

**PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL MEETING  
MINUTES  
June 10, 2019  
STATE CAPITOL BUILDING, ROOM 317  
SANTA FE, NEW MEXICO**

**Members Present:** Mr. Joe Guillen, NMSBA      Mr. David Abbey, LFC  
Mr. Raul Burciaga, LCS      Ms. Rachel Gudgel, LESC  
Mr. Antonio Ortiz, PED      Mr. David Robbins, PEC  
Ms. Olivia Padilla-Jackson, DFA  
Ms. Stephanie Kean, Office of the Governor

**Designee:** Mr. Martin Romero, CID (for Marguerite Salazar, RLD)

1. **Call to Order** – Chair Guillen called the meeting to order at 1:34 P.M.
  - a. **Approval of Agenda** – Chair Guillen asked if there was any objection to the agenda presented; as there was none the agenda was unanimously approved.
  - b. **Approval of Minutes (May 10, 2019)** – Ms. Padilla-Jackson moved for Council approval of the May 10, 2019 minutes subject to technical corrections. Mr. Ortiz seconded and the minutes were unanimously adopted.
  - c. **Correspondence** – None.
2. **Public Comment** – Mr. Guillen had audience members and staff introduce themselves.
3. **PSCOC Financial Plan**
  - a. **PSCOC Financial Plan**

Mr. Evans reviewed the changes to the financial plan since the last meeting: Awards in the amount of \$441K for (Los Alamos) Mountain ES; \$2.8M for (Socorro) Socorro HS; \$533K for 2019 BDCP Category 1 Fiber awards; and Lease Assistance adjustments of \$25K and \$45K for Estancia Valley Classical Academy and Mission Achievement and Success respectively. Total awards were approximately \$3.9M. Impact Aid Districts for tribal lands (outside statewide adequacy) appropriated \$24.0M, Instructional Materials and Transportation for \$25.0M, School busses for \$32.9M, Impact Aid Districts for tribal lands (teacher housing) for \$10.0M. There was a \$1.9M reduction in the FY20 BDCP award budget due to E-rate applications for Categories 1 and 2 and \$200K for E-rate Central contingency. Emergency reserve for contingencies was reduced by \$441K for the (Los Alamos) Mountain ES project. The projected PSCOC Fund balance is \$355.0M following a May draw request for April expenditures of \$6.0M. An advance repayment of \$50K was made by Jemez Mountain; a \$500K payment is expected from Capitan prior to the middle of June and Cloudcroft has been sent a reminder invoice for their past due payment of nearly \$251K.

**b. Certification of SSTBs**

The certification for SSTBs includes \$5.0M for 2019-2020 standards and systems-based awards, \$5.0M for Pre-K; \$4.6M for the FY20 PSFA operating budget and \$3.8M for lease assistance. Total FY2018-2019 SSTB certification is \$18.4M.

**MOTION:** Council approval of the Awards Subcommittee recommendation to adopt the Certification and Resolution to sell SSTBs subject to review by DFA Secretary Padilla-Jackson and Member Abbey verifying the amounts. As this was a Subcommittee recommendation a second was not needed and the motion was unanimously approved.

