

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

**Minutes of Board Meeting
January 28, 2016
Apodaca Hall – PERA Building
Santa Fe, New Mexico**

Present:

John McDermott, Chair	McDermott Advisory Services, LLC
Katherine Ulibarri, Treasurer	V/P for Finance/Operations, Central NMCC
Blake Curtis (<i>telephonically</i>)	CEO, Curtis & Curtis, Inc.
Michael Vonderheide	Secretary Designee, NM Environment Dept.
Stephanie Schardin Clarke	Secretary Designee, Dept. of Finance & Administration
Santiago Chavez	Designee, Executive Director, NMAC
Tony Delfin	Secretary Designee, NM Energy & Minerals
Wade Jackson	Secretary Designee, Economic Development Dept.

Absent:

Terry White	Sunwest Trust Inc.
William Fulginiti, Vice Chair	Executive Director, NMML

Finance Authority Staff:

Bryan Otero	Carmela Manzari
Connie Marquez-Valencia	Dan Opperman
Donna Maestas	Frank Ibarra
John Brooks	Leslie Medina
Maria Gallardo	Mark Chaiken
Mark Lovato	Michael Zavelle
Marquita Russel	Robert Brannon
Robert Coalter (<i>telephonically</i>)	Vince Lithgow
Yolanda Valenzuela	Zach Dillenback
Zachary Thomas	

Guests:

Brandon Howe	Northwest Council of Governments
Charles Peck	Morgan Stanley
Chip Pierce	Western Financial Group
Craig Dussinger	Bank of America Merrill Lynch
Danielle Bradford	Piper Jaffray
Deborah B. Anderson	McCurdy Charter
Diana Loomis	McCurdy Ministries

Emily Oster	NM DFA
Evan Williams	Northwest Council of Governments
Frank Madrid	City of Lordsburg
Helen C. Atkeson	Hogan Lovells US LLP
Jacob Carlton	Ballard Spahr
Jeannie Palacios	City of Lordsburg
Jennifer Trujillo	Silver City
Jill Sweeney	Sherman & Howard
Leo V. Valdez	HSE
Matt Schaefer	BBVA Compass
Nancy O'Bryan	McCurdy Charter
Paul Cassidy	RBC Capital Markets
Prescilla Lucero	Southwest New Mexico Council of Governments
Richard Weiss	Morgan Stanley
Suzanne Bruckner	Sutin, Thayer & Browne
Susen Ellis	Bank of Albuquerque
Tim Kelley	Piper Jaffray
Tracy Hofmann	Sutin, Thayer & Browne

1. Call to Order and Roll Call.

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

2. Approval of Agenda.

Member Ulibarri moved, seconded by Member Clarke, for approval of the agenda. The motion passed 7 - 0.

3. Approval of the December 17, 2015 Board Minutes.

Member Ulibarri moved, seconded by Member Clarke, for approval of the December 17, 2015 minutes. The motion passed 7 - 0.

4. Report from Chief Executive Officer.

Mr. Robert Coalter reported on the following:

Update on 2016 NMFA legislative bills:

Chair McDermott inquired on the status of the delegation bill. Mr. Coalter said that the delegation bill has been heard and is moving along. Mr. Coalter noted that Mr. Martinez is monitoring the bill and will provide regular updates that will be passed on to the full Board.

Member Chavez offered to provide support during the legislative session particularly to the bills most critical to the NMFA.

IT system update

Mr. Floyd Trujillo provided an update on the Bond Banking/Loan Management System Project and the project's current timeline.

At the request of Member Clarke, Mr. Coalter provided a status update on the compliance officer position.

5. **Consideration and Recommendation for Approval of Senior Lien PPRF Revenue Bonds, Series 2016A, Bid Acceptance and Sale Resolution, Final Official Statement, Eighty-Ninth Supplemental Indenture, and Related Documents.** Staff requested approval of Bid Acceptance and Sale Resolution for the Finance Senior Lien Public Project Revolving Fund Revenue Bonds.

Ms. Jill Sweeney, Sherman & Howard, explained that the Series 2016A Bonds are being issued and sold by the Finance Authority in an amount to be determined, but not to exceed \$60,000,000, all as authorized by the Board in the Authorizing/Notice of Sale Resolution pursuant to a competitive sale.

