

**PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL
MINUTES
MARCH 6, 2014
STATE CAPITOL BUILDING, ROOM 317**

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

Designees: Mr. Brad Galbraith represented the Office of the Governor in the absence of Mr. Michael Heitz.

1. Call to Order – Mr. David Abbey, Chair

a. Adoption of Agenda

Clerk called roll noting that Mr. Brad Galbraith would represent the Office of the Governor in the absence of Mr. Michael Heitz.

MOTION: Mr. Clifford moved for approval of the agenda as presented. Mr. Gene Gant seconded. Motion carried.

b. Correspondence

There is no correspondence at this time.

2. Adoption of Minutes (January 16, 2014)

Upon review by the Council, Mr. Guillen moved for adoption of the January 16, 2014 PSCOC meeting minutes subject to technical corrections. Mr. Gant seconded. There being no objection, motion carried.

3. Awards Subcommittee Report

a. Financial Plan --- Executive Summary

PROJECTS FUNDING ADJUSTMENTS

School	Net Award
Clovis - P09-014 - James Bickley ES--Phase 2 Funding	\$13,860,738
Clovis - P11-020 - Gattis Middle School--Award Language Change	\$254,549
Albuquerque - P12-001 - MacArthur ES --Phase 2 Funding	\$2,629,322
Albuquerque - P12-002 - McKinley MS --Phase 2 Funding	\$3,767,932
Bernalillo - P12-005 - Bernalillo HS -- Phase 2 Funding	\$18,004,800
Espanola - P12-008 - Fairview ES -- Phase 2 Funding	\$9,447,847
Socorro - P12-011 - San Antonio ES -- Additional Funding	\$104,645

Roswell - E13-003 - Goddard HS -- Emergency Award Reversion	-\$10,500,000
Grants - P14-014 - Los Alamitos MS -- Phase 1 Design Funding	\$1,467,420
Lordsburg - P14-017 - Lordsburg HS -- Phase 1 Design Funding	\$507,500
Reserve - P14-022 - Reserve Combined School Phase 1 Design	\$131,200
TOTAL	\$39,675,953

PROJECT ENCUMBRANCE SCHEDULE DETAIL ADJUSTMENTS
(CROSSING FISCAL YEARS)

Project	FY14	FY15	FY16
Bernalillo - P13-002			
Santo Domingo ES/MS	(\$5,992,167)	\$5,992,167	
NMSD - P13-008 Site			
(Santa Fe Campus)	(\$6,300,000)	\$6,300,000	
West Las Vegas - P13-009			
WLV MS	(\$4,548,193)	\$4,548,193	
Total	(\$16,840,360)	\$16,840,360	\$0

Ms. Casandra Cano, PSFA staff presented this item referring the Council to the financial plan that is made available in their meeting notebooks/e-book. Included in the report are the PSCOC Financial Plan definitions, sources and uses, PSCOC fund project encumbrance schedule and PSCOC balances.

In regard to the Sources and Uses, Ms. Cano identified the results from the Legislative Session. There were several bills making appropriations from the Public School Capital Outlay Fund which are currently awaiting the Governor's signature. Ms. Cano highlighted the various bills noting what was appropriation and for what purpose. The bills will be formalized once they are acted upon by the Governor.

In regard to the Project Encumbrance Schedule Summary, Ms. Cano noted that in FY14 the Council is scheduled to allocate \$208.7 million in awards. In FY15 it is anticipated that the Council will allocate \$276.2 million, with \$140.4 million in FY16 and \$140.0 million in FY17.

In regard to the out-of-cycle, emergency and additional funding, Ms. Cano noted that these are projects that the Council had acted upon since the beginning of the fiscal year. The actual amount of dollars awarded by the Council and other aspects identifies any adjustments to the future certifications that need to take place. The table presented to the Council currently the certification adjustments indicate a negative adjustment of \$6.3 million due to the reversion of the Goddard HS emergency award.

In regard to the district local match advances, Mr. Cano stated that the Roswell and Zuni advances were paid in full and will be removed from the table in the next financial

plan. The Chama and Fort Sumner Districts had a bond election on Tuesday if the bond passes PSFA is hoping that the districts will make full payment on their outstanding advances. Ms. Cano noted that at the next PSCOC meeting she will bring forward Jemez Mountain District to discuss the very old advance. The district is currently reviewing their finances and options for making a repayment towards the advance. Ms. Cano noted that she received notification from the Reserve District that they intend to make repayment in full for the \$30,000 advance.

In regard to the PSCOC Fund Balance, Ms. Cano noted that the balance is currently at \$463 million which is an increase of \$73 million due to a \$110 million bond sale.

There have been changes made to the PSCOC Fund Project Encumbrance Schedule Detail that includes a legend to identify what projects have been acted upon and awarded by the Council as well as what is yet to come. The schedule reflects awarded design awards, awarded construction, pending design awards and pending construction awards.

Mr. Clifford noted that there are major revisions from last meeting. He noted that the Uses and Sources have been revised by legislative enactment. The sources were revised significantly and projecting ending balances have changed. Mr. Clifford stated that the report does not really work as a planning document. He recommends that when the new PSFA CFO comes in, Mr. Gorrell will need to put the CFO to use immediately. Mr. Eaton informed the Council that the PSFA CFO will work closely with DFA staff. Mr. Clifford also noted that the financial plan indicates over-spending over the next few years. Council needs to have a better understanding of the resources. Mr. Clifford stated that the plan indicates that the Council has overspent the funds.

Mr. Guillen noted that staff is aware of financial situation. He stated that the financial plan is a very useful report but agrees that it needs to be updated. The financial plan needs to be updated as soon as the governor signs bills into law. Awards subcommittee was made aware of the report and feel that previous actions need to be reconsidered.

