MINUTES OF THE

NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

Santa Fe, New Mexico

April 21, 2015

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

1. **ROLL CALL: QUORUM PRESENT**

   **Members Present:**
   The Hon. John A. Sanchez, Lt. Governor [leaving at 10:45 a.m.]
   The Hon. Tim Eichenberg, State Treasurer [leaving at 9:35, returning at 9:55 a.m.]
   Mr. Robert J. Aragon, Public Member
   Mr. Adelmo Archuleta, Public Member
   Mr. Michael Brasher, Public Member, Secretary

   **Members Absent:**
   The Hon. Susana Martinez, President
   Mr. John Kormanlk, Public Member

   **Staff Present:**
   Dr. Thomas E. Clifford, Secretary of Finance and Administration
   Mr. Jeff Primm, Acting Director, State Board of Finance

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

   **Others Present:**
   [See sign-in sheets.]

2. **APPROVAL OF AGENDA**

   **ANNOUNCEMENT: NEXT REGULAR MEETING – TUESDAY, MAY 19, 2015**

   [The next regular meeting date was subsequently rescheduled to Thursday, May 21, 2015.]

   Mr. Archuleta moved for approval of the agenda, as published. Mr. Aragon seconded the motion, which passed 5-0 by voice vote.
3. **APPROVAL OF MINUTES:** March 17, 2015 (Regular Meeting)

Mr. Brasher moved for approval of the March 17, 2015, minutes, as submitted. Mr. Aragon seconded the motion, which passed 5-0 by voice vote.

**EMERGENCY FUND BALANCES**
Presenter: Jeff Primm, Acting Director
4.  **Emergency Balances -- April 2015**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve Fund</td>
<td>$1,858,328.99</td>
</tr>
<tr>
<td>FY14 Emergency Water Fund</td>
<td>$118,100.00</td>
</tr>
</tbody>
</table>

Mr. Primm reported these balances.

**PROPERTY DISPOSITIONS**

Presenter: Joseph Dworak, Attorney General’s Office, Counsel to the New Mexico Border Authority
5. **New Mexico Border Authority – Requests Approval of Lease of Real Property at 221 Pete V. Domenici Memorial Highway in Santa Teresa to Verizon Wireless, LLC ($18,000 per year)**

Mr. Primm stated that the Board approved this request at the March Board meeting contingent upon two specific documents being received: a Phase One from Verizon Wireless; and a Phase One from the Border Authority. He said it turns out that there was some confusion about what existed at the Border Authority in terms of environmental documentation. The document that existed was actually an asbestos report; and unfortunately, it wasn’t made clear that there was not an actual Phase One in the Border Authority’s possession.

Mr. Primm said that, if the Board can get confirmation on the record that it has all the environmental documentation that the Border Authority knows to exist, he feels the Board will have met the spirit of what was discussed in terms of environmental documentation, and would be able to move forward by waiving or modifying the contingent approval.

Mr. Archuleta moved that the Board approve this item with the clarification as to the exact documents that the Border Authority does in fact have and that have been submitted to the Board and that the Board has everything that it requires at this point. Mr. Brasher seconded the motion, which passed 5-0 by voice vote.

Presenters: Joseph Rasor, Superintendent; Anna Redding, Director of Finance; Dr. Kimberly Mizell, Incoming Superintendent (July)
6. **Bloomfield School District – Requests Approval of Lease of Real Property at 1100 Río Vista Road in Bloomfield to the U.S. Forest Service ($68,275 per year)**

Ms. Redding stated that the Bloomfield School District is requesting the continuation of a lease that they had with the U.S. Forest Service. She said this was a one-year lease approved by the Board of Finance a little over a year ago. She said the School District is requesting a new lease, which is for five years with two additional five-year options to renew, for a total of fifteen years. She said the space is...
Located in the old Rio Vista School, which has not been used as a school since 2004 because of declining enrollment. She said they do not anticipate using the building as a charter school or needing the building in the future because of declining enrollment and the oil and gas workforce.

Mr. Rasor said the School District is using the building as its Information Technology department and maintenance. The part that will be leased would be the remaining 40 percent. Over the course of 15 years, the School District will receive approximately $1.1 million from the lease payments, which helps them defray the cost of managing the building.

Ms. Redding said the current lease rate of $9.10 per square foot remains unchanged from the 2014 lease agreement.

Mr. Primm recommended that any approval of this item be contingent upon Director’s receipt, with review of counsel, of fully executed amendments to the lease containing staff’s changes.

Mr. Brasher moved for approval with staff’s contingency. Mr. Archuleta seconded the motion, which passed 5-0 by voice vote.

Presenters: Deanna Miglio, Right of Way Manager; Tina Cummins, County Contract Employee; Forrest R. Thomas, Manager, Isleta Technical Planning

7. Bernalillo County – Requests Approval of Sale of Real Property at 3234 Isleta Blvd., S.W. in Albuquerque to TP-Isleta, LLC ($68,000)

Ms. Miglio requested approval of the sale of 0.7539 acres of land to TP-Isleta, LLC, which is a self-storage business adjacent to the subject property. She said the County acquired the property in 1970 but no longer has any use for it, and it is becoming a nuisance. She said the owner, Forrest Thomas, wants to expand his business.

Responding to Treasurer Eichenberg, Ms. Miglio stated that the County had an appraisal, but it expired. She said Mr. Thomas commissioned an appraisal, which came in at $68,000.

