

# NEW MEXICO HIGHER EDUCATION DEPARTMENT

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GOVERNOR



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ACTING CABINET SECRETARY

## Capital Projects Committee Meeting

December 9, 2020

Held via GoToMeeting

<https://global.gotomeeting.com/join/420051109>

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

Chairman Burke requested a roll-call of committee members. Committee member joining via phone/webinar were Chairman Gerald Burke, Harrison Rommel, Steve Olson, Wesley Billingsley, Harold Trujillo and Gerald Hoehne.

#### 3. Approval of Agenda

Chairman Burke made a motion to approve the agenda.

Member Olson seconded the motion.

Motion passed. (6-0)

#### 4. Approval of Minutes from November 12, 2020 Capital Projects Committee Meeting

Chairman Burke asked Member Hoehne for an update on the minutes.

Member Hoehne informed the committee that the minutes have not yet been completed.

Chairman Burke made a motion to approve the minutes contingent on receipt and review of by the committee members.

Member Rommel seconded the motion.

Motion passed. (6-0)

#### 5. Announcements:

- a. Next Capital Projects Committee Meeting will be held on January 13, 2020

### Projects to be reviewed

#### 6. Eastern New Mexico University - \$650,000 Renovation of University House

*Presenters: Scott Smart, Chief Financial Officer, ENMU*

Mr. Scott Smart introduced himself and Board of Regents President Terry Othick. He then presented the project as outlined in the project submittal. He noted that ENMU originally

looked at constructing a new home. During the concept phase they noted that the scope of work for new construction would cost in excess of \$1M. The Board of Regents determined that the cost was more than they were willing to spend on a home. They reconsidered the decision and decided to renovate the existing home instead.

Regent Othick noted that the board has been trying to renovate and upgrade this house for the past five years. The need to address the safety and use of the home is a priority that led to the initial plan for new construction. The costs were unreasonable and for that reason the board decided to use the funding to address the critical infrastructure and safety aspects of the existing home instead. Depending on costs the board would like to use any remaining funds to do upgrades in the home. The home is an important part of campus and is used to host events for students, faculty, staff, and donors.

Member Rommel asked what the cost per square foot is for the renovation.

Mr. Smart noted that the cost for the renovation is approximately \$115 per square foot.

Chairman Burke asked if the wall reconfigurations planned in the home would impact structural integrity.

Mr. Smart noted that ENMU had a structural engineer come in to determine if any of the walls were load bearing. To their surprise the 25-foot wall separating the kitchen and living room area was not load bearing.

Member Trujillo asked if there are any efforts to make this a net-zero residence. He noted that upgrades to meet the new Energy Code with 9 or 10 PV connectors would get the home to almost net-zero.

Mr. Smart informed the committee that they have not done that with this project. He noted that ENMU is looking at a larger campus-wide solar array project which will provide half of the campus electrical usage on an annual basis. ENMU has stayed away from doing energy upgrades to individual facilities but instead is concentrating on larger projects that impact the entire campus.

Member Olson noted that this project was included in SB5 during the Special Session as a possible void however ENMU was able to encumber enough money to prevent the funds from being swept. He also expressed the concern shared by LFC, DFA, and HED as it relates to projects moving along quickly and using the funding for its intended purposes.

Member Billingsley noted that ENMU has expended \$41,824 and there is also \$6,500 for AIPP. The reauthorized budget that is available for this project is \$601,676. He asked ENMU to clarify the project request for \$650,000.

Mr. Smart noted that the original expenditures were part of the initial design for a new residence. He explained that their intention when completing the documents for this presentation was to account for the entire \$650,000. Internally they have budgeted the remaining amount of \$600,000 for the renovation.

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

Member Trujillo seconded the motion.

Motion passed. (6-0)

**7. University of New Mexico – Not to exceed \$80,000,000  
Subordinate Lien System Refunding Revenue Bonds, Series 2021**

*Presenters: Teresa Costantinidis, Senior Vice President of Finance and Administration, UNM; Vahid Staples, Budget Officer, UNM; Katherine McKinney, Attorney, Modrall Sperling; George Williford, Managing Director, Hilltop Securities*

Mr. Vahid Staples introduced himself, Mr. George Williford, and Ms. Katherine McKinney. He then presented the project as outlined in the project submittal. He noted that as part of an ongoing evaluation process, his office in conjunction with Hilltop Securities continually monitors for funding opportunities will all of their bonds. Opportunities for these particular bonds had not reached their threshold for refunding of 3% until now. The savings will be fairly level over the term of the bonds with approximately \$392,000 on a yearly basis. Total Net present value of those dollars realized is a little over \$4.7M in savings, which is 7.38% which is well above the 3% threshold set by UNM.

