

NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

VIRTUAL ATTENDANCE AVAILABLE

Santa Fe, New Mexico

June 20, 2023

A regular meeting of the New Mexico State Board of Finance was called to order on this date at 9:18 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, Acting Chair
The Hon. Laura Montoya, New Mexico State Treasurer
Ms. Wendy Trevisani, Public Member

Members Excused:

The Hon. Michelle Lujan Grisham, President
The Hon. Howie Morales, Lt. Governor
Mr. Michael S. Sanchez, Secretary, Public Member

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: May 16, 2023 (Regular Meeting)

Member Trevisani moved approval of the minutes of the May 16, 2023, Regular Meeting. Member Badal seconded the motion, which passed, with Treasurer Montoya in abstention.

CONSENT AGENDA (Items 4-17)

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 Health Care Simulations Lab Improvements (\$1,535,500)

Submitted by: Olivia Padilla-Jackson, Vice President of Finance & Operations, CNM

5. Central New Mexico Community College—Requests Approval of the Lease of Real Property, Located at 5600 Eagle Rock Rd, to the New Mexico Department of Finance and Administration (\$18,210/year)

- Contingent upon director’s and counsel’s receipt and review of (1) a fully executed lease agreement and (2) evidence of approval from the CNM governing body

Submitted by: Patrick Trujillo, Attorney, NM Local Government Law, LLC

6. Taos County—Requests Approval of the Lease of Real Property, Located at 601 Lovato Place in Taos, to DreamTree Project, Inc. (\$74,016/year, services in lieu of rent)

- Contingent upon director’s and counsel’s receipt and review of (1) a revised and fully executed lease agreement and (2) evidence of approval of the amended lease agreement by the County Commission

Submitted by: Stephanie LeMaster, Master Planner, G9 Installations, US Army

7. New Mexico Armory Board—Requests Approval of the Donation of Real Property, Located at 305 East Fiesta Drive in Carlsbad, known as the Carlsbad Readiness Center, to the New Mexico General Services Dept.

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

Submitted by: Stephen Weinkauf, E-911 Bureau Chief, DFA

8. Department of Finance and Administration, Local Government Division—Requests Approval of the FY24 Operating and Capital Budgets for Public Safety Answering Points (\$16,452,327)

Submitted by Ashley Leach, Director, Board of Finance

9. Consideration of the Seventh Amending Resolution for State of New Mexico

Supplemental Severance Tax Note Series 2021S-D

10. **Contract for Ongoing Fiscal Agent Consulting Services for Fiscal Year 2024**

11. **Contract for Arbitrage Services for Fiscal Year 2024**

INFORMATIONAL ITEMS

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

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

13. **Legislative Capital Projects Financial Status Report for Month-Ended May 31, 2023**

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

14. **State Treasurer’s Office Investment Report for Month-Ended April 30, 2023**

Submitted by Ashley Leach, Director, Board of Finance

15. **Emergency Balances – June 20, 2023**

	<u>Balance</u>	<u>Appropriation</u>
Operating Reserve Fund	\$329,113.75	\$2,500,000.00
Emergency Water Fund	\$0.00	\$ 109,900.00

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

17. **Joint Powers Agreements for Month-Ended May 31, 2023**

Treasurer Montoya moved approval of the Consent Agenda. Member Trevisani seconded the motion.

Treasurer Montoya commented that fiscal agent consulting services and arbitrage services are a good way of staying transparent and staying within the limits of arbitrage, especially now that rates have changed so much.

The motion passed unanimously.

BONDING PROGRAMS

Presenters: Ashley Leach, Director. State Board of Finance; Luis Carrasco, Director, Rodey, Dickason, Sloan, Akin & Robb, P.A.; David Buchholtz, Director, Rodey, Dickason,

Sloan, Akin & Robb, P.A.; Parker Schenken, Member, Sherman & Howard, LLC; Jill Sweeney, Member, Sherman & Howard (Co-Bond Counsel)

18. Consideration of Amending Resolution for State of New Mexico Severance Tax Note, Series 2023S-A (maximum principal amount of \$350,000,000)

Mr. Carrasco stated that the purpose of this resolution is to finalize the list of projects that will be funded with the proceeds of this note. The final project list (Exhibit A) includes both authorized but unissued projects previously authorized by the legislature in the amount of \$20,120,204; \$135,120,000 for certain water projects certified by the Water Trust Board; \$67,500,000 for tribal infrastructure projects certified by the Tribal Infrastructure Board; \$67,560,000 for colonias infrastructure projects certified by the Colonias Infrastructure Board, and \$37,530,000 for the Housing Trust Fund certified by the New Mexico Mortgage Finance Authority. The full amount of the note is \$327,838,204.

