



**NORTHERN NEW MEXICO COLLEGE
FOUNDATION BOARD MEETING MINUTES
NOVEMBER 4, 2020**

A Regular Meeting of the Northern New Mexico College Board was held on Wednesday, November 4, 2020, Via Zoom. Board Members Present: Alfred Herrera, James Owen, David Eyler, Richard J. Bailey, Jr., PhD, Ricky A. Bejarano, CPA, CGMA. Board Member Sanchez was unable to initially join the meeting due to technical issues but joined the meeting at 1:38PM.

Northern New Mexico College Staff Present: Amy Peña, Executive Office Director.

Others Present: Betty Espinoza, Ryan Cordova, Stephen Ciepiela, Rachel Crane, and Julianna Barbee

Board Member Bailey stated he has the Agenda in front of him and with his permission he will run the meeting. Board President Herrera agreed to Board Member Bailey running the meeting.

I. CALL TO ORDER

The meeting was called to Order by Board President Herrera at 1:38PM.

II. APPROVAL OF AGENDA – Action Required

Board Member Bailey asked if there were any changes to the Agenda. Board President Herrera entertained a motion to approve the Agenda.

Board President Herrera moved to approve the Agenda. Second - Board Member Bejarano. A roll call vote was taken. Board President Herrera – yes, Board Member Eyler – yes, Board Member Owen – yes, Board Member Bailey – yes, Board Member Bejarano – yes, Board Member Sanchez – unable to respond due to technical issues. Motion passed unanimously.

Board Member Sanchez was unable to join the meeting.

III. DRAFT FUNDRAISING AND INVESTMENT STRATEGIES

President Bailey stated this item showed action required but this is really an item for discussion. President Bailey already sent a draft of this too the Board. He stated he knows that this has to be reviewed before Board Members Eyler and Owen leave the meeting and asked that that item be reviewed first. Board President Herrera stated that would be fine.

President Bailey stated he knows Board Member Eyler, Sanchez and Owen only have a few minutes and he asked if he could give a quick look at this strategy. This is on page three of the packet. This is something Board Member Owen wanted to talk about and President Bailey stated he wanted to put something together to start a dialogue and we don't have to solve this today but wanted to get initial thoughts. President Bailey wanted to put together a fundraising strategy and an investment strategy. When he talked to Judith Pepper, Major Gifts Officer about fundraising strategy and the question was if you had a large chunk of money what would you do with it. The answer for President Bailey is he thought of it in terms of a time horizon. In the immediate term, it is holistic

student services. He is really grateful and proud of what this Foundation has done when it created the President's Eagle Fund, the College did so many things using that funding for the food pantry, the chrome books, the jetpacks and all that stuff is because of that vision. The College was able to take small investments and really do amazing things with this. This is the immediate term. The medium term is in terms of infrastructure and the goal has been set at Northern for both of our campuses to be energy net zero by the end of the decade. We are doing that slowly but surely, using capital outlay money from the State to help us with that. Also using ENMRD to do this work. If we had large donations, President Bailey would look toward that renewable energy transformation because that saves the College money for the next thirty years. Lastly, philanthropic foundation and President Bailey knows this will make everyone crazy. He would think at the point at which we were able to get to a corpus of \$10M, we just hit \$4M, even though that will take a long time at that point that is when the Foundation would hire its own Executive Director, work in a way that is analogous in a small way to the UNM Foundation. Those are the three pillars President Bailey sees in the fundraising strategy.

President Bailey stated the investment strategy is more of what Board Member Owen envisioned. We know the Maley Endowment is sitting at \$1.3M, the SERPA is at \$720,00, those are going to pretty solid and are specific. The general endowment now with the gift that we are going to put in there, it is going to be closer to \$2M and then we have the operational accounts in Century Bank. President Bailey stated if he had to put the starting pieces on it, current investment strategy. One is we do Maley and SERPA endowments which are done every year to do basically what we have been doing for the past two years. The general endowment, we leave it as much as we can, we let it grow because ultimately the more we do that we are going to get closer and closer to the \$10M and in the interim the College is raising money for those scholarships that would be pulled out of that account. There is the payment we owe the College, those dividends that they were talking about, we can use those over the next couple of years to pay the debt the Foundation owes the College and at that point we are cooking with gas. President Bailey opened this up for comments.

