

NEW MEXICO HIGHER EDUCATION DEPARTMENT

MICHELLE LUJAN GRISHAM
GOVERNOR



STEPHANIE RODRIGUEZ
ACTING CABINET SECRETARY

Capital Projects Committee Meeting

September 9, 2020

Held via GoToMeeting

<https://www.gotomeet.me/NMHEDWebConference1/nmhed-capital-outlay-committee-meeting>

9:30 a.m. to TBD

Minutes

1. Call Meeting to Order

Chairman Burke called the meeting to order at 9:30 a.m.

2. Introduction of Participants

Roll call of members present was taken. Committee member joining via phone/webinar were Chairman Gerald Burke, Harrison Rommel, Wesley Billingsley, Harold Trujillo, Steve Olson, and Gerald Hoehne.

3. Approval of Agenda

Chairman Burke made a motion to approve the agenda.

Member Hoehne seconded the motion.

Motion passed. (6-0)

4. Approval of Minutes from July 8, 2020 Capital Projects Committee Meeting

Chairman Burke asked the committee if they had any comments on the minutes.

Member Hoehne made a motion to approve the minutes.

Member Rommel seconded the motion.

Motion passed. (6-0)

5. Announcements:

- a. Next Capital Projects Committee Meeting will be held on October 7, 2020

Projects to be reviewed

6. University of New Mexico Health Science Center/Hospital - \$82,710,450

New Parking Structure, Central Utility Plant, & Logistics Space – Phase II

Presenters: Michael Chicarelli, Chief Operating Officer, UNMH; Douglas Brooks, Executive Director Hospital Campus Development, UNMH; Enrico Volpato, Executive Director Facilities Services, UNMH

Michael Chicarelli the Chief Operating Officer with UNM Hospitals introduced himself and noted that they are having some technical difficulties however he is prepared to start.

Chairman Burke noted that this project is the second largest project that will come before this committee and the State Board of Finance in the next 10 years and it is a concern to him that the

President of the University is not available for this presentation. He also asked that the President and the Chancellor for the HSC be available when the project is presented to the State Board of Finance.

Dr. Mike Richards introduced himself as the new Interim Executive Vice President filling in the role of Chancellor while the search continues for the permanent appointment.

Member Hoehne asked that all UNM individuals introduce themselves as well before continuing.

Participants introduced themselves as follows: Michael Chicarelli, COO; Kate Becker, CEO UNM Hospitals; Ava Lovell, Chief Financial Officer UNM HSC; Jessica Kelly, Deputy Chief of Staff, UNM HSC; Doug Brooks, Executive Director Hospital Campus Development, Enrico Volpato, Executive Director Facilities, UNMH; Michael Kearney, and Barbara Damron, UNM Government Relations. Dr. Damron noted that since this is an HSC project Dr. Richards is the individual who leads the efforts. She also emphasized that UNM would make sure to have the President available at the SBOF meeting.

Mr. Chicarelli presented the project as outlined in the project submittal, specifically outlining the three distinct features of the new facility. The parking structure, space for materials management, and the central utility plant will all reside in this single structure. In terms of timing, Phase I is the reconstruction work which is currently ongoing, Phase II is this new parking structure, and Phase III will be the new hospital tower. The parking structure will support about 1400 vehicle spaces and will replace the 687 lost parking spaces due to the new tower construction. He also noted that UNM has learned over the past several years that an automated parking system is necessary in this new facility. This system will let individuals know if there are parking spaces available on each level. The material management portion of the facility will be logistical space to provide supply intake to the new hospital. The Central Utility Plant will be the power hub for the new hospital tower and will include electrical switch gear, mechanical chillers, standby emergency generators, and maintenance offices.

Chairman Burke noted in Form 1 that there will be 16 electric car parking stations in the parking structure. He asked if these parking stations would also provide charging stations.

Mr. Chicarelli stated that they will include charging stations.

