

**PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL MEETING  
MINUTES**

**December 20, 2017**

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

**Members Present:** Mr. David Abbey, LFC                      Ms. Rachel Gudgel, LESC  
                         Mr. Raul Burciaga, LCS                      Mr. Antonio Ortiz, PED  
                         Mr. Joe Guillen, NMSBA                      Mr. Gilbert Peralta, PEC

**Members Absent:** Mr. Pat McMurray, CID  
                         Ms. Debbie Romero, DFA (designee)  
                         Ms. Sara Fitzgerald, Office of the Governor (designee)

1. **Call to Order**—Chair Abbey called the meeting to order at 8:37 A.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 unanimously adopted.
  - b. **Approval of Minutes (November 9, 2017)** – Mr. Guillen moved for Council approval of the November 9, 2017 minutes subject to technical corrections. Ms. Gudgel seconded and the motion passed unanimously.
  - c. **Correspondence** — None.
2. **Public Comment**— Chair Abbey had staff and guests introduce themselves.
3. **PSCOC Financial Plan**
  - a. **PSCOC Financial Plan**

Ms. Irion reviewed the changes to the financial plan since the last meeting. There were net awards of \$142,494 for BDCP Category 1 (Fiber) and reversion amounts of \$160,221 and \$34,460 for NMSBVI Recreation/Ditzler Auditorium and NMSD Delgado Hall respectively. Three projects: Bernalillo Santo Domingo ES/MS, Belen Rio Grande ES and NMSBVI Quimby Gymnasium were moved one quarter from 2017 Q4 to 2018 Q1 and do not impact the fiscal year award total. A reauthorization request for the HB55 appropriation includes NMSBVI Ditzler Auditorium, Quimby Gymnasium and Sacramento Dormitory as well as NMSD Cartwright Hall; these projects will be extended in the reauthorization bill up to two years to ensure money is spent and projects are concluded. Revenue projections were received by Board of Finance and reflect an increase in the amount anticipated; the December 2017 revenue forecast increased by \$12.5M. Nearly \$1.0M of the \$12.5M was used to cover the awards cycle; the remaining \$11.6M was moved into FY19. With this update, the 2018-19 awards cycle is anticipated at \$81.4M which includes the \$11.6M carry-over from FY18 and also includes the projection of \$17.7M increase for FY19. In FY20 the revenue increase forecast was \$7.7M; that was added to the 2019-20 awards cycle. In FY21 the forecast included a \$10.7M increase and the 2020-21 awards cycle was increased respectively. In FY22 there

was an increase of \$10.4M and the 2021-22 awards cycle was also increased accordingly. Between FY18-22 the total increase to the financial plan based on the revenue forecast is \$59.1M. Notification was received from Cobre Consolidated Schools that they have sold their bonds and have bond proceeds available to repay their advance award balance of \$1.1M. BDCP funds of \$7.0M reflected in FY19 may require downward adjustment once applications are received and actual awards are determined. Estimated uncommitted balances are: \$57.1M in FY18 and \$500K for FY19-22. The PSCOC Fund Balance reflects a November draw request for expenditures of \$9,677,663.90 and results in a projected fund balance of \$236,319,855.82. This amount is prior to the projected December bond sale of \$67.9M and results in a \$12.6M increase from our previous projection.

Ms. Gudgel inquired about Pre-K funding and acknowledged that Ms. Irion has been working with DFA and LFC to reauthorize the appropriation in the upcoming Legislative Session. Ms. Irion and Ms. Cano replied that PSFA staff is working on PEDs current application and hope to release it in January with awards anticipated within the fiscal year. Mr. Abbey requested a recap of the 2018-19 awards; Ms. Cano stated the pre-application will be released in early spring, will be considered by Council in April for awards planned in November.

**b. Recertification of SSTBs**

Per Ms. Irion the following were being recertified under SSTB15SB 0001: an additional \$100,000 for the facility master plan awards and \$335,000 for projects with measurement and verification and/or post occupancy evaluations. The SSTB16SB 0001 recertification includes \$64,892 for lease assistance awards.

Mr. Abbey asked if the measurement and verification projects would be reported to the Council; Mr. Chamblin replied in the affirmative adding that a report summary would be provided in a white paper.

