

NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

Santa Fe, New Mexico

November 15, 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. The meeting was held with a virtual option for those who could not attend in person.

1. ROLL CALL -- QUORUM PRESENT

Members Present:

The Hon. Tim Eichenberg, State Treasurer
Mr. Joseph Badal, Public Member [attending virtually]
Mr. Paul Cassidy, Public Member
Mr. Michael S. Sanchez, Secretary, Public Member [attending virtually]
Ms. Wendy Trevisani, Public Member

Members Excused:

The Hon. Michelle Lujan Grisham, President
The Hon. Howie Morales, Lt. Governor

Staff Present:

Ms. Ashley Leach, Director
Mr. Marcos B. Trujillo, Deputy Director

Legal Counsel Present:

Ms. Jennifer Salazar

2. APPROVAL OF AGENDA

Mr. Cassidy for approval of the agenda, as published. Ms. Trevisani seconded the motion, which passed unanimously.

3. APPROVAL OF MINUTES: October 18, 2022 (Regular Meeting)

Mr. Cassidy moved for approval of the minutes of the October 18, 2022, minutes, as presented. Ms. Trevisani seconded the motion, which passed unanimously.

CONSENT AGENDA (Items 4-22)

Presenter: Ashley Leach, Director, Board of Finance

Submitted by: Misty Dawn Benavidez, Property Manager, Doña Ana County

4. Doña Ana County—Requests Approval of the Donation of Real Property Located at 355 W. Savannah Road in Doña Ana County to Alto de La Flores Mutual Domestic Water Consumers Association

- Contingent upon director’s and counsel’s receipt of (1) a fully executed donation agreement and (2) a fully executed quitclaim deed

Submitted by: Pamela Heltner, County Manager, Otero County

5. Otero County—Requests Approval of the Amended Lease of Real Property, Located at 401 Fairgrounds Road in Alamogordo, to Otero County Fair Association (\$89,000/year, services in lieu of cash rent)

- Contingent upon director’s and counsel’s receipt of a fully executed amended lease agreement

6. Otero County—Requests Approval of the Lease of Real Property, Located at 472 Ace Ryan Street in Chaparral, to Help New Mexico, Inc. (\$33,400/year, services in lieu of cash rent)

Submitted by: Cori Bergen, Chief Information Officer, Santa Fe Community College

7. Santa Fe Community College—Requests Approval of the Lease of Real Property, Located at 6401 S. Richards Avenue in Santa Fe, to Gravity Pad Towers, LLC (\$12,000)

- Contingent upon director’s and counsel’s receipt of a revised and fully executed lease agreement

Submitted by: Gerald Hoehne, Director, Higher Education Department

8. New Mexico School for the Blind and Visually Impaired—Requests Approval of Capital Expenditures for the Installation of a New Playground (\$1,300,000)

9. University of New Mexico—Requests Approval of Capital Expenditures for the Comprehensive Cancer Center’s TomoTherapy Machine Replacement (\$4,254,498)

10. New Mexico State University—Requests Approval of Capital Expenditures for the Installation of Statewide Weather Stations (\$1,761,168)

11. New Mexico State University—Requests Approval of Capital Expenditures

**for Clayton Agricultural Science Center Feed Mill Renovations
(\$1,300,000)**

12. **New Mexico State University—Requests Approval of Capital Expenditures for the Replacement of the Artificial Turf at Aggie Memorial Stadium (\$1,750,000)**
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Submitted by Anna Silva, Director, Facilities Management Division

13. **New Mexico General Services Department—Requests Approval of an Amendment to the Contract with HB Construction Inc. for Renovations at the Child Wellness Center at the Pinetree Corporate Center Buildings \$43,521,379.91)**
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Submitted by: Ashley Leach, Director Board of Finance

14. **Consideration of the Third Amending Resolution for State of New Mexico Supplemental Severance Tax Note, Series 2021S-D**
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Submitted by Anna Silva, Director, Facilities Management Division

15. **Capital Buildings Repair Fund Financial Status Report for Month-Ended October 31, 2022**
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16. **Legislative Capital Projects Financial Status Report for Month-Ended October 31, 2022**
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Submitted by Vikki Hanges, Chief Investment Officer, State Treasurer’s Office

17. **State Treasurer’s Office Investment Report for Month-Ended September 30, 2022**
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Submitted by Ashley Leach, Director, Board of Finance

18. **Proposed Board of Finance Meeting Schedule for Calendar Year 2023**

19. **FY22 Tax Increment Development District Reporting**

20. **Emergency Balances – November 15, 2022**

	<u>Balance</u>	<u>Appropriation</u>
Operating Reserve Fund	\$2,182,250.00	\$2,500,000.00
Emergency Water Fund	\$ 73,900.00	\$ 109,900.00

21. **Fiscal Agent and Custodial Bank Fees Report for Month-Ended October 31, 2022**
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22. **Joint Powers Agreements for Month-Ended October 31, 2022**

Ms. Trevisani moved approval of the Consent Agenda, as presented. Mr. Cassidy seconded the motion, which passed unanimously.

