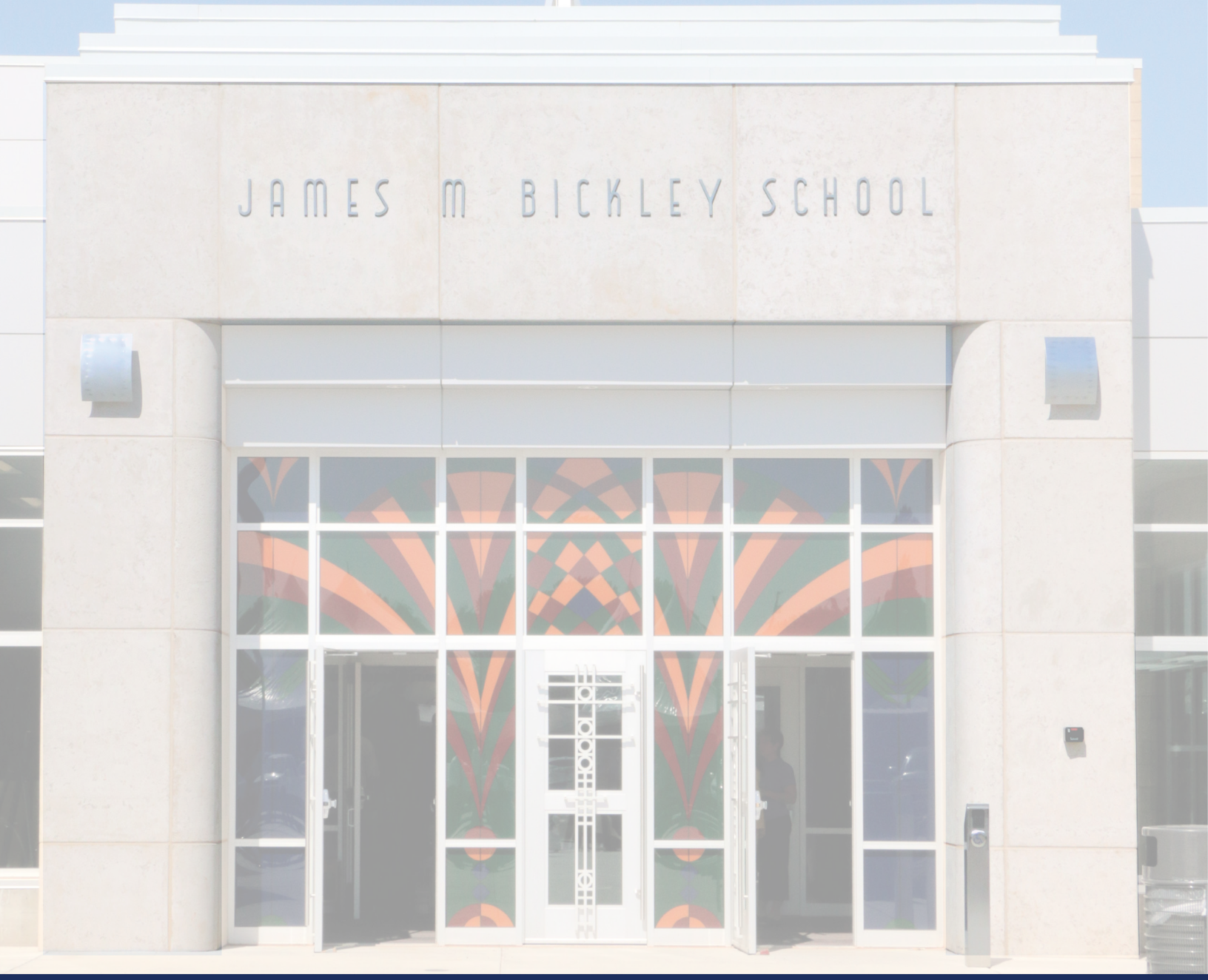

STATE OF NEW MEXICO

PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL

PUBLIC SCHOOL FACILITIES AUTHORITY

FY 2016 ANNUAL REPORT

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FROM THE CHAIR
OF THE ADMINISTRATION, MAINTENANCE AND STANDARDS SUBCOMMITTEE

Investing in education infrastructure provides every student with the opportunity to learn. Despite New Mexico's fiscal challenges during the past fiscal year, the Public School Capital Outlay Council (PSCOC) made 17 standards-based awards totaling almost $150 million. The investment made in broadband infrastructure in K–12 public schools was a major accomplishment, and the PSCOC, along with its partners, are actively working to increase internet access throughout the state. Investing in this infrastructure will continue to support digital learning in the 21st century.

Moving forward, revenue restraints will require the Public School Facilities Authority (PSFA) and its partners to do more with less. Doing more with less should start at the top, so the PSCOC is determining how to best manage and leverage its resources so that it may lead by example.

As part of emphasizing management efficiency, the PSCOC adopted a strategic plan that emphasizes facility maintenance effectiveness so that school districts are better equipped to adequately manage their facilities. The PSFA continues to collaborate with the Department of Finance and Administration to align budgeting and accounting practices, allowing for increased cooperation and accuracy. In addition, the PSCOC is adding greater emphasis to the systems-based model, which allows for an increased life expectancy of existing facilities. Finally, school district outreach remains a top priority, and our quarterly newsletter will feature a project spotlight, announce upcoming dates, highlight PSFA personnel transitions, highlight best practices, and announce new programs to keep districts and stakeholders informed.

Our work is possible due to the commitment of each council member, as well as to the work of Governor Susana Martinez, the Legislature, the Public School Capital Outlay Oversight Task Force (PSCOOTF), and our school districts. On behalf of the PSCOC, thank you for your commitment to providing funding to public schools across the state. The PSCOC and PSFA remain committed to providing the best school facilities possible for our students.

Respectfully,

Jessica Kelly

Administration, Maintenance and Standards Subcommittee Chair

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PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL

The PSCOC has been directed by the New Mexico Legislature to manage the allocation of state funding to public school facilities statewide. Consisting of members representing Executive and Legislative branches as well as representatives of school districts, the Council oversees the various programs administered by the PSFA.

By statute, no later than December 15 of each year, the Council shall prepare a report summarizing its activities during the previous fiscal year and submit it to the Governor, Legislative Finance Committee (LFC), Legislative Education Study Committee (LESC) and Public Education Commission.

PUBLIC SCHOOL FACILITIES AUTHORITY

The PSFA serves as staff to the PSCOC: to assist districts in the planning, construction and maintenance of their facilities; to assist in training district facilities maintenance staff; and to implement systems and processes that establish adequate public school facilities throughout New Mexico via efficient and prudent use of funds.

