

**New Mexico Finance Authority  
207 Shelby St.  
Santa Fe, NM 87501  
(505) 984-1454**

**Minutes of Board Meeting  
July 26, 2013  
Room 322 – State Capitol**

**Present:**

Nann M. Winter, Chair  
Paul Gutierrez, Vice Chair  
William Fulginiti, Secretary  
Tom Clifford, Treasurer  
Brett Woods  
Ryan Flynn  
Jon Barela  
Katherine Ulibarri  
Blake Curtis (telephonically)  
Jerry Jones

Stelzner, Winter, Warburton, Flores et al  
Executive Director, NMAC  
Executive Director, NMML  
Secretary, Dept. of Finance & Administration  
Designee, NM Energy & Minerals Dept.  
Secretary, NM Environment Department  
Secretary, NM Economic Development Dept.  
V/P for Finance/Operations, Central NMCC  
CEO, Curtis & Curtis Seed  
CEO, Stolar Research

**Absent:**

Terry White

CEO, Sunwest Trust, Inc.

**Finance Authority Staff:**

Angela Quintana  
Charles Parker  
Dan Opperman  
Donna Trujillo  
Gloria Castillo  
John Brooks  
Jolene Meadows  
Mark Chaiken  
Mark Lovato  
Michael Zavelle  
Robert Brannon  
Yolanda Valenzuela

Bryan Otero  
Connie Marquez-Valencia  
Darlaina Chapman  
E.J. Peinado  
Jana Amacher  
John Gasparich  
Leslie Medina  
Mark Dalton  
Marquita Russel  
Rick Martinez  
Sanjiv Doreswamy  
Zach Dillenback

**Guests:**

Nick Cardenas  
Erik Harrigan  
Rachel King  
Susan Ellis  
Cindy Mitchell  
Mark C. Nitcholas

Colfax County/ Philmont FD  
RBC Capital Markets  
Sutin, Thayer, Browne  
Bank of Albuquerque  
Bank of Albuquerque  
Hutchinson, Shockey, Erley & Co.

Leo Valdez  
Jimmy Rodriguez  
Marvin Gladstone  
Patti Gladstone  
Glenna Voigt  
Linda M. Kehoe  
Pat Kelly  
John Dunphy  
Michael Ross  
Chuck Thomas  
Paul Cassidy  
Richard Virtue  
Vera Tovino  
Susan Rodriguez  
Kim Hamstra  
Karl Pennock

HSE & Co.  
DFA  
MACCS Foundation  
MACCS Foundation  
MACCS Charter School  
LFC  
MACCS Charter School  
MACCS Foundation  
Baker Tilley  
SSCAFCA  
RBC Capital Markets  
Virtue, Najjar & Brown  
Tri-County Community Services  
DFA  
Tri-County Community Services  
NMED/DWB

**1. Call to Order and Roll Call.**

The meeting was called to order at 9:40 a.m. Roll was called and a quorum established.

**2. Approval of Agenda.**

**Mr. William Fulginiti moved, seconded by Mr. Paul Gutierrez, to approve the agenda. The motion was unanimously approved.**

**3. Approval of June 26, 2013 Board Minutes.**

**Mr. William Fulginiti moved, seconded by Ms. Kathy Ulibarri, to approve the June 26, 2013 minutes. The motion was unanimously approved.**

**4. Report from Chief Executive Officer.**

Mr. John Gasparich, CEO, reported the following:

- ◆ State Auditor's office will present a one hour training during an upcoming Board meeting;
- ◆ The Legislative Finance Committee is conducting a program review of the Water Trust Board;
- ◆ Disaster Recovery Training was held last week for key staff members.

**5. Report from Finance & Loan Committee.** Mr. William Fulginiti reported that the Finance & Loan Committee reviewed and recommends approval of the projects that follow.

*Items 6 thru 14 have been placed on the Consent Agenda. These projects were reviewed by the Finance & Loan Committee, and subject to Board's approval, these projects are to be approved with one motion. If any Board member has a question on a specific project or wishes to remove the item from the Consent Agenda, please address the Chair.*



6. **Consideration for Approval of Buena Vista MDWCA (Mora County) – Preliminary Engineering Report - 3021-PG.** The Buena Vista MDWCA has applied to the Local Government Planning Fund to finance a Water Preliminary Engineering Report (PER).

The PER will address the emergency situation with the community water system serving approximately 216 people with 52 active connections and one well with a 40,000 gallon water tank. An NMED assessment determined that the well is being severely affected by the drought and the system needs to locate a new drinking water source. Pursuant to Section 5.2 of the Rules Governing the Local Government Planning Fund, 100% of the project amount is recommended because the plan is needed to address the emergency situation.

7. **Consideration for Approval of Ojo Caliente MDWCA (Rio Arriba County) – Water Preliminary Engineering Report –2966-PG.** The Ojo Caliente MDWCA has applied to the Local Government Planning Fund to finance a Water Preliminary Engineering Report (PER).

Ojo Caliente will complete a PER under USDA guidelines. The PER will be used to establish new water rates addressing the Association's financial costs associated with the design, purchase, installation and operation of a uranium treatment facility. Ojo Caliente recently received an administrative compliance order from NMED-DWB due to uranium levels in their drinking water supply wells that exceed safe drinking water limits.

The Association has a median household income (MHI) that is 64.74% of the state average and the local burden ratio is 1.67x the state water rate burden qualifying the Association for 50% of the requested grant amount.

8. **Consideration for Approval of Village of Chama (Rio Arriba County) – LEDA/Comprehensive Economic Development Plan – 2948-PG.** The Village of Chama has applied to the Local Government Planning Fund to finance an Economic Development Plan.

The Village will identify potential economic opportunities and will also use the plan to adopt LEDA. Pursuant to Section 5.2 of the Rules Governing the Local Government Planning Fund, 100% of the requested project amount is eligible for funding because the plan is needed to implement the Local Economic Development Act of the Village.

9. **Consideration for Approval of Village of Causey (Roosevelt County) – Water Preliminary Engineering Report - 3012-PG.** The Village of Causey has applied to the Local Government Planning Fund to finance a Water Preliminary Engineering Report (PER) including an environment report.

The PER will address the complete water system, including source, transmission, distribution, and storage. The anticipated result will assist in identifying the priority needs for capital improvements and provide a plan for funding and implementation.

The Village has a median household income (MHI) that is 44.21% of the state average, which qualifies the Village for 75% of its requested grant amount. The local burden ratio is 2.12x the state water rate



burden, which qualifies the Village for 50% of its request grant funds. Based on the two tests, the Village qualifies for the full request of \$50,000.

**10. Consideration for Approval of La Cueva MDWCA (San Miguel County) – Preliminary Engineering Report – 2949-PG.** The La Cueva MDWCA has applied for a Local Government Planning Grant to finance a Preliminary Engineering Report (PER).

The Environment Department is closely monitoring the Association due to severe drought related water shortages. The Association has advised its members to curtail outdoor water use and conserve indoor water use. The PER will address the water shortage and will include a preliminary environmental review.

The Association has a median household income (MHI) that is 41.49% of the state average, which qualifies the Association for 75% of its requested grant funds. The local burden ratio is 2.52x the state water rate burden which qualifies the Association for 75% of its request grant funds. Combined, the Association qualifies for 100% of the plan cost up to \$50,000.

**11. Consideration for Approval of Cordova MDWCA (Rio Arriba County) – Water Master Plan – 2961-PG.** The Cordova MDWCA has applied for a Local Government Planning Grant to finance a Water Master Plan.

The Association will develop a 40-year master plan that will bridge the Association's current water rights and water usage to future water need. The document will be the cornerstone for developing water use, conservation and resource management policies.

The Association has a median household income (MHI) that is 47.71% of the state average, which qualifies the Association for 75% of its requested grant funds. The local burden ratio is 2.19x the state water rate burden, which qualifies the Association for 50% of its request grant funds. Combined, the Association qualifies for 100% of the plan cost up to \$50,000.

**12. Consideration for Approval of City of Truth or Consequences (Sierra County) – LEDA/ Comprehensive Plan – 2963-PG.** The City of Truth or Consequences has applied for a Local Government Planning Fund to finance a Comprehensive Plan.

The scope of services includes the examination of land use, housing conditions, public and private utilities, community facilities, economic development, transportation, and environmental stewardship. Upon completion and acceptance by the Commission, the City will adopt the plan by resolution.

Pursuant to Section 5.2 of the Rules Governing the Local Government Planning Fund, 100% of the amount is recommended for funding because the plan is needed to implement the Local Economic Development Act of the City.

**13. Consideration for Approval of Lower Rio Grande Public Water Works Authority (Doña Ana County) – Water System Improvements – 3013-PG.** Lower Rio Grande Public Water Works



Authority (LRGPWWA) has applied for a Local Government Planning Grant to finance a Preliminary Engineering Report (PER).

