

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

Minutes of Board Meeting
September 24, 2015
State Capitol – Room 322
Santa Fe, New Mexico

Present:

William Fulginiti, Vice Chair
Katherine Ulibarri, Treasurer
Brett Woods
Stephanie Schardin Clarke
Wade Jackson
Steve Kopelman
Blake Curtis (*telephonically*)
Michael Vonderheide
Jerry Jones
Terry White(*telephonically*)

Executive Director, NMML
V/P for Finance/Operations, Central NMCC
Secretary Designee, NM Energy & Minerals
Secretary Designee, Dept. of Finance & Administration
Secretary Designee, Economic Development Dept.
Executive Director, NMAC
CEO, Curtis & Curtis, Inc.
Secretary Designee, NM Environment Dept.
Associate Broker, Keller Williams Realty
Sunwest Trust Inc.

Absent:

John McDermott, Chair

McDermott Advisory Services, LLC

Finance Authority Staff:

Angela Quintana
Carmela Manzari
Dan Opperman
Dora Cde Baca
Frank Ibarra
Leslie Medina
Mark Dalton
Marquita Russel
Robert Brannon
Todd Johansen
Yolanda Valenzuela

Bryan Otero
Connie Marquez-Valencia
Donna Maestas
Floyd Trujillo
John Brooks
Mark Chaiken
Mark Lovato
Michael Zavelle
Rod McNamara
Vince Lithgow
Zach Dillenback

Guests:

Dan Donoghue
Douglas W. Albin
Ann M. Gallegos
Pedro Ramos
James Dominguez

POD
Molzen-Corbin & Associates
City of Las Vegas
J.P. Morgan Securities
DFA Budget Division

Karen Nichols
Linda Kehoe
Martin G. Lopez
Tracy Hofmann
Susanne Bruckner
Elmer D. Martinez
Mayor Alfonso Ortiz
Richard Virtue
Jay Ruybalid
Emily Oster
Kate Fletcher

LRGPWWA
LFC
LRFPWWA
Sutin, Thayer & Browne
Sutin, Thayer & Browne
City of Las Vegas
City of Las Vegas
Virtue & Najjar, PC
City of Belen
DFA
Catron County

1. Call to Order and Roll Call.

Acting Chair William Fulginiti 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 Jones, for approval of the agenda. The motion passed 10 - 0.

3. Approval of the August 27, 2015 Board Minutes.

Member Ulibarri moved, seconded by Member Kopelman, for approval of the August 27, 2015 minutes. The motion passed 10 - 0.

4. Report from Chief Executive Officer.

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

- a) Amended and Restated Rules and Regulations
- b) Proposed 2016 Legislation

a) Ms. Russel clarified that the items highlighted in yellow on the proposed amendments are not being considered at this time. In response to a question, Mr. Coalter stated no action will be taken today and staff is only seeking comments and feedback from the Board. The information will then be presented to the NMFA Oversight Committee and then come back to the Board for approval. Member Ulibarri supported the changes. Chair Fulginiti formally requested this item be presented to the NMFA Oversight Committee.

b) Proposed Legislation

Discussion: Senate Bill 118 – Economic Development Revolving Fund

Discussion: Senate Bill 554 – Relating to Public Securities

A discussion ensued on the Supplemental Public Securities Act and whether it impacts the Finance Authority.

Discussion: Senate Bill 552 – Drinking Water System Financing
Discussion: HB 386 – Local Government Planning Fund
Discussion: HB 578 – Water Project Fund
Discussion: 197835ISA – Public Project Revolving Loan Fund

Mr. Coalter stated that the Oversight Committee will consider the proposed legislation at the October meeting followed by Board approval at the November meeting. Chair Fulginiti requested the proposed legislation be presented to the NMFA Oversight Committee.

5. Consideration and Recommendation for Approval of 5-Year \$100 Million Public Project Revolving Fund (“PPRF”) Revolving Line of Credit (\$90 Million Tax-Exempt and \$10 Million Taxable) with Wells Fargo Bank. Staff recommended approval of the Wells Fargo proposal for a 5-year facility.

The Finance Authority has maintained for many years a line of credit for liquidity purposes in support of the PPRF to fund loans during the period between loan closings and PPRF bonds being issued for the remaining term of the loans. The line of credit in effect at this time with Wells Fargo Bank is for \$100 million of which \$90 million is available to fund tax-exempt loans and \$10 million is available to fund taxable loans. The Wells Fargo Line-of-credit expires in December 2015 with draws allowed until October 2015.

Rating agencies and investors view the availability of a liquidity line of credit as an important credit positive for the PPRF. The recent policy change that allows loans of up to \$10 million to be cash funded in advance of PPRF bond issues rather than funded simultaneously with bond issues has further increased the importance of the line of credit.

