

NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

Santa Fe, New Mexico

September 20, 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.

1. ROLL CALL -- QUORUM PRESENT

Members Present:

The Hon. Howie Morales, Lt. Governor [not present 9:15 – 10:30 a.m.]
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
The Hon. Tim Eichenberg, State Treasurer

Staff Present:

Ms. Ashley Leach, Director
Mr. Marcos B. Trujillo, Deputy Director
Ms. Debbie Romero, Secretary, Department of Finance and Administration

Legal Counsel Present:

Ms. Sally Malavé

2. APPROVAL OF AGENDA

Mr. Sanchez moved approval of the agenda, as amended. Mr. Badal seconded the motion, which passed unanimously.

3. APPROVAL OF MINUTES: July 19, 2022 (Regular Meeting)

Ms. Trevisani moved for approval of the minutes of the July 19, 2022, meeting. Mr. Cassidy seconded the motion, which passed unanimously.

CONSENT AGENDA (Items 4-16)

Presenter: Ashley Leach, Director, Board of Finance

Submitted by: Mona Romero, Real Estate Property Agent, Bernalillo County

- 4. Bernalillo County—Requests Approval of the Lease of Real Property Located at 201-209 San Pablo SE in Albuquerque to PB&J Family Services (\$97,500/year, services in lieu of rent)**
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- Contingent upon director's and counsel's receipt of a fully executed lease agreement

- 5. Bernalillo County—Requests Approval of the Lease of Real Property, Located at 1714 Centro Familiar in Albuquerque, to Youth Development Inc. (\$28,400/year, services in lieu of rent)**
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- Contingent upon director's and counsel's receipt of a fully executed lease agreement

Submitted by: Olivia Padilla-Jackson, VP Finance and Operations, CNM

- 6. Central New Mexico Community College—Requests Approval of an Amendment to the Lease of Real Property, Located at the Joseph M. Montoya Campus in Albuquerque, to New Mexico State University (\$38,385/year)**
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- Contingent upon director's and counsel's receipt of fully executed lease amendment

Submitted by: Susan Odegard-Fellows, Strategic Assets Coordinator, Los Alamos Public Schools

- 7. Los Alamos Public Schools—Requests Approval of the Lease of Real Property, Located at 2101 Trinity Drive, Suite S, in Los Alamos, to Pajarito Music, LLC (\$8,565/year)**
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Submitted by: Joseph F. Sawyer, County Attorney, San Juan County

- 8. San Juan County—Requests Approval of the Sale of Real Property, Located at 805 Maddox Avenue in Aztec, to Presbyterian Medical Services (\$220,000)**
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- 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: Gerald Hoehne, Capital Projects Director, Higher Education Department

- 9. New Mexico Military Institute—Requests Approval of Capital Expenditures for the Repair and Replacement of Campus Plumbing (\$825,000)**
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Submitted by: Anna Silva, Director, Facilities Management Division

10. **General Services Department—Requests Approval of an Amendment to the Contract with HB Construction Inc. for Renovations to the Pinetree Child Wellness Center, Located at 4801 Indian School Rd NE in Albuquerque (\$43,485,122.70, increase of \$393,560.15)**
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- Contingent upon director’s receipt of the fully executed contract change order

11. **Capital Buildings Repair Fund Financial Status Report for Months-Ended July 31, 2022, and August 31, 2022**
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12. **Legislative Capital Projects Financial Status Report for Months-Ended July 31, 2022, and August 31, 2022**
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Submitted by: Vikki Hanges, Chief Investment Officer, State Treasurer’s Office

13. **State Treasurer’s Office Investment Report for Months-Ended June 30, 2022, and July 31, 2022**
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Submitted by: Ashley Leach, Director, Board of Finance

14. **Emergency Balances – September 30, 2022**

	<u>Balance</u>	<u>Appropriation</u>
Operating Reserve Fund	\$2,500,000.00	\$2,500,000.00
Emergency Water Fund	\$ 73,900.00	\$ 109,900.00

15. **Fiscal Agent and Custodial Bank Fees Reports**

16. **Joint Powers Agreements for Months-Ended July 31, 2022 and August 31, 2022**
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Mr. Cassidy moved approval of the Consent Agenda, as presented. Mr. Sanchez seconded the motion, which passed unanimously.

