

**PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL
MINUTES
SEPTEMBER 4, 2014
STATE CAPITAL BUILDING, ROOM 317
SANTA FE, NEW MEXICO**

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

1. Call to Order Mr. David Abbey, Chair

a. Adoption of Agenda — 9:00 AM

The clerk called roll noting that the Council reserves the right to change the order of the agenda as deemed necessary.

MOTION: Mr. Guillen moved for adoption of the agenda as presented. Mr. Gant seconded. Motion carried.

b. Correspondence

Mr. Gorrell read a letter of appreciation to Andre Larroque on behalf of Chair Abbey. Council thanked Mr. Larroque for his dedication, professionalism and expertise, and many years of service to the PSCOC/PSFA. His work over nine years of advancing the adequacy standards and guidelines has been invaluable to the success of the program. He also managed the quality control programs including high performance school initiatives, post occupancy evaluations and most recently the US Education Green Ribbon School Program, all of them very successfully. It is with pleasure that the Council write this letter of appreciation and wish him well in all his endeavors.

Many members thanked and commended Mr. Larroque for his hard work, dedication, professionalism and patience while serving the Council.

2. Adoption of Minutes (July 30, 2014)

Upon review by the Council, Mr. Guillen moved for adoption of the July 30, 2014 PSCOC meeting minutes subject to technical corrections. Mr. McMurray seconded. There being no objection the motion carried.

3. Other Business

a. Office of the State Auditor — Charter Schools

Staff referred the Council to a letter from Mr. Hector Balderas (State Auditor) that is made available in the meeting notebooks. Mr. Evan Blackstone, Chief of Staff, State Auditor's Office, gave a brief synopsis with reference to the risk review of Southwest Secondary Learning Center and Southwest Aeronautics, Mathematics and Science Academy for Fiscal Years 2012 and 2013, that was also presented at the Public School Capital Outlay Oversight Task Force (PSCOOTF). Risks related to conflict of interest and internal

controls include fact-finding procedures conducted pursuant to the Audit Act. During review they identified certain issues and matters involving Aircraft and Charter Schools' Aviation Program, Procurement Risks, Lack of Internal Controls for the Flight Program, Lease of Real Property (Building on Montgomery Blvd, Northeast in Albuquerque), Governance, Reimbursements, and Employee Salaries and Contracts.

Discussion: The report mainly focused on Dr. Scott Glasrud, Head Administrator of Southwest Secondary Learning Center (SSLC) Southwest Aeronautics, Mathematics and Science Academy (SAMS). The review disclosed that during the course of review OSA auditors and investigators identified and assessed certain risks that were determined appropriate to refer to the FBI. Requests were submitted to Dr. Glasrud for additional information and scheduled a round of interviews with several school employees and officials; however, the intervening investigative actions of the FBI superseded the completion of fact-finding on certain matters which are not discussed in the review. Mr. Blackstone indicated that the FBI conducted raids on schools as well as Dr. Scott Glasrud's home.

It was noted that conflict of interest identified numerous risks related to procurement of aircraft-aviation services. The auditors found Dr. Glasrud's role as head administrator compromised and unclear what direct or indirect role he played. There were complaints in 2012 concerns related to potential inappropriate conflicts of interest and unlawful profiteering by Dr. Glasrud. The lease of space from his company could not be determined and the leases canceled. There are problems with lack of internal control and which school was responsible for certain matters. There is also concern on his role on the selection of board members.

"Specifically, SSLC and SAMS should take immediate corrective action to reduce identified risks and resolve any related audit findings. The risks outlined in this review are compounded by the FBI investigation and by certain results of SSLC's fiscal year 2013 financial audit which are included in PED's fiscal year 2013 financial audit report. The PED audit report has been officially released by the State Auditor's Office and is public record. Related to the schools' upcoming fiscal year 2014 financial audit, their office will refer this risk review to the charter schools' independent public accountant (IPA) and request that they consider the results in their planning and performance of test work. The State Auditor's Office stands ready to assist in facilitating communications with your IPA and your Councils' finance subcommittees and audit committees. Pursuant to Section 22-8-12.3(C) NMSA 1978, your Governing Councils must maintain finance subcommittees that make "recommendations to the [Governing Councils]" on procurement and serve as "external monitoring committee[s]" on "other financial matters." In addition, Section 22-8-12.3(D) NMSA 1978 requires that your Governing Councils appoint audit committees that, among other duties, shall "attend the entrance and exit conferences for annual and special audits; meet with external financial auditors at least monthly after audit field work begins until the conclusion of the audit; be accessible to the external financial auditors as requested to facilitate communication with the board and the superintendent; and track and report progress on the status of the most recent audit findings and advise the local school board on policy changes needed to address audit findings. In light of this risk review and the FBI investigation, it is critical that these finance subcommittees and audit committees strictly carry out their statutory duties".

It is strongly recommended that state oversight agencies take steps to ensure that the governing authorities and management of the charter schools remain accountable and implement and adhere to robust policies and procedures that protect New Mexico's significant financial investment in education. The PED and the PEC should take appropriate oversight actions within their statutory and regulatory authorities to ensure the risks outlined in this letter are addressed in the best interest of taxpayers. For example, PED possesses authority over boards of finance of state-chartered charter schools pursuant to Sections 22-8-38 and 22-8-39 NMSA 1978. Moreover, Section 22-8B-12(D) NMSA 1978 requires PEC, as the chartering authority, to "monitor the fiscal, overall governance and student performance and legal compliance of the charter schools that it oversees." The PEC also "may conduct or require oversight activities that allow the chartering authority to fulfill its responsibilities under the Charter Schools Act, including conducting appropriate inquiries and investigations." It is also recommended that the New Mexico Legislature, which produced a program evaluation report in 2013 related to charter school leases, consider the results of this review and study ways to strengthen accountability over education funds. It is critical that the financial affairs and transactions of our schools be wholly transparent to the public and oversight agencies. New Mexicans should be confident that its school districts and charter schools, and their governing bodies and management, strictly adhere to state laws that protect the integrity of the procurement process, require proper and timely disclosures of conflicts of interest, and prohibit unlawful profiteering by public officials and employees.

