MINUTES OF THE
NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING
Santa Fe, New Mexico

November 18, 2014

A Regular Meeting of the New Mexico State Board of Finance was called to order on this date at 9:05 a.m. in the Governor’s Cabinet Room, Fourth Floor, State Capitol Building, Santa Fe, New Mexico.

1. **ROLL CALL: QUORUM PRESENT**

**Members Present:**
The Hon. John Sanchez, Lt. Governor [leaving at 11:00 a.m.]
The Hon. James B. Lewis, State Treasurer
Mr. Adelmo “Del” Archuleta, Public Member
Mr. Michael Brasher, Public Member, Secretary
Mr. John Kormanik, Public Member

**Members Excused:**
The Hon. Susana Martinez, President
Mr. Robert J. Aragon, Public Member

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

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

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

**NEXT REGULAR MEETING: TUESDAY, DECEMBER 16, 2014**

Ms. Clarke stated that Item 5 (Village of Angel Fire emergency funding request) was withdrawn after the agenda was published.

Mr. Brasher moved to approve the agenda, as amended. Treasurer Lewis seconded the motion and it passed 5-0 by voice vote.

Lt. Governor Sanchez recognized and congratulated Treasurer-elect Tim Eichenberg, who was attending today’s meeting.

3. **APPROVAL OF MINUTES: October 21, 2014 (Regular Meeting)**

Mr. Brasher moved for approval of the October 21, 2014, minutes, as submitted. Treasurer Lewis seconded the motion, which passed 5-0 by voice vote.

**EMERGENCY FUND BALANCES**

Presenter: Stephanie Schardin Clarke, Director

4. **Emergency Balances – November 2014**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve Fund</td>
<td>$1,912,100.00</td>
</tr>
<tr>
<td>FY14 Emergency Water Fund</td>
<td>$118,100.00</td>
</tr>
</tbody>
</table>

Ms. Clarke reported these balances.

**EMERGENCY FUNDING REQUEST**

Present: Diane M. Nuñez, Finance Manager

6. **Bluewater Water and Sanitation District – Requests Approval of Partial Conversion of Emergency Loan to Grant or Extension of Repayment Schedule**

Ms. Nuñez requested approval of a waiver, loan extension, or a grant to cover the cost of the remaining balance from an emergency loan approved by the Board in September 2012 in the amount of $78,300.

Ms. Nuñez discussed the events leading up to this request. Bluewater had monies set aside for its December 1, 2014 payment, but the monies were expended to cover the cost of two primary air pumps their portion of a Preliminary Engineering Report (PER) to replace a 68 year old well, which is the only well currently serving the community of Bluewater. This expenditure created a shortfall for 2014.
Ms. Nuñez stated that Bluewater plans to raise their water rates to cover additional costs.

Ms. Clarke stated that the Board’s evaluation criteria established in its emergency funding policy for requests to forgive or extend emergency loans states that the Board “may make an oral determination at its meeting than an extraordinary circumstance exists and thus may heavily weight its decision on any one criterion when evaluating the merits of a request.” She said the criteria established in the policy are as follows:

-- Demonstration that significant efforts have been made to repay as much of the emergency loan as possible by the scheduled payment date, including but not limited to exhaustion of the public entity’s ability to increase its revenues, grant funding, federal funds, fund balances and reserves, implementation of austerity measures, and seeking legislative appropriations for repayment.

-- Whether any portion of the loan will be repaid by the scheduled payment date, with consideration given for loans for which partial payment has been made.

-- Timeliness with which the public entity has informed the Board of its inability to make a scheduled payment.

-- Past compliance with requirements to submit quarterly reports.

Lt. Governor Sanchez asked if those criteria have been met, and Ms. Clarke responded yes.

Ms. Clarke stated that, starting with the first criterion, from the original amount loaned of about $78,300, insurance claim funding was used to repay almost $38,000 almost immediately after the loan was made. Also, they made their December 1, 2013 payment of $7,830 on time. Regarding timeliness of informing the Board, the Board was informed in October 2014, ahead of the December payment deadline, and she would consider that timely. With respect to past compliance with quarterly report submission, she commented that their compliance has been excellent.

