NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

Conducted by Teleconference

June 16, 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 [leaving at 11:07 a.m.]
   - 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
   - Mr. Marcos B. Trujillo, Deputy Director
   - Ms. Debbie Romer, Secretary-Designate, Department of Finance and Administration

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

2. **APPROVAL OF AGENDA**

   Ms. Leach noted the following changes to the Agenda:

   -- Item 5 has been withdrawn and will be brought forward at a future meeting.
   -- Item 18 reflects later date for extension of PAB bond volume cap.
   -- Item 20 has been withdrawn.
Mr. Badal moved approval of the agenda, as amended. Ms. Trevisani 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: MAY 19, 2020 (REGULAR MEETING)**

Mr. Cassidy moved for approval of the May 19, 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: Stephen Weinkauf, Bureau Chief, E-911 Program

4. Department of Finance and Administration, Local Government Division—Requests Approval of the E-911 Program Operating and Capital Expenditures for Fiscal Year 2021 ($10,572,027)

5. **Withdrawn.**

Submitted by: Gina Hickman, Deputy Director of Finance & Administration, New Mexico Mortgage Finance Authority


Submitted by Ashley Leach, Director, Board of Finance

7. **Emergency Fund Balances – June 16, 2020**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Balance</th>
<th>Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve Fund</td>
<td>$ 995,625.00</td>
<td>$2,000,000.00</td>
</tr>
<tr>
<td>Emergency Water Fund</td>
<td>$ 62,449.84</td>
<td>$ 104,800.00</td>
</tr>
</tbody>
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Ms. Leach noted that these balances will revert back to the general fund at the end of the fiscal year and the appropriation amounts for FY 2021 will begin on July 1.

8. **Fiscal Agent and Custodial Bank Fees Report**


Ms. Trevisani moved approval of the Consent Agenda, 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.

HIGHER EDUCATION DEPARTMENT

CAPITAL EXPENDITURES

HIGHER EDUCATION DEPARTMENT
Presenters: Gerald Hoehne, Capital Projects Director, NMHED; Dr. Ryan Carstens, President
10. Eastern New Mexico University, Ruidoso—Requests Approval of Capital Expenditures for Phase 2 College Nexus Project ($4,082,488)

Mr. Hoehne stated that Eastern New Mexico University (ENMU) is requesting approval of their College Nexus Phase 2 Project, which will renovate and remodel existing space on campus. Phase 1 included a new roof and new HVAC system, and Phase 2 encompasses the remodeling of 14,943 square feet of the main campus building and adjacent building. The buildings, upon renovation, will include a computer lab, GED lab, classrooms, workforce training areas, a learning commons, training rooms, and offices. There will also be upgrades to technology, equipment, network infrastructure and furniture.

Mr. Hoehne said sources of funding include $3,000,000 in local 2019 General Obligation Bond proceeds, and $1,082,488 in institution funds.

Dr. Carstens commented that the bond election that occurred in November was “humbling and successful.” They had a 71 percent vote, showing a wonderful expression of support from the community for this project. He gave an overview of what ENMU is trying to accomplish in this next phase of the project.

Mr. Eichenberg 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; Heather Zack Watenpaugh, University Architect, NMSU; Steve Loring, Associate Director, Agricultural Experiment Station System, NMSU

11. New Mexico State University—Requests Approval of Capital Expenditures for Agricultural Science Center Improvements ($3,150,000)

Mr. Hoehne stated that New Mexico State University is requesting approval to make renovations to its agricultural science centers statewide. This project encompasses five
different centers with varying levels of renovation. The estimated cost for the renovation is $3,150,000, to be funded entirely by 2020 general fund capital appropriations.

Ms. Watenpaugh described the process NMSU followed in prioritizing the need for the various renovations, dating back to 2012.

Mr. Cassidy noted that two facilities are located on non-state, non-university land, and one of them is on private land in Mora. He asked how that will be addressed.

Mr. Loring responded that, for the long term, NMSU is considering outside funding to cover the cost of improving the Mora research center.