The Finance Authority issued an RFP for replacement of the Wells Fargo line of credit in early August 2015 with proposals due by August 28, 2015. The Finance Authority again sought a \$100 million line of credit with a \$90 million tax-exempt and a \$10 million taxable component. Banks were asked to provide rates for 1, 2, 3, 4, and/or 5 years. Bank of America Merrill Lynch, J. P. Morgan, and Wells Fargo Bank submitted proposals with two banks submitting rates for each of 5 years and the other bank submitting 1 and 2 year rates.

Wells Fargo proposed 5 years at a spread of 55bp over 70% of LIBOR (vs. 77bp now) for tax- exempt draws and 80bp over LIBOR (vs. 90bp now) for taxable draws with a fee of 25bp on the undrawn portions if draws are under \$25 million and 20bp if draws are over \$25 million (same as now). The other 5-year proposal was at 70% of LIBOR plus 97.5bp tax-exempt and LIBOR plus 155bp taxable with the undrawn fee at 77.5bp. The third bank’s 2-year pricing was 103bp over LIBOR tax-exempt and taxable with an undrawn fee of 41bp. The Wells Fargo proposal provides highly attractive rates and has the advantage of requiring limited legal costs to extend.

Member Clarke moved, seconded by Member Kopelman, for approval of 5-Year \$100 Million Public Project Revolving Fund (PPRF) Revolving Line of Credit (\$90 Million Tax-Exempt and \$10 Million Taxable) with Wells Fargo Bank. The motion passed 10 – 0.

- 6. 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 September 16, 2015 Finance and Loan Committee. The Committee recommended approval of Consent Agenda items 7 – 10 with one motion. At the Chair’s request, Mr. Zach Dillenback read the projects into the record.

- 7. Consideration and Recommendation for Approval of San Juan County – PER (Wastewater) - 3377-PG.** San Juan County (“County”) applied for Local Government Planning Fund (“LGPF”) funding for \$50,000 for a wastewater Preliminary Engineering Report (“PER”).

The County will use the proceeds to complete a PER which will address the wastewater infrastructure needs of the Totah subdivision where 129 lots are currently using septic tanks. The County's goal is to improve the quality of life and to advance the public's health and safety.

Per LGPF rules, 100% of the requested amount qualifies as grant funds because of public health threats. The County is current with its financial reporting.

- 8. Consideration and Recommendation for Approval of San Juan County – PER (Water) - 3378-PG.** San Juan County (“County”) applied for Local Government Planning Fund (“LGPF”) funding for \$50,000 for a water Preliminary Engineering Report (“PER”).

The County will use the proceeds to complete a PER to develop water distribution infrastructure for the Totah subdivision with water being provided by the City of Farmington. Currently, there are 129 connections on private wells.

Per LGPF rules, 100% of the amount qualifies as grant funds because of public health threats. The County is current with its financial reporting.

- 9. Consideration and Recommendation for Approval of the Picuris Pueblo (Taos County) – Comprehensive Plan – 3395-PG.** Picuris Pueblo (“Pueblo”) applied for Local Government Planning Fund (“LGPF”) funding for \$37,500 for a Comprehensive Plan.

The Pueblo will use the proceeds to develop a Comprehensive Plan to include but not limited to economic development, housing, infrastructure, and land use ordinances. The Pueblo wishes to continue protecting and enhancing their desired way of life and culture and expand and develop their economic base.

The Pueblo has a Median Household Income of \$16,250 or 36.22% of the State of New Mexico qualifying for 75% of the plan cost up to \$37,500. The Pueblo is current with its financial reporting.

10. Consideration and Recommendation for Approval of Tecolotito MDWCA (San Miguel County) – Preliminary Engineering Report – 3396-PG. The Tecolotito MDWCA (“Tecolotito”) applied for Local Government Planning Fund (“LGPF”) funding for \$50,000 for a Preliminary Engineering Report (“PER”).

The Association will use the proceeds to complete a PER to examine alternatives for replacing aging waterlines and rehabilitate the existing water supply wells.

Per LGPF rules, 100% of the requested amount qualifies for funding because qualified entities without gross receipt taxing authority serving fewer than 250 connections are eligible for a waiver of the match. The entity is current with its financial reporting.

Member Jones moved, seconded by Member Ulibarri, for approval of Agenda Items 7 – 10. The motion passed 10 - 0.

11. Consideration and Recommendation for Approval of the City of Albuquerque (Bernalillo County) – Construction Project – 3404-PP. The City of Albuquerque (“City”) applied for Public Project Revolving Loan (“PPRF”) funding for \$2,095,000 to purchase and make improvements to the former General Electric parking lot (aka GE North Plant 83) to operate its DWI Seizure Program. The property is approximately 15.4 acres and is zoned SU-2. The City has been leasing property over the last 7 years with the current least at more than \$20,000 per month expensed to the DWI Seizure Program.

