

NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

VIRTUAL ATTENDANCE AVAILABLE

Santa Fe, New Mexico

April 18, 2023

A regular meeting of the New Mexico State Board of Finance was called to order on this date at 9:00 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

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 approval of the agenda, as published. Member Trevisani seconded, and the motion passed unanimously.

3. APPROVAL OF MINUTES: March 21, 2023 (Regular Meeting)

Member Cassidy moved approval of the March 21, 2023, Regular Meeting. Member Badal seconded the motion, which passed unanimously.

CONSENT AGENDA (Items 4-16)

Presenter: Ashley Leach, Director, Board of Finance

Submitted by: Gerald Hoehne, Director, Higher Education Department

- 4. University of New Mexico—Requests Approval of Capital Expenditures for HVAC System Replacement at the Science & Technology Park in Albuquerque (\$495,650.53)**

- 5. University of New Mexico—Requests Approval of Capital Expenditures for Learning Environment & Technology Support Classroom Upgrades (\$1,119,545)**

- 6. New Mexico State University—Requests Approval of Capital Expenditures for Pan American Center Seating & Facility Upgrades (\$3,300,000)**

- 7. New Mexico State University—Requests Approval of Capital Expenditures for the Aggie Memorial Stadium Artificial Turf Replacement Project (\$2,365,000)**

Submitted by: John W. Caldwell, County Attorney, Lea County

- 8. Lea County—Requests Approval of the Lease of Real Property, Located at 6601 W. Carlsbad Highway in Hobbs, to Aalto HAPS Limited (\$12,200/month)**

 - Contingent upon director’s and counsel’s receipt and review of (1) a fully executed lease agreement and (2) a favorable Taxation and Revenue Technical Review Report

Submitted by: Adán Trujillo, County Attorney, Rio Arriba County

- 9. Rio Arriba County—Requests Approval of the Donation of Real Property, Located at 41 County Road 197 in Cañones, to the Juan Bautista Valdez Land Grant**

 - Contingent upon director’s and counsel’s receipt and review of (1) a fully executed donation Agreement (2) a fully executed deed and (3) the Office of the State Engineer’s approval for the transfer of water rights to the water well on the property being donated

Submitted by: Anna Silva, Director of Facilities Management, General Services Department

- 10. New Mexico General Services Department—Requests Approval of an Amendment to the Contract with Jaynes Corporation for the New Mexico Department of Public Safety Headquarters (\$9,853,810.56)**

- Contingent upon director’s and counsel’s receipt of a fully executed change order

Submitted by: James Hildebrandt, State Parks Division, Energy, Minerals, and Natural Resources Department

11. New Mexico Energy, Minerals, and Natural Resources Department, State Parks Division—Requests Approval of an Amendment to the Concession Contract with Sims Marina, Inc. at Navajo Lake State Park

- Contingent upon director’s and counsel’s receipt and review of a fully executed contract amendment

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

12. State Treasurer’s Office Investment Report for Month-Ended February 28, 2023

Submitted by: Ashley Leach, Director, Board of Finance

13. First Amendment to the Contract with Fiscal Strategies for Financial Advisory Services

- Contingent upon review and approval of the General Services Department Contracts Review Bureau

14. Emergency Balances – April 18, 2023

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

15. Fiscal Agent and Custodial Bank Fees Report for Month-Ended March 31, 2023

16. Joint Powers Agreements for Month-Ended March 31, 2023

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

BONDING PROGRAMS

Presenters: Ashley Leach, Director, State Board of Finance; David Buchholtz, Director, Rodey, Dickason, Sloan, Akin & Robb, P.A. Luis Carrasco, Director, Rodey, Dickason, Sloan, Akin & Robb, P.A.; Parker Schenken, Member, Sherman & Howard, LLC; Jill Sweeney, Member, Sherman & Howard (Co-Bond Counsel); David Paul, President, Fiscal Strategies Group

17. Presentation of Final Terms Certificate for New Mexico General Obligation Bonds, Series 2023

Mr. Carrasco stated that, last month, the board adopted a resolution authorizing the issuance and sale of these bonds in an amount up to \$259,722,000. The final par amount was \$223,710,000. The TIC on the bonds came in at 2.078 percent per annum, and the maximum coupon is 5.5 percent. The bonds will be sold to BofA Securities, Inc., the successful bidder.

Mr. Paul commented that the sale, which had 11 bidders, was very fortuitous in terms of timing, because the market has been in a very volatile period dating back to early February, when they anticipated a TIC of approximately 2.65 percent. In late March, it was estimated at 2.85 percent.

