

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

**Minutes of Board Meeting
May 22, 2014
State Capitol – Room 322**

Present:

John McDermott, Chair
William Fulginiti, Secretary
Katherine Ulibarri, Treasurer
Butch Tongate
Tom Clifford
David Martin
Jerry Jones (*telephonically*)
Antoinette Vigil
Steve Kopelman

McDermott Advisory Services, LLC
Executive Director, NMML
V/P for Finance/Operations, Central NMCC
Designee, NM Environment Dept.
Secretary, Dept. of Finance & Administration
Secretary, NM Energy & Minerals Dept.
CEO, Stolar Research
Designee, Economic Development Dept.
Executive Director, NMAC

Absent:

Blake Curtis
Terry White

CEO, Curtis & Curtis Seed
CEO, Sunwest Trust, Inc.

Finance Authority Staff:

Adam Johnson
Bryan Otero
Connie Marquez-Valencia
David Mahooty
Donna Trujillo
Jim Perry
Jolene Meadows
Marquita Russel
Robert Coalter
Theresa Garcia
Zach Dillenback

Angela Quintana
Carmela Manzari
Dan Opperman
Donna Maestas
Gloria Castillo
John Brooks
Leslie Medina
Michael Zavelle
Ryan Helton
Todd Johansen

Guests:

Brad Patterson
Chip Pierce
Craig Cummins
Dale Lehman
Doug Hartman

Ballard Spahr
Western Financial Group
Truth or Consequences MSD
Piper Jaffray
JP Morgan

Jill Sweeney
Karl Penneck
Marlene Cordova
Pat Clancy
Paul Cassidy
Richard Virtue
Stacy Lopez
Stephanie Stringer
Susen Ellis
Susan Rodriguez
Suzanne Bruckner
Tracy Hofmann

Sherman & Howard
NMED/DWB
NMED
Western Financial Group
RBC Capital Markets
Virtue & Najjar, PC
NMED
NMED/DWB
Bank of Albuquerque
DFA – LGD
Sutin, Thayer & Browne
Sutin, Thayer & Browne

1. Call to Order and Roll Call.

Chair McDermott called the meeting to order at 9:00 a.m. A roll call vote established a quorum.

2. Approval of Agenda.

Mr. William Fulginiti moved, seconded by Secretary David Martin, for approval of the agenda. The motion passed.

3. Approval of April 24, 2014, Board Minutes.

Chair McDermott noted that the Board will revisit the Las Vegas Schools project.

- Ms. Katherine Ulibarri requested a change on page 11, paragraph 6 from Kathleen Ulibarri to Katherine Ulibarri;
- Secretary Clifford noted that the minutes did not reflect the vote on item 20, pg. 16.

Ms. Antoinette Vigil moved, seconded by Mr. Butch Tongate, for approval of the April 24, 2014, minutes as amended. The motion passed.

4. Report from Chief Executive Officer. Mr. Robert P. Coalter, CEO, reported on the following:

- ◆ Attended his first Oversight Committee meeting on Tuesday, May 20, 2014. He noted that everything went well. Future interim committee meetings are scheduled in Belen, Los Lunas, and Ruidoso. He said major topics for future discussion include the Spaceport and Water Trust Board.
- ◆ Chair John McDermott acknowledged Mr. Coalter and the staff for doing a terrific job at the meeting.

5. Consideration for Approval of New Mexico Finance Authority Subordinate Lien PPRF Revenue Bonds, Series 2014A Sale Resolution, Final Official Statement, Tenth Supplemental Indenture of Trust, Bond Purchase Agreements and Related Documents. Staff requests approval of Series 2014A Sale Resolution for the New Mexico Finance Authority Subordinate Lien Public Project Revolving Fund Revenue Bonds.

The Finance Authority is issuing and selling the Series 2014A-1 Bonds in an amount to be determined, but not to exceed \$18,000,000. Proceeds of the bonds are for reimbursing the Finance Authority for funds used to originate loans or purchase securities from the 2014A-1 Governmental Units, the proceeds which will be or were used to finance certain projects and paying costs incurred in connection with the issuance of the Series 2014A-1 bonds.

