MINUTES OF THE
NEW MEXICO STATE BOARD OF FINANCE
REGULAR MEETING
Santa Fe, New Mexico
September 20, 2011

A Regular Meeting of the New Mexico State Board of Finance was called to order on this date at 9:10 a.m. in the Governor’s Cabinet Room, Fourth Floor, State Capitol Building, Santa Fe, New Mexico.

1. ROLL CALL

A quorum was present:

Members Present:
The Hon. Susana Martinez, President [present from 9:40 a.m. to 1:50 p.m.]
The Hon. John Sanchez, Lt. Governor [not present from 11:00 a.m. to 1:55 p.m.]
The Hon. James B. Lewis, State Treasurer [leaving at 1:20 p.m.]
Mr. Robert J. Aragon, Public Member
Mr. John Gasparich, Public Member, Secretary
Mr. Sam Spencer, Public Member
Mr. Thomas P. Tinnin, Public Member [leaving at 12:45 p.m.]

Members Excused:
None.

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

Staff Present:
Dr. Thomas Clifford, Secretary Designate, Department of Finance & Administration
Ms. Stephanie Schardin Clarke, Interim Director, State Board of Finance

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

NEXT REGULAR MEETING: OCTOBER 18, 2011

Ms. Schardin Clarke stated that representatives of the North San Isidro Mutual Domestic Water Consumers Association (Item 24, Emergency Funding Request) are not expected to attend this meeting, as they have been unresponsive to requests that they appear to discuss their past due loan. She recommended that the item be deferred.

Upon motion by Treasurer Lewis, seconded by Mr. Spencer, the Agenda was approved 5-0 by voice vote, as amended. [Mr. Tinnin was not present for the vote.]

3. APPROVAL OF MINUTES: July 19, 2011 (Regular Meeting)

Upon motion by Treasurer Lewis, seconded by Mr. Gasparich, the Minutes of the July 19 meeting were approved 5-0 by voice vote, as submitted. [Mr. Tinnin was not present for the vote.]

STATE TREASURER’S OFFICE

Presenters: James B. Lewis, State Treasurer; Sheila Duffy, Chief Investment Officer

4. State Treasurer’s Investment Reports

A. Monthly Investment Reports for Month-Ended July 31, 2011

[Mr. Tinnin joined the proceedings in the course of this presentation.]

Ms. Duffy stated that, as discussed at the last meeting, the monthly reports have been reformatted to match the reports produced by JP Morgan, as they are audited. Additionally, STO has shortened its reports to the Board by creating an Executive Summary. She said Board members have the complete binder for review.

Executive Summary

-- Market turbulence continued in July and August as economic data confirmed the continued economic slowdown.

-- The Federal Reserve publicly stated their intent to keep short-term rates at historically low levels until mid 2013.

-- Outstanding debt of the U.S. was downgraded to AA+ by Standard & Poor’s.
-- A default by the United States was narrowly averted by a two-stage budget deal raising the debt ceiling cap combined with future budget cuts. The nature of this introduced "political risk" to the analysis of the U.S.'s ability to pay its debts.

-- Continued difficulties in Europe clouded prospects for U.S. growth.

-- Locally, unemployment in New Mexico continued to decline. The LFC projected FY 2011 surpluses at $100 million.

-- There were $8.6 million of unrealized gains on a mark-to-market basis in the general fund.

-- In unrealized gains, there was $7.2 million in bond proceeds funds. There were no meaningful unrealized gains in the Local Government Investment Pool and Severance Tax Bonding Fund. These calculated unrealized gains represent the market "value" of the portfolios as compared to their accounting book value. As such, they approximate the values if they were to be liquidated today. Market conditions change on a daily basis, and the resulting calculations will also change with market movements.

-- Monthly performance on the portfolios was slightly behind their benchmark portfolios, largely due to a strategy STO has employed to shorten the duration of the portfolios in order to protect against interest rate rises and manage to the state's liquidity needs.

-- The Local Government Investment Pool has outperformed its benchmark through the strategy of leveraging local bank relationships. This strategy has made the New Mexico LGIP one of the strongest state investment pools in the nation.

-- Monthly earnings are as follows: General Funds, $1,075,750; Bond Proceeds funds, $995,108; LGIP, $171,992; and Severance Tax Bonding Fund, $205.

-- During July, STO maintained Average Daily Collected Balances at the Fiscal Agent Bank of approximately $66 million, offsetting the monthly bill by $27,608.

-- With the recent weak economic indicators as well as the downgrade by Standard & Poor's of U.S. Government debt, the Federal Reserve announced a program to maintain short-term interest rates at low levels through mid 2013. This public signaling of the Fed's intentions is extremely rare and bodes for lower short-term rates for the foreseeable future.

-- The bond market has rallied significantly, especially in the shorter end of the curve where STO typically invests.

-- This change, and the expected duration of the interest rate shift, will make it difficult to meet expected earnings targets as stated in the consensus revenue estimate for the remainder of FY 2012.
-- With the unanticipated pronouncements by the Fed to keep rates low, STO will continue to build portfolio ladders, but will focus on the longer end of its maturity limitations (up to 5 years) where STO sees relative value versus short-term alternatives.

-- While STO is repositioning the portfolios, its focus in investment methodologies will remain on safety, liquidity and yield, in that order.

Dr. Clifford said the last general fund forecast, prepared in mid July, anticipated revenue in FY 2011 to be $100-$110 million more than the previous forecast, but also in FY 2012 there was a $120 million increase in the revenue outlook. The previous revenue outlook had been budgeted, so in the current general fund financial summary, the Board will see reserves building by about $230 million over the period between FY 2011 and FY 2012. He commented that this should help STO in allowing more flexibility in meeting daily and monthly cash flow needs.

Mr. Spencer said he understands STO hasn’t issued the Tax Revenue Anticipation Notes approved by the Board in July, and asked what STO plans going forward.

Ms. Duffy responded that STO continues to work with DFA; and with the rising balances, the consensus is that there is no need to issue the TRANs at this time. If the revenue picture changes, she said STO has until October 31 to issue them.

5. Quarterly Investment Reports for Quarter Ended June 30, 2011

Ms. Duffy reported that STO has just renewed its contract with Davis Fixed Income Management after issuing an RFP, so Deanne Woodring will continue to work with STO. Ms. Duffy said Ms. Woodring and STO staff are working on several projects this quarter:

-- Investment policy updates. Standard Poor’s is changing some of their rules on the LGIP; as a result, STO will have to return with another update on its Investment Policy.

-- Reporting processes to improve efficiencies. STO is constantly looking at processes to make sure that reports are filed quickly and accurately.

-- Staff has evaluated RFPs for renewal of investment advisory services.

-- Investment strategy. STO staff meets weekly to set strategy, and Ms. Woodring is always part of those discussions.

-- Stakeholders meeting in August. Ms. Woodring made a very good presentation at the meeting, which was very well received.

-- Review of impacts of S&P criteria changes to LGIP Fund. Those will be reflected in the upcoming update of STO’s Investment Policy.
Key points of focus

-- Ms. Woodring agrees with STO’s strategy to shift the duration out to the duration of the benchmark, and use the curve to get any yield, with the main focus on safety and liquidity.

-- Reducing excess liquidity. STO had been keeping huge cash balances in the repo market, and is now trying to put more money to work.

-- STO staff is studying benchmarks to determine that they are appropriate.

6. Approval of Broker/Dealer List

Ms. Duffy stated that all of the current brokers and dealers are required to reapply every year so that STO can check their background information and also ensure that they are in total compliance with policy and state laws. Ms. Duffy said STO has to review both the firms and their representatives, after which it prepares and presents the final list to the Board.

Ms. Duffy stated that there have been some changes from last year. Two firms did not reapply, and four or five new firms have been added. She said many new applicants were eliminated because they were not registered to do business in the state.

Ms. Duffy reviewed the qualifying criteria.

