

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

**Minutes of Board Meeting
August 27, 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.
Steve Kopelman	Executive Director, NMAC
Blake Curtis	CEO, Curtis & Curtis, Inc.
Butch Tongate	Secretary Designee, NM Environment Dept.
Jerry Jones (<i>telephonically</i>)	CEO Stolar Research Corporations

Absent:

Terry White	CEO, Sunwest Trust, Inc.
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Finance Authority Staff:

Bryan Otero	Carmela Manzari
Connie Marquez-Valencia	Dan Opperman
Donna Maestas	Frank Ibarra
Jim Perry	John Brooks
Leslie Medina	Mark Dalton
Mark Lovato	Marquita Russel
Marquita Russel	Michael Zavelle
Robert Brannon	Rod McNamara
Todd Johansen	Vince Lithgow
Yolanda Valenzuela	

Guests:

Abenicio Fernandez	Dona Ana MDWCA
Donald Fennema	Bank of Albuquerque
Erik Harrington	RBC Capital Markets
Ernesto Chavez	Mesa Vista Schools
Jennifer Horton	Dona Ana MDWCA
Leo Valdez	HSE
Linda Kehoe	LFC

Mike Friel
Tracy Hofmann

NMDOT
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.

Staff requested removal of agenda item #22

Member Clarke moved, seconded by Member Curtis, for approval of the agenda as amended. The motion passed 10 - 0.

3. Approval of the July 30, 2015 Board Minutes.

Member Fulginiti moved, seconded by Member Woods, for approval of the July 30, 2015 minutes. The motion passed 10 - 0.

4. Report from Chief Executive Officer.

Mr. Robert Coalter, CEO, reported on the following:

- ◆ Implementation Plan – The Contracts Committee will consider the implementation plan for the banking software at the next month’s meeting for approval and ultimate presentation to the Board.
- ◆ Audit Update - The audit is progressing toward completion.

5. Appointment and Approval of Economic Development Committee Chair

Chair McDermott recommended the appointment of Mr. Wade Jackson as Chair of the Economic Development Committee replacing Mr. Jerry Jones. He also thanked Member Jones for his service during his tenure as Chair of the Committee.

Member Fulginiti moved, seconded by Member Tongate, for approval of the appointment of Mr. Wade Jackson as Chair of the Economic Development Committee. The motion passed 10 – 0.

6. Approval of Amendment to \$50,000,000 BNSF Taxable Line of Credit between Wells Fargo Bank N.A., the New Mexico Finance Authority and the New Mexico Department of Transportation to Extend the Termination Date from June 30, 2016 to June 30, 2019 under the Same Terms and Conditions Approval of Sale Resolution and related documents for the New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2015C (the “Series 2015C Bonds”).

A resolution was presented approving and authorizing the execution and delivery of an amendment extending the term of the BNSF taxable revolving line of credit provided by Wells Fargo Bank, National Association.

The Finance Authority, at the direction of the New Mexico State Transportation Commission (“Commission”) and the New Mexico Department of Transportation (“Department”), previously authorized the issuance of a taxable revolving line of credit in an amount not to exceed \$50,000,000 to finance obligations between the Department and the BNSF Railway Company.

The Finance Authority and the Department entered into the BNSF Taxable Revolving Line of Credit Agreement dated June 14, 2013 (“Agreement”) with Wells Fargo Bank, N.A. (“Bank”) evidencing the BNSF Taxable Line with a termination date of June 30, 2016 that will expire if not extended by the Finance Authority and the Bank.

The Finance Authority negotiated a three year extension extending the Advance Termination Date to June 30, 2019.

Member Ulibarri moved, seconded by Member Fulginiti, for approval of Approval of Amendment to \$50,000,000 BNSF Taxable Line of Credit between Wells Fargo Bank N.A., the New Mexico Finance Authority, and the New Mexico Department of Transportation to extend the Termination Date from June 30, 2016 to June 30, 2019 under the same terms and conditions. The motion passed 10 – 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 Fulginiti reported on the August 19, 2015 Finance and Loan Committee. The Committee reviewed items 8 through 14.

