

**NEW MEXICO STATE BOARD OF FINANCE**

**REGULAR MEETING**

**Santa Fe, New Mexico**

**February 21, 2023**

A regular meeting of the New Mexico State Board of Finance was called to order on this date at 9:02 a.m. in the Governor's Cabinet Room, Fourth Floor, State Capitol Building, Santa Fe, New Mexico. The meeting was held with a virtual option for those who could not attend in person.

**1. ROLL CALL -- QUORUM PRESENT**

**Members Present:**

The Hon. Laura Montoya, New Mexico State Treasurer  
Mr. Joseph Badal, Public Member  
Mr. Paul Cassidy, Public Member  
Mr. Michael S. Sanchez, Secretary, Public Member  
Ms. Wendy Trevisani, Public Member [signed off 10:30 a.m.]

**Members Excused:**

The Hon. Howie Morales, Lt. Governor  
The Hon. Michelle Lujan Grisham, President

**Staff Present:**

Ms. Ashley Leach, Director  
Mr. Marcos B. Trujillo, Deputy Director

**Legal Counsel Present:**

Ms. Jennifer Salazar

**2. APPROVAL OF AGENDA**

Member Badal moved for approval of the agenda, as published. Member Trevisani seconded the motion, which passed unanimously.

**3. APPROVAL OF MINUTES: January 18, 2023 (Regular Meeting)**

Member Cassidy moved for approval of the minutes of the January 18, 2022, minutes, as presented. Member Badal seconded the motion, which passed unanimous.

**CONSENT AGENDA (Items 4-24)**

Presenter: Ashley Leach, Director, Board of Finance

Submitted by: Stephanie LeMaster, Master Planner, State Armory Board

**4. State Armory Board—Requests Approval of the Donation of Real Property, Located at 700 S. Peral Street in Deming, to Luna County**

- Contingent upon director’s and counsel’s receipt and review of (1) a fully executed donation agreement, (2) a fully executed quitclaim deed, and (3) a revised and fully executed resolution or meeting minutes

Submitted by: Gerald Hoehne, Director, Higher Education Department

**5. University of New Mexico—Requests Approval of Capital Expenditures for Football Practice Field Renovations (\$800,000)**

**6. University of New Mexico—Requests Approval of Capital Expenditures for Campuswide Electrical Infrastructure Upgrades (\$2,000,000)**

**7. University of New Mexico—Requests Approval of Capital Expenditures for Learning Environments Technology Infrastructure and Network Upgrades (\$2,098,000)**

**8. University of New Mexico—Requests Approval of Capital Expenditures for Campus Fiber Renewal (\$2,500,000)**

**9. University of New Mexico—Requests Approval of Capital Expenditures for EDGE Switch Equipment Refresh Project (\$3,500,000)**

**10. University of New Mexico Health Science Center/Hospital—Requests Approval of the Acquisition of Real Property, Located at the Southeast Corner of University Boulevard and Eastern Avenue SE in Albuquerque (\$1,346,853)**

- Contingent upon director’s and counsel’s receipt and review of (1) a revised and fully executed warranty deed, and (2) a revised title commitment with exceptions 1 through 5 removed and an explanation from UNM of any non-standard exceptions, (3) a copy of the ALTA survey of the property and evidence the replat has been approved and finalized, and (4) confirmation that the purchase agreement was not amended from Board of Finance approval to closing of the acquisition

Submitted by: Stephanie Mendivil, Legal Counsel, Ruidoso Municipal Schools

**11. Ruidoso Municipal Schools—Requests Approval of the Exchange of Real**

**Property, Located at 103 S. Sutton Drive in Ruidoso, with Southwest Health Foundation (\$1,430,000)**

- Contingent upon director's and counsel's receipt and review of (1) a revised and fully executed exchange agreement reflecting any changes to the legal descriptions of the properties subject to the exchange, (2) completed surveys of each property subject to the exchange, (3) a revised and fully executed quitclaim deed, (4) a revised and fully executed warranty deed, and (5) a final title commitment, including any evidence of oil and gas extraction leases on the property to be conveyed to the district

Submitted by: Susan Odegard, Strategic Assets Coordinator, Los Alamos Public Schools

