MINUTES OF THE
NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING
Santa Fe, New Mexico

December 17, 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. John Sanchez, Lt. Governor [arriving 9:30 a.m.]
The Hon. James B. Lewis, State Treasurer
Mr. Robert J. Aragon, Public Member
Mr. Michael Brasher, Public Member, Secretary
Mr. Del Archuleta, Public Member

Members Excused:
The Hon. Susana Martinez, President
Mr. John Kormanik, Public Member

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

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

Others Present:
[See sign-in sheets.]

2. APPROVAL OF AGENDA

Mr. Primm stated that Items 5, 10 and 18 had been withdrawn from the day’s agenda.

Mr. Aragon moved for approval of the agenda, as amended. Treasurer Lewis seconded the
motion, which passed 4-0 by voice vote.
3. **APPROVAL OF MINUTES:** November 19, 2013 (Regular Meeting)

Mr. Aragon moved approval of the minutes of the November 19, 2013, meeting, as submitted. Mr. Archuleta seconded the motion, which passed 4-0 by voice vote.

**SEVERANCE TAX BONDS AND NOTES**

Presenter: David Buchholtz, Bond Counsel and Disclosure Counsel, Brownstein Hyatt Farber Schreck

4. **Approval of Amendment to Severance Tax Note Resolution, Series 2013S-D**

Mr. Buchholtz stated that the Board was presented with a Note Resolution at the November meeting with the understanding that a list of projects would be assigned to the note. Counsel has since worked diligently with staff and is presenting an amended list of projects in excess of $15 million.

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

6. **Update on Fiscal Year 2013 Annual Financial Information Filing**

Mr. Buchholtz presented this update. The Annual Financial Information Filing is required by the Securities Exchange Commission and the agreements the state has made with respect to its issuance of Severance Tax Bonds and General Obligation Bonds. The filing is in the process of being finalized and will submitted in late January.

**EMERGENCY FUND BALANCES**

Presenter: Jeff Primm, Deputy Director

7. **Emergency Balances – December 2013**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve Fund</td>
<td>$1,905,150.00</td>
</tr>
<tr>
<td>Emergency Water Fund</td>
<td>$118,400.00</td>
</tr>
</tbody>
</table>

Mr. Primm reported these balances.
EMERGENCY FUNDING REQUESTS

Presenters: Manuel Valdez, President, La Asociacion de Agua de Los Brazos; Paul Kennedy, Project Engineer, Souder, Miller and Associates; Blanca Surgeon, Rural Community Assistance Corporation

8. La Asociacion de Agua de Los Brazos Mutual Domestic Water Consumers’ Association – Requests Emergency Water Loan for Completion of Drinking Water System Improvements ($30,000)

Mr. Kennedy stated that Los Brazos is currently working on a water system improvement project for their community, which was originally funded by the Water Trust Board. They are requesting funding through the emergency loan fund to help cover costs to complete construction. He explained that there were cost overruns and site conditions that were not apparent during the design phase and initial funding application. The project consists of a water line that connects the Los Brazos system to neighboring community, Los Ojos, to provide a new source of drinking water. The current water system is a surface infiltration gallery that is out of compliance with the New Mexico Environment Department’s drinking water standards. By connecting to the Los Ojos water system, they will not only have a safe drinking water source, but they will join in a regional effort with Los Ojos and the mutual domestic water association. He said the project is mostly completed and only requires the final connection to the Los Ojos system, disinfection and testing of the water line, and the closing out of the construction project.

Ms. Surgeon noted that it would take approximately a year and a half to obtain the funding from either the Water Trust Board or USDA in order to complete this project, and so the hope is that the Board of Finance can make the $30,000 loan so it can be finally completed.

Responding to Mr. Archuleta on what led to the cost overruns, Mr. Kennedy said the overruns consisted of embedment materials for the pipe trenching and asphalt replacement of the parking lots, which were assumed during planning to be base course material. The trench width also had to be increased because it kept caving in. He said the county also asked for replacement of a portion of the county road, so this was asphalt the contractor assisted with.

Mr. Kennedy also explained that the gravel road crossing covered a portion of the water line that was realigned because of existing utilities. There wasn’t enough room between the roadway and existing water line, and they also found a second water line in the system that was historic and did not show up in the Asociacion’s records. They realigned the water line down a private driveway, acquiring the easement for that, and the gravel material was used to restore the driveway.

Mr. Kennedy said the condition of the parking area at a restaurant was old and broken up cobble, and to restore it to its original condition, the contractor put new asphalt down on top of the cobble. The paving included a portion of the roadway.

Mr. Archuleta calculated that the cost was $32,000 to cover 278 square yards, or about 2,700 square feet, with asphalt. He asked if it had occurred to anyone to either rebid the project or else opt to eliminate this portion of the project, since the cost was very high.
Mr. Kennedy responded that, because the project was under contract, there was no additional contingency to rebid any portion of it, so they decided it would be more “time effective” to address the project with the current contractor.

Mr. Archuleta suggested that it would have made better sense to perhaps put base course back down and do the paving later.

Ms. Surgeon responded that there are numerous regulations that have to be followed when public monies are involved, so in this case that wouldn’t have been possible.

Mr. Archuleta said he thought it “sad” that the Asociacion would be paying back this loan for a long time “for something that is way, way, way overpriced, and without much added value for the project.”

Mr. Aragon stated that he would vote for this project, but did not understand why “you’re having to pay that much money for that little bit of asphalt. To me, it seems exorbitant.”

[ Lt. Governor Sanchez joined the proceedings.]

Mr. Archuleta commented that the Board would seem to have no choice but to vote for this project given that the work has already been authorized and completed.