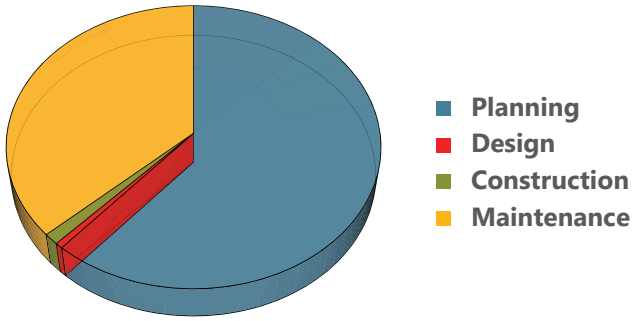
PLANNING STRATEGIES FOR SUSTAINING SCHOOL FACILITIES

ROBERT GORRELL, DIRECTOR

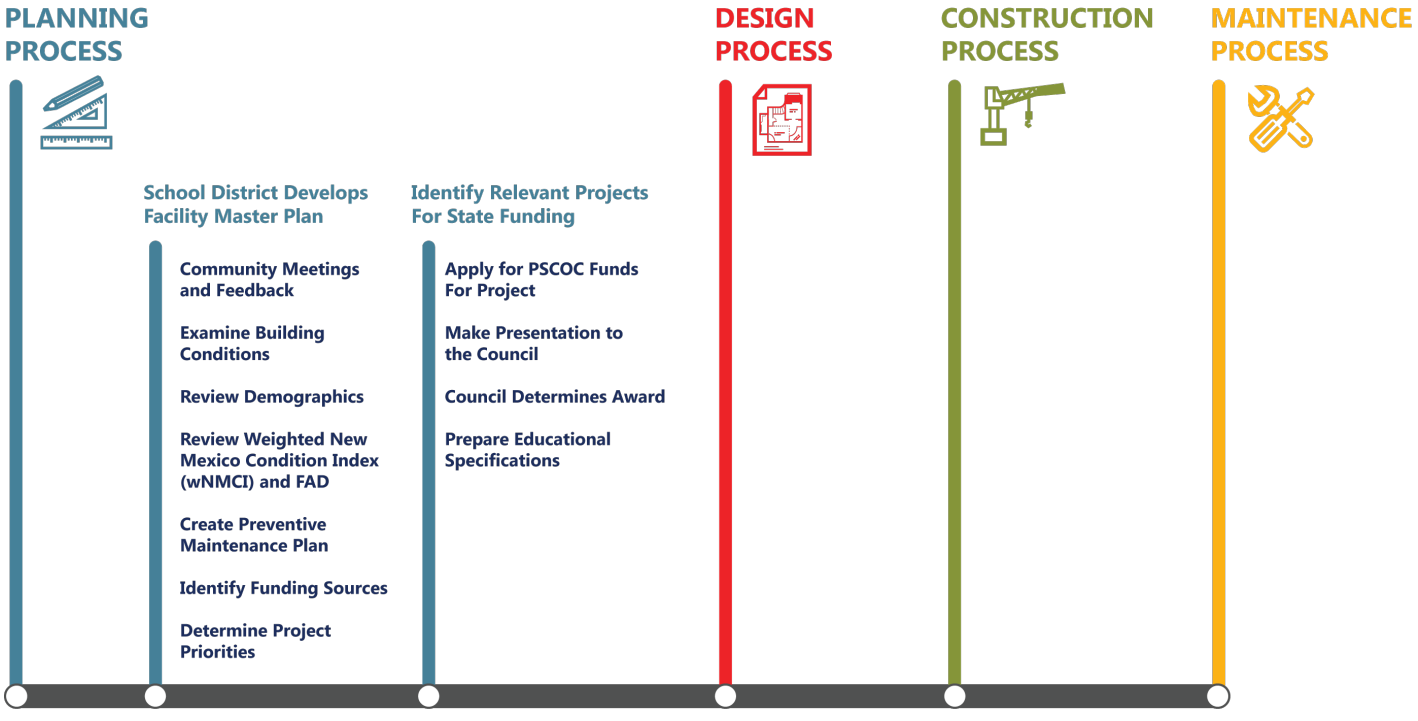
Facility management can be divided into four primary components—planning, major capital, maintenance capital, and maintenance. Of these, planning is the most important, followed by maintenance, then maintenance capital, which replaces building systems such as roofs. It should be of no surprise that major capital projects such as new schools or renewal of existing schools get the public spotlight. Yet, for a facility owner, it is planning that provides the greatest return on investment, followed by maintenance. Done correctly, planning and maintenance result in facilities that will function better and last longer for much less money than what is required for capital spending.

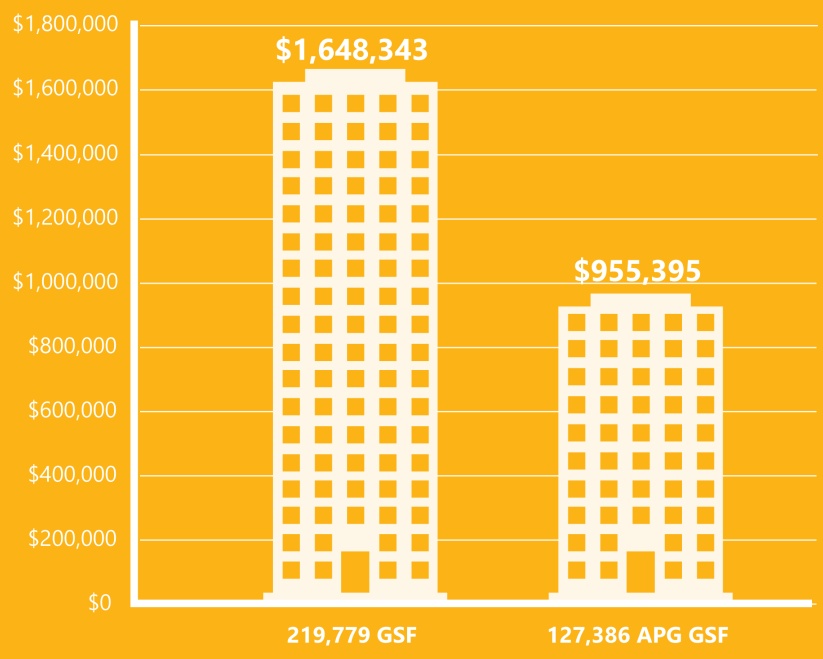
Planning and designing a capital project, whether it is a new roof or a new school, can be daunting and overwhelming. The PSFA strives to be a resource for districts by providing support and high-quality planning and facilities management tools such as the Facility Assessment Database (FAD), Facility Information Management Systems (FIMS), Facility Maintenance Assessment Report (FMAR), and Geographic Information System (GIS). The PSFA also provides guidelines and templates for effective Facilities Master Plans (FMP), Utilization Studies, and Educational Specifications (Ed Specs). These tools, guidelines, and templates can provide leadership, stakeholders, and entire communities the information about their facilities that they need to make the most informed decisions possible that will result in high-performing educational spaces at the least possible cost.

BUILDING LIFE CYCLE PHASE IMPORTANCE



The FMP is a roadmap for disciplined facilities ownership. A good planning process aims to integrate the community, building needs, utilization, and preventive maintenance in a comprehensive vision and strategy to ensure efficient use of district





Excess gross square footage (GSF) is expensive to build, maintain, and operate. For example, a high school with a 521 student population that has 219,779 GSF is 92,393 GSF above Adequacy Planning Guide (APG). At a statewide average of $7.50 per square foot to annually maintain and operate, the district is spending $692,948 more per year than if the school was built to APG. During the FMP and Ed Specs process, the district can decide to reduce excessive GSF. "Right-sizing" a school is fiscally prudent and allows a district to be more sustainable.

and state resources. Planning must be inclusive of teachers, students, facilities operations staff, parents, and business people. Strong community involvement in the development of the FMP and Ed Specs for a specific project builds community unity, strengthens understanding of and support for education, and makes passing bonds more likely.

An important part of the FMP is to anticipate which facilities the district will want to keep, renovate, replace, or demolish, as well as the building systems, such as HVACs or roofs, that will need to be replaced in the coming years. The FMP also identifies funding sources for these projects. To assist districts with aging building systems identified in FMPs, the 2015 Legislature passed Senate Bill 128, which allows the PSCOC to assist in funding repair or replacement of critical building systems. If building systems are "run to failure", they become very costly emergency projects that can have a direct impact on educational delivery and reduce the life of facilities. With the uncertainty of funding and tightening of budgets, any unplanned project can put districts in a difficult financial situation.

