

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

**Minutes of Board Meeting
February 27, 2014
Apodaca Hall**

Present:

John McDermott, Chair	McDermott Advisory Services, LLC
Ryan Flynn, Vice Chair	Secretary, NM Environment Dept.
William Fulginiti, Secretary	Executive Director, NMML
Katherine Ulibarri, Treasurer	V/P for Finance/Operations, Central NMCC
Andrew Jacobson	Designee, Dept. of Finance & Administration
Blake Curtis	CEO, Curtis & Curtis Seed
Antoinette Vigil	Designee, Economic Development Dept.
Terry White	CEO, Sunwest Trust, Inc.
Steve Kopelman	Executive Director, NMAC

Absent:

David Martin	Secretary, NM Energy & Minerals Dept.
Jerry Jones	CEO, Stolar Research

Finance Authority Staff:

Adam Johnson	Bryan Otero
Charles Parker	Connie Marquez-Valencia
Dan Opperman	David Mahooty
Donna Maestas	Donna Trujillo
Gloria Castillo	Jana Amacher
John Brooks	Jolene Meadows
Leslie Medina	Mark Lovato
Marquita Russel	Michael Zavelle
Robert Brannon	Robert Coalter
Sanjiv Doreswamy	Theresa Garcia
Zach Dillenback	

Guests:

Allan Affeldt	Castaneda-La Posada
Brad Patterson	Ballard Spahr
Chip Pierce	Western Financial
Helen Atkeson	Hogan Lovells LLP
Jeremy Oswald	Bank of Albuquerque
John Archuleta	G.K. Baum

Linda Kehoe
Loren Hatch
Marcos Trujillo
Paul Cassidy
Robbie Heyman
Susan Ellis
Susan Rodriguez
Suzanne Bruckner
Tracy Hofmann

LFC
NMDOT
NMDOT
RBC Capital Markets
Sutin, Thayer & Browne
Bank of Albuquerque
DFA – LGD
Sutin, Thayer & Browne
Sutin, Thayer & Browne

1. Call to Order and Roll Call.

The meeting was called to order at 9:05 a.m. Roll was called and a quorum established.

2. Approval of Agenda.

Mr. Robert Coalter requested that agenda item #20 on Hotel Plaza be discussed after the Executive Session.

Mr. William Fulginiti moved, seconded by Mr. Steve Kopelman, for approval of the amended agenda. The motion was unanimously approved.

3. Approval of January 23, 2014, Board Minutes.

Mr. William Fulginiti moved, seconded by Mr. Blake Curtis, for approval of the January 23, 2014, minutes as presented. The motion was unanimously approved.

4. Report from Chief Executive Officer.

Mr. Robert P. Coalter, CEO, reported on the following:

- ◆ NMFA is waiting for approval of HB12, which gives authorization to make loans for public projects from the Public Project Revolving Fund.
- ◆ SB112, is also pending. The proposed changes will remove the NMFA CEO and the Game and Fish Commissioner from the Water Trust Board. The members will no longer be appointed by the Governor but will be Legislative Council Appointees. The Bill also reduces the number of projects that were proposed. Mr. Coalter will present an update at the March Board meeting.
- ◆ SB 31, relating to the Local Governing Planning Fund was passed and signed by the Governor.

5. Consideration for Approval of 2014 Open Meetings Act Resolution. Mr. Dan Opperman gave a brief overview of the Open Meetings Act Resolution. He explained that the Resolution requires annual approval from the Board. There are no changes from the 2013 resolution.

Mr. William Fulginiti moved, seconded by Mr. Steve Kopelman, for approval of the 2014 Open Meetings Act Resolution. The motion was unanimously approved.

6. Consideration for Approval of Sale Resolution for NMDOT/STC HIF Subordinate Lien, Series 2014A. Approval of a Supplemental Resolution Approving and Establishing the Principal Amounts, Maturities, Sale Prices and Interest Rates for the up to \$80,000,000 New Mexico Finance

Authority/State Transportation Revenue Bonds (State Transportation Commission – Subordinate Lien), Series 2014A; and Approving and Authorizing the Execution of the Bond Purchase Agreement, Eighteenth Series Indenture of Trust and Other Bond Documents for the Series 2014A Bonds.