8. Consideration for Approval of the Mesa Vista Consolidated School District (Rio Arriba/Taos County) – Building Project – 3389-PP. The Mesa Vista Consolidated School District (“District”) applied for Public Project Revolving Loan Fund (“PPRF”) funding for \$700,000 for a building project.

The District received voter approval through a February 2013 bond election in the amount of \$4,320,000. The District is issuing a Bond Anticipation Notes (“BAN’s”), which the Finance Authority will fund through the PPRF program.

A school district utilizes BAN’s when a school district has received voter approval to issue bonds but cannot due to the statutory limit of debt that can be outstanding at one time. The District anticipates issuing General Obligation bonds or requesting long term financing from the Finance Authority in February 2017 to repay the BAN’s.

The requested bond proceeds in conjunction with PSCOC funds of \$3,380,885 and available GO proceeds of \$3,620,000 will provide infrastructure improvements at Ojo Caliente Elementary School including an infrastructure study to renovate and replace the existing facilities, demolition of the old school buildings, construct a new administration building, execute ADA upgrades, roof repairs, and financial advisory fee.

Ad valorem property taxes support General Obligation Bonds. The assessed valuation for 2015 was approximately \$78 million of which, 6% or \$4,687,221 is the allowable assessed valuation with the current outstanding debt of \$4,485,000. The funding structure for this request includes a closing date of February 15, 2016 and a principal and interest payment due in full on February 1, 2017. The BAN structure allows the District to develop capacity for future payments and provides the local match for the awarded \$3,380,885 PSCOC funds.

Staff used the average MHI for Rio Arriba and Taos Counties since the District resides in both resulting in a MHI of 83.17% comparative to the State's MHI. The Finance Authority origination fee is capitalized into the first year of the loan at a rate of 0.152%, added to the market rate along with the Finance Authority maintenance fee of 0.10% and the 0.75% credit margin.

Mr. Leo Valdez briefed the Board on the bond anticipation note process that enables bridge financing. Chairman McDermott asked if the bridge provision is in statute that allows 12 months of financing above the cap. Ms. Tracy Hofmann confirmed that the statute authorizes the bridge note. Ms. Hofmann also noted that the amount of the GO bonds that are voter approved dictate how much the Finance Authority can issue. Mr. Coalter noted the Board has approved this type of financing in the past.

A discussion ensued on the possible risks associated with the capacity. Mr. Valdez provided an outline of the District's debt structure.

Member Fulginiti moved, seconded by Member Chavez, for approval of Mesa Vista Consolidated School District project 3389-PP. The motion passed 10 - 0.

9. **Consideration for Approval of Taos County – Building Project - 3387-PP.** Taos County (“County”) applied for Public Project Revolving Loan Fund (“PPRF”) funding for \$3,801,169 to acquire, renovate, and improve their fire facilities.

The project includes building three stations, purchasing new fire apparatus, furnishings and equipment for respective stations, rebuilding or remodeling current volunteer districts and cost of issuance.

The pledge revenue will consist of two one-eighth increments (.25%) of the County Fire Protection Excise Tax (CFPET) derived from the unincorporated areas of the County adopted by ordinance in March 2004. Staff used a 5-year average of base revenues of \$462,889, with the minimum debt service coverage resulting in 1.87xs. The CFPET does not have any debt service pledged against the revenue source.

The County is current with its FY2014 audits having received an unmodified opinion with ten findings of which three are significant deficiencies. However, the three significant deficiencies relate to the Housing Authority which has successfully transitioned all funding, operations, staff, and assets from the County to the Northern Regional Housing Authority.

Member Clarke asked if funds would be available for operational costs as well as loan servicing. Mr. Leandro Cordova said funds for the operation will be available from a grant. Also, with the recent combination of EMS and the Fire Department, EMS will now cover the cost of fire fighter personnel. Mr. Cordova also noted that the fire excise tax is separate from the 911 system.

