NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

Santa Fe, New Mexico

October 15, 2019

A regular meeting of the New Mexico State Board of Finance was called to order on this date at 9:05 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. Tim Eichenberg, State Treasurer
Mr. Joseph Badal, Public Member
Mr. Paul Cassidy, Public Member
Mr. Michael S. Sanchez, Public Member, Secretary [Acting Chair]
Ms. Wendy Trevisani, Public Member

**Members Excused:**
The Hon. Michelle Lujan Grisham, President
The Hon. Howie Morales, Lt. Governor

**Staff Present:**
Ms. Ashley Leach, Director
Mr. Marcos B. Trujillo, Deputy Director
Ms. Olivia Padilla-Jackson, Secretary of Finance and Administration

**Legal Counsel Present:**
Ms. Sally Malavé, Attorney General’s Office
Mr. John T. Grubesic, Attorney General’s Office

**Others Present:**
[See sign-in sheets.]

2. **APPROVAL OF AGENDA -- ANNOUNCEMENT: NEXT REGULAR MEETING -- TUESDAY, NOVEMBER 19, 2019**

Mr. Badal moved for approval of the agenda, as published. Mr. Cassidy seconded the motion, which passed 5-0.
3. **APPROVAL OF MINUTES: SEPTEMBER 17, 2019 (REGULAR MEETING)**

Ms. Trevisani moved approval of the minutes of the September 17, 2019, meeting, as submitted. Mr. Badal seconded the motion, which passed 5-0.

**CONSENT AGENDA**

Submitted by: Alex Tafoya, Planning and Zoning Supervisor, San Miguel County

4. **San Miguel County—Requests Approval of the Lease of Real Property Located in Section 35, Township 13 North, Range 14 East, in San Miguel County to Vertical Bridge Development ($7,200 per year)**

Submitted by: Charlotte H. Hetherington, Attorney, Cuddy & McCarthy Law Firm

5. **Taos Municipal Schools—Requests Approval of the Donation of Real Property Located in Arroyo Hondo to Taos County (no consideration)**

- Contingent upon Director’s receipt and counsel review of (1) a fully executed amended and restated transfer agreement and (2) fully executed quitclaim deed.

Submitted by: Gerald Hoehne, Capital Projects Director, NMHED

6. **University of New Mexico Health Sciences Center/Hospital—Requests Approval of Capital Expenditures for Renovation of the Cardiac Catheterization Laboratory Number 1 ($800,000)**

7. **University of New Mexico Health Sciences Center/Hospital—Requests Approval of Capital Expenditures to Upgrade the Barbara and Bill Richardson Pavilion Mechanical Room Air Handling Unit ($972,900)**

8. **University of New Mexico Health Sciences Center/Hospital—Requests Approval of Capital Expenditures to Upgrade the Operating Room Air Handling Unit at University Hospital Main ($1,265,200)**

9. **University of New Mexico Health Sciences Center/Hospital—Requests Approval of Capital Expenditures to Install a New HVAC System In the Basement Server Room at University Hospital Main ($633,200)**

10. **University of New Mexico Health Sciences Center/Hospital—Requests Approval of Capital Expenditures to Replace the Medical Air Compressor at University Hospital Main ($858,700)**

11. **Western New Mexico University—Requests Approval of Capital Expenditures for Installation of an Electronic Door Locking System ($1,250,000)**
12. **Emergency Fund Balances – October 15, 2019**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Balance</th>
<th>Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve Fund</td>
<td>$1,550,000.00</td>
<td>$2,000,000.00</td>
</tr>
<tr>
<td>Emergency Water Fund</td>
<td>$ 62,449.84</td>
<td>$ 104,800.00</td>
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</tbody>
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14. **Fiscal Agent and Custodial Bank Fees Report**

15. **Joint Powers Agreements for Month-Ended September 30, 2019**

Mr. Cassidy moved approval of the Consent Agenda, as presented. Ms. Trevisani seconded the motion, which passed 4-0. [Not present for the vote: Mr. Eichenberg.]

