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.New Mexico Finance Authority
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Minutes of Board Meeting
November 19, 2015
State Capitol – Room 303
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
Tom Clifford	Secretary, Dept. of Finance & Administration
Wade Jackson	Secretary Designee, Economic Development Dept.
Steve Kopelman	Executive Director, NMAC
Blake Curtis	CEO, Curtis & Curtis, Inc.
Michael Vonderheide	Secretary Designee, NM Environment Dept.
Jerry Jones	Associate Broker, Keller Williams Realty
Terry White	Sunwest Trust Inc.

Finance Authority Staff:

Bryan Otero	Carmela Manzari
Connie Marquez-Valencia	Dan Opperman
Donna Maestas	Frank Ibarra
John Brooks	Leslie Medina
Maria Gallardo	Mark Chaiken
Marquita Russel	Michael Zavelle
Robert Brannon	Rod McNamara
Vince Lithgow	Yolanda Valenzuela
Zach Dillenback	

Guests:

Brad Hill	Town of Edgewood
Charles Casey	RBC Capital Markets
Chip Pierce	Western Financial Group
Donald Monethe	Socorro Consolidated Schools
Eileen Michen	La Clinica de Familia
Emily Oster	NM DFA
Jorge Almuing	La Clinica de Familia
Linda Kehoe	LFC
Michael Zimmerman	Sierra Vista Hospital

Mindy Cahill
Paul Cassidy
Randall Earwood
Sharon Finarelli
Steve Shepherd
Suzanne Bruckner
Susen Ellis
Suzan Martinez de Gonzales

Village of Cimarron
RBC Capital Markets
Socorro Consolidated Schools
Sierra Vista Hospital
Town of Edgewood
Sutin, Thayer & Browne
Bank of Albuquerque
La Clinica de Familia

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.

Mr. Robert Coalter introduced Mr. Kenneth Viggers and Mr. James Taylor, internal auditors with RSM US LLP, formerly McGladrey who are on site meeting with key staff members and Board.

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

3. Approval of the October 22, 2015 Board Minutes.

Member Curtis moved, seconded by Member White, for approval of the October 22, 2015 minutes. The motion passed 11 – 0.

4. Report from Chief Executive Officer.

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

- ◆ 2016 Board Meeting and Committee schedules are in the Board book and will be emailed to members and their assistants.
- ◆ The NMFA Oversight Committee meets tomorrow to review proposed legislation.
- ◆ RMS internal auditors are on-site meeting with key staff and some board members.
- ◆ Systems project update. Chair McDermott requested that staff provide an update at the next meeting.

5. Consideration and Recommendation for Approval of Amended Public Project Revolving Fund Loan Management Policies. Staff recommends Board adoption of the proposed revisions to Public Project Revolving Fund Loan Management Policies.

Ms. Marquita Russel and Mr. Zach Dillenback briefly reviewed the proposed changes presented for adoption.

In August 2015, the NMFA Board reviewed proposed changes to the PPRF Loan Management Policies and approved four of the five recommended amendments. At that time, the fifth policy amendment, which proposed increases to Disadvantaged Entity Funding, could not be adopted

because it first required amending the PPRF Rules. The PPRF Rules were amended in October and the proposed policies reviewed in August are ready for final adoption by the NMFA Board. Section 2.2 C.1 reflects the changes reviewed in August and mirrors the language that was approved in the Amended and Restated PPRF Rules. In addition, there is a minor change to Section 2.2.A that was overlooked in the August amendments that staff recommends be included in these revisions.

In addition, over the past several months the NMFA has been operating the PPRF using a trial audit policy. After several months of operations, staff recommends incorporating the trial audit policy into the PPRF Loan Management Policies so that potential applicants understand the parameters of the audit review as part of the application process. The changes in Section 1.2 C.2 reflect the trial audit policy that has been in place over the last several months. Other changes include those requested at the Finance and Loan Committee to ensure that the audit policy does not stop projects from being presented to the Finance and Loan Committee.

Additionally, the proposed amendments to the PPRF Loan Management Policies include two additional changes to Section 3.2 that staff recommends approving as part of the amendments. The first is a revision to sub-section "H" to conform the fees for refunding to the fee structure that is in place for other infrastructure and equipment loans. Several years ago there was a premium placed on refunding transactions to help curb the demand for refunding loans. Staff believes the need for this has passed and recommends, for structuring purposes, that the fees be equal again. The second is to delete from sub-section "J" the ability of borrowers to manage their own program funds, escrows, and debt service accounts. The current practice is not to allow any outside management of funds so that NMFA can ensure correct and complete documentation in the event of an IRS audit. Staff recommends the PPRF Loan Management Policies conform to this practice.

In response to a question regarding the audit trial phase, Mr. Dillenback stated the trial audit policy contained in the PPRF Loan Management Policies has been tested for approximately 6 months.

Member Kopelman moved, seconded by Member Ulibarri, for approval of amended Public Project Revolving Fund Loan Management Policies. The motion passed 11 – 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 Finance & Loan Committee meeting of November 12, 2015. Mr. Zach Dillenback read the consent agenda items, items 7-18, into the record, as follows.