Member Olson asked how many bonds UNM has that are over \$10M that are outstanding.

Mr. Staples noted that they have 11 bond issues with over \$366M in total outstanding principal. 7 of those issues are over \$10M.

Chairman Burke asked UNM to clarify the refunding amount and the Not to Exceed Amount of \$80,000,000

Mr. Staples informed the committee that the PAR amount is \$64,290,000 with some flexibility built in for market conditions. He then passed it on to Mr. George Williford for additional comments.

Mr. Williford noted that as an advanced refunding there has to be an escrow provided to the respective call dates, which is June 2023 for the A series and June 2024 for the C series, as well as costs of issuance and underwriting discount. Because this is a taxable refunding there won't be any premium dollars generated so it will be a PAR type offering. For these reasons the issue has to be sized up to cover the current projections for escrow and issuance which is \$76M. The not to exceed amount provides some flexibility as noted by Mr. Staples.

Member Olson asked why the bond attorney fee is over \$200,000.

Ms. McKinney noted that the fee is based on their contract. The amount listed is does have some flexibility as it is currently based on a higher PAR amount. She also informed the committee that the fee includes both bond and disclosure counsel.

Chairman Burke asked if this request was still being considered by the Board of Regents.

Mr. Staples informed the committee that this request is being heard by the Regents today. He also noted that the NMHED was made aware of the meeting and agreed to place the project on the agenda with the understanding that any approval would be contingent on Board of Regents approval.

Chairman Burke asked if there is a State Board of Finance meeting in January.

Member Hoehne noted that the SBOF will be having a meeting on January 19<sup>th</sup> however due to the session starting on that same day it may be adjusted. He also confirmed Mr. Vahid's comments regarding the placement of this project on the agenda, specifically the fact that UNM would need to submit a complete bond refunding package for review. If no significant issues were raised by the committee, and dependent on the outcome of the committee's discussions, an approval contingent on approval by the Board of Regents could be given. He also noted that the project would not move forward to the SBOF if Regents approval was not granted.

Chairman Burke asked what the deadline is to submit projects to the SBOF.

Member Hoehne noted that the deadline is December 22, 2020.

Member Rommel 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:

- Receipt of signed Form 6 signifying Board of Regents approval
- Signed Authorizing Resolution for the Bond Refunding

Chairman Burke seconded the motion.

Motion passed. (6-0)

**8. New Mexico State University – Not to exceed \$2,500,000  
College District General Obligation Refunding Bonds, Series 2021**

*Presenters: Monica Torres, President, DACC; Kelly Brooks, Vice President of Business and Finance, DACC; Erik Harrigan, Managing Director, RBC Capital Markets, LLC; Katherine McKinney, Attorney, Modrall Sperling; Heather Zach Watenpaugh, University Architect, NMSU*

Dr. Monica Torres introduced herself, Ms. Kelly Brooks, Mr. Luis Campos, Ms. Heather Watenpaugh, Mr. Robert Herrera, and Mr. Jon Webster. She discussed community college education in the post COVID-19 era, specifically health education and economic disparities in our country, state and in Dona Ana county, and the changes that had to be made at DACC. She also informed the committee that DACC is in crisis mode trying to address their students' needs in the most financially sustainable way possible. Lastly, she noted that DACC is looking ahead; understanding that these issues will continue to alter their primary mission of teaching and learning and other services such as facilities and maintenance post COVID. She then turned it over to Ms. Brooks to discuss the bond refunding.

Ms. Brooks introduced herself, Mr. Erik Harrigan, and Ms. Katherine McKinney. She then presented the project as outlined in the project submittal. She noted that the refunding will generate present value savings of approximately \$105,000, an annual average savings of about \$27,000 and the projected interest rate is 0.76%. She also noted that this refunding will be issued in conjunction with an \$8,000,000 authorization approved by voters in 2019. This is the first half of the total \$16,000,000 authorization. She then turned it over to Mr. Harrigan.

