NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

Conducted by Teleconference

April 21, 2020

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

1. **ROLL CALL — QUORUM PRESENT**

**Members Present:**
The Hon. Howie Morales, Lt. Governor
The Hon. Tim Eichenberg, State Treasurer
Mr. Joseph Badal, Public Member
Mr. Paul Cassidy, Public Member
Mr. Michael S. Sanchez, Public Member, Secretary
Ms. Wendy Trevisani, Public Member

**Members Excused:**
The Hon. Michelle Lujan Grisham, President

**Staff Present:**
Ms. Ashley Leach, Director

**Legal Counsel Present:**
Ms. Sally Malavé, Attorney General’s Office
Ms. Marah deMeule, Attorney General’s Office

2. **APPROVAL OF AGENDA**

Mr. Eichenberg moved approval of the agenda, as amended. Mr. Cassidy seconded the motion, which passed unanimously by roll call vote, with the following members voting in favor: Lt. Governor Morales; Mr. Eichenberg; Mr. Badal; Mr. Cassidy; Mr. Sanchez; Ms. Trevisani.

3. **APPROVAL OF MINUTES: FEBRUARY 18, 2020 (REGULAR MEETING)**

Mr. Cassidy moved for approval of the February 18, 2020, minutes, as presented. Mr. Eichenberg seconded the motion, which passed unanimously by roll call vote, with
the following members voting in favor: Lt. Governor Morales; Mr. Eichenberg; Mr. Badal; Mr. Cassidy; Mr. Sanchez; Ms. Trevisani.

**CONSENT AGENDA**

Presenter: Ashley Leach, Director, Board of Finance

Submitted by: Ashley Leach, Director, Board of Finance

4. **Request for Approval of Amendment 1 to the Arbitrage Contract with BLX Group to Extend the Contract Term until June 30, 2021**

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

5. **Río Arriba County—Requests Approval of the Collateral Assignment of the Lease Agreement with Jemez Cuba, LLC (no consideration)**

* Contingent upon director’s receipt of the fully executed collateral assignment of lease agreement.

Submitted by: Elisa Begueria, Superintendent, Lake Arthur Municipal Schools

6. **Lake Arthur Municipal Schools—Requests Approval of the Sale of Real Property Located at 709 Broadway in Lake Arthur to Thomas Jerone Arthur ($33,000)**

* Contingent upon director’s receipt and counsel review of (1) a fully executed purchase agreement, and (2) evidence that all charter schools in the district have declined use of the building or that the building does not meet Public School Capital Outlay Council occupancy standards.

Submitted by: Dennis P. Maupin, Chairman, Artesia Special Hospital District

7. **Artesia Special Hospital District—Requests Approval of the Temporary Suspension of Lease Payments from Artesia General Hospital (approximately $76,300/month)**

8. **Artesia Special Hospital District—Requests Approval of the Temporary Suspension of Lease Payments from Yucca Dental Center (approximately $5,000/month)**

Submitted by: Stephanie Scharadin Clark, Cabinet Secretary, New Mexico Taxation and Revenue Department

9. **New Mexico Taxation and Revenue Department—Requests Approval to Convert the Emergency Loan Approved by the Board on April 16, 2019, to a Grant ($1,250,000)**

Submitted by: Ricky Serna, Deputy Cabinet Secretary, New Mexico Department of
Workforce Solutions

10. New Mexico Department of Workforce Solutions—Requests Approval of a Contract Change Order with Yearout Energy to Include Abatement Work ($1,574,929.13)

* Contingent upon director's receipt of the fully executed contract change order.

Submitted by: Thomas Schawel, Policy Analyst, New Mexico Higher Education Department

11. New Mexico State University—Requests Approval of the Professional Master's Degree Program in Information Technology (no consideration)

Submitted by: Gerald Hoehne, Capital Projects Director, New Mexico Higher Education Department

12. New Mexico State University, Grants—Requests Approval of Capital Expenditures for Martinez Hall Renovations ($1,500,000)

13. New Mexico State University, Carlsbad—Requests Approval of Capital Expenditures for Campus-Wide Site Improvements ($1,000,000)

14. Western New Mexico University—Requests Approval of Capital Expenditures for Altamirano Field Turf Upgrade ($801,229)

15. University of New Mexico Health Sciences Center/Hospital—Requests Approval of Capital Expenditures to Refurbish the Ambulatory Care Center Elevators 4, 5 and 6 ($720,000)

Submitted by Ashley Leach, Director, Board of Finance

16. Emergency Fund Balances – April 21, 2020

<table>
<thead>
<tr>
<th>Fund</th>
<th>Balance</th>
<th>Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve Fund</td>
<td>$1,251,000.00</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>
</table>

