

**PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL MEETING
MINUTES
July 25, 2016
STATE CAPITOL BUILDING, ROOM 317
SANTA FE, NEW MEXICO**

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

1. **Call to Order**—Chair Abbey called the meeting to order at 1:32 P.M.
 - a. **Approval of Agenda**—Chair Abbey asked if there was any objection to the agenda as presented, as there was none the agenda was approved.
 - b. **Correspondence**—Mr. Gorrell referred to correspondence from Ms. Duffy Rodriguez appointing Ms. Clarke as the DFA designee.
 - c. **Approval of Minutes (June 28, 2016)** - Mr. McMurray requested his name be listed as attending the last meeting; Ms. Birge to correct. Mr. Abbey moved for Council approval of the June 28, 2016 minutes, subject to corrections. Motion carried.

2. **PSCOC Financial Plan**

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

Changes made since the last meeting include: an award of \$4,390,543 to Socorro San Antonio ES for construction funding. On the agenda for potential Council action is Alamogordo Combined ES for design funding of \$1,301,851. The June bond sale was \$104,086,200 resulting in an increase of approximately \$3.2 million to the financial plan as the bond sale estimate was \$100,900,000. Revenue estimates will be adjusted in August pending release by Board of Finance. Reserve for Contingency was adjusted for the carryover amount of \$700,000 that remained on June 30, 2016; the FY17 balance is estimated at \$4.7 million. FY17 award estimates are based upon pre-applications and Systems Initiative yet to be determined upon funding availability.

Mr. Guillen stated during Awards Subcommittee it was indicated there might not be a need for some Broadband funds and asked if it was reflected in the financial plan. Ms. Irion replied it was not currently reflected as it was tabled by Committee until the final amount is known; however, the current reversion estimate is \$7.5 million.

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

a. **Alamogordo – P15-001 – New Combined ES – Phase 1 Funding**

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

Discussion: Mr. Gorrell introduced Mr. Ed Avila as the Interim Senior Facilities Manager. Mr. Avila introduced Mr. Vance Lee, Support Services Director, Alamogordo Public Schools, and Mr. Jeremy Sanchez, PSFA Regional Manager, who were in attendance. This is a request for design funding for a new combined elementary school. Council approved an out-year estimate update with a design capacity increase from 300 to 450 students. The design total is \$2,002,849 which is 10% of the approximate \$20 million total project cost with a state share of \$1.3 million. Mr. Lee commented that the process began in 2014 with an opportunity to consolidate Heights ES and Oregon ES and pare down square footage.

Mr. Aguilar noted the project contains \$600,000 for demolition and felt Council needs to begin evaluating this as language on demolition is permissive, not required. Council has set the precedent of paying for demolition but with the reduced revenue environment this needs to be reviewed. Mr. Gorrell's interpretation of permissive was for separate, independent demolition where there was no project occurring however, if a facility was in the way demolition would have to occur as part of the project. Such is the case with this project as one building needs to be demolished in order to build the new school. Mr. Abbey thought that was a good point to make and asked staff to make note if requesting funds in the future. Mr. Burciaga sought clarification on the \$650,000 cost for remediation and \$0 for demolition. Mr. Avila replied demolition was included in the MACC.

MOTION: Council approval of the Awards Subcommittee recommendation to amend the 2014-2015 standards-based award to the Alamogordo Public Schools for the New Combined ES, to include phase 1 planning and design to adequacy for 450 students, grades K-5, with an increase in the state share amount of \$1,301,852 (65%), and a corresponding increase in the local share amount of \$700,997 (35%). Since this is a Subcommittee recommendation a second is not required. Motion carried.

b. Gallup-McKinley – P10-001 – Crownpoint ES – Additional Classrooms

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

Discussion: The executive summary is essentially the same as presented at the last meeting with one change made. After meeting with the principal and reviewing the 2016-2017 enrollment, utilization was redone and it was determined there were 14 empty seats located in various classrooms. Ms. Casias noted that for 345 students, under current adequacy standards, they would need 45,547 square feet of which 323 square feet would be above adequacy. Mr. Bill Sprick, PSFA Facilities Master Planner, drew Member attention to the anticipated 2016-2017 enrollment graphic which reflects the 14 extra seats for the 1st through 5th grade general education classrooms however, it is unknown what the enrollment numbers are for kindergarten and pre-k of which 97 seats are available.

