

SCHOOL FACILITIES BOARD
June 25, 2009
Phoenix, Arizona

The School Facilities Board held a Board Meeting at the Arizona State Capitol Building in Phoenix, Arizona. The meeting began at approximately 10:00 A.M.

<u>Members Present</u>	<u>Guests Present</u>
Chair, Dr. Frank Davidson	Grant Hamill, Stone & Youngberg
Penny Allee Taylor	Andrea Chalmers, APS
David Ortega	Judy Richardson, Stone & Youngberg
Tom Rushin	Cathy Rex, So. AZ School Facilities Grp.
Dr. Patricia Gober	
John Corcoran	<u>Staff Present</u>
Lyle Friesen (non-voting member)	John Arnold, Executive Director
	Dean Gray, Deputy Director
<u>Members Absent</u>	Kerry Campbell, Public Information Officer
Gary Marks	Debra Sterling, Attorney General's Office
	Gerry Breuer, District Liaison
<u>Vacant Board Positions</u>	Jim Chang, Demographer
Private Business Owner Representative	Amber Peterson, School Finance Specialist
Engineer Representative	

- I. Call to Order
Dr. Frank Davidson called the meeting to order at approximately 10:00 A.M.

- II. Roll Call
There were six Board Members present at the start of this meeting, including five (5) voting members and one (1) non-voting member. Dr. Patricia Gober joined the Board after agenda item IV.

- III. Consideration and possible vote of Minutes of May 6, 2009
Tom Rushin moved for approval of the Minutes. David Ortega seconded. The motion passed with a 5-0 voice vote.

- IV. Consent Agenda
 - a. Consideration of Building Renewal Plans
Tom Rushin moved that the Board ratify the plans listed in agenda item IV.a. David Ortega seconded. The motion passed with a 5-0 voice vote.

Dr. Patricia Gober joined the Board at this time.

- V. Director's Report
 - a. Legislative/Budget Update
John Arnold explained that there is no information to share regarding the budget at this time. The Legislature is still in negotiations with the Governor's Office. In the event that no budget is passed by June 30, the Governor's Office has asked all agencies to prepare for a potential government shut-down. Since the SFB does not provide essential services, our offices would be closed.

Mr. Arnold continued with an update on the legislative progress that has been made. Most of the bills listed in the Board Packet are either dead or have changed to striker bills except for SB1196 (Education Omnibus), HB2120 (School District Bonds), HB2332 (Energy Contracts), and HB2516 (Schools Administrative Reduction). To clarify SB1122 (Land Acquisition), there are currently two options for districts to acquire land: 1) the SFB would pay for purchase/donation factor, and 2) the SFB would pay to lease State Land for the district. SB1122 would add a third option and allow the district to purchase State Land and the purchase monies would be directed from the State Land Department to the SFB and then returned to the district. This would provide an opportunity for districts to acquire State Land during the Moratorium in preparation for when the Moratorium is lifted, that districts may be able to proceed with construction without further delay.

Dr. Gober asked why a district would purchase land using district funds when the SFB would provide the funding.

Mr. Arnold explained that the option being offered in SB1122 would likely be used by districts when they want to build a B Bond school and need to acquire a site. In this case, the SFB would not provide the funding for land acquisition, but in the case of purchasing State Land for a B Bond school, SB1122 would allow the purchase monies to be directed back to the district, albeit through the SFB.

David Ortega asked if the SFB monitored how much land districts were acquiring and what impact a surplus of land would have.

Mr. Arnold responded that this is one of the concerns that have been raised regarding SB1122. We will continue to monitor this bill as it progresses through the legislative process.

Penny Allee Taylor asked for more info on SB2332. Mr. Arnold responded that more info on this bill will be provided a little later in the meeting during another agenda item.

b. New Construction Demographic Report to JCCR

John Arnold explained that each year on June 15th the SFB is required to provide JCCR with a New Construction Demographic Report that includes an overview of the demographic assumptions that the Board has made over the prior fiscal year. Included in the Board Packet is the front section of the report that was prepared by Amber Peterson and Jim Chang who are available to answer any questions the Board may have. One point of interest in the report starts on Page 3, as shown in the graph, Population Growth continues on a downward trend from 2006 to 2009, but population is projected to increase by 1% in 2009. On Page 4, you can see how this translates into ADM growth. The total district ADM growth rate dropped and projections show a decrease of about 4,500 students statewide, but on the charter school side almost 6,000 students were added. This equates to an increase of about 1,400 students or .1% ADM growth. When compared with the 1% Population Growth, these numbers make for some interesting

statistics. Staff will continue to study the historical data to develop a better understanding of these growth relationships.

