

NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

HELD VIRTUALLY

April 20, 2021

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

1. ROLL CALL -- QUORUM PRESENT

Members Present:

The Hon. Howie Morales, Lt. Governor
The Hon. Tim Eichenberg, State Treasurer
Mr. Joseph Badal, Public Member
Mr. Paul Cassidy, Public Member
Mr. Michael S. Sanchez, Secretary, Public Member
Ms. Wendy Trevisani, Public Member

Members Excused:

The Hon. Michelle Lujan Grisham, President

Staff Present:

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

Legal Counsel Present:

Ms. Marah deMeule, Attorney General's Office

2. APPROVAL OF AGENDA

Ms. Trevisani moved approval of the agenda, as published. Mr. Badal seconded the motion, which passed unanimously, with Lt. Governor Morales, Mr. Badal, Mr. Cassidy, Mr. Eichenberg, Mr. Sanchez and Ms. Trevisani voting in favor.

3. APPROVAL OF MINUTES: MARCH 16, 2021 (REGULAR MEETING)

Mr. Cassidy moved approval of the minutes of the March 16, 2021, meeting, as submitted. Mr. Eichenberg seconded the motion, which passed unanimously, with Lt.

Governor Morales, Mr. Badal, Mr. Cassidy, Mr. Eichenberg, Mr. Sanchez and Ms. Trevisani voting in favor.

CONSENT AGENDA (Items 4-16)

Presenter: Ashley Leach, Director, Board of Finance

Submitted by: Pamela Heltner, County Manager, Otero County

4. Otero County—Requests Approval of the Lease of Mayhill Community Center, Located at 15 Civic Center Drive in Mayhill, to Mayhill Community Center (\$9,600/year)

- Contingent upon director's and counsel's receipt and review of an amended and fully executed lease agreement

Submitted by: Cas Tabor, Eddy County Attorney, Eddy County

5. Eddy County—Requests Approval of the Donation of Cherry Lane Park in Carlsbad to the City of Carlsbad (no consideration)

Submitted by: William B. Williams, County Manager, Chaves County

6. Chaves County—Requests Approval of the Sale of Real Property, Located at 318 North Main Street in Roswell, to Mr. Morris Schertz and Mrs. Holly Schertz (\$185,000)

- Contingent upon director's and counsel's receipt and review of (1) a fully executed sale agreement and (2) an executed quitclaim deed

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

7. Santa Fe County—Requests Approval of the Sale of Real Property, Located at 3600 and 3740 South Meadows Road in Santa Fe County, to Homewise Inc. (\$1,790,000)

- Contingent upon director's and counsel's receipt and review of (1) a fully executed sale agreement; (2) an executed quitclaim deed, and (3) a favorable technical appraisal review by the Taxation and Revenue Department

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

8. Doña Ana County—Requests Approval of the Sale of Real Properties, Located at 4584, 4694, and 4764 Dulcinea Drive in Las Cruces, to Jon Strain of JMS Construction (\$225,000)

9. Doña Ana County—Requests Approval of the Sale of Real Property, Located at 7017 Justin Lane in Las Cruces, to Farrell Thurston with Farrell Thurston Construction (\$49,500)

Submitted by: Michael Baker, Chief Operations Officer, Rio Rancho Public Schools

10. Rio Rancho Public Schools—Requests Approval of the Sale of Real Property, Located at 4101 Montreal Loop NE in Rio Rancho, to Clean Slate Properties, LLC (\$1,205,504.72)

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

Submitted by: Christy Tafoya, Director, State Parks Division, EMNRD

11. Energy Minerals and Natural Resources Department—Requests Approval of an Amendment to Its Concession Contract with Sims Marina, Inc. (7 percent Concession Fee)

Submitted by: Erik Harrigan, Financial Advisor, RBC Capital Markets

12. North Central Regional Transit District—Requests Approval of the Issuance of Revenue Bonds, Series 2021 (Not to Exceed \$6,436,484)

Ms. Leach said approval was subject to the parameters, which she read into the record.