Responding to Mr. Brasher on how the loan would be repaid, Ms. Surgeon said a rate increase is planned in 2014. In the future, they are hoping to restructure some of the loans and bring the rates down, because currently they are $60 per month.

Mr. Primm asked for guidance from the Board on whether the loan should be sourced from the Operating Reserve Fund or from the Emergency Water Fund. He noted that some of the discussion seemed to suggest that this portion of the project was more related to repaving than to a water system.

Mr. Archuleta commented that pavement replacement can typically be part of a water project consideration. He suggested that it should be whatever fund balance would be to the state’s greater advantage in terms of preservation.

Mr. Aragon suggested the Operating Reserve Fund, as he was not sure this constituted a water emergency.

Mr. Primm read the following resolution.

WHEREAS, La Asociacion de Agua de Los Brazos Mutual Domestic Water Consumers’ Association (“Los Brazos”) has requested emergency funding to be able to provide an adequate and safe drinking water supply to its residents by allowing completion of improvements connecting Los Brazos’ drinking water supply system to the neighboring Los Ojos Mutual Domestic Consumers’ and Sewer Works Association (“Los Ojos”) system;

RESOLVED, the State Board of Finance (the “Board”) determines, pursuant to NMSA 1978, Section 6-1-2 (1959, as amended through 2005), that an emergency exists that warrants
loaning to Los Brazos the sum of thirty thousand dollars ($30,000.00) to pay unexpected costs of providing an adequate and safe drinking water supply for residents served by Los Brazos, which is a community of less than 5,000 population in New Mexico and which uses the Los Brazos drinking water supply system in common; that loaning the sum of thirty thousand dollars ($30,000.00) from the funds appropriated to the Board for use in meeting emergencies to the Department of Finance and Administration for this purpose is reasonable and appropriate; that the emergency necessitating this loan is the result of an unforeseen occurrence or circumstance severely affecting the quality of government services and requiring the immediate expenditure of money that is not within the available resources of Los Brazos and, if subject to appropriation, cannot reasonably await appropriation by the next regular session of the legislature, and; cannot be addressed by disaster declaration or other emergency or contingency funds.

THEREFORE, the Board approves a loan to Los Brazos in the amount of thirty thousand dollars ($30,000.00) to pay unexpected costs which will allow Los Brazos to provide an adequate and safe drinking water supply for residents served by Los Brazos, which is a community of less than 5,000 population in New Mexico and which uses the Los Brazos drinking water supply system in common from the FY14 General Fund Operating Reserve, upon transfer to the Emergency Fund by the Secretary of Finance and Administration to meet this emergency. Pursuant to the Board’s authority to prescribe the terms and conditions it deems proper with respect to repayment of any loan and the application of the proceeds of a loan under NMSA 1978, Section 6-1-3 (1959), this loan shall bear no interest and shall be repaid in equal annual payments of one thousand five hundred dollars ($1,500), with payments due December 1, 2014, and each December 1 thereafter until repaid in full. Pursuant to State Board of Finance Policy 11-03 (10/18/2011), Los Brazos has agreed to submit quarterly reports on the form prescribed by the Board each April 15, June 15, October 15 and January 15, until the loan is repaid in full.

Mr. Aragon moved adoption of the resolution. Mr. Archuleta seconded the motion, which passed 5-0 by voice vote.

Mr. Brasher moved approval of Item 8. Mr. Aragon seconded the motion, which passed 5-0 by voice vote.

Presenters: Ricky A. Bejarano, CPA, Deputy Cabinet Secretary of Finance and Administration and State Controller; Michael Marcelli, State Budget Division Director; Greg Shaffer, Chief Legal Counsel

9. Department of Finance and Administration -- Requests Approval of Emergency Funding for Completion of Audit of the State’s Comprehensive Annual Financial Report for Fiscal Year 2013 ($400,000)

Mr. Bejarano presented the following highlights:

-- Section 12-6-3(A) NMSA 1978 has required an annual audit of the Comprehensive Annual Financial Report (CAFR) since 2003. However, the CAFR has never been audited for any period since it was first produced by the Financial Control Division in the fiscal year ended 2001. Instead, the CAFR historically has been reviewed.
On December 4, 2012, the State Auditor notified DFA (for the first time since the CAFR has been produced) that the CAFR for fiscal year ended June 30, 2012, was to be audited by an Independent Public Accountant (IPA), with a due date of December 17, 2012. DFA chose not to select an IPA, primarily due to the lateness of the notification.

Anticipating that a similar notice would be received from the State Auditor for 2013, DFA applied for and received an appropriation from the Legislature during the 2013 Session. However, the appropriation was for $250,000, 50% of what was requested.

In 2012, the CAFR was again reviewed but not audited. DFA issued an RFP on October 25, 2013, for the purpose of soliciting sealed proposals from IPAs to audit the CAFR for the fiscal year ended June 30, 2013. Based on the recommendation of the RFP evaluation committee after reviewing bids from the two top tier firms that submitted proposals, DFA submitted the name of the recommended firm selected to conduct the CAFR audit to the State Auditor on December 6, 2013.

The lowest of the bids received exceeded the amount appropriated to DFA by approximately $400,000, which is the amount requested from the Board of Finance. A contract cannot be executed until such time that DFA has secured sufficient funding, and there is not currently sufficient funding within DFA’s budget.

Mr. Bejarano commented that the State of New Mexico is a multi-billion dollar enterprise and not having an audited CAFR is unacceptable, particularly given newer and more stringent auditing standards and potential risk to the state’s credit rating. He said it is becoming increasingly known that the state’s CAFR is only reviewed and not audited.