Mr. Clifford voiced concern stating that there is a need to reconcile the cash balances. Ms. Cano explained that there is a larger swing from previous financial plan due to an update to the schedule for all FY14 awards. Based on Council recommendation, previous financial plans for FY14 awards projected that 70% would return for phase 2 funding within one year, and 30% returning for phase 2 funding in 2 years. The memorandums of understanding for all projects have been executed and the financial plan was updated to reflect the MOU schedules. Mr. Eaton noted that the financial plan will reflect when the bond series are added. Mr. Clifford stated that the Council has an obligation to get control of the appropriation process.

The Awards Subcommittee will review the financial plan with staff and bring back recommendations.

This item is for informational purposes and does not require action by the Council.

b. NMSBVI – Health Services and Jack Hall – P13-016 – Additional Funding

The presence of asbestos was discovered in the crawl space of the old Health Services building. This asbestos must be abated prior to construction phase in order to

implement a construction phase retrofit of the under-slab structure and foundation to support new library dead load requirements. This work was not included in the original planning and design award language and the cost exceeds the current contingency budget. Therefore, NMSBVI respectfully requests additional funding for the proposed abatement cost.

Executive Summary: Staff recommends additional funding for the Health Services Building to remediate asbestos discovered in the crawl space of the building, with an increase in the state share amount of \$20,183 (50%), with a district share amount of \$20,183 (50%) to be funded from the balance of the Senate Bill 60 appropriation. Request includes contingency to allow for additional abatement if needed. Work was not included in original planning and design award language and costs for abatement exceed current budget.

Maintenance		Recommended District Performance
FMAR	81.09%	<ol style="list-style-type: none"> 1. Current PM Plan required 2. Improve work order information 3. Implement Maintenance performance metrics
Using FIMS	Yes	
PM Plan	No	
Work Orders	No	
M ³ Metrics	No	

The Council brought the maintenance plan to the attention of the school noting that the summary states that there is not a maintenance plan in place and no work orders. Ms. Linda Lyle explained that an individual on their maintenance staff was assigned light work due to medical issues. The work orders have been completed but had not been entered into the system. The school is in the process of updating all the processes needed and recorded.

MOTION: Mr. Guillen moved for Council approval of the Awards Subcommittee recommendation to amend the 2012-2013 standards-based award to the NM School for the Blind & Visually Impaired for Health Services & Jack Hall to include additional funding to complete asbestos abatement, with an increase in the state share amount of \$20,183 (50%), contingent upon an additional local share of \$20,183 (50%) to be funded from the balance of the 2013 Senate Bill 60 appropriation. Since this is a subcommittee recommendation a second is not required. There being no objection the motion carried.

c. Las Cruces – Alameda Elementary School – R14-010 – Additional Funding

Original district submitted application requested a roof replacement scope of 51,835 square feet for a total project cost of \$1,500,000; however, the original included RCIA only referenced approximately 32,000 square feet of roof requiring replacement. After further investigation, it has been determined that 48,868 total square feet of roof replacement is necessary to fully address the facility's need, as well as the design and installation of secondary drainage.

Executive Summary: Staff recommends additional funding to the Las Cruces Public Schools for Alameda ES Roof to include roofing of an additional 16,868 square feet with an increase in the state share amount of \$364,212 (64%), contingent upon an increase in the local share amount of \$204,870 (36%).

Maintenance		Recommended District Performance
FMAR	74.14 %	1. PM plan updated in January, improved FMAR score above Satisfactory. 2. Recommend implementation of Maintenance Performance metrics.
Using FIMS	Yes	
PM Plan	Yes	
Work Orders	Yes	
M ³ Metrics	No	

Mr. Aguilar voiced concern regarding the Council paying a roof consultant \$65,000 to underestimate at the same cost of half-million dollars. Speaking as a Council member, he stated that this is becoming to be very unacceptable and there is no explanation that would change his opinion. He noted that the Council has paid in \$65,000 and now cannot get a decent estimate from the roof consultant that is supposed to be managing on the Council's behalf.

Mr. Volpato does not believe that this is an error by the roof consultant but instead an error in communication between the district and PSFA. When the RCIA was submitted, it was an assessment that was done previous to this request. When staff reviewed it, they should have questioned the assessment and the district that there were roofing sections missing in their original application. When staff reviewed the application, the district indicated that the roofs were in good shape.

MOTION: Mr. Guillen moved for Council approval of the Awards Subcommittee recommendation to amend the 2013-2014 standards-based roof award to the Las Cruces Public Schools for Alameda ES to complete the work based on code requirements and roofing of an additional 16,868 square feet with an increase in the state share amount of \$364,212 (64%), contingent upon an additional local share of \$204,870 (36%). Since this is a subcommittee recommendation a second is not necessary. There being no objection the motion carried.

d. Las Cruces – Zia Middle School – R13-019 – Extension of Award Contingency Deadline

Executive Summary: Beginning in FY13, the standard contingencies to all awards included: Any legitimate project expenses expecting PSCOC/PSFA participation, reimbursement or credit shall be submitted and approved by PSFA in advance of the expenditure through the construction information management system (CIMS). Exception: Allowed project expenses made prior to award and submitted within 90 days of the executed MOU.

During a review of the project, it was discovered that the Design Professional Agreement was not submitted through CIMS. The district contracted directly with the DP and is paying 100% of the fees. The district was notified of the contingency of the MOU, and has now submitted the agreement in CIMS for credit to adequacy and potential reimbursement for the state share of the fees.

Staff recommendation is to approve the district request for extension and provide credit to adequacy for the DP Agreement in the amount of \$81,317.25; state share for potential reimbursement \$51,229.87 (63%).

Additionally, staff requests direction from the Awards Subcommittee and PSCOC on potential future requests; whether all shall report to the Subcommittee and PSCOC, or approval authority shall be delegated to the Director of PSFA.

