

**PUBLIC SCHOOL CAPITAL OUTLAY COUNCIL MEETING
MINUTES
April 13, 2020
VIA VIDEOCONFERENCE**

Members Present: Mr. Joe Guillen, NMSBA Mr. Raúl Burciaga, LSC
Mr. Antonio Ortiz, PED Mr. David Abbey, LFC
Ms. Rachel S. Gudel, LESC Mr. David Robbins, PEC
Ms. Olivia Padilla-Jackson, DFA
Ms. Stephanie Rodriguez, Office of the Governor

Designee: Mr. Martin Romero (for Ms. Marguerite Salazar, RLD)

1. **Call to Order** – Chair Guillen called the meeting to order at 1:35 P.M.
 - a. **Approval of Agenda** – Chair Guillen asked if there was any objection to the agenda presented; as there was none, the agenda was unanimously approved.
 - b. **Correspondence** – None.
2. **Public Comment** – Mr. John King, Deputy Director of Operations for the Clovis Municipal School District thanked the PSCOC for their continued support and acknowledged that the district is moving forward with their projects though under current circumstances it may take a little longer than anticipated.

3. **PSCOC Financial Plan**
 - a. **PSCOC Financial Plan**

Mr. Evans reviewed the changes to the financial plan since the last meeting: there are two projects pending Council approval: (Deming) Chaparral ES, an additional funding request of \$473,288 and (Clovis) Clovis HS, the release of phase 2 funding for \$491,744 which was already identified within the financial plan. The PSCOC Fund balance remains unchanged from the March projected fund balance of \$406,398,125.

Following conversations with LFC and Board of Finance (BoF), revenue projections may be adjusted down and are anticipated to remain down for a period of time. Scenarios have been prepared, cutting the revenue projections in half, down to \$100M.

Three districts: Jemez Mountain, Capitan and Cloudcroft, have outstanding advances for FY20 totaling approximately \$800K, invoices will be sent in the hopes of receiving payment before the end of the fiscal year on June 30.

Mr. Ortiz inquired about the new formula for SB9; whether it was something that would be put on hold or if it was something Council would have to move forward with now that it is law. Previously, in the severance tax bonding act, the first thing that came off the top

was SB9, however, does Council have the ability to postpone this due to the current economic downfall. Mr. Evans replied that following conversations with LFC and BoF, those items did come off the top and as far as is known. As far as items approved this year, Mr. Evans was unsure if there was any option to postpone or delay the distribution of funds.

b. Funding Scenarios

Per Mr. Evans, potential revenue for FY21-23 may decline by as much as 50% of the December 2019 revenue projections. The Awards Subcommittee had requested possible scenarios; two were presented for Council review.

- Scenario 1 is new construction starting in FY22. Those projects currently in construction will keep the funding as normal for FY21-22; projects not currently in construction will have their construction funding start moved to the beginning of FY22 as well as the projects that may be awarded in July.
- Scenario 2 reflects new construction starting in FY23. Those projects currently in construction will keep the funding as normal in FY21-22; projects not currently in construction will have their construction funding start moved to the beginning of FY23 as well as the projects that may be awarded in July.

Mr. Evans went on to review the funding scenario information listed within the meeting material. Ms. Padilla-Jackson inquired as to when the best time would be to decide on which scenario to move forward with; Mr. Abbey replied prior to the July awards. Ms. Padilla-Jackson stated the timing would work as the Consensus Revenue Estimating Group (CREG) would have formal estimates out before July. Mr. Abbey recalled discussion during the Awards Subcommittee regarding whether the higher amount for SB9 pursuant to the 2020 legislation was optional or mandatory; there was some thought if there was a revenue constraint that Council might put off the increase. Mr. Abbey asked if staff had had a chance to research this; Mr. Chamblin replied that some research had been done and what is currently being seen is that there is not a lot of option available to delay the implementation of the increased SB9 draw. Mr. Abbey proposed taking the original financial plan as presented and taking out \$67.0M in revenue. This tells us that we need to look at every option to make this more manageable. If we could roll back the SB9 money that would help, even to the point that we may want to recommend to the legislature if we could not do it administratively that we put a temporary provision on the bill to delay the effective date by a year to save \$16.0M. Other items to look at that may help the financial plan is the second year of impact aid and pre-k classrooms. Mr. Abbey noted that some of these decisions should be considered soon, rather than in July, so we can think about what kind of awards can be made and completed in a reasonable amount of time. Mr. Abbey liked the idea of pushing back construction but also thought Council should consider making awards of \$100.0M rather than \$155.0M and maybe awards for systems should be \$5.0M instead of \$10.0M. As final award decisions are not until July, and the legislature should be in session in June, it would not hurt to communicate to the districts that this might be a paired back effort. Ms. Gudgel felt a couple of additional items needed consideration. Final numbers received from PED reflect enrollment growth at charter

