

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

**Minutes of Board Meeting
April 23, 2015
State Capitol – Room 322
Santa Fe, New Mexico**

Present:

John McDermott, Chair	McDermott Advisory Services, LLC
William Fulginiti, Vice Chair	Executive Director, NMML
Katherine Ulibarri, Treasurer	V/P for Finance/Operations, Central NMCC
Brett Woods	Secretary Designee, NM Energy & Minerals
Stephanie Schardin Clarke	Secretary Designee, Dept. of Finance & Administration
Wade Jackson	Secretary Designee, Economic Development Dept.
Terry White	CEO, Sunwest Trust, Inc.
Santiago Chavez	Designee, Executive Director, NMAC
Blake Curtis (<i>telephonically</i>)	CEO, Curtis & Curtis, Inc.

Absent:

Jerry Jones	CEO Stolar Research Corporations
Ryan Flynn	Secretary, NM Environment Dept.

Finance Authority Staff:

Bryan Otero	Carmela Manzari
Connie Marquez-Valencia	Dan Opperman
David Mahooty	Donna Maestas
Frank Ibarra	John Brooks
Leslie Medina	Mark Chaiken
Mark Lovato	Marquita Russel
Michael Zavelle	Robert Brannon
Robert Coalter	Rod McNamara
Theresa Garcia	Todd Johansen
Yolanda Valenzuela	Zach Dillenback

Guests:

Aaron McKinney	Tucumcari Public Schools
Amy Martinez	NanoCool
Blake Wade	Ballard Spahr
Charles Casey	Casey Financial Consulting
Chip Pierce	Western Financial Group
Dennis Houston	NanoCool
Elizabeth Montoya	Carrizozo Schools

Jill Sweeney
Leandro Cordova
Linda Kehoe
Paul Cassidy
Sheila Murphy
Suzanne Bruckner
Tracy Hofmann

Sherman & Howard
Taos County
LFC
RBC Capital Markets
City of Moriarty
Sutin, Thayer & Browne
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 Fulginiti moved, seconded by Member Clarke, for approval of the agenda. The motion passed 9 – 0.

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

Member Fulginiti moved, seconded by Member Ulibarri, for approval of the March 26, 2015 minutes. The motion passed 9 – 0.

4. Report from Chief Executive Officer.

Mr. Robert Coalter reported on the following:

◆ System Update

Chair McDermott asked if staff is on track to provide the budgetary costs at the time of implementation, as they get closer to the new fiscal year. Mr. Coalter said they have a tentative amount that will meet the amount set aside for the software purchase.

◆ Staffing Update

Referring to staffing, Chair McDermott said they are making an effort to get personnel appraisal work completed prior to the end of the year. This would help get a better understanding of the foundation for the organization, both in structure and performance levels.

◆ Update on distribution of funds

Chair McDermott asked if 80% being spent in the first three years of the drinking water program constitutes a good performance on project execution. He questioned if there could be a better way to see what signifies as an outstanding performance in draw-downs. Mr. Coalter said staff is currently in the process of categorizing those types of performances. Member Schardin Clarke wondered if using the IRS 85% spend down rule within 3 years would be an appropriate benchmark.

◆ At the request of Chair McDermott, Ms. Russel updated the Board on the application for the New Market Tax Credit fund.

5. Consideration for Approval of Authorizing Resolution and Preliminary Official Statement for PPRF 2015B Series Bonds. Staff recommends review and approval of the Preliminary Official

Statement and the Authorizing Resolution relating to the Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2015B.

The Series 2015B Bonds to be issued in an approximate amount not to exceed \$61,000,000 to provide funds to originate loans or purchase securities reimbursing the Finance Authority for moneys used to originate loans to or purchase Securities and paying costs incurred with the issuance of said Bonds. Finance Authority staff and consultants will continue to prepare for the sale of the Series 2015B Bonds, now expected to occur on May 28, 2015.