Responding to Mr. Kormanik, Ms. Clarke stated that staff’s recommendation (appearing as Exhibit “A” on page 69 of the electronic agenda) is to revise the payment schedule so that no payment is due in December 2014, and then the entire schedule is shifted back by one year. Under this arrangement, Bluewater would begin payment $7,830 per year starting in December 2015. Given that the insurance payments were already applied to the loan, that would mean annual payments would be made in 2015, 2016, 2017 and 2018, and a small remainder payment on December 1, 2019 would be made to repay the loan in full.

Mr. Kormanik asked Ms. Nuñez if she thought this was a reasonable recommendation, and Ms. Nuñez responded yes.
Mr. Carrasco recommended placing a condition on any motion that it be subject to receipt of a request from the governing body.

Mr. Carrasco recommended that any motion to approve this request and staff recommendation include a finding that extraordinary circumstances exist as described by Ms. Clarke that would warrant taking such action.

Mr. Kormanik moved for approval of staff’s recommendation, incorporating the two recommendations made by Mr. Carrasco. Mr. Brasher seconded the motion.

Responding to Mr. Archuleta, Ms. Nuñez stated that the well is producing, but has arsenic in the water. The need to have another well required a PER for a new well, which will serve as the main well, with the older well serving as backup. She said arsenic levels are at 16 ppb and the standard is 10 ppb, and the plan is to blend the water from the two wells to dilute the arsenic to an acceptable level. She said they have received an environmental assessment.

Ms. Nuñez stated that the governing body will be meeting tonight and will approve this request.

The motion passed 5-0 by voice vote.

**SEVERANCE TAX NOTES**

Presenter: David Buchholtz, Bond Counsel, and Matt Beck, Rodey, Dickason, Sloan, Akin & Robb Law Firm

7. **Approval of Severance Tax Note Resolution, Series 2014S-C**

8. **Approval of Supplemental Severance Tax Note Resolution, Series 2014S-D**

Mr. Buchholtz stated that these are short-term notes sold overnight to the Treasurer’s Office in order to fund certain projects approved by the legislature, and to fund the activities of the Public School Capital Outlay Council.

Mr. Buchholtz stated that, with respect to the C note, the amount is approximately $25 million, which is a relatively small amount because of the number of projects approved in the first round in the spring, as well as formulaic constrictions placed on the amount of those bonds. In large part, those projects either weren’t ready in the spring or had legal issues that had to be dealt with. He said there will be more detail provided on those projects at the next Board meeting.

Mr. Buchholtz stated that the D series bonds are expected to be about $160 million and will be for capital outlay programs for the public schools and other needs of the Public School Capital Outlay Council.
Mr. Buchholtz noted that there has been some policy discussion over the years about the amount of money that is used for bonding purposes relative to what is deposited in the Severance Tax Permanent Fund (STPF). He said he understands the SIC may be pursuing legislation relative to the amounts of money used for these purposes and the amount that is deposited into the STPF. He added that there was a $120 million deposit into the STPF in June.

Secretary Clifford commented that revenues are going down, however, so it seems unlikely there will be a transfer of that size this year.

Ms. Clarke commented that the impacts to price reductions in oil and gas will likely be realized during the second six months of this fiscal year because there is a three-month lag between production activity and receipt of revenues.

Secretary Clifford asked if the Board has discretion in the amount it can issue in notes, or is it bound by the statutory formula.

Mr. Buchholtz responded that, as the Board knows, the Governor adopted an Executive Order in regard to the propriety of certain projects getting their funding if those governments were not in compliance with their audits. He said there is a strong directive in statute that bonds need to be issued if projects are ready to be passed, but the Executive has retained some authority in regard to issues like audits.

Secretary Clifford asked what if the Board should decide that more funding should go to the Permanent Fund rather than supplemental notes. Mr. Buchholtz responded that the Board has an obligation to issue bonds for those projects if the projects are ready and there are no other issues.