7. **Consideration and Recommendation for Approval of the Village of Tularosa (Otero County) – Fire Pumper Truck – 3428-PP.** The Village of Tularosa ("Village") applied for applied for Public Project Revolving Loan Fund ("PPRF") financing for \$381,864 to purchase a fire pumper truck.

The Village currently has two pumper trucks in service with one replaced by this new purchase. The new truck contains a 1500 gallon per minute pump which may increase the ISO rating for the fire department.

The Village will pledge its State Fire Protection Funds as the revenue source for this loan. The Village of Tularosa VFD has an ISO class rating of 7, with two main stations and receives an annual base distribution of \$111,002. The total interest rate includes a 0.75% credit margin on the market rate portion of the loan. The disadvantaged funding includes the 0.10% administration fee.

The Village is current with its Audits and financial reporting. The FY 2014 Audit received an unmodified opinion with three findings, all significant deficiencies. One is a repeated deficiency with two new deficiencies. The repeated significant deficiency was due to preparation of financial statements by the auditor. The Village stated that it is too small and does not have sufficient personnel or funds to prepare the statements in GAAP format at this time. This finding is common for small entities. The Village provided a corrective action plan for the audit findings.

8. Consideration and Recommendation for Approval of Socorro County (Abeytas VFD) – Fire Equipment -3425-PP. Socorro County (“County”) applied for applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$377,834 to purchase fire equipment.

The County, specifically the Abeytas VFD (“Department”), will purchase a portable 4 story training tower and an urban interface truck to teach the volunteer fire fighters search and rescue skills, ladder climbing, live fire-fighting, hose line skills, forcible entry, and different tactics crucial for the Department's success. The urban interface truck is a fire truck used in urban areas where there are no fire hydrants. The unit has a 2000 gallon capacity designed for rough unpaved roads used in wildland fires.

The County will pledge its State Fire Protection Funds as the revenue source for this loan. The Department has an ISO class rating of 7, with two main stations, and receives an annual base distribution of \$111,002. The above interest rate includes a 0.40% credit margin. NMFA will not guarantee the above interest rate.

The County is current with its Audits and financial reporting. The FY 2014 Audit received an unmodified opinion with seven findings, two material weaknesses, and two significant deficiencies. One of the significant deficiencies is a repeated deficiency. The material weaknesses were due to adjustments made by the auditor for recording of grant funds, and lack of segregation of IT duties. The County provided a corrective action plan for the audit findings.

9. Consideration and Recommendation for Approval of Socorro County (San Antonio VFD) – Fire Equipment - 3426-PP. Socorro County (“County”) applied for applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$377,834 to purchase fire equipment.

The County, specifically the San Antonio VFD (“Department”), will purchase a portable 4 story training VFD (“Department”) and an urban interface truck to teach the volunteer fire fighters search and rescue skills, ladder climbing, live fire-fighting, hose line skills, forcible entry, and different tactics

crucial for the Department's success. The urban interface truck is a fire truck used in urban areas where there are no fire hydrants. The unit has a 2000 gallon capacity designed for rough unpaved roads used in wildland fires.

The County will pledge its State Fire Protection Funds as the revenue source for this loan. The Department has an ISO class rating of 6 with two main stations, one substation, and receives an annual base distribution of \$137,723. Considered a disadvantaged entity, \$150,000 of the loan amount qualified for a 0% interest rate.

The County is current with its Audits and financial reporting. The FY 2014 Audit received an unmodified opinion with seven findings, two material weaknesses, and two significant deficiencies, one being a repeated deficiency. The material weaknesses were due to adjustments made by the auditor for recording of grant funds, and lack of segregation of IT duties. The County provided a corrective action plan for the audit findings.

10. Consideration and Recommendation for Approval of the Village of Magdalena (Socorro County) – Equipment Project – 3423-PP. The Village of Magdalene (“Village”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$65,288 to purchase and equip two new 2016 trucks for the police department replacing two older police units.

The Village will pledge its State Law Enforcement Protection Funds as the revenue source for this loan. The Village receives an annual distribution of \$20,600. The Village has a median household income (“MHI”) of \$32,455, which is approximately 72% of the State’s MHI. Considered a disadvantaged entity, \$150,000 of the loan amount qualified for a 0% interest rate. The NMFA will treat this interest rate as taxable and will not seek bond reimbursement. Included in the interest rate is the NMFA maintenance fee of 0.10%.

The Village is current with its audits and financial reporting. The FY 2014 report received a qualified opinion with five findings, one material weakness, one repeated significant deficiency, and two new significant deficiencies. The County provided a corrective action plan for the audit findings.

11. Consideration and Recommendation for Approval of Lea Soil & Water Conservation District (Lea County) – Equipment Project – 3414-PP. Lea Soil & Water Conservation District (“District”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$30,145 to purchase a 2016 pick-up truck for daily use.

With a Median Household Income (“MHI”) of \$50,694, which is 112.84% of the State's MHI, the District does not qualify for disadvantaged funding. The District will pledge its net system revenues as security and repayment of this loan. Staff used a three year average to determine coverage. The above interest rates include a 0.75% credit margin.