Ballard Spahr LLP, Disclosure Counsel for the Finance Authority, prepared the Preliminary Official Statement with assistance of key Finance Authority staff and consultants. The Board, staff, and General Counsel have taken action to enhance the level of responsibility for the contents of the official statements.

Also, requested is approval of the Authorizing Resolution which contains approval of the Preliminary Official Statement for use in the marketing and sale of the Series 2015B Bonds.

Chair McDermott asked, in the future, the revisions to the POS be clearly marked. Mr. Blake Wade, Disclosure Counsel, offered to provide a red-line version of the POS that would identify the changes to allow for a faster review process. Chair McDermott also asked General Counsel to provide a summary memo of the changes.

Mr. Michael Zavelle provided a brief summary of the bidding and competitive sale process for the bonds. The sale will take place on May 28th and will be conducted as a blind auction with a two minute rule. The bond sale will utilize a competitive process rather than a negotiated sale. During the blind auction, competitors submit bids during a two minute bid period on an all or nothing basis continuing in two minute cycles until completion. Member Clarke asked if the two minute rule was a unique feature of the GrantStreet platform. Mr. Zavelle acknowledged that it was and that they were working with GrantStreet.

Ms. Jill Sweeney, Sherman Howard Bond Counsel, outlined the parameters of the authorizing resolution for the 2015B Series bond sale. She noted, for the record, the POS is expected to be posted on or about May 13 and the bid will be moved from 8:00 a.m., as previously announced, to 8:15 a.m. and asked that the amendment be included in the motion.

Chair McDermott asked General Counsel if there was any notable differences in the amended POS. Mr. Opperman said one change was the GrantStreet sale information. The other changes to the POS were in substance based on the transaction itself.

Member Ulibarri moved, seconded by Member Fulginiti, for approval of the Authorizing Resolution and Preliminary Official Statement for PPRF 2015B Series Bonds with the change in time from 8:00 a.m. to 8:15 a.m. The motion passed 9 – 0.

6. Consideration for Approval of Resolution Extending Maturity Date of Existing State Transportation Liquidity Facilities for Series 2008A-1 and Series 2008B-1 Bonds. Staff recommended approval of said Resolution.

A Resolution of the New Mexico Finance Authority relating to the State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2008A-1 and the State Transportation Refunding Revenue Bonds (Subordinate Lien), Series 2008B-1; approving and authorizing the execution and delivery of an amendment extending the term of the liquidity facilities provided by State Street Bank and Trust Company for the Series 2008A-1 Bonds and the Series 2008B-1 Bonds.

Ms. Suzanne Bruckner, Sutin Thayer & Brown, outlined the parameters of specific sections of the resolution for extending the maturity date. In response to a question, Mr. Dan Opperman, General Counsel, stated that the Contracts Committee reviewed the resolution and recommended approval. Mr. Zavelle confirmed this transaction was not an interest rate exchange agreement.

A discussion ensued on the difference of basis points, the contract terms, and the cost of the transaction.

Member Fulginiti moved, seconded by Member Chavez, for approval of the Resolution extending the maturity date of existing State Transportation Liquidity Facilities for Series 2008A-1 and Series 2008B-1 Bonds. The motion passed 9 – 0.

7. 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 Chavez, who chaired the Finance & Loan Committee meeting in the absence of Member Fulginiti, presented projects 8 – 17 placed on the consent agenda. He noted that two projects with amounts higher than normal were an amendment and a change of scope.

The Finance & Loan Committee recommended approval of the following projects. Mr. Dillenback read the projects into the record.

8. Consideration and Recommendation of the Village of Capital (Lincoln County) – Equipment Project – 3305-PP. Lincoln County (“County”) applied to the Public Project Revolving Loan Fund (“PPRF”) for \$53,153 to finance the costs associated with purchasing two police trucks replacing two older trucks that have become expensive to maintain.

