

COUNTY OF LINCOLN
New Mexico
Special Meeting
Board of County Commissioners

Jackie Powell, Chairwoman
Mark Doth, Member
Dallas Draper, Member
Glenna N. Robbins, Treasurer
Rhonda B. Burrows, Clerk

Preston Stone, Vice-Chair
Kathryn L. Minter, Member
Robert Shepperd, Sheriff
Paul Baca, Assessor
Stirling Spencer, Probate Judge

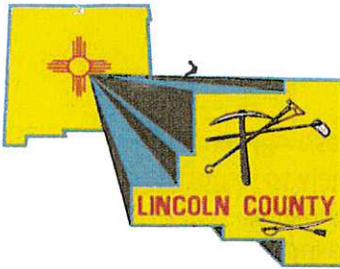
Nita Taylor, County Manager

Amended Agenda
Tuesday, November 5, 2013 @ 9 a.m.

1. Call to Order
2. Roll Call
3. Invocation
4. Pledge of Allegiance
 - A. Pledge – U.S.A. Flag
 - B. Salute – N.M. Flag – (“I salute the flag of the State of New Mexico, the Zia Symbol of perfect friendship among united cultures”)
5. Approval of Agenda
6. Amend Lease Agreement Between the County of Lincoln and Presbyterian Healthcare Services Agreement #826
7. Approval/Consideration of Bid Award 13-14-002 Angus Church Watershed Protection
8. Discussion of Potential Legislation Allowing Contract Work Inspectors
9. Signing of Official Documents
10. Next Regular Meeting –Tuesday, November 19, 2013
11. Adjournment

PLEASE NOTE: ALL SUBJECTS LISTED ON THIS AGENDA ARE TO BE CONSIDERED ACTION ITEMS BY THE BOARD OF COUNTY COMMISSIONERS UNLESS OTHERWISE INDICATED.

November 5, 2013: THIS AGENDA IS SUBJECT TO CHANGE



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County of Lincoln

P.O Box 711 • 300 Central Ave. • Carrizozo, New Mexico 88301-0711 • (575) 648-2385

AGENDA ITEM No. 16

October 30, 2013,

MEMORANDUM

TO: County Commissioners

FROM: Nita Taylor, Lincoln County Manager *NT*

SUBJECT: Lincoln County Medical Center Lease Agreement

DISCUSSION: The Lease Agreement (“Agreement”) between the County of Lincoln and Presbyterian Healthcare Services (“PHS”) for the Lincoln County Medical Center Complex (“LCMC”) is due to be renegotiated. The current 20-year Agreement was approved April 12, 2006, and became effective on November 1, 2006 after receipt of Public Regulation Commission required approval. Over the past year, the Commission has identified two issues to be considered in renegotiating the Agreement:

1. **The lease/rent amount; Article 2, Page 3 of the Agreement.** The Agreement allows that “*ninety days prior to every five-year anniversary of the Commencement date, the parties shall meet to determine whether any adjustment to the base rate is warranted. If warranted, any adjustment shall be effective as of the 1st of January following the anniversary date.*” The current rent of \$800,000 annually covers the hospital building and property located at 211 Sudderth Drive in Ruidoso. Although a new Therapy Building was built in 2008, the lease adjustment for that addition has not been previously negotiated. The lease adjustment under current consideration includes the addition of the Therapy Building, along with soon to be completed Physician’s Office Building (“POB”).

At Enclosure 1 is LCMC’s Proposal for the Lease Amendment. Attached to Enclosure 1 is:

1. Attachment 1: 2nd Amendment to Lease Agreement¹, proposing \$900,000 per year for two years, with a re-evaluation to take place within 90 days prior to the end of the second year;
2. Attachment 2: Current Lease Agreement dated April 12, 2006 - effective November 1, 2006;
3. Attachment 3: LCMC System-Wide Facility Operating expenses; 2008 – 2014
4. LCMC Financial Summary 2013 Year-To-Date through September.

Mr. Al Santos will be present at the Commission Meeting to present LCMC’s proposal.

¹ 1st Amendment, effective October 1, 2007, transferred title to real property to allow for the construction of County improvements, and the subsequent use of County improvements by PHS, from Southwest Health Foundation to Lincoln County. The lease amendment included the Real Property to be included within and as part of the “Leased Premises”.

Manager's Recommendation: Based on the high level of detail and credibility of the Appraisal Report, and considering the forecasted economic conditions cited by Mr. Santos, my recommendation is for the Commission to:

- assess the rent for the entire LCMC Complex, including the Hospital, Therapy Center and Physician's Office Building at the low end of the Market Rent estimate: \$1,375,000;
- Assign an automatic escalation of rent in the amount of 1% annually (see footnote 3);
- Consider an alternative rent amount of \$1,100,000 to include the entire LCMC Complex; to be increased by \$50,000 annually plus 1% of total rent annually (for four and one-half years) until the low end of the market rent is reached;
- Review and renegotiate, if necessary, the rent and other terms of the Agreement every two years, or sooner if circumstances warrant.

2. **Administrative Board; Article 13, ¶13.3, Page 12.** On several occasions, members of the Commission have questioned and discussed the requirement for the appointment of the PHS Administrative Board to be included in the Lease Agreement between Lincoln County and PHS. Per the Agreement, "*PHS shall appoint a community board of trustees of the Hospital to provide the administration with informed counsel, to improve relations existing between the people of the County and PHS, and to insure consistent evaluation of Hospital services to be provided by PHS. The community board of trustees shall meet at least quarterly and will select its own officers.*"

Background: It is unclear why the appointment of this PHS Administrative Board should stem from the Lease Agreement between the County of Lincoln and PHS; why LCMC cannot simply appoint its own Board outside this Agreement. The Commission has discussed the existence of this Board, and the role it plays, on several occasions, most recently at the July 16, 2013 Final Budget Meeting.

See Enclosure 3 for excerpts from the minutes for that meeting, at which Mr. Scott Shaffer responded to an inquiry regarding the 2% margin LCMC is required by PHS to maintain. From his narrative, I understand that the 2% margin is required to enable LCMC to realize more local authority to govern operations, and that this "local authority" is the Administrative Board mandated by the Lease Agreement. Prior to that, during the July 16, 2013, Mr. Al Santos made a presentation to the Commission supporting LCMC's budget request. The presentation included LCMC's Financial GAP Action Plan. See Enclosure 4. This handout illustrated a \$4 million 2013 Financial Gap to achieve the 2% margin; it described LCMC initiatives of \$1.8 million, leaving a remaining gap of \$2.2 million. LCMC subsequently requested the County to fund that \$2.2 million for hospital operations.

Manager's Recommendation. Manager agrees that it may be advantageous for LCMC to have more local authority to govern operations, *if* it can afford to have that local oversight. However, *if* it is this Lease Agreement between PHS and the County of Lincoln that drives the requirement for the 2% margin, I recommend the requirement be removed from this Lease Agreement.



LINCOLN COUNTY MEDICAL CENTER
211 Sudderth Dr.
Box 8000
Ruidoso, NM 88355
Phone (575) 257-8200
www.phs.org

November 5, 2013

Subject: Lincoln County Medical Center Lease Amendment

Dear Commissioners:

This letter constitutes Lincoln County Medical Center's (LCMCs) proposed second amendment (see attachment 1) to the existing lease agreement between Lincoln County and LCMC dated April 12, 2006 (see attachment 2).

This request is based on the requirement in the base lease for an agreed upon review every five years as to whether an adjustment to the annual lease payment is warranted.

Background

LCMC has been a dedicated healthcare partner with Lincoln County for more than 40 years, and like Lincoln County, is committed to improving the health of Lincoln County residents. LCMC and its governing Board of Trustees greatly appreciate the continuing support of Lincoln County Commissioners to ensure Lincoln County residents receive the highest quality, affordable and accessible healthcare. Under the current lease, LCMC provides maintenance and housekeeping services, and pays for all utilities, which amount to more than \$1.6 million annually (see attachment 3). LCMC and Lincoln County have previously agreed to an annual fair market appraisal lease payment, currently valued at \$800,000. LCMC obtained and paid for the current appraisal dated October 1, 2013. This appraisal is based on comparable commercial rental properties located predominately outside of Ruidoso, New Mexico. The appraisal noted that there was no information available on hospital rentals since most hospitals throughout the United States are owned. The appraiser defined estimated rental rates based on a range from low to high end. LCMC acknowledges the validity of the appraisal; however, current and 2014 forecasted economic conditions prevent LCMC from accommodating the low end of the appraisal, which would not allow LCMC to even come close to breaking even financially in 2014 (see attachments 3 & 4).

Recommendation

LCMC respectfully recommends the lease payment with Lincoln County be set at \$900,000 per year for two years, with a re-evaluation to take place within 90 days prior to the end of the second year. At that time, LCMC's financial position would be evaluated to determine whether an adjustment to the lease base rate is warranted. The proposed lease would result in Lincoln County receiving an additional \$100,000 annually or 12.5 percent more than it currently is receiving. This allows LCMC a significantly stronger likelihood to break even financially with current Mil Levy and Sole Community Provider support levels. Lastly, the proposed lease creates a legitimate financially sustainable path for Lincoln County and LCMC as we collaboratively support healthcare delivery services for all patients.

Al Santos, Administrator, LCMC

Gary Mitchell, Chair, LCMC Board of Trustees

LCMC ENCL 1

**SECOND AMENDMENT
TO
LEASE AGREEMENT**

This Second Amendment to Lease Agreement is made as of the 15th day of October 2013, by and between the COUNTY OF LINCOLN, a political subdivision of the State of New Mexico (the "County") and PRESBYTERIAN HEALTHCARE SERVICES, a New Mexico nonprofit corporation ("PHS").