The proceeds of the Series 2016A Bonds will be used to reimburse the Finance Authority for moneys used to originate Loans to and purchase Securities from Series 2016A Government Units, which were or will be used to finance or refinance certain Projects, some of which Loans or Securities will result in the current refunding of the Finance Authority's outstanding Series 2004A Cigarette Tax Bonds and the current refunding of its outstanding Series 2005 Cigarette Tax Bonds, the current refunding of its outstanding Subordinate Lien Series 2005E Bonds and (b) to reimburse the Finance Authority for and to finance Costs of Issuance of the Series 2016A Bonds as authorized under the NMFA Act and the Indenture.

Member Clarke referred to page 8 of the bond pricing and asked why the discount price was less than 100 for the 2028 maturity year. Mr. Chip Pierce, Western Financial Group, said that the winning bidder most likely had a buyer for that year at a discount.

Member Clarke moved, seconded by Member Ulibarri, to approve the Bid Acceptance Resolution. The motion passed 7 - 0.

The Board then considered the approval of the Sales Resolution for the Senior Lien Bonds. Jill Sweeney presented the Sales Resolution and explained that the sale was within the established parameters.

Member Chavez moved, seconded by Member Ulibarri, for approval of the Sales Resolution. The motion passed 7 - 0.

The Board then considered the approval of the Cigarette Tax Sales Resolution which is connected to the Senior Lien 2016A Bonds. Ms. Suzanne Bruckner presented the resolution and explained that the sale was within the established parameters.

Member Ulibarri moved, seconded by Member Chavez, for approval of the Cigarette Tax Sales Resolution. The motion passed 7 - 0.

Chair McDermott asked Counsel to summarize the sequence of approved items.

Jill Sweeney explained that the approved items were the Bid Resolution, the Sales Resolution, and the underlining Sales Resolution for the Cigarette Tax Sales for the Senior Lien 2016A Bonds.

To clarify the approved items and at the request of Chair McDermott, Mr. Dan Opperman asked the Board to entertain a motion to re-approve the resolution approving the refunding of the UNM Cigarette Tax Bonds that are part of the 2016A bond sale.

Member Clarke moved, seconded by Member Chavez, for approval of the motion to re-approve the resolution approving the refunding of the UNM Cigarette Tax Bonds that are part of the 2016A bond sale. The motion passed 7 – 0.

- 6. Consideration and Recommendation for Approval of Subordinate Lien PPRF Revenue Bonds, Series 2016B, Bid Acceptance and Sale Resolution, Final Official Statement, Thirteenth Supplemental Indenture, and Related Documents.** Staff requested approval of the Sale Resolution and related documents for the Finance Authority's Series 2016B Bonds.

Ms. Jill Sweeney, Sherman & Howard, explained that the Series 2016B Bonds are being issued and sold by the Finance Authority in an amount to be determined, but not to exceed \$11,000,000, all as authorized by the Board in the Authorizing / Notice of Sale Resolution sold pursuant to a competitive sale.

The proceeds of the Series 2016B Bonds will be used to reimburse the Finance Authority for moneys used to originate Loans to and purchase Securities from Series 2016B Governmental Units, which were or will be used to finance or refinance certain Projects and to reimburse the Finance Authority for and to finance Costs of Issuance of the Series 2016B Bonds as authorized under the NMFA Act and the Indenture.

Member Chavez moved, seconded by Member Ulibarri, to approve the Bid Resolution. The motion passed 7 – 0.

The Board then considered the approval of the Sales Resolution for the Subordinate Lien Bonds. Jill Sweeney presented the Sales Resolution and explained that the sale was within the established parameters.

Member Clarke moved, seconded by Member Chavez, to approve the Sales Resolution. The motion passed 7 – 0.

Member Wade Jackson joined the meeting at 10:12 a.m.

- 7. Report from Finance & Loan Committee.** (Committee members are William Fulginiti, Chair; Secretary Tom Clifford; Ms. Katherine Ulibarri; and Mr. Steve Kopelman.)

Member Ulibarri reported on the Finance & Loan Committee meeting of January 20, 2016. Mr. Zach Dillenback read the consent agenda items into the record, as follows:

8. Consideration and Recommendation for Approval of Dora Consolidated School District (Roosevelt County) – Ed Tech Equipment – 3437-PP. The Dora Consolidated School District (“District”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$150,000 to purchase Education Technology Equipment and to pay for related cost of issuance (\$33,000).

The District will be pledging ad valorem property tax for this loan. The assessed valuation for 2015 was \$33,273,456 of which 6% or \$1,996,407 is the allowable assessed valuation. The outstanding indebtedness for the District is \$1,500,000. Adding this request would result in assessed valuation utilization of 82.65% with remaining capacity at \$346,407.