The PER will identify the viability of purchasing a private system known as Valle del Rio. The scope includes: assessment of condition and value of the Valle del Rio including associated water rights and regulatory and sanitary compliance; outline process to purchase the Valle del Rio including researching ownership records, liens and any other issues related to PRC's jurisdiction over the private system; evaluate potential rehabilitation/improvements as it pertains to growth in the surrounding areas; evaluate interconnections between the two systems and potential for increasing service in underserved areas.

- 14. Consideration for Approval of Gabaldon MDWCA (San Miguel County) - Water Preliminary Engineering Report – 2960-PG.** The Gabaldon MDWCA has applied to the Local Government Planning Fund to finance a Water Preliminary Engineering Report (PER) that will include an Environmental Information Document.

The report will be used to address a water contamination issue, i.e., high levels of nitrates. The water system is taking a proactive approach to addressing the water quality issue before the system is deemed non-compliant.

Gabaldon MDWCA has a median household income (MHI) that is 77.41% of the state average qualifying the Association for 25% of its requested grant funds. The local burden ratio is 2.01x the state water rate burden, which qualifies the Association for 50% of the requested grant amount.

**Mr. William Fulginiti moved, seconded by Mr. Jerry Jones, for approval of consent agenda items 6 – 14. The motion was unanimously approved.**

- 15. Recommendation for the 2013 CIF Funding.** The Colonias Infrastructure Board (CIF) recommends approval of forty (40) projects for funding through the 2013 project funding cycle. The CIF is charged with determining the projects to be funded from the Colonias Infrastructure Fund. The six month process began in January 2013 with competitive applications and evaluations of applications by a seven agency technical team using criteria established by the CIF Board.

This year the CIF has \$16,640,011 available for awards. The funds are derived from an amount totaling 5% of the senior lien bond proceeds of the state's severance tax bond capacity. In March 2013 the NMFA received 59 applications totaling approximately \$47,800,000 in requested funding. Of the 59 applications, one application, Chamberino MDWC&SA was deemed ineligible for funding for an administration building.

On May 02, 2013 Governor Martinez issued Executive Order (EO) 2013-006 which establishes uniform criteria for grant management and oversight requirements for grants of state capital outlay appropriations made by state agencies to other entities. On May 31, 2013, the Department of Finance and Administration granted an exemption to the Finance Authority for the CIF 2013 Funding Cycle, allowing the CIF to certify to the State Board of Finance the need for bonds prior to certifying that a particular project meets the EO's uniform funding criteria. The CIF set a deadline date of October 1, 2013 for applicants to comply with all of the readiness to proceed requirements, including compliance



with the EO. Projects not meeting the terms of the EO will have the funding redirected to unfunded 2013 projects as originally prioritized so long as the new projects meet the terms of the EO and are compliant with other state regulations and CIF policies.

*Items 16 thru 55 have been placed on the Consent Agenda. These projects were reviewed by the Finance & Loan Committee, and subject to Board's approval, these projects are to be approved with one motion. The projects were discussed at depth at the Finance & Loan Committee meeting. If any Board member has a question on a specific project or wishes to remove the item from the Consent Agenda, please address the Chair.*

- 16. Consideration for Approval of Nogal MDWCA (Lincoln County) – Water Project – Phase II – 2967-CIF.** Nogal MDWCA has applied for funding Phase II of a water system project. Recommended funding: CIF grant for \$1,080,000 and CIF loan for \$120,000.
- 17. Consideration for Approval of Lower Rio Grande Public Water Works Authority (Doña Ana County) – Water Rights Acquisition - 2968-CIF.** Lower Rio Grande PWWA has applied for funding for water rights acquisition for multiple Colonias as part of their 40 year water plan and to regain water rights. Recommended funding: USDA for \$1,500,000 (NMFA Board approval not required).
- 18. Consideration for Approval of Desert Aire MDW&SWA – Chaparral (Doña Ana County) – Wastewater Project - 2969-CIF.** Desert Aire MDW&SWA has applied for funding for the design phase for Wastewater Infrastructure to abate ground water contamination. Recommended funding: CIF grant for \$212,400 and CIF loan for \$23,600.
- 19. Consideration for Approval of Desert Aire MDW&SWA- Chaparral (Doña Ana County) – Water Project - 2970-CIF.** Desert Aire MDW&SWA has applied for funding to improve and expand water system. Recommended funding: USDA for \$839,493 (NMFA Board approval not required).
- 20. Consideration for Approval of Hanover MDWCA-Santa Clara/Hanover (Grant County) – Water Project - 2971-CIF.** Hanover MDWCA has applied for funding to design and construct water system improvements adding new waterlines including connections to the Village of Santa Clara. Recommended funding: CIF grant for \$157,685 and CIF loan for \$17,521.
- 21. Consideration for Approval of Doña Ana MDWCA – Water Project – 2972-CIF.** Doña Ana MDWCA has applied for funding to install water transmission lines to Doña Ana/San Ysidro Colonias; water lines will also extend to Fort Selden, Winterhaven and Picacho. Recommended Funding: CIF grant for \$1,382,940 and CIF loan for \$153,360.
- 22. Consideration for Approval of San Antonio MDWCA (Socorro County) – Water Project – 2973-CIF.** San Antonio MDWCA has applied for funding for a complete water system evaluation. Recommended funding: CIF grant for \$50,000.



- 23. Consideration for Approval of Garfield MDWCA (Doña Ana County) – Water Project – 2974-CIF.** Garfield MDWCA has applied for funding for a complete water system evaluation. Recommended funding: CIF grant for \$100,000.
- 24. Consideration for Approval of City of Ruidoso Downs (Lincoln County) – Waste Water Project – 2975-CIF.** The City of Ruidoso Downs has applied for funding for construction of the Agua Fria Sewer System Extension. Recommended funding: CIF grant for \$656,216 and CIF loan for \$72,913.
- 25. Consideration for Approval of Town of Lake Arthur (Chaves County) – Waste Water Project – 2976-CIF.** The Town of Lake Arthur has applied for funding for Phase II of the Wastewater System Development project. Recommended funding: CIF grant for \$449,970 and CIF loan for \$49,997.
- 26. Consideration for Approval of Village of Cloudcroft (Otero County) – Waste Water Project – 2977-CIF.** The Village of Cloudcroft has applied for funding for Phase II of the Wastewater System Development project. Recommended funding: CIF grant for \$848,042 and CIF loan for \$94,227.
- 27. Consideration for Approval of Tularosa (Otero County) - Water Project – 2978-CIF.** The Village of Tularosa has applied for funding for multiple water system improvements. Recommended funding: CIF grant for \$764,984 and CIF loan for \$84,998.
- 28. Consideration for Approval of Town of Hurley (Grant County) – Water Project – 2979-CIF.** The Town of Hurley has applied for funding for Phase I engineering, design, and construction for regional water storage project. Recommended funding: CIF grant for \$467,704 and CIF loan for \$51,967.
- 29. Consideration for Approval of Grant County – North Hurley – Roads/Drainage Project – 2980-CIF.** The Town of Hurley has applied for road and drainage infrastructure on North Hurley Road and Main/Hill. Recommended funding: CIF grant for \$299,970.
- 30. Consideration for Approval of Tyrone MDWCA (Grant County) – Water Project – 2981-CIF.** Replace 1-1/4" water line on Camino Tolteca. Recommended funding: CIF grant for \$121,366.
- 31. Consideration for Approval of Hidalgo County – Roads/Drainage Project – 2982-CIF.** Hidalgo County has applied for funding for roads and drainage infrastructure on Thunderbird, Maverick, and Rolls Road. Recommended funding: CIF grant for \$701,723.
- 32. Consideration for Approval of Doña Ana County – Roads/Drainage Project – 2983-CIF.** Doña Ana County has applied for funding for roads and drainage infrastructure on Prescott Anthony Road. Recommended funding: CIF grant for \$42,725.
- 33. Consideration for Approval of Doña Ana County – Roads/Drainage Project – 2984-CIF.** Doña Ana County has applied for funding for design of Phase I and II, and construction of Phase I for Oasis Road to intersect with County Line Road. Recommended funding: CIF grant for \$213,452.
- 34. Consideration for Approval of Doña Ana County – Waste Water Project – 2985-CIF.** Doña Ana County has applied for funding Phase II of the Montana Vista Wastewater project to construct lift station



and 6,500 ft. of sewer lines. Recommended funding: CIF grant for \$1,260,000 and CIF loan for \$140,000.