The Village will pledge its State Law Enforcement Funds as the revenue source for this loan. The Village has a class rating of 1 with three certified officers, and receives an annual distribution of \$21,800. The Village has a median household income of \$37,273, which is approximately 83% of the State’s MHI qualifying the Village as a disadvantaged entity eligible to receive up to \$75,000 at a 3% interest rate. The market rate is lower than 3%, therefore staff did not apply the disadvantaged rate; however, at closing, staff will determine whether disadvantaged funding would be beneficial.

9. **Consideration and Recommendation of Otero County – Fire Pumper – 3318-PP.** The County of Otero (“County”) applied to the Public Project Revolving Loan Fund (“PPRF”) for \$120,907 for a Fire Pumper to replace aging equipment.

The County will pledge its State Fire Protection Funds as the revenue source. The Sacramento Weed VFD has an ISO class rating of 9, with two main stations, and receives an annual base distribution of \$78,116. The County has a median household income of \$39,263, which is approximately 87% of the State’s MHI which qualifies the County as a disadvantaged entity eligible to receive up to \$75,000 at a 3% interest rate. The market rate was lower than 3% in the years 2017-2025; therefore staff applied the 3% rate to year 2026. At closing, staff will re-evaluate the market rate to determine the amount of disadvantaged funding. Sacramento Weed VFD will contribute \$150,000 of accumulated cash toward this project.

The County is current with its Audits and financial reporting. The FY 2014 Audit received an unmodified opinion with five findings and no material weaknesses. There is one new significant deficiency, the document approval to print checks was not available for auditor review; however, the County implemented a new internal control. The trial Audit Policy requires no further action if the finding is not repeated.

10. **Consideration and Recommendation of the Southside MDWA (San Juan County) - Amendment – 2732-DW.** The Southside MDWCA (“Association”) requests an amendment to Project 2732-DW increasing the original loan amount from \$598,425 to \$848,425 to complete the water infrastructure project and extend the 24-month construction period to reflect a completion date of July 2016, a requested extension of an additional 12 months.

The project will allow Southside to obtain water supply directly from the Animas River with an existing well serving as back up. The new filtration system will help the Association supply better quality water than that purchased from the City of Aztec. The project yields annual savings of \$24,713 derived from the annual loan payment of \$51,887 vs. the \$76,600 the Association pays the City of Aztec for water, and provides adequate debt service coverage of 1.46xs with the additional requests vs. the required 1.20xs. Net system revenues serve as security and source of repayment for the loan.

11. **Consideration and Recommendation of the City of Moriarty (Torrance County) – Change of Scope and Time Extension Request – 2898-DW.** The City of Moriarty (“City”) applied for a Change of Scope and Time Extension on Project 2898-DW.

On July 26, 2013, the City closed a \$1,043,000 DWSRLF loan to finance a water project that includes water storage tank refurbishment, meter assembly and leak detection. Due to the City’s disadvantaged entity status, 75% of the total \$1,043,000 loan (\$782,250) qualified as principal forgiveness with the remaining 25% (\$260,750) delivered as a low cost loan. The loan term was 22 years. The pledged revenue source was Municipal Infrastructure Gross Receipts Tax, with a minimum debt service coverage ratio of 2.48x (1.15x minimum coverage required) and an interest rate of 0.250%.

Since the original project is complete with \$319,000 in remaining funds, the City is requesting a scope change to include a new Supervisory Control and Data Acquisition (SCADA) system at the storage site with a time extension to install the system. The City's current SCADA system is inoperable. The City's pumps have failed twice in the last year requiring manual monitoring of the City's wells. The SCADA system will tie into the water storage tank installed during the original project. The construction period is set to expire on July 26, 2015 with the City requesting an extension to January 26, 2016.

In response to a question regarding the two projects with larger amounts, Member Chavez said the Finance & Loan Committee reviewed the projects thoroughly and received a unanimous vote. General Counsel also approved the items for the consent agenda.

