

NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

HELD VIRTUALLY

April 19, 2022

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

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. Leach requested that Item 9 be postponed to the May regular meeting.

Mr. Badal moved for approval of the agenda, as amended. Mr. Cassidy seconded the motion, which passed unanimously by roll call vote.

3. APPROVAL OF MINUTES: MARCH 15, 2022 (REGULAR MEETING)

Ms. Trevisani moved approval of the March 15, 2022, minutes, as presented. Mr. Cassidy seconded the motion, which passed unanimously by roll call vote.

CONSENT AGENDA (Items 4-15)

Presenter: Ashley Leach, Director, Board of Finance

Submitted by: James Hilderbrandt, Business Enterprise Coordinator, EMNRD

4. Energy, Minerals, and Natural Resources Department, State Parks Division Requests Approval of the Concession Contract with the Rock Canyon Service Center at Elephant Butte Lake State Park (monthly fee of 7 percent of net receipts)

- Contingent upon director's receipt of the fully executed concession contract.

Submitted by: Y. Jun Roh, Attorney, Cuddy & McCarthy LLP

5. Middle Rio Grande Conservancy District—Requests Approval of the Exchange of Real Property with the City of Belen (no consideration)

- Contingent upon director's receipt of minutes of the Middle Grande Conservancy District Board of Directors evidencing approval of the exchange of real property.

Submitted by: Pamela Heltner, County Manager, Otero County

6. Otero County—Requests Approval of the Lease of Real Property, Located at 8 Baca Road in Otero County, to HELP New Mexico Inc. (\$39,270/year, services in lieu of rent)

Submitted by: Lawrence A. Sanchez, Superintendent, Belen Consolidated School District

7. Belen Consolidated School District—Requests Approval of the Lease of Real Property, Located at 129 3rd Street in Belen, to Rocket Teen Center (\$42,720/year, services in lieu of rent)

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

Submitted by: Gerald Hoehne, Director, NM Higher Education Department

8. University of New Mexico—Requests Approval of Capital Expenditures for the Student Residence Center Stair Restoration, Phase II (\$1,066,851)

Submitted by: Ashley Leach, Director, Board of Finance

9. [Deferred to May meeting]

10. Consideration of Third Amending Resolution for State of New Mexico

Supplemental Severance Tax Note Series 2020S-B

11. Consideration of Second Amending Resolution for State of New Mexico Supplemental Service Tax Note Series 2021S-B

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

12. State Treasurer's Office Investment Report for Month-Ended February 28, 2022

Submitted by: Ashley Leach, Director, Board of Finance

13. Emergency Balances – April 19, 2022

	<u>Balance</u>	<u>Appropriation</u>
Operating Reserve Fund	\$ 184,978.00	\$2,500,000.00
Emergency Water Fund	\$ 86,900.00	\$ 109,900.00

14. Fiscal Agent and Custodial Bank Fees Reports

15. Joint Powers Agreements for Month Ended March 31, 2022

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

PRIVATE ACTIVITY BONDS

Presenters: Isidoro (Izzy) Hernandez, Executive Director/CEO, MFA; Christi Wheelock, Tax Credit Program Analyst, MFA; Kathryn Turner, Assistant Director of Housing Development, MFA; Jeanne Redondo, Tax Credit Program Manager, MFA; James Hingston, Project Manager, CPP Housing; Karen Buckland, Vice President of Development, CPP Housing; Bobby Griffith, CFO/Principal, JL Gray Company

16. New Mexico Mortgage Finance Authority—Requests Approval of a Private Activity Bond Volume Cap Allocation for Vista Mesa Villa Apartments Project, Located at 1121 Mount Taylor Avenue in Grants (not to exceed \$13,000,000)

Mr. Hernandez stated that this request was for a \$13 million volume cap allocation for a 100-unit development in Grants. He stated that the median sales price of a home in Santa Fe County is \$622,000, and within the city of Santa Fe it is \$480,000, and only 127 homes were on the market in the most recent quarter. In Albuquerque, the median sales price, at \$325,000, is at an all time high. Rents have increased in the last year about 19 percent, and New Mexico has an estimated shortage of 32,000 rental homes.

Ms. Wheelock said the development will serve extremely low-income families at 30 percent of area median income for all 100 units. The property was built in 1979 and has not received any substantial rehabilitation outside of normal wear and tear since then. The developers will renovate 52 one-bedroom units and 48 two-bedroom units, including five units that will be demolished and rebuilt to meet ADA compliance as well as creating

accessible routes to the redesigned laundry rooms, upgraded playgrounds, basketball courts, and mailbox areas. The total development costs are approximately \$18,000,000, and when the construction is complete, approximately \$10.3 million of the \$13,000,000 in bond cap requested today will remain in the project as permanent financing. Additional permanent financing will include \$6.6 million in investor equity generated from approximately \$773,000 in annual low income tax credits, another \$400,000 in deferred developer fees, and net operating income of \$632,021. This renovation is scheduled to begin in May 2022 and completed in May 2023. MFA staff has underwritten the project and determined that the proposed financing for Vista Mesa Villa is financially feasible and the proposed renovation meets MFA’s design standards. The project will be energy efficient, achieving a HERS rating of 65 or better and will also meet Energy Star program requirements in addition to providing the much-needed ADA accessibility.

