NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

Santa Fe, New Mexico

November 20, 2018

A regular meeting of the New Mexico State Board of Finance was called to order on this date at 9:08 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 [joining by phone at 10:30 a.m.]
The Hon. John A. Sanchez, Lt. Governor [by phone, signing off at 11:55 a.m.]
Mr. Robert J. Aragon, Public Member
Mr. Michael Brasher, Public Member, Secretary
The Hon. Tim Eichenberg, State Treasurer [leaving at 1:10 p.m.]
Mr. Adelmo Archuleta, Public Member
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
Mr. Stephen Vigil, Attorney General’s Office

Others Present:
[See sign-in sheets.]

2. APPROVAL OF AGENDA

ANNOUNCEMENT: NEXT REGULAR MEETING – TUESDAY, DEC. 18, 2018

Mr. Aragon moved for approval of the agenda, as published. Mr. Archuleta seconded the motion, which passed 6-0.

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

Submitted by: Donna Maestas, Acting Director
3. Approval of Minutes: October 16, 2018 (Regular Meeting)

4. Private Activity Bond Cap Allocation Expiration Date

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

5. Bernalillo County – Requests Approval of the Sale of Leasehold Interest with Improvements made to Property Located at 1111 Stanford Drive NE in Albuquerque to the University of New Mexico ($380,000)

* Contingent upon Director’s receipt and counsel review of (1) form of quitclaim deed transferring title to purchaser containing the legal description of the property, and (2) revised and fully executed Lease Termination Agreement.

Submitted by: Sean Wootton, Superintendent, Capitan Municipal Schools

6. Capitan Municipal Schools – Requests Approval of the Donation of Real Property Known as Tiger Drive in Capitan to the Village of Capitan (no consideration)

* Contingent upon Director’s receipt and counsel review of (1) revised resolution authorizing the donation, and (2) a written donation agreement.

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 3540 Orange Street in Los Alamos to Family Strengths Network ($1,758/ per month)

Submitted by: Sam W. Minner, Attorney, Cuddy & McCarthy

8. Loving Municipal School District – Requests Approval of the Sale of Real Property known as Loving Middle School, Located at 309 S. Sixth Street in Loving to Halo Properties LLC ($500,000)

* Contingent upon Director’s receipt and counsel review of (1) written contingency removal letter from buyer, (2) favorable review of the appraisal by the Taxation and Revenue Department, and (3) a resolution from the governing body approving the sale.

Submitted by: Christopher Madrid, Economic Development Director, Rio Arriba County

9. Rio Arriba County – Requests Approval of the Lease of 15.05 Acres of Real Property Located at the Southeast Section of the Rio Arriba Industrial Park in Alcalde to Cuba Jemez, LLC ($30,000 per year)

* Contingent upon Director’s receipt and counsel review of revised lease agreement with staff changes.

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

10. University of New Mexico – Requests Approval of the Acquisition of Real Property Located at 1111 Stanford Drive NE in Albuquerque from Bernalillo County ($380,000)
11. University of New Mexico – Requests Approval of the Student Family Housing Hydronic Piping Replacement ($500,000)

Mr. Aragon moved for approval, with the contingencies. Mr. Archuleta seconded the motion, which passed 6-0. Mr. Brasher did not vote on items 10 and 11.

EMERGENCY FUND BALANCES
Presenter: Donna Maestas, Acting Director

12. Emergency Balances – November 20, 2018

<table>
<thead>
<tr>
<th>Fund</th>
<th>Amount</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.

SEVERANCE TAX BONDS
Presenters: Jill Sweeney and Parker Schenken, Co-Bond Counsel, Sherman & Howard, LLC

13. Approval of Senior and Supplemental Severance Tax Note Resolutions, Series 2018S-C and Series 2018S-D

Ms. Sweeney and Mr. Schenken reviewed the resolution authorizing the sale and delivery of up to $20 million in State of New Mexico Severance Tax Note 2018S-C, to be sold to the State Treasurer. These are sponge bond transactions that are done annually prior to the end of the year and will fund certain projects authorized by the legislature and are shovel ready. The closing date is December 27, 2018, and counsel would present the final project list at the December Board of Finance meeting.

Mr. Archuleta moved for approval. Mr. Kormanik seconded the motion, which passed 6-0.

Ms. Sweeney stated that the Series 2018S-D note was in the principal amount not to exceed $202 million. The purpose of the note is to make distributions to the Public School Facilities Authority to carry out the purpose of the Public School Capital Outlay Act.

Mr. Kormanik moved for approval. Mr. Aragon seconded the motion, which passed 6-0.

PRIVATE ACTIVITY BONDS
Presenters: Jay Czar, Executive Director, New Mexico Mortgage Finance Authority; Gina Hickman, Deputy Director, New Mexico Mortgage Finance Authority

Mr. Czar stated that the New Mexico Mortgage Finance Authority (MFA) is experiencing its third consecutive record year of production; last year, over 2,800 New Mexico families used MFA's mortgage products to buy their homes. Also, last year, MFA helped finance to build and preserve over 700 multifamily units all around the state. Total financing provided last year for all of MFA's programs was $552 million.

Mr. Czar presented MFA's proposed request for PAB bond cap for 2019, 2020, 2021 and 2018 carryforward. He said they are not requesting any PAB bond cap for their single family first time homebuyer mortgage program, as they currently have carryforward balances to use in 2019 and 2020.