The Preliminary Official Statement for the Series 2014A Bonds includes:

- Initial disclosure document used by the Underwriters to provide all necessary information to prospective investors; and
- Describes the Series 2014A Bonds, the Subordinate Lien Revenues, and the Finance Authority.

The Bond Purchase Agreements for the Series 2014A Bonds provides:

- Agreement to sell the Series 2014A-1 Bonds to the Series 2014A-1 Underwriters, RBC Capital Markets, LLC, and Robert W. Baird & Co. pursuant to the terms set forth in the Sale Resolution.
- Agreement to sell the Series 2014A-2 Bonds to the Series 2014A-2 Underwriters, J.P. Morgan Securities LLC, and Piper Jaffray & Co. pursuant to the terms set forth in the Sale Resolution.

The Form of the Tenth Supplemental Indenture of Trust and Pledge:

- Supplements the General Indenture of Trust which provides the legal framework for the issuance of all Subordinate Lien Public Project Revolving Fund Revenue Bonds.
- Pledges the Subordinate Lien Revenues, including Agreement Revenues, Additional Pledged Revenues and Subordinate Lien PPRF Revenues, for the payment of the Subordinate Lien Public Project Revolving Fund Revenue Bonds; and
- Establishes requirements for issuing any additional bonds secured by Subordinate Lien Revenues.

Approval of the Form of the Continuing Disclosure Undertaking for the Series 2014A Bonds:

- Provides that the Finance Authority will provide annual information (audits and notice of specified material financial events not otherwise covered in the audits, e.g. bond redemptions or defeasances, payment of defaults) to municipal securities information repositories or to an authorized dissemination agent; and
- Includes as an exhibit the Disclosure Dissemination Agent Agreement with Digital Assurance Certification.

Relevant Dates:

- Reviewed form of POS and Disclosure Responsibility Memorandum relating to the New Mexico Finance Authority Subordinate Lien Public Project Revolving Fund Revenue Bonds, Tax-Exempt Series 2014A-1 Bonds (the "Series 2014A-1 Bonds") and the New Mexico Finance Authority Subordinate Lien Public Project Revolving Fund Revenue Bonds, Taxable Series 2014A-2 Bonds (the "Series 2014A-2 Bonds") and together with the Series 2014A-1 Bonds, the "Series 2014A Bonds") April 16, 2014 (Finance/Loan Committee Meeting)

- Series 2014A Bonds Authorizing Resolution adopted by the Board on April 24, 2014
- Approval of POS on May 8, 2014 (Disclosure Committee)
- Series 2014A Sale Resolution to be presented to the Board for consideration on May 22, 2014
- Closing date for the Series 2014A Bonds anticipated for June 11, 2014

Chair John McDermott asked about the comparison between the projected interest rates on the Santa Ana bonds and the rates realized at the bond sale. Mr. Chip Pierce noted that they are about 50 basis points from projections made in late March.

Secretary Tom Clifford asked what the true interest cost is on the Note. Mr. Pierce noted that the rate for the Taxable Note is 2.85% for a 20-year life with the average life of six years. The Tax Exempt Note is at 3.2%. Secretary Clifford noted that he would like to see the schedules. He asked what would happen to the bond timeline if the Board does not take action today. Mr. Dan Opperman noted that as discussed at the April meeting, the only changes to the Preliminary Official Statement are inputting the actual numbers after the sale. The Board approval is necessary for the sale to proceed.

Secretary Clifford noted that the Board should have had the final and full documentation at the meeting. He said he is uncomfortable with voting on the approval if he does not have the documentation and terms to review.

Chair McDermott asked for clarification from the April 24 Board Meeting. He noted that the Board approved the POS with a projected range of interest rates and asked if NMFA is in the range as previously reviewed.

Mr. Michael Zavelle noted that at the June Board meeting, NMFA will provide the competitive sale to the Board. He explained that the Competitive Sale is processed the morning of the Board meeting and the price that is offered is only held for that day. If the Board is unable to approve the sale, then NMFA will be out of the market.

Mr. Dan Opperman recommended that the Board approve the POS and asked that the Board delegate the Disclosure Committee to confirm the sale numbers which are input into the Final Official Statement, thus allowing the Sale Resolution and the Bond Purchase Agreement to be signed and into the hands of the underwriters.