The District will enter into a lease-purchase agreement with the Finance Authority secured by ad valorem taxes with the Finance Authority taking title to the equipment for the length of the agreement as a security interest. The District will maintain all the responsibilities of ownership.

The District qualifies as a disadvantaged entity with its Median Household Income (MHI) of \$34,125, which is 75.96% of the State's MHI. The loan amount received 0% disadvantaged funding.

The District received an unmodified opinion on its FY2015 audit. The audit had 11 findings all identified as significant deficiencies, three were repeated and modified with staff observing eight current year findings. The District provided a corrective action plan.

9. Consideration and Recommendation for Approval of Grant County – Road Improvements – 3440-PP. Grant County (“County”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$115,513 to purchase construction materials for a road improvement project.

The residents of the Loma Verde Subdivision submitted a request to the County to create a Special Assessment District (“SAD”) to perform road improvements within the subdivision. The County is purchasing materials for the work which the Grant County Road Department will complete thus utilizing in-house equipment and labor.

Grant County is pledging both the District's Special Assessment payments and the third increment of the Local Option GRT. On the GRT pledge, staff completed a five year analysis of the Taxation and Revenue RP-500 Data, and used the FY 2015 data to determine debt service coverage. Staff did not consider the SAD annual payments in the debt coverage as there is over 37xs coverage with the GRT pledge.

The County has a median household income (“MHI”) of \$37,899, which is approximately 84.36% of the State’s MHI. Therefore, the County qualifies as a disadvantaged entity and is eligible to receive up to \$500,000 at a 2% interest rate. At the time of closing, staff will determine the amount of disadvantaged funding most beneficial to the County. The County will contribute \$92,098 toward the project.

The County is current with its audit and financial reporting. The FY 2015 Audit received an unmodified opinion with six findings, three which are non-compliance matters related to the County, and three

related to their component unit, Gila Regional Medical Center.

- 10. Consideration and Recommendation for Approval of Otero County (Dungan VFD) – Fire Equipment – 3439-PP.** Otero County (“County”), on behalf of Dungan VFD, applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$40,303 to purchase and equip a new 2,000 gallon fire pumper truck replacing existing 1987 truck that has become too costly to maintain. The new vehicle will have a larger tank and double the pumping capacity which may increase the department's ISO at the next inspection.

The County will pledge its State Fire Protection Funds as the revenue source for this loan. The Dungan VFD has an ISO class rating of 6, with one main station, and receives an annual base distribution of \$58,584. Considered disadvantaged, the Dungan VFD received \$34,303 of the loan amount at a 2% interest rate. The market rate includes a 0.75% credit margin. At the time of closing, staff will determine the amount of disadvantaged funding most beneficial to the County.

The County is current with its Audits and financial reporting. The FY 2015 Audit received an unmodified opinion with two findings, one material weakness, and one significant deficiency. The material weakness was due to the County not including items on the accounts payable and receivable list at the end of the year, caused by a new software conversion. The County is working with the software vendor to set up the accounts receivable module properly. The County provided a corrective action plan for the audit findings.

- 11. Consideration and Recommendation for Approval of Guadalupe County – Vehicles – 3447-PP.** Guadalupe County (“County”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$64,714 to purchase and equip two 2015 4x4 police units for the police department replacing older units.

The County will pledge its State Law Enforcement Protection Funds as the revenue source for this loan. The County receives an annual distribution of \$22,400. The County qualifies as a disadvantaged entity with its Median Household Income (“MHI”) of \$29,071, which is 64.71% of the State's MHI. The loan amount received 0% disadvantaged funding.

The County is current with its audits and financial reporting. The FY2014 report received an unmodified opinion with one finding which is neither a material weakness nor significant deficiency. The County submitted the FY2015 audit to the State Auditor on November 2 and is under review.

- 12. Consideration and Recommendation for Approval of the City of Deming (Luna County) – Comprehensive Plan – 3441-PG.** The City of Deming (“City”) applied for Local Government Planning Fund (“LGPF”) financing for \$25,000 to update the City's Comprehensive Plan.

The City has a median household income (“MHI”) that is 59.65% of the State average qualifying the City for 50% of the requested grant funds up to \$25,000. The City will provide the match amount needed to complete the report.

13. Consideration and Recommendation for Approval of McKinley County – Economic Development Feasibility Study -3443-PG. McKinley County (“County”) applied for Local Government Planning Fund (“LGPF”) financing for \$50,000 for an Economic Development Feasibility Study in the greater Thoreau area.

