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

A Regular Meeting of the New Mexico State Board of Finance was called to order on this date at
9:00 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. Tim Eichenberg, State Treasurer
Mr. Robert J. Aragon, Public Member
Mr. Michael Brasher, Public Member, Secretary
Mr. John Kormanik, Public Member

Members Absent:
The Hon. Susana Martinez, President
The Hon. John A. Sanchez, Lt. Governor
Mr. Adelmo Archuleta, Public Member

Staff Present:
Dr. Thomas E. Clifford, Secretary of Finance and Administration
Ms. Leila Kleats, Director, State Board of Finance
Mr. Jeff Primm, Deputy 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, OCTOBER 20, 2015

Items 21 and 14 were reprioritized on the agenda to follow Approval of Agenda.

Mr. Kormanik moved approval of the agenda, as amended. Mr. Aragon seconded the motion,
which passed 4-0 by voice vote.
STAFF ITEM

21. Approval of Appointment of Leila Kleats as State Board of Finance Director

Dr. Clifford said he was pleased to introduce and propose Leila Burrows Kleats as incoming Director of the State Board of Finance ("Board" or "SBOF"). He stated that Ms. Kleats comes to the Board with five years' experience as a senior economic adviser in public finance for the State of New Mexico. Prior to joining the Board of Finance, she served as chief economist for DFA, where she has coordinated the consensus revenue forecast; provided tax and fiscal policy analysis to the Executive and Legislature, and assisted other DFA divisions, including this Board, with complex economic analysis. Dr. Clifford commented that Ms. Kleats has already repeatedly demonstrated that her financial analysis and economic analysis is "absolutely top quality." He said he was confident that she would do an excellent job for the Board.

Ms. Kleats said she was honored and privileged to accept this position, and looked forward to working with the Board.

Mr. Eichenberg moved for approval of this appointment. Mr. Aragon seconded the motion, which passed 4-0 by voice vote.

HIGHER EDUCATION DEPARTMENT

Presenters: Ronald James, Capital Projects Coordinator, New Mexico Higher Education Department; Dr. Felicia Casados, President, New Mexico State University, Grants; Beth Armstead, Vice President for Student Services; New Mexico State Senator Clemente Sanchez, Director, Small Business Development Center; Harry Sheski, Vice President, Academic Affairs; Leo Valdez, Financial Advisor; Dan Christmann, Director, Facilities Management; Greg Walke, University Architect

14. New Mexico State University, Grants Campus – Requests Approval of Construction of the Teacher, Health Care, Education and Child Development Center Project ($7,135,000)

Mr. James stated that New Mexico University (NMSU), Grants Campus, is requesting approval of financing in the amount of $7,135,000 for the construction of the 19,330 square foot facility to serve as a modern educational space for the childcare program and certificate and degree programs in Teacher/Early Childhood Education, Health Care Programs and Child Development. The new facility will replace the portables that are used for the current childcare program. The sources of funding are $7 million in 2015 local general obligation bonds and severance tax bonds totaling $135,000 that were appropriated for the plan and design of this facility. He noted that this is the first general obligation bond that has been voted on in 46 years in the history of the NMSU Grants Branch, and will be financed through the New Mexico Finance Authority.

Responding to Mr. Kormanik, Dr. Casados said the childcare program has been in existence on campus for 19 years and is housed in two portables. Mr. Walke stated that he was unaware of any other child development centers at NMSU.

Mr. James stated that the childcare facility on the Grants campus has 55 children in it, and this project would expand it to 80 children.
Responding to Secretary Brasher, Dr. Casados said Small Wonders is a nonprofit that has operated this state-licensed childhood facility on campus for the past 19 years, and is interested in continuing to operate it, but NMSU will be issuing an RFP after the facility is built to solicit bids from other potential operators.

Secretary Brasher noted that Small Wonders is identified as the future service provider in NMSU’s documents. Mr. Walke responded that the earlier letters and forms did reflect that before NMSU decided to issue an RFP.

Dr. Clifford asked how much of the facility will be used by the childcare center versus the educational programs. Mr. Walke responded that the daycare center, plus shared space (restrooms and a large multipurpose room), makes up about 65 percent of the building.

Dr. Casados clarified the facility is used by campus attendees as well as members of the community. She said about 40 percent is made up of students, staff and faculty, and 60 percent community members. She added that about 80 percent of the children at the center qualify as state eligible for childcare assistance, so it is primarily a low-income population that uses the facility.

