

NEW MEXICO HIGHER EDUCATION DEPARTMENT



MICHELLE LUJAN GRISHAM
GOVERNOR

STEPHANIE M. RODRIGUEZ
CABINET SECRETARY

Capital Projects Committee Meeting

May 12, 2021

Held via TEAMS

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9:30 a.m. to TBD

Actions

1. Call Meeting to Order

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

2. Roll Call of Committee Members

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

Quorum noted.

3. Approval of Agenda

Chairman Burke asked for comments on the agenda. No comments were made.

Chairman Burke made a motion to approve the agenda.

Member Trujillo seconded the motion.

Motion passed (6-0)

4. Announcements:

a. Next Capital Projects Committee Meeting will be held on June 9, 2021

5. Approval of Minutes from April 14, 2021 Capital Projects Committee Meeting

Chairman Burke asked for comments on the agenda. No comments were made.

Member Trujillo made a motion to approve the meeting minutes.

Chairman Burke seconded the motion.

Motion passed (6-0)

Projects to be reviewed

6. New Mexico Junior College – \$5,000,000

Watson Hall Remodel

Presenters: Josh Morgan, Vice President for Finance, NMJC; Charley Carrol, Director of Physical Plant, NMJC; Matt McKim, Principal, Dekker/Perich/Sabatini

Mr. Josh Morgan introduced himself, Mr. Charlie Carrol, and Mr. Matt McKim. He then presented the project as outlined in the submittal, highlighting the fact that this remodel would support increased enrollment, expand opportunities for STEM related employment, and create new training facilities for

ongoing professional development for programs such as the EMT, Paramedic, Clinical Medical Assistant, Surgical Scrub Technician, and Certified Nursing Assistant programs.

Member Olson acknowledged the institutional matching funds and noted that it was great to see local community support for this project. He also noted that it was great to see this project knowing that it is also being funded by the 2020 General Obligation Bond. He asked if the bonds have been sold and if not, how the committee would go about approving the project.

Chairman Burke informed the committee that the approval would be contingent upon the sale of the bonds.

Member Olson asked NMJC to provide some information on the increase in material and labor costs in the Hobbs area and what NMJC is doing in anticipation of these increases.

Mr. McKim informed the committee that certain commodities in the industry have skyrocketed in recent months. Steel, wood, and of course metals which compose a big part of electrical and mechanical systems have really gone through the roof. For this particular project they spoke to several general contractors who most likely will not bid this project as well as some subcontractors to get some ideas of what the prices would look like for this project today. A contingency was also built into the overall project budget to address this.

Member Olson asked what the increase in degree production or certificates would be relative to the current standards over the next couple of years when the facility is built and all programs are in full operation.

Mr. Morgan informed the committee that he had spoken to the VP of Instruction and he did not have any specific numbers related to increase however the current Allied programs do have a wait list of over 200 people. This project will help to expand class sizes, decrease the number of individuals on the wait list, and increase enrollment and graduation rates.

Member Rommel asked how NMJC plans on addressing the faculty/student ratio that may be needed for accreditation of some of these programs.

Mr. Morgan noted that the VP of Instruction does not anticipate the need to bring on additional faculty however he would need to speak to him to get more information on the faculty/student ratio. He informed the committee that he would provide a response as soon as he received more information.

Chairman Burke made a motion to approve the project for submittal to the NMHED Cabinet Secretary contingent upon the sale of the General Obligation Bonds.

Member Olson seconded the motion.

Motion passed. (6-0)

7. Diné College – \$7,407,615

Construction of Shiprock Math and Science Building

Presenters: Dr. Charles Roessel, President, Diné College; Crystal Cree, Director of Legislative Affairs & Policy, Diné College; Leon Jackson, Director of Projects & Operations, Diné College; Randy Joe, Assistant Project Manager, Diné College; Dave Williams, Architect, RMKM Architects

Dr. Charles Roessel introduced himself and presented the project as outlined in the project submittal. He emphasized that the current classes at the Shiprock campus are being held in classrooms that were built in the 1950's on the North Campus so this project will move the college forward in providing adequate facilities to support STEM programs at the campus. The COVID-19 pandemic has presented the college with an opportunity to continue to support STEM and faculty research as well. Currently faculty at the college has had 7 papers published on the research done by faculty related to COVID-19 within Indian Country and this new facility will provide for ongoing research moving forward. He also noted that the college is working on consolidation of facilities on the South Campus. This new facility would be built on the South Campus next to the library, general classroom building, and student services facility. He then turned it over to his team for a presentation.

