

SCHOOL FACILITIES BOARD
June 7, 2007
Payson, Arizona

The School Facilities Board held a board meeting at the Payson Unified School District Office in Payson. The meeting began at approximately 10:04 A.M.

<u>Members Present</u>	<u>Guests Present</u>
Davidson, Frank, Chair	Johnny Ketchem, Tonto Basin
Keenan, Brooks, Vice Chair	Robin Berry, ARSA and Palo Verde ESD
Chovich, Cynthia	Joanne Conlin, Community member
Gober, Patricia	Henry Halikowski, Pinnacle One
Ortega, David	Charles Burke, AZDEQ – P2 Unit/HHPS
Marks, Gary	Spencer Smith – Sahaurita Unified, Tempe Union, DeConcini Mc Donald
Rushin, Tom	Ray Del Zotto, Pinnacle One/JO Combs USD
Lyle Friesen, Superintendent’s Representative (non-voting)	Bobette Sylvester, Payson Unified
	Kevin Kapp, Prescott Unified
<u>Members Absent</u>	Marsha Crockett, DLR Group
Taylor, Penny	Joan Fleming, Prescott USD
Private Business Owner Representative, position vacant	Steve Campbell, Prescott USD
	Jay St. John, Sahuarita USD
<u>Staff Present</u>	Rich Pena, AP Construction
John Arnold, Executive Director	Diane Meulemans, Tempe Union
Dean Gray, Deputy Director of Facilities	Bob Anderson, Tempe Union
Monica Petersen, Deputy Director of Finance	Tara Malloy, McCarthy
Debra Sterling, Attorney General’s Office	Cathy Rex, Tucson Architect

- I. Call to Order
Frank Davidson called the meeting to order at approximately 10:04 A.M.

- II. Roll Call
There were eight board members present at this meeting including Lyle Friesen, a non-voting member. Vice Chair, Brooks Keenan, was in attendance but arrived late at approximately 10:35 A.M.

- III. Approval of May 3, 2007 Minutes
Cynthia Chovich moved that the Board approve the Public Hearing and Regular Session minutes of May 3, 2007. Tom Rushin seconded. Motion passed 6-0 by voice vote.

IV. Consent Agenda

a. Consideration and possible vote of FY07 3 Year Building Renewal Plans

Patricia Gober moved that the Board ratify the districts listed in agenda item IVa. Gary Marks seconded. Motion passed 6-0 by voice vote.

V. Director's Report

a. Rural versus Urban Classification

John Arnold explained that this item on the agenda was in response to a question from the Payson Unified School District on why they are classified as urban when they are clearly rural. Mr. Arnold explained that the defining statute is A.R.S. 15-2041 D.3.(c), which states that an area outside a thirty-five mile radius of a boundary of a municipality with a population of more than fifty thousand persons is considered rural. Mr. Arnold explained that SFB staff worked with the State Land Department to determine which communities based on the most recent 2000 census have more than 50,000 people and eleven cities were identified. Mr. Arnold said that the State Land Department worked with SFB staff to draw a circle with a 35-mile radius around each of the cities. Mr. Arnold drew the Board's attention to the first of several attachments that was a statewide map with three and a half circles with Yuma only getting half a circle. He noted that two of the encircled areas were enlarged as separate attachments along with an attachment to focus specifically on Payson USD. With respect to the second attachment focusing on Payson, Mr. Arnold noted that the boundary of the city of Scottsdale and the boundary of Payson USD were 22 miles apart. Therefore, Payson's boundary falls within the 35-mile radius coming from Scottsdale. On the third attachment, Mr. Arnold noted in an effort to make Payson feel better that the 35-mile radius from Phoenix went so far north that Young ESD was also considered an urban school district. Mr. Arnold explained the last attachment focused on southern Arizona in response to an inquiry from Indian Oasis USD. Indian Oasis's school is about 35 miles in from their district boundary; however, the boundary itself is well within the 35-mile radius from the Tucson Area. Mr. Arnold concluded that he believed that the designations for urban and rural districts as currently defined are accurate.

Patricia Gober asked if the 35-mile radius in statute was as the crow flies or driving distance. Mr. Arnold indicated to the best of his recollection that two years after Students FIRST was adopted there were several bills in the legislature to clarify rural and urban designations. One of the bills was to make the distance from a major highway and it was the Tucson area that was arguing for that and the legislation failed.

David Ortega commented that Yuma County is only 3% private land. There are isolated ranchers surrounded by BLM, federal, and state land. He noted that mountain ranges also were included in the mapping. He felt that the SFB was doing its best however to respond to the market conditions even though by definition districts are not getting the additional rural bonus money.

Mr. Arnold explained that the SFB has been able to compensate under the new construction program and the extra five percent that goes to rural districts has become a non-factor when building schools. Mr. Arnold did note however that the districts are impacted by the extra five percent in the

building renewal program but most districts are not getting a lot of money to begin with so the additional five percent is not significant in most cases.

Cynthia Chovich explained that Payson Unified would get an additional \$64,000 for their awarded middle school if they were designated rural. She noted that labor costs are higher in Payson. She noted that statute allows the SFB to modify the cost per square foot for geographic conditions. She noted that she felt that Payson is a remote area that is difficult for contractors to serve since there is one way in and out and the area is land locked. In her personal experience it takes an hour and ten minutes to drive 97 miles to the Valley.