Mr. Aguilar noted that during Subcommittee he had asked if pre-k money had been put in to the school and added there may be opportunity for them to apply if none had been used; Ms. Casias stated it was being looked in to. Mr. Abbey reminded Members during the last meeting Mr. Ortiz had indicated the pre-k awards were imminent; Mr. Aguilar stated they would go out this week and Mr. Abbey requested the awards information be shared with the Council. Staff recommends extra classes to be placed in the media center where extra space is available.

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.

4. 2016-2017 Standards-Based Capital Outlay Awards Cycle

a. 2016-2017 Lease Assistance Awards

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

Discussion: During Subcommittee it was noted CPI had changed by .1% resulting in a CPI adjustment from \$736.25 to \$736.99. The Lease Market Trend had a reduction of .5% and went from \$736.25 to \$732.57. Subcommittee also discussed staying flat to budget; and a question was posed as to what the per MEM amount would be in order to stay in line with the projected budget of \$14.6 million. Ms. Irion drew Member attention to Options A, B, C and D and stated in order to meet the current budget of \$14.6 million, the rate per MEM would be \$680. Therefore, at the current rate Option A would have a proposed lease assistance award amount of \$15,625,052; Option B adjusted for CPI would amount to \$15,635,157; Option C adjusted for Market Trend would be \$15,568,443 and keeping the budget flat under Option D would total \$14,687,595. 103 applications were received, 3 schools have been closed, 2 applications were received that had not been submitted the previous year and 3 new charter applications were received. Included in the material was a list of schools with their lease renewal information included; items highlighted denote charter schools in which statute will need to be reviewed based upon their chartership renewal.

In response to a question by Mr. Guillen as to what had been used in the past; Ms. Irion stated since 2013-2014 the lease assistance award adjustments were based upon the market rate. Mr. Guillen then asked why Council was looking at CPI; Ms. Irion replied it was based upon statute that it was being presented to Council for consideration.

When asked if there was additional comment, Ms. Gudgel stated she had requested that Ms. Casias look at who was in compliance with the 2015 public facility deadline, especially schools authorized to open after July 2015. Discussion continued regarding compliance with the requirement of being in a public building or meet an exception by July 2015. Ms. Gudgel posed concern about funding schools not in compliance with the law and stated follow-up should be done with those that do not appear to be in compliance and to potentially amend the motion to exclude them. Mr. Aguilar stated as a policy making body statute exists that needs to be met; it doesn't require a vote to do that. Mr. Abbey interjected that the motion says Council will approve to make awards in the amount specified; right or wrong the staff specified these and Mr. Guillen and Ms. Gudgel are flagging those that should not have been specified. Mr. Aguilar reiterated his motion was to set the funding level for FY17, it did not say to fund anything in particular and continued that Council was approving a per unit amount; Mr. Abbey felt Council was approving a per-unit amount along with the list of schools presented. As discussed in Subcommittee, Mr. Guillen noted that some projects might not be in compliance and members had agreed the rate would be decided by the full Council with the understanding staff from LESC, PED and PSFA would flush out those in question Ms. Gudgel stated Mr. Aguilar's

motion was to set a rate adjusted by the CPI and believes lines 35, 36, 37, 43, 50, 52, 54, 84, 97 and 98 were not in compliance and should not be acted on until validating they are. Mr. Abbey clarified Mr. Aguilar was proposing a lease amount for eligible schools on the list and Ms. Gudgel was proposing to clarify the schools that are, at this time, not in compliance.

Ms. Clarke asked if lease assistance was permissive or required; per Ms. Gudgel, statute reads the lease assistance program is a permissive program and sets lease assistance at either the lessor of the actual lease cost or the per MEM figure adjusted by CPI. Council made the determination a number of years ago to hold the CPI flat as revenues weren't growing. Mr. Abbey asked that Ms. Gudgel and Mr. Burciaga determine what permissive means. Mr. Abbey asked for Council thoughts on returning to Subcommittee and reviewing in more detail; Mr. Guillen felt additional discussion would be helpful with the administration of the program but felt at such a late date this could be looked at over the next year. Mr. Guillen is of the opinion charters should not be cut and is supportive of using either the same rate as last year or the rate consistent with Mr. Aguilar's motion. Mr. Aguilar is not opposed with this going back to Subcommittee. Ms. Gudgel asked if there was value in moving forward with setting a rate and approving those schools that are in compliance and digging deeper and readdress through Subcommittee the schools that are not. Mr. Aguilar agreed yet was concerned about making a change mid-stream and suggested moving forward as proposed by Ms. Gudgel and if there is to be a policy change that it be made in the fall/winter and be in place next fiscal year so everyone has plenty of advance notice. Mr. Burciaga agreed that a change could not be made mid-stream, however, by putting districts on notice now changes could be made mid-stream since notice had been given.

