

SCHOOL FACILITIES BOARD
August 21, 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 11:10 A.M.

<u>Members Present</u>	<u>Guests Present</u>
Chair, Dr. Frank Davidson	Allison Suriano, Kennedy Partners
Gary Marks	Randie Stein, Stone & Youngberg
Tom Rushin	Jon Cazee, Commercial Systems Tech., Inc.
	Cathy Rex, Southern AZ School Facilities Gp.
<u>Members Present via Telephone</u>	Andrea Chalmers, APS
David Ortega	Valerie Wynie, APS
Penny Allee Taylor	Daniel Musgrove, Chevron Energy Solutions
<u>Members Absent</u>	<u>Staff Present</u>
John Corcoran	John Arnold, Executive Director
Dr. Patricia Gober	Dean Gray, Deputy Director
Vicki Salazar (non-voting member)	Kerry Campbell, Public Information Officer
	Debra Sterling, Attorney General's Office
<u>Vacant Board Positions</u>	Sameer Pandey, School Facilities Liaison
Private Business Owner Representative	David Kennon, Assessment Specialist
Engineer Representative	Jim Chang, Demographer
	Amber Peterson, School Finance Specialist

- I. Call to Order
Dr. Frank Davidson called the meeting to order at approximately 11:10 A.M.

- II. Roll Call
There were a total of five voting Board Members present at this meeting. Two of the five members (David Ortega and Penny Allee Taylor) were present via telephone.

- III. Consideration and possible vote of Minutes of June 25, 2009 and June 29, 2009
Tom Rushin moved for approval of the Minutes. Gary Marks seconded. The motion passed with a 5-0 voice vote.

- IV. Consent Agenda
 - a. Consideration of Building Renewal Plans
 - b. Consideration of Preventative Maintenance Plans
Gary Marks moved that the Board ratify the plans listed in agenda items IVa. and IVb. Penny Allee Taylor seconded. The motion passed with a 5-0 voice vote.

- V. Director's Report
 - a. Legislative/Budget Update
John Arnold explained that on July 1, 2009, the Legislature passed a FY 2010 operating budget. After the Governor's vetoes, the budget impacted the SFB as follows:

Building Renewal Formula:	\$0
New Construction:	\$0
Building Renewal Grants:	\$3 million
Emergency Deficiencies:	\$0

In addition to program funding, the budget provided sufficient funds to cover the FY 2010 lease-to-own debt service obligation and the SFB staff operating budget.

Mr. Arnold explained that while the budget provides \$3 million for grants, the funds are allocated to the Board on a quarterly basis, making only \$750,000 available for award each quarter. Because of this, Building Renewal Grants may have to be prioritized at some point according to prioritization requirements.

Legislative Overview

The budget bills included a budget implementation bill with several changes to SFB programs. Although the Governor vetoed this bill, it is anticipated that most, if not all, of the language will be readopted and signed into law.

SB 1187 (Special Session HB 2011)

- Requires SFB to count all kindergarten students as ½ students.
- States that the SFB can modify the new construction cost per square foot for geographic and site conditions. This eliminates the Board's ability to adjust the formula for inflation.
- The Board is instructed not to distribute funds from the Building Renewal fund.
- The New Construction moratorium is continued in FY 2010. The extension is in the same format as the FY 2009 moratorium; the Board cannot fund any New Construction or Land Acquisition. However, the Board is required to complete the Capital Plan cycle and is allowed to award schools subject to future appropriations.
- Grants the Board authority to issue \$100 million in LTO through the federal Qualified School Construction Bonds program. This program will allow the Board to issue this debt interest free. The law states that the SFB must use the funds to build new schools and priority is to go to school districts that are projected to be over capacity in the FY 2010 school year. Because of the federal involvement, these projects will be subject to the Davis Bacon Act.

HB 2332 – schools, energy contracts

- Requires all investment grade audits to be transmitted to the SFB.
- Requires school districts that use performance contracting to report to the SFB a project description, the provider, the costs of the project, and the expected savings.
- Requires the SFB to submit an annual report detailing all projects completed during the prior fiscal year including:

1. The name of the project.

2. The qualified provider.
 3. The total cost of the project.
 4. The amount financed through the guaranteed energy and water savings created by the installed improvements.
 5. The baseline energy consumption data.
 6. The projected energy and cost savings.
 7. The actual energy and cost savings.
- Makes other changes to the performance contracting program.