The auditors are in communication with PED and independent auditor the review was mainly based on the head of the school. The Board, clear from the auditors review, as far as they can tell there was no involvement with the audit committee with regard to discussion of these issues. Board did approve many of the contracts which have been discussed. The State Auditors have had conversations with AG's office. It was noted that the building lease was reviewed regarding the charters listed above and the school did not apply for lease assistance.

Conclusion:

Given the serious nature of the risks identified and detailed in this review, it is suggested that the Governing Councils will take appropriate measures to ensure the risks are adequately addressed. SSLC and SAMS should take immediate corrective action to reduce these risks and resolve any related audit findings. Statements on Auditing Standards provide that the financial statements are management's responsibility, and management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. The charter schools' management should establish adequate internal controls over financial reporting, implement measures to prevent and detect fraud, and implement corrective action for audit findings in a timely manner.

In addition, the PED and PEC should exercise appropriate oversight action to ensure the risks are addressed. The PED and the PEC are vested with certain oversight authority which can be exercised to ensure the risks outlined in the letter are addressed in the best

interest of the taxpayers. It is recommend that the New Mexico Legislature and its appropriate interim committees consider the results of this review and study ways to strengthen accountability over education funds. It is critical that the financial affairs and transactions of our schools be wholly transparent to the public and oversight agencies. This risk review is also intended to assist them in carrying out those responsibilities, and that charter schools cooperate with their agencies in any oversight efforts that they may take.

Council requested that staff to bring some ideas and recommendations as the task force had questions regarding standardized lease, perhaps create a checklist in lieu of the requirement of the use of a standardized lease that would remind districts to compare statewide costs, averages, square footage, utilization and that all administrators have been involved in applying for lease assistance. Staff would also need additional time to review costs, etc.

This report is for informational purposes. No Council action is required.

b. Gallup McKinley County Schools — Zuni Lawsuit Progress & Concerns

Ms. Martica Casias, PSFA staff, presented the Analysis of Proposed Changes to Adequacy Standards. She stated that Gallup had brought up several items related to the Zuni Lawsuit. Of the 14 changes suggested to the Adequacy Standards, 10 of the 14 are currently supported by the Adequacy Standards. Three other items that are not related to the adequacy standards are: Navajo tax, Additional funding for maintenance, and revisions to state share and district share.

Discussion: Mr. Frank Chiapetti, Superintendent introduced his staff that were present at the meeting. Mr. Bob Rosebrough, attorney for the district, stated that by any objective standard, the State of New Mexico has made remarkable progress since 2000 in capital funding and process of how schools are built and repaired. The Zuni Lawsuit was filed in 1998 and the decisions came down in 2000 and 2002 and since then there has not been a substantive review by the court. The review has been contemplated from the outset. The lack of judicial review is an indication of the success of the process and the levels of funding that the state has committed in the last 14 years. In spite of the progress, Gallup McKinley Schools is at this meeting to address 8 elementary schools which are backlogged in the process. The district has made the difficult decision to consolidate four of the schools into two leaving a backlog of six elementary schools. The district is bonded to capacity and has been for 25 years. The 6 schools indicated above are in the top 68 collectively of schools in need of replacement. The district will not have sufficient monies to meet their district match to construct these schools. Presently, the district has an \$80 million + backlog in maintenance deficiencies. If the 6 elementary schools are constructed the maintenance deficiency will be reduced to \$65 million. With respect to lawsuit, the district has requested an evidentiary hearing with the court set in November 2014. Mr. Rosebrough acknowledged Mr. Sean Cunniff, Attorney General's Office that represents New Mexico in the Zuni Lawsuit. In cooperation with the Attorney General's Office, it was decided to move to continue the November hearing until after the 2015 Legislative Session. There are possible realistic solutions in both administrative and legislative actions. Mr. Rosebrough stated that the district has discussed and request the opportunity to meet directly with PSFA staff and request Council's consideration of forming a subcommittee that would look at administrative solutions. In particular, to re-examine the

adequacy standards and definitions, and to look at the necessary capital outlay expenditures required by educational specifications that are not included in adequacy.

Zuni – The district is currently replacing two schools that will be consolidated into one school, the district is concerned about costs they will incur due to the adequacy standards and would have to use their SB9 funds which they feel can be used for other purposes. In addition, the district is currently funding debt service for construction of teacherages. The district had set aside 20% of their impact aid for construction and the current payment for debt service is over 50% of the operation impact received.

The district stated that both districts share similar concerns especially schools on the Navajo Reservation or that are effected by the Navajo Reservation in terms of inadequacy, lack of tax base unfunded mandates and other issues related. Increases have forced the districts to use their supplemental and federal programs to fund the mandates which has also effects the districts' ability to provide supplies and professional development opportunities for staff. The Zuni District is in need of additional funding for infrastructure to make repairs to schools due to flood zones which will require that the school be lifted up above the flood zone to meet standards for health/life/safety purposes. The Zuni School District supports the Gallup School District in their request to continue to review the adequacy standards.

