MINUTES OF THE
NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING
Santa Fe, New Mexico

October 16, 2012

A Regular Meeting of the New Mexico State Board of Finance ("Board") 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.

1. ROLL CALL: QUORUM PRESENT

Members Present:
The Hon. James B. Lewis, State Treasurer
The Hon. John Sanchez, Lt. Governor [arriving at 9:06]
Mr. Robert J. Aragon, Public Member
Mr. Michael Brasher, Public Member, Secretary
Mr. Sam Spencer, Public Member

Members Excused:
The Hon. Susana Martinez, President

Legal Counsel Present:
Mr. Zack Shandler, Attorney General’s Office

Staff Present:
Dr. Thomas Clifford, Secretary, Department of Finance & Administration
Mr. Jeff Primm, Deputy Director, State Board of Finance

Others Present:
[See sign-in sheets.]

2. APPROVAL OF AGENDA
NEXT REGULAR MEETING: NOVEMBER 20, 2012

Mr. Primm reported that the City of Anthony had requested postponement of item #14, the Doña Ana County donation of properties, until next month’s meeting. The Board could consider it here or at that point in the agenda. A representative of the County of Doña Ana was present.
Treasurer Lewis asked why, and Mr. Primm replied that concerns about the library and park properties were raised by staff and the City was taking those concerns under advisement.

Secretary Clifford suggested the Board might hear from Doña Ana County representatives.

Mr. Aragon moved to approve the agenda as presented. Mr. Brasher seconded the motion, and it passed by unanimous 4-0 voice vote. Lt. Governor Sanchez was not present for the vote.

3. **APPROVAL OF MINUTES: September 18, 2012 (Regular Meeting)**

   Mr. Aragon moved to approve the minutes of the regular meeting on September 18, 2012 as presented. Mr. Spencer seconded the motion, and it passed by unanimous 4-0 voice vote. Lt. Governor Sanchez was not present for the vote.

4. **APPROVAL OF MINUTES: September 21, 2012 (Special Meeting)**

   Mr. Spencer moved to approve the minutes of the special meeting on September 21, 2012 as presented. Mr. Brasher seconded the motion, and it passed by unanimous 4-0 voice vote. Lt. Governor Sanchez was not present for the vote.

**EMERGENCY FUND BALANCES**

   Presenter: Jeff Primm, Deputy Director

5. **Emergency Balances – October 2012**

   Mr. Primm read the emergency and reserve fund balances into the record.

   Operating Reserve Fund  $880,579.57
   Emergency Water Fund    $  0.00

   Treasurer Lewis asked if with the zero balance another allocation would be coming.

   Mr. Primm did not anticipate one. Should any water emergencies arise, the Board could consider funding them out of the generic emergency fund.
HIGHER EDUCATION DEPARTMENT

Presenters: Henry Mignardot, Capital Project Coordinator; Greg Walke, University Architect and Campus Planning Officer

6. New Mexico State University – Requests Approval of Institute for Public Policy ($13,794,718)

Mr. Mignardot was at the meeting to present several projects that had been approved by the HED Capital Projects Committee that he reported were compliant with the building moratorium and reviewed to ensure they met the Governor’s executive order for green building standards.

[Lt. Governor Sanchez arrived at this time and chaired the remainder of the meeting.]

The first project presented was the NMSU Institute for Public Policy at a budget of $13,794,718. It would renovate the Herschel Zohn Theater to house the Domenici Institute and remodel the Branson Library to house the Domenici archives. Mr. Mignardot explained that, if the project were approved, the RFP would be sent out in January 2013, or sooner. They were seeking to achieve LEED Silver, if not Gold, certification. The project is exempt from the moratorium because it was approved prior to March 11, 2011. The legislature approved appropriations for the project in 2008, GO Bonds were approved in 2010, and Severance Tax Bonds were approved in 2012. The state funding matched a $10 million grant from the Department of Defense. It is a joint project of the School of Business and the State Library. This project allows better integration into the campus. The new center would be a center for political discussion. The completion date anticipated is July 2014.

Mr. Aragon moved to approve the request for the NMSU Institute of Public Policy. Mr. Brasher seconded the motion, and it passed by unanimous 5-0 voice vote.

Presenters: Vahid Staples, UNM Budget Officer; Robert Doran, University Architect

7. University of New Mexico – Requests Approval for Construction of Mathematics Learning Lab ($1,137,000)

Mr. Mignardot said this project was reviewed and approved by the Capital Projects Committee, complies with exemption from the building moratorium, and meets the Governor’s executive order for green building standards.

He explained that the Mathematics Learning Lab will cost $1,137,000 and will provide for self-guided learning in a 13,482 sq. ft. space on the main level of the Centennial Science and Engineering Library with 125-140 computers plus 25 in a testing lab. He listed the elements of the renovation and explained it was designed to improve student success and retention rates for University of New Mexico (UNM) students. He clarified this new type of learning was intended to help with math remediation because...
less than half of the students taking remedial math currently pass the course.

Funding would include $701,000 from the 2013 UNM BR&R Fund; $99,000 from the 2013 UNM Equipment Renewal & Replacement Fund; $300,000 from the College of Arts and Sciences Reserves; and $37,000 from UNM Housing & Food Services Reserves for a total of $1,137,000. Projected completion date for the project is December 2012.

Mr. Staples described the lab as an innovative learning environment that would go from lectures to self-learning because such labs were showing success elsewhere.

Mr. Doran said the lab allows students to have three one-hour self-guided courses that the student doesn’t leave until having mastered each course.

Mr. Aragon asked if this remedial level math was noncredit.

Mr. Mignardot said it was remedial, but could provide credit toward graduation.

Mr. Aragon asked why remedial math was at the university level. He was in favor of getting students into the university, but this called into question more pressing issues UNM should resolve. He pointed out that nearby CNM was capable of providing this function for less money, and the credits would transfer to UNM. He asked if UNM was admitting students that were not quite ready to be UNM students.

He asked why primary education level schools were graduating students without the math skills necessary for college studies. Those questions should be addressed and he believed this lab is a band-aid approach. He questioned if this was a disservice by having those students at the university where they are at peril of not graduating.

He asked how many students who take remedial math or English classes actually graduate from the university.

Mr. Staples didn’t have that information.

Mr. Doran said this is a national circumstance. This new particular math approach started at Virginia Tech several years ago and is successful there. It is an entry issue. Students are showing they have the wherewithal to enter the university but don’t have their math foundation. High school standards do need to be raised. And as we go through this evolution with self-guided math, we find the students are doing well in other areas of course work.

Mr. Aragon wanted to see what the graduation rates were within five years for those who needed remedial math and what the graduation rate at the university level was as opposed to community college.

Mr. Doran agreed to get that data, but not based on this new methodology.
[Mr. Aragon stepped out of the meeting at 9:23.]

Lt. Governor Sanchez recalled the Board’s discussion last year about some of those same issues. The school ought to be more proactive than reactive in preparing children. Mary freshmen at UNM are not as prepared as they should be to go to UNM. However, because UNM is the flagship university of our State, he questioned whether we are investing well when we lower expectations.

Mr. Brasher asked how this program compared with the remedial programs at CNM.

Mr. Doran said CNM doesn’t have this kind of program in place. They do have course work at a remedial level like UNM, but he couldn’t say how well CNM’s was working.

Mr. Brasher asked why the students could not just use the internet for this instead of spending money for a lab.

Mr. Doran said a critical component is that there are faculty in the labs at all times - about 60 hours per week as well as three student assistants. When a student raises his hand he gets help from those staff.