The District is current with their audits and financial reporting. Considered a Tier 4 entity by the State Auditor's office the District submits an Agreed upon Procedure Audit with no opinion. The FY 2014 Audit has one finding, a material weakness caused by bank statements and QuickBooks statements not matching with the amount reported to DFA. The District has replaced the manager in

charge of record keeping with a more knowledgeable person.

Member Fulginiti moved, seconded by Member Kopelman, for approval of Consent Agenda items 7 – 11. The motion passed 11 – 0.

12. Consideration and Recommendation for Approval of Taos County – LEDA/Comprehensive Plan – 3429-PG. Taos County (“County”) applied for Local Government Planning Fund (“LGPF”) financing for \$50,000 to update the LEDA/Comprehensive Plan.

The County's goal is to continue protecting and enhancing the desired way of life and culture for its residents while expanding and developing their economic base.

Pursuant to Rules Governing the Local Government Planning Fund, 100% of the amount qualifies for funding because the County needs the Comprehensive Plan to implement the Local Economic Development Act of the County.

The County is current with its financial reporting.

13. Consideration and Recommendation for Approval of the Village of Ft. Sumner (De Baca County) – Preliminary Engineering Report - 3420-PG. The Village of Ft. Sumner (“Village”) applied for Local Government Planning Fund (“LGPF”) financing for \$37,500 for a Preliminary Engineering Report (“PER”) to study their wastewater system.

The Village's goal is to improve the quality of life and to advance the public's health and safety.

The Village has a Median Household Income of \$28,021 or 63.37% of the State of New Mexico, qualifying for 50% of the amount. The local burden ratio is 1.11xs comparative to the State wastewater rate burden qualifying the Village for an additional 25% of the requested grant funds. Combined, the Village qualifies for 75% of the plan cost up to \$37,500.

14. Consideration and Recommendation for Approval of La Asociacion de Agua De Los Brazos MDWCA (Rio Arriba County) – Preliminary Engineering Report – 3418-PG. La Asociacion de Agua de Los Brazos MDWCA (“Association”) applied for Local Government Planning Fund (“LGPF”) financing for \$50,000 for a Preliminary Engineering Report (“PER”).

The Association will use the proceeds to complete a PER to examine alternatives to maximize the production of water distribution from their well to the users, and to seek alternatives for connections to neighboring water communities to aid in the distribution of reliable drinking water sources.

Pursuant to the Rules Governing the LGPF and the LGPF Project Management Policies, the Association qualifies for 100% funding because qualified entities without gross receipt taxing authority serving fewer than 250 connections can waive the match.

- 15. Consideration and Recommendation for Approval of Polvadera MDWCA (Socorro County) – Preliminary Engineering Report – 3419-PG.** The Polvadera MDWCA (“Association”) applied for Local Government Planning Fund (“LGPF”) financing for \$37,500 for a Preliminary Engineering Report (“PER”) to evaluate the system.

Considered a disadvantaged entity with a median household income (“MHI”) of \$31,705 which is 71% of the State’s MHI, the Association qualified for 50% of the cost as grant funds. The local burden ratio is 1.23xs the State’s water rate burden qualifying the Association to an additional 25% as grant funds. Combined the total grant is 75% up to \$37,500.

The Association is current with its financial reporting.

- 16. Consideration and Recommendation for Approval of Chamberino MDWC&SA (Dona Ana County) – Environmental Information Document – 3421-PG.** The Chamberino MDWC & SA (“Association”) applied for Local Government Planning Fund (“LGPF”) financing for \$40,000 for a Preliminary Engineering Report (“PER”) for an Environmental Information Document (“EID”).

Pursuant to Rules Governing the LGPF and the LGPF Project Management Policies, the Association qualifies for 100% funding because qualified entities without gross receipt taxing authority serving fewer than 250 connections can waive the match.

Current with the 2nd quarter report, the Association is late on 3rd quarter report.

- 17. Consideration and Recommendation for Approval of the Town of Mesilla (Dona Ana County) – Asset Management Plan – 3427-PG.** The Town of Mesilla (“Town”) applied for Local Government Planning Fund (“LGPF”) financing for \$50,000 for an Asset Management Plan (“AMP”).

The Town will use the proceeds of the grant to perform an Asset Management Plan (AMP) in accordance with procedures and standards set by the A.M. Kan criteria.

Pursuant Rules Governing the LGPF and the LGPF Project Management Policies, the Association qualifies for 100% funding because the Town qualifies for the Small Cities Assistance Fund due to declining gross receipts tax collections over the past 24 months.

The Town is current with its financial reporting.

- 18. Consideration and Recommendation for Approval of the Town of Taos (Taos County) Water Master Plan – Time Extension Request – 2739-PG.** The Town of Taos (“Town”) applied for a time extension through December 31, 2015 for Local Government Planning Fund (“LGPF”) Project 2739-PG to close the grant for a Water and Wastewater Master Plan.

