

Bond Reimbursement and Grant Review Committee
May 8 and 9, 2013
Anchorage – Talking Book Library
MEETING MINUTES

Committee Members Present

Elizabeth Nudelman
Senator Dunleavy
Mary Cary
Mark Langberg
Robert Tucker
Carl John
Doug Crevensten
Dean Henrick

Staff

Stuart Gerger
Kimberly Andrews
Elwin Blackwell
Courtney Preziosi

Additional Participants

David Norum (FBNS) telephone
Dana Menendez (ASD) telephone
Rachel Molina Lodoen (ASD) telephone
Don Carney (Mat Su)
Larry Morris (FBNS)
Don Hiley (SERRC)
Theresa Keel (CSD)
Blair Alden (LKSD)
Kevin Lyon (Kenai)
David Tressler (KPBSD)
Robert Reed (LYSD)

May 8 – 9:05a

Elizabeth Nudelman, Chair, called the meeting to order at 9:05 and a roll call was completed. All members were present and a quorum was established.

Elizabeth asked that all committee members introduce themselves.

Public Comment

Elizabeth opened the discussion up to the public for comment. *Dave Norum* from Fairbanks North Star Borough School district expressed his concern that the CIP application, specifically the emergency category, is harder for smaller districts to receive as many points as larger school districts. He posed the question of how would smaller districts make up for the differences in planning and design. *Dave* thanked the department for taking the time to review these concerns. *Larry Morris* pointed out that due to energy efficiency requirements, especially in cold climates like Fairbanks, most new construction would mean thicker walls and more insulation, which would mean the district would need to get a waiver for additional space. *Carl* inquired whether the district had looked into an alternate form of insulation. *Larry Morris* answered that they looked into 5 different types of insulation and that the R70 gave them the most R value for the least amount of money.

Introductory Remarks

Elizabeth introduced the Department of Education and Early Development staff. After introductions were complete, *Elizabeth* explained that districts brought concerns to the discussion last April, and *Commissioner Hanley* asked that the Department address several components of the CIP application: transparency, aligning the application with statutes and regulations, and simplification.

CIP Application

Stuart began presenting the CIP application questions. Question 1 and 2A. *Elizabeth* reiterated that there is a Major Maintenance list and Construction list. *Carl* brought up the fact that there is

confusion on how to categorize an application. For example, a fire alarm system may be viewed as a health and safety issue but it will end up on the school construction list. *Bob* added that playgrounds and paving parking lots should be on the major maintenance list and not the construction list. *Don Hiley* commented that Playgrounds would fall under category F of the application. *Elizabeth* asked that one of the staff keep a bulleted list of pertinent items to be discussed in future meetings. *Mary* pointed out that this Category F says improvements. She questioned whether this meant improvement of education. *Carl* asked whether it was correcting a deficiency and that this was an interpretation issue. *Dean* asked whether we had latitude to modify that sentence and expand upon it that explains the F category. *Bob* explains that the problem still is that Category F is still under Construction and not Major Maintenance.

Elizabeth explained that the department doesn't have a lot of latitude to change this because it is in Statute. She explained that some of these could be changes to the application and some could be recommendations to the School Board to put out a regulation for public comment. This might elicit a statutory change. *Senator Dunleavy* explained that changing any of the statutes that back the CIP application would be an easy or difficult process. This summer and fall he will be attending meetings on how to contain costs and improve the quality of construction. These discussions may produce committee bills.

Stuart moved on to the CIP application. *Elizabeth* noted that the issue of completed projects has come up more than once. The challenges the department has seen is that there really is not an avenue that has been established for completed projects. *Bob* asked whether it was in Statute that a District can apply for a CIP application for a completed project. *Kim* referenced that in regulation it states a District can recover costs up to 36 months prior. *Mary* asked that we add this conversation to the list of topics to discuss.

