

SCHOOL FACILITIES BOARD
February 9, 2012
Phoenix, Arizona

The School Facilities Board held a Board Meeting at the Arizona State Archives Building in Phoenix, Arizona. The meeting began at approximately 10:02 A.M.

<u>Members Present</u>	<u>Guests Present</u>
Tom Rushin, Vice-Chair	Patricia Ewanski, APS Solutions for Business
Gary Marks – via telephone	Tom Duncan, Commercial Systems Tech
Jennifer Stielow	Barbara Underwood, Payson USD
Dr. Bill Johnson	Todd Poer, Payson USD
Eric Hafner – via telephone	Rita Leyva, Yavapai Accommodation
Vern Crow	Jim Taylor, Yavapai Accommodation
	Rick Carr, Arcadis
<u>Members Absent</u>	Grant Hamill, Stone & Youngberg
Dr. Frank Davidson, Chair	Judy Richardson, Stone & Youngberg
Stacey Morley (non-voting member)	
	<u>Staff Present</u>
<u>Vacant Board Positions</u>	Dean Gray, Executive Director
Demographer Representative	Phil Williams, Deputy Director
Teacher Representative	Kerry Campbell, Public Information Officer
	Debra Sterling, Attorney General’s Office
	Amber Peterson, School Finance Specialist
	Angela Cade, Fiscal Services Manager
	Dan Demland, Architect
	Yujun Mei, Demographer

- I. Call to Order
Vice-Chairman Tom Rushin called the meeting to order at approximately 10:02 A.M.
- II. Roll Call
There were four (4) voting Board Members participating in person and two (2) Board Members participating via telephone.
- III. Consideration and possible vote to accept, reject or modify the Minutes of January 11, 2012
Vern Crow made a motion for Board approval of the Minutes of January 11, 2012. Jennifer Stielow seconded. The motion passed with a voice vote of 6-0.
- IV. Consent Agenda
 - a. Consideration of 3-Year Building Renewal Plans
Vern Crow made a motion for Board approval of the 3-Year Building Renewal Plan for Vail Unified as listed in the Board packet. Jennifer Stielow seconded. The motion passed with a voice vote of 6-0.

Gary Marks recused himself from the Board at this time.

b. Consideration of 3-Year Building Renewal Plans

Dr. Bill Johnson made a motion for Board approval of the 3-Year Building Renewal Plan for Humboldt Unified as listed in the Board packet. Vern Crow seconded. The motion passed with a voice vote of 5-0.

Gary Marks rejoined the Board at this time.

V. Director's Report

a. Budget Update

Dean Gray offered to go through the Governor's Budget Proposal or, if the Board preferred, answer questions from Board Members. The Board preferred to ask questions about the proposal.

Dr. Bill Johnson asked about the proposed Building Renewal funding. Mr. Gray explained that the proposed Building Renewal funding has two parts. The first is \$100 million for Building Renewal Grants which would cover fiscal years 2013, 2014 and 2015. This money will be handled the same as we currently handle Building Renewal Grant money. This includes funding for the SFB to purchase software that would be available for every district to manage their preventative maintenance, as well as maintain a comprehensive inventory of their major building components and equipment. This information will be used to analyze life-cycle of equipment and the State will assume the capital cost for replacement of the equipment. In the interim, from purchase to end of life, the district would be responsible for maintaining the equipment. The second part of the Building Renewal funding proposal is \$40 million for the districts (includes \$5 million for charter schools) to use to perform the required preventative maintenance on their existing equipment. Districts would also be required to submit a 5-year building renewal plan or capital improvement plan. Starting in FY 2016 and for each subsequent year thereafter, the SFB would use the first year of the districts' capital improvement plans and information developed through the life-cycle cost analysis to request from the Legislature the amount of Building Renewal funding required to maintain our schools for that year.

Dr. Johnson asked if the Building Renewal appropriation would be distributed directly to the districts or to the SFB to be distributed on an as-needed basis. Mr. Gray responded that the details of the process have yet to be worked out, but the appropriation would probably be directed to the SFB as it has been in the past. The details of how projects would be authorized are unknown at this time, but the important point would be the mandatory requirement of the 5-year building renewal plans. Ultimately, the decision will be the Legislature's whether to fund or not fund the need to maintain the 12,000 school buildings.

Dr. Johnson commented that when funding is based on life-cycle the program would work well in the aggregate, and asked if there would be flexibility built into the program to allow for the replacement of equipment that may fail prematurely or for equipment that works well beyond the prescribed life-cycle. Mr. Gray said that we would expect anomalies and designate funding to correct them. However, this is where preventative maintenance becomes crucial to help prevent the premature failure of equipment. The SFB would

use the software to monitor the frequency of performed preventative maintenance and work with the districts to make adjustments to maximize the life-cycle. Part of the life-cycle analysis would be to prioritize an equipment replacement schedule. Funding appropriated by the Legislature would go to those projects with highest priority until it is depleted and those projects that did not receive funding would be moved to the following year and prioritized with those projects.

