

NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

Santa Fe, New Mexico

May 17, 2022

A regular meeting of the New Mexico State Board of Finance was called to order on this date at 9:00 a.m. in the Governor's Cabinet Room, Fourth Floor, State Capitol Building, Santa Fe, New Mexico. Virtual attendance was available.

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, Secretary, Public Member
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 Romero, Secretary, Department of Finance and Administration

Legal Counsel Present:

None.

2. APPROVAL OF AGENDA

Ms. Trevisani moved approval of the agenda, as published. Mr. Cassidy seconded the motion, which passed unanimously by roll call vote.

3. APPROVAL OF MINUTES: APRIL 19, 2022 (REGULAR MEETING)

Mr. Cassidy moved approval of the minutes of the April 19, 2022, meeting, as presented. Ms. Trevisani seconded the motion, which passed unanimously by roll call vote.

CONSENT AGENDA (Items 4-15)

Presenter: Ashley Leach, Director, Board of Finance

Submitted by: Misty Dawn Benavidez

4. Doña Ana County—Requests Approval of the Sale of Real Property, Located at 130 W. Amador Avenue in Las Cruces, to the City of Las Cruces (\$402,500)

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

Submitted by: CaraLyn Banks, Attorney, Gila Regional Medical Center

5. Gila Regional Medical Center—Requests Approval of the Donation of Real Property, Located at 805 Tom Foy Blvd in Bayard, to the City of Bayard (no consideration)

- Contingent upon director's and counsel's receipt and review of (1) a revised and fully executed donation agreement, (2) a fully executed quitclaim deed, and (3) a resolution of the Board of County Commissioners evidencing it is acting as the governing board for GRMC

Submitted by: Chris Herbert, Executive Director, ERHA

6. Eastern Regional Housing Authority—Requests Approval of the Sale of Real Property, Located at 600-602 Mitchell Street in Clovis, to Darren Hyder (\$61,000)

- Contingent upon director's and counsel's receipt of a fully executed quitclaim deed

Submitted by: R. Daniel Castille, Attorney, Cuddy & McCarthy LLC

7. Farmington Municipal Schools—Requests Approval of the Sale of Real Property, Located at 1400B E. 20th Street in Farmington, to Stephen A. Austin and Anthony P. McCargar (\$400,000/year)

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

Submitted by: Ashley Leach, Director, Board of Finance

8. Consideration of the Amended and Restated Fourth Amending Resolution for Supplemental Severance Tax Note, Series 2018S-D

9. Consideration of Fifth Amending Resolution for State of New Mexico Supplemental Severance Tax Note, Series 2018S-D

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

10. Capital Buildings Repair Fund Financial Status Report for Month-Ended April 30, 2022

11. Legislative Capital Projects Financial Status Report for Month-Ended April 30, 2022

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

12. State Treasurer's Office Investment Report for Month-Ended March 31, 2022

Submitted by: Ashley Leach, Director, Board of Finance

13. Emergency Balances – May 17, 2021

	<u>Balance</u>	<u>Appropriation</u>
Operating Reserve Fund	\$ 121,878.00	\$2,500,000.00
Emergency Water Fund	\$ 0.00	\$ 109,900.00

14. Fiscal Agent and Custodial Bank Fees Reports

15. Joint Powers Agreements for Month Ended April 30, 2022

Mr. Badal moved approval of the Consent Agenda, as presented. Mr. Cassidy seconded the motion, which passed unanimously by roll call vote.

BONDING PROGRAMS

Presenter: David Paul, President, Fiscal Strategies Group, Inc.

16. Presentation of the 2022 Debt Affordability Study

Mr. Paul presented this report.

Conclusions:

- The study projects the availability for authorization of \$6.9 billion of new general obligation and senior severance tax secured long-term debt over the next 10 years.
- This capacity reflects a 10 percent increase in issuance capacity over the last debt study.
- None of the projected debt capacity of the core State bonding programs impacts the State General Fund, as that debt service is not paid from General Fund resources.
- The projected debt capacity of the core state bonding programs is affordable with respect to the revenue streams that are dedicated to debt repayment.

