

NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

VIRTUAL ATTENDANCE AVAILABLE

Santa Fe, New Mexico

May 16, 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:

Mr. Joseph Badal, Public Member

Mr. Paul Cassidy, Public Member

Mr. Michael S. Sanchez, Secretary, Public Member

Ms. Wendy Trevisani, Public Member [attending virtually]

Members Excused:

The Hon. Michelle Lujan Grisham, President

The Hon. Howie Morales, Lt. Governor

The Hon. Laura Montoya, New Mexico State Treasurer

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 Cassidy seconded, and the motion passed unanimously.

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

Member Cassidy moved approval of the April 18, 2023, Regular Meeting. Member Badal seconded the motion, which passed unanimously.

CONSENT AGENDA (Items 4-24)

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 the PBS KNME-TV Building #217 Chiller Addition (\$400,000)**
5. **University of New Mexico—Requests Approval of Capital Expenditures for Student Residence Center Commons Renovation (\$1,295,927)**
6. **University of New Mexico, Taos—Requests Approval of Capital Expenditures for Klauer Campus South Parking Lot and STEM Landscape Improvements (\$1,116,853)**
7. **New Mexico State University—Requests Approval of Capital Expenditures for Nursing Skills and Simulation Labs Renovations (\$2,151,500)**
8. **New Mexico Institute of Mining and Technology—Requests Approval of Capital Expenditures for the Institute for Complex Additive Systems Analysis Secure Facility Upgrade (\$1,055,211.51)**
9. **New Mexico Institute of Mining and Technology—Requests Approval of Capital Expenditures for Playas Research and Training Center Phase IV Roadway and Drainage Improvements (\$2,145,550)**
10. **Northern New Mexico College—Requests Approval of Capital Expenditures for Campuswide Roofing and Infrastructure Improvements (\$3,000,000)**
11. **New Mexico School for the Blind and Visually Impaired—Requests Approval of Capital Expenditures for Renovation of the Paul and Lois Tapia Building (1,410,053)**
12. **Western New Mexico University—Requests Approval of Revised Capital Expenditures for Phase II of the Deming Learning Center (\$10,342,159)**

Submitted by: Ben McIntosh, Real Estate Manager, Bernalillo County

13. **Bernalillo County—Requests Approval of the Sale of Real Property, Located at 2929 Barcelona Rd. SW in Albuquerque, to Daniel Cabrera and Maximino G. Cabrera (\$90,000)**

- o Contingent upon director’s and counsel’s receipt and review of (1) a fully executed purchase agreement and (2) a fully executed quitclaim deed

Submitted by: Monte Core, County Manager, Colfax County

14. Colfax County—Requests Approval of the Donation of Real Property, Located at La Mesa Drive in Raton, to the City of Raton

- o Contingent upon director’s and counsel’s receipt and review of (1) a fully executed transfer agreement and (2) a fully executed quitclaim deed

Submitted by Ashley Leach, Director, Board of Finance

15. Consideration of the Sixth Amending Resolution for State of New Mexico Supplemental Severance Tax Note Series 2019S-D

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

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

18. Appointment of Public Member of the State Treasurer’s Investment Committee for June 2023 through June 2025

Ms. Leach said staff is recommending the reappointment of Cilia Aglialoro, City of Albuquerque Treasurer to the committee.

INFORMATIONAL ITEMS

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

19. Capital Buildings Repair Fund Financial Status Report for Month-Ended April 30, 2023

20. Legislative Capital Projects Financial Status Report for Month-Ended April 30, 2023

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

21. State Treasurer’s Office Investment Report for Month-Ended March 31, 2023

Submitted by Ashley Leach, Director, Board of Finance

22. Emergency Balances – May 16, 2023

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

Ms. Sweeney stated that this note will only fund Public School Capital Outlay improvements as determined by the Public School Capital Outlay Council.

Ms. Sweeney stated that the interest rate will be equal to the 1-Month SOFR rate, plus 15 basis points, determined by the State Treasurer as of June 15, 2023.