Joanne Conlin, a community member, addressed the Board and staff. She indicated that she has been doing research on the rural/urban issue at the request of Ms. Myers and has discussed the issue with various agencies including the Land Department, SFB, Governor's Office, Superintendent Tom Horne's office and state representative Bill Konopnicki. She indicated that Rep. Konopnicki is willing to sponsor legislation next session that would present a new definition of rural. She indicated that Rep. Konopnicki requested to meet with the SFB staff, school districts and other interested parties to develop a definition of rural in the interim that SFB can administer. Ms. Conlin believes that the definition of small and isolated school district from A.R.S. §15-901 which states, "contains no school which is fewer than 30 miles by the most reasonable route from another school" might be good language to consider. She requested that SFB think about this and work with Rep. Konopnicki.

Mr. Arnold indicated that the SFB staff is willing to work with the legislature and Governor's office to fix any unintended consequences of the rural definition.

Spencer Smith, who represents Indian Oasis USD, spoke on the issue although he was not at the Board meeting to do that on the district's behalf but since he was at the meeting on behalf of two other districts he would share the thoughts of Indian Oasis USD on the subject. The district thinks the definition should be modified for where the facility is located rather than the boundary of the school district since that is what contractors use with respect to cost. The contractors consider a 50-mile trip to a facility not a 10-mile trip to a school district boundary. He noted that even some urban school districts might have remote schools that need to be treated in a different manner.

b. Website Update

Mr. Arnold provided an overview of some enhancements to the website that have been done in an effort to serve the school district community and public better.

Accounting – Mr. Arnold showed some accounting reports to show how districts are able to view project accounts to find out the budget and expenditures on individual projects. He noted that contractors like this feature because they can determine when the SFB has paid the district. He showed how districts could look up county deposits by program area.

District Reports – Mr. Arnold showed information available under district reports including a district's building inventory as well as a new developed capacity calculator. The calculator will allow districts to input ADM growth projections to determine when they qualify for a school so a district can develop a capital plan and request a school that the SFB can award in advance of the need. Mr. Arnold showed a district capacity listing, which compares ADM and capacity and delineates which schools are full or empty. He noted that making the information available would allow districts to better understand their capacity and argue capacity if the SFB working definition of capacity does not suffice.

Building Renewal Plan – Mr. Arnold demonstrated the three-year building renewal plan launched last year. He showed the building renewal summary, which details a districts beginning balance, the building renewal allocation, the project expenditures, preventative maintenance expenditures, money saved for future projects, and ending balance. He noted plans are input at the project and school level and showed a school summary by category and project report that users can view to see what projects are planned for their school.

New Construction – Mr. Arnold let the Board know that staff tracked a list of new construction projects awarded by the SFB since 1999, which outlines if the project has been board approved, in construction, or completed. Mr. Arnold showed the Board the New Construction Photo Gallery, which is a document that contains project information, including photos, for every new construction project funded by the SFB.

21st Century Schools – Mr. Arnold noted that a new link has been added. There is not much content except for the Governor's Executive Order 2007-06 but information will be forthcoming.

Energy Efficiency and Sustainability – Mr. Arnold demonstrated a heat pump energy usage and payback calculator. Arizona School Facilities Board distributes building renewal funds to the school districts every year. The building renewal funds can be used to upgrade HVAC units, Lighting, Building Envelope/Roofing/ Insulation or Doors and Windows. The calculators help determine the Energy savings/payback with each of these upgrades. Mr. Arnold also showed the State Utility Expenditure Report, which includes information on utilities expenditures including excess utilities submitted by approximately 150 school districts to the Arizona State Department of Education.

Cynthia Chovich said that she saw an opportunity for another conference this fall to educate districts on all the new information available. Mr. Arnold indicated that the staff had no plans for a conference given the current workload of staff but that staff would work with ASA and AASBO to share the available information and resources with districts.

Tom Rushin complimented SFB staff on the website. David Ortega also complimented the staff's effort and thought that the utility expenditure report

showed some interesting trends. Frank Davidson also added his praise for the new website elements. Mr. Arnold concluded by welcoming any board input for future enhancements.

c. School Safety Recommendations

Mr. Arnold explained that last December at the request of Governor Napolitano the SFB held a study session where staff presented findings after a thorough review of information generated in the school facility world. The staff also looked at the steps that Columbine had taken since their issues as well as other districts and welcomed public input, which was substantial. From the study session, staff has put together a series of ten recommendations. Mr. Arnold explained that consistent in the literature were three principles that have come to be known as Crime Prevention Through Environmental Design (CPTED). The three key principals are 1) natural access control, 2) natural surveillance, and 3) territorial reinforcement. The SFB recommends ten safety features (note that the report incorrectly notes only nine) that are made around the three principles.

1. Exterior security lighting – It is important to consider outdoor lighting since nearly all school buildings are used after dark. At a minimum, adequate vandal-proof lighting for parking areas, bus-loading zones, pick up/drop off areas, bicycle parking areas, and walkways leading to building entrances should be provided.
2. Administrative office locations – The main entry of a school should be located at the front of the school or campus and should be well marked to guide visitors to the administrative area. Placing the primary entry at the front of the building promotes natural surveillance, helps eliminate wandering visitors, and provides general access control. The administration office should have a direct relationship to core instructional and non-instructional facilities, particularly those with after-hours community use. Mr. Arnold indicated that last week at the 21st Century symposium, good entry to the school was noted as having a strong academic impact.
3. Classroom door hardware – The SFB is recommending that classroom safety can be improved by allowing doors to be locked from the inside. Classroom door handles and locks would have to meet fire code requirements for exits. Mr. Arnold noted that some logistical issues exist that would require that teachers carry a key to ensure access to a classroom.
4. Student restroom configuration – Student violence data suggests that the restroom areas are common locations for negative behavior due to lack of surveillance. Prior designs of schools have tried to emphasis setting up a sound barrier between the bathroom and hallway for privacy. With respect to security, the opposite is true because the only type of surveillance school officials have is sound. A maze entry rather than a door or vestibule is recommended.
5. Student lavatories outside restrooms – The SFB is recommending gang sinks where sinks are located in between girl and boy restrooms which

limits the amount of time in the bathroom and keeps students more visible.