Board Member Owen stated this is great and what he was envisioning. His first broad review looks fine and he thanked President Bailey for taking the time to do this and he will take time to review this. He likes that President Bailey is establishing an endowment funding goal of \$10M before engaging in section three of the fundraising plan. President Bailey stated the Board should take time to review it and as they want to make tweaks or make some clarification then we are golden. When they marry together it gives time to have a strategy.

Board Member Eyler said he agrees with Board Member Owen and asked President Bailey how he wants feedback if any. President Bailey would ask that direct email be sent to President Bailey. At the next meeting, he will then capture everything, send it all out and the Board can hash it all out from there.

Board President Herrera stated this looks fine and he appreciates the thought process. He has a side comment related to fundraising. He doesn't know if anyone is familiar, he buys a lot of stuff through Amazon. There is a location through Amazon where you can identify a charitable organization and NNMC Foundation came up as one of those organizations. Immediately, he started buying through Amazon under this ability to do this. Part of what happens is some of the money spent through Amazon goes back to the Foundation or organization. President Bailey will talk to Ms. Pepper and ask her to research and this can be promoted by the College.

Mr. Ciepiela reviewed the investment strategies with the Foundation Board. When they redesigned this, what they are going to find is you have what is called an investment summary and they broke this out. There are three accounts, General Account, SERPA Account and Maley Account. Before they used to be put together and now, they are broken down separately. In all accounts what we have right now, we have City National Rochdale and Rachel is on the phone and they are an institutional manager, they are managing money and you will see why they like City National because it is the first time in a long time, we can actually do some kind of a projection as to how much income you can expect to get out of each account to pay scholarships each year. Each account has City National Rochdale and each account has little bit of a growth, money left in the account and that is basically for distributions for this year and each account has Griffin Capital, it is a real estate investment trust. When they

took over this account it was all in annuities and real estate investment trusts. There are two different types of investment trusts there is liquid and illiquid and this real estate investment trust is illiquid which means you can try and trade it. They are not trading any of it now as you can understand and if you do you trade it at a big discount. They did get rid of some of the REITs they could, they kept these because of what they are doing, they are paying a 6% dividend like clockwork and have been since they took over the account in 2013. They haven't made any changes with them it goes into the other accounts. When you look at what you invested, the current value is very close to what initially was invested back in there. The real estate investment trust, there is really not much we can do with them except watch them, that is what they are doing. The other advantage of City National Rochdale is every quarter if you like, you get to talk with Rachel Crane who is responsible for the management of the account. At no other time has this account been in a situation other than them, they could talk to the people who are directly managing the account. Mr. Ciepiela introduced Rachel Crane.

Ms. Crane stated the market has been calm about the election and up even and that up in the market is actually they would say primarily in response to what has happened in the Senate and the fact that the Senate has maintained a Republican approach. Some of what was on the proposals for Biden if we had seen a Democrat sweep would have led to higher corporate tax rates as an example. The market likes a split government, in fact, that has been true historically. It is not a surprise today that the market is up. Of course, we do not know the full outcome yet. When they look at the outlook they are focused primarily on the economy. The economy has done well with Republicans and Democrats and all combinations. What they are really focused on and as it relates to this portfolio is are we going to continue to see the economy grow. They believe they are. They have great third quarter GDP numbers that recently came out but it is not that hard for third quarter GDP numbers to be great when second quarter were as bad as they were. We had a sharp downturn when we turned off the economy, second quarter. We have turned it back on and it has gone pretty well. About half of the jobs that were lost have now been regained but those are kind of the easy half, the next are going to be more challenging. Because of that we need more stimulus and Congress has been debating how much stimulus and where it should go as it relates to some of the things you may be thinking about. The Trump administrations versus the latest Democratic proposal and where this stimulus might go to. For example, state and local aid is a major area of debate between the two groups. That is going to filter down through state budgets and how we are going to see individual states economy continue to recover. This debate is likely going to continue now that we see the Republicans kept the Senate. The reason why this is so important because we need the economy to reopen. That is going to be the primary driver of returns in this portfolio and economic growth. In the meantime, where we can't reopen, we need more stimulus. We are likely going to see two trillion more, the market has already priced this in and expected that that is going to be the case. Where we see areas of concern today, that concern is around whether or not we are going to get through the flu season and still be able to maintain the open economy. When we look at Europe, that has been challenged most recently and we are seeing some shutdowns in Europe, that is going to slow down their economy. That may happen here, some stops and starts. Based on the data so far and better data than we originally feared in terms of hospitalizations, then we are going to continue to move forward. She understands New Mexico specifically really has had an increase in cases and that is true in a lot of different states and they are monitoring that and that may lead to some targeted shutdowns which will then slow the recovery and another reason we need more stimulus.

