

SCHOOL FACILITIES BOARD
June 5, 2008
Casa Grande, Arizona

The School Facilities Board held a Board meeting at the Casa Grande Elementary District – McCartney Ranch Elementary School in Casa Grande, Arizona. The meeting began at approximately 10:06 A.M.

<u>Members Present</u>	<u>Guests Present</u>
Davidson, Frank, Chair	Kevin Kelty – Casa Grande ESD
Gober, Patricia	Tom McCraley – Williams USD
Ortega, David	Earl Spear – The O’Malley Group
Marks, Gary	Terry Vogel – Parsons-3D/I
Allee Taylor, Penny (via telephone)	Joe Stella – Lake Havasu USD
	Jim Conlee – Pinnacle One
<u>Members Absent</u>	Darrel G. Williams – Lake Havasu USD
Keenan, Brooks, Vice Chair	Ray Del Zotto – Pinnacle One
Rushin, Tom	Cathy Rex – School Facilities Group
Salazar, Vicki (non-voting member)	Frank Corder – Casa Grande ESD
Private Business Owner Representative, position vacant	
Teacher Representative, position vacant	
<u>Staff Present</u>	
John Arnold, Executive Director	
Kerry Campbell, Public Information Officer	
Dean Gray, Deputy Director - Facilities	
Monica Petersen, Deputy Director - Finance	
Debra Sterling, Attorney General’s Office	
Gerry Breuer, Liaison	
Mike Barfield, Liaison	

- I. Call to Order
Dr. Frank Davidson called the meeting to order at approximately 10:06 A.M.

- II. Roll Call
There were five Board Members present at this meeting with Penny Allee Taylor participating via telephone. Joanne Kramer, Principal of McCartney Ranch Elementary School, welcomed the Board and offered a tour of their new facility after the Board meeting.

John Arnold introduced the SFB staff that was present and announced Monica Petersen’s departure. She has accepted the Executive Director position at the Board of Accountancy and will be greatly missed.

- III. Approval of Minutes of May 1, 2008
Gary Marks moved that the Board approve the minutes of May 1, 2008. David Ortega seconded. The motion passed with a 5-0 voice vote.

IV. Consent Agenda

- a. Consideration of Preventive Maintenance Plans
- b. Consideration of FY 2008 3-Year Building Renewal Plans

Dr. Patricia Gober moved that the Board ratify the plans listed in agenda items IVa. and IVb. David Ortega seconded. The motion passed with a 5-0 voice vote.

V. Director's Report

- a. Budget and Legislative Update

Monica Petersen, SFB Deputy Director of Finance, explained that there has not been much legislative action in the last few weeks. The only bill that has had any activity is the SFB Omnibus bill, SB 1031. This bill was transmitted back to the Senate for a final read with concurrence on amendments that were added in the House. The other SFB bills are still alive, but are being held at this time. The FY 09 budget has not yet been finalized.

Dr. Patricia Gober asked for an update on the Senate vote to abolish the School Facilities Board as published in the newspaper.

John Arnold explained that the Legislature's actions have been mischaracterized by the media as approval to abolish the SFB. The SFB Continuation bill passed through the House with a near unanimous vote and went through the Senate committees without any difficulty. When the bill reached the Senate floor, there were two amendments added that created some problems. The first amendment changed the structure of the Board, making some of the appointments legislative instead of gubernatorial. Most of the democratic caucus vote was lost as a result of this amendment. The second amendment would allow a high school district that is denied emergency funding for a CO2 issue to declare an emergency and petition the county supervisors for a primary tax increase to provide the funding necessary to correct the issue. The conservative vote was lost due to this amendment. The Senate vote was not to abolish the SFB, but rather against the use of the SFB Continuation bill as a vehicle to pass the amendments. There is widespread support to continue the SFB, the question is how and when this will happen.

Dr. Gober asked what would happen if the SFB Continuation bill was not passed before the expiration date.

Mr. Arnold answered that the statutes governing the SFB are unusual in that there is a special provision due to the fact that the SFB has outstanding bonds. The provision says 1) The SFB shall be terminated, and 2) All the SFB statutes shall remain in place. Since the statutes create the SFB there will be some clarification needed and requested from the Attorney General's Office should we reach that point. Also, unless the legislation passes with an emergency clause, there is a 90-day period before it becomes effective. We have no reason to think there would not be an emergency clause. The SFB is not the first State agency to have its continuation held up for various reasons; other agencies have been through this before. We are confident everything will work out favorably.

b. Litigation Update

John Arnold informed the Board that the Tempe Union High School District has filed a complaint with Superior Court against the Board in connection with the denial of emergency funding for Corona del Sol High School.