Mr. Staples added that there is mandatory time for students to be in the classrooms.

Mr. Brasher asked whether there were any on-line courses.

Mr. Doran thought there might be, but the lab is more than an internet relationship. It is a full package and not a distance learning thing. The students can go to the faculty for help, but not currently in a classroom lab. If students can’t master the fundamental information, they cannot pass to the higher math work. With this new approach, students can master the skills at their own rate and then go to the next module.

Mr. Brasher moved to approve the request. Mr. Spencer seconded the motion, and it passed by unanimous 4-0 voice vote. Mr. Aragon was not present for the vote.

8. WITHDRAWN

Presenters: Dr. Gerald Pitzl, Policy Analyst; Dr. Uday Desai, Director, UNM School of Public Administration; Dr. Gary Harrison, Interim Dean of Graduate Studies

9. University of New Mexico – Requests Approval of Creation of Master of Health Administration Degree

Dr. Pitzl presented the request. He noted there is no graduate program in Health Administration in New Mexico but there is a growing need for it. There is one in Arizona, two in California, one in Colorado, one in Oklahoma and several in Texas.
Health administrators in New Mexico usually have come from one of those out-of-state programs. Graduates of this program would take key positions in New Mexico’s healthcare workforce and add to the state’s economic development.

Dr. Desai said this program has been developed in response to workforce needs identified by healthcare organizations throughout New Mexico to train women and men to manage increasingly complex healthcare organizations. The program will use current resources and foster collaboration across the industry. The degree program requires no new funding from the state and will help address the growing need for competent healthcare managers in New Mexico.

Secretary Clifford wondered why it was an academic program instead of on-the-job training, and he asked what the nature of the academic contribution would be.

Dr. Desai said the senior managers of healthcare organizations identified a need for a group of people who, over a period of time, could move to a solid understanding of competence from a variety of perspectives. So it was not just one or the other. Both academic and on-the-job training were necessities.

[Mr. Aragon returned to the meeting at 9:37.]

Dr. Harrison said the program could be compared to an MBA. It is not a research degree, but management in public and private healthcare settings. The skills training prepares them to meet the job requirements for healthcare organization management.

Secretary Clifford asked how it was different from an MBA then. His focus was on finance and there was a lot of finance competency needed in this profession. He didn’t see the public administration department having the expertise in financial matters or how the curriculum would be done.

Dr. Desai said that for this degree, students are required to take coursework in strategic health care management, health care financing, and economics, so it would include a lot of work in financial management. It was also foundational in personnel management, organization management and cultural competency. They envisioned a broader, well-rounded study. In healthcare, cultural context is very important. Senior managers should be well grounded in that context.

Secretary Clifford asked why the health services branch of UNM was not hosting this program. It seemed to be a more logical place for it.

Dr. Desai couldn’t answer the question, but said they worked closely with the health services center in developing the program and had letters of support from them. They were drawing on all major resources across the campus. This would not duplicate any existing resources.
Dr. Harrison said he saw the degree as complementary to health sciences. They would only add two faculty members over next three years. It had the expertise on the main campus now, and didn’t need to create a whole new department.

Mr. Aragon asked how different this was from a Master’s degree in Public Health.

Dr. Desai said this would focus on management and leadership positions. The degree in Public Health is more clinical healthcare.

Mr. Aragon asked his question again, noting the 2,200 page Affordable Healthcare Act referenced in the brief which he had read entirely. If fully implemented, this country would eventually only have public health. So he questioned why a Master’s in Public Health wouldn’t be more appropriate.

Dr. Harrison replied that the MPH has more emphasis on epidemiology and how diseases are transmitted. The MHA degree would prepare a student for both private and public health administration. He believed the increasing health specialties can be better addressed in this curriculum. It is a higher level of training for those in the health care administrative field.

Mr. Aragon asked what the prerequisites were. He asked if students should have a background in physics or economics or a liberal arts background.

Dr. Desai said it included all of those plus a 3.0 or better GPA in their undergraduate work. Applicants would be required to provide recommendation letters and a written essay to the admissions committee.

Dr. Harrison added that their clientele would be drawn from people already in the health care field looking for career enhancement.

Mr. Aragon asked if students had been surveyed about their interest.

Dr. Desai acknowledged they had not. The genesis had been requests from the industry for people who are well trained. HR Directors and Education Directors from several large health care systems who have resources to send their employees and fund their education had come and asked for such a program. It would be a small program of 20 students - not a huge enrollment.

Mr. Spencer asked what they discovered about the demand from neighboring states’ programs and how this program would be distinguished from those programs in other states.

Dr. Desai said several of those programs in neighboring states focus more narrowly on the accounting and finance side of the business. UNM’s program is to prepare more well-rounded, well trained administrators with competencies in economics, finance,
strategic management, cultural competence, medical ethics and law. They would have a more comprehensive understanding of all parts of the system. UNM currently offers several courses in health care management as part of the MPA program with an average enrollment of 15-20 students. So there is some sense of interest among students.

Dr. Harrison said they had conversations with San Juan Medical Center, which has a problem retaining good managers. Having a New Mexico-based MHA program should increase the likelihood that graduates will be willing to stay in the state.

Mr. Aragon asked about any accreditation process for this type degree and what UNM had accomplished toward accreditation of the program.

Dr. Desai mentioned two national accrediting associations. The National Association of Public Health Affiliation and Administration accredits both the MPA and Master’s in Health Administration. The other is called the American Council of Healthcare Educational Accreditation. The proposed curriculum was specifically developed on the basis of the competency requirements of both of those agencies for accreditation. Both associations say the program has to operate for three years before getting accreditation. It requires membership in the associations, and UNM would apply after the first two years of operation.

Treasurer Lewis was asked whether courses in this program would be offered at any other place. He said that, in his experience, UNM has not always asked the business community about the type of professionals they needed. In this case, it appeared that UNM was being responsive to the business community. He noted that public administration and business administration are not the same. For instance, budgeting and auditing is different in a government perspective.

Dr. Desai said these courses were not being offered today by others.

Mr. Brasher wondered why this program would not be part of public administration. Cultural sensitivity was a major focus in public administration and he questioned why UNM would make this another program instead of making it part of what is already there. With regard to the retention issue, he pointed out that training people might be a ticket to go elsewhere. He was surprised it was not developed through the MPA Department.

Lt. Governor Sanchez didn’t see any fiscal impact here and asked what costs were involved.

Mr. Primm said pages 121 and 122 in the electronic agenda showed the budget impact that UNM provided. According to that information, the costs for the program were outweighed by revenues in head count by about a 2:1 margin. It didn’t appear to have a negative budget impact.

Secretary Clifford said it would be helpful to have them address that. He asked if
UNM's projections were based upon the new higher education funding formula, and he was told it did. He concluded it was an expansion of their program in the state agency's budget and would require more appropriations to meet the budget.

Dr. Harrison did not characterize it as an expansion since from the fall of 2011 to 2012 UNM retired several programs and they were constantly looking at those programs that were no longer vital to their mission to make sure the graduate programs addressed real needs.

Secretary Clifford noted an active debate to shift from an input driven formula to an output driven formula in an effort to ensure that funds for higher education were invested more effectively and efficiently.

Treasurer Lewis moved to support this request. Mr. Spencer seconded the motion, and it passed on a 3-2 voice vote with Mr. Aragon and Mr. Brasher voting against.