- 12. Consideration and Recommendation of the City of Portales (Roosevelt County) – Asset Management Plan - 3314-PG.** The City of Portales ("City") applied to the Local Government Planning Fund ("LGPF") for \$37,500 to finance an Asset Management Plan (AMP) based on A.M. Kan work standards.

The City has a Median Household Income of \$33,520 or 74.61% of the State of New Mexico qualifying for 50%. The local burden ratio is 1.28xs relative to the State water rate burden, qualifying the City for an additional 25% of the requested grant funds for a combined 75% of the plan cost up to \$37,500.

The City is current with its financial reporting.

- 13. Consideration and Recommendation of the Village of Tularosa (Otero County) – Asset Management Plan – 3309-PG.** The Village of Tularosa ("Village") applied to the Local Government Planning Fund ("LGPF") for \$50,000 to finance the cost of a Water Asset Management Plan (AMP) based on A.M. Kan work standards.

The Village has a Median Household Income of \$26,325 or 58.60% of the State of New Mexico qualifying them for 50%. The local burden ratio is 2.00xs comparative to the State water rate burden qualifying the Village for an additional 50% of the requested grant funds for a combined 100% of the plan cost up to \$50,000.

The Village is current with its financial reporting.

- 14. Consideration and Recommendation of the Santa Cruz Irrigation District (Santa Fe County) – Water Asset Management Plan – 3303-PG.** The Santa Cruz Irrigation District ("District") applied for a Local Government Planning Fund ("LGPF") for \$37,500 to finance a Water Asset Management Plan (AMP) to prioritize needed asset replacements and develop a comprehensive long-term plan and budget for replacement of assets.

The District has a median household income (MHI) that is 21.18% of the State average, which qualifies the District for 75% of its requested grant funds. The District does not assess water rates therefore the local burden ratio is not a factor. Overall, the District qualifies for 75% of the plan cost up to \$37,500.

15. Consideration and Recommendation of the City of Grants (Cibola County) – Metropolitan Redevelopment Act Plan – 3307-PG. The City of Grants (“City”) applied for a Local Government Planning Grant for \$50,000 to finance a Metropolitan Redevelopment Act (MRA) Plan.

The City passed a resolution on 2/23/2015 designating the City as a Metropolitan Redevelopment Area. The MRA Plan addresses the City's blight by identifying projects that will stimulate revitalization efforts and attract private sector investors.

Pursuant to Section 5.2 of the Rules Governing the Local Government Planning Fund, because the MRA Plan addresses declining economic development 100% of the requested amount qualifies for funding.

16. Consideration and Recommendation of the Camino Real Regional Utility Authority (Dona Ana County) – Wastewater Master Plan – 3304-PG. Camino Real Regional Utility Authority (“Authority”) applied to the Local Government Planning Fund (LGPF) for \$50,000 to fund a Wastewater Master Plan.

Considered a disadvantaged entity with a median household income (MHI) of \$22,694 or approximately 50% of the State’s MHI, the Authority qualifies for 75% of the plan cost as Grant funds. The local burden ratio of the Authority's wastewater rates compared to the State's qualifies the Authority for an additional 25% for a combined grant award of 100% up to \$50,000. The Authority is current with its audits and financial reporting.

17. Consideration and Recommendation of the City of Truth or Consequences (Sierra County) – 3313-PG. The City of Truth or Consequences (“City”) applied to the Local Government Planning Fund (LGPF) for \$50,000 to fund a Water Conservation Plan.

Considered a disadvantaged entity with a median household income (MHI) of \$21,775 or approximately 49% of the State's MHI, the City qualifies for 75% of the Plan cost as Grant funds. The local burden ratio of the City's water rates compared to the State's qualifies them for an additional 25% of grant funds for a combined grant award of 100% up to \$50,000. The City is current with its audits and financial reporting.

Member Chavez moved, seconded by Member Clarke, for approval of Consent Agenda items 8 – 17. The motion passed 9 – 0.