On December 20, 2013, the Board approved an Authorizing Resolution authorizing the issuance of up to \$80,000,000 of New Mexico Finance Authority/State Transportation Revenue Bonds (State Transportation Commission - Subordinate Lien), Series 2014A (the “Series 2014A Bonds”) for the purpose of providing funds to finance certain highway bond projects and paying for costs of issuance of the Series 2014A Bonds. The State Transportation Commission authorized the issuance of the Series 2014A Bonds in its own Resolution on December 5, 2013. The Authorizing Resolution authorized certain actions to be taken to commence the issuance of the Series 2014A Bonds. On January 23, 2014, the Board and the Commission each authorized the use and distribution of a Preliminary Official Statement for the Series 2014A Bonds.

Sale of the Series 2014A Bonds occurred on February 26, 2014, and the Board is now being requested to adopt the Resolution approving and establishing the final amount of the Series 2014A Bonds, the sale price and interest rates for the Series 2014A Bonds, and authorizing the signing of the Bond Purchase Agreement, the Eighteenth Series Indenture of Trust and other bond documents with respect to the Series 2014A Bonds. The Board is also being asked to approve the use and distribution of an Official Statement for the Series 2014A Bonds. The Official Statement is in substantially the form of the Preliminary Official Statement previously authorized by the Board, with the addition of the pricing and interest rate information being approved in this Resolution before the Board today. Approval of this Resolution will allow the use of the Official Statement, and will confirm the terms of the Series 2014A Bonds, allowing the closing of the Series 2014A Bonds to proceed on March 12, 2014.

Mr. Paul Cassidy updated the Board on the bond sales which took place last week. He noted that the transaction was well received with all bonds fully subscribed. Mr. Dan Opperman explained that the Sale Resolution approves and establishes the final amounts of Series 2014A Bonds for NMDOT. Approving the Resolution will establish the sale price of the interest rate and will authorize the signing for all closing documents in March.

Chair McDermott asked if the early redemption provision was similar to others in the past and whether the Board should be aware of any concerns in the Resolution. In response to Chair McDermott, Mr. Robbie Heyman explained that the transaction was very typical and standard and there are no concerns.

Ms. Katherine Ulibarri moved, seconded by Mr. Vince Lithgow, for approval of the Sale Resolution for NMDOT/STC HIF Subordinate Lien, Series 2014A. The motion was unanimously approved.

- 7. Report from Finance & Loan Committee.** Mr. William Fulginiti reported on the February 21, 2014, Finance & Loan Committee meeting. The Committee reviewed and recommends approval of the projects that follow. Mr. Fulginiti noted that the Committee asked for more information

regarding the Santa Ana Pueblo project. The information will be brought back to the Board meeting in March for discussion and approval.

Items 8 thru 15 have been placed on the Consent Agenda. These projects were reviewed by the Finance & Loan Committee, and subject to Board's approval, 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.

- 8. Consideration for Approval of Otero County – Alamo West Volunteer Fire Department - Equipment Project – 3102-PP.** Otero County has applied for PPRF loan financing for \$110,832 to purchase a new 3,000 gallon Fire Tanker to replace aging equipment, and ensure adequate water supply for firefighting.

The County will pledge its State Fire Protection Funds as the revenue source for this loan. Currently, Alamo West VFD has an ISO class rating of 5, with two main stations, and receives an annual base distribution of \$123,334. The County has a Median Household Income of \$39,054, which is 87.05% of the State's MHI and qualifies as a disadvantaged entity eligible to receive up to \$75,000 at a 3% interest rate. The market rate was lower than 3% in the years 2016-2021; therefore, staff applied the 3% rate to years 2022-2025. At the time of closing, the market interest rate will be reevaluated to determine the amount of disadvantaged funding. The County will contribute \$100,000 of accumulated fire funds toward this project. The County is current with its audits and financial reporting.