- The state decision to establish and fund the rainy day fund to address the volatility of natural resource revenues, and success in restoring general fund reserves to historically high levels, have stabilized the state general obligation bond ratings.
- State initiatives to address PERA and NMERB unfunded liabilities are a significant step forward and should begin to be reflected in bond ratings as pension system actuarial reports validate funding impact.
- State debt ratios are trending upward, as revenues pledged to bonding programs are growing faster than state population and personal incomes.
- The Severance Tax Bonding Program capacity is at historically high levels. Projected issuance capacity will warrant attention to effective utilization of capital investment to support state growth.
- Legislative action remains necessary to bring state financial reporting and ACFR into line with other states.

Ms. Leach commented that the state is in a bit of a new reality with these increased revenues, and discussion has already begun on the need to think differently about the capital outlay process or capacity estimation process to see how the state appropriately takes advantage of the opportunity while making sure it can cover its debts.

Lt. Governor Morales commented that the board continues to hear requests from rural local governments that don't have the employee or auditing capacity, which slows down the movement of appropriated capital dollars.

Mr. Paul responded that the state is stuck between a rock and a hard place, with IRS bond rules that require a certain spenddown of expenditure funds, and contracting rules at the state level that require funding before letting a contract. One thought would be to create a credit facility at the Board of Finance level where a local government can be told it has funding when it needs it, but that it won't be provided until they are ready to have money go out the door.

Mr. Badal said he would like the board to think about how it can deploy these resources that are coming out of oil and gas, and focus not just on the operating expense side, but also the capital expenditure side. For example, making investments in the state that will have long-term impact on its citizens versus just taking care of short-term needs. He pointed out that this doesn't necessarily mean spending large amounts of money, and cited Sen. Eddie Lopez's sponsorship of the enabling legislation that created the Mortgage Finance Authority. The long-term benefit that has accrued to the citizens of New Mexico doesn't take a lot of cash, and most of the funding has been generated out of the state and brought into the state to build housing.

Treasurer Eichenberg asked staff to provide this report to legislators.

Presenters: Ashley Leach, Director, State Board of Finance; Ken Guckenberger, Partner, Kutak Rock; Noelle Graney, Partner, Kutak Rock

17. Consideration of the Preliminary Official Statement for State of New Mexico Severance Tax Bonds, Series 2022A

Ms. Graney noted that the Preliminary Official Statement is subject to corrections and updates from the agencies between today and the publication date, which is two weeks away.

Mr. Cassidy moved for approval of the draft Preliminary Official Statement. Mr. Sanchez seconded the motion, which passed unanimously by roll call vote. [Not present: Lt. Governor Morales]

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

18. Consideration of the Authorizing and Delegating Resolution for State of New Mexico Severance Tax Bonds, Series 2022A, with a Maximum Principal Amount of \$600,000,000

Ms. Leach stated that this resolution relates to the upcoming long-term sale slated for June. The maximum amount has been set at \$600 million, but the issuance is expected to be around \$300 million, with the follow-up issuance in September.

Mr. Carrasco and Mr. Buchholtz reviewed highlights from this resolution.

Mr. Paul commented that the municipal bond market has been in disarray for the last three months, with money flowing out of bond funds. The decision has been made to do this deal in two parts, since \$600 million would be larger than any competitive sale in the market this year.

Mr. Buchholtz stated that splitting the issue will require an Additional Bond Test because it will be going into another fiscal year. Co-bond counsel does not expect this to affect the ability to move forward with the second issuance.

Treasurer Eichenberg moved for approval. Ms. Trevisani seconded the motion, which passed unanimously by roll call vote.

19. Consideration of the Authorizing Resolution for State of New Mexico Senior Severance Tax Note, Series 2022S-A, with a Maximum Principal Amount of \$300,000,000

Ms. Leach stated that this is the authorizing resolution for the state's sponge bond, or short-term note, to be issued at the end of June. The maximum principal amount has been set at \$300 million, although the final amount is expected to be closer to \$200 million. Capital projects that were previously approved by the legislature will also be funded with this, but primarily the chunk of this money goes to the Water Trust Board, Colonias Infrastructure Board, and tribal projects. They should be receiving about \$154 million of the issuance.