18. Consideration and Recommendation of Taos County – Refunding and New Money – 3300-PP.

Taos County ("County") applied for a PPRF loan for \$1,457,870 to refund their 1997 Lodger's Tax bonds (Non-NMFA), and finance County historical building upgrades and improvements through a new money portion.

The loan proceeds will refund Series 1997 Lodger's Tax Bonds taking advantage of the low interest rate environment and capture net present savings of approximately \$101,408 equating to NPV savings of 16.49% versus the NMFA refunding policy requirement of 3.0%. The refunding portion represents \$617,650 of the total par amount. The original USDA RUS loan closed on 5/12/1997 in the par amount of \$777,000 priced at 5.0% per annum. The maturity date decreases by 1 year to 1/1/2036 as the original loan utilized a 40-year useful life whereas the Agricultural Center has a useful life of 39 years.

The new money portion representing \$840,220 of the total par amount will be utilized to make improvements to the downtown County Courthouse and Agricultural Center. The old Courthouse, considered an historical site, serves as a draw for tourism and as a County landmark. The County currently has 4 tenants occupying the Old Courthouse. Prior to start of the Courthouse improvements, the County will end the leases through a provision in the lease agreement. Upon completion of the Courthouse project, the County will assess rents that are in line with market rates established as a covenant in the loan agreement to avoid any potential Anti-Donation issues.

The County is pledging its County Lodger's Tax as security for the loan. The current County Lodger's Tax rate is 5.0%, half which is allocated for debt service. As a conservative measure, staff utilized the 5-year average of Lodger's Tax revenues to include the effects downturn in the economy in FY 2010. Since FY 2010, Lodger's Tax revenues have been increasing. There is no other outstanding debt associated with the County Lodger's Tax. With base revenues of \$133,337, the proposed financing yields debt service coverage of 1.39xs.

The County qualifies for the 0% disadvantaged rate on \$200,000. The disadvantaged rate is applicable to the new money portion spread out over the last 5 years of the loan to lower overall interest costs and maximize the benefit to the County. The loan will require a 10-year call period and a debt service reserve fund.

The County's 2014 audit yielded an unmodified opinion with 10 findings, an improvement from the prior year where the FY 2013 audit had 21 findings. The 3 repeated significant deficiencies are all related to the Taos County Housing Authority, a component of the County. Staff does not find the repeated significant deficiencies of credit concern, as it does not directly relate to the County, but rather a component unit. The new money portion is subject to NMFA's requisition process. Any unspent loan proceeds remaining after a year will require a time table indicating when the funds will be fully expended.

In response to a question, Mr. David Mahooty stated that all the audit findings have been addressed and corrected. Mr. Leandro Cordova, Taos County Finance Director, also noted that all the significant deficiencies were associated with the Housing Authority. The Taos Board of County Commissioners

on August 1, 2014 entered into an agreement with the National Regional Housing Authority to manage the Taos County Housing Authority.

A discussion ensued on how the County will assess rent that is in line with market rates and the criteria used to determine this as a lodger's tax expenditure. Mr. Cordova outlined the timeline and history of the project and explained how the County proposes utilizing the new money for renovation.

Member Chavez moved, seconded by Member Ulibarri, for approval of Taos County Project 3300-PP. The motion passed 9 – 0.

19. Consideration and Recommendation of the Tucumcari Public School District No. 1 (Quay County) – Infrastructure Improvements – 3306 – PP. Tucumcari Public School District 1 (“District”) has applied for a PPRF loan for \$1,500,000 to finance improvements and construction to school properties.

Prior to presenting the project, Mr. Zach Dillenback presented a report related to general obligation issues previously requested by the Board. The report summarized the statutory and constitutional limits for general obligation debt for schools, municipalities, and counties. Mr. Dillenback also provided an underwriting worksheet of the general obligation transaction for the Carrizozo MSD project. He explained that in the future, staff will provide similar information on these types of projects.