The County has a median household income (“MHI”) that is 67.79% of the State average, which qualifies the County for 50% of its requested grant funds up to \$25,000. The Median Earnings Income of the County is 68.85% of the State average which qualifies them for an additional 25% or \$12,500. The County is also eligible to receive another 25% or \$12,500 based on jobs availability and employed persons in the County (88%) as compared to the State average making the County eligible for a total grant award up to \$50,000.

14. Consideration and Recommendation for Approval of Village of Milan (Cibola County) – Preliminary Engineering Report (“PER”) - 3444-PG. The Village of Milan (“Village”) applied for Local Government Planning Fund (“LGPF”) financing for \$37,500 for a Preliminary Engineering Report (“PER”).

The Village has a median household income (“MHI”) that is 86.31% of the State average, which qualifies the Village for 25% or \$12,500 of its requested grant funds. The local burden ratio is 1.83xs comparative to the State wastewater rate burden, which qualifies the Village for an additional 50% or \$25,000 of the requested grant funds for a combined 75% of the plan cost up to \$37,500.

Member Ulibarri moved, seconded by Member Chavez, for approval of Consent Agenda items 8 – 14. The motion passed 8 – 0.

15. Consideration and Recommendation for Approval of the General Services Department (Santa Fe County) – Refunding – 3445-PP. The General Services Department (“GSD”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$42,885,000 to refund the Series 2003 and Series 2006A&B State Building Bonds

The Series 2003 and Series 2006A&B State Building Bonds are eligible for redemption June 1, 2016. Based on the current market, NMFA staff anticipates sufficient savings to warrant refunding the bonds. Representatives from the General Services Department, the Department of Finance & Administration, and the Legislative Finance Committee have met with NMFA staff and agreed that NMFA should refund the State Building Bonds with the expectation that savings to be achieved will be redirected to fund capital projects identified during the 2016 legislative session.

The State Building Bond Act (the “Act”), originally authorized by the 2002 Legislature, was enacted as a tool to purchase, construct, and renovate buildings in Santa Fe, Albuquerque, and Las Cruces for State use.

The Act authorizes NMFA to issue the State Building Bonds on behalf of the General Services Department (GSD) not to exceed \$115 million in bonds outstanding at any one time. State Building Bonds are secured and repaid by a fixed distribution of State Gross Receipts Tax that NMFA receives on

a monthly basis.

The Series 2003 Bonds were issued for \$5,760,000 for improving Department of Cultural Affairs' museums and monuments. Refunding the Series 2003 Bonds results in a par issuance of \$2,807,964 and will achieve \$322,219 in savings through the 2023 maturity (11.475% NPV savings), a savings of approximately \$48,000 per year. Due to the size of this loan and having already been attached to PPRF, bonds that have been paid off, the underlying refunding bonds will be a stand-alone PPRF cash loan. The debt service schedule enclosed will be the final schedule if approved by the Board.

The Series 2006A Bonds were issued in the amount of \$23,190,000 to purchase the PERA building. The Series 2006B Bonds were issued in the amount of \$29,175,000 to advance refund the Series 2002A State Building Bonds (National Education Building on South Capitol, West Capitol Complex, and land purchase). Refunding the Series 2006A&B Bonds result in a par issuance not to exceed \$42,885,000 and are expected to achieve over \$8,400,000 in savings through the 2036 maturity (~19.59% NPV savings), a savings of over \$500,000 per year. The funding and pricing of these refunding bonds will be done in conjunction with the sale of the Series 2016C Senior PPRF Bonds expected in March.

Member Ulibarri moved, seconded by Member Chavez, for approval of General Services Department Project 3445-PP. The motion passed 8 – 0.

16. Consideration and Recommendation for Approval of the General Services Department (Santa Fe County) – Refunding – 3446-PP. The General Services Department (“GSD”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$2,821,369 to refund the Series 2003 and Series 2006A&B State Building Bonds

The Series 2003 and Series 2006A&B State Building Bonds are eligible for redemption June 1, 2016. Based on the current market, NMFA staff anticipates sufficient savings to warrant refunding the bonds. Representatives from the General Services Department, the Department of Finance & Administration, and the Legislative Finance Committee have met with NMFA staff and agreed that NMFA should refund the State Building Bonds with the expectation that savings to be achieved will be redirected to fund capital projects identified during the 2016 legislative session.

