MINUTES OF THE
NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

Santa Fe, New Mexico

June 21, 2016

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
The Hon. Tim Eichenberg, State Treasurer
Mr. Robert J. Aragon, Public Member
Mr. Adelmo Archuleta
Mr. Michael Brasher, Public Member, Secretary

Members Excused:
The Hon. Susana Martinez, President
Mr. John Kormanik, Public Member

Staff Present:
Ms. Duffy Rodriguez, Acting Secretary of Finance and Administration
Ms. Stephanie Schardin Clarke, Deputy Secretary of Finance and Administration and Acting Director

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

Others Present:
[See sign-in sheets.]

2. APPROVAL OF AGENDA

ANNOUNCEMENT: NEXT REGULAR MEETING – TUESDAY, JULY 19, 2016
Mr. Aragon moved approval of the agenda, as published. Mr. Archuleta seconded the motion, which passed 5-0 by voice vote.

3. **APPROVAL OF MINUTES: MAY 17, 2016 (REGULAR MEETING)**

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

Recognition of Former Department of Finance and Administration (DFA) Cabinet Secretary, Tom Clifford

Mr. Aragon and members of the board spoke to Dr. Clifford’s service on the Board of Finance and recognized his wise counsel, candor, and insights that helped guide the board in making its decisions. The Board directed staff to prepare a letter to Dr. Clifford for their signature.

**EMERGENCY FUND BALANCES**
Presenter: Stephanie Schardin Clarke, Deputy Secretary of Finance and Administration and Acting Director

4. **Emergency Balances – June 2016**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve Fund</td>
<td>$1,629,453.40</td>
</tr>
<tr>
<td>Emergency Water Fund</td>
<td>$118,100.00</td>
</tr>
</tbody>
</table>

Ms. Clarke reported these balances.

**EMERGENCY FUNDING REQUEST**
Presenters: Ron Spilman, State Controller and Director, Department of Finance and Administration, Financial Control Division; Oscar Robinson, Chairman; Brad Winter, Vice Chairman and New Mexico Secretary of State; Clarence Smith, Commission Member; Suzette Shije, Commission Member; Patricia Wolf, Commission Member

5. **New Mexico Martin Luther King, Jr. State Commission – Requests Approval of Modification of Emergency Grant Resolution and of Additional Emergency Funding ($18,977.85)**

Mr. Spilman requested approval to repurpose $16,182.15, which is the balance remaining of the December 2015 grant that was provided by the Board, to pay a hotel bill. In addition, he requested an additional $18,977.85 in order to combine these two amounts, which should be sufficient to address the remaining undisputed invoices.

In discussing the accomplishments since the first grant was provided in February-March of this year, Mr. Spilman stated that outstanding debts have been settled with 12 vendors (44 invoices). Additionally, House Bill 2 provided an additional $40,000, and they settled with four vendors (10 invoices). They also made a $210,000 payment to the general fund relating to a
reversion from periods earlier than 2013. He said they want to settle up with the Elegante Hotel, which is how the additional funds requested today would be used. Pending release of the Attorney General-held documents, they would contract with an audit firm and run the audits for Fiscal Years 2014, 2015 and 2016.

Mr. Archuleta asked Mr. Spilman whether, absent an audit, he could provide assurances to the board that everything being paid now is for services that have been rendered. He said he recognized the hard work of Mr. Spilman, staff and commission members.

Mr. Spilman responded that they started by creating a “white paper” that would list a particular activity, and the agency would give a list of tentative names. Another metric they used was that there were appropriations for similar activities in the past, and the amounts were relatively similar.

Mr. Aragon said he was concerned that, absent an audit, it could not really be determined that each of the invoices was within the statutory scope of the commission’s charge.

Mr. Spilman responded that the majority of the activities were related to a youth conference. The Martin Luther King, Jr. State Commission typically asked for permission and said they had the budget for that, and so they were typically approved. He said the problem was that all of the requisitioning occurred through a fiscal agent or middleman rather than through the SHARE system, so all visibility was lost at that point. He said the SHARE system would not have allowed them to go any further after they ran up against their budgetary limits.

Ms. Malavé noted that the resolution pending approval by the board today addresses Mr. Aragon’s concerns. Exhibit A to the resolution leaves blank the names of four vendors, including eRead.

Mr. Aragon said he felt the board would be breaching its fiduciary duty to the state by acting on this without sufficient information that each of the invoices does meet the statutory charge.

