NORTHERN NEW MEXICO COLLEGE
FOUNDATION BOARD MEETING MINUTES
JULY 9, 2020

Northern New Mexico College Foundation Board held a regular meeting on July 9, 2020, at 9:30AM Via Zoom. Those in attendance from the Board of the Foundation were: Alfred Herrera, Tania Sanchez, Dorian Newton, PhD, James Owen, Ricky A. Bejarano, and Richard J. Bailey, Jr., PhD. David Eyler was unable to attend.

Staff in attendance: Amy Peña, Executive Office Director

Other attendees: Adam Ciepiela and Cameron Killeen

I. CALL TO ORDER

President Bailey stated with Board President Herrera's permission the meeting will begin and as others come in, they will join the meeting. Board President Herrera stated absolutely and asked President Bailey to lead the meeting as he did the last time. President Bailey called the meeting to order at 9:39AM.

II. APPROVAL OF AGENDA

President Bailey confirmed everyone could see the screen. President Herrera entertained a motion to approve the Agenda as displayed on the screen.

Board Member Bejarano moved to approve the Agenda. Second – Board Member Sanchez. A roll call vote was taken. Board Member Herrera - yes, Board Member Bejarano - yes, Board Member Bailey – yes, Board Member Sanchez – yes, Board Member Owen – yes. Motion passed unanimously.

III. APPROVAL OF MINUTES (June 4, 2020)

President Herrera asked if there were any questions about the minutes and entertained motion to approve the minutes of June 4, 2020.

Board Member Bejarano moved to approve the minutes from June 4, 2020. Second – Board Member Sanchez. A roll call vote was taken. President Herrera - yes, Board Member Bejarano - yes, Board Member Bailey – yes, Board Member Sanchez – yes, Board Member Owen – yes. Motion passed unanimously.

IV. CHARLES STEPHEN REIT DISCUSSION

President Bailey stated we have a good Agenda today and this came out of the meeting of June 4, 2020. The Board was interested in hearing from Charles Stephen on specifically on the REIT discussion. We are grateful to have Adam Ciepiela present for an information discussion about where we are at and specifically with the REIT. President Bailey turned the floor over to Mr. Ciepiela. Mr. Ciepiela stated he would like to go after Cameron to keep him on his schedule. He asked that the Board go to Item V. There was no objection from the Board for this change.

Mr. Ciepiela stated he would like to talk about the REIT and what they are doing. First thing he is going to do is share where we sit with it. A REIT is a Real Estate Investment Trust. Basically, what you are doing is giving professional real estate investors your money to use to buy certain properties and as a result you are lending your money and you get the value and dividends as they operate things. These are a non-traded REIT and are hard to value on a daily basis. They have always been held directly with Griffin Capitol. They own all three REITs and they are constantly just, they have a portfolio and we get a dividend (about 6%). A 6% dividend is pretty good. Mr. Ciepiela reviewed all three REITs for the Board. The dividends get paid to the general account. One pays in the general account, one in the Maley Account and one in the SERPA account. Mr. Ciepiela asked if there are any questions.

President Bailey asked if he could explain Griffin then report to him. How does the relationship work? Mr. Ciepiela stated it is an investment so they report back with a statement. They are in the same laws as any stocks or bonds. They get reports back from what the Foundation is invested in. Mr. Ciepiela will share the website with the Board for Griffin. The Foundation could sell them on the open market and we could get our money out. Charles Stephen would speak with Griffin about the open market and let the Foundation know what it could get out of it.

President Bailey asked in terms of their advice to us, we got in this in 2014 and decided to take $270,000 of the corpus and buy these REITs, was the purpose to provide stability dividend share, lower the risk or was it to diversify the portfolio, what was the reason why we got into the REITS? Mr. Ciepiela stated it was pre-them and they did not recommend this, he doesn't have any idea why they did it. His guess it to provide stable income moving forward. To buy a REIT, they would recommend clients to buy REIT is it is a diversifier and a long-term play. This is for income and long-term diversification. Real Estate is a great asset class. The downside is it is illiquid and hard to get in and out of. The concern now is if anyone of these would file bankruptcy and some of those companies are too big and aren't really going anywhere.

