

NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

Santa Fe, New Mexico

February 18, 2020

A regular meeting of the New Mexico State Board of Finance was called to order on this date at 9:04 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. Tim Eichenberg, State Treasurer
Mr. Paul Cassidy, Public Member
Mr. Michael S. Sanchez, Public Member, Secretary
Ms. Wendy Trevisani, Public Member

Members Excused:

The Hon. Michelle Lujan Grisham, President
The Hon. Howie Morales, Lt. Governor
Mr. Joseph Badal, Public Member

Staff Present:

Ms. Ashley Leach, Director
Mr. Marcos B. Trujillo, Deputy Director
Ms. Olivia Padilla-Jackson, Secretary of Finance and Administration

Legal Counsel Present:

Ms. Sally Malavé, Attorney General's Office
Ms. Marah Demeule, Attorney General's Office

Others Present:

[See sign-in sheets.]

2. APPROVAL OF AGENDA

Ms. Leach stated that staff are withdrawing Item 4 (Bloomfield School District request) from the Consent Agenda pending receipt of final documentation.

Mr. Eichenberg moved approval of the agenda, as amended. Mr. Cassidy seconded the motion, which passed 4-0.

3. APPROVAL OF MINUTES: JANUARY 22, 2020 (REGULAR MEETING)

Mr. Cassidy moved for approval of January 22 minutes, as submitted. Ms. Trevisani seconded the motion, which passed 4-0.

CONSENT AGENDA

Presenter: Ashley Leach, Director, Board of Finance

Submitted by: Doug W. Decker, County Attorney, McKinley County

5. McKinley County--Requests Approval of the Sale of Real Property Located at 105 West Hill Avenue in Gallup to Susan R. Warren (\$140,000)

* Contingent upon director's receipt and counsel review of (1) a favorable TRD review, and (2) a fully executed purchase agreement.

Mr. Decker introduced himself and County Manager Anthony Dimas.

Submitted by: Stephen Weinkauf, E-911 Bureau Chief, Department of Finance & Administration, Local Government Division

6. Department of Finance and Administration, Local Government Division-- Requests Approval of an Amendment to the E-911 Program Budget for Fiscal Year 2020 (\$151,221)

Donnie Quintana, Director of the Local Government Division, introduced himself and the E-911 Program Manager.

Sierra County E-911 Regional Dispatch Authority Director Michelle Atwell introduced herself and Assistant Administrator Candy Torres.

Submitted by: James Hilderbrant, Business Enterprise Coordinator, Energy, Minerals & Natural Resources Department, New Mexico State Parks Division

7. Energy, Minerals, and Natural Resources Department, State Parks Division-- Requests Approval of an Amendment to the Concession Contract with the New Mexico Sailing Club (Monthly Concession Fee of 10 Percent of Net Receipts from Sales and Services)

New Mexico State Parks Director Christy Tafoya and Support Bureau Chief David Certain introduced themselves. Ms. Tafoya said they are requesting a five-year extension of the contract with the New Mexico Sailing Club at Heron Lake.

Submitted by: Gerald Hoehne, Capital Projects Director, NMHED

8. New Mexico State University—Requests Approval of Capital Expenditures to Construct a New Baseball Training Facility (\$855,000)
9. New Mexico State University—Requests Approval of Capital Expenditures to Replace a Domestic Water Tank (\$914,000)
10. University of New Mexico—Requests Approval of Capital Expenditures to Upgrade the Center of the Arts Fire Alarm System (\$1,887,813)
11. University of New Mexico—Requests Approval of Capital Expenditures for the Information Technology Building South Wing Renovations (\$700,000)
12. University of New Mexico—Requests Approval of Capital Expenditures for Popejoy Hall Artist Support Space Renovations (\$786,558)
13. University of New Mexico Health Science Center/Hospital—Requests Approval of Capital Expenditures to Renovate the 5th Floor Ambulatory Care Center Medical Clinic (\$1,979,993)
14. University of New Mexico Health Science Center/Hospital—Requests Approval of Capital Expenditures for Improvements to the Lands West Parking Lot Sites (\$626,000)
15. University of New Mexico—Requests Approval of the Acquisition of Real Property Located at 1790 Grande Boulevard SE in Rio Rancho (\$1,300,000)

* Contingent upon director’s receipt and counsel review of (1) a fully executed revised purchase agreement, and (2) a fully executed revised warranty deed.

