

**PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL MEETING
MINUTES**

June 13, 2017

**STATE CAPITOL BUILDING, ROOM 317
SANTA FE, NEW MEXICO**

Members Present: Mr. David Abbey, LFC Ms. Rachel Gudgel, LESC
 Mr. Pat McMurray, CID Mr. Gilbert Peralta, PEC
 Mr. Joe Guillen, NMSBA Mr. Paul Aguilar, PED
 Mr. Raul Burciaga, LCS Ms. Jessica Kelly, Office of the Governor
 Ms. Stephanie Clarke, DFA

1. **Call to Order**—Chair Abbey called the meeting to order at 1:33 P.M.
 - a. **Approval of Agenda**—Chair Abbey asked if there was any objection to the agenda as presented; as there was none Ms. Gudgel moved for approval of the agenda, Mr. McMurray seconded and the motion passed unanimously.
 - b. **Correspondence**—None.
 - c. **Approval of Minutes (April 13, 2017 & April 19, 2017)** - Mr. Aguilar moved for Council approval of the May 11, 2017 minutes subject to technical corrections, Mr. Burciaga seconded and the motion passed unanimously.
2. **Public Comment**—Chair Abbey had guests and PSFA staff introduce themselves. Ms. Karen Bailey-Bowman with Socorro's Cottonwood Valley Charter School spoke to the school's financial situation adding they cannot absorb a 20% reduction in lease assistance which would result in the elimination of a staff member and affect offered programs. Mr. Abbey referred to R. Sarracino MS which has 368 students, and total capacity of 530 noting a new facility is being built yet 1/3 of the middle school is unused. Ms. Clarke asked who owned the building occupied by the charter, Ms. Susan Fox, Attorney, replied that the county owns the land, built the facility, leases it and Cottonwood Valley would be lease-purchasing it. Mr. Guillen asked Ms. Bailey-Bowman if Cottonwood Valley ever asked the local district for space. Per Ms. Bailey-Bowman the school has been in their current location since 2001 and didn't have to ask for space as they have been able to house students in leased portables; in 2015 it was determined a stick built facility would be cheaper. The county stepped in, managed the project, leased the land and set up a 15-year loan repayment. Mr. Abbey thanked Ms. Bailey-Bowman for her comments.
3. **PSCOC Financial Plan**
 - a. **PSCOC Financial Plan**

Changes made since the last meeting include: BDCP awards for Category 2 of \$63,653. Pending Council action, there is a favorable change of \$2,952,539 to the financial plan for Gadsden HS. The previous financial plan estimate was \$4,502,643; the current estimate is \$1,550,104. A revised SSTB revenue estimate was received from the Board of Finance and results in a \$632,100 increase of proceeds. This amount has also been adjusted for SB-1 with

the amount split between SSTB and Long Term Bonds. FY18 SSTB is reflected at \$39M and Long Term Bonds at \$81.4M. Operating Reversions and Advance Repayments have been separated; the \$1.8M operating dollar amount was obtained from the FY16 audit. Ms. Irion will work with Board of Finance and Department of Finance Administration to determine the process to transfer amount back to the PSCOC Fund. A repayment was received from Cobre Bayard ES for \$1,298,870.52; a balance of \$1,100,000 remains and the district has been notified. As requested, BDCP amounts were listed separately to show award activity. Prior year awards decreased \$2.9M due to the favorable Gadsden estimate. The same dollar amount was used to increase the 2017-2018 awards cycle. Projected balances are estimated at \$12.8M in FY17, and \$1.8M for FY18-21. Ms. Gudgel thanked Ms. Irion for breaking out the BDCP amounts. Mr. Abbey sought clarification on the \$30.3M listed for 2017-2018 awards asking if it was for potential Phase 2 systems awards; Mr. Kearney replied an estimated \$10M will be spent on the four applications which leaves \$20M. Later on the agenda, options will be presented on whether delayed projects should be moved forward leaving roughly \$7M for a second systems cycle or go out for all systems.

b. Recertification of SSTBs

Ms. Irion began by commenting on the re-certifications for SB-8 which were made for project reversions. A draft certification submitted to Board of Finance was reviewed with their Legal Counsel to ensure the appropriation was covered correctly. Listed within the executive summary, each bond series includes the amount of project reversions associated with each project. For public benefit, Ms. Clarke clarified the \$12.4M reverting to restore the general fund was one day cash funding through sponge notes.