Mr. Kormanik commented that this is a cash transaction, and Board policy states that the purpose of the Severance Tax Note Program is to make funds in the Severance Tax Bonding Fund that are not needed to fund long-term severance tax and supplemental severance tax bonds available for cash funding of capital projects. He asked why the Board goes through the process of issuing a short term note, receiving funds from the State Treasurer, and then the next day receiving funds from the bonding fund to pay the State Treasurer back. On the surface, this appears to be hiding a cash transaction that is funding appropriations for capital projects made by the legislature and an ongoing continuing appropriation to the Public School Capital Outlay Council. He questioned what the rationale was for this, since it would seem easier for the legislature to simply set up a capital projects fund and then make appropriations from it.

Mr. Buchholtz responded that sometimes these are called sponge bonds, and the constitutional and statutory mechanisms that create the Severance Tax Permanent Fund and the Severance Tax Bonding Fund require that taxes that are paid on severance of natural resources go into the bonding fund to pay for bonds and not for cash expenditures or other outlay. After those payments are made, what’s left in the Severance Tax Bonding Fund is deposited twice a year into the STPF. About 20 years ago, the mechanism was derived and then
approved by the legislature over many years, that because of legal restrictions on the use of these funds for other debt service, they would create an artificial debt service to "sponge" the money out of the Severance Tax Bonding Fund and using it for capital programs approved by the legislature, and doing it through the mechanism of the note because of the underlying constitutional and statutory requirements.

Secretary Clifford asked Mr. Buchholtz to research whether this mechanism is used elsewhere and whether there have been court challenges to that.

Secretary Clifford asked what the transaction costs are in generating a note.

Ms. Clarke responded that, for such a transaction, the Board pays the financial advisor and bond counsel, but not disclosure counsel. The Board also does not pay the rating agencies, which is a significant cost in long-term public sales. She estimated that the total cost for $175 million in sponge notes might be around $50,000 to $60,000.

Mr. Buchholtz added that bond counsel does a lot of work with staff on a day-to-day basis associated with these transactions that is not compensated by an hourly rate.

Mr. Kormanik asked if this transaction mechanism could be considered illegal because it's a cash transaction and potentially a violation of the New Mexico Constitution. Mr. Buchholtz responded that bond counsel gives a legal opinion that the bonds are valid, and waits for a statutory period to run prior to issuance and the bonds are outstanding for only a short period of time. Given the history of the program, the legislative analysis, "and the study that was done by my law firm, by myself, by prior bond counsel, when I was with prior bond counsel with that law firm when we developed the program, I believe there was a sense of very good lawyers, besides myself, that the program would withstand constitutional scrutiny."

Secretary Clifford stated that, as he understands it, the Board receives certification from either the legislature or from the Public School Capital Outlay Council saying they have projects that are ready to fund, and that determines the size and capacity of the notes being issued. He said DFA has been pushing the Public School Capital Outlay Council to have a specific list of projects in mind when they make that certification. Since that determines this Board's action, it is important they have a specific set of projects as part of their certification.

Mr. Brasher moved for approval of Item #7. Mr. Kormanik seconded the motion, which passed 5-0 by voice vote.

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

Mr. Buchholtz advised the Board on recent SEC developments.
Mr. Buchholtz stated that, about 40 years ago, the US Congress passed the Tower Amendment, which restricted the ability of the Congress and SEC to regulate the registration of municipal securities. Nevertheless, over the years, there has been pushback relative to issues such as disclosure in the marketplace in the municipal securities market, and the ability of the SEC to regulate disclosure matters. About 20 years ago, SEC Rule 15c2-12 was adopted, which requires underwriters to get from issuers (such as the State Board of Finance) promises to make available annual filings of their audits as well as disclosure of significant material events. Notwithstanding the Rule, the SEC felt there had not been overall the necessary disclosure made by governments as a whole in meeting their continuing disclosure obligations, and the SEC was looking for a way to become more of an enforcement agent in making sure that those obligations were met because, as a matter of state contractual law, the SEC doesn’t have the ability to directly enforce continuing disclosure obligations. He said the SEC does have the ability, however, to take enforcement actions against governments not making full disclosure in their securities documents. One of the disclosures that is considered by the SEC to be material, and part of what the SEC might enforce, would be disclosures that say, “We as a government either have or have not met our obligations under our continuing disclosure contracts.”

Mr. Buchholtz said the SEC decided this year to open up a voluntary program where underwriters and issuers could, in effect, go to the SEC and say they weren’t as good as they should have been regarding their continuing disclosure, and that the SEC would in turn be softer in whatever punishment they might mete out.

