**APPROVED MINUTES**
**of the**
**FOURTH MEETING IN 2011**
**of the**
**CAPITOL BUILDINGS PLANNING COMMISSION**

**November 8, 2011**
**Room 311, State Capitol**
**Santa Fe**

The fourth meeting of the Capitol Buildings Planning Commission (CBPC) in 2011 was called to order by Chuck Gara, designee for Secretary of General Services Edwynn L. Burckle, on Tuesday, November 8, 2011, at 1:50 p.m. in Room 311 of the State Capitol in Santa Fe.

**Present**
Chuck Gara, Director, Property Control Division (PCD), General Services Department (GSD)
Designee for Edwynn L. Burckle, Secretary of General Services, Chair
Tom Clifford, Secretary-Designate of Finance and Administration
Alvin C. Dominguez, Secretary of Transportation
Veronica N. Gonzales, Secretary of Cultural Affairs
Sen. Stuart Ingle, Senate Minority Floor Leader
Sen. Timothy Z. Jennings, Senate President Pro Tempore
Elaine Olah, Designee for Ray Powell, Commissioner of Public Lands
Patrick Simpson, Designee for Charles W. Daniels, Chief Justice of the Supreme Court
Clarence Smith, Designee for James Lewis, State Treasurer
Rep. Thomas C. Taylor, House Minority Floor Leader

**Absent**
Rep. Ben Lujan, Speaker of the House of Representatives, Co-Chair

**Staff and Interested Parties**
Raúl E. Burciaga, Director, Legislative Council Service (LCS)
Roxanne Knight, LCS
Tom Pollard, LCS
Douglas Carver, LCS
Cassandra Jones, LCS
Lemoyne Blackshear, Staff Architect, PCD

**Guests**
The guest list is in the meeting file.

**Handouts**
Handouts and other materials provided to the commission are in the meeting file.

**<u>Tuesday, November 8</u>**

**Welcomes**

Due to the absence of Secretary Burckle and Speaker Lujan, Mr. Gara chaired the meeting. He opened the meeting by welcoming members of the CBPC, staff and members of the public in attendance.

***Action Item: Approval of Agenda***

Secretary Clifford moved to approve the agenda. The motion was seconded by Ms. Olah. Members of the commission voted unanimously in favor of the motion.

**Implementation Strategies for Asset Management (and Adopted Recommendations) and Reevaluation of Existing Master Plan Strategies**

John Petronis, commission facilities planner, Architectural Research Consultants (ARC), and Andy Aguilar, commission facilities planner, ARC, gave a follow-up presentation to the commission on issues that had been raised during the commission's previous meeting. Mr. Petronis noted that the current strategies for the Santa Fe, Albuquerque and Las Cruces master plans include seeking to decrease overall lease expense by developing consolidated state facilities in the three cities. Since this strategy was developed, the continuing economic downturn has led to downsizing of state staffing and has created an increase in vacancy rates for leased office space. This has created greater opportunity for the state to acquire existing buildings, which is generally a less expensive option than constructing a new building.

***Staff Directive: Secretary Clifford asked that ARC research precise figures on downsizing, its impact statewide and on local markets and on office leased space vacancy rates.***

Mr. Petronis did not recommend a change in the overall strategy presented in June 2011, but he added that it is difficult for the state to move quickly to take advantage of opportunities for building acquisition, and he recommended that the state consider creating a property acquisition fund.

Mr. Petronis then discussed implementation strategies for asset management, beginning with conducting a condition assessment of all facilities aside from those under the jurisdiction of the Higher Education Department and public schools. He recommended that external contractors perform condition assessments; that the PCD, with the assistance of expertise in other state agencies, manage the process; that a committee representing the major agencies involved be established to provide input and monitor progress, with the CBPC providing general oversight and review; and that the assessments should provide as deliverables identification of building conditions with a prioritized list of repairs, identification of current use and office capacity and integration of the collected data into the state building inventory database. Members of the commission noted that to be effective, such assessments need to be done regularly. Mr. Petronis agreed, and he recommended a six-year cycle. Mr. Petronis then discussed steps to assist agencies in integrating their master plans with the overall planning process to improve the linkage between strategic planning and capital planning. The next stages should be preparation

of a prioritized plan to address capital facilities renewal and the establishment of a reliable source of funds for capital building renewal, including implementation of a capital building renewal program. Mr. Petronis modeled a management structure for facilities asset management, showing the importance of the Capital Buildings Master Plan, the Capital Facilities Renewal Fund and the Local Government Division of the Department of Finance and Administration's (DFA) Infrastructure Capital Improvement Plan (ICIP) process to achieving outcomes. He then discussed the costs for a full condition assessment, noting that the cost range could be expected to be between $0.10 and $0.37 per gross square foot, depending on the overall size of the facilities to be assessed. Mr. Petronis outlined the facilities renewal costs, noting that the cost to address facilities most in need of action could total anywhere from $125 million to $250 million, or approximately $25 million to $50 million a year for five years. He added that capital management costs for such projects are usually 3.5 percent to 5.0 percent of the project. Mr. Petronis also provided a breakdown of implementation costs, based on a six-year cycle, with the condition assessment totaling $2.3 million for years one and two, agency master plans assistance totaling $1.4 million for years one through three, a Capital Facilities Renewal Fund for facilities most in need of repair totaling $200 million and state management totaling $10 million. In response to questions from members of the commission, Mr. Petronis stated that these figures are an educated guess based on data that are presently available, but that the figures could change once better data are obtained.

