MINUTES OF THE
NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

Santa Fe, New Mexico

October 15, 2013

A Regular Meeting of the New Mexico State Board of Finance was called to order on this date at 9:05 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. Susana Martinez, President [present 10:25 – 1:15, 1:40 - 2:15]
The Hon. John A. Sanchez, Lt. Governor
Mr. Robert J. Aragon, Public Member
Mr. Del Archuleta, Public Member
Mr. Michael Brasher, Public Member, Secretary [arriving 9:15]

**Members Excused:**
Mr. John Kormanik, Public Member

**Staff Present:**
Dr. Thomas E. Clifford, Secretary of Finance & Administration
Ms. Stephanie Schardin Clarke, Director, State Board of Finance
Mr. Jeff Primm, Deputy Director, State Board of Finance

**Legal Counsel Present:**
Ms. Sally Malavé, Attorney General’s Office
Mr. Luis Carrasco, Attorney General’s Office

**Others Present:**
[See sign-in sheets.]
2. **APPROVAL OF AGENDA**

   **ANNOUNCEMENT: NEXT REGULAR MEETING TUESDAY, NOVEMBER 19, 2013**

   The agenda was reprioritized, and Item 19 [Debt Affordability Study Presentation] was deferred to the next meeting.

   Mr. Aragon moved for approval of the agenda, as amended. Mr. Archuleta seconded the motion, which passed 4-0 by voice vote.

   **COMMENTS FROM LT. GOVERNOR SANCHEZ**

   Lt. Governor Sanchez remembered two individuals, Paul Boushelle and Alfredo Santistevan, who passed away recently. Both served valuable roles with the State Treasurer’s Office. He expressed his condolences to the families on behalf of the Board.

3. **APPROVAL OF MINUTES:** September 17, 2013 (Special Meeting)

   Mr. Aragon moved approval of the minutes of the September 17, 2013, meeting, as submitted. Treasurer Lewis seconded the motion, which passed 3-0 by voice vote, with Mr. Archuleta in abstention.

   **EMERGENCY FUND BALANCES**

   Presenter: Stephanie Schardin Clarke, Director

4. **Emergency Balances – September 2013**

   - Operating Reserve Fund $1,905,150.00
   - Emergency Water Fund $118,400.00

   Ms. Clarke reported these balances.

5. **WITHDRAWN.**
PRIVATE ACTIVITY BONDS
Presenters: Mayling Armijo, Economic Development Department Director; Derek Mannelin, Tirol Housing; Brian Gerritz, Tirol Housing; Casey Cameron, Tirol Housing
6. Bernalillo County – Requests Private Activity Bond Cap for Glenrio Multi-Family Housing Project in Albuquerque ($11,000,000)

Ms. Armijo requested allocation of private activity bond cap for construction of a 198-unit affordable multifamily housing project, to be located on Northwest Glenrio Road between 68th and 72nd streets in Albuquerque, for $11 million.

Mr. Aragon moved for approval. Mr. Archuleta seconded the motion, which passed 4-0 by voice vote.

[Mr. Brasher joined the meeting.]

PROPERTY DISPOSITION
Presenters: Joseph Gutierrez, Santa Fe County Public Works Department; Joyce Varela, Santa Fe County Community Services/Health Division; Mary Justice, Christus St. Vincent Medical Center Program Administrator; Liza Luboff, LDWI Bureau Chief, DFA Local Government Division
7. Santa Fe County – Requests Approval of Lease of Real Property with Christus St. Vincent Medical Center at 2052 Galisteo Street in Santa Fe ($103,032 per year)

Mr. Gutierrez requested approval of a lease of real property with Christus St. Vincent Regional Medical Center (CSVRMC) at $103,032 per year. He said the lease would start on November 1 and would have a four-year term. He stated that the questions posed by the Board and staff at the September meeting have been addressed.

Ms. Clarke stated that staff has no contingencies or comments.

Responding to Mr. Aragon, Ms. Justice stated that the CARE Connection program opened in 2006, and until 2010 was part of Santa Fe County. They have done almost 7,000 intakes since that time. She said the CARE Connection (of which Sobering Center is a part) is a social model and the Harm Reduction detox facility and not a medical detox facility. She said the program serves as a portal to other services, and they do not expect someone who has been drinking for decades to maintain sobriety after five days in the Sobering Center. She said they connect people to other services that provide longer-term treatment. This can include housing services if they are homeless or any other kind of services that they might need; in other words, they are a conduit as opposed to a treatment program. She added that they have been trying to enroll more people with Medicaid so they can get medical care.
Ms. Justice said the program is voluntary, so they do not take adjudicated people because they cannot keep them. The CARE Connection as a whole is two programs: the Sobering Center and a Central Intake Assessment Center. The latter is for people with behavioral health issues.

Ms. Justice stated that the Sobering Center has been working with High Utilizer Group Services Program (HUGS) for people who regularly use the hospital services, jail and other community services. She said one selected group of 25 had made 618 visits to the ED (emergency department) among them in one year’s time, 648 jail days and $800,000 in unpaid medical charges. Through an aggressive program, they reduced their use of the ED by 64 percent in the first year. She commented that one of the keys to longer-term sobriety is that people can come into the Sobering Center, which jumpstarts their recovery. She said she feels they have had a lot of success with people, and cited the case of their highest utilizer, who has now been sober for 18 months, is no longer homeless, and is employed.

Responding to Mr. Archuleta, Ms. Justice said the CARE Connection has a total of $400,000 in revenue, of which $300,000 is a grant from DFA’s DWI Program, and $100,000 is from an Access to Recovery voucher program, which is for the assessment side. She said CSVRM contributes $843,000 to the program from its general fund. She said some people entering the program have insurance coverage.

Mr. Archuleta commented that he thought this was an “awesome program.”

Responding to Mr. Brasher, Ms. Justice stated that the program has changed over the years. While initially it was predominantly alcohol cases that came to the Sobering Center via ambulance, now they see a much greater increase in heroin, for instance, and less alcohol. She said they require anybody who comes to them to have medical clearance, which is why they go to the ED first, and then the Sobering Center picks them up in a van.