On May 24, 2012, the New Mexico Finance Authority Board approved a planning grant for the Town. On July 24, 2014, the Board approved an extension of the grant through December 31, 2014; however there were significant delays in the completion due to the Abeyta Water Settlement issues which required incorporation into the Professional Engineer’s recommendation and the 40 year Conservation

Plan. The issues have been resolved and NMED has approved the plan. The requested extension is required to close the grant scheduled for closing on December 18, 2015.

Member Fulginiti moved, seconded by Member Ulibarri, for approval of Consent Agenda Items 12 – 18. The motion passed 11 - 0.

- 19. Consideration and Recommendation for Approval of Sierra Vista Hospital (Sierra County) – Construction Project – 3416-PP.** The Sierra Vista Hospital (“Hospital”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$36,329,129 for planning, design, and construction of a new hospital.

Built in 1957, the current hospital is outdated with plans to use for administrative functions only upon completion of the new building. The new hospital will have 21 Medical/Surgical beds, and 4 Intensive Care Beds built next to the existing hospital and attached to the recently constructed Emergency Department. Sierra Vista Hospital has Critical Access and Safety Net Hospital designations. Critical Access Hospitals receive cost based reimbursements plus 1% from Medicare instead of standard fixed rates. A Safety Net Hospital serves low income communities with the Safety Net Care Pool providing the hospital with bi-annual checks to cover the uncompensated care

The Hospital currently provides inpatient, outpatient, physician, and counseling services for its patients. The Hospital is a publically owned entity and is a non-profit facility formed by a Joint Powers Agreement. A Joint Powers Commission (“JPC”) provides general fiscal oversight authority for the Hospital. The JPC consists of the Sierra County Commissioners, three City of Truth or Consequence Commissioners, three Elephant Butte City Councilors, and three Village of Williamsburg Trustees. Under the terms of the Joint Powers Agreement, all real property is owned as follows; Sierra County 40%, City of Truth or Consequences 40%, City of Elephant Butte 15% and the Village of Williamsburg 5%. Based at Sierra Vista Hospital is the TriState Care Flight, a service that provides critical care air transport helicopter services.

The Hospital pledged its net system revenues including Sierra County Emergency Hospital GRT and Municipal GRT from Truth or Consequences, Elephant Butte and Williamsburg as security and repayment for the loan. Staff completed a 6-year analysis and used the current FY 2015 unaudited financials for coverage. Revenues decreased in 2013 and 2014 due to the State discontinuing the Sole Community Provider program. Additionally, the profits centers of the Emergency Department and Operating Room were under construction. Recent financials are more reflective of the increased income due to recent changes.

The loan amount includes a debt service reserve fund in the amount of \$2,185,976. The interest rate also includes a 0.75% credit margin. The coverage ratio is 1.44xs without the credit margin. Under the Critical Access designation, the Hospital receives 52% reimbursement of the new debt service payments for the loan essentially increasing the coverage ratio further. The hospital will contribute \$2,000,000 to the project.

The Hospital is current with its audits and financial reporting. The FY 2014 audit report received an unmodified opinion with no findings. The State Auditor's office has not released the FY 2015 audit.

Chair McDermott asked for background on the population being served and the ability for the hospital to attract and retain professionals. Mr. Zimmerman, CEO, said Sierra Vista Hospital is the only state-certified trauma center between El Paso and Albuquerque. The hospital also provides helicopter service for trauma patients. The hospital has aggressively started to recruit specialty physicians and has a priority list of specialists to recruit and hopefully have them in place by next year to retain patients in T or C.

Mr. Zimmerman stated one reason for the loss of residents based on the 2010 census was due to the lack of health care.

Secretary Clifford asked about the state capital outlay grants awarded to the hospital for development. Mr. Zimmerman said the grants did not provide sufficient funding to make notable progress with the project.

A discussion ensued on the revenue projections from the gross receipt taxes and the hospital's revenues to repay the debt. Also discussed was the HUD guarantee program and whether it could be used to fund this project. Mr. Zimmerman said the timeline to complete the project through the HUD guarantee program would take several years adding that legal counsel advised them that the most effective way to proceed would be to secure funding from the Finance Authority.

In response to a question, Mr. Zimmerman noted that the hospital was pledging revenues in net of the operating expenses. Previously, uncompensated care took up 28% of the revenue; however, newly implemented policies reduced that number to 8%.

Member Fulginiti moved, seconded by Member Curtis, for approval of Sierra Vista Hospital Project 3416-PP. The motion passed 11 – 0.

20. Consideration and Recommendation for Approval of UNM Health Sciences District (Bernalillo County) – Refunding – 3424-PP. UNM Health Sciences District applied for Public Project Revolving Loan Fund ("PPRF") financing to refund the Series 2004A Stand-Along Cig Tax Revenue Bonds and Series 2005E Subordinate Lien PPRF Bonds totaling \$30,805,000.