Members of the commission expressed concern that ARC would have an inside track if a request for proposals (RFP) were issued for managing the Capital Facilities Renewal Plan. Mr. Petronis said that if ARC continued to be an advisor to the commission, it would not submit a proposal if that were an issue. Other members of the commission noted that all of the information that ARC was presenting as well as its other work product for the commission is publicly available, and presumably anyone interested in submitting an RFP would avail themselves of ARC's work. Dr. Pollard noted that ARC was presenting these estimates at the request of members of the commission in order to inform the commission of the potential magnitude of the costs associated with capital facilities renewal.

Mr. Petronis then addressed the question of whether there are gaps in the prioritization criteria for strategic asset management. He discussed the ICIP for all state agencies promulgated by the DFA and the ICIP criteria used for agencies under the PCD purview, noting that the two agencies had similar, though not identical, criteria. Mr. Aguilar then discussed the prioritization criteria used by Utah and Washington, and Mr. Petronis discussed the criteria used in Texas. Mr. Petronis then made some observations and recommendations, drawing from the experiences of these three states. He recommended that New Mexico's prioritization criteria be unified, noting that the PCD provides criteria grouping that is clearer than the DFA's listing. Mr. Petronis added that it should be considered whether the geographic dispersal of benefits is important to the state. He noted that these other states have categories and grouping of criteria that more clearly convey state objectives and priorities, and that the criteria in these states address more specifically items to which New Mexico only alludes; for instance, improving space utilization, opportunities to co-locate with other agencies, protection of critical infrastructure and making a business case for

a given project. He proposed that a process be developed that seeks wider review and input to unify and seek improvements to state prioritization criteria.

Mr. Aguilar then discussed how other states distribute their facilities, comparing Utah, Washington, Texas and Arizona. Mr. Petronis noted that New Mexico was a leader in this analysis, with a good system of mapping and a good distribution of state facilities. Mr. Aguilar then discussed building costs in neighboring states, noting that it was difficult to get data that were readily comparable and that there was a large variation in costs. He discussed factors that have an impact on costs, including whether construction was in a large city and the effect of state and local taxes. He noted that there was not a large impact from the federal Davis-Bacon Act of 1931 because the right laborers for most projects require high wages. There was some discussion among members of the commission on wage rates and tax rates.

Mr. Petronis then discussed how to assess the economic impact of a project on a local community, noting that there would be an impact both from operations of the facility and in the facility's construction. Measures for the impact of operations and construction include the total output — the value produced by the final demand dollars cycling through the economy; total earnings — the amount of total output paid in compensation; and total employment — the number of jobs created or sustained. He discussed the United States Bureau of Economic Analysis' (BEA) regional input-output modeling system as a method for assessing the local economic impact of a project. Members of the commission discussed drawbacks to the BEA's tool. Mr. Petronis noted in conclusion that one must also consider other impacts on a local economy, including the impact of a new facility on the local office market, considering what percentage of the local office market is reflected in the project; the impact of the project on the vacancy rate; and the type, condition and locations of existing state offices.

Members of the commission noted that with the structure of the bidding process, when there is state construction in outlying areas, it is rare for local firms to get the job, and most of the workers tend to be from Albuquerque.

**Capital Financing**

Dr. Pollard gave a presentation to the commission on planning and financing for state facilities. He noted that most state-owned facilities are well beyond a reasonable useful life; for instance, the median age of state facilities under GSD control is 44 years. The total renewal costs for all state facilities (excluding higher education) are $1.4 billion. The estimate for high-priority, critical renewal projects is estimated to be $250 million. Since 1990, there has been a dropoff in new construction as the state has depended more on private leasing, an option that may provide a long-term, cost-effective solution to state facility needs, but one that needs careful analysis, including comparing leasing to the cost of renewal and use of existing facilities and to the cost of purchase or construction of new facilities.

Dr. Pollard then walked the members of the commission through the strategic facility planning process. Step 1 is to determine facility requirements from the strategic plan for agency outcomes and operations; Step 2 is to evaluate the existing facility inventory condition and

ability to meet future facility needs; Step 3 is to use life cycle costing to choose new facility design, construction, acquisition and finance methods; and Step 4 is to use the most cost-effective finance tools for required maintenance, renovation and/or new facility acquisition.