Ms. Cummins said the County’s appraisal came in at $131,500, but she did not accept it because the comparable properties used in that appraisal were not of a like kind, in her opinion. She said Mr. Thomas then paid Howden & Smith for an appraisal out of his own pocket. She said the Taxation & Revenue Department has approved the appraisal.

Responding to Mr. Archuleta on the County’s due diligence process, Ms. Miglio said the property was offered to APS and CNM and they were not interested. She said the County does not advertise properties for sale when there is only one interested buyer, which was the case here. She said this is typical procedure. Mr. Archuleta asked Ms. Miglio if she could assure the Board that the Board of County Commissioners (BCC) is satisfied that they followed all the necessary procurement procedures, and Ms. Miglio responded yes.

Mr. Brasher asked if the Board has a copy of the resolution adopted by the County Commission, or the minutes from that meeting. Ms. Miglio responded that the County has minutes from the BCC meetings, but the problem is that the clerk or the commission chair does not sign them, so they are not what the Board of Finance considers official minutes. Instead, they use what she calls a “supplemental signature page,” which is signed by the Commission. She said she made an additional change to the
supplemental signature page at Mr. Primm’s request, which added the language, “subject to approval by the State Board of Finance.”

Mr. Brasher noted that the sale is contingent upon a zone change, and Ms. Miglio said that was correct; if the zone change does not occur, the sale does not occur.

Mr. Aragon questioned whether this item is ripe for presentation to the Board, as the transaction has not been completed and the Board does not know what action the zoning commission will or will not take.

Mr. Primm responded that, while staff has developed a lengthy list of contingencies, staff is recommending that this item be deferred to the next meeting while some issues are resolved.

Mr. Carrasco agreed that the Board would be wise to defer this request. He said he had the same concern regarding the contingency around the rezoning. He said he was unable to determine the intent of the County Commission when it passed the resolution; and while he has the supplemental signature page stating that the Commission has approved this subject to approval by the Board of Finance, he was not sure this was something the County Commission discussed and resolved, or whether it was a ministerial change made to the document as an afterthought. If the Board chooses to approve this request, he would recommend that be made a contingency as well.

With respect to the language in the resolution stating that the County Manager can approve all general purchases, agreements and contracts up to $150,000, Mr. Aragon said he wasn’t sure that it was appropriate for the County Commission to essentially abdicate responsibility administratively to an employee of the County without absolute affirmation by the County Commission. He commented, “I think you have a systemic legal and potentially constitutional issue with the way this process has taken place, and I would suggest you talk to commissioners that they may be well advised to come in compliance with the Constitution and statute around what the County Commission’s charge is.” He said he had “grave concerns” about the County Commission allowing the County Manager to conduct business on his or her own initiative rather than following the directives of the County Commission.

Mr. Carrasco said he didn’t necessarily disagree, but there are instances when a county commission is able to delegate certain pieces of authority to an individual person, but even if that were the case and that structure was entirely legal, it is irrelevant because statute governs the disposition of this piece of property, and that needs to come to the Board for approval, and Board rules say a document is needed from the governing body authorizing the disposition of the property.

Mr. Aragon moved to table this request to the next meeting. Mr. Brasher seconded the motion.

Treasurer Eichenberg suggested it could be months before any zoning change takes place.

Treasurer Eichenberg cautioned the County and purchaser that making this contingent on a zoning change could result in several people trying to buy the property, and the County would have to take the highest bid.

Mr. Aragon withdrew his motion and Mr. Brasher withdrew his second.
Mr. Aragon moved to defer this item. Mr. Brasher seconded the motion, which passed 5-0 by voice vote.

[Treasurer Eichenberg stepped away from the meeting at this point.]

**HIGHER EDUCATION DEPARTMENT (HED)**

Presenters: Eric Schwaner, UNM Taos; Dr. Kate O’Neill, Executive Director; David Harris, Executive Vice President for Administration, Chief Financial Officer and Chief Operations Officer; Chris Vallejos, Associate President of Business Planning and Services; Lisa Marbury, Interim Executive Director of Institutional Support Services; Jim Pollard, Construction Project Manager; Mario Suazo, Business Operations, UNM Taos; Duane Brown, Modrall Sperling Roehl Harris & Sisk, P.A., Counsel to UNM

8. **University of New Mexico, Taos Campus – Requests Approval of Health Career Training Center ($4,624,000)**

Mr. Harris stated that, two months ago, the Board authorized the University of New Mexico (UNM) to accept this property from the Town of Taos for one dollar. This particular presentation today has to do with the improvements to the facility, which is financed through $4 million of General Obligation (G.O.) bonds approved by the voters approximately a year and a half ago and supplemented by local education gross receipts taxes.

Dr. O’Neill stated that this is a much-needed facility and is a good repurposing of it. She said the job market looks very positive; about 50 percent of the hiring in the Taos area is in the field of healthcare.

Secretary Clifford asked for further details on the funding sources.

Mr. Suazo stated that the G.O. bond request passed last year for $4 million. He said the educational gross receipts tax (.005 percent) is unique to Taos County, and would contribute $624,000 toward the project. He said four school districts in Taos County (Questa, Taos, Peñasco and UNM-Taos) share in that. The bond proceeds county-wide totaled about $26 million, which will be allocated among the different school districts as well as UNM-Taos. He said UNM-Taos received slightly over $5 million.

Mr. Harris added that the school board is the board of trustees for the branch, so they are closely linked.

