MINUTES OF THE
NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

Santa Fe, New Mexico

December 19, 2017

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. Susana Martinez, President
The Hon. John A. Sanchez, Lt. Governor [left at 11:00 a.m.]
The Hon. Tim Eichenberg, State Treasurer
Mr. Robert J. Aragon, Public Member [arrived 9:20 a.m.]
Mr. Adelmo Archuleta, Public Member
Mr. Michael Brasher, Public Member, Secretary
Mr. John Kormanik, Public Member

Members Excused:
None

Staff Present:
Ms. Donna Maestas, Acting Director
Ms. Duffy Rodriguez, Secretary of Finance and Administration

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

Others Present:
[See sign-in sheets.]

2. APPROVAL OF AGENDA

ANNOUNCEMENT: NEXT REGULAR MEETING – WEDNESDAY, JANUARY 17, 2018

Ms. Maestas requested that the following item be removed:  

12. Hatch Valley Public Schools – Requests Approval of the Acquisition of Real Property of the Doña Ana Community College Hatch Campus Located at 219 E. Hill Street in Hatch ($1,300,000)

Lt. Governor Sanchez moved for approval of the agenda, as amended. Mr. Archuleta seconded the motion, which passed 6-0 by voice vote.

CONSENT AGENDA (Items 3-11 and 13-15)
Presenter: Donna Maestas, Acting Director

Submitted by: Donna Maestas, Acting Director
3. Approval of Minutes: November 21, 2017 (Regular Meeting)

4. Approval of State Board of Finance 2018 Meeting Schedule

Submitted by: Julie Morgan Baca, County Manager, Bernalillo County
5. Bernalillo County – Requests Approval for Carryforward of Private Activity Bond Volume Capacity Allocation for Valle De Atrisco Family Apartments ($23,000,000)

Submitted by: Brad Allpass, Vice President and Chief Financial Officer, New Mexico Educational Assistance Foundation
6. New Mexico Educational Assistance Foundation – Requests Approval for Carryforward of Private Activity Bond Volume Capacity Allocation for Student Loans ($20,000,000)

Submitted by: Robert Aragon and Michael Brasher, Subcommittee Members; Donna Maestas, Acting Director, State Board of Finance
7. Private Activity Bond Subcommittee Recommendations and Allocation for 2017 Carryforward

8. Private Activity Bond Subcommittee Recommendations and Allocation of Calendar Year 2018 Private Activity Bond Cap Percentage

9. Approval of Private Activity Bond Allocation Deposit Refunds for Calendar Year 2017

, Submitted by: Charlene Webb, County Manager, and Abigail Burgess, Attorney Grant County
10. Grant County – Requests Approval of the Lease of Real Property Located at 188 Airport Road in Hurley to Matthew Ormand ($560 per year)

* Contingent upon Director’s receipt and counsel review of (1) a fully executed revised lease agreement making amendments subject to SBOF approval, and (2) copy of resolution of county commission approving the lease and making the lease subject to board approval.

11. Grant County – Requests Approval of the Lease of Real Property Located at 188 Airport Road in Hurley to John Sherman ($560 per year)

* Contingent upon Director’s receipt and counsel review of (1) a fully executed revised lease agreement making amendments subject to SBOF approval, and (2) copy of resolution of county commission approving the lease and making the lease subject to board approval.

12. [Removed.]

Submitted by: Lisa Montoya, Assistant Superintendent; Connie Clark, Strategic Assets Coordinator, Los Alamos Public Schools

13. Los Alamos Public Schools – Requests Approval of Amendment to Lease a Total of 1.249 Acres of Real Property Located at North Mesa Road in Los Alamos County to Los Alamos Baseball Academy, LLC ($1,000 per month)

Submitted by: Dr. Kurt Steinhaus, Superintendent; Lisa Montoya, Assistant Superintendent; Herb Mclean, Assistant Facilities Director, Los Alamos Public Schools

14. Los Alamos Public Schools – Requests Approval of Donation of 12,000 Square Feet of Real Property Located on Hawk Drive in Los Alamos to Los Alamos County (no consideration)

* Contingent upon Director’s receipt and counsel review of a (1) fully executed revised donation agreement containing legal description of property, and (2) revised quitclaim deed removing “David Izraelevitz, City Council Chair residing” and replacing with “with offices located.”

