MINUTES OF THE
NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING
Santa Fe, New Mexico

September 19, 2017

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

1. **ROLL CALL: QUORUM PRESENT**

**Members Present:**
Mr. Robert J. Aragon, Public Member
Mr. Adelmo Archuleta, Public Member
Mr. Michael Brasher, Public Member, Secretary
Mr. John Kormanik, Public Member

**Members Excused:**
The Hon. Susana Martinez, President
The Hon. John A. Sanchez, Lt. Governor
The Hon. Tim Eichenberg, State Treasurer

**Staff Present:**
Ms. Leila Burrows Kleats, Director, State Board of Finance
Ms. Donna Maestas, Deputy Director, State Board of Finance

**Legal Counsel Present:**
Ms. Sally Malave, Attorney General's Office

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

2. **APPROVAL OF AGENDA**

**ANNOUNCEMENT:** NEXT REGULAR MEETING – TUESDAY, OCTOBER 17, 2017

The following item was withdrawn:

5. **Agua Fria Community Water Association – Requests Approval of the Sale of Real Property Located at 3541 Rufina Street in Santa Fe to Victor Delgado and Jacqueline Ortega de Delgado ($135,000)**

Mr. Aragon moved for approval of the agenda, as amended. Mr. Kormanik seconded the motion, which passed 4-0 by voice vote.
CONSENT AGENDA (Items 3-4 and 6-13)
Presenter: Leila Kleats, Director

Submitted by: Leila Kleats, Director
3. Approval of Minutes: August 25, 2017 (Special Meeting)

Submitted by: Jill Sweeney, Co-Bond Counsel, Sherman & Howard, LLC; Luis Carrasco, Co-Bond Counsel, Rodey Law Firm
4. Approval of Amended and Restated Resolution Reassigning Unencumbered Balances from Previously Funded Severance Tax Bond

Projects

Ms. Kleats clarified that this item is cleanup and corrects some citations that were erroneous.

Submitted by: Stanley Riggs, Chavez County Manager
6. Chavez County – Requests Approval of Lease of Real Property Located at 205 E. Hobbs Street in Hobbs to Celco Partnership dba Verizon Wireless ($12,000 Annually)

-- Contingent upon Director’s receipt and counsel review of fully executed revised lease.

Submitted by: Michael Delello, Deputy Cabinet Secretary, Department of Cultural Affairs
7. Department of Cultural Affairs – Requests Approval of the Lease of Real Property Located at 725 Camino Lejo in Santa Fe to Santa Fe Botanical Gardens ($18,748 Annually)

Submitted by: Anthony Dimas, Jr., McKinley County Manager; Douglas Decker, Attorney, McKinley County
8. McKinley County – Requests Approval of Lease of Real Property Located at 4835 NM Highway 605 in San Mateo to Verizon Wireless LLC ($18,000 annually)

Submitted by: Tom Sullivan, Superintendent, Moriarty-Edgewood School District
9. Moriarty-Edgewood School District – Requests Approval of Amendment to Lease of Real Property Located at 285 Dinkle Road in Edgewood to the Town of Edgewood

-- Contingent upon Director’s receipt and counsel review of fully executed amended lease agreement

Submitted by: Bill Netherlin, Pecos Valley Artesian Conservancy District, Artesia Chairman, District 5; A. J. Olsen, Attorney, Henninghausen & Olsen, LLP
10. Pecos Valley Artesian Conservancy District – Requests Approval of the Lease of Two Water Wells Located in Eddy County to Select Energy Services, LLC, dba Gregory Rockhouse Ranch and Acceptance of Alternative Evidence of Fair Market Value ($10,000 per month for the first 333,333 barrels of water
Ms. Kleats said the Conservancy District was unable to get an appraisal for the use of the water wells, so have submitted lease rates from the State Land Office as alternative evidence. She added that the rates in this lease agreement are actually better than those of the State Land Office.

Submitted by: Delilah Walsh, Socorro County Manager; Adren Nance, Attorney, Socorro County

11. Socorro County – Requests Approval of a Lease-Purchase of Real Property Located at 201 Neel Avenue in Socorro to Cottonwood Valley Charter School ($10,106.26 per month)

Ms. Kleats reviewed the final form of the lease purchase agreement.

— Contingent upon Director’s receipt and counsel review of (1) fully executed revised lease-purchase agreement, (2) resolution or signed minutes of CVCS governing body indicating approval of lease-purchase agreement, and (3) PED approval of revised lease-purchase agreement.