Through the 2003 (SB 804) and 2005 (SB 935) regular sessions, the Legislature authorized NMFA to issue \$75 million of cigarette tax revenue bonds on behalf of the University of New Mexico ("UNM") Health Sciences Center ("HSC"). Pursuant to the authorization, NMFA issued the Series 2004A&B Stand Alone Cig Tax Revenue Bonds and the Series 2005E Subordinate Lien PPRF Bonds. UNM, HSC, and NMFA are seeking to refund the Series 2004A Stand-Along Cig Tax Revenue Bonds and the Series 2005E Subordinate Lien PPRF Bonds. Based on the current market environment, refunding of the Series 2004A and 2005E Bonds would likely achieve a net present value savings of approximately \$4.3 million over the term of the refunding bonds. Annual debt service reductions range from approximately \$469,000 to \$569,000. Savings achieved directly benefit and flow through to UNM

HSC for its operations.

The 8.89% UNM HSC cig tax revenue distribution and the 9.77% Credit Enhancement Account ("CEA") cig tax revenue distribution secure the bonds. Repayment for the bonds is through the UNM HSC revenue. Excess UNM HSC revenues after debt service is paid go to UNM HSC. The CEA revenue serves as a backup reserve in the event UNM HSC revenues fall short in covering scheduled debt service. All CEA revenues flow to the State General Fund.

Cigarette tax revenues have been volatile over the last several years. After seeing gains of 2.8% and 1.3% in FY 2011 and 2012 respectively, revenues declined 1.59% and 8.85% in years 2013 and 2014. Revenue then rose to 5.9% in 2015, bringing revenue back to 2010 levels. NMFA has always projected cig tax revenue as a declining revenue stream and has structured cig tax revenue bonds to assume a 3% annual decline throughout. While the revenue has declined beyond structured projections at certain points, net revenue fluctuations over time are less than the structured 3% annual decline and staff recommends maintaining the same 3% annual decline structure. The 1.68xs loan coverage is based solely on UNM HSC revenue. Total loan coverage is 3.54xs when considering CEA revenues.

UNM received an unmodified opinion on its 2014 audit. The audit had four findings, none of which were material weaknesses or significant deficiencies. Staff does not have any concerns related to the findings.

Secretary Clifford noted that DFA has difficulty, at the CAFR level, tracking these types of transactions and asked that NMFA staff work with DFA to ensure this transaction is properly recorded.

Member Fulginiti moved, seconded by Member Ulibarri, for approval of UNM Health Sciences District Project 3424-PP. The motion passed 11 – 0.

- 21. Consideration and Recommendation for Approval of the Socorro Consolidated School District (Socorro County) – Construction Project – 3407-PP.** The Socorro Consolidated School District ("District") applied for Public Project Revolving Loan Fund ("PPRF") financing for \$1,400,000 for a construction project.

In February 2013, the District received voter approval to construct, remodel, make additions and furnish school buildings, purchase or improve school grounds, or any combination of these purposes within the District. The District will issue General Obligation Bonds in the amount of \$1,400,000, which the NMFA will purchase with the PPRF.

On October 22, 2015, the Board considered this loan; however, the District was unable to attend the meeting. The Board requested more information regarding the cash management significant deficiency audit finding. The District has submitted the corrective action plan as required by the Trial Audit Policy which states the finding has been resolved.

The District qualifies as a disadvantaged entity; therefore \$500,000 of the loan amount received a 0% interest rate. The NMFA processing fee is capitalized into the first ten years of the loan, in the amount of 0.1676% added to the market rate. The market portion of this loan 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 nine findings, no material weaknesses, and five significant deficiencies. There were three repeated deficiencies and two new deficiencies. The only finding of concern is the District did not maintain sufficient cash in the general fund to cover expenditures, and borrowed money from the debt service fund to cover the shortage. This has been resolved, as of the end of July 2015; the District currently has and will maintain approximately 6% more than budget expenditures in the General Fund. Per the trial Audit Policy, the district has submitted a corrective action plan for the significant deficiencies. The external auditor stated they are a low risk auditee.

Mr. Donald Monette, Director of Business Services, addressed the Board's concern regarding the audit finding in which the District used debt service reserve funds to cover operational expenditures. He clarified that this was an audit error by the auditors and funds were not used from the debt service reserve. He also noted their current audit was on time.

Mr. Monette outlined the project cost noting that they are only estimates at this point.

Referring to the PSFA report Secretary Clifford noted the District is projected to have a 2% cash balance in relation to operational expenditures for 2016 which he thought would be higher. Mr. Monette said the District is projected to have a cash balance of \$500,000 for 2014/15 which is an increase from previous years. The District feels the PSFA report is understated and incorrect since their projection is closer to 8%.

A discussion ensued on the District's outstanding loans and where they stand in reaching their capacity. Ms. Maestas said the District will reach their bond capacity following this issue for approximately 3 years.

Member Fulginiti moved, seconded by Member Jones, for approval of Socorro Consolidated School District Project 3407-PP. The motion passed 11 – 0.

22. Consideration and Recommendation for Approval of the Village of Cimarron (Colfax County) – Equipment Project – 3325-PP. The Village of Cimarron (“Village”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$95,718 to purchase and equip three new 2015 pick-up trucks for the Police Department.

