

NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

Santa Fe, New Mexico

November 19, 2024

A regular meeting of the New Mexico State Board of Finance was called to order on this date at 9:13 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. Howie Morales, Lt. Governor
Mr. Paul Cassidy, Public Member
Mr. Michael S. Sanchez, Secretary, Public Member
Mr. Joseph Lujan, Public Member
Ms. Wendy Trevisani, Public Member

Members Excused:

The Hon. Michelle Lujan Grisham, President
The Hon. Laura M. Montoya, New Mexico State Treasurer

Staff Present:

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

Legal Counsel Present:

Mr. Blaine Moffatt
Ms. Rebecca Guay

2. APPROVAL OF AGENDA

Member Lujan moved approval of the agenda, as published. Member Trevisani seconded the motion, which passed unanimously.

3. APPROVAL OF MINUTES: October 15, 2024, Regular Meeting

Member Cassidy moved approval of the minutes of the October 15, 2024, meeting. Member Lujan seconded the motion, which passed unanimously.

Secretary Propst introduced George Hypolite, DFA's new legal counsel.

CONSENT AGENDA (Items 4-21)

Presenter: Ashley Leach, Director, Board of Finance

Submitted by: Gerald Hoehne, Chief of Staff and Chief Financial Officer,
Higher Education Department

4. **New Mexico Highlands University—Requests Approval of Capital Expenditures for Construction of a Student Wellness Center (\$1,125,000)**
5. **New Mexico State University—Requests Approval of Capital Expenditures for Replacement of the Corona Hay Barn (\$592,322.79)**
6. **New Mexico State University—Requests Approval of Capital Expenditures for Upgrades to the Women's Soccer Field (\$754,045.35)**
7. **New Mexico State University—Requests Approval of Capital Expenditures For Renovation of Anderson Hall (\$2,850,000)**
8. **New Mexico State University—Requests Approval of Capital Expenditures for an Addition to the Aggie Innovation Space Engineering Complex (\$3,800,000)**
9. **New Mexico State University—Requests Approval of Capital Expenditures For Phase 3 Renovations to Agricultural Science Centers (\$4,000,000)**
10. **New Mexico State University, Doña Ana Community College—Requests Approval of Capital Expenditures for Replacement of the Gadsden Center Roof (\$1,200,000)**
11. **New Mexico State University, Alamogordo—Requests Approval of *Revised* Capital Expenditures for Reidlinger Science Center HVAC Upgrades (\$3,727,809)**

Submitted by: Olivia Padilla-Jackson, Vice President of Finance & Operations, CNM

12. **Central New Mexico Community College—Requests Approval of an Amendment to the Lease of Real Property, Located at 5816 Isleta SW in Albuquerque, to the University of New Mexico's Early Childhood Services Center (\$24,786.36/year)**
 - Contingent upon director's and counsel's receipt and review of a fully executed lease agreement

Submitted by: Chris M. Barela, Real Property Specialist, Santa Fe County

13. Santa Fe County—Requests Approval of an Amendment to the Lease of Real Property, Located at 2600 Galisteo Road in Santa Fe, to Paul Thompson & Associates, Inc. (\$3,048.68/month)

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

14. Santa Fe County—Requests Approval of the Lease of Real Property, Located at 2145 Caja del Oro Grant Road in Santa Fe, to La Familia Medical Center (\$204,901/year)

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

Submitted by: David Chavez, Executive Director, Cooperative Educational Services

15. Cooperative Educational Services—Requests Approval of the Lease of Real Property, Located at 1451 Innovation Parkway, SE, Suite 200, in Albuquerque, to OptiPluse, Inc. (\$47,835/year)

- Contingent upon director's and counsel's receipt and review of (1) a fully executed lease agreement and (2) approved minutes and/or resolution from CES governing board.

Submitted by: Wilfred Noble, Jr. Project Manager, McKinley County

16. McKinley County—Requests Approval of the Fourth Amendment to the Lease of Real Property, Located at 1900, 1901, and 1910 Redrock Drive in Gallup, with Rehoboth McKinley Christian Health Care Services, Inc. (\$2,115,976/ services in lieu of cash)

- Contingent upon director's and counsel's receipt and review of a revised and fully executed fourth amendment to the lease agreement.

