

Funding for Standards-Based Large Projects: Process and Timing

Public School Capital Outlay Oversight Task Force

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New Mexico Public School Facilities Authority

Partnering with New Mexico's communities to provide quality, sustainable school facilities for our students and educators.

Agenda

- **Standards-based Project Process Overview**
- **Project Development / Project Initiation**
- **PSCOC Award and Funding / Project Management**
- **Project Completion / Facility Ownership**
- **Summary**
- **Questions**

Standards-Based, Large Capital Project Process

PSFA Partnership with
School Districts

Project Development / Project Initiation

Processes:

- District decides to initiate project at school site.
- District estimates scope/cost of project.
- District gathers local funding, completes GO bond election.
- PSFA provides consultative assistance.

Timing:

- 1-5 years.

PSCOC Award / Project Management

Processes:

- District applies for PSCOC funding award.
- After award, district and PSFA enter contractual partnership to manage funding and manage the project.
- Planning, design, construction phases.

Timing:

- 3-5 years.

Project Completion / Facility Ownership

Processes:

- Contractual relationship between district/PSFA ends.
- District owns, operates, and maintains the new facility.
- PSFA provides consultative assistance and tools.

Timing:

- 40-50 years.

Project Development Baseline Assumptions

School districts/state charters decide when and how to implement major capital projects in their facilities.

- Funding for capital projects at schools requires mobilization of local funding sources first (GO Bonds, SB-9, cash balance, any other local sources).
- Districts choose to apply for state funding to supplement local sources.
- If state funding is awarded, the district's state/local match percentage defines the maximum state funding amount to be expended on a project.
 - Once fully indebted at the local level (bonded to practical capacity and meeting other statutory criteria), districts may request a local match reduction from the PSCOC.
 - If approved by PSCOC, additional state funding may be directed to the project to supplement local funding.

Project Development: Funding Processes

Large capital projects require successful local GO bond elections.

- Districts use the Facility Master Plan process, with PSFA consultative support and PSCOC funding assistance (if needed), to identify priority projects for upcoming GO Bond elections.
- FMP process helps districts define a preliminary project scope, schedule, and cost for large capital projects.
- Language from the FMP (scope) can be used in GO Bond election language.
- Districts identify projects for upcoming GO Bond elections 1-5 years before the date of the local GO Bond election.
- Districts usually sync the timing of the bond election with the schools position in the statewide ranking and the annual PSCOC application cycle.
- GO Bond elections are typically scheduled for Fall or Spring.

Project Initiation: Ideal Sequence of Events

1-5 years of district planning and preparation prior to 2020



Up to 12 months



3 years of project time after award

Project Initiation: PSCOC Funding Processes

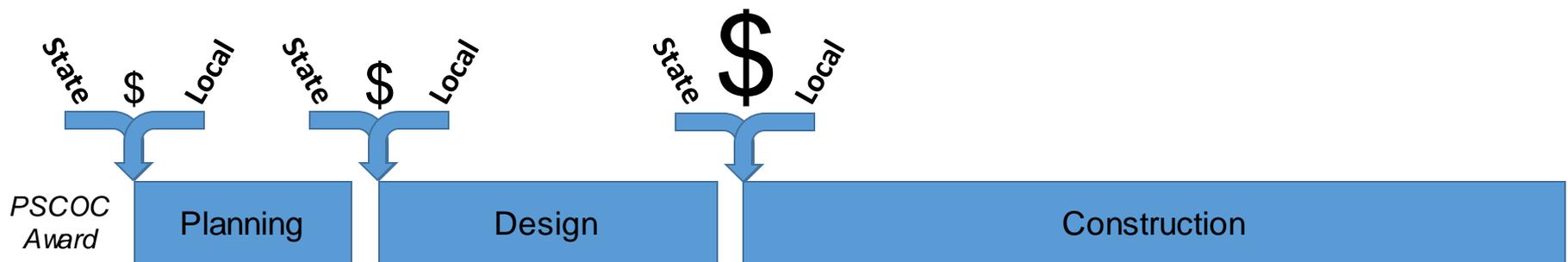
Typically after awards are made, PSCOC requests certification of state funding for all or a portion of the state funding that will be needed for the upcoming projects just awarded.

