

**AGENDA ITEM BRIEFING**

**Submitted by:** Gregory R. Anderson, Chief Financial Officer and Treasurer

**Subject:** Approval of the Project Scope and Budget, Appropriation for Construction Services, and Approval for Construction for the NCTM Core Retrofit Project, Texas A&M University, College Station, Texas (Project No. 2-3137)

**Background and Prior Actions:**

The NCTM Core Retrofit Project was included as an FY 2013 start project in the FY 2013-FY 2017 System Capital Plan approved by the Board of Regents at the August 2012 meeting.

**Proposed Board Action:**

- (1) Approve the project scope and budget.
- (2) Appropriate \$30,542,496 for construction services and related project cost, subject to the execution of the lease revenue agreement.
- (3) Approve construction of the NCTM Core Retrofit Project at Texas A&M University (Texas A&M).

**Funding/Budget Amount:**

<u>Funding Source</u>	<u>Budget Amount</u>	<u>Average Estimated Annual Debt Service</u>	<u>Debt Service Source</u>
Federal Grant	\$22,906,872	N/A	N/A
Revenue Financing System Debt Proceeds	<u>\$ 7,635,624</u>	\$2,005,000	Lease Revenue
Total Project Funds	<u>\$30,542,496</u>		

**Project Justification:**

On June 15, 2012, the U.S. Department of Health and Human Services (DHHS) awarded The Texas A&M University System a \$286 million contract to develop and implement the Texas A&M Center for Innovation in Advanced Development and Manufacturing (CIADM). As part of its base period of performance, Texas A&M will retrofit the existing National Center for Therapeutics Manufacturing (NCTM) with more robust utilities and additional bioprocessing capabilities to better support the CIADM mission of development and manufacturing vaccines and therapeutics critical to biosecurity and public health. The retrofit is required to meet DHHS requirements for quickly developing medical countermeasures to threats known and unknown over the anticipated 25-year life of the contract and in a manner that is compliant with all FDA regulations governing the manufacture of such products. The NCTM will also be available to support research and development for both academic and commercial clients when not utilized

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under the CIADM contract. Combining its research and service missions, the CIADM will also be a key asset in reversing the critical decline in domestic technological expertise in the biopharmaceutical industry, particularly in the area of vaccine development and manufacturing. As such, Texas A&M and the Texas A&M Engineering Experiment Station (TEES) will develop and implement the U.S. workforce training model for the next generations of scientists and engineers using the unique, innovative bioprocessing techniques to be implemented at the NCTM. As stated in the CIADM solicitation, “The CIADM will provide an ideal setting for needed workforce training and development. As a nexus of public, private, and academic partnership, the CIADM will reinvigorate the workforce and promote the development of the new generation of biopharmaceutical scientists and engineers.”

**Scope:**

This project will retrofit the Current Good Manufacturing Practices (cGMP) portion of the existing NCTM facility which is located north of Raymond Stotzer Drive and just west of the Texas Institute for Preclinical Studies (TIPS) facility as shown on the map with this agenda item.

The retrofit will encompass approximately 90,000 gross square feet and add capabilities to the existing NCTM operation to include:

- + Water for Injection (WFI) skids, tanks and distribution loops to distill water to a high purity and sterility level
- + Reverse Osmosis (RO) water skids, tanks and distribution loops
- + O<sub>2</sub>, CO<sub>2</sub> and N<sub>2</sub> supply tanks and distribution loops
- + Expansion of demountable clean room wall system on the north and south side of the existing modular bioprocessing units (MBU) area (grey space)
- + Addition of eight modular clean rooms and related bioprocess equipment to support core manufacturing processes
- + Expansion of mechanical systems, security, lighting and other utilities to all 20 modular clean room stations in the existing grey space
- + Enhancement of mechanical and waste handling systems to accommodate biosafety level (BSL) 2+ operations at all MBU locations

These new capabilities and systems will enable the NCTM to develop and manufacture vaccines and therapeutics according to the provision of the federal contract and in compliance with Food & Drug Administration (FDA) GMP regulations. Additional Quality Assurance and Validation (CQV) work will be completed as part of the project to verify facility FDA compliance.

The current schedule calls for substantial completion of the NCTM Core Retrofit project in March 2014. The total project budget is \$30,542,496.

**Other Major Fiscal Impacts:**

None.

