NEW MEXICO STATE BOARD OF FINANCE

REGULAR MEETING

Santa Fe, New Mexico

March 19, 2019

A regular meeting of the New Mexico State Board of Finance was called to order on this date at 9:15 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. Michelle Lujan Grisham, President
   The Hon. Howie Morales, Lt. Governor
   Mr. Paul Cassidy, Public Member
   The Hon. Tim Eichenberg, State Treasurer
   Sen. Michael S. Sanchez, Public Member, Secretary [arriving 9:30 a.m.]

   **Members Excused:**
   Mr. Joseph Badal, Public Member
   Ms. Wendy Trevisani, Public Member

   **Staff Present:**
   Ms. Ashley Leach, Director
   Ms. Donna Maestas, Deputy Director
   Ms. Olivia Padilla-Jackson, 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, APRIL 16, 2019**

   The agenda was reordered, with items 13, 14, 15 and 23 to immediately follow Item 7.
Mr. Cassidy moved approval of the agenda, as amended. Mr. Eichenberg seconded the motion, which passed 4-0.

3. **APPROVAL OF MINUTES: DECEMBER 18, 2018 (REGULAR MEETING)**

Mr. Eichenberg moved approval of the minutes of the December 18, 2018, meeting, as submitted. Lt. Governor Morales seconded the motion, which passed 4-0.

**CONSENT AGENDA (Items 4-7)**
Presenter: Ashley Leach, Director

Submitted by: Candida Kelcourse, Purchasing Agent, Albuquerque Bernalillo County Water Utility Authority

4. **Albuquerque Bernalillo County Water Utility Authority – Requests Approval of the Lease of Real Property Totaling Approximately 96.8 Acres, Located at Rio Bravo SW and Second Street SW in Albuquerque to Fernando Gonzales, Sr. ($18,000 per year)**

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

Submitted by: William Provance, Airport Manager, Doña Ana County

5. **Doña Ana County – Requests Approval of the Lease of Real Property Located at the Doña Ana County International Jetport, Lot F-03B-S, at 8280 Airport Road in Santa Teresa, to James M. Shelton ($2,828 for the first year)**

Submitted by: Debra L. Ingle, Operational Supervisor, Greentree Solid Waste Authority

6. **Greentree Solid Waste Authority – Requests Approval of the Sale of Real Property Located at 26598 US Highway 70 in Ruidoso Downs, Lincoln County, to Kenneth Charles Galloway ($45,000)**

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 67 Loma Del Escolar in Los Alamos to Barranca Mesa Pool Association, Inc. ($6,000 per year)**

Mr. Cassidy moved approval of the Consent Agenda, as presented. Mr. Eichenberg seconded the motion, which passed 4-0.

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

13. **Monthly Investment Report for Month-Ended November 30, 2018**
Ms. Hanges reported that STO managed $5.7 billion in assets, $600 million more under management than in the previous month due to increased tax receipts and oil and gas leases. Earnings for the Fiscal Year to Date (FYTD) were $38 million.

[Sen. Sanchez arrived.]

14. **Monthly Investment Report for Month-Ended December 31, 2018**

Ms. Hanges reported that STO managed $5.8 billion in assets, $100 million more under management than in the previous month. FYTD earnings were $48 million.

15. **Monthly Investment Report for Month-Ended January 31, 2019**

Ms. Hanges reported that STO managed $6.2 billion in assets, $400 million more under management than in the previous month. FYTD earnings were $76 million.

**STAFF ITEMS**
Presenter: Ashley Leach, Director

23. **Adoption of interest Rate Policy 19-02**

Ms. Leach presented an overview of the draft interest rate policy.

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

**EMERGENCY FUND BALANCES**
Presenter: Ashley Leach, Director

8. **Emergency Balances – March 19, 2019**

<table>
<thead>
<tr>
<th>Fund</th>
<th>Balance</th>
<th>Appropriation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Reserve Fund</td>
<td>$1,941,495.00</td>
<td>$2,000,000.00</td>
</tr>
<tr>
<td>Emergency Water Fund</td>
<td>$ 104,800.00</td>
<td>$ 104,800.00</td>
</tr>
</tbody>
</table>

Ms. Leach reported these balances.