Mr. Brasher asked if the program has been around long enough for them to determine whether they are seeing fewer of the so-called “frequent fliers.” Ms. Justice responded that these individuals are part of the HUGS group, and they are seeing some success stories.

Dr. Clifford asked Ms. Luboff if the $100,000 grant from the Local Government Division DWI Program is an unusual ratio for the share of that grant that goes toward renting the facility. Ms. Luboff responded that the reporting received from Santa Fe County and the Sobering Center reflects that 100 percent of the $300,000 is used for treatment services, and CSVRM uses their own general fund to pay for the lease. Ms. Justice added that it is part of the $843,000 provided by CSVRM from its general fund.

Responding to Mr. Brasher, Ms. Luboff stated that the DWI Grant Council oversees the allocation of funds from the local DWI program, and the detoxification treatment services are set in statute in the amount of $300,000. She said the language in statute specifically states that the $300,000 in funding is for “alcohol detoxification and treatment facilities.”

Ms. Clarke noted that the signature page contains two minor errors: 1) County Clerk Geraldine Salazar is referred to as the County Attorney. This should be corrected and initialed by
Ms. Salazar; 2) the signature line for County Attorney Stephen Ross is signed by a member of his staff. The signer should add “for” after her name to clarify that she has signed on Mr. Ross’s behalf.

Mr. Aragon moved for approval, with the conditions stated by Ms. Clarke. Mr. Brasher seconded the motion, which passed 5-0 by voice vote.

**HIGHER EDUCATION DEPARTMENT**

Presenters: John Rush, Institutional Finance Director, Higher Education Dept.; Colonel David W. West, Chief of Staff; Colonel Judy Scharmer, Chief Financial Officer; Steve Paternoster, President, Board of Regents, NMNI; Erik Harrigan, Financial Advisor, RBC Capital Markets; Duane Brown, Bond Counsel, Modrall Sperling Law Firm

12. **New Mexico Military Institute – Requests Approval of System Improvement Revenue Bonds Series 2013 (up to $14,300,000)**

Mr. Rush stated that New Mexico Military Institute (NMNI) is requesting approval of the issuance of System Improvement Revenue Bonds, Series 2013 in the maximum par amount of $14.3 million. He said the bonds will finance renovations to the Bates Dining Hall, obstacle course, Godfrey Pool, baseball field and parade stand, as well as pay for various infrastructure improvements.

Mr. Rush stated that the HED Capital Projects Review Board approved this request in September.

Ms. Clarke stated that the Board’s Bond Counsel as well as Financial Advisor have reviewed this request and have no concerns.

Mr. Archuleta noted NMNI’s statement in the materials that they intend to apply any leftover monies to other projects within their five-year master plan. Should NMNI decide to apply the monies to an existing project, and it does not meet the 10 percent rule that would otherwise require them to return to the Board for approval, he suggested they notify the Board by letter.

Dr. Clifford commented that he found NMNI’s financial plan somewhat confusing, and he was not sure the Board was seeing the full impact of their debt plan on their operations.

Ms. Clarke stated that the Board would be approving NMNI’s System Improvement Revenues Bonds, Series 2013, and the resolution contains the following parameters: the aggregate principal amount of the bonds shall not exceed $14.3 million; the net effective interest rate shall not exceed 5.0 percent; the bonds shall have a final maturity no later than June 1, 2029; the bonds shall be delivered to the purchaser on or before February 1, 2014; and the purchaser’s underwriting discount shall not exceed 1 percent of the principal amount of the bonds.
Mr. Archuleta moved for approval. Treasurer Lewis seconded the motion, which passed 5-0 by voice vote.

Presenters: John Rush, Institutional Finance Director, Higher Education Department; Greg Walke, University Architect; Dr. Cheri Jimeno, Alamogordo Campus President

13. New Mexico State University, Alamogordo Campus – Requests Approval of Student Services Building Upgrades ($1,000,000)

Mr. Rush stated that New Mexico State University (NMSU), Alamogordo Campus, is requesting approval of renovations to its student services building at a cost of $1 million. The project includes replacing the building’s roofing and associated roofing improvements. The funding source for the project is a State General Obligation Bond appropriation from Laws 2012 for infrastructure renovations and improvements at the Alamogordo branch campus of NMSU.

Mr. Rush stated that the HED Capital Projects Review Board approved this request in September.

Mr. Archuleta moved for approval. Treasurer Lewis seconded the motion, which passed 5-0 by voice vote.

Presenters: John Rush, Institutional Finance Director, Higher Education Department; Greg Walke, University Architect; Dr. John Gratton, Carlsbad Campus President

14. New Mexico State University, Carlsbad Campus – Requests Approval of Elevator and Courtyard Infrastructure Improvements ($585,000)

Mr. Rush requested approval of this project, which will renovate elevator and courtyard space at the Carlsbad campus of NMSU. He said this is a safety issue that needs to be addressed.

Mr. Rush stated that the HED Capital Projects Review Board approved this request in September after a lengthy discussion.

Responding to questions from Mr. Archuleta, Dr. Gratton said the elevator provides major access to the library and the central part of the campus, and it is constantly broken. During those times, anyone who wants to go up to the central part of the campus has to go across to the far end of the campus to get to the second floor. In addition, this is an ADA issue, and they receive numerous complaints. He said there is no protection of the elevator gears, which are exposed to wind, rain, dirt and dust, and the only way they could address the problem was to completely enclose the elevator with a glass casing. He said the courtyard will also be used for instructional space once it is renovated.

Mr. Archuleta moved for approval. Mr. Aragon seconded the motion, which passed 5-0 by voice vote.
Presenters: John Rush, Institutional Finance Director, Higher Education Department; Greg Walke, University Architect; Tammy Anthony, Assistant Vice President for Auxiliary Services; Shawn Evans, Architect, Atkin Olshin Schade Architects

15. New Mexico State University – Requests Approval of Corbett Center Student Union 2014 Renovations ($15,000,000)

Mr. Rush stated that NMSU is requesting approval of Corbett Center Student Union renovations. In March 2013, the Board approved NMSU’s issuance of up to $62 million System Refunding and Improvement Revenue Bonds, Series 2013. Those bonds were being issued, in part, to finance this $15 million project.

