr>
<td>Pima County</td>
</tr>
<tr>
<td>Yavapai County</td>
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<tr>
<td>Total</td>
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</tr>
<tr>
<td>1</td>
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Cost Estimates
The board estimates spending a total of $100.0 million on these 9 new construction projects, which includes:

- $10.9 million for land and site conditions.
- $63.3 million in FY 2011 for new construction, which is based on SFB estimates of project spending patterns.
- $18.8 million in FY 2012 to complete the 9 new construction projects.
- $5.5 million contingency reserve.
- $1.5 million for issuance costs.

New School Construction Funding
New construction funding is provided by the SFB based on a statutory formula which includes the number of additional pupils who need space in a district, a mandated square foot per pupil, and a cost per square foot for new construction. Currently, SFB has the authority to provide additional funding above and beyond the statutory amount due to site conditions. SFB has budgeted $4 million for site condition adjustments for the proposed FY 2011 new construction projects.

The Arizona House of Representatives passed legislation (HB 2725) which contained a provision that would allow SFB to distribute new construction funding for these 9 projects based on the statutory

(Continued)
amount at the time the project goes to bid. This provision was removed in the Senate Education Accountability and Reform Committee, and the JLBC analysis assumes the current statutory requirement of using the new construction formula amount at the time the project was awarded.

The 9 projects were awarded in the past 5 calendar years as follows: 1 in 2005, 3 in 2006, 1 in 2007, 2 in 2008, 1 in 2009, and 1 in 2010. Given the amount of time that has elapsed since the earliest award dates, SFB is concerned that districts may have to supplement their projects with their own funds or otherwise modify the project to remain within the award amount, depending on the outcome of a project’s bid process.

RS/JBr:sls
Attachment
School Facilities Board FY 2011 New Construction Projects
(9 Projects For 8 School Districts)

Cave Creek Unified – 1
Laveen Elementary – 1
Liberty Elementary – 1
Sahuarita Unified – 1
Sunnyside Unified – 1
Tanque Verde Unified – 1
Vail Unified – 2
Yavapai Accommodation – 1
April 14, 2010

The Honorable John Kavanagh
Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, Arizona 85007

Dear Representative Kavanagh,

Pursuant to Arizona Laws 2010, Seventh Special Session, Chapter 8, Section 75 (HB 2008), signed into law by Governor Brewer on March 18, 2010, the School Facilities Board’s authority has been expanded to enter into lease-to-own transactions of up to $100,000,000 by June 30, 2011 using Build America Bonds as authorized by the American Recovery and Reinvestment Act of 2009 or subsequent federal law. This Build America Bond (BAB) program allows for an interest rebate from the Federal government for the cost of the debt service to the State via two scenarios.

Scenario 1 - 35% rebate:
With this scenario the State would receive a 35% rebate of the interest paid for the debt service of the bonds. This scenario eliminates the Davis-Bacon Act prevailing wage requirement and would allow the new school construction projects to take advantage of the current friendly market conditions. The estimated cost to the State for debt financing interest is $32,517,421 over the 15 year finance period on the $100,000,000 in bonds (see the Attachment 1 chart for a year-by-year projection).

Scenario 2 (shown as Scenario 3 in attachment) - 85% rebate:
With this scenario the State would receive an 85% rebate of the interest paid for the debt service of the bonds. The State would sell $100,000,000 in BAB bonds with a total repayment of $89,000,000. This scenario assumes the establishment of equal sinking fund payments over the 15 year repayment period and the interest earned on the sinking fund balance being applied to the principle borrowed (see the Attachment 1 chart for a year-by-year projection). This scenario’s drawback would be the requirement for the use of the Davis-Bacon Act prevailing wage in all of the new school construction projects. The Davis-Bacon Act requirement would add a minimum of 6% to the overall construction cost of the project.