Ms. Kelly requested PSFA put together the analysis being discussed; schools that are district owned, schools that are foundation sponsored and what has been paid to each. Ms. Gudgel reiterated that a meeting with staff from LFC, LCS, LESC, PED and PSFA be reinstituted to review standards based awards and lease assistance. Following extensive discussion involving numerous proposed motions, amended motions and substitute motions, Council voted on an amended motion.

MOTION: Council approval to make awards in the amounts of (A/B/C/D). Upon acceptance of awards by charter schools and school districts, Council authorizes PSFA staff to distribute award amounts quarterly on a reimbursement basis upon receiving proof of lease payments made. Council authorizes PSFA staff to make reductions to award amounts subject to PED certifying in writing to PSFA that a condition exists that warrants an award adjustment or suspension which may include: school closure, charter revocation, financial violation or irregularities, adjustment to certified attendance numbers (MEM counts), lease termination or amendment. Council may also authorize reductions if scheduled attendance does not fully utilize facility, or operational use changes from classroom to non-classroom uses.

AMENDED MOTION: Ms. Gudgel moved for Council approval to stay with a flat current rate of \$736.25, not adjusted by CPI and then pull those schools out that have a renewal date of 2020 or 2021 and don't appear to be in compliance and look at those further in Awards and not make those awards at this time. Mr. Aguilar 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 – No

By a vote of 8 to 1 the motion passed.

b. 2016-2017 Final wNMCI Ranking

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

Discussion: Dr. Kurt Steinhaus, Superintendent Los Alamos Public Schools was in attendance. Dr. Steinhaus stated with the change in ranking the district might be able to apply for half the plumbing, some doors and possibly a roof under the Systems Initiative and sought guidance on what to say to the community regarding this. Mr. Abbey's personal advice was to try the Systems approach as the district was likely to be eligible. Mr. Guillen thanked Dr. Steinhaus for attending and stated with the change in ranking there must have been improvements made to indicate the facilities were well maintained. Ms. Casias agreed, specifying a new roof in 2016, HVAC upgrades in 2009 and a new fire panel however, the roof, doors and plumbing remain in poor condition.

MOTION: Council approval of the AMS Subcommittee recommendation to release the Final wNMCI Rankings including charter schools that have been reassessed based on programmatic needs after completing at least one renewal period, for the 2016-2017 standards-based award cycle based on criteria and weightings previously adopted by the Council. Release of the ranking is subject to necessary technical corrections and Districts are encouraged to work with PSFA staff to resolve any outstanding technical corrections to the data with ability to make a formal appeal, if necessary, to the Awards Subcommittee. Since this is a Subcommittee recommendation a second is not required. Motion carried.

c. 2016-2017 Final Funding Pool

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

Discussion: Ms. Cano mentioned the original application was opened to those schools with a wNMCI of 45% or greater and at the Council's last meeting Members approved language for a wNMCI of 60% or greater. Ms. Kelly commented the AMS Subcommittee felt changing it to 60% would capitalize on schools meeting the threshold and not put additional money into those above it. Mr. Guillen stated the preference of the Awards Subcommittee was to keep the wNMCI at 50% as the 60% would only allowed three schools to be eligible to apply and by lowering it to 50% 7 schools would be eligible. Ms. Cano added that along with the Awards Subcommittee recommendation of a wNMCI of 50% or greater, it was also recommended the pre-application be eliminated and those eligible could proceed with the full application.

Mr. Gorrell reviewed the PSCOC Standards Based Award History handout and noted when the standards based program began its intent was to focus on the really bad schools.

MOTION: Council approval of the Awards Subcommittee recommendation to release the final 2016-2017 application announcement and timeline with an established final funding pool for schools with a wNMCI of 50% or greater.

Roll call:

Ms. Clarke – No	Mr. Burciaga – No	Mr. Peralta – No
Mr. Aguilar – No	Mr. McMurray – No	Ms. Gudgel – No
Ms. Kelly – No	Mr. Guillen – Yes	Mr. Abbey – No

By a vote of 8 to 1 the motion failed.

MOTION: Council approval of the AMS Subcommittee recommendation to release a final 2016-2017 application announcement and timeline with an established final funding pool for schools with a wNMCI of 60% or greater.