The PSFA provides FMP templates and works closely with districts and communities to differentiate and prioritize the wants and needs of district leadership, school administrators, and teachers, as well as the community. Since 2006, FMPs attach specific projects to potential funding sources, thereby providing a greater opportunity for those projects to be realized. Beginning in 2014, the FMP also included information on preventive maintenance and the condition of building systems.

The PSFA's other facility management tools that are incorporated into an FMP development are the FAD, FIMS, FMAR, and GIS. The FAD is the go-to repository of the condition of each school in the state. The condition is detailed down to the building system level. The FMAR is a maintenance effectiveness report available for each of our state's schools. FIMS allows real-time maintenance management that can assist with effective resource utilization. Most facility information can be found on the PSFA website and easily accessed through our GIS maps. The GIS maps allow district leadership, school staff, parents, and stakeholders to view important information about specific school facilities, such as expiration dates of critical systems, district boundaries, and a school's most recent FMAR score, as well as other relevant information. Though beneficial as individual tools, when combined, they provide for effective facilities planning.

FINDING THE BALANCE

MIMI STEWART, NEW MEXICO STATE SENATOR

An educationally adequate facility is one that supports students' ability to attain a high educational level based on state standards. In other words, the State sets high educational standards and the facility provides the space and equipment for those high standards. For example, the Public Education Department (PED) requires laboratory science classes as a part of the Standards of Excellence and as a result, safe and well-equipped science laboratories are included in the New Mexico adequacy standards.

To continue to ensure high-quality, educationally adequate facilities, we must do a better job of maintenance, upgrade building systems to promote a longer use of the buildings, and continue to have a robust funding source. For modern buildings with computerized mechanisms to control for efficiency and effectiveness, good maintenance is absolutely crucial. Districts are responsible for maintenance, but our PSFA staff have been training and providing help in many ways, including guidance documents for daily issues and long-term planning. We must protect and preserve the schools we have built, for our students, for our investment, and to answer to the public trust. We have created systems to allow the State to work with districts to make our educational dollars go further by sizing buildings correctly, providing for maintenance management tools, all with an adherence to our educational standards. We have focused our resources and targeted help for our facilities most in need of repair or upgrades. Senate Bill 128, the building systems initiative, was enacted just as the Legislature had to adjust the funding stream for school capital downwards to keep the source of those funds, our Severance Tax Permanent Fund, solvent. By utilizing capital funding to address building system needs, we can prolong the life of school buildings while also providing a better learning environment and save funds for fewer new buildings. New Mexico has had ten years of increased school construction; now we can focus on high-quality maintenance efforts and replacing lighting, heating, cooling, and ventilation with modern, more efficient and effective systems, along with new construction where it is needed.

As is common, everyone would like more resources, but I believe we have done very well with limited funding. The Bureau of Business and Economic Research (BBER) report showed that our funding formula is working as designed to target schools and communities in need of building resources. The report does reflect some issues with building cost differences in rural versus urban schools. However, those differences are somewhat mollified by awarding higher costs for building through the award-granting process. The BBER report did acknowledge that some districts have the ability to build over what is stated in the adequacy standards and some do not. We may be able to address this through slight formula changes by the legislative process. We have excellent staff at the PSFA and experienced and knowledgeable decision makers on the PSCOC and the PSCOOTF.

RAÚL BURCIAGA, DIRECTOR, LEGISLATIVE COUNCIL SERVICE

The *Zuni* lawsuit resulted in the development of adequacy standards and equalized funding for the construction and repair of public school buildings. However, the term "adequacy" does not appear in the constitutional provision that charges New Mexico with ensuring a uniform system of public schools sufficient for schoolchildren. Still, the court determined that "adequacy" was appropriate and that the State was making progress toward leveling the playing field.

But what is adequacy? From the beginning, the PSFA, PSCOC, and the PSCOOTF sought to develop adequacy standards that establish and maintain a minimally acceptable level for the physical condition and capacity of school buildings, an educational suitability of facilities and a modern technological infrastructure. The standards have been in place for some time and have proven successful in improving the Facility Condition Index (FCI) of schools over the last decade and a half.

To date, the State has spent approximately $2.3 billion in constructing, remodeling and repairing school buildings. During tough economic times, it is difficult to ensure the funding stream continues to provide facilities that meet established adequacy standards. Recent legislation to shore up the state's Severance Tax Permanent Fund will result in decreased funding. The challenge then is to maintain the improved FCI through other means.

Legislation was passed in 2009 to assist school districts in repairing school building roofs to prevent more costly repairs or construction because of water leaks. Senate Bill 128 expanded that legislation in 2015 to include fixing or replacing distinct building systems rather than entire facilities. This should help school districts to maintain and improve their schools' respective FCI scores.

Another ongoing challenge with a significant impact on FCI and expenditure of capital outlay dollars is maintenance. As an operational cost not funded through capital outlay, maintenance dollars are often cut in an effort to ensure that schools have the personnel necessary for instruction. Reduced maintenance has a negative effect on the condition of the facilities and, thus, the FCI.

Parents and communities want to see their students attending classes in large and aesthetically pleasing school buildings. Unfortunately, new buildings will be harder to come by with reduced funding. Maintenance and building systems, then, become much more important to ensure that schoolchildren have the physical environment conducive to learning. The PSFA, PSCOC and PSCOOTF are well aware of this and have taken steps, along with the Legislature's support, to fund construction, building systems, and information technology infrastructure. Parents, communities, school boards, and school personnel have the same challenge and obligation.

RICHARD PEREA, SUPERINTENDENT, SANTA ROSA CONSOLIDATED SCHOOLS

While I was in the Aspiring Superintendent Academy, I worked closely with then-Superintendent Ted Hern on the Rita M. Marquez Elementary and Anton Chico Middle School building. During this project I learned quite a bit about the PSFA, capital outlay, the FCI and the weighted New Mexico Condition Index (wNMCI). I really enjoyed working closely with our Regional Manager at the PSFA, who guided and provided direction for us on following the processes that led to getting our school built. At Anton Chico, we built within the Adequacy Standards, basing the square footage on student enrollment data collected from the previous 10 years.

There are many factors that go into the planning and design of a new school, including the adequacy standards, the social-economic condition of the community and the educational delivery. We are not a wealthy district and therefore manpower is a constant challenge, not having the personnel available to do what we're expected to do, so we have to take on extra work. For example, I wear many hats: transportation, curriculum advisor, and superintendent, just to name a few. This was one of the reasons the design of Anton Chico was so strategic, so that we could build a facility that is easy to maintain and meets the needs of our students.

The Adequacy Standards are not perfect—they should evolve and adapt to the educational requirements over time. When Anton Chico was built, we were limited to 21,000 square feet, so we had to be creative with the design. We did not build a library; instead, we put all of the library books on carts along the walls in the cafeteria. At that time, the State did not require schools to test on computers, so a media center, library, or technology room was not included in the design. Now the State requires Partnership for Assessment of Readiness for College and Career, or PARCC, exams, which are all computerized, so we built an additional classroom to serve as a technology room on our own dime. Overall, the Adequacy Standards work for our benefit, not against us.

Going into the future, I have a good gauge of what needs to be done in terms of planning for our district. However, looking over the latest oil and gas revenues, it is dismal. We are dependent upon the PSCOC award programs and our state-local match to improve our facilities and infrastructure. In the meantime, what will help us get there is utilizing SB 9 properly, having a preventive maintenance plan, keeping master plans up to date, and having a strategic plan.

