

BOND REIMBURSEMENT & GRANT REVIEW COMMITTEE

Wednesday, April 10, 2024 – 1:30 – 4:30 p.m.
Thursday, April 11, 2024 – 8:30 a.m. – 4:00 p.m.

Alaska State Library, Archives & Museum
395 Whittier Street
Juneau, Alaska

DRAFT MEETING MINUTES FOR APPROVAL

Committee Members Present

Karen Morrison, Chair
Dale Smythe
Randy Williams
Larry Morris
Kevin Lyon
Douglas Hayman
Branzon Anania

Staff

Michael Butikofer
Lori Weed
Don Wheeler
Alex Watts
Sharol Roys

Additional Participants

Rob Brown, HMS

CALL TO ORDER and ROLL CALL

Karen Morrison called the meeting to order. Roll was taken, and a quorum was established to conduct business. Senator Kaufman and Representative Ortiz were excused.

INTRODUCTIONS

Michael Butikofer introduced himself as the new Facilities manager; Don Wheeler is the new building management specialist, and Alex Watts is the Facilities review assistant.

CHAIR’S OPENING REMARKS

Karen Morrison welcomed everyone to the meeting, thanked the Library Archives and Museum for the use of the room, and is looking forward to getting to work with a full staff and getting projects accomplished.

AGENDA REVIEW / APPROVAL

Larry Morris **MOVED** to approve the agenda as presented, **SECONDED** by Kevin Lyon. Hearing no objections, the motion **PASSED**.

PAST MEETING MINUTES REVIEW / APPROVAL

Kevin Lyon **MOVED** to approve the minutes of the last meeting of December 7, 2023, **SECONDED** by Larry Morris. Hearing no objections, the motion **PASSED**.

PUBLIC COMMENT

A public comment period was offered. Alex Watts read written comments from Wayne Norlund, who detailed the following suggestions:

- More emphasis be put on replacing schools more than 40 years old rather than trying to renovate them. With approximately 450 schools in the state, he suggested that at least five new schools be built each year.

- The CIP application process is a daunting task, especially for the smaller districts. An online application would help both the districts produce better applications and allow DEED staff to better review them.
- The preventive maintenance program is rated during the CIP process and is not a true indication of the quality of the PM programs. He suggested removal of rating the PM programs as part of the CIP process and rely on certification which is required to be eligible for a CIP grant.
- The BRGR could make an effort to communicate concerns with legislative bodies and the executive office to help influence decisions regarding funding to increase funding before it becomes too late and there is no longer an opportunity to keep up with deferred maintenance.

DEPARTMENT BRIEFING

FY 2025 CIP Report – Reconsideration and Final Lists

Lori Weed reviewed the Department Briefing:

- No changes were made based on the one reconsideration request received. The final lists in the packet were approved by the State Board of Education on February 28th, 2024.
- The major maintenance list has 96 projects, and the construction list has 19 projects.
- Five districts are noncertified for preventive maintenance, and two of those are on the review cycle for this year.

School Capital Project Funding Under SB 237

This report gives a history of both the school construction and major maintenance funds that have been provided to schools. The table on page 31 of the packet details the funds in each program since FY2011.

REAA and Small Municipal Fund Report

The REAA fund continues to be a predictable stream of funding. Currently there is no fund balance in the REAA fund that is not obligated because of the Newtok/Mertarvik funding. Next will be the Minto project and then the Toksook Bay school replacement.

Legislative Updates

The REAA fund capitalization is anticipated to be about \$27 million this year. The capital budget as introduced by the governor will be considered by the legislature soon. Some bills of interest:

- HB 173 would increase the threshold for reporting public construction projects under Title 36 from \$25,000 to \$150,000.
- HB 165 proposes to add schools as eligible customers to participate in the Power Cost Equalization Program.
- SB 113 would incorporate Mt. Edgecumbe and teacher housing projects for REAAs into eligibility for the REAA fund.
- SB 158 would require all debt projects to be ranked as grant first, then to be chosen by the district municipality to be considered debt reimbursement projects.

- SB 227 would establish a capital project evaluation division within the Office of Management and Budget to evaluate each capital project proposed by another division and assign a score, that score to be considered by the department in its ranking process.

