

NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

VIRTUAL ATTENDANCE AVAILABLE

Santa Fe, New Mexico

November 21, 2023

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. The meeting was held with a virtual option for those who could not attend in person.

1. ROLL CALL -- QUORUM PRESENT

Members Present:

Mr. Joseph Badal, Public Member

The Hon. Laura M. Montoya, New Mexico State Treasurer [virtual attendance]

Mr. Paul Cassidy, Public Member

Mr. Michael S. Sanchez, Secretary, Public Member

Ms. Wendy Trevisani, Public Member [virtual attendance]

Members Excused:

The Hon. Howie Morales, Lt. Governor

The Hon. Michelle Lujan Grisham, President

Staff Present:

Ms. Ashley Leach, Director

Mr. Marcos B. Trujillo, Deputy Director

Legal Counsel Present:

Ms. Jennifer Salazar

Mr. Blaine Moffatt

2. APPROVAL OF AGENDA

Ms. Leach requested that Items 15-22 be moved to follow Item 26.

Member Badal moved approval of the agenda, as amended. Member Cassidy seconded the motion, which passed unanimously.

3. **APPROVAL OF MINUTES: October 17, 2023 (Regular Meeting)**

Member Cassidy moved for approval of the October 17, 2023, regular meeting. Treasurer Montoya seconded the motion, which passed unanimously.

CONSENT AGENDA (Items 4-14)

Presenter: Ashley Leach, Director, Board of Finance

Submitted by: Gerald Hoehne, Deputy Cabinet Secretary, HED

4. **New Mexico State University—Requests Approval of Capital Expenditures for Doña Ana Community College Campuswide Security Cameras (\$1,680,000)**

5. **New Mexico State University—Requests Approval of Capital Expenditures for Reconstruction of the Doña Ana Community College Main Cooling Tower and Chiller (\$1,255,000)**

6. **New Mexico State University—Requests Approval of Capital Expenditures for the Doña Ana Community College Sunland Park Roof Replacement (\$845,200)**

7. **New Mexico State University—Requests Approval of Capital Expenditures for Doña Ana Community College Elevator Modernization (\$365,182)**

8. **New Mexico Highlands University—Requests Approval of Capital Expenditures for the Wilson Complex Gymnasium Floor Replacement (\$439,589.39)**

9. **New Mexico School for the Blind and Visually Impaired—Requests Approval of Revised Capital Expenditures for Renovation of the Paul and Lois Tapia Building (\$1,900,359.61)**

10. **University of New Mexico—Requests Approval of Capital Expenditures for Video Display Graphic Control and Video Equipment Replacement of the Pit (\$1,043,000)**

Submitted by: Stephanie LeMaster, Master Planner, New Mexico Army National Guard

11. **State Armory Board—Requests Approval of the Donation of the Lordsburg Readiness Center, Located at 720 E. Second Street in Lordsburg, to Hidalgo County**

- Contingent upon director's and counsel's receipt and review of (1) a fully executed donation agreement, (2) a fully executed quitclaim deed, (3) evidence of advertising a "notice of intent to locate remaining heirs" in a local newspaper in

Hidalgo County once a week for three consecutive weeks, and (4) a revised and fully executed affidavit of the State Armory Board's attempts to locate heirs.

Submitted by: Ronda Trujillo, Coordinator of Leased Facilities, LAPS

12. Los Alamos Public Schools—Requests Approval of the Lease of Real Property, Located at 3540 Orange Street in Los Alamos, to Family Strengths Network (\$22,716/year)

- Contingent upon director's and counsel's receipt and review of a fully executed lease agreement

Submitted by: Ashley Leach and Marcos Trujillo, Director and Deputy Director, Board of Finance

13. 2024 Meeting Schedule

14. Private Activity Bond Cap Allocation 2023 Expiration Date

Member Badal moved for approval of Items 4-14. Member Cassidy seconded the motion, which passed unanimously.

Items 15-22 were moved to follow Item 26.

BONDING PROGRAMS

Presenters: Ashley Leach, Director, Board of Finance; Luis Carrasco, Director, Rodey Dickason, Sloan, Akin & Robb, P.A.; David Buchholtz, Principal, Rodey Dickason, Sloan, Akin & Robb, P.A.