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.

Presenters: Gerald Hoehne, Capital Projects Director, NMHED; Dr. Stephen G. Wells, President, NMIMT; Dr. Cleve McDaniel, VP, Administration & Finance, NMIMT

12. New Mexico Institute of Mining and Technology—Requests Approval of Capital Expenditures for Construction of Deju House ($1,834,379)

Mr. Hoehne stated that New Mexico Institute of Mining and Technology (NMIMT) is requesting approval to construct the Deju House, a 2,985 square foot university house that will be used to host events, including fundraising events, small group meetings, and awards ceremonies. Spaces will include a conference/dining room, catering kitchen, restrooms, and a covered patio.

Mr. Hoehne stated that the project was previously approved, for $1,318,792, by the Board of Finance in December 2018. Upon receiving bids in the winter of 2019/2020, NMIMT determined the cost of the project would be higher than anticipated. The funding used to cover the cost of this project includes $678,310 in a funding match from NMIMT’s existing Capital Reserves, $370,389 provided as a loan from the NMIMT Foundation, and $785,680 of funds raised by NMIMT in a prior capital construction campaign.

Dr. Wells said the combined effort of a university house and new president’s residence was to set a stage and venue for people to solicit private funds and become less dependent on state capital, and the Deju House will be instrumental in those efforts. He said the project is slated for completion in May 2021, which will be good timing for the launch of this comprehensive campaign.

Secretary Romero commented that it is always a concern to her when there are projects that were approved in 2018 that are not moving forward quickly enough. She said she understands that prices have increased, but this seems to be happening more at
NMIMT, which has had several projects where the prices have come in much higher. In the past, NMIMT has been successful in keeping prices contained, but she hasn’t seen that in the last couple of years and would like NMIMT to note that those are concerns and that perhaps they can look for ways to move projects forward more quickly to avoid this problem.

Dr. Wells responded that part of the reason this project has taken much longer than any project he has been involved with was due to delays in completing the design for the president’s house because the goal was to have a residence that would last 30 to 40 years. He added that prices in small rural areas like Socorro have also gone up significantly.

Ms. Trevisani 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. Elchenberg; Mr. Badal; Mr. Cassidy; Mr. Sanchez; Ms. Trevisani.

BONDS

Presenters: Gerald Hoehne, Capital Projects Director, NMHED; Dr. Toni H. Pendergrass, President, San Juan College; Edward M. DesPlas, Executive Vice President, San Juan College; Dr. Boomer Appleman, Student Services Vice President; Chris Harrelson, Physical Plant Senior Director; Charlotte Hetherington, Co-Bond Counsel, Cuddy & McCarthy; Greg Salinas, Co-Bond Counsel, McCall, Parkhurst & Norton; Eric Harrigan, Managing Director, RBC Capital Markets.

13. San Juan College—Requests Approval of the Issuance of System Revenue Bonds, Series 2020 ($14,142,417)

Mr. Hoehne stated that San Juan College (SJC) is requesting approval to issue system revenue bonds to be used to fund the design and construction of a 150-bed student housing facility for San Juan College in Farmington. The financing for the project will be repaid by operating revenues from the housing project, adding that in years when housing revenues are not sufficient to pay the debt service, the college district will use other legally available funds, including bookstore net income, vending machine commissions, 30th Street office rental revenue, facility rental revenue, and indirect cost recovery revenue.

Mr. DesPlas provided background information for this project. He stated that there are 8,000 students enrolled at SJC each semester, of which 1,100 commute up to 90 minutes each way. He said lack of reliable transportation is an obstacle for many students, some of whom are “one automotive breakdown away” from having to withdraw from their classes. He said San Juan County has been experiencing a population decline, and in order to manage enrollment levels and bolster tuition and fee revenues, SJC needs to effectively access the larger out-of-area pool of prospects. He said out-of-state students represent an under-tapped market that consists of prospects that will pay
higher tuition fee rates than New Mexico students. He said students who live on campus have higher levels of academic engagement and higher GPAs than commuter students do, and graduate at higher rates than commuter students.