Mr. Rush stated that renovations will be to the space that formerly housed NMSU’s bookstore, and the renovated 108,000 square feet of space will expand student services and student use of the building as well as correct code and building deficiencies.

Mr. Rush stated that the HED Capital Projects Review Board approved this request in September.

Mr. Archuleta commented that he had expressed concern about the high per-square-foot cost of this project when it was first brought to the Board, and there seemed to be high costs associated with the electrical and mechanical work. He noted that those issues have been addressed.

Mr. Walke responded that a lot of the work being done is infrastructure improvement to correct code deficiencies and problems in the existing structure.

Mr. Archuleta asked what percentage of revenues from student fees would go toward paying the debt service, and did that necessitate an increase in student fees.

Ms. Anthony responded that the debt payment will come from student fees completely, and it did not require an increase in current student fee amount, as there was capacity being freed up that would allow them to fund this project. She added that this was supported by the students and was what they wanted.

Responding to Dr. Clifford, Ms. Anthony stated that full-time student fees are $637.20 per academic year, of which $156.90 is dedicated to the debt reduction.

Ms. Clarke requested that any approval of this request be contingent upon Director receipt of a revised Form 4 that corrects the project budget.

Mr. Archuleta moved for approval, with that contingency. Mr. Brasher seconded the motion, which passed 5-0 by voice vote.

[Treasurer Lewis left the proceedings.]
GENERAL SERVICES DEPARTMENT

Presenter: Pamela Nicosin, Acting Deputy Director

Ms. Nicosin reviewed the CBRF Financial Status Report, which reflected an uncommitted cash balance as of August 31, 2013 of $861,908. There were no emergency declarations in the month of August.

Dr. Clifford commented there are some projects listed on the Financial Status Report that should have been completed by now, and asked why they are taking so long.

Ms. Nicosin responded that they are moving the projects along as quickly as possible, but progress is hampered by a shortage of project managers.

Dr. Clifford suggested that Ms. Nicosin create a project analysis report reflecting the progress of each project.

Ms. Nicosin agreed to provide Mr. Archuleta with additional information on project #1101 (Santa Fe Roof Repair/Replacement), authorized in July 2010.

Responding to Mr. Archuleta, Ms. Nicosin stated that there is no available budget to fill the project manager vacant positions.

Responding to Dr. Clifford, Ms. Nicosin said the staff architect position remains open and has been reposted. Dr. Clifford cited the importance of this position and asked Ms. Nicosin to prioritize the hiring of a qualified candidate.

Lt. Governor Sanchez asked how many project managers are needed, and what budget would be required to fill the positions.

Ms. Nicosin responded that they need at least two, and one position will be vacated in a few days. She commented that there has been a lot of turnover of project managers recently. She said GSD generally has about 200 projects out at one time, and currently they have eight project managers.

Lt. Governor Sanchez asked Ms. Nicosin to provide a report to the Board on ideas on how to address this issue.

[Governor Martinez joined the proceedings.]

STATE TREASURER’S OFFICE

New Mexico State Board of Finance: October 15, 2013
Presenter: Linda Montoya Roseborough, Chief Investment Officer; Treasurer James B. Lewis


Ms. Roseborough presented the Monthly Investment Report for the month ending August 31, 2013. She said there were no compliance issues to report.

HIGHER EDUCATION DEPARTMENT

Presenters: John Rush, Institutional Finance Director, HED; David Harris, Executive Vice President for Administration, Chief Operations Officer; and Chief Financial Officer; Robert Doran, UNM Architect; Ava Lovell, Chief Financial Officer, Health Sciences Center; Sanjeev Arora, M.D., Director, Project ECHO; Jess Benson, Ph.D., Director, NM Poison Center; Tom Neale, Interim Real Estate Director

10. University of New Mexico – Requests Approval of 1650 University NE Interior Build-Out ($7,400,000)

Mr. Rush stated that the University of New Mexico (UNM) is requesting approval of an interior build-out of the property at 1650 University, N.E. The building is gutted, with exterior glass and interior support columns, with some underground parking.

Mr. Rush continued that the proposed $7.4 million project will include fire protection systems, IT distribution closets, all restrooms and the balance of the public spaces. The project will also build out 76,369 net square feet of open space design and a small percentage of closed hard-wall building. The building will be used to provide program, clinical education and office space for the Health Sciences Center and University of New Mexico Hospital. Build-out of the interior will support current and near-term demand for programs like Clinical Nurse Education, Community Access to Resources Education (CARE) New Mexico, College of Nursing Research Practice Group, UNM Poison Control Center, as well as Project Extension for Community Healthcare Outcomes (ECHO), which promotes healthcare in underserved areas of the state.

Mr. Rush said the HED Capital Projects Review Board reviewed this project in June and recommended approval by the Board of Finance. He stated that the project will be paid for by the Health Sciences Center (HSC) capital initiatives funds, and no direct state funds will be used.

Governor Martinez asked where the HSC capital initiatives funds come from, and Ms. Lovell responded that they tax themselves internally. She said the fund also includes vacancy savings and sweeps from other accounts.

Responding to Governor Martinez, Mr. Harris stated that the Board of Finance approved the purchase of the building in December 2010 at a cost of $3.6 million. He said it was always planned that this project would come before the Board in three phases, the first being the acquisition; the second being the demolition and improvement of the core and shell; and this is the final phase.
Mr. Harris agreed with Governor Martinez that the “dollars have changed.” He said originally the plan that was forwarded to the UNM Board of Regents was to house two disparate programs, the Center for Alcohol and Substance Abuse, a research program having to do with addiction, and the Center for Developmental Disabilities, in the building. However, the programs were incompatible because it would have autistic children and their families coming into a center that would also be doing research on drug addiction and alcohol treatment and involving clients. He said the landlords currently renting space to those programs came forward to UNM and offered to renew the leases at substantially lower rates with substantial tenant improvements; and even though the initial plan would have saved rent and allowed faster amortization, it would not utilize the building fully. He said UNM is now coming forward with a plan that does cost more because of different kinds of requirements.

