

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

**Minutes of Board Meeting
June 26, 2014
State Capitol – Room 322**

Present:

John McDermott, Chair
William Fulginiti, Secretary
Katherine Ulibarri, Treasurer
Marlene Cordova
Brett Woods
Antoinette Vigil
Terry White
Andrew Jacobson
Blake Curtis (*telephonically*)

McDermott Advisory Services, LLC
Executive Director, NMML
V/P for Finance/Operations, Central NMCC
Designee, NM Environment Dept.
Designee, NM Energy & Minerals Dept.
Designee, Economic Development Dept.
CEO, Sunwest Trust, Inc.
Designee, Dept. of Finance & Administration
CEO, Curtis & Curtis, Inc.

Absent:

Jerry Jones
Steve Kopelman

CEO, Stolar Research Corporations
Executive Director, NMAC

Finance Authority Staff:

Adam Johnson
Carmela Manzari
Dan Opperman
Donna Maestas
Dora Cde Baca
Jolene Meadows
Leslie Medina
Mark Lovato
Michael Zavelle
Theresa Garcia
Todd Johansen
Zach Dillenback

Angela Quintana
Connie Marquez-Valencia
David Mahooty
Donna Trujillo
Gloria Castillo
John Brooks
Mark Dalton
Marquita Russel
Sanjiv Doreswamy
Robert Coalter
Yolanda Valenzuela

Guests:

Alfonso E. Ortiz, Jr.
Allan Affeldt
Amy Aguilar
Bob Westerfelt
Brad Patterson

Mayor, City of Las Vegas
Plaza Hotel
EDD
Los Alamos County
Ballard Spahr

Charlene Webb
Chip Pierce
Erik Harrigan
Jake Lopez
Jamie Futral
Jill Sweeney
John Arrowsmith
Karl Penneck
Ken Garcia
Linda Kehoe
Pamela Ortiz
Paul Cassidy
Richard Virtue
Susan Ellis
Susan Rodriguez
Suzanne Bruckner
Tracy Hofmann

Roosevelt County
Western Financial Group
RBC Capital Markets
Roosevelt County
Virtue & Najjar
Sherman & Howard
Los Alamos County
NMED/DWB
City of Las Vegas
LFC
Virtue & Najjar
RBC Capital Markets
Virtue & Najjar, PC
Bank of Albuquerque
DFA – LGD
Sutin, Thayer & Browne
Sutin, Thayer & Browne

1. Call to Order and Roll Call.

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

2. Approval of Agenda.

Chair John McDermott requested a modification to the agenda adding Appointment of a Nominating Committee for election of officers.

Chair McDermott noted that he has asked Mr. William Fulginiti, Ms. Katherine Ulibarri, and Secretary Tom Clifford to serve as the Nominating Committee.

Mr. William Fulginiti moved, seconded by Mr. Brett Woods, to approve the appointments to the Nominating Committee. The motion passed.

Chair McDermott requested that the Committee submit their recommendations at the July meeting for Board consideration.

Mr. William Fulginiti moved, seconded by Ms. Antoinette Vigil, for approval of the agenda as amended. The motion passed.

3. Approval of May 22, 2014, Board Minutes.

Chair John McDermott requested the following change on page 4, paragraph 2 of the May 22, 2014 Board minutes: “Mr. Chip Pierce noted that they improved 50 basis points from the projections made in late March.”

- ◆ Chair McDermott asked if Board members received training on the Bond Sales process and related documentation required prior to going out to the market. Mr. Robert Coalter noted that an initial

training session with the Disclosure Committee took place, with training planned in the immediate future for all Board members.

- ◆ Chair McDermott asked about the formation of a working group to discuss the May 22, 2014 discussion regarding loan approvals and audit submittals by loan applicants. Mr. Coalter noted that an internal group comprised of agency directors is preparing a proposal for Audit Committee consideration in July with a report to the Board at a future meeting.

Mr. William Fulginiti moved, seconded by Ms. Antoinette Vigil, for approval of the May 22, 2014, minutes as amended. The motion passed.

4. Report from Chief Executive Officer.

Mr. Robert P. Coalter, CEO presented an update on the vendor selection for the data flow program and procedures. Legal Counsel is working on the contract with contractors projected to be on site in July.

5. Report from Finance & Loan Committee. Mr. William Fulginiti reported on the June 18, 2014 Finance & Loan Committee meeting. The Committee reviewed and recommended approval of the projects that follow.

6. Consideration for Approval of Los Alamos County – Electric Utility Project – 3150-PP. Los Alamos County has applied for a PPRF loan for \$22,900,000 for financing and refinancing of the County's electric generation and distribution assets.

Mr. John Arrowsmith and Mr. Bob Westerfelt attended on behalf of Los Alamos County.

The County seeks to use \$8.75 MIL for electric distribution projects ("2014A Projects") and \$7.35 MIL for new electric generation ("2014B Projects" and together with the 2014A Projects, the "2014 Projects"). The 2014A Projects in Los Alamos and White Rock include; structure replacements, distribution line replacements, extension of metering infrastructure, and a new substation. The 2014B Projects is primarily for EPA mandated upgrades to the San Juan generation station.

The County also seeks to refund the Series 2004B, Series 2006A, and Series 2006B Bonds to achieve economic savings and revise certain covenants contained in the indenture. The covenant changes will align the County's Debt Service Reserve Fund (DSRF) requirements with the IRS.