Mr. Burciaga noted that the Gallup School District handout indicates that the district has \$80 million in maintenance deficiencies that can be reduced by \$15 million if schools are built. Mr. Burciaga asked what is portion of the \$80 million is ongoing maintenance and what portion is structural, and how much can be resolved if there were changes or review of the adequacy standards. Johny Cresto, Director of Construction and Maintenance responded that there is a detailed list in their master plan that was approved 4 years ago. Many of the deficiencies include health and safety, HVAC systems beyond expected life, roofing, structural issues and flooding issues, life and safety issues, parking issues and other maintenance issues. Mr. Cresto stated that if a systems bill passed, it would be a major help to fund those projects. He stated that the district is essentially using their bond money to try to build schools that are somewhat comparable to other districts, especially in bonded capacity districts, where there are certain expectations by taxpayers that the district feels they are not quite meeting.

Mr. Aguilar noted that Mr. Rosebrough indicated there are 8 facilities on the backlog list, and due to consolidation there are 6 of the elementary schools are in the top 68 of the rank list, yet upon looking at the rank list, he noted that only 5 schools and 3 have already been funded which would leave only 2 schools on the list. Mr. Rosebrough explained that some of the schools have been funded for design and not for construction. The schools that have not been funded for construction are Del Norte Elementary (formerly Washington and Juan de Onate), Thoreau, Lincoln, Jefferson, Ramah and Red Rock Elementary Schools. Church Rock Elementary School has been funded for construction. Mr. Aguilar clarified that every school on the rank list up to number 67 has received some funding from the PSCOC and is in the queue for funding of the full project. Red Rock Elementary is the only school which has received no standards-based funding.

Council asked if there would be problem with their district match for their projects. Mr. Rosebrough stated there is a problem with the district local match and the district also

coming up with meeting educational specifications that exceed the current definitions of adequacy.

The district provided a handout that contains the district's solutions as follows:

- **Administratively expanding the definition of “Adequacy” to include costs:**
 - 1) Necessary to construct a school in McKinley County and
 - 2) Imposed by educational specifications
- **Necessary costs not included in “Adequacy”:**
 - Extension of utilities to school site
 - Teacherages
 - Navajo Nation business activities tax
 - Security: Magnetic locks but nothing else
 - Furniture (some but not all), fixtures and equipment
 - Athletic Fields: Multipurpose practice field included but not competition fields, baseball fields, softball fields, tennis courts, bleachers, restrooms or concession stands.
 - Minimal landscaping only
 - Fire Loop—water lines to hydrants (Miyamura High School)
 - Square footage in excess of 135 per student. Originally 150 square feet per student.

Costs imposed by educational specifications but not included in adequacy:

- Navajo language and culture classes required by Indian Education Act.
- Title IX athletics facilities
- Pre-K Classes—necessary in areas with high levels of poverty and ELL
- Parent education rooms (Pre-K related)
- Response of intervention classrooms – necessary with high levels of “At Risk children
- Computers and computer stations for computer based tests which are mandated
- Pull out space for related services (speech, therapy, physical therapy and occupational therapy)
- **Legislatively revise the State Share Calculation Statute (22-24-5 NMSA) to reduce the district match for districts that have exhausted local bonding capacity)**
- **Administratively add specificity to waiver criteria to assure districts will receive waivers when the district's capital outlay funds and local bonding capacity have been exhausted.**

Mr. Clifford stated that PSFA staff does not agree with the list of items identified in the handout which are not covered by the PSFA definition of adequacy. Mr. Gorrell clarified that PSFA staff have prepared a response to these items which follows on the PSCOC agenda. Mr. Clifford also noted that the issue is basically regarding the districts local match. He stated that the district indicated that they are not eligible for a waiver and asked the district to explain their issues regarding the waiver. Mr. Chiapetti stated that the Gallup district foresees that it will need a waiver to construct the six elementary schools and historically the district has been unsuccessful in the waiver request. The district stated that the reason for not receiving the waiver is that they were told that they qualify but they have money available to apply to the project. Mr. Chiapetti stated the district has been under the impression that they need to have funding in their master plan to show that they

will make their match for the facilities. He stated that the district has been putting off the existing projects of replacing systems or going above adequacy standards. The district made the decision of not having ball-fields at their high schools because they cannot afford to go over adequacy and have other projects that are coming up, the district has the funding and are being very careful not to go above adequacy or replacing systems that should have been replaced years ago. Their perception is because the district is holding the money for their match in the plan, the district feels that they are denied waivers because it appears that the district has the money. If the district spent the money on above adequacy items or on the systems replacement it would be clear that the district does not have funds, but the district does not have a mechanism to explain this to the Council.

Mr. Clifford stated that the waiver is a serious step for the PSCOC to take, as they have been entrusted by the Legislature with the authority to appropriate, and if the PSCOC waives criteria that is in statute for that appropriation, they would essentially be expanding that authority. Mr. Cresto noted that the district's goal would be to fix the process so waivers aren't as necessary and come up with an adequacy standard that greatly reduces the need for waivers, especially for districts that are beyond capacity, not to build extravagant schools, but to have a mechanism in place so that the waivers are awarded for critical issues that can be justified. Mr. Clifford suggested that the waiver criteria should provide no assurance that district will receive funding or assured any PSCOC if they have exhausted their funds for building above adequacy include districts who use their funding for projects above adequacy. He also voiced concern regarding the possibility of districts using their waivers for water lines, hydrants, and other utilities unless it is their presentation. Mr. Clifford also voiced concern regarding and districts not using their funds for critical issues and if this is happening he would like a report on those districts.

Mr. Abbey added that there solutions to deal with the 5 schools that need construction funding or that are in the design phase, and there needs to be a review of school by school in relation to all the other projects the district needs to complete. He also noted that the Council has a good track record of figuring out to resolve these issues in an equitable way. Mr. Abbey noted that the districts' financial is not clear and hard to evaluate.

