

**PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL
MINUTES
JANUARY 12, 2012
STATE CAPITOL BUILDING, ROOM 311
SANTA FE, NM 87505**

Members Present: Mr. David Abbey, LFC Mr. Joe Guillen, NMSBA
 Mr. Raul Burciaga, LCS Mr. Gene Gant, PEC
 Mr. Richard Tavelli, CID Ms. Frances Maestas, LESC
 Mr. Tom Clifford, DFA Mr. Paul Aguilar, PED

Absent: Mr. Keith Gardner, Office of the Governor

1. Call to Order—9:05 Mr. David Abbey, Chair

a. Adoption of Agenda

The clerk called roll, noting that Mr. Keith Gardener, Office of the Governor, is absent.

MOTION: Mr. Joe Guillen moved for approval of the agenda as presented. Mr. Raul Burciaga seconded and the motion carried.

b. Correspondence

There was no correspondence.

2. Approval of Minutes (December 12, 2011)

The minutes were sent to the full Council prior to this meeting.

MOTION: Upon review by the Council, Mr. Guillen moved for the approval of the December 12, 2011 PSCOC meeting minutes, subject to technical corrections. Mr. Gant seconded and the motion carried.

3. 2012-2013 Standards-Based Capital Outlay Award Cycle

a. 2012-2013 NM Condition Index (NMCI) Ranking—Amended Preliminary including NMSD & NMSBVI

Mr. Gorrell presented this item to Council, referring to the draft wNMCI ranking including the facilities of the two constitutional special schools based on site assessments of the various campuses. The information is based on individual buildings being included into the standards and ranked against other schools. PSFA staff met with the special schools staff and determined that their projects line up with their perception of their needs.

Mr. Gorrell informed the Council that the rankings have been sent out for review to all school districts, as well as to the special schools. The district superintendents and representatives, as well as representatives for the special schools, were informed that they have the right to appeal their rankings. Mr. Gorrell noted that if there is no legislation to support incorporating the special schools into the standards based process, the special schools would fall out of the index.

Mr. Gorrell stated that if the Council adopts the standards as presented, staff will set a date and location for the standards to go out for public comment, then begin the application process. The deadline to submit appeals is April 2, 2012. Mr. Clifford asked how the formula is calculated and if there is additional background to show how the match percentages are calculated. Mr. Gorrell stated that the Awards Subcommittee has reviewed the formula in the past, and would be available to meet with Mr. Clifford to go over in more detail. Mr. Eaton explained that the Council adopted the ranking methodology three months prior to this meeting.

MOTION: Mr. Burciaga moved for Council approval of the Administration, Maintenance & Standards Subcommittee recommendation to adopt the revised Preliminary wNMCI Rankings, subject to necessary technical corrections, with districts advised to make formal appeal to the PSCOC by the April 2, 2012 deadline for pre-applications. Eligibility of awards to the two constitutional special schools is subject to legislative changes required to incorporate them into the standards-based capital outlay process and final adoption of adequacy standards. Mr. Guillen seconded and the motion carried.

b. Proposed 2012-2013 Workplan/Timeline

Mr. Berry presented this item to the Council, noting that both subcommittees have reviewed the workplan/timeline. This item is for informational purposes. No action is required.

4. Subcommittee Reports

a. Awards Subcommittee

• **Financial Plan**

Mr. Eaton presented the financial plan, highlighting action taken by the Council at their last regularly-scheduled meeting. The financial plan was provided to both subcommittees prior to this meeting.

Mr. Eaton noted that the only change made to the plan is that the Board of Finance sold \$98.7 million in sponge bonds for the PSCO programs. This amount covered \$19.2 million towards the 2011 awards. The current SSTB forecast for FY12 is \$148.7 million, unused SSTB capacity and potential transfer to Severance Tax Permanent Fund is \$42.3 million, which implies that without further certification from the Council, the potential transfer to the Severance Tax Permanent Fund is \$7.7 million. The difference is due to the Council awarding funds to the two special schools.