Presenters: Vahid Staples, UNM Budget Officer, Office of Planning, Budget & Analysis; Steve McKenna, CEO, UNM Hospital; Paul Roth, MD, Chancellor, UNM Health Science Center; Michael Richards, MD, MPA, Chairman, UNM School of Medicine

10. University of New Mexico Hospital – Requests Approval for Adult Hospital Addition – Phase I Lands West ($146,000,000)

Mr. Mignardot explained they were bringing this request back to the Board. Since the last board meeting UNM Hospital (UNMH) had held several public meetings on the project. The faculty had signed off on this project on April 13, 2012. The program was approved May 25, 2012 by the UNMH Board. On May 25 it was approved by the Health Sciences Board. The UNM Board approved the project on June 12, and the Higher Education Department had done so on July 12. They were now asking final approval of the project by this Board.

Dr. Roth referred to the brief summary handout for this 96 bed hospital. The Health Sciences Center (HSC) has a strong commitment to New Mexico and health outcomes. Increased access to healthcare is the most important goal. Dr. Roth reviewed his handout with the Board.

He pointed out that the occupancy rate for UNMH is 91 percent compared to the national average of 75 percent. Transfers to UNMH are high. The hospital had to turn down 776 transfers in the last year because no beds were available. The resulted in long wait times in ER.

The proposed 96 bed hospital wing will employ 1,000 workers during construction and 300 plus permanent jobs when opened with an average wage of $60,000. They were not asking for more money to build the hospital wing.
Dr. Roth continued that UNMH conducted four town halls in the metro area since the last presentation to this Board, which were well-attended and supportive. He listed endorsements and support of the project. He believed the project was the best way to spend this money and, in addition to quality healthcare, the project would address some economic factors in the state.

At this time Lt. Governor Sanchez allowed some public comment and asked those speaking to be concise.

Dr. Gayle Diné Chacon, Surgeon General for the Navajo Nation and a family medicine doctor who has admitted many patients to UNMH, stated that injuries are the number one cause of death on the Navajo Nation along with diabetes and other chronic diseases. The closest trauma center is Albuquerque. She stated that if UNMH did not have capacity, patients from the Navajo Nation would likely be sent to Phoenix or Denver, which posed problems for patients and their families. She believed the hospital would be tremendously welcome for the Navajo Nation people.

Ms. Wanda Johnson, on behalf of the Office of the Navajo Nation President and Vice President, delivered a letter of support for the project.

Mr. Michael Olguín, Chairman of the UNM Hospital Board of Trustees, spoke in support of the project.

Mr. Greg Ortiz, former Lt Governor of Acoma Pueblo, spoke in support on behalf of the All Indian Pueblo Council, Eight Northern Pueblos Council and the Southern Governors. He said that Governor Randall, Chairman of the Southern Pueblos, was also on his way to support the hospital. Mr. Ortiz stated that Governor Randall and the Chairman of Eight Northern Pueblos gave him permission to convey their support. He explained there is a 1952 federal contract that obligates UNMH to provide beds for Native American patients and this better addition will enhance that accommodation. He thanked Dr. Roth and Mr. McKernan for honoring the contract.

Ms. Carolyn Abeita, member of the UNM Board of Regents and Board of Health Sciences Directors, confirmed they voted to approve this project for quality healthcare as crucial to the mission of the UNM. Ms. Abeita spoke also from the Isleta Pueblo perspective. She said they all grew up with the 1952 agreement saying they had 100 beds at UNM and Albuquerque Indian Health Hospital and that is their only access for quality care. Unfortunately, her mother-in-law was in Acoma Pueblo health care and needed to be transferred to UNM Hospital but was denied because there were no beds available. She passed away from complications of diabetes. That is just one story, but there are hundreds more of the need for access. She said that even with this project UNMH is still not meeting that contract, but she believed this will help greatly.

Mr. Tom Carroll, representing New Mexicans for Equal Healthcare Access, said UNMH started with a mission to serve the indigent population. The County allocated
$100 million of tax money for that purpose. The money for the project is coming from 
profits of the hospital. So, he questioned why those profits were not being used for 
indigent care. Secondly, he asked why that money was left over. He said people are 
asking why their budgets are being cut when $146 million is left over to pay for this 
project. This hospital creates more expenses. He asked if it would come back to 
Bernalillo County taxpayers when the mill levy is already quite high.

Mr. Carroll also questioned the bed occupancy numbers. The New Mexico Hospital 
Association says that according to licensed beds, UNMH was at 61 percent occupied beds 
and not 91 percent. UNMH Sandoval was at 63 percent or 71 percent. UNMH disputes 
those numbers, but they came from the hospital association, and he thought they were 
solid numbers. What UNMH says might be correct for some places in the hospital, but it 
is at 71 percent overall. He said this called into question the issue of need. Regarding the 
town hall meetings, he went to two of them and said that lots of people had many 
questions about the hospital. The community is not solidly behind the project.

Ms. Kimberly Moss, also representing New Mexicans for Equal Healthcare Access, 
said she would reiterate what Mr. Carroll said. She said there was more information in 
the packet she sent to the Board.

Ms. Leigh Caswell, UNM HSC Vision 2020, said she was the long-term coordinator 
for the Bernalillo County Health Care Council. As part of a larger strategy this project is 
key to accessing health care.

Mr. Marc Saavedra, UNM Director of Government Relations, said he went to the 
town halls where, at every single one, the majority of people had their questions 
answered. The town halls were critical vehicles for information. They were productive, 
and afterward UNMH representatives were available and had long discussions with 
attendees. He confirmed the occupancy rate is 95.5 percent and pointed out that the 
project was endorsed by the Albuquerque Journal. He thought UNM had done a good job 
answering questions.

Secretary Clifford asked for more information regarding the operating budget for the 
hospital.

Mr. McKernan said they provided a five-year financial projection that extended two 
years past estimated completion of project. All projections show UNMH could meet the 
costs with revenues produced for admissions. So, no negative impacts were anticipated.

Secretary Clifford asked if the projections assumed any increase in operating costs.

Mr. McKernan referred the Board to page 36 of their power point presentation. The 
core patient revenue increase in 2013 would be from $517 million to $557 million. The 
$40 million represented a 5 percent increase to overall revenues.
Mr. Primm indicated that information could be found on page 209 of the electronic agenda.

In response to Secretary Clifford, Mr. McKernan said the accumulation of $150 million in the building fund happened over the last five years. The next page of the presentation showed the balance sheet for UNMH. UNMH started 2011 with $209 million, which UNMH intends to use to pay for the project. The total was an accrual including non-cash depreciation (close to $40 million per year). Altogether, UNMH’s existing sources will pay for the facility.

Secretary Clifford asked how much the hospital on the west side of Albuquerque had cost.

Mr. McKernan said it cost approximately $140 million including financing costs. Had UNMH not used a bond issue for that project the net cost would have been about $120 million. UNMH opted to use financing for that project because of the very attractive 3 percent financing rates available at the time.

Secretary Clifford asked for clarification on the different occupancy rates mentioned.

Mr. McKernan referred the Board to the audited 2012 hospital census on page 29 in the power point (page 202 of the electronic agenda). Focus for this project was on adult bed occupancy which was at 91 percent during the fiscal year. UNMH has 92 ICU beds of which 20 are pediatric ICU beds. Total bassinets were 101 but neonatal beds were 62 of the 101 bassinets. The hospital has 300 adult beds with 91 percent occupancy on those beds. This is an average, but the hospital has to make sure it has capacity. Frequently during the week there are no available adult beds, and they couldn’t use a bassinet to care for an adult. As far as occupancy rates at the new Sandoval Regional Medical Center, it just opened. So, there has not been enough time to compile relevant numbers. It opened with 20-30 beds and was going to 50 beds.