Dr. Clifford observed that enrollment is down 28 percent from the prior year in the education programs being served by the facility. Dr. Casados responded that enrollment is down across the state, including at the flagship institutions. She said teacher education is down, too, and this is actually a national trend.

Mr. Sheski said NMSU is working closely with the public schools and Cibola County Hospital to strengthen their relationship with the medical and healthcare community and providers in Grants and Cibola counties. They have an active dual credit enrollment program for health careers that includes emergency medical services (EMS) or emergency medical technician (EMT), a nurse assistant, and other supporting courses. Many of them serve to build a base in which to funnel more prepared students into the Bachelor of Science (BS) and nursing program on the Grants campus. This is offered on instructional television from NMSU Las Cruces.

Dr. Clifford commented that this project would represent a 10 percent increase in square footage on campus. He asked what the total enrollment is for all programs.

Mr. Sheski responded that there are about 1,000 students, which does not include a large adult education program on campus. He said there are about 500 full-time equivalent (FTE). He said that figure has been decreasing because of national and local trends. In particular, they were offering training to correctional officers but the Corrections Department has taken that over. There have also been changes in the GED testing processes nationally and statewide over the last year or two, which has had a dramatic impact on the completers of general educational development (GED). The test changed last year and reduced the number of graduates from 60 to 12. He said they are hoping to rebuild that and establish a new base.

Responding to Dr. Clifford, Mr. Valdez said the City of Grants’ bond capacity is at $9 million.

Dr. Clifford expressed concern about competition from local childcare providers. Senator Sanchez responded there is a waiting list for this facility, and that there is one other standalone daycare center plus home providers, and there are waiting lists for all of them.
Responding to Mr. Eichenberg, Mr. Walke said they expect to receive leadership in energy and environmental design (LEED) Silver certification, at the least.

Mr. Aragon asked how much the LEED stamp will cost, and Mr. Walke responded that it is about 1 percent of the hard construction cost, which is about 3/4 of a percent of the total construction cost.

Responding to Mr. Aragon, Mr. Walke explained that the Executive Order No. 2006-001 does not require building to the LEED standard; it only requires achieving LEED certification, which requires going through a lengthy, involved process of paperwork and filling in applications and of working with the United States Green Building Council to achieve that certification. It is that work they are paying for.

Mr. Aragon pointed out that filling out the forms and applications does not add or detract anything from the construction of the building. He said he had not seen any empirical data that the certification checklist and LEED stamp itself has saved the taxpayers any money. He said the architect has already incorporated what the customer has asked them to do in their plans to make the facility energy efficient, and the contractor is building it out to those specifications to meet the goals of NMSU Grants, and failure to do so would be a breach of contract. He asked where the empirical data is that the act of the LEED certification group has saved a dime. If it exists, he would like to see it.

Mr. Walke responded that they get the stamp because state law requires it, and they do not question state law. He added that this is not unlike getting a building permit. He commented, "What do we gain from a building permit? I don’t know, but we’re required to do it and we do it." He said he has read articles that say there is empirical evidence that LEED certified projects perform better than non-LEED certified projects. He said NMSU does this to reduce utility costs to their clients and customers, and also strongly believes there will be a reduction in utility costs because of LEED certification. He said he did not have the empirical evidence for that, however.

Mr. Aragon commented that it is the “genius of the architect, the genius of the manufacturers who are producing better heating and cooling system, it is the genius of the people who are putting out better windows and better building materials. It has nothing to do with a stamp.”

Mr. Walke responded that some states have changed their laws to require “designing to the standards.” If New Mexico law were changed to reflect that, NMSU would require architects in a scope of work to meet various standards, and then the conditions described by Mr. Aragon would take effect. In lieu of that, NMSU requires LEED certification.

Responding to Secretary Brasher, Mr. Walke said NMSU’s main campus has 12 LEED certified buildings and they have reduced their electrical power dramatically. He said he could not verify that this is the result of LEED certification, however.

Mr. Primm requested that approval of this item be contingent upon Director receipt, with counsel review, of evidence of closing of New Mexico Finance Authority financing.

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

4. APPROVAL OF MINUTES: July 21, 2015 (Regular Meeting)
Mr. Aragon moved approval of the June 21, 2015 minutes, as submitted. Mr. Kormanik seconded the motion, which passed 4-0 by voice vote.

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

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<th>Fund</th>
<th>Amount</th>
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</thead>
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<td>Operating Reserve Fund</td>
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<tr>
<td>FY14 Emergency Water Fund</td>
<td>$118,100.00</td>
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</tbody>
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Mr. Primm reported these balances.