**4. 2019-2020 Award Cycle**

**a. 2019-2020 Capital Funding Program Review of Pre-Application & Final Funding Pool**

It was discovered that there were a lot of small projects being requested and the Awards Subcommittee expressed concern that the legislative intent of the program; to prolong the lifespan of the buildings and not to do routine maintenance items was not being met. PSFA staff was asked to look at criteria to ensure that Council was investing in projects that are of good value; potentially striking a balance with an FCI or wNMCI reduction. For the standards-based program, 8 pre-applications were received from 7 districts with an estimated FY20 state match of \$11.4M for planning and design and an estimated future match of approximately \$104.0M. Three additional pre-applications were received from Gallup for teacher housing at Ramah, Thoreau and Tohatchi. For the systems-based program, 31 pre-applications were received from 15 districts. Members were reminded that Council had previously adopted some potential changes to the systems-based program to either bring projects in under a one phase award program or a potential two phase depending on the complexity of the systems included in the application. The total estimated FY20 state match for systems-based awards is \$10.3M with an estimated future state match of approximately \$40.5M for the phase 2 projects. Mr. Guillen expressed concern with potentially changing the criteria to move forward after applications have been received. Ms. Gudgel clarified that discussion during subcommittee covered the amount of staff time dedicated to the small projects, the increased workload with the large number security projects as well as the new round of awards coming up. It was suggested during the subcommittee meeting that staff set a percentage of replacement versus repair instead of looking at a straight FCI and it was further suggested that high schools would need to be looked at differently due to the cost of their programs. Ms. Gudgel reiterated that a lot of the projects listed within the spreadsheets were maintenance related items and not necessarily systems related. Mr. Abbey drew attention to a couple of projects that were requesting funding for architectural and engineering design services to remove and replace asbestos containing material and stated nothing was being accomplished with the building condition with this money. Ms. Cano clarified that the language was district supplied and came directly from the pre-application however, she understood their intent was for design and replacement of the floor. Mr. Chamblin added that the district's investment in the pre-application was only a couple of hours and that it is the next phase that involves substantially more time for both the district and PSFA staff. Ms. Gudgel reminded members that in the first year of the program the threshold criteria was 30% of replacement cost instead of the 3% that is being contemplated this year. The 30% presented challenges because districts were ultimately waiting for a standards-based award because they didn't want to have to improve their facilities so much that they wouldn't be able to come for a big award for five to ten years.

Ms. Gudgel suggested that the minimum 3% of replacement cost, \$1.0M project cost minimum or critical system option be considered. Referring to the Awards Subcommittee discussion of how standards have developed over time, Mr. Abbey reminded members that only classrooms were originally funded. As time passed, athletic fields were funded and now the conversation includes funding teacherages. Mr. Robbins agreed that Council should stay away from strictly maintenance items stating the ease of letting maintenance be deferred until it becomes a replacement issue; if it continues to be allowed more districts will defer maintenance until such time that replacement is required and then they will apply for full replacement cost. The wrong signal is being sent by setting the dollar or percentage threshold too low. Mr. Robbins expressed preference for the minimum 5% of replacement cost, \$1.0M project cost minimum or critical system. Ms. Cano acknowledged that the matches reflected in the meeting material were subject to change as the FY20 state/local match calculation had not been made final.

**MOTION:** Council approval of the Awards Subcommittee recommendation to adopt a 2019-2020 Capital Funding Program final funding pool as follows:

- Standards-based (large projects) facilities within the Top 75;
- Systems-based (small projects), facilities within the Top 300 which qualify under the additional criteria as listed in column   of the Systems Application Cost Analysis spreadsheet.

The PSFA is authorized to perform site visits on the final funding pool as appropriate, to work with the districts regarding project scope and total estimated project costs for full application, and to bring back more information for the September district presentation meeting.

The PSFA is also authorized to perform site visits on the teacher housing applications, to work with the districts regarding project scope and total estimated project costs for full application, for a potential pilot program for teacher housing and to bring back more information for the September PSCOC meeting.

**FIRST AMENDMENT TO THE MOTION:** Mr. Robbins moved for Council approval of a final funding pool for the systems-based program for projects as listed in the Systems Application Cost Analysis spreadsheet with a minimum 5% of replacement cost, \$1.0M project cost minimum or critical system. Ms. Gudgel seconded and the motion was unanimously approved.

Additional Discussion: Ms. Cano reminded members that site visits on all applicant facilities begin this week. The draft schedule has been distributed to Council and staff and members are invited to attend.

Discussion the turned to the FMAR scores and campuses that aren't currently meeting the requirement but who still have time to raise their score(s) before awards. Staff is actively communicating with the districts and the Maintenance Group has been speaking at groups state-wide on the need to maintain the FMAR score with the future concept that the maintenance score needs to remain above a specific threshold for a year to be eligible for an award.

