

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

**Minutes of Board Meeting
March 26, 2015
Apodaca Hall – PERA Building
Santa Fe, New Mexico**

Present:

John McDermott, Chair
William Fulginiti, Vice Chair
Katherine Ulibarri, Treasurer
Brett Woods
Marlene Cordova
Tom Clifford
Wade Jackson
Jerry Jones
Terry White
Steve Kopelman
Blake Curtis

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

Finance Authority Staff:

Angela Quintana
Carmela Manzari
David Mahooty
Frank Ibarra
Leslie Medina
Mark Lovato
Robert Brannon
Theresa Garcia
Zach Dillenback

Bryan Otero
Dan Opperman
Donna Maestas
John Brooks
Mark Chaiken
Mona Killian
Robert Coalter
Yolanda Valenzuela

Guests:

Alex Tafoya
Anthony Casados
Boone Birdsell
Brenda Halder
Dan Copet
Danette Garcia
Danny Alkon
Donald Fennema
Donzil Q. Worthington
Ernesto Valdez

San Miguel County
Chama Schools
Yesco
Mesa Vista District
AECOM
Chama Schools
Yesco
Bank of Albuquerque
Forsgren Associates
Mesa Vista School

Felicia Casados
Greg Walkee
John Archuleta
Kevin Yearout
Leo Valdez
Les Montoya
Linda Kehoe
Lita Sanchez
M. Neil Tevhume
Melinda Gonzales
Paul Cassidy
Rick Martinez
Ronnie Reynolds
Susan Wilkinson Davis
Susanne Bruckner
Susan Ellis
Teresa Brevik
Tracy Hofmann

NMSU-Grants
NMSU
George K. Baum
Yesco
HSE
San Miguel County
LFC
Raton School District
Raton School District
San Miguel County
RBC Capital Markets
The Apricot Tree, LLC
EMW Gas
Vaughn Municipal Schools
Sutin, Thayer & Browne
Bank of Albuquerque
City of Bloomfield
Sutin, Thayer & Browne

1. Call to Order and Roll Call.

Chair John McDermott called the meeting to order at 9:02 a.m. A roll call vote established a quorum.

2. Approval of Agenda.

Member Kopelman moved, seconded by Member Fulginiti, for approval of the agenda. The motion passed 11 – 0.

3. Approval of the February 26, 2015 Board Minutes.

Member Fulginiti moved, seconded by Member Curtis, for approval of the February 26, 2015 minutes. The motion passed 9 – 0 with Members Clifford and Kopelman abstaining.

4. Report from Chief Executive Officer.

Mr. Robert Coalter reported on the following:

- ◆ The 2015 NMFA Legislation Update was distributed and reviewed.
- ◆ Mr. Coalter gave an update on the System Review Timeline.

Referring to the failed SB 544, Chair McDermott asked Mr. Coalter if the Legislature would consider SB 544 should the Governor call a special session for the capital outlay bill. Mr. Coalter said the Governor would have to make the request.

In response to a question regarding on-going briefings during the session and in preparation for next year's session, Mr. Coalter said, in the future, he would arrange for formal briefings with the Board, the Oversight Committee and the public several months in advance of the session. This will provide

clear and accurate information on bills related to or impacting the NMFA thereby minimizing misinformation. Chair McDermott indicated he would like to see a list of informational topics so that the Board can determine how to disseminate that information to the public.

A discussion ensued on the failure of the capital outlay bill and the impact it may have on NMFA. Mr. Coalter felt the NMFA will see more activity with the failure of the bill.

Referring to HB 474, Member Clifford asked how the NMFA utilizes the disclosure of tax information. Mr. Coalter noted that the bill allows the NMFA to publish certain information in the Official Statement during bond sales. Member Clifford asked staff to review the entire act to ensure there are no conditions or restraints. Chair McDermott requested a memo explaining the outcome of staff's research.

5. Report from Finance & Loan Committee. *Committee members are William Fulginiti, Chair; Secretary Tom Clifford; Mr. Jerry Jones; Ms. Katherine Ulibarri; and Mr. Steve Kopelman.*

Member Ulibarri, who chaired the Finance & Loan meeting in Member Fulginiti's absence, asked Mr. Zach Dillenback to read Consent Agenda projects 6 – 13 into the record.

6. Consideration and Recommendation for Approval of the Village of Causey (Roosevelt County) – Initial Attack Fire Pumper Truck – 3297-PP. The Village of Causey ("Village") applied for a Public Project Revolving Fund ("PPRF") loan for \$50,378 to finance the purchase of a new Initial Attack Fire Pumper Truck to replace aging equipment.