The new vehicles replace older ones that have become very costly to maintain. The Police Department currently has three vehicles in service which they will sell upon arrival of the new vehicles.

The Village will pledge its State Law Enforcement Protection Funds as the revenue source for this loan. The Village receives an annual distribution of \$21,800. The above interest rate includes a 0.75%

credit margin. At closing, staff will review current market rates; if rates are lower than the 2% disadvantage rate, disadvantage pricing will not be used.

The Village is currently working on the FY 2014 audit. Per the trial Audit Policy, the Village has provided a letter of corrective action and an explanation addressing the FY14 late audit. The FY 2013 report received an unmodified opinion with fifteen findings none which were material weaknesses yet; five were significant deficiencies. Of the five significant deficiencies, one related to the Village and four addressed the Cimarron Housing Authority, which is now separate.

A discussion ensued on the Village's late submittal of audits and findings. Ms. Mindy Cahill, Clerk Administrator, noted the Village has hired an audit firm for the 2015 audit and clarified that the capital asset schedule referred to by DFA is the Housing Authority's.

Member Fulginiti moved, seconded by Member Ulibarri, for approval of Village of Cimarron Project 3325-PP. The motion passed 11 – 0.

- 23. Consideration and Recommendation for Approval of the Town of Edgewood (Santa Fe County) – Change of Scope Request – 3453-PP.** The Town of Edgewood (“Town”) requests a scope change for loan 3253-PP for \$237,210 to be applied to the completion of an animal shelter. The animal shelter has been partially funded through loan 3125-PP.

In December 2014, the Town entered into loan agreement 3253-PP with the NMFA to finance the costs associated with constructing administrative offices, a municipal court, a library, a multi-purpose meeting room and a separate Police Department. The original loan was \$2,696,483; the pledged revenue is State-Share Gross Receipts Tax with a minimum debt service coverage ratio of 6.82xs.

Inadvertently, the application and Board approval did not include the completion of the animal shelter. The Town's resolution did authorize the inclusion of the animal shelter with the above projects for loan 3253-PP. Presently there is an estimated balance of \$1,220,776 in loan 3253-PP to complete the projects, including the animal shelter.

A discussion ensued on the language in the legislative authorization for the project and whether the project scope change is beyond the authorization. Mr. Mark Chaiken confirmed that the legislative authorization allows the scope change. Secretary Clifford felt this is an important issue requiring tracking for IRS purposes.

Member Fulginiti moved, seconded by Member Jones, for approval of Town of Edgewood Change of Scope to Project 3453-PP. The motion passed 11 – 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.** Member Jackson reported on the November 10, 2015 Economic Development Committee meeting. In addition to reviewing the Private Lending Portfolio Report and the pipeline

report, the two members present considered the following items appearing on today's agenda under items 25 thru 28. Staff recommends approval.

Item # 25: Consideration and Recommendation for Approval of a six month extension on the Working Capital Line of Credit for Haciendas at Grace Village, LLC. Staff presented a request from Western Bank of Alamogordo to extend the Working Capital Line of Credit for Haciendas at Grace Village for an additional six months. This will give the Bank some additional time to consider extending the line of credit or seek alternatives for this financing.

Item # 26: Consideration and Recommendation of a Preliminary Approval of \$5,250,000 allocation of New Market Tax Credits to La Clinica de Familia. Staff presented a request to allocate \$5,250,000 of New Markets Tax Credits to La Clinica de Familia for renovating 43,000 sq. ft. facility housing dental, medical and behavioral health services in Las Cruces, NM.

Item # 27: Consideration and Authorization for Finance New Mexico to Enter into Qualified Equity Investments. Staff presented an Authorization request to enter into three Forward-Funded Qualified Equity Investments ("QEIs") with US Bancorp Community Development Corporation to allow staff to apply for additional NMTC Allocation and to comply with the 2010 Allocation Agreement. Staff recommends approval of the resolution to authorize Finance New Mexico to enter into three Forward-Funded QEIs as presented.

Item #28: Consideration and Recommendation to submit an Application to the Community Development Financial Institutions Fund for New Markets Tax Credit Allocation. Staff presented a request to authorize Finance New Mexico, LLC to submit an application to the Community Development Financial Institutions Fund ("CDFI") for additional NMTC Allocation.

25. Consideration and Recommendation for Approval of a six month extension on the Working Capital Line of Credit for Haciendas at Grace Village, LLC ("Haciendas") – 2874-CSP. Staff recommended the approval of the six month extension for \$200,000 Collateral Support for Haciendas at Grace Village, LLC's \$500,000 working capital line of credit.

The line of credit matures in December 2015 so the proposed six month extension pushes the maturity to June 2016. Given that the line of credit matures in December, action by the NMFA is required on the November agenda. NMFA has a 40% "pari passu" participation in the bank's loan.

There is high probability the bank will be re-structuring this line of credit during the next six months effectively "terminating out" most of it via a new SBA 7(a) loan to be secured by land adjacent to the project at which time NMFA's CSP participation will cease. The restructuring would be in recognition that the line has not revolved but would involve the bank maintaining a smaller line of credit to facilitate working capital needs of the borrower. The six month extension will allow time for arranging final details between the borrower and the bank. The bank is in the preliminary stages of review but the restructure appears to be the preferred approach.