Secretary Clifford commented that since we are using public monies on an enterprise where a private enterprise is providing similar services he thought it was important to know where the community stood in terms of adult beds. The 776 transfers denied sounded like a small number when compared to numbers served. He asked if the hospital coordinated with private hospitals in the area when deciding where patients should be served.

Mr. McKernan said UNMH had total admissions of 28,000 last year. Without deliveries of babies there were 20,000 admissions and 15,000 were adults. Of those, they had about 5,000 transfers in and 2,000 were from other Albuquerque hospitals. They were unable to accommodate 776. Over 300 days of the year UNMH was closed to transfers in, and he didn’t know how many more didn’t happen because the doctors already knew UNMH was full. So, he believed the 776 figure was far short of the real need. Because of HIPAA regulations, it was very difficult to follow up on those denials.
Secretary Clifford noted the hospital had some semi-private rooms and it appeared part of the proposal was to convert some of those to single occupancy rooms.

Mr. McKernan explained recent legislation now prohibits construction of a facility with semi-private rooms. They can no longer be constructed due to infection possibility and also for privacy issues. So, no newly constructed rooms can have two beds.

Mr. Brasher appreciated the presentation at the public meeting, and the format particularly gave him confidence. The parties coming had different objectives. Some thought the hospital needed to look more at out-patient care—that under Obamacare there needed to be more emphasis on neighborhood clinics so people could be treated there and, with a sufficient amount of time so they wouldn’t have to wind up at the ER. Attendees may have had a different policy in mind, but they were not objecting to the money being spent for this. Many people felt the quality of service at UNM was wonderful in helping them through emergencies. They felt the hospital needed to honor the agreement to serve Native Americans. By and large there were no complaints and were very complimentary of the services provided.

Mr. Aragon said he didn’t see a whole lot of general citizenry at the meeting, but he agreed with Mr. Brasher’s comments. One of the most compelling points was the emphasis away from hospitals and concentrating on outpatient services in the community. He thanked UNMH for holding the public meetings but was disappointed that so few regular citizens showed up. He had nothing but positive comments to make, but agreed they should shift public dollars to clinics to reduce need for hospitalization.

Treasurer Lewis agreed with statements made by Messrs. Brasher and Aragon in what he saw. There were diverse people in attendance at the town hall meetings who had different interests and concerns, and he appreciated that. He was glad to hear at the meeting about the Native American agreement of 1952.

Lt. Governor Sanchez asked again about what happened to the 776 patients who could not be transferred.

Mr. Richards said they called back to ask when they had denied admission if the referral had found another location to send them to. That sometimes takes days. The data is only available for two weeks. Some didn’t receive advanced care. About 25 percent went to out-of-state facilities. It could be to Dallas, or Denver or Phoenix. So, not having these beds really does affect access.

Treasurer Lewis added that waiting 24 hours in ER does a lot to the people waiting.

Mr. Richards agreed that was unacceptable. If there is no alternative, then the patient just has to sit in ER. UNMH’s ER has about 86 beds while the average ER in the country has 20 beds. An average of 30 percent of UNMH’s ER beds are used by patients waiting to be admitted. On the worst days last year UNMH’s ER beds were 75 percent occupied.
by those who were waiting to be admitted. UNMH has pushed its patient care closer to
the front door so the sickest get immediate care. Those not as sick are sent to urgent care.
Some are too sick to go somewhere else, but are not in critical condition. They have to
wait the longest.

Treasurer Lewis asked how the indigents were handled.

Mr. Richards explained that in UNMH’s ER they treat people regardless of ability to
pay. It doesn’t matter if you have an insurance card. The important point to consider is
that UNMH does serve the indigent population. About 27 percent of patients are
uninsured. Medicaid covers about 30 percent so it is challenging. That won’t change with
the 96 beds but UNMH provides services that you cannot get somewhere else for some
brain injuries and some cancers. So it does affect all New Mexicans. A large number of
transfers are not made from UNMH not because the other area hospitals don’t have the
beds but because they need unique services offered only at UNM.

Treasurer Lewis asked how UNMH intended to comply with the 1952 agreement.

Mr. McKernan said they were consulting with the tribes and having a series of
meetings with them to discuss UNMH’s ability to provide access. They were not in
compliance. The Native American community tells UNMH they are not complying and
are asking what the plan is to comply. The tribes thought UNM had a good plan and
endorsed it.

Lt. Governor Sanchez thanked Dr. Roth for his opportunity to tour the hospital. It is a
great facility, and the 1952 agreement is critical and needs to be honored. The older part
of the hospital was a concern of his. There are some rooms with six patients per room,
and none of them had privacy with their families. There was a severe leak recently when
a sewer pipe broke. Population growth was putting more demands on this aged facility.
He also believed the construction would be a boon to our economy, and that was one of
the reasons to support this project.

On the other hand, Lt. Governor Sanchez spoke to the uncertainty he had because of
the unknown effects of the Affordable Health Care Act. He said the outcome of the
election three weeks away would determine whether that act will be repealed, and, if so,
it might change the process of delivery. That act shies away from hospital care to
preventative care. The Board also doesn’t know what the data is with two new hospitals
operating on the west side. He would like to know that as they came on line. He referred
to Mr. Carroll’s comments regarding the burdens on Bernalillo County tax payers. There
was a letter to the editor recently by a state representative about it. He had been asked
about it by many taxpayers even though this is being paid for with cash.

Lt. Governor Sanchez said that obviously there is a need and the proposal has
tremendous merit. However, the Board doesn’t have enough information today. Some
questions will be resolved in the next three weeks, but he said hee wasn’t sure he had
enough information to support the project today.

Mr. Spencer agreed there was some uncertainty, but he believed there is clearly a demand. He recognized there is a legitimate question on how to deliver health care. In fact, the Board dealt with that in the student clinic request last month. However, he didn’t think waiting would lessen the demand for the beds. The process needs to move ahead. The taxpayers supported the mill levy. And UNMH has the ability to build it without borrowing money. He personally thought the project should go forward.

Mr. Aragon asked for someone to explain the predicate of the 1952 agreement.

Mr. McKernan said it was actually based on a 1948 federal statute that deeded Indian land to Bernalillo County to be used for a hospital. The contract was between Bernalillo County and the BIA. That contract stipulated a number of things that needed to occur. It delineated payment, that 100 beds would be available to Native American patients, and it paid for up to 80 of those beds. Clinical services and adequate treatment were to be provided and the hospital was to remain licensed and in good standing. It was signed by Bernalillo County and Indian Health Services and led to the opening of the hospital. It was amended four times between 1956 and 1958 because of changes in federal legislation. That established the obligation on Bernalillo County. The lease in 1978 assumed the 1952 contract. That lease was redone in 1999 and signed by Indian Health Services with support of the All Indian Council. It was later renegotiated in 2004. He explained that the basis for the obligation is that the Native American community allowed their trust property to be deeded to Bernalillo County with the understanding the county would operate a hospital to serve them.

Mr. Aragon noted that things had changed since then. In 1955 Medicare and Medicaid changed and required no discrimination regarding heritage or finances. That is a vehicle by which medical care can be provided.

Mr. McKernan clarified that Medicare and Medicaid only provides service for certain populations. The hospital is required to provide an assessment and determine if a medical emergency exists and must provide emergency care to stabilize. But if no emergency exists, the hospital is not required to serve them. In addition, there is no indigent care act in Bernalillo County any longer. The mill levy supports the hospital operation and maintenance. The hospital has a fund to provide care for those who have no other source of finances. Last year they wrote off $140 million of the cost of care for those people who could not pay their bills. And they received $90 million of support through the mill levy.