Mr. Guillen noted that the MOU contracts must be submitted for approval and this contract was not submitted for approval, but was included in the cost estimate. In discussion with the Awards Subcommittee, it was determined that this is an administrative matter which should be handled by the Executive Director but should be reported to the Council.

Ms. Cano explained that this began with the 2013 award and intended to assure that staff has better financial control for the projects through the CIMS system (e-builder) to keep proper accounting on both the district and PSFA sides to determine the actual cost of projects. Ms. Cano explained that in December, she was doing a review of a change order and the design professional agreement was not entered or approved through the CIMS system. The district did not meet the contingencies set forth by the MOU. Ms. Cano contacted the district and they have since submitted the documents for approval and are requesting the extension. The design professional agreement is \$81,317 with a state share for potential reimbursement is \$51,229. Staff recommended approval of the request for the extension.

The ninety-day cap period lapsed on January 19, 2013. There is a new contingency beginning in 2014 and the district should take full review of the MOU's in the first year of implementation.

Staff noted that the district ignored the MOU and Council wants to know how criteria are determined. Mr. Gorrell explained that previously projects were closed out after staff sorting through boxes of receipts. Once the new system was put in, the Council allowed staff to require that the districts get approval of who is paying for what before costs are expended.

The Council strongly believes that the PSFA is not at fault. The district made many errors in submitting the proper documents. Although it mistakes were not intentional, Mr. Gorrell noted that staff should have caught the mistakes and resolved the issues. Council noted that there are requirements that the districts did not meet. Although the errors have been discovered, it is not staff's obligation to find the district mistakes. Mr. Gorrell reiterated that it was not intentional, it was a required expense and staff would have approved it ahead of time; if the district had brought something forward that is not correct or illegal, staff would have denied the recommendation. Mr. Gorrell suggested meeting with the district to make sure that they understand what their responsibilities are and to assure that everything is legal.

Council noted that if they permit an exception anytime it does not violate law, to deliberate, the rule would be greatly undermined. If it is a transition is regard to FY-13 then the allegations would not have to go forward.

Mr. McMurray stated that it is extremely important that a rule is in place for districts to submit their information in a timely manner. However, there are districts that attempt to speed up their projects and move it forward in the community. Some districts will contract directly with the design profession which causes lack of communication with PSFA causing the project not to be monitored as much as if the staff was involved.

Superintendent Dane Kennon joined the meeting via webcast. He indicated that the district was not aware of the issues. He stated that PSFA had assured them that they would inform them of the closeout process. Mr. Travis Coker, PSFA staff, explained that this did not become an issue until the end of the roofing project. The process of closing out the project began and the language in the MOU was called out which had previously become an issue. The district and Mr. Coker were not aware of the changes in the MOU.

Currently, no other districts have experienced this issue, which is not saying that there are other districts that will come forward. Mr. Abbey suggests a cap of \$100,000 for future requests.

MOTION: Mr. Guillen moved for Council approval of the Awards Subcommittee recommendation to approve the request from the Las Cruces Public Schools to extend the award contingency for the 2012-2013 standards-based roof award for Zia MS. The extension shall be applied to the contingency requiring that “any legitimate project expenses expecting PSCOC/PSFA participation, reimbursement or credit shall be submitted and approved by PSFA in advance of the expenditure through the construction information management system (CIMS). Exception: Allowed project expenses made prior to award and submitted within 90 days of the executed MOU”. The Council shall delegate approval of future requests for extension of this award contingency to the Director of PSFA, with a report of extensions to be made to the PSCOC.

AMENDED MOTION: Mr. McMurray moved to delete the last sentence from the motion. Mr. Gant seconded. The motion passed with a majority vote with Mr. Tom Clifford and Mr. Paul Aguilar voting in the negative.

AMENDED MOTION: Mr. Abbey moved to amend the motion to include a second sentence: The Council shall delegate approval of future requests for extension of this award contingency on 2012-2013 standards-based awards to the Director of PSFA, in an amount not to exceed \$100,000, with a report of extensions to be made to the PSCOC. Mr. Guillen seconded. There being no objection the motion carried.

- e. **Albuquerque – Nuestros Valores (Admin. Building) – R13-003 – Project Reversion Executive Summary:** Staff recommends reversion of the state share for this project, totaling \$50,625 (54%). The county has taken the building back and there is no school on the site at this time.

Mr. Volpato stated that the building is owned by the County and the charter school is no longer located in the facility. The building is vacant with no future use to house students. This is a decertification of the award. There are two buildings on this site. One is owned by APS and the other is owned by the County. The charter school is

moving into the building owned by APS and will continue to be housed there as the APS owns the site and the building.

MOTION: Mr. Guillen moved for Council approval of the Awards Subcommittee recommendation to approve reversion of the 2012-2013 award to the Albuquerque Public School for the Nuestros Valores Charter Administration Building due to relocation of the charter to other facilities. Since this is a subcommittee recommendation a second is not necessary. There being no objection the motion carried.

f. Grants – Los Alamos Middle School—P14-014 – Informational Item

Executive Summary: Award was for educational specifications to replace the existing middle school and utilization study of the elementary feeder schools. Staff was directed to identify which children attend Cubero ES in Grants, and to identify where they go to middle school and how many children transfer to Los Alamos Middle School. PED provided student residential location information to PSFA to achieve this task. However, the data for Cubero ES was insufficient because out of 277 total students that attend, only 3 listed street addresses; 274 (or 99%) of student addresses are reported as P.O. Boxes, which cannot be used to determine their location. At this time staff is unable to complete this task utilizing student residential location information by PED.

Mr. Gorrell pointed out that the legislature funded a system that staff started building five years ago. Having actual position of each student would allow to share with the district regarding where students are located and the best location for schools. However, the data for the students is missing. PSFA staff offered their services to assist in moving the project forward to determine actual student locations.

