

## ***V. SFOB New Construction***

Per A.R.S. §41-1091 B: This substantive policy statement is advisory only. A substantive policy statement does not include internal procedural documents that only affect the internal procedures of the agency and does not impose additional requirements or penalties on regulated parties or include confidential information or rules made in accordance with the Arizona Administrative Procedure Act. If you believe that this substantive policy statement does impose additional requirements or penalties on regulated parties you may petition the agency under A.R.S. §41-1033 for a review of the statement.

### **A. Architect and Contractor Selection** (Adopted August 1, 2018, Modified March 2, 2022, February 7, 2024)

The School Facilities Division may participate as a full voting member of the selection committees for architectural firm and contractor. The School Facilities Division will assign the staff member who may attend all meetings and provide assistance with the following items:

- a. Establish the weighted ranking criteria for qualifications;
- b. Recommend the short-list of candidates for interview based on the results of the scoring criteria;
- c. Prepare interview questions and ranking importance for accumulating points;
- d. Interview, score, and rank short-listed firms in order of highest to lowest accumulated points;
- e. Request a proposal from the highest ranked firms and negotiate the scope of work and fees. If the selection committee is unable to reach an agreement, negotiations with the number one ranked firm shall be terminated. Negotiations continue by inviting the next highest ranked firm without the opportunity to return to negotiations with the previous firm. Continue the process until a mutually acceptable agreement is negotiated.
- f. Initiate an acceptable scope of work and fee and enter into a business contract for services.

### **B. Designing a New School Project** (Adopted January 10, 2008, Modified March 7, 2012, May 6, 2015, August 1, 2018, March 2, 2022, November 9, 2022, February 7, 2024)

Once the school district has been approved for funding for additional square footage (a project), it may begin designing the project. A project may be a new school, additional square footage at an existing school, or renovation of an existing facility. The process is as follows:

#### **Kick-Off Meeting**

The school district must attend a kick-off meeting with the School Facilities Division. The School Facilities Division will review with the district the Terms and Conditions and policies of the Board, and answer any questions the school district might have.

#### **Funds for Architectural, Engineering, Project Management, and Pre-construction**

Once the signed Terms and Conditions are received, the School Facilities Division will make the awarded funds available for architectural, engineering, project management, and pre-construction

fees. Please see “Accessing Project Funds” below for the process of requesting and receiving project funds.

### **Design Process**

During design, at least three design and budget review meetings will take place at the following intervals:

1. Schematic Design
2. Design Development
3. Guaranteed Maximum Price/Construction Documents

The Assistant Director may require additional meetings if necessary. The Assistant Director will develop and make available detailed agendas for the above meetings. For an alternative procurement project, the Design Phase is completed when the Construction Manager signs a GMP that is either within the established budget, or is supported by the Division of School Facilities. For a design-bid-build project, Design Phase ends when the district documents that they have received final building permits from the local building authority.

### **Project Budget**

The items required to be included in the estimated budget are all elements of new construction, excluding land acquisition. These elements include, but are not limited to (1) architectural and engineering fees; (2) survey, testing, permits, advertising and printing; (3) construction costs; (4) furniture, fixtures and equipment; (5) any necessary project management and (6) a three percent (3%) retention amount.

Design Fees for budget purposes should be based on 80 percent (80%) of the formula award. Final fees should be based on the final construction contract amount. Amounts reserved for other budget elements including furniture, fixtures, and equipment should be based on 17 percent (17%) of the formula award. The Director may review these amounts to ensure they are appropriate.

### **Board Authorization to Proceed**

The School Facilities Division must receive plans and specifications for review at least 15 business days before the next Board meeting to be considered at that Board meeting. Plans and specifications received after that date will be held until the next Board meeting.

Once the Design Phase is complete, the School Facilities Division will make a recommendation to the Board regarding the appropriateness of proceeding with the project. The School Facilities Division may consider the following in developing the recommendation.

1. Design – Does the project meet the minimum school facility adequacy guidelines as applied to new school construction? Has the district agreed to fund all design elements in excess of these standards?
2. Procurement – Has the district received a fair market price for the project?
3. Student Projections – Do updated student population projections continue to justify the awarded square footage?

The Board may consider additional criteria as appropriate. If the Board does not authorize the district to proceed with construction, funding for construction will not be provided.

### **C. Accessing Project Funds** (Modified January 10, 2008, May 6, 2015, August 1, 2018, March 2, 2022, February 7, 2024)

After a school district has received authorization to contract, additional monies will be made available. Payments will be made on a timely basis based upon the school district's need supported by documentation from the district. The school district shall submit certified payment applications with attached documentation including change orders to support the request. The school district may include more than one payment application per request.

