MINUTES OF THE

NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

Santa Fe, New Mexico

April 16, 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:**
   The Hon. Susana Martinez, President [arriving 10:00 a.m.]
   The Hon. John Sanchez, Lt. Governor [by telephone] [present 9:10 a.m. -12:15 p.m.]
   The Hon. James B. Lewis, State Treasurer
   Mr. Robert J. Aragon, Public Member
   Mr. Del Archuleta, Public Member
   Mr. Michael Brasher, Public Member, Secretary
   Mr. John Kormanik, Public Member

   **Members Excused:**
   None.

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

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

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

2. **APPROVAL OF AGENDA**

   **NEXT REGULAR MEETING: WEDNESDAY, MAY 22, 2013**

   The Agenda was reprioritized.
Treasurer Lewis moved approval of the Agenda, as amended. Mr. Archuleta seconded the motion, which passed 4-0 by voice vote. [Not yet present for the vote: Governor Martinez, Lt. Governor Sanchez and Mr. Aragon.]

3. **APPROVAL OF MINUTES:** March 19, 2013 (Regular Meeting)

Mr. Archuleta moved approval of the March 19, 2013 Minutes, as submitted. Mr. Kormanik seconded the motion, which passed 4-0 by voice vote. [Not yet present for the vote: Governor Martinez, Lt. Governor Sanchez and Mr. Aragon.]

[Mr. Aragon joined the proceedings.]

**EMERGENCY FUND BALANCES**
Presenter: Stephanie Schardin Clarke, Director

4. **Emergency Balances – April 2013**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve Fund</td>
<td>$1,018,987.87</td>
</tr>
<tr>
<td>Emergency Water Fund</td>
<td>$0.00</td>
</tr>
</tbody>
</table>

Ms. Clarke reported these balances.

**SEVERANCE TAX BONDS**

Presenters: David Paul, Financial Advisor, Fiscal Strategies Group; David Buchholtz, Disclosure and Bond Counsel, Brownstein Hyatt Farber Schreck

5. **Approval of Notice of Bond Sale Resolution Including Form of Preliminary Official Statement, Severance Tax Bond Series 2013A**

Mr. Buchholtz stated that the proposed Notice of Sale resolution before the Board is in the amount of $220 million and is subject to adjustment. He said competitive bond bids will be opened at the May meeting of the Board, at which time the Board will pick the best bid.

Mr. Buchholtz said the Board will also be asked to vote in May on Senior and Supplemental Severance Tax Note Resolutions (“sponge bonds”) for educational and other facilities, and those bonds will be sold to the State Treasurer in a short-term transaction at the end of June.

Mr. Buchholtz said he was pleased to report that the Governor signed significant pension reform in the PERA and ERB areas, and the Official Statement will record that updated activity along with other activities at the legislature.

Mr. Paul said it is expected that the bond issue will be downsized by at least 10 percent, based upon both the reoffering premium and the final project list.
Mr. Paul commented that the bond market is in extraordinarily good shape for a sale like this. The consensus in the market has shifted somewhat, and Treasury benchmark yields in the market have declined by about 20 basis points over the course of this year. There has been a shift in market expectations from rising rates as growth accelerates to the expectation that growth will remain moderate and interest rates will remain low in the absence of either inflation or stronger growth. Yesterday, there was a significant sell off in the market in the wake of the realization that growth in China may not be as robust as expected. Gold prices came down significantly in price as an indicator that inflation expectations have become much more widely accepted as being low to near zero. The Fed, with very strong accommodative policies, will keep interest rates low. As a result of all of this, both bond interest rates and credit spreads are near their lowest levels both in the near term and the long term. Bidding on these bonds is likely therefore to be quite aggressive.

[Lt. Governor Sanchez joined the proceedings by telephone.]

Mr. Aragon moved for approval. Treasurer Lewis seconded the motion, which passed 6-0 by voice vote. [Not present for the vote: Governor Martinez.]

**STATE TREASURER’S OFFICE**

Presenter: Joel Blackman, Manager, CPA, CliftonLarsonAllen

14. **Presentation of Fiscal Year 2012 State Treasurer’s Audit**

Lt. Governor Sanchez reported that, in February 2013, the Board of Finance appointed him and member John Kormanik to serve on the State Treasurer’s Audit Subcommittee. On April 1, he and Mr. Kormanik convened a subcommittee meeting and met with CliftonLarsonAllen, the State Treasurer’s Office staff and the DFA staff to review the 2012 findings. The audit revealed seven findings, three of which were new.