The Series 2003 Bonds were issued in the amount of \$5,760,000 for improving Department of Cultural Affairs' museums and monuments. Refunding the Series 2003 Bonds results in a par issuance of \$2,807,964 and will achieve \$322,219 in savings through the 2023 maturity (11.475% NPV savings), a savings of approximately \$48,000 per year. Due to the size of this loan and having already been attached to PPRF, bonds that have been paid off, the underlying refunding bonds will be a stand-alone PPRF cash loan. The debt service schedule enclosed will be the final schedule if approved by the Board.

The Series 2006A Bonds were issued in the amount of \$23,190,000 to purchase the PERA building. The Series 2006B Bonds were issued in the amount of \$29,175,000 to advance refund the Series 2002A State Building Bonds (National Education Building on South Capitol, West Capitol Complex, and land purchase). Refunding the Series 2006A&B Bonds result in a par issuance not to exceed \$42,885,000 and are expected to achieve over \$8,400,000 in savings through the 2036 maturity (~19.59% NPV savings), a

savings of over \$500,000 per year. The funding and pricing of these refunding bonds will be done in conjunction with the sale of the Series 2016C Senior PPRF Bonds expected in March.

Member Ulibarri moved, seconded by Member Clarke, for approval of the General Services Department Project 3446-PP. The motion passed 8 – 0.

17. Consideration and Recommendation for Approval of the City of Lordsburg (Hidalgo County) – Infrastructure – 3442-PP. The City of Lordsburg (“City”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$851,722 to finance the costs associated with an infrastructure project.

The City will replace water, sewer, and gas lines located within the right of way on Union Pacific Railroad property. The Railroad is constructing additional tracks within the Lordsburg rail yard. The new tracks will be constructed directly over the existing parallel water main, therefore maintenance would be impossible. The water pipes need to be relocated. Some of the new tracks will be constructed at lower elevations than the existing tracks, which will result in less burial depth of the gas and sewer lines than required by the agreement between the City and the Railroad. These pipes need to be relocated, encased in steel, and buried at the proper depth and distance from the new tracks. The replacement and relocation of the utility lines is a health and safety concern for the community.

The City is a disadvantaged entity which qualifies them for \$500,000 of the loan amount at a 0% interest rate. The City will pledge the net system revenues of the Joint Utility Fund as security and repayment for this loan. Staff completed a four year analysis, and used the FY 2015 data to determine debt service coverage. The market rate portion of the loan includes a 0.75% credit margin.

The FY 2015 audit received an unmodified opinion with four findings, two attributed to the City, and two to the housing authority. Of the primary government findings, there is one material weakness and one new significant deficiency. The City submitted a corrective action plan for the findings.

Based on DFA comments and prior year audit findings, staff recommends placing ACH agreements on all the City's NMFA joint utility loans, and further, that the City provide NMFA with annual project expenditure reports and asset certifications. The City will also implement a water rate increase in May 2016 which will increase the coverage ratio.

In attendance was Ms. Lucero, Executive Director of the Southwest Council of Governments, Ms. Palacio, City Clerk, and Mr. Madrid, Public Works Director.

A discussion ensued on the ACH agreement that was listed as a conditional requirement.

At the request of Chair McDermott, Ms. Lucero explained how the Southwest Council of Governments provides technical assistance to the entities within her region.

Member Ulibarri moved, seconded by Member Chavez, for approval of City of Lordsburg Project 3442-PP. The motion passed 8 – 0.

- 18. Consideration and Recommendation for Approval of Grant County (Santa Rita VFD) – Fire Station. – 3438-PP.** Grant County (“County”), on behalf of the Santa Rita VFD, applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$516,303 to plan, design, and construct a new fire station.

The station will alleviate concerns with response times for San Lorenzo, Fierro, Santa Rita, and surrounding unincorporated areas. The station will house four trucks, a training room, office space, equipment storage, and restrooms.

The County will pledge State Fire Protection Funds as the revenue source for this loan. The Santa Rita VFD has an ISO class rating of 7, with one main station, and receives an annual base distribution of \$55,501. This Fire Department is considered disadvantaged qualifying the County for 0% interest on \$500,000 of the loan amount. The market rate includes a 0.75% credit margin.

The County is current with its audit and financial reporting. The FY 2015 Audit received an unmodified opinion with six findings, three being noncompliance matters related to the County, and three related to their component unit, Gila Regional Medical Center.

Member Ulibarri moved, seconded by Member Chavez, for approval of Grant County Project 3438-PP. The motion passed 8 – 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; and Mr. Blake Curtis*

- 19. Update on Activities.**

Member Jackson reported on the Economic Development Committee meeting of January 21, 2016. In addition to reviewing the Private Lending Portfolio Report and the pipeline report, the members considered the item that follows on today’s agenda under item 20.

