

**PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL MEETING
MINUTES
August 11, 2017
STATE CAPITOL BUILDING, ROOM 307
SANTA FE, NEW MEXICO**

Members Present: Mr. David Abbey, LFC Ms. Rachel Gudgel, LESC (arrived at 8:28)
Mr. Pat McMurray, CID Mr. Paul Aguilar, PED
Mr. Joe Guillen, NMSBA Ms. Jessica Kelly, Office of the Governor
Mr. Raúl Burciaga, LCS

Members Absent: Mr. Gilbert Peralta, PEC

Designees: Mr. AJ Forte, DFA

1. **Call to Order**—Chair Abbey called the meeting to order at 8:07 A.M.
 - a. **Approval of Agenda**—Chair Abbey asked if there was any objection to the agenda as presented; as there was none the motion passed unanimously; Ms. Gudgel was not present for the vote.
 - b. **Correspondence**—Mr. Kearney noted the letter received from Clovis Municipal Schools Deputy Superintendent of Operations Ms. Carrie Bunce and Mr. John King, Executive Director of Operations regarding a recent Facility Maintenance Assessment PSFA staff performed at Cameo ES. The district was inquiring as to why PSFA did not reply to a request for corrections to maintenance assessment reports at six schools. Mr. Kearney drew attention to the draft response to the letter for Council review. Mr. Abbey directed Mr. Kearney to communicate with the Clovis representatives that a draft letter was on the way; Mr. Kearney stated it would be sent.
 - c. **Approval of Minutes (June 13, 2017)** - Ms. Kelly moved for Council approval of the June 13, 2017 minutes subject to technical corrections, Mr. McMurray seconded and the motion passed unanimously; Ms. Gudgel was not present for the vote.
2. **Public Comment**—Chair Abbey had guests and PSFA staff introduce themselves and informed the audience that comments on lease assistance would be heard during the lease assistance portion of the meeting.
3. **PSCOC Financial Plan**
 - a. **PSCOC Financial Plan**

Changes made since the last meeting include: Awards to Gadsden HS for \$1,550,104 and BDCP Category 2 for \$4,636; the total of awards made last month were \$1,554,740. Items for potential Council action include Ruidoso Nob Hill ES and Roswell Del Norte ES. The previous financial plan estimate and the current financial estimate had no changes therefore these awards remain at \$1,111,088 and \$1,533,000 respectively. A bond sale of \$120,442,900 took place in

June 2017. SSTB revenue was \$26,500,000. SB4 (PED Instructional Material/Transportation) was included in the sale at \$12,500,000. Also estimated and sold in August were Long Term Bonds for \$81,400,000. Estimated project reversions were updated and are available for award. Advance Repayments reflect Cobre ES has a remaining balance of \$1.1M, the district is scheduled for a bond election in August 2017 which includes funding to repay this amount. A check for \$159,000 was received from Raton Public Schools for the first two installments for their roof. A \$25.0M appropriation is listed each year for SB4 Instructional Materials or Transportation Distribution. BDCP, originally estimated at \$8.0M, was decreased to \$3.5M based upon estimates for Category 1 and 2 in FY18 resulting in \$4.5M being included in the 2017/18 awards scenario. The 2014/15 awards cycle was adjusted for the Alamogordo Combined School demolition costs. Originally reflected in FY19 Q3, the project has been moved to FY18 Q1 in the amount of \$1.5M. The 2015/16 awards cycle was adjusted for Clovis Highland ES, originally scheduled for funding in FY18 Q3 it has been moved to FY18 Q2 in the amount of \$10.9M. The 2017/18 awards scenario decreased awards by \$12,432,144 based upon the Alamogordo Combined School and Clovis Highland ES moves as well as the BDCP reduced FY18 estimate of \$4.5M and FY18 applications estimate increased by \$959,282. The total amount available for awards is \$22.4M of which approximately \$13.1M remains after FY18 applications. The 2018/19 awards scenario was increased \$10.0M based upon estimated funding availability from the Clovis Highland ES move. The 2019-2020 awards scenario adjusted \$1.5M for the Alamogordo Combined School move. SB8 reversions of \$12,368,628 were paid and are reflected in the Fund Balance as SSTB12SB for \$7,369,554.02; SSTB13SB for \$426,435.63; SSTB13SE for \$4,543,189.58 and SSTB14SB for \$29,449.00. June expenditures were processed for \$26,778,120.48; the PSCOC Fund Balance as of August 11 is \$216,016,823.18. Estimated uncommitted balances are \$1.8M for FY18-21 and \$1.7M in FY22.

4. 2017-2018 Award Cycle

a. 2017-2018 Lease Assistance Awards

Mr. Guillen spoke to the Awards Subcommittee discussion on the reductions to the Capital Outlay appropriations and the increase in costs for the lease assistance program. Noting various options were presented during the Awards Subcommittee, and following extensive discussion, three options were brought before Council for additional discussion and potential action. One option eliminated from consideration during the Awards Subcommittee meeting called for a 20% reduction in the lease assistance program. The three options being moved forward for Council consideration include flat funding at the current rate of approximately \$15.4M, funding at a reduced level adjusted for market trend of approximately 4% and an option to reduce the allocation amount by up to 10%. Staff had been asked to provide additional information showing the trends on how the program has had to cut back through the years.