Mr. Aguilar offered the assistance of Mr. Antonio Ortiz to assist staff in continuing to move forward or to answer questions that were posed by the Council.

This item is for informational purposes and does not require action by the Council.

g. 2013-2014 Final FMP Awards

Executive Summary: During the 2013-2014 FMP Application Cycle, 8 requests for waivers were received from districts. The motion from the December 3, 2013 PSCOC meeting contained the following language: “Final approval of waivers is conditional upon PSFA staff evaluation of local share reduction request, including verification of the district’s Statement of Financial Position and certification that no other funds are available.”

PSFA staff reviewed the district’s Statements of Financial Position, and made recommendation to approve the only requests for Hagerman, Hondo, and Roy.

Mr. Aguilar further requested that his staff review the financial status of the remaining 5 districts applying for FMP waivers. PED verified Fort Sumner, Maxwell, Mosquero and Wagon Mound are on Emergency Supplemental Funding, and indicated they have no local resources to apply to their share of the FMP. PED stated that Lordsburg is not on Emergency Supplemental Funding and have available cash balances.

Staff recommends approval of the local match reduction (waivers) to: Fort Sumner, Hagerman, Hondo, Maxwell, Mosquero, Roy and Wagon Mound in the amounts on the attached spreadsheet.

Mr. Gorrell informed the Council Chair Abbey and staff sent a letter of advisement to Lordsburg District informing them that they qualify for a waiver. Staff contacted the district to let them know about the error. The current motion denies the district the waiver.

Chair Abbey noted that the Lordsburg District will need a waiver to complete their schools even though they passed a bond issue. This may also include other districts.

There are concerns regarding the financial status of the Lordsburg and their operating budget. Council realizes that the project must move forward but wonders if all the other districts would be requesting waivers of their local match in future applications for standards-based awards. Mr. Gorrell responded that staff would not know until the districts apply, however, in Lordsburg's case, the district will ask for a waiver as it has already been determined that they have passed a bond and know the capacity and would need a waiver to complete their projects. Mr. Gorrell noted that the law for local share says that the district will pay their share if they have the funds and the Council will review the request for local match reduction based on their available funds. Ms. Cano noted that criteria eligibility for a local match reduction under the FMP program is different than for the standards-based projects.

MOTION: Mr. Guillen moved for Council approval of the Awards Subcommittee recommendation to approve final 2013-2014 Facility Master Plan awards, including local match reductions to the districts and up to the amounts specified in the spreadsheet. The state share portion of the estimated costs presented at the December 3, 2013 PSCOC meeting will be modified accordingly for the district awards as presented.

AMENDED MOTION: Mr. Abbey moved to include the local match reduction for Lordsburg. Mr. Guillen seconded. The motion passed with Mr. Aguilar voting in the negative.

Mr. Aguilar explained why he voted in the negative for the amendment only stating that PED did the analysis and submitted an opinion and he stands behind his staff and supports their decision.

4. Administration, Maintenance & Standards Subcommittee Report

a. Maintenance Programs as Measured by FMAR

Executive Summary: Just as capital school projects are an investment in the future, relative effectiveness of school maintenance programs is a measure of return on investment (ROI), as inadequate maintenance shortens the life of a school and provides lower quality learning environments. Given how important this is to the capital process of public schools, New Mexico employs three basic measurements of maintenance effectiveness:

1. Facility Information Management System (FIMS) software as provided by the State, to include the district's ability to capture and use Facility Industry measurements to drive their own performance.

2. An effective plan for Preventive Maintenance that protects the school's facilities and occupants and also monitors performance through industry standard metrics as captured in the FIMS program.
3. On-site assessment using the Facility Maintenance Assessment Report (FMAR) with standardized process and scoring to measure empirical results.

Mr. Les Martinez, PSFA staff, referred the Council to the FMAR Reference Guide handout that covers a large portion of how the FMAR program works. He stated that the Council is looking to protect investments in the public school facilities. Mr. Martinez referred the Council to the FMAR assessment report that reflects the FIMS verification and how well the districts are using the tools provided to them by PSFA. The FIMS system also assesses minor deficiency scores. Scores are rated Outstanding, Good, Satisfactory, Marginal and Poor. Mr. Martinez explained how the scores are determined for each facility.

Mr. Martinez gave a brief on FIMS breakdown that explains the work-order system, modules, how staff scores the districts from 0-3 on their performance. He gave a brief on the Preventive Maintenance Plan describing the criteria for using the system. Mr. Martinez reiterated sections of his brief regarding the FMAR system. He voiced the importance of observing the maintained conditions of the facilities. Staff also looks at the condition of roofs on all facilities. Staff reports on FIMS proficiency quarterly by tracking every school. Staff feels that these are very productive systems and districts seem to understand how the process works. The Council feels that this item requires more discussion at a future meeting.

The manual is online and available to the districts at:

http://www.nmpsfa.org/Maintenance/Guidelines/FMAR/FMAR_Reference_Guide.pdf

This item is for informational purposes and does not require action by the Council.

b. 2013-2014 Projects -- Required Six Month Maintenance Status Reports: Central, Gallup, Las Vegas City, Mesa Vista, Reserve, Tularosa, West Las Vegas

- **Central**

Executive Summary: Central Consolidated was historically a top performing district that underwent leadership change two years ago, Maintenance has fallen off considerably. To correct this deficiency PSFA has provided various resources including on-site training for two maintenance directors (in succession), but FMAR findings remain poor.

- FMAR score is poor at 56%, with numerous Major and Minor findings
- Preventative maintenance (PM) work orders are backlogged down to a completion rate of 67.78% from a target norm of 95%.
- Updated PM plan is currently in internal review with the district.
- Staffing is heavy in custodial and light in grounds; however they do utilize a contractor for some of their grounds-keeping.

The district has provided verbal commitment for improving these areas. The district provided a written response which follows this executive summary that explains their position.

