

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

**Minutes of Board Meeting
February 25, 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
Michael Vonderheide	Secretary Designee, NM Environment Dept.
Stephanie Schardin Clarke	Secretary Designee, Dept. of Finance & Administration
Steve Kopelman	Executive Director, NMAC
Tony Delfin	Secretary Designee, NM Energy & Minerals
Wade Jackson	Secretary Designee, Economic Development Dept.
Terry White	Sunwest Trust Inc.

Absent:

William Fulginiti, Vice Chair	Executive Director, NMML
Blake Curtis	CEO, Curtis & Curtis, Inc.

Finance Authority Staff:

Angela Quintana	Bryan Otero
Carmela Manzari	Connie Marquez-Valencia
Dan Opperman	Donna Maestas
Dora Cde Baca	Frank Ibarra
John Brooks	Leslie Medina
Maria Gallardo	Mark Chaiken
Mark Lovato	Mary Finney
Michael Zavelle	Marquita Russel
Robert Brannon	Robert Coalter
Vince Lithgow	Yolanda Valenzuela
Zach Dillenback	Zachary Thomas

Guests:

Jan Snyder	City of Santa Fe Fire Department
Robert Lumpkin	City of Tucumcari
Vicki Strand	City of Tucumcari
Charlie Sandoval	City of Tucumcari
Mark Martinez	City of Tucumcari
Emily Oster	NM DFA

Jared Longenegger	City of Tucumcari
Cindy Mitchell	Bank of Albuquerque
Pedro A. Ramos	JP Morgan
Erik Harrigan	RBC Capital Markets
Stephen C. Trujillo	Taos SWCD
Tanya Duncan	Taos SWCD
Leo V. Valdez	HSE
Peter Vigil	Taos SWCD
Dennis Cruz	Taos SWCD
Paul Cassidy	RBC Capital Markets
Diana Loomis	McCurdy Ministries
Richard Weiss	Morgan Stanley
Suzanne Bruckner	Sutin, Thayer & Browne
Susen Ellis	Bank of Albuquerque
Dharmesh Choksey	RSM
Tracy Hofmann	Sutin, Thayer & Browne
Ken Viggers	RSM

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. Items 30, 31, and 32 were moved to the beginning of the agenda at Member Clarke’s request. The items follow the Consent Agenda.

Member Clarke asked if the amended agenda was posted 72 hours prior to the meeting. Mr. Dan Opperman, General Counsel, said the amended agenda did not meet the 72 hour requirement but rather was posted 48 hours prior to the meeting. Member Clarke referred to the action item on the amended agenda and asked if the proper procedures were followed to place it on the agenda. Mr. Opperman said legal staff believes inclusion of the action item following the executive session without meeting the proper notice can be challengeable. Chair McDermott said the action item can be postponed; however, he would like to continue with the executive session to discuss the findings of the Executive Committee regarding personnel matters.

Member Kopelman moved, seconded by Member Ulibarri, to remove agenda item 36. The motion passed 7 – 1 with Member Clarke voting against.

Member Ulibarri moved, seconded by Member Kopelman, for approval of the amended agenda. The motion passed 7 – 1 with Member Clarke voting against.

3. Approval of the January 28, 2016 Board Minutes.

Member Jackson moved, seconded by Member Delfin, for approval of the January 28, 2016 minutes. The motion passed 8 – 0.

4. Consideration for Approval of the 2016 Open Meetings Act Resolution.

The Finance Authority Board is subject to the provisions of the Open Meetings Act. The Open Meetings Act, Section 10-15-1(D), NMSA 1978 requires the Finance Authority Board to determine annually what constitutes reasonable notice of its public meetings. Staff recommends approval of the 2016 Open Meetings Resolution.

Member Kopelman moved, seconded by Member White, for approval of the 2016 Open Meetings Act Resolution. The motion passed 8 – 0.

5. Consideration for Approval of the 2016 Inspection of Public Records Act Resolution.

The Resolution provides for the Board to adopt the Finance Authority’s Policy for Inspection of Public Records for 2016. The Policy sets forth the procedures for persons requesting the Finance Authority’s public records, and otherwise complies with the requirements of the Inspection of Public Records Act §14-2-1 *et seq.*, NMSA 1978, as amended and supplemented from time to time. Staff recommends approval and adoption of the Finance Authority’s Resolution for Inspection of Public Records for 2016.