If a school district can establish that it will receive funds from the New School Facilities Fund in excess of what it will cost to complete the project in accordance with the minimum school facility adequacy guidelines as applied to new school construction, the school district can access those surplus funds prior to the completion of the project in order to implement change orders or other expenditures exceeding the original scope of the project.

District funding is only loaded if the school district is participating in the funding of the project. Availability of State funding is based on quarterly installments of the annual legislative appropriation.

#### Change Orders

If during the project it becomes necessary for a change order to be issued, the change order must be submitted to the School Facilities Division for review. If the change order affects the gross square footage of the project, updated drawings must be submitted to the Division for review.

The District shall notify the School Facilities Division if any unforeseen conditions arise during project implementation. The School Facilities Division will direct the District on how to proceed. The District must submit a Change Order which includes the signature of the District Representative, Architect, and Contractor prior to receiving written approval from the School Facilities Division to proceed. The Change Order will also indicate any changes to the contract value, contract schedule, or contract scope. No work shall proceed without a fully executed Change Order that includes the School Facilities Division's signature. The School Facilities Division shall approve or reject a change order within two business days.

### **D. Local Funds** (Adopted August 1, 2018, Modified March 2, 2022)

If the District intends to supplement the Project with additional funds beyond the formula award, the District shall provide to the Board a resolution from the District's governing board setting forth the commitment of additional funding. The District's governing board's resolution shall clearly indicate the amount being committed to the Project.

### **E. Change Orders** (Adopted August 1, 2018, Modified March 2, 2022, February 7, 2024)

Change orders are generated by an executed Field Order or Request for Change. Either may result in a Change Order which may affect the Scope of Work, Schedule and Cost, or a combination of the three.

The Change Order is initiated by the contractor, reviewed and certified by the design professional (if appropriate), accepted by the district and approved by Staff.

Pursuant to A.R.S. 41-5701.02.I.2., if a school district approves (if the District issues a purchase order or authorizes to start the work) work referenced in a change order before the School Facilities Division approves the change order, the school district is responsible for the cost and construction of the project ('The Project' is defined for the purposes of the Change Order as the work defined in the Change Order).

The School Facilities Division shall approve or reject a change order within two business days. Business day is defined as the beginning of a full business day (business day starts at 8am).

Any monies spent without proper authorization from the School Facilities Division must be returned within thirty (30) days of being notified.

**Cost Sharing** (Modified August 1, 2018)

Availability of State funding is based on quarterly installments of the annual legislative appropriation. The school district may have elected to participate in the cost of the project. This will result in a percentage split. If during the project, the funding distribution changes, the percentage charged to the district will be adjusted.

**F. Project Management Services for New Construction** (Modified January 10, 2008, March 7, 2012, August 1, 2018, March 2, 2022, February 7, 2024)

A school district that does not have the experience or resources to successfully oversee a new school construction project may request technical support from the Board in the form of project management pursuant to A.R.S. §41-5702.D.(13).

A.R.S. §41-5741(A) authorizes the School Facilities Division to utilize the New School Facilities Fund to contract for services as set out in A.R.S. 41-5702 (B. paragraphs 2, 3, and 4).

A.R.S. §41-5741(E) states that if the Board modifies the cost per square foot based on geographic conditions, or site conditions, as prescribed in A.R.S. §41-5741.D.3.c., the Board may deduct the cost of these project management services and preconstruction services from the required cost per square foot.

The cost of the project management shall be made a part of the overall cost of the new school, and those funds shall be derived from the total allocation for the project provided by the Board.

**G. Architectural Fee Guidelines** (Adopted January 1999, Modified January 10, 2008, May 6, 2015, August 1, 2018, March 2, 2022, November 9, 2022, February 7, 2024)

These guidelines are to be used to determine the Lump Sum Architectural & Engineering (A&E) fees for "Basic Services" for all School Facilities Oversight Board funded projects including new school construction.

**\*\* These are guidelines, not a schedule \*\***

For new school construction projects, the architectural fee should be determined by the square footage times the formula cost of the planned facility or project (construction cost) multiplied by

a factor determined by the size and complexity of the scope of the project. See below both "Project Types" (to determine the difficulty of the project) and "Fee Guidelines Multiplier" (for the percentage multiplier). The final fee should be based on the actual construction cost.

### **Basic Services** (Modified August 1, 2018)

The architectural contract should identify and include all of the services necessary to design and construct the project under "Basic Services" without any hidden or unknown cost. The services to be included as part of the contract as "Basic Services" shall consist of architectural, structural, mechanical, electrical, civil, and landscape design. The descriptions of these services are described in the American Institute of Architect (A.I.A) Document B141, "Standard Form of Agreement Between Owner and Architect (2017 Edition or newer)".