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

PRIVATE ACTIVITY BONDS

Presenters: Isidoro Hernandez, Executive Director/CEO, MFA; Christi Wheelock, Tax Credit Program Analyst, MFA; Kathryn Turner, Assistant Director of Housing Development, MFA; Viktoria Gonsior, Finance Analyst, MFA; Lizzy Ratnaraj, Chief Financial Officer, MFA; Steve Likes, Bond Counsel, Kutak Rock; Alexis Castillo, Assistant Development Manager; Karen Buckland, Vice President of Development, CPP Housing; Bobby Griffith, CFO/Principal, JL Gray Company

27. New Mexico Mortgage Finance Authority—Requests Approval of a Private Activity Bond Volume Cap Allocation for the JLG NM SAF 2023, LLLP (not to exceed \$60,500,000)

Ms. Wheelock stated that the Mortgage Finance Authority is requesting approval of a PAB volume cap allocation not to exceed \$60.5 million for the preservation and rehabilitation of two communities in Santa Fe, Sangre de Cristo, and Santa Fe Apartments, as a combined project of 229 apartment homes, collectively known as JLG NM SAF 2023. The 1-4-bedroom units were constructed prior to 1970 and need modernization and upgrades in order to preserve these communities serving extremely low-income residents for the next 30 years. Work includes replacing all the furnaces and installing evaporative coolers. There is also flooring, cabinets, windows, countertop replacements, and all new energy efficient appliances. The proposed plan includes measures to enhance accessibility for all residents, such as the creation of 13 fully accessible units and five units designed for those with hearing impairments. Residents will be allowed to pay 30 percent of their adjusted gross income towards rent for all the units through a HUD contract. The \$60.5 million will be used during the construction period, with about \$44.5 million remaining in the project as permanent financing, which will be repaid utilizing tax credit equity deferred developer fees and operating income. The mortgage interest rate and amortization schedule, derived from the proposed tax-exempt debt, will be 5.73 percent for 17 years with a 40-year amortization through Freddie Mac Tax Exempt Loan Program.

Responding to Member Badal, Ms. Buckland said they plan to rehab around the residents in place, although they do have a relocation plan for tenants in the accessible units, since those units will have to be vacated for a period of three to four weeks during the renovation period. They do not anticipate relocating anyone in the standard units,

but have a budget in place should that be necessary. They anticipate having residents out for one night during the flooring curing period.

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

28. New Mexico Mortgage Finance Authority—Requests Approval of a Private Activity Bond Volume Cap Allocation for the JLG NM ABQ 2023, LLLP (not to exceed \$37,500,000)

Ms. Wheelock said this project is very similar to the Santa Fe project (Item 27), although the request is for \$37.5 million in Private Activity Bonds for the preservation and rehabilitation of Mountain View II and III Apartments in Albuquerque. The combined properties total 241 units and were built before 1970. The project includes efficiencies and one-, two-, and three-bedroom apartment homes in which 224 of the units have a HUD payment contract and 17 of the units will be set aside for families making less than 60 percent of the area median income. One of the buildings is completely unoccupied in Mountain View II, consisting of 24 units, as it sustained a casualty loss from a fire. The units will be restored and available for residents. The Albuquerque project will also benefit from 13 accessible units and five hearing impaired units with the updated interiors of new flooring, cabinets, countertops, energy efficient appliances, and new HVAC systems. The exterior will also be upgraded. The \$37.5 million will be used for the rehabilitation and preservation of 241 units with about \$26.9 million remaining as permanent financing. The mortgage interest rate and amortization schedule, derived from the proposed tax-exempt debt, will be 5.74 percent for 17 years with a 40-year amortization through Freddie Mac Tax Exempt Loan Program.

