

SCHOOL FACILITIES BOARD
December 6, 2007
Casa Grande, Arizona

The School Facilities Board held a board meeting at the Casa Grande Union High School District office in Casa Grande. The meeting began at approximately 10:13 A.M.

<u>Members Present</u>	<u>Guests Present</u>
Davidson, Frank, Chair	Lester Dunning, Buckeye ESD
Keenan, Brooks, Vice Chair	Gonzalo Hernandez, Pinnacle One
Marks, Gary	Scott Beck, NTD Architecture
Ortega, David (via telephone)	Dan Scheller, Flowing Wells USD
Rushin, Tom	Burnie Hubbard, Maricopa USD
Allee Taylor, Penny	Randie Stein, Stone & Youngberg
Gober, Patricia	Dianne Cordery, Yuma UHSD
	Marsha Crockett, DLR Group
<u>Members Absent</u>	Richard Faidley, Yuma UHSD
<u>Friesen, Lyle, Superintendent's Representative (non-voting)</u>	Dana Hawman, Florence USD
<u>Private Business Owner Representative, position vacant</u>	Cathy Rex, School Facilities Group
Teacher Representative, position vacant	Tara Malloy, McCarthy
	Marvene Lobato, Fowler ESD
<u>Staff Present</u>	Linda O'Dell, Gila County District
John Arnold, Executive Director	Ed Mullins, Sundt
Dean Gray, Deputy Director - Facilities	
Monica Petersen, Deputy Director - Finance	
Amber Peterson, School Finance Specialist	
Kerry Campbell, Public Information Officer	
Jim Chang, Demographer	
Heather Gamby, Executive Assistant	
Debra Sterling, Attorney General's Office	

I. Call to Order

Frank Davidson called the meeting to order at approximately 10:04 A.M. Nancy Pifer, Casa Grande Union High School District Superintendent, welcomed the Board.

II. Roll Call

There were six Board Members initially present at this meeting, including one member (David Ortega) who participated by phone. Penny Taylor arrived at 10:16 a.m., bringing the total to seven.

III. Approval of Minutes of November 1, 2007

Gary Marks moved that the Board approve the Minutes of November 1, 2007. Tom Rushin seconded. Motion passed on a 6-0 voice vote.

IV. Consent Agenda

- a. Consideration and possible vote of Preventive Maintenance Plans Including Amendments to Existing Plans and Addition of New Schools
- b. Consideration of FY08 3-Year Building Renewal Plans

Brooks Keenan moved that the Board ratify the districts listed in agenda items IV.a and IV.b. Gary Marks seconded. Motion passed on a 6-0 voice vote.

Penny Allee Taylor arrived at 10:16 A.M., bringing the number of voting members to 7.

- c. Consideration and possible vote of FY08 3-Year Building Renewal Plan

Frank Davidson recused himself from this item due to his employment with the Casa Grande Elementary District. Brooks Keenan chaired this portion of the meeting. Tom Rushin moved that the Board approve Casa Grande Elementary District's FY08 3-Year Building Renewal Plan. Penny Allee Taylor seconded. Motion passed on a 6-0-1-voice vote with Frank Davidson recusing himself.

- d. Consideration and possible vote of FY08 3-Year Building Renewal Plan

Frank Davidson resumed his role as chairperson. Tom Rushin recused himself from this item due to his employment with the Yuma Elementary District. Brooks Keenan moved that the Board approve Yuma Elementary District's FY08 Building Renewal Plan. Penny Allee Taylor seconded. Motion passed on a 6-0-1-voice vote with Tom Rushin recusing himself.

V. Director's Report

- a. FY07 Draft Annual Report

John Arnold presented the agency's draft annual report to the Board. The annual report includes a report outlining recommendations for Arizona's 21st century schools, which was prepared in response to the Governor's Executive Order 2007-06.

Brooks Keenan stated that the report looks very good. He pointed out that two districts were listed twice in the Building Renewal Appendix B. John Arnold acknowledged the errors and said they would be corrected.

Patricia Gober moved that the Board approve the FY07 draft annual report, pending minor revisions. Gary Marks seconded. Motion passed on a 7-0 voice vote.

- b. Five Year Strategic Plan

John Arnold presented the SFB's Five-Year Strategic Plan to the Board, indicating that it is due on January 1, 2008, and requesting the Board's feedback.