**EMERGENCY FUNDING REQUEST**
Presenter: Andy Nuñez, Mayor
5. Village of Hatch – Requests Modification of Loan Terms ($479,400)

Mr. Nuñez stated that, while the Village of Hatch (Village) had originally requested that this loan be converted into a grant, their finances have since improved. They would like to make a payment of $192,853.13 by December 1, 2015, and pay the remaining balance over a period of two years. He said the Village is in the process of selling properties it owns and plans to use the proceeds to pay off the rest of the loan.

Mr. Kormanik noted that, according to an analysis by the Local Government Division, their estimated cash balance is estimated at over $6 million. He asked if this is restricted in some way.

Mr. Nuñez responded that the balance includes a $2 million loan for the property the Village purchased under a prior administration. In addition, it includes money for a permanent fund, and voter approval is required to spend it. He added that the property consists of 125 acres and 21 lots, and yesterday he received an offer on six of the lots.

Mr. Eichenberg said he had no problem with restructuring this loan, but was concerned about the “Resolved” section of the resolution, which states the loan repayment date. Given that the loan has been delinquent for some time, he was not sure that this was appropriate, and asked if the resolution could be approved without that section.

Mr. Carrasco responded that the Board has the authority to make any changes that it feels would be of benefit.

Mr. Primm suggested that Mr. Nuñez discuss what other significant efforts have been made to address repayment of the loan and what the reasoning is behind the Village’s repayment offer. He noted that the Village has drawn $381,000 on the loan and has spent $392,000, which means there is about $11,000 yet to be drawn. He said it appears that the Village made a $2 million loan, and then took possession of real property when the loan failed and have been selling off portions of it. If they are close to receiving their $2 million back for that loan, would any of that be available for repaying the $381,000 that is currently outstanding.

Mr. Nuñez responded that he wrote a letter to the Board stating that they would pay off the entire loan if they received the money before the two years was up. He said they have sold two properties
within the last two weeks, “so we’re moving it. It’s just a matter of getting the money. This request is just to give us a little breathing room. Once we get going, we can pay it all back.”

Mr. Primm asked what proceeds, if any, have been generated from the recent sale of two properties, and what are those funds intended to be used for. Mr. Nuñez responded that those monies will be deposited in the permanent fund, which is where the money originated.

Mr. Kormanik responded that, as he understood it, releasing the money from the permanent fund would have to be approved by the voters. He said it appears that this would restrict the Village’s flexibility in paying off the Board, since the money would have to be funneled through that fund first, and he was not comfortable with that.

Mr. Nuñez responded that he could instead request their board to put the money into their general fund, instead of the permanent fund, and use that as a source to pay off the loan.

Mr. Kormanik said he would personally feel more comfortable if he knew that the proceeds from the land sale would receive first priority in paying off the loan to the Board.

Mr. Aragon asked if Mr. Nuñez could unilaterally direct the proceeds from the sale into the general fund rather than the permanent fund, and Mr. Nuñez responded that he had the ability to do that.

Mr. Aragon suggested that approval be made contingent upon the Village sending an approved resolution to staff indicating that the proceeds from the sale would be directed to the general fund and would be directly used to pay the loan. Mr. Kormanik suggested that the loan payments not be restricted to just these proceeds, and Mr. Aragon agreed.

Mr. Primm noted that the matter of the permanent fund was raised when the loan was initially requested, and at the time, there were concerns it was illegal. He said the binder contains a proposed resolution that appears to have been signed only by Mayor Nuñez, in which it states that money transferred to the permanent fund should be transferred to the Village’s fiscal agent, Rio Grande Natural Gas Association.

Mr. Aragon asked Mr. Nuñez if he could support an amendment to the Board resolution that would require an affirmative vote by the Village that the proceeds from the property sale, and any other discretionary funds that are available, be used to retire this outstanding loan.

Mr. Nuñez responded yes. He said he would address this at their next board meeting.

Mr. Primm read the suggested amendment to the resolution: “The Board finds that granting an extension to the loan repayment is appropriate under the circumstances. Board approval would be contingent upon Village of Hatch governing body’s affirmative vote directing that any discretionary Village funds, including proceeds from the sale of the gas utility, would be prioritized to achieve retirement of the loan as soon as possible but no later than December 1, 2017.”

