MINUTES OF THE
NEW MEXICO STATE BOARD OF FINANCE

SPECIAL MEETING

Santa Fe, New Mexico

Friday, September 21, 2012

A Special Meeting of the New Mexico State Board of Finance was called to order on this
date at 2:04 p.m. in the Governor’s Cabinet Room, Fourth Floor, State Capitol Building, Santa
Fe, New Mexico.

1. ROLL CALL: QUORUM PRESENT

Members Present:
The Hon. John Sanchez, Lt. Governor
The Hon. James B. Lewis, State Treasurer [telephonically, arriving at 2:15pm]
Mr. Michael Brasher, Public Member, Secretary [telephonically]
Mr. Robert J. Aragon, Public Member [telephonically]
Mr. Sam Spencer, Public Member [telephonically]

Members Excused:
The Hon. Susana Martinez, Governor, President

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

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

Others Present:
[see sign in sheet]

2. APPROVAL OF AGENDA

NEXT REGULAR MEETING: OCTOBER 16, 2012

Mr. Brasher moved approval of the agenda as presented. Mr. Aragon seconded the motion
and it passed by unanimous 4-0 voice vote.
EMERGENCY FUND BALANCES

Presenter: Stephanie Schardin Clarke, Director

3. Emergency Balances – September 2012

Ms. Clarke read the following balances into the record, which she said reflect loans approved by the Board at its September 18, 2012 regular meeting.

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve Fund</td>
<td>$ 891,667.00</td>
</tr>
<tr>
<td>Emergency Water Fund</td>
<td>$ 40,100.00</td>
</tr>
</tbody>
</table>

EMERGENCY FUNDING REQUEST

Presenters: Tod Phinney, Water Resources Director, WH Pacific; Jared Mitchell, Twin Forks

4. Twin Forks Mutual Domestic Water Consumers’ Association – Requests Approval of Emergency Water Funding and Emergency Funding for Storage Tank Repair or Replacement ($75,000)

Mr. Phinney explained that the association worked with staff in submitting additional information in support of its application since the Board’s meeting earlier this week. He explained that the association’s largest tank catastrophically failed last Friday. Prior to the emergency, the association had received two appropriations for $50,000 and $190,000 that were being administered through the New Mexico Environment Department’s Capital Projects Bureau (“CPB”). Those appropriations were primarily for leak detection and system improvements. After the emergency took place, the association identified a replacement tank and got a cost proposal from a contractor for installation. With the onset of winter near, he explained it is important for the tank to be installed quickly. The proposal, including everything, came in at $140,580. Mr. Finney noted that the association included in its updated application a table of available sources and uses of funding to meet the emergency. He explained that the cash reserve figure included among the sources in the table did not include some capital reserve funds. The uses included a very basic SCADA system in the design process and also a contract with WHPacific.

Lt. Governor Sanchez asked if there were any questions or comments from members.

Dr. Clifford asked the New Mexico Environment Department’s Construction Projects Bureau (“CPB”) representative, Ms. Andrea Telmo, whether some of the severance tax bond appropriations would be used toward the emergency. Ms. Telmo responded that some of those appropriations were anticipated to be used toward the tank, engineering and the SCADA system.

Dr. Clifford asked whether the appropriations were broadly worded. Ms. Telmo responded that they were sufficiently broad. One was for “improvements to a water system” and the other was to “plan, design, equip and construct water system improvements.”

Dr. Clifford commented that, while the broad appropriation language was fortuitous in this
situation, extremely vague appropriation language that allows appropriations to be highly adaptable is, generally speaking, one of the problems he has with the state’s capital appropriation process.

Dr. Clifford asked what purpose the remaining appropriation funds would be diverted from—whether it was for maintenance and whether it would need to be replaced.