Mr. Aragon said he supported the plan conceptually but had concerns. Part was the number transferred in. There are several other hospitals nearby. The administrators of those hospitals told him they didn’t have beds available. Maybe that would not provide the special services outlined, but they did have beds. An argument he had heard was that there were no other options. He asked if the hospital had taken steps to contract with Presbyterian or Lovelace to take care of patients convalescing at UNMH so that more
acute patients could have a bed.

Mr. McKernan affirmed they had contracts with other facilities in town. When a patient went to post-acute status they had several contracts and could move patients post-acute to them.

Dr. Roth said historically they had an agreement with Lovelace as well. Sometimes they could accept them back.

Mr. Aragon asked how many transfers out were made to Presbyterian and Lovelace downtown to make room for the acute emergencies.

Dr. Roth said the hospital often demands they go back to these other facilities after acute care.

Mr. Richards didn’t have those numbers immediately available but acknowledged they are quite small. It was easier when patients were members of other health care plans. That volume of patients was about 50 percent uninsured so UNMH was a place of last resort. Sandoval Regional was meant to be a community hospital. There are about 1,500 total beds in the Rio Grande area or about 1.9 beds per thousand and the national average is 2.6 per thousand, which means Albuquerque would have to add 500 beds to get to that average. With a rapidly growing elderly population, use of hospital beds is three times the average, and clearly it is going to get worse.

Mr. Aragon said he appreciated that but that the delivery system should work collaboratively. The aging population might not need hospital beds as much as some kind of medical care bed.

He commended the hospital for having $145 million lying around, but there are significant funds coming in from public sources.

Mr. McKernan responded that 12 percent comes from mill levy support. Medicare provides 18 percent of funding; 37 percent from Medicaid; 25-26 percent from insurance and about 2 percent from IHS and other sources.

Mr. Aragon asked if there was any rule on using only unionized labor.

Mr. McKernan said there was none. Under state law the University has to pay prevailing wages. On the previous project there was a labor agreement using union labor, but UNMH has no intention of using a union labor agreement for this project. UNMH would follow the state procurement process and the Board of Regents would decide whether union or non-union labor was utilized.

Mr. Aragon asked if the old part of the hospital would be closed.
Dr. Roth said it would not be closed. It would be remodeled into a children's hospital in the current location separate from the adult facility.

Dr. Roth clarified for Mr. Aragon that once this project is done it wouldn’t have an ER facility.

Mr. Aragon asked if the additional 300 permanent jobs with an average salary of $60,000 would mean a request for more mill levy resources.

Dr. Roth agreed there would be 300 new jobs, but UNMH did not routinely go back on specific projects to request changes in the mill levy. Every eight years it goes back to the voters, but they didn’t make requests to the county on an annual basis to modify it. It is stable and does not change regardless of these expenses. They also didn’t plan to make a request of the state for more funding for UNMH.

Mr. McKernan said the state statute specifies the maximum and UNMH wouldn’t go back to ask for more.

Mr. Aragon pointed out that every time more public employees are added, it adds to the retirement fund burdens. He understood UNMH to say it wouldn’t ask the state to provide more funding.

Dr. Roth explained that these employees did not participate in PERA.

Mr. Aragon asked if the budget included furnishings, to which Dr. Roth said it did.

Mr. McKernan said the power point showed the amount budgeted for furnishings.

Mr. Aragon asked if this was a turnkey budget. Dr. Roth said it was.

Secretary Clifford saw some significant increases from the original handout in the project budget, particularly in core patient revenue. He asked if that was a shift from uncompensated care.

Mr. McKernan agreed. They should get some increased funding for more patients.

Secretary Clifford asked if they anticipated more patients with coverage and more of the uninsured referred from other facilities.

Mr. McKernan said UNMH has had about 5 to 6 percent growth each year. This projected about 4 percent growth in volume. They looked at what normal revenues would grow and calculated about 3 percent growth from insurance. UNMH also estimated some effect from the Affordable Healthcare Act that would result in about an 8 percent growth in revenue.
Mr. Brasher asked if they knew the percentage of non-emergency patients who showed up at the ER.

Mr. Richards said half are injuries. A significant number—about 14,000—are trauma patients that receive the highest level of care. That is in line with what level one trauma centers can expect.

Mr. Brasher said it was easier for him after spending time there on a Saturday evening. He asked if UNMH used the term “coordinated care.”

Mr. Richards agreed absolutely. It is one of several approaches for access to care. They looked at the continuum of care as best practice. They have aggressively pursued that, and it was one of our primary foci.

Mr. Brasher asked for a response to the article in the paper.

Mr. Richards assumed coordinated care was what they were talking about. Coordinated care dealt with the entire encounter and not just about hospital admission. It was a much more diverse health care team that might involve pharmacist, social worker and connection to other resources. After a hospital stay it would entail rehabilitation, physical therapy and other needs.

Mr. Brasher asked whether under the Affordable Health Care Act, everybody who shows up after January 1, 2014 will have a source of payment for services the hospital provides.

Mr. Richards said probably not. There will be a dramatic decrease of uninsured, but he was reluctant to say uninsured admissions would be eliminated. There is a group that is not eligible for Medicaid but eligible for Medicaid expansion. Another group currently not insured would be eligible for subsidized insurance in the health insurance exchange. Not everyone would do that. The insurance products would still require a premium, and some could have fairly high copays with them. So the hospital would still have to have a mechanism in place to cover those costs. It would certainly not be universal insurance for the population.

Mr. McKernan explained that the way UNMH is financed takes the revenue from all sources and then pays out the expenses. From that, they build up funding to start replacing in the facilities.

Dr. Roth added that all revenues go into a common pot from which bills are paid. So, on the one hand, 12 percent of the costs could be said to be from the mill levy. But there wouldn’t be an easy way to audit that. UNMH receives $90 million and spends $140 million for indigent care. If everyone agreed that all mill levy funds were just for indigent care and UNMH kept those funds separate, UNMH would run out of money for indigent care after three-fourths of the year.
Mr. Brasher asked if UNMH’s approach of placing revenues into a common pot might cause UNMH to have to admit the mill levy was used for constructing a capital project and claim it was consistent with the agreement when the agreement seemed to say it could only be used for operation and maintenance of the hospital. Maybe it could or maybe not.

Mr. McKernan responded that UNMH has been routinely constructing projects that have been reviewed by legal counsel who determined it to be within the Governor’s Hospital Funding Act. The Hospital is required by statute to build and maintain this facility.

Mr. Brasher asked what impact this project will have on relieving overcrowding of the ER. He thought, even with this project, it would not solve the overcrowding in the ER.

Mr. Richards shared some examples. He said when they had pediatric beds available they had outstanding pediatric results. To be fair, he noted that the adult population is much sicker than the pediatric population. He acknowledged that there is so much healthcare demand in the community that they still wouldn’t meet the needs. UNMH would still have to rely on the alternate facilities even with this new facility, but it would make a significant difference for the adult population that was trying to get into UNMH.

Dr. Roth said last time they ran numbers, they estimated that in order to solve the current ER problem, using national statistics, they would need closer to 150 beds. They could only afford 96. So, they were meeting about two-thirds of the problem. It is a state-wide issue. He said with increases in population the ER bed shortage would get more profound with or without Obamacare.

Mr. Brasher asked about the Chamber of Commerce’s endorsement of this project.

Dr. Roth said he was in an awkward position. Since he was the board chair he deliberately excluded himself from any discussions relating to this project with the chamber. Terrie Cole researched it and responded to their constituencies in Albuquerque regarding the support for the project. She had contacted various groups to get their input. She brought the results to the executive committee of the chamber and laid out all the arguments. Ultimately, the executive committee of the chamber endorsed the project.