**12. Los Alamos Public Schools—Requests Approval of an Amended and Restated Lease of Real Property, Located at 2101 Trinity Drive, Suites Q1 and Q2, in Los Alamos, to Windgate Healing Arts, LLC**

- Contingent upon director's and counsel's receipt and review of a fully executed amended and restated lease agreement and fully executed resolutions of the school board providing approval

Submitted by: Ashley Leach, Director, Board of Finance

**13. Consideration of the Sixth Amending Resolution for State of New Mexico Supplemental Severance Tax Note Series 2018S-D**

**14. Consideration of the Fifth Amending Resolution for State of New Mexico Supplemental Severance Tax Note Series 2019S-D**

**15. Consideration of the First Amending Resolution for State of New Mexico Supplemental Severance Tax Note Series 2020S-D**

**16. Consideration of the Sixth Amending Resolution for State of New Mexico Supplemental Severance Tax Note Series 2021S-B**

**17. Consideration of the Fifth Amending Resolution for State of New Mexico Supplemental Severance Tax Note Series 2021S-D**

**18. Consideration for State to Procure Bond and Tax Counsel Services**

Submitted by Anna Silva, Director, Facilities Management Division

**19. Capital Buildings Repair Fund Financial Status Report for Month-Ended January 31, 2023**

**20. Legislative Capital Projects Financial Status Report for Month-Ended**

January 31, 2023

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Submitted by Vikki Hanges, Chief Investment Officer, State Treasurer’s Office

**21. State Treasurer’s Office Investment Report for Month-Ended December 31, 2022**

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Submitted by Ashley Leach, Director, Board of Finance

**22. Emergency Balances – February 21, 2023**

	<u>Balance</u>	<u>Appropriation</u>
Operating Reserve Fund	\$763,650.00	\$2,500,000.00
Emergency Water Fund	\$ 0.00	\$ 109,900.00

**23. Fiscal Agent and Custodial Bank Fees Report for Month-Ended January 31, 2023**

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**24. Joint Powers Agreements for Month-Ended January 31, 2023**

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Member Badal moved approval of the Consent Agenda, as presented. Member Trevisani seconded the motion, which passed unanimously.

**EMERGENCY FUNDING REQUEST**

Presenters: Stephanie Rodriguez, Cabinet Secretary, HED; Gerald Hoehne, Director, HED; Dr. Allen Moss, Acting President, Mesalands Community College; Dr. Duane Brooks, Chief of Staff; Blanca Pauliukevicius, Chief Financial Officer, Mesalands Community College

**25. Mesalands Community College—Requests Approval of an Emergency Operating Grant to Continue College Operations (\$763,650)**

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Mr. Hoehne stated that the NMHED, as the fiscal oversight agency for higher education institutions, was made aware of a financial situation brewing at Mesalands Community College on November 16, 2022. Dr. Gregg Busch, president of Mesalands, sent a letter to the NMHED notifying him (Mr. Hoehne) that the college was experiencing a shortage of funds and needed assistance in meeting fiscal obligations for capital. This resulted in a letter of fiscal concern being sent to Mesalands, and the subsequent meeting with Dr. Busch and the Mesalands executive team on December 14, 2022, where Dr. Busch communicated for the first time that the college was undergoing a cash flow deficiency, impacting their ability to make upcoming staff and faculty payrolls. Since then, the NMHED has met with Mesalands executive staff on numerous occasions; placed the college on the department’s Enhanced Fiscal Oversight Program (EFOP) on January 18; performed an urgent onsite visit to the campus on February 1; and because of the findings of that visit, notified the Office of the State Auditor and the Office of the Attorney General of leadership and governance concerns at the college earlier this month.

Mr. Hoehne said it is important to note that the NMHED's EFOP requirements have been established on a weekly and monthly basis and are to ensure that the department can monitor the fiscal health of the college and provide fiscal oversight for any funding that may be provided.

Acting President Dr. Moss said Mesalands is asking for funds to re-implement Jenzabar, the software that the college uses as its ERP system. They also want to bring in contract staffing to get the college up to speed on that system, as well as to bring their accounting system up to date. They are also requesting funds for the upcoming FY 2022 audit.