### **Construction Cost**

The cost of construction includes the cost of the construction of the building, site improvements, and all fixed and installed equipment. It does not include Furniture, Fixtures & Equipment (FF&E), testing, surveys, permits, land costs, studies, retention, or A&E fees.

### **Project Types**

Group A - MORE THAN AVERAGE COMPLEXITY: New complex stand-alone facilities such as special purpose classrooms, laboratory classrooms, libraries, auditoriums, and food service facilities.

Group B - AVERAGE COMPLEXITY: Total facilities such as new elementary schools, middle schools, high schools, or large additions to existing facilities.

Group C - LESS THAN AVERAGE COMPLEXITY: New less complex stand-alone facilities such as warehouses, maintenance facilities, bus barns, offices, and storage facilities or any repetitive design use of a facility.

Group D - REPAIRS AND RENOVATIONS: Miscellaneous repairs and renovations, alterations to facilities, code corrective work or upgrades, system replacements, etc.

### **Fee Guideline Multiplier**

<b>Construction Cost:</b>	<b>Group A</b>	<b>Group B</b>	<b>Group C</b>	<b>Group D</b>
<b>\$ 0 to \$ 500,000</b>	<b>Task based</b>	<b>Task based</b>	<b>Task based</b>	<b>Task based</b>
<b>\$ 500,000 to \$1,000,000</b>	<b>7.8% - 8.8%</b>	<b>7.2% - 7.9%</b>	<b>6.6% - 7.2%</b>	<b>8.3% - 8.9%</b>
<b>\$1,000,000 to \$ 2,500,000</b>	<b>7.2% - 7.8%</b>	<b>6.7% - 7.2%</b>	<b>6.2% - 6.6%</b>	<b>7.8% - 8.3%</b>
<b>\$ 2,500,000 to \$ 10,000,000</b>	<b>6.3% - 7.2%</b>	<b>6.0% - 6.7%</b>	<b>5.7% - 6.2%</b>	<b>7.2% - 7.8%</b>
<b>\$ 10,000,000 to \$25,000,000</b>	<b>6.0% - 6.3%</b>	<b>5.5% - 6.0%</b>	<b>5.3% - 5.7%</b>	<b>6.8% - 7.2%</b>
<b>\$25,000,000 to \$50,000,000</b>	<b>5.5% - 6.0%</b>	<b>5.5% - 6.0%</b>	<b>5.0% - 5.3%</b>	<b>5.7% - 6.8%</b>
<b>\$50,000,000 and above</b>	<b>5.5% - 6.0%</b>	<b>5.5% - 6.0%</b>	<b>4.3% to 5.0%</b>	<b>Up to 6.0%</b>

**Assume an additional 1-3% for project or site-specific additional fees.**

### **Fee Formula**

**School Facilities** Division Estimated Construction Cost\_\_\_\_\_x Multiplier\_\_% = Fee

**Notes:**

The higher the Construction Cost in each range, the multiplier percentage should be proportionally lower.

Districts in remote areas and/or with a high cost per square foot should not use a higher multiplier percentage than normal. The increased cost per square foot difference automatically increases the fee to cover the additional cost of travel. Since most of the architects' offices and their consultants are in urban areas, the cost to design and produce the contract documents would be the same as if the project were in the same city.

**H. Closeout Procedures** (Modified January 10, 2008, May 6, 2015, August 1, 2018, March 2, 2022, February 7, 2024)

School districts shall be considered to have reached the substantial and/or final completion stage upon submitting to the School Facilities Division required documentation by providing the following:

- a. Certificate of Occupancy from the local building department.
- b. Architect's Certificate of Substantial Completion.
- c. Final request for payment (must contain all pages and complete Schedule of Values) from the contractor, certified by the architect showing the project has zero dollars remaining to be paid to the General Contractor for construction evidenced by fully executed waivers of lien.
- d. Superintendent's letter of assurance that the facility was built according to the minimum school facility adequacy guidelines as applied to new school construction, including the installation of all required FF&E.  
**Note:** Letter requires superintendent's signature.  
(IF APPLICABLE) Fire Marshal's certification that installed water tank is adequate to provide fire protection at the new school facility.
- e. Full/complete Specifications in .pdf format and Plan Drawings in .pdf format, construction document copy on electronic compact disc. Label each 'disc' with School District Name, School Name, and SFOB Project Number.
- f. Architectural, Structural, Civil, Electrical, Mechanical and Plumbing, Landscape, Kitchen Design, drawing documents and written specifications that were reviewed and approved for building permit.
- g. Record documents reflecting as-built conditions shall be provided for all trades in .pdf format.

