

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

Minutes of Board Meeting  
November 20, 2014  
State Capitol – Room 311

**Present:**

John McDermott, Chair  
Katherine Ulibarri, Treasurer  
Brett Woods  
Marlene Cordova  
Tom Clifford  
Steve Kopelman  
Blake Curtis (*telephonically*)  
Antoinette Vigil  
Regina Romero  
Terry White

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

**Absent:**

Jerry Jones

CEO, Stolar Research Corporations

**Finance Authority Staff:**

Adam Johnson  
Bryan Otero  
Connie Marquez-Valencia  
David Mahooty  
Dora Cde Baca  
Gloria Castillo  
John Brooks  
Mark Dalton  
Marquita Russel  
Rick Martinez  
Theresa Garcia

Angela Quintana  
Carmela Manzari  
Dan Opperman  
Donna Maestas  
Floyd Trujillo  
Jim Perry  
Leslie Medina  
Mark Lovato  
Michael Zavelle  
Robert Coalter  
Zach Dillenback

**Guests:**

Charles Casey  
Dale Lehman  
Danielle Bradford  
Debbie Lehman  
Donald Fennema  
Donald Monette  
Ferran Lucero  
Jeff Condrey

Casey Financial  
Piper Jaffray  
Piper Jaffray  
Piper Jaffray  
Bank of Albuquerque  
Socorro Consolidated Schools  
Town of Clayton  
Valencia County

Jhonathon Aragon  
John Archuleta  
Linda Kehoe  
Mark Santiago  
Mary Anderson  
Mike Chambers  
Paul Cassidy  
Richard Virtue  
Susen Ellis  
Suzanne Bruckner  
Tracy Hofmann

Valencia County  
George K. Baum & Company  
LFC  
Axiom CPA  
Valencia County  
Magdalena Schools  
RBC Capital Markets  
Virtue, Najjar & Brown  
Bank of Albuquerque  
Sutin, Thayer & Browne  
Sutin, Thayer & Browne

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

Chair John McDermott called the meeting to order at 9:03 a.m. A roll call vote established a quorum.

**2. Approval of Agenda.**

Agenda item 14 was removed from the agenda.

**Ms. Antoinette Vigil moved, seconded by Ms. Marlene Cordova, for approval of the agenda. The motion passed 10 – 0.**

**3. Approval of October 23, October 25, and November 3, 2014 Board Minutes.**

**Mr. Terry White moved, seconded by Ms. Antoinette Vigil, for approval of the October 23, October 25, and November 3, 2014 minutes. The motion passed 10 - 0.**

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

- ◆ McGladrey, the newly hired internal audit firm, met with the Audit Committee, several Board members, and staff during the week of November 17 providing them with a brief overview of their job duties as well as timelines for the work to be performed.
- ◆ The completion date for the System procedures was November 17; however, due to internal issues with Kemtah the completion date is now December 15, 2014. The project is 85% complete.
- ◆ The 2015 NMFA Board and Standing Committees Meeting Schedules are in the Board book.
- ◆ A Special Board Meeting is scheduled on Thursday, December 11, 2014 to discuss the NM Department of Transportation Bond Sale and the extension for Spaceport.

**5. Report from Finance & Loan Committee.** Ms. Katherine Ulibarri reported on the November 12, 2014 Finance & Loan Committee meeting. The Committee reviewed the projects that follow.

**6. Consideration for Approval of Valencia County – Equipment Purchase – 3256-PP.** Valencia County (the “County”) applied for a PPRF loan for \$4,571,429 to fund the costs associated with the purchase of equipment.

Mr. Jeff Condrey, Valencia County Manager, Mr. Mark Santiago, and Mr. Paul Cassidy, Financial Advisor attended on behalf of the County.

The County Commission authorized the issuance and sale of Hold Harmless Gross Receipts Tax Revenue Bonds for purposes of acquiring and installing equipment for various projects and repairing and improving roads throughout the County. The County will use the proceeds from the bonds to purchase infrastructure equipment. The County has prioritized 39 pieces of equipment needed to repair and maintain roads or other County assets.

The County enacted 3/8% Hold Harmless Gross Receipts Tax in 2014 with collection scheduled to begin in January of 2015. The Hold Harmless GRT affects all businesses within the incorporated and unincorporated areas. Staff modeled the projected revenue collection of the new Hold Harmless increments on increments already in place having the same characteristics. The revenue generated over the past three years has increased each year. Staff used an average of those figures to calculate the 2.76x coverage, which includes the proposed 3254-PP road loan as well.

