

NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

VIRTUAL ATTENDANCE AVAILABLE

Santa Fe, New Mexico

July 16, 2024

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. Howie Morales, Lt. Governor

The Hon. Laura M. Montoya, New Mexico State Treasurer

Mr. Joseph Badal, Public Member [virtually, leaving at 10:00 a.m.]

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

Legal Counsel Present:

Mr. Blaine Moffatt

Ms. Rebecca Guay

2. APPROVAL OF AGENDA

Ms. Leach requested that Item 22 reflect an updated amount of \$14,879,000.

Member Trevisani moved approval of the agenda, as amended. Member Badal seconded the motion, which passed unanimously.

3. APPROVAL OF MINUTES: June 18, 2024 (Regular Meeting)

Member Cassidy moved approval of the June 18, 2024, meeting minutes. Member Trevisani seconded the motion, which passed unanimously.

CONSENT AGENDA (Items 4-15)

Presenter: Ashley Leach, Director, Board of Finance

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

4. New Mexico Institute of Mining and Technology—Requests Approval of Capital Expenditures for Torres Hall Flooring Repair (\$796,644.34)
5. New Mexico State University—Requests Approval of Capital Expenditures For the Doña Ana Community College Parking Lot #69, #70, #71 Replacement \$1,791,170.10
6. New Mexico State University—Requests Approval of Capital Expenditures For Campuswide Insurance Claim Repairs (\$483,595)
7. New Mexico State University – Requests Approval of Capital Expenditures For Agricultural Science Centers Statewide Housing Units (\$1,000,000)
8. University of New Mexico Health Sciences Center/Hospital—Requests Approval of Capital Expenditures for HVAC Upgrades at the Children’s Psychiatric Center (\$1,700,000)
9. University of New Mexico—Requests Approval of Capital Expenditures for Area 4 Roof Replacement and Repairs (\$1,867,000)
 - Contingent upon notification from the Higher Education Department that its contingencies have been cleared.
10. University of New Mexico—Requests Approval of Capital Expenditures for Parking Lot Improvements (\$1,670,000)
11. University of New Mexico—Requests Approval of Capital Expenditures for the Parish Library Space Upgrade for Relocations (\$1,256,792)
12. University of New Mexico—Requests Approval of Capital Expenditures for the Information Technologies Restroom Remodel (\$950,000)
 - Contingent upon notification from the Higher Education Department that its contingencies have been cleared.

13. University of New Mexico—Requests Approval of Capital Expenditures for the Dane Smith Hall Atrium Smoke Control Upgrade (\$900,000)

- Contingent upon notification from the Higher Education Department that its contingencies have been cleared.

Submitted by: Benjamin McIntosh, Real Property Manager, Bernalillo County

14. Bernalillo County—Requests Approval of the Donation of Real Property, Located at 111 Union Square Street SE in Albuquerque, to the City of Albuquerque

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

15. Bernalillo County—Requests Approval of the Sale of Real Property, Located at 2900 Arenal Road SW in Albuquerque, to Two Adjoining Property Owners (\$28,400 combined purchase total)

- Contingent upon director's and counsel's receipt and review of (1) a fully executed sales and purchase agreement for each property and (2) a fully executed quitclaim deed for each property

Member Badal moved for approval of Items 4-15, with the contingencies. The motion was seconded by Treasurer Montoya and passed unanimously.

INFORMATIONAL ITEMS

Presenter: Ashley Leach, Director, State Board of Finance

16. General Services Department Capital Buildings Repair Fund Financial Status Report for Month-Ended June 30, 2024

Ms. Leach presented this report.

17. General Services Department Legislative Capital Projects Financial Status Report for Month-Ended June 30, 2024

Ms. Leach presented this report.

18. State Treasurer's Office Investment Report for Month-Ended May 31, 2024

Ms. Leach reported that, at the end of May, STO managed \$16.6 billion in assets and earned approximately \$56 million from its investment positions.