Mr. Czar said their average single-family loan amount is $147,000, the average down payment is $6,102, and the average family size is 2.6 people. The average income for those families is $50,604, and the average age is 35. He said the age keeps going down, which means that millennials are buying homes in New Mexico. The average FICO score is 670.

Mr. Czar stated that their second request is for $110 million in 2019 PAB bond cap for multifamily projects. There continues to be great need for affordable rental workforce housing throughout the state.

Mr. Czar said MFA is requesting all of the 2018 PAB bond cap allocation be awarded as carryforward to MFA for single family projects.

Ms. Hickman discussed trends, noting that bonds are making a comeback. Mr. Czar stated that the Fed's actions to increase interest rates has allowed the MFA to be much more competitive.

[Governor Martinez joined the proceedings by telephone.]

**HIGHER EDUCATION**

Presenters: Gerald Hoehe, Capital Projects Director, New Mexico Higher Education Department; David W. Harris, Executive Vice President for Administration, Chief Operating Officer and Chief Financial Officer; Lisa Marbury, Executive Director for Institutional Support Services; Richard Wood, Interim Provost; Gregory Lanier, Dean, Honors College

15. **University of New Mexico – Requests Approval of the Anderson East, First Floor Honors Remodel ($2,217,000)**

Mr. Hoehe stated that University of New Mexico (UNM) is requesting approval of the Anderson East First Floor Honors Remodel, a project that will involve a total of approximately 10,827 gross square feet of space that makes up a vacated floor in the Anderson School of Management Building #76. This will house the Honors College.
remodel will consist of reconfiguration of existing space to accommodate three 18-20-seat classrooms, an open forum/lecture/presentation area, Dean and staff offices, 20 faculty and adjunct faculty offices, student study/support spaces, and a new modified mechanical support system. The total cost of this project is estimated at $2,217,000 and will be funded using UNM’s 2017 bond issuance.

Dr. Wood stated that this project will help address the “brain drain” from New Mexico, and a thriving Honors College will keep talented students from leaving the state.

Dean Lanier stated that this will be a wonderful step forward to attract students to the Honors College and give them state-of-the-art opportunities in learning. UNM will make a very concerted effort to bring in many more of the underserved populations in New Mexico.

Mr. Aragon moved for approval. Mr. Archuleta seconded the motion, which passed 7-0. Mr. Brasher did not vote on this item.

Presenters: Gerald Hoehne, Capital Projects Director, New Mexico Higher Education Department; Dr. Joseph Shepard, President, Western New Mexico University

16. Western New Mexico University — Requests Approval of the J. Cloyd Miller Library Information Technology Resource Center Removal ($749,000)

Mr. Hoehne stated that this project is for the reconfiguration of 6,269 gross square feet of space within the existing Miller Library into an information technology resource center. The proposed reconfiguration would include new moveable equipment, built-in counters and cabinets, group study cubicles and enclosures, storage, lounge area and upgrades to life safety systems. The total cost of the project is estimated at $749,000 and will be funded using $100,000 in FY19 BR&R funding and $649,000 in student infrastructure funding. HED and WNMU opted to present this request to the board because the estimated cost of construction is only $1,000 below the approvable threshold of $750,000.

Mr. Aragon moved for approval. Mr. Kormanik seconded the motion.

Mr. Aragon commended Dr. Shepard on what he has done at WNMU, which was “nothing short of phenomenal.”

Lt. Governor Sanchez said he wished to echo Mr. Aragon’s comments. He said Dr. Shepard’s commitment to WNMU and the state of New Mexico was deeply appreciated.

The motion passed 7-0 by voice vote.

Presenters: Dr. Barbara Damron, Cabinet Secretary; Thomas Schawel, Policy Analyst, New Mexico Higher Education Department; Dr. Luis Cifuentes, Vice President for
Research and Graduate School Dean; Dr. Luis Vasquez, Associate Vice President for Research and Graduate Studies, Professor Enedina Garcia Vazquez, Associate Dean, Counseling and Educational Psychology; Dr. Henrietta Pichon, Interim Associate Dean, Academic Affairs, College of Education; Dr. Huiping Can, Associate Professor, Department of Computer Science; Dr. Enrico Pontelli, Dean, College of Arts and Sciences

17. New Mexico State University – Requests Approval of the Doctorate of Philosophy Program in the School of Psychology

Dr. Damron stated that HED goes through an extensive vetting process before getting to this point; of the seven programs that have gone through the Academic Review Committee, only three have made it this far.

Professor Garcia Vazquez made a slide presentation. She stated that the program would prepare school psychologists as scientists, practitioners and advocates for mental health and social justice in health service psychology settings, including public schools. The program will provide the workforce to meet Level 3 state licensure and increase the number of personnel who demonstrate competencies needed to provide high-quality instruction and supervision. In addition, it will prepare and graduate highly qualified school psychologists, including bilingual school psychologists and scholars from underrepresented groups.

Professor Garcia Vazquez stated that projected enrollment is six students per year, with 30 students per year projected when the program has been established for five years. She said the program would be served by existing FTEs. Although they are bringing in another faculty member, that person would be hired whether or not this program is approved.

Professor Garcia Vazquez also noted that there is no duplication in the state because the only school psychology at the specialist level in New Mexico is at NMSU. The only related programs in the WICHE region are at Northern Arizona University, University of Colorado Denver, and University of Northern Colorado.

Professor Garcia Vazquez said there will be some similarities because they are all going for national accreditation, but the other schools do not have the requirements that New Mexico has, which is that, in order to supervise an entry level school psychologist, a Level 3 license is required, and that requires a doctorate and a license by the Psychology Board of Examiners. Without having a doctorate program in New Mexico, it is impossible to meet that rule; further, there are very few Level 3 psychologists. She said there is only one in Las Cruces to supervise all of the interns and entry-level school psychologists.