Penny Allee Taylor asked for clarification on the relationship between the minimum standards and relating Executive Orders.

John Arnold replied that in general strategic terms, Executive Orders are directed toward state agencies and do not have the force of law. The Governor recognizes that there are times when statute or appropriation levels

do not allow an agency to meet the goals of the Executive Order. For example, there is an Executive Order to build every State funded building to a Leadership in Energy and Environmental Design (LEED) Silver Standard, "as practicable." The statutes and funding available are utilized to meet that goal, and we strive to get as close to achieving a LEED Silver Standard on every school possible.

Brooks Keenan noted that the Five Year Strategic Plan is exceptionally well written. In reference to some of the plan's content, he stated that the School Facilities Board should promote legislation exempting school districts from being charged impact fees on construction. John Arnold stated that staff is in agreement and is working with the legislature to develop legislation that supports this.

Frank Davidson thanked staff and agreed that the plan is very well written. Mr. Arnold replied that Monica Petersen, Deputy Director - Finance, wrote the report and is responsible for strategic planning in the SFB office.

c. Camp Verde Unified Request for Attorney General Opinion

John Arnold explained that the Camp Verde Unified District is a single campus school district that uses an on-site well water system. The current system will not meet the new federal standards for arsenic levels. Further, the local Fire Marshal has informed the district that the well system does not provide sufficient water pressure to serve as fire suppression.

Tapping into the private water system would solve both of these issues and appears to be more cost effective than solving the issues on-site. However, to tap the system, the district would have to run a water line approximately 2 miles. The district has asked for legal advice from local counsel on this issue. The counsel has advised the district, and the district has asked the State Attorney General's Office to issue a formal Opinion on the topic. The Opinion, expected by January 18, 2008, could have substantial implications on the SFB.

Frank Davidson asked whether or not the district could use Building Renewal funds. Debra Sterling, Assistant Attorney General, replied that this would be addressed in the Public Opinion.

d. New Construction Budget Update

John Arnold explained that the New School Facilities Program started FY08 with estimated revenues of \$375.7 million. Based on currently approved projects and historical expenditure rates, SFB staff estimated that FY08 expenditures would be approximately \$442 million, creating a shortfall of approximately \$66.7 million. Since the Board spends approximately \$37 million per month, if Board operations continued as normal, this shortfall would not impact the Board until May 2008.

However, State law does not allow an agency to obligate more funds than are available from the Legislature. In other words, the SFB must live within its budget as established regardless of program requirements.

Each month, the SFB obligates State dollars for new construction activities. These obligations come in three forms: school design, school construction, and land acquisition.

For each of these activities, SFB staff estimates the amount of dollars that will be needed toward that activity in the current fiscal year. The estimated amount counts as the current fiscal year obligation. Because only part of the full obligation is counted as a *current* fiscal year obligation, the SFB starts each year with obligations carried over from the prior fiscal year. For example, SFB staff is recommending that the Casa Grande Union High School District be allowed to start construction on project number 001N. The full SFB cost of this project is \$31,579,446, but staff is only counting the amount estimated to be spent in FY08 as \$9,000,000, as a FY08 obligation.

In addition to the revenues to the New School Facilities Fund, the SFB also has the ability to temporarily transfer funds from the Building Renewal Fund to the New School Facilities Fund. While this transfer may never take place, the ability to make the transfer allows the SFB to obligate the available building renewal dollars into new school projects. Therefore, for purposes of obligating funds, the May Building Renewal distribution is shown as revenue to the New School Facilities Program.

Recommendations

Construction Projects – Staff believes the SFB cannot allow any additional projects to start construction until additional funds are provided. SFB staff is not aware of any projects that will be seeking approval to start construction at the January Board meeting. Staff does anticipate several projects in the March through May time period. Present project timing should give the Legislature sufficient time to act before any projects are significantly delayed.

Design – Generally, when the Board makes an initial award for a new construction project, 5 percent of the total award is made available to school districts for pre-construction costs. SFB staff recommends that we continue to award new school projects, but qualify that no project dollars will be available until new funds are appropriated to the SFB.

Land – SFB staff recommends that the Board continue to complete Step III environmental testing/appraisals and accept donations. However, staff does not believe the Board can commit to any additional land purchases until new dollars are made available.

As noted above, there is a minor amount of obligation authority still in place. SFB staff recommends the Board reserve these funds and may award design dollars or land dollars if a particular case merits action.