Mr. Leon Jackson introduced himself and Mr. Dave Williams. He then went through a PowerPoint presentation of the project.

Chairman Burke asked if the college was going to remove the facilities that are being vacated.

Dr. Roessel informed the committee that they will be taking down the modular buildings currently being used at the North Campus.

Chairman Burke asked if anything would be left on the North Campus after this new building is constructed and all programs are moved.

Dr. Roessel noted that they still have Financial Aid and some Administrative Offices on the North Campus. They are working to move more of the Academics to the South Campus at this point.

Member Trujillo noted that the college is very close to meeting LEED Silver. He asked if the college is looking at implementing other measures that could gain the points necessary to be at LEED Silver.

Mr. Dave Williams informed the committee that they had to go through a very intensive value engineering process to get the project within budget. They did incorporate all of the necessary program requirements and the design is solid. Getting to LEED Silver at this point would be somewhat difficult.

Member Trujillo asked that they look at this again. Eight points are all that is necessary to meet LEED Silver so another review should be done to see if perhaps some points were overlooked.

Dr. Roessel informed the committee that they would look into this and try to meet the target.

Member Billingsley asked for clarification on the General Funds that are being used for this project.

Dr. Roessel noted that they label the college's unrestricted funds as general fund. These can be endowment funds or any other funds that the college has internally within their budget.

Member Olson asked how many STEM degrees the college currently produces at the Shiprock campus. He also asked how many they anticipate producing once the facility is constructed.

Dr. Roessel noted that the college is currently in the process of adding two new programs, Bio Medical which will be added relatively quickly, and Agriculture which was stalled due to the pandemic. Both programs will be offered out of the Shiprock campus. Another program being looked at is a Masters in Biology. This will be our first Master's program so the review process and approval will take some time. There are also other programs that we are looking at offering as well.

Member Olson asked for a status update on the Agriculture Center and Fire Lane projects which were included in this year's capital bill.

Mr. Jackson informed the committee that the Fire Lane project has construction documents completed and they will be moving forward with the RFP process once the bonds are approved next month. The start date for the project is July. For the Agricultural Center, the A&E is currently in process and they anticipate having construction documents completed in October of this year. There was a delay in the A&E process due to COVID as the Navajo Nation did require a shut-down on the reservation but things are now opening up. They anticipate the project coming forward to the NMHED for approval early next spring.

Member Hoehne thanked Dr. Roessel and his team for all of the work they have been doing to prepare these projects. The NMHED worked closely with the college on this project as well and it is good to have it in front of this committee for approval. As for the other two projects brought up by Member Olson; the NMHED will need to issue a grant agreement and once executed an NOO will be needed before any contractual obligations can be entered into by the college. This is important to note since it may affect the proposed schedule Mr. Jackson outlined.

Member Hoehne then asked about the removal of space discussed earlier. He noted that the forms have a section specifically for this but nothing was entered. He asked the college to provide a document to the NMHED outlining which facilities they are planning on removing once the new facility is constructed. He also asked the college to provide more detail on the future needs of the campus. He noted that the original request for funding was for a 28,000 square foot facility and now

we are reviewing a 17,000 square foot facility. Does the college anticipate further expansion of this facility at a later date to accommodate additional programs?

Dr. Roessel noted that he would be happy to have a discussion of the North campus and explain what they are looking at doing as they move forward, including the closure of facilities over time. As for the new Agricultural Center, the current size of 17,000 square feet meets the needs of the college and the programs they are looking to develop. There will not be a request for additional funding from the state for expansion.

Member Rommel asked how the college plans on addressing student services since it's about 3 miles between the two campuses. As a student wouldn't this be difficult?

Dr. Roessel noted that this is something they are looking into across their entire college system. They are working on a 5% efficiency review to see what can be migrated and consolidated so students don't have to run back and forth. They are also looking into the space on the South Campus where they have Student Affairs and Advisement for opportunities to consolidate. The Navajo Nation is also in great need of office space and the buildings on the North Campus may be turned over to them for their use.

Member Hoehne made a motion to approve the project for submittal to the NMHED Cabinet Secretary contingent upon the following:

- Receipt of a revised Form 1 outlining the buildings that are currently in use at the North Shiprock campus that will be removed from service once construction of the new facility is complete; and,
- A strategic plan of how the college anticipates consolidation of services between the North and South Shiprock campuses

Member Trujillo seconded the motion.

Motion passed. (6-0)

8. Navajo Technical University – \$9,485,727 Construction of New Academic Building

Presenters: Dr. Elmer Guy, President, NTU; Jason Arviso, Vice President, NTU; Robert Chase, Director of Support Services, NTU

Mr. Robert Chase introduced himself and presented the project as outlined in the project submittal.