Mr. Paul stated that about \$500 million is expected to be deposited in the Severance Tax Permanent Fund in June.

Mr. Carrasco reviewed the main points of this resolution.

Treasurer Eichenberg moved for approval. Mr. Cassidy seconded the motion, which passed unanimously by roll call vote.

HIGHER EDUCATION DEPARTMENT

Presenters: Gerald Hoehne, Director, NMHED; Dr. Joseph Shepard, President, WNMU; Kevin Matthes, AVP Facilities and Operations, WNMU; Joseph Holguin, Capital Projects Director, WNMU

20. Western New Mexico University—Requests Approval of Capital Expenditures for Renovation of Harlan Hall/Fleming Commons (\$2,600,000)

Mr. Hoehne stated that this project will address exterior improvements to the Harlan/Fleming Commons area, which is made up of 66,000 square feet of outdoor space between Harlan Hall and Fleming Hall on the Western campus. The total project cost is \$2.6 million, and the funding sources being used are \$2.5 million from the 2020 general obligation bond, and \$100,000 from the 2018 general obligation bond.

In describing this project, Dr. Shepard noted that WNMU will have 75 percent of its energy coming from renewable sources by this fall.

Mr. Cassidy moved for approval. Ms. Trevisani seconded the motion, which passed unanimously by roll call vote.

Presenters: Gerald Hoehne, Director, NMHED; Michael Chicarelli, Chief Operating Officer, UNMH; Enrico Volpato, Executive Director Facilities Services, UNM; Jeremy Jerge, Planning and Construction Director, UNM; Doug Ziedonis, Executive Vice President and CEO, UNMH; Rodney McNease, Executive Director UNMH

21. University of New Mexico Health Sciences Center/Hospital—Requests Approval of Capital Expenditures for Construction of the New Behavioral Health Crisis-Care System Center (\$40,000,000)

Dr. Ziedonis thanked the board for its support around behavioral health issues, the nursing shortage, public health, and the issues of health equity.

Mr. Hoehne said this request is for the construction of a new two-story, 48,699 gross square foot Behavior Health Crisis Care System facility. It will be made up of 21,553 gross square feet of space with 16 single patient bedrooms, staff support areas, and a 23-hour observation room, which accommodates ten clients, to support what make up the crisis triage center portion of the facility. An additional 6,839 square feet of space on the first floor will include ten patient rooms and a separate restraint suite, with two rooms and a secured first responder entry, which will make up the psychiatric emergency services portion of the facility. The second floor will be constructed as a 14,637 gross square foot cold shell along with 2,400 square feet of space to house the mechanical equipment. The cold shell will prepare UNM for future buildout to support behavioral health services in New Mexico. It is important to note that this project is a partnership with Bernalillo County to support modification and expansion of Behavioral Health Services within the existing Bernalillo County Department of Behavioral Health Services and UNMH infrastructure. The total project cost for the new facility is \$40 million, with the funding sources being \$20 million provided by Bernalillo County and \$20 million from the UNMH Capital Renovation Fund.

Ms. Trevisani asked whether or not UNMH expects to take on people, particularly acute patients, from other parts of the state. She said she serves on the board of the local hospital in Santa Fe, and there is always an overflow of patients needing help.

Mr. McNease responded that UNM Hospital has seen a large increase in pediatric patients coming into the system for behavioral health from all over the state and is able to accommodate them.

Mr. Cassidy moved for approval. Treasurer Eichenberg seconded the motion, which passed unanimously by roll call vote.

Presenters: Gerald Hoehne, Director, NMHED; Ava Lovell, Senior Executive Officer for Finance and Administration; Ryan Reynolds, Capital Projects Group Manager, UNMH; Doug Ziedonis, Executive Vice President and CEO, UNMH

22. University of New Mexico Health Sciences Center/Hospital—Requests Approval of Capital Expenditures for Construction of the New College of Nursing and Population Health Facility (\$43,239,665)

Mr. Hoehne stated that University of New Mexico is requesting approval of the construction of a new three-story, 93,740 gross square foot College of Nursing and Population Health Facility at the UNM Health Sciences Albuquerque campus. The first floor will contain a classroom, faculty and staff suites as well as department conference rooms to support both the College of Nursing and the College of Population Health. The second floor will also contain a classroom, two College of Nursing suites and a wet

research lab. The third floor will contain faculty and staff suites and include a College of Nursing IT suite. The total project cost is \$43,239,664, and UNM will be held to that exact amount. The funding sources used for this project are \$30 million from the 2020 G.O. bond, \$2.5 million from a special appropriation from HB 2, Section 5, during the 2022 Legislative Session, and \$10,739,665 from the UNM HSC capital plant funds.