17. Fiscal Agent and Custodial Bank Fees Report


Mr. Elichenberg moved approval of the Consent Agenda, as presented. Ms. Trevisani seconded the motion, which passed unanimously by roll call vote, with the following members voting in favor: Lt. Governor Morales; Mr. Elichenberg; Mr. Badal; Mr. Cassidy; Mr. Sanchez; Ms. Trevisani.
HIGH \textsc{ER} EDUCATION DEPARTMENT

\textsc{CAPITAL EXPENDITURES}

Presenters: Gerald Hoehne, Capital Projects Director, NMHED; Ava Lovell, Chief Financial Officer, UNM Health Sciences Center; Dr. Paul Roth, Dean, UNM School of Medicine; Marisol Greene, Facilities Planning HSC Director, UNM; Jaime Silva-Steele, Executive Director, Health Sciences Center, Rio Rancho Campus

19. University of New Mexico Health Sciences Center/Hospital—Requests Approval of Capital Expenditures to Develop an Orthopedic Surgery and Rehabilitation Center of Excellence in Rio Rancho ($20,800,000)

Ms. Silva-Steele presented this request for approval of capital expenditures totaling $20,800,000 to construct a new 49,000 square foot Orthopedic Surgery and Rehabilitation Center of Excellence facility in Rio Rancho. The facility will be adjacent to Sandoval Regional Medical Center and will house academic faculty offices, learner spaces, research laboratories, clinical and rehabilitation components, and support spaces. The goal is to energize what was previously known as the UNM West Campus, which has been migrated to Health Sciences Center (HSC) operations over the last two years. The goals are also to expand workforce and programs for the HSC to allow expansion of economic development, workforce, and the ability to see healthy outcomes in the community. UNM HSC has secured funding from three sources for the project, including $15 million in bond proceeds from a planned bond sale of the City of Rio Rancho (via New Mexico Finance Authority and secured by City of Rio Rancho Higher Education GRT), $1.3 million in cash funding from UNM HSC, which includes City GRT revenue balances from 2016, and $4.5 million in City of Rio Rancho Higher Education Facilities GRT balances. All operating costs into the future would be covered entirely by net patient revenue.

Mr. Hoehne stated that any contingencies that NMHED has requested in connection with this project have been satisfied.

Dr. Roth commented that this is a very important project for the entire Health Sciences Center and will help address a much needed area of development in providing state-of-the-art treatment for joint replacement, as well as working closely with the College of Engineering on the Main Campus in terms of using a lot of their advanced materials for ligament and tendon development.

Mr. Badal moved for approval. Mr. Cassidy seconded the motion, which passed unanimously by roll call vote, with the following members voting in favor: Lt. Governor Morales; Mr. Eichenberg; Mr. Badal; Mr. Cassidy; Mr. Sanchez; Ms. Trevisani.

Presenters: Gerald Hoehne, Capital Projects Director, NMHED; Dr. Joseph Shepard, President, WNMU; Kevin Matthes, AVP Facilities and Operations, WNMU
20. Western New Mexico University—Requests Approval of Capital Expenditures for Harlan Hall Science Building Phase III Renovations ($5,434,615)

Mr. Hoehne stated that Western New Mexico University (WNMU) is requesting approval of capital expenditures totaling $5,434,615 to complete Phase III renovations to Harlan Hall, which houses the Natural Science Department and spaces for general education courses. The original Phase III plans have been modified from the original scope of work to include replacement of exterior doors and hardware, installation of new carpet in lecture rooms, and the complete renovation of two teaching laboratories, as well as installation of a fire suppression system, installation of new ceilings, and upgrades to electrical, mechanical and plumbing systems. The project is utilizing a campus-wide energy performance contract to maximize the renovations and implement measures that will conserve energy and water in the facility. The contract is not yet complete, but the measures and savings proposed have been confirmed by Yearout, the energy performance contractor. This contract will be brought forward to NMHED and the State Board of Finance for approval at a later date this year.

Mr. Cassidy moved for approval. Mr. Eichenberg seconded the motion, which passed unanimously by roll call vote, with the following members voting in favor: Lt. Governor Morales; Mr. Eichenberg; Mr. Badal; Mr. Cassidy; Mr. Sanchez; Ms. Trevisani.

PROPERTY DISPOSITIONS
Presenters: Connie Clark, Strategic Assets Coordinator, Los Alamos Public Schools

21. Los Alamos Public Schools—Requests Approval of the Lease with Windgate Healing Arts ($32,689 per year)

Ms. Clark requested approval of a lease with Windgate Healing Arts for $32,689 per year. The property is located at 2101 Trinity Drive, Suites Q1 and Q2, Los Alamos, and the term of the lease is for two years with three options to renew for two years, for a maximum of eight years. The property was appraised at fair market value, and there will be an annual escalation clause tied to the Consumer Price Index, not to exceed 2.5 percent.