schools so lease assistance funding is going to be another concern since it is not mandatory but charters rely on it for their operating budgets. Ms. Gudgel expressed concern that districts may be told construction will be pushed back to do a bunch of small initiatives when the standards-based program is the key cornerstone of the Public School Capital Outlay Council. Ms. Gudgel requested staff review timelines over the next two months in order to get a handle on what projects would naturally be pushed out due to district readiness and stressed that Council needs to remain focused on the key mission. Ms. Padilla-Jackson agreed it would be helpful to get a list of all of the programs that are not mandated by law, before Council makes a decision in order to see what groups will be impacted, and the downside to reducing the programs. Mr. Guillen was unclear how Council would delay something the legislature approved, and sought clarification on if we would approach them during the special session to authorize any delays we may have. Ms. Gudgel replied that it would be approaching the legislature to delay or adding a temporary provision in one of the solvency bills to hold it flat for this upcoming year rather than doubling expenditures. Mr. Guillen asked that staff work on this before the next round of meetings.

4. Consent Agenda

- a. Approval of Minutes – March 9, 2020
- b. Clovis – S20-002 – Clovis HS – Award Language Change and Request to Release Funding
- c. Jemez Mountain – O20-008 – Jemez Mountain Public Schools – Award Language Change
- d. Bloomfield – O20-002 – Bloomfield School District – Award Language Change
- e. BDCP – 2019 Category 2 (Equipment) Awards
- f. Certifications and Recertification of Supplemental Severance Tax Bonds (SSTBs)

Mr. Guillen read through the items listed within the consent agenda and asked members if any item needed to be pulled for discussion; as there was none, a motion to approve was made.

MOTION: Ms. Gudgel moved for Council approval of the consent agenda. Mr. Romero seconded and the motion was unanimously approved.

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

a. Las Cruces – P20-005 – Columbia ES – Award Language Change

This request would allow Las Cruces to start a feasibility study at their cost while letting them know Council will participate if their educational specification comes back saying they need this school. Ms. Gloria Martinez, Director of Construction, and Mr. Gabe Jacquez, Deputy Superintendent of Operations & Leadership, participated via video and telephone. Per Ms. Martinez, the district agrees to go ahead and fund the feasibility study at this time. The district has been working with Visions and Planning and believes doing the educational specification and feasibility study concurrently is the best course of action to take.

MOTION: Council approval of the Awards Subcommittee recommendation for authorization to move forward with the feasibility/engineering study for the Columbia ES

building at the districts expense. If the educational specifications indicate there is not enough capacity and a replacement school is necessary, the district may come back to the PSCOC requesting reimbursement for the feasibility/engineering study. As this was a Subcommittee recommendation, a second was not needed and the motion as unanimously approved.

b. Deming – S19-007 – Chaparral ES – Additional Funding Request

Mr. Jorge Au, Director of Facilities and Construction Management for Deming Public Schools participated via video. Per Mr. Au, the district is currently ready to move on the project and have bids that will come in on May 7. Mr. Chamblin drew member attention to the executive summary and acknowledging additional research done on the project, noted the following: regarding the life-cycle costs analysis for the HVAC system, the estimated life is 15 years. The estimated operational savings is \$1,766 per year and is the energy savings that would result from use of this type of system versus the other systems considered. The dollar amount does not consider the savings and other O&M costs so the cost in man-hours and parts and pieces is not quantified in the \$1,766. The fire alarm/fire suppression increased cost is the additional cost required to make the fire system compliant with the 2015 code rather than the 2003 since design for the system was completed prior to the July transition last year.

Mr. Robbins noted that the cost would be 2-3 times higher than any benefit received; Mr. Avila agreed there would be a 21% increase for the use of this particular system and Mr. Au added that if the district were to go with the typical rooftop unit there would need to be more invasive work by tearing out ceilings and potentially involving more code issues or code violations. Upon looking at the current as built, this avenue allows the district to do less work while obtaining the comfort level they would with the typical R2 unit. Mr. Chamblin added that with the rooftop unit, the estimated installation cost does not include infrastructure improvements such as modifications to the existing ceiling as well as installation of a second round of duct; none of that work is quantified through the life-cycle cost analysis detail.