Dr. Moss said they have implemented across-the-board salary cuts from executive staff down to people earning \$50,000 or more. A hiring freeze was implemented on February 14; since then, five vacancies have occurred and those positions will not be filled. They are planning to overhaul their corrections and dual credit enrollment, which is a huge part of the enrollment at Mesalands, to make them more efficient. They are also planning to eliminate programs that are not cost effective. Some executive staff may also be removed.

Dr. Brooks said re-implementing their ERP system would help them better generate current financial systems, cash flow statements, and project the current and future health of the college more efficiently. Ms. Pauliukevicius added that this would allow them to expand their operations and comply with state and federal reporting requirements.

Member Trevisani asked if there is a faculty-to-student ratio, and how many more departures Mesalands could handle without replacing those positions. She asked how enrollment has changed over the past three to five years.

Dr. Brooks said they have experienced enrollment increases and currently have over 350 students on campus. Total enrollment is at about 1,200 students, including online, dual enrollment, and incarcerated students. They are doing their best to retain faculty while they primarily focus on the students.

Mr. Hoehne said he understands the staff-to-student is about 1:14 at Mesalands. NMHED is working closely with Mesalands on their enrollment data and information as well.

Member Trevisani asked what the nearest alternative is for students not attending Mesalands. Dr. Brooks responded that the nearest other option would be Clovis Community College more than 90 minutes away, so it would put students in a difficult situation if Mesalands were to cease to exist. The local community relies on the college not only for employment but other revenue. It is the town's largest employer. Also, it is one of the only facilities in the country that provides training for maintenance and repair of wind turbines, and there is a wind turbine on campus. In addition, Mesalands began a nursing program this semester.

Member Badal asked what percentage of the student body is attending classes virtually versus on campus. Dr. Brooks responded he did not have an exact percentage. A third of their students are incarcerated, and another third are in dual enrollment.

Member Badal asked if he understood correctly that Mesalands has a foundation with about \$3 million in funds.

Dr. Moss responded that they are being told that the foundation is an independent entity and that some of those funds are tied up in endowments and other areas not available for immediate use. He will be attending a meeting of the foundation tomorrow, where they hope to get information on what monies might be available.

Dr. Brooks added that the Mesalands foundation operates as a non-component unit of the college, so Mesalands receives no reporting. When they request assistance from the foundation, they are typically denied and told no funds are available. He said they do hold funds of the college in the form of STEM and faculty endowments, but Mesalands has no access to any funds whether they are scholarships or the like. He said, "We have no idea what the foundation does, really."

Mr. Hoehne said that the NMHED found that the foundation is listed as a non-component unit in the audits completed for the college, which is not traditional for how New Mexico's independent community colleges are structured. The NMHED has forwarded that information to the Office of the State Auditor and the New Mexico Attorney General in order to get a legal opinion on what that designation means and whether or not the foundation is able to provide assistance. He said much of the funding that is kept within foundations is restricted and not available for use, but there are portions that are non-restricted.

Responding to questioning from Member Badal, Dr. Brooks said the board of directors did not learn about the problems at Mesalands until December 2022. In November, the administration had directed staff not to share this information with the board until instructed to do so. Prior to the December meeting, they were instructing the president to communicate with the board of directors and NMHED prior to the meeting with NMHED. After that, they were able to meet with the board of directors and discuss the financial condition of the college. At the time of a site visit on February 1 with NMHED, the president had not called an emergency board meeting to discuss next steps. There were subsequent meetings with the Legislative Finance Committee and NMHED, and they issued a no confidence vote three weeks ago, soon after the meeting with NMHED, so they could discuss the college's financial situation with the employees and implement an emergency solvency plan.

Member Cassidy asked Ms. Pauliukevicius what her experience was as a CFO and in implementing and working with operating systems like Jenzar's financial software.

Ms. Pauliukevicius responded that she has past experience at a college in implementing other operating systems and ERP systems. The grant proposal includes a request for an experienced IT person who was part of the Jenzabar system when it was implemented about seven years ago. He will be the lead person and project manager in this. She said she has been at Mesalands for the past six months and noted a complete inability to produce accurate reports or project accounts receivables and financials. Her focus for the next 18 months will be to implement an ERP system that will produce accurate financial reports and to bring the financial reporting up to date, which is behind because of high turnover of key financial and operations personnel.

