

**PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL MEETING  
MINUTES  
June 28, 2016  
STATE CAPITOL BUILDING, ROOM 317  
SANTA FE, NEW MEXICO**

**Members Present:** Mr. David Abbey, LFC                      Ms. Rachel Gudgel, LESC  
                         Mr. Joe Guillen, NMSBA                      Mr. Raul Burciaga, LCS  
                         Mr. Gilbert Peralta, PEC                      Ms. Jessica Kelly, Office of the Governor  
                         Ms. Stephanie Clarke, DFA                      Mr. Pat McMurray, CID  
                         Mr. Paul Aguilar, PED joined the meeting at 10:25

**Designees:**                      Mr. Antonio Ortiz, PED, attended from 8:35-10:25

**1. Call to Order**—Chair Abbey called the meeting to order at 8:35 AM.

- a. Approval of Agenda**—The receipt of an interrogatory from Gallup regarding the Zuni lawsuit was added to Item 6. Mr. Burciaga moved for approval of the agenda. Ms. Gudgel seconded. Motion carried.
- b. Correspondence**—None at this time however Mr. Gorrell mentioned a letter he received from NM School for the Blind and Visually Impaired regarding an emergency which did not need to come before Council as they had adequate funding and PSFA is assisting them with their issue.
- c. Approval of Minutes (May 18, 2016)**  
Ms. Clarke moved for Council approval of the May 18, 2016 minutes, subject to corrections. Mr. McMurray seconded. Motion carried.

**2. PSCOC Financial Plan**

**Discussion:** Changes made since the last meeting include: an award of \$400,000 to Grants-Laguna Acoma Jr/Sr HS and Espanola-Abiquiu ES Phase 1 funding delayed to 2016Q4. On the agenda for consideration is Socorro San Antonio ES Phase 2 funding where the previous financial plan estimate was \$3.5 million and the current financial plan estimate is \$4.4 million. SSTB revenue estimates were adjusted to \$104.1 million per Board of Finance estimates. NM Pre-K is included in FY18 at \$2 million. The previous certification will remain unchanged and Board of Finance has been notified to not set aside the \$2 million for that specific use. Reserve for Contingency was reduced \$1.0 million in FY17 to off-set the Long Term Bond revenue reduction for the San Antonio ES change in FY17 and resulted in a \$4 million reserve estimate. FY17 award amounts were based on pre-applications received, however that amount has increased from \$1.3 million to \$4.5 million due to the increased capacity. Not reflected on the financial plan are possible unused proceeds from FY15 and FY16 appropriations for Broadband that may be reallocated to the 2016-2017 awards cycle. A \$75,000 repayment on their advance from Jemez Mountain, nearly \$9.9 million repaid by Las Cruces HS and \$22,119 paid in full by Magdalena are reflected in the advances spreadsheet.

Regarding the \$400,000 Grants-Laguna Acoma award, Mr. Abbey thought there had been a reversion. Mr. Volpato replied it would occur once the project was closed out. Ms. Cano reminded Council a process is yet to be determined on how to recover and re-budget funds. Mr. Gorrell suggested a follow-up email to Chair Abbey and Ms. Clarke regarding such.

Mr. Abbey inquired as to the increase in potential awards; per Ms. Cano this was an estimate put in for Phase 1 and noted unused proceeds from Standards-Based could be used for the Systems Initiative.

Mr. Abbey asked how it was determined funds were not needed for Pre-K in the upcoming fiscal year. Ms. Cano stated sufficient balances from previous appropriations remained to meet the need under the current fiscal year and per PED recommendation the funds were placed in FY18. Mr. Ortiz added that based on preliminary recommendations for awards, a balance of approximately \$900,000 remained. Mr. Abbey requested the detail on the applications and awards; Mr. Ortiz to send the information.

