MINUTES OF THE
NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING
Santa Fe, New Mexico
February 17, 2015

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. Susana Martinez, President [present 10:25 a.m. – 1:45 p.m.]
The Hon. John Sanchez, Lt. Governor [leaving at 10:30 a.m.]
The Hon. Tim Eichenberg, State Treasurer [leaving at 12:00 p.m.]
Mr. Robert J. Aragon, Public Member
Mr. Adelmo Archuleta, Public Member
Mr. Michael Brasher, Public Member, Secretary
Mr. John Kormanik, Public Member

**Members Excused:**
None.

**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.]
Presenter: David Paul, Financial Advisor, Fiscal Strategies Group; David Buchholtz, Co-Disclosure Counsel and Co-Bond Counsel, Rodey, Dickason, Sloan, Akin & Robb; Jill Sweeney, Co-Disclosure Counsel and Co-Bond Counsel, Sherman & Howard; Matt Beck, Co-Disclosure Counsel and Co-Bond Counsel, Rodey, Dickason, Sloan, Akin & Robb

2. **EXAMINATION OF BIDS, GENERAL OBLIGATION BONDS SERIES 2015**

Lt. Governor Sanchez stated, “This item is for the purpose of publicly examining bids received from the purchase of the State of New Mexico Capital Projects General Obligation Bonds, Series 2015, in the aggregate principal maximum amount of $169 million. A Notice of Bond Sale has been published in the *Albuquerque Journal*, a newspaper of general circulation in the state of New Mexico, once each week for two consecutive weeks, the last publication having been made at least five days prior to the date of this meeting. A Notice of Bond Sale also has been published in the Bond Buyer, a recognized financial journal outside of the state of New Mexico, one time at least five business days prior to this meeting.”

Mr. Paul stated that five bids have been received. Following a reading of the bids, he would determine the winning bidder and return with a recommendation of award. The bids and True Interest Costs were as follows:

- Morgan Stanley & Co., LLC: 1.6892
- Wells Fargo Bank, National Assn.: 1.6894
- J.P. Morgan Securities, LLC: 1.7412
- Citigroup Global Markets Inc.: 1.7428
- Bank of America Merrill Lynch: 1.7476

3. **APPROVAL OF AGENDA**  
*ANNOUNCEMENT: NEXT REGULAR MEETING – TUESDAY, MARCH 17, 2015*

Mr. Aragon moved for approval of the agenda, as published. Treasurer Eichenberg seconded the motion, which passed 6-0 by voice vote.

4. **APPROVAL OF MINUTES:** January 21, 2015 (Regular Meeting)

Mr. Archuleta moved for approval of the January 21, 2015, minutes, as submitted. Treasurer Eichenberg seconded the motion, which passed 6-0 by voice vote.

5. **APPROVAL OF MINUTES:** January 30, 2015 (Special Meeting)

Mr. Archuleta moved for approval of the January 30, 2015, minutes, as submitted. Mr. Brasher seconded the motion, which passed 5-0 by voice vote, with Treasurer Eichenberg abstaining.

**EMERGENCY FUND BALANCES**
Presenter: Jeff Primm, Deputy Director

4. **Emergency Balances February 2015**

- Operating Reserve Fund: $1,858,328.99
- FY14 Emergency Water Fund: $118,100.00
Mr. Primm reported these balances.

EMERGENCY FUNDING REQUEST
Presenters: Stacy Maestas, Secretary/Treasurer; Blanca Surgeon, RDS Environmental Technical Assistance Provider, Rural Community Assistance Corporation; Ramon Lucero, Engineer and Project Manager, Souder Miller and Associates
7. Ancones Mutual Domestic Water and Wastewater Consumers Association – Requests Approval of Extension of Emergency Loan Repayment Schedule

Mr. Lucero stated that, on July 15, 2014, the Ancones Mutual Domestic Water & Wastewater Consumers Association (Ancones) took out a loan in the amount of $87,900 to complete their water system improvement project. The Board approved the loan with a single repayment date of February 15, 2015.

Mr. Lucero asked the Board to defer the loan repayment date until the state severance tax bond proceeds to be used for repayment of the loan become available, but no later than May 13, 2015. At that time, the grant agreements will have been executed by the New Mexico Environment Department and they will be able to pay back the loan.

Ms. Surgeon stated that this is a regional water project that will combine three very small systems, which, once combined, will make up fewer than 100 connections.

Mr. Carrasco presented a resolution drafted by staff that would extend repayment of the loan to no later than May 13, 2015.

Mr. Archuleta moved for approval of the resolution. Mr. Brasher seconded the motion, which passed 6-0 by voice vote.

DEPARTMENT OF FINANCE AND ADMINISTRATION
Presenters: Rick Lopez, Director; Bill Range, E-911 Program Manager; Art Rios, E-911 Program Manager
9. Department of Finance and Administration, Local Government Division – Requests Approval of E-911 Grant Program Equipment Funding Request for FY15 and FY16 ($6,673,853.50)

Mr. Lopez requested approval of expenditures in the amount of $6,673,853.50 for Enhanced 911 on behalf of 14 counties and their Public Safety Answering Points (PSAPs). The majority of the request is for E-911 systems specific to PSAPs; additional equipment for two Department of Public Safety sites to complete their projects, to be paid out of FY16; seven PSAP recorders; and the replacement of one PSAP generator, to be paid out of FY15.