Mr. Buchholtz reminded the Board that this is in the context of the SEC having brought perhaps 25 enforcement actions against tens of thousands of municipal financings over the last number of years. Nevertheless, the volunteer program caught the eye of Wall Street, the underwriting community and the legal community.

Mr. Buchholtz said the reporting deadline for underwriters was the end of August, and for issuers the deadline is coming up in December. He commented that there is a lot of scurrying around in the bond community, investment banking community and bond counsel community as to what to do about all of this, with a lot of differing opinions. It did require governments, however, to undertake a fair amount of due diligence to determine whether they should turn themselves in.

Mr. Buchholtz said one of the tests was whether an issuer had been reported by an underwriter. He said he had no knowledge of any underwriter having reported any issues with the State Board of Finance in regard to its reporting activities. He said his firm did its own investigation of its reporting activities and determined that, about two years ago in a sale to Wells Fargo, there was a relatively current audit about the state of their disclosure responsibilities, which came out “pretty clean.” He said that, in discussions among themselves, staff and the state’s financial advisor, staff has determined, with counsel’s advice, that there is no need for this government to turn itself in with regard to disclosure issues; and in any event, the program is voluntary. He added, “If you consider the record that we’ve had, the good work this Board has had in engaging its own disclosure counsel, in preparing its disclosure materials,
in making filings when they are due or reporting them when they have been delayed or late, as we have had to do, that under all of those circumstances, it would not be something that this entity would be obliged to do.”

On a second matter, Mr. Buchholtz reported that the SEC fined the mayor of Allen Park, Michigan $10,000 for having been a control person over an issue of Allen Park general obligation bonds that had made material misstatements about an economic development program they were conducting in connection with the issuance of the bonds. The program wasn’t what it was expected to be and did not produce the cash flows that were reported to be available to cause the bonds to be paid. Allen Park had to go into receivership, and it was a major amount of their budget.

Mr. Buchholtz commented that the concept of the SEC fining an elected official for not having met his obligations in connection with the issues of securities was another step forward in the use of enforcement powers by the SEC.

Secretary Clifford commented that the state is obviously in a deficient situation with regard to disclosure of its failure to reconcile the general ledger to the bank between the time the SHARE system was implemented and February 2013. In addition to that, the state was in deficiency of statutory requirement to file an audited CAFR since 2004. He asked how those issues were handled in terms of coming into compliance with the SEC requirements.

Mr. Buchholtz responded that the State has made disclosure about those matters as the facts developed over time. He said they are not the kind of matters that would require a Material Event Notice be filed with the SEC, so such notices were not filed.

Secretary Clifford asked what constitutes “material.” Mr. Buchholtz responded that a Material Event Notice is a list of 15 specific items, e.g., failure to pay interest, calling the bonds and other significant activities. They require notice within ten business days. He said these particular events were disclosed as the facts transpired, and disclosure counsel is monitoring the current facts so it can produce a current report.

Secretary Clifford said he would encourage disclosure counsel to research this, because the audits did not disclose these issues for a number of years, and to say the facts were disclosed as they became known is therefore not really accurate. He added that he found it hard to believe that these lack of controls did not rise to a level of materiality for the SEC.

Mr. Buchholtz responded that they certainly rise to the event of materiality in the sense of what disclosure is made when bonds are being sold or when the annual report is made. He said disclosure counsel believes it disclosed the facts as they were known to staff, to the Board and to counsel at the time those filings were made; and as events have transpired when new facts have been learned, that those discussions have been amended and reviewed to update disclosure. Since the last bond issue, and coming up towards the statement that will be due in
January, new events have transpired. A lawsuit may have been filed, for instance, and counsel will cause there to be complete material disclosure when the annual report is filed.

Secretary Clifford said he would visit this issue further with Mr. Buchholtz, as questions remain.

Mr. Kormanik asked whether the Board has responsibility for disclosure for bonds issued by other State issuers. Mr. Buchholtz stated that the Board is not responsible for disclosure of other issuers whose bonds are approved by the Board.

