MINUTES OF THE
NEW MEXICO STATE BOARD OF FINANCE
REGULAR MEETING
Santa Fe, New Mexico
April 23, 2018

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

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

Others Present:
[See sign-in sheets.]

2. APPROVAL OF AGENDA
ANNOUNCEMENT: NEXT REGULAR MEETING – TUESDAY, MAY 15, 2018

Ms. Maestas stated that the following items have been withdrawn:
18. Request for Dedication of a Portion of State Gross Receipts Tax Increment for Lower Petroglyphs Tax Development Increment District: (a) Western Albuquerque Land Holdings; (b) Economic Analysis Unit

19. Request for Dedication of a Portion of State Gross Receipts Tax Increment for Lower Petroglyphs Tax Development Increment District

Mr. Aragon moved for approval of the agenda, as amended. Mr. Kormanik seconded the motion, which passed 4-0.

CONSENT AGENDA (Items 3-9)
Presenter: Donna Maestas, Acting Director

3. Approval of Minutes: March 20, 2018 (Regular Meeting)

Submitted by Deanna Miglio, Right of Way Manager, Bernalillo County

4. Bernalillo County – Requests Approval of the Sale of Right of Way Approximately 0.5268 Acres, Located at 5028 Broadway SE in Albuquerque to Four Proffer Limited Partnership ($40,000)

*Contingent upon Director's receipt and counsel review of (1) the minutes of April 10, 2018, County Commission meeting at which the sale was approved, and (2) a fully executed amended real estate purchase agreement.

Submitted by: Greg Rodriguez, Superintendent, Carlsbad Municipal Schools

5. Carlsbad Municipal School District – Requests Approval of Donation of Real Property known as the Pate Elementary School, Located at 120 Kircher Street in Carlsbad to the City of Carlsbad (no consideration)

Submitted by Connie Clark, Strategic Assets Coordinator, Los Alamos Public Schools

6. Los Alamos Public Schools – Requests Approval of the Lease of Real Property Located at 3540 Orange Street in Los Alamos to Los Alamos Makers ($14,235 per year)

Submitted by: Connie Clark, Strategic Assets Coordinator, Los Alamos Public Schools

7. Los Alamos Public Schools – Requests Approval of the Lease of Real Property Located at 1900 Diamond Drive in Los Alamos to United States of America ($1,072,868 per year)

*Contingent upon Director's receipt and counsel review of fully executed lease agreement.
Submitted by: Gerald Hoehne, Capital Projects Director, New Mexico Higher Education

8. University of New Mexico – Requests Approval of Coronado Hall Phase 2 Renovations ($2,489,200)

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

9. University of New Mexico, Gallup Campus – Requests Approval of New Physical Plant and Storage Facility ($2,000,000)

Mr. Aragon moved for approval of items 3-9, subject to the contingencies, as noted. Mr. Archuleta seconded the motion.

Mr. Brasher asked Ms. Malavé whether there was any potential conflict of interest in his serving on both the State Board of Finance and the University of New Mexico Board of Regents.

Ms. Malavé responded that she did not believe there was a conflict serving on both boards. Under the Governmental Conduct Act, one of the conditions for a conflict would be that Mr. Brasher have a substantial financial interest in any item that might come before the Board of Finance. She said potentially there might be a conflict of interest with respect to his relationship to UNM as general manager of KANW and an item that would come before the Board of Finance that would benefit the station and thus might also accrue to him; but outside of that, she felt that disclosure was sufficient and that recusal from UNM items before the Board of Finance by virtue of his seat on the Board of Regents was not necessary.

Mr. Kormanik asked if it wouldn’t be on the Board of Regents not to submit an item to the Board of Finance where Mr. Brasher had a conflict of interest, or for Mr. Brasher not to have voted on that item as a member of the Board of Regents.

Ms. Malavé responded that there is a difference between the perception of a conflict of interest and an actual conflict of interest, but in the strict legal sense, she did not believe Mr. Brasher would be precluded from voting at the Regents level because he was only one vote, and the decision would be voted on by the entire Board of Regents.

Mr. Brasher commented that he wouldn’t vote on an item as a Regent under those circumstances.

Ms. Malavé said the decision to vote on any item is a personal one, and Mr. Brasher would have to make that choice.
Mr. Brasher stated that, if he were to abstain from voting on a pending Board of Finance item at the Regents level, he would disclose that at the Board of Finance. Ms. Malavé said that the decision whether to vote on any item was Mr. Brasher’s to make.

Mr. Aragon disclosed that he has talked to Mr. Brasher about this issue with the anticipation that it might come up at some point. He said he had read the statute and agreed that, as long as there was no financial interest, there were no statutory provisions saying that there was a conflict. He added that he had known Mr. Brasher for more than 40 years and was confident that he had the integrity to exercise his best judgment in making decisions on a case-by-case basis.

The motion passed 4-0.