Mr. Lopez stated that the E-911 program is funded by a 50-cent surcharge attached to landline and wireless telephone utility bills. These expenses, if approved, will be paid out of fund balances which, at this point, remain strong enough for this request, and no expenditures will be taken out of the general fund. The E-911 program is based on a five-year replacement plan that allows PSAPs to maintain quality state-of-the-art equipment and to meet challenging technologies. During the past two years, the five-year replacement plan was delayed due to pricing agreements and county-specific issues. Plans for the
future call for the Local Government Division to be more aggressive in its oversight, increase field office site visits, have direct communications with industry vendors, and collaborate with DoIT and their staff.

Secretary Clifford noted a $12 million balance in the fund, and asked when and how it would be spent.

Mr. Lopez responded that, because the Local Government Division expects to be more aggressive by increasing site visits and meeting with PSAPs, the numbers will go up and are expected to be close to the amounts budgeted. He said no multiyear plan has been submitted at this point.

Responding to Secretary Clifford, Mr. Lopez said they would not be funding technologies that will soon become obsolete. He said, "This is a major thought in our process, making sure we don’t do that. We don’t want to come before the Board asking to repurchase something that we should have taken care of today."

Mr. Aragon said he has just read that the number of land-based telephones has decreased by about 22 percent in one year. He asked how the viability of this fund would survive if that downward trend were to continue. Mr. Lopez responded that they do not have a crystal ball on how this will play out, but they plan to prepare for it. He agreed that it would be an issue at some point.

Secretary Clifford commented that he did not really see a funding problem right now, given the $12 million balance in the fund and the fact that they have built in a 2 percent decline in the revenue base.

Mr. Kormanik recalled reviewing this fund last year at a Board of Finance meeting, and at that time it was expected that the fund would be underwater within four or five years, and there was extensive discussion about statutory changes around fees. He asked how the numbers changed so significantly.

Secretary Clifford recalled that, last fall, a budgeting error was found in the figures that reflected that operating costs would be $2-$3 million higher annually than what was reflected in the figures before the Board today. He said he would retrieve the information.

Mr. Kormanik said that would be very helpful.

Mr. Brasher stated that a detailed master plan would be helpful so the Board can be assured that monies are being appropriately expended.

Mr. Archuleta agreed, adding that a plan with accurate projections is crucial if the agency finds it will need more funding from the legislature down the road. He said the budget before the Board today is not realistic because the LGD is not in touch with all of the demands it will have, nor is it sure of the revenue source.

Mr. Aragon moved for approval. Mr. Archuleta seconded the motion, which passed 6-0 by voice vote.

**GENERAL OBLIGATION BONDS**
Presenter: David Paul, Financial Advisor, Fiscal Strategies Group; David Buchholtz, Co-Disclosure Counsel and Co-Bond Counsel, Rodey, Dickason, Sloan, Akin & Robb; Jill Sweeney, Co-Disclosure Counsel and Co-Bond Counsel, Sherman & Howard;
Mr. Paul stated that they have confirmed the winning bidder as Morgan Stanley, and have provided updated cash flows to the Board that include a downsizing of the transaction from $150 million to $141,635,000, which is sized to meet the project and cost requirements of the state for the projects that were approved by the voters.

Mr. Paul stated that this is the second-lowest true interest cost on a ten-year new money issue that is on record with the state, at 1.69 percent. He said the markets have been very strong, with foreign money coming into the U.S. market. Over the past week or two, the equity markets have become rejuvenated. The view that low oil prices have a constructive economic effect for many parts of the world, and the belief that the cease fire will hold in Ukraine, have led people to believe that those problems are in the past.

Secretary Clifford observed that there was no optional redemption on the bonds.

Mr. Paul responded that this was an assessment they made and worked through with staff, and staff concurred that taking the savings now was an appropriate thing to do for the state.

Secretary Clifford said he assumed the financial advisor had been looking through the state's entire portfolio for refunding opportunities and that those have been largely exhausted at this point. Mr. Paul responded that this was correct, in part because the state has issued a series of non-callable bonds in the past, and is only able to benefit from refundings if it had chosen to issue callable bonds five to ten years ago. He said the next attractive candidate will be the 2013 bonds, which will be callable in 2018.

Secretary Clifford asked how the 10-year limit compares to other municipal issuers.

Mr. Paul responded that the state is at the short end of its issuance policies. He said the average life of the state's debt portfolio is a bit over three years, while for the average state or local government it is probably 10 years or more. He said it also affects the attractiveness of selling callable bonds. The standard call in the municipal market is a 10-year par call on a 20 to 30 year bond. To sell a 10-year bond with a 5-year call is really unusual, and the state probably pays a greater price for that than the traditional issuer.

Mr. Buchholtz stated that the State Auditor has released the audit of the State General Fund, which was posted with the Preliminary Official Statement.

Ms. Sweeney reviewed the two resolutions before the Board today.

Mr. Paul confirmed that the project list totaled $166,998,440.

Mr. Aragon moved approval of the two resolutions. Mr. Archuleta seconded the motion, which passed 6-0 by voice vote.
PROPERTY DISPOSITIONS

Presenter: Luis Marmolejo, Senior Planner, Community Development

10. Doña Ana County – Requests Approval of Trade of 0.18 Vacant Acres Located in the Town of Rodey with Joel and Lucia Zamora in Exchange for an Adjacent 0.14 Acre Parcel (property and other consideration, if necessary, totaling $35,100)

Mr. Marmolejo requested approval of the trade of real property consisting of 0.259 acres in exchange for an adjacent platted road consisting of 0.180 acres. Both properties are in the Town of Rodey and appraised at an equal value of $34,250 as determined by appraisals completed in February 2014. The trade is for the purpose of amicably settling a disputed claim as to ownership and use of a portion of Lot 1, Block 12 of the Colorado addition to the Town of Rodey.

