

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

**Minutes of Board Meeting  
March 27, 2014  
State Capital – Room 322**

**Present:**

John McDermott, Chair	McDermott Advisory Services, LLC
Katherine Ulibarri, Treasurer	V/P for Finance/Operations, Central NMCC
Tom Clifford	Secretary Dept. of Finance & Administration
Brett Woods	Designee, NM Energy & Minerals Dept.
Antoinette Vigil	Designee, Economic Development Dept.
Terry White	CEO, Sunwest Trust, Inc.
Santiago Chavez	Designee, Executive Director, NMAC
Jerry Jones	CEO, Stolar Research
Cathy Atencio	Designee, NM Environment Dept.
William Fulginiti, Secretary ( <i>telephonically</i> )	Executive Director, NMML

**Absent:**

Blake Curtis	CEO, Curtis & Curtis Seed
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**Finance Authority Staff:**

Adam Johnson	Angela Quintana
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	Ryan Helton
Sanjiv Doreswamy	Theresa Garcia
Todd Johansen	Zach Dillenback

**Guests:**

Bobbye Rose	Village of Ruidoso
Chip Pierce	Western Financial
Danielle Bradford	Piper Jaffray
Danielle Shuryn	NMED-DWB
Erik Harrigan	RBC Capital Markets

Jill Sweeney  
Jon Bulthuis  
Kevin C. Montoya  
Michael Alvidnez  
Nathan W. Tsosie  
Paul Cassidy  
Robert Ortiz  
Ron Sena  
Susan Ellis  
Susan Rodriguez  
Suzanne Bruckner  
Tracy Hofmann

Brownstein Hyatt  
City of Santa Fe  
Santa Ana Pueblo  
Santa Ana Pueblo  
Santa Ana Pueblo  
RBC Capital Markets  
Santa Ana Pueblo  
Village of Ruidoso  
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.**

**Ms. Antoinette Vigil moved, seconded by Mr. Brett Woods, for approval of the agenda. The motion was unanimously approved.**

**3. Approval of February 27, 2014, Board Minutes.**

**Mr. Jerry Jones moved, seconded by Antoinette Vigil, for approval of the February 27, 2014, minutes as presented. The motion was unanimously approved.**

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

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

- ◆ Mr. Robert P. Coalter, CEO, presented the Board with an estimated timeline for a system review. He noted that NMFA will work on procedures, data flow diagrams, and required reports that are needed on an on-going basis. NMFA will also ensure that all policies are documented correctly and placed in one location. During the process, NMFA will determine the requirements and desires of a new system. If a new system is needed, an RFP will be developed and will go out to bid. The proposal and scope of work will be taken to the Contracts Committee for review.

Chair McDermott inquired about the committee(s) that would supervise the project. In response to the question, Mr. Coalter explained that initially the Contracts Committee would assist; however, a subcommittee may be needed. Chair McDermott noted that he would like the Board to provide some oversight on the process. Secretary Clifford added that the Audit Committee and the Finance and Loan Committee should be involved.

Mr. Jerry Jones asked if there was a line item in the budget. Mr. Coalter noted that a special line item might be needed. He would like to have a contract with a vendor that is responsible for the entire project.

- 5. Report from Finance & Loan Committee.** Ms. Katherine Ulibarri reported on the March 19, 2014, Finance & Loan Committee meeting. The Committee reviewed and recommends approval of the projects that follow. The Committee discussed and reviewed the statutes, rules and the history of tribal lending for Item #10.

*Items 6 thru 8 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.*

- 6. Consideration for Approval of Carlsbad Soil & Water Conservation District – Eddy County - Building Project – 3117-PP.** Eddy County has applied for PPRF loan financing for \$60,454 to finance the cost of upgrading their existing building.

The District intends to alleviate some safety concerns, comply with American Disability Act standards and achieve some energy conservation measures. The project fund will be used for, but not limited to: energy efficient lighting, insulation installation, new bathroom fixtures and an automatic handicap door opener. The District is pledging their Mill Levy as security and repayment for this loan. The District is up-to-date with its audits and financial reporting.