6. Vestibule entry – The goal of any school is to create a warm and welcoming school environment for staff, students, and the community. However, school administrators must consider how to maintain that environment yet integrate school security. As a less obtrusive entry control device, architects design main school entrances with a double door vestibule with the interior vestibule doors locked during class times. A second entrance within the vestibule either opens into an administrative space where visitors check in prior to being given access to student areas or requires that visitors be “buzzed in” to an administrative area.
7. Sidelights – Sidelights are windows next to doors that provide an additional security response so people can see both out and in. The SFB recommends sidelights for both classroom and administrative space.
8. Perimeter fencing – SFB currently provides fencing (current standard is six foot chain link fence) for K-6 grade level, which includes K-8, K-12, 6-8. The SFB staff recommends that an 8-foot chain link fence with small mesh be used in all grade levels. It would double the cost.
9. Security alarms – The SFB staff recommends that a base alarm system be provided that includes a portable identification alarm that identifies the device owner.
10. Security cameras – At the SFB study session, several people spoke to the efficacy of security cameras and how effective they are at reducing violence and reducing graffiti and other negative impacts on school districts. One district indicated that even fake cameras had a positive effect.

Mr. Arnold wanted to make the aforementioned items available to districts in the quantity they need and want. If a district is not comfortable with security cameras then it would not be required, if a district is not comfortable with eight foot fencing and feels comfortable with six foot fencing then that would be okay. The recommendations would be applied to each district’s unique needs.

Mr. Arnold explained that the first seven items would have no cost because they would be funded to current SFB guidelines and are essentially changes in design. Items eight through ten which include perimeter fencing, security alarms, and security cameras are beyond minimum guidelines and require additional funds or equipment. The funding would need to be requested through the Governor’s Office and the Legislature next legislative session.

Dr. Patricia Gober asked if the security recommendations would be applied to retrofit existing schools. Mr. Arnold explained that the SFB does not have any funds to retrofit existing schools. The SFB mission is to maintain what exists and build new. He noted that we currently have 1,450 schools with 1,000 to be added over the next 20 years. So, in twenty years over half of schools will be built with newer standards and in 70 years all schools will meet new

standards. If the legislature would like to do a retrofit program, it would be up to them.

Dr. Patricia Gober asked how the SFB can make a legitimate argument and negotiate with the legislature that security is absolutely necessary for the security of Arizona's children but only for new construction for items eight through ten.

Mr. Arnold indicated that the Board shouldn't suggest that the items are absolutely critical for the safety of every school. The SFB staff wants to suggest that each district do an assessment of their schools and look toward the general and broad recommendation provided by the SFB. Mr. Arnold explained that every time we look at improving how we build new schools the question of what to do with existing schools comes up. The issue has come up with energy efficiency for new schools. It may come up with adjusting capacity – the amount of square feet per student – for new schools. A balance is drawn in determining practicality and fairness. Mr. Arnold indicated that the state couldn't go back and build existing schools. The state can't assume that if it puts something into a new school it is not fair to an old school. The state has to attack new schools, in the midst of tremendous growth, and let the old schools follow. Mr. Arnold concluded by saying that the state would never do anything for new schools if it were tied to the standards of existing schools.

Gary Marks asked if the SFB staff had looked at the cost of the recommended items. Mr. Arnold indicated that staff had looked at fencing and security camera systems but he didn't have data with him but promised to make it available by the next Board meeting.

Tom Rushin said that if the building renewal funding were fully funded then it could be used toward some of the school safety recommendations. Cynthia Chovich felt that since the Governor asked the SFB to examine the issue of school safety then the Governor should champion the recommendations that require funding. David Ortega commented that the Board must rely on local law enforcement to determine necessary security measures and the Board cannot use a one-size fits all approach. Mr. Arnold agreed with Mr. Ortega's comments and indicated that the recommendations provide a general framework that gives the SFB and district flexibility to incorporate items that meet their needs.

Frank Davidson concluded the discussion by indicating that the security recommendations would be posted on the SFB website for public comment and the Board will take action on the recommendation at its August Board meeting.

d. Tonto Basin Elementary

Mr. Arnold stated that the issue was originally discussed at the March Board meeting. He explained that Tonto Basin is a single school-school district with a current capacity of 160 students. Mr. Arnold indicated that the Board has some information from the Attorney General regarding a legal question along with a recommendation from SFB staff on an approach regarding how to

address capacity. The first document discussed with the Board was a general background on how capacity is determined for schools that were pre-Students FIRST. The statute gives the Board great flexibility in determining how many students a certain school should serve. The staff and the Board back in 1998 developed a uniform formula that could be applied to existing schools and if schools didn't like the capacity determined by the uniform formula they could challenge the capacity. To date, there have been little to no challenges. In March, Tonto Basin challenged the capacity that has been assigned to them.

