MINUTES OF THE
NEW MEXICO STATE BOARD OF FINANCE
REGULAR MEETING
Santa Fe, New Mexico
December 15, 2015

A Regular Meeting of the New Mexico State Board of Finance was called to order on this date at 9:15 a.m. in the Governor’s Cabinet Room, Fourth Floor, State Capitol Building, Santa Fe, New Mexico.

1. ROLL CALL: QUORUM PRESENT

Members Present:
The Hon. Susana Martinez, President [arriving at 9:28 a.m.; leaving at 10: 45 a.m.]
The Hon. Tim Eichenberg, State Treasurer [leaving at 1:15 p.m.]
Mr. Adelmo Archuleta, Public Member
Mr. Robert J. Aragon, Public Member
Mr. Michael Brasher, Public Member, Secretary
Mr. John Kormanik, Public Member

Members Absent:
The Hon. John A. Sanchez, Lt. Governor

Staff Present:
Dr. Thomas E. Clifford, Secretary of Finance and Administration
Ms. Leila Burrows Kleats, Director, State Board of Finance
Mr. Jeff Primm, Deputy Director, State Board of Finance

Legal Counsel Present:
Ms. Sally Malavé, Attorney General’s Office

Others Present:
[See sign-in sheets.]

2. APPROVAL OF AGENDA

ANNOUNCEMENT: NEXT REGULAR MEETING – TUESDAY, DECEMBER 15, 2015

Ms. Kleats stated that the following item has been withdrawn from the agenda:

16. New Mexico State University, Carlsbad Community College – Requests Approval of Boiler Replacement and Information Technology Renovations ($1,600,000)
Mr. Aragon moved approval of the agenda, as amended. Mr. Kormanik seconded the motion, which passed 5-0 by voice vote. [Not present: Governor Martinez.]

3. **APPROVAL OF MINUTES: November 17, 2015 (Regular Meeting)**

Mr. Archuleta moved approval of the minutes of the November 17, 2015 meeting, as submitted. Mr. Aragon seconded the motion, which passed 4-0 by voice vote. [In abstention: Mr. Brasher; not present, Governor Martinez.]

**EMERGENCY FUND BALANCES**
Presenter: Leila Burrows Kleats, Director

4. **Emergency Balances – December 2015**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve Fund</td>
<td>$2,000,000.00</td>
</tr>
<tr>
<td>FY14 Emergency Water Fund</td>
<td>$118,100.00</td>
</tr>
</tbody>
</table>

Ms. Kleats reported these balances.

**EMERGENCY FUNDING REQUESTS**
Presenters: Manuel F. Valdez, President; Ramon Lucero, Project Manager, Souder Miller and Associates; Laura Dubin, Rural Development Specialist, Rural Community Assistance Corporation

5. **La Asociacion de Agua de Los Brazos Mutual Domestic Water Consumers Association – Requests Approval of Modification of Loan Terms ($30,000)**

Mr. Valdez requested modification of a loan approved by the Board on December 17, 2013 in the amount of $30,000 for La Asociacion de Agua de Los Brazos Mutual Domestic Water Consumers Association (Asociacion). The loan was to be paid annually every December 1 in increments of $1,500 until paid in full on December 1, 2033; however, as of December 1, 2014, no payments have been made.

Mr. Valdez stated that, in February 2015, the community agreed to a monthly increase of $8 to water rates to cover operating expenses, because expenses have exceeded revenues over the past three years. At their meeting last week, they agreed to a $10 rate increase to begin in January 2016 to help meet expenses associated with the interconnection between Los Brazos and Los Ojos. He said this most recent rate increase would bring their monthly rates to $50. He said the community is 58 percent low and moderate income based on United States Department of Housing and Urban Development guidelines. He said an unexpected emergency repair of a water pump exhausted their reserve funds, and they received a waiver to a loan payment for the two Water Trust Board loans for 2015.

Mr. Valdez said the connection between Los Ojos and Los Brazos would ensure safe drinking water to these communities. He added that the interconnection is not completed, as they are awaiting capital outlay funding to purchase a water meter. There are other improvements necessary to complete the interconnection, including storage capacity, pumping station and replacement of water lines and meters. He stated the Asociacion has also received $50,000 from the New Mexico Finance Authority for a planning grant for a preliminary engineering report, and Rural Community Assistance Corporation will assist them in preparing a request for proposals (RFP) for engineering services. After New Mexico Environment Department completes a review, they expect to have the two communities connected.
Mr. Valdez requested that the $30,000 loan be converted to a grant.

Mr. Lucero discussed the background and history of the Asociacion. He said there are only 24 connections in the community, 18 of which are active and paying $40 a month, and 6 are inactive and paying $15 a month. He said this is about $10 more than the average rate for water associations in Northern New Mexico. Total annual revenue for the Asociacion is $9,700 and loan payments are $8,300.

Mr. Primm reviewed the resolution proposed by staff, modifying and extending the loan so that the remaining $30,000 loan balance is to be repaid in equal yearly installments in the amount of $1,500 on December 1 of each year beginning on December 1, 2017 and on each December 1 thereafter until paid in full.

Mr. Primm stated that there appears to be a desire by New Mexico Environment Department to regionalize water systems in the area. He said the Board would have the ability at a later date, as part of a regionalization effort, to consider converting the loan to a grant. In that case, it would facilitate the regionalization of the systems and allow Los Ojos, the larger water system, to acquire the system with less debt.

Mr. Primm explained that, if this entire loan were converted into a grant now rather than later, it is possible the Board of Finance debt would be replaced by another form of debt to make additional improvements to the system as it moves toward regionalization.