Dr. Johnson moved the topic of discussion to the new construction part of the Governor's proposal by asking how districts were chosen to receive the new concept analysis and if districts throughout the State would have an opportunity to see how it would impact them. He also asked if the new method had been applied to the entire State to determine the aggregate effects before it progresses too far through the vetting process and about the apparent reduction of the State's liability to build new schools. Mr. Gray answered that staff analyzed many districts, primarily districts that have a current need for new space and those that will need new space in the near future. For some districts, the analysis showed that within the ten-mile radius there were sometimes thousands of empty seats at neighboring schools, some across the street from each other. Historically, the SFB capital plan analysis did not consider a region, rather only the schools within the district. The new concept would provide an opportunity for districts to send students to schools where there are empty seats. Another component of the Governor's proposal is increasing the bonding capacity for districts which would give the local community the opportunity to build a new school if desired. The Governor's Office believes the constitutional obligation to provide enough seats for the K-12 student population would still be met using this new method.

Dr. Johnson asked who Mr. Gray was speaking for, as the Board had not made these recommendations. Mr. Gray clarified that he was explaining the Governor's Budget Proposal and was speaking as her representative. The Governor's Office requested and the SFB provided the analysis.

Dr. Johnson asked about the practical application of the new analysis. For example, in the case of two neighboring districts that both qualify for a new school, but only one district qualifies when the ten-mile radius analysis is applied, how is it decided which district gets the new school? Mr. Gray responded that there certainly would be issues that would require discussion, but the Board would decide which district got the new school based on the analysis and the timeframe.

Dr. Johnson commented that even with the proposed increase in bonding capacity for districts, some districts including Laveen would still be unable to issue bonds to build new schools due to their assessed property value. Mr. Gray responded that the SFB is unable to speak to Dr. Johnson's comment regarding finance, but that he makes a valid point. Districts that face these types of issues need to address them with their legislative representatives. The role of the SFB is to provide analysis and ADM projections, while the role of the legislature is to determine the funding source.

Jennifer Stielow asked if the Board has the authority to take a position on legislation. Mr. Gray answered that the Board does not have that authority.

Ms. Stielow commented that with the current economic and budget challenges, the Governor's proposal is designed to make new construction more efficient and still provide for any deficiencies.

b. Legislative Update

Dean Gray asked Judy Richardson of Stone & Youngberg to give a brief explanation of the bills being proposed at the Legislature. Ms. Richardson reviewed several bills that may have an impact on education, school districts and/or the SFB. She noted that the legislature is treating prior temporary budget cuts as permanent.

c. Adoption of Policy Changes

No public comment was received.

Vern Crow made a motion for approval of the recommended changes to policy VI. Emergency Projects as presented by staff. Dr. Bill Johnson seconded. The motion passed with a voice vote of 6-0.

d. Policy Review

Dean Gray gave a brief overview of the proposed changes to policies V. New Construction and III. Capital Plans that are being recommended by staff. These change recommendations will be posted on the SFB website for public comment and will be brought back to the Board, along with the comments received from the public, at the next regularly scheduled meeting.

c. Amendment 5 to the Solar Energy Grant Terms and Conditions

Dean Gray gave a brief overview of Amendment 5 to the Solar Energy Grant Terms and Conditions, which includes requirements by the U.S. Department of Energy.

Jennifer Stielow made a motion for approval of the amendment as presented by staff. Vern Crow seconded. The motion passed with a voice vote of 6-0.

VI. New Construction Requests

a. Consideration and possible vote to accept, reject or modify the FY 2012 Capital Plan New Construction Requests

Dean Gray provided a brief explanation of the staff recommendations.

Dr. Bill Johnson made a motion for Board approval of the following recommendations:

1. **Agua Fria Union (9-12): Deny** 003N (9-12 space for 500 students) to open in FY 14. **Conceptually approve** 003N to open in FY 18.
2. **Avondale Elementary (K-8): Conceptually approve** 001N (K-8 for 850 students) to open in FY 19.
3. **Buckeye Elementary (K-8): Conceptually approve** 011N (K-8 for 800 students) to open in FY 20.

4. **Liberty Elementary (K-8): Cancel** 003N (K-8 for 800 students) and **conceptually approve** 003N, 004N and 005N (K-8 for 800 students each) to open in FY 16, FY 18 and FY 20, respectively.
5. **Litchfield Elementary (K-5): Cancel** 009N (K-5 for 800 students), and **conceptually approve** 009N to open in FY 16.
6. **Nadaburg Unified (9-12): Conceptually approve** 007N (geographic exception high school for 1,400 students) to open in FY 20.
7. **Riverside Elementary (K-8): Cancel** previously-approved 003N (K-8 for 600). No conceptual approval.

