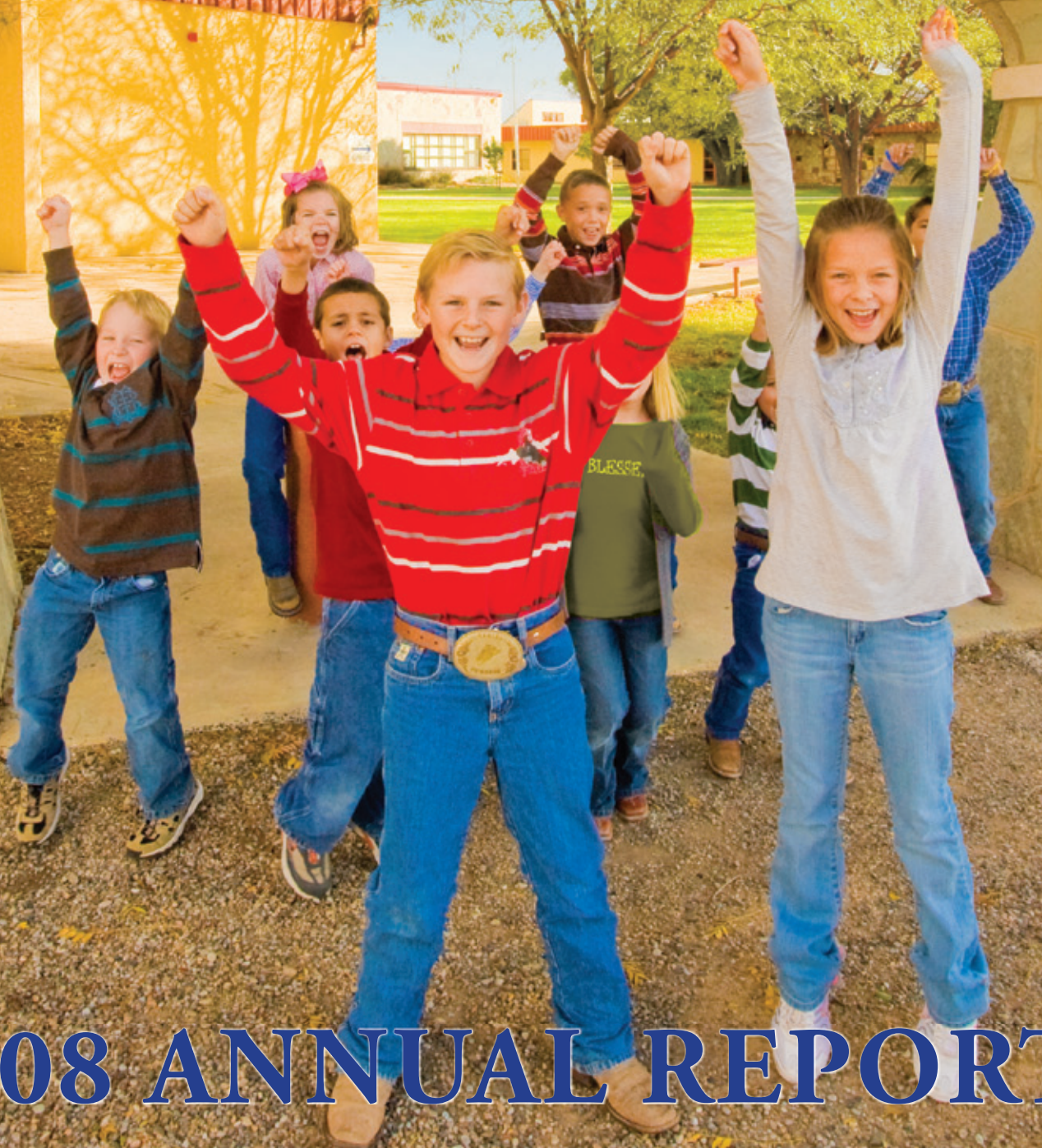


STATE OF NEW MEXICO
PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL
PUBLIC SCHOOL FACILITIES AUTHORITY



2008 ANNUAL REPORT

State of New Mexico
Public School Capital Outlay Council
Public School Facilities Authority

PSCOC Chair

Katherine Miller, DFA

PSCOC Vice Chair

Paula Tackett, LCS

PSCOC Members

Catherine Smith, PEC

Veronica Garcia, PED

David Abbey, LFC

Frances Maestas, LESC

Lisa Martinez, CID

Vicki Smith, NMSBA

Bruce Perlman, Governor's Office

PSFA Director

Robert Gorrell



2019 Galisteo, Suite B-1
Santa Fe, NM 87505
(505) 988- 5989
FAX: (505) 988-5933
www.nmpsfa.org



December 31, 2008

I'm pleased to provide this overview on the work of the PSCOC and PSFA during a busy and eventful year.

In 2008, the PSCOC awarded \$136.4 million in total funding to 133 school construction and facilities needs throughout New Mexico, including:

- \$125.2 million in Standards-Based awards to 46 projects in 27 school districts;
- \$7.3 million in lease assistance to 65 charters and 10 public schools in 22 districts;
- \$2.2 million for demolition of old/abandoned facilities to 8 projects in 6 districts;
- \$1.7 million from the Charter School Fund to 4 projects in 4 districts;
- \$386,867 in master plan assistance awards to 6 districts and 4 state-chartered charter schools;
- Along with an additional \$80.5 million in offsets and waivers to 16 projects in 9 districts.

2008 is the five year anniversary for Standards-Based funding of public schools in New Mexico. Over the past five years, New Mexico has achieved significant improvements in our public school facilities condition index (from 70.09% in 2004 to a current 36.69%), and in the average New Mexico Condition Index score of our top 100 greatest public school facilities needs (from 172.01% in 2004 to a current 63.72%). I'm especially pleased that in a recent survey, "*Fairness of the Standards Based Process*" received one of the highest customer satisfaction scores by district and charter school leaders.

There is still much to accomplish, but working together, we've made dramatic progress over the past five years. As chair of the Council during this award cycle, I'd like to thank the New Mexico Legislature, Governor Bill Richardson, the Public School Capital Outlay Oversight Task Force, present and past PSCOC members, our design and construction partners, PSFA staff, and especially all 89 school districts and their school boards, administrators, teachers and parents, who all have given their time, their talent, their good will and their support to providing better school facilities for the children of New Mexico.

Cordially,

A handwritten signature in blue ink that reads "Paula Tackett".

PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL
PUBLIC SCHOOL FACILITIES AUTHORITY

2008 ANNUAL REPORT



GROUND-BREAKING CEREMONY FOR A NEW SHARED USE FACILITY,
TO BE BUILT BY THE COMMUNITY OF FORT SUMNER AND FORT SUMNER
MUNICIPAL SCHOOLS, WITH PROJECT AND FUNDING ASSISTANCE FROM
THE STATE OF NEW MEXICO.



THE PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL

The PSCOC has been directed by the Legislature to manage the allocation of state funding to public school facilities in New Mexico's 89 school districts.* The PSCOC consists of nine council members, including one each from the Governor's Office, the Department of Finance and Administration, the Public Education Commission, the Legislative Education Study Committee, the Public Education Department, the New Mexico School Boards Association, the Construction Industries Division, the Legislative Finance Committee, and the Legislative Council Service.

THE PUBLIC SCHOOL FACILITIES AUTHORITY

The PSFA has been assigned by the Legislature to operate as staff for the PSCOC; to assist school districts in the planning, construction and maintenance of their facilities, to assist in training district facility and maintenance staff, and to implement systems and processes that establish adequate public school facilities throughout New Mexico, via efficient and prudent use of funds.* The PSFA consists of administrative staff in Santa Fe and Albuquerque, and field staff who live in the school districts in which they work.

*For legislation and rules determining PSCOC's and PSFA's statutory authority, please see the separately-published PSCOC and PSFA 2008 Annual Reference Guide.

