MINUTES OF THE
NEW MEXICO STATE BOARD OF FINANCE
REGULAR MEETING
Santa Fe, New Mexico
March 19, 2013

A Regular Meeting of the New Mexico State Board of Finance was called to order on this
date at 9:00 a.m. in the Governor’s Cabinet Room, Fourth Floor, State Capitol Building, Santa
Fe, New Mexico.

1. **ROLL CALL: QUORUM PRESENT**

**Members Present:**
Mr. Robert J. Aragon, Public Member
Mr. Del Archuleta, Public Member
Mr. Michael Brasher, Public Member, Secretary [Acting Chair]
Mr. John Kormanik, Public Member

**Members Excused:**
The Hon. Susana Martinez, President
The Hon. John Sanchez, Lt. Governor
The Hon. James B. Lewis, State Treasurer

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

**Staff Present:**
Ms. Stephanie Scharin Clarke, Director, State Board of Finance
Mr. Jeff Primm, Deputy Director, State Board of Finance

**Others Present:**
[See sign-in sheets.]

Presenter: David Paul, Financial Advisor, Fiscal Strategies Group

2. **EXAMINATION OF BIDS, GENERAL OBLIGATION BONDS SERIES 2013**

[This item was deferred pending arrival of Mr. Paul, as the bids were still being examined.
See page 3.]
Welcome to New Public Member Del Archuleta

Secretary Brasher welcomed Mr. Archuleta to the Board and congratulated other Public Members who had received letters of reappointment.

3. APPROVAL OF AGENDA
   NEXT REGULAR MEETING: APRIL 16, 2013

The Agenda was reprioritized.

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

4. APPROVAL OF MINUTES: February 19, 2013 (Regular Meeting)

Mr. Aragon moved approval of the February 19, 2013 Minutes, as submitted. Mr. Kormanik seconded the motion, which passed 3-0 by voice vote, with Mr. Archuleta in abstention.

EMERGENCY FUND BALANCES
Presenter: Stephanie Scharin Clarke, Director

5. Emergency Balances – March 2013

<table>
<thead>
<tr>
<th>Fund</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve Fund</td>
<td>$618,987.87</td>
</tr>
<tr>
<td>Emergency Water Fund</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

Ms. Clarke reported these balances. She noted that $400,000, which has been requested by DFA for emergency loan repayment, is included in House Bill 2 and awaiting Governor action. Should that stand, the Emergency Fund balance will be increased by that amount.

EMERGENCY FUNDING REQUESTS

Presenters: Paula Garcia, Chair, Mora County Commission; Thomas Sanchez, County Manager

6. Mora County – Requests Extension of Emergency Loan Repayment Schedule ($54,668)

Mora County Commissioner Paula Garcia, appearing with Mora County manager Thomas Sanchez, asked the Board to revise the repayment plan for the $54,668 emergency loan granted to the County in December 2012. She said the agreement had been that $48,600 of the loan
would be repaid by March 15, 2013 (with the remainder due by January 31, 2014) through liquidation of some CDs. However, they have discovered that the County budget includes $25,000 in matching funds for a federal CDGB grant, and they therefore cannot meet this deadline.

Ms. Garcia proposed that the County make three payments of $18,222.67 each on August 31, 2013, November 30, 2013, and February 28, 2014, for a total of $54,668.

Ms. Clarke said staff has reviewed the County’s revised budget projections with the Local Government Division and agrees that the budget situation has changed. Accordingly, she would recommend that the County loan repayment schedule be revised so that quarterly repayments would be due August 31, 2013; November 30, 2013; and February 28, 2014, in equal one-third amounts.

Responding to Mr. Archuleta, Mr. Sanchez said the CDGB grant has not yet been awarded, although the review process begins in April and awards are made in May or June. If the award is not granted, he said the County would begin repaying the loan immediately.

Ms. Clarke added that, if the County does not receive the grant, staff would recommend that the repayments be made quarterly but that the schedule be accelerated.

Mr. Aragon noted that the CDGB board has not scheduled meetings for April or May at this point and suggested that Mr. Sanchez contact Local Government Division Director Ryan Gleason to discuss the County’s need for the CDGB grant.

Mr. Archuleta moved for approval of the revised repayment schedule, with quarterly payments of $18,222.67 due August 31, 2013; November 30, 2013; and February 28, 2014; subject to the stipulation that if the $25,000 set-aside for a CDGB grant match is not needed, the first quarterly payment is due as soon as possible. Mr. Kormanik seconded the motion, which passed 4-0 by voice vote.

[Continued from page 1]
Presenter: David Paul, Financial Advisor, Fiscal Strategies Group

2. EXAMINATION OF BIDS, GENERAL OBLIGATION BOND SERIES 2013

Secretary Brasher stated that this agenda item is for the purpose of publicly examining bids received for the purchase of the State of New Mexico Capital Projects General Obligation Bonds, Series 2013, in the aggregate principal amount of $126,865,000. He stated that a Notice of Bond sale has been published in the Albuquerque Journal, a newspaper of general circulation in the State of New Mexico, and also in the Bond Buyer, a recognized financial journal outside of the State of New Mexico, once each week for two consecutive weeks, the last publication having been made at least five days prior to the date of the meeting.
Mr. Paul said Fiscal Strategies Group has worked with Board staff over the past several weeks in the preparation of this financing and the circulation of the bidding documents to the bidding community. He stated that he would read the bids and step out of the meeting to discuss the bid with the indicative winner, as well as discuss any necessary resizing to tie their bid to the proceeds that the state requires. Following that, the Board will be asked to accept the bid and adopt the resolution.