Superintendent Colleen Bowman and Mr. Dennis Fieldsted represented the Central School District. Mr. Martinez noted that the Central Consolidated was a top performing district. However, the turn of leadership has affected the district. Dr. Bowman thanked the PSFA for their assistance. Dr. Bowman stated that they have reviewed the FMAR and the FIMS, they went through different reporting that is required. All of the above were done thoroughly on three buildings. She noted that the maintenance supervisor is struggling with the technology. Dr. Bowman stated that the district has completed all the requirements.

- **Gallup**

Executive Summary: Over the past 2-3 years Gallup district has undergone significant leadership turnover with a negative impact on maintenance performance. PSFA has provided various resources including several days of training on-site, but school facility maintenance is and remains poor.

- FMAR score is poor at 51.96%, with numerous Major and Minor findings
- Preventative maintenance (PM) work orders are backlogged down to a completion rate of 61.94% from a target norm of 95%.
- PM plan is not current.
- District has stopped entering utility data in Utility Direct (UD).
- Staffing is heavy in custodial and light in grounds, with indications that custodial staff may be performing non-maintenance duties.

The district has provided verbal commitment for updating the PM plan and improving performance. The district provided a written response which follows this executive summary that explains their position.

Mr. Martinez noted that this district has gone through some leadership changes. Mr. Leonard Haskie thanked the Council for allowing the district to present before them. Mr. Haskie stated their school board voted to authorize reorganization. The district has hired 2 additional custodians. The district feels that there have been organizational changes, whom, but even so, more effective in their maintenance. It was noted that the previous maintenance was not good and the district had to make cuts over the first two months. The district went into a non-user status to prioritize. The district is working on getting the data entered correctly with a dedicated secretary. In regard to the preventive maintenance module, PSFA had previously eluded that the district was not entering input into the system. The district did their preventive maintenance by work orders so it did not go into the preventive maintenance module, therefore, the district did not get credit for it.

- **Las Vegas City**

Executive Summary: Las Vegas City has a long history of deferred maintenance with a very extensive (expensive) backlog of repair work to be done. Maintenance staffing is inadequate and the district has recently placed the superintendent on administrative leave. PSFA has on multiple occasions provided on-site training and support as leadership staff has had a high level of turnover.

- FMAR score is poor at 51.92%, with numerous Major and Minor findings

- Preventative maintenance (PM) work orders are backlogged down to a completion rate of 60.34% from a target norm of 95%.
- PM plan is not current.
- Staffing is heavy in custodial and light in grounds and maintenance, with indications that custodial staff may be performing non-maintenance duties.

The district provided a written response which follows this executive summary that explains their position.

Mr. Martinez noted that there has been extensive deferred maintenance on at this district due to turn in leadership. Ms. Lydia Flores, Interim Superintendent, and Chris Archuleta, Maintenance Supervisor, represented the district. Ms. Flores noted that the Las Vegas City Schools is a small district and may be a contributing factor to the scoring. She stated that the main issue with the district is a fiscal problem and the district is operating with half the personnel than previous years. Mr. Archuleta stated that the district is holding more accountability to the maintenance of the facilities even they are under-staffed. The district is striving to bring their scores up and to be in compliance with the rules and regulations.

The Maintenance Director has provided verbal commitment for improving these areas within the confines of his responsibility.

- **Mesa Vista**

Executive Summary: Mesa Vista was recognized statewide as 'most improved' district in FY 2013, expending all available resources to correct maintenance deficiencies, but recent leadership turnover and a lack of SB-9 funds has begun to erode last year's gains. PSFA has provided technical support and training on site, but local resources are insufficient and there is currently no maintenance director at the district.

- FMAR score is marginal at 62.48%, with some Major and Minor findings
- Preventative maintenance (PM) work orders are backlogged to a completion rate of 9.09% from a target norm of 95%.
- PM plan was recently updated and board approved.
- Staffing is light for custodial and very short for maintenance.

The district has provided verbal commitment for improving these areas. The district provided a written response which follows this executive summary that explains their position that is included in the meeting notebooks/e-books.

Mr. Ernesto Valdez, Superintendent, and Ms. Brenda Holder, District Business Manager, presented on behalf of the district. Mr. Martinez noted that the district was recognized last year for the most improved maintenance and operations.

Mr. Valdez stated that the district's financial status is poor and may have to come before the Council to request a waiver. The PM Plan has been approved by the school board. Updates are being tracked in an attempt to complete their goals. There was a district-wide training in FIMS where all staff members were trained to use SchoolDude but there are issues that need more training. The district found an HVAC individual on an as-needed basis. Mr. Valdez reported that the district's

FMAR has improved from previous school years. There are still heating issues at the new elementary school. The district is in the planning stage of building a new K-3 facility. The district is in deficit of \$300,000 as a result of a 2007 project that the district is unable to pay back. The superintendent intends to request a waiver on the \$300,000. Ms. Holder indicated that several years ago the district did a lot of maintenance to the track field and for some reason the district was given budget authority from PED. Vendors were paid but unfortunately four years ago, PED informed the district that they did not have budget authority. The money was spent and the district asked for reimbursement but was denied. The district has updated Mr. Aguilar on the status of what has taken place. There are prior letters that were written by a former superintendent, Mr. Aguilar and PSFA. The district is requesting that the Council review the correspondence as it has affected their districts budget and they are unable to support the projects. Currently the operational funding is supporting it because all the funding is in one bank account. The district is requesting assistance from the Council.

NOTE: The Council recognizes Representative Lucky Varela.

- **Reserve**

Executive Summary: Reserve has a long history of deferred maintenance with a very extensive (expensive) backlog of repair work to be done. New district leadership has added additional maintenance staff and is now implementing FIMS with training and support provided by PSFA. Current issues regard the prohibitive cost of repairing what may soon be replaced by the proposed project.