2008 ANNUAL REPORT

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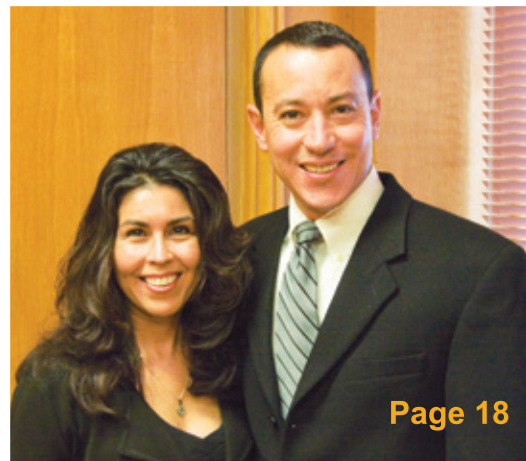
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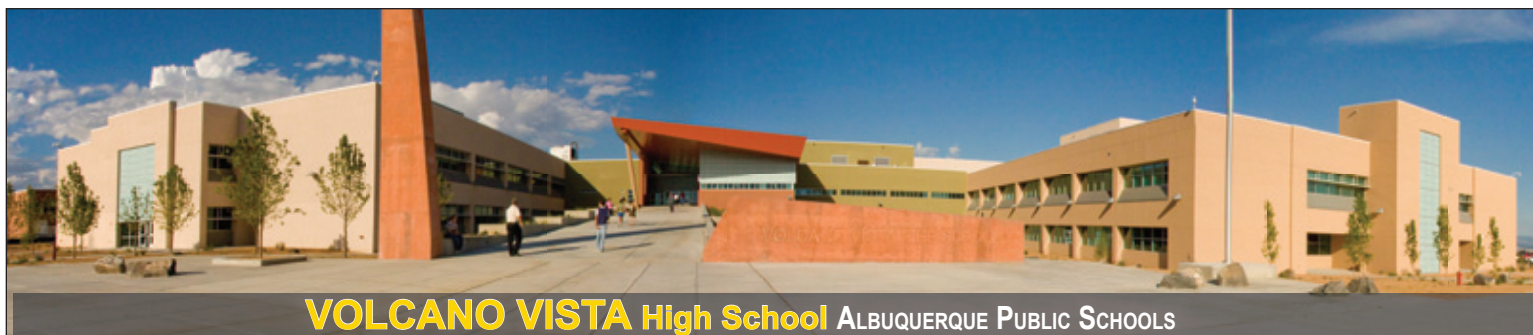
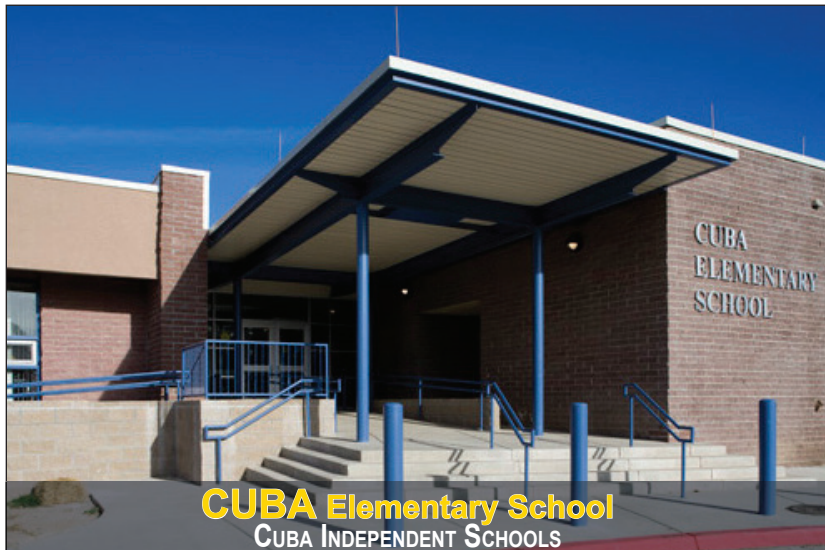
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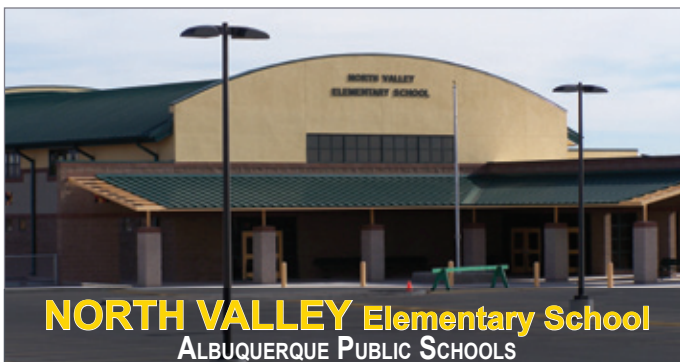
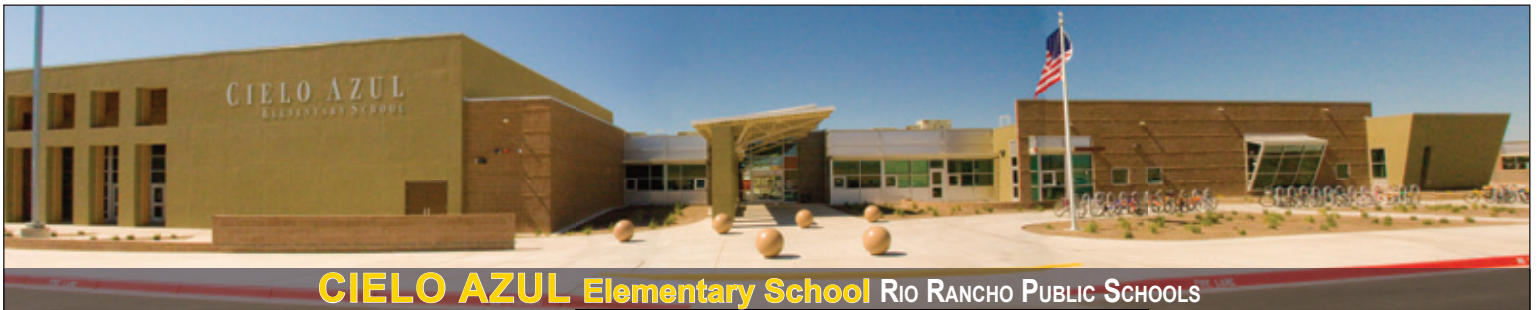
MAJOR NEW SCHOOL PROJECTS in 2008

Working closely with the Governor and the Legislature, the PSCOC awarded \$136.4 million during 2008 to 133 school construction and facilities needs throughout New Mexico.

Photo courtesy of ASA Architects

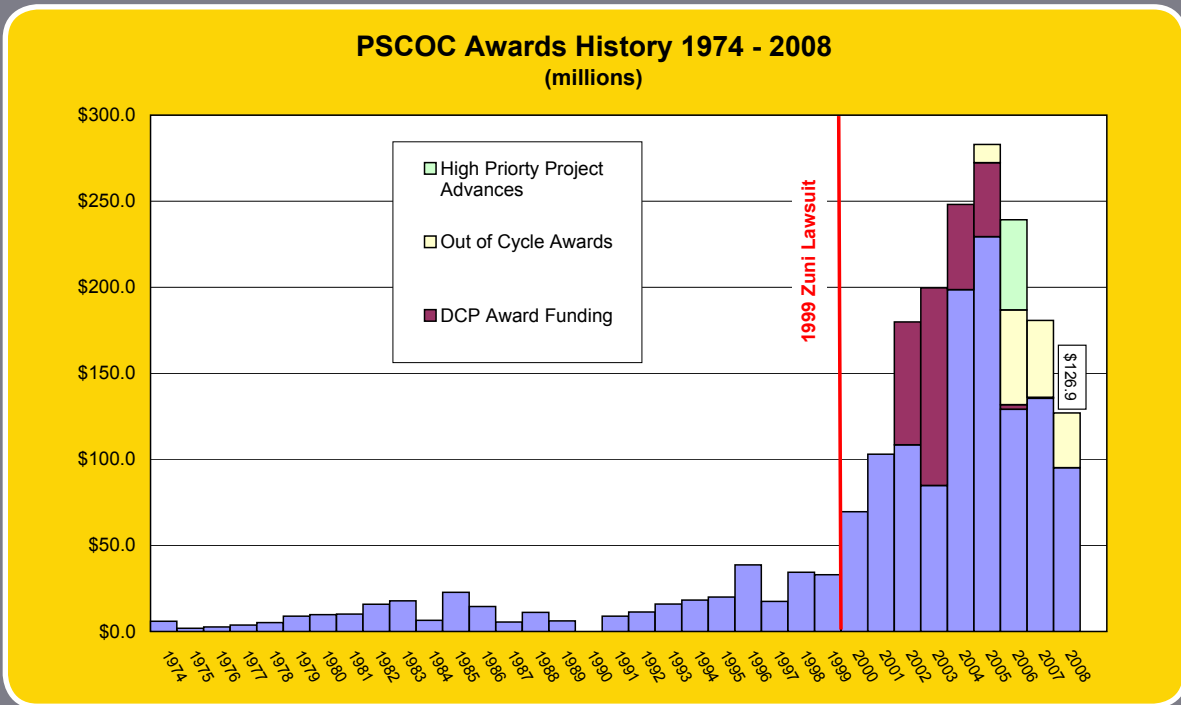


MAJOR NEW SCHOOL PROJECTS in 2008



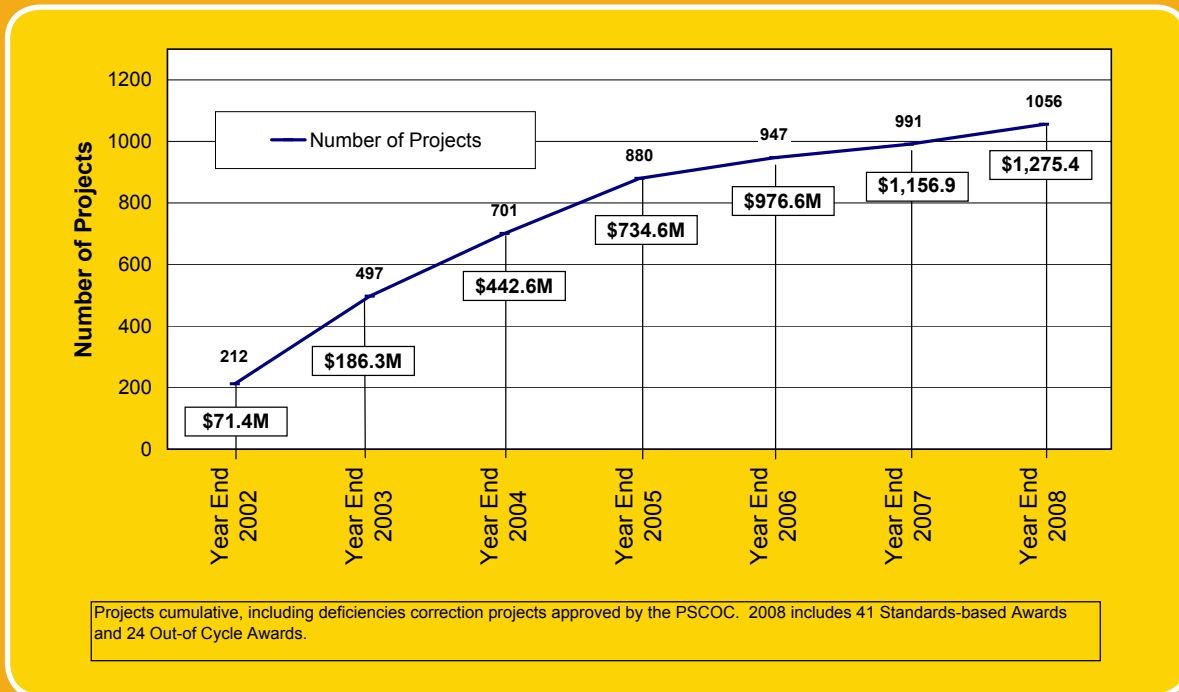
FINANCIAL and OPERATIONAL DATA

PSCOC AWARDS HISTORY 1974-2008



In 2008, *Standards-Based* state capital outlay for public school construction totaled \$126.9 million. Including \$1.7 million in capital outlay to charter schools and \$23.1 million in out of cycle awards.