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

#### a. Gallup-McKinley – P10-004 – Crownpoint ES – Additional Classrooms

**Discussion:** Crownpoint ES has experienced enrollment growth. The original award for 260 students was increased in 2011 to 280. Current enrollment is 345 which is 65 students over capacity, however 61 seats are available throughout the school. There are 12 general education classrooms and based on current enrollment 14 are needed. The FMP does not support the continued growth. PSFA recommends the district utilize two portables to compensate for the increase in enrollment as it has not been confirmed it will continue. Mr. Frank Chiapetti, Superintendent, stated attendance had already reached this number upon completion of construction and noted two additional classrooms in the original plan were later removed by PSFA. The district had correctly predicted with the new NTU housing going in there would be an increase in population and waited over a year to show numbers are being maintained. Mr. Ron Triplehorn, Director, Facilities & Planning, reiterated two classrooms reflected on fire exit maps were eliminated from the original design.

Per Ms. Clarke due to a declining revenue stream the use of portables is a possible solution that may stretch limited dollars with savings as high as \$250 million per year without reducing outcomes for children. Mr. Abbey asked for Mr. Chiapetti's thoughts on the use of portables; Mr. Chiapetti replied being in a rural area where police response is lacking, portables are frowned upon for safety and uniformity noting there have been a number of domestic issues involving firearms in the community resulting in three lockdowns and as external buildings are added safety issues are created. Mr. Gorrell stated if portables were ever deemed a safety hazard that would multiply the lack of classrooms in the future by 3½. Portables can be tied in to school security systems, have locking doors, and with visibility through a window the same as that of a first floor classroom furniture could be used to hide from an active shooter if needed. Ms. Kelly asked how many portables the district had; Mr. Chiapetti replied approximately 80 noting bulk use was at the elementary level. Mr. Guillen reiterated the Subcommittee had discussed these issues in great length and agreed with the staff recommendation; the key being numbers were not stable and 61 seats remained available.



The district is requesting \$978,000 for construction and Mr. Chiapetti confirmed they had their match. He went on to say if portables were brought in they could see a decline in enrollment. Redistricting is not possible as the closest public school is 30 miles; the closest non-public school is a new BIA school 2 miles away. Per Mr. McMurray the school should look at reconfiguring classrooms as there is capacity for 406 students and with 61 seats available there is no justification for any other decision. Mr. Abbey challenged the district and PSFA staff to look at, and consider, reconfiguring existing space that may have been designed inappropriately rather than build more space. Participating via telephone, Mr. Bill Sprick, PSFA, Facilities Master Planner, stated when looking at utilization each classroom is used 66% throughout the day. The school is used 80% overall therefore more students can fit in each classroom. Mr. Chiapetti stated the school was designed with 3 classes each for kindergarten, first, second and third grades and 2 classrooms each for fourth and fifth.

**MOTION:** Council approval of the Awards Subcommittee recommendation of no change to the award language for the 2009-2010 standards-based award to the Gallup-McKinley County Schools for Crownpoint ES. Since this is a Subcommittee recommendation a second is not required. Motion carried.

**b. Gallup-McKinley - P11-006 – Church Rock ES (Catherine Miller ES) – Additional Classrooms**

**Discussion:** The request is for two additional classrooms; the school has 39 seats available and is currently ranked 717. Ms. Casias stated at the time of the original award enrollment was 261 students based on an award for 269. In 2013 the award was increased to 330 students, an increased 29 students over capacity during the 2015-2016 school year. Based on the capacity of 398 students the school has 39 available seats. Sixteen general education classrooms are provided and based on current enrollment 16 are needed therefore PSFA recommends the district utilize one portable to accommodate the additional students. Ms. Gudgel stated Subcommittee discussion included validation of growth and if students were actually within school boundaries as the facility is fairly close to Gallup. Mr. Chiapetti stated there may be three Priority 4 students at the school and also noted kids were not taken from the full boundary as students from the White Cliff area are supposed to go to Catherine Miller and go to Juan De Oñate ES instead. Those students will stay at Juan De Oñate as there is no room at Catherine Miller. Mr. Abbey stated figures for design capacity varied greatly; PSFA to put together a simple reader and send to Council.