Chairman Burke asked that they revise the form to reflect that these spaces include charging stations.

Member Hoehne thanked the UNM team for their responses to the questions posed by NMHED on this submittal, specifically the information provided on the energy efficiencies being incorporated into the design of this project. He also asked that UNM talk briefly about some of these design features.

Mr. Chicarelli asked Mr. Volpato to describe the LEED certification and other details on the energy efficiencies. Mr. Volpato noted that they are following the state requirements to meet the LEED Silver certification at a minimum and they are also looking at every opportunity to meet Energy Star when feasible in the design of the new hospital tower. He noted that this facility did not meet the qualifications necessary to meet the LEED certification however the architect is looking at and reviewing all opportunities. The balance with this facility is not only energy efficiency but also reliability for the new hospital. Current utility facilities are over 60 years old and this is an

opportunity reduce the footprint and create efficiencies by consolidating into a single central plant.

Member Olson asked what UNM's biggest concern is with this phase of the project.

Mr. Chicarelli noted that the site work and all the items underground is something that is always on his mind. Although there has been a thorough survey and potholing he always makes sure that the team understands that there could be things they don't know about when they are moving dirt and trenching.

Member Olson asked how old the existing parking structure is and if it was always in UNM's plan to remove the existing parking structure.

Mr. Volpato noted that the parking structure is over 13 years old and it was never designed as a long-term structure. The plan at that time was that another phase would be constructed in the same area so it was designed and constructed to only have a 50-year life span. Mr. Chicarelli also noted that he is not aware if this facility has always been slated to be removed however there have been maintenance issues with the structure with several repairs having to be done recently. Mr. Chicarelli pointed out that he feels the structure has served its useful life and this is a good opportunity to take the structure down to keep the hospital close to the current footprint.

Member Olson asked if the central utility plant will be used to solely support the new tower or will it also allow UNM the opportunity to gain efficiencies in other facilities as well.

Mr. Chicarelli informed the committee that the new central utility plant is intended during the short term to only serve the new hospital tower however in the long term it will allow UNM to gain efficiencies for other structures at the Health Science Center north campus.

Member Olson asked for additional clarification on the other structures and efficiencies.

Mr. Chicarelli noted that the master facility plan for the Health Science Center was just recently completed so it would depend on the order of which new buildings will be brought online to determine where that power and utility will go.

Member Olson asked if UNM has any concrete ideas on how current spaces are going to be repurposed and reused to serve the public once the new areas are constructed.

Mr. Chicarelli informed the committee that the existing materials management area will remain open even after the new facility is built.

Member Olson asked how UNM will know if this Phase of the project is successful.

Mr. Chicarelli noted that the three features of this structure being completed and operational will be the success. Parking is a challenge and despite the new hospital tower being built there is still a need for additional parking. As the Health Science Center and north campus continues to grow there is undoubtedly going to be a need for additional utilities and if for no other reason, redundancy. Hospitals cannot have utilities go down as the results of this can be catastrophic.

Member Olson asked UNM to speak to the timeline of this project, specifically when UNM anticipates breaking ground and when the project will be completed.

Mr. Chicarelli went over the timeline document. Mr. Volpato explained to the committee that the schedule is dependent on design development however the current schedule has them breaking ground in January of 2021 with completion of construction in October of 2022. Completion of this phase would be in November of 2022 with the existing parking garage being decommissioned and demolished.

Member Hoehne noted that there is a lot of work going on in the north campus area of the Health Sciences Center. These three phases are a large part of the work being done however there is also the Movement Disorders Center/Senior Health Clinic which is currently at the SBOF for approval which will be constructed in this same area. It is important that these projects be assessed individually however it is equally important for the committee to be able to see the plan for this area and how all this work is being coordinated. Member Hoehne asked UNM to provide a brief overview of all north campus projects.