The County will issue revenue bonds that the NMFA will purchase with the PPRF. The County requests the NMFA accept a surety policy in lieu of a Debt Service Reserve (DSR). PPRF Loan Management Policies specifically allow for such a structure per section 3.2.C.4. The effective use of such a policy would lower the overall borrowing cost. Currently NMFA and the County are determining which bond insurer will provide the coverage in lieu of a DSR. Upon NMFA Board approval but prior to adoption of the loan agreement by the County, all parties will determine whether the structure will include the DSR or the surety in lieu of the DSR.

The County's audits are current, and the 2014 is on track for submittal to the State Auditor by the November 15 deadline. The 2013 audit is unmodified with 16 findings, 4 material weaknesses, 6 significant deficiencies, and 6 other matters. The 2013 audit shows significant improvement with 11 findings being resolved. In 2014, management and the County Commission adopted financial control policies and procedures. The adoption and implementation was a critical step to resolve the audit findings.

DFA - LGD commented that "Budget is consistent with FY14 budget, no large variances in budget; Potential budget risk due to using 3/8th increment for specific capital outlay when original purpose of increment was to replace food and medical hold harmless funds." Further, DFA - LGD noted the Finance Director position was recently vacated. The County is currently recruiting to fill the position.

Ms. Katherine Ulibarri explained that the Finance and Loan Committee had a lengthy discussion on the project regarding the Audit Findings and the source of revenue. Ms. Ulibarri noted that the Committee decided that the use of funds for the project complies with current statutory language, and recommended moving the project forward on a 4 to 1 vote. Secretary Tom Clifford explained that he voted against the project at the Finance and Loan Committee meeting because he believes it is an inappropriate use of revenue. He said the Legislature is actively debating the issue currently under consideration to fix the problem.

Chair John McDermott inquired about the progress on the County's general financial controls. He also asked how the Disbursement Agreement protects NMFA if weaknesses continue. Mr. Jeff Condrey explained that the 2014 Audit is complete and on file with the State Auditor. The audit does not have any findings. Mr. Condrey explained that the County continues to work on the remaining five findings from past audits and is well on its way to resolving the issues. Chair McDermott asked if staff is confident that the County will continue their progress to resolve the asset management concerns to which Mr. Adam Johnson responded in the affirmative.

Mr. Steve Kopelman commented that he understands the GRT increment, which the County is pledging, is general purpose GRT increments and the funds are legally permissible for bonding. He understands that the Legislature addressed this topic during the 2014 session; however, none of those bills passed. He asked legal counsel to confirm that there is not a legal impediment. Mr. Dan Opperman confirmed that there is no legal impediment.

There was further discussion regarding the legality of using the GRT. Mr. Kopelman reiterated that currently the state statutes allow the funds to be used, adding that it is difficult to determine whether legislation introduced during the upcoming session would or would not pass.

Mr. Condrey explained that it is not the intention of the County to preempt the legislature; however, the County has very few taxing options that are available for general-purpose activities. He noted that it is unfair to base the determination on a hypothetical action that may or may not occur at a future legislative session.

**Ms. Katherine Ulibarri moved, seconded by Mr. Steve Kopelman, for approval of Valencia County Project 3256-PP. The motion failed 5 - 5 on a roll call vote with Chair John McDermott, Ms. Marlene Cordova, Ms. Regina Romero, Mr. Steve Kopelman and Ms. Katherine Ulibarri voting for the motion and Mr. Terry White, Ms. Antoinette Vigil, Secretary Tom Clifford, Mr. Blake Curtis and Mr. Brett Woods voting against.**

- 7. Consideration for Approval of Valencia County – Road Project – 3254-PP.** Valencia County has applied for a PPRF loan to fund the costs associated with road repair and construction projects.

Ms. Katherine Ulibarri noted that the Finance and Loan Committee had a similar conversation on this item as in the previously discussed agenda item 6. The Committee recommended approval on a 4 to 1 vote

**Ms. Katherine Ulibarri moved, seconded by Mr. Steve Kopelman, for approval of Valencia County Project 3254-PP. The motion failed 5 - 5 on a roll call vote with Chair John McDermott, Ms. Marlene Cordova, Ms. Regina Romero, Mr. Steve Kopelman and Ms. Katherine Ulibarri voting for the motion and Mr. Terry White, Ms. Antoinette Vigil, Secretary Tom Clifford, Mr. Blake Curtis and Mr. Brett Woods voting against.**

- 8. Consideration for Approval of Socorro Consolidated School District (Socorro County) – School Improvements – 3258-PP.** The Socorro Consolidated School District (the "District") applied for a PPRF loan to finance the costs associated with various school improvements.