PRIVATE ACTIVITY BONDS
Presenter: Jeff Primm, Deputy Director
9. Approval of Private Activity Bond Cap Allocation Expiration Date

Mr. Primm stated that, pursuant to the Private Activity Bond Act, 6-20-2A NMSA, the Board is required to set a date by which unexpired private activity bond allocations must be used by an issuing authority. As has been the practice in the recent past, staff recommends an expiration date of December 26, 2014.

Mr. Primm stated that the only item to which this would apply would be Item 12 on today’s agenda and that December 26 would be the desired expiration date for the New Mexico Mortgage Finance Authority.

Mr. Brasher moved approval of staff’s recommendation. Treasurer Lewis seconded the motion, which passed 5-0 by voice vote.

Presenter: Jay J. Czar, Executive Director; Erik Nore, Director of Homeownership;
Dan Foster, Housing Development Department
10. New Mexico Mortgage Finance Authority – Report of Projected Need for
Private Activity Bond Volume Cap

Mr. Czar stated that MFA is not requesting any 2015 cap for their single-family first time homebuyer program. Up until 2010, MFA used 100 percent of its allocated bond cap every year, but over the past few years market conditions have made it very difficult to use the full allocation, and low interest rates have made it much more difficult to compete with market interest rates. Traditional bond transactions have also not been economically feasible. MFA and all other state financing agencies have been forced to sell their mortgage loans directly into the secondary market to maintain a viable homeownership program. He said next year they expect to use the bond program for half of all of their activity, however.
Mr. Czar noted that MFA clients' average home purchase price is $126,000, and an average loan amount is $122,000. He said the average home price in New Mexico today is $164,000; in Las Cruces, $179,000, in Albuquerque, $195,000, and in Santa Fe, $440,000.

Mr. Nore discussed details of the program.

Mr. Czar requested the following:


-- For 2015, 2016 and 2017, MFA requests $50 million per year for multifamily development, for a total of $150 million.

-- MFA requested that all of its 2015 bond cap for single-family home ownership be awarded as 2014 carryforward.

Responding to Mr. Kormanik's concerns that homebuyers have little or no equity in subsidized housing and could default, which creates exposure for the Board, Mr. Czar said it can take many months or years for their clients to qualify for MFA's mortgage products, and they also receive homebuyer counseling. He said the number of late payments and foreclosures for MFA clients is considerably lower when compared to other products offered in the region or country.

Presenter: Ed Romero, Executive Director

11. Santa Fe Civic Housing Authority – Report of Projected Need for Private Activity Bond Volume Cap

Mr. Romero made a presentation on the Santa Fe Civic Housing Authority (CHA), which is requesting $16 million multifamily in PAB volume cap for 2015.

Presenters: Jay J. Czar, Executive Director; Dan Foster, Housing Tax Credit Program Manager; Ed Romero, Executive Director, Santa Fe Civic Housing Authority

12. New Mexico Mortgage Finance Authority – Requests Approval of Private Activity Bond Volume Cap for Santa Fe Community Living Multifamily Housing Development in Santa Fe, including the Hopewell/Mann Apartments, Senda Lane Apartments, Gallegos Lane Apartments, Cerro Gordo Apartments and Agua Fria Apartments ($11,000,000)

Mr. Foster made a presentation on the Santa Fe Community Living project.

Mr. Foster stated that the project has a total of 120 units in five sites, 118 of which will be low income and two of which will be set aside for law enforcement officials. He said the request
is for bond cap not to exceed $11 million, for a total development cost of about $21.5 million. He said the other funding sources for this project will be private loans, and the following day's MFA Board agenda will include a home loan of $600,000 and a Housing Trust Fund loan of $500,000. He said there are also solar credits and some financing by the Housing Authority.

Mr. Foster stated that the HUD Rental Assistance Demonstration (RAD) program is also unique to this project. He said many units will have rental assistance contracts attached to them.

Mr. Foster and Mr. Romero responded to three questions that had been posed by staff earlier.

Mr. Foster stated that the lease has a deadline of August 30, 2018 for the property to have secured tax credits. He said he has issued a draft determination letter, which will turn into a final determination letter after the bond cap is approved today, and after Mr. Romero pays reservation fees to MFA.

Regarding ownership of the property after the 99-year lease is given to the Civic Housing Authority by the state, Mr. Romero said the lease states that the improvements and future development improvements would revert to the City of Santa Fe.