Dr. Richards noted that Ms. Lovell could speak briefly to the master facility plan including adjacent facilities during today's meeting and at the next presentation they could prepare a map/site plan of the area and talk about the projects occurring on that part of the HSC campus in more detail.

Member Hoehne asked that the information and map/site plan be made available prior to the submission deadline to the SBOF.

Dr. Richards noted that the information would be prepared and provided prior to the deadline. He then asked Ms. Lovell to do a brief presentation on the master facility plan and projects.

Ms. Lovell informed the committee that the entire Health Science Center, which includes the hospital, all clinics, and Sandoval Regional Medical Center, undertook a master facility planning effort in October of 2019. Over 500 meetings have been conducted in support of this effort with community members and individuals from the UNM main campus. The report is currently in the Draft stage and includes a very focused master facility plan for the hospital and the clinic. The projects currently in the works are the new hospital tower, parking garage with central utility plant, and the Center for Movement Disorder and Senior Health Clinic. The college of nursing and college of population health building will be constructed in the area as well should the GO Bonds pass in November. There is also an \$8M project currently under construction funding by an NIH grant for research for brain and behavioral health. Once the facility master plan is finalized more detailed information will be available to share.

Chairman Burke asked what the funding source is for the new hospital tower.

Ms. Lovell noted that they are in the process of working on a financial feasibility study with HUD for a 242-borrowing bond issue, they have existing capital initiative funding, and a portion of a state appropriation which will be used to fund the project.

Chairman Burke made a motion to approve the project for submittal to the NMHED Cabinet Secretary and then to the State Board of Finance contingent upon the following:

- Update Form 1 to clarify whether the electric vehicle parking spaces include charging stations
- Provide an overview of the HSC Master Facilities Plan to include all the construction, including timelines, of all facilities and infrastructure that will be done around this parking structure and the new hospital tower

Member Rommel seconded the motion.

Motion passed. (6-0)

7. Western New Mexico University – \$700,000

10th Street Improvements and Infrastructure – REVISED

Presenters: Joseph Shepard, President, WNMU; Kevin Matthes, AVP Facilities and Operations, WNMU

Dr. Joseph Shepard introduced himself, Kelley Riddle, and Kevin Matthes. He then presented the project per the project submittal, outlining the specific reasons why the project was revised. He then turned it over to Ms. Kelley Riddle for information on the funding sources.

Ms. Riddle informed the committee that the addition of the pathway to this project will be funded using the pathway appropriation that was received during this past Legislative session. Doing this as part of the original project they will be able to address the traffic and pedestrian flow in this busy area of campus. She also noted that including the pathways project within this project made more sense because they are in the same area and will ultimately be connected.

Member Hoehne asked if the initial project which was approved by the NMHED has started.

Mr. Matthes stated that the project has not yet started. He noted that the design and work with Public Service Company of New Mexico to place all the utilities underground contributed to the delays on this project. He also stated that no money has been expended on this project.

Member Hoehne asked if WNMU foresees a change in cost because of the delay or will the original approval of \$600K be enough to complete the project.

Mr. Matthes noted that this project has already gone out for RFP and has been awarded to a contractor contingent upon approval by the NMHED. For that reason, he is confident that the costs for the project will not exceed the available budget.

Member Hoehne noted that the Severance Tax Bond appropriation being requested to fund the additional scope of work is specific to pathways. He also noted that Ms. Riddle spoke to the traffic patterns and widening of the roadway as well as pedestrian pathways that will be addressed in this project request. He asked that WNMU clarify that the funding for the roadway portion of the work will be used to cover the roadway widening and the pathways funding will be specific to pathways.

Ms. Riddle confirmed that the Centennial Hall pathway was one of the pathways on campus that was specified by students when the funding was requested. The current configuration only allows students to walk down the driveway at Centennial Hall because there are not any sidewalks or walking paths for students to use. Dr. Shepard also noted that wheelchair bound students do not have the proper ADA access to and from the facility. They currently must use the driveway as well.