Mr. Arnold turned to discussing capacity specific to Tonto Basin. He explained that the current square footage of 14,132 divided by the capacity divisor of 88.5 results in a total capacity of 160. When SFB staff review the school, staff determined that there was 1,436 square feet that should have been excluded as administrative space. After the square footage is excluded using the same 88.5 divisor, the total capacity is 143. Mr. Arnold explained that SFB staff reviewed the Tonto Basin school space allocation compared to a Students FIRST school space allocation built within the capacity rules (e.g. a school built within the minimum adequacy guidelines of 80 square feet per student for an elementary school). Mr. Arnold discussed the comparison and noted the significant differences. For instance, the gym at Tonto Basin was 52% of total space available compared to an SFB-funded school at 7%. Tonto Basin's cafeteria/kitchen space was 9% compared to SFB-funded school 4.8%. Tonto Basin has lost space in classrooms which is 24.4% compared to SFB-funded school of 44.7% and in transitional space at 3% compared to SFB-funded school at 15.5%. Tonto Basin was also a little low in administrative and bathroom space as well as wall space. Mr. Arnold explained that the staff opted to focus on spaces that drove capacity such as classroom, cafeteria, and administrative space. The SFB staff adjusted those spaces down until they lined up with a standard SFB school. The SFB staff determined that only 6,900 square feet of Tonto Basin's space created capacity (e.g. space to educate students). However, SFB staff felt that the capacity divisor must be also be adjusted to 80.9 (used for Students FIRST schools) and the resulting capacity is 85. Mr. Arnold pointed out that building renewal is driven by capacity so if the capacity is decreased the building renewal would be decreased by a similar percent – from \$21,187 to \$11,256 for full formula or if 60% of the formula was funded it would decrease from about \$12,000 to \$6,000 approximately. Mr. Arnold also pointed out that 1,200 – 1,300 square feet of the Tonto Basin school is only accessible by a staircase. He concluded with the SFB staff recommendation to reduce capacity to 85. Mr. Arnold noted that Tonto Basin's capital plan reflects ADM of 65 and SFB staff is not projecting growth so even if capacity is reduced to 85, staff does not believe it will allow the Board to award new space. Mr. Arnold indicated to the Board that the question is whether the school could educate 85 students and whether the SFB staff methodology is appropriate.

Johnny Ketchem, Tonto Basin Elementary School Superintendent addressed the Board. He indicated that he did not have any real argument about how SFB staff dropped the capacity. However, he expressed concern that if the Board voted to drop the capacity but also does not approve additional space when his capital plan is discussed then he loses in both places. Mr. Ketchem

indicated that Mr. Arnold said that he would not be opposed to keeping the current capacity at 160 if new space was not going to be awarded so the district would not lose out on building renewal funding.

Frank Davidson clarified Mr. Ketchem's position that he was not opposed to the capacity methodology but did not want to lose building renewal funding. Mr. Ketchem indicated a preference of additional square footage over retaining existing capacity of 160.

Dr. Patricia Gober suggested that the Board address the capital plan prior to making a motion about capacity. Mr. Arnold suggested that the Board table the capacity discussion until the Board action on the district's capital plan and ADM projections. Mr. Arnold indicated he was very interested in the Board's thoughts regarding a capacity methodology since a few other districts have approached the SFB staff. Mr. Arnold wanted the Board's thoughts on whether the methodology could be applied globally or whether each district needs to be evaluated on a case-by-case basis and welcomed any input from the Board.

Debra Sterling noted that the agenda item was unique to Tonto Basin and the discussion should be continued at a future board meeting to ensure appropriate public notice for the agenda item. Frank Davidson agreed and indicated that delaying the discussion until a later date would ensure appropriate public notice so interested districts could participate and be given the opportunity to comment. David Ortega indicated agreement with methodology in Tonto Basin's particular case and said it was akin to evaluating three bedroom 5,000 square foot and a four bedroom 2,000 square foot home. One has fewer bedrooms and consequently can sleep fewer persons but has a huge kitchen, great room, and living room. He thought the approach and methodology staff used was interesting and appropriate.

Frank Davidson, after some Board discussion, indicated that the Board would table this agenda item until after discussion on Tonto Basin's capital plan.

Dr. Patricia Gober moved that the Board table item 5d for a future agenda. Gary Marks seconded. Motion passed on a 7-0 voice vote.

e. Legislative Update

Monica Petersen explained that there has not been a lot of legislative activity. The only thing she noted was that the House budget adopted a floor amendment, which reduced the building renewal amount from \$101.6 million to \$86.3 million, which is what was in the Senate budget proposal.

The Board adjourned for a brief recess at 11:28 a.m. until 11:35 a.m.

f. Board Summer Schedule

Mr. Arnold indicated that the Board would not meet in July. He noted that there would be a late June Board meeting via conference call to handle a few

urgent issues that require Board action. The next Board meeting will be August 2.

VI. New School Construction

a. Consideration and possible vote of FY 2007 Capital Plan New Construction Requests

Mr. Arnold explained that the following were the final awards being recommended by SFB staff during the FY 2007 award cycle. Mr. Arnold noted that the Board had approved \$412 million in new construction funding. However, there were two projects that were revised/cancelled for a total of \$20 million leaving a net award amount of approximately \$392 million.

Kevin Kapp, Prescott Unified School Superintendent addressed the Board. He noted that his district has experienced healthy growth in the last six years but the last school that they built was in 1988. He noted that in 2004 the district passed a B bond with two to one voter support. He complimented the SFB staff's work on the school safety recommendations and noted that his district spent approximately \$400,000 in the last two years to be able to lock doors from the inside. The security enhancements have resulted in more positive public relations. He thanked the Board for their support and thanked Amber Peterson, SFB School Finance Specialist who works with districts on their capital plans, for all her hard work and support.