Patricia Gober asked if this is a short-term problem or one that is expected to be an issue year after year. John Arnold replied that the legislature did not agree with staff's cash flow predictions, and that this issue could very well become an annual one. However, supplemental appropriations might be made.

- e. IRS Audit of 2002 Revenue Bonds – Authorization to Grant Power of Attorney, Declaration of Representative, Waiver and Consent of Conflict of Interest to authorize bond counsel, Squires Sanders & Dempsey, to represent the SFB in responding to IRS inquiries

John Arnold explained that earlier this year, the Internal Revenue Service notified staff that they had selected the FY 2002 School Improvement Revenue bonds for audit. SFB staff believes that it is in the Board's best interest to retain counsel to represent the SFB with the IRS to facilitate SFB's responses to the requests from the IRS for documents and information and for legal advice and representation. SFB staff recommends using Squire Sanders & Dempsey (SS&D) as counsel. This is the same firm that served as bond counsel when the Board originally issued the bonds. The Department of Transportation is also being audited and they strongly recommended obtaining counsel.

In order for the SFB to be represented by SS&D for this IRS audit, the IRS requires that the Board sign the following two documents:

Request for Waiver and Consent to Conflict of Interest: Squire Sanders & Dempsey issued an opinion that the bonds qualified for tax exempt status and the IRS may question that finding during the course of the audit. Therefore, it may be perceived that SS&D may have a conflict of interest in defending the opinion they issued. The IRS requires that this document be filed.

Power of Attorney and Declaration of Representative: This document simply allows SS&D to represent the SFB before the IRS. The IRS also requires this document to be filed.

Penny Allee Taylor asked why the Attorney General's office is not representing the SFB in this capacity. Debra Sterling replied that the Attorney General's Office neither has the expertise nor manpower to handle matters such as these.

Brooks Keenan asked about the purpose of the audit, and what the IRS might be looking for. John Arnold replied that the apparent intent is to verify that the agency is utilizing tax-exempt bonds for tax-exempt purposes.

Brooks Keenan moved that the Board authorize the Board Chairman or Executive Director to sign the Request for Waiver and Consent to Conflict of Interest and the Power of Attorney and Declaration of Representation, and to allow Squire Sanders & Dempsey to represent the SFB during the course of the Internal Revenue Service Audit of the FY 2002 School Improvement Revenue Bonds. Tom Rushin seconded. Motion passed on a 7-0 voice vote.

- f. January Board Meeting

John Arnold explained that due to the New Year's Day holiday, the SFB Board meeting for January has been moved to January 10, 2008.

VI. New School Construction

a. Consideration and possible vote of FY 2008 Capital Plan New Construction Requests

David Ortega pointed out that the agenda write-up regarding Gila County Regional School District states, "the district does currently own any facilities," which is incorrect. The statement should read, "the district does **not** currently own any facilities."

Mr. Ortega asked how ADM estimates are calculated for the Globe Education Center and the Payson Education Center, as the Gila County Regional District is an accommodation district and has students attending who actually reside within the boundaries of other traditional school districts.

Mr. Arnold replied that projecting enrollment for accommodation districts is tricky and involves a lot of guesswork. Traditional district projection calculations are made utilizing attending ADM rather than residing ADM. For accommodation districts, students who attend school within the district are counted, regardless of where they live. The students who attend Gila County Accommodation are not calculated into ADM projections for any of the other school districts they reside in. Mr. Arnold explained that in light of this, the school might have to be resized at some time in the future.

Linda O'Dell, Gila County Regional School District Superintendent, addressed the Board. Ms. O'Dell explained that the Globe Education Center and the Payson Education Center are accommodation schools. The schools serve populations of students who have been unsuccessful in traditional settings for a multitude of reasons. Forty to fifty percent of the students are court-involved, and forty percent have been identified as having special educational needs.

Ms. O'Dell indicated that Globe Education Center, established in September 2005, has a current ADM of 83. Payson Education Center, established in February 2006, has a current ADM of 28. Levels of transiency have decreased significantly since the centers opened.

Ms. O'Dell stressed that in establishing the centers, the intent has never been to draw attendance from other districts. Rather, the intent has been to offer an alternative to the traditional school setting.

Penny Allee Taylor asked what the success rate is for accommodation schools in helping their students graduate or obtain a GED.