MOTION: Council approval of the Awards Subcommittee recommendation to amend the 2018-2019 Systems-Based award to the Deming Public Schools district for Chaparral ES based on estimated costs to complete the work with an increase in the state share amount of \$473,288 (69%), and a corresponding additional local share of \$212,637 (31%). As this was a Subcommittee recommendation, a second was not needed and the motion was unanimously approved.

6. Other Business

a. PSCOC Participation in Teacher Housing Requests and Proximity to Existing School Facilities

Mr. Chamblin noted this item was being brought forward in anticipation of some requests for teacher housing participation from the state through standards-based projects in the future, and particularly in this year's awards cycle where several districts are likely to include teacher housing as part of their request. PSFA's position is through the standards-based application and awards process, work that happens on a standards-based project after award needs to be closely and deliberately associated with the standards-based

project site, with the eligible school that was in the ranking and eligible for funding through the standards-based process. Historically, through standards-based projects and awards, state participation has been limited to items and systems within the property boundary of the standards-based school site. If a district needs to make district-wide infrastructure improvement (i.e.: water, gas, electric, etc...) that is offsite the cost of that type of work would be district responsibility. Similarly, now that Council may be participating in teacher housing staff suggests that requests for a standards-based award, which includes teacher housing, that the teacher housing project site needs to be closely associated with the school site that is eligible. Mr. Chamblin referred to items within the meeting material that showed school sites and proposed teacher housing. Based on the sample set from the statewide teacher housing survey conducted last year, there is a clear trend that most teacher housing is directly on a school site or is immediately adjacent to and shares a property line with the school site. There is a smaller percentage of teacher housing that is close to a school site (within a mile radius) but not directly connected. The fewest number of instances are teacher-housing sites that are further (more than a mile) from any school site. For the standards-based process, awards and projects, staff feels the continuation of the precedent that teacher housing projects be directly associated with the site that is eligible for a potential standards-based award.

Ms. Gudgel asked if there was a list of the 18 projects and whether they do or do not qualify. Ms. Gudgel also asked what limitations are there for districts, i.e.: Albuquerque, wanting to build a teacherage on some land they have and would be within a mile. Mr. Chamblin replied that per the staff recommendation “within a mile” is not close enough. The recommendation is that it has to literally be on the school site or immediately connected to it and sharing a property boundary. In terms of district-to-district eligibility, it would be dependent on the position in the ranking and eligibility for a potential standards-based award and whether teacher housing was included as part of the award. Ms. Gudgel clarified that the current language would allow a district to build a teacherage on-site and that there is no limitation to rural school districts or isolated school districts. Mr. Chamblin agreed, and reiterated this would simply associate the request with an eligible standards-based award and any district this year who had an eligible school in the top 100 could apply and could include some teacher housing work as part of the application if they needed it. Ms. Gudgel then asked for clarification on how Council would make the determination on “if they needed it.” Continuing with the Albuquerque example, if the district brings forth a project and asks for a teacherage and it is on the campus, does Council have to fund it? How would we justify not funding? There are not a lot of parameters and it leaves Council open to making subjective judgements every time a district comes for a teacherage. Mr. Chamblin noted this was a first step and there was not yet a formulated recommendation justifying the need for teacher housing with any particular district. Mr. Robbins felt the AMS Subcommittee wanted standards-based awards that included teacher housing be on-site and understood that the standards for teacherages would be developed over the next 6-12 months. Prior to that, the AMS Subcommittee felt it was prudent for the teacher housing to be on-site or adjacent to a school site.

MOTION: Council approval of the AMS Subcommittee recommendation to limit PSCOC participation in teacher housing projects, as part of standards-based awards, to housing that is on an eligible school site or that shares a property boundary with an eligible school site.

AMENDED MOTION: Mr. Abbey proposed if the PSCOC participates in teacher housing projects as a part of a standards-based award, it shall be limited to a housing project that is on an eligible school site or shares a property boundary with an eligible school site. As there was no opposition, the amended motion was unanimously approved with Ms. Rodriguez absent from the vote.

7. Proposed FY2020 Budget Adjustment Request & Proposed FY2021 Operating Budget
a. FY20 Categorical Budget Adjustment Request (BAR)

Due to vacancy savings in personal services and benefit costs throughout FY20, the agency would like to utilize those funds to purchase other items that would help over the next year. Mr. Abbey asked when it was determined to do the BAR; Mr. Chamblin replied that formulation of the BAR began in February after SB31 failed to pass during session. Mr. Abbey suggested that the items listed be reviewed to ensure that things identified still apply to the current situation; Mr. Evans agreed to do so.