Submitted by: Trisha Green, County Manager, Hidalgo County

17. Hidalgo County—Requests Approval of the Sale of Real Property, Located at Old Highway 70 in Lordsburg, to Gerald Rauch, Maxx Energy LLC (\$185,000)

- 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: Benjamin Shelton, Acting Deputy Secretary, EMNRD

18. Energy, Minerals, and Natural Resources Department—Requests Approval of the Second Amendment to the Concession Contract with Christy Sports, LLC,

for the Ski Shop at Hyde Memorial State Park

- Contingent upon director’s and counsel’s receipt and review of a fully executed second amendment to the concession contract.

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

19. Consideration of the Contract with CliftonLarsonAllen for Investment Policy and Compliance Review and Delegation to Counsel and Staff to Complete Negotiations and Revisions

20. State Board of Finance Meeting Schedule for Calendar Year 2025

Ms. Leach stated that meetings are scheduled on the third Tuesday of each month with the exceptions of January, April and August. No meetings are scheduled in April and August, and the January meeting would be held on January 16.

21. Private Activity Bond Cap Allocation 2024 Expiration Date

Ms. Leach stated the Private Activity Bond Cap Allocation 2024 expiration date is December 17, 2024.

Member Trevisani moved approval of Consent Agenda Items 4-21, with the contingencies. Member Lujan seconded the motion, which passed unanimously.

INFORMATIONAL ITEMS

Presenter: Ashley Leach, Director, State Board of Finance

22. General Services Department Capital Buildings Repair Fund Financial Status Report for Month-Ended October 31, 2024

Ms. Leach presented this report.

23. General Services Department Legislative Capital Projects Financial Status Report for Month-Ended October 31, 2024

Ms. Leach presented this report.

24. State Treasurer’s Office Investment Report for Month-Ended September 30, 2024

25. Emergency Balances – November 19, 2024

	<u>Balance</u>	<u>Appropriation</u>
Operating Reserve Fund	\$3,573,700.00	\$4,000,000.00

Emergency Water Fund \$ 109,900.00 \$ 109,900.00

Ms. Leach reported these balances.

Ms. Leach stated that DFA is requesting \$6,000,000 for the Operating Reserve Fund in the upcoming legislative session.

26. Fiscal Agent and Custodial Bank Fees Report

Ms. Leach presented this report.

27. Department of Finance & Administration Approved Joint Powers Agreements for Month-Ended October 31, 2024

Ms. Leach presented this report.

28. New Mexico Mortgage Finance Authority Housing Fund 1st Quarter FY25 Earmark Report

Ms. Leach presented this report.

29. Staff Report on Finalization of Negotiations and Contract Execution of the Sole Source Contract with American Express

Ms. Leach reported that there has been only one change to the contract as of now, finalizing the term to end December 1, 2030, aligning it with the fiscal agent contract. The contract is still being reviewed by the General Services Department, but no further changes are anticipated.

STATE TREASURER’S OFFICE

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

30. State Treasurer’s Office Quarterly Investment Report for Quarter-Ended September 30, 2024

Ms. Hanges reported that, as of September 30, STO managed \$16.6 billion in assets versus \$17.3 billion at the end of June. The portfolio earned \$186 million in income and \$172 million in unrealized gains, for a total of \$358 million earned for the quarter. Ms. Hanges noted that earnings for the 2024 fiscal year were \$778 million, so in one quarter STO has produced about half of what the portfolios earned last year. This is mainly because STO was reinvesting at higher interest rates and there was a huge bond market rally in July, August, and September.

PRESENTATIONS

Presenters: Isidoro Hernandez, Executive Director, Housing New Mexico; Alex Lundy,

Finance Manager, Housing New Mexico; Arundhati Bose, Chief Financial Officer, Housing New Mexico; Christi Wheelock, Tax Credit Program Manager, Housing NM

31. Housing New Mexico/Mortgage Finance Authority—Overview of Private Activity Bond Volume Cap Needs for 2025

Mr. Hernandez presented an overview of the agency.

Ms. Bose presented HNM’s projected needs for available PAB Cap for 2025 and 2024 carryforward: 1) 40 percent, or approximately \$156 million, of the new PAB Cap for single family first-time homebuyers; 2) \$200 million for 2025 for multifamily projects; and 3) the maximum amount of 2024 carryforward to supplement the 40 percent allocation request for single-family housing.

Member Cassidy noted the estimated shortage of 41,000 housing units statewide with 30,000 of them in the Albuquerque area, and asked would it take to make a significant dent in that number.