In response, Mr. Phinney explained that the appropriated funds available to the association were for new system construction and not for maintenance, which is budgeted for and paid out of the association’s operating budget. While the remaining appropriations would have otherwise been available for purposes of new system construction, applying the remainder of the appropriations toward the emergency would not divert the funds from an identified need. The initially-envisioned purpose of the appropriations was to detect and reduce system leaks, which was a major system issue identified by CPB. After completing a study and developing and engineering plan, the association planned to use the funds to install a SCADA system and replace their tank. Because those efforts are well underway and those activities are contemplated to be contemplated as part of the emergency plan, the funds are not being diverted from another necessary use. Therefore, there would be no need to replace the funds.

Mr. Phinney commended the Association for including depreciation reserves for replacement of the system over 50 years.

[Treasurer Lewis joined the meeting telephonically at 2:15 pm]

Lt. Governor Sanchez asked if there were any other questions or comments from members or staff.

Ms. Clarke stated that the association did a good job of providing the necessary, additional information allowing staff to formulate a recommendation. She noted that staff agreed with the figures presented by Mr. Phinney, and that staff recommended total emergency funding of $31,187.43. This recommendation was based on a total cost of the emergency of $140,580, which is offset by roughly $57,100 cash on hand, $28,700 of State capital funds available, and $29,500 insurance coverage. The recommended emergency funding would allow the association to cover the costs of the emergency and rebuild to a prudent 1/12th reserve level. Because of the limited balance in the water emergency fund, staff’s recommendation would require two resolutions: one extinguishing the water emergency fund balance and the second for the remainder of the loan from the operating reserve fund. Quarterly reporting would be included in both.

Ms. Clarke presented the following resolutions for the Board’s consideration:

“RESOLVED, that the State Board of Finance determines, pursuant to Section 3-27-9, that an emergency exists requiring this expenditure in order to provide an adequate and safe drinking water supply for members served by the Twin Forks Mutual Domestic Water Consumers’ Association, which is less than 5,000 in population and which uses this
water supply system in common. THEREFORE, the Board approves a loan in the amount of forty thousand one hundred dollars ($40,100.00) out of the FY 13 Emergency Water Fund to Twin Forks Mutual Domestic Water Consumers’ Association to be used to pay for water storage tank repair or replacement to meet this emergency. This loan shall bear no interest and shall be repaid in equal annual payments of four thousand ten dollars ($4,010.00), with payments due August 15, 2013 and each August 15 thereafter until repaid in full. Twin Forks Mutual Domestic Water Consumers’ Association shall provide quarterly reports on a form prescribed by the Board each April 15, June 15, October 15, and January 15 until the loan is repaid in full.”

“RESOLVED, the State Board of Finance (the “Board”) determines, pursuant to Section 6-1-2 NMSA 1978 as amended, that a critical emergency exists that cannot be addressed by disaster declaration or other emergency or contingency funds, and THEREFORE approves a loan to the Twin Forks Mutual Domestic Water Consumers’ Association in the amount of eleven thousand eighty-seven dollars and forty-three cents ($11,087.43), to be used for water storage tank repair or replacement from the Board’s FY13 General Fund Operating Reserve upon transfer to the Emergency Fund by the Secretary of the Department of Finance and Administration to meet this emergency. This loan shall bear no interest and shall be repaid in equal annual payments of one thousand one hundred eight dollars and seventy-four cents ($1,108.74), with payments due August 15, 2013 and each August 15 thereafter until repaid in full. The Twin Forks Mutual Domestic Water Consumers’ Association agrees to provide quarterly reports on a form prescribed by the Board each April 15, June 15, October 15 and January 15 until the loan is repaid in full.”

Member Brasher moved to approve the resolution. Treasurer Lewis seconded the motion.

The motion passed by unanimous 5-0 roll call vote.

ADJOURNMENT

Member Brasher moved to adjourn the meeting. Member Spencer seconded the motion and it passed by unanimous 5-0 voice vote.
Its business completed, the meeting was adjourned at 2:20 p.m.

Susana Martinez, President

Date

Michael Brasher, Secretary

10-16-12

Date