SB 1196 – Education Omnibus

- Requires that school districts receive the written approval of the SFB before taking any action (including grade configuration changes) that will reduce pupil space.
- Requires that all SFB annual reports be in electronic form.
- Allows the SFB to contract directly for certain services including project management and services related to land acquisition.
- After providing a school district with a written notification, allows the SFB to access school district utility records.
- Changes the required response requirements for Emergency Deficiencies requests.
- Changes the building inventory report deadline to October 15.

Chairman Davidson noted that some districts will likely need to reconfigure some space to accommodate for the change to kindergartners' status. John Arnold indicated that staff will draft a policy to address the reconfiguration issue. Dr. Davidson stated that it has been practice to provide districts and others with the opportunity for input when there have been policy changes. He asked if districts and others will continue to have an opportunity to comment on new requirements prior to them finally being in place. John Arnold replied that unless the Board indicates otherwise, opportunity for comment and input will be made available.

b. Federal Energy Grant Program

John Arnold explained that through the ARRA federal stimulus funds, Governor Brewer has directed approximately \$5 million to the School Facilities Board for the purchase of solar energy panels for schools. School Facilities Board staff along with the Governor's Office and the Federal Department of Energy has decided to target these funds to small school districts. The twenty smallest districts have been identified. They have been sent a survey to complete which will indicate their interest and certain data points. Some districts have declined the solar, and other districts may not qualify to "accept" solar due to building configuration, shade, or other circumstances. In either case, the next biggest school district in line will then be considered. Staff believes that 20 – 25 districts can be funded, depending

on rebates and individual system costs. Hopefully, the list of districts will be finalized by the end of September, and presented to the Board at the October meeting. The federal government gives final approval on any site where work will be conducted. Once the sites are identified and approved, there will be a design-build type of procurement process to bring in a solar provider. The SFB will work with the solar provider to develop design and installation of the system. Most projects should be completed within the next six months, and all of them by the end of the school year.

Gary Marks asked if there is any potential tie-in with the APS Direct Install program. John Arnold replied that if a district is an APS customer, we would require the district to seek any available rebates, through the solar or any other program. The hope is that part of the project costs can be defrayed through rebates. This would reduce the cost to the SFB, which would allow us to do projects with more districts than we originally planned.

c. Litigation Update

John Arnold informed the Board that the final order on *Sahuarita Unified School District vs. Arizona School Facilities Board* requires the SFB to pay \$245 in court costs. We will be moving forward and will establish a firm value of the property as of September 2005, which will be brought before the Board once the process is completed.

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

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

1. Board ratification of staff's projection for **Flagstaff Unified** which indicates that the removal of 1,680 SF of Building 1005 at W.F. Killip Elementary 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 **Flagstaff Unified** which indicates that the relocation of Buildings 1001, 1002, and 1004 from Renaissance Magnet Middle School is not projected to cause the district to fall below minimum square footage guidelines within three years.

Gary Marks seconded. The motion passed with a 5-0 voice vote.

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

Gary Marks moved that the Board approve the staff recommendations as listed below:

1. Board ratification of staff's projection for **Mammoth-San Manuel Unified** which indicates that the closure of Avenue B Elementary 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 **Nogales Unified** which indicates that the relocation of Santa Cruz Alternative High School Building 1005 to

Lincoln Elementary 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 **Tuba City Unified** which indicates that the district's reconfiguration from P-5, 6-8, 9-12 to P-6, 7-8, 9-12 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 **Willcox Unified** which indicates that the district's reconfiguration from P-3, 4-8, 9-12 to P-4, 5-8, 9-12 is not projected to cause the district to fall below minimum square footage guidelines within three years.
5. Board ratification of staff's projection for **Window Rock Unified** which indicates that the relocation of Window Rock High School Buildings 1002 and 1004 to Tse Hootsoi Elementary School is not projected to cause the district to fall below minimum square footage guidelines within three years.
6. Board ratification of staff's projection for **Yuma Elementary** which indicates that the reconfiguration of Mary E. Post Elementary School from P-6 to district administrative space is not projected to cause the district to fall below minimum square footage guidelines within three years.

David Ortega seconded. The motion passed with a 5-0 voice vote.

