

SCHOOL FACILITIES BOARD
April 2, 2014
Phoenix, Arizona

The School Facilities Board held a Board Meeting at the Arizona State Archives Building in Phoenix, Arizona. The meeting began at approximately 10:08 A.M.

<u>Members Present</u>	<u>Guests Present</u>
Jennifer Stielow, Chair	Paul Tighe, Mingus UHSD
Tom Rushin, Vice-Chair	Chuck James, Squire, Sanders & Dempsey
Traci Sawyer-Sinkbeil	Jennifer Cosper, Squire, Sanders & Dempsey
Vern Crow	Pedro Miranda, Squire, Sanders & Dempsey
Dru Barisich	Kirk Waddle, Mingus UHSD
Edward Boot	Kevin Kelty, Casa Grande ESD
Dr. Jeff Smith	Grant Hamill, Stifel Nicolaus
	Allison Suriano, FMG
<u>Members Absent</u>	Carlos Monreal, Scottsdale USD
Ward Simpson	John Muir, Scottsdale USD
Bryan Peltzer	Chris Tosh, APS
Stacey Morley	Michael Williams, OSPB
	<u>Staff Present</u>
	Dean Gray, Executive Director
	Phil Williams, Deputy Director
	Kerry Campbell, Public Information Officer
	Debra Sterling, Attorney General's Office
	Dan Demland, Architect
	Yujun Mei, Demographer
	Amber Peterson, School Finance Specialist
	David Kennon, Assessment Specialist
	Ron Passarelli, Legislative Liaison

- I. Call to Order
Chairman Jennifer Stielow called the meeting to order at approximately 10:08 A.M.

- II. Roll Call
There were seven (7) voting Board Members present.

- III. Consideration and possible vote to accept, reject or modify the Minutes of March 5, 2014
Tom Rushin made a motion for Board approval of the Minutes of March 5, 2014. Vern Crow seconded. The motion passed with a voice vote of 7-0.

Dean Gray requested that the Board take the next few agenda items out of order.

- IV. Director's Report
 - g. Certificates of Participation Taxable Refunding Resolution
Dean Gray gave a brief explanation of the refunding opportunity and deferred to Grant Hamill, Managing Director, with Stifel Nicolaus. Mr. Hamill introduced

the representatives from Squire, Sanders & Dempsey, SFB bond counsel, and reviewed the presentation as provided in the Board packet.

Vern Crow asked for Mr. Hamill to explain the sinking fund payments. Mr. Hamill clarified that Mr. Crow was referring to the School Improvement Revenue Bonds as shown on Page 3 of the presentation. Mr. Hamill explained that QZAB stands for Qualified Zone Academy Bonds which are an obligation the Board issued that have a federal subsidy to reduce costs. The subsidy was nearly 100% of the interest costs for those obligations which have a stated maturity and the SFB, over the years, has accumulated enough money in an escrow account or sinking fund to pay off the obligations.

Mr. Crow asked who has retained bond counsel. Mr. Hamill explained that Stifel Nicolaus and Squire, Sanders & Dempsey are on state contract for financial advisors and legal services, respectively, and are both retained by the School Facilities Board.

Jennifer Stielow asked about the chart on Page 8 and if the debt service schedule has an added year. Mr. Hamill clarified that those dates represent the fiscal year. The maturity date remains unchanged.

Ms. Stielow asked why the savings are being frontloaded into the first year of the refunding. Mr. Hamill explained that the law was written to require at least \$4 million in savings in FY2014 and/or FY2015.

Ms. Stielow asked why the balance of the savings isn't spread out over the remaining years. Mr. Hamill replied that the law also requires that any change in lease-purchase payments in the out years be limited to \$100,000.

Ms. Stielow asked what happens to the savings and how does it affect the FY2015 budget currently under consideration by the legislature. Mr. Hamill deferred to Randie Stein to answer this question. Ms. Stein replied that the legislature is aware of this refunding opportunity and has a plan for the savings to be recognized later in the year.

Mr. Crow questioned the timing of the refunding in relation to the available interest rate and who decides whether to proceed or halt the transaction. Mr. Hamill replied that the decision to proceed lies with the Board. If the savings were to degrade significantly, SFB staff would advise the Board, and the Board would decide on a course of action.

Traci Sawyer-Sinkbeil asked if the new interest rate was 6%. Mr. Hamill clarified that the interest rate is expected to be approximately 1.6%.

Ms. Stielow asked for the total cost of the refunding. Mr. Hamill replied that the cost of issuance is approximately \$500,000, which includes the fee for the credit rating agencies.

Ms. Stielow asked if that cost includes the underwriting. Mr. Hamill replied that the cost of the underwriting is not included in the \$500,000 estimate. The underwriting cost is estimated between \$300,000 and \$350,000 based on a percentage of the PAR amount of the issuance.

Mr. Crow asked if this transaction is legal and has been fully vetted. Mr. Gray replied that staff has vetted the refunding with JCCR members and all parties have every intention of completing a lawful transaction.