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**THE TEXAS A&M UNIVERSITY SYSTEM  
FACILITIES PLANNING AND CONSTRUCTION**  
Office of the Chief Financial Officer and Treasurer  
September 21, 2012

Members, Board of Regents  
The Texas A&M University System

Subject: Approval of the Project Scope and Budget, Appropriation for Construction Services, and Approval for Construction for the NCTM Core Retrofit Project, Texas A&M University, College Station, Texas (Project No. 2-3137)

I recommend adoption of the following minute order:

**“The project scope along with a project budget of \$30,542,496 for the NCTM Core Retrofit Project is approved.**

**The amount of \$22,906,872 is appropriated from Account No. 01-048600, BARDA-CIADM-Program Management, and the amount of \$7,635,624 is appropriated from Account No. 01-083536, Revenue Financing System Debt Proceeds (Leasing Revenue), for construction services and related project costs, subject to the execution of the lease revenue agreement.**

**The NCTM Core Retrofit Project, Texas A&M University, College Station, Texas, is approved for construction.**

**The Board of Regents of The Texas A&M University System (Board) reasonably expects to incur debt in one or more obligations for this project, and all or a portion of the proceeds received from the sale of such obligations is reasonably expected to be used to reimburse the account(s) for amounts previously appropriated and/or expended from such account(s).**

**As required by Section 5(a) of the Master Resolution of the Revenue Financing System, the Board hereby determines that it will have sufficient funds to meet the financial obligations of The Texas A&M University System, including sufficient Pledged Revenues to satisfy the Annual Debt Service Requirements of the Revenue Financing System and to meet all financial obligations of the Board relating to the Revenue Financing System and that**

**the Participants, on whose behalf the debt is issued, possess the financial capacity to satisfy their Direct Obligations.”**

Respectfully submitted,

[ORIGINAL SIGNED BY]

Gregory R. Anderson  
Chief Financial Officer and Treasurer

**Approval Recommended:**

[ORIGINAL SIGNED BY]

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John Sharp  
Chancellor

**Approved for Legal Sufficiency:**

[ORIGINAL SIGNED BY]

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Ray Bonilla  
General Counsel

[ORIGINAL SIGNED BY]

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R. Bowen Loftin, President  
Texas A&M University

<b>NCTM CORE RETROFIT</b> <b>TEXAS A&amp;M UNIVERSITY</b> <b>PROJECT NO. 2-3137</b>	<b>PROJECT BUDGET</b>
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1.	Amount Available for Construction .....	\$6,314,260
2.	Owner Management Reserve (Contingency) .....	351,470
3.	D-B Pre-Construction Phase Fee and Printing.....	681,176
4.	Energy Management Systems .....	30,000
5.	Environmental Systems Balancing .....	5,500
6.	Site Survey .....	2,212
7.	Commissioning .....	81,767
8.	Construction Testing.....	21,106
9.	SCADA System Controls Interface.....	390,000
10.	Fiber Optic Interface .....	25,000
11.	Owner Provided Builder's Risk Insurance .....	12,500
12.	Facility Services .....	20,000
13.	Modular Bioprocessing Units and Associated Bioprocess Equipment (By Owner) .....	17,942,686
14.	Quality Assurance and Validation .....	4,664,819
15.	<b>TOTAL ESTIMATED COST OF PROJECT.....</b>	<b><u>\$30,542,496</u></b>