Member Hoehne asked what WNMU will be doing with the remaining funds from the STB pathways appropriation.

Ms. Riddle noted that they did a walk-about with students on the campus prior to receiving the funding and after receiving the funding. The students noted several areas on campus that need lighting upgrades and concrete crack repair. These sections will be prioritized and this funding will be used to address these areas.

Chairman Burke informed WNMU that the cost threshold for the SBOF is \$750,000 so if the project costs go above that amount the project will need to come back for approval.

Member Olson asked if there will be any change in operations because of the previously approved project, specifically the addition of landscaping and planters on campus.

Dr. Shepard noted that there would not be any change in operational costs because of the project. The landscaping will be done with plants that do well in that zone and as far as the electric costs, they may see a decrease since all the lighting will now be upgraded to LED.

Member Olson noted that during the summer hearings WNMU had a request for Kentucky Street which included safety improvements. He asked why this project was prioritized and funded over the Kentucky Street project.

Dr. Shepard noted that both projects have safety concerns however this project was prioritized because of ADA access issues. This project has a public access issue as well because of its proximity and usage for access to the Museum. Also, this project does not have any of the sidewalk infrastructure necessary for the number of pedestrians that use this street and lastly, this project also affects the charter school and their younger population.

Member Olson noted that this roadway is a public facility and although it is important for WNMU to ensure the safety of the students the city should also be providing funding to support this section of roadway as well because they are the owner and maintainer of the road.

Dr. Shepard clarified that the entire roadway is not owned by the city and the portion that is was upgraded by the city.

Member Hoehne informed the committee that this project, when originally brought forward, was prioritized by WNMU because of the economies of scale experienced by the work the city was doing on this street as well as the ability to use the existing contractors already procured and working in this area. He asked Dr. Shepard to speak to this in more detail.

Dr. Shepard informed the committee that several years ago College Avenue was updated by the city. At that time WNMU decided to take advantage of this project by providing landscaping and to move all electrical lines underground. The city and WNMU worked together on this project to make it a success. With the 10th street project, the city undertook a paving and upgrade project and since they were already working in the area, WNMU looked at the possibility of extending the paving all the way to the museum and adding other improvements. He also clarified that the museum is owned by WNMU, not the city, and it is open to the public. These mutual agreements have benefitted WNMU in their efforts to improve campus safety.

Chairman Burke made a motion to approve the project for submittal to the NMHED Cabinet Secretary.

Member Olson seconded the motion.

Motion passed. (6-0)

8. Western New Mexico University – Not to Exceed \$8,000,000

2044 Galisteo Street, Suite 4, Santa Fe, NM 87505-2100
Phone: 505-476-8400 Fax: 505-476-8454
www.hed.state.nm.us

Subordinate Lien System Improvement Revenue Bonds, Series 2020B

Presenters: Joseph Shepard, President, WNMU; Kevin Matthes, AVP Facilities and Operations, WNMU; Kelley Riddle, VP of Business Affairs, WNMU; Erik Harrigan, Managing Director, RBC Capital Markets; Katherine McKinney, Modrall Sperlman Law Firm

Dr. Shepard asked Ms. Riddle to go over the details of the bond.

Ms. Riddle presented the project as outlined in the project submittal, noting that this bond issuance will fund the Campus Wide Guaranteed Energy Performance Contract. She then turned it over to Mr. Erik Harrigan to go over the details of the issuance.

Mr. Harrigan went over the bonding information packet. He noted that the identified savings do not pay for all the debt service associated with the issuance of the bonds. It is anticipated that the University will have an annual cost of between \$80,000 to \$86,000. The university has three bonds that are currently outstanding. The 2014 bonds, which were a refunding of existing debt, pays off this coming year. This will result in a drop in the debt service by about \$500,000. Currently the university debt service is about \$1,500,000. In 2022 when the debt service for this financing begins, the annual debt service will drop down to about \$1,000,000. The proposed financing will be placed on a subordinate lien financing through the NMFA at a conservative 2.9% interest rate. The anticipated closing date for these bonds would be in November following SBOF approval.

