

Appeal No. OPA-PA-09-007
Guam Education Financing Foundation
Hearing Brief
For Hearing on December 7, 2009

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The reason GEFFF filed this appeal is to keep the Guam Department of Education from significantly overpaying for the rebuilding of JFK high school. There are three costs associated with the rebuilding of JFK- project costs, financing costs and life cycle costs to maintain and operate the facility. The OPA has decided to protect the bid information and we respect that ruling. We have made our comparison based upon the information in the Official Statement associated with the IBC financing. SEC regulations require that the information in the Official Statement include all material facts and further provide that investors and others have a right to rely on its accuracy.

- **Project Costs-** IBC is proposing to build a 144,000 square foot school for \$69.0 million or \$479 per square foot. GEFFF is proposing to build a 236,000 square foot school for \$58.8 million or \$249 per square foot. Even if IBC is constructing a building of comparable size, its project costs are \$10.2 million more.
- **Financing Costs-** IBC is proposing a 30-year lease and GEFFF proposes a 20-year lease. At the end of the lease term the school is turned over to Guam DOE. Based upon the B rating received from Standard and Poors and current market conditions, 30-year bonds require a .50% higher yield than 20-year bonds. If we assume the 30-year bonds will require a 7.00% yield and the 20-year bonds will require a 6.50% yield then the annual debt service for IBC based on \$69.0 million would be \$5,563,000 and total payments over 30 years would be \$166,890,000. Annual debt service for GEFFF based on \$58.8 million would be \$5,339,000 and total payments over 20 years would be \$106,780,000, a **\$60,110,000 savings**.
- **Life Cycle Costs-** IBC is proposing to charge Additional Rent of \$1,800,000 per year for insuring and maintaining JFK. GEFFF proposes to charge \$570,000. This represents a savings of \$1,230,000 per year that over the life of the 30-year IBC lease represents **total savings of \$36,900,000**.

Guam DOE has a sever shortage of funds and can ill afford to overpay. The OPA's mission "is to achieve independent and nonpartisan assessments that promote accountability and ... to serve the public interest by providing ... unbiased analysis, and objective recommendations on how best to use government resources in support of the well being of our island and its constituents." Based on the information disclosed by the Government of Guam in the Official Statement it appears **Guam DOE is spending \$97,010,000 too much**. The OPA should have full access to the IBC proposal. GEFFF asks only that the OPA render unbiased analysis on how best to use limited government resources. If that is done then as the second highest scoring bidder we welcome the opportunity to begin negotiations on a new JFK.

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Cost Comparison GEF vs. IBC

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	GEFF	IBC	Difference
Project Costs*	\$58,830,000	\$69,030,000	\$10,200,000
Lease Term	20 years	30 years	10 years
Interest Rate	6.50%	7.00%	0.50%
Base Rent	\$5,339,000	\$5,563,000	\$224,000
Payments over Lease Term	\$106,780,000	\$166,890,000	\$60,110,000
Additional Rent	\$570,000	\$1,800,000	\$1,230,000
Payments over Lease Term	\$11,400,000	\$54,000,000	\$42,600,000
Total Annual Rent	\$5,909,000	\$7,363,000	\$1,454,000

* Includes construction costs, design fees, soft costs, capitalized interest, debt service reserve and insurance and maintenance reserve.