Mr. Cassidy commented that this program provides rehab housing in rural New Mexico, Grants in particular, and this is a great project. He added that the state needs more of this.

Mr. Eichenberg disclosed that, outside of his duties as State Treasurer, he works with JL Gray doing property tax valuations. He said this is a great project.

Mr. Badal said one reason behind the increase in housing prices is commodities costs going through the roof. He wondered if the subsidies that come to the project are adjusted based on the project’s total cost. He asked how the rents are maintained at a level that the constituency can afford to pay.

Mr. Griffith stated that all of this is completely HUD subsidized, and every resident that lives there will only pay 30 percent of their adjusted gross income. Regardless of their income level, their rent will be adjusted to meet that. HUD will support the difference through Section 8 voucher programs. He said there will never be a burden on any of the residents.

Mr. Eichenberg asked if there is an income maximum allowed for these units. Mr. Griffith responded that the HUD guidelines are set at 60 percent of median income for the maximum, which is the highest income limit.

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

EMERGENCY FUNDING REQUEST

Presenters: Toni Whitecotton, Clerk, Village of Floyd; Raymond Mondragon, Governmental Specialist, Eastern Plains Council of Governments; Fred Black, Water Operator, New Mexico Rural Water Association; Sandy Chancey, Executive Director, Eastern Plains Council of Governments

17. Village of Floyd—Requests an Emergency Water Grant to Repair its Reverse

Osmosis Unit to Provide Treated Drinking Water (\$200,000)

Ms. Leach stated that, for the current fiscal year, the funds remaining in the Emergency Operating and Emergency Water funds are dwindling. Across the two funds, there is \$271,878 available, and the Village of Floyd is requesting \$200,000. Staff is recommending a grant of \$150,000 based on estimates gathered from the Village.

Ms. Leach noted that the board can fund this request from the Emergency Water Fund and tap the Emergency Operating Fund for the balance. Staff is aware of at least two more emergency requests that may come to the board within the next one to two months, so this is a situation where the board is reaching the fund limit; however, more funding will be available starting in July.

Mr. Mondragon stated that this started as a \$100,000 request from Village of Floyd Clerk Toni Whitecotton in January 2022. The Eastern Plains Council of Governments (EPCOG) forwarded it to legislators in the middle of the last legislative session, and it was not approved. The Governor's Office has since referred this request to the Board of Finance.

Ms. Whitecotton discussed the history of Floyd's water issues and subsequent efforts to maintain its system and to correct various problems since 1998, when they received an administrative order from the EPA.

Mr. Black commented that this is a very small contract for the New Mexico Rural Water Association (NMRWA) because the Floyd cannot afford their services on a full time basis. Although the NMRWA is paid for only on visit a month, they are making up to three or four additional visits each month at no cost to try to get them up and running. When they got into the system, they noticed that the reverse osmosis (RO) systems were offline due to blown gaskets, which are special type gaskets that are very hard to find. Once they installed the gaskets, they saw that the membranes were plugged up, and the high pressure blew more gaskets. They sent the membranes out to be recharged so they could be used again, but only two out of nine were usable, and there is no guarantee how long those will last. In addition, he saw rust and rot in the old well house, and the pipe on the outside is only half the diameter it should be and is ready to blow at any time. Fortunately, the new storage tank will allow them the time they need to make all of these repairs.

Mr. Black said the NMRWA has been dealing with a lot of water systems this year. He tried to get a quote to buy and install a new storage tank, and the response came back that no quotes were available at this time. He said this is a problem that all of the suppliers have been experiencing. The tank builder told him that if someone is budgeted for a storage tank project today, they need to increase it by 400 percent.

Ms. Leach said the New Mexico Environment Department has provided a letter of support for this request from their Drinking Water Bureau.

Ms. Leach stated that the resolution, which has been drafted for \$150,000, includes language that the board staff will release funding as it receives invoices from Floyd, as it has done in the past with similar requests. There is also language stating that, should there be a balance in these funds at the end of June, the board could grant Floyd additional funding if needed. She added that she would be surprised if there were a balance at the end of June, however, given the one or two requests that are expected in the interim.