Mr. Marmolejo described the history of this transaction. He noted that, after a review by the Taxation & Revenue Department, it was determined that the Zamoras would owe the County approximately $200. He said the Zamoras have put a lot of time and effort into this transaction, as well as their own money into the appraisal and survey. He said the County would appreciate it if this $200 difference could be resolved on the Zamoras’ behalf.

Responding to Treasurer Eichenberg, Mr. Marmolejo said the Zamoras paid for the first appraisal, and the County paid for the second appraisal.

Mr. Primm requested that any approval of this request be contingent upon Director’s receipt and counsel review of: 1) a complete and fully executed Agreement for Transfer of Interests; 2) an amendment to the Agreement providing for Zamoras to transfer the traded property to the county via Warranty Deed; 3) a revised title binder providing for Zamoras to transfer the traded property to the county via Warranty Deed; 4) evidence of consideration equaling the value of the county property being conveyed; and 5) an explanation from legal counsel explaining each special exception shown in Schedule B Section II of the title binder and a statement of impact on intended use of the property as to each special exception.

Mr. Marmolejo said the conditions were acceptable.

Mr. Archuleta moved for approval, with the contingencies. Mr. Kormanik seconded the motion, which passed 6-0 by voice vote.

[Governor Martinez joined the proceedings.]

Presenters: R. Daniel Castille, Partner at Cuddy & McCarthy, LLP; Geno Zamora, General Counsel; Shirley McDougall, Property Asset Manager; Gabriella Blakey, Assistant Superintendent for Curriculum and Professional Development; Brian Dineen, Vice President of Strategy, United Way of Santa Fe County; Marisol Atkins, Vice President, Operations & Program Development, United Way of Santa Fe County

11. Santa Fe Public School District – Requests Approval of Lease of Real Property at 3160 Agua Fria Street in Santa Fe with United Way of Santa Fe County ($94,100 per year services in lieu of cash)
Mr. Castille stated that Santa Fe Public School District (District) is requesting approval of the lease of the Adobe Building, located on District property previously known as Agua Fria Elementary School, to United Way of Santa Fe County (United Way). The 7,845 square foot building will serve as a joint project to develop and operate the Santa Fe Early Learning Center, which will be devoted to early childhood education and kindergarten readiness for children throughout the District. He said United Way is doing a capital campaign to raise funds to build a separate building, where they will operate daycare and preschool program for children in the District, and that building will be owned by the District and leased to Santa Fe County. The District and United Way desire to lease the property in exchange for United Way’s providing services equal to market rent as determined by an appraisal report completed in September 2014. The proposed term of the lease is five years, ending December 30, 2019, with the option to be renewed annually for not more than three additional one-year periods.

Mr. Castille discussed the benefits of early childhood education in terms of lower incarceration rates, lower dropout rates, higher literacy levels, and other benefits backed by statistics. He commented that this is a very good investment, adding that the legislature “is very much on board” with early childhood education, and the Legislative Finance Committee feels this program will reach 20 percent of the target population.

Responding to Secretary Clifford, Mr. Dineen said United Way will staff and run these programs.

Secretary Clifford commented that he knows Mr. Dineen personally, as his son attended Santa Fe School for the Arts, now called the School for Arts and Sciences, and it was a great experience for his son.

Secretary Clifford said some of these are publicly funded programs, so the question is, as the Board addresses the services in lieu of rent, is it excluding those other public funds from that calculation.

Mr. Dineen responded that the state provides reimbursement for home visiting programs, and these are the services United Way provides. The other services described in the lease will be funded primarily by grants. However, the state does not provide enough money for any of its programs to cover the overhead of a quality program. He said United Way is currently running some programs and does not really have space for the visitors that primarily work out of home, and they meet in United Way’s boardroom. If they had to add the amount of rent for this building, none of those programs would be viable. United Way has the advantage of being able to raise additional funds from donor campaigns and from workplace campaigns. Without those, they could not run any of these programs; so, although it is true that part of the operating budget will come from reimbursements from the state, the program expenses are considerably above that. He said this is why United Way is the only organization in Santa Fe County that provides CYFD publicly funded pre-K programs. He said it is not viable to do a pre-K program at the $3,000-per-child reimbursement rate. He said the buildings these programs operate out of are basically free, as United Way does not pay for them, because in exchange it is running quality services.

[Lt. Governor Sanchez left the proceedings.]

Secretary Clifford asked why this project is more important than a charter school use of the site. He said he sits on the Public School Facilities Authority (PSFA), and space for charter schools is a concern around the state. He stated that there were some concerns about the condition of the building, but charter schools have more flexibility in regard to that.
Mr. Castille responded that the building is not configured for classrooms, and no charter schools in Santa Fe are looking for extra space at this point.

Mr. Dineen added that the building was constructed in 1936, and no rooms are large enough to be licensed for classroom use. He said the building consists of small offices.

Mr. Dineen said the site is well positioned geographically. Numerous studies show that the area between Airport Road and Agua Fria Village is where about 75 percent of Santa Fe’s children from low income homes live, which is in the immediate area. He said the community is very familiar with this location, and many generations went to school there.

Mr. Dineen said United Way spent $50,000 of its own money to improve the interior, and another $40,000 to hook up electrical and plumbing services.

Secretary Clifford asked if the residents are supportive of this project, and Ms. McDougall responded yes. She said there have been multiple early notification meetings.

Mr. Archuleta commented that this project will save lives, and he supports it.

