

LFC HEARING BRIEF

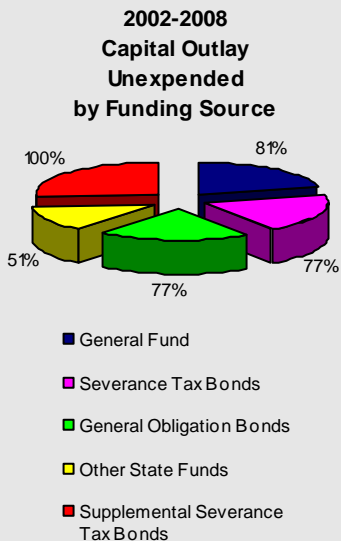
AGENCY: LFC Staff

DATE: September 24, 2008

PURPOSE OF BRIEF:
Capital Outlay Quarterly Report

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EXPECTED OUTCOME:
Informational



Note: Unexpended SSTB may be higher, because not all school construction funding is reported in the Capital Projects Monitoring System.

BACKGROUND INFORMATION

The September 2008 Capital Outlay Quarterly Report provides the Legislative Finance Committee (LFC) and members of the Legislature with the current financial accountability for outstanding capital funding appropriated between 2002 and 2008. The report demonstrates appropriations, expenditures, and balances for all active capital projects and other issues for consideration. Draw-downs for expenditures or completion of projects that occurred after September 15, 2008, may not be reflected in the report.

CAPITAL OUTLAY FUNDING UPDATE

Quarterly Report Results. Analysis of data from the Capital Outlay Monitoring System for outstanding capital funding authorized between 2002 and 2008 demonstrates the following:

- Of \$3.7 billion appropriated between 2002 and 2008 for 19,140 projects, \$1.8 billion for 7,685 projects remains unexpended (excludes \$223.4 million for 194 projects awaiting voter approval); of the \$1.8 billion, \$109.1 million accounts for 3,897 projects funded for \$50 thousand or less.
- Unexpended balances by fund: general fund (\$867.1 million), severance tax bonds (\$644.3 million), general obligation bonds (\$140.6 million), other state funds (\$106.5 million), supplemental severance tax bonds (\$28 million).
- \$114 million for 538 projects was expended since the last quarterly report.

**2002-2008 Capital Outlay Funding
"Active" Projects Only**
(in millions)

Year	Number of Projects	Amount Appropriated	Amount Expended	Amount Unexpended	Percent Expended by Year
2002	17	\$ 36.4	\$ 27.9	\$ 8.5	77%
2003	130	\$ 40.1	\$ 29.1	\$ 11.0	73%
2004	574	\$ 189.3	\$ 109.0	\$ 80.3	58%
2005	896	\$ 263.5	\$ 131.9	\$ 131.6	50%
2006	1,455	\$ 605.8	\$ 128.6	\$ 477.2	21%
2007	2,694	\$ 776.9	\$ 76.5	\$ 700.4	10%
2008	1,919	\$ 378.6	\$ 1.1	\$ 377.5	0%
Total	7,685	\$ 2,290.6	\$ 504.1	\$ 1,786.5	

Note: figures do not include General Obligation Bond projects authorized in 2008.

STATUS AND HIGHLIGHTS OF SELECT PROJECTS (\$1 Million or Greater)

LEGEND		
	Project on schedule	242
	Behind schedule or little activity	107
	No activity or bonds not sold	27
Total Active Projects > \$1		376
Other report information:		
	Appropriation expended or project complete	13
X	Additional funds needed	28

- \$853 million, including \$188.8 million appropriated in 2008, remains unexpended for 376 projects funded for \$1 million or greater.
- \$75.5 million was expended and 13 projects closed since the July 2008 Quarterly Report.
- As of this date, 28 projects may require additional funds for completion; legislators can expect funding requests in 2009 for projects listed in the sidebar. (LFC staff will estimate funding needs by December 2008).

\$1 Million or Greater Projects Requiring Additional Funds:

Statewide Projects

- Court of Appeals Building
- New Mexico Farm & Ranch Heritage Museum (renovate & construct)
- Museum of Natural History & Science (construction)
- Elephant Butte Lake State Park (improvements)
- Lake Roberts Dam Spillway (improvements)
- Santa Teresa Port of Entry (phase II)
- UNM State Laboratory Services building
- New Mexico State Police Crime Lab
- Lordsburg Port of Entry (building site)
- Los Lunas Substance Abuse Treatment Center Construction
- Veterans' Alzheimer Unit (plan/design)
- NMHU Felix Martinez Building

Major Milestones Achieved in Last Quarter.