Member Olson noted that Form 5 does not seem to be filled out entirely. He asked if NTU could go over the funding sources being used to fund the project since the GO Bond appropriation is not sufficient to cover the entire cost.

Mr. Chase noted that NTU General Fund will be covering the remaining costs of the project.

Member Olson asked if the remaining balance of the 2016 General Obligation Bond for the NTU Learning Innovation Center going to revert or will it be used.

Mr. Chase informed the committee that they are in the process of using those funds for a utility corridor. They are working on a detailed description and it is their hope to have it submitted to the NMHED soon.

Member Billingsley noted that as long as NTU has encumbrances in place the GO Bond funds encumbered would not revert.

Member Olson noted that there are significant outstanding appropriations for a Science and Trades Building. He asked for a status update on that project as well.

Mr. Chase noted that he is getting an assessment of the conditions of the building. That information will be submitted to the NMHED once its complete.

Member Hoehne informed the committee that the NMHED has been working closely with all HEI's who have unexpended balances that are scheduled to revert on June 30th. He noted that these

conversations include support and guidance on ways to expend this funding and at a minimum, encumbered.

Member Rommel asked NTU to confirm that they would be increasing their campus square footage by 20,000 square feet with this project, even with the removal of the modular buildings.

Mr. Chase concurred.

Member Hoehne made a motion to approve the project for submittal to the NMHED Cabinet Secretary contingent upon the following:

- Update Form 5 to include the Funding Description and amount of General Obligation Bond Funding and local institution match; and,
- Provide funding screen shot verifying the encumbrance of funding within the institutions financial system to cover the project amount

Member Trujillo seconded the motion.

Motion passed. (6-0)

9. University of New Mexico Taos – \$2,500,000

Klauer Campus Fire Protection and Domestic Water Service Improvements

Presenters: Dr. Garnett Stokes, President, UNM; Teresa Costantinidis, Senior Vice President for Finance & Administration, UNM; Lisa Marbury, Assistant Vice President for Campus Environments & Facilities, UNM

Dr. Garnett Stokes introduced herself and then thanked Dr. Burke and members of the Capital Projects Committee for hearing all of the UNM projects on the agenda. She provided a brief overview of each of the projects and then turned it over to the respective project representatives.

Ms. Lisa Marbury presented the project as outlined in the project submittal. She reminded the committee that the Klauer campus did have some water issues with the previous project and as a result they hired an independent consultant to go in and do an assessment. This project is a result of that assessment. This water tank will be a back up to provide the necessary fire protection and domestic water service to the campus should the tie into the town of Taos water source be disrupted.

Chairman Burke informed the committee that about 8 years ago UNM Taos constructed a new building that was unable to gain occupancy because of the water issue.

Ms. Marbury confirmed that the issue for that facility was resolved but the problem was still not addressed. The assessment was done in order to find a campus wide solution.

Member Olson asked if this solves the water problem on the campus or will there be other funding requests to address infrastructure related to the water issue.

Ms. Marbury noted that this will solve the issue. She clarified that the issue was a water pressure issue and the campus was not getting the required pressure. If that were to happen now the new water tank would provide the needed pressure.

Member Olson noted that in last years funding cycle UNM Taos requested \$1.875M to drill a well to take care of this water issue. Since it is being addressed now what will the funding be used for?

Ms. Marbury informed the committee that she would need to confirm with Chancellor Rooney to see what the exact plans are for that appropriation.

Member Olson asked that UNM follow-up prior to the summer hearings so we can all understand what the funding will be used for before reviewing the next request.

Chairman Burke echoes Member Olson's comments and requested that the information on the \$1.875M be provided by the middle of June. He then made a motion to approve the project for submittal to the NMHED Cabinet Secretary and then to the State Board of Finance.

Member Olson seconded the motion.

Motion passed. (6-0)

10. University of New Mexico – \$9,514,000

Re-Purpose Alpha Chi Omega Sorority House to UNM Reserve Officer Training Corps Facility

Presenters: Dr. Garnett S. Stokes, President, UNM; Teresa Costantinidis, Senior Vice President for Finance & Administration, UNM; Lisa Marbury, Assistant Vice President for Campus Environments & Facilities, UNM

Ms. Lisa Marbury presented the project as outlined in the project submittal. She reminded the committee that this project had been submitted in November of last year however there were some concerns raised regarding the ability to use GO Bond funds because of the language. Since then UNM has worked closely with the NMHED to come up with a solution on how to best proceed with this project while still having an option for use of the GO Bond funding. This project will use the same funding sources as originally submitted however the GO Bond portion is being replaced with UNM Plant Funds. She also pointed out that UNM will be demolishing the existing Army and Air Force ROTC facilities as part of this project as well.