**PROPERTY DISPOSITIONS**

Presenters: David Chavez, Executive Director; Robin Strauser, Deputy Executive Director, Cooperative Educational Services

9. **Cooperative Educational Services – Requests Approval of the Lease of Real Property Located at 1451 Innovation Parkway SE in Albuquerque to Advanced Optical Technologies, Inc. ($2,886 per month)**
Mr. Chavez requested approval of the lease of real property, totaling 2,388 square feet of space, to Advanced Optical Technologies, which is a tenant of the property. The business is in need of additional rental space for office and laboratory uses. The initial term of the lease with Cooperative Educational Services (CES) would be three years, with an additional three-year option to extend.

Responding to Mr. Cassidy, Mr. Chavez said that CES’s long-term plan is to sell the building that they currently occupy at 4216 Balloon Park Road, NE, and use the proceeds to offset the cost of a new building. They have continued to lease the subject property on Innovation Parkway with the intent of using space there to accommodate the growing needs of CES in the future. He said there is no debt on either property.

Ms. Leach requested that approval of this request be contingent upon Director’s receipt and counsel review of (1) fully executed revised lease agreement, and (2) favorable TRD review of appraisal.

Mr. Chavez agreed to the contingencies.

Mr. Cassidy moved for approval, with the contingency. Lt. Governor Morales seconded the motion, which passed 5-0.

Presenters: Brian Snider, Superintendent, Jal Public Schools; Geno Zamora, Attorney, Ortiz and Zamora, LLC

10. Jal Public Schools – Request Approval of the Trade of Real Property with Property Owned by the City of Jal in Jal, New Mexico (no consideration)

Mr. Zamora stated that Jal Public Schools is proposing to convey a tract of property to the city of Jal for the city’s use for economic development and housing purposes. Originally, this was a 17-acre parcel known as the old elementary school property. The school has been razed and this is now raw land. The proposal is to divide the acreage into two tracts and convey 8.1 acres to the city of Jal. In return, the city will convey six nearby undeveloped lots to the school totaling about 0.93 acres. The lots will serve as parking for the land that the schools will be using for ball fields. The estimated value of tract 2, to be conveyed to the city, is about $36,450.

Ms. Leach requested that approval of this request be contingent upon Director’s receipt and counsel review of (1) fully executed revised exchange agreement, and (2) an accurate legal description of JPS parcel in quitclaim deed and exchange agreement.

Responding to Mr. Cassidy, Mr. Snider said the Woolworth Trust, which is a private trust that operates a ranch three miles north of Jal, will build apartments, and developers are lined up. Mr. Snider explained that, because Jal is a cyclical economy with oil and gas, it is very hard to attract developers, so they have to be their own
developer. The Trust will put up the capital and whatever it takes to get it started.

Governor Lujan Grisham asked how much housing is planned as part of this trade. Mr. Snider responded that they are looking at 16 apartments and 20 to 30 houses. He said the Jal Hospital District is also going to build a doctor’s house on the property.

Mr. Cassidy noted that Jal is rebuilding all of its schools, and they have approved a bond issue to pave streets. He commented that this is a great partnership.

Mr. Eichenberg moved for approval, with the contingencies. Sen. Sanchez seconded the motion, which passed 5-0.

**HIGHER EDUCATION DEPARTMENT**

Presenters: Gerald Hoehne, Director of Capital Projects, Higher Education Department; Dr. D. Ryan Carstens, President, Ruidoso Branch; Scott Smart, CFO, Eastern New Mexico University

11. Eastern New Mexico University, Ruidoso Campus – Requests Approval of the College Nexus Project, Phase I ($3,085,004)

Mr. Hoehne stated that this capital outlay project was approved by the Higher Education Department on January 19, 2019, and is the first phase of Eastern New Mexico University’s (ENMU) three-phase College Nexus campus remodel project. The proposed space to be remodeled totals 14,774 square feet and was purchased by the college in 2016 and is adjacent to the main campus building. The space has remained a shell since that time, and will be used for classrooms, student activity space, a learning commons area, multipurpose rooms, seminar rooms, and offices. The project will be funded with $700,000 from a state GO bond, $1,036,752 from BR&R funding, and $1,348,252 from local funds.