The Village will pledge State Fire Protection Fund as the revenue source. NMFA intercepts State Fire Protection Funds, as approved by the State Fire Marshal, from the New Mexico Treasurer's Office approximately one year in advance of the due date for the payment. The Causey Fire Department has an ISO class rating of 8, with one main station and receives a guaranteed annual base distribution of \$61,196. The Village will contribute \$180,000 of accumulated fire funds and a Fire Protection Grant Award of \$100,000.

The Village is current with its FY 2014 audit. The report had an unmodified opinion with zero findings.

7. Consideration and Recommendation for Approval of Curry County – LEDA/Comprehensive Plan – 3291-PG. Curry County ("County") applied to the Local Government Planning Fund ("LGPF") for \$50,000 to update the County's LEDA/Comprehensive Plan.

The County has experienced continued growth necessitating the need to update their 2007 Comprehensive Plan. The County's goal is to continue protecting and enhancing the desired way of life and culture as identified by its residents while expanding and developing their economic base.

Per Local Government Planning Fund rules, the recommended amount is 100% of the total because of the need to update the Comprehensive Plan to implement the Local Economic

Development Act within the County. The County is current with its financial reporting.

- 8. Consideration and Recommendation for Approval of the City of Santa Rosa (Guadalupe County) – Preliminary Engineering Report – 3289-PG.** The City of Santa Rosa (“City”) applied to the Local Government Planning Fund (“LGPF”) for \$50,000 for a Preliminary Engineering Report (“PER”).

The City will use the proceeds to complete a PER for an Effluent Reuse Project. The Reuse Project will allow the City to use treated effluent from the wastewater treatment plant to water the softball fields and the municipal golf course. The City is applying to the Water Trust Board for the design and construction funds. The City's goal is to conserve its valuable water resources by watering both sites with treated effluent benefitting the community by reducing the city’s internal water consumption and making potable water previously used for watering available to the public.

The City has a Median Household Income (“MHI”) of \$25,500 or 56.84% of the State’s average qualifying for 50% of the total. The local burden ratio is 2.27xs the State's wastewater rate burden entitling the City to an additional 50% as grant funds. The total combined grant award is 100% of requested funds.

The County is current with its financial reporting.

- 9. Consideration and Recommendation for Approval of the City of Santa Rosa (Guadalupe County) – Preliminary Engineering Report – 3290-PG.** The City of Santa Rosa (“City”) applied to the Local Government Planning Fund (“LGPF”) for \$50,000 for a Preliminary Engineering Report (“PER”).

The City will use the proceeds to complete a PER for the entire water system thus allowing them to create an outline of the water distribution system per current RUS guidelines. The City's goal is to update, rehabilitate, and modernize the current system by developing a forward looking document for water consumption and distribution while obtaining efficiencies and providing the foundation for a possible rate increase in the future.

The City has a Median Household Income (“MHI”) of \$25,500 or 56.84% of the State’s average qualifying for 50% of the total. The local burden ratio is .81xs the State's water rate burden which does not entitle the City to any additional grant funds. The total grant award is 50% of requested funds.

The County is current with its financial reporting.

- 10. Consideration and Recommendation for Approval of the Village of Logan (Quay County) – Asset Management Plan – 3287-PG.** The Village of Logan (“Village”) applied for a Local Government Planning Fund (“LGPF”) for \$25,000 to finance the cost of a Water Asset Management Plan based on A.M. Kan work standards.

The Village has a Median Household Income (“MHI”) of \$31,477 or 70.16% of the State’s average qualifying them for 50% of the total. The County is current with its financial reporting.

11. Consideration and Recommendation for Approval of the Bluewater Water & Sanitation District (Cibola County) – Preliminary Engineering Report - 3293-PG. Bluewater Water & Sanitation District (“District”) applied for a Local Government Planning Fund (“LGPF”) for \$50,000 to finance a Preliminary Engineering Report (“PER”) addressing the District’s system for treatment, storage, and disposal/reuse of treated wastewater.

In August 2013 when obtaining the District’s discharge permit, the terms and conditions required upgrades to the wastewater system in accordance with the final plans and specifications as approved by NMED. The PER will include a proposal for rehabilitation and replacement of the existing wastewater system to meet requirements of the Water Quality Act and Water Quality Control Commission.