Dr. Brooks said the requested funding would allow them to move their Jenzabar ERP system to a fully managed and hosted environment by that organization, which would include cybersecurity and ongoing maintenance. Jenzabar would do all software and system upgrades, and Mesalands' agreement with them would provide all maintenance support, training and software management for one fee.

Member Cassidy asked if there are enough staff in the finance department to get started quickly if the grant is approved. Ms. Pauliukevicius responded that she has identified contractors who can catch up with the 12-18 months' backlog in accounting. Once that is completed and they are able to get going with the FY 2022 audit, they will begin implementing the Jenzabar system with the help of the IT project manager. They will need to hire two full-time accounting personnel in order to catch up over the next four months.

Member Cassidy said he has been a member of university foundations for a number of years, and always finds that university or college senior staff participation and good communication is crucial to their success. He asked if Mesalands' bylaws provide for the president of the college being a member of the board or staffing it; and if not, he would very much encourage that.

Dr. Moss responded that he reviewed an old copy of the bylaws, and it lists the president as a non-voting board member. Part of the problem is a turnover of presidents in the past, and that the college went for 12-18 months without a president. Communication from the past president was also not good.

Treasurer Montoya asked if there were findings in the FY 2020 audit or in the FY 2021 audit, if that audit was completed. Dr. Brooks responded that the FY 2021 audit is still pending. There are multiple findings but they have only seen a draft. They are working to address the findings they do know about.

Responding to Treasurer Montoya, Dr. Brooks stated that a full reimplementations of the system and training of all employees would cost about \$500,000. As they plan to move to Jenzabar's fully managed and hosted environment and away from their own

servers, they would enter into an agreement with Jenzabar that will include all maintenance support and management of the software for an annual fee of about \$150,000.

Treasurer Montoya asked what the cost of the audit would be. Ms. Pauliukevicius responded \$60,000 to \$80,000, depending on how long it will take.

Treasurer Montoya said she was concerned that Mesalands still has the same board of directors it had under the previous president. She added that there should be policies in place requiring monthly financial reporting to that board, to the state, and the Board of Finance.

Mr. Hoehne said the NMHED's EFOP is requiring weekly as well as monthly reporting by the college, and it intends to continue this into the foreseeable future.

Member Badal said he was very concerned about the board of directors situation. If they don't have an audit committee of the board, they should; and whether they did or didn't, if they had an audit committee before, maybe the NMHED would have learned about the imprudent use of funds by Mesalands a lot sooner than they did. He said he was very distressed by the comment that staff was told not to inform the board of directors of that information.

Member Badal complimented Dr. Moss and his staff for the steps they are taking and propose to take, but his concern is that the board of directors has not done its job in providing oversight for Mesalands. It is a serious problem that audits aren't being done in a timely manner. As a member of the Board of Finance, Member Badal said his responsibility is to New Mexico's taxpayers, and putting money into an institution where there is no current audit, and where they do not know whether funds can come out of the foundation, is a concern. In addition, he has never been involved with any implementation of an IT or accounting system that didn't cost more than the contractor estimated it would cost.

Member Badal complimented Mr. Hoehne on the steps the NMHED has taken in providing oversight, but he feels it is not enough, and that the department should basically take on the role of a court appointed receiver and take over management of the institution and relinquish it back to the administration at the time that they are confident that the institution is financially viable. At this point, he could not justify what amounted to putting good money after bad. He is sympathetic to the needs of the community and the staff at the college, but could not support this request unless he could feel more confident that there is a plan in place that is grounded in facts and not hope.

Mr. Hoehne stated that the NMHED is statutorily bound in its oversight capabilities, but given that the board of directors at the college is made up of elected officials, NMHED's authority to step in and make decisions on behalf of any board of a higher education



institution is not possible. He added, however, that NMHED's plan moving forward includes a scheduled training for the board of directors at Mesalands.

Member Badal said he could support this request if the foundation were to provide the \$763,000 to the institution, and at the point the institution became viable, he could see making a grant back to the foundation to replenish those funds that were used to fulfill Mesalands' request. Otherwise, he could not find enough "meat" in the current situation that would allow him to comfortably support this.