Board Member Owen stated he would like to ask a few questions. The first is, he agrees with the disposable income rating in place. When you look at housing and mortgages, he is surprised it is in the green zone instead of the yellow zone, what is the basis for that estimate or how that factors. Ms. Crane stated housing has been a huge winner in this recovery for two reasons. One is low interest rates are driving people to buy homes so demand has gone up. Secondly, people needing more space or wanting more space. The remote work option, people needing more space, demographic shifts and low interest rates, we are at a fifteen year high of housing. It is the highest level of new and existing home sales since 2006.

Board Member Owen stated he definitely agrees with that assessment in the now, his concern is when mortgage relief expires and we see issues with debt liens, etc., (inaudible) that that gauge will move. More specifically, his concern would be relative to our investment portfolio is if we see the consumer real estate market, the residential market starts to soften, will that also bring down the commercial real estate market and then start affecting our real estate investments.

Ms. Crane stated what is going to happen as we see some of this regulation to not allow evictions and that kind of thing to happen. That is going to be a problem. The majority of landowners or landlords have mortgages on these buildings. Of

course, if you have renters who are not paying, that is where there is going to be a big issue. Going back to the stimulus, this is where there is a pretty even agreement that those that are unemployed need some supplemental unemployment benefits, \$400 versus \$600 is being debated about incentives and how this plays out in terms of incentivizing people to go back to work. One thing that could help that is additional unemployment benefit to help people to pay their rent and that would help. That being said, depending on where you are in the world, this also is quite different. In San Francisco where there have been stronger lockdowns for longer is seeing a higher rate of job losses than say other states that have had more opportunity to reopen because of COVID data. That is going to be kind of state by state, city versus suburbia, rural versus urban. To his point, yes, it is a concern and that is where additional stimulus is needed. As it relates to the portfolio, it is very important that you are not invested in downtown commercial real estate, in strip malls, large office buildings. You have to wonder if people are going back to work in the same way that we were there before and if not, are we going to see, like we have seen technology companies do, where some of the more agile companies not renewing leases. REI sold their headquarters in Seattle. There is going to be some permanent change based on what we have just gone through. The way she describes it is we have about 10 years in lifestyle disruption in six months. That does change, whether or not we want to be invested in amusement parks or movie theaters or strip malls. We are not invested in those areas because of those concerns. How that impacts the economy will have everything to do with how quickly we can get people back to work. If this is a shorter-term scenario where we get a vaccine and next summer or next fall all students are back to normal, students are back to school safely and people are taking public transportation again, then we just enough stimulus to get us through that. If the COVID data becomes more and more difficult and a vaccine does not provide relief that is expected that is where we have some issues. We are very mindful of everything you are saying, those are reasonable questions and there is some unknown there and they are tracking it closely.

Mr. Ciepiela stated also just so Board Member Owen knows, the Griffin Capital (inaudible) asset reach, he was looking at statistics, it is a portfolio of net lease assets consisting of single tenant, no shopping malls in there, business essential properties throughout the United States diversified by corporate credit, physical geography and restoration. They have 101 properties in 25 states 27.2M in rentable square feet. Probably in the place you want to be if you are in real estate.

Board Member Owen asked if the later portfolio he spoke about if it is business office space. Mr. Ciepiela stated it could be either business or warehouse, single tenant. Board Member Owen stated this is the sector he would be most concerned about is business office space. Mr. Ciepiela stated may depending on who it is, warehouse is definitely not.