Dr. Pollard then discussed the principal sources of capital project financing from FY 2006 through FY 2011, noting that the proceeds from severance tax bonds were by far the largest source of capital project funding by the state. The severance tax bonds are secured primarily by taxes on mineral production in the state and are used to finance capital projects authorized by the legislature and approved by the governor. Over the last six years, the state has issued $1.6 billion in senior severance tax bonds and notes and $1.3 billion in supplemental severance tax bonds and notes. He added that with the failure of the senior severance tax bond authorization bill during the 2011 regular session, $206 million of the $233 million in severance tax bonds issued during FY 2011 were supplemental severance tax bonds. He noted that an $81 million senior severance tax bond authorization was approved during the 2011 special session to be issued during FY 2012. Dr. Pollard then discussed how general fund cash balances have historically been the second-largest source of funds for capital projects statewide, but that during the recent period of state operating budget shortfalls, there have been no general fund balances for use in funding capital. Additionally, in FY 2009 and FY 2010, a total of $407.8 million that was previously appropriated for capital projects was reappropriated for operating budget purposes. Dr. Pollard discussed how general obligation bonds, which are voted on in public referenda in even-numbered years, have been used to fund $386 million in higher education, library and senior citizen center projects, but that in November 2010, voters failed to approve $155 million in higher education bonds and approved only $19.7 million in senior citizen center, library and public education projects. Dr. Pollard then discussed the estimated bond capacity through FY 2016, with figures based on the October 2011 revenue estimates.

Dr. Pollard concluded his presentation by discussing the funding requirements for enhanced state facility planning. He noted that the condition assessment of all state facilities, except higher education and public schools, was estimated at $2.3 million total, to be spent in the first two years. A further $1.4 million was estimated to be required to assist agencies in developing facilities master plans, which would be spent over the first three years. Furthermore, a reliable revenue source to implement a building renewal program would need to be established, starting in the second year of a program, with a cost estimate of $40 million a year. Finally, the management of condition assessments, prioritization of renewal projects and the maintenance of required databases would cost an estimate of $2 million a year, beginning with the second year of a plan.

Members of the commission discussed the amounts that are available through the senior severance tax bonds, and noted nervousness about earmarking money for facilities renewal. Dr. Pollard noted that, in the past, very little money has been spent on facilities maintenance or renovation, which seems to have been made the lowest priority. The bulk of such money that has been spent has been on major repairs necessitated by lack of prior maintenance; for example, when the roof of a prison needs to be completely replaced because maintenance has been neglected for years. The goal, Dr. Pollard stressed, is to use the state's limited resources more

efficiently. He also noted that the goal of the condition assessment is to allow the state to know with greater precision what money amount is necessary for required repairs and maintenance. Members of the commission agreed in principle with the need for an assessment and for a plan to properly maintain state facilities for the future.

***Staff Directive: Staff are to determine how much of the $4 billion from the state's bonding capacity has been used for the buildings that would be addressed in the proposed capital facilities renewal plan.***

***Action Item*: *Adoption of October 11, 2011 Minutes***

Ms. Olah moved to approve the minutes of the prior meeting. The motion was seconded by Mr. Smith. Members of the commission voted unanimously in favor of the motion.

**Public Comment**

Marc Bertram of Santa Fe Brown wished to give the members of the commission a perspective from the private sector. He stated that he agreed with the establishment of some kind of building purchase fund, and he stressed the need to leverage public-private partnerships. He stated that he believes that Davis-Bacon Act wages were a significant factor in construction costs. He expressed criticism of the process for the RFP for the Los Soleras complex. Members of the commission and Mr. Bertram briefly discussed the Los Soleras project.

**State Purchasing Comment on Procurement Task Force Initiatives**

Lawrence Maxwell, state purchasing agent and director, discussed the state's recordkeeping for procurement. He noted that the state does not presently have an information storage recordkeeping system, and that with the current system, all recordkeeping is on paper. He stated that one of his highest priorities is to rectify this issue, and he added that the governor had appointed a Procurement Reform Task Force. He stated that the task force is looking at recommendations regarding paperless procurement, as well as certain statutory revisions.

**Legislative Proposals**

Ms. Knight discussed the revisions that had been made to SB 193, which had been vetoed by Governor Martinez after the last regular session, noting that the only changes were to some redundant language. Anne Green-Romig, who had replaced Secretary Gonzales as her designate, noted that language concerning boards of regents in the legislation would have to be changed if the legislation intends to include certain museums under the control of the Cultural Affairs Department. There was some discussion regarding the governor's veto of SB 193.

**Closed Session**

Upon a motion by Mr. Smith, seconded by Ms. Green-Romig, the members of the commission met in a closed session in order to consider the report of the selection committee that had reviewed the RFP for the new master planning contract. The selection committee members were Mr. Gara, Mr. Burciaga, Ms. Knight and Mr. Carver. No action was taken by the commission after the conclusion of the closed session.

**Next Meeting**

After discussion, it was determined by the members of the commission that the next meeting of the commission would be on December 6, 2011 at 10:30 a.m., solely to discuss the master planning RFP and possible legislation for endorsement by the committee. As a number of members of the commission cannot be in Santa Fe that day, it was agreed that they could participate in the meeting telephonically.

**Adjournment**

There being no further business, the commission adjourned at 4:52 p.m.