

BOND REIMBURSEMENT & GRANT REVIEW COMMITTEE

April 3 & 4, 2018, Tuesday & Wednesday

Juneau – DEED Board Room

MEETING MINUTES

Committee Members Present

Heidi Teshner, Chair
Doug Crevensten
Don Hiley
Mark Langberg
William “Bill” Murdock
Dale Smythe

Staff

Tim Mearig
Larry Morris
Wayne Marquis
Lori Weed
Kimberly Crawford

Additional Participants

Kent Gamble, HMS, Inc.
Aimee Smith, HMS, Inc.

APRIL 3RD

CALL TO ORDER and ROLL CALL at 1:15 p.m.

Introduction of members and department Facilities staff. Heidi Teshner, Director of Division of Finance and Support Services, chair, called the meeting to order at 1:15 p.m. Roll call of members present; Sen. Anna MacKinnon, Rep. Sam Kito III, and Robert Tucker are excused. Quorum of 6 members.

REVIEW and APPROVAL of AGENDA

Tim offered clarification to agenda, will not be speaking to emergency scoring. Mark moved the amendment. Amended agenda approved by unanimous consent.

REVIEW and APPROVAL of MINUTES

Minutes reviewed and approved as submitted by unanimous consent.

PUBLIC COMMENT

No public comment.

DEPARTMENT BRIEFING

Tim noted the department briefing is an opportunity to inform the committee of various activities at the department; some items are closely tied to committee work and some are more ancillary. Overview of preventive maintenance process and current status of school district certifications. In response to Dale’s question, Tim explained that the number of ineligible districts is fairly static since the implementation of a ‘provisional’ status. Wayne observed that a lack of resources, both personnel and fiscal, is affecting more districts.

Tim observed FY19 CIP rankings are notable for latent FY18 funding and grant awards that were finally sorted out and impacted the ranking of the lists. Three districts requested reconsideration on a project; one resulted in a budget adjustment. There were no appeals of reconsideration determinations. Currently, there has been no movement in legislature on capital budget.

Tim commented that the department has been updating the cost model annually, as opposed to prior two-year cycle. It is an important tool provided to districts for use in putting together applications with a reasonable cost basis, which assists in advocating at the legislative level. Newest version will complete at the end of April.

This past year the department tasked HMS with providing a framework for updating geographic cost factors, as there is not a record of what the current cost factors are based on. Using Anchorage as the base, HMS evaluated two districts: Fairbanks and Bering Strait. Broke factors into several areas: General Requirements (mobilization, shipping), Local Costs, Productivity, Climate, Structural/Architectural/Mechanical, Risks (assessment of contractor risks). Bering Strait is down by about ten percentage points and Fairbanks climbed, mostly due to structural factors. Foundations are not a factor due to being individually modeled in the cost model. Bill asked if factors were based on estimations or actual projects. Tim clarified that the factors are based on estimating history. Doug asked how the geographic regions are defined, whether they related to the BEES regions. Dale noted that the BEES regions were for separating energy usage and cost rates for design. Noted teleconference in next day agenda with HMS on the cost model.

Tim provided an overview of the SB 237 report, an assessment of all state capital funding that occurs on schools in the state through the REAA, school construction, major maintenance grant funds and the debt reimbursement program. Report is data-centric, with different presentations. Currently analysis is minimal, but department is hopeful it will be able to do additional analysis as more data is gathered.

Tim reviewed the highlights of the Alaska Education Challenge being implemented by the department and state board. Any of the focus areas of the Challenge could bleed into facilities, but none are directly related. It is an ongoing process.

Tim summarized the current status of legislative bills, so far only a little movement in legislation relating to school facilities. The current capital budget does not have any school funding proposed; however, the governor has a separate budget initiative providing major maintenance funding if an income bill also passes.

The department is proposing a 'clean-up' regulation project; Facilities has not undertaken one in a number of years. Recent updated publications are in regulation and references need to be updated. The hope is to present at the state board's September meeting for potential action to issue public comment.

Under publications, the *Life Cycle Cost Analysis Handbook* is up for committee review later in the agenda. Initial public comment for the *Preventive Maintenance Handbook* is underway, the notice was accompanied by a cover memo letting people know there is more to develop and asking for specific input and participation. Tim has set up a series of teleconferences to gather district input and formulate additional content.