Member Fulginiti, moved, seconded by Member Chavez, for approval of Taos County project 3387-PP. The motion passed 10 - 0.

10. Consideration for Approval of the Town of Cochiti Lake (Sandoval County) – Fire Equipment – 3379-PP. The Town of Cochiti Lake (“Town”) applied for Public Project Revolving Loan Fund (“PPRF”) funding for \$322,419 for fire equipment.

The Town applied to the PPRF to finance the costs associated with purchasing a new fire pumper truck to replace aging equipment. At the Town’s request, there will be an anytime call on this loan as the Fire Department anticipates applying future accumulated State Fire Protection Funds for an early pay off.

The Pueblo of Cochiti created the Town by Resolution and Charter establishing the Town as a home rule political division chartered by the Pueblo of Cochiti and further designating the Town as a political entity. The Charter authorizes the Town to incur indebtedness enabling the Town to apply for a PPRF loan and pledge its fire distribution funds. However, the Town is not eligible to issue tax-exempt debt under section 103 of the IRC therefore the transaction will proceed on a taxable basis.

The Town will pledge its state fire protection funds as the revenue source for this loan. The Town has an ISO class rating of 5 with one main station and receives an annual base distribution of \$77,876. The Town has a median household income of \$55,875, which is approximately 124.37% of the State’s MHI. The Town will contribute \$40,000 of accumulated funds toward this project. The Fire Department recently received approval from the State Fire Marshal to add a substation, increasing the annual distribution to approximately \$106,000 during FY 2016. Staff utilized the current annual distribution of \$77,876 to determine the debt service coverage ratio of 2.25xs. Any additional distributions will improve the debt service coverage ratio.

The Town's financial reporting consists of Tier 6 agreed upon procedures. As a result, the Town's FY 2014 reporting had no opinion.

In response to a question regarding the Tier 6 audit, Mr. Lithgow said external auditors are not required to render an opinion on the financial statements due to the entity’s low level of income. Mr. Lithgow noted the Town’s Tier 6 audit had two findings. Chairman McDermott expressed concern that this type of audit did not provide an opinion.

A discussion ensued on the limited scope of the audit process for the entity, the findings, and the risks of the loan repayment. Mr. Lithgow said staff investigated the findings of timeliness of report submittal and investments and felt confident the entity would comply with the State Auditor’s rule. Ms. Manzari provided a detailed summary of the findings.

Member Clarke expressed concern with the failure of the entity's management to follow the state investment statute and their explanation of not having a legal opinion that their leasehold community required compliance with Section 6.10.10.

Ms. Hofmann noted the entity is a political subdivision of the pueblo. Referring to the Leasehold Community Assistance Act, Ms. Hofmann said the Local Government Division has the ability to require the entity to submit an audit allowing for more oversight.

Member Fulginiti moved, seconded by Member Chavez, for approval of Town of Cochiti project 3379-PP. The motion passed 9 – 0 with Member Woods voting against.

11. Consideration for Approval of Dexter Consolidated School District (Chaves County) – School Improvements – 3391-PP. The Dexter Consolidated School District (“District”) applied for Public Project Revolving Loan Fund (“PPRF”) funding for \$300,000 to fund school improvements.

In February 2012, the District received voter approval for school improvements within the District. The District will issue General Obligation Bonds in the amount of \$300,000 which the Finance Authority will purchase through the PPRF.

Financing includes the Finance Authority processing fee capitalized into the first nine years of the loan, in the amount of 0.2229% added to the market rate. The Finance Authority 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 audit had seven findings with no material weaknesses and seven significant deficiencies. The District provided a letter of corrective action that is sufficient to address the findings.

Member Fulginiti moved, seconded by Member Ulibarri, for approval of Dexter Consolidated School District project 3391-PP. The motion passed 10 - 0.