Submitted by Ashley Leach, Director, Board of Finance

16. Emergency Fund Balances – February 18, 2020

	<u>Balance</u>	<u>Appropriation</u>
Operating Reserve Fund	\$1,251,000.00	\$2,000,000.00
Emergency Water Fund	\$ 62,449.84	\$ 104,800.00

17. Fiscal Agent and Custodial Bank Fees Report

18. Joint Powers Agreements for Month-Ended January 31, 2020

Mr. Eichenberg moved approval of the Consent Agenda, as presented. Mr. Cassidy seconded the motion, which passed 4-0.

BONDING PROGRAMS

Presenters: Luis Carrasco, Attorney, Rodey, Dickason, Sloan, Akin & Robb, P.A.; and

Co-Bond Counsel Jill Sweeney, Sherman & Howard

19. Consideration of Second Amending Note Resolution for State of New Mexico Supplemental Severance Tax Note Series 2018S-D

Mr. Carrasco stated that the Series 2018-S-D note was issued in December 2018 in the amount of \$163,726,924.96 to fund Public School Capital Outlay Council (PSCOC) and PED projects. That note was closed, and in the spring of 2019, the PSCOC identified some new projects it wished to fund with the proceeds of that note, as directed by some 2019 legislation. The Board of Finance amended the project list in May 2019 for those purposes. Last month, the PSCOC indicated that a little over \$1 million for certain projects was no longer needed, and identified six new projects it would like to fund with those monies. The initial authorizing resolution does allow for amendments to the project list through an amending resolution that is before the board today. Mr. Carrasco said the newly identified projects amount to about \$700,000, leaving about \$400,000 available for future projects upon request from the PSCOC.

Responding to a question from Mr. Cassidy, Mr. Carrasco said they expect at least one other recertification from PSCOC to use the unexpended balance. He added that counsel has been discussing with board staff and the PSCOC the possibility of making the project list more flexible, or else delegating some responsibility, precluding the need to return to the board each time with an amending resolution. He said a meeting with the PSCOC is being scheduled to discuss this further.

Mr. Cassidy noted that the bonds are already paid off and are no longer outstanding, and the State Treasurer is investing the remaining proceeds until drawn down.

Mr. Cassidy moved for approval. Mr. Eichenberg seconded the motion, which passed 4-0.

PROPERTY DISPOSITIONS

Presenters: Aaron Chavez, Executive Director, San Juan Water Commission; Elizabeth Newlin Taylor, Attorney, Taylor & Caleb, P.A.

20. La Plata Conservancy District—Requests Approval of the Conveyance of Water Rights to the San Juan Water Commission in Exchange for debt Forgiveness (no consideration)

Ms. Taylor said this is a request for a contract amendment between La Plata Conservancy District and the San Juan Water Commission. The District has found itself in the position of being unable to repay the debt, and it wants to suspend the imposition of additional interest on the debt it owes to the Commission for the Commission financing the District's part of the Animas-La Plata dam project in Colorado. The District and the Commission have agreed to a contract amendment by which the District would convey 330 acre-feet per year of water to the Commission, and the Commission would forgive the debt of the interest, which is about \$883,000. It would not charge any more interest

until they find a use for the water that the District has out of the Animas-La Plata project. Once they start selling that water, probably through a lease agreement with a corporation, then the interest would kick back in and La Plata Conservancy District would start to repay the interest and debt to the San Juan Water Commission.

Ms. Taylor described the background of this project. She said San Juan County is in an economic slump, and the Commission and District worked very closely together to try to market the water, which is the only way the District could get the funds to pay the principal it owes. The reality, however, is that there is no real industrial commercial activity in the county that would draw any buyers right now.

Responding to Secretary Sanchez, Ms. Taylor clarified that the Animas-La Plata project was the last piece of divvying up the water. In terms of water rights and allocating the water to various entities, "this is it." With the Navajo settlement taking a piece of that for the existing rights that were already there, the Animas-La Plata piece was the last permit held by the U.S. Government for a project there that has been allocated.

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

Mr. Eichenberg moved for approval, with the contingency. Ms. Trevisani seconded the motion, which passed 4-0.

HIGHER EDUCATION DEPARTMENT

CAPITAL EXPENDITURES

Presenters: Gerald Hoehne, Capital Projects Director, NMHED; Colonel David West, Chief of Staff, NMMI; Colonel Judy Scharmer, Chief Financial Officer, NMMI; Kent Taylor, Director of Facilities, NMMI

21. New Mexico Military Institute—Requests Approval of Capital Expenditures for the Barracks Sink Rooms, Phase 1 Renovations (\$3,750,000)

Mr. Hoehne stated that this project is to renovate the sink rooms in its barracks. The sink rooms serve as restrooms and shower facilities for cadets who live in the barracks while attending NMMI. The renovation will include replacement of all interior finishes, shower stalls, plumbing fixtures, and HVAC upgrades. NMMI anticipates that the renovation will address approximately 15 sink rooms, and this is the first phase of funding for the project, and the total cost of \$3,750,000 will come from a 2019 General Fund appropriation.

