

SCHOOL FACILITIES BOARD
February 6, 2013
Phoenix, Arizona

The School Facilities Board held a Board Meeting at the Arizona State Archives Building in Phoenix, Arizona. The meeting began at approximately 10:04 A.M.

<u>Members Present</u>	<u>Guests Present</u>
Tom Rushin, Interim Chair	Patricia Ewanski, APS Solutions for Business
Dr. Jeff Smith	Pete Guzman, Superior USD
Gary Marks	Michelle Perey, Kirkland ESD
Vern Crow	Sean Mulvanny, FMG
Jennifer Stielow	Grant Hamill, Stifel Nicolaus
Dr. Bill Johnson	Chuck James, Squire Sanders & Dempsey
Stacey Morley	Michael Hurtado, Fire Security Elec & Comm
	Michael Williams, OSPB
<u>Members Absent</u>	Jeremy Calles, Kyrene ESD
Eric Hafner	
	<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
	Dan Demland, Architect
	Amber Peterson, School Finance Specialist
	Angela Cade, Fiscal Services Manager
	Pat Cruse, Facilities Liaison
	Yujun Mei, Demographer
	Ron Passarelli, Legislative Liaison
	Gerry Breuer, Facilities Liaison
	Heather Gregorich, Compliance Coordinator

- I. Call to Order
Interim Chairman Tom Rushin called the meeting to order at approximately 10:04 A.M.
- II. Roll Call
There were five (5) voting and one (1) non-voting Board Members present at the start of the meeting. Vern Crow joined the meeting during agenda item V.a. bringing the total to six (6) voting Board Members for the balance of the meeting.
- III. Consideration and possible vote to accept, reject or modify the Minutes of January 9, 2013
Jennifer Stielow made a motion for Board approval of the Minutes of January 9, 2013. Gary Marks seconded. The motion passed with a voice vote of 5-0.
- IV. Consent Agenda
Consideration and possible vote to accept, reject or modify FY 2013 3-Year Building Renewal Plans

Gary Marks made a motion for Board approval of the FY 2013 3-Year Building Renewal Plans as presented in the Board packet. Dr. Bill Johnson seconded. The motion passed with a voice vote of 5-0.

V. Director's Report

a. Resolution for Refunding of School Improvement Revenue Bonds

Dean Gray deferred to the SFB's financial advisor Grant Hamill, Managing Director with Stifel, Nicolaus & Company, Inc. (formerly Stone & Youngberg). Mr. Hamill started with the introduction of Randie Stein, Vice-President with Stifel and the SFB's Bond Counsel, Chuck James with Squire, Sanders & Dempsey. He reviewed the information provided in the Board packet, explained the current market conditions and the benefits of refunding the School Improvement Revenue Bonds.

Jennifer Stielow asked if the underwriter's fee was based on the size of the transaction. Grant Hamill confirmed that the underwriter's fee is based on a percentage of the size of the transaction. The average underwriting fee ranges from 0.6 to 0.7 percent; the underwriter's proposal for this refunding is at about 0.1 percent, which is remarkably low and will aid in the savings. This is a high profile transaction; a secure bond with backing of the state sales tax and triple rated securities. In this competitive market, underwriters are anxious to work with the State and are motivated to offer low fees.

Jennifer Stielow asked if the maturity date is changing or being extended. Mr. Hamill explained that the maturity date is remaining the same as the 2005 refunding, fiscal year 2020-21.

Jennifer Stielow asked about an interest rate of 3.5% and the effect this would have on the \$11.5 million in estimated savings. Mr. Hamill estimated the savings would be reduced to \$7 or \$8 million. Ms. Stielow asked if the cost of refunding would stay the same in this scenario. Mr. Hamill confirmed that the cost would remain the same.

Vern Crow joined the Board at this time.