- 9. Consideration for Approval of Otero County – Burro Flats VFD – Equipment Project – 3103-PP.** Otero County has applied for PPRF loan financing for \$110,832 to purchase a new 2,000 gallon, 1250 GPM Fire Pumper to replace aging equipment.

The County will pledge its State Fire Protection Funds as the revenue source for this loan. Burro Flats VFD has an ISO class rating of 9, with one main station, and receives an annual base distribution of \$39,058. The County has a Median Household Income of \$39,054, which is approximately 87% of the State's MHI. The County qualifies as a disadvantaged entity and is eligible to receive up to \$75,000 at a 3% interest rate. The market rate was lower than 3% in the years 2016-2021; staff applied the 3% rate to years 2022-2025. At the time of closing, the market rate will be reevaluated to determine the amount of disadvantaged funding. Burro Flats VFD will contribute \$100,000 of fire protection grant funds toward this project. Currently this fire station has no outstanding debt. The County is current with its audits and financial reporting. Responding to Mr. Lithgow's question on the 2013 audit findings, Mr. Dillenback stated that it was an unmodified opinion.

- 10. Consideration for Approval of Grant County – Tyrone VFD – Building Project – 3105-PP.** Grant County has applied for PPRF loan financing for \$335,517 for a building project to include a new office, bathroom and meeting room onto the existing fire station.

The County will pledge its State Fire Protection Funds as the revenue source for this loan. Tyrone VFD has an ISO class rating of 6, with five main stations, and receives an annual base distribution of \$292,920. The County is current with its Audits and financial reporting.

- 11. Consideration for Approval of Village of Cloudcroft (Otero County) –Building Project - 3107-PP.** The Village of Cloudcroft has applied for PPRF loan financing for \$302,267 for a building project to include construction of a new main fire station and improvements to an existing station.

The Village has an ISO class rating of 4, which qualifies them to receive a base distribution of \$129,502. The third main station will qualify the Village for an additional \$64,751 upon completion. The Village has accounted for the increased maintenance and energy costs in their fire budget, before depending on the additional future revenue. Lastly, the Village does qualify for \$200,000 at the Disadvantaged 3.0% rate because their MHI is 82.98% of the State of New Mexico. The Village is current with its audits and financial reporting.

- 12. Consideration for Approval of Village of Cloudcroft (Otero County) – Equipment Project – 3106-PP.** The Village of Cloudcroft has applied for PPRF loan financing for \$282,116 to purchase a fire protection vehicle designed to defend against urban and wild land fire threats.

The Village does have an ISO class rating of 4, which qualifies them to receive a base distribution of \$129,502. This application and 3107-PP were considered when determining debt coverage and capacity. The Village is current with its audits and financial reporting.

- 13. Consideration for Approval of Village of Magdalena (Socorro County) – Preliminary Engineering Report – 3100-PG.** The Village of Magdalena has applied to the Local Government Planning Fund for \$50,000 to finance a Preliminary Engineering Report (PER).

The Village has applied to the Local Government Planning Fund (LGPF) to obtain a PER to study the options and costs associated with the rehabilitation of its three wells. Prior to the summer of 2013, only the Trujillo Well was functioning. In June of 2013, the Trujillo Well collapsed which will require debris removal and installation of new equipment. In September 2013, the Benjamin Well and the Speers Well were refurbished with new equipment. Both wells need to be brought up to NMED regulatory sanitary requirements, and SCADA equipment needs to be installed.

The Village of Magdalena is curing an urgent need, as the water supply needs to become compliant with sanitary standards. Per Section 5.2 of the LGPF Policy, the local match is waived, and staff is presenting this grant outside of the LGPF quarterly schedule. The Village is behind on its audit reporting; FY 2011 is completed and has been filed with the State Auditor's Office. The Village's original auditor passed away and they had trouble finding a replacement. A new audit firm has been hired and has indicated they will complete and submit all outstanding audits by March 2014. Because the grant is a reimbursement to the Village after NMED approval, the project relates to the Village's ability to provide health, safety and welfare to the community and staff received a letter of explanation for the audit issues.

