

**SCHOOL FACILITIES BOARD**  
**November 1, 2007**  
**Phoenix, Arizona**

The School Facilities Board held a Public Hearing at West Park School in Buckeye. The hearing began at approximately 9:40 A.M.

<u>Members Present</u>	<u>Guests Present</u>
Davidson, Frank, Chair	Vicki Morris, Buckeye ESD
Keenan, Brooks, Vice Chair (via telephone)	Bruce Faught, Kitchell
Marks, Gary	Ron Essley, Emc2
Ortega, David	Bob Dubsy, Luke Air Force Base
Rushin, Tom	Chad Cooper, Buckeye ESD
Allee Taylor, Penny	Lorrese Roer, Buckeye ESD
	Dana Hawman, Florence USD
<u>Members Absent</u>	Beverly Myers, Florence USD
Gober, Patricia	Becky Miller, Florence USD
Friesen, Lyle, Superintendent's Representative (non-voting)	Ian McDowell, Sundt Construction
Private Business Owner Representative, position vacant	Elsa Garcia, Buckeye ESD
Teacher Representative, position vacant	Betty Villa, Buckeye ESD
	Randie Stein, Stone & Youngberg
<u>Staff Present</u>	Cathy Rex, School Facilities Group
John Arnold, Executive Director	Al Flores, Vail School District
Dean Gray, Deputy Director of Facilities	Rebecca Williams, Buckeye ESD
Monica Petersen, Deputy Director of Finance	Gary Blanton, Kingman USD
Kerry Campbell, Public Information Officer	Oz Enderby, Kingman USD
Heather Gamby, Executive Assistant	Jan Langer, J.O. Combs USD
Debra Sterling, Attorney General's Office	Marsha Crockett, DLR Group
	Scott Dunsmore, Mingus UHSD
	Kirk Waddle, Mingus UHSD
	Jay St. John, Sahuarita USD
	Bill Bauer, ASCG
	Stephen Jones, Pinnacle One
	Burnie Hubbard, Maricopa USD

Pursuant to ARS 15-2002(C)(9) the SFB held a public hearing to hear comment on Dysart Unified School District's application for funding for the construction of new school facilities proposed to be located in territory within the vicinity of Luke Air Force Base.

**There was no public or general comment.**

The Public Hearing adjourned at 9:42 A.M.

Approved by the School Facilities Board on December 6, 2007

  
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Frank Davidson, Chair

SCHOOL FACILITIES BOARD  
November 1, 2007  
Buckeye, Arizona

The School Facilities Board held a board meeting at the West Park School library in Buckeye. The meeting began at approximately 10:04 A.M.

<u>Members Present</u>	<u>Guests Present</u>
Davidson, Frank, Chair	Vicki Morris, Buckeye ESD
Keenan, Brooks, Vice Chair (via telephone)	Bruce Faught, Kitchell
Marks, Gary	Ron Essley, Emc2
Ortega, David	Bob Dubsy, Luke Air Force Base
Rushin, Tom	Chad Cooper, Buckeye ESD
Allee Taylor, Penny	Lorrese Roer, Buckeye ESD
	Dana Hawman, Florence USD
<u>Members Absent</u>	Beverly Myers, Florence USD
Gober, Patricia	Becky Miller, Florence USD
<u>Friesen, Lyle, Superintendent's Representative (non-voting)</u>	Ian McDowell, Sundt Construction
Private Business Owner Representative, position vacant	Elsa Garcia, Buckeye ESD
Teacher Representative, position vacant	Betty Villa, Buckeye ESD
	Randie Stein, Stone & Youngberg
<u>Staff Present</u>	Cathy Rex, School Facilities Group
John Arnold, Executive Director	Al Flores, Vail School District
Dean Gray, Deputy Director of Facilities	Rebecca Williams, Buckeye ESD
Monica Petersen, Deputy Director of Finance	Gary Blanton, Kingman USD
Kerry Campbell, Public Information Officer	Oz Enderby, Kingman USD
Heather Gamby, Executive Assistant	Jan Langer, J.O. Combs USD
Debra Sterling, Attorney General's Office	Marsha Crockett, DLR Group
	Scott Dunsmore, Mingus UHSD
	Kirk Waddle, Mingus UHSD
	Jay St. John, Sahuarita USD
	Bill Bauer, ASCG
	Stephen Jones, Pinnacle One
	Burnie Hubbard, Maricopa USD

- I. Call to Order  
Frank Davidson called the meeting to order at approximately 10:04 A.M. Jane Hunt, Buckeye Unified School District Assistant Superintendent, and Patti Joseph, West Park School Principal welcomed the board.
- II. Roll Call  
There were six Board Members present at this meeting, including one member (Brooks Keenan) who participated by phone.
- III. Approval of Minutes of October 4, 2007  
Gary Marks moved that the Board approve the minutes of October 4, 2007. David Ortega seconded. Motion passed on a 6-0 voice vote.