The Series 2014A tax-exempt tranche will encompass both financing (Series 2014A with a 20-year term) and refinancing (Series 2004B with a 10-year term and Series 2006A with a 7-year term). The Series 2014B taxable tranche will encompass both financing (Series 2014B with a 7-year term) and refinancing (Series 2006B with a 7-year term).

The County's First Lien contains the Series 2010, which is NMFA PPRF loan 2461-PP. The County has adopted an ordinance which prohibits future use of the First Lien to issue debt and establishes a Second Lien. The Second Lien provides the County with the ability to issue the Series 2014 and subordinates all existing NMED Clean Water SRF and Water Trust Board outstanding obligations to the Series 2014. The net effect achieves the County's desired covenant changes and minimizes risk with regard to NMFA's PPRF position in the County's debt structure.

The Net System Revenue (NSR) of the Joint Utility Fund will repay the Series 2014 Bonds. The net income available for debt service trends positive so an average of five years was considered to establish the coverage ratio which includes the Senior Lien outstanding debt. The County is current with its Audits and financial reporting.

Chair John McDermott asked if Los Alamos County owns the electrical distribution utility. Mr. Adam Johnson indicated that the County owns the distribution assets.

Mr. William Fulginiti noted that the Finance and Loan Committee discussed the project at length including the issue of the refund policies. The Committee felt the policies comply with NMFA goals.

Mr. William Fulginiti moved, seconded by Ms. Katherine Ulibarri, for approval of Los Alamos County Project #3150-PP. The motion passed.

- 7. Consideration for Approval of Roosevelt County – County Courthouse Remediation Project – 3147-PP.** Roosevelt County has applied for PPRF loan financing for \$3,073,048 to fund the costs associated with mold remediation.

In attendance from the Roosevelt County Courthouse were Ms. Charlene Webb, County Manager and Mr. Jake Lopez, County Commissioner.

The County discovered mold at the Roosevelt County Courthouse in April of 2014. The County has taken steps to eradicate the issue; however, replacing the HVAC is required to prevent the problem from reoccurring. The courthouse is the seat of the State of New Mexico's 9th Judicial District.

This loan will be issued in the County's Senior Lien with the County's Series 2006, which requires a 200% additional bonds test. The Senior Lien revenues for the Series 2006 did receive an A1 rating from Moody's. As per Section 3.2E of the PPRF's Loan Management Polices, the County's A1 credit rating qualifies the loan to be structured with a Springing Debt Reserve in lieu of a bond funded debt service reserve. The County will be required to cash fund a debt service reserve over a two-year period in the event that loan coverage falls below 2.0x coverage.

The District qualifies for a PPRF disadvantaged interest rate of 3%. This rate has been applied to \$200,000 of this request. 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 has utilized both provisions in the NMFA's PPRF policies to help ease the burden of the unforeseen need to undertake this loan.

Staff used the average of five years of County Equalization revenue and the lowest (2013) of three years of County Local Option GRT to determine debt coverage. The County is current with its audits.

Commissioner Jake Lopez noted that the project is an emergency requiring immediate attention. Mr. William Fulginiti noted that Mr. Lopez has had past knowledge of similar situations as a City Councilor in Portales.

Mr. William Fulginiti moved, seconded by Ms. Katherine Ulibarri, for approval of Roosevelt County Project #3147-PP. The motion passed.

- 8. Consideration for Approval of Village of San Jon (Quay County) – Equipment Project – 3146-PP.** The Village of San Jon has applied for PPRF financing for \$55,416 to purchase a new backhoe.

The Village is purchasing a new Case Construction Equipment Backhoe. The backhoe will provide the necessary equipment for the continuation and completion of many construction projects the Village will undertake including both wastewater and water projects. The Village anticipates monetary savings in the reduction of maintenance costs and unaccounted water. The purchase will also assist the community with current and future projects, as well as, other needs and emergencies as they arise.

The Village of San Jon is pledging both the Municipal Infrastructure GRT and the Capital Outlay GRT. Staff used a three-year average of tax and revenue RP-500 Data to determine debt service coverage. The Village is current with its Audits and financial reporting. The FY 2013 unmodified audit had one finding.

Mr. William Fulginiti moved, seconded by Mr. Brett Woods, for approval of Village of San Jon Project #3146-PP. The motion passed.

- 9. Consideration for Approval of Village of San Jon (Quay County) – Water Project - 3143-DW.** The Village of San Jon has applied for a DWSRLF loan financing for \$50,500 to finance the planning and design of a Water System Improvement Project.

The Village will use the loan proceeds to finance the planning and design of the final phase of a water system improvement project outlined in their 2009 Preliminary Engineering Report (PER). The PER report addressed issues with aging, leaking, and undersized pipes affecting the health, safety, and welfare of its citizens. The completed planning and design drawings will allow the Village to move forward with the final phase of pipe replacement.

The Village has pledged the Net System Revenues of their Water Utility Fund as security and repayment of this loan. The Village had a rate increase in 2013; therefore, staff used the FY 2013 net system revenues to determine debt service coverage. The Village is eligible to receive a principal forgiveness subsidy of 25% (\$12,625).

Mr. William Fulginiti moved, seconded by Ms. Katherine Ulibarri, for approval of Village of San Jon Project #3143-DW. The motion passed.

Chair John McDermott asked for clarification of the approval process for Water Trust Board activities versus the Drinking Water program. Mr. Robert Coalter noted that Drinking Water is a separate program funded separately from the Water Trust Board. Mr. William Fulginiti also noted that part of the funds come from PPRF to match the federal money.