Lt. Governor Sanchez said Finding 2007-04, a repeated finding, was the book-to-bank reconciliation issue discussed at length by the Board last year. This year, the auditors considered it appropriate to upgrade the findings from a control deficiency to a material weakness. He said he was pleased to report that DFA and the State Treasurer’s Office have begun implementing the remediation process, and a full update from State Controller Ricky Bejarano will be presented at a future Board meeting. Lt. Governor Sanchez stated that he has suggested that Department of Finance and Administration (DFA) and State Treasurer’s Office (STO) enter into an MOU to ensure that future administrations continue the process of resolving this matter. [Ms. Clarke clarified in later discussion that Mr. Bejarano would be appearing at the June meeting.]

Lt. Governor Sanchez thanked Treasurer Lewis, his staff and DFA staff for their time and willingness to address these issues.

Mr. Kormanik said the subcommittee spent quite a bit of time discussing the remediation issue between DFA and STO with respect to the SHARE accounting system, and concluded that
operations need to be formalized in terms of who is responsible for the various reconciliation functions between the State Treasurer and DFA.

Mr. Blackman made a presentation on the FY 2012 Audit Results. He noted that the audit received an unqualified opinion. [He referred to his slide presentation, detailing findings and recommendations.]

With respect to Finding 2007-04 and the Cash Management Remediation Project to be undertaken, Mr. Kormanik said there has been discussion with DFA with regard to the STO’s module in PeopleSoft. He asked Mr. Blackman if fully implementing this system and resourcing it properly would go a long way toward solving the incongruities between STO and SHARE.

Mr. Blackman responded that he believed so, once PeopleSoft is used to its full potential.

Treasurer Lewis discussed STO’s experience with the SHARE accounting system since its 2006 implementation, which required changes to business processes at STO, DFA and other state agencies. He said his office was not allowed to maintain the TRACS subsidiary system that provided for reporting of each state agency’s interest in the State General Fund Investment Pool, because the TRACS system was de-funded on July 1, 2006.

Treasurer Lewis stated that a policy and technical team is working two to three days a week with DFA to work on remediation. He said STO has received a legislative appropriation of $1.9 million, effective July 1, 2013, that will allow it to implement the PeopleSoft module. He commented that the problem is he is unaware of any other state treasury in the United States that is using that system—that there is no frame of reference and implementation will essentially be through “trial and error.”

Mr. Kormanik commented that this project will affect every entity in state government, and the Board must make sure it is well funded and executed properly.

Mr. Archuleta stated that, given the possibility STO could be the only treasurer’s office in the country using this system, it will be important to continue to monitor the implementation process and not later start “throwing good money after bad.”

Treasurer Lewis noted the need to also update and codify statutory language so it is consistent with actual practices in the State Treasurer’s Office. He said the State Treasury is cited 700-800 times in the State Constitution and State Statute, and there has been discussion about bringing law students in to assist in that process.
EMERGENCY FUNDING REQUEST

6. **ITEM WITHDRAWN**

[Although an item regarding an emergency funding request for a Conchas area water association was withdrawn from the Agenda after publication, Mr. Aragon asked that a community organization spokesperson present at the meeting be permitted to address the Board informationally.]

Presenter: Mike Alarid, Jr., Conchas-area Community Organization Spokesperson

Mr. Alarid introduced himself as a spokesperson for “Save Conchas Dam.” He said his organization had originally planned to approach the Board of Finance to ask for a loan to pay for a water pumping emergency, but subsequently learned that amount needed was available through their own resources.

Mr. Alarid stated that Conchas Dam lost 15,000 acre-feet of water in FY 2011-12, the equivalent of 4.9 billion gallons, because there is a hole in the dam, and because the Army Corps of Engineers never finished repairing the gates. He said Conchas Lake is the third largest body of water in the state, and in four years or less will be a mud hole. He said Conchas Dam has been shut down and the economy in the area relies on tourism.

Mr. Alarid stated that the Army Corps of Engineers has assigned a team to study a long-term remedy for Conchas Lake, but the problem needs to be addressed immediately. He said the ramps need to be repaired so boats can access the lake.

Mr. Alarid said, “I implore you; we need help. We need help now. We need the State to be involved with the Corps of Engineers. We’ve got to keep the economy going.”

Mr. Aragon commented that, while the Board may not have any direct jurisdiction in this area, the Executive branch might want to engage the State Engineer and Corps of Engineers so the water issue can be addressed.

Secretary Brasher thanked Mr. Aragon for bringing this to the Board’s attention.
PROPERTY DISPOSITIONS

Presenter: David Shaw, CEO and Administrator

7.  Nor-Lea Special Hospital District – Requests Approval of Sale of Real Property to Robert W. Keener, dba KM Partners ($71,000)

Mr. Shaw stated that the Nor-Lea Special Hospital District, located in Lea County and encompassing the Lovington and Tatum school districts, is asking to sell approximately 6.5 acres of land it owns to KM Partners, which will build an apartment complex on the site.