Dr. Carstens presented an overview of the three phases of this project. Responding to Lt. Governor Morales, he said the sources of the local funds to be used for this project include savings accrued over the years from tax levy, tuition, or allocation funds that have been carried over. They plan to use additional bond funds from the November election after the funds are released. He said Phase II would be funded with GO bonds that would go to the voters at a future date.

Mr. Smart stated that Ruidoso campus was established as a branch campus by ENMU 14 years ago. ENMU (Portales) knew it was going to have to assist the Ruidoso campus with construction projects because of the size and nature of its operations, so this is a group effort with the main campus contributing from their own reserves.
Responding to Mr. Cassidy, Dr. Carstens said enrollment has been stable for the last two years. He added that, by combining Workforce Connections in a nicer physical one-stop space, they plan to build more “workforce type classrooms” in the second phase.

Responding to questions from Lt. Governor Morales, Dr. Carstens said current enrollment is 600 with 300-400 distance learners, which they aim to increase. In the first phase, every room will have a TV and Internet connection, and they are seeking to further their ability to make other two-year and four-year programs available to the community by providing access to their building. He commented that they have residents who come and sit in the parking lot to use Internet because there is no broadband access in the county or in the surrounding community. They want to be a conduit for other higher education opportunities beyond what they offer, and this facility will allow for students to take higher education online courses with their partners in other schools.

Governor Lujan Grisham asked if there is potential room to accommodate business incubator activity. Dr. Carstens responded that their long-range plans include growing into the adjacent mall space, at which point they would look at providing space for that, but they do not have the ability to do that with the current plans. He said the community is engaged in a planning process that just started in January, and this issue has been raised in the various focus groups. He added that they are very excited about the apprenticeship programs and how that can help on the Workforce Connections side and the college side.

Mr. Cassidy moved for approval. Sen. Sanchez seconded the motion, which passed 5-0.

Presenters: Gerald Hoehne, Director of Capital Projects, Higher Education Department; Dr. Craig White, Interim Senior Vice President for Finance and Administration; Lisa Marbury, Executive Director, Institutional Support Services; Chris Vallejos, AVP Institutional Support Services; Dr. Mark Peceny, Dean, College of Arts and Sciences; Dr. Tom Turner, Associate Dean for Research, College of Arts and Sciences

12. University of New Mexico – Requests Approval of the Natural History Science Center ($3,883,000)

Mr. Hoehne stated that University of New Mexico (UNM) is requesting approval to renovate its historic Biology Annex Building to house the Natural History Science Center. The building has been vacant since 2015 and comprises 8,439 square feet. While the building exterior will undergo little change, the interior will be transformed into a contemporary laboratory and teaching facility. The project will include teaching labs, a collection storage room, an analytical lab, space for the paleobiology collections and prep lab, outreach space offices, an administrative office, meeting rooms, and a
common area. The project was included in the UNM five-year capital plan and the 
source of funding for this project is 2017 UNM Revenue Bonds.

Dr. Peceny stated that the collection consists of fossil materials that have been 
collected throughout New Mexico and beyond, and span a period of 640 million years. 
Right now, the material is located in the basement of the Biology Building, where it is 
completely inaccessible; in addition, there are federal guidelines about the maintenance 
of these collections that need to be met. This project will move these collections out of 
the basement and make them accessible to the students in a state-of-the-art teaching 
and collection space.

Dr. White said this project will not only enhance UNM’s ability to educate students by 
giving them access to world class collections, it will make UNM more competitive for a 
variety of federal grants.

Mr. Cassidy asked if he understood correctly that no new student fees would be 
required to help finance this project. Ms. Marbury said that was correct. Mr. Vallejos 
added that the funds are coming from 2017 institutional bonds, and those fees were 
instituted in 2017.