President Bailey asked if now that we are in there and have them is your advice that we hold on to these and accept the long play or would you advise that the Board reconsider and something for the Board to consider at some point moving these things over? At some point if the Board is a willing to be a little more risk tolerant, do we want to double down, sell these and put them in a liquid market and take our chances? Mr. Ciepiela stated he thinks this is the right call, $270,000 out of the $3.7M is a very small percentage from an asset allocation standpoint. That is something to consider, do we want to do a little more with this money. The rents haven't and aren't going to change for a couple of years because of COVID. You can always look at it and it is something to consider. They will keep the Foundation Board informed of any opportunities to exit and what it looks like. From where he sits 6% on $270,000 out of $3.7M is pretty good and the Foundation is not hurting itself by being in these and upward potential is what we are missing out on. In this current market, where we are, he doesn't know what it looks like moving forward in the next couple of years where it is single digits where this is going to provide stead income that is going to be reinvested into the Rochdale.

Board Member Owen stated he has questions and he apologizes that we are running out of time and running late. He believes these are important discussions we do need to have to lay out the investment strategy. Here is the biggest area of concern for him and why he asked Dr. Bailey and fellow Board Members to discuss the REITs. His concern with the current commercial real estate market, if you look at the trends based on the mere fact that we are all calling in from Zoom, WebEx or Google Applications, big companies are starting to realize that they need less office space and we learned through this COVID forcing function that we can still be productive while working from home. We are seeing that trend in LANL. When you itemize the Class E investments that we are in that are predominantly office buildings, not industrial centers, warehouses or medical facilities. His concern is when you look at the downside risk today, he thinks we have great upside risk with the strong economy and strong industry growth but looking forward his concern is that companies are going to be less interested in paying for office space when they can keep people working from home. He does see that as a very near-term risk and he does not know how long this could be sustained and asked if there is any way to isolate us from that risk.

Mr. Ciepiela stated that would be selling out of the REIT itself. Board Member Own asked if there is any way to move from one class of REIT to another without selling out or being exposed to the downside of trying to selling out of this class. Mr. Ciepiela stated no, Class E that you see is the share class, we are in the essential asset REIT, to move it you would have to sell out of the REIT in order to move it. You can't just move it out of the REIT into warehouses. It is something we can look at and it is the same conversation do you put it in a new REIT or do you put it in Rochdale and let them kind of crank along as they go. It is something they are looking at, there are a lot of studies as to what it will look like.

The isolation would be to sell out and remove that risk from the Foundation so that would be the answer to the question. The only way to isolate would be to sell out and hedge that money to something with less risk.

President Bailey stated Board Member Owen's question is apt and companies are going to look at how they define what brick and mortar they do need. It is a fair question. He doesn't know the time or temporal dimension is for that. The other variable to consider is what is the market going to give us for getting out of the REIT and if it is enough to consider abandoning this dividend as it is now in order to let Rochdale or another class of REIT try to move this forward. This is the question.

Mr. Ciepiela stated it is less than you put in based on the numbers but you have gotten way more out of it but you are not at a loss for the value you have gotten. You are getting your money out of it for sure. You are not losing any money by doing this. Mr. Ciepiela will reach out to Griffin to see if we wanted to propose a sale what it would look like today.

Board Member Owen would recommend to the Board to ask Mr. Ciepiela to investigate what it would look like if we decided to cash out on these assets. President Bailey agrees.

President Bailey stated it comes down to a decision point. Right now, Rochdale is not going to give us 6% right now, at what point do the slopes start to cross and the dividends start to come down because of this economic change that is sweeping in terms of everyone moving to an online format versus where the economy is going to start to grow to the point that reinvesting this money will overcome the money we are getting in the dividend. That would be the decision point at which we pull the trigger and sell them off.

Board Member Owen stated if you go through the roster, he will look into it in more detail and will look at the companies that are renting the real estate assets. The good news is on average, he would assume, the term on the lease agreements is fairly lengthy and he would think the dividend or the return would be reasonably stable but he would expect the value to decrease over time or at least near-term decrease because of the inherent shift in office space utilization.

President Bailey thanked Mr. Ciepiela for this presentation. Mr. Ciepiela stated if there are any questions, the Board is welcome to email or call.