Mr. Fulginiti explained the process for the Water Trust Board Projects administered by the NMFA. He noted that there is a selection process wherein applications are submitted to NMFA staff and then reviewed by seven different agencies on technical issues. The applications then go to the Water Project Committee who review the applications, submits them to the Water Trust Board for a recommendation and ultimately back to NMFA Board for final approval. The role of NMFA is to assure that the finances are in order and the loan components are set.

Chair McDermott asked whether the Water Trust Board makes a definitive approval of the project or is it only approval of the engineering aspect. Mr. Fulginiti noted that the Water Trust Board does not approve the financing or recommend loan components. Mr. Coalter noted that the lending officers review the loan components prior to the Water Trust Board consideration. The Water Trust Board then prioritizes the projects and determines the level and portion to be financed.

Chair McDermott recapped that the NMFA Board approval for the Water Trust Board projects is only for the financial liability after review and prioritization by the Water Trust Board.

- 10. Consideration for Approval of East Torrance SWCD (Torrance County) – Watershed Restoration & Management Project - Estancia Basin Groundwater Monitoring Network - \$50,000 (100% grant) - #0300-WTB.** Staff recommends approval of WPF grant for \$50,000 for the East Torrance SWCD from the 2013 funding cycle.

East Torrance SWCD will purchase and install well monitoring equipment to help define the distribution of the various groundwater systems within the Estancia Basin. The project will help quantify changes in groundwater levels to help determine if watershed restoration projects are affecting the lower part of the basin.

Mr. William Fulginiti moved, seconded by Ms. Katherine Ulibarri, for approval of East Torrance SWCD, Project #0300-WTB. The motion passed.

- 11. Recommendation for the 2014 WTB Funding.** Ms. Marquita Russel presented the Water Trust Board (WTB) recommendation for approval of 24 projects presented as agenda items 12 -35. Mr. William Fulginiti recommended consideration of items 12 - 35 with one motion noting that the Finance Authority's internal Credit Committee, the WTB Project Review Committee, the Water Trust Board, and the Finance and Loan Committee thoroughly vetted the projects.

On June 9, 2014, the WTB approved a final list of projects for recommendation to the Finance Authority for funding from the 2014 project funding cycle. This year the WTB has \$33,048,330 available for awards. These funds are derived from severance tax bond proceeds, a Water Trust Fund distribution, funds reverted from projects no longer proceeding and loan repayments. Law determines final terms of the loans and grants, including the amount and structure of any loan component, determined by the NMFA Board working under the rules and policies adopted by the WTB.

In November 2013, the WTB submitted a comprehensive list of projects containing 120 qualified projects to the NMFA Legislative Oversight Committee. The Committee endorsed the bill and Senator Joseph Cervantes introduced it as Senate Bill 112. Unfortunately, the newly revised WTB process created

confusion with the bill amongst legislators resulting in substitutions and amendments. Ultimately, the Governor vetoed the legislation leaving the NMFA the option to make grants and loans to projects that had prior legislative authorization. On April 2, 2014, the WTB received 44 applications from entities that had prior legislative authorizations for their projects. The recommended projects follow.

- 12. Consideration for Approval of Alto Lakes WSD (Lincoln County) – Water Storage Project – Replacement of Distribution Lines – Project #0301-WTB.** Alto Lakes requests funding for design and construction of Phase B to include replacement of 16,800 lft. of substandard pipe (2”-3”) with 6” and 8” C900 PVC and associated equipment. Phase B also includes 39 fire hydrants and 7 pressure regulating stations. These upgrades to the water system will improve pressure and volume delivery as well as supporting fire protection services. Recommended funding: Water Project Fund (WPF) grant - \$901,200 and WPF loan - \$600,800 totaling \$1,502,000.
- 13. Consideration for Approval of Ancones MDWCA (Rio Arriba County) – Water Storage Project – Phase 1 – Project #0302-WTB.** Ancones MDWCA requests funding for planning and design for water system improvements to connect Ancones with El Llanito. The design will include a 40,000 gallon water storage tank, 18,000 lft. of 6” distribution line, 10 fire hydrants, two pressure reduction valve stations, and gate valves and water meters. Recommended funding: WPF grant - \$900,000 and WPF loan - \$600,000 totaling \$174,074.
- 14. Consideration for Approval of Canadian River SWCD (Quay County) – Watershed Restoration & Management Project– Riparian Restoration – Project #0303-WTB.** The Canadian SWCD, as lead SWCD for the Canadian River Riparian Restoration Project, requests funding as fiscal agent for the planning, design, and construction of the restoration of the riparian corridors of the Canadian River and its tributaries. This project is a multi-phase, multi-year, multi-partnered watershed-scale project using a headwaters-down approach on over 2000 miles of river corridor. Recommended funding: WPF grant - \$600,000.
- 15. Consideration for Approval of City of Carlsbad (Eddy County) – Water Storage Project – Double Eagle Water Wells – Project #0304-WTB.** The City of Carlsbad requests funding for the construction of five new wells in the north well-field of the Double Eagle Water System. The sites for the new wells received permitting through the NM State Land Office and the OSE with water provided by the Ogallala Aquifer. Recommended funding: WPF grant - \$900,000 and WPF loan - \$600,000 totaling \$1,500,000.
- 16. Consideration for Approval of Village of Chama (Rio Arriba County) – Water Conservation Project - Water Treatment Plant Improvements – Project #0305-WTB.** The Village of Chama requests design and construction funding for a second treatment pod in the existing water treatment plant building and a new 500,000 gallon water tank at the Water Plant. The new pod will divert the flow and remove the existing pod from service. The project includes the removal of a 100,000 gallon water tank and the construction of a new 500,000 gallon water tank thus increasing storage capacity for the Village. Recommended funding: WPF grant - \$882,000 and WPF loan - \$98,000 totaling \$980,000.
- 17. Consideration for Approval of Claunch-Pinto SWCD (Bernalillo, Santa Fe and Torrance Counties) – Watershed Restoration Project - Water Treatment Plant Improvements – Project 0306-WTB.**