The District has a Median Household Income (“MHI”) that is 70.87% of the State’s average qualifying the District for 50% of the total. The local burden ratio is 2.26xs the State wastewater rate burden, which qualifies the District for an additional 50% of its request grant funds. Combined, the District qualifies for 100% of the plan cost up to \$50,000.

12. Consideration and Recommendation for Approval of the EMWT Regional Water Association (Torrance County) – Preliminary Engineering Report & Environmental Information Documents – 3292-PG. The EMWT Regional Water Association (“EMWT”) applied for a Local Government Planning Fund (“LGPF”) for \$25,000 to finance a Preliminary Engineering Report (PER).

The PER will evaluate the EMWT options in providing water service in the Estancia Valley. The report will cover potential service to the following communities and unincorporated areas: Estancia, Moriarty, Edgewood, Willard, Mountainair, Punta de Aguas, Manzano, Stanley, Tajiques, Torreon, Escabosa, and Chilili and bulk water stations.

Torrance County has a Median Household Income (“MHI”) of \$31,538 or 70.29% of the State’s average which qualifies them for 50% of the total. EMWT is a new system and has yet to establish water rates therefore no local burden ratio was calculated. EMWT will provide the match amount needed to complete the report.

13. Consideration and Recommendation for Approval of the City of Bloomfield (San Juan County) – Preliminary Engineering Report – 3246-PG. The City of Bloomfield (“City”) applied for a Local Government Planning Fund (“LGPF”) for \$50,000 to finance a Preliminary Engineering Report (“PER”).

The request is an amendment to the original PER approval made in October 2014 for \$34,049 (Grant Amount of \$25,537 with Local Match of \$8,512). NMED recommended the City amend the original scope to include:

1. evaluation of the water storage tanking requirements for the East Service Area and the Central Service Area;

2. feasibility of combining the Central Service Area with the North Service Area;
3. feasibility of combining the Central Service Area with the East Service Area; and
4. Cost analysis of concrete vs. steel storage tanks for the use in the Central and East Service Areas.

The amended scope increases the project cost from \$34,049 to \$53,652. LGPF policy caps maximum funding at \$50,000. In January 2015, the City's water rates increased from \$43.28 to \$68.97 per 6,000 gallons resulting in an increase in the local burden rate qualifying the City for 100% of the request up to \$50,000.

The City has a Median Household Income ("MHI") that is 91.56% of the State's average qualifying the City for 25% of the requested grant funds. The local burden ratio is 2.94xs comparative to the State water rate burden, which qualifies the City for an additional 75% of the requested grant funds. Combined, the City qualifies for 100% of the plan cost up to \$50,000.

Member Ulibarri moved, seconded by Member Jones, for approval of Consent Agenda items 6 – 13. The motion passed 11 – 0.

- 14. Consideration and Recommendation for Approval of the NMSU-Grants through the Grants-Cibola County College District (Cibola County) – GO Bonds – 3296-PP.** New Mexico State University-Grants ("NMSU-Grants") through the Grants-Cibola County College District ("District") has applied for a Public Project Revolving Fund ("PPRF") loan for \$7,000,000 to finance the costs associated with a new Teacher, Health Care Education, and Child Development Center ("Center").

Dr. Felicia Casados, President, NMSU-Grants, Mr. Greg Walkee, and Mr. Leo Valdez attended on behalf of NMSU-Grants.

In February 2015, NMSU-Grants received voter approval for the planning, design and construction of the Center. The District will issue General Obligation Bonds on behalf of NMSU-Grants for \$7,000,000, which the New Mexico Finance Authority will purchase through the PPRF. The project still needs approval by the NMSU Board of Regents, New Mexico Higher Education Department ("NMHED"), and the State Board of Finance ("SBOF") with closing subject to obtaining all three approvals. Per Statutes 21-2A-1 and 21-14-1, NMSU-Grants must issue bonds through the District.

Staff used the most recent FY 2014 assessed valuation data for the financial analysis. The County Treasurer will collect the funds with direct distribution to NMSU-Grants, who will pay NMFA on a semi-annual basis. The NMFA processing fee is capitalized into the first ten years of the loan, in the amount of 0.29783% 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.

This transaction will be temporarily cash funded with the PPRF reimbursed through a bond issue within three months of closing. Therefore, the policy waiver is requested for Section 2.2, B

(Determination of Bond Rate Loans for loans of \$5 million or more). Interest rate for this loan will be set per Section 2.2, A (Determination of Market Interest Rates). Market rates at the time of closing will apply. This waiver will allow some flexibility with the timing of a bond issue and confirmation of the three project approvals.