Mr. Archuleta asked Mr. Spilman if everything he has recommended to the board for payment is for services that were delivered and that these are “solid invoices that should be paid.” Mr. Spilman said that was correct. Mr. Archuleta asked Mr. Spilman if, to the best of his knowledge, the audit would not unearth any surprises. Mr. Spilman responded that he did not think that would happen.

Mr. Aragon said the issue isn’t whether the vendors are reputable or whether they provided the services. He noted that the former executive director of the commission “has lawyered up” and is exercising her Fifth Amendment rights, so the information the board would need may not be disseminated because it could be held up as part of that process. In addition, the Attorney General is conducting an investigation and has not released the documentation. He said the relevant issue is whether these invoices meet the statutory charge of the commission.
He asked Mr. Spilman if he had the documents confirming that these expenses fall within the confines of the statutory charge of the commission, and Mr. Spilman responded that he did not.

Responding to Mr. Brasher, Ms. Malavé said the youth conference and related activity appear to fall within the commission's statutory authority; however, with respect to eRead, Rosalind Jones and one other vendor not scheduled to be paid with emergency funding, it is not clear what service was provided or what statutory provision their services would fall under.

Mr. Archuleta commented that he was very confused because the board has already approved 80 percent of what is before it today, and then there were some refinements made after that, but now he is hearing a line of questioning as to whether or not the genesis of this is even right.

Responding to Lt. Governor Sanchez, Ms. Clarke said the funding that is requested as a grant would need to be paid to the vendors by June 30 or the balance of the grant would revert.

Mr. Eichenberg commented that one of the vendors on the list called him a year ago, because the balance was from the prior year, asking when they would be paid. He said this vendor has a contract with the State of New Mexico for services, so he feels comfortable with this particular vendor.

Mr. Eichenberg said he would like to hear comments from Chairman Robinson and Vice Chairman Winter.

Mr. Winter said the commission has been working diligently for the past six months to get back on track, and are looking at new policies and procedures and plan to hire a new executive director. Working with DFA and the expertise on the commission, he feels very comfortable that all of these expenses are legitimate. He said they are not bringing forward any requests related to services that may not fall under the commission's statutory authority.

Chairman Robinson stated that the commission has gone back and looked at its statutory authority and will act under that authority only going forward. They have reorganized the commission and carefully studied the New Mexico Procurement Code and will follow it diligently. He agreed that there have been “bumps in the road,” but feels confident that they will be back on track. He said 10 individuals have applied for the position of executive director, and the field has been narrowed to four highly qualified people. He said, “I’m not a quitter, I’m a fighter, and I believe that the Martin Luther King Commission will prevail and we will be back to the level of what the dream was about.”

Ms. Clarke reviewed the resolution before the board.

Ms. Clarke clarified that the original grant amount from December included about $10,000 for eRead. Her understanding is that this was for a portion of services not related to the
ACT/SAT prep, which was not considered within the mission of the commission. Another $43,000 was requested by the commission for eRead ACT/SAT prep expenses but was not included in Exhibit A and was not funded in December.

Mr. Archuleta moved for approval of the resolution, based on guidance from board legal counsel, staff information, and assurances from Mr. Spilman and commissioners present today, and the due diligence that they have done. Lt. Governor Sanchez seconded the motion, which passed 3-2 by voice vote, with Mr. Aragon and Mr. Brasher voting against.

Lt. Governor Sanchez said the board has some very serious concerns and will expect a continued relationship with the commission going forward as well as a continuation of the investigation underway.

Mr. Aragon said his vote was not a reflection on the leadership of the commission or the direction it was going in.

Mr. Brasher stated that he was very supportive of the commission and wished them the best.

SEVERANCE TAX BONDS
Presenters: David Buchholtz, Co-Bond Counsel, Rodey, Dickason, Sloan, Akin & Robb;
Luis Carrasco, Co-Bond Counsel, Rodey, Dickason, Sloan, Akin & Robb
6. Approval of Resolution Reauthorizing Certain Severance Tax Bond Projects

Mr. Buchholtz said this is the reauthorization resolution, which is the approval of the board of those projects that were passed by the legislature and signed by the Governor, where the allocation of funds was changed from the original appropriation. He said there are 59 projects included.

Ms. Clarke stated, as a related item, that the board would not be issuing the 2016S-A senior sponge note, which was authorized by the board last month, as there are no additional senior projects that hadn’t yet been funded but are now ready. The supplemental sponge note (2016S-B) will be issued, however, which is at about $104 million at the current time. This will be closed on June 29.

Mr. Aragon moved for approval of the bond resolution. Mr. Brasher seconded the motion, which passed 5-0 by voice vote.