Vern Crow seconded. The motion passed with a voice vote of 6-0.

Dr. Bill Johnson recused himself from the Board at this time.

- b. Consideration and possible vote to accept, reject or modify the FY 2012 Capital Plan New Construction Requests

Dean Gray provided a brief explanation of the staff recommendation.

Vern Crow made a motion for Board approval of the following recommendation:

Laveen Elementary (K-8): Conceptually approve 009N and 010N to open in FY 16 and FY 19, respectively.

Jennifer Stielow seconded. The motion passed with a voice vote of 5-0.

Dr. Bill Johnson rejoined the Board at this time.

- c. Consideration and possible vote to accept, reject or modify the New Construction Projects Review, Bids, and Bid Packages

Dean Gray provided a brief explanation of the staff recommendation.

Vern Crow made a motion for Board approval of the following recommendation:

Yavapai County Accommodation's request to proceed with CM@Risk project 130199000-9999-003N, contingent upon staff receipt of necessary documents, and that the Board award additional funding for site conditions in the amount of \$100,503.

Gary Marks seconded. The motion passed with a voice vote of 6-0.

- VII. Reduction of Square Footage Requests

Dean Gray provided a brief explanation of the staff recommendation.

Dr. Bill Johnson asked if the district has any other reasons for wanting to remove the school from the building inventory besides the present lack of need. Mr. Gray referred to the district representatives present for today's meeting.

In response to their requests to speak to the Board, Tom Rushin introduced Barbara Underwood and Todd Poer representing Payson Unified. Ms. Underwood gave a brief explanation of some of the options the district is considering for Frontier Elementary School and Mr. Poer expressed concern for the maintenance of the facilities and the burden these costs put on the district's budget.

Dr. Johnson asked Ms. Underwood if the district planned to sell the school. Ms. Underwood answered that the district would like to sell the school and use the proceeds to fund additional classrooms on existing campuses as they are needed in the future.

Dr. Johnson asked if there has been any study of the available space to build additional classrooms on the existing campuses. Ms. Underwood answered that there has not been any study.

Dr. Johnson asked what was the last year Payson Unified experienced an increase in student enrollment. Ms. Underwood responded that to her knowledge the district has primarily experienced declining enrollment. Dr. Johnson asked if SFB staff knew the answer. Staff responded that the answer was not immediately available and offered to get this information to the Board.

Mr. Gray suggested that this agenda item be tabled to allow the SFB and the district to further discuss the district's options. Dr. Johnson made a motion to table this agenda item for future consideration. Vern Crow seconded. The motion passed with a voice vote of 6-0.

VIII. Building Renewal Grant Requests

a. Consideration and possible vote to accept, reject or modify Building Renewal Grant Requests

Dean Gray reviewed the balance of the Building Renewal Grant fund. If today's recommendations are approved by the Board, the available balance is \$170,051. Staff continues working to close projects and make recognized savings and unspent monies available for new projects. This accounts for over \$140,966 in recovered funds since the last Board meeting. Mr. Gray provided a brief explanation of the request as presented in the Board packet.

Jennifer Stielow asked why the Trust denied Casa Grande Union's claim. Mr. Gray explained that the Trust typically only covers the recovery from a failure. In this case, while the masonry is cracking due to expansion and contraction of the embedded steel, the guardrails have yet to fail. However, the district cannot ignore the dangerous condition the guardrails pose to students and have requested funding to correct the hazard.

Dr. Bill Johnson asked if Yuma Elementary considered using performance contracting rather than requesting Building Renewal Grant funding to replace the HVAC units. Mr. Gray did not know if the district had considered this option, but stated that in this case it would probably be very difficult to secure funding. There isn't enough money in this project to cover the financing and provide for the guarantee.

Dr. Johnson commended the district for saving the cost of installation by using district personnel to perform the work.

Vern Crow made a motion for Board approval of the following staff recommendations:

1. Board approval that **Casa Grande Union** be awarded \$9,950 in Building Renewal Grant funding for the investigation and design, as well as a detailed construction cost estimate to repair the guard rails on the second floor landings at Casa Grande High School.
2. Board approval that **Yuma Elementary** be awarded \$27,058 in Building Renewal Grant funding for the replacement of eight HVAC units at Woodard Junior High School.

Dr. Bill Johnson seconded. The motion passed with a voice vote of 6-0.

VIII. Future Agenda Items

No requests for future agenda items were received.

IX. Public Comment

No requests for public comment were received.

X. Adjournment

There being no further business, Tom Rushin adjourned the meeting at 11:20 A.M.

Approved by the School Facilities Board on March 7, 2012

Frank Darden
Chair