Mr. Aguilar inquired about the option to adjust the rate downward 10%; Mr. Guillen reiterated there was discussion during the Subcommittee that two options would be presented and Council would have the ability to cut further, if necessary. Ms. Gudgel added the Subcommittee discussion included prior discussion on where the original 20% option was derived, looking at the reduction in funding and if there was consistency with reductions to the lease assistance program and previously posing the question to Ms. Irion on if staff had looked at over-all reductions to SSTBs into the fund with legislative appropriations coming out of the

fund and a comparison on what there has historically been for standards-based projects; the constitutional core mission of the program is adequacy and is what should be funded. Taking into consideration what those reductions have been and trying to be consistent with how lease assistance funding is treated. Mr. Aguilar reiterated comments from staff indicate the need to be between 8%-12% and is where the 10% came from. Ms. Gudgel stated she had specifically asked for the analysis during the Subcommittee meeting and worked with Ms. Irion, looking at the data, and had requested that a 10% reduction scenario be put together. Her understanding was that staff had been directed to bring a third scenario that was between the 4.1% reduction and the 20% reduction. Regarding the analysis requested by the Awards Subcommittee, Ms. Irion drew member attention to the spreadsheet depicting year-over-year changes for lease assistance, operational budget fund, standards-based/systems-based awards, and PSCOC Funding from FY05-FY17. While sources, appropriations and awards have decreased, the operating budget has remained flat and square footage and lease assistance has continually increased during this timeframe.

Mr. Abbey asked for comment from the associations present.

- Ms. Greta Roskom with The New Mexico Coalition of Charter Schools stated data was collected over the summer to put together an impact statement on the various options; based upon data collected, approximately 75% of the respondents stated staff and/or programs would need to be cut in order to absorb a 20% reduction in lease reimbursement. The Coalition requested any lease reimbursement decrease be postponed one year so schools could prepare.
- Ms. Patricia Matthews of Matthews Fox stated an unarticulated legislative intent to hold charter schools to a payment of 50% of current leases is not a reason founded in statute and doesn't appear to be a valid rationale for the reduction. Another argument Ms. Matthews has seen is that lease grants should be reduced because charter school authorizers are providing inadequate oversight. Items Ms. Matthews suggested be looked at include: the charter schools ability to sustain educational programs without lease assistance; other methods for calculating lease payments, eliminate paying districts for leasing buildings already paid for by public funds; what is the effect of charter schools ability to negotiate leases/lease purchases with a fluctuating amount for lease reimbursements.
- Ms. Connie Dove, Owner, Dove Property Advisors, spoke to the challenges in obtaining leases for charter schools based on the requirements found in statute and urged members to vote against a reduction in FY18 lease assistance which will result in staffing and program cuts across the state.

Upon calling for district comments, the following representatives spoke:

1. Virginia Trujillo – 21st Century Public Academy
2. Ed Wood – North Valley Academy
3. Anne Salzmann – The Master's Program
4. Robert Jessen – Monte Del Sol
5. Harlan Lawson – Estancia Valley Classical Academy
6. Diane Mittler – Mosaic Academy
7. JoAnn Mitchell – Mission Achievement and Success Charter School
8. Daniel Barber and Paul Stephenson – The ASK Academy
9. Kim Schaffer – Cottonwood Valley Charter School

10. Leslie Lujan – ACE Leadership
11. Rich Greywolf – Taos Integrated School of the Arts
12. Kimberlee Peña-Hanson – Gordon Bernell Charter School
13. Michelle Tudor – Gilbert Sena Charter HS
14. Latricia Mathis – The New America School
15. Deborah Bennett Anderson – McCurdy Charter School
16. Jesus Moncada – Christine Duncan Heritage Academy
17. Randall Green – Roots & Wings Community Charter
18. Ellen Esquibel Bellamy – William & Josephine Dorn Charter
19. Sam Obenshain – Cottonwood Classical Preparatory School

The primary comments and concerns from the districts regarding a reduction in lease assistance included significant impacts to staff and programs. Representatives respectfully requested the PSCOC consider no or minimal changes to lease assistance funding for the 2017-18 school year. Noting education in New Mexico is challenged, representatives argued that charters deserve to have their leases paid so money they get can go directly toward educating students. Reductions to the lease assistance program would require money to be taken from operational funds to cover lease payments.

Mr. Abbey then called for Council comments. Mr. Aguilar stated one of PED's responsibilities is to annually set the tax rates for school districts to ensure they meet their debt service on bond issuances. As the economic situation has declined, the tax rates for some districts have been raised so the bond holders were assured they would receive their payments back. Charters don't have the capacity to tax or raise their own funds but can be included in the districts bonding elections, which happens in a limited number of cases. Charter schools took the same 1.5% cut in unit value and were subject to the cash balance sweep of the last session. Mr. Aguilar also stated all of this needs to be taken into account when considering this; budgets are set, lease purchase agreements are in place, payments are being requested and considering any reduction at this time will have a significant effect on operations. Mr. Aguilar agrees there are a number of pressures on the Capital Outlay Fund but felt the current rate of \$736.25 needed to continue for the current year.