**MOTION:** Council approval of the Awards Subcommittee recommendation to adopt the Resolution, Notification, and Certification amendment for reauthorization of unexpended bond proceeds as follows:

- SSTB15SB 0001 in the amount of \$435,000 and SSTB16SB 0001 in the amount of \$64,892 to PSCOC awarded Projects totaling \$499,892.

As this was a Subcommittee recommendation a second is not needed and the motion was unanimously approved.

**4. 2017-2018 Awards Cycle**

**a. 2017-2018 Second Round Systems Awards**

PSFA received seven applications from six districts totaling \$14,694,646 in net state match. Ms. Cano drew attention to the meeting material and reviewed the Awards Subcommittee recommendation in detail. Two projects were highlighted as calculation errors found affected the total estimated project cost for each. Los Alamos Mountain ES reflected a total increase of \$506,000, or an increase of \$206,180 in the local share and \$237,820 in the state share. The amended application was approved by the Los Alamos School Board at its December 12<sup>th</sup> meeting. Gadsden Loma Linda ES reflected a total increase of \$770,500, or an increase of \$115,575 in the local share and \$654,925 in the state share. The amended application was approved by the Gadsden School Board at its December 14<sup>th</sup> meeting. Ms. Cano also noted



that in response to a request to reduce the overall project costs, the Gadsden Schools has offered to apply \$400,000 of the site utilities costs that are part of their application and contribute those as deemed above adequacy costs instead. With the \$115,575 correction to their application, it is an additional \$500,000 the district would contribute to the project. Staff did not make the recommendation to incorporate the \$400,000 offer and will defer to Council on its acceptance.

Ms. Cano stated the Awards Subcommittee was concerned the existing square footage of some of the facilities may be higher than what would be allowed for standards-based projects per the number of students and adequacy calculator. Drawing member attention to the handout reflecting the analysis of square footage, Ms. Cano reviewed a project *under* adequacy according to square footage and noted the program does not allow for additions to address space needs while reiterating it is specifically for systems on existing facilities. Another highlighted project reflected the facility was *above* adequacy as it relates to square footage. When applying the calculator to the square footage above adequacy, the district would have to incorporate additional dollars than what they are currently accommodating in their submitted application.

Ms. Cano went on to highlight the following: 1) Council may award grants annually to districts for the purpose of repairing/replacing systems in existing buildings under the guidelines adopted by Council; 2) in many cases facilities were built before the adequacy standards were adopted and the educational spaces could therefore be “grandfathered” until the facility is eligible for standards-based funding at which time the adequacy standards would apply; 3) funding is targeted toward systems renewal/renovation/replacement of facilities initially built through local or other resources. Additions are not allowed under this program, and therefore no additional space above adequacy or above what is currently being built is being funded, nor is funding being used to bring the facility up to the current maximum gross square foot per student; 4) the application does not calculate above adequacy square footage between existing square footage and maximum gross square foot per student. A mid-stream change would have a negative financial impact as the above adequacy amounts, which would be wholly funded by the district, are not currently approved or anticipated by the districts; 5) the Council can consider modifying the program in future award cycles to limit funding for systems projects to existing square footage per the maximum gross square foot per student calculator. Upon asking for additional clarification, Ms. Cano replied to Ms. Gudgel that because this is a specific program Council could consider the existing spaces as grandfathered spaces and deemed to adequacy for the purposes of the systems program. Upon looking at major renovation or potential replacement of these facilities at that time they would be downsized to what would be allowed in the calculator. Ms. Gudgel clarified it would be grandfathering above adequacy as defined by the Council; Ms. Casias replied in the affirmative. Ms. Gudgel asked if the Council had ever funded above adequacy spaces outside of the first round of systems awards; Ms. Cano replied she was unable to answer definitively but did note the roofing program funded existing building and would require more thorough analysis. Staff looked at existing facilities under that program and acknowledge specific facilities such as an auxiliary gym or performing arts center are clearly above adequacy however Ms. Cano did not recall during staff analysis that it was limited to the calculator square footage. Ms. Casias added when dealing with a roof, only the spaces to adequacy were paid for under the roofing program and the district was required to pay for the space considered above adequacy. Ms. Gudgel

expressed concern about funding above adequacy spaces when there is still an open lawsuit and felt it set a dangerous precedent. Mr. Abbey asked Ms. Gudgel if it would be her preference to reduce the awards by the above adequacy amounts (as indicated on lines 4-7 of the handout); Ms. Gudgel replied in the affirmative. Mr. Guillen felt considering changes this late in the process was unfair to the applicants and did feel it could be incorporated into future guidelines following additional discussion at a later date. Mr. Guillen commented though it was good information it was very late in the process to make adjustments to projects that have been contemplated for the last six months.