Responding to Governor Martinez, Mr. Doran said they had not been aware initially that patients might come to the facility. Once they found that out, it was clear that the programs were not compatible.

Mr. Neale said the building site is contiguous with 12 acres that UNM already owns, so this was a strategic acquisition. He said there are a lot of occupants in leased space, and they targeted the largest occupants in leased space, which included these two tenants. While they originally looked at isolating the two programs, it became too difficult to blend both of these large tenants into this building. At the time improvements were being contemplated for the core and shell, the HSC decided that it wouldn’t be the highest and best use for UNM to put these tenants in the building. He said this gave UNM a lot of leverage, however, to go back to the landlords of these two programs and negotiate very favorable lease deals.

Governor Martinez asked what the Board of Finance was told in 2010 regarding the cost of the demolition and improvements.

Mr. Doran responded that they were upgrading the entire shell of the building to make it more energy efficient. At that time, UNM engineers estimated they would realize a 50 percent savings as a result of that along with the upgrade of the mechanical systems.

Mr. Harris clarified that the demolition work and renovation of the core and shell, which included changing out the elevators, boilers and HVAC, plus replacing the windows, would cost $4.8 million.

Mr. Rush commented that the HED Capital Projects Review Board had many questions about this project. He said, “We did a site visit. Today, you basically have a building that has nice windows, good elevators, concrete posts, and that’s it.”

Governor Martinez asked if Board of Finance was told in 2010 that the total cost at that point would be $8.4 million ($3.6 million plus $4.8 million).

Mr. Doran responded that it was subsequent to the purchase when they came forward to request approval of the core and shell.
Mr. Aragon calculated that the total cost, with today’s request, would be $15,850,000, a very substantial amount. He commented that the Board has been “sold a bill of goods” in the past by other entities who come back and say, “Well, you’ve done this already, and now for us to get this done, you have to do A, B and C.” He said this puts the Board in a predicament. While he wasn’t sure it was the intent of UNM to package the requests in this fashion, it puts the Board in a precarious situation because of the monies that have already been spent.

Mr. Aragon asked if there is a plan for the space that will be vacated, and Ms. Lovell responded that they have a plan for about 75 percent of it. She added that there is so much competition for the use of the space that she wants to work with the architect to see who are the right people to go in.

Ms. Lovell said there would be some cost associated with moving tenants into the newly vacated space, but those costs haven’t been identified. She stated that the costs would be minimal and involves desks, chairs, computers, etc.

Mr. Doran stated that the $7.4 million being requested will cover the total cost of moving all of the occupants into the new building, and most of the interior furnishings that have been designed for the occupants are being moved with them along with their technical equipment. He said there are some very special requirements that some of these programs have, such as those addressing privacy issues, and all of that is included in the $7.4 million.

Mr. Aragon asked UNM representatives if they would make a commitment to the Board that “as you move from the existing facilities that house these programs into this new building, everything you need is in that $7.4 million.” Mr. Doran and Ms. Lovell responded, “Absolutely.”

Mr. Aragon asked how many separate accounts UNM actually has, and Mr. Harris responded that he did not know. He said there are multiple sources and uses of funds at UNM.

Mr. Aragon recalled the Board previously being told by members of the HSC staff that none of the mill levy dedicated to the hospital project would go to anything other than to provide medical services for indigent patients.

Ms. Lovell said that was correct. She said that, with the $90 million of mill levy, they provide $200-$240 million of indigent and charity patient care at cost. The hospital also has commercial care, and taxes that to set aside to replace equipment, aging facilities, and so forth.

Mr. Aragon asked if the mill levy is taxed internally for the purpose of constructing any capital project for UNM. Ms. Lovell responded that they spend every dollar of the mill levy on indigent care and do not tax any of the mill levy to do anything except provide safety net care.

Responding to Mr. Aragon, Ms. Lovell said the HSC imposes an internal tax on various departments and users, excluding the hospital, and any unspent money pours into the “non-hospital fund” at the end of the fiscal year.

Mr. Aragon asked Ms. Lovell if any of that money comes from state appropriation funds, and
Ms. Lovell responded in the affirmative. She said all HSC money is state money, with the exception of contracts and grants.

Mr. Aragon questioned whether the request UNM is making “isn’t at times overstated for the purpose of creating an internal fund where, if it goes unused, it then may be funneled to these hundred-plus accounts that no one seems to have a real handle on, for these purposes, so they can come to the Board of Finance.” He asked Ms. Lovell what percentage of the HSC budget vis-à-vis cost savings “or money you simply didn’t spend, rather than returning to the general fund, which is the protocol that should happen for unused monies at the end of the year, how much of your total operating budget has been just sort of shifted to one of these funds?”

Ms. Lovell responded that about 6 percent of the HSC budget is “either I&G or RPSV or Tobacco Settlement.” She said that, in all of the HSC meetings she has attended over the past 19 years, “I have never been in a meeting where we said, let’s go to the state and ask for more in order to funnel something somewhere.” She added that if there is money left in the 6 percent, “we’re going to move it somewhere to use it correctly and as prudently as we can, as well as the other 94 percent, whatever money is left over, whatever the funding source, except for a restricted contract or grant, we’re going to move there.... So 6 percent of the capital initiative fund could be general fund or House Bill 2 funding.”

Responding to questions from Mr. Brasher regarding the planned use of the 105,000 gross square feet, Mr. Doran said each floor contains a common area and core, and the common area will be space shared by the building’s occupants, which makes this a very efficient use of the space.

Mr. Brasher asked why the UNM Poison Control Center is to be located in this building and not in a building that has a disaster recovery plan, emergency backup power, etc.

Dr. Benson commented that 1 out of 70 people will use the UNM Poison Control Center services in any given year. He said they receive 20,000 to 30,000 calls annually. In order for the center to run 24 hours a day, it needs to be in an area where there is emergency power backup and it does need to be a secure building, as well. He commented that it would be wonderful if they could partner with another group with exactly the same needs, in a military-type secure building, but they have to be on campus because they are a teaching site and are part of the College of Pharmacy, and residents and students rotate through the facility.