23. Authorizing Resolution for State of New Mexico Severance Tax Note, Series 2023S-C, Maximum Principal Amount of \$15,725,750

Mr. Carrasco stated that this note is one of a series of short-term bonds customarily issued by the Board of Finance to fund legislatively appropriated projects and statutory set-asides for water, tribal infrastructure, colonias infrastructure and the New Mexico Housing Trust Fund. Interest on this note is not excludable from income for federal tax purposes, and therefore projects not suitable for tax exempt funding can be funded through this note. The proceeds from this note will be used to fund projects previously appropriated by the legislature but have not been ready to proceed until now.

Mr. Carrasco said the final project list will be brought to the board at the December meeting for approval. Due to the phasing out of LIBOR last June, the note will accrue interest at the rate of the SOFR rate plus 15 basis points as determined by the State Treasurer on December 15.

Member Cassidy said it has been reported that there is about \$5 billion of unspent monies available for capital projects and wondered if it would be worthwhile to request

information on the source of the unspent money in bond proceeds versus general fund versus other sources of money. As previously discussed by this board, it could be contributing to the state's supply-and-demand imbalance. He would be curious if other projects the Board of Finance has authorized don't have the full amount of money to allow projects to move forward but don't have contractors available to do it, and what should be the timing and how should the board prioritize the issuance of bonds for projects that are close to being ready.

Ms. Leach responded staff is very aware of this issue and has been having conversations with LFC on this. She said these are authorized but unissued projects, so have been on the table for a while and have until June to be funded. Staff vets these projects for priority and readiness through a very extensive questionnaire in which recipients are asked questions around allowable use, readiness, and sufficient funding. Staff vets each project alongside bond counsel one by one to ensure that these projects are shovel ready. She added that staff are also working on a new questions system that they feel will improve the responses they receive and ensure they are receiving accurate and complete information.

Ms. Leach said they are also looking at what it would look like if new capital were funded through the general fund again versus bond proceeds. Also, they are partnering with the Financial Control Division of DFA to notify state agencies when they have expenditures that have not been drawn down to ensure that money goes out the door as soon as possible.

Member Cassidy moved for approval. Treasurer Montoya seconded the motion, which passed unanimously.

24. Authorizing Resolution for State of New Mexico Supplemental Severance Tax Note, Series 2023S-D, Maximum Principal Amount of \$750,000,000

Ms. Leach stated that the \$750 million is a little bit above the FY24 estimated capacity. That will be updated in December, but she does not anticipate it going over that amount. While they did not receive the Public School Outlay Council Certification of Need, she has seen a draft and anticipates that the certification will come in at about half of that amount.

Mr. Carrasco said this note funds only Public School Capital Outlay projects and Public School Capital Improvements. The note will accrue interest at the rate of the SOFR rate plus 15 basis points and will be issued on December 28, 2023, and repaid the following day.

Member Cassidy moved for approval. Member Badal seconded the motion, which passed unanimously.

HIGHER EDUCATION

Presenters: Gerald Hoehne, Deputy Cabinet Secretary, HED; Dr. Sam Minner, President, NMHU; Sylvia Baca, Facilities Director, NMHU

25. New Mexico Highlands University—Requests Approval of Revised Capital

Expenditures for Renovation of Sininger Hall (\$11,500,000)

Mr. Hoehne said New Mexico Highlands University (NMHU) is requesting approval of revised capital expenditures for the renovation of Sininger Hall. The building is 26,373 square feet and houses the NMHU School of Business and Media Technology, Graduate Office, Contracts Office, Office of Institutional Research, and ITV operations. The project includes a wide variety of major renovations, including space reconfiguration for the existing programs, ADA improvements, LEED improvements, safety improvements, solar panel installation, and upgrades or replacements of nearly all of the building systems.

Mr. Hoehne said the project was originally approved at a cost of \$7,282,330 in September 2022; however, construction cost increases have contributed to the increase of \$4.5 million. Additionally, NMHU will be replacing the building's roof instead of coating it, as was previously budgeted. It was also reported that human remains were found on the site, which has caused the delay in this project.

Mr. Hoehne said the project is anticipated to begin immediately and be completed in August 2024. NMHU will use \$7 million in 2020 GOB proceeds and \$4.5 million in a general fund appropriation for the project.

Ms. Baca stated that human remains were discovered at the time they were digging a line for the fire suppression system. NMHU is working with the State Historic Preservation Office Cultural Affairs Department. All work has stopped outside the building, but construction continues inside the building. NMHU has hired an architectural firm that is supervising the site.

