MINUTES OF THE
NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

Santa Fe, New Mexico

May 15, 2018

A regular meeting of the New Mexico State Board of Finance was called to order on this date at 9:12 a.m. in the Governor’s Cabinet Room, Fourth Floor, State Capitol Building, Santa Fe, New Mexico.

1. ROLL CALL -- QUORUM PRESENT

Members Present:
The Hon. John A. Sanchez, Lt. Governor
Mr. Robert J. Aragon, Public Member
Mr. Adelmo Archuleta, Public Member
Mr. Michael Brasher, Public Member, Secretary
Mr. John Kormanik, Public Member

Members Excused:
The Hon. Susana Martinez, President
The Hon. Tim Eichenberg, State Treasurer

Staff Present:
Ms. Donna Maestas, Acting Director
Ms. Duffy Rodriguez, Secretary of Finance and Administration

Legal Counsel Present:
Ms. Sally Malavé, Attorney General’s Office
Mr. Stephen Vigil, Attorney General’s Office

Others Present:
[See sign-in sheets.]

2. APPROVAL OF AGENDA

ANNOUNCEMENT: NEXT REGULAR MEETING – TUESDAY, JUNE 19, 2018

Mr. Aragon moved for approval of the agenda, as amended. Mr. Brasher seconded the motion, which passed 5-0.
CONSENT AGENDA (Items 3-7)
Presenter: Donna Maestas, Acting Director

Submitted by: Donna Maestas, Acting Director

3. Approval of Minutes: April 23, 2018 (Regular Meeting)

Submitted by: Darryl Ackley, Cabinet Secretary, State Chief Information Officer; Rick Lopez, Director, Local Government Division

4. Department of Information and Technology and Department of Finance and Administration, Local Government Division – Requests Approval of Fiscal Year 2018 Capital Budget Amendments ($104,403) (63-9D-8 NMSA 1978; 10-6.2.12 NMAC)

5. Department of Information and Technology and Department of Finance and Administration, Local Government Division – Requests Approval of Fiscal Year 2019 Operating Budgets for New Mexico Public Safety Answering Points ($9,146,960) (63-9D-8 NMSA 1978; 10.6.2.12 NMAC)

6. Department of Information and Technology and Department of Finance and Administration, Local Government Division – Requests Approval of Fiscal Year 2019 Capital Equipment Upgrades for New Mexico Public Safety Answering Points Directly Related to the City of Rio Rancho and the Town of Red River ($112,304) (63-9D-8 NMSA 1978; 10.6.2.12 NMAC)

Submitted by: Shirley McDougall, Property Asset Manager, Santa Fe Public Schools

7. Santa Fe Public Schools – Requests Approval for Amendment of the Sale of Real Property Known as The Alvord School, Located at 551 Alarid Street
In Santa Fe to David A. Barker and/or Assigns

* Contingent upon Director’s receipt and counsel review of minutes of June 13, 2018, Santa Fe City Council meeting evidencing final approval for the project.

Secretary Rodriguez stated that, pursuant to items 4, 5 and 6, the Governor directed DFA and DoIT to have a memorandum of understanding to start moving the E-911 program over to DoIT, which is an appropriate move given the broad public safety issues that DoIT has been addressing for the state for the past couple of years. This month, the two departments signed a joint powers agreement to make that official. She said the financials will remain with DFA until the necessary legislation is passed in the next session.

Mr. Aragon moved for approval of the Consent Agenda, with the contingency for Item 7. Mr. Archuleta seconded the motion, which passed 5-0.

EMERGENCY FUND BALANCES
Presenter: Donna Maestas, Acting Director

8. **Emergency Balances – May 15, 2018**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve Fund</td>
<td>$1,683,876.50</td>
</tr>
<tr>
<td>Emergency Water Fund</td>
<td>$104,800.00</td>
</tr>
</tbody>
</table>

Ms. Maestas reported these balances.

**SEVERANCE TAX BONDS AND NOTES**

Submitted by: Parker Schenken, Co-Bond Counsel, Sherman & Howard, LLC; Luis Carrasco, Co-Bond Counsel, Rodey Law Firm; David Paul, Financial Advisor, Fiscal Strategies Group; Ken Guckenberger and Noelle Graney, Disclosure Counsel, Kutak Rock, LLP

9. **Consideration of Authorizing and Delegating Resolution, Including Forms of Notice of Sale, Preliminary Official Statement, Continuing Disclosure Agreement and Final Terms Certificate, for State of New Mexico Severance Tax Bonds, Series 2018A – Maximum Principal Amount of $171,054,220**

Mr. Paul stated that this will be the first utilization of the newly authorized delegation of authority that allows for the board to delegate to staff the ability to change the bid date, if warranted by market conditions. He said the markets have been fairly sanguine, interest rates have been trading at a fairly tight band, and the Federal Reserve Bank has been tightening, although in the absence of any material inflation data, there is an increasing market consensus that significant continuing fed action is unlikely at this point. Mr. Paul said they will meet with the rating agencies next week. As everyone knows, general fund reserves have strengthened, and they expect the discussions to be positive.