Stuart continued onto the CIP application. *Bob* asked that we stop and discuss question 3 and brought up his concern about the 6 year capital improvement plan. He believes you are not seeing a complete picture by viewing just 6 years. For example, his school district has 20 years' worth of capital improvement. *Bob* explained that the Department of Education really needs to know the long term needs of the district. *Elizabeth* interjected that it's a good idea to add that to the list, but we need to remind ourselves of the responsibilities of the BR&GR committee. *Elizabeth* referenced the meeting when the Assistant Attorney general was in attendance, that *Neil Slotnick* reminded us that funding isn't a BR&GR Committee responsibility. *Larry* interjected that his District as well has a 20 year plan of what he would call a "pretty good back log of unfunded projects". He explains that Statute says a district is supposed to have a 6 year plan, but the Department of Education requires knowledge of anything in effect over 10 years.

BREAK

Stuart continued onto the CIP application. *Stuart* asked that the group turn their attention to Question 4, 5, 6a. and b. *Carl* asked to intervene, and stated that question 6b used to be used as a scoring element. He added that his personal opinion is that no district is going to answer "no" to question 6b, and he would like to add this to the list of topics to discuss. He would like to see this go back as a rated question. *Elizabeth* reiterated that that was *Carl's* opinion and not the opinion of the Committee. *Elizabeth* said she will add that to the list.

Stuart continued onto the CIP application. *Mark* asked why 7A and 7B were on the application as they are not questions and that instead it looks as though it elicits an action from the Department of Education. *Elizabeth* asked that we put that on the list and go back and look at it later.

Senator Dunleavy asked whether teacher housing has ever been in a building that would mean square footage would be excluded. *Elizabeth* explained that the Department of Education does not provide funding for residential purposes.

Senator Dunleavy asked whether operating funds are being used on teacher housing. *Elizabeth* stated that when the Department of Education and Early Development reviews budgets, some districts used a significant amount of operating fund money on capital projects. *Carl* commented that his district goes to the AHFC for a grant application but they have to fund at least 40% of that. He mentioned that the district has to take a significant amount of money out of the operating fund. He stated that this action is taken for retention purposes for teachers. He also mentioned that Rural schools have to expend this money where as Municipal School Districts have housing readily available.

Stuart continued onto the CIP application. *Mary* had a recommendation regarding question 9. She suggests we explore a more sophisticated form of measurement for how the building is standing in its overall life cycle. *Bob* asked how small school districts could afford this expense. *Mark* asked to put question number 9 on the list of topics to discuss. He suggests that it should not only be the year built but the dates of major renovations. Also, he asks whether it should be net square feet instead of gross square feet. *Kim* addressed the challenges the Department of Education and Early Development has regarding this issue. *Kim* states that if the Department were to go into every facility and check every system it becomes a difficult process to database every single component that has been updated.

Carl brought up a concern regarding related funding. He thinks we need to consider allowing school districts to apply for planning and design money in order to fund their condition surveys. *Elizabeth* pointed out that in the past when a district was given money for planning, some projects never went through with the construction because there was no funding for it. It's a risk to start spending money on a project when you don't have the guaranteed appropriation.

Stuart continued with the CIP application. *Senator Dunleavy* asked whether the wording would need to be changed for question 11, because the purpose of that legislation is that small districts who do not have the assets can apply for a waiver. *Elizabeth* stated that REAA district's all pay their participating share. *Elizabeth* added that the question simply states that REAA's have the opportunity to apply for a waiver and that the question wouldn't need to be changed. *Kim* stated that regarding question 13, it's an opportunity for district's to address in their application what wasn't addressed elsewhere. *Elwin* states that it's a good way to know what other facilities it will be impacting and what the impact of the project would have on these facilities. *Bob's* concern is that people who have been doing these applications for years and years are the ones who are getting points, whereas districts with new staff don't know what to put in the application. *Carl* countered that this is a highly competitive process and that there is only a certain amount of money available for Capital Improvement projects. His opinion is that those districts who do not provide adequate information should not score high. *Doug* agreed, saying that this could be a

learning tool for those that are new, and they will know what to put on the application in the future. *Bob* interjected that the CIP workshop is a helpful tool and that he'd like to see examples of applications so district's will know exactly what to put. *Kim* explained that it's a confidentiality issue as to why we can't use district's actual applications.