Mr. Bejarano said the reason for the urgency is that the state is between audit cycles. Auditors have wound up all the agency audits, and this is a perfect time to procure the CAFR auditors and get moving with that before the next cycle of audits begin, which is typically in the spring. There is also the possibility that the state could lose bidders if it does not move forward now.

Mr. Bejarano noted that New Mexico is the only state he is aware of that continues with the agency-centric audits that are enshrined in the Audit Act. One state, Iowa, also does agency audits but they are very selective. Under the New Mexico Audit Act, every agency must be audited with separate financials, which is very “old thinking” and is costing the state $6 million a year.

Secretary Clifford said DFA agrees that the audit needs to be done this year, and in the long run it will save the state money, especially when it no longer has to do agency-specific audits. He added that one of the major issues in this year’s CAFR review was inconsistent reporting by the agencies, and the agency-specific audits have not helped to address that at all.

Mr. Bejarano agreed. He said the reality is that, when rating agencies and financial institutions look at New Mexico as a state, the agency audits are not viewed the same as a statewide CAFR would be.
Mr. Carrasco stated, “If the Board votes to approve this grant, let the record reflect that the Board has determined that, although the circumstances necessitating this emergency funding request may not have been unforeseen, the situation severely affects the quality of government services. Let the record also reflect that the Board has made a finding that an extraordinary circumstance exists, and heavily weighs its decision on the fact that DFA is a general-funded state agency and emergency funding is disbursed from and repaid to general fund balances, approves this emergency funding request in the form of a grant.”

Mr. Primm read the following resolution:

WHEREAS, the Department of Finance and Administration has requested emergency funding to pay costs of completing an audited comprehensive annual financial report (“CAFR”) for Fiscal Year 2013;

RESOLVED, the State Board of Finance (the “Board”) determines, pursuant to NMSA 1978, Section 6-1-2 (1959, as amended through 2005), that an emergency exists that warrants granting to the Department of Finance and Administration the sum of four hundred thousand dollars ($400,000.00) to pay costs of completing an audited comprehensive annual financial report CAFR for Fiscal Year 2013; that granting of the sum of four hundred thousand dollars ($400,000.00) from the funds appropriated to the Board for use in meeting emergencies to the Department of Finance and Administration for this purpose is reasonable and appropriate; that the emergency necessitating this grant is the result of an unforeseen occurrence or circumstance severely affecting the quality of government services and requiring the immediate expenditure of money that is not within the available resources of the Department of Finance and Administration and, if subject to appropriation, cannot reasonably await appropriation by the next regular session of the legislature, and; cannot be addressed by disaster declaration or other emergency or contingency funds.

THEREFORE, the Board approves a grant to the Department of Finance and Administration in the amount of four hundred thousand dollars ($400,000.00) to pay costs of completing an audited Fiscal Year 2013 CAFR from the FY14 General Fund Operating Reserve, upon transfer to the Emergency Fund by the Secretary of Finance and Administration to meet this emergency.

Mr. Aragon moved approval of the finding as read by Mr. Carrasco. Mr. Brasher seconded the motion, which passed 5-0 by voice vote.

Mr. Aragon moved approval of the resolution. Mr. Brasher seconded the motion, which passed 5-0 by voice vote.

Mr. Brasher moved approval of this emergency funding request. Mr. Aragon seconded the motion, which passed 5-0 by voice vote.
PROPERTY DISPOSITIONS

Presenters: Luis Campos, Executive Director, Physical Plant Department; Samantha Sengel, Chief Community Engagement Officer; Wanda Helms, Executive Director of Purchasing

11. Central New Mexico Community College – Requests Approval of the Lease of Real Property to Clear Channel Outdoor for Five Electronic Billboard Structures ($47,800)

Ms. Sengel stated that Central New Mexico Community College (CNM) is requesting approval to lease real property to Clear Channel Outdoor for installation of five electronic billboard structures across the CNM campuses. One billboard, which is a static board, is already in place as part of a previous small lease, and the new four additional boards will be digital boards to be installed on the Main Campus, Montoya Campus, Advanced Technology Center, and Westside Campus. The lease also includes in-kind advertising for CNM and will allow CNM to display public messages to support CNM’s mission. Once the boards are fully installed, the annual lease will be in the amount of $47,800. She said advertising of tobacco, alcohol and gaming will not be permitted, nor will advertising for competing entities be allowed.

Responding to Lt. Governor Sanchez, Ms. Sengel said neighbors have not expressed any concern, and CNM has stated that it has no interest in becoming a “bad neighbor” to people in the areas around the billboards. CNM has had the locations of the billboards specifically identified in the lease agreement for that reason.

Mr. Brasher moved approval of this item. Mr. Archuleta seconded the motion, which passed 5-0 by voice vote.

[Item 12 was deferred pending arrival of representatives.]

HIGHER EDUCATION DEPARTMENT

Presenters: Scott Eccles, Director of Institutional Finances/Institutional Auditor, Institutional Finance and Capital Projects Division, HED; David Harris, Executive Vice President for Administration, Chief Operations Officer and Chief Financial Officer; Steve McKernan, Chief Executive Officer of the Health Sciences System; Thomas Neale, Interim Director of Real Estate

13. University of New Mexico – Requests Approval of Acquisition of Real Property at 3401 4th St., NW, and Acceptance of Certain Special Exceptions ($724,000)

Mr. Eccles stated that University of New Mexico (UNM) is requesting approval to acquire real property located at 3401 4th Street, N.W., from the City of Albuquerque at a cost of $724,000. The property is a vacant 2.1-acre site, which UNM plans to use for construction of a new community-based medical clinic in the North Valley. UNM reports that this area has one of the highest visitation rates among all of UNM Hospital’s clinics. The sole funding source for the purchase of this property is the Health Sciences Center-UNM Hospital Capital Initiative Fund in the amount of $724,000.
Secretary Clifford asked where the funding for the construction would come from, and Mr. McKernan responded that it would come from UNM Hospital's $70 million in capital reserves. Total reserves are slightly over $200 million, which includes reserves for working capital.