**MOTION:** Council approval of the Awards Subcommittee recommendation of no change to the award language for the 2010-2011 standards-based award to the Gallup-McKinley County Schools for Church Rock ES (Catherine Miller ES). Since this is a Subcommittee recommendation a second is not required. Motion carried.

**c. Socorro – P12-011 – San Antonio ES – Phase 2 Funding**

**Discussion:** Mr. Randy Earwood, Superintendent, Mr. Mike Lam, Facilities Director and Mr. Tom Wilber, NCA Architects were in attendance along with PSFA staff Ms. Natalie Diaz and Ms. Cassandra Viscarra. Mr. Guillen mentioned although the project came in over budget there may be opportunity to reduce the cost by \$100,000. Per Mr. Volpato pricing did come in close

to \$1 million over budget and bids were within \$100,000 of each other. PSFA worked closely with design professionals to minimize costs. Feedback received from contractors as to the high cost include: the effect of the Davis-Bacon wage rate, lack of labor and inflation costs. Council was reminded this was a small school and scale wise cost per square foot was abnormally high.

Mr. Earwood spoke to the cost of the project stating some economic and building material factors have changed since the 2011 award and did tie into the process with BLM to acquire the property adjacent to the current building. Ms. Clarke asked if Council required that property rights be acquired before awarding a project; per Mr. Gorrell, the district thought they owned some property which wasn't the case and it took time to get BLM approval. Ms. Clarke showed disappointment in the error related to not acquiring the property ahead of the award noting Council is looking at a potential \$988,000 change to the financial plan as a result. Per Ms. Cano, a project tied to long term debt came in under budget and PSFA was able to incorporate the increase for San Antonio. Ms. Irion to check on the need for a recertification of the long term bond.

Ms. Gudgel asked if the projected enrollment of 101 students was still good and if there was reason to believe it would increase. Per Ms. Diaz, the school is smaller than required at 2,615 s/f under adequacy for 87 students and do not anticipate going over 101. Mr. Wilber spoke to the concern over cost per square foot stating NCA Architects inherited the project which was \$800,000 over budget at the time and attempted to bring the cost down by minimizing the site work which is approximately 1/3 of the cost. Required site features not normally dealt with on projects in Albuquerque include a retention pond, utilities, roadways and a leech field. The site is heavily graded and approximately ½ mile of water line needs to be extended for fire protection to avoid the added cost for a water tank. The wage rate added about 11% and a July tax increase will be added. The use of steel has been minimized, framing and sheet rock costs have increased and expanded IECC codes have been incorporated. Mr. Abbey asked about the highest amount paid per square foot; Mr. Volpato stated Gallup Ramah ES was \$431, Mesa Vista was \$385, other Gallup projects approached \$400 and Santa Rosa Anton Chico ES/MS was near \$400.

**MOTION:** Council approval of the Awards Subcommittee recommendation to amend the 2011-2012 standards-based award to the Socorro Consolidated Schools to include construction to adequacy for 101 students, grades K-5, with an increase in the state share amount up to \$4,467,543, and a corresponding increase in the local share amount up to \$1,365,622. Since this is a Subcommittee recommendation a second is not required. Motion carried.

**AMENDMENT TO THE MOTION:** Mr. Abbey made a motion to reduce the total project cost up to \$100,000. Mr. Guillen seconded. Motion carried.

**AMENDED MOTION:** Council approval of the Awards Subcommittee recommendation to amend the 2011-2012 standards-based award to the Socorro Consolidated Schools to include construction to adequacy for 101 students, grades K-5, with an increase in the state share amount of \$4,390,543, and a corresponding decrease in the local share amount of \$1,342,622. Ms. Clarke opposed. Motion carried.



#### 4. 2016-2017 Awards Cycle

##### a. 2016-2017 Preliminary wNMCI Updated

**Discussion:** Ms. Casias referred to the handout listing the four applicant schools that have been re-ranked noting PSFA policy is to make sure data in the facility assessment database is less than three years old. PSFA has reassessed 27 schools and prior to the next meeting the remaining schools will be reassessed to ensure the Top 100 is accurate. When asked by Mr. McMurray as to why the reassessment was being conducted; Ms. Casias stated policy ensures PSFA revisit the Top 100 schools, this had not been done, thus the 2008 assessments on the four applicant schools as well as the 23 additional schools listed in the handout. Mr. McMurray felt the Top 50 should be current every year and considered a priority by PSFA. Mr. Gorrell apologized.