- 7. Consideration for Approval of Mora County – Guadalupita VFD – Equipment Project – 3111-PP.** Mora County – Guadalupita VFD has applied for PPRF loan financing for \$267,071 to purchase a quick attack fire truck for the Guadalupita community.

The Fire Department is established under the Mora County fire district and will pledge its State Fire Protection Funds as repayment for this loan. The Fire Department has an ISO 9 rating and receives an annual base distribution of \$54,483 with one main station and one substation. The County qualifies for a 3% disadvantaged funding with MHI of 89.11%. This rate is applicable to \$75,000 of the request and is applied to the last 4 years of the loan to maximize the benefit to the Fire Department.

Mora County serves as fiscal agent for the Guadalupita VFD. The County's 2013 audit was submitted on 2/12/2014. The 2013 audit resulted in a qualified opinion with 6 findings, one that was a material weakness as a result of incorrectly reconciling \$72,639 in cash due to accounting software not set up properly. The County is working to address the software issue.

- 8. Consideration for Approval of Quay County – Bard-Endee VFD – Equipment Project – 3110-PP.** Quay County Bard-Endee VFD has applied for PPRF loan financing for \$60,454 to purchase a new fire tanker truck to replace aging equipment and provide adequate water supply for firefighting.

The County will pledge its state fire protection funds as the revenue source for this loan. Currently, Bard Endee VFD has an ISO class rating of 8, with two main stations, one substation, and receives an annual base distribution of \$123,338. The County qualifies as a disadvantaged

entity and is eligible to receive up to \$75,000 at a 0% interest rate. The County will contribute \$212,500 of accumulated fire funds toward this project. The County is current with its Audits and financial reporting.

9. **Consideration for Approval of Village of Ruidoso (Lincoln County) – Water Master Plan - 3118-PG.** The Village of Ruidoso has applied for Local Government Planning Funding financing for \$50,000 for a Water Master Plan to study the existing, planned and approved development projects to the water distribution system.

The Village of Ruidoso is addressing an urgent need. The Village has restricted water use for its residents imposing Phase 5 restrictions for stringent water conservation. The Village has experienced five water emergencies since 2006 due to flooding, fires and drought. Per Section 5.2, the LGPF Policy the local match is waived with staff presenting this grant request outside of the Planning Grant quarterly schedule.

**Ms. Katherine Ulibarri moved, seconded by Mr. Jerry Jones, for approval of Consent Agenda items 6 – 9. The motion was unanimously approved.**

10. **PPRF Rules, Policies & History for Tribal Lending.** Mr. Zach Dillenback provided information on the New Mexico Finance Authority (“Finance Authority” or “Authority” or “NMFA”) statutes, PPRF Rules and Regulations, Loan Management Policies, and tribal loan activity levels to illustrate the origin and history of tribal lending under the PPRF. The presentation is attached as part of the minutes.

Secretary Clifford noted that there are still questions regarding the role of contributing versus non-contributing entities. He suggested the Board continue discussing these loans and evaluate them moving forward.

11. **Consideration for Approval of Pueblo of Santa Ana (Sandoval County) – Refunding & Wastewater Treatment Facility Expansion – 3092-PP.** The Pueblo of Santa Ana has applied for PPRF loan financing for \$34,010,000 to refund its Series 2004 Subordinate Loan, Series 2006 Enterprise Revenue Bonds, and issue new money to expand the Pueblo's wastewater treatment plant. Representing the Pueblo of Santa Ana were Governor George M. Montoya, Mr. Jeff Lords, CFO, and Mr. Richard Hughes, Special Counsel.

In 1998, the Pueblo issued enterprise revenue debt to fund the construction of the Hyatt Regency Tamaya Resort and Spa ("the Resort") and the Twin Warriors Golf Course. The debt has been restructured at various points in order to achieve the best possible financial structure. The debt resides in its current form of the BIA Guaranteed Series 2004 Subordinate Loan and the Series 2006 Enterprise Revenue Bonds (collectively referred to as “the Bonds”). The Bonds have a primary pledge of enterprise revenues of Tamaya Enterprises Inc. ("TEI"), Santa Ana Hospitality Corp. ("SAHC"), and Santa Ana Golf Club ("SAGC") and a secondary pledge of the Pueblo’s Gross Receipts Tax, Lodger’s Tax, and Possessory Interest Tax.