Court of Appeals Building

- \$15 million in general fund and STB appropriated since 2006; construction has begun on the 33,000 square foot building scheduled for completion by September 2009; additional \$400,000 needed for furniture, fixtures, and equipment.

Cannon Air Force Base

- \$5 million STB appropriated in 2006; a Memorandum of Understanding was signed between DFA and the United States Air Force to establish project milestones and identify potential land for acquisition.

New Mexico School for the Blind and Visually Impaired

- \$8.5 million GOB and STB appropriated since 2006 for the Early Childhood facility; significant progress has been made on the construction of the building; completion scheduled for December 2008.

New Mexico History Museum: Palace of the Governors

- \$13.5 million STB appropriated between 2003 and 2006; all 2003 funds expended as of last quarter; installation of exhibits should occur this fall, with opening in summer of 2009.

Completed Projects or Significant Expenditures in Last Quarter.

Miners' Hospital

- \$6.9 million from the Miners' Trust Fund appropriated since 2003 for the Miners' Colfax Medical Center; over \$6.5 million

***Additional Funds Needed
(cont'd)***

- NMHU Infrastructure
- NMHU Student Services Center
- NMMI Dow Hall (renovate/expand)
- Indian Water Rights Settlement (Navajo/Taos/Aamodt)

Local Projects

- Albuquerque Senior Center Central Kitchen
- Pecos Wastewater Project
- Eunice Wastewater Treatment Plant
- Pojoaque Valley Area Water/Wastewater System
- Valencia County Water/Wastewater System Master Plan
- Rio Rancho Water Reuse/Distribution Facilities
- Eastern Navajo Nation Water Pipeline
- Ruidoso Downs Regional Wastewater Treatment Plant
- Ute Pipeline - Eastern New Mexico Rural Water Authority
- Albuquerque Senior Affairs Office
- Dona Ana Revitalization Project & Land Acquisition
- Mora County Judicial Complex

expended in the last quarter; agency has occupied the new facility and the project is in its final phase.

Santa Fe Rail Yard/ Farmers' Market

- \$2 million in general fund and STB appropriated in 2006; funds fully expended; farmers' market is complete and drawing many vendors and large crowds; rail yard is near completion.

University of New Mexico

- \$7 million STB appropriated in 2007 for the Cancer Center & Research Center; all state funds expended with construction of the facility 76 percent complete; 2008 general obligation issue awaiting voter approval contains \$17 million for phase II of the project.

State Laboratory Services Building

- \$80 million NMFA bonds, STB, and general fund appropriated since 2002; \$9.1 million expended in the last quarter; project currently ahead of schedule with expected completion in April 2010; agencies will request \$6.7 million in 2009 for furniture, fixtures, equipment, and moving costs.

Projects Requiring Additional Funds or Experiencing Delays.

South Valley Multi-Purpose Health Center

- \$5.4 million in general fund and STB appropriated since 2005; construction expected to begin summer of 2008; project expected to bid in October 2008; Bernalillo County has expressed concerns about DFA reimbursements and believes further delays could occur if reimbursement issues are not resolved. (delays due to DFA legal counsel review)

Water & Wastewater Grant Fund (administered by NMFA)

- \$40.9 million in general fund appropriated since 2001; \$6.3 million unexpended. NMFA is in the process of evaluating the current status of the allocated funds and outlining details to reclaim unspent funds. A letter has been sent to entity officials reminding them of the requirement to provide close-out letters reflecting closure of the stated project under terms of the signed grant documents.

Eastern New Mexico Rural Water Authority

- \$1 million in general fund appropriated in 2007 for the Ute Pipeline; project funds have been expended for the design of

The Local Government Division staff is continuing their efforts to research 273 projects totaling over \$60 million that should have reverted on June 30, 2008.

the pipeline which is 30 percent complete; project expected to cost an estimated \$436 million with completion in 2019.

Game and Fish Department

- \$2.8 million appropriated in 2005 from game protection fund for Lake Roberts Dam spillway improvements; funds will be used to tear down dam; an additional \$3.5 million needed for the reconstruction; project cannot proceed without funding.