Mr. Donald Monette, Business Manager attended on behalf of the District.

In February 2013, the District received voter approval 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 \$1,275,000, which the NMFA will purchase with the Public Project Revolving Fund.

The District qualifies as a disadvantaged entity with a Median Household Income (MHI) of \$32,629, which is 72.73% of the State's MHI. Therefore \$200,000 of the loan amount received the 0% disadvantaged funding. The NMFA processing fee is capitalized into the first ten years of the loan, in the amount of 0.2792% added to the market rate. The NMFA maintenance fee of 0.100% was applied to the life of the loan. The interest rate also includes a 0.75% credit margin.

The District is current with its audits and financial reporting. The FY 2013 report received an unmodified opinion. The District submitted a Corrective Action Summary for the findings. PED comments: "Socorro was late on submitting 1st, 3rd and 4th quarter Actuals reports in 2013-2014. Socorro has been late in several items requested by their budget analyst. Their business manager has stated that things should improve in 2014-2015."

**Ms. Katherine Ulibarri moved, seconded by Ms. Regina Romero, for approval of Socorro Consolidated School District Project 3258-PP. The motion passed 10 - 0.**

**9. Consideration for Approval of Magdalena Municipal School District (Socorro County) – School Improvements – 3260-PP.** Magdalena Municipal School District (the District) has applied for a PPRF loan to finance the costs associated with various school improvements.

Mr. Mike Chambers, Superintendent, and Mr. John Archuleta, Financial Advisor attended on behalf of the District.

In February 2011, the District received voter approval to construct, remodel, make additions to and furnish school buildings, purchase or improve school grounds, or any combination of these purposes within the District. This Bond issue is time sensitive due to the 2015 deadline. The District will issue General Obligation Bonds in the amount of \$520,000 which the NMFA will purchase with the PPRF.

The District qualifies as a disadvantaged entity with its Median Household Income (MHI) of \$33,987, which is 75% of the State's MHI. Therefore \$200,000 of the loan amount received the 0% disadvantaged funding. The NMFA processing fee is capitalized into the first ten years of the loan, in the amount of 0.2407% added to the market rate. The NMFA maintenance fee of 0.100% was applied to the life of the loan. The interest rate also includes a 0.75% credit margin.

The District is current with its audits and financial reporting. The FY 2013 report received an unmodified opinion with no material weaknesses, one significant deficiency, and two compliance findings. PED comments: "Reports timely. No concerns at this time."

Chair John McDermott inquired about the issue at the Finance and Loan Committee meeting. Secretary Tom Clifford explained that the question was whether the funds for the school match had been generated for the project. Mr. John Archuleta explained that the project is still awaiting approval by the Office of the State Engineer and the Environment Department. The funds were allocated and requested under an emergency clause during a water problem emergency; however, it has taken this long to get the process moving. Secretary Clifford asked if the local funds were available. Mr. Archuleta noted that the funds are available.

**Ms. Katherine Ulibarri moved, seconded by Mr. Steve Kopelman, for approval of Magdalena Municipal School District Project 3260-PP. The motion moved 10 – 0.**

- 10. Consideration for Approval of Grant County – Upper Mimbres Fire Department – Equipment Project – 3259-PP.** Grant County (the “County”) has applied to the Public Project Revolving Fund (PPRF) to finance the costs associated with purchasing two 4x4 brush fire trucks.

The Upper Mimbres Fire Department will use the loan proceeds to purchase two new 4x4 brush trucks replacing the 1991 and 1993 brush trucks.

The County will pledge its State Fire Protection Funds as the revenue source for this loan. Upper Mimbres Fire Department has an ISO class rating of 9, with two main stations, and receives an annual base distribution of \$78,116. The Department will contribute \$145,756 of accumulated State Fire Protection Funds toward the purchase.

The County is current with its audits and financial reporting. The FY 2013 report received an unmodified opinion with seven findings. There are no material weaknesses and no significant deficiencies. DFA comments, "Budget/Quarterly Reports/Audits are all current; Budget is consistent from FY 14, no special concerns; new finance director came from other county and is experienced; and component unit required audit adjustment for accumulated depreciation."