Mr. Kormanik asked if there have been coordination efforts with the Department of Education in terms of the need for school psychologists. Given that the students will not matriculate for another five years, do they anticipate coordinating with public schools
across the state, since they would be defining the need for that. Professor Garcia Vazquez responded that they have done some coordination at the local school level. In 2015, she went to the superintendents meeting and said more Level 3 psychologists were needed, that a crisis was coming, but this fell on deaf ears. She has talked with the Public Education Department to see if changes could be made to the rule and thus alleviate the shortage of supervisors; however, this has not gone anywhere.

Mr. Aragon said he just texted two school board members in two different school districts (Bernalillo County and Sandoval County) regarding the need for “PhD level types of social workers slash psychologists.” He said they responded that there is a shortfall of master’s level social workers and that APS was not looking for what this NMSU program would provide. They suggested that a regular social worker with an MSW or LCSW was what these two school districts desperately needed.

Professor Garcia Vazquez responded that social work and school psychology are two very distinct professions. The master’s in social work is the terminal degree. In many states, including New Mexico, a school psychologist can be licensed at the specialist level, and all referrals that go to school districts, because a child is having mental health or academic problems, will go to either the diagnostician or school psychologist. A social worker cannot meet that need.

Mr. Aragon stated that one of the school board members he was communicating with was the head of the budget committee at APS and had indicated that there was no vacancy for such a position or any request for this type of position.

Professor Garcia Vazquez responded that she has been meeting with the person on the committee that looks at all the related professions, who is the special education director of APS, and she has been very supportive of NMSU moving forward with trying to find Level 3 school psychologists, because those individuals are needed to supervise entry-level school psychologists. To Mr. Aragon’s point, she said job openings generally are not available until the spring semester.

Mr. Aragon asked what the projected student loan cost would be for a graduate of this five-year program, and what kind of income could that person expect to earn once they are employed with this degree.

Dr. Damron said there is no question there is a shortage of MSWs and LCSWs, and that is an area of capacity building, because there are programs for that. She said the NMSU program is similar, but different. There is the need for the person who supervises, which is where the state falls short, and well short of the surrounding WICHE region states. She commented that she would hate to see this program sacrificed because of the shortage of social workers, because these programs are complementary. In terms of cost, there are a number of federal funding sources for graduate students, and the jobs they fill tend
to provide a very good return on their investment in terms of guaranteed employment upon graduation.

Professor Garcia Vazquez added that, because the school psychology Ed.S degrees are very well articulated in the in the doctorate program, it is likely that they will have quite a few applicants with a specialist degree in education, which means they would only have one additional year of coursework at $276 per credit hour, which would be followed by a paid internship. NMSU has an intern at the specialist level receiving a salary of $60,000.

Mr. Archuleta asked Dr. Damron if this is a program needed in New Mexico and one that she recommends to the board, knowing what she knows with her experience, and does she have any concern about the supply and demand issue that was raised. Dr. Damron responded that she would never bring a program to the board that she does not feel supportive of, and she feels the board trusts her to vet programs in detail. She stressed that if the state does not have the terminal degree level in any of these areas of discipline, it will fall behind. Other states have already passed New Mexico by in this space, so she feels it is very important and necessary for New Mexico to show it is looking at the best theoretically applied scientific basis for this. Secondly, there are school districts in need of this, and jobs will be ready as soon as people graduate from this program. She added that there is a desperate need for this.

Mr. Archuleta moved for approval. Mr. Eichenberg seconded the motion, which passed 7-0.

18. New Mexico State University - Requests Approval of the Professional Master's Degree Program in Computational Data Analytics

Dr. Damron said she has people from many agencies asking for people with this degree.

Dr. Pontelli made a slide presentation. He said the primary academic purpose of this program is to develop a professional workforce prepared to address the needs of a rapidly expanding computational data analysis field, meeting the immediate needs of employers in the state and surrounding regions. The benefits to NMSU include providing competitive skills to the students and creating a clearinghouse of data analytics experience. There are workforce demands around New Mexico, including at LANL, the Borderplex and Sandia Labs. By year five, projected enrollment in the program will be 40 students (20 full-time and 20 part-time).

Mr. Aragon asked Dr. Damron how many graduate programs have gone away either from lack of interest or else lack of need in the marketplace. He did he did not know of any himself, but wondered if there should be a periodic audit of these programs. Dr. Damron responded that very few programs go away, but given that there are 31 boards involved in governing in one way or another. She is very interested in having the
authority to require this at the state level, since there should be someone overseeing the institutions, making sure regulations are followed, and vetting new courses as well as removing those that are no longer needed. She feels very strongly that this should be done at the degree level, as well.

Mr. Archuleta discussed the importance of data analytics. He said he was highly in favor of this program. He added that New Mexico “needs to take its rightful position in the world of science.”

Mr. Aragon moved for approval. Mr. Eichenberg seconded the motion, which passed 7-0.