BONDING PROGRAMS

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

23. Authorizing Resolution for State of New Mexico Severance Tax Note, Series 2022S-C, Maximum Principal Amount of \$50,162,797

Mr. Carrasco said this is one of a series of short-term bonds customarily issued by the Board of Finance to fund legislatively appropriated projects. Unlike the Series 2022A and 2022B bonds issued earlier this year, interest on this note is not excludable from income for federal tax purposes. Projects which may not be suitable for tax-exempt funding can be funded through this note, as can projects which are suitable for tax-exempt funding.

Mr. Carrasco said that, while this issue will be subject to an interest rate of LIBOR + 5 basis points, the LIBOR rate is being phased out as of June 30. The state anticipates using the SOFR (Secured Overnight Financing Rate) for notes issued after that time.

Mr. Carrasco said the due diligence work is not yet complete. The board will be presented with the final list for review and consideration at its December meeting.

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

24. Authorizing Resolution for State of New Mexico Supplemental Severance Tax Note, Series 2022S-D, Maximum Principal Amount of \$680,000,000

Ms. Sweeney stated that this note will be issued to primarily fund public school capital outlay projects. Referring to Exhibit A of the resolution, she said the purpose of this note is to fund capital project grant assistance and related uses pursuant to the Public School Capital Outlay Act, to purchase instructional materials, and for lease payment assistance. They have not yet received final certification from the Public School Capital Outlay Council (PSCOC), but will need to have that in hand prior to closing.

Ms. Leach stated that the PSCOC is planning on introducing some legislative options and statutory changes in the next legislative session that would, through a variety of mechanisms, allow for additional schools to be eligible for state funding through the capital outlay program that is funded out of Supplemental Severance Tax Notes. If that legislation passes, the board anticipates it will be funding more school projects. A lot of this is in response to the large amount of revenues being seen coming into the bonding

fund. The PSCOC, which meets next week, will be doing the certification of projects, and they are looking at that certification based on a few scenarios, one of which is that the legislation passes and there is an increase in eligibility.

Ms. Leach said that, assuming the legislation passes, and they certify less than the capacity amount of \$680 million and likely just below \$400 million, the board would then sell the note at the lower amount. This leaves PSCOC the option to certify the need in June 2023 to sponge up any remaining capacity. She believes the certification attached to the amending resolution in December will be less than the \$680 million, but that is subject to PSCOC action at its meeting next week.

Ms. Leach confirmed that any amount certified below the \$680 million would mean there would be more money in the bonding fund that would revert to the permanent fund on December 31.

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

PROPERTY DISPOSITIONS

Presenters: William Provance, Airport Manager, Doña Ana County; Fernando Macias, County Manager, Doña Ana County; Brent Harris, Chief Development Officer, Franklin Mountain Investments

25. Doña Ana County—Requests Approval of the Exchange of Real Property, Located at 8014 Airport Road in Santa Teresa, with Franklin Mountain ST Opportunity Fund III, LLC (\$360,000)

Mr. Macias reviewed the background and history of this request. Doña Ana County is requesting approval to exchange real property at the Doña Ana County Jetport with Franklin Mountain ST Opportunity Fund III, LLC. Under the exchange, the county will convey 12.03 acres to Franklin, and Franklin will in turn convey 5.68 acres to the county. The county's acreage includes two triangular parcels of vacant land at the Jetport, and Franklin's acreage also includes two triangular parcels of vacant land very near the county parcels. The goal is to consolidate the two pieces and create a rectangular piece of property, and for Franklin to construct two 700,000 square foot facilities to promote utilization and job creation in the area. In order to allow the developer ownership in fee simple to enhance the financing opportunities, it requires that the county be able to transfer or exchange Portions E and B to create the triangular configuration and allow the project to go forward.

Mr. Macias said the benefit to the county is not only acquiring property at a greater value than that being exchanged, but it allows the county to have a more contiguous property so it can lease or develop it in the future.

Ms. Trevisani asked Mr. Macias to provide more detail on the thousands of jobs being anticipated; for instance, would these be jobs imported from manufacturers coming from other parts of the country. She also asked if the warehouses and logistics facilities were being strategically planned since they would be so close to the Jetport or was that not a factor.

Mr. Macias responded that that he was referring to the entire region when discussing the thousands of jobs that would be created, although these two facilities certainly could create hundreds of jobs. He noted there are companies locating throughout this area, all the way down to the Port of Entry, so there are very concerted efforts by the state and county to promote development on both sides of the border. The Jetport is very strategically located off Airport Road, and they are promoting an effort for development related to rail, air, and truck transport through the intermodal facility there. In addition, they have received numerous federal grants to promote further economic development activity, and they see this land exchange as a way to open up opportunities at the Jetport.