Chair McDermott thanked Mr. Dillenback for the added information and asked if they could also get information on municipalities in which they are significantly less or more expensive than mil levies from the rest of the state. Mr. Coalter noted that staff was in the process of gathering that information.

Mr. Dillenback referred to the Board's request for staff to coordinate school district projects with the Public School Facility Authority (PSFA). He said PSFA supports collaborating with NMFA and they are in the process of developing a practice of doing that with future projects. He noted PSFA purely considers educational facility needs and maintenance and does not factor in facilities that school districts need, such as an athletic building. The school district must then generate funds at the local level.

In response to a question as to why this this topic was being presented, Mr. Dillenback said the Board had previously expressed concern as to whether the school districts were issuing bonds for projects that were on a facilities master plan or whether the projects on the general obligation bond were noted as critical on a facilities master plan. Even though Mr. Dillenback supported PSFA's overview of these projects, he felt their scope would be limited if based on what the PSFA considers critical or educational purposes. Mr. Dillenback mentioned that the Finance & Loan Committee approved both the Tucumcari PSD and Carrizozo MSD loan with the contingency that there are no PSFA adverse comments.

Ms. Carmela Manzari presented the Tucumcari Public School District project noting the PSFA comments. The District received voter approval for various infrastructure projects. The District will

issue General Obligation bonds which the NMFA will purchase with the PPRF. The District plans to use the proceeds for various upgrades and the completion of improvements.

The District qualifies as a disadvantaged entity with its Median Household Income (MHI) of \$26,326, which is 58.60% of the State's MHI qualifying \$200,000 of the loan amount at 0% disadvantaged funding.

The NMFA processing fee has been included in the interest rate at an additional .26518% above the market rate yielding a fee of \$11,250(NPV of \$11,380) over the 13 year term of the loan. NMFA's maintenance fee of 0.100% has been applied to the entire financing structure. The interest rate includes a .75% interest rate cap on the market component.

The District is current with its audits. The District FY 2014 audit was unmodified with 16 findings, one a Material Weakness (new), and four Significant Deficiencies (one repeated). The District provided a letter of explanation/corrective action plan.

Due to the Improper Maintenance of Fixed Asset Records and the Improper Recording of Disposed Assets, the District must provide an annual update detailing loan proceeds expended and a spend-down plan for the remaining loan proceeds until expending all proceeds. Additionally, the District must provide an annual certification that the assets financed by loan proceeds are maintained and accounted for.

Mr. McKinney, Facilities Director, outlined the project in detail and explained the need for the improvements. He has been working with PSFA throughout the years with regards to the maintenance of the school. Mr. McKinney also addressed the audit findings and provided the corrective measures put in place by the school district. Mr. Dillenback also noted the steps being taken by the NMFA to create additional requirements.

A discussion ensued on the language approved by the voters. Mr. Paul Cassidy stated state law specifies the question public schools can place before voters which can be general language that outlines the intent, cost, and timeline of the project. Referring to the PSFA comments on the project, Member Ulibarri felt PSFA comments were neutral and the District meets the contingency requirements. Member Clarke also felt the specific projects were disclosed to the voters which they ultimately approved.

Member Chavez moved, seconded by Member Ulibarri, for approval of Tucumcari Public School District No. 1 Project 3306-PP. The motion passed 9 – 0.

- 20. Consideration and Recommendation of the Carrizozo Municipal School District No. 7 (Lincoln\Socorro Counties) – School Improvements – 3312-PP.** Carrizozo Municipal School District (“District”) applied for a Public Project Revolving Fund (“PPRF”) loan for \$575,000 to finance various school improvements.

In April 2014, the District received voter approval for various school improvements. The District will issue General Obligation Bonds in the amount of \$575,000, which the NMFA will purchase with the Public Project Revolving Fund.