Staff re-evaluated seven applications that were part of the round 20. Each applicant submitted additional information for review by the Ranking Committee. Of the seven, none met policy requirements of at least 60 points and at least a moderate readiness. The re-ranking was presented to the Finance New Mexico, LLC Advisory Board which concurred with staff’s recommendation on the results of the re-ranking. The Committee considered the recommendation of the Advisory Board and agreed with the results of the Review Committee. Staff recommends not prioritizing any from this re-evaluation of the remaining seven projects from round 20.

20. Consideration on Re-ranking of Round 20 New Markets Tax Credits Applications. Approval of prioritization for Round 20 of New Markets Tax Credits (“NMTC”) applications. Staff recommends not prioritizing any additional projects as part of the Application Round 20 re-ranking process.

From September 25 through October 25, the NMFA accepted applications for Round 20 of competitive applications for the unused NMTC allocation from Finance New Mexico’s 2010 allocation totaling approximately \$4.6 million, and the 2014 Allocation awarded in June 2015 for \$45 million.

NMFA received ten complete applications, nine of which are located in qualified census tracts and were scored by the Review Team and are presented for prioritization. Six of the applicants qualify as urban applications and three applicants qualify as rural applications. Pursuant to policy, to be prioritized on the on the NMTC priority list, applications must receive an average minimum score of at least 60 points and must be determined to have at least “Moderate” readiness. Two of the nine applications received scores of at least 60 points and a clear “Moderate or High” readiness determination which allows them to move forward in the application process.

On December 7, 2015, the FNM Advisory Board met to review staff’s recommendations for the Round 20 prioritizations. The NMTC review team recommended that Delta New Mexico Investors and Taos New Mexico Senior Living projects be placed on the priority list as numbers one and two, respectively, as these were the only two projects to meet the NMFA policy requirements of at least 60 points and at least a moderate readiness determination. However, the FNM Advisory Board expressed a strong desire to see the top four projects included on the priority list noting that the projects were ready to proceed and that very few points separated the top four projects. Ultimately, the FNM Advisory Board voted unanimously to recommend the top four projects stating that Finance New Mexico had sufficient allocation to include them and that the four projects would have positive impacts for their communities. Additionally, the FNM Advisory Board expressed concern that few projects were able to reach the 60 point threshold and recommended a review of the application and its procedures to ensure that the policies are achieving the goals of the program, particularly as it relates to secondary and construction jobs.

At the Economic Development Committee held on December 10, 2015, staff presented the FNM Advisory Board’s prioritization recommendations on the Round 20. The Economic Development Committee expressed concerns about adding additional projects because the review team had noted questions about the financial viability of the additional two projects. The Committee determined three of the four projects recommended by the FNM Advisory Board should move forward and the remaining projects should be encouraged to reapply after staff had an opportunity to review in depth the concerns of the review team.

On December 17, 2015, the NMFA Board of Directors reviewed the Round 20 prioritizations that were presented by staff which recommended accepting the 2 projects that met the criteria and re-ranking the remaining 7 projects. The Board’s concerns were to ensure that this process was fair and each applicant be treated equally during this re-ranking process. To give each applicant equal opportunity in the re-ranking process, staff conducted due diligence calls and allowed each applicant

the ability to submit additional information to support their original application. The ranking group evaluated the notes from the due diligence calls along with the supplemental information that was submitted by each applicant. The results of the re-ranking are listed below. Staff will continue working with those projects willing to submit another application.

At the request of Chair McDermott, staff outlined the details why the two projects were not recommended to move forward.

Ms. Diana Lunas, McCurdy Ministries Director of Development, and Ms. Debra Bennett, Chairperson of McCurdy Charter School Board of Directors was present on behalf of the school. Ms. Bennett said McCurdy Charter School is in the process of implementing a 5 year renewal; however, they are required to have a building which must satisfy the PED requirements of meeting the weighed NM Condition Index. Unfortunately, the campus buildings do not meet the requirements. Ms. Bennett felt sufficient information was provided to qualify for the funding and if the school does not receive funding, it will close.

Ms. Lunas said the school has made a difference in the Espanola Valley with a 100% graduation rate; those graduates have gone on to be successful professionals. Also, 87% of last year's graduates went on to college. Ms. Lunas provided the Board with statistics of student's success compared to the local public schools. She noted that McCurdy Ministries is donating 6.5 acres of land, two buildings, and a \$4 million cash infusion.