Chairman Burke asked when the interest rate will be set.

Mr. Harrigan noted that the schedule calls for the interest rate to be locked in on October 26.

Member Olson asked if WNMU could speak to the value received from the \$2M as it relates to recruitment, retention, and completion.

Dr. Shepard informed the committee that WNMU is looking at the broader goals of the university which involves the creation of centers of excellence on campus. He also noted that he is a strong advocate of environmental sustainability and he would like to see WNMU, from an educational perspective, move towards that arena. If WNMU is going to move towards that arena the university needs to portray that type of environment. The \$2M will allow us the opportunity to show students our best practices in renewable energy and our efforts towards environmental sustainability and carbon neutrality which in turn will lead to recruitment, retention, and completion.

Member Olson asked what percentage of the \$7M of the investment will go to instructional facilities?

Ms. Riddle noted that she does not have an exact percentage of I&G space however the IGA report completed by Yearout does specify each facility being addressed and what measures will be completed in each building.

Member Olson asked why the institution has over \$200,000 in capitalized interest on their Pro-Forma Cash Flow report.

Mr. Harrigan explained that the capitalized interest is included because once the bond is closed the project will begin but the university will not be receiving any of the savings from the project. This capitalized interest account will cover the debt service for the first year.

Chairman Burke made a motion to approve the project for submittal to the NMHED Cabinet

Secretary and then to the State Board of Finance.

Member Hoehne asked WNMU to talk about how comfortable they feel with being able to cover the debt service shortfall each year as reflected in the Pro-Forma Cash Flow.

Dr. Shepard informed the committee that they will be reducing their debt service by \$500,000 and with this project only adding \$80,000 to \$86,000 to their debt service. This proves that WNMU can handle this level of debt service and for that reason they are not concerned. He also noted that WNMU anticipated a sizable drop in enrollment because of COVID however tuition maintained similar levels to last year. WNMU also identified continuation of a stable enrollment for the future. If this trend does not continue, WNMU has the necessary reserves in place to cover for a slight decline in enrollment. Lastly WNMU will be taking advantage of the cost saving measures being implemented with this project, such as the installation of the PV system, to provide for additional operational savings in the long term.

Member Rommel asked what the current enrollment is for this Fall.

Dr. Shepard informed the committee that they are down about 250 or so students on the dual enrollment side however their graduate student enrollment is up. He also noted that dual enrollment students do not pay tuition however graduate students do so they are not being impacted negatively as a result when it comes to debt service.

Member Rommel asked about traditional on-campus enrollment.

Dr. Shepard noted that they are about 82% occupancy in housing which shows that on-campus student enrollment is maintain itself better than anticipated. He also noted that there are approximately 280 traditional students on campus which continues to remain steady. Impacts on enrollment have not affected traditional students thus far.

Member Hoehne noted that the fee listed on the IGA for what EMNRD assesses for third-party review services is incorrect and an update has been received. He asked for clarification from WNMU on whether this error had any affect on the overall project cost and financing.

Member Trujillo informed the committee that the EMNRD fee and the GRT amounts were transposed so there is no affect on project amount or financing. He also noted that the PV system portion of the project is not subject to GRT. The amount assessed for GRT on this project for the PV system was moved into the contingency so no changes to overall project cost would be needed.

Chairman Burke made a motion to approve the project for submittal to the NMHED Cabinet Secretary and then to the State Board of Finance.

Member Trujillo seconded the motion.

Motion passed. (6-0)

9. Western New Mexico University – \$6,961,101

Campus Wide Guaranteed Energy Performance Contract

Presenters: Joseph Shepard, President, WNMU; Kevin Matthes, AVP Facilities and Operations, WNMU; Kelley Riddle, VP of Business Affairs, WNMU

Dr. Joseph Shepard turned it over to Ms. Kelley Riddle to go over the project.