David Ortega moved that the Board approve the following:

1. Flagstaff Unified (K-6): Deny the district's request for replacement K-6 space. *No Conceptual approval.*
2. Flagstaff Unified (7-8): District did not request current funding approval, only conceptual approval. *No conceptual approval for additional space to open FY 11.*
3. Flagstaff Unified (7-12): Deny the district's request for additional 7-12 space to open in FY 09. *No Conceptual approval.*
4. Maricopa Unified (K-5): Deny district's request for a K-5 school to open in FY 09. *Conceptually approve seven K-5 schools.*
5. Maricopa Unified (6-8): No approval (per district's agreement) for an additional 6-8 school to open in FY 08, another in FY 10, and an expansion of existing middle school to open in FY 08. District does not have sites in inventory for additional schools at this time. *Conceptually approve three 6-8 schools.*
6. Maricopa Unified (9-12): Approve additional 9-12 space to open in FY 09. No approval (per district's agreement) for an additional 9-12 school to open in FY 10. District does not have a site in inventory for an additional high school at this time. *Conceptually approve two 9-12 schools.*

7. Prescott Unified (K-5): District did not request current funding approval, only conceptual approval. *Conceptually approve a K-5 school with capacity for 563 students to open FY 13.*
8. Prescott Unified (9-12): Approve additional 9-12 space with capacity for 549 students to open FY 09. *No Conceptual approval.*

Gary Marks seconded. Motion passed on a 7-0 voice vote.

David Ortega recommended that the Board approve the following:

9. Tonto Basin Elementary (K-8): Approve 900 square feet of additional space.

Cynthia Chovich seconded. Motion passed 6-1, with Frank Davidson voting against.

b. Consideration and possible vote of New Construction Projects Review, Bids, Bid Packages and Change Orders including projects from:

David Ortega moved that the Board approve the following:

1. That the Board approve Chandler Unified District's request to proceed with [CM@Risk](#) Project 070280000-9999-021N, upon staff receipt of necessary documents, and that the Board approve additional funding for inflation in the amount of \$727,272.
2. That the Board approve Florence Unified District's request to proceed with [CM@Risk](#) Project 110201000-9999-008N, upon staff receipt of necessary documents, and that the Board approve additional funding for county impact fees in the amount of \$686,400, and additional funding for inflation in the amount of \$3,612,326.
3. That the Board approve J.O. Combs Elementary District's request to proceed with [CM@Risk](#) Project 110344000-9999-007N, upon staff receipt of necessary documents, and that the Board approve additional funding for county impact fees in the amount of \$564,840, and additional funding for inflation in the amount of \$2,253,783.
4. That the Board approve Tolleson Union District's request to proceed with [CM@Risk](#) Project 070514000-9999-003N, upon staff receipt of necessary documents, and that the Board approve additional funding for site specific requirements in the amount of \$51,360, and additional funding for inflation in the amount of \$1,086,154.

Tom Rushin seconded. Motion passed on a 7-0 voice vote.

c. Other new construction issues: Expiration of Marana Unified District's K-6 project 004N

Mr. Arnold noted that this item was for informational purposes only. He explained that the SFB approved a K-6 project for Marana Unified School District in November 2006. Since that time the district notified staff that the project is no longer viable due to slower growth than expected. Staff has advised the district not to sign the Terms and Conditions. No funding has been distributed to the district for this project. Since Terms and Conditions are supposed to be signed within 60 days of the district's receipt, this project is considered "expired" at this time. If ADM projections begin to show a need for this school again over the next few months, the district may request the project again in its FY 08 Capital Plan.

d. Delay of funding for new construction project – Saddle Mountain Unified School District

Mr. Arnold explained that the two projects are fully designed and at the construction drawing stage. An ADM review done by staff determined that the ADM projections were not sufficient to recommend beginning construction on the schools. The district has received 5% of the total award but the amount is insufficient to bring the construction documents to the point of submittal for permitting, which would allow the team to come back together when the district's ADM suggests the need for the school.

Mr. Arnold noted that recent legislation had placed the district into receivership and the State Board of Education expected to appoint a receiver by the end of June. The State Board of Education recommended that the SFB Board take action on this item; however, it asked that the money not be distributed until a receiver is in place.

Brooks Keenan asked when the district would need the schools. Mr. Arnold indicated that they would be needed in a year but that could change. He noted that there was an excess inventory of homes that are expected to be purchased by late 2008 or early 2009. There is also a lot of development expected in 2009. Any delay in the development may shelf or cancel projects.

Gary Marks moved that the Board accept the staff recommendation to provide additional funds in the amount of \$153,813 and \$111,658 for the two projects. Brooks Keenan seconded. Motion passed on a 7-0 voice vote.

VII. Consideration of Request for Land or Real Property Purchase, Lease, or Donation, including requests from:

a. Steps I and/or II

Cynthia Chovich moved that the Board approve Florence Unified School District's request to accept a donation of 12 acres for an elementary school site and Fowler Elementary School District's request to accept a donation of 14 acres for an elementary site. Brooks Keenan seconded. Motion passed on a 7-0 voice vote.

b. Step III

David Ortega moved that the Board approve Humboldt Unified School District's request to accept a donation of 23.86 acres for a middle school.

Cynthia Chovich seconded. Motion passed on a 6-0 voice vote. Gary Marks recused himself from a vote on this agenda item.