Mr. Brasher accepted that Obamacare could be a game changer, depending on where things go with the election. He said he would like to know how things turn out in the election, because it might mean a different landscape. He preferred to table this to the next meeting, but first wanted to ask Dr. Roth about it. That wasn’t a long period of time and would give the Board a chance to think about the project. He asked what impact that would have.

Dr. Roth thought waiting a month wouldn’t have much impact. His belief was that the
need wouldn’t change regardless of the election outcome. The Board could be sitting here in one month and still be unsure or unclear about it. UNMH’s data from a medical point of view would be unchanged and the needs just more compelling, but he would defer to the Board’s wisdom. He offered to gather other data he could provide to enable a better decision, but concluded that he was not convinced that the election would bring about an epiphany related to the project.

Mr. Brasher moved to table this request to the next meeting for action. Mr. Aragon seconded the motion, and it passed on a 3-2 vote with Treasurer Lewis and Mr. Spencer opposed.

The Board took a brief recess at 12:45 p.m. and reconvened at 1:00 p.m.

11. WITHDRAWN

PROPERTY DISPOSITIONS

Presenter: Joy Ansley, County Manager

12. Torrance County – Requests Approval of Lease of Real Property to T-Mobile West, LLC ($1,400 monthly)

Ms. Joy Ansley and Ms. Joyce Rivera, Emergency Services Director, presented the request.

Ms. Ansley said they got an appraisal and sent it in yesterday. The appraisal revealed a market value of $14,000 annually ($1,250 per month), which indicates that their proposed lease terms of $1,400 per month exceed market value. However, the county did not have a signed agreement yet.

Mr. Shandler indicated that any approval of this request should be contingent upon director’s receipt of a signed lease agreement.

Mr. Aragon said he appreciated how quickly the county was able to obtain the necessary market value appraisal.

Mr. Aragon moved approval contingent on staff’s condition. Mr. Brasher seconded the motion, and it passed by unanimous 5-0 voice vote.
Mr. Miller said the hospital district was requesting approval of their agreement with Michael’s Prescription Corner so that Michael Rayburn could bring a pharmacy to Eunice. He explained that Eunice has a population of 3,000 that grows to more than 6,000 people during the day because of several large employers. Recently, the hospital board of trustees asked the community what they wanted. They wanted primary care and a pharmacy in Eunice so that they would not have to go to Hobbs. Mr. Miller explained that this would be a tele-pharmacy. It would be the first tele-pharmacy in the state. Mr. Rayburn will run the pharmacy from Lovington and hire a pharmacy tech in Eunice with a video linkup between them. The community was excited about the project, and the hospital board had been working on it for a year and a half.

Mr. Spencer agreed it would serve a great need there, and was a very innovative way to tackle the problem. He asked about staff’s concerns regarding the request.

Mr. Primm said the concern arose from the proposal in the lease purchase agreement that 100 percent of any lease payments would apply toward the purchase price if the option to purchase were exercised.

Mr. Miller agreed that was in the agreement, and if it was a problem they were willing to make a change so they could move forward.

Mr. Primm said in touching base with DFA legal counsel, their opinion was that it would be best to structure it more like a mortgage so that a portion was principal and a portion was interest. In this case perhaps it was a little bit generous to have 100 percent of the lease payments count as principal. However, he didn’t have a proposal to offer except perhaps a percentage of it for interest.

Mr. Aragon agreed with Mr. Spencer that it was desperately needed and wouldn’t want to approve what they would later have to undo. It is a valuable service to the community, and he didn’t want it to have to come back. But he didn’t have an idea to solve it if there was an issue.

Mr. Spencer asked counsel if the Board could approve the contract contingent upon staff determination of what was a market appropriate percentage credit.

Mr. Shandler said that, in his experience, the Board Director normally prefers that Board actions not defer substantive issues to staff discretion.

Mr. Primm stated that perhaps the Board could narrow the magnitude of discretion by
offering guidance of a range within which to make a determination for the credit.

Mr. Spencer didn’t know what the market would be for splitting cut lease payments if the purchase option was exercised. It also might never be exercised.

Mr. Primm suggested that, based on current mortgages, about 25 percent of a payment goes toward principal. Perhaps that could serve as a reference point.

Mr. Spencer asked Mr. Miller for a suggestion.

Mr. Miller believed Mr. Rayburn would agree to a 75/25 split, and they would be most happy to walk out with that contingency and get final approval of it.

Mr. Spencer moved to approve the lease agreement subject to the contingency of 75 percent of rent payments to apply towards purchase price in the event the purchase option is exercised. Mr. Brasher seconded the motion.

Mr. Shandler said that if this request were approved it should be contingent upon the director’s receipt and counsel review of the signed lease/purchase agreement.

The motion passed on a 5-0 voice vote.

Mr. Aragon requested if the tele-pharmacy concept works that they share their experience with other small communities.

Mayor Wiley complimented this Board for making a community very happy.
Lt. Governor Sanchez adjusted the agenda to consider items #17 and #18 in light of Mr. Paul’s time constraints. The Board agreed.

Presenter: David Paul, Financial Advisor, Fiscal Strategies Group

17. Presentation on June 2012 Governmental Accounting Standards Board Pension Fund Liability Disclosure Requirements

18. Debt Affordability Study Presentation

[Items 17 and 18 were presented together]

Mr. Paul said the Board had his presentation materials. First was commentary on the GASB changes for pension obligations, and second was the annual debt affordability study that focused on future debt capacity for state programs.

The linkage between the two comes because Moody’s, S&P and GASB are taking a new approach on how pension liabilities of state and local government are evaluated. They are putting unfunded liabilities on the balance sheet and modifying calculations for a more conservative approach on assumed investment returns in pension funds and
moving away from asset smoothing. Smoothing was put in place a decade ago to average gains and losses over a five year period. Ironically, it was done to prohibit pensions systems from having large gains in one year but the impact it has in years of losses is delaying realizing losses. In a few years, entities will probably realize gains over years and losses immediately. It will change the discount rate.

Unfunded liabilities are the future stream of payments to annuitants and the projected rate of return on the assets. The present values are shown at the same interest rate. The effect of that math is that the higher the discounted rate used, the smaller the unfunded liabilities. Accountants have used 7 to 8 percent going forward. (12 percent on investments and 6 percent on bonds) but actual rates have been lower. A lot of money is held short term to pay annuitants. So it is recalculated at 5.5 percent instead of 7.5 percent and showing unfunded liabilities much higher. So the funds that seemed to be 80 percent funded will now look like 40-50 percent funded. The rating agencies and GASB are doing it to focus more on this issue and present it, in their minds, more accurately.

With GASB, if you have a historic practice of providing COLA increases, although they are voluntary, they must be included in the calculations. This issue is tied into the debt affordability study. In the electronic agenda was a presentation document that Mr. Paul went through quickly. Half of the Board’s bond portfolio is long-term investment and the rest is “pay as you go.” New Mexico uses 10 year bonds, and it allows for the issuance of General Obligation Bonds subject to voter discretion. The graph on page four showed debt affordability. Page five showed debt financing with Severance and GO bonds. The bond portfolio was still 50 percent cash-funded and 50 percent long-term bond funded. He shared the rationale behind that mixture.

Secretary Clifford asked what feedback there was on the severance bond outlook for the future and for oil and gas prices.