Member Ulibarri moved, seconded by Member Kopelman, for approval of the 2016 Inspection of Public Records Act Resolution. The motion passed 8 – 0.

6. Report from Chief Executive Officer.

Mr. Robert Coalter reported on the following:

- ◆ Legislative Report on 2016 NMFA bills approved during the session.
- ◆ Mr. Floyd Trujillo presented the bi-weekly IV&V report.

7. Report from the 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 February 17, 2016. Mr. Zach Dillenback read the consent agenda items into the record, as follows:

8. Consideration and Recommendation for Approval of Chama West WUA (Rio Arriba County) – Amendment – 3207-PG. The Chama West Water Users Association (“Association”) requests an amendment to planning grant 3207-PG waiving the local match requirement. The Preliminary Engineering Report (“PER”) is completed and the grant is ready to close.

In July 2014, the Association applied for a \$50,000 planning grant to help fund a Preliminary Engineering Report (“PER”). At the time, the Association qualified for a 75% grant (\$37,500) with a 25% match (\$12,500) requirement. At the time of approval, the Association believed that the match could be an “in-kind” contribution but now understands it must contribute cash. The PER has been completed and accepted by the NMED Construction Programs Bureau, but the Association does not have the “hard” match necessary to allow NMFA to close on the grant.

Following the approval, the NMFA approved significant changes in both the Local Government Planning Fund Rules and Policies. Among the changes made to the policies in October 2014, a provision allowed water and/or wastewater associations that serve fewer than 250 connections to be exempted from the local match requirement. Since the Association only serves 32 connections, the local match would have been waived had the application been received three months later.

Staff recommends the NMFA Board modify its approval to waive the local match and fund 100% of the PER not to exceed \$50,000.

- 9. Consideration and Recommendation for Approval of Chama West WUA (Rio Arriba County) – Amendment – 3208-PG.** Chama West Water Users Association (“Association”) requests an amendment to planning grant 3208-PG to waive the local match requirement.

In July 2014, the Association applied for a \$50,000 planning grant to help fund an Asset Management Plan (“AMP”). At the time, the Association qualified for a 75% grant (\$37,500) with a 25% match requirement (\$12,500). At the time of approval, the Association believed that the match could be an “in-kind” contribution but now understands it must contribute cash. The AMP is in process, but the Association will not have the required match allowing NMFA to close on the grant in the near future.

Staff recommends the NMFA Board modify its approval to waive the local match and fund 100% of the AMP not to exceed \$50,000.

- 10. Consideration and Recommendation for Approval of Canjilon MDWCA (Rio Arriba County) – Preliminary Engineering Report – 3453-PG.** The Canjilon MDWCA (“Association”) applied for Local Government Planning Fund (“LGPF”) financing for \$50,000 for a Preliminary Engineering Report to address current and future water needs.

The Association qualifies for 100% of the amount requested because it is a qualified entity without gross receipt taxing authority serving fewer than 250 connections.

- 11. Consideration and Recommendation for Approval of the City of Grants (Cibola County) – Metropolitan Redevelopment Act Plan - 3449-PG.** The City of Grants (“City”) applied for Local Government Planning Fund (“LGPF”) financing for \$50,000 for a Metropolitan Redevelopment Act (“MRA”) Plan.

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

Qualified funding is at 100% based on the need for the MRA Plan to address declining economic development.

- 12. Consideration and Recommendation for Approval of Estancia Valley Solid Waste Authority (“Authority”) (Torrance County) – Asset Management Plan – 3463-PG.** The Authority applied for

Local Government Planning Fund financing for \$50,000 for an Asset Management Plan (“AMP”) in accordance with procedures and standards set by A.M. Kan criteria.

Considered a disadvantaged entity with a median household income (“MHI”) of \$31,161 or 69.36% of the State's MHI, the Authority qualifies for 50% or \$25,000 of the requested grant funds. The Local Burden Ratio is 1.64xs of the State Local Burden Ratio entitling the Authority to an additional 50% or \$25,000 for a combined total of \$50,000 as grant funds.