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

PRESENTATIONS AND REPORTING

Presenters: Isidoro Hernandez, Executive Director/CEO, MFA; Robyn Powell, Director of Policy & Planning, MFA

29. New Mexico Mortgage Finance Authority Presentation on the New Mexico Housing Trust Fund Earmark

Mr. Hernandez and Mr. Powell made a presentation.

Mr. Hernandez stated that the 2022 legislature passed SB 134, which authorized the State Board of Finance to issue Severance Tax Bonds amounting to 2.5 percent that would be allocated to the New Mexico Housing Trust Fund. The funds begin to flow in during July 2023. Since the MFA's inception in 1975, it has assisted more than 500,000 families or individuals, and last year they assisted 18,000 families, 2,200 of which became

homeowners. There were 743 homes rehabbed and/or weatherized, and they assisted more than 500 people with special needs.

Mr. Hernandez said MFA has a projected need of \$18 million to expend on down payment assistance that these funds will help them meet.

Ms. Powell said several factors were considered to identify eligible activities and prioritize those. Some of those factors are that they wanted to address were the needs identified in the New Mexico housing strategy and housing priorities identified by the Governor and other state-level stakeholders. They also discussed ways of leveraging state and federal funds to use them to maximum capacity while keeping them compliant with the New Mexico Housing Trust Fund Act and the Severance Tax Bond Act. They wanted to ensure that the funding provided statewide coverage, so looked at partners and programs in place and the ability to efficiently expend the funding with the broadest reach across the housing continuum. They identified seven buckets where the funding would be allocated: down payment assistance; single family emergency repairs, accessibility, energy efficient improvements and rehabilitation; single family acquisition and rehabilitation to help alleviate some of the abandoned and vacant properties that are out there, and provide emergency repairs for homeowners; and a large portion of the 2.5 percent will go toward the development of single family and multifamily homeownership and rental opportunities.

Member Cassidy noted that there are several vacant old adobe homes that the communities are trying to figure out a way to get those rehabbed and get people back in the community to avoid losing population. He asked if there are any programs being contemplated toward that effort. Mr. Hernandez responded that, last month, the MFA board approved its Restoring Our Communities program, which takes over and rehabilitates single-family vacant and abandoned properties. The MFA says there are currently 12,000 abandoned or vacant properties for sale in the state.

Member Cassidy commented that military personnel assigned to New Mexico cannot find housing; and from what he understands, military people are working remotely because they can't find single-family homes and don't want to live on base because they prefer to live in communities. He said he hopes there is a component where housing can be provided at the level of the base housing allowance that military people get and that MFA could partner in effort. Mr. Hernandez responded that one of the challenges has been that the federal programs working with MFA have very strict income limits that have not allowed MFA to provide assistance, but they now have some more flexibility that would allow them to serve some moderate income and below-moderate income military families. They look forward to further discussion on this issue and developing programs to assist military people with housing.

Ms. Leach pointed out that, if there is more than a 5 percent change in any of the buckets that MFA certifies, the board will probably fill it out a bit but will probably do it

as an administrative approval with a reporting element coming to the board. They are new at this, so will see what works best.

Ms. Leach thanked co-bond counsel for their guidance to staff and MFA in this effort.

Ms. Leach stated that, should these revenues last, they expect that MFA will receive anywhere between \$34 million and \$40 million a year for the next five years through this initiative.

Member Badal stated that houses that could be eligible for subsidized financing are driven up into a different price range in order to cover the cost of entitlements, and this is a problem that is worsening. As a result, the inventory for entry-level housing for the first-time homebuyer is decreasing.

Presenters: Dr. Allen Moss, President, Mesalands Community College; Gerald Hoehne, Capital Projects Division Director, NMHED; Mr. Richard Primrose, Chairman, Board of Trustees, Mesalands Community College

30. Report on State Board of Finance Grant #209-202 to the Higher Education Department for Mesalands Community College

Dr. Moss presented slides and discussed changes made by Mesalands.