12. Consideration for Approval of Dona Ana Mutual Domestic Water Consumers Association (“MDWCA”) (Dona Ana County) – Water System Improvements – 3382-DW. The Dona Ana MDWCA applied for Drinking Water Revolving Loan Fund (“DWSRLF”) funding for water system improvements.

Dona Ana MDWCA (“Association”) applied for a DWSRLF loan to finance a water project for the Picacho Hills System. The Association qualifies to receive the 25% Base Subsidy.

The Association pledged the net system revenues of the water and sewer system as security and repayment. Staff used the fiscal year 2014 net system revenues to determine coverage. The Association ranks fifth on the fiscal year 2016 first quarter Drinking Water Fundable List.

The Association is current with its audit and financial reporting. The FY 2014 audit had nine findings, two material weaknesses, and four significant deficiencies. Although the DWSRLF program is not subject to the Finance Authority's trial audit policy, the Association provided a letter explaining how these findings have been or will be resolved.

Ms. Jennifer Horton provided an update on the water rates and the population trend. In response to a question, Ms. Horton noted the Association has seen substantial growth, and their water rates are comparable to rates assessed by local municipalities and other mutual domestic associations.

Member Fulginiti moved, seconded by Member Ulibarri, for approval of Dona Ana MDWCA project 3382-DW. The motion passed 10 - 0.

13. Consideration for Approval of the Chappelle Mutual Domestic Water Consumer Association ("MDWCA") (San Miguel County) – PER – 3388-PP. Chappelle MDWCA applied to the Local Government Planning Loan Fund ("LGPF") for \$50,000 for a Preliminary Engineering report.

Chappelle MDWCA ("Association") has applied to the LGPF to obtain funding for a Preliminary Engineering Report (PER). The Association will use the proceeds to complete a PER to examine and develop alternatives for their entire system to include, providing for the design and construction of a sustainable water source, adequate storage for existing and future customers and a distribution system that will address their long-term needs. Current connections total 51.

Pursuant to the LGPF Rules and Management Policies, 100% of the amount qualifies for funding as Qualified Entities without gross receipt taxing authority that serve fewer than 250 connections can have the match waived.

The County is current with its financial reporting.

Member Fulginiti moved, seconded by Member Chavez, for approval of Chappelle MDWCA Project 3384-PP. The motion passed 10 - 0.

14. Consideration for Approval of Mora County – Extension Request – 2891-PG. Mora County applied for a time extension request through August 31, 2015 to the Local Economic Development Act/Comprehensive Land Use Plan, Project 2891-PG.

On February 22, 2013, the Board approved a 100% grant up to 50,000 to fund a Local Economic Development Act/Comprehensive Land Use Plan that would focus on the economy, workforce, agriculture related employment, and other areas of Mora County.

Following the approval, Mora County experienced staff turnover which delayed the completion of the plan. This grant request has received two previous extension requests, the first through September 2014 (seven month extension) and the second through December 2014 (three months). The New Mexico Economic Development Department received the plan in February of 2015 and

received approval on June 8, 2015.

The County has submitted all the required items to the Finance Authority and is now ready to close. The County adopted its resolution to proceed with the grant closing on August 11, 2015. Subject to the Board's approval of this extension request, the County will close the grant on August 28, 2015.

Member Fulginiti moved, seconded by Member Tongate, for approval of Mora County extension request for Project 2891-PG. The motion passed 10 - 0.

- 15. Consideration for Approval of Proposed Policy Additions and Revisions.** Mr. Coalter explained that staff has begun a comprehensive review of all of its policies, both internal operations policies, as well as those policies requiring Board approval, the first of which is presented to the Board today for its consideration. Mr. Michael Zavelle presented proposed debt management and loan management policy revisions. The proposed changes include the Debt Management Policy, the Contingent Liquidity Account, and the Loan Management Policy including interest rates for \$5 or \$10 million loans, determination of disadvantaged entity interest rates, PPRF Processing & Maintenance Fees, PPRF Debt Service Reserve Fund, and the existing Debt Management Policy.

