STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

http://www.azleg.gov/jlbc.htm

JOINT COMMITTEE ON CAPITAL REVIEW
Wednesday, June 16, 2010
11:30 A.M.
Senate Appropriations, Room 109

MEETING NOTICE

- Call to Order
- Approval of Minutes of April 27, 2010.
- DIRECTOR'S REPORT (if necessary).

1. SCHOOL FACILITIES BOARD - Review of $100 Million Lease-Purchase Issuance.
2. ARIZONA GAME AND FISH DEPARTMENT - Review of Remaining Ben Avery Shooting Facility Improvements.

The Chairman reserves the right to set the order of the agenda.
6/7/10
sls

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.

STATE OF ARIZONA

Joint Committee on Capital Review

STATE SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

http://www.azleg.gov/jlbc.htm

HOUSE OF REPRESENTATIVES

MINUTES OF THE MEETING
JOINT COMMITTEE ON CAPITAL REVIEW

Tuesday, April 27, 2010

The Chairman called the meeting to order at 8:05 a.m., Tuesday, April 27, 2010 in House Hearing Room 4. The following were present:

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

APPROVAL OF MINUTES

Hearing no objections from the members of the Committee, Chairman John Kavanagh stated the minutes of March 23, 2010 would stand approved.

ARIZONA DEPARTMENT OF ADMINISTRATION

A. Review of FY 2010 Emergency Building Renewal Project.

Mr. Martin Lorenzo, JLBC Staff, stated that this item is a request to rehabilitate the water well system that is located at the Arizona State Prison Complex Safford's Fort Grant unit at an estimate total cost of $160,000. The JLBC Staff recommended a favorable review.

Mr. Mike Landry, Bureau Administrator for Engineering and Facilities, Department of Corrections, responded to member questions.

Senator Pearce moved that the Committee give a favorable review of ADOA's request to rehabilitate the 2 wells located at the Fort Grant unit. The motion carried.

B. Consider Recommending FY 2010 Partial Rent Exemptions and FY 2011 Quarterly Rent Payments.

Mr. Juan Beltran, JLBC Staff, stated that this item is a request for recommendation of 8 partial rent exemptions for FY 2010 totaling $381,000. In addition, this is a request to recommend allowing the Corporation Commission to make quarterly payments in FY 2011 instead of 1 annual payment due at the beginning of FY 2011. The JLBC Staff recommended that the Committee recommend the proposal.

(Continued)

Senator Pearce moved 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, Arizona Health Care Cost Containment System, Department of Commerce, Registrar of Contractors, Department of Juvenile Corrections, Department of Mines and Mineral Resources, Secretary of State, and Department of Water Resources. The motion carried.

SCHOOL FACILITIES BOARD

A. Review of $100 Million Lease-Purchase Issuance.

Mr. Jack Brown, JLBC Staff, stated that this is a review of School Facilities Board's (SFB's) $100 million lease-purchase issuance. The JLBC Staff presented options to the Committee.

Mr. Grant Hamill, Managing Director, Stone & Youngberg, responded to member questions.

Mr. Dean Gray, Executive Director, School Facilities Board, responded to member questions.

Representative Kavanagh moved that the Committee table this item until a later date pending agency response. The motion carried.

B. Review of Lease-Purchase Refinancing.

Mr. Jack Brown, JLBC Staff, stated the FY 2011 Education BRB requires SFB to enter into a refinancing agreement that reduces the board's debt service obligation in FY 2011 by up to $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 JCCR. The JLBC Staff presented options to the Committee.

Senator Pearce moved that the Committee give a favorable review of the refinancing agreement with the provision that SFB submit a final debt service schedule associated with the refinancing agreement. 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.

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

HOUSE OF
REPRESENTATIVES

RUSSELL K. PEARCE
CHAIRMAN 2009
PAULA ABOUD
AMANDA AGUIRRE
SYLVIA ALLEN
JORGE LUIS GARCIA
CHUCK GRAY
AL MELVIN

PHONE (602) 926-5491

FAX (602) 926-5416

http://www.azleg.gov/jlbc.htm

JOHN KAVANAGH
CHAIRMAN 2010
RICH CRANDALL
DAVID LUJAN
JOHN MCCOMISH
NANCY MCLAIN
DAVID SCHAPIRA
KYRSTEN SINEMA

DATE: June 9, 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 in *Table 1*.

This item was heard by the Committee at the April 27, 2010 meeting, at which time it was postponed pending the receipt of further information from SFB.