Mr. Aragon said he was sympathetic to the dilemma being faced by the Asociacion; however, this seems to be a recurring theme with the state's smaller water associations. He said the economy of scale issue is starting to catch up with the Board as these older systems fall into disrepair, and the users cannot afford to pay to maintain them. He wondered if this was the appropriate method to deliver water to the various communities around the state. The bigger question is how this is going to be fixed. He said the Board is increasingly turning loans into grants or providing some abeyance, which was just putting a Band-Aid on the entire issue. He added that consolidation might not cover recurring costs going forward.

Mr. Aragon suggested the Board look at a potential policy change. He said it was imperative that the various water associations around the state come up with a plan to consolidate cost and management.

Mr. Lucero responded that, of the 300 water associations around the state, 54 have gone through the process of some form of regionalization. Last year and this year again, they plan to introduce legislation that would create regional water authorities and facilitate the process. He said they have been working toward the goal described by Mr. Aragon for the past ten years.

Mr. Archuleta commented that he had a lot of empathy for what they were going through. In terms of the interconnection project to connect the two systems, he said the $30,000 change order for asphalt in the parking lot was at a price that was probably 400 to 500 percent over what most people would pay, and it was a shame that they were having to pay for that with increased rates. He added, though, that a $50 monthly rate for water was really not that high and he knows of populated areas where people are paying twice that.
Mr. Kormanik moved to adopt the resolution prepared by staff, which would extend the payments of the loan to start on December 1, 2017. Mr. Archuleta seconded the motion, which passed 5-0 by voice vote.

Presenter: Kimberly Greene, Executive Director

6. **New Mexico Martin Luther King, Jr. State Commission – Requests Approval of Emergency Funding ($98,840.60)**

[Mr. Eichenberg stepped out of the room after stating that he was a member of the New Mexico Martin Luther King, Jr. State Commission (Commission) and would recuse himself from the discussion and vote.]

Ms. Greene said the Commission is a small agency, with three full time employees, and most of their work centers around the Martin Luther King, Jr. holiday; commemorating Dr. King and preserving his legacy; and teaching his six principles of nonviolence to schools in the state.

Ms. Greene said they have a budget of $336,000. This is their 25th year and the first time they have come to the Board to request emergency funding. She stated that, in FY 2015, they exceeded their budget by $98,840.60, and they are requesting emergency funding to cover some outstanding bills from vendors that need to be paid. She explained that they had “a couple of things that went wrong. We had some operating expenses that were not encumbered and were not paid, and I did not know about that.” She said staffing changes were made as a result. In addition, she stated that they held their 18th annual youth conference and did not have all of the funding in place for it.

Responding to Dr. Clifford, Ms. Greene said they are on target with their FY 2016 budget. She said that, in FY 2015, they held a 100 Days of Non Violence event, which runs from January 15 to April 24, and had 8,000 students participate in that event. They also sponsored an at-risk mentorship program; started an Ambassador youth leadership program; and sponsored an American College Testing/Scholastic Assessment Test (ACT/SAT) program. She said, “So what we’ve done, we had to contract staff support and coordinating on some of these programs. So we have scaled back on some of those things that really may not have all the way met our statute or we didn’t see any light in them for our agency, so we could make sure we are on target for FY 2016.”

Dr. Clifford asked if they anticipate needing a supplemental appropriation to get through FY 2016. Ms. Greene responded that they asked for the supplemental funding, but the youth conference is not until June, and she has begun looking for sponsorships for it. If they do not have the sponsors, they will not hold the conference this year.

Dr. Clifford suggested that it would be very important to revisit some of those, because it sounds like there were expansions or new programs that were taken on, and they are not affordable within their budget. He said there appear to be a lot of things “out of control” based on a 30 percent overrun of their budget.

Dr. Clifford said his staff has called his attention to one very expensive line item, which is the preparation for the ACT/SAT, which duplicates programs that are available in the public schools. He recommended that they not continue that program, which would represent an important savings. Ms. Greene said the Commission is in agreement, and has scaled back on that item.
Mr. Aragon commented that he found this very distressing; and as a former member of the Legislature and chairman of the House Appropriations and Finance Committee, “this would simply be unacceptable at any level.” He said the cost overrun and redundancy in the ACT/SAT program was “disconcerting” because the state has spent millions in its public school system to do exactly what the Commission purports to do. He said the Rio Rancho, Los Lunas, Moriarty and Albuquerque public schools all have exactly the same program, and asked why the Commission hadn’t consulted with those school boards to avoid this redundancy and tremendous cost overrun.

Ms. Greene responded that the ACT/SAT program “wasn’t entirely my decision. I had another Representative want us to do that.” Mr. Aragon responded that he appreciated that, but said this was not a reasonable excuse, and asked what the process was by which this decision was made. He said about $64,000 could have been saved by working with the other school boards.

Ms. Greene responded that she did not disagree with any of Mr. Aragon’s comments. She said, “Unfortunately, the chain of events that happened with the ACT/SAT and the mentorship were two different things.” She stated that the ACT/SAT was administered by eRead, Inc., a third party. She said eRead is a not-for-profit entity, and Charles Countee is the president. Board members include Joe Chavez, Carmen Henry and Deborah Moore. She said there are two others but she couldn’t remember their names.

Mr. Aragon asked if anyone from eRead has a relationship, direct or indirect, business or family, of any kind with any employee or member of the Commission. Ms. Greene responded no. She said she has worked with eRead for 12 years and so knows them.

Responding to Mr. Aragon, Ms. Greene said eRead was not selected through the RFP process. Mr. Aragon asked why not. Ms. Greene responded, “So the history on this is that, for FY 2014, there was a bill submitted for $60,000 to do an ACT/SAT program. Why? Representative Stapleton.” She said Mr. Countee has been working with Representative Stapleton for sponsorship for this ACT/SAT program.