Gary Marks made a motion for Board approval of the Resolution authorizing refunding of the Series 2005 School Improvement Revenue Bonds. To accomplish the refunding, staff will form a syndicate comprised of major bond underwriting firms selected from the State Underwriting Pool to manage the sale of the bonds. The refunding's expected closing would be in March, 2013, subject to market conditions. Vern Crow seconded. The motion passed with a voice vote of 6-0.

b. Legislative Update

Dean Gray deferred to Ron Passarelli, SFB Legislative Liaison, for an update on the Legislative session. Mr. Passarelli reviewed the bills presented in the Board packet and listed new bills that have dropped since the printing of the packet. Mr. Gray added that some bills are the same as seen in previous years. Staff will monitor these bills and provide the Board with updates as the session progresses.

c. Budget Update

Dean Gray reviewed the Executive Budget Recommendations for the SFB as provided in the Board packet. Stacey Morley explained the School Safety portion of the recommendation.

Dr. Bill Johnson asked about the New School Construction piece of the recommendation and the availability of design monies if the Board only awards a new school when ADM projections show the need for a new school in the current fiscal year. Mr. Gray answered that this is his understanding of the recommendation as well. Stacey Morley added that as she understands, districts would only be eligible to apply to the SFB for a new school when they exceed their current capacity.

Gary Marks asked if there has been any discussion about what happens in the case of rapid growth and accelerated need. Ms. Morley expressed that she shares this concern. Mr. Gray replied that the SFB has been under a new school construction moratorium since 2008. However, in 2010 the SFB was authorized to sell \$100 million in bonds, of which \$91 million was sold to build new schools. We continue to have new school awards on the books that we show a need to build, but cannot predict how this recommendation will proceed through the Legislature.

Jennifer Stielow asked about the recommendation to reclassify accommodation schools as charter schools. Mr. Gray explained that each county has an accommodation district that serves at-risk students. The recommendation proposes funding accommodation schools the same as charter schools are funded.

Jennifer Stielow asked how many accommodation schools have been built by the SFB. Mr. Gray replied that the SFB has built two accommodation schools for Yavapai County (one in Humboldt and one just recently in Prescott), two for Coconino County (one in Page and one in Flagstaff), and one for Maricopa County. Currently, there are two awards on the books for Gila County (one in Globe and one in Payson) and one for Santa Cruz County.

Jennifer Stielow asked if these accommodation schools built by the SFB, once converted to a charter school, will then receive more state aid. Mr. Gray responded that on the surface this may appear to be the case, but it is unknown how the existing accommodation schools will be funded via the recommendation or what the long term impact on funding for those schools will be. Ms. Morley added that the recommendation would mean immediately recognized savings for the State in reduced costs for new school construction.

Dr. Bill Johnson asked how the recommended \$25 million for the Building Renewal Program was arrived at. Mr. Gray answered that the recommendation came from the Governor's Office. The SFB's budget request for Building Renewal was the formula amount of \$260 million.

Dr. Bill Johnson asked about the recommendation to convert the Building Renewal Program to an end-of-life based system and what this would mean for Building Renewal Grants. Mr. Gray explained that the preventative maintenance software would require districts to provide an inventory of all

their building systems and a life cycle would be established for each system. When a system has reached the end of its life cycle, the cost to replace the system will be included in the annual Building Renewal Program funding request to the Legislature. The funding request would probably require some prioritization of projects, from most to least critical.

Dr. Bill Johnson commented that life cycle is helpful for planning and budgeting, but actual spending is based on the need to replace systems and asked if this is the thinking behind the recommendation. Mr. Gray replied that many districts use this methodology for budgeting purposes and that the State is no different. There are some industry standards for life cycle and some work to establish appropriate life cycles for district systems will need to be done.

Dr. Bill Johnson commented on life cycle being based on averages and expressed his concern about the need to replace in the event of system failure before end of life is reached. Stacey Morley commented that she envisions the recommendation as a mixture of life cycle-based projected need and SFB discretionary need-based funding on a project by project basis. Mr. Gray agreed with Dr. Johnson and Ms. Morley, adding that to establish life cycle we need more information.