Contingency Liquidity Account

At the Chair's request Mr. Zavelle elaborated on the priority reserve account and refunding. Chairman McDermott asked if the contingency liquidity account ever topped up the common debt service reserve. Mr. Zavelle said, when the account was initially set up, there was an amount in it; however, it was drained to form the common debt service reserve. The 25% going in will now replenish it.

Referring to the capping without changing revenues or expenditures, Member Clarke asked where was the excess being diverted when the cap is reached. Mr. Zavelle said the money flows through and goes into the funds that cleared all the requirements, and are available for other purposes.

A discussion ensued on the Legislature's past efforts to withdraw money from the Liquidity Account. With the policy change, the Legislature will be able to use excess funds from an account that does not affect the bond market profile. The change does not add or subtract from available funds for legislative purposes.

Mr. Coalter said it also helps the capacity to fund projects. Withdrawing funds reduces capacity and limits the amount available for lending.

Interest Rates

Referring to Section 2.2, reducing the interest rate from 3% to 2%, Mr. Zavelle noted that the policy would include the ability for the Board to set a rate annually. In response to a question, Ms. Russel said the policy changes would require Finance Authority Oversight Committee approval and outlined the tentative timeline.

Member Tongate asked why the fixed interest rate needed to be set annually. Mr. Zavelle said if interest rates increase significantly, the Board may want to revert to 3%. Chairman McDermott

suggested changing the wording to “initially set at a fixed 2% interest rate available to be adjusted annually by the Finance Authority Board.” Member Clarke felt the inclusion of the word “minimum” prior to the “2%” could float for new originations based on a prevailing market rate plus the rate.

PPRF Debt Service Reserve Fund

Chair McDermott asked staff to clarify that the Finance Authority has never had to cover a payment from the Debt Service Reserve Fund. Mr. Zavelle said the Finance Authority has never had a default on a loan.

Proposed New Policy – Competitive Bids

Chair McDermott expressed concerned that the time staff invests into the bidding process would compromise their daily work time. Mr. Zavelle felt staff could accommodate the process with a modest amount of staff time. However, if it began to take up too much time, staff could reduce the number of entities. Chair McDermott asked if the Legislature would challenge this type of delegation of authority to allow the Finance Authority to bid on bond issues. Mr. Zavelle did not believe the Legislature would voice concern since the bidding still requires full Board approval.

Ms. Russel said staff is researching what rule changes will be necessary to permit the competitive bidding procedure.

Referring to item (A) 3, Member Clarke was concerned with the language regarding audits and felt it did not capture everything the Board is interested in seeing, such as findings and management responses. She continued that as a matter of principal, the Board would be giving up their meaningful authority by automatically approving staff’s work. Member Clarke was concerned that the Board would be in a position to vote but have no choice in the vote. She supported item (D), but wondered if a “per loan” limit should be included similar to that given to the Finance & Loan Committee when putting projects on the consent agenda. Member Clarke mentioned the risk of creating a loop hole allowing circumventing the application process resulting in some adverse selections. She also felt this could create a less transparent process without a paper trail.

Chair McDermott asked Member Clarke if she felt the policy could be adapted to meet her concerns. Member Clarke voiced preference for allowing Board consideration and approval rather than an automatic approval. She said she could not support a policy that forces the Board to ratify staff actions.

Chair McDermott suggested the Board take a motion on the recommended policy changes with the exception of the Competitive Bidding process.

Member Fulginiti moved, seconded by Member Chavez, for approval on the changes to the Contingent Liquidity Account, the Interest Rate, PPRF Processing Fee, and the Debt Service Reserve Fund.

Member Clarke asked for clarification of the motion. Chair McDermott noted that one change to the language under Section 2.2, would state “...initially set at 2%”. Member Clarke requested the motion

allow the Board to see the final version of the language. Mr. Zavelle suggested the motion include approval of the 4 of the 5 current policies.