Mr. Hernandez responded that more money is needed. Prior to last year, they had no bond cap constraints and there was sufficient cap for single family and multifamily. This year, they were one transaction away from not having sufficient bond cap for multifamily, and they see it becoming tighter going forward.

Member Cassidy asked if there are any market rate units being done in combination with low- and moderate-income units. Mr. Hernandez responded that they see this occasionally but not recently. Ms. Wheelock responded that there is one in Artesia, which is 198 units with 191 being tax credit qualified.

Ms. Bose said HNM had a \$70 million tax exempt bond offering in the market yesterday. The government rate is 5.85 percent, and the conventional rate is 6.125 percent. They had no taxables in this issuance because of the volatility in the market following the elections. Mr. Hernandez added that they are about 1 percent under the market, and their current rate is 5.75 percent versus 6.75 percent.

BONDING PROGRAMS

Presenters: Ashley Leach, Director, Board of Finance; Luis Carrasco, Director, Rodey Dickason, Sloan, Akin & Robb P.A.; Martha Carpenter, Rodey Dickson, Sloan, Akin & Robb, P.A.

32. Authorizing Resolution for State of New Mexico Severance Tax Note, Series 2024S-C (\$350,000,000 maximum principal amount)

Ms. Leach stated that the maximum principal amount of this note was established through appropriations made in the 2024 legislative session for a handful of DOT projects and \$30 million for tribal projects. Staff is currently reviewing the projects from tribal

communities and the Department of Transportation for readiness. A specific project list will be available at the Board of Finance December 17 meeting.

Mr. Carrasco reviewed details from the resolution. Senate Bill 275 authorized the issuance of up to \$320 million in Severance Tax Bonds to fund certain transportation projects of the Department of Transportation, up to \$30 million of tribal community projects certified by the Indian Affairs Department, and up to \$3,390,393 to fund projects authorized by Chapter 53 of New Mexico Laws of 2022 for which Severance Tax Bonds have not yet been issued. Interest on the note is not excludable from income for federal tax purposes.

Responding to Member Cassidy, Mr. Carrasco said 17 or 18 transportation projects were specified by the legislature. They were initially going to be funded from the New Mexico Finance Authority, but recognizing the state's capacity and positive financial position, the decision was made to use a different funding source.

Ms. Leach added that these projects are further along in the process and can be started sooner, allowing them to be funded as soon as possible. Authorization is only for one fiscal year, and this is one of two note sales where those projects could be considered before authorization expires.

Ms. Leach clarified that these projects are part of the STIP (State Transportation Improvement Program).

Member Lujan moved for approval. Member Sanchez seconded the motion, which passed unanimously.

33. Authorizing Resolution for State of New Mexico Supplemental Severance Tax Note, Series 2024S-D (\$800,000,000 maximum principal amount)

Mr. Carrasco stated that this note is one of a series of short-term bonds customarily issued by the Board of Finance, but rather than funding legislative reappropriated projects and set asides, notes such as this fund only Public School Capital Outlay projects and Public School Capital Improvement projects.

Mr. Carrasco said issuance of this note is contingent upon PSCOC certification of need for the bond proceeds, which has not yet been received. The note will not issue if certification is not issued by December 27, 2024.

Responding to Member Cassidy, Ms. Leach said there is a lot of work being done at PSFA to evaluate what the PSCOC calls an uncommitted balance. Awards have really increased at the PSCOC for systems and standard based projects for public schools, which can include rehabilitation or complete replacement as rural districts consolidate their K-12 schools into one building. While there have been a lot of awards, about \$1.5 billion is unexpended and a

smaller portion of that is uncommitted. The PSCOC is having to weigh whether the uncommitted balance is being expended before it should be certifying new money.

Member Cassidy asked if the money would revert to the permanent fund if the bonds were not issued. Ms. Leach said a transfer to the permanent fund will take place on December 31 of any monies remaining in the fund, however, in June, the board will still have an opportunity to fund up to the capacity of this fiscal year's capacity for PSCOC.

Member Trevisani moved for approval. Member Lujan seconded the motion, which passed unanimously.

