

**PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL MEETING
MINUTES
January 19, 2018
STATE CAPITOL BUILDING, ROOM 317
SANTA FE, NEW MEXICO**

Members Present: Mr. David Abbey, LFC Mr. Pat McMurray, CID
 Mr. Raúl Burciaga, LCS Mr. Antonio Ortiz, PED
 Mr. Joe Guillen, NMSBA Mr. Gilbert Peralta, PEC
 Ms. Rachel Gudgel, LESC Ms. Sara Fitzgerald, Office of the Governor
 Ms. Nina Carranco, DFA

1. **Call to Order** – Chair Abbey called the meeting to order at 1:32 P.M and had Ms. Carranco and Ms. Fitzgerald introduce themselves to the Council. Mr. Abbey also had guests and staff introduce themselves.
 - a. **Approval of Agenda** – Chair Abbey asked if there was any objection to the agenda as presented; as there was none the agenda was unanimously adopted.
 - b. **Approval of Minutes (December 20, 2017)** – Mr. Guillen moved for Council approval of the December 20, 2017 minutes subject to technical corrections. Ms. Gudgel seconded and the motion passed unanimously.
 - c. **Correspondence** – None.
2. **Public Comment** – None.
3. **PSCOC Financial Plan**
 - a. **PSCOC Financial Plan**

Ms. Irion reviewed the changes to the financial plan since the last meeting: lease assistance award adjustments totaled \$64,892 and second round systems awards were \$13,761,983 for a total award amount of \$13,826,875. There were no project award detail adjustments nor any financial plan estimate changes. SSTB Notes budgeted amount decreased \$35.6M based on the actual sale for the proceeds received. The FY18 impact to the financial plan is to the carry over amount which is reduced by this amount. The anticipated SSTB uses remain the same for FY18. The actual sale and proceeds are \$32,342,300. When the revenue estimate worksheet was completed and sent by Board of Finance, the estimates were based off the SSTB capacity module that used 5-year oil and gas revenue estimates and did not include an actual bond sizing that is based upon the current cash revenues received and statutory limitations thus causing the previous sale estimate of over \$60M to actually be \$32M. SSTB Notes budgeted in July increased that corresponding \$35.6M. Notification was received from the Des Moines school district asking that the \$125K emergency advance be rescinded. The FY19 BDCP amount of \$7M may require an adjustment based on actual potential awards. The 2017-2018 awards scenario reflects a decrease of \$933K based on action taken last month. Because of that decrease, a corresponding increase is seen in the 2018-2019 awards scenario. The 2020-2021

awards scenario decreased \$125K as a result of the Des Moines school rescind of award. Following draw requests of \$9.6M and \$8.7M for November and December expenditures, and SSTB proceeds of \$32.3M, the PSCOC Fund Balance is \$259.9M.

4. 2017-2018 Awards Cycle

a. 2017-2018 Systems-Based Awards – Reconsideration of Awards

Mr. Guillen stated after the last Council meeting, when Council took action on the second round of funding for systems projects, several districts have asked for Council reconsideration and though it was briefly discussed during the Awards Subcommittee formal action was not taken and the item is being brought to the full Council for action. Three districts requesting reconsideration of their 2017-2018 systems-based awards are Clovis Municipal Schools, Dexter Consolidated Schools and Gadsden Independent Schools.

Dexter Consolidated Schools – Dexter ES: Ms. Lesa Dodd, Superintendent, stated when the process began, the issue of applying the adequacy standards was not part of the application process and was brought up by the Council and resulted in the district's funding being cut by \$172,349; as a result, the district felt blind-sided. The elementary school building is approximately 18,000 square feet over adequacy according to current enrollment; built 22 years ago the facility was based on the adequacy standards at that time. The district does not feel applying dollars based on a fluctuating enrollment is justified as it is not something they can control. In addition, since the request is for an HVAC system it is difficult to provide a system for the building while excluding 18,000 square feet. The district is asking for reconsideration in order to move forward with the project. Mr. McMurray supports reconsideration as he felt this was not an adequacy issue. Mr. Guillen agreed since the regulations to receive applications were published and districts moved forward and it wasn't until the last meeting that this was brought up. Mr. Guillen reiterated that the formal recommendation from the Awards Subcommittee had been to move forward at that funding level and that Ms. Gudgel had brought up this matter during the Council meeting. Mr. Guillen felt the request for reconsideration was appropriate and projects should move forward and be funded the way previous projects had been. Ms. Gudgel reminded members of the open lawsuit and felt it presents a challenge when districts come to the Council and make a case to build above adequacy and Council won't give them money yet systems are being funded above adequacy. Mr. Abbey reiterated adequacy has been front and center for the state because of litigation and is the reason for the Council to find a fair way to distribute money.

