MINUTES OF THE
NEW MEXICO STATE BOARD OF FINANCE
REGULAR MEETING
Santa Fe, New Mexico
October 18, 2016

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

1. ROLL CALL: QUORUM PRESENT
   ANNOUNCEMENT: NEXT REGULAR MEETING – TUESDAY, NOVEMBER 15, 2016

   Members Present:
   The Hon. Susana Martinez, President [joining at 9:20 a.m.]
   The Hon. John A. Sanchez, Lt. Governor [excused at 12:45 p.m.]
   The Hon. Tim Eichenberg, State Treasurer
   Mr. Robert J. Aragon, Public Member [excused at 12:20 p.m.]
   Mr. Adelmo Archuleta, Public Member
   Mr. Michael Brasher, Public Member, Secretary
   Mr. John Kormanik, Public Member

   Members Excused:
   None

   Staff Present:
   Ms. Duffy Rodriguez, Secretary Designate of Finance and Administration
   Ms. Leila Klets, Director, State Board of Finance
   Ms. Donna Maestas, Deputy Director, State Board of Finance

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

   Others Present:
   [See sign-in sheets.]

2. APPROVAL OF AGENDA

   Mr. Archuleta moved for approval of the agenda, as published. Mr. Aragon seconded the motion, which passed 6-0 by voice vote. [Governor Martinez was not present during the vote.]
CONSENT AGENDA
Presenter: Leila Kleats, Director

Submitted by: Leila Kleats, Director

3. Approval of Minutes: September 20, 2016 (Regular Meeting)

Submitted by: William Provance, Jetport Manager; Chuck McMahon, Assistant County Manager

4. Doña Ana County – Requests Approval of Amendment [sic]Lease of Real Property Known as Lot F-03C-S at the Doña Ana County International Jetport, 8095 Airport Road, Santa Teresa, to Randy Wright and J&H Equipment Leasing (greater of $0.17 per square foot per year while in use for noncommercial operations or $0.12 per square foot per year plus 2 percent of gross receipts if used for commercial operations; and $0.06 per gallon fuel flowage fee)

Ms. Kleats stated that approval of this item is contingent upon Director’s receipt and counsel review of (1) fully executed lease amendment and (2) fully executed board resolution.

Submitted by: Armando Cordero, Facilities Manager

5. Doña Ana County – Requests Approval of Sale of Real Property Located at NM450 in Anthony to the New Mexico Department of Transportation ($178,150)

Submitted by: Dr. Daniel Lere, Superintendent; Ted Burr, Executive Director of Finance; R. Daniel Castille, Legal Counsel, Cuddy & McCarthy, LLP

6. Deming Public School District – Requests Approval of Sale of Real Property Located Eight Miles South of Deming in Rural Luna County on the Columbus Highway to Sunshine Mennonite Church ($190,500)

Submitted by: Dr. Lillian Torrez, Superintendent; Charlotte H. Hetherington, Legal Counsel, Cuddy & McCarthy, LLP

7. Taos Municipal School District – Requests Approval of Donation of Real Property known as the El Prado Community Center Located at 1100 Paseo del Pueblo Norte, El Prado to Taos County

Ms. Kleats stated that approval of this item is contingent upon Director’s receipt and counsel review of fully executed revised school district resolution

Submitted by: Tom Sullivan, Superintendent; Jake Bassett, Mayor, Town of Edgewood

8. Moriarty-Edgewood School District – Requests Approval of Lease of Real Property Located at 285 Dinkle Road in Edgewood to the Town of Edgewood ($9,999.84 per year)

Ms. Kleats stated that approval of this item is contingent upon Director’s receipt and counsel review of (1) fully executed lease agreement, including staff changes; and (2) approved minutes of school board meeting indicating school board’s approval of revised lease agreement.
Submitted by: Joan Ahlers, Chief Operations Officer

9. Los Alamos Public School District – Requests Approval of Sale of Real Property Located at 1100 4th Street in Los Alamos to the New Mexico Department of Transportation ($455,600)

Submitted by Terry Lease, Real Property Specialist, Public Works Department

10. Santa Fe County – Requests Approval of Amendment No. 3 to Lease of Real Property Located at 3130 Rufina Street in Santa Fe to Esperanza Shelter for Battered Families, Incorporated ($117,009.20 per year)