Submitted by: Bruce Swingle, County Manager, Sierra County; David Pato, Attorney, Nance, Pato & Stout, LLC

15. Sierra County – Requests Approval of Donation of Real Property Located on Lost Canyon Road known as the Lakeshore Fire Department to City of Elephant Butte (no consideration)
Mr. Brasher moved approval of the Consent Agenda, with the contingencies. Mr. Archuleta seconded the motion, which passed 6-0 by voice vote.

EMERGENCY FUND BALANCES
Presenter: Donna Maestas, Acting Director
   Operating Reserve Fund $ 1,848,876.50
   Emergency Water Fund $ 104,800.00

Ms. Maestas reported these balances.

[Mr. Aragon arrived at the meeting.]

BONDS
Presenters: Kenneth A. Guckenberger and Noelle Graney, Disclosure Counsel, Kutak Rock, LLP
17. Presentation on Fiscal Year 2017 Annual Financial Information Filing

Mr. Guckenberger stated that the document in the packet was largely in final form, but would be subject to some final edits over the next couple of weeks. He said they received input from about a dozen individuals and departments.

SEVERANCE TAX BONDS
Presenters: Jill Sweeney, Co-Bond Counsel, Sherman & Howard, LLC; Luis Carrasco, Co-Bond Counsel, Rodey Law Firm
18. Approval of Amending Resolution – Severance Tax Note, Series 2017S- C

Ms. Sweeney stated that, since the November meeting, when the board authorized this Note in the maximum principal amount of $12,147,530, several projects have become ready and are able to be included in the financing. Exhibit A gives a complete list of these projects, and today would be the final authorization of the project list.

Mr. Carrasco stated that Exhibit A contains a list of approximately 40 projects, totaling $5,093,967. The list was completed after a very thorough review by bond counsel, board staff, and board legal counsel Sally Malavé.

Responding to Mr. Kormanik, Mr. Carrasco said about 25 projects were vetted for the Anti-Donation Clause.

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

PROPERTY DISPOSITIONS
Presenters: Paula Garcia, Mora County Commission Chair; Luis Campos, Facilities Manager,
Ms. Garcia requested approval from the Board of Finance for a lease agreement between Mora County and the Administrative Office of the Courts (AOC) for a magistrate court to be housed in the Mora County Complex. She said they were pleased to report that significant progress has been made in the project since last year. Mora County and the AOC listened to the concerns of the Board of Finance during their last presentation a year ago, and revised their approach. First, they worked with their design team to redo the design schematic, and the square footage of both the court and the county offices was reduced. They also changed their approach from completing the first floor to completing one-third of the building, allowing them to use available funding to complete that portion of the building. She said Mora County has also engaged legal counsel and filed a complaint and demand for a jury trial on December 13, 2017, against the previous architect, contractor and structural engineer. Attorneys Sheehan & Sheehan are leading litigation against the former design team for defective design and construction. She said Mora County is using local funds generated from county gross receipts taxes to construct 5,019 square feet on the first floor to house county government offices. Construction drawings are 70 percent complete. Expected occupancy is in July 2018.

Ms. Garcia said the magistrate court is currently housed in a singlewide trailer, which is not adequate to ensure the safety of the judge, staff, or the public. She said county offices are housed in modular buildings that are rapidly deteriorating.

Mr. Campos said there is a need for an improved court in Mora County, and a safe and secure location is imperative. The AOC took to heart many of the board’s suggestions regarding the size of the court, and went back to the drawing board. He said the footprint of the magistrate court has been reduced 45 percent from last year’s request and is more in line with court sizes in rural communities. The court would be relocated to the second floor with square footage reduced to 5,663 square feet, including an elevator and public corridor. There would be a reduction and reimbursement of lease cost for the portion allocated to the public corridor and elevator with the passage of the general obligation bond by Mora County. The lease would have a 30-year term.