14. Consideration for Approval of Village of Magdalena (Socorro County) – Water Conservation Plan – 3101-PG. The Village of Magdalena has applied to the Local Government Planning Fund for \$50,000 to finance a Water Conservation Plan.

The Village has applied to the Local Government Planning Fund (LGPF) to develop a Water Conservation Plan. In June 2013, the Village well collapsed requiring delivery of water by the State to residents. Subsequently two of the older wells were refurbished and are supplying the Village with water, although not in compliance with NMED sanitary standards. After experiencing the water outage, the Village believes a long term conservation plan is a priority. They wish to complete this study simultaneously with the Preliminary Engineering Report which will save money to contract the same engineering firm to execute both reports.

As per Section 5.2 of the LGPF Policy, due to urgent needs, the local match is waived and staff is presenting this Grant outside of the LGPF quarterly schedule. The Village is behind on its audit reporting; FY 2011 is completed with the State Auditor's Office. The Village's original auditor passed away and they had trouble finding a replacement. A new audit firm has been hired; they will complete and submit all outstanding audits by March 2014. Because the grant is a reimbursement to the Village after Office of the State Engineer approval, the project relates to the Village's ability to provide health, safety and welfare to the community, and staff received a letter of explanation for the audit issues; staff recommends approval. The Village is behind on its audit reporting.

15. Consideration for Approval of Town of Vaughn (Guadalupe County) – Preliminary Engineering Report - 3091-PG. The Town of Vaughn has applied to the Local Government Planning Fund (LGPF) for \$50,000 to finance a Preliminary Engineering Report (PER).

The PER will determine the scope of work and costs related to repairing or replacing a water tank, water lines, and installing new pressure relief valves. The water distribution system for the Town consists of four wells, a 40,000 gallon water tank, approximately 26 miles of water lines and 287 connections. The Town also supplies water to the Villages of Encino and Duran. The water tank is leaking and needs repair. The water lines were installed in the early 1970's; they are corroded and continue to break. The Town believes they recently lost about one million gallons of water due to water line breaks. In November of 2013, the water system was not functioning for five days due to leaks.

In November 2013, the Town of Vaughn received an emergency status with water being delivered by truck. The Town continues to have water line breaks and leaks. As per Section 5.2 of the LGPF Policy, the local match is waived as this study will cure an urgent need and staff is presenting this grant outside of the LGPF quarterly schedule. The Town is behind on its audit reporting; FY 2009 is complete and FY 2010 is in review. The Town's audit firm is currently working on submitting all the late audits. There was no response from audit firms to the Town's Request for Proposals. When they did receive a response, that firm needed to be approved with the State Auditor's Office. Once the firm was approved, they no longer wanted to do the audits and the Town had to RFP again. Because the grant is a reimbursement to the Town after NMED approval, the project relates to the Town's ability to provide health, safety and welfare to

the community, and staff received a letter of explanation for the audit issues; staff recommends approval. The Town is behind on its audit reporting.

Mr. William Fulginiti moved, seconded by Mr. Steve Kopelman, for approval of Consent Agenda items 8 – 15. The motion was unanimously approved.

- 16. Consideration for Approval of Farmington Municipal School District (San Juan County) – Education Technology Equipment - 3104-PP.** The Farmington School District has applied for a PPRF loan for \$6,500,000 to purchase Education Technology Equipment including Apple MacBook Air and MacBook Pro computers, IT upgrades, software and licensing fees.

The District will be pledging ad valorem property tax for this loan. The assessed valuation for 2013 was \$1.43 billion. Of this, 6% or \$85.65 million is the allowable assessed valuation. The outstanding indebtedness for the District is \$38.87 million. Adding this request would result in assessed valuation utilization of 52.97% with remaining capacity at \$40.28 million. The New Mexico State Constitution does not require the District to receive voter approval for education technology equipment and related projects when such equipment is purchased through a lease-purchase agreement. 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 the title would be in the nature of a security interest. The District will have all the responsibilities of ownership.

