

**Minutes of the Special Meeting of  
The Board of Regents of the University of New Mexico  
June 21, 2021; 9:00 AM Open Session  
Virtual meeting via Zoom; livestreamed for public viewing**

Members Present

Douglas Brown, President  
Kim Sanchez Rael, Vice President  
Sandra Begay, Secretary/Treasurer  
Jack Fortner  
Randy Ko  
William Payne  
Robert Schwartz

Administration Present

Garnett S. Stokes, President; Douglas Ziedonis, EVP of UNM Health Sciences and CEO of the UNM Health System; Loretta Martinez, University Counsel; Ava Lovell, Exec. Officer for Finance and Administration, HSC; Richard Larson, Executive Vice Chancellor, UNM HSC; Terry Babbitt, President's Chief of Staff

CALL TO ORDER AND CONFIRMATION OF A QUORUM

Regent President Douglas M. Brown called the meeting to order at 9:05 AM and confirmed a quorum with 7 members present, confirmed with a roll call.

VOTE TO ADOPT THE AGENDA

The motion to adopt the agenda passed unanimously (1<sup>st</sup> Fortner; 2<sup>nd</sup> Begay; roll call vote – all members voted yes).

APPROVAL OF TOTAL CONSTRUCTION PROJECT COST INCREASE GREATER THAN 10% FOR THE PREVIOUSLY APPROVED INSITITUE FOR SUBSTANCE USE AND BRAIN INJURY (ISUBI) CAPITAL PROJECT AS REQUIRED BY REGENTS' POLICY MANUAL 7.12, SECTION 3

As noted in the presentation materials (ATTACHMENT A) Administration was requesting Regents' approval of the new construction project cost of \$12,555,750 for the ISUBI capital project, an increase of over \$2.5 million from the original total construction project cost estimate of \$10 million. The Regents posed questions and had discussion before voting on the item.

Regent Kim Rael mentioned the global supply chain issue and said costs may come back down. With this 25% cost increase, she inquired if leadership was considering adjusting project timing.

Regent Brown brought up the construction of the hospital tower and the potential for the same situation. He inquired how UNM protects itself against these risks, if there is a need and whether the cost of purchasing protection would be prohibitive.

Regent Rob Schwartz asked if the additional \$2 million would come out of the University's general revenue. Dr. Ziedonis responded the funds would come from the Health Sciences Center capital bucket, and he explained the importance of moving forward with the project. The ISUBI will house important core functions that will not only be for the HSC but also for University faculty, so this will be an important part of the one-campus spirit. In addition, UNM has new recruits who have expectations that they will have the facility to do the research that UNM hired them for, both in the substance use area and the brain injury field, which are also two important topics for citizens in the state. The project will support core research infrastructure as well, both for basic science as well as for UNM's clinical scientists, so there

will be a translational part as well as a basic part. Regarding timing, state board approval will be requested in September, so if prices are trending down a little, that will be good.

Regent Jack Fortner said he appreciated Regent Rael bringing up the issue of timing. He explained why he would support moving forward: 1) there were no guarantees that price reductions were going to happen, and more importantly, 2) there are other UNM grants that hinge on the ability to use this facility, so the impact to UNM's research mission is significant. Regent Fortner confirmed his support for the project and said he would move approval when Regent President Brown was ready.

Regent Brown clarified the ISUBI project was approved at the Regents' February meeting and this approval was a matter of providing a runway with the state. He asked Ava Lovell if she had anything to add. Ms. Lovell said there is a chance that material prices could fall back down in six months, but she didn't think the subcontract labor prices would be going down due to so much competition especially around Albuquerque right now, even against UNM's own big hospital project, so getting the electrical subcontractors, plumbing subcontractors, and so forth nailed down now would be the best bet. She recommended going forward with the project.

Regent Payne clarified that he understood the need for the facility but inquired how UNM got in this situation, given that in contracting usually some of the risk is assigned to the bidder.

Regent Brown asked Ms. Lovell if UNM was at the point of a fixed contract.

Ava Lovell responded that UNM was not yet at the point of a fixed contract. She explained the process. UNM hires an architect and also hires a construction contractor for pre-construction services only, called a construction manager at risk (CMAR). At this point, UNM is only obligated to Bradbury Stamm right now for pre-construction, and they now go out to bid which they did. They have been very transparent and given UNM four bids for every subcontract. And in doing that they said it's much higher than their original estimates. She clarified that once the fixed contract is in place, the risk would be on the contractor.