Mr. Brown explained that this particular bond issue is unique to Taos, but by statute, 25 percent of the proceeds are dedicated to the UNM-Taos branch, and the remaining 75 percent is split based on the proportionate number of students in each district, including the charter schools. He said they went through a complicated process to determine exactly the allocation of the rest of the proceeds. He said this is a 10-year program approved by the voters, and the proceeds are used for capital projects.

Mr. Brown said this is actually the third time the half-cent tax has been imposed in Taos County. It was originally used for the hospital in about 1990, and was repurposed in 2000 for the school district. The 2013 Legislature reapproved it, and sent it back to the voters again as a unique tax for Taos County and the schools.
Mr. Primm recommended that any approval of this item be approved contingent upon removal of all contingencies placed on the approval of the property acquisition contingently approved by the Board in February 2015.

Mr. Archuleta moved for approval, with staff’s contingency. Mr. Brasher seconded the motion, which passed 4-0 by voice vote. [Treasurer Eichenberg was not present for the vote.]

Presenter: Ron James, HED Capital Projects Coordinator; Tom Neale, Director of Real Estate; David Harris, Executive Vice President for Administration, Chief Financial Officer and Chief Operations Officer; Chris Vallejos, Associate Vice President of Business Planning and Services; Lisa Marbury, Interim Executive Director of Institutional Support Services

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

Mr. Harris stated that this item and Item 10 were presented to the Board previously, and there was some question about the proposed funding source, which was a 2007 institutional bond issue. He said UNM has identified another funding source for this purpose.

Mr. Neale said the funding source is a real estate transactions account that is funded through allocations from other indexes within their real estate department. This includes revenues from management and leasing of their Science & Tech Park. The current balance is $243,000.

Mr. Brasher asked if this fund transfer was done in a public meeting and Mr. Neale responded it was not.

Mr. Vallejos explained that the real estate portfolio is governed by the Board of Regents and all budget adjustments and transfers go through the budget office and are approved by the Board of Regents. Each year, the real estate department submits an annual budget. They have a working capital account of all of their properties that are swept into the account, so properties can be acquired based on margins. Those transactions are presented to executive management and are ultimately approved by the Board of Regents.

Mr. Brasher commented that it would appear, then, that the Board of Regents gives approval after the transfer is made. Mr. Vallejos responded that they set a budget target at the beginning of each year, and do a budget variance from month to month and submit any budget adjustments for approval.

Mr. Primm recommended that any approval by the Board be contingent upon Director’s receipt and review of counsel of a signed amendment to purchase and sale agreement containing staff’s changes, a copy of the warranty deed executed at closing and receipt of recorded ALTA survey.

Mr. Carrasco stated that, if the Board votes to approve this item, let the record reflect that the Board has received correspondence from Hurley, Toews, Styles, Hamblin & Panter, P.A, counsel for UNM, explaining certain special exceptions listed in Schedule B Part II listed in the Commitment for Title Insurance issued by Stewart Title Guaranty Company. Counsel represents that those special exceptions have been deleted or will be automatically deleted when the title policy is issued, do not adversely affect the use, should not limit or restrict the use or that no encroachments or other
material adverse items are reflected on the survey. The remaining special exceptions include: All matters that may be shown on an Improvement Location Report or survey of the property, if one is provided to the title company; Restrictive covenants affecting the insured premises, but omitting any covenant, conditions or restrictions, if any based on race, color, religion, sex, handicap, familial status or national origin unless and only to the extent that the covenant, condition or restriction (a) is exempt under Title 42 of the United States Code, or (b) relates to handicap, but does not discriminate against handicapped persons, recorded April 20, 1950, in Book D 139, Page 185, records of Bernalillo County, New Mexico, and; a five foot (5') Utility Easement, and incidental purposes thereto, reserved along the rear lot line, of the insured premises, as shown and noted on the recorded plat, recorded in Plat Book C1, Page 91, and as reserved in Declaration of Building Restrictions, recorded in Book 139, Page 185, records of Bernalillo County, New Mexico.

Mr. Archuleta asked Mr. Neale if there are any issues in terms of complying with the contingencies read, and Mr. Neale responded no.

Mr. Archuleta moved for approval subject to staff’s contingencies. Mr. Brasher seconded the motion, which passed 4-0 by voice vote. [Treasurer Eichenberg was not present during the vote.]

[Treasurer Eichenberg returned to the meeting during presentation of the next item.]

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

Mr. Herris stated that this acquisition is similar to Item 9, and covers three additional lots. If this item is approved, there will be five lots remaining to be acquired. He said the funding source is the same.

Mr. Primm recommended that any approval by the Board be contingent upon Director’s receipt and review of counsel of a signed amendment to purchase and sale agreement containing staff’s changes, a copy of the warranty deed executed at closing and receipt of recorded ALTA survey.

Mr. Carrasco stated that, if the Board votes to approve this item, let the record reflect that the Board has received correspondence from Hurley, Toevs, Styles, Hamblin & Panter, P.A, counsel for UNM, explaining certain special exceptions listed in Schedule B Part II listed in the Commitment for Title Insurance issued by Stewart Title Guaranty Company. Counsel represents that those special exceptions have been deleted or will be automatically deleted when the title policy is issued, do not adversely affect the use, should not limit or restrict the use or that no encroachments or other material adverse items are reflected on the survey. The remaining special exceptions include: All matters that may be shown on an Improvement Location Report or survey of the property, if one is provided to the title company; Restrictive covenants affecting the insured premises, but omitting any covenant, conditions or restrictions, if any based on race, color, religion, sex, handicap, familial status or national origin unless and only to the extent that the covenant, condition or restriction (a) is exempt under Title 42 of the United States Code, or (b) relates to handicap, but does not discriminate against handicapped persons, recorded April 20, 1950, in Book D 139, Page 185, records of Bernalillo County, New Mexico, and; a five foot (5') Utility Easement, and incidental purposes thereto, reserved along the rear lot line, of the insured premises, as shown and noted on the recorded plat, recorded in
Mr. Archuleta moved for approval subject to staff's contingencies. Mr. Brasher seconded the motion, which passed 5-0 by voice vote.