19. Emergency Balances – July 16, 2024

	Balance	Appropriation
Operating Reserve Fund	\$4,000,000.00	\$4,000,000.00
Emergency Water Fund	\$ 109,900.00	\$ 109,900.00

20. Fiscal Agent and Custodial Bank Fees Report
21. Joint Powers Agreements for Month-Ended June 30, 2024

HIGHER EDUCATION

CAPITAL EXPENDITURES

Presenters: Gerald Hoehne, Chief of Staff and Chief Financial Officer, Higher Education Department; Raghu Raghavan, Associate Vice Present, NMSU; Jose Loera, Interim Executive Director, NMSU

22. New Mexico State University—Requests Approval of Capital Expenditures for the O'Donnell Hall and Health and Social Services Building Revitalization and Operating Room Simulation Lab (\$14,879,000)

Dr. Raghavan made a slide presentation.

Dr. Raghavan stated that O'Donnell Hall was built in 1967, and the last expansion was in 2008. The facility is about 79,000 square feet and will be expanded by 15,590 square feet to house the Kinesiology and Communication Departments. The project also includes the renovation of 5,390 square feet to expand the existing autism clinic and relocate the existing speech clinic and staff offices. In the Health and Social Services Building, which was built in 2002 with the last expansion in 2014, a new Operating Simulation Lab will be developed through the renovation of 1,413 square feet and will be used by the NMSU nursing program and new anesthesiology program.

Responding to Member Cassidy, Mr. Hoehne said HED doesn't have a supplemental fund established but has a process where institutions with cost overruns can come to HED for funding recommendations in the upcoming legislative session.

Responding to Treasurer Montoya, Mr. Loera said they do not yet have the capacity to provide charging stations at the current time but will be requesting infrastructure improvements to allow for them in the future.

Treasurer Montoya said her concern isn't just about the charging stations, but also about parking. As an example, UNM was charging a \$50 parking fee for a use that hadn't been designated, yet students were being charged \$50 for the cost. At the end of the day, the board doesn't know if NMSU is going back and charging students or teachers or anyone else for any shortage they might have. The board continually hears about construction price increases,

and she assumes that most schools have included that in their paperwork along with the inflation rate, but there are other costs that come up, and she wondered if it was the student or the teacher that was bearing the cost.

Mr. Hoehne responded that HED works closely with the HED institutions and is always looking for opportunities to expand renewable energy or renewable technology on their campuses. For NMSU and UNM, their parking service divisions have an established policy on rates that are reviewed by the board to set those prices for students for all their parking lots. They have recently been looking at the applicability of charging stations at HED institutions that have maintenance costs, such as electricity.

Mr. Hoehne said he would investigate Treasurer Montoya's concern about UNM's \$50 parking fee.

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

Presenters: Gerald Hoehne, Chief of Staff and Chief Financial Officer, Higher Education Department; Dr. Garnett Stokes, President, UNM; Dr. Douglas Ziedonis, Executive Vice President, UNM Health Sciences; Kathleen Becker, Chief Executive Officer, UNMH; Enrico Volpato, Executive Director, UNMH Facility Services; Mike Chicarelli, COO

23. University of New Mexico Health Sciences Center/Hospital—Requests
Approval of Capital Expenditures for Children's Psychiatric Center Campus
Upgrades (\$55,000,000)

Dr. Stokes thanked the board for its continued support.

Mr. Hoehne stated that this project includes demolition of some inpatient cottages that have been in use for some time and replacing them with a consolidated single-story building to more effectively and efficiently provide the services and treatment that are necessary. There are several sources of funding, the largest of which is \$36,000,000 in 2021 State General Obligation bond proceeds. UNMH will supplement with \$5,000,000 from the FY26 Capital Renovation Fund, \$4,000,000 from the FY25 Capital Renovation Fund, \$3,960 in a 2022 Severance Tax Bond-funded appropriation, \$3,500,000 from a supplemental FY25 Capital Renovation Fund allocation, and \$2,450,000 in a future UNMH Capital Renovation Fund allocation.