Responding to Lt. Governor Sanchez, Mr. Paul said the state’s general obligation bond rating was put on credit watch by the rating agencies when the state’s reserves went down, and they generally have an 18-24 month timeframe during which they will either remove it from watch or downgrade it. They have not downgraded the state, and he expected that it would be removed from watch after next week’s discussions.

Responding to Secretary Rodriguez, Mr. Paul said he would expect a change on Severance Tax bonds given the much more positive pricing. What has happened on the general obligation side going back to the recession, and on the Severance Tax bond side just with the volatility, is that the inherent volatility in reserves and Severance Tax revenues have both become identified with significant credit factors. In addition, the rating agencies have begun to reduce their view of dedicated tax bonds as distinct from the underlying credit conditions of a government, so the two ratings are more linked than they have been in the past. He commented that clearly the trends in New Mexico have been positive; there is more upside opportunity to the state in the movement of prices and production than downside.
Mr. Schenken reviewed highlights of the resolution before the board.

Mr. Guckenberger discussed the disclosure agreement. He said the projected final amount is approximately $122 million.

Mr. Paul said the par amount of the bonds sold, plus the original issue premium, would total about $140 million of actual project fund deposits.

Mr. Aragon moved for approval. Mr. Brasher seconded the motion, which passed 5-0.

10. Consideration of Authorizing Resolution for State of New Mexico Tax Note, Series 2018S-A – Maximum Principal Amount of $23,798,100

Mr. Carrasco reviewed the highlights of the resolution.

Mr. Archuleta moved for approval. Mr. Brasher seconded the motion, which passed 5-0.

11. Consideration of Authorizing Resolution for State of New Mexico Supplemental Severance Tax Note, Series 2018S-B – Maximum Principal Amount of $106,874,000

Mr. Carrasco reviewed the highlights of the resolution.

Mr. Kormanik moved for approval. Mr. Brasher seconded the motion, which passed 4-0. [Not present: Mr. Aragon.]

12. Consideration of Resolution Reauthorizing Certain Severance Tax Bond Projects

Mr. Carrasco stated that this re-appropriates prior appropriations using Severance Tax bonding funds for certain projects, and either prohibits the continued use of those funds for those projects and changes the project scopes, or extends the time period for expenditures.

Mr. Archuleta moved for approval. Mr. Brasher seconded the motion, which passed 5-0.

**HIGHER EDUCATION DEPARTMENT**

Presenters: Gerald Hoehne, Capital Projects Director, New Mexico Higher Education Department; David W. Harris, Executive Vice President for Administration, Chief
Operating Officer and Chief Financial Officer; Chris Vallejos, Associate Vice President For Institutional Support Services; Lisa Marbury, Executive Director for Institutional Support Services; Rebecca Myers, Student Body President; Kyle Biederwolf, Former Student Body President

13. University of New Mexico – Requests Approval of the Johnson Center Expansion and Renovation ($35,000,000)

Mr. Aragon stated that, at the April meeting, Ms. Malavé talked about the issue relating to any conflict that Mr. Brasher may or may not have regarding his tenure on the UNM Board of Regents and being a member of the State Board of Finance. He asked Ms. Malavé to repeat her comments, as he found them to be very helpful and accurate.

Ms. Malavé responded that the discussion revolved around the Governmental Conduct Act and what the Act defines as a financial interest or substantial interest in any given item. In accordance with those definitions relating to the materiality of a particular project, and what interest a voting member of either board might have, would define whether or not they had a conflict. As defined in the Act, a substantial financial interest is something over 20 percent where one would have a personal interest in a project. With very limited exception, she did not believe Mr. Brasher would have an interest in anything relating to UNM by virtue of his seat on the Board of Regents.

Ms. Malavé said there were reports in the newspaper that were unrelated to the legal analysis; however, as far as she was concerned, there did not appear to be real conflict of interest and the board has no control over the public’s perception of conflict of interest. In terms of whether Mr. Brasher feels comfortable or not in voting, that’s a personal decision that he needs to make each time, and this is true for every member of the board.