Ms. Russel said staff would take this conversation as a consensus to present the Board with revised rules for the Disadvantaged Entities portion and bring back the policy changes specific to that section. Ms. Russel noted staff recommends approval on the changes to the Contingent Liquidity Account, the Interest Rate, PPRF Processing Maintenance Fee, and the PPRF Debt Service Reserve Fund

Chair McDermott asked Ms. Russel to state the approval items. Ms. Russel noted page one, the Contingency Liquidity Account was changed, page two, the change to the Interest Rate for \$10 million or less, Section 2.2, the PPRF Processing & Maintenance Fees, Section 3.2, and the PPRF Debt Service Reserve Fund, Section 3.2.

Motion passed.

Referring to the Disadvantaged Funding, Ms. Russel said staff will bring back proposed language for the rule change at the September Board meeting for presentation to the Oversight Committee in October and back to the Finance Authority Board for approval.

Referring to the Competitive Bid policy, Mr. Zavelle proposed to reach out to the Board members individually to identify their concerns and/or objections on revising the wording to the satisfaction of the majority of the Board. It will then be presented at the September meeting.

Referring to the trial Audit Policy, Mr. Coalter requested Board consideration and approval. Member Chavez stated, for the record, his appreciation for the efforts put forth with the trial Audit Policy, particularly the corrective action plan. Chair McDermott asked that the Board consider the trial Audit Policy at the September meeting.

Mr. Opperman, on behalf of Finance Authority staff, provided a handout of the trial Audit Policy for the Board's review and recommended consideration for approval of the technical changes in the verbiage, the audit component, and the issues previously discussed.

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

16. Update on Activities and Acceptance of Investment Report for the Period ending July 31, 2015.

Mr. Mark Lovato report on the Investment Committee meeting held on August 24, 2015.

- ◆ Investment Report:
 - Total invested funds at the end July was \$506 million of which \$402 million are Finance Authority funds and \$104 million is DOT funds. This compared to total fund invested at this time last year of \$363 million. Weighted Average yield in all fund invested at the Authority at month end was .38% compared to .27% this time last year.
- ◆ Finance Authority Portfolio Performance:

- The Finance Authority portfolio was .47% at the end of March compared to the weighted average yield of the benchmarks at .26%. The weight average duration in the portfolio was .870 vs. the weighted average duration of the benchmarks of .681.
- Currently there is 25% of the portfolio in Money Market Mutual funds, and 75% in Fixed Income Securities (14% US Agencies and 61% US Treasuries).
- Total net income on Finance Authority invested Funds for FY 2016 (one month at this point) totaled \$147,653.
- Total net income on all Finance Authority pooled funds for FY 2015 was \$1,392,098 which was an increase of 87.563% over FY 2014 (\$742,202).

Member Chavez moved, seconded by Member Ulibarri, for acceptance of the Investment Report for the period ending July 31, 2015. The motion passed 10 – 0.

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.*

17. Update on Activities. Member Clarke reported on the Audit Committee meeting of August 24, 2015. Discussion included an update on the Finance Authority’s FY15 external audit, a discussion about the presentation of Finance New Mexico in the Finance Authority FY15 financial statements, and a review of the financial statements for the period ending July 31, 2015. Also presented was an update on the internal audit schedule, a discussion of proposed board training on the New Markets Tax Credit Program, a brief review of the Findings Status Matrix/Dashboard, and a discussion of a narrative report identifying the components of and reasons for the increase in the Finance Authority’s net position.

18. Consideration for Acceptance of the Financial Report for period ending July 31, 2015. Mr. Robert Brannon provided a summary of the Financial Report for the period ending July 30, 2015.

Member Ulibarri moved, seconded by Member Chavez, to accept the Financial Report for the period ending July 30, 2015. The motion passed 9 - 0.