Presenters: Dr. Steve McKernan, Chief Executive Officer and Administrator of Hospital Operations; Ron James, HED Capital Projects Coordinator; David Harris, Executive Vice President for Administration, Chief Financial Officer and Chief Operations Officer; George Williford, Managing Director of Public Finance, First Southwestern; Duane Brown, McDrall Sperling Roehl Harris & Sisk, P.A., Counsel to UNM

11. University of New Mexico, Health Science Center — Requests Approval of Government National Mortgage Association-Collateralized Taxable Hospital Refunding Revenue Bonds, Series 2015 (not to exceed $160,000,000)

Mr. James stated that University of New Mexico (UNM) is requesting approval of Government National Mortgage Association-Collateralized Taxable Hospital Refunding Revenue Bonds, Series 2015, in the maximum par amount of $160,000,000. The proposed 2032 final maturity of the 2015 series would be the same as the maturity of the 2004 bonds to be refunded. The Board approved the 2004 refunded bonds in July 2004. The Series 2015 proceeds will be used to refund the callable maturities of the existing Series 2004 Federal Housing Administration Insured Hospital Mortgage Revenue Bonds that were issued for a University of New Mexico Hospital Project. The new federal guarantee structure will reduce the financed amount by approximately $17 million as funds held in reserve and collateral accounts are freed up. UNM reports that the projected present value savings of the refunding as a percentage of refunded par would be 7.9 percent, which is over $1 million in annual debt repayment savings.

Mr. Aragon asked what the University plans to do with the savings.

Dr. McKernan responded that there was a reserve fund they were required to establish with the previous bond issuance, because the FHA insured it, and so they had a mortgage reserve fund and debt reserve fund. Because of the structure of this issuance, they will no longer need the debt reserve fund and plan to apply that against the principal.

Mr. Williford said around $17 million of reserves will be released and contributed to downsize the issue.

Mr. Aragon commented that this addresses the concerns expressed by the Board when this item was previously presented.

Mr. Carrasco stated that counsel has attempted to address Mr. Aragon's concerns by inserting the following paragraph into the parameters resolution before the Board: "L. The University shall apply the amounts released from the Collateral Account and the Debt Service Reserve Fund for the 2004 Bonds to the Refunding Project."

Responding to Mr. Archuleta, Dr. McKernan said UNM had an analysis done to determine the cost effectiveness of getting an AA rating along with a 4.8 percent interest rate versus having a standalone debt with a B or BB rating and a 6 percent interest rate. He said they picked up 120 basis points for a 50-
basis point insurance fee, and all of the analyses showed that this was "extraordinarily beneficial for a hospital like ours," and they got the additional benefit of protecting the hospital, the state and the county.

Mr. Brasher asked if the presentation made to the County Commission on UNMH was about a plan now in place, or did it solicit public input about what UNMH might do going forward. Dr. McKernan responded that they made a formal briefing. He said they are in the middle of a strategic planning process with an outside consultant, KSA, which has done a demand, market and population analysis and is in the process of finalizing it. He said a series of meetings is planned over the next 60 days to work with the community, governance, state and county to understand the meaning of those reports and what a possible recommendation could be. He said they have no specific recommendation right now.

Mr. Brasher commented that the process was backwards last time. He said the public's healthcare needs and interests should first be determined, from which a plan can be developed. He said that, in the past, UNM would present a plan on what it was going to do and then would ask the public for comment.

Mr. Aragon asked that Board members be notified when UNMH starts the process again. He stated that he has spoken with individuals who are concerned about the entire process that UNM has followed in the past. He commented that, as the Board goes through this process again, it might behoove the University to take the Board through it step by step so they can understand the funding source.

Mr. Archuleta said he would like things to be "as value-added as possible." He said, "I think what Board members are saying here is that this is money well spent on behalf of the public. So caution is very important." He said he would be willing to spend a few extra hours every month being briefed by UNMH on the details of this project as it moves forward; and when a project reaches a fork in the road, to understand why UNMH chose one path over the other.

Mr. Brasher requested that UNMH provide a timeline, including when public comments are scheduled, when studies are scheduled, details of studies, and other important benchmarks. This should include what healthcare issues the public feels should be addressed by UNMH. He stressed that this has to happen first, before UNMH develops any plan, because in the past it was apparent that many people felt they had not been talked to.

Mr. Brasher also suggested to Dr. McKernan that the public be encouraged to conduct a couple of public meetings on their own rather than having UNMH take the lead.

Mr. Primm recommended that any approval be contingent upon Director's receipt of Board of Regents certification that it has complied with all statutory requirements for the issuance of these income-producing bonds.