The NMFA processing fee is capitalized into the 4 years of the loan at a rate of 0.2859%, which is added to the market rate. The NMFA maintenance fee of 0.10% is applied to life of the loan. The above maximum interest rate also includes a 0.75% credit margin. The District is up-to-date with its audits and financial reporting.

Mr. William Fulginiti moved, seconded by Mr. Blake Curtis, for approval of Farmington Municipal School District Project #3104-PP. The motion was approved unanimously.

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

17. Update on Activities

Ms. Marquita Russel reported on the January 17, 2014 Economic Development Committee meeting. The Committee reviewed the Private Lending Portfolio, two loan participation proposals and two information items which follow as agenda items 18 - 21.

- 18. Consideration for Approval of M.W. Holdings, Inc. – Permanent Term Note – 3108-CSP.** The Economic Development Committee and staff recommend approval of a 20% subordinate participation in an amount not to exceed \$1,145,000 for a permanent term loan using the proceeds from the Collateral Support Loan Participation.

Recommended approval of a 20% subordinated participation with Bank of Albuquerque for MW Holdings, a real estate holding company for Bicycle Technologies International, a Santa Fe distributor of bicycle parts and accessories. This participation takes-out the construction line of credit that was made with Wells Fargo and with participation from NMFA. The loan will be secured with two properties with an 84% loan-to-value and with an expected 1.47x debt service coverage. Staff is requesting a policy waiver to allow the Finance Authority to purchase 20% because Bank of Albuquerque can only lend against 75% of the value this facility. Staff noted that one of the properties securing the transaction is on the market and that once it sells, the NMFA's portion will be paid down bringing NMFA's maximum participation to 11% and the loan to value to 85%.

As a condition of approval, the Finance Authority will require the following:

- a. Appraisal acceptable to Bank of Albuquerque and the Finance Authority.
- b. Participation Agreement acceptable to the Finance Authority.
- c. Copy of the Certificate of Occupancy.
- d. Copy of the lease agreement between MWH and BTI.
- e. As a condition of this participation, any release of collateral secured by 1216 Mercantile property would be used to pay down NMFA's loan to 85% LTV to meet NMFA's policies.

Mr. Andrew Wright, President of BTI and President of M.W. Holdings explained that BTI recently completed construction of their new building located at 36 Velocity Way. BTI would like to create a permanent finance loan in hopes to create more jobs in New Mexico.

Chair McDermott asked if the sale of 1216 Mercantile is a contractual obligation or a projection. Mr. Brooks explained that NMFA is requesting that the facility be sold; however, should the facility not sell, NMFA will still be within its policies. The NMFA Note will be paid upon final payment of the mortgage.

Chair McDermott asked Mr. Wright and Mr. Martin if this was the preferred approach to create the loan for their project. Mr. Wright and Mr. Martin both agreed. Mr. Wright explained that BTI had previously looked at an earlier finance package; however felt it necessary to explore other options. Bank of Albuquerque and NMFA were able to provide a better package not only for cost, but also in terms of avoiding other restrictions that would cause future expansions to be slowed down.

Mr. White asked for clarification on the payback of the sale from the 1216 Mercantile facility specifically, is it contractual that the property be sold or is it contractual that NMFA gets paid back from the sale? Mr. Brooks explained that the Funding Condition of the agreement requires that any release of collateral secured by 1216 Mercantile be used to pay down NMFA's loan to meet the policies. Mr. Brooks also explained that the properties in the portfolio will be cross collateralized and cross defaulted with the loans at Bank of Albuquerque and with NMFA. NMFA is currently in second position for that property.

Mr. Blake Curtis moved, seconded by Mr. Terry White, for approval of M.W. Holdings, Inc., Project #3108-CSP. The motion was unanimously approved.