- 35. Consideration for Approval of Doña Ana County – Roads/Drainage Project – 2986-CIF.** Doña Ana County has applied for funding Old Sequoia Road improvements from Amparo Road to Tornillo Flats Road. Recommended funding: CIF grant for \$32,579.
- 36. Consideration for Approval of Doña Ana Flood Commission – Planning Request Flood/Drainage Project – 2987-CIF.** Doña Ana County Flood Commission has applied for Funding for Montana Vista Master Flood and Drainage Plan. Recommended funding: CIF grant for \$50,000.
- 37. Consideration for Approval of Doña Ana County – Waste Water Project – 2988-CIF.** Doña Ana County has applied for funding for plan and design improvements to the South Central Wastewater Treatment Plan serving the communities Berino, Chamberino, Montana Vista, La Mesa, San Miguel and Vado del Cerro. Recommended funding: CIF grant for \$315,000 and CIF loan for \$35,000.
- 38. Consideration for Approval of Doña Ana Flood Commission – Mesquite – Planning Request Flood/Drainage Project – 2989-CIF.** Doña Ana County Flood Commission has applied for funding for Mesquite Master Drainage/Flood Control Plan. Recommended funding: CIF grant for \$50,000.
- 39. Consideration for Approval of Doña Ana Flood Commission – Doña Ana – Planning Request Flood/Drainage Project – 2990-CIF.** Doña Ana County Flood Commission has applied for funding for Doña Ana Master Drainage/Flood Control Plan. Recommended funding: CIF grant for \$50,000.
- 40. Consideration for Approval of North Park MDWCA (Eddy County) – Water Project – 2991-CIF.** North Park MDWCA has applied for funding for design and construction of waterline connections within the North Park MDWCA service area and subsequent regionalization with the City of Artesia. Recommended funding: CIF grant for \$280,238 and CIF loan for \$31,138.
- 41. Consideration for Approval of North Park MDWCA (Eddy County) – Waste Water Project – 2992-CIF.** North Park MDWCA has applied for funding for design and construction of wastewater connections within the North Park MDWCA service that will connect to the City of Artesia wastewater treatment facility. Recommended funding: CIF grant for \$623,700 and CIF loan for \$69,300.
- 42. Consideration for Approval of La Luz MDWCA&SWA – Water Project – 2993-CIF.** La Luz MDCA & SWA has applied for funding for designing Phase IV of the water distribution system. Recommended funding: CIF grant for \$123,438 and CIF loan for \$13,726.
- 43. Consideration for Approval of City of Anthony (Doña Ana County) – Roads/Drainage Project – 2994-CIF.** The City of Anthony has applied for funding for roads and drainage infrastructure on 4<sup>th</sup> Street. Recommended funding: CIF grant for \$250,000.
- 44. Consideration for Approval of Camino Real Regional Utility Authority (CRRUA) (Doña Ana County) – Water Project – 2995-CIF.** CRRUA has applied for funding for replacement of Wells #30 and 8A in Santa Teresa. Recommended funding: CIF grant for \$750,000.



- 45. Consideration for Approval of La Union MDW&SA (Doña County) – Water Project – 2996-CIF.**  
La Union MDW & SA has applied for funding to design and construct lines to extend water distribution system to 44 homes. Recommended funding: CIF grant for \$399,883 and CIF loan for \$44,432.
- 46. Consideration for Approval of Village of Hope (Eddy County) – Water Project – 2997-CIF.** The Village of Hope for applied for funding to design water system improvements for meter replacement and back-up power supply. Recommended funding: CIF grant for \$78,545 and CIF loan for \$8,727.
- 47. Consideration for Approval of Timberon WSD (Otero County) – Water Project – 2998-CIF.**  
Timberon WSD has applied for funding for construction of a new 375,000 gallon water storage tank replacing Tank No. 2. Recommended funding: CIF grant for \$525,887 and CIF loan for \$58,432.
- 48. Consideration for Approval of Picacho MDWCA (Doña Ana County) – Water Project – 2999-CIF.**  
Picacho MDWCA has applied for funding for construction and completion of Phase II of the water system. Recommended funding: CIF grant for \$566,491 and CIF loan for \$62,944.
- 49. Consideration for Approval of Village of Loving (Eddy County) – Waste Water Project – 3000-CIF.** The Village of Loving has applied for funding to construct collection lines, manholes, pond liner and other system improvements. Recommended funding: USDA for \$507,892 (NMFA Board approval not required).
- 50. Consideration for Approval of Catron County – Reserve/Glenwood – Solid Waste Project – 3001-CIF.** Catron County has applied for funding to close the Reserve and Glenwood landfills.  
Recommended funding: CIF grant for \$907,796.
- 51. Consideration for Approval of Town of Lordsburg (Hidalgo County) – Water Project – 3002-CIF.**  
The Town of Lordsburg has applied for funding for design/construct rehabilitation of water tank and 450 ft. 10” water line replacing an 8” asbestos-cement water main. Recommended funding: CIF grant for \$653,000 and CIF loan for \$72,555.
- 52. Consideration for Approval of Anthony WSD (Doña Ana County) – Waste Water Project – 3003-CIF.** Anthony WSD has applied for funding to develop a Wastewater Master Plan to study sewer collection system. Recommended funding: CIF grant for \$50,000.
- 53. Consideration for Approval of Village of Columbus (Luna County) – Wastewater Project – 3004-CIF.** The Village of Columbus has applied for funding to close the wastewater lagoon under EPA/ NMED Administrative Order. Recommended funding: CIF grant for \$126,642 and CIF loan for \$14,071.
- 54. Consideration for Approval of City of Bayard (Grant County) – Water Project – 3005-CIF.** The City of Bayard has applied for funding to complete Phase II of a Well Field Capacity assessment to include well rehabilitation and construction and rerouting of an existing water transmission line.  
Recommended funding: CIF grant for \$376,084 and CIF loan for \$41,787.



**55. Consideration for Approval of Town of Silver City (Grant County) – Waste Water Project – 3006-CIF.** The Town of Silver City has applied for funding to replace clay pipes between Boston Hill and Market Street bypassing current flow that is inaccessible for service and maintenance. Recommended funding: CIF grant for \$325,176 and CIF loan for \$36,130.

Secretary Clifford said he received positive feedback on this round of funding from his designee, Mr. Jimmy Rodriguez; however, there was an issue with receiving full cooperation and coordination with the various funding sources. He asked how entities are complying with the Executive Order (EO). Mr. Rick Martinez explained that the application process requires submittal of current audits; however, in some cases budget certifications from the Local Government Division were submitted. Typically, if an audit is not available, a certification request is required from the entity which must be met by the October 1<sup>st</sup> deadline to ensure they are in compliance. Secretary Clifford requested that Mr. Martinez work with Ms. Debbie Romero to ensure compliance with the EO. Mr. Brett Woods asked if there were any unresolved issues with DFA and fiscal agents with regards to compliance. Mr. Martinez said any fiscal agent that had unresolved issues with DFA would not be used.

**Mr. William Fulginiti moved, seconded by Ms. Kathy Ulibarri, for concurrence with the Colonias Infrastructure Board recommendation for approval of 40 projects presented as agenda items 14 – 55. The motion was unanimously approved.**

**56. Recommendation for Projects Funded under the 2012 CIF Funding.** The Colonias Infrastructure Fund Board recommends approval of three additional projects from 2012 CIF funds. The available funding is a result of other projects not moving forwarding for a variety of reasons. Available funding from 2012 is \$955,000. The recommended projects follow as items 57 – 59.

*Items 57 thru 59 have been placed on the Consent Agenda. These projects were reviewed by the Finance & Loan Committee, and subject to Board's approval, these projects are to be approved with one motion. The projects were discussed at depth at the Finance & Loan Committee meeting. If any Board member has a question on a specific project or wishes to remove the item from the Consent Agenda, please address the Chair.*

**57. Consideration for Approval of Otis MDWCA (Eddy County) – Water Infrastructure Construction – 3022-CIF.** Otis MDWCA has applied for funding to install a new 60HP 600 GRM submersible pump and 1820 linear feet of PVC to connect to an existing 10" water main at an existing well. Recommended funding: 2012 CIF grant for \$262,626 and 2012 CIF loan for \$29,181.

**58. Consideration for Approval of Lake Roberts MDWCA (Grant County) – Water Infrastructure Construction – 3023-CIF.** Lake Roberts MDWCA has applied for funding to repair the Lower Well system, replace the control and repair non-functioning meters. Recommended funding: 2012 CIF grant for \$90,000 and 2012 CIF loan for \$10,000.

**59. Consideration for Approval of City of Lordsburg (Hidalgo County) – Water Infrastructure Construction – 3024-CIF.** The City of Lordsburg has applied for funding for installation of new mixer/aerators, disposal of existing manhole, construction of new manhole and installation of hoists to



remove existing mixers/aerators. Recommended funding: 2012 CIF grant for \$351,000 and 2012 CIF loan for \$39,000.