18. Consideration of Amending Resolution for State of New Mexico General Obligation Bonds, Series 2023 (\$259,722,000)

Mr. Carrasco stated that, following the board's adoption of the Bond Resolution at last month's meeting, the board received notice from Bernalillo County that it would not be using G.O. funding in the amount of \$457,000 for the renovation of the Whispering Pines Senior Center because of uncertainty about the sustainability of the facility's water supply. The resolution before the board today amends the project list to exclude this project.

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

HIGHER EDUCATION DEPARTMENT

GRADUATE PROGRAMS

Presenters: Mark Chisholm, Academic Policy Director, NMHED; Thomas Schawel, Education Administrator, NMHED; Stephanie Rodriguez, Cabinet Secretary, NMHED; Patricia Trujillo, Deputy Cabinet Secretary, NMHED; Glenn Fetzer, Department Head, Languages and Linguistics, NMSU; Enrico Pontelli, Dean, College of Arts & Sciences; Rani Alexander, Department Head, Anthropology, NMSU; Neil Harvey, Department Head, Government, NMSU; Carol Flinchbaugh, Interim Associate Dean, Graduate School, NMSU; Joe Lakey, Academic Associate Dean of College of Arts and Sciences, NMSU; Alan Shoho, Provost, NMSU

19. New Mexico State University—Requests Approval of the Doctor of Philosophy Degree in Transborder and Global Human Dynamics

Dr. Harvey made a slide presentation.

Member Badal said he would be very concerned about drawing conclusions from transborder issues between New Mexico and Mexico and using that data to give advice about Syrian refugees moving to Germany, for instance, or Ukrainian refugees going to Poland. He asked how the global number would work here.

Dr. Harvey responded that, while transborder issues not long ago were in terms of Mexican nationals seeking to come to the U.S. to find work, perhaps seasonally, that picture has changed completely given the changing demographic, with large numbers of Central American migrants seeking asylum along with people from Africa and Haiti. They have had people from Turkey, as well, but the largest group to come through Las Cruces recently was from Kurdistan. He stressed the need to be aware of these changing dynamics and not restrict this to US-Mexico relations only, because the population coming through the border is not the same as it was five, ten, or 15 years ago.

Member Badal asked if they thought about adding a discipline regarding national security, as this is in the news periodically about people on the terror watch list getting across the border and so forth. He thought that would open up a great deal more interest in this graduate program and grow their population of possible students.

Dr. Harvey responded that there are all kinds of negotiations going on between the US and Mexico about security issues. He said it would not pose a problem to add this issue to one of the program's interdisciplinary focus areas.

Member Cassidy said he viewed this as an institution listening to the community and students and their needs, and creating a degree that will attract students, which is what higher education is all about. NMSU needs to survive financially, and he thought this was definitely moving in the right direction. He noted that NMSU has a large graduate assistant compensation model, and asked what resources besides tuition are being used to pay for the cost of this program.

Dr. Pontelli responded that NMSU is obviously changing, and as people leave campus, there are opportunities to replace them with people who are aligned with the needs of this program. The school is also discussing phasing out programs that are no longer of interest to the students. Because of the research they are generating, NMSU will be very aggressively seeking funding from the National Science Foundation, federal agencies, and other resources.

Secretary Rodriguez added that legislation in the last session increased funding for Higher Education, which can go to new programs. In addition, they received \$10 million for graduate students that is focused on STEM professions, which frees up funding in other graduate programs for the University to deploy in Humanities.

Dr. Shoho said students nowadays are increasingly interested in more than one area, and the structure of higher education is not necessarily able to accommodate those kinds of interests. This kind of program will set the trend for the future, but it also brings together an interdisciplinary team of faculty from across departments, which is unusual in higher education.

Responding to Member Cassidy regarding the R1 classification, Dr. Shoho said the Carnegie Classification looks at the number of doctorates produced, external funding expenditures, and the number of post docs. They are looking to add a fourth criterion, which is social and economic mobility. Depending on the details of how they roll that out, he believed NMSU could be a big beneficiary of that. He said he was confident that NMSU would be able to regain its R1 status in the next three to five years and become the second R1 in New Mexico.

Treasurer Montoya asked if she was correct that tuition and fees for one student would be \$6,188 based on the estimated tuition and fees \$12,377 for two students in the first year. Dr. Flinchbaugh responded that it was a little bit lower, because they just got a realignment of their cost of attendance, so it was probably \$12,000.