RECITALS

- A. County and PHS are parties to a Lease Agreement dated April 12, 2006 (the "Lease").
- B. County has constructed certain improvement on real property currently leased to PHS ("Improvements"). PHS and County wish to formally memorialize the terms and conditions under which these new improvements will be leased to PHS.
- C. In accordance with Section 2.1 of the Lease, and in light of the construction of the Improvements, PHS and the County desire to agree on an adjustment to the base rent.
- D. County and PHS desire to amend the Lease as set forth in this Second Amendment to Lease Agreement ("Second Amendment").

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing premises, the County and PHS agree to amend the Lease, effective as of October 1, 2013, as follows:

- A. Exhibit A to the existing Lease is hereby deleted in its entirety and replaced with the Exhibit A attached to this Second Amendment.
- B. Section 2.1 of the Lease is hereby amended to provide that effective as of January 1, 2014 the base rent shall be Nine Hundred Thousand Dollars (\$900,000) per year, for two years, payable in 12 equal monthly installments. The parties agree that ninety days prior to the end of this two year period they will meet to determine whether any adjustment to the base rate is warranted.
- C. Except as specifically amended above, the provisions of the Lease remain in full force and effect.

LEASE AGREEMENT

This Lease Agreement (the "Lease"), made as of the 12 day of APRIL, 2006, by and between the COUNTY OF LINCOLN, a political subdivision of the State of New Mexico (the "County") and PRESBYTERIAN HEALTHCARE SERVICES, a New Mexico nonprofit corporation ("PHS").

WITNESSETH:

WHEREAS, the County and PHS desire to assure the citizens of Lincoln County the best health care value possible; and

WHEREAS, PHS has leased Lincoln County Medical Center (LCMC) from the County since 1972, and throughout that time has provided care to the citizens of Lincoln County; and

WHEREAS, the County desires that PHS expand its hospital services to include ambulance services and in furtherance thereof desires to lease to PHS the County's authority to operate an ambulance services and the tangible assets currently used in connection with that services; and

WHEREAS, the current lease between the County and PHS is due to expire in 2008 and the County believes it is in the best interests of its citizens to enter into a new lease with PHS at this time and PHS is willing to enter into such a lease;

NOW, THEREFORE, the County and PHS agree as follows:

ARTICLE 1. Grant and Term

1.1 Leased Premises: The term "Leased Premises" or "Premises" as used herein shall mean (i) all of the lands, buildings, improvements, and equipment owned by the County and comprising Lincoln County Medical Center, formerly known as Ruidoso-Hondo Valley General Hospital (the "Hospital"), as specified on Exhibit A to this Lease; and (ii) all of the equipment and property, both tangible and intangible, owned by the County and utilized in connection with the provision of ambulance services under New Mexico Public Regulation Commission Certificate of Public Convenience and Necessity ("CCN") No. 12341-1, including such certificate, as specified on Exhibit B to this Lease

terms of this Lease. The Lease during the Renewal Term shall be on the same terms and conditions as contained in the Lease.

1.6 Option to Terminate: Any provision of this Lease to the contrary notwithstanding, this Lease may be terminated by either the County or by PHS without cause or penalty at any time following the third anniversary of the Commencement Date. In order to terminate the Lease pursuant to this Section 1.5, the party desiring to terminate the Lease shall deliver written notice of termination to the other party at least one hundred eighty (180) days prior to the desired date of termination. A request by a party to renegotiate any term of this Lease shall not be deemed a breach of the Lease.

1.7 Termination of Prior Lease. The County and PHS agree that, effective as of midnight of the day prior to the Commencement Date, the Amended and Restated Lease Agreement dated as of April 8, 1994, between the County and PHS shall terminate.

ARTICLE 2. RENT

2.1 Base Rent: PHS shall pay the County as rental for use of the Leased Premises the sum of Eight Hundred Thousand Dollars (\$800,000) per year, said rental payable in 12 equal monthly installments commencing on or before the Commencement Date and continuing thereafter on or before the first business day of each month during the Initial Term and any Renewal Term. The Parties may agree that any portion or all of the amount due as rent may be offset by the assumption by PHS of obligations otherwise imposed on the County under this Lease. Ninety days prior to every five-year anniversary of the Commencement Date the parties shall meet to determine whether any adjustment to the base rate is warranted. Any adjustment to which the parties agree shall be effective as of the January 1st following the anniversary date. If the parties fail to agree on any adjustment, PHS shall continue to pay the base rate then in effect.

2.2 Use of Rental Sums: All rental sums will be credited by the County to a separate line item: (i) to provide funds for County participation in sole community provider and other similar programs; (ii) to pay for capital improvements to the Leased Premises; and (iii) to otherwise support the provision of Hospital and healthcare services in Lincoln County.

- (b) persons capable and authorized to initiate immediate lifesaving procedures;
 - (c) facilities for emergency laboratory work, including at a minimum, urinalysis, complete blood count, blood type and cross match;
 - (d) diagnostic radiographic facilities; and
 - (e) ambulance equipment and facilities.
- (iv.) Facilities, procedures, and policies for prevention, control and reporting of communicable diseases including having one or more rooms for isolation of patients having or suspected of having communicable diseases;
 - (v.) Adequate records including, at a minimum, a daily census and register of all births, deliveries, deaths, admissions, emergency room admissions, discharges, operations, outpatients, and narcotics; and
 - (vi.) Physical facilities, personnel, equipment and procedures which comply with the regulations promulgated by the Department of Health.

PHS' obligations under this section shall constitute a healthcare facility contract under the Hospital Funding Act, Sections 4-48B-1 to 4-48B-27 NMSA 1978 (the "Hospital Funding Act").

3.5 Annual Review: PHS and the County shall meet annually to review the scope and availability of services provided at the Hospital.

ARTICLE 4. ASSIGNMENT AND SUBLETTING

PHS agrees that in no case shall it assign the Leased Premises or sublet the Leased Premises in their entirety without the prior approval in writing given by the County.

ARTICLE 5. MAINTENANCE OF LEASED PREMISES

PHS agrees that it will, at its sole cost and expense, keep the Leased Premises in good condition and repair during the Primary Term and any Extended Term in accordance with any local building, fire, or health ordinances. PHS further agrees that it will return the Leased Premises to the County in as good condition as when received, reasonable wear and tear or act of God expected.

floor coverings and partitions, but excluding trade fixtures, signs and personal property owned by PHS, shall become the property of the County upon expiration or earlier termination of this Lease. All improvements, trade fixtures, signs and personal property acquired by PHS with the mill levy proceeds distributed to PHS pursuant to Article 12 of the Lease shall become the property of the County upon expiration or earlier termination of this Lease. Upon expiration or earlier termination of this Lease, PHS will surrender the property covered by this Section 7.1 to the County in good condition subject to reasonable wear, tear and disposition of obsolete personal property in the normal course of business. Upon expiration or termination of this Lease for any reason, the County shall assume all debt incurred by PHS in connection with its acquisition of fixtures and personal property transferred to the County under this paragraph and shall indemnify and hold PHS harmless from any responsibility therefor from and after the date of the expiration or termination of this Lease; provided, however, that the County shall not be required to assume any debt under this paragraph unless the County approved the acquisition in advance of PHS incurring such debt.

7.2 PHS' Fixtures and Personal Property: Any trade fixtures, signs and other personal property of PHS not permanently affixed to the Leased Premises shall remain the property of PHS and PHS shall have the right at any time, and from time to time, to remove any and all of those trade fixtures, signs and other personal property which it may have stored or installed in the Leased Premises. PHS at its expense shall immediately repair any damage occasioned to the Leased Premises by reason of the removal of any such trade fixtures, signs or other personal property.

ARTICLE 8. UTILITIES

PHS agrees, at its own expense, to pay for all telephone service, janitorial service, interior cosmetic maintenance, and utilities used by PHS on the Leased Premises, during the Primary Term and Extended Term.

ARTICLE 9. INSURANCE

9.1 Casualty Insurance: PHS, at its sole cost and expense, agrees to keep the Leased Premises insured during the term of this Lease with fire and extended coverage in an amount at least

ARTICLE 11. DEFAULT

11.1 Default: It is understood and agreed that in the event PHS defaults in the payment of the rent, or defaults in the performance of any of the covenants of this Lease, the County shall give PHS written notice of such default. All such notices shall be deemed to be properly served if delivered in writing, personally, or sent by certified mail, return receipt requested. If such default shall not be cured within ninety (90) days after the sending of such notice (or such longer period as is reasonably necessary to cure such default if the same cannot with due diligence be cured within ninety (90) days), County may immediately, at its option, either (i) terminate this Lease and PHS' right to possess the Leased Premises or (ii) continue the Lease in full force collecting rental as it becomes due and enforcing the provisions of this Lease with or without electing that PHS shall forfeit its right to use the Leased Premises under this Lease. If PHS disputes the existence of a default, PHS or County may submit the dispute to arbitration pursuant to Section 11.2. If the dispute is submitted to arbitration, any termination of the Lease pursuant to this section will be delayed pending completion of the arbitration. PHS, upon termination of this Lease or the County's election that PHS shall forfeit its right to use the Leased Premises, shall surrender possession and peaceably vacate the Leased Premises immediately. At that time the County, its agents or representatives, may reenter the Leased Premises with summary proceedings or otherwise, and remove all persons therefrom without being liable to prosecution therefor.