Secretary Clifford felt this process lacked guidance, specifically the out-of-cycle funding. He suggested Finance Authority staff and DFA work on developing guidelines. Mr. Martinez stated that the three applicants were part of the original funding cycle and their applications were fully vetted. Also, the CIF Policy Committee is in the process of amending the policy to include language for projects to move forward as a direct result of having available funds when previously approved projects cannot move forward. Secretary Clifford asked for reassurance that these projects are a high priority and are current with their information. Mr. Paul Gutierrez asked for clarification as to why these projects were coming before the Board. Mr. Martinez explained these projects were not funded in the 2012 cycle; however, because three other projects could not move forward, these projects will now use the funds.

**Mr. William Fulginiti moved, seconded by Mr. Paul Gutierrez, to approve agenda items 57 – 59. The motion was unanimously approved.**

**60. Consideration for Approval of Media Arts Collaborative Charter School (Bernalillo County) – Lease Purchase – 2956-PP.** Media Arts Collaborative Charter School (MACCS) has applied for refunding of an existing facility Lease Purchase Agreement.

Representing MACCS were Ms. Glenna Voigt, Principal; Mr. John Dunphy, current Chairperson of the Governance Council; Mr. Marvin Gladstone, Founder of MACCS; Ms. Patti Gladstone, Founder of MACCS, former president of the Governance Council and current president of the Foundation; and Mr. Pat Kelly, Business Manager.

MACCS is the first state-chartered public school chartered by the State of New Mexico Public Education Department (PED) focusing exclusively in the media arts it is characterized by a philosophy of ethics and responsibility to Albuquerque youth, with course offerings of Film & TV Production, Business of Media, Screenwriting, Web Design, and more.

MACCS is seeking PPRF lease purchase financing to refund its existing lease purchase, since the seller has indicated that he would like to be bought out. Additionally refunding will lower overall lease expense for MACCS. Currently, the School pays approximately \$200,000 annually in total lease expense. By lowering lease expense through the PPRF, the School will be able to better cover lease payments with its distribution of PSCOC Lease Reimbursement revenue, thereby decreasing the use of other operational funds needed to cover the lease (annual PPRF lease purchase expense is expected to be approximately \$168,000). Additionally, the PPRF lease purchase will improve the School's cash flow position and will allow them to expand to offer grades 6-12, and increase enrollment beyond 300 students within the next four to five years.

Pursuant to PPRF Loan Management Policies (Section 8), charter schools or the chartering school district acting on behalf of the charter school may apply to the PPRF for lease purchase financing for the acquisition of charter school facilities. NMFA will hold title to the facility and lease it to MACCS based on a ten year financing structure.



MACCS' current lease purchase comprises of the primary building property and excess land property. The appraisal values the building property at \$1,460,000 and the excess land property at \$325,000 for a combined value of \$1,785,000. As required by PPRF Loan Management Policies, the lease purchase will not exceed a 75% loan-to-value collateral ratio and a minimum 25% down equity payment. MACCS has invested an equitable interest in the property through its existing lease purchase that exceeds the minimum 25% down equity. Based on the appraised value of the combined properties, NMFA's total loan-to-value is equal to 74%. While the total loan-to-value meets PPRF requirements, it is important to note that the excess land appraised for less than what MACCS owes and is, therefore, underwater with an individual loan-to-value of 120%. The loan-to-value ratio for just the building property is 64%. For purposes of coverage, the Finance Authority has focused on MACCS' PSCOC Lease Reimbursement Revenue and net available revenue in 2012.

This particular property is zoned as CCR-3 (Community Commercial/Residential Three) which allows adaptive reuse of the building should MACCS decide to terminate the lease. MACCS has already invested a significant amount of equity (~26%) into the properties which reduces NMFA's risk of termination. Additionally, MACCS plans to build a second building for its planned expansion which will increase enrollment and revenue. Given the demand for the services provided by MACCS, its strong historic management, and ten term financing term, staff has determined that this project has limited management risk. Lease Purchase financing through the PPRF will bring MACCS' debt burden ratio to lower than 10.0%. MACCS will be able to reinvest the savings achieved (total NPV \$190,452) from decreased lease expense to strengthen cash flow and the school curriculum.

Lease purchase agreements are not considered debt of the Charter School and the Charter School does not actually have a mortgage on the property and can walk away; however, MACCS has already invested a sizable amount of equity which mitigates the likelihood of termination. The Finance Authority will also hold the Lease Payment Security Deposit, which is the equivalent of one year's rent expense. There is risk that the Legislature may eliminate or modify the State-supported rent assistance formula while the lease purchase obligation is outstanding. The lease financing for MACCS is 10 years, which minimizes the Finance Authority's exposure for this appropriation risk. The excess land property appraised at a lower value than what MACCS currently owes. Unlike other traditional PPRF financings, this financing is subject to collateral risk (i.e. risk that the value of the building will decline faster than the principal balance of the loan). Staff does not recommend approval.

Mr. Brett Woods asked if the Finance Authority is holding title to the property and if so, will the value of the property be less than what is being supported. Mr. Dillenback said it does comply with policy at 74% on the value in total with both properties. Secretary Clifford referred to the lease assistance program and expressed concern with the close relationship between property owners and the schools that lease the property. Mr. Dillenback said the school's intention is to refinance the building property and develop the western property. While this project benefits the school, the primary beneficiary is the seller. Mr. Gladstone outlined the arrangement with the seller and the charter school noting it was their intention to provide a state-chartered school and there is no relationship between the seller and the school board. Mr. Gladstone also explained the lease assistance grant the chart school received.



Mr. Gutierrez asked about the revenue source and funding sources available to the school should the lease reimbursement decrease or student enrollment decline and the difference between this request and the last lease agreement approved by the Finance Authority. Mr. Dillenback explained how the revenue source was determined. Ms. Voigt explained that under House Bill 33 state-chartered schools within the APS district are eligible to receive bond money; however, they have yet to receive any money. Mr. Dillenback said the previous transaction mitigates the Finance Authority's risk with a lease purchase with APS and there is nothing contractual between the Finance Authority and DATA. This transaction is solely between the Finance Authority and the charter school.

A discussion ensued on how state charter schools are associated with school districts and how it receives State support. Also discussed was the financial structure and financing of specialized improvements. Mr. Gutierrez said he would like assurance that the PED supports this transaction should something fall through. Mr. Dillenback said APS could not guarantee that as part of the lease-purchase; however, it does include a covenant that a good faith effort would be made. Staff has contemplated meeting with the Public Schools Facilities Authority to discuss the possibility of partnering with loan agreements.

In response to Secretary Clifford's inquiry on student population, Ms. Voigt provided a summary of the student body, the student support system, and confirmed last year's enrollment at 176. Ms. Patti Gladstone also advised the Board of their efforts to secure private funding from various banking institutions which unfortunately have higher interest rates than those offered through the Finance Authority.

Mr. Fulginiti reminded the Board that the resolution for the APS charter school approved at the last meeting was a pilot project and if this project is approved, the Board will have to amend that resolution. The Finance and Loan Committee did not make a recommendation to the Board on this project; however, felt that approving funding for another charter school should wait until the pilot project is completed.

**Mr. William Fulginiti moved, seconded by Mr. Brett Woods, to deny approval of the Media Arts Collaborative Charter School Lease Purchase pending completion of the original pilot project approved last month.**

Mr. Jerry Jones felt this is an important educational project and commended the charter school for their work; however, this request may not be a good match as a PPRF project due to the high risk factor. Mr. Gutierrez expressed concern with denying this project and suggested postponing action pending discussion with Finance Authority staff and PED to ensure their good faith effort.

**Mr. Paul Gutierrez moved, seconded by Secretary Tom Clifford, to table the Media Arts Collaborative Charter School Lease Purchase and direct staff to meet with PED regarding this request. The motion was unanimously approved.**

Mr. Dillenback noted staff will initiate discussions with PED and work diligently to find an ideal structure that would ultimately satisfy everyone's needs.



**61. Consideration for Approval of a Resolution establishing a Charter School Pilot Program and Suspending Consideration of Applications for Charter School Facility Lease-Purchase Arrangements until the Pilot Program is Evaluated.** The Resolution proposed for adoption addresses the Implementation of a Pilot Program for the Purchase of School Facilities and Related Property by the New Mexico Finance Authority for Lease/Purchase to Charter Schools Within the State; Regarding Limitations on Future Purchases of School Facilities and Related Property During the Pendency of The Pilot Program; Authorizing the Staff of The Finance Authority to Take Certain Actions With Respect to Applications by School Districts or Charter Schools for Funding Purchases of School Facilities and Related Property by the Finance Authority for Lease/Purchase to Charter Schools Within The State; and Authorizing the Taking of all Other Actions Necessary for Compliance with this Resolution and Related Matters.