Chair McDermott asked if the marginal factor in getting over the threshold is primarily non-economic impact in the community. Mr. Brooks said the determining factor with this project was the lack of job creation. The jobs being created within the facility is the boundary in which the job creation is defined.

Ms. Lunas and Ms. Bennett continued to provide information of the services provided to the students and the community.

Member Ulibarri asked where the job creation criteria was defined and what flexibility does the Board have to modify the definition. Ms. Russel said that the definition for job creation is in the NMFA Economic Impact Policy.

At the request of Member Chavez, Mr. Zach Dillenback provided a brief history on charter school financing through the PPRF Program. Mr. Brooks also noted that a charter school loan was financed through the Smart Money Program.

A discussion ensued on the lending institution for this project. Ms. Lunas advised the Board that the school is chartered directly by the Public Education Department (PED). When McCurdy Ministries, a non-profit, was asked to assist with the application, they referred to PED. This put them at an economic disadvantage since they do not have a district to issue bonds, making the NMTC funding critical to the project.

Chairman McDermott noted the challenges of state charter financing, the policies that determine the economic development impact, and the prospect of negative economic development. He continued that this was a complicated matter and, in his opinion, is not ready for a decision.

The Board discussed the scoring of the project, specifically job retention, the discrepancy between the reviewers, and the jobs being retained by the ministry. Ms. Russel said the properties owned by the Ministry and leased to the school was what caused confusion about how the NMTC financing for the school would add or retain jobs for the ministry. This caused a difference of opinion by the reviewers to give points for the ministry jobs since the primary purpose of the financing was based almost solely on the school. Ms. Russel also noted a difference of opinion by the reviewers whether to include donations to the ministry as economic-based revenues.

Ms. Russel also noted that the Finance New Mexico Advisory Board requested an analysis of the scores. Staff will provide them with the information, as well as to the Economic Development Committee, and will review the policies to possibly add more concrete matrix with those areas.

Ms. Bennett said the school was required to be in a building by 2017 and if the pending analysis to revise the policy takes 6 months, it would cause the school a hardship.

Member Jackson commented on the reviewer's scoring process and the low scores for this project. He felt there may be room to work with the scoring or categories by reconsidering the guidelines of the policy. Member Jackson also said it is impossible to provide assistance for every project. He felt revisions to the policy should be done to correct criteria that would help the process and not simply to have this project approved.

Chair McDermott proposed postponing a decision until the scoring process is reviewed. His concern was whether this process was serving correctly, specifically the averaging, which can be a problem with any multiple scoring systems. Also, he would like to take into consideration the self-imposed criteria on job creation. Chair McDermott would like to reach out to anyone that can add value to this so the Board can be responsive to the needs of McCurdy Charter School.

Member Clarke moved to table this until the February meeting, directing staff and the Economic Development Committee to follow the Chair's directive regarding further research and updates to the analysis. Member Ulibarri seconded and stated this is an issue of understanding, adding that the policies were created in a different economic time, while noting that the State as a whole has some serious economic concerns. Member Ulibarri said she would like to be reassured that the policies are consistent with the current economic environment. The motion passed 7 – 1 with Member Jackson voting against.

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

21. Update on Activities. Ms. Emily Oster reported the Audit Committee met on January 25, 2016.

The agenda included a presentation from RSM on the status of the internal audit, a presentation from Miller Stratvert on the updated Code of Conduct, the presentation and acceptance of the financial statements for the period ending December 31st, 2015, and new business/update of activities.

- ◆ Internal Audit: Mr. Dharmesh Choksey and Mr. Ken Viggers of RSM attended the meeting and presented to the Committee. Topics included updates pertaining to two internal audits currently underway; Audit #1 EnABLE Implementation Review and Audit #2 Organization Structure Audit.

The Committee reviewed the draft report in detail and a meaningful discussion occurred. An updated draft, including Management Responses to the draft proposed findings, will be presented to NMFA management and the Committee for review at the February meeting;

- ◆ Updated Code of Conduct: Ms. Paula Maynes, Miller Stratvert, presented and briefly updated the Committee on the Code of Conduct and stated that the document constitutes an appropriate mechanism for individuals to report suspected fraudulent activities, allegations of corruption, or breaches of internal control and addresses record-keeping as required by the Audit Committee Charter. The Code of Conduct is a management document so the Committee did not take formal action to accept it or refer it to the full Board for review.
- ◆ Management briefly presented the December financial statements to the Committee. The Committee discussed the statements and each member indicated that they had reviewed the statements independently and did not have any questions or concerns.