The City pledged its State Shared GRT as security for the loan. The revenue has increased, on average, 3% annually over the last five years and is rated AAA by S&P, Aa2 by Moody's, and AA+ by Fitch. NMFA staff used a three year average in determining loan coverage.

The City is current with its audits. The 2014 audit received an unmodified opinion and had 21 findings, 10 associated with the Albuquerque Housing Authority, and 10 other City findings that did not rise to the level of significant deficiency. The City did have a repeated and modified material weakness related to its bank reconciliation process; however, the City has a contract in place to remediate the Treasury Cash Management Module within approximately 9 months. NMFA staff does not believe additional loan requirements are required.

Member Clarke commended staff for following the Finance & Loan Committee’s recommendation for implementing due diligence related to the environmental assessment and title binder. Because this loan was acquiring property, Member Clarke felt the NMFA should be attentive to the environmental and title liabilities. Staff will now receive representation from the entity that the environmental assessment or the title binder does not have any special assessments that would adversely impact the use of the property as it was intended.

Member Ulibarri moved, seconded by Member Jones, for approval of City of Albuquerque project 3404-PP. The motion passed 10 - 0.

- 12. City of Carlsbad (Eddy County) – Sports Complex Project – 3390-PP.** The City of Carlsbad (“City”) applied for Public Project Revolving Loan (“PPRF”) funding for \$5,710,429 for a sports complex project.

The proceeds will fund the design and construction of various additions and expansions to the Bob Forrest Youth Sports Complex including the baseball, soccer, softball, and football fields.

The City is pledging the second increment of the Municipal Infrastructure GRT and the Lodger's Tax. Staff used a three average of the GRT and a five year average of the Lodger's Tax with only half of the total Lodger's Tax available for debt service. The City has an Aa3 rating on the GRT from Moody's allowing for waiver of the debt service reserve fund. The interest rate 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 12 findings, two material weaknesses, and six significant deficiencies. A corrective action plan has been provided explaining how the findings have been or will be resolved.

Member Clarke moved, seconded by Member Kopelman, for approval of City of Carlsbad Project 3390-PP. The motion passed 10 - 0.

- 13. Consideration and Recommendation for Approval of Catron County – Fire Tanker – 3399-PP.** Catron County (“County”) applied for Public Project Revolving Loan (“PPRF”) funding for \$108,817 for a fire tanker.

The County is requesting a waiver of the NMFA Trial Audit Policy to accept this application based on safety concerns while providing fire protection within the County. Staff recommends approval of the request.

The County will pledge its state fire protection funds as the revenue source for this loan. The Glenwood VFD has an ISO class rating of 9 and receives an annual base distribution of \$54,483. Glenwood 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 adverse opinion with 23 findings, 7 material weaknesses and no significant deficiencies. In May 2015, the County hired a new Finance Director with 23 years of experience as a Chief Financial Officer and accountant; he is also a Certified Public Accountant and a Certified Chief Procurement Officer.

Member Kopelman supported the loan saying there has been significant improvement by the County on the oversight of their operation. Member Ulibarri referred to the trial audit policy, specifically the

implications of the changes and the litigating factors such as health and safety issues. She felt this project is an example of the need for the trial policy.

Member Kopelman moved, seconded by Member Woods, for approval of Catron County Project 3399-PP. The motion passed 10 - 0.

14. Consideration and Recommendation for Approval of the Hagerman Municipal School District (Chavez County) – Building Project - 3386-PP. The Hagerman Municipal School District (“District”) applied for Public Project Revolving Loan (“PPRF”) funding for \$300,000 for a building project.

The District received voter approval to construct, remodel, make additions to and furnish school buildings, purchase or improve school grounds, or any combination thereof. The District will issue General Obligation Bonds which the NMFA will purchase with the PPRF.

The District qualifies as a disadvantaged entity eligible to receive 3% disadvantaged funding up to \$200,000; however, the market rate is lower before adding the capitalized interest fee. At closing staff will determine the amount of disadvantaged funding, if any. The processing fee is capitalized into the first ten years of the loan, in the amount of 0.165% added to the market rate. The 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 one finding; there are no material weaknesses and one new significant deficiency. Per the trial Audit Policy, no further action is required.

Member Woods moved, seconded by Member Kopelman, for approval of Hagerman Municipal School District project 3386-PP. The motion passed 10 – 0.

15. Consideration and Recommendation for approval of the City of Las Vegas (San Miguel County) – Building Renovation & Rehabilitation Project – 3403-PP. The City of Las Vegas (“City”) applied for Public Project Revolving Loan (“PPRF”) funding for \$2,801,121 to renovate, rehabilitate, and repair the Abe Montoya Recreation Center.