Mr. Aragon asked what kind of relationship Mr. Countee has with Representative Stapleton, and Ms. Greene responded, “I just know it to be a working relationship. I believe she’s a Representative in his district. I don’t know anything beyond that.”

Ms. Greene further stated that the $60,000 was included in their FY 2014 budget but later was line item vetoed. For FY 2015, monies were added to the Commission’s budget but no language was attached to it, and there was not enough money added to the budget to cover the sponsorship of the program. She said they honored the request, but should not have. She added that the program does not meet the Commission statute, either, “and I can tell you that this is not anything that I’m happy to sit in front of you all and discuss.”

Mr. Aragon asked if the Commission was aware that this didn’t fall under the scope of the statute, and Ms. Greene responded that the Commission “ignorantly acted, not really realizing that this wasn’t in our statute” in approving it. She said the program does not fit their educational plan. After the fact, they held a board retreat and reviewed the statute and looked at all of their programs to determine which programs met the statutory requirements. This was the time when they decided what should remain and what should be eliminated. Their at-risk mentorship program was tabled because it did not meet the statute.
Ms. Greene stated that all of the invoices are at least six months past due, some of them more than six months, because the previous Chief Financial Officer (CFO) was putting operating expenses aside to pay programmatic expenses. Ms. Greene said she was not aware that was happening: “They weren’t being encumbered, they weren’t anything. Yes, fund balances were moving because we had a lot of stuff going on in FY 2015, but I didn’t know that these operating expenses were not being covered. And that’s a big portion of the problem.... Some things we just didn’t know. We simply didn’t know. That doesn’t make it okay, but that is the reality of it.”

Mr. Aragon said he appreciated Ms. Greene’s candor, but found this disconcerting. Ms. Greene responded that she found all of this “very embarrassing.”

Mr. Aragon asked what steps are being taken to prevent future noncompliance with the statute, including policy changes. In addition, are the people who made these decisions that overstepped the bounds of the statute still with the Commission? Ms. Green responded that they are.

Ms. Greene stated that they are establishing internal controls by creating appropriate subcommittees, including a finance committee. She said they are also working on getting “lots of community input” in the future from all over the state. She said the Commission will review all of the programs and the statute at its December 29 meeting, and henceforth will approve all contracts and any expenditures over $1,500. She commented that the subcommittees will be necessary because the board only meets quarterly.

Secretary Brasher asked Ms. Greene what she was doing to address the matter of program monies being shifted for operational purposes. Ms. Greene responded that the state cut their budget from $408,000 to $173,000, so it forced programmatic dollars to be shifted to operations. She said all programmatic dollars “just went away,” and since November 2011, when she took this position, she has been trying to get the appropriations back up to an appropriate level. Right now, their programs are reliant on volunteers and external sponsorships.

Secretary Brasher noted that the agency hasn’t been audited, and asked what actions the Commission has taken to move that along. Ms. Greene responded that they do not have the funding for the FY 2014 audit, and would need that before they can have the FY 2015 audit done. She said they have the monies for the FY 2015 audit set aside.

Ms. Greene said she received a letter of reprimand after the CFO left. She said she received the letter rather than being terminated “because they felt like there were some things that they hadn’t done in managing me and there were some things that I had not done in managing this person.”

Ms. Greene said the auditors are ready, and their books are ready to be audited. She said the auditor’s office is aware that they are waiting, but the issue is how to pay for the audit. She said the audit will cost $9,100. She said she issues an RFP every couple of years, and the cost is always about the same.

Responding to Dr. Clifford, Ms. Greene said eRead has already been paid for the ACT/SAT but they haven’t been paid for the conference, which cost $50,000. She said 210 children participated from around the state, and this is generally what it costs every year to host.
Responding to Governor Martinez, Ms. Greene stated that the House of Representatives Minority Whip (currently Representative Stapleton) has a seat on the Commission. She said Representative Stapleton has not appointed anyone, however, so the position is vacant.

Governor Martinez commented, “So there’s just a phone call saying ‘give eRead a contract for the ACT/SAT’?” Ms. Greene responded, “Yes, I had that conversation directly with her.” Governor Martinez said, “Thank you for your honesty.”

Mr. Archuleta said, “I’m sure it’s very difficult for you, but the impression that I have is, you have these operating expenses and then you have these program dollars that you try to raise money for, but you have an imputed program and it spends your money and meanwhile you’re not being told, so the bills are piling up in operating expenses, is that right?” Ms. Greene responded correct.

Mr. Archuleta asked where the controls are on a day-to-day basis going forward. He said an audit is great, but that is after the fact. He wondered how the Commission knows what programs to approve and not approve, and who keeps track of where the money is going, whether it is a program or an operating expense, to make sure that the entire board is aware that the money is there or not there. Ms. Greene responded that this was supposed to be the CFO’s job, and one of the reasons they requested an expansion in FY 2015 was to separate out her position from the CFO’s. She said she worked as contract CFO from 2004 until 2011 and they never had this problem.

Mr. Archuleta commented that he sits on all kinds of boards that have CFOs, “but we don’t turn over the keys and say have at it and let’s see how it turns out next year.” He said there have to be controls in place with reports sent out to everybody showing what the cash balances are and what is being spent. Ms. Greene responded that they distribute those reports at every board meeting. Mr. Archuleta commented, “And nobody caught $100,000? Thirty-three percent of your budget and that slipped by everybody?” Ms. Greene responded, “This part they didn’t see until after we parted ways with the CFO and those bills were unopened in her office.” She said no one had any idea those bills existed.