NMSU is current with its audits and financial reporting. The FY 2014 audit report received an unmodified opinion with 3 findings, no new material weaknesses, no significant deficiencies, and three other compliance findings. Per the trial audit policy, no action is required with regards to the audit report.

Mr. Wade Jackson asked for clarification on the approval process by the various parties involved with the project. Mr. Dillenback said all higher education facilities require approval by the NMHED and the SBOF. Mr. Dillenback also explained that because this is a GO bond, the local school board and the University created a local college district. The district has already received NMHED's approval along with voter approval to issue the GO bond.

A discussion ensued on the bond sale, the timing of the necessary approvals, and the current assessed valuation of the property tax. Member Ulibarri noted there is a statutory mil limit. In response to a question regarding the development of the district, Member Ulibarri explained the NMSU-Grants campus was created under the Branch Community College District Act and is governed by the NMSU Board of Regents; however, the statute allows for the creation of a locally elected advisory board.

Member Clifford requested written documentation from staff on the statutory provisions governing this type of project. In the future, he requested detailed information regarding the mil levy impact on this type of GO pledge.

Chair Dermott also felt the Board could benefit from seeing more in-depth information on this type of multi-facet process. Mr. Dillenback reiterated that the action required today is to approve the PPRF funding to purchase the bonds that NMSU-Grants, the local college district, will issue for this project. Ms. Tracy Hoffman noted the financing approval from the NMFA Board is crucial for NMHED and SBOF approval.

At Member Clifford's request, Mr. Dillenback explained the requirements met by the District to qualify for the policy waiver.

Member Ulibarri moved, seconded by Member Fulginiti, for approval of the NMSU-Grants through the Grants-Cibola County College District Project 3296-PP with recommended waiver. The motion passed 11 – 0.

15. Consideration and Recommendation for Approval of the City of Bloomfield (San Juan County) – Refunding and New Money Project – 3285-PP. The City of Bloomfield ("City") has applied for a Public Project Revolving Fund ("PPRF") loan to refund NMFA Loan #2239-PP, and to finance landscape improvements and facility upgrades through a new money portion.

Ms. Teresa Brevik and Mr. Paul Cassidy attended on behalf of the City.

The refunding is to take advantage of the low interest rate environment and capture net present value (NPV) savings of approximately \$733,024 equating to NPV savings of 10.15% versus the NMFA refunding policy requirement of 3.0%. This refunding portion represents \$7,260,000 of the total par amount. There will be no change in the maturity date (6/1/2033). The original loan closed on 1/30/2009 in the par amount of \$7,984,137 with an average coupon of 5.713%. The transaction will have an un-refunded portion consisting of semi-annual payments from 12/1/2015 to 12/1/2018 which are still within the 10-year call period. The PPRF loan the City seeks to advance refund is pledged to the Series 2008C PPRF Senior Lien Bonds. NMFA is preparing to advance refund the Series 2008C PPRF Bonds with the upcoming issuance of the Series 2015B PPRF Senior Lien Bonds anticipated to be in May 2015.

Totaling \$1,255,000 of the total par amount, the new money portion will finance Landscape Improvements along Highway 64. The City considers this project an important step in economic development efforts to attract new businesses to the City.

New money totaling \$510,000 of the total par amount will finance Energy Efficiency Retrofits & Upgrades to City Facilities. The retrofits and upgrades will take 6 months to complete with the first payment on the City's contract not due until savings have been incurred or 18 months after the contract is executed.

The pledge consists of the 1st, 2nd, 3rd, & 4th increments of the Municipal Capital Outlay GRT equivalent to 0.25%, the first increment of Municipal GRT equivalent to 0.25% and the 1st, 2nd, 3rd, & 4th increments of the Municipal Infrastructure GRT equivalent to 0.25%. The pledged revenues reflect an increasing trend with annual increases of 11.94% for FY 2013 and 5.10% for FY 2014. Staff utilized a 3-year average to determine base revenues for calculating debt service coverage. With base revenues of \$1,402,328, the minimum debt service coverage results in 1.42xs.

The City will be contributing \$70,000 towards the landscape project. The additional proceeds consist of \$50,000 the City funded for architectural/engineering assessments and \$20,000 derived from a New Mexico Tourism Grant. The loan requires a Debt Service Reserve Fund as the loan exceeds \$100,000 as well as a 10 year call period.

