

Fiscal Note

BILL # SB 1215

TITLE: state lease-purchase agreements; payoff

SPONSOR: Livingston

STATUS: As Introduced

PREPARED BY: Josh Hope

Description

The bill would appropriate \$190.0 million from the General Fund in FY 2020 to the Arizona Department of Administration (ADOA) to retire the 2010B sale leaseback financing (issued in June 2010).

Estimated Impact

The bill would appropriate ADOA sufficient funds to retire the 2010B leaseback financing during FY 2020 and pay any associated transaction costs, which would eliminate debt service payments for the remainder of the financing's term (FY 2021 - FY 2030). Given scheduled payments of \$24.0 million annually, the bill would reduce the state's debt service spending by \$240.0 million. After accounting for the bill's appropriation of \$190.0 million, the state would realize net savings of \$50.0 million through FY 2030.

Analysis

Laws 2010, Sixth Special Session, Chapter 4 required ADOA to enter into a sale leaseback agreement to provide net proceeds of no more than \$300.0 million to be deposited into the General Fund. Under the sale leaseback agreement, the titles to various state buildings were transferred to a third-party trustee and held as collateral for the financing. In June 2010, the state entered into an agreement which generated \$300.0 million of General Fund revenue and required \$24.0 million of annual debt service payments over a 20-year term. The 2010B financing is subject to early repayment beginning with the FY 2021 maturities.

Table 1 below summarizes the net savings under the bill. Retiring the 2010B financing during FY 2020 would result in \$50.0 million of net savings to the state. This amount consists of \$50.5 million of interest savings less \$455,000 of assumed transaction costs.

| Table 1 | | | | |
|-----------------------------|----------------------|-----------------|-------------------------------|-------------------------|
| 2010B Payoff Savings | | | | |
| Fiscal Year | Principal | Interest | Debt Service | Interest Savings |
| FY 2021 | \$ 15,065,000 | \$8,938,200 | \$24,003,200 | \$ 8,938,200 |
| FY 2022 | 15,835,000 | 8,165,700 | 24,000,700 | 8,165,700 |
| FY 2023 | 16,635,000 | 7,366,100 | 24,001,100 | 7,366,100 |
| FY 2024 | 17,425,000 | 6,576,800 | 24,001,800 | 6,576,800 |
| FY 2025 | 18,270,000 | 5,734,400 | 24,004,400 | 5,734,400 |
| FY 2026 | 19,205,000 | 4,797,600 | 24,002,600 | 4,797,600 |
| FY 2027 | 20,185,000 | 3,816,700 | 24,001,700 | 3,816,700 |
| FY 2028 | 21,215,000 | 2,785,600 | 24,000,600 | 2,785,600 |
| FY 2029 | 22,290,000 | 1,710,400 | 24,000,400 | 1,710,400 |
| FY 2030 | <u>23,420,000</u> | 582,800 | 24,002,800 | <u>582,800</u> |
| | \$189,545,000 | | Interest Savings | \$50,474,300 |
| | | | Est. Transaction Costs | \$ (455,000) |
| | | | Total Net Savings | \$50,019,300 |

(Continued)



The actual level of net savings from the bill would depend on the transaction costs for retiring the 2010B sale leaseback financing. ADOA contacts for the services of private sector financial advisors, and the amount of transaction fees and costs cannot be determined in advance.

Local Government Impact

The bill has no local government impact.

2/8/19