Member Cassidy noted that the balance sheet of Mesalands Community College has \$714,000 of unrestricted funds available. Those are the funds the foundation board has flexibility to use should they choose to help Mesalands.

Member Sanchez commented that he feels torn about what to do, given a complete disregard of public funds by the Mesalands board of directors and the college's prior administration, and he feels there is no excuse for that. While the present administration seems very motivated to make the necessary changes and make Mesalands viable again for the community and the students, the NMHED is caught between a rock and a hard place because the school's board of directors is made up of elected officials, and perhaps Mr. Hoehne and the NMHED might consider looking at this. He said there are times when the state has stepped in and taken over public schools.

Member Sanchez said staff has informed the Board of Finance that there is a loan to Mesalands from the state that remains in arrears, which gives him the impression that because this is taxpayer money, it's just taken for granted and it doesn't matter if it's paid back.

Member Sanchez asked Mr. Hoehne to discuss what the consequences and ramifications would be should the board turn down this request.

Mr. Hoehne responded that there is support from the Legislature and Executive in order to provide funding through the supplemental appropriation for the college; however, those monies won't be available until late April or early May. This is also funding that the NMHED has been working closely with Mesalands on in order to ensure that they are being good stewards of taxpayer dollars to only address those items that are truly necessary for the college to continue functioning. The funding being requested today, however, is separate from that operational need, and is necessary in order to support the college's ability to bring in the Jenzabar financial system. The \$714,000 cited by Member Cassidy is the remaining operational reserve that the college has in order to make the next payroll on February 24. NMHED is looking into whether the college can make the March 10 payroll, since the funding in the account is all they have left to make that payroll. If that doesn't happen, then NMHED is working with DFA to see if they can cover the payroll until the supplemental funding is released.

Concluding his remarks, Mr. Hoehne stated that if there's no funding to support the systems, then the funding to support the operations may potentially be in vain.

Member Sanchez asked Mr. Hoehne what happens if Mesalands can't meet future payrolls after the supplemental funding is provided and the Board of Finance allows the grant.

Mr. Hoehne responded that the supplemental funding is sufficient to meet not only payroll but also operations for the remainder of FY23, and to provide additional funding into FY24 to make sure any unaccounted-for liabilities are also addressed. The supplemental funding includes monies for the first year Jenzabar implementation of the cloud. The supplemental funding does not cover the cost for contractual items that are being presented today.

Ms. Leach said she wanted to emphasize that the system and the request today is viewed by staff and NMHED as necessary in order to ensure that the supplemental from the legislature can be successful. Once that is in place, and their accounting system is together, they will have a better idea of where they are in terms of making better decisions on future budgets, future expenditures, and revenue projections.

Ms. Leach said the oversight piece is very critical. A draft resolution has been provided to the board, but it is staff's recommendation that the reporting requirements to the Board of Finance be enhanced to include very specific reports on the board of director training, changes to the board of directors, audit progress and findings, staffing changes and actual written policies in place addressing internal controls; and, in addition, getting information on the foundation and the Attorney General's opinion.

Member Sanchez stated that he wouldn't support this request if it were something other than for students, but would weigh his decision in terms of the education of students in a rural community.

Ms. Leach said the resolution states that the funding would go to NMHED and be allotted once the final quotes for re-implementation of Jenzabar, contract labor and audit services come in, so NMHED will have to certify to Board of Finance staff of those quotes and amounts before that funding is released. Also, the resolution contains a provision that any amounts not needed by Mesalands, once they receive the final estimates of cost for re-implementation and support services, would be returned to the board for potential allocation to additional emergency requests through the end of the fiscal year.

Dr. Moss cited his record of fiscally responsible management of public school districts. He stressed that Mesalands is in a remote part of New Mexico, and while it has online capabilities, that doesn't meet the needs of many of its students.

Ms. Pauliukevicius said she wanted to reassure the board that they are committed to making the college fiscally viable.