Claunch-Pinto SWCD requests funding on behalf of the Estancia Basin Watershed Health Restoration and Monitoring Project which is a collaborative watershed project engaged in forest thinning, erosion control, and fire mitigation. Treated areas along the east slopes of the Manzano Mountains include 1,650 ac. of Piñon-juniper, 450 ac. of woodland/timber stands, 100 ac. of planting/seeding, and 75,000 cubic yards of diversions. Recommended funding: WPF grant - \$600,000.

18. **Consideration for Approval of Claunch-Pinto SWCD (Bernalillo, Rio Arriba, Santa Fe and Valencia Counties) – Watershed Restoration Project – Riparian Restoration Project through the Greater Rio Grande Watershed – Project #0307-WTB.** Claunch-Pinto SWCD requests funding on behalf of the Greater Rio Grande Watershed Alliance project to plan, design, and construct the riparian areas within the Upper and Middle Rio Grande. The project will treat 200 acres with mechanical and chemical vegetation treatments, biomass management, site modification, and planning or seeding. The project extends from Taos to Bernardo to include all major tributaries and sub-watersheds; expands on previous work; established partnerships to improve the health of the Rio Grande watershed. Recommended funding: WPF grant - \$600,000.
19. **Consideration for Approval of City of Clovis (Curry County) – Water Conservation Project – Reuse Pipeline Construction – Project #0308-WTB.** The City of Clovis requests funding for the design and construction for Phase 2 of a reuse pipeline. The project includes extending 12,500 lft of 18-inch PVC transmission line and 8,000 lft of 3-inch, 6-inch, and 8-inch distribution line. The project also includes five jacks and bores underneath various roadways and the BNSF Railway. The distribution line will provide reuse water to Clovis Community College, Yucca Middle School, Curry County Road Department, and approximately 140 acres of City parks and ball fields which currently use potable water. The City proposes funding be used for consultant bidding services, and construction phase engineering and inspection. Recommended funding: WPF grant - \$1,920,000 and WPF loan - \$1,280,000 totaling \$3,200,000.
20. **Consideration for Approval of Cuatro Villas MDWUA (Santa Fe County) – Water Storage Project – Regional Water System – Project #0309-WTB.** Cuatro Villas MDWUA requests funding for the planning, design, and construction of Phase IV of the Regional Water System with La Puebla, Cuarteles, Sombrillo, and El Valle de Arroyo Seco. Phase IV will establish a secondary water supply connecting to the Santa Clara Development Corporation water system including arsenic treatment; complete the regional loop, the installation of transmission lines on La Puebla Road/CR88 connecting Phases I, II, and III; and increase membership by providing distribution waterline and service connections. Recommended funding: WPF grant - \$1,040,400 and WPF loan - \$115,600 totaling \$1,156,000.
21. **Consideration for Approval of City of Deming (Luna County) – Water Conservation Project – Effluent Reuse Expansion – Project #0310-WTB.** The City of Deming requests funding for the design and construction of a booster system replacing the present booster pumps and expanding the wastewater reuse system. The project includes new piping, pond intake, a SCADA systems and a building. The City estimates an annual savings of 20% of freshwater from the implementation of this project. Recommended funding: WPF grant - \$480,214 and WPF loan - \$320,142 totaling \$800,356.
22. **Consideration for Approval of City of Deming (Luna County) – Water Storage Project – Water Distribution Improvements – Pear Street Revitalization Phase III – Project #0311-WTB.** The City of

Deming requests funding for the construction of Phase III water system improvements along Pear Street from 8th Street to NM Hwy 11. Approximately 1 mile of 8” cement asbestos transmission lines will be replaced in addition to the water main, gate valves, manhole adjustments, and pavement and roadway patching. Recommended funding: WPF grant - \$610,623 and WPF loan - \$407,082 totaling \$1,017,705.