**EMERGENCY FUNDING REQUESTS**

Presenters: Robert L. Padilla, CEO, Metropolitan Court; Sandra Engel, Chief Judge, Metropolitan Court; Rachael Monarch, Chief Financial Officer, Metropolitan Court

15. **Bernalillo County Metropolitan Court—Requests an Emergency Loan for the Purchase of Real Property Located at 804 5th Street NW in Albuquerque from Jeff and Evangeline Romero ($350,000)**

Judge Engel stated that the subject property, which is a small cutout adjacent to the Metro Court, has been owned by the Romeros for many years. She said it impedes the court’s ability to close Slate Street, which is a longstanding security issue for the court, and this request is before the Board of Finance because the property just became available in late summer. Since that time, the court has gone through all of the necessary channels to secure approval for the purchase so it can request a legislative appropriation in the upcoming session to pay back this emergency loan. She said they have support from both the Administrative Office of the Courts as well as the New Mexico Supreme Court and need to act fast because they have no assurances that the Romeros will not sell the property to another interested party in the interim. At the current time, it is not possible to create a gated entrance to the Metro Court for the judges, executives, or employees because this is used as a public access, and a security assessment commissioned by the court concluded that there is a security issue.

Responding to Acting Chairman Sanchez, Ms. Malavé said her only concern is that this request doesn’t quite meet the definition of an emergency under the board’s emergency lending policy. Although there was a breach at the court in August that heightened this particular concern, the breach was addressed and the court continued to operate. She said an emergency under the board’s policy is defined as an unforeseen circumstance that severely impairs the services being provided, which is not the case here.
Acting Chairman Sanchez said he understood that the purchase price has been reduced to $280,000. Judge Engel responded that the requested amount of $350,000 includes closing costs and realtor fees.

Judge Engel stated that the breach occurred when an individual drove a car through the front of the courthouse. While the court has been able to continue business, there is now a heightened awareness about security, which they are addressing by having police cars drive up onto Slate Street and park there to secure the front of the courthouse.

Responding to a question from Ms. Trevisani about the $70,000 in additional fees, Mr. Padilla said it not only includes closing costs and realtor fees, it also covers a phase 1 and a potential phase 2 environmental assessment, which would be conducted if required after phase 1. He said the environmental assessment would cost an estimated $20,000.

Ms. Trevisani commented that the closing costs and fees seemed very high. She said the realtor’s commission should only be 3 percent.

Judge Engel stated that the court hadn’t planned on paying the realtor fees and were hoping not to pay the closing costs, either; however, the Romeros felt that their property could have sold for $400,000 to $450,000, and the court was concerned that they might sidestep the court and go to a private buyer.

Ms. Monarch clarified for Ms. Trevisani that the 3 percent is the commission, but there are also title company and closing costs.

Judge Engel said she feels very confident, after talking with legislators, that the court will get the requested appropriation to pay back the requested emergency loan. If for some reason the legislature doesn’t approve this appropriation, the court will make budget adjustments and pay back the loan as quickly as possible.

Responding to Mr. Eichenberg, Mr. Padilla said the property was listed at $400,000.

Mr. Eichenberg questioned why the court would purchase a property without having the phase 1 and phase 2 environmental assessments already completed, because if there is a phase 2 problem, the court could spend hundreds of thousands of dollars on remediation. Judge Engel responded that, when the parking structure was done in 2002, there was an initial environmental assessment done that included the groundwater, and everything came back clear. She said what Mr. Padilla is saying is that they will still have to get the second environmental study done, but she did not believe there would be any problems. She said the only use of the property is by a law office and a bonding company, which wouldn’t create groundwater problems.

Mr. Eichenberg asked Mr. Padilla why a phase 2 study was necessary. Mr. Padilla responded that “they said we might not have to do a phase 2.” He said the phase 1 study
is in process. He said they hope to close the sale at the end of this month, and the phase 1 study is supposed to be completed by then. If it turns out that a phase 2 study is needed, they would wait until it was completed and then renegotiate.

Acting Chairman Sanchez asked if the court has considered working with the City of Albuquerque in terms of safety issues and blocking off the streets in the area at least during working hours, since the US District Court and District Court are also there. Judge Engel responded that there was a conversation about this in the past, but nothing materialized. Mr. Padilla responded that one issue is that the Romeros own the property and need access through Slate Street and the alleyway.

Ms. Leach stated that the resolution has been drafted to reflect an amount of up to $350,000.

Responding to Mr. Cassidy, Ms. Malavé said the board could choose to leave the amount at the appraised value or approve the loan in an amount of up to $350,000 and include the closing costs and the phase 1 cost in order to facilitate the purchase.

Responding to Mr. Cassidy, Ms. Padilla-Jackson said she thought it was likely that the legislature would approve the appropriation given that the Supreme Court and the AOC have both given their endorsements.