The Bonds are governed by an Indenture that prohibits additional debt from being issued. The

Pueblo is seeking to refund the Bonds through the PPRF in order to achieve economic savings and get out from underneath the current Indenture so that it may issue additional debt to fund a needed expansion to its Wastewater Treatment Plant.

The Pueblo is currently at capacity with its Wastewater Treatment Plant ("WWTP") processing 180,000 gallons per day (approximately 60,000 gallons from residential property and 120,000 gallons from commercial property). The Pueblo has a twenty-year plan for residential and commercial growth and cannot develop any further without expansion to its WWTP.

**Pledged Tax Revenue Background:** The Pueblo has pledged the following tax revenues as primary security of the loan:

- i) Gross Receipts Tax:* On average, GRT is down approximately 3% over the last three years. GRT is generated at all four of the Pueblo's corporate enterprises (TEI, SAHC, SAGC, and Southern Sandoval Investments ("SSI")). Staff used the FY 2013 GRT as a conservative measure in determining debt service coverage.
- ii) Lodgers Tax:* Lodgers Tax is generated solely at the Resort. Despite being down less than 1% in 2013 from the previous year, Lodgers Tax is, on average, up approximately 12% over the last three years. Staff used the FY 2013 GRT as a conservative measure in determining debt service coverage.
- iii) Gasoline Tax:* Gas Tax revenue is generated from gas sales at the Warrior 1 and Warrior 2 gas stations. The gas stations and convenience stores are managed by SSI. Gas Tax is up 85% in FY 2013 over the previous year due to the Warrior 2 station opening in April of 2013. SSI prices its gasoline specifically to generate tax revenue, not profit margins. Staff used the FY 2013 Gas Tax revenue in determining debt service coverage.
- iv) Possessory Interest Tax:* The Pueblo generates Possessory Interest Tax revenue from companies transmitting electric, telecommunication, and pipeline utility through reservation land. The Pueblo depreciates its valuation of property taxation in accordance to New Mexico guidelines, which also establishes a 20% depreciation floor. Staff used FY 2013 Possessory Interest Tax revenue and projected a 5% decline annually through 2029, the point in which floor has been reached.
- v) Cigarette Tax:* Cigarette Tax revenue is generated from various vendors in all four of the Pueblo's corporate enterprises. Cigarette Tax is up approximately 14% in FY 2013 from the previous year, in large part due to the opening of the Warrior 2 gas station. Staff used the FY 2013 Cigarette Tax revenue in projecting a 3% annual decline throughout maturity, which is consistent with all other NMFA Cigarette Tax Revenue Bonds.

**Secondary Pledged Revenue Background:** The Pueblo has also made a General Obligation pledge (aka "Full Faith and Credit") as additional security on the loan. A General Obligation pledge provides the NMFA with the additional security of all available assets of the Pueblo. Staff analyzed the last three audited years and utilized an average unrestricted net asset value, exclusive of the Enterprise Corporations and other trusts, for debt service calculation.

**Transaction Structure:** The refunding component is being done on a taxable basis. The maturity of the Series 2006 Bonds is being extended from 2015 to 2024 aligning it with the maturity of the Series 2004. Total estimated savings achieved by refunding is over \$2,100,000 (net present value

savings around 12.7%). The WWTP component is being done on a tax-exempt basis. The amortization of this new money piece is level debt service over its 20-year maturity. Enterprise revenue will no longer be pledged to the indebtedness and the security will be the aforementioned tax revenue sources.

The Pueblo has agreed to an annual certification to the NMFA that the Pueblo is in compliance with the loan covenants as demonstrated by its annual audit performed by a third party in accordance to GAAP. The Pueblo will be required to provide the NMFA with copies of its annual audit.