Presenters: Dr. Barbara Damron, Cabinet Secretary; Thomas Schawel, Policy Analyst, New Mexico Higher Education Department; Dr. Julie Conrod, Dean of Graduate Studies; Dr. Irene Vasquez, Chair, Department of Chicana and Chicano Studies, UNM; Dr. Michael Trujillo, Associate Professor, Chicana and Chicano Studies and American Studies, UNM; Dr. Patricia Covarrubias, Associate Professor; Dr. L. Manuel Garcia y Griego, Associate Professor of History and Chicano and Chicano Studies; State Rep. Patricia Roybal Caballero; Albuquerque City Council President Ken Sanchez; Dr. Miguel Gandert, Professor, Chicano and Chicana Studies; Mark Peceny, Dean, College of Arts & Sciences; Dr. Laura Belmonte, Assistant Professor, Chicano and Chicana Studies

University of New Mexico – Requests Approval of the Master of Arts Degree and the Doctorate of Philosophy in Chicana and Chicano Studies

Dr. Vasquez made a slide presentation on the importance of a Chicana and Chicano Studies (CCS) program. She said that, after indigenous settlements, New Mexico has the oldest historical communities in the U.S., and has unique cultural, economic and community legacies; and UNM and New Mexico can distinguish itself by establishing the first premier university with a focus on its Hispanic population. She said 87 percent of students surveyed annually since 2015 have expressed a desire for an M.A. and/or PhD degree program. She noted that CCS B.A. graduates leave New Mexico to attend CCS M.A. and PhD programs in Arizona, California and Texas.

Mr. Aragon asked Dr. Vasquez to discuss the nexus between this degree and how it is utilized for a firefighter, for example, in advancing their earning capacity. Dr. Vasquez responded that they looked at the national picture and New Mexico picture using the U.S. Bureau of Labor Statistics and NM Workforce Connections to drill down and look at different industries; for instance, business and financial operations, community and social service, art, design, entertainment and sports media, education training, management and office and administrative support. What they found was that, on average, these industries are employing about 15 percent of their workforce with people who have an M.A. or PhD degree.
Dr. Garcia y Griego discussed a statistical chart showing projected job openings in a variety of areas, both nationally and New Mexico, including MA and doctoral percentages. He stated that the degree being discussed today is interdisciplinary that spans the humanities to the social sciences, and different studies will focus on different aspects of it.

To Mr. Aragon’s question, Dr. Damron stated that even firefighters are being required to obtain masters and doctoral degrees to move up, and a friend of hers who is a firefighter has obtained a master’s degree in management for this purpose. She said many Hispanic students are not interested in the traditional MA and doctoral programs, which are old and designed by non-Hispanic people. She said this program addresses all of these nuances from the indigenous perspective and the state’s cultural diversity, and that attracts these students to this program. She said she feels very strongly that this program will get these students to that level.

Dr. Vasquez stated that none of the 31 higher education institutions in New Mexico offers a similar graduate degree. She said the CCS program would coordinate with various institutions in the new future, including NMSU, Highlands, Western NM University, ENMU, and Northern New Mexico Community College.

Dr. Vasquez discussed six-year projections. In year six, they expect to award 20 degrees.

Responding to questions from Mr. Aragon, Dr. Vasquez stated that, if they are able to implement this program, they already have 20 students who would apply, and there are five prepared to enroll in the fall. While obviously they have to qualify, she was confident that there would be a sufficient number of students to enroll in the program. She said they have not done any national advertising at this point.

Dr. Gandert stated that he earned his undergraduate and graduate work at UNM, and there were no Hispanic faculty members at all. He said it was not easy for him, because he had no role models. He said not only would UNM be creating role models for the Hispanic students who make up 49 percent of UNM’s student body, but it would also be creating role models that go out into the community and are perceived as successful. He said the demographics of this country are changing, and students from this program are poised to make a difference in understanding the complex diversity of this country. He commented that this is a logical place for it, and it is time for UNM to step up in this way.

Governor Martinez asked what a Chicano or Chicana was.

Dr. Trujillo responded that, over the years, this program (before it became a department) has had many names, and all of them have been topics of conversation. He said a Chicano or Chicana is a person that has some sort of connection to Mexican ancestry but who is born in the United States. He said it emphasizes someone who has
both European and indigenous ancestry. He added that, students chose this name over other names. He said the department's name is connected with the National Association of Chicana and Chicano Studies, which is holding its meetings this year in Albuquerque. He said he realizes not everyone identifies himself or herself by this term, but this is the term that the national association uses.

Governor Martinez asked what a Hispanic was.

Dr. Trujillo responded that one way to describe it is someone who has a connection to the Spanish language or the Iberian Peninsula, but the term often functions as a racial identity in the U.S. For some people, to be Hispanic means to be brown. He said the term came into use in the 1970s, but prior to that time, his family identified as Chicano.

Dr. Vasquez added that, historically, the term "Hispanic" goes back to colonialism, and people who came here from the Iberian Peninsula referred to Spain as Hispania.

Governor Martinez stated that Hispanic can include people from Mexico, Cuba, Puerto Rico, and from all over the world, and it's the box that is checked on medical forms, for example. Another box is for Native American, which includes all tribes. She said there are many brown people in the U.S. who are not Hispanic. She said she defines herself as an American of Mexican descent and not Hispanic.

Governor Martinez questioned the point of a doctorate-level degree in this program and where that is going to take people looking for work ten years from now in technology or aerospace. She said the success that someone achieves after earning a bachelor's degree or a doctorate degree has to do with the subject the person specializes in.

Dr. Vasquez responded that a PhD is also about the skills and the qualities that students develop in a PhD program. In their case, they are looking at the models that are coming out of the Aspen Institute and the Institute for the Future to understand how their graduate students are going to make an impact in fields such as technology and STEM. She said they are looking at some shifts in terms of the placement of tech industries, and looking at Latin America as an important site of future development and expansion. She said that, in their degree program, they are instilling the students with advanced research, writing, communication and intercultural skills that some of these corporations will be looking at when they are talking about creating programs relevant to the populations they serve.