Also required in the Build America Bond program, regardless of the above two scenarios, is the Buy America Act requirement. This requirement states that the material used to build the projects must be manufactured in the USA. This requirement will add a minimum of 2% to the construction cost of each project.
Current statute allows the SFB to modify the base cost per square foot only for geographic conditions or site conditions. It is our opinion that if the SFB were allowed to adjust the awarded cost per square foot formula to the current formula amount all of the projects could be funded using Scenario 2 (85% rebate). This increase would add approximately $8,000,000 to the overall new school construction cost (see Attachment 2). If the SFB is not permitted to increase the awarded formula to the current formula and Scenario 2 (85% rebate) is used, we would not be able to build all of the schools.

*Note: Included in Attachment 1 is the Qualified School Construction Bond Build America Bond (QSCB BAB) example, shown as Scenario 2. This example is a best case scenario. This type of bond allows for a tax credit to the investor in the amount of interest that would have been earned (set at day of sale). These bonds have not been particularly popular in the market place and would require the State to incentivize the sale by adding 2% to 4% in interest that would be have to be paid to the investors in addition to the tax credit allowed by the Federal government.

Sincerely,

[Signature]

Dean T. Gray

cc: Richard Stavneak, Director – Joint Legislative Budget Committee
    John Arnold, Director – Governor’s Office of Strategic Planning and Budgeting
    Jack Brown, Legislative Analyst
**ARIZONA SCHOOL FACILITIES BOARD**  
$100 Million New Construction Certificates of Participation, Series 2010

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<tr>
<th>Fiscal Year</th>
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**QSCB BAB with Tax Credit Rate Subsidy**  
Scenario 2

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**QSCB TERM BAB with Tax Credit Rate Subsidy**  
Scenario 3

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*Assumes Tax Credit Rate of 0.75%

---

- No Davis Bacon Requirement
- Interest rates are more favorable than traditional tax exempt financing
- Financing option available to SFB in accordance with 7th Special Session
- No limit on maturity date

---

- Requires Davis Bacon Compliance
- More favorable interest rate subsidy than original 35% subsidy BAB option
- Maturity of QSCBs limited by Treasury Department

---

- Requires Davis Bacon Compliance
- Most favorable from an interest rate perspective, favorability diminishes as the delay increases on initial sinking fund payment
- Requires secure sinking fund and appropriate investment option for the sinking fund
- Maturity of QSCBs limited by Treasury Department

Prepared by Stone Youngberg  - 4/6/2010
<table>
<thead>
<tr>
<th>District</th>
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<th>Current formula per SF</th>
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$82,141,331        $90,163,608

Vail Land: $5,900,000
Site conditions: $4,000,000
Yavapai site: $1,000,000

$93,041,331        $101,063,608
DATE: April 20, 2010

TO: Representative John Kavanagh, Chairman
   Members, Joint Committee on Capital Review

THRU: Richard Stavneak, Director

FROM: Jack Brown, Fiscal Analyst

SUBJECT: School Facilities Board - Review of Lease-Purchase Refinancing

Request

The FY 2011 Education Budget Reconciliation Bill (BRB) (Laws 2010, 7th Special Session, Chapter 8) requires the School Facilities Board (SFB) to enter into a refinancing agreement that reduces the board’s debt service obligation in FY 2011 by up to $60.0 million. In order to account for the refinancing savings, the FY 2011 General Appropriation Act reduced SFB’s New School Facilities Debt Service line item by $60.0 million.

The FY 2011 Education BRB requires that before entering into a refinancing agreement, the agreement’s proposed terms must be submitted for review by the Joint Committee on Capital Review.

Recommendation

The Committee has at least the following 2 options:

1. A favorable review of the refinancing agreement.

2. An unfavorable review of the refinancing agreement.

Under either option, the JLBC Staff recommends that SFB submit a final debt service schedule associated with the refinancing agreement.