Clovis Municipal Schools – Cameo ES: There was no district representative present. Mr. Guillen stated the amount being requested for reconsideration is \$128,107. Mr. Abbey asked how many schools Clovis has received awards for and how much the state share was; Ms. Cano replied the most recent awards were for Highland ES, Parkview ES, and Gattis MS; prior awards were made in FY09. Ms. Cano also stated she was unable to speak to a specific total state share for all of those awards at this time.

Gadsden Independent School District – Loma Linda ES: Mr. Ralph Gallegos, Executive Director for Energy Management & Construction, Mr. Travis Dempsey, Superintendent and Ms. Jennifer Viramontes, School Board President, represented the district. Mr. Gallegos thanked the Council for their reconsideration and reiterated the main building of the school,

which has 6,000 square feet of portables, is the one that would be affected and the reality of being 11,353 square feet above adequacy does not affect the request the district made. As noted by Dexter, it is unknown when the population will change and the district is requesting Council reinstate the original award. Though the district would be able to find funds to cover the lost \$632,207 it would affect other projects. Mr. Dempsey expressed his appreciation for the Council’s partnership and Ms. Viramontes stated she appreciates each match from the state to build their facilities, acknowledging the district has grown in certain areas and funding is key to their projects. Mr. Abbey inquired as to the state match; Mr. Gallegos replied 85%.

MOTION: Clovis Municipal Schools, Dexter Consolidated Schools and Gadsden Independent Schools request Council reconsideration of their 2017-2018 systems-based awards to be based on the total estimated project costs within the districts’ applications.

Roll call: Dexter Consolidated Schools - Dexter ES increase of award by \$172,349

Ms. Carranco – Yes	Mr. Burciaga – Yes	Mr. Peralta – Yes
Mr. Ortiz – Yes	Mr. McMurray – Yes	Ms. Gudgel – Yes
Ms. Fitzgerald – Yes	Mr. Guillen – Yes	Mr. Abbey – No

By a vote of 8 to 1 the motion passed.

Roll call: Clovis Municipal Schools – Cameo ES increase of award by \$128,107

Ms. Carranco – Yes	Mr. Burciaga – Yes	Mr. Peralta – Yes
Mr. Ortiz – Yes	Mr. McMurray – Yes	Ms. Gudgel – No
Ms. Fitzgerald – Yes	Mr. Guillen – Yes	Mr. Abbey – No

By a vote of 7 to 2 the motion passed.

Roll call: Gadsden Independent Schools – Loma Linda ES increase of award by \$632,207

Ms. Carranco – Yes	Mr. Burciaga – Yes	Mr. Peralta – Yes
Mr. Ortiz – Yes	Mr. McMurray – Yes	Ms. Gudgel – No
Ms. Fitzgerald – Yes	Mr. Guillen – Yes	Mr. Abbey – No

By a vote of 7 to 2 the motion passed.

b. Master Plan Assistance Program – Charter School Award History (informational)

Ms. Casias presented the executive summary and reminded members this topic came about as FMP funding was being considered for charter schools that may or may not be located in private facilities and Council had requested staff to research what had been done in the past. Ms. Casias drew attention to the two statutes that require charter schools to have a five year FMP on file in order to receive capital funds adding that the PSCOC has funded 39 FMP/Ed Specs for charter schools since 2008. Of those, 18 are in private facilities and 7 have been through a second FMP cycle of which 1 school with two planning cycles used their plan to move into a permanent public facility. Six schools remain in private facilities however 2 are looking to enter into lease purchase agreements. Another school is in the process of re-organizing its foundation but intends to pursue a lease-purchase of its existing facility.