Mr. Volpato stated that the demolition of the cottages and consolidation into one building will decrease operating costs and maximize the provider-to-inpatient ratio. There will be two 16-bed standard units and one 4-bed high acuity unit. The construction will happen on the existing site, so there will be a temporary reduction to 27 beds from the 36 they have now. The site has been master-planned for future expansion to 52 beds.

Responding to questions from Member Trevisani, Dr. Becker commented that the costs associated with the construction of this project are shocking. For example, the door handles, toilets, soap dispensers, sinks, surfaces and other items are specially designed to keep people from trying to injure themselves and to protect their safety. Vendors also know that this is very special equipment, which adds to the cost. She clarified that there is no timeline right now for the future expansion of the facility, so they do not have an estimate cost for that.

Mr. Volpato added that the outdoor spaces are also part of the treatment environment, and a lot of investment goes into security.

Member Cassidy asked how UNMH arrived at the decision to provide 36 beds, given the limited number of psychiatric facilities serving children in New Mexico. He also asked how UNMH was progressing with adult psych.

Dr. Becker responded that they were largely driven by the site and the funding in deciding on the number of beds. She added that the tricky thing about child and adult psychiatric services is figuring out what the best mix of inpatient to outpatient is and how the continuum from inpatient to outpatient should work. More work has been done in New Mexico on the adult side than the child side, but they have a partnership with Bernalillo County in providing intensive outpatient treatment for adolescents, and so that can be part of the continuum. In thinking about what the right number of beds is for the state going forward, they need to look at what the continuum is and what is the right mix of services, e.g., telehealth, inpatient, intensive outpatient, etc.

Member Sanchez commented that everyone agrees that more beds are needed, and so it didn't make sense to him that UNMH wasn't planning for the long run versus the short run. Mr. Hoehne responded that it was because of capacity, as large projects like this typically are funded with general obligation bonds.

Member Sanchez asked what types of staff are needed to staff this facility, what qualifications are needed, and what programs exist at UNM at the current time to serve that need in the future. Mr. Chicarelli responded that they first need nurses, and UNM fortunately has a robust nursing program, and it has expanded tremendously over the years. Second, they need mental health technicians, and UNM has programs providing that training. Lastly, it takes maintenance staff, nutrition staff, and environmental staff, and UNM has programs for those, as well.

Member Sanchez asked how many people in those programs stay to work at UNM in this area, since this is important. Mr. Chicarelli agreed to provide that information.

Lt. Governor Morales commented that it is very difficult to get into a residential treatment facility, and many of these children end up spending days in the ER.

Lt. Governor Morales said the \$500,000 cost for demolition seemed unrealistically low. Mr. Hoehne responded that the cost did fall in line with the cost for demolition. He said HED sees increasing costs for demolition when it includes a lot of asbestos for the older facilities, and remediation costs.

Treasurer Montoya moved for approval, with the contingency that the board receives the requested information today. Member Cassidy seconded the motion, which passed unanimously.

Presenters: Gerald Hoehne, Chief of Staff and Chief Financial Officer, Higher Education Department; Dr. Garnett Stokes, President, UNM; Teresa Costantinidis, Executive Vice President Finance & Administration, UNM; Tabia Murray-Allred, Executive Director of Institutional Support Services, UNM; Harris Smith, Dean of the College of Fine Arts, UNM; Brianne Santos, Academic Operations Officer, College of Fine Arts, UNM

24. University of New Mexico—Requests Approval of Capital Expenditures for the Development of the Center for Collaborative Arts and Technology (\$82,218,428)

Mr. Hoehne stated that this project has been in the works for many years, and there have been many discussions about the location of this project, strategy for the project, and how UNM would be able to consolidate a lot of its fine arts-related programs scattered around the campus into one location. This is a 59,197 square foot facility and there is a 3,500 square foot offset of other facilities that will be removed because of the new facility. There will be a 600-seat multipurpose performance theater, art labs, sound stage, a gallery, a 50-seat classroom, and public spaces.