Referring to the action taken on Item 60 above, Mr. William Fulginiti asked if the resolution should be amended to include the Media Arts Collaborative Charter School Lease Purchase contingent upon the outcome of discussions with PED. Ms. Katherine Ulibarri suggested removing any reference to APS from the resolution.

**Mr. William Fulginiti moved, seconded by Ms. Katherine Ulibarri, for approval of the amended resolution to include Media Arts Collaborative Charter (MACC) School contingent upon a positive response from the Public Education Department, and Digital Arts and Technology Academy (DATA) Charter High School as the pilot program.**

Secretary Clifford asked for clarification on what the Board is trying to accomplish and asked staff to bring back recommendations with goals and procedures on how to move forward with these types of projects while protecting the PPRF program. Mr. Gutierrez agreed that there should be a policy on how these projects will be handled in the future or if the Board should consider the possibility of moving them to the Public Schools Finance Authority or some other entity. Discussion ensued on liability, revenue stream, and the bond pricing for these types of loans. Chair Winter said she would like to move forward quickly since there are projects on hold. Secretary Clifford suggested soliciting input from charter schools and PED on how the program would work best.

**As a friendly amendment, Chair Winter moved, seconded by Ms. Katherine Ulibarri, that the resolution be amended to reflect that APS is only acting on behalf of DATA and not on behalf of MACC. The motion was passed unanimously.**

**62. Consideration for Approval of Gila Regional Medical Center (Grant County) – Cancer Treatment Cigarette Tax Revenue Bonds and Refunding – 3018-PP.** Gila Regional Medical Center (Hospital) has certified the need to issue cigarette tax revenue bonds pursuant to HB580 of the 2013 Regular Legislative Session for the purposes of funding equipment and other capital costs needed for cancer treatment.

The Hospital is requesting financing in an amount not to exceed \$2,250,000 to fund cancer treatment projects for the Hospital. The Chairman of the Hospital Board has certified the need for funding, and all proceeds must be used solely for cancer treatment related activity.



Originally the NMFA issued \$3,000,000 in cigarette tax bonds for the Hospital which were bought by the Public Project Revolving Loan Fund in August 2007. In the 2008 Legislative Session, the Act was amended to include the Nor-Lea General Hospital for an amount not to exceed \$1,500,000. The Nor-Lea General Hospital Cigarette Tax Revenue Bonds were issued and bought by the PPRF in May 2009. In the 2013 Legislative Session, the Act was amended to include an additional amount for the Hospital in an amount not to exceed \$2,250,000. This request is for that amount.

The Hospital will use these funds for projects allowable under the Act including the de-installing of an old linear accelerator, the purchase and installing of a new linear accelerator, as well as all costs associated with renovation to accommodate the new accelerator. The Finance Authority will issue bonds in the amount of \$1,650,000 as well as provide \$600,000 in cash, funded from excess accumulated revenues generated by the Rural County Cancer Treatment distribution of the Cigarette Tax currently sitting in the fund. In addition, the Finance Authority will refund Project #1924-PP, Gila Regional Medical Center Rural Cancer Cigarette Tax Bonds to increase capacity in the fund. This refunding will provide the fund with about 15% net present value savings, or \$400,000 in interest savings.

In evaluating cigarette tax receipts, staff looked at the last three years of actual receipts and then built in a 3% revenue decline over the remaining life of the bonds. The average decline over the last three years has been 2.6%. In funding this new project, the Finance Authority will use about \$650,000 to pre-pay the Nor-Lea Bonds to free up capacity.

The Hospital is current with its Audits and financial reporting.

**Mr. Jerry Jones moved, seconded by Mr. Paul Gutierrez, for approval of Gila Regional Medical Center Project #3018-PP. The motion was unanimously approved.**

- 63. Consideration for Approval of a Resolution Authorizing the Issuance and Sale of the New Mexico Finance Authority Rural County Cancer Treatment Center/Cigarette Tax Revenue Bonds, Taxable Series 2013 (Gila Regional Medical Center Project).** The Resolution authorizes the Issuance and Sale of the New Mexico Finance Authority Rural County Cancer Treatment Center/Cigarette Tax Refunding and Revenue Bonds, Taxable Series 2013 (Gila Regional Medical Center Project) in an Aggregate Principal Amount of \$3,788,263 for the Purpose of Providing Funds to (1) Refund the Outstanding New Mexico Finance Authority Rural County Cancer Treatment Center/Cigarette Tax Revenue Bonds, Series 2007 (Gila Regional Medical Center Project), (2) Design, Construct, Equip and Furnish Additions and Improvements to a Regional Cancer Treatment Center at the Gila Regional Medical Center in Grant County, New Mexico and (3) pay Costs of Issuance of the Series 2013 Bonds; Authorizing the Use of \$600,000 of Excess Balances in the Rural County Cancer Treatment Fund to Design, Construct, Equip and Furnish Additions and Improvements to a Regional Cancer Treatment Center at the Gila Regional Medical Center in Grant County, New Mexico; Providing For the Principal Amounts, Maturities, Prices, Redemption Features and Other Details of the Series 2013 Bonds; Providing for the Payment of the Principal of and Interest on the Series 2013 Bonds from the Sixty-Two Hundredths Percent (.62%) Distribution of Cigarette Tax Revenues Made Pursuant To Section 7-1-6.11(H) NMSA 1978 and the Pledge of such Revenue by the New Mexico Finance Authority; Providing for the Form, Execution and Other Details Concerning the Bonds and the Funds Appertaining Thereto; Providing for the Purchase of the Series 2013 Bonds with Moneys in the Public Project Revolving Fund



Or Proceeds Of Public Project Revolving Fund Revenue Bonds; Ratifying Action Previously Taken in Connection Therewith; and Repealing All Action in Conflict Herewith; and Authorizing the Taking of All Other Actions Necessary to Effect the Transactions Contemplated by this Resolution; and Related Matters.

**Mr. William Fulginiti moved, seconded by Mr. Brett Woods, for approval of the resolution authorizing the issuance and sale of the NMFA Rural County Cancer Treatment Center/Cigarette Tax Revenue Bonds, Taxable Series 2013 (Gila Regional Medical Center Project). The motion was unanimously approved.**

- 64. Consideration for Approval of Cuba Independent School District (Sandoval County) – Building Project – 3019-PP.** Cuba Independent School District has applied for a PPRF loan financing for \$605,000 for costs associated with various school improvements.

In February 2010, the District received voter approval to erect, remodel, make additions to, and furnish school buildings to purchase or improve school grounds, or any combination thereof. The District will issue General Obligation Bonds which the Finance Authority will purchase through the PPRF loan fund.

The District qualifies for 0% disadvantaged funding. This rate has been applied to \$200,000 of this request making the overall blended interest rate much lower. The Finance Authority's processing fee is included in the interest rate at an additional .1791% above the market rate yielding a fee of \$4,573 (NPV of \$4,538) over the non-callable portion of the loan. The Finance Authority's maintenance fee of 0.100% has been applied to the entire financing structure. The above interest rate also includes a .75% interest rate cap on the market component for Board approval purposes.

**Mr. William Fulginiti moved, seconded by Mr. Brett Woods, for approval of Cuba Independent School District Project 3019-PP. The motion was unanimously approved.**

- 65. Consideration for Approval of Dexter Consolidated School District No. 8 (Chaves County) – Building Project.** Dexter Consolidated School District No. 8 has applied for PPRF loan financing for \$425,000 to cover costs associated with various school improvements.

In February 2012, the District received voter approval to erect, remodel, make additions to and furnish school buildings, to purchase or improve school grounds, or any combination of these purposes within the District. The District will issue General Obligation Bonds to be purchased by the Finance Authority through the PPRF loan fund.

The District's assessed valuation increased approximately 10% from 2011 to 2012 from oil and gas production. The Finance Authority processing fee is included in the interest rate at an additional .23320% above the market rate yielding a fee of \$3,216 (NPV of \$3,186) over the non-callable portion of the loan. The Finance Authority's maintenance fee of 0.100% has been applied to the entire financing structure. The above interest rate also includes a .75% interest rate cap on the market component for Board approval purposes. The District is up-to-date with its audits and financial reporting.



Secretary Clifford referred to the audit findings reflecting significant problems. Mr. Adam Johnson acknowledged that there were six findings; however, after further review it was determined that the findings were not related to the credit worthiness nor were any material weaknesses found.

**Mr. Bill Fulginiti moved, seconded by Mr. Paul Gutierrez, for approval of Dexter Consolidated School District No. 8 Project 3010-PP. The motion was approved with Secretary Tom Clifford abstaining.**

- 66. Consideration for Approval of Dexter Consolidated School District No. 8 (Chaves County) – Equipment Project – 3011-PP.** Dexter Consolidated School District No. 8 has applied for PPRF loan financing for \$550,000 to finance education technology notes to finance the purchase of laptop and desktop computers, tablets, projection equipment, and printers.