11.2 Arbitration: PHS and County hereby agree to resolve any dispute that may arise regarding the terms, provisions or performance this Lease by arbitration in accordance with the applicable rules of the American Arbitration Association. Either party may commence an arbitration proceeding by demanding the same in accordance with the rules of the American Arbitration Association. The arbitration shall be conducted before a panel of three arbitrators, one to be selected by the two arbitrators selected by the parties. Should either party fail or refuse to select its arbitrator, or should the two selected arbitrators fail or refuse to select a third arbitrator, the resulting vacancy may be filled by the American Arbitration Association. In the event either party feels aggrieved with the decision rendered by the

- (b) constructing, remodeling, renovating and making additions to the clinics and the Hospital including new and replacement capital equipment acquisitions; and
- (c) any other purpose to which PHS and the County may mutually agree.

The mill levy proceeds shall be used and applied for such purposes at the time and in the amounts as shall be determined by the County. PHS and the County acknowledge that the County, with PHS' consent, shall use a portion of the mill proceeds to fund the County's contribution under the Indigent Hospital and County Health Care Act and the Statewide Health Care Act.

12.3 Future Levies: At the request of PHS, the County will submit the question of continuing the mill levies to the electors of the County at the general election immediately prior to the expiration of the current assessment period. If submitted, the question voted upon shall authorize the County, to the extent legally permitted, to impose and collect mill levy tax for an assessment period and in the amounts required for the performance of the PHS obligations under the term of this Lease and any renewal thereof.

12.4 Audit: PHS shall cause to be prepared and supplied to the County an audited report for each year of the term of this Lease detailing the receipts and expenditures of mill levy proceeds for the past year. PHS shall also prepare and supply to the County an annual budget for approval explaining the planned use of such proceeds for the succeeding year, and shall prepare such additional reports as the County from time to time shall reasonably require. All monies received by PHS under this Article 12 shall be kept in a separate account and the audit above provided for shall detail and classify the expenditures from this account.

12.5 Sole Community Provider Support. The County agrees to use its best efforts to participate in and to fund annually the sole community provider match or similar federal programs that provide indigent assistance.

12.6 Termination: Should the County (a) fail to assess the mill levy to the maximum extent authorized, (b) fail to pay or cause to be paid to PHS the proceeds of any mill levies referred to in this Lease for a period of ninety (90) days after such proceeds or portions therefor have been remitted or are

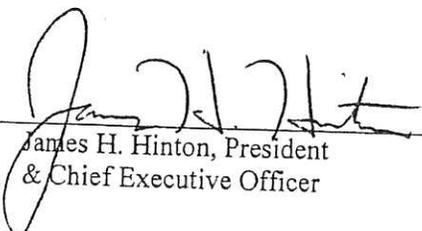
13.4 PHS Agency. The County hereby appoints PHS to act as its agent and attorney in fact as to compliance with any and all aspects of the New Mexico Motor Carrier Act and the rules and regulations promulgated thereunder throughout the term of this Lease. PHS's authority as agent and attorney in fact shall include, but not be limited to, submission of an application for approval of this lease by the Public Regulation Commission, compliance with the qualifying provisions of 18.3.2.21 NMAC, applications for changes in rates and tariffs, applications for changes in the type of service authorized by CCN No. 12341-1, and applications for changes in the geographic area of operation authorized by CCN No. 12341-1.

13.5 PHS acknowledges that it is aware of the requirements of the New Mexico Motor Carrier Act and the rules and regulations promulgated thereunder as they apply to the ambulance service authorized by CCN No. 12341-1 and agrees that it will comply with those requirements in the operation of the ambulance service authorized by CCN No. 12341-1 to the best of its ability.

IN WITNESS WHEREOF, the parties have hereunto affixed their hands and seal the day and year first above written.

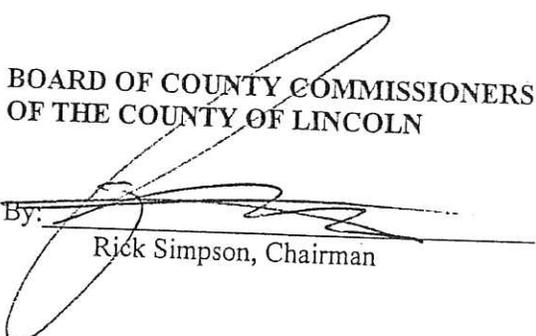
PRESBYTERIAN HEALTHCARE SERVICES

By:


James H. Hinton, President
& Chief Executive Officer

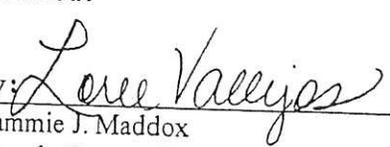
**BOARD OF COUNTY COMMISSIONERS
OF THE COUNTY OF LINCOLN**

By:


Rick Simpson, Chairman

ATTEST:

By:


Tammie J. Maddox
Lincoln County Clerk



LCMC System Wide Facility Operating Expenses

Plant Support Services Costs

2008 - 2014

	2008	2009 [a]	2010	2011	2012	Proj 2013 [b]	2014 Budget [c]
UTILITIES	\$ 325,328	\$ 354,726	\$ 342,493	\$ 323,729	\$ 336,102	\$ 445,769	\$ 416,002
MAINTENANCE [d]	\$ 292,605	\$ 425,596	\$ 427,433	\$ 490,317	\$ 765,455	\$ 683,519	\$ 710,606
ENVIRONMENTAL SRVC [d]	\$ 473,467	\$ 531,996	\$ 485,506	\$ 509,705	\$ 501,816	\$ 513,163	\$ 575,893
TOTAL COSTS	\$ 1,093,408	\$ 1,312,318	\$ 1,257,442	\$ 1,325,762	\$ 1,605,385	\$ 1,642,452	\$ 1,702,501
COST PER SQ. FOOT	\$15.62	\$16.40	\$15.72	\$16.57	\$20.07	\$20.53	\$16.53
APPROXIMATE SQ FEET	70,000	80,000	80,000	80,000	80,000	80,000	103,000

[a] Square feet increased from 70,000 to 80,000 with the addition of the Physical Therapy building in 2009.

[b] 2013 Projections are based upon 7 months of actual expenses annualized plus two months for Utilities and Environmental Services for the new Physician's Office Building.

[c] The 2014 budget figures are preliminary. Total square footage for the year increases to 103,000 sq. ft. in 2014.

[d] Both Maintenance and Environmental Services include staff costs.

LINCOLN COUNTY MEDICAL CENTER

HOSPITAL & HOSPITAL BASED CLINICS, EMS and RURAL CLINICS FINANCIAL SUMMARY - MONTH and YTD @ September 30, 2013

2013 YEAR TO DATE AS OF SEPTEMBER 30, 2013

JANUARY - SEPTEMBER		2013							TOTAL LCMC ENTERPRISE	
2013		CORONA CLINIC	CARRIZOZO MEDICAL	CARRIZOZO DENTAL	CAPITAN CLINIC	TOTAL RURAL CLINICS	EMS	HOSPITAL & HOSPITAL BASED CLINICS	TOTAL LCMC ENTERPRISE	
GROSS PATIENT REVENUE	\$	16,707	\$ 186,983	\$ 411,816	\$ 179,075	\$ 794,581	\$ 1,745,400	\$ 53,580,492	\$ 56,120,473	
CD&A, INDIGENT and CHARITY	\$	(8,140)	\$ (93,049)	\$ (102,692)	\$ (88,005)	\$ (291,886)	\$ (379,626)	\$ (29,740,582)	\$ (30,412,094)	
NET PATIENT REVENUE	\$	8,567	\$ 93,934	\$ 309,124	\$ 91,070	\$ 502,695	\$ 1,365,774	\$ 23,839,910	\$ 25,708,379	
OPERATING EXPENSES	\$	22,090	\$ 230,426	\$ 549,822	\$ 128,128	\$ 930,466	\$ 1,204,396	\$ 26,982,605	\$ 29,117,467	
PRELIMINARY NET INCOME	\$	(13,523)	\$ (136,492)	\$ (240,698)	\$ (37,058)	\$ (427,771)	\$ 161,378	\$ (3,142,695)	\$ (3,409,088)	
OTHER INCOME:										
MILL LEVY	\$	17,500	\$ 140,479	\$ 140,479	\$ 75,000	\$ 373,458	-	\$ 1,561,074	\$ 1,934,532	
OTHER	\$	-	\$ 37,500	\$ 37,500	\$ (19)	\$ 74,981	-	\$ 195,556	\$ 270,537	
TOTAL OTHER INCOME	\$	17,500	\$ 177,979	\$ 177,979	\$ 74,981	\$ 448,439	-	\$ 1,756,630	\$ 2,205,069	
OPERATING INCOME (LOSS)	\$	3,977	\$ 41,487	\$ (62,719)	\$ 37,923	\$ 20,688	\$ 161,378	\$ (1,386,065)	\$ (1,204,019)	
PATIENT ENCOUNTERS		199	2,002	3,485	1,688	7,374	2,169	4,052		
GROSS EXPENSE / ENCNTN		\$111.01	\$115.10	\$157.77	\$75.91	\$126.18	\$555.28	\$6,659.08		
GROSS REVENUE / ENCNTN		\$83.95	\$93.40	\$118.17	\$106.09	\$107.75	\$804.70	\$13,223.22		
NET REVENUE / ENCOUNTER		\$43.05	\$46.92	\$88.70	\$53.95	\$68.17	\$629.68	\$5,883.49		