Mr. McKernan also explained that reserves come principally from the State Coverage Insurance (SCI) program and monies accumulated between 2005 and 2009, when UNM had nearly 15,000 uninsured enrollees and was paid market rate on a monthly basis for those patients. He agreed to provide Secretary Clifford with a detailed report.

Responding to Mr. Brasher, Mr. McKernan stated that, since 2011, UNM has worked with the Near North Valley Neighborhood Associations, which is a coalition of eight or nine neighborhood associations, and addressed their concerns in a series of meetings with the officers of the individual associations. In addition, UNM agreed to a stipulation that a full-fledged methadone dispensary would not be established at this community-based facility. He said most of the feedback UNM is receiving now is from people anxious to see a clinic built on the site.

Mr. Aragon asked if the stipulation prohibiting the establishment of a methadone dispensary includes other substances, such as Suboxone or other types of medication or programs available for drug addiction. Mr. McKernan responded that the restriction is relatively narrow and prohibits the distribution of methadone on a daily basis.

Mr. Aragon asked if someone being treated with Suboxone would be precluded from visiting this clinic and seeing their physician there and getting their prescription for Suboxone there. Mr. McKernan responded that there is no restriction at this point in time, and it is a practice UNM has at its other community-based primary care clinics.

Mr. Aragon asked if this facility will be able to service people trying to get off of opiates by prescribing whatever is necessary to treat the addiction, and Mr. McKernan responded yes.

Mr. Carrasco noted the following:

If the Board votes to approve this item, let the record reflect that the Board has received a letter from John P. Salazar of Rodey, Dickason, Sloan, Akin & Robb, P.A., counsel to the University of New Mexico in this transaction, explaining each special exception listed in Schedule B Section II of the Title Binder and a statement that such special exceptions will not adversely affect the operation of the health clinic to be developed on the site. The special exceptions include:

- Grant of Easement, and incidental purposes thereto, granted to The City of Albuquerque, a municipal corporation, recorded December 8, 1953, in Book D 262, Page 559, as Doc. No. 7554, records of Bernalillo County, New Mexico.
- Terms, provisions, conditions and stipulations contained in that certain Notice of Adjacent Physical, Zoning, Environmental, and Quality of Life Conditions, dated July 14, 2008, by Theodore Brown, recorded July 14, 2008, as Doc. No. 2008079236, records of Bernalillo County, New Mexico.
- Rights of parties under any unrecorded Rental and/or Lease Agreements. With regard to this special exception, counsel notes that there will be no adverse effect unless
someone of whom no one is aware were to surface with the right of possession pursuant to an unrecorded rental and/or lease agreement.

- No property within the area of this Plat shall at any time be subject to a deed restriction, covenant, or binding agreement prohibiting solar collectors from being installed on buildings or erected on lots or parcels within the area of proposed Plat, and no building, sign, pool (above ground or subsurface), hot tub, concrete or wood pool decking, or other structure shall be erected or constructed on said easements, nor shall any well be drilled or operated thereon all as set forth in the plat recorded November 9, 2011, in Plat Book 2011C, Page 121, as Doc. No. 2011102249, records of Bernalillo County, New Mexico.

- A five foot (5') Public Utility Easement, and incidental purposes thereto, reserved along a portion of the westerly lot line of the insured premises, as shown on the recorded plat, recorded in Plat Book 2011C, page 121, records of Bernalillo County, New Mexico.

- A ten foot (10') Public Utility Easement, and incidental purposes thereto, reserved along the northerly lot line of the insured premises, as shown on the recorded plat, recorded in Plat Book 2011C, Page 121, records of Bernalillo County, New Mexico.

- Deviation of chain link fence inside southerly, northerly and westerly lot lines as shown on ALTA/ACSM Land Title Survey, prepared by Gary E. Gritsko, License No. 8686, dated December 2, 2011.

- Encroachment of improvements consisting of chain link fence onto right of way of Fourth Street NW as shown on ALTA/ACSM Land Title Survey, prepared by Gary E. Gritsko, License No. 8686, dated December 2, 2011.

Mr. Harris said these terms were acceptable.

Mr. Primm noted that page 642 of the electronic agenda provides a draft legal description of the property that is included in the agreement to exchange land. Even though UNM has pointed out that this is a draft description of the property subject to confirmation, staff, in consultation with counsel, recommends that this item be approved contingent upon Director’s receipt of an amended contract revising the legal description contained in Exhibit A to the agreement to exchange land.

Mr. Archuleta moved for approval of the land exchange, subject to the recommendations of counsel and administrative staff. Mr. Aragon seconded the motion, which passed 5-0 by voice vote.

Presenters: Scott Eccles, Director of Institutional Finances/Institutional Auditor, Institutional Finance and Capital Projects Division, HED; Ben Woods, Senior Vice President for External Relations; Greg Walke, University Architect; Tina Byford, Interim Vice President, University Advancement

14. New Mexico State University – Requests Approval of Renovations and Additions to Hardman & Jacobs Hall ($21,550,000)

Mr. Eccles stated that New Mexico State University (NMSU) is requesting approval of renovations and additions to Hardman and Jacobs Halls, including the demolition of Jacobs Hall and part of Hardman Hall, and connecting the two renovated structures, at a cost of
$21,550,000. New construction costs will be $17,106,000, and alterations at $4,444,000. This project will create a new Undergraduate Learning Center with state-of-the-art classrooms, laboratories, lecture facilities, seminar rooms, study areas, and academic support spaces.