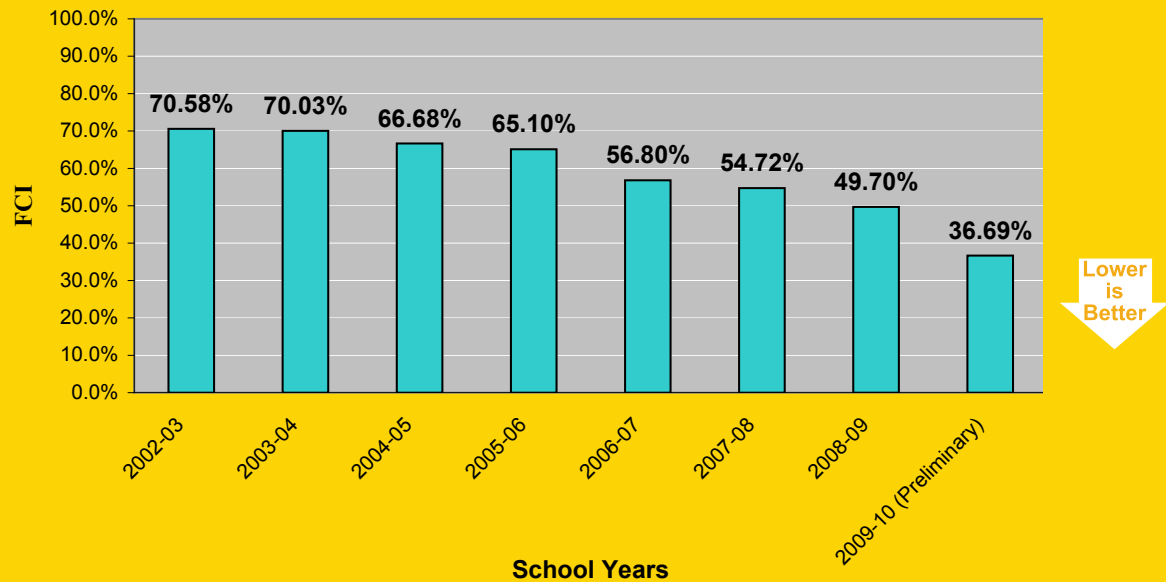
CUMULATIVE PSCOC/PSFA PROJECTS STATEWIDE



The PSCOC and PSFA have provided funding and project assistance to 1,056 projects and facilities throughout New Mexico since the Deficiencies Correction Unit was established in late 2001. Corresponding total project value is \$1,275.4 Million.*
(*Deficiencies Correction and Standards-Based funding only.)

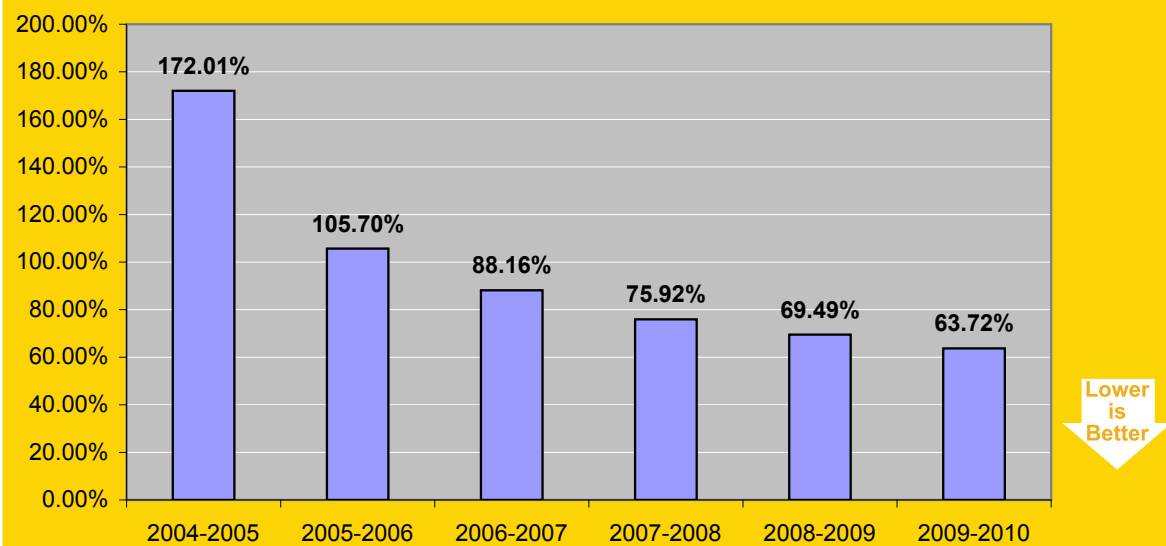
FINANCIAL and OPERATIONAL DATA

ADJUSTED FACILITY CONDITION INDEX (FCI) TREND ANALYSIS



The adjusted New Mexico Facility Condition Index (FCI) improved dramatically for the 2009-10 school year, as major projects funded in previous years have begun to come online. A declining FCI indicates improvement in the statewide condition of school district physical plant and space needs, net of the annual cost of maintaining facilities in their current state.

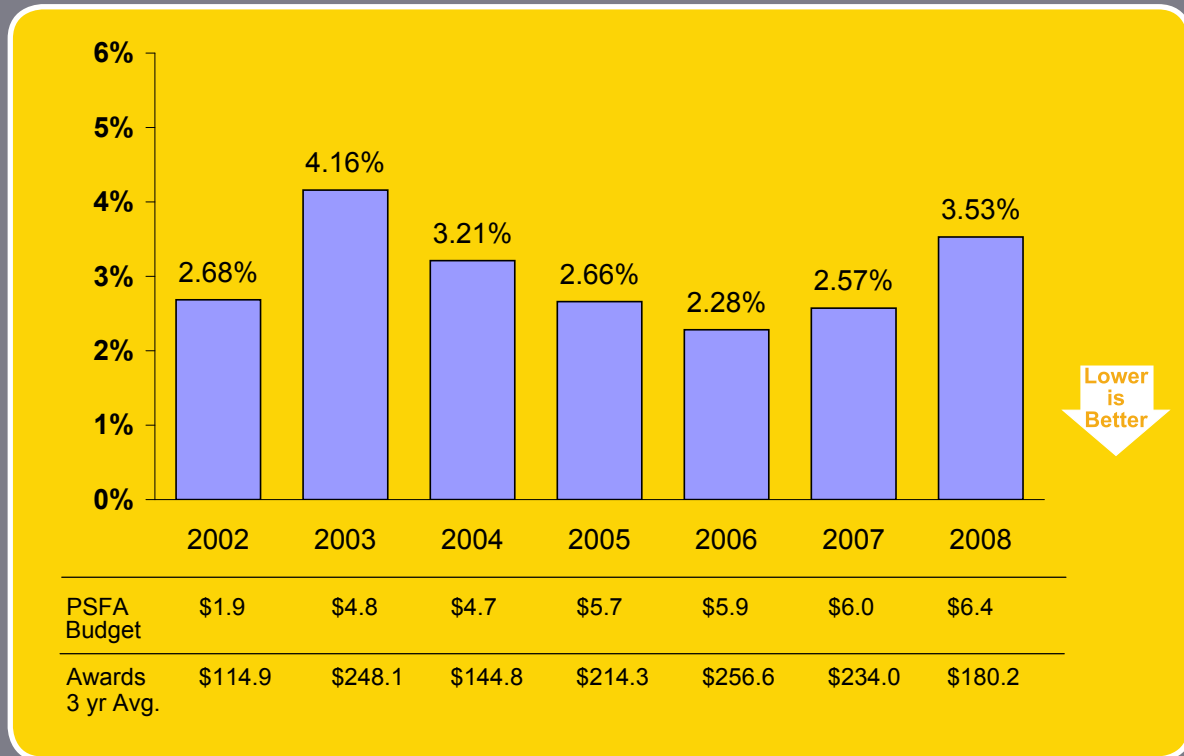
AVERAGE NMCI SCORE FOR THE TOP 100 GREATEST FACILITY NEEDS ON THE RANKED LIST OF ALL SCHOOL FACILITY NEEDS



Since 2004, the year that the Standards-Based Process for school facilities funding was implemented, the average NMCI score for the top 100 projects on the ranked list of school facility needs in New Mexico has improved from 172.01%* to 63.72 percent, meaning that the magnitude of need among the highest ranked school facilities needs across the state has dropped dramatically in the past five years. * 2004 – 2006 does not include degradation data. If degradation were included, the NMCI scores would be higher than listed.

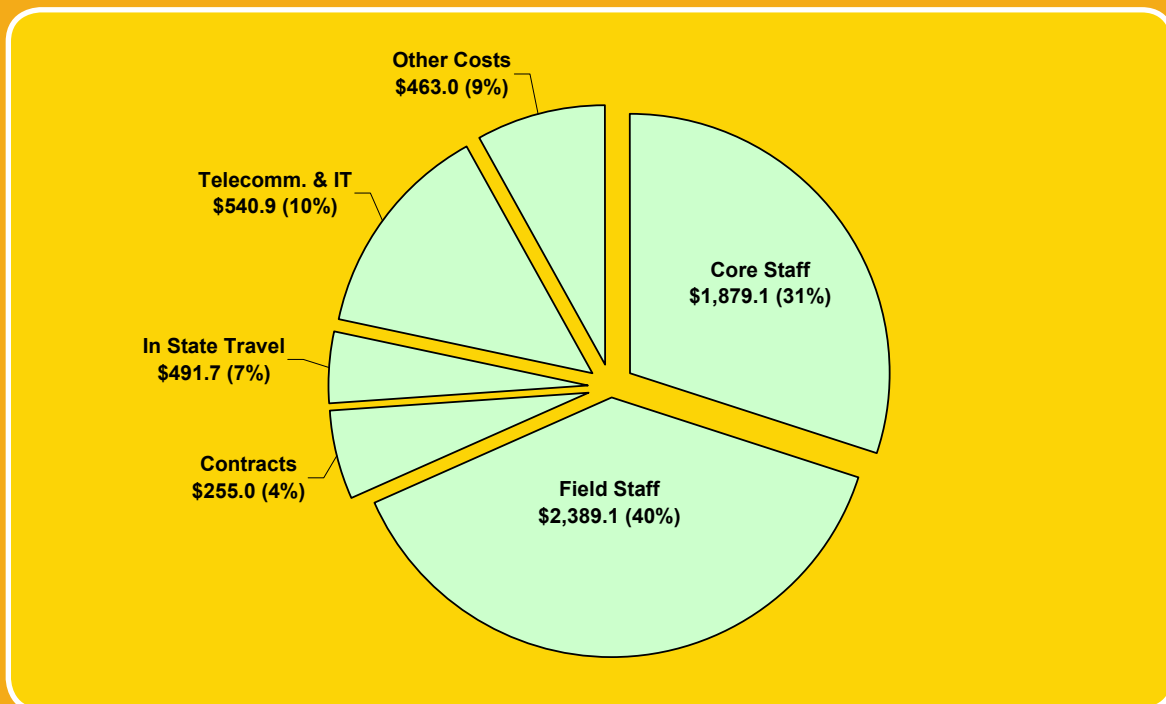
FINANCIAL and OPERATIONAL DATA

PSFA OPERATING BUDGET AS A PERCENT OF ANNUAL CAPITAL OUTLAY AWARDS (\$ MILLIONS)



The State endeavors to minimize oversight costs. Since program inception, oversight costs as a percent of total annual funding have averaged 3.01%, well below the statutory limit of 5% of the previous 3 year award average.