CARRIE BUNCE, DEPUTY SUPERINTENDENT OF OPERATIONS, CLOVIS MUNICIPAL SCHOOLS

The condition of a facility has a proven impact on educational instruction. As administrators and stewards of taxpayers' money, it is our job to design educationally adequate facilities that address safety, provide a healthy environment, and meet the State's educational requirements regarding educational

delivery, technology, and meeting the increasing needs in the areas of ancillary services. Designing facilities that will be adequate well into the future and have the necessary space to acclimate to the ever-increasing demands placed on public education by both the community and the State is a challenge. We aim to design buildings that meet the complex needs of educational delivery but also allow room for future expansion.

In the current planning process of a new facility, we have to listen and then determine the difference between what we want and what we need. The committee, made up of key stakeholders, works to design a facility that balances these wants and needs, is educationally adequate, easy, and cost effective to clean and maintain, and will be built below cost estimates. Effective maintenance determines the life and usability of a facility, and preventive maintenance is the key to reducing capital needs by extending the life of facilities and systems. Programs are needed to assist districts with maintaining their buildings, as school districts do not choose to not take care of their buildings—they do the best they can with their available resources.

The PSFA has supported school districts in the replacement and renovation of countless facilities and has played a key role in identifying facility conditions, conducting assessments on maintenance performance, maintaining a database to give districts organized facility information, and working with districts to apply for capital funding. The agency continues to play a supporting role as we must design and build educationally adequate school facilities. We believe simpler is better, and designing spaces that can serve multiple needs is a necessity to ensure sustainability. In the future, we look forward to continuing our work with the PSFA to bring better school facilities to our students and staff.

JOHN DUFAY, EXECUTIVE DIRECTOR OF MAINTENANCE AND OPERATIONS, ALBUQUERQUE PUBLIC SCHOOLS

Adequacy standards are a big issue across the United States, not just in New Mexico. It is an issue because of the deterioration of facilities across United States not being addressed, and because of shrinking funding. On one hand, you need finances to have true adequacy, and on the other hand, you have to weigh needs versus wants. Adequacy does not mean that we are getting everything we want; it means we get what we really need in order to give a good sound educational environment that is conducive to learning.

The PSFA has a tough role looking at adequacy standards across the whole state to create a balance because the perception is that all of our districts, from Las Cruces or Deming to Albuquerque or Santa Fe, have different needs. They have had to examine what is practical for an adequate educational process. Practicality and funding have a huge role in the Adequacy Standards. Albuquerque Public Schools (APS) has been very lucky to be able to communicate our funding needs with our school board and community for a number of years, so we are able to fund our immediate needs and concerns.

One way we ensure a facility is adhering to the Adequacy Standards is to be on the design team from the very beginning—from concept to building completion. When our district is designing a new facility, the Maintenance and Operations (M&O) division works closely in collaboration with the Facilities Design and Construction division and becomes part of the decision-making in the design team and the review team, and is not just making suggestions. Maintenance is involved during inspection; we are on site. We review the plans and provide comments. The two divisions work to find a balance between the facilities point of view and the academic point of view. Many times people accuse facilities of driving academics, instead of academics driving facilities. We try to design spaces so they can be used for more than one purpose, but we also look at educational standards and do what we can to mold our facilities to meet shifting education program needs.

We work very closely with our schools and our principals because we want to minimize the potential for facility issues to interrupt the educational process. We join in partnership with the schools so that it is not just about fixing the air conditioner or other maintenance needs. We really want to make every classroom and every space conducive, the best we can, to learning and give the kids the environment that they need.

A HISTORICAL LOOK AT THE STATEWIDE ADEQUACY STANDARDS

ROBERT GORRELL, DIRECTOR AND MARTICA CASIAS, PLANNING AND DESIGN MANAGER

Article XII, Section 1 of the New Mexico Constitution specifies that a uniform system of free public schools sufficient for the education of, and open to, all the children of school age in the state shall be established and maintained. In 1998, Zuni, Gallup-McKinley, and Grants-Cibola school districts filed a lawsuit—commonly referred to as the "Zuni lawsuit"—against New Mexico stating that the public school capital outlay funding system was unconstitutional, as some districts did not have sufficient local funding capacity to provide adequate facilities. The following year the Court's Special Master agreed. Between 1999 and 2002, New Mexico developed a capital outlay system for new statewide K–12 school facilities based upon the creation of statewide school facility adequacy standards.

The process for developing the Adequacy Standards began with the PSCOC forming a work group made up of teachers, administrators, cafeteria workers, librarians, coaches, special education teachers, superintendents, and representatives from the construction and design industries. These experts discussed the spaces and specific attributes of those spaces that were needed in order to deliver the educational content standards as set forth in the PED Standards of Excellence. For example, cafeteria staff shared how many lunch rotations can reasonably be worked in a day, science teachers shared the specialized needs for high school science classes, and coaches identified the spaces necessary to conduct physical education classes. The work group also looked at the facility requirements and standards of other states as well as the Bureau of Indian Education. Over the course of a year, the work group met often and began the difficult task of separating the needs versus the wants for each specific use of space. In early 2000 the work group reached consensus and presented a draft of the first Adequacy Standards to the PSCOC. In 2002, the PSCOC, after a rule-making process with significant public input, adopted the Adequacy Standards, which are published in the New Mexico Administrative Code Title 6, Chapter 27 Part 30.

The Adequacy Standards cover a variety of spaces to ensure that all public schools are able to provide a safe and healthy environment that is conducive to learning. Some of the areas that are specifically outlined are:

- School Site, including parking, drainage, security, etc.;
- General Classrooms, including language arts, mathematics, social studies, etc.;
- Specialty Classrooms, including science, special education, art, technology rooms, etc.;
- Outdoor and Indoor Physical Education Spaces;
- Libraries and Media Centers;
- Food Services;
- Maintenance or Janitorial Space; and
- Storage.

Following the adoption of the Adequacy Standards, the Legislature passed legislation for a new capital outlay system based upon these standards. In this system, each school facility in New Mexico receives a wNMCI score that utilizes the Adequacy Standards, is a measure of a facility's educational appropriateness, and compares all schools in the state against each other. Those school facilities with the highest wNMCI score have the greatest deviation from educational adequacy and are therefore prioritized as being the most eligible for state funding assistance. This standards based funding process ensures equitable distribution of available funding. Additionally, districts with little local bonding capacity receive a greater share of state funding assistance than those with greater bonding capacity. In 2002, the Court's Special Master issued a finding that the state effort "is in good faith and with substantial resources attempting to comply with the requirements" of the court.

In 2003, the PSCOC adopted the APG as a companion to the Adequacy Standards. The APG was incorporated by reference in the New Mexico Administrative Code 6.27.30.2 rule in 2007. The APG serves as a tool for designers by providing them the maximum area of a facility allowed and the minimum requirements set forth within the Adequacy Standards. The APG also contains important information, such as

spaces the PSCOC will not participate in funding, best practices, the PED number of students per classroom allowances, acquisition of school sites, and square foot per student requirements.

The PSCOC revised the Adequacy Standards in 2012 and followed with corresponding revisions to the APG. Initially, a specific square footage was required for each individual educational space. This method quickly proved to be ambiguous—sometimes disputes and appeals occurred over minimal amounts of space, or the addition of unique educational spaces resulted in an overly large facility. Instead, the PSCOC adopted the footprint approach that provides a gross square foot per student goal for each facility based upon the number of students and grades served. This methodology is still used today and allows districts to design educational spaces that are customized to the specific needs for their educational programs. For example, if a district has a high demand for music classes, it could build larger music classrooms than allowed by the APG, and, in turn, they combine smaller part-time programs into a single multiuse space to compensate for building larger music classrooms.

Both the Adequacy Standards and the APG are dynamic documents, meaning the PSCOC can revisit and revise the standards periodically as the needs of schools and their educational delivery approaches change. In order to change the Adequacy Standards, public hearings are held and the PSCOC solicits input from the districts, school staff, parents, and other stakeholders. Adapting the Adequacy Standards to meet the evolving educational needs ensures that students will continue to have facilities that support the state's K–12 educational requirements.