VII. a. Consideration and possible vote of Building Renewal Grant Requests

John Arnold explained that the Building Renewal Grant fund balance is only showing the \$750,000 that has been allocated for this quarter. As further allocations are made in subsequent quarters this balance will be updated. However, awards will only be made based on the quarterly allocation, not the cumulative total. Dean Gray reviewed each of the requests as presented in the Board Packet.

Gary Marks moved that the Board approve the staff recommendations as listed below:

1. Board approval of Building Renewal Grant funding for **Bagdad Unified** in the amount of "Not to Exceed" \$200,000 for repairs to correct water intrusion to the library, classroom, and gymnasium buildings.
2. Board approval of Building Renewal Grant funding for **Bonita Elementary** in the amount of \$11,000 to replace two roofs at the intermediate/middle school, which includes an amount of \$1,500 for contingency that will only be used with SFB staff approval.
3. Board approval of Building Renewal Grant funding for **Cedar Unified** in the amount of \$34,000 for the repair of the propane tank. This includes \$5,683 for contingency that will only be used with SFB staff approval.
4. Board approval of Building Renewal Grant funding for **Continental Elementary** in the amount of \$15,792 for the repair of the fire water pump system. This includes \$4,000 for contingency and \$1,500 for any

required engineering and permitting. These added funds will only be used with SFB staff approval.

5. Board approval of Building Renewal Grant funding for **Cottonwood-Oak Creek Elementary** in the amount of "Not to Exceed" \$129,628 for replacement of the fire alarm systems at Cottonwood Elementary and Oak Creek School, which includes an amount of \$10,000 for contingency that will only be used with SFB staff approval.
6. Board approval of Building Renewal Grant funding for **Santa Cruz Valley Union** in the amount of "Not to Exceed" \$165,235 for the replacement of the fire alarm system and modifications to the existing underground vaults.

Tom Rushin seconded. The motion passed with a 5-0 voice vote.

b. Consideration and possible vote of Building Renewal Grant Requests

John Arnold explained that at the December 17, 2008 Board meeting, the Board awarded Blue Ridge Unified \$380,000 for a roof replacement. The Terms and Conditions for Building Renewal Grants require that the projects be placed under contract within four months of award or the projects are considered abandoned.

The Blue Ridge Unified roof project has been delayed beyond four months due to two issues. First, Blue Ridge Unified is in a mountain climate and needed to wait for the summer to install the roof. Second, the original design documents called for the new roof to be laid over the top of the existing roof. SFB staff requested a structural review of this design, which came back favorable. Shortly after this review, the roof collapsed at C.I. Waggoner Elementary in the Kyrene Elementary District. One of the issues identified to have caused the roof collapse was the installation of a new roof over the top of an existing roof. After the collapse, the structural engineer on the Blue Ridge Unified project asked to re-evaluate the design and determined that removing the existing roof would be more appropriate. This required the district to make changes in the design and delayed the procurement process.

Blue Ridge Unified has completed the design process and is currently bidding the project. The district should have a contract awarded by September 1, 2009.

Gary Marks moved that the Board approve staff's recommendation to re-establish the Blue Ridge Unified Building Renewal Grant Project (090232000-9999-001BRG) for \$380,000 for a roof replacement.

Tom Rushin seconded. The motion passed with a 5-0 voice vote.

VIII. Future Agenda Items

There were no requests for future agenda items.

IX. Public Comment

Daniel Musgrove, Business Development Contractor with Chevron Energy Solutions, addressed the Board. Mr. Musgrove explained that Chevron Energy Solutions provides performance contracting and renewable energy development to the public sector, particularly schools. He questioned why it appears that leverage hasn't been addressed in the allocation of the \$5 million dollars in solar projects to schools.

John Arnold responded that Mr. Musgrove raised an excellent point, and that the SFB actually had looked into leveraging opportunities for solar. One opportunity was through performance contracting, but this was deemed unfeasible due to the length of the term of the payback for solar. The second opportunity was through a power purchase agreement or power service agreement, in which a private entity owns the solar. The federal government was approached about this structure but would not allow it because under that type of arrangement federal funds would essentially be used to allow a private entity to receive a federal tax credit.

Mr. Musgrove replied that he was pleased that leveraging had indeed been looked into.

IV. Adjournment

There being no further business, Dr. Frank Davidson adjourned the meeting at 11:45 A.M.

Approved by the School Facilities Board on October 8, 2009

Frank Davidson

Chair