Karen Morrison reported on progress with some federal grant applications:

- She is working with Bill O’Connell with Alaska Department of Environmental Conservation (ADEC) to facilitate an environmental and climate justice community grant regarding soil contamination. The application is due November 21st, and so far, only Lower-Yukon and Lower-Kuskokwim have expressed an interest.
- An application for a climate pollution reduction grant was submitted on April 1st to try for federal funding for small districts for projects that fit within the emissions reduction benchmark.
- An application through the Alaska Municipal League for support and training regarding indoor air pollution was submitted in March.

Lori Weed noted that the Life Cycle Cost Analysis Handbook will be taken up tomorrow, and she mentioned that it had not gone out for public comment yet.

FY 2026 APPLICATION AND REVIEW

Lori Weed explained that there were no changes to the protection of structure, life-safety, and code deficiencies and the weighting of conditions formula. For the cost estimate, more certainty in the costs deserves more points. The committee asked the department to look into the emergency scoring criteria, and that will be presented at a future meeting.

Because AS 14.11.013 states that the department shall evaluate at least the factors listed for establishing priorities for construction grant projects, there is authority to consider other factors not listed. Reference the list of scored questions in the application and the statute or regulatory references, if any.

Lori asked if projects seeking supplemental funds because of construction industry cost increases should receive points in order to help them rank higher on the list and receive that supplemental funding sooner. Larry Morris was in favor as long as the scope matches the original project and the issue was not caused by the district. Kevin Lyon agreed so long as they are not adding additional scope except in the case of unforeseen conditions. Lori explained that a request for supplemental funding would be through the department’s supplemental budget process, which is a request to the commissioner who sends it to the governor’s office, and it ends up in the governor’s supplemental budget. However, the department has not yet had any supplemental requests for incomplete projects.

Randy Williams did not think it was appropriate to send requests for supplemental funds into the mix of all the other projects and should be handled outside of that process. Larry Morris would like to see suggestions of how to adjust that 30 points for prior funding. Randy said that option 2 on the supplemental sheet, which would provide fewer points for projects seeking supplemental funds due to increases in construction industry costs, should be considered by the committee. This item will be discussed at the meeting tomorrow.

Lori mentioned that the department did not have staffing levels to be able to examine the energy consumption reports, so that subject will be taken up at a future meeting. She briefly reviewed the proposed changes.

After committee discussion, it was decided that the department will research the renewal and replacement schedule scoring in code deficiency and recommend some updates.

A general discussion brought out the following points:

- Section 9 of the application is basically an assessment of reports that are a district-wide score that gets sent to projects.
- The 5-year average expenditure on maintenance is a general overlook at the district's maintenance performance and is kind of a safety net since it is filled out annually.
- Rather than a site visit every five years, perhaps a quick review or inspection at several districts in a week would be beneficial.
- An electronic application system is needed.
- If a subcommittee were to work on the application from beginning to end, the renewal and replacement schedules should be a separate consideration.
- Perhaps a request for information should be issued and then built in to next year's budget.
- Some districts have excess capacity due to a shrinking student population.
- School buildings need to be built for the future, and be smaller and more focused on usable space. Perhaps points should be awarded to proposals that address the future needs of education.

RECESS

Dale Smythe **MOVED** to go into recess, **SECONDED** by Branzon Anania. Hearing no objections, the motion **PASSED**, and the meeting recessed at 4:06 p.m.

Thursday, April 11, 2024

CALL TO ORDER / ROLL CALL

Karen Morrison called the meeting to order at 8:30 a.m. Roll was taken, and a quorum was established to conduct business. Senator Kaufman and Representative Ortiz were excused.

CHAIR'S OPENING REMARKS

Karen Morrison said she appreciated the conversations during the meeting yesterday and is looking forward to more input, and, with almost a full staff at Facilities, she is excited to have the capacity for moving forward and hopefully get the electronic CIP application process started.

PUBLIC COMMENT

A public comment period was offered, and no public testimony was received.

FY 2026 APPLICATION REVIEW (CONTINUED)

Larry Morris **MOVED** to amend section 8e for the phase funding to allow for 15 points for projects that are previously funded and have bid and require additional funding out of no cause of the district for the 2026 year application only, **SECONDED** by Branzon Anania.

Lori Weed noted there would need to be a change to the language in the application as well as the instructions and then a change to the scoring form accordingly. It was clarified that the subject projects would have gone out to bid but were unable to be awarded because of insufficient funding.