ABOVE ADEQUACY SPACES

EDWARD AVILA, SENIOR FACILITIES MANAGER

A term often heard in conjunction with the Adequacy Standards is "above adequacy spaces". Many times, during the planning and design phases, the PSFA is asked to define what these spaces are and why the PSCOC will not participate in funding them.

Broadly speaking, above adequacy spaces are defined as those not required for a school's educational delivery because of their size or function. For example, while a field with a track is allowed under the Adequacy Standards as it is necessary to deliver physical education classes, separate and/or multiple individual fields for sports such as softball, football, and soccer are not allowed. Therefore, those areas are considered above adequacy spaces. Districts can choose to build above adequacy; however, they must wholly fund construction of those spaces on their own.

The PSFA encourages districts to limit their above adequacy spaces, as additional space equates to increased maintenance and operational costs throughout the lifespan of the facility. The PSFA estimates that it costs approximately $7.50 per square foot annually to heat, cool, and maintain a facility, which came to $457.5 million for school districts statewide in 2015. This cost could be reduced by over $140 million annually if all the schools in New Mexico were right-sized, or otherwise said, built only to the APG specifications.

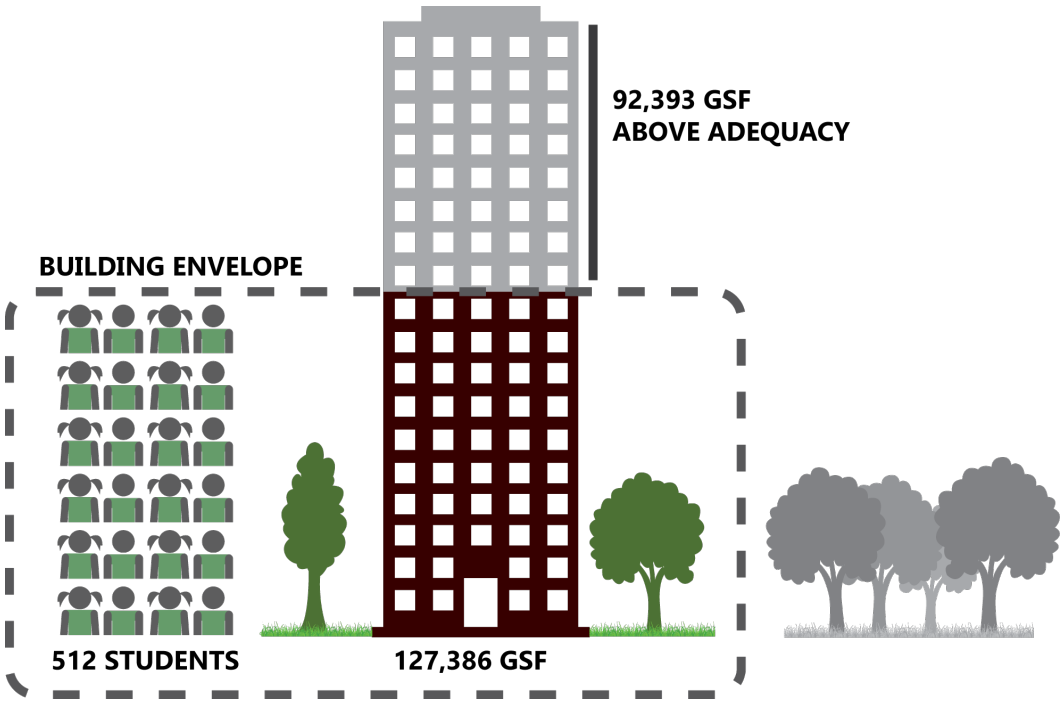
The process of determining the correct size and program requirements of a school facility begins shortly after a project is awarded when the Ed Specs phase begins. The district is given a gross square foot maximum known as a "footprint', which is based on enrollment trends and the requirements set forth in the APG. The district, working with the PSFA and the Ed Specs planner, creates a relational design that matches the user and educational program needs of a school that can fit within the APG footprint. For example, a school in a rural area might use more of its allowable square footage for a larger gym or multipurpose room, because it serves as a space for the community to gather outside of school hours to exercise, hold meetings, and host other community events. In comparison, another district might include extra classrooms for additional courses or programs in support of its community or culture, such as native language classes. Oftentimes because each facility is unique to its surroundings and community needs, there are instances when a district may formally request an exception to increase its allowed APG footprint. A common reason for additional square

footage is that the school employs a team teaching model, which by nature requires more space. The PSFA is charged to work collaboratively with the district to issue an exception or develop a solution to adequately support the educational need within the APG footprint.

Ed Specs meetings are therefore critical to the design process because this is where the district begins to define how the school's educational programs will be supported in that facility. During these meetings, the Ed Specs planner differentiates between the needs and wants of the district. Sometimes teachers and administrators would like larger classroom sizes than allowed by the current Adequacy Standards. An example of this was during the Ed Specs phase for a school in southern New Mexico, when teachers requested larger classrooms because they did not feel that the size planned would be large enough to support their instructional methods. However, the overall square footage of the plan already exceeded the allowable APG footprint. In response to the teachers' concerns, the Ed Specs planner mapped out the classroom sizes in the school's gym with tape, and asked the teachers to come view the layout. After being able to explore the space, the teachers felt the rooms were larger than they were anticipating and would have enough space to meet their needs. Nevertheless, if the district still wanted to build the larger rooms, it could have done so by funding the difference with local funds.

As technology space is evolving, there is a misconception that the PSCOC will not participate in the technological infrastructure of a school; however, broadband wiring is provided in all PSCOC awards. The distribution of end user devices is not provided for under the Adequacy Standards, with the exception of a Computer-on-Wheels, or COW, which is a cart loaded with laptops and is an option in lieu of a computer lab. Technology needs are an area of the Adequacy Standards that we must keep an eye on and modify the standards if needed to fully support modern educational needs.

The Adequacy Standards are not intended to limit the flexibility of school facility design solutions, nor do they dictate how a district should conduct its educational programs or teaching methods. On the contrary, the PSCOC will fund all educational spaces required by the PED Standards of Excellence if calculations demonstrate good space utilization. An educational space that is used 85% or more of its available time is considered good space utilization. The PSFA upholds this intention by working with districts to design and build schools that are not only conducive to the educational delivery, but also meet the unique needs of each school and its community.



THE ISSUE OF SPACE: UNDERUTILIZED SPACE SOLUTIONS

JOHN VALDEZ, FACILITIES MASTER PLANNER AND BILL SPRICK, FACILITIES MASTER PLANNER

An article published on August 5, 2016 in the *Albuquerque Journal* highlighted the consolidation of two elementary schools within APS district due to underutilized space resulting from low enrollment. The consolidation moved 60 students from Acoma Elementary to Oñate Elementary, which allowed APS to dispose of the Acoma facility. Facing mounting M&O costs and demographic shifts, APS officials and board members are considering more school consolidations[1].

Since 2008, the PSFA has noticed a statewide trend in which the cost of maintaining underutilized space has risen dramatically. M&O costs such as repairs, heating, cooling, and custodial care continue to be incurred whether or not the GSF is being utilized for educational purposes. Underutilized space may be anything from several empty seats in a classroom to empty classrooms or wings of a building. Schools experience decreased space utilization, often resulting from population shifts. These shifts develop when a community's population redistributes itself from one area of the community to another (as in the case of APS) or a key industry closes impacting the entire community, similar to the situation in Lordsburg. When these demographic and economic events occur, neighborhoods may be slower to regenerate with students and/or out-migration ensues, leaving behind vacant classrooms.