The transaction will be temporarily cash funded with the PPRF reimbursed through a PPRF bond issue within three months of loan closing, therefore a policy waiver of Section 2.2, B (Determination of Bond Rate Loans for loans of \$5 million or more), is requested. Interest rates for this loan will be set per Section 2.2 A, (Determination of Market Interest Rates). The waiver is requested for NMFA bond, cash, and portfolio management purposes and not by the City.

The City submitted the FY 2014 audit to the State Auditor on 3/16/2015. Utilizing the FY 2013 audit the audit review yielded an unmodified opinion with 10 findings.

A discussion ensued on the audit findings and the corrective measures taken by the City. Also discussed was the landscaping improvements and how useful life is determined. Mr. David Mahooty noted that useful life for landscape projects are typically less than 20 years.

Member Clifford referred to the incorporation of the area and asked how it affected the calculation on the growth rate. Mr. Paul Cassidy noted there was a 12% growth in Gross Receipt Tax due to the annexation. Referring to the GRT pledges, Member Clifford requested staff provide the primary industries that are within the jurisdiction.

Due to the number of school projects coming before the Board, Member Clifford requested staff work with the Public School Facilities Authority (PSFA) to get their assessment of how these projects fit into the overall asset management and facility master plan.

Member Fulginiti moved, seconded by Member Ulibarri, for approval of the City of Bloomfield Project 3285-PP with requested policy waiver. The motion passed 11 – 0.

16. Consideration and Recommendation for Approval of the Chama Valley Independent School District No. 19 (Rio Arriba County) – School Improvements – 3298-PP. Chama Valley ISD (“District”) has applied for a Public Project Revolving Fund (“PPRF”) Loan for \$4,665,000 to finance various school improvements.

The District received voter approval through a February 2015 bond election in the amount of \$4,665,000. The District is issuing GO bonds which the New Mexico Finance Authority will purchase through the PPRF program. The District’s Facilities Master Plan is up to date.

The District will pledge ad valorem property tax for the loan. The assessed valuation for 2014 was approximately \$140 million. Of this, 6% or \$8,403,900 is the allowable assessed valuation. The outstanding indebtedness for the District will be \$3,735,000 at closing. Adding the \$4,665,000 request would result in remaining allowable assessed capacity of \$3,900. The NMFA’s origination fee is capitalized into the first 10 years of the loan at a rate of 0.23173%, which is added to the market rate along with the NMFA maintenance fee of 0.10% and the 0.75% credit margin.

The FY 2014 Audit resulted in an unmodified opinion with 6 findings and no material weaknesses.

Mr. David Mahooty explained that the emergency funding is part of a program that allows the district to budget for any expenditure or shortfalls that not covered with their revenues. A discussion ensued on how the funds will be used by the school district to reimburse the PSFA for their waiver and the advancement of \$2.7 million. The school district will also address the district’s deficiencies such as the fire suppression systems.

Member Clifford asked for a letter from the district to the Capital Outlay Council explaining how this funding impacts the payments with regards to the local match.

Member Ulibarri moved, seconded by Member Fulginiti, for approval of the Chama Valley Independent School District No. 19, Project 3298-PP. The motion passed 10 – 0 with Member Clifford abstaining.

17. Consideration and Recommendation for Approval of Mesa Vista Consolidated School District (Rio Arriba/Taos Counties) – School Improvements – 3299-PP. Mesa Vista CSD (“District”) applied for a Public Project Revolving Fund (“PPRF”) loan for \$1,785,000 to finance various school improvements.

The District received voter approval through a February 2013 bond election in the amount of \$4,325,000. The District is issuing GO bonds, which the New Mexico Finance Authority (“NMFA”) will purchase through the PPRF program. The District’s Facilities Master Plan is current.

The District will be pledging ad valorem property tax for this loan. The assessed valuation for 2014 was approximately \$74 million. Of this, 6% or \$4,488,659 is the allowable assessed valuation. The outstanding indebtedness for the District will be \$2,700,000 at closing. Adding this request would result in remaining allowable assessed capacity of \$3,659.

Since the District resides in Rio Arriba and Taos Counties, staff averaged the Median Household Income (“MHI”) for both resulting in an MHI of 83.17% comparative to the State and qualifies the District for 3% disadvantaged funding. The disadvantaged rate is applicable to \$200,000 in the last year of the loan to maximize the benefit to the District. The NMFA origination fee is capitalized into the first 10 years of the loan at a rate of 0.59955%, which is added to the market rate along with the NMFA maintenance fee of 0.10% and the 0.75% credit margin.