FOR THE MONTH ENDING 9/30/2013

SEPTEMBER		2013							TOTAL LCMC ENTERPRISE	
2013		CORONA CLINIC	CARRIZOZO MEDICAL	CARRIZOZO DENTAL	CAPITAN CLINIC	TOTAL RURAL CLINICS	EMS	HOSPITAL & HOSPITAL BASED CLINICS	TOTAL LCMC ENTERPRISE	
GROSS PATIENT REVENUE	\$	3,232	\$ 26,456	\$ 51,598	\$ 16,049	\$ 97,335	\$ 185,113	\$ 6,067,287	\$ 6,349,735	
CD&A, INDIGENT and CHARITY	\$	(1,561)	\$ (12,282)	\$ (11,807)	\$ (10,470)	\$ (36,120)	\$ (37,150)	\$ (3,233,301)	\$ (3,306,571)	
NET PATIENT REVENUE	\$	1,671	\$ 14,174	\$ 39,791	\$ 5,579	\$ 61,215	\$ 147,963	\$ 2,833,986	\$ 3,043,164	
OPERATING EXPENSES	\$	4,425	\$ 15,284	\$ 67,321	\$ 22,283	\$ 109,313	\$ 126,112	\$ 3,103,376	\$ 3,338,801	
PRELIMINARY NET INCOME	\$	(2,754)	\$ (1,110)	\$ (27,530)	\$ (16,704)	\$ (48,098)	\$ 21,851	\$ (269,390)	\$ (295,637)	
OTHER INCOME:										
MILL LEVY	\$	2,500	\$ 15,609	\$ 15,609	\$ 8,333	\$ 42,051	-	\$ 461,074	\$ 503,125	
OTHER	\$	-	\$ 6,700	\$ 6,700	\$ (19)	\$ 13,381	-	\$ 20,554	\$ 33,935	
TOTAL OTHER INCOME	\$	2,500	\$ 22,309	\$ 22,309	\$ 8,314	\$ 55,432	-	\$ 481,628	\$ 537,060	
OPERATING INCOME (LOSS)	\$	(254)	\$ 21,199	\$ (5,221)	\$ (8,390)	\$ 7,334	\$ 21,851	\$ 212,238	\$ 241,423	
PATIENT ENCOUNTERS		27	233	423	130	813	212	404		
GROSS EXPENSE / ENCNTN		\$163.89	\$65.60	\$159.15	\$171.41	\$134.46	\$594.87	\$7,681.62		
GROSS REVENUE / ENCNTN		\$119.70	\$113.55	\$121.98	\$123.45	\$119.72	\$873.17	\$15,018.04		
NET REVENUE / ENCOUNTER		\$61.89	\$60.83	\$94.07	\$42.92	\$75.30	\$697.94	\$7,014.82		

NOTE: "Encounters" for the Hospital are Adjusted Patient Discharges and for EMS are Total Calls Responded To.
 Hospital & Hospital Based Clinics include data for LCMC Surgical, White Mountain and Internal Medicine clinics and Regional Lab.
 DATA SOURCE: Lincoln County Medical Center Monthly Financial Reports and PMG Encounters by Location Report.
 MILL LEVY: September Hospital Mill Levy receipts of \$461,074 were for July, August and September 2013.

LCMC Att. 4

Brooks
Pearsall
Zantow LLC

Real Estate Appraisers · Consultants · Analysts

Elizabeth Pearsall, MAI

May 23, 2013

Mr. Jim Jeppson
Real Estate Department
Presbyterian Healthcare Services
P.O. Box 26666
Albuquerque, New Mexico 87125-6666

Reference: Estimate of Market Rent
Lincoln County Medical Center Property
211 Sudderth Drive and 117 El Paso Road
Ruidoso, New Mexico

Dear Mr. Jeppson:

We have finished a consulting assignment of the above referenced property and we are pleased to submit the accompanying summary report of our findings and conclusions. The objective of the study was to estimate a market rent range for the property, subject to the methodology, assumptions and limiting conditions stated in the report. The report is intended for the sole use of Presbyterian Healthcare Services to assist in lease negotiations, and the appraiser is not responsible for any unauthorized use.

Our analysis indicates the following estimated annual market rent for the property. Rent is estimated on a net basis, with all operating expenses paid by the tenant.

Effective Date:	October 1, 2013
Hospital and Therapy Center Estimated Annual Market Rent:	\$800,000-\$900,000
Physicians Office Building Estimated Annual Market Rent:	\$575,000-\$640,000

The main body of our report provides you with our method of study as well as the limitations placed on the work product by the undersigned. Please read these limitations carefully so you may understand our conclusions clearly. In preparing this study, our conduct has been governed by the Code of Ethics of the various professional organizations of which we are members.

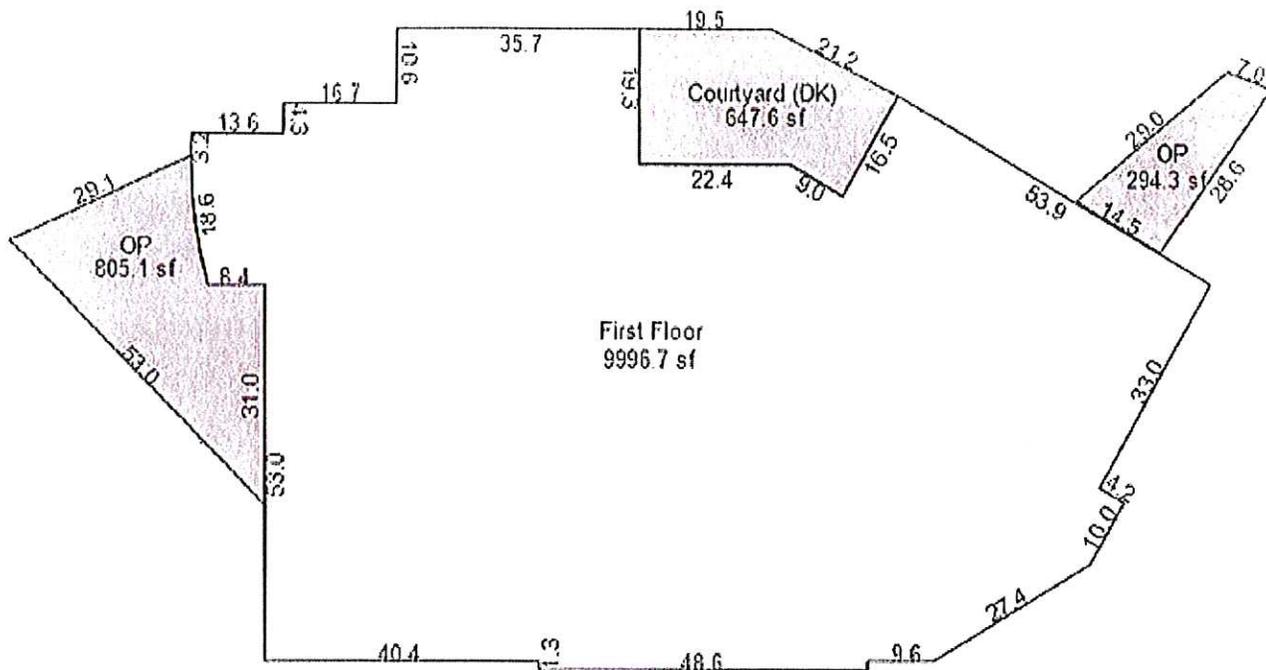
This opportunity to provide appraisal services to your organization is appreciated, and questions from authorized users of the report will be welcomed if any aspect of the research or analysis requires clarification.

BROOKS PEARSALL ZANTOW LLC



Elizabeth S. Pearsall, MAI

PREFACE



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Therapy Center
 Sketch by Lincoln Co. Assessor's Office

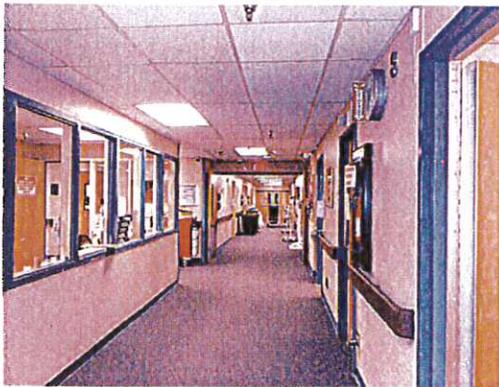
Property Photographs
Lincoln County Medical Center
Ruidoso, New Mexico



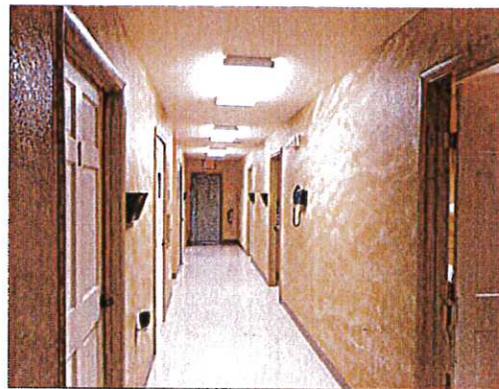
Administrative office



Hospital admitting area



Hospital corridor



Business office



Physical therapy



Heritage program office

Overview of the Subject Property

The subject property is the Lincoln County Medical Center, a 25-bed acute care hospital and supporting buildings located at 211 Sudderth Drive in Ruidoso, New Mexico. It is a county-owned facility leased by Presbyterian Healthcare Services. This partnership has existed since 1972.

The hospital building includes 51,052 square feet built in phases between 1948 and 2004. The largest component with 21,840 square feet was built in 1971. The older outbuildings include approximately 5,355 square feet and are used for administration and storage. Adjacent to the hospital and included in this report is a Therapy Center, with 9,997 square feet built in 2008, used for physical therapy as well as counseling services of the Heritage Program for Seniors.

Directly south of the hospital, a two-story Physicians Office Building (POB) with a gross building area of 24,841 square feet is currently under construction, with estimated completion in October 2013. It will be leased by Presbyterian Healthcare and occupied by their employed physicians. A first floor suite will be subleased to Tricore Reference Lab. This report assumes the building is complete and ready for occupancy.