Mr. Hoehne noted that the proposed project is the classroom facility for UNM, and Popejoy Hall is a concert/performance venue for the public, an important distinction.

Mr. Hoehne said the project will be funded with \$45,000,000 from a 2023 General Obligation Bond appropriation, \$21,000,000 from FY23 UNM Institutional Bonds, \$83,000 from FY24 other department funding, \$13,285 from FY24 Instructional and General funding, and \$2,850,000 from department fundraising.

Member Cassidy noted reference to a second phase, and asked how that will be funded.

Ms. Santos responded that the plan was to have this in two phases that would consolidate the 13 buildings across the campus into this facility, but because of the rising costs from inflation, they decided that enrollment growth and student experience was much more important than vacating the buildings around the campus. They then decided to turn this first phase into a collaborative space that would focus on education and classroom space rather than offices, etc.

Ms. Murray-Allred stated that they do not have the second phase planned, but it is on their priority list.

Treasurer Montoya commented on the many UNM projects that the Board of Finance reviews, and asked Dr. Stokes what is her vision is that the board needs to understand relative to growth in the area, what programs UNM needs to serve the workforce, and so on.

Dr. Stokes responded that this project has been in the works for years, and the College of Fine arts has many programs that are growing. Her vision is complex, but a very important factor is how this serves the students and the state of New Mexico. Arts are very important to the state's economy, and this is what draws people to New Mexico and what New Mexico is known for. In thinking about this project, she saw it as reflecting UNM's investment in service to a key economic engine for the state. This is a factor for many projects UNM brings forward.

Responding to Lt. Governor Morales, Ms. Murray-Allred said they were originally requesting a 62,000 square foot facility, and the cost per square foot at the time was \$822.

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

PRIVATE ACTIVITY BONDS

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

25. Consideration of Adjustments to Calendar Year 2024 Private Activity Bond Volume Cap Allocation Categories

Mr. Trujillo reported that, this month, the board received a request for an exempt facility project falling under the "Other" category. During the December 2023, regular meeting, the board approved the percentage calculations for the Private Activity Bond program and programmed 58.9 percent to Multifamily and about 40 percent in the Single-Family category. At the time, the Private Activity Subcommittee based the percentage allocations on historical request along with not being made aware of any other projects that would be coming to the board, which is why it decided to program the bulk of the Private Activity Volume Cap into those categories.

Mr. Trujillo noted that NMAC 2.61.4.8(h) gives the board the ability to revise the categories to accommodate new project requests. He therefore requested to move about \$56.7 million into the "Other" category and reduce the Education category to zero, where \$2 million was originally programmed in December, and moving that into the "Other" category, and then reducing the Multifamily amount by \$52 million and moving that into the "Other" category. This would accommodate the request the board would be considering as Item 26. He stated that the Multifamily projects that have already been approved by the board would not be impacted by this adjustment. As of now, the board hasn't received any other projects for the

PAB program, and staff therefore recommends that the board move the allocation to be able to accommodate this request.

Ms. Leach stated that approval of this request would be contingent upon approval of Item 26 on this agenda.

Member Cassidy moved for approval, subject to the contingency. Member Trevisani seconded the motion, which passed, with Member Sanchez voting against.