Submitted by: Gerald Hoehne, New Mexico Higher Education Department Capital Projects Director

12. Eastern New Mexico University-Roswell – Requests Approval of Fire Suppression Project ($2,500,000)

Submitted by: Gerald Hoehne, New Mexico Higher Education Department Capital Projects Director

13. University of New Mexico – Requests Approval of Smith Plaza/Union Square Renovation ($3,000,000)

Mr. Kormanik moved for approval of the Consent Agenda, with the contingencies, as specified. Mr. Archuleta seconded the motion, which passed 4-0 by voice vote.

EMERGENCY FUND BALANCES
Presenter: Ms. Leila Burrows Kleats, Director


<table>
<thead>
<tr>
<th>Fund</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve Fund</td>
<td>$1,848,876.50</td>
</tr>
<tr>
<td>Emergency Water Fund</td>
<td>$104,800.00</td>
</tr>
</tbody>
</table>

Ms. Kleats reported these balances.

HIGHER EDUCATION DEPARTMENT
Presenters: Gerald Hoehne, New Mexico Higher Education Department Capital
Projects Director; Dr. Jeff Elwell, President, ENMU; Scott Smart, Executive Vice President for Business Affairs, ENMU; Greg Salinas, Legal Counsel, ENMU; George Williford, Financial Advisor, Hilltop Securities; Brandon Travis, Project Development, Bernhard Energy

15. Eastern New Mexico University – Requests Approval of Energy Management Project ($4,600,000)

16. Eastern New Mexico University – Requests Approval of System Improvement Revenue Bonds Series 2017 ($6,250,000)

Secretary Brasher asked that these items be presented together, with action taken on Item 16 first.

**Item 15**

Mr. Hoehne stated that this proposed project is a campus-wide energy management plan, consisting of approximately 656,654 gross square feet that will involve the installation of a range of energy conservation members. This will consist of retro commissioning several buildings on campus, concentrating on retuning base building systems, including HVAC systems, electrical, and system lighting. These proposed improvements are projected to result in annual utility cost savings of over $405,000.

Mr. Smart said ENMU is estimating that this project will bring utility costs down to about one dollar per square foot. He commented that this is one of the most efficient per-foot utility costs not only in New Mexico, but in the United States. He added that these savings have allowed ENMU to avoid raising tuition fee costs by about 5 percent. He said ENMU’s utility costs are already about $500,000 less than they were a decade ago because of conservation measures they have taken in construction projects on campus.

Mr. Kormanik asked what ENMU’s annual debt service payments would be on the bonds. Mr. Smart responded that they estimate an interest rate of 2.84 percent with annual debt service of $305,000, which would be paid back from general revenues of the institution.

Mr. Travis said Bernhard Energy worked with ENMU in looking at viable projects that had potential to be value-accrue in some fashion, and identified 45 initially. They narrowed the number down to about 20 projects. He said there is still room to grow, however; they have “captured a lot of the low-hanging fruit, and now we’re about the middle of the tree, so it gets a little bit harder from a simple payback and an investment perspective to capture the more costly energy savings.”

Mr. Archuleta asked if energy audits would be done on a regular basis going forward to ensure that energy conservation measures are maintained in the future. Mr. Travis responded that it is very easy to generate savings; the hard part is maintaining the savings over time, and this is one of the first lessons Bernhard Energy learned when it began doing this in the late
1990s. He said they would install 121 meters on the campus when this project is completed, so every building has an electricity meter and natural gas meter. Additionally, they will issue daily measurement and verification scorecards via email.

Secretary Brasher commented that this information will be very important for local and state government to know if the LEED certified buildings live up to the “hype” about LEED certification.

Responding to Mr. Kormanik, Mr. Hoehne said there is no process in place to verify savings that have been generated from any projects, but the Energy, Minerals & Natural Resources Department does list LEED certified buildings on their website and track how those buildings are performing. He commented that HED is very new to the process of energy performance contracting, although it has been around since the early 1990s.

Mr. Kormanik asked how feasible it would be to include reporting requirements in HED contracts going forward. Mr. Hoehne responded that HED has started to have a discussion on this.

Item 16

Mr. Hoehne stated that ENMU is requesting approval of System Improvement Revenue Bonds, Series 2017, in the maximum par amount of $6,250,000. These bonds will finance the Energy Management Project (Item 15) and the renovation of the heating/cooling system in Curry Hall.