Responding to Mr. Gasparich, Ms. Duffy stated that STO has more than one representative with many of the firms, so if one leaves, STO can work with the other(s). If the sole representative leaves, there may be a waiting period until the next round of applications.

Ms. Duffy clarified that STO trades electronically through Bloomberg and strongly discourages the use of the telephone. There are different processes for different security types; for instance, in the case of callable securities, firms will have inventories, and STO will still send an email through Bloomberg and then pick the most suitable security.

Responding to Dr. Clifford, Ms. Duffy said that some broker/dealer firms have assistants STO talks with; however, the person on the broker/dealer list has to execute the trades, and all of STO’s trade documents reflect that.

Mr. Tinnin moved for approval. Mr. Spencer seconded the motion, which passed 6-0 by voice vote.
GENERAL SERVICES DEPARTMENT
Presenter: Charles Gara, Director, Property Control Division


[Governor Martinez joined the proceedings.]

Mr. Gara reported financials for the CBRF Fund, with a beginning balance as of June 1 of $16,987,784. After cash receipts and cash disbursements, the ending balance at June 30 was $16,883,405. Subtracting encumbrances, the uncommitted cash balance as of June 30 was $2,367,313. Year to date revenues total $5,929,520.

Mr. Gara said there was one emergency declaration in June. A water line leak at the Anaya Building incurred expenses of $7,357.


Mr. Gara reported financials for the CBRF Fund, with a beginning balance as of July 1 of $16,883,405. After cash receipts and cash disbursements, the ending balance at July 31 was $16,586,962. Subtracting encumbrances and payments to the Legislative Council Service, the uncommitted cash balance as of July 31 was $1,127,754. This included an unencumbered balance of $11.2 million in SBOF-approved projects.

There were no emergency declarations in July.

Dr. Clifford asked Mr. Gara if the Property Control Division is at risk for depleting the CBRF given the unencumbered balances, and Mr. Gara responded that there is concern because of the low balance in the CBRF. He said no inflows are expected other than those anticipated from the Land Grant Permanent Fund, which range from $400,000 to $500,000 per month.

9. Property Control Division Requests Approval to Enter into a Contract with White Sands Construction, Inc. to Construct a Forensic Sally Port Building at the New Mexico Behavioral Health Institute in Las Vegas ($1,612,859)

Mr. Gara requested approval to enter into this contract for the construction of a 6,065 square foot standalone Forensic Sally Port building outside the front entrance of the Forensic Building at the New Mexico Behavioral Health Institute. The forensic unit houses criminally insane patients and the current forensic building does not have a secured, controlled entryway into the facility.
Mr. Tinnin moved for approval. Mr. Aragon seconded the motion, which passed 7-0 by voice vote.

PROPERTY DISPOSITIONS

10. WITHDRAWN.
11. WITHDRAWN.

Presenter: Armando Cordero, Facilities and Parks Director, Doña Ana County; Cathy Matthews, Landscape Architect, City of Las Cruces

12. Doña Ana County – Requests Approval of Donation of Old Cemetery and Adjacent Real Property to the City of Las Cruces

Mr. Cordero stated that Doña Ana County is asking approval to donate 10.8 acres located along Paseo de Oñate Street in Las Cruces to the City of Las Cruces. The property consists of an old pauper’s cemetery and vacant land held under United States land patent. The City has requested the property; and in lieu of cash payment has agreed to preserve and maintain the cemetery and improve the surrounding vacant land as a public park.

The federal Bureau of Land Management has granted conditional approval of the transfer conditioned upon the City applying for, obtaining, and recording a certificate of approval of transfer prior to recording of the quitclaim deed.

Responding to the Governor, Mr. Cordero stated that there are about 24 “John Does” buried in the cemetery, and an 8-foot cinderblock wall surrounds this portion of the cemetery. He said this area will remain intact.

Mr. Cordero stated that the County and Health & Human Services Department is trying to determine the identities of the persons buried in the pauper’s cemetery, based on a list of 129 names on a plaque at a pauper’s cemetery on Graves Street in Las Cruces. It is believed that some of the names on the list were buried at the subject property.

Lt. Governor Sanchez expressed concern that people in the community may later raise concerns that children are playing in the immediate vicinity of this cemetery.

Ms. Matthews responded that the City worked extensively with the community on this issue, and held a neighborhood meeting in April 2010 with about 40 people in attendance. She said the neighborhood gave “resounding unanimous approval” to the idea of creating a park at this location.

Mr. Tinnin suggested buffering the area between the cemetery and playground with landscaping and asked that any motion for approval require that the landscaping plan be revisited.
Ms. Matthews responded that the City could definitely include additional landscaping.

Mr. Tinnin said the idea is to screen it such that people don’t know it’s a cemetery and that it looks aesthetically clean and buffered from the playground.

Lt. Governor Sanchez agreed. He said the idea is to keep children out of the cemetery area, since as a parent he would be concerned that “a kid playing soccer could end up in the cemetery.”

Board legal counsel Zack Shandler requested that approval of this request be contingent upon 1) revisiting the landscaping issues, as discussed in the meeting; and 2) Director receipt of evidence that the City of Las Cruces has recorded and approved a certificate of approval of transfer.

Mr. Tinnin moved for approval, subject to the two conditions. Mr. Gasparich seconded the motion, which passed 7-0 by voice vote.

Presenters: Deanna Miglio, Right of Way Manager; Susannah Burke, Executive Director, PB&J Family Services; Rosanna Suazo, Special Projects Coordinator

13. Bernalillo County – Requests Approval of Lease of Real Property to PB&J Family Services ($78,750 annually, services in lieu of cash rent)

Ms. Miglio stated that Bernalillo County is requesting approval of a lease of real property located at 201-209 San Pablo Street, S.E., to PB&J Family Services, a nonprofit organization. The lease is five years with an option to extend for an additional five years. The building is 7,500 square feet and will be used by PB&J to run a center for education of children and parents to include home visitation, nutrition, nursing, counseling, and in case management for health, housing and other basic needs.

There was no discussion.

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

HIGHER EDUCATION DEPARTMENT

Presenters: Glenn Walters, Deputy Secretary; Robert Watson, Director of Planning, Assessments and Evaluations; Lisa Martinez, Capital Projects Coordinator

14. Presentation of Higher Education Institutions’ Five-year Plans and Master Plans

HED Deputy Secretary Glenn Walters introduced Robert Watson, HED Director of Planning, Assessments and Evaluations, and Lisa Martinez, Capital Projects Coordinator
Dr. Jim Fries, President

A. New Mexico Highlands University

Dr. Fries presented NMHU’s master plan, with the following highlights:

-- NMHU has a total enrollment of about 3,900 students and nearly 75% of the student body is Hispanic, Native American or African American. The students represent a total of 42 states, 19 tribes and 35 foreign countries. Surprisingly, 40% of the student enrollment is at the master’s degree level.

-- The master plan was completed roughly two years ago working with Studio Insight, which specializes in campus master plans across the country. The plan shows the general direction of NMHU over 25 years, and will be adjusted over time.

-- Goal #1: balance the strategic goals of the University with the physical campus through assessment of existing facilities, maximization of the utilization of campus buildings, the projection of future growth, and the recommendations for phasing of future campus development.

-- Goal #2: make the campus a pedestrian-friendly environment through reduction of conflict between pedestrians, bicycles and vehicles; clarification of campus pedestrian and vehicular corridors; and activation of campus open spaces and building thresholds.

-- Goal #3: reinforce identity of NMHU through clarification of campus entry points, development of gateway features and signage, standardization of lighting and site furnishings, and beautification of campus grounds.

-- Goal #4: promote the historic, cultural, economic and social aspirations of the community through collaboration with civic improvement enterprises and encouragement of economic vitality to enhance the University and community.

-- Over the last two years, NMHU has installed water catchment systems that collect 305,000 gallons of roof runoff for reuse.

-- Although a new residence hall was added three years ago that added 98,000 square feet and 276 beds, NMHU has reduced its water consumption since then by 19% and has reduced gas consumption substantially. The utilities budget has been reduced by $300,000.

