NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

Santa Fe, New Mexico

October 16, 2018

A regular meeting of the New Mexico State Board of Finance was called to order on this date at 9:03 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 [arriving 11:05 a.m.]
The Hon. John A. Sanchez, Lt. Governor
Mr. Robert J. Aragon, Public Member
The Hon. Tim Eichenberg, State Treasurer
Mr. Adelmo Archuleta, Public Member
Mr. John Kormanik, Public Member

**Members Excused:**
Mr. Michael Brasher, Public Member, Secretary

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

**Legal Counsel Present:**
Mr. Stephen Vigil, Attorney General’s Office

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

2. **APPROVAL OF AGENDA**

**ANNOUNCEMENT: NEXT REGULAR MEETING -- TUES., NOVEMBER 20, 2018**

Ms. Maestas stated that Item 9 on the Consent Agenda (State Armory Board request) has been withdrawn.
Mr. Kormanik moved for approval of the agenda, as amended. Mr. Archuleta seconded the motion, which passed 4-0. [Lt. Governor Sanchez was not present for the vote.]

**CONSENT AGENDA (Items 3-8)**
Presenter: Donna Maestas, Acting Director

Submitted by: Donna Maestas, Acting Director
3. **Approval of Minutes: September 18, 2018 (Regular Meeting)**

Submitted by: Stacy Diller, Superintendent, Clayton Municipal Schools; Sam Minner, Attorney, Cuddy & McCarthy
4. Clayton Municipal School District No. 1 – Requests Approval of the Donation of Real Property Located at 16 South Avenue in Clayton to Union County (no consideration)

* Contingent upon Director’s receipt and counsel review of fully executed revised donation agreement.

Submitted by: Jennifer Salazar, General Counsel, Department of Cultural Affairs
5. Department of Cultural Affairs – Requests Approval of Amendment No. 3 to the Lease of Real Property Located off Camino Lejo in Santa Fe to Santa Fe Botanical Gardens ($903.87/per month)

Submitted by: Duffy Rodriguez, Cabinet Secretary, Department of Finance and Administration
6. Department of Finance and Administration – Requests Approval of the Release of Funds Appropriated to DFA for the Transition of the New Administration in Fiscal Year 2019 Pursuant to House Bill 2 ($50,000)

Submitted by: Mike Hyatt, Superintendent; Tim Bond, Assistant Superintendent, Gallup-McKinley School District
7. Gallup McKinley School District – Requests Approval of the Sale of Real Property Known as Juan de Oñate Elementary School Located at 307 East Vega Avenue in Gallup to New Life Apostolic Church of Gallup ($395,000)

* Contingent upon Director’s receipt and counsel review of the fully executed purchase agreement and amendment.

Submitted by: Connie Clark, Strategic Assets Coordinator, Los Alamos Public Schools
8. Los Alamos Public Schools – Requests Approval of the Lease of Real Property Located at 1990 Diamond Drive in Los Alamos to Wendy Peterson, DBA House to Home Staging and Redesign ($1,083.83/per month)
9. [Withdrawn.]

Mr. Eichenberg moved for approval. Mr. Archuleta seconded the motion, which passed 5-0.

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

**10. Emergency Balances – October 16, 2018**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve Fund</td>
<td>$1,941,495.00</td>
</tr>
<tr>
<td>Emergency Water Fund</td>
<td>$104,800.00</td>
</tr>
</tbody>
</table>

Ms. Maestas reported these balances.