Action on Items 16 and 15

Mr. Aragon moved for approval of Item 16. Mr. Kormanik seconded the motion, which passed 4-0 by voice vote.

Mr. Archuleta moved approval of Item 15. Mr. Aragon seconded the motion, which passed 4-0 by voice vote.

Presenters: Gerald Hoehne, New Mexico Higher Education Department: Capital Projects Director; Eric Johnston-Ortiz, Vice President for Business Affairs, ENMU, Roswell; Dr. Jeff Elwell, President, ENMU

17. Eastern New Mexico University-Roswell – Requests Approval of Heating, Ventilation and Air Conditioning Systems for Campus Buildings ($804,111)

Mr. Johnston-Ortiz said he now understands the concerns around this issue and is working with Mr. Hoehne to make sure this does not happen again.

Responding to Mr. Kormanik on the current status of this project, Mr. Johnston-Ortiz said it was more than 75 percent completed.
Mr. Archuleta said that, when he learned that this project was undertaken without Board of Finance approval, he thought that was extremely uncharacteristic of Eastern New Mexico University, and took ENMU’s record and professionalism before this board in his deliberations.

Responding to Mr. Aragon, Dr. Elwell said he was very confident that this would not happen again. He said he and Mr. Smart heard about it yesterday in a letter from Dr. Barbara Damron, and he spoke with Dr. Madden, president of ENMU-Roswell, yesterday about his concerns about what this represents and how it affects the reputation of the University.

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

**GENERAL SERVICES DEPARTMENT**
Presenter: Leila Kleats, Director

Ms. Kleats presented this report.

**RULES HEARING**
Presenter: Leila Kleats, Director
21. Rule Hearing on Proposed Amendment to Rule 2.1.2, Rules of the State Board of Finance

There were no persons wishing to address the board from the floor.

Mr. Brasher noted for the record that the effective date of a rule shall be the date of publication in the New Mexico register, and that the board needs to provide to the public a concise explanatory statement, including any findings made and the board’s reasoning for amending the rules.

Ms. Kleats stated that these changes were to conform to House Bill 58, which was passed during the 2017 regular session and which went into effect on July 1.

Ms. Kleats stated that notice of today’s hearing was posted on August 15, which allowed public comment for 30 days through September 14. No written public comment was received during that period.

Ms. Kleats noted that the rule change added new requirements for notice, including posting on the Sunshine Portal and sending copies to the Legislative Council Service. Another change will allow verbal public comment (in addition to the current rule allowing written public comment) at rulemaking hearings before the board.
22. Adoption of Proposed Amendment to Rule 2.1.2, Rules of the State Board of Finance

Mr. Aragon moved for approval, stating that the board is adopting this amendment in order to comport with amendments made to the State Rules Act. Mr. Kormanik seconded the motion, which passed 4-0 by voice vote.

Mr. Brasher stated, in accordance with the State Rules Act, within 15 days from today’s date the Director shall post a concise explanatory statement informing the public of the board action taken today. That statement will note that the rule changes were to conform to House Bill 58.

STAFF ITEMS

Presenter: Leila Kleats, Director
23. Fiscal Agent/Custodial Bank Fees

Ms. Kleats commended Irene Sanchez on her diligence in catching any errors in the bank statement, which is hundreds of pages long. In this case, it was discovered that there has been an increase in fees related to incoming/outgoing wire transfers, and there is a per transaction charge for each report. Staff is talking with the State Treasurer’s Office and the Department of Finance and Administration about the need to try to minimize those reports.

Ms. Kleats reported that the board received a refund of $5,780 after an audit by Wells Fargo uncovered some accounts from November 2013 through January 2017 that the board did not use. Wells Fargo closed the accounts and refunded the fees related to those accounts.

Mr. Kormanik asked staff to invite the Wells Fargo representative to update the board at the next meeting.

STATE TREASURER’S OFFICE
Presenter: Vikki Hanges, Chief Investment Officer and General Fund Portfolio Manager


Ms. Hanges presented these reports, noting that STO managed $3.5 billion in assets at July 31, 2017, down from $3.6 billion on June 30, as July was a negative month for fixed income.

Ms. Hanges also reported that, from April through June 2017, STO received a bigger infusion of taxes than expected, so the general fund is up about $300 million this year over the same time last year.
STAFF ITEMS (Cont’d)


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

ADJOURNMENT

Its business completed, the State Board of Finance adjourned the meeting at 10:10 a.m.

Susana Martinez, President

10-17-2017
Date

Michael Brasher, Secretary

01/17/2017
Date