Ms. Riddle did an overview of the project and then she turned it over to Mr. Kevin Matthes to present the project. Mr. Matthes presented the project as outlined in the project submittal.

Member Olson asked WNMU to clarify the difference between the amount requested for the funding and the amount of the actual project.

Mr. Harrigan informed the committee that in the financing they estimated about \$7,000,000 as the net deposit to the project to be on the conservative side. This included funding the project, costs of issuance, and the capitalized interest fund.

Member Olson asked if the project does not take all the funding will WNMU use the additional funding to pay off the bonds.

Mr. Harrigan noted that they will reduce the size of the borrowing.

Member Olson asked if the NMHED has any precedent in the types of facilities these projects should be addressing.

Member Hoehne informed the committee that the NMHED has done is reached out to all higher education institutions and asked them to find alternative/creative ways in which they can address their deferred maintenance needs. The use of a guaranteed energy savings performance contract is one such mechanism that we have relied on to assist institutions in addressing these needs outside of the capital outlay funding recommendation process. The NMHED does not follow our normal funding recommendation process for I&G facilities when it comes to these projects because the overall goal is to provide an institution with the ability to finance a project outside of the capital outlay process. This then frees up capital outlay dollars, which could have been requested to upgrade these same facilities, to be used elsewhere on the campus.

Member Trujillo informed the committee that there are certain projects that do not qualify for the guaranteed energy saving performance contract process however like the current PV system for this project, the institution can still decide to include it so they can receive the long-term benefits.

Chairman Burke made a motion to approve the project for submittal to the NMHED Cabinet Secretary and then to the State Board of Finance.

Member Trujillo seconded the motion.

Motion passed. (6-0)

10. Western New Mexico University – Not to Exceed \$10,200,000

Senior Lien Refunding Revenue Bonds, Series 2020

Presenters: Joseph Shepard, President, WNMU; Kevin Matthes, AVP Facilities and Operations, WNMU; Kelley Riddle, VP of Business Affairs, WNMU; Erik Harrigan, Managing Director, RBC Capital Markets; Katherine McKinney, Modrall Sperling Law Firm

Dr. Joseph Shepard turned it over to Ms. Kelley Riddle to go over the project.

Ms. Riddle provided an overview of the project and then turned it over to Mr. Erik Harrigan to go

over the details of the refunding.

Mr. Harrigan introduced Ms. Regina Gaysina and asked that she present the project.

Ms. Gaysina presented the project as outlined in the project submittal. She noted that the refunding will approximately \$120,000 in annual interest savings with a net present value savings of 3.8% and approximately \$1,126,860.02. The interest rate on the current bonds is 3.8% with the new interest rate on the refunding is estimated at around 2.0%. The bonds will not be extending the original maturity date of 06/1/2038.

Chairman Burke noted that he was surprised that the bonds can be refunded this quickly.

Mr. Harrigan explained that the original call date on these bonds was 2021. The tax cut and jobs act approved in December 2017 eliminated the ability to advance refund tax exempt bonds with tax exempt debt. WNMU originally looked at this as a taxable refunding however when they reached out to the NMFA to discuss, they amended the call option on the 2012 bonds to allow them to become currently callable as long as WNMU funded the interest through next year. The savings Ms. Gaysina went over includes that interest payment. With interest rates hitting all time historical lows two weeks ago the university decided to take advantage of this opportunity.

Chairman Burke asked when the interest rates will be locked in.

Mr. Harrigan noted that the goal is to lock in interest rates the week after the SBOF meeting.

Chairman Burke made a motion to approve the project for submittal to the NMHED Cabinet Secretary and then to the State Board of Finance.

Member Billingsley seconded the motion.

Motion passed. (6-0)

11. Adjourn

Chairman Burke adjourned the meeting at 11:10 a.m.