**Ms. Katherine Ulibarri moved, seconded by Ms. Antoinette Vigil, for approval of Grant County – Upper Mimbres Fire Department Project 3259-PP. The motion passed 10 - 0.**

- 11. Consideration for Approval of City of Bloomfield (San Juan County) – Public Safety Equipment – 3257-PP.** The City of Bloomfield (the “City”) applied for a PPRF loan to finance public safety equipment for the City's Police and Fire Departments.

The proceeds of the loan will address public safety with the acquisition of the Police In-Car Camera System and Fire Department Back-Up Generator.

The City is pledging its State Shared GRT for this loan. State Shared GRT reflects an increasing trend with year-over-year increases of 6.42%. Staff utilized the 3-year average to determine base revenues for calculating debt service coverage. With base revenues of \$2,595,548, the minimum debt service coverage results in 7.03xs. The City is contributing \$35,000 towards the project with the additional proceeds consisting of accumulated State Fire and Law Enforcement Protection Funds. The loan will require a Debt Service Reserve Fund as the loan exceeds \$100,000.

DFA/LGD: "Budget is current; however, their first quarter report is late/audits are current." Budget Comments: "Cannot make comments without first quarter report to review." Good Governance Comments: "Entity needs to ensure timely submissions." Overall Comments: "None without current report/Sent email reminder, no response at time of this submission."

Secretary Tom Clifford inquired about a Corrective Action Plan for the City of Bloomfield. Mr. David Mahooty noted that the City did provide a Corrective Action Plan which addresses the issues.

Chair McDermott asked if NMFA intercepts the revenue directly. Mr. Mahooty explained that the Taxation and Revenue Department intercepts the revenue. Mr. Zach Dillenback and Mr. Robert Coalter noted that the trustee will manage all forthcoming PPRF loans. The NMFA policy no longer allows an entity to hold the funds with payment obtained through local entity and NMFA authorization.

**Ms. Katherine Ulibarri moved, seconded by Ms. Regina Romero, for approval of City of Bloomfield Project 3257-PP. The motion passed 10 - 0.**

- 12. Consideration for Approval of San Miguel County – Detention Facility – 3226-PP.** San Miguel County (the “County”) applied for a PPRF loan to plan, design, construct, equip, and furnish a community-based housing structure for its inmate population.

The County is building additional housing units for inmates at the San Miguel County Detention Center. The construction project includes dorms, a dining/day room area, offices, storage, training and educational facility, maintenance workshop and installing fire sprinklers in 64 prisoner cells mandated by the State Fire Marshal.

The Board approved the loan in August 2014 with the County Corrections Facility GRT (CCGRT) as the pledged revenue source. General Counsel advised that NMFA must intercept the entire increment pledged to repayment of this loan. Specifically, Section 7-20F-3 (E) of the Act requires that any excess revenues derived from the increment of the tax pledged to repay the loan shall be used to fund mandatory early redemption of the loan. The statute states “once provision is made for debt service and loan reserve (which is being funded in this case with loan proceeds), “the excess revenue [from the tax] shall be accumulated in an extraordinary mandatory redemption fund and annually used to redeem the bonds prior to their stated maturity date.”

The County currently uses the excess CCGRT for operating and maintenance of the correctional facility. The County is asking to change the pledged revenue source to the County Share GRT & Equalization Distribution Revenue. The County qualifies for a PPRF disadvantaged interest rate of 0% applied to \$200,000 of this request. Staff averaged revenues for three years of the County Share GRT and used the most conservative year of the Equalization Distribution Revenue to determine coverage.

The County is current with its audits. DFA comments: "Budget is consistent from FY 14 budget; No special concerns; Good oversight and communication." Overall Comments/Concerns, none.

**Ms. Katherine Ulibarri moved, seconded by Mr. Steve Kopelman, for approval of San Miguel County Project 3226-PP. The motion passed 10 - 0.**

- 13. Consideration for Approval of San Miguel County - Request for Contingent Intercept – 2666-PP.** NMFA staff recommends suspending the NMFA’s 2666-PP loan intercept agreement to allow San Miguel County (the “County”) to employ a contingent intercept for the flow of funds.

On February 20, 2012, the County closed on a PPRF loan to finance the cost of installing a new HVAC system at the County Detention Center, and to replace windows at the County Courthouse. The loan was approved for \$385,417 with a term of 15 years maturing May 2027. The County pledged its first increment of County Local Option GRT and the County Equalization Distribution revenue with coverage of 1.68x (1.25x minimum coverage required) and a blended interest rate of 0.286%.