MOTION: Ms. Clarke moved for Council approval of the staff recommendation to adopt the Resolution, Notification and Certification amendment for \$12,368,629 reauthorization of unexpended bond proceeds as follows to meet the appropriation for Senate Bill 8, with emergency clause, 52nd Legislature, 2nd Special Session, Laws 2016, Chapter 5 from the public school capital outlay fund to restore the allotments from the general fund for capital project appropriations:

- SSTB12SB 0001 / SSTB11SD 0003 in the amount of \$7,369,554
- SSTB13SB 0003 in the amount of \$426,436
- SSTB13SE 0001 in the amount of \$4,543,190
- SSTB14SB 0001 in the amount of \$29,449

Total certification needs \$12,368,629.

Mr. Aguilar seconded. The motion passed unanimously; Ms. Kelly was not present for the vote.

c. Update on Project Closeouts (*informational*)

PSFA has closed out 196 projects, resulting in \$19.5M in reversions which exceeds the original estimate of \$16.6M and also satisfies the \$12.4M for SB-8. The financial plan will be updated to reflect the additional reversion amount; there may be potential for additional funds for the 2017-2018 cycle of approximately \$2.5M. Ms. Cano reviewed the spreadsheet and reminded members that \$5M was set aside in the financial plan to accommodate project closeouts in cases where PSFA owed the district; that total is approximately \$4.4M of the \$5M. Ms. Gudgel asked how many projects remained; Ms. Cano replied of the original 209 projects 18 remained

and stated a few projects had been added. Ms. Gudgel complimented Ms. Cano on the good work. Mr. Aguilar drew attention to the two Chama Valley projects and asked if dollars were still being spent to get the facilities fixed; Ms. Cano stated the district did sign documentation indicating the work was complete.

4. 2017-2018 Award Cycle

a. 2017-2018 Systems-Based Full Application

Ms. Cano noted there was \$30.3M set aside for the 2017-2018 awards cycle with a state share for the applicant districts of approximately \$9.98M resulting in \$20M remaining for the 2017-2018 cycle. Two options were presented for consideration of awards. The first moves forward two previously awarded projects and solicits additional applications with the balance of the funds. For Alamogordo Combined School, an amount had been appropriated for demolition and was moved out. Staff proposes moving \$1.5M in demolition funding back to being funded with construction as is normal procedure. Clovis Highland ES submitted a request to accelerate their Phase 2 funding by one quarter; the state share match is \$10.9M. If both projects move approximately \$8M would remain for a potential second round of systems-based awards. The second option leaves everything in the financial plan as currently presented and solicit applications for the full \$20M. Ms. Cano drew attention to the proposed timeline noting eligibility criteria would be extended to the Top 200, not Top 100 as listed. Ms. Cano added, based on the Public School Capital Outlay Oversight Task Force, some may desire allowing teacherages to be eligible under the systems-based program which historically weren't approved under the standards-based program. Mr. Aguilar asked why teacherages were brought up, to which Ms. Cano replied it was one of the initiatives the Task Force will be looking at; there may be a desire to include them in the systems-based program with funding that remains this fiscal year and in future years. Mr. Aguilar reminded members it has been Council practice to not authorize teacherages to which Ms. Cano responded they were always within adequacy standards but had not been previously entertained under the standards-based program. Mr. Guillen acknowledged the pros and cons to including teacherages; not every district has teacherages and given the competitiveness schools have for teachers, this type of advantage warrants discussion. Regarding the options presented, Mr. Abbey asked what efficiencies would occur by moving Alamogordo and Clovis forward one quarter. Per Mr. Aguilar the idea of continuing to delay projects due to funding restraints appears counter intuitive as the districts applied, were awarded and have been delayed; it seems prudent to move them forward and get them out of the queue. Ms. Cano reminded members along with the \$8M for awards, there is also the additional \$2.4M from reversions and the potential for some available balances from Broadband. Mr. Aguilar inquired as to how much money was currently being spent on projects; Ms. Cano referred to the project status report which reflects nearly \$438M in state share active awards. Ms. Casias added if systems awards are made out of the current ranking, which was preliminary in February, the published wNMCI would not match the current wNMCI and with assessors having completed 61 assessments since February it was possible schools changed rank. Ms. Gudgel asked if Ms. Casias was suggesting not using the same ranked list for the first round; Ms. Casias replied she was not making that recommendation and was simply noting it has been adjusted and a new ranking could not be produced quickly. Ms. Gudgel stated it may be an option to fund Alamogordo's demolition project in FY19 and use the \$1.5M for FY18 systems-awards. Per Mr. McMurray including demolition in the bid would likely result in a better bid for the district and Council versus