VI. New School Construction

a. Consideration and possible vote to accept, reject, or modify the FY 2013 Capital Plan New Construction Requests

Dean Gray gave a brief description of the capital plans as presented in the Board packet.

Jennifer Stielow made a motion for Board approval of the following staff recommendations:

1. **Casa Grande Elementary (K-5): Conceptually approve** 007N (K-5 for 750 students) to open in FY 20.
2. **Florence Unified (K-8): Deny** conceptual approval for 013N (K-8 for 1,100 students) to open in FY 19.
3. **Florence Unified (9-12): Conceptually approve** 017N (9-12 for 1,795 students) to open in FY 17.
4. **J.O. Combs Unified (9-12): Deny** conceptual approval for a 9-12 for 1,724 students to open in FY 21.
5. **Queen Creek Unified (K-5): Conceptually approve** 005N (K-5 for 700 students) to open in FY 18.
6. **Queen Creek Unified (9-12): Conceptually approve** 009N (9-12 for 867 students) to open in FY 17.
7. **Sahuarita Unified (K-8): Deny** the district's request for 005N (K-8 school for 600 students) to open in FY 16. **Conceptually approve** 005N and 006N to open in FY 18 and FY 20, respectively.
8. **Sahuarita Unified (9-12): Deny** conceptual approval for a 9-12 for 1,000 students to open in FY 20.

9. **Stanfield Elementary (K-8): Conceptually approve** 001N (additional space for 109 students) to open in FY 21.

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

- b. Consideration and possible vote to accept, reject, or modify the FY 2013 Capital Plan New Construction Requests

Dean Gray gave a brief description of the capital plans as presented in the Board packet.

Gary Marks made a motion for Board approval of the following staff recommendations:

1. **Hillside Elementary (K-8): Deny** the district's request for additional K-8 space for 32 students to open in FY 14.
2. **Thatcher Unified (7-8): Deny** the district's request for a 7-8 school for 450 students to open in FY 15.

Dr. Jeff Smith seconded. The motion passed with a voice vote of 6-0.

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

Dean Gray gave a brief description of Vail Unified's request to proceed with construction of the middle school.

Dr. Jeff Smith asked about the discussion earlier in the meeting about being over capacity and how the proposed policy change would affect a project such as this one. Mr. Gray clarified that the statute authorizing the 2010 QSCB bond issuance also required the districts to be over capacity to receive funding; adding that the Executive Budget Recommendation has no bearing on this request as it is only a proposal at this time.

Dr. Bill Johnson asked if the permits are in place with the local jurisdiction. Mr. Gray explained that the typical permits are not in place; this project will only be permitted by the State Fire Marshal. Last year legislation was passed to allow counties with a population between 750,000 and 2 million to forego the permitting process.

Dr. Bill Johnson asked if there was a date by which construction must be complete in order to comply with the requirements of the bonds. Mr. Gray replied that the bonds expire October 6, 2013.

Dr. Bill Johnson asked what happens if construction is not complete by the deadline. Debra Sterling explained that the district signed an amendment to the Terms and Conditions for use of New School Facilities Funding that establishes the deadline for completion of the project and availability of funding.

Dr. Bill Johnson asked if the district would have to make up the difference in the event funding is cut-off before the project is closed out. Ms. Sterling replied that the district would decide how to proceed at that point. She

added, with regard to the previous question about permitting, the district provided the SFB with a copy of their policy to be followed in order to ensure the project is in compliance with applicable codes. Mr. Gray commented that all parties involved with this project are fully aware of what is required.

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

Board approval of **Vail Unified's** request to proceed with CM@Risk project 100220000-9999-010N, contingent upon staff receipt of necessary documents, in the amount of \$9,472,379, which includes \$8,124,247 formula SFB funding and \$1,348,132 district funding.