Mr. Badal moved to approve this request with the condition that phase 1 and, if necessary, phase 2, comes in favorably and also contingent upon the court providing to staff a payment plan should the legislature not approve funding in the next session. The payment plan should specifically express how these monies would be paid back and over what period of time. Mr. Eichenberg seconded the motion, which passed 5-0.

**HIGHER EDUCATION DEPARTMENT**

**CAPITAL EXPENDITURES**

Presenters: Gerald Hoehne, Capital Projects Director, NMHE; Dr. Steven G. Wells, President; Dr. Cleve McDaniel, Vice President for Administration and Finance; Alex Garcia, Director of Capital Projects, NMT

16. **New Mexico Institute of Mining and Technology—Requests Approval of Capital Expenditures for the Renovation of Jones Hall ($11,714,798)**

Mr. Hoehne stated that this project was originally submitted and approved by NMHE and the Board of Finance on January 10, 2018, and February 20, 2018. The original approved amount was $9,091,084. In February of 2018, New Mexico Tech put the project out to bid, with two responsive bidders, and the lowest bid was $2 million over the project budget. A value engineering analysis to bring the project cost down, along with New Mexico Tech's choice to enter into a construction manager at risk contract, allowed
New Mexico Tech to proceed with a project cost of $11,714,798. The funding sources for this project remain the same as for the original approval, with an increase in construction reserve funds to cover the increase in project cost.

Dr. Wells said this is a project NMT inherited, so they had no input into the initial cost estimates, the funding request, the decision to pursue partial renovation versus full renovation, and the decision to keep the building occupied during construction. He said they have a new plan to relocate the building occupants so they have full access during the construction process.

Responding to questions from Ms. Trevisani, Dr. Wells said enrollment is down a bit; however, they have graduated the three largest classes ever in NMT history. Although they have not matched inflow with outflow, they are working to change that. He added that chemical engineering is a popular field, however, so these renovations will work well for those students.

Mr. Cassidy noted that NMT included discussion about the capital facility master plan in their application, and he appreciated their thoughtful approach to the project, which results in decent savings to the taxpayers.

Mr. Cassidy moved for approval. Mr. Eichenberg seconded the motion, which passed 5-0.

REVENUE BONDS

Presenters: Gerald Hoehne, Capital Projects Director, NMHEd; Andrew Burke, SVP Administration and Finance, NMSU; Katherine McKinney, Attorney, Modrall Sperling; Erik Harrigan, Managing Director, RBC Capital Markets

17. New Mexico State University—Requests Approval of the Issuance of Refunding Revenue Bonds Series 2019A (Not to Exceed $19,600,000) and Series 2019B (Not to Exceed $8,500,000)

Mr. Hoehne said NMSU is requesting approval to refund the 2010B and 2010C bonds to take advantage of lower interest rates, to provide net present value savings to NMSU, and to restructure the 2010C bonds to allow for an annual debt service to be more in line with annual revenues received from their bookstore. He said this refund will generate approximately $1.2 million in net present value savings, or 6.366 percent of the par amount refunded for the 2010B bonds, and approximately $800,000 in net present value savings, or 9.967 percent of the par amount refunded, for the 2010C bonds.

Mr. Burke commented that the building is in very good condition, and they will now have the ability to find other tenants in addition to the bookstore. With the lower payments, they will not have to rely as much as before on food service revenues. In
addition, the lower debt service payments will allow them to set aside reserves to cover deferred maintenance issues.

Mr. Harrigan said the 2010B bonds, which were Build America Bonds, do receive a 35 percent interest subsidy from the U.S. Treasury. For purposes of the savings they have identified, they have assumed NMSU would continue to receive the full 35 percent subsidy, although that has not historically been the case, in the interest of being conservative on the refunding numbers.

Mr. Harrigan stated that the numbers in the presentation reflect pricing back in July. Those have been updated as of last week, and the 2010B refunding would now generate $1,765,000, or 9.33 percent of the refunded amount. On the 2010C refunding, the new net present value savings is $1,163,000, or 14.39 percent.

Acting Chairman Sanchez asked about enrollment numbers at the current time. Mr. Burke responded that enrollment has stabilized at NMSU, with fall-to-fall main campus enrollment at 14,500. Overall, including the community colleges, enrollment is at 24,000. Their highest enrollment at NMSU was 18,000 in 2011-12.