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

PRIVATE ACTIVITY BONDS
Presenters: Mayling Armijo, Director; Marcos A. Gonzales, Economic Development
Manager, Economic Development and Cultural Services Department; Melora Banker, Project Manager, DBG Properties LLC

6. Bernalillo County – Requests Approval of Volume Cap Allocation for The Village at Avalon Multifamily Housing Project in Albuquerque (not to exceed $19,400,000)

Ms. Armijo requested approval of volume cap allocation for development of The Village at Avalon, a 240-unit multifamily housing project on 9.9828 acres. The proposed project would be located between Los Volcanes Road and Bluewater Road on 90th Street, N.W. The project includes 112 one-bedroom units, 58 two-bedroom units, 68 three-bedroom two bath units, 2 additional two-bedroom units reserved for the use of on-site managers, 2 enclosed 40-space garage buildings and surface on-site parking. All units will be offered to tenants whose income is at or below 60 percent of median income.

Responding to Mr. Kormanik, Ms. Armijo said $4.6 million in equity is allocated over the life of the project as a result of the 4 percent tax credit.

Responding to Dr. Clifford about the amount of private activity bonds (PAB) bond capacity available, Mr. Primm stated that it is just over $301 million. The Board had previously budgeted $80 million to multifamily purposes, and to date $5.5 million has been utilized.

Mr. Primm noted that bond counsel for this project has passed away since this project first came before the Board. In the process of identifying someone to take that person’s place, Bernalillo County has approached the law firm which is the Board’s bond counsel. He said the Board may wish to discuss any potential conflict of interest issues, given the possibility that the County may select someone from that firm. He noted that the pool of bond counsel in New Mexico has become smaller in the last year or two.

Mr. Aragon commented that the Board experienced a similar issue, but in a different context, where bond counsel was representing Highlands University on a conflict, where the Board had issues and where bond counsel was not disclosing. He said there should be an appropriate firewall set up with proper assurances within the Code of Professional Conduct, with full disclosure by bond counsel, whoever that may be. He said he was comfortable with the people being contemplated as Bernalillo County bond counsel that the appropriate firewalls are in place and the appropriate disclosures made to both parties, both the County and the Board of Finance, within the confines of the Code of Professional Conduct.

Ms. Armijo said the County lost bond counsel the day before Labor Day. She said the County has four other ongoing projects, in addition to this one, which require bond counsel’s attention. The County has approached Jill Sweeney with Sherman & Howard to take on an interim role as the County issues an emergency request for proposals, which will be published today. She said the County is willing to waive any conflict of interest in this matter.

Ms. Sweeney stated that her firm is more than willing to take on this role, with appropriate disclosures and conflict waivers, so the County can proceed with as little disruption to their clients as possible. She said Sherman & Howard would propose to send written conflict waivers to the County and to the Board. As to this multifamily housing deal, certainly another member of her firm with housing expertise would work with the County. Should it be necessary to have further interactions with the Board, she would not appear before the Board on behalf of another client. In addition, given that they have co-counsel roles with the Board, should the Board need further representation on this matter, not
only does Mr. Carrasco of the Attorney General’s Office represent the Board, but also Mr. Buchholtz and his team with the Rodey Law Firm, so there are several layers of walls.

Mr. Aragon said he was comfortable with these representations.

Mr. Primm suggested that the process of reviewing the disclosures and waivers could be delegated to the PAB Subcommittee.

Mr. Primm stated that staff received an email yesterday at 2:30 p.m. from Carol Sugarman, who is one of the individuals involved with the developer, which resolved some issues. Ms. Sugarman noted on the record their requirement for timely payment of the allocation deposit, which would be within seven days of any allocation made by this Board. She also acknowledged that the bonds would be sold no later than December 1, 2015, and that the issuance of the bonds would be no later than December 15, 2015.

Mr. Primm stated that Dr. Clifford had pointed out that the revenue bond ordinance to be adopted by the County correctly states that the bonds are in the amount of $19,400,000, but the text states the amount as $19,000,000. He said staff would request that the County correct that typo at the time the resolution is formally adopted by the County Commission. He said the same typo occurs in the body of the ordinance, as well.