- FMAR score is poor at 29.95%, with Major and Minor findings
- FIMS is currently being implemented (in process)
- PM plan is current.
- Maintenance staff has recently been hired.

The district has provided verbal commitment for improving these areas within the confines of their resources. The district provided a written response which follows this executive summary that explains their position.

Mr. Bill Green, Superintendent, joined the meeting via webcast. He stated that the district has doubled their maintenance workforce and have made improvements on the current facilities in the past year. The district has passed a bond and committed to following the programs available. The district has had training on the various programs.

- **Tularosa**

Executive Summary: The Tularosa district has some marginal conditions and backlogs in maintenance work but is actively engaged with PSFA and applying resources to improve performance and educational conditions.

- FMAR score is marginal at 65.58%, with some Minor findings but no Major findings.
- Preventative maintenance (PM) work orders are backlogged to a completion rate of 40% relative to a target norm of 95%.

- PM plan is current but should be enhanced to formalize maintenance safety and contract oversight processes.
- Staffing seems sufficient with maintenance and custodial sharing grounds-keeping responsibilities.

The district has provided verbal commitment for improving these areas. The district has also provided a written response which follows this executive summary that explains their position.

Ms. Brenda Vigil, Superintendent, represented the district. The district has been diligently trying to improve their maintenance. She stated that the district has implemented the FMAR into their preventive maintenance in SchoolDude and is checked regularly. Ms. Vigil noted that the district's facility master plan is up to date. There are three schools that have been completed. Ms. Vigil informed the Council that the district's facility master plan is complete and has been submitted. Ms. Vigil disagrees with the report that indicates that the district is overstaffed stating that they may be over-staffed by .5 FTE that are utilized in maintenance. She explained that the custodians overlap to grounds maintenance and visa-versa and feels that this is appropriate for the size of the facilities. The district is requesting a re-evaluation on their facilities.

Council noted that there were issues at the middle school regarding settlement of the slab. Ms. Vigil stated that in meeting with their regional manager, he has made all parties aware of the problem. There has been discussion in utilizing a pump injection under the slab.

- **West Las Vegas**

Executive Summary: Over the past 3-5 years the West Las Vegas district has undergone leadership turnover with a negative impact on maintenance performance. PSFA has provided various resources including several days of training on-site, but school facility maintenance is and remains poor.

- FMAR score is poor at 58.36%, with numerous Major and Minor findings
- Preventative maintenance (PM) work orders are backlogged down to a completion rate of 6.67% from a target norm of 95%.
- PM plan is current.
- District is not entering utility data in Utility Direct (UD).
- Staffing is somewhat heavy in maintenance and light in custodial and grounds, with indications that maintenance staff may be performing non-maintenance duties.

The district has provided verbal commitment for improving performance. The district provided a written response which follows this executive summary that explains their position.

Superintendent Gene Parsons and Mr. Jerry Maestas represented the district. Mr. Parsons stated that the district continues to be on supplemental funding and are attempting to move out of this stage. He noted that the district is frugal with their funds. The district employs four FTE that are utilized for various areas of maintenance. There have been several issues with FIMS and SchoolDude but due

to the turnover, the district became backlogged in their reports. Mr. Parsons stated that Mr. Martinez visited the district and trained various individuals on the programs and are getting better at closing out work orders. The school board has approved their preventive maintenance plan and is very supportive of the district.

The Council agreed that there is a long way to go in establishing benchmarks and need to concentrate on how to help districts that are maintaining their facilities as opposed to just scoring them but instead to continue working closer with districts on developing a staff model that is relative to that particular school site and facility reasonably. It is also important that the leadership realize the importance of maintenance.

5. 2014-2015 Standards-Based Capital Outlay Awards Cycle

a. 2014-2015 Proposed Workplan/Timeline

Mr. Gorrell noted that there will be one more public meeting for the standardized leases before staff drafts the rules. Staff will bring recommendations to the Council.

The standardized leases will be presented to the Council at its April PSCOC meeting for consideration and possible adoption.

The Council asked what is expected in terms of new leases that would take effect by July 1, 2014. Ms. Casias responded that there are approximately five charter schools that are expected to be relocating. Mr. Gant noted that there are also 14 new charter school applications. Mr. Gorrell stated that the rule making process has been an arduous task on Council questions regarding public comment. The last comment from the attorney that wrote most of the questions recommended easier formatting. He made a staff recommendation that Council wait a year to let the charters use the lease and figure what is and isn't working and then go through the rule making process. Mr. Gorrell stated that this may be more effective for the charters and Council decision-making. The Council will look at issues that are mandatory, conflict of interest and determine a more efficient way to approach the leases.

Staff is directed to provide staff recommendations to the AMS Subcommittee at its next scheduled meeting. Staff will modify the workplan/timeline as deemed necessary.

This item is for informational purposes and does not require action by the Council.