Ms. Leach stated that approval of this item is subject to the parameters detailed in the resolution, which she read into the record.

Responding to Mr. Cassidy, Mr. Burke said the bond ratings were released on October 10. Moody's reaffirmed their rating at A1; however, S&P lowered it from AA- to A+ because of a trending decline in enrollment, limited ability to quickly raise revenue, and management turnover. He noted that the two ratings are now at the same level.

Mr. Badal moved for approval. Mr. Cassidy seconded the motion, which passed 5-0.

Presenters: Gerald Hoehne, Capital Projects Director, NMHED; Dr. Becky Rowley, President; Mr. Nick Telles, VP Finance; Mr. Henry Mignardot, Executive Director, SFCC; Ms. Katherine McKinney, Attorney, Modrall Sperling; Mr. Erik Harrigan, Managing Director, RBC Capital Markets; William Kipnis, Manager, Siemens Corp.

18. Santa Fe Community College—Requests Approval of the Issuance of Subordinate Lien System Revenue Bonds Series 2019 (Not to Exceed $6,000,000)

Mr. Hoehne stated that his funding is to support a guaranteed energy performance contract project, which was approved on September 11, 2019, by NMED. The total cost of the project is $8,126,163, with $2,842,163 being funded by the 2018 State General Obligation Bond. The remaining amount is to be funded by the Subordinate Lien System Revenue Bonds before the board today.
Dr. Rowley said this project is being done through the Department of Energy, Minerals & Natural Resources and is very important to SFCC and in keeping with their emphasis on sustainability and saving on energy costs. It will also include a micro grid, which will bring SFCC closer to being fully sustainable without relying on the larger grid around the school.

Mr. Telles said SFCC will be able to use solar power and battery storage through this project, as well as wind energy and biofuels in the future. He stated that the projected debt coverage ratios are extremely strong, at about 50 times the amount of system revenues available to fund the outstanding debt. The interest rate they anticipate is about 2.9 percent, which is very favorable. He said Moody’s has retained their bond rating at Aa2, which was very good news.

Mr. Harrigan said this is the college’s first system revenue bond issuance. The annual debt service will be funded from the energy savings, but the pledge is from gross system revenues. Total savings before management and verification costs is projected at $1.9 million. When factoring in verification costs, total savings are $1.2 million based on a 2.94 percent interest rate from July. More recent estimates are at 2.4 percent given current market conditions.

Mr. Kipnis commented that Siemens is one of the largest corporations in the world and finds this project to be very exciting. He said Siemens is at the forefront of the new energy economy, where the jobs will be for students in the future. He said Siemens strongly believes that this will attract new students not just from Santa Fe, but regionally, who will have nowhere else to go for hands-on education in these technologies.

Mr. Badal observed that web-based enrollment had been going up for the last five years, but dropped last year. He asked what is being done to increase enrollment. Dr. Rowley responded that on-campus enrollment has increased slightly this semester. She said she plans to increase online capacity, which will require more investment in faculty training and support systems.

Mr. Cassidy said he was comfortable with the financing package. He stated that SFCC isn’t anticipating using tuition fee revenues to finance the debt, but will be looking at the savings between what they are currently paying in utilities and the savings achieved afterwards, which is guaranteed by Siemens.

Mr. Hoehne said NMHED has been asking institutions to look at guaranteed energy savings projects as a way to address and pay for infrastructure, and those projects are being tracked. He added that SFCC has taken this a step farther by enabling a feature for resiliency, which is through micro grid technology.

Ms. Leach stated that approval of this item is subject to the parameters detailed in the resolution, which she read into the record.
Mr. Cassidy moved for approval. Mr. Eichenberg seconded the motion, which passed 5-0.

PRIVATE ACTIVITY BONDS
Presenters: Daniel Foster, Housing Development Director, Albuquerque Housing Authority; Daniel J. Beaman, Special Projects Coordinator, Bernalillo County; Parker Schenken, Attorney, Sherman & Howard
19. Bernalillo County—Requests Approval of a Private Activity Bond Volume Capacity Allocation for the Commons at Martineztown Apartments Project ($7,500,000)

Mr. Beaman requested approval of a Private Activity Bond (PAB) volume cap allocation of $7,500,000 for three adjacent 100 percent affordable multifamily properties known as the Commons at Martineztown Apartments in Albuquerque. The project comprises 96 units across three low-income housing properties on neighboring sites, and will serve seniors and households with disabilities.