Mr. Abbey asked for comment from the district representatives in attendance with regards to their current applications and other district facilities with higher ranks and wNMCIs: Mr. Lasiewicz, Farmington Independent School District, stated McCormick ES was ranked well above 200 and had applied two years ago to rebuild the school. Since then, its rank has gradually improved and has fallen below Country Club. The district has committed \$7.0M of their own funding to do a significant renovation. Mr. Kurt Steinhaus, Los Alamos Public Schools, stated Barranca ES is ranked a higher priority than Mountain ES. The district tried for a systems-based award approximately 1 ½ years ago but did not meet the criteria and the district moved ahead with local bond money for Barranca ES. Mr. Rafael Gallegos, Gadsden Independent School District, acknowledged Loma Linda ES was not the highest ranked school, however the school board has discussed in multiple meetings their desire to have refrigerated air in all schools and have prioritized them depending on the number of students. The next bond election in February does address some of the other schools that need air conditioning. Mr. John King, Clovis Municipal Schools, acknowledged the Freshman Academy is ranked lower than the applicant schools; the process was started under a systems-based application and through that process it was determined the district had to pull their application because the few systems the district was eligible for did not meet the required qualifications under that process.

**MOTION:** Council approval of the Awards Subcommittee recommendation to make capital outlay project awards under the systems-based capital outlay process to the districts set out in the award spreadsheet on page 1 for the purposes and in the amounts specified, including any special conditions contained in the award language for each school, for a total 2017-2018 second round award cycle of \$14,694,646. Each allocation is intended to fully complete the project, phase, or specified purpose. Awards are subject to the 2017-2018 Additional Conditions approved by Council on September 13, 2017 for the first round of systems-based capital outlay awards, presented as pages 2-4 of this item.

**AMENDED MOTION:** Ms. Gudgel moved for Council approval to reduce the awards consistent with funding spaces to adequacy as listed in Columns M and N of the handout. Adjust the state and local match amounts for Dexter, Clovis (Cameo), Gadsden and Floyd to reflect Council will only fund matching funds up to adequacy. Mr. Peralta seconded.

Following additional discussion, Mr. Guillen reiterated the information was new to the full Council and that the Subcommittee had already made a recommendation of which Ms. Gudgel had expressed opposition to during the Subcommittee meeting. Adding if this had been included in the guidelines from the onset Mr. Guillen would not have a problem however,



making changes when Council is approving projects is unfair to the districts that are affected today. Mr. Guillen felt strongly that as the regulations for systems have been published Council should move forward with the original recommendation. Mr. Abbey asked for comment from the four affected districts on their ability to complete their respective projects with the proposed adjustments. Ms. Lesa Dodd, Dexter Consolidated Schools, stated the district could absorb the additional \$172,349 as they have been fortunate to have community support with their bond elections. Ms. Carrie Bunce, Clovis Municipal Schools, stated the district would probably go ahead with the project however, due to the quantity of projects going on the district would need to look at the scope of work and what funds have been allocated. Mr. Rafael Gallegos, Gadsden Independent School District, reiterated the district has proposed picking up \$400,000 of above adequacy and believes the district does have capacity to cover the additional \$632,207 acknowledging the budgets would be reviewed as well as the programs and projects that are in place. Mr. Damon Terry, Floyd Municipal Schools, stated the cut in funding would be devastating to the districts application. Without discussing with the school board Mr. Terry was unable to fully answer the question but did mention the district has cut three staff members over the last year. Ms. Gudgel asked if the current fire system was functional or un-functional, Mr. Terry replied it was functional but not accurate. Ms. Gudgel noted if Council was to adopt the amended motion, the Dexter, Clovis and Gadsden school districts could fund their funding decreases, however it would be impossible for the Floyd school district and wondered if this could be considered an emergency. Mr. Abbey felt Council had some latitude and asked if Ms. Gudgel would consider removing Floyd from the amended motion; Ms. Gudgel agreed.