Douglas Hayman was concerned about the definition of “not the fault of the district.” Lori Weed read an excerpt from AS 31.06.001 regarding costs not eligible for reimbursement.

Dale Smythe suggested that language be inserted to clarify that the increased funding was only to allow the award, not for increasing funding after construction is started for change orders. Lori’s suggested language for the application states that applications seeking funds for change in scope or other actions not noted in the original application or legislative appropriation will not be considered eligible for these points.

The last sentence in the application section would read, “There are up to 15 points available if a project includes previous grant funding under AS 14.11, the project has gone out to bid, and the project is seeking supplemental funds due to increases in the construction bid to allow award.”

Karen Morrison restated the motion, as amended, to say that there are up to 15 points available if a project includes previous grant funding under Alaska Statute 14.11 and the project has gone out to bid and the district is seeking supplemental funds due to increase in construction bid whether the district has awarded the bid or not.

The motion **PASSED** unanimously by roll call vote.

Kevin Lyon **MOVED** to approve the CIP application as amended, **SECONDED** by Douglas Hayman.

Lori Weed asked the committee if it wanted an added bullet in section 8c of the instructions regarding renovation/rehabilitation projects, also requiring a consideration of an option for new construction.

Randy Williams **MOVED TO AMEND** the motion to add a bullet to the instructions requiring major rehabilitations or renovations affecting multiple systems, to provide an option regarding a school construction replacement, with language to be crafted by the department, **SECONDED** by Kevin Lyon.

Larry Morris mentioned that this would increase design costs, and Lori said that the Program Demand Cost Model tool is there for this particular purpose as well.

The motion **PASSED** unanimously by roll call vote.

Kevin Lyon **MOVED** to approve the application as amended by the two motions, **SECONDED** by Douglas Hayman. The motion **PASSED** unanimously by roll call vote.

PUBLICATIONS

Life Cycle Cost Analysis – Draft for Public Comment

Larry Morris referred the committee to the publication and stated he added a short-term cost benefit analysis period and language for districts and their consultants to work together with the department to plan their value analysis strategies.

Randy Williams **MOVED** that the Life Cycle Cost Analysis publication be put out for public review, **SECONDED** by Kevin Lyon.

Randy Williams questioned the definition of value engineering provided. Larry Morris said that was a reference to language in the project agreement. It was generally agreed to change value engineering to value analysis, and the department will change the project agreements accordingly. It was also determined that the reference to clause 9 be deleted, and a reference added to the Capital Project Administration Handbook for the different levels of value analysis submittals required under the project agreement.

Hearing no objections, the motion to put the Life Cycle Cost Analysis publication out for public comment with the discussed edits and changes **PASSED**.

SCHOOL DISTRICT CAPITAL NEEDS FORECAST DATA AND TOOL (PRELIMINARY VERSIONS)

Lori Weed reviewed this program with the committee and walked them through the site. The school districts in Petersburg, Fairbanks, Kenai, and Kuspuk have agreed to test the program and provide feedback.

SUBCOMMITTEE REPORTS

Design Ratios

Lori Weed explained that because of staffing levels, they were not able to get the design ratios product out for final public comment but will try to get those out this summer.

School Space

Dale Smythe reported that two of the four goals of this subcommittee have been met, and the final two should be completed this summer. The GSF clarification will be based on ASHRAE R-values rather than wall thickness, and they are still working on the mechanical electrical space task. All changes will be submitted for consideration at one time, possibly at the December meeting. When approved by the committee, the changes will go out for public comment and finally go to the State Board for regulation changes.

CIP Application Process Review

Instead of a subcommittee for this project, it was decided to have the committee as a whole meet in work sessions to review the CIP application completely from beginning to end. Larry Morris would like SERRC to take part in the rewrite. Hopefully, the review will be completed in time for the revised application to be used for the 2027 cycle.

BR&GR CALENDAR AND WORK PLAN REVIEW & UPDATE

Lori Weed stated that the work plan in the packet is the same as was adopted at the December '23 meeting and is included as a reminder of the workload. Comments and suggested changes were as follows:

- Add in Section 5 the review and rewrite of the CIP application.
- It might be time to institute a regulation review as it has been at least three years since the last review.
- Investigate the shift to promoting new schools over renovations.
- Simplify the applications and focus on online applications.
- Investigate the point allocations for preventative maintenance.
- Consider awarding points for adaptability of school buildings with an eye to future needs.