Bids were read as follows.

<table>
<thead>
<tr>
<th>Bidder Name</th>
<th>TIC</th>
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</thead>
<tbody>
<tr>
<td>William Blair &amp; Company, LLC</td>
<td>1.801930 [winning bidder]</td>
</tr>
<tr>
<td>Barclays Capital Inc.</td>
<td>1.964897</td>
</tr>
<tr>
<td>Morgan Stanley &amp; Co., LLC</td>
<td>1.989892</td>
</tr>
<tr>
<td>Wells Fargo Bank, National Association</td>
<td>2.000007</td>
</tr>
<tr>
<td>J.P. Morgan Securities LLC</td>
<td>2.010511</td>
</tr>
<tr>
<td>Bank of America Merrill Lynch</td>
<td>2.034378</td>
</tr>
<tr>
<td>Stifel Nicolaus &amp; Company, Inc.</td>
<td>2.050245</td>
</tr>
<tr>
<td>Citigroup Global Markets Inc.</td>
<td>2.067727</td>
</tr>
<tr>
<td>Piper Jaffray</td>
<td>2.201707</td>
</tr>
<tr>
<td>Robert W. Baird &amp; Co., Inc.</td>
<td>2.313192</td>
</tr>
</tbody>
</table>

Mr. Paul noted that the second-best bid is 16 basis points lower than the indicated winning bidder. Historically, the Board has had bids where there have been 10 or more bids separated by as few as 6 basis points; however, in this case, there are 10 bids separated by 50 basis points – an extraordinary spread in a competitive transaction. That speaks to the wide spreads in the competitive market because of extraordinarily low interest rates and great uncertainty about what the next move in interest rates will be. He said there has been a sell-off in the tax-exempt and taxable markets over the past number of weeks. However, that was reversed a couple of days ago as the problems in Cyprus have once again directed money that was leaving the fixed income markets into equities back into the U.S. Treasury market.

**FINANCING APPROVALS**

Presenters: Shawn Lerch, Chief Executive Officer, Miners Colfax Medical Center; Tom Poteste, Chief Financial Officer, Miners Colfax Medical Center; Paul Cassidy, RBC Capital Markets; Erik Harrigan, RBC Capital Markets; Peter Franklin, Modrall, Sperling, Roehl, Harris & Sisk, P.A.; Dan Alsup, Modrall, Sperling, Roehl, Harris & Sisk, P.A.

8. **Miners Colfax Medical Center – Requests Approval of Refunding and Improvement State Institution Revenue Bonds, Series 2013 ($16,000,000)**

Mr. Lerch stated that, to clarify discussion at the February Board meeting, Miners Colfax Medical Center (MCMC) is asking to refinance Series 2004 and 2006 construction bonds with an average interest rate of about 4 percent. The refinancing would allow them to lock in an interest
rate of 2.54 percent and would provide about $3 million in new bond proceeds to construct, equip and furnish a rural health clinic.

Mr. Lerch said there were questions at the February Board meeting about why MCMC was not using an existing operating trust instead of the requested bond refinancing. He stated that MCMC did submit a $3.2 million appropriation for FY 2014 during his first month as CEO in July 2012, as he quickly recognized the need for a new rural health clinic. During that time, he saw the operating trust as the only avenue to get the capital. During the first two months of his tenure, he completed a comprehensive business analysis of the center’s operations, its financial position both short term and long term, as well as optimal funding mechanisms to address capital needs for the next five years. He said the analysis led him to contract with RBC and the Modrall law firm in September to evaluate MCMC’s ability to first refinance the higher interest construction loans and bonds, and also evaluate the strategy of accessing new monies for the rural health clinic.

Mr. Lerch said the MCMC Board of Trustees, comprising five members appointed by the Governor, recognizes the need to invest in several large capital projects over the next five years while maintaining a strong financial position. He said Moody’s has indicated that a healthcare organization of MCMC’s size and capacity should maintain 200 days’ cash on hand, while MCMC is currently at 186 days, including the operating trust. Financial projections would place MCMC at 86.72 days’ cash on hand if they were to use $3.2 million from their current operating trust for this project, and there would be several negative effects on MCMC. These would include giving it a poorer financial rating overall and compromising its ability to meet the evolving needs of the healthcare world and withstanding the as-yet unknown impacts of the Affordable Healthcare Act.

Mr. Lerch also stated that MCMC has cost-based reimbursements and in the past has had payments delayed from Medicare, and projects that it will have payments delayed from Medicare in the future. He said 40 percent of their payments come from Medicare, which is significant.

In addition, Mr. Lerch said Medicaid has failed to reconcile the last three years of their cost reports, so they are receiving payments at 2010 rates at the current time.

Mr. Lerch said the mandated conversion to an electronic medical records system also presents a burden not only in cost ($1 million over the next three years), but their accounts receivables have on several occasions jumped from 60 days to more than 100 days.

Mr. Lerch said the MCMC Board of Trustees and MCMC financial team fully support this financial strategy to access historically low cost capital for the rural health clinic while maintaining access to capital for future needs over the next five years. He said the management team, with support of their advisors, has concluded this as the soundest financial strategy for MCMC to serve all of Colfax County and surrounding counties.