Dr. Covarrubias stated that she was born and raised in Mexico City, but now identifies as a Chicana because she abides by the precepts of this particular discipline. She said she would also like to point out that she spent 13-1/2 years in another department at UNM and multiple decades having served in two other institutions in the field of human communication. She said she had to figure out how to fit herself into the discipline rather
than vice versa. She stated that, to her, a PhD degree is about understanding the nature of something at a very deep and broad level, and not treating communities as one size fits all.

Mr. Archuleta commented that New Mexico’s culture is distinctly different from other states, and he thought that should be celebrated. He said he would love to take classes in this new program just to learn more about his own history as a native New Mexican. He said he thought this degree was very important in this particular state.

Dr. Wood stated that UNM stands fully behind this proposal, feeling that this is part of the future of the university. He said a big chunk of students in high schools around the state who currently do not go on to college can identify with this program, and this will help bring them in and encourage them to pursue higher education.

Mr. Aragon said he had very mixed feelings about this request. He expressed concern about the cost to students in this program, and noted that an undergraduate at UNM carries an average debt of $25,000, and often it takes more than 20 years to retire that debt.

Dr. Damron responded that, while undergraduate students typically pay the tuition and may get scholarships and the like, it is different for graduate programs, where faculty are always working hard to get funded grants so they can pay for students to be a graduate assistant or teaching assistant. Ideally, a student gets through a graduate program without any debt because they are connected with a faculty member’s grant. In addition, the state promotes loan repayment for graduate programs.

Mr. Kormanik asked how this program benefits democracy in the U.S.

Dr. Vasquez responded that, while the program looks at what makes New Mexico and its communities culturally distinctive, it is for the purpose of bringing people together.

Rep. Roybal Caballero commented that differences are incredibly important, and the ability to understand what makes people different makes it easier for people to work together and meet on common ground. She said degree programs that emphasize cultural importance, traditions and histories and how those contribute to the social, economic and political enrichment of the country and New Mexico are crucial.

Mr. Eichenberg moved for approval. Mr. Archuleta seconded the motion, which passed on the following roll call vote:

For: Lt. Governor Sanchez; Mr. Aragon; Mr. Kormanik; Mr. Archuleta; Mr. Eichenberg.

Against: Governor Martinez
Abstaining: Mr. Brasher.

[Lt. Governor Sanchez signed off.]

**STATE TREASURER’S OFFICE**

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

20. **Monthly Investment Reports for Month-Ended September 30, 2018**

Ms. Hanges reported assets under management of $4.8 billion, about $100 million higher than at the beginning of the quarter. Earnings were $7 million in September, and $21 million for the quarter.

21. **Approval of State Treasurer’s Investment Performance Benchmarks**

Mr. Eichenberg moved for approval. Mr. Aragon seconded the motion, which passed 7-0

[Mr. Eichenberg left the meeting.]

**GENERAL SERVICES DEPARTMENT**

Presenters: Anna Silva, Acting Director; Jimmy Rodriguez, Business Operations Bureau Chief, General Services Department

22. **General Services Department, Facilities Management Division – Requests Approval to Enter into Contract with Duke City Builders, LLC, of Albuquerque for the Construction of a New Vital Records Building for the New Mexico Department of Health, to be Located at 2554 Camino Entrada in Santa Fe ($4,760,406.25)**

Ms. Silva requested approval to enter into a contract with Duke City Builders, LLC of Albuquerque for the construction of a new Department of Health Vital Records Building, to be located at 2554 Camino Entrada in Santa Fe. The current Santa Fe Vital Records Building is too small for the amount of business being conducted in Santa Fe, and long lines form outside of the facility. People are having to park in the vacant part of Trader Joe’s parking lot. Part of the demand is a result of the new requirements of the New Mexico Motor Vehicle Division for new driver licenses, which has increased customer load. The proposed project will sit on a two-acre lot, which is owned by GSD, and will consist of approximately 12,932 square feet to house a records vault, safety paper room, lobby, customer service area, restrooms, call center, administrative offices, conference room, break rooms, and mechanical, electric and IT rooms.

Ms. Maestas requested that approval be contingent upon Director’s receipt and counsel review of fully executed revised contract.
Mr. Archuleta moved for approval, with the contingency. Mr. Kormanik seconded the motion, which passed 5-0.

23. Capitol Buildings Repair Fund Financial Status Reports for Month-Ended October 31, 2018

Mr. Rodriguez presented this report.

24. Facilities Management Division – Legislative Capital Projects Financial Status Reports for Month-Ended October 31, 2018

Mr. Rodriguez presented this report.

NEW MEXICO FINANCE AUTHORITY
Presenter: Zach Dillenback, Chief Lending Officer, New Mexico Finance Authority

25. Water Trust Board – New Mexico Finance Authority to Discuss Water Trust Board Loan Underwriting and Prioritization

Mr. Dillenback stated that the Water Trust Board, which was authorized by the legislature in 2001, has funded $380 million to 141 different entities, and these awards have been in the form of a grant-loan combination. Largely because of the significant size of grant money that is available, as well as the attractiveness of the grant portion element, application requests are four to five times the amount of cash available. The program has 9 percent earmarked from the senior Severance Tax Bond, and in recent years there has not been as much available as in the past. The legislature did forgo a year of funding for FY 2017.