The District is up-to-date with its audits and financial reporting. The 2014 Audit resulted in an unmodified opinion with 3 findings, with no material weaknesses.

A discussion ensued on the delay of the issuance of the bonds.

Member Ulibarri moved, seconded by Member Kopelman, for approval of Mesa Vista Consolidated School District Project 3299-PP. The motion passed 11 – 0.

18. Consideration and Recommendation for Approval of Truth or Consequences Municipal School District (Sierra County) – School Improvements – 3301 – PP. Truth or Consequences Municipal School District (“District”) has applied for a Public Project Revolving Fund (“PPRF”) loan for \$1,500,000 to finance the costs associated with various school improvements.

In February 2015, the District received voter approval for \$1,500,000 to construct, remodel, make additions to and furnish school buildings, purchase or improve school grounds, or any combination of these purposes within the District. The District will issue General Obligation Bonds which the New Mexico Finance Authority (“NMFA”) will purchase with the PPRF.

The District qualifies as a disadvantaged entity with its Median Household Income (“MHI”) of \$21,775 or 48% 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 at a rate of 0.23173% added to the market rate along with the NMFA maintenance fee of 0.100% and a 0.75% credit margin.

The District is current with its audits and financial reporting. The FY 2014 report received an unmodified opinion with 4 findings, one new material weakness, no significant deficiencies, and three other compliance findings. The District provided a letter with the details of material weakness resolution.

Member Ulibarri moved, seconded by Member Fulginiti, for approval of Truth or Consequences Municipal District Project 3301-PP. The motion passed 11 – 0.

19. Consideration and Recommendation for Approval of the Cuba Independent School District (Sandoval County) – School Improvements – 3295-PP. Cuba Independent School District (“District”) applied for a Public Project Revolving Fund (“PPRF”) loan for \$1,000,000 to finance various school improvements.

The District received voter approval through a February 2014 bond election for \$2,000,000 to erect, remodel, make additions, furnish school buildings, purchase, or improve school grounds, or any combination thereof. The District is issuing General Obligation bonds which the New Mexico Finance Authority (“NMFA”) will purchase through the PPRF program.

The District will be pledging ad valorem property tax. The assessed 2014 valuation is approximately \$101 million of which 6% or \$6,036,128 is the allowable assessed valuation. With outstanding indebtedness of \$3,870,000 including this request, remaining capacity is \$1,166,128.

The District qualifies for 0% disadvantaged funding with a Median Household Income (“MHI”) of \$28,333. However, since the District utilized disadvantaged funding within the same fiscal year, market rates are not applicable to this request. The NMFA origination fee is capitalized into the 10 years of the loan at a rate of 0.14053%, added to the market rate along with the NMFA maintenance fee of 0.10% and the 0.75% credit margin.

The 2014 Audit resulted in an unmodified opinion with 2 findings, none of which were material weaknesses.

Member Clifford referred to the pipe line and asked if the valuation is income based. Mr. Paul Cassidy explained that the Property Tax Department assesses the pipelines using a methodology under state law based on original cost less depreciation. The pipeline will be a long term asset to the district.

Member Ulibarri moved, seconded by Member Fulginiti, for approval of Cuba Independent School District Project 3295-PP. The motion passed 11 – 0.

20. Consideration and Recommendation for Approval of the Vaughn Municipal Schools (Guadalupe County) – Infrastructure Improvements – 3294-PP. Vaughn Municipal Schools (“District”) applied for a Public Project Revolving Fund (“PPRF”) loan to finance infrastructure improvements to include design and construction of an HVAC system for the high school gym and vocational building.

Dr. Susan Wilkinson Davis attended on behalf of the District.

The District received voter approval for a bond election in February 3, 2015. The District will issue the General Obligation bonds which the New Mexico Finance Authority (“NMFA”) will purchase with the PPRF. The District qualifies as a disadvantaged entity with its Median Household Income (“MHI”) of \$26,810, which is 59.76% of the State's MHI. Therefore \$200,000 of the loan amount received disadvantaged funding at 0%.

The NMFA processing fee has been included in the interest rate at an additional .12590% above the market rate yielding a fee of \$5,625(NPV of \$5,660) over the 12 year term of the loan. The financing structure includes the NMFA's maintenance fee of 0.100% plus a .75% interest rate cap on the market component.

The District FY 2014 audit was unmodified with 3 findings. The District is current with its audits. The District has provided a letter of explanation/corrective action plan for the three significant deficiencies.