Mr. Kormanik asked Mr. Lerch to clarify why MCMC treats its operating trust like cash reserves, and Mr. Lerch responded that distributions from the Land Grant Permanent Fund go
into their operating trust, and Mr. Poteste, their Chief Financial Officer, has been working on building the trust to meet long-term needs. He said they use the trust in this way to fund operations, noting that growth in recent years has been at about $8 million a year, but in other years it has been at $4 million. Typically, they draw $5 to $5.5 million a year from the trust.

Mr. Kormanik asked if MCMC anticipates having to increase its budget over the annual $9 million appropriation it receives from the legislature, and then use those cash reserves to secure the increase in the budget, and therefore an increase in total expenditures.

Mr. Lerch responded yes. He said they would be making a budget adjustment for the coming fiscal year.

Responding to Mr. Aragon, Mr. Lerch said MCMC is a critical access facility and therefore bills Medicaid and Medicare for true costs, which include staff time, square footage, etc.

Mr. Archuleta congratulated MCMC for having the reserves they do have, recognizing how important a hospital is to the northeastern part of New Mexico, as well as being able to maintain 186 days of cash on hand. He said he would be supporting this request.

Mr. Aragon moved for approval of this request. Mr. Archuleta seconded the motion.

Board legal counsel Zack Shandler stated that, pursuant to NMSA 1978, Section 6-13-17, the vote must be unanimous.

Mr. Shandler read the following summary of the parameters resolution for Board action: “This is the Miners Colfax Medical Center Refunding and Improvement State Institution Revenue Bonds Series 2013 with a principal not to exceed $16,000,000. The proceeds will be used to (1) refund Miners Colfax Hospital Improvement Revenue Bonds, Series 2004 and 2006; and (2) construct, equip and furnish a rural health clinic. The final maturity date is June 1, 2028 with a net effective interest rate not to exceed 4 percent. The Board’s approval is subject to compliance with 2.61.5.16 NMAC.”

Mr. Aragon and Mr. Archuleta indicated that this resolution represented their understanding of the action to be taken.

The motion to adopt the resolution passed 4-0 by voice vote.
PROPERTY DISPOSITIONS

[Note: Secretary Brasher stated that Items 9A, 9B and 10 would be grouped together but addressed separately and acted on separately.]

Presenter: Armando Cordero, Facilities and Parks Director

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

B) Doña Ana County – Requests Approval of Donation of Adams Ball Park and O’Hara Park to the City of Anthony

Presenter: Frank Coppler, Anthony Water and Sanitation District Attorney

10. Anthony Water and Sanitation District – Requests Approval of Donation of Site of Anthony Public Library to the City of Anthony

Mr. Cordero appeared before the Board with City of Anthony representative Velma Navarrete and Wilson & Company representative Mario Juarez-Infante.

Discussion on Item 9A

Mr. Cordero and Ms. Navarrete indicated that the County and City have been working with Mr. Primm to provide the necessary documentation and information in follow up to the Board’s requests made at the October 2012 meeting.

Mr. Primm noted that the library building and land were purchased separately as part of legislative appropriations. The County got the appropriation to construct the building, the Water & Sanitation District got the appropriation for the land on which to build the library building, and the library was operated under an MOU between those two entities with the understanding that, at some point (this being that point), they would attempt to transfer the property to the City of Anthony once it was incorporated. He stated that the City has since incorporated, and the three parties are before the Board to try to effect that transfer.

Mr. Primm explained that Item 9B is a separate agreement between the City and County to transfer two park properties.

Discussion on Item 9B

Mr. Cordero stated that the Adams Ball Park serves the population of Anthony and three or four surrounding towns, while O’Hara Park is an adjacent walking trail that was created with state money three or four years ago. He said these are the only parks in Anthony and they are very popular. He said the County is looking forward to this property transfer because County workers have to drive 45 minutes from Las Cruces to the park area to do maintenance.
Discussion on Item 10

Mr. Coppler stated that all of these transfers are part of a 30-year plan that culminates with the approvals being requested today. He noted that the Board recently approved a lease to a charter school that sits on the library site, which was also part of the 30-year plan. In addition, they created a water and sanitation district and then incorporated the City of Anthony, which completes the process.

Mr. Archuleta commended all of the parties involved on a very well-thought-out plan.

Responding to Mr. Archuleta, Mr. Cordero and Mr. Coppler indicated that there is plenty of parking to serve the charter school and library.

Responding to Mr. Archuleta on whether the City of Anthony can afford the parks, Ms. Navarrete said the City’s FY 2012-13 budget included a part-time librarian and public works person and the FY 2013-14 budget will include a second public works person. She added that the City of Anthony received an unqualified opinion on its audit last year, maintains a conservative budget, and is in the black.

Responding to Mr. Kormanik, Ms. Navarrete said the City of Anthony’s total revenue budget is about $2.5 million and they had a $700,000 surplus last year. She said they have budgeted $15,000 for maintenance in next year’s budget.

Approval of Item 9A

Mr. Shandler recommended that any approval be made contingent upon the Director’s receipt of a signed addendum to the donation agreement.

Mr. Archuleta moved for approval of the donation of the Anthony Public Library Building to the City of Anthony with this contingency. Mr. Aragon seconded the motion, which passed 4-0 by voice vote.

Approval of Item 9B

Mr. Shandler recommended that any approval be made contingent upon the Director’s receipt and review of: (a) the quitclaim deeds for each park containing staff’s revisions; (b) signed donation agreement for the parks containing staff’s revisions; and (c) the signed addendum to the donation agreement.