The loan closed with a parity lien structure with an outstanding Series 2007 Refunding and Improvement Bonds, maturing 2028. Both of these outstanding loans share a parity lien structure of the First Increment of County Local Option GRT and County Equalization Distribution revenue, as well as, an established 150% additional bonds test.

NMFA currently intercepts monthly payments for San Miguel County Project 2666-PP. This intercept agreement places the NMFA in a superior lien position above the Series 2007 parity bondholder(s) thus eliminating a parity lien structure. The County is requesting suspension of the 2012 PPRF loan intercept agreement allowing the County to utilize a suspended intercept for the remaining payments.

Based on the County’s long borrowing history with NMFA, the County has demonstrated the ability to make timely payments on all of their NMFA and other bond obligation debt (including the parity Series 2007 bonds).

Chair John McDermott inquired about the abandonment of the intercept agreement. Mr. Zach Dillenback explained that San Miguel County issued a bond with the same revenue stream that NMFA used as security in the public market. By NMFA intercepting the revenue, prior to bond holders receiving it, NMFA is in a greater position. If the intercept agreement is suspended, NMFA will be in a true parity position.

Chair McDermott noted that the intercept agreement, along with the management of disbursing proceeds, has been beneficial to NMFA in helping eliminate risks when there are issues with financial controls. There was further discussion regarding NMFA setting a precedent if the intercept agreement is suspended. Mr. Robert Coalter explained that staff will review the portfolio to assure the structure allows NMFA to intercept the funds.

Secretary Tom Clifford asked how the intercept affects the pledge revenue for the bond finance loans. Mr. Dillenback explained that it does not affect the pledged revenue but affects the position of the bond holders. Mr. Dillenback noted that the funds were pledged as a reimbursement to different PPRF loans. Mr. Michael Zavelle said that the impact would be on the ratings presentations where the interception amount is indicated; however, the rating amount will decrease.



Mr. Terry White asked about the consequences should NMFA decide not to go through with the change. Mr. Dillenback noted that staff will work with the legal counsel to provide detailed information.

**Secretary Tom Clifford moved, seconded by Mr. Terry White, to delay consideration on Project 2666-PP to the December Board meeting. The motion passed 10 - 0.**

14. **Consideration for Revised Approval of City of Las Vegas – Bradner Reservoir (San Miguel County) – Water System Improvements – 3262-DW and 3142-DW.** Item removed from the agenda.
15. **Consideration for Approval of the Town of Clayton (Union County) - Request for Subordinate Position – 3037-DW.** Staff recommends approval of request for subordinated position for the Town of Clayton’s Drinking Water Loan 3037-DW.

Mr. Ferron Lucero, City Manager attended on behalf of the Town of Clayton.

The Town of Clayton closed on a Drinking Water State Revolving Fund loan for a water meter project on July 25, 2014. The approved funding totaled \$621,160 with a loan component of \$465,862 and a principal forgiveness of \$155,288. The loan term is for 22 years maturing in May 2036. The pledged revenue source is their Net System Revenues of the Joint Utility with coverage of 1.69x (1.20x minimum coverage required) and a maximum interest rate of 2.00%.

The loan as was presented with a parity lien structure with an outstanding USDA-RUS loan, Series 2013 (39 years remaining). USDA-RUS loan agreements adhere to Federal requirements that do not allow for additional parity loans. This request is to amend the drinking water loan agreement to be in a subordinate position thus bringing the agreement into compliance.

Chair John McDermott asked if NMFA has to accept the subordinated position in order to receive the USDA funds. Mr. Zach Dillenback explained that the analysis, based on federal language, prohibits parity; therefore, NMFA is in the subordinated position. Staff is working with USDA to find a way to have NMFA be an approved lender and be on the parity position.

Secretary Tom Clifford asked if the loans in the Drinking Water portfolio are in the subordinated position. Mr. Dillenback explained that several loans are in the subordinated position; however, staff does not feel there is precedence.

Mr. Dillenback noted that the Town of Clayton is going through the 2014 Audit and has made significant improvements. Staff feels comfortable with the steps the Town has made to correct the issue. Mr. Ferron Lucero noted that the material weakness was with reporting on capital assets. In order to correct the finding, the Town hired a private consulting firm to review their assets. Mr. Lucero noted that the 2014 Audit will be modified due to errors that were found and still need correction. The Town is working on the problem.

Secretary Tom Clifford asked if NMFA has a history with the Town. Mr. Dillenback noted that there is a history and the Town currently has a PPRF loan in a senior position. There have been no delinquent payments or issues.