Mr. Archuleta asked for assurances that the revenue stream and a system of checks and balances will ensure that this program remains successful going forward.

Mr. Dineen responded that United Way has done a business plan because they need to convince private donors to invest $10 million in this building, which will be given to the District. He said he believes this shows long-term sustainability. He said they address sustainability by taking privately funded programs that are initially very costly to establish, and then eventually supplant the funds with recurring state revenues. He commented that he feels they will probably end up with a 20-to-30-year lease on the new building. He said they have additional funds from their annual campaigns, which have always been robust.

Ms. Atkins stated that the model they use at their current location for home visiting is the "First Born model," which originated in Silver City and is now in 16 counties in New Mexico. She said United Way of Santa Fe is the site for a national study, and they are confident that they will receive evidence-based status this year. Having that stamp of approval will provide them with additional federal funding.

Mr. Aragon expressed concern that the third preamble of the recitals in the Board of Education resolution authorizing the lease of the Adobe Building states that the United Way “is in need of administrative office space and service delivery space,” but his understanding is that the facility would also be used for classrooms. He suggested that it include that verbiage so the intent is understood.

Mr. Zamora responded that, because this is a continually evolving project, the reference to service delivery space is meant to address classrooms.

Mr. Aragon noted that the third preamble also refers to Early Learning Collaboration Compact programs, but he was unable to find a definition for that nor reference to it in Exhibit 2, which lists several programs. He recommended incorporating Exhibit 2 by reference and tying it into the recitals.
Mr. Aragon additionally recommended that the language referring to service delivery space more clearly spell out that the facility will be used for classrooms.

Mr. Aragon also noted that page 2 of Exhibit 2 includes a reference to the $94,100 under discussion today, but there are other figures delineated in the anticipated annual direct costs.

Mr. Zamora responded that the goal is to provide context of the overall value being received. He said some clarifying language would be added to Exhibit 2.

Ms. Clarke stated that she did not see any documentation delineating the value of each service to be provided. She noted that the cost of the service is not necessarily the value of the service.

Mr. Dineen said the state provides reimbursement at $3,000 per family, and asked if that could be established as the value of the service.

Ms. Clarke responded that services for which United Way receives reimbursement from the state does not count towards rent. Services that count towards rent are only those of the United Way that are not reimbursed with other funds.

Mr. Aragon commented that it does not say that, however, so language would have to be added.

Ms. Clarke asked if it would be a hardship for the applicants to wait until the Board’s March 17 meeting, which would allow time to work on amendments to the lease.

Ms. McDougall responded that it would not be a hardship, as they could extend the temporary lease now in place.

Mr. Aragon moved to table this item to the next Board meeting with the understanding that the issues raised at this meeting would be addressed. Mr. Archuleta seconded the motion, which passed 6-0 by voice vote.

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**HIGHER EDUCATION DEPARTMENT**

Presenters: Ron James, Capital Projects Coordinator, New Mexico Higher Education Department; Dr. Steven Gamble, President; Scott Smart, Vice President for Business Administration; George Williford, Managing Director of Public Finance, First Southwest; Gregory Salinas, ENMU Legal Counsel, McCall, Parkhurst and Horton LLP

12. Eastern New Mexico University – Requests Approval of System Improvement Revenue Bond Series 2015A (not to exceed $12,600,000) and System Revenue Refunding Bond Series 2015B (not to exceed $6,300,000)

[Treasurer Eichenberg left the meeting during this item.]

Mr. James stated that Eastern New Mexico University (ENMU) is requesting approval to issue System Improvement Revenue Bonds, Series 2015A, and System Revenue Refunding Bonds, Series 2015B, totaling $18,660,000 with a 30-year maturity. This is a revision of the submittal originally of $18,900,000, and is due to the fact that, on January 22, 2015, New Mexico Finance Authority approved the bonded amount for the $18,660,000. Of this amount, $6,325,000 will be toward the refunding of the
existing bonds, which would result in a savings of approximately 3 percent or higher. The remaining amount of the bond would be revenue to fund three other projects: 1) a 5,000 seat, open air multi-purpose athletic facility capable of hosting football, track and soccer events (an on-campus facility that will replace the existing off-campus stadium and will include concession stands, locker rooms, restrooms and press box facilities); 2) renovation of the Golden Student Success Center (housing library services and a variety of student success programs); and 3) renovation of half of the apartments within the university’s West Campus apartment complex (a complex of 12 buildings with 99 total apartments originally built in 1961 as married student housing). The interiors of the apartments have not been renovated since their original construction.

Mr. James stated that these projects are part of ENMU’s five-year plan. He noted that ENMU had a clean audit.

Mr. Aragon asked if there is a cost associated with the refunding in terms of attorney’s fees and other administrative costs, and Mr. James responded yes.

Mr. Aragon said he realized that the refunding would result in significant savings, but commented that ENMU would be utilizing dollars to issue bonds and pay what are often exorbitant administrative costs. He commented that ENMU is essentially diverting money that should be going to students.

Mr. Aragon asked what the administrative costs were.

Mr. Smart responded that the refinancing will save over $600,000, and the fees associated with that are less than $20,000. He said ENMU was taking advantage of market rates and reduced interest costs.

Mr. Aragon commented that he could appreciate that, but added that this seems to be a recurring theme that he has seen repeatedly in the four years he has been on the Board. He said there must be some way to figure out how to incorporate a one-time cost associated with this.

Responding to Mr. Brasher regarding the original submittal of $18,900,000 and the amount approved by the NMFA of $18,660,000, Mr. Primm said the Board needs to hear from ENMU to understand whether the downward adjustment should be made in the Board’s parameters agreement; and if so, which portion should come out of the new money series as opposed to the refunding portion.