PUBLICATION UPDATE

Don objected again to the language stating that a project would not be eligible if project conditions were due to lack of preventive maintenance; it is now also in the proposed application. Tim stated the department had looked at the statute and added the language in the application to

bring it to the committee for discussion on conditions under which certain work would not be eligible. Bill asked whether there was evidence that schools were not maintaining facilities. Tim confirmed there are projects with work caused by lack of maintenance, but asserted his belief no district does it intentionally. Don emphasized that the program should not punish districts for prior personnel decisions and funding issues. Dale noted that the public expectation is that the program is being managed responsibly, with the state making good investments with the funds, and it is a good discussion to have. Tim assured committee there is no department agenda to remove projects from eligibility, but under statute language, scope may be removed if it should be part of preventive maintenance. Discussion about need for clarity between project eligibility and scope ineligibility on conditions caused by lack of preventive maintenance.

Larry introduced the revisions to the *Life Cycle Cost Analysis Handbook*, last update was two decades ago. Most changes were minor updates to references to websites and publications; more development in the instructions on using the tool. Tim noted the department would like to see more applications using the tool to support the options question; the tool is not complex or time consuming once the cost information is available. He hoped highlighting the tool in the upcoming CIP workshop will increase its use. Discussion on usability and validity of the tool. Tim noted that the published updated tool will have pre-loaded assumptions that districts can change as needed.

Dale made a motion to put to put out the edited *Life Cycle Cost Analysis* publication out for public comment. Passed by unanimous consent.

BREAK

DEPARTMENT CIP BRIEFING

Larry began with the code deficiencies/life safety/protection of structure scoring question; in his opinion it is the most difficult application question to write for and the most difficult for rater's to score. He came up with a sample scoring matrix to rank similar and dissimilar project issues that would also provide clarity for districts on how points were assigned. Tim added that this moves the scoring towards formula-driven, but maintains the need for evaluation. Tim provided information on development of the matrix.

Tim reviewed the condition survey scoring for relative age on a completed project. On planning and design, Tim re-emphasized need for a condition survey in earlier stages of design for more projects. There are projects that would have benefited from documenting conditions prior to finalizing a design strategy or completing the project.

Lori reviewed changes proposed to six-year plan form, which was redesigned to conform with statute, with room to include a project description and a signature from the school board president. Column notating state aid, so districts can utilize plan for all capital improvement projects and the department can separate data as needed for reporting.

CIP APPLICATION

Tim walked through the application mark-up of changes. Application changes in section 3: First, transition plans modified to be broadly applicable to all facilities, not just state-owned. Second, removal of the questions relating to investment grade audits. Don noted intent language the questions had been based on had expired by the time applications had been due last year. Tim

discussed change in section 6, adding location for application writer to provide information on why a completed project did not perform a design stage. Mark offered a comma edit for clarity. Committee discussed scenarios where design stages are skipped and potential variations of answers to the prompt.

Tim walked through the instructions mark-up. First potential change is to project eligibility in regards to whether it is a capital project or was caused by lack of maintenance. Important to be very clear in wording. Don objected that statute only requires the project to be a capital project, no language speaking to the cause. Committee discussion followed. Tim agreed proposed language overextends the reading of the statute. Discussion to resume following day.

RECESS

APRIL 4TH

CALL TO ORDER at 9:00 a.m.

Heidi called the meeting to order at 9:00 a.m., Wednesday, April 4.

PUBLIC COMMENT

No public comment.

FY2020 CIP APPLICATION REVIEW (Continued)

Discussion resumed on application instructions. Tim stated that the edits to questions 2.e and 2.f clarified where the department is getting the information. Mark noted a minor edit on 2.f, changing to “each district”. Added language in question 2.d will be removed “evidence supporting it is not due to inadequate maintenance”. General confirmation to remove from all materials. Section 3 changes, edits to 3.c, transition plans, were discussed during the application review.

In question 3.d department introduced language aimed at helping districts and department manage districtwide project scopes that lack definition. Generally, a project should be a set of work that will be bid under a single contract. If it is not the case, then the applicant should provide justification on how it is more cost effective. Minor edits were discussed.

Committee reviewed authority of department to reduce scope and budget of project or grant award that did not follow appropriate procurement procedures.