Responding to Ms. Trevisani, Mr. DesPlas said SJC has a number of programs that attract students from out of state, including automotive programs, a very popular dental hygiene program, and the School of Energy, and those students struggle with housing arrangements. He said part of the operating budget includes a marketing budget, which will be used for marketing to students locally as well as to the outside area. He added that the manufacturer's program, which is part of the automotive program, has its own recruiter.

Responding to Ms. Trevisani's concerns about the need for additional security on campus once this project is complete, Mr. DesPlas said they will be adding officers to their public safety department, and the Farmington Police Department is also eager to assist SJC with on-campus patrols.

Mr. Cassidy commended SJC for going through the New Mexico Finance Authority (NMFA) financing process first, which dramatically reduces costs. He asked if SJC has the resources to pay any increase in construction costs after the bidding process. He noted that construction costs are $13.3 million, but the materials in the book show construction costs to be less, and asked for clarification.

Mr. DesPlas responded that financing projections were set at a fairly high interest rate in order to reflect a worst-case scenario, and the materials in the packet were prepared two or three months ago. Yesterday, DFA asked for some new modeling based on the current rate of interest, and it significantly reduces the debt service load, especially in the first several years. He commented that this has been extremely helpful, as their worst-case scenario reflects an 80 percent occupancy rate, while their best-case scenario reflects a 95 percent occupancy rate.

With respect to whether SJC is prepared to step in and pay any increase in construction cost, Mr. DesPlas said they were very confident that they would be able to cover those expenses.

Mr. Harrigan said the debt service payments were reduced by $80,000 a year under the new scenario, which shaved three years off of the years SJC would be contributing to that.

Ms. Leach read the parameters resolution.

Mr. Cassidy moved for approval of this agenda item. Mr. Sanchez 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: Robert Burpo, President, First American Financial Advisors; Daniel Alsop, Attorney, Modrall Sperling Law Firm
14. Sandoval County—Requests Approval of the Lease of Real Property Located at 20 Pond Road In Sandoval County to AMI Kids Sandoval, Inc. (approximately $188,006/year)

Mr. Burpo presented some background to this request. Sandoval County took out an NMFA loan totaling $4.4 million in 2012 to fund construction of a youth residential treatment facility in Cuba. AMI Kids, Inc. leased and operated the facility following the construction in order to house Native American youth offenders deemed eligible for rehabilitation through a contract with the Federal Bureau of Prisons. In September 2017, the Bureau of Prisons ended the contractual arrangement, and at that point, AMI informed the county that they would like to reduce their rent payments while working with the state to become Medicaid-eligible. In November 2019, the lease was renegotiated as a lease-purchase agreement with a 20-year maturity. AMI’s rent payments are $15,200 per month, which is equivalent to the monthly debt service on the loan to NMFA.

Mr. Alsop noted that the debt service payments on the original loan were about $26,000 per month, and annual debt service on the existing loan is approximately $318,000. The new annual debt service would be $183,000, which will offer significant relief to AMI.

Ms. Leach stated that approval of this item is contingent upon director’s and counsel’s receipt and review of (1) a fully executed lease agreement within one week of the County’s issuance of the 2020 loan, (2) a signed resolution or signed meeting minutes of the County Commission, and (3) a favorable review of the real property appraisal from the Taxation and Revenue Department’s Property Tax Division.

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.

Presenter: Dennis P. Maupin, Chairman, Artesia Special Hospital District
15. Artesia Special Hospital District—Requests Approval of the Lease of Real Properties Located in Artesia to Artesia General Hospital ($600,000/year)

Mr. Maupin requested the board’s approval of a facility and equipment lease agreement between the Artesia Special Hospital District and Artesia General Hospital (AGH), a nonprofit corporation, which has leased the facility and equipment from the
district since 1999 and has had an operating agreement with the district since 2016. The lease expires on June 30, 2020, and the district is seeking approval of the new lease.