Mr. Brasher said the cost associated with the security and infrastructure for a 24-hour-a-day secure operation would seem to be substantial.

Mr. Brasher said he understands the private sector provides the same services ECHO provides, but far more effectively, and relies on hospitals throughout the state. In addition, there is direct follow-up with practitioners, so it is not just face-to-face communication via Skype.

Mr. Brasher questioned why ECHO and the NM Poison Control Center will be located in this building, since it seems like “the most expensive way to go.”
Dr. Arora stated that he is director of Extension for Community Healthcare Outcomes, or ECHO, which has a 58-member team, and he is a gastroenterologist/liver specialist. He said their mission is to transform the nature of healthcare all over the world for underserved populations. He said there are 35,000 people with Hepatitis-C in New Mexico, and worldwide it affects 120 million. Ten years ago, he was running a Hepatitis-C site in New Mexico and there was an 8-month wait for patients to see him. He said people were driving hundreds of miles to get treatment after waiting the 8 months, and then they would have to make 12-18 more trips to see him for chemotherapy and related treatment, because there is a 70 percent cure rate. He stated that he was seeing patients dying from liver failure because they could not access treatment in their local areas. He said they set up Project ECHO to bring access to every patient who needed Hepatitis-C treatment; and if they could do that, they would have a model to treat complex diseases in rural locations around the world. He stated that the model has four parts: leveraging the expertise of UNM so someone living in Deming, for instance, could get the same level of care as at the University; using best practices, setting up 21 centers of excellence for treatment within New Mexico, each one run by a primary care clinician; making the primary care doctors as good as “super-specialists” at the University through a case-based learning process, where they would co-manage patients with ECHO; and use the Internet to track outcomes.

Dr. Arora explained that all of the primary care clinicians join in on an interactive video “knowledge network” every Wednesday for two hours, presenting their cases and receiving feedback from the others. He stated that ECHO has now expanded to 12 other diseases and recently received a $5 million award after coming in first in a worldwide competition. He said they have received $30 million of outside funding from various foundations, and the federal government has awarded ECHO $8.5 million to test different models, the Department of Defense is replicating the program worldwide, and the VA is replicating it nationwide in 11 regions for 12 different diseases with 400 clinics.

Dr. Arora stated that Project ECHO has all 58 staff members working in a 4,800 square foot space, and are expanding to 100, and do not have space for it. He said he was grateful when Ms. Lovell approached him to say UNM had a potential option for Project ECHO.

Dr. Arora said UNM should do this because it is the most cost-effective way in New Mexico to provide the best healthcare in the world to the citizens of New Mexico. He said they have just published data to show that the Hepatitis-C trial cost them no money to treat the patients because they saved so much money on the back end. A grant is due at CMS (Centers for Medicare and Medicaid Services) where they have proposed doing an 8-state replication of the project, which will result in a $1.2 billion savings to the country over the life of the patients.

Mr. Brasher commented that he was concerned about the addition of so many positions and the possibility that the funding could go away at some point.

Mr. Brasher said the question is whether there are other entities in the private sector that provide the same service as Project ECHO. He stated that he had been contacted by Gary Gonzales, who was present and wanted to comment.

Mr. Gonzales said he is an RN and licensed paramedic. He said a core group of nurses and
doctors, using satellite and 3G and 4G connectivity, are able to talk interactively on a HIPAA-compliant video communication line to nurses while they are visiting patients in rural areas around the state.

Dr. Arora stated that one of the differences between direct care programs, such as the one described by Mr. Gonzales, and Project ECHO, is that Project ECHO has served hundreds of thousands of patients.

Mr. Archuleta commented that healthcare is a very complex area, with numerous needs, especially in New Mexico. He said there is plenty of room both in the public and private sectors for programs like the ones cited today, "and anything we can do to increase our flagship university with regard to its medical practice is going to be a great thing for the state of New Mexico."

Responding to Mr. Archuleta, Mr. Doran said the 50 percent reduction in energy consumption was just for the skin and envelope.

Mr. Harris noted that this building was originally a demonstration project for the local electric utility, so everything in the building was electric and very inefficient. He said all of that was changed to a more efficient boiler and HVAC system.

Responding to Mr. Archuleta, Ms. Lovell said HSC had been looking for a way to move its financial operations off campus in order to free up space for programs that needed to be on campus. When the 1650 University NE project was presented to them, they saw that as a better idea.

Mr. Neale elaborated that, when they acquired the building and prior to closing, they did a detailed building condition assessment that was a menu of options. They looked at the cost to improve the mechanical systems, replace the all-electric heating and cooling systems with gas-fired boilers, and replace the skin. He said they currently have about 300,000 square feet of leased space in the community for which they pay rent, and so they looked at some of the larger tenants they could move into this building. He stated that the leases for the larger tenants could become very unwieldy to negotiate and manage when they come up for renewal, so they looked at this pool of tenants and determined what would be the highest and best occupancy plan for the building.

Mr. Archuleta asked if UNM plans to retain the 300,000 square feet of leased space because it is needed for other programs, or will that be reduced and result in some kind of cost savings.

Mr. Neale responded that they would not have to expand beyond the 300,000 square feet.

Ms. Lovell added that they need the 300,000 square feet and they have very favorable terms. She stated that it is 100 percent occupied.

Responding to Mr. Archuleta, Mr. Doran said the total project cost for the building will be $15,954,000, or $152.09 per square foot, and the land is $129.05 per square foot. He said a
comparable building in the marketplace, totally finished, with the same amount of square footage and parking, would be around $250 per square foot.

Mr. Archuleta asked UNM officials to confirm that "every square foot in there is being done in a responsible manner that you would be proud of if any public person were touring to see what is going on in there," and Mr. Harris responded yes.

Governor Martinez asked what the commercial production studio piece has to do with delivering medical services.

Ms. Lovell responded that their communications and marketing department will be on the first floor and will share a recording studio with Project ECHO.

Mr. Aragon asked how many additional employees would be added as a result of these expansions.

Ms. Lovell responded that the only programs that will be expanding with additional FTE are the two programs.