Stuart continued onto the CIP application with question 14. *Stuart* asked *Kim* to go over the rater's guide.

Rater's Guide

Kim stated that as a rater they have the rater's guide with them while reviewing the application. *Carl* asked if there was a sheet that broke down exactly how an emergency is rated. *Elizabeth* explained that the Assistant Attorney General brought a sheet in as a conversation starter at a prior meeting and it wasn't intended to be the answer. *Doug* asked how a mixed scope project is weighted. He specifically asked how you establish that weight. *Elwin* explained that the rater initially determines what the project would look like if it stood alone. The rater then comes up with a point structure based on that. Then the rater takes a look at the cost of the correction of the emergency situation and it is then weighted back to the amount. *Elwin* explained the break down, for example, if the rater is looking at 15 points it's not a big emergency. The rater then would look and determine that it only represents a third of the project, so technically only 5 points. That's the methodology the rater uses. *Elwin* explains that if the educational program can no longer be conducted in that facility would be the extreme severity. *Bob* interjected that he feels these points should be in the guide so that people know what the rater's are looking for. More guidelines would allow it to be more transparent.

12:15p- The committee recessed for lunch. *Elizabeth* asked that all return at 1:15p.

1:15p

Elizabeth called the meeting to order.

Stuart continued onto the CIP application with question 14. *Elizabeth* referenced that in 2007 the BR&GR committee had this discussion. Some of the concerns were that there was not a very high percentage of the 100 points awarded. *Elizabeth* referenced previous minutes. *Bob* asked that we put that discussion on the list to look at. He would like to provide the districts a better idea as to what the department is looking for, as previously stated. *Dean* asked whether we should include what the Attorney General recommends into the rater's guide. *Stuart* responded that Neil had presented that as a beginning of a discussion.

Regarding question 16, *Elizabeth* reported that this has had some complexities with scoring for the department. *Mary* says that it all takes is an investment to begin and to arrive at a satisfactory level but the department doesn't necessarily forward fund these projects. It might mean the district's take that risk to make that investment. *Carl* stated that the condition survey is a valuable portion of the process and it will actually bring out what the district is identifying as the scope of the project. *Elwin* added that rater's lean heavily on the condition survey if it is available.

Senator Dunleavy inquired whether the department has ever had a discussion about developing a set number of models. *Bob* explained that there are so many different regions that would need

different prototypes. *Stuart* added that you can have prototypes but it would need component flexibility in response to how different environments affect buildings in different ways.

Stuart continued with the CIP application. The topic of condition surveys and their costs to districts was brought up. *Don Hiley* explained that it's a burden to come with the money to do a condition survey. *Bob* asked why it wasn't in the CIP application instructions that a district can use a partial condition survey for the specific issue. *Kim* stated that it is mentioned in the workshop.

Mary asked to add to the list of future discussion points a presentation from the Anchorage School district regarding their facility condition indexing. *Elizabeth* stated that due to time constraints she cannot commit to that now. *Mary* added that the Department could do research and have a conversation with the project manager, *Rachel Molina Lodoen*.

Stuart continued with the CIP application. *Bob* asked that the Department look into the cost to do business relative to what the CM by consultant is set in regulation. Regarding question 25, *Kim* stated that the primary thing on a rater's mind would be how the inadequacy of the space is affecting the educational program. This led to a public comment by *Theresa Keel* on question 26.

Public Comment

Theresa Keel stated that when she reads the statutes, from what she understands, facilities that provide for state mandated curriculum should take priority over elective curriculum. She added that local control is important and that the sustainability should be taken into consideration. Her opinion is that just because a program existed in the past doesn't mean it's still necessary. She believes existing and new projects should be given different points.