Recommendation

The Committee has at least the following 3 options for both the financing mechanism and projects to be funded with the lease-purchase agreements:

<u>Lease-Purchase Financing</u>

1. A favorable review of the agreements to be financed with Build America Bonds.

2. A favorable review of the agreements to be financed with Qualified School Construction Bonds.

3. An unfavorable review of the agreements.

<u>New Construction Projects</u>

1. A favorable review of the projects.

2. A favorable review of the projects with exceptions.

3. An unfavorable review of the projects.

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

(Continued)

Analysis

Lease-Purchase Agreements
Recent budget legislation has authorized SFB to enter into a maximum of $100 million worth of lease-purchase transactions through the end of FY 2011 to be financed with either of 2 federal bonding programs: Qualified School Construction Bonds (QSCBs) or Build America Bonds (BABs).

BABs are taxable bonds which entitle the state to a 35% interest subsidy from the federal government. This leaves the state paying the remaining 65% of interest costs, along with principal, associated with any lease-purchase agreement.

Compared to BABs, QSCBs are taxable bonds with an even greater federal interest subsidy. As a result, the overall cost is $89.3 million with QSCBs, compared to $132.5 million with BABs. Federal law requires QSCB issuers to pay prevailing wages determined by the U.S. Department of Labor, which SFB Staff estimates would add 6% to the cost of a typical 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.

SFB Staff has surveyed the districts which contain one of the projects under consideration, in order to gauge the district's ability to contribute local funds to cover any additional Davis-Bacon costs. SFB has indicated that with the exception of Sunnyside Unified School District, every district surveyed will be able to build their awarded project even with additional Davis-Bacon costs. Sunnyside USD has communicated to SFB that it should be able to contribute enough local funds to complete its awarded project if needed, and a potential district bond election this November would make additional funds available.

For additional information regarding the 2 federal bonding programs, please see Attachment 3 which contains the April 27, 2010 agenda memo.

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

Table 1
Comparison of the Two Federal Bonding Programs

	BAB	**QSCB**
Total Proceeds	$100 M	$100 M
Effective Interest Rate	3.7%	0.6%
Davis-Bacon (Prevailing Wage Requirement)	No	Yes
Total Cost Over Term	$132.5 M	$89.3 M

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 2
Location of FY 2011
New Construction Projects

Maricopa County	3
Pima County	5
Yavapai County	1
Total	**9**

Of these 9 projects, 3 are in districts which are currently under capacity. This means the district's FY 2010 average daily membership (ADM) count was below the districtwide ADM capacity.

(Continued)

For additional information regarding the projects under consideration and the costs associated with each project, please see Attachment 3 which contains the April 27, 2010 agenda memo.

Demographic Assumptions

In response to the April 27, 2010 meeting, the Committee requested additional demographic information from SFB regarding the scheduled new construction projects. Specifically, the Committee inquired about the underlying assumptions for districts which are currently under capacity, but were awarded schools due to SFB forecasting the district to be over capacity in the next 3 years (as required by statute). SFB Staff indicated that it has reanalyzed each of these projects and believes the current demographic assumptions are accurate. *Table 3* outlines the assumptions for the 3 under capacity districts.

Table 3

Growth Assumptions For Currently "Under Capacity" Districts

District	Grades	Fiscal Year Over Capacity	Annual Growth Required
Laveen Elementary	K-8	2012	5.6%
Liberty Elementary	K-8	2013	5.4%
Vail Unified	9-12	2012	4.2%

One of the 6 over capacity districts is Cave Creek Unified School District (CCUSD), which would receive $6.4 million to expand Cactus Shadows High School to accommodate an additional 285 students. This has raised concerns since CCUSD has just closed Desert Arroyo Middle School, which is located 1,200 feet northwest of Cactus Shadows. As a result, JLBC Staff has discussed with CCUSD Staff whether the additional available space from the closure of Desert Arroyo Middle School could be used in place of the high school expansion *(see Attachment 2 for a detailed map of the campuses)*.