Chairman Burke asked if the Navy ROTC facility is on the historic register.

Ms. Marbury informed the committee that the Navy facility is on the historic register.

Chairman Burke asked what the plans are for that facility.

Ms. Marbury noted that because the facility is on the historic register it cannot be demolished. For that reason, they will be using the GO Bond funds to renovate it. UNM is currently in the programmatic stage of this project with the intention of creating an enrollment and recruitment center. UNM feels this is a great location to boost enrollment and welcome new students onto campus. They anticipate the project coming forward to the NMHED for approval in November 2021 with project completion around June 2023.

Member Trujillo noted that this project is only about 4 points from meeting LEED Silver. He asked if UNM could go through the LEED Silver requirements again and see if they can get the project to LEED Silver.

Ms. Marbury informed the committee that they have been striving to meet LEED Silver however they have had some increases in construction costs that are affecting their budget. She noted that they will go back and see if they can find those missing points while still containing the project costs.

Member Olson asked UNM to elaborate on the specific issues and challenges they are facing related to rising construction costs and strategies of how they anticipate making sure this project gets completed.

Ms. Marbury noted that she has asked for a report outlining the estimated cost escalations for this project. She was informed that cost escalations are totaling about \$600,000 which will have to be mitigated somehow. There are some fundraising opportunities that are being looked at as well.

Member Olson asked for more information on the UNM Plant Fund Reserve. How much funding is in there and did this money switch into that fund after the GO Bond issue conversation.

Ms. Marbury noted that the funds are generated from the investment of UNM Bond proceeds. Once this project is completed there will no longer be a balance.

Ms. Costantinidis informed the committee that the UNM Plant Fund Reserve balance fluctuates from year to year because its interest based and it is used for projects. The approximate balance is less than \$7M, with all of the commitments against it for the year, resulting in it dropping to zero. There will however be earnings from interest on the remaining balances which will be earmarked for deferred maintenance activities next year.

Member Olson noted that the building is a significant departure from the architecture on that side of University. He asked if UNM had spoken to the neighborhood associations and if they expected any significant opposition from the people in the area.

Ms. Marbury noted that they did present to the Spruce Park Neighborhood Association, which is the association where the facility building is located, and there were no issues or concerns raised.

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)

11. Executive Session (Roll Call Vote) to discuss matters related to strategic and long-range business plans or trade secrets for University of New Mexico Health Science Center/Hospital pursuant to NMSA §10-15-1 (H)(9).

Chairman Burke made a motion to go into Executive Session pursuant to NMSA §10-15-1 (H)(9) to discuss matters related to strategic and long-range business plans or trade secrets for University of New Mexico Health Science Center/Hospital.

Chairman Burke asked for a roll call of committee members:

Members in the affirmative were: Wesley Billingsley, Harrison Rommel, Steve Olson, Harold Trujillo, Gerald Hoehne, Dr. Gerald Burke.

Chairman Burke asked Member Hoehne to close the meeting.

Member Hoehne announced that the original meeting link can be used to log back into the meeting once the committee comes out of Executive Session.

Chairman Burke made a motion to close the Executive Session. He then asked for a roll call vote.

Members in the affirmative were: Wesley Billingsley, Harrison Rommel, Steve Olson, Harold Trujillo, Gerald Hoehne, Dr. Gerald Burke.

Chairman Burke announced that the capital outlay committee met in closed session to discuss the University of New Mexico Hospitals strategic and long-range business plans or trade secrets. No other matters were discussed and no action was taken.

**12. University of New Mexico Health Science Center/Hospital – Not to Exceed \$320,000,000
HUD Financing for Phase III – New Hospital Tower**

Presenters: Dr. Garnett S. Stokes, President, UNM; Dr. Douglas Ziedonis, Executive Vice President, UNM HSC; Dr. Michael Richards, Senior Vice Chancellor of Clinical Affairs, UNM HSC; Kate Becker, Chief Executive Officer, UNMH; Michael Chicarelli, Chief Operating Officer, UNMH

Dr. Ziedonis thanked Chairman Burke and the committee for the opportunity to present the project. He informed the committee that the tower will expand access to essential health care services for New Mexicans here in New Mexico. He then thanked the committee for their support of Phase I which was the make ready work which has been completed, and the Phase II new parking garage which is currently under construction. He noted that both of these phases were paid for using UNM