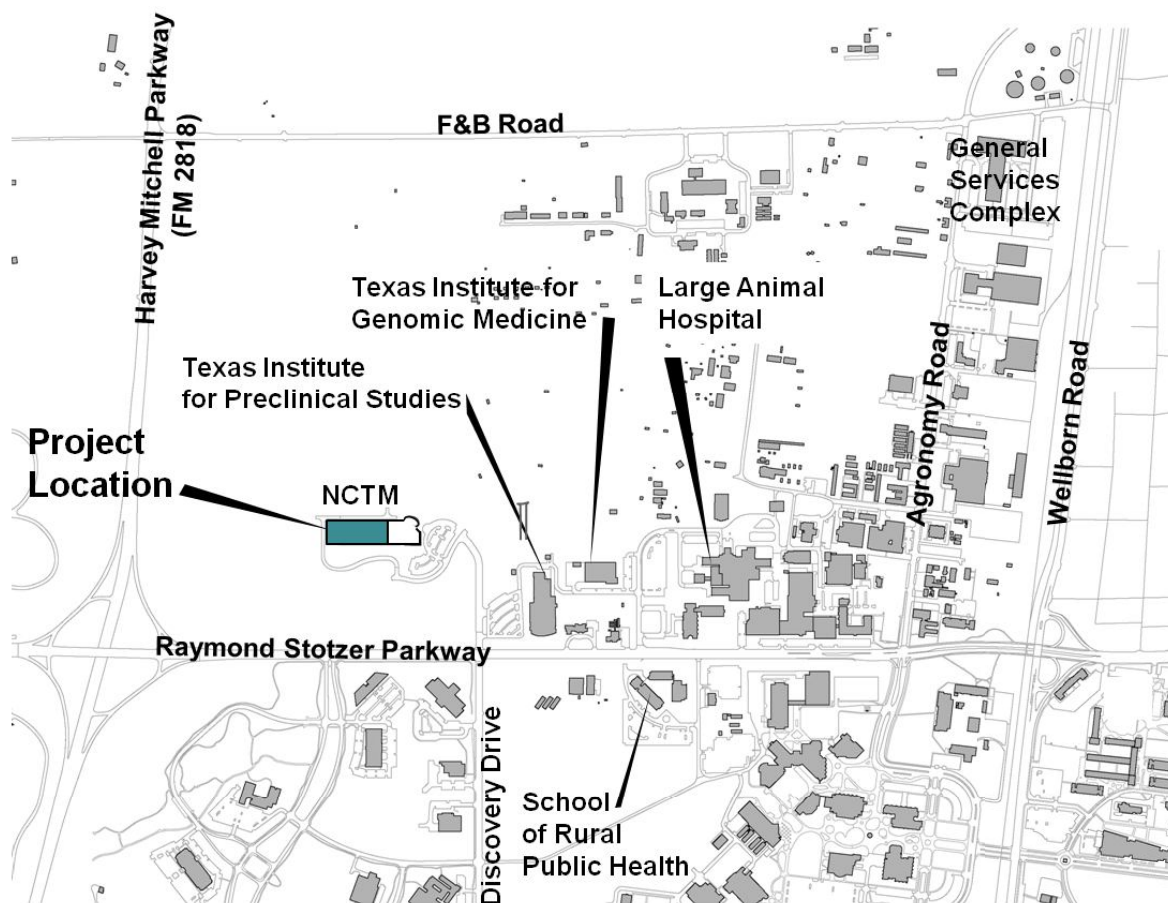
1. Kickoff Meeting ..... May 18, 2011
2. 100% Conceptual Design Review ..... July 15, 2011
3. Higher Education Coordinating Board Approval ..... August 8, 2012
4. Board of Regents Approval for Construction ..... November 1, 2012  
(Subject to Acceptable Guaranteed Maximum Price)
5. 100% Schematic Design Review ..... December 17, 2012
6. Guaranteed Maximum Price Submittal to FP&C ..... April 14, 2013
7. Notice to Proceed with Construction ..... May 16, 2013
8. 50% Construction Document Review ..... May 29, 2013
9. 100% Construction Document Completion ..... June 26, 2013
10. Construction Substantial Completion ..... March 16, 2014
11. Owner Occupancy ..... July 19, 2014

**TEXAS A&M UNIVERSITY  
REVENUE FINANCING SYSTEM  
2-3137 NCTM Core Retrofit  
Lease Revenue**

	Jan-Dec 2013	Jan-Dec 2014	Jan-Dec 2015	Jan-Dec 2016	Jan-Dec 2017	Jan-Dec 2018	Total
Principal	-	-	1,798,797	1,906,828	1,945,349	1,984,650	7,635,624
Interest	130,000	160,000	206,203	98,172	59,651	20,350	674,376
Total Debt Service	130,000	160,000	2,005,000	2,005,000	2,005,000	2,005,000	8,310,000

Project will remain in taxable commercial paper, interest only for first two years.  
Short-term rates are assumed to be 2.00%. Rates are subject to market change.  
Prepared by the Office of the Treasurer - Treasury Services 10/16/12

**Rates are variable and subject to market change.**



## NCTM Core Retrofit

Texas A&M University

Project No. 02-3137