Analysis

In FY 2003 - FY 2005, most of FY 2008, and FY 2009, SFB entered into lease-purchase agreements to finance the costs of new school construction. For each agreement, SFB issued Certificates of Participation (COPs) that are typically repaid over a period of 15 years.
Under the proposed refinancing agreement, there would be an estimated $60.0 million of one-time savings in FY 2011. To achieve the one-time savings of $60.0 million in FY 2011, SFB would issue $62.9 million of additional COPs, and use $60.0 million of these proceeds to make a portion of the debt service payments already scheduled on outstanding COPs in FY 2011. The remaining proceeds would go to pay issuance costs and capitalized interest on the newly issued COPs. SFB expects the refinancing to occur in either July or August 2010.

The refinancing reflects only one-time savings in debt service payments. The refinancing would require adding $60.0 million back to SFB’s budget in FY 2012 to backfill the one-time savings. The payment of the $62.9 million of refinanced debt service would be spread over a 10-year payment term and paid back with an associated interest rate of approximately 4.5%. Besides returning to the regular debt service payments, the proposed refinancing agreement would have SFB pay interest costs only on the newly issued COPs in FY 2012 - FY 2018 ($2.8 million), with the final 2 years consisting of both principal and interest costs ($22.4 million in FY 2019 and $43.1 million in FY 2020).

Table 1 below outlines the changes to SFB’s current debt service schedule.

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Current Debt Schedule</th>
<th>Updated Debt Schedule ¹/</th>
<th>Difference</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2011</td>
<td>$ 123,520,100</td>
<td>$ 63,520,200 ²/</td>
<td>$(59,999,900)</td>
</tr>
<tr>
<td>FY 2012</td>
<td>149,984,600</td>
<td>152,812,200</td>
<td>2,827,600</td>
</tr>
<tr>
<td>FY 2013</td>
<td>155,792,600</td>
<td>158,620,200</td>
<td>2,827,600</td>
</tr>
<tr>
<td>FY 2014</td>
<td>160,527,900</td>
<td>163,355,400</td>
<td>2,827,600</td>
</tr>
<tr>
<td>FY 2015</td>
<td>160,318,900</td>
<td>163,146,500</td>
<td>2,827,600</td>
</tr>
<tr>
<td>FY 2016</td>
<td>160,098,400</td>
<td>162,926,000</td>
<td>2,827,600</td>
</tr>
<tr>
<td>FY 2017</td>
<td>159,874,500</td>
<td>162,702,100</td>
<td>2,827,600</td>
</tr>
<tr>
<td>FY 2018</td>
<td>159,634,500</td>
<td>162,462,100</td>
<td>2,827,600</td>
</tr>
<tr>
<td>FY 2019</td>
<td>106,333,100</td>
<td>128,752,600</td>
<td>22,419,500</td>
</tr>
<tr>
<td>FY 2020</td>
<td>81,712,100</td>
<td>124,877,700</td>
<td>43,165,600</td>
</tr>
<tr>
<td>FY 2021</td>
<td>58,648,300</td>
<td>58,648,300</td>
<td>-</td>
</tr>
<tr>
<td>FY 2022</td>
<td>58,647,700</td>
<td>58,647,700</td>
<td>-</td>
</tr>
<tr>
<td>FY 2023</td>
<td>58,647,800</td>
<td>58,647,800</td>
<td>-</td>
</tr>
<tr>
<td>FY 2024</td>
<td>58,647,600</td>
<td>58,647,600</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$1,652,388,100</td>
<td>$1,677,766,200</td>
<td>$ 25,378,300</td>
</tr>
</tbody>
</table>

¹/ Excludes any change to the debt service schedule due to the $100 million lease-purchase agreement contained in agenda item 2A.
²/ General Fund spending only – the rest of SFB’s debt service payment will consist of $60.0 M paid from the refinancing proceeds.