Mr. Aragon moved approval of the donation of Adams Ball Park and O’Hara Park to the City of Anthony, with these contingencies. Mr. Archuleta seconded the motion, which passed 4-0 by voice vote.
Approval of Item 10

Mr. Shandler recommended that any approval be made contingent upon the Director's receipt of: (a) a copy of the corrected deed containing staff's required revisions; and (b) a signed addendum to the donation agreement.

Mr. Kormanik moved approval of the donation of the site of the Anthony Public Library to the City of Anthony, with these contingencies. Mr. Aragon seconded the motion, which passed 4-0 by voice vote.

GENERAL OBLIGATION BONDS  
Presenters: David Paul, Financial Advisor, Fiscal Strategies Group; David Buchholtz, Disclosure and Bond Counsel, Brownstein Hyatt Farber Schreck, LLP; Jill Sweeney, Brownstein Hyatt Farber Schreck, LLP.
7. Acceptance of Bids and Adoption of Bond Resolution, Including Form of Official Statement, General Obligation Bond Series 2013

Mr. Paul reported that all of the bids have been verified and Board members have been provided with the online bid, which was the official bid that will be accepted from William Blair & Company.

Mr. Paul noted that the State of New Mexico's rating from Moody's was Aaa, and the rating from Standard & Poor's was AA+. While the Standard & Poor's rating affirmed that the State of New Mexico is stable, for the past year or so Moody's has had a bias to the downside because of the high level of economic activity and employment that is the result of federal employment in the state, thus reflecting the vulnerability of the state economy to cutbacks in Washington, D.C.

Mr. Paul said the other weakness that Moody's noted is the lack of an audited CAFR produced on a timely basis. Ironically, Standard & Poor's saw the federal issue as a positive and a source of stability to the state over time.

Mr. Paul said both rating agencies viewed the greatest rating threat to the state as the condition of the state's pension systems. Standard & Poor's noted the actions that are being taken legislatively as a potential positive, but both agencies were looking for state action to remediate these issues with the ERB and PERA.

Ms. Sweeney reviewed the bond resolution, setting forth the terms and conditions of the bonds; and the resolution accepting the bid of William Blair & Company.

Mr. Buchholtz stated that the Preliminary Official Statement (POS) was posted approximately two weeks ago. He said there have been several interesting developments in recent weeks that were either included in the POS or that will be included in the Official Statement, including the fact that the audit of the state for the year ended June 30, 2012 was completed; and the legislature has met and passed a capital outlay bill as well as pension reform.
acts for both PERA and the ERB, and those matters are pending signature or veto from the Governor.

Mr. Buchholtz noted that, on the federal level, the State of Illinois has joined the State of New Jersey in being brought to task by the SEC for failing to have made proper pension disclosure during 2005 and 2009. He noted that Illinois, like New Jersey, was neither fined nor penalized and there was no admission of guilt. He said there was no punishment of individual pension board members, either, who only had to promise that they would act better in the future and note what steps they had taken.

Mr. Buchholtz said the Official Statement will be posted (sent to the market and published) in the middle of next week; as always, if Board members have any questions or want more information, they should feel free to talk to Board staff, him or Ms. Sweeney.

Responding to Mr. Kormanik, Mr. Buchholtz said the most important disclosures in the POS were the status of the ERB and PERA pension bills, and they will now report that the bills were passed by the legislature and are pending signature of the Governor.

Mr. Kormanik asked if the Official Statement will address the actuarial soundness of the pension funds over the next 30 years, and Mr. Buchholtz responded that disclosure counsel tends to stick to the facts and not offer opinions or speculation in the document, in this case reflecting that factual impacts of these bills may not yet be known at the time the Official Statement is posted.

Ms. Sweeney added that there have been general statements made about what the legislation is expected to accomplish, so they can report on those expectations and on the design and structure of the bill and the rationale for the way the legislation was structured. She said they will also have to say essentially that no one has a crystal ball and so they cannot predict with any certainty what the outcome will be.

Mr. Buchholtz also noted that some statements were made upon introduction of the bills, and amendments were subsequently made — so before they make any disclosure, they will have to determine how valid the expectations were relative to the ultimate status of the bills. This examination will be made before they formalize what they say.

Mr. Kormanik asked if there would be disclosure regarding legislation changing the formula of the Unemployment Compensation Fund, and Mr. Buchholtz responded that they had less discussion about that in the document, perhaps feeling that it was immaterial; however, if there is a sense that there should be disclosure on that, they would take it into consideration.

Responding to Mr. Kormanik, Mr. Buchholtz said counsel is aware of all of the terms of the corporate income tax bill that passed in the last minutes of the legislative session, including the issues related to single factor weighting, the lowering of the corporate income tax level and the reporting requirements — they would consider all of those events and determine what would be appropriate disclosure.
Mr. Archuleta moved approval of the Acceptance of Bids and Adoption of the Bond Resolution, including the Form of Official Statement, General Obligation Bond Series 2013. Mr. Aragon seconded the motion, which passed 4-0 by voice vote.

Mr. Archuleta asked the record to reflect that the instruction from the Board to counsel was to be completely factual and transparent.