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

By a unanimous vote the motion passed.

d. 2016-2017 Proposed Work Plan/Timeline

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

Discussion: Staff to email Outlook invites for the meeting dates as listed.

MOTION: Council approval of the AMS Subcommittee recommendation to adopt the 2016-2017 Proposed Work Plan/Timeline. Since this is a Subcommittee recommendation a second is not required. Motion carried.

5. Other Business

a. Systems Initiative

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

Discussion: Under Systems Initiative, the focus is on replacement of critical systems and those that will extend the functional life and purpose of the facility rather than full replacement. Upon reviewing the qualifying criteria for the Systems Initiative Mr. Aguilar inquired if the roof, HVAC and drainage were the only high risk systems considered as they were the only ones listed in the scoring matrix. Per Mr. Gorrell, any system could be high risk however, the three listed were repeatedly seen as critical in extending the life of a facility.

Noting one of the qualifiers for Systems is an FMAR score of 60% or greater, Ms. Gudgel requested the FMAR score be included on the rank list since decisions will be made based on that; Mr. Gorrell replied it would be added.

MOTION: Council approval of the AMS Subcommittee recommendation to approve the 2016 draft systems scoring matrix for ranking Systems Initiative projects, and proceed with development and refinement of application and award process. PSFA shall solicit comments from districts.

AMENDED MOTION: Council approval of the AMS Subcommittee recommendation to release the 2016 draft systems scoring matrix for ranking Systems Initiative projects, and proceed with development and refinement of application and award process. PSFA shall solicit comments from districts. Since this is a Subcommittee recommendation a second is not required. Motion carried.

b. FY18 PSFA Budget Request

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

Discussion: Based upon discussion during the AMS Subcommittee meeting, PSFA was requested to produce a flat budget for FY18. Dollar amounts were reviewed and a 4% vacancy savings rate was projected per Subcommittee recommendation. The PSFA Operating Budget History projects FY17 to close with a reversion of approximately \$139,700 (2%) and FTE's for FY18 was reduced by one from the previous year. Based upon the request for a flat budget, PSFA will stay within the operational limitation of 5% until FY22. The total proposed budget for FY18 is \$6,039,700.

Mr. Aguilar stated the function of the Public School Facilities Authority is to support school construction and disagreed there was a separation between core and field functions. Ms. Gudgel commented that as a legislative body doing budgets, non-core positions tend to be cut when budgets get tight and does not support a designation between the two. Mr. Abbey clarified during AMS Subcommittee the distinction was moot as PSFA was not at immediate risk of going over the threshold. Ms. Clarke reminded Council that Secretary Clifford had requested the white paper as he didn't know if, or when, PSFA would run up against the budget cap. AMS discussion did not include taking action to endorse one interpretation over the other and felt the question did not need to be decided at the current time.

Mr. Aguilar asked why eBuilder and SchoolDude were listed as additional expenditures. Ms. Irion replied that in prior years eBuilder was paid from the capital expenditures fund and the amount for SchoolDude was an increased rate for FY18. Ms. Gudgel confirmed the amount for eBuilder was budgeted in FY18; Ms. Irion replied in the affirmative and noted that as a recurring expense a category change BAR would probably be needed this year. Mr. Gorrell reminded Council that eBuilder was project management software required by law to bill and manage projects and was always paid for out of the capital fund.

Ms. Kelly clarified the proposed motion was the same as discussed in AMS and not for a different dollar amount; Ms. Irion stated the amount was lower than discussed in AMS.

MOTION: Council approval of the AMS Subcommittee recommendation to approve the proposed \$6,039,700 FY2018 budget and organizational structure of the PSFA.

AMENDED MOTION: Ms. Kelly moved for Council approval of the recommendation to approve the proposed \$6,039,700 FY2018 budget and organizational structure of the PSFA. Mr. Burciaga seconded. Motion carried.

c. PSFA Strategic Plan

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

Discussion: The Strategic Plan more accurately highlights the building system initiatives. Included in the meeting material was a spreadsheet that depicts the who, what, when, with how and with what for each action item along with their owners. Ms. Kelly stated the overall plan is to help PSCOC guide PSFA and the goals and directives listed will be tied to performance measurements used in various capacities. Ms. Gudgel requested the core and non-core designations be removed from the organizational chart; staff to accommodate. Ms. McEuen and Ms. Burton to update the overall mission statement to keep everything cohesive.