Mr. Paul said the main focus was on natural gas pricing trends. As projected here it is much higher than actual prices. It uses a 10-year projection and the policy now in place where the State only has 10 percent of its aggregate capacity for one year. So it leads to a situation where the debt service coverage is very strong and provides lots of flexibility in pricing.

Secretary Clifford commented it was really a risk to ourselves going forward.

Mr. Paul said the “sponge bond” program is where the pricing variability will show up. You can do a purchase of bonds under the anti-donation clause. The other underlying reality is that the state can’t spend the money that fast so if you doubled the issue, you would have a lot of money not used right away. It is a global issue.

Mr. Spencer noted that all of our GO bonds are dedicated to projects. He asked how the rating agencies viewed the state’s bonds, which ultimately have impact on the General Fund.
Mr. Paul considered that to be probably the most salient issue they were dealing with. The debt structure in New Mexico is unique in that each of the debt programs are secured by revenue streams that, if not used for that debt, are not otherwise available for general use. Bond rating agencies like to see debt ratings as a broader report card on the State. Some of the issues raised by rating agencies are not germane to having funds to pay off the debt. With GO bonds, the state has an unconditional obligation to raise taxes as necessary to pay off the debt. The underlying millage level is about 1/200th of the underlying asset value. So it could be argued you have 200 times debt service coverage and that the bonds should be rated AAA with that kind of security.

One conclusion of the debt affordability study is that the State’s pension indebtedness doesn’t affect the bond rating because the pension liabilities don’t compete for those streams. That is very important for the institutional investor. The rating agencies should not take that into consideration, but they will. Moody’s upgraded municipal bonds across the board because they said the municipal ratings were undervalued. The rating agencies looked at the state’s susceptibility to federal downturns. But the GO bonds are essentially unaffected. Shutdowns of the National Labs affect all of New Mexico.

In response to Mr. Aragon, Mr. Paul said the unfunded liabilities will show the outstanding debt because GASB and Moody’s require that it be shown. That will more than double the pension funds’ outstanding debt. His argument was that New Mexico’s rating should not change because it had a separate millage going into a separate fund. New Mexico already has a high debt per capita and it is the most indebted state once those unfunded liabilities are included. So it will change how the debt is viewed but not the credit rating. The pension exposure is the greater concern. Vanguard might turn New Mexico down as a purchaser of any further bonding.

Secretary Clifford noted that the state’s CAFR was not audited and asked where that put the state with the rating agencies. Notwithstanding very secure credit, he asked if there were any other states in that same situation.

Mr. Paul was not aware of any others.

Secretary Clifford agreed it was obviously a serious concern.

Mr. Paul said the state has spent a number of years getting its audits completed on a timely basis. The focus was on the time to audit. The standard is 270 days and this last one was on 360 days. The 2010 audit was published in March and the 2011 audit was not published until June. The focus was getting the state’s audit on time with less focus on the CAFR itself not being audited. The state’s financial reporting has always been the weakness to its credit.

The most significant issues were the balances on page seven. That is a cornerstone of state auditing. Reporting has been a challenge, and operating reserve levels have been a
strength.

Page eight showed the comparison with other states. New Mexico’s per capita income is almost lowest among AAA states. Debt as a percentage of income is at the high end. The last few years have brought an improvement. The real difficulty for New Mexico is its geographical size. Debt per square mile would be a better function to use.

Page nine showed the impact of net pension debt and showed preliminary numbers. Page 10 presented some of the debt ratios with long-term debt and trends over time moderating downward. These demonstrate affordability and are made more significant by the fact that they have defined boundaries.

Presenter: Armando Cordero, Facilities and Parks Director; Diana Murillo-Morales, Trustee, City of Anthony

14. A) Doña Ana County – Requests Approval of Donation of Anthony Public Library Building to the City of Anthony

Mr. Cordero explained that the County had not asked for this item to be withdrawn. He asked for a chance to discuss it.

Lt. Governor Sanchez asked Mr. Primm what the other parties’ reasons were for asking for postponement.

Mr. Primm said late yesterday afternoon the Anthony City Attorney contacted staff to request that the items be withdrawn. The city was reconsidering some issues raised by staff regarding deed restriction issues pertaining to the park properties and access issues pertaining to the library property. Based on these issues Anthony requested that the Board defer action on both agenda items.

Mr. Primm explained that perhaps the library item could move forward because it didn’t have those deed restrictions and perhaps had legal sufficiency. Although it begs the question of what Anthony is accepting if it receives a quitclaim deed for the improvements on the water and sanitation district’s land without any MOU, lease or ownership of the property to give them access to the property and enjoyment of the improvements. So there is an issue on the library. In talking with legal counsel for the county the county was okay with deferring action on the parks but their preference was to move forward on the library item. From the county’s perspective, the county is simply quitting claiming whatever interest it has in the library property so that the city could eventually enjoy the building, as called for in the MOU with the Anthony Water and Sanitation District, based on whatever arrangements are ultimately made between the city and the district. After talking with the county’s legal counsel, Mr. Primm received a call and follow-up email from the City of Anthony lawyer in which the city’s lawyer requested that both items be postponed until the next meeting of the Board. Mr. Primm said he felt the city’s request, as recipient of the donation, had to be recognized but that the county’s quitclaim argument in support of acting on the library property item had
merit. He deferred to the county to present its request.

Mr. Cordero said a few years ago there was talk about the City of Anthony incorporating. There are three or four little towns that get service from Anthony. Doña Ana County had $500,000 available and agreed to build a 2,600 sq. ft. building with a lease of 50 years or until Anthony incorporated, which happened a couple of years ago. To date, the county still maintains that facility. The county got a letter from Anthony asking for services for seniors and a sheriff substation. They did an MOU with Anthony and met with their counsel to discuss how it would happen. What they were trying to transfer was only the building and equipment. The water district was in the process of subdividing the property the library sits on and he believed the district intended to come before the Board later with the request to donate that property to the city. So, at this point the county was trying to fulfill its obligation to transfer the building and contents to the city. He anticipated that the city will have to do an MOU with the water district to allow them to upgrade and operate the library and didn’t think that would be an issue.

Ms. Murillo-Morales said the city had the funds allocated, and a lot of kids use the library. Tomorrow the city planned to have a meeting on the issues raised by staff.

Secretary Clifford wanted to make sure the City of Anthony had an adequate budget plan to accommodate the additional services and expense. Ms. Murillo-Morales assured him they did.

Lt. Governor Sanchez asked if the Board was acting on it or not and asked staff what the Board’s options were.

Mr. Primm said one option would be to postpone consideration of the county’s transfer of the library improvements until the water and sanitation district is prepared to transfer its interest in the land as part of a single approval. The second option, which the county’s legal counsel seemed amenable to, would be to approve transfer of the county-owned improvements contingent on the district’s transfer of the land on which the library sits. A third option would be to approve the request. A fourth option would be to deny the request.

Treasurer Lewis asked if the county discussed this postponement with the City of Anthony.

Mr. Cordero said he just found out this morning about it because he arrived in Santa Fe yesterday and was already here. So, either way, if it is approved today the county would accept the contingencies. It was in the MOU that within 180 days the city would get the transfer, and that didn’t happen. The county has covered fire, water and sheriff protection for the city in the meantime.

Treasurer Lewis moved to table the request. Mr. Aragon seconded the motion, and it passed on a 5-0 voice vote.
B) Doña Ana County – Requests Approval of Donation of Adams Ball Park and O’Hara Park to the City of Anthony

Mr. Cordero said the parks were transferred to Doña Ana County in 1983. The county built two ball parks. O’Hara Park borders Texas. The City Council would be meeting tomorrow night to consider this matter.