Mr. Aragon said he appreciated Ms. Malavé’s remarks, because she was very clear that there was no statutory or legal impediment on the part of Mr. Brasher moving forward. He said her comments at the April meeting were spot on, and he thought that was very important for the public to understand. He said he had complete confidence in Mr. Brasher’s ability to use his best discretion in determining whether he should or should not vote on a particular matter.

Mr. Brasher read the following statement: “With respect to the decisions of the New Mexico Board of Finance relating to UNM, I’ve decided to recuse myself as long as I am also serving as a member of the Board of Finance and the UNM Board of Regents. This has been considered at significant lengths with, among others, members of the Attorney General’s Office, members of the Board of Finance, and the Governor’s Office. While I’ve been advised that the law is clear, there is no conflict, and notwithstanding that there is ample precedent of similar situations of serving on multiple public boards, enough concern has been raised in the press that, in the spirit of avoiding the appearance of conflicts of interest, I have made this decision. Thank you all.”
Mr. Archuleta commented that Ms. Malavé’s comments at the last meeting were very clear and he has heard those comments echoed many times in his own personal history at New Mexico State University, PNM, and elsewhere. There is the legal question of whether one can or cannot vote on a particular matter, but then there is the personal decision of how to vote in terms of public perception. He said he supported Mr. Brasher’s decision, but speaking personally, thought it was acceptable for him to participate in the discussion and let his own ethics guide him in the discussion and later on whether or not to vote on the matter. He said he has seen many people do this for the past couple of decades.

[The board proceeded with discussion/action on Item 13.]

Mr. Hoehne stated that University of New Mexico (UNM) is requesting approval of the Johnson Center Expansion & Renovation (JCER) project. In November 2015, UNM brought forward a request for approval of system revenue bonds in the amount of $218 million, which included the construction and improvement of three facilities on the Main Campus and included this project. A total of $35 million of the bonds was designated for the JCER project, which is a combination of new construction, demolition and partial renovation of the existing 300,000 gross square foot building, which was built in 1955. Based on a bid of $35 million, the proposed renovated space will involve renovations to the UNM South Gym. If funds are still available following construction and renovation, additional construction (“add alternates”) is a possibility. Potential add alternates include multipurpose fitness rooms, a rock climbing wall, and exterior finish upgrades.

Mr. Harris noted that this project is 100 percent funded by UNM students, and is more important to them than any project UNM has previously brought before the Board of Finance during his tenure.

Mr. Biederwolf stated that students were given three opportunities to view the project in the Student Union Building, and over 100 students were surveyed during that period. He said students are very excited about this project.

Ms. Myers added that there is a lot of conversation and excitement among the students about this project.

Lt. Governor Sanchez noted that Johnson Center currently houses the Health, Exercise & Sports Sciences Department (HESS) of the College of Education, and a portion of the new and renovated areas will be shared with HESS for academic classes. Additionally, Johnson Center houses Athletics Department operations for both Lobo volleyball and the ski teams. He asked if potential cuts to the Athletics Department could affect some of the sports programs that take place there. Mr. Harris responded that there is only a women’s volleyball team, which is supported through Title IX funding, and he did not think there would be any impact there; and although there was a proposal last year to eliminate the
ski team, the industry stepped forward and raised funds to keep the program alive for two more years. While this coming fiscal year will be the second year of that, he believed the industry would continue to support skiing. He said he did not think the athletic programs housed in Johnson Center would be in jeopardy.

Mr. Archuleta commented that this is a very old building, and the project is long overdue.

Mr. Aragon asked if enrollment continues to decline at UNM. Mr. Harris responded that higher admission standards have impacted enrollment. In addition, with the articulation statute passed, many of the lower division courses taught at UNM are also available at CNM, where they can be transferred and taken less expensively. He said UNM has never had more than a 1.5 percent decline in any single year, but currently they are at 6 percent below peak. On the other hand, freshman enrollment is setting records.

Mr. Aragon commented that Johnson Gym was antiquated as far back as the 1970s, and so obviously needed upgrading, but he wondered how the spending on this project could be justified given the inability of college graduates locally and nationally, particularly in the humanities, being able to find employment in their field of study. At the same time, vocational jobs remain vacant because there are not enough people trained to fill them.

Lt. Governor Sanchez said UNM and the state's education system is the most important economic driver in the state. When people ask him about New Mexico, they want to know what the state is investing in its education system.

Mr. Aragon moved for approval. Mr. Archuleta seconded the motion, which passed 4-0. [In abstention: Mr. Brasher.]

**STATE TREASURER’S OFFICE**

Presenter: Vikki Hanges, Chief Investment Officer, General Fund Portfolio Manager

14. Monthly Investment Report for Month-Ended March 31, 2018

Ms. Hanges reported that STO managed about $3.7 billion in assets in March and earned approximately $4.5 million. For the quarter ended March 31, the portfolios had a mark-to-market loss of $6.5 million as a result of interest rates rising about 35 basis points in the quarter all across the yield curve. The Fed raised rates to 1.5 percent to 1.75 percent in March, and it is expected they will raise rates by 1.75 percent to 2 percent in June.