The hospital and Therapy Center are situated on a newly replatted tract with 6.584 acres. The new POB is on a 0.846-acre site fronting on El Paso Road. Refer to exhibits in the *Preface* for visualizing the sites and placement of the buildings.

Legal Description

The larger site which includes the hospital and Therapy Center is identified as Hospital Tract A1, Block 4, Palmer Gateway Subdivision, Ruidoso, Lincoln County, New Mexico. This is a recent replat of two adjacent sites—the main hospital tract and the Therapy Center tract (former Lot 1A) plus vacated right-of-way. A copy of the replat, prepared in December 2012 by D.T. Collins and Associates P.C., is in the *Preface*.

The POB site is identified as Hospital Tract A2, which includes Lots E, F, G and the north 1/2 of Lot 11, Block 7, Palmer Gateway Subdivision, and a part of vacated El Paso Road, Ruidoso, Lincoln County, New Mexico. This site is also shown on the replat.

Ownership

The original hospital tract has been owned by Lincoln County for many years and has been leased and managed by Presbyterian Healthcare Services since 1972. The original lease provided for a token rent of ±\$1.00 per year. A new lease dated April 12, 2006 established a market rent of approximately \$800,000 per year.

The Therapy Center lot was previously owned by Southwest Health Foundation (an affiliate of Presbyterian Healthcare) and donated to Lincoln County via Special Warranty Deed dated June 16, 2008.

The POB site was purchased by Lincoln County in two transactions in June 2012. Lincoln County Medical Center Foundation, Inc. sold Lots F and G, and Presbyterian Healthcare Services sold Lot E and the north 1/2 of Lot 11. I am informed the negotiated price for each transaction was approximately \$6.00 per square foot. The County is building the new office building and will lease it to Presbyterian Healthcare.

Purpose and Intended Use of Consulting Assignment

The purpose of the consulting assignment is to research and estimate a supportable market rent range as of the effective date. The report is intended for the sole use of the client, Presbyterian Healthcare Services, to assist in lease negotiations. This report is not intended for any other use, and the appraiser is not responsible for unauthorized use of the report.

3. The assignment does not include any value of specialized medical equipment or other personal property in the building
4. The assignment assumes that the property is functional for its intended use as a hospital and that there is sufficient demand in the local market for it to continue in this use.

General Underlying Assumptions

1. The legal description used in this report is assumed to be correct.
2. No survey of the property has been made by the appraiser; no responsibility is assumed in connection with such matters. Sketches in this report are included only to assist the reader in visualizing the property.
3. No responsibility is assumed for matters of a legal nature affecting title to the property nor is an opinion of title rendered. The title is assumed to be good and merchantable.
4. Information furnished by others is assumed to be true, correct, and reliable. A reasonable effort has been made to verify such information; however, no responsibility for its accuracy is assumed by the appraiser.
5. All mortgages, liens, encumbrances, leases, and servitudes have been disregarded unless so specified within the report. The property is appraised as though under responsible ownership and competent management.
6. It is assumed that there are no hidden or unapparent conditions of the property, such as subsoil structures or asbestos containing building materials which would render it more or less valuable. No responsibility is assumed for such conditions or for engineering which may be required to discover such factors.
7. The appraiser has noted in the report any adverse conditions (such as needed repairs, depreciation, the presence of hazardous wastes, toxic substances, etc.) observed during the inspection of the subject property or that he or she became aware of during the normal research involved in performing the assignment. Unless otherwise stated in the report, the appraiser has no knowledge of any hidden or unapparent conditions of the property or adverse environmental conditions (including the presence of hazardous wastes, toxic substances, etc.) that would make the property more or less valuable, and has assumed that there are no such conditions and makes no guarantees or warranties, express or implied, regarding the condition of the property. The appraiser will not be responsible for any such conditions that do exist or for any engineering or testing that might be required to discover whether such conditions exist. Because the appraiser is not an expert in the field of environmental hazards, the report must not be considered as an environmental assessment of the property.
8. It is assumed that all applicable federal, state and local environmental regulations and laws have been complied with unless otherwise stated, defined and considered in the report.
9. It is assumed that all applicable zoning and use regulations and restrictions have been complied with, unless a non-conformity has been stated, defined and considered in the report.
10. It is assumed the utilization of the land and improvements is within the boundaries or property lines of the property described and there is no encroachment or trespass unless noted within the report.
11. I am unaware of any cross easements or any covenants, conditions, or restrictions impacting the subject property. I assume adequate ingress and egress to the property and I assume any reasonable sale of the property would not be inhibited by any covenants, conditions, or restrictions.
12. The Americans with Disabilities Act ("ADA") became effective January 26, 1992. The appraiser has not made a specific compliance survey and analysis of this property to determine whether or not it is in conformity with the various detailed requirements of the ADA. It is possible that a compliance survey of the property, together with a detailed analysis of the requirements of the ADA, could reveal that the

Lincoln County Medical Center

<i>Use</i>	<i>Square Feet</i>	<i>Percent of Total</i>	<i>Year Built</i>	<i>Age in Years</i>	<i>Weighted Average Age</i>
Hospital	6,350	11.3%	1948	65	7.32
Hospital	3,360	6.0%	1960	53	3.16
Hospital	5,000	8.9%	1965	48	4.25
Hospital	21,840	38.7%	1971	42	16.26
Hospital	2,930	5.2%	1973	40	2.08
Hospital	2,600	4.6%	1988	25	1.15
Hospital	5,600	9.9%	1998	15	1.49
Hospital	3,372	6.0%	2004	9	0.54
Subtotal	51,052	90.5%			
Business Ofc (former Eye Clinic)	1,900	3.4%	1980	33	1.11
Surgical Clinic—Administrative	1,560	2.8%	1955	58	1.60
Records Storage	525	0.9%	1980	33	0.31
Maintenance	720	1.3%	1980	33	0.42
Maintenance Storage	500	0.9%	2004	9	0.08
Shed	150	0.3%	1971	42	0.11
	56,407	100.0%			39.88

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As shown above, the weighted average age of the facility is approximately 40 years. According to Jim Stover, the roof was replaced approximately 10 years ago, and the chiller, oxygen and fire detection systems also have been replaced. The boilers and HVAC systems are reportedly in good condition.

I observed no indications of major deferred maintenance and assume the hospital is functional for this use. Some of the hospital common areas have dated finishes, but overall maintenance appears to have been diligent. The business and administrative offices are very dated and appear to be in fair to average condition.

Therapy Center. The Therapy Center is a single-story building with approximately 9,997 square feet built in 2008. It is irregular in shape, and the distinctive feature is the large glass storefront facing Sudderth Drive. This portion of the building houses the physical therapy department and includes large and small therapy rooms with exercise equipment plus a small therapy pool. The southern portion of the building is primarily office space and meeting rooms for the Heritage Program, which offers counseling for seniors.

Construction of the Therapy Center building appears to be metal, glass and stucco walls with a metal roof. It is an attractive, modern building of good quality and in good condition.

Physicians Office Building. The new POB is a two-story structure with 24,841 square feet of gross building area. According to architectural plans dated October 2012 prepared by Dekker Perich Sabatini, the building has 13,924 square feet on the first floor and 10,917 square feet on the second floor.

The building is of steel frame construction with storefront glass and stucco exterior walls, and a thermoplastic polyolefin membrane roof system. Interior finishes include sag resistant gypsum wallboard and acoustical tile ceilings. Three rooftop units provide gas heat and refrigerated air conditioning.

According to the LCMC website, the building will accommodate 12 medical providers plus visiting specialists in cardiology, neurology, urology and dermatology. Tricore Labs will occupy space on the first floor.

The site plan shows 22 onsite parking spaces, so the ratio is less than one space per 1,000 square feet of rentable area. Employees will park across El Paso Road in the hospital lot, and street parking is available as well. I am informed the city approved the plan with no serious concerns about parking because of the large hospital lot nearby.

The design of the POB is modern and attractive, and it should blend well with Therapy Center. It appears to be of overall good quality for a medical building, with no specialized features that add extraordinary costs.

As a check of reasonableness, I have also included current rental information for medical offices in Ruidoso and similar markets.

Land Value Estimate

The land value analysis uses a sales comparison method in which sales of comparable sites are analyzed and compared to the subject. Various factors such as property rights, financing terms, conditions of sale, market conditions, location, and various physical characteristics are considered. The unit of comparison is price per square foot.

Summarized below are sales of commercially-zoned sites located on Sudderth Drive or Mechem Drive, which are main thoroughfares in Ruidoso. Also included are two recent sales of the subject POB site on El Paso Road, which were based on approximately \$6.00 per square foot.

Summary of Vacant Land Sales

Sale	Location	Sale Date	Sale Price	Land Area (Sq. Ft.)	Price/SF	Intended Use	Comments
1	651 Sudderth Dr.	2/23/12	\$284,000	35,100	\$8.09	Dollar General	Price includes demolition
2	421-449 Sudderth Dr.	10/06 & 2/07	\$707,500	75,446	\$9.38	Resale	Assemblage by adjacent owner
3	1100 blk Mechem Dr.	4/10/12	\$257,004	43,560	\$5.90	Dollar General	Below street grade
4	1048-1054 Mechem	12/31/12	\$250,000	47,742	\$5.24	Retail	Purchased by adjacent owner
5	1034 Mechem Drive	11/21/12	\$375,000	86,249	\$4.35	Commercial	Corner lot, gradual uphill slope
6	606-608 Mechem Dr.	6/27/11	\$239,000	39,988	\$5.98	Retail	Now listed at \$7.13/sf
7	117-119 El Paso Rd.	6/8/12	\$77,000	12,763	\$6.03	Medical building	Sale of subject POB site portion
8	121-123 El Paso Rd.	6/8/12	\$90,000	14,984	\$6.01	Medical building	Sale of subject POB site portion

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As shown, the two commercial land sales on Sudderth Drive, which has higher traffic counts than Mechem Drive, are at \$8.09 and \$9.38 per square foot. Both of these prices include demolition of older structures on the sites which the buyer removed after the purchase. Sale 1 is a 2012 sale purchased for construction of a Dollar General, and Sale 2 is an older sale of 1.73 acres purchased by the adjacent owner (First National Bank). The bank uses a portion of the site for parking, and the remaining 0.8 acre is currently listed at \$615,500 or \$17.66 per square foot. The site has been on the market for over two years, and the asking price is high.