Regent Payne asked if this problem exists with the new hospital being constructed, or does UNM already have the contracts in place? Ms. Lovell said it was her understanding that this problem exists, but for the hospital tower project, they have a few more levers they can pull. Because the ISUBI project was an NIH grant that UNM went to proposal for, the square footage cannot be cut unless UNM starts over and goes back for another competitive grant. So this limits what UNM can cut. Ms. Lovell added that some things have been cut, like furniture cost; UNM is going to use surplus furniture.

Regent Brown inquired if UNM was facing the same problem with the hospital tower project. Ms. Lovell said they were currently in the process of getting to what is called the gross maximum price, which is what the contractor agrees to and then they are at risk.

Regent Brown mentioned other capital projects on the horizon like the addition to the Cancer Center which will be facing the very same issue. Ms. Lovell said that UNM is probably 9 months away from having to go out and get bids on the Cancer Center project because the New Mexico Finance Authority (NMFA) is selling the bonds from the cigarette tax and so forth. UNM is probably 9 months to a year away from having to get bids on the College of Nursing and Population Health \$33 million building.

Regent Schwartz affirmed his support of the project as long as UNM has the resources. Dr. Ziedonis confirmed that the HSC had the funds to cover the cost and reaffirmed the importance of the project to UNM's research mission.

**The motion to approve the construction project cost increase greater than 10% for the previously approved ISUBI capital project passed unanimously (1<sup>st</sup> Fortner; 2<sup>nd</sup> Begay; roll call vote – all members voted yes).**

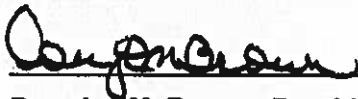
Regent Rael added that during her experience years ago working on large capital planning and construction expansion projects with Intel, she was involved in a supply evaluation that found that at the peak of the construction, the demand for electricians on site exceeded the total number of licensed electricians in New Mexico and Arizona and parts of Colorado at the time. As a result, the construction schedule was adjusted. With the big projects coming on and UNM obviously not being the only entity in the state, Regent Rael encouraged leadership to be mindful to not compete with itself for resources and also to think about the broader capacity loading issue for these important trades.

**ADJOURN**


There being no further business, Regent Brown adjourned the meeting at 9:17 AM.

**Approved:**

**Attest:**



**Douglas M. Brown, President**

  
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Sandra K. Begay (Aug 24, 2021 11:28 PDT)

**Sandra K. Begay, Secretary/Treasurer**

# Attachment A

(attachment to the Minutes of the June 21, 2021  
BOR special meeting)

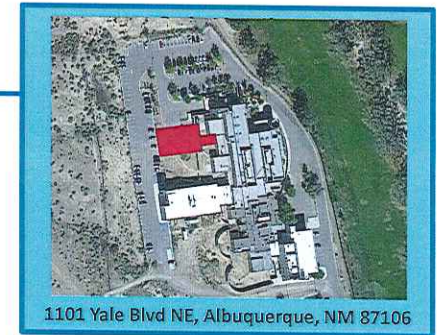
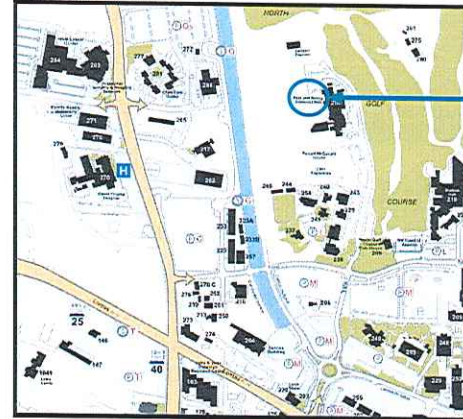


## Interdisciplinary Substance Use And Brain Injury (ISUBI) Addition to Pete and Nancy Domenici Hall

UNM REGENTS

### Request for Capital Project Approval

Project Site & Location



1101 Yale Blvd NE, Albuquerque, NM 87106

UNM Health Sciences Center ISUBI (Interdisciplinary Substance Use and Brain Injury) Facility Addition to Pete and Nancy Domenici Hall