Mr. Kopelman inquired about the practical implications if NMFA did not agree to subordinate. Mr. Dillenback noted that NMFA will continue to hold the position. Ms. Marquita Russel added that under the current Drinking Water Loan Agreement there is a cross default provision which says that if the entity is in default on another loan, they are also in default on the loan with NMFA.

**Ms. Katherine Ulibarri moved, seconded by Mr. Steve Kopelman, for approval of the Town of Clayton's request for subordinate position on Project 3037-DW. The motion passed 10 - 0.**

**16. Consideration for Approval of North Star MDWCA (San Juan County) – 2<sup>nd</sup> Time Extension Request – 0094-WB.** Staff recommends that the NMFA Board concur with the Water Trust Board's approval of a thirteen-month extension for WTB Project #0094.

In October 2010, the NMFA closed a WTB loan/grant agreement with the North Star MDWCA for improvements to the regional water system in an amount not to exceed \$2,000,000 with 20% delivered as a 20-year loan and 80% delivered as a grant. Currently, the loan/grant has a remaining balance of \$1,755,791.54.

In October 2013, the WTB and NMFA approved a one year extension to October 13, 2014 to allow the Association to complete the waterline installation for Animas Basin Regional Domestic Water Coalition. Unfortunately, several unforeseen mishaps including loss of project documents in an office fire and a land owners death (for ROW easements) further delayed the project.

As a result, the Association has requested a thirteen-month time extension to November 25, 2014 to complete the remaining portion of the transmission line connection. The NMED-CPB approved final plans and specifications are ready for bid.

**Ms. Katherine Ulibarri moved, seconded by Ms. Regina Romero, for approval of North Star MDWCA time extension to Project 0094-WTB. The motion moved 10 – 0.**

**17. Consideration for Approval of Pueblo of Isleta (Bernalillo County) – Time Extension Request – 0216-WTB.** Staff recommends that the NMFA Board concur with the Water Trust Board's approval of a four month extension for WTB project #0216.

In October 2011, the NMFA closed a WTB grant agreement with the Pueblo of Isleta for a watershed restoration and management project in the amount not to exceed \$1,000,000. The project was to remove approximately nine acres of islands below the Isleta Diversion Dam. The majority of the work is complete with the exception of sediment removal in the project area that deposited over the summer from the monsoon flows. The work would begin in November and should be completed by January/February 2015. The recommended time extension will allow the Pueblo until February 21, 2015 to expend the remaining \$150,000 WTB funds.

**Ms. Katherine Ulibarri moved, seconded by Mr. Steve Kopelman, for approval of Pueblo of Isleta's time extension request to Project 0216-WTB. The motion passed 10 - 0.**

**18. Review and Consideration for Approval of Amendments to the Local Government Planning Fund Project Management Policies.** Staff recommends approval of the proposed revisions to the Local Government Planning Fund (LGPF) policies.

The 2002 Legislature created the LGPF to provide upfront capital necessary for proper planning of vital water and wastewater projects and provide the basis of an application for federal funding. Over the years, amendments to the governing statute included a wider array of eligible projects and changes to the terms of repayment under the program. In November 2012, the Rules for the LGPF were amended in response to the legislative changes that broadened the eligibility of planning document types and eliminated the repayment requirement. The policies were changed shortly thereafter to provide for applications to be accepted quarterly and to allow for prioritization of project applications in the event of limited fund availability.

In October 2014, the Board approved changes to the rules that provided greater benefits to applicants seeking funding for plans to implement Metropolitan Redevelopment Plans and to allow more instances in which the local match would be waived.

The proposed revisions to the policies, which the Board also considered in October, are presented for the Board's consideration and approval. The revised policies provide for the following:

- 1) Allow for a monthly application process, rather than quarterly. The policies put in place a \$600,000 reserve solely for Urgent Project as part of the change from quarterly to monthly to ensure that there is an ability to fund emergency projects throughout the year. This amount is more than was used for emergencies in FY 2014.
- 2) Provide additional time to approve documents and close grants. The additional time will eliminate the need for routine extensions, while still requiring applicants to timely complete the planning document.
- 3) Provide additional consideration for communities facing economic decline by eliminating the Local Match requirement for planning documents if the applicant community has any of 5 specified characteristics:

In addition, the Policies incorporate as an appendix previously approved guidance documents with the following additions or amendments:

- 4) Identify Guidance Documents and/or Reviewers for Metropolitan Redevelopment Act Plans, Conservation Plans, Master Plans, ICIP projects, and other infrastructure plans where state and federal funds require a Preliminary Engineer Report as part of its application.
- 5) Broaden the guidance document to not require strict adherence to the A.M. Kan Work manual, but instead allow for plans established with the principles espoused in A.M. Kan Work and other similar documents. Include gap analyses and asset conditions to be performed by engineers for Asset Management Plans, allow rate studies /financial plans as a discrete unit of work eligible for

reimbursement under the Asset Management Plan, and allow up to four years completing an Asset Management Plan.