In December 2012, the NMFA Board approved purchasing a 40% "pari passu" interest in an 11

month line of credit with Western Bank of Alamogordo to assist with the working capital needs of what was then a start-up company, Haciendas at Grace Village, LLC (“Haciendas”). Western Bank of Alamogordo approached NMFA to re-extend NMFA’s participation in the Line of Credit for 6 months, expiring in June 2016.

The line of credit has had a static balance, and nearly fully drawn, since October of 2014. NMFA discussed the non-revolving history of the line with the bank, which is why the bank proposed a six month renewal so the bank can formulate its plan to restructure the line of credit.

The collateral structure for this loan consists of land and the accounts receivable at Haciendas. A review of the collateral verifies sufficient coverage for the loan. The loan to value on vacant land does not exceed 70% and the discounted value of the Accounts Receivable is sufficient per policy.

Member Kopelman moved, seconded by Member Jackson, for approval of a six month extension on the Working Capital Line of Credit for Haciendas at Grace Village, LLC 2874-CSP. The motion passed 11 – 0.

- 26. Consideration and Recommendation for Preliminary Approval of New Markets Tax Credits to La Clinica de Familia – 0552-NMTC.** Staff recommends preliminary approval of the New Markets Tax Credits (“NMTC”) financing for La Clinica for La Clinica de Familia Subsidiary (“La Clinica”). Final approval is subject only to NMTC documentation acceptable to the Finance Authority.

Interest-only loans in the amount of \$5,092,500 made to a to be formed subsidiary of La Clinica at a blended interest rate now estimated at approximately 4.198% and minimum overall coverage of 11.60xs. The loans will be made by Finance New Mexico-Investor Series XVI, LLC with capital provided from qualified equity investment made by the FNM Investment Fund XVI, LLC 100% owned by US Bancorp Community Development Corporation, LLC (“USCDC”), and a loan of \$3,580,250 from Citizens Bank of Las Cruces with an interest rate now estimated at 4.90%. The Affiliate of Borrower lender will make advances to the Investment Fund to provide amortization to the bank with those advances creating a second loan to the Investment Fund.

La Clinica proposed to use the NMTC proceeds to renovate a 43,000 sq. ft. facility providing medical services for 13,125 patients. The facility will address the needs of a medically under-served community by providing timely and increased access to much needed healthcare services.

Member Curtis asked if the City’s nursing program was involved with this project. Ms. Martinez said they have been working very closely with that program, as well as the local hospitals.

A discussion ensued on La Clinica’s previous funding awards through the Behavior Health Care and the Primary Care Capital programs. Mr. Brooks noted this project qualifies under the NMTC program, as a federally non-qualified health care. Originally funded with \$5M in 1994, the Primary Care Capital Fund program balance is now \$100,000. The current balance in the Behavior Health Care fund is \$1.5M which is not sufficient to fund La Clinica’s project.

Secretary Clifford expressed concern that this project is not an economic development project and asked why these types of projects are seeking funding through the NMTC program. Mr. John Brooks stated the Finance New Mexico Board supported the project, noting the Local Economic Development Finance Act was used as the economic development threshold to qualify this project.

Member Kopelman moved, seconded by Member Curtis, for approval of New Market Tax Credits to La Clinica de Familia. The motion passed 11 – 0.

27. Consideration and Authorization for Finance New Mexico to Enter into Qualified Equity

Investments. Staff recommends that the New Mexico Finance Authority authorize FNM to enter into three Forward-Funded QEIs with US Bancorp Community Development for the following sub-CDEs: \$4,654,000 Forward-Funded QEI for Finance New Mexico-Investor Series XVII, LLC; \$5,250,000 Forward-Funded QEI for Finance New Mexico-Investor Series XVI, LLC; \$8,250,000 Forward-Funded QEI for Finance New Mexico-Investor Series XVIII, LLC

Staff presented an Authorization request to enter into three Forward-Funded Qualified Equity Investments (“QEIs”) with US Bancorp Community Development Corporation to allow staff to apply for additional NMTC Allocation and to comply with the 2010 Allocation Agreement. Staff recommends approval of the resolution to authorize Finance New Mexico to enter into three Forward-Funded QEIs.

In response to a question as to how the bank was selected, Ms. Russel said US Bank was the Finance Authority’s largest investor who was flexible in dealing with third-party lenders. They are the largest third-party investor in NMTCs and the Finance Authority has been doing business with them since 2008.

Member Jackson moved, seconded by Member Jones, to authorize Finance New Mexico to enter into the Qualified Equity Investments. The motion passed 11 – 0.

28. Consideration and Recommendation for Approval to submit an Application to the Community Development Financial Institutions Fund for New Markets Tax Credits Allocation. Staff requests adoption of the resolution authorizing Finance New Mexico to submit an application to the Community Development Financial Institutions Fund (“CDFI”) for additional New Markets Tax Credits (“NMTC”) allocation for \$100 million.