V. CITY NATIONAL ROCHDALE PRESENTATION ON PERSONALIZED ASSET ALLOCATION

President Bailey stated the Board approved at the last meeting City National Rochdale to partner with Charles Stephen on the management of the portfolio. They gave a great presentation to President Bailey and now Cameron Killeen will give it to the Board. Mr. Ciepiela stated Rochdale is one of the asset managers Charles Stephen has access to. What makes them unique is they only deal at a certain level and are high powered for the level where they are. The Board approved moving the accounts to Rochdale, that is in process, the money is moving over. Today's call is to introduce the Board to Rochdale and show the Board the packet with a lot of information. The Board received a big packet from them and they will show the process of what we will go through and what the experience will be working for them and making sure everyone is on board with the plan for the investments and is ok with how this is going. Cameron represents City National Rochdale to New Mexico. He lives in Los Angeles and covers Arizona, Nevada and New Mexico. They have worked with Rochdale about two years and have substantial assets with them and are glad the Board moved there because they are an exceptional manager and they are a unique thing for the Foundation.

Mr. Killeen stated that was a fantastic introduction and he appreciates it. Mr. Killeen stated he would give a 10,000-foot overview of who they are and how they came to partner with Steve and Adam and what their process is like and then he will dive into each one of the accounts and certainly take questions and discuss what the strategy will be for each one and make tweaks as needed. Rochdale is the high-net-worth money management arm of City National Bank which does not have a presence in New Mexico but fairly large regional bank that was purchased by Royal Bank of Canada. Technically they are the North American high network division of RBC which is the tenth largest financial institution in the world. They still operate fairly independently out of New York City and Beverly Hills with about 400 employees, a boutique high net worth money management firm. Their identity is based on a couple of key concepts that in his opinion set them apart. The first is everything they do is on a totally custom basis. They don't have any models, they don't have any products, every client they work with gets a portfolio that is built for them 100% from scratch. They assign each client their senior portfolio management team. They require those professionals to be very credentialed, they require them to have 15 years' experience minimum and have an MBA and CFA. Their job is to construct the portfolio on the front end, management them on an ongoing basis and report back on an ongoing basis what they are doing for the Foundation, what trades they made, performance, how they view the economic environment and how it affects what they are doing for the Foundation. It is a thorough in-depth process. He used to work at Fidelity investments and the number you had to have with Fidelity before that type of relationship is $100M so that is their unique value proposition is that they offer this for each client and allows them to get very granular. Another thing that is unique is they don't have their own clients. The partner with independent advisors but they really look for exceptional firms and advisors and act like one of their preferred solutions for clientele and their minimum is $1M. They have a 97% retention rate and part of this is the synergy with their partnership with advisors. They do all their own investment work. It is all done in house and done using mostly individual positions. They have an asset allocation committee who is responsible for delivering on the research. Mr. Killeen asked if there were any questions thus far. Mr. Killeen reviewed slides presented to the Board (attached). They are not the home run guys, their focus is when is the next recession, how long is it going to last, where are we in the business cycle and how can we be effective to minimize risk for clients on an active basis.

James Owen asked regarding economic and financial indicators, they weigh indicators differently and asked how they are weighting them given them the different market. Mr. Killeen stated they are not weighted equally, interest rates is a big one, high or low interest rates have a good effect on economic growth. For example, at the end of 2018 when rates went up there was a lot of volatility on the market. Labor market is obviously huge which trickles down to consumer spending, this is a symptom of the unemployment rate and 70% of the economy is driven by consumer spending. Unemployment and where that is at is one that has weight. How does this relate to current? One, they are of the mind that it is going to take until about early to mid-2022 to get back where we were from a GDP perspective pre-virus. It is going to take that long to get even where we were. The labor market in May and June have been surprisingly positive and were better than expected which is an indication that things are improving faster than we thought. The market, especially the equity stock market has essentially written off 2020, they are focused on 2021 on what earnings profit and unemployment is going to look at 2021 and basing today's stock market on that.

Mr. Killeen stated they did put together some information on the three different accounts. The first one is the general account and these numbers are from the end of April so the actual total might be slightly off but is pretty close. They put together two portfolio options which are starting points to a conversation and can be agile over time. The color coding means the orange rows at the top are investments that they deemed to have high growth in nature and high volatility in nature and little or no cash flow. Anything small and medium size, international, merging markets in Asia will fit into the orange. This is also the category that lost 40% in the first quarter. The green is the safety bucket. This is cash, CDs, municipal bonds, corporate bonds, things that the good news is they are never going to go down, they are highly stable. Bad news is you also don't earn much in this category. The yellow is in between the two, it is medium risk, a medium long-term growth but generally high end in the cash flow. They are half as risky, companies like Verizon, Coca Cola, AT&T and are more stable and pay a lot of profit back to shareholders. The other things that fit into yellow are preferred stock, floating rate bonds, things that are a little riskier than the green but not as risky as the orange which will pay more. The purple is the square peg in a round hole. The things that don't fit in any of the categories, outside the norm. When they constructed these, they build the first with 40% in stocks. This would be a little more stable. The second with 60% in stocks would grow more but more volatility. They built them with the mind of driving a very health amount of cash flow.