Sales 3-6 are located on Mechem Drive and indicate prices of \$4.35 to \$5.98 per square foot. At the low end, Sale 5 is a larger site with 1.98 acres and the rear portion has an uphill slope. Sales 7 and 8 are the subject POB site mentioned above.

The subject's larger tract which includes the hospital, older outbuildings and the Therapy Center is a large tract with 6.584 acres. It has excellent visibility and access, but a portion slopes upward to the south. Based on the sales, I estimate a value of \$6.45 per square foot, allocated as the front one acre at \$9.00 per square foot, and the rear 5.584 acres at \$6.00 per square foot ($43,560 @ \$9.00 = \$392,040$) + ($243,239 @ \$6.00 = \$1,459,434$) = \$1,851,474.

The POB tract is regular in shape, located behind the main tract on El Paso Road. Consistent with the purchase price, I estimate the value at \$6.00 per square foot. Total estimated land values are shown below.

Hospital and Therapy Center Tract

Area in acres	6.584	
Area in square feet	286,799	
Estimated value	\$6.45	
Total land value		\$1,849,854
Rounded		\$1,850,000

Hospital Construction Cost as Indicated by Marshall Valuation Service

Section 15, pgs. 24-25 (pub. Nov. 2011)		
General Hospitals/Outpatient Centers (Calculator Method)		
Class A Construction, Avg. Quality		
Hospital Space	51,052 SF @ \$258.32	\$13,187,753
Plus Added HVAC	51,052 SF @ \$ 22.20	1,133,354
Less Elevator	51,052 SF @ \$ 5.30	(270,576)
		\$14,050,531
Multipliers for Class A		
Current (5/13):	1.05	
Roswell:	<u>1.00</u>	
	1.05	X 1.05
		\$14,753,058
Business Ofc. & Surgery Admin. (Class D, Avg. Cost)		
	3,460 SF @ \$92.50	320,050
Mainten./Storage/Oxy.	1,895 SF @ \$50.21	<u>95,148</u>
Total Buildings		\$15,168,256
Site improvements		
Parking lot	100,000 sq. ft. @ \$450	\$450,000
Landscaping (an allowance)		60,000
Miscellaneous site improvements		<u>80,000</u>
Total site improvements		\$ 590,000
Indicated total cost		\$15,758,256
Rounded		\$15,760,000
Cost per Square Foot		\$308.71

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Replacement cost of the Therapy Center based on *Marshall Valuation Service* is calculated on the following page. I have estimated cost based on a steel frame office building of good quality. An additional amount is for the therapy pool, but exercise and other equipment is not included. Adjustments are made for the building's irregular shape and for the higher ceiling height. Site improvements for the Therapy Center are included in the hospital costs.

Summary of Cost Indications

The subject construction cost estimates are summarized below.

	<i>Actual Costs</i>	<i>Marshall Valuation</i>	<i>% Difference</i>
Hospital and outbuildings	N/A	\$15,760,000	N/A
Therapy Center	\$ 2,749,000	\$ 2,540,000	7.60%
Physicians Office Building	\$ 6,150,741	\$ 5,600,000	8.95%

The difference between the actual reported costs for the Therapy Center and POB and the indications from *Marshall Valuation* are less than 10%, and the actual costs are relied upon for this analysis.

The replacement cost new for the hospital and older outbuildings is estimated at \$15,760,000.

Depreciation

Accrued depreciation is a loss in value to the improvements from any cause and is measured in the Cost Approach. The sources of accrued depreciation are physical deterioration, functional obsolescence, and external or economic obsolescence. Physical deterioration is wear and tear usually caused by age and is either curable (referred to as deferred maintenance) or incurable. Functional obsolescence is the adverse effect on value resulting from defects in design; external obsolescence results from negative influences to the property from outside the site.

I assume no functional or economic obsolescence in the buildings, and I observed no evidence of deferred maintenance. In this case, physical deterioration of the existing buildings is attributable to age and is incurable.

Depreciation is estimated using an age/life method, based on effective age of the improvements divided by total economic life. According to *Marshall Valuation Service*, based on studies of building mortality, the hospital building should last 45 years. LCMC was built in phases over the last 60+ years, and weighted average age of the improvements is 40 years. However, the facility has been well maintained and its effective age is less. I estimate effective age between 30 and 35 years. Assuming a 45-year economic life and an effective age of 31.5 years, estimated depreciation of the hospital improvements is 70% (31.5/45).

The Therapy Center was built in 2008 and is five years old. Assuming an economic life of 50 years, estimated depreciation of the Therapy Center is 10%.

The POB is new construction and not affected by depreciation.

Cost Approach Conclusion

The indicated range for depreciated cost of the improvements is shown below, using both the low estimate and high estimate of construction cost new. Estimated land value is added to the depreciated cost for a total property value range.

Hospital and Therapy Center		
Hospital Cost New	\$15,760,000	
Less Depreciation at 70%	11,032,000	
Depreciated Cost		\$4,728,000
Therapy Center Cost New	\$ 2,749,000	
Less Depreciation at 10%	274,900	
Depreciated Cost		2,474,100
Plus Land Value		1,850,000
Total Value		\$9,052,100
Rounded		\$9,050,000

Summary of Medical Office Rentals

<i>Rental No.</i>	<i>1</i>	<i>2</i>	<i>3</i>
Location	26130 Highway 70 Ruidoso, NM	714 Mechem Drive Ruidoso, NM	454 Mechem Drive Ruidoso, NM
Rented Area (SF)	3,748	2,250	2,529
Year Built	Renovated 2013	Remodeled 2013	2012
Lease Date	April-13	August-13	January-13
Lease Term	10 years	1 year	10 years
Type Lease	Triple net	Modified gross	Modified gross
Rent per SF	\$22.77	\$14.00	\$15.00
Escalations	2.5% per year	None	8% after Yr. 5
Type of Practice	Orthopedics	Dermatologist	Dental
Comments	Newly renovated building leased to owner's practice. All TIs included.	Newly remodeled building. Landlord pays insurance and maintenance.	Freestanding dental office. Landlord pays taxes, insurance and maintenance.
<i>Rental No.</i>	<i>4</i>	<i>5</i>	<i>Subject</i>
Location	2301 Indian Wells Rd. Alamogordo, NM	300 W. Country Club Rd. Roswell, NM	117 El Paso Road Ruidoso, NM
Rented Area (SF)	11,886	39,756	24,841
Year Built	2006	2009	2013
Lease Date	June-06	May-09	October-13
Lease Term	10 years	17 years	Assumed 10-15 years
Type Lease	Triple net	Triple net	Triple net
Rent per SF	\$25.76	\$30.56 average	
Escalations	2.5% per year	Annual CPI	
Type of Practice	Orthopedics	Multiple practices	Multiple practices
Comments	Newly constructed building leased to owner's practice. All TIs included.	New bldg across from hospital and leased by hospital operator.	New bldg across from hospital and leased by hospital operator.

Brooks Pearsall Zantow LLC

As shown, rents per square foot are in a wide range from \$14.00 and \$15.00 per square foot for small freestanding buildings in Ruidoso (Comparables 2 and 3) to \$30.56 per square foot net for a new multitenant building across from Eastern New Mexico Medical Center in Roswell. This building contains eight suites all leased to Community Health Services, which owns the hospital. The leases started in 2009, but they represent a similar situation as the subject.

A more recent lease is Comparable 1, a newly renovated building in the subject's general neighborhood in Ruidoso. The building owner is Dr. John Anderson, an orthopedic surgeon, who rents the larger of two spaces to his orthopedics practice. The initial rent is \$7,112 per month or \$22.77 per square foot on an annual basis. The tenant pays all operating expenses. The rental rate includes all tenant improvements but does not include equipment or furniture.

Dr. Anderson also owns Comparable 4, a good quality building with 21,747 square feet in Alamogordo. The orthopedics practice rents 11,886 square feet at a current rate of \$25.76 per square foot triple net. The lease started in 2006 when the building was completed. The remainder of this building is a surgical center which is rented for \$31.64 per square foot.

Comparables 1, 4 and 5 are most pertinent to the subject because of their age, quality and/or location. The comparables support a rental rate of \$23.00 to \$30.00 per square foot, which is consistent with the indications from the Cost Approach.

- As of the date of this report, Elizabeth Pearsall has completed the continuing education program of the Appraisal Institute.

This opportunity to provide appraisal services to your organization is appreciated, and questions from authorized users of the report will be welcomed if any aspect of the research or analysis requires clarification.

BROOKS PEARSALL ZANTOW LLC

A handwritten signature in cursive script that reads "Elizabeth S. Pearsall". The signature is written in black ink and is positioned above the printed name.

Elizabeth Pearsall, MAI

Lincoln County Medical Center Phase III

CONTINUATION SHEET

APPLICATION AND CERTIFICATE FOR PAYMENT containing

Contractor's signed Certification is attached.

Use Column I on Contracts where variable retainage for line items may apply.