Mr. Abbey proposed that teacherages should be eligible for standards-based funding and reiterated his preference for a retro-active standards-based program going back to schools that were funded over the last 20 years that would be built differently today with the better funding condition and with the standards that have changed over time. Mr. Chamblin added that the three teacherages in question were Ramah, Thoreau and Tohatchi. Mr. Guillen clarified that this was not for the \$10.0M teacher housing appropriation. Mr. Guillen suggested putting them on a separate track and revisiting at them at a later date as he was unsure how to move forward with these types of projects. Extensive discussion took place on which standards (adequacy or HUD) were to be used for teacher housing. Mr. Abbey proposed that a timeline to be brought for Council action in September on a pilot program for retroactive awards including teacherages and have staff pursue looking at the largest districts to proceed with an award; Ms. Gudgel agreed. Mr. Abbey clarified that there would be two pilots: a teacherage pilot and a retroactive (other) pilot.

Mr. Guillen suggested that the responsibility fall back to the Awards Subcommittee to outline the two pilots for the September meetings. A request was made and unanimously agreed upon to defer the teacherage applications.

**SECOND AMENDMENT TO THE MOTION:** Mr. Abbey moved for Council approval to defer action on the 3 teacher housing requests pending development of a pilot program to be brought back to the Council.

**FINAL MOTION:** Council approval to adopt a 2019-2020 Capital Funding Program final funding pool as follows:

- Standards-based (large projects) facilities within the Top 75;
- Systems-based (small projects), facilities within the Top 300 which have a minimum 5% of replacement cost, \$1.0M project cost minimum or critical system as listed in of the Systems Application Cost Analysis spreadsheet.

The PSFA is authorized to perform site visits on the final funding pool as appropriate, to work with the districts regarding project scope and total estimated project costs for full application, and to bring back more information for the September district presentation meeting.

**b. 2019-2020 PSCOC Work Plan Timeline** (*informational*)

Per Ms. Cano, the July Awards Subcommittee meeting will potentially be move to July 8<sup>th</sup> and the September PSCOC meeting will be extended to two full days in order to hear the district presentations. Ms. Gudgel suggested that staff think about traveling for the district presentations. When asked how many projects would be coming for district presentations, Ms. Cano replied it would be the 30 standards and systems-based projects as well as the information on the two pilot programs and normal business for September; members were reminded the security and pre-k projects would not be presented during the September meetings. Ms. Birge noted that the AMS Subcommittee would potentially be moving to July 8<sup>th</sup> as well, pending replies from the survey that was sent out.

**c. Gross Square Foot (GSF) Calculator**

A correction to the current GSF calculator is being proposed. The calculator is used to calculate the limit of potential state funding participation on systems projects. It is also a best practice

guide for how large a new or replacement school should need to be based on its number of students. The calculator was looked at in earnest because it determines the maximum allowable gross square feet per district in the phase 2 funding formula for the state and local match. The gross square feet per district is a number embedded in the numerator of the state and local match calculation. The total state-wide impact is +/- 3% and for the smallest districts there is an appreciable impact.

**MOTION:** Council approval of the AMS Subcommittee recommendation to adopt the proposed corrections to the maximum allowable gross square foot calculator. As this was a Subcommittee recommendation a second was not needed and the motion was unanimously approved.

**d. Phase 2 Funding Formula – Replacement Cost per Square Foot**

Mr. Chamblin noted the material was updated from that presented in Subcommittee and now reflects a weighted cost per square foot. Staff worked with LESC to come up with the vetted methodology to determine total project cost per square foot to align with the funding formula. Mr. Chamblin clarified this number was another value in the numerator of the phase 2 state and local match formula and was not the number that would be used on every project state-wide. It was noted that PSFA looks at the MACC (maximum allowable construction cost) and TPC (total project cost) which are real values to the area of the state where the project is being proposed and added that the dollar per square foot would be revalidated every year.

Mr. Robbins reminded members that the AMS Subcommittee had approved a tentative \$335.00 per square foot however, based on the updated information Mr. Robbins expressed support for \$325.00 per square foot for the current year or for \$330.00 per square foot taking into account a slight inflation. Ms. Padilla-Jackson stated staff had originally recommended a five year average and Mr. Robbins had countered that a three year average might be more meaningful which would have been \$335.00 and noted with the revised numbers it is now lower. Ms. Gudgel sought clarification that this would be the dollar amount that sets the state and local match based on the cost per gross square foot which would ultimately mean the higher the dollar amount the higher the state share; Mr. Chamblin replied in the affirmative. Ms. Gudgel expressed concern with using an amount based on a single year and suggested looking at a three or five year rolling average and reminded staff she had asked about the difference in project bids to completed project costs. Mr. Chamblin replied that projects were reviewed and it was found that for some of the larger projects, and the way the project cost is estimated, the dollar amount had embedded within it a 5% contingency meant to account for potential (material) cost increases. that percentage varies from project to project however final project costs have been coming in very close to the bids costs; for the smaller projects some of the costs reflect a greater change between bid cost and final cost because of cost over-runs that were not accounted for in the project budget because there was no contingency or the contingency was too small. Ms. Padilla-Jackson suggested holding at the three year average; Mr. Robbins suggested leaving it at \$320.00 for PSFA analysis rather than increasing or decreasing it.