- 19. Consideration for Approval of Lock Builders, Inc. – Construction Line of Credit.** The Economic Development Committee and staff recommend approval of 20% participation in an amount not to exceed \$594,000 for construction line of credit using the proceeds from the Collateral Support Participation.

Recommended approval for a 20% Subordinate Participation with New Mexico Bank and Trust for Lock Builders, a real estate holding company for Santa Fe Brewing Company. This participation will be a construction line of credit for the purpose of building a new brew house and refinance loan made by Wells Fargo for the purchase of the land. The loan will have a maximum 74% loan-to-value and is expected to have 1.44x debt service coverage. The project will allow Santa Fe Brewing create an additional bottling line along with additional storage for its unfinished goods such as bottles, cans and other items that are held off site. The building is located on 3 acres of adjacent to its current facility.

As a condition of approval, the Finance Authority will require the following:

- a. Appraisal acceptable to New Mexico Bank and Trust and the Finance Authority.
- b. Participation Agreement acceptable to the Finance Authority.
- c. Copy of the take out letter from SBA 504.
- d. Copy of the Lease Agreement between Lock Builders, LLC and Santa Fe Brewing Company.
- e. Copy of the construction contract between Lock Builders and the construction company.
- f. Certification of the construction company's license to operate in New Mexico.
- g. Insurance Coverage acceptable to New Mexico Bank and Trust and the Finance Authority.

Chair McDermott noted that the liability to the loan is with Santa Fe Brewing and the expected performance of the business. Ms. Alana Jones, General Manager, Santa Fe Brewery explained that their business has grown in the last three years. Since launching canned beer in 2010, the company has grown between 25% and 50% each year. The company is unable to keep up with demand and therefore needs to expand. Currently the beer is distributed in nine states and is the largest brewing company in New Mexico. The company is hoping to distribute nationally and possibly internationally.

Mr. Terry White moved, seconded by Mr. Blake Curtis, for approval of Lock Builders, Inc. – Construction Line of Credit. The motion was unanimously approved.

- 20. Update on Sale of Plaza Hotel.** *(Considered after Executive Session)* Ms. Marquita Russel presented an update on the sale of Plaza Hotel and methodology utilized to determine fair market value. She noted that staff recommends using the two market appraisal approach to determine the value of disposition of assets under the Economic Development Programs. Currently there are parties that are interested in purchasing the property.

On August 31, 2009, the NMFA closed on a 29.9% pari-passu Smart Money loan participation for \$1,650,000 with Valley National Bank (the "Bank") to fund a permanent loan to Plaza Ilfeld, LLC following the renovation of a historic building into an addition of the Plaza Hotel in Las Vegas, New Mexico.

In June 2011, the NMFA Board approved the deferral of six months of principal and interest payments and provided for interest only payments through April 2012, thereafter resuming normal principal and interest payments. The borrower, however, was unable to meet its payment obligations under the revised terms and stopped making payments under the note in January 2012.

When the borrower failed to cure its default after receipt of a demand letter, the Bank petitioned the Court to appoint a Receiver and on June 11, 2012, Pacific Pearl Hotels & Resorts, a hotel management company, took over the management of the hotel. Subsequently, as part of the foreclosure proceedings, the Court ordered that the property be sold at auction on July 9, 2013. Valley National Bank was the successful bidder using a credit bid of \$3,750,000, leaving an outstanding balance of \$3,348,218, against the judgment amount of \$7,098,218. The Judge approved the sale terms and Pacific Pearl is currently operating the hotel.

Under the terms of the participation agreement, the Bank has full authority to administer the loan, including the disposition of assets. However, the Bank has sought NMFA's opinion as to whether to sell the property through a national marketing of the property or whether to engage interested parties through negotiation. One interested party has offered to purchase and improve an unrelated property in Las Vegas if it can also purchase the Plaza Hotel. However, the timing of the purchase of the unrelated property will not allow the Bank to engage in national marketing.

As such, NMFA is being asked to provide terms under which a "short sale" to an interested party would be acceptable. After discussion with the proposed purchaser and the Bank, staff believes a short sale could be supported if two fair market value appraisals were ordered and the purchase price was at least the average of the two appraised values.