RS/JBr:sls
April 15, 2010

The Honorable John Kavanagh
Chairman
Joint Committee on Capital Review
1716 West Adams
Phoenix, Arizona 85007

Dear Representative Kavanagh,

During the fiscal years 2003, 2004, 2005 and 2008, the School Facilities Board (SFB) issued bonds with a debt service schedule of more than $1.6 billion to be paid over the ensuing 20 years. More than $123 million of that debt is to be paid in fiscal year 2011. Arizona Laws 2010, Seventh Special Session, Chapter 8, Section 20 authorizes the SFB to sell $60 million in bonds to refund the portion of outstanding debt that is scheduled to mature in September 2010. The new debt schedule will shift the bulk of the $60 million in refunding to fiscal years 2019 and 2020. The attached documents illustrate the impact on debt service by fiscal year.

In accordance with A.R.S. §15-2004, Section I (5), the SFB is submitting the debt restructuring plan to the Joint Committee on Capital Review (JCCR) for its review. Attached to this letter are several reference documents including an estimated debt service schedule and charts/graphs illustrating the comparison of refunded and refunding certificates:

- Summary of Outstanding Lease Obligations
- Certificates due September 1, 2010 to be Refunded
- Estimated Sources and Uses of Funds
- Comparison of Refunded & Refunding Certificates
- FY 2011 Savings Restructuring

Due to the critical time constraints associated with refinancing the debt service schedule to be paid in September, the SFB respectfully requests a review of this item at the April 27, 2010 meeting of the Joint Committee on Capital Review.

Sincerely,

Dean T. Gray

cc: Richard Stavneak, Director – Joint Legislative Budget Committee
    John Arnold, Director – Governor’s Office of Strategic Planning and Budgeting
    Jack Brown, Legislative Analyst
# Summary of Outstanding Lease Obligations

Arizona School Facilities Board  
Outstanding Certificates of Participation  
Schedule of Annual Lease Payments

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 11</td>
<td>$6,535,388</td>
<td>$15,565,288</td>
<td>$4,408,675</td>
<td>$15,436,311</td>
<td>$4,652,013</td>
<td>$16,658,244</td>
<td>$4,558,535</td>
<td>$2,777,816</td>
<td>$58,647,663</td>
<td>$133,520,141</td>
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<tr>
<td>FY 12</td>
<td>$32,992,500</td>
<td>$15,570,788</td>
<td>$4,402,575</td>
<td>$15,421,263</td>
<td>$4,664,138</td>
<td>$16,657,088</td>
<td>$4,558,775</td>
<td>$2,781,485</td>
<td>$58,646,638</td>
<td>$149,984,648</td>
</tr>
<tr>
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<td>$15,561,788</td>
<td>$4,406,880</td>
<td>$15,409,163</td>
<td>$4,680,800</td>
<td>$16,655,119</td>
<td>$4,558,213</td>
<td>$2,780,710</td>
<td>$58,647,436</td>
<td>$155,792,579</td>
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<tr>
<td>FY 14</td>
<td>$43,542,000</td>
<td>$15,560,083</td>
<td>$4,408,050</td>
<td>$15,388,836</td>
<td>$4,699,760</td>
<td>$16,657,090</td>
<td>$4,557,525</td>
<td>$2,778,360</td>
<td>$58,669,088</td>
<td>$160,527,854</td>
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<tr>
<td>FY 15</td>
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<td>$15,571,481</td>
<td>$4,408,625</td>
<td>$15,381,388</td>
<td>$4,709,388</td>
<td>$53,984,750</td>
<td>$4,559,663</td>
<td>$2,780,498</td>
<td>$58,644,388</td>
<td>$160,319,927</td>
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<tr>
<td>FY 16</td>
<td>$0</td>
<td>$0</td>
<td>$4,409,750</td>
<td>$15,352,963</td>
<td>$4,739,013</td>
<td>$53,767,625</td>
<td>$4,701,250</td>
<td>$2,777,748</td>
<td>$58,645,663</td>
<td>$160,093,360</td>
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<tr>
<td>FY 17</td>
<td>$0</td>
<td>$0</td>
<td>$4,411,375</td>
<td>$15,332,394</td>
<td>$4,758,044</td>
<td>$53,545,750</td>
<td>$4,701,875</td>
<td>$2,779,505</td>
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<td>$159,874,468</td>
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<tr>
<td>FY 18</td>
<td>$0</td>
<td>$0</td>
<td>$4,408,112</td>
<td>$0</td>
<td>$4,767,750</td>
<td>$53,301,125</td>
<td>$20,122,750</td>
<td>$18,291,500</td>
<td>$58,644,253</td>
<td>$159,613,503</td>
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<tr>
<td>FY 19</td>
<td>$0</td>
<td>$0</td>
<td>$4,409,500</td>
<td>$0</td>
<td>$4,799,888</td>
<td>$53,105,875</td>
<td>$20,122,750</td>
<td>$18,268,875</td>
<td>$58,649,000</td>
<td>$158,333,138</td>
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<tr>
<td>FY 20</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$4,821,863</td>
<td>$53,301,125</td>
<td>$20,122,750</td>
<td>$18,291,500</td>
<td>$58,645,200</td>
<td>$81,712,063</td>
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<tr>
<td>FY 21</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$53,301,125</td>
<td>$20,122,750</td>
<td>$18,291,500</td>
<td>$58,648,272</td>
<td>$58,648,272</td>
</tr>
<tr>
<td>FY 22</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$53,301,125</td>
<td>$20,122,750</td>
<td>$18,264,704</td>
<td>$58,647,706</td>
<td>$58,647,706</td>
</tr>
<tr>
<td>FY 23</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$53,301,125</td>
<td>$20,122,750</td>
<td>$18,264,704</td>
<td>$58,647,836</td>
<td>$58,647,836</td>
</tr>
<tr>
<td>FY 24</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$0</td>
<td>$53,301,125</td>
<td>$20,122,750</td>
<td>$18,264,704</td>
<td>$58,647,606</td>
<td>$58,647,606</td>
</tr>
</tbody>
</table>