Mr. Abbey noted that the district has presented these concerns to the Public School Capital Outlay Council. He requested that the Awards Subcommittee review the districts' financial plan and a plan that advances all of these schools. Separately, the AMS Subcommittee is to assess the district's list of items on pages 4 and 5 of their presentation, and to evaluate our rules/adequacy standards. Mr. Guillen indicated that this may involve statutory and adequacy standard changes, and the PSCOC needs to look at the precedent the changes will set and the statewide effect. This item will be discussed at the next Council meeting.

c. Zuni Lawsuit — Analysis of Proposed Changes to Adequacy Standards
Executive Summary:

Ms. Casias presented this item stating that at the last PSCOC meeting the Gallup School District brought up several items related to the Zuni lawsuit. Of the fourteen changes suggested to the Adequacy Standards, ten of the fourteen are currently supported by the Adequacy Standards. Three other items that are not related to the adequacy standards are addressed on the excel sheet provided to the Council;

- Navajo Tax

- Additional Funding for Maintenance
- Revisions to state share and district share

Discussion: Mr. Gorrell informed the Council that the information was not provided by the Gallup District but instead notes that were taken at the task force meeting. This item is presented at the request of Mr. Abbey to determine what opportunities might be in the current rules. The spreadsheet that is available to the Council cites the issue, the current standards, a description of the standard, if law change is required, if standards-based supports the item, as well as other items for consideration.

Ms. Casias highlighted various items in the spreadsheet. Mr. Abbey noted that a columns need to be added to indicate rule change, which is separate from a law change.

Ms. Maestas noted that caution must be taken in regard to the rule changes as there is oversight by the task force, and for making changes which aren't in law. Mr. McMurray stated this spreadsheet is a good start, but that needs have to be looked at and it is incumbent on districts to find a viable site and districts must be looked at on a case by case basis.

d. Legislative Finance Committee — Eastern School Districts

Executive Summary:

Ms. Rachel Mercer-Smith, LFC, presented this item to the Council highlighting key items of the evaluation of Eastern school districts. Districts include Santa Rosa, Estancia, Moriarty-Edgewood, Tucumcari, San Jon and Vaughn. Three evaluation findings include: declining enrollment across the state challenge districts to manage resource strategically; state policies and funding mechanisms encourage inefficiencies in small districts that may direct resources away from students; and, even with smaller-than-average class sizes, academic outcomes in Eastern school districts are generally similar to the rest of the state. Ms. Smith noted that enrollment in most districts has declined dramatically resulting in excess space and financial challenges. In FY13, the state had enough excess capacity for an additional 63,000 students. She also touched on: unused classroom space as a costing saving option, barrier to school consolidation and lack of financial incentives; small size adjustments in the Public School Funding Formula; district consolidation cost savings; no benefit for student achievement as State spends more per students in small districts and on average, students perform no better than student in larger schools.

Relevant recommendations include:

- The PED and PSCOC should develop criteria for school districts to determine when it is appropriate to close or consolidate schools based on available space;
- PSCOC should continue working to assist school districts in finding the most cost-effective and space-efficient school configurations;
- The Legislature should develop financial incentives for school district consolidating administrative services and schools;
- The Legislature should create statute basing school reconfiguration decisions on financial and education benefits.

Mr. Guillen commended Ms. Smith on her report and noted that creating small schools for small district is policy but some districts are requesting schools that could be too large for the amount of students they house.

Mr. Clifford went back to a statement made by the Superintendent of the Gallup School District asserting that it was the quality of the facility that is contributing to their declining enrollment the asked staff to follow-up with him on the basis of his comment.

4. Awards Subcommittee Report

a. Financial Plan—Executive Summary:

PSCOC Financial Plan Changes as of July 30, 2014

Central - Grace B. Wilson and Ruth Bond Elementary School - P14-007 Additional Funding for Design—**Net Award: \$1,464,000**

2014-2015 Standards Based Awards Phase I State Match—**Net Award: \$15,064,796**

2014-2015 Standards Based Roof Awards—**Net Award: \$7,407,610**

2014-2015 Lease Assistance Awards—**Net Award: \$ 14,320,909**

Total Net Awards: \$38,257,315

Project Award Schedule Detail Adjustments (Crossing Fiscal Years)

Project	FY 15	FY 16	FY 17
P13-009--West Las Vegas Middle School	(\$5,104,381)	\$5,104,381	
Total	(\$5,104,381)	\$5,104,381	\$0.00

*FY15 \$5,104,381 decrease for construction phase; moved from 2015_Q2 FY15 to 2015_Q3 FY16.

PSCOC FUND PROJECT AWARD SCHEDULE DETAIL - PHASE 2 ESTIMATE MODIFICATIONS

Project	FY	Previous Estimate	Current Estimate	Change inc (dec)
Belen - P12-004 Family School	15	\$1,600,408	\$653,203	(\$947,205)
Reserve - P14-022 Combined School	15	\$9,057,037	\$11,315,452	\$2,258,415
	FY Subtotal	\$10,657,445	\$11,968,655	\$1,311,210

*Changes per state reduction in participation to adequacy for Belen
Changes to account for playing field at Reserve*

FINANCIAL PLAN ASSUMPTIONS:

CMAR costs are estimated using the following percentages: 5% pre-construction in quarter 1; 5% early work in quarter 2; 90% remaining balance of award in quarter 3. The financial plan does not include any potential local match reduction for PH2 funding. Released the revenue estimates on August 25, 2014 and updated the financial plan to reflect the new amounts:

Estimate	FY15	FY16	FY17	FY18
Previous	205.8	203.8	199.0	193.8
New	229.6	228.2	230.1	231.8
Variance	23.8	24.4	31.1	38.0

Total increase to the financial plan \$117.3 million

Included the estimated due to CID \$226,846.12 for FY14 inspections.