Responding to Mr. Archuleta, Ms. Greene responded that they do not have accounting software. She stressed that they are a very small agency. Governor Martinez asked if they use Share, and Ms. Greene responded that they do use Share, but the CFO did not record the transactions in Share, and she did not know why.

Mr. Archuleta said, “It’s got to go way beyond a CFO, and if you’re the CEO, to take control of the whole situation and assume that somebody is not going to be the best employee or whatever it might be, so that the controls are bigger than any person. That’s what’s got to be in place, and I don’t know how you get there, I don’t know what expertise you have on your commission, but my goodness, you can’t have a drawer full of bills.” Ms. Greene responded that she completely agreed, but this has never been the practice before. She said the board has to be more involved because they are a small agency, and the next step is to work on internal controls.”

Governor Martinez noted that Ms. Greene was CFO from 2004 until 2011, and then became Executive Director, so certainly knows compliance requirements, etc. In the interest of maintaining checks and balances, she asked if Ms. Greene ever asked the CFO to bring her requisitions, invoice and other paperwork for her approval. Ms. Greene responded that she did not know there were any outstanding bills until the CFO was gone and she looked through her desk and found them.
Governor Martinez noted that $51,508 was spent for the conference of which $43,033 was for the ACT/SAT, which is not within the mission of the organization. She calculated the difference as $8,675. She said the Board should not pay the $43,000, since it is not part of the mission of the organization.

Ms. Malavé said she had an alternate resolution that contemplated paying the budget shortfall but required the agency to submit the invoices to the Director for approval to determine which amounts could be lawfully paid.

Mr. Aragon said he was not comfortable with paying the entire amount carte blanche.

Ms. Kleats stated that, by subtracting the $43,033 from the $51,708.18 for eRead, and subtracting it from the total of $98,840.60, the amount left would be $55,807.60. She said the resolution could be amended to reflect that as well as to specify each vendor, and the amount due, listed on page 43 of the electronic agenda, attached hereto and incorporated by reference.

Mr. Aragon so moved. Mr. Brasher seconded the motion, which passed 5-0 by voice vote.

[Recused: Mr. Eichenberg.]

[Governor Martinez left the meeting.]

[Mr. Eichenberg returned to the meeting.]

SEVERANCE TAX NOTES

Presenters: David Buchholtz, Co-Bond Counsel, and Luis Carrasco, Counsel, Rodey, Dickason, Sloan, Akin & Robb; Jill Sweeney, Co-Bond Counsel. Sherman & Howard

7. Approval of Amendment to Severance Tax Note Resolution, Series 2015S-C

Mr. Buchholtz presented the highlights of this resolution. At least 50 projects have been cleared for a total of approximately $8.6 million. About 50 projects remain on the authorized but unissued list, and two of them almost made it to the finish line but didn’t make it today.

Mr. Buchholtz said the resolution is in two different forms. Historically, they have allowed a delegation of authority to the Executive Director to add projects to the list between now and December 30. There has been discussion at the Board recently as to whether the delegation is appropriate. He said the two projects that almost made the list could be added if the Board allowed the timeframe to be extended; otherwise, the next time for financing would be in the spring.

Mr. Buchholtz said the Board received a certification yesterday for the D Note, which is the supplemental note for school purposes that was well in excess of the amount that would be available. The amount of the note is likely to be about $45 million less the amount of projects approved in the C Note, which today is about $36 million. That number could go down as more projects are added.

Mr. Carrasco stated that page 10 of the resolution contains a typographical error. Project 150736 should read $175,000 and not $75,000.

Mr. Aragon moved for approval of the resolution, with the correction as stated by Mr. Carrasco, and authorizing the delegation of authority to the Executive Officer of the Board. Mr. Kormanik seconded the motion, which passed 5-0 by voice vote.
8. **Update on Fiscal Year 2015 Annual Financial Information Filing**

Ms. Sweeney reviewed the annual disclosure filing, which she said gives a good snapshot of the state’s bonding program and the health of the state and revenues coming into the state.

**PRIVATE ACTIVITY BONDS**

Presenters: Robert Aragon and Michael Brasher, Subcommittee Members; Jeff Primm, State Board of Finance Deputy Director

9. **Private Activity Bond Subcommittee Recommendations and Allocation for 2015 Carryforward**

Mr. Primm referred to page 213 of the electronic agenda, noting that the total amount of carryforward was $276,775,000 in capacity. The New Mexico Mortgage Finance Authority (MFA) had requested $150,000,000 in carryforward for their single-family purposes.

Mr. Primm said the subcommittee’s recommendation is to allocate all cap not otherwise used or allocated to other projects to MFA for its single family program.

Secretary Brasher noted that the amount being recommended is beyond the amount that MFA Director Jay Czar is requesting, which is a service to the state, although it is possible the entire amount would not be used.

Mr. Primm agreed. He said this is the only option for parking the cap so that someone in New Mexico could potentially use it. MFA would be doing a service to the state by at least attempting to utilize the capacity.

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

10. **Private Activity Bond Subcommittee Recommendations and Reservation of Calendar Year 2016 Private Activity Bond Cap Percentage**

Mr. Primm referred the subcommittee’s recommendations on page 214 of the electronic agenda as far as reservation of cap into the various relevant categories. The assumption was that they would be the Board’s “budgeting tool.” If and when there is a competitive demand for cap in New Mexico, reservation of the cap in these categories would help the Board stay on track as far as what types of projects and amounts would be available. This is subject to revision by the Board.

Mr. Primm stated that $90,000,000 would be reserved for Multifamily projects, and $212,875,000 in the Other category, which is available for any yet-to-be identified small issue or exempt facility requests that come forward.

