



**NEW MEXICO STATE UNIVERSITY
BOARD OF REGENTS
SPECIAL MEETING MINUTES
August 24, 2022 at 9:30 AM**

Regents Room (Room 001)
Educational Services Building
NMSU Las Cruces Campus,
1780 East University Avenue
Las Cruces, NM

Regents of New Mexico State University

Chair Ammu Devasthali, Vice Chair Arsenio Romero, Secretary/Treasurer Neal Bitsie, Dina Chacón-Reitzel, Christopher T. Saucedo

Non-Voting Advisory Members - ASNMSU President Garrett Moseley, Faculty Senate Chair Gaylene Fasenko, Ph.D., Employee Council Chair Susanne Berger

University Officials - Chancellor Dan E. Arvizu, Ph.D., Interim Provost Dorothy Campbell, Ph.D., Vice Chancellor Ruth A. Johnston, Ph.D., General Counsel Roy Collins III, J.D.

MINUTES

A. Call to Order, Chairwoman Ammu Devasthali

Chairwoman Devasthali called the meeting to order at 9:31am.

1. Confirmation of Quorum and Roll Call

The Chief of Staff confirmed the quorum and took the roll call. Four members of the regents were present in the board room: Regent Devasthali, Regent Romero, Regent Bitsie, and Regent Chacón-Reitzel. Regent Saucedo joined the meeting via Zoom. Also present in the board room were Chancellor Arvizu, Vice Chancellor Johnston, Employee Council Chair Berger, and Faculty Senate Chair Fasenko. Joining via Zoom were Interim Provost Campbell and ASNMSU President Mosley.

B. Approval of Agenda, Chairwoman Ammu Devasthali

Regent Chacón-Reitzel made a motion to approve the agenda as presented. Regent Romero seconded the motion. All were in favor and none opposed. Motion passed.

C. Approval of Minutes and Prior Closed Executive Session, Chairwoman Ammu Devasthali

1. Special Meeting Minutes July 8, 2022

Regent Bitsie made a motion to approve the agenda as presented. Regent Chacón-Reitzel

seconded the motion. All were in favor and none opposed. Motion passed.

2. Confirmation of Prior Closed Executive Session July 8, 2022

The Chief of Staff read the following statement:

“The Board of Regents met in an online closed executive session at 2:10pm on July 8, 2022. The meeting was held to discuss the bargaining strategy preliminary to collect bargaining negotiations between the Regents of New Mexico State University and United Electrical Radio and Machine Workers of America in accordance with the New Mexico Open Meetings Act, NMSA Section 10-15-1, subsection (H)(5).”

A roll call vote was taken to confirm that only matters of that nature were discussed.

Regent Saucedo – Yes
Regent Chacón-Reitzel – Yes
Regent Bitsie – Yes
Regent Romero – Yes
Regent Devasthali – Yes

D. Consent Items, Chairwoman Ammu Devasthali

- 1. Authorization of Doña Ana Community College District to Issue General Obligation Education Technology Lease Purchase Arrangement and Notes NTE \$3,750,000, DACC President Mónica F. Torres**
- 2. Ratification of a Collective Bargaining Agreement between Regents of New Mexico State University and American Federation of State, County and Municipal Employees, Local 2393, Associate Vice President Gena Jones**

Regent Romero made a motion to approve the items on the consent agenda as presented. Regent Chacón-Reitzel seconded the motion. All were in favor and none opposed. Motion passed.

E. Action Items

- 1. Resolution No. 2022-03: New Mexico Finance Authority (NMFA) Application for Financial Assistance and Project Approval, Associate Vice President D’Anne Stuart**

Associate Vice President D’Anne Stuart presented the Resolution No. 2022-03: New Mexico Finance Authority (NMFA) Application for Financial Assistance and Project for approval. Joining her was Erik Harrigan, who serves as the NMSU’s financial advisor from RBC Capital Markets. Resolution No. 2022-03 authorizes the administration to proceed with the New Mexico Finance Authority Application for funding. By going through the New Mexico Finance Authority financing mechanism, it provides a streamlined funding process for NMSU and will result in a

slightly more favorable rate.