Dr. Patricia Gober moved that the Board convene in Executive Session to discuss the Tempe Union High School District's claim with legal counsel. Seconded by Gary Marks, the motion passed with a 5-0 voice vote.

Executive Session was convened from 10:19 A.M. to 10:32 A.M.

The Board meeting continued with Dr. Patricia Gober asking for elaboration on the Governor's request for legislative language that would allow the SFB to loan Tempe Union the funding to correct the CO2 issues.

John Arnold explained that the Governor requested staff to develop legislation that would allow such a loan to take place. Currently, the SFB does not have the authority to loan money to districts, nor do districts have the authority to borrow money from the SFB. We have been working with the Governor's Office to develop language that is broad enough to apply in more than one particular district or situation and yet restrictive enough to prohibit widespread use, rather only in very extreme circumstances. Since the legislation is still in development, we have not yet sought sponsorship.

Dr. Gober asked if the proposed legislation would be considered this session.

Mr. Arnold answered that the goal is to pass legislation this session. This would allow Tempe Union to begin work in front of their bonding program. The concern of the community is that even if they pass a bond, those dollars won't be available until next spring. They would like to start work on correcting the facility immediately and a loan would speed the solution up by a year.

David Ortega asked if in the past there had ever been a loan made to a district either in error or inadvertently.

Mr. Arnold responded that during the Deficiency Corrections Program districts sometimes added local work onto the construction contract held by the SFB. The district would send a purchase order to the SFB and the work would be included in the contract. The contractor would then bill the SFB; the SFB would pay the contractor for the work and then bill the district. The district would then reimburse the SFB. The Attorney General considered this a short-term loan, which exceeded the SFB's statutory authority. Consequently, the SFB changed its procedures and required funding in advance of a change order to the contract.

David Ortega commented that in his opinion if the Legislature chose to fund a particular project such as the Tempe Union project, they could fund it directly and separately from the SFB. It's an issue of correct funding.

c. Sunset Audit Six-Month Follow-up Report

John Arnold informed the Board of the Sunset Audit Six-Month Follow-up Report issued by the Office of the Auditor General. Staff has implemented most of the AG's recommendations that could be implemented. There are some that could not be implemented due to limitations. For example, the AG's Office recommended the SFB convert one of the Liaison positions to an Information Technology position. Since we only have three Liaison positions that service over 220 districts, we are not willing to do that at this time. We also have to consider the hiring freeze that is in place. There will be a One-Year Review in November.

Dr. Frank Davidson commented that the report shows substantial progress on those recommendations of which we have control.

d. Board Summer Schedule

John Arnold explained, as is standard practice, the Board will not meet in July and will hold the August meeting on the second Thursday, August 14, 2008. We typically hold a Board meeting in late June to finish up the fiscal year. At this time, we do not plan to hold this meeting, but this depends on legislative action. We may need to hold a brief meeting to take care of some new construction issues. Specifically, we have two schools that are ready to go to contract pending approval of funding.

VI. Consideration of Land Acquisition Requests

a. Steps I & II

John Arnold explained that the J O Combs Unified District has submitted a request to lease 80 acres of State land for a dual middle school / high school site. Currently, the district is conceptually approved for the high school for FY 13, which is within the land funding window. The middle school is projected for FY 17 or beyond, which is outside the current analysis timeframe and the land-funding window. The district has requested a waiver of the Land Acquisition Policy with regard to the funding window. Staff supports approval of the waiver and recognizes the efficiencies of co-locating these two schools, which will save both time and money.

David Ortega moved that the Board grant J O Combs Unified a waiver to the Land Acquisition Policy, approve Steps I and II of the district's request for a State Land lease and authorize proceeding with Step III on 80 acres for a dual middle school / high school site, project number 110344000-9999-019L. Gary Marks seconded.

Dr. Patricia Gober asked about the reform of disposition of State Trust Land and the evaluation of this particular site with regard to protection or environmental concerns.

John Arnold explained that the State Land Department has offered up this site and that the current Board action is to allow the district to proceed with an engineering study and environmental assessment.

The motion passed with a 5-0 voice vote.

VII. Consideration of Requests for Reduction of Square Footage

John Arnold explained that the Cochise Elementary, Prescott Unified and Washington Elementary Districts are requesting removal of square footage from their inventories. Upon review of their ADM and available capacities, staff believes these reductions will not cause the districts to fall below the minimum square footage guidelines within three years.