PROPERTY DISPOSITIONS

Presenters: Deanna Miglio, Right of Way Manager, Bernalillo County

11. Bernalillo County – Requests Approval of Sale of 50 Tramway Loop (Road) to Sandia Peak Tram Co. ($110,000)

Ms. Miglio appeared before the Board with Sandia Peak Tram Company representative Louis Abruzzo and stated that Bernalillo County is requesting approval of a negotiated sale of its old District 5 fire substation at 50 Tramway Road to Sandia Peak Tram Company in the amount of $110,000. She noted that the property is at 50 Tramway Road and not 50 Tramway Loop, and that has been corrected in the documents.

Mr. Shandler recommended that any approval be made contingent upon Director’s receipt of (a) verification of plat and book page detail contained in the quitclaim deed and Real Estate Purchase Agreement and (b) a signed Real Estate Purchase Agreement.

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

Presenters: Jay Spivey, County Commissioner; Joanne Hethcox, County Budget and Procurement Director; Rheganne Vaughn, Director of Community Health and Welfare; Joe Nestor Chavez, Lobbyist

12. Luna County – Requests Approval of Lease of County Stockyards Property to CattleMex, LLC ($36,000 Annual Plus Cattle Fee Per Head Imported and Exported)

Mr. Spivey requested approval of a five-year lease between Luna County Stockyards, located at the international border between the Republic of Mexico and Luna County, and CattleMex, LLC. He said the County has previously tried to make this work and has not been able to, and has now found somebody it feels will keep economic development in the area and carry out the needs of the crossing.

Mr. Shandler recommended that any approval be made contingent upon Director’s receipt of (a) appraisal of rental value or a market rental analysis; and (b) TRD concurrence.

Mr. Kormanik asked how Luna County became involved in the cattle business, and Mr. Spivey responded that the situation is unique inasmuch as this is the only cattle crossing in the
United States that is owned by a county entity. He said the County acquired the crossing through default from the previous owner. He noted that Luna County has an unemployment rate of 16.1 percent and the hope is that this lease arrangement will mitigate that. Previously, 100,000 head of cattle a year came through the Columbus, New Mexico crossing, and this number has declined to about 23,000 as cattle are now going through Santa Teresa to Sonora. He said the new lessee, Mr. Smith, will be able to enhance the cattle pens and bring in desperately needed business for the County.

Mr. Kormanik asked how CattleMep was selected, and Mr. Spivey responded that he has lived there for 58 years and they were selected based "on some history I've had." He said there was no other interest in this lease.

Ms. Clarke clarified for Mr. Kormanik that the lease does not require Procurement Code compliance because there are no services being provided in exchange for the lease.

Mr. Shandler noted, in updating the recommended contingencies, that the appraisal to be received must provide evidence that the lease rate is at or above fair market value

Mr. Aragon moved for approval, with the contingencies, including the updated contingency. Mr. Archuleta seconded the motion, which passed 4-0 by voice vote.

Presenters: Douglas Echols, Deputy County Attorney; Mike Stark, County Operations Officer; Larry Baker, Executive Director, San Juan County Museum Association

13. San Juan County – Requests Approval of Lease of Real Property, as Amended, with San Juan County Museum Association ($93,000 Annually in Cash and Services)

Mr. Echols requested approval of a lease for the Salmon Ruins museum and archaeological park. He said San Juan County has had a relationship with the museum since at least 1970 as a result of a general obligation bond, but the county recently received an appropriation and they are updating their lease. He said the museum appraises for $93,000 annual fair market rental, and the uncompensated services provided by the museum exceed $200,000 a year, which is more than the fair rental value.

Secretary Brasher noted that this is a trade of services as opposed to actual rental payment, and Mr. Echols said that was correct; should the museum turn a profit, they would start paying the County in cash. He said this is a four-year lease.

Mr. Aragon moved for approval. Mr. Archuleta seconded the motion, which passed 4-0 by voice vote.
Presenters: Shirley McDougall, Property Asset Manager, SFPS; Tony Ortiz, Counsel, SFPS Board of Education

14. Santa Fe Public Schools – Requests Approval of Sale of Manderfield School in Santa Fe to Clare and Michael Maraist or Assigns ($962,000)

Mr. Ortiz said Santa Fe Public Schools (SFPS) is requesting approval of the sale of the Manderfield School property, 1150 Canyon Road, Santa Fe. He said they have been working diligently with staff to make sure all of the requirements are provided for.

Mr. Ortiz stated that SFPS received approval of its appraisal last night from the Taxation & Revenue Department.

Mr. Shandler recommended that any approval be contingent upon Director’s receipt of: (a) TRD concurrence; (b) a revised deed incorporating yet-to-be recorded plat book and page citations; (c) a signed amendment to the purchase agreement that states the buyer is aware the property is registered with the state as an historic building; and (d) notification that all contingencies included in the contract have been removed to the satisfaction of the parties.

Responding to Secretary Brasher, Ms. McDougall said SFPS is working with the State Historic Preservation Office, which is aware of the transaction and has no comment about it; and the City of Santa Fe Historic Preservation Division. She said the purchasers must receive approval from the City Historic Preservation Division to make any changes to the building.

Responding to Mr. Archuleta, Ms. McDougall said the building was leased by Headstart for over 20 years, and has been sitting vacant for the last three years. She said the building is of no use to the District, and no charter school has expressed interest in it given the state of disrepair.

Mr. Ortiz said the property is too small to use to build another school, and using the existing building for a school would require extensive repair, which is not practical. Further, there is no need for another school facility in the subject area.