Mr. Smart explained that, based on the figures approved by NMFA, $12.5 million would go for the construction projects and $6,160,000 is associated with the refunding.

Ms. Clarke said the parameters resolution states that what the Board would be approving is a principal amount not to exceed $18,900,000. She said staff and counsel do not necessarily see a need to revise the parameters resolution to reflect the lower amount of $18,660,000, but doing so would be at the discretion of the Board.

Responding to Mr. Brasher, Mr. Williford said the refunding of the existing debt ($6,325,000) comes from a 2005 bond issue with an interest rate of about 4.25 percent, which runs through 2026. The principal balance is $6,060,000. The refunding issue would refinance that at lower interest cost.

Mr. Brasher asked what sources would cover debt service payments on the $12.6 million bond issue.
Mr. Smart responded that there were three sources. With respect to the multipurpose stadium, the students voted a fee to themselves to support part of that, which would generate about $325,000. He added that the rough numbers of debt service on new money will be about $700,000 per year. He stated that they will also roll the $60,000 per year that will be saved from the refunding and apply it to the new loan, and ENMU will come up with an additional $315,000 from general revenues.

Mr. Brasher asked where the $315,000 would come from, and Mr. Smart responded that it would come from student fees.

Dr. Gamble stated that ENMU has the second-lowest tuition and fees in New Mexico. In the entire Southwestern area, as determined by the College Board, they have the fourth-lowest tuition and fees, which are below $5,000 for the current year, which is $2,500 per semester. They increased tuition by 6.5 percent in January, but the money that would support the $315,000 would come from student fees and not from tuition.

Mr. Brasher commented that the Board has a number of projects coming before it, “and university leaders keep saying, well, it’s only a certain amount. And we’re seeing it at meeting after meeting after meeting with similar kinds of projects, but tuition continues to rise... We’re having tuition increases across the state of New Mexico, and I think it’s a real problem.”

Responding to Mr. Kormanik, Mr. Smart said work on the multipurpose stadium and West Campus apartment complex will start in spring 2015 and will be completed in the June-July 2016 time frame. He said the Golden Student Success Center project will depend on a 2016 general obligation bond issue, so tentatively they are not planning to begin construction until the spring or summer of 2016.

Mr. Smart stated that ENMU will have a bond proceeds account, which will be invested.

Mr. Kormanik asked if the investment proceeds would be used to retire those specific bonds, or would they be redirected for other purposes. Mr. Smart responded that the interest income earned during the construction phase before the bond proceeds are spent, will go into the same pot of money as the bond proceeds themselves to fund construction. He said there is a limit in terms of how much they can earn in terms of arbitrage.

Mr. Kormanik asked if the investment returns would go towards each specific project and would not be used for another purpose, and Mr. Smart responded yes. He said this is a requirement. Mr. Kormanik commented that the other option is to use the monies to reduce the debt service.

Mr. Aragon stated that he has read numerous articles in the past month about universities having operating deficits. He asked if ENMU has a similar issue.

Dr. Gamble responded that ENMU does not. He said ENMU has grown for 18 consecutive fall semesters. He said they have no shortfalls and have 50 percent bonding capacity, even with the bond issues before the Board today.

Mr. Aragon commented that no university president has been able to explain to the Board why the cost of higher education continues to exceed the inflation rate. He said, "Something is askew."
Dr. Gamble responded that ENMU has two sources of significant income: the state appropriation, and tuition/fees. He said the state appropriation now is not equal to what it was six years ago, and three years ago, ENMU tuition went up zero with a slight increase in fees.

Governor Martinez asked what percentage of ENMU’s overall operating budget comes from the state, and Dr. Gamble responded 47-53 percent comes from state appropriations. He said tuition and fees constitute most of the remainder at 65 percent and 35 percent respectively, with tuition constituting 40 percent of the operating budget. He said fees support health services, insurance for auxiliaries, and everything else that Instructional and General (I&G) does not cover.

Governor Martinez noted that tuition has been increased twice since May 2013, at 4.8 percent and 6.5 percent, for a total of 11.3 percent. Dr. Gamble said that was correct. He said the student body has been increasing at a rate of 1 percent annually for the past two years, and the total number of students is now 5,887.

Governor Martinez asked how ENMU would be impacted if the Board denied approval today.

Dr. Gamble responded that the online election to increase fees to support the multipurpose facility, which would raise $325,000, would pose one problem. He noted that 1,500 students voted in the election with 83 percent voting in favor.

Dr. Gamble stated that, secondly, the apartments were built in 1950 and would be upgraded. He said the project is halfway completed and would have to be halted immediately.

Dr. Gamble said that, thirdly, ENMU would have to renege on its agreement to furnish $4 million in matching money for the general obligation bond to renovate the library. Responding to Governor Martinez, Dr. Gamble said 1,000 students at ENMU are on lottery scholarships. Because ENMU’s tuition was so low, the lottery covered 97.5 percent of tuition cost. Governor Martinez cautioned that funding from the lottery will be lower next year. While in the past general fund monies have been used to bolster balances, that would not happen in the future, and general fund balances are very low because of the dip in oil and gas prices.

Dr. Gamble reiterated that ENMU has the fourth lowest tuition in the Southwestern part of the U.S., according to the College Board, and has the second lowest in New Mexico. He added that room and board at ENMU is also one of the two lowest in New Mexico, and they have had very few raises in the past six years. He said over 1,000 students a year are employed on campus.