11. Santa Fe County – Requests Approval of Amendment No. 4 to Lease of Real Property Located at 1160 Parkway Drive in Santa Fe to Santa Fe Mountain Center, Incorporated ($36,770 per year)

12. Santa Fe County – Requests Approval of Amendment No. 4 [sic] 2 to Lease of Real Property Located at 4100 Lucia Lane in Santa Fe to Santa Fe Recovery Center, Incorporated ($29,328 per year)

EMERGENCY FUND BALANCES

Presenter: Ms. Leila Kleats, Director


<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve Fund</td>
<td>$1,850,000.00</td>
</tr>
<tr>
<td>Emergency Water Fund</td>
<td>$106,421.56</td>
</tr>
</tbody>
</table>

Ms. Kleats reported these balances.

EMERGENCY FUNDING REQUEST

Presenters: Odie Chapman, President; Lloyd Ayliffe, Representative; Karen Pereira, Rural Development Specialist, Rural Community Assistance Corporation

14. Lybrook Mutual Domestic Water Consumers Association – Requests Approval of One-year Extension of Emergency Water Loan Repayment Schedule or Conversion to Grant ($44,000)

Mr. Ayliffe reported that they have done a lot of work in Lybrook to turn their situation around, including revising the budget and imposing a rate increase. They are struggling to build a reserve to maintain the infrastructure. He said an extension of the loan or conversion to a full grant would be of great benefit to their group.

Mr. Eichenberg moved to approve this request in the form of a grant.

Ms. Maestas clarified for Mr. Eichenberg that, in the September meeting (which he had missed), the applicants requested that the $44,000 loan be extended by one year or converted to a grant. In the meantime, lightning struck their well, and the board looked at the new emergency at the September meeting and granted them $11,678.44 based on their receipts and invoices, and subject to the budget and them doing a rate increase. Now, the board is back to the original request from July.

Ms. Maestas stated that they currently owe $44,000.
Mr. Eichenberg said he felt Lybrook would go into default if the board did not approve this request in the form of a grant.

The motion died for lack of a second.

Mr. Archuleta moved to confirm that the board received the new budget and has acknowledged that the water rate increase would support the past loan going forward, and to extend the loan for one year. Mr. Kormanik seconded the motion.

[Governor Martinez joined the proceedings.]

Mr. Aragon asked Mr. Ayliffe if they have hazard insurance. Mr. Ayliffe responded that they have several types of insurance through a broker in Farmington, but he was not sure if they had insurance to cover lightning strikes and other such hazards. Mr. Chapman stated that he would be meeting with the insurance brokers in Farmington tomorrow to find out what types of insurance coverage they have.

Responding to Mr. Aragon, Mr. Ayliffe said the $11,678.44 would be used to repay the tribe and electrician to cover the failure of the pump. He said there is a new motor on the pump, and that is warranted under normal conditions.

Ms. Malavé recommended that the loan be extended to January 2018, or by two years, given that January 2017 is coming up soon.

Mr. Archuleta restated his motion as follows: “Given that I acknowledge that they have met the conditions of the grant previously, I move that they extend their loan arrangement for two years going forward.” Mr. Aragon seconded the motion.

The motion passed 7-0 by voice vote.

SEVERANCE TAX BONDS
Presenters: Jill Sweeney, Co-bond Counsel, Sherman & Howard; Luis Carrasco, Co-bond Counsel, Rodey, Dickason, Sloan, Akin & Robb, P.A.; Kenneth Guckenberger, Disclosure Counsel, Kutak Rock; Naomi Barnes, Disclosure Counsel, Kutak Rock

15. Approval of Notice of Sale Resolution, Bond Resolution, and Form of Preliminary Official Statement, Tax-Exempt Severance Tax Bonds, Series 2016D

16. Approval of Notice of Sale Resolution, Bond Resolution, and Form of Preliminary Official Statement, Taxable Severance Tax Bonds, Series 2016E

Ms. Sweeney said the purpose of this issue is to address the actions of the legislature in the special session relating to Senate Bill 8. These resolutions will authorize bonds to create cash flow to reimburse agencies whose general funds were swept during the legislative session, and the proceeds will create replacement proceeds for capital projects that were included in Senate Bill 8. The bonds will be closed on or about December 6.