Mr. Killeen stated to be clear and give a refresher there is two components too any investment return, appreciation and cash flow. The cash flow is very known and they can predict with a high level of accuracy what that will be. The appreciation they have no idea. This is unpredictable. The second portfolio almost $56,500 in dividends and interest and it has a little bit more of a growth component and lower cash flow but better overall return in the long run.

President Bailey stated we are talking about our strategy as a Foundation and this is something Board Member Owen called us to think about. Realizing where we are at and realizing the College is putting College money on student scholarships, it means right now with very few exceptions we are not drawing from the corpus. The only exceptions are the Maley Scholarship ($25,000 for Nursing) and the SERPA Endowment (money from a State grant to fund operations in Engineering). Those two aside, everything else we are basically going to let it grow while the College is giving students scholarships in the form of discounts. This is a good time for the Board to discuss where we are going to go for the next few years knowing that we are not going to do huge draws in terms of the endowment. Mr. Ciepiela stated this is technical and the thing to remember is what we showed is there are two options safe secure and predictable and the other more risk for growth with less income and the income gets reinvested. It is a place to start with discussion. We can get granular and they can do the work behind the scenes and report back to the Board. This is more of two options and what does it look like to the Board and they will deploy it and report back.

Present Bailey asked what Adam and Mr. Ciepiela know where the Foundation is at what advice they would have for the Foundation vis a vis allocation one or allocation two. Mr. Ciepiela stated allocation one, in the context of where we are in the market and the uncertainty, the uncertainty is the virus. We started with the virus and now we have to wait for the vaccine and we all have to feel comfortable going our again regardless of what it looks like. With portfolio one it allows the Foundation to be more stable and predictable that if we have another pull back, what does that look like. Part of the review process as things move forward, he views this as a volume, we are on volume one and we could always move the volume based on the market. There is always that ability and that is what makes Rochdale so unique. They are buying individual stocks and bonds. They are being very selective. This is always an option and based on what he knows he would personalize one is where they would go.

President Bailey stated he agrees with Mr. Ciepiela and based on discussions with Adam, Steve and Cameron; this is a good move based on where the market is right now. For the Board to think about is that once we do have all those conditions in place that were mentioned, when things start coming and if as a Foundation if we are still focusing on the College to give out scholarships and the Foundation is interested in long term growth, if the board decides to go with allocation one, as we get out of this in mid-2022, it may be a good point to accept a little more risk because we are a little more comfortable with long term growth. Mr. Ciepiela stated that is why we use Rochdale; because they are so economic based, they take the emotion out of the decision. Rochdale will make these decisions unemotionally. Board Member Owen is on board with President Bailey's strategy. He has two questions to superimpose on this strategy and to be sure we are thinking about this carefully and being good stewards of the College's funds. The first question pertains to his personal investment and as a board member. It seems we are at a point again where stocks are yet again overvalued. If you do believe that then the question becomes how does this near-term strategy take that into account and mitigate some of the risk for us.

Mr. Killeen stated first worth noting, implementation wise they are very deliberate. When talking about these options it is not something, they are going to wake up tomorrow and do. This will take three to four months to purchase. They will be very deliberate about buying individual stocks. They are looking for the right opportunity to get in and can speed up or slow down if they need to. They are very deliberate. To the point of stocks being expensive, he would agree, kind of, many stocks are expensive and, in their opinion, there is a premium on precision. In other words when talking about the S&P500 there are some of those stocks you do not want to own. To them there are segments of the market, tech, health care, that are getting to be expensive by traditional metric. They are about 20 prices to earnings ratio that starts to get expensive. There are other segments, value, high dividend that are actually undervalued. They got more beat up in the down turn and haven't recovered as quickly as the growth names. The value of Rochdale is they are not going to buy the whole market. They are going to be very precise about how they deploy. He sort of agrees with Board Member Owen with the segment of the market, the answer is precision on how to invest and deploy. It is not buying the while S&P 500. That worked for the last decade. That strategy of buy everything has worked, this is not that time. Mr. Ciepiela stated in the short-term clients that have been with Rochdale for a while so a few years, Rochdale was kind of the hero in March, they sold off and held about 20% in cash of the client's portfolio as a mitigator for their client's protection. For implementing this will not happen but if this happens it will be done again. They do this very well.