Moving on to section 4, Tim observed there are a lot of narrative changes relative to the new matrix scoring for code. He recommended talk about the matrix in the rater’s guidelines so that the changes would make sense, and to approve or disapprove of the scoring method. The most significant change presented in the matrix is the opportunity for districts to support conditions with work order evidence and information from a registered professional, and they know if they forego doing those things, they will score lower. This change in the life safety/code category institutionalizes current practice – providing additional points for professionally documented conditions. Tim expressed that this will need to be adjusted as things come up that didn’t fit. Discussion of effect on small and rural districts

Heidi asked whether there were objections to the matrix method of scoring. Don brought up his concerns about several of the items, particularly being age based and no installation or material problems. Dale asked whether there could be more flexibility, perhaps a letter from a registered professional noting concerns over material installation, etc. Tim stated there is a lot of guessing about the future, but the department is judging on the severity of the issue as it is; these point structures are meant to make that more clear. Open to tweaks to ages, scores. etc. General discussion on fire sprinklers systems versus fire alarms and protection of structure or life safety. Bill wondered could he do a survey and then send it to a PE for code review and endorsement. Tim confirmed that could be an option to gain the 3 point boost. Committee discussed scoring climate-based erosion conditions.

Tim summarized that the committee seems to have some reservations but also a general support for this change. Tim noted that this approach has a heavy emphasis on evidence from the maintenance perspective; system degradation can be evidenced through maintenance time documented through work orders. Committee supported the revised matrix as the approach for FY20 CIP cycle.

Returning to the instructions, Tim pointed to the added language on how to respond to the question 4.a, specifically providing maintenance work orders. Discussion on how department would balance mixed-scope conditions.

BREAK

Tim stated there were no changes to section 5. In section 6, changes reference back to Appendix B. All changes are for clarity when certain elements do or don't apply, and have the purpose of bolstering the need for a condition survey when the project would be best served by having one. Don expressed dislike of the word "adequately" because there will be differences in opinion. Tim commended that completed project and in-house work scenarios have added a lot of complexity to this evaluation; the department is making decisions on whether documents would have been needed and agreed upon in a project agreement under a normal funding scenario.

The CIP briefing paper provides examples of judgement calls on design and condition survey points for projects. Tim asked the committee to advance the notion that condition surveys are considered necessary to complete most projects. Committee action in the past four years have made the condition survey documents more flexible in who can do them.

Committee discussed intention behind removing additional levels of drawings in questions 6b and 6c; determined to keep the original language.

Language in section 7 is cleanup, moving from section 3. Change to question 8c and the project eligibility checklist provide discretion in implementation of statute. Lori pointed out that providing an life cycle cost analysis can be an eligibility issue, and the added instruction language is a reminder of that. Tim stated that the edit to eligibility item "I" is an easing of the language to conform to department practice of not throwing projects off the list because no cost-benefit analysis was submitted.

Tim noted the prior discussion on the instruction appendices and the eligibility checklist. Small edit on scoring sheet regarding district ranking points only determined by eligible projects. Tim reviewed smaller edits and clarifications in the rater's guidelines.

Doug remarked that instruction appendix D on type of spaces is outdated; asked if it is used for points. Tim confirmed that type of space, as provided in application table 5.2, is used to weight scoring in a formula-driven category. Discussion of type of space scoring and identification.

Dale made a motion to adopt the application and support materials as edited, Doug seconded. Adopted by unanimous consent.

STANDARDS FOR COST-EFFECTIVE CONSTRUCTION

Commissioning Subcommittee

Mark stated that the subcommittee last met the first week of March and there are several items he is planning to follow up on. Tim added that, after the committee submitted its report to the legislature, the commissioning subcommittee tasks were only ones that could be pursued without a budget. Committee and department are moving toward developing draft regulations by July to forward to the state board for the September meeting. Trying to define which projects require commissioning and credentialing of commissioning agents. Don queried whether there was going to be a budget impact to projects.

Design Ratios Subcommittee

Dale summarized results of the energy modeling of the one-story versus two-story ratio as being less than anticipated. Tried to quantify potential energy savings and cost savings. Other ratios and areas may provide greater benefit. A huge number of variables and assumptions change affect the potential, including occupant loads and minimum code-required air changes. Surprised that electrical load increased due to increased fan use to move the air in a two-story building. Dale expressed appreciation to subcommittee member who donated time and effort for the modeling. Still work that can be done, without funding, to move the effort forward. Tim noted that this subcommittee is possibly the most constrained without available funding.