Mr. West stated that the barracks are among the oldest facilities on campus and need to be renovated.

Responding to Mr. Cassidy, Mr. West said enrollment began this year at 888, but the average over the last nine years is 915, which is about 95 percent of capacity. He added that they have increased the number of New Mexicans in the corps, and females in particular. Right now, the overall corps is 22 percent female; and among New Mexicans, the core membership is 35 percent.

Ms. Trevisani moved for approval. Mr. Cassidy seconded the motion, which passed 4-0.

22. New Mexico Military Institute—Requests Approval of Capital Expenditures to Renovate the JRT/VMV Building (\$4,500,000)

Mr. Hoehne stated that this request is for capital expenditures of \$4,500,000 for renovations to the JRT/VMV Building, which will address all deficiencies associated with the aging building, including those related to mechanical, electrical, and plumbing. It will include replacing old and failing fan coil units, replacing outdated controls for all mechanical equipment, adding a restroom, and replacing the existing rooftop HVAC units. According to NMMI, the building currently does not meeting building, ADA, fire, or life safety code requirements. This project was included in the NMMI Capital Outlay Plan submitted to NMHED, and will be funded from a 2019 General Fund appropriation.

Mr. Cassidy asked if there are any problems staying under budget with construction costs. Mr. Taylor responded that NMMI talks with contractors regularly to get their feel for what the prices are, but it is always a challenge to stay within budget, especially with NMMI's older buildings, all of which are on the National Historic Register.

Ms. Scharmer said they realize they will run into surprises given the age of the buildings, so they always budget for contingencies.

Mr. Cassidy moved for approval. Mr. Eichenberg seconded the motion, which passed 4-0.

Presenters: Gerald Hoehne, Capital Projects Director, NMHED; Chris Vallejos, AVP Institutional Support Services, UNM; Lisa Marbury, ISS Executive Director, UNM; Mark Peceny, Dean, UNM College of Arts and Sciences

23. University of New Mexico—Requests Approval of Capital Expenditures for the Clark Hall Chemistry Building Phase 2 Renovations (\$16,000,000)

Mr. Hoehne stated that Phase 1 of this project was approved by the Board of Finance in July 2014 and focused on safety, code compliance, IT system upgrades, research space renovation, and restroom relocations. Phase 2 will include renovations to 31,215 square feet of the Clark Hall North wing. Offices and conference spaces will be renovated on the first and second floors, while the basement will include new space for the computational chemistry center. The Riebsomer wing will see renovations, as well, including renovated

research spaces not included in Phase 1, a new mechanical penthouse, and a new entry vestibule. The project was included in UNM's 2016 Capital Outlay Plan and will be funded entirely by 2018 General Obligation Bond proceeds.

Dr. Peceny stated that this phase will focus more intently on improving the undergraduate experience and bringing classroom laboratories up to a level where students can learn what they need to learn in the 21st century in that setting.

Mr. Cassidy moved for approval. Mr. Eichenberg seconded the motion, which passed 4-0.

24. University of New Mexico—Requests Approval of Capital Expenditures to Upgrade the Economics Building Infrastructure (\$2,500,000)

Mr. Hoehne stated that this project will include upgrades to the HVAC system and controls, lighting systems, and fire alarm and sprinkler systems to improve comfort and indoor air quality and improve safety. Additional space will be renovated to create a new learning commons space for graduate students, interdisciplinary suite with four to six workstations, and gathering/study space for undergraduates.

Mr. Hoehne said this project was not included in UNM's Capital Outlay Plan. The upgrades and renovations will be funded with \$2.3 million in Facilities Management Sustainability Surcharge revenues (comprising surcharges through utilities billing by UNM) and \$200,000 in Provost Office FY20 Building Renewal and Replacement Funds.

Mr. Vallejos said this building is 66 years old and these renovations are part of the renewal and replacement work that is taking place as part of UNM's energy management program.

Mr. Eichenberg moved for approval. Ms. Trevisani seconded the motion, which passed 4-0.