Mr. Kormanik asked if there has been any neighborhood input into the sale decision, and Ms. McDougall responded that the Canyon Neighborhood Association has worked with them. She said the purchaser’s development plan has not yet been received, and input will be sought on that from the community. She said the neighborhood association would like to see the property developed and has not objected to any uses that have so far been discussed, e.g., gallery, arts and crafts use, or residential.

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

15. WITHDRAWN.
HIGHER EDUCATION DEPARTMENT

Presenters: Henry Mignardot, Capital Projects Coordinator, Higher Education Department; Angela Throneberry, Senior Vice President for Administration and Finance, NMSU; Erik Harrigan, Vice President, RBC Capital Markets Corporation, Financial Advisor; Glen Haubold, Asst. Vice President, Facilities & Services, NMSU; Duane Brown, Bond Counsel, Modrall Sperling Law Firm

16. New Mexico State University – Requests Approval of System Refunding and Improvement Revenue Bonds Series 2013 (up to $62,000,000)

Mr. Mignardot stated that HED has certified that this project has been reviewed and approved by the HED Capital Projects Committee and that it complies with the provisions of the building moratorium. The project has also been reviewed to ensure that it complies with the Governor’s Executive Order for green building status.

Mr. Mignardot stated that the bond proceeds will be used for the following:

-- Renovations to Corbett Center Student Union: necessary building code upgrades, building infrastructure improvements, and renovations to use existing vacant space, improve student facilities, and to improve the use and vibrancy of the facility: $15 million.

-- Replace the Golf Course irrigation system, which has reached the end of its useful life: $1.5 million.

-- Refund, refinance and discharge past bond series to achieve better value savings. Refund 2002 bonds: $3,270,000; refund 2003 bonds, $13,150,000; advance refund 2004B bonds, $30,780,000.

-- Costs of bond issuance: $475,000.

Mr. Mignardot discussed the rationale for the improvements.

-- The bookstore was moved out of Corbett Center Student Union, resulting in a vacant space and creating an opportunity to remodel the facility for better student use. Improvements are also needed to bring the building up to code and refurbish deteriorated parts of the facility.

-- The golf course irrigation system is beyond its useful life and in need of full replacement to prevent recurring failures that waste water and increase maintenance costs.

-- The refunding and refinancing of past bond series will give NMSU greater flexibility to take advantage of available interest rates and bond value savings.

Mr. Mignardot noted that there is no increase in student fees associated with this project.
Mr. Mignardot commented that other state institutions are seeking to refinance their current bonds for savings, and there is a concern that many of them could hit the market at the same time. He said perhaps the NMSU bonds should be reissued to avoid a massive market resurgence.

Ms. Throneberry stated that the entire $1.5 million Corbett Center renovation will be funded through bond proceeds. She said 22,000 square feet is currently not occupied in the facility, and NMSU went through an extensive needs assessment that included input from faculty, staff and students as well as the public. She said the debt service is funded from student fees, but there is debt capacity within the existing fee structure so that the debt service fee can cover the additional debt service for the building.

With respect to the golf course project, Ms. Throneberry said the majority of the debt service associated with the $1.5 million project that will replace the irrigation system will be covered from golf course revenues – this is an auxiliary service, so they are basically self-supporting and will have budget for the additional debt service.

Mr. Harrigan stated that about $6 million in present value savings will be generated from the refunding and refinancing, or about 13 percent on a present value basis. He said this saves NMSU about $620,000 annually between now and 2022, after which annual savings decline to $388,000 in 2025. He said the new money debt service is about $1.1 million, so the net new debt service through 2022 will be around $500,000.

Mr. Aragon noted a base design fee in the Corbett Center renovation budget of $751,925 plus added design service of $96,780, which seemed high.

Mr. Archuleta commented that one does not usually see a 2.5 percent contingency fee in professional services, but would defer questions about it until this comes back as a capital project. He said 10 percent contingency in the planning stage is fairly typical, but he does not like the idea of giving the professionals 2.5 percent of construction as a possibility in the future, because fees grow.

Responding to Mr. Aragon’s comments, Mr. Archuleta explained that architects typically break out their fees this way – the “added design services” involve the architects meeting with affected parties, discussing plans, and so forth.

Mr. Haubold stated that the architects met with innumerable student groups and other constituents who had input to offer on the project.

Responding to Mr. Aragon, Mr. Haubold said NMSU has a staff architect, Greg Walke; however, NMSU usually has 50 to 100 projects ongoing at any given time, so it is beyond the scope of one person to do the design work. He said Mr. Walke supervises the design work, however.
Mr. Archuleta added that it would be very expensive for NMSU to hire staff to handle a project of this magnitude.

Responding to Mr. Archuleta, who said he had calculated the per-square-costs at $500, which seemed high, Ms. Throneberry stated that the entire building is 213,000 square feet and the majority of it will have some type of upgrade as part of this project. She added that it was important to the students they worked with that the improvements not call for an increase in student fees in order to cover the debt service.

Mr. Archuleta commented that $500 per square foot may or may not be reasonable, depending on how the project is planned and what is involved, so it would be helpful if NMSU provided HED with a breakdown of the budget in terms of what elements are figured into that total.

Mr. Kormanik asked what the current student fee is, and Ms. Throneberry responded that the component of student fee that goes specifically to debt service (per full time student) is $156.90, and the total student fee for the current academic year is $637.20.