Various members of the committee brought up the usefulness of question 27. *Elizabeth* stated that if it needs to be changed it could be changed. *Mark* stated that maybe we could change its point value if the question is mandated by statute. *Bob* asked whether the committee could get legal advice as to whether we can use it just for construction.

Larry Morris stated that he feels as though his school district is being penalized for being a municipality as far as coming up with their participating share. He also added that although there are separations he is happy to report that there is progress being made. *Don Carney* thanked the Department of Education for having a discussion on the application of the users. He stated that an open forum type of discussion allows a lot of things to come forward.

Stuart continued with question 28 of the CIP application. *Elizabeth* asked whether, for example, this would be applicable for repairing roofs. Members responded yes. *Mark* added that if, for example, they are replacing carpet you can prove maintenance savings as well as janitorial savings. *Larry* was wondering if it was applicable to new construction. *Bob* responded that you can show operational cost savings if you were tearing the facility down.

Elizabeth recessed the committee meeting at 4:36p and noted the next day's start time to be 9:00a on the 9th.

May 9, 2013 – 9:05 AM

The agenda was reviewed. *Elizabeth* stated she wants to set aside a time to discuss the topics of discussion yesterday. Although no action will take place today, she wanted to prioritize the list. Without any objection that was added to the agenda for the day.

The December 5, 2012 minutes were reviewed. *Mark* clarified that he was in attendance at the meeting and requested the minutes be revised accordingly. The following corrections were also noted:

Page 4 – paragraph 6, ...process of adopting AHFC 2012 (change adopting to adapting)

Page 5 – second paragraph, ... is that the any changes (erase any)

Carl made a motion to adopt the minutes of December 5, 2013 as amended. The motion was seconded and passed unanimously.

Staff Briefing

Debt Reimbursement Funding Status (SB 237)

Stuart started the presentation with the debt reimbursement funding status starting July 1, 2010. He mentions that this was the first year the department was required to report the SB 237 report to the legislature. When the BR & GR Committee met in Juneau in April 2012, the CIP list had no changes to it due to reconsideration. *Kim* gave a brief overview of CIP Application process.

Bob brought up his concern regarding whether the debt reimbursement program can sustain itself at the rate it is going. *Elizabeth* responded that there is no “sunset” on the program.

Public Comment

Don Carney thanked the department for their prompt response from staff during the CIP application process so that they were able to begin construction. *Don Hiley* asked whether there is an upper limit or a cap on the amount of debt reimbursement programs. *Elizabeth* stated there is no cap.

Senator Dunleavy asked a question whether a discussion on the lease to own has ever been brought up. *Elizabeth* answered that it has not at the BR & GR Committee level. *Mary* asked if districts propose in the application a lease to own in lieu of the grant application. *Kim* stated that by definition in 14.11.135, it states “are owned or operated by the state, municipality, or the district”. *Mary* rebutted by saying it says “owned OR operated”. *Bob* stated that it has been done before just not through this program. *Elizabeth* stated that the Department does not know the answer at this time without looking into the language of the debt program and will get back with an answer.

Elwin reviewed the data from the packet. He stated that it made only a few changes to statute. The bill updated the assessed value limits in the ADM. This would be the participating share amounts. The bill removed the end date of the debt program. It also established an REAA fund. The funding mechanism is based upon a formula derived from the amount of debt that is being reimbursed in a given year. This report represents data from July 1, 2012 through December 31, 2012.