Ms. Trevisani commented that it appears there was some misinformation or miscalculation in terms of timing when this system was installed. She said she assumed would be more frequent inspections to keep the system from reaching this state in the future, and asked how that would be addressed and funded. She said everyone deserves to have clean drinking water.

Ms. Whitecotton responded that Floyd previously never got any requests for funding, because if they had, they would have sought funding for it. She added that they will need to create a policy calling for more inspections and regular reports on the system.

Mr. Badal asked Mr. Black if he was correct in concluding that this is a short-term fix. Mr. Black responded that, right now, the treatment for arsenic is fiberglass tanks and plastic pipe; however, he feels they can get another 10 years out of the current system with constant maintenance. The membranes are plastic and will last, but the stainless steel fittings going to the pumps are rotting and may last five years. He added that there were really no issues with Floyd's system years ago until the EPA reduced the allowable arsenic level from 50 PPM to 10 PPM. While fluoride is a secondary issue, that also has to be reduced to keep people's teeth from turning yellow.

Mr. Black said the industry claims that current wastewater treatment systems and water treatment systems are only being designed and built for 20 years. Although Floyd's system is expected to last another 10 years, they didn't redo the plumbing at the well house when the original project was done, so that is 60 years old. A lot of their plumbing has been replaced with PVC that should last another 50 years.

Mr. Badal suggested that, before there is another funding request beyond the one today, he would like to know what the plan is in the long term. He said these short-term fixes in the long run are more expensive, and so he would like to see Floyd create a plan that goes out at least 20 years along with some kind of budget to cover worst-case scenario issues.

Mr. Black agreed and said he was sure they could create a long-term plan.

Mr. Black commented that a problem facing rural America is the loss of water operators, who are aging and not being replaced by younger people. Some of the systems being put in rural communities are level-3 and level-4 systems, and the technology required to remove contaminants requires higher certified people who require higher salaries that rural communities can't afford.

Mr. Cassidy pointed out that the debt structure for Floyd reflects a final maturity in 2030. If the system is going to last another 10 years, hopefully there would be a plan in place to replace it with the most efficient and appropriate system for Floyd.

Mr. Cassidy asked when clean water would be flowing to the residents once board approval is given. Ms. Whitecotton responded that they hoped it would be by the end of the month, but it would depend on when the membranes arrive.

On the management issue, Ms. Whitecotton said the last water operator never completed the maintenance records or filled out the charts in the well house on a daily basis, as required, for the 18-24 months he was there.

Ms. Leach stated that she and Deputy Director Trujillo are putting together some information that will be brought to the board in July. This will include potential policy updates to the Emergency Funding Policy along with some historical information on these requests. She said staff is seeing a big uptick in these requests, and they want to make sure everybody is feeling comfortable in the consideration of these as the numbers increase.

Lt. Governor Morales stated that rural New Mexico continues to see issues with its community water systems and an aging population, and this is reflected in the requests that are coming before this board in terms of who will fill the void. This is part of a bigger discussion that needs to take place with the legislative body about a different approach, because continuing to approve emergency funding is not a long-term solution. Fortunately, the state has ample funding for infrastructure right now. He said he was surprised there was no capital outlay funding during this legislative session, and asked Mr. Mondragon if EPCOG will have an ongoing discussion with legislators about what can be done to leverage some of these funds in the future.

Mr. Mondragon said he makes capital outlay requests for all of the rural communities that need help, and they do converse with legislators. He added that they came in a little late this year when asking for this capital outlay money.

Lt. Governor Morales commented that a number of rural communities continue to fall through the cracks despite the existence of the Tribal Infrastructure Fund, Colonias Infrastructure Fund, and the Water Trust Board. He looked forward to brainstorming with Ms. Leach and staff on what can be done to bring solid proposals forward for the next legislative session.

Mr. Badal moved for approval. Mr. Eichenberg seconded the motion.

Ms. Leach said funds would be released to the Village of Floyd upon the director's receipt of invoices for the purchases and expenditures. Should sufficient money remain in the Emergency Operating Fund on June 30, 2022, the board would grant to the Village of Floyd the lesser of the remainder of the balance in the fund as of that date, or \$50,000, which would bring them up to their full request.

The motion passed unanimously by roll call vote.

GENERAL SERVICES DEPARTMENT

Presenter: Anna Silva, Facilities Management Division Director, General Services Department

18. Capital Buildings Repair Fund Financial Status Report for Month-Ended March 31, 2022

Ms. Silva presented this report.

19. Legislative Capital Projects Financial Status Report for Month-Ended March 31, 2022

Ms. Silva presented this report.