The District will enter into a lease-purchase agreement with the Finance Authority secured by ad valorem taxes. Under the terms of the lease-purchase agreement, the Finance Authority takes title to the equipment for the length of the agreement, but title would be in the nature of a security interest. The District will have all the responsibilities of ownership.

The Finance Authority processing fee is included in the interest rate at an additional .28065% above the market rate yielding a fee of \$3,770 (NPV of \$3,750) over the 4 year term of the loan. The Finance Authority's maintenance fee of 0.100% has been applied to the entire financing structure. The interest rate also includes a .75% interest rate cap on the market component for Board approval purposes. The District is up-to-date with its audits and financial reporting.

Mr. Paul Gutierrez also expressed concern with the audit findings. Secretary Tom Clifford said he would ensure that guidelines are discussed by the Audit Committee. Chair Winter asked if security interest was taken on all three projects. Mr. Adam Johnson said only in the form of a lease-purchase agreement.

**Mr. William Fulginiti moved, seconded by Mr. Paul Gutierrez, for approval of Dexter Consolidated School District No. 8 Project 3011-PP. The motion was approved with Secretary Tom Clifford abstaining.**

- 67. Consideration for Approval of West Las Vegas School District (San Miguel County) – School Improvements – 3007-PP.** The West Las Vegas School District has applied for PPRF loan financing for \$800,000 for various school facilities improvements.

The District received voter approval in February 2013 to issue General Obligation bonds for \$5,000,000 to be purchased by the Finance Authority through the PPRF Loan Fund. The Finance Authority processing fee is included in the interest rate at an additional .1814% above the market rate yielding a fee of \$6,047 (NPV of \$6,000) over the non-callable portion of the loan. The District qualifies for a 0% Disadvantaged Interest Rate which has been applied to \$200,000 of this request. The District is up to date on its audits.

**Mr. William Fulginiti moved, seconded by Mr. Paul Gutierrez, for approval of West Las Vegas School District Project 3007-PP. The motion was unanimously approved.**



- 68. Consideration for Approval of Philmont Fire Department District #1 (Colfax County) – Building Project – 2906-PP.** The Colfax County -Philmont Fire Department District #1 has applied PPRF loan financing for \$307,305 to purchase a burn simulator.

The burn simulator will allow the firefighters to train in a controlled environment simulating actual fire conditions. The proceeds of the loan along with a State Fire Protection Fund Grant for \$100,000 will be used to purchase the equipment. The District received \$146,100 from the County's Fire Excise Tax to use towards the installation of the equipment. The State Fire Marshal's office has provided a letter that grants approval to the District to utilize the State Fire Protection Funds for this project. The County is current with its audits. The audit has eight findings; however, none are related to the credit worthiness of this loan.

**Mr. William Fulginiti moved, seconded by Mr. Jerry Jones, for approval of Philmont Fire Department District #1 Project #2906-PP. The motion was unanimously approved.**

- 69. Consideration for Approval of Town of Clayton (Union County) – Equipment Project – 2965-PP.** The Town of Clayton (the Town) has applied for a PPRF loan to finance the purchase of a Fire Pumper and a Wildland Fire Truck.

The Town is pledging its State Fire Protection Funds as security for the loan. There is currently one outstanding loan utilizing the revenue as the pledge. The loan will mature in 2015. The Town receives a base distribution for 4 main stations which totals \$234,336 annually. The Town is current with its audits.

**Mr. William Fulginiti moved, seconded by Ms. Kathy Ulibarri, for approval of Town of Clayton Project 2965-PP. The motion was unanimously approved.**

- 70. Consideration for Approval of Southern Sandoval County Arroyo Flood Control Authority - Amendment – 0290-WTB.** The Water Trust Board and staff recommend approval of a Water Project Fund Grant to Southern Sandoval County Arroyo Flood Control Authority for \$1,759,535.

The project includes construction of a mechanical phytoremediation facility designed to decrease the amount of sediment discharged into the Rio Grande via the Lomas Negras arroyo. The project includes four grade control structures to slow the water, an unlined detention basin and installation of native vegetation in the arroyo.

**Mr. William Fulginiti moved, seconded by Mr. Paul Gutierrez, for revised approval of Southern Sandoval County Arroyo Flood Control Authority Project 0290-WTB. The motion was unanimously approved.**

- 71. Consideration for Approval of Revision to New Mexico Finance Authority Publicly Distributed Bond Issuance and Underwriter Policy, Comments from Underwriters.** Mr. Michael Zavelle presented.



In considering the revised *Publicly Distributed Bond Issuance and Underwriter Policy* at the June Board meeting, staff was asked to solicit comments from the underwriter community in advance of possible adoption of the revised policy in July. A request for comment was sent to underwriters on June 26 asking them for comment by July 12. Six of twelve underwriters provided either a written or verbal comment.

As a result of underwriter comments and comments from Board members at the June Board meeting, some slight revisions have been made to the proposed policy. In general, underwriters accepted the policy as proposed with most comments centering on tweaking weightings. The area of greatest concern involved points that Financial Advisors could earn from firms that do not do financial advisory work in New Mexico though with acknowledgement that the more points a Financial Advisor earned, the more likely it was that the firm would be ineligible to underwrite an issue or bid on competitive deals due to conflicts.

The changes to the proposed policy clarify the point system. First, the RFP is based on scoring on a 50 point scale, not a 100 point scale. Up to 25 bonus points can be earned from bidding on competitive sales, serving as a financial advisor or providing credit to the Finance Authority. Bonus points must be re-earned once used. Slightly greater weight is now put on a firm's reputation to include performance on actual underwriting Finance Authority issues. With the 25 bonus point maximum, financial advisory work is effectively reweighted.

Secretary Clifford asked how bias against a new underwriter can be avoided. Mr. Zavelle said they are not biased against a new underwriter since they all have equal opportunity to earn points in terms of competitive sales. Regarding the RFP, relationships with underwriters are based on site visits, submittal of marketing letters, and providing ideas. There is no advantage for past relationships, other than giving underwriters an understanding of the Finance Authority's goals. Financial Advisors get a sense of pricing and structuring which can be a slight advantage; however, everyone has an equal opportunity.

**Mr. William Fulginiti moved, seconded by Mr. Paul Gutierrez, for Approval of Revision to New Mexico Finance Authority Publicly Distributed Bond Issuance and Underwriter Policy. The motion was unanimously approved.**

**Report from the Chairperson of the Economic Development Committee.** *Committee members are: Paul Gutierrez, Chair; Terry White, Vice-Chair; Jerry Jones, Blake Curtis; and Secretary Jon Barela or his designee.*

- 72. Update on Activities.** The Economic Development Committee met on July 17, 2013. Presented for consideration were the monthly portfolio report along with approval of four new projects, two revised project approvals and one program item. The Committee unanimously recommended all the items for Board consideration. The items appear on the agenda as items 73-79. Ms. Russel also updated the Board on the Finance Authority's two troubled credits, Western Woods Products, Inc. and Plaza Ilfeld, LLC (Plaza Hotel Project)



**73. Consideration for Approval of a Collateral Support Participation with Artesia Bank for Permian 1 LLC (Eddy County) (3015-CSP).** The Economic Development Committee and staff recommend approval of a Collateral Support Participation with Artesia Bank for Permian 1 LLC.

The loan is comprised of a two component Collateral Support participation transaction with Artesia National Bank. The first component is a 25% pari-passu participation totaling \$1,497,000 in a \$5,917,600 construction line of credit to Permian Hotel I, LLC; the second component is a 16.67% pari-passu participation totaling \$980,000 in a \$5.88 million permanent financing to Permian Hotel I, LLC. The construction line will be interest only for 15 months. The permanent loan will have a 25-year amortization with a 10 year call.

Artesia National Bank has requested Collateral Support participations to meet legal lending requirements in providing loans to Permian Hotel I, LLC for the construction of a new Hampton Inn Hotel in Artesia, NM. The Collateral Support Participation will be utilized to bridge a financial gap and allow Permian Hotel I, LLC to complete construction of the new hotel. The proposed project will be a new Hampton Inn and Suites Hotel with approximately 82 rooms consisting of 30 suites and 52 standard units. There will be approximately 1,500 square feet of meeting space with state of the art technology, a breakfast area, business center, an indoor spa, outdoor pool, and a fitness center. The hotel will be the first Hilton brand and only hotel of high level quality in the Artesia market.