##### b. Recovery Schedule for 2016-2017 Standards-Based Capital Outlay Awards Cycle

**Discussion:** Based on the new ranking information, Mr. Abbey asked who could apply that didn't have a chance to apply before. Mr. Gorrell reiterated the Top 40 would not be known until the Top 100 was determined as numbers were likely to change. The wNMCI handout reflects the movement of schools and as the Top 40 cutoffs occur Council could choose to move to Systems-Based projects which could improve some schools listed further down and who are not in critical shape. Language in the draft memorandum states only highly-ranked projects with a wNMCI of 60% or greater will be considered. Following Standards-Based awards, if dollars remained they could be used to award Systems Initiative projects. Per Mr. Guillen the Awards Subcommittee did not have a recommendation to move forward on Systems-Based as proposed. Ms. Gudgel reiterated a lot of unknowns remained and expressed concern over the requirement that districts expend up-front dollars on reports necessary to complete the full application when it is yet to be determined if there will be a Systems-Based process noting Districts still need to be informed Council is considering the initiative once it is known what Standards-Based looks like. Mr. Aguilar stated everything we do seems to push projects back. Starting a systems based project while dealing with delays and making awards for projects that are two and three years old isn't prudent. Mr. McMurray stated trying to implement a systems based program while addressing the higher needs schools without correct data is a problem. Mr. Abbey requested staff begin working on the systems guidelines and bring to the next Awards Subcommittee. Mr. Abbey also requested that the financial plan be reviewed to determine if there is capacity to do this.

**MOTION:** Council approval of the Awards Subcommittee recommendation to release the updated 2016-2017 application announcement and timeline with an initial funding pool for schools with a wNMCI of 60.00% or greater. Based on the number of pre-applications received by the August 5, 2016 due date, a final funding pool will be established that will be used to determine eligibility to complete the full application and be considered for an award. Since this is a Subcommittee recommendation a second is not required. Motion carried.

#### 5. Other Business

##### a. PSFA Strategic Plan

**Discussion:** Referring to the Strategic Plan draft, Mr. Gorrell noted the three strategic objectives: 1. Reduce the initial and ongoing costs of facilities projects, 2. Increase the expected lifespan of existing facilities, and 3. Increase value to districts and stakeholders.

*Strategic Objective 1* highlights current replacement costs must be lowered through innovative design and construction. Facilities can be built with less fixed space and portables can be used to supplement potential student growth. Schools need to be sized right, easily operated and cost effective. *Strategic Objective 2* is concerned with how maintenance is done and managed and how maintenance funds are spent. Under *Strategic Objective 3*, information is gathered, packaged and provided in a digestible way so districts can appreciate what is being offered. Schools are in much better shape than they were; PSFA has made tremendous progress going from a 71% FCI down to 35%. In 2012, three variables were identified as affecting school facility conditions: 1. Available capital funding, 2. Gross square footage of K-12 facilities, and 3. Maintenance effectiveness. Work done over the last several years has focused on ways to improve this and progress has been made.

Ms. Clarke expressed concern that without the action plans Council was unable to determine the “who, what, when, where, how” and reiterated she had clearly requested in Subcommittee that the entire 107 page document be provided to Council and was disappointment with the lack of follow-through. Ms. McEuen, PSFA Research & Policy Analyst, apologized and stated staff was in the process of finalizing the document and as the full 107 pages were not yet completed an executive decision was made to only provide a sample. Ms. McEuen and Mr. Gorrell are working with managers to complete. KPIs will also be created to identify what needs to be done and who is responsible. Ms. Kelly requested the SWOT Analysis be updated as information used was compiled in 2014. Mr. Aguilar voiced concern over the separation of Core and Field positions on the Organizational Chart and felt it was an attempt to generate more dollars for the organization. Mr. Gorrell stated the law mentions there is a core staff and Council has addressed this many times in the past noting PSFA organization charts have always reflected the difference between core and field staff. Additional conversation is welcomed on this matter. Mr. Aguilar also took great exception to the Action Item example where obstacles to success listed cooperation of PED and school districts. Ms. Clarke felt similar language listed in the SWOT Analysis regarding DFA was an insulated view; Mr. Gorrell stated items would be reworded. The Strategic Plan should be finalized within the next 60 days and be included with budget submission. Mr. Abbey requested that the full document be sent to Council and that AMS review and submit edits to the Chair and Mr. Gorrell.