Dr. Patricia Gober commented that while reading the report she was struck by the thought that we are assuming that growth is driving the demand for new schools, but there are also some feedback effects that become more relative while the moratorium is in effect. To a certain extent, new schools in new neighborhoods make them more attractive for growth. We are currently experiencing excess capacity in some schools and deficit capacity in others. What happens when we no longer build new schools on the urban fringes (at least for several years)? What does that do to the attractiveness of those places and does that have an effect on redirecting growth to some of these places where people can get neighborhood schools nearby? While the Moratorium is in effect there is the potential for a natural experiment, for the SFB to conduct empirical studies of when we don't build schools in areas of increased growth. We can assess the impact of a school not being there vs. one being there. This is a terrific opportunity for analysis on energy use, water use, transportation demand, etc.

Mr. Arnold responded that Dr. Gober's point is well taken.

David Ortega commented that the moratorium should be counter-balanced by building renewal for the existing facilities and that the need to maintain our existing schools is not going away. He added that it is unfortunate to see new schools being built on the urban fringe surrounded by fledgling development that does not yet have the growth to support or fill a whole new school and asked if new school construction such as this is contributing to urban sprawl.

Tom Rushin expressed his agreement with Mr. Ortega's comments, adding that he was impressed with the quality of the report. He recognized that it was very readable and understandable and has allowed us to discuss these issues in a logical way.

Mr. Arnold thanked the Board for their comments, adding that staff is looking at new school construction projections for the next 20 years and what the needs for new construction and building renewal will be. Staff has developed proposals for renewal zones and is working with cities and counties. One proposal would include 50% of an aging school's replacement value for renovation projects to make the area more attractive for growth. These areas already have the sewer, water and utilities in place while newly developed areas may not, which would save the State money. We are working with the growth committee of the Governor's Office to develop ideas, but they are all still in the infancy stage.

Frank Davidson commented that making projections for growth in the coming years in specific areas will undoubtedly be different than in the past where we could rely on residential construction and occupancy.

Mr. Ortega added that the monies we are paying out each year for the debt service bonding is the equivalent of 2 high schools or 4 to 5 elementary

schools that have already been built. We are actually behind the curve when you consider this funding.

c. Federal Energy Grant Program

John Arnold explained the Federal Energy Grant Program as described in the Board Packet. The State's application was approved by the federal government on June 23rd. An issue that has come up as we study the requirements of the ARRA funding is the requirements of the Davis Bacon Act and Buy American provisions. These requirements will increase the cost of these projects and decrease the leverage we expected to get out of the federal award. Staff will work through these issues and have more information in the coming weeks.

Penny Allee Taylor asked what the Davis Bacon Act entails.

Mr. Arnold explained that the Davis Bacon Act was established in 1931 and sets a localized prevailing wage, including such specific requirements as mileage from city hall, etc. For federal projects, certain wages are established for certain labor.

David Ortega commented that he would support the SFB contribution for these projects being raised from 20% to up to 45% and would suggest a cap on the dollar amount of the grant awards. He also added that we want to get this federal money out there as soon as possible to be used to the best benefit.

Mr. Arnold responded that he agrees with the idea of a cap and explained that with performance contracting district poverty level is not a factor. The contract is paid for out of the savings. There is however a disadvantage for smaller districts because their size will not allow for the same level of recognized savings as a larger district. The cap being considered by staff is about 45% and would provide for projects in the \$3 to \$4 million range.

Ms. Allee Taylor commented on the proposed legislation to require districts to hold a local election to be able to enter into a performance contract and asked if the Board needed to establish a policy for the use of performance contracting to perhaps provide another level of review.

Mr. Arnold agreed that Ms. Allee Taylor made a good point and that there are pros and cons to additional levels of review. The changes the SFB has proposed through legislation this session address many of these issues and provide for the necessary changes to statute to ensure no one is defrauded using performance contracting.

Dr. Gober asked what the cost share was on the APS Direct Install Program.

Dean Gray clarified that the cost share depended on the amount of energy used. Schools use 1800 hours, commercial establishments use double or triple that which mean the percentage of savings through the Direct Install Program could be down to 50-60%.

Dr. Gober asked why a district would use the SFB cost share program if they could get a better cost share percentage through a program like Direct Install.

Mr. Arnold responded that districts could qualify for both programs simultaneously.