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

- VII. Reduction of Square Footage Requests
Consideration and possible vote to accept, reject or modify Requests for Reduction of Square Footage
Dean Gray gave a brief description of Chandler Unified's request for reduction of square footage.

Gary Marks made a motion for Board approval of the following staff recommendation:

Board approval to reconfigure Building 1001 at Hamilton Prep School in **Chandler Unified** from 9-12 to K-6 space.

Jennifer Stielow seconded. The motion passed with a voice vote of 6-0.

- VIII. Building Renewal Grant Requests
a. 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 reviewed the balance of the Building Renewal Grant fund. If today's recommendations are approved by the Board the remaining balance would be \$989,855. A line was added to the balance sheet showing an estimated total of the Current Building Renewal Grant Requests that are pending. To date pending requests amount to \$16,242,069. Staff continues working to close projects and make recognized savings and unspent monies available for new projects. Mr. Gray then provided a brief explanation of the district requests as presented in the Board packet.

Gary Marks made a motion for Board approval of the following staff recommendation:

Board ratification that **Topock Elementary** be awarded \$12,000 in Building Renewal Grant funding for the replacement of two HVAC units on Buildings 1001 and 1003 at Topock Elementary (project number 080412012-9999-004BRG). This amount includes \$1,046 in contingency that will only be used with SFB staff approval.

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

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

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

Jennifer Stielow made a motion for Board approval of the following staff recommendations:

1. Board approval of the staff recommendation that **Ganado Unified** be awarded \$13,920 in Building Renewal Grant funding for the investigation and data gathering to develop a proposal for design and construction documents to correct Request No. 1 (Ganado Middle School Reseal), Request No. 2 (Ganado High School Roofs) and Request No. 3 (Ganado High School stucco repair and reseal).
2. Board approval of the staff recommendation that **Kingman Unified** be awarded \$28,975 in Building Renewal Grant funding to replace six 4-ton HVAC units on Building 1002 at Hualapai Elementary. This amount includes \$3,000 for structural evaluation and \$3,000 in contingency that will only be used with SFB staff approval.
3. Board approval of the staff recommendation that **Kingman Unified** be awarded \$20,000 in Building Renewal Grant funding for the design and administration for a new cooling tower on Buildings 1003 and 1004 at Manzanita Elementary. This amount includes \$1,500 in contingency that will only be used with SFB staff approval.
4. Board approval of the staff recommendation that **Mohave Valley Elementary** be awarded \$40,000 in Building Renewal Grant funding for the replacement of four heat pump units at Camp Mohave Elementary. This amount includes \$3,500 for structural evaluation and \$3,806 in contingency that will only be used with SFB staff approval.
5. Board approval of the staff recommendation that **Mohave Valley Elementary** be awarded \$20,000 in Building Renewal Grant funding to replace two HVAC units on Building 1002 at Fort Mohave Elementary. This amount includes \$1,700 for structural evaluation and \$2,806 in contingency that will only be used with SFB staff approval.
6. Board approval of the staff recommendation that **Mohave Valley Elementary** be awarded \$15,000 in Building Renewal Grant funding to replace a 7.5-ton split system on Building 1020 and a 4-ton split system on Building 1009 at Mohave Valley Elementary. This amount includes \$2,809 in contingency that will only be used with SFB staff approval.
7. Board approval of the staff recommendation that **Mohave Valley Elementary** be awarded \$13,000 in Building Renewal Grant funding to replace one 7-ton HVAC unit serving the woodshop in Building 1002 at Mohave Valley Junior High. This amount includes \$900 for structural

evaluation and \$2,699 in contingency that will only be used with SFB staff approval.