**Treasurer Montoya moved to support this request. Member Cassidy seconded the motion.**

Ms. Leach clarified the provisions of the resolution: The funding would go to NMHED for distribution to Mesalands following certification to Board of Finance staff, the Director specifically, the final amounts required for the re-implementation of the Jenzabar system, support contract labor for that implementation as well as accounting services. Mesalands will be required to report back to the board at a regular board meeting three months from the date of the resolution to provide updates as determined by staff and the board on the progress on the receipt of supplemental funds and any other specific detail that may be required.

**The motion passed, with Treasurer Montoya, Member Cassidy and Member Sanchez voting in favor, and Member Badal voting against.**

Member Cassidy stated that he comes from rural New Mexico and understands how important an institution like this is to the fiber of the community. He knows Tucumcari very well and how past boards of this college have worked to implement renewable energy training and also the veteran training. There are a lot of good things happening there, and he feels it is a shame that things have gotten to this point. While he shares Member Badal's concerns, he feels the board can't let this institution skip a beat, and the salary cuts that have been taken are a strong sign that they are willing to work hard. He thanked Mr. Hoehne, Ms. Leach and Mr. Trujillo for their guidance and the ability to craft a solution by giving them the tools they need to be successful.

#### **PUBLIC EDUCATION DEPARTMENT**

Presenters: Scott Wright, Director of Operations, NM Public Education Department;  
Antonio Ortiz, Director of Finance and Operations, NM Public Education Department

#### **26. New Mexico Public Education Department—Requests Approval of a Transfer from the State-Support Reserve Fund, Pursuant to Section 5 of Chapter 5 of House Bill 2, Laws of 2022 (\$9,092,640.20)**

Mr. Ortiz said the New Mexico Public Education Department (PED) is requesting a transfer from the State Support Reserve Fund totaling \$9,092,640.20 to pay Federal Impact Aid liabilities. House Bill 2 provided that "If, for fiscal year 2020, the secretary of public education determines that a final decision by the United States department of education prohibits the deduction of payments to school districts and charter schools commonly known as 'impact aid funds.'.... the state board of finance shall approve a transfer from the state-support reserve fund to make payments to school districts and charter schools that receive impact aid and are affected by the decision." The federal impact aid program reimburses school districts for lost tax revenue associated with

nontaxable federal property in the district. States may consider impact aid payments in state education funding formulas to the same extent as local tax revenues if they can prove that their state education funding formulas equalized revenues between school districts by passing a statutory disparity test. PED can deduct the impact aid payments from the state equalization guarantee (SEG) distribution if it passes the disparity test, which is evaluated and certified by the Impact Aid Program at the US Department of Education (USDE).

Mr. Ortiz said the reason for the requested transfer is that USDE Secretary Miguel Cardona issued an order indicating his intent to issue a final decision affirming the Administrative Law Judge's decision from January 15, 2021. The decision means PED failed the disparity test for FY20 and they are required to make entities whole. PED estimates the total liability due for FY 20 at \$59,992,240.20, of which the legislature has provided \$50,899,600.

Treasurer Montoya indicated that the funds were available to support this transfer.

**Member Cassidy moved for approval. Member Badal seconded, and the motion passed unanimously.**

## **HIGHER EDUCATION DEPARTMENT**

### **CAPITAL EXPENDITURES**

Presenters: Gerald Hoehne, Director, HED; Teresa Costantinidis, Senior VP of Finance & Administration, UNM; Lisa Marbury, Assistant VP of Institutional Support Services, UNM; Sabrina Ezzell, Chancellor, Gallup Branch of UNM; Robert Griego, Director of Business Operations, UNM

#### **27. University of New Mexico, Gallup—Requests Approval of Capital Expenditures for Renovations to Gurley Hall (\$6,405,300)**

Mr. Hoehne stated that this request includes the renovation of certain spaces within Gurley Hall as well as exterior improvements to support the facility and programs. The scope of work includes expansion of parking spaces, elevation changes between facilities, repairs to stucco and roof parapets, replacement of large overhead doors, evaporative coolers and gas unit for the welding lab, and other improvements.

Mr. Hoehne stated that funding sources are \$3,000,000 in 2020 State GOB proceeds, \$2,655,300 in Instruction and General Funds, and \$750,000 in institutional reserves for the project.

Ms. Marbury stated that the project is scheduled to begin in May 2023 and be completed in January 2024, which is prior to the reversion date of the GO bonds.