Board Member Owen stated long term his concern and he discussed in his speedometer view which he liked by the way, very simple, easy way to package the data so the average investor can look at it. Federal Government involvement is a big lever that we are depending on to help stabilize the economy and GDP. Are you concerned the feds may run out of runway or rope and may not be able to bolster the economy as strongly as we need? Mr. Killeen asked what Board Member meant as far as run out of rope. Board Member Owen stated he means we are taking on tremendous national debt because of our current monetary policy when do we reach a point, we can no longer do this either because our bond ratings are not as strong or out investment in the bonds are not as strong or other mechanisms. Mr. Killeen stated it is a certainly logical conclusion that is an eventual issue for us as a country and the US as a whole, we are of the mind it is a long way away. It does not mean it is not something that should be discussed and not something that should even be worried about, it is something that should be discussed and it is a problem that should be resolved. In the current time, and the evidence for it, the reason the 10-year treasury is less than 1% is because the treasury is simply that high. Yes, the fed had some artificial keeping rates low. Really that affects the short end of the curve, the fed controls up to about two years of interest rates. When you are talking about 10 year treasury it is controlled by the market, the fed has very little impact on that it is the demand or lack of demand for treasuries and there is simply so much demand for safety right now so they have been driven below 1% so the dollar, the treasury is still the gold standard for what is safe and riskless and it is not even close and it doesn't mean eventually that is not the case because it is something that should be discussed and it is the logical conclusion but it is decades not years away. Board Member Owen stated this is what he wanted to hear is that it is decades. Mr. Ciepiela stated there is a lot of misconception about who owns our bonds and it is the Federal Reserve does so China does not own most of the bonds. So technically it is an interest free loan. We are not going to charge interest to ourselves so a lot of that money is on an interest free loan and one of the things America is good at is paying its interest payments. He agrees with Cameron that there is no doubt, from an individual standpoint, they are telling clients tax rates are going to go up because they have to because we have this unprecedented amount of stimulus and they are going to want to pay for it somehow. That does not affect the foundation but they are concerned about it, it is not an issue but further down the road.

Mr. Killeen discussed the Maley account and scholarship as of late April and the figure (attached) might be different but they constructed them so there is considerable cashflow from both. President Bailey stated the Maley account this is the account where the bulk was given by the Maley family and is specifically for an endowment for nursing scholarships. The plan is to draw $25,000 a year for five nursing students for a full year scholarship. President Bailey talked too Dr. Maley and she is super excited about this. If the Foundation plans and projects we are drawing $25,000 on this a year, it is good. Mr. Killeen stated this allows us to be more aggressive on the comfort level and we can focus on growing it. He would like to be more aggressive because we have so much more cashflow. It is about a 60/40 portfolio and moderate growth. Mr. Killeen stated a similar framework was done on the SERPA account. It is pretty similar in cashflow and could be dialed up and down based on need. President Bailey stated SERPA is the account we draw on for operational funds for the Engineering Department. This one varies each year and the Engineering Department understands it goes up and down depending on the market. From President Bailey's vantage point this is where we talk to Mr. Killeen and Mr. Ciepiela as to where to go. Mr. Ciepiela stated he would go with this setup so we are sure to keep the income steady and know where we are going year to year from a budget standpoint and the allocation can be changed. Mr. Killeen stated this is very predictable as well.

Mr. Ciepiela stated this is the bulk and can take questions from the Board.