**Mr. Aragon moved approval of the subcommittee recommendations. Mr. Archuleta seconded the motion, which passed 5-0 by voice vote.**

11. **Approval of Private Activity Bond Allocation Deposit Refunds**
Mr. Primm referred page 215 of the electronic agenda. He said the subcommittee has recommended that the allocation deposits to the City of Hobbs-Washington Place in the amount of $1,375 and to Bernalillo County-Village of Avalon in the amount of $4,850 should be refunded.

Mr. Aragon moved adoption of the PAB allocation deposit refunds. Mr. Kormanik seconded the motion, which passed 5-0 by voice vote.

**NEW MEXICO SPACEPORT AUTHORITY**
Presenter: Christine Anderson, Chief Executive Officer

12. **New Mexico Spaceport Authority – Requests Approval of Disbursement of General Appropriation ($500,000)**

Ms. Anderson appeared before the Board and requested approval of a disbursement of $500,000. This amount has been approved by the legislature, but is subject to State Board of Finance Approval. She said this was due to the Virgin Galactic crash in October 2014, which had a very significant impact on their FY16 budget.

Ms. Anderson made a presentation, with the following highlights:

- In October 2014, Virgin Galactic crashed; impact to New Mexico Spaceport Authority (NMSA) was loss of user fees plus related tourism/events in FY16.
- NMSA requested general fund supplemental funding of $1.7 million contingent upon need.
- The legislature authorized $6.9 million with $463,000 from general fund but only approved $500,000 in supplemental funding contingent on need.
- NMSA adjusted its FY16 operational budget ceiling to $6.5 million and has been continually assessing and adjusting the impact to the operational budget.
- NMSA is building up its marketing sales force in order to bring in more revenue.

Ms. Anderson reviewed budget details.

Secretary Brasher and Mr. Archuleta commended Ms. Anderson on managing this budget and for an excellent and detailed presentation.

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

[The agenda was reordered by unanimous consent.]

**HIGHER EDUCATION DEPARTMENT**

Presenters: Ronald James, Capital Projects Coordinator, New Mexico Higher Education Department; David Harris, Executive Vice President for Administration, Chief Financial Officer and Chief Operations Officer; Andrew Cullen, Associate Vice President for the Office of Planning, Budget and Analysis; Chris Vallejos and Lisa Marbury, Institutional Support; Texanna Martin, Graduate Student Body President; Jenna Hagengruber, Undergraduate
Student Body President

18. University of New Mexico – Requests Approval of Subordinate Lien System Refunding and Improvement Revenue Bonds, Series 2016A (up to $208,500,000) and Taxable Series 2016B (up to $9,500,000)

Mr. Vallejos presented this report. The University of New Mexico (UNM) is requesting approval of Subordinate Lien System Refunding and Improvement Revenue Bonds, Series 2016A, in the maximum par amount of $208,500,000. The proposed Series 2016A bonds and Taxable Series 2016B bonds, in the maximum par amount of $9,500,000, would be issued to construct or improve the Anderson School of Management, new facility, $18 million; expansion and renewal of the Johnson Center recreational facility, $35 million; and infrastructure and renewal of the Smith Plaza, $2 million.

Ms. Hagengruber stated that she and Ms. Martin joined forces in May to learn more about these institutional bonds and how they would affect the student populations. She said they were in working groups all summer, and in the fall held a couple of public forums and an information session to bring everybody to the table to discuss these projects. They also developed a survey that asked several questions and also emphasized that this would result in an increase in student fees. She said 160 students overwhelmingly supported the project after learning the details of it and understanding that their student fees would be increased. She said only two students “were slightly not okay with it.”

Ms. Martin said they tried to promote student engagement, and students added a lot of insight. She said students pointed out that UNM has only one gym at the Johnson Center while other colleges around the country have as many as six. She said UNM is a flagship university and should have the best recreational facility possible. She added that the issue of a new gym has come up repeatedly over the past ten years but has not gained any traction until now.

Ms. Martin stated that she represents 5,800 students, and Ms. Hagengruber represents about 21,000 students.

Mr. Archuleta asked if UNM was confident that it could stay within the $35 million budget for the Johnson Center, given that this is in the very early stages. Mr. Harris responded that the students have visited at least 15 universities in the surrounding area to do their own research. He said Colorado State University in Fort Collins was able to take an aging facility and turn it into a first-class student fitness center for $33 million. This is why they feel comfortable that they can do a great deal with $35 million.

Dr. Clifford asked if there was an effort to get wider participation among students, since 160 students was a relatively small number. Ms. Hagengruber responded that, while she represents 21,000 students, only 1,500 to 2,000 voted for student body president. She said they posted in the social media, did online surveys, and held large forums. While only 160 students actually filled out the forms, there was a lot of communication via email and live conversations. Because only two students opposed the project, they felt there was strong support.

Mr. Aragon asked how much the student fees will increase, and Mr. Harris responded by an additional $130 a year.

Mr. Aragon said there has been a steady decline in enrollment over the past few years, and he has not heard an answer as to how that can be stopped. He asked where the debt service analysis contemplates that trend.
Mr. Cullen responded that the last student fee increase that UNM has had related to academic facilities was in 2007, and it is part of the refunding. There was a large increase in student fees to support about $90 million of construction work in 2005. When the recession hit, a lot of students went back to school, which is typical. UNM has built up surpluses with its student fees since 2005 because of the increase in enrollment, and now they have pulled back a bit. He said they feel confident that this incremental increase related to this bond issue will fund the debt service on this bond issue, and on the whole, their portfolio is in “good shape.”