Mr. Carrasco said the SOFR rate, which was confirmed by the Treasurer's Office on June 15, was 5.09059 percent plus 15 basis points, for a total of 5.24059 percent.

Member Badal moved for approval. Member Trevisani seconded the motion.

Treasurer Montoya asked if she understood correctly that changes had been made to the \$325,000 indoor arena project such that it was now in compliance with the intent of the legislative appropriation.

Ms. Leach responded that it was her understanding that the project originally specified improvements to an indoor arena and dashers, but those two items have been removed and the monies will now be utilized to purchase removable turf that can be used at different facilities as needed by the city. She understood the turf would be installed at New Mexico EXPO.

Ms. Leach stated that the board asked a lot of questions of the city. More conditions will be placed on this project as additional information is received.

The motion passed unanimously.

19. Resolution Reauthorizing Certain Severance Tax Bond/Note Projects

Mr. Schenken stated that the prior bond issues and appropriations are identified in Exhibit A, and the details of the changes are identified in Exhibit B. All of the changes have been approved by the legislature.

Treasurer Montoya moved for approval. Ms. Trevisani seconded the motion, which passed unanimous.

REAL PROPERTY DISPOSITIONS

Presenters: Toby Velasquez, Director, State Parks Division, EMNRD; Colleen Baker, Bureau Chief, Division Design and Development Bureau, EMNRD

20. Energy, Minerals & Natural Resources Department, State Parks Division—Requests Approval of the Acquisition of Real Property Adjacent to Coyote Creek State Park and within the Mora Land Grant (\$350,000)

Mr. Velasquez requested approval to purchase 138.9 acres of land adjacent to Coyote Creek State Park from Sylvia and Hilary Ortega and the estate of Edmund Ortega. This state park is one of the jewels of the 35 state parks in 25 of New Mexico's 33 counties. The appropriation was supported in the 2022 legislative session.

Responding to Treasurer Montoya, Mr. Velasquez stated that the public management plan from 2004-2008 included the possible acquisition of this property and it also included a public process. The Ortegas have long generational ties to the Guadalupita and Coyote Creek area and want to make sure that the property becomes part of Coyote Creek State Park.

Ms. Leach stated that approval is contingent upon director's and counsel's receipt and review of (1) a fully executed purchase agreement, (2) a fully executed warranty deed, and (3) the minerals abstract from the title company. She commented that this submission was very complete and thorough, and she thanked Mr. Velasquez and Ms. Baker for preparing such a complete package and being so responsive to staff's questions.

Treasurer Montoya moved for approval. Mr. Badal seconded the motion, which passed unanimously.

PRIVATE ACTIVITY BONDS

Presenters: Isidoro Hernandez, Executive Director/CEO, MFA; Lizzy Ratnaraj, Chief Financial Officer, MFA; Viktoria Gonsior, Financial Analyst, MFA; Jeff Payne, MFA Chief Lending Officer

21. New Mexico Mortgage Finance Authority—Requests Approval of an Extension of a Portion of its 2023 Single Family Private Activity Bond Volume Cap Allocation (\$86,795,837.77)

Mr. Hernandez stated that MFA's single-family home ownership program has slowed a bit in 2023, which was expected. Currently, they are averaging \$8.1 million of reservations on a weekly basis, while last year they averaged \$9 million, and in 2021 they averaged \$11 million. This is due to existing market conditions, with higher interest rates, rising home prices and higher inflation. Their interest rate today is 5.875 percent compared to 7 percent on an FHA type mortgage, and on a conventional mortgage they

are 62 basis points below the market. With respect to today's request, MFA expects to have utilized all of the PAB volume cap by November 2023.

As part of her presentation on the status of the program, Ms. Ratnaraj stated MFA was allocated \$143.5 million for its single-family program on December 21, 2022. MFA has utilized \$56.7 million of the allocation in the first half of the year, leaving a balance of \$86.8 million. While they will not be able to use the balance prior to July 1, they are on track to utilize the full volume cap by the end of the year.

Member Badal asked if MFA makes some bonds available to New Mexico investors. Ms. Ratnaraj responded that they do make them available for retail sales from New Mexico retailers.

Member Badal said he would be interested in knowing much of previous issues have been purchased in New Mexico, since this is awfully good paper, and it is often very difficult for retail customers to be able to avail themselves of these kinds of investments. He asked Ms. Leach to make this information available at the next board meeting.