Report from the Chairperson of the Economic Development Committee. *Committee members are Mr. Wade Jackson, Chair; Mr. Terry White, Vice-chair; Mr. Blake Curtis; and Secretary Jon Barela or his designee.*

19. Update on Activities. Ms. Marquita Russel reported on the Economic Development Committee meeting held on August 18, 2015. The Committee reviewed the Private Lending Portfolio Report and the pipeline report. Staff also reported receiving only one application as part of the New Markets Tax Credit Application Round 18, which targeted projects located solely in rural areas. The sole application received an average score 56.58, which, pursuant to the Finance Authority’s NMTC policies, is less than the 60 points required for the project to appear on a prioritization list. Staff recommended that no projects appear on the Round 18 prioritization list for the remaining \$4.6 million of rural allocation. The current round of NMTC applications is due August 26, 2015 with staff expecting more than one application. The Committee also considered and recommended approval of items 20 and 21 that follow on the agenda.

20. Consideration and Recommendation for Revised Approval of \$1,711,900 Collateral Support Participation on a Construction Line of Credit and Permanent Term Loan with Artesia National Bank.

Staff recommends approval to increase the construction line of credit and permanent term loan, extension of the construction line by an additional 3 months, and to allow for 6 months of interest payments only at the beginning of the permanent financing.

Artesia National Bank submitted a request for a \$232,500 increase to the construction loan and a \$150,000 increase in the permanent loan to the Permian Hotel 1 project in Artesia and to increase the construction period by an additional three months. The increases stem from the developer's decision to upgrade its furnishings to new standards by Hampton Hotel and to cover additional gross receipts taxes. Additionally, the revised approval provides for six months of interest only once the loan converts to a permanent loan which provides time for ramp up of operations before principal payments begin. The loan will have a 10 year call and a 25 year amortization.

Chair McDermott referred to the Finance Authority's participation in the construction loan and asked about the increased percentage. Mr. McNamara noted that it increased from 25% to 25.58%. In response to a question regarding the \$350.00 per night hotel room rate, McNamara said staff stress-tested the projections as well as the occupancy, noting the hotel would still debt cover in just over 2 to 1.

Member Jackson moved, seconded by Member Tongate, for revised approval of \$1,711,900 Collateral Support Participation on a Construction Line of Credit and Permanent Term Loan with Artesia National Bank. The motion passed 10 - 0.

21. Consideration and Recommendation of a 120 Day Extension on a construction Loan for Las Clinicas del Norte ("LCDN"). Staff recommends approval of a request for a 120 day extension on the construction loan portion of the Primary Care Capital Fund with Las Clinicas Del Norte which expires on August 13, 2015.

Mr. Andy Lopez, Executive Director of LCDN, requested the extension to ensure that the project is complete and LCDN has access to the Primary Care Capital Fund ("PCCF") construction funds should they need to reimburse themselves for future contractor payments.

In June 2014, the Finance Authority approved a \$1.2 million PCCF loan to LCDN to construct a 6,700 square foot primary care clinic in Abiquiu. The PCCF loan closed on August 13, 2014 and contained a one year construction period that allows the borrower to pay interest only on the amounts drawn. After the one-year construction period, the loan begins to amortize over the approved 15-year term. With this extension request, the loan will continue to have a 15 year fully amortizing loan and extends the construction period by 4 months to accommodate the completion of the clinic.

The facility currently is approximately 95% complete. LCDN states that the reason for the delay in completing the facility is primarily due to issues with the subcontractor, Tech Craft who was paid \$46,500 to build, deliver, and install the cabinets. Tech Craft picked up the materials and has not

been back since the initial meeting resulting in the filing of a theft report with the authorities since there has been no response to any attempted communication. The contractor and LCDN purchased new materials and unfinished cabinets to replace the items taken delaying the project until completion of the cabinets.

Member Chavez moved, seconded by Member Fulginiti, for approval of the extension for Las Clinicas del Norte. The motion passed 10 – 0.

Other Items

22. Next Board Meeting

Thursday, September 24, 2015 – 9:00 a.m.
State Capitol – Room 322
Santa Fe, NM

23. Adjournment

The meeting adjourned at 10:43 a.m.



Secretary

9-24-15

Date