TOTAL: $121,875,263 | $77,842,406 | $40,397,813 | $109,121,306 | $47,305,444 | $257,228,400 | $163,284,700 | $74,261,896 | $821,056,375 | $1,651,388,103
## Summary of Certificate Debt Service Due 9-1-10 to be Refunded

<table>
<thead>
<tr>
<th>Maturity Date</th>
<th>Interest Rate</th>
<th>Par Amount</th>
<th>Call Date</th>
<th>Call Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2003B*</td>
<td>9/1/2010</td>
<td>5.00%</td>
<td>$10,170,000</td>
<td>NA</td>
</tr>
<tr>
<td>9/1/2010</td>
<td>3.75%</td>
<td>$2,500,000</td>
<td>NA</td>
<td>NA</td>
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<tr>
<td></td>
<td></td>
<td></td>
<td><strong>$12,670,000</strong></td>
<td></td>
</tr>
<tr>
<td>Series 2004B</td>
<td>9/1/2010</td>
<td>5.25%</td>
<td>$11,145,000</td>
<td>NA</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>$11,145,000</strong></td>
<td></td>
</tr>
<tr>
<td>Series 2008*</td>
<td>9/1/2010</td>
<td>4.00%</td>
<td>$2,905,000</td>
<td>NA</td>
</tr>
<tr>
<td>9/1/2010</td>
<td>5.00%</td>
<td>$26,095,000</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td>Series 2008 Interest Due</td>
<td></td>
<td></td>
<td>$8,549,666</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td><strong>$37,549,666</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td><strong>$61,364,666</strong></td>
<td></td>
</tr>
</tbody>
</table>

^Includes principal for three series of Certificates (2003B, 2004B, 2008) plus a portion of the interest on the Series 2008 Certificates due 9-1-10

*Maturities with a split coupon pricing structure
## Estimated Sources and Uses of Funds

### SOURCES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Series 2010 Refunding Certificate Proceeds:</td>
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<tr>
<td>Par Amount</td>
<td>$62,220,000.00</td>
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<tr>
<td>Premium</td>
<td>704,904.30</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$62,924,904.30</strong></td>
</tr>
</tbody>
</table>