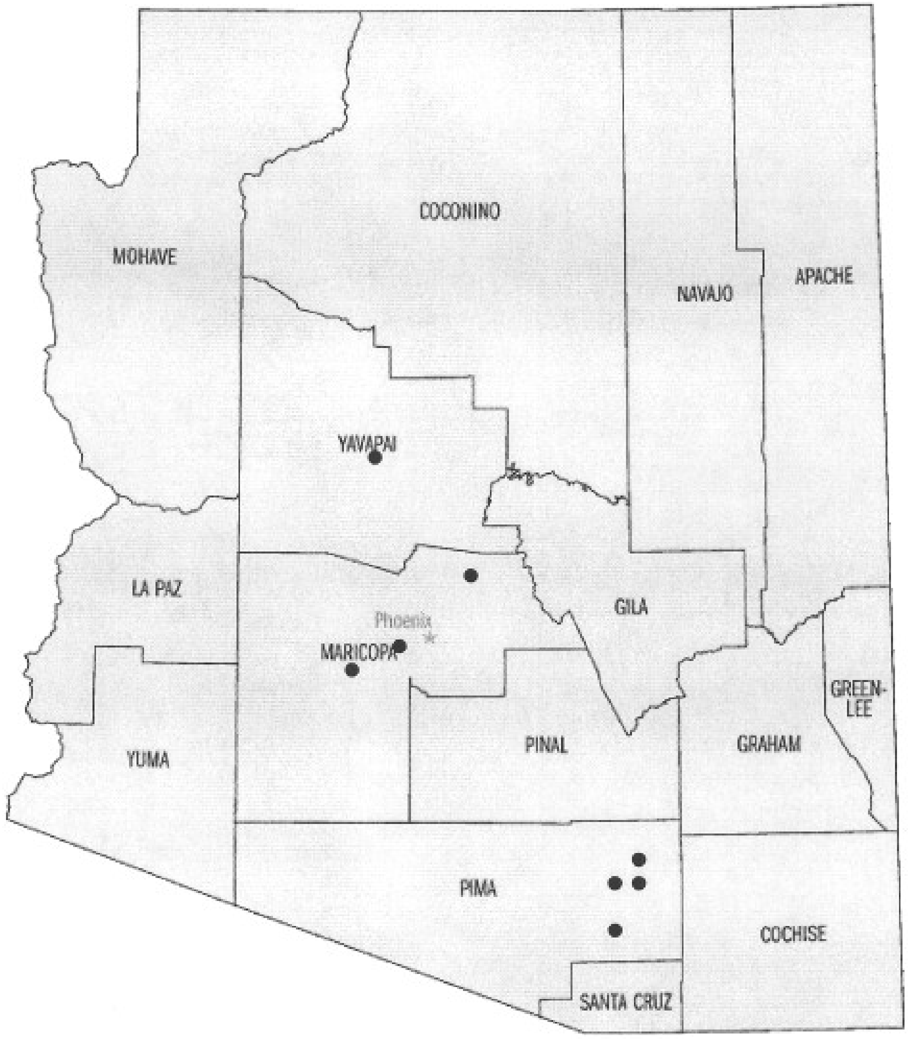
Any scenario involving the use of excess capacity from the closure of Desert Arroyo Middle School would likely involve Cactus Shadows students of 1 grade (presumably 9th or 12th grade) predominantly attending class at Desert Arroyo. CCUSD has indicated that it strongly opposes this scenario and has given the following reasons:

- Student safety when traveling between campuses. They are connected by a dirt path across a desert wash.
- Americans With Disabilities Act (ADA) accessibility.
- Concern that the travel between campuses would serve as a disincentive to students attending the class level of their choice (i.e. some higher performing 9th grade students attend several 10th grade classes and the 2 campus setup may discourage this).
- The 2 campuses may require a passing period of greater than 7 minutes, which is required by Arizona Department of Education regulations. Lengthier passing periods may cause scheduling disruptions of several types.

Any "2 campus" scenario would require the reclassification of Desert Arroyo Middle School as a high school. With the approval of SFB, statute allows a district to initiate the reclassification of academic space, however, SFB has no statutory authority to require a district to reclassify its school facilities.