BREAK

Cost Model

Stuart continued with the cost model. The department updated it to include the most recent submissions by the district. The committee had asked to break it down into major maintenance and school construction projects. The committee asked if there were any substantial changes from the previous year. *Stuart* said that there is no report as of yet on the changes that were made. *Elizabeth* mentioned that a project was run through last year's cost model and this year's cost model to provide a comparison. *Bob* asked if it was a renovation project that was run through or a new construction. *Stuart* answered that it was a renovation project. *Mary* asked whether the cost model reflected the new energy efficiency regulations. *Mark* stated that in Table number 6 on page 108 of 181, it mentions the Thermal and Moisture protection specifying the R-19 and R-30 insulation in walls. He clarifies, for example, that these numbers don't reflect what Fairbanks is doing. *Bob* asked whether the contractor saw this table. *Kim* stated that the contractor created this table.

Mary brought up that on the Statewide 6 year plan, the FY14 list was about 3 times any of the other years. *Elizabeth* stated that it is because they drill down a lot more information for the current year. *Carl* added that it's because there are more projects out there in the application for FY 14 then there is need for the future. As the funding level remains as it is with the state at the current fiscal year, it is going to keep increasing. *Bob* added that it is likely because communities cannot get bonding passed by the voters.

Carl asked how a municipality comes up with their participating share when the legislature approves this project. *Dean, Mary* and *Rachel* said their district's had to go out to debt for their participating share.

Stuart presented how the Board of Education approved the final CIP list. *Mary* asked what year it was that the Department put a cap on the amount of applications that can be submitted. The response was FY2012. *Kim* pointed out that last year there were 52 re-used applications. SB18 funded Nightmute, Kwethluk and Kivalina projects as per the Kasayulie settlement.

FY2015 CIP Application Changes

Kim went through the application and noted that all changes were tracked.

Action Items

Elizabeth made a motion to approve the FY2015 CIP application and supporting documentation.

Elizabeth took a vote on the motion: Motion passed unanimously.

Committee Discussion

Mark asked if staff was going to discuss the publication updates. *Elizabeth* stated that it was not on the agenda due to various other tasks within the department. *Carl* asked if the committee was going to prioritize the pertinent items for next BR&GR committee meeting. *Elizabeth* stated that there is timeline, staffing, and resource issues preventing staff to get through each item.

Elizabeth mentioned that she categorized the list into 5 boxes: Category 1- adequate

documentation, primary purpose, recovery of funds, effective age, and preventative maintenance. Category 2- scope, life and safety question and an emergency question and maybe bring back for the August discussion. Category 3- review condition survey, review appraisal, review scoring matrix for planning, review cost estimate question and maybe bring back for the December discussion. Category 4- Questions 26, 27, 28, and 29 and discuss in April. Category 5- clean up and presentation.

Bob asked if anything needs to go to the School Board to be changed for next year's application are we too late? *Elizabeth* said we are not too late but she would have to look at those timelines. *Bob* stated he would like, in the future, the BR & GR meeting to not be so close to the CIP Application workshop because if there was a change to be made there is no time to implement that change since this year's two meetings are back to back. *Bob* stated that the preventative maintenance discussion is time sensitive. *Mary* asked whether this was a couple year process by the looks of it in order to implement changes. *Elizabeth* answered that she does not see it as a couple year process. *Carl* said we have to take into consideration that districts are already making plans for next year's application so any decision we make need to allow ample time to allow district's to make the necessary changes. *Dean* asked *Elizabeth* to email the board members the finalized list of the prioritized action items. *Bob* asked if there are certain items that the committee can research instead of department staff. *Elizabeth* answered that the department will do some research and if there's things that need further research, the department might ask the committee who would like to do that work.

Committee Member Comments

Dean said he liked the public interaction that the committee had. *Bob* also liked the public comment as it was controlled but also effective. *Bob* said he liked the different staff that was present, especially *Elwin* as a rater and *Kim's* input. *Mary* would like to have a presentation at a future meeting on inventory management so that there is some type of comparison in order to have a better understanding on the condition of a facility. *Elizabeth* stated that *Mary's* request is noted and she will see when that will best fit into the schedule.

Future Meeting Date

The committee discussed a next meeting date. August 1st and 2nd was a proposed meeting date in Anchorage.

Meeting Adjourned at 12:01PM.