Mr. Primm requested that approval of this request be contingent upon Director’s receipt, with counsel review of a County ordinance authorizing issuance of the bonds, certified by a County official; a revised signed bond counsel letter; SBOF Bond Counsel review and comment on County’s Bond Counsel letter stating that the private activity bonds can validly be issued by the County under state law; PAB Subcommittee review and approval of applicable bond counsel conflict of interest waivers, etc.; and information required by 2.61.4.8(C) NMAC

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

PROPERTY DISPOSITIONS

Presenters: Deanna Miglio, Right of Way Manager; Katrina Hotrum, Director, Department of Substance Abuse Program; Jennifer Weiss-Burke, Director, Healing Addiction in Our Communities; David Burke, Healing Addiction in Our Communities

7. Bernalillo County – Requests Approval of Lease of Real Property at 3701 Condeshire Drive, SW in Albuquerque with Healing Addiction in Our Community dba Serenity Mesa ($51,600 per year services in lieu of cash rent)

Ms. Miglio stated that Bernalillo County is requesting approval of a lease to Healing Addiction in Our Community (HAC). She said this is a three-year lease for services in lieu of rent, and the total amount of the lease per year is $51,600. She stated that the property, which the County purchased in February 2014, consists of eight acres and six detached buildings.

Ms. Weiss-Burke stated that HAC is Serenity Mesa’s nonprofit, and was established about five years ago. She said they work primarily with young people and families struggling with addiction. She said Serenity Mesa’s goal has been to create a transitional living facility where young people with addiction problems can stay for as long as they need before returning to the community. The program also works
with these young people to help them with their education and to find jobs. They opened in May, and their funding comes from a variety of sources. She said they have applied for Medicaid assistance, which is a lengthy process. She stated that the facility currently houses ten boys, and they plan to expand to include girls in the spring of 2016.

Ms. Hotrum noted that this is the first transitional living facility of its kind for youth in New Mexico.

Mr. Primm asked if he understood correctly that this property may have been purchased with a state appropriation and that there may be future state appropriations to cover improvements on the facility.

Ms. Miglio responded that the source is capital outlay money.

Mr. Primm asked if the County agrees that all improvements or equipment purchased with state funds should be owned by the County, not the nonprofit. Ms. Miglio and Ms. Hotrum responded yes.

Mr. Primm asked if it was correct that any significant improvements to the property would result in the need to reevaluate the rental value of the property. Ms. Miglio and Ms. Hotrum responded yes.

Mr. Primm asked if it was correct that, at the end of the lease, the County shall own any privately funded permanent improvements on the premises. Ms. Miglio and Ms. Hotrum responded yes.

Mr. Primm noted that, at this point, staff does not have a direct acknowledgment from the appraiser that the Board is able to rely on their appraisal. While the County is listed as a user of the appraisal, the Board is not specifically named, although the Taxation & Revenue Department Property Tax Division is named. He said the interest is to get something in writing from the appraiser, where the appraiser acknowledges that 1) the Board is an approved user of the appraisal and can rely on it; and 2) the appraisal is on the public record and is subject to public inspection. He stated that staff has been requesting this from certain applicants for the last year or two, and asked if the Board wishes that the practice continue. Board members indicated yes.

Mr. Kormanik asked Ms. Miglio how the $51,600 (services in lieu of cash rent) is treated on the County’s financial statements. Ms. Miglio responded that she would research this and submit a response to Board staff.

Mr. Primm requested that any approval be subject to the following contingencies Director’s receipt, with counsel review, of final executed lease agreement containing staff’s changes; a signed resolution of the governing body approving the lease and making it subject to SBOF approval; and a letter from the appraiser authorizing SBOF to rely on appraisal and to permit public inspection, if requested.

Mr. Aragon moved for approval, with the contingencies. Mr. Kormanik seconded the motion.

Secretary Brasher disclosed that he had volunteered for the past five or six years as a member of the Public Safety Advisory Board, and one of the board’s duties was to provide recommendations to the Substance Abuse Program. He said the board no longer meets, having been replaced by a new board, so he is no longer a member of that board. He said he would vote on this motion, as he had no conflict.
The motion passed 4-0 by voice vote.

Presenters: Pamela Heltner, County Manager; Erika E. Anderson, Attorney, The Law Offices of Erika E. Anderson, LLC; Sylvia Tillbrook, Otero County Executive Assistant; County Commissioner Ronnie Rardin

8. Otero County – Requests Approval of Amended Lease of Real Property at 301 Texas Avenue in Alamogordo with Children in Need of Services for Operation of the Child Development Center ($67,500 per year services in lieu of cash rent)

Ms. Anderson stated that Otero County is requesting approval of a lease of a 15,029 square foot former school building to Children in Need of Services (CHINS) for a child development center.