**EMERGENCY FUND BALANCES**
Presenter: Donna Maestas, Acting Director

10. **Emergency Balances – April 23, 2018**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve Fund</td>
<td>$1,683,876.50</td>
</tr>
<tr>
<td>Emergency Water Fund</td>
<td>$ 104,800.00</td>
</tr>
</tbody>
</table>

Ms. Maestas reported these balances.

**HIGHER EDUCATION DEPARTMENT**

Presenters: Gerald Hoehne, Capital Projects Director, New Mexico Higher Education Department; Colonel David West, Chief of Staff; Colonel Judy Scharmer, Chief Financial Officer; Kent Taylor, Director of Facilities, New Mexico Military Institute

11. **New Mexico Military Institute – Requests Approval of Cahoon Hall Renovations ($8,881,322)**

Mr. Hoehne stated that New Mexico Military Institute (NMMI) is requesting approval of renovations to Cahoon Hall, a five-story building consisting of approximately 57,597 square feet. The new construction cost on this project is $710,753, and alternations are $6.2 million, for a total of $8.8 million. The building was constructed in 1928.

Mr. West said Cahoon Hall is NMMI’s athletic facility, and all of their sports teams and coaches are housed there. It is located in the heart of the campus, next to the Bronco football field, and includes classrooms, gymnasium to both high school and college events, team locker rooms, weight lifting/training areas, and athletic program faculty offices. NMMI believes that the renovation is vital in ensuring that the building is safe, code compliant and energy efficient. He said the entire campus is on the National Historic Register, and Cahoon Hall is listed as a Contributing facility.
Mr. West said this project was included in the NMMI 5-year capital plan. The proposed renovations will be funded by Series 2017 General Obligation Bonds, remaining proceeds from NMMI Revenue Bonds, and NMMI revenue from 2018 land income.

Mr. West discussed NMMI’s request for approval to renovate Godfrey Athletic Center (next on agenda). While Cahoon Hall is being renovated, staff and programs in Cahoon Hall need to be temporarily relocated, and the renovations to the Godfrey Athletic Center would meet those needs.

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

Presenters: Gerald Hoehne, Capital Projects Director, New Mexico Higher Education Department; Colonel David West, Chief of Staff; Colonel Judy Scharmer, Chief Financial Officer; Kent Taylor, Director of Facilities, New Mexico Military Institute

12. New Mexico Military Institute – Requests Approval of Renovations to the Godfrey Athletic Center, Portables and New Weight Room ($1,118,677)

Mr. Hoehne stated that this project ties into the Cahoon Hall project, and was discussed by Mr. West under the previous agenda item. He commented that this is a sound project that totally makes sense in light of the Cahoon Hall project.

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

Presenters: Gerald Hoehne, Capital Projects Director; New Mexico Higher Education Department; David W. Harris, Executive Vice President for Administration, Chief Operating Officer and Chief Financial Officer; Chris Vallejos, Associate Vice President For Institutional Support Services; Chaouki Abdallah, Provost; Melanie Sparks, Executive Director for Institutional Support Services; Carla Domenici, Director of UNM Safety and Risk Services; Mason Martinez, Associated Students of the University of New Mexico; Sally Barker, Student, Grants Chair, Graduate and Professional Student Association, University of New Mexico; Paul Wilson-Sccot, District Manager, Chartwells; Walt Miller, Associate Vice President for Student Life; Sarah Collins, Student

13. University of New Mexico – Requests Approval of Construction of New Taproom ($650,000)

Mr. Hoehne stated that this $650,000 project involves renovation and utilization of space at the southeast end of the food court at the Student Union Building (SUB). There will be 2,193 square feet of alterations. The sources of funding are $325,000 from Chartwells Capital Investment and $325,000 from the Dining and Food Services Plant Fund.
Mr. Harris noted that this project came forward before Mr. Brasher was a member of the UNM Board of Regents.

Mr. Harris commented that UNM students have long been passionate about this project, which started as a student initiative in response to one of UNM’s policies that it become a destination university. He added that the Board of Regents has been enthusiastic about the project.

Mr. Aragon asked what safeguards have been taken to address potential liability issues given that this facility will be on campus and many people under the age of 21 may wish to frequent it.

Ms. Domenici responded that she was asked to look at this project from a risk management perspective, and worked with Chartwells to review the loss run experience for their operations at athletics and other parts of the university. She was pleasantly surprised to find that they have not had any claims result from the serving of alcohol. The number of Workers Compensation claims filed have been relatively small for the size of their operation, and they have had only a couple of relatively minor auto claims. This speaks well of the professionalism and management of the company.

Mr. Wilson-Scott stated that Chartwells follows all of the state regulations for server licensing and proposes to go beyond legal requirements by having ID readers, for example, which help determine whether an ID card is accurate.

Responding to Mr. Aragon, Ms. Domenici said she understands the Taproom will be open to anyone regardless of age and will be where students, faculty and staff can come together and network. She said the safeguards would be implemented through highly trained servers who will make sure that the people being served are 21 or older. She said other universities around the country with taprooms have such safeguards in place and are successful with them.