Per Ms. Kelly, some situations the charters find themselves result from the lack of preparation and training on how to properly acquire a lease/lease purchase agreement. It is incumbent upon the PED Charter School Division, as well as the PEC, to help train charters on the best way to acquire lease assistance. Ms. Kelly agreed that charters, interested parties and Council members should sit down and do a comprehensive review of the funding formula. That being said, Ms. Kelly's vote would also be to keep the lease rate at the current rate of \$736.25.

Mr. Guillen noted earlier district comments referred to best practices which was the intent when charters were created. To this day PED is required share with public schools a report on new and innovative techniques charters are using; this has never occurred. The intent of charter schools was to spread those accomplishments and new techniques to other schools. It appears charters are unwilling to do that with public schools, or there is no formal process for doing so. The public school funding program has long advocated for a moratorium on new charter

schools. The program should set a limit on the amount of lease assistance provided on an annual basis. Notification on this issue was sent out in April and though budgets were started, notice was given before they were due. It is important that districts entering into lease purchase agreements, and who are dependent on this assistance, know it may or may not come on an annual basis. Mr. Aguilar reiterated if lease assistance goes away schools could lose their buildings.

Mr. McMurray acknowledged it is difficult to say we are going to reduce lease payment amounts when budgets are in place but reduction has to take place, whether this year or next; the money cannot continue to remain the same when funding and budgets are being reduced. Mr. McMurray stated his vote would be to remain at \$736.25 this year and find a way to work together, acknowledging that reductions are a necessity.

Ms. Gudgel, reviewing minutes over the last year, reiterated decreasing the MEM amount was being discussed a year ago. The Council adjusted the financial plan in November 2016 to reflect a \$12M lease assistance payment moving forward, down from almost \$16M.

Mr. Burciaga stated this was not an easy decision but this ultimately falls on PSFA; their budget has been cut for years and now one more thing is being added. Mr. Burciaga agreed something has to be done. Unfortunately for charter schools, like public schools and state agencies, they are having to do more with less and the concept of keeping it flat and looking at it further is inaction as something has to be done.

Per Mr. Abbey, the Council tries hard to administer the funding in a fair way. Of challenging consideration is the state equalization guarantee. Mr. Abbey noted there are many issues with the funding formula; it is a real challenge to all involved with public school funding to think about the things that cause these differences and if they are fair.

MOTION: Recommendation to make awards in the amounts specified for lease payment assistance on the accompanying spreadsheet for Option (A/C/E) to make awards to ____ charter schools totaling \$ ____ . Upon acceptance of awards by charter schools and school districts, Council authorizes PSFA staff to distribute award amounts quarterly on a reimbursement basis upon receiving proof of lease payments made. Council authorizes PSFA staff to make reductions to award amounts subject to PED certifying in writing to PSFA that a condition exists that warrants an award adjustment or suspension or suspension which may include: school closure, charter revocation, financial violation or irregularities, adjustment to certified attendance numbers (MEM counts), lease termination or amendment. Council may also authorize reductions if scheduled attendance does not fully utilize facility, or operational use changes from classroom to non-classroom uses.

ALTERNATE MOTION: Mr. Aguilar moved for Council approval of Option A, holding the rate flat at \$736.25 per MEM for the current school year; Ms. Kelly seconded. As there was opposition to the motion, roll was called.

Roll call:

Mr. Forte – Yes	Mr. Burciaga – No	Mr. Peralta – Absent
Mr. Aguilar – Yes	Mr. McMurray – Yes	Ms. Gudgel – No
Ms. Kelly –Yes	Mr. Guillen – No	Mr. Abbey – No

By a tie vote of 4 to 4 the motion failed.

ALTERNATE MOTION: Ms. Gudgel moved for Council approval of Option C, adjusting the rate for market trend of \$4.1% at \$706.06 per MEM; Mr. Guillen seconded. As there was opposition to the motion, roll was called.

Roll call:

Mr. Forte – No	Mr. Burciaga - Yes	Mr. Peralta – Absent
Mr. Aguilar – No	Mr. McMurray – No	Ms. Gudgel – Yes
Ms. Kelly – No	Mr. Guillen – Yes	Mr. Abbey – Yes

By a tie vote of 4 to 4 the motion failed.

FINAL MOTION: Ms. Gudgel proposed tabling this item and bringing back to the next meeting; Mr. Forte seconded. As there was opposition to the motion, roll was called.

Roll call:

Mr. Forte – Yes	Mr. Burciaga - Yes	Mr. Peralta – Absent
Mr. Aguilar – No	Mr. McMurray – Yes	Ms. Gudgel – Yes
Ms. Kelly –Yes	Mr. Guillen – Yes	Mr. Abbey – Yes

By a vote of 7 to 1 the motion to Table carried with Mr. Aguilar opposing. Mr. Aguilar reminded everyone that by tabling until the next meeting charter schools will have incurred a liability of one quarter on their leases.