BONDING PROGRAMS

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

17. **Consideration and Ratification of the Preliminary Official Statement for State of New Mexico Severance Tax Bonds, Series 2022B**
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Ms. Leach stated that the board will issue these bonds on September 28 with the closing on October 11, for roughly \$316,000,000.

Ms. Graney said the Preliminary Official Statement is based on the one completed earlier for the June issuance, as a lot of information for FY 2022 is not yet available. They did get the updates that they could, including recent updates from the Consensus Revenue Estimating Group. They relied very heavily on Ms. Leach and her team at DFA for those updates, but also checked in to get dates from Taxation & Revenue and from all of the other state agencies that they consult for these issuances.

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

[Lt. Governor Morales stepped away from the meeting.]

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. Amending Resolution for State of New Mexico Severance Tax Bonds, Series 2022B, Maximum Principal Amount of \$370,000,000

Ms. Leach said these bonds are set to be sold on September 28 with a closing date of October 11. The final project list has been completed and they are issuing \$316,000,000.

Mr. Schenken said this amending resolution incorporates the list of approved projects that were authorized by the legislature and were not issued or funded with the 2022A bonds. They have been vetted and reviewed by the bond counsel team, tax counsel, board staff and board counsel, and take into account projects that weren't ready to proceed or were otherwise not in compliance. The final project list total is \$316,000,000. The anticipated principal amount of the bonds is approximately \$288,000,000, subject to change from market conditions.

Responding to Mr. Cassidy's request for comment, Mr. Paul stated much of the rest of the world has been in a recession for two years already, while the U.S. has been an outlier in terms of the strength of its economy. While it can withstand the impacts of higher interest rates, he expects the rest of the world is on the edge of another debt crisis, and the recession is only going to get worse in Europe. While historically what's bad for the rest of the world has been good for the bond market, that has not been the case this time around. The U.S. is in a relative period of stability compared to where it was four months ago, and the rates anticipated next week are probably about 10 basis points higher on an aggregate true interest cost basis than the rates on the 2022A bonds.

Mr. Badal moved for approval. Ms. Trevisani seconded the motion, which passed unanimously.

STATE TREASURER'S OFFICE

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

19. Quarterly Investment Report for Quarter-Ended June 30, 2022

Ms. Hanges reported that, at the end of June, STO managed about \$14.5 billion in assets, about \$2.7 billion higher than at the end of the first quarter. Since the end of August, STO has paid out \$1.5 billion to the Early Childhood Fund, but tax receipts and oil & gas receipts have continued to come in very strongly. In addition, the Severance Tax Bonding Fund, which had been coming in at \$30-\$35 million per month, came in over \$300 million last month.

HIGHER EDUCATION DEPARTMENT

CAPITAL EXPENDITURES

Presenters: Gerald Hoehne, Director, Higher Education Department; Dr. Sam Minner, President, NMHU; Max Baca, Vice President of Financial, Administration, and Government Relations, NMHU; Dr. Denise Montoya, Assistant Vice President of Financial, Administration, and Government Relations, NMHU; Sylvia Baca, Director of Facilities and Planning, NMHU

20. New Mexico Highland University—Requests Approval of Capital Expenditures for Renovation of Sininger Hall (\$7,282,330)

Mr. Hoehne stated that New Mexico Highlands University (NMHU) is requesting approval of capital expenditures in the amount of \$7,282,330 to renovate Sininger Hall in Las Vegas. Sininger Hall was originally constructed in 1961 as a dormitory and has been converted to house the NMHU School of Business and Media Technology, Graduate Office, Contracts Office, Office of Institutional Research, and ITV operations. The renovation project includes a large variety of major renovations, including space reconfiguration for the existing programs, ADA improvements, LEED improvements, safety improvements, solar panel installation, and upgrades and/or replacement of nearly all building systems. The project has been included in NMHU's capital outlay plan since 2016. The university will use \$7,000,000 in GO bond proceeds and \$282,330 in university funds for the project.

President Minner provided more detail on this project. He said there was an increase in enrollment this fall, for the first time in many years, of 3.8 percent. He had hoped for more, but mitigating factors were the Cerro Grande fire and flooding. Fall retention was also very good and he feels will continue to improve over time.