University of New Mexico HSC Campus  
January 20, 2021

### UNM HSC ISUBI Addition to Pete and Nancy Domenici Hall

Project Description



#### PROJECT SNAPSHOT

- Square Footage: ~15,700 GSF
- Project Cost: \$12,555,750 (previously \$10,000,000)
- Construction Schedule: 11 months

#### PROJECT OUTLINE

- Addresses two interrelated NM health priorities
  - Brain Injury, Substance Use Disorders
- Discovery of new treatment mechanisms, and testing to ensure efficacy in real-world settings
  - State-of-the-art laboratories, and clinical research testing spaces
- Home for HSC-main campus collaborations
  - Grand Challenges, CoBRE Centers and other interdisciplinary initiatives

## OPTIONS AND CONSIDERATIONS

Requesting Regent approval of total construction project cost increase greater than 10% for the previously approved Institute for Substance Use and Brain Injury (ISUBI) capital project. This request is being made as required by Regents Policy Manual 7.12 section 3.

We have considered these alternatives:

- Reduce the size (square feet) and/or scope of the program for the project
  - This project has been partially funded by a competitive grant from NIH – we must deliver the project size and scope NIH funded
- Delay the project for six months in hopes prices would abate
  - No guarantees on price reductions and prices could increase
  - Research faculty have proposed several other grants based on the ability to use this facility; the impact to our research mission is significant

## OPTIONS AND CONSIDERATIONS

We are returning the ISUBI project to you, requesting approval to increase the total project cost from \$10,000,000 to \$12,555,750

We have considered these alternatives:

- Reduce the size (square feet) and/or scope of the program for the project
  - This project has been partially funded by a competitive grant from NIH – we must deliver the project size and scope NIH funded
- Delay the project for six months in hopes prices would abate
  - No guarantees on price reductions and prices could increase
  - Research faculty have proposed several other grants based on the ability to use this facility; the impact to our research mission is significant

## Increased Project Cost Breakdown

Expenditure	Original	Revised	Variance	% Variance
General Conditions	\$3,515,862	\$4,124,036	\$608,174	17.3%
Mechanical/Plumbing	\$2,732,700	\$3,500,240	\$767,540	28.1%
Electrical	\$755,000	\$1,219,780	\$464,780	61.6%
Special Systems (Voice, Data, ect)	\$188,503	\$205,000	\$16,497	8.8%
Built-in Equipment	\$204,955	\$209,650	\$4,695	2.3%
Site Development	\$375,400	\$467,500	\$92,100	24.5%
<b>Total Construction Cost</b>	<b>\$7,772,420</b>	<b>\$9,726,206</b>	<b>\$1,953,786</b>	<b>25.1%</b>
Contingency	\$300,000	\$700,508	\$400,508	
Architectural/ Engineering	\$858,000	\$858,000		
Project Administration	\$30,000	\$30,000		
Surveys	\$110,000	\$110,000		
Movable Equipment	\$200,000	\$214,992	\$14,992	
Gross Receipts Tax	\$729,580	\$916,044	\$186,464	
<b>Total</b>	<b>\$10,000,000</b>	<b>\$12,555,750</b>	<b>\$2,555,750</b>	<b>25.6%</b>

## Increased Project Costs

### Mechanical/Plumbing costs increased by \$768k

- Materials price increases in all areas – the primary driver in this category is steel which increased 75% in March, 2021; and labor costs in the Albuquerque market where craft labor is in short supply due to other large construction projects

### General Conditions increased by \$608k

- Largest increase in site work, and the equipment to prepare the building site (such as renting bulldozers, dump trucks and cranes; skilled operating labor for the equipment)

### Electrical Cost increased by \$465k

- Material prices for copper and aluminum wiring, conduit, and drastically increased labor costs

### Construction Contingency costs increased by \$400k

- Increased contingency from 3% to 5% - needed for volatility in construction environment

### Gross Receipts Tax increased by \$186k

- Taxes increase incurred by subcontractors due to higher costs

## UNM HSC ISUBI Addition to Pete and Nancy Domenici Hall

### Schedule & Budget

#### SCHEDULE

- Construction Start: October 2021
- Duration: 11 Months
- Completion: May 2022

#### BUDGET

- NIH Funded \$4,000,000
- HSC Capital Funds \$8,555,750
- Total Project Budget: \$12,555,750

View into Medical Research Exam Room