**GENERAL SERVICES DEPARTMENT**

Presenter: Donna Maestas, Acting Director

15. Capitol Buildings Repair Fund Financial Status Report for Month-Ended April 30, 2018
16. Facilities Management Division – Legislative Capital Projects Financial Status Report for Month-Ended April 30, 2018

Ms. Maestas presented these reports.

**TAX INCREMENT DEVELOPMENT DISTRICT**

Presenters: Patrick J. Rogers, Attorney, Patrick J. Rogers, LLC; Justin Horwitz, Attorney, Rodey, Dickason, Sloan, Akin & Robb, P.A.; Clinton Turner, Chief Economist, and Robert McGrail, Economist, Department of Finance and Administration, Economic Analysis Unit; Nate Perez and Jerry Wen, David Taussig & Associates; Ellen Rabin, Legislative Finance Committee; Raul Burciaga, Legislative Council Service; Matthew Look and Vanessa Alarid, Garrett Development Corp.; Stephen Thies, New Mexico Department of Transportation

17. **Request for Dedication of a Portion of State Gross Receipts Tax Increment for Lower Petroglyphs Tax Development Increment District**
   (a) Western Albuquerque Land Holdings
   (b) Economic Analysis Unit

Ms. Maestas stated that Western Albuquerque Land Holdings (WALH) will be making a presentation on their request, which will be followed by an economic analysis by Mr. Turner and Mr. McGrail from DFA. The EAU spent the last six or seven months reviewing the application.

Ms. Maestas stated the Legislative Finance Committee has conducted an independent analysis of this application, and they have also provided a letter, which is in the board book.

With respect to the criteria established in the board rules regarding the TIDD allocation, Mr. Kormanik asked Ms. Malavé what procedure the board could follow should it decide not to adhere to one of the criteria. He asked if it would have to be in the form of a waiver, for example.

Ms. Malavé responded that the board rules were adopted pursuant to the authority in the Tax Increment Development Act, and have the effect of law. Whether or not the board could waive a particular item would depend upon the nature of the item in question and how it affects the overall issue. For example, there are critical pieces of the application that, if waived, would make it impossible to consider the application in its entirety. Such critical items would be, for example, the economic analysis or the development plan.

Ms. Malavé said one item under discussion was a letter from the governing authority with respect to some infrastructure that would fall outside of the TIDD. There is a letter from the governing authority of the City of Albuquerque, which covers about 10 percent of the infrastructure, and the letter is intended to give the board assurance that the
governing authority that will ultimately own the infrastructure will assume responsibility for it. The developer at this point is unable to get those assurances because details of the public infrastructure to be constructed outside the TIDD haven't been fleshed out. There is also a question of whether obtaining letters of assurance from entities other than the "governing body" are required under the TIDD rule, but it is certainly something the board would want to know about. At this point in time, because the construction is so far off, there has been a discussion about having the developer at least assure the board that, as the time draws closer to when those public infrastructure developments will be constructed, they will then work collaboratively with the other authorities involved; for instance, the Department of Transportation, Bernalillo County or the Albuquerque-Bernalillo County Water Utility Authority.

Mr. Rogers made a presentation. He said three out of the four people who are moving into the Albuquerque area are moving to the Westside. Although it is one of the fastest-growing areas, it suffers from few employment opportunities and no major healthcare services. He said the board may recall from its October 2017 meeting that Presbyterian facilities manager Jim Jepson was present to talk about their plans for a medical center on the Westside, which he thought was significant, since the number of people who will want medical services in the future is huge. He said the Westside is also suffering from limited retail and commercial choices. He stated that the development project is about 336 acres, and their plan is to provide first-rate healthcare and professional services opportunities, and support community prosperity through job creation, careers and infrastructure.

Mr. Rogers stated that Mr. Horwitz has developed a draft resolution that attempts to address the concerns expressed during the several meetings that have taken place with board staff and the WALH team. This includes reducing the state dedication from 75 percent to 65 percent with a total cap of $69 million. In addition, the revenues generated within the district boundaries would all be dedicated and subject to conditions comparable to those provided to the City of Albuquerque, including the investment of $100 million in the development of a comprehensive medical care facility. He said there have been complaints that the promise of this medical facility, which Mr. Jepson discussed in October, was insufficient. Although WALH disagrees, the draft resolution recognizes that the investment of at least $100 million in the development of the medical care facility must come first and that the failure to invest that could result in the termination of dedication and the return of all the state gross receipts tax revenues to the state. Most importantly, the use of the dedicated funds would occur only after the healthcare provider has spent the $100 million; and WALH has agreed that the site would be restricted for medical services only.