Mr. Shaw explained that the reason behind this transaction is that the oil and gas boom in Lea County and southeastern New Mexico has increased the county’s population by about 17 percent over the last decade. During that period, the number of employees in the hospital district has grown from 90 to 375, and all of this has put significant pressure on housing needs in Lovington and Lea County. There is currently no apartment complex in Lovington, and about 150 employees now commute from out of town to work at the hospital.

Mr. Shaw stated that the Hospital District Board, over the past two years, has looked into the idea of recruiting a developer to build an apartment complex. Several public hearings have been held to solicit opinions from residents, and there is overwhelming support for the idea from the community.

Mr. Shaw stated that Lea County and Lovington EDC have put forward some incentives for LEDA funding for a developer to move forward with this project to help with infrastructure. He said a request for proposals was issued last fall, and two proposals were received. The evaluation committee, consisting of county representatives, members of the local EDC and members of the hospital Board of Trustees, evaluated the proposals and recommended selling the property at the appraised value of $71,000.

Mr. Kormanik asked why developers haven’t come forward on their own to meet the housing demand. Mr. Shaw responded that Lea County has a history of boom and bust, and developers are therefore cautious. In Hobbs, with a population of 50,000, there have been several apartment complexes built but not enough to accommodate all of Lea County’s needs. He stated that the subject property is attractive to developers because it is inside city limits, has access to water and sewer, and the price is reasonable. He said other land in the area is being offered at significantly higher prices. He said the availability of LEDA funding to help offset infrastructure costs is also an incentive.

[Governor Martinez joined the proceedings.]

Responding to Mr. Archuleta, Mr. Shaw said the second proposal, which would have used HUD financing, was rejected because HUD only allows a certain number of proposals for a given area, and that limit had been reached.
Mr. Aragon moved for approval. Mr. Archuleta seconded the motion, which passed 7-0 by voice vote.

Presenters: Dominique Work, Pecos Bureau Staff Attorney; Amy Haas, General Counsel; Emile Sawyer, Pecos Bureau Hydrologist

8. New Mexico Interstate Stream Commission – Requests Approval for the Sale of 1,080.8 Acres in De Baca County ($65,700)

Ms. Work stated that the Interstate Stream Commission (ISC) is requesting Board approval to sell several parcels of land totaling about 1,000 acres in De Baca County to Cibola Ranch, Inc. She said the ISC purchased this land in 2006 and 2007 along with the attached water rights, pursuant to statutes that directed the ISC to acquire a large amount of water rights in the Roswell Stream Basin in order to comply with the Pecos Settlement. The settlement was entered into in 2003 between the ISC, Office of the State Engineer, Bureau of Reclamation, Carlsbad Irrigation District and the Pecos Valley Artesian Conservancy District.

Ms. Work said the ISC will retain all its water rights in this sale and will sell the land back to the Vaughan family, the previous owners. She stated that the legislature enacted a statute that allowed the ISC to sell the land back if the ISC determined it no longer needed the land. She said the land was originally purchased to obtain the water rights, and the ISC has found that owning and managing the land imposes a substantial burden on ISC. ISC ownership of the land also does not assist the county because it takes away from the tax that the county can collect.

Ms. Work said the market value of the land was appraised last year at $65,700. Because the water rights are being severed, the land has lost much of its value. After the appraisal was conducted the ISC decided it best to retain pad sites surrounding the water wells that have been developed, thus reducing the acreage by 14.3 acres and appraised value proportionately to $64,848.

Responding to Mr. Archuleta, Ms. Work said the ISC originally paid $1.8 million for the land plus water rights ($2,500 per acre-foot). Mr. Archuleta commented that this seemed reasonable and much less expensive than water rights in the Rio Grande Valley, for instance.

Mr. Aragon moved for approval. Mr. Kormanik seconded the motion, which passed 7-0 by voice vote.
HIGHER EDUCATION DEPARTMENT

Presenters: Dr. Joseph Shepard, President; Sherri Bays, Vice President of Business Affairs; Stan Peña, Director of Facilities and Maintenance; Paul Cassidy, Financial Advisor, RBC Capital Markets; Katherine Creagan, Legal Advisor; Duane Brown, Legal Advisor, Modrall Sperling

9. Western New Mexico University – Requests Approval of System Refunding and Improvement Revenue Bonds Series 2013 (up to $8,000,000)

10. Western New Mexico University – Requests Approval of Student Residential Apartment Complex – Building C ($3,543,274)

HED Capital Projects Coordinator Henry Mignardot stated that these projects have been reviewed and approved by the HED Capital Projects Committee and comply with the provisions specified in the building moratorium, and also comply with the Governor’s Executive Order for green building standards.

Mr. Mignardot requested approval of the issuance of Refunding and Improvement System Revenue Bonds, Series 2013, in an amount not to exceed $8 million, including the following three items:

“Building C” for total amount of $3,543,274

“Building C,” the student residential apartment complex, will house 48 beds totaling 18,808 gross square feet. This would complete Phase I of the student residential complex. The facility would be a three-story wood-frame structure with various energy efficient and low maintenance features designed to meet LEED Silver Certification. Each unit would be constructed in an apartment style configuration including four bedrooms, four bathrooms and a common living space that would include a kitchenette. Construction is scheduled to begin in June 2013 and be completed by December 2013. It would be ready for occupancy by students in January 2014.