Secretary Padilla-Jackson observed that on-campus enrollment for the fall semester 
reflected an institutional head count of 16,226 (main campus count), with FTE at 17,602. 
She asked if it is usual to have more FTE than a student head count.

Ms. Marbury responded that these numbers don’t reflect the current spring 
enrollment, but previously there had been an anomaly of “a fewer number of people, 
but some were taking more credit hours, which makes the FTE higher.”

Governor Lujan Grisham noted that higher education enrollment is down statewide. 
As the board looks at these requests going forward, it will be important to start thinking 
about long-range investment opportunities that can create sufficient student 
enrollment. She asked how many students are in Arts & Sciences, how many of them are 
graduate students, and are those numbers comparable with similar institutions around 
the country.

Dr. Peceny responded that the College of Arts and Sciences is comprehensive, with 
everything from philosophy to physics. They deliver approximately 60 percent of the 
student credit hours on main campus, and their majors are about 40 percent. They 
deliver six of the seven areas of the general education core curriculum. He added that 
Biology is one of the few programs that is holding its own in terms of being one of the 
majors, as it has declined less in head count and student credit hours compared with 
other departments within the college. He said they also expect this will be a resource for 
their Honors College students. He said they are focusing their investments on the 
departments and programs that have stayed closer to steady enrollment.
Governor Lujan Grisham commented that, given that the state wants higher education to expand and meet the needs of what they hope is a growing population of New Mexico students, her administration is looking at alternative investments and workforce investments right out of high school, so they are matching people with job opportunities while providing a pathway to higher education. She added that not having adequate facilities diminishes not just federal grants, but also opportunities for recruiting and maintaining students and faculty.

Responding to Sen. Sanchez, Dr. Peceny stated that the lottery scholarship used to provide 100 percent of tuition for in-state residents. When it dropped to 60 percent, a lot of students decided to choose other institutions. UNM is trying to find a way to recalibrate its own financial aid strategies so it can provide financial aid to those students who were affected by the decline in lottery scholarship funds.

Governor Lujan Grisham asked what percentage of UNM students would require financial assistance. Dr. Peceny responded that 40 percent of the students are eligible for Pell grants, but there are also a large number of students who have financial needs as well, but do not qualify for the Pell program.

Dr. Peceny stated that, in 2010, only 12.6 percent of UNM undergraduates graduated in four years. That number is now at 34 percent. No other university in the U.S. has had such a dramatic improvement during that same period in four-year graduation rates. Part of this was UNM’s investment in first year experience for incoming students with advisement and other services.

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

**GENERAL SERVICES DEPARTMENT**
Presenter: Jimmy Rodriguez, Business Operations Bureau Chief; Anna Silva, Acting Director, Facilities Management Division

16. Capitol Buildings Repair Fund Financial Status Report for Month-Ended December 31, 2018

Mr. Rodriguez presented this report.


Mr. Rodriguez presented this report.

18. Capitol Buildings Repair Fund Financial Status Report for Month-Ended
February 28, 2019

Mr. Rodriguez presented this report.

19. Facilities Management Division – Legislative Capital Projects Financial Status Report for Month-Ended December 31, 2019

Mr. Rodriguez presented this report.


Mr. Rodriguez presented this report.


Mr. Rodriguez presented this report.

Sen. Sanchez asked what the long-term plan was for the Los Lunas Hospital and Training School. He recalled that, last year and the year before, there were issues regarding the pool that was being used by the elderly and handicapped.

Ms. Silva responded that they are currently engaged with multiple stakeholders regarding a master plan for the entire campus, including hospital and training facility. They are also in conversations with the Village of Los Lunas, the Department of Health (DOH), the New Mexico Corrections Department, and the Department of Public Safety (DPS). Once that process is complete (in June), they will move to the second phase, which will address what is specifically planned for each building on the campus.

Ms. Silva also clarified that conversations with the Village of Los Lunas about preserving certain vacant land are premature at this point, as the Facilities Management Division is primarily focused on Corrections facilities, DOH campuses, and DPS. She said they have engaged with the Village of Los Lunas on some of their proposed initiatives and will be meeting with them later today regarding some of their expansion requests.