Presenters: Michael R. Dyson, CEO, Enchantment Water, LLC/Infinity Water Solutions; Ashley Kegley-Whitehead, Chief Communications Officer, Enchantment Water, LLC/Infinity Water Solutions; Richard Weiss, Managing Director, Wells Fargo Corporate & Investment Banking; Lucas Jenkins, Wells Fargo Corporate & Investment Banking; Marquita Russel, CEO, New Mexico Finance Authority; John Brooks, Chief of Programs, New Mexico Finance Authority

26. New Mexico Finance Authority—Requests Approval of a Private Activity Bond Volume Cap Allocation for Enchantment Water, LLC (\$56,700,000)

Mr. Dyson presented slides. He stated that Infinity Water Solutions was founded in 2019 and emphasizes water technology, sustainability, and management. Their operations are almost entirely in New Mexico, specifically in Lea and Eddy counties. Enchantment Water focuses on the gathering of oilfield wastewater, treatment of that water, and reusing 100 percent of the water to turn it back into the oil and gas industry through a closed loop system.

Mr. Dyson stated that the Hydro Harbor project is an investment in infrastructure, primarily designed to fulfill Enchantment's buildout requirements outlined in its primary contract with one of the largest water management contracts ever awarded by an oil and gas company in New Mexico. The entire project, which will cost about \$153 million, is expected to create 2,250 jobs, 70 percent of them filled by New Mexicans. Job types include engineering, construction, consulting and support staff. Once complete, Enchantment will have more than 500,000 barrels of daily throughput capacity and more than 20 million barrels of staging with 131 miles of pipeline to transport its created products.

Responding to Treasurer Montoya, Mr. Weiss said Wells Fargo sees this project as having a lot of benefits, and they see it as a feasible project from the point of view of technology. It is already operational, and they are expanding their operations. He noted they have contracts in place they will enter into shortly, and there are economic benefits. In addition, they are raising equity, and one of the things Wells Fargo is looking for is at least one-third equity into this transaction from the high yield tax exempt investors who can find these bonds. They will be looking at collateral backing the bonds, the contracts backing that, the reserves, the equity pledged, permits in place, the construction contract, and standard project finance terms. Wells Fargo feels this project will be very attractive to high yield tax exempt investors because of the nature of the project and how it is put together.

Ms. Russel stated that the New Mexico Finance Authority adopted an inducement resolution last month to signal its intent to issue these bonds subject to some of the conditions outlined by Mr. Weiss. These are conduit transactions, so the NMFA will issue the bonds, but payment is solely based on the project's success. They are particularly focused on the buyers of these bonds, who will be qualified institutional buyers who understand the risks they are taking on. NMFA has had the authority under the statewide Economic Finance Development Act to issue these sorts of bonds for more than 20 years. One of the reasons they came to the NMFA is because it is in multiple jurisdictions. The NMFA acts as a statewide issuer in those instances.

Responding to Treasurer Montoya as to whether the company has had previous experience with this type of bond financing, Mr. Weiss said the idea of wastewater treatment processing of this type is already being done by some of the major oil companies. Several industries Wells Fargo works with look for assets to qualify as private activity bonds under the sewage disposal category.

Treasurer Montoya asked where Infinity has done this before, and Mr. Dyson said most of their operations are in New Mexico and their team has worked with various other organizations through water management with publicly traded oil and gas companies. They currently have a consulting contract with Kuwaiti Oil Company, which they manage through global service providers such as Halliburton.

Treasurer Montoya commented that buy-in from local communities in the jurisdictions involved is important to the success of this project, and asked how that is progressing.

Mr. Dyson responded that he could confidently speak to Lea County's EDC support as well as from elected officials including the Mayor of Jal.

Treasurer Montoya noted predictions that 70 percent of the jobs created by the company would go to New Mexicans and that those would be high wage jobs. She asked what is considered high wage, and would those jobs be taking away from a different workforce in the Lea County area and would there be housing for them.

Mr. Dyson acknowledged that housing is an issue nationwide and certainly in a sparsely developed area such as Southeastern New Mexico, but the net benefits to communities like Jal, Hobbs and Carlsbad are that these are seen as new job opportunities. He said he did not necessarily agree with the premise that these new jobs would take away from the existing workforce. Based on numbers from the New Mexico Economic Development Department, high wage jobs pay \$50,000 and offer healthcare coverage.