Ms. Jill Sweeney reviewed the Sale Resolution for the Subordinate Lien Bonds. She noted that the Bond Sale confirms that the sale was within the parameters set forth by the Board through the Authorizing Resolution adopted at the April meeting. The Board will participate in a pre-closing meeting to be held at NMFA on June 10, 2014. The meeting is to ensure that all final documents are in order. The Closing will be the morning of June 11, 2014.

Secretary Tom Clifford asked that the Sale Resolution be forwarded to the Disclosure Committee. Ms. Sweeney noted that the POS and Sale Resolution, with all the final numbers, will be forwarded to the Committee.

Chair McDermott asked for a motion, subject to the confirmation by the Disclosure Committee and with the agreement for the Disclosure Committee to meet telephonically to confirm the final numbers included in the Final Official Statement.

Mr. William Fulginiti moved, seconded by Mr. Steve Kopelman, for approval of New Mexico Finance Authority Subordinate Lien PPRF Revenue Bonds, Series 2014A Sale Resolution, Final Official Statement, Tenth Supplemental Indenture of Trust, Bond Purchase Agreements and Related Documents subject to the confirmation by the Disclosure Committee and with the agreement that the Disclosure Committee meet telephonically to confirm the final numbers included in the Final Official Statement. The motion passed.

Report from Finance & Loan Committee. Mr. William Fulginiti reported on the May 14, 2014 Finance & Loan Committee meeting. The Committee reviewed and recommended approval of the projects that follow.

- 7. Consideration for Approval of Truth or Consequences Municipal School District (Sierra County) – School Improvement Project – 3127-PP.** Truth or Consequences Municipal School District has applied for PPRF loan financing for \$3,000,000 to finance the costs associated with various school improvements.

In attendance from Truth or Consequences Municipal School District was Mr. Craig Cummings, Superintendent.

The Board considered and disapproved this loan at the April 24, 2014. At that time, the District's FY 2013 audit report was in review at the State Auditor's Office. The loan was presented with the FY 2012 audit report and a letter of explanation on the District's late audit status; however, the NMFA Board voted against approving due to the late audit report. On Monday April 28, 2014, the State Auditor's office released the District's FY 2013 audit report which has been reviewed by NMFA's Chief Financial Officer. The District is now up to date with their audit reporting.

The District qualifies as a disadvantaged entity with its Median Household Income (MHI) of \$21,775, which is 48.53% of the State's MHI. 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 requests that NMFA not limit this loan request to allow the District to take advantage of the 0% interest rate. The benefit received from the disadvantaged funding directly assists the property tax payers of the disadvantaged District.

The NMFA processing fee is capitalized into the first 10 years of the loan, in the amount of 0.2076% 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.

Secretary Tom Clifford thanked the staff for the summary and the corrective action plan. He noted that the summary was very helpful.

Chair McDermott thanked Truth or Consequences for coming back to NMFA for approval. He noted that NMFA is here to disburse capital to communities in New Mexico; however, the primary interest is to secure the loan with a stable revenue stream.

Chair McDermott noted that in the past the NMFA has had several project requests with bad audits. He would like to continue to use the meetings to emphasize and communicate to loan applicants the importance of raising their audit standards.

Mr. William Fulginiti moved, seconded by Secretary Tom Clifford for approval of Truth or Consequences Municipal School District Project #3127-PP. The motion passed.

8. **Consideration for Approval of Village of Reserve Fire Department (Catron County) – Equipment Project – 3138-PP.** The Village of Reserve Fire Department has applied for PPRF loan financing for \$269,018 to purchase a new Class “A” Fire Engine to replace aging equipment.

The Village will pledge its state fire protection funds as the revenue source for this loan. Currently, the Reserve Fire Department has an ISO class rating of 6 with one main station and receives a guaranteed annual base distribution of \$58,584. The Village will contribute \$25,000 of accumulated fire funds toward this project.