Ms. Heltner stated that the building had been vacant for many years and had become an eyesore. A year ago, they finished the first phase of a renovation paid for with Community Development Block Grant funding. They received $500,000 of capital outlay money, which they will be able to access once this agreement is approved, and they will be able to complete the second phase. Once the project is completed, all of CHINS’ services can be consolidated into one location.

Ms. Heltner stated that CHINS would be providing more robust documentation on the method by which the services provided by CHINS, beyond the $19.77 per hour for volunteer hours, are calculated.

Mr. Rardin commented that CHINS provides a benefit to the County that is not measurable to them in dollars, which is why they do not have it on their books as income.

Mr. Aragon asked if there are any statutory requirements to determine what the parameters are in determining the value of a particular service. He said the Board seems to hear wildly inconsistent numbers, depending on the entity.

Dr. Clifford responded that those things do not exist, as far as can be determined. He said it might be appropriate for the Board to initiate an inquiry both to the DFA Controller and the State Auditor.

Mr. Aragon agreed. He said he thought it necessary for staff and everyone else around the state to know the rules of engagement.

Dr. Clifford commented that the Board itself could establish a rule.

Secretary Brasher asked what the next step would be. Mr. Carrasco responded that the Board could initiate inquiries, as suggested by Dr. Clifford, with DFA and the State Auditor to help identify parameters, and then proposing a rule amendment to the existing Property Disposition Rule.

Mr. Primm requested that approval be contingent upon Director’s receipt, with counsel review, of final executed lease agreement containing staff’s changes.

Mr. Aragon moved for approval, with the contingency. Mr. Kormanik seconded the motion, which passed 4-0 by voice vote.
9. **Otero County – Requests Approval of Lease of Real Property at 1110 North New York Avenue in Alamogordo with Flickinger Theater for the Performing Arts ($12,595.77 per year services in lieu of cash rent)**

Ms. Anderson requested approval of the lease of real property for a term of four years to Flickinger Center for the Performing Arts (FCPA). As part of the lease, FCPA would provide the operation and management of the theater and multipurpose site to accommodate performances, programs and services required. Annual services in lieu of cash rent would amount to $12,585.77.

Ms. Heltner said the FCPA is the County’s only center for performing arts, and it is well attended and an integral part of the community.

**Mr. Primm requested that approval be contingent upon Director’s receipt, with counsel review, of final executed lease agreement containing staff’s changes.**

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

Presenters: Thomas R. Figart, County Attorney; Jennifer Horton, Executive Director, Doña Ana Mutual Water Consumers Association

10. **Doña Ana County – Requests Approval of Transfer of Real Property to Doña Ana Mutual Domestic Water Consumers Association**

Mr. Figart requested Board approval to transfer real property from Doña Ana County to the Doña Ana Mutual Domestic Water Consumers Association (Association). In addition to the land, the County proposes to transfer to the Association all of the County’s right, title and interest in and to the County’s Wastewater System (System) located on the property. This is a transfer between governmental entities, so no dollar consideration is involved in the exchange. He said no water rights are being transferred.

Mr. Figart stated that this requested transfer comes after a long period of negotiation between the two entities. He said the County constructed the System in 1998-99 totally from grant funds from the United States Department of Agriculture (USDA) and the New Mexico Environment Department (NMED). He said NMED provided approval yesterday, and they are awaiting approval from USDA.

Mr. Figart stated that the Association started as a water provider for the community and has recently moved into the area of wastewater services. He said it made sense for the County that the wastewater system be transferred to the Association, which has an interest in creating a regional system.

Ms. Horton stated that the Association has formed a partnership with the City of Las Cruces, which will be the treatment provider. The Association will be the collector. She said they serve 4,000 homes in the village area, and currently the only wastewater system is the county system, which is 351 homes. She stated that they look forward to expanding that to a more dense population where there are failing septic tanks as well as cesspools.

**Secretary Brasher asked how the rates will be determined.**
Ms. Horton stated that they are a membership organization currently serving 5,400 homes with roughly 4,000 members. The board is comprised of five elected officials representing five districts, and the board sets the rates. She said they currently will apply the rates they are using in the Picacho Hills area, where they have 900 homes to which they provide wastewater collection and treatment. A rate study is underway with the anticipation that the transfer will go through. This will result in a unified rate across the board.

Secretary Brasher asked if there will be a rate increase, and Ms. Horton responded yes. She said NMED uses 6,000 gallons for their standard survey, and in the Picacho Hills area that equates to roughly $31, and in the village system it equates to roughly $26. Those residents will initially see a $5.50 rate increase until the rate study is completed.