David Ortega moved that the Board approve Tolleson Union High School District's request to purchase 53.87 acres for a high school at a cost of \$6,730,000. Tom Rushin seconded. Motion passed on a 7-0 voice vote.

c. Other Land Issues – Sahuarita Unified

Spencer Smith, attorney for Sahuarita Unified, noted that the last time the Board addressed this issue was in the March 2007 meeting where it was suggested that the process to evaluate property had not been followed pursuant to the applicable statutes. Mr. Smith explained that the district secured the donation and saved the state and taxpayers approximately \$3 million. A.R.S. §15-2041 requires that SFB provide a 20% donation factor of fair market value. Mr. Smith explained that the district didn't understand its obligations with respect to a donated site but they do now. There have been three appraisals for the site including two from the SFB in the amounts of \$3,048,000 and \$3,900,000 and one by the district in the amount of \$4,350,000. Mr. Smith argued that the only appraisal that meets the requirements of the statute (referring to the tax credit statute A.R.S. §43-1089.02) was the one done by the district. The tax credit statute requires that the district pay for the appraisals and be effective at the time the property is transferred. A.R.S. §43-1089.02 is the only statute that defines fair market value as the amount determined by that appraiser paid for by the donee of the site, which is the district. Mr. Smith argued that while the SFB is entitled to get an appraisal done it has no legal significance in the valuation of a site donation. The district has an obligation to get an appraisal and do it contemporaneous with the transfer and the donor gets a tax credit based on that appraisal. In the donation situation, the state is saving 80% by definition less the tax credit that goes to the developer. If it had been a site purchase and the same delays had occurred, the SFB could not have acquired the site for \$3 million, which is the basis on which the SFB is basing the donation factor. The donor would not have sold. Mr. Smith noted that in the March 2007 board meeting, the Board had granted Santa Cruz Valley School District an additional 10% in order for that district to acquire a site that was being purchased because the passage of time had caused the value of the site to increase. Mr. Smith argued that Sahuarita gets a donation to save 80% but experiences delays since the donation factor was first approved in February 2003 and Sahuarita did not get its money until April 2007 which is effectively 14% of the fair market value instead of 20% and then made the district wait eighteen months to get the reduced amount that staff is recommending be paid. Mr. Smith indicated that he did not see any statutory basis for the staff recommendation. He thinks the process for a donation is clearly mandated by statute. He felt the process is as follows: 1) the Board assesses the site to give preliminary approval 2) if the site meets the Board's due diligence requirements, the district should get an appraisal to submit to SFB Board for approval to acquire the site based on appraisal 3) for the district to collect money they need to acquire the deed and they need to present appraisal contemporaneous with the transfer date 4) SFB pays donation credit, either an increase or decrease from preliminary appraisal procured by SFB staff depending on the time between the original approval and time transfer

occurs. In the case of Sahuarita, 18 months passed which caused a significant increase in value. Mr. Smith also raised issue with how SFB staff reached its determination between two appraisals – \$3,048,000 and \$3,900,000 – and on what basis the \$3,048,000 amount was chosen. He indicated that there was some legal analysis on which staff made a decision, which the district has not had the opportunity to review but should have the opportunity to review prior to taking the issue to Superior Court to perhaps cut off a lawsuit that does not need to occur. Mr. Smith noted that he did not see the equity in having a district purportedly agree to something (he noted the district did not agree to the amount) but the district was told by SFB staff that if they did not agree with what SFB staff had done so far then the school would have to be delayed two months which means one year to a school district since opening a school is done in semesters or school years. Mr. Smith said that SFB staff indicated that the site would not be approved if Dr. St. John did not agree with the SFB appraisal. Mr. Smith indicated that Dr. St. John did not understand he had the statutory obligation to get his own appraisal. Mr. Smith asked that SFB follow the requirements of §43-1089 and §15-2041 and pay the district its fair share. He noted that the state has already saved the \$3 million from the donation. Mr. Smith suggested that if the outcome were not to pay Sahuarita it would create a disincentive for developers to donate sites in the future.

Mr. Arnold clarified that Mr. Smith's comment that the district could not receive the donation factor because staff required them to wait an additional time period was not correct. The district refused to accept the donation factor several times and it was just in April 2007 that the district accepted the donation factor.

David Ortega asked if there was a conflict between the state's tax credit statute assessment of value and the SFB statute to assess value. Mr. Arnold explained that as he understood it, the value that the Board uses to establish the fair market value of the site was done approximately 18 months prior to the district accepting the site. The district appraisal at the time of transfer was for \$4 million dollars and used to establish the tax credit for the donor. Dr. St. John clarified that he thought the developer gets to present his own appraisal and presents it to the Department of Revenue and it might still be different than the one paid for by the district. Mr. Smith quoted tax code statute as follows: "the value of donated property is the property's fair market value as determined by the certified appraiser as defined in A.R.S. §32-3601 that is conducted by an independent party and that is paid for by the donee".

David Ortega questioned how long an appraisal is good. Mr. Arnold indicated that appraisals have an internal expiration date generally of six months. If the SFB sees that the process for a parcel that is up for purchase or donation goes beyond the appraisal expiration date, SFB will discuss with the district the option of renewing the appraisal. When purchasing property, the staff does not bring the issue up if the seller is willing to accept the original appraisal but will reappraise at the district's request, which was the case with Santa Cruz Valley Unified.

Mr. Ortega asked how old the appraisal was when the Board reviewed it. Mr. Arnold indicated that the Board saw it within the six-month period of the original appraisal, however, the Board did not grant final acceptance of the site until one year plus later. Mr. Arnold indicated that the district did not accept the site for another four months after the Board approved it.

Dr. Patricia Gober noted that she recalled the Board having a study session regarding the acquisition of land about two summers ago regarding the acquisition of land of which the result was that there were two separate processes – 1) The Board's process to accept land and 2) the process for a developer to present appraisal for tax credit.