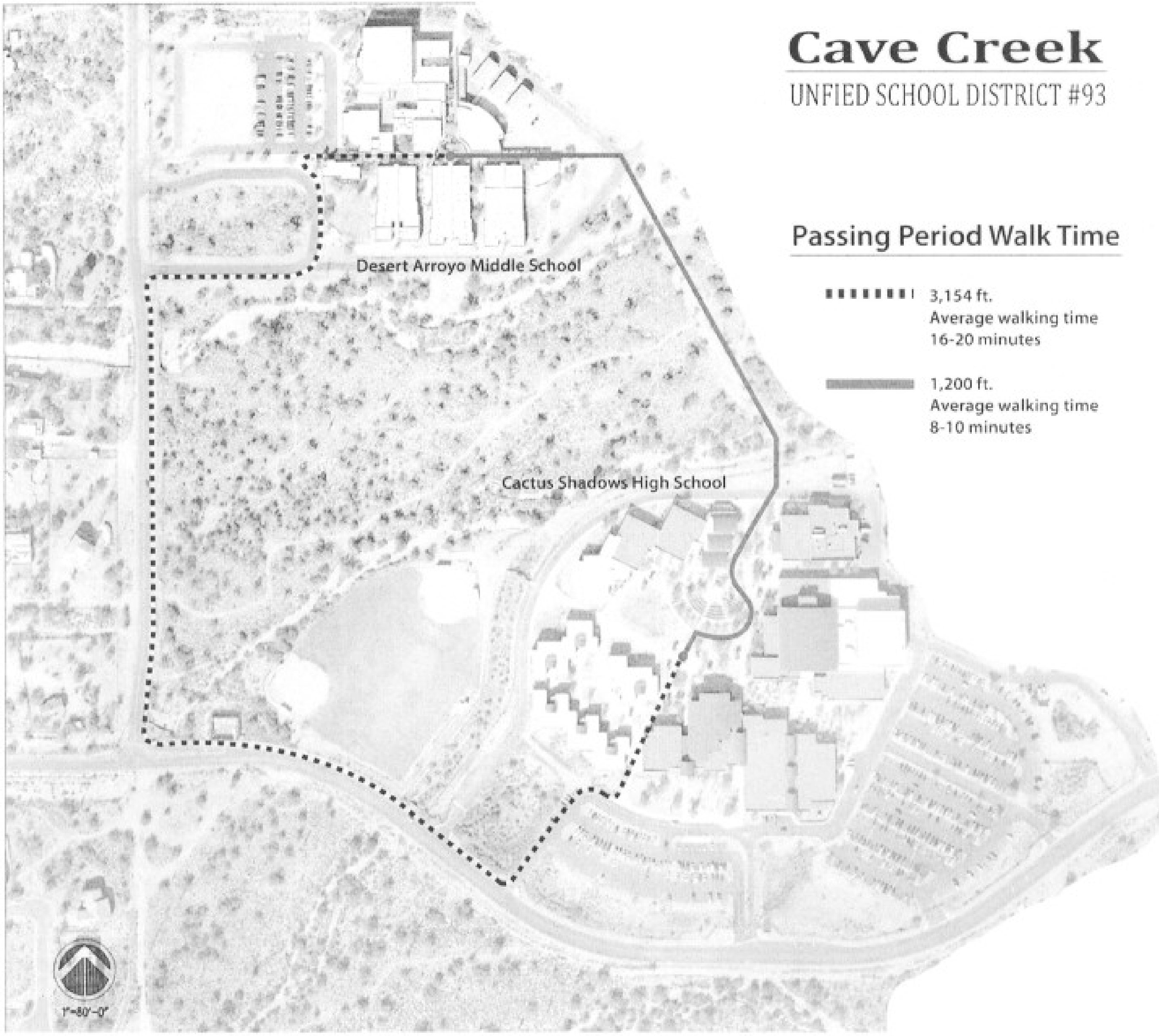
RS/JBr:sls
Attachment

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

Attachment 2



STATE OF ARIZONA

Joint Committee on Capital Review

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

http://www.azleg.gov/jlbc.htm

DATE: April 20, 2010

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

THRU: Richard Stavneak, Director RS

FROM: Jack Brown, Fiscal Analyst JBr

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

<u>Lease-Purchase Agreement</u>
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

(Continued)

district's FY 2009 average daily membership (ADM) count was above the district-wide ADM capacity. The remaining projects are in districts which SFB projects will be over capacity by next year. Under current law, SFB pays the per square foot cost in effect at the time of the initial award. Since some of these projects were awarded 2 - 3 years ago, some districts may choose not to accept their project if the project award is too low.

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 1

Comparison of the 2 Federal Bonding Programs

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

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%,

(Continued)

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 2

Location of FY 2011 New Construction Projects

Maricopa County	3
Pima County	5
Yavapai County	1
Total	**9**

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

STATE OF ARIZONA
SCHOOL FACILITIES BOARD

Governor of Arizona
Janice K. Brewer

Executive Director
Dean T. Gray

RECEIVED
MAY 21 2010
JOINT BUDGET COMMITTEE

May 21, 2010

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

Dear Representative Kavanagh,

At the April 27, 2010 meeting, the Joint Committee on Capital Review (Committee) tabled the review of the new school construction projects to be funded with $100 million in bonds (original request included with this letter). The Committee asked the School Facilities Board (SFB) to reevaluate the projects for verification that the projections were correct and to review with the districts their preferred bond sale scenario, as well as their ability to supplement the project funding if needed. Below is a summary of the information requested by the Committee.

HB 2725 was signed by the Governor and goes into effect on July 30, 2010. This law allows the SFB to use the current formula for projects that were awarded and not built between January 1, 2005 and November 4, 2009 (see Attachment 1). I have personally visited with all the districts that were included in the project list previously submitted to the Committee and they have all indicated that they would prefer Scenario 1 (see Attachment 2), which provides a 35% interest rebate to the State. This scenario would allow the districts to build the awarded square footage without the mandatory use of the Davis-Bacon Act wage requirements and thus, take full advantage of current market conditions. Using Scenario 1, it is my belief we can build all of the awarded projects within the allowable formula funding and the districts will not have to supplement the projects with district funds.

