

**PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL MEETING
MINUTES
OCTOBER 5, 2015
STATE CAPITOL BUILDING, ROOM 317
SANTA FE, NEW MEXICO**

Members Present: Mr. David Abbey, LFC Ms. Jessica Gonzales, Office of the Governor
 Mr. Gilbert Peralta, PEC Mr. Joe Guillen, NMSBA
 Ms. Frances Maestas, LESC Mr. Pat McMurray, CID
 Dr. Tom Clifford, DFA

Designees: Ms. Sharon Ball represented the Legislative Council Service in the absence of Mr. Raul Burciaga. Mr. Antonio Ortiz represented the Public Education Department in the absence Mr. Paul Aguilar. Mr. Ian Kleats represented the Legislative Education Study Committee during the absence of Ms. Frances Maestas. Ms. Maestas joined the meeting at 9:00 AM.

1. **Call to Order**—Chair Abbey called the meeting to order at 8:30 AM
 - a. **Approval of Agenda**—Mr. Guillen moved for approval of the agenda as presented. Mr. Mc Murray seconded. There being no objection, the motion carried.
 - b. **Correspondence**—Letters/e-mails from Mr. Aguilar and Mr. Burciaga designating individuals to represent their agencies in their absence.
2. **Approval of Consent Agenda**

Council clarified that the consent agenda requires minimal discussion and gives consent to adopt the motions.

 - a. **Approval of Minutes (September 3, 2015)**

Council approval of the September 3, 2015 PSCOC meeting with technical corrections as indicated by the Council.
 - b. **Draft 2016-2017 wNMCI Ranking**

MOTION: Approval to release the Draft 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, for the purpose of review by the districts prior to release of the Preliminary Ranking. Release of the draft ranking is subject to necessary data corrections and the Districts are encouraged to work with PSFA staff to provide any verifiable changes to the data.
 - c. **2015-2016 Lease Assistance Awards—Updated**

MOTION: Approval to make amended awards in the amounts specified for lease payment assistance on spreadsheet provided to the Council.

d. FY2017 PSFA Budget & Organizational Structure

Discussion: Mr. Gorrell noted that the organizational structure was previously reviewed by the PSCOC and staff is presenting a flat budget over FY2016.

MOTION: Approval of the revised FY2017 budget and organizational structure of the PSFA. Final technical revisions and corrections may be made by PSFA, subject to review and prior approval by the AMS Subcommittee Chair.

Mr. Guillen moved for Council approval of the Consent Agenda items as listed. Mr. McMurray seconded. There being no objection, the motion passed.

3. PSCOC Financial Plan

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

Discussion: Ms. Denise Irion provided a brief overview of action taken by the Council at their last PSCOC meeting with net awards totaling \$13,265,307. Currently the financial plan does not include potential local match reductions. Ms. Irion also presented the actual revenue adjustments. She indicated that PSCOC had an increase of \$35 million in 2015. She indicated that there is a decrease of revenues FY16-FY19 per the consensus revenue report. Based on the revenue estimates project for five years there is an unfavorable change of \$17.3 million.

The revenues in the financial plan are based upon the bond sale estimates in June and December, however, the proceeds are not recognized in the financial plan until July and January. Mr. Kleats noted that the bond sales are split evenly between the 2 fiscal years, and asked if there was a basis for this split. Ms. Irion responded that it was the consensus with the Board of Finance and DFA to report the annual bond proceeds with a 50-50 split between the December and June sales, and are updated in the plan based upon the actual sale amounts. Council agreed that the bonding models identify when the sales are going to occur between the Spring and Winter sales and asked for exact numbers rather than making a split which will give Council more security to close out bonds in 2016.

Mr. Abbey noted that the \$5.0 million Broadband Program line amount for FY16 is a planning item; staff will come back for a spending authorization at a later date. Council indicated that PSFA has an encumbrance that they do not have authority to spend yet. Mr. Abbey noted that this item will be discussed further under that agenda item.

Mr. Abbey asked if the systems initiative was in the financial plan. Mr. Gorrell responded in the negative, but indicated that awards could be made in calendar year 2016, but would probably be fiscal year 2016. Mr. Abbey requested that FY20 financial data be added to the financial plan.

4. Out-of-Cycle Funding/Additional Funding/Emergency Funding/Award Language Requests
a. Gadsden—Chaparral Elementary School

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

Discussion: District is requesting Phase II funding to complete renovation/addition at Chaparral ES to adequacy. Staff recommends that the PSCOC approve the state funding request totaling \$11,545,368 (87%) as requested to complete the construction to adequacy with a corresponding local match of \$1,725,173 (13%). This project is based upon RFP pricing, but costs came in higher than expected and over budget. The district, along with the design professional and PSFA staff worked hard to re-evaluate plans to find opportunities to reduce the price. The team was able to value engineer \$1.5 million out of the project, which they felt were good opportunities to save money without jeopardizing the quality of the school. This project will allow the district to balance the populations at their elementary schools which are overcrowded, and will result in populations of 550 for their elementary schools. Mr. Ralph Gallegos represented the district, and stated that the district is willing to fund the portions of the school that could not be value engineered to move the project forward. If funded the district hopes to begin the first phase of construction in November 2015 and completion within 15 months. Dr. Clifford requested that staff include the funds already appropriated in the project summary.