Mr. Aragon asked who will be carrying the dram shop policy and what are the limits. He commented that there have been incidents where people will have two drinks at one establishment, then two at the next and so on, and in a situation like that, the UNM Taproom could potentially be party to a lawsuit.

Ms. Domenici responded that Chartwells has listed the UNM Board of Regents as an additional insured party on all of their certificates of coverage. They are covered at $1 million per occurrence, $1 million each occurrence for damage to rented premises, $1 million personal injury, $10 million general aggregate, and $5 million products. They also have an umbrella of $10 million. Ms. Domenici added that, when she was asked to review this project with the director of the state’s Risk Management Division, the director asked one of the attorneys to look at any potential risks, and their opinion was that the limits of
the New Mexico Tort Claims Act would apply and the public liability fund would cover any residual liability or any claims assessed against UNM.

Ms. Domenici said she agreed with Mr. Aragon that a plaintiff would probably name everyone, but the limits should be in place. She said they were also advised not to seek additional coverage because it could encourage plaintiffs to attempt to pierce the Tort Claims Act. She added that it is hard to hypothesize as to what type of claim would occur, but she would anticipate that both entities would be sued, and Chartwells’ coverage would probably be primary but if they had to defend, it would be like any other claim against UNM.

Mr. Aragon said he recently litigated a dram shop case. He commented that the $1 million sounds like a lot, but would not have been enough in the case he dealt with. He urged UNM to take whatever precautions are necessary to ensure that this is a successful project and that, in the event of any tragedy, there is adequate coverage for not just UNM but for the family of the victim.

Dr. Abdallah said UNM is putting an educational program together that would include a social sciences course to study how people interact socially in an alcohol setting, a course in fermentation science, and a “geography of beer” course, which is another approach to learning about geography. He said there are multiple models at universities around the country where a taproom is incorporated into a program.

Ms. Collins stated the students began this project around the educational component, which is where their passion came from. She discussed ideas on ways of incorporating different course curriculums into the Taproom and using the Taproom to connect everyone at UNM educationally and socially.

Mr. Kormanik commented that this project would transfer economic activities from the private sector to a publicly supported activity on campus, and asked if proponents had talked to any bars and other establishments within two or three miles of UNM to see if they supported the project.

Mr. Martinez responded that they have, and there has been a great response. Many support it because they want a better-trained workforce in breweries around them, and they see this as an opportunity to get there. They also feel that, as a destination university, the live-work-play idea will help businesses around the area.

Responding to Mr. Aragon, Mr. Wilson-Scott stated that the pro forma he has done shows they would recoup the $650,000 in six years.

Mr. Aragon moved for approval. Mr. Archuleta seconded the motion, which passed 4-0.
STATE TREASURER’S OFFICE
Presenter: Donna Maestas, Acting Director

15. Approval of Appointment of State Treasurer’s Investment Committee
Private Sector Member

Ms. Maestas stated that the State Treasurer’s Investment Committee (STIC) is an
advisory committee that reviews investment reporting. STIC consists of five voting
members, two of whom are from the private sector, one is appointed by the State
Treasurer’s Office and approved by the State Board of Finance, and the other private
member is appointed by the State Board of Finance and approved by the State Treasurer.
She said the private members must serve in the private investment community or have
expert knowledge of public finance or public money investing. Each private member
serves a two-year term and is eligible for reappointment for a consecutive two years.

Ms. Maestas said that, in 2016, the Board of Finance appointed Paul Cassidy from RBC
Capital Markets as the board’s private member. Mr. Cassidy has over 42 years of
experience in investment banking in the public sector, and his term expires at the end of
April 2018. Staff recommends reappointing Paul Cassidy as the State Board of Finance
private sector member for another two-year term to the STIC.

Mr. Archuleta so moved. Mr. Kormanik seconded the motion.

Secretary Aragon commented that Mr. Cassidy has done a tremendous job for the
STIC.

The motion passed 4-0.

14. Monthly Investment Report for Month-Ended February 28, 2018

[Informational item. Chief Investment Officer Vikki Hanges was not present to make
this report.]

GENERAL SERVICES DEPARTMENT
Presenter: Donna Maestas, Acting Director

March 31, 2018

17. Facilities Management Division – Legislative Capital Projects Financial
Status Report for Month-Ended March 31, 2018

Ms. Maestas presented these reports.

STAFF ITEMS
20. **Fiscal Agent/Custodial Bank Fees**

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

Mr. Aragon asked if the State of New Mexico has any interest in the $1 billion that Wells Fargo is compelled to pay.

Ms. Maestas responded that staff had a meeting with Wells Fargo last week. The new set of fines they are paying have to do with the mortgage and consumer side and not with the government side, so the State of New Mexico has no exposure.

21. **Joint Powers Agreements for Month-Ended March 31, 2018**

Ms. Maestas reported that there were four joint powers agreements for the month of March 2018.

**ADJOURNMENT**

The meeting was adjourned at 10:00 a.m.

_Susana Martinez, President_

5-25-2018

_Date_

_Michael Brasher, Secretary_

6/1/2018

_Date_