Student Residential Apt. Complex Phase One overage reimbursement -- $1,089,028

This reimbursement to the Auxiliary Fund would be for construction costs associated with Phase I of the student residential apartment complex. Phase I is currently under construction and scheduled for completion in August 2013. Construction costs of $12,048,947 exceeded the bond proceeds available from the System Revenue Bonds by $1,089,028.

Refunding and Improvement System Revenue Bonds Series 2013 ($2,294,829)

The University contemplates advance refunding of the callable portion of its Series 2005 bonds for the purpose of interest savings. These bonds were issued at $5.8 million with a final maturity date of June 15, 2019. Current outstanding principal is $3,105,000. $2,350,000 of that outstanding principal is callable and matures June 15, 2015 to 2019 and would be called on June 15, 2014 at par. Based on the interest rates of January 2013, the refunding would generate a net
present value savings of about $87,854. The debt would be fully paid by 2019, as originally scheduled, which would result in a financial savings.

Mr. Mignardot said the project is supported by the University’s mission and strategic plan, as WNMU desires to improve the quality of the student residential experience. He said failure to approve this project will continue to significantly impact recruitment efforts and the retention of the existing students due to inadequate housing. It will also result in WNMU not being able to take advantage of savings from refunding at lower interest rates.

Mr. Mignardot said the System Revenue Bonds Series 2013, as a funding source, would provide about $6,927,131, and the total project budget is up to $8 million.

Mr. Mignardot said no student fee increases are associated with this project.

Mr. Mignardot stated that the voluntary moratorium on the proliferation of branch campuses and learning sites in higher education expired in April 2013.

Dr. Shepard said that, when he arrived at WNMU a year and a half ago, he came upon “a situation of 300 dilapidated, decaying” beds that would have detrimentally affected the school’s ability to recruit new students.

Responding to Mr. Archuleta, Dr. Shepard said the original plan was for a four-bedroom two-bath design (94 beds) scattered throughout Buildings A, B and C. In the new approach, they have changed buildings A and B into five-bed, two-bathroom arrangements. The new complex it would be four bedrooms and four baths. He said overages were in three areas: 1) the site they selected has an incredible amount of rock and has created more difficulties than were originally budgeted for; 2) when they went to hook up to the city sewer lines, the city was unable to tell them what kind of sewer lines were underground; and 3) electrical and HVAC work is very expensive because they are having to get the business from Las Cruces and other areas outside the city.

Mr. Archuleta observed that this is a “CM at Risk” project, meaning the contractor was supposed to have investigated the sewer line and rocky soil issues and given a maximum guaranteed price.

Dr. Shepard responded that Construction Manager at Risk is a rather new process in the state of New Mexico, and in this particular case it was the first time that WNMU had used it. He said the contractor did not come on board “in the normal timely fashion to create estimates for the initial offering.”

Dr. Shepard stressed that change orders have amounted to only about $20,000 to date.

Mr. Archuleta observed that utilities & infrastructure went from $107,000 to $798,000, which he assumed was the rocky soil issue. Dr. Shepard said that was correct, and that it also included some utility issues.
Mr. Archuleta asked why there was an increase in landscaping and site improvements from $263,000 to $722,000, and Dr. Shepard explained that the site is being prepared for future opportunities that will be brought before the Board of Finance for approval. For example, they will be installing a 10-inch pipe instead of a 6-inch pipe. Mr. Archuleta commented that this is a fairly significant amount but is a way of adding value to a project.

Mr. Archuleta noted that WNMU had a $129,000 budget for construction and administration but spent only $30,000. He asked why.

Ms. Bays explained that they ended up bringing on Doug Holden, who has worked with several different entities in New Mexico, since WNMU had no previous experience in working with the CM at Risk process. She stated that Mr. Holden’s efficient management meant they did not have to spend the entire $129,000. In addition, $595,000 set aside for contingencies has not been touched at this point, and the project is scheduled for completion in August.

Mr. Archuleta said, “Well, you spent a big contingency, but not the one that was budgeted.” He commented that the bottom line is WNMU had an architectural engineer or an architect do some kind of schematic and work up a budget for WNMU, “and they left out some things at the end of the day.” Dr. Shepard said that was correct, adding, “At the end of the day we made a mistake.”

Responding to questions from Mr. Kormanik, Ms. Bays said Williams Design Group was the architect on Buildings A and B and will be the architect on Building C.