Mr. Romero also clarified that HUD and the City of Santa Fe established the Housing Authority in 1963, originally called the Housing Authority Department within the City of Santa Fe. In 1989, the Housing Authority transferred all of its assets to the City, with the exception of the land, which is leased with the City. He said the City holding the land lease is in the best interests of all involved.

Responding to Secretary Clifford, Mr. Foster said the Housing Authority takes the biggest risk, however, the purchaser of the bonds is also the equity investor, so in a sense they are providing construction loans up front. Those are being guaranteed by the Housing Authority, so there is some shared risk.

Mr. Foster also clarified that part of the transition is that the acquisition itself generates credits, so it will be legally transferred from the Housing Authority to the limited partnership. That is considered a transfer in terms of IRS regulations, which makes it eligible for generating more tax credits. He said the property ultimately ends up being owned by the equity investor at 99.9 percent. He stated that their only interest in it is the tax credits and any losses that they can claim due to their investment, so they are not looking at it in terms of a long-term investment. After 15 years, they will exit the partnership and a typical structure is that the Civic Housing Authority will be able to buy the LP interest for whatever their exit taxes are.

Mr. Foster said MFA also has a compliance staff that monitors maintenance and compliance issues.
Mr. Primm stated that, should the Board choose to approve this allocation, the Board is not explicitly approving the lease document or purchase agreement, which may contain some provisions that are perhaps not advisable or enforceable, but is only reviewing the cap allocation portion of the request.

Mr. Primm also stated that, based on the Board’s PAB Rule 2.61.4.8(A)(L), to make any allocations after November 1, the Board needs to deem it advisable to use and share the state’s ceiling among allocation categories and fully utilize PAB cap as available. Staff therefore recommends that the Board deem it advisable to make an allocation after November 1 in order to utilize state PAB cap during the current year.

Mr. Brasher asked if the Civic Housing Authority has services available to address substance abuse or mental health issues when that type of clientele is part of their community. Mr. Romero responded that the Civic Housing Authority does not receive subsidies to deal with those issues although about 10 percent of their clients have these issues. He said the Civic Housing Authority does reach out to the appropriate sources in the community, however, and also has a Local Lead Agency that helps in providing those services.

Mr. Brasher commented that, based on what the Board has reviewed over the years, this is an area that needs to be more robustly addressed.

Mr. Primm noted that staff had a question about whether the existing and future improvements on the property that is subject to the 99-year ground lease from the City of Santa Fe would revert back to the City at the end of the lease term. Mr. Romero responded that this was correct. He said Section 15.1 of the lease states that they are given back to the landlord at the end of the lease term.

Mr. Primm said the leasehold interest in Section 2.2 of the lease is conditioned upon the tenant obtaining an award of low income housing tax credits from the Mortgage Finance Authority. He asked if MFA’s award of tax credits is as far forward as it could possibly be at this stage.

Mr. Foster responded that he issued the draft determination letter. He said the final determination letter cannot be issued until the bonds are allocated. After today’s meeting, they will issue the final determination letter. He added that they are much farther along in the approval process than they typically would be. He said there is no reason to believe that anything would happen that would prevent the issuance of the tax credits. He said they did their “consistency review,” which was good enough to get the investor to invest in the tax credits on the project.

Mr. Primm asked for confirmation that the project and issuer (MFA) believes it would be able to issue bonds for the project prior to the expiration date of December 26, 2014. Mr. Romero said that was correct.
Mr. Foster pointed out that, although the written materials reflect 111 units of the total 118 low income units will have a rental assistance contract, HUD has more recently come back to state they want more units than that. He stated that the number has therefore been increased to 114. He added that, while this will not substantially impact the cash flow of the project, it diminishes the annual income of the property by about $6,500.

Treasurer Lewis asked Mr. Romero to comment on the fact that it is very difficult for police officers, firefighters and public safety officers to find affordable housing in Santa Fe, and a number of them in Rio Rancho and other more affordable communities. He asked if these personnel are able to find affordable housing through the Civic Housing Authority.