Secretary Tom Clifford asked about the budget and fund disbursement throughout the year. Ms. Marquita Russel explained that staff recommends reserving \$600,000 in July to cover emergency projects. As emergencies occur, funds will be drawn from the reserve.

Chair John McDermott asked if staff anticipates any other policy changes to the LGPF. Ms. Russel responded that the staff did not anticipate any further changes to the policies, noting that one caveat to this might be the need to refine that section of the policy allowing applicants that have experienced the loss of a major employer to be exempted from a local match. Ms. Russel explained that Finance and Loan Committee had asked whether “major employer” could be defined in the policies and at this point staff was unable to recommend criteria for what would constitute a major employer.

**Ms. Katherine Ulibarri moved, seconded by Secretary Tom Clifford, for approval of amendments to the Local Government Planning Fund Project Management Policies. The motion passed 10 - 0.**

**19. Consideration for Approval of State Transportation Revenue Refunding Bonds, Series 2014B, Authorizing Resolution, and Preliminary Official Statement.** Staff requests review of the Preliminary Official Statement proposed for use in the marketing of the Series 2014B Bonds, and review and approval of the Authorizing Resolution relating to said Bonds.

The Board considered for adoption an authorizing resolution that will, among other things, direct Finance Authority staff, and consultants to prepare for the issuance of the Series 2014B Bonds.

Finance Authority staff, the New Mexico Department of Transportation (“NMDOT”) and their consultants and counsel have commenced preparations for the issuance of the Finance Authority’s State Transportation Refunding Revenue Bonds (Senior Lien), Series 2014B-1 and State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2014B-2. The Series 2014B Bonds proposed for issuance in an amount not to exceed \$100 million. Proceeds from the sale of the Series 2014B Bonds are for refunding all or a portion of the Finance Authority’s (i) State Transportation Revenue Bonds (Senior Lien), Series 2006A, currently outstanding in the aggregate principal amount of \$83,270,000 and (ii) State Transportation Revenue Bonds (Subordinate Lien), Series 2006B, currently outstanding in the aggregate principal amount of \$25,405,000. December 11, 2014 is the scheduled date for the sale.

Secretary Tom Clifford asked about the financial analysis and expected savings related to the refunding. Mr. Peter Shellenberger noted that an analysis was not included in the package; however, provided an overview of the proposal. There was discussion regarding the Federal Trust Funds and the assumed amount. The reduction is a reflection of the management over the last few years. Closing inactive obligations allowed an increase in reimbursements which reflects higher numbers than usual for the current year as well as the past year.

Secretary Clifford asked about the formula for the pledged revenues for the projected Debt Service coverage asking how it was derived. Mr. Shellenberger noted that the increase was due to the closing

of the old projects, which freed up obligation authority allowing the funds to be obligated again. The annual average amount is based upon the percentage of the Trust Fund.

**Ms. Antoinette Vigil moved, seconded by Mr. Brett Woods, for approval of State Transportation Revenue Refunding Bonds, Series 2014B, Authorizing Resolution, and Preliminary Official Statement. The motion passed 10 - 0.**

**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.** Ms. Marquita Russel reported on the Economic Development Committee meeting of November 12, 2014. The Committee reviewed the Private Lending Portfolio and the Pipeline of Projected Activities for December. Staff also reported that the internal Private Lending Committee tabled a loan request for an equipment purchase and building renovation project until further information is received. The Committee reviewed and recommended approval on the item that appears as agenda item 21.
21. **Consideration and Recommendation of a \$200,000 Renewal of Working Capital Line of Credit for Haciendas at Grace Village, LLC. – John Brooks, Director of Commercial Lending.** Staff recommends approval of renewal of a 12-month Working Capital Line of Credit for Haciendas at Grace Village, LLC.