**EMERGENCY FUNDING REQUESTS**
Presenters: Manuel F. Valdez, President, La Asociacion de Agua de Los Brazos MDWCA; Juanita Pino, Vice Chair; Cleo Valdez, Member; Karen Pereira, Rural Development Specialist; Hilary Miller, Rural Development Specialist, Rural Community Assistance Corporation (RCAC); Melanie Delgado, Community Services Coordinator, New Mexico Environment Department

**11. La Asociacion de Agua de Los Brazos Mutual Domestic Water Consumers Association – Requests to Convert their Emergency Loan of $30,000 into a Grant and to Report Status per the Board’s Request**

Mr. Valdez stated that La Asociacion de Agua de Los Brazos Mutual Domestic Water Consumers Association is requesting approval to convert their $30,000 emergency loan into a grant. The Association has been faced with continuing well repairs, which are the result of old infrastructure in their current water system, as well as a declining membership because of the number of elderly people on the system. He stated that the system is in distress, and there is no long-term plan for it. Although the Association is currently purchasing water from Los Ojos, Los Ojos has been unresponsive to the Association’s requests to regionalize.

Mr. Eichenberg asked Mr. Valdez what effect erasing this debt would have on the Association’s financial situation right now, as well as its sustainability over the next ten years.

Mr. Valdez responded that they have not been able to make any payment at all on the $30,000 loan. The Association’s income is $22,646.52 and their expenses are $22,502, leaving them with $144.36. In addition, they are charging their members $72 a month. Only one member family is in their forties, and the rest of the members are over sixty years old. At this rate, they would not be able to pay off this loan until 2034.
Mr. Eichenberg questioned what benefit there would be to converting this loan into a grant, since the Association would still be operating in the red.

Mr. Valdez responded that the Association has approached other water associations in the surrounding area, but without any success.

Responding to Mr. Kormanik, Mr. Valdez said they have 15 active members who pay $72 a month, and 5 inactive members who pay $15 a month.

Responding to Mr. Archuleta, Ms. Pereira said the Association is paying Los Ojos a flat rate of $275 a month. The Association has tried to find out from the Los Ojos operator how much water they are delivering to them, but they have not been able to get an answer at this point.

Mr. Archuleta asked what kind of shape the Los Brazos water system is in. Mr. Valdez responded that they have a 25,000-gallon storage tank on the Los Brazos side, and they need to upgrade the well house and the tank. Souder Miller has done a study that was funded with a $30,000 grant, some of which they spent on installing new meters. Their distribution line is about 30 years old. He said the study did not include cost estimates.

Mr. Archuleta said Los Brazos has to regionalize; it really has no choice given the economies of scale with so few houses on the system.

Ms. Delgado said the New Mexico Environment Department Drinking Water Bureau has been working with Los Brazos, which has had problems from the very beginning because their smaller water system has more rigorous standards than the larger systems do, and so it is very expensive to operate and maintain because the system is pumping groundwater. Because that includes surface water, the water has to go through a filtration gallery. The water is potable, but they have had enforcement actions and violations in the past because they are struggling financially to stay in compliance.

Ms. Delgado said the state cannot compel Los Ojos to regionalize with the Los Brazos system, and Los Ojos sees the Los Brazos system as a liability. She commented that it would take some kind of government intervention to create any change.

Mr. Archuleta suggested approaching Los Ojos and asking them what they specifically have issues with, and then the state could work to get both systems in good condition so they could eliminate the barriers to regionalization.

Ms. Miller said one of the key reasons that regionalization is not going forward is because no one wants to take on a small system with failing infrastructure and crushing debt. She stated that converting this loan into a grant would be critical.
Mr. Archuleta responded that it would be much better to have a fiscal management plan.

Ms. Delgado commented there is a regional master plan that they have been talking about, and which was just recently approved by the New Mexico Finance Authority for funding. It will look at both systems and discuss some options. She added that Souder Miller would probably be happy to do that plan, but right now the Local Government Planning Fund does not have the funding for that.

Mr. Kormanik reviewed the list of loans owed by the Association. He said he was particularly concerned because if the system is not viable, then why is the Water Trust Board lending money to this and other smaller water systems without looking at plans for regionalization.

Mr. Aragon commented that converting this loan into a grant would in effect be perpetuating an existing problem with no plan. He said he wasn't sure that the board's emergency funds were intended for that purpose.