The FY12 audit is complete and received an unqualified opinion; however, the Village is late with the FY 2013 audit report. Ms. Donna Trujillo, CFO, reviewed the FY 2012 audit report. PPRF policy allows for applicants that lack the three most recent years of audits to proceed if the requested loan is backed by an interceptable revenue stream, the project relates to the applicant's ability to provide health, safety, and welfare to the community and the applicant provides a letter explaining the audit situation. The letter of explanation states the FY 2013 audit is late due to software failure. The 2013 data was unrecoverable which required recreating from hard copy.

Mr. William Fulginiti noted that the Finance and Loan Committee also raised the audit issues. The Committee was assured that the funds will be received in advance without any impact to NMFA. Chair McDermott asked why a current audit was not provided. Ms. Donna Maestas explained that the equipment is very old and needs to be replaced quickly. She also noted that it is a health and safety issue for the community.

Secretary Clifford asked staff to address the findings in the FY12 Audit and to explain why the capital projects were all combined into one fund. Ms. Donna Trujillo explained that she had a conversation with the accountant to discuss these issues. The Village has purchased a new software program that has the ability to set up separate funds for all funding sources. The accountant is currently in the process of segregating the capital projects into individual accounts. Secretary Clifford noted that he would like the Village to provide a quarterly report.

There was discussion regarding the importance of the previous year audits for the projects:

Mr. Steve Kopelman questioned the reason for spending so much time on reviewing the audits for these entities. He noted that the current loans being reviewed for health and safety issues. Mr. Kopelman has reviewed the policies and noted that the audited financial statements are to be analyzed to determine credit worthiness. He continued that he does not see an issue with the security of these loans, and the revenue source does not have anything to do with the audit. Mr. Kopelman asked if the Board members should be charged with reviewing these audits.

Chair John McDermott explained that the Board needs to inquire about the security of the loan because many loans have gray areas with control issues. These areas are indicated in the audit which might impact the guaranteed credit stream that is independent of the community finances. Chair McDermott said that on occasion there are areas which are completely dependent upon on the processing of the finances of the community. Chair McDermott noted that he is inclined to ask more questions rather than fewer. He noted that policies do indicate to fund communities based upon the ability to repay and for projects that are within the scope. Chair McDermott noted that asking more questions, rather than less, will protect the Board.

Secretary Clifford noted that he does not agree that the Village will not touch the funds. The funds will be managed by the Village. This is the fourth loan with the entity and NMFA is making a significant commitment. Secretary Clifford noted that the lack of project specific accounting needs to be addressed. NMFA should know that the funds are being accounted for on a project-by-project basis.

Mr. William Fulginiti noted that he has been on the NMFA Board since inception. He has never seen a problem due to the interception in the security of these types of loans. Mr. Fulginiti asked if NMFA is trying to duplicate the efforts that Secretary Clifford requires from the Local Government Division that he operates. Secretary Clifford responded that he will use that as an endorsement for expanding numbers of GRT increments to entities that are unable to keep up with their reporting.

Mr. Steve Kopelman asked if State Fire Funds go directly to the entities or are the funds intercepted by the State and then provided to NMFA. Ms. Donna Trujillo explained that NMFA prepares a requisition, signs off on it, and sends it to Taxation and Revenue. When the funds are received, NMFA is reimbursed first and then payments are submitted directly to the vendors.

Mr. Steve Kopelman noted that the audits are irrelevant to the repayment of the debt for the Fire Equipment and the Fire Protection Funds. Mr. Kopelman stated that he still does not understand why the Board is discussing the audits for the loan repayment on the Fire Protection Fund. Chair McDermott reiterated that there may be areas when the sources of funds are independent of the financial accounting of the entity which is not always obvious. He noted the general policy is to find out the financial situation and the integrity of the reports.

Secretary Clifford asked counsel what the implication is if the funds loaned to an entity are not used for the purpose of the project. Mr. Opperman said that if the entity does not use the funds for the loan as proposed, the entity is at fault; however, NMFA is also impacted with the statutory

compliance if the funds are pledged to the indenture. Secretary Clifford noted that he will work with the Auditor's Office and the entities especially the smaller ones that cannot get the financial support.

Mr. William Fulginiti moved, seconded by Mr. Steve Kopelman, for approval of Village of Reserve Project #3138-PP. The motion passed.