23. **Consideration for Approval of El Creston MDWCA (San Miguel County) – Water Storage Project – Distribution Lines Design/Construction – Project #0312-WTB.** El Creston MDWCA requests funding for planning, design, and construction for extending distribution lines to the Sheridan Fire Station and approximately 60 homes in Green Acres, Blue Ridge, and Pine Ridge; construction of a new well, tank, and water fill-station. As this system is developed, the new transmission lines will eliminate the need for a potable water truck to haul water to the residents. Recommended funding: WPF grant - \$631,705.50 and WPF loan - \$70,189.50 totaling \$701,895.
24. **Consideration for Approval of Eldorado AWS D (Santa Fe County) – Water Storage Project – Regional Water Supply Interconnection – Project #0313-WTB.** The Eldorado Area WSD requests funding for the planning, design, and construction of an interconnection with the Santa Fe County Regional Water Supply Pipeline. This project would also support additional water treatment processes ensuring a consistent level of water quality. Water from Santa Fe County is a supplemental supply source for peak demand periods. Recommended funding: WPF grant - \$359,280 and WPF loan - \$39,920 totaling \$399,200.
25. **Consideration for Approval of Eastern New Mexico WUA (Curry, Quay & Roosevelt Counties) – Water Storage Project – Rural Water System Project – Project #0314-WTB.** ENMWUA requests funding for the planning and design of Phase II of the regional rural water supply project that delivers water from Ute Reservoir to Clovis, Portales, Texico, Melrose, Grady, Elida, Cannon Air Force Base (CAFB), and Roosevelt and Curry counties. Phase II is comprised of four sub-phases identified as bid packages 1, 2, 3, and 4. Bid package 1 is the trunk-line from 2 miles north of CAFB at the Melrose Tee to just south of CAFB and from CAFB to Clovis; Bid Package 2 is the trunk-line to Portales; Bid Package 3 is the lateral line from Clovis to Texico; and Bid package 4 is the lateral line from Portales to Elida. Recommended funding: WPF grant - \$2,880,000 and WPF loan - \$320,000 totaling \$3,200,000.
26. **Consideration for Approval of City of Grants (Cibola County) – Flood Prevention Project – Second Street Flood Control Improvements – Project #0315-WTB.** The City of Grants requests funding for flood mitigation measures that will evacuate surface runoff providing safe driving conditions for vehicular users. The reconstruction of 2nd Street includes a one way two-lane road with 6-ft wide on-street bike lane; curb and gutter; 6-ft sidewalks on the east side of the road; and an 8-ft multi-use trail on the west side. The regional Drainage Master Plan recommends replacing the concrete box culvert crossing structure in the Rio San Jose with a larger structure that would convey a 100 year peak discharge; and installing a 36-inch diameter underground storm drain, to capture and convey local street flow from the roadway to the Rio San Jose. Recommended funding: WPF grant - \$420,000 and WPF loan - \$280,000 totaling \$700,000.
27. **Consideration for Approval of City of Hobbs (Lea County) - Water Conservation Project – Effluent Reuse Project Phase II – Project #0316-WTB.** The City of Hobbs requests funding for design and construction of Phase II - Effluent Reuse Project. Phase II consists of 7.1 miles of 20” pipeline to reach Ocotillo Golf Course, Harry McAdams Park, and the Lovington Hwy Health Trail. This segment is all that

remains to finalizing Alternative 2A with the City of Hobbs Effluent Reuse Project, Phase II PER. Recommended funding: WPF grant - \$1,920,000 and WPF loan - \$1,280,000 totaling \$3,200,000.

28. **Consideration for Approval of City of Las Vegas (San Miguel County) – Water Storage Project – Bradner Reservoir Enlargement – Project #0317-WTB.** The City of Las Vegas requests funding to expand Bradner Reservoir including a new rock filled dam, rock filled containment dam and associated appurtenant structures in forming the new reservoir and the installation of a 48-inch diameter raw water conveyance pipeline. Recommended funding: WPF grant - \$3,600,000 and WPF long - \$400,000 totaling \$4,000,000.
29. **Consideration for Approval of Los Alamos County – Water Conservation Project – Non-potable Water System Phase II – Project 0318-WTB.** Los Alamos County requests funding for the construction of the Priority 1 Phase 2 projects from the capital improvement plan. These projects include a full system build out of the non-potable water system including Group 12 tank rehabilitation and a booster pump station. The non-potable water system provides the core infrastructure for existing and future irrigation sites including schools, parks, ball fields, cemetery, and county landscapes. Recommended funding: WPF grant - \$843,600 and WPF loan - \$562,400 totaling \$1,406,000.
30. **Consideration for Approval of Middle Rio Grande Conservancy District (Socorro County) – Flood Prevention Project – San Acacia Levee Project Phase II – Project #0319-WTB.** The MRGCD requests funding for the construction of Phases 1 & 2; the rehabilitation of 3 miles of existing spoil bank with a new engineered levee as part of the San Acacia Levee Project. The levee project addresses flood risk issues west of the Rio Grande within the City of Socorro, from Otero Road to 3 miles south. The levee project will also protect the irrigation and drainage infrastructure of the MRGCD and the Bureau of Reclamation Low Flow Conveyance Channel which aids in providing efficient Rio Grande Compact deliveries to Elephant Butte Reservoir. Recommended funding: WPF grant totaling \$1,500,000.
31. **Consideration for Approval of Village of Milan (Cibola County) – Flood Prevention Project – Milan Tract Farms Diversion Channel – Project #0320-WTB.** The Village of Milan requests funding to construct an earthen diversion channel along the entire East perimeter (16,600 lft.) of the Rio San Jose to handle the 100-year storm. The diversion channel will redirect water flow from the Rio San Jose away from existing structures and protect 927 acres of the Milan Farm Tract. Recommended funding: WPF grant - \$720,000 and WPF loan - \$480,000 totaling \$1,200,000.
32. **Consideration for Approval of New Mexico Interstate Stream Commission (NMISC) (Bernalillo, Socorro, Valencia & Sandoval Counties) – ESA Project - Middle Rio Grande-ESA Habitat Restoration and Captive Propagation Facility Improvements – Project 0321-WTB.** The NMISC requests funding to improve the status of the Rio Grande silvery minnow and the southwestern willow flycatcher in addition to improvements along the bosque trail and park amenities in the middle Rio Grande. This funding will finalize the design and construction of Phase II of the Rio Rancho Open Space Habitat Restoration project which includes restoration of 50 to 70 acres of habitat in the Bernardo to Escondida reach of the Rio Grande and captive propagation facility improvements. NMISC also proposes to increase the production capacity at the Los Lunas Silvery Minnow Refugium by adding 12 new 40-ft diameter tanks that will quadruple the Refugium's production capability to about 50,000 fish per year. The NMISC is also

proposing to upgrade the indoor hatchery and add a broodstock building. Recommended funding: WPF grant totaling \$450,000.