Ms. Miller said Los Brazos is working on a regionalization plan, but the process is very slow. She commented that this problem is endemic throughout New Mexico, adding that she also wondered why loans were being given to systems that were failing. She said it is a local issue, but it is also a governmental issue. The rules and regulations that these systems have to follow are insurmountable, and the systems themselves are unsustainable.

Responding to Mr. Aragon, Ms. Pereira said the Association owes a total of $149,000.

Secretary Rodriguez asked Ms. Delgado how many small water systems exist in the state. Ms. Delgado responded that she did not know the total, but there are nearly 60 mutual domestic water systems in Taos County and Rio Arriba County alone, and all of them have fewer than 100 connections. She said virtually all of the systems are run by older people, and there are no succession plans for them. Populations in these communities are not growing, and younger people are leaving to go to college or to find work elsewhere.

Lt. Governor Sanchez suggested finding sponsors for legislation around regionalization rather than trying to force these small water systems to take action on their own. He said he hoped the incoming administration would address this issue.

Mr. Eichenberg moved to defer this request to the December meeting, and that a task force convene in November and return to the board at the December meeting. Mr. Aragon seconded the motion, which passed 5-0.
Mr. Kormanik asked that the Water Trust Board be invited to make a presentation at the November meeting that would include a discussion of how they prioritize loans and what their stance is on regionalization.

FINANCING APPROVALS

Presenters: Michael K. O’Melia, Acting Director, Property Tax Division; Phillip Sena, Bureau Chief of Appraisal Division, New Mexico Taxation & Revenue Department; Nick Sedillo, Chief Appraiser; Betty Cabber, Assessor; Jesse Lucero, Deputy Assessor, Torrance County

12. New Mexico Taxation and Revenue Department, Property Tax Division – Requests Approval of a Loan from the Property Valuation Fund to Torrance County for the Purchase of a Mandatory Upgrade to their Computer Assisted Mass Appraisal System ($70,422)

Mr. O’Melia requested approval of a $70,422 loan with a term of three years and three months. The source of funding is the Property Tax Division’s (PTD) Property Valuation Loan Fund, which currently has a balance of $432,000. He stated that the purpose of this loan is to cover the purchase of a mandatory upgrade to Torrance County’s Computer Assisted Mass Appraisal (CAMA) System, which will involve the services of the vendor, Harris Govern. The vendor will facilitate the upgrade from Real Ware Version 4 to Version 5.

Mr. O’Melia stated that the source of repayment is Torrance County’s 1 percent fund, which has a current balance of $169,000. PTD has analyzed their 2018 property tax base and village rate sheets, and they should collect about $98,000, which should be sufficient to ensure reimbursement of the three annual payments of $23,474. The payments are to take place in 2020, 2021 and 2022.

Responding to Mr. Eichenberg, Ms. Cabber said Torrance County has had a stagnant economy over the last few years, with very few property sales anywhere. For example, six years ago, land value in a gated subdivision in Mountainair was $195,000 for 20 acres, and now the value has dropped to $65,000. Torrance County is requesting this loan because it does not want to deplete the 1 percent fund without knowing that will happen in the future. In addition, the privately run prison closed last year, which “killed” the town of Estancia.

Mr. Sedillo stated that commercial sales are very low in the county, with very limited residential sales. In addition, ranchers are selling off their properties.

Responding to Mr. Kormanik, Mr. Sedillo said the services of the vendor are part of the original contract, which dates back to 2007, when Harris Govern was one of three bidders. Ms. Cabber added that they talked to other vendors about the upgrade, but the cost of going out for bid and making a major change to Tyler would cost at least
$250,000. She said they have a very good system in place, so such a change wouldn’t be advisable.

Mr. Vigil asked if this potential contract with Harris Govern went through the Procurement Code recently, or if the General Services Department was consulted to ensure that the process followed was legally acceptable.