Tom Rushin commented that as superintendent of a school district he took advantage of performance contracting and found that if done right it could be very beneficial for districts.

Frank Davidson asked if the proposed changes to this program need to be brought back to the Board.

Mr. Arnold answered that the changes would need to be approved by the Governor's Office and an amendment to the federal application would have to be filed. Today's agenda item was for informational purposes only and the changes will not need to go before the Board.

Dr. Gober asked if the state contractors and Direct Install contractors align to provide at least some overlap.

The APS has a list of approved contractors (Direct Install Trade Allies). Staff will review the list of contractors on state contract and compare it with the Direct Install Trade Allies.

John Corcoran asked who is responsible for getting word out about these programs.

Mr. Arnold responded that SFB staff will be in communication with the districts and may hold a conference that will cover all of the details involved with the award of these federal dollars. He continued with a description of the solar projects as outlined in the Board Packet.

VI. Consideration and possible vote of Reduction of Square Footage Requests

Dr. Gober asked about the requirement of districts to seek SFB review and approval of these requests before action is taken. Mr. Arnold explained the details of how the law is currently written and the proposed changes currently being considered this legislative session.

David Ortega moved that the Board approve the staff recommendations as listed below:

1. Board ratification of staff's projection for **Gilbert Unified** which indicates that the district's relocation of Building 1007 from Quartz Hill Elementary to Gilbert High School is not projected to cause the district to fall below minimum square footage guidelines within three years.
2. Board ratification of staff's projection for **Glendale Union** which indicates that the removal of Building 1008 at Cortez High School is not projected to cause the district to fall below minimum square footage guidelines within three years.
3. Board ratification of staff's projection for **San Carlos Unified** which indicates that the district's reconfiguration of Building 1002 at San Carlos High School

is not projected to cause the district to fall below minimum square footage guidelines within three years.

4. Board ratification of staff's projection for **Santa Cruz Valley Union** which indicates that the removal of Buildings 1019, 1020, and 1021 at Santa Cruz Valley Union High School is not projected to cause the district to fall below minimum square footage guidelines within three years.

Penny Allee Taylor seconded. The motion passed with a 6-0 voice vote.

- VII. Consideration and possible vote of Emergency Deficiencies Correction Requests
John Arnold explained the balance of the Emergency Deficiencies Corrections fund and how the funds fluctuate. Dean Gray reviewed each of the requests as presented in the Board Packet.

Dr. Patricia Gober moved that the Board approve the staff recommendations as listed below:

1. To award **Camp Verde Unified** Emergency Deficiencies Correction funding in the amount of \$9,500 for the replacement of toilet room sinks at the Camp Verde Middle School. This request includes \$540 in contingency that will only be used with SFB staff approval.
2. To award **Pima Unified** Emergency Deficiencies Correction funding in the amount of \$3,500 for the replacement of the "Bard" air conditioner. This request includes \$322 in contingency that will only be used with SFB staff approval.

Penny Allee Taylor seconded. The motion passed with a 6-0 voice vote.

- VIII. Consideration and possible vote of Building Renewal Grant Requests
John Arnold explained the balance of the Building Renewal Grant fund and how the funds have fluctuated. He also noted that both of the districts requesting funds today meet the preventative maintenance requirement to qualify for Building Renewal funding. Dean Gray reviewed each of the requests as presented in the Board Packet.

David Ortega asked if adequate insulation was being included in the design of the Bicentennial project. Mr. Gray responded that this issue will be addressed during design.

Tom Rushin moved that the Board approve the staff recommendations as listed below:

1. Board approval of Building Renewal Grant funding in the amount of \$182,730 for **Bicentennial Union** for the design and replacement of the gymnasium heating and cooling system, which includes an amount of \$10,000 for contingency that will only be used with SFB staff approval.
2. Board approval of Building Renewal Grant funding in the amount of \$300,000 for **Somerton Elementary** for the design, construction and project management for restoring the water system plant, which includes an amount of \$15,000 for contingency that will only be used with SFB staff approval.

David Ortega seconded. The motion passed with a 6-0 voice vote.

IX. Consideration and possible vote of Land Issues

This item was removed from the agenda.

X. Future Agenda Items

John Arnold informed the Board of the next meeting date on August 5, 2009.

XI. Public Comment

There was no public comment.

XII. Adjournment

There being no further business, Dr. Frank Davidson adjourned the meeting at approximately 11:15 A.M.

Approved by the School Facilities Board on August 21, 2009

Frank Davidson
Chair