STATE TREASURER'S OFFICE

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

20. Consideration of an Amendment to the State Treasurer's Office Broker-Dealer List

Ms. Hanges said STO is requesting approval to add two broker-dealers to the approved broker-dealer list. Generally, they open the list up to dealers every two years, but dealers occasionally come forward in between times. In this case, Oppenheimer & Company and Bank of America have come to STO asking if they can be placed on the approved list. She added that Bank of America is a primary dealer, and STO likes to have them on the list because they are very aggressive in Treasury bonds and agency bonds, which is a lot of STO's business. Oppenheimer & Company, a secondary dealer, is active in municipal bonds, and such dealers are good for STO in terms of bringing New Mexico deals forward.

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

STAFF ITEMS

Presenter: Ashley Leach, Director, Board of Finance

21. Consideration to Procure a Contract with a Vendor to Provide Overnight Repurchase Agreement (REPO) Services to the State Treasurer's Office

Ms. Leach requested approval to procure overnight repurchase agreement (REPO) services for use by the State Treasurer's Office in their investing. This service has been provided for the last eight years under the fiscal agent agreement with Wells Fargo, and the upcoming contract with the bank does not include these services. Staff is proposing a one-year, small purchase (up to \$60,000) contract, to be entered prior to June 30, 2022, to ensure STO has continued access to these services.

Ms. Leach said the long-term goal is to transition this contract over to STO, since it is an exclusive service used by them, but because it has been historically included under the fiscal agent, staff wants to make sure there is no break in these services over the next year while this contract is taken over by STO.

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

22. Consideration to Procure a Contract with a Vendor to Provide Ongoing Treasury Consulting Services to Board Staff in Managing the Fiscal Agent, Prepaid Debit Card, and Online Bill Presentment and Payment Contracts

Ms. Leach said staff is requesting approval to procure ongoing treasury consulting services to assist in the management and oversight of the Fiscal Agent, Prepaid Debit Card, and Online Bill Presentment and Payment contracts.

Ms. Leach said staff expects to contract with PFM Group Consulting, and the scope of services would include two components: ad hoc services as needed by board staff and the development of a fees mapping tool that will assist staff in tracking banking fees and confirming that fees align with the negotiated contract fees. Ad hoc services could relate to fee analysis, future contract amendments, or other services that would be on an as-needed basis.

Mr. Cassidy thanked Ms. Leach and staff for bringing this forward. This is a great business practice, and being able to calculate the fees for the budget will be a great help.

Mr. Cassidy moved for approval. Mr. Eichenberg seconded the motion.

Mr. Eichenberg thanked Ms. Leach and staff for bringing this forward.

Secretary Romero thanked Ms. Leach for bringing this to the board's attention. This came up during the special session, when DFA was trying to figure out what the impact

was going to be for the rebates that were being calculated. Knowing this ahead of time will definitely make a difference in many more areas than anyone can anticipate.

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

ADDITIONAL COMMUNICATION

Ms. Leach introduced Elisha Apodoca, who joined staff last week as Financial Management Consultant.

Mr. Badal said he was heartened by Lt. Governor Morales's earlier comments on the Floyd water issue and the fact that he was taking a more macro look at the rural water systems in this state. He suggested that perhaps the legislature could fund a consultant who could survey and review all the rural water systems and make recommendations as to what needs to be done to allow these communities to continue to exist. He said perhaps the review could include any community wastewater systems, as well.

Lt. Governor Morales said there are indications that the legislature is aware of an issue, as it recently approved a rural ombudsman, but that is a huge job for one person to manage.

Secretary Romero noted that DFA appointed Shanna Sasser as the Rural Ombudsman for the state, and she plans to challenge Dr. Sasser to work with the appropriate governmental agencies. For instance, the New Mexico Environment Department did a survey of water systems, and this needs to be brought up to date. She said she plans to meet with Dr. Sasser as well as Colonel Quintana from the Local Government Division to figure out how to move forward and what kind of plan can be put in place, and who should be brought into the discussion. She also plans to work with the Mortgage Finance Authority on the issue of housing across the state, which is the other big issue that needs to be addressed. She said she would be happy to provide a report on this at the next Board of Finance meeting.

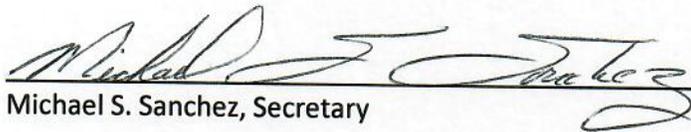
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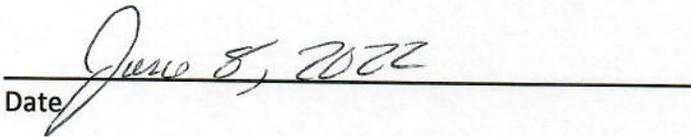


Michelle Lujan Grisham, President

May 24, 2022

Date


Michael S. Sanchez, Secretary


Date