Mr. Carrasco stated that, if the Board votes to approve this item, let the record reflect that the parameters resolution issued by the Board authorizing the Regents of UNM to issue Government National Mortgage Association-Collateralized Taxable Hospital Refunding Revenue Bonds, Series 2015, in summary provides:

- That the Bonds are being issued to (i) current refund, refinance, discharge and pay the University's outstanding FHA Insured Hospital Mortgage Revenue Bonds (University of New
Mexico Hospital Project), Series 2004 and (ii) pay the costs of issuance of the Bonds (collectively, the “Refunding Project”);  
- A maximum principal amount for the Bonds of $160,000,000 and a maximum net effective interest rate on the Bonds of 4.5%  
- That the Bonds will have a final maturity date no later than July 20, 2032;  
- That the Bonds shall be delivered to the purchaser on or before October 31, 2015;  
- That the Purchaser’s Underwriting Discount shall not exceed 1.00% of the aggregate principal amount of the Bonds;  
- That the net present value savings resulting from the refunding shall be a minimum of 3.00%;  
- The University shall provide the State Board of Finance Director a certification required by 2.61.5.10(A)(1)(g)(i) NMAC to the effect that all statutory requirements for the issuance of the Bonds have been complied with by the University;  
- That the University shall apply the amounts released from the Collateral Account and the Debt Service Reserve Fund for the 2004 Bonds to the Refunding Project.  
- That proper investigation having been made, it is hereby found and declared that the Refunding Project is needed, that the cost thereof is reasonable, and that Trust Revenues (as defined in the Indenture) pledged to the payment of the Bonds should and probably will be sufficient to repay the money borrowed with interest as the same is due and payable, and the issuance of the Bonds for the Refunding Project is hereby approved on the conditions set forth in this resolution.

Mr. Brasher moved for approval, with staff’s contingencies. Mr. Archuleta seconded the motion, which passed 5-0 by voice vote.

Presenters: Ron James, HED Capital Projects Coordinator; Dr. Joseph Shepard, President;  
Dr. Brenda Findley, Vice President for Business Affairs; Stan Peña, Assistance Vice  
President of Facilities and Operations

12. Western New Mexico University – Requests Approval of Light Hall Renovation  
Phase III ($2,500,000)

[ Lt. Governor Sanchez left the meeting in the course of this presentation.]

Mr. James stated that Western New Mexico University (WNMU) is requesting approval of financing in the amount of $2,500,000 from their 2014 General Obligation Bond C to accomplish Phase III of the renovation of Light Hall. This is the final phase of the renovation of one of WNMU’s original structures, built in 1927. Construction is estimated at $222 per square foot. It is also estimated that this project would provide energy savings to an existing building that has not been brought up to standards in many years. He said this renovation would also allow WNMU to reduce deferred maintenance while correcting health, safety and welfare issues. Light Hall is the new home of the College of Business and its final phase will allow modern technology and building support systems to be incorporated. This project is part of WNMU’s five-year plan.

Dr. Shepard stated that he was pleased to say that WNMU is not in financial duress, and for the first time in a number of years, WNMU has not used its reserves and is building them up to an adequate level. He thanked the Board for its support.
Dr. Shepard also stated that WNMU has possibly the highest or second-highest amount of deferred maintenance in the system. He said asbestos is an issue because of the number of older buildings, which is why the square foot cost for the Light Hall project is $222.

Dr. Shepard said this project would bring the School of Business in line with being competitive with the rest of the world. For the first time, they have an online MBA program and have agreements in Mexico, Spain and Brazil, and need the technology to accomplish that.

Responding to Mr. Archuleta, Dr. Shepard said any unspent contingency money would be spent on improvements on the technology side, which would be within the context of this project and would be in the best interests of the public.

Secretary Clifford noted a 10 percent decrease of “on campus headcount” in the fall of 2014, and asked for details. Dr. Shepard responded that their overall headcount is roughly even, but is down slightly on their main campus in Silver City. He said the difference is being picked up through their online learning centers.

Dr. Shepard said WNMU increased tuition by 5 percent last year, but it went toward scholarships and student employment. On the budgetary side, they eliminated 11 degree programs and put the money into their online MBA program.

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

Presenters: Ron James, HED Capital Projects Coordinator; Dr. Steve Gamble, President; Scott Smart, Vice President of Business Administration

13. Eastern New Mexico University – Requests Approval of Multi-Purpose Athletic Facility ($12,000,000)

Mr. James stated that Eastern New Mexico University (ENMU) is requesting approval of financing in the amount of $12,000,000 to build a multi-purpose athletics facility, which will replace a football stadium built in 1978. The new facility is planned to be 812,500 square feet with construction estimated at $11.33 per square foot. Funding for this project comes from student fees and private donations totaling $5.6 million, with the remaining $6.3 million from a $16 million revenue bond. The current facility is approximately 10 miles away from the campus, and the new 5,000-seat facility will be located adjacent to the campus. The facility will be used for football, track and field, soccer, and for local school activities. The project is part of the institution’s five-year plan.

Mr. Primm recommended that any approval of this item be contingent upon Director’s receipt, with review of counsel, of evidence of closing of associated system revenue bonds and satisfactory ENMU legal counsel response regarding Joint Powers Agreement provisions, and also Department of Finance and Administration approval of an associated Joint Powers Agreement with the Portales School District in substantially the same form as provided in the application.

Mr. Aragon moved for approval, with staff’s contingencies. Mr. Archuleta seconded the motion, which passed 4-0 by voice vote.