2. Resolution No. 2022-04: Resolution Authorizing Revenue Bond Issuance Series 2022,

Associate Vice President D'Anne Stuart

Associate Vice President D'Anne Stuart presented the Resolution No. 2022-04: New Mexico Finance Authority (NMFA) Application for Financial Assistance and Project for approval. This resolution authorizes administration to proceed with the issuance and delegates authority to administration to approve the final terms of the bond sell within established parameters. Once the sale is final, they will bring it back to the board for the final sale conditions. Revenue bonds are typically issued to fund capital projects for facilities that don't qualify for other types of money, such as auxiliaries and athletics. Those do not qualify for state funding for capital projects. Unlike other types of capital funding, the university has to pay back the debt when they do the bonding issuance. They pledge their system revenues to back those bonds. NMSU's practice is to make sure that they have a dedicated revenue stream to pay back the debt service on the bonds. In this case, the debt service will be paid by student fees allocated for that service. In March, when tuition was brought forward to the board with the student fee, there was a line item specific for debt service, which was approved. The students have agreed to keep that line item for allocation for debt service flat. In this case, they are aware that there is retiring debt that is currently funded through that student debt service allocation. As the debt is retiring, that frees up the capacity to issue more bonds. The issuance will be structured so that there is no increase. They can pull the student fee allocation, which is approximately \$3.6 million flat. In the first three years, they will need to capitalize some interest. Currently, they continue to evaluate and take a conservative approach to the financing. Because of the critical nature of some of the projects that will be funded through the proceeds and a significant need of prosperity for capital investment, they feel that moving forward with the issuance at this time is in the best interest of the university. Net proceeds back to the university will give is expected to be approximately \$28 million.

Associate Vice President Stuart stated that they worked with all of the service administrators as well as facilities and services to identify what the critical priority areas that the funding could be used for. The first project is for the University Recreation Activity Center. The second is within Aggie Memorial Stadium. The third is for Corbett Center Student Union. The fourth is for the Pan American Center. In their applications to NMFA, the project plan, which describes renovation and facility updates, will be included. ASNMSU is working on a master plan for the facility. They will work with ASNMSU to align all of the enhancement projects.

The first project is for facility upgrades and improvements to the University Recreation Activity Center and the Aquatic Center. Those enhancements include chlorination and nutrition equipment, other equipment updates, lighting. These will be aligned with ASNMSU's master plan. The second project is for a new locker room addition as well as training rooms and health and nutrition spaces at Aggie Memorial Stadium. The third project is to bring the fire alarm

system up to code in the Corbett Center Student Union building. Because it is not up to code, they cannot make any modifications to the facility. This is holding up other enhancements to make in the building. Also included in the project are upgrading dining areas, expansion and renovation for e-sports, HVAC system upgrades, and student recommended projects. Lastly, are updates to improve the Pan American Center. The critical need is replacing the retractable seating. The seating is planned to be replaced after basketball season. After that, they will work with Athletic Director Moccia to review what the next priorities are among the lower bowl seat replacement, new sound system, lighting replacement, and upper bowl replacement.

Regent Romero asked if the projects would be in order and if there is a proposed timeline to when those projects will be completed. Associate Vice President Stuart stated that they do not have that level of detail; however, they are hopeful in bringing the fire alarm system up to code over the summer. The upgrades to the University Recreation Activity Center will depend on the masterplan. They will begin putting together the project timeline and details. Regarding the locker room addition, they already have some architectural designs. Once they have the funding, they can move forward. Sequencing around the use of the facilities will be the most difficult part of doing the projects.

Erik Harrigan presented the funding timeline. They compared the university's traditional financing method of going through the public markets versus going through the New Mexico Finance Authority. The New Mexico Finance Authority provides a lower interest rate to the university than going to the public markets, in part because it saves a certain amount of issuance costs as well as providing a slightly lower interest rate. The New Mexico Finance Authority has a AAA and the university has a rating of A1-A+. The differential in rating impacts the rate to achievement. The way New Mexico Finance Authority works is that an application is submitted, then a resolution is passed requesting to borrow money through the New Mexico Finance Authority. It's a simultaneous borrowing. The Finance Authority goes into the market and sells the bonds. The interest rate that on those bonds are passed directly to the university. The university effectively achieves those AAA rates that the New Mexico Finance Authority receives. New Mexico Finance Authority has their own process of going into the market and selling bonds, which is one of the reasons this item is brought before the board today, in order to align with when the New Mexico Finance Authority will be going into the market to sell PPRF bonds. An HED application has been submitted to their board for September and subject to their approval they will go to either the State Board Finance in September or October. The New Mexico Finance Authority would then be in the market in late October or early November to sell those bonds, which is when the rates would be locked in. Then they would close approximately 30 days thereafter, which is when funds will be available for the university to expend on the projects that are outlined. They will need to expend 85% within three years. Inflation hit a forty-year high a couple of months ago. They've gone from what would be considered as an accommodated federal reserve last year, during the pandemic, to a federal reserve that is intent on combating inflation. There were two back-to-back 75 basis point