If Scenario 2 is adopted, the high school projects will have a better chance of being completed within budget because of the larger per square foot formula, but it is certainly possible that the districts will still have to supplement the formula funding. In addition, all of the elementary schools will have to include supplemental funding using Scenario 2.

I have consulted with all eight of the districts with projects that will be built with the $100 million in bonds and they have indicated that they have funds available to supplement their projects and build the space awarded, with the exception of Sunnyside Unified. Sunnyside currently does not have any existing funds that can be used to supplement the project. We are planning to move ahead with the design with the focus on building within the awarded formula. The district is planning to go to the voters with a bond election in November of this year. Part of the bond would allow supplemental funds for their project.

1700 WEST WASHINGTON, SUITE 230, PHOENIX, ARIZONA 85007
Phone: (602) 542-6501 • Fax: (602) 542-6529 • www.azsfb.gov

I have attached an updated project list as well as detailed summaries on all of the projects submitted to the Committee for review (see Attachment 3). All of the projects have been reanalyzed and the projections are current.

Included in Attachment 3 is the information submitted by Cave Creek Unified regarding the closure of Desert Arroyo Middle School. I have visited the site and walked the routes that would allow the use of the middle school as potential space. I agree with the district's conclusion that this middle school will not be a viable choice for supplemental high school space and the space awarded needs to be added to the existing high school.

Included with this letter as Attachment 4 are the statutes that apply to the School Facilities Board's new school construction analysis and award procedures.

Please contact me at 602-542-6143 if you have any questions.

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

STATE OF ARIZONA
SCHOOL FACILITIES BOARD

Governor of Arizona
Janice K. Brewer

Executive Director
Dean T. Gray

RECEIVED
APR 14 2010
JOINT BUDGET COMMITTEE

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 Stated 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 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.

1700 WEST WASHINGTON, SUITE 230, PHOENIX, ARIZONA 85007
Phone: (602) 542-6501 • Fax: (602) 542-6529 • www.azsfb.gov

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,

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

QSCB TERM BAB with Tax Credit Rate Subsidy* (Scenario 3):
Effective Coupon Rate: 0.57%
Investment Rate: 3.00%
Total Repayment Obligation: **$100,000,000**

	BAB Taxable Rate Structure with 35% Direct Pay Subsidy Scenario 1				QSCB BAB with Tax Credit Rate Subsidy* Scenario 2					QSCB TERM BAB with Tax Credit Rate Subsidy* Scenario 3				
Fiscal Year	Principal	Effective Rate	Interest	Net Annual Obligation	Principal	Effective Rate	Interest	Net Annual Obligation	Annual Obligation Savings (2-1)	Sinking Fund Payments September 1	Interest Paid	Interest Earned	Ending Escrow Balance	Annual Obligation Savings (3-2)
2012	$3,425,000	0.81%	$5,410,313	$8,835,313	$6,580,000	0.00%	$190,525	$6,770,525	$2,064,789	$5,950,000	$570,000		$5,380,000	$820,525
2013	$5,660,000	1.66%	$3,174,375	$8,834,375	$6,660,000	0.00%	$114,125	$6,774,125	$2,060,251	$5,950,000	$570,000	$161,400	$10,921,400	$824,125
2014	$5,765,000	2.04%	$3,068,594	$8,833,594	$6,660,000	0.00%	$114,125	$6,774,125	$2,059,470	$5,950,000	$570,000	$327,642	$16,629,042	$824,125
2015	$5,890,000	2.27%	$2,942,940	$8,832,940	$6,660,000	0.00%	$114,125	$6,774,125	$2,058,815	$5,950,000	$570,000	$498,871	$22,507,913	$824,125
2016	$6,040,000	2.61%	$2,797,266	$8,837,266	$6,660,000	0.00%	$114,125	$6,774,125	$2,063,142	$5,950,000	$570,000	$675,237	$28,563,151	$824,125
2017	$6,210,000	2.94%	$2,627,157	$8,837,157	$6,660,000	0.00%	$114,125	$6,774,125	$2,063,033	$5,950,000	$570,000	$856,895	$34,800,045	$824,125
2018	$6,400,000	3.24%	$2,432,190	$8,832,190	$6,660,000	0.00%	$114,125	$6,774,125	$2,058,066	$5,950,000	$570,000	$1,044,001	$41,224,047	$824,125
2019	$6,620,000	3.46%	$2,213,984	$8,833,984	$6,660,000	0.00%	$114,125	$6,774,125	$2,059,860	$5,950,000	$570,000	$1,236,721	$47,840,768	$824,125
2020	$6,860,000	3.62%	$1,975,275	$8,835,275	$6,660,000	0.00%	$114,125	$6,774,125	$2,061,150	$5,950,000	$570,000	$1,435,223	$54,655,991	$824,125
2021	$7,115,000	3.72%	$1,718,824	$8,833,824	$6,655,000	0.00%	$114,125	$6,769,125	$2,064,699	$5,950,000	$570,000	$1,639,680	$61,675,671	$819,125
2022	$7,390,000	3.78%	$1,446,774	$8,836,774	$6,660,000	0.07%	$111,794	$6,771,794	$2,064,981	$5,950,000	$570,000	$1,850,270	$68,905,941	$821,794
2023	$7,675,000	3.88%	$1,158,078	$8,833,078	$6,670,000	0.22%	$102,126	$6,772,126	$2,060,953	$5,950,000	$570,000	$2,067,178	$76,353,119	$822,126
2024	$7,985,000	3.98%	$850,342	$8,835,342	$6,690,000	0.37%	$82,412	$6,772,412	$2,062,930	$5,950,000	$570,000	$2,290,594	$84,023,713	$822,412
2025	$8,310,000	4.04%	$523,534	$8,833,534	$6,715,000	0.47%	$54,255	$6,769,255	$2,064,279	$5,950,000	$570,000	$2,520,711	$91,924,424	$819,255
2026	$8,655,000	4.11%	$177,774	$8,832,774	$6,750,000	0.57%	$19,238	$6,769,238	$2,063,536	$5,950,000	$570,000	$2,757,733	**$100,062,157**	$819,238
	$100,000,000		$32,517,421	$132,517,421	$100,000,000		$1,587,469	$101,587,469	$30,929,952	$89,250,000	$8,550,000	$19,362,157		$12,337,469