The FY14 project reversion amount was updated for the final reverting amount calculated for project closeouts. Financial Plan estimated \$10.0 million for FY14 and the amount reverted for closed projects is \$21,727.00. There were a total of nine project closeouts.

Included in the Financial Plan for FY15 is an estimated amount of \$12.5 million for project reversions.

b. 2014-2015 Facility Master Plan (FMP) Application & Procedures

Executive Summary:

Upon approval of the PSCOC, the invitation for FMP applications will go out on September 8th, 2014, due back to PSFA staff on October 10th 2014, with an anticipated award date of November 6th, 2014.

MOTION: Mr. Guillen moved Council approval of the Awards Subcommittee recommendation to send the 2014-2015 Facilities Master Plan application and procedures to all school districts in accordance with the timeline presented.

Upon further discussion Mr. Aguilar moved to amend the motion to include NM School for the Deaf and the NM School for the Blind and Visually Impaired in all procedures in accordance with the timeline presented.

Amended Motion: Mr. Aguilar moved Council approval of the Awards Subcommittee recommendation to send the 2014-2015 Facilities Master Plan application and procedures to all school districts including the NM School for the Deaf and the NM School for the Blind and Visually Impaired in accordance with the timeline presented. Mr. Clifford seconded. Motion carried.

c. 2014-2015 Lease Assistance Awards — Update

Executive Summary:

The PSCOC awarded \$14,320,909 for lease assistance during its July 30, 2014 meeting. There are three charter school revisions to the lease award (highlighted in blue on the lease assistance schedule):

- Albuquerque Institute for Math & Science (AIMS) is requesting lease assistance for the two additional classrooms leased from UNM.. “E” Occupancy approved on September 2, 2014. AIMS submitted a separate lease application in the amount of \$29,598.
- Aztec - Mosaic Academy – previously only included the land lease on the Lease Assistance classroom space lease separately. The gym and portable classroom lease amounts were inadvertently left off of the Lease Assistance Schedule. Previous award amount was \$48,000 revised proposed award amount to include the gym and portable classroom space is \$107,700 or an increase of \$59,700.00. The amounts of the lease

are: land \$48,000, gym \$6,000 and portable classrooms \$53,700.00. Schedule. Mosaic Academy submitted the land lease, gym lease and the portable

- Espanola - Carinos de los Ninos Charter School did not submit a completed application to include a copy of the lease and conflict of interest forms and policies. Awarded \$49,868.00. Requesting to allow the application to remain open for an additional month to allow the charter school to revise/complete the lease application.

Total of 96 applicants were received with 95 completed applications. Staff is recommending a total award of \$14,360,339.00 noting that Carinos de Los Ninos Charter School application be left open for one month for PSCOC consideration of award based upon receipt of a revised completed application. This results in an increase of \$39,430.00 from the previous award of \$14,320,909.00.

Discussion: Ms. Maestas requested an update on the Carinos Charter School

Mr. Aguilar reported that CID red tagged the building last week, and the Espanola School District had the building vacated, but Carinos chose to ignore the red tag and there is still children at the school as of today. PED is working with chancellor and the district to get the kids out of that school and are currently trying to find an alternative situation to deal with the children that do not have a school to attend. There are 4 different filings with the district court on restraining orders that will be heard. Mr. Aguilar will meet with the district to attempt to work out issues and there are many issues to go through and determine what will work best for the district and the charter.

Mr. McMurray stated that CID working closely with Espanola and the charter school. In response to phone calls from parents, they evaluated the facility and found many health-safety violations, and unsafe environment for students. The Fire Marshal is in total agreement with CID's findings. The children and staff need to vacate the building and the charter needs to find a safe venue for the students. Charter needs to find a new facility and the district needs to determine if the current facility will be fixed for compliance or if the district will house students in another facility.

MOTION: Mr. Guillen moved for Council approval of the Awards Subcommittee recommendation to make amended awards in the amounts specified for lease payment assistance on the accompanying spreadsheet and to allow Cariños de los Niños Charter School application remain open for one month for PSCOC consideration of award based upon receipt of a revised completed application. Since this is a subcommittee recommendation a second is not required. There being no objection the motion carried.

d. Belen/Family School (P12-004) — Phase II Funding

Executive Summary:

Staff recommends additional funding to the Belen Consolidated School District for Belen Family School to complete construction to adequacy with an increase in the state share amount of \$653,203 (69%), contingent upon an increase in the local share amount of \$293,468 (31%). Previous council action to amend the award to provide additional design funds for 2 classrooms and other facility areas, including storage to adequacy serving grades 1-8 with an increase in the state share of \$9,152 (69%) contingent upon an additional local share of \$4,112 (31%). The district continues to develop strategies and methods for improving performance. District recently acquired OSHA 10 training for

Maintenance staff. Staff recommends the district improve their PM work Order Completion Rate from 79.59% to 90% or better.

The district is requesting construction funds for 2 classrooms and other facility areas, including storage to adequacy serving grades 1-8. Utilization and efficiency has been maximized and co-located near Rio Grande ES.