8. Board approval of the staff recommendation that **Mohawk Valley Elementary** be awarded \$21,000 in Building Renewal Grant funding for the replacement of three heat pumps that service Building 1001 and 1006 at Mohawk Valley Elementary. This includes \$2,837 in contingency that will only be used with SFB staff approval.
9. Board approval of the staff recommendation that **Page Unified** be awarded \$16,000 in Building Renewal Grant funding for the design of the new heat source pumps on Buildings 1001, 1003 and 1005 at Page Middle School. This amount includes \$2,200 in contingency funding that will only be used with SFB staff approval.
10. Board approval of the staff recommendation that **Superior Unified** be awarded \$13,000 in Building Renewal Grant funding for replacement of the damaged concrete floor and carpet repair in Building 1002 (Library) at Superior High School. This amount includes \$2,455 in contingency that will only be used with SFB staff approval.

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

Vern Crow recused himself from the Board at this time.

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

Dean Gray provided a brief explanation of Glendale Union's request as presented in the Board packet.

Gary Marks made a motion for Board approval of the following staff recommendation:

Board approval of the staff recommendation that **Glendale Union** be awarded \$78,794 in Building Renewal Grant funding for replacement of the roof on Building 1012 at Moon Valley High School. This amount includes \$12,000 in contingency that will only be used with SFB staff approval.

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

Vern Crow rejoined the Board at this time.

d. Consideration and possible vote to accept, reject or modify denial of Building Renewal Grant Requests

Dean Gray provided a brief description of Kirkland Elementary's request as presented in the Board packet and explained the staff recommendation for denial as the school meets the minimum guidelines for fencing (R7-6-205.E School Site). However, the sufficiency of security at the site is subject to review by the Board for which staff recommends awarding the district Building Renewal Grant funding to put eight foot fencing between the vehicular traffic area and the playground.

Jennifer Stielow asked when the school was built. Mr. Gray deferred to the district representative in attendance. Michelle Perey, District Administrator for Kirkland Elementary, answered that the first school building was constructed in 1919.

Jennifer Stielow asked if something has changed to prompt the district's request. Ms. Perey explained that she has been at the district two years, and since her first day, security of the school site has been of concern. The school is in a rural area, and in light of recent events, providing more security for students and staff has been brought to the forefront. The volume of traffic on the school site has also increased in recent years. She further explained that the school site is right off the county highway and next to railroad tracks. There is no separation of the playground area from the driveway and drivers have driven into the playground area to make deliveries or ask for directions. This causes an unsafe environment for students on the playground.

Jennifer Stielow asked if this situation falls below the minimum guidelines. Debra Sterling asked if the Board would like to continue the discussion in Executive Session. The Board declined. Ms. Sterling explained that while the guidelines are spelled out in the Administrative Code, the Board has the discretion to review any guideline issue on a case-by-case basis.

Jennifer Stielow asked for clarification on the current fencing at the site. Ms. Perey explained that the entire site is fenced. However, during school hours a large gate is opened to allow vehicular traffic for parent drop-off and buses.

Jennifer Stielow asked where the gate opening is in relation to the railroad tracks. Ms. Perey answered that the railroad tracks are at the gate opening. Mr. Gray added that there is no distinction or separation of the driveway area from the playground area which are covered with the same colored gravel material. Stacey Morley echoed this description to provide further clarification.

Tom Rushin asked if the Board wished to make a motion for funding of the eight foot fence requested by the district. After discussion to finalize the motion, Jeff Smith made a motion for Board approval of the following alternative staff recommendation:

Board approval that **Kirkland Elementary** be awarded \$10,000 in Building Renewal Grant funding for chain-link fencing at Kirkland Elementary. This amount includes \$1,634 in contingency that will only be used with SFB staff approval.

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

IX. Future Agenda Items

No requests for future agenda items were received.

X. Public Comment

No requests for public comment were received.

XI. Adjournment

There being no further business, Tom Rushin adjourned the meeting at approximately 11:45 A.M.

Approved by the School Facilities Board on March 6, 2013


Interim Chair