IV. Consent Agenda

a. Consideration and possible vote of Preventive Maintenance Plans

Tom Rushin moved that the Board ratify McNary Elementary District and Mingus Union High School District Preventive Maintenance Plans. Gary Marks seconded. Motion passed on a 6-0 voice vote.

- b. Tom Rushin recused himself on consideration and possible vote of the Preventive Maintenance Plan for Yuma Elementary District. Gary Marks moved that the Board ratify Yuma Elementary District Preventive Maintenance Plan. Penny Allee Taylor seconded. Motion passed on a 5-0 voice vote.

V. Director's Report

a. Construction Cost Index

John Arnold explained that on October 18, 2007, the Joint Legislative Budget Committee approved an increase to the new school facilities formula of 2.2 percent. SFB staff had recommended an increase of 5.53 percent. The 2.2 percent was based on an inflation index published by PinnacleOne for the period of July 2006 through June 2007. At the hearing, staff distributed charts comparing the prior year cost per square foot with new construction awards between June 2007 and October 2007.

David Ortega asked if there would be a biannual or similar review by the Joint Legislative Budget Committee. John Arnold indicated that statute calls for review as necessary, but at least once per year. Last year staff requested a review at six months, but the JLBC decided not to address it. Mr. Ortega indicated that he would like to see updated data regularly, and Mr. Arnold replied that staff's intent is to update the graph with each new construction project awarded, and maintain a six-month running total.

Gary Marks asked if there was any insight as to why the granted increase to the formula was less than fifty percent of what was requested. John Arnold responded that the explanation given during the hearing was that based on the downturn in the residential market, the committee anticipates a similar downturn in the commercial market in the near future, with a resulting significant decrease in construction costs in the next twelve months.

b. Land Trust Bond Refunding

John Arnold explained that at the April 5, 2007 Board meeting, the Board authorized staff to refund certain bonds issued during the Deficiency Corrections Program. These bonds were secured by earnings from the State Education Land Trust. Because of changes in the bond market, staff was not able to complete the refunding until early October.

With this transaction staff accomplished the following:

- Refunded \$88.6 million in bonds.
- Eliminated the \$12.3 million reserve fund.
- Created \$5.9 million in total savings.

Additionally, by coupling the refunding with interest earnings on the debt service fund, Staff was able to reduce the FY 2008 debt service payment by \$6,074,000. Since the General Fund must replace the dollars in the Land Trust Fund used for debt service, this reduction in debt service represents a savings to the General Fund.

VI. New School Construction

a. Consideration of New Construction Projects Review, Bids, Bid Packages, and Change Orders:

David Ortega noted the inflation factor in the new construction projects. Mr. Ortega moved that the Board approve the following:

1. **Coolidge Unified District's** request to proceed with CM@Risk Project 110221000-9999-006N, upon staff receipt of necessary documents, and that the Board approve additional funding for inflation in the amount of \$1,266,520, and additional funding for specific site requirements in the amount of \$973,000.
2. Approve **Dysart Unified District's** request to proceed with CM@Risk Project 070289000-9999-023N, upon staff receipt of necessary documents, and that the Board approve additional funding for inflation in the amount of \$834,116.
3. Approve **Florence Unified District's** request to proceed with CM@Risk Project 110201000-9999-005N, upon staff receipt of necessary documents, and that the Board approve additional funding for inflation in the amount of \$3,935,345, and additional funding for specific site requirements in the amount of \$637,907.
4. Approve **JO Combs Unified District's** request to proceed with CM@Risk Project 110344000-9999-016N, upon staff receipt of necessary documents, and that the Board approve additional funding for inflation in the amount of \$2,339,934.
5. Approve **Maricopa Unified District's** request to proceed with CM@Risk Project 110220000-9999-013N, upon staff receipt of necessary documents, and that the Board approve additional funding for inflation in the amount of \$338,127.