The District qualifies as a disadvantaged entity with its Median Household Income (MHI) of \$26,202, which is 58.32% of the State's MHI qualifying \$200,000 of the loan amount at 0% disadvantaged funding. The NMFA processing fee is capitalized into the first ten years of the loan, in the amount of 0.3576% 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 2014 report received an unmodified opinion with three findings, no material weaknesses, one repeated significant deficiency, and two new significant deficiencies. Per the trial Audit Policy, the District provided a letter detailing how the repeated significant deficiency will be resolved.

Member Chavez moved, seconded by Member Clarke, for approval of Carrizozo Municipal School District Project 3312-PP. The motion passed 9 – 0.

21. Consideration and Recommendation of the City of Elephant Butte (Sierra County) – Construction Project – 3317-PP. The City of Elephant Butte (“City”) applied for a Public Project Revolving Fund (“PPRF”) loan for \$595,984 to finance a construction project.

The proceeds will finance three separate projects, road construction, building renovation and expansion of the fire station. The City is pledging the 3rd and 4th increments of the Municipal Gross Receipts Tax, imposed by Ordinance 26. Staff used a three year average of the Taxation and Revenue RP-500 Data to determine debt service coverage. The City has a median household income of \$31,031, which is approximately 69% of the State’s MHI qualifying them as a disadvantaged entity eligible to receive up to \$200,000 at a 0% interest rate. The NMFA maintenance fee of 0.10% was applied to the life of the loan and includes a 0.75% credit margin.

The City is current with its audits and financial reporting. The FY 2014 audit report received an unmodified opinion with five findings. There are no material weaknesses, one repeated significant deficiency, and four new significant deficiencies. Per the trial Audit Policy, the City provided a letter detailing their efforts to correct the repeated deficiency finding.

Member Chavez moved, seconded by Member Ulibarri, for approval of City of Elephant Butte Project 3317-PP. The motion passed 9 – 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.*

22. Update on Activities. Ms. Marquita Russel reported on the Economic Development Committee meeting held on April 14, 2015. In addition to reviewing the Private Lending Portfolio Report, the

Committee considered two loan participation proposals, of which one appears on today's agenda as item #23, and a request to open a new round of competitive NMTC applications, which appears on today's agenda under item #24.

23. Consideration and Recommendation of an Approval for a Collateral Support Participation with Century Bank for NanoCool, LLC. Staff recommends approval of a requested \$160,000 subordinated participation with Century Bank, N.A., for NanoCool's request for a revolving line of credit using the proceeds from the Collateral Support Participation.

Century Bank has requested the NMFA's 40% subordinated participation in a revolving line of credit loan which it expects to make to NanoCool, LLC. The proposed revolving line of credit will provide the money necessary to manufacture patented self-cooling packaging for the shipment of pharmaceuticals, tissue samples and other healthcare products for various companies around the world. NanoCool will use the proceeds from the revolving line of credit for its working capital needs. Projected cash flow from the operating business will be the primary payment source secured by the collateral of \$400,000 Money Market to cover the debt by 13.72xs. The revolving line of credit will be structured with a one-year term and bear interest only on the amounts drawn and will be calculated by utilizing a 1 year US Treasury with the Principal due at maturity of the line.

Staff's recommendation includes a policy waiver to allow NMFA to purchase a 40% interest in the loan secured by a money market used as collateral, with the interest savings benefiting the rapidly growing company's cash flow. The Economic Development Committee reviewed the project and unanimously recommends approval, including the policy waiver as presented by staff.

Following a demonstration of the packaging, a discussion ensued on the cost of the various sizes, the cooling time, and how the self-cooling, temperature-controlled package functions.

Mr. Brooks outlined the financing structure and the projected debt service which would provide adequate cash flow to support the line of credit for the loan.

Member White moved, seconded by Member Woods, for Approval of a Collateral Support Participation with Century Bank for NanoCool, LLC. The motion passed 9 – 0.