Mr. Forte left the meeting at 10:03.

b. 2017-2018 Final wNMCI Ranking

Ms. Casias reviewed the executive summary, noting the movement of schools within the Top 100 and the fifteen schools that have moved in rank from 60-359 positions.

MOTION: Council approval of the AMS Subcommittee recommendation to release the Final wNMCI Rankings including charter schools that have been reassessed based on programming needs after completing at least one renewal period, for the 2017-2018 standards-based and systems-based award cycle based on criteria and weightings previously adopted by the Council. Release of the ranking is subject to necessary technical corrections and Districts are encouraged to work with PSFA staff to resolve any outstanding technical corrections to the data with ability to make a formal appeal, if necessary, to the Awards Subcommittee. The motion was unanimously approved; Mr. Aguilar and Mr. Forte were not in attendance.

5. 2017-2018 Systems-Based Capital Outlay Application Process/Requirements and District Presentations (informational)

Mr. Abbey asked if there was any objection to moving this item to follow after item 6; there was no opposition to the requested move.

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

a. Central – P14-007 – Grace B. Wilson ES & Ruth N. Bond ES – Re-use of Grace B. Wilson

The Central Consolidated School District wishes to repurpose the now empty Grace B. Wilson ES into an Early College High School Career and Technical Education Center program. The district confirms this will be a program and not a stand-alone school and will not seek further funding from the PSCOC for this facility. The award language does not indicate the requirement for disposal or demolition. Staff is requesting the district's letter be memorialized. Dr. Colleen Bowman, Superintendent, reiterated the districts desire to repurpose the facility. The district is partnering with entities on the reservation that can provide technical programs and utilize the dual credit program in order to get students trained. Mr. Aguilar asked if the district had submitted a request for re-use/re-purpose of the facility to the PED; Dr. Bowman replied it has not yet been submitted as they are requesting permission from Council first.

MOTION: Mr. Guillen moved for Council approval of the staff recommendation to accept the May 8, 2017 letter from the Central Consolidated School District concerning the vacated Grace B. Wilson Elementary School facility. The District will keep the facilities for other educational uses contingent upon maintaining these facilities or portions therefore to adequacy at their own expense and will not seek future funding from the PSCOC for this facility. Ms. Gudgel seconded and the motion passed unanimously; Ms. Kelly and Mr. Forte were not in attendance.

b. Roswell – P16-003 – Del Norte ES – Design Funding

In December the district intended to proceed with design prior to the availability of funds in Q3 2017. The district decided to wait until funding was available, as noted in the financial plan. In December, Council approved a design for the replacement of the facilities to adequacy for 596 students. Enrollment has since decreased to 546. Mr. Tillotson stated the district has a robust maintenance program, are power users of the School Dude/FIMS products, and have a satisfactory FMAR rate. Ms. Susan Sanchez, Interim Superintendent, stated previous projects have come in under budget and on time and there were zero audit findings during the last audit. The district has strong community and voter support for the project and the city has authorized the transfer of the land the district plans to build on. Mr. Aguilar inquired if this was the school the district had planned to fund out of local funds, moving money from the fund balance until funding became available. Mr. Chad Cole, CFO, replied in the affirmative adding that the funds were not used and the district has funding from bonds recently sold.

MOTION: Council approval of the Awards Subcommittee recommendation to amend the 2015-2016 standards-based award to the Roswell Independent Schools for Del Norte ES to include design for replacement of the facility to adequacy for 576 students, grades K-5, with an increase in the state share amount of \$1,533,000 (73%), and a corresponding increase in the local share amount of \$567,000 (27%). The motion passed unanimously; Mr. Forte was not in attendance.

c. Ruidoso - P15-013 – Nob Hill ES – Construction Funding

In November the Council approved the district to proceed with construction at 100% district funding. The state share was to be released for expenditure in CY17 Q3 pending funding availability. With final Council approval, district funding will be reduced by the state share amount. The district has an outstanding rated maintenance program, are satisfactory users of the FIMS products and the recent FMAR scores indicate slightly below satisfactory. Mr. Aguilar referenced prior issues with construction and inquired as to how the district is accounting for them. Dr. George Bickert, Superintendent, Mr. Shane Holder, School Board President and Mr. Clint Taylor, Director of Finance were in attendance to answer questions. In response to Mr. Aguilar’s question, Dr. Bickert stated there is now a strong relationship between the district and PSFA and collaboration began at the beginning of the project. Another thing significantly different is that the district hired an owners-rep who has been over-seeing every step of the operation. The district did not previously have an owners-rep on projects. Construction began in April and is approximately 12% complete; benchmarks have been met and there have been no problems.

MOTION: Council approval of the Awards Subcommittee recommendation to amend the 2014-2015 standards-based award to the Ruidoso Municipal Schools for Nob Hill ES to include the release of the state share for construction previously funded as 100% district to adequacy for 192 students, grades Pre-K/K, with an increase in the amount of \$1,111,088, and a corresponding decrease in the local share of \$1,111,088. The motion passed unanimously; Mr. Forte was not in attendance.

d. Broadband Deficiencies Correction Program – 2016 Awards

Mr. Kearney noted that a 15 mile, 25 megabyte per second connection would be replaced for Bloomfield with a fiber based connection that meets and exceeds the 2018 connectivity goals.