REAL PROPERTY DISPOSITIONS

Presenters: Serina Gallegos, Director, APS; Margaret Callahan, Real Estate Broker, APS; Bayard Roberts, Attorney, Modrall Sperling

34. Albuquerque Public Schools—Requests Approval of the Sale of Real Property, Located at 9601 Tierra Pinta Blvd. NW in Albuquerque, to Pulte Homes of New Mexico Inc. (\$6,250,000 to \$6,600,000)

Mr. Roberts stated that Albuquerque Public Schools purchased about 220 acres of vacant land on the west side of Albuquerque in approximately 2011. Since then, there has been a significant amount of development in the area. APS is now seeking approval to sell 60.08 acres of land to Pulte Homes, which was selected following a competitive bid process. Pulte intends to develop 220+ residential homes with an average pricing of \$30,000 per lot on the site, which is adjacent to Tres Volcanes Community Collaborative K-8 School. An appraisal completed in August 2024 established the fair market value at \$6,250,000. Pulte will purchase the property for somewhere between the fair market value and \$6,600,000, depending on how many subdivided lots are approved by the City of Albuquerque.

Ms. Leach stated that approval is contingent upon director's and counsel's receipt and review of a fully executed quitclaim deed.

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

HIGHER EDUCATION

CAPITAL EXPENDITURES

Presenters: Gerald Hoehne, Chief of Staff and Chief Financial Officer, HED; Raghu Raghavan, Associate Vice President, NMSU; Jose Loera, Executive Director, NMSU

35. New Mexico State University—Requests Approval of Capital Expenditures for Construction of the New Mexico Department of Agriculture Administration Building (\$28,420,000)

Mr. Hoehne stated that the facility will include administrative offices, a lobby, large breakroom, collaboration spaces, conference rooms, high density filing storage, and other specialized spaces. Additionally, the building will have a laboratory, recording studio and control room along with a courtyard for providing outdoor space for students, staff and for public use. The new facility will enhance public engagement by providing a large conferencing space, large kitchen and test kitchen for demonstrating products promoted by New Mexico's agricultural community. The project was included in the 2021 NMSU annual capital outlay plan and will be funded with \$10,500,000 from a 2023 state General Obligation Bond appropriation, \$10,900,000 from a 2023 general fund appropriation, \$7,000,000 from a 2024 general fund appropriation, and \$20,000 from other institutional funds.

Dr. Raghavan made a slide presentation.

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

36. New Mexico State University—Requests Approval of Capital Expenditures for Replacement of the Thomas and Brown Building (\$30,300,150)

Dr. Raghavan made a slide presentation. The Thomas and Brown Building, which houses the College of Engineering at NMSU, was built in 1972. NMSU is seeing a rapid expansion of electrical and computer engineering (ECE) demand in the workforce along with an increasing need for fundamental and applied research. The existing 48,366 square foot building to be demolished has outdated infrastructure and cannot meet the needs of the modern ECE Department.

Responding to Member Sanchez, Mr. Hoehne stated that the cost to renovate this facility would far surpass the cost of constructing a new facility.

Dr. Raghavan added that resource constraints play a large factor being able to renovate these older buildings.

Ms. Leach noted that the ask in the presentation was \$30,287,000, but the application stated that it was \$30,300,150. Dr. Raghavan explained that the Art in Public Places component was not included in the presentation.

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

EMERGENCY FUNDING REQUESTS

Presenter: Priscilla Lucero, Executive Director, SWCOG; Kristina Ortiz, USDA Rural Partners Liaison; Bob Livingston, Board Member; Beverly Malo, former president, Casas Adobe MDWCA

37. Casas Adobe Mutual Domestic Water Consumers Association—Requests Approval of an Emergency Grant for Water Systems Improvements (\$452,243.43)

Mr. Livingston stated that Casas Adobe MDWCA is in Mimbres, which is 26 miles east of Silver City. Due to a recent emergency, about 25 homes lost water service for a week due a series of lift problem failures, and this resulted in a boil water order.

Ms. Malo said there have been five booster pumps burn out in the last six years. The pump was not included in their professional engineering report, however, and so was not included in the USDA \$6 million water replacement project. Without the pump, the top tank won't fill, and this affects about 25 residents.

Ms. Malo described continued efforts to deal with the problem, which started with the failure of the water well pumps because of a cable being accidentally cut by a contractor during construction work. This left 25 households without water. Although the MDWCA received \$5.3 million for improvements, an increase in costs related to recent problems related to the electrical supply is beyond USDA funding. Although a booster station is needed to sufficiently pump water from the tanks, this is not included in the USDA scope approved for funding.

Ms. Malo said they have since found a temporary measure in the meantime, which is a dedicated line from the tank to the booster pump. It continues to work, but the automation system is still not working properly. She said operator must turn the system on twice a day, seven days a week.