Underutilized educational spaces add to the burden of unnecessary M&O costs. In 2015, the PSFA estimated it costs districts an annual average of $1,344 per student to heat, cool, clean, and maintain school facilities. However, if schools were "right-sized", meaning they were only built to the specifications set forth in the APG, the cost could be $900 per student, a savings of 34% plus lower ongoing capital spending. Underutilization is not a problem that can be resolved quickly, but with good planning and decades of disciplined renewal and replacement projects, the funding versus affordability gap can be reduced.

Consolidation and the subsequent reduction of square footage is never an easy decision. In analyzing their spaces, districts must consider several factors before deciding on strategies to improve utilization such as:

- Community attachment, especially when the school in question has historic and/or community significance;
- Ability to repurpose underutilized space by donation, lease, or sale;
- Population fluctuations not fully anticipated by the FMP such as re-emerging industry leading to renewed residential growth;
- Financial feasibility; and
- School closure process.

Another consideration is the ongoing PSCOC expectation that all districts applying for funding will consider options to minimize capital and M&O costs. Deciding to consolidate space can be a very efficient and a financially effective option. Raton, Clayton, and West Las Vegas are three school districts that made the decision to consolidate schools.

Raton Public Schools

Since the 2002-2003 school year, Raton Public Schools has lost over 538 students, representing a decrease of enrollment by 36%. All of the district facilities were oversized and underutilized for current enrollment. Anticipating continued enrollment decline, the FMP Steering Committee and School Board realized the district had to make some difficult decisions to maintain long-term sustainability. The district concluded that consolidating its three elementary schools into a single new "right-sized" facility was the most logical approach, allowing it to increase utilization and reduce M&O costs. The district received an award from the PSCOC to consolidate the Columbian, Longfellow, and Kearney elementary schools into one new facility and dispose of the three vacant buildings. However, the community failed to pass two bond elections that would have funded its share of the consolidation award. As a result of the bond defeat, the district adopted an alternate solution. Under this new strategy, the district closed Columbian and Kearney elementary schools, allowing them to dispose of two buildings. This strategy moved the 7th and 8th grades from the

1 Burgess, Kim. "Merger of Two Schools Hailed as a Success." *Albuquerque Journal*. 5 Aug. 2016. Web. 11 Aug. 2016.

middle school to the high school, which was not difficult as both schools share the same site. Moving the 7th and 8th grade out of the middle school created space for the district to move the 3rd–5th grades into the building joining the 6th grade in a renamed "Raton Intermediate School". Longfellow remains open for K–2nd grade students. This reorganization allows the district to better utilize its space with minimal capital investment while leading to savings in M&O costs.

Clayton Municipal Schools

The Clayton Municipal Schools also faced issues of surplus space, low enrollment, and funding shortages. Its 2014-2018 FMP identified several possible solutions for decreasing excess GSF, including closing the oldest school facility in the district, Kiser Elementary School. The district developed Ed Specs that recommended moving the 84 Kiser Elementary School students into the northwest wing of the junior high school and closing the Kiser facility, which the district intends to sell. This arrangement required the junior high to reorganize its operations so that Kiser Elementary School can remain an intact entity. This plan also allows both schools to continue receiving the small school size adjustment factor in their State Equalization Guarantee.

West Las Vegas Schools

Like Raton and Clayton, West Las Vegas also maintained underutilized space. In the 2012-2013 PSCOC award cycle, West Las Vegas Schools applied for an award to design and renovate the West Las Vegas Middle School and reduce the GSF. The PSCOC's GSF reduction requirement allowed the West Las Vegas Family Partnership School (WLVFPS) to enter into an arrangement with the middle school to share space and occupy the technology building of the middle school campus. This arrangement had strong community support since the WLVFPS occupied a severely deteriorated building adjacent to the middle school. The district demolished the vacated building after the WLVFPS moved into the technology building, which resulted in a 28% reduction of the total GSF.

THE COST OF OWNERSHIP

KATIE McEUEN, RESEARCH AND POLICY ANALYST

During fiscal year 2016, the PSFA conducted an analysis on district spending in both capital outlay and M&O. Using data from the PED, the National Research Council and the University of California Berkeley, as well as PSFA-produced data, such as the FMAR and FCI, New Mexico school district spending levels were compared against national benchmarks. The analysis also examined these expenditures in relation to districts' property wealth.

The PSFA's analysis compared the districts' self-reported budgets, obtained from PED, to national spending benchmarks set forth by the National Research Council. The PSFA found that only eight of New Mexico's 89 school districts met the capital outlay spending benchmark and only two districts met the M&O benchmark. However, using the APG as the standard for the size of each school, the PSFA found that if all schools were right-sized, 54 districts would have the capacity to meet the capital outlay benchmark. Similarly, the PSFA found that 51 districts would be able to meet the spending benchmark for M&O. This result demonstrates that districts simply cannot afford to maintain the higher amounts of square footage. Furthermore, if the amount of square feet that districts are responsible for maintaining was reduced to the APG, then the percent of districts able to meet the spending benchmark with their current funding capacity increases from 2% to 57%.

Spending by district property wealth was also analyzed by dividing districts into quintiles based on their assessed property values. By looking at district spending in this way, the PSFA found that the wealthiest tier of districts were spending proportionately more per student on capital outlay than on M&O, while poorer districts are the opposite. In other words, the poorer districts are spending more resources on maintaining their systems rather than replacing them. To examine this hypothesis further, the PSFA incorporated the FMAR scores to compare the effectiveness of the districts' maintenance. The wealthiest quintile of districts, which have on average 58% more space than the APG would allow, have an FMAR average of 52%, signifying poor maintenance effectiveness or otherwise "run to failure" maintenance. The poorer districts, which are spending proportionately more on M&O, have an

average ranging from 60% to 66%, signifying a higher maintenance effectiveness.

The cost of ownership is directly related to the total asset value. New Mexico has over 61 million square feet of school facilities, which carry a $19.5 billion replacement cost. As New Mexico school facilities have excess square footage, it is important that districts look to reduce their overall GSF, as local capacity to raise capital funding within the constitutional debt limit is 41% short of that which is necessary to sustain the current GSF.

As many states across the country look at how school districts fund and sustain their facilities, the PSFA see an increase in the emphasis placed on improving maintenance and facility management. It also remains important to reduce the GSF of school facilities in order to achieve a sustainable metric where funding capacity is on par with required spending. To read the report in full, please visit the PSFA website.

AN ASSESSMENT OF NEW MEXICO'S PUBLIC SCHOOL CAPITAL OUTLAY FUNDING FORMULA

GWENDOLYN ALDRICH, JULIAN BACA AND JEFFREY MITCHELL – BUREAU OF BUSINESS AND ECONOMIC RESEARCH

Prior to the *Zuni* lawsuit, school facilities were financed through general obligation bonds repaid from local property tax proceeds and direct appropriations from State legislator. Thus, school district capital funding was limited by a district's taxable land value and bonding capacity, giving property-rich districts a notable advantage. The *Zuni* lawsuit was filed in 1998, and the plaintiffs alleged that New Mexico's system for funding public school capital projects was unfair and unconstitutional. In 1999, the court ruled in favor of the plaintiffs and ordered the State to develop a more equitable system.

In response, the 1975 Public School Capital Outlay Act was amended in 2001 and 2003 when the State developed a standards-based process comprised of adequacy standards, a database of the overall condition and capacity (and associated wNMCI) of all public school buildings, and a state-local share funding formula. The funding formula, implemented in 2004, is used to determine what portion of approved projects for a given district will be paid for with local (district) funds and what portion will be paid for with state funds. The intent of the program is that the state will contribute funds only to the level of adequacy and that the state share will, on average, be 50% but will generally range between 10% and 90%. The one exception is the Zuni district, for which the state share is 100%. State and local shares are calculated for each district based on per-student net taxable values and bonding capacities.