Member Cassidy noted that state of New Mexico gets over \$300 million a year in precious volume cap for projects such as this one, but also for housing, where there is a critical need, and student loans, which is a lot more challenging now. He stated that every million dollars of volume cap is about 149 apartment units for the state, so this \$56 million of volume cap

could potentially reduce the need for housing by about 8,000 units. Considering the state's housing problem and the numbers he has cited, he asked Mr. Dyson if they really need the interest rate subsidy. He also asked what percentage of the Permian Basin this project proposes to deliver; how they are funded through private equity; how long have they signed up to operate; and how many oil companies they work with and how many do they contemplate working with in the future, not only in the Permian Basin but elsewhere. Lastly, there is a description of a "Blue economy" and wondered why this couldn't be green, given that hydrogen is a hot topic in New Mexico among other things.

Mr. Dyson responded that it's not just a matter of putting roofs over people's heads as people need gainful employment as well, and a diversified economy is necessary to support a population. He firmly believes in the value proposition that private enterprise benefits the community, and that New Mexico can be a water-rich state. This doesn't happen overnight or entirely because of this project, but this type of project can ultimately lead to that type of economic diversification.

On Mr. Cassidy's question about how many organizations are involved in this, Mr. Dyson said any number of publicly traded multibillion dollar market cap companies are involved in water management, and they have some level of disposal and recycle reuse, and the vast majority is in the disposal framework. They have historically worked with Occidental Petroleum, Devon Energy, Newbury Energy, and Matador Petroleum. He said small mom & pops drive a lot of oil and gas development, and in New Mexico they work with Strata Production in Roswell, which started out as a family company, and they are a primary customer.

Regarding Mr. Cassidy's question about the Permian, Mr. Dyson said the basin is broken into three basins, and the one impacting Southeastern New Mexico is the Northern Delaware, which is prolific. Infinity's infrastructure is estimated to impact roughly 95 percent.

Regarding Mr. Cassidy's question about private equity funding, Mr. Dyson said they used friends and family at small family offices and high net worth individuals to bootstrap this business before they opened in 2020. Collectively, the management team has raised over \$2 billion for projects. They currently have long form term sheets and are in negotiations with equity providers.

Regarding Blue versus Green, Mr. Jenkins said blue is a subset of green and is specific to water management. Investors in the industry would see both synonymously. He said it doesn't have to be potable.

Responding to Member Sanchez, Mr. Weiss said Wells Fargo believes that there are several benefits to this project from an environmental perspective and an economic perspective. They think it is financeable and tax-exempt investors will like this project because of the new technology, low construction risk, revenue associated with this project and an established operator. He said is conceivable there would be investors out there who

would finance this purely with equity, but the question is where the returns would be on that basis, and he could not answer that question.

Responding to Member Sanchez, Mr. Trujillo said he wasn't aware of any resources available to a company like this other than using this process.

Treasurer Montoya asked if the State Investment Council was investigated as a possible funding source on the private equity side. Mr. Dyson responded that they have not investigated that.

Member Sanchez asked if the board would be setting a precedent in approving this request. Mr. Trujillo responded that he didn't believe the board has considered a facility like this one, but in the past, there was a transmission line or similar type of project that was done in southern New Mexico. The funds came from private activity bonds, but he did not know if there were any equity partners involved in that structure.

Member Sanchez stated that he had concerns moving forward with this project because of a possible precedent that would be set by the board. He also expressed concern that this project would bring people in from all over, which is what has happened with Facebook in Los Lunas and will be happening with Amazon when it locates there. This has created an unbelievable housing shortage in Los Lunas and in parts of Albuquerque, where some of that workforce has migrated. He said he would not vote for this project based on the already challenging housing shortage in the state.