Mr. Guckenberger introduced himself and Ms. Barnes and said they looked forward to working with the board.
Mr. Brasher moved approval of Item 15. Mr. Kormanik seconded the motion, which passed 7-0 by voice vote.

Governor Martinez moved approval of Item 16. Mr. Brasher seconded the motion, which passed 7-0 by voice vote.

**HIGHER EDUCATION DEPARTMENT**

Presenters: Dr. Harrison Rommel, Interim Institutional Finance Director, New Mexico Higher Education Department; David Harris, Executive Vice President for Administration, Chief Operations Officer, Chief Financial Officer; Chris Vallejos, Associate Vice President, Institutional Support Services; Lisa Marbury, Executive Director, Institutional Support Services; Dr. Shawn Berman, Associate Dean, Anderson School of Management; Ryan Berryman, Student Regent

22. University of New Mexico – Requests Approval of Anderson School of Management Building Renovation/Replacement ($24,301,383)

Dr. Rommel stated that University of New Mexico (UNM) is requesting approval of $24,301,383 in order to demolish part of the existing Anderson School of Management and to construct a new school. Part of the original 1968 building will remain. He stated that, with developments in technology and instructional methods, existing facilities are unable to meet those needs, and the existing HVAC system is inefficient and expensive to operate. The project is being funded by a 2014 Severance Tax Bond, UNM revenue bonds, and revenues raised by the Anderson School of Management. This project is part of UNM’s five year plan.

Mr. Berryman stated that the physical space is not conducive to a 21st century learning environment, with limited lighting, inefficient air conditioning, asbestos in the walls, and falling ceiling tiles. He said two driving factors led to approval of this project: a generous gift to the Anderson School of Management with the intent of investing in UNM’s capital structures; and increasing enrollment. In addition, the students fully support this project.

Dr. Berman said that, over the last ten years, enrollment in Anderson’s undergraduate program is up by over 40 percent, including a student credit hour generation increase of 10 percent this year, the highest of all the colleges at UNM. He said staff is serving more students than ever, and need more space to do their job effectively than the current cramped quarters allow.

Responding to Mr. Kormanik, Mr. Harris said the $18 million debt (UNM revenue bonds) would be serviced through student fees that were approved by the students and authorized last year by the Regents. He said there are four projects involved in the bond, upgrading Johnson Gym; Smith Plaza; the new physics building; and this project. The students voted to put themselves in debt for all four. He said the increase in fees is about $300 a year, but it will be stepped in over time.

Mr. Kormanik commented that technology is evolving quickly, and it seemed counterintuitive to be building a new structure given the potential for education through online services. Mr. Harris responded that that there is a need for both, adding that UNM has a robust distance learning program.

Dr. Berman said the learning that happens in the classroom will continue to be sought after by students for the foreseeable future, and that will only increase as UNM becomes a more residential
university. He added that team-based learning will also require that students be present at certain times even if they are taking the classes online.

Lt. Governor Sanchez asked if all of the students participate in the elections, including those on the satellite campuses. Mr. Harris responded that their student government leaders conduct the elections, which includes the undergraduate and graduate students.

Mr. Aragon said the impact of student fees is a concern. When another facet of this bond issue was discussed by the board, a student body leader conceded that only a relatively small percentage of students actually voted for the fee increase. He said this is a 30-year bond, which means that students today are making decisions for students 25 years down the road, and that seemed inherently unfair.

Mr. Aragon said he has heard many discussions from students who are concerned that their fees are going to go up again to cover the athletic budget deficit. He said he understood this would be another $30 per semester, or $60 per school year. He commented that this troubled him. He said he would not have voted for that global project that included the increase in student fees if he thought there was going to be a discussion about the need to balance the athletic budget.

Mr. Aragon asked Mr. Berryman if he could assure the board that student fees would not be increased to balance the athletic budget. Mr. Berryman responded that the last discussion the Board of Regents had about the athletics budget was about increasing revenues (through ticket sales, sponsorship or playing away games) or cutting costs in the form of eliminating sports. At the meeting, no student fee increase was brought up, but it was in the documents presented to them.

Mr. Aragon commented that this appears to be a broken promise on the part of UNM and its athletic director, Paul Krebs. The last time student fees were discussed at a Board of Finance meeting, the board was assured that this would not be brought up again. He added that he would be very concerned if this was “back-doored in some way.”