24. Consideration and Approval to open a 17th Round of Competitive NMTC Application Cycle. Staff recommends opening a competitive round of NMTC applications on April 27, 2015 with a closing deadline of June 1, 2015.

To date, the NMFA has offered 16 application cycles resulting in the successful closing of twelve transactions totaling \$151.346 million in NMTC allocation. Finance New Mexico has a balance of \$4.654 million remaining from the 2010 allocation for investing in rural areas. During the last round, Tucumcari Mountain Cheese received preliminary approval in December 2014 with a requirement to sign a Term Sheet by the end of March in order to proceed. For reasons related to the selected bank, the financing did not proceed as expected resulting in non-compliance of the Term Sheet by the required date.

Staff recommends that the Board open another competitive application round directed solely at projects in rural areas thereby encumbering the remaining \$4.654 million of the 2010 NMTC allocation.

Member White moved, seconded by Member Fulginiti, to approve opening a 17th Round of Competitive NMTC Application Cycle. The motion passed 9 – 0.

Report from the Chairperson of the Investment Committee. *Committee members are Mr. Terry White, Chair; Mr. Blake Curtis; and Secretary David Martin.*

- 25. Update on Activities.** Member White reported on the Investment Committee meeting held on April 15, 2015. Discussed at the meeting were the Investment Report and the NMFA Portfolio performance which Member White briefly reviewed the current interest rates, alternative strategies, and cash flow usage. Member White noted they are significantly and consistently above the benchmark. Due to recent inquiries regarding fund balances, approved funds and spend down rates, Chair McDermott asked staff to be prepared to answer why NMFA holds sizeable cash balances and how the funds are invested.

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.*

26. Update on Activities

Member Clarke reported on the Audit Committee meeting of April 20, 2015. The Committee reviewed the March Financial Report. The Internal Auditor report was deferred to the May meeting.

27. Consideration for Acceptance of the Financial Reporting for the period ending March 31, 2015.

Mr. Robert Brannon provided a summary of the Financial Report for the period ending March 31, 2015.

Member Clarke moved, seconded by Member Woods, to accept the Financial Report for the period ending March 31, 2015. The motion passed 9 - 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.*

- 28. Update on Activities.** Mr. Bryan Otero, Assistant General Counsel reported on the Contracts Committee held on April 20, 2015. The Committee considered the issuance of an RFP for Bond Banking Loan Software.

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

29. Update on Activities. Mr. Dan Opperman, General Counsel, reported on the Disclosure Committee meeting held on April 15, 2015. The Committee reviewed the Authorizing Resolution and Preliminary Official Statement for PPRF 2015B Series Bonds approved earlier in the meeting.

30. Executive Session – Closed meeting to discuss matters subject to attorney-client privilege pertaining to pending litigation regarding Storrie Project Water Users Association’s petition for administrative review to the District Court, pursuant to NMSA 1978, Section 10-15-1(H)(7).

Chair McDermott entertained a motion to go into a closed meeting pursuant to NMSA 1978, Section 10-15-1(H)(7) to discuss matters subject to the attorney-client privilege pertaining to pending litigation regarding the Storrie Project Water Users Association’s petition for administrative review to the District Court.

Member Woods moved, seconded by Member Fulginiti, to go into a closed meeting as noted above. Roll call vote taken with 9 members present voting in the affirmative. The motion passed 9 – 0.

Upon reconvening in open meeting, Chair McDermott said, “We are now in an open meeting. Let the record reflect that no action was taken during the closed meeting and the only things discussed were matters subject to attorney-client privilege pertaining to pending litigation regarding the Storrie Project Water Users Association’s petition for administrative review to the District Court pursuant to NMSA 1978, Section 10-15-1(H)(7).”


Other Items

31. Next Board Meeting

Thursday, May 28, 2015 – 9:00 a.m.
State Capitol – Room 322
Santa Fe, NM

32. Adjournment

The meeting adjourned at 11:34 a.m.



Secretary

6-25-15

Date