- 13. Consideration and Recommendation for Approval of the Village of Columbus (Luna County) – Preliminary Engineering Report – 3455-PG.** The Village of Columbus (“Village”) applied for Local Government Planning Fund (“LGPF”) financing for \$50,000 for a Water and Wastewater Preliminary Engineering Report.

Considered a disadvantaged entity with a median household income (“MHI”) of \$16,506 or 37% of the State's MHI, the Village qualifies for 75% of the report cost as grant funds. The local burden ratio is 3.54xs entitling the Village to 75% as grant funds for a combined grant award of 100% up to \$50,000.

- 14. Consideration and Recommendation for Approval of El Valle Water Alliance (San Miguel County) – Asset Management Plan – 3457-PG.** The El Valle Water Alliance (“Alliance”) applied for Local Government Planning Fund financing for \$50,000 for a Water Asset Management Plan (“AMP”).

The Alliance has a Median Household Income (“MHI”) of \$31,667 or 70.49% of the State’s MHI qualifying it for 50% of the funds requested. The local burden ratio is 2.35xs comparative to the State water rate burden, which qualifies the Alliance for an additional 50% of the request for a combined total up to \$50,000.

- 15. Consideration and Recommendation for Approval of the Village of Angel Fire (Colfax County) – Preliminary Engineering Report - 3461-PG.** The Village of Angel Fire (“Village”) applied for Local Government Planning Fund (“LGPF”) financing for \$50,000 for a Water Preliminary Engineering Report.

The Village will use the grant proceeds to assess current and future water tank improvement needs.

The Village qualifies for Small Cities Assistance Fund based on declining gross receipts tax collections over the past 24 months so recommended funding is 100% of the requested amount.

Member Ulibarri moved, seconded by Member Clarke, for approval of Consent Agenda items 8 – 15. The motion passed 8 – 0.

The Board considered Items 30, 31, and 32 (summarized below in numerical order for ease of following) at this point as approved in the amended agenda.

- 16. Consideration and Recommendation for Approval of the Eastern Sandoval County Arroyo Flood Control Authority (“Authority”) (Sandoval County) – Flood Control Projects - 3459-PP.** The

Authority applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$2,200,000 to fund the costs associated with the planning, design, construction, and equipping of various capital improvements and flood control projects.

The Authority will use the loan proceeds for various flood control systems in eastern Sandoval County to prevent erosion caused by high impact water pressure generated from run-offs, modify diversion of water flows to appropriate water plains to reduce overflow of canals and arroyos, and to reinforce engineering of existing flood prevention structures.

The Authority will pledge ad valorem property tax for this loan. The assessed 2015 valuation was \$120,851,542 with 6% or \$7.2 million as the allowable assessed valuation. The outstanding indebtedness for the Authority is \$2.5 million. The additional request results in assessed valuation utilization of 64.96% with remaining capacity at \$2.5 million. The NMFA processing fee is capitalized into the first 10 years of the loan at a rate of 0.1904% added to the market rate. The maximum interest rate also includes a 0.75% credit margin.

The Authority is up-to-date with its audits and financial reporting. The 2014 Audit resulted in an unmodified opinion with no findings. The 2015 Audit is pending review by the State Auditor.

Member Ulibarri moved, seconded by Member Clarke, for approval of ESCAFCA Project 3459-PP. The motion passed 8 – 0.

17. Consideration and Recommendation for Approval of the Farmington Municipal School District (San Juan County) – Ed Tech Notes – 3450-PP. The Farmington Municipal School District (“District”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$6,700,000 to finance education technology equipment.

The District will pledge ad valorem property tax. The assessed valuation for 2015 was \$1.517 billion. The allowable assessed valuation is 6% or \$91 million. The outstanding indebtedness is \$84.2 million. Of this, 6% or \$91 million is the allowable assessed valuation. Adding this request would result in assessed valuation utilization of 99.87% with remaining capacity at \$122 thousand. The NMFA processing fee is capitalized into the loan at a rate of 0.4096%, added to the market rate which also includes a 0.75% credit margin.

