

JCCR MEETING

At its August 14th meeting, the Joint Committee on Capital Review considered the following issues:

Maricopa Community College District – This agenda item was held by the Committee for a future JCCR agenda in order to receive more information on the cost. The project represents a revenue bond issuance of \$7.8 million, which will fund a Performing Arts Center at Paradise Valley Community College.

Lease-Purchase New School Construction – The Committee gave a favorable review to the School Facilities Board's (SFB) list of \$215 million in potential new school construction projects to be financed with lease-purchase agreements.

Deficiencies Correction Bond Projects – The Committee gave a favorable review to the issuance of \$247.1 million in short-term taxable bonds with a variable interest rate, with the agreement that the bonds would be converted in the future to long-term fixed rate tax-exempt bonds after resolving issues with the Internal Revenue Service (IRS). Further Committee approval would be required prior to the conversion of the short-term bonds to long-term fixed rate tax-exempt bonds. Some Committee members expressed concern that SFB's bond counsel had not attempted to resolve IRS issues sooner.

Department of Transportation – The Committee gave a favorable review of the Arizona Department of Transportation's FY 2004 highway construction budget expenditure plan for consulting totaling \$105 million. Additionally, the Committee adopted performance measures and required the department to report on its proposed traffic congestion measures along with comments on the department's ability to develop unit cost measures by November 1, 2003.

Arizona State University Capital Improvement Projects– The Committee gave a favorable review to the Grady Gammage Memorial Auditorium Rigging, Infrastructure Improvements, University Services Building Backfill and Parking Structure bond projects as well as the Brickyard Tenant Improvements and Land Acquisition for the South Campus Student Group Housing lease-purchase projects. The total cost of the projects is \$38 million. The financing will increase ASU's debt ratio (debt service as a percent of total expenditures) from 4.5% to 4.7%. The statutory cap is 8%.

These projects were approved with the following stipulations: 1) ASU report to the Committee before expending any allocations that exceed the greater of \$100,000 or 10% of the reported contingency amount total for alternatives that do not expand the scope of the project; 2) the Committee review similar allocations that expand the scope of the project and 3) a favorable review by the Committee does not constitute the endorsement of General Fund appropriations to offset any

tuition collections that may be required for debt service on the repayment of the financing or for operational costs when the projects are complete.

The Committee also gave a favorable review to the revised scope and estimated cost of the Packard Stadium Clubhouse and Playing Field Renovation Lease-Purchase Project.

Government Information Technology Agency – The Government Information Technology Agency (GITA), in consultation with the Arizona Department of Administration, is required to submit a report on the status of privatizing the state's telecommunications services. GITA has met with a variety of stakeholders to identify business needs in an attempt to construct a "roadmap" that will shape the direction of any future privatization process.

The project has yet to expend any funds. The item was for informational purposes only and no Committee action was required.

Refinancing of Bond Funding Obligations – The Committee received a report on the refinancing of Board Funding Obligations (BFOs) from the JLBC Staff. BFOs allow the Transportation Board to borrow monies from the General Fund to partially capitalize the Highway Expansion and Extension Loan Program (HELP). This program provides political subdivisions of the state a mechanism for receiving advance funding to accelerate construction of transportation projects.

The Transportation Board currently has approximately \$190 million in BFOs outstanding. The Transportation Board plans to repay and reissue these BFOs early, costing the General Fund about 9 months of interest, estimated to be between \$2 million to \$3 million. Future BFOs could be eliminated if the state's operating cash balance declines. Due to their concern that this may occur, ADOT is refinancing the BFOs now.