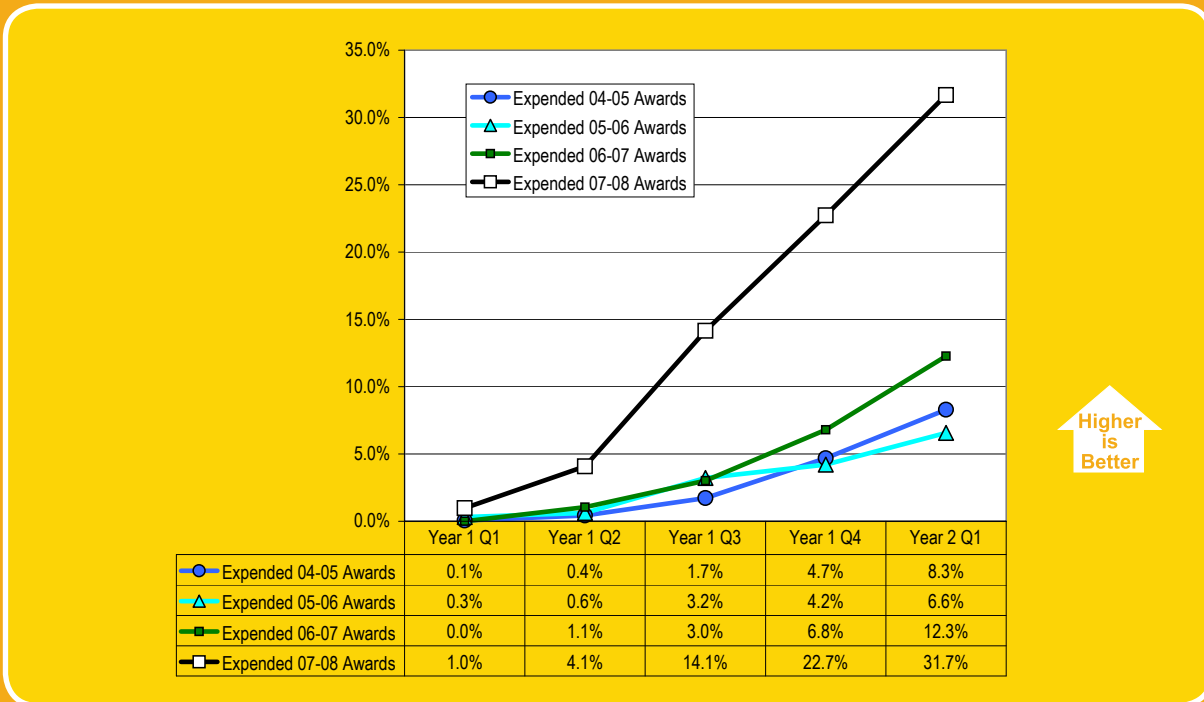
PSFA Operational Uses of Funds (Dollars 000's)



PSFA's largest line item cost are the specialized staff who are based throughout the state in the school districts in which they serve, who assist in managing district construction projects, who assist with district facilities maintenance and who train district facilities staff.

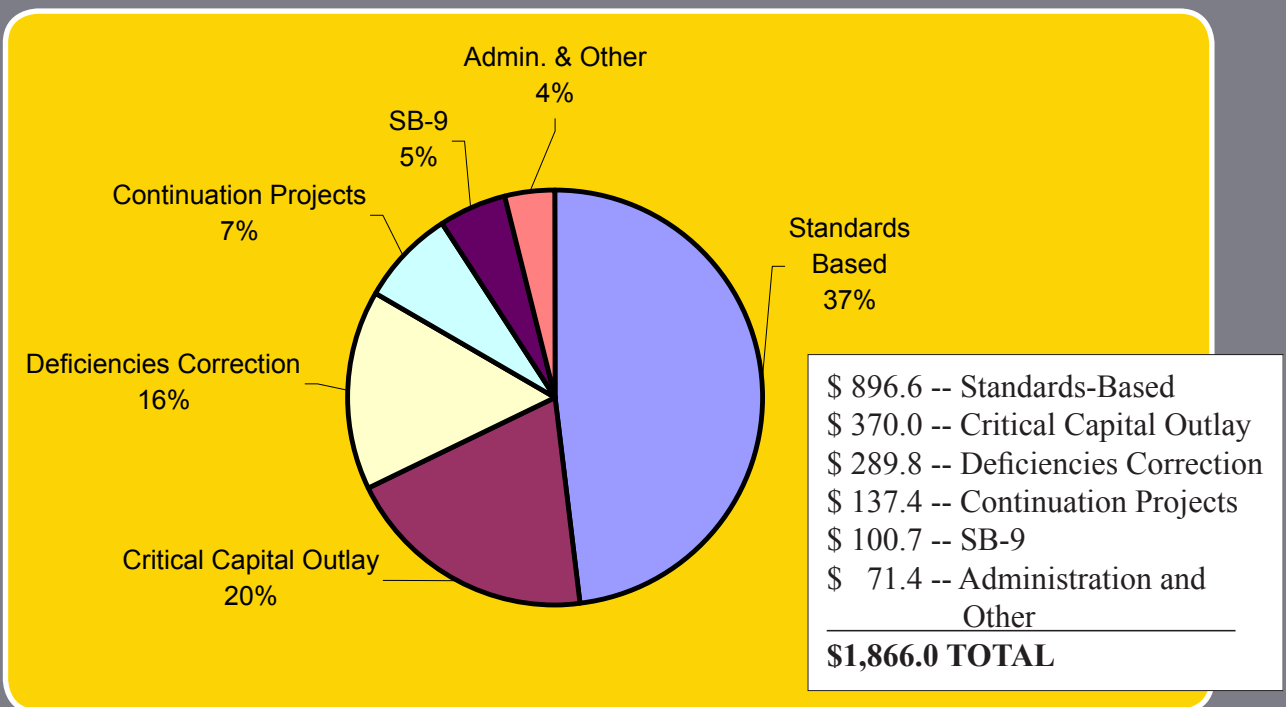
FINANCIAL and OPERATIONAL DATA

SPEEDING PROJECT DEVELOPMENT AND CONSTRUCTION: RATE OF EXPENDITURES FOR PSCOC PROJECTS (as a percent of total awards)



Building schools rapidly maximizes the dollars which go to brick and mortar and minimizes losses to construction inflation—meaning better schools at lower cost. School districts and PSFA are working aggressively to reduce project cycle times, and by 2008, first year expenditures on PSCOC projects have begun turning over more rapidly, as the period between project awards and project ground-breakings continues to tighten.

PSCOC FUNDING USES 1999-PRESENT (MILLIONS OF DOLLARS)



Since 1999, the State has allocated \$1.87 billion to a wide range of public school facilities funding programs.

2008 PSFA Financial Audit

C
W
M **Chester W. Mattocks**
Certified Public Accountant

P.O. Box 25941
Albuquerque, New Mexico 87125
(505) 299-5233

January 23, 2009

State of New Mexico
Public School Facilities Authority
Santa Fe, New Mexico

I have audited the financial statements of the Public School Facilities Authority (PSFA) as of and for the year ended June 30, 2008 and have issued my report thereon dated December 11, 2008. I conducted my audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

The results of my audit are summarized as follows:

1. The independent auditor's report expresses an unqualified opinion on the financial statements of the PSFA.
2. There were no material weaknesses reported. Two instances of noncompliance that are required to be reported under Government Auditing Standards, paragraphs 5.14 and 5.16 and Section 12-6-5, NMSA 1978 were noted. These instances are summarized as follows:
 - During the examination of PSFA's investment accounts, it was noted that one account had a negative cash balance as of June 30, 2008. It was recommended that this negative account should not be maintained without written approval from DFA in advance, per CFRAS Chapter 6, 3.2, D-2, as authorized by Section 6/5/2, NMSA 1978. The PSFA agrees with this recommendation, but maintains that a written policy exemption request that PSFA submitted to the New Mexico Department of Finance & Administration (DFA) to update an expired written approval which allowed the agency to maintain negative cash balances was apparently misplaced after submittal to DFA.
 - A member of the governing board was not present at the exit conference. The recommendation was to have a member attend the next exit conference.
3. No instances of noncompliance or other matters material to the financial statements of the PSFA were disclosed during the audit.

This letter is intended for the use of the Public School Facilities Authority and should not be used by anyone other than this specified party. Audit findings published here are preliminary and subject to revision, pending final formal approval from the New Mexico State Auditor.