Dr. Minner added that they are totally committed to maintaining the dignity of the remains and will follow all advice that they receive on this matter.

Responding to Member Badal, Ms. Baca stated that they had only two responses to the initial RFP and realized at the time that they did not have enough money to proceed with the project. She said they had a professional estimator through the architectural firm, and were thinking \$7 million would be sufficient to cover the project and were very shocked to see the huge escalation in construction costs, especially the tremendous spikes in 2022. She added that a lot of the spiking is because there is not enough competition in the state's rural communities, and there are also not enough trade personnel to do the work involved.

Dr. Minner said the firms in Northern New Mexico really have a lot of projects going on down south, which is more lucrative for them, and there are more tradesmen and tradeswomen.

Ms. Baca said the cost per square foot in the Las Vegas area is more than \$400.

Addressing Mr. Hoehne, Member Badal said he recalled hearing about averages of \$600 per square foot recently during the Associated General Contractors presentation before the board. He said these escalations in price are draining money away from other needs, and it concerns him that they continue to have project after project going over budget. If there is anything the board can do about managing the timing of these projects, he feels it will benefit the state as a whole in the long run and help ensure that there will be money for needed projects in the future.

Mr. Hoehne responded that they are not seeing a lot of positive feedback from the contracting community on the idea of developing strategies to potentially mitigate some construction costs; however, in working with their colleagues on the LFC, Board of Finance, etc., they are getting a better picture on how to better address this in moving forward.

Treasurer Montoya moved for approval. Member Cassidy seconded the motion, which passed unanimously.

EMERGENCY FUNDING REQUESTS

Presenters: Joseph M. Maestas, P.E., State Auditor; Ricky Bejarano, Deputy State Auditor; Daniel Maki, Intergovernmental Affairs and Outreach Director, Office of the State Auditor; Nick Martinez, IT Director, Office of the State Auditor

26. Office of the State Auditor—Requests Approval of an Emergency Operating Grant for Critical Information Technology Infrastructure Upgrades (\$153,307.39)

Mr. Maestas stated that the emergency grant proceeds will be used for a virtual server environment that is vital because the agency's current server environment has reached the end of its life.

Mr. Maestas stated that, shortly after he took office on January 1 this year, the IT director resigned and the new director, Nick Martinez, was hired in May. Mr. Martinez undertook a comprehensive assessment of the IT technology and discovered that every single server in the agency had surpassed its support by the manufacturer.

Mr. Maestas said the office receives and reviews audit reports from entities across the state and audits well over a thousand public entities along with reviewing all audit contracts.

Mr. Maestas said they are very close to exceeding the capacity of their existing servers. He said the New Mexico Office of Information Technology has approved the concept of migrating to a virtual server environment.

Responding to Member Badal, Mr. Martinez said the purchase would include a physical server infrastructure along with three years of hardware and software support. The current servers have 5 terabytes of data, and the new system would have 15 terabytes with room

for growth. He said that they are receiving a \$100,000 discount from the vendor because of the emergency.

Member Badal commented that he has been involved in a lot of software upgrades and it has never cost what the vendor has said it would cost. He asked Mr. Martinez if the requested amount would be enough to get the job done. Mr. Martinez responded yes. They did a full assessment of their environment. The license for the VMware would allow them to run up to 50 virtual machines. Right now, they only have four physical machines. By converting to virtual, they would have plenty of room for growth. They will also need to digitize a room full of records and assessed that to ensure they would have enough room for that.

Mr. Martinez said that, with approval of this grant, he hoped they would get the equipment in and have everything up and running in three to six months.

Member Badal requested that the board receive a follow-up report after the system is implemented.

Mr. Badal moved for approval. Member Cassidy seconded the motion, which passed unanimously.

INFORMATIONAL ITEMS

Presenter: Ashley Leach, Director, Board of Finance

15. Capital Buildings Repair Fund Financial Status Report for Month-Ended October 31, 2023

16. Legislative Capital Projects Financial Status Report for Month-Ended October 31, 2023

17. State Treasurer's Office Investment Report for Month-Ended September 30, 2023

18. Emergency Balances – November 21, 2023

	<u>Balance</u>	<u>Appropriation</u>
Operating Reserve Fund	\$2,290,000.00	\$4,000,000.00
Emergency Water Fund	\$ 49,600.00	\$ 109,900.00

19. Fiscal Agent and Custodial Bank Fees Report

20. Joint Powers Agreements for Month-Ended October 31, 2023

21. FY23 Tax Increment Development Districting Reporting

Ms. Leach summarized recent TIDD development activity. In February 2024, the board will hear a presentation on the South Campus TIDD.