Dr. Shepard commented that he looked into the problems associated with Buildings A and B and “whether it was through incompetence or malice that the mistake was made, and I think it was just simply they missed it. I don’t think it was incompetence; they have experience.” He cited the fact that Williams Design Group built the East Mesa Center at Doña Ana Branch Community College, and have built dormitories at other places, as well as at NMSU. He said WNMU’s experience with Williams is that, over the past nine months they have been dealing with them, “they have risen to the occasion and they are building an outstanding project.” He said WNMU is constantly monitoring this project, and this has given them the confidence to use them to build Building C. Dr. Shepard expressed concern about hiring another architect for Building C and having them go through a learning curve. He added, “From everything we can see, they have learned their lesson.”

Responding to Governor Martinez, Ms. Bays said the East Mesa Center project is on Sonoma Ranch Boulevard in Las Cruces. She said she was unaware of a project in Chaparral designed by Williams.

Governor Martinez expressed concern that Williams Design Group would be designing Building C given the problems associated with Buildings A and B.

Mr. Brasher agreed that the rock outcropping was a big piece of this, but he looked at the entire budget and noted, “variances in everything. It isn’t just the sewer and some of the areas
you’ve identified, but the telecommunications system – the order of magnitude is like 600 percent. They don’t give me any confidence in this.”

At Mr. Aragon’s request, Mr. Mignardot presented Item 10, which was WNMU’s request for approval to construct a new student residential apartment complex on the west side of the main campus (“Building C”), for a total amount of $3,543,274. He said the original project included three separate facilities. Due to funding availability, the third building, Building C, was eliminated. This request is to grant approval to proceed with the Building C of the student residential apartment complex. He said the structure will be a three-story wood frame structure with various energy efficient and low maintenance features designed to meet LEED Silver Certification.

Mr. Mignardot stated that this project is supported by WNMU’s mission and strategic plan, as WNMU desires to improve the quality of the student residential experience. This has a direct impact on the overall quality of campus life and student activities, which in turn has a significant impact on overall student retention.

Mr. Mignardot said the existing student residential facilities date from 1906, with the last facility being completed in 1991. All facilities are outdated and in significant need of repair or demolition, and fall short of meeting the expectations of today’s students in terms of privacy and technology.

Mr. Mignardot said this structure was in the original project, but was eliminated due to funding available. He said he believed failure to approve this project would continue to significantly impact recruitment efforts and retention of existing students.

Mr. Mignardot stated that the funding source for Building C would be institutional bonds. Current WNMU enrollment is 2,489 students, and cost per square foot for this project is roughly $188 per square foot.

Responding to Mr. Aragon on how Item 10 relates to Item 9 on the agenda, Mr. Mignardot said a portion of the proceeds from the re-issuance of the bonds, up to the amount of $8 million, would be used to fund this project.

Mr. Aragon expressed concern about what he felt was a cavalier attitude on WNMU’s part in using the same architect for Building C despite the fact that the same architect made “gross mistakes” on the Building A and B project. Now WNMU is telling the Board that failure to approve this project would compromise student retention.

Mr. Aragon commented that this seems to be the situation with university projects around the state, where they “sort of evolve” before the Board has an opportunity for input. He said the philosophy of the universities seems to be that the Board has no choice but to approve a project, even though there have been gross mistakes, “because if you don’t do it, then we’ll have wasted all this seed money.”
Mr. Aragon said he thought this was a good project and appreciated what WNMU was trying to do.

Responding to Mr. Archuleta on how the these student resident projects stack up per resident, per square foot, etc., compared to other facilities, Mr. Mignardot said the price per square footage for HED projects in New Mexico, versus the surrounding states, is about half.

Dr. Shepard said the WNMU Building C project is at about $60,000 per bed. He called a colleague in Florida regarding a very similar project (although limestone rather than rock was involved), and the per-bed cost was the same. Dr. Shepard noted that the original estimate submitted to WNMU was $136 per square foot. He said the project just completed at a cost of $185 per square foot, and they are projecting $180 per square foot for the Building C project.

Mr. Archuleta commented that he thought $180 per square foot was competitive and reasonable.

At Mr. Aragon’s suggestion, Board members discussed the idea of adopting a two-step approval process for large projects, with the first step requiring pre-approval before any money is spent.

Ms. Clarke said the Board might want to consider amending Title 2.70.4 NMAC (Policy on Capital Expenditures by State Educational Institutions), which currently suggests that the Board wants higher educational institutions to spend some money up front to better inform the packet that comes to the Board, so probably some architectural work has been done. She said higher educational institutions have had that understanding for decades, and that has been the practice, but it does not necessarily have to be the practice going forward.

Lt. Governor Sanchez commented that, if this is happening in higher education projects, it may be happening throughout state government in all publicly financed projects.

Lt. Governor Sanchez offered to serve on a subcommittee that would recommend a new process for the Board to follow.