The City applied for a PPRF loan to renovate, rehabilitate, and repair the Abe Montoya Recreation Center due to damage caused by high winds, water damage from condensation, pool chemical exposure, and lack of a proper mechanical dehumidification system among other factors. Phase 1 of the recreation center was completed in October 1996 with Phase II completed in August 2004.

The pledge revenue will consist of one quarter increment (.25%) of the Municipal Gross Receipt Tax (MGRT). Staff utilized a 5-year average of base revenues of \$617,913, with the minimum debt service coverage resulting in 1.84xs. The MGRT does not have any debt service pledged against the revenue source. The City has a median household income of \$22,043, which is approximately 49% of the State’s MHI. Therefore, the City qualifies as a disadvantaged entity and is eligible to receive up to

\$200,000 at a 0% interest rate. The above interest rate also includes a 0.75% credit margin.

The FY 2014 audit report received an unmodified opinion with six findings, three significant deficiencies, and two Federal significant deficiencies. Per the trial audit policy, the City will provide a letter addressing the significant deficiencies.

Mayor Ortiz outlined the importance of the renovations. Ms. Gallegos, Finance Director, said they will continue to address the audit findings.

Member Jones moved, seconded by Member Ulibarri, for approval of City of Las Vegas Project 3403-PP. The motion passed 10 – 0.

16. Consideration and Recommendation for Approval of the City of Bloomfield (San Juan County) – Time Extension and Scope Change Request – 2446-PP. The City of Bloomfield (“City”) requests a time extension to December 31, 2015 and a scope change for Public Project Revolving Loan Fund (“PPRF”) project 2446-PP.

On May 13, 2011, the City of Bloomfield closed a \$1,426,075 PPRF loan to finance replacing and upgrading the wastewater utilities along US Highway 64 with a loan term of 20 years. The pledged revenue source was the Municipal Infrastructure Gross Receipts Tax, with a minimum debt service coverage ratio of 1.30xs and an interest rate of 4.176%.

Also, on June 24, 2011 the City of Bloomfield closed a \$240,000 loan and a \$960,000 Water Trust Board grant (0183-WTB) to replace and upgrade the water utilities with a loan term of 20 years. The pledged revenue source was the Net System Revenues of the Water and Wastewater Utility system, with a minimum debt service coverage ratio of 1.30xs and an administrative fee of .25%.

Both projects were in conjunction with the Department of Transportation’s (“DOT”) widening and reconstructing of US 64. Since DOT’s project would impact all utilities lines, the project presented the opportunity for the City to improve the water and wastewater distribution systems for both capacity and potential water savings.

The original projects are complete with \$426,644 remaining in the PPRF fund. Currently, there is an outstanding requisition from DOT for \$346,791 resulting from DOT’s final billing statement and creating a savings to the City of \$79,853. The City is requesting a time extension and scope change to expend the remaining balance of \$79,853 for landscape improvements.

Member Jones moved, seconded by Member Woods for approval of the time extension and scope change request for City of Bloomfield project 2446-PP. The motion passed 10 – 0.

17. Consideration and Recommendation for approval of Upper La Plata MDWUA (San Juan County) – Waterline and Storage Tank Project – 3392-DW. Upper La Plata Mutual Domestic Water Consumers Association (“Association”) applied to the Drinking Water State Revolving Loan Fund (DWSRLF) to finance a waterline and storage tank project.

The Association qualifies to receive the Base Subsidy amount of 25%. The Association ranks number four on the fiscal year 2016 first quarter Drinking Water Fundable List.

The Association pledged the net system revenues of their Joint Utility System as security and repayment of this loan. To determine coverage, staff used an average of the base revenues of three years totaling \$113,875.

The Association is current with their financial reporting. The FY 2014 had an unmodified opinion with zero findings.

Member Clarke moved, seconded by Member Kopelman, for approval of Upper La Plata MDWUA project 3392-DW. The motion passed 10 – 0.

- 18. Consideration and Recommendation for approval of the Bluewater W&SD (Cibola County) – Water System Improvement Project – 3393-DW.** Bluewater Water & Sanitation District (“District”) applied to the Drinking Water State Revolving Loan Fund (DWSRLF) to finance a water project.

The District pledged the net system revenues of the water and sewer system as security and repayment for this loan. To determine coverage, staff used an average of the projected revenues for three years since the District instituted a rate increase in May of 2015. The District is a severely disadvantaged entity qualifying to receive the base subsidy of 75%. The District ranks number one on the fiscal year 2016 first quarter Drinking Water Fundable List.

The District is current with their financial reporting. The FY 2014 audit had zero findings.

Member Woods moved, seconded by Member Jones, for approval of the Bluewater W&SD project 3393-DW. The motion passed 10 – 0.