- c. **2017-2018 Master Plan Assistance Program Awards – State-Chartered Charter Schools**
Ms. Casias reminded members staff had been instructed to visit with the charter schools regarding their FMP applications. Media Arts Collaborative has decided to withdraw their application and will work with PSFA on updating their FMP. Southwest Aeronautics, Mathematics & Science (SAMS) are in a lease with a public facility and have decided to continue with their full FMP award; PSFA will work with them to determine any cost savings. Southwest Preparatory has reduced their FMP cost from \$23,500 to \$11,587. Per Mr. Guillen, Subcommittee discussion regarding the SAMS master plan was over their desire to construct an airplane hangar and sought clarification on if it had been determined to be an eligible activity for funding; Ms. Casias stated though statute was not reviewed, if it is an educational space it is typically funded; in this case, the hangar would be similar to an auto shop for an automotive class. Mr. Guillen sought additional clarification on if Council would be allowed to spend money on airplanes; Ms. Casias believed an airplane would be considered equipment. Ms. Gudel sought clarification on Southwest Preparatory anticipating being in a lease-purchase prior to July 30, 2018, asking if the process had been started or if PED has reviewed a lease. Ms. Casias replied she did not know where they were in the process and Ms. Irion stated she was informed it had been submitted to PED. Mr. McMurray expressed concern with Southwest Preparatory being in a private facility and suggested approving SAMS as it was in a public facility. Mr. Ortiz stated Southwest Preparatory has submitted a request for approval of a lease-purchase and once approved they are considered to be in a public building for public funds.

MOTION: Council approval to award 2017-2018 Facilities Master Plan fund assistance to the charter schools listed on lines 10-11 on the spreadsheet on page 2 of this agenda item, for a combined total of \$19,999.59. These amounts represent the state share portion of the estimated cost to develop a facility master plan at each of these state-chartered charter schools to the PSFA guidelines and require a corresponding district match as set forth in the current state/local match formula. FY18 total master plan assistance awards are increased to \$469,235.75.

AMENDED MOTION: Mr. McMurray moved for Council approval to award 2017-2018 Facilities Master Plan fund assistance to the Southwest Aeronautics, Mathematics & Science (SAMS) charter school for \$13,395 and to approve Southwest Preparatory contingent on approval of them being in a publically qualified facility. Mr. Guillen seconded and the motion was unanimously approved.

d. **2017-2018 Pre-K Application & Award Timeline**

Ms. Cano drew member attention to the meeting materials which included copies of the application announcement and application which will be released to the districts on January 22, 2018. Five million dollars is included in the financial plan for this item; \$2.0M in the current fiscal year and \$3.0M in FY19. PSFA will advertise this as \$5.0M funding availability and Council will be updated based on applications received.

MOTION: Council approval of the Awards Subcommittee recommendation to release the Pre-K application announcement and timeline. Awards will be funded from the \$5 million appropriation in House Bill 219 of the 2016 Legislative Session. As this was a Subcommittee

recommendation a second is not needed and the motion was unanimously approved.

5. 2018-2019 Awards Cycle

a. Program Improvement/Changes to Facilities Assessment Database (FAD) Ranking

Methodology

Mr. Abbey reminded everyone the original proposal was to change the Category 4 weight to 1.0 and that he had proposed 0.625. Per Mr. Guillen, Awards Subcommittee discussion covered a possible phase-in over a period of time and indicated he would like to see language included regarding such. Mr. Abbey proposed using 0.625 and have staff report on the consequences of going to 1.0 the following year; Mr. Guillen agreed.

MOTION: Council approval to adopt and apply the following improvements to the Facilities Assessment Database: 1) change from non-linear degradation curve to a straight line degradation to match industry standards, 2) building system cost uniformity through the use of systems costs as averaged in the FAD, 3) real world building system composition by adding needed or removing unnecessary systems as they apply to individual buildings, 4) change category 4 (beyond expected life) weight factor to XX. All improvements will be effective upon the 2018-2019 award cycle.