Dr. Fries presented NMHU’s five-year plan, with the following highlights:

-- NMHU plans to convert the historic building that once housed the city’s old electric trolley cars into a state-of-the-art media arts program. This is a top priority project and funding will be requested in the upcoming legislative session.
Upgrading Rogers Hall, which is the administration building.

Mr. Tinnin asked Dr. Fries if NMHU is working with HED to ensure that the planned media arts program or other programs are not being duplicated elsewhere in the university system.

Dr. Fries responded yes. He commented that there is a significant amount of coordination with HED.

Dr. Fries added that higher education across the country is in a major state of change in terms of the types of deliveries and the types of students being served – NMHU, for instance, is no longer predominantly serving the 18-22 age group; and while this is a key focus, a very high percentage of students are working adults, which means they are place-bound. This means reaching them through some distance learning format, such as online, ITV, etc., or the school has to travel to where they are.

Deputy Secretary Walters said the graduate programs have a very thorough process they go through. He said HED convenes the chief academic officers of the constitutional schools on a quarterly basis to discuss programs.

Dr. Fries stated that NMHU has articulation agreements with a number of two-year schools in New Mexico, and there is also a common core, so that students can take courses in the common core at any two- or four-year institution in the state. He commented that there is a lot of effort at the academic level, and also among the presidents of the various two- and four-year schools, to be more aware of what everyone is doing and not get into a “head-to-head competition.”

Responding to Treasurer Lewis, Dr. Fries said NMHU’s Rio Rancho campus has been a major source of growth and revenue for them. When Highlands went into Rio Rancho, it was the only institution willing to work with the City, which was actively looking for a four-year presence at the time. He said NMHU also leases a facility in Albuquerque for its social work program; and between the two, there are 800 students. He added that NMHU doesn’t anticipate any decline in enrollment as other four-year institutions locate in Rio Rancho, as its programs do not compete with them.

Dr. Fries added that NMHU can easily absorb another 500 to 600 students on its main campus with its existing facilities, and expects growth at the rate of 1-3% annually.
Presenters: Glen Haubold, Assistant VP for Facilities; Jack Kirby, Executive Director for Project Design & Engineering; Greg Walke, University Architect and Campus Planning Officer; Angela Throneberry, Interim Senior VP for Business, Finance and Human Resources

B. New Mexico State University

Mr. Walke stated that the 2006-2016 master plan was in the Board packet. He made a summary presentation with the following highlights:

--- NMSU is the state’s land grant institution and has a presence in every county in New Mexico, with a campus in Las Cruces and branch community colleges in Alamogordo, Carlsbad and Grants, and at several locations within Doña Ana Community College. NMSU also has agricultural science centers and research centers all over the state, and is one of the nation’s leading Hispanic-serving institutions with roughly 32,000 students enrolled on all campuses combined, with 18,000+ at the Las Cruces campus.

Las Cruces campus

Mr. Walke said the 2006 master plan update looked at several important factors:

--- Reducing the coverage of buildings, making it easier for students to get from one place to another in their allotted 10-15 minutes, and increasing sustainability.

--- Infill within the existing core will increase efficiency of the chilled water system and allow for better use of existing infrastructure without adding sidewalks and streets.

--- Turning the school’s “face” toward University Avenue, which is the northern boundary, to get a stronger sense of connection with the city.

--- NMSU will ask the 2012 Legislature for funds to renovate Jacobs and Hardman Halls for the Undergraduate Teaching Center, which includes infrastructure upgrades and replacement.

--- Phase II planning and infrastructure upgrades/replacement are planned for 2013-2015.

Alamogordo campus

--- The plan is to reduce the overall footprint to create infrastructure savings and sustainability, and to try to reinforce the methods of getting into and out of the campus.

--- Several facilities have been added to this campus over the years, all of them LEED Silver and Gold facilities.

--- The five-year plan involves primarily infrastructure upgrades.
At an undetermined time in the future, NMSU will request matching funds from the Legislature to start the planning of the Southern NM Advanced Technology Education Center, Phase II.

**Carlsbad campus**

- A recent slight decrease in enrollment is the result of burgeoning employment opportunities in Carlsbad.

- Most of the requests in the five-year plan are for infrastructure upgrades, although there is also a request for planning monies for a Child Development Education Center.

**Grants campus**

- NMSU inherited this facility from BLM and the Job Corps, so the buildings were in very bad shape. Energy efficiency upgrades were made to the two main buildings using ARRA and state monies.

- A number of infrastructure upgrades are anticipated for 2012 at Martinez Hall, as well as upgrades to the library in the building.

- In addition, the Child Development Education Center will have to be replaced. Currently the Center is housed in donated portables.

**NMSU Doña Ana**

- Doña Ana has its own facilities master plan. They have remote locations in each of the school districts served by Doña Ana Community College. The East Mesa Center is envisioned as the main center for the community college, and they will maintain the central campus in Las Cruces as a primary teaching facility.

- Their five-year plan will request funding in 2012 for the third phase of the Gadsden Center, and in the future additions to the East Mesa Center and Chaparral Center.

Mr. Walke noted that NMSU is either at the average, or well below the average for institutions statewide in terms of square feet/student FTE (full time equivalent).

Mr. Haubold reviewed three planning initiatives that NMSU has undertaken in the past year.

- Engaged a benchmarking and analytical firm, Sightlines, to determine how much NMSU should invest in facilities. Sightline has data on 250 institutions across the U.S.

- Conducted a facilities condition index update.

- Developed a new capital projects procedure.
Mr. Gasparich said it appears that NMSU has about $50+ million in projects contemplated for the immediate future, and asked if there is a breakdown of the source of revenues for those projects.

Mr. Walke responded that the majority of the money is expected to come from state appropriations. He said the branch community colleges are working on raising local money through general obligation bonds. He said NMSU has been largely successful in the past in getting matching funds through grants and donations.

Mr. Gasparich wondered if NMSU has thought of ways of making G.O. bonds more palatable for the voters and taxpayers give their unfortunate fate in the recent past.

Mr. Walke responded that Alamogordo and Carlsbad were able to get their general obligation bonds passed based on the idea that the monies would be matched by the state, although that hasn’t happened yet. He said NMSU does keep the political climate and state of the economy in mind when considering general obligation bond issues.

Deputy Secretary Walters said he felt HED could do a better job of packaging these general obligation bond issues to ensure legislators that the monies will be efficiently expended and that the projects are aligned with the master plans of the universities.

Mr. Aragon asked how much additional square footage NMSU has added in the last ten years, and Mr. Walke responded that he thought about 30,000 square feet has been added in the last five years.

Mr. Aragon asked how much the FTE has increased over the last 10 years, and Mr. Walke said he would have to provide the information later.

Mr. Aragon said his point was whether NMSU is building square footage without adding FTE, and are those buildings even necessary to service the institution. He said he couldn’t help looking at Alamogordo, Carlsbad and Grants as an example of a university spending money to maintain its branch colleges rather than concentrating its money on attracting highly qualified professors and endowments. He said the universities are falling behind academically, and maybe this is because they are spending too much time servicing buildings rather than students.

Mr. Aragon also wondered about the necessity of continuing to service master plans for branch campuses when distance education is a more efficient and economical way to educate those in remote areas. Western New Mexico University, for instance, offers a complete degree program via distance education. He said he saw nothing in the master plan presentation that NMSU plans to increase FTE in its branch campuses in conjunction with the additional space.

Mr. Walke responded that he thought that “worthy of a very long conversation. We’re all very aware of that particular issue as part of balancing all of our other needs.” He added that NMSU is very efficient in its use of space – much better than the average.
Mr. Walke said growth in FTE can occur when there is an enrollment jump in a particular program. He stated that distance education also requires renovation of computerization on the campuses, which is a considerable expense. Thirdly, he said buildings have to be kept up and eventually reach the end of their useful life and have to be replaced.