Ms. Crane asked if there were any additional questions. She stated she would like to talk about one aspect of what is happening in the stock market that is really important, it is as little bit less important for this portfolio because of the timing, we did not get in at the beginning of the year but for those of you looking at personal investments and a discussion of where we go through here. This is through the end of September but through the end of October is quite similar. That is, when the market dropped from February to March, that happened broadly across all investments. The rally back has been very uneven. Not all stocks have recovered. In fact, five technology companies, the tech titans are leading the way and pulling the market up. So, Apple, Amazon, Facebook, Google, Microsoft up over 40% for the year. The other 495 companies in the S&P 500 still down through the end of September. Small cap stocks still down, dividend paying stocks still down. The timing of us starting in this portfolio has worked out well because we have been able to pick up good stocks that have been on sale. We are not going to see this kind of disparity because of timing but not surprising if you were to look at your own investments or longer term. This is going to have a big impact on the future because this kind of dislocation between growth stocks and value-oriented stocks, it hasn't been this big since 1998. Over time, we are going to see some reversion in the market. That is why in this portfolio, in addition to the goals we set up originally, we also wanted to have a portion of the portfolio in what we would consider these on sale investments.

Ms. Crane gave the Board an update of the portfolio. They are looking at October 15th but the three accounts are \$3.7M plus and they are split out each of them are separated out as shown to the Board. Ms. Crane asked which the Board would like to focus on. President Bailey stated with Boards concurrence, with the interest of time, we can look at the general scholarship endowment.

Ms. Crane stated as a reminder this is a moderate investment profile here. They want growth and income. The income being generated over the next twelve months just in dividends and interest is about \$71,000. We get that through this mix of assets which we talked through on the implementation call. Growth assets with a target of 15%, income and growth with a target of 65% and safe stable assets of 20%. We are just about there in terms of the actual portfolio being a snapshot of

October 15th versus the tactical allocation. The difference is we are holding a little bit of cash and that is intentional as coming into the election, the flu season, having a little bit of cash on hand for distributions. Just making sure that is protected. This allocation right where we discussed originally up front and pointing out this yellow category in the market has been discounted so the timing of when we have gotten investment has been beneficial. We have been able to get into some of those assets on sale and seen some appreciation. We started July 23rd and we are October 15th took a few months to get fully implemented and here we are up about 1% not significant but in line with what they would expect, stable income coming in. That income will really going to pick up over the next twelve months now that we are fully implemented.

Mr. Ciepiela stated he looked up as of today the account is worth \$3.985M so it is up around another \$100,000. Since inception the account has earned close to 2% since July, four months. Ms. Crane asked if there are any changes, she should be aware of in terms of the goals of any of these accounts.

President Bailey stated he went to the College with the Major Gifts Officer and they went through the Foundation files and when they were there, they checked the mail. There is a nonprofit that reached out to President Bailey about a year ago and they were really excited we were doing a food pantry and doing some other things and they said their nonprofit is closing and they wanted to donate some things to the College. They gave us clothing racks and when they closed the account, they said they would give us the remainder of the account and they would like it in the general scholarship endowment. He thought it would be \$500 or \$1,000 and they got the check yesterday and it is \$288,000. That will be sent their way soon. They have to work out with the donor, likely a majority if not all will go into the general scholarship account.

Ms. Crane stated she thinks we are in a good spot; we have implemented as we talked about originally, we are still going to get through the year and into next year. We are optimistic that we are going to continue to see good returns. If it gets rocky, we are ok with that, we have dividends and interest, we are not taking too many risks and she is not recommending changes. Mr. Ciepiela stated one of the things for each account they have this in there, for the Foundation, this is really good because it helps plan when you know what the estimated income is going to be for the year for each account. Also, each one managed, they make sure, they are managed as a whole from a standpoint of costs and everything but they are each broken out but each one will have an annual estimated income for each one which he thought was huge.

President Bailey stated he really appreciates that and it fits into what the Board will talk in terms of the rest of the meeting. President Bailey thanked Mr. Ciepiela for his work and the future is looking good. Mr. Ciepiela stated if the Board has any specific questions, they can email him.

Board Member Sanchez joined the meeting at 1:38PM.

IV. FOUNDATION INVESTMENT AND BANK BALANCES

President Bailey stated the account is sitting at \$3.9M. Mr. Bejarano stated we do not need further discussion and he is surprised we are sitting in the position we are sitting in. We have four bank accounts that we keep. One is an unrestricted, sitting at \$22,309, the temporarily restricted which is used for putting money, if we receive money and don't know where it is place, we put it there until we know where it is place \$564,983 plus change. We are not moving money out of this account because we have CRI reviewing the endowment accounts. If we need to move money, we will be able to make it up with this amount of money. The other account is the investment account where we hold money where we don't have to use currently and it is \$134,112 and change. We are holding this account for the same reason; we are waiting for the CRI evaluations that is ongoing. Finally, we have an evaluation account in the event we have a Foundation mailing and it sits at \$9,810.00. We have had no activity. We have been letting the Foundation accounts level out so we have a good picture especially after the CRI. After the analysis the Board can make a more informational decision of where it would like to go. We are also converting the Foundation records off the Banner system of the College. It should have never been there; it was set up as a department of the College. We are in the processing of moving records out. Mr. Bejarano is consulting with CRI and it is being put in QuickBooks in the Cloud and working on extricating the Foundation records from the College. The foundation is a separate entity.