Chair McDermott inquired about how the casino fits into the structure of the corporate entities. Mr. Zach Dillenback explained that the casino is managed and operated by Tamaya Enterprise Inc. (TEI). Chair McDermott then asked if TEI is a part of the revenue source for the project. In response, Mr. Zach Dillenback noted that TEI is not a part of the funding source and explained that all available assets from the casino have been excluded from the General Obligation Pledge.

Chair McDermott asked if NMFA has received the audited financials that assure the accounts are satisfactory and that there are no deficiencies. Mr. Zach Dillenback explained that NMFA has received the last completed audit as well as all the unaudited financials that relate to the pledged taxed revenue stream. Staff feels that the coverage, pledges and segregations are in place.

Secretary Clifford asked Counsel to provide the Board with an overview of the restriction for use of PPRF funds for gaming activities. Ms. Suzanne Bruckner, Sutin, Thayer & Browne, explained that NMFA has a restriction on lending money to promote gaming. Counsel has worked with staff to ensure those issues were reviewed and that there was no conflict. Ms. Bruckner noted that the proposed funding is to support the infrastructure for the entire pueblo. The refunding bonds that were issued for the hotel and the golf course do not create any issue as they are separate entities.

Secretary Clifford inquired about the plans for the properties purchased near the town of Bernalillo. There was brief discussion on those properties that Santa Ana has purchased which the Pueblo representatives indicated would be put into trust status. The tenants on pueblo land have been successful with their operations. The tenants pay taxes that are shared by the State and the Pueblo. The Pueblo anticipates bringing in large businesses to generate employment and gross receipts taxes.

Mr. Jerry Jones asked if the audit has been certified by a third party. In response, Mr. Zach Dillenback noted that the Pueblo has agreed to provide the fully certified audit as prepared by a third party. The Pueblo has also agreed to provide documentation that indicates they are in compliance with the various covenants within the documents.

**Ms. Katherine Ulibarri moved, seconded by Mr. William Fulginiti and Mr. Santiago Chavez, for approval of Pueblo of Santa Ana Refunding & Wastewater Treatment Facility Expansion Project #3092-PP. The motion was unanimously approved.**

**12. Consideration for Approval of City of Santa Fe (Santa Fe County) – Transit Division Fleet Replacement – 3121-PP. The City of Santa Fe has applied for PPRF loan financing for \$3,500,000**

to purchase replacement buses for the City's Transit Division. In attendance from the City Mr. Marcos Tapia, Finance Director and Mr. Jon Bulthuis.

The loan proceeds will be used to purchase 7 buses to replace aging compressed natural gas (CNG) buses in the Transit Division's fleet.

Effective January 1992, the 5th Increment is equal to 0.25% and is set up to finance the acquisition, operation, maintenance and fund any other expenses necessary for or incidental to the provision of the City's public bus system. The 5th Increment of the Municipal GRT reflects an increasing trend over the past 3 years. Based on this trend staff used the 3-year average, \$6,522,088, as the basis for calculating debt service coverage. With the City's demonstrated ability to meet debt obligations and the pledged GRT rated AA+ S&P, Aa2 Moody's and AA+ Fitch ratings, a debt service reserve will not be required for this loan per NMFA policy. A 10-year call provision will be applicable and the City will cash fund the NMFA Fee that will be due at closing.

The City is current with its Audits and financial reporting. The 2013 Audit yielded an unmodified opinion with 12 findings, none of which were material weaknesses. Secretary Clifford asked the City of Santa Fe to provide NMFA with periodic reports on the corrective action plan to address the deficiencies in the audit.

**Ms. Katherine Ulibarri moved, seconded by Mr. Santiago Chavez, for approval of City of Santa Fe Transit Division Fleet Replacement Project #3121-PP. The motion was unanimously approved.**

13. **Consideration for Approval of City of Las Cruces-South Central Solid Waste Authority (Doña Ana County) – Refunding, Expansion & Improvements - 3116-PP.** The City of Las Cruces-South Central Solid Waste Authority has applied for PPRF loan financing to refund the underlying obligations of the South Central Solid Waste Authority and finance expansion and improvements.