Mr. Aragon asked if there is a definitive timeline as to the duration of the grants being awarded to Project ECHO.

Dr. Arora responded that he will continuously seek funding from around the world, which is currently coming in at a "torrential rate." He said there is a massive amount of interest in the program right now. He added that he is quite confident that he will find people in the future who will support the program so that it can continue.

Mr. Aragon asked if the additional employees coming on will be state employees or will they be employees whose employment is solely conditioned upon ongoing funding.

Dr. Arora responded that all of them are UNM employees but all have a one-year contract saying that if the funding goes away, they will be let go.

Mr. Harris stated that the employees will receive full benefits, which includes PERA or ERB benefits.

Mr. Brasher noted from the materials that the salaries of the teams will be covered by Medicaid managed care organizations.

Dr. Arora responded that Project ECHO has a program, ECHO Care, from the Center of Medicare and Medicaid Innovation, which is part of the Affordable Care Act, where $1 billion was awarded to the most innovative programs in the country. He said ECHO Care will take care of the 2,500 most complex ("super-sick") patients in New Mexico that are Medicaid recipients with an $8.5 million grant received from the federal government.

Lt. Governor Sanchez noted from the spreadsheets that UNM has projected it would save
more than $10 million by renovating the existing building as opposed to constructing a new building. He asked what the savings would have been had the existing design and plan been implemented when the building was first acquired.

Mr. Harris responded that they have not done those calculations, but given inflation and other factors, he was sure it has resulted in additional expense.

Mr. Harris also stated that their original estimates were that the third phase would cost $2-$4 million, and now they are saying it is $7.4 million, so the difference is over $3 million.

Lt. Governor Sanchez commented that while he sees the merit of this program and commends everyone involved for trying to better the lives of New Mexicans, the possibility that this building could be left empty and turn into an eyesore is really not the responsibility of the Board. He said, “My bigger concern is we have these great programs, but it seems that not enough thought goes into it initially and then it falls back on us... We have a fiduciary responsibility to manage the state’s monies and investments, and that’s a tough place to be.”

Lt. Governor Sanchez asked what assurances the Board has that the build-out will be on time and on budget “and we don’t have to go back to this project and ask what happened here?”

Governor Martinez said the minutes from the time the property was acquired reflect that the full build-out was going to cost $3.5 million, and then it changed again to $4.9 million plus $2-$4 million, and now it is an additional $7.4 million. She commented, “You could see how frustrating it is that the experts you’re selecting are horrible. Maybe you should be asking them for this money, because you have moved in good faith towards a facility and building it out and doing all the right things based on their expertise, and they’re wrong. Or did they ever have any intentions of being right?... And there’s no excuse for a university to not have the wherewithal to say we’re not going to put alcoholics and drug addicts together with autistic kids. That’s such a no-brainer, but we did. At a university. The number one university in our state. And then the specs change and then they change again, and now you’re here wanting $7.4 million.”

Lt. Governor Sanchez commented, “There has to be accountability. I’m frustrated, but it’s a conundrum for me because I do want to support these programs.” He questioned why a flagship university like UNM with world-class physicians “does not have the same comparables with designers and planners. There is something wrong, and we must change that.”

Mr. Aragon commented that perhaps the Board should exercise its fiduciary duty and simply say no to this project, not only to protect the taxpayers but also to send a message to the universities that this practice has to stop.

Mr. Archuleta said he wished to couch his comments with deep respect for the Governor’s words of frustration, but as a professional in the field, he would encourage the Board to look at each project on its own merit. When there are instances of people bringing forward a scope of work and giving bad advice, then no one should tolerate that, but there are also cases where budgets grow and things happen that are no one’s fault. He said the Board has witnessed such instances, one very recently when an entity did their due diligence, but then began digging and
came upon rock that had to be excavated and then needed additional funds.

Mr. Archuleta stated that, when he was briefed on this project, he asked why the cost went from $4 million to $7.4 million, and Ms. Clarke sent an email to the Board explaining the tenants going into the building changed and required much more expensive infrastructure costs. Mr. Archuleta urged the Board to look closely at the circumstances involved “so we don’t throw the baby out with the bathwater.”

Mr. Doran commented that, when they looked at the project in 2010, the program was to build out the building equivalent to the type of space that was being rented by the two occupants, or “class B office space.” He said that made sense economically at the time, but, in the evolution of the program, “we had some really heartfelt conversations about the fact that, given the nature of our new occupant mix, is it appropriate to build out a class B office space, or do we need to bring this building up to the same quality of standards that we would have for any other building on our campus.” He said UNM’s physical plant department has relatively high standards that one does not see in the commercial real estate market for speculative office buildings.

Mr. Archuleta questioned why UNM would say they had a budget for one type of office space and on the other hand say they have high standards. The message he is hearing, and agrees with, is that there are certain times UNM communicates with the Board in accordance with the Board’s rules, but in this case they failed to communicate the new information about wanting to adhere to higher standards.

Mr. Aragon stated that this issue resonates for him strongly because the Board will next be dealing with an issue of eminent domain and the acquisition of property by UNM, where the intent, in his opinion, was to purposely circumvent the Board of Finance.

Mr. Archuleta said he would support this request because, at $152 a square foot, he thought this was a very good deal for New Mexico “and at the end of the day... there are great programs that need a place to practice and hopefully grow and prosper.”

Mr. Brasher said he had commented to staff that he felt Form 1 did not capture everything that the Board is now hearing about the building; for instance, he did not know from Form 1 about the video production studio. He said the Board is hearing that “world class infrastructure” is needed for this facility, while speaker Gary Gonzales had earlier pointed out that infrastructure isn’t needed when someone is dealing with people in a rural, isolated area. He said he wasn’t sure that the infrastructure was driving the additional cost to the building. He noted that there are 50,000 square feet of tenant needs in a building of 105,000 square feet, “and I think that’s a problem.” He added that the Board has a great deal of respect for the people who provide healthcare services for New Mexicans who need it.

Mr. Archuleta moved for approval. Governor Martinez seconded the motion with the caveat that if this comes back, there will be no approval, and she will not vote for any other project that is underestimated and over expended.