Mr. Harris said Vice President Krebs would be appearing before UNM’s student fee review board to make his case for increasing student fees, and would “hate to eliminate sports... He is confronted with a very difficult problem, and that is we don’t have the ability to backstop the athletics department any longer, and we’re going to have to come to grips with this deficit.”

Responding to Governor Martinez, Mr. Harris said the athletics department has been carrying a $4 million deficit, but this year it is estimated at $1.2 million. He said the sport that costs the most is football, as it is very costly to develop a football team, and UNM is not generating the desired attendance. He said basketball produces enough revenue to fund the other sports that generate no revenue.

Governor Martinez asked if there are any non-reverting funds at UNM, and Mr. Harris responded that total balances over the entire university are about $32 million, $11 million of which is in reserves for emergencies, and there are research grants that carry over into multiple years. He said the Health Science Center has accumulated reserves in excess of $200 million in their capital initiative fund, “but that’s like pulling teeth out of a chicken for us.... One of the most difficult things we do at the university is create a sense of unity between the main campus and the Health Science Center... There is absolutely no commingling of funds that goes on.”
Governor Martinez noted that the Health Science Center receives $92 million annually from Bernalillo County in indigent funding, which it allows to accumulate rather than return to the county, something that could have been done after Medicaid was expanded to cover indigent services. She said she did not think taxpayers were aware that they were continuing to pay for this.

Mr. Aragon pointed out that the Affordable Care Act now covers indigent expenses, and the law is very clear about that, yet the UNM Board of Regents has failed to vote to ask the Bernalillo County Commission to stop collecting property taxes to pay for indigent care.

Mr. Archuleta urged that UNM work toward full transparency so that the board and staff, in vetting these projects, can understand “how money is tagged to go where...and what is going on with that money.” He said this is extremely critical.

Mr. Archuleta expressed concern that there will be about 150 percent more usable square footage for faculty than for students, and asked why.

Mr. Harris responded that there is no increase in faculty positions. Ms. Marbury added that part of the 18,000 square feet of “office” space is in the Career Advisement Center, which is where the students go to learn interviewing skills, etc. Dr. Berman said 12 staff members occupy this space, and are professionals trained in helping students on the advisement side and to prepare students to enter the workforce on the career side.

Governor Martinez commented that she realized the next Board of Regents meeting was scheduled after the November 8 election, when the bond issue would be voted on; however, she wondered if the taxpayers of Bernalillo County understood that UNM was pocketing the indigent care money because indigent care was already covered by Medicaid. She said UNM has over $200 million that it could use for this project. She said the Board of Regents could hold a meeting prior to the election with 72 hours’ notice, adding, “I think this is a bold move to prove to the state that it is one institution and has nothing to do with what your needs are. Your needs could be met very easily with what’s on the books already. And it would be a bold movement for the Regents to say we know it’s one institution and we’re going to prove it’s one institution.”

Mr. Brasher noted that the Bernalillo County Commission recently approved a tax hike for mental health services and now they are voting on indigent health care rather than going to UNM and offering to partner with them. He said the UNM Hospital has a key role in dealing with the problem. He said it would make more sense for the Regents to identify what the problems are and develop a plan and budget for that, and then go to the County Commission to have it voted on. He said this piece is missing.

Mr. Brasher said he also found it “irritating” to see that 31 percent of this project is for office space. He commented that virtually every construction project that UNM brings to the Board of Finance has a relatively high amount of office space.

Mr. Brasher also expressed concern about a lack of transparency on the part of UNM in informing the voters of Bernalillo County about what the indigent funds are being used for.

Mr. Aragon commented that saying that taxes would not go up was “a lie,” because there is an ongoing assessment and there is a statute that mandates an automatic increase based on the revenue generated at the county level. He said the Board of Regents could, in the interest of transparency,
address this as an emergent situation and declare publicly that they would no longer collect those monies because they were unnecessary and because they were not being honest in collecting them.

Lt. Governor Sanchez said he has been on the Board for six years, and no matter what project UNM brings forward, the discussion always goes back to UNM Hospital, and it is a distraction that the Board finds itself having to deal with every time because of these concerns. He said, “My point is, we have to solve this issue, and it is about transparency, governance, the relationship between Bernalillo County and the University of New Mexico, and the taxpayers.”

Mr. Aragon moved for approval of this request. Mr. Archuleta seconded the motion, which passed 7-0 by voice vote.