9. **Consideration for Approval of Village of Roy Fire Department (Harding County) – Equipment Project – 3139-PP.** The Village of Roy has applied for PPRF financing for \$137,682 to purchase a fire truck to replace an aging 1960's era truck.

The Village will pledge its State Fire Protection Funds as repayment for this loan. The Village has an ISO 8 rating and receives an annual base distribution of \$52,418 with one main station. The Village qualifies for 0% disadvantaged funding with MHI of 61.29%. The maximum interest rate incorporates the 0.10% annual administrative fee and 0.75% interest rate cap for approval purposes. The Village is contributing \$84,000 toward the purchase of the fire truck utilizing accumulated State Fire Protection Funds approved as carryover by the State Fire Marshal.

The 2012 and 2013 audits for the Village are still pending. The 2011 audit is currently under review with the State Auditor. The 2010 Audit yielded a Disclaimer with 8 material weakness findings and 1 non-compliance item. PPRF policy states applicants that lack the three most recent years of audits may still apply to the PPRF if three conditions are met. Communication with the Village indicates an exit conference was conducted on 5/8/2014 regarding the 2012 and 2013 audits and submission of the audits to the State Auditor is imminent.

Mr. William Fulginiti moved, seconded by Mr. Butch Tongate for approval of Village of Roy Fire Department Project #3139-PP. The motion passed.

10. **Consideration for Approval of Village of Questa (Taos County) – Equipment Project - 3137-PP.** The Village of Questa has applied for PPRF loan financing for \$50,378 to purchase a rescue truck replacing an aging 1992 truck to address the safety of the Questa community.

The Village will pledge its State Fire Protection Funds as repayment for this loan. The Village has an ISO 7 rating and receives an annual base distribution of \$75,031 with one main station and one substation. The Fire Department qualifies for 0% disadvantaged funding with MHI of 64.27%. The maximum interest rate reflects the 0.10% annual administrative fee and 0.75% interest rate cap for approval purposes. The Village is contributing \$100,000 toward the purchase of the truck utilizing approved State Fire Protection Fund grant proceeds.

The 2013 audit for the Village is still pending. The 2012 audit resulted in a Disclaimer with 7 material weaknesses and 10 significant deficiencies/compliance related matters. PPRF policy states applicants that lack the three most recent audits may still apply to the PPRF upon meeting three conditions. The Village's letter of explanation states the FY 2013 audit is late due to the Village's inability to retain the services of a Finance Director over the past 8 months, hindering the audit

process. The Village anticipates completion of the FY 2013 audit and exit conference within the next two weeks.

Secretary Tom Clifford noted that the Finance and Loan Committee discussed the 2013 Audit. Secretary Clifford asked that the loan be approved contingent upon receipt of the 2013 Audit. If the audit is returned with material weaknesses, a Corrective Action Plan should be submitted and reported back to the Board.

Ms. Donna Trujillo noted that the 2013 Audit will be submitted soon and does not foresee any problems. Secretary Clifford asked if it is possible to have an alternative fiscal agent. Mr. David Mahooty explained that the Village of Questa approached Taos County during the legislative session; however, the request was not approved.

Chair John McDermott questioned the decision on the release of funds to the Village of Roy and the decision to release funds to Questa contingent upon receipt of the 2013 Audit asking why the two projects are being treated differently. Secretary Clifford noted that there was an urgent need to get the equipment for the Village of Roy.

Secretary Clifford suggested that the Audit Committee review the policies so that decisions are consistent and not debated each time a project is brought before the Board. Chair McDermott agreed that the Audit Committee should review the policy and bring back a proposal that will allow the Board to discuss, agree, and implement.

Mr. William Fulginiti moved, seconded by Mr. Steve Kopelman, for approval of Village of Questa Project #3137-PP. The motion passed.

- 11. Consideration for Approval of El Rito Regional Water & Wastewater Association (Rio Arriba County) – Request for Extension of Time– 0086-WTB.** The El Rito Regional Water & Wastewater Association requests approval and concurrence for a time extension to May 7, 2015 in the existing funding agreement for Project #0086-WTB.