GENERAL SERVICES DEPARTMENT

CONTRACTS

Presenters: Ken Ortiz, Cabinet Secretary, GSD; Anna Silva, Facilities Management Division Director, GSD

25. General Services Department—Requests Retroactive Approval to Enter a Contract with Trane U.S. Inc. to Complete Energy Performance Upgrades to State Buildings in Santa Fe (\$31,771,866)

Secretary Ortiz stated that, last year, the legislature appropriated \$20 million for this project, and GSD then was approved for \$11.7 million in bonding from the New Mexico

Finance Authority (NMFA) to complete this project, which will address 34 buildings in Santa Fe. At completion, \$1.1 million will be realized in annual utility savings.

Mr. Cassidy noted that this should have been approved by the Board of Finance last year, and it was not, and then the NMFA actually sold bonds without the board approving it, which is quite unusual. He asked how that happened.

Secretary Ortiz responded that the three required conditions in Section 6-23-5 were met: 1) the GSD Secretary approved this project, as required; 2) the Public Facility Energy Efficiency and Water Conservation Act was met; and 3) the Energy, Minerals and Natural Resources Department certified the audit to ensure the utility savings would be met.

Secretary Ortiz said Section 15-3B-6 states that the Facilities Management Division has to receive approval from the Board of Finance when a contract is for redesigning, major renovation, or remodeling, or for the erection of a new state building that exceeds \$5 million. He said GSD initially felt that this section didn't apply because the upgrades include replacement of HVAC systems, lighting fixtures, electrical transformers and restroom fixtures, as well as installing solar panels at some locations and heat-conserving window film on most building windows.

Ms. Leach thanked Secretary Ortiz for the additional information. She said she would defer to legal counsel on this, and explained that, because the board has previously approved or considered other energy performance contracts, staff's determination was that this was a major renovation. She added that GSD has been very cooperative in providing the information staff needed.

Ms. Malavé stated that, if Section 15-3B-6 requires approval over \$5 million, and that doesn't apply, then Board of Finance review isn't necessary because Section 6-23-5, which is for a straight energy contract, doesn't contemplate board approval. When staff first looked at this, it was looking at the fact that the project exceeds \$5 million. If the board were inclined to approve it under that statute, it would have to approve it as of today's date and not retroactively, because that statute calls for prior approval.

Secretary Ortiz pointed out that the statutory language refers to "one facility over \$5 million," and this contract is for about \$32 million for 34 buildings. In addition, the statute speaks to a "contract for redesigning, major renovation, and remodeling." If the board is looking at best practices, perhaps that should be changed to "or remodeling" and the dollar threshold should be amended.

Secretary Ortiz stated that GSD would be happy to work with Director Leach on possible amendments to the statute so that the Board of Finance always reviews projects like this. Mr. Sanchez said that would be a good idea.

Mr. Eichenberg moved for approval. Mr. Cassidy seconded the motion, which passed 4-0.

MONTHLY REPORTING

Presenter: Anna Silva, Facilities Management Division Director, GSD

26. Capitol Buildings Repair Fund Financial Status Report for Month-Ended January 31, 2020

Ms. Silva presented this report.

27. Legislative Capital Projects Financial Status Report for Month-Ended January 31, 2020

Ms. Silva presented this report.

STATE TREASURER'S OFFICE

MONTHLY REPORTING

Presenter: Vikki Hanges, Chief Investment Officer and General Fund Portfolio Manager, State Treasurer's Office

28. Monthly Investment Report for Month-Ended December 31, 2019

29. Quarterly Investment Report for Quarter-Ended December 31, 2019

Ms. Hanges reported that STO managed \$6.5 billion in assets during the month of December, and earned \$10.2 million in income for the month and \$63 million for the FYTD.

STAFF ITEMS

Presenter: Ashley Leach, Director, Board of Finance

30. Adoption of Interest Rate Policy 20-02

Ms. Leach reviewed highlights in the policy, which is approved by the board on an annual basis. It is prepared by the staff of the State Treasurer's Office and then reviewed by the State Treasurer. The policy is unchanged from last year.

Mr. Cassidy suggested that, once tax counsel is on board, the language in Section IV.B (interest rate on tax-exempt bonds) be reviewed. He said he wanted to be sure they were not artificially driving down yields to benefit somebody when the Treasury would like to have people invest to the maximum and get proceeds rebated to them.

Mr. Eichenberg moved for adoption. Ms. Trevisani seconded the motion, which passed 4-0.

31. Approval to Begin RFP Process for Disclosure Counsel Services

Ms. Leach stated that suggestions made by the subcommittee have been incorporated into this contract. She said February 28 is the date targeted for issuance of this RFP, and requested approval.