Mr. Maupin said the new lease agreement has a term of five years, with one five-year option to extend. An appraisal performed in March 2020 established fair market value at $660,000 per year, or $55,000 per month. the lease agreement also includes additional rent in the first year of $221,824.40, payable in 12 monthly installments of $18,485.37, representing the amount of lease payments suspended by the district due to the COVID pandemic. Additionally, the agreement includes an annual CPI adjustment not to exceed 2.5 percent each year.

Ms. Leach stated that approval of this item is contingent upon director’s and counsel’s receipt and review of (1) a fully executed lease agreement, and (2) a fully executed funding agreement.

Mr. Eichenberg moved for approval. Mr. Sanchez 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.

Presenter: Ashley Leach, Director, Board of Finance
16. Discussion of Lease Payment Suspensions Request

Ms. Leach noted that the board has seen a few requests over the past couple of months related to the suspension of lease payments due to financial hardship tying back to the pandemic and the impact that is having on healthcare facilities. She said there have been times in the past, too, when the board has received requests for reduced or suspended lease payments because of financial hardship. She said Mr. Badal thought it would be a good idea to bring a discussion item forward this month to allow the board an opportunity to discuss these types of requests and the considerations for requiring payback of lost lease income.

Mr. Badal commented that this might not be applicable to all requests, but in the case of hospital districts, hospitals depend extensively on revenues from elective surgeries, as an example. He added that those surgeries typically will be suspended during times like this, but that doesn’t mean they go away in perpetuity. He stated that he saw nothing in the lease documents for the Artesia Special Hospital District that allowed the district to recoup suspended revenues if those revenues came back at a later point. He said a couple of entities in the Albuquerque area have told him that they are seeing elective surgeries begin to ramp up again, and he thought it would be helpful for the State Board of Finance to make sure that lease suspension agreements allow for recouping of those suspended lease payments should the lessee be in that position when revenues are not just reestablished but also increased at a later date.
Mr. Cassidy said he supported this concept. He said the board is required to look at appraisals and make sure the lease payment is in compliance; however, if there is permanent structure damage to the existing market value that might be under discussion, a new appraisal could be done and a new lease rate negotiated. To the extent the board puts something in the policy requiring a repayment, then there is always an out for the entity if they need a permanent rent reduction.

Ms. Leach said she appreciated Mr. Badal’s comments and added that staff would include consideration of lease repayment for future requests related to rent suspension or rent reduction.

PRIVATE ACTIVITY BONDS
Presenters: Matthew Segerdal, Principal, HW Development LLC; Josh Latter, Principal, HW Development LLC; Daniel Alsup, Attorney, Modrall Sperling

17. City of Hobbs—Requests Approval of the Issuance of Private Activity Bond Volume Capacity for the Four Seasons Apartments Project ($9,750,000)

Mr. Segerdal said the City of Hobbs, for the benefit of HW Development, is requesting approval of a private activity bond volume cap allocation of $9,750,000 for a multifamily property known as Four Seasons Apartments in Hobbs. The project will consist of the acquisition and rehabilitation of Four Seasons, an 80-unit apartment complex, and will include general improvement and energy efficient measures along with the addition of play areas, repairs of abandoned laundry facilities, and installation of a community room and business center for resident use. The apartment building was constructed in the late 1970s and there have been no real improvements made to it since then.

Mr. Segerdal said the project will be financed with 4 percent low-income housing tax credits from the New Mexico Mortgage Finance Authority and tax-exempt private activity bonds. The sale and closing are anticipated to occur no later than July 28, 2020, and the work will start in August.

Mr. Sanchez 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.

18. City of Hobbs—Requests Extension of Private Activity Bond Volume Cap Allocation for the Four Seasons Apartments Project until October 31, 2020

Mr. Segerdal requested an extension through the end of October due to special circumstances that have arisen because of the COVID-19 pandemic.
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.