The new Community Collection Center in Chaparral, New Mexico will serve as a hub for solid waste and recycling collection along the southeastern portion of Doña Ana County. Chaparral is a designated Colonia and is home to approximately 25,000 people. The growing community is in dire need of a solid waste facility and the associated programs and education that the Authority brings to the communities it serves. The entire project is expected to complete in 18 months at an estimated cost of \$900,000.

The second project proposed for financing is construction improvements to the main Amador Facility Administrative offices in Las Cruces, NM. The design phase was completed in 2012 and the Authority is ready to begin construction of 5 additional offices and 1,660 square feet workspace with technology upgrades. The Authority hopes to begin construction in late summer 2014 and complete the project in the beginning of 2015. The estimated cost is \$650,000.

Third, the Corralitos Landfill is in dire need of a technology upgrade to support a faster internet connection and a reliable phone service to the facility. The Authority proposes to use an

estimated \$50,000 to purchase and install a microwave system to achieve the needed communication improvements.

Lastly, the City seeks to refund the Series 2004 bonds in order to release the \$798,000 prior debt service reserve. The release of the reserve is intended to help improve operational cash flow. The new DSRF will be significantly lower under the new proposed structure.

Secretary Clifford asked if the pledged revenue would survive if the Joint Powers Agreement expires. Mr. Dan Opperman explained that the Environmental GRT pledge will remain in place and will be obligated until the loan is paid off. The funds are obligated to NMFA with the City of Las Cruces as the borrower.

**Ms. Katherine Ulibarri moved, seconded by Mr. Jerry Jones, for approval of City of Las Cruces-South Central Solid Waste Authority Refunding, Expansion & Improvements Project #3116-PP. The motion was unanimously approved.**

- 14. Consideration for Approval of Roosevelt County Amended & Restated Loan Agreement Request - 2561-PP.** Roosevelt County requests that its 2011 PPRF loan agreement (2561-PP) be amended and restated to add an additional revenue stream (County Equalization revenue) as security and to suspend the intercept agreement. The County is requesting that NMFA allow its County Equalization revenue be amended onto its 2011 Subordinate PPRF loan as additional security.

The County closed on a \$1,638,201 PPRF loan on March 18, 2011 to fund the construction of an indoor arena at the County Fairgrounds. The County pledged its first, third, and fourth increments of imposed County Local Option GRT as security and repayment of the loan. The County also has outstanding Series 2006 Bonds, which are secured by the first and third increments of County Local Option GRT and County Equalization revenue. The 2011 PPRF loan is subordinate to the Series 2006 Bonds.

The County desires to create one consolidated lien structure for all of its current and future debt issuances. In order to create a consolidated lien structure, the County needs to amend its Series 2006 Bonds and its 2011 Subordinate PPRF loan so that both loans have identical security. The County is currently in the process of amending its Series 2006 Bonds to add the fourth increment of County Local Option GRT. Since the Series 2006 Bonds are senior and the County is merely adding additional security, approval of the Series 2006 bondholders is not needed. Based on the County's FY 2013 GRT data, the 2011 Subordinate PPRF loan currently enjoys 1.73 xs debt service coverage. By amending the County Equalization revenue as security, the new debt service coverage is increased to 2.70 xs.

The County also requests that the GRT intercept agreement associated with the 2011 Subordinate PPRF loan be suspended immediately. With the intercept agreement in place, NMFA holds a super senior position to the Series 2006 bondholders, which violates the Series 2006 bondholder position.

Secretary Clifford noted that the Committee has asked the staff to prepare an analysis of the volatility of revenue so that there is a better understanding of the formula amongst all. He noted that



in the future, if this type of request arises, the Board will be able to review and understand the impact of the security pledge.

Chair McDermott agreed saying that portion of that security is the practice of how small communities are compensated. He also mentioned the importance of the Board being familiar with the topic when it comes up again.

**Ms. Katherine Ulibarri moved, seconded by Mr. Santiago Chavez, for approval of Roosevelt County amended & restated loan agreement Project #2561-PP. The motion was approved unanimously.**

**15. Consideration for Approval of Roosevelt County – Building Project – 3115-PP.** Roosevelt County (County) has applied for a PPRF loan to fund the costs associated with a new Magistrate Court building and building renovations.