The District will enter into a lease-purchase agreement with the NMFA secured by ad valorem property taxes. Under the agreement, the NMFA takes title to the equipment for the length of the agreement in the nature of a security interest with the District retaining ownership responsibilities.

The District is up-to-date with its audits and financial reporting. The 2015 Audit resulted in an unmodified opinion with 2 findings, none of which were material weaknesses or significant deficiencies. No further action is required per the Audit Policy.

Member Ulibarri moved, seconded by Member Clarke, for approval of Farmington Municipal School District Project 3450-PP. The motion passed 8 – 0.

18. Consideration and Recommendation for Approval of the City of Santa Fe (Santa Fe County) – Equipment – 3458-PP. The City of Santa Fe (“City”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$917,815 to purchase new fire equipment and accessories.

The City will pledge state fire protection funds as the revenue source for this loan with an annual base distribution of \$542,675 resulting in a debt service coverage ratio of 4.23xs. The City has an ISO class rating of 4 with eight main stations and one substation. The City has a median household income (“MHI”) of \$50,283, which is approximately 111.92% of the State’s MHI.

The City is current with its audits and financial reporting. The FY 2015 Audit received an unmodified opinion with four findings, no material weaknesses, and one new significant deficiency. Per the Audit Policy, no further action is required.

Member Ulibarri moved, seconded by Member Clarke, for approval of the City of Santa Fe Project 3458-PP. The motion passed 8 – 0.

19. Consideration and Recommendation for Approval of Taos Soil & Water Conservation District (Taos County) – Building – 3422-PP. The Taos Soil & Water Conservation District (“District”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$2,349,563 to finance the costs associated with an infrastructure project.

The building will be approximately 7,400 square feet and will include a reception office, six offices, two multi-stall restrooms, one kitchen, one large conference room, and a garage/storage area with two vehicle bays. The District will contribute estimated accumulated funds of \$278,339 in excess of the loan proceeds as needed.

The pledge revenue will consist of the District's Mil Levy derived from property taxes. Under current law, soil and water conservation district's Mil Levy cannot sunset as long as debt is outstanding. Staff utilized a 3-year average of base revenues of \$977,096 with the minimum debt service coverage resulting in 7.21xs.

The District is current with its FY2015 audits having an unmodified opinion with zero findings.

Member Ulibarri moved, seconded by Member Kopelman, for approval of Taos Soil & Water Conservation District Project 3422-PP. The motion passed 8 – 0.

20. Consideration and Recommendation for Approval of the City of Rio Rancho (Sandoval County) – Vehicles – 3462-PP. The City of Rio Rancho (“City”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$259,950 to purchase and equip six new sedans for the Police Department replacing older units that are costly to maintain.

Staff recommends a waiver removing the debt service reserve requirement based on: 1) the loan amount is \$9,950 above the ceiling of \$250,000; 2) the actual coverage is 1.82xs or 0.18xs below the required

coverage from the Law Enforcement Protection Funds of 2.0xs, and 3) the City has an extensive borrowing history with the NMFA.

The City will pledge its State Law Enforcement Protection Funds as the revenue source for this loan. The City receives an annual distribution of \$100,800. The above interest rate includes a 0.75% credit margin.

The City is current with its audits and financial reporting. The FY 2015 report received an unmodified opinion with one finding for non-compliance requiring no further action per the Audit Policy. There are no material weaknesses and no significant deficiencies.

Member Ulibarri moved, seconded by Member Kopelman, for approval of City of Rio Rancho Project 3462-PP. The motion passed 8 – 0.

- 21. Consideration and Recommendation for Approval of Grant County (“County”) (Pinos Altos Volunteer Fire Department (“VFD”) – Construction – 3454-PP.** The County applied for Public Project Revolving Loan Project financing for \$403,684 to plan, design, and construct a new fire station for the Pinos Altos VFD to alleviate response time concerns for the LS Mesa Subdivision.

The County will pledge State Fire Protection Funds as the revenue source for this loan. The VFD has an ISO class rating of 6, with three main stations, one substation, and receives an annual base distribution of \$196,307. Considered a disadvantaged entity, the loan received a 0% interest rate.

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. Per the Audit Policy, no further action is required.