BONDING PROGRAMS
Presenters: David Buchholtz, Director, Rodey, Dickason, Sloan, Akin & Robb, P.A.; Luis Carrasco, Director, Rodey, Dickason, Sloan, Akin & Robb; Parker Schenken, Member, Sherman & Howard LLC; Jill Sweeney, Member, Sherman & Howard LLC (Co-Bond Counsel); David Paul, President, Fiscal Strategies Group, Inc.

19. Consideration of Amending Resolution for State of New Mexico Severance Tax Note, Series 2020S-A, Maximum Principal Amount of $380,000,000

Mr. Paul presented an overview of the long-term bond market. He said there has been a $75 turnaround in the price of oil over the past month, and over the last two weeks, West Texas intermediate has been staying at around $40 per barrel. This is the benchmark level where discussion can begin about scheduling out a return to the competitive market with severance tax bonds. While there are internal discussions about moving forward, this will be a tentative step-by-step process. He stressed that recovery in the competitive bid market has to be in tandem with recovery in the oil markets.

With respect to the sponge bond issuance before the board today for consideration, Mr. Paul commented that the balances that they are looking at in this issue are remarkable given the turmoil in the markets over the past several months. Just in May, $36 million was collected for deposit in the Severance Tax Bonding Fund this month. He said substantial capital is now available in the bonding fund that will be either be used for the sponge bond program or transferred into the permanent fund, given the will of the legislature in the upcoming special session.

Mr. Schenken stated that the team has completed its project reviews, but there are a number of anticipated but unknown and uncertain contingencies as a result of COVID-19 that they have had to deal with in the resolution which relate to two pieces of legislation:

1) Sweep legislation. In ordinary times, they would be subject to a statutory issuance test that would limit the state to the lesser of either the actual revenues from last fiscal year or the estimated revenues for this fiscal year. Given current circumstances, that would result in a restriction on the ability to issue the notes, and a loosening of that restriction is anticipated in the upcoming session to allow the sweep.

2) The possibility that certain projects under prior legislation to be funded from the general fund are now being directed by the legislature to be funded with severance tax funds. At this point, it is unknown whether these will become law or what form they may take, so this resolution includes contingency language to accommodate either or both of these eventualities.
Mr. Schenken reviewed highlights from the resolution.

Ms. Leach said that, with the reality of not having all of the pieces in place yet to bring this forward, she wanted to give special thanks to Mr. Paul and all of counsel for their hard work.

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.

20. Withdrawn

[Lt. Governor Morales signed off from the meeting.]

GENERAL SERVICES DEPARTMENT

MONTHLY REPORTING

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

Ms. Silva presented this report.

22. Legislative Capital Projects Financial Status Report for Month-Ended May 31, 2020

Ms. Silva presented this report.

BIANNUAL REQUESTS

Presenter: Ken Ortiz, Cabinet Secretary, GSD; Anna Silva, Facilities Management Division Director, GSD
23. Inventory of Buildings Report Including an Approved Checklist of Conditions

Ms. Silva presented this report.

24. Consideration of the Schedule of Repairs for July 2020 through December 2020

Ms. Silva presented an update of the plan for repairs, and requested approval.
Ms. Trevisani so moved. Mr. Eichenberg seconded the motion, which passed unanimously by roll call vote, with the following members voting in favor: Mr. Eichenberg; Mr. Badal; Mr. Cassidy; Mr. Sanchez; Ms. Trevisani.

STATE TREASURER’S OFFICE

MONTHLY REPORTING

Presenter: Vikki Hanges, Chief Investment Officer and General Fund Portfolio Manager, State Treasurer’s Office
25. Monthly Investment Reports for Month-Ended April 30, 2020

Ms. Hanges reported that, at the end of April, STO managed $7.5 billion in assets, a record high since she has been with STO. This included $1.06 billion received from the CARES Act.

ADJOURNMENT: 11:20 a.m.

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

Michelle Lujan Grisham, President

Date 7/31/2020

Michael S. Sanchez, Secretary

Date 8-3-20