PRIVATE ACTIVITY BONDS

Presenters: Robert Aragon and Michael Brasher, Subcommittee members; Donna Maestas, Deputy Director, State Board of Finance
17. Private Activity Bond Subcommittee Recommendation and Allocation Revision for Calendar Year 2016 Private Activity Bond Allocation Percentages

Ms. Maestas stated that this action item will accommodate the next agenda item for the New Mexico Educational Assistance Foundation. There are four categories for the Private Activity Bond Volume Cap Allocations: Single Family, Multifamily, Education and Other. Currently, there is not an allocation in the Education category, so this action would move $16,500,000 from the “Other” category to the Education category to accommodate the next agenda item. She stated that there is currently $207,875,000 available in the “Other” category, which would be reduced to $191,375,000 for this calendar year after the transfer.

Mr. Aragon said the PAB Subcommittee concurs with this recommendation. He noted that these are private activity bonds and go into the open market as tax credits, so there is no encumbrance on the state’s ability levy general obligation bonds, etc.

Mr. Aragon moved for approval. Mr. Brasher seconded the motion, which passed 7-0 by voice vote.

Presenters: Michael Nemelka, President; Brad Allpass, Vice President and Chief Financial Officer
18. New Mexico Educational Assistance Foundation – Requests Approval of Private Activity Bond Allocation for Education Purpose Bonds (not to exceed $16,500,000)

Mr. Nemelka requested approval of private activity bond allocation for educational purpose bonds to improve the educational opportunities of New Mexicans attending an approved post-secondary school by providing financial assistance to qualified persons.

Mr. Aragon said the rate of inflation from 1978 to 2014 was 263 percent, but in that same time frame, college tuition and fees have increased by 1,120 percent. He said Secretary Damron has stated this is one of the most significant problems in higher education, as it is three times the rate of inflation. In addition, for every dollar in Pell grants, there is a 40-cents increase in college tuition. This becomes more compelling when student loans are taken into account; in the same timeframe, every dollar increase in student loans and Pell grants represents an increase of 60 cents in tuition.
Mr. Nemelka responded that the borrowers who are the subject of this request took out their loans in the 1990s and early 2000s and defaulted for various reasons. He said this would allow them to put their loans into performing status, which will have positive ramifications for their lives and families going forward.

Mr. Aragon moved for approval. Mr. Brasher seconded the motion, which passed 7-0 by voice vote.

Presenters: Jay Czar, Executive Director; Susan Biernacki, Tax Credit Program Manager; Ed Romero, Civic Housing Authority

19. New Mexico Mortgage Finance Authority – Requests Approval of Private Activity Bond Allocation for Pasa Tiempo Multifamily Housing Project Located at 664-670 Alta Vista Street in Santa Fe (not to exceed $11,000,000)

Ms. Biernacki said this project was constructed in 1973 and houses low-income seniors exclusively. She said the total development cost is a bit over $20 million, and substantial rehabilitation is proposed. The rehab includes upgrades to all interiors, including new kitchens and bathrooms, new cooling and heating systems, and improvements to accessibility. She said the $11 million of bonds would be used during the 26-month construction period, at interest only. In addition, there will be a carryback note that the partnership will put in of almost $7 million along with a $1.2 million land contribution by the City of Santa Fe. Once the project is complete, it will convert to permanent financing; at that point, the bonds will be paid off through multiple sources of financing.

Mr. Czar made a presentation to the board and requested approval of this project. If approved today, the New Mexico Mortgage Finance Authority (MFA) Board would approve it at its meeting tomorrow.

Mr. Eichenberg, a member of the MFA Board, said he is frustrated over the cost to do rehab on a project “that didn’t cost a fourth of this amount thirty years ago, and yet we’re still exchanging equities and we’re bonding for eleven million dollars.” He said he would vote against this in protest over the $175,000 cost per unit. He added that low-income housing tax credits are much cheaper, and the people living in these 121 units could be scattered throughout the community rather than being forced to live in one place. He commented that this makes for better communities and better families.

Mr. Archuleta asked Mr. Romero to speak to Mr. Eichenberg’s comments about the high cost per unit as well as a possibly better plan of dispersing these units throughout the community rather than having everyone live in one apartment building.