MOTION: Council approval of the Awards Subcommittee recommendation to make Broadband Deficiencies Correction Council Program (BDCP) awards of actual E-rate approved project amounts to provide the state match for application funding year 2016 for Category 1 to Bloomfield Schools for a total of \$29,690 as listed in Column E of the award spreadsheet on page 1 of this agenda item, for the purposes and up to the amount specified. This allocation is intended to fully complete the project, phase, or specified purpose. The motion was unanimously approved, Mr. Forte was not in attendance.

e. Broadband Deficiencies Correction Program – 2017 Awards

Ms. Kelly, referring to the 2017 Category 2 funding list, stated the Jemez Valley Consortium was not listed yet a map PSFA staff handed out at a previous meeting included them and asked that the funding list be corrected; Mr. Kearney agreed to do so.

MOTION: Council approval of the Awards Subcommittee recommendation to make Broadband Deficiencies Correction Council Program (BDCP) Category 2 budgetary awards of E-rate project amounts to provide the state match to twenty-six districts/schools, for a total of \$567,421 as listed in Column H of the award spreadsheet on page 1 of this agenda item, for the purposes and up to the amounts specified. Actual award requests will be based on Funding

Commitment Decision Letters (FCDL) amounts and will be presented to the Council for final approval. The motion was unanimously approved, Mr. Forte was not in attendance.

f. Broadband Deficiencies Correction Program – UNM/EDAC Funding – Update from Awards Subcommittee (*informational*)

Mr. Guillen stated the Awards Subcommittee had looked at the UNM/EDAC funding request and had postponed it until September. Ms. Gudgel acknowledge Secretary Ackley was ok with delay.

Mr. Forte returned to the meeting at 10:44

7. 2017-2018 Systems-Based Capital Outlay Application Process/Requirements and District Presentations (*informational*)

a. Overview of Application Process/Requirements

b. District Presentations

a. Las Vegas City (RM: Irina Ivashkova)

b. Gadsden (RM: Anthony Lucero)

c. Central (RM: David Biggs)

The 2017-2018 application cycle began in January 2017 with the adoption of the qualification and scoring criteria for the new systems-based award program. Applications were released and, based upon eligibility, site visits of those applicant facilities were conducted. Reports with recommendations were sent to the applicant districts. Final applications were received and the three applicant districts were in attendance to present their requests. The Council was provided with district presentation information and Ms. Cano highlighted what each section would contain.

Las Vegas City (RM: Irina Ivashkova)

Kelt Cooper – Superintendent

Michael Lovato – Assistant Superintendent

Gabriel Lucero – Board Member

Gloria Lovato Pacheco – Board Member

Colleen Martinez – District Consultant

The application is for Los Niños ES. The rank is 33 (or 34 adjusted). wNMCI is 35.04%. Current student population is 158; number of students to be served is 392.

Site Visit Report: The funding request is for building systems replacement and upgrades including: grading and drainage improvements around the facility, parking lot, site lighting upgrades, repairs to the exterior building envelope, replacement of the windows, replacement of the roofs and skylights, replacement of the HVAC system, lighting and electrical systems upgrades, ceiling tiles replacement and plumbing system upgrades. The school was originally constructed in 1989 and had additions in 2002 and 2011. The current permanent space is 47,431 sqft which is nearly twice the amount needed to serve its existing student population. Los Niños ES serves grades K-5 and consists of 9 general, 4 kindergarten, 8 specialty and 2 special education classrooms as well as a multipurpose room and library.

As part of the 2017 Master Plan “Right-Sizing” initiative, the district is closing Paul D. Henry ES and Legion Park ES and will move students to Los Niños ES and Sierra Vista ES, which are located next to each other. The district reorganization will become effective in the 2017-18 school year and enrollment at Los Niños will increase approximately 318 students in grades K-3. The district is planning to construct four additional classrooms at the school to accommodate students from the Early Childhood Center which will be closed as well. After the relocation, enrollment at Los Niños will increase to approximately 392 students.

The district passed a GO Bond in 2017 and has available funds for the reorganization needs; \$2.2M will be sold to complete the Los Niños renovation. During the site visit the district was advised about the changes to the funding match percentages. The current district match is 45% and the state match is 55%; this is an increase in the local match of 3% from pre-application amounts. The total district offset for the 2017-18 award cycle that will reduce the state share is \$692,499. In addition to technical changes to the application, PSFA recommended the inclusion of floor finishes. The total estimated project cost is \$5,051,855. After applying the local state match percentages and offsets, there is a potential match of \$2,965,834 and a potential state match of \$2,086,021.

The application for Los Niños ES meets all eligibility criteria for an award and has received a score of 30.16 out of 60 possible points. Scores received were in the areas of system prioritization, cost effectiveness, reduction of FCI points and FMP prioritization.