The new building will be approximately 10,800 square feet adjacent and connected to the existing Roosevelt County Detention Center on County owned property. Renovations will also be completed inside the Detention Center to accommodate a secure passageway for transferring inmates along with revisions to an adjacent Police Administration Office. Construction also includes 400 feet of street development, 80 parking spaces and utility extensions. The County is entering into a lease with the New Mexico Administrative Office of the Courts for use of the facility. The lease revenue generated from the Administrative Office of the Courts is expected to cover debt service.

Section 3.2.A (i): "Generally, the NMFA will require that its loans be on no less than a parity lien with all other lenders. Under certain circumstances, the NMFA may agree to accept a security pledge that is subordinate to the payment of another debt: i) if the identified revenue pledge has a strong, positive historical trend."

The County issued its Series 2006 Bonds (callable 6/1/2016 and maturing 6/1/2026) in the par amount of \$3,375,000 for its Detention Center. The Series 2006 Bonds have a 200% Additional Bonds Test for any parity debt issuance. Since debt service coverage for this loan does not meet that test, this loan will be subordinate to the Series 2006 Bonds and parity to the 2011 Subordinate PPRF loan (2561-PP). Section 3.2.A of the PPRF Loan Management Policies allows for a subordinated position so long as certain criterion is met. Section 3.2.A (i) states that the "identified revenue pledge has a strong, positive historical trend..." Over the last three fiscal years, the County's GRT, on average, has increased 1.58%; however, FY 2013 GRT was down 5.6% from the previous fiscal year. The County Equalization revenue does have a strong, positive historical trend and has averaged a 5.2% increase annually over the last three fiscal years. Because of the GRT decrease in 2013, a policy waiver of section 3.2.A (i) is being sought. NMFA approved this same waiver for the 2011 Subordinate PPRF loan. Staff used the 2013 GRT and a five (5) year average of County Equalization actual revenue for debt service coverage. The County is current with its audits.

Secretary Clifford noted that there is concern about the pledging operational revenues and the potential financial stress on the City should the Court decide not to lease the building.

**Ms. Katherine Ulibarri moved, seconded by Mr. Santiago Chavez, for approval of Roosevelt County Building Project #3115-PP with policy waiver. The motion was unanimously approved.**

- 16. Consideration for Approval of Portales Municipal School District (Roosevelt County) – Building Project – 3120-PP.** The Portales Municipal School District (the District) has applied for PPRF loan financing for costs associated with various school improvements.

The District received voter approval in February 2014 for \$5,500,000 to construct, remodel, make additions to and furnish school buildings, purchase or improve school grounds, or any combination of these purposes within the District. The District will issue General Obligation Bonds in the amount of \$2,750,000, which the NMFA will purchase with the PPRF loan fund.

The District qualifies as a disadvantaged entity with its Median Household Income (MHI) of \$30,262, which is 71.89% of the State's MHI. Therefore \$200,000 of the loan amount received will be at a 0% interest rate. Per the PPRF Loan Management Policy, "To maximize the benefit provided by this 'Disadvantaged Entity' interest rate benefit, the NMFA *may* limit these reduced interest rates to loans of \$2 million or less." Staff recommends not limiting this loan request to allow the District to take advantage of the 0% interest rate given that the benefit received from the disadvantaged funding directly benefits the property tax payers of the disadvantaged District. Typically, this has been done for schools in disadvantaged Districts.

The NMFA processing fee is capitalized into the first 10 years of the loan, in the amount of 0.1748% added to the market rate. The NMFA maintenance fee of 0.10% was applied to life of the loan. The above interest rate also includes a 0.75% credit margin. The District is up-to-date with its audits and financial reporting.

**Ms. Katherine Ulibarri moved, seconded by Mr. Brett Woods, for approval of Portales Municipal School District Building Project # 3120-PP with the recommendation not to limit the loan request. The motion was unanimously approved.**

- 17. Consideration for Approval of Cloudcroft Municipal School District (Otero County) – School Improvements – 3119-PP.** The Cloudcroft Municipal School District (the District) has applied for PPRF loan financing for costs associated with various school improvements.