In general, the state-local share funding formula has performed well. However, some districts have noted that state-provided funding is seemingly insufficient in some cases, but excessive in others. More specifically, state-provided funding has enabled districts with average and above-average per-student property tax valuation (which tend to be located in more densely populated urban areas) to use local funding to build facilities that exceed the adequacy standards. In contrast, districts with below-average per-student funding property tax valuation (commonly located in rural areas) often have insufficient local bonding or mill levy capacity to provide the required local share. Thus, rural districts often struggle even to build to adequacy.

It is also worth noting, that because the formula is a function of property valuations, school enrollment, and mill levies, fluctuations in any of these three measures will result in changes in a district's state and local shares. As an example, recent fluctuations in oil and gas extraction activities have sufficiently altered some districts' property values, and the state-local shares have notably changed as well. Net taxable property values are included in the formula as a means of capturing a district's ability to pay; including alternate or additional measures of ability to pay, such as median household income, per capita income, percent of district in poverty, unemployment rate, or the percent of students eligible for free or reduced-cost lunch, may improve the formula's performance.

In addition to having notably higher assessed taxable values and thus greater ability to pay, denselypopulated urban areas benefit from both a scale advantage and a location advantage. That is, districts with small student

populations (typically rural districts) cannot use facility space as efficiently as districts with large student populations, since cafeterias, libraries, multipurpose rooms, etc., are similarly sized regardless of the size of the student population. As a result, the total amount of facility space (GSF) required per student is higher in small rural districts than in large urban districts, thereby driving up the per-student costs in rural areas. Per-student capital outlay costs are also higher in rural areas due to the fact that construction and maintenance costs are a function of location and tend to be higher in rural areas than in urban areas. These factors are not reflected in the current formula.

In summary, although the funding formula for New Mexico's public school capital outlay projects generally performs quite well, there are several complexities (most of which stem from differences between rural and urban areas) that the existing formula does not adequately capture and account for and that are, therefore, creating disparities in school facilities. As New Mexico explores modifying its public school facilities cost-sharing formula, it may be helpful to consider the methods, formulas, and measures used by other states.

PSFA MILESTONES

CAPITAL FUNDING AND PROJECT DELIVERY

- In FY 2016, the PSCOC awarded:
    - 4 phase 1 planning and design awards: $1.2 million state match
    - 13 phase 2 construction awards: $148.4 million state match
    - 5 supplemental funding and emergency awards: $0.5 million state match
    - 102 lease assistance awards to charter schools in 22 districts: $15.0 million
    - 21 facilities master planning awards: $0.9 million state match
- In FY 2016, 70% of project funds were under contract within 15 months from date of award — a decrease of 10 percentage points from FY 2015.

FACILITIES CONDITIONS

- The FY 2016 state average FCI for public schools is 32.1%, which has remained roughly flat since FY 2010. The FCI indicated the level of repair needed for a facility. The lower the percentage, the less money required for repairs.

PLANNING AND MAINTENANCE

- In FY 2016, 88 of 91 school districts have five-year FMPs that are current or in progress.
- Plan review processing time is currently at nine days.
- $891,557 has been awarded to 22 districts for FMPs.
- The FIMS shows district investment in preventive maintenance as a percent of total maintenance expenditures is at 22.2%, a flat rate from FY 2015.
- At the end of FY 2016, 49 out of 91 districts had current preventive maintenance plans — a roughly flat amount from FY 2015.
- The FMAR, a tool introduced in FY 2011 to measure maintenance effectiveness, indicates a statewide average of 64.79% — an increase of 4.79 percentage points from FY 2015. In order to reach the full expected life of a facility, the PSFA estimates that a district should maintain a 70% or better FMAR score.

FINANCIAL AND OPERATIONAL DATA

PSCOC STANDARDS-BASED AWARDS HISTORY

FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
$114.7 MILLION	$114.9 MILLION	$256.1 MILLION	$215.9 MILLION	$198.2 MILLION	$150.1 MILLION

In FY 2016, standards-based capital outlay awards totaled $150.1 M for 22 individual school projects including 18 construction projects and 4 facility planning projects*, a decrease of 24.3% from FY 2015.

*Charter school lease assistance awards are not included.

The PSCOC practices "Just In Time" funding, a two-phase system designed to reduce unexpected balances in the Public School Capital Outlay (PSCO) Fund.

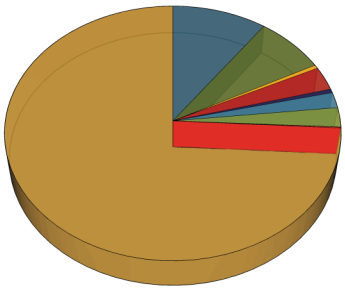
In FY 2016, the percent of award dollars under contract within 15 months from the date of award was 70%, a decrease of 10 percentage points from FY 2015.

PERCENT OF AWARD DOLLARS UNDER CONTRACT 15 MONTHS FROM TIME OF AWARD

FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
72 PERCENT	68 PERCENT	82 PERCENT	75 PERCENT	80 PERCENT	70 PERCENT

SUPPLEMENTAL SEVERANCE TAX BOND (SSTB) USES BY PSCOC IN FY 2016

Capital Improvements Act (SB 9)	$20.2 M
Lease Assistance	$15.0 M
Master Plan Awards	$0.9 M
PSFA Operating Budget	$6.1 M
Pre-K	$1.0 M
School Busses	$4.0 M
Broadband	$5.0 M
Construction Inspections	$0.3 M
Construction Projects	$150.1 M
Total	**$202.6 M**



SSTBs are funded from state extraction taxes on oil, natural gas, and other minerals. They are the sole source of funding for the PSCO Fund. SSTBs became a source for school capital outlay in 2002 as a result of the *Zuni* lawsuit.

The PSFAs current budget of 2.8% is well below the statutory limit of 5% required by the Public School Capital Outlay Act.

Section 22-24-4 NMSA 1978: G. (1) states "the total annual expenditures from the fund for the core administrative functions pursuant to this subsection shall not exceed five percent of the average annual grant assistance authorized from the fund during the three previous fiscal years."

PSFA OPERATIONAL BUDGET AS A PERCENT OF ANNUAL CAPITAL OUTLAY AWARDS

FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
3.3 PERCENT	3.7 PERCENT	3.4 PERCENT	3.5 PERCENT	3.1 PERCENT	2.8 PERCENT

PSCOC LEASE ASSISTANCE

FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
$9.5 MILLION	$10.8 MILLION	$12.9 MILLION	$13.0 MILLION	$14.6 MILLION	$14.9 MILLION

In FY 2016, the PSCOC awarded $14.9 M for lease assistance to 102 charter schools in 22 districts, an increase of 2.1% from FY 2015.

ANNUAL FCI* FOR ALL NEW MEXICO SCHOOLS

FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
36.1 PERCENT	37.9 PERCENT	35.3 PERCENT	35.5 PERCENT	36.2 PERCENT	32.1 PERCENT

The FCI is a key performance measure for public school building conditions. The FCI indicates the level of repair needed for a brick and mortar facility. The percent amount correlates to the amount of money needed for repairs. The current FCI is 32.1%, a decrease of 4.1 percentage points from FY 2015.

*FCI apples to brick and mortar facility conditions only.