Mr. Archuleta commented that $400 per square foot for new construction seems high, and asked if there was any thought to total demolition and building one new building, etc. He asked how this particular plan is more cost effective.

Mr. Walke stated that the team looked at a number of options. At first, they wanted to hang onto the existing buildings, but there were considerable challenges to make them serve this new purpose, which is a new kind of teaching facility that engages the student more directly in an active learning classroom. Ultimately, it was less expensive to do the planned demolition. While the final product will have 6,000 fewer square feet, it will be more efficient to operate.

Mr. Archuleta asked why this is costing so much per square foot. Mr. Walke responded that the kind of teaching technologies being used are very expensive, as is the flexibility required of the classrooms. The construction costs at $387 per square foot are “just a tad” higher than what they have been seeing for new buildings on campus of this size, which is in the range of $340-$350 per square foot.

Mr. Primm noted that, on Form 4 (Proposed Project Costs), there is a 10 percent contingency on new construction. As the form points out, however, construction contingency normally would not exceed 5 percent on new construction. He said the question is whether that number could be reasonably moved back down to 5 percent.

Mr. Walke responded that this project is now in the design development stage, and bids have not been received. Traditionally, they hold 10 percent in contingency until bids come in.

Mr. Primm commented that “new construction” in this case might be a misnomer because of the nature of the project.

Mr. Archuleta said he could understand the need for a 10 percent contingency at this stage of the project. Given that Form 4 is in the process of being reformatted and redesigned, he suggested that the form reflect the 10 percent contingency when a project is in planning or design development. After the design is done and the budget developed, it can be reduced to 5 percent. At the time the project goes to construction, it can be reduced to 2 percent.

Mr. Aragon moved for approval. Mr. Brasher seconded the motion, which passed 5-0 by voice vote.

15. New Mexico State University – Requests Approval of Anderson Hall Roof Repair and Replacement ($956,796)

Mr. Eccles stated that New Mexico State University (NMSU) requests approval of the removal and replacement of various roofing systems at Anderson Hall, which houses the Physical Science Laboratory. NMSU reports that this building’s 41,897 square foot roof frequently leaks and requires patching. When the building was originally constructed in 1963, a
concrete slab was constructed on top of the roof membranes for experiment mounting and access. Any new roofing must go on top of that concrete slab. The funding source for this project is institutional balances available for capital outlay projects.

Mr. Walke clarified that Form 5 incorrectly stated the funding source for this project. He said $265,000 would come from Institutional Funds/Minor Capital Outlay and $691,796 would come from the Physical Science Lab’s Minor Capital Outlay account.

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

16. New Mexico State University – Requests Approval of Baseball Field Improvements ($1,391,750)

Mr. Eccles stated that New Mexico State University (NMSU) requests approval of upgrades and improvements to Askew Stadium, the institution’s baseball field. NMSU reports that the project will accommodate more fans in expanded bleachers with improved chair backs and shade structures. If funds allow, additional work may include dugout expansion and renovation, upgrades to clubhouse lighting and systems, sprinkler repair, fence repair, and press box and scoreboard upgrades. The funding source for the project is a donation from NMSU alumnus Michael Johnson and wife Judy that will be received in four installments between August 15, 2013, and February 28, 2015.

Responding to Mr. Archuleta, Mr. Walke stated that NMSU is procuring this project through a design-build method recently approved by the legislature, which allows them to “design and go” as the payments come in. The University foundation has also stated in writing that they will cover any shortfall.

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

Presenter: Felicia Casados, President

17. New Mexico State University, Grants Campus – Requests Approval of Martinez Hall Library Renovation Phase 3 ($1,000,000)

Mr. Eccles stated that New Mexico State University (NMSU) is requesting approval of a final third phase of its renovation of Martinez Hall Library on its Grants Campus. The project includes remodeling office and classroom spaces, replacing underground HVAC distribution ducts, minor modifications to electrical lighting and data ports, and installing a new canopy to divert a small amount of water falling on the north exterior exit door. The project will not upgrade central building heating, ventilating or air conditioning equipment or the thermal resistance of any exterior envelope component. The existing building contains a total of 74,805 square feet, and this project would renovate about 3,200 square feet of interior space with new interior finishes, partitions and acoustic panels. The cost would be $257 per square foot. This is the final phase of a three-phase project to remodel the library and correct numerous building deficiencies. The funding source for this project is General Obligation Bond appropriations from 2012.
Mr. Aragon asked why there has been a steady decline in enrollment on the Grants Campus over the past three years.

Ms. Cesados responded that this decline is because, over the past five years, NMSU Grants has invested a great deal in online teaching through various grants, and students from other campuses, primarily from the parent campus, were taking some of the undergraduate first and second year courses online. As enrollments declined across the state, however, the NMSU system made the decision not to allow their students or other students from the Alamogordo and Carlsbad campuses to register for the Grants campus online courses until just before classes started. They felt that students would have a stronger capacity to complete their programs if they stayed on their parent campus. She said the enrollment decline is therefore from students who didn’t belong to the Grants campus in the first place.

Ms. Cesados commented that the entire state is experiencing an enrollment decline because of the decline in the number of high school graduates in New Mexico. She said NMSU Grants is looking to build its dual enrollment student population, which is primarily high school juniors and seniors. When she arrived on the Grants campus eight years ago, there were 16 such students, and that has grown to 346.

Mr. Primm called the Board’s attention to the revised budget on page 1161 of the electronic agenda, reflecting a shift of approximately $12,000 from the construction contingency line item to the admin/surveys/testing line item. He said the total amount of the project remains unchanged at $1,000,000.