Mr. Cassidy said the financing structure is a certificate of participation structure, in which the County will make lease payments based upon the AOC’s lease that the board would be considering today. The interest rate would be approximately 3.6 percent and it would be a 30-year lease. It would have to be refinanced after ten years at current market interest rates. AOC would be in a long-term partnership with Mora County, so the facility would be government owned. There are also two five-year extensions to the lease. As a result of the current financing rate of 3.6 percent, the cost would be $28.31 per square foot. The financing entity was secured through a procurement process. If the Tax Bill in Washington is approved, corporate tax rates
will fall January 1, 2018, which would slightly affect the interest rate, as tax-exempt financing would not be as attractive to banks. The rate would still be in the range of $29 per square foot, however.

Responding to Mr. Archuleta, Mr. Pepin said that, as best as the AOC can tell, the cost to acquire land and build a 5,000 square foot building in Mora to house the magistrate court would exceed the build-out cost being borrowed by the County to complete this work.

Mr. Archuleta asked if a comparable facility could be found in Mora or in Northern New Mexico that would serve the court system in Mora at a comparable market rate, including all necessary improvements, etc. Mr. Pepin responded that Mr. Campos “scoured Mora” to see if there was such a building, but there are no suitable facilities. He said it would be much more expensive to find a building and convert it for the court’s use than it would be to proceed with the current project at the stated lease rate.

Mr. Archuleta asked Mr. Pepin if he could say that he had done his due diligence; and that based on the deal under consideration today, it is in the best interest of the State of New Mexico to lease these premises. Mr. Pepin responded yes.

Mr. Archuleta said he was nervous at the idea of signing a lease that is tied to financing by a bank. He said he would be more comfortable with a cap on the rental rate.

Mr. Cassidy responded that this is not a commercial financing, which would allow rates to be capped. He said Mora County does not have the wherewithal to take the risk of a higher interest rate; that is, they have an operational budget that is well spoken for in many different ways. The way to do that is to have the entity that benefits from this lease take the market interest rate risk. Historically, the AOC would work with a private sector entity for, say, 17 years and would recover the cost of the tenant improvements after that period, after which the state would be subject to interest rates, market rates, and a new facility. He said the AOC and the County think a better way to do that is to partner with a public sector entity that can be a true partner over a long-term period and drive the cost down through tax-exempt financing and management of an entity that has oversight.

Lt. Governor Sanchez asked for assurances that this would be a turnkey operation and there wouldn’t be any need for ancillary items later on, and it would be fully operational. Mr. Pepin responded that he could provide those assurances.

Mr. Brasher asked if that included data and telecommunications. Mr. Pepin and Mr. Campos nodded affirmatively.

Mr. Kormanik asked what happens to the facility if the board does not approve this request. Ms. Garcia responded that they have plans to complete 5,000 square feet of county offices on the ground floor, with occupancy planned for July 2018.
Responding to Governor Martinez, Ms. Garcia said the County has enacted the 3/8 percent “hold harmless” gross receipts taxes and its third 1/8 percent in order to finance this project. Mr. Cassidy added that the County still has a 1/8 percent infrastructure GRT and a 1/4 percent capital outlay GRT that could be implemented with voter approval.

Mr. Archuleta asked if a code review was done on the building, since there are apparently code violations. Ms. Garcia responded that the forensic engineering studies uncovered a number of issues.

Governor Martinez questioned how something like this could happen. She said the building is a hazard. She asked if the people of Mora County really want to max out their taxing ability for the future given that Mora County is not running “flush with money.” She said she has heard from many Mora County residents who are discouraged that this much money has gone into a facility with “an HVAC system that isn’t even real.” She asked who benefited from this poor construction, architecture and engineering. She also wondered why the lawsuit was just filed this month when it was discussed by this board a year ago.

Ms. Garcia responded that the timing of the lawsuit was driven by the forensic engineering studies, which had to be completed in order to document the deficiencies and show an actionable claim. She said that happened in 2016, and they did get an attorney at the time and were assured a complaint would be filed by July 2017, and ended up changing legal counsel because they felt that counsel wasn’t moving fast enough.