Mr. Aragon said he recently read in the *Albuquerque Journal* that the retention rate of college freshmen is “atrocious” and that standards are being lowered to try to keep them enrolled. He added that, while this is somewhat outside of the master plan of the physical plant, he feels there is a positive correlation here: “You keep building, you keep lowering standards to get folks in, you generate money through the funding formula, and then we’re stuck with the buildings, and we don’t have institutions that are stellar in the academic world.” He said New Mexico has to have graduates who can help economic growth and attract new business and industry to the state.

Mr. Aragon asked how one explains the extreme rate of inflation relating to student costs relative to the rest of the economy. He said the inflation rate for students to enroll is six times higher than the U.S. inflation rate.

Deputy Secretary Walters commented that these are concerns raised by HED on a daily basis. He said that, with HED Secretary Jose Garcia’s leadership and the Governor’s leadership, HED is looking at the proliferation of campuses and is putting in place, through conversations with each of the institutions, the two-year moratorium for building construction.

Deputy Secretary Walters said the funding formula is also being reviewed. On October 14, less than a month from now, Dr. Garcia will present to the Governor and LFC a new funding formula model that is performance based and outcome based. He noted that the idea of moving toward performance outcomes has already been approved – students who do not complete a course are no longer funded, as opposed to those who make it to the 21st day.

Deputy Secretary Walters said HED will clearly be moving away from allowing credit hours and square footage to drive funding.

Mr. Watson added that it will take years to implement the entire model and funding formula, but “we have turned the boat.”

[ Lt. Governor Sanchez excused himself from the proceedings to attend to legislative matters.]

Mr. Tinnin asked how much legal authority HED has with these issues, and Deputy Secretary Walters responded that HED is currently reviewing all of the statutes and administrative code to determine whether it has the authority and ability to address the effectiveness and efficiency of the system.

Mr. Tinnin said he hoped HED could address a series of questions:

-- Several NM cities have both UNM campuses and NMSU campuses. Is that necessary?
Does HED put a priority on the contracts that the universities have? Do they have input?

How closely have the institutions held to their five- and ten-year plans in the past? Do they buy land, for instance, that wasn’t part of the master plan?

Mr. Tinnin said he personally feels that some institutions “have run amok and live in their own environments and fiefdoms, and expand them at will.” He said that has to come to a stop, and the institutions have to come together and agree on an overall education plan for the entire state.

Mr. Aragon asked if HED has considered a chancellor system, where a chancellor and a super board of regents are in charge of all of the state universities. This would promote continuity in planning, mission and budget. He stated that this would require a constitutional amendment.

Deputy Secretary Walters responded that HED has decided on a three-pronged approach, with the immediate piece being the buildings, next the funding model, and, finally, governance. Once the funding model is in place, HED will have more robust discussions about a proper governance structure. He said there is a “smorgasbord” of structures in different states, and HED will look at all of them.

Governor Martinez asked HED to provide an updated map of the state identifying where the institutions are situated, in detail, as well as the square footage of each FTE at each of the institutions, satellite offices and branch campuses. She said she wanted to compare the various campuses to determine where and why there are differences.

Mr. Walke clarified for the Governor that the Grants campus has a student population of 1,500 and 900 FTEs.

Mr. Watson explained that, in the new model, an FTE (full time equivalent) is an individual student enrolled in 12 credit hours.

Mr. Walke also clarified for the Governor that the overall master plan was done in 2006 and the astronomy center on the Grants campus is “not anywhere on the near horizon.” He said NMSU had planned to reinforce that program, but that hasn’t materialized.

Governor Martinez recommended that the long-term plan be updated, and Mr. Walke responded that the 2006 plan is due for an update. Governor Martinez asked that each campus description include the number of FTEs so the Board can understand how many square feet are being dedicated to each student.

Mr. Watson responded that HED considers exactly what the Governor is referring to, among myriad other considerations, as part of the capital coordination process before bringing a
recommendation to the Board for approval.

Governor Martinez commented to NMSU officials that the revenue picture in 2006 was very different from what it is now – in 2006, the revenue picture was very healthy. She said a plan should be based on practical assumptions so it can continue to move forward regardless of the financial picture.

Presenters: Chris Vallejos, Associate Vice President and Strategic Planner; Dale Dekker, Principal, Dekker/Perich/Sabatini Architects
C. University of New Mexico
i. Master/Five-Year Plan

Mr. Vallejos and Mr. Dekker presented an overview of the campus master plan, which was recently adopted by the UNM Board of Regents. The Master Plan has been an ongoing process since 2008 that has included input over the years from constituents and residents in the surrounding neighborhoods.

-- The 2009 UNM Master Plan Update is the first UNM planning effort to cover the three parts of the flagship University: North, Central and South Campuses, stretching from Interstate 40 on the north to Gibson Boulevard on the south.

-- While technically an update to the 1996 UNM Campus Development Plan, the 2009 Update is in many ways a new Master Plan that sets a new direction for the school.

-- It outlines a strategy to unite the three parts of the campus, with specific improvements to circulation, public places and new buildings. The recommendations were vetted with numerous stakeholders and neighbors; the Master Planning team held over 40 meetings to discuss the Master Plan and solicit input.

-- It is expected that, in the next 25 years, the region between Belen and Santa Fe will grow by over 660,000 people. This is important to UNM because nearly two-thirds of its student population comes from these four counties.

-- With last year’s undergraduate enrollment spike, the UNM main campus reached 23,000 FTE, and is on track to achieve 35,000 total headcount by 2018, and roughly 28,000 FTE in that same time period.

-- The goals of the Master Plan were developed by President David Schmidly and the Board of Regents, and focused on student success, systemic excellence, healthy communities coordinating with the Health Science Center and UNMH, and economic and community development.

-- The overall goals of the Master Plan are:
• Synthesize sustainability into all major development decisions. UNM’s commitment to reduce carbon emissions by 50% by 2030 impacts all development and transportation issues.

• Connect the three campuses. A major goal of the 2009 Update is to make North, Central and South Campuses look and function like one unified campus. This requires a comprehensive transportation plan that links the three areas while minimizing the impact of automobiles on surrounding neighborhoods.

• Create a campus that continues to reflect UNM’s unique cultural and architectural heritage. This means preserving UNM’s architecture and landscape while allowing new buildings to articulate a contemporary expression of New Mexico culture. The UNM campus should manifest New Mexico’s “brand” of art, culture and technology.

-- The plan approved by the Board of Regents evolves from a commuter campus to a sustainable urban campus in a live/work/learn/play environment.

-- UNMHSC and UNMH will largely dominate the land uses north of Lomas. Growth over the next 10-20 years will focus on this area in a very orderly way.

-- The South Campus land use plan was built around the primary needs of the intercollegiate athletic programs, as driven by sports and other opportunities for commercial development, as well as housing on the South Campus.

-- Student housing is a major focus. Studies show that student housing allows for a higher student retention rate.

-- Over the last 15 years, UNM has invested $15 million in technology infrastructure.

-- The priorities of UNM moving forward are: showing how projects address the needs of key academic programs; maximizing the utilization of existing space; and renewing existing space.

Mr. Dekker stressed the importance of getting the bond issue passed the next time around, as construction costs will continue to rise.

Mr. Aragon noted that one of the purposes of a land grant college is to meet the needs of the communities, and asked if that was taken into consideration as part of the Master Plan. He said an article in the Albuquerque Journal stated that New Mexico is short by about 1,200 dentists, and asked why UNM lacks a dental school.

UNM Director of Government and Community Relations Marc Saavedra responded that Governor Richardson made a capital request in 2009 to build a dental school at UNM; however, a study showed that it would cost $60+ million to build such a school and another $25 million in
recurring program monies, which is more expensive than the School of Medicine’s recurring expenses. Because it is so expensive, it is not part of the funding formula but instead would have to come from state appropriation money. He said UNM has tried to address this by proposing a bachelor’s degree in dentistry program. In the last session, Governor Martinez signed legislation calling for a study, which will be presented to the Health and Human Services Committee this fall, that will request $400,000 from the Legislature to allow for 20 students from New Mexico to enroll in dental school outside of the state, then return and do their residency at UNM’s dental residency school. He said the idea is to build on this every year.