**Item 9**

Mr. Shandler read a summary of the parameters resolution: “This is the Western New Mexico University Refunding and Improvement System Revenue Bonds, Series 2013, with a principal not to exceed $8,000,000. The proceeds will be used for (1) the planning, designing, erecting, furnishing and equipping new buildings, including but not limited to a student housing facility and other related facilities, (2) refunding certain maturities of the outstanding Regents of Western New Mexico University System Refunding and Improvement Revenue Bonds, Series 2005, and (3) the payment of capitalized interest on the Bonds. The final maturity date is June 15, 2039 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. Governor Martinez seconded the motion.

Mr. Aragon asked if the Board of Regents raised student fees to offset the increase in housing costs; and if so, what percentage of the increase is associated with this project.

Mr. Cassidy responded that, as financial advisor for WNMU, they worked with the Vice President for Finance and created a model two years ago to model housing revenues. WNMU has an auxiliary fund where all housing revenues go and expenses associated with that are charged, and the housing revenues from this student housing project will be sufficient to pay operation and maintenance expenses, plus the debt service related to the bonds, and leave a coverage factor of about 1.2x to 1.3x. He said the average cost to the housing fund is about $67,000 a year and is easily handled within that fund. So no tuition was increased as a result of this project. He stated that the housing funds will be self-sufficient.

Mr. Brasher proposed an amendment to the motion that WNMU will come back to the Board on a quarterly basis to report the progress of this project.

The amendment was accepted as friendly.

The motion for approval, with the parameters resolution, and as amended, passed 6-0 by voice vote. [Treasurer Lewis was not present for the vote.]

Governor Martinez stated that, while she would have preferred to vote against the motion, it was only for the reason that the Board would be “throwing money away that has already been invested.” She said the Board’s hands are tied, however, and it has no choice. She said there was incompetence on the part of the contractor and there should have been greater oversight.

Dr. Shepard said he would be happy to lend his expertise to any subcommittee appointed by the Board so that mistakes like this never happen again.

Item 10

Mr. Shandler requested that any approval of Item 10 be made contingent upon the closing of WNMU Series 2013 bonds.

Mr. Archuleta moved for approval, with the contingency. Mr. Aragon seconded the motion, which passed 7-0 by voice vote.

Mr. Archuleta said he believes this is a solid project and a good investment, but what bothered him was that the original project scope was to build Buildings A, B and C for $11 million. Through “a little bit of finagling,” they augmented the scope of work, eliminated Building C and increased the square footage of Buildings A and B. He said this was equivalent to violating the 10 percent rule, because they actually went over the budget by 30 or 40 percent. He said any amendment to the rule should also address significant changes to a project’s scope of work to prevent this kind of thing from happening.
Ms. Clarke said 2.70.4.11 (Revised Projects) states, “To ensure that the project actually constructed will be substantially the same as that approved by the Higher Education Department and the State Board of Finance, any change in the project resulting in a change in the budget of more than ten percent will require separate review and approval by the Board.” She said the language might be expanded by including specific metrics, e.g., an expansion in square footage by more than 10 percent.

Governor Martinez stated that, during the discussion earlier about the East Mesa Center at Doña Ana Branch Community College, she had asked someone who had just resigned from Doña Ana Branch Community College to clarify who was teaching in the various branches, etc. She said the person’s response was, “Not sure what they’re doing in Hatch yet, likely just offering free ABE [Adult Basic Education] classes. What I was aware of before I left was that they didn’t have budget to sustain credit courses for degree-seeking students except those in the early college high school classes. In that case, those high school college prep courses could have been offered at the high schools. For FY 2012-13, the only classes at the new Doña Ana County Branch, Chaparral Center, were Adult Basic Ed non-credit. Doña Ana Community College lacks funding to adequately support the cost of those smaller campuses with credit courses, libraries and comprehensive student support services. A college campus should be able to offer all necessary coursework to attain a degree, not happening at some of the newer and smaller branches of Doña Ana County Community College. Another red flag is whether those smaller communities have the population to sustain a college campus branch at all. I hear that enrollments have dropped and the Sunland Park campus enrollment is suffering.”

Ms. Bays asked the record to reflect that WNMU did go back to HED in October before they engaged in a contract with the contractor to start construction. They also ended up going to the State Board of Finance and at that time reviewed, with staff, what the position was. She said they did not expend any funds until they had received notification from both oversight agencies that they were able to move forward.

Mr. Aragon moved to give discretion to the Chair to appoint a subcommittee to address the concerns outlined in the previous discussion. Mr. Archuleta seconded the motion, which passed 7-0 by voice vote.

Governor Martinez appointed Mr. Archuleta, Lt. Governor Sanchez and Mr. Brasher to the subcommittee.
Presenters: Andrew Cullen, Associate Vice President for Planning Budget and Analysis; Tim Cass, Associate Athletic Director

11. University of New Mexico – Requests Approval of First Phase of McKinnon Family Tennis Center Construction Project ($1,266,000)

[Mr. Archuleta stated that he would recuse himself from the vote because his firm, Molzen Corbin, has been engaged to design the first phase of this project.]