Governor Martinez asked if the architect is still in business. Ms. Garcia responded that, in providing notice for the public works mediation, they were unable to reach Antonio Ortega, the architect, and he is unresponsive. She said Hands Engineering and Franken Construction have both been responsive and cooperative and have engaged their bonding companies. While they were scheduled to have a public works mediation, Hands and Franken did not feel it would be productive because of Ortega’s lack of response. They have a stipulated agreement that they met the statutory requirement of the public works mediation instead.

Governor Martinez asked if Ortega was bonded. Ms. Garcia responded that a previous claim was successfully filed against Ortega’s insurance company over architectural flaws in the Mora County collection center.

Mr. Archuleta stated that, even if Ortega is not in business anymore, there was likely an insurance policy in place at the time he designed the facility, and that paperwork should be located.

Mr. Kormanik asked if Construction Industries Division (CID) reviewed the initial plans for the facility.
Mr. Pepin stated that, when AOC became involved in 2013-2014, it asked CID for the documents that would have been filed. CID assured the AOC that it would provide the documents in two weeks, but they were never found.

Ms. Garcia said that, when she became a County Commissioner, the first thing she did was submit an IPRA (Inspection of Public Records Act) request for any permits that had been granted by CID. She was provided with a computer printout with a list of the various permits that had been approved and initialed by an inspector. When AOC became involved in 2013, the County made a more vigorous effort to obtain more thorough documentation. The AOC facilities manager at the time, Ruth Dygert, documented no fewer than 10 separate written requests she made to CID, asking for the as-builts for any written inspection reports and inspection notes. Ultimately, the County was unable to obtain any physical documents other than the printout from their system showing that inspections took place.

Mr. Aragon asked if the County had any records of the inspections. Ms. Garcia responded no, which was why they approached CID for the documents.

Responding to Mr. Aragon, Ms. Garcia said they have done very thorough planning for the portion of the building they are addressing now, which is the 5,000 square feet of county offices. If the general obligation bond issue passes, that would address the portion for the sheriff’s office, EMS and the finance portion, which would be the third phase. The GRT portion would provide for the clerk, assessor, treasurer and DMV, which are high priority and high trafficked areas. The Courts (5,600 square feet, on the second floor) would be the second phase. She said the remaining approximately two-thirds of the building would remain vacant, and the County is actively seeking tenants.

Ms. Garcia said it was important to point out that, when they completed the structural corrections on the one-third portion, they had to install an expansion joint. This separates the one-third from the rest of the building, and they have the option to build it out if they can get funding to finish it.

Mr. Aragon asked if legal counsel reviewed the contracts when Ortega was architect. Ms. Garcia responded that the County did not have an attorney on staff and used the district attorney as legal counsel. She said she did not know if the County had an attorney review the contracts at the time, since she was not with the County then. Mr. Aragon commented that it would be an act of malfeasance if the County Commission did not have a legal review of the contracts done at the time; however, if an attorney did review those documents, Ms. Garcia should find out who it was in order to find out who their liability carrier was, since it was malfeasance if they didn’t make sure all of the professionals were insured and, where applicable, bonded. He suggested she review the minutes to find out who was present at the meeting.

Mr. Archuleta commented that, any time there is state money involved, especially with larger projects, the state runs into problems when funding is granted before approved plans are
in place. There should be a State Planning Office or at least another step before the legislature awards funds, that verifies there is a plan in place, the use of the facility is sufficient, and if other funding sources are needed. There should be a planning format that is reviewed and no money should be awarded unless the entire project or a well-defined phase of the project can be completed with the funds.

Mr. Archuleta commended Ms. Garcia on her excellent grasp of the details of this project and for her thorough responses to the board’s questions.

Mr. Archuleta said he thought it would be a good idea to give the forensic report to CID and ask them honestly what they felt was missed in the vetting process. He said this was not to place blame on anyone in particular, but was intended to be a learning experience for CID so it doesn’t happen in the future. He commented that the state has had an inherent issue with this because of improper planning.