Mr. Aragon said the New York Times published a study recently where undergraduates are now seeing a decrease in their earning capacity, a trend that has been happening for the past five or six years, and there is no indication that this curve will diminish anytime soon. He said the cost of education continues to increase in inverse proportion to the rate of inflation, and no one has been able to explain to him why. He commented, “When we’re talking about $130 a year, do we have any idea when we are going to get this stabilized, and when we’re going to start contemplating output in terms of the ability of a student graduate in any institution, not just UNM…to get this six year graduation idea back to a four year, because it’s costing students a lot of money.”

Mr. Harris responded that UNM had a record enrollment of incoming freshmen this year, and they are very fortunate that the high schools in Albuquerque are very loyal to UNM. He said they feel their enrollment is quite stable.

Mr. Cullen added that they had a 1 percent decrease in enrollment this year, which was part time adult learners 24 years and older with better job prospects.

Mr. Cullen stated that UNM sets aside 20 percent of any increase in tuition in fee for need-based aid that is administered out of their financial aid office.

Mr. Aragon noted that oil and gas royalties coming into New Mexico are at 50 percent of what they were a year ago, and the state legislature may not be able to fund at the same level as before as a result. He said this proposal contemplates the current level of appropriations from the state, and that may not be an accurate reflection of what the state will be facing going forward. He said he supported these projects but wasn’t sure he was getting an accurate snapshot of the fiscal impact to UNM, the state and the students.

Ms. Martin said UNM has a student fee review board, which she is chair of this year, where they take applications from different departments on campus. She stated that the board is very thorough, and they spent two weekends reviewing this particular fee increase. She said they recommended a zero percent mandatory fee increase to the budget leadership team.

Mr. Cullen added that, with the enrollment decrease, they were $450,000 short on fees, so the students absorbed the decrease in revenues and kept the budget flat.

Ms. Hagengrubler said the students recognize that not fully funding departments is potentially harmful, “but that’s where we sat down as a board and said we think helping pass these institutional bonds and raising fees for these will increase the value of our degree when we walk out.” She said the recreation center and improvements to the Anderson School are expected to be a draw for potential students.
Responding to Mr. Archuleta as to why the Board should support this project given the factors discussed by Mr. Aragon, Mr. Harris said he shepherded the state budget for about 20 years. He said he did not believe UNM's appropriation would be reduced. They have a performance based funding formula, and UNM and (Central New Mexico Community College (CNM) "are at the top of the heap in terms of performance." He said they are very prudent in their stewardship of the University's budget and have not asked for bailouts. He stated that he also feels very good about their enrollment management, adding that every year they withhold 5 percent of their spending authority until they see what actual enrollment will be. In addition, their Health Science Center has generated more income from the expansion of Medicaid than any other health care provider in the state, which bolsters their balance sheet.

Dr. Clifford said the binder contains a presentation to the Board of Regents that includes an income statement from UNM with a dramatic increase in operating revenue in 2015 of $250 million. Mr. Harris confirmed that this was related to the increase in patient revenue for the hospitals.

Mr. Archuleta said what he is hearing is that this project is about investing in some age-old facilities that are "golden geese" in order to compete with universities out of state, and failing to make this investment would result in a decline in the student population. He asked if all of the issues raised by Mr. Aragon have been contemplated by the administration in a strategic plan and vetted by the Board of Regents "specifically to say that we are in a position to continue to do projects like this."

Mr. Harris responded that, since August of last year, they began in-depth budget planning each month with their Regents facility committee followed by formal presentations to the Board of Regents. He said the Regents are "acutely aware of where we sit."

Mr. Harris stated that, about five years ago, they had 2,400 students living on campus and now they have 5,000. He said UNM has to provide a better campus life if it wants these students to stay.

Secretary Brasher said the dilemma he faces is voting for a project that he favors but which will increase fees.

Mr. Archuleta commented that he thought he personally felt it would be disrespectful to ignore the input from the students, who said they wanted these facilities and were willing to absorb the increase in fees. He said he feels the Board should appreciate how hard the two student body presidents worked on these projects and who came to this meeting to show their support. He commented, "If they are willing to tax themselves, who am I to say they can or can't afford it?" Further, he said he could not stress enough how important quality of life is to the students.

Ms. Kleats stated that this request is for the financing of these projects and not for the projects themselves. This is a two-stage process, so UNM will have to return to the Board at a later date to request approval of the individual projects.

Ms. Kleats reviewed the revised parameters resolution, noting that paragraph L has been revised to state, "The University shall provide the official statement of the bond purchase agreement and such other information as may be requested by the State Board of Finance or its director pursuant to the Approval Regulations."
Ms. Kleats stated that, if the Board chooses to approve this request, the record should reflect that the Board’s approval is subject to the conditions that are outlined in the revised parameters resolution beginning on page 3, section 2, paragraphs A through L.

Mr. Harris stated that he has spoken with his bond counsel and agrees to the conditions.

Ms. Kleats also stated that any approval of this request is contingent upon Director’s receipt, with counsel review of the official statement, bond purchase agreement, and copies of all financing documents; and certification from the Board of Regents of the state educational institution certifying that the state educational institution has complied with all statutory requirements for the issuance of income-producing revenue bonds.

Mr. Archuleta moved approval of the issue, contingent upon everything just noted by the Director. Mr. Kormanik seconded the motion, which passed 4-1 by voice vote, with Secretary Brasher dissenting.

[Mr. Eichenberg left the meeting.]

PROPERTY DISPOSITIONS

Presenters: Chuck McMahon, Assistant County Manager; Patrick Peck, Executive Director; Thomas R. Figart, County Attorney

13. Doña Ana County – Requests Approval of Lease of Real Property at 190 Chaparral Drive in Chaparral with South Central Solid Waste Authority

Mr. Figart requested approval of the lease of 10 acres of vacant land to the South Central Solid Waste Authority for construction and operation of solid waste convenience center for the disposal of solid waste, recycled materials and related uses generated and collected in Doña Ana County and surrounding areas.