Douglas Hayman would like to see some design points for condition surveys having the outcome in mind and the innovation and how the building will be able to adapt to changing education practices to prepare students for the workforce and continually evolve as industry evolves. Unfortunately, today's classrooms look very much like they did 50 years ago.

Kevin Lyon said his district has surplus building area, but he is not able to use it for certain purposes because of regulations. For schools with only about 50 students, there is a fine line between overbuilding and underbuilding. Alaska has issues that are beyond anything else in the nation. It might make sense to consolidate Hope and Seward, but it is a two-hour bus ride over two mountain passes, so that is not an option. Doug added that education delivery is changing also. He is using facilities on the Kenai for home school co-ops.

When there is a district-wide early education program, they are eligible for ADM as elementary students and for purposes of space calculations. Any facilities owned by a district or a municipality that are used for educational purposes are eligible for the CIP program.

Branzon Anania said they had to find a way to look at building options for the small communities with just 10 to 50 students, whether it's a modular type of construction or something else that is geared toward those locations. The problem is that modular classrooms usually do not include a gym, and that is a huge problem in small rural communities where everything happens at the school gym. Kevin Lyon added that as soon as a gym is built, that triggers the necessity of a sprinkler system. Many of the school sites do not have public water systems, so then a water storage facility is required at great cost.

Branzon itemized some problems in rural Alaska related to school construction and maintenance:

- A new HVAC system with eight modular fans was recently installed, and they no longer make that system.
- Automatic lights are required on walls, but some places run on generators, and it would be better that when the generator goes off, the place shuts down.
- The boiler requirements are not workable at some rural communities because the boilers are too heavy for shipping without tremendous cost.
- One idea was to build the gym and then install modular parts off of it.

Lori Weed mentioned that the committee has the statutory authority to work with and identify energy efficiency standards and the ability to do an Alaska-specific modification to an adopted energy standard.

SET DATE FOR NEXT MEETING

The CIP workshop for the FY 2026 application will be on April 26, 2024.
The next meeting was set for December 3rd, 2024, by teleconference.

COST MODEL UPDATE

23rd Edition Model School Elements, Proposed Changes

HMS, Inc. Teleconference

Rob Brown presented the update for the year for the Program Demand Cost Model, which is in a supplemental packet. He identified the following points:

- The total cost of the Model School went up a little over 8 percent.
- Material costs and labor rates increased, but overall labor costs increased as well.
- Unit rates also increased which impacted other systems such as roofing and exterior closure.
- Labor rates will continue to increase as union agreements require wage increases every six months for three years.
- The price of concrete increased 16% mostly from the cost of cement because of a change in suppliers.
- HMS has removed the unique market contingency and references to it from the pertinent sections.

Kevin Lyon asked if the labor rates are exceeding the published Title 36 rates. Rob Brown said that is the case, as it usually is when labor rates increase because the union rates help to inform the Title 36 rates.

Lori Weed questioned the annual escalation rate of 4 percent mentioned on page 1 of the report as contrasted with 5 percent listed on the next page. Rob said they are using 5 percent and will correct the report accordingly.

Michael Butikofer asked if the unique market contingency was based on COVID, and Rob stated yes, that it was put into the model three years ago when COVID was impacting both labor and material rates.

Larry Morris **MOVED** to accept the Model School escalation elements to the Cost Model update as presented, **SECONDED** by Randy Williams. Hearing no objections, the motion **PASSED**.

DEED WRAP-UP

Karen Morrison thanked everyone for attending in person. She is excited about the CIP application review and the discussion of moving it into an online platform. There is a land manager position that is open and, once that position is filled, they will have a full team. Karen thanked Lori for all the help she has been providing.

COMMITTEE MEMBER COMMENTS

Larry Morris said it was a good quick meeting with a lot of good conversation and fairly aggressive goals for the coming year. He welcomed all the new people.

ADJOURNMENT

Douglas Hayman **MOVED** to adjourn, **SECONDED** by Dale Smythe. Hearing no objections, the motion **PASSED**, and the meeting adjourned at 1:37 p.m.