Responding to Mr. Kormanik, Ms. Maestas said she received an email from Mr. Rogers yesterday at 4:07 p.m. with a draft resolution with proposal changes; however, staff has not had time to review the resolution. Secondly, it is board counsel that prepares resolutions on the basis of what has been approved. If there is a proposal to change the
application, maybe WALH needs to submit a revised application, because the Economic Analysis Unit had less than an hour to review the changes and would need additional time to run the numbers.

Mr. Aragon said he assumed this latest iteration was the result of a dialogue Mr. Rogers had with staff, so the suggestion that it is a new concept is not completely accurate. Mr. Rogers responded that it was not at all accurate, as the new proposal was an attempt to meet the concerns and objections and arguments made by staff and the board.

Ms. Maestas stated that staff was unaware of these changes until they were received late yesterday, and reiterated that the Economic Analysis Unit would need to time to review the new proposal.

Mr. Kormanik commented that, given the magnitude of the state finances involved, he found it disconcerting that a new proposal was submitted late yesterday afternoon. He said he would not be able to make a decision today under these new circumstances.

Mr. Rogers stated that staff indicated at the last meeting that there were no changes that would allow them to support this, and there was also a complaint that the city “had gotten a better deal.” He said it was not fair or appropriate to penalize them now for attempting to make changes that would address those objections.

Mr. Aragon said the statute clearly says, “Likely to stimulate the creation of jobs, economic opportunities and general revenues for the state,” but what he is hearing from the proponent is “speculation or conjecture or a burden for a proponent to try to put forth a TIDD to try to prove a non-event.”

Lt. Governor Sanchez reminded everyone that the precedent for approving TIDDs has gone a lot longer than this one; for instance, Mesa del Sol took almost four years before it was approved.

Mr. Turner and Mr. McGrail reviewed their economic analysis.

Responding to Mr. Aragon on population counts on the Westside near Presbyterian Rust Medical Center, Ms. Alarid said that, based on numbers from the Mid Region Council of Governments (MRCOG), for the Westland area there are 9,000 people, for the Northwest Mesa there are 112,000 people, and for the Southwest Mesa there are 80,000 people, or a total of about 200,000. During the last Census, the Westside received three new legislators, a city councilor and a county commissioner.

Mr. Aragon asked how many hospitals are in the area just discussed. Ms. Alarid said there are three existing facilities: UNM Hospital (in Sandoval County), Lovelace (on Golf Course Road near Irving), and Rust (in Sandoval County). She said there are currently no hospitals serving the area in question. Mr. Turner added that Presbyterian has announced
it will be building two emergency room/clinic facilities, one on the Westside, but these are not hospitals. Mr. Aragon said he understood the facility being discussed within the TIDD, however, is going to be a hospital.

Mr. Look responded that Presbyterian does not refer to its medical care facilities as hospitals. Rust is a medical care facility, and what is being proposed for that site is a Rust-type facility. In its first phase, it will be $150-$250 million and around $600 million at full build-out.

Mr. Turner added that, for the purpose of this discussion, the $100 million to be spent by Presbyterian for the TIDD would be towards a “medical center.” He said it doesn’t have to be a hospital.

Mr. Kormanik said the October 2017 Board of Finance minutes reflect that Mr. Archuleta asked Presbyterian Health Services what they plan to do with the $100 million they have committed over time, and that Presbyterian representative Jim Jepson responded that they have not master-planned the site, but “would anticipate, commensurate with the growth of the community, an emergency room, clinic, hospital bed and a few physicians.”

Mr. Turner said the applicant has said this project will go forward with or without the state’s participation, but without Board of Finance approval, the project “may” be delayed or prolonged. City participation will get the hospital and interchange built and would not require state participation.

Mr. Aragon asked Mr. Turner to read the second bullet point in his memorandum on page 4. Mr. Turner read, “According to WAHL’s testimony to the Albuquerque City Council regarding the City’s dedication of GRT increment, they indicated ‘the developer would advance that [the infrastructure] cost and only be reimbursed if the County or State participated.’”

Mr. Turner said his evaluation is that it definitely will go forward based on their responses to him and the economic group.

Mr. Aragon said the literal meaning is that the developer would advance the cost only if the county or state participates. However. Ms. Malavé clarified that it doesn’t mean they won’t go forward; it only means that they wouldn’t be reimbursed.