33. **Consideration for Approval of Village of Ruidoso (Lincoln County) – Water Storage Project – Grindstone Reservoir Dam Liner – Project #0322-WTB.** The Village of Ruidoso requests funding for the design and construction for installing a geomembrane liner on the inner surface of Grindstone Canyon Reservoir Dam. The liner is necessary to prevent seepage resulting in water loss of 30%. Completing this project will alleviate stage 5 water restrictions and dam safety concerns. Currently the Office of the State Engineer classifies the dam as a high hazard dam. Recommended funding: WPF grant - \$2,841,840 and WPF loan - \$315,760 totaling \$3,157,600.
34. **Consideration for Approval of Village of Tijeras (Bernalillo County) – Water Storage Project - Water System Improvements – Project #0323-WTB.** The Village is requesting construction funds to complete Phase III of the water system improvements which include installation of approximately 800 ft. of 6" waterline; 6,900 ft. of 8" waterline and approximately 2,100 ft. of 12" waterline for connections to residents in the furthest northeast section of the Village. Project will also include installation of fire hydrants for fire protection. Recommended funding: WPF grant - \$543,150 and WPF loan - \$60,530 totaling \$603,500.
35. **Consideration for Approval of Ute Creek SWCD (Harding County) – Watershed Restoration Project – Riparian Restoration Project – Project #0324-WTB.** The Ute Creek SWCD seeks funding to plan, design, and construct riparian restoration corridors of the Ute Creek. Upon completing the planning and design, identified land will be treated for non-native invasive species in either aerial application of herbicide or mechanical removal. Additional work will be performed on previously treated areas addressing re-sprouts and noxious weeds; removal of standing dead salt cedar, Piñon, Juniper, and Mesquite; manage grazing; and install fencing. Recommended funding: WPF grant totaling \$400,000.

Chair John McDermott questioned how the projects are inspected, after the funds have been allocated, to assure that progress is being made and results are being delivered to the constituents. Ms. Marquita Russel explained that there are several reviews by other agencies. The projects must provide permits by October 31. If the conditions are not met, the Water Trust Board either extends the deadline or the funds will be awarded to other worthy projects that are further down the list.

Chair McDermott asked if the Water Trust Board ever sees the realized performance on previous grants and loans that were awarded. Ms. Russel explained that entities are required to submit reports every six months during the construction period and at the end of the project. The Water Trust Board also maintains a 90% limitation in the policy. At least 90% of the prior year's funds must be expended before any additional funds are awarded.

Chair McDermott asked if there are any projects with financial liabilities of concern to the NMFA. Ms. Russel explained that several projects indicated that historically they did not have the capacity to undertake the loan. However, there are no concerns because history has shown that the systems move their rates in order to make their payments.

Mr. William Fulginiti moved, seconded by Ms. Katherine Ulibarri, for approval of agenda items 12 – 35. The motion passed.

Mr. Andrew Jacobson, designee for Secretary Tom Clifford, joined the meeting.

36. Consideration for Approval of the Finance Authority's FY2015 Operating Budget. Staff requests approval of Budget proposal for fiscal year 2015.

Mr. Robert Coalter reported that NMFA has done well over the past year. There has been great progress in the Drinking Water Program, the PPRF Program, and the Local Government Planning Fund. The Local Government Planning Fund had a 70% increase in 2013.

Mr. Coalter noted that the main initiative for the upcoming year is the infrastructure for the data system which is necessary for NMFA to operate efficiently now and in the future. NMFA needs to create a good infrastructure that will free up staff time and improve productivity. Mr. Coalter explained that the last couple of years have made it difficult to draw a base line in using the numbers for the future. Over the last few years, NMFA has had excess revenues which are available to use for the upcoming data flow project.

Ms. Donna Trujillo reviewed and explained the basis of budgeting for operating and non-operating costs for the programs at NMFA. She noted that the Budget and Financial Statements have been prepared using the economic resources measurement focus and the accrual basis of accounting. NMFA will operate on a flat budget for FY2015; however, the fund allocations to each program will be adjusted as necessary to operate more efficiently. Mr. Coalter noted that NMFA has an elaborate time allocation system that is completed by each staff member. The system is helpful in processing the budget for salaries and benefits.

Mr. William Fulginiti reported that the Finance & Loan Committee reviewed the budget and recommends approval. Secretary Clifford made several suggestions during the presentation; those suggestions have been incorporated into the budget as presented.

Chair John McDermott commended Ms. Trujillo for her presentation and noted that it is very helpful and assures that NMFA understands costs for the individual programs. It also demonstrates how the organization operates.

Chair McDermott asked for the number of NMFA employees and the expectations of salary adjustments, whether it be inflation, performance related or changes in job functions. Ms. Trujillo noted that NMFA currently has forty-four employees and has remained flat for the past three years. Chair McDermott asked if the forty-four employees can deliver the mission of the organization or will there be an increase in staff. Mr. Coalter explained that NMFA is not ready to increase staff positions until the infrastructure is complete. Chair McDermott questioned the increase in personnel services. Ms. Trujillo explained that the insurance benefits have increased. She noted that the calculation also included the increase for each individual by pay period.

Chair McDermott noted that he continues to have concern regarding the revenue expectation. The number is still not on the path of excellence to meet the mission to get the funds into the hands of the community and organizations that are in need of capital. Chair McDermott noted that NMFA needs to initiate programs that will help receive more and better loan applications. There was further discussion regarding the improvement in receiving loan applications for projects.