Responding to Mr. Cassidy, Ms. Leach said the property being received by the county has a fair market value of \$360,000, and the Franklin parcels to be conveyed to the county have a fair market value established at \$490,000. Even should the Property Tax Division require some amendments to the appraisal, it is unlikely that the county's property would fall below a value that would cause anti-donation concerns.

Treasurer Eichenberg asked if Franklin would be asking for a donation to the county for the difference in value. Mr. Harris responded that, from a valuation standpoint, A is creating value by providing access to Airport Road directly from the airport property, which it doesn't have today. A and D, as compared to B and E, are valued as is, which is explained in the appraisal. He said they are looking at this as an even swap.

Ms. Leach read the contingencies:

- Contingent upon director's and counsel's receipt of: (1) a revised and fully executed exchange agreement; (2) Taxation and Revenue Department, Property Tax Division, favorable reviews of each appraisal relating to the to-be-exchanged properties; (3) a fully executed quitclaim deed; (4) a fully executed warranty deed; and (5) a fully executed resolution of the County approving the exchange.

Ms. Leach said staff is asking that the county notify them when it receives FAA approval.

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

PRIVATE ACTIVITY BONDS

Presenter: Marcos B. Trujillo, Deputy Director, Board of Finance

26. Private Activity Bond Cap Allocation 2022 Expiration Date

Mr. Trujillo said this establishes the expiration date for the allocation the state received for calendar year 2022. Pursuant to Sections 6-20-1 through 6-20-11 NMSA 1978, the board must annually select the date on or before December 26, upon which all unexpired Private Activity Bond allocation issued for the calendar year shall expire. The board will be hearing a project that will be requesting supplemental volume cap as the next item, which will not close prior to the next board meeting. In order to allow them some extra time to be able to close on their transaction, staff is recommending that, through this action, it would be establishing the expiration date for the volume cap. If it considered and approved for the next item, it would expire on December 26.

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

Presenters: Marcos Gonzales, Economic Development Manager, Bernalillo County; Laura Chavez, Interim CEO, Supportive Housing Coalition of New Mexico; Debbie Davis, Chief Administrative Officer, Supportive Housing Coalition of New Mexico; Thomas C. Mannschreck, President, Thomas Development Company; Angie Ferguson, Director of Operations, Thomas Development Company

27. Bernalillo County—Requests Approval of a Supplemental Private Activity Bond Volume Cap for the San Roque Apartments in Albuquerque (\$6,600,000)

Mr. Gonzales stated that this request is for approval of a supplemental Private Activity Bond volume cap for \$6,600,000 for the San Roque affordable multifamily apartment project in Northwest Albuquerque.

Mr. Cassidy asked if Bernalillo County is seeing construction costs declining at all, and what the rents are going to be now versus what they thought they might be when they originally applied for the volume cap.

Mr. Mannschreck responded that this project will consist of 137 units with three people in each apartment on average. While some prices have gone up stratospherically, others have been relatively calm. His sense is that construction costs in 2023 will be relatively flat with modest increases, unlike the 20-25 percent increases seen over the last couple of years. With respect to rents, Congress did pass income averaging so that first responders (police, fire, teachers) with salaries in the 60-80 percent range of area median income could buy or rent in the communities in which they worked. These laws are now in the process of being amended to allow for more tax credit equity investing in these income-averaging projects. Mr. Mannschreck added that the market for “class A” apartments, which in downtown Albuquerque are renting for \$2,300 to \$2,800 a month,

is cratering right now in other areas. He said he would be surprised if those rents didn't start coming down locally.

Mr. Cassidy 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

28. Investment Review for Quarter-Ended September 30, 2022

Ms. Hanges presented this report. At the end of September, STO managed \$13.6 billion in assets, a decrease from the high of \$14+ billion seen earlier; however, STO has been receiving substantial amounts from the Severance Tax Bonding Fund, which is expected to be about \$1.5 billion by December 31, as well as enormous amounts of GRT.

STATE ITEMS

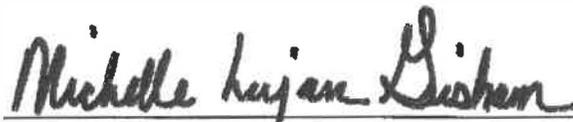
Presenter: Ashley Leach, Director, Board of Finance

29. Financial Advisory Services Contract

Ms. Leach requested approval of the contract that has been negotiated with Fiscal Strategies Group, which has been the provider of financial advisory services since 1999.

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

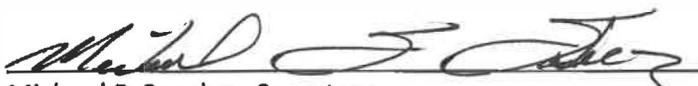
ADJOURNMENT: 10:25 a.m.



Michelle Lujan Grisham, President

1/4/2023

Date



Michael S. Sanchez, Secretary

1/4/2023

Date