2044 Galisteo Street, Suite 4, Santa Fe, NM 87505-2100

Phone: 505-476-8400 Fax: 505-476-8454

www.hed.state.nm.us

Hospital cash reserves while the actual new hospital Tower will be paid for and equipped using a combination of funds from the UNM Hospital cash reserves and financing through a mortgage guaranteed by the US Department of Housing and Urban Development. He expressed how frontline faculty, staff, and students are very enthused about this project. He then noted that Dr. Chicarelli, the UNMH COO, will go into more detail about the construction project when that project is presented and Ms. Bonnie White, the UNMH CFO, will go into more detail on the financing of the new hospital tower. He also introduced the other members joining him in the presentation; Mr. George Williford with Hilltop Securities who is the financial advisor to UNMH and Ms. Mary Gavin and Mr. Jared Levine of Gavin and Levine who are the HUD consultants to UNMH. He noted that any of these individuals will be available to answer any questions the committee may have. He then turned it over to Ms. White.

Ms. Bonnie White introduced herself and provided an overview of the financing using a PowerPoint presentation. She noted that UNMH's financing proposal for the new tower includes a HUD insured mortgage under the FHA 242 program with an interest rate of 4%. She noted that they are hoping to get a better interest rate but to be conservative left it at 4% with a mortgage term of 25 years for the submittal. UNM hopes to close on this Mortgage in July and be able to proceed with the project immediately thereafter. Payments would proceed in August of 2024, 36 months after the program starts, with annual Debt Service at just over \$20M and a total debt service of about \$507M. The project costs provided are for the entire project however Phase 3 is the only one that involves the HUD mortgage. UNM is providing a substantial cash investment into this new tower for the construction itself as well as the equipment that will go into the Tower. UNM did receive the state appropriation of \$30M last year and that funding is going towards the financing. She then described the HUD insured mortgage under the FHA 242 program which is a unique financing option is available Acute Care Hospitals to construct facilities ranging from small rural critical access hospitals all the way up to large teaching institutions like UNM. She noted that back in 2004 when UNM needed to expand its hospital facilities they did take advantage of the HUD program which provided for a more cost-effective methodology which allowed them to get a better credit rating than they could on their own which resulted in lower interest rates associated with that transaction. She did note that there are certain limitations that come with using HUD, such as UNMH granting a lien on its properties and its revenues should there be a default on the loan and a restriction that does not allow UNMH to a lien to any other lender. UNMH is restricted to HUD financing until those debts are paid off. She also noted that if UNMH were to try and refund the 2004 loan for the Barbara and Bill Richardson Pavilion, it would cost UNMH an additional \$18M to advance the refund issuance. They also looked at UNM's capacity and the ability to issue System Revenue Bonds however this was not feasible with a project this size. She explained some of the benefits of a HUD loan, such as a higher credit rating that leads to lower interest rates which allows UNM to invest that money into the project itself rather than paying towards additional interest. There is also no debt-service fund requirement which equates to about \$20M and it does lower the capitalized interest which results in a lower borrowing. She then noted that Mr. George Williford provided some information in the packet as to the size of loan and additional debt that would be required if UNM were to use a tax-exempt bond issue. UNM has opted to use the GNMA securities methodology for this financing because it allows UNM to draw down funds as needed during construction, rather than issuing all bonds up front and paying interest on all of the issuance, resulting in a savings of \$19.5M in capitalized interest. She then notified the committee that HUD has completed a virtual site visit with UNM, a formal presentation and approval by the Board of Regents is in place, with final construction documents and construction estimates expected to be completed by the end of May. UNM anticipates that the HUD Credit Committee will issue a HUD mortgage commitment sometime in June allowing UNM to set the interest rates and close in July. Construction will proceed immediately thereafter.

Chairman Burke noted that on Form 4 UNM provided a negative amount in column G for Equity Construction. He asked that UNM clarify this with a footnote explaining what that amount is made up of.

Ms. White informed the committee that they would add that information in a footnote as requested.

Member Rommel asked if UNM had any projections as to what the actual interest rate is going to be in July when this financing closes.

Ms. White noted that they do anticipate the interest rate being below the 4%. In some of the documents recently calculated they used 3.7% as a gauge as well however the 4% was left in the proposal to be conservative. She then asked Mr. George Williford or Ms. Mary Gavin to elaborate.

Mr. George Williford noted that the comparisons provided used a 3.7% all in compared to what they assumed a tax-exempt bond issue in today's market might be. He also noted that this is based on the pricing for Ginnie Mae Securities at the point that the closing can be made. He also noted that they are hoping with rates being set prior to the July closing, there won't be any material change so the 3.7% remains indicative of the interest rate.