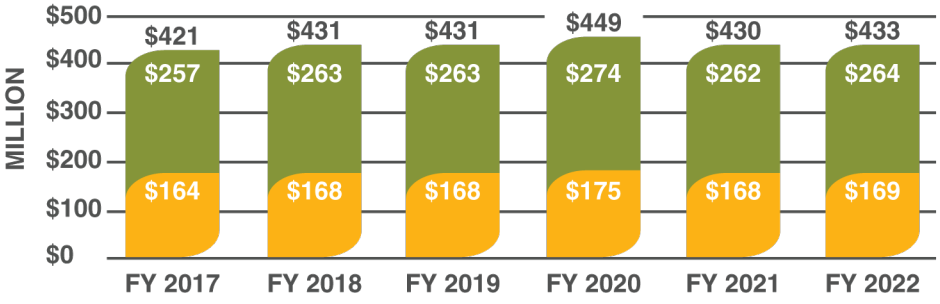
The wNMCI measures the physical condition of a facility and its ability to deliver educational programs needs. Needs are weighted for urgency. Lower percentages translate to a stronger ability for the facility to meet the educational program needs.

*wNMCI = FCI + The facility's ability to support educational functions

AVERAGE wNMCI* FOR SCHOOLS IN THE TOP 30 RANKED LIST

FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
66.7 PERCENT	79.7 PERCENT	66.3 PERCENT	62.4 PERCENT	63.3 PERCENT	47.9 PERCENT

ESTIMATED FUNDS REQUIRED TO MAINTAIN THE CURRENT FCI

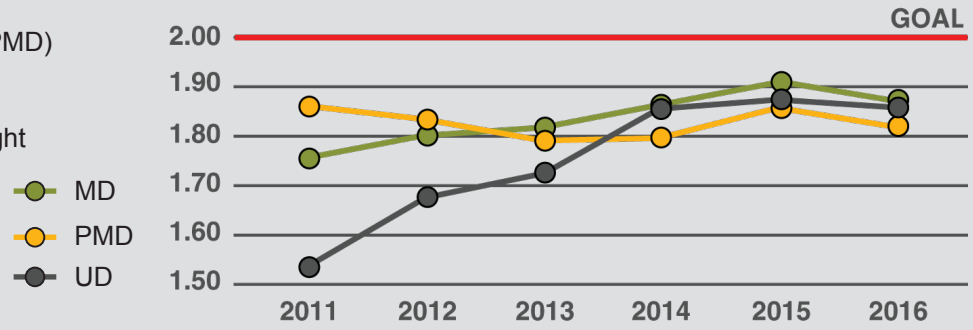


To maintain the current FCI over the next six years, it is estimated to cost an average of $433 M annually. State funding currently represents 39% of school construction. Funds from the State share require an average of $169 M per annum over the next six years.

LOCAL SHARE STATE SHARE

School district FIMS proficiency in Maintenance Direct (MD) and Preventive Maintenance Direct (PMD) have decreased from 2015 and are at 1.87 and 1.82 respectively. Utility Direct (UD) is at 1.86, a slight decrease from 2015.

FIMS PROFICIENCY USAGE



DISTRICT PREVENTIVE MAINTENANCE AS PERCENT OF TOTAL MAINTENANCE EXPENDITURES

FY 2011	FY 2012	FY 2013	FY 2014	FY 2015	FY 2016
18.3 PERCENT	17.9 PERCENT	20.8 PERCENT	17.5 PERCENT	22.2 PERCENT	18.2 PERCENT

School district investments in preventive maintenance as a percent of total maintenance expenditures are now at 18.2%, a decrease of 4 percentage points from FY 2015.

SCHOOL PROJECTS COMMENCING

CONSTRUCTION

Project	District	General Contractor	Architect
Marie Hughes ES	Albuquerque	Jaynes Corporation	G. Donald Dudley Architect, Ltd.
Santo Domingo ES	Bernalillo	HB Construction	Van H. Gilbert Architect, PC
Grace B. Wilson & Ruth N. Bond ES	Central	FCI Constructors	Dekker/Perich/Sabatini
Deming HS	Deming	Bradbury Stamm Construction, Inc.	Greer Stafford / SJCF Architecture, Inc.
Chaparral ES	Gadsden	GenCon Corporation	AKS Architecture
Gadsden HS Phase 3 Part 3	Gadsden	GenCon Corporation	Alley Associates P.C.
Ojo Caliente ES	Mesa Vista	Bradbury Stamm Construction, Inc.	FBT Architects, AIA, LTD.
Parkview Early Literacy Center	Roswell	Waide Construction Company, Inc.	Huitt-Zollars, Inc.
San Antonio ES	Socorro	HB Construction	NCA Architects
West Las Vegas MS	West Las Vegas	Franken Construction Company, Inc.	Dekker/Perich/Sabatini

EARLY P

Project
Highland ES
Abiquiu ES
Del Norte ES

DESIGN

Project
Rio Grande ES

FY 2016 BEN LUJAN MAINTENANCE AWARDS

In FY 2016, Maintenance Achievement Awards were presented to five school districts and 10 maintenance staff and district teams who have demonstrated progress and dedication in the development of effective maintenance management strategies and programs.

HIGHEST ACHIEVER

Clovis Municipal Schools

Hobbs Municipal Schools

Socorro Consolidated Schools

MOST IMPROVED

NM School for the Deaf

Questa Independent Schools

INDIVIDUAL/TEAM AWARDS

Central - Jody Benally

Floyd - Aubrey Sparks

Gadsden - Guillermo Hernandez

Hobbs - Gene Strickland

NM School for the Deaf - Randy Oglesby

Pojoaque Valley - Maintenance Team

Questa - Custodial Staff

Questa - Maintenance Staff

Wagon Mound - Maintenance Staff

Zuni - Lenora Dosedo

LANNING

District	Consultant
Clovis	Dyron Murphy Architects
Espanola	John Barton, AIA: Architect
Roswell	PA Architects

District	Architect
Belen	NCA Architects

Murray Elementary School Grand Opening, © 2015 NMPSFA, All rights reserved.

Santo Domingo Elementary-Middle School Ground Breaking, © 2015 NMPSFA, All rights reserved.

ABOUT US

FINANCIAL AND ADMINISTRATIVE SUPPORT

The Administration Group is responsible for managing overall agency operations, supporting all agency groups, administering the application and awards process, budgets, contracts and compliance with state laws, rules and protocols. Human Resources oversees personnel services, benefits administration and employee relations. Training staff serve customers on a range of topics and systems.

PROJECT MANAGEMENT

The Field Group partners with the school districts to oversee award applications, budgeting, procurement, project management, and project oversight. The Field Group is the main point of contact with school districts. Regional Managers live and work in the districts they serve, enabling them to provide valuable assistance in a wide variety of school-related matters, including facility standards, guidelines, and assistance identifying potential projects for state match funding.

PROJECT PLANNING

The Planning Group provides master planning assistance to school districts and reviews projects in the design stage for state code compliance and compliance with the PSCOC Adequacy Standards. The Planning Group develops and maintains the Adequacy Standards, planning guidelines, and building standards. The Planning Group has a staff of facility assessors who assist in maintaining the statewide FAD used to monitor facility conditions and rank school facility needs statewide.

FACILITY MAINTENANCE

The Maintenance Group provides consultative services in an effort to assist school districts in establishing and optimizing their maintenance programs. This program focuses on preventive maintenance strategies in an effort to extend the life of the facilities and their systems. The goal is assessing local facility management challenges and developing real-world solutions for operational cost-reduction while providing safe, healthy, and reliable environments in support of the state's educational process.

INFORMATION SUPPORT

The Systems Support Group is responsible for managing a multitude of systems that support school districts' facilities needs and the agency's mission. Additionally, the Broadband Deficiencies Correction Program resides within this Group.

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