Mr. Walke explained that there was $8,132 in geotechnical investigations that had not been included in this line item. There was also a $3,000 error in the administration fee.

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

**PROPERTY DISPOSITIONS**

Presenters: C. Gene Samberson, Attorney; Michael Miller, Chief Executive Officer; Joel Carson II, Attorney

12. Eunice Special Hospital District – Requests Approval of Sale of Real Property at 1024 Main Street in Eunice to Michael Rayburn ($140,000)

Mr. Primm reported that, in October 2012, the Board approved a lease with an option to purchase between Eunice Special Hospital District (District) and Michael’s Prescription Corner at 2014 Main Street in Eunice. The existing lease agreement sets up the option to purchase but does not provide the legal means by which the property would be transferred. Staff requested a purchase and sale agreement to effectuate the request by Mr. Raburn that the option to purchase included in the lease agreement be exercised.

Mr. Primm said there are a couple of overarching issues that have been identified: the lease agreement that had the option to purchase in it was with Mr. Raburn’s DBA, which is Michael’s
Prescription Corner, LLC. At this point, what staff has noticed in the agenda contains a misspelling of Mr. Raburn's name, which can be considered immaterial. However, the purchase and sale agreement received in the middle of last week contemplates Mr. and Mrs. Raburn taking ownership of the property and exercising the option personally. It appears to staff, however, that the option is clearly vested in the LLC. That said, it could be assigned under the lease agreement, but staff has no paperwork indicating that the assignment has taken place.

Mr. Primm said there are a number of items in the purchase and sale agreement that have been identified as requiring changes by the District. In addition to that, staff recently received a title binder from the title company. Even though staff has been dealing with the District with the understanding that there would be a quitclaim deed, the title binder reflects that the transfer of property would be through a warranty deed, which would not be allowed. So, the title binder will have to be revised with the standard exceptions removed.

Mr. Primm cited additional items requiring attention:

-- The title binder also covers two properties, one of which is not included under the transaction. While this neighboring piece of property may belong to Mr. Raburn, staff will need to look into this in order to make sure the District is not paying insurance on a secondary property not related.

-- Any existing water rights on the property will need to be identified in terms of whether they will have to be transferred.

-- The effective date of the contract will be when the buyer exercises their option to purchase, so in the case that the contract is not revised to have a standalone effective date, it will be necessary to document that the buyer has notified staff that they intend to exercise that option. The option would have to have a second document that shows the assignment to Mr. and Mrs. Raburn if they do indeed want to take the property directly rather than through the LLC.

Mr. Samberson stated that Mr. Raburn had obtained a loan of $700,000 in order to acquire the property at the appraised price of $140,000 and to put equipment and furnishings in it along with inventory. This is designed to serve Eunice and Jal. At the present time, that area of the state is being served for pharmaceuticals out of Hobbs or areas in Texas.

Mr. Samberson said Mr. Raburn has been very engaged in community service in the area. For at least ten years, he has had a local pharmacy in Lovington, and this is the second piece of property he owns with his wife.

Mr. Samberson stated that the reason for the purchase is that the lender wants a mortgage on the property being acquired from the District, but also a mortgage on the pharmacy in Lovington. It therefore made sense to put it in one package and simplify efforts to obtain the loan. He said Mr. Raburn will be initially out of pocket $500,000. The bank wanted a line of credit for operations, because this is an at-risk proposition.

Mr. Samberson said the purchase agreement has not been properly signed by the District because its Chairman is in the hospital.
Mr. Aragon commented that Eunice is a long way from Santa Fe, and this is the second time representatives have had to appear before the Board regarding this project. He said he would hope the Board could take action to approve this request with all of the necessary contingencies to avoid the prospect of a third appearance before the Board.

Mr. Primm recommended that any approval of this item be contingent upon (a) Director’s receipt with review of counsel of a revised, signed Contract of Sale containing staff’s revisions and naming a Buyer entity that is legally vested with an option to purchase pursuant to the previously approved Agreement for Lease and Sale of Building; (b) Director’s receipt with review of counsel of a revised title binder contemplating transfer of property through quitclaim deed; (c) Director’s receipt with review of counsel of the proposed form of quitclaim deed; (d) Director’s receipt of documentation regarding the existence of water rights to be transferred including any required approvals of the transfer of water rights by the Office of the State Engineer; and (e) Director’s receipt of written notice of Buyer’s exercising of its option to purchase, if necessary for contractual purposes.

Mr. Samberson said the contingencies were acceptable.

Mr. Aragon moved for approval, with the contingencies as stated by staff. Mr. Archuleta seconded the motion, which passed 5-0 by voice vote.

STATE TREASURER’S OFFICE

Presenters: Linda Montoya Roseborough, Chief Investment Officer; Treasurer James B. Lewis

19. Approval of State Treasurer’s Appointment of Mark S. Pike as State Treasurer’s Investment Committee Private Sector Member

Ms. Roseborough introduced Mr. Pike to the Board and requested approval of the appointment of Mr. Pike to serve a two-year term on the State Treasurer’s Investment Committee (STIC). Mr. Pike, currently Senior Vice President of the Bank of Albuquerque, has more than 30 years of banking experience in New Mexico and served in various roles with Wells Fargo Bank and First Security Bank of New Mexico, in which he managed the state fiscal agent relationship.

Mr. Archuleta stated that he would abstain from the vote because he serves on the board of the Bank of Albuquerque.

Mr. Brasher moved this appointment. Mr. Aragon seconded the motion, which passed 4-0 by voice vote, with Mr. Archuleta in abstention.