- State funding for awarded capital projects is gathered, through a certification process initiated by the PSCOC, from proceeds of SSTB sales in June and December each year.
- If the scope and cost of the project is well-defined at the time of the award and the project is expected to proceed smoothly, PSCOC may choose to certify for the whole state funding for the project in the next certification.
- For complicated projects, PSCOC may also choose to only certify for the initial phases of work (state funding for planning and design), relying on future certifications to gather the funding for the construction phase of a project.

PSCOC Award: Timing of Funding

After an award is made, state funding needs to be certified and ready to expend as the project progresses through planning, design and construction.

- Planning phase usually verifies enrollment projections and the educational program needs for the new facility, reducing the risk that the new school will be built too large or too small or without the required educational spaces.
- To initiate contracts with architects, engineers, and contractors, the whole state and local funding amount per phase needs to be certified and ready to expend at the beginning of each phase.



PSCOC Funding: Overall PSCOF Process

1. **Certification:** PSCOC certifies that funding is needed for upcoming project and non-project uses through the June and December SSTB sales.
 - Dollar amount requested by the Certification is added to the PSCOF.
 - Typical, recurring non-project uses include: SB-9 program guarantee, school buses, lease assistance, special legislative appropriations such as recent impact aid appropriations.
2. **Recertification:** PSCOC certifies that funding is needed for a specific use.
 - Funds are recertified for specific uses on a first-come/first-served basis.
 - Project and non-project uses can be recertified “just-in-time,” if the Fund has some excess capacity without waiting for SSTB sales: readiness/flexibility is key.
 - Recertification “earmarks” dollars in the fund, making these dollars unavailable for other uses.
3. **Decertification:** PSCOC certifies that funding is no longer needed for a specific use, reverting funds back into the PSCOF for other uses.