MOTION: Mr. Guillen moved for Council approval of the Awards Subcommittee recommendation to amend the 2012-2013 standards-based award to the Belen Consolidated Schools for Belen Family School to include phase 2 construction to adequacy for 82 students, grades 1-8, with an increase in the state share amount of \$653,203 (69%), contingent upon an additional local share of \$293,468 (31%). The district shall incorporate the additional maintenance contingencies of: (1) improve PM work order completion rate from 79.59% to 90% or better, and (2) the district shall report to the PSFA every six months on the status of their maintenance program. Should the district fail to meet the FMAR score of satisfactory (70.1%), the district may be required to report to the PSCOC. Since this is a subcommittee recommendation a second is not required. There being no objection the motion carried.

e. Grants/San Rafael ES (R14-009) — Additional Funding

Executive Summary:

Staff recommends additional funding to Grants-Cibola County Schools for San Rafael Elementary School to complete construction to adequacy with an increase in the state share amount of \$53,391 (74%), contingent upon an increase in the local share amount of \$18,759 (26%). Estimated project amount at time of award: \$502,345. Project total including pending additional funds award: \$574,495. Staff recommends that the district address all major/minor findings on FMAR reports through FIMS and/or develop capital planning strategies towards resolution. Staff also recommends the district improve their PM Work Order Completion rate of 75% to 90% or better.

This request is for additional funds for abatement remediation on the San Rafael roofing project. After asbestos materials testing 3 of 6 sections of roof were identified as containing asbestos.

MOTION: Mr. Guillen moved for Council approval of the Awards Subcommittee recommendation to amend the 2013-2014 standards-based roof award to the Grants-Cibola County Schools for San Rafael ES based on actual cost to complete the work, with an increase in the state share amount of \$53,391 (74%), contingent upon an additional local share of \$18,759 (26%). The district shall incorporate the additional maintenance contingencies of: (1) address all major/minor findings on FMAR reports through FIMS and/or develop capital planning strategies towards resolution, (2) improve PM work order completion rate from 75% to 90% or better, and (3) the district shall report to the PSFA every six months on the status of their maintenance program. Should the district fail to meet the FMAR score of satisfactory (70.1%), the district may be required to report to the PSCOC. Since this is a subcommittee recommendation a second is not required. There being no objection the motion carried.

5. Administration, Maintenance & Standards Subcommittee Report

a. 2014-2015 Weight/Rank Methodology — NM Condition Index (wNMCI)

Executive Summary:

Each year the PSCOC considers changing the weight ranking factors. In 2011 PSCOC directed PSFA to study the effects of changed weights on the ranking, specifically category 7 – Adequacy of Space. The conclusion showed little change. The following packet includes Minutes of the 2011 PSCOC meeting regarding changing the weights. It was noted that the weighting process has worked very well and as discussed at a prior meeting the Council agreed not to change the weights.

MOTION: Mr. Guillen moved for Council approval of the Administration, Maintenance & Standards Subcommittee recommendation to continue the current NMCI Weight Ranking Factors for the 2015-2016 Standards-Based Award cycle. Since this is a subcommittee recommendation a second is not required. There being no objection the motion carried.

b. 2014-2015 Variance Renewal — Charter & Alternative Schools

Executive Summary:

PSCOC approved the Charter and Alternative School variance with the following considerations:

- Charter schools and Alternative schools deliver their education utilizing different methods than traditional schools; therefore not requiring spaces typically needed by traditional schools.
- Charter schools can waive various spaces in facilities if they demonstrate an alternative method of delivery. Gyms, libraries and media centers are examples. Meaning PSFA does not require them to meet adequacy standards. The variance requires charter schools and alternative schools to meet life health and safety requirements as well as general classroom gross square footage.

Discussion: Mr. Aguilar noted that there are provisions in the Charter School Act that provide for waiver of various things, and asked if the waivers are appropriate for alternative schools. Ms. Maestas stated that alternative schools should be given the same opportunities as the charters as educational needs have to be looked at the same as traditional schools as they are also teaching facilities. Mr. Gorrell responded that district needs are not seconded guessed but are individualized and charters and alternative schools are looked at on a case by case basis as agreed so by the Council.

MOTION: Mr. Burciaga moved for Council approval of the Administration, Maintenance & Standards Subcommittee recommendation to approve the variances for all alternative schools and those charter schools that have not been renewed. The charter schools that are in at least their first renewal period will be evaluated based on their current programs, enrollments and alternative facility use to determine specific facility needs and will be ranked accordingly. Since this is a subcommittee recommendation a second is not required. There being no objection the motion carried.

c. FY14 CID Reimbursement

Executive Summary:

PSCOC approved up to \$250,000 for CID reimbursement during its July 30, 2014 meeting. CID is requesting \$199,973 per attached letter and documentation.

Discussion: It was noted that the AMS Subcommittee discussed this item at their last meeting. Mr. Burciaga noted this is a prior year payment. Ms. Irion responded in the affirmative stating that this is a payment for the FY14 inspections. She explained that what had previously occurred was that the budget was not submitted by CID for their FY14 amount which was received in June. PSFA recorded this as a journal entry as a “due to/due from” and estimated the dollar amount when staff met with CID to avoid an audit finding. Mr. McMurray thanked the Council for the reimbursement and accepted the decided amount though it is a reduction from amounts of inspections that were actually made. He stated that, as stated in the letter, that CID did not follow the MOU that was in place at the time and again thanked the Council for allowing them to submit the invoice showing the amount of inspections. Mr. McMurray stated that the amount is not correct CID should be paid for services rendered. CID will continue doing their part in getting their MOU in place for this fiscal year and are meeting with PSFA as inspections were complete for July and August to the cost of inspections and how many inspections are complete. CID will continue monitoring the inspections and cost of each inspection made and will coming back each month to request reimbursement. Mr. Abbey reminded Mr. McMurray that CID did not request reimbursement last year. Mr. Gorrell informed the Council that PSFA and CID are working on establishing a budget for the year for Council approval.