To date, NMFA, on behalf of Finance New Mexico, has authorized five applications to the CDFI and has been successful in securing three allocation awards totaling \$201 million.

On October 21, 2015, the CDFI announced the terms of its 2015 Allocation Round of the NMTC Program with applications due on December 15 at 5 pm ET. Based on the Notice of Allocation Availability (“NOAA”), the maximum amount of allocation available on October 21, 2015, the CDFI announced the terms of its 2015 Allocation Round of the NMTC Program with applications due on December 16 at 5pm ET. Based on the NOAA, the maximum amount of allocation available to any single CDE will be \$125 million. In addition to the application process being highly competitive, it is also a lengthy process. It is unlikely that allocation from the application would be available until late

spring/early summer of 2016 subject to Congressional authorization.

Given the demand for the program statewide, and the successes achieved with the program to date, staff recommends that the Board authorize the submission for additional allocation. As discussed previously in the Economic Development Committee meeting, Finance New Mexico must be authorized to enter into the three Forward Funding QEIs using the remainder of the 2010 allocation and 30% of the 2014 allocation in order to proceed.

Member Jackson moved, seconded by Member Jones, to authorizing staff to submit an application to the Community Development Financial Institutions Fund for NMTC allocation. The motion passed 11 – 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.*

- 29. Update on Activities.** Ms. Emily Oster reported the Audit Committee met on October 29th, 2015 for the external audit exit conference. The Audit Committee also met November 17th, 2015 for the regular November meeting.

The FY15 audited financial statements were submitted to the State Auditor's Office on November 13, 2015. Upon release of the audited financial statements by the State Auditor's Office, REDW will make an informational presentation to the full Board. This is tentatively planned for the January Board meeting.

The November 17 meeting included a presentation from the internal auditors RSM US, LLP, presentation and acceptance of the financial statements for period ending October 31, 2015, a discussion of the Findings Status Matrix/Dashboard, an update on NMFA's FY15 external audit and a discussion of the Authority's net position, and new business which included an update of activities. Management presented the October financial statements to the Committee which were approved and accepted.

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

Secretary Clifford referred to the grant revenue expenses, which were down significantly, and asked Mr. Brannon for an update. Mr. Brannon said this was primarily within the Drinking Water Program due to the large drawdowns last year. They are currently at a normal level in terms of drawdowns.

A discussion ensued on the Water Trust Board's grants revenue.

Member Fulginiti moved, seconded by Member Clifford, to accept the Financial Report for the period ending October 31, 2015. The motion passed 11 - 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*

31. Update on Activities. Mr. Dan Opperman presented the Contracts Committee report for the meeting held on November 17, 2015. Staff presented the following items:

- ◆ Consideration for Approval to issue a Request for Fee Quotations & Firm Qualifications for \$284,800,000 of Direct Pay Letter of Credit Facilities or Direct Purchase of Indexed Notes pertaining to the New Mexico Department of Transportation Refunding Revenue Bonds (Subordinate Lien). The Contracts Committee unanimously approved the issuance of the RFQ.
- ◆ Consideration for Approval to issue a Request for Proposals for Placement Agents/Underwriters for Issuance of \$284,800,000 in Adjustable Rate State Transportation Refunding Revenue Bonds (Subordinate Lien) Series 2016A-1, 2016A-2 and 2016A-3 to Replace the 2011A-1, 2011A-2 and 2011A-3 State Transportation Revenue Refunding Indexed Notes (Subordinate Lien). The Contracts Committee unanimously approved contingent issuance of the RFP.
- ◆ Consideration for Approval of Six-Month Extension with Baker Tilley Virchow Krause, LLP for New Markets Tax Credits Program Financial Advisor Services. The Contracts Committee unanimously approved the six-month extension.
- ◆ Consideration for Approval of Amendment to the MOU for Technical Assistance Review and Other Necessary Services for Administration of the Water Project Fund with the New Mexico Environment Department (Construction Programs Bureau) to increase the compensation by \$150,000. The Contracts Committee unanimously approved the amendment.

32. Consideration and Acceptance of the Contracts Committee Report.

Secretary Clifford stated it was his view that the decision to approve contracts should require full Board approval. Mr. Opperman noted the Contracts Committee approval process is following the Board's currently adopted policies.

Chair McDermott asked staff to bring the policies before the Board for further discussion. He would also like to see a comparison of policies from other organizations.

Member Curtis moved, seconded by Member Vonderheide, for approval of the Contracts Committee report. The motion passed 11 – 0.

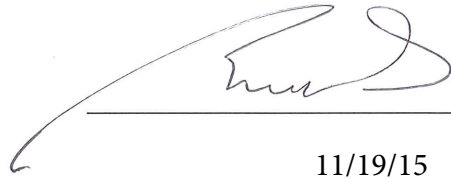
Other Items

33. Next Board Meeting

Thursday, December 17, 2015 – 9:00 a.m.
State Capitol – Room 322
Santa Fe, NM

34. Adjournment

The meeting adjourned at 12:37 p.m.



Secretary

11/19/15

Date