Chair McDermott supported Member Clifford’s request that the Board receive additional information on school districts receiving support from the state. Dr. Wilkinson commented on the audit findings and the difficulty in securing an auditor due to their location noting that the District is facing the same problem with this year’s audit.

Member Ulibarri moved, seconded by Member Fulginiti, for approval of Vaughn Municipal Schools Project 3294-PP. The motion passed 11 – 0.

21. Consideration and Recommendation for Approval of the Raton Public School District No. 11 (Colfax County) – Equipment Project–Education Technology Note – 3263-PP. Raton Public School (“District”) applied for a Public Project Revolving Fund (“PPRF”) loan for \$792,000 to finance Education Technology Notes (“ETN”).

Mr. Leo Trujillo and Ms. Lita Sanchez attended on behalf of the District.

The District will use the proceeds to purchase education technology equipment including, but not limited to student information system, E-rate internet safety compliant program, data server, computers, etc.

The District will enter into a lease-purchase agreement with the New Mexico Finance Authority (“NMFA”) secured by ad valorem taxes. Under the terms of the agreement, the NMFA takes title to

the equipment for the length of the agreement in the nature of a security interest with the District retaining all the responsibilities of ownership.

The District qualifies as a disadvantaged entity with its Median Household Income (“MHI”) of \$32,878, which is 73.28% of the State's MHI. Therefore \$75,000 of the loan amount received the 0% disadvantaged funding.

The NMFA processing fee has been included in the interest rate at an additional .20075% above the market rate yielding a fee of \$5,940 (NPV of \$5,970) over the 5 year term of the loan with NMFA’s maintenance fee of 0.100% applied to the entire financing structure.

The District FY 2014 audit was unmodified with 2 findings. The District is current with its audits. The business manager provided a letter of explanation/corrective action plan regarding the findings.

Member Ulibarri moved, seconded by Member Jones, for Approval of the Raton Public School District No. 11 Project 3263-PP. The motion passed 11 – 0.

22. Consideration and Recommendation for Approval of San Miguel County – Vehicle and Equipment Purchase – 3302-PP. San Miguel County (“County”) applied for a Public Project Revolving Fund (“PPRF”) loan for \$835,855 to purchase three 4x4 pickup trucks, one solid waste packer truck, two semi-chassis units, two inmate transport vehicles, two patrol vehicles, and one steel drum roller unit.

Mr. Les Montoya, County Manager, Ms. Melinda Gonzales, Financing Supervisor, and Mr. Alex Tafoya attended on the County’s behalf.

The pledge revenue will consist of a new Local Option GRT (LOGRT) imposed in January 2015 at a rate of one twelfth of one percent (.0833%) of the gross receipts reported. Staff utilized a 3-year average on what the rate would have generated had it been imposed historically. Staff also used the most conservative year when determining base revenue for calculating debt service coverage. With base revenues of \$237,221, the minimum debt service coverage calculates at 1.78xs. The LOGRT reflects a projected decreasing trend for 2015 vs. 2014 with year over year increases from 2012 to 2014. The new LOGRT does not have any debt service pledged against the new revenue source.

The County is current with its FY2014 audits having an unmodified opinion with sixteen findings, two are new material weaknesses (not repeated), and seven are significant deficiencies (one repeated). The County has provided a letter of explanation and corrective action plan regarding the material weakness and significant deficiencies.

Member Clifford asked for an explanation of the audit findings and how the County is addressing the number of deficiencies. Mr. Les Montoya said the County replaced their outdated computer system.

Ms. Melinda Gonzales explained that the new system will enhance their financial monitoring and will improve their due diligence prior to providing information to their auditors.

A discussion ensued on the management of the bond proceeds and the actions taken by the County to ensure these audit findings will not be an issue in the future. Member Clifford felt this was a good test case for the trial audit policy. Mr. Dillenback said staff reviewed the various audit findings and in the future will require an annual reporting process of the actual spend down and management of proceeds. He continued that an intercept is also in place on the new increment which should alleviate any repayment risk in addition to a higher additional bond test set.

Member Ulibarri stated for the record, that the Finance and Loan Committee was concerned with the potential of materiality adding that her assessment of the conversation was that the trial audit policy allowed the Committee to recommend approval with the understanding that this is an opportunity to see if the trial audit policy is sufficient in protecting the NMFA. Chair McDermott agreed that this project was an important test case for the trial audit policy.