APPLICATION NUMBER: 5
 APPLICATION DATE: 27-Mar-08
 PERIOD FROM: 01-Mar-08
 PERIOD TO: 31-Mar-08
 ARCHITECT'S PROJECT #: 06307R

A ITEM NO.	B DESCRIPTION OF WORK	C SCHEDULED VALUE	D		E WORK COMPLETED		F This Application Stored Materials (not in D or E)	G TOTAL COMPLETED AND STORED TO DATE (D+E+F)	H BALANCE TO FINISH (C - G)	I
			Previous Applications	Work in Place	This Application Work in Place	% (G/C)				
1	General Requirements	69,157.00	29,231.00	4,216.00	0.00	0.00	33,447.00	35,710.00	48%	
2	Temporary Facilities	4,940.00	3,942.00	310.00	0.00	0.00	4,252.00	688.00	86%	
3	Permits	3,636.00	3,636.00	0.00	0.00	0.00	3,636.00	0.00	100%	
4	Final Cleaning	1,183.00	0.00	0.00	0.00	0.00	0.00	1,183.00	0%	
5	Insurance & Bonds	58,810.00	56,458.00	2,352.00	0.00	0.00	58,810.00	0.00	100%	
6	Site Work & Demolition	105,839.00	95,693.00	0.00	0.00	0.00	95,693.00	10,146.00	90%	
7	Site Concrete & Paving	128,900.00	0.00	0.00	0.00	0.00	0.00	128,900.00	0%	
8	Irrigation & Landscaping	47,937.00	0.00	0.00	0.00	0.00	0.00	47,937.00	0%	
9	Concrete	148,590.00	84,291.00	52,808.00	0.00	0.00	137,099.00	11,491.00	92%	
10	Masonry	4,487.00	0.00	0.00	0.00	0.00	0.00	4,487.00	0%	
11	Steel	219,914.00	96,925.00	0.00	0.00	0.00	96,925.00	122,989.00	44%	
12	Carpentry: Rough	199,388.00	0.00	0.00	0.00	16,301.00	16,301.00	183,087.00	8%	
13	Carpentry: Finish	43,002.00	0.00	2,860.00	0.00	0.00	2,860.00	40,142.00	7%	
14	Thermal & Moisture Protection	181,026.00	0.00	0.00	0.00	0.00	0.00	181,026.00	0%	
15	Doors, Windows, & Hardware	198,960.00	0.00	0.00	0.00	15,603.00	15,603.00	183,357.00	8%	
16	Finishes	250,678.00	0.00	0.00	0.00	0.00	0.00	250,678.00	0%	
17	Specialties	23,679.00	0.00	0.00	0.00	0.00	0.00	23,679.00	0%	
18	Special Construction	174,910.00	0.00	0.00	0.00	0.00	0.00	174,910.00	0%	
19	Plumbing	266,398.00	0.00	45,778.00	0.00	0.00	45,778.00	220,620.00	17%	
20	HVAC	122,598.00	0.00	0.00	0.00	0.00	0.00	122,598.00	0%	
21	Fire Sprinkler	54,879.00	0.00	0.00	0.00	0.00	0.00	54,879.00	0%	
22	Electrical	404,173.00	3,372.00	16,417.00	0.00	0.00	19,789.00	384,384.00	5%	
23	Modification Allowance	34,916.00	0.00	0.00	0.00	0.00	0.00	34,916.00	0%	
24	Plaque Allowance	1,000.00	0.00	0.00	0.00	0.00	0.00	1,000.00	0%	
	SUBTOTALS	2,749,000.00	373,548.00	124,741.00	31,904.00	530,193.00	530,193.00	2,218,807.00	19%	
	TOTALS	\$2,749,000.00	\$373,548.00	\$124,741.00	\$31,904.00	\$530,193.00	\$530,193.00	\$2,218,807.00	19%	

Qualifications of Elizabeth Pearsall, MAI

Professional Memberships and Licenses

MAI, Member of the Appraisal Institute, Certificate No. 8664, issued 1990
CCIM Institute, Certified Commercial Investment Member, No. 11966, 2004-2010
Certified Real Estate Appraiser, State of New Mexico, General Certificate No. 206-G, issued 1991
Chairperson of the Experience Review Committee for the State of New Mexico Real Estate Appraisers Board, 1991-1996

Education

BA, Journalism, University of Kentucky, Lexington, Kentucky
Legal Assistant Program, George Washington University, Washington, DC

Courses and Seminars

Specialized courses and seminars necessary to obtain the MAI and CCIM designations and complete the continuing education requirements of the Appraisal Institute. Recent courses and seminars include the following:

- Valuing Green Buildings
- Market Analysis for Commercial Investment Real Estate
- Financial Analysis for Commercial Investment Real Estate
- User Decision Analysis for Commercial Investment Real Estate
- Investment Analysis for Commercial Investment Real Estate
- Appraising Natural Resources
- Feasibility Analysis, Market Value and Investment Timing
- Valuation of Detrimental Conditions
- Internet Search Strategies for Real Estate Appraising

Experience

2007-present	Principal, Brooks Pearsall Zantow LLC. Provide appraisals, market studies and consulting services for income properties and commercial real estate in New Mexico.
1996 – 2007	Senior Analyst/Appraiser, Brooks, Lomax & Fletcher, Inc., Albuquerque, New Mexico.
1994 – 1996	Principal Analyst/Appraiser, Commercial Appraisal, Inc.; Albuquerque, New Mexico. Commercial Appraisal, Inc. was formed with the merger of three established firms: Payne, Burman & Pearsall, P.C., Shipman, Foley and Associates, and Hagen, Inc.
1991 – 1994	Principal Analyst/Appraiser, Payne, Burman & Pearsall, P.C.; Albuquerque, New Mexico. Provided valuation and consulting services for commercial properties in New Mexico and the Southwest region.
1991	Assistant Vice President/Appraisal Supervisor, First National Bank in Albuquerque. Conducted appraisal reviews and managed in-house appraisal department for \$1.5 billion financial institution.
1985 – 1991	Associate Analyst/Appraiser, Brooks, Lomax & Fletcher, Inc.; Albuquerque, New Mexico. Specialized in appraising income properties and vacant land in Albuquerque and other Southwest cities.

Appraisal Assignments

Assignments have included a variety of commercial, industrial and multifamily valuations, appraisal reviews, as well as feasibility analyses and market studies. Appraisals have involved major shopping centers; office buildings, including Downtown historic renovations; restaurants; hotels; office/warehouses; apartment complexes, including existing, proposed and tax-credit projects; vacant land, including commercial tracts, mixed use subdivisions and residential subdivisions.

COUNTY OF LINCOLN

New Mexico
Regular Meeting
Board of County Commissioners

Jackie Powell, Chair
Mark Doth, Vice Chair

Kathryn Minter, Member
Dallas Draper, Member
Preston Stone, Member

Minutes
Tuesday, July 16, 2013

Minutes of the Regular Meeting of the Lincoln County Commission held at 8:30 AM on July 16, 2013 in the County Commission Chambers, Lincoln County Courthouse, in Carrizozo, New Mexico.

23. 1:30 p.m. Public Hearing is to Consider Final Budget FY 2013-2014
Resolution 2013-4 Adopting the Final Budget FY 2013-2014

Ms. Taylor provided details of revenue and expense adjustments made since adoption of the Preliminary Budget. Beverly Calaway, Chief Deputy Treasurer informed on specific revenue adjustments based on the receipt of a \$527,207 distribution from the State Fire Marshall.

Ms. Taylor provided notes on the current amounts budgeted for Lincoln County Medical Center and informed Al Santos, Administrator of LCMC was in attendance to amend the LCMC request.

Al Santos, Administrator LCMC provided highlights of the recommendations provided at the Special Meeting of July 9, 2013.

602 Commissioner Minter supported an increase to a 3.0 mill levy assessment if the taxpayer were
603 informed the additional money would be used to offset uncompensated care and that there
604 would be little or no reserve for capital projects.
605

606 Ms. Taylor presented an analysis of the LCMC funding and budget requests for both FY 2012-
607 2013 and FY 2013-2014. Ms. Taylor presented a review of the preliminary budget requests as
608 initially funded for review and discussion.
609

610 Ms. Taylor requested approval of three additional items: \$20,000 for Emergency Equipment -
611 Road Advisory Signs; \$50,000 for a SIMS Table; and \$92,000 for network cabling. Ms. Taylor
612 stated all other adjustments were included in the preliminary budget but these three requests
613 were submitted later and required approval at this time.
614

615 Chair Powell adjourned the 1:30 PM Public Hearing and reconvened the Regular Meeting at
616 3:04:24 PM.
617

618 **Motion:** Approve \$20,000 for Emergency Equipment Road Advisory Signs, **Action:** Approve,
619 **Moved by** Commissioner Doth, **Seconded by** Commissioner Draper.

620 **Vote:** Motion carried by unanimous vote (**summary:** Yes = 5).

621 **Yes:** Chair Powell, Commissioner Minter, Commissioner Stone, Commissioner Doth,
622 Commissioner Draper.
623

624 **Motion:** Approve \$50,000 for a SIMS Table, **Action:** Approve, **Moved by** Commissioner Doth,
625 **Seconded by** Chair Powell

626 **Vote:** Motion carried by unanimous vote (**summary:** Yes = 5).

627 **Yes:** Chair Powell, Commissioner Minter, Commissioner Stone, Commissioner Doth,
628 Commissioner Draper.
629

630 **Motion:** Approve \$92,000 for network cabling, **Action:** Approve, **Moved by** Commissioner
631 Doth, **Seconded by** Commissioner Minter.

632 **Vote:** Motion carried by unanimous vote (**summary:** Yes = 5).