Albuquerque, New Mexico
January 23, 2009

PSCOC and PSFA Milestones in 2008

- PROVIDED **\$136.4** MILLION IN TOTAL FUNDING TO **133** SCHOOL CONSTRUCTION AND FACILITIES NEEDS THROUGHOUT NEW MEXICO, INCLUDING:
 - **\$125.2** MILLION IN STANDARDS-BASED AWARDS TO **46** PROJECTS IN **27** SCHOOL DISTRICTS;
 - **\$7.3** MILLION IN LEASE ASSISTANCE TO **65** CHARTERS AND **10** PUBLIC SCHOOLS IN **22** DISTRICTS;
 - **\$2.2** MILLION FOR DEMOLITION OF OLD/ABANDONED FACILITIES TO **8** PROJECTS IN **6** DISTRICTS;
 - **\$1.7** MILLION FROM THE CHARTER SCHOOL FUND TO **4** PROJECTS IN **4** DISTRICTS;
 - **\$386,867** IN MASTER PLAN ASSISTANCE AWARDS TO **6** DISTRICTS AND **4** STATE-CHARTERED CHARTERS;
 - ALONG WITH AN ADDITIONAL **\$80.5** MILLION IN REDUCTION IN AN ADVANCE TO ALBUQUERQUE PUBLIC SCHOOLS, OFFSETS, AND WAIVERS TO **16** PROJECTS IN **9** DISTRICTS.
- NEW MEXICO'S FACILITIES CONDITION INDEX (FCI) IMPROVED DRAMATICALLY FROM **49.70%** IN **2008** TO **36.69%** IN **2009** (LOWER IS BETTER), AS MAJOR SCHOOL PROJECTS FUNDED IN PRIOR YEARS BEGAN COMING ON LINE.
- **61** SCHOOL DISTRICTS HAVE CURRENT MASTER PLANS ON FILE WITH PSFA; **22** DISTRICTS HAVE MASTER PLAN REVISIONS DUE FOR COMPLETION BY THE SECOND QUARTER OF **2009**—OVERALL, AN EIGHT PERCENT IMPROVEMENT OVER **2007**.
- REVISIONS TO THE ADEQUACY PLANNING GUIDE TO PROVIDE GREATER FLEXIBILITY TO LOCAL DISTRICTS IN ALLOCATING PROGRAMMATIC SPACE WITHIN A DEFINED TOTAL BUILDING AREA. CURRENTLY IN THE PUBLIC COMMENT STAGE.
- **87** SCHOOL DISTRICTS ARE NOW USING THE FACILITY INFORMATION MANAGEMENT SYSTEM (FIMS) FOR MAINTENANCE MANAGEMENT—A FOUR PERCENT IMPROVEMENT OVER **2007**. FACILITY EQUIPMENT INVENTORIES ARE NOW UNDERWAY OR COMPLETE AT **87** DISTRICTS.
- PROCESSED PAYABLES IN AN AVERAGE OF NINE DAYS FROM DATE OF RECEIPT. LESS THAN ONE PERCENT OF PAYABLES TOOK MORE THAN **21** DAYS TO PROCESS. AVERAGE **2008** PAYMENT VOLUME PROCESSED PER MONTH WAS **\$23.4** MILLION.
- SURVEYED OVER **28,000** CONSTRUCTION CONTRACTORS FOR FEEDBACK ON THE LIMITED NUMBER OF BIDDERS FOR SCHOOL CONSTRUCTION PROJECTS, AND AS A MEANS TO IMPROVE THE PUBLIC WORKS BIDDING PROCESS OVERALL.
- SEVEN SCHOOL DISTRICTS AND **19** MAINTENANCE PERSONNEL WERE AWARDED BEN LUJAN MAINTENANCE ACHIEVEMENT AWARDS. TWO SUBCONTRACTORS AND ONE DESIGN FIRM WERE RECOGNIZED WITH **2008 PSFA QUALITY AWARDS** FOR EXCEPTIONAL WORK WHICH HAS LED TO IMPROVED SCHOOL BUILDINGS FOR THE CHILDREN OF NEW MEXICO.
- COMPLETED ON-SITE ASSESSMENTS AT **96** FACILITIES IN **26** DISTRICTS—AMONG THE TOP **100** SCHOOLS ON THE NMCI LIST OR VIA DISTRICT REQUEST—TO PROACTIVELY ASSURE THAT GREATEST FACILITIES NEEDS ACROSS THE STATE ARE FULLY REPRESENTED IN THE DATABASE FOR AWARD GRANTS.
- MAINTAINED **99.9%** CRITICAL SYSTEMS AND WEBSITE UPTIME, PROVIDING CONSISTENT AND STABLE ACCESS TO PSFA DOCUMENTS AND RESOURCES FOR INTERNAL AND EXTERNAL USERS.

ZUNI Public Schools and PSFA on Working Together to Address the Needs of Small Rural School Districts

Ernie Mackel, President of Zuni Public Schools Board of Education, and Bob Gorrell, Director of the PSFA, share their thoughts.

What are the most significant facility challenges for small rural school districts in New Mexico?

MACKEL: Infrastructure in general, and staff housing in particular. For well-qualified teachers, remote New Mexico is a challenge, since many are used to greater amenities. Offering affordable housing is essential. Another challenge is providing culinary arts, performing arts and sports for our students. Unlike many urban districts, rural districts don't have the local resources to offer these programs, even though we know that they increase graduation rates.

GORRELL: Popular electives like those that President Mackel mentions correlate to keeping kids in schools, especially in larger schools. But what we've also seen across the state is that smaller schools without all those electives generally have higher student retention and graduation rates. Smaller schools seem to have a natural advantage where the kids can enjoy closer relationships and feel less alienated.

Are you suggesting that small rural districts have a built-in advantage on student learning because of school size?

GORRELL: Yes, but rural districts also have to contend with additional funding challenges as a result of schools which are small because of demographics, not because of design. From what we can see, smaller schools require more square footage per student, and the additional operating cost of that additional space consumes funds that could otherwise be used for what happens in the classroom.

How can small districts and the state best work together to address these challenges?

MACKEL: Given ever increasing construction costs, the necessity of districts and the state working effectively together has never been greater, and with effort on both sides, we've made good progress. We need to continue to level the playing field for all districts, continue to partner with mutual good will, to take advantage of best practices in management, and, to keep the focus on what's in the best interests of students.

"The necessity of districts and the state working effectively together has never been greater, and with effort on both sides, we've made good progress."

—Ernie Mackel



ERNIE MACKEL AND BOB GORRELL

GORRELL: I agree with President Mackel, that we're making good progress. In PSFA's 2007 statewide survey of school district leaders, one of the highest results in the survey was that districts feel that this process is fair. With small rural school facilities, I think we need to be more efficient with funding. It pays to spend a bit more up front and construct rural schools that will last longer without excessive maintenance costs. Overall, we need to take into account the distinct needs of small rural schools.

Can you suggest a few specifics?

MACKEL: Sure. The state oversight process doesn't need to be adversarial. So instead of the Construction Industries Division (CID) arriving at an almost completed project and telling us everything that we need to change, it would be better that CID explain what they need from us before we're half way down the road. PSFA has been helpful in resolving some of these issues. Another idea: each rural district is unique, but we all face greater than average funding problems. Many of us don't have grant writers—having someone in the state do this on our behalf would be valuable.

GORRELL: The state has often used its scale to create effective solutions that would otherwise be too costly for any one district—like FIMS. I agree that it's ineffective, when state agencies arrive at the scene and pronounce that the district can't do something and then leave without offering any real solutions. In our 2007 statewide survey of school districts, it was all but unanimous that districts want PSFA staff working shoulder to shoulder with them in solving problems, rather than acting as compliance officers. In terms of serving districts, we think that this point is so fundamental that we added "*partnering with New Mexico's communities*" to PSFA's mission statement.

How can we continue to make progress in an environment of increasingly limited resources?

MACKEL: All school districts struggle to find the resources to provide the best possible education for their students, but whereas some districts have been able to sit on their bonding capacity while the state covered their infrastructure and capital costs, other mainly rural districts with limited bonding capacity like Zuni simply haven't had the resources to provide an equitable education. The disparity between districts appears to be getting wider and may cause deficiencies to go un-met. Remoteness from urban areas also makes everything more expensive. I don't want to take a stance on this, but perhaps there should be a separate funding stream to address the distinct needs of small rural districts that lack local bonding capacity. Districts which aren't growing can wait for years before their facility deficiencies rise up to the top of the NMCI ranked list for state funding assistance.

“With small rural school facilities, we need to be more efficient with our funding. It pays to spend a bit more up front and construct rural schools that will last longer without excessive maintenance costs.” —Bob Gorrell

Don't local match percentages, which vary according to local community resources, address this?

MACKEL: They do to a degree, but for a number of small rural districts, the disparity in wealth does not allow us to provide for our children what we want to provide, and what other districts are able to provide.

GORRELL: Unfortunately, limited resources are a given, but the Standards-Based Process and the ranked list have leveled the playing field, and needs in all districts are now assessed by the same measuring stick. In my view, the relative wealth of communities is taken into account in a fair way via local match percentages, which range from zero to 90 percent. Our school facilities funding model isn't perfect, and we fine tune it every year, but it's a big improvement over the way New Mexico used to do it, and has resulted in fewer disparities between urban and rural schools compared to other Southwestern states.

Are the Adequacy Standards adequate?

GORRELL: Yes and no. They were never meant to be everything that a school district would like, but rather to meet core programmatic needs established by the local community. New Mexico has almost \$3.4 billion in facilities needs across our 89 school districts, and our resources are limited. It's a struggle to fund our public school physical plant up to current adequacy, so state policymakers have been reluctant to expand the

adequacy standards. However, the state continues to make refinements, and policymakers are looking at ways to target funds to specific needs, the way we have in the past with roofing.

MACKEL: Standards work best when they're flexible enough to take into account local circumstances. Not every school site is the same, not every child is the same, and their space needs are never the same. I'd like some variables in the standards that would allow local districts to be as attentive as possible to the specific needs of their communities. Perhaps the failed bill allowing poorer districts to go beyond 25% could be revisited.

What are some of the things Zuni & PSFA have done together that have gone well?

GORRELL: Our joint roofing projects were good learning experiences for the Standards-Based Process. We were able to work together to create a solution that didn't quite fit the mold, but that worked for the community.

MACKEL: I agree about the joint roofing projects. PSFA oversight allowed us to look at those projects from a different angle, and brought added design integrity that should increase the useful life of the new roofs.

President Mackel, what would you like to see from PSFA that you aren't seeing right now?

MACKEL: Well, we've locked horns in the past. We have our hopes and vision and PSFA has its orders. It's not always easy knowing how we can most effectively work together to provide the best possible schools for our children. The PSFA, PSCOC and the Legislature are vital to our success, but we're on the front line, and our insights need to be included in order to make headway against great challenges in public education. Working together as partners means that we resolve these challenges together and continue to work with the Legislature on an equitable system.

Mr. Gorrell, anything to add?

GORRELL: School districts and charters *are* the front line in our common fight to improve public education in New Mexico, and solutions are mainly going to be generated at the local level. Fair-minded people do at times disagree; but what's important is that we can communicate honestly, that school districts have no fear of retribution, and that we work

together for the good of our students. I'd also like to thank President Mackel for his good will, and for sharing his insights and wisdom in this interview.

“All school districts struggle to find the resources to provide the best possible education for their students... but for a number of small rural districts, the disparity in wealth does not allow us to provide for our children... what other districts are able to provide.”

—Ernie Mackel

Ben Lujan Maintenance Achievement Awards of 2008



Speaker of the House Ben Lujan and PSFA's Maintenance Division awarded 27 Ben Lujan Maintenance Achievement Awards to individuals and school districts that have demonstrated commitment and success in school facility maintenance. Representative Rick Miera served this year as master of ceremonies.