- 19. Consideration and Recommendation for Approval of the City of Farmington (San Juan County – Water System Improvement Project – 3397-DW.** The City of Farmington (“City”) applied to the Drinking Water State Revolving Loan Fund (“DWSRLF”) to finance a water project.

The City pledged the net system revenues of the water system as security and repayment of this loan. To determine coverage, staff used an average of the revenues for three years totaling \$4,340,882 with the City eligible to receive a 25% base subsidy. The City ranks number six on the fiscal year 2016 first quarter Drinking Water Fundable List.

The FY 2014 audit report had two findings none of which were material weaknesses or significant deficiencies. The City qualified as a low-risk auditee.

Member Jones moved, seconded by Member Vonderheide, for approval of City of Farmington project 3397-DW. The motion passed 10 – 0.

20. Consideration and Recommendation for Approval of the Lower Rio Grande PWWA (Dona Ana County) – Water System Improvement Project – 3394-DW. Lower Rio Grande Public Water Works Authority (“Authority”) applied for a loan from the Drinking Water State Revolving Loan Fund (“DWSRLF”) to purchase and repair the Valle Del Rio Water System.

The project entails purchasing the privately owned Valle Del Rio Water System including the property, system, and water rights. The New Mexico Taxation and Revenue Department reviewed and approved the appraisal purchase price of \$463,000. The Authority will complete the State Environment Review Process (SERP) upon completion of the purchase.

The Authority pledged the water net system revenues as security and repayment of this loan. Staff used fiscal year 2014 net system revenues to determine coverage. The Authority is a severely disadvantaged entity and is eligible to receive a principal forgiveness subsidy of 75%, 25% base forgiveness, and 50% for a severely disadvantaged community. This project ranks second on the fiscal year 2016 first quarter Drinking Water Fundable List.

The Authority is current with its audits and financial reporting. The FY 2014 audit report has an unmodified opinion with no findings.

Member Clarke moved, seconded by Member Kopelman, for approval of Lower Rio Grande PWWA project 3394-DW. The motion passed 10 – 0.

21. Consideration and Recommendation for Approval of the Town of Estancia (Torrance County) – Well Project – 3400-DW. The Town of Estancia (“Town”) applied to the Drinking Water State Revolving Loan Fund (DWSRLF) to design and drill a new drinking water well.

Incorporated into the Town’s water system, the well may contribute to the Estancia, Moriarty, Willard, and Torrance County (EMWT) Regional Water System.

The Town pledged the net system revenues of the joint utility fund as security and repayment of this loan. Staff used a three year average of net system revenues to determine coverage. The Town is a severely disadvantaged entity and is eligible to receive a principal forgiveness subsidy of 75%, 25% base forgiveness, and 50% for a severely disadvantaged community. The project ranks third on the fiscal year 2016 first quarter Drinking Water Fundable List.

The Town is current with its audits and financial reporting. The FY 2014 audit report had an unmodified opinion with eleven findings, two material weaknesses, and two significant deficiencies. Although the DWSRLF is not subject to the PPRF trial audit policy, the Town provided a letter explaining how these finding have been or will be resolved.

Member Kopelman moved, seconded by Member Vonderheide, for approval of the Town of Estancia project 3400-DW. The motion passed 10 – 0.

22. Consideration and Recommendation for Approval of the City of Belen (Valencia County) – Water System Improvement Project – 3402-DW. The City of Belen (“City”) applied to the Drinking Water State Revolving Loan Fund (“DWSRLF”) to replace water meters.

The City pledged the net system revenues of the water fund as security and repayment of this loan. Staff used a three year average of net system revenues to determine coverage. The City is a severely disadvantaged entity eligible to receive a principal forgiveness subsidy of 75%, 25% base forgiveness, and 50% for a severely disadvantage community; however, there are no subsidy funds available. This project ranks fourteenth on the fiscal year 2016 first quarter Drinking Water Fundable List.

The City is current with its audits and financial reporting. The FY 2014 audit report has an unmodified opinion with ten findings, two material weaknesses, and two significant deficiencies. Although the DWSRLF is not subject to the PPRF trial audit policy, the City provided a letter explaining how these findings have been or will be resolved.

Member Ulibarri moved, seconded by Member Jones, for approval of the City of Belen project 3402-DW. The motion passed 10 – 0.

23. Consideration and Recommendation for Approval of the City of Gallup (McKinley County) – Request for Extension of Time and Scope Change – 0111-WTB. Staff requests approval and concurrence from the NMFA Board for a time extension to March 5, 2017 and scope change for connection to the Twin Lakes Well/Reach 12A for project 0111-WTB.