Mr. Aragon asked what the Water Trust Board has been doing to encourage regionalization. Mr. Dillenback responded that this issue is one of the criteria. If someone is trying to incorporate regionalized efforts, their application score is higher and increases their chance of getting funding.

Mr. Kormanik noted that board’s history of receiving emergency funding requests from domestic water users associations.

Secretary Rodriguez added that the Board of Finance is looking for a solution to this problem, which is why it invited the Water Trust Board to appear at today’s meeting.

Mr. Dillenback responded that the Water Trust Board and the New Mexico Finance Authority are both concerned. He explained that anyone who operates a water system must take on the loan, while a tribal entity, county or soil & water conservation district can substitute the loan with an additional match. In other words, every applicant has to have some skin in the game. The loan portion ranges from 10 percent to 40 percent.
Mr. Archuleta explained that these water users groups approach the Board of Finance to get financial relief on the loan, and will ask that it be converted to a grant.

Mr. Kormanik commented that there seems to be no entity in the state that can work to integrate these domestic water associations and make it more efficient and viable. He said the name “Water Trust Board” leads one to assume that the board is looking for deficiencies in systems when it makes grants or loans.

Mr. Dillenback responded that there are priorities in terms of efficiencies in terms of how these systems run. He said the loan element does have hardship waivers. If someone runs into hardship at some point after showing that they are budgeting for debt service, doing the right things, but not bringing in the top line revenue, they can apply for hardship. Year after year, the Water Trust Board revisits the loans and consults with the Local Government Division of DFA in terms of what budgets have been supplied to them, whether they have changed their rate structure, taken on new debt, etc.

Mr. Archuleta said he continues to believe that the state’s capital outlay process should require every agency making a request to have a preliminary engineering report and a plan that has been vetted by professionals listing various alternatives, one of which should be a no-build recommendation. The state should have some capital outlay money set aside to provide places like Los Ojos enough grant money to create a cost-effective solution so they do not have to keep returning to the Board of Finance for more emergency money. He said it is a vicious cycle.

Secretary Rodriguez asked for Mr. Archuleta’s assistance in putting together a proposal for the upcoming session.

Mr. Dillenback said they plan to go into this legislative session with a bill to recapitalize the Local Government Planning Fund, which gives out planning grants for PERs.

**FISCAL AGENT BANK**
Presenter: Donna Maestas, Acting Director

26. Approval of Sixth Amendment to Fiscal Agent Banking Services Agreement with Wells Fargo Bank Extending Term of the Agreement for an Additional Two Years

Ms. Maestas stated that the current agreement expires in April 2020. The contract is very extensive and is for all of the state’s banking needs, so the RFP process would be about a year and a half to two years for this contract. At this time, staff is asking to extend the current contract to April 2022. She has letters of support from the State Treasurer’s Office and a letter of support from the State Controller.
Mr. Kormanik moved for approval. Mr. Aragon seconded the motion, which passed 5-0.

**TAX INCREMENT DEVELOPMENT DISTRICT**

**Presenter:** Donna Maestas, Acting Director

**27.** Pursuant to 5-15-2(A) NMSA 1978 and 2.62.3.10 NMAC, the Board’s rule on dedication of a portion of the state’s gross receipt tax increment for tax increment development districts, districts that have received a dedication of a portion of the state’s gross receipts tax increment are required to provide updated information to the board every November including, but not limited to: information on the infrastructure build-out, jobs created, employers, revenues and expenses, total debt outstanding, and a status report of the district’s achievements with respect to public facilities and community benefits. Reports from the following districts:

- a. DevCo
- b. Las Cruces Downtown
- c. Lower Petroglyphs
- d. Mesa del Sol
- e. Taos Ski Valley
- f. Winrock Town Center

Ms. Maestas stated that all of the entities listed provided reports, which were available in the electronic agenda.

**Presenters:** Justin Horwitz, Attorney, Rodey, Dickason, Sloan, Akin & Robb, P.A.; Matthew Look, Vice President, Garrett Development Corporation; Vanessa Alarid, Principal, Alarid Consulting, LLC; Albuquerque City Council President Ken Sanchez

**28.** Consideration of Amending the Resolution Approving the Dedication of Sixty-five Percent (65%) of the State Gross Receipts Tax Increment Generated within the Lower Petroglyphs Tax Increment Development District for the Limited Purpose of Securing Gross Receipts Tax Increment Bonds Issued by the Lower Petroglyphs Tax Increment Development District in Compliance with the Tax Increment Development Act, Dated as of July 17, 2018, for the Sole Purpose of Amending the Definition of the “Comprehensive Medical Care Facility Construction Commencement Date.”

Mr. Look stated that, after the board approved this resolution, Garrett Development Corporation (GDC) received some letters from Presbyterian Hospital regarding their concerns with some of the provisions that were included. Presbyterian stated that they did not foresee that they would be able to meet the three conditions. Regarding the requirement of the expenditure of $250 million for the first phase of the comprehensive medical care facility, which excludes the design and planning for the facility, the
expenditure would have to happen before any of the state increment could be used to reimburse the developer for the cost of public infrastructure it was willing to advance. Presbyterian’s concern is that they would not have met the $250 million threshold in the first phase of either of the two existing facilities, Rust and the recently constructed Santa Fe facility. He said this raises concern to the developer in terms of whether or not the developer can advance the $95 million of public infrastructure if Presbyterian says they cannot meet the $250 million threshold. Mr. Look said today’s request is to amend the provisions to match what has already been approved by the City of Albuquerque, which is $100 million toward the first phase of construction.