On June 27, 2007, the Water Trust Board (WTB) approved funding for El Rito for a water storage and conveyance project in an amount not to exceed \$1,000,000 with 20% delivered as a 20-year loan and 80% delivered as a grant. The approved project was to complete the regional water project and renovations to the existing system, including replacement of water mainlines, drilling and completion of a new supply well and installation of water meters and service line connections. This loan/grant funding agreement was secured on March 5, 2010 and has a balance of \$389,473.27.

In May 2013, the WTB approved a time extension for one year (May 7, 2014). The extension was to allow the necessary time for the US Forest Service (USFS) to complete an environmental review and issue a permit for the drilling of the supplemental well so that El Rito could complete the construction of the supply well. Based on the Geohydrology Report, the proposed location was identified on USFS property.

Based on the non-responsive communication from the USFS, El Rito moved forward and completed an addendum to the Geohydrology Report and identified a secondary proposed site.

The remaining item needed for the completion of the project is a supplemental water supply well. Currently, the design of the well in the new location has begun along with the fill line, pump house manifold and tank inlet and outlet. Given the time for NMED review, bids, construction and final close out, El Rito anticipates the completion of the project by April 2015. El Rito is requesting a time extension of one year from the current expiration date (May 7, 2014) for WTB #86.

Chair John McDermott asked for the background information and reason for the extension of the project. Ms. Angela Quintana explained that the first extension granted by WTB was for El Rito's partnership with the US Forest Service. The US Forest Service was to complete an environmental review and issue permits for the well. The Geohydrology Report identified that the location for the well was on US Forest property. Due to no communication from the US Forestry, El Rito completed an addendum to the report to identify a second location. The second extension is to complete the project.

Chair McDermott asked if El Rito has planned the project effectively and are they ready to move forward. Ms. Quintana noted that El Rito has been successful in planning. The Environment Department is helping them with the oversight of the project.

Mr. Butch Tongate asked who owned the second location. Ms. Quintana noted that El Rito has acquired the property. Ms. Quintana also noted that El Rito has been working on completion of the final phase and has approximately 75% of the design complete. Once the design is complete and approved by the Environment Department, El Rito can begin with construction.

Chair McDermott noted that he would like NMFA staff to ensure that the projects are able to use the funds promptly so the outcome is seen quickly.

Mr. William Fulginiti moved, seconded by Secretary Tom Clifford, for approval of El Rito Water & Wastewater Association Request for Extension of Time, Project #0086-WTB. The motion passed.

12. Consideration for Approval of Intended Use Plan (IUP) for the Drinking Water State Revolving Loan. Staff recommends approval of the NMFA's portion of the IUP.

The Drinking Water State Revolving Loan Fund Act (the "Act") partners the New Mexico Finance Authority ("NMFA") with the New Mexico Environment Department ("NMED") in the administration of the federally funded program. The federal guidelines require that annually each state publish an IUP which tells the public how the federal funds will be used during the year. The Act gives this responsibility to the NMED; however, it requires that NMFA collaborate in the publishing of the document as the IUP contains items that are under the purview of the NMFA Board. Specifically, the attached IUP provides that in SFY 2015, the NMFA will apply for the federal fiscal year 2014 capitalization grant. The state is required to deliver between 20-30% of the

capitalization grant in the form of “additional subsidy” which the NMFA will provide as principal forgiveness as provided in the NMFA’s DWSRLF policies.

In addition, the IUP details the following:

1. financial status of the DWSRLF;
2. objectives of the DWSRLF and Set-Aside Programs, as well as state’s short term and long term goals;
3. use of funds specified for Services to Public Water Systems (Set-Asides);
4. affordability criteria and assistance to disadvantaged communities;
5. disbursement of project funds, including the criteria and the selection process; and
6. priority system to rank public water supply system projects.

Following the NMFA Board’s review of the IUP, the IUP will be made available for public review and comment. Any comments received during the public review period will be incorporated into the final document. Once finalized, the IUP will be sent to EPA Region 6 for final approval.

Mr. Butch Tongate asked about the current unobligated balance. Ms. Marquita Russel noted that the current balance is \$32.0 million with the current loan that has been closed taking the unobligated balance. Ms. Russel said NMFA needs additional time for the projects to complete construction.