Mr. Arnold indicated that the tax credit statute requires an appraisal at the time of transfer paid by the donee, which is the school district. When the Board accepts a donation, the appraisal is contracted and paid for by the SFB. It was Mr. Arnold's understanding that at times districts use the appraisal contracted for by the SFB to meet the tax credit statute requirements. In other instances, districts contract for their own appraisal depending on their negotiations with the developer if there has been a time delay.

Frank Davidson questioned the authority of the SFB to establish value, which resulted in a motion to go into executive session. A motion to go into executive session was made by Tom Rushin. Seconded by David Ortega. Passed by voice vote 7-0. The Board was in Executive Session from approximately 1:30 to 1:40 p.m.

When back in regular session, David Ortega noted that despite some stumbling blocks that have led to the situation, that he is supportive of the staff recommendation. Patricia Gober wanted to be flexible and understanding when market conditions change. She shared frustration on purchasing land when other districts are able to get it donated. She wanted to support Sahuarita and did not want the Board's decision to create a disincentive to donate.

David Ortega moved that the Board accept the staff recommendation to deny the district's request to revalue the site. Gary Marks seconded. Motion passed 5-2, with Dr. Patricia Gober and Brooks Keenan voting against.

VIII. Consideration and Possible Vote of Reduction of Square Footage

Brooks Keenan moved that the Board approve the following.

1. That the Board approve the retirement of Buildings 1013, 1014, and 1015 at Willis Junior High School in Chandler Unified District.
2. That the Board approve the retirement of Building 1006 at Curiel Annex for Eloy Elementary District.
3. That the Board approve the retirement of Killip Elementary School for Flagstaff Unified District.

4. That the Board authorize the reconfiguration of the buildings identified in the table for Gilbert Unified District.
5. That the Board authorize the reconfiguration of GPS Technology Leadership Academy in Gilbert Unified District from 9-12 to 7-12.
6. That the Board approve the reconfiguration of Building 1015 at Stevenson Elementary from K-6 to 7-9 for Mesa Unified District.
7. That the Board approve the retirement of Buildings 1011, 1015, and 1016 at Pendergast Elementary School, and Building 1008 at Westwind elementary School for Pendergast Elementary District.

Seconded by Cynthia Chovich. Motion passed voice vote 7-0.

IX. Consideration and Possible Vote of Emergency Deficiency Projects

Mayer Unified

Mr. Arnold explained that Mayer Unified has some significant issues with their computer network. They have had some IT people assess the issues and SFB staff believes that it can be corrected for about \$47,726. The district has building renewal money available however the money has been programmed. The district also has about \$12,000 in unencumbered soft capital funds and after speaking to the Superintendent SFB staff feels that the soft capital money is well planned. As such, the SFB is recommending that emergency deficiencies be used in the amount of \$47,726.

David Ortega moved that the staff recommendation be approved. Gary Marks seconded. Motion passed voice vote 7-0.

Tempe Union High School

Mr. Arnold explained that Tempe Union has requested \$17.1 million to correct CO2 levels in their schools. The Corono Del Sol high school is approximately 400,000 square feet and was built in 1976 with an expansion in 1986. The school capacity is 3,640 and the district 2007 ADM is 2,702. The school was designed in the energy conscious 1970's and not so comfort conscious 1970's. The air exchange in the school is inadequate for the capacity of the school. They cannot meet the CO2 standards when the school is occupied. The district hired a firm – Health Effects – to do a survey of the school the resulting report of which noted high CO2 levels but no other ill effects. The SFB staff also took some of their own measurements, which came in lower than the Health Effects survey but still showed violations of the CO2 standards. Most of the difference between the SFB survey and Health Effects survey is attributable to the time of day. The SFB staff took its measurements in the morning and the Health Effects survey took its measurements in the afternoon. Mr. Arnold indicated that the district has not presented a comprehensive plan on how the \$17.1 million would be spent and noted that when the issue was first addressed the budget was much lower.

Mr. Arnold explained that the emergency deficiency statutes suggest that there needs to be a health and welfare issue. While SFB staff acknowledges that the

CO2 levels are high, it does not believe that it rises to the level of an emergency. As such, the SFB staff is recommending a denial of the district's request for emergency funds.

Gary Marks asked a question about the district's request and Mr. Arnold replied that if data or circumstances change any new information would be presented by the Board or any Board member could request that the item be on an agenda.

David Ortega questioned whether the district has an unhealthy building since there is agreement that there is a lack of air exchange. Mr. Arnold agreed that we are in agreement that there is not sufficient air exchange for the population but not in agreement with the proposed solution and not in agreement that the results of the lack of air exchange rise to the level of an emergency. Staff does agree that it is causing some discomfort in the facility and is academically not ideal. But the statute speaks to the serious risk of the use of the space or the health and welfare of the students. While the SFB staff does believe that the district has a deficiency that needs to be addressed it does not feel that the emergency deficiency statute covers it.

David Ortega noted that if the Board does not declare an emergency then there is no other source of funding available. Mr. Ortega felt that the Board's job is to evaluate whether it is an emergency. Mr. Arnold indicated that he has not seen evidence that building renewal is not available. He noted the district does not likely have the cash on hand and the solution might take several years. Mr. Ortega asked how much money was in the emergency deficiencies fund to which Mr. Arnold indicated \$4.0 million. Mr. Arnold noted that the district's request was for \$17.1 million but that amount was not substantiated. Mr. Arnold noted that the first discussions with SFB staff on this issue were in February and the district budget at that time was \$7 million.