Member Olson stated that the total construction cost is listed as \$337M and the funding source is listed as \$320M on the NMHED forms. He noted that the committee typically doesn't see differences in those two amounts since the sources and uses are the same. He asked if UNM could provide an explanation so it can be captured in the minutes for others to understand why there is a difference.

Ms. White informed the committee that the entire construction project is about \$420M. The \$320M is what was estimated as the amount UNM could afford for Debt Service on a 25-year basis. The rest is an equity investment for the remainder of the cost, including the \$30M dollars from the state and the remainder coming out of cash balances.

Member Hoehne noted that for clarification, this request is specific to the approval of the financing only. Typically, there would be a footnote at the bottom showing the full construction cost with a breakdown of funding, which per Chairman Burke's request, should offer the clarity needed on the difference. He also recommended that UNM add the total construction of \$420M to the comment section with a break out of the different funding sources. He noted that this should include the \$30M state appropriation and GNMA financing and would be added as a contingency to the approval.

Member Olson noted that LFC is in support of this financing. He also noted that this type of financing may have made sense in 2004 however in 2015 it could have been looked at more closely before locking UNM into these HUD financing terms again. He asked for the committee and UNM to really look over the next 10 years at other available financing mechanisms that are available in New Mexico that public taxpayers pay for that can be used in lieu of this HUD structure. He also noted that he understood there would be significant consequences however it would still be good to look into these other mechanisms if and when a refinance is available.

Chairman Burke asked if the pledged assets and revenues for this financing are only from the University Hospital or does it also include assets and revenues from UNM as well.

Ms. White noted that the pledged assets and revenues are from the hospital only.

Member Hoehne noted that member Olson's comments on the financing are important and he emphasized that the NMHED looks at financing options for all projects when they come forward with the intention of ensuring that all available options have been explored and the most beneficial to both the taxpayer and institution is chosen. This particular financing option has been carefully reviewed by UNM however the restrictions included with the financing are something that needs to be reviewed moving forward. He then asked President Stokes or CEO Becker to provide a brief overview of how long this project has been in the works, noting that it is important for the committee to understand the amount of work and planning that has gone into this project to prepare it for presentation today.

President Stokes deferred to CEO Becker and her team to provide a response.

Ms. Becker informed the committee that the idea of an additional hospital tower for UNMH has been in the works for over a decade. There have been a lot of discussions, plans, and thoughts on how to meet the needs for healthcare access for New Mexicans in New Mexico. She noted that when she took on the role of CEO three years ago she was receiving information on what's the next step for expanding Hospital Tower capacity so this has been a project from day one of her time in the position. They have dedicated the entire three years on this specific project, engaging an architect, working through design, figuring out how to phase it, and looking at options to fund it. She noted that they brought in a really good team to ensure that they were looking comprehensively at the financing options that were available. UNM has been thoughtful over the last three years in developing the

right project, in the right location, with the right financing, to meet the needs of our community. She then asked Dr. Chicarelli to provide additional detail on the work that has been done.

Dr. Chicarelli concurred with what Ms. Becker noted and he informed the committee this has been a long process with a lot of effort in getting UNM to this point. He also noted that UNM has been working on this project in concept for at least five years and they are really excited to be presenting today.

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

- Update comments within Form 4 to clarify the total construction cost for the project, different funding sources used as reflected in Row G, and the not to exceed amount being requested in this project submittal

Member Hoehne seconded the motion. He then notified the committee that the NMHED and SBOF have been in constant communication regarding this project. He also noted that the project has already been submitted to the State Board of Finance for consideration at their May meeting.

Chairman Burke asked if there were any objections to the motion and second.

Motion passed. (6-0)

13. University of New Mexico Health Science Center/Hospital – \$401,859,331

Construction of Phase III – New Hospital Tower

Presenters: Dr. Garnett S. Stokes, President, UNM; Dr. Douglas Ziedonis, Executive Vice President, UNM HSC; Dr. Michael Richards, Senior Vice Chancellor of Clinical Affairs, UNM HSC; Kate Becker, Chief Executive Officer, UNMH; Michael Chicarelli, Chief Operating Officer, UNMH