**b. Cost of Ownership**

**Discussion:** The University of California Berkley published a study that analyzed school districts spending on Maintenance and Operations (M&O) as well as Capital Outlay. With a couple of modifications, PSFA replicated the study to look at what districts were spending and what funds were spent on. National Research Council Benchmarks for M&O and Capital Outlay state 1% of the district’s current replacement value (CRV) should be spent on facility operations and 1½ to 2% of that should be spent on routine maintenance; bringing the total M&O percentage to 2½ to 3%. Lastly, 1½ to 2% of the CRV should be spent annually on capital outlay. Using gross square footage and the financial position of each district we find only 8 districts meet the capital outlay benchmark and only 2 meet the M&O benchmark. An



analysis performed last fall showed PSFA remains 41% short of what is needed, funding-wise, to sustain existing facilities. Using the analysis and comparing it to what districts could potentially afford, we find that 53 districts would be able to meet the spending benchmarks, however, when looking at gross square footage as a factor in meeting the benchmarks, our districts are, on average, 46% above adequacy and if built right sized we would see an increase in the number of districts able to afford this.

**c. UNM BBER Assessment of NM's Public School Capital Outlay Funding Formula**

**Discussion:** Mr. Gorrell stated UNM BBER was hired by Legislative Council Service to begin a review of the funding formula. They were happy to report PED was doing it accurately and recommended a few revisions to the formula noting there were missing pieces such as rural areas that had high property values but not much cash. The Oversight Task Force is considering hiring BBER to do additional studies and create two or three alternate formula models for consideration.

**d. Portables for School Population Variability**

**Discussion:** Looking for ways to reduce initial costs as well as lower existing costs, portables ought to be considered a viable option in providing adequate facilities for teachers. There is no significant impact of portable classrooms on teacher perception, moral, job satisfaction or student achievement. Mr. Aguilar asked what the deduction was for portables; Mr. Gorrell replied there was none unless they are over their life expectancy of 15 years, adding it is not until that is doubled that they are seen as a mission hazard. Mr. Gorrell reminded Council they own about 120 portables which have been loaned out as needed throughout the state.

**e. Quarterly Audit Update**

**Discussion:** Four of the five audit finding processes have been successfully implemented however the closeout process will be a repeat finding. Mr. Abbey clarified PSFA was on track to finish the last item; Ms. Cano replied in the affirmative and is confident training will be complete by December 31<sup>st</sup> as indicated on the plan. Mr. Abbey requested the document be sent to the DFA Controller and external auditor for review. When asked how many projects needed to be closed out and if they could reasonably be done within the fiscal year Ms. Cano estimated 100-150 project closeouts would bring PSFA current and stated the FTE could possibly complete 130 projects within a fiscal year.

**f. FY18 PSFA Budget Request**

**Discussion:** Ms. Cano reminded Council that material presented was informational only until presented in final form at the next meeting. The FY18 draft budget includes an increase of \$80,000 (1.3%), bringing the total request to \$6.1 million. Additional expenditures adding to the increase include \$175,000 for e-Builder and \$15,000 for School Dude. It was Council's direction to not include e-Builder in the certification and have it come from the PSFA operational fund instead; also there has been no cost increase since the inception of School Dude and the vendor has now requested a software pricing agreement increase. Also included are budget reductions of 1 FTE at \$64,000, benefit savings of \$10,000, vacancy savings of \$32,000 and expenditure reductions of \$3,000. Ms. Gudgel asked if the FTEs listed on the PSFA Operating Budget History were authorized or averaged FTEs for the year; Ms. Cano

replied it was for authorized FTEs. Ms. Gudgel asked that the average filled positions for each year be listed; Ms. Cano agreed.