**MOTION: AMS RECOMMENDATION:** Council approval of the AMS Subcommittee recommendation to adopt a replacement cost per square foot in the amount of \$\_\_\_\_\_ per

square foot to be used in the Phase 2 state/local match funding formula beginning in fiscal year 2020.

**POTENTIAL MOTION BASED ON REVISED ANALYSIS:** Council approval to adopt a replacement cost per square foot in the amount of \$\_\_\_\_\_ per square foot to be used in the Phase 2 state/local match funding formula beginning in fiscal year 2020.

**AMENDED MOTION:** Ms. Padilla-Jackson moved for Council approval to adopt a replacement cost per square foot in the amount of \$307.47 per square foot to be used in the Phase 2 state/local match funding formula beginning in fiscal year 2020. Mr. Ortiz seconded and the motion was unanimously approved.

**e. 2019-2020 Lease Assistance Program – Program Updates**

Ms. Gudgel noted that the proposed \$747.29 per MEM was an increase in funding of 1.5%. Ms. Eekhoff reviewed the policies presented for Council approval and acknowledged that though they were essentially already being done, it would be better to have them formally adopted to avoid any potential confusion moving forward.

**MOTION:** Council approval of the Awards Subcommittee recommendation to approve \$747.29 per MEM for the 2019-2020 Lease Assistance, and approval of the Lease Assistance Policies. As this was a Subcommittee recommendation a second was not needed and the motion was unanimously approved.

Additional Discussion: Ms. Gudgel commented that three charters schools had attended the Awards Subcommittee meeting and had requested reconsideration of the Council’s unanimous decision last year to not permit land leases to be submitted for reimbursement. Each charter each made their case as to why they should be awarded land lease reimbursement. As the costs are pretty exorbitant, staff was asked to bring back to the subcommittee a potential solution for a reasonable cost per acre rather than the \$17,000 per acre that was determined last year.

**f. Teacher Housing Program – Legislative Appropriation**

Referring to Column U on the spreadsheet in the meeting material, Ms. Gudgel stated that the \$10.0M was proportionately divided amongst the three districts based on their proportion of outstanding debt. Mr. Chamblin noted that staff reached out to and surveyed the 20 districts that receive federal impact aid for tribal lands and of the 20 districts, six stated they were not interested in teacher housing projects; 14 districts responded that they were interested in funding for teacher housing and three districts (Central, Gallup and Zuni) have existing debt totaling ~\$20.0M. In addition, two of the three districts stated paying off the debt was a priority. Staff recommends using the \$10.0M appropriation to prioritize reducing the debt for the three districts as they have the greatest need proven by the fact that they took out loans to solve their need; though the other districts expressed need they have not taken out loans and do not have that debt burden. Mr. Chamblin acknowledge there is a \$24.0M outside adequacy program that will be starting and initial indication is that of the 14 districts interested in teacher housing projects a number of them will be applying for some type of teacher housing work through the \$24.0M program.

Mr. Ortiz questioned whether any of the other districts had outstanding debt; Mr. Chamblin was confident only the three districts had the debt and reiterated all districts were surveyed and follow-up phone calls and emails were performed.

Ms. Gudgel stated the verbiage within the motion should be changed to reflect it is proportionate to the amount of debt owed currently by each of the three entities for a number to be validated by PSFA. Once validated, PSFA should let the Council know what the percentage is so that Council is not bound by the percentage or specific dollars listed in the meeting material.