Board Member Herrera stated he is curious and looking at allocation one and a yield of 3.78% is he too assume this is, there is a lot of assumptions coming up with these numbers and he realizes and asked if the period they are looking at in terms of annual projections and asked what that period is they are looking at. Mr. Killeen stated when it comes too dividends and interest, they are looking at calendar year so January 1 to December 31 and that number there are actually not that many assumptions, they look at what they like currently, what they hold currently for a lot of their clients and they are able to predict based on the size of the account with pretty high accuracy. To his question it is January 1st through December 31st calendar year, however, when they get to the prediction business is when it comes to the overall return. For that allocation one, the yield of 3.8 is accurate, the growth is where they get in the prediction business and what they do there is they don't look at historical, they look at the economic outlook. They look at those dials and where they see the economy and then they relate that to the various markets and where they see stocks and what they will do going forth. Together they add up too 5.7% and that is a projection going forward, so they think growth is going to be muted for the next several years. It is a projection of everything that is going on. Board Member Herrera asked if you are looking at January through December, does that in some way take into consideration post-election from November and whether or not there is a direct correlation in the administration in DC and how the market is going to behave? How does it factor in and are they looking at it day by day and month by month? Mr. Killeen stated election does not have as big of an impact as people think. People put more stock in the election than it has an effect. If there is going to be a big swing in either direction, one party wins House, Senate and President, they will look at it.

Board Member Owen stated it would be useful to have a risk measure for allocation one and allocation two just so they generally know the risk/return equation.

Mr. Killeen stated this is where they look at historical. The standard deviation number is a risk metric and it is based on historical volatility of all the asset classes and then the mix. It is tough to grasp what that means. Mr. Killeen presented the slide related to this. They put these portfolios through a stress test to answer one question and it is how will this portfolio behave in a bare market, a 25% drop in the S&P. If the S&P goes down 25% what is the connectivity to that with a pretty high degree of accuracy based on historical. The first allocation, the market goes down 25% and it will go about 10%. Where some of this customization comes in is, they are not telling us that, they can mold that. The Board can say they are uncomfortable with the number and let them know the comfort level and they can take it and reverse engineer a portfolio that meets those risk characteristics.

Board Member Owen stated when looking at the return attributes, he understands this is estimated and you compare under the very bottom line on the spreadsheet, asset allocation one versus asset allocation two, he finds interesting, the yield percentages are not all that different between allocation one and allocation two but the growth is. If we feel that the amount of money is available to us every year from yield dividends, etc. are sufficient and more than we need, we may want to take a closer look at asset allocation two.

Mr. Killeen stated he agrees, as long as you can stomach the increased volatility then he agrees allocation two is going to produce a summer yield and better. It is being able to stomach that volatility and it makes sense.

Board Member Owen asked what mechanisms they would use to somewhat isolate themselves from that volatility, meaning, if they know the bottom line is we need roughly $22K for the Engineering Fund and $25K in the Nursing Fund, if we had a couple years of reasonable good yield that were above that is there any way to hold, would it be wise to hold that money to buffer some of our exposure to variability and yield from year to year as in (inaudible) or risk investment so that if we did run into a bump in the stock market we could draw from very secure dollars and help supplement our annual need.

Mr. Killeen stated the yield will not have much variability at all. With any excess, what they would recommend is reinvesting those in the portfolio. As referenced, we use cash as an asset class and as a risk off so to speak tool. Right now, a lot of the portfolios have about 10% cash so there is already a buffer built in. That yield is not going to vary much from year to year, it is the value of the portfolio. The yield is going to stay steady; the value of the account is going to fluctuate on a year-to-year basis.

Board Member Owen stated this is a good explanation and makes sense. What Board Member Owen is pointing out to the Board is we may just want to look, he narrowed in on allocation one but after looking at risk to return factors we may want to look more carefully at allocation two just as a decision point.

President Bailey stated he fully agrees and it is something for the Board to consider. He thinks it is something for the Board to consider going forward and we are in a volatile time as well. Allocation one is one of those based on where we are at and all the uncertainty it is kind of a cushion for us. He is open to that moving forward, especially as we come out of this, especially with what we are planning to do with Foundation funds and the fact that we are not really doing huge draws, we would be well served to do allocation two down the road.

President Bailey asked if there are any other Board comments.

Mr. Killeen stated this is all he has and if there are any questions, the Board can certainly contact him. President Bailey thanked Mr. Killeen and his time and expertise.