Mr. Archuleta commented that this was a very difficult situation, but he very much appreciated what the AOC and County did in “going back and sharpening your pencils.” He said he found it personally embarrassing that someone needing to go to court in Mora County would find themselves in a single-wide trailer.

Mr. Archuleta moved approval of this lease. Mr. Eichenberg seconded the motion.

Mr. Brasher recalled that the board was told by the AOC at the December 2016 board meeting that the current facility is extremely unsafe. He asked if the AOC approached the legislature and asked for monies to at least shore up the existing facility. Mr. Pepin responded that improvements have been made to the trailer, including patching up a hole in the floor and replacing the handicap ramp, but the AOC resisted putting more money into it because it had anticipated that the court would be relocated.

Mr. Brasher asked if the AOC has a capital plan for courthouses statewide.

Mr. Pepin responded that it has discussed plans for replacing various courthouses with the magistrate judges, but none have nearly the urgency of this facility. He said the legislature hasn’t asked the AOC to present a capital plan, however.

Mr. Brasher stated that he has heard a number of different kinds of requests from the AOC since he has been on the board, and time after time, the board has heard judges say they don’t have any funding for a particular item, that the need is pressing, etc. Mr. Brasher said that, each time, he has asked staff to look through the AOC budget to see if it has identified that matter as a problem previously and made a request from the legislature to cover the cost. He said neither board staff nor the Governor’s staff has found anything. He said he wasn’t saying this as a criticism, but suggested that the budgeting process at AOC be fine-tuned to address the problems and needs of the state from the AOC’s standpoint.
Addressing Mr. Archuleta’s earlier suggestion that the state was approving projects with incomplete plans, Lt. Governor Sanchez said any project that goes through the City of Albuquerque requires review and approval by their planners, and to think CID somehow allowed a project to get past them without looking at those documents was wrong. He said perhaps some of the people who were involved in this project at CID were still there today; if so, he thought they should be interviewed. He commented, “The idea that there is no paper trail is unacceptable.” He said the people who were involved should be held accountable.

Lt. Governor Sanchez said the contractor who worked on the Mora project is currently doing work for the State of New Mexico. He wondered how that could happen.

Lt. Governor Sanchez said someone from CID should be directed to appear before the board and explain how this happened.

Governor Martinez stated that Sen. Campos has done a lot of work in making sure that capital projects are vetted, but the sponsor does not vet them. She said it is DFA that ends up doing the vetting, and since the sponsor is not identified, that person can’t be questioned to find out how much information he or she received about a particular project in advance. She said legislators are sponsoring large projects in incremental amounts and it is very difficult for DFA staff to vet these projects because there is so little information about them. She commented that the process is exhausting, and there is even less transparency now than there was before.

Ms. Maestas said staff was recommending that approval of this item be contingent upon Director’s receipt and counsel review of fully executed revised lease agreement.

The amendment was accepted as friendly.

The motion passed 6-1 by voice vote, with Governor Martinez voting against the motion.

Ms. Garcia offered her services on any reform efforts. She said she would be willing to offer testimony and share her insights on exactly what went wrong with this project, because she has read all of the minutes and every document available to her.

[Lt. Governor Sanchez left the meeting.]

**HIGHER EDUCATION DEPARTMENT**

Presenters: Dr. Harrison Rommel, Institution Finance Director, New Mexico Higher Education Department; Dr. Joseph Shepard, President, Western New Mexico University

20. Western New Mexico University – Requests Approval of the Purchase of Real Property Located on W. Hill Street in Silver City from St. Francis Newman Center Church ($121,000)
Dr. Rommel stated that Western New Mexico University (WNMU) is requesting approval of the acquisition of 9.68 acres of real property from the St. Francis Newman Center Parish in Silver City at a sale price of $121,000. If approved, this land would provide leverage for WNMU to solicit corporations that could work with the University in its research and development initiatives. WNMU plans to develop the vacant property into a research park, which will give WNMU the opportunity to create working relationships promoting economic development for the Town of Silver City and with New Mexico’s educational institutions, business industrial communities and government. The funds will come from the WNMU reserve fund.