Mr. Romero responded that their policy is to have a police officer on every site. He said they currently have eight officers in their portfolio of units. Some pay no money, because they provide management services, and others rent at a severely reduced rate. He said their portfolio of units covers Las Vegas, Española and Bernalillo. Wherever the funding allows, they try to encourage public safety officers to live within their communities.

Mr. Archuleta discussed successful efforts in a housing project near Las Vegas, Nevada. He said cooperation with the police department has brought the neighborhood together to mitigate crime and work with the police in reporting criminal activity and other problems.

Mr. Brasher moved for approval, and that the Board deem it advisable to make an allocation after November 1 in order to utilize state PAB cap during the current year. Mr. Archuleta seconded the motion, which passed 5-0 by voice vote.

[Lt. Governor Sanchez left the meeting.]

**STATE TREASURER’S OFFICE**

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

13. **Monthly Investment Reports for Month-Ended September 30, 2014**

Ms. Roseborough presented the monthly investment reports for the month-ended September 30, 2014.

14. **Quarterly Investment Reports for Quarter-Ended September 30, 2014**

Ms. Roseborough presented the quarterly investment reports for the quarter-ended September 30, 2014. She said these reports are provided by Government Portfolio Advisors.
GENERAL SERVICES DEPARTMENT
Presenter: Pamela Nicosin, Deputy Director, Facilities Management Division


Ms. Nicosin presented a handout version of the monthly report for September 2014 as well as details on selected projects.

Ms. Clarke noted many changes between the report handed out and the version submitted to the Board. Ms. Nicosin agreed to provide Board staff a corrected copy of the Board’s files after reviewing further.

Ms. Nicosin said interviews begin this week for staff architect, with five potentially qualified applicants.

STAFF ITEMS
Presenter: Jeff Primm, Deputy Director

16.  Approval of Agreement for Financial Advisor Services and Recommendation to DFA Contracts Review Bureau for Approval and Final Award of Contract

Mr. Primm reported that the negotiations for the contract for Financial Advisor Services RFP, initiated after the Board’s action last month, have concluded. There are no material changes to the contract that was included in the RFP, although there are some non-material changes to the contract.

Mr. Primm stated that staff recommends the Board allow staff to move forward with getting final signatures and seeking DFA Contract Review Bureau approval of final award of contract.

Secretary Clifford said he had questions regarding the compensation portion of the contract.

Ms. Clarke said that the contents of sealed proposals remain confidential until final award, so if the Board wanted to ask questions about the cost proposal, it would have to be done in closed session.

Mr. Primm said all Board members present signed waivers about confidentiality, but others in the room have not.

[The Board proceeded with remaining items on the agenda while counsel prepared a motion to close the meeting.]
Presenter: Stephanie Schardin Clarke, Director

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

Ms. Clarke reviewed the fiscal agent and custody bank billings received and reviewed by staff. She noted that contract fees were waived from May through October, and normal billing will proceed by November 1.

Ms. Clarke said staff is preparing the RFP for smart safe services.

Secretary Brasher commented that, in nearly every meeting of the Board, a governmental entity will appear before the Board to make a request and will have a deficiency in their audit. He said it was not entirely clear to him what the requirements were for filing with the State Auditor.

Ms. Malavé responded that it would depend on the entity. She said smaller entities may only be required to file financial statements.

18. **Joint Powers Agreements**

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

**Executive Session: 11:35 a.m.**

Mr. Kormanik moved to close the meeting to the public and enter into executive session pursuant to NMSA 1978 Section 10-15-1(H)6 to discuss the agreement for financial advisor services. Treasurer Lewis seconded the motion, which passed on the following roll call vote:

**For:** Mr. Archuleta; Mr. Kormanik; Treasurer Lewis; Secretary Brasher.

**Against:** None.

**Action from Executive Session**

At 11:58, Secretary Brasher asked the record to reflect that the matters discussed in the immediately preceding executive session were limited to those specified in the motion for closure.

16. [Continued]

Mr. Archuleta moved for approval of the agreement for financial advisor services.
Treasurer Lewis seconded the motion, which passed 4-0 by voice vote.

ADJOURNMENT

Its business completed, the State Board of Finance adjourned the meeting at 12:00 p.m.

Susana Martinez, President

Date

Michael Brasher, Secretary

12/16/2014

Date