increase in interest rates. Since January, interest rates have gone up significantly. As an example, interest rates last year were be around 1.4% and today they are 3.4%. That is an aberration of the market and increasing interest rates. The federal reserve is expected to continue to raise interest rates at its next meeting, September 26 and 27, 2022. The market has priced that in, but there is still the question of, 'What will the federal reserve do after that? What will inflation continue to do?' While inflation related to energy prices can be somewhat controlled, that core inflation can be difficult to bring down. That's what the Federal Reserve is focused on. From an interest rate standpoint, it's important to get in the market and lock in rates as soon as possible. Financing will deliver \$28 million in projects. It contemplates capitalized interests, similar to what the university did in 2017. Capitalized interest is borrowing to pay a portion of the debt service in order to maintain the \$3.6 million combined service of the university's outstanding debt that's being paid by student fees as well as this debt that is being paid by student fees. From 2031 – 2032 the debt service drops from \$3.6 million to \$2.6 million. This allows the university to go back to the markets and sell additional debt if it so desires to fund future projects at that time. Additionally, the bonds will have a 10-year optional redemption date, which is standard for municipal bonds. This gives the university the option to redeem bonds or refund the bonds, if interest rates are such that it would generate present value savings.

Chairwoman Devasthali asked if the timeline is accelerated. Erik Harrigan answered that the timeline, with the exception of the State Board of Finance meeting, is fairly consistent. Generally, the Board of Regents would authorize the resolution sometime before the HED meeting. Attached is a draft of the authorizing resolution and they will submit the signed version once approved.

The first resolution authorizes the submission of the application to the New Mexico Finance Authority. A copy of the application has been preliminarily submitted to the Finance Authority for their consideration.

The second resolution is a standard authorizing resolution, similar to the 2019 financing resolution, this will be the only official action by the Board of Regents. In the resolution, the regents delegate authority to approve the final terms within the parameters outlined in the resolution to the Chancellor, Vice Chancellor, and Vice President for approval of the final terms once the New Mexico Finance Authority prices their bonds on the market. These bonds will be senior lien bonds on a parody with the 2013, 2017, and 2019 bonds and superior to the lien of the 2014 subordinate lien note. Section 5.D of the resolution outlines the parameters for the issuance of the bonds, including a maximum maturity of April 1, 2043. The optional redemption provision will be provided in the sales certificate, but it is expected to be the 10-year call. A bond purchase agreement will be entered with the Finance Authority once the bonds are priced in the market. The bonds will be issued as tax exempt bonds. There will be requirements as to the investment of the proceeds, as well as the use of bond finance facilities. The proceeds

have to have a minimum of 85% within three years. They have reviewed the contracts that the university has in place at each of the four facilities to which the university plans to make improvements and they have found those to be in compliance with the safe harbors to permit this on a tax basis.

There were no questions for Resolution No. 2022-03: New Mexico Finance Authority (NMFA) Application for Financial Assistance and Project nor Resolution No. 2022-04: Resolution Authorizing Revenue Bond Issuance Series 2022.

Regent Romero made a motion to approve the Resolution No. 2022-03: New Mexico Finance Authority (NMFA) Application for Financial Assistance and Project. Regent Chacón-Reitzel seconded the motion. The Chief of Staff took a roll call vote:

Regent Saucedo – Yes
Regent Chacón-Reitzel – Yes
Regent Bitsie – Yes
Regent Romero – Yes
Regent Devasthali – Yes

Motion to approve Resolution No. 2022-03: New Mexico Finance Authority (NMFA) Application for Financial Assistance and Project passed.

Regent Bitsie made a motion to approve the Resolution No. 2022-04: Resolution Authorizing Revenue Bond Issuance Series 2022. Regent Chacón-Reitzel seconded the motion. The Chief of Staff took a roll call vote:

Regent Saucedo – Yes
Regent Chacón-Reitzel – Yes
Regent Bitsie – Yes
Regent Romero – Yes
Regent Devasthali – Yes

Motion to approve the Resolution No. 2022-04: Resolution Authorizing Revenue Bond Issuance Series 2022 passed.

F. Informational Items, Chairwoman Ammu Devasthali

1. None.

G. Adjournment, Chairwoman Ammu Devasthali

Regent Chacón-Reitzel motioned to adjourn. Regent Bitsie seconded the motion. Meeting adjourned at 10:05am.

Meeting Minutes Approved on September 15, 2022 by the New Mexico State University Board of Regents.



Ammu Devasthali
Board of Regents Chair



Neal Bitsie
Board of Regents Secretary/Treasurer