

## JCCR MEETING

At its November 15, 2006 meeting, the Joint Committee on Capital Review (JCCR) considered the following issues:

**Arizona Department of Transportation Report on Modular Buildings** – The Committee gave a favorable review to the use of operating budget monies to install and lease 2 modular buildings at 1611 and 1615 West Jackson Street with the following provisions: 1) Money is not spent from the Motor Vehicle Division, 2) ADOT negotiate with the vendor to count the lease payment toward the purchase price of the buildings, and 3) ADOT inform the Committee of the purchase price of the buildings by December 15, 2006.

**School Facilities Board New School Construction and New School Facilities Fund Litigation Account** – The Committee deferred its review of the New School Construction Report until May 1, 2007 when the School Facilities Board (SFB) will have completed its project approval process. The New School Construction Report details the demographic assumptions, proposed construction schedule, and new school construction cost estimates for the FY 2008 year.

The SFB estimates that new school construction will cost approximately \$401.8 million in FY 2008. Of this amount, \$366.8 million is projected to be for construction projects and \$35.0 million is projected for land costs. SFB is requesting a \$399.0 million appropriation from the General Fund to pay for new school construction in FY 2008, with the remaining revenues coming from other sources.

The Committee gave a favorable review to the report on the Litigation Account. To date the account has not made any expenditure, nor has it received any revenues.

**School Facilities Board FY 2007 Building Renewal** – The Committee gave a favorable review to the proposed distribution of FY 2007 Building Renewal Fund monies in 2 equal installments of \$43.1 million in November 2006 and May 2007. Prior to receiving building renewal monies, statute requires districts to submit a 3-year building renewal plan. Due to many school districts not submitting building renewal plans, only \$8.4 million will be distributed November.

**Arizona State Lottery Commission Building Renewal** – The Committee gave a favorable review to the \$53,600 FY 2007 Building Renewal Allocation Plan. Of this amount, \$20,000 will be used to paint the interior of its Phoenix building, \$15,000 will be

used to repair the roof of the Phoenix warehouse, and the remaining \$18,600 will be for project contingencies. The Committee requested that the Lottery Commission report on the use of the \$18,600 contingency prior to its expenditure.

**Arizona State Parks Board State Lake Improvement Funds** – The Committee gave a favorable review to 11 State Lake Improvement Fund (SLIF) capital grants and projects totaling \$2,223,800. The review excluded \$560,000 for the design and engineering of the Town of Buckeye Recreational Lake, and \$1,232,000 for the Bullhead City boat ramp launch. The Buckeye lake project was unfavorably reviewed due to questions regarding the appropriateness of using large amounts of SLIF money to create new lakes, and the Bullhead City boat ramp was unfavorably reviewed because as per statute, SLIF money is for use on waters that allow gasoline powered boats.

**Northern Arizona University New Conference/Hotel Complex** – The Committee gave a favorable review to the Conference/Hotel complex project. Northern Arizona University (NAU) has entered into 2 partnerships to indirectly debt finance a 150 room on-campus hotel, a 41,000 square foot conference center, and a 344 space parking structure.

Indirect debt financing includes bond issuances or lease-purchase agreements for capital projects located on university land or that will house university activities, whereby the financing is executed by a private developer or a tax-exempt non-profit organization affiliated with the university. When calculating their debt ratio, the universities do not include indirect debt financing. For each university, statute limits the amount of debt service to be paid on all outstanding bonds and certificates of participation to 8% of total annual university expenditures.

The parking structure and conference center are estimated to cost \$16 million. Of the \$16 million, a majority of the funding will be provided through a \$12.4 million bond issuance by the Northern Arizona Capital Facilities Finance Corporation (NACFFC). The NACFFC is a non-profit limited liability company (LLC) established to support university initiatives. The partnership for the hotel requires the hotel company to finance the hotel.

**Arizona State University System Revenue Bond Project** – The Committee gave a favorable review to the issuance of \$18.5 million in system revenue bonds. Of the total, \$12.5 will be used to move and expand to 38,000 square feet the Police Department Facility. The remaining \$6 million will be used to clear land to build housing for 3,550 students at the

proposed site of Barrett College and the South Campus Academic Village.

A private entity, American Campus Communities (ACC) will construct the 3,550 units at a cost of \$230 million. ASU will not provide financing for construction of the housing units. Upon completion of the development, ACC will transfer title to ASU, and in exchange will receive a 65-year operating agreement with revenue sharing stipulations.

The Committee requested that ASU submit the following information by December 15, 2006: 1) ASU's options if ACC does not meet minimum operating standards for the residential facilities, and 2) room and board fees for the South Campus Academic Village and Barrett College.

**University of Arizona Law School Expansion –**

The Committee gave a favorable review to the issuance of \$7 million in system revenue bonds for the expansion and renovation of the law school, contingent on approval from the Arizona Board of Regents. The \$7 million system revenue bond represents one-third of the total project cost for a total of \$21 million. The other \$14 million will be funded by gifts prior to groundbreaking. The project includes renovation of 71,000 square feet of existing library, student organization, faculty office, and instructional space; and adds 4,900 square feet of new office space.

**University of Arizona Intercollegiate Athletics Facility –**

The Committee gave a favorable review to the issuance of \$19 million in system revenue bonds for the Intercollegiate Athletics Facility Additions and Renovations project. The \$19 million system revenue bond represents most of the \$20 million total project cost. The other \$1 million will be funded by current university gifts. The project includes a new 18,389 square foot indoor basketball and volleyball practice facility, a 1,930 expansion of the gymnastics training facility, and a new 8,210 square foot diving pool.