Member Ulibarri, moved, seconded by Member Kopelman, for approval of San Miguel County Project 3302-PP. The motion passed 11 - 0.

23. Consideration and Recommendation for Approval of City of Las Vegas (San Miguel County) – Change of Scope Request – 0287-WTB. Staff requested approval and concurrence on the change of scope for City of Las Vegas Project WTB #0287.

On March 12, 2014, the Water Trust Board (WTB) granted conditional approval on a change of scope for WTB Project #0287 in an amount not to exceed \$878,000 (10% loan and 90% grant) for the Taylor Well Field Expansion Phase II project. The initial award was for the rehabilitation of the Camp Luna and Cabin Site tanks; however, the City received funding through the Drinking Water State Revolving Loan Fund for \$880,800 to complete that project.

The City is now requesting approval to use WTB-0287 funds for the Taylor Well Field Expansion Phase II project to include constructing a new water storage tank at the Taylor Well No. 4 site, new booster pump station, and yard piping at the Valencia and Camp Luna Tank sites.

Chairman Dermott asked if the WTB had reservations on the scope of change. Ms. Quintana noted the Environment Department voted against the scope change. Mr. Kopelman asked to see the WTB minutes to review NMED's concerns. A discussion ensued on the timeline of the original approval date and the request for a change of scope. Member Clifford Tom reiterated the need for staff to perform analyses of the unspent balances to monitor the movement of the money.

Chair McDermott requested that Mr. Coalter provide the Board with a proposal at the next meeting on how to track the spend-down of funds. Mr. Coalter responded that staff has been directed to develop a report monitoring the spend-down of funds for all programs.

Member Ulibarri moved, seconded by Member Fulginiti, for approval of City of Las Vegas change of scope request on Project 0287-WTB. The motion passed 10 – 0 with Member Kopelman abstaining.

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.*

- 24. Update on Activities.** Member Jones reported on the Economic Development Committee meeting of March 17, 2015. The Committee reviewed the Private Lending Portfolio Report, one loan participation proposal, and the pipeline of activities for next month. Staff submitted a recommendation for the Crouch Court LLC for a Collateral Support Participation with Century Bank for \$159,375 for a 49,000 sq. ft. storage facility in Santa Fe, NM. Based on the information provided, the Committee was unable to forward a recommendation to the Board at this time.

Member Clifford asked about the possibility of NMFA funding a refinery in Lea County that was discussed during the legislative session. Mr. Coalter said staff is continuing to discuss this venture to determine if the NMFA can assist with funding.

In terms of outreach, Mr. John Brooks said staff is seeking opportunities with local and out of state banks, and attending conferences to promote NMFA programs.

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

- 25. Update on Activities.** Member Clifford provided an update on the items discussed at the Audit Committee meeting held March 23, 2015. The Internal Auditor presented an update on the progress to date having identified 50 potential areas of risk which they narrowed down to 10 major categories. The Internal Auditor will present the report to the Board at the April meeting. Also discussed was annual staff training on related audit standards, and review of the monthly financial report. The Board briefly discussed transfer of funds to the Economic Development Department authorized during the 2015 legislative session. Mr. Robert Brannon noted the transfer would typically occur in July after receiving the flow through. Member Clifford said he is also working on hiring a CPA to represent him on the Audit Committee.

- 26. Consideration for Acceptance of the Financial Reporting for the period ending February 28, 2015.** Mr. Robert Brannon provided a summary of the Financial Report for the period ending February 28, 2015.

Chair McDermott would like to see the statistics on the drawdowns.

Member Clifford moved, seconded by Member Kopelman, to accept the Financial Report for the period ending February 28, 2015. The motion passed 11 - 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.*

27. Update on Activities.

Mr. Bryan Otero reported that the Contracts Committee reviewed and approved the issuance of an RFQ or RFP for independent verification and validation services related to the NMFA's bond banking and loan management system.

A discussion ensued on the process for the action and implementation of the options for the RFQ/RFP.

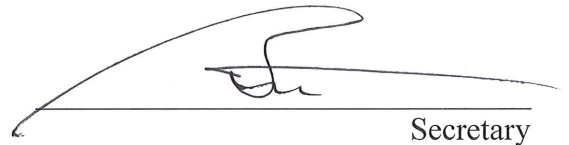
Other Items

28. Next Board Meeting

Thursday, April 23, 2015 – 9:00 a.m.
State Capitol – Room 322
Santa Fe, NM

29. Adjournment

The meeting adjourned at 11:34 a.m.



Secretary

Date