MOTION: Council approval of the AMS Subcommittee recommendation to approve the FY20 budget adjustment request (BAR) transferring \$240,000 from Category 200 (personnel services) into Category 400 (other costs). As this was a Subcommittee recommendation, a second was not needed and the motion was unanimously approved with Ms. Rodriguez absent from the vote.

b. Fund the Construction Information Management System (CIMS) and Facility Information Management System (FIMS) from the Public School Capital Outlay Fund (fund 94700)

Mr. Evans noted that funding this item out of fund 94700 would help with the agencies operational budget since SB31 failed. Ms. Gudgel asked how much was lost with the failure of SB31, meaning what was the budget being requested versus what the budget ended up being; Mr. Evans replied that the requested budget was \$5.704M, and the new budget is actually \$5.377M. Moving the \$536K cost would help with the operational budget; Ms. Gudgel noted that by doing so, PSFA was effectively getting a larger budget than originally asked for and cautioned management to be careful and think about the request because if approved, there will be \$150K more that should next year, go back towards these costs.

MOTION: Council approval of the AMS Subcommittee recommendation for approval to allocate the annual subscription fees for the PSFA Construction Information Management System and the PSFA Facilities Information Management System to the Public School Capital Outlay Fund 94700 as project management expenses. As this was a Subcommittee recommendation, a second was not needed and the motion was unanimously approved with Ms. Rodriguez absent from the vote.

c. Proposed PSFA FY2021 Operating Budget

Mr. Evans reviewed information listed within the executive summary.

MOTION: Council approval of the AMS Subcommittee recommendation to approve the proposed \$5,377,000 FY21 budget. As this was a Subcommittee recommendation, a second was not needed and the motion was unanimously approved with Ms. Rodriguez absent from the vote.

8. Informational

a. PSCOC Project Status Report

Realistic project timing of when the standards-based projects and the systems-based projects we know that there are a number of previously awarded projects that will not be coming for construction funding until FY22. In terms of a generalization, we can say that the funding scenario where most of the construction funding requests are delayed until FY22, is actually lining up with the reality for the majority of the projects within the PSR. Most projects will be in planning and design through FY21 or most of FY21 and not ready for construction until FY22. The other thing staff is trying to get a handle on, in taking to districts around the state, is their readiness locally. Part of what staff is trying to get a gauge on to make a predictive estimate realistic for the timing of their projects is will the districts have their local match in hand for construction when those projects come forward in the out years. We expect that there will be a number of districts that will not have bonding capacity, will not have local readiness for one reason or another for the construction phase and may need to delay construction start for their own reason.

Referring to the statutory language for the security awards, Ms. Gudgel noted it states Council is allowed to expend \$10M per year from the Fund through FY22 and then another section states funds have to be expended within three years of awards and cautioned staff to be careful as we are pushing up against FY22. Mr. Chamblin stated our interpretation is that expenditure of funds is through FY22.

b. Master Plan Status Update

This item was not presented.

c. 2020-2021 Award Cycle Update

This item was not presented.

d. BDCP – 2020 E-rate Applications Status Update

This item was not presented.

e. Security Program Update

Mr. Chamblin drew member attention to the executive summary and the timing of the security program for FY21. The work plan/timeline has shown May to be the opening of the application window for the FY21 security awards. Given all of the change that the agency is experiencing, one recommendation that staff will bring to the May meeting is

rather than releasing the application announcement letter for security in May, staff thinks it would be prudent to delay the discretionary program at least until after the July awards in order to get a better sense on what is feasible for the program for FY21 and to also delay the application window for districts that might want to apply who, in May won't be ready to mobilize for their part of the work to apply for the program this year, including doing their assessments of the site they want to apply for. Given the shutdown staff feels it would be reasonable and realistic to delay implementation of the program at least until July. With that rough schedule, moving everything out is about a six-month total work window. If applications are released in July, awards could be made in December of January and would still provide plenty of time to formulate an MOU with any applicants in FY21 and move forward with projects by next summer.

f. PSFA's Role in Approving Charter School Relocations: Section 22-8B-4.2 NMSA

This item was not presented.

g. PSCOC Work Plan/Timeline

This item was not presented.

9. Next PSCOC Meeting - Proposed for May 11, 2020

11. Adjourn – There being no further business to come before the Council, Mr. Burciaga moved to adjourn the meeting. Ms. Gudgel seconded and the motion was unanimously approved with Ms. Rodriguez absent for the vote. The meeting adjourned at 3:06 p.m.



Chair

05-11-2020

Date