Member Badal asked Mr. Hernandez how many reservations are coming from cities or counties. Mr. Payne responded that the majority of their production comes from Bernalillo, Valencia, Tarrant and Sandoval counties. They also have quite a bit of production from the Las Cruces, Farmington and Santa Fe areas.

Member Badal said he had suggested during the briefing that MFA make a presentation to the board about all of its programs.

Mr. Hernandez summarized highlights from a report about production across the state from MFA programs. He said MFA has loans this year in nearly every county in the state with the exception of two counties.

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

Presenter: Ron Mehl, Senior Vice President & Project Partner

22. Sandoval County—Requests Approval of an Additional Private Activity Bond Volume Cap Allocation for the Sandoval Flats Affordable Housing Project (\$7,000,000)

Mr. Mehl made a slide presentation.

Responding to Member Cassidy, Mr. Mehl said the two-bedroom rental rate is projected at \$1,036. The rent is reduced if the resident pays a portion of their utilities. Today, those rents would be about \$966.

Deputy Director Trujillo clarified that the request includes the additional \$7 million of volume cap as well as an extension through November 1 to utilize the volume cap. Per the rules for the PAB program, any volume cap that is awarded to any developer entity prior to July 1 is set to expire on July 1 if the transaction isn't closed by that time.

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

HIGHER EDUCATION DEPARTMENT

CAPITAL EXPENDITURES

Presenters: Gerald Hoehne, Director of Capital Project & Interim Director of Institutional Finance Divisions; Raghu Raghavan, Associate Vice President, NMSU; Katherine Harrison-Rogers, Campus Planner, NMSU; Jose Loera, NMSU; Gary Martinez, Project Engineer, NMSU; Clayton Abbey, Interim Assistant Vice President of Government and Community Relations, NMSU

23. New Mexico State University—Requests Approval of Capital Expenditures for Construction of the New Aggie Memorial Stadium Operations Center (\$15,000,000)

Mr. Hoehne said this facility will be a new 18,700 square foot facility, which will replace the existing NMSU athletic center. The facility will house athlete locker rooms, conference and meeting rooms, offices, athletic training rooms, sports medicine, hydrotherapy, student athlete lounge, and a video viewing room for teams and NFL scouts. He said NMSU will be funding this \$15 million project with its 2022 revenue bond issuance.

Mr. Martinez said they anticipate construction to begin in mid to late July with completion in July 2024. The locker rooms will be ready for occupancy prior to the 2024 NMSU football season.

Ms. Trevisani commented that this project seems necessary given the age of the facility, but the new facility would seem to be a recruitment tool while also incentivizing financial participation from alumnae and others involved. She asked if previous improvements NMSU has made to other athletic facilities on campus has improved recruitment as well as giving.

Mr. Martinez responded that their new head coach, who comes from a bigger university than NMSU, is very interested in recruiting by showcasing NMSU's new football locker room and facility. NMSU has made similar improvements to its Pan Am basketball arena for the same reason.

Ms. Trevisani asked if there are quantitative results in terms of recruitment numbers. Mr. Raghavan responded that they do not yet have those results.

Member Badal stated that the University of New Mexico in Albuquerque had a similar facility built a couple of years ago, and they were able to get sponsors from private organizations to contribute some of the money in exchange for getting their name on the building, etc. He asked if NMSU tried to find a sponsor or sponsors to mitigate some of the cost.

Mr. Abbey responded that their assistant athletic director, Braun Cartwright, was not available to respond to questions about sponsors or donors as he was on leave.

Member Badal said it would be productive for NMHED to encourage the state's institutions of higher learning to seek these sponsorships. He said UNM received a significant contribution from New Mexico Mutual Insurance for their new athletic facility. He commented that there must be a number of businesses that would be interested in getting their name on a building in return for making a contribution.

Ms. Leach stated that staff had asked NMSU in their Q&As to further address what other athletic programs would be able to utilize the facility but did not receive a response.

Mr. Martinez said he could not answer that question.

Member Cassidy stated that normally senior staff from NMSU is available to answer questions from the board, and he would encourage NMSU to make sure that happens in the future. He said the board is asking several questions that can't be addressed today.

Mr. Abbey said he was able to reach the assistant athletic director by phone, who stated that the facility, particularly the weight room, is intended for all student athletes, and that the new training room will have new technology that the current weight room doesn't have.

Treasurer Montoya commented that senior staff from NMSU should have been present today given that this is a \$15 million project.

Treasurer Montoya cited events over the past year in the Las Cruces area and questioned why NMSU was spending \$15 million on this project when there might be other successful programs in NMSU that could also utilize these funds, such as programs on economic development or social justice that could help the Aggies succeed both on and off the field.