Mr. Cassidy asked if there are any backup plans for having cash available if the budget turns out to be insufficient, given the rise in construction costs.

Dr. Minner responded that he did not feel NMHU would have sufficient money because of supply chain problems and other cost increases. Their next step is to seek guidance from their board. They have some reserves, but he did not want to commit to that without board direction.

Mr. Sanchez asked Dr. Minner what he could attribute to the increase in enrollment this fall.

Dr. Minner responded that the Opportunity Scholarship has helped. He also changed NMHU's original strategy of limiting the number of contacts it made on the front end and then pressing hard to get those students to enroll and actually show up. Given the population decline in most of Northern New Mexico from 2010-2020, he feels the shift in strategy to recruit from other areas has been very successful. They have students in and around the Denver area after making several trips there, and have made a renewed effort to recruit across New Mexico, including Southern New Mexico.

Dr. Minner said they have strong programs online, including their nursing program. Online enrollment is up, including their international program.

Mr. Hoehne said NMHED this year requested higher education institutions to provide information that supports projects that are already funded but which have experienced shortfalls because of the increase in construction costs, in order to make a recommendation to the upcoming legislature that it make those projects whole.

Mr. Hoehne stated that NMHED asked Higher Education institutions to provide a detailed plan on improving enrollment retention and graduation across New Mexico. These plans have been reviewed and NMHED is assisting in providing some funding from the legislature to them to help them build up their programs to support those initiatives of recruitment, retention and wraparound student services.

Mr. Cassidy moved for approval. Ms. Trevisani seconded the motion, which passed unanimously.

Mr. Badal asked Mr. Hoehne if NMHED has looked at ways that all of the institutions in New Mexico might be able to realize economic efficiencies through the sharing of expertise that one institution might have that another might not have. Perhaps NMHED could make a core curriculum available to all institutions across the state. This would reduce redundancies and would be cost efficient.

Mr. Hoehne responded that NMHED has been working closing with higher education institutions over the last 8 to 10 years on several such initiatives. The first is the common course numbering to ensure that classes and courses are transferable across all higher education institutions in New Mexico. In addition, higher education institutions have

continued to build on the partnerships they currently have from one institution to another, and NMHED will continue to build on those collaborations.

Presenters: Gerald Hoehne, Director, Higher Education Department; Dr. Monica Torres, President, DACC; Kelly Brooks, Vice President of Business and Finance, DACC

21. New Mexico State University, Doña Ana Community College—Requests Approval of Capital Expenditures for Construction of a New Creative Media Facility at Arrowhead Park (\$11,020,000)

Mr. Hoehne stated that NMSU, Doña Ana Community College (DACC) is requesting approval of capital expenditures of \$11,020,000 for construction of the new Creative Media Building at Arrowhead Park. The new facility will focus on educating students in creating digital media, including video games, animation, digital audio/video and photography, graphic and web design, and film production. The scope of work includes a new 13,912-square-foot single-story facility with a multipurpose open studio/production stage, two digital classrooms, four offices, a reception area, and a common gathering area for student and public interaction. The facility will include LED lighting, sound deadening wall treatment, a loading dock to facilitate moving production set pieces and equipment, and independent HVAC controls for creating isolated environments. A new parking lot with 40 spaces will also be part of the project. Funding sources for this project include \$2,960,000 from 2018 and \$5,400,000 from 2021 General Obligation Bond proceeds, \$1,500,000 from 202 State General Obligation Bond proceeds, and \$1,160,000 from institutional capital outlay funds.

Dr. Torres stated that this is a healthy program from the enrollment perspective. The program and project is part of a broader collaboration in southern New Mexico, which they are calling the Creative Campus, which will be housed at Arrowhead Park. Their partners include the university Creative Media program, public schools, several nonprofits, the public radio and television station, and the City of Las Cruces. In addition, the Governor was in Las Cruces to announce that there would also be a hub of the New Mexico Media Academy, and they are in conversations right now with the New Mexico Economic Development Department and New Mexico Film Office to create a working arrangement for the hub as part of this broader collaboration. She said the collaboration's two goals are to make sure they have educational programs that prepare students for good-paying jobs in the region, and to build and support a robust economy in the region. She said film and digital media is a state priority, and is a priority in Doña Ana County as well. She commented that the film and digital media business is exploding in the southern part of the state. In FY 2019, direct spend dollars were \$2.6 million with 500 worker days, and in FY 2022, it rose to \$7.9 million and 9,000 worker days.