Mr. Romero responded that they are selling their portfolio at market rates based on appraisal, which brings in $2.5 million of additional money. They could reduce the cost by reducing the price of their property into the project, but they would also be reducing what US Bank would be paying into the project. He said the leverage in this deal is 3:1 in terms of tax credits versus the total cost of the money. He said the Housing Authority is using three or four types of funding, including the equity, soft loans and the Civic Housing Authority’s cash invested into the project. In reality, the contractor cost is $66,000 per unit, excluding solar, which is $1.2 million. He said the energy efficiency expenditures also inflate the cost of the project but are projected to save about $100,000 per year.
Mr. Romero also stated that the Pasa Tiempo community has a senior center next door that provides two meals per day, five days a week, for a dollar. He said there are many activities, including square dancing and bingo games. He commented, “This is a great community for seniors, and seniors love this deal.”

Mr. Brasher asked if there are any neighborhood concerns about “potentially creating a pocket of poverty.” He said he felt scattering these units throughout the community is preferable. Mr. Romero responded that the neighbors are generally in favor. He commented that upgrading these units will improve the neighborhood and would be preferable to leaving the units in their current condition.

Mr. Aragon moved for approval. Mr. Kormanik seconded the motion, which passed 6-1 by voice vote, with Mr. Eichenberg voting against the motion.

[Mr. Aragon left the meeting.]

**QUALIFIED ENERGY CONSERVATION BONDS**
Presenters: Julie Baird, Deputy City Manager; John McAllister, Regional Sales Manager, Energy Control Incorporated; Paul Cassidy, Managing Director, RBC Capital Markets, Financial Adviser; Peter Franklin, Bond Counsel

20. **City of Farmington – Requests Approval of Qualified Energy Conservation Bonds Allocation (not to exceed $4,740,000)**

Ms. Baird stated that asbestos was discovered in Farmington’s city annex building about two years ago. The City of Farmington went through testing and ultimately evacuated the building, which served several functions in city government. The building was then cleaned. She said that, as they looked at their other facilities and the aged infrastructure that they have in their other buildings, it became apparent that they needed to address a long series of deferred maintenance costs. Ms. Baird said they began by working with Energy Control Incorporated to evaluate the mechanical, lighting and water systems of 26 buildings. The 26 buildings consist of about 533,000 square feet in total with an annual utility cost of more than $1 million. She said they looked at several factors, including the payback on energy efficiency upgrades. She said the package will improve comfort, health and working environments while reducing energy, maintenance and capital improvements, and would reduce the city’s utility bills by about 30 percent (guaranteed at 26 percent). She said they worked with the Energy, Minerals & Natural Resources Department, which has certified the projected savings and the investment grade audits.

Mr. Cassidy discussed the financing program for this project. He said it would involve issuing gross receipts tax backed bonds of the city, which would be used to fund the construction costs for the energy improvements. He said the City of Farmington is requesting approval of a Qualified Conservation Bond allocation for direct subsidy of the issuance, not to exceed $4,739,999, to be used for various energy efficiency measures in the 26 municipal buildings and facilities. If the Board sees fit to award that for this project, that will save the City of Farmington about $809,840 in interest expense. He said RBC plans to issue debt through the New Mexico Finance Authority; as the city’s adviser, when they looked at public markets versus the New Mexico Finance Authority, this was determined to be less expensive for the city.

Mr. Archuleta asked if the consultant did a budget before and after in pricing what the utility was going to have to sell their electricity for, or did they use current pricing, which is what most people do.
He said the problem with the latter approach is that the price can go up a year later because there is less demand, "so you’re kind of chasing your tail."

Mr. McAllister responded that they did not work directly with the Farmington electric utility in doing that level of analysis, but did look at what percentage their annual kilowatt per hour sales the city represented, and it was less than one-half of one percent. He said the city is on a municipal rate, so they are buying their power at roughly 8 cents per kilowatt-hour and are selling it to their customers at about 11 cents. One idea is that if they can realize savings from that, they can make a little bit more money. He said Farmington’s economic climate makes that challenging right now, but they do not anticipate that this will last “forever.”

Mr. Archuleta said he would challenge city officials to make sure they understand that how they do the re-pricing on the other side will be very important.