Mr. Clifford stated that while Council is awarding "*just in time*" funding for projects, Council is selling bonds in advance for entire projects, which has resulted in a high level of funds outstanding that are not being put to use rapidly. Mr. Abbey stated that this process is conservative from a budgeting standpoint, but agreed with Mr. Clifford that this policy resulted in carrying large balances of unencumbered funds, and Council should work with the Board of Finance to possibly develop a better alignment between when bonds are sold and when bond proceeds are encumbered.

Mr. Abbey suggested that the staff work with Mr. David Paul, Bond Advisor, to determine how other states manage these types of issues.

- **Additional Funding/Emergency Funding/Award Language Requests**

- **Las Cruces—Loma Heights ES—Out-of-Cycle Construction**

Mr. Pat McMurray presented this item to the Council, stating that having completed Phase I (Planning and Design) of this project, the district is now ready for Phase II funding (construction). The district has their required match (33%) \$3,968,109. PSFA staff recommends that the additional state funding totaling (67%) \$8,056,463 (based on actual bid), be approved so that the project may proceed to the construction phase.

The project includes remodeling and additions to a portion of the existing building to adequacy that includes site-work, demolition of original 1966 building, remodeling of 1996 building including HVAC, finishes, electrical, roofing, exterior finishes, and fire sprinkler system. The project also includes new building additions for classrooms, multipurpose room, kitchen, administration, and a library. Over adequacy items include space for bleachers in multipurpose room (approx. 1,696 SF) and two new Head-Start classrooms (approx. 2,156 SF). Areas beyond adequacy totaling an additional 3,852 square feet, will be funded 100% by the district. The district will pay a total of \$521,646 for over adequacy portions of the project.

MOTION: Mr. Guillen moved for Council approval of the Awards Subcommittee recommendation to amend the previous 2009-2010 award to Las Cruces Public Schools for Loma Heights ES to include Phase II out-of-cycle construction funding to renovate and make additions to the school to adequacy for 500 students, serving grades K-5; with an increase in the state share amount of \$8,056,464 (67 percent), contingent upon an additional local share of \$3,968,109 (33 percent). Since this is a subcommittee recommendation, a second is not necessary. There being no objections the motion passed.

- **Loving—FMP Waiver Appeal**

Mr. McMurray presented this item to the Council, referring to a letter received by PSFA from the Loving School District. The letter states that the district accepts the State's \$6,859 assistance in the development of a five-year Facilities Master Plan (FMP). The Loving Municipal Board and the Superintendent request that the Council reconsider the waiver granting the total cost of updating their FMP. The district feels that they qualify under the prior year eightieth and one hundred twentieth-days enrollment (fewer than six hundred full-time equivalent students).

Mr. Berry informed the Council that staff reviewed this request with PED and noted that based on the amount that the district has budgeted for SB-9 and other bond funds, and projection for FY-12, the district should have sufficient funds. The district should have \$23,128 from SB-9 and \$105,541 in bond funds available. Based on their projected FY-12 dollars, the district should have \$108,747 in SB-9.

MOTION: Mr. Guillen moved for Council approval of the Awards Subcommittee recommendation to uphold the previous denial of the waiver of the local match, based on projected availability of other district funds. Since this is a subcommittee recommendation a second is not required. There being no objection the motion passed.

-- CID Reimbursements

Mr. Gorrell presented this item, stating that PSFA has received information from CID per the agreement between the Council and CID for reimbursement. He referred the Council to a letter from CID dated January 13, 2012 regarding CID inspection projections for PSCOC projects. The letter indicates that CID performed approximately 893 inspections in the first half of the fiscal year, and with the information supplied by PSFA, projects an additional 552 inspections in January through June 2012. The total estimate is 1,444 inspections. As per the approved amount of \$193.72 for each inspection, the total would exceed the budgeted amount of \$250,000.

Mr. Eaton explained that the funding has been identified in HB-2 as agency transfers and are anticipated as dollars going into their operating budget. Mr. Berry further explained that there is a contract from 2007 that requires an estimate be submitted to the Council annually, based on CID's projected inspections for the fiscal year. He noted that there is an annual review of dollar amount per inspection and the amount needed for the fiscal year. The Council requested that staff provide this information sooner, by at least June 2012, for FY-13.