Penny Allee Taylor seconded. Motion passed on a 6-0 voice vote.

Gary Marks asked what impact the additional funding requirement would have on the budget. John Arnold indicated that staff plans to bring a full budget review to the Board next month. At the beginning of the fiscal year, staff projected that the SFB would experience a cash shortfall of \$60,000,000 to \$70,000,000, which still appears to be an accurate assessment. Mr. Arnold further indicated that each new construction project is scored based on its current fiscal year impact, and that we are nearing the ending of the current fiscal year scoring period.

David Ortega stated that he noticed that D.L. Withers was the CM@Risk on three of the five projects on today's agenda. He noted that the decision on the CM@Risk lies with the district, and asked if staff is seeing enough competition amongst the CM@Risk pool. John Arnold replied that the school construction market has significantly narrowed in the last year, to five or six firms. While this is a benefit because of the familiarity with processes and staff, it does become a concern because of the decreased amount of competition.

Gary Marks asked if performance evaluations have been conducted as the field has narrowed across the State. John Arnold replied that staff currently reviews the contracts districts are entering into because of concerns with fee structures, but has not gotten into reviewing the evaluation process in terms of qualifying the contractors. Statute very clearly leaves that responsibility with the district.

b. Other New Construction Issues:

**Red Rock Elementary District:** John Arnold explained that Red Rock is a one school, K-8 district located approximately 35 miles north of Tucson. The district has an existing capacity of 106. The district's historical ADM has ranged between 70 and 90. A large development is underway in the area, and the school's current enrollment is already at 121 students. The SFB staff demographer anticipates that the school's enrollment will reach 200 by April 2008, putting the school at 89 percent over capacity.

The district has proposed the addition of two portable classroom buildings (four classrooms – 3,360 sq. feet) and is willing to purchase and site the buildings with local funds, but has asked the SFB to provide funding for the required electrical upgrades. The district has obtained a quotation of \$116,295 for the total project, with \$49,948 for the electrical upgrade.

SFB staff agrees with the district that the existing facility cannot accommodate the expected student population over the next several months. There are no other existing facilities in the vicinity that can accommodate the students, temporarily or otherwise. Staff is recommending that the SFB provide the funding for the required electrical upgrades to allow the portables to be sited.

Gary Marks moved that the Board award \$49,948 to the Red Rock Elementary District from the New School Facilities fund for temporary space. David Ortega seconded. Motion passed on a 6-0 voice vote.

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

a. Step I & II: Justification of Need for Land and Request to Purchase a Specific Site

Penny Allee Taylor moved that the Board approve the following:

**Kingman Unified School District's** request to proceed with Step III on 15 acres for an elementary site, project number 080404000-9999-002L.

David Ortega seconded. Motion passed on a 6-0 voice vote.

b. Step III: Additional Information Reviewed and Final Approval

David Ortega moved that the Board approve the following:

1. **Crane Elementary District's** request to proceed with the purchase of 28.293 acres for a dual elementary school site, project number 140413000-9999-007L.
2. **Florence Unified District's** request to accept a donation of 12.4 acres for an elementary school site, project number 110201000-9999-023L.

Tom Rushin seconded. Motion passed on a 6-0 voice vote.

3. **Sahuarita Unified School District's** project number 10230000-9999-010L: Frank Davidson noted that this item was being revisited after having been tabled at the October Board Meeting.

Dr. Jay St. John, Sahuarita Unified District, addressed the Board. Dr. St. John stated that he had met with the district's governing board, and that they have indicated that they want the SFB to proceed. The district ordered a desk review of the SFB appraisals by KB Real Estate Appraisers, the results of which indicated that the appraisal ordered by the SFB and conducted by Southwest Appraisers, valuing the property at approximately \$80,000 per acre, is most reflective of the fair market value. Dr. St. John stated that he would like to know what the SFB had paid for their assessments, as Sahuarita Unified knows what it paid for theirs. He further stated that the discrepancies in the appraisals ordered by the SFB violated its own 10 percent rule.

Dr. St. John stated that the Sahuarita Unified Board wants the SFB to know that if the condemnation route is taken, that the \$1.6 million to be paid for the property as it stands now may actually end up costing between \$6-\$9 million. Dr. St. John indicated that the Sahuarita Unified Board also wants to know why the SFB hasn't recommended condemnation.

Dr. St. John went on to say that regarding the CM@Risk process, Sahuarita Unified does not accept anyone without experience with the SFB process, as it is very complicated.