Mr. Kormanik asked how much of the $156.90 would be reduced if the $15 million project did not proceed, and Ms. Throneberry clarified that this fee is specified for use in covering debt service and the student fee review board identifies and approves the fee structure. Were the project to be canceled, she said the students would probably find another use for the fee, so it would probably stay as is. She said there is quite a bit of discussion among the students about an activity center, for instance.

Responding to Secretary Brasher, Ms. Throneberry stated that the golf course is in the master plan and is seen as a self-supporting operation that therefore must be able to cover the debt service. Mr. Haubold added that they are hoping that the irrigation system will last 20 years.

Mr. Shandler read a summary of the parameters resolution: “This is the Regents of NMSU System Refunding and Improvement Revenue Bonds Series 2013 with a principal not to exceed $62,000,000. The proceeds will be used to (1) refund the Refunding Improvement Revenue Bonds, Series 2002, 2003 and Improvement Revenue Bonds, Series 2004B; and (2) construct and equip and furnish buildings including Corbett Center Student Union and golf course irrigation. The final maturity date is April 1, 2034 with a net effective interest rate not to exceed 5 percent. The Board’s approval is subject to compliance with 2.61.5.16 NMAC.”

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

[The agenda was reprioritized.]
GENERAL SERVICES DEPARTMENT
Presenter: Charles Gara, Director, Property Control Division


Mr. Gara reviewed the CBRF Financial Status Report, which reflected uncommitted cash balance as of January 31, 2013 of $1.6 million. There were no emergency declarations during January.

19. Property Control Division – Requests Approval of Contract with WWRC, Inc. for Repairs and Renovations of the Clovis MVD Building #3 ($791,385.94)

Mr. Gara requested approval to enter into a contract for $791,385.94 with WWRC, Inc. for repairs and renovations of the Clovis MVD building #3, which is part of the Bruce King Complex. The goal of the renovations will be to comply with ADA requirements, provide adequate security for staff, increase public space, provide fingerprinting capabilities that meet federal standards and provide for future growth. The project is expected to be completed by October 2013 and will be funded through the Capital Program Fund and Severance Tax Bond appropriation. WWRC was the lowest of six bidders.

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

HIGHER EDUCATION DEPARTMENT [Cont'd]
Presenters: Colonel David West, NMMI Chief of Staff; Colonel Judy Scharmer, NMMI Chief Financial Officer; Kent Taylor, NMMI Director of Facilities

17. New Mexico Military Institute – Requests Approval of Lusk Hall Renovation ($9,000,000)

Henry Mignardot, HED Capital Projects Coordinator, stated that HED has certified that this project has been reviewed and approved by the HED Capital Projects Committee and that it complies with the provisions of the building moratorium. The project has also been reviewed to ensure that it complies with the Governor’s Executive Order for green building status.

Mr. Mignardot stated that NMMI is requesting approval of the renovation of Lusk Hall, a 31,219 square foot building that was constructed in 1941 and serves as NMMI’s primary administration building, at a cost of $9 million. Lusk Hall houses the offices of the Superintendent, Dean and various support elements such as finance and registrar. The renovation would be partly funded by $4 million in institutional fund balance with the remaining $5 million funded by and contingent upon the sale of the state’s 2012 General Obligation Bonds.

Mr. Mignardot stated that, over the years, major updates have included the renovation of a partial HVAC (1980s), addition of an elevator and lift equipment, and re-roof, as well as removal of hazardous materials such as asbestos. Little has been done to upgrade the building’s electrical
supply since the facility was completed in 1941, and the plumbing for Lusk has only been repaired but never updated. He said the building materials no longer support modern energy guidelines.

Mr. Mignardot said funding sources are as follows: NMMI fund balances, $50,000; 2012 NM General Obligation Bonds, $5,000,000; and NMMI fund balances, $3,950,000. Proposed project completion date is August 2014.

Mr. West distributed a breakdown of operating expenses clarifying the project’s cost per square foot.

Mr. Kormanik asked why NMMI chose to renovate Lusk Hall rather than demolish it, given the estimated cost of $300 per square foot, and Mr. Taylor responded that all of the buildings on campus are on the New Mexico Historic Register and Lusk Hall is listed as non-contributing. He said the building has a clock tower that can be seen for miles, and everyone visiting Roswell recognizes the building – the thought of demolishing such a New Mexico treasure “is just not on the table for us.” He also noted that the shell of the building is intact and “perfect” and there are no cracks, etc.

Mr. Taylor clarified that $300 per square foot is the total project cost, not the construction cost, which is what one typically references. He said soft costs figured into the $300 figure include architectural engineering fees, LEED-related expenses, and the cost of housing the inhabitants of Lusk Hall elsewhere for the 14-month construction period. He said the cost per square foot is closer to $190 to $230, which he feels is reasonable for a renovation of this size.

Responding to a question from Secretary Brasher on LEED-related soft costs, Mr. West stated that NMMI is asking contractors to fill out a significant amount of paperwork to comply with LEED elements, and those costs are rolled up into the construction fees – those costs will be rolled out in the bid process. He also stated that the estimate by Dekker Perich Sabatini is a 1 percent fee in addition to the architectural fee. So in this particular case, they are estimating LEED-related costs of about $67,000 plus a consulting fee of $4,600, for a total of about $70,000, or about 10 percent of the architectural/engineering soft costs.

Secretary Brasher suggested that the Board look into LEED certification. He cited the fact that a high school built in Albuquerque in the 1940s, since renovated and LEED certified, was more energy efficient before it was renovated.