In February 2014, the District received voter approval to erect, remodel, make additions to and furnish school buildings, purchase or improve school grounds, or any combination of these purposes within the District. The District will issue its General Obligation Bonds, which the NMFA will purchase through the PPRF loan fund.

The NMFA processing fee of \$14,063 is capitalized into the non-callable portion of the loan at a rate of .14198%. NMFA'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 credit approval purposes. The District is also eligible for 3% PPRF Disadvantaged funding on

\$200,000 of the loan because the Median Household Income (MHI) is approximately 82% of the MHI for the State of New Mexico. At closing staff will apply either the market or Disadvantaged rate, whichever is more favorable to the District. The District is up-to-date with its audits and financial reporting. The District is also current with its 5-year facility master plan with PSFA.

**Ms. Katherine Ulibarri moved, seconded by Mr. Jerry Jones, for approval of Cloudcroft Municipal School District School Improvements Project #3119-PP. The motion was unanimously approved.**

- 18. Consideration for Approval of Village of Ruidoso (Lincoln County) – Water Project – 2895-DW.** The Village of Ruidoso (Village) has applied for a DWRLF loan to purchase and replace existing meters and install radio equipment and software allowing the Village to remotely read, monitor and update new meters within the Village. In attendance were Mr. Ron Sena, Deputy Village Manager, Mr. Ray De la Vega, Engineer and other city administrators and staff.

The maintenance, operations and replacement will be funded through utility user fees. The Village is pledging its Net System Revenues of the Utility Fund as security and repayment of the loan. In 2014, the Village successfully adopted a new rate structure. The new rates provide the necessary revenue for the utility fund to be operationally self-sustaining, while also providing capacity for capital project financing. The rates, developed by Wilson & Co, do account for a 15% decline in consumption. Staff conservatively projected the net revenues by also including an increased expense factor. With the conservative approach in mind, the coverage ratios exceed the minimum projected revenue coverage of 1.3 xs in each year. The Village is also eligible to receive 25% in base Principal Forgiveness and is up to date with its audits and financial reporting

Chair McDermott inquired about the population that uses the water system. Mr. Sena responded that the analysis indicates water usage is constant in both commercial and residential areas.

Secretary Clifford requested that the Village provide a corrective action plan for the audit findings indicating how issues will be addressed including the time frame. Mr. Ron Sena noted that the Village has completed a corrective action on the findings in the audit and will provide a copy to the NMFA.

**Ms. Katherine Ulibarri moved, seconded by Mr. Jerry Jones, for approval of Village of Ruidoso Water Project #2895-DW. The motion was unanimously approved.**

- 19. Consideration for Approval of City of Gallup (McKinley County) – Request for Extension of Time and Scope Change -0111-WTB.** The City of Gallup is requesting a contract amendment for a time extension in the existing funding agreement to September 5, 2015 and scope of work change to the City of Gallup WTB Project #0111.

In April 2008, the WTB approved funding for the City for this project in the amount not to exceed \$5,883,865 (20% loan/80% grant-loan waived by WTB in 2010 in lieu of cash match of \$3million from the Bureau of Reclamation (BOR) as secured by Senator Bingaman's office).

In April 2011, the WTB approved a scope of work change for WTB-111 to include any unspent funds for planning, design, rights of way and easement acquisition for the remaining Gallup Rural Navajo Water Supply Projects. In December 2012, the WTB approved a time extension for WTB-111 for one year (March 5, 2013).

The City is now requesting an 18-month time extension from the expiration date of March 5, 2014 to allow construction of Project 4 to be completed. The delay in Bureau of Indian Affairs approval of Rights of Way Easements dedications from the Navajo Nation had stalled this portion of the project. In addition, the City is requesting that any remaining funds from WTB-111 be applied to the planning, design and construction of remaining reaches of the Project. The specific scope within the remaining reaches is not yet identified. The proposed changes conform to the legislative authorization.

The Water Trust Board reviewed and approved the time extension to September 5, 2015 and scope change to include remaining funds for other reaches for WTB #0111 at the March 12, 2014 meeting.