The motion passed 3-2 voice vote, with Mr. Aragon and Mr. Brasher voting against the
Presenters: John Rush, Institutional Finance Director, HED; David Harris, Executive Vice President for Administration, Chief Operations Officer and Chief Financial Officer; Tom Neale, Interim Real Estate Director; Lisa Marbury, Strategic Planner, Institutional Support Services; Chris Vallejos, Associate Vice President, Institutional Support Services

11. University of New Mexico – Requests Approval of North Golf Course Renovation ($1,500,000)

Mr. Rush requested approval of improvements to UNM’s North Golf Course, including improvements to the existing golf course irrigation system, portions of the public trail system around the course perimeter and pump room equipment. Minor improvements would be made to the fairway, tee and green layouts.

Mr. Rush said the $1.5 million in funding for this project is coming from Bernalillo County Open Space funds.

Mr. Rush stated that the HED Capital Projects Review Board approved this request in September.

Responding to Mr. Brasher, Ms. Marbury stated that the minutes of the Bernalillo County Commission incorrectly reflect the term of the grant as 25 years, when in fact it is 15 years. Mr. Harris added that UNM wanted a 10-year option of extension, but the core agreement is 15 years. He stated that, when Regent Chalmers negotiated this agreement with the County Commission, he thought a $100,000 per year consideration for this access was an adequate number.

Mr. Brasher asked what happens to this land after the 15-year period is over. Mr. Harris responded that, while UNM has wanted over time to repurpose this area, he did not believe that would happen and that this would indefinitely remain as open space.

Mr. Brasher stated that the County Commission voted at one point to reauthorize the Open Space Gross Receipts Tax, and for some reason it was left off the ballot. He said he believed that the provisions that applied to open space would apply to this open space money. He commented that he believed purchasing sprinklers for a golf course the County doesn’t own is outside of the original intent of the open space money.

Mr. Brasher commented that what really galled him about this was that the village of Camuel needs a water tank to provide fire suppression and safe, healthy water for the residents, and it costs much less than sprinklers for this UNM golf course.

Mr. Archuleta noted from the spreadsheets that the estimated cost of this project is $1.13 million with a 10 percent contingency, which he thought extremely healthy for this stage of the project. He said there is also the architectural engineering fee of $123,000 plus a line item for construction administration of $65,700, and a line item for testing and administrative surveys of
$100,000. He commented that $123,000 is a "pretty good fee" for a job of this size, adding that it would normally include design and what he considers to be construction administration.

Ms. Marbury explained that the $100,000 fee for testing, etc., is based on the fact that they do not know what they will find when they dig up the pipes. She said they are doing a lot of site work, survey work and testing under this line item, so this is a contingency. She said it will also include soil testing.

Mr. Archuleta said he would support this project, but asked for a breakdown of the $100,000. If there is leftover money for this project, he would like assurances that it will be used for some material benefit or that it will go back to the County for another project.

Mr. Harris said UNM would be happy to provide progress reports to Board staff.

[Governor Martinez stepped away from the meeting.]

Mr. Archuleta moved for approval. Lt. Governor Sanchez seconded the motion, which failed on a tied voice vote, with Mr. Brasher and Mr. Aragon voting against, and Lt. Governor Sanchez and Mr. Archuleta voting in favor.

Presenter: Stephanie Schardin Clarke, Director
Also: John Salazar, Rodey Law Firm, representing UNM; Tom Neale, Interim Real Estate Director

16. Real Property Condemnation of Sunshine Terrace Property by the University of New Mexico

Mr. Rush stated that HED did not see this project, to the best of his knowledge.

Ms. Clarke stated that, at a few recent Board meetings, some individual Board members have made comments about condemnation of real property by higher education institutions and whether or not Board approval is required. As the Board knows, its former counsel, responding to a request from UNM made in 2011, advised UNM that Board approval is not required for condemnation.

Ms. Clarke reviewed materials submitted by UNM in response to a letter she sent in July to the University at the Board’s request. The response included materials that she believes are meant to mimic what a packet to the Board would have looked like had approval been sought for the acquisition. She noted that the materials include legal descriptions, surveys, appraisal, title commitment, petition for condemnation, and a resolution of the UNM Regents approving the acquisition through condemnation. Notably, some of the items included in the Board’s requirements for acquisition would be an environmental assessment and purchase and sale agreement. UNM has indicated that, because this was a condemnation proceeding, they did not have access to the property and couldn’t do an environmental assessment, and there is no purchase and sale agreement because it was a condemnation.
Mr. Neale reviewed a master plan that included the subject property. He said the lots in question are a donut hole in UNM's ownership. He said there are 59 lots, 26 of which are owned by UNM, and 24 lots are owned by the Gutierrez family. He said the 9 remaining lots are owned by various other parties.

Mr. Neale stated that UNM made a significant attempt in 1985 to acquire all of the lots, but negotiations were unsuccessful. UNM tried again in 1996, 2005 and 2010, and each time was unsuccessful. He said the UNM Board of Regents has since approved the condemnation.

Mr. Salazar commented that UNM appeared before the Board of Finance in 1985, and the Board, according to the minutes, "asked the University to move as quickly as possible to file a condemnation suit to freeze the property zoning."

Mr. Salazar said UNM has always offered to purchase the property at the appraised value, but the property owners have wanted more, although UNM cannot pay more than the appraised value because of the antidonation clause. In order to acquire the property, he said UNM proceeded with condemnation under the Eminent Domain code.

Mr. Salazar stated that, most recently, UNM presented the property owners with three separate MAI appraisals and suggested they pick the highest of the three. He said the property owners responded that the highest appraisal was too low by a significant amount but said they would not oppose the filing of a condemnation suit and then they would have an adverse proceeding on the valuation. This allowed an independent third party to come in and evaluate the property, its value and other factors. Following that, UNM filed for an Order of Entry in June 2013.

Lt. Governor Sanchez asked Mr. Salazar if he was saying UNM does not have to get approval from the Board for this to be finalized, and Mr. Salazar responded that was correct.