MOTION: Mr. Guillen moved for Council approval of the staff recommendation to amend the 2013-2014 standards-based award to the Gadsden Independent Schools for Chaparral ES to include construction to adequacy for 550 students, grades K-6, with an increase in the state share amount of \$11,545,368 (87%), and a corresponding increase in the local share amount of \$1,725,173 (13%). Mr. Kleats seconded. Motion carried.

b. Jemez Mountain—Extension of Advance Repayment Deadline

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

Discussion: Ms. Irion noted that the Council awarded the district an advance in 2006 in the amount of \$351,496 with repayment due to the Council by June 30, 2007. As indicated in a letter sent by the district, they are proposing a request of 50% decrease of the total debt and propose to make a payment of \$75,000 in year one and \$50,000 thereafter until the advance is paid in full. Based upon PSFA review of the Statement of Financial Position, it is determined that the district has not demonstrated the need for the waiver and PSFA is requesting full payment of the advance. Mr. Abbey noted that the district is currently in default of the repayment. Representatives from the district were not in attendance.

Mr. Guillen noted that the district experienced obstacles due to the embezzlement that occurred in the district. Part of the funds embezzled were Capital Outlay funds and Mr. Guillen feels that this should be taken into consideration, and ensure that the repayment does not affect the district's ability to run the district. He noted that the Public School Insurance Authority covered a minimal cost of \$500,000 of the \$3-4 million that was embezzled and caused the shortage for the district. Mr. McMurray agreed that the repayment should not affect their day-to-day operations, does not agree with reducing 50% of the debt owed. Mr. Guillen inquired about the source the district would use for repayment. Ms. Irion indicated that the repayment would come from the district's capital funds (SB9).

MOTION: Mr. McMurray moved for Council approval to convert the advance repayment liability to payment in full, with \$75,000 due by June 30, 2016 and \$50,000 on June 30th per

year thereafter until payment is made in full. Mr. Peralta seconded. There being no objection, the motion carried.

c. NMSBVI—Health Services & Jack Hall—Phase 2 Funding Revised

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

Discussion: Ms. Linda Lyle and Ms. Margie Macias represented the school. Ms. Lyle stated that the school has submitted a statement of financial position indicating \$480,000 available of their capital funds, and pointed out that the amount submitted was an estimate and the actual amount is \$553,000. Ms. Lyle detailed projects in the district's plans, including a playground, and stated that if the playground funds must be used for this project, the district will accommodate it, but the district will return to the Council for assistance. The district considers all of the money in capital projects encumbered, or set aside as a use already determined. Mr. Guillen reminded Ms. Lyle that Council is holding districts to their promise to repay and noted that apparently the school has funds available for other projects. He voiced concern stating that the school is attempting to secure their matching funds from the PSCOC. He stated that at the school would be tapping the PSCOC funds for both their state share and the local share. Mr. Guillen asked the district if they would commit to seek a legislative appropriation that would not come from the PSCOC fund. Ms. Lyle indicated that the school has gone before the legislature before and therefore are not able to request funding from them again. She stated that the NMSBVI would not have funding sources except for what is in their capital outlay budget and does not have the capacity for bonding. As they are a higher education institution, they go to Higher Ed to ask for their match. Ms. Lyle stated that to date Higher Ed has not given the school any sort of funding, therefore, she cannot promise or commit anything that she may not deliver.

Mr. Abbey noted that funds appropriated from the legislature were intended for these projects, and expressed disappointment that the appropriation were not certified. Ms. Irion noted that it is the responsibility of PSFA to produce certifications to the Board of Finance with regards to the legislative funds. In the past PSFA has kept the total funding under the PSFA capital outlay fund. The certification expired and when the appropriation was made the language was changed and the deadline to certify simply was not met. Staff will add the advanced funding to the financial plan and noted that authorized advances are due within 4 years.

MOTION: Dr. Clifford moved for Council approval of the staff recommendation to amend the 2012-2013 standards-based award to the NM School for the Blind and Visually Impaired for Health Services and Jack Hall to advance \$440,933 of the local share from the previously awarded phase 2 funding. Approval of the advance will result in a revised state share amount of \$894,790, and a revised local share amount of \$335,008 which is the balance of the 2013 Senate Bill 60 appropriation. Ms. Maestas seconded. Motion passed by a majority vote with Mr. Guillen and Mr. Abbey voting in the negative.