Mr. Mignardot stated that UNM is requesting approval of phase one of the McKinnon Family Tennis Center at a cost of $1,266,000. The complete project, which is three phases, will consist of a clubhouse and up to 12 tennis courts. Phase one will provide six new courts located north of the current softball field. This will allow for integration and for the courts to take advantage of the plaza being created between softball and baseball, as well as parking and ticketing at the Pit. The pond at the south end of the Pit parking lot will be demolished and the water will be redirected to the existing storm drain in the roadway, with adjustments to pond #2 at the southwest area of the Pit parking lot. In addition to the courts, the project includes concrete walkways, fencing and infrastructure.

Mr. Mignardot said the McKinnon Family Tennis Center project will provide much-needed stadium tennis courts located within the South Campus Athletics Complex. Currently, the complex has only seven outdoor courts, which is less than the required number to host Mountain West Conference championships. In addition, it is inadequate for hosting any large junior, collegiate, community or professional events. He said the addition allows the University flexibility and will have an economic impact in terms of attracting additional events to facilities, which in turn will have an impact on recruiting potential student athletics and other students.

Mr. Mignardot stated that the project work is scheduled for June through October 2013 and will be funded entirely through a private donation by the McKinnon family.

Mr. Mignardot said current on campus enrollment (as of fall 2011) is 22,241.

Mr. Cullen noted that the McKinnon family’s total gift is $7.5 million, $5 million of which has been earmarked for the construction of a new business school at UNM, and another $1.25 million was earmarked for a weight room in the Pit as part of the Pit renovation. He added that the McKinnons are big supporters of UNM and Lobo Athletics.

Responding to Mr. Kormanik, Mr. Cullen confirmed that subsequent phases of this project will be funded through private donations and will not involve student fee increases or tuition increases.

Mr. Aragon commented that this is a wonderful project, but noted that the Board has taken a position in the past on naming facilities after people who are still alive, and he has a concern about being inconsistent with that position.
Governor Martinez asked if the McKinnon family asked that the facility be named after them as a condition of this donation, and Mr. Cass responded that the intent is that it be named after them. He commented that precedent may have been set with the contribution made by Margaret and Turner Branch to Lobo Athletics for the naming rights to the football field at University Stadium. He said UNM has naming opportunities for many of its facilities, and continues to seek support from private contributors to promote its growth.

Mr. Cullen said there is an internal procedure for naming rights within the University, most often associated with donations of this magnitude.

Mr. Brasher commented that this is an incredibly generous donation, but said he shared Mr. Aragon’s concerns about naming rights.

Mr. Kormanik stated that he did not have a conceptual problem with this. He said he was not on the Board when it took this position.

Mr. Archuleta commented that, without naming rights, the University could be put at a big disadvantage in competing with other universities that continue to allow them.

Governor Martinez stated that this is obviously a good family, but cited instances where buildings have been named after people who fell into disrepute or, in one case, ended up in a federal prison and their name had to be removed. She said continuing to name buildings after people who are still alive allows this possibility to continue to exist. She noted that the facility would be named after the McKinnon family and not one individual within the McKinnon family.

Mr. Archuleta commented that this donation is substantially more than what universities typically get for a facility, and it is more common for hundreds of volunteers to seek donations for much smaller amounts. He added that private donations save a lot of public money from being expended and preclude the need to raise student fees, for example.

Mr. Kormanik moved for approval. Treasurer Lewis seconded the motion, which died by a vote of 3-3 with Governor Martinez, Mr. Brasher and Mr. Aragon voting against; Treasurer Lewis, Lt. Governor Sanchez and Mr. Kormanik voting in favor; and Mr. Archuleta recused.

Mr. Aragon moved to amend the agenda, as advertised, to include consideration of the Tennis Center Construction Project at UNM for $1,266,000. Mr. Kormanik seconded the motion, which passed 7-0 by voice vote.

University of New Mexico – Requests Approval of First Phase of McKinnon Family Tennis Center Construction Project ($1,266,000)

Mr. Kormanik moved for approval. Treasurer Lewis seconded the motion.
Mr. Archuleta expressed concern about precedent that has already been set at University Stadium and the Pit with facilities that have been funded and constructed with naming opportunities. He wondered if the Board’s action, should it turn down this request, would be retroactive and applicable to those facilities.

Mr. Aragon clarified that his motion was to bring back the matter as it relates to the funding of the construction of the project, which he is in favor of.

Mr. Aragon said his only reservation to this project, as proposed, is that the Board spent considerable time discussing its concerns over naming opportunities, and the position the Board took was not meant to be punitive. He said someone in his own family, a cousin, had their name removed from a building, and the disgrace not only associated with his conduct, but how it spread among the family, who had nothing to do it, was lingering and hurtful. In terms of that perspective, there is rationale for the Board’s position.