Mr. Primm said there was a typo in the original documentation under which the County received the property. He asked Mr. Figart to explain the discrepancy in terms of the legal description of the property, and which was correct.

Mr. Figart responded that, when the property owner conveyed the property to the County, there was a slight typo in the description, which described the property as Township 23-S when it was actually Township 22-S. Attached to the deed was a plat of survey and a description certified by a licensed surveyor where it clearly showed it was 22-S. Rather than perpetuate the typo, they put the proper township number in the quitclaim deed.

Mr. Primm requested that any approval of this request be contingent upon Director’s receipt, with counsel review, of a title binder evidencing clear title with standard exceptions 1-5 removed; an explanation from the Association counsel of any special exceptions; and evidence of approval of this transaction by NMED and USDA.

Mr. Aragon moved for approval, with the contingencies. Mr. Eichenberg seconded the motion.

Mr. Eichenberg asked Mr. Figart if they will have to correct the deed and re-file before getting the title policy. Mr. Figart responded that they plan to take this issue up with the title company when they get the title insurance. He commented that this is a 1996 deed, which is past the 15-year statute of limitations.

The motion passed 4-0 by voice vote.

Presenters: Mark Santiago, Museum Director; Erin K. McSherry, General Counsel

11. Department of Cultural Affairs, New Mexico Farm & Ranch Heritage Museum Division – Requests Approval of Lease Agreement with Heart of the Desert, Inc. in Las Cruces ($20,000 in-kind services and 5% of gross receipts)

Mr. Santiago requested approval to enter into a lease agreement with Heart of the Desert, Inc. in Las Cruces for continued operation of a gift shop in the Bruce King Building at the New Mexico Farm & Ranch Heritage Museum, also known as Eagle Ranch.

Mr. Primm noted that the market rent study that was performed was not in accordance with accounting industry standards. Therefore, the Taxation & Review Department (TRD) review was an administrative review rather than a technical review. However, TRD did review this market rent analysis and found it to be credible.
Responding to a question from Dr. Clifford as to how the value of services is determined, Mr. Santiago said most of the in-kind services they receive at Eagle Ranch tend to be in the form of marketing advertising, and Cultural Affairs has their own marketing staff that can determine what that would cost on the open market.

Ms. McSherry noted that the advertising is being measured by Cultural Affairs and Heart of the Desert by the cost to purchase it instead of the value of its impact on the public, which is a very conservative way to estimate the value to the state.

Mr. Primm requested that any approval of this request by contingent upon Director’s receipt, with counsel review, of final executed lease containing staff’s changes; and documentation that tenant’s alcohol license is sufficient for activities contemplated in the lease.

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

Presenters: Christine Martinez, Manager; John Painter, Board Member; Frank Coppler, Attorney, Coppler Law Firm, P.C.

12. El Prado Water and Sanitation District – Requests Approval of Lease of Real Property at 1017 Paseo del Pueblo Norte in Taos with Mono Chico, LLC, dba El Meze Restaurant ($2,000 per month)

Mr. Coppler stated that the El Prado Water and Sanitation District (District) was formed in 1981 and now has 340 water meters. In December 2010, the District purchased El Torreon, a portion of which is leased to Mono Chico, LLC. He stated that the suite occupied by Mono Chico was built out for restaurant use by previous property owners, who completed a comprehensive rehabilitation eight years before the District purchased it. At the completion of the rehabilitation, the suite rented to Antonio’s Restaurant and later to Mono Chico in 2008, two years before the purchase of the main property by the District. He stated that the District is requesting approval of the lease of the subject property for a term of two years with options to extend. The property consists of a kitchen, dining rooms, bathrooms, and a portal and a patio area, and the proposed lease rate of $2,000 per month is supported by a market rent analysis report prepared in August 2015.

Mr. Coppler stated that staff has asked why this lease and the one to follow on the agenda were not brought forward to the Board of Finance at the time they were negotiated. He said board member Fernando Miera, who has since passed away, was involved in negotiating the lease and the issue was never submitted to the law firm for any kind of review. He said the board found the leases to be proper and apparently, no one thought about bringing them to the Board of Finance for approval.

Mr. Primm recommended that any approval of this request be contingent upon Director’s receipt, with counsel review, of final executed lease agreement containing staff’s changes; and receipt of a signed resolution by the governing body approving the lease subject to SBOF Approval.