In April 2008, the Water Trust Board (“WTB”) approved funding for this project in an amount not to exceed \$5,883,865. To date, awards to the City of Gallup (“City”) for the Navajo Gallup Pipeline project total \$28,041,353. Since the funds became available in 2010, the City requested and received approval for three separate extensions and scope of changes for 0111-WTB.

The City was waiting on the completion of cultural resources/archeological clearance and environmental sufficiency review on projects 6, 7A&B and projects 9-13. Anticipated completion of these reviews is the end of September 2015. The City therefore requests an 18 month time extension to complete Project 4: construction (March 2016); Project 6: design (March 2016); Projects 7A & 13: and Projects 7B, 9, 10-12: design (March 2017). The City also requests a scope change to connect to the Twin Lakes Well/Reach 12A (December 2016).

Per the Loan/Grant Agreement, amendments to the agreement require written consent of all of the parties. The WTB reviewed and approved this request.

Member Clarke referred to the recent WTB policy changes that prevented this type of extension request from reoccurring to provide expending funds in a timely manner. She asked staff to summarize the policy amendments. Ms. Angela Quintana explained readiness to proceed documentation is now

required at the initial stage of the application process along with more involvement by the regulatory agencies during the early stages. Ms. Marquita Russel also noted that entities previously had up to 3 years to provide readiness to proceed documents whereas the current requirement is now 3 months.

Member Jones moved, seconded by Member Kopelman, for approval of the City of Gallup extension of time and scope of work change, project 0111-WTB. The motion passed 10 – 0

Report from the Chairperson of the Economic Development Committee. *Committee members are Mr. Wade Jackson, Chair (Secretary Designee for Secretary John Barela); Mr. Terry White, Vice-chair; Mr. Blake Curtis; and Mr. Jerry Jones.*

24. Update on Activities. Ms. Marquita Russel reported on the Economic Development Committee meeting of September 15, 2015. In addition to reviewing the Private Lending Portfolio Report and the pipeline report, staff reported on the recent meeting with the Finance New Mexico Advisory Board on the recent rounds of the New Markets Tax Credits program and their desire to continue to attract rural projects to the program. The Committee also received a briefing on the request from the Economic Development Department to use a portion of the SSBCI funds for a venture fund program. The Committee considered the following items appearing on today’s agenda under items 25 and 26.

25. Consideration and Recommendation for Approval of Edgewood Comfort Inn & Suites – Construction Line of Credit – 3411-CSP. The Economic Development Committee and staff recommend approval for a 10.00% subordinated participation with First National Bank (Durango) for \$450,000 to construct a 72 room Comfort Inn & Suites using the proceeds from the Collateral Support Participation.

This participation will also include Bank of New Mexico (“BNM”) who will be the lead bank in this transaction responsible for construction monitoring and client relationship. Guarantors are Scott A. McCall and Amy L. McCall (husband and wife), 100% owners of the (to-be-formed) LLC. The project will be on 2 plus acres of commercial land northwest of the intersection of Hwy 333 and 344, just west of the I-40 exit for Edgewood.

A title insured first real estate mortgage on the 2.0 acres on which the hotel will be built will secure the loan. Additionally, an assignment of rents and a first UCC “blanket” filing on all business assets of the new entity (FF & E, inventory, A/R) will be recorded upfront. The full loan amount will not exceed \$4,500,000.

Member Jackson moved, seconded by Member Jones for approval of the Edgewood Comfort Inn & Suites. The motion passed 9 – 0 with Member White abstaining.

26. Consideration and Recommendation of Prioritization of New Markets Tax Credits Round 19 Applications. Staff requested approval of prioritization for Round 19 of New Markets Tax Credits (“NMTC”) applications.

From July 29 through August 26, the New Mexico Finance Authority (“NMFA”) accepted

competitive applications for Round 19 for the unused NMTC allocation from Finance New Mexico’s 2010 allocation totaling approximately \$4.6 million and the new 2014 Allocation awarded in June 2015 for \$45 million. Per the Allocation Agreement, the \$4.6 Million of unused allocation requires investing in rural projects by March 2016.

NMFA received six complete applications which the review team scored and are on the agenda for prioritization. Five qualify as urban applications and one application, Taos New Mexico Senior Living, qualifies as a rural application. Pursuant to policy, projects appearing on the NMTC priority list must have an average minimum score of 60 points and must be determined to be at least “Moderate” readiness for a project to move forward to a priority list. One of the six applications received scored at least 60 points and received a clear “Moderate or High” readiness determination allowing them to move forward. The application for La Clinica de Familia’s current listing is “High” based on Citizens Bank approving the leverage loan for the transaction. Although applications did not make the priority list, staff will continue making due diligence calls to applicants to ascertain if these projects simply need more time or if the application is missing information about proposed leverage sources which impact the scoring process.