14. Eastern New Mexico University – Requests Approval of West Campus Apartment Renovations ($2,000,000)
Mr. James stated that ENMU is requesting approval of financing in the amount of $2,000,000, which would be for the West Campus apartment renovations project. The proposed project would include the renovation of half of the apartments within ENMU’s West Campus apartment complex; the other units have already been remodeled. ENMU reports that the complex was originally constructed in 1961 as married student housing. The renovation will replace windows, doors, kitchen countertops, wall treatments, new bathrooms, HVAC units, appliances, and relocate the interior water piping infrastructure to address pipe freezing. The project is funded entirely from ENMU bonds approved by the SBOF in February 2015.

Mr. Primm recommended that any approval of this item be contingent upon Director’s receipt, with review of counsel, of evidence of closing of associated system revenue bonds.

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

Presenters: Ron James, HED Capital Projects Coordinator; Dr. James Fries, President; Max Baca, Administrative Services, Interim Vice President for Finance and Administration; Sylvia Baca, Interim Facilities and Planning Director

15. New Mexico Highlands University – Requests Approval of Campus-wide Infrastructure Projects ($900,000)

Mr. James stated that New Mexico Highlands University (NMHU) is requesting approval of financing in the amount of $900,000 to provide campus-wide infrastructure improvements. HED requests that the amount on the agenda be revised from $5,000,000 to the $900,000 that was approved by the HED process. The funding for this project is from a $5 million 2014 General Obligation Bond C. This portion of the campus-wide infrastructure project is for replacement of the medium voltage electrical distribution system and critical infrastructure projects. The failure of two transformers caused five buildings, including a dorm, to remain without power for two and a half days. Permitting, bidding and construction are ready to start immediately. The length of this project is 18 months so facilities are not unavailable during the school year term. The source of funding is the State’s Series 2014 General Obligation Bonds.

Dr. Fries said NMHU is very pleased by the public support of the bond issue last fall for infrastructure improvements at NMHU, which has been there since 1893.

Responding to Secretary Clifford as to why the amount of the project was changed, Mr. Primm stated that there was some confusion initially, as staff had received two sets of HED documents on this project and asked HED to consolidate them. He said HED consolidated them into a $5 million project, however, the only portion of the $5 million project that has received HED approval is the $900,000 that is associated with the electrical distribution system.

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

16. New Mexico Highlands University – Requests Approval of Trolley Building Facilities Infrastructure Improvement, Renovation and Construction Projects ($8,300,000)
Mr. James stated that NMHU is requesting approval of financing in the amount of $8,300,000 for the renovation and construction of the Trolley Building on the NMHU campus. This project is funded by a 2012 General Obligation Bond for $6 million and a 2013 Severance Tax Bond for $2.3 million. He said construction is estimated at $276 per square foot to incorporate parts of the historic 1905 Trolley Building.

Dr. Fries described the details of the project, including incorporating the existing walls into the design and retaining the historic character of the property. He said the facility should be ready for occupancy in the fall of 2016.

Responding to Mr. Archuleta as to why this was re-bid, Dr. Fries said there were four bidders on the project, one of which was significantly higher than the other three, and two were modestly over the budget that was available. He said he felt they could have done some value engineering with those firms and gotten them down within the range, but they also noticed that the RFP was not written correctly in one sense, as it would have had the campus review committee forwarding a single recommended contractor to the Board of Regents. He said the Board of Regents has been involved in every step along the way, and would also want to be involved in the final selection of the contractor. Given these issues, he said they decided to take the extra two or three weeks and re-bid the project.

[Architect Mark Baker joined the discussion at this point.]

Mr. Archuleta commented that, when qualifications are introduced into a publicly funded project, there has to be a formulaic way of addressing that. He said he assumed they assigned points for qualifications and then points for the price. Dr. Fries said that was correct. He said a campus committee reviewed the bids and scored the qualification criteria while the purchasing department did the point assignment for the price criteria.

Mr. Baker said they identified a few areas where they could do some value engineering. One was in the plumbing system, and they also eliminated a darkroom to get the price down.

Mr. Archuleta commented that they “massaged the plans” and then put out a different set of plans because the prices came in too high. Mr. Baker responded that it was same set of plans with an addendum listing the two items he mentioned. He explained that the prices were not that much higher, and they were able to “meet the gap” with these minor value engineering changes.

Mr. Baca added that the Board of Regents had given clear direction that they wanted to interview the top three finalists. Since the RFP documents called for the submission of one, they could not bring the three forward without committing a violation. This was a technical error in the procurement.

Responding to Secretary Clifford’s concerns about the length of time that has elapsed since the 2012 General Obligation Bond issuance, Dr. Fries said the Severance Tax Bonds were just sold last year, which was the $2.3 million. He said NMHU did not have enough funding with the $6 million from the General Obligation Bonds. Mr. Baca added that the Board of Regents took a very active role in every stage of the plans, which delayed the project somewhat.

Secretary Clifford commented that it would seem that a lot of that work should have gone on before coming forward to the legislature for the project. He asked if NMHU knew at the time that the $6 million wouldn’t be enough for the project, or did that become subsequently clear. Dr. Fries responded that they knew $6 million was not adequate to do the complete project.
Mr. Baker stated that he worked closely with the State Historic Preservation Division on this project and met with them several times.

Treasurer Eichenberg moved for approval. Mr. Archuleta seconded the motion.

Mr. Archuleta asked that the record reflect that the Board’s approval is based on assurances that NMHU is following all procurement procedures that are required of them.

Treasurer Eichenberg agreed to this additional language, and the motion passed 4-0 by voice vote.