Ms. Cabber responded that they were upgrading within their own system under the same contract, which is a one-time contract. She said they pay a maintenance fee to Harris Govern every year.

Ms. Maestas requested that approval be contingent upon counsel review and staff and counsel revisions to the loan agreement.

Mr. Eichenberg moved for approval, with the contingency, and with a second contingency that this transaction does meet the Procurement Code process. Mr. Aragon seconded the motion, which passed 5-0.

PROPERTY DISPOSITIONS
Presenters: Tracy Hartzler, Vice President of Finance and Operations, Central New Mexico Community College; Alex Calhoun, Controller, CTS Corporation; John Salazar, Attorney, Rodey Law Firm
13. Central New Mexico Community College – Requests Approval of the Lease of Real Property Located at 4800 Alameda Boulevard, N.E., in Albuquerque to CTS Corporation ($71,576.88 per month)

Ms. Hartzler stated that Central New Mexico Community College (CNM) is requesting approval of a lease with CTS Corp at a monthly rate of $71,576.88. In 2012, CNM received approval from the State Board of Finance to enter into a lease with CTS, and CNM now proposes to enter into a revised and restated lease agreement with CTS, which allows them to expand their manufacturing operation. The current lease is through April 2020, which includes 103,000 square feet. The property in question at 4800 Alameda consists of approximately 114,523 square feet of industrial, warehouse and office space, which CTS wishes to lease in November 2018. The term of the new proposed lease is 12 years, with an option to extend the term for two additional periods of five years, with future rental adjustments in accordance with the CPI-U (Consumer Price Index for All Urban Consumers).

Mr. Calhoun stated that CTS is a 120-year-old company that started in Chicago, and the Albuquerque arm is the ceramics strategic business unit of the CTS Corporation, which makes electronic components that go into medical instruments, defense, and industrial, oil and gas products. They have manufactured in Albuquerque for more than 30 years, and want to continue to be in Albuquerque and be a good employer. Their business is growing, and they have added 115 employees in the last year.
Lt. Governor Sanchez asked if there are programs at CNM that are geared to meet any needs at CTS. Mr. Calhoun responded that there are soldering and technical programs at CNM that CTS uses.

Mr. Kormanik asked how this building was procured. Ms. Hartzler responded that CNM purchased the building with its own funds in 2010.

Responding to Mr. Eichenberg, Ms. Hartzler said CNM has a $180 million operating budget. Forty percent of their funds come from state appropriations, another 40 percent come from the Bernalillo County mill levy, and 20 percent comes from tuition and other sources, including grants, contracts and business interests. This is part of CNM’s effort to diversify its revenue base without adding to the tax burden of the local community. With their CNM Ingenuity nonprofit, from a University Research Park grant, they are also diversifying their revenues by growing companies.

Mr. Archuleta asked what CNM does with the revenues from the CTS lease. Ms. Hartzler responded that CNM uses the revenues to maintain the facility, but it also underwrites its activities to grow other revenues for investing in growing various non-credit training programs. She stated that the CTS facility was always a manufacturing facility. The option was that, should CNM decide to have an applied technology center, they could cancel their lease with CTS and use the facility for that purpose.

Mr. Archuleta commented that the board needs to make absolutely sure that the original funds that were used to purchase the facility in 2010 were not restricted at any time for any reason and should have been refunded, for example. Ms. Hartzler responded that she would hope that the State Board of Finance did the appropriate due diligence around that when it approved the initial lease.

Lt. Governor Sanchez commented that one of the issues that has come before the board in the past, most recently with UNM Hospital, was how UNM Hospital managed to accumulate a substantial amount of money through the Bernalillo County mill levy. While CNM plays an integral role in the education of the next generation of workers, and the campus on Alameda will pay huge dividends for all parties involved, the questions raised by board members today reflect a concern that Bernalillo County taxpayers’ money be protected and used appropriately.