Mr. Sanchez noted that the state's Native American population is starting to use animated videos to teach the younger generation their language and dialects, as well as their culture and history. He asked Dr. Torres to consider this as a possible addition to the program.

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

[Lt. Governor Morales rejoined the proceedings.]

BONDS

Presenters: Gerald Hoehne, Director, Higher Education Department; D'Anne Stuart, Associate Vice President of Finance and Business, NMSU; Erik Harrigan, Managing Director, RBC Capital Markets, LLC; Katherine McKinney, Attorney, Modrall Spering Law Firm

22. New Mexico State University—Requests Approval of the Issuance of System Revenue Bonds, Series 2022 (Not to exceed \$28,500,000)

Mr. Hoehne stated that NMSU is requesting approval of the Issuance of System Revenue Bonds not to exceed \$28,500,000. This issuance will fund several capital projects at NMSU, including the university's Recreation Activity and Aquatic Center, Aggie Memorial Stadium, Corbett Center Student Union Building, and the Pan American Center. Each project will be brought forward for approval once it is ready for construction. All of the facilities are currently funded by student fees. The bond issuance will take advantage of existing debt that is retiring, which is paid from student fee revenues. By doing this, there will not be an increase in the student fees nor an increase in the university's annual debt service that it has historically paid for student fee related debt. The bonds will be sold as a private placement with New Mexico Finance Authority (NMFA). The bond issuance was recommended for approval by the NMHED Capital Outlay Committee at its September 14, 2022, hearing.

Ms. Stuart commented that they take it very seriously when the students support this, and want to make sure that they have a level of stewardship on how they spend those funds. Each facility's investment will support the student experience, especially in the way of recruitment and retention.

Mr. Harrigan said the bonds will be sold in conjunction with the NMFA going into the market, which is expected the last week of October or the first week of November, and the NMFA board is expected to take action on authorizing the bonds at its meeting later this week. The annual debt service will be \$3.6 million, which is the student fee revenue amount. The issuance of the bonds will not increase the university's annual debt service; and in fact, the total combined debt service will continue to decline over the next couple of years, even with the addition of these bonds, due to the university's attractive debt profile. Anticipated rate on the bonds is about 3.5 percent.

Mr. Cassidy asked Ms. Stuart if there is supplemental cash available in the event there are cost overruns. He asked if they are going to proceed with all of the projects simultaneously, or will they be prioritized.

Mr. Cassidy noted that this is a 20-year amortization, which is a positive change, representing a change from what the university used to do. He asked Mr. Harrigan to comment.

Ms. Stuart responded that they haven't finalized all the projects. Some will have to be re-estimated, and then they will prioritize them based on the need, condition assessment, what critical systems need to be updated, and what enhancements can be added. Each project will be on a different timeline, and because these are all student activity buildings, they will time the projects where the students are the least impacted.

Responding to Mr. Cassidy's question, Mr. Harrigan said the debt is structured to allow for a decline in debt service by about \$1 million in 2032, giving the university flexibility to come back to issue additional bonds for projects at that time.

Mr. Cassidy moved for approval. Ms. Trevisani seconded the motion, which passed unanimously.

Ms. Leach read the parameters of the resolution.

EMERGENCY FUNDING REQUESTS

Presenters: Mary Carmack-Altwies, District Attorney, First Judicial District Attorney's Office; Jennifer Padgett Macias, Chief Deputy District Attorney, First Judicial District Attorney's Office; Brenda Rael Martinez, Chief Financial Officer, First Judicial District Attorney's Office

23. First Judicial District Attorney's Office—Requests Approval of an Emergency Operating Grant for Costs Related to RUST Movie Shooting (\$635,500)