**FINAL MOTION:** Ms. Gudgel moved for Council approval to make awards for line items I, 2, 3, and 7 as reflected in columns K & L of the Analysis of Square Footage handout and adjust the state and local match amounts in lines 4, 5, and 6 to those reflected in Columns M and N, to reflect funding for those systems to adequacy. Mr. Burciaga seconded.

**Roll call:**

Ms. Romero – Absent	Mr. Burciaga – Yes	Mr. Peralta – Yes
Mr. Ortiz – No	Mr. McMurray – Absent	Ms. Gudgel – Yes
Ms. Fitzgerald – Absent	Mr. Guillen – No	Mr. Abbey – Yes

Following additional discussion Mr. Guillen expressed concern there appeared to have been closed door conversations on this matter. Acknowledging he was not privy to such conversations and reiterated it was not how things are done; changing rules at the last second. Mr. Abbey learned there had been a conversation about the projects being above adequacy but was not privy to any discussion on potential solutions. As there was opposition, Mr. Abbey asked that roll be called.

By a vote of 4 to 2 the amended final motion passed.

Mr. Guillen left the meeting at 9:50.

**b. 2017-2018 Lease Assistance Awards**

Requests were received from some charter schools to review the current FY18 award for adjustment; correspondence was also received from charter schools that initiated an adjustment

to the awards. Total FY18 awards amounted to \$15,350,299; staff is looking at an adjustment increase of \$64,892 which would result in a revised FY18 leases assistance award totaling \$15,415,191. Most of the requests received pertain to a square footage issue. Ms. Irion reviewed the detailed information found within the executive summary. Discussion took place on schools with multiple locations being used by the same students. Ms. Gudgel spoke to Subcommittee conversation about the School for the Arts, noting they have two separate programs; their educational program and the Foundation that runs their art program. It was Ms. Gudgel's understanding the Foundation program was separate from the educational program and asked if the lease for classroom facilities are just for their education program, or if they were also part of the separate arts program and sought clarification on if they were indeed separate. Ms. Casias replied she had conversations with the school and was informed there was an after school program that uses the space but was told the students that are in the School for the Arts also use that space during the day for their program. Ms. Casias also stated the school was going to send her something in writing; Ms. Gudgel thanked Ms. Casias. Ms. Irion added there was an adjustment to the School for the Arts because of the space issues questions and results in a revised award increase of \$33,485 from the original award in FY18.

**MOTION:** Council approval of the Awards Subcommittee recommendation to make revised lease payment awards for 6 charter schools to the amounts specified on lines 29, 80, 85, 90, 96, and 98 of the attached spreadsheet, for a combined total increase of \$64,892. FY18 total lease assistance award is increased to \$15,415,191. As this was a Subcommittee recommendation a second is not needed and the motion was unanimously approved.

## 5. PSCOC Work Session

### a. Program Improvement/Changes to Facilities Assessment Database (FAD) Ranking Methodology

Mr. Chamblin reviewed the executive summary noting workshops were held in the Deming, Farmington, Carlsbad and Tucumcari School Districts regarding the proposed improvements to the FAD ranking methodology; three additional meetings were held in the Albuquerque metro area with superintendents and design professionals. The groups were walked through each proposed change with real world examples provided. Following each presentation a survey was distributed requesting feedback; nearly all responses were positive, there were no negative responses and a total of five unsure responses were received.

Ms. Gudgel reminded members staff had been tasked with looking at other potential changes i.e.: what would happen if the weighting factor in Category 4 was changed for all of the numbers and asked if it had been done and what it looked like. Mr. Aguilar replied that not only category 4 at a weight factor of 1.0 was examined. Mr. Aguilar acknowledged the additional changes could be made. Mr. Abbey stated he had asked staff to prepare an analysis of the change in FCI by weights. Mr. Aguilar drew member attention to the summary sheet included in the handout and stated with all improvements incorporated the statewide average wNMCI goes to 28.76%. Mr. Abbey expressed concern about taking such a dramatic step and would like to consider reducing some of these rates that are above 1 or reducing them to 5/8 rather than 1. Mr. Aguilar stated the real issue is that approximately 90% of the systems are in categories 9 and 4 and with 300 systems in 800 schools that had life, health and safety issues reducing the factor would not affect the statewide average. In other words, normal and beyond



expected life represented the vast bulk. Mr. Abbey proposed an amended motion going from .25 to .625 for this cycle and next year look at things that are over rated and consider another bump.