Ms. Malo said it has cost the MDWCA about \$41,000 to get the pumps replaced. They are also requesting money for a new booster pump package grant. They feel it is critical that they request funding as soon as possible because they do not know how long the temporary measure will hold up.

Ms. Lucero said this was initially a privately-owned system for many years that went without maintenance and had to be taken over in receivership by the Public Regulation Commission. She commented that this is the kind of reality that she regularly sees in working with the different community water systems. In addition, there is a decreasing number of available accountants to serve the mutual domestic water associations in rural areas around the state.

[Lt. Governor Morales left the meeting.]

Responding to Member Lujan on whether the cost of the cable being cut were reimbursed along with further damage resulting from that accident, Ms. Lucero said the costs from the cable being cut were covered by the company, but further costs resulting from that did not fall under the USDA funding guidelines.

Ms. Ortiz stated that a rate analysis was completed in August 2023, which became effective for part of FY 2024. The MDWCA doesn't have enough in reserves to cover the \$41,000 in expenses that they have. USDA will be requesting that a new rate analysis be conducted to deal with some of the changes that that have come up since they started making payments on the USDSA loan. If they did not have that debt, they would have been able to cover some of the costs associated with their current situation. The MDWCA has been paying \$3,000+ a month since January toward the USDA loan, and the project hasn't even been completed. At this point, they have paid \$30,000.

Member Cassidy noted that their debt service is negative and there are no debt service expenses included in the three years of financials submitted to the board. He asked if the rate analysis will rectify that and are their ratepayers willing to pay the higher rates to get current, right-size the budget, and provide for reserves required by the USDA.

Ms. Malo responded that they have had two rate increases since starting the project, which they agreed to, and they are due for another one in January. The problem with their cash on hand is that they have had to replace the pumps all along the way, and that has cost the MDWCA. The lines are so old and fragile that they require constant repairs, and they have had to repair ten leaks since the project started. She said they had hoped the booster pump would last until they could request capital outlay funding, but they intend to request funds for a new system along with the \$452,000 request being made today.

Member Sanchez asked if there is any type of regulation for the various MDWCAs around the state to deal with maintenance requirements. Ms. Lucero responded that she gets a lot of calls from private systems that want to become public. In the most recent one that became a public system, she learned that a moratorium was placed in 2000 that stopped further systems from being created. She would like to research this more. She said there are 1,000 systems in the state, 700 of which are private.

Member Sanchez commented to Ms. Lucero that this may be a legislative issue that needs to be addressed by the more rural counties and their representatives and senators.

Ms. Leach stated that a resolution has been drafted reflecting the total amount requested. If approved, the request will be split between the two Emergency Funds and will expend the remaining balance in the Emergency Water Fund.

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

RULES AND POLICIES

Presenter: Ashley Leach, Director, Board of Finance

38. Consideration of Adoption of the Proposed Repeal and Replacement of

State Board of Finance NMAC 2.70.4, Policy on Capital Expenditures by State Educational Institutions

Ms. Leach stated that the rule hearing was held on Friday, November 2. Staff received one public comment from the original date of publication of the hearing (July 20, 2024), with the comment expressing strong support for the proposed changes to the rule, which she summarized. If approved, staff will work with counsel to submit this to the New Mexico Register for publication, and adoption would occur on December 10, 2024.

Member Lujan moved for adoption of the proposed rule. Member Trevisani seconded the motion, which passed unanimously.

39. Consideration of Adoption of the Proposed Repeal and Replacement of State Board of Finance NMAC 1.5.23, Real Property Acquisitions, Sales, Trades or Leases

Ms. Leach stated that the rule hearing was held on Friday, November 2, with no public comment received.

If approved, staff will work with counsel to submit this to the New Mexico Register for publication, and adoption would occur on December 10, 2024.

Ms. Leach stated that the redline removes reference to the donation of real property, which was what was considered at the public hearing. In conversations with members of the Rules Subcommittee, there was a potential desire to retain donations within the rule so that donations between public entities would still come to the Board of Finance for approval. The board would be able to make that change today prior to adopting the rule.

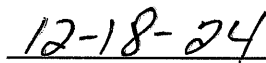
Member Sanchez moved an amendment to retain the donations part in the rule. Member Cassidy seconded the amendment, which passed unanimously.

Member Trevisani moved to adopt the rule, as amended. Member Lujan seconded the motion, which passed unanimously.

ADJOURNMENT: 11:55 a.m.



Michelle Lujan Grisham, President



Date


Michael S. Sanchez, Secretary


Date