Mr. West responded that there are some LEED elements, such as lighting controls and HVAC controls, which play a significant role. He noted that the Energy, Minerals and Natural Resources Department does certifications on energy audits, and those might be a better tool to use than just a LEED process.

Mr. Mignardot commented that HED reviewed about 84 projects during FY 2013, and most of the decorating and renovation projects came in at $170 to $300 per square foot. By comparison, UNM Hospital cost $600 a square foot while a similar hospital in Arizona and
Texas would run about $1,200 a square foot.

Mr. Archuleta commented that this project seems very well thought out, but that the $336,000 in reimbursable expenses, or 5 percent, seems very high.

Mr. West responded that the architects have to mobilize a group to go to Roswell and act as construction manager. So the reimbursables include substantial travel (78 trips) and housing costs.

Mr. Archuleta suggested that NMMI re-review these expenses. He said construction administration typically has the project architect visiting the site once or twice a month. In his experience, a full time observer (in this case, an inspector living in a trailer on site) costs about $15,000-$20,000 a month, including per diem.

Mr. Aragon commented that many architects are doing very well thanks to state projects. He suggested that, as NMMI goes through the negotiation process and finalization of the contract, "maybe you need to visit with these folks and tell them what you’re going to pay them rather than what they’re going to charge you."

Mr. West responded that this project is different. While typically an AIA contract involves a percent of the construction fee, in this case NMMI is doing an RFP for a one-time fixed fee to do the design, development, reimbursables, "and the whole nine yards."

Responding to concerns expressed by Mr. Aragon, and in reference to the 7.9 percent architects/engineer fee, Mr. Archuleta commented that 7.9 percent in this case is a bit high but not out of the ordinary for a renovation project of this size. For a $6 million project, he sees fees around 6 to 8 percent — the higher the amount of construction, the lower the percentage.

Mr. Shandler recommended that any approval be made contingent upon the Board’s closing of the state’s series 2013 General Obligation Bonds.

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

**STATE TREASURER’S OFFICE**
Presenter: Linda Montoya Roseborough, Chief Investment Officer
20. **Monthly Investment Reports for Month-ended January 31, 2013**

Ms. Roseborough presented this report. [Full report is on file at the State Board of Finance.]

-- The general fund (liquidity and core portfolios) closed the month of January at $1.8 million, unchanged from December.

-- Ending January market value for the Local Government Investment Pool was $573
million, higher than the $558 million reported at the end of December.

-- The Tax Exempt Bond Proceeds Investment Pool closed the month of January at $300 million, down from December’s $332 million.

-- The Taxable Bond Proceeds Investment Pool closed the month of January at $587 million, down from December’s $599 million.

-- Severance Tax Bonding Fund closed the month of January at $125 million.

Ms. Roseborough noted that STO has hired an Internal Compliance Manager and continues to review all internal procedures and policies.

STAFF ITEMS

Presenter: Stephanie Schardin Clarke, Director

21. Approval of Publication of Notice of Proposed Rule Amendment – Bond Project Disbursement Rule

Ms. Clarke said staff is requesting approval to publish notice of proposed changes to the Bond Project Disbursement Rule, which is NMAC 2.61.6. Subsection 9 of the rule, which addresses payment of capital project expenses and draw request procedures, would change the due dates for draw requests from the 10th and 20th of each month to the 1st and 15th of each month.

Ms. Clarke explained that this would balance out the workload of all the different agencies involved in the draw request process. Additionally, it would allow more time to ensure that the second draws of each month can be posted to the state’s general ledger within the same month in which they are processed.

Ms. Clarke said staff will submit notice to the New Mexico Register, which starts the 30-day public comment period, after which staff will bring it back to the Board at the May meeting for final adoption.

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

22. Approval of Second Amendment to Disclosure Counsel Contract with Brownstein Hyatt Farber Schreck for Certain Authorized Bond Counsel Services and Limiting Hourly Fees

Ms. Clarke said the Board will recall that, a few months ago, it approved and entered into a first amendment with Brownstein Hyatt Farber Schreck to their disclosure counsel contract, which allowed them to take on the role of bond counsel with regard to the December 2012
Severance Tax sponge notes, as well as the 2013 General Obligation Bonds that were sold today. She said there is currently a bond counsel services RFP outstanding, but the timeline for it does not allow the new contract with the new bond counsel firm to be in place in time to work on the spring Severance Tax Bond issuances.

Ms. Clarke said the proposed amendment to the contract further extends the arrangement for the Brownstein firm to act as bond counsel through the issuance of long-term Severance Tax Bonds this spring, as well as short-term Severance Tax notes that will close in June 2013.

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

23. Notice of Request for Proposals for Fiscal Agent Banking Services

Ms. Clarke reported that the fiscal agent contract that the Board currently has in place with Wells Fargo will expire on May 1, 2014 and cannot be extended past that date. Staff is therefore notifying the Board that staff intends to issue an RFP for fiscal agent services soon.

24. Fiscal Agent/Custodial Bank Fees

Ms. Clarke reported that all fees are in line with historical averages.

25. Joint Powers Agreement

Ms. Clarke read the Joint Powers Agreement into the record.

ADJOURNMENT

Its business completed, the State Board of Finance adjourned the meeting at 12:20 p.m.

Susana Martínez, President

4-16-13

Date

Michael Brasher, Secretary

Date