6. Other Matters

a. Legislative Changes – Review

Public School Capital Outlay Related Bills – 2014 Legislative Session

HB68 - Stewart	SCHOOL CAPITAL OUTLAY FOR BUILDING SYSTEMS Location: Senate Finance Committee	Endorsed by PSCOOTF and LESC. Bill amends the Public School Capital Outlay Act to allow the Public School Capital Outlay Council to make awards in amounts up to \$15 million from the Public School Capital Outlay Fund in FY15 through FY19 for building system repair, renovation, and replacement initiatives at public schools. Proposed program would also allow reduction in GSF, improvement in maintenance, lower operational costs, and opportunity for local match to come from private or public energy performance funding.
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HB146 - Harper	SEVERANCE TAX FUND BONDING & PROJECT LIMITS Location: House of Representatives	Bill makes several changes to the Severance Tax Bonding Act that would reduce capacity for severance tax bonds and notes while increasing the amount of severance tax revenue that flows to the Severance Tax Permanent Fund (STPF). Reduces available SSTB capacity for PSCOC programs for construction by approximately \$34 million annually.
HB325 - Jeff	SCHOOL SECURITY SYSTEMS Location: House of Representatives	Bill amends the Public School Capital Outlay Act requiring each school district and charter school to establish and implement a security system. Required creation of a process for school districts and charter schools to apply for funds from the PSCOC. A total of up to \$3 million dollars of the Public School Capital Outlay Fund may be allocated by the council for expenditure in fiscal years 2015 through 2017 to establish and implement security systems.
HJR6 – Stephanie Garcia Richard	LIMIT CLASS SIZES Location House Voters and Elections Committee	This bill which if approved by the voters, would establish smaller class sizes for public schools than what is currently in law. Requires the Legislature to enact a graduated plan to ensure that, by the 2020-2021 school year, public classroom sizes for each grade and subject do not exceed 18 students for kindergarten through third grade, 22 students for grades four through eight, and 25 for grades nine through twelve.
HM61 – Youngblood	PUBLIC FACILITY ENERGY & WATER STUDY Location: Passed and signed 02/02/14.	This Memorial requests the Department of Finance and Administration, the Energy, Minerals and Natural Resources Department, the General Services Department, the New Mexico Finance Authority, the Public Education Department, the Public School Capital Outlay Council, the Public School Facilities Authority and the Taxation and Revenue Department to conduct a joint study related to the Public Facility Energy Efficiency and Water Conservation Act and the Energy Efficiency and Renewable Energy Bonding Act.
SB159 - Candelaria	EDUCATION TECHNOLOGY INFRASTRUCTURE FUNDING Location: Governor	Endorsed by the LESC. Bill amends the Public School Capital Outlay Act directing the development of guidelines and standards in coordination with DoIT and PED for an education technology deficiency corrections initiative. A total of up to \$10 million dollars a year of the Public School Capital Outlay Fund may be allocated by the Council for expenditure in fiscal years 2015 – 2019. PSFA staff had done a lot of work through their Information Technology Advisory Group (ITAG) over the last three years. PSFA believes successful execution of this program will require additional technical staff - increasing in FY14 and peaking in FY15 to put “boots on the ground”. PSFA recommends expected first and second year outcomes should be defining the problem and provide options to future legislatures and with some projects to address the “low hanging fruit”. A separate application process will need to be developed, similar to the existing roof repair initiative.
SM91 - Pinto	KINTEEL RESIDENTIAL CAMPUS IN AZTEC	This bill requests that the Senate request the New Mexico congressional delegation to aid in the effort to financially support the planning, design, construction, and equipping

	Location: Passed and signed 02/06/14.	of the Kintee Residential Campus in Aztec. The memorial notes that with a \$5 million commitment, a new 112-bed residential dormitory could be built.
SJM4 - Candelaria	STUDY STATE BUILDING BROADBAND INFRASTRUCTURE Location: Passed and signed 02/06/14	This bill would create a task force to study the appropriate role of the state in building broadband infrastructure so that all New Mexicans have access to a broadband network. The task force is to be composed of a representative of the Legislative Finance Committee (LFC), a representative of the Science, Technology and Telecommunications Committee (STTC), a representative of the New Mexico Finance Authority (NMFA), a representative of the franchise cable industry, a representative from the Department of Information Technology and experts in broadband technology infrastructure who represent the University of New Mexico, New Mexico State University and the New Mexico Institute of Mining.
HB55 -	2014 WORK NM ACT-SEVERANCE TAX BOND PROJECTS Location: Governor	This bill appropriates funds from the PSCO Fund In the following amounts for the following uses: \$7,038,365 NMSD – Cartwright Hall Renovation \$2,500,000 PED - Pre-Kindergarten Classrooms \$7,395,000 PED - School Bus Replacement \$5,000,000 PED – Ed Tech Infrastructure for Computer-based Assessments \$4,116,993 NMSBVI – Ditzler Auditorium/Rec Center \$1,844,015 NMSBVI – Quimby Gym & Natatorium \$2,294,411 NMSBVI – Resident Cottages \$30,188,78
SB313 - SFC	General Appropriations Act of 2014 Location: Governor	PSFA Budget (thousands): Personal services and employee benefits* 4,394.5 Contractual services 179.5 Other 1,231.4 Total: 5,805.4 *Does not Include additional increase of 3% for salary increases (Section 8).

Staff and Council will determine the pros and cons of the legislation.

This item is for informational purposes and does not require action by the Council.

b. QSCB Applications Received

Staff informed the Council that no QSCB applications were received.

This item is for informational purposes and does not require action by the Council.

c. TERO/NNBAT on PSCOC Projects

Executive Summary: Tribal Employment Rights Ordinance (TERO) is to enforce tribally enacted Indian Preference law to insure that Indian/Alaska Native people gain their rightful share to employment, training, contracting, subcontracting, and business opportunities on and near reservations and native villages. TERO fees range from 1% to 4% with a national average of about 2.5%.

Navajo Nation Business Activity Tax (NNBAT) is a tax on all services performed within the Navajo Nation. The net source gains are taxed at a rate of 5%.

These taxes are applied to the contractors performing the work, not directly to the State or local School Districts.