*Assumes Tax Credit Rate of 5.75%

Scenario 1:
- –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

Scenario 2:
- –Requires Davis Bacon Compliance
- –More favorable interest rate subsidy than original 35% subsidy BAB option
- –Maturity of QSCBs limited by Treasury Department

Scenario 3:
- –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

Attachment 2

New School Construction List										
District	Project Number	Project Description	Board Approval Date	Grade	Enrollment	Sq Feet	Approved formula per SF	Existing Budget	Current formula per SF	New budget at current formula
Sunnyside USD	100212000-9999-004N	New School	1/10/08	9-12	496	62,000	$163.81	$10,156,220	$167.05	$10,357,100
Sahuarita USD	100230000-9999-007N	New School	1/5/06	9-12	971	127,864	$142.85	$19,021,623	$167.05	$21,359,681
Cave Creek USD	070293000-9999-006N	New School	3/9/06	9-12	285	38,190	$142.85	$5,455,442	$167.05	$6,379,640
Tanque Verde USD	TBD	New School	4/7/10	7-12	170	20,859	$159.46	$3,326,176	$159.46	$3,326,176
Vail USD	100220000-9999-010N	New School	1/10/08	6-8	593	57,322	$138.98	$7,966,612	$141.73	$8,124,247
Yavapai Accommodation	130199000-9999-003N	New School	3/1/07	7-12	131	15,990	$160.28	$2,481,081	$159.46	$2,549,765
Laveen ESD	070459000-9999-006N	New School	4/6/06	K-8	1,000	92,400	$118.40	$11,090,160	$138.46	$12,943,704
Vail USD	100220000-9999-015N	New School	11/4/09	9-12	713	89,125	$167.05	$14,888,331	$167.05	$14,888,331
Liberty ESD	070425000-9999-003N	New School	1/6/05	K-8	800	73,920	$104.92	$7,755,686	$138.46	$10,234,963
								$82,141,331		$90,163,608
							Vail Land	$5,900,000		$5,900,000
							Site conditions	$4,000,000		$4,000,000
							Yavapai site	$1,000,000		$1,000,000
								$93,041,331		**$101,063,608**

STATE OF ARIZONA

Joint Committee on Capital Review

STATE
SENATE

1716 WEST ADAMS
PHOENIX, ARIZONA 85007

PHONE (602) 926-5491

FAX (602) 926-5416

http://www.azleg.gov/jlbc.htm

HOUSE OF
REPRESENTATIVES

DATE: June 9, 2010

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

THRU: Richard Stavneak, Director

FROM: Ted Nelson, Assistant Fiscal Analyst

SUBJECT: Arizona Game and Fish Department – Review of Remaining Ben Avery Shooting Facility Improvements

Request

A.R.S. § 41-1252 requires Committee review of expenditures plans for capital projects costing over $250,000. The Arizona Game and Fish Department (AGFD) is requesting Committee review of the remaining $460,700 of its FY 2010 appropriation for improvements to the Ben Avery Shooting Facility, which is located off Interstate 17 on the Carefree Highway.