Ms. Roseborough presented the monthly investment report. She said there were no compliance issues to report.
GENERAL SERVICES DEPARTMENT

Presenter: Pamela Nicosin, Acting Deputy Director, Facilities Management Division


Ms. Nicosin reviewed the CBRF Financial Status Report, which reflected an uncommitted cash balance as of October 1, 2013 of $13,874,009 and an ending cash balance as of October 31, 2013 of $13,773,859. There were no emergency declarations in the month of October.


Ms. Nicosin requested approval to adopt the proposed six-month Schedule of Repairs for Santa Fe buildings, which covers the months of January through June 2014. Proposed repairs include replacement of worn and damaged building elements; life cycle repairs; correction of code violations; compliance with ADA; and structural repairs, including roofs, walls and foundations.

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

23. Facilities Management Division – Requests Approval of Acceptance of Donation of Real Property Located at 4203 W. 2nd St. in Roswell from City of Roswell and Acceptance of Certain Special Exceptions

Ms. Nicosin stated that the General Services Department, Facilities Management Division, requests approval to acquire real property through donation from the City of Roswell. The land consists of 1.53 acres and contains a 5,595 square foot building that houses the State Department of Public Safety’s district office.

Ms. Nicosin said the building was constructed in 1979 by the state for the former Traffic Control Division. The property belonged to the City of Roswell, and the City leased the underlying land to the New Mexico State Police beginning in 1977 under a 25-year lease that included a provision that title to all buildings, facilities and improvements on the land would transfer to the City upon termination of the lease. The lease expired in 2002 without either party’s awareness, causing the improvements to transfer to the City of Roswell. In 2012, the parties discovered that the lease had terminated, and now the City desires to donate the land and improvements to the Facilities Management Division, which reports that the donation would allow it to make necessary improvements to the property.

Responding to Lt. Governor Sanchez, Ms. Nicosin stated that the building is in very good condition and no major costs are anticipated.
Mr. Carrasco stated: "If the Board votes to approve this item, let the record reflect that the Board has received a letter from Alexis H. Johnson of the New Mexico General Services Department’s Risk Management Division Legal Bureau, explaining each special exception listed in Schedule B of the Title Binder and a statement that most of special exceptions will do nothing to diminish the use of the subject property by the State. The special exceptions include:

- Reservations, exceptions and provisions contained in the patent from the United States of American, and in the acts authorizing the issuance thereof, Recorded September 6, 1893 in Book B Page 261 of Official Records. Mr. Johnson represents that this special exception has been reviewed and nothing in the patent grant, which concerns property and mineral rights and water rights to be construed per the laws of the Territory (now State) of New Mexico, has resulted in any subsequent claim, demand, or easement, or other servitude that has been brought to GSD’s attention by inspection and that it is unlikely that any claim will result from the patent between the City and the State. Mr. Johnson also represents that a claim by the United States is highly unlikely as to any of the subjects of the original patent grant.

- Easement granted to the City of Roswell for a 20 foot water line right of way recorded July 21, 1949 in Book 138, Page 415 in the Official Records of Chaves County, New Mexico.

- A 20 foot utility easement and rights incidental thereto as delineated or as offered for dedication of the N.M. State Police Summary Plat, filed October 3, 2013 in Survey Book 1, Page 84B.

- A 10x10 Anchor Easement and rights incidental thereto as delineated or as offered for dedication on the N.M. State Police Summary Plat, filed October 3, 2013 in Survey Book 1, Page 84B.

Mr. Primm requested that any approval of this item be contingent upon Director’s receipt and review of counsel of a revised donation agreement containing a legal description exhibit that contains a legally sufficient description and depiction of the property.

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

PRIVATE ACTIVITY BONDS

Presenter: Jeff Primm, Deputy Director

24. Return of Cap Announcements

Mr. Primm reported that, because issuance cannot be completed prior to expiration, Chaves County has advised the Board of its return of the $18,500,000 cap allocation made by the Board in November 2013 for its AGPower FP 1, LLC project in Dexter. Also, because issuance cannot be completed prior to expiration, Bernalillo County has advised the Board of its return of the $11,000,000 cap allocation made by the Board in October 2013 for its Glenrio Apartment project in Albuquerque.
Mr. Aragon commented that Private Activity Bonds offer an interesting opportunity for economic development. While that may not be optimal in today’s bond market, in the future that could be a very nice vehicle for it, although it could call for some statutory changes.

Board bond counsel David Buchholtz stated that the Tax Code was changed in 1986, when the federal government asked the states to play a role in the allocation of cap. Then-Governor Anaya asked that an executive order be drafted that gave the authority to the Board of Finance; and since then, the Board has had the duty and responsibility to allocate cap. Up until several years ago, that tended to be a challenge because of differences in the market and there were different entities seeking the cap allocation. The cap allocation split up among student loans, housing and economic development activities. As a practical matter, when the student loan authority was no longer in the bond business, the Board wound up with a significant amount of cap and, in current times, less demand than capacity.

Mr. Buchholtz commented that Mr. Aragon has a very interesting idea. If there were some consideration to change the legislation to allow some of this activity to be conducted by the Economic Development Department, his sense is that federal law would allow the state to go into the Private Activity Bond Act and make such changes. Perhaps in connection with their other programs in that department, they could become more of influence in seeing that the cap was used more effectively. If this were focused in a place where there was more of a tie between the allocation of cap and the actual activities, more interest might be generated in the program.

Mr. Brasher and Mr. Aragon thanked Mr. Primm for the excellent and detailed work he did on this item.