In May 2009, the PSCOC reviewed TERO and NNBAT as they apply to PSCOC projects on tribal lands. Included in the review was an Attorney General's opinion on highway projects which concluded that a tribe generally does not have inherent sovereign power to tax state contractors working on a highway project on a right-of-way easement granted to the state under federal law. The PSCOC agreed that these taxes should not be applied to state contractors, and PSCOC funds would not be used to pay for the taxes. (Page 1-8)

As no formal waiver of the TERO/NNBAT has been received, or formal opinion by the Attorney General (AG) specifically naming school districts has been issued, the Gallup-McKinley, Central, and Zuni School Districts have chosen to reimburse the contractors that comply with the tribes and pay the tax, but at their sole cost with no PSCOC matching funds. (Page 9)

In FY13, an award was made to the Zuni Schools, which was funded 100% by the PSCOC. As the project progresses toward construction, a review of the TERO was again requested, though the PSCOC/PSFA policy has remained unchanged. PSFA staff requested the opinions of the AG and of PSFA's attorney on this item. PSFA's attorney has concluded that current policy is consistent with legal precedent; a response from the AG has not yet been received. (Page 10-16)

Unlike the Gallup-McKinley and Central School Districts, the Zuni Schools do not have available bonding capacity to reimburse the contractor for the potential TERO costs under the \$19 million MACC for the new elementary school.

Mr. Gorrell noted that the Council has a policy that the Council would not participate in the local tribal taxes. The PSFA/PSCOC contracts indicate that we are not responsible for the costs. Staff recommends that Council use the same policy that is currently in place. Zuni has a number of projects and there is a standoff as to whether or not the district wants to participate in the TERO taxes. Staff recommends that the contractors do not include the TERO taxes in their contracts with PSFA.

d. Construction Cost Inflation

Executive Summary: Due to rising construction costs, several PSCOC project awards need to be increased.

Mr. Gorrell presented this item to the Council noting that there has been approximately a 14% increase on project cost across the board from last year. Staff is projecting that it will be about 8% per year that should be included in the construction cost of PSCOC projects which is in alignment with the economist that advised the AGC and other organizations. The cost will be higher in New Mexico due to of the competition of labor that has gone out of the state.

Mr. Volpato stated based on the information on small town school projects for new construction many have increased costs. Staff reviewed the financial plan and identified projects that are far enough along that it that will have to be adjusted in the plan. Some are based solely on construction cost increases and some are based upon Council action on amending awards and other factors that would increase the budget. All the projects are in early design or moving along toward construction.

The Council will revisit this item due to the huge over-runs and problems with the planning process. Mr. Aguilar noted that the over-runs may not be connected to the construction cost but instead due to changing scopes of project among other things.

In regard to the Gallup School District, Mr. Volpato noted that by consolidating three schools it would increase the award.

7. **Director's Report**

a. **PSCOC Project Status Report**

Executive Summary: Involved in guiding various projects through the stages of Project Development including, Programming, Planning & Design and the Construction Phase.

- 7 Projects in the development of their Educational Specifications
- 65 Projects in the planning & design Phase
- 33 Projects in Construction

This item is for informational purposes and does not require action by the Council.

b. **Master Plan Project Status**

Executive Summary:

There are twenty new FMP awards.

Two existing FMP working toward completion

- Clayton Schools is 75% complete. New Superintendent Nelda Isaacs made the request in December for March completion to afford new school board members time to review and approve their Facilities Master Plan (FMP).
- Lake Arthur is 98% complete; Consultant is waiting for comments from the district prior to completion.

This item is for informational purposes and does not require action by the Council.

c. **Lease Assistance Report**

Executive Summary: Currently 97 Lease Assistance Awards totaling \$12.9 million; \$6.0 million disbursed to date.

This item is for informational purposes and does not require action by the Council.

d. **Maintenance Program Status**

Executive Summary: The New Mexico PSCOC maintenance program has three major components:

1. Facility Information Management System (FIMS) – A software tool to help school districts manage their maintenance programs, currently provided by SchoolDude.

2. Preventive Maintenance Plans (PMP) – A written plan based on industry standards, combined with automated schedules and reports using FIMS or other software to manage their operation.
3. Facility Maintenance Assessment Report (FMAR) – Site assessments based on industry and federal building management standards to evaluate how well a site is being maintained and the capital investment protected.

Current status across New Mexico Schools

- FIMS usage -65% of district use FIMS effectively
- PM plan currency-36.26% of the districts have a current PM plan
- FMAR average score - 59% (where 70% is 'passing')
- Total FMARs completed to date –578

This item is for informational purposes and does not require action by the Council.

OTHER MATTERS DISCUSSED

The Council inquired as to the status of personnel evaluations. Mr. Gorrell informed the Council that the evaluations are almost complete. The upper management staff is final that need to be filed. The Council directed PSFA to begin the evaluations in a timely manner in the future. Mr. Burciaga feels that the evaluations are done in a timely manner and indicated that he was not pleased with the Council in that they could have provided more information and input to the AMS Subcommittee. He noted that some members did not provide feedback and there should be more participation from the Council. Mr. Clifford indicated that the Council needs better tools for proper evaluations. Mr. Gorrell informed the Council that the PSFA HR and DFA staff is working on providing better tools.

In other matters, Mr. Abbey stated that he was approached by Mr. Doug Wine with concern regarding adequate space for charter school students and that the FY15 requirement, that all charter schools be in public buildings, is still in place. A Council member indicated that Mr. Wine was offered space in the district but they turned it down. Council noted that PSFA/PSCOC have been proactive in working with charter schools in identifying their buildings. It was noted that the board is uncomfortable dealing with charter school buildings. Mr. Gorrell stated that half of the charter schools are currently in privately owned facilities. The average condition of charter schools, as measured against other schools are in better shape. The law has in place a requirement that the new charter schools come in at average or better condition. The Oversight Task Force studied this problem and recommended reduction of square footage and bettering maintenance.

Council suggested that Mr. Wine meet with Mr. Gorrell to discuss what types of issues they are experiencing. Staff is to schedule a date and invite Council members to attend. The staff will provide a report of the discussion at the meeting as well as staff recommendations.

8. Next PSCOC Meeting

Upon discussion, the Council agreed to hold their next PSCOC meeting on April 9, 2014 at 11:00 AM.

Public Comments

There are no public comments at this time.

Adjourn

There being no further business to come before the Council the meeting adjourned at 12:43 PM.

David G. Gable Chair
4/9/14 Date