Board President Herrera asked as Mr. Bejarano is converting into QuickBooks, he is assuming one of the staff members at the College is going to oversee the transactions, is that the way it is going to work. Mr. Bejarano stated the only person being able to oversee this is him. We are stretched too the limit. He will take over the bookkeeping function as well. Part of what is keeping us from going full force is we want to make sure in conjunction with this year's audit, we are being advised, we are working with two firms REDW and CRI and want to make sure when we flow, especially the historical data into QuickBooks that we do it appropriately and not make it an audit finding next year.

President Bailey stated we wanted to get to a point where we want to marry up the accounts with the donor agreements, promises, scholarship accounts. The challenges that we have had as a College is that those two things have never been married up. President Bailey is excited we are working with the audit firms to make sure everything is square and President Bailey was going through all the Foundation files to make sure we have an understanding of everything that happened and we received money from a legislator to hire someone to give us a comprehensive overview of all the accounts. When we take those two things together, we have a more comprehensive overview. We are in a strong position.

Board President Herrera stated just an FYI and asked if we saw the comment from Board Member Sanchez that her mic was not working but she voted yes on the previous motion. President Bailey stated Board Member Owen and Board Member Eyler only have a few minutes to look at the strategy.

V. BANK ACCOUNTS

President Bailey stated on page 6 of the packet there is an Establishment of Accounts and Authorized Signers and President Bailey turned this over to Board Member Bejarano. Board Member Bejarano stated Ms. Peña had sent the resolution and President Bailey will share this document. Board Member Eyler stated he could not see the screen but he is fine with what we are looking at. President Bailey asked if he had the packet. Board Member Eyler stated he has the Agenda, Charles Stephen Account Data and the thing we just got briefed on. President Bailey stated on the Agenda, it is six pages long and it is page six. Board Member Eyler stated he got it.

Board Member Bejarano stated essentially what the motion would allow is we need for people to be able to sign off on the bank accounts, we are also including the Charles Stephen account, it would require two signatures which would be under ordinary circumstances board members, however, in the event that one board member cannot sign or is on vacation or otherwise cannot sign, then it allows President Bailey to be able to sign. This is only in the event that one of the board members can't sign. If neither of the board members is available then it has to wait until one is available. Board Member Bejarano asked if there are any questions.

President Bailey stated the bottom line is Board President Herrera and Board Member Sanchez are signatories for the Foundation accounts and it requires both of their signatures. If one of them is unavailable, then he can serve in their place but he cannot sign for both of them. It has to be one at a minimum and then Board Member Bailey can sign for one of them but ideally it is both of them.

Board Member Bejarano stated as well it allows him to be able to establish accounts in the event that we need to establish accounts. This primarily is for the bank accounts. However, he would have no signature authority, not even to make a deposit for example. All it allows is to be able to establish the account. Simply a matter of convenience and then once the accounts are established then the bank cannot accept Board Member Bejarano's signature for checks, cannot accept even him being able to make deposits. That is primarily for a segregation of duties and internal control purposes.

President Bailey asked if there are any questions from the Board and entertained a motion to approve the establishment of accounts and authorized signers as depicted and for the resolution.

Board Member Bejarano moved to approve the establishment of accounts and authorized signers as depicted and for the resolution. Second Board Member Eyler. A roll call vote was taken. A roll call vote was taken. Board President Herrera – yes, Board Member Eyler – yes, Board Member Owen – yes, Board Member Bailey – yes, Board Member Bejarano – yes, Board Member Sanchez – unable to respond due to technical issues. Motion passed unanimously.

VI. ADJOURNMENT

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

The Foundation Board adjourned at 2:02PM.

Approved:

Alfred Herrera

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

Alfred Herrera

President

Tania Sanchez

Tania Sanchez

Vice President/Secretary/Treasurer