Presenters: Ron James, HED Capital Projects Coordinator; Glen Haubold, Associate Vice President; Andrea Tawney, Associate Vice President, Principal Gifts; Matthew Ochca, Senior Assistant Director; Enrique “Henry” Espalin, Assistant Director

17. New Mexico State University – Requests Approval of Construction of Aggie Memorial Stadium Sky Box ($1,000,000)

Mr. James stated that New Mexico State University (NMSU) is requesting approval of a $1,000,000 project to construct a Sky Box at Aggie Memorial Stadium. The 2,000 square foot suite will be constructed on the east side, the students’ side, of the stadium. The decision to build this on the east side so it would not require modification to the existing press box on the west side of the stadium. The project will include inside and outside chair back seating for university officials to engage in alumni and donor relations. He said the project is being funded by donations, and completion of the project is scheduled before the first home game on September 15, 2015.

Secretary Brasher asked if NMSU is comfortable that the $1 million is sufficient to complete the project, or is there another source of funding. Mr. Haubold responded that they plan to build the best Sky Box that they can with the funds available.

Mr. Primm recommended that any approval of this project be contingent upon Director’s receipt of all required HED approvals.

Treasurer Eichenberg asked if this $1 million gift was specifically for the Sky Box, or were there other opportunities. Ms. Tawney responded that it was specific for a Sky Box.

Mr. Aragon moved for approval, with staff’s contingency. Treasurer Eichenberg seconded the motion.

Mr. Archuleta stated that he would recuse himself from the vote, as his firm, Molzen Corbin, is designing the Sky Box for NMSU.

The motion passed 3-0 by voice vote, with Mr. Archuleta abstaining from the vote.

TAX INCREMENT DEVELOPMENT DISTRICT
Presenters: Gary Goodman, Chief Executive Officer, Goodman Realty Group; Darin Sand, Vice President of Development, Goodman Realty Group; Stephanie Schardin Clarke, Deputy Secretary, Department of Finance and Administration; Leila Burrows Kleats, Chief Economist, Department of Finance and Administration
18. Winrock Town Center – Requests Approval of Revised Base Year and Extension of Deadline to Complete Public Infrastructure

Mr. Goodman reported that construction has begun on this project, and they have done most of the excavation to build the new garage. He said the project is on schedule and is moving very rapidly, their goal being to have tenants in the 120,000 square foot building above the garage by the April 2016 deadline.

Mr. Goodman said they are working on loan documents, planning on funding in the next few weeks, which is based on issuing enough bonds to cover the construction of the garage and the public infrastructure. He said they need the re-basing in order to reach the necessary amount, or will be $5 million short of funds.

Ms. Kleats presented her recommendation to the Board. She said she has reviewed the application materials, which were extensive, and recommends approval of the revision of base year. [Ms. Kleats’ memorandum was on page 1957 of the Board’s meeting materials.]

Secretary Clifford commented that this analysis was very difficult, partly because the analysts for the developers did not quite understand what DFAa needed. He said, rebasing is different from a new TIDD application. What DFA needed is an analysis with rebasing and without rebasing. What are going to be the revenue streams? What are the revenues to the developer? What are the revenues to the state? How much is being shared? DFA never quite got that. As a result, the summary discusses negative impacts relative to the old baseline, but not relative to the new baseline, which would contemplate no rebasing. He said the recommendation therefore states that the DFA is relying on the developer’s contention that the incremental revenue would be materially reduced without the revision of the base year and that they would have to scale the project back significantly.

Mr. Goodman said that was correct. The project would stall and perhaps die if they didn’t have the rebasing. It is not possible to attract the additional funding that’s needed in the project without knowing that the public infrastructure is covered by bond proceeds.

Mr. Aragon asked why a two-year extension is necessary. Mr. Goodman responded that the original TIDD had three districts, and the third was already in for a building permit when they changed course and decided to sell to Target. He said his group was relying on the $22 million to be satisfied by District 3, which looked like it was about to go under construction. To date, they have completed $8 million. He said the $22 million would be more than covered by the garage, which is slated for completion in the spring of 2016. He said they are asking for another year of cushion, although it may not be necessary.

Mr. Primm recommended that any approval of this item be contingent upon Director’s receipt, with review of counsel, of documentation from the City of Albuquerque verifying its ability to pay for operations and maintenance of public infrastructure created by the TIDDs and provide basic services within the TIDDs, or an agreement between the City of Albuquerque and Winrock Partners, LLC, whereby Winrock Partners, LLC agrees to cover all operations and maintenance costs associated with the public infrastructure; and also contingent upon Director receipt of final application containing all revisions to date.
Responding to Mr. Aragon, Mr. Goodman said the agreement to maintain all of the onsite infrastructure has been accepted by both parties, and is waiting for other contingent documents before it is executed. He said those documents will be ready within the next two or three weeks.

Mr. Carrasco reviewed the highlights of the resolution. [Page 2397 of the Board’s meeting materials.]

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

**STATE TREASURER’S OFFICE**
Presenter: Vikki Hanges, Local Government Investment Pool Portfolio Manager

19. **Monthly Investment Reports for the Month-Ended February 28, 2015**

Ms. Hanges presented this report.

20. **Presentation of Fiscal Year 2014 Audit**

Treasurer Eichenberg stated that, because Lt. Governor Sanchez and Mr. Kormanik are not present, there has been a request to postpone this item to the May Board meeting. Thus, the 2014 Audit was not reported, but will be reported at a future meeting.

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


Ms. Nicosin presented this report.