Treasurer Montoya asked how they arrived at the estimated number of students. Dr. Fetzer responded that they were planning to start small, so the figures reflect a small beginning. Depending on the response that they get and the participation, they could expand it from there.

Treasurer Montoya asked if NMSU has given thought to not just the impact of humans crossing the border, but also animal life. She has visited the border, and one of the biggest issues was the migration of wildlife and how the wall was impacting that.

Dr. Harvey responded that they could include this issue in their fourth interdisciplinary focus area (environmental justice, landscape, archaeology and heritage management), since it is very important to the ecology of that area.

Treasurer Montoya noted earlier comments about the changing demographic of border crossers, which means there were other languages to be considered besides Spanish.

Dr. Fetzer responded that Spanish is a key component, but they are limited with the number of languages they teach at NMSU, but he feels they can look to defining their offerings once the students come to them.

Treasurer Montoya asked if it would be fair to say that, based on their cost analysis, NMSU would not come back with a request for an increase in tuition and fees. Dr. Flinchbaugh responded that they were intentional in putting this together and had no plans to do that.

Member Sanchez stressed the need to recruit students from New Mexico, since they are often overlooked in recruiting efforts.

Member Badal said it would be very helpful if they could get periodic reports from NMHED about whether projections were being met or possibly even exceeded in this program.

Member Badal moved for approval. Member Trevisani seconded the motion, which passed unanimously.

GENERAL SERVICES DEPARTMENT

REPORTING

Submitted by: Anna Silva, Director, Facilities Management Division, General Services Department

20. Capital Buildings Repair Fund Financial Status Report for Month-Ended March 31, 2023

Ms. Silva presented this report.

22. Legislative Capital Projects Financial Status Report for Month-Ended March 31, 2023

Ms. Silva presented this report.

STAFF ITEMS

Presenter: Ashley Leach, Director, Board of Finance

22. First Amendment to the Contract with Wells Fargo for Fiscal Agent and Treasury Services

Ms. Leach said the current contract began on May 1, 2022, and there are three months of waived fees under the contract. Invoicing began in August 2022, which also collided with some additional fees for the 2022 rebate payments, although DFA received a special appropriation to cover that. At that time, staff worked with PFM under a small purchase contract to develop a tool to allow staff to take the invoiced fees and compare them to the contract fee schedule to ensure that the fees within the invoicing aligned with the contract.

Ms. Leach reviewed the fee schedule, including a total of nine discrepancies that had been identified. She has worked with Mark Jensen and his staff over the last month to ensure that could reconcile the listing and bring forward a revised fee schedule to replace the existing one in the contract. Since August, about \$270,000 worth of fees

were invoiced. Wells Fargo will need to submit revised invoices to net out the charges associated with those fees. The amendment will allow them to start charging moving forward for those services. The net amount was about \$73,500, which is not incorporating the earnings credit, which will have to be calculated.

Member Badal moved for approval. Member Trevisani seconded the motion, which passed unanimously.

23. 2023 Legislative Update

Ms. Leach reviewed legislation acted on or considered during the recent session that would be impactful for the Board of Finance.

- SB 251 (Metro Development Act Changes) amended the Metropolitan Redevelopment Code to allow metropolitan redevelopment areas to come before the board for approval of a state GRT increment, and allows up to 75 percent dedication. The board will need to promulgate a rule on how the Board of Finance considers requests that come before it under this bill. The effective date is July 1, 2024.
- SB 378 (Severance Tax Fund Minimum Distribution) provides for \$92 million to be distributed annually from the severance tax bonding fund to the severance tax permanent fund unless a lesser transfer amount is needed for the Board of Finance to protect current bondholders. Effective immediately.
- SB 381 (NM Housing Trust Fund Bonding) changes the 2.5 percent distribution to the housing trust fund from the severance tax bonding fund so that it begins in FY23 rather than FY24. The anticipated funding amount in the upcoming June Severance Tax Note sale is \$37.5 million.
- HB 353 (South Campus Tax Increment Development District) approves issuance of \$267 million in TIDD revenue bonds to provide public infrastructure in the 337-acre South Campus district in Albuquerque.
- HB 547 (Public Peace, Health, Safety & Welfare Tax Changes) is the tax omnibus bill. The Board of Finance will be receiving a portion of the TRD \$422,000 appropriation to pay the banking fees associated with the distribution of the rebates.

ADJOURNMENT: 11:06 a.m.

Michelle Lujan Grisham, President

Date

Michael S. Sanchez, Secretary

Date

DRAFT