David Ortega stated that at the last meeting he had asked whether or not there were plans for rezoning of the site or if an application for rezoning had been submitted, and that there had not been. Any condemnation value set would be based on the current appraisal value, not a potential or future appraisal value resulting from changes in zoning.

Mr. Ortega asked Dr. St. John if the district wants this property and if it feels that it is most suitable for the school's needs. Dr. St. John replied yes.

Dr. St. John stated that if the SFB Board approves the purchase at \$25,000 per acre instead of \$80,000 per acre, then the owner will reject that offer and the district will have no choice but to move forward on its own. He indicated that part of the reason the district wants this particular property is because the SFB won't pay for off-site improvements, and there is no other site in the area that has utilities already in place as the site in question does.

David Ortega asked whether or not SFB staff had ordered a second review appraisal. John Arnold indicated that staff had not, but that he had seen the desk review of the SFB's three appraisals sent over by Dr. St. John the night before. Mr. Ortega asked if the Board was to take action today and some of the material information in the appraisals was to change, could it be brought forward at a future time. Mr. Arnold stated that the SFB has established a process for determining fair market value, and that it follows this process. In order to deviate from the process, something other than a fourth opinion would be required. Mr. Arnold also indicated that according to the district, whether the SFB Board authorizes \$25,000 per acre or \$80,000 per acre, the district will have to pursue eminent domain if it wants the property. Through the eminent domain process, a value will be set, and the SFB is in a position to accept the value set by the court. Mr. Arnold explained that this appears to be the clearest way in which to move forward, as it allows the SFB to follow its adopted process and reach an agreement with the owner at some point. David Ortega agreed with Mr. Arnold, and added that he doesn't wish to complicate the process.

Penny Allee Taylor moved that the Board accept staff's recommendation to approve Sahuarita Unified District's request to proceed with the purchase of 66 acres for a dual elementary/high school site, project number 100230000-9999-010L, and to accept staff's recommendation to value the 66-acre parcel of land at \$1,650,000. David Ortega seconded. Motion passed on a 6-0 voice vote.

VIII. Consideration and Possible Vote of Emergency Deficiency Correction Requests  
*This item was withdrawn from the agenda.*

IX. Consideration and Possible Vote of Request for Reduction in Square Footage  
Gary Marks moved that the Board:

1. Ratify staff's projections for **Kingman Unified District**, which indicates that the re-configuration is not projected to cause the district to fall below minimum square footage guidelines within three years.
2. Reinstate Building 1008 at Echo Mountain, retire Building 1010, and ratify staff's projection which indicates that the sale of Building 1012 is not projected

to cause the **Paradise Valley Unified District** to fall below minimum square footage guidelines within three years.

Penny Allee Taylor seconded. Motion passed on a 6-0 voice vote.

X. Policy Review

a. Updated Policy Review Schedule:

Staff requested that the Board review the updated Policy Review Schedule and anticipate review of the New Construction Policy at the December meeting.

- b. Policy Approval - Policy IV. Land Acquisition: John Arnold explained that numerous comments had been received regarding the Land Acquisition policy, mostly in reference to the proposed removal of minimum site size requirements. Consequently, staff has re-established the minimum site size requirements, which greatly assists districts with the negotiation process.

David Ortega made a motion to approve the recommended changes to SFB Policy IV. Land Acquisition. Penny Allee Taylor seconded. Motion passed on a 6-0 voice vote.

Scott Thompson, Dysart Unified School District, addressed the Board. Mr. Thompson stated that the two things driving school sites are the cities/towns who ultimately determine the site, and the funding formula. The only authority school districts have is the SFB's guidelines during the negotiation process. Mr. Thompson stressed that what's driving large schools is the funding formula, and that although districts such as Dysart want neighborhood schools, they still have to make them work within the formula, which leaves them at an 1100, K-8 building. He added that if this issue is really to be addressed, there needs to be conversations about funding mechanisms and the amount of square footage per student, and developing a funding formula that works without having to create such a large school. Mr. Thompson stated that in his research, Arizona's square footage of 80 per student in an elementary school is the lowest in the nation.

XI. Future Agenda Items

None.

XII. Public Comment

None.

XII. Adjournment

There being no further business, Frank Davidson adjourned the meeting at approximately 10:58 A.M.

Approved by the School Facilities Board on December 6, 2007

Frank Davidson  
Chair