[The Board was unable to take action immediately because of the temporary loss of a quorum.]

Presenters: Delilah Walsh, County Manager; Adren R. Nance, County Attorney

14. Socorro County – Requests Approval of Lease of Real Property at 1 Salomon Griego Drive in Veguita with Presbyterian Medical Services ($33,000 per year services in lieu of cash)

Ms. Walsh stated that Socorro County (County) is requesting approval of a lease of real property at 894 Highway 304 in Veguita with Presbyterian Medical Services (PMS) to manage the operations of a 1,429 square foot primary care clinic on a six-acre parcel of real property. The County is in the process of constructing a healthcare facility in Veguita and has expended $110,000 of capital outlay money to date on this project. She said the Local Government Division requires that the County have a lease in place before it can be reimbursed for the capital outlay expenditure. She noted that the County has also been awarded $500,000 in Community Development Block Grant funds, but cannot access the funds until a lease is approved.
Ms. Walsh said Veguita has one of the highest poverty rates in Socorro County. She said the medical facility would be open two days a week. She said the nearest medical facility is currently 45 minutes away.

Ms. Kleats stated that the revised lease agreement, which became available last night, has been circulated. She said staff has no concerns with the lease itself, but noted that Medicaid reimbursement rates were not used, which is typical of this type of lease agreement, and representatives are prepared to explain why they chose the rates that they did.

Ms. Walsh explained that PMS gave the County their true cost of providing these services in a rural area for a bilingual Spanish-speaking provider, and those were the costs included in Exhibit B to the lease. When they went out for RFP for these services, they realized no one was going to make money operating this clinic, “and no one was banging on our door to operate the clinic, either.” She said PMS was the only respondent to the RFP, and the County had to negotiate in order to mitigate PMS’s losses, which are anticipated to be $131,000 for uncompensated or unreimbursed care. The County agreed to do the lease value of the building to make up for the loss, and is kicking in its own funds of up to $70,000 a year. If PMS’s losses turn out to be less than anticipated, the County will not reimburse them more than the actual loss. If PMS starts to show a profit, they will have to pay for the lease, as well.

Ms. Kleats requested that any approval of this request be contingent upon a favorable review of the appraisal by Taxation and Revenue Department Property Tax Division.

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

**Action on previous item presented:**

13. Doña Ana County – Requests Approval of Lease of Real Property at 190 Chaparral Drive in Chaparral with South Central Solid Waste Authority

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

**HIGHER EDUCATION DEPARTMENT**

Presenters: Ronald James, Capital Projects Coordinator, New Mexico Higher Education Department; Glen Haubold, Associate Vice President; Heather Watenpaugh, Interim University Architect and Campus Planning Officer; Enrique Espalin, Assistant Director; Kelley Brooks, Vice President of Business and Finance

15. New Mexico State University, Doña Ana Community College – Requests Approval of Central Campus Classroom Renovations ($4,950,000)

Mr. James stated that New Mexico State University, Doña Ana Community College, requests approval of Central Campus classroom renovations, upgrades and expansion of 107,644 gross square feet of a building that was built in 1978 and last expanded in 1984. The project would include structural stabilization of the foundation and partial roof replacement for portions of the building; upgrading finishes, fixtures, lighting and reconfiguration; a new vertical lift for handicapped access at one end of the building, and expansion for more uniformity in classroom sizes and equal teaching capacity. The
proposed sources of funding are $2 million in 2014 state general obligation bonds, $2.5 million in 2015 local general obligation bonds and $450,000 in 2009 local general obligation bonds.

Mr. James stated that Doña Ana Community College has the highest full time enrollment of the branch colleges and second highest of the community colleges. He said this project is included in their five-year plan.

Ms. Malavé stated that any approval of this item should be contingent upon certification from HED that the project meets energy efficiency requirements.

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

16. WITHDRAWN.

Presenters: Dr. Steven Gamble, President; Scott Smart, Vice President of Business Administration; Ronald James, Capital Projects Coordinator, Higher Education Department

17. Eastern New Mexico University — Requests Approval of Golden Student Success Center Phase I Renovations ($13,000,000)

Mr. James stated that Eastern New Mexico University (ENMU) is requesting approval of financing in the amount of $13,000,000 to renovate the existing Golden Library to the Golden Student Success Center. This project will upgrade the first floor of the 1952 library for a turnkey project of 45,938 square foot of the existing 91,448 square foot building. Renovation of this facility will allow collaboration between students while creating areas of individual study. Funding for this project is from the 2014 general obligation bond and also ENMU renovation bonds. The project is part of the institution’s five-year plan.

Responding to Mr. Kormanik, Dr. Gamble said students were allowed to vote on the increase. They were asked to fund $6 million of the bond, and 83 percent voted in favor of it, which added $40 per semester to their fees, or $80 per year. About 1,500 students voted.

Mr. Aragon said he continued to be concerned about increases in student fees. He said he realized the facility was old and needed upgrading, but would implore ENMU “to be sensitive to what is happening outside the cocoon of the university system.” Students graduating from college are saddled with so much student debt that they cannot buy homes or live in relative comfort.

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

Dr. Gamble distributed information that listed tuition and fees for all universities in the Southwest. STATE TREASURER’S OFFICE
Presenter: Vikki Hanges, General Fund Investment Pool Portfolio Manager


Ms. Hanges presented this report.
Secretary Brasher noted that there was an extended discussion earlier in this meeting about the New Mexico Martin Luther King, Jr. State Commission, of which Mr. Eichenberg is a member. He said the Board appreciates Mr. Eichenberg’s work on the Commission and in no way was the discussion intended to be a criticism of that. Ms. Hanges thanked Secretary Brasher for his comments and said she would convey them to Mr. Eichenberg.