Mr. Aguilar commented that he appreciates that the reimbursement was not requested in a timely manner last year and most of it was reimbursed with the remaining amount would have been reverted, however, it sets a bad precedent to make a random amount. He stated that if the MOU sets an amount to be reimbursed it should be honored. Mr. Abbey noted that the MOU provides that CID must come before the Council for reimbursement and CID is in this situation by failing to meet this provision.

ORIGINAL MOTION: Mr. Burciaga moved for Council approval of the Administration, Maintenance & Standards recommendation to reimburse the Construction Industries Division for final permitting and inspection expenses in the amount of \$199,973 for validated inspections performed for PSCOC-funded projects during FY14 but not billed until FY15 in order to avoid a negative cash balance for the Division for FY14. Motion Passed.

Mr. Clifford noted that this is a staff recommendation and moved for a revised motion to reflect this.

REVISED MOTION: Mr. Burciaga moved for Council approval of the staff recommendation to reimburse the Construction Industries Division for final permitting and inspection expenses in the amount of \$199,973 for validated inspections performed for PSCOC-funded projects during FY14 but not billed until FY15 in order to avoid a negative cash balance for the Division for FY14. Mr. Gant seconded. The motion passed by a majority vote with Mr. Aguilar voting in the negative.

d. FY16 PSFA Budget & Organizational Structure**Executive Summary:**

PSFA is requesting a total operating budget for FY16 in the amount of \$6,524.2 million.

The request includes the following assumptions:

- Flat budget from the FY15 Operating Budget Base except for the DFA approved GS and DoIT expenditure increases of \$3.8 thousand (table in thousands).

Account	Description	FY15	FY16	Variance
521600	Employee Liability Insurance	6.0	8.4	2.4
542700	Transportation Insurance	1.0	1.4	.4
545700	DoIT Services	2.5	3.5	1.0
			Total	3.8

- Also included 3% salary increases and benefit costs in FY16 Budget Request as the amount was not included in the FY15 Base Budget.
- FY15 Base is \$5805.4 + \$3.8 GSD & DoIT costs plus increases of \$132.0 for salary & benefit costs = \$5941.2 FY16 Budget Request.
- Expansion increase for Broadband Deficiency Program (SB159):
- Category 200: Personal Services and Employee Benefits \$472.0 thousand related to 5.0 Term FTE.
- Category 400: Other Operating Costs - \$111,000.00

Vehicle Leases (5 x (\$350/month x 12))	\$21,000
Equipment	\$10,000
Travel and Supplies	\$10,000
Rental of Building for additional office space	\$70,000
- Budgeted 3.3% vacancy rate.
- Total of 58 FTE's requested: 53 Perm and 5 Term
- PSFA Statutory Operating Budget Limitations are within the 5% limit per 22-24-4 Public school Capital Outlay Fund Created; Use: Subsection G paragraph 1. Amount is 2.6%.

MOTION: Mr. Burciaga moved for Council approval of the FY2016 budget and organizational structure of the PSFA as approved by the Administration, Maintenance & Standards Subcommittee and submitted to DFA on September 2, 2014. Since this is a subcommittee recommendation a second is not required. Motion passed.

e. Personnel Actions — Update**Executive Summary:**

FY15: PSFA currently has 45 FTE and 8 vacancies, with approval to hire for 4 of the vacant positions and currently has 6 Term positions on the organizational chart with approval to hire for 2 of them. PSFA currently has 3 part-time Student Interns.

Summary of Positions:

- **Positions to maintain vacancy savings:**
 - Regional Manager (position 00052663)
 - Communications Specialist (position 00052862)

- Attorney (position 10109146)
- **Positions Approved for Hire:**
 - Deputy Director – Interviewees are currently being reviewed.
 - Regional Manager I [Field Assessor] (2 positions) – Interviews scheduled 9/11
 - IT Business Process Manager- Re-advertised, closes 9/12
- **New Hires:**
 - IT Support Tech- Jason Gauna effective 8/2
 - Financial Specialist- Melissa Ortega effective 8/2
 - Central Coordinator- Edward Avila effective 8/16
 - Broadband Project Manager [Term] – Albert Ng effective 8/30
 - Building Standards Coordinator- John Hooker
- **Pending Requests:**
 - Technical Coordinator- Request to advertise and hire. Current employee, Harold Caba transferred to HSD effective August 30, 2014.
 - Facility Specialist- Create approved expansion position in SHARE and reclassify to and hire Project Technician to assistant Maintenance Division.
 - Information Systems Specialist (Term) – Advertise and hire for broadband.

Discussion:

Ms. Selena Romero presented this item to the Council noting that there is a situation regarding the current pending personnel request that shows a negative predictive balance due to the term positions for the IT related initiative. When DFA approves the budget to hire the agency has to prove that they have sufficient budget. Adding the position throws the agency into a negative budget which has caused a dilemma and staff is working with DFA to determine a solution. PSFA can get a BAR later in the year but DFA is looking at the budget the agency currently has available. Mr. Aguilar offered the PED services to assist PSFA with this issue and then go for DFA approval.

This report was reviewed by the AMS and the Awards Subcommittee and is for informational purposes. No action is required by the Council.

6. Director's Report

a. PSCOC Project Status Report

Executive Summary:

Staff is involved in guiding various projects through the stages of Project Development including, Programming, Planning & Design and the Construction Phase.