Mr. William Fulginiti moved, seconded by Mr. Terry White, for approval of the Finance Authority's FY2015 Operating Budget. The motion passed.

- 37. Consideration for Approval of PPRF Series 2014B Tax-Exempt Bonds Authorizing Resolution.** Staff recommends review of the substantially final Preliminary Official Statement to be used in the marketing of the Series 2014B Bonds, and review and approval of the authorizing Resolution relating to same.

The authorizing resolution will among other things, direct Finance Authority staff, and consultants to prepare for the issuance of the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2014 (the "Series 2014B Bonds").

The Series 2014B Bonds will be issued in an approximate amount of \$57,115,000 for originating loans to or purchasing securities from certain governmental entities; financing certain projects or reimbursing loans previously made to or securities purchased and paying costs incurred in connection with the issuance of the Series 2014B Bonds. Finance Authority staff and consultants will continue to prepare for the sale of the Series 2014B Bonds, now projected to occur on July 24, 2014.

Ballard Spahr LLP, Disclosure Counsel, prepared the Preliminary Official Statement with the assistance of key Finance Authority staff and consultants. Once reviewed by the Board, this draft will be finalized and posted for distribution through www.munios.com on or about July 9, 2014.

Chair John McDermott asked if the Disclosure Committee met with the Board members who had concerns regarding the Bond Sales process. Mr. Dan Opperman explained that the Disclosure Committee training went well. An area that was discussed was the Preliminary Official Statement. The Board members understood the process. Ms. Katherine Ulibarri noted that the staff gave a great training and she feels comfortable with the process. Chair McDermott thanked the staff for the clarification and the training to understand the process of the Preliminary Official Statement and the Official Statement.

Mr. Brad Patterson commended the Disclosure Committee for their training and explanations of the NMFA Board responsibilities. There was discussion regarding the types of issues that need to be brought to the attention of the Board members in making decisions.

Mr. William Fulginiti moved, seconded by Ms. Antoinette Vigil, for approval of PPRF Series 2014B Tax-Exempt Bonds Authorizing Resolution. 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.*

- 38. Update on Activities.** Ms. Marquita Russel reported on the Economic Development Committee meeting of June 18, 2014. The Committee reviewed the Private Lending Portfolio, a direct loan from the Primary Care Capital Fund, along with terms modification of a Primary Care Capital Fund loan, consideration for the Sale of the Plaza Hotel and a request to open a new competitive round of NMTC applications. These items appear on today's agenda under items 39-42. Highlights of the Private Lending Portfolio report included the report that the Bankruptcy Court confirmed the Western Wood Products Reorganization Plan which provides that payments under the Plan begin in July.
- 39. Consent on Sale of Plaza Hotel.** The Economic Development Committee and staff recommend the NMFA consent to the sale of the Plaza Hotel under the terms proposed.

Following briefings to the full Board in February and May regarding the potential sale of the Plaza Hotel and its fair market value, an offer of \$3,030,000 was made in late May. Staff has completed a thorough review of the appraisals and toured the property. Staff reviewed the proposal and it conforms to the process agreed upon by the NMFA for determining current fair market value without a national marketing. Valley National Bank has agreed to the sale conditioned upon NMFA's consent and that it closes by June 30, 2014. The deposit of \$100,000 earnest money has been made.

Mr. William Fulginiti moved, seconded by Ms. Katherine Ulibarri, for approval of the Sale of the Plaza Hotel. The motion passed.

- 40. Consideration for Approval of Las Clinicas Del Norte, Inc. (Rio Arriba County) – New Building Construction Project – Project #3142-PC.** The Economic Development Committee and staff recommend approval for a \$1,200,000 loan to Las Clinicas Del Norte, Inc. in the Primary Care Capital Fund.

Representing Las Clinicas del Norte, Inc. was Mr. Andy Lopez, Executive Director.

This \$1.2 million loan will construct a new 6,700 square foot building in Abiquiu, NM. The building will have 10 medical exam rooms, triage center, and a pharmacy which will create 5 additional medical professionals positions in the Rio Arriba County area. The loan will be secured with the building and land with a 63% Loan-to-Value and with expected cash flow coverage of 2.89x. Las Clinicas has a long positive borrowing history with NMFA, which includes 3 previous borrowings, all of which have been paid-off.

The loan is a \$1,200,000 Primary Care Capital Fund (PCCF) loan with a 15-year term at a 3% interest rate to Las Clinicas Del Norte, Inc. for the purpose of a new building construction. The PCCF Act authorizes the NMFA to make below-market loans to small, non-profit primary health clinics that traditionally lack sufficient access to long-term debt financing.

Chair John McDermott asked what the risk is between inherent categories versus the relative categories. Ms. Marquita Russel explained that there are risks with the loans, especially with Medicaid; however, NMFA cannot differentiate the portfolio. NMFA can only make loans to non-profit Primary Care Clinics in small communities. Ms. Russel noted that there has been strong management of the clinics with long

time executives that have guided the operations throughout the years and have been the primary reason why there are few problems with Medicaid.

There was further discussion regarding the expansion of Medicaid in New Mexico and its impact on communities.

Mr. William Fulginiti moved, seconded by Mr. Antoinette Vigil, for approval of Las Clinicas Del Norte, Project #3142-PC. The motion passed.