Mr. Primm noted there was a concern about a reversion clause contained in the deed to the county. All parties appear to want the properties to stay as parks in perpetuity. So, it is important that the Board and all the parties determine whether transfer from the county to the city might trigger a reversion risk moving the parks into private hands and out of use as a park. By next month that issue should be able to be resolved.

Mr. Cordero said the county made quite a few improvements. They invested a lot, and the parks are heavily used.

Mr. Aragon moved to table the request. Mr. Brasher seconded the motion, and it passed on a 5-0 voice vote.

15. WITHDRAWN

BONDS

Presenter: Jill Sweeney, Disclosure Counsel, Brownstein Hyatt Farber Schreck


Ms. Jill Sweeney reported on the SEC’s report on the effect on Municipal Bond Issuers. The SEC’s 150 page report was issued on July 31, 2012 after considerable discussion, hearings and public comment on various impacts on the market.

The report had three parts: an overview of the municipal securities market, a discussion on important issues relating to disclosure and market structure, and a section regarding potential legislative and regulatory recommendations.

She reviewed each section of the report for the Board. She said as of the end of 2011, over one million different municipals bonds had a total principal amount of over $3.2 trillion. She noted that default rates on municipal securities were lower than those in the corporate market. Historically, municipal securities are less regulated than corporate securities.

Regarding disclosure, Mr. Paul shared most of the report in his presentation. Areas highlighted in the report for timeliness, uniformity, finance information, scope and
regularity, accuracy of disclosures related to pension and audit, the use of derivative products, use of disclaimers and others.

In the regulatory section, the SEC said 75 percent of the outstanding principal securities are held by individuals or retail customers. Consequently, the report focused on things that were of importance to retail customers that might not be as sophisticated as institutional investors. They found that the market is decentralized and wanted to focus on their diligence in establishing values.

There are legislative and regulatory changes proposed that she briefly outlined for the Board, some of which favored more disclosure and transparency. Also regulation focuses on reducing defaults in governmental issues. The report dealt with broad issues rather than specifics. Other regulation dealt with greater communication between the SEC and the IRS in compliance with the greater disclosure and reform. There was a recommendation for more instructive information for retail customers. She also commented that coordination was becoming more efficient. In that regard there was focus on more electronic strategies.

The report is a message to market participants that informs what their focus is and what investors should be looking at with more regulatory reform.

Treasurer Lewis asked about potential competition regulations. Ms. Sweeney said they were not there yet but would expect it sometime later as a next step.

STATE TREASURER'S OFFICE

Presenters: James B. Lewis, State Treasurer; Spencer Wright, General Fund Portfolio Manager


Mr. Spencer Wright presented the investment report and briefly highlighted it for the Board.

• Rate pressures continued during the months of August and September.

• The Federal Reserve articulated a stance of additional easing in the longer end of the yield curve, pledging to purchase mortgage-related securities until unemployment rates begin to decline.

• Unlike previously-announced rounds of Quantitative Easing, this operation has no end date, relying instead on relative levels of employment and inflation. This represents a significant departure by the feds.

• Several economists have described this new objective as targeting toward nominal GDP.
• Continued concerns over Europe continued to place pressure on US rates.

• Markets reacted in different ways to the Fed news – equities were stronger on some forward guidance for the economy and lower interest rates. Short-term interest rates remained stable while longer rates increased due to inflation concerns.

• The ECB also announced that it will purchase sovereign euro credit in unlimited amounts. Those purchases are limited, however, to debt maturities of less than three years.

• Spain remained problematic with a recapitalization of the banking system in the works as of this report.

US Treasury Yields were in the report.

With the overall decline in yields, the STO-managed portfolios all reported positive results on a mark-to-market basis at the end of August.

General funds had an unrealized gain of $8.3 million. bond proceeds funds had unrealized gains of $4.2 million. The local government investment pool and severance tax bonding fund unrealized gains were not material.

Portfolio yields as of the end of August were as follows: General fund liquidity pool was 0.26 percent; General fund core was 1.1 percent; Bond proceeds – tax-exempt was 1.02 percent; Bond proceeds - taxable was 1.09 percent; local government investment pool was 23 basis points; and severance tax bonding fund was 15 basis points.

Investment earnings for August: for general funds were $1.2 million and $2.5 million for the year to date; for bond proceeds funds were $800,000 for the month and $1.5 million for the year; LGIP were $125,000 for the month and $276,000 for the year; Severance Tax Bonding had $10,000 for the month and $13,000 for the year.

Compensating balances at Wells Fargo showed an average collected balance of $77 million; the earnings credit rate was 50 bps. Estimated monthly earnings were $32,128 and estimate fiscal year to date earnings of $57,155.

For the Monthly Economic Summary and Investment Outlook:

• Domestic and international pressures continue to affect US markets.

• The US economy continued to remain in a malaise, although some improvements were noted in retail sales and consumption.
• The Federal Reserve announced unlimited quantitative easing for the foreseeable future, targeting nominal GDP growth and articulating their concerns about employment levels.

• Europe continued to be problematic.

At the time of the report, Spain is expected to formally request support from the ECB and the Spanish banks are expected to report on stress test results.

STO foresees lower rates for the foreseeable future.

GENERAL SERVICES DEPARTMENT

Presenter: Pamela Nicosin, Programs Operations Manager, Property Control Division


Ms. Pam Nicosin presented the report, which showed a beginning balance of $18,777,001, income in August totaling $499,205 and disbursements to vendors of $209,323. The balance at August 31 was $19,066,882. Uncommitted cash totaled $1,249,158. She noted there were no emergency declarations in August.

STAFF ITEMS

Presenter: Jeff Primm, Deputy Director

21. Tenth Amendment to Fiscal Agent Agreement with Wells Fargo Incorporating New Credit Card Acceptance Agreement with American Express

Mr. Primm reported that the tenth amendment to the fiscal agent agreement would allow state entities to accept AMEX cards throughout New Mexico. He noted that, should the board approve the amendment, it should be contingent upon approval of the State Purchasing Agent.

Mr. Brasher disclosed he is an employee of Albuquerque Public Schools, which could potentially piggyback on this agreement, and Mr. Shandler opined that the disclosure was sufficient and he didn’t need to recuse himself from this action.

Mr. Spencer moved approval subject to conditions stated. Mr. Aragon seconded the motion, and it passed on a 5-0 voice vote.
22. **Board of Finance Dashboard Report**

Mr. Primm referred the Board to the updated report in the electronic agenda, which tracks various indicators.

23. **Fiscal Agent / Custodial Bank Fees**

Mr. Primm reported that staff reviewed the most recent fee itemization received and the charges were in line with what has been experienced in the past. There were no concerns.

Mr. Spencer asked if they were net of the compensating balance credits.

Mr. Primm said they were and that staff was in touch with the Treasurer’s Office to make sure the balance credits will be sufficient to stay within the Board’s fiscal agent appropriation.

He noted that at some point the Treasurer’s Office may seek support for raising the balances beyond what was needed to stay in line with the appropriation simply because the returns available to the state, at 50 basis points, is more attractive than other market alternatives.

Treasurer Lewis agreed with Mr. Primm’s comments.

24. **Joint Powers Agreements**

Mr. Primm read the Joint Powers Agreements into the record.
Adjournment

Mr. Spencer moved to adjourn the meeting. Mr. Brasher seconded the motion, and it passed on a 5-0 voice vote.

Their business completed, the meeting was adjourned at 2:37 p.m.

Susana Martinez, President

11-26-12

Date

Michael Brasher, Secretary

11-28-12

Date