Secretary Clifford noted that with Federal or Tribal involvement the project becomes complex with the difficulty involved in balancing a small local project within a large portfolio for multi-year projects.

**Secretary Tom Clifford moved, seconded by Mr. Terry White, for approval of City of Gallup Request for Extension of Time and Scope Change, Project #0111-WTB.**

**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.*

- 20. Update on Activities.** Mr. Jerry Jones reported that the Economic Development Committee met on Wednesday, March 19, 2014. There were no new requests. The Committee reviewed the Private Lending Portfolio and discussed concerns from an SBA 504 Lender.

**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.*

- 21. Update on Activities.** Secretary Clifford reported on the March 24, 2014 Audit Committee meeting. The committee discussed the External Audit RFP and Internal Audit RFP. Responses for the External Audit are due Friday, March 28. There was discussion on the date of the opening meeting for the annual audit. Ms. Donna Trujillo reported that as long as the contract is approved, budget and the obligation are in place, NMFA can begin in June but no later than beginning of July.

Secretary Clifford noted that the Committee also reviewed and approved a draft RFP for the Internal Audit contingent on language that clarifies the responsibility of management and technical issues.

Secretary Clifford will circulate a copy to the Board via email and asked the members to send any questions or concerns as soon as possible.

**22. Audit and Investigation Findings, Recommendations and Actions (Informational Item Only).**

Ms. Donna Trujillo briefly reviewed the dashboard noting that the majority of the tasks are complete. Ms. Trujillo noted that the three outstanding items are the External Audit, Internal Audit and the Loan Servicing System. She added that NMFA is comfortable with the progress on the process and planning.

**23. Consideration for Acceptance of the Financial Report ending February 28, 2014.** Mr.

Brannon presented a brief overview of the Financial Report ending February 28, 2014 noting that there were no significant changes to the report.

Secretary Clifford explained that the Committee had a discussion regarding cost allocation and procedures on how time is being tracked. Ms. Donna Trujillo has been asked to provide the methodology for tracking staff time and how it is allocated in different programs. Secretary Clifford noted that the cost allocation should be revisited periodically to ensure that information is current.

**Secretary Tom Clifford moved, seconded by Mr. Terry White, to accept the Financial Report for period ending February 24, 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.*

**24. Update on Activities.** Mr. Dan Opperman reported on the Contracts Committee meeting of March 25, 2014. The following items were discussed: 2014 B and C Bond Issue as a negotiated sale; Mr. Santiago Chavez was appointed as a scorer of the RFP for the underwriter of the Bond Series.

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

**25. Update on Activities.** Mr. Dan Opperman reported on the Disclosure Committee meeting of March 19, 2014. The Committee reviewed and discussed the following: 2014 A and B Series Bonds regarding the RFP issue and an update regarding the draft of the Disclosure Policy.

Mr. Dan Opperman explained that a Disclosure Committee has been appointed. The Committee is comprised of three members: Mr. William Fulginiti, Chair, Ms. Katherine Ulibarri and Secretary Clifford.

The Disclosure Committee Charter will meet on an as needed basis:

- ◆ To ensure the completeness and accuracy of security disclosures made by the Finance Authority and the Board.

- ◆ To ensure compliance with applicable State and Federal Security Laws in connection with the issuance of bonds.
- ◆ To ensure compliance with Finance Authority policies and Procedures;
- ◆ To promote best practices regarding disclosures

**26. Consideration for Approval of Disclosure Committee Charter.**

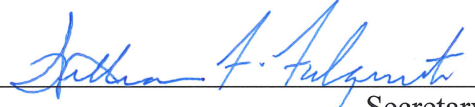
**Mr. Tom Clifford moved, seconded by Ms. Antoinette Vigil, for approval of the Disclosure Committee Charter. The motion was unanimously approved.**

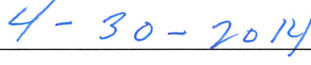
**27. Next Board Meeting**

Thursday, April 24, 2014 – 9:00 a.m.  
State Capitol – Room 307  
Santa Fe, NM

**28. Adjournment**

The meeting adjourned at 11:25 a.m.

  
Secretary

  
Date