Ms. Carmack-Altwies stated this emergency funding request, which was originally for \$635,000, comes from the case from the "RUST" movie set incident on October 21, 2021. The office of the First Judicial District Attorney (FJDA) will shortly receive the final report from the Sheriff's Office and FBI reports, and there were hundreds of people to interview. It has become apparent that they will be potentially charging between one and four people with criminal charges, and each charge will probably include some variation of the homicide statute. She commented that homicide cases are the most complex and litigious, and one of the people that are looking at potential charges already has attorneys. The FJDA's Office has spoken with about a dozen attorneys from around the country who are dealing with these cases. She said these cases will be too big for just her office to handle on its own. There are three attorneys (including herself) from her office assigned to the case, all of whom have caseloads already they have to deal with. The office needs an almost-full time attorney and someone who is very experienced on

complex cases and with litigation. Additionally, that person will then need paralegal support staff, an investigator to follow up on missing pieces, finding witnesses and so forth, and the biggest other chunk of money they will need will be to retain experts. They will need a firearms expert, an armorer who has worked on movies before and knows the protocols and procedures on movie sets, and an expert on safety protocols on movie sets. The attorney they will need will be employed for about 60 hours out of an 80-hour pay period. She said one of their other requests is for a public information officer. When these charges first happened, her office was overwhelmed with media attention, phone calls, faxes, and emails from in the U.S. and other countries. She said her office doesn't have the capacity to handle those requests. Ms. Carmack-Altwies noted that they have two vacancies, but they are unfunded, and the rest of their office is fully staffed, which means their budget is completely accounted for.

Responding to Ms. Trevisani, Ms. Carmack-Altwies said she anticipates hiring people from New Mexico, if only because they will have to meet very frequently about this case. As far as expert witnesses, it appears they might be able to get a gun safety expert from New Mexico, but the other two will have to come from out of state.

Mr. Cassidy commented to board members that what he is noticing is that the board is getting requests from agencies it hasn't heard from in the past, and it was apparent it was going to have to ask for additional emergency funding in the future.

Responding to Mr. Cassidy, Ms. Carmack-Altwies said that they expect to ask the legislature for an additional appropriation in the next session for approximately the same amount, but can't wait until January or February. The report coming in from the FBI in October means they will be pressed to get moving on these cases.

Mr. Sanchez asked if the FJDA has asked for assistance from the Attorney General's Office in terms of the prosecution of these cases, as well as manpower such as private investigators. Ms. Carmack-Altwies responded they haven't specifically reached out about this case in particular, but they frequently reach out to and collaborate with the Attorney General's Office on other cases; however, that office also now has fairly full caseloads and would not have an attorney that could devote 60 hours every two weeks to handling this case. The attorney she is planning to hire is a retired district attorney with 25+ years of experience, and this will be her only case for the next 12 to 18 months, which is by design. With regard to investigators and paralegals, those individuals will be working half time, and the Attorney General's Office does not have the resources to devote that much time to the FJDA.

Ms. Leach stated that they have a draft resolution with contingency language that includes receiving invoices, and they would be providing funding on a reimbursement basis as well as reporting on any updates on the trial, the need for these funds, and the requirement to return funds should they not be expended following the special legislative session. They are also recommending providing half of the original requested

amount in the form of a grant totaling \$317,750, which is half the original request, providing an opportunity for the District Attorney to seek that special appropriation. The board can take action at a later date if necessary.

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

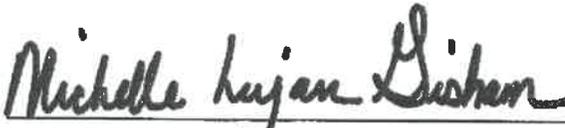
STAFF ITEMS

Presenter: Ashley Leach, Director, Board of Finance

24. Report on Revised Emergency Funding Request Project

Ms. Leach stated that, at July's Board of Finance meeting, staff was looking to amend and update the application for emergency funds. She noted that a lot of emergency requests being received don't necessarily provide staff with enough information to fully vet a project in order to bring it forward. She said it is staff's responsibility to ensure that these entities have the appropriate guidance in front of them when preparing their requests. She reviewed the amended and updated application in the board packet (page 1,309).

~~**ADJOURNMENT: 11:05 a.m.**~~



Michelle Lujan Grisham, President

Date



Michael S. Sanchez, Secretary

Nov. 6, 2022

Date