Submitted by: Ashley Leach, Director, Board of Finance

13. Investment Report for Month-Ended February 28, 2021

14. Emergency Fund Balances – April 20, 2021

	<u>Balance</u>	<u>Appropriation</u>
Operating Reserve Fund	\$2,357,224.00	\$2,500,000.00
Emergency Water Fund	\$ 165,943.93	\$ 175,000.00

15. Fiscal Agent and Custodial Bank Fees Reports

16. Joint Powers Agreements for Month-Ended March 31, 2021

Mr. Cassidy moved approval of Consent Agenda. Mr. Eichenberg seconded the motion, which passed unanimously, with Lt. Governor Morales, Mr. Badal, Mr. Cassidy, Mr. Eichenberg, Mr. Sanchez and Ms. Trevisani voting in favor.

PROPERTY DISPOSITIONS

Presenters: Chris Barela, Real Property Specialist, Santa Fe County; Scott Kaseman, Real Property Supervisor, Santa Fe County; Veronica Albin, CFO

17. Santa Fe County—Requests Approval of the Sale of Real Property, Located Near Lemitar in Socorro County, to Jeanie Johnston (\$73,000)

Mr. Barela said this property was purchased in 1991 by Santa Fe County, and consists of irrigable farmland and native dry pasture with access to surface water from the Middle Rio Grande Conservancy District. The county purchased the property because it contained surface water rights that could be transferred into the Buckman well field. Because there are no longer any surface water rights appurtenant to the property, the Board of County Commissioners sees no further need for the property and said it should be sold. Mr. Barela said the property was first offered to all of the state universities and then all of the local governments in Socorro County. After no interest was expressed, the property was offered to the general public, and a prospective buyer has only recently come forward. The property was appraised in October 2020, with a revised appraisal completed in February 2021 by Del Curto Appraisal Services. On March 10, 2021, New Mexico Taxation & Revenue completed a technical appraisal review and concluded that the results stated in the appraisal report were credible and adequately supported.

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

Mr. Sanchez asked how they arrived at a price of \$73,000, and why it came down as much as it did.

Mr. Barela responded that, because the property has legal access problems, the appraised value was discounted by 75 percent.

Mr. Sanchez asked if someone did a title search to see if the land was truly landlocked without access. Mr. Barela responded that the appraisals done on the property while it was under county ownership always included the legal access issue. He said he did not believe a title search was ever done.

Mr. Sanchez asked if it is typical for Santa Fe County to look for water rights to purchase from other areas of the state. Mr. Barela responded no. He said this property was unique because it would allow the county to transfer the consumptive use amount into the Rio Grande for diversion within the Buckman well field.

Mr. Kaseman clarified that the county purchased Top of the World property in Taos County in order to obtain water rights, and then sold the property after the water rights were separated from it. He added that the county has seen similar discounts on the other properties along the Santa Fe River that were part of the Buckman project and didn't have legal access. He also said he believed a title search was done at the time the county purchased the property.

Mr. Sanchez asked if the person purchasing the Lemitar property has any water rights, or how will they get water to the acreage, as this area has alfalfa or grass. Mr. Kaseman responded that no water rights are being transferred with the property. The purchaser

owns adjacent property, but he did not know if that property had sufficient water rights to irrigate the subject property.

Responding to Mr. Eichenberg, Mr. Barela said there is a warranty deed on file for this property. Ms. deMeule said the Board of Finance rule requiring a quitclaim deed conveyance is to protect the state or the public body. A quitclaim is not conveyed with the warranties and therefore insulates the public body from litigation down the road.

Mr. Badal moved for approval. Ms. Trevisani seconded the motion, which passed, with Lt. Governor Morales, Mr. Badal, Mr. Cassidy, Mr. Eichenberg, and Ms. Trevisani voting in favor and Mr. Sanchez voting against the motion.

EMERGENCY FUNDING

Presenter: Maggie Toulouse Oliver, Secretary of State; Veronica Albin, CFO

18. Secretary of State—Requests an Emergency Operating Grant for the Reimbursement to Counties for the 2020 General Election (\$1,046,000)

Secretary Toulouse Oliver said this reimbursement is being requested to cover the cost of poll workers in the 2020 general election. These costs are the result of a legislative change made in the Election Code about two years ago, which shifted the responsibility from the counties to the state for all statewide elections. The legislation called for the creation of an election fund, which would be funded annually to allow the state to reimburse the full cost of elections. This did not happen in the 2020 legislative session, however, and by the time her office received all of the reimbursements, it was past the deadline for requesting deficiency funding in the 2021 session. As people may be aware, election costs continue for weeks and sometimes months after elections are held.