Presenters: Andrew Cullen, Associate VP for Planning, Budget and Analysis; Ava Lovell, HSC Senior Executive Financial Officer & University Controller

ii. University Financial Overview

Mr. Cullen presented this report, with the following highlights:

-- University budget for FY 2012 was just over $2 billion, representing a 3.4% decrease from the FY 2011 budget.

-- State appropriations for operations are about $275 million, or about 13.5% of the University overall budget.

-- Tuition and fees are approximately $179 million, or 8.8% of the budget.

-- Sales & Services and Patient Care comprise about 50% of the UNM budget.

-- UNMH represents the single largest expenditure category at about 35%; Main Campus, 31%; Health Sciences Center, 26.5%; and Capital Expenditures, 6.1%.

-- Branch campuses (Valencia, Gallup, Los Alamos and Taos) represent about 2.4% of total expenditures.

-- UNM Main Campus revenues in the FY 2011-12 budget are $755.4 million, a decrease of 9.9% from the previous fiscal year.

Responding to Mr. Aragon, Mr. Cullen stated that UNM’s consolidated revenues include $132 million in Local Government Appropriations, which includes property taxes. He said that includes $91 million in the UNMH mill levy, about $6.8 million in branch mill levies, and branch local county bonds at $35.4 million.

Mr. Aragon said he had posed this question because recently he had to take his father to the emergency room at UNM Hospital. His father, who has paid property taxes since 1949, had to produce his insurance card and Medicare card, and there were people sitting next to him who did not speak any English and who did not have to show any proof of insurance, and hospital personnel brought in an advocate to tell this individual what services were available to him at no
charge. Mr. Aragon commented that this is inherently unfair – his father has “played by the rules” for more than 60 years, but the person next to him apparently did not, yet his father did not have the benefit of an advocate to tell him about “all the services he could get for free.” He commented that, if his father were unable to pay for his medical care, his home could be taken from him to cover those costs.

Mr. Aragon asked what plans UNM has to create equity for people who have paid for UNM Hospital and continue to pay for it, in order to get the services they have already paid for many times over through property taxes, versus those who may not have contributed a dime and are getting services without UNM asking for proof of citizenship. He said it is illegal for UNM Hospital to provide taxpayer-funded services to someone who is here illegally.

Governor Martinez commented to UNM officials that UNM Hospital should provide information about services to everyone who shows up at their doors, regardless of whether they have an insurance card or not.

Governor Martinez asked Mr. Cullen if any of the cuts included in the 9.9% reduction percentage were made in any of the vice president positions or any of the other upper level positions, including deans – “the twenty-four number we keep hearing about and reading about.”

Mr. Cullen responded that the number of vice presidents is actually 16, 10 on the main campus and 6 at the Health Sciences Center. He said the next level down is associate vice president. He said he did not know how many there were, but could provide the numbers later.

Governor Martinez asked Mr. Cullen to provide details on how the number of vice presidents and associate vice presidents has changed in the last five years, and to also provide information on what upper level positions have been created in the last five or six years. She said it becomes confusing when UNM announces that it is going to eliminate a position, and then decides to retain it because that individual has signed a contract, and then two more people are added. She commented that it doesn’t sit well with the public to hear about people being brought on board with $250,000 to $300,000 jobs, including benefits, so that UNM can provide them with “safe landing places within the University that weren’t there before.” She questioned whether there is a true need for this kind of a salaried position.

Mr. Aragon commented that the rate of inflation in higher education for students is far greater than that for the average consumer, and asked how it could be so high on a recurring basis at the universities. He asked UNM to justify these inconsistent inflation rates.

Mr. Cullen responded that the economy tanked in the fall of 2008, when budget decisions were being made that were followed by budget cuts in the spring 2009 Legislature. Since that time, UNM’s budgeted state appropriations have been cut $63 million, of which $42 million is from the Main Campus. Of that, about $14 million was made up in tuition and fee increases. Over those three years, tuition and fee increases have averaged 5.5%, of which 3% offset the tuition credit that came down from the state; therefore, the nominal increase in tuition and fees
was 2.5%. He said the balance of the funds, about $20 million, was largely absorbed through budget cuts, mostly through cuts in administration.

Mr. Cullen also stated that UNM is second only to Wyoming in having the lowest tuition fees among its peer groups.

Secretary Clifford said the documentation shows that tuition and fee increases over a three year period were $12.5 million, not $14 million, Mr. Cullen explained that, for FY 2012, there was a 5% increase in tuition that rose to about $4,600. UNM’s tuition and fees currently are about $5,800, of which fees are $1,200. He said fees remain flat. He said the tuition increase was actually 7% but the tuition and fees decrease to 5% when the flat fees are factored in.

Mr. Cullen also explained that the $14 million includes excess unbudgeted tuition from FY 2009-2010 that was banked in anticipation of additional cuts. UNM finally felt comfortable enough in FY 2012 to release some of the banked money into the budget.

Mr. Tinnin said UNM seems to have hundreds of accounts with various pockets of money, and in the past when he was on the Board of Finance, UNM always seemed to be able to come up with money from somewhere. He said he would like to know what all of these accounts contain and what they are earmarked for.

Ms. Lovell responded that UNM has 60,000 accounts, which are consolidated.

Board legal counsel Zack Shandler said Mr. Tinnin was referring to the “Other Funding Sources” category in Form 5, which is routinely submitted to the Board for HED projects. He said these are the kinds of things Mr. Tinnin wants to see on an itemized list. He noted, for instance, that Item 18 on today’s agenda will use $1.5 million in 2012 Building Renewal and Replacement Funds, which is an “Other Funding Source.”

Mr. Cullen said UNM gets about $9.8 million annually in BR&R funds.

Ms. Lovell stated that UNM banks at the Bank of America. UNM has one major depository account, one account for accounts payable, and one account for payroll.

Mr. Aragon commented that empowering various individuals to manage accounts within their departments would seem to be a distraction from their regular responsibilities.

Ms. Lovell clarified that the departments look to see if they have enough money in the budget to make a particular purchase, and then go into their system to request it. If a purchase is not authorized, or there are insufficient monies in the budget to cover the cost, the system automatically stops the transaction.

Mr. Tinnin said he had several questions and would submit them to UNM in writing.
Ms. Lovell discussed the UNM Health Sciences Center FY 2011-12 budget, with total revenues of $1.244 billion (an increase of 1.1% over FY 2010-11). Of the $146 million in other revenues, she stated that $90 million comes from the mill levy.

Mr. Gasparich observed that revenues include Medicaid, Medicare and commercial insurance. He asked what quantity of expenditures consist of patient care not reimbursed by those three sources.

Ms. Lovell responded that indigent care, or uncompensated care, is about 21% of total expenditures, or about $180 million at cost. She said UNM cost-shifts this to the mill levy.

Mr. Cullen noted that the UNM branches have total revenues of $43.3 million, a decrease of 2.4% over last fiscal year. He said most of the budget is based on tuition & fees and state appropriations.

Mr. Cullen stated that, on the capital side, revenues are down 40.6% from FY 2011 for three main reasons: limited funding from the state over the last several years; failure of the statewide General Obligation Bond in November 2010; and UNM is at the tail end of drawing down the dollars associated with UNM’s 2007 bond.

Governor Martinez commented that very high salaries -- and most recently UNM’s attempt to reimburse per diem rates at the federal level, even though state statute dictates otherwise -- become symbols of excess for the general public and prevent people from seeing logical spending in other areas. She said a regent recently told her that per diem for meals is $71 a day, when the per diem for state employees is $30 a day. She commented that the public is becoming frustrated at high salaries and excessive spending.

[Mr. Tinnin excused himself from the proceedings.]