Rural Round 19 Projects

<u>Rank</u>	<u>Score</u>	<u>Applicant</u>	<u>Readiness</u>	<u>Authority</u>
1	63.83	La Clinica de Familia (Dona Ana)	Mod	\$5,000,000
2	58.67	Delta New Mexico Investors (Bernalillo)	Mod	\$7,000,000
3	53.17	McCurdy School Property Inc. (Santa Fe)	Low	\$8,771,816
4	49.50	Taos New Mexico Senior Living (Taos)	Low	\$8,000,000
5	43.00	Sunset Senior Village (Bernalillo)	Mod	\$15,000,000
6	40.83	Greenhouse Grocery (Santa Fe)	Low	\$ 6,114,000

Total Allocation Requested for Rural Round 19 Projects **\$49,885,816**

Member Jackson moved, seconded by Member Kopelman, for approval of the priority list for the New Markets Tax Credits program. The motion passed 10 – 0.

27. Consideration and Recommendation to Open New Markets Tax Credits Competitive

Application Round 20. Staff requested authorization to open Round 20 of the competitive New Markets Tax Credits (“NMTC”) applications on September 25, 2015 with closing scheduled on October 25, 2015.

Currently, there is a balance of \$4.654 million remaining from the 2010 allocation requiring investment in a rural project by the first quarter of calendar year 2016. Finance New Mexico, LLC also received a \$45 million NMTC award from its 2014 application, half which must be invested in rural communities defined as census tracts located in non-metro counties bringing Finance New Mexico’s available allocation for rural projects to \$27.154 million and \$22.5 million in allocation for

non-metro areas. Finance New Mexico's authorized NMTC allocations to date total \$201 million.

This application cycle will offer the remaining \$4.6 million of the NMTC allocation from the 2010 allocation and not more than half of the 2014 allocation.

Mr. Coalter announced that a training session has been scheduled in October on the New Markets Tax Credits process for the NMFA Board. Mr. Coalter said this will give the members an opportunity to gain a better understanding of the program and ask questions regarding the procedure.

Member Jackson moved, seconded by Member Woods, for approval to open New Markets Tax Credits Competitive Application Round 20. 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.*

28. Update on Activities. The Audit Committee met on Monday afternoon, September 21, 2015. Ms. Emily Oster reported on the audit Committee meeting of September 21, 2015.

Items discussed were:

- ◆ An update on NMFA's FY15 external audit. The audit is on-track to meet the accelerated internal deadline and the OSA regulatory deadline.
- ◆ Presentation of the final FY15 audit report for Finance New Mexico, LLC. The audit went smoothly with no findings. The Chair requested documentation relating to the preference for FASB reporting.
- ◆ Update on the internal audit schedule. Management presented a document summarizing the scope, approach and timing for Audit A1, and the preliminary project plan and timeline for audit A2, which will evaluate NMFA's organizational structure. Audit A2 will begin in October 2015 and is expected to be completed by mid-December. The Chair also requested an update on the status of the new Compliance Officer position.
- ◆ Presentation and acceptance of the financial statements for the period ending August 31, 2015. The financial statements were accepted unanimously.
- ◆ Discussion of proposed board training on the New Markets Tax Credit Program to be held in October.
- ◆ Review of the Findings Status Matrix/Dashboard.

A discussion ensued regarding accounting methods for Finance New Mexico, LLC. Additionally, the Board and management discussed annual requirements for conflict disclosures for staff.

29. Consideration for Acceptance of the Financial Report for period ending August 31, 2015. Mr. Robert Brannon provided a summary of the Financial Report for the period ending August 31, 2015.

Member Ulibarri moved, seconded by Member Jackson, to accept the Financial Report for the period ending August 31, 2015. The motion passed 10 - 0.

Report from the Chairperson of the Contracts Committee. *Committee members are Secretary Ryan Flynn, Chair; Secretary John Barela; Mr. Jerry Jones; Mr. Steve Kopelman*

30. Update on Activities. Mr. Dan Opperman reported on the Contracts Committee meeting of September 22, 2015.

Items discussed were:

- ◆ Consideration and approval of an amended and restated Memorandum of Understanding (“MOU”) between the Finance Authority and the New Mexico Economic Development Department (“NMEDD”) implementing the State Small Business Credit Initiative (“SSBCI”). The amended MOU authorizes the transfer of up to \$5M of federal SSBCI funds to the NMEDD for the operation of a venture capital program.
- ◆ Consideration and approval of a proposed final contract, including a final project plan with major milestones for the Bond Banking and Loan Management System. In July, the Committee unanimously authorized staff to negotiate with Technology Partnership Group Inc.; the Board requested the award of a final contract include a final project plan with milestones conditioned upon the approval by the Contracts Committee. Staff presented said items and the Committee unanimously approved the proposed Final Contract and Plan.
- ◆ Consideration and approval of awards for Contract Legal Services. The Finance Authority issued an RFP for Contract Legal Services on June 19, 2015. An Evaluation Committee reviewed the proposals and recommended the following contract awards to the Contracts Committee who unanimously approved the Awards for Contract Legal Services:

Category	Proposed Award	Proposed Backup
New Markets – Tax	Ballard Spahr	Sherman & Howard
Disclosure	Andrews Kurth	Sherman & Howard
PPRF Bond	Ballard Spahr	Sherman & Howard
Private Bond	Rodey Dickason, et al.	Sherman & Howard
Private Loan	Rodey Dickason, et al.	Sherman & Howard
New Markets – Lending	Sutin Thayer & Browne	Sherman & Howard
New Markets – Special	Sutin Thayer & Browne	Sherman & Howard
DW Bond	Sherman & Howard	
PPRF Loan	Sutin Thayer & Browne	Virtue Najjar
WTB/DW Loan	Sutin Thayer & Browne	Virtue Najjar
Other	Rodey Dickason, et al.	Sherman & Howard
Colonias	Sutin Thayer & Browne	Virtue Najjar
GRIP Bond	Rodey Dickason, et al.	Sherman & Howard

- ◆ Mr. Michael Zavelle provided an update regarding the results of the RFP for providers for the PPRF Line of Credit and DOT Collateral Posting Line of Credit. Both proposed awards will be presented to the full Board for approval.

Discussions ensued on the approval process by the Contracts Committee as well as the Board's vote to accept the Contracts Committee report. Chair Fulginiti agreed that the Board can accept the report and asked for a motion.

Member Jones moved, seconded by Member Vonderheide, for approval of the Contracts Committee report. The motion passed 9 – 1 with Member Clarke voting against.

31. Consideration and Recommendation of Amended and Restated Memorandum of Understanding Between the New Mexico Finance Authority and the New Mexico Economic Development Department Implementing the State Small Business Credit Initiative. Staff requests approval of the amended MOU with NMEDD which will allow NMEDD to apply to the Treasury to use up to \$5 million to operate a venture capital program.

In September 2010, President Obama signed into law H.R. 5297, the Small Business Jobs Act (the "Act"), which created and funded the SSBCI to give states access to financial resources that support and leverage small business lending programs. The Act required that each state designate an Agency, Department, or subdivision of the State to apply to the Department of Treasury ("Treasury") for the funds, not allocated competitively, but on a use it or lose it basis. Governor Martinez designated NMEDD as the recipient of the funds and on October 28, 2010, the NMEDD filed with the Treasury its notice of intent to apply for the funds.

In May 2011, the Finance Authority approved the execution of an MOU with the NMEDD regarding the administration of a loan participation program using federal SSBCI funds authorizing the Finance Authority to submit an application on behalf of the NMEDD. The Finance Authority completed the application and the State received \$13,168,350 for the loan participation program. In accordance with the Act, the funds transferred in thirds based upon the successful obligation of the funds. To date, New Mexico has received all of the funds and has approximately \$4 million in undrawn funds and approximately \$2 million in repaid principal and interest.

The 2011 MOU provides that the SSBCI application shall not be altered, changed, or amended except by mutual agreement of both parties. NMEDD advised staff that it wishes to apply for up to \$5 million of the SSBCI to operate a venture fund program. The deadline for applying for the new use of funds is September 30. Transfer of the funds will likely necessitate a change to the Finance Authority program policies to direct the funds to smaller, shorter term projects.

The amended MOU clarifies that the Finance Authority will be responsible for the administration of only the loan participation program and provides that the transfer may be up to \$5 million from the loan participation program to the NMEDD for a venture fund program. NMEDD will still maintain primary responsibility for the marketing of the loan participation program and NMFA will continue to report to NMEDD on the use of the loan participation program.

Ms. Knighten, Director of Technology, elaborated on the responsibilities of her office and their plan for using the funds on programs developed throughout the state.

Member Kopelman moved, seconded by Member Ulibarri, for approval of amended and restated Memorandum of Understanding between the Finance Authority and the New Mexico Economic Development Department implementing the State Small Business Credit Initiative. The motion passed 10 – 0.

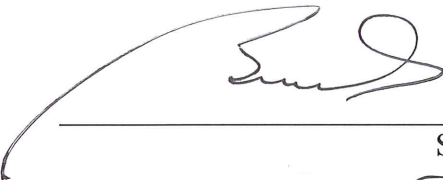
Other Items

32. Next Board Meeting

Thursday, October 22, 2015 – 9:00 a.m.
State Capitol – Room 309
Santa Fe, NM

33. Adjournment

The meeting adjourned at 10:43 a.m.



Secretary
10-22-15

Date