The resulting Preliminary wNMCI Ranking for the 2018-2019 award cycle is authorized to be released by PSFA staff and is subject to necessary technical corrections. Districts are encouraged to work with PSFA staff to resolve any outstanding technical corrections to the data with ability to make a formal appeal of a facility rank to the PSCOC by the March 16, 2018 deadline.

AMENDED MOTION: Mr. Abbey moved for Council approval to adopt and apply the following improvements to the Facilities Assessment Database: 1) change from non-linear degradation curve to a straight line degradation to match industry standards, 2) building system cost uniformity through the use of systems costs as averaged in the FAD, 3) real world building system composition by adding needed or removing unnecessary systems as they apply to individual buildings, 4) change category 4 (beyond expected life) weight factor to 0.625 and reevaluate the consequence of changing the category weight to 1.0 the following year. All improvements will be effective upon the 2018-2019 award cycle.

The resulting Preliminary wNMCI Ranking for the 2018-2019 award cycle is authorized to be released by PSFA staff and is subject to necessary technical corrections. Districts are encouraged to work with PSFA staff to resolve any outstanding technical corrections to the data with ability to make a formal appeal of a facility rank to the PSCOC by the March 16, 2018 deadline. Mr. Guillen seconded and the motion was approved.

b. Program Improvements/Changes to Standards-Based and Systems-Based Award Programs – *This item received a recommendation from both subcommittees*

Per Mr. Chamblin, part of the reason Option A is a viable option for the upcoming fiscal year is that it is a method that can ensure the available funding pool is entirely allocated. Under this method, funding can be used to address the fundamental mission of awarding standards-based projects with remaining funds used for systems-based projects.

AWARDS SUBCOMMITTEE MOTION: Adopt Option A program structure for the 2018-2019 award cycle for application development. Funding pool thresholds and eligibility criteria for the programs will be approved by the PSCOC at the April 2018 meeting.

AMS SUBCOMMITTEE MOTION: Adopt Option A program structure for the 2018-2019 award cycle for application development. Funding pool thresholds and eligibility criteria for the programs will be approved by the PSCOC at the April 2018 meeting.

As both Subcommittees made the same recommendation a second is not needed and the motion was unanimously approved.

c. **PSCOC Work Plan/Timeline** (*informational*)

6. **Out-of-Cycle Funding/Additional Funding/Emergency Funding/Award Language Requests**

a. **Capitan – P13-003 – Capitan ES/MS/HS – Project Update** (*informational*)

Mr. Avila presented the executive summary and noted the district's statement of financial position is currently under review. Mr. Avila added that the district has a second phase on their current project; the first portion was to complete the MS/HS building. When construction funding was awarded for the MS/HS, \$573,386 was awarded for design of the ES which is the next phase of the project. Within the financial plan is an out-year estimate of \$1.0M state share for construction. Mr. Abbey acknowledged there was not much enthusiasm regarding the length of the repayment plan and requested it be conveyed to the district; Mr. Avila agreed to do so.

b. **Des Moines – E18-002 – Emergency Advance – Rescind Award**

Mr. Avila presented the executive summary. Ms. Kodi Sumpter, Superintendent, stated though the district appreciates the award that was granted it was in the taxpayers best interest to defer repair of the roof until the district had money for the larger issue. Mr. Damon Brown, School Board President, expressed his appreciation of the award acknowledging as additional issues have been discovered it was not in the best interest to use the funds to procure a temporary fix on a roof that will need to come off in a year. Mr. Brown added that the district is dealing with a design that was not appropriate for their location and is looking at ways to extend the life of the asset while fixing some of the bigger design issues at the same time. The district currently has 93 students. Mr. McMurray asked if they would be returning to the Council once they reevaluated what was needed to extend the life of the facility; Mr. Brown replied they had no district indebtedness other than ed/tech funds and their first option would be to use a general bond election to procure the funds. Mr. Guillen asked if the current leaks had been repaired; Mr. Brown replied it was an ongoing process.