Brooks Keenan asked if the CO2 levels were tested during the deficiency corrections program. Mr. Arnold indicated that the contractor FlexTech did visit the school and test it but according to the district the testing happened in unoccupied classrooms. Mr. Arnold noted that this deficiency has been in existence for some time but it is not relevant in determining whether the situation is an emergency, which is defined as a serious threat to public welfare. SFB staff researched the issue and found that the OSHA standard for the workplace is 5000 ppm, which the district is clearly within. ASHREA standards are 770 above ambient and SFB standards are 800 above ambient, but those are comfort standards.

Spencer Smith, attorney representing Tempe Union, addressed the Board. He noted when the SFB staff met with the district in February the issue was \$7 million and now it is \$17.1 million and he understood the Board's concern about the costs. Mr. Smith noted that some buildings have been fixed either through deficiency correction or rehabilitation on bonds. Mr. Smith noted that Sierra Vista had a similar problem with a school that was only eight years old but designed on the pre-1989 ASHRAE standard. It had insufficient ventilation of which the consequence is mold and the inability to control humidity, which leads to more mold and the inability to keep the building clean and from not smelling.

Mr. Smith noted that the district has retained an architect and engineer on an RFP and they are diligently working on the problem. The district wants to get another chiller installed this summer. Mr. Smith noted that they could not procure a [CM@Risk](#) contractor under the procurement statutes without the money but they have stuck their necks out and have put a solicitation out to award pre-construction services so the district will have an engineer and construction manager that will start to generate numbers so the district can generate more specific numbers. The district will be in a bind with auditors and the construction manager who won't sign a contract unless they know they can fund the project. Mr. Smith noted that the district has \$6 million in building renewal money, which the district is committed to spending first but they don't think they can solve the entire problem. The district has retained a second mechanical engineer to provide oversight. Mr. Smith indicated that the district would entertain a conditional approval but the district is not in a position to piece meal this project and would rather have a construction manager oversee the project.

Mr. Smith acknowledged that the \$4.0 million in current emergency deficiency is not sufficient. However, if the Board declares the project an emergency the district can go to the board of supervisors and county school superintendent under A.R.S. §15-907. Prior to the establishment of SFB, A.R.S. §15-907 would have allowed a tax levy to raise money outside the budget. Now, the SFB pursuant to A.R.S. §15-2022 is in charge of making the initial assessment of determining a health/safety emergency rather than the county school superintendent. Mr. Smith argued that the district does have a serious need for materials or construction. He noted that the Health Effect report observed moisture damage to the school from the inadequacy of the ventilation capability of the HVAC system. Mr. Smith noted that they had bad indoor air quality because of excess humidity, mold growing in the school, and excessive CO2 rates. Mr. Smith noted that SFB put out a memo a few months prior about indoor air quality information that emphasized the importance of air quality. Mr. Smith felt that since the SFB memo recommended bringing adequate outdoor air into the building and the Health Effects survey confirmed that it should rise to the level of an emergency. Mr. Smith was concerned about telling constituents, employees, parents, and students that the problem would not be fixed and the resulting public relations problem. He also raised concern that this was not fixed during the deficiency corrections program. He also noted SFB rules R7-6-265 and R7-6-215 would conclude that the district does not have a properly functioning HVAC system.

Mr. Smith indicated that most are used to an emergency being an immediate threat and clearly the problem is a long-term threat except to the occupants of the building that may be susceptible to the problems. He noted that while the problem did not arise overnight it still threatens health and welfare. He felt that it was in the Board's, district's, and the constituents' best interests to err on the side of declaring an emergency that is in a gray area rather than not declaring an emergency because the district has no where else to go which will leave the district's constituents unsatisfied with the results.

Diane Meulemans, Tempe Union, indicated that the district has received over the last 10 years several complaints from staff about the conditions of the environment at Corona del Sol. The district has been able to work with staff to

assure them that everything is okay. During the last year, the district received complaints about the unhealthy building from a large number of staff. The district contacted the Arizona Risk Retention Trust for assistance. Health Effects was hired as a result. Prior to testing, Health Effects meet with staff to find out which areas of the building staff was concerned about. After testing, Health Effects met with staff again and shared the results. Some staff threatened to go to the media but the district ensured the staff that it would be addressed. In February, the district met with SFB staff and was very complimentary of the staff. At that time, the problem was identified as a \$7 million issue. She indicated that if building renewal were fully funded by the legislature the district would have the funds available to address the issue.

David Ortega referenced the building renewal summary provided as an attachment in the board packet, specifically the \$6.1 million available in revenues in 2007 and an additional \$3.8 in FY 2008. Mr. Arnold clarified that the \$3.8 assumes full funding of the formula but the current legislative budgets in FY 2008 would more likely be a little less than 60% or around \$2 million. David Ortega suggested that perhaps the district consider passing a bond. Mr. Smith indicated that it would be politically impossible to get a bond passed because the bond funds would benefit a single school and voters might feel that the deficiency corrections program should have fixed the problem.

David Ortega moved to support the staff recommendation based on it not meeting the requirements of §15-2002. Brooks Keenan seconded. Motion passed 6-1, with Dr. Patricia Gober voting against.

X. Future Agenda Items

Dr. Patricia Gober wanted to ensure that capacity methodology was on the agenda.

XI. Public Comment

Charles Burke, from Arizona Department of Environment Quality, made a few comments regarding energy efficiency and how pay back should be calculated.

Adjournment

There being no further business, Frank Davidson, adjourned the meeting at approximately 2:40 P.M.

Approved by the School Facilities Board on August 2, 2007

Frank Davidson
Chair