VI. FOUNDATION INVESTMENT STRATEGY DISCUSSION

President Bailey stated everyone knows about the near- and long-term strategy and asked if anyone would like to jump in. President Bailey stated from his perspective because we are only drawing from Maley and SERPA and looking at growing he thinks we should consider Allocation One and as we climb out of this, we could be more risk tolerant and the margin for growth is much greater that we look at it. The long-term strategy for this Foundation is for the Foundation to grow its corpus too $10M to the point at which it is $10M, at that point, the Foundation would be able from its own interest basically to have an operational account and be able to pay for an Executive Director to really get this thing into overdrive. Similar to what UNM did decades ago. Right now, we are just not there, we just can't do that and the College can't spend more on the Foundation than the Foundation raises on funds for students. This is why we are in this unique position but he thinks it is an opportunity thanks to Board Member Bejarano and thanks to what the College is doing on the business side to offer scholarships through the College. The good news is one, last year we gave more scholarships to students than in the history of the College and he dare says we are going to do even more this year. The only extra thing we have this year that we didn't have last year is that the Governor pushed and the Legislature supported the Governor's Opportunity Scholarship. We are going to beat our own record; students are going to have more opportunities this year even in this economy. All that is good.

Board Member Sanchez asked if the difference between allocation one and two is only about 1% difference, estimated return, correct? Board Member Bejarano stated 1.1%. Board Member Sanchez asked if that is typical and she knows that they based this on our situation. It seems like it is such a close, less than 2% difference.

Mr. Bejarano stated for him it boils down to whether we want the long-term growth strategy and to adhere to that. Right now, the numbers may not make a difference but as time goes on, that growth factor increases or the strategy would be to increase the growth factor. Where do we want to set ourselves, do we want to set ourselves at current revenue coming in or are we more interested in foregoing a little bit of that go into the savings account. President Bailey stated the good news is there is enough cash flow in either option, enough to do what we need to do in terms of the draw.

Mr. Bejarano stated if we would have looked at this before we were as concerned about the pandemic, in February, the allocation would have looked different from now. With the uncertainty we have with the spikes and stuff, he knows, on a personal level, he is being advised to sit still. This is not the time to make any significant changes. This is just to keep on the back of our minds. He would not hang our hats that it is going to be consistent, the way the economy has gone, things are constantly changing and it is dynamic and not in a good way. That is what keeps coming back to him, on a personal level or for the Foundation or College. He does not think anything can be seen as signed, sealed and delivered for any long-term period of time.

President Bailey stated in terms of where we go from here if the Board would concur, he would like to pick up this discussion something in the fall. As we look toward the horizon and in terms of the Foundation investment strategy, we are going to continue to talk about the difference between allocation one and allocation two and talk about risks we are willing to accept, take James advise on what he discovers in terms of the REITs and whether or not we want to sell those off, move them or leave them there. The other thing, from President Bailey's perspective, he knows that we made a decision to hold off on the RFP for the Charles Stephen account so far and based on what Board Member Bejarano said, don't change in the middle of the hurricane, stay where you are at, we may want to consider the long-term strategy for what we are doing. If the Board is comfortable with Charles Stephen and Rochdale, do we want to pull the RFP. This is something to look for in long term.

Board Member Bejarano stated the only other thing he would ad in that regard is the decision to RFP on a periodic basis and it is set at one year, that is a Board policy that was set long ago that was just not being followed. This Board can opt to say no this decision is going to be made by the Board at whatever time interval we think is appropriate. He was surprised we RFP this because anytime, it is like switching hairdressers and dentists if things are going ok. Board Member Bejarano stated his recommendation would be that the board give itself the flexibility and authority to give whatever investment firm the board sees fit at that point in time and make that decision that way. RFP for investment strategy is different than RFP for computers. Depending upon relationships and trust and other things you cannot measure. President Bailey stated he thinks we should exercise this authority as a board and decide when we want to do it. At the same time, we want them to know we are holding them accountable.

VII. PRESIDENT'S EAGLE FUND

President Bailey stated he wanted to give the Board an idea of the funding that has come in for the President's Eagle Fund. We are now right around $170,000 or $180,000 in donations to the President's Eagle Fund and are confident we are going to get to $250,000 which is the goal. Part of this was a flow through for the Mill Levy, there is a project for Prosperity Works for student's and single parents who are students. There is money that is going for equity and diversity including money given to us by the Santa Fe Community Foundation and New Mexico Foundation which is allowing us to run the farm and money used for the Food Depot in Santa Fe and masks that were purchased that we are distributing to everyone.

Board Member Owen stated this has been one of the most productive meetings since he has been on the Board. He agrees with the recommendation with the long-term investment strategy. We should have something written down that identifies the investment strategy. He likes the goal of $10M and then the opportunity to revisit and draw interest and paying for full time staff. Regarding the Eagle Fund, Board Member Owen would like to donate to the fund and he will send a check in. He thanked everyone for allowing him to ask a lot of questions for this meeting. Board Member Owen left the meeting at this time – 11:16AM.