Secretary Tom Clifford asked Mr. Tongate about the Environment Department’s perspective on the program. Mr. Tongate noted that he has not reviewed the IUP because it has just been released. Ms. Marquita Russel explained that the project will begin the public announcement process. After the Board approves the IUP, the Environment Department will submit for public comment. The public comments will be noted in the plan moving forward.

Secretary Clifford questioned what the significant changes re in the project. Ms. Russel noted that the only changes are the goals. The EPA focus is to expend all the funds on the legacy grants. Other concerns pertain to NMFA policies which have been in effect since 2011. Secretary Clifford asked what is covered by the administrative costs. Ms. Russel explained that 4% of the funds are used for costs associated with the following: Environmental Reviews, Third Party Consultants, a contract with the Environment Department to oversee engineering and construction, and for NMFA staff costs.

Secretary Tom Clifford moved, seconded by Secretary David Martin, for approval of the Intended Use Plan for the Drinking Water State Revolving Loan Program. The motion passed.

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.*

13. **Update on Activities.** Ms. Marquita Russel reported that the Economic Development Committee did not meet because members were out of town and therefore unable to attend the meeting.

14. Consideration for Revised Approval of Lock Builders Inc. (Santa Fe County) Construction Line of Credit. Staff recommends revised approval of Lock Builders, Inc., construction line of credit.

In attendance from Lock Builders, Inc. were Mr. Brian Lock, CEO and President and Mr. Christopher Axtel, Advisor.

Collateral Support Participation financing with New Mexico Bank and Trust for a 20% subordinate participation in a construction and equipment line of credit made to Lock Builders, LLC. The loans are with a real estate mortgage on the property with cash flow coverage of 1.28xs with a 2-year term. Projected cash flow from the Santa Fe Brewery business is the primary repayment source and is secured by the subordinated security interest at Lock Builders, LLC with an estimated LTB of 74%.

Lock Builders, LLC will use the proceeds to refinance the land acquisition, provide construction funding for a new brew house for Santa Fe Brewing Company and purchase new equipment, then will lease the facility from Lock Builders. This request will increase the original approved request by \$476,000 and remain as a 20% Collateral Support Participation with an amount not to exceed \$1,070,511 to support a line of credit for new construction along with an equipment purchases.

New Mexico Bank and Trust (“NMBT”) has requested an increase of Authority’s 20% participation in a construction and equipment line of credit for Lock Builders, LLC. The increased amount will allow Lock Builders to increase the size of the building for the equipment to be purchased. The project will still entail the refinancing of a land purchase financing that was completed by Wells Fargo and construction of a brew house located on approximately 3 acres of land that Lock Builders, LLC will lease to Santa Fe Brewing Company (“SFBC”) and include the purchase of equipment to expand its operations. More specifically, completing this building provides the necessary storage for some of Santa Fe Brewing’s unfinished goods such as, cans, bottles and other items that are currently held at an offsite warehouse. This will reduce the rental expenditure for SFBC.

Lock Builders is making a change to its prior expansion plan which included three different phases. Originally Santa Fe Brewing Co.’s expansion plan was broken down into three phases each with an estimated \$3-5 million capital requirement. The total investment for all three phases was estimated at \$12 million. Based on its recent reviews, SFBC has concluded that there are some cost savings by building out the expansion in two phases at an estimated \$5 million for each phase. By reducing a phase, SFBC will be able to increase their capacity faster, but more importantly, save \$2 million on off the entire project.

Mr. Coalter noted that he and Mr. John Brooks toured the building. Mr. Coalter noted that Lock Builders has a great idea and a good plan, is using the equipment and the facility well, and commended them for their work. Mr. Coalter added that this project is a great opportunity for New Mexico.

Chair John McDermott questioned the total project cost and the Collateral Support portion. Mr. Brian Lock explained that the increase was due to changing from three phases to two phases. The increase is in Phase I and the funds requested are only for Phase I. Due to the increase, New Mexico Bank and Trust requested that NMFA increase the portion to 20% participation to \$1.0. The structure will remain the same. The loan has been processed through the Loan Committee at the Bank.