With respect to the pool, Governor Lujan Grisham commented that pools are expensive and difficult to maintain; however, without them, there is no access to a variety of therapeutic and fitness activities. She commented that most local bodies of government are replacing all of their pools with splash parks and only looking at it from a recreational standpoint. She asked FMD staff to come up with about ten of fifteen areas where master planning has not adequately revealed issues that need more attention. She cited the Los Lunas campus, the Behavioral Health Institute, and the old Fort Bayard property.
STAFF ITEMS

Presenter: Ashley Leach, Director

22. Adoption of Open Meetings Resolution 19-01

Ms. Leach reviewed highlights from the resolution, including meeting dates for the coming year that were established by the previous board.

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

24. Election of Secretary of the State Board of Finance

Mr. Cassidy nominated Member Sen. Michael S. Sanchez as Secretary. Governor Lujan Grisham seconded the motion, which passed 5-0.

Presenter: Donna Maestas, Deputy Director

25. Appointment of State Board of Finance Subcommittee Members

Ms. Maestas presented a brief overview of the duties of each committee.

Governor Lujan Grisham asked for volunteers for each of these committees. Because not all members of the board were present today, she would reach out to those members in the interim to ascertain their willingness to serve and ask for reaffirmation of all of the appointments at next month’s meeting.

A. Private Activity Bond Committee

Lt. Governor Morales and Sen. Sanchez volunteered to serve on this committee.

B. Banking Committee

Mr. Eichenberg volunteered to serve on the Banking Committee.

Governor Lujan Grisham recommended the appointment of Member Wendy Trevisani.

C. Committee of Reviewing State Treasurer’s Audit Process

Mr. Cassidy volunteered to serve on this committee.

Governor Lujan Grisham recommended the appointment of Member Joseph Badal.
Mr. Eichenberg moved to accept these committee assignments. Mr. Cassidy seconded the motion, which passed 5-0.

26. The Board may go into Executive Session Pursuant to Section 10-15-1 (H)(6) of the Open Meetings Act, for the Limited Purpose of Considering the Bids Responsive to Bond Counsel Services RFP No. 19-341-4000-14060

Mr. Eichenberg moved to go into executive session. Lt. Governor Morales seconded the motion, which passed 5-0.

[Board was in executive session from 11:15 a.m. until 12:30 p.m.]

Governor Lujan Grisham stated that the only item discussed in executive session was the consideration of the bids responsive to bond counsel services, RFP No. 19-341-4000-14060.

27. Approval to Enter into Contract Negotiations with the Final Offeror for Bond Counsel Services

Mr. Cassidy moved to table approval to enter into contract negotiations for bond counsel services to next month’s regular meeting. Mr. Eichenberg seconded the motion, which passed 5-0.

28. Approval to Terminate Current Bond Counsel Agreement for Convenience

Mr. Cassidy moved to table this item to the next meeting. Mr. Eichenberg seconded the motion, which passed 5-0.

Presenter: Ashley Leach, Director

29. Dashboard Report

Ms. Leach presented the Dashboard Report.

Lt. Governor Morales said he would like to see more on the Public Bodies “at risk” item.

Mr. Cassidy suggested that the report include pension fund liabilities for ERB and PERA.

Presenter: Donna Maestas, Deputy Director

30. Fiscal Agent/Custodial Bank Fees

Ms. Maestas reported that the Fiscal Agent bank fees for the last three months were consistent with historical fees, and net invoices were lower than in previous months.
because the state had a higher earnings credit from higher bank balances. Custodial bank fees were consistent with historical fees.

31. Joint Powers Agreements for Month-Ended December 31, 2019, Month-Ended January 31, 2019, and Month-ended February 28, 2019

Ms. Maestas reported that there were three Joint Powers Agreements in December, four in January, and six in February.

ADJOURNMENT: 12:35 p.m.

Mr. Eichenberg moved for adjournment. Lt. Governor Morales seconded the motion, which passed 5-0.

Michelle Lujan Grisham, President

4/16/19

Date

Michael S. Sanchez, Secretary

4/16/19

Date