Mr. Badal asked if UNM can provide information on the number of students coming from inside the state as well as outside the state. Ms. Lovell responded that she could provide exact numbers later but noted that the majority of students in the nursing program come from New Mexico. Their graduate program includes online students as well as students from inside the state.

Mr. Badal asked Ms. Lovell what kind of success UNM has in placing graduates in jobs in New Mexico. Ms. Lovell responded that 93 percent of the advance practice nurses stay in New Mexico, based on 2019-2021 graduate numbers, and 90 percent of the B.S. in Nursing program graduates stay in New Mexico during that same period.

Secretary Romero said one of the major initiatives of this administration is to keep nurses in New Mexico, and funding has been made available to pay off loans for teachers and nurses. Support is also provided to social workers.

Mr. Badal moved for approval. Mr. Sanchez seconded the motion, which passed unanimously by roll call vote.

GRADUATE PROGRAMS

Presenters: Thomas Schawel, Education Administrator, NMHED; Mark Chisholm, Academic Policy Director, NMHED; Stephanie Rodriguez, Cabinet Secretary, NMHED; Patricia Trujillo, Deputy Cabinet Secretary, NMHED; Dan Arvizu, Chancellor, NMSU; Dorothy Campbell, Interim Provost, NMSU; Carol Flinchbaugh, Interim Associate Dean, Graduate School, NMSU; Charlotte Gard, Associate Professor, Applied Statistics, NMSU; Mary Jo Billiot, Interim Associate Dean, College of Business, NMSU

23. New Mexico State University—Requests Approval of the Doctoral Degree Program in Applied Statistics (no consideration)

Mr. Schawel stated that HED is requesting approval of New Mexico State University's (NMSU) Ph.D. program in Applied Statistics.

Dr. Gard stated that there is no better time than now to be a statistician, and the demand for statisticians is expected to grow by 31 percent over the next ten years. The average starting salary for entry-level statisticians with master's degrees is \$83,700, increasing to \$110,000 for graduates with doctoral degrees. Two of the state's main employers of statisticians, Sandia National Laboratory and the University of New Mexico

Health Sciences Center, have expressed their difficulties in attracting and retaining doctoral-level statisticians.

Dr. Gard said the proposed program will serve a broad audience, including students who do not have a master's degree in Applied Statistics, as well as master's level statisticians who wish to pursue a doctoral degree. NMSU plans to offer courses synchronously, which will allow students who reside outside of Las Cruces to complete the doctoral coursework remotely. Doctoral students will complete 36 credit hours above the 34 required for the master's degree, for a total of 70 credit hours. The 36 hours include 18 credit hours of coursework and 18 credit hours of dissertation research.

Dr. Gard noted that the proposed program differs from current programs in New Mexico in its focus on the application of statistics, in its suitability for students without extensive training in mathematics, and its emphasis on training people to work in industries versus academia. Most programs offered by NMSU's peer institutions are traditional statistics programs housed in departments of statistics or mathematics, that include training in advanced statistical theory as an important component. These programs have as a goal to prepare students to contribute to the development of new statistical methodologies. NMSU's focus is to prepare students to lead the statistical analysis component of collaborative research projects.

Dr. Gard said the proposed program will require no new funds or additional resources. They expect to admit six funded students every three years, with funds redirected from the master's program.

Mr. Badal commented that it is not often enough that New Mexico's universities get credit for creating world-class programs, and this is one of those programs. He commended NMSU for promoting this new degree.

Ms. Trevisani moved for approval. Mr. Sanchez seconded the motion, which passed unanimously by roll call vote.