- 41. Request for a Change in Terms Agreement with Mesilla Valley Hospice.** The Economic Development Committee and staff recommend approval of a Change in Terms Agreement with Mesilla Valley Hospital to forebear principal and interest payments for six months subject to Citizens also modifying its loan terms to support Mesilla Valley's financial restructure.

Staff is recommending a change of terms to the loan agreement for the Primary Care Capital Fund loan made to Mesilla Valley Hospice in 2008 which used the proceeds to renovate and expand the non-profit hospice in Las Cruces. The original loan has been amended and restated to a 20-year term in 2013 to provide lower loan payments. Mesilla Valley has been impacted by changes in the Medicare reimbursements, as well a decline in contributed income from patient care and a delay in permitting by the City of Las Cruces for the assisted living facilities. These items have impaired the cash position of Mesilla Valley to the point that they are operating on cash donated from the Foundation. This change of terms of the loan agreement would provide six-month deferral of principal and interest payments and a corresponding extension of maturity by six-months with an option to extend with a financial review at that time. This allows Mesilla Valley the time to rebuild its cash assets as they continue with the financial restructure plan.

Ms. Marquita Russel noted that the Economic Development Committee recommended approval of the loan with a strong guidance that staff works directly with the organization and its partner banks. Mr. John Brooks will visit Las Cruces to work directly with the partner banks to complete the restructuring.

Mr. William Fulginiti asked what would happen if forbearance is not granted. Mr. Brooks and Ms. Russel explained that forbearance is only temporary. Ms. Russel noted that Mesilla Valley Hospice have been very good clients and have also been timely on their payments and reporting.

Chair John McDermott questioned why staff did not wait to recommend that NMFA forbear until the agreement by the Las Cruces banks. Mr. Brooks noted that this is a first step to agree with the banks. He noted that it is much easier for the banks to take their steps and therefore can move much quicker than NMFA. The language in the Change in Terms of Agreement will not be open until the banks agree.

There was further discussion regarding the forbearance and the impact that it will have on all parties; the consensus was that all parties agree. Mr. Brett Woods recommended a contingency approval based upon the actions of the partner banks in Las Cruces.

Mr. William Fulginiti moved, seconded by Mr. Brett Woods, to indicate to Mesilla Valley Hospice, contingent upon the partner banks, either in a full forbearance of principal and interest or a

principal only forbearance that NMFA is willing to participate with the exact terms as the partner banks. The motion passed.

- 42. Recommendation to Open the 16th Round of Competitive New Markets Tax Credit Applications.** Staff recommends opening a 16th Round of competitive applications on June 27, 2014 with a closing deadline of August 1, 2014.

This application cycle will use the remaining \$4.6 million of the NMTC allocation and develop a pipeline to support a new application for the CDFI Funds for the 2014 Allocation. The NMFA Board, on behalf of Finance New Mexico, has offered fifteen competitive application cycles to date, including an exclusive application round for projects located in rural areas. From these application cycles, Finance New Mexico has closed transactions for twelve projects totaling \$151.346 million. The balance of \$4.654 million remaining in the program is dedicated to rural projects.

Chair John McDermott asked why the NMTC application was unsuccessful for the past two years. Ms. Marquita Russel explained that NMFA was valued highly in management skills and other technical aspects; however, the pipeline was not sufficient. The projects lacked adequate community impact relative to others that applied throughout the nation.

Chair McDermott asked what percentile NMFA ended up in. Ms. Russel noted that NMFA fell in the 90 to 95 percentile in four or five of the areas; however, the project quality was in the 70 to 79 percentile. Ms. Russel explained that areas which serve low income communities do well. The last application focused more on large business expansions, but the impact was not directed to low income people. NMFA will focus more in that area for the next application.

Mr. William Fulginiti moved, seconded by Mr. Terry White, to authorize opening the 16th Round of competitive New Markets Tax Credit applications. 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.*

- 43. Update on Activities.** Ms. Donna Trujillo reported on the June 23, 2014 Audit Committee meeting. The Audit Committee discussed the following: 1) External Auditor for FY2014; 2) issues of audit compliance with the applicants to the PPRF program; 3) Internal Audit RFP, which has been extended until July 18; and 4) the IRS Audit issue; and the May Financials.

Mr. Robert Coalter noted that NMFA only received questions from one firm on the internal auditor RFP. Mr. Coalter has reached out to other nationwide firms and has extended the time to July 18.

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.*

- 44. Update on Activities.**

Mr. Dan Opperman reported that the Contracts Committee met on Wednesday, June 25, 2014. The Committee discussed approval of award of contracts to Parametrix, Kentah, and Government Portfolio Advisors, formerly Davidson Fixed Income.

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

45. Update on Activities.

Mr. William Fulginiti reported on the Disclosure Committee meeting of June 23, 2014. Mr. Fulginiti noted that the educational training received on the Preliminary Official Statement was excellent. He thanked the following for attending the training: Ms. Katherine Ulibarri, Mr. Brad Patterson, Mr. Michael Zavelle, Mr. Dan Opperman, Secretary Tom Clifford, Mr. Robert Coalter, Ms. Jill Sweeney, and Mr. Chip Pierce. He commented that reviewing the statement was an excellent opportunity, however, highlighted the need for continuing educational opportunities for the NMFA Board. Mr. Fulginiti recommended bringing similar sessions to the Board which will assist with clarifications.

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

46. Next Board Meeting

Thursday, July 24, 2014 – 9:00 a.m.
State Capitol – Room 322
Santa Fe, NM

47. Adjournment

The meeting adjourned at 12:05 p.m.



Secretary

7/24/14

Date