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

PROPERTY DISPOSITIONS
Presenters: Douglas A. Echols, County Attorney; Bruce Leslie, Attorney, SunRay Gaming of New Mexico, LLC; Scott Eckstein, Chairman, San Juan County Commission
21. San Juan County – Requests Approval of Amended and Restated Lease of Real Property Located at 39 County Road 5568, San Juan County, to SunRay Gaming of New Mexico ($750,000 in years 1, 2, and 3)

Mr. Echols discussed the background of this request. In the 1980s, the County Commission agreed to build a racetrack to improve the economy, which failed badly and was “mothballed” six years later. In the 1990s, they had the opportunity for a racino, and SunRay was the successful bidder, and the Board of Finance approved the lease agreement for a ten-year term with a ten-year option. In 2006, the county returned to the Board to request approval of a request by SunRay for $3.5 million in improvements in exchange for a ten-year option. SunRay ultimately spent over $8 million on the improvements, and they are now in the last year of the first option period. He said there is the potential for one more ten-year option.

Mr. Echols stated that, since 2012, gaming conditions in San Juan County have dramatically changed because of serious oil and gas problems and the loss of hundreds of jobs; at the same time, on the western edge of Farmington, the Navajo Nation has opened up a very nice full casino with over 1,000 slot machines, table games and restaurants, and it has “killed our tenant.” SunRay is concerned that it will not be able to stay after the next option period ending in September 2017 unless the lease agreement can be restructured.

Mr. Echols said Sunray now pays $2 million a year versus 15 percent of the profits. In the past, San Juan County was making $3.5 million in rental payments, but since 2012, there has been “minimal rent.” He said the county would like to keep SunRay as a partner, and hired an appraiser to appraise the racino, but this was a challenge because none of the five racinos in New Mexico has changed hands. He stated that the appraisal came out at a fair rental value of $500,000 a year, and San Juan County negotiated an agreement with SunRay that after September 2017, the rent would go to $750,000 for three years, then to $1 million for four years, and that the term would finish out at $1.25 million per year.
Mr. Echols said SunRay has also asked the county to consider an additional 15-year option after the
11 years is up, at which time Sunray and the county would determine how Sunray would spend at least
$4.5 million of improvements to the facility so it can continue to be a going concern.

Mr. Echols stated that the county cannot accept a $4.5 million payroll loss if it loses SunRay. He
agreed that this is an unusual request, adding that they would appreciate the Board's support.

Ms. Kleats requested that any approval of this request be contingent upon Director's receipt and
counsel review of (1) fully executed First Amendment to Amended and Restated Lease and (2) revised
board resolution.

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

[ Lt. Governor Sanchez left the meeting.]

DEPARTMENT OF FINANCE AND ADMINISTRATION
Presenter: Ronald C. Spilman, State Controller and Director, Financial Control Division
23. Financial Control Division – Presentation of Fiscal Year 2015 Audited
Comprehensive Annual Financial Report (CAFR)

Mr. Spilman made a presentation to the Board. [Page 1164 of electronic agenda.]

Mr. Kormanik asked if the state has the human resources and skillsets to manage the financial
systems in government. Mr. Spilman responded that it is very important to document procedure "so you
are not a person-driven activity." He said the state is lacking a broad development plan for giving people
experience in other areas, e.g., cross training, which is a concern for him.

STATE TREASURER'S OFFICE
Presenter: Vikki Hanges, General Fund Investment Pool Portfolio Manager

Ms. Hanges presented this report.

GENERAL SERVICES DEPARTMENT
Presenter: Leila Kleats, Director
25. Capitol Buildings Repair Fund Financial Status Report for Month-Ended
August 31, 2016

[Informational.]

STAFF ITEMS
Presenter: Leila Kleats, Director
26. Dashboard Report

Ms. Kleats presented this report.
Ms. Kleats noted that state’s unemployment rate is significantly higher than the national rate.

Governor Martinez responded that 45,000 new jobs were created in the state, but the loss of 7,000 jobs in the oil and gas industry has dramatically skewed the overall number.

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

Ms. Kleats reported that fiscal agent and custodial bank billings were in line with historical averages.

28. **Joint Powers Agreements for Month-Ended September 2016**

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

**ADJOURNMENT**

Its business completed, the State Board of Finance adjourned the meeting at 1:40 p.m.

\[\text{Signed}\]

Susana Martínez, President

11-17-16

Date

\[\text{Signed}\]

Michael Brasher, Secretary

11/5/2016

Date