MOTION: Council approval of the AMS Subcommittee recommendation to approve the 2016-2019 PSFA Strategic Plan and Action Item Matrix Template. Since this is a Subcommittee recommendation a second is not required. Motion carried.

d. Lead Contamination in Schools – *informational*.

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

Speaking to an article regarding lead in drinking water, Mr. Gorrell acknowledged most New Mexico schools were within regulated municipalities however, there are some operating out of wells which could have lead within the water. PSFA reached out to the New Mexico Environment Department (NMED) and Danielle Shurn, Sustainable Water Infrastructure Group Manager, Drinking Water Bureau and Trais Kliphuis, Water Protection Division Director, were in attendance to speak to the Council.

The NMED has initiated an outreach and assistance program to identify vulnerable customers regarding lead contamination. The program is offered to any system struggling with lead violations and currently includes 40 systems; a couple of which are public schools. The systems and outreach program is to educate, encourage, and begin data collection in order to prioritize lead pipe replacement. Another aspect is to develop a guidance document for buildings with vulnerable customers so they can maintain their facility until the problem is fixed.

Mr. Gorrell asked if there was anything PSFA could do; Ms. Shurn stated identifying problem schools would be first; understanding which schools needed line replacement and which have lead exceedances. Ms. Clarke commented testing should be standard and Council should not be inclined to make awards if the test work was not included; Mr. McMurray agreed. Ms. Shurn reiterated this year's assistance was limited to a pilot program to those systems in violation and after reviewing the results and determining who responded well to the program it will be opened up to a greater audience.

Information on this will be sent to school superintendents and PSFA will also include the information in the quarterly newsletter. It was also proposed by Mr. Aguilar this be included on the FMP

e. Classroom Utilization/Capacity – *informational*.

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

Ms. Casias reviewed the meeting material and stated the template would be used to determine the capacity of each classroom when looking at utilization.

6. Informational

a. Broadband Deficiencies Correction Program Status Report

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

Ms. Gudgel sought clarification on the change in the contingency amount from what was presented in Subcommittee; Ms. Irion replied there had been a calculation error in the prior material and the correct amount of \$272,235 is included in the total reversion amount of \$6,658,152. Discussion continued on competition and rates and Mr. Abbey requested that competitive projects be brought forth and those that do not appear correct be flagged.

b. PSCOC Project Status Report

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

Mr. Abbey commented on the number of completed projects that have not reverted funding; Mr. Gorrell stated he would provide a plan to close out old projects by years end and noted a push has been made to get this done. Per Mr. Abbey, balances that are to be reverted need to be identified and hard deadlines should be proposed to the districts; Mr. Guillen agreed and Ms. Gudgel suggested adding language in awards indicating such. Ms. Clarke identified resources that may be helpful: the financial control division as they have clear fiscal year end deadlines, the template for the Capital Outlay Grant Agreement listed on the DFA website includes terms and conditions all grantees must accept and the TIF Guidelines (Tribal Infrastructure Funds) which details how projects are closed out.

c. Master Plan Project Status Report

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

Mr. Abbey asked what the role of the master plan was in the systems environment. Mr. Gorrell commented agreements have been rewritten with vendors that provide master plans so that they specifically look at expiring systems and review the Facility Assessment Database (FAD) to increase the accuracy of the FAD system as well as ensure school boards are aware when adopting their master plans that a roof that will need replacement in a few years.

d. Lease Assistance Program Status Report

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

Notices were sent to charter schools where invoices had not yet been received. Mr. Abbey asked when SB9 is done; Ms. Irion replied it was included in the certification for the June bond sale. The bond sale was \$104 million; SB9 was \$11.6 million and the amount is taken by Board of Finance and transferred to PED. Also, listed within the certification was language that amounts would be matched to allocations and unspent funds would revert back.

e. Maintenance Program Status Report

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

This is an informational item.

f. FY17 PSFA Budget Projection and Personnel Update

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

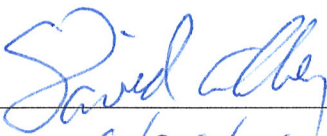
This is an informational item.

7. Public Comments

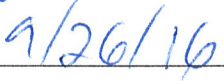
Ms. Gudgel introduced new LESC staff; Tim Hand, Deputy Director and Marit Rogne, Research Assistant.

The next PSCOC meeting will be September 26, 2016.

- 8. Adjourn** There being no further business to come before the Council, Mr. Guillen moved to adjourn the meeting. Mr. Burciaga seconded. Motion carried. Meeting adjourned at 4:12 p.m.



Chair



Date