Presenters: Thomas Schawel, Education Administrator, NMHED; Mark Chisholm, Academic Policy Director, NMHED; Stephanie Rodriguez, Cabinet Secretary, NMHED; Patricia Trujillo, Deputy Cabinet Secretary, NMHED; Dan Arvizu, Chancellor, NMSU; Dorothy Campbell, Interim Provost, NMSU; Carol Flinchbaugh, Interim Associate Dean, Graduate School, NMSU; Joe Tomaka, Graduate Coordinator, NMSU; Teresa Keller, Associate Dean for Academics, NMSU; Garnett Stokes, President, UNM; Doug Ziedonis, Vice President, HSC, UNM; Julie Coonrod, Graduate Dean, UNM; Tracie Collins, Dean, Population Health, UNM; Kristine Tollestrup, Professor, Population Health, UNM

24. New Mexico State University and University of New Mexico—Request Approval of the Joint Doctoral Degree Program in Health Equity Sciences (no consideration)

Dr. Tollestrup stated that the COVID-19 pandemic has highlighted the disproportionate impact of health and social crisis in underserved and marginalized populations, especially in New Mexico. New Mexico does not have any Ph.D. program to train graduates to address these urgent needs in the state and nationally, and UNM and NMSU will be the first universities in the nation to offer Ph.D.-level training in health equity. The two institutions will share admissions criteria, faculty expertise, concentrations, and courses, but will still be able to operate independently. She said planned resources from UNM include three new faculty, 2.5 new staff, computers for common study areas, cubical modifications for doctoral students, and a faculty research grant for student assistantships. There are already 13 existing faculty lines for the program.

Dr. Tomaka stated that NMSU, like UNM, has 13 existing faculty lines, existing space in their main Health and Social Services Building and annex building across from it, and their MPH has concentrations in health behavior, health promotion, and health management administration and policy. They plan just one additional faculty member associated with this program and plan for a program coordinator staff position. Funds to support graduate student stipends and associated benefits for the students, and miscellaneous funds for student recruitment and travel.

Dr. Tomaka said NMSU anticipates that their graduates will fill critical gaps in public health systems and the labor market in New Mexico. Graduates will be prepared to work in the state, federal, and global sectors in government and non-government agencies, but it is expected that they will work primarily in public agencies providing health & human services, public and private healthcare organizations, and may be working with tribal governments, epidemiology centers, community health councils, and institutions of higher learning across the state. Regarding the need, the New Mexico Department of Workforce solutions projects that healthcare in the social assistance sector will grow by 17 percent by 2028.

Dr. Tomaka commented that the pandemic showed how underserved the marginalized community suffered disproportionately from negative health and social outcomes. Many events around that time, including Black Lives Matters protests and associated George Floyd incidents, and even recent events in his hometown of Buffalo, New York show how the need for programs like this is needed.

Mr. Cassidy moved for approval. Treasurer Eichenberg seconded the motion, which passed unanimously by roll call vote.

STATE TREASURER'S OFFICE

Presenter: Vikki Hanges, Chief Investment Officer, State Treasurer's Office

25. Quarterly Investment Report for Quarter-Ended March 31, 2022

Ms. Hanges presented this report. At the end of March, STO managed \$11.8 billion in assets, \$750 million higher than at the end of Q4 2021.

STAFF ITEMS

Presenter: Ashley Leach, Director, Board of Finance

26. Report on the Execution of the Fiscal Agent Contract with Wells Fargo Bank

Ms. Leach reported that the fiscal agent contract with Wells Fargo Bank for the next eight years has been finalized and signed.

Ms. Leach commented that this was a 15-month procurement from start to finish, the result of a tremendous effort from staff, and she thanked Treasurer Eichenberg and Ms. Trevisani of the Banking Subcommittee, the ten state agencies who assisted staff, the General Services Purchasing Division, the State Treasurer's Office and staff, PFM Asset Management, Secretary Romero, and board staff.

ADJOURNMENT: 11:43 a.m.



Michelle Lujan Grisham, President

June 24, 2022

Date



Michael S. Sanchez, Secretary

June 29, 2022

Date