PROPERTY DISPOSITIONS
Presenter: Glory Juarez, Interim County Manager; Daniel Partida, United States General Services Administration; Jessica Etcheverry, Community Projects Division; Ira Pearson, County Manager
7. Luna County – Requests Approval of Donation of Real Property, Columbus Port of Entry, to the United States General Services Administration and Approval of
Waiver of Conveyance by Quitclaim Deed

Ms. Juarez stated that Luna County is requesting approval of the transfer of real property to the United States General Services Administration (GSA) for the expansion of the Columbus Land Port of Entry (LPOE). The LPOE is a border inspection facility built in 1989 on 4.5 acres about a mile from the village of Columbus, New Mexico. The expansion project includes the design of a new port of entry to replace the existing port, correction of port deficiencies, and modernization of its facility to accommodate the increasing pedestrian traffic and high seasonal commercial traffic.

Ms. Clarke requested that any approval of this request be contingent upon Director’s receipt, with counsel review, of the fully executed quitclaim deed.

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

Presenter: Julie Crespy, Business Manager

8. Hatch Valley Public School District – Requests Approval of Sale of Real Property Located at 480 West Hall Street in Hatch to Chuck Watkins, President, MVP LLC ($405,997.50)

Ms. Crespy requested approval of the sale of a 4.793-acre parcel of land located in downtown Hatch to Chuck Watkins, President, MVP LLC. The revenue would be used for the completion of priority projects listed on the Hatch Valley Public School District’s facilities master plan. The district has determined that the location is undesirable and unsafe to develop facilities for students due to its distance from other district facilities and its location in a congested area next to Highway 26, which leads from Hatch to Deming. The district solicited invitations to bid and the sale would be to the highest bidder in the amount of $405,997.50. The February 2016 appraisal report set the market value at $400,000.

Ms. Clarke requested that any approval of this request be contingent upon Director’s receipt, with counsel review, of written confirmation from the appraiser that the real property interest appraisal was the fee simple estate and not the leased fee estate. She stated that this was a typographical error.

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

Presenter: Dennis P. Maupin, Chairman

9. Artesia Special Hospital District – Requests Approval of Lease of Real Property Located at 606 N. 13th Street, Suites 100, 200 and 300, in Artesia to Artesia General Hospital ($294,000 per year)
Mr. Maupin requested approval to lease approximately 12,801 square feet of real property located in Artesia with Artesia General Hospital, a nonprofit corporation, for a term of four years with an option to extend for an additional five-year term. There is an escalation of the annual rent due after the second year. The gross annual market rent, as determined by a May 2016 appraisal, is $287,400.

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

Presenter: Katherine Ulibarri, Vice President of Finance and Operations, CNM; Glen Haubold, Associate Vice President for Facilities and Services, NMSU; Heather Watenpaugh, University Architect, NMSU; Veronica Chavez-Neuman, Operations Director, NMSU Albuquerque Center; Scott Eschenbrenner, Special Assistant to the President, NMSU: Wanda Helms, Executive Director of Purchasing, CNM

10. Central New Mexico Community College – Requests Approval of Lease of Real Property, with First Lease Amendment, Located at 4700 Morris Avenue NE, Montoya Campus, K Building, in Albuquerque to New Mexico State University ($122,885 per year)

Ms. Ulibarri stated that Central New Mexico Community College (CNM) is requesting approval to lease real property at CNM’s Montoya Campus with New Mexico State University (NMSU). She said that, for CNM, it allows them to more closely integrate with NMSU with programs that are not offered through the University of New Mexico. She said CNM is also experiencing enrollment declines and enrollment shifts to the west side of Albuquerque, so the opportunity to lease land at the Montoya Campus, which is in the Northeast Heights, allows for great space utilization. For NMSU, this provides significant economic savings, as they are leaving a lease through a private firm and moving into this facility.

Mr. Aragon commented that this is indicative of wonderful leadership on the part of CNM President Katharine Winograd. He said these kinds of intergovernmental relationships should be encouraged among other universities in the state.

Ms. Clarke requested that any approval of this item be contingent upon Director’s receipt, with counsel review, of fully executed First Amendment of Lease Agreement; and evidence of NMSU Board of Regents approval of (1) its draft April 11, 2016 meeting minutes, and (2) First Amendment of Lease Agreement.