**6. Informational**

**a. Broadband Deficiencies Correction Program Status Report**

Mr. Viorica referred to the list of fiber projects awarded; noting two schools with open RFPs, and five awards to revert approximately \$466,000 as the projects did not require construction. Approximately 60 schools are receiving fiber. A map listing actual costs indicates that consortium applications achieve the goal of 1 MB per student; the example identified as REC 6 is a group of 10 small districts coming together to purchase internet access at a better price. The Broadband Budget was included per Council request. Mr. Viorica reiterated project costs are dependent on E-Rate approval and projects would come back for Council approval in July.

**b. PSCOC Project Status Report**

Staff presented the executive summary included in the PSCOC notebooks for this item.  
*This is an informational item.*

**c. Master Plan Project Status Report**

Staff presented the executive summary included in the PSCOC notebooks for this item.

**d. Lease Assistance Program Status Report**

Staff presented the executive summary included in the PSCOC notebooks for this item.  
*This is an informational item.*

**e. Maintenance Program Status Report**

Staff presented the executive summary included in the PSCOC notebooks for this item.

**f. FY16 Budget Projection and Personnel Update**

Staff presented the executive summary included in the PSCOC notebooks for this item.  
*This is an informational item.*

**g.** Mr. Gorrell stated an interrogatory was received from the AG Office.

**h.** Mr. Guillen mentioned the life-saving situation that recently took place at PSFA.

**i.** Mr. Volpato stated he has accepted a position with UNM Hospitals and will be leaving PSFA.

**7. Public Comment**

**8. Consideration for Approval to Adjourn to Executive Session Pursuant to the Open Meetings Act NMSA 1978, 10-15-1 (H) (2) for the purposes of discussing PSFA Director Performance Evaluation.** Mr. Burciaga moved for Council approval to adjourn to Executive Session pursuant to the Open Meetings Act NMSA 1978, 10-15-1 (H) (2) for the stated purposes of discussing PSFA Director Performance Evaluation. Ms. Kelly seconded.



**Roll Call**

Ms. Clarke - Yes	Mr. Burciaga - Yes	Mr. Peralta – Yes
Mr. Aguilar - Yes	Mr. McMurray - Yes	Ms. Gudgel – Yes
Ms. Kelly - Yes	Mr. Guillen - Yes	Mr. Abbey – Yes

**10. Reconvene to Open Session**

Mr. Abbey moved for Council approval to reconvene from Executive Session pursuant to the Open Meetings Act NMSA 1978, 10-15-1 (H) (2) for the stated purpose of discussing the performance evaluation of the PSFA Director. Only the above-referenced item was discussed and no action was taken. Ms. Kelly seconded.

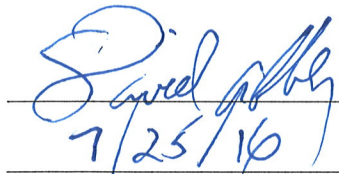
**Roll Call**

Ms. Clarke - Yes	Mr. Burciaga - Yes	Mr. Peralta – Yes
Mr. Aguilar - Yes	Mr. McMurray - Yes	Ms. Gudgel – Yes
Ms. Kelly – Yes	Mr. Guillen – Yes	Mr. Abbey - Yes

Upon reconvening from Executive Session, Ms. Kelly reiterated Council will continue to work on the Director's performance evaluation and will reconvene in three months to discuss measurables. AMS Subcommittee will work with HR to create a new and improved performance evaluation.

**11. Adjourn**

There being no further business to come before the Council, Mr. Abbey moved to adjourn the meeting. Ms. Gudgel seconded. Motion carried. Meeting adjourned at 12:52 p.m.

 Chair  
7/25/16 Date