Secretary Tom Clifford asked if the interest rate on the loan structure was limited and what the range is under the federal program. Mr. Sanjiv Doreswamy explained that the loan is structured on the perceived risk based on the U.S. Treasurer rate. The range under the federal program is between 2½% to 1%. This is evaluated on management, the company, industry and structural risk. Mr. Mike Hendricks, Commercial Lender with Artesia National Bank, reiterated the need for hotels in Artesia.

A discussion ensued on the percentage of the capital for the loan, the structure of the loan, and the importance of the collateral support program for the project. Secretary Tom Clifford asked that in the future, the term, content and specification of the loan be clearly defined for the Board.

**Mr. Paul Gutierrez moved, seconded by Secretary Jon Barela, for approval of a Collateral Support Participation with Artesia Bank for the Permian 1 LLC (Eddy County) (3015-CSP). The motion was unanimously approved.**

**74. Consideration of Prioritization of a Collateral Support Participation with Wells Fargo Bank for Twin Cities Services, Inc. (Dona Ana County) 3020-CSP.** The Economic Development Committee and staff recommend approval of the Twin Cities Services, Inc. request for a construction line of credit that converts to permanent financing using the proceeds from the Collateral Support Loan Participation

Collateral Support Participation financing with Wells Fargo Bank beginning as a 40% subordinate participation totaling \$1,279,488 in a 12-month, interest only construction line of credit it expects to make to Twin Cities Services, Inc. "(TCS)" converting to a 15% subordinate participation totaling \$630,000 in a \$4.798 million permanent financing it expects to make to TCS. Cash flows from TCS business operations will be the primary repayment source on the construction line and is expected to cover debt by 5.24 xs. The loans will be secured by the collateral of 1st Mortgage on Real Estate located



in Santa Teresa, NM, Cash & Marketable Securities, 2nd Mortgage on Real Estate located on Copperqueen with an approximate Loan-to-Value of 76% for the construction line. The construction period will be no longer than 12 months and will be taken out by Wells Fargo, Collateral Support Participation and an SBA 504 Loan. The Permanent Financing will have an approximate Loan-to-Value of 65% and revenues from operations are expected to cover debt by 2.68x.

Staff requests a waiver of Section 5.5 of the Collateral Support Participation program policies which limit the amount of funding for short term subordinate participations in rural communities to 30%. Staff requests a waiver to allow the Finance Authority to purchase a 40% interest in the Bank's loan because Wells Fargo Bank can only lend against 50% of the value in a special use facility. Without NMFA's participation, TCS would not be able to move to New Mexico and the facility would not be built. The waiver is only necessary for the 12-month construction loan as the majority of NMFA's portion will be taken out by an SBA 504 loan and the long-term loan is within policy.)

The building will be located in Santa Teresa, NM and will have direct access to Union Pacific's rail system, which is essential to the company's operations due to the Union Pacific's imminent relocation from El Paso to Santa Teresa. The subject project property will be served by a rail spur immediately adjacent to the property. Union Pacific started construction in August 2011 on a \$400 million new rail facility in Santa Teresa on 2200 acres which will comprise 200 miles of new track, with dimensions of 11.5 miles by one mile. When completed, the Union Pacific project will include: a refueling facility, crew change buildings, locomotive inspection tracks, an intermodal ramp and switching yards. The Union Pacific project is anticipated to stimulate millions of square feet of additional industrial-related development, including warehouses, distribution, and storage facilities, such as the TCS facility.

Secretary Jon Barela strongly supported the project adding that the relocation of the company to New Mexico will help develop the border area.

**Mr. Paul Gutierrez moved, seconded by Secretary Jon Barela, for approval of prioritization of a Collateral Support Participation with Wells Fargo Bank for Twin Cities Services, Inc. The motion was unanimously approved.**

- 75. Consideration for Revised Approval of a Collateral Support Participation with Wells Fargo Bank for ELRC Properties, LLC (Dona Ana County) – 2955-CSP.** The Economic Development Committee and staff recommend revised approval of ELRC Properties, LLC permanent term loan to change the amount of participation from the Collateral Support Participation from the previously approved \$435,000 to \$460,159.

In May 2013, the NMFA Board approved the purchase a 15% interest in the refinancing for ELRC Properties, LLC, the real estate holding company that leases to related company Children's Garden Child Development Center ("CGCDC") a licensed child care facility that provides customized early child care education center for kids ranging from 6 weeks to 12 years old, offering 6 different locations in Las Cruces, NM. The financing is to be secured by 3 properties that are owned by ELRC Properties, LLC in which CGCDC operates three of their six centers.

With the completion of the refinancing, the new structure will reduce the interest rate from its current



9% rate to a blended rate of 4.37% passing a savings to the underlying users of the facilities. This savings will allow the owners to reinvest their monthly interest savings into the business and increase staff by adding 10 teachers per the requirements of Children Youth and Families Department to maintaining its current 5 Star rating. Wells Fargo Bank, N.A. has received a recent appraisal on one of the properties and the appraised value was \$165,000 lower than expected, therefore, would need NMFA to increase its participation or have the client bring in equity to the deal. In order to make up values, Wells Fargo is proposing to increase the size of the loan for one of the properties that has sufficient loan to value. This loan will be made under the 650 Valley Dr. #A property which was approved for \$691,536 with Collateral Support Participation of 15% for an amount of \$103,730. The new loan amount will be \$856,536 with a Collateral Support Participation for an amount of \$128,480. The new loan to value will be 63% based on the most recent appraisal.

**Mr. Paul Gutierrez moved, seconded by Mr. Jerry Jones, for revised approval of a Collateral Support Participation with Wells Fargo Bank for ELRC Properties, LLC. The motion was unanimously approved.**

**76. Consideration for Revised Approval of a Behavioral Health Capital Fund Loan for Tri-County Community Services, Inc. – 2719-BH.** The Economic Development Committee and staff recommend approval of revisions to Tri-County Community Services, Inc. application for the Behavioral Health Capital Fund loan.

The loan consists of an \$800,000 Behavioral Health Capital Fund (BHCF) loan with a 20 year term at 3% interest rate to Tri-County Community Services, Inc. for the acquisition and minor rehabilitation of a building. In May 2012 Tri-County Community Services, Inc. (TCCS) received Board approval to purchase a building in Taos which will consolidate all the personnel in one central location and reduce the amount of rent expense for the 5 locations from which they are currently providing service to patients.

The project that was approved in May 2012 included a purchase of two adjacent buildings located in Taos and to fund some minor renovations to the facilities to get them up to code for a Community Mental Health Center. The total costs for the purchase and renovation of the two buildings is \$1,700,000 of which NMFA was going to fund \$800,000 at 3% for 20 years with a 20% forgiveness component if TCCS meets the Contract for Services with HSD. The remaining project costs would be funded from a loan from the United States Department of Agriculture – Rural Development (“USDA”) Community Facilities Grant and Loan Program for \$900,000 at 3.375% for 40 years. These two loans will save TCCS \$185,000 in rent expense on an annual basis and allow TCCS to hire one doctor and six case managers which will increase its billable revenues by \$300,000. Staff had been working with TCCS and USDA to close both loans simultaneously; however, the USDA loan approval process took more than a year to complete. In order to have a completed project, the USDA loan commitment had to be approved before NMFA could close on the \$800,000 loan. In the meantime, staff worked with TCCS to draft legal documents for this transaction and reviewing the updated appraisals and financials. While conducting a financial review of the updated financials, staff noted a higher amount of expenditures by TCCS which has reduced the net income for TCCS and required an updated analysis to determine whether the increase in expenses resulted from one-time expenses or whether they were recurring. Staff’s review determined that most of the expenditures are one-time expenses, i.e., related legal expenses, tax



penalties related to past administration, audit costs associated with past tax returns and computers to support new Electronic Health Records ('EHR') software. Backing out these one-time expenditures, staff believes that TCCS and its new management should produce positive cash flow sufficient to debt service the proposed BHCF and USDA loans.

**Mr. Paul Gutierrez moved, seconded by Mr. Brett Woods, for revised approval of a Behavioral Health Capital Fund Loan for Tri-County Community Services, Inc. The motion was unanimously approved.**

**77. Consideration for Preliminary Approval of a New Markets Tax Credit Allocation to Presbyterian Medical Services Subsidiary (San Juan and Socorro Counties) – 0537-NMTC.** The Economic Development Committee and staff recommend preliminary approval of the NMTC financing for Presbyterian Medical Services Subsidiary.

Interest-only loans for \$10,670,000 made to Presbyterian Medical Services Subsidiary at a blended interest rate now estimated at approximately 3.8583% and minimum coverage of 3.98 xs. The loans will be made by Finance New Mexico-Investor Series XII, LLC with capital provided from qualified equity investment made by the FNM Investment Fund XII, LLC 100% owned by Wells Fargo Community Investment Holdings, LLC ("WFCIH"), a loan of \$2,673,000 loan from Wells Fargo Bank, NA with an interest rate now estimated at 4.50% and an Affiliate of Borrower loan from Presbyterian Medical Services in the amount \$5,000,000 with an interest rate now estimated to be 4.25%.