Member Ulibarri moved, seconded by Member Clarke, for approval of Grant County Project 3454-PP. The motion passed 8 – 0.

- 22. Consideration and Recommendation for Approval of Grant County (Tyrone VFD) – Equipment – 3456-PP.** Grant County (“County”) applied for Public Project Revolving Loan Project financing for \$198,975 to purchase and equip a new Wildland Interface Fire Engine for the Tyrone Volunteer Fire Department (“Department”) to replace an existing truck no longer meeting National Fire Protection Association standards.

The County will pledge State Fire Protection Funds as the revenue source for this loan. The Department has an ISO class rating of 5, with five main stations, and receives an annual base distribution of \$308,335. Considered a disadvantaged entity, the Department qualified for a 2% interest rate on \$126,071 of the loan amount. At closing, staff will determine the amount of disadvantaged funding by reevaluating the market rate which includes 0.75% credit margin. The County’s contribution towards the purchase is \$198,598.

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 are related to their component unit, Gila Regional Medical Center. Per the Audit Policy, no further action is required.

Member Ulibarri moved, seconded by Member White, for approval of Grant County Project 3456-PP. The motion passed 8 – 0.

- 23. Approval of Union County (“County”) (Sedan VFD) – Equipment – 3451-PP.** The County, on behalf of the Sedan VFD applied for PPRF loan financing for \$80,605 to purchase a 2,000 gallon wildland tanker truck.

The County will pledge State Fire Protection Funds as the revenue source for this loan. The Sedan VFD has an ISO class rating of 9 with one main station, two sub-stations, and receives an annual base distribution of \$69,908. Considered a disadvantaged entity, the full amount of the loan qualifies for 0% interest.

The County is current with its audits and financial reporting. The FY2015 audit received an unmodified opinion with one material weakness and one significant deficiency with both identified in the component unit. No further action is required.

Member Ulibarri moved, seconded by Member White, for approval of Union County Project 3451-PP. The motion passed 8 – 0.

- 24. Consideration and Recommendation for Approval of the City of Roswell (Chaves County) – Amendment – 3205-DW.** The City of Roswell (“City”) requests an amendment to an approved loan increasing the loan amount by an additional \$2,817,900 to \$4,837,900 to complete Phase 2 and extend the construction period.

Phase 1 of this project received approval in July 2014 for \$2,020,000. The project includes excavating, removing and replacing two main waterlines and operating valves. Multiple leaks and valve failures resulted in significant water loss, delays in repairs, and loss of water service. The lines serve as the main transmission of water to Roswell residents including the hospital and surrounding medical offices.

The City is eligible for 75% in Principal Forgiveness, 25% Base Forgiveness, and 50% for a Severely Disadvantaged Community. There is \$2,113,425 of subsidy available, which equates to 75% of the additional loan amount. The City has pledged the net system revenues of the water and sewer fund as security and repayment of this loan. Staff used a three year average of net system revenues to determine coverage. As a disadvantaged entity, the City qualified for a principal forgiveness subsidy of 75%, applied to the Phase 2 project amount. The fiscal year 2015 first quarter Drinking Water Fundable List ranks this project fourteenth.

The City is current with its audits and financial reporting. The FY 2014 audit report received an unmodified opinion with one finding, no material weaknesses, and no significant deficiencies. The

City is awaiting release of their FY 2015 audit report by the State Auditor's Office

Mr. Johansen explained that the principal forgiveness was at a million dollar level because the percentage is based on the city's ability to repay the loan. Also, the City is considered severely disadvantaged.

Member Ulibarri moved, seconded by Member Clarke, for approval of the City of Roswell Project 3205-DW. The motion passed 8 – 0.

25. Consideration and Recommendation for Approval of the City of Tucumcari (Quay County) – Water Project – 3448-DW. The City of Tucumcari (“City”) applied for Drinking Water State Revolving Loan Fund (“DWSRLF”) financing for \$1,453,886 for a water project.

The City has pledged the Municipal Environmental Services GRT as security and repayment of this loan. Staff utilized an average of the projected revenues for three years in determining coverage. The City qualifies for 75% base subsidy and a .25% interest rate as a severely disadvantaged entity. The City ranks third on the fiscal year 2016 second quarter Drinking Water Fundable List.