Ms. O'Dell replied that in the Gila County Regional School District, approximately 7 out of 26-28 students who attend the Payson Education Center and 10 out of 60 students who attend the Globe Education Center have earned their high school diploma or GED. Ms. O'Dell is proud of the number of students that have achieved these goals, as they may not have been successful without the existence of the accommodation schools.

Penny Allee Taylor moved that the Board approve the following staff recommendations:

1. **Bullhead City Elementary (K-5): Deny** conceptual approval for four schools.
2. **Bullhead City Elementary (6-8): Conceptually approve** 003N for 750 students to open in FY 15.
3. **Colorado River Union (9-12): Deny** the district's request for a 9-12 school for 1,000 students to open in FY 11. **No conceptual approval.**
4. **Gila County Regional (7-12): Approve** two schools (a 10,000 SF facility in Globe and a 7,000 SF facility in Payson) to open in FY 11. Monies cannot be awarded for these facilities until sufficient funds are available in the New School Facilities Fund. **No Conceptual approval.**
5. **Kingman Unified (9-12): Deny** the district's request for a 9-12 school for 1,000 students to open in FY 11. **No conceptual approval.**
6. **Littlefield Unified (K-8): Deny** the district's request for 003N (additional K-8 space for 120 students) to open in FY 11. **Conceptually approve** 003N to open in FY 12.
7. **Mohave Valley Elementary (K-6): Conceptually approve** 002N (additional space for 240 students) to open in FY 16.
8. **Mohave Valley Elementary (7-8): Conceptually approve** 001N (additional space for 75 students) to open in FY 12.

David Ortega seconded. Motion approved on a 7-0 voice vote.

- b. Consideration of New Construction Projects Review, Bids, Bid Packages and Change Orders

Brooks Keenan moved that the Board approve the following:

1. **Casa Grande Union District**'s request to proceed with CM@Risk Project 110502000-9999-001N, upon staff receipt of necessary documents, and that the Board approve additional funding for inflation in the amount of \$4,682,071, and additional funding for specific site requirements in the amount of \$113,000.
2. **Maricopa Unified District**'s request to proceed with CM@Risk Project 110220000-9999-020N, upon staff receipt of necessary documents, and that the Board approve additional funding for inflation in the amount of \$672,674.

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

Brooks Keenan moved that the Board approve the following:

1. **Marana Unified District's** request to proceed with Step III on 46.98 acres for a middle school site, project number 100206000-9999-011L.
2. **Maricopa Unified District's** request to proceed with Step III on 60 acres for a high school site, project number 110220000-9999-035L.
3. **Yuma Union District's** request to proceed with Step III on 60 acres for a high school site, project number 140570000-9999-004L.

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

b. Step III: Additional Information Reviewed and Final Approval

Patricia Gober moved that the Board approve the following:

1. **Buckeye Union District's** request to use 55 acres of district owned land on which to construct a new school, project number 070501000-9999-007L.
2. **Laveen Elementary District's** request to proceed with the purchase of 11.813 acres for an elementary school site, project number 070459000-9999-013L.

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

VIII. Consideration and Possible Vote of Emergency Deficiency Correction Requests

John Arnold explained that the Fowler Elementary School District is requesting emergency funding for the replacement of the Fowler Elementary School's existing roof system, which is beyond repair. Leaks are ongoing and the structural stability of the roof decking has been compromised in several small areas by water intrusion through the roof.

Marvene Lobato, Fowler Elementary School District Superintendent, addressed the Board. Ms. Lobato expressed appreciation for Executive Director John Arnold's attentiveness and willingness to listen to districts.

Brooks Keenan moved that the Board approve Fowler Elementary School District's request for emergency funding in the amount of \$87,936 for replacement of the existing roof system. Penny Allee Taylor seconded. Motion passed on a 7-0 voice vote.

IX. Policy Review: V. SFB New Construction

Mr. Arnold explained New Construction policy has been significantly restructured by staff, and that public as well as Board member feedback is requested. The revised policy will be on the agenda for approval in January.

Gary Marks asked if mass emails were being sent out requesting feedback on the policies up for review. John Arnold replied that they were.

XI. Future Agenda Items

Gary Marks requested an update on the Arizona Energy and Water Savings Grant program.

XII. Public Comment

None.

XII. Adjournment

There being no further business, Frank Davidson adjourned the meeting at approximately 11:25 A.M.

Approved by the School Facilities Board on January 10, 2007

Frank Davidson
Chair