Presbyterian Medical Services Subsidiary proposes to use the NMTC proceeds to build and equip a new clinical facility containing 27,427 square feet of gross building area on a vacant building lot it owns across the street from its existing clinic in Farmington. The proposed facility will be 50% larger than the existing 18,300 square foot clinic and the number of exam rooms will be doubled. PMS also proposes to a portion of the NMTC financing to construct a 2,186 square foot addition to its health center located in Socorro NM. The new addition will increase the Socorro facility size by roughly 50%.

Regarding the sources of funds, Secretary Clifford noted that the Finance Authority is providing a majority of the funding and asked to what extent is Presbyterian's financial commitment. Mr. Brooks outlined the structure of the loan and explained that Presbyterian has dedicated a \$5,000,000 grant as a loan as well as contributing land as equity. Mr. Steve Hansen, CEO of Presbyterian Medical Services, responded to a question regarding the impact on the hospital with the change-over of the Sole Community Provider Program, stating there is no direct impact.

A discussion ensued on the behavioral health services program.

**Mr. Paul Gutierrez moved, seconded by Mr. Jerry Jones, for preliminary approval of a New Markets Tax Credit Allocation to Presbyterian Medical Services Subsidiary. The motion was unanimously approved.**

**78. Consideration for Preliminary Approval of a New Markets Tax Credit Allocation to 4Points Laguna, LLC (Cibola County)** The Economic Development Committee and staff recommend preliminary approval of NMTC financing for 4Points Laguna, LLC.



Interest-only loans in the amount of \$7,760,000 made to 4Points Laguna, LLC at an estimated interest rate of 1.28682%. This follow-on investment will be made by Finance New Mexico-Investor Series VIII, LLC with capital provided from a qualified equity investment made by FNM Investment Fund VIII, LLC. The Investment Fund will be owned 100% by US Bancorp Community Development Corporation ("USBCDC") and will have a \$5,569,000 loan from Pueblo of Laguna with an interest rate of 1%. The project is a component of a comprehensive approved plan to rebuild the water and waste system throughout the Pueblo. This includes: the repair, replacement and construction of new water and waste water lines, waste water lagoons and collection systems within all six villages; and a co-location of natural gas main lines with the water line to the village of Encinal. The project will also allow the Pueblo to construct one (1) new community center in Paguata and construct improvements to one (1) Community Center in Mesita. The project will provide approximately 50 homes with access to natural gas, 350 sewer connections and a new water main to provide water to the Valley System from the Village of Encinal.

Chair Winter asked if the 4Points Laguna is an enterprise by the Pueblo. Ms. Theresa Leger stated it is a pueblo-owned Limited Liability Company. They are not a Section 17 and also have their own tribal court system. Mr. Brooks confirmed the documents include sovereign immunity language as stipulated in Finance Authority policies.

**Mr. Paul Gutierrez moved, seconded by Mr. William Fulginiti, for preliminary approval of a New Markets Tax Credit Allocation to 4Points Laguna, LLC. The motion was unanimously approved.**

- 79. Consideration and Recommendation to Submit an Application to the Community Development Finance Institutions Fund ("CDFI") for New Markets Tax Credit Allocation.** The Economic Development Committee and staff recommend approval of the Resolution authorizing Finance New Mexico to submit an application to the Community Development Financial Institution Fund for additional New Markets Tax Credit allocation.

The CDFI Fund is expected to announce the release of the shortly for the 2013 allocation application. It is further expected that as part of the application, the maximum amount of allocation available to any single CDE will be \$100 million. In addition to the application process being highly competitive, the process is also lengthy. Though the application is expected to be due in the fall, it is unlikely that allocation from the application would be available until late spring/early summer of 2014.

**Mr. Paul Gutierrez moved, seconded by Ms. Kathy Ulibarri, to authorize submittal of an application to the Community Development Finance Institutions Fund for New Markets Tax Credit Allocation. The motion was unanimously approved.**

**Report from the Chairperson of the Audit Committee.** *Committee members are: Secretary Tom Clifford or designee Ricky Bejarano, Chair; Paul Gutierrez, Vice-Chair; Secretary David Martin; and Ms. Katherine Ulibarri.*

**80. Update on Activities**

Secretary Tom Clifford report on the Audit Committee meeting held on July 22, 2013.



- ◆ The FY13 audit has begun, and a valid contract is in place. Auditors have been on-site looking at internal controls. An entrance conference is scheduled for the next regular meeting of the Audit Committee on August 19, 2013.
- ◆ The unaudited financial statements for FY13, ending June 30, 2013 were reviewed.
- ◆ Mr. Robert Brannon briefly reported on AMTEC's arbitrage review of the PPRF Bonds. The Committee expressed satisfaction with AMTEC's performance and timeliness, comparing it favorably to the performance of the previous arbitrage rebate specialist.
- ◆ The proposed charter will be on the agenda for consideration at the next Audit Committee meeting.

**81. Audit and Investigation Findings, Recommendations and Actions (Information Item Only).** Mr. Gasparich and Ms. Donna Trujillo briefly reviewed the updated Finance Authority matrix, which is attached as a part of the minutes.

Secretary Clifford said they were unsuccessful with the second posting for the internal audit position and they are now contemplating contracting the position. The Audit Committee will continue to attempt to fill the position; however the recommendation to the Board may be to contract the position.

**Report from the Chairperson of the Investments Committee.** *Committee members are: Mr. Terry White, Chair; Mr. Paul Gutierrez, Vice-Chair; Secretary David Martin; and Mr. Blake Curtis.*

**82. Update on Activities**

Mr. Paul Gutierrez presented the report for the Investment Committee meeting on July 17, 2013.

- ◆ Investment Report:
  - Total invested funds at the end June were \$382 million; \$293 million is NMFA funds and \$89 million is DOT GRIP funds compared to total fund invested at this time last year of \$454 million. Weighted Average yield in all fund invested at the Authority at month end was .61% compared to .60% this time last year.
- ◆ NMFA Portfolio Performance:
  - The NMFA portfolio was .17% at the end of June and was higher than the 3 month constant maturity treasury yield of .04%, the 6 month at .09%, and the 1 year of .15%. The weight average duration in the portfolio was 225 days.
  - Currently there is 52% of the portfolio in Money Market Mutual Funds, and 48% in Fixed Income Securities (26% US Agencies and 22% US Treasuries).
  - Total net income on NMFA invested funds for FY 2013 was \$491,311
- ◆ Discussions:
  - Discussed moving a little farther out on the yield curve to pick up some yield while still being in compliance with the Investment Policy. Have been maintaining a very short time frame, in the 1-1.5 year average duration, possibly moving out to 1.5-2 year average duration on operating funds.
  - Next month the Investment Committee will do an annual review of all approved Broker/Dealers from whom the Finance Authority can purchase or sell securities.



Secretary Ryan Flynn departed the meeting at 1:10 p.m.

- 83. Consideration for Approval of the Investment Report for the Period Ending June 30, 2013.** No action taken.

**OTHER ITEMS**

- 84. EXECUTIVE SESSION – Closed meeting to discuss matters subject to attorney-client privilege pertaining to threatened or pending litigation related to audit matters as allowed by NMSA 1978, Section 10-15-1(H)(7).**

Chair Winter: *"I will entertain a motion for the NMFA Board of Directors to go into Executive Session pursuant to NMSA 1978, Section 10-15-1(H)(7) to discuss matters subject to attorney-client privilege pertaining to threatened or pending litigation related to audit matters."*

**Mr. Paul Gutierrez moved, seconded by Mr. Brett Woods, to go into Executive Session pursuant to NMSA 1978, Section 10-15-1(H)(7). Roll call vote was taken with all present voting in the affirmative. The motion was unanimously approved.**

Return to Open Meeting

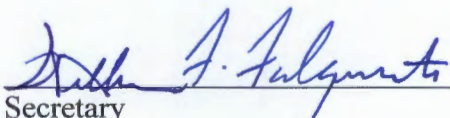
Chair Winter: *"We are now in open meeting. Let the record reflect that no action was taken during the closed meeting and the only things discussed were matters subject to attorney-client privilege pertaining to threatened or pending litigation related to audit matters."*

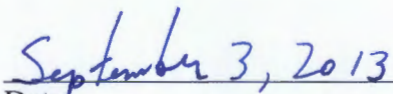
**85. Next Board Meetings**

August 23, 2013, 9:30 a.m.  
Room 309, State Capitol  
Santa Fe, NM

**86. Adjournment**

The meeting adjourned at 1:30 p.m.

  
Secretary

  
Date