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

DEPARTMENT OF FINANCE AND ADMINISTRATION
Presenters: Rick Lopez, Director; Bill Garcia, Deputy Director; Michael Mariano, E911 Bureau Chief; Erika Wilson, Manager, Albuquerque 911 Center; Glenn Condon, GIS Program Manager
11. Department of Finance and Administration, Local Government Division, Requests Approval of E-911 Grant Program Funding for Fiscal Year 2017 ($13,176,784)

Mr. Lopez requested approval of the state’s E-911 program operating budget for FY 2017, as well as the program’s E-911 capital equipment needs for FY 2017. In the past, the Local Government Division (LGD) has followed a five-year replacement cycle for equipment; but as an austerity measure, LGD has reduced its FY 2017 request to only the most essential expenditures and has gone to a six-year replacement cycle. Operating budget requests total $10,227,909, while equipment requests total $2,948,875. The request also includes $65,416 for LGD to hire an E-911 consultant to assist with verification of invoices from CenturyLink for billing accuracy.

Mr. Lopez stated that, in the case of the Albuquerque Police Department, all of their equipment needs to be replaced. Their E-911 system is not manufactured anymore, and they have had to expand from 42 dispatch consoles to 60 to meet growing needs. At the current time, they are averaging 2,400 calls daily, which is a 13 percent increase from 2,000. He said other Public Safety Answering Points (PSAP) centers, where applicable, will have recorders and generators replaced based on immediate need.

Mr. Brasher asked if there is a communications master plan with the goal of consolidating these systems. He questioned whether all of these PSAPs in all of these communities are really necessary and pointed out that declining revenues will continue to put stress on the program.

Mr. Lopez responded that staff continues to work on consolidation, and has met with Otero County and the City of Alamogordo about consolidating. He said Ruidoso Downs and the Village of Ruidoso, along with Mescalero and Capitan, will be consolidating by the end of 2016. He said they are studying the New Mexico State Police consolidation and will be collecting data from that for reference.

Mr. Brasher said the Board of Finance continues to hear from vendors that City of Albuquerque equipment has reached the end of its life. He asked what kind of assurances the board will have that there will be ongoing support for new equipment for several years down the road.

Mr. Brasher said another question is whether this is really a function of the LGD. He said perhaps there is a more appropriate location in state government for this.

Mr. Archuleta suggested that the LGD hire a consultant to develop a communications master plan.

Ms. Wilson stated that PSAPs are consolidating around the country. She said there are challenges, however, because there are different kinds of systems. She also noted that 85 percent of the 911 calls they receive in Albuquerque are now cellular. She said there used to be many more than the 46 PSAPs that are now funded by the state. The Department of Public Safety has gone from 10 PSAPs to 8, and have a plan to have 3 regionals for their own space.
and needs. She commented that infrastructure for the 911 system is very expensive per square foot.

Mr. Brasher noted that Bernalillo County has two Computer Aided Dispatch (CAD) systems and they do not talk to each other. He said this is why a master plan is crucial.

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

STATE TREASURER’S OFFICE
Presenter: Vikki Hanges, General Fund Investment Pool Portfolio manager

Ms. Hanges presented this report.

Mr. Eichenberg noted that balances in the portfolio are down $700 million over the last 12 months.

GENERAL SERVICES DEPARTMENT
Presenters: George Morgan, Director; Annette Tafoya, Capitol Finance Analyst

Mr. Morgan presented this report.

14. Facilities Management Division – Requests Approval to Adopt July – December 2016 Schedule of Repairs and Extension of Reversion Date for West Campus Exterior Lights Project

Mr. Morgan presented the Schedule of Repairs for the period July through December 2016, for a total request of $5,804,000.

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

STAFF ITEMS
Presenter: Stephanie Schardin Clarke, Deputy Secretary of Finance and Administration and Acting Director
15. Final Award for and Approval of Contract for Arbitrage Consulting and Compliance Services with BLX Group
Ms. Clarke presented the final negotiated contract between the board and BLX Group. Last month, the board reviewed four informal quotes received and authorized staff to negotiate the contract with BLX.

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

16. Fiscal Agent/Custodial Bank Fees

Ms. Clarke reported that fiscal agent billings were in line with historical averages.

17. Joint Powers Agreements for Month-Ended May 2016

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

Communications from the Board

Board members discussed the feasibility of allowing video conferencing of board meetings so that some people do not have to travel great distances to attend meetings for items that could be placed on a consent agenda.

Ms. Clarke said she would meet with the Governor’s staff to discuss this further.

ADJOURNMENT

Its business completed, the State Board of Finance adjourned the meeting at 11:15 a.m.

Susana Martinez, President

Date

Michael Brasher, Secretary

1/19/2016

Date