633 **Yes:** Chair Powell, Commissioner Minter, Commissioner Stone, Commissioner Doth,
634 Commissioner Draper.
635

636 **Motion:** Adopt Resolution 2013-4 Adopting the Final Budget, **Action:** Approve, **Moved by**
637 Chair Powell, **Seconded by** Commissioner Doth.

638 **Vote:** Motion carried by unanimous vote (**summary:** Yes = 5).

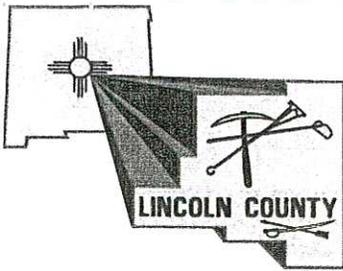
639 **Yes:** Chair Powell, Commissioner Minter, Commissioner Stone, Commissioner Doth,
640 Commissioner Draper.
641

642 Chair Powell questioned if a separate vote was required for the hospital funding. Ms. Taylor
643 informed adoption of the Resolution approved the budget as presented. Ms. Taylor noted the
644 budget as presented provided for funding to LCMC of \$1.1 million for FY 2012-2013, including
645 the previously approved \$479,335, and \$1.1 million for the first half of FY 2013-2014. Ms.
646 Taylor clarified adoption of the Resolution also approved the current mill levy rate of 2.6 with no
647 increase.
648

649 Commissioner Draper clarified the additional \$1.1 million request for the second half of FY
650 2013-2014 was not approved by the Resolution. Ms. Taylor confirmed this was the case.
651 There was a general consensus to direct LCMC to make a mid-year budget request if
652 necessary.

LCMC Financial GAP Action Plan

ENCL 4
July 16, 2013
Commission mts.



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County of Lincoln

P.O Box 711 • 300 Central Ave. • Carrizozo, New Mexico 88301-0711 • (575) 648-2385

*Enclosure 1
copy to 2/13*

AGENDA ITEM NO. 7

November 1, 2013

MEMORANDUM

TO: County Commissioners

FROM: Nita Taylor, County Manager *NTX*

SUBJECT: Bid Award 13-14-002

Purpose: To award bid for Angus Church Watershed Protection Project (NRCS Cooperative Agreement 69-8C30-13-0001)

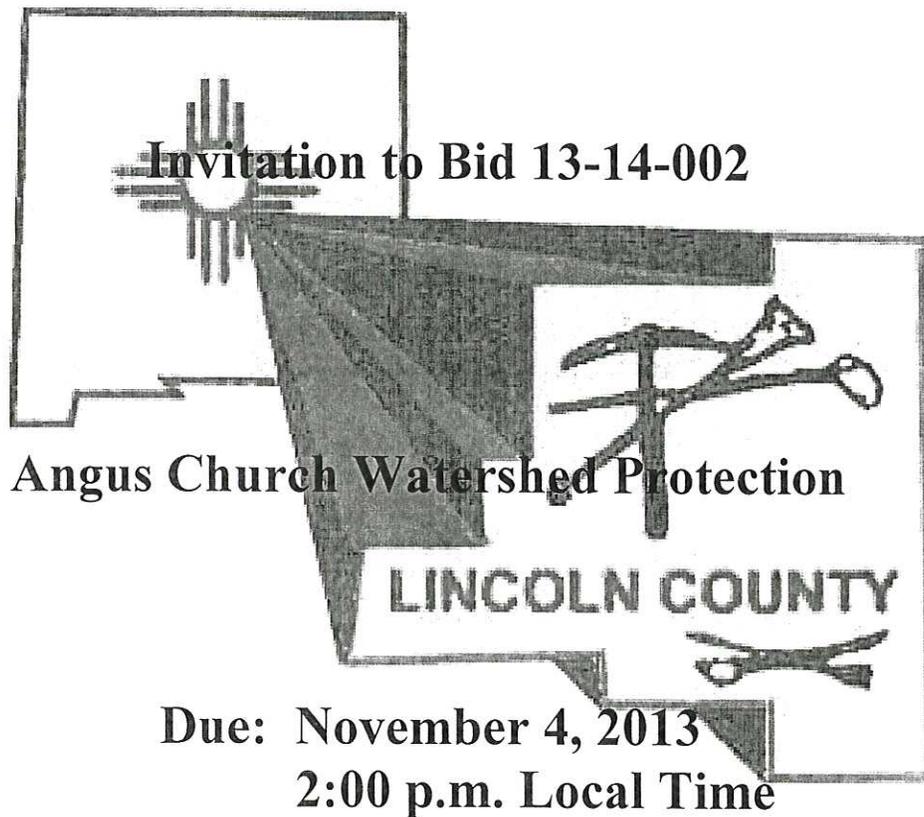
Invitation to Bid 13-14-002 – Angus Church Watershed Protection. Responses to the RFP are due on Monday, November 4, 2013. See Enclosure 1 for the specifications for this job. A mandatory pre-bid meeting was held at the Lincoln County Emergency Operations Center, of which three local contractors attended.

The Commission will be presented with the bid information at the Tuesday, November 5th Special Meeting, and will be provided with a recommendation, based on low cost.

Recommendation: Consider the recommendation and take action.

COUNTY OF LINCOLN

Carrizozo, NM 88301



A mandatory pre-bid meeting will be held at the Lincoln County Emergency Operations Center located at 111 Copper Ridge Road, Angus, NM at 9:00 am on October 30, 2013.

**COUNTY OF LINCOLN
Carrizozo, NM**

Invitation to Submit Bids

Angus Church Watershed Protection

Due: November 4, 2013 2:00 Local Time

SPECIFICATIONS

SCOPE OF WORK

Miscellaneous excavation and concrete work at Angus Church.

MANDATORY PRE-BID MEETING

A mandatory pre-bid meeting will be held at the Lincoln County Emergency Operation Center located at 111 Copper Ridge Road, Angus, New Mexico at 9:00 am on **October 30, 2013**.

Pre-Construction Meeting

A pre-construction meeting will be held at the Lincoln County Emergency Operation Center located at 111 Copper Ridge Road, Angus, New Mexico at 9:00 am on **November 7, 2013**

START AND COMPLETION DATES

Work shall commence by **November 11 2013**. Contractor shall notify Justin King, Project Manager, 719-510-0026, when ready to begin the projects.

Projects must be completed no later than **November 25, 2013**, weather permitting. The Project Manager must approve weather-related nonwork days.

FINAL APPROVAL

All work requires acceptance and final approval by the Project Manager.

WAGE RATES

This project does not require a wage decision.

BID SHEET

Only one Bidder will be awarded the total project based on the lowest cost shown in the **TOTAL PRICE** column. Bid prices shall include all taxes.

NEW MEXICO CONTRACTOR'S LICENSE

You must hold a current New Mexico Contractor's License to bid on this work. Your Contractor's License number must be provided on the Bid Sheet.

BONDING AND WORKERS' COMPENSATION

1. Bid Bond

A Bid Bond in the amount of at least 5% of the total price for the project must accompany the bid.

2. Performance and Payment Bonds

Performance and Payment Bonds in the full amount of the award, including applicable taxes, will be due before the Notice to Proceed is issued and before the commencement of work.

3. Workers' Compensation and General Liability Insurance

Successful Bidder must furnish proof of Workers' Compensation Insurance and General Liability Insurance (refer to *General Instructions, Terms and Conditions* enclosed) before Notice to Proceed can be issued and work begun.

NEW MEXICO RESIDENCE PREFERENCE NUMBER

If you hold a New Mexico Residence Preference Number and wish to have it applied to this bid, you must enter the Preference Number in the space provided on the Bid Sheet. Lincoln County is not responsible for determining your status or entering the Preference Number after the bid closes.

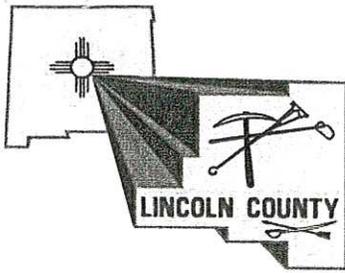
CAMPAIGN CONTRIBUTION DISCLOSURE FORM

Effective May 17, 2006 Chapter 81, Laws of 2006 requires and prospective contractor seeking to enter into a contract with any state agency or local public body to file a "Campaign Contribution Disclosure Form" with that state agency or local public body.

THIS FORM MUST BE FILED BY ANY PROSPECTIVE CONTRACTOR WHETHER OR NOT THEY, THEIR FAMILY MEMBER, OR THEIR REPRESENTATIVE HAS MADE ANY CONTRIBUTIONS SUBJECT TO DISCLOSURE.

GENERAL INSTRUCTIONS, TERMS AND CONDITIONS

Lincoln County *General Instructions, Terms and Conditions* are included in this bid and are applicable to it and the resulting award.



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County of Lincoln

P.O Box 711 • 300 Central Ave. • Carrizozo, New Mexico 88301-0711 • (575) 648-2385

AGENDA ITEM NO. 8

November 1, 2013

MEMORANDUM

TO: County Commissioners

FROM: Nita Taylor, County Manager *NT*

SUBJECT: Potential Legislation to Enable Counties/Local Governments to Hire Contract Work Inspectors

Purpose: To discuss and provide direction regarding the identification of a sponsor to introduce legislation that would allow counties and local governments to hire Contract Work Inspectors for Building Inspections.

Discussion: For several years, the County has been supportive of the concept of hiring Contract Work Inspectors to conduct building inspections. Although efforts are underway to enter into an MOU with the Village of Ruidoso to conduct this work for the County, it may still be advantageous to have the law amended to allow for contract inspectors. While 2014 is a year that the legislature would normally hear only finance issues, it is possible to have additional topics placed on the Governor's Call.

Recommendation: Determine Commission preference and provide direction to Manager