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

13. El Prado Water and Sanitation District – Requests Approval of Lease of Real
Property at 522 Old Blueberry Hill Road in El Prado with Verizon Wireless, LLC ($2,000 per month)

Mr. Coppler stated that the El Prado Water and Sanitation District is requesting approval of this lease with Verizon Wireless for the construction and operation of a cellular antenna. He said the premises consist of 1,226 square feet, and the term of the lease is December 2004 through December 2019. The proposed lease rate is supported by a market rate opinion appraisal report prepared in August 2015. The current rent is $1,209.52 per month, and the appraisal came in between $1,122.50 and $1,222.50. He said they are in the process of negotiating with Verizon on all of the technical changes requested by the Board.

Mr. Primm stated that staff agrees that the current lease payments are in line with the current market value.

Mr. Primm recommended that any approval of this request be contingent upon Director’s receipt, with counsel review, of final executed lease agreement containing staff’s changes; receipt of a signed resolution by the governing body approving the lease subject to SBOF Approval; and receipt of recorded memorandum of initial lease.

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

STATE TREASURER’S OFFICE
Presenters: Charmaine Cook, Chief Investment Officer; Vikki Hanges, Local Government Investment Pool Portfolio Manager
15. Approval of Broker Dealer List

Ms. Cook presented the broker dealer list, which is reviewed and scrutinized annually by the State Treasurer’s Office (STO) and brought to the Board for approval. She said that a different process was used in developing the list this year. In recent history, anyone who applied and met the basic criteria was added to the list; while it was a very transparent process, it was also very unwieldy. This year, the strategy was to select primary brokers and those secondary brokers who are active in the segments of the market in which STO trades, which narrowed the number down to 36. She said this will be much more manageable in terms of having quality communications; and those brokers who are providing coverage who are more likely to have conducted business. She said many on the original list of 64 did not do any transactions during the year. She stated that all 36 have received background checks and security checks.

Responding to Mr. Kormanik, Ms. Cook said STO has documented the selection process and it will appear on the website after the brokers have been notified. She stated that this is a new way of handling the selection process and it is more in line with industry practice, but she would like to leave room to make corrections and improvements going forward.

Mr. Eichenberg stated that this would be done on an annual basis. He added that some broker dealers have been using the list as an advertising tool without ever having any intention of doing business with STO.
Mr. Eichenberg said the STO Investment Committee (STIC) has been discussing this process for quite some time. He noted that one of STIC's longtime members, Paul Cassidy, is a representative from RBC, and on the list it states that he only does repurchase agreements.

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

16. **Monthly Investment Reports for Month-Ended June 30, 2015**

17. **Quarterly Investment Reports for Quarter-Ended June 30, 2015**

18. **Monthly Investment Reports for Month-Ended July 31, 2015**

Ms. Hanges presented these reports.

Dr. Clifford noted that STO portfolio balances are now at $4 billion, which is quite healthy. He said the question being asked is whether money is being moved appropriately, and suggested staff work with STO on the bond pool in particular, vintaging that money by when the bonds are sold. He added that perhaps staff could work with STO on what comprises the balances in the general fund core pool as well, and what appropriate expectations are about when those monies will be spent.

Ms. Hanges responded that the swing in the liquidity fund can be about $500 million during the month, so they keep $500-$600 million in daily liquidity for that portfolio. Last month and this month, they have had to move cash out of the core and into the liquidity fund.

**GENERAL SERVICES DEPARTMENT**


20. **Capitol Buildings Repair Fund Financial Status Report for Month-Ended July 31, 2015**

Mr. Primm noted that, in accordance with a request made by GSD to the Board, monthly presentations will be made only twice a year, when staff appears before the Board to request project list approval.

**STAFF ITEMS**

Presenter: Jeff Primm, Deputy Director

22. **Approval of Publication of Notice of Proposed New Rule: Determinations of the State Board of Finance**

Mr. Primm stated that Board members have been provided with highlighted copies of the proposed rule. He discussed some changes made since preparation of the binder.

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

23. **Fiscal Agent/Custodial Bank Fees**
Mr. Primm stated that the fees paid to date appear on page 1334 of the binder.

24. **Joint Powers Agreements for Months-Ended July and August 2015**

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

**ADJOURNMENT**

Its business completed, the State Board of Finance adjourned the meeting at 1:00 p.m.

_Susana Martinez, President_

_October 21, 2015_

_Date_

_Michael Brasher, Secretary_

_10/20/2015_

_Date_