Secretary Toulouse Oliver said her office has a historic challenge in terms of asking the legislature for the total cost needed to conduct elections, and it never quite receives what it needs. While her office hasn't needed a grant from the board for a few years, it now finds itself in the position of coming before the board to make this large request.

Secretary Toulouse Oliver said the state and office received CARES funding to cover the related costs for conducting the election during the pandemic, but those costs are separate and distinct from what is being requested today, because poll worker costs are not eligible for CARES funding.

Ms. Toulouse Oliver said the full cost of the requested reimbursement is \$1.3 million, and her office has shifted salary and contract savings to cover a portion of it out of its operating budget, leaving the balance being requested today.

Ms. Toulouse Oliver noted that, in the event that balances in the election fund do not cover the cost of elections, §1-11-19.D of the Election Code states that the Secretary of State may apply to the Board of Finance for an emergency grant to cover those costs.

Responding to questions from Mr. Cassidy, Secretary Toulouse Oliver said the counties' costs would be reimbursed for actual expenses. Ms. Leach said there are no pending requests for balances from the Emergency Fund at this time, and she was not aware of any expected requests.

Mr. Sanchez asked if the Secretary of State's Office is doing anything to assure there are competent and decent poll workers in upcoming elections. Secretary Toulouse Oliver responded that that was a huge challenge during the last election particularly, as most poll workers are made up of seniors who have the time on their hands to actively participate, and this population was impacted during the pandemic. Her office formed a partnership with the Department of Workforce Solutions to help recruit and place job seekers during early voting and on Election Day, as well as in temporary election positions. Her office also worked with the State Personnel Office to find people currently receiving benefits from the state and to actually place them in these poll worker roles. She added that her office has done a lot of work in trying to identify and recruit people and that the biggest challenge is in rural areas. She said her office would continue to work on this effort long term, including recruiting more young people by reaching out to high schools. She conceded that there is still a lot of work to do.

Ms. Trevisani commented that, at her children's school, there is strong interest about activities at the Roundhouse, and she thought reaching out to teens to do poll work was a great way to get them involved. She asked how the Secretary of State's Office was reaching out to the schools, and was there compensation for them. Secretary Toulouse Oliver responded that their 16 and 17 year olds are paid a base level of compensation. She told Ms. Trevisani that she would reach out to the Santa Fe County Clerk and suggest a three-person meeting to discuss ways of getting Ms. Trevisani's school and other area schools involved.

Mr. Eichenberg moved for approval. Mr. Cassidy seconded the motion, which passed unanimously, with Lt. Governor Morales, Mr. Badal, Mr. Cassidy, Mr. Eichenberg, Mr. Sanchez and Ms. Trevisani voting in favor.

BONDING PROGRAMS

Presenters: Marcos B. Trujillo, Deputy 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 LLC (Co-Bond Counsel); Brad Patterson, Attorney, Gilmore & Bell; Alan Woolever, Attorney, Gilmore & Bell

19. Consideration of Authorizing and Delegating Resolution for the State of New Mexico General Obligation Bonds, Series 2021 (Maximum Principal Amount of \$199,402,049)

Mr. Carrasco said this long-term bond series, approved by the voters in the November 2020 election, is customarily issued by the board to finance capital expenditures for (i) certain senior citizen facility improvement, construction and equipment acquisition projects; (ii) academic, public school, tribal and public library resource acquisitions; and (iii) certain higher education, special schools and tribal schools capital improvements and acquisitions. He highlighted provisions in the Authorizing and Delegating Resolution.

Mr. Schenken stated that the Notices of Sale will be published on April 29 and May 6, with the bond sale to occur on May 12.

Mr. Badal moved for approval. Mr. Cassidy seconded the motion, which passed unanimously, with Lt. Governor Morales, Mr. Badal, Mr. Cassidy, Mr. Eichenberg, Mr. Sanchez and Ms. Trevisani voting in favor.

Presenters: Marcos B. Trujillo, Deputy Director, State Board of Finance; Ken Guckenberger, Partner, Kutak Rock; Noelle Graney, Partner, Kutak Rock

20. Consideration of the Preliminary Official Statement for the State of New Mexico General Obligation Bonds, Series 2021

Mr. Guckenberger reviewed highlights from the draft Preliminary Official Statement.