Given the potential economic impact that could occur if the Plaza Hotel were combined with the purchase and improvement of an unrelated property, staff believes that the two appraisal approach be considered an acceptable methodology for determining fair market value.

Mr. Allan Affeldt, potential buyer of the Plaza Hotel, explained that he is interested in purchasing the Plaza Hotel in conjunction with the Castaneda Hotel in Las Vegas, NM. The only way to have the Castaneda and the Plaza Hotel operate efficiently is to purchase the two hotels together. Mr. Affeldt is currently in a position to purchase both properties. He understands the business and the risks. He must close on the Castaneda Hotel by April 8, 2014.

Mr. Affeldt indicated that if NMFA and the Bank are willing to sell the property at the current fair market value, he is willing to purchase it and has the equity to complete the loan.

Mr. Affeldt is requesting agreement from the NMFA Board to move forward in determining the current Market Value and to negotiate the sale of the property.

Ms. Russel indicated that staff will proceed if there are no major concerns from the Board. Chair McDermott noted that it is a sensible and logical approach. Mr. Kopelman agreed and supported doing everything possible to move the project forward. He commented that it is great to have both lending partners work together to resolve the transaction. Mr. Lithgow agreed that the approach was sensible and fully supports the idea.

21. **Update on Solace Crisis Treatment Center.** Ms. Marquita Russel presented information related to the proposed transfer of Solace Crisis Treatment Center building to the City of Santa Fe. Funding was provided through a special appropriation. She explained that to avoid complications with the anti-donation clause, the building must first be transferred to the City of Santa Fe prior to making improvements. Formal approval to allow NMFA to consent to the temporary transfer of the building will come before the Board in March.

In January 2009, the NMFA finalized a \$480,000 Behavioral Health Capital Fund (“BHCF”) loan to Santa Fe Rape Crisis Center (now known as Solace Crisis Treatment Center or “Solace”). The proceeds of the BHCF loan were combined with a loan from Los Alamos National Bank (“LANB”) to purchase land and construct a new facility in Santa Fe. NMFA and LANB share a first mortgage on the land and building. As part of the BHCF loan, the NMFA and Human Services Department (“HSD”) entered into a Contract-for-Services Agreement with Solace that allows Solace to repay 20% of the loan’s annual principal and interest payments through the provision of services to indigent and medically needy persons at free or reduced costs.

The 2013 Legislature appropriated \$216,000 to the City of Santa Fe to plan, design, repair, renovate and equip the sexual assault service provider and trauma treatment center located in Santa Fe. Solace is the only sexual assault provider in Santa Fe. In order for the City to use the funds to benefit Solace as intended, NMFA and LANB have been asked to consent to a temporary transfer of the building to the City of Santa Fe so that improvements can be made using the special appropriation. During the time in which the building would be titled to the City, Solace would make improvements to the building and would lease the building for a nominal amount. Through a Services Agreement, Solace would earn back the building by providing certain services to City residents. Solace is working with the City and HSD to ensure that the proposed services align with the Solace’s Contract-for-Services on the BHCF loan. HSD has not yet signed off the transaction and the project is currently being reviewed by several City committees. In the interest of time, Solace and the City have requested that NMFA present the item as information to the Board with a formal approval expected in March after HSD has consented and the City has completed its Committee reviews and approvals.

Staff has reviewed draft documents for the proposed transaction. As proposed, the building title would be transferred from Solace to the City for up to two years. The documents allow NMFA and LANB to enforce their loan remedies during the time in which the building is titled to the City of Santa Fe.

There was brief discussion on how NMFA would get access to the building in the event of a default on the loan. Chair McDermott asked that Mr. Dan Opperman and Ms. Marquita Russel provide the Board with documentation detailing the impact on the NMFA should there be a default. Ms. Russel

noted that that the transfer of the building to the City of Santa Fe is the preferred method and is the one frequently used in other transfers to non-profit organizations. However, Ms. Russel indicated she will explore other available avenues and information will be provided at a future meeting.