Responding to Treasurer Montoya, Mr. Trujillo said MFA has received a request for low-income tax housing credits for projects in the hopper, but he didn't believe that they had received or finalized any of those draft determinations that go with the credits. Typically, this board would not consider any project unless those are first awarded by MFA. They have letters of intent for several projects in Santa Fe County, but those have been stalled, and he could not estimate when or if they would come to the board.

Mr. Trujillo said all the carryover volume cap from prior years has been awarded to the MFA for their single-family program. As of right now, the board has \$202.9 million worth of volume cap to award for the remaining year. Any amount that isn't awarded between now and November 1 would be available for carryforward requests. Last year, the board utilized \$117.3 million of volume cap and the rest was awarded to the carryforward, which was \$253 million.

Responding to Treasurer Montoya, Mr. Dyson responded that they currently have inventory capacity of 3.5 million barrels and treatment capacity of 125,000 barrels a day, so could increase their treatment capacity by about four times. That would mean increasing inventory capacity by roughly six times.

Mr. Trujillo clarified that their original request was for \$112 million volume cap, but due to the policies under the NMFA, they were restricted to 15 percent of the annual allocation that comes to the state, which is how they arrived at \$56.7 million. In the future he assumed they would return for the remaining monies to complete the full scope of the project.

Member Trevisani asked what happens if the remaining amount isn't approved.

Mr. Weiss responded that they are structuring this financing at \$56.7 million as a standalone financing. This project stands on its own and they will market it on that basis and finance it, and will have enough equity, permits, etc., to support the project at the \$56.7 million. If they are fortunate enough to receive the additional \$56.7 million, they will add equity and expand their project.

Member Cassidy said there is an opportunity for the state to send the right message to industries that are trying to be creative on how to solve environmental problems, such as the water issue, especially in the oil and gas area. He gets comfort from the fact that NMFA is here, and its board has already approved this.

Member Cassidy said he supported this request but would ask that the board go back from a policy standpoint and determine what percentage should go to environmental allocations should it decide to do that in the future. He thought 15 percent was a high number in this market, considering housing needs.

Member Cassidy moved to approve the request today, but it doesn't mean the board will approve anything in the future because from a policy standpoint it needs to determine if it is going to set aside future volume cap for environmental areas along with housing and student loans. Member Trevisani seconded the motion, which passed, with Member Sanchez voting against.

Explaining her vote, Treasurer Montoya recommended that Mr. Dyson not expect to receive another allocation next year. She said she expected he would provide updates to the board on a regular basis. She suggested he meet with New Mexico Housing to see if they can assist.

Presenters: Christi Wheelock, Tax Credit Program Analyst, NM Mortgage Finance Authority; Thomas Andrews, CEO, Thomas Development Group, LLC; Jonathan Andrews, Vice President, Thomas Development Group, LLC; Jacobo Martinez, Asst. Housing Director, NM Mortgage Finance Authority

27. New Mexico Mortgage Finance Authority—Requests Approval of an Additional Private Activity Bond Volume Cap Allocation for Peachtree Canyon Apartments (\$1,500,000)

Ms. Wheelock stated that the New Mexico Mortgage Finance Authority (MFA) was allocated \$20 million to finance the construction of this multifamily affordable housing project in Las Cruces at the March 2024 board meeting. Subsequently, the developer

(Thomas Development) found that the cost had increased because of a change in the contractors and requested that MFA underwrite the project for an additional \$1.5 million. The additional volume cap is necessary for MFA to meet the 50 percent test requirement for using tax-exempt bonds and will satisfy the underwriting requirements with the equity investor partner for this project. Without the additional \$1.5 million in volume cap, the project is in jeopardy of losing the 4 percent tax credits as it barely meets the test and is precariously at 50.62 percent.

Tom Andrews stated that their majority owner, New Mexico Housing and Community Development Corporation, is a nonprofit in Truth or Consequences. He said they initially started sizing the project in 2022. He said 2022 and 2023 were very challenging years for interest rates and pricing, and they have worked closely with the architectural and development team to bring the project into a budget that works for them. They have construction drawings, which the City of Las Cruces has approved, and they hope to start construction at the end of August.