GOLD District Awards

- ★ Gadsden Independent Schools
- ★ Silver Consolidated Schools
- ★ Aztec Municipal Schools



Richard Chavez, Lorenzo Solis, Alfredo Holguin, and Michael Munoz of **GADSDEN INDEPENDENT SCHOOLS**



Paul Unger, Robert Peru, and Barry Ward of **SILVER CONSOLIDATED SCHOOLS**



Dr. Linda Paul, Daniel Lawson, and Charles Lee of **AZTEC MUNICIPAL SCHOOLS**

SILVER District Awards

- ★ Tatum Municipal Schools
- ★ Truth or Consequences Municipal Schools
- ★ Carlsbad Municipal Schools
- ★ Penasco Independent Schools
- ★ Roswell Independent Schools



Pilar Garcia of **TATUM MUNICIPAL SCHOOLS**, with Representative Rick Miera



Keith Crawford, Kenny Griffis, Barbara Chavez, and Tom Burris of **TORC MUNICIPAL SCHOOLS**



Gene Bradley, Erich Franke of **CARLSBAD MUNICIPAL SCHOOLS**



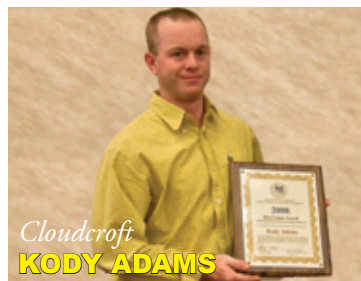
Casey Chacon and Gabe Gonzales of **PENASCO INDEPENDENT SCHOOLS**



Ryc Velasquez, Joe Lovato, and David Eldridge of **ROSWELL INDEPENDENT SCHOOLS**

INDIVIDUAL and DEPARTMENT AWARDS

- ★ **PAUL SALAS:** Española Public Schools
- ★ **PAUL UNGER:** Silver Consolidated Schools
- ★ **BENNY SEGURA:** Fort Sumner Municipal Schools
- ★ **TINO MENDEZ:** Central Consolidated Schools
- ★ **TOM SANCHEZ:** Las Cruces Public Schools
- ★ **ARMANDO MARTINEZ:** Animas Public Schools
- ★ **KODY ADAMS:** Cloudcroft Municipal Schools
- ★ **ANTHONY CHAVEZ:** Magdalena Municipal Schools
- ★ **FRANK ORTEGA:** Belen Consolidated Schools
- ★ **JOE LOVATO:** Roswell Independent Schools
- ★ **DANIEL LAWSON:** Aztec Municipal Schools
- ★ **CLYDE “ROY” SENA:** Pecos Independent Schools
- ★ **ABNER LUPEE:** Zuni Public Schools
- ★ **ENVIRONMENTAL DEPARTMENT:** Albuquerque Public Schools
- ★ **JEFF SARGENT:** Los Alamos Public Schools
- ★ **MIKE THRASHER:** San Jon Municipal Schools
- ★ **RICK EMMONS:** Carrizozo Municipal Schools
- ★ **HVAC SHOP:** Gadsden Independent Schools
- ★ **DANNY CLAYCOMB:** Clayton Municipal Schools



“Among New Mexico’s 30 school districts which are fully utilizing FIMS, annual cost avoidance type savings are estimated at \$14.1 million.”
—Dr. Veronica Garcia
Secretary, Public Education Department



The Public School Capital Outlay Council on Policies and Priorities in 2009 and Beyond

Construction Industries Division Director Lisa Martinez, and Public Education Department Deputy Secretary for Finance Don Moya, both PSCOC members, share their thoughts.

What do you expect will be the major challenges for public school capital outlay in 2009?

MARTINEZ: The biggest challenge is financial—figuring out how we can move forward with projects without having the same level of resources that we’ve enjoyed for many years. There is never enough money, but this year it’s going to be somewhat worse.

MOYA: I agree. Two specific financial challenges will be how to adequately address the capital needs of Pre-K programs and charter schools. Charters need to be in public buildings by 2010. An effort is underway to extend that to 2015, but New Mexico may be hard-pressed to complete this even by 2015.

Since funding for public schools is likely to be more limited for the next few years, what can New Mexico do to be more efficient with facilities?

MOYA: Pay closer attention to the utilization of facilities and to possible unintended consequences of policy. For example, under the current public school funding formula, any elementary school with under 200 students receives additional dollars to offset the economies of scale in serving students in larger facilities. Does this entice districts to keep elementary school populations under 200 to make sure that they get that additional funding? As dollars get tighter, we need to more closely manage operational and capital costs, along with the policy interactions between the two.

New Mexico’s student population is stable, but student feeder patterns change within and across districts. How can New Mexico track



LISA MARTINEZ AND DON MOYA

these student flows in order to reduce capital and operating costs by optimizing the location of schools?

MOYA: I’ve always been in favor of developing a statewide GIS program to better provide this information.

The Construction Industries Division (CID) receives PSCOC funding to prioritize school inspections as a way to speed construction and reduce costs. How is this working?

MARTINEZ: It’s been a great program. These funds have allowed CID to invest in the needed infrastructure to speed inspections, and inspection turnaround times are now 72 hours or less.

The PSCOC has a collective leadership structure that includes members from the executive, the legislative, and the educational community. How is it working?

MARTINEZ: The makeup of the PSCOC is unusual in that you have a broad array of complementary talents in the nine

Council members, combined with sincere dedication among all of us to improve the learning environment. It's a rarity that a PSCOC member ever misses a meeting. How many public councils barely make quorum for most of their meetings? I would guess that PSCOC members are diligent about attending meetings because the time we're spending together has always been effective.

MOYA: One of the things that I appreciate about PSCOC's collective leadership structure is that Council doesn't really get into the practice of admiring the problem. I think when you have all the key players in public school capital outlay at the table, it becomes about how can we get it done, not about why we can't get it done. I'd like to think that this Council could be a model for the rest of government. The leadership structure is also effective because we have a relatively narrow focus—we're not trying to solve world hunger, we're just zeroing in on facilities for public schools.

The Public School Facility Authority (PSFA) is now five years old. How's it working?

MOYA: It's working well. The way PSFA is funded and their oversight with respect to budget and finance offers a certain amount of latitude, which has allowed PSFA to be really efficient and highly creative in how they approach their work on behalf of Council and school districts. I've always been impressed by how hard the PSFA staff works, and the quality of their work.

MARTINEZ: I remember years ago when we went to State Personnel to figure out how PSFA should be set up and what level of staffing it would need. We thought that there could be more flexibility if we had exempt employees because there are so many constraints that are tied to classified employees in the rest of state government. That decision was key in providing the agency with operational flexibility. The other innovation is that PSFA can come to Council with a great new idea and may get immediate funding. The rest of government has set annual budgets

from the Legislature. If I come up with some brilliant idea tomorrow for a project I'd like to implement at CID, I don't have the funds.

“Secretary Garcia has said time and time again, that a district can have the best educational program in the world but it's meaningless unless that district has the financial plan to support it.” —Don Moya

What advice can you give to school districts on infrastructure and on capital outlay?

MOYA: Always know where every dime is at all times. Given the amount of turnover that happens in districts, with almost half of superintendents leaving their districts every year, the turnover in school leadership is huge, not only with superintendents but with business managers. That presents

its own set of challenges especially with regard to finance. Secretary Garcia has said time and time again, that a district can have the best educational program in the world but it's meaningless unless that district has the financial plan to support it. I think that also speaks to capital outlay and to everything else that school districts do. My advice to school districts then, especially with regard to working with the Council, is to know where every dime is, know what your financial position is, and know what your strengths and weaknesses are with regard to your finances *before* you come before the PSCOC to ask for funding.

MARTINEZ: I think that along with financial controls, management and oversight is critical for school districts. Districts need to have business plans and facilities master plans in place, so that when the leadership changes, there will still be some consistency about what the goals are and what the district is hoping to achieve. Over the years, there have been too many cases of districts getting themselves in trouble with their facilities management by not having full knowledge of what the long term plan is supposed to be, so they haven't been able to effectively manage their projects. If their

whole staff has a good handle on where the district is headed, which everyone gets when effective written plans are in place, I think districts can be a lot more successful in minimizing mistakes. PSFA has staff available to assist with this type of planning, and I hope districts are availing themselves of this resource.

“Districts need to have business plans and facilities master plans in place, so that when the leadership changes, there will still be some consistency about what the goals are and what the district is hoping to achieve.”—Lisa Martinez

BEST PRACTICES in Planning, Funding, Building and Maintaining Schools

PSFA Group Managers Martica Casias (Planning), Pat McMurray (Construction), and Bob Bittner (Maintenance) offer insights on the five stages of collaborative facilities management

WHAT'S THE FIRST THING THAT SCHOOL DISTRICT LEADERS NEED TO KNOW?

McMURRAY: That the five stages on the project timeline—from FAD to FIMS—are all interrelated, and should be collaborative. Initially, the community and the school district should share their ideas on education, and reach a consensus on what type of facilities are needed to achieve educational goals. Effective facilities management means that the specialists at each stage are communicating and working together.

(The diagram to the right outlines the specific processes in each of the five stages of collaborative project management. For each box on the diagram, PSFA has developed a simple, easy to follow checklist. All of these checklists are published annually in PSFA's "Step By Step Manual to Planning, Funding, Building and Maintaining Schools," that is available, at no cost, on www.nmpsfa.org.)



THE PLANNING STAGE:

CASIAS: The Facilities Assessment Database (FAD) is the tool that the Public School Capital Outlay Council (PSCOC) uses to assess district needs and to determine funding decisions; so FAD is a resource to assist districts in prioritizing their needs. Needs included in the district master plan should be in alignment with needs identified in FAD. It's never too early to involve the community in project planning—the earlier the community is involved, the greater that planning decisions will reflect community consensus, and the greater the community support for school projects when the district eventually goes for a bond election.

McMURRAY: The educational program should be documented and expressed before the building is designed—I cannot emphasize this more strongly. The district needs to have a clear idea of educational programming *before* hiring the architect. Overall, the project should be tightly defined, including establishing a realistic and credible budget, before asking for funding. PSFA Regional Managers (RM's) are the gateway to a range of specialized expertise that the State provides.

BITTNER: It's essential to get district maintenance personnel involved as new facilities are planned. Based on their experience, they'll be able to provide feedback on building systems that will be reliable and not too difficult to maintain. If districts don't think about maintenance during the planning stage, it's likely that the new facility's long-term operating costs will be excessive.