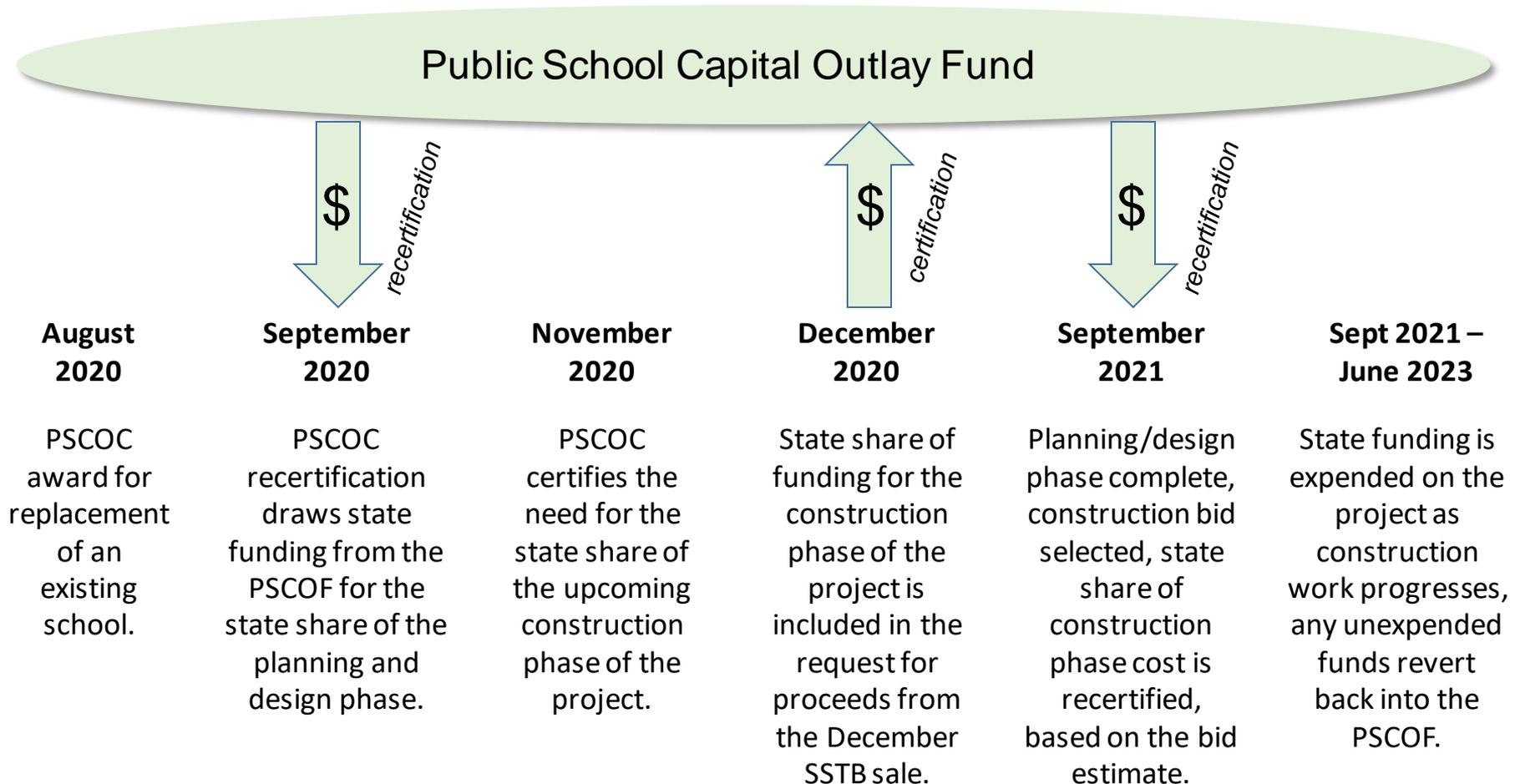
PSCOC Funding: Process of Funding

PSCOC funding is sized and expended incrementally, per project phase.

- PSCOC makes standards-based awards for the state share of the total estimated project cost, based on what is known about the project at the time of the award (project scope, schedule, and cost).
- For large projects, state funding is certified, recertified, and ready to expend, per project phase.
- For simple projects, PSCOC may certify for the funding needed for the whole state share for all project phases (planning, design, and construction) through the next SSTB sale after the award is made, - or -
- PSCOC may only certify for the funding needed for the state share of the planning phase cost, if the project scope is indeterminate at the time of the award, with additional certifications for design and construction in the future.

PSCOC Funding: Simple Project

- Example: project that will proceed quickly (clear scope, schedule, and cost).