paying a higher amount later. Mr. Guillen asked the Chair if he had an estimated cost for teacherages; Mr. Abbey replied the Legislative Finance Committee estimated \$3-\$4M for litigating districts and a few million based on analysis. Ms. Cano announced the site visit schedule had been sent out and PSCOC members and their staff are invited to attend. There was one incomplete application submitted for Espanola's Velarde ES. Staff continues to work with them and has given them additional time to submit a complete application. Mr. Guillen felt more publicity was needed on the systems and broadband programs and offered to use the July leadership retreat to do so.

MOTION: Mr. Guillen moved for Council approval of the Awards Subcommittee recommendation to approve Option 1 to move previously awarded projects in the financial plan and solicit additional applications under the timeline presented; awards are anticipated at the December 2017 PSCOC meeting. Motion passed 8 to 1 with Mr. Abbey opposing.

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

a. Gadsden – P08-003 – Gadsden HS – Old English Building Renovation – Construction Funding

This funding request is for the Gadsden HS Old English Building renovation. Work is estimated at \$5.4M to adequacy, however the request is for \$1.7M due to remaining funding in prior phases. The district has a current PM Plan rated outstanding, are users of FIMS/School Dude products and met the completion rate for PM work orders. Mr. Aguilar announced Superintendent Efren Yturralde had retired and took the opportunity to congratulate the superintendent and his staff on the outstanding work pointing out this was a \$5M project with only a \$1.5M request because of district efficiencies. Mr. Rafael "Ralph" Gallegos, Executive Director for Energy Management & Construction/Administrator was in attendance and stated the project was delayed due to State Historic Preservation Officer (SHIPO) requirements. Asbestos abatement is currently being conducted, construction will begin in July and should be complete by March 2018.

MOTION: Council approval of the Awards Subcommittee recommendation to amend the 2007-2008 standards-based award to the Gadsden Independent Schools for Gadsden High School to include construction funding for the Old English Building (final phase) to renovate the existing facilities to adequacy for 1,850 students, grades 9-12, with an increase in the state share amount of \$1,550,104 (87%), and a corresponding increase in the local share amount of \$231,625 (13%). Motion was unanimously approved.

b. Broadband Deficiencies Correction Program – Participation Maps (*informational*)

Per Mr. Guillen's request, staff prepared maps depicting participation for the first year of actual awards for BDCP Category 1 and 2 projects. Reviewing the maps, Mr. Viorica highlighted the following: for 2016 Category 1 Participation eight schools issued RFPs yet no construction was needed. Upgrades did occur, however until the schools go through the procurement process it is unknown what broadband solution will be available. Six projects are pending E-rate approval and staff continues to assist those districts in communicating with the E-rate program. For 2016 Category 2 Participation the list of projects encompasses 36 districts and charters for a total of 260 schools in the program's first year. For 2017 Category 1 Potential Participation approximately \$27.5M of upgrades are reflected, encompassing approximately