5. Other Business

a. Systems Initiative—Draft Rules for Public Hearings

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

Discussion: Ms. Cano presented this item to the Council noting that a notice will be published in the October 29th NMAC Register for a public hearing on November 6, 2015 for the systems initiative. Approval of the final rules is scheduled for the December 14, 2015 PSCOC meeting.

Staff is developing scenarios on how the application will be drafted and will present to the Council at its next PSCOC meeting. Ms. Cano noted that the current timeline sets applications for the systems initiative to be due after the pre-applications for the standards-based program, to allow PSFA and the PSCOC to evaluate available funds for systems initiative in under the 2015-2016 and 2016-2017 cycles. As the roof initiative has expired and under definition, districts are encouraged to apply for this program and take advantage of this initiative.

Council agreed that the ranking standards, draft application and scenarios should be sent to the AMS Subcommittee for their review prior to the full Council review and approval.

MOTION: Dr. Clifford moved for Council approval to allow staff to move forward with the draft System Initiative rules with technical corrections for public comment. Mr. Guillen seconded. Motion carried.

b. Broadband Deficiencies Correction Program Status Report

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

Discussion: Upon lengthy discussion, Council agreed that there are too many unanswered questions and concerns including the need for the big picture of what's coming down the pipeline, information, prioritization, budget constraints, district information, coordination and public sector information. Mr. Gorrell stated that scenarios will be provided to the Council. Mr. Abbey stated that staff needs to clarify the request for funding and the above information is needed.

MOTION TABLED: Dr. Clifford moved to table this item. Staff will give the presentation on the Broadband Deficiencies Program at the next PSCOC meeting with the required information as stated above as well as how the funds will be expended. PSFA currently has the authority to spend up to \$4 million, of which \$1.3 million remains unallocated. Ms. Gonzales seconded.

Roll Call

Mr. Ortiz—Yes	Ms. Gonzales—Yes	Ms. Ball—No
Mr. Peralta—No	Mr. McMurray—Yes	Dr. Clifford—Yes
Mr. Guillen—No	Ms. Maestas—No	Mr. Abbey—Yes

Motion carried by a majority vote with Mr. Peralta, Mr. Guillen, Ms. Maestas and Ms. Ball voting in the negative.

c. Local/State Match Funding Formula

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

Discussion: Mr. Gorrell noted that on September 16, 2015, the Public School Capital Outlay Task Force assigned a Subcommittee to begin to look at the school facilities funding formula. The PSFA's 2012 report to the PSCOC was referenced and the subcommittee will engage UNM BBER assist. The subcommittee will determine why some districts don't have enough funding for their projects and why some districts build above adequacy that legislators have questioned. Dr. Clifford asked if districts can separate their tax base and is not clear if the need is for square footage for student needs or a tax base issue. DFA will work with PSFA staff in moving forward with this item.

This is an informational item.

6. Informational Items

a. FY16 PSFA Budget Projection & Personnel Update

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

Discussion: Ms. Cano presented this item giving a brief on the budget project and staff hires and terminations. Interviews for HR Manager and an Administrative Assistant position, which is Lena Archuleta's position, are being conducted. With the current vacancies PSFA has a favorable balance of \$223,676 in the budget. A letter from the Council thanked Ms. Archuleta for her services to PSCOC and PSFA.

This is an informational item.

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.

This is an informational item.

d. Lease Assistance Status Report

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

Discussion: With regard to the Robert F. Kennedy High and Middle Charter School, Ms. Irion noted that previously the charter had submitted two applications last year and two applications this year. However, there was an oversight of staff and the applications were labeled as a duplicate application when in fact they were two separate sites. The charter submitted the applications within the timeframe but the second location was inadvertently left out. Staff corrected the error by revising/adjusting the worksheet and labeled them as separate locations and the line items have also been separated. Ms. Irion stated that if the

charter schools apply for a second site, they need to get permission from the State Charter School Division.

This is an informational item.

e. Maintenance Program Status Report

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

This is an informational item.

f. 2016-2017 Proposed Work Plan/Timeline

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

No subcommittee meetings will be held in October 2015.

Staff will continue to avoid conflicts of Council schedules in the timeline and review the proposed dates presented to the Council.

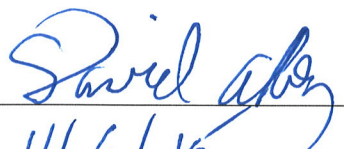
This is an informational item.

7. Public Comment

There is no public comment at this time.

8. Adjourn

There being no further business to come before the Council, Ms. Ball moved to adjourn the meeting. Mr. McMurray seconded. Motion carried. Meeting adjourned at 11:30 AM.



11/6/15

Chair

Date