**Member Cassidy moved for approval. Treasurer Montoya seconded the motion, which passed unanimously.**

## **SYSTEM REVENUE BONDS**

Presenters: Gerald Hoehne, Director, HED; Teresa Costantinidis, Senior VP of Finance & Administration, UNM; Vahid Staples, Associate Director, UNM; George Williford, Financial Advisor, Hilltop Securities; Katherine McKinney, Bond Counsel, Modrall Spering; Lisa Marbury, Assistant VP of Institutional Support Services, UNM

### **28. University of New Mexico—Requests Approval of System Revenue Bonds, Series 2023 (Not to Exceed \$61,750,000)**

Mr. Hoehne said this bond issuance is being issued in order to support the following projects:

- The Center for Collaborative Arts & Technology (CCAT) for \$20,000,000, which is also supported by \$45,000,000 in 2022 GO Bond funding;
- UNM Welcome Center project, for \$3,000,000;
- Student housing improvements for \$20,000,000;
- The Duck Pond Water and Ecological Improvements project for \$4,000,000; and
- Construction of a new UNM Police Department facility for \$9,000,000.

Mr. Hoehne said the estimated project costs are \$56,000,000 with \$3.8 million estimated for the debt service reserve fund and \$1.1 million for cost of issuance and underwriter's discount.

In order to support this bond issuance, Mr. Hoehne said student fees would be increased as follows:

- An undergraduate FY 24 single year student will pay an additional \$184.65, or a 1.83 percent increase; and a graduate FY 24 single year student will pay an additional \$166.43, or a 1.7 percent increase.

Mr. Hoehne said these increases are to student fees and not tuition, which will not be considered as reimbursable through the New Mexico Opportunity Scholarship.

Mr. Staples stated that this was originally envisioned as a larger issuance but they are now proposing to split the UNM bond into two issues: the 2023 bond and a 2024 bond, which would be in the fall/winter period of 2024. He said the primary reason for splitting the two issuances is that there is still planning and work to be done to further vet the projects anticipated from that issuance. They also thought it would be more prudent to hold off on this because of the carrying cost associated with issuing bonds early and holding those funds.

Mr. Staples stated that, in addition to the student fee increases covering repayment of the \$3.8 million in debt service, there is also \$20 million in proceeds for housing projects, and housing revenues are going to pay that debt service and make it absorb those within the existing revenue stream.

Mr. Williford reviewed numerical information details in the submittals.

Treasurer Montoya stated that, for a working student being paid a salary \$12 per hour, they would have to work an additional 15 hours to cover the cost of the student fee increases.

Treasurer Montoya asked for more information about the Duck Pond Water and Ecological Improvements project. She asked if the \$4 million cost could be trimmed to help reduce the student fee increases.

Ms. Marbury said UNM is experiencing a failure of the Duck Pond, which is a central part of the campus not just for the students but also for the entire community. The entire pond needs to be retrenched, dug deeper, relined, and re-irrigated. Also, there is a need to upgrade benches and walking paths to be ADA compliant. If UNM doesn't proceed with this project, the Duck Pond will die.

Treasurer Montoya asked what costs could be cut to reduce the student fee increases. Ms. Marbury responded that she would have to review the entire project in order to respond. Mr. Vahid said the fees comprise a very small percentage of the overall project.

Member Cassidy asked how easy it was to get support for the fee increase with the student body.

Ms. Marbury responded that students were very supportive of the projects, understanding how these fees would be going towards those projects. UNM met with them several times, and there were open forums in the Student Union Building that went very well.

Mr. Staples said the Board of Regents gave their approval in December.

Member Cassidy asked if these fee increases were permanent, or were they tied to the debt service.

Mr. Staples responded that they will roll off and lower fees when the bond issue is over unless there is a determination made by the students that they want to continue it in order to issue additional bonds.

Ms. Costantinidis stated that the legislature doesn't always fund facilities that students want that support their quality of life, etc., expecting the university to step in. UNM has put forward requests for funding these activities and has not received funding. The state is more focused on buildings, not grounds, and instruction-related activities, so anything that is a student service activity is the kind of thing the students tend to support. She cited the Johnson Gym as an example.