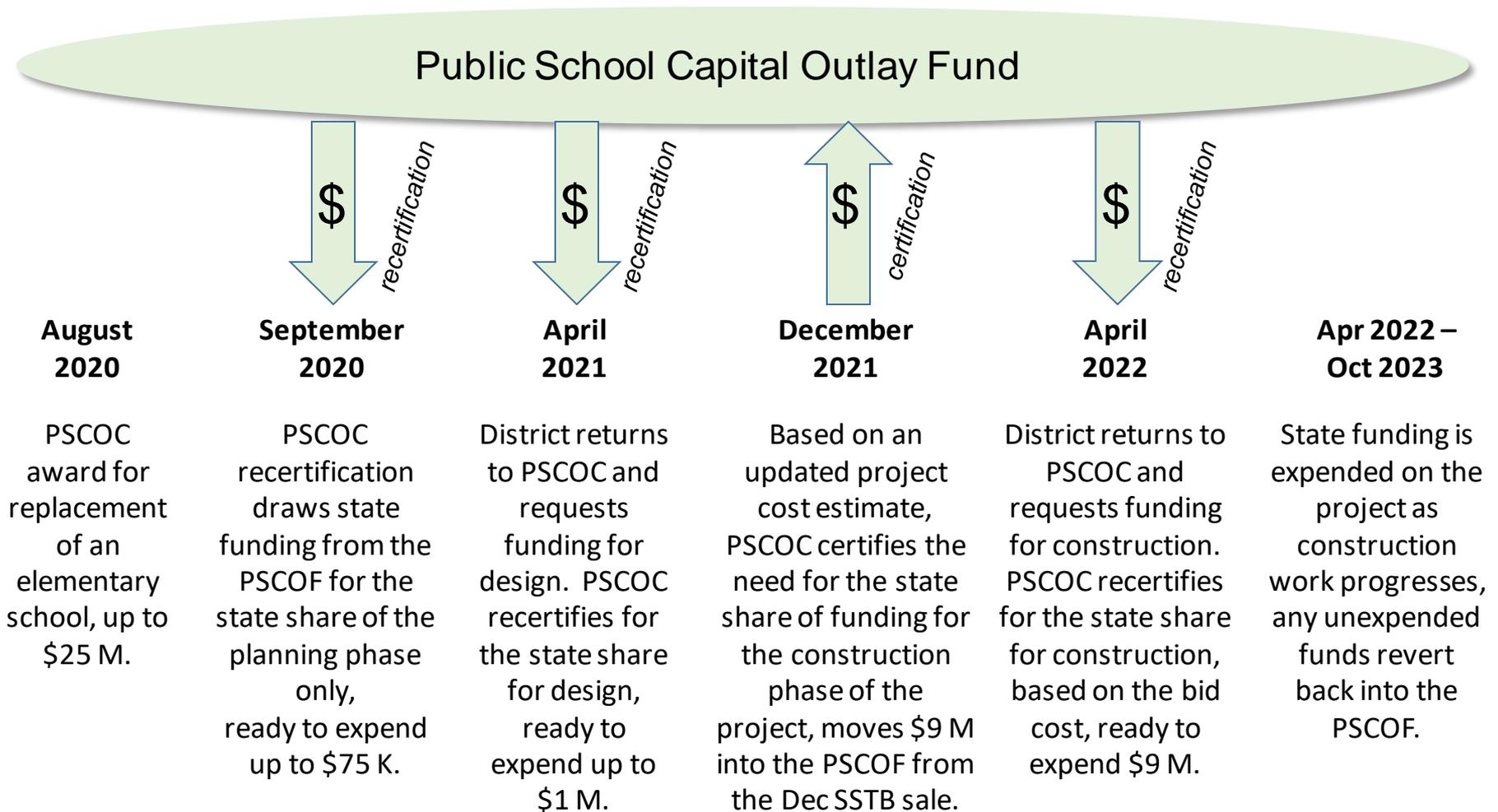
PSCOC Funding: Complex Project

Example: PSCOC makes a standards-based award to a 50/50 district for a new \$25 M elementary school project in August 2020, with incremental funding per project phase:

- **August 2020:** Exact scope and cost of the project is indeterminate, so PSCOC approves up to \$75,000 in state funding for the planning phase only. Planning phase clarifies the scope, schedule, and cost for the remaining phases of work.
- **May 2021:** Based on the more accurate total project cost (\$20 M) developed during the planning phase, district returns to PSCOC to request state funding for the design phase and PSCOC awards the next phase of the project, up to \$1 M in state funding for design phase services, (assuming up to 10% of the \$10 M state share).
- **May 2022:** Design phase is complete, project is publicly advertised to solicit qualified bidders for the construction phase. District selects the most qualified contractor with the best cost. The selected bid defines the cost of the last phase of the project, PSCOC approves state funding for the state share of the construction phase bid cost.

PSCOC Funding: Complex Project

- Example: complicated project with indeterminate scope, schedule, and cost.