Dr. Michael Chicarelli introduced himself and thanked the committee for allowing UNM to present the project. He also thanked Mr. Rocky Kearney, Mr. Enrico Volpato, and Mr. Doug Brooks for all of their work in bringing this large project together. He then presented the project using a PowerPoint presentation. Dr. Chicarelli concurred with Ms. Becker's earlier statement of UNM Hospital having capacity issues and he emphasized that their goal through this project is to provide healthcare services in New Mexico to all New Mexicans by improving access, specifically to critical care. He noted that the existing hospital has crowded and outdated operating suites which were built in 1954. Some things have changes since 1954 in terms of equipment, the need for larger more efficient rooms, reduction in patient diversions from hospitals outside central New Mexico, physical challenges with the technological advances in operating room equipment, and creation of a patient and family-centered care delivery environment. He then went into detail on the tower which will include 96 inpatient beds, 4 - 24-bed intensive care units, 18 operating rooms with 2 of those rooms being hybrid so they can have more specialized equipment, 4 Cardiac Cath Labs, 6 Interventional Radiology Suites, and the Perioperative Suite which supports pre-op and post-op suites. He also noted that the tower will include imaging and an adult emergency department with 40 exam rooms. The tower will also contain a separate behavioral health section to provide care for behavioral health patients and a critical care Suite within the emergency department with trauma and resuscitation bays. He also went over additional supportive services that will be contained within the tower. He then provided information on each level of the hospital, with the first floor housing the emergency department, level one housing the Lobby, Café, and some Imaging Suites, level two housing a lot of clinical support spaces, level three housing surgery, pre-op and post-op, level four will house staff support, education and mechanical space, and level five and six is the ICU and 96 beds mentioned earlier in the presentation.

Dr. Chicarelli then provided an update on the construction schedule, noting that they started the demolition and site clearing, which includes the removal of the physics and astronomy building, and will probably be wrapped up in the next two weeks or so. He also noted that construction will begin on the tower in the first quarter of 2022 pending approvals. He then presented some pictures of the tower to the committee, explaining that the facility is being designed to be a welcoming and open environment for patients. He also noted that the interior colors were chosen from colors found

naturally in New Mexico giving the interior space a very natural look for patients and visitors of the hospital. He then extended an invitation if anyone would like a tour of the site.

Chairman Burke asked if the access to the existing parking structure has been cleared so people can get to it the same way that it was accessed in the past

Member Chicarelli noted that access to the old parking structure is now off of University onto a road called Tucker. Tucker will connect to a road called Camino De Salud which would take you to the parking structure.

Member Olson thanked UNM and their financing team for all their hard work in putting together these packets and for their diligence in keeping the LFC informed. He then noted that the 2019 state appropriation in the amount of \$30M shows expenditures of \$20M and he asked if that portion had come before this committee for approval.

Ms. White noted that the \$20M was used to cover architecture and engineering fees however she was not sure if the project had come to this committee for approval.

Member Hoehne informed the committee that when the NMHED and UNM started having conversations about this project over one year ago, the only discussions involved phasing and how the project should be packaged when brought forward for approval. The conversations and decisions made is what ultimately drove the submittal and approval of the three separate phases. At that time the \$30M appropriation was not discussed as a separate approval item. He then noted that the NMHED requirements are that any project that exceeds the thresholds for approval for construction be brought forward for approval prior to starting, however, with this project, we knew that because of the size, the dollar amount for the A&E portion would be well above the thresholds. He asked for UNM to provide information on when they anticipated drawing down the funds.

Member Billingsley informed the committee that since the \$30M was appropriated from General Fund UNM would have already been received the funding and no draw down would need to take place. He asked that UNM speak to how much of that funding has been expended.

Member Hoehne thanked Member Billingsley for the clarification. He asked UNM to provide the amount of funding that has been expended.

Ms. White noted that she does not have the exact dollar amount that's been expended.

Mr. Michael Kearney informed the committee that UNM has expended \$21.4M as of today.

Member Hoehne asked if all of that funding has been spent on design.

Mr. Kearney confirmed that all of the funding was spent on design.

Member Olson noted that the square footage cost on this project is high. He asked UNM to speak to any benchmarking that was done on similar construction projects. He also asked UNM to explain why they feel comfortable with that dollar per square foot cost.

Dr. Chicarelli noted that hospitals are generally more expensive per square foot. Critical care hospitals are even more expensive per square foot, operating rooms in particular, being the most expensive portion of a hospital. He also noted that this hospital tower will contain 18 operating room so the majority of the square footage cost is driven by the operating rooms and the critical care aspect of the tower itself.

Chairman Burke asked if patients would be transferred to the new hospital for operations if they are already checked in and staying in the old hospital.

Dr. Chicarelli noted that they are in the middle of looking at a backfill process at this time so that's to be determined at this point.

Chairman Burke asked if a patient is operated on in the new tower but they are staying in the older hospital rooms would they be transferred through the walkways.