### USES

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refunding Escrow Deposits:</td>
<td></td>
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<tr>
<td>Cash Deposit</td>
<td>$0.18</td>
</tr>
<tr>
<td>SLGS Purchases*</td>
<td>61,348,782.00</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$61,348,782.18</strong></td>
</tr>
<tr>
<td>Estimated Delivery Date Expenses:</td>
<td></td>
</tr>
<tr>
<td>Cost of Issuance</td>
<td>$450,000.00</td>
</tr>
<tr>
<td>Underwriters' Discount</td>
<td>248,880.00</td>
</tr>
<tr>
<td>Principal and Interest Insurance</td>
<td>349,084.83</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$1,047,964.83</strong></td>
</tr>
<tr>
<td>Other Uses of Funds:</td>
<td></td>
</tr>
<tr>
<td>Deposit to Certificate Debt Service Fund</td>
<td>$528,157.29</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$62,924,904.30</strong></td>
</tr>
</tbody>
</table>

*State and Local Government Series Securities held in escrow to retire refunded debt service on 9-1-10
Comparison of Refunded & Refunding Certificates

Arizona School Facilities Board
Refunding Certificates of Participation, Series 2010
BEFORE AND AFTER PROJECTED DEBT SERVICE

Current Debt Service ■ FY 11 Savings Restructuring
# Comparison of Refunded & Refunding Certificates

---

**Arizona School Facilities Board**

**Outstanding Certificates of Participation**

**Restructuring - FY 2011 SAVINGS**

<table>
<thead>
<tr>
<th></th>
<th>Current Structure</th>
<th>FY 2011 Savings Restructuring</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Annual Obligation</td>
<td>(Nominal)</td>
</tr>
<tr>
<td>FY 11</td>
<td>$123,520,141</td>
<td>$64,048,397</td>
<td>($59,999,902) *</td>
</tr>
<tr>
<td>FY 12</td>
<td>149,984,648</td>
<td>152,812,248</td>
<td>2,827,600</td>
</tr>
<tr>
<td>FY 13</td>
<td>155,792,579</td>
<td>158,620,179</td>
<td>2,827,600</td>
</tr>
<tr>
<td>FY 14</td>
<td>160,527,854</td>
<td>163,355,454</td>
<td>2,827,600</td>
</tr>
<tr>
<td>FY 15</td>
<td>160,318,929</td>
<td>163,146,329</td>
<td>2,827,600</td>
</tr>
<tr>
<td>FY 16</td>
<td>160,098,360</td>
<td>162,925,960</td>
<td>2,827,600</td>
</tr>
<tr>
<td>FY 17</td>
<td>159,874,468</td>
<td>162,702,068</td>
<td>2,827,600</td>
</tr>
<tr>
<td>FY 18</td>
<td>159,634,503</td>
<td>162,462,103</td>
<td>2,827,600</td>
</tr>
<tr>
<td>FY 19</td>
<td>156,333,138</td>
<td>128,752,581</td>
<td>22,419,444</td>
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<tr>
<td>FY 20</td>
<td>81,712,063</td>
<td>124,877,706</td>
<td>43,165,644</td>
</tr>
<tr>
<td>FY 21</td>
<td>58,648,272</td>
<td>58,648,272</td>
<td>0</td>
</tr>
<tr>
<td>FY 22</td>
<td>58,647,706</td>
<td>58,647,706</td>
<td>0</td>
</tr>
<tr>
<td>FY 23</td>
<td>58,647,838</td>
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<td>FY 24</td>
<td>58,647,606</td>
<td>58,647,606</td>
<td>0</td>
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<tr>
<td>TOTAL</td>
<td>$1,652,388,103</td>
<td>$1,678,294,646</td>
<td>$25,378,386 *</td>
</tr>
</tbody>
</table>

*Adjusted to reflect deposit of $528,157 to Certificate Debt Service Fund for Capitalized Interest*