Dr. Shepard stated that he wants to diversify into the areas of research and development. Two weeks ago, he was approached by a not-for-profit that wants to create programs to train people to train service animals, an area that is in high demand. About a year ago, he was approached by a local charter school looking for a location to tie into the University. He said WNMU has some land, but it has no access to sewer, water or electricity, which would cost $110,000. He stated that the church property is five blocks from the University on the other side of Highway 180, but there is an underpass, so access is simple, and the property has sewer, water and electricity.

Responding to questions from Mr. Aragon. Dr. Shepard said WNMU’s mission has shifted over the past 125 years to become more relevant to today’s population. Half of WNMU’s students are above the age of 24, which means they have a non-traditional population, which goes along with a bill currently moving through Congress that will encourage shorter courses and certificate courses that will match them up with businesses looking for a particular workforce. He said he envisions, for example, a social work program forming a public-private partnership with the entity that trains service animals.

Mr. Aragon said the rate of inflation in higher education is twice the rate of annual inflation for medical costs, which is twice the annual rate of inflation for the cost of living. He asked how this ties into the ever-increasing cost of education. He said student debt is now at $1.4 trillion.

Dr. Shepard responded that this is why he wants to diversify his funding sources. By having funding sources come in from other areas, that can go back into the education being provided to the students. He cited Grand Canyon University. It was on the verge of bankruptcy, and then became a for-profit institution that today has grown to 80,000 students. Their ancillary business and online education piece of the for-profit that is generating money that subsidizes their main campuses.

Mr. Archuleta stated that WNMU has found a piece of land but hasn’t got a solid plan for it, which concerned him.

Dr. Shepard agreed that buying land for the sake of buying land would be a waste of state resources. He said WNMU has created a master plan, which identifies as one of its weak points the lack of land resources outside of the school’s footprint to create alternative sources of revenue. His goal over the next five years is to develop the land through the private activity
side. He stated that the town manager and mayor both support this purchase because they see the land as an opportunity for economic development in Silver City.

Mr. Eichenberg asked Dr. Shepard if he has anticipated how the people living in the surrounding residential areas would feel about a research lab being located in their midst. Dr. Shepard stated that there is a Habitat for Humanity house on the southern border along with a Montessori School, which is very enthusiastic about this possible purchase. He said the city is very much in favor of developing a research facility there.

Governor Martinez stated that service dogs in a social work program would seem like a good idea and would be thinking outside of the box. She said she could see this program working not just for veterans, but also for schools in working with children who have certain challenges. She said she was grateful for Dr. Shepard’s partnering with other university presidents in reducing costs and providing certification for students who could then go into the working world without building up years of debt. She added that virtual learning, if done well, can be a great asset, and she applauded Dr. Shepard for that.

Ms. Maestas requested that board approval be contingent upon Director’s receipt and counsel review of (1) fully executed revised purchase agreement (delete section 20, amendment subject to SBOF approval); (2) revised title binder with exceptions 1-6 deleted; and (3) letter from WNMU’s counsel that provides explanation of each special exception shown in Schedule B Section II and a statement of impact on the intended use of the property as to each special exception.

Dr. Shepard stated that, with respect to the first contingency, that involves lawyer fees and is a protective clause for both parties. With respect to the second contingency, he said the six exceptions involve easements as well as mineral rights on the property, which are not part of the appraisal or part of the purchase of the land. There is a provision from the previous owner to the current owner saying that WNMU would have to be compensated for any disturbance to the land.

Mr. Aragon asked Dr. Shepard if he was taking issue with the contingencies. Dr. Shepard said he would only take issue with the first and second contingencies, adding that he did not know how items 1-6 would be deleted.

Ms. Malavé clarified that removal of the standard exceptions 1-6 would not be problematic for the title company. With respect to the other ones, the board is not asking for removal, but is only asking for an explanation that the existence of those easements would not interfere with the intended use of the property, which comes from WNMU’s attorney. With respect to section 20, the board generally requires the removal of anything that creates a contingent liability.