MOTION: Council approval of the Awards Subcommittee recommendation to approve the request to rescind the emergency advance to the Des Moines Municipal Schools of \$125,000. The district is encouraged to proceed expeditiously to remediate the roof problems and may return to the PSCOC at a future meeting for funding consideration in the form of an emergency, or may apply during the 2018-2019 award cycle for this facility. As this was a Subcommittee recommendation a second is not needed and the motion was unanimously approved.

- c. Broadband Deficiencies Correction Program – 2016 & 2017 Category 1 (Fiber) Awards**
Mr. Abbey requested that the three BDCP agenda items (items 6c, 6d, and 6e) be presented together and motions would be considered individually.

Per Mr. Viorica, there are six category 1 projects totaling \$27.0M worth of upgrades, of which the state share is approximately \$2.3M. These projects constitute serving approximately 215 locations; the end result of which will be a significant decrease in cost and a significant increase in available speed to support current and future connectivity. Audience members responded to Mr. Abbey's request for comment by stating the fiber projects would be great assets to the schools and agreed the 90% USAC matching funds and 10% state funding made it zero cost for districts to put the infrastructure in. Mr. McMurray complimented the communities, stakeholders and Mr. Viorica for heading up a great program.

MOTION: Council approval of the Award Subcommittee recommendation to make Broadband Deficiencies correction Program (BDCP) Category 1 final awards for E-rate approved projects, to provide the state funding match to six (6) districts/schools, for a total of \$2,296,694 as listed in column J of the award spreadsheet on page 1 of this agenda item, for the purposes and up to the amounts specified. Each allocation is intended to fully complete the project, phase, or specified purpose. As this was a Subcommittee recommendation a second is not needed and the motion was unanimously approved; Mr. Burciaga and Ms. Gudgel were not in attendance.

- d. Broadband Deficiencies Correction Program – 2017 Category 2 (Equipment) Awards**
Mr. Viorica noted the award is for \$685,975 in state share. The ten projects represent approximately \$3.5M in equipment upgrades and affect approximately 85 schools.

MOTION: Council approval of the Awards Subcommittee recommendation to make Broadband Deficiencies Correction Program (BDCP) Category 2 final awards for E-rate approved projects, to provide the state match to ten (10) districts/schools for a total of \$685,975 as listed in column K of the award spreadsheet on page 1 of this agenda item. Each allocation is intended to fully complete the project, phase, or specified purpose. As this was a Subcommittee recommendation a second is not needed and the motion was unanimously approved; Mr. Burciaga and Ms. Gudgel were not in attendance.

- e. Broadband Deficiencies Correction Program – Renewal of E-rate Central Agreement**
This request is to renew the E-rate Central agreement contracted through PSFA to support E-rate applications for all schools who need the support. This renewal is supported by partner agencies: PED, the state E-rate coordinator and DoIT.

MOTION: Council approval of the Awards Subcommittee recommendation to make a Broadband Deficiencies Correction Program (BDCP) award Not To Exceed \$212,089.69 to renew the statewide agreement to provide E-rate assistance to all NM public schools, to the Broadband deficiencies Correction Program and to the State E-rate coordinator in order to maximize the amount of federal funding New Mexico public schools receive from the E-rate program. As this was a Subcommittee recommendation a second is not needed and the motion

was unanimously approved; Mr. Burciaga and Ms. Gudgel were not in attendance.

7. Other Business

a. Recertification of SSTBs

The re-certifications are to fund systems-based projects awarded during the last Council meeting as identified in the executive summary.

MOTION: Mr. Guillen moved for Council approval to adopt the Resolution, Notification, and Certification amendment for reauthorization of unexpended bond proceeds as follows:

- SSTB15SB 0001 in the amount of \$500,907; SSTB16SB 0001 in the amount of \$5,918,776 and SSTB17SD 0001 in the amount of \$7,342,300 to PSCOC awarded projects totaling \$13,761,983.