Planning: The district has a current 2017-22 FMP; the FMP reflects Los Niños as the district’s top priority. The current FMP, and expired 2010-15 FMP, do include the worst systems in this application to be renewed. Within the FMP the district has adopted a right-sizing initiative by consolidation, grade realignment and facility decommissioning. The declining elementary enrollment over the last 10 years has left the majority of its schools under-utilized and with excess capacity.

Maintenance: The district PM plan is current. They are satisfactory users of the FIMS maintenance resources. The district’s FMAR average is 51.72%; indicating they maintain their facilities to a poor level with noted improvements in recent 2017 FMARS of 60.52%. At the time of the systems application, a September 2015 FMAR was used which indicated 67.02%; a subsequent FMAR was completed in July 2017 indicating a decreased rating to 36% maintenance efficiency. PSFA staff has met with the district’s maintenance staff and leadership and have assisted them with progressing their FMAR to the 60% requirement for systems applications.

Financial: The 2016 audit is current; an unmodified opinion was received with 8 audit findings.

District Presentation: Mr. Kelt Cooper stated the district has been actively right-sizing facilities due to a reduction in student population; PED has approved a reorganization plan. The considerable reduction in square footage will make a significant difference in overall budget capacity. Los Niños has serious needs and the district is seeking Council support to do the upgrades. The district has their match as an \$11M bond was passed in February. The plans, site and owners representative are in place.

Member Questions/Comments: Mr. Guillen asked how this project was set as the number one priority. Mr. Lucero replied following public input the Board felt with the declining student population the district couldn't continue to maintain and insure buildings that were partially used. Two elementary schools and one middle school will be closed, 6th grade will be combined into the elementary school and grades 7 - 8 will be moved to an academy at the high school. Mr. Aguilar noted the FMP states Los Niños will serve grades 1-3 as of 2017-18 and will add additional kindergarten students during the 2019-20 school year once new classroom additions are complete and asked how the addition will be funded. Per district representatives the four classrooms will be funded out of the \$11M bond that was sold. Mr. Aguilar sought clarification that PSCOC funds will be used for the systems upgrade only and not on the new systems in the new envelope. Mr. Kearney stated this concern was discussed during the site visit and noted the work will be separate. Mr. Abbey stated it would be helpful to see a map identifying the schools that are closing, those that will remain open and include projections of what their capacity and enrollment look like. Mr. Sprick replied an analysis he did of the existing building footprint indicates the maximum student count that could fit within the school was 442 students. However, to do so, two computer classrooms as well as the music and art classrooms would need to become general classrooms. Ms. Gudgel requested that the district provide the Awards Subcommittee with additional detail on how space will be utilized. Mr. Abbey sought clarification from the district on where the balance of the \$11M will be spent; district representatives replied \$1.4M would be for the new building envelope and facility needs at Sierra Vista ES and the high school.

Gadsden (RM: Anthony Lucero)

Rafael Gallegos – Executive Director for Energy Management and Construction

The application is for Desert Trail ES. The rank is 87. wNMCI is 28.75%. Current student population is 548; number of students to be served is 562.

Mr. Aguilar began by acknowledging Mr. Efren Yturalde on shepherding the district to be a model for what good financial management, facilities management and student management looks like. Mr. Yturalde thanked the Council for all they have done for Gadsden schools.

District Presentation: Since 2008, the district has completed 21 projects. Desert Trail ES was built in 1995 and has never had any additions; there are currently 12 portables and 10 doubles to accommodate the growth. The school was originally built with swamp coolers and the district is asking for assistance in updating the swamp cooler system and flooring as recommended by the FMP.

Site Visit Report: The funding request is for building systems replacement and upgrades. The request includes roof repair as needed where the HVAC replacement affects the roof system. The lighting, electrical and ceiling grid system as well as the patching of walls, replacement of hard ceilings, touch-up textures and paint will also be completed. The project is considered a Level 2 Alteration where the work area does not exceed 50% of the building area. During the site visit the district was advised of the changes to the funding match percentages. The current district match is 15% and the state match is 85%; this is an increase in the local match of 2% from pre-application amounts. In addition to technical changes to the application and requests

for validation of specific systems, PSFA recommended the inclusion of floor finishes to maximize benefits of the project. The total estimated project cost is \$5,860,057. After applying local/state match percentages, there is a potential local match of \$879,009 and a potential state match of \$4,981,049.

The application for Desert Trail ES does not meet all eligibility criteria for an award as the post project wNMCI would not be 1/3 lower of the pre-project wNMCI which is a requirement for award eligibility, however, based on the content of the application, the application received a score of 21.84 out of 60 possible points. Scores received were in the areas of system prioritization, cost effectiveness, reduction of FCI points and FMP prioritization.