**MOTION:** Council approval of the staff recommendation to adopt and apply the following improvements to the Facilities Assessment Database: 1) change from degradation curve to a linear curve to match industry standards, 2) building system cost uniformity through the use of system costs as averaged in the FAD, 3) real world building system composition by adding needed or removing unnecessary systems as they apply to facilities, 4) change category 4 (beyond expected life) weight factor to 1.0. All improvements will be effective upon the 2018-2019 award cycle.

The resulting Preliminary wNMCI Ranking for the 2018-2019 award cycle is authorized to be released by PSFA staff and is subject to necessary technical corrections. Districts are encouraged to work with PSFA staff to resolve any outstanding technical corrections to the data with ability to make a formal appeal of a facility rank to the PSCOC by the March 16, 2018 deadline.

**AMENDED MOTION:** Mr. Abbey moved for Council approval of the staff recommendation to adopt and apply the following improvements to the Facilities Assessment Database: 1) change from degradation curve to a linear curve to match industry standards, 2) building system cost uniformity through the use of system costs as averaged in the FAD, 3) real world building system composition by adding needed or removing unnecessary systems as they apply to facilities, 4) change category 4 (beyond expected life) weight factor to .625. All improvements will be effective upon the 2018-2019 award cycle. Ms. Gudgel seconded.

Following additional discussion Ms. Gudgel asked Mr. Abbey what he thought this change would result in; Mr. Abbey felt it would take approximately eight schools out of the top 100. Mr. Aguilar reminded members the Top 100 favors older or problematic schools and the change would be less augmented in the Top 100. Ms. Gudgel inquired as to when the ranked list was anticipated to be released; Mr. Aguilar replied as soon as certified 40 day counts were received from PED. Ms. Gudgel noted PED had certified the numbers and asked if there was a need for Council to move on this today or if staff could gather additional information and bring back. Mr. Abbey asked that staff to get the 40 day counts and return in January with a proposed motion and an alternative scenario reflecting .625. Mr. Abbey suggested the scenarios be presented at the next AMS Subcommittee meeting; Mr. Aguilar agreed to do so. Mr. Chamblin added that the reason to change Category 4 to a 1 is to assign a full replacement value of the system when it expires as it accurately represents the system age, value and condition. The existing weight factor of .25 artificially misrepresents system age, value and condition by assigning expired systems a weight value equal to new systems. The simple logic of assigning whole system value when it expires was well received by the districts during the recent workshops. Mr. Abbey and Ms. Gudgel withdrew their motion and second and asked members if there was another motion. Ms. Cano noted when this item was originally presented at the November meeting there had been an AMS Subcommittee recommendation to proceed with adopting all four of the improvements. Mr. Abbey asked Mr. Burciaga if he would like to

look at the alternative scenario in Subcommittee; Mr. Burciaga replied in the affirmative. Mr. Abbey asked that staff communicate with schools and get feedback.

**FINAL MOTION:** Mr. Burciaga moved for Council approval to send this item back to the AMS Subcommittee to review alternate scenarios of 0.625 and 0.75. As there was no opposition the motion passed unanimously.