Mr. Look stressed that this request does not change the amount of dedication by the state, nor does it change the fact that the developer would still have to advance the $95 million toward the public infrastructure. It also has to generate the GRT in order to be reimbursed. He said it does not change the risk to the state, either. If the project fails to generate the GRT, there is no reimbursement, and there is still a land use restriction on the property that would require a medical care facility to be built on the property. The developer is not reimbursed for the improvements if the project is not successful.

Mr. Sanchez stated that Albuquerque’s Westside is in dire need of a medical facility. He said the City Council voted 6-2 in support of this TIDD because of the importance of medical care on the Westside.

Mr. Kormanik stated that, in their original submission to the board, they talked about a medical facility that would spend $315 million in FY 2014 dollars and would be based on 900,000 square feet and would generate between 1,680 and 2,160 local jobs. He commented that now they were coming back and saying they wanted to cut that level of expenditure for the medical facility by over $200 million. He questioned how they could reduce the size of the proposed medical facility by two-thirds while generating the number of jobs articulated in their submission as well as generating, at a minimum, the GRT on construction that they articulated. He asked if Presbyterian is the company that is committed to construction of the facility.

Mr. Look responded that they were not changing the assumptions in the application. He said the site is 54 acres, and all the planning, design and layout is for a large campus. He said what they put in the application is what they anticipate will occur. What Presbyterian is saying in their letters is that they are committing the first phase of $100 million, but they are concerned about hitting every milestone that is in the application, although they certainly think it will happen in the future.

Mr. Archuleta said the application refers to $310 million, however, and all of the economics in the application are based on that. For example, if they build a $310 million facility, the GRT on the construction along would generate more than $20 million, so cutting that by a half or two-thirds would bring in much less. He said he saw nothing in the application discussing phases, and it delineated the amount of GRT that would occur
starting with the construction and going all the way through to the operation of the facility.

Mr. Archuleta pointed to a paragraph in Presbyterian’s letter, stating, “As for your question about the investment amount, we have consistently stated that $100 million is an accurate amount. We base that on our past experience and on potential future community need. We have said that we do not believe it is likely we will invest $250 million in comprehensive medical care services in the area because we do not think it is likely that population or economic growth in the area will warrant that size of investment.” He said Mr. Look had testified about a number higher than $300 million, but Presbyterian is saying they have never built anything of that size. He asked where the 900,000 square feet comes from, since there are tables and calculations in the application based on that.

Mr. Look responded that the plan for the larger facility was discussed when they met with Presbyterian on the site and placed poles and did layouts, and Presbyterian said they needed the 54 acres based on the drawings done by Dekker Parrish. He stated that, if they had no intention of building a large facility, the developer would have given them a smaller piece of property. Mr. Look said Presbyterian is not willing to commit to a big facility at this point, but as demand increases, they would add additional pods.

Mr. Archuleta said it would have been helpful if WALH had provided that information in the beginning. He stated that what he was hearing Mr. Look say is that he was not backing off from the fact that there would be a facility of at least $300 million that would be 900,000 square feet, and that all of the things mentioned in the application would accrue to the benefit of the state and everyone else, even though Presbyterian is saying they have never planned anything that large. Mr. Look concurred but clarified that Presbyterian is saying they will build the first phase, and it is up to the developer to perform on everything else in the application, including the housing and so forth.

Mr. Sanchez stated that the City Council felt the $100 million was appropriate for the timeframe in question, but the number would increase based on expansion and need.

Mr. Kormanik noted Presbyterian’s statement in their letter that they did not know where the $315 million amount in the application came from and that a study conducted by an organization not owned by or affiliated with Presbyterian had conducted a feasibility study that WALH included in the materials for the TIDD. Mr. Look responded that Presbyterian might not be fully aware of the phasing “and just don’t have the context of where that number is coming from.”

Mr. Aragon asked if the TIDD as originally contemplated and presented to the City of Albuquerque would still be viable if the amendments made by the board in July were not amended out. Mr. Look responded no. Mr. Aragon commented, then, that there would therefore be no hospital and no interchange. Mr. Look said that was correct.
Mr. Sanchez said the City structured the TIDD in a way they thought was fair and equitable and that they told the developers if there was no hospital, there was no TIDD, and they thought a $100 million investment was reasonable.

Mr. Aragon asked Mr. Sanchez if he was satisfied that the representations made by the developer and Presbyterian to the City of Albuquerque were based on fact. Mr. Sanchez responded yes. They looked at the same numbers, including the $300 million and what Presbyterian had spent for Rust and Santa Fe, and those numbers were inflated, so they were satisfied with a minimum of $100 million.

Responding to Mr. Archuleta, Mr. Look said it would be at least five to seven years before the interchange improvements could take place. They still have to get federal approval, which takes three years. He said the 98th Street improvements would probably happen first.

Mr. Archuleta asked Mr. Sanchez if he was correct that Presbyterian testified before the City Council that they intended to build a larger campus than what was reflected in the $100 million, and it was more like a 900,000 square foot campus at a cost in excess of $300 million. Mr. Sanchez responded that this was accurate. He said Presbyterian expressed this intent in private meetings, as well. Mr. Archuleta asked Mr. Sanchez if he clearly understood the $100 million facility would be a first phase. Mr. Sanchez responded correct. They said they would start with an emergency room with 30 beds and would expand from there.