Recommendation

The JLBC Staff recommends that the Committee give a favorable review of the department's request to expend $460,700 in remaining funds for the Ben Avery Shooting Facility project. These monies are not available to help resolve the FY 2010 or FY 2011 budget shortfall due to federal regulations that restrict their use.

Analysis

A.R.S. § 41-1252 requires that the Committee review the scope, purpose, and estimated cost before the release of monies for construction of a new capital project costing over $250,000. Laws 2009, 1st Regular Session, Chapter 10 appropriated AGFD $950,000 from the Game and Fish Capital Improvement Fund for infrastructure improvements at the Ben Avery Shooting Facility. JCCR favorably reviewed $489,300 of the $950,000 appropriation at its November 19, 2009 meeting. Of this amount, $282,100 was used for water and sewer line extensions and $207,200 was spent on driveways and parking lot improvements.

(Continued)

The department is now seeking review of the remaining expenditures totaling $460,700. Of this amount, $110,000 would be used towards the installation of electrical service to 56 new RV spaces. Earthwork, final grading, and soil stabilization for construction of an RV campground, along with grading modifications to mitigate drainage problems, will cost $214,100. Construction of 4 full-service RV hook-ups is expected to cost $126,300. These sites would include concrete parking slabs, covered ramadas, electric, water, and sewer hook-ups. Finally, $10,300 will be used for project contingency.

RS/TN:ss

THE STATE OF ARIZONA
GAME AND FISH DEPARTMENT
5000 W. CAREFREE HIGHWAY
PHOENIX, AZ 85086-5000
(602) 942-3000 • WWW.AZGFD.GOV

GOVERNOR
JANICE K. BREWER
COMMISSIONERS
CHAIR, JENNIFER L. MARTIN, PHOENIX
ROBERT R. WOODHOUSE, ROLL
NORMAN W. FREEMAN, CHINO VALLEY
JACK F. HUSTED, SPRINGERVILLE
J.W. HARRIS, TUCSON
DIRECTOR
LARRY D. VOYLES
DEPUTY DIRECTORS
GARY R. HOVATTER
BOB BROSCHEID

May 24, 2010

RECEIVED
MAY 27 2010
JOINT BUDGET COMMITTEE

Representative John Kavanagh, Chairman
Joint Committee on Capital Review
Arizona House of Representatives
Capitol Complex
1700 W. Washington
Phoenix, AZ 85007-2890

Re: Request for Placement on Joint Committee on Capital Review Agenda

Dear Representative Kavanagh:

The Arizona Game and Fish Department respectfully requests placement on the next scheduled agenda of the Joint Committee on Capital Review to review the following:

1. Approval To Expend Remaining Funds in FY 2010 Appropriation No. 03050 – Ben Avery Shooting Facility Improvements
2. Approval To Expend Funds in FY 2006 Appropriation No. 03029 – Black Canyon Dam Modification and FY 2007 Appropriation No. 03040 – Black Canyon Dam Modification

The information for this review is attached.

Sincerely,

Fred J. Bloom, P.E.
Chief Engineer

FJB:fb

cc: John Arnold, Director, OSPB
Bill Greeney, OSPB
Richard Stavneak, Staff Director, JLBC
Leatta McLaughlin, JLBC
Ted Nelson, JLBC
Tony Guiles, AGFD

Enc.

1. Approval To Expend Remaining Funds in FY 2010 Appropriation No. 03050 – Ben Avery Shooting Facility Improvements

This $950,000 appropriation is intended to provide funding for various infrastructure improvements at the Ben Avery Shooting Facility including water, sewer and road improvements. The Department received approval from JCCR in September 2009 for the expenditure of $282,150 for water and sewer line extensions to its proposed Wildlife Center, Winter Range and Mounted Shooters RV campground and multipurpose covered event building. The Department also received approval for the expenditure of $207,190 for paving and paving maintenance of Archery and Skeet Drives and slurry seal of the Clay Target Center parking lot.

The Department is currently requesting approval for the expenditure of remaining funds under this appropriation for the following:

1. Install electrical service to 56 new RV spaces on Phase II of the Clay Target Center RV Campground. Total bid for this project was $263,092 (attached). The Department is requesting approval to expend $110,000 of the appropriation toward this project. The remaining amount will be funded through the Ben Avery Master Plan Fund, generated through Department revenues. Water and sewer service has already been constructed through this fund.