Mr. Clifford reminded the Council that the amount of \$250,000 per year is a cap and not a guaranteed payment.

MOTION: Mr. Guillen moved for Council approval of the Awards Subcommittee recommendation to allocate an amount not to exceed \$250,000 to reimburse the Construction Industries Division for estimated inspection expenses for FY2012 for PSCOC-funded projects that have been certified by the CID Director. This allocation is based on the average cost per inspection that has been agreed upon between the PSFA and CID of \$193.72. Since this is a subcommittee recommendation a second is not required. There being no objection the motion carried.

b. Administration, Maintenance

• **FIMS Usage & District Licensing Fees**

Mr. Les Martinez, PSFA Maintenance Manager, presented this item to the Council, noting that although the FIMS system was provided to all districts, there are several districts that are non-users. He noted that some districts are not following related statutes for using the FIMS system within their facilities maintenance programs. The Council noted that the districts must be held accountable for the maintenance of their facilities. After further discussion Mr. Burciaga made the following motion;

MOTION: Mr. Burciaga moved for Council approval of the Administration, Maintenance & Standards Subcommittee recommendation to notify districts that PSFA-funded access to the Facility Information Management System (FIMS) may

be terminated due to non-use. FIMS license fees will then become the responsibility of the district, in order to comply with 22-24-5.3 and 22-24-5.5 NMSA 1978.

5. Director's Report

a. Current issues/Initiatives

Mr. Gorrell noted that the new e-Builder-powered Construction Information Management System (CIMS) is on schedule for public rollout on February 12, 2012, and that implementation and training will be done first at districts with current, active projects.

Mr. Gorrell reported the following project status;

- 46 projects currently in design,
- 41 projects currently in construction,
- 62 projects in substantial completion/warranty period (status still open),
- 15 Facilities Master Plans currently in development,
- 45 FMAR assessments per month targeted using internal resources only, 74 are currently complete,
- 13 districts are currently updating their Preventive Maintenance Plans with 43 that are not current and need to be updated,
- CIMS: do not have the capacity to increase assessments over the 100 plus that staff currently performs,
- General Services Department Collaboration on facilities assessment via FAD is on schedule.
- Energy efficiency bonds collaboration with Energy/Minerals and with NMFA are on schedule

Mr. Gorrell stated that staff has begun the implementation of HB 283 for Charters. This bill directs staff to perform site visits to inspect schools or facilities that charters may want to move into.

b. PSFA FY12 Quarterly Budget Projection

Mr. Eaton presented this item, referring to the pie graph in Council meeting notebooks. The graph reflects the PSFA operating budget, expenditures, employee salaries, contractual services. The item under the "Other" category reflects costs associated with software, licensing agreements for CIMS, FAD and FIMS, as well as rent and associated cost for vehicles and fuel related expenses.

In regard to the status on PSFA Pending Personnel Approvals, Mr. Gorrell stated that currently there are 5 personal positions on hold on the previous organizational chart.

Mr. Eaton pointed out the percentage of expenditures to date that include;

- 51% of the total operating budget,
- 45% Personal Services & Employee budgets,
- 35% for Contractual Services budget,
- 68% for other expenses such as software costs for the CIMS, FAD, and FIMS on an annual basis are paid up front per the licensing agreements with software vendors at the beginning of the year.

Mr. Eaton provided a detail line by line report of the balance that is reported from SHARE.

Mr. Clifford voiced concern regarding the Energy Efficiency Bond Initiative and requests that staff provide a report at the next scheduled PSCOC meeting.

The Council directed the staff to provide a monthly budget projection report.

c. Project Status Reports

• **PSCOC Project Status Report**

Mr. Gorrell presented this item to the Council, stating that the AMS Subcommittee has reviewed the report and that it was sent to the full Council for their review prior to this meeting.

Mr. Gorrell indicated to the Council that staff will provide information on Ed Specs at a future meeting.

This is an informational item and no action is required.

• **Master Plan Status Report**

Mr. Gorrell presented this item to the Council, stating that the AMS Subcommittee has reviewed the report and that it was sent to the full Council for their review prior to this meeting.