Chair McDermott asked if there were any material changes to the business. Mr. Christopher Axtel noted that there have only been positive changes with the product and brand growing.

Mr. William Fulginiti moved, seconded by Ms. Antoinette Vigil, for revised approval of Lock Builders, Inc., Construction Line of Credit, Project #3079-CSP. The motion passed.

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.*

- 15. Update on Activities.** Secretary Tom Clifford reported on the May 20, 2014 Audit Committee meeting. The Committee reviewed the Internal Audit and External Audit contracts. The Internal Audit contract should be in place by August.

Ms. Donna Trujillo explained that the external audit contract with REDW has been in effect since FY11. State statute allows using the same auditors for a total of six years. Based on the evaluation and a unanimous vote by the Audit Committee, staff recommends approval of the contract with REDW to perform external audit services for 2014 through 2016 and further recommends submittal to the State Auditor's office for approval.

Chair John McDermott asked if the Committee had any concerns with rebidding the contract to REDW. Secretary Tom Clifford noted that the firm is very qualified and there were no concerns.

Secretary Tom Clifford moved, seconded by Ms. Katherine Ulibarri, to accept the Audit Committee report. The motion passed.

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.*

- 16. Update on Activities.**

Mr. Dan Opperman reported that the Contracts Committee met on Monday, May 19, 2014. The following items were discussed: Ms. Marquita Russel requested approval of an RFP for Environmental Consulting Services. Ms. Kathy Atencio announced that she and Mr. Vince Lithgow are retiring at the end of May with Ms. Stacy Lopez and Ms. Marlene Cordova replacing them as designees. Mr. Opperman also gave a brief update regarding the external auditor contract.

Chair McDermott asked if the Committee discussed an RFP for Process Mapping. Mr. Coalter replied that NMFA received the RFP's on Monday, May 19 and therefore has not had time to review them.

Mr. William Fulginiti moved, seconded by Ms. Antoinette Vigil, for approval of the Contracts Committee report. The motion passed.

17. Consideration for Approval of External Auditor RFP.

Secretary Tom Clifford moved, seconded by Ms. Katherine Ulibarri, for approval of the External Auditor RFP. The motion passed.

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

18. Update on Activities.

Mr. William Fulginiti reported that the Disclosure Committee met on May 8 and May 14, 2014. Mr. Dan Opperman said the meeting on May 8 was to discuss changes to the POS for the 2014 Bonds. On May 14, the members executed the written recommendation of the Disclosure Committee to sell the Series 2014A Bonds. Mr. Opperman explained that the written recommendation satisfies the requirements set forth in the Disclosure Committee's governing Charter to affirm the completeness and accuracy of the disclosures made by the Finance Authority.

Mr. William Fulginiti moved, seconded by Mr. Butch Tongate, for approval of the Disclosure Committee report. The motion passed.

19. 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 requested a motion to 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. Steve Kopelman moved, seconded by Mr. William Fulginiti, that the Board convene in closed session to discuss matters pertaining to the disposal of real property regarding the Plaza Hotel as allowed by NMSA 1978, Section 10-15-a(H)(8). A roll call vote was taken with all present voting in the affirmative. The motion passed.

Upon completion of the closed session, Mr. Steve Kopelman moved, seconded by Ms. Antoinette Vigil, that the Board reconvenes in open meeting. The motion passed.

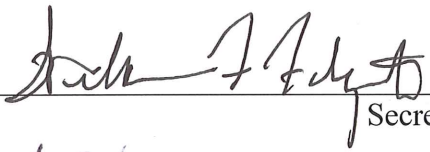
Chair McDermott noted that the Board is now in open meeting and requested the record reflect that no action was taken during the closed meeting, and the only matters discussed were those pertaining to the disposal of real property regarding the Plaza Hotel.

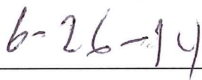
20. Next Board Meeting

Thursday, June 26, 2014 – 9:00 a.m.
State Capitol – Room 322
Santa Fe, NM

21. Adjournment

The meeting adjourned at 11:25 a.m.


Secretary


Date