VIII. CENTURY BANK ACCOUNTS UPDATE

Board Member Bejarano stated we have four accounts at Century Bank and from an accounting perspective he thinks we could with two. He will let the Board know the balances. Currently we have an investment account and the balance is at $47,801.49 and the investment account, anything that is where money is parked that will end up in the portfolio, that was the intent of the account. Ultimately that money should move to help building up the portfolio. We have an operational account sitting at $9,431.00 since we don't have a director, those types of expenditures, this is about right as things come up. We have an unrestricted account where we know that the money can be spent for any Foundation purpose whether it is administrative or the money could be used for scholarships, it is unrestricted as the name implies at it is $18,925.81 and the final account is temporary restricted. This was set up for where we don't know what the donor wanted to do with this money. This is one of the accounts Board Member Bejarano stated could go because we should know where it goes.

IX. CARR, RIGGS & INGRAM FOUNDATION ACCOUNTS UPDATE

Mr. Bejarano stated we had hired CRI Accounting Firm who are also now going to be doing our audit to do a reconciliation of our endowment accounts. That went by the wayside when they got going because of COVID, everybody went home. There was not a lot of activity. He spoke with the accountant that is working it, we are getting ready to roll back into it again. We are going to renew the contract and roll it into 2021. Essentially, that will let us know if we have any (inaudible), discussed it before, we had situations where potentially we had money in one account, one endowment fund that belonged to another and we needed all that reconciled and straightened out but the other piece is that actually, the contract we did with CRI gives us assurance. There are two ways to do these types of contracts, one is that basically agreed upon procedures where there is not necessarily assurance, we are telling the firm to do and what we want to get out of it. In this case they are going in and saying this is the information we need and how we need to reconcile it to assure ourselves that the numbers are correct within each endowment fund and they give us a letter, basically they sign their name to it. We chose the latter because we wanted that kind of assurance for the fund. We are getting ready to kick this off this morning and Board Member Bejarano spoke with Sara Specht this morning, she now works out of Washington, DC but she is with the firm which is in Albuquerque, Carr, Riggs and Ingram and it is proceeding nicely.

Board Member Bejarano stated the other thing discussed was not necessarily for today but we need to consider moving the Foundation accounting into a system separate from the College so it is acting like a component unit than just another fund within the College as it was originally set up. There is not so much activity that we cannot do it with a real simple system, QuickBooks has a nonprofit system and that is probably what we are going to use for the Eagle Corporation and in talking to different firms a few of the other foundations that are using QuickBooks, we are doing investigation but we would do it and do it up in the Cloud so it is backed up consistently.

President Bailey stated there is still money the Foundation owes the College and they are still looking at ways to do that. That is why we hired CRI to do this analysis for us so that at some point the Board will have a picture of what is in the bank, what is flexible and moveable, here is our upcoming expenses and strategy to pay back the College. There is another good update, President Bailey and Ms. Pepper had a meeting with Joanna Gillespie from Los Alamos and in addition to the Eagle Fund which we are going to add and get to the $250,000 she works the employees giving network and once we hit the $250,000 then the focus is going to be to build on the corpus of the Foundation with the goal of getting to that $10M. That will go a long way to helping us pay the debt and long term grow that it becomes its own independent entity. What Mr. Bejarano mentioned about the separate accounting structure will be a good step in that direction.

Board Member Bejarano stated another advantage of doing this is that we will have a director and possibly an administrative assistant at some point and be able to afford it, what would be good about now extricating the Foundation, right now it is weaved in the College, when the director comes in, here are the books and what questions do you have and then they can move on independently which is the way you want it set up in the long run. President Bailey stated this is a long-term strategy.

X. ADJOURNMENT

Board President Herrera called for a motion to adjourn.

Board Member Bejarano moved to adjourn. Second – Board Member Sanchez. A roll call vote was taken. President Herrera - yes, Board Member Bejarano - yes, Board Member Bailey – yes, Board Member Sanchez – yes. Motion passed unanimously.

The Foundation Board adjourned at 11:25AM.

Approved:

Alfred Herrera
Alfred Herrera (Jul 27, 2021 15:14 MDT)

Alfred Herrera
President

Tania Sanchez

Tania Sanchez
Vice President