This report is for informational purposes, no action is required.

d. Lease Payment Assistance Report

Mr. Gorrell presented this item to the Council, stating that the AMS Subcommittee has reviewed the report and that it was sent to the full Council for their review prior to this meeting.

This report is for informational purposes, no action is required.

6. Other Business

a. Charter School Fund Reversion & Outstanding Award Reallocations

Mr. Eaton presented this item to the Council, stating that funding for charter schools has reverted as of June 30, 2011. The balance for existing commitments that the Council has made is \$112,000. He stated that the motion before Council would allow PSCOC funds to substitute for the charter school fund line items, including facility master plans for state-chartered charter schools, as well as Moreno Valley High School located in Cimarron, and Cottonwood Charter located at the Socorro School District. The total amount to encumber from the PSCOC fund is \$112,000 and the reversions from the original appropriations from the charter schools fund is \$1.3 million. The Board of Finance is getting direction from Bond Council regarding certifications needed from Council and staff to certify the amounts that were expended for only public facilities. The PSFA staff is awaiting direction from the Bond Council and Board of Finance on how to proceed.

Mr. Clifford stated that it is his understanding from the Board of Finance that the funding is still in the severance proceeds account and that PSCOC could have drawn the money to the non-reverting fund. Mr. Berry informed the Council that staff had discussion with the Board of Finance regarding this issue. He informed the Council that these are Senior Bonds and would require reimbursement. Mr. Berry stated that Mr. Clifford may have been advised of supplemental severance tax bond proceeds flowing into the Public School Capital Outlay Fund. However, in this case, the Board of Finance would not allow a transfer without actual expenditure and draw-down based on actual expenditures. There is a balance because the Council chose to be prudent in the way they allocated funds in order to move as many projects forward as possible. Mr. Berry noted that some of the projects are under contract and encumbered but the reversion clause states that the funds have to be expended by June 30, 2011.

MOTION: Mr. Clifford moved for Council approval of the Awards Subcommittee recommendation to revert the unexpended balance of the charter school capital outlay fund per the Board of Finance directive. Awards made prior to FY12 with active encumbrances as of June 30, 2011 shall receive replacement awards from the public school capital outlay fund. Pre-FY11 awards not under contract as of the required June 30, 2011 reversion date are cancelled. Mr. Aguilar seconded and the motion carried. There being no objection the motion passed.

b. Gallup Project Status Report

Mr. McMurray indicated to the Council that staff has been in touch with the district and informed them of what is expected from Gallup re project status updates, as requested by the Awards Subcommittee. There is a meeting with the district and other involved parties scheduled for January 18, 2012. The district has been notified that information must be provided to staff by January 15, 2012 for presentation to the Awards Subcommittee at its next scheduled meeting.

Mr. McMurray indicated that the district's presentation to the Awards Subcommittee was confusing. It was also difficult to determine where the 7 schools were located. He stated there were issues with the district's facilities master plan and consolidation. He indicated that these issues will be addressed, as the district has made some decisions of priority and will be outlined and justified before the Council. The district will meet with the staff to discuss cash flow as well.

Mr. Abbey noted that there are other districts that have stacked up multiple projects including Roswell; however, Roswell is moving forward effectively. He noted that although the Council is not allowed to tell the districts what to do, it is the responsibility of the Council to oversee district projects and to assure that projects are progressing.

Mr. McMurray informed the Council that staff has discovered that the cost of projects given in the district's application were lower than what is shown in the facility master plan. The districts facility master plan includes above adequacy issues that the Council does not fund.

Mr. Gorrell reminded the Council that the award was made with the requirement to look at all elementary schools to create and educational specifications (Ed Specs) to consolidate some of the schools. Of the 7 schools, there were 4 that could be possibly

consolidated into 2. The staff will review the information before it is presented to the Awards Subcommittee at its next scheduled meeting.

b. Next PSCOC Meeting – Proposed for March 1, 2012

After discussion, the Council unanimously agreed to hold its next PSCOC meeting on March 1, 2012.

Public Comments

There is no public comment at this time.

Adjourn

There being no further business to come before the Council, the meeting adjourned at 9:30 AM.

S. David P. Miller **Chair**
3/1/12 **Date**