**MOTION:** Council approval of the Awards Subcommittee recommendation to adopt eligibility criteria for the \$10M Teacher Housing Program, as appropriated by Senate Bill 280 during the 2019 legislative session, to prioritize paying off existing debt for teacher housing projects in school districts that receive federal impact aid for tribal lands, as listed in column U of the Existing Debt Proportion Scenarios spreadsheet in this award agenda item.

**AMENDED MOTION:** Council approval of the Awards Subcommittee recommendation to adopt eligibility criteria for the \$10M Teacher Housing Program, as appropriated by Senate Bill 280 during the 2019 legislative session, to prioritize paying off existing debt for teacher housing projects in school districts that receive federal impact aid for tribal lands, as proportionate to the amount of debt owed currently by each of the three entities for a number to be validated by PSFA. As this was a Subcommittee recommendation a second was not needed and the motion was unanimously approved.

## 5. Other Business

### a. Recertification of SSTBs

The recertification includes amounts for the 2018-2019 lease assistance for \$71,180 and the (Los Alamos) Mountain ES project for \$441,814.

**MOTION:** Ms. Gudgel moved for Council approval of the staff recommendation to adopt the Resolution, Notification, and Certification amendment for reauthorization of unexpended bond proceeds as follows:

- SSTB18SB 0004 in the amount of \$512,994; to PSCOC awarded projects totaling \$512,994.

Mr. Robbins seconded and the motion was unanimously approved.

### b. Measurement & Verification (M&V) Proposed Transition

Mr. Chamblin acknowledged this was an energy savings program for projects and a simple way for schools to reduce gas, water and electric use. The proposal is to transition from a model that had been using a server at UNM to a new hosted M&V platform that any school in the state could connect to and monitor their usage. Mr. Guillen questioned whether this was a voluntary program; Mr. Chamblin replied in the affirmative noting it was currently in the MOU as an optional add-on to all standards-based projects and to relevant systems-based projects.

**MOTION:** Council approval of the AMS Subcommittee recommendation to incorporate 3 years of M&V software subscription into new school project contracts for all standards-based

and relevant systems awards. As this was a Subcommittee recommendation a second was not needed and the motion was unanimously approved.

**c. Consent Agenda Procedures**

Mr. Guillen stated he would rely on the Committee chairs as they move items forward to indicate if it should be added to the consent agenda and also allow for any item to be pulled for detailed discussion as warranted.

**MOTION:** Ms. Gudgel moved for Council approval to adopt the consent agenda procedures effective at the July PSCOC meetings. The motion was unanimously approved.

**6. Informational**

**a. Broadband Deficiencies Correction Program Status Report**

Staff continues to check with the Department of IT on when they will be able to present as requested by Council during a prior meeting. Information listed within the executive summary was reviewed by Mr. Chamblin.

**b. PSCOC Project Status Report**

There are currently 210 security projects and 89 standards, systems, pre-K and emergency projects. Staff is actively working with NMSBVI on projects not making any progress.

**c. Master Plan Project Status Report**

Information listed within the executive summary was reviewed by Mr. Chamblin.

**d. Lease Assistance Status Report**

Information listed within the executive summary was reviewed by Mr. Chamblin.

**e. Maintenance Program Status Report**

A group of districts are pushing forward with a pilot program for maintenance support services; it is an REC initiative (REC1) and the goal is to collaborate on a maintenance support initiative that will allow them to pool their collective needs and resources to hire and have available skilled, licensed maintenance people to work on their school buildings for emergencies or routine maintenance.

**f. FY19 and FY20 Budget Projections and Personnel Update**

Per Mr. Evans the previous BAR for \$170,000 was more than needed and a corrected BAR will be prepared to move back \$15,000.

Regarding the informational items, Mr. Burciaga proposed presenting two reports each month to avoid rushing through them at the end of the meeting. Mr. Abbey stated he would like to see the Project Status Report, excluding the security projects, on a monthly basis. Mr. Guillen agreed it would help to move the meeting along by focusing on a couple of the reports each month with the Project Status Report being the major focus.

7. Next PSCOC Meeting – Proposed for July 18, 2019

8. **Adjourn** - There being no further business to come before the Council, Mr. Burciaga moved to adjourn the meeting. Mr. Ortiz seconded and the motion was unanimously approved. Meeting adjourned at 4:12 P.M.

 Chair

7/18/19 Date