220 schools with the state share estimated at \$2.3M. Potential participation for 2017 Category 2 includes approximately 220 schools with actual requests to be brought for Council approval at the next meeting. Combined Category 1 & 2 potential participation for 2016-2017 reflects approximately 75% participation for the current E-rate cycle. Mr. Guillen thanked Mr. Viorica for the maps. Ms. Gudgel noted amounts listed in the map detail differ from those reflected in the financial plan; Ms. Irion stated the \$8M certification will be updated and brought back to Council with actual dollar amounts based upon the sale.

c. Broadband Deficiencies Correction Program – 2016 Awards

Mr. Viorica stated this would conclude the request for 2016 and work is expected to be completed by years end. Mr. Abbey asked about the process for next year; Mr. Viorica replied the procurement process will move forward and projects that are more difficult, such as fiber upgrades, need RFPs drafted. Mr. Abbey brought up the issue of aggregation, asking what it would take and what the merits and demerits were. Mr. Viorica replied it would require finding districts willing to share the service, drafting an RFP, going through the procurement process and determining whether the solution was viable or not. Some believe aggregation would require a lot of construction and be very expensive; however this would not be known until the procurement process unveils providers capable and willing to provide the service. Ms. Kelly stated Broadband for Education (BB4E) and BDCP discussed aggregation and a report was done on whether there was a cost benefit analysis of doing it now as opposed to helping the districts render services for internet access at a more cost effective price and plan for aggregation. Ms. Kelly offered to prepare an updated cost analysis. Mr. Abbey requested that Ms. Kelly send LFC and LECS staff a copy of the Education Super Highway analysis (ESH). Mr. Guillen commented he had heard companies do not want to do this because they would lose their rates; Ms. Kelly agreed the analysis showed it was not cost effective for internet providers. Ms. Gudgel asked if a presentation could be done on the ESH report; Mr. Viorica and Ms. Kelly to collaborate prior to embarking on the FY18 awards cycle.

MOTION: Council approval of the Awards Subcommittee recommendation to make Broadband Deficiencies Correction Program (BDCP) awards of actual E-rate approved project amounts to provide the state match for application funding year 2016 for Category 2 to two districts/schools for a total of \$4,636 as listed in column K of the award spreadsheet on page 2 of this agenda item for the purposes and up to the amounts specified. Each allocation is intended to fully complete the project, phase, or specified purpose. The motion was unanimously approved.

6. Other Business

a. Draft FY19 PSFA Budget Request (*informational*)

Staff recommends a decrease of \$192,250 or 3.4% reduction to bring the FY19 budget request to \$5,454,151. This recommendation includes 50 perm and 3 term FTEs and a projected vacancy savings of 7.5%. Per request of the AMS Subcommittee, staff was asked to bring options closer to \$5M. Option 1 includes the staff recommendation plus an additional decrease of \$160,832 or 6.3% bringing the request to \$5,292,919 with 49 perm and 3 term FTEs and vacancy savings of 5.8%. This option includes reductions in contractual services, attorney services, software agreement/FAD Redesign and office supplies. Option 2 reduces the budget a total of \$544,359 or 9.6% and brings the request to \$5,102,641 with 46 perm and 3 term

FTEs and projected vacancy savings of 3.0%. This option includes reductions in three positions vacated through attrition. Mr. Aguilar asked where the \$5M came from; Mr. Kearney and Ms. Kelly replied it was per Council request when all agencies were reducing their budgets. Mr. Aguilar noted other agencies were reduced 5.5% and the options presented did not reflect 5.5% rather going from 3.4% to 6.3% and inquired as to the reasoning behind it. Ms. Clarke stated a mid-year adjustment was done to reduce it by 5%. The financial plan reflects an operating budget of \$5.8M in FY17, \$5.6M in FY18 and \$5M flat in out-years. Mr. Abbey acknowledged the workload is changing however monitoring the spending may not and challenged staff to bring to the AMS Subcommittee workload data as well as options on lower spending.