Mr. Aragon said he understood the title insurance binder would address these issues.
Mr. Aragon moved for approval of this request, with the contingencies. Mr. Brasher seconded the motion, which passed 6-0 by voice vote.

**STATE TREASURER’S OFFICE**

Presenter: Vikki Hanges, Chief Investment Officer and General Fund Portfolio Manager


Ms. Hanges presented this report, noting that STO managed about $3.8 billion in assets, earned $3.5 million on these assets, and the portfolios experienced a mark-to-market unrealized loss of $2.1 million due to higher interest rates.

22. Approval of Revisions to the State of New Mexico Office of the State Treasurer Investment Policy – Dated November 8, 2017

Ms. Hanges stated that a redline version of the changes could be found on 833 of the electronic agenda. She noted that the revisions included language cleanup, movement of duties from the Chief Investment Officer to the Cash Manager, and a few changes in diversification requirements.

Mr. Eichenberg stated that all of the changes were vetted by the State Treasurer’s Investment Committee and determined to be in the best interests of the state. He said some of the revisions were by the State Auditor.

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

23. Approval of Revisions to the State of New Mexico Office of the State Treasurer Local Government Investment Pool Investment Policy – Dated November 8, 2017

Ms. Hanges stated that the LGIP Investment Policy largely mirrors the STO Investment Policy, as discussed in the previous item.

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

**GENERAL SERVICES DEPARTMENT**

Presenter: Jimmy Rodriguez, Bureau Chief, General Services Department, Facilities Management Division


Mr. Rodriguez presented this report.

25. Facilities Management Division – Legislative Capital Projects Financial Status
Report for Month-Ended November 30, 2017

Mr. Rodriguez presented this report. In total, $62.7 million has been appropriated, with $23.3 million reauthorized and $35.6 million expended (41 percent). There is $39 million available.

26. Facilities Management Division – Inventory of Buildings Report Including an Approved Checklist of Conditions

Mr. Rodriguez presented this report.

27. Facilities Management Division – To Adopt January-June 2018 Schedule of Repairs

Mr. Rodriguez requested funding for the list of projects, which would be budgeted through June 2022, for a total amount of $7,895,225 and leaving a balance of $291,623.

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

TAX INCREMENT DEVELOPMENT DISTRICT

Presenter: Donna Maestas, Acting Director

28. Western Albuquerque Land Holdings, Lower Petroglyphs
   a. Memorandum from Department of Finance and Administration’s Economic Analysis Unit on the Status of Their Comprehensive Evaluation as Required under NMAC 2.61.3.9(C)

Ms. Maestas stated that the Economic Analysis Unit (EAU) of DFA has provided a memo, reporting their status on reviewing this TIDD application. At this point, they have not been able to review the entire packet and make a decision. They were pulled away from the analysis because they have revenue tracking, legislative preparation, and general fund forecast formulations to work on, but will continue to work with the applicant as time permits.

Governor Martinez asked how this impacts the timeline. Ms. Maestas responded that the board waived a timeline to the submission, so the applicant was able to submit in September, but it was subject to the EAU’s ability to process the application, which is 800 pages long. There is no completion deadline.

Mr. Aragon said he realizes there are other important tasks for the EAU to tend to, but economic development is crucial for the New Mexico, particularly with respect to employment and the fact that it will create north-south corridors. He commented that this is compelling at every level and will have a significant impact on Albuquerque’s Westside. He said he has worked on Christmas Day and has had 70-hour work weeks; and while he was not suggesting
that the economists work on Christmas Day, he was suggesting that this project was extremely important and needed to be addressed.

Mr. Kormanik pointed out that it is the role of the economists to determine whether this project will provide economic benefit to the state, and they need to be able to do their job without pressure, because potentially $85 million worth of general fund money would be diverted into the TIDD.

Mr. Archuleta asked if it was possible to use a private contractor to get this work done.

Secretary Rodriguez responded that the DFA budget has been cut more deeply than any other state agency, but she would look into Mr. Archuleta's suggestion.