Secretary Clifford expressed concern that lottery monies are part of the pledged revenues for repayment of the bond. He said the general fund is being called upon to fund about one-third of the lottery scholarship. While that is temporary for the next two years, it is a concern going forward.

Secretary Clifford referred to a table of current and projected coverage ratios. Of the $40 million in pledged revenues, ENMU has imposed a large coverage ratio, and is planning such that ENMU would only need up to $7 million of the $40 million for the debt service for this purpose, and this would generate coverage of 2.5x to 3x. He asked if that was a fair way to read the table.

NMFA representative Zach Dillenback responded yes. He said the $40 million is defined under the legal pledge in terms of unrestricted revenues that are available to bondholders should there be a
problem. He said ENMU has taken a step further and drilled down into their operations to determine what they could truly afford, which brings it down to the $7 million level. As Dr. Gamble had stated, because they are in excess of two times coverage, they are at about 50 percent of their bonding capacity.

Mr. Aragon expressed concern that, if events occur that lead to ENMU only being able to cover 50 percent of tuition, what impact is there on the ability to service the debt.

Secretary Clifford commented that the risk amounts to about $2.5 million annually in lottery assistance for students. He said he did not believe that imperiled the credit scenario.

Dr. Gamble agreed. Even if ENMU were to take out the lottery transfer, they would still be covered at more than 2.5 times in the ratio.

Mr. Archuleta said he would lend his support to this request. He noted the student vote of 83 percent in favor, adding, “It's a heck of a lot better to go forward with something that’s been thought out by you and your regents, and planned the way it was, than it is to keep putting bailing wire on things that already have bailing wire on them... it's just throwing good money after bad.”

Mr. Archuleta commented that he has encouraged Governor Martinez to form a blue ribbon task force of people with no vested interest in the state’s higher education system. These people would be tasked with designing a system that can spend money most effectively and efficiently with the students and their budgets in mind.

Governor Martinez stated that the new Secretary designate of the Department of Higher Education has the mission to review the number of Constitutional institutions, two-year institutions and others. She noted there are four branches of Doña Ana Community College alone, which is “ridiculous,” and the number of higher educational institutions in the state is disproportionately high. She said she has asked the Secretary of Higher Education to commission a study to determine what institutions have to be eliminated to make remaining institutions more robust.

Responding to Mr. Kormanik, Secretary Clifford stated that the Board does not have the authority to vote on individual projects or decide which projects get funded.

Mr. Kormanik voted to approve the proposal that ENMU has presented to the Board. Mr. Archuleta seconded the motion.

Mr. Primm requested that approval of this request be contingent upon Director’s receipt of: 1) a resolution of the Board of Regents complying with 2.61.5.10(A)(2)(g) NMAC; 2) Receipt of final bond resolution in substantially the same form as that submitted to the Board of Finance; and 3) documentation satisfying rule requirements found at NMAC 2.61.5.10A(2)(b)(iii)(3); 2.61.5.10A(2)(c)(ix); 2.61.5.10A(2)(d)(v); 2.61.5.10A(2)(f); and 2.61.5.10A(2)(f)(iv).

Mr. Carrasco requested that, if the Board votes to approve this item, let the record reflect that the parameters resolution, as revised in light of the New Mexico Finance Authority’s approval for a Public Project Revolving Fund loan in the amount of $18,660,000, issued by the Board authorizing the Regents of Eastern New Mexico University to issue System Improvement Revenue Bonds, Series 2015A and System Refunding Revenue Bonds, Series 2015B, in summary provides:
That the bonds will be used for the purpose of purchasing, constructing, erecting, altering, improving, repairing, furnishing and equipping buildings, improvements and facilities for the use of the University, including construction of a 5,000 seat, open air multi-purpose athletic facility, renovations to the Golden Library, repair and renovation of the West Campus apartment complex and refunding a portion of the University’s outstanding revenue bonds and paying the cost of issuance of the Bonds;

The Regents have submitted a financing plan with respect to the University and the Bonds, which financing plan addresses the requirements set forth in 2.61.5.10 NMAC;

After receipt of approval and sale parameters for the Bonds from the State Board of Finance, the Regents will proceed with the sale of the Bonds to the New Mexico Finance Authority and will adopt a final bond resolution setting forth the terms and provisions of the Bonds, including the final details with respect to the sale price, interest rates and maturity schedule for each respective series of the Bonds;

The bonds will be issued in an aggregate principal amount not to exceed $18,660,000, will bear interest at a net effective interest rate not to exceed 6% per annum and have a final maturity no later than April 1, 2045 for the 2015A Series Bonds and a final maturity no later than April 1, 2026 for the Series 2015B Series bonds;

The net present value savings resulting from the refunding portion of the Project shall not be less than 3% of the principal amount of the bonds refunded;

The Regents shall provide to the Director of the State Board of Finance, after adoption of the Bond Resolution, a certification required by 2.61.5.10(A)(2)(g) NMAC to the effect that all statutory requirements for the issuance of the Bonds have been complied with by the Regents;

The bonds shall be issued to the Purchaser no later than August 30, 2015;

Prior to issuance of the Bonds; the Regents shall provide to the State Board of Finance staff the information and documents required by 2.61.5.12 NMAC;

The Bonds shall not be delivered to the Purchaser until the Regents have received written confirmation from the State Board of Finance staff that the parameters established in this resolution are satisfied;

That proper investigation having been made, it is hereby found and declared that the Project is needed, that the cost thereof is reasonable, and that the “Pledged Revenues” (as defined in the Bond Resolution) pledged to the payment of the Bonds should and probably will return sufficient monies to repay the money borrowed with interest as the same is due and payable, and the issuance of the Bonds for the Project is hereby approved on the conditions set forth in this resolution.