Ms. Leach stated that approval would be contingent upon director’s receipt and counsel review of a signed resolution or signed meeting minutes of the district board.

Mr. Cassidy moved for approval. Mr. Badal seconded the motion, which passed unanimously by roll call vote, with the following members voting in favor: Lt. Governor Morales; Mr. Eichenberg; Mr. Badal; Mr. Cassidy; Mr. Sanchez; Ms. Trevisani.

GENERAL SERVICES DEPARTMENT

MONTHLY REPORTING

Ms. Silva presented this report.


Ms. Silva presented this report.

**STATE TREASURER’S OFFICE**

**MONTHLY REPORTING**

Presenter: Vikki Hanges, Chief Investment Officer and General Fund Portfolio Manager, State Treasurer’s Office


Ms. Hanges reported that general fund liquidity is approximately $1.4 billion in size, including the $625 million received last week from the CARES Act. STO anticipates another $450 million to come in by the beginning of next week. Net of the $625 million that STO has already received, the general fund liquidity has about $770 million in cash. As STO is not sure how CARES Act cash will be distributed and over what timeframe, STO will have to be conservative with it at this point, but it is potentially helping STO with its liquidity position going forward for a short timeframe. She said it is possible the Fed will issue another $1.25 billion to state and local governments, and the original $1.25 billion that was earmarked is only for COVID-19 related expenses.

Ms. Hanges said the Core portfolio has about $2.6 billion in market value, of which there is approximately $80 million in unrealized gains as of yesterday, and more than 90 percent of the portfolio is currently at unrealized gains. The portfolios are being invested conservatively, and they are shorter than the duration of the benchmarks with the general fund Core in anticipation that there may be some outside needs to provide liquidity.

Responding to Mr. Cassidy, Ms. Hanges said that, so far, the Local Government Investment Pool has not seen excessive withdrawals, with balances still hovering around $950 million to $1 billion. Like the LGIP, STO will not have a good feel for what GRT receipts will look like until the end of this month.
Ms. Trevisani thanked STO and Ms. Hanges for their very hard work during these trying times. She said she appreciated STO’s perseverance in staying the course and not being too reactive.

**STAFF ITEMS**
Presenter: Ashley Leach, Director, Board of Finance
25. Report on Disclosure Counsel Services Proposal Evaluation and Request for Approval to Enter Contract Negotiations

Ms. Leach stated that the current disclosure counsel contract with Kutak Rock expires this year on June 30, which will be the end of the full term allowed of four years.

Ms. Leach reported that, on March 6, the State Board of Finance issued an RFP, and she served as procurement manager. The evaluation committee comprised three members. Four proposals were received, all from out-of-state firms, with three proposals determined to be responsive: Nixon Peabody, LLP, out of Los Angeles; Kutak Rock out of Denver; and Orrick out of Austin. The evaluation committee met at the beginning of April and evaluated the proposals, with Kutak Rock receiving the highest score. Kutak Rock, the current disclosure counsel, has more than 102 lawyers with some or all of their work devoted to public finance and they are one of the most active bond counsel services in the U.S.

Ms. Leach stated that the evaluation committee has recommended selection of Kutak Rock and requests approval to enter into contract negotiations with them. The contract would be for a four-year period, commencing on July 1, 2020.

Responding to Mr. Cassidy, Ms. Leach stated that Kutak Rock does not have an office in New Mexico but has counsel located in Albuquerque and Santa Fe. None of the other firms have counsel located in New Mexico.

Mr. Cassidy moved for approval. Mr. Badal seconded the motion, which passed unanimously by roll call vote, with the following members voting in favor: Lt. Governor Morales; Mr. Eichenberg; Mr. Badal; Mr. Cassidy; Mr. Sanchez; Ms. Trevisani.

Responding to Mr. Sanchez on whether members of the public had access to today’s meeting, Ms. Leach stated that notification of this meeting was published at least ten days ago in three newspapers as well as on the Board of Finance website, with dial-in information.

In addition to thanking staff, Mr. Sanchez thanked the Governor and Lt. Governor for their leadership during this very trying time. He commented that they have been out in front of this issue, which is a hardship on everybody, and have set an example for other states to follow.
ADJOURNMENT: 10:25 a.m.

Mr. Badal moved for adjournment. Mr. Cassidy seconded the motion, which passed unanimously by roll call vote, with the following members voting in favor: Lt. Governor Morales; Mr. Eichenberg; Mr. Badal; Mr. Cassidy; Mr. Sanchez; Ms. Trevisani.

Michelle Lujan Grisham, President

5/21/20
Date

Michael S. Sanchez, Secretary

5/21/20
Date