In response to Lt. Governor Sanchez, Ms. Clarke explained that, on occasion, items are placed on the Board agenda at the prerogative of the Chair, and this is one of those instances.

Board legal counsel Luis Carrasco stated that legal counsel agrees with the prior advice given by former Board legal counsel that this is not something requiring Board approval, and that the statute governing eminent domain is the rule that needs to be applied.

Mr. Aragon commented that he does not disagree with the legal opinion.

Mr. Aragon said it was the process that UNM followed that raised concerns among Board members, and stated that if there is any improvement on the property, UNM would have to come back to the Board for approval of capital projects.
Mr. Salazar noted that the owners of the property are pleased with UNM’s proposed new development and the point of contention has been worked out. He said both sides are happy at this time.

Mr. Archuleta questioned why UNM was asked to appear today after being told by the Board previously that it wasn’t necessary, and now there is some inference that they were trying to circumvent the Board or that there was some sleight of hand. He said he does not want to step in and do the job of the UNM Board of Regents, which has probably been hearing about this property issue for many years, and feels the Board’s time would be better spent in addressing issues that are within its purview to address.

[Governor Martinez returned to the proceedings.]

Mr. Aragon noted that Section 6.1.1 of statute states that the Board may investigate any financial issue and its powers and duties have general supervision of the fiscal affairs of the state. He said this would apply to UNM’s condemnation of property. He said he saw no ambiguity for a member of the Board to decide to investigate such a matter as part of his or her fiduciary duty.

**RECONSIDERATION OF VOTE**

11. University of New Mexico – Requests Approval of North Golf Course Renovation ($1,500,000)

Mr. Brasher moved to reopen the vote on Item 11. Mr. Aragon seconded the motion, which passed 5-0 by voice vote.

**Mr. Brasher moved for approval. Mr. Aragon seconded the motion.**

Governor Martinez said she wished to explain her vote. She said New Mexico is in drought, and there are communities such as Las Vegas, which uses gray water to water its parks. She asked UNM to look into ways to use gray water where possible, as potable water is a valuable resource.

Mr. Archuleta noted that his firm did the project in Albuquerque to treat the water for the University’s South Golf Course, which uses gray water. He said it would be cost prohibitive to apply gray water to the North Golf Course, however, because of its location.

Mr. Vallejos noted that UNM will save 25 million gallons of water a year by bringing the current system from 30 percent efficiency to 80 percent efficiency with this project. He added that UNM is looking at ways of using gray water on the North Golf Course.

**The motion passed 5-0 by voice vote.**
STAFF ITEMS
Presenter: Stephanie Schardin Clarke, Director

20. Extend Public Comment Period for Proposed Changes to Rule:
   Policy on Capital Expenditures by State Educational Institutions

Ms. Clarke stated that, at the June meeting, the Board initially approved publishing a draft rule change for public comment, and the public comment period was from mid June to mid July. At the Board’s July meeting, the public comment period was closed after reading the public comments into the record. However, the Board was not prepared to take action and the Board tabled the item until the September Board meeting. At the September Board meeting, concerns were raised by the Board about additional public comment that had been received individually by Board members outside the public comment period. It was discussed that the advisable course of action would be to open up the public comment period at a future Board meeting (such as today) and then close it at a future meeting and contemplate action on the rule change at that time.

Ms. Clarke said one approach staff would recommend is that the Board open the public comment period through a future date such as November 15, and public comments could be received and read into the record at the November Board meeting, at which time the Board could take action.

Mr. Archuleta said he would encourage the Board to be deliberate about this rule change and make sure it is very informed before taking action, even if it takes another three months. He stated that he was not completely comfortable with the amended rule at this point. He suggested leaving the public comment period open as long as possible. He said he is having knee surgery at the end of this month and would like to volunteer his time and work on the detail that is involved, but he cannot do that between today and November 15.

Mr. Brasher stated that he had no problem in extending the public comment period, but suggested that comments from the universities be submitted in the form of a governing body resolution.

Mr. Aragon agreed, but said that as the Board moves forward, it should clarify why it wishes to make a certain change. He said he would also like to see that the Board of any interested entity take a vote to concur or not to concur on a suggested rule change by this Board.

Mr. Archuleta commented that a message conveyed by the Board earlier in today’s meeting to UNM was, “Don’t ever come back to this Board with an under-budgeted project.” He said this would seem to give universities the incentive to therefore overestimate a project, which ties up state funds and provides an additional incentive to find a way to spend the rest of the money.

Mr. Archuleta said this is why he would encourage the Board to make sure that this rule is carefully reviewed.

Board members and legal counsel discussed the correct procedure to follow.
[Governor Martinez left the proceedings.]

Mr. Archuleta moved to not extend the public comment period. Mr. Aragon seconded the motion, which passed 4-0 by voice vote.

Mr. Archuleta moved to not approve the rule change as written. Mr. Aragon seconded the motion, which passed 3-1 by voice vote, with Mr. Brasher voting against the motion.

Mr. Archuleta, Mr. Brasher and Mr. Aragon were appointed by Lt. Governor Sanchez to a subcommittee to review the proposed rule change.

21. Approval of First Amendment to Arbitrage Consulting and Compliance Services Contract Extending Contract and Incorporating Refund Filing Services

Ms. Clarke asked for Board approval of this amendment, which would extend this contract with AMTEC for a third year and adds a new paragraph to the scope of work regarding filing a refund claim with the IRS, and a new paragraph to the fee schedule.

Mr. Brasher moved for approval. Mr. Aragon seconded the motion, which passed 4-0 by voice vote.

22. Board of Finance Dashboard Report

Ms. Clarke referred to the report, which was in the Board materials.

23. Fiscal Agent/Custodial Bank Fees

Ms. Clarke stated that the July and August invoices from the Fiscal Agent were in the packet. She said the Board has not received invoices at this point for Custody Bank fees in FY14.

24. Joint Powers Agreements

Ms. Clarke asked the record to reflect that the Joint Powers Agreements have been read into the record.
ADJOURNMENT

Its business completed, the State Board of Finance adjourned the meeting at 2:25 p.m.

Susana Martinez, President

Date

Michael Brasher, Secretary