In response to Member Chavez's comment regarding the internal auditor, Ms. Oster said the internal auditor's presence at the Audit Committee meeting was appreciated and would like to see as much on-site presence as possible. Ms. Oster assured the Board that the Audit Committee is committed to making the internal audit function valuable to the NMFA.

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

Member Chavez moved, seconded by Member Ulibarri, to accept the Financial Report for the period ending December 31, 2015. The motion passed 8 - 0.

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

23. Update on Activities. Mr. Mark Lovato reported on the Investment Committee meeting held on January 19, 2016.

Report Summary:

- ◆ Total Invested Funds Report:
 - Total invested funds as of December 31, 2015 were \$558 million of which \$454.5 million is NMFA funds and \$103.5 million is NMDOT funds. This compared to total fund invested at this time last year of \$518.6 million. Weighted Average yield in all funds invested at the Authority at month end was .47% compared to .29% this time last year.
- ◆ NMFA Portfolio Performance:
 - The NMFA portfolio was .56% compared to the weighted average yield of the benchmarks at .44% as of December 31, 2015. The weighted average duration in the portfolio was .927 vs. the weighted average duration of the benchmarks at .579.
 - Currently there is 16% of the portfolio in Money Market Mutual funds, and 83% in Fixed Income Securities (2% US Agencies and 81% US Treasuries).
 - Total net income on NMFA invested Funds for the month of December was \$210,093 compared to \$123,610 in December last year
 - Total net income on all NMFA invested funds for FY 2016 (six months in) was \$1,108,948 compared to \$597,122 this time last year.

24. Consideration and Acceptance of the Investment Report for the Period Ending December 31, 2015. Staff requested acceptance of the Investment Report.

Referring to the short benchmark, Member Clarke asked if it was staff's intention to have a short benchmark and always exceed the duration because of cash flow timing. Mr. Lovato said the benchmark is simply a guide and that the cash flow directs the portfolio. Also, the current market is influencing the NMFA to keep them short at this point. Mr. Lovato noted that the Investment Committee frequently reviews the cash flows and makes adjustments accordingly.

Discussion ensued on the Investment Committee's practice of reviewing yields, cash flows, and benchmarks. Member Clarke suggested that staff and the Investment Committee review the current benchmarks in the near future. Chair McDermott felt the Investment Committee could produce a white paper on the benchmarks for presentation to the full Board.

Member Chavez moved, seconded by Member Jackson, for acceptance of the Investment Report for period ending December 31, 2015. The motion passed 8 – 0.

Report from the Chairperson of the Contracts Committee. *Committee members are Secretary Ryan Flynn, Chair; Secretary John Barela; (Secretary Designee - Mr. Tony Delfin) and Mr. Steve Kopelman.*

25. Update on Activities. Mr. Dan Opperman presented the Contracts Committee report for the meeting held on January 25, 2016.

Staff presented the following items:

- ◆ Discussion of a proposed revised underwriter selection policy for negotiated bond sales. The objectives of the proposed policy are to: (i) provide greater Board approval control over underwriters for negotiated transactions, (ii) provide greater flexibility on timing of PPRF bond

issues; and (iii) provide efficiencies to staff, Committee members, Board members, and underwriters in the underwriter selection process. The Finance & Loan Committee and Contracts Committee will consider the proposed draft policy in February.

- ◆ Procurement Policy Discussion. The Office of General Counsel provided the Committee with an overview of the current Finance Authority approved Procurement Policy.

Member Clarke referred to her previous concerns regarding the Contracts Committee's practice of approving contracts instead of presenting them to the full Board as a recommendation for acceptance. Mr. Opperman said the current Procurement Policy, which was approved by the Board in an open meeting, gives the Committee approval authority.

Chair McDermott asked staff to move forward with scheduling a follow up meeting with DFA counsel to continue its dialogue to reach a satisfactory resolution. Mr. Coalter assured the Board that staff is addressing this matter, and a proposal will be presented at the next Board meeting.

26. Consideration and Acceptance of the Contracts Committee Report. The Contracts Committee requests approval of the Contract's Committee Report.

Member Chavez moved, seconded by Member Jackson, for acceptance of the Contracts Committee Report. The motion passed 8 – 0.

Other Items

27. Next Board Meeting

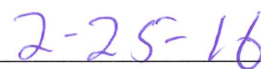
Thursday, February 25, 2016 – 9:00 a.m.
Apodaca Hall (Old PERA Building)
Santa Fe, NM

28. Adjournment

The meeting adjourned at 11:27 a.m.



Secretary



Date