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FISCAL IMPACT REPORT

SPONSOR: Ponce DATE TYPED: 02/17/03 HB 699

SHORT TITLE: Retiree Health Care Authority Building SB _____

ANALYST: Geisler

APPROPRIATION

Appropriation Contained		Estimated Additional Impact		Recurring or Non-Rec	Fund Affected
FY03	FY04	FY03	FY04		
\$400.0				Non-Recurring	OSF

(Parenthesis () Indicate Expenditure Decreases)

SOURCES OF INFORMATION

Retiree Health Care Authority (RHCA)

SUMMARY

Synopsis of Bill

HB 699 appropriates \$400.0 from the retiree health care fund to the RHCA for expenditure in FY03-05 to plan, design, acquire, construct, equip, and furnish an administration building, including the acquisition of real property. Any unexpended or unencumbered balance at the end of FY05 reverts to the RHC fund. It contains an emergency clause.

FISCAL IMPLICATIONS

RHCA believes that the use of \$400.0 for an administrative building will have no discernable impact on the fund's long term solvency. Acquisition of the building will be more cost effective than leasing and will provide the fund a long term investment.

OTHER SUBSTANTIVE ISSUES

RHCA provided this chronology of this project.

1999 This project began with the sale of the RHCA's former, outgrown property located on Don Gaspar and the recognition that it is more fiscally sound to own property as a long-

term asset to the RHC fund than to make lease payments for which there is no return. Our actuary indicated that the effect on long-term solvency of higher payments for debt service (short-term) versus lease payments (long-term) was minimal. The RHCA contacted GSD/PCD for guidance. PCD agreed to assist, while noting that RHCA has its own fund and therefore is not subject to PCD oversight.

- 4/00 Section 10-7C-7.2 NMSA 1978 was enacted to authorize the RHCA to sell revenue bonds to finance purchase or construction of an administration building, and appropriated \$400.0 for expenditure in FY00-02.
- 6/00 RFP for architectural services released by PCD.
- 8/00 PCD proposed donating property at West Capitol Campus. Architectural RFP awarded to Lloyd & Tryk Architects. Contract submitted to PCD for review and assistance.
- 1/01 PCD reviewed architect contract and returned it to RHCA.
- 3/01 DFA approved architect contract. Design work resulted in Programming & Site Selection Document, analyzing program and needs.
- 5/01 PCD presented project to Capitol Buildings Planning Commission (CBPC). RHCA worked with NMFA for funding. Architectural design completed. PCD presented update to CBPC. CBPC questioned project and ordered halt. PCD issued "stop work" order to RHCA's architect.
- 9/01 CBPC meeting held; RHCA instructed to consider South Galisteo site.
- 1/02 RHCA offered terms to PCD for land and building design. PCD authorized RHCA to proceed with the building as designed, on the South Galisteo site, at a cost of \$313,000, and withdrawing PCD's oversight of the project. Weeks later RHCA met with PCD to finalize the land sale; PCD representative informed RHCA that sale must be approved by Board of Finance at Mar. meeting; proposed moving building site; and indicated a new appraisal must be obtained before purchase price can be agreed upon.
- 5/02 RHCA met with PCD to negotiate land price. Director agreed to \$313.0, but afterwards staff told RHCA it still had to be approved by Board of Finance at Sept. meeting, and they may disallow it because current appraised value wasn't used; however, Board of Finance and NMFA confirmed neither Board of Finance nor legislative approval is required. PCD drafted Purchase Agreement for \$313.0. RHCA Board adopted resolution to apply for PPRF loan.
- 8/02 Architect proceeded with adaptation of building to new site on South Galisteo. Unrecorded lot split from prior PCD sale halted progress of land transaction.
- 10/02 Issue involving unrecorded lot split resolved when it was determined that the State CID would issue building permit rather than City; City recognition to be pursued concurrently.
- 11/02 PPRF loan application submitted to NMFA for \$2,500.0 over 10 years. Project scheduled for Dec. NMFA Board meeting.

12/02 Interest rate at <3%. Project rescheduled for Jan. NMFA meeting.

1/02 NMFA provided “lease vs. buy” analysis reflecting savings to program: Savings Associated With Bonding after 10th year, \$279.9; PV Savings Associated With Bonding after 10th year, \$208.3; Cumulative PV Savings Associated With Bonding after 12th year, \$132.6. At NMFA request, RHCA Board adopted Certification of Need Resolution. Interest rate still at <3%. Project removed from NMFA Board agenda.

WHAT WILL BE THE CONSEQUENCES OF NOT ENACTING THIS BILL?

Further architectural, engineering, and other miscellaneous work will be unfunded.

GG/prr