Mr. Eichenberg so moved. Mr. Cassidy seconded the motion, which passed 4-0.

32. Approval of Bond Counsel Services Contract with Sherman & Howard and Rodey, Dickason, Sloan, Akin & Robb P.A. and Submission to the General Services Department Contracts Review Bureau for Approval

Ms. Leach stated that approval would be contingent upon inclusion of any changes required by board staff and counsel and the Contracts Review Bureau of the General Services Department.

Mr. Cassidy moved for approval. Mr. Eichenberg seconded the motion, which passed 4-0.

33. Approval of Tax Counsel Services Contract with Gilmore & Bell and Submission to the General Services Department Contracts Review Bureau for Approval

Ms. Leach stated that approval would be contingent upon inclusion of any changes required by board staff and counsel and the Contracts Review Bureau of the General Services Department.

Mr. Eichenberg moved for approval. Ms. Trevisani seconded the motion, which passed 4-0.

34. Election of Secretary of the State Board of Finance

Ms. Leach stated that Member Sanchez serves as the existing Secretary of the Board, and has indicated he would be glad to serve as Secretary again.

Mr. Eichenberg moved that Mr. Sanchez remain as Secretary of the Board. Ms. Trevisani seconded the motion, which passed 4-0.

Presenters: Ashley Leach, Director, Board of Finance; Marcos Trujillo, Deputy Director, Board of Finance

35. Discussion and Approval of Board of Finance Subcommittees and Members

Mr. Leach stated that after Mr. Trujillo would provide descriptions of the PAB Subcommittee and Banking Subcommittee, after which she would request that the board revisit the STO Audit Process Review Subcommittee, as it would be affected by changes made by the 2019 legislature.

Mr. Trujillo stated that the PAB Subcommittee makes annual recommendations on Private Activity Bond volume capacity allocation project categories and carryforward allocations, and its current board members are Lt. Governor Howie Morales and Michael Sanchez.

Mr. Trujillo stated that the Banking Subcommittee makes recommendations on the selection of the fiscal agent and custodial bank, and current board members are State Treasurer Tim Eichenberg and Wendy Trevisani.

Ms. Leach stated that, currently, the STO Audit Subcommittee is staffed by Members Badal and Cassidy, and was created in 2006 in response to indictments of previous State Treasurers. The past activities of the subcommittee involve reviewing the process of the State Treasurer for selecting an auditor; ensuring that the process for selecting the auditor was followed; and reviewing and reporting significant audit findings to the board. During the 2019 legislative session, the Audit Act was amended to include a new section that directly addresses Board of Finance review of the State Treasurer Office audit, and now states: "Within six months after the report is due to the state auditor, each of the educational retirement board, the office of the state treasurer, the public employees retirement association and the state investment council shall present the agency's current annual financial audit report to the State Board of Finance for review." This broadens the Board of Finance's review role of audits and also gives focus to the board's role by requiring it to review audits and report back to the board.

Ms. Leach said staff is proposing that the STO Audit Subcommittee's activities be redefined to: include a review of the audits listed in the Act within six months of the date the audits are due to the state auditor; and provide a summary report to the board identifying any significant audit findings. Staff would assist in the preparation of that report. She would also propose that the subcommittee be retitled "Audit Subcommittee."

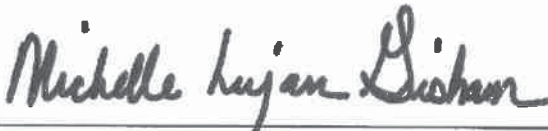
Mr. Cassidy asked Ms. Leach if the new language in the Act would now require the State Treasurer to present his audit in front of the Board of Finance, or would it just be at the subcommittee level. Ms. Leach responded that the language is not specific, but noted that past practice is to have the subcommittee members review it. In her review of the database, there has only been one instance since 2006 when an actual verbal report was provided to the Board of Finance on the audit results. She would envision that the subcommittee would review the audits and work with staff to put together a report

listing major audit findings and any concerns, and that would be presented at a board meeting.

Mr. Eichenberg moved that board members continue in their current position on the PAB Subcommittee and Banking Subcommittee and to accept the title change from the STO Audit Committee to Audit Committee. Mr. Cassidy seconded the motion, which passed 4-0.

ADJOURNMENT: 10:45 a.m.

Mr. Eichenberg moved for adjournment. Mr. Cassidy seconded the motion, which passed 4-0.



Michelle Lujan Grisham, President

4-23-2020

Date



Michael S. Sanchez, Secretary

4/23/2020

Date