Mr. Hoehne stated that NMHED is continuing to monitor Mesalands on a weekly basis through their enhanced fiscal oversight program. Their audit manager is working closely with the CFO at Mesalands and obtaining weekly cash flow reports. They are also working with Mesalands on the transition to the Jenzabar system, and are working with Mesalands in ensuring the grant funding from the Board of Finance is being used as strategically as possible to ensure the college's sustainability. Of the grant amount of \$763,650, \$587,361 has been encumbered and the college will be returning \$176,289 from the emergency grant. A site visit is scheduled next month to do a training with the board of trustees. Enhanced fiscal oversight will continue.

Mr. Primrose said he and the board of trustees will work as hard as they can to turn this around. He plans to use his expertise in financing to assist Mesalands.

Responding to questions from Member Badal, Dr. Moss said the board of trustees currently has five members. Mr. Primrose is the only new member. The chairman, Mr. Friedman, resigned, and two of the members have been appointed within the last year.

Member Badal noted that one question he asked previously was whether the Mesalands board had an audit committee. Any board he has served on has had certain members designated as the audit committee who report back to the board, and he would recommend that Mesalands pursue this.

Member Badal asked what caused the problem with Mesalands, aside from the unauthorized salary increases.

Dr. Moss responded that a lot of blame was initially put on the previous administration, but as a result of the just-completed 2021 audit, there were already issues there, such as missing information. Other problems were with staff turnover, where people would leave and not be immediately replaced. At the presidential level, there were three or four changes over six or seven years; and when the previous administration came in, decisions were made to increase pay without going through NMHED or the budgeting process. This compounded the other problems they had.

Member Badal requested a projected cash flow statement on what the organization is going to look like going forward. He commended Mesalands on the actions they have taken, as it appears they will have a significant drop in operating expenses.

Member Badal said his impression was that there was a lack of transparency previously. He said Mesalands board members should be reminded that they are responsible not only to the legislature, which provides the funding to the Board of Finance, but to the Board of Finance as well.

Member Cassidy said he has known Mr. Primrose for a long time, and has been privileged to work with him professionally.

Responding to Member Cassidy, Dr. Moss said they have to enter this next year with a budget without the reserves they had a year ago, and at some point will have to start building back a reserve. They have unrestricted or restricted CDs in place for the turbine. He said they hope to preserve many of the salary cuts they have already made, and are analyzing all of the positions at the college to determine what additional cuts may be necessary. A couple of staff members will receive an increase. They have a few restricted CDs for their wind energy tower, but that is all they have.

Responding to Member Badal, Dr. Moss said the Foundation has an estimated \$2.8-\$2.9 million. Some of the funds are designated for scholarships and other specific purposes. He also noted that they are getting ready to start their 2018 audit, so are even farther behind than Mesalands is on record keeping. He said he wanted to add that communication between the Foundation and Mesalands is much improved, and the Foundation has stepped in to help with some liabilities such as repair on their dinosaur museum storage building.

Addressing questions raised by board members during this meeting, Mr. Hoehne said the Office of the State Auditor has committed to doing a special audit on the Mesalands institution as well as its governing board, which should answer the question of how and when the problems began with Mesalands. He also noted that the FY22 and FY23 audits will include the Foundation as well as the college itself.

Presenter: David Paul, Fiscal Strategies Group

31. Presentation of the Annual Debt Affordability Study

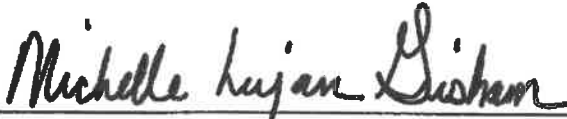
Mr. Paul made a slide presentation.

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

32. State Treasurer's Investment Review for Quarter-Ended March 31, 2023

Ms. Hanges reported that, at the end of March, STO managed 15.5 billion in assets, which rose to about \$17 billion on April 30, a new milestone.

ADJOURNMENT: 11:40 a.m.



Michelle Lujan Grisham, President

6-27-23
Date



Michael S. Sanchez, Secretary

June 27, 2023
Date