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

**HIGHER EDUCATION**
Presenters: Gerald Hoehe, Capital Projects Director, New Mexico Higher Education Department; Mike Chicarelli, Administrator of Professional and Support Services, UNM Hospital; Mike Richards, Vice Chancellor, Clinical Affairs; Doug Brooks,
Executive Director of Facilities Services

14. University of New Mexico Hospital – Requests Approval of the UNM Psychiatric Center Pharmacy Remodel ($444,000)

Mr. Hoehne stated that University of New Mexico (UNM) is requesting approval of the Psychiatric Center Pharmacy Remodel at UNM Hospital, which will expand the existing inpatient pharmacy from 483 square feet to 1,008 square feet. This project will correct HIPAA issues and accessibility issues.

Mr. Chicarelli added that this project will bring them into compliance with regulatory requirements. The New Mexico Board of Pharmacy stipulates that all prescription drugs sold to inpatients and outpatients have appropriate areas in the facility to store, order, pick up and dispense prescription drugs in separate areas of the pharmacy. In addition, the expansion will allow them to accommodate their pill packing equipment, which takes up a lot of space.

Responding to Mr. Kormanik, Mr. Chicarelli said the project would be funded from their capital allocation budget. Mr. Brooks further explained that this is revenue from their clinical activities.

Mr. Archuleta commented that he thought this was a reasonable budget on a per capita basis given the nature and size of the facility.

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

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

15. Monthly Investment Reports for Month-Ended August 31, 2018

Ms. Hanges reported that, at the end of August 31, STO managed $4.7 billion in assets, an increase of $1 billion over the last year. Income earned across portfolios was $7 million.

GENERAL SERVICES DEPARTMENT
Presenter: Donna Maestas, Acting Director

16. Capitol Buildings Repair Fund Financial Status Report for Month-Ended September 30, 2018

17. Facilities Management Division – Legislative Capital Projects Financial Status Report for Month-Ended September 30, 2018
Ms. Maestas presented these reports.

**STAFF ITEMS**

Presenter: Donna Maestas, Acting Director

18. **Financial Advisor Contract – Evaluation Committee Selection Recommendation and Approval for Staff to Begin Contract Negotiations**

Ms. Maestas stated that the proposal submissions for financial advisor were received on September 7, 2018, and the Evaluation Committee completed their review and scoring on September 21, 2018. Staff requests approval to proceed with contract negotiations with the final offeror recommended by the Evaluation Committee.

Mr. Aragon moved for approval. Mr. Eichenberg seconded the motion, which passed 5-0.

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

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

20. **Joint Powers Agreements for Month-Ended September 30, 2018**

Ms. Maestas reported that there were 27 new joint powers agreements for the month of September.

[Governor Martinez joined the meeting.]

**Additional discussion**

Mr. Aragon stated that additional information has been received from Western Albuquerque Land Holding’s Lower Petroglyphs TIDD with respect to the $250 million to be spent on the Comprehensive Medical Care Facility as part of the dedication of state gross receipts tax increment the Board approved in July. He requested that this item be included on the November agenda, stating that it was an inquiry and not an action item.

Mr. Eichenberg stated that new information has surfaced with respect to the Cariños de los Niños property disposition approved several months ago by the Board. Lt. Governor Sanchez directed staff to look into the matter whether the parties associated with this transaction should report back to the board to respond to questions.

Governor Martinez requested that Secretary Damron and UNM Executive Vice President for Administration David Harris be asked to appear before the board next month to discuss a the third UNM project that did not receive Board approval prior to
starting construction. Two projects were approved in the July meeting, but there was a third project.

**ADJOURNMENT**

The meeting was adjourned at 11:15 a.m.

\[\text{Susana Martinez, President} \]
\[11/30/18\]
\[\text{Date}\]

\[\text{Michael Brasher, Secretary} \]
\[11/30/18\]
\[\text{Date}\]