

JCCR SUMMARY

At its October 2, 2008 meeting, the Joint Committee on Capital Review considered the following issues:

Mohave Community College District – Review of General Obligation Bond Issuance – The Committee gave a favorable review to the issuance of \$111.5 million in general obligation bonds, with the provision that the college report to the Committee prior to each issuance. Each bond issuance will be repaid over 25 years by increasing the secondary property tax rate, if approved by the voters in November 2008. The district estimates that the average annual tax increase would be \$1.33 for every \$100,000 of property value.

Pinal County Community College District – Review of General Obligation Bond Issuance – The Committee gave a favorable review to the issuance of \$99.0 million in general obligation bonds. The bond will be repaid over 25 years by increasing the secondary property tax rate, if approved by the voters in November 2008. The district estimates that the average annual tax increase would be \$10.95 for every \$100,000 of property value.

Arizona Department of Administration – Review of Arizona Department of Corrections Prison Beds and Yuma Water Treatment Plant – The Committee gave a favorable review of the Arizona Department of Administration (ADOA) to lease-purchase finance \$202 million for 4,000 prison beds and a water treatment plant. The Committee's review was limited to the project specifics, as the Committee previously favorably reviewed and approved the debt-financing for these projects.

Arizona Department of Administration – Review of Lewis and Tucson Prison Water and Wastewater Projects – The Committee gave a favorable review to 2 Arizona Department of Corrections prison water and wastewater projects totaling \$4.6 million.

Arizona Department of Corrections – Review and Approval of Energy Performance Contract – The Committee gave a favorable review and approval for the Arizona Department of Corrections (ADC) to enter into an Energy Performance Contract with a private vendor with the provisions that ADC retains all energy

savings in excess of debt service payments and this does not constitute endorsement of any level of General Fund appropriations for purchase of the energy equipment or the debt service payments.

Arizona Game and Fish Department – Review of FY 2009 Building Renewal Allocation Plan and Report on Flood Warning System – The Committee gave a favorable review to the FY 2009 Building Renewal Allocation Plan presented by the Arizona Game and Fish Department. The \$531,000 plan includes \$52,200 for fish hatchery projects, \$45,300 for shooting range projects and \$433,500 for office projects. In addition, AGFD submitted a report on expenditures for the \$350,000 Flood Warning System project appropriated by Laws 2006, Chapter 345.

School Facilities Board – Review of FY 2009 \$585 Million Lease-to-Own Agreement and FY 2009 New School Construction Report – The Committee favorably reviewed the \$585 million lease-to-own agreement, which excludes Full-Day Kindergarten (FDK) capital costs of \$8 million. SFB expects to oversee 29 on-going school construction projects in FY 2009 and will spend a total of \$245.3 million. All of these 29 projects have been approved by the board and began construction prior to the FY 2009 new construction moratorium. Of the \$585 million lease-to-own agreement, SFB will use \$229 million for FY 2009 construction expenditures, which excludes \$8 million for FDK.

The Chairman scheduled the following items for information only and did not take votes at this meeting. The Chairman is seeking further information on the Governor's plans to resolve the FY 2009 budget shortfall and whether the funding associated with these particular agenda items could be part of the solution.

Arizona Department of Administration – FY 2009 Building Renewal Allocation Plan and Reallocation of FY 2008 Building Renewal Funds – The Arizona Department of Administration (ADOA) requested Committee review of its FY 2009 Building Renewal Allocation Plan totaling \$6.1 million from the Capital Outlay Stabilization Fund. ADOA also requested Committee review of its intention to reallocate \$1.3 million of FY 2008 Building Renewal monies for the Department of Revenue's elevator renovation project.

Arizona State Parks Board – State Parks Enhancement Fund Project – The Arizona State Parks Board requested Committee review and approval of its plan to use of \$1.2 million in State Parks Enhancement Fund monies for repairs to the Douglas Mansion at Jerome State Historical Park.

Arizona Department of Transportation – FY 2009 Building Renewal Allocation Plan – The Arizona Department of Transportation (ADOT) requested Committee review of its proposed allocation of \$3.9 million from the State Highway Fund for 286 projects, contingencies, and project management support and \$156,900 from the State Aviation Fund for 25 projects.

University of Arizona – Residence Halls and Residence Life Building Renewal – The University of Arizona requested Committee review of its proposal to spend \$159.3 million in system revenue bonds to construct two new residence halls and \$37.3 million for residence life building renewal projects. For both issuances, the proposed debt service will be paid from dorm rental revenues, for a cost of \$9.8 million from FY 2009 to FY 2011 and a cost of \$13 million starting in FY 2012.

University of Arizona – Enterprise Systems Replacement (Mosaic) Project – The University of Arizona requested Committee review of its proposal to spend \$33.3 million in system revenue bonds to replace its major computer systems, which support the university's personnel system, research administration, and financial reporting. The proposed debt service will be paid from 2 revenue sources: indirect cost recovery and administrative service charges, for an annual cost of \$3.3 million.

University of Arizona – Energy Bonds – The University of Arizona (UA) requested Committee review of its proposal to enter into a third party debt financing agreement for \$2.3 million to purchase solar panels. Under this agreement, a private vendor would issue Clean Renewable Energy Bonds on behalf of UA. UA would be responsible for the annual principal amount and a small portion of the interest payments. The proposed debt service will be paid from Indirect Cost Recovery funds, for an annual cost of \$186,000.

Arizona State University – Science Building Bond Project – Arizona State University

requested Committee review of its proposal to spend \$185 million in system revenue bonds to construct a new science building. The proposed project includes lab space, offices and an auditorium. The proposed debt service will be paid from 4 revenue sources: Indirect Cost Recovery funds, Proposition 301 funds, tuition, and other local funds, for an annual cost of \$12.9 million.

Universities – University Lottery Bond Projects - Building Renewal – The Universities requested Committee review of their Building Renewal projects (Arizona State University \$34.4 million; the University of Arizona \$68.5 million; and Northern Arizona University \$64.8 million). These issuances represent a portion of the \$1 billion University Lottery Bonding package as authorized by the FY 2009 Education Budget Reconciliation Bill (BRB) (Laws 2008, Chapter 287). The proposed debt service is designed to be funded with 2 separate revenue streams as prescribed by the FY 2009 Education BRB. Approximately \$11.3 million, or 80%, will come from state Lottery proceeds, while \$2.9 million will come from local university funds.