Member Sanchez commented that UNM seems to have pots of money everywhere, and wondered why one of them couldn't be tapped to cover the cost of the student fee increases.

Member Sanchez said he wouldn't support this request unless there was another way to cover the student fee increases.

Ms. Costantinidis responded that UNM has the fifth lowest tuition and fees combined of any flagship university in the United States. She said there are not other sources of funds to pay for these types of activities. She added that the fund sources for things like housing, dining and parking lots are paid for by the students and others using them. She said there truly isn't another source.

Treasurer Montoya said she worked three jobs while going to college full time. She stated that \$1,784.65, the total amount for an undergraduate, represents about eight weeks of work for a person earning \$12 per hour. She also felt it very unfair to point out that UNM has one of the lowest tuition costs because New Mexico is one of the poorest states in the country. She stated that she disagreed that there wasn't another way to cover the cost of the projects.

Mr. Hoehne noted that the NMHED expects that higher education institutions have the ability to support auxiliary enterprises internally, which include student housing and the Duck Pond, at their campuses. Also, when the \$45 million was recommended by NMHED and approved by the legislature and Governor for the 2022 GO Bond for the CCAT, it pushed UNM to come up with a methodology and funding match to cover the total cost of the \$65 million project.

Ms. Leach read out the parameters resolution.

**Member Sanchez moved to defer this item to the next board meeting to give UNM or staff time to figure out a way that student fees do not have to be increased. Treasurer Montoya seconded the motion, which failed on a tied vote, with Member Sanchez and Treasurer Montoya voting for, and Member Badal and Member Cassidy voting against.**

**Member Cassidy moved to approve the issuance of the bonds by UNM. Member Badal seconded the motion, which failed on a tied vote, with Member Cassidy and Member Badal voting for, and Member Sanchez and Treasurer Montoya voting against.**

Asked to comment, board counsel Jennifer Salazar said UNM might want to weigh in on how this impacts closing.

Member Cassidy reminded the board that there is \$45 million of state GO bonds authorized for these projects with the proviso that UNM would figure out a way to come back and help. These are auxiliaries typically paid for by student fees, and he would encourage the board to support this, given that students have already weighed in.

Ms. Costantinidis proposed that the board approve the financing as described, but add a contingency that UNM will not draw or spend any money from this source on the Duck Pond until they can return and show the impact of all of this activity on student fees.

**Member Badal moved for approval, with the contingency cited by Ms. Costantinidis. Member Cassidy seconded the motion, which passed unanimously.**

Treasurer Montoya said she hoped UNM would always put student interests first in the future and look for other funding sources to cover student fee increases. As someone who struggled to be able to go to school, she wouldn't have cared about a duck pond because she barely had enough to pay for her meals. She said it was very hard to agree with this motion knowing that some people are struggling to pay fees so they can get a higher education.

Member Sanchez concurred. He said UNM needs to consider the impact it is going to have on student fees and tuition when it considers these projects.

## **STATE TREASURER'S OFFICE**

### **QUARTERLY REPORTING**

(Pursuant to Sections 8-6-1 through 8-6-7 NMSA 1978 and STO Investment Policy)

Presenter: Vikki Hanges, Chief Investment Officer, State Treasurer's Office

#### **29. Investment Review for Quarter-Ended December 31, 2022**

Ms. Hanges reported that STO managed \$16 billion in assets at the end of December versus \$13.6 billion at the end of September, for an increase of \$2.4 billion over the quarter.

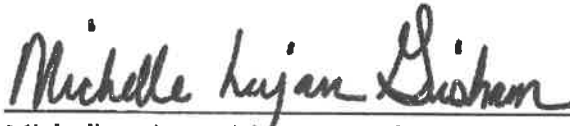
## **STAFF ITEMS**

Board counsel Jennifer Salazar discussed a potential board training schedule with the board.



Referring to Item 28, Member Badal said he thought Member Sanchez and Treasurer Montoya had effectively made their points with UNM regarding the expenses involved in getting a higher education. When he enrolled at UNM, he was married with two children and had two jobs in order to cover his costs.

**ADJOURNMENT: 12:05 p.m.**



Michelle Lujan Grisham, President

3-29-23

Date



Michael S. Sanchez, Secretary

5/5/23

Date