Ms. Malavé said she felt the need to speak out as legal counsel to the board. She said the board had the Economic Analysis Unit and Legislative Finance Committee provide economic analyses of the application that was received, and the application was based in part on a 300-bed, 900,000 square foot facility, and all of the information and analysis that flowed from there included those components. She said her understanding of the discussion was that the board was still looking at a 300-bed, 900,000 square foot facility, and Presbyterian in June said it would base its calculation on population growth and needs and that it would not be tied to the TIDD. Based on the representation by WALH that the facility did not have to be built by Presbyterian, the resolution was amended to reflect "a healthcare service provider" rather than Presbyterian.

When asked by Mr. Aragon about her legal analysis, Ms. Malavé advised the board was close to abusing its discretion by not looking specifically at the economic analysis that was provided by both DFA and the LFC. She commented that the board was taking things at WALH’s word, and she thought it was problematic because, although this healthcare facility may be a great thing for Albuquerque, the same may not be said for the state as the EAU and LFC have both said the numbers do not add up.
Mr. Aragon pointed out that there was serious question about the validity of those numbers at the time, and as an administrative board, they have the right to use that testimony, using their best discretion, make their conclusions based on that information. Ms. Malavé responded that the board has to point to what it is relying on. Mr. Aragon responded that the board is relying on what it heard in July and again today, that there is going to be a medical facility there. Ms. Malavé responded, however, that the medical facility would be about one-third of the size that was originally represented.

Governor Martinez, raising a point of order, said the board has taken the word of everyone else that presented today, including those who brought forward requests on doctorate programs. She commented that she was not sure whether the board was hearing a legal analysis or arguing a particular point.

Mr. Aragon stated that this was why he had raised the issue, as what he was hearing was more argument than legal analysis or legal conclusion. He added that, with all due respect to counsel, he thought there was advocacy being done rather than a legal opinion.

Mr. Archuleta commented to representatives, “All that’s gone on with this has gotten to be confusing. There’s an application, then there’s a counterproposal. Why isn’t the document exactly what you intend to do? Because right now it’s not.” He said the numbers address a $315 million project, which is what staff based its analyses on. He expressed concern about the audit trail, adding that all of this could be cleared up if WALH amended their application to address the first phase only rather than 20 years out. He said he would vote against this request in its current form because “I don’t want my name associated with something that is so discombobulated.”

Mr. Horwitz responded that the development agreement, which was included with the application, “sort of describes two phases,” and has Presbyterian’s commitment to the first phase and the possibility of a second phase. Mr. Archuleta asked what the construction estimate was for the first phase, and Mr. Horwitz responded that the commitment was for $100-$150 million. He said this was included in the application that went to this board.

Ms. Maestas clarified that the application package included a market study that had the $315 million construction cost for the 900,000 square foot facility and 300 rooms. The application package included the agreement they made with the City of Albuquerque, so it was not part of the numbers in the application that the economists used.

Mr. Aragon asked Mr. Horwitz if what he had just referenced was included as an exhibit to the application. Mr. Horwitz responded that the development agreement was included in the body of the application in accordance with Board of Finance rules. Mr. Aragon commented, then, that the assumption that was presented to the board back in
July was not represented in the document presented to staff. Mr. Horwitz responded that that representation was made in the application. Mr. Aragon commented that the assertion that it was not was untrue, then. Mr. Horwitz responded correct.

Mr. Kormanik commented to Mr. Sanchez that he had indicated that Presbyterian had basically agreed to the $315 million when they were before the City Council, but the November 19 letter from Presbyterian states that they do not know where that number came from other than from the applicant. He said he found this to be very confusing.

Mr. Aragon moved to amend the resolution to reflect a $100 million limit and to remove the 85 percent threshold from the TIDD. Mr. Brasher seconded the motion, which passed 3-2, with Governor Martinez, Mr. Aragon and Mr. Brasher voting in favor, and Mr. Archuleta and Mr. Kormanik voting against.

The following language in the Board’s July 17, 2018 Resolution Approving the Dedication of Sixty-five Percent (65%) of the State Gross Receipts Tax Increment Generated within the Lower Petroglyphs Tax Increment Development District for the Limited Purpose of Securing Gross Receipts Tax Increment Bonds Issued by the Lower Petroglyphs Tax Increment Development District in Compliance with the Tax Increment Development Act was amended as follows:

WHEREAS, the State Board of Finance will deem construction of the first phase of the Comprehensive Medical Care Facility to have commenced on the date that the District reports to the State Board of Finance that the Healthcare Services Provider has expended $100,000,000, expressed in calendar year 2018 dollars, on Comprehensive Medical Care Facility Property, together with documentation of those costs (the “Comprehensive Medical Care Facility Construction Commencement Date”);

[Mr. Archuleta left the meeting.]

**STAFF ITEMS**

Presenter: Donna Maestas, Acting Director

29. Approval of Final Award of the Financial Advisor Contract, and Submission to the Department of Finance and Administration Contracts Review Bureau for Approval

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

30. Approval of Staff to Issue a Request for Proposals for Bond Counsel Services

Mr. Aragon moved for approval. Mr. Kormanik seconded the motion, which passed 4-0.
31. **Fiscal Agent/Custodial Bank Fees**

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

32. **Joint Powers Agreements for Month-Ended October 31, 2018**

Ms. Maestas reported that there were 10 new joint powers agreements for the month of October.

**ADJOURNMENT**

The meeting was adjourned at 3:00 p.m.

[Signature]

Susana Martinez, President

[Signature]

Michael Brasher, Secretary

New Mexico State Board of Finance: November 20, 2018