Presenters: Dr. Steve Gamble, President, ENMU; Scott Smart, VP of Business Affairs; John Madden, President, ENMU-Roswell; Dr. Martyn Clay, Provost, ENMU-Roswell; Eric Johnston-Ortiz, VP, Business Affairs

D. Eastern New Mexico University

i. Eastern New Mexico-Roswell Five-Year Plan

Dr. Gamble made a presentation, with the following highlights:

-- ENMU-Roswell is a 4,000-student two-year community college, and turns out many more certificates than degrees. They are open access and have no admission standards.

-- ENMU-Roswell has buildings in three categories: those built in the last five to seven years, which are in fine shape; those built in the 1980s, when ENMU had a massive building
expansion, and all of those buildings are in major need of infrastructure updates; and a number of buildings inherited from the U.S. Air Force, which are being razed.

-- No square footage will be added to the campus in the Five-year Plan (with exception of Educational Center, Phase I, already underway).

Mr. Johnston-Ortiz reviewed capital projects.

**Capital Project currently underway**

-- Educational Center, Phase 1, on today’s agenda as Item 20.

**Capital Project 2011-12**

-- Campus Infrastructure, Phase 1, estimated cost of $3 million. The plan includes updates to the technology infrastructure on campus. The first phase includes mechanical, roofing and parking lot projects. The mechanical projects revolve around replacement of cooling towers, air handlers, chillers, etc.

**Capital Projects 2012-13**

-- Campus Archives and Repository Facility, estimated cost of $2 million. Currently the institution’s archives are located in multiple sites around campus, and some sites do not provide the security required by the State of New Mexico. This new facility, a large air-conditioned shell, will replace one of the large 1950’s Quonset huts in the Physical Plant area; therefore, no additional square footage will be added.

Responding to Mr. Gasparich, Mr. Johnston-Ortiz said ENMU is evaluating what images can be digitally stored and what is required to be in hard copy. ENMU believes that the space required for hard copy storage will be significantly less than the existing space.

-- Campus Infrastructure, Phase II.

**Capital Projects 2013014**

-- Campus Infrastructure, Phase III

-- Physical Plant Complex, estimated cost of $4 million. The current physical plant buildings are Quonset huts constructed 50+ years ago for the old Walker AFB. The buildings are antiquated and in a state of disrepair. Demand for physical plant services has increased along with the growth of the campus and the addition of new programs. The shops, offices and storage areas needed to meet the demand for adequate services require additional space configured in a more effective manner. The project calls for a 23,000 square foot steel structure.
Capital Project 2015-16

-- Campus Electrical Grid and Load Center, estimated cost of $3 million. This will bury the electrical distribution lines and upgrade old pole-mounted transformers to pad-mounted transformers. At present, the campus operates with an electrical grid system designed in 1940.

ii. Eastern New Mexico-Portales Five Year Plan

Dr. Gamble stated that ENMU-Portales takes its mission very seriously, which is to provide the best educational experience for its students.

Dr. Gamble made a presentation, with the following highlights:

-- ENMU has invested $93.5 million toward facilities maintenance and improvements since 2002, with $55 million to I&G facilities and $38.5 million to auxiliary facilities. Of the grand total, 57% came from University funds.

-- ENMU has constructed only one new I&G facility since 1991.

-- ENMU’s current Master Plan (2010-16) calls for no new construction, only renovation.

-- ENMU’s utility bills (energy costs) for I&G and auxiliary facilities decreased by $332,000 between 2006 and 2011 due to the University’s attention to infrastructure and energy conservation. The institution’s HVAC system, chilled water piping, hot water piping, chillers, etc., have been upgraded or completely replaced.

-- ENMU will be the first higher educational institution to produce electricity from a major solar array when its 20-acre project goes online in 2012. This will produce 33% of ENMU’s electricity.

-- ENMU’s space utilization rating (I&G square feet divided by FTE) is the best among comprehensive universities and second best among all universities.

-- ENMU’s facility condition index is the best of all of the state’s four-year institutions, based on an HED-commissioned audit.

-- ENMU’s enrollment history has increased 55.6% in headcount and 34.1% in FTE since 2001. In addition, the freshman class ACT composite score has increased from 18.8 to 2.

Dr. Gamble reviewed ENMU capital projects in the Five-Year Plan:
-- New residence hall to replace Lincoln Hall at a cost estimate of $15.6 million, financed entirely with University bond money.

FY 2012-13

-- Jack Williamson Liberal Arts Building, at an estimated cost of $13.4 million. ENMU hopes to have it financed through 2012 General Obligation Bond monies. Built in 1961 and remodeled in 1986, this building is the highest capacity classroom building on campus and houses the largest number of faculty.

FY 2013-14

-- College of Business Building renovation at an estimated cost of $11 million. Built in 1979, it has never had a significant renovation.

FY 2014-15

-- Student Academic Services Building, constructed in 1948, needs renovation at an estimated cost of $8.5 million.

-- Greyhound Arena infrastructure improvements at an estimated cost of $5 million.

FY 2015-16

-- Golden Library renovations to HVAC, roof, electrical and plumbing systems. The building was constructed in 1952. Estimated cost for project is $7 million.

FY 2016-17

-- University Theater Center renovations to restrooms, access to building, replacement of orchestra pit lift, and other infrastructure improvements, at estimated cost of $7 million.

-- University Computer Center, constructed in 1958 and repurposed in 1995, will require infrastructure updates and other modifications to accommodate teaching and computing needs. Estimated cost of project: $7 million.
Dr. Walters commented that this is the first graduate program HED has brought forward this year. He stated that the proposal was reviewed by the Graduate Deans Council, Academic Council (chief administrative officers of the state’s institutional schools), and Higher Education Review Committee.

Secretary Clifford asked Dr. Walters to provide criteria for reviewing these programs in the future. He said it would be interesting to know, for instance, how a proposed program compares to any on other campuses.

Dr. Walters stated that there is a very intense discussion among the institutions and others about whether a graduate program is really needed and whether there is a demand for it.

Mr. Rivera discussed NMHU’s internal process for reviewing the need for this program. He said the resources required for the program are spelled out within the proposal that is reviewed by the Academic Council, including new faculty, equipment, space, etc.

Mr. Rivera explained that faculty currently in the Management Information Systems program will be moved into this new program as the MIS program is gradually eliminated. He said a number of students in the MIS degree program are switching over to the new degree.

Mr. Walters added that the package submitted for this is 87 pages long, and is reviewed at each level.

Dr. Young stated that she hired Dr. West based on his vision for this program. She said the process for developing this program and bringing it forward has taken several years. She commented that the program not only addresses workforce development and economic development within the state, but it also addresses the need for improving and continuing higher learning at the master’s level in various technical areas that are in high demand in the workforce in New Mexico.

Dr. West explained that the focus of the program is on using technology to address systemic problems in business enterprise and any kind of an organization, including government, and solving the increasingly difficult problems facing society at large — so the focus is on the use of technology and not the technology itself. He said this differentiates it from the large number of computer science programs that already exist in New Mexico.
Mr. Rivera stated that NMHU has been receiving an annual endowment of $100,000 from Los Alamos National Labs, and that has grown to over $1 million. He stated that, over the past two years of the endowment, LANL is allowing NMHU $100,000 each year to develop this program and any other computer science related program.

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

[Treasurer Lewis excused himself from the proceedings.]

Presenters: Robert Watson, Director of Planning, Assessment and Evaluation, HED; Glen Haubold, Associate Vice President for Facilities; Jack Kirby, Executive Director for Facilities Design & Construction; Greg Walke, University Architect and Campus Planning Officer

16. **New Mexico State University, Alamogordo Campus – Requests Approval of Classroom Building Renovations ($927,645)**

Mr. Watson stated that NMSU-Alamogordo requests approval of this project to evaluate the existing incoming electrical service to the classroom building and upgrade as required. The project will also renovate three classrooms into a 24-station computer lab. Technology improvements will be included in the project as well. This is the oldest classroom building in the center of the campus. The project is scheduled for completion between October 2011 and July 2012, and funding sources are a $730,000 Department of Education title V Grant and $197,645 in local general obligation bonds.