Presenter: Sally Malavé, Assistant Attorney General, Board Counsel
29. Executive Session to be Held Pursuant to Section 10-15-1(H)(7) – Threatened Litigation: Consideration of October 25, 2017 Letter from New Mexico Legislative Council Service

Mr. Brasher moved to enter executive session pursuant to Section 10-15-1(H)(7) to discuss threatened litigation and consideration of October 25, 2017, letter from the New Mexico Legislative Council Service. Mr. Kormanik seconded the motion, which passed on the following roll call vote:

For: Mr. Archuleta; Mr. Brasher; Mr. Eichenberg; Mr. Kormanik; Governor Martinez.

Against: Mr. Aragon.

[The board was in executive session from 12:10 p.m. until 12:55 p.m.]

30. Action Regarding October 25, 2017 Letter from New Mexico Legislative Council Service

Mr. Eichenberg moved to come out of executive session. Mr. Aragon seconded the motion, which passed on the following roll call vote:

For: Mr. Aragon; Mr. Archuleta; Mr. Brasher; Mr. Eichenberg; Mr. Kormanik; Governor Martinez.

Against: None.

Governor Martinez stated that the only matter discussed in executive session was that which was listed on the agenda, and no action was taken in executive session.
Mr. Aragon moved to direct board counsel to respond to the Legislative Council Service letter of October 25, 2017, indicating that the board stands by the rule change that it made, and moving forward, it will comply with all state statutes regarding Tax Increment Development Districts. Mr. Brasher seconded the motion, which passed 6-0 by voice vote.

Mr. Aragon stated that the board stands by the rule change that it made earlier this year.

Mr. Archuleta said that the board has been informed that the economists are very busy and have a lot on their plate, but he thought it very important that the board get this right, that it not take any shortcuts or circumvent anything. The TIDD Act is there for a purpose, which is meant to show there is value added in the development that will result in a gross receipts increment that is beneficial to all. If there is any way that the funding can be found to supplement staff or hire a private contractor to get the economic analysis work done, he would support that.

Secretary Rodriguez responded that DFA would look into additional funding to shore up the analysis.

**RULE HEARING**

Presenter: Donna Maestas, Acting Director

31. Rule Hearing on Proposed Amendment to Rule 2.60.8, Acceptance of Payment Cards and Use of Electronic Funds

32. Adoption of Proposed Amendment to Rule 2.60.8, Acceptance of Payment Cards and Use of Electronic Funds

Ms. Maestas said the Board of Finance is tasked with reviewing applications from state agencies that wish to use payment card services. In the October meeting, the board started this rule change, and published it for public comment. Also in the same October meeting, the board heard a presentation by Ronald Spilman, the Financial Control Division Director and State Controller, who gave an update on the payment card industry data security standards and compliance. In the proposed rule change, there is added language that addresses specific compliance requirements. On page 905 of the electronic agenda, the added language lists vendor management requirements. She said this is in the hope that all of the new applicants that use payment cards will be in compliance.

Governor Martinez asked if there was any public comment.

Ms. Maestas said she received one public comment, which was from Ronald Spilman. His comment was to add a sentence to the end of 2.60.8.9.8, stating, "Each agency will ensure payments to service providers are timely and compliant with the service agreement."

There was no additional public comment.
Mr. Brasher moved for approval of the proposed amendment, as amended. Mr. Aragon seconded the motion, which passed 6-0 by voice vote.

**STAFF ITEMS**
Presenter: Donna Maestas, Acting Director
33. Fiscal Agent/Custodial Bank Fees

Ms. Maestas reported that the amounts reported are consistent with historical monthly fees.

34. Joint Powers Agreements for Month-Ended November 30, 2017

Ms. Maestas asked the record to reflect that the Joint Powers Agreements for the month of November have been read into the record.

**ADJOURNMENT**

Its business completed, the State Board of Finance adjourned the meeting at 1:10 p.m.

[Signature]
Susana Martinez, President

[Signature]
Michael Brasher, Secretary

Date

1-22-2018

Date

11/31/2018