The City is current with their financial reporting. The FY2015 Audit had an unmodified opinion with three findings, one being a repeated significant deficiency. DWSRLF is not subject to the audit policy since the projects are agency reviewed and deemed to have capacity by NMED and approved per NMFA standards.

Member Ulibarri moved, seconded by Member White, for approval of City of Tucumcari Project 3448-DW. The motion passed 7 -0. (Member Clarke was not present for the vote)

26. Consideration and Recommendation for Approval of Change in Borrower from Luna County (“County”) to the City of Deming (“City”) – Solid Waste – 3166-CIF. Staff requests approval and concurrence from the NMFA Board for change from the County to the City as borrower for Colonias Project 3166-CIF.

In July 24, 2014, the County received an award for a solid waste project in an amount not to exceed \$151,023, with 10% as a 20-year loan and a 90% grant. The approved project included plan, design, and construction for reclamation of the Tulip Drive Landfill in Luna County to include installing a bank stabilization and erosion control along the property to mitigate site contamination and illegal dumping.

The Tulip Drive landfill, which is inactive, was deeded to the County by the City in an attempt to receive an EPA Brownfield grant which was unavailable to the City because the City was listed as the “operator,” hence the deed transfer to the County. The City currently manages the active Solid Waste Facility. At the time of the application, the County had anticipated using the Net System Revenues of the City’s Solid Waste Facility for the debt service coverage. Due to possible legal issues regarding the use of the City’s revenues, the County will deed the land back to the City and requests that the City become the borrower on the 3166-CIF award. The City has indicated willingness to accept the

responsibilities as borrower for the Colonias Infrastructure funding 3166-CIF.

On January 20, 2016, Luna County received approval from the State Board of Finance on the transfer of the property to the City contingent upon confirmation that EPA has no issues regarding the City's ownership which EPA subsequently confirmed.

Chair McDermott asked for clarification on the repayment stream and the pledge to pay the loan. Ms. Angela Quintana said the City will use net system revenues.

Member Ulibarri moved, seconded by Member White, for approval of Colonias Infrastructure Project 3166-CIF. 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*

27. Update on Activities. Member Jackson reported on the Economic Development Committee meeting held on February 22, 2016 with a quorum of members in attendance. In addition to reviewing the Private Lending Portfolio Report and the pipeline report, the Committee considered a recommendation for a Preliminary Approval for a New Markets Tax Credit application and tabled the request pending additional information. Staff also presented an informational item related to a potential restructuring of a Collateral Support Participation loan with Bank of Albuquerque to MW Holdings, following the July 2015 death of one of its principals.

The Committee unanimously recommended approval of the following items that appear on today's agenda under item #28 and #29.

28. Consideration and Recommendation of a Revised Preliminary Approval of New Markets Tax Credits Loan to La Clinica de Familia – 0552-NMTC. Staff recommends preliminary approval of New Markets Tax Credits financing for La Clinica de Familia Subsidiary ("La Clinica").

Staff presented a request to increase the New Markets Tax Credits allocation for La Clinica project from \$5,525,000 to \$6,250,000 for its Las Cruces Central Cervantes Complex. This facility will house dental, medical, and behavioral health services in Las Cruces, NM. This request accommodates the higher bids received for the renovation of the facility.

Discussion ensued on the revised financing of the loan. Ms. Russel stated that the leverage lender, Citizens Bank, moved funds dedicated to the project from outside of the financial structure to a direct loan to the borrower.

Chair McDermott asked if the Economic Development Committee had any concerns with the project's management or success of the project due to the increased costs. Ms. Russel felt it was simply a matter of the bid coming in higher than expected.

Member Jackson moved, seconded by Member White, for revised preliminary approval of La

Clinica de Familia Project 0552-NMTC. The motion passed 8 – 0.

- 29. New Markets Tax Credits Project Prioritization Reconsideration.** Approval of prioritization for Round 20 of New Markets Tax Credits (“NMTC”) applications to include Charter School Development Corporation as part of the Application Round 20 re-ranking process.

Following the January Board meeting, staff completed an analysis of the evaluation scores to determine where the greatest areas of differences occurred on the projects considered to