Mr. Kormanik restated his motion to include the contingencies as read. Mr. Archuleta seconded the restated motion.

Mr. Brasher stated that, in the future, he would like to know what kind of impact some of these projects have on classroom instruction and how they advance and reinforce curricula.

The motion passed 5-0 by voice vote.

Presenters: Ron James, Capital Projects Coordinator, New Mexico Higher Education Department; David Harris, Executive Vice President for Administration, Chief Financial Officer and Chief Operations Officer; Chris Vallejos, Associate Vice President Business
Planning and Services; Tom Neale, Director of Real Estate

13. University of New Mexico – Requests Approval of Acquisition of Real Property at Lot 10, Block A, Sunshine Terrace Avenue in Albuquerque from Juan Chavez and Acceptance of Certain Special Exceptions ($72,900)

14. University of New Mexico – Requests Approval of Acquisition of Real Property at Lots 6, 7 and 8, Block A, Sunshine Terrace Avenue Addition in Albuquerque from Chong H. Sanchez and Acceptance of Certain Special Exceptions ($160,700)

Mr. Neale identified the properties on maps. He said Sunshine Terrace is a platted but undeveloped subdivision that sits immediately south of University of New Mexico’s (UNM) baseball and softball facilities. He said UNM has been attempting to acquire all of the ownerships in the area since 1974; and currently, there is a checkerboard of ownership in the area. The land is needed for expansion of athletic facilities, including the UNM baseball stadium, sport courts, intramural playing fields and related parking.

Mr. Neale said UNM acquired approximately 24 lots from the Gutierrez family about a year ago. He said there are nine lots remaining in the area, four of which are now under contract, and these are before the Board today.

Mr. Neale said an escarpment sits along the south side of Sunshine Terrace, where there has been a tremendous problem with illegal dumping. Once they are able to acquire all of the lots, they can eliminate access and curtail the illegal dumping.

Mr. Kormanik asked what the funding source is for the two acquisitions. Mr. Harris responded that an institutional bond issue in 2007, which was half taxable and half non-taxable, was used to rebuild University Arena and The Pit, as well as address a number of other institutional uses. He said the funds were invested without arbitrage penalty, and UNM plans to continue using the funds for important capital projects.

Mr. Kormanik asked how the original bond resolution was structured, i.e., were the bond proceeds to be invested and then used for other purposes. Mr. Harris responded that it was general institutional debt, and the bond was not tied to specific uses. He added that a list of projects was presented to the campus and the Board of Finance at the time, but they were not restricted. He said the projects were “barely estimates.”

Mr. Kormanik commented that the interest earned on the bond proceeds could have been used to retire the debt. Mr. Harris agreed that UNM could have done that, as well.

Mr. Kormanik asked if the Board understood at that point in time that the interest off the bond proceeds could be diverted and used for purposes other than retiring the debt. Mr. Harris responded that he presented that bond issue to the Board, and did not recall that issue being raised. He said the main focus was on The Pit.

Mr. Kormanik commented that, in his mind, he would presume that the interest earned on the bond proceeds during the execution of the project would be tied back into retirement of the bond debt and not for other purposes that were not proposed.
Mr. Harris clarified that this is not restricted general obligation debt, but is general debt of the University that would not be restricted.

Mr. Kormanik said he understood that, but as a matter of good financial policy, and what the Board understands, “I guess going forward I’m going to be more focused on what happens to the interest on the bond proceeds.” He said he personally thought it should be used to accelerate retirement of the debt rather than being diverted for another purpose.

Mr. Harris commented that this is a policy judgment that the Board could impose, and he would have no problem with that, but added that this was not a condition imposed in 2007.

Governor Martinez stated that UNM came before the Board of Finance to request approval for a specific thing, so to use some of the proceeds for other things without Board approval defeats the purpose. She said the funding should be used to pay off the debt, and that is the Board’s mission.

Mr. Aragon commented that, while he wasn’t on the Board in 2007, every vote he has participated in on a bond issue has been with the understanding that the proceeds would be used for that purpose and only that purpose, and that includes retiring the debt. He said he thought it disingenuous of any institution “to manipulate the system that way,” since it was beyond the scope of what the Board ever intended.

Governor Martinez said she believes the Board has a very clear mission, which is to approve very specific projects with very specific dollar amounts for that project. Otherwise, it takes away the power and authority of the Board.

Responding to Mr. Brasher, Mr. Neale stated that the condemnation of the Gutierrez property allowed UNM to do robust environmental testing of the site. He said test pits were dug at nine or ten different locations, and it was determined that the soil conditions had very limited (less than 5 percent) of debris in the subsurface.

Mr. Aragon moved for denial of Item 13. Mr. Brasher seconded the motion, which passed 3-2 by voice vote, with Governor Martinez, Mr. Aragon and Mr. Brasher voting for the motion, and Mr. Archuleta and Mr. Kormanik voting against.

Mr. Aragon moved for denial of Item 14. Mr. Brasher seconded the motion, which passed 3-2 by voice vote, with Governor Martinez, Mr. Aragon and Mr. Brasher voting for the motion, and Mr. Archuleta and Mr. Kormanik voting against.

Mr. Aragon commented that he did not really care that the bond issue did not specifically prohibit UNM from using the proceeds for other projects, and he found it “underhanded and despicable that tactics would be used in this way to fund a project in this fashion. It pulls the rug out of the authority and purview of the Board of Finance, and I do not think that is acceptable conduct in any way.” He stated that he would have voted for the acquisitions “in a heartbeat” with another funding source.