Model School Subcommittee

Doug stated that the subcommittee had not yet met on the four action items in the report to the legislature. Consultant will assist with keeping the cost model up-to-date based on education delivery method changes and code changes, similar to presentation in the afternoon. System standards are currently with the department for development. Although prototypical schools, even by region, may not do well, there may be prototypical systems that could function, particularly at a regional level. Model school concept has moved from an idea of a prototypical school to a foundational-level school that reasonably meets the needs of children.

General conversation on the background and history of the model school used in the escalation study and cost model.

REGULATION UPDATES

Lori pointed out the summary of changes document provided by the department. The proposed changes are based on a list the department developed of questions, issues, and problems that came up during use of the regulations. The list is not exhaustive, and there will be additions, like

including a section on the provisional certification status; if committee members have other items, bring those to the attention of the department. Lori walked through each of the identified regulation changes.

Don asked whether the handbook references could be changed to say ‘current edition’, like code references do. Lori responded that code references go through another agency’s formal regulation process; the handbook editions will be provided with the regulations during the regulatory public comment process.

BREAK - LUNCH

COST MODEL UPDATE

Kent Gamble and Aimee Smith from HMS, Inc. introduced themselves and the requested cost model task. HMS was asked to finalize model school elements, with particular attention to providing for ASHRAE 90.1 code requirements. To do so they reached out to the design community to find out how ASHRAE would affect components of the model. Committee members asked various clarifying questions on the model and specific changes. HMS will review and make changes noted.

Doug asked what is HMS’s definition of a model school. Kent stated the original idea was to develop a typical school in the Anchorage area, approximately 41,400 square feet, that would serve as the baseline model school as far as using typical construction elements; those elements get updated as “typical” materials and needs change.

Larry noted department is using 2010 edition of ASHRAE 90.1, and for the 50 percent of controlled outlets may only be for offices/admin areas and computer classrooms. The 2013 edition changed requirement to all classrooms. Kent commented he will dial it back.

Kent opened conversation to common design elements that may be coming up. Discussion followed on school security systems.

Kent reiterated that the model school has two functions, the primary is to provide an escalation factor, to see how a common school tracks through the years. HMS uses it to incorporate design changes, which are minor in the relative cost growth of the school. The other function is to use elements of the model school to develop elements and model of different components that can be traded in and out of the model to develop the cost for difference types of space used in schools. The way that is accomplished is building different assemblies and trading them in and out. Tim noted that for the purposes of renovations, a number of individual solutions have been developed. For the purpose as it relates to the committee, specifically the model school subcommittee, we want to know what are the acceptable systems and components for the state.

Kent noted anticipated risk with potential trade tariffs, particularly with steel he’s anticipating a 35-50% increase in cost. He parted with a comments that there will be volatility in prices.

REGULATION UPDATES (Continued)

Lori continued walked through of the identified regulation changes. Noted that there are a couple of alternative language passages for committee input. Committee reviewed and discussed

department's proposed changes. Don noted request from Kathy Christy to increase the minimum value requiring competitive selection for design services and construction management services from \$50,000 to \$100,000. This would keep up with inflation. After review of definition changing minimum value of "school capital project" from \$25,000 to \$50,000. Don started conversation about what constitutes a capital project; general committee discussion followed. Lori reminded members that if there were edits and suggestions, to contact the department.

BREAK

WORK PLAN REVIEW & UPDATE

The workplan is pretty well intact to what was previously tracked from December. There is an edit to the publications, substituting out *Cost Format* for the *Architect and Engineering Services* publication. Other change will be adjusting date for the final *PM Handbook* from May to June. No date for clean-up regulation project, suggested July 2018. Update from 'construction standards regulations' to 'commissioning regulations'. General discussion of projected meeting dates and potential agenda items.

Committee discussed school security features, lock-down procedures, and how it could fit into the application process.

FUTURE MEETING DATE

Next meeting dates are teleconferences on May 8, June 14, and July 19.

COMMITTEE MEMBER COMMENT

Bill had no additional comments. Don thanked everyone for their work. Doug expressed appreciation for the face-to-face meeting. Mark also appreciated the in-person meeting to re-connect or connect with new people; it was good to be a part of the process. Dale echoed Mark's comments, a lot of work but fun to be a part of it all. Heidi thanked department staff for putting everything together and the committee members extra time they've put in.

Tim noted CIP workshop will be May 16 in Anchorage, committee is welcome to stop in for any and all.

MEETING ADJOURNED

The committee adjourned at 4:15 p.m.