Mr. Harrigan informed the committee that this refunding of the 2011 bonds is being done to take advantage of interest rate savings. The average rate of the existing bonds is 4% with the all-in rate of the refunded bonds expected to be 1.2%. This refunding is being sold in conjunction with a voter authorized General Obligation Bonds to reduce the overall total cost to the DACC branch. He also noted that the transaction will continue DACC's historical tax rate of \$0.75.

Chairman Burke asked when the second new money issuance will take place.

Mr. Harrigan noted that they expect the second issuance to be done in 2 years, or depending on the capital needs of the college. In 2023 DACC would be expected to go back out to voters for additional authorization to maintain the current tax rate.

Chairman Burke asked if this schedule is maintained every two years.

Mr. Harrigan confirmed that DACC has historically issued every two years with bond elections every four years and no changes are anticipated. He also noted that they expect the capacity for new money bonds to continue at the same level voters have approved in the past.

Chairman Burke asked if this project was presented to the Board of Regents.

Ms. Brooks noted that this refunding was approved by their board. She informed the committee that it was presented to the Board of Regents however the item was informational only because the bonds are authorized by the College District.

Chairman Burke noted that the refunding must go to the State Board of Finance. He asked Member Hoehne to clarify.

Member Hoehne informed the committee that this request would not go to the State Board of Finance for approval because it falls under the College District General Obligation Refunding Bond section of the statutes. The State Board of Finance only approves College District Revenue Bonds.

Chairman Burke asked if the new money issuance would need to go to the State Board of Finance.

Member Hoehne explained that this transaction has a request for the refunding of Not to Exceed \$2.5M as well as a new money issuance of \$8M. This committee is only required to approve the refunding. The new money issuance will be reviewed separately by the

Department, not for an approval, but for certification of the 3% bonding capacity threshold as required by the Attorney General's Office.

Member Olson asked why the other outstanding debt is not included in the funding. He also asked if DACC has a similar threshold to what was presented earlier by UNM or what their process is when determining the time for a refunding.

Mr. Harrigan noted that DACC does review all of their outstanding debt. Under current law to advance refund bonds they would have to be issued as taxable bonds. Currently advance refunding DACC's non-callable debt would not result in Net Present Value Savings of 3% or greater.

Chairman Burke asked when these bonds would be reissued.

Mr. Harrigan noted that they anticipate being in the market in late February or early March, closing shortly thereafter.

Chairman Burke asked if the change in President will have an effect on interest rates.

Mr. Harrigan stated that the markets have already priced that factor in. The two largest impacts to interest rates are the rollout of the vaccine and what type of stimulus package will be authorized and signed into law. The good news from the refunding standpoint is this is a short term refunding and interest rates are dictated by the Federal Reserve. The Federal Reserve is anticipated to keep short term interest rates low for the foreseeable future.

Member Rommel asked Dr. Torres to comment on Fall Enrollment and if possible provide some insight on what she expects enrollments to be in the Spring.

Dr. Torres noted that DACC lost about 12% of their Head Count for the Fall. Half of this was attributed to a change made by NMSU within the system and the other half were students who would typically make their way to a community college. She also expects another slight drop in enrollment in the Spring. She also explained that much of the drop-in enrollment is in workforce programs that require hands-on instruction, such as welding, auto, and HVAC. Due to the physical distancing requirements they just can't have as many students in the programs. She also explained that students are coming to the college for an education so as the college is able to return to semi-normal capacity, she anticipates an uptick in enrollments.

Member Hoehne asked DACC to provide a timeframe of when they anticipate bringing the GO Bond funded projects to the NMHED for approval.

Ms. Brooks informed the committee that the largest project on the list is the Creative Media Campus project. The beginning stages of the design is already underway so the project should be ready to come forward in late Summer or early Fall. The other projects are smaller and may be coming in earlier in the Summer. COVID-19 has impacted and delayed the classroom renovation projects on the campus. The classroom master plan was started then put on hold as a result of the pandemic. Some of the classrooms are part of

this bond issuance and they anticipate being able to bring them forward in the Fall.

Member Hoehne made a motion to approve the College District General Obligation Bond Refunding, not to exceed \$2,500,000, for submittal to the NMHED Cabinet Secretary. The new money issuance will be reviewed by the NMHED as a separate transaction.

Chairman Burke seconded the motion.

Motion passed. (6-0)

## **9. Adjourn**

Meeting adjourned at 10:15 a.m.