Mr. Cassidy asked if there are any major changes in this document compared to the document reviewed two months ago.

Ms. Graney responded that, in the COVID-19 update, some of the new materials are related to the American Rescue Plan Act. Mr. Guckenberger added that they have also made updates based on the latest legislative session. He said he would provide Mr. Cassidy with a list.

Mr. Trujillo stated that updated information on the Conoco Phillips Company was received last night from New Mexico Taxation & Revenue that was provided by the Chief Economist at DFA. The company reached a settlement with the U.S. Department of Interior acting through the Office of Natural Resources Revenue to pay additional royalties with interest on volumes in natural gas and natural gas liquids. Under the agreement, the company will repost royalties of \$195 million, including interest provided. Mr. Trujillo said this information was forwarded to disclosure counsel late last night, so they have not had a chance to incorporate it into the document.

Mr. Cassidy moved for approval. Mr. Eichenberg seconded the motion, which passed unanimously, with Lt. Governor Morales, Mr. Badal, Mr. Cassidy, Mr. Eichenberg, Mr. Sanchez and Ms. Trevisani voting in favor.

Presenters: Marcos B. Trujillo, Deputy Director, State Board of Finance; David Paul, Fiscal Strategies Group; Donna Trujillo, State Controller, DFA; Leo Delgado, Chief Economist, DFA

21. Report on Rating Agency Presentation and Related Information

Mr. Trujillo said a high level informational report on the state's bond ratings will be presented during a scheduled call to Moody's and S&P tomorrow. The discussion will include how the state has managed through the pandemic. The call will include Director Ashley Leach, DFA Secretary Romero, Acting Deputy Secretary Cinthia Martinez, and Chief Economist Leo Delgado. Also present to respond to questions will be David Paul, Financial Advisor to the Board of Finance.

Ms. Donna Trujillo stated that the acronym for the Consolidated Annual Financial Report will be retired from use through a policy change from the GFOA. The policy change is the result from an industry understanding that "CAFR", when pronounced aloud, mimics the pronunciation of a deeply derogatory term used in other parts of the world, but also recognized among certain populations within the U.S.

Ms. Trujillo discussed the process for the audit of the annual report.

Mr. Delgado discussed the potential impacts of two orders issued by the federal government impacting oil and gas development in New Mexico: an executive order pausing new federal land leases, and a secretarial order issuing a 60-day pause on BLM approval of leases, which has expired. He said the orders are expected to have minimal impact. There are more than 6,000 approved permits to drill that have been stockpiled by producers. At the average rate of production, the permits could allow production to continue for more than 3 years.

Mr. Badal noted the big move toward Green Energy and away from fossil fuel, and asked how that is expected to impact revenues over the next few years. Mr. Delgado responded that the consensus revenue estimating group took into account the current actions at the national level. That is one of the reasons why the oil volume production forecast has been kept constant, as there is some level of uncertainty as to what may happen on the producers' side and at the industry level. He added that, had they not held the production forecast constant, oil volume productions would still be higher.

Secretary Romero added that this is one of the reasons why this administration and the legislature are very interested in keeping reserve levels high, which are currently at 24 percent. They are confident that they will be able to weather any downturns going forward.

Mr. Delgado noted that the consensus revenue estimating group performed a revenue stress test that included a low oil price scenario.

GENERAL SERVICES DEPARTMENT

MONTHLY REPORTING

Presenters: Duffy Rodriguez, Deputy Secretary, GSD; Anna Silva, Facilities Management Division Director, GSD

22. Capitol Buildings Repair Fund Financial Status Report for Month-Ended March 31, 2021

Ms. Silva presented this report.

23. Legislative Capital Projects Financial Status Report for Month-Ended March 31, 2021

Ms. Silva presented this report.

24. Presentation on Capital Building Repair Fund

Ms. Silva made an overview slide presentation on the Capital Building Repair Fund (CBRF), including statutory authority, the process for determining projects and funding amounts, and the tracking and expenditure of CBRF funds.

STAFF ITEMS

Presenters: Ashley Leach, Director, Board of Finance; David Walters, Director and Co-Project Manager, PFM; David Calvert, Director and Co-Project Manager, PFM

25. Report on the Procurement of Treasury Services

Ms. Leach said she invited David Walters and David Calvert of PFM, the firm that the state has contracted with for Treasury Services, to today's meeting to make a presentation.