Planning: The district adopted its FMP in 2016, making it current through 2000. The district updates its FMP every year and the 2017 update was adopted by the Board on 8/10/17. The 2017 FMP update did identify HVAC upgrades, electrical upgrades, lighting upgrades, ceiling tile replacement, floor replacement and roof repair as immediate needs for Desert Trail, and was listed as its top priority. Prior to the 2017 update, the 2016 FMP also identified these projects as needs for the schools but did not place them as top 3 priorities. Following adoption of the 2016 FMP the district re-evaluated the HVAC system at Desert Trail and found it was deteriorating quicker and required constant maintenance in order to remain operational. The reassessment led the district to reprioritize the school. The 2016 FMP recommended the district consider replacing the school as part of a long term strategy. During the site visit the district informed PSFA this was not the case as they had no intention of replacing the school. The 2017 update does not include language calling for replacement of the school.

Maintenance: The district PM Plan is current and rated outstanding; the maintenance program is robust and should be emulated. They are good to outstanding users of the FIMS products with recent scores of outstanding. The FMAR indicates they are operating at 68.04% which indicates they maintain assets to a marginal level.

Financial: The 2016 audit is current; an unmodified opinion was received with 4 audit findings.

Member Questions/Comments: Mr. Aguilar sought clarification on the difference between weighted and unweighted repair costs as listed in the application. Ms. Casias replied that everything goes into FAD are then weighted based on their condition. If something goes into FAD brand new it is a Category 9 with a .25 weighting, then it moves into Category 4 - Beyond Expected Life with the same weight of .25. The weighted and unweighted costs are used to calculate what the post wNMCI and post FCI will be based on the dollars that are put in. The information must be weighted and unweighted to ensure proper calculation of what the effects will be once repairs are done. Ms. Gudgel noted the application was only for the HVAC system, yet listed within the FMP are other systems that could potentially bring the district into compliance with the 1/3 reduction requirement and asked if the district would consider adding other systems in order to come into compliance with the wNMCI reduction requirement. Per Ms. Cano, while the district did incorporate some additional systems the main issue with not achieving the 1/3 reduction has to do with the existing condition of the HVAC system which is a Category 9 – Normal Within Life-Cycle. When the new systems are replaced, they will

fall within the same category and ultimately does not improve the condition because of the category the existing system is in.

Central (RM: David Biggs)

Dr. Colleen Bowman – Superintendent

Candice Thompson – Buildings and Construction Coordinator

Eric Cheever – Coordinators of Academy and Early College Tech

Darah Tabrum – Coordinators of Academy and Early College Tech

Tom Cummins – M, E & E Engineering, Inc.

The application is for Kirtland ES. The rank is 36. wNMCI is 34.46%. Current student population is 599; number of students to be served is 664.

District Presentation: Dr. Bowman spoke to the history of the request. The district is located in the NE section of the Navajo Nation and is comprised of schools located on and off the reservation; Kirtland ES is located off the reservation. The district has met all requirements for the systems-based funding. The current audit was completed March 2017 and the current year audit is on schedule. All cash has been reconciled and internal controls implemented. All reporting has been in accordance with the 90 day plan PED placed. The FMP was approved January 2016 and is current until 2021. This project required the FMP be amended to move Kirtland ES into the #3 priority; Board approval was received July 18. The PM Plan was updated April 2017 and rated outstanding. Current enrollment is 584 and averages 587. Based on the existing permanent sqft of the facility capacity is 736 sqft/student. The site is 40 acres and was constructed in 1986, 1990 and 1996. The permanent sqft is 85,768. The FAD ranking is 36 and the FMAR is 84.18%. Ms. Thompson highlighted previously awarded PSCOC projects.

Site Visit Report: The funding request is for HVAC/Air Ventilation, LED lighting, sprinkler system in an area not currently sprinkled, affected roofing and interior ceiling finishes. An assessment provided with the application reported the majority of the HVAC and ventilation system was well past its serviceable life. Many components within the units were antiquated and replacement parts are difficult to find. The recommendation is to replace all equipment in its entirety. The existing duct work piping and distribution is in good condition and is well suited to being modified for the variable air system proposed in the application. During the site visit the district was advised about the changes to the funding match percentages. The current district match is 36% and the state match is 64%; this is an increase in the local match of 1% from pre-application amounts. The total district off-set for the 2017-18 award cycle will reduce the state share of the project by \$9,000. In addition to technical changes to the application and a request for validation of specific systems, PSFA recommends patching and repairing the roof, based on work to be completed with the HVAC replacement, to maximize the benefits of the project and extend the life of the facility. The total estimated project cost is \$3,453,673. After applying the local state match percentages and offsets, there is a potential local match of \$1,252,322 and a potential state match of \$2,201,351.

The application for Kirtland ES meets all eligibility criteria for an award and based upon the content has received a score of 36.4 out of 60 possible points. Scores received were in the areas of system prioritization, cost effectiveness, reduction of FCI points and FMP prioritization.

Planning: The district has a 2016-20 FMP which is consistent with their current request. The FMP was changed on July 18 to make Kirtland ES the priority 3 project. The district has identified the need to reorganize the schools. The FMP identified a total capital need of \$6M. The district-wide enrollment in 2002 was over 7,000 students, last school year it was 6,200 which was a 12% decrease. The district has been doing a good job in right-sizing their schools.