Dr. Chicarelli noted that when the new hospital tower opens in October 2022 all operations will be moved over to the new tower, and patients in the old hospital will be transferred to the new tower through the walkways.

Member Trujillo noted that by now everyone knows that operating costs are many times the cost of initial construction. He also thanked UNM for the large amount of data and information that was provided related to the energy aspect of the project. He noted that in their review of the information this project was designed to meet LEED Silver and also the Energy Star requirements that are legislative mandates from back in 2010 as well as the new 2018 Energy Code. He also noted that UNM is close, about 44% on the required 50% reduction, using the old standard that was developed using the 2006 Executive Order. He asked if there was any chance that UNM could somehow supplement that and get to 50% once construction bids are received or even after construction by working with Lobo Energy to see about entering into a Power Purchase Agreement or other ESCO approach to reduce operating costs.

Dr. Chicarelli informed the committee that they are aggressively trying to pursue the 50%. He also thanked Member Trujillo for noting that UNM surpassed LEED Silver. UNM is within 5 to 7 points of reaching LEED Gold and it is their intention to continue aggressively pursuing the LEED Gold as well hitting the 50% reduction target.

Member Hoehne noted the large amount of documentation that has been submitted for the committee to review and he thanked UNM for working so closely with the NMHED on submitting responses to questions and packaging the responses and documentation in a way that was easy for the committee to find. He also brought up the fact that this project, as large as it is, only addresses the construction of the facility, not all of the associated equipment and furniture that will be needed to make the facility operational. He asked UNM to discuss the furniture and equipment investment and how that would be funded.

Ms. White informed the committee that they will be using a cash investment to purchase the \$76.2M in equipment associated with this project. UNM opted to use the long-term HUD financing as well as funding that has been set aside for over many years to cover the construction of the tower.

Ms. White noted that the entire project cost, between the equipment and the tower, is about \$533M with \$170M of the cost being funded from UNM cash reserves. She also noted that the UNM Capital Initiatives Program was established about 8 to 10 years ago specifically for the purpose of building this Tower so that is where the funds for this project will come from. She also noted that the remaining balance in the UNM Capital Initiatives Fund will meet the cash balance reserve requirements as issued by HUD under the terms of the financing.

Member Hoehne asked UNM how much of the previous phases was paid from UNM cash reserves.

Ms. White noted that the Phase 1 and Phase 2 projects total about \$93M and they are being funded out of cash reserves. The parking garage is not eligible for HUD financing so UNM had to make that investment using their cash reserves. She also mentioned that the entire project, with all phases included, is a total of \$616M with a cash investment from UNM of \$266M.

Member Olson asked UNM to provide information on the largest obstacles they foresee related to the completion of this project. He noted that increasing construction costs are a significant concern and he wondered if there's any chance of this project being delayed as a result.

Dr. Chicarelli noted that the market is quite volatile and nobody really knows what costs are going to look like however they are prepared and will value engineer items if necessary. He also noted that they have also factored in some escalation contingency, especially when costs started to wrap up very quickly, so they do have that to fall back on as well.

Member Olson asked what outcomes UNM expects with regard to impacting Public Health in the state, such as in 2026 and 2027, what are the goals we should look for that this investment will have an impact on.

Ms. Becker noted that one of the things that UNM tracks is the number of patients who are diverted out of our state. One of the things that is very important to UNM is providing healthcare to New

Mexicans here in New Mexico. We know from folks that are calling into our transfer center that the number ranges from 900 to 1200 patients per year. We expect that number to be reduced as a result of this new tower. UNM is also hoping to begin to see improvement in the ability of folks to reduce chronic conditions because UNM would be able to intervene more quickly. This project supports folks who will be seen immediately, taken care of immediately, and helps us provide care over the long term. This is a small piece to improving the continuity of care for patients in our state. One outcome that UNM is striving for that is not specific to the tower but part of the whole project is figuring out how to get folks the right care, in the right place, and at the right time. If someone needs acute care they do not need to leave the state because it will be available, if a lower level of care is needed it will be available, and if someone needs primary care it will also be available.

Member Trujillo noted that home builders in New Mexico are having a difficult time keeping up with demand so he asked if UNM knew if there was a New Mexico contracting firm that would be able to construct this project.

Dr. Chicarelli noted that the CMAR for this project is Bradbury Stamm.

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

- Approval of the HUD backed mortgage; and,
- Approval of the Wells Fargo financing.

Member Trujillo seconded the motion.

Motion passed. (6-0)

14. Adjourn

Member Hoehne made a motion to adjourn the meeting.

Chairman Burke seconded the motion.

Motion passed. (6-0)

Meeting adjourned at 12:17 p.m.