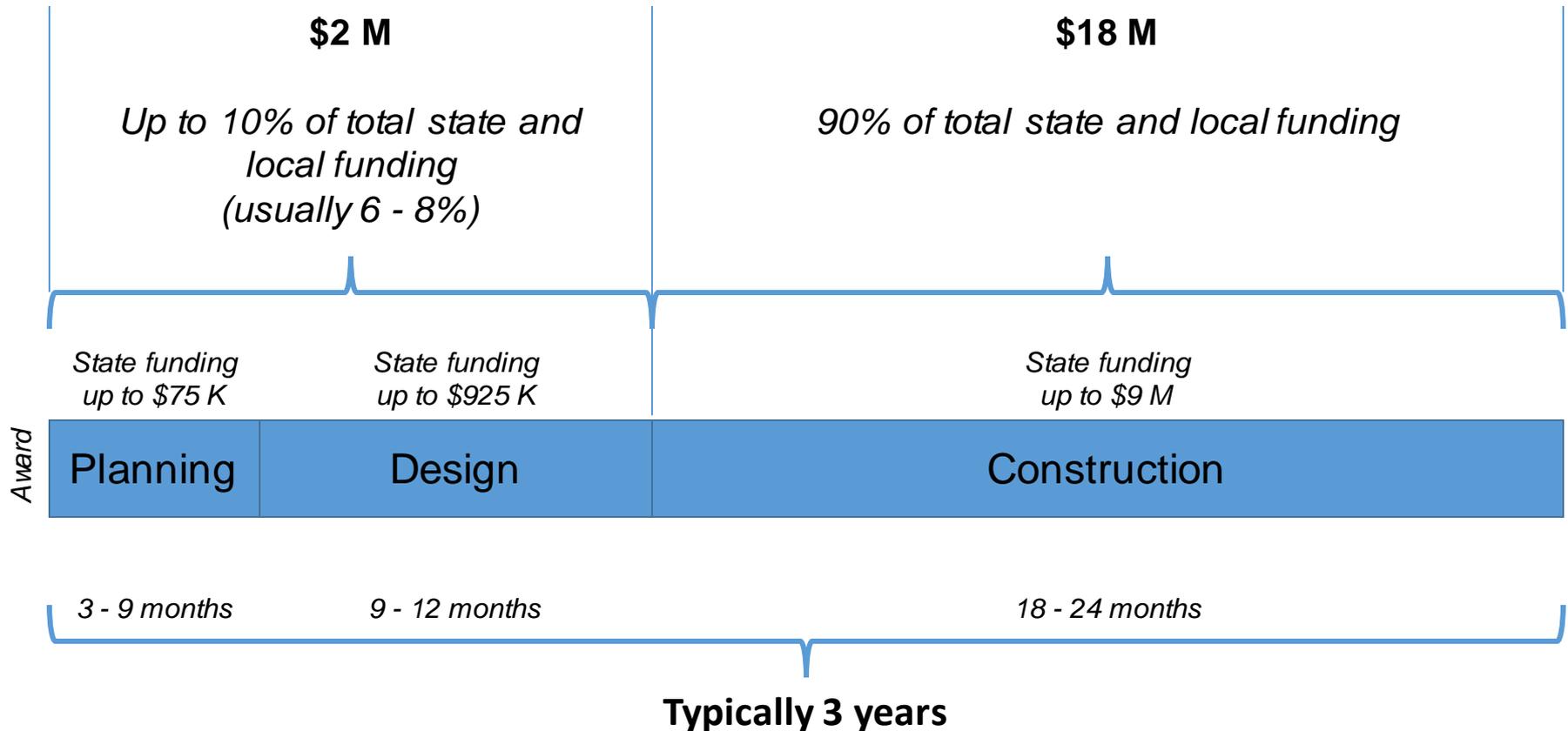
Project Management: PSFA Support to Districts

During all phases of a project, PSFA functions in a contractual relationship as a partner with the school district.

- Districts are contractually obligated to provide direct project management and funding administration to their project, PSFA provides indirect oversight.
- PSFA administers state funding to the project, reimbursing the district for progress payments to the project team as work is completed.
- PSFA helps the district manage and oversee the project team members:
 - Verifying the actual progress of the work for progress payments.
 - Observing the quality of the work.
 - Assuring that the work complies with design documents.

Project Management: Typical Project Timing

Example: \$20 M new elementary school for 500 students for a district with a 50%/50% state/local match percentage.



Project Completion: PSFA Support to Districts

After all construction and project activity is completed, including the 1 year warranty period, PSFA helps the district process final payments to project team members, proceed through financial closeout, and transition to facility ownership.

- Final accounting/reconciliation of the state and local funding on the project is completed, ensuring that state funding for the project does not exceed the total dollar amount awarded by the PSCOC.
- If the project is less expensive than the bid estimate, unexpended state funds are reverted back to the PSCOF.

Facility Ownership: PSFA Support to Districts

Once the project is complete, the contractual partnership between the district and PSFA ends.

- District becomes the sole owner and operator of the new facility.
- PSFA provides consultative service and tools to the district to help them manage the new facility:
 - Throughout the life of the facility, PSFA assesses the facility, documenting facility conditions and district maintenance performance, sharing findings and recommendations with the district.
 - PSCOC subsidizes, and PSFA makes available, facility information management software to all districts to help them manage their routine capital maintenance projects and work orders.

Summary

- Districts/state charters initiate capital projects, gather local funding, then apply for a large project award from PSCOC.
- Schedule for all of the processes on large, standards-based projects often requires at least 5 years: 1-2 years of district planning and mobilization, 1 year to apply for PSCOC funding, 3 years of project time, 1 year warranty period followed by project and financial closeout.
- State funding is certified for project uses through an incremental process that is flexible and adjusted to fit the actual cost of each phase of the project.
- Public School Capital Outlay Fund is a closed-loop, with unexpended balances reverting back into the Fund until other uses draw down any excess funding.
- PSCOF needs to have some excess capacity to quickly recertify funds for project uses without risking delays on large capital construction projects.

Questions

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Thank You!