Maintenance: The district's PM plan is current and rated outstanding. They are power users of the FIMS resources and subscribe to the monthly Meeting for Maintenance Metrics report. FMARs indicate very high ratings, almost to the good level. The most recent FMAR was 84.18%. Their average FMAR rating of 78.71% is well above state recommendations.

Financial: The 2016 audit is current; an unmodified opinion was received with 14 audit findings. The district has indicated they plan to address the findings.

Member Questions/Comments: Mr. Aguilar commented based upon the audit findings PED had identified significant issues a couple of years prior and had requested that the district develop a corrective action plan; they have done so and are currently on track.

8. Other Business

a. Disposition of PSFA Property

Storage fees associated with these items have been eliminated. A second round will occur by the next meeting as PSFA has received the first right of refusal from GSD. Items will be disposed of through New Mexico Computer Recyclers, a non-profit used by state agencies.

MOTION: Council approval of the AMS Subcommittee recommendation to dispose of the 104 obsolete computer equipment items along with the certification of sanitation from PSFA in accordance with Section 13-6-1 and 13-6-2 NMSA 1978. Motion was unanimously approved.

b. FY19 PSFA Budget Request

The FY19 budget includes a decrease of \$544,760 or 9.6% to bring the total request to \$5,102,641 with a total of 49 FTEs. Per Ms. Kelly, conversations during the AMS Subcommittee relied in large part on allowing staff to make recommendations on how the footprint could be reduced, but not make substantive changes to the overall organization until a new executive director is hired. Mr. Abbey asked Mr. Kearney if he was comfortable with the recommendation; Mr. Kearney replied in the affirmative. Mr. Abbey acknowledged the work on the budget, noting the budget constraints. Ms. Kelly stated a comprehensive review of the entire agency is being conducted; reviewing scope of work, time allotted to various types of work, where the direction of the program is going and where the greatest needs are.

MOTION: Council approval of the AMS Subcommittee recommendation to approve the proposed \$5,102,641 FY2019 budget and organizational structure of the PSFA. Motion was unanimously approved.

c. Program Improvements/Changes to PSCOC Award Cycle (Work Plan/Timeline)

Ms. Cano noted that an evaluation of the current timeline identified some flaws with the scheduled activities and spoke to the changes being proposed:

- Limiting the wNMCI to two rankings – Preliminary and Final.
- Releasing the application cycle from the Final wNMCI Ranking instead of the Preliminary Ranking.
- Full applications submitted with prior year local/state match and direct appropriation offset information.
- Site visits conducted before full applications are received.
- Timing award activities to allow construction to begin in summer.

Planning has been looking at this for some time. Eliminating the draft ranking would be good as little feedback is received during the draft ranking period. It would also help to have the ranking out after receiving the enrollment from PED in January. The aging is done in December and conducting site visits before final applications are due would be well received as schools look at preliminary rankings and desire to do applications based on the score, assessments are done, scores change and are no longer applicable. It would be very beneficial to have the final ranking and awards made out of the final position. Ms. Gudgel suggested staff reach out to superintendents and have the conversation on if the timeline works for full applications as there may be other potential solutions to think about if the timeline is not ideal. Mr. Avila stated design professionals like the concept of adjusting the timeframe with regard to the design process, noting there are many components that take place prior to the summer.

MOTION: Council approval of the AMS Subcommittee recommendation to adopt the proposed timeline for the 2018-2019 Award Cycle. Motion was unanimously approved.

d. Program Improvements/Changes to Facilities Assessment Database (FAD) Ranking Methodology (*informational*)

Per statute, recommendations for affirming or refining the methodology used for the database are to be reported to Council. Four items have recommended changes which will address current ranking irregularities and will cause changes to the current ranking thus allowing for a better margin of accuracy. Ms. Casias reviewed the executive summary which detailed each proposed change.

Ms. Casias recommended that a workgroup be established so staff can provide an in-depth understanding of the proposed changes that will affect the ranking. Members interested in the workgroup should contact Ms. Kelly.

e. Employee Evaluations (*informational*)

Two evaluations remain, plus that of the Deputy Director, and should be complete within the week. Mr. Kearney noted beginning August 31, 2017, PSFA will adopt anniversary date evaluations versus fiscal year evaluations.

9. Informational

a. Broadband Deficiencies Correction Program Status Report

This item was not presented.

b. PSCOC Project Status Report

This item was not presented.

c. Master Plan Project Status Report

This item was not presented.

d. Lease Assistance Status Report

There was a reversion of \$9,000 on lease assistance; total lease assistance reimbursements to date is \$15,729,459 and all invoices received from charter schools were processed in FY17.

e. Maintenance Program Status Report

This item was not presented.

f. FY18 Budget Projects and Personnel Update

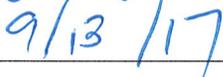
This item was not presented.

10. Next PSCOC Meeting – Proposed for September 14, 2017. Due to schedule conflicts, Ms. Birge will send an updated meeting notice for September 13th.

11. Adjourn - There being no further business to come before the Council, Ms. Gudgel moved to adjourn the meeting. Mr. Burciaga seconded and the motion passed unanimously. Meeting adjourned at 12:21 p.m.



Chair



Date