Mr. Brasher commented to Mr. Cullen and Mr. Cass, “I think everybody here is saying they like the project, and everybody here is saying that the family is incredibly generous, that their contribution is important and appreciated. I think that is the clear message that you need to take back to the University.”

Mr. Brasher said the motion on the table includes the naming rights, and he will change his vote to allow the project to go forward. He stated, however, that he believes Governor Martinez and Mr. Aragon have taken the correct position with respect to naming rights.

The motion passed by a vote of 4-2 with Lt. Governor Sanchez, Mr. Kormanik, Treasurer Lewis and Mr. Brasher voting for; Governor Martinez and Mr. Aragon voting against; and Mr. Archuleta recused.

Presenters: Dr. James Fries, President; Max Baca, Director of Information Technology Services & Government Relations Liaison and Special Project Manager
12. New Mexico Highlands University Student Union Building Quarterly Project Status Report

Dr. Fries stated that New Mexico Highlands University has scheduled the formal groundbreaking for this project on Friday, April 26 at 2:00 p.m.

Dr. Fries presented the University’s quarterly report on the Student Union Building.
GENERAL SERVICES DEPARTMENT

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

Ms. Nicosin reviewed the CBRF Financial Status Report, which reflected uncommitted cash balance as of February 28, 2013 of $971,094. There was one emergency declaration in February in the amount of $12,083, for a vault compressor replacement in the State Library & Archives Building.

[ Lt. Governor Sanchez signed off from the proceedings.]

STATE TREASURER'S OFFICE

Presenter: Linda Montoya Roseborough, Chief Investment Officer
15. Monthly Investment Reports for Month-ended February 28, 2013

Ms. Roseborough presented this report.

Ms. Roseborough said there were no compliance issues to report.

Ms. Roseborough said STO continues on with the bond proceeds internal review and training and cross training. She said the March bond payments went without incident, and STO is prepared for the next series.

Ms. Roseborough stated that Joel Blackman, who presented the 2012 audit, has some clarifying comments that would be submitted to the Board of Finance in writing. In particular, the State Treasurer's reconciliation between the sub-ledger systems, QED and JPMorgan, is being done (Finding 2011-01). This is a repeated and modified audit item, and has been modified because the auditors requested that STO add a few more characters to that audit. This has since been done, and the reconciliation between the custodial bank and accounting system has been redone.

STAFF ITEMS

Presenter: Jeff Primm, Deputy Director and Procurement Manager
16. Tentative Award of Contract to Perform Bond Counsel Services

Mr. Primm reported that the State Board of Finance issued a Request for Proposals for Bond Counsel services on February 7, 2013. Responsive proposals were received on March 7, 2013 from three firms: Ballard Spahr, Brownstein Hyatt Farber Schreck, and Rodey, Dickason, Sloar, Akin & Robb. He said one additional proposal was received, but was disqualified for failure to meet all mandatory requirements. The Evaluation Committee carefully reviewed and evaluated
the three responsive proposals based on the criteria and weights set out in the RFP and assigned the following total scores: Brownstein Hyatt Farber Schreck, 778 points; Rodey, Dickason, Sloan, Akin & Robb, 707 points; and Ballard Spahr, 649 points.

Mr. Primm said the Evaluation Committee recommends selection of Brownstein Hyatt Farber Schreck to begin negotiations of an agreement with staff for Bond Counsel services.

Mr. Primm said additional information related to these proposals and their evaluation remains confidential until final award. Board members and staffers who have signed a confidentiality agreement may have been provided the proposals or details of the proposals, and all Board members have received a copy of the Evaluation Committee report.

Mr. Primm stated that the Procurement Code requires that any additional questions from Board members be addressed in closed session.

Mr. Aragon thanked Mr. Primm for his assistance in this process and for providing extensive information to Board members.

Mr. Archuleta moved approval of the Evaluation Committee’s recommendation. Mr. Aragon seconded the motion, which passed 6-0 by voice vote.

Presenter: Stephanie Schardin Clarke, Director

17. Board of Finance Dashboard Report

Ms. Clarke presented the quarterly dashboard report. She noted that the general fund reserve balances are still estimated to be above the target of 10 percent in FY 2013 and FY 2014.

18. Fiscal Agent/Custodial Bank Fees

Ms. Clarke noted that fees have been higher from the Fiscal Agent Bank for the past couple of months, reflecting the new accounting structure that was implemented as part of the cash remediation project. She said she understands from the Financial Control Division and STO that there should be savings that can be implemented to offset those higher costs.


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

Its business completed, the State Board of Finance adjourned the meeting at 12:25 p.m.

Susana Martinez, President

5-28-13
Date

Michael Brasher, Secretary

Date