Mr. Walters stated that PFM has 45 years of public sector experience, 231 investment professionals, and \$164 billion in total assets worldwide. The firm is ranked the #1 financial advisor based on par amount and number of transactions. He discussed PFM's role as consultant.

Mr. Cassidy thanked Ms. Leach for bringing this forward and briefing the board. He asked Mr. Walters if he thought the state would be saving money, or would this be more of an exercise of making sure the state would be getting the most modern banking

services possible. Mr. Walters responded that it was intended to be a combination, although ultimately PFM's goal is to make sure that the services fit and the state can be as efficient as possible. Given the size of the state's fiscal agent relationships and the marquee nature of working with the state, PFM expects very competitive cost proposals, but will never put cost savings before processes. He pointed out that changing services creates many headaches, and there are unseen costs related to that.

Ms. Trevisani noted PFM's focus on ESG (Environmental, Social, and Corporate Governance) and burdened communities. Outside of the cost element, she asked how that factors into PFM's overlay of how they works and if this is something they thought the state should think about. Mr. Walters responded that ESG is an emerging area. Within the framework of treasury services, they have noted a trend over the last ten years to ask more of vendors, and specifically banking partners. PFM works with a number of clients that have really emphasized that within their fiscal agent services or banking services RFP, and PFM is well equipped to help evaluate the standing of any potential banks' corporate citizenship within that process. In determining what is important to the state as part of PFM's discovery process, PFM can build that into the RFP to elicit the information to help guide the decision to the extent that it factors in social responsibility issues from the banks that are responding.

Presenter: Ashley Leach, Director, Board of Finance

26. Report of the Board of Finance Audit Subcommittee

Ms. Leach reported that Audit Subcommittee members Badal and Cassidy reviewed, per statutes, the audits of PERA, NMERB, SIC and STO, and have prepared a memorandum. She said it is very comprehensive, and looks at similar data points across the four entities.

Ms. Leach said the subcommittee made a couple of recommendations related to having the entities provide a comprehensive annual report, if they don't already, as well as reporting historical returns in their audit or comprehensive annual report, if they don't already.

Mr. Cassidy thanked Ms. Leach and staff for doing a great deal of work to get it to this point.

Mr. Cassidy commented that this reflects a lot more detail, reflecting comments received after the last presentation. He said it is one thing to review an audit, but there is a lot of information in an audit, and the question is where to stop under the statutory guidance that the Board of Finance review it. He and Mr. Badal went into a little more detail with regard to what they asked to be included. The information includes whether the audit was timely filed; how long the auditor has been used; the operating budget of the entity; the number of staff, including number of investment staff; disclosure of assets

under management; management fees; whether they are within budget, and other detail.

Mr. Badal said he and Mr. Cassidy tried to make recommendations toward creating consistency going forward, so information would be constant throughout the audit and anyone reading the audits could make comparisons from one entity to the next. They also thought it was important to ask questions about unfunded pension liability issues and the cost of asset management as well as returns. The hope is that audits will be more robust going forward and create a more useful document for people to refer to.

Responding to Mr. Eichenberg on ways the board can help in the process, Ms. Leach said one idea is to prepare a checklist ahead of the audit reviews. The checklist would include information already included in the audit, as well as any other information the board might want to review.

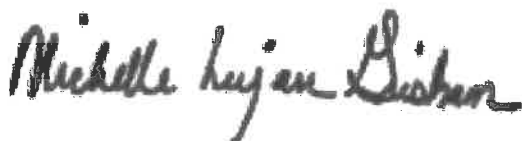
Ms. Leach said another item discussed is what the subcommittee's review can entail to help assist with these agencies and their audits, and looking forward on what else they could be doing.

Mr. Badal suggested creating a matrix to input various data points from each of the audits. This would streamline the subcommittee's review process and would allow for comparisons.

Mr. Cassidy said there are other entities, such as IPOC, LFC and others that try to collect the same data, and the board ought to be talking with them.

Mr. Eichenberg recommended sharing this with the rating agencies.

ADJOURNMENT: 11:15 a.m.



Michelle Lujan Grisham, President

May 27, 2021

Date

Michael S. Sanchez
Michael S. Sanchez, Secretary

May 28, 2021
Date