[Governor Martinez left the meeting.]

Presenters: Dr. Kate O’Neill, Executive Director; Mario Suazo, Business Operations Director; Jim Pollard, Project Manager; Ron James, Capital Projects Coordinator, New Mexico Higher Education Department; Tom Neale, Director of Real Estate; Chris Vallejos, Associate Vice
President Business Planning and Services; David Harris, Executive Vice President for Administration

15. University of New Mexico, Taos Campus – Requests Approval of Acquisition of Real Property at 121 Civic Plaza Drive in Taos and Acceptance of Certain Special Exceptions ($1)

Mr. James stated that University of New Mexico, Taos Campus (UNM Taos) requests approval to acquire real property located at 121 Civic Plaza Drive in Taos from the Town of Taos. The property is the former Taos Convention Center in Downtown Taos. UNM currently leases the property for $1 per year, with a purchase option of $1. The building contains an estimated 24,540 square feet with two large halls, a kitchen and supporting restrooms, corridors and storage rooms. The proposed project is to consolidate instruction at two locations and provide for expansion to meet the demand of health services programs in Northern New Mexico. The June 2014 appraisal report determined a fair market value for the property of $1,270,000.

Mr. James stated that UNM Health Services Career Program has grown 23.7 percent over the last ten years. Renovation of this facility will alleviate overcrowding at the existing rented space. He said this project is part of UNM’s five year master plan.

Dr. O’Neill stated that they are currently in three different locations, and this would allow them to expand the facilities where they have been for the past 20 years.

Mr. Archuleta said he sees this as a “win-win” because the Town of Taos cannot justify continuing to own and maintain the facility, and UNM Taos has to meet increased demand.

Mr. Archuleta moved for approval. Mr. Kormanik seconded the motion.

Mr. Carrasco stated that, if the Board votes to approve this item, let the record reflect that the Board has received correspondence from Maureen McGuire, Associate University Counsel, explaining certain special exceptions listed in Schedule B-Section II (Exceptions) listed in the Commitment for Title Insurance issued by Fidelity National Title Insurance Company. Associate University Counsel McGuire represents that those special exceptions should not, does not or will not adversely impact the University’s intended use of the property, but that an Amendment to the Purchase Agreement requiring an Encroachment Agreement to be executed and recorded at closing will be necessary with regard to Special Exceptions 14-16. The special exceptions include: Reservations, Restrictions and Easements, if any, contained in the Patent from the United States of America to the Pueblo of Taos Grant; Reservations, Restrictions and Easements, if any, contained in the Patent from the United States of America to the Gerson Gudorf and William Thomas Hinde; Any easement or claim of easement for overhead utility lines and poles, telephone drop box, transformer, drop inlet, sewer manholes, water meter, gas meter, electric boxes and any underground utility line associated therewith all as shown on ALTA/ACSM land Title Survey entitled “Lots 14, 15, 16 and Part of Lots 17 and 20 Hinde’s Addition”, by Gary E. Gritsko, NMPS #8686, dated March 27, 2014 and filed __, 2015 in Cabinet __, Page __, records of Taos County, New Mexico; Building encroachments onto Camino de la Placita and Bedford Avenue as shown on the same ALTA/ACSM land Title Survey; 2.0 foot building overhand encroachment onto alley as shown on the same ALTA/ACSM land Title Survey; Parking Space encroaching onto Bedford Avenue as shown on the same ALTA/ACSM land Title Survey.

Mr. Primm requested that any approval be contingent upon Director’s receipt of: 1.) a fully executed Bill of Sale; 2.) an executed encroachment agreement as an amendment to the purchase agreement executed and recorded at closing permitting the cited encroachments contained in special
exceptions 14, 15 and 16 to the title binder; 3.) a revised title binder stating conveyance by Town of Taos will be by quitclaim deed; and 4.) receipt and review by counsel of Exhibit A to the Bill of Sale or other modification to the contract that would clarify disposition of residual personal property remaining on the premises.

The motion was restated to reflect these additional contingencies.

Secretary Brasher noted that the Board had received documents with four versions of President Frank’s signature. Mr. Harris stated that President Frank would be asked to sign all documents submitted to the Board going forward.

The motion, with the contingencies, passed 4-0 by voice vote.

STATE TREASURER’S OFFICE
Presenter: Vikki Hanges, LGIP Portfolio Manager

17. Quarterly Investment Reports for Quarter-Ended December 31, 2014

Ms. Hanges presented these reports.

GENERAL SERVICES DEPARTMENT
Presenter: Pamela Nicosin, Deputy Director, Facilities Management Division

Ms. Nicosin presented the monthly report for December 2014 as well as details on selected projects.

STAFF ITEMS
Presenter: Jeff Primm, Deputy Director
19. Approval of Second Amendment to Arbitrage Consulting and Compliance Services Contract to Extend Contract for One Year

Mr. Primm explained the amendment before the Board and requested Board approval.

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

20. Approval of Appointment of Jeff Primm as State Board of Finance Acting Director

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

21. Fiscal Agent/Custodial Bank Fees

Mr. Primm stated that the fees were available for review in the Board packet.

22. Joint Powers Agreements
Mr. Primm read the Joint Powers Agreements into the record.

**ADJOURNMENT**

Its business completed, the State Board of Finance adjourned the meeting at 2:15 p.m.

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Susana Martinez, President

Date

Michael Brasher, Secretary

3/17/2015

Date