Presenter: Vikki Hanges, Portfolio Manager, State Treasurer's Office

**22. State Treasurer's Office Investment Review for Quarter-Ended
September 30, 2021**

Ms. Hanges reported that STO managed approximately \$15.1 billion in assets at the end of September. This is slightly lower than the \$17 billion managed on June 30, and is mainly due to legislatively-required payments from the general to the State Investment Council and other entities.

PRESENTATIONS

Presenters: Isidoro Hernandez, Executive Director, MFA; Arundhati Bose, Chief Financial Officer, MFA; Alex Lundy, Finance Manager, MFA

**27. New Mexico Mortgage Finance Authority Overview of Private Activity Bond
Volume Capacity Needs for 2024**

Mr. Hernandez reported that the MFA completed a New Mexico housing strategy last year and has identified a shortage of 32,000 rental units across the state, 15,000-20,000 people who are homeless, and a need for 6,500 affordable housing units. There is a need for 5,100 single-family homes to be built each year to keep up with demand, but the average is only 4,100 a year. There are also 40,000 homes in need of rehab, most of them on tribal and colonias land, and 4,300 units need accessibility modifications for people who want to age in place.

Ms. Bose presented this request for 2024 and any carryforward for 2023: \$151 million for single-family first time homebuyers and \$200 million for all multifamily projects statewide.

Member Badal asked how many entities throughout the state are originating MFA single-family loans. Mr. Hernandez responded that there are 60-70 different originators or lending institutions from across the state.

Member Badal commented that the homeownership percentage in New Mexico is extremely impressive, and higher than the national average. He asked what the foreclosure or delinquency rate is in the MFA portfolio. Ms. Bose responded that the delinquency rate has increased somewhat in FY 2023, but it is below the FHA and national rates. She said the FHA delinquency rate is 8.59 percent, and the MFA delinquency rate is at 8.24 percent.

Member Badal said he could not think of another entity in the state that has a more positive economic development effect on the state economy than the MFA. He commented that it is truly a success story not just locally, but nationally.

Responding to Member Cassidy, Mr. Hernandez stated that their Legislative Oversight Committee and board recently approved a redefinition of moderate income, increasing it from 120 percent to 150 percent of Area Median Income (AMI). The way homes are priced now, people at 120 percent of AMI were not eligible for a median priced home, which is \$345,000 in Albuquerque. The increase allows MFA to serve what the “missing middle,” or people in workforce housing such as first responders, nurses, teachers and police officers who might have exceeded the previous income limits. This applies only to non-federal programs.

Member Cassidy said he would be interested in knowing how many resources are available for that type of housing.

Responding to Member Cassidy, Ms. Bose stated that MFA tries to recycle the bonds to optimize volume cap. In every bond issue, based on the rules and regulations, they work with their underwriters and advisers to make sure they recycle as much as possible.

Mr. Hernandez added that they are now seeing a trend where they have more activity with bond cap on the 4 percent tax credit, so are now seeing the full volume cap being used. MFA is looking at incorporating some taxable bonds to help MFA stretch the volume cap on the next bond issue.

Member Cassidy commented that MFA has a rehabilitation program that people affected by the fire up north are very much aware of, which provides money for rehabilitation of older structures. In Northern New Mexico, they are finding there are no contractors to take advantage of those programs, and that is a challenge. This is why MFA isn’t seeing any applications for San Miguel and Mora counties.

Member Badal asked Mr. Hernandez if anything is being done to tighten underwriting rules to avoid any increase in delinquencies or foreclosures that might result from the redefinition of moderate housing. Mr. Hernandez responded that MFA originates through the 60 plus lenders across the state, who have the underwriting criteria, whether that be FHA, USDA, VA, or conventional loans, so they follow those fairly strictly. One of the programs MFA administered recently is the Homeownership Assistance Fund, and they have assisted nearly 4,000 families. They have \$5-\$6 million left in that program, and it has really helped people and curbed the foreclosure rate that otherwise would have been higher.

ADJOURNMENT: 10:35 a.m.



Michelle Lujan Grisham, President

1-3-24

Date



Michael S. Sanchez, Secretary

1-3-24

Date