Mr. Aragon noted from Mr. Turner’s report that WALH indicated that, without the state’s increment, “it may delay job creation and generation of new tax revenues and prolong traffic problems along I-40 within and around the District.” He asked Mr. Turner if WALH had indicated how long that delay would be. Mr. Turner responded that they were unable to get a definitive answer to that question.
Mr. Look stated that, without the state dedication TIDD, which would be the reimbursement mechanism, they would not be able to build the interchange unless funding was made available through the DOT and other mechanisms. The interchange is on the list of MRCOG as a preferred piece of infrastructure that they would like to see constructed, but the DOT has no timeframe for construction of the interchange because there is no funding available. He said construction of the medical center is tied to the interchange, and so that delay period is indefinite.

Mr. Archuleta said his understanding was that the project would go on with the city’s increment. Mr. Look explained that there is already significant development in the area, and all of the traffic currently goes on 98th street. WALH can serve a very small portion onto 98th street, which would include a drugstore and probably a grocery store. Without the 118 interchange, however, further growth of the Westland master plan would be on hold and there would be very little residential and commercial development.

Referring to the Albuquerque City Council minutes, Mr. Turner stated that, when the TIDD was presented to the City of Albuquerque, the applicant said they hadn’t approached the DOT, but if the city was willing to participate, the infrastructure could be delivered to the site. He said the $63 million the city has agreed to would allow 118th street to go forward with or without the state. In addition, the developer might take on the sewer, storm water and flood control themselves, as well, even if the state didn’t pay for it.

Mr. Turner noted that WALH has not received a commitment from Bernalillo County for either a property tax or GRT increment, citing that “neither the TIDD Act nor SBOF rules prescribe an order for seeking dedication from the City, County or State or require that WALH seek dedication from Bernalillo County.” Albuquerque has committed 65 percent of their GRT and property tax increments, and the effective GRT contribution from the city after exempted GRT increments are taken into account is 42 percent. WALH has demonstrated that the maximum state contribution is $142.7 million and the maximum city contribution is $65 million.

Mr. Brasher commented that there is a “senior tsunami” occurring, and the adult living facilities included in the proposal will be of significant benefit to the state.

Mr. Archuleta stated that, as he understands Presbyterian’s business model, they build based on how many health professionals they need to service the demand. In the case of Rust, the neighborhood developed and then the hospital was located there as a matter of convenience. He asked if the addition of the new medical facility will dilute existing staff at other medical facilities in the area as opposed to adding a specific number of new employees, i.e., “are those jobs real?”
Mr. Turner responded that Presbyterian has made some very calculated decisions on their hospitals based on forecasted demand. As discussed at the Board of Finance October meeting, Presbyterian will plan to build when the demand is there.

Mr. Aragon said there is a “mass exodus” occurring on the Westside and a growing number of elementary schools have fewer than 400 students. The areas where there are hospitals are either slowly dying or the population is exiting from there. He asked Mr. Turner if the analysis reflects the shifting population, noting that the statute also contemplates that the TIDD would serve the best interests of the community. He asked if this should be a consideration. Mr. Turner responded that his first priority is the best interests of the state, followed by the county, city, and the neighborhood.

Mr. Aragon said one of Albuquerque’s issues is the lack of east-west corridors, getting the 200,000 people on the Westside across the river to get medical services or to Rust in Sandoval County. He said he did not see that issue addressed in the analysis. He asked Mr. Turner if he would agree that a hospital on the Westside, given the existing north-south corridors (Unser, Eagle Ranch, 98) would make it easier for those people who might have an emergent situation to locate to a hospital on the Westside. He asked Mr. Turner if he took into account the lack of facilities within the existing north-south corridors on the Westside. Mr. Turner responded they did take that into consideration, as noted on pages 17-18 of the report.

Mr. Aragon pointed out that if the TIDD does not go through, there would be no gross revenue to lose because no retail, hospital, etc. would be built there.

Mr. McGrail said there is nothing requiring that the hospital be built in this proposal, and Presbyterian only builds when the people are already there, but it appears to be WAHL’s position that “if they build it, they will come.” He commented, “If Presbyterian really wanted this to happen, I think we would have seen more buy-in from Presbyterian from day one.”

Mr. Archuleta commented that he was struggling with the fact that the lead project was a hospital. He said Mr. Turner was “spot on” in pointing out that something cannot be considered lost if it didn’t exist in the first place. He said Presbyterian has not presented a business model showing that demand is very high and that another hospital is needed badly, and demonstrating that they will bring in brand-new jobs, new employees, and new gross receipts. He said he didn’t believe the business model was there, because when he asked that question before, the response was, “we’re going to plan it when the demand is there.”