All documents sent to the School Facilities Division, must contain for each project the following at or near the top of each sheet:

- a. The School Facilities Division Project Number
- b. The full School District Name and full address
- c. New School Facility Name, Grade Configuration and Full Address with Zip Code

An on-site walk-through by the School Facilities Division, shall verify compliance with the Minimum School Adequacy Guidelines. If the project fails inspection, the School Facilities Division may withhold sufficient funds to correct the deficiency.

If the project has not processed a payment transaction for more than six months, the School Facilities Division may take steps to initiate the closeout procedure.

**I. Project Balance Funds for New Construction** (Adopted November 6, 2003, Modified January 10, 2008, May 6, 2015, August 1, 2018, March 2, 2022, November 9, 2022, February 7, 2024)

**Note:** This policy applies to projects originally established after August 22, 2002.

A.R.S. §41-5741(I) states that if a school district has surplus monies received from the new school facilities fund, the school district may use the surplus monies only for capital purposes for the project for up to one year after completion of the project. If the school district possesses surplus monies from the new school construction project that have not been expended within one year of the completion of the project, the school district shall return the surplus monies to the School Facilities Division for deposit in the new school facilities fund.

Current budgeting procedures including the three percent (3%) project retention will continue under existing rules.

The “one-year” period will be counted from the date of Substantial Completion as certified by the architect of record. Monies that are legally obligated by either a contract or a purchase order will be deemed spent.

Districts must obtain approval from the Assistant Director prior to expending any funds under this section. The district may appeal to the Board Chairman for a review by the full Board if there is a dispute between the Assistant Director and the district regarding the appropriateness of these expenditures.

Districts may access retention funds for capital purposes on the awarded project once Substantial Completion is reached.

**J. Division of School Facilities Oversight of Construction Manager-at-Risk, Design-Bid- Build, and Design-Build Projects**  
(Modified January 10, 2008, May 6, 2015, August 1, 2018, March 2, 2022, November 9, 2022, February 7, 2024)

If a district uses any of the above listed project delivery methods, they must complete the following steps.

**Request for Qualifications**

The School Facilities Division will review the RFQ for the following items:

1. Applicable Procurement Rules
2. Approved project scope
3. Screening criteria
4. Form of agreement for construction services
5. Dispute criteria from A.A.C. R7-2-1155 through R7-2-1159

The School Facilities Division may elect to participate as a voting member of selection committees for design and construction entities.

### **Preliminary Budget Meeting**

The School Facilities Division and District construction team (Team is district's designated construction coordinator, architect and construction entity)

1. Review base construction budget and Schedule of Values
2. Discuss contractor contingency set-aside
3. Review all School Facilities Division requirements for new construction and provide guideline information
4. Discuss School Facilities Division recommendations for economical construction, energy efficiency, and indoor air quality standards during construction
5. Discuss any identified land issues
6. Discuss solar review requirements under A.R.S. §34-452
7. Discuss minority and women-owned business inclusion recommendation

### **Schematic Design and Budget Review Meeting**

The School Facilities Division and district team will review schematic design and estimate for:

1. Minimum school facility adequacy guidelines as applied to new school construction adherence
2. Review the design limitations for over-budget projects
3. Discuss strategies for keeping project within budget
4. Discuss minority and women-owned business inclusion recommendation

### **GMP/CD Review Meeting**

The School Facilities Division and district team will review the construction documents and estimate prior to the bid phase. The School Facilities Division may elect to attend district-architect-contractor discussions prior to setting the final scope of work and pricing.

1. Verify minimum school facility adequacy guidelines as applied to new school construction compliance
2. Verify final scope of work
3. Review value-engineering recommendations
4. Conduct estimate discussion as necessary
5. Review process for number of bidders in each trade (3 sub bids in all trades recommended)
6. Review of the design and construction contingencies
7. Review Schedule of Values

This review will be based on a comparison of similar projects.

### **Construction of Project**

The School Facilities Division will review all field orders, change requests and change orders.

The School Facilities Division will conduct site visits as determined by the School Facilities Division.

The School Facilities Division will attend a final completion walk-through as determined by the School Facilities Division.



The school district will submit a monthly report to the School Facilities Division that includes schedule information, the RFI log, the COR log, the Change Order log and other information as requested.

#### **Post-Construction**

The School Facilities Division will review the final project audit conducted by the school district. The School Facilities Division may decide to audit selected projects.

### **K. Reporting Requirements**

By October 15, each district shall report:

1. The projects funded at each school in the previous fiscal year with monies from the district's new school facilities fund
2. An accounting of the monies remaining in the new school facilities fund at the end of the previous fiscal year