Mora County Judicial Complex

- \$2.3 million in general fund and STB appropriated since 2006 for construction of a building to house all courts, all county offices, and leased space; phasing plans are currently underway with project bids to begin in November 2008; county will request an additional \$10 million from the state in 2009 to complete project.

Red Flag “No Activity” Projects Since Last Quarter.

Sandoval County Broadband Project

- \$1 million in general fund appropriated in 2006; \$832,000 expended, but DFA general counsel advised to seize all payments and stop project until further notice. The State Auditor’s office still has not completed audit of this project.

Indian Water Rights Settlement

- \$10 million in general fund appropriated in 2007 for water rights settlements in the Navajo Nation, Aamodt, and Taos; project will not move forward until federal legislative authorization and funding passes.

Game and Fish Department

- \$1 million in general fund appropriated in 2006 for Bear Canyon Dam spillway improvements; project is on hold until Lake Roberts Dam spillway project is completed; federal regulations prevent both dams from being empty simultaneously.

MANAGEMENT AND OTHER ISSUES

If the August 2008 consensus revenue estimate remains unchanged, approximately \$86 million is available for general fund nonrecurring uses including capital outlay, information technology, and special appropriations in 2009. An additional \$14 million is available for GRIP I authorized during the 2008 Special Session. The August

forecast was based primarily on energy prices rebounding; and while there have been signs of a rebound in oil prices, natural gas prices continue to be below the \$9.60 per thousand cubic feet that was projected by the consensus group for FY09. The forecast will be updated in October and again in December.

The severance tax bonding capacity (see Attachment A) is based on FY08 revenues and is unaffected by the fall in prices (there may be some revision to the long-term bond, but not to the short-term or sponge note). Over half of the capacity has been authorized for transportation, spaceport and water projects including \$75 million from the Special Session for the GRIP I shortfall.

Given the decline in energy revenues and the recent forecast for capital outlay capacity in 2009, legislators may want to consider other revenue options for anticipated “statewide” requests. One option for consideration may be the reauthorization of previously funded projects that are no longer viable or remain unexpended for various reasons. Examples of a “few” such projects are as follows:

Equestrian Facility - Of \$24 million appropriated between 2006 and 2008, \$22.3 million remains unexpended; design is 80 percent complete; project on hold pending a request for information (RFI) issued jointly by Expo New Mexico and DFA. One response suggests creation of a world class equestrian center for horse shows, rodeos, dirt biking, and family-centered livestock events on the state fairgrounds. The fairgrounds are being considered as an alternative site for the equestrian facility.

St. Vincent Medical Center - \$1.8 million appropriated in 2007 for renovations and equipment remains unexpended; no grant agreement is in place, and the hospital is now under new management.

Department of Information & Technology - \$1 million appropriated in 2008 to purchase a computing system (Teragrid) contingent on National Science Foundation grant; grant was not awarded to the state.

Bernalillo County Automobile Facility (Tesla) - \$8 million appropriated in 2007 and 2008; Tesla chose to build in California rather than in New Mexico.

Film & Media Initiative - \$8.7 million appropriated in 2007 and 2008; to date, funds have not been allocated.

Water Innovation Projects - \$6.5 million appropriated in 2007 and 2008; to date, funds have not been allocated.

Site Visits to Date by LFC Staff:

- Southern NM Correctional Facility
- John Paul Taylor Center
- Las Cruces State Police District Office (Proposed Site)
- Fred Luna Building
- NMMI Dow Hall
- NM Rehabilitation Center, Roswell
- NM Farm & Ranch Museum
- NM State Veterans' Home
- Expo NM
- Belen Multi-Purpose Center
- Los Lunas Campus
- Los Luceros property

Bear Canyon Dam Spillway - \$1 million appropriated in 2006; project can not proceed until Lake Roberts Dam Spillway improvements are completed.

Clayton Lake Dam - \$1 million appropriated in 2006; the Dam Safety Bureau designated the dam a "low hazard" dam.

Gila River Water System Improvement - \$1 million appropriated in 2006; difference of opinion among the community of how funds should be used has delayed the project; Interstate Stream Commission staff currently working to resolve the issues.

Dam Renovations & Repairs - \$4 million appropriated between 2005 and 2008; project unable to commence due to staff vacancies.