In December 2012, the NMFA Board approved the purchase of a 40% pari-passu interest in a 12-month line of credit that Western Bank of Alamogordo would make to Haciendas at Grace Village, LLC (“Haciendas”). The line of credit is to provide operating capital for the start-up company, the operator of a memory disability residential care business located in Las Cruces. NMFA closed on its portion of the line of credit in July 2012. Operating for two years Haciendas has made tremendous progress since opening its first building in December 2012. Haciendas’ revenues have steadily increased over the past two years and are on track to reach breakeven point this year. Because of the continued success of Haciendas, Western Bank of Alamogordo has approached NMFA to renew participation in this line of credit for 12 months, expiring in December 2015. This will be the second renewal for the operating line of credit.

Haciendas draws to date total \$498,178.27 with 40% or \$199,271.31 coming from the NMFA. Operational purposes such as cleaning supplies, food, and salaries for support staff comprised the use of draws to date. They have consistently been prompt with every payment since May 14, 2013, when they opened for operations. Haciendas attempts to pay down the line of credit when they have patient revenues to make principal payments and they make draws to make up for the lost revenues from unexpected attrition of patients.

Adjacent land and accounts receivable secure the line of credit. The property appraisal is at \$1,386,000 and has a current mortgage of \$575,737 from the land sellers (LC Developers).

Chair John McDermott asked if 40% is the maximum that NMFA allows. Ms. Marquita Russel explained that NMFA shares equally with the bank and can lend up to 40%.

**Ms. Antoinette Vigil moved, seconded by Mr. Terry White, for approval of a \$200,000 Renewal of Working Capital Line of Credit for Haciendas at Grace Village, LLC. The motion moved 10 – 0.**

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

- 22. Update on Activities.** Secretary Tom Clifford reported on the Audit Committee meeting of November 17, 2014. The Committee reviewed and discussed the internal audit, met with the Internal Auditor (McGladrey), interviewed with the external auditor (REDW), and reviewed the Financial Report ending October 31, 2014. The committee will have an Audit Workshop on Friday, December 12. The Audit Committee also reviewed and approved the annual report as required by the Audit Committee Charter.
- 23. Consideration for Acceptance of the Financial Reporting for the period ending October 31, 2014.** Mr. Robert Brannon, Interim CFO, presented the financial report.

Chair McDermott noted that any impairments or default list should also be included in the report.

**Secretary Tom Clifford moved, seconded by Ms. Antoinette Vigil, to accept the Financial Report for the period ending October 31, 2014. The motion passed 10 - 0.**

*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. Bryan Otero, Assistant General Counsel, reported on the Contracts Committee meeting of November 18, 2014.

The Contracts Committee reviewed and discussed the approval of a Requisition for Proposal for the underwriting services for PPRF 2015-A.

Mr. Otero referring to the prior agenda item also noted that the Audit Committee, in accordance with its Charter, approved an Annual Report that is included in the Board Book.

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

- 25. Update on Activities** Mr. Dan Opperman reported on the Disclosure Committee meeting of November 12, 2014. The Committee reviewed and discussed the Preliminary Official Statement for the Bonds, and the Municipalities Continuing Disclosure Cooperation Initiative.
- 26. EXECUTIVE SESSION: Closed meeting to discuss matters subject to attorney-client privilege pertaining to pending or threatened litigation as allowed by NMSA 1978, Section 10-15-1(H)(7).**

Chair John McDermott said "I will entertain a motion for the NMFA Board of Directors to go into Executive Session pursuant to NMSA 1978, Section 10-15-1(H)(7) to discuss matters subject to attorney-client privilege pertaining to pending or threatened litigation as allowed by NMSA 1978, Section 10-15-1(H)(7)."

**Mr. Steve Kopelman moved, seconded by Ms. Antoinette Vigil, to go into Executive Session as noted above. The motion passed 10 – 0.**

**27. Consideration for Approval of Participation in the Municipalities Continuing Disclosure Cooperation (MCDC) Initiative**

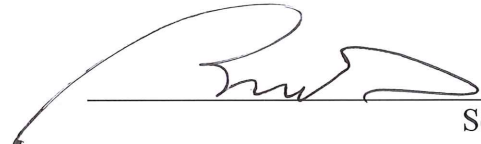
**Mr. Brett Woods moved, seconded by Mr. Terry White to table consideration of agenda item 27. The motion passed 10 – 0.**

**28. Next Board Meeting**

Thursday, December 18, 2014 – 9:00 a.m.  
State Capitol – Room 311  
Santa Fe, NM

**29. Adjournment**

The meeting adjourned at 12:01 p.m.

  
\_\_\_\_\_  
Secretary

12/18/14  
\_\_\_\_\_  
Date