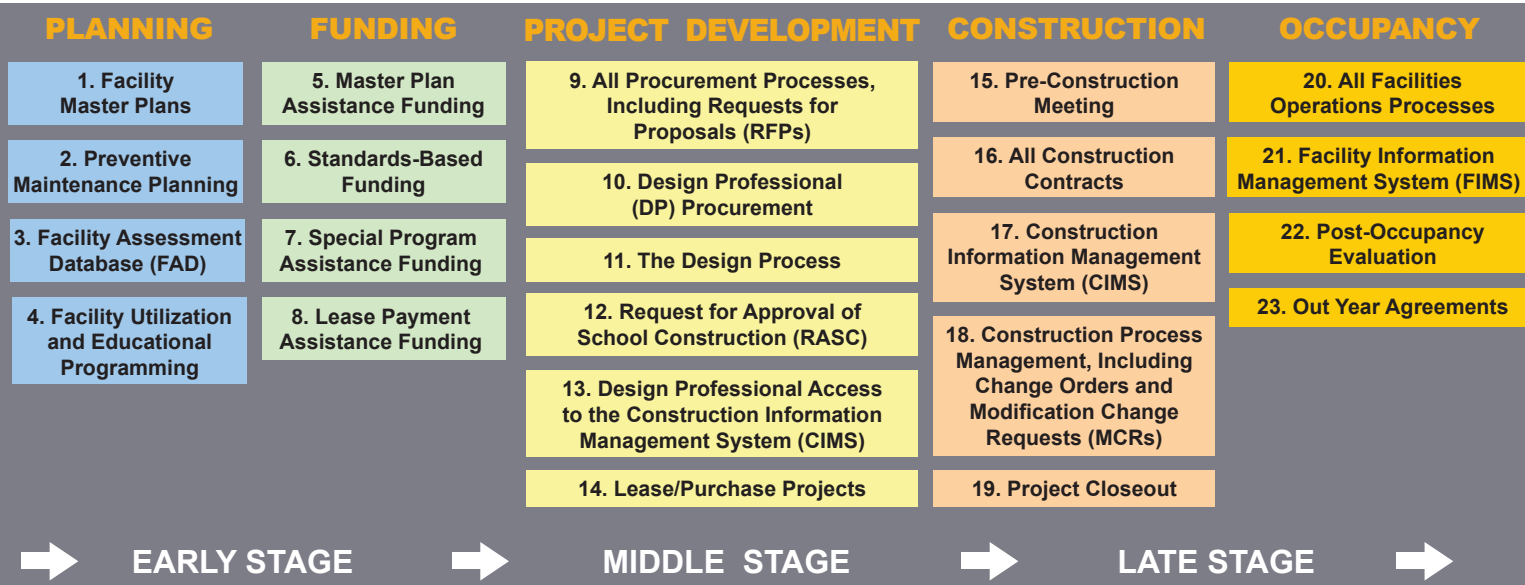


THE FUNDING STAGE:

McMURRAY: Funding for the district's educational facilities is shared between the state and the school district. Communities are required to pay their share of the total cost of the project, based on their relative wealth and capacity. The state assists the district with a percentage of the required cost of capital improvements, ensuring that the architectural solution meets the educational need, based on PSCOC adequacy standards and guidelines.

CASIAS: New Mexico funds school facilities via a standards-based process that identifies greatest needs across the state using the FAD database, and provides funding from the top of the list on down until available funds are exhausted—usually around the top 100 needs. We continually update the FAD database by entering data from the 100% construction document plan reviews, district information, and site visit updates in anticipation of the yearly ranking. The ranking of needs are tied back to districts' Facilities Master Plans (FMPs).

BITTNER: The state also offers other facilities-related funding programs. One example is the Facilities Information Management System (FIMS) that is provided to assist districts with the management of their maintenance and utility expenses. The state provides this system to districts free of charge.



THE PROJECT DEVELOPMENT STAGE:

McMURRAY: This is the documentation stage, where building requirements and project plan submittals at four different stages of project development happen. If the district has developed community consensus and fully determined their educational program in the planning stage, then it will be easier for their architect to turn educational program requirements into an appropriate facility solution. PSFA’s RM’s assist, and are an integral part of the project development team.

BITTNER: Maintenance staff should also be part of the project development process to assure that building systems and materials are maintenance friendly, which will save time and money over the full life of the facility. Life cycle cost analyses must be performed.

CASIAS: Project submittal requirements are meant to assure a safe and sustainable school, i.e. code requirements, adequacy, best building practices. It’s a collaborative process among partners. Our plan reviewers and RM’s want to work shoulder to shoulder with the district on best solutions, rather than act as compliance officers.

THE BUILDING / CONSTRUCTION STAGE:

CASIAS: This stage can be confusing for districts. RM’s can help alleviate that, while also acting as advocates for the district with state regulatory authorities. Construction goes more smoothly when the process is fully collaborative between PSFA and the district. PSFA is here to help.

McMURRAY: If a district has given sufficient attention to the planning and project development stages, construction will be a continuation of that process—less confusing, not at all chaotic, but exciting for the community as the solution finally takes shape in three dimensions.

BITTNER: During construction and project closeout the maintenance staff should be fully involved. Maintenance personnel should conduct periodic visits to the site to get to know the buildings that the district will receive. At closeout, there should be an effective hand off between the builder and the district staff that will need to maintain it, with operating manuals, equipment lists and special systems training provided. All sorts of problems can emerge with the building if this step is not given proper attention.

THE MAINTENANCE / OCCUPANCY STAGE:

BITTNER: District maintenance staff take the lead at this stage. The district should utilize FIMS to manage and track facility maintenance processes. Preventive maintenance schedules should be created for the new building, any warranty issues should be documented and communicated, and utility use should be tracked to verify energy efficiency specifications and proper operation of all building systems. It’s a current best practice for districts to use management reports generated by FIMS to demonstrate to their communities that the school facilities they’ve funded are being well cared for—which is helpful for the next project and bond campaign.

McMURRAY: A post occupancy evaluation (POE) on the new facility is vital to ensure that the building is performing as intended, plus it’s how districts get smarter in capturing facilities systems performance data and lessons learned, which can then be used to improve future school development projects.

CASIAS: The building is occupied, the district makes the necessary changes to its next five year Facility Master Plan, and the five stages in facility development and management that we’ve outlined here are complete, only to begin again for the next project, in an ongoing cycle of systematic, continuous improvement.

Dynamic, Greatest Needs Funding: How FAD Handles Change—A Simple Overview

For the past five years, New Mexico has used the Facilities Assessment Database (FAD) to quantify and rank public school facility needs in all school districts. How FAD works is now widely understood; but how FAD rankings take into account *unexpected changes in facility condition, and why up and down movements in project rankings can be beneficial to districts* may be a bit less clear. Here's a brief explanation.

Building Degradation—and Major Change

All public school facilities needs are ranked in FAD from greatest to least. Each year some of the highest ranked needs are funded. As schools are funded they drop to the bottom of the list and lower ranked needs slowly shift in priority for funding in subsequent years. In 2008, this is exactly how it worked for 434 facilities on the ranked list that only experienced normal building degradation.

The remaining 338 school buildings in New Mexico had a change in condition that prompted data updates into FAD. Some of these facilities shifted up in rank due to unexpected deterioration, while others shifted down in rank due to repairs.

Why Project Rankings Move Up and Down

FAD is a first of its type, complex relational database—some of the movements in project rankings in earlier years were simple errors in the model that could not easily be eliminated in advance, *but these errors have since been corrected.*¹ So at this point, what causes varying up and down movements in the rankings?

- If a freak hailstorm or a broken waterline damages a school building, its ranking will go up. If a district repairs that damage *with or without state funds*, the facility ranking will go down.
- If something is added or taken out of the adequacy standards, or category weights that determine rankings are changed, or a new category of school is added to FAD, facility rankings will rearrange.
- In fact, if any significant change in facility information is *entered into the FAD database, or there's a policy change that affects school buildings*, facilities ranking may change, either up or down. And when *one* facility is re-ranked, there may be minor movements in *other* facilities rankings, even though those other facilities haven't changed at all.

Why Movement in the Rankings is Good

Let's say that a school building has a FAD rank of 600 in 2008—so that building isn't expected to need major capital funding for a number of years. But foundation shifts damage the school and create life/safety concerns. If FAD rankings were static, that school would still wait years before qualifying for Standards-Based funding. However, when the recent damage is entered into FAD, that school would jump in the rankings ahead of less serious needs at other schools, and would qualify for funding more quickly.

Dynamic Ranking and Long Term Planning?

In a word: yes. School districts need *stability in FAD rankings* to plan bond campaigns and set construction schedules over multi-year periods. District also need *FAD rankings to vary* for more rapid help when a school building unexpectedly deteriorates.

The PSCOC balances these needs by minimizing policy changes that would rearrange FAD rankings, and by working to assure that FAD facilities data is current—keeping the rankings as stable as possible while still addressing unexpected change. *In 2008, while 338 school buildings had a change in condition that prompted data updates in FAD, only 46 schools experienced drastic movement in rank position—a mere 6 percent of all 772 schools in the state.*

The bottom line? FAD rankings are sufficiently stable for long term planning, even as unexpected changes in facilities condition are accommodated within the FAD model.

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Maximizing FAD Value to Your District

For your district to maximize state capital outlay assistance, it's essential that your FAD data is fully up-to-date—if it isn't, some of your needs may not be accurately represented, and your facilities may be ranked lower than they should be. Districts are responsible for keeping their FAD data current and for reporting any changes in building conditions to PSFA. But PSFA can assist by providing on-site building assessments, training in every aspect of FAD, and working shoulder to shoulder with your staff to assure that your district facilities are accurately ranked. Please give us a call—we're here to help.

1. To minimize anomalous ranking movements related to outdated or incorrect facilities data, PSFA has significantly increased assessments and/or review of facilities data—from 89 facilities in 2007-2008 to 338 in 2008-2009. PSFA also updates district FAD data by entering 100 percent construction document review data into the FAD database.

2008 Public School Capital Outlay and Facility Advisory Groups

The PSCOC and the PSFA wish to acknowledge and thank school district staff and representatives from the design and construction communities for serving as advisors in our collective task of developing better methods for providing high performance school facilities that enhance learning for all of New Mexico's communities via efficient, effective and fair use of public funds.

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DAVID BOYD, *Gadsden Independent Schools*
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GLORIA MARTINEZ, *Las Cruces Public Schools*
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BRANDON MORRISON, *Parkline West*
LARRY MORRISON, *Parkline West*
BOBBI GUTIERREZ, *Santa Fe Public Schools*
TRINA RAPER, *Santa Fe Public Schools*
MARK SHUMATE, *Shumate Constructors*
BARRY WARD, *Silver Consolidated Schools*
JOE MUHLBERGER, *Van Gilbert Architects*
RAY VIGIL, *Vigil & Associates Architectural Group*

Do Better School Facilities Improve Learning?