Mr. Archuleta stated that he would vote for this TIDD if Presbyterian was willing to appear before the board and say Presbyterian was going to build the hospital and that all 3,000 jobs were brand-new.
Lt. Governor Sanchez said this appeared to him to be a TIDD “all based on a project called Presbyterian Hospital,” which surprised him. He said he was having a hard time trying to understand this.

Mr. Brasher commented that he thought this TIDD was probably pretty good in comparison to the other TIDDS that have been done in the past, particularly given that Presbyterian is the anchor of this project and has made a name for itself in the community and is reliable. He added that building this medical facility might have an impact on their project at UNMH at Lomas and University because perhaps that could be a smaller facility. He pointed out that things are changing in the hospital business, too, where different facilities serve different purposes, with one type of surgery at one medical center and another type of surgery at another medical center.

Mr. Kormanik commented that this TIDD may bring business in, but the economic analysis reflects that the business is coming from other parts of the state, so the net impact to the state’s gross receipts is very low. He said this also means that it would transfer gross receipts tax (75 percent) revenues that the state is currently getting into the TIDD, which reduces the general fund revenues to the state by almost $205 million. He said it also has impact on the public schools as well as UNM. Referring the economic analysis done by the LFC economist, he noted that there would be $87 million less for public education and $26 million less for higher education. Based on the traditional appropriations to the public schools, the LFC estimates that Albuquerque Public Schools will receive $21 million less in general fund, and UNM would receive $10 million less. He pointed out that the Board of Finance is charged with looking at total impact to the state, “and we can’t be playing winners and losers within the state, moving business from one location to another and calling that economic development.”

Mr. Turner presented the report’s conclusion and recommendation, which was that, when considering the best interest of the State of New Mexico as a whole, “the expenditure of the State’s limited gross receipts tax resources at the time, location, and in the form requested have not been clearly justified by the request.”

Mr. Turner stated that the exact same criteria were applied to the nine Upper Petroglyphs, and the Board of Finance turned down five of the nine districts in 2008, saying they were not in the state’s best interests.

Mr. Rogers said a number of statements were made in the economic analysis that WALH disagrees with. He added that what is being objected to is a $20 million project by the junior partner of this entity, the implication being that there is something unreliable about this entity, yet it is acknowledged that this entity has $2 billion in investments. He said it is incorrect to say that Five Mile Capital also attempted a $20 million development project in Maryland, which had nothing to do with a TIDD-like arrangement. He questioned why that project would be included other than to cast the developer and investors in a negative position.
Mr. Archuleta stated that he has been part of two previous TIDD projects, and each time, the proponents were able to demonstrate that they would bring in new gross receipts, and those projects were endorsed by the economists and board staff. That was not the case here, however. As he understands the TIDD Act, it is money that the state is willing to share with a developer to relieve the burden on a developer if they can create projects that bring in new gross receipts. He said the problem he is having with this is that it doesn’t look like there are new gross receipts; rather, it looks like a shift from one part of town to another part of town.

Mr. Perez said he would remind the board that this is a relatively small footprint. He said any one of the Upper Petroglyphs districts would consume this entire TIDD. He said they believe that, based on the 5 percent net present value in the statutory framework, it is positive. The $7 million over the life of the bonds, if adjusted from 75 percent to 65 percent, translates to $15-$20 million over the life of the bonds, net of state costs. In his opinion, this is a very conservative analysis. He said he left out income tax, for example, although he could have included that. The GRT from the medical complex was also not included. He said they just listed retail, office, and the assisted living facility, making this a very narrow analysis. He said he thought retail would add around 3,000 new employees, which is a combination of the medical complex and a factor applied to the new retail jobs based on Winrock, which is around 10-20 percent, for which they are not getting credit.

Mr. Turner stressed that it was very difficult to do this analysis without a fixed bonding period.

18. Request for Dedication of a Portion of State Gross Receipts Tax Increment for Lower Petroglyphs Tax Development Increment District

Ms. Malavé stated that, as she has said several times before, the TIDD Act contemplates that the dedication of a portion of the state gross receipts tax increment may be used only for the purpose of securing gross receipts tax increment bonds. In the application before the board, the developer has stated that there is no commitment to bonding and that they possibly will not need to bond if they get the city and state increment to directly reimburse the developer. With respect to the state increment, she said the TIDD Act provides that the Board of Finance may approve the dedication of the increment to secure bonds and not for direct pay or direct reimbursement, which is not allowed by the TIDD Act. At the very outset of the formation process, where the Act contemplates that the developer may be required to prepare and pay for a feasibility study, it further states that “the developer may be reimbursed for those costs from the proceeds of the sale of bonds by the TIDD if the district is formed and GRT or property tax increment bonds are issued.” She said the Act also requires that a Tax Increment Development Plan address whether it proposes to use gross receipts tax increment bonds or property tax increment bonds, or both, and not something other than bonds. Furthermore, the Act allows the district to use the various GRT increments, including the
state increment, to pay the debt service on bonds issued by the district and for other debt of the district, and not for debt reimbursement of the developer. She said the board’s rules, in their entirety, presume that the use of the increment is for the purpose of bonding.