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

22. Update on Activities. Mr. Ricky Bejarano reported on the February 21, 2014 Audit Committee meeting. The Committee considered the following non-action items: RFPs for internal auditor and external auditors and a presentation of the Financial Statements.

23. Audit and Investigation Findings, Recommendations and Actions (Informational Item Only). Mr. Robert Coalter and Ms. Donna Trujillo briefly reviewed the dashboard.

Ms. Donna Trujillo noted that the RFPs for the external and internal auditors will be completed by March 31. Staff is still working on the accounting procedures and loans servicing; however, at Mr. Coalter's direction the current software will be reviewed from inception.

Mr. Coalter reported that he is developing data flow diagrams and procedures for each department. Within these procedures, a study of the current accounting software program will determine if the program is capable of running the necessary reports. If the software does not meet requirements, an RFP will be issued for a new program.

24. Consideration for Acceptance of the Financial Report ending January 31, 2014. Mr. Brannon gave a brief overview of the Financial Report ending January 31, 2014.

Mr. Vince Lithgow moved, seconded by Ms. Katherine Ulibarri, to accept the Financial Report for period ending January 31, 2014. The motion was unanimously approved.

Report from the Chairperson of the Contracts Committee. *Committee members are: Secretary Ryan Flynn, Chair; Secretary Jon Barela; Mr. Steve Kopelman; and Mr. Jerry Jones.*

25. Update on Activities. Mr. Dan Opperman presented the Contracts Committee report. The Contracts Committee met on February 17, 2014 with the following items presented: An amendment to an MOU between NMFA and the Environment Department; an RFP for the upcoming PPRF Bond Issuance; an RFP for External Auditing; an RFP for Internal Auditing; and an RFP for Investment Advisory services. All were approved by the Contracts Committee subject to approval from the appropriate committees.

Report from the Chairperson of the Disclosure Committee. *Committee members are: Mr. William Fulginiti, Chair; Secretary Tom Clifford; and Ms. Katherine Ulibarri.*

26. Update on Activities. Mr. William Fulginiti reported on the Disclosure Committee meeting of February 21, 2014. The Committee reviewed and discussed the following: The FHWA NMDOT

Bond Agreement with the changes made to the POS and the Disclosure Committee charter which will be presented for Board approval.

27. Executive Session – Closed Meeting to Discuss Matters Pertaining to the Disposal of Real Property Regarding the Plaza Hotel as allowed by NMSA 1978, Section 10-15-1(H)(8).

Chair McDermott: “Need a motion to move that the Board convene in a closed meeting to discuss matters pertaining to the disposal of real property regarding the Plaza Hotel as allowed by NMSA 1978, Section 10-15-1(H)(8). Specifically, the Board needs to discuss with Finance Authority staff in executive meeting the events surrounding the appraisals of the Plaza Hotel. This is authorized under the Open Meetings Act’s exceptions for matters regarding the purchase, acquisition or disposal of real property or water rights.”

Mr. Vince Lithgow moved, seconded by Mr. Steve Kopelman, that the Board convene in a closed meeting to discuss matters pertaining to the disposal of real property regarding the Plaza Hotel as allowed by NMSA 1978, Section 10-15-1(H)(8). Specifically, the Board needs to discuss with the Finance Authority staff in executive meeting the events surrounding the appraisals of the Plaza Hotel. Roll call was taken with all present voting in the affirmative. The motion was unanimously approved.

Return to Open Meeting

Chair McDermott: “We are now in open meeting. Let the record reflect that no action was taken during the closed meeting. The only matters discussed were those pertaining to the disposal of real property regarding the Plaza Hotel”.


The Board considered Item 20.


28. Next Board Meeting

Thursday, March 27, 2014 – 9:00 a.m.
State Capitol – Room 322
Santa Fe, NM

29. Adjournment

The meeting adjourned at 11:15 a.m.


Secretary


Date