Presenter: Michael Brown, Department of Health; Pamela Nicosin, Deputy Director, Facilities Management Division

22. **Facilities Management Division – Requests Approval of Contract with SUNDT Construction, Inc. for Construction of the New Mexico Veterans Home, Alzheimer and Skilled Nursing Facility in Truth or Consequences ($23,567,648.75)**

Ms. Nicosin stated that the Facilities Management Division (FMD) is requesting approval to enter into a contract with SUNDT Construction, Inc. of Tempe, Arizona for a total amount of $23,567,648.75. The contract is for construction of the New Mexico Veterans Home, Alzheimer and Skilled Nursing Facility in Truth or Consequences.

Ms. Nicosin stated that the Veterans Home currently in Truth or Consequences was built in the 1930s, so the need for a new facility can be appreciated. She said the facility is neither in compliance with the Federal Veterans Administration Standards nor with building codes for fire resistive separation of the bedrooms. She said the Veterans Administration has waived a lot of compliance requirements for now, knowing that a new facility will be constructed.

Ms. Nicosin said the facility will be 86,000 square feet, with two levels and a 39-bed special care
(Alzheimer’s) House to provide care for residents with low to moderate levels of dementia and a 20-bed Skilled Nursing House to provide care for residents requiring either physical rehabilitation or higher levels of nursing care.

Ms. Nicosin stated that this project will be LEED certified at the silver level.

Ms. Nicosin stated that the federal government is funding 65 percent of the project, and one of the parameters for providing the funding is that the state monies be in place. She said state monies are in place; however, appropriations for this facility have been provided over several years, and some of the money was reauthorized this year.

Ms. Nicosin stated that the state is awaiting a letter from the Veterans Administration confirming that it will receive the federal funding. She said the state cannot move forward with the contract until it has the funds, and she is before the Board now requesting approval because the contract will have to be executed very quickly once the funds are available.

Ms. Nicosin said selection of the contractor was done through the RFP process, which was qualification based (60 percent) and cost based (40 percent). Six proposals were received and considered; of those, SUNDT scored the highest in both categories. She stated that, while construction is scheduled to begin in June 2015, the actual date would be dependent upon when the funding is received from the Veterans Administration.

Mr. Brown said the grant was submitted in 2009. Over the years, the legislature has authorized appropriations for the grant, and the Department of Health has been working with the Veterans Administration since that time. He said the Department of Health finally arrived at the top of the list, and this year received a letter of conditional concurrence stating that they had six months to complete the checklist. At that point, the Veterans Administration has 90 days, once the MOA between the Department of Health and the Veterans Administration is signed. He said the Department of Health signed its portion of it on April 2. Once the Veterans Administration signs their portion, the Department of Health has 90 days through the state processes to execute the contract with SUNDT.

Responding to Mr. Archuleta on how much is risk over the next one or two legislative sessions, and what would happen if the monies were not reauthorized. Ms. Nicosin responded that about $2 million is at risk, and if the monies were not reauthorized, the project would be essentially left half built. She said Board staff would address that in the contingencies to any motion for approval. She stated that Board counsel has some question about a clause in the contract that does not allow the state to terminate the project if funding is not available.

Mr. Aragon asked if the state would be at risk for any federal funding were the state funds to revert, and Ms. Nicosin responded yes, because the federal government is matching what is being spent.

Mr. Primm recommended that any approval of this item be contingent upon Director’s receipt and review of counsel of sufficient responses to outstanding staff questions and executed contract containing staff’s changes.

Mr. Aragon asked Ms. Nicosin to inform Board members when the funding is received from the Veterans Administration.
Mr. Aragon moved for approval, with staff's contingencies. Mr. Archuleta seconded the motion, which passed 4-0 by voice vote.

SUPPLEMENTAL SEVERANCE BONDS
Presenters: Robert A. Gorrell, Director; Denise A. Irion, Chief Financial Officer
23. Public School Facilities Authority – Presentation of Financing Plan and Potential Need for Issuance of Long-Term Supplemental Severance Tax Bonds

Mr. Gorrell distributed a Public School Facilities Authority summary of a “perfect storm.” What caused this were:

1. Too many projects in the queue for available funding. About 41 projects are in the queue totaling $308 million over the next three years, against $299 million in revenues to fund these projects.

2. Projects throughput has increased.

3. Unanticipated project scope increases, waiver, and advances.

4. Inflation around 8.5 percent per year over the past several years.

5. Revenues reduced by direct appropriations over the last several years.

6. Accounting shift from First In-First Out (FIFO) to Project Budgeting.

7. Front loading for Construction Manager at Risk projects.

8. Reduced oil and gas revenues of an estimated $124 million over next three years.

Mr. Gorrell and Ms. Irion reviewed options.

STAFF ITEMS
Presenter: Jeff Primm, Acting Director

24. Dashboard Report

Mr. Primm stated that the Dashboard Report was on page 3039 of the Board’s meeting materials.

25. Fiscal Agent/Custodial Bank Fees

Mr. Primm stated that fees are in line with prior fiscal fees.

Secretary Clifford noted that the state’s exposure has been significantly elevated as a result of various agencies accepting credit card transactions, and there is a question of how secure the systems are in managing those. He said the state is at risk for fines simply because it doesn’t have the right processes in place. He stated that this will be a big undertaking for the state and will come under the umbrella of the fiscal agent contract generally, but DoIT will probably be a lead agency on it.
26. **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 1:15 p.m.

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**Susana Martinez, President**

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**Date**

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**Michael Brasher, Secretary**

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**5/21/2015**

**Date**