Mr. Foster said the properties are currently owned by the Housing Authority and are operated as public housing. As part of their recapitalization plan, this will become a tax credit project with Section 8 contracts. He said all of the units have rental assistance attached to them.

Mr. Schenken added that they will proceed to the Bernalillo Board of County Commissioners on October 29, and the plan for financing anticipates an early 2020 closing. He said it therefore would be necessary to return to seek an extension and carryforward approval from the Board of Finance for next year.

Responding to Ms. Trevisani, Mr. Foster said the residents will be temporarily displaced during this project. The county is hiring an outside consultant to make sure they do this correctly, and there is a $300,000 budget to cover the costs. They are not filling vacancies at the current time, the goal being to get up to 20 vacant units. A contractor will then rehabilitate those units, and then tenants will be moved into the remodeled units, and so on. Under federal regulations, tenants have the right to return to their old unit once it is remodeled.

Mr. Badal moved for approval. Mr. Eichenberg seconded the motion, which passed 5-0.

GENERAL SERVICES DEPARTMENT

CONSTRUCTION CONTRACTS

Presenters: Ken Ortiz, Cabinet Secretary; Anna Silva, Facilities Management Division
Director, GSD

20. General Services Department—Requests Approval of the Contract Change Order for the Pinetree Corporate Center in Albuquerque ($21,970,040)

Ms. Silva stated that, last year, the Facilities Management Division was tasked with a design/build bid for a facility to move 300 individuals from 300 San Mateo to a facility they were able to purchase called the Pinetree Corporate Center. This resulted in savings to the state of $1.8 million per year over a 12-year period, for a total savings of $36 million. Today, they are requesting approval for a change order in the amount of $21,970,040. With that, they will be able to move 150 employees from the Lambertson facility, saving the state roughly $1 million, or $20 million over a 20-year period. The scope of work includes upgrading HVAC and lighting, various site improvements, and the purchase of furniture and equipment.

Ms. Leach requested that approval be contingent upon Director’s receipt and counsel review of a fully executed change order #10 request form.

Acting Chairman Sanchez thanked Secretary Ortiz for visiting the old Los Lunas Hospital and Training School property. He said he understands the gymnasium is going to be torn down. He asked if the state has ever done an inventory of the historic buildings it owns and looked at ways they can be renovated rather than demolished.

Secretary Ortiz responded that the state is currently developing a master plan for the buildings in Santa Fe. The second phase of this would be buildings statewide.

Ms. Silva said GSD does an annual assessment of all of its facilities and requests approval each year of monies sufficient to address 5 percent of the total inventory. She noted that the state owns 806 buildings and is looking at demolishing several of them for safety reasons. She said bricks are falling off of some buildings and others have asbestos. She said one facility in Las Vegas has more than a foot of accumulated bird droppings. She stated that they do want to preserve as many historical buildings as possible, however. While that is easier to do in Santa Fe, it is more difficult in other areas because there is not enough funding.

Acting Chairman Sanchez said he found it troubling that the state has simply abandoned some buildings over the years and left them to fall apart rather than continuing to maintain them. He said there are historic buildings outside of Santa Fe that are also important.

Acting Chairman Sanchez said the alfalfa fields in the front of the Los Lunas facility are supposed to be maintained through a resolution passed by the NM Senate, but they have been neglected.
Mr. Cassidy moved for approval. Ms. Trevisani seconded the motion, which passed 5-0.

MONTHLY REPORTING

Presenter: Anna Silva, Facilities Management Division Director, GSD.

Ms. Silva presented this report.

22. Legislative Capital Projects Financial Status Report for Month-Ended September 30, 2019

Ms. Silva presented this report.

STATE TREASURER’S REPORT

MONTHLY REPORTING

Presenter: Vikki Hanges, Chief Investment Officer and General Fund Portfolio Manager, State Treasurer's Office
23. Monthly Investment Reports for Month-Ended August 31, 2019

Ms. Hanges reported that, at the end of August, STO managed $5.9 billion in assets and earned approximately $11.2 million on its investment positions. On an unrealized mark-to-market basis, the portfolios increased by $21.9 million.

ADJOURNMENT: 11:00 a.m.

Mr. Cassidy moved for adjournment. Mr. Badal seconded the motion, which passed 5-0.

Michelle Lujan Grisham, President

Date 11/21/19
Michael S. Sanchez, Secretary

11/22/19

Date