There were no questions from the Board.

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

17. **New Mexico State University, Alamogordo Campus – Requests Approval of Pro-Tech Building Re-roofing and HVAC Upgrades ($1,380,365)**

Mr. Watson requested approval to replace four existing roof-air handling units, four heat pumps and all air-handling units with new mechanical cooling. Current rooftop units are 25 to 30 years old and have failed many times. The incoming electrical service will be evaluated and upgraded as necessary. The existing ballasted roof is far beyond its design life and has been patched numerous times, and the south section of the building roof will be replaced. The project is scheduled for completion between October 2011 and July 2012. Funding sources are about $271,000 in state general obligation bonds and $1.1 million in local general obligation bonds.

There were no questions from the Board.
Mr. Aragon moved for approval. Mr. Gasparich seconded the motion, which passed 4-0 by voice vote.

Presenters: Andrew Cullen, AVP of Planning, Budget and Analysis; Chris Vallejos, Associate Vice President for Institutional Support Services

18. University of New Mexico – Requests Approval of Law School Steam and Chilled Water Piping Replacement Project ($1,500,000)

Mr. Watson requested approval to replace about 750 feet of buried steam and chilled water piping on the west and north boundaries of the Law School, Bratton Hall. The project also includes installation of a concrete trench with removable cover to house the piping. The existing piping was initially installed in 1977 and is currently experiencing increased maintenance and leakage. Due to soil conditions and difficulty working in this area, the concrete trench is the preferred solution as it will increase the anticipated life of the new piping significantly. The project will be completed between September 2011 and June 2012. The funding source is 2012 building renewal and replacement funds.

There were no questions from the Board.

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

19. University of New Mexico – Requests Approval of Lobo Field Renovation ($3,275,000)

Mr. Watson requested approval of the Lobo Field Renovation, Phase I. This project would provide for additions and improvements to UNM’s baseball stadium, and includes a new playing field with a core of approximately 1,000 spectator seats, expandable for 3,000 spectators in future phases. Also included are the north sidewalk and entrance, partial west concourse, scoreboard and general lighting, grass seating, new home and visitor dugouts, bullpen, and other features. Funding sources are $2 million in state severance tax bonds and $1,275,000 in private funds.

Governor Martinez asked if any of the $1.2 million in private donations includes naming rights, since at one time it did. Mr. Cullen responded that UNM has been in contact with the Governor’s Office and has provided assurances that there are no naming rights associated with this phase of the project.

Governor Martinez asked if there will be naming rights associated with future donations, and Mr. Cullen said he could not speak to that. He said the project will move forward as Lobo Field, however.
Governor Martinez said her greatest concern was that Johnny Cope and his wife made a donation, and that the field was going to be named after them. She said her administration strongly opposes the naming of a building after a living person, as the naming of a building should be based on someone’s lifetime reputation and not because they donated a half million dollars.

Governor Martinez said she wanted assurances on the record that the field would be named Lobo Field and nothing else. Mr. Cullen responded, “This is going to be called Lobo Field.”

Ms. Clarke stated that each phase of this project will require Board approval.

Mr. Aragon moved for approval, provided that the field will be named Lobo Field. Mr. Spencer seconded the motion, which passed 4-0 by voice vote.

Presenters: John Madden, President, ENMU-Roswell; Dr. Martyn Clay, Provost; Robert Watson, Director of Planning, Assessment and Evaluation, HED; Dr. Steve Gamble, President, ENMU

20. Eastern New Mexico University, Roswell – Requests Approval of Educational Center ($4,800,000)

Mr. Watson requested approval to construct a new educational center totaling 11,381 square feet. The building will contain staff offices and spaces for several critical educational functions, including university transfer programs, continuing education, and career and technical programs. The project will be completed between July 2011 and June 2012. The funding sources for the project are $4 million from the state’s 2009 general obligation bonds and $800,000 from ENMU Roswell plant funds.

Ms. Clarke stated that people may be confused as to why this project is being brought forward in light of the existing moratorium. She said she understands that HED has stated that, because general obligation bonds in the amount of $4 million were approved by the voters previously for this project, it does not want to stand in the way of the will of the voters.

Mr. Watson agreed with Ms. Clarke and commented that HED went through a “severe due diligence process” on this item.

Mr. Aragon moved for approval. Mr. Gasparich seconded the motion, which passed 4-0 by voice vote.
PRIVATE ACTIVITY BONDS
Presenters: Jay Czar, Executive Director; Gina Hickman, Deputy Director of Finance and Administration


Mr. Czar requested $62,000,000 of the 2011 allocation of Private Activity Bond cap for single-family housing purpose bonds. This is the full amount allocated to the single-family category by the Board at its December 2010 meeting. The amount requested is expected to benefit about 477 borrowers statewide.

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

22. WITHDRAWN.

EMERGENCY FUND BALANCES
Presenter: Stephanie Schardin Clarke, Interim Director

23. Emergency Balances — September 2011

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
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<tbody>
<tr>
<td>Operating Reserve Fund</td>
<td>$1,500,000.00</td>
</tr>
<tr>
<td>Emergency Water Fund</td>
<td>$118,400.00</td>
</tr>
</tbody>
</table>

Ms. Clarke reported these balances.

STAFF ITEMS
Presenter: Stephanie Schardin Clarke, Interim Director

23. Approval of Sixth Amendment to Fiscal Agent Agreement with Wells Fargo to Incorporate Reloadable Debit Card Services for the Children, Youth and Families Department and Contemplating Extension through October 31, 2012

Ms. Clarke stated that staff has prepared two versions of the sixth amendment to the fiscal agent agreement with Wells Fargo for the Board’s consideration. The first version includes provisions to allow Wells Fargo to provide reloadable debit card services to the Children Youth and Families Department for payments made to foster parents and home childcare providers. This is expected to save about $3,200 per year in banking fees and about $16,600 per year in CYFD’s staff, vehicle and other costs by reducing the number of paper warrants issued for these payments. Ms. Clarke said the terms negotiated with Wells Fargo very closely mirror the terms
of the Reloadable debit cards used by the Department of Workforce Solutions and the Child Support Enforcement Division.

Responding to Secretary Clifford, Ms. Clarke stated that all of the reconciliation and documentation information remains the same, and she had a discussion with the Interim Financial Control Director, Steve Gonzales, who said he was comfortable from a reconciliation and tracking standpoint. She also noted that the process to determine continuing eligibility also remains unchanged.

CYFD representative Matthew Romero stated that the system will remain intact—a reloadable debit card and an ACH transaction will involve identical processes.

Mr. Aragon noted that Wells Fargo will be instituting a $3 monthly fee for accounts using debit cards, and asked if that applies here. Ms. Clarke responded that this does not apply, as the Board negotiated the fees for these debit cards as part of the fiscal agent contract.

Ms. Clarke stated that, in addition to these provisions related to CYFD, the second version of the sixth amendment includes a six-month extension of the agreement from the current expiration date of May 1, 2012 through October 31, 2012. At the July 19, 2011 meeting, the Board approved a one-year extension through May 1, 2013, but it is her understanding that Board members may wish to discuss that amendment in light of events that transpired after the Board approved the extension but before it was fully executed.

Mr. Spencer said he understands the Board is very satisfied with the services being provided by Wells Fargo as the state’s fiscal agent. He commented that it is a long and involved process to change fiscal agents. He added that Wells Fargo’s decision to charge a $3 monthly fee to New Mexico accounts is a test case as part of their attempt to recoup monies taken away by the Dodd-Frank Act. If it turns out to be a bad decision, perhaps some of New Mexico’s independent banks will reap the rewards from it. He said he felt the Board should base its decision on how the fiscal agent performs for the state and not how they price their products.

Ms. Clarke stated that she did speak to Wells Fargo representative Mark Pike about the decision to charge the $3 monthly fee, and Mr. Pike did contact officials at the corporate level, and the bank is unwilling to change their decision.