b. Budget Projections & Personnel Actions

PSFA is estimating to revert \$326,090 in FY17 of which \$286,267 is from Personal Services and Employee Benefits. The FY18 budgetary report estimates reverting \$211,448. Discussion turned to the recruitment of the PSFA Agency Director. Ms. Kelly reviewed the proposed timeline and job description. The selection committee will be comprised of Ms. Kelly, Mr. McMurray, Mr. Guillen and Ms. Gudgel. Mr. Guillen proposed extending the advertisement by a month. Mr. Abbey requested an August PSCOC meeting on this subject only; Ms. Birge will coordinate member schedules. Mr. Abbey then directed Mr. Kearney to think about quality control and requested that a timeline, as well as a process to ensure consistency and quality of employee evaluations, be presented at the next AMS Subcommittee meeting; Mr. Kearney agreed to do so.

c. PSCOC Status Report and Information Manual/Director's Report

Staff proposed a change to the Information section of the PSCOC meeting material to include the development and quarterly update of a PSCOC Status Report and Information Manual and a monthly report on the manual via a single Director's Report consisting of an executive summary highlighting information contained within the various reports. A separate information manual would be updated quarterly versus monthly. This proposes to eliminate over 8,000 pages in excess printing per year. Staff inquired about member interest in replacing the paper books with laptops provided for member use with material pre-loaded; larger documents and spreadsheets would still be printed and distributed for easier viewing. Ms. Clarke spoke to the benefit of saving paper but was opposed to the informational reports coming 2-3 months later. Per Ms. Kelly, the number of staff attending meetings could also be reduced. Mr. Guillen and Ms. Gudgel preferred the paper books; Mr. Kearney reiterated a few copies could be printed. Mr. Abbey agreed it was worth trying but did not want any material cut.

7. Informational

Per Mr. Kearney, the informational items were pretty standard and nothing had changed except the Master Plan Status Report.

a. Broadband Deficiencies Correction Program Status Report

Not presented.

b. PSCOC Project Status Report

Not presented.

c. Master Plan Project Status Report

One FY16 project is not complete; La Promesa has reinitiated the Master Plan process; \$8,020.31 remains on the PO. For FY17, Cariños Charter is not yet under contract nor in the contract preparation phase and has decided to wait until July 1, 2017 and may have their funding match available at that time. Mr. Abbey inquired about district highlights or ground-breakings; Mr. Kearney reported: Albuquerque Marie Hughes ES, Albuquerque Mountainview ES, Deming HS, Lordsburg HS, Ojo Caliente ES, NMSBVI Recreation Ditzler Auditorium, NMSBVI Watkins Educational Center and Roswell Parkview Early Literacy Center were opening in the fall and dates would be provided to Council.

d. Lease Assistance Status Report

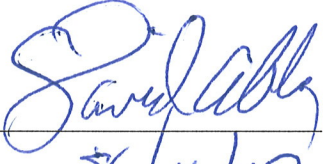
Not presented

e. Maintenance Program Status Report

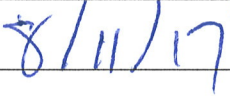
Not presented.

8. Next PSCOC Meeting – Proposed for July 27, 2017. Due to calendar conflicts, options will be proposed for a new date and time. Ms. Cano reminded members that district presentations will take place at the next meeting; site visits have been scheduled and members are welcome to attend.

9. Adjourn - There being no further business to come before the Council, Ms. Gudgel moved to adjourn the meeting. Mr. McMurray seconded and the motion passed unanimously with Mr. Burciaga and Mr. Aguilar not present. Meeting adjourned at 4:05 p.m.



Chair



Date