Member Badal said he understood the Treasurer's comments. He said the athletic department is part of the university community and money has to be spent on it just like it has to be spent on biology labs and so forth.

Member Badal moved to approve this request. Member Cassidy seconded the motion.

Member Badal commented that, without a robust athletic department and facilities, he suspected NMSU or any university would see its donations, which benefit all of the departments, fall off. While \$15 million is being spent to basically cater to a very small portion of the university population, he also understands the importance of the athletic department.

The motion passed unanimously.

In explaining her vote, Treasurer Montoya said she voted in favor of this motion because she trusts the Board of Finance and its expertise, but planned to follow up with Mr. Abbey on a couple of questions she had.

Ms. Trevisani said she would strongly second the Treasurer's remarks, and would appreciate a response from NMSU to the questions raised during this meeting.

Mr. Hoehne said NMSU has had many projects on campus using donations, and have had several projects supported by donated funding. When this project originally came forward, it was a master plan for athletics facilities, and NMHED asked all higher education institutions to ensure that any auxiliary projects, including athletic facilities, are self-supported. When this revenue bond came forward, NMSU was asked to provide confirmation that there would be no increase or negative impact to student fees or tuition associated with this particular facility, and NMHED was assured that the funding was being generated from a reorganization of existing debt.

Mr. Hoehne stated that NMSU has gone through some leadership changes with the facility organization as a whole, and NMHED is working closely with them on this as they move forward in development of these projects that were already in the hopper and are part of NMSU's mission. This also includes a reevaluation of new projects as they are being developed.

Mr. Hoehne further noted that NMHED has requested that all higher education institutions ensure that their administration is actively involved in all of these requests.

STATE TREASURER'S OFFICE

Presenter: Arsenio Garduño, Collateral Manager, State Treasurer's Office

24. Consideration of Broker-Dealer List for Fiscal Years 2024 and 2025

Mr. Garduño stated that there are 40 primary and secondary dealers on the Broker-Dealer List, including one new primary dealer, ASL Capital Markets.

Mr. Garduño stated that, as of April 2023, STO has done around \$20 million in trading with Broker-Dealers, which does not include \$27 million in LGIP REPO.

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

GENERAL SERVICES DEPARTMENT

Presenter: Anna Silva, Director of Facilities Management, GSD

25. Schedule of Repairs for July 2024 through December 2023

Ms. Silva presented this report.

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

26. Inventory of Buildings Report, Including an Approved Checklist of Conditions

Ms. Silva presented this report.

STAFF ITEMS

Presenter: Ashley Leach, Director, Board of Finance

27. Update on Upcoming Rule Change/Promulgation Work

Ms. Leach stated that staff is working with board counsel to preliminarily identify three rules it will be addressing in this initial round, and will be meeting with the Rule Change Subcommittee to discuss policy items and any other anticipated rule changes. She also anticipates the creation of at least one rule for this first round, which would be addressing the recently passed Metropolitan Redevelopment Act, which goes into effect in July 2025, but applications under that could come in much sooner than that. Staff anticipates preparing draft rules to discuss with the Rule Subcommittee to seek input prior to presenting before the full Board at the September meeting. The Board would then vote to move forward with the official rulemaking process. The goal is to have any changes or promulgations in effect by January 1, 2024.

Other discussion

Ms. Leach said staff anticipates receiving an application for emergency funding from the Animas School District. Given that \$329,000 is remaining in the Emergency Fund, staff will likely schedule a special meeting next week to take action on that request while funds remain in the account for the fiscal year.

Treasurer Montoya asked if there is a system for following up on emergency funding approvals to determine whether the funding has been effectively utilized, such as was done with Mesalands Community College.

Ms. Leach responded that an annual reporting could be implemented for that, but she thought it would be more appropriate to invite those entities that have received such funding to return after a period of time to present a status report. She noted that Mesalands Community College followed up with the board three months after receiving funding. On top of that, the board can always invite them to provide an additional informational presentation or just provide the report to board staff.

Member Badal noted a point raised by MFA director Izzy Fernandez about how housing in New Mexico has become so expensive because of inflation and other factors. Should the cost of housing decrease, he wondered if that would impact the value of the bonds that financed those houses. He asked Ms. Leach to schedule a presentation to the board on this topic by an economist or other person(s) with expertise.

Treasurer Montoya moved for adjournment. Ms. Trevisani seconded the motion, which passed unanimously.

ADJOURNMENT: 11:05 a.m.

Michelle Lujan Grisham, President

Date

Michael S. Sanchez, Secretary

Date