Ms. Carranco seconded and the motion was unanimously approved; Mr. Burciaga and Ms. Gudgel were not in attendance.

b. FY2017 PSFA Audit (informational)

The PSFA audit received an unmodified opinion. The audit was completed and released on December 21, 2017 by the Office of the State Auditor. Ms. Irion noted there was one audit finding for budgetary controls which was directly related to reports issued in SHARE that did not capture audit adjusting entries made in previous years as well as some accrual entries. With the new SHARE upgrade, reports are now capturing those adjusting journal entries and it is not anticipated this will be an audit exception next year. Ms. Irion acknowledged that the primary reason for the unmodified opinion was that the prior year opinion was resolved regarding lack of internal controls over reconciliation of expenditures related to project close-outs. PSFA staff closed out over 200 projects to ensure receivables and payables were noted correctly on the financial statements. Mr. Abbey congratulated staff on getting the unmodified opinion.

c. 2018 QZAB Application Release

Mr. Abbey asked if an application had ever been received; Mr. Ortiz replied the last application made was in 2004.

MOTION: Council approval of the Awards Subcommittee recommendation to approve the 2018 applications for Qualified Zone Academy Bonds (QZAB). QZAB applications are due May 25, 2018 with a tentative award date of June 14, 2018. As this was a Subcommittee recommendation a second is not needed and the motion was unanimously approved; Mr. Burciaga and Ms. Gudgel were not in attendance.

d. FY18 State Fire Marshal Budget & Reimbursement

Mr. Ernest Archuleta, Chief of Staff for the Public Regulation Commission, spoke to the Council. The State Fire Marshal's Office is seeking reimbursement for inspection costs as they relate to fire protection for school buildings. Mr. Archuleta reviewed information covering plan review costs and field inspection costs as identified within the meeting material. Mr. Abbey asked Mr. Archuleta if he thought \$80,000 would get them through the end of the current fiscal year; Mr. Archuleta replied in the affirmative as it was his

estimation based on construction inspection costs and fire related work activity. Mr. Abbey noted they could return as needed. Ms. Casias reiterated since PSFA is required to validate each inspection, staff needs to see a cost per inspection similar to the CID process. Mr. Guillen confirmed inspections would be done quickly for schools; Mr. Archuleta replied they would be a priority.

MOTION: Council approval to allocate an amount not to exceed \$XX,XXX to reimburse the State Fire Marshal Office for estimated plan review expenses and inspections for PSCOC funded projects for the remainder of FY2018. Future requests for reimbursement will be based on inspection costs under Proposal # _____ as identified on page _____ of this item.

AMENDED MOTION: Mr. Guillen moved for Council approval to allocate an amount not to exceed \$80,000 to reimburse the State Fire Marshal Office for estimated plan review expenses and inspections for PSCOC funded projects for the remainder of FY2018. Future requests for reimbursement will be based on inspection costs under Proposal #2 as identified on page 8 of this item. Mr. McMurray seconded and the motion was unanimously approved; Mr. Burciaga and Ms. Gudgel were not in attendance.

8. Informational

a. Broadband Deficiencies Correction Program Status Report

Mr. Chamblin presented information found within the executive summary.

b. PSCOC Project Status Report

Mr. Avila noted the investigative process has begun on the Anton Chico project in Santa Rosa and it is anticipated that findings and recommendations will be received by June 2018. Mr. Abbey asked if Deming HS is opened; Mr. Avila replied it is close to being opened and that they are in the second phase of construction which is the renovation to the existing Hofacket Building.

c. Master Plan Project Status Report

No significant changes.

d. Lease Assistance Status Report

No significant changes.

e. Maintenance Program Status Report

Mr. Tillotson stating there has been a lull in districts updating their PM Plans according to New Mexico statute requirements. Referring to the FMAR Fast Facts sheet within the meeting material, Mr. Tillotson announced for the first time in seven years more districts are advancing their performance to a higher level adding that districts performing higher garner more life-cycle from their systems as they lower their need for capital replacements.

f. FY18 Budget Projections and Personnel Update

No significant changes.

8. Next PSCOC Meeting – Proposed for March 15, 2018.

9. **Adjourn** - There being no further business to come before the Council, Mr. McMurray moved to adjourn the meeting. Mr. Peralta seconded and the motion passed unanimously. Meeting adjourned at 3:31 P.M.

David Apley Chair
3/16/18 Date