Edward Boot asked if the timing of the JCCR meeting would affect proceeding with the refunding. Debra Sterling replied that the SFB is statutorily required to submit the details of the refunding to JCCR for review, which has been completed. JCCR may or may not review it. The SFB, however, has fulfilled what is required and may choose to proceed with the refunding.

Traci Sawyer-Sinkbeil made a motion for Board approval of the Certificates of Participation Taxable Refunding Resolution as recommended by staff. Edward Boot seconded. The motion passed with a voice vote of 7-0.

- f. Partial Redemption of 2010 Qualified School Construction Bonds (QSCBs)
Dean Gray gave a brief explanation of the 2010 QSCBs and the deadline to redeem any unspent bonds.

Tom Rushin made a motion for the Board to convene in Executive Session for further discussion. Vern Crow seconded. The motion passed with a voice vote of 7-0.

The Board convened in Executive Session starting at 10:48am.

The Executive Session adjourned at 11:12am.

The Board meeting reconvened at 11:15am.

- a. Legislative Update
Dean Gray deferred to Ron Passarelli to provide the update. Mr. Passarelli reviewed the status of SB1102 school facilities board revisions.

Edward Boot asked if we know what the FY2015 appropriation for Building Renewal Grants will be. Mr. Passarelli replied that the House and Senate general appropriations bills mirror the Executive Budget proposal. All three include \$16,667,900 for Building Renewal Grants for FY2015. Budget negotiations are ongoing.

- b. Budget Update
Dean Gray provided a brief explanation of the budget proposals as they pertain to the SFB, including those regarding New School Facilities funding.
- c. Policy Approval – I. Board Governance Procedures
Dean Gray provided a brief explanation of the proposed changes to the Board Governance Procedures policy. The policy was posted on the SFB website for public comment since the last Board meeting. No comments were received.

Vern Crow made a motion for Board approval of the proposed changes to SFB policy I. Board Governance Procedures. Tom Rushin seconded. The motion passed with a voice vote of 7-0.

d. Policy Review – II. Policy Development

Dean Gray provided a brief explanation of the proposed changes to the Policy Development policy. The policy will be posted on the SFB website for public comment and will be brought back to the Board at the next meeting for action.

e. Update on Vernon Elementary Solar Energy Grant

Dean Gray explained the unresolved issue with the Vernon Elementary Solar Energy Grant and the request sent to the U.S. Department of Energy by the Governor's Office of Energy Policy.

Traci Sawyer-Sinkbeil asked if there were any other outstanding issues on the Solar Energy Grants. Mr. Gray replied that this is the only unresolved issue.

Vern Crow recused himself from the Board at this time.

V. Building Renewal Grant Requests

a. Consideration and possible vote to ratify the Executive Director's awards of Building Renewal Grant funds pursuant to policy IX. Building Renewal Grant Fund, Subsection B (up to \$30,000 for professional evaluation)

Dean Gray reviewed the balance of the Building Renewal Grant fund. If today's recommendations are approved by the Board the remaining balance would be \$6,088,598. Staff continues working to close projects and make recognized savings and unspent monies available for new projects. He then provided a brief explanation of Paloma Elementary's request as presented in the Board packet.

Traci Sawyer-Sinkbeil made a motion for Board approval of the following staff recommendation:

Board ratification that **Paloma Elementary** be awarded \$25,000 in Building Renewal Grant funding for the investigation and feasibility study for the rehabilitation of the domestic water well at Kiser Elementary School (project number 070394001-9999-007BRG). This includes \$5,000 for testing and \$1,235 in contingency that will only be used with SFB staff approval.

Dru Barisich seconded. The motion passed with a voice vote of 6-0.

Vern Crow rejoined the Board at this time.

b. Consideration and possible vote to ratify the Executive Director's awards of Building Renewal Grant funds as authorized by the Board motion approved on June 6, 2012, Director's Report, Agenda Item V.c. (up to \$50,000 for project award)

Dean Gray provided a brief explanation of the Building Renewal Grant request as presented in the Board packet.

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

Board ratification that **Scottsdale Unified** be awarded \$1,796 in Building Renewal Grant funding for the replacement of condenser pump seal and gaskets on the chiller at Hohokam Elementary School (project number 070248114-9999-009BRG). This includes \$500 in contingency that will only be used with SFB staff approval.

Dr. Jeff Smith seconded. The motion passed with a voice vote of 7-0.

c. Consideration and possible vote to accept, reject or modify Building Renewal Grant Requests (supplemental awards)

Dean Gray provided a brief explanation of the Building Renewal Grant request as presented in the Board packet.

Tom Rushin made a motion for Board approval of the following staff recommendation:

Board approval of the staff recommendation that **Grand Canyon Unified** be awarded an additional \$53,500 in Building Renewal Grant funding for the design, bid documents, administrative services and construction repairs to the walkway of Building 1005 classroom/gymnasium at Grand Canyon High School (project number 030204002-1005-001BRG). This amount includes an additional \$4,200 in contingency that will only be used with SFB staff approval and brings the total project cost to \$63,500.

Traci Sawyer-Sinkbeil seconded. The motion passed with a voice vote of 7-0.

d. Consideration and possible vote to accept, reject or modify Building Renewal Grant Requests (construction awards)

Dean Gray provided a brief explanation of the projects as presented in the Board packet.