- 2 Projects in the development of their Educational Specifications
- 41 Projects in the planning & design Phase
- 49 Projects in Construction

In regard to projects in red in the Central School District, Mr. Volpato reported that the district is having challenges with moving multiple projects forward. The district presented before the Council and reported that they do not have the staff nor the ability to move all projects forward. The district is now moving projects one at a time and all remaining projects are falling behind. The district has reorganized and hired someone to oversee their maintenance at the district. Staff will meet with the district to determine whether or not they need a construction manager, and will bring forward a recommendation.

The Chair noted that the staff no longer provides a Red Flag Report. He stated that it worked very well in the past. The Council found it to be very valuable in making decisions regarding districts that are not moving forward with their projects. Mr. Gorrell explained that staff was asked to simplify the report and the report was no longer provided to the Council. Mr. Abbey requested that staff provide the report again.

This report was reviewed by the AMS and the Awards Subcommittee and is for informational purposes. No action is required by the Council.

b. Master Plan Project Status Report

Executive Summary:

- 18 Facilities Master Plans working towards completion
- \$434,244.00 committed
- \$105,068.13 expended
- \$329,175.87 balance

This report was reviewed by the AMS and the Awards Subcommittee and is for informational purposes. No action is required by the Council.

c. Lease Assistance Status Report

Executive Summary:

97 Lease Assistance Awards totaling \$12.9 million; \$12.7 million disbursed to date, and increase of \$185 thousand since last meeting July 30, 2014.

This report was reviewed by the AMS and the Awards Subcommittee and is for informational purposes. No action is required by the Council.

d. Maintenance Program Status Report

Executive Summary:

The New Mexico PSCOC maintenance program has three major functions or 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.

The current status across New Mexico Schools

- FIMS usage -70.03 % of district use FIMS effectively, down two and a half (2.5) percentage points from last quarter 72.53%
- PM plan currency-65.93% of the districts have a current PM plan, up 15 percentage points from last quarter (50.55%).
- FMAR average score – 58.02% (where 70% is 'passing') no change.
- Total FMARs completed to date –621, up from 611 after reconciling of counts in Access database which occurred in July. This is 79% of the total 814 school building baseline.

This report was reviewed by the AMS and the Awards Subcommittee and is for informational purposes. No action is required by the Council.

e. Broadband Deficiencies Correction Program Status Report

This report was reviewed by the AMS and the Awards Subcommittee and is for informational purposes. No action is required by the Council.

f. 2014-2015 Proposed Work Plan/Timeline

Executive Summary:

This report was reviewed by the AMS and the Awards Subcommittee and is for informational purposes. Staff will revise as deemed necessary.

This report was reviewed by the AMS and the Awards Subcommittee and is for informational purposes. No action is required by the Council.

7. Election of Chair and Vice-Chair

The Council thanked Mr. Abbey and Mr. Gant for their excellent service to the Council. It was noted that Mr. Gant would not seek re-election to his Commissioners seat, and there will be a new member representing the Public Education Commission on the PSCOC. Mr. Guillen nominated Mr. David Abbey to serve as PSCOC Chair and Mr. Pat McMurray to serve as Vice-Chair.

Mr. Tom Clifford nominated Mr. Paul Aguilar to serve as PSCOC Chair.

The clerk called the roll and votes for PSCOC Chair were as follows:

Member:

Pat McMurray *Abbey*
 Tom Clifford *Aguilar*
 Paul Aguilar *Aguilar*
 Michael Heitz *Aguilar*
 Joe Guillen *Abbey*

Nominated:

Gene Gant *Abbey*
 Frances Maestas *Abbey*
 David Abbey *Abbey*
 Raul Burciaga *Abbey*

There were no other nominations for Vice Chair. By a majority vote Mr. Abbey will continue to serve as PSCOC Chair and Mr. Pat McMurray will serve as Vice-Chair. Mr. Abbey thanked the Council for their support.

PSCOC Subcommittee assignments were not discussed and will remain the same until Chair decides to change the assignments.

8. Next PSCOC Meeting — Proposed for October 2, 2014

Upon discussion the Council agreed to hold their next PSCOC meeting on October 2, 2014.

9. Public Comment

Mr. Ted Burr gave a brief summary on the Deming School District projects stating that their board is scheduled to meet on September 18, 2014 to approve the educational specifications for Deming Intermediate School. Upon the approval of PSFA the district will get an RFP for an architect. The district has hired an architect for the Deming High School project, and that project is moving forward.

Strategic Plan

Mr. Burciaga request that the Council look at their strategic planning as he feels that there have been challenges. He stated that there has been good progress have issues that need to be addressed that include the status of Zuni Lawsuit, maintenance is an ongoing concern, and now there is increased awareness and concern of a decrease in available funding for capital outlay that could affect public schools. There is a need to look at the strategic planning and give Mr. Gorrell and his staff specific guidance and direction so that the Council does not end up with a last minute performance review and there is a need to be more proactive. Mr. Burciaga stated that with the recognition of Mr. Larroque, Council needs to recognize the staff. He said that the districts give the Council praise but it is the staff that makes the process work. Mr. Abbey stated that in 2012 Council and staff made a big effort on strategic planning. Mr. Eaton will lead Council and staff in the strategic plan. Council and staff need to bring suggestions as well as a timeline to the next Council meeting.

Mr. Abbey stated that the strategic plan can be done as a full Council but prefers that the suggestions go to the subcommittee and bring back recommendations to the full Council. He requested that staff come to the next meeting with the agency's strategic efforts. Mr. Burciaga stated that Council should be the head of the plan but have to continue modifying the strategy. Mr. Aguilar suggested that the strategic plan be complete prior to the session. This is council's initiative but should be coordinate with AMS.

10. Adjourn

There being no further business to come before the Council the meeting adjourned at 11:45 AM.

_____ Chair

_____ Date