2. Perform earthwork, final grading and soil stabilization on Phase II of the Clay Target Center RV Campground; perform grading modifications to Phase I of the RV Campground to mitigate drainage problems. Total Cost: $214,118 (Contractor's bid attached)

Justification: In addition to being a popular amenity for recreational shooters, RV campgrounds at shooting facilities such as the Clay Target Center benefit the facility financially. They have proven to be a tremendous source of revenue during the cooler months of the year as they allow the facility to offer popular competitive events that could not be considered without such facilities. Apart from these organized events the remaining RV space availablilities are typically booked out over a year in advance by casual users as well.

3. Construct four full service volunteer RV sites including concrete parking slabs, covered ramadas, electric, water and sewer hookups. Cost: $126,289 (Contractor's bid attached)

Justification: Volunteers have proven to be an extremely effective and cost efficient manner in which to achieve a variety of administrative and maintenance tasks that would otherwise fall on existing staff that already have more responsibility than they can adequately handle. Additionally experience has shown an inherent security benefit resulting from their 24/7 onsite presence.

5/10/2010
ARIZONA GAME AND FISH DEPARTMENT
ATTN; G.M. MERRILL
BEN AVERY SHOOTING FACILITY CLAY TARGET CENTER
RV CAMPGROUND
WATER & SANITARY SEWER SYSTEMS

DESCRIPTION	QTY	UNIT	UNIT PRICE	TOTAL
1. Raise existing RV parking and utility hookups per new plan dated 5/3/2010 (existing concrete slabs to demoed in place)	51	EA	$550.00	$28,050.00
2. Regrade site to drain to SE	33889	SY	$0.89	$30,161.21
3.Furnish,place,moisture condition and compact asphalt millings	10200	TON	$13.05	$133,110.00
5. Survey	1	LS	$14,000.00	$14,000.00
SUBTOTAL				$205,321.21
TAX				$11,703.31
TOTAL				$217,024.52

RESPECTFULLY SUBMITTED,

MARK KNOELL
ASPHALT SERVICES OF ARIZONA, INC

M. D. Merrett Incorporated

P.O. Box 3804, Carefree, AZ 85377 ~ MDMerrett@aol.com ~ (480) 575-0915 ~ (480) 575-8778 fax ~ ROC125363

4/26/2010

Mr. GM Merrill, PE
Arizona Game and Fish Department
5000 W Carefree Highway
Phoenix, Arizona 85086

RE: New Shooter Facility

PROPOSAL

Four Concrete Pads	
4000 Square Feet 6" thick (wire mesh) 3000#	$42,000.00
5560 Square Feet ABC (lime treated) 1" Thick	$15,290.00
Sub-grade, clear & grub, haul grub to City landfill	$16,800.00
Survey	$ 1,000.00
Nails and Stake	$ 116.00
Subtotal	$75,206.00
Sales Tax (subject to change) 8.3% on 65%	$ 4,057.36
TOTAL	**$79,263.36**

215 LF of 8" Sewer	$ 5,375.00
4-Service Connections	$ 1,600.00
8-Bollards	$ 1,200.00
215 LF of 4" Water	$ 2,150.00
4-Service Connections	$ 600.00
Survey	$ 500.00
Concrete Pads	$ 1,200.00
Add on: for 100% granular backfill in trenches –	
Trucking hauling excess spoils to on-site GF location	$ 6,695.00
Subtotal	$19,320.00
Sales Tax (subject to change) 8.3% on 65%	$ 1,042.31
TOTAL	**$20,362.31**

M. D. Merrett Incorporated

P.O. Box 3804, Carefree, AZ 85377 ~ MDMerrett@aol.com ~ (480) 575-0915 ~ (480) 575-8778 fax ~ ROC125363

The following is a breakdown for work at the Ben Avery Shooting Range.
All work to be in accordance with national, state and local electrical codes.
Provided by K & H Electric, Inc.

1.) Furnish and install primary conduit from APS supply to new transformer Location
2.) Furnish and install secondary conduit from transformer pad to new service Locations
3.) Furnish and install new 200 amp. Single phase 120/240 volt service entrance Pedestal
4.) Furnish and install (2) 100 amp. RV pedestals
5.) Furnish and install conduit and wire to RV pedestals
6.) Furnish and install concrete pads for pedestals and service
7.) 100% granular backfill under pads, hauling excess spoils to GF location
8.) A/C Removal and Replacement

Subtotal	$19,226.00
Sales Tax (subject to change) 8.3% on 65%	$ 1,037.24
TOTAL	**$20,263.24**

Owner's Responsibility: Additional cost for APS **$6,400.00** to make application for service.

All prices are good for 30 days from date of proposal.

Respectfully,

126,288.91

Mike Merrett

Mike Merrett