Jonathan Andrews added that they are in the final closing calls with MFA, their equity investors, their affordable housing partners, the bank, and the City of Las Cruces. Right now, the closing date is scheduled on August 28.

Responding to Treasurer Montoya, Tom Andrews said the \$1.2 million difference was a combination of soft and hard costs. When they were dealing with the new contractor, they had an allowance added into the project for recreational facilities (not just a pool) and did some improvement in the structural design to save costs and labor. Small adjustments were made in soft costs, construction contingency, general liability costs and other items. He clarified that the recreational facilities were not a line item in March when this was approved. They were in discussions with the original contractor and had a dollar amount they were trying to get to, but negotiations were not productive, and they felt it was best to switch general contractors at that point. They added the allowance for “pool” or “splash park.” No compensation was provided to the original contractor, and nothing is owed.

Tom Andrews stated that the cost per unit between the old and new contractors remains approximately the same at \$107,000.

Member Cassidy noted that the permanent financing is about \$9.7 million, interim financing is \$11.8 million, and the allocation of PAB to the construction side is 50 percent of almost \$21.5 million of volume cap. He suggested that the board needs to find a solution for the MFA, lawyers and developers to do the construction financing without PAB cap assigned to it.

Tom Andrews stated that if they had stayed with the original contractor, they’d be at this number. They weren’t getting the hard numbers from him along with what they knew would be required for general liability and builders’ risk, which are all a percentage of construction cost. He said the switch is basically a wash.

Member Sanchez moved for approval. Member Cassidy seconded the motion, which passed, with Treasurer Montoya voting against the motion.

STAFF ITEMS

Presenter: Ashley Leach, Director, Board of Finance

28. Approval of Professional Services Contract for Interim Arbitrage and Investment Support

Ms. Leach said staff is seeking approval to enter into a short-term interim contract with their existing arbitrage consultant, BLX, to support the investment of bond proceeds in Demand Deposit SLGS. This investment would mean the state could retain large amounts of money that would otherwise be owed to the IRS in rebate payments STO and the Board of Finance staff have been working with BLX to consider moving investments into Demand Deposit SLGS, but these efforts would require additional support from BLX. Staff anticipates incorporating this scope of work into future arbitrage contracts.

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

29. Request to Procure Arbitrage Services for January 1, 2025, through December 31, 2029

Ms. Leach stated that the board's arbitrage services contracts have been established as one-year small (under \$60,000) professional services contracts for the last several years. As arbitrage services will also be procured to appropriately manage the state's long-term General Obligation and Severance Tax Bond programs, staff believes that a competitive bid process for producing a four-year contract is more appropriate. Such a contract will also allow the board to procure services that exceed \$60,000 in one year, which may be needed for programs such as the investment in Demand Deposit SLGS.

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

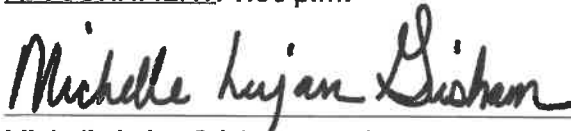
30. Consideration for Staff to Develop a Sole Source Contract with American Express as an Addendum to the State's Fiscal Agent Agreement

Ms. Leach stated that, as part of the fiscal agent agreement with Wells Fargo Bank, state agencies can accept credit/debit card payments so long as approval is provided by the director of the Board of Finance. The board must enter into a separate card acceptance agreement with American Express to give state agencies the option to accept American Express payments. The board has had a contract with American Express since at least 2001, and the current contract expires on November 30, 2024. For state agencies to continue to

accept American Express payments, the state must enter into a new sole source contract with them. The new contract will have a minimum term of four years.

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

ADJOURNMENT: 1:00 p.m.



Michelle Lujan Grisham, President

9-25-24

Date



Michael S. Sanchez, Secretary

9/26/24

Date