Ms. Clarke stated that, if the Board chooses to approve the sixth amendment without the six-month extension, there is already a one-year extension in place, so the Board would simply be approving the CYFD provisions. If the Board approves the six-month extension, the fifth amendment will never be executed.

Mr. Gasparich said he agreed with Mr. Spencer’s point and thought the Board should keep this agreement in place for another year.

Mr. Aragon said he felt the Board should approve the second version of the sixth amendment, which includes the six-month extension.
Mr. Aragon moved to approve the version of the amendment with a six-month extension.

The motion died for lack of a second.

Mr. Gasparich moved to approve the first version of the amendment without a six month extension. Mr. Spencer seconded the motion, which passed 4-0 by voice vote.

[Governor Martinez excused herself from the proceedings. The quorum was temporarily lost until Lt. Governor Sanchez re-joined the proceedings approximately five minutes into the following item.]

26. Approval of Proposed Changes to Rule on Voting Machine Acquisitions

Acting Chair Gasparich made the following statement: “The next item on the agenda is a Public Hearing on changes to the Board’s Rules. I now declare the hearing record open. Staff has proposed these changes and we will start with staff providing testimony on why these rules should or should not be adopted. The Board is free to ask any questions. Then, we will allow anyone from the audience to provide oral or written testimony. We should hold off on any deliberations among ourselves until we receive all the testimony. When we have received all of the testimony, I will close the hearing record. Then, the Board may start deliberating the merits of the rule. I will entertain a motion to accept, modify, or reject the proposed rule. We may modify the rule as long as it is the logical outgrowth of the rule as published in our packet.

“I need to state two legal items for the record. First, rules become effective 30 days after they are filed at Records and Archives. Second, the legal standard is that we need to inform the public of our reasoning when we choose to amend our rules. The comments of one member on the record, if it explains our reasoning, satisfies this legal standard. We are ready for Ms. Schardin Clarke to make her presentation and submit any exhibits into the record.”

Ms. Clarke reported as follows: “At the July 19, 2011 meeting the Board approved publishing of proposed changes to the Board’s rule on Voting Machine Acquisitions. Exhibit A on your laptops is the version of the rule that was published for public comment, and Exhibit B shows evidence that notice of the rule change was published.

“Staff received two sets of comments on the proposed rule changes prior to September 14, which was the end date for the public comment period. Exhibit C includes the comments received from Tom Dow, General Counsel to the Secretary of State’s Office, while Exhibit D includes comments received from Daniel Ivey-Soto, representing the New Mexico County Clerks Affiliate.

“As a result of further review by staff and consideration of the comments received, staff made several updates to the proposed rule change, and those changes are tracked in blue in Exhibits E and F. One substantive issue remains outstanding that the Board must decide.
Exhibits E and F provide two versions of the rule for the Board’s consideration, and I would now like to explain the differences in the two versions and outline the arguments for each.

“This rule change was prompted by changes to the Election Code enacted by the legislature in 2010. That legislation significantly changed the Board’s role in voting system acquisitions. Previously, all voting system purchases required Board of Finance approval, and all voting systems were to be purchased by the Board and the Board entered into lease purchase agreements with counties for counties to pay for the voting systems and accept title.

“Now, the Election Code differentiates the process to be followed for a certain number of voting systems that are required by the Election Code for each county, versus voting systems that are in addition to the number of required machines. The statute remains clear that the Board of Finance is still authorized to approve additional machines and purchase them on behalf of counties and be repaid through the lease purchase agreement arrangement.

“However, there is a gray area in statute as to whether the Board must approve acquisition of machines that are ‘required’ by the Election Code, and that is the Board’s decision today. One version of the rule, Exhibit E, would only call for Board approval of additional machines. The other version, Exhibit F, would require Board approval of required machines as well.

“The case for interpreting current statute as requiring Board approval for required voting systems lies within Section 1-9-7(B), which states, When authorized by the state board of finance, the board of county commissioners may acquire new or previously owned voting systems. This section requires Board approval without distinction as to whether voting systems are required or additional.

“The case for interpreting current statute as not requiring Board approval of required machines lies within Section 1-9-5(B), which provides that the secretary of state shall provide to the county clerk of each county at least one voting system for use in each polling location in the general and primary elections, and Section 1-9-7 states that the secretary of state shall provide to the county clerk of each county a sufficient number of voting systems as required by the election code for the conduct of primary and general elections. Based on these statutes, the secretary of state’s office believes they are required to purchase the required voting machines for the counties and may not require counties to reimburse the State. If the State keeps ownership of the required machines, then the requirement of Section 1-9-7(B) requiring Board approval for the board of county commissioners to acquire new or previously owned voting machines would not apply.

“That concludes my presentation, and I am happy to answer any questions before or after any public comment.”

Mr. Aragon said he favored adopting Exhibit E, which requires Board approval only of additional machines.

Mr. Shandler noted that the Voting Revolving Fund allows the Secretary of State to have access to the revolving fund, which is housed in DFA, and they can use that for hardware,
software, firmware and maintenance without Board of Finance approval. He said the fund has around $395,000 in it, and it is possible that the fund could be drained and then a county could come to the Board and ask for additional monies.

Ms. Clarke said it is also possible, in that scenario, that the fund could have a zero balance, and there could be a need for required machines, and the counties would then go to the Secretary of State for the money, and the Secretary of State would not have the money to purchase the required machines.

Mr. Aragon commented that statute governs nonetheless.

Daniel Ivey-Soto, representing the New Mexico County Clerks Affiliate, stated that the amendments address most of their concerns, and requested that the Board adopt option E.

Mr. Ivey-Soto noted that the structure of the use of the fund provides that counties may access the fund only when their accessing the fund would not result in a balance of less than $1 million; so he thought there was a plain language reading that says counties can be shut out. He said the intent of the policy was that the Secretary of State could always access the fund for maintenance as needed.

Mr. Ivey-Soto also stated that there is nothing in the statute that asks for a rule from the Board of Finance; however, Section 1-2-1(A)(2) of the Election Code states that “the Secretary of State is the chief election officer of the state and shall, subject to the state rules act, make rules pursuant to the provisions that are necessary to carry out the purposes of the Election Code.” He said he believes this rule should be transferred to the jurisdiction of the Secretary of State.

Mr. Ivey-Soto asked the Board to make a motion to transfer this rule, or, alternatively, approve option E.

Thomas Dow, general counsel to the Secretary of State, said they have no problem with the rule regarding additional voting systems, but believe they are authorized under statute to make purchases for the required systems. With respect to the revolving fund, he said he thought it appropriate for the Board to allow DFA and the Secretary of State to work out the checks and balances between them in terms of making purchases from the revolving fund.

There was no further public comment, and the public comment record was closed.

With respect to transferring the rule to the Secretary of State, Ms. Clarke stated that, one way or another, the Board will approve the acquisition of additional machines at some point down the road, and she feels it is within the Board’s authority to have a rule governing what its application process is for additional machines.

Mr. Spencer moved to adopt Exhibit E. Mr. Aragon seconded the motion, which passed 4-0 by voice vote.
27. **Adoption of Emergency Funding Policy**

[Deferred to the October meeting.]

28. **Fiscal Agent/Custodial Bank Fees**

Ms. Clarke stated that fiscal agent and custody bank invoices are shown for all of FY11 and for the first few months of FY12 in the materials. Across all of FY11, the state’s balance subject to earnings credits at the fiscal agent averaged $68.3 million, up from $55.4 million in the previous fiscal year. Fees paid to the fiscal agent in FY11 totaled $657.2 thousand, which reflects credit for four months as part of our contract with Wells Fargo. Fiscal agent fees would have totaled $871.8 thousand in FY11 without that credit.

Ms. Clarke reported that custody Bank fees totaled $3.5 million for all four investing agencies. The Board is responsible for paying only the State Treasurer’s portion of that balance, which was $83.9 thousand in FY11.

29. **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 approximately 2:10 p.m.

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Susana Martinez, President

10-6-11

Date

John Gasparich, Secretary

10/5/11

Date