Vern Crow asked about drawings and specifications for the Pendergast Elementary request for a roof replacement. Mr. Gray clarified that that the district's architect has provided design and specification documents for this project to be bid.

Mr. Crow asked if there were any provisions for asbestos testing for the Pendergast Elementary roof replacement. Mr. Gray clarified that \$5,000 for asbestos testing is included in the staff recommendation.

Dr. Jeff Smith made a motion for Board approval of the following staff recommendations:

1. Board approval of the staff recommendation that **Canon Elementary** be awarded \$72,000 in Building Renewal Grant funding for replacement of the fire alarm system at Canon Elementary School. This includes \$5,962 in contingency that will only be used with SFB staff approval.

2. Board approval of the staff recommendation that **Mingus Union** be awarded \$78,000 in Building Renewal Grant funding to replace the domestic water storage tank, pump accessories and controls at Mingus Union High School. This includes \$8,961 in contingency that will only be used with SFB staff approval.
3. Board approval of the staff recommendation that **Pendergast Elementary** be awarded \$55,000 in Building Renewal Grant funding to replace the roof on Building 1001 at Desert Mirage Elementary School. This includes \$2,000 for structural roof analysis, \$5,000 for asbestos testing and \$5,850 in contingency that will only be used with SFB staff approval.
4. Board approval of the staff recommendation that **Safford Unified** be awarded \$36,000 in Building Renewal Grant funding for the replacement of two gas heating units in Building 1003 serving the gymnasium at Safford High School. This includes \$2,000 for structural evaluation and \$6,144 in contingency that will only be used with SFB staff approval.
5. Board approval of the staff recommendation that **Scottsdale Unified** be awarded \$2,200 in Building Renewal Grant funding for the replacement of the condenser unit on Building 1011 at Coronado High School. This includes \$263 in contingency that will only be used with SFB staff approval.
6. Board approval of the staff recommendation that **Tonto Basin Elementary** be awarded \$85,000 In Building Renewal Grant funding to replace the domestic water storage tank at Tonto Basin Elementary School. This includes \$23,768 for surveying, design, permitting and bidding, \$15,388 for construction administration, \$41,131 for construction, and \$4,713 in contingency that will only be used with SFB staff approval.
7. Board approval of the staff recommendation that **Willcox Unified** be awarded \$45,000 in Building Renewal Grant funding for roof recoating of Building 1001 administrative offices at Willcox Elementary School. This includes \$2,500 for a structural analysis, \$5,000 for asbestos testing, and \$3,601 in contingency that will only be used with SFB staff approval.
8. Board approval of the staff recommendation that **Willcox Unified** be awarded \$165,000 in Building Renewal Grant funding for the design and replacement of the roof on Buildings 1005, 1007 and 1013 at Willcox High School. This includes \$2,500 for structural evaluation, \$5,000 for asbestos testing, and \$7,601 in contingency that will be only used with SFB staff approval.
9. Board approval of the staff recommendation that **Willcox Unified** be awarded \$210,000 in Building Renewal Grant funding for the replacement of roofs on Building 1002 and the lower north portion of Building 1004 at Willcox Middle School. This includes \$2,500 for structural analysis, \$5,000 for asbestos testing, and \$7,601 in contingency that will only be used with SFB staff approval.

Dru Barisich seconded. The motion passed with a voice vote of 7-0.

e. Consideration and possible vote to accept, reject or modify Building Renewal Grant Requests (design awards)

Dean Gray provided a brief explanation of the request as presented in the Board packet.

Vern Crow questioned the SFB's funding to correct code compliance issues on a district-funded renovation. Mr. Gray replied that pursuant to the Building Renewal Grant statute the funds shall be used on primary building renewal projects that are necessary for buildings that are required to meet the minimum adequacy standards for student capacity and that fall below the minimum school facility adequacy guidelines. The code compliance issue causes the school to fall below the minimum guidelines.

Edward Boot commented that Casa Grande Elementary appears to have had numerous Building Renewal Grant requests resulting from very little maintenance and asked Mr. Gray to comment. Mr. Gray responded that the district is very receptive to the SFB's help and realizes there are some shortcomings that need to be addressed. These types of issues are not unique to this district.

Jennifer Stielow asked for the implications of not getting the appropriate permitting for this type of project. Mr. Gray replied that it is up to the local jurisdiction, but red tagging and closing the building is within their authority.

Dr. Jeff Smith made a motion for Board approval of the following staff recommendation:

Board approval of the staff recommendation that **Casa Grande Elementary** be awarded \$33,350 in Building Renewal Grant funding for the investigation and design of needed repairs to the kitchen at Evergreen Elementary School.

Traci Sawyer-Sinkbeil seconded. The motion passed with a voice vote of 7-0.

VI. Future Agenda Items

No future agenda items were requested.

VII. Public Comment

No public comment was requested.

VIII. Adjournment

There being no further business, Jennifer Stielow adjourned the meeting at approximately 11:55 A.M.

Approved by the School Facilities Board on May 7th, 2014

Jennifer Stielow
Chair