Presenter: Duane Brown, Modrall Sperling, Bond Counsel
25. Chaves County – Requests Approval of a 2013 Private Activity Bond Carryforward Allocation for the AGPower FP 1, LLC Project in Dexter ($18,500,000)

Mr. Brown stated that, on November 19, the Board approved 2013 volume cap of $18.5 million. He said they are continuing to work on documents, are meeting telephonically every week, are developing a private placement memo, and Mr. Vaughn is seeking to raise private equity to match the bond piece of this. He noted that the bond market is challenging for this kind of project. At this point, they do not know when they will actually be able to sell bonds, but they hope it will be within the next six to twelve months. They request that the Board approve a carryforward allocation in the amount of $18,500,000 million for this project.

Mr. Primm noted that there are two requests before the Board for carryforward, and Item 27 will include discussion on MFA’s request made at the November meeting. He commented that, in a situation where there is a lot of competition for carryforward, the Board might want to hear all of the requests before taking action. In the past, the Board has had some concern about allocating carryforward for projects with specific uses, which stemmed from the idea that there was scarce capacity that needed to be wisely allocated. Also, projects with specific allocations either survive or fail during the three-year carryforward period, and there is no way to claw it back if they fail. He stated that the MFA is one of the only entities that allow the Board to
allocate carryforward without it being dependent upon individual project or mortgage succeeding or failing.

Mr. Primm noted that there is not scarcity of cap in this case, and staff would point out that, if there has ever been a time when the Board might be comfortable taking a chance on project-based allocations like this one as well as the next one on the agenda, now might be the year to take that chance. He noted that the 2013 carryforward available is $240 million and the 2014 bond cap is $296 million.

Mr. Aragon said he thought it safe, given the significant amounts involved, for the Board to award carryforward for this project as well as the Bernalillo County request (Item 26). He said the subcommittee felt comfortable in making that recommendation to the entire Board.

Lt. Governor Sanchez recommended that the Board act on each request for carryforward individually.

Mr. Archuleta moved to approve the $18,500,000 carryforward for this project. Mr. Aragon seconded the motion, which passed 5-0 by voice vote.

Presenters: Tommy Hughes, Hughes Law, LLC; Dan Beaman, Bernalillo County Economic Development; Casey Cameron, Tirol Housing

26. Bernalillo County – Requests Approval of a 2013 Private Activity Bond Carryforward Allocation for the Glenrio Apartment Project in Albuquerque ($11,000,000)

Mr. Beaman requested approval of a 2013 private activity bond carryforward allocation for the Glenrio Apartment Project in Albuquerque in the amount of $11,000,000.

Mr. Aragon moved for approval. Mr. Brasher seconded the motion, which passed 5-0 by voice vote.

Presenters: Robert Aragon and Michael Brasher, Subcommittee Members; Jeff Primm, Deputy Director

27. Private Activity Bond Subcommittee Recommendations and Allocation of 2013 Carryforward

Mr. Aragon moved approval of the subcommittee’s recommendations. Mr. Brasher seconded the motion.

Mr. Primm stated that the carryforward recommendation of the subcommittee is contained on page 1669 of the electronic agenda.

Mr. Primm stated that by adopting the subcommittee’s recommendation in whole, the effect would be to make one further allocation to New Mexico Mortgage Finance Authority (MFA), which at the November meeting requested $150 million in 2013 carryforward for single family purposes. By adopting this remaining item within the subcommittee’s recommendation,
the Board would be granting $254 million in 2013 carryforward cap, in excess of MFA's requested amount.

MFA Executive Director Jay Czar thanked the Board for its strong support.

The motion passed 5-0 by voice vote.

28. Private Activity Bond Subcommittee Recommendations and Determination of Calendar Year 2014 Private Activity Bond Cap Percentages

Mr. Primm noted that the 2014 PAB cap reservation for Single Family would be zero dollars, as the Mortgage Finance Authority preferred 2013 carryforward. Under Multi-family, MFA requested $75 million in 2014 cap be reserved. Staff normally adds an amount for those Multi-family projects that might not come directly through MFA. He said the recommendation adds $50 million to this category, for a total of $125 million. Education has zero reserved, and the Other category, which would be along the lines of economic development projects, would be $171,825,000. Overall, the amount allocated to New Mexico for PAB purposes was $296,825,000.

Mr. Aragon moved for adoption. Mr. Brasher seconded the motion, which passed 5-0 by voice vote.

29. Approval of Private Activity Bond Allocation Deposit Refunds

Mr. Primm stated that page 1672 of the electronic agenda lists the three projects that have come before the Board during the calendar year requesting allocations. Bernalillo County’s Silver Moon Lodge project was the only project that received an allocation, paid an allocation deposit and successfully issued during the calendar year. According to the Board rules, a project that issues during the year is eligible to have its $2,000 allocation deposit returned to it, and the Private Activity Bond Subcommittee recommends that the entire deposit amount be reimbursed to that entity. The allocation deposits of the remaining two projects on the list will be transferred to the General Fund as part of the subcommittee recommendation.

Mr. Aragon moved for approval. Mr. Brasher seconded the motion, which passed 5-0 by voice vote.

STAFF ITEMS

Presenter: Jeff Primm, Deputy Director

30. Approval of Board of Finance Meeting Schedule for 2014

Mr. Primm stated that the meeting scheduled was on page 1673 of the electronic agenda. He noted that the January meeting would be held on the fourth Wednesday to accommodate Board schedules during the 2014 legislative session.
Mr. Archuleta moved for approval. Mr. Brasher seconded the motion, which passed 5-0 by voice vote.

31. Fiscal Agent/Custodial Bank Fees

Mr. Primm reported that fees were in line with historical billings.

32. Joint Powers Agreements

Mr. Primm 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 1:05 p.m.

Susana Martinez, President

Date

Michael Brasher, Secretary