GENERAL SERVICES DEPARTMENT

Presenter: Pamela Nicosin, Deputy Director, Facilities Management Division

Ms. Nicosin presented this report.

21. Facilities Management Division – Requests Approval to Adopt January-June 2016 Schedule of Repairs

Ms. Nicosin presented this report and requested approval.

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

Presenters: Pamela Nicosin, Deputy Director, Facilities Management Division; Alexis Johnson, Deputy General Counsel, General Services Department; Thomas Wagner, Director of State Veterans Cemeteries, New Mexico Department of Veterans’ Services
22. Facilities Management Division – Requests Approval of the Acquisition of Real Property by Donation from the City of Gallup at I-40, South of Hasler Valley Road in Gallup, and Acceptance of Certain Special Exceptions

Ms. Nicosin stated that the Facilities Management Division (FMD) is requesting approval to accept the donation of vacant land located in Gallup just south of Hasler Valley Road. The donation, approved by the city council of Gallup, totals 15.53 acres and would allow the Department of Veterans Services and FMD to make improvements to the property in order to establish a State Veterans’ Cemetery. The proposed use would help to fulfill an initiative introduced by the Governor to bring veterans cemeteries closer to New Mexico’s veterans and their families living in rural areas.

Ms. Nicosin said Fort Stanton has a veterans’ cemetery under construction, and future proposed sites are in Angel Fire and Carlsbad.

Mr. Kormanik asked who would maintain the cemetery and would the state be liable for continued maintenance and operation of the cemetery.

Mr. Wagner responded that the Department of Veterans Services would be maintaining the operations of all of the state veterans’ cemeteries under this initiative. As part of the grant that the U.S. Veterans Administration will give to fund the construction of the cemetery and buy equipment to maintain it, the agreement includes that the state will operate and maintain it. He said the FTEs who will be staffing the Fort Stanton cemetery (to open in the spring of 2017) and the Gallup cemetery are included in their FY15-16 budget. He said they are asking for an expansion of FTEs in the FY17 budget,
as they anticipate 100 to 150 burials per year in the Gallup area. For Fort Stanton, they are expecting 200 burials per year.

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

STAFF ITEMS
Presenter: Leila Burrows Kleats, Director

23. Amendment No. 1 to Fiscal Agent Banking Services Agreement with Wells Fargo Bank Extending for a Term of Two Years and Extension of the Card Acceptance Agreement with American Express Contained in Exhibit F

Ms. Kleats stated that the Board gave conceptual approval to this amendment last month with the understanding that staff would bring it forward in final form for approval today.

Ms. Kleats stated that Wells Fargo representative Mark Jensen was available to respond to questions.

Ms. Kleats noted that the Wells Fargo contract incorporates the American Express agreement as an exhibit, as they run concurrently. She said staff had to modify that so the term of the contract was reflected in the American Express agreement. She stated that American Express approved the language as presented, but did state that it will be a few weeks before they have all of the necessary signatures.

Ms. Kleats added that Board of Finance staff has monthly meetings with Wells Fargo, the State Treasurer’s Office and the Financial Control Division. At Dr. Clifford’s request, this has been memorialized in section 2 of the amendment.

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

24. Staff to Issue Request for Proposals for Disclosure Counsel Services Contract

25. Staff to Issue Request for Proposals for Arbitrage Services Contract

26. Amendment to Extend Bond Counsel Agreement with Rodey, Dickason, Sloan, Akin & Robb, P.A. and the Law Firm of Sherman & Howard, LLC or Issue Request for Proposals

Ms. Kleats stated that staff has three contracts set to expire on June 30, 2016, and will have to issue RFPs for disclosure counsel services as well as arbitrage services.

Ms. Kleats said the bond counsel agreement has a one-year extension, and staff recommends that an RFP be issued for that, as well, so that bond counsel and disclosure counsel can be on the same timeline. She stated that there are economies of scale in issuing two similar RFPs at the same time. She added that the Board has a very good relationship with the Rodey Firm as well as Sherman & Howard and staff would encourage them to provide a response to the RFP.
Mr. Aragon commented that the process of reviewing proposals is very cumbersome and detailed, based on his own past experience, and he understood very well what staff was trying to achieve here. He said it made sense to consider the two contracts be considered at the same time.

Mr. Aragon volunteered to serve on the evaluation committee.

Mr. Aragon moved staff’s recommendation to issue an RFP for both counsel contracts. Mr. Archuleta seconded the motion, which passed 4-0 by voice vote.

27. Approval of Letter of Support for Special Appropriation to Address Payment Card Industry Data Security Standards Compliance

Ms. Kleats stated that, in follow up to last month’s meeting, when the Board heard a presentation from the State Controller, Board staff has drafted a letter of support to the New Mexico Legislative Leadership. The letter expresses support for the $1 million special appropriation requested in the Department of Finance and Administration’s budget to fund Payment Card Industry Data Security Standards compliance in its initial phase.

Mr. Kormanik suggested that the letter specify approximately how much the state could be levied in fines should it fail to adhere to these standards. He said the appropriation committees should have a sense of what the downside risk might be.

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

28. Approval of Board of Finance Meeting Schedule for Calendar Year 2016

Mr. Aragon for adoption of the meeting schedule. Mr. Kormanik seconded the motion, which passed 4-0 by voice vote.

29. Fiscal Agent/Custodial Bank Fees

Mr. Primm stated that these reports were included in the electronic agenda.


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

**ADJOURNMENT**

Its business completed, the State Board of Finance adjourned the meeting at 2:30 p.m.
Susana Martinez, President

1-20-15
Date

Michael Brasher, Secretary

11-26-15
Date
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