**b. Program Improvements/Changes to Standards-Based and Systems-Based Award Programs** (*informational*)

Ms. Cano drew member attention to the handouts presented which listed comments received from district representatives, district superintendents and design professionals who participated in the survey. Comments received were based on questions posed on the existing standards-based and systems-based programs as well as asking if there were any incentives that would encourage districts to apply for PSCOC funding. Ms. Cano reviewed the survey questions and highlighted some of the responses received. The handout listed two options for the 2018-2019 awards cycle as well as proposed changes to the existing programs. Mr. Abbey asked Mr. Chamblin what process he saw moving forward in a timely manner; Mr. Chamblin replied that PSFA favors Option A: Maintaining 2 separate programs, improving the existing system while moving to a single consolidated application. Mr. Abbey inquired as to the process on how to get there; Ms. Cano stated in April Council would make the application announcement opening the preliminary funding pool under Option A or B. Ms. Gudgel asked if there was value in putting a small group of members and staff together to strategically review this and determine if there are other things that need to be considered. Mr. Abbey suggested a third option is the standards-based process previously in place. Mr. Burciaga requested the handout be sent via email to all members with the acknowledgement it will be discussed at the next subcommittee meeting. Ms. Gudgel commented that until the ranked list is right, it appears the systems-based conversation may need to be put on hold.

**6. Informational**

**a. Alamogordo ES/MS Projects**

Mr. J. Vance Lee, Executive Director of Support Services, and Mr. Tim Wolfe, School Board Secretary, represented the district. Mr. Lee stated the district is requesting a letter of support from the Council to begin the Ed Spec process. The school board has approved the identification of Holloman ES as the number one priority in their facility master plan. The board has also approved the contract for the Ed Spec to begin immediately and be completed in April. At that time, the district will return to Council to seek funding for design and possibly for reimbursement of the Ed Spec. Mr. Lee reminded Council of the potential impact on the permanent status of two F-16 squadrons at Holloman Air Force Base and reiterated Holloman ES was ranked number 3 on last year's final wNMCI ranking. Mr. Abbey asked if the proposed letter was adequate for what the district was trying to accomplish in making the expansions attractive to the Department of Defense; Mr. Lee agreed it was. Ms. Gudgel asked if it was known when the potential influx of students would occur; Mr. Lee stated a small number of students have already been received and over the remainder of the current school year and during the following school year they anticipate 130 elementary, 50 middle and 20-25 high school aged students. Mr. Lee clarified not all students would be attending Holloman and



would be disbursed around the district as the contractors won't be living on base and noted capacity will be pushed at all elementary schools at that point.

**MOTION:** Ms. Gudgel moved for approval of the letter with all Council member's signatures. Mr. Burciaga seconded and the motion was unanimously approved.

**b. Broadband Deficiencies Correction Program Status Update**

Mr. Chamblin presented the information found within the executive summary.

**c. PSCOC Project Status Report**

No significant changes to report.

**d. Master Plan Status Report**

No significant changes to report.

**e. Lease Assistance Status Report**

Ms. Irion noted lease assistance reimbursement to date is \$4,156,734. Award letters have not been received from five charter schools. Based upon earlier action, the lease assistance amount for New Mexico School for the Arts will be adjusted.

**f. Maintenance Program Status Report**

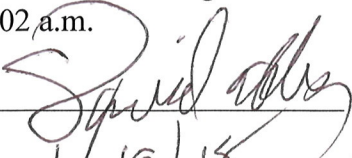
Mr. Tillotson stated PSFA was in a data collection period with the new FMAR database and a better data set will be presented in January.

**g. FY18 Budget Projections and Personnel Update**

The new Broadband Project Manager will start January 2<sup>nd</sup>. Ms. Irion acknowledged savings had been identified related to the open Deputy Director position, the hiring of the Executive Director late in the calendar year and the start date of the new BDCP Project Manager. It is anticipated contractual services are on target as well as supplies and travel needs. The Deputy Director and Legal Counsel positions will be advertised in January. Mr. Abbey requested an update be provided on either abandoning some vacant positions or if they are anticipated to be filled within a certain time; Mr. Chamblin agreed to do so. Ms. Gudgel requested information on the costs associated with legal contracts over the last few years; Mr. Chamblin agreed to do so.

**8. Next PSCOC Meeting – Proposed for January 11, 2018.** Due to conflicts, Mr. Abbey requested the meeting be rescheduled for January 19<sup>th</sup> at 1:30 pm. Ms. Birge will poll members to potentially reschedule the Subcommittee meetings as well.

**9. Adjourn** - There being no further business to come before the Council, Ms. Gudgel moved to adjourn the meeting. Mr. Peralta seconded and the motion passed unanimously. Meeting adjourned at 11:02 a.m.

  
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Chair  
1/19/18  
\_\_\_\_\_  
Date