Ms. Malavé said one of the things lacking in this application and discussion is that developer is saying they have no commitment to bonding, they’re not actually planning to bond, and if they bond at all, it is somewhere in the 2037-2041 timeframe. If the board is inclined to approve this, notwithstanding the two economic analyses that essentially state that this particular project isn’t in the best interest of the state, it will have to state for the record what its findings are and expand on why it feels this project is in the best interest of the state.

Lt. Governor Sanchez said his understanding of what Ms. Malavé was saying was that the only way the board could approve this TIDD was if in fact the developer was planning to issue bonds. Ms. Malavé responded that, the way the rule is structured, the board can approve the increment but has to stipulate that the increment may only be used to secure bonds and not for direct pay.

Lt. Governor Sanchez asked if the applicant was prepared to agree to that.

Mr. Horowitz stated that they feel very confident that the best analysis of the statute is that gross receipts tax increments received by a district may be used for bonding and for purposes other than bonding. Section 5.15(B), which discusses uses of increment from a district formed by a municipality, says that “a portion of any of the following GRT increments may be paid by the state directly into a special fund of the district to pay the principal of, interest on, and premium due in connection with bonds, loans or advances to or any indebtedness incurred by, whether funded or refunded, assumed or otherwise, the authority for financing or refinancing or in part a tax increment development project within the TIDD area,” and within that list is the state GRT. Mr. Horowitz said Section 16(B) says a district may pledge any or all of gross receipts tax increments received by a district for the payment of interest and principal of gross receipts tax bonds.

Mr. Aragon commented that the section of statute just cited by Mr. Horowitz does not say there “must be” or “shall be” bonding, so there are other options available.

Ms. Malavé responded that the section cited by Mr. Horowitz states, “incurred by the authority,” which in this section is the municipality. In Section C, it refers to the county, and states, “incurred by the district,” which in this case is the county. She said it is not the developer who incurs the loan, debt, etc.; it is the district or the authority. At this point in time, the advances made by the developer for purposes of moving the development forward are not loans, advances or debt incurred by the authority, but is debt incurred by the developer. She said Section F, which talks about the imposition of gross receipts tax, is the only area that the Board of Finance is asked to participate in.
Mr. Aragon said he knew how he interpreted the statute and agreed with Ms. Malavé regarding how the statute will be interpreted in relation to WALH’s application, but another issue is that he has not had a chance to review the resolution proffered by the developer.

Mr. Aragon moved to defer. Mr. Brasher seconded the motion, which passed 4-1, with Mr. Kormanik voting against the motion.

Mr. Archuleta recommended that Presbyterian representatives be present when this item is brought before the board again. Second, with respect to Mr. Rogers’ statement that he didn’t like the economic analysis because it left out a lot of information, and that it was biased, he would like Mr. Rogers to clearly delineate what he was referring to and present figures to support his contention. Third, he would like the applicant to prepare a brief analysis of the amended application.

**STAFF ITEMS**

Presenter: Donna Maestas, Acting Director

19. **Arbitrage Consulting and Compliance Services Contract – Evaluation Committee Selection Recommendation and Authorization for Staff To Begin Contract Negotiations**

Ms. Maestas reported that, on March 9, 2018, the SBOF issued a Request for Proposals for Arbitrage Consulting and Compliance Services. Proposals, which were due April 11, 2018, were received from various offerors. The Evaluation Committee completed their review and scoring on April 20, 2018, and the notification of final offerors was sent out on April 23, 2018, with an invitation for best and final offers to be submitted by May 4, 2018.

Ms. Maestas requested approval to proceed with contract negotiations with the final offeror, as recommended by the Evaluation Committee.

Mr. Aragon so moved. Mr. Archuleta seconded the motion, which passed 5-0.

20. **Fiscal Agent/Custodial Bank Fees**

Ms. Maestas reported that the amounts reported are consistent with historical fees.

21. **Joint Powers Agreements for Month-Ended April 30, 2018**

Ms. Maestas reported that there were three new joint powers agreements for the month of April 2018.

**ADJOURNMENT**
The meeting was adjourned at 3:00 p.m.

Susana Martinez, President

6-19-2018

Date

Michael Brasher, Secretary

6/19/2018

Date