Eclipse Aviation Maintenance Center Construction - \$2 million appropriated in 2008 for construction of maintenance center; recent news articles question viability of the company; construction of facility could be delayed.

2009 Request to Date. The Infrastructure Capital Improvement Plans submitted to DFA as of July 1, 2008, indicate nearly \$1.5 billion in capital needs will be requested by state agencies and local entities in 2009. State agencies will request \$733.5 million, while local entities will request \$731.3 million.

LFC staff is performing site visits to better understand projects which are of particular interest to the state and to identify certain critical issues. Site visits ranged from projects in planning or construction to those with flood damage or deficiencies. Site visits to date include the following:

Los Lunas State Campus has 46 buildings on a portion of 140 acres. Four buildings on the campus have become a major liability to the state and require demolition. The Campbell building, the largest of the four buildings at 23,718 square feet is the greater liability to the state. The building has been the subject of major vandalism; many of the vandals are youths putting themselves at risk each time they enter the building. The three other buildings—Mecham, Woolston, and the Old Huning are subject to the same vandalism, continue to be a liability, and are beyond renovation.

A natatorium, operated by the Department of Health, is also on the campus. The pool is functional, but requires funding for serious upgrades in order to remain operational and to better serve those in need. The Natatorium serves as a rehabilitation center for the

developmentally disabled and certain members of the community, who by physician's referral, require physical therapy.

The Bashein building is a vacant 19,417 square foot facility listed in DOH evacuation plans as a possible relocation site for the Sequoyah Adolescent Center in the event of a natural disaster. The DOH continues to discuss options for use of the facility, but it is in need of major renovations. Since 2006, the building has been used to store hundreds of obsolete voting machines owned by the Board of Finance, Secretary of State, and the majority by various counties. The owners would have to remove the machines before any renovations are considered.

Southern New Mexico Correctional Facility (SNMCF) will request \$2.2 million for total replacement of its HVAC system for security levels three and four. In conjunction with the HVAC replacement, \$1.2 million will be needed for the housing unit and pipe chase and sewer rebuild. The Corrections Department indicates the two projects must be done simultaneously to be effective. The HVAC and pipe chase are part of the original facility and have not been replaced in 25 years.

The Department of Corrections may pursue a joint resolution during the 2009 Legislative Session for authorization to purchase 324 acres of land for \$1,500 from the federal Bureau of Land Management. SNMCF currently occupies a portion of this land.

New Mexico Farm and Ranch Museum experienced considerable damage from flooding following a breach of the Tortugas Arroyo. The damage is projected to cost \$50,000 to \$100,000, including \$25,000 in damage to the new sheep, goat and beef barns. The \$25,000 will be covered by Risk Management, but the additional damages will not be covered. The new barns were scheduled to open August 15, 2008, but the flooding has pushed the opening back six to eight weeks.

Las Cruces State Police District Office project has a proposed site located east of the current facility and adjacent to the Farm and Ranch Museum. The proposed site is located in a major drainage problem area and lacks infrastructure which could lead to major increased project costs. Programming is underway and negotiations to secure land for the office are in progress, but the site for the project has not been officially selected.

2008 Reauthorizations. A record number of 444 capital outlay projects were reauthorized in 2008. DFA was unable to provide statistics and dollar amount for nearly 200 of the projects under their

STB Projects Reauthorized in 2008 with zero balances:

- *Chichiltah Chapter road equipment purchase*
- *Hayes Middle School laptop computers*
- *Van of Enchantment*
- *Rio Arriba County Road 126 Bridge*
- *Springer Senior Center Construct*
- *Tesuque Pueblo police building repairs*
- *Sawmill Community Center storytelling equipment*

administration and continues to research many of the projects. The State Board of Finance (BOF) reports nearly \$32 million in STB funding was reauthorized for 198 projects. Of the 198 projects, 95 projects were given BOF approval to proceed on September 17, 2008. Reauthorization of 95 projects was for a two-year extension. Significant issues with the STB reauthorizations are as follows:

- Eight projects were considered void; all had a zero balances prior to reauthorization.
- 20 projects had balances less than \$20,000; one was reauthorized three times with a balance of \$23.14 to be used for construction of a high school tennis complex;
- 23 projects had been reauthorized multiple times; 6 were being reauthorized for the third time.
- 14 other reauthorizations are likely to be approved with conditions for released funds set by BOF counsel.

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Attachment