Gary Marks moved that the Board ratify staff projections, which indicate the reduction in square footage for the Cochise Elementary, Prescott Unified and Washington Elementary Districts will not cause the districts to fall below the minimum square footage guidelines within three years. Seconded by Dr. Patricia Gober, the motion passed with a 5-0 voice vote.

VIII. Consideration of Emergency Deficiency Corrections Requests

John Arnold informed the Board of the Antelope Union request wherein they do not have sufficient firewater for their school, including low pressure and a malfunctioning pump. Staff has been working with the Fire Marshal for almost a year to develop an acceptable solution, which involves putting a tank on the site and correcting the electrical around the pump. The total cost is \$267,560. A unique aspect of this request is the passing of the district's bond election last year. Knowing they may receive State funding to make this correction, the governing board voted to specifically exclude this project from their \$2.75 million bond program.

The Stanfield Elementary request is a follow-up to the preliminary investigation to determine a scope of design and work to repair or replace the existing three failed septic systems that was approved by the Board on May 1, 2008. The district is requesting \$220,050 to proceed with this project.

The Williams Unified request is a follow-up to the investigative studies for the roof structural issues and an ADA ramp at the high school and repair of roof ponding issues at the elementary school that was approved by the Board on January 10, 2008. The district is requesting \$159,810 to proceed with design of the repairs.

Dr. Patricia Gober asked about the Williams Unified request and if the Board is in a position of having to fund emergencies that are a result of poor maintenance.

John Arnold responded that he was unaware the Williams Unified roof issues were the result of poor maintenance and deferred to Dean Gray, Deputy Director of Facilities to answer her question. Mr. Gray responded that there are two separate issues being addressed, the roof structure and the infrastructure that holds the roof up. The investigative study found that of the 17 internal beams, 65 percent were classified as dangerous, the condition of which will result in failure at some point. During construction, the design was not followed exactly and it has been discovered that there are structural members sitting on structural posts at only 50 percent, as opposed to 100 percent according to the original design. There is nothing the district could have done as far as maintenance to have avoided this situation.

Mr. Arnold added that while the Williams Unified issue is not a result of poor maintenance, Dr. Gober does raise a larger issue. With the budget shortfall and reduction in building renewal funding, will the SFB see more emergency issues arise as a result? This depends on a couple of things. First, how efficiently the

districts use the building renewal dollars they do have. The SFB has stepped up efforts in 3-year planning and expenditure review to ensure those dollars are spent well. Second, how quickly dollars are put back into the Building Renewal Program. This is a very important issue and one that will be hard to balance. Is an emergency an emergency or does the root of the emergency change how we address the outcome? Right now the statute is clear; an emergency is an emergency.

David Ortega commented that of the newly constructed school buildings we are now funding, most, if not all, will require roof replacements in 15 to 20 years and regardless of maintenance, the SFB will see a rise in the need for funding of such projects as the natural end of useful life cycle continues.

Gary Marks moved that the Board ratify the Antelope Union, Stanfield Elementary and Williams Unified district's requests. David Ortega seconded. The motion passed with a 5-0 voice vote.

IX. School Facilities Board Policy Review

John Arnold commented that SFB Policy III. Capital Plans is one of the most dense policies with numerous technical definitions that will require careful review. Most of what is being deleted is repetitive, incorrect or conflicts with statute. The policy on page 11 regarding Accommodation Districts was put into practice after an accommodation district elected a new superintendent who cancelled a previously-approved school. This caused some concern for the Board, which resulted in the addition of these bullet points. Recent review of these points suggests they are inappropriate. There have also been new opinions regarding the relationship between accommodation districts and the county board of supervisors, which affects this policy. The next draft of the policy will show recommended deletion of some of these points, specifically bullets 2, 3 and 4.

Dr. Frank Davidson added that the proposed changes to the policy will be available on the SFB website for public comment and the Board will be acting on this agenda item at the Board meeting on August 14, 2008. There will be ample time for public comment, which will be due in early August to give the Board time to review the input and make changes before the August Board meeting.

David Ortega asked if there might be the addition of a bullet relative to the dissolution of a district that had been awarded a new school and the cancellation of said school.

Mr. Arnold responded that such language would be drafted and considered during the review process.

X. Future Agenda Items

There were no requests for future agenda items.

XI. Public Comment

There were no requests to address the Board.

XII. Adjournment

There being no further business, Dr. Frank Davidson adjourned the meeting at approximately 11:07 A.M.

Approved by the School Facilities Board on September 4, 2008

Frank Dandisi
Chair