A growing body of research demonstrates an explicit, measurable relationship between the physical characteristics of school buildings and effective (or ineffective) student learning. For example:

- ✓ Students learning in better building conditions earn 5-17 percent higher test scores than students in substandard buildings.¹
- ✓ Students experience a significant reduction in analytical ability, reading speed, and reading comprehension when classroom temperatures exceed 73.4 degrees.²
- ✓ Students in classrooms with the most exposure to daylight progressed 20 percent faster on math tests and 26 percent faster on reading tests than those in classrooms with the least exposure to daylight.³
- ✓ As the age of school buildings increase, the achievement scores of students tend to decrease.⁴
- ✓ Facilities conditions may have a stronger impact on a student's academic performance than the combined influences of family background, socioeconomic status, school attendance and behavior.⁵
- ✓ Schools with better building conditions experience up to 14 percent lower suspension rates than those with unsatisfactory conditions.⁶



1. Earthman, G. "The Impact of School Building Condition and Student Achievement," Organization for Economic Coordination and Development Conference, Luxemburg, 1998; Moore, D., and Warner, E. "Where Children Learn: The Effect of Facilities on Student Achievement," Council of Education Facility Planners International, 1998; Morgan, L. "Where Children Learn: Facilities, Conditions and Student Test Performance in Milwaukee Public Schools," Council of Educational Facility Planners International, 2000.
2. Harner, David. "Effects of Thermal Environment on Learning Skills," CEFPI Journal, 1974
3. Heschong_Mahone study.
4. V.W. Ikpa, "The Norfolk Decision: Norfolk City Schools", 1992.
5. Morgan, L. 2000.
6. Boese, S. "New York State School Facilities and Student Health, Achievement, and Attendance," Healthy Schools Network, Inc., 2005.

2008 PSFA Quality Awards

PSFA Regional Managers award PSFA Quality Awards for exceptional workmanship, leading to better school buildings for the children of New Mexico.

Recipient: SANJAY ENGINEER, BILL KONOPIK, RYAN PARKS, & H. WILLIAM FANNING

Company: Fanning Bard Tatum Architects

Project: San Juan Elementary

District: Española Public Schools

PSFA RM: Irina Ivashkova: "The FBT architectural team is responsive, cooperative, competent, and a pleasure to work with."

Recipient: RANDY OLIVE

Company: CAMCO

Project: Twin Buttes High School

District: Zuni Public School District

PSFA RM: John Adams: "Mr. Olive went out of his way to involve himself in every aspect of the work. He also identified problems ahead of time."

Recipient: JOHN JOURDAN

Company: Chaparral Builders, Inc.

Project: High School Renovations

District: Dexter Consolidated

PSFA RM: John King: "Working with Mr. Jourdan was very beneficial. He made everything work smoothly and rapidly, with no delays."



Sanjay Engineer, Ryan Parks, Bill Konopik, Pat McMurray, Irina Ivashkova, H. William Fanning

How Peñasco Overcame Major Challenges to Implement the FIMS Maintenance Management System and the Benefits that the District is Reaping

“We’re a small district with limited resources, so even though we saw great potential with FIMS, our implementation strategy needed to be creative,” said Peñasco Superintendent Ernesto Valdez. “But thanks to our staff and to support from PSFA, we’ve been successful, and are now using FIMS to provide our school and community with a safer and more effective learning environment at lower cost.”

HOW PEÑASCO SUCCEEDED USING STUDENTS TO ENTER DATA

Like many small districts, Peñasco staff struggled to find time to enter maintenance data into the FIMS software, so Maintenance Supervisor Gabe Gonzalez recruited students to assist with data entry. Students were given elective credit and learned a marketable new skill, while the district gained access to the additional administrative support that FIMS required.

A HYBRID WORK ORDER PROCESS

The maintenance staff was not sufficiently trained on computers, so Peñasco developed a hybrid electronic and paper work order process, where the maintenance supervisor or business manager prints hard copies of work orders for maintenance and custodial staff. Completed work is then entered back into FIMS from the paper records.

MAKING FIMS PART OF EVERYONE’S JOB

Peñasco wove FIMS into the district’s daily operations by training teachers to enter requested work orders directly into the FIMS system, and by training principals and administrators to generate their own FIMS management reports. Department managers worked collectively in implementing FIMS. Teaming on maintenance became second nature, as staff were all kept fully up to date on maintenance initiatives and challenges. Maintenance staff felt a greater sense of accomplishment because their work order completions were acknowledged.

GAINING SUPPORT FROM DISTRICT POLICYMAKERS

Peñasco succeeded in gaining buy-in from school board members by providing FIMS management reports to the board, which led to fact-based decision-making in an area for which data had previously been unavailable, and which demonstrated that the district was reducing operations costs. Likewise, Superintendent Valdez championed FIMS and outlined the many benefits that FIMS offered during board meetings and staff orientations.



WHAT PEÑASCO GAINED WITH FIMS

A SIGNIFICANT REDUCTION IN OPERATING COSTS

Peñasco was able to purchase a backhoe tractor with the savings that resulted from the district becoming maintenance-proactive instead of maintenance-reactive. Using FIMS Utility Direct, the district identified overcharges in electrical use that reduced utility costs by \$5,300. Scheduling and completing preventive maintenance tasks eliminated expensive heating system failures.

A MARKETING RESOURCE FOR BOND ELECTIONS

During local bond elections and in capital outlay requests, Peñasco uses FIMS management reports to provide concrete evidence that the district has been effective and prudent in caring for school buildings.

LONGER LASTING BUILDINGS, MANAGED PREVENTIVE MAINTENANCE

FIMS sets preventive maintenance goals and tracks goal completion. As preventive maintenance increases, reactionary work declines. 50% of Peñasco’s work orders are now preventive maintenance focused.

The district is confident that this work will lead to longer lasting school buildings and to lower capital outlay costs for its community.

BETTER FACT-BASED FACILITIES DECISION MAKING

FIMS management reports target opportunities for improvement. Peñasco now has better data and is able to make more timely and informed decisions about its facilities.

MOST OF ALL, A SAFER, HIGHER-PERFORMANCE LEARNING ENVIRONMENT

Teacher work orders are being processed faster, and the classroom environment is maintained in optimal condition for learning. Teacher satisfaction with maintenance support is achieving new highs.

“The effort Peñasco has made to use FIMS is paying off. We’re saving money, our facilities are in better shape, we have a new resource to support bond elections, and our teaching staff sees improvement in student learning outcomes.”

—Ernesto Valdez, Superintendent, Peñasco Independent Schools

2009 PSCOC and PSFA Staff Directory

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- AWARDS SUBCOMMITTEE

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* Don Moya is the designee of Dr. Veronica Garcia, Secretary of PED.

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The Public School Capital Outlay Oversight Task Force on Funding Challenges, Partnering Opportunities, and the Zuni Lawsuit

Speaker of the House Ben Lujan, and Senator Vernon Asbill share their insights.

What are the main issues right now in helping school districts with their facilities challenges?

ASBILL: With the state budget shortfall and reduced severance tax revenues from oil and gas, it's going to be difficult to provide all the funds that school districts need for their facilities.

LUJAN: I agree. We're not going to have as much funding available from the revenue stream we established for addressing public school capital outlay needs, but for school districts that are able to provide their local match, I think we will still have some funds available.

Do you foresee any additional funding streams from other sources?

LUJAN: I think the probabilities are good for a federal stimulus package for infrastructure to include money for our schools. If and when these funds are available, they'll be distributed to states for projects that are shovel ready. All the planning that we've been doing for public school infrastructure means that we have quite a few school projects that are shovel ready, and that only lack the funding. We provided Congress with a list of school projects totaling over \$450 million that could be ready to break ground in six months or less.

**"I think the probabilities are very good for a federal stimulus package for infrastructure to include money for our schools."
—Speaker Lujan**

ASBILL: We've been discussing for the past few years how districts could partner with communities for funding and use of public schools, and how schools might be able to use community spaces, in order to improve facilities utilization and reduce costs for both. This would potentially provide an additional revenue stream, and joint community use might also broaden the applicability of schools for federal stimulus funds.

What else could be done to reduce facilities costs without impacting build or material quality?

ASBILL: I think what PSFA has done to help districts with school planning is important. Better planning means better use of our limited resources and fewer cost overruns. That's a former school superintendent's perspective.

LUJAN: I hope school districts have learned that good planning is important. I also want to mention that with the economic downturn, there will be a lot of hungry contractors out there that will be looking to get some work. Construction prices are going to be lower in 2009 for districts that have passed bonds and are ready to go with projects.



SENATOR VERNON ASBILL



SPEAKER OF THE HOUSE REP. BEN LUJAN

What else is working well in this process?

LUJAN: In years past, there wasn't the collaboration between the state and districts that's going on now. This collaboration is helping improve schools and is beneficial for our students and educators, which benefits all of us.

ASBILL: PSFA's Facilities Assessment Database has created objective measures for setting priorities on a fair and level playing field. It takes the politics out of it, and is probably one of the better things that we've been able to accomplish through this whole process.

How is New Mexico doing on the Zuni lawsuit?

ASBILL: I think the State Legislature has responded rather well. For deficiencies corrections in concurrence with the court, we spent \$240 million in initial funding. Since 2003, we've allocated between \$150 and \$350 million a year on school capital outlay. I think the state has done the right thing in stepping up for capital outlay not only for the litigant districts, but for all districts. We've created incentives for local bonding via the Standards-Based funding awards, and have increased SB-9. All in all, we've done a great deal.

**"PSFA's Facilities Assessment Database has created objective measures for setting priorities on a fair and level playing field. It takes the politics out of it."
—Senator Asbill**

LUJAN: We've made every effort to remove politics from funding decisions, which the lawsuit required, but we've gone beyond those requirements in creating a standardized process to identify and fund greatest needs. The court hasn't been knocking on our door to say "hey, you guys aren't keeping up to your obligations." I think that in itself shows that we're doing our job.



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2008 GROUND-BREAKING CEREMONY FOR THE NEW PORTALES ELEMENTARY SCHOOL, BUILT BY THE COMMUNITY OF PORTALES, AND THE PORTALES SCHOOL DISTRICT, WITH PROJECT AND FUNDING ASSISTANCE FROM THE STATE OF NEW MEXICO.