

**BOND REIMBURSEMENT & GRANT REVIEW COMMITTEE**

February 28, 2017  
DEED Board Room, Juneau  
MEETING MINUTES

**Committee Members Present**

Elwin Blackwell  
Rep. Sam Kito III  
Mary Cary  
William “Bill” Murdock  
Robert “Bob” Tucker  
Doug Crevensten  
Don Hiley

**Staff**

Tim Mearig  
Courtney Preziosi  
Lori Weed  
Wayne Marquis

**Additional Participants**

Brittany Hutchison (Sen. MacKinnon)  
Kathy Brown (SERRC)  
Dena Strait (Bettisworth North)

**CALL TO ORDER and ROLL CALL at 9:31am**

Elwin Blackwell, chair, called the meeting to order at 9:31 a.m. Noted members present; Doug Crevensten and Mark Langberg are absent; Sen. MacKinnon is excused. Quorum of 6 members.

**REVIEW and APPROVAL of AGENDA**

Agenda reviewed and approved by unanimous consent.

Doug Crevensten joined the meeting. (Quorum of 7 members)

**REVIEW and APPROVAL of MINUTES**

Minutes reviewed and approved as submitted by unanimous consent.

**PUBLIC COMMENT**

No public comment. Mary asked whether there was any written public comment. Elwin responded that two written comments were received in response to the draft revisions to the *Capital Project Administration Handbook*. Comments will be reviewed during that agenda item.

**DEPARTMENT BRIEFING**

Tim stated that the FY18 capital improvement project lists have completed reconsideration and appeal. Three districts asked for reconsideration on five projects, resulting in a change in lists for the Galena City School District project. No appeals were received, lists were finalized in January and will be presented to State Board in March for approval.

Tim noted that an update to the Cost Model unit prices and escalation is in process with HMS, anticipated to be complete by May 3. DEED had requested a proposal for work on the geographic cost factors that, due to the complexity and review needed, will not occur this year. Last change was in 2008, DEED wants to update factors to provide clear, understandable, and defensible information. Mary asked how anomalies within a district are handled, noting some districts have areas broken out. Rep. Kito reminded the committee this is a concept level estimate. When the cost factors were reevaluated last time, HMS looked at available

construction information, but if there hadn't been construction activity then there was no data to break out an area.

This is the fifth year of the report required by SB 237. The report tracks and compares school funding between debt, grant, and REAA fund over the past five to seven years. Tim reviewed the REAA and Small Municipality Fund, which was established in 2011. Department has provided a one-page sheet for review that lists funding capitalizations, project allocations, and projected funds.

Tim introduced the department performance review initiated by Legislative Budget & Audit. Elwin noted that only three of the scheduled ten department reviews were performed before funding was removed. The contractor came in and looked at all aspects and functions of the department and provided feedback and review. Tim noted the two commendations relating to the CIP process as well as several recommendations. DEED is still evaluating how to implement recommended improvements throughout the department. Mary noted that in light of limited capital funding, it is imperative to improve district preventative maintenance programs. Restructuring budgets to make them more robust in taking care of the facilities in order to stretch the life of a facility. She emphasized a need to assist districts in taking care of what they have.

Tim continued to review the department briefing topics: State Board's adopted mission and vision, and five strategic priorities; current legislation relating to education facilities and capital funding; publication list; department staffing; and committee membership. He noted incoming members, Bill and Don are currently filling vacancies and will continue for an initial term and another, Dale Smythe, will fill Mary's seat beginning March 1.

### **SUBCOMMITTEE REPORT - School Construction Grant Recommendations to State Board of Education & Early Development**

Bob stated that the committee has not previously made a motion on the lists to move them forward. In response to Mary, Tim provided background on statutory responsibilities and historical actions by the department, committee, and state board. Bob clarified that the committee has focused on reviewing the process as presented by the department and tried to correct any problems that arose; there is not a history of BRGR recommendations to the state board. Bob believes it would be helpful to have a placeholder on spring meeting agendas for recommendations to the board regarding potential changes to the grant process. Mary noted that in making a recommendation to approve the lists the committee would be making an endorsement for the outcome of the process.

Discussion followed regarding the merits of the two presented motions. Don would prefer to not make a monetary recommendation and to focus on the process. Rep. Kito noted that in his time as Facility Manager he offered up a percentage of insured building value as a metric of what was needed to continue to invest in school facilities. Doug agreed with Don that the committee's work is with the process, not in determining an amount to recommend; the first motion will lend credibility and support to the process.

Bob moved that the Bond Reimbursement and Grant Review Committee recommend the State Board of Education & Early Development adopt the department's FY2018 Capital

Improvement Program list of projects eligible for funding under the School Construction Grant Fund and the Major Maintenance Grant Fund, as presented. No objections, motion passed by unanimous consent.

## **BREAK**

### **FY2019 CIP APPLICATION PACKET REVIEW**

Elwin introduced the changes to the CIP application packet, noting that the changes are based on department observations from the past two review cycles. Tim reviewed the changes to the application and instructions. Instructions for question 2f have been revised to state only facilities in DEED's web-based School Facilities Database will count towards insured value in the calculation under question 9d.

Pieces of question 3d (project description) have been separated out: project schedule (new 3e) and cost estimate discussion (new 7c). Corresponding instructions have been moved and added as necessary. Mary asked for clarification on whether the new sec. 7 questions were now being scored, where previously they were not scored in the project description. Elwin stated that raters have been looking for cost explanations of lump sums, etc., in the project description. Don mentioned that he'd prefer that the cost section was closer to the project description, maybe sec. 4. Mary agreed that cost is a part of the project, whereas secs. 4 and 5 are justifications.

Tim reviewed the draft changes (new questions 3f and 3g) responding to the legislative intent in FY17 capital budget regarding removing energy efficiency projects from the CIP lists that are eligible for the Alaska Housing and Finance Corporation's Alaska Energy Efficiency Revolving Loan Fund program. AHFC requires an investment grade audit, completed 65% design, and completion of the project within one year in order to be eligible for funding. Don questioned whether this addition was necessary, as the intent language is only effective until end of the fiscal year and may not be in effect when the applications are scored next fall; this was not a change to statute.

Tim offered that a district can be well served to borrow money for energy efficiency projects that pay for themselves. This could also be a clear opportunity to do nothing regarding the intent language, for reasons discussed previously. Discussion followed on limitations of AHFC program and intent language.

Mary inquired as to the rationale for limiting audits to seven years. Tim confirmed it was not based on guidance from AHFC. Bob stated that if it was changed to audits older than five years, no school audits done by AHFC would qualify; newest ones were completed in 2012. Discussion regarding reliability of audit calculations of potential energy cost savings due to changes in technology, energy/oil costs, etc. Mary recommended having the industry weigh in.

Tim reviewed remaining clarifying changes in section 3. Change in sec. 4 is further clean-up of separation of code issues from the project description. Minor changes in sec. 5 to remove dated reference and update school year ranges. Moderate change to question 5h to be more relevant to projects that do not add space.

## **BREAK - LUNCH**

Elwin called the meeting back to order at 1:20pm. Continuing through FY18 application changes.

## **FY2019 CIP APPLICATION PACKET REVIEW (Continued)**

Tim noted the addition of new question 5i, which provides a reminder that projects adding or reconfiguring space need to attach education specifications. He responded to Mary that education specifications do not receive points on their own, but are part of concept design scoring.

Discussion regarding language that clarifies more developed design documents can supersede earlier documents. Department added language in response to last year's public comment. Don stated he would still prefer to change the term from "attached" to "completed".

Tim pointed out the change to question 6a, providing a location in the application to identify the condition survey. Responds to difficulties identifying where to find the information within individual applications; particularly for smaller, project-appropriate surveys completed by in-house personnel.

Minor changes to sec. 7 tables responding to cost justification location change. Two new questions added, moved from cost estimate discussion in project description (3d). Mary suggested that the 30 points referenced for question 7a be inclusive of questions 7b and 7c. Currently, it is not clear that 7b and 7c are used to support rating of that scoring element. Elwin clarified that there is no intent to assign points to 7b or 7c. Discussion of modifications necessary in application, instructions, rater's guidelines, and scoring criteria to clarify what questions are included in scoring of the 30 points. Lori suggested removing the "7a", leaving title "cost estimate for total project cost", putting a break after the "(Up to 30 points)", and re-inserting "7a", then that duplicates the pattern in sec. 9. Mary reminded that the changes will need to be carried through support documents.

Changes to sec. 9 are minor. Attachments are reorganized and include attachment for new 3f question on investment grant audits. Requested attachment documenting charter restriction barring use debt instruments without voter approval for question 3g is missing and should be included in the list.

Tim explained the proposed changes in Appendix B of the instructions, which would require a condition survey when needed to evaluate and accomplish a project's scope. It does not make sense to give full design points to certain projects are not well enough defined or supported. Don stated that there should be consistency, and "if needed" could be too subjective. Tim acknowledged that some objective scoring elements do require judgement and the reconsideration process can be beneficial.

Elwin concluded the review of the application changes. Mary made a motion that the Guidelines for Rater's include the application question for each of the preventive maintenance narratives, seconded by Bob. Elwin stated that there may be some editorial and conforming changes that may be made as they are discovered, without bringing it back before the committee.

Mary made a motion to accept the FY19 CIP application and support document changes, as presented, seconded by Doug.

Don offered an amendment to the motion to remove the proposed questions 3f and 3g, seconded by Bob. Don reasserted that intent language should not trump statute. Mary agreed with Don that the questions may discourage a district from getting investment grade audits. Bob's concern is that if a change is not made, the legislature may push another alternative to shift costs from the state to the districts. Doug commented that it is up to the district to apply, or not, for the funds, and the legislature has expressed their intent that this requirement be put in the application. Amendment to the motion failed, 1 yes, 5 no.

Bob offered an amendment to the motion to amend question 3f to read "within the past five years", seconded by Elwin. In response to Doug, Tim clarified the history of the intent language as it relates to the application. Amendment to the motion passed by unanimous roll call.

Bob offered an amendment to the motion to make the changes to section 7 as previously discussed, seconded by Bill. Amendment to the motion passed by unanimous roll call.

Elwin offered an amendment to the motion to make changes to the support documents [*original motion stated "Instructions and Scoring Criteria"; however changes needed to be made to Rater's Guidelines and Scoring Criteria*] to include specific question 9 references, seconded by Bob. Amendment to the motion passed by unanimous roll call.

Bob offered an amendment to the motion to adopt the original Appendix B language to IIB #3, seconded by Don. Amendment to the motion passed by unanimous roll call.

Motion to accept the FY19 CIP application and support documents changes, as amended, passed by unanimous roll call.

#### **PUBLICATION UPDATE: CAPITAL PROJECT ADMINISTRATION HANDBOOK**

Elwin pointed out the two public comments received by the department that are available to those present. Tim presented the main changes from the previous version and reviewed the changes made in response to the written public comment. Discussion on ability to reappropriate grant funds and redirect bond funds. Tim confirmed Mary's statement that the department is not seeking committee approval for the publication, as this does not impact the application.

#### **PUBLICATION UPDATE: PROJECT DELIVERY METHOD HANDBOOK**

Elwin introduced the overview of the handbook. Tim stated that the changes are well summarized in the department briefing. There are not many changes to the delivery method systems, most significant changes are to include force account and multiple prime contractors as delivery method variants. New proposed language defines "construction management at-risk". Tim commented that the department is seeking comments and feedback. Mary noted the inclusion of CEFPI (now A4LE) as a contributor and recommended alerting the agency that the publication is being updated as well as confirming that the nomenclature does not conflict with changes in the industry.

### **DRAFT BR&GR CALENDAR**

Tim observed that it had been a long time since the committee had maintained a calendar of work topics. Due to lack of time remaining and the absence of several committee members, Tim recommended setting up a teleconference work session for this agenda item.

### **FUTURE MEETING DATE**

Next committee meeting set for Wednesday, September 6, 2017, by teleconference at 1:30 p.m.

A short work session teleconference will be set up to address the work topic calendar.

### **CLOSING COMMENTS**

Bob welcomed the new members to the committee and expressed his hope that Mary return to lend her expertise when she is available.

Mary expressed her appreciation of the committee's efforts and that she has learned a tremendous amount during her tenure. She foresees the upcoming challenges can be used as opportunities to move forward and reinvent and open up new areas of discussion for how education may be going in the future. Thank you to the department for its efforts and support of the committee.

Bill stated that he was glad to be able to take part.

Don remarked that it is a very different perspective sitting at the table instead of in the audience.

Elwin thanked Mary for her years of service, particularly in keeping the committee on track and sharing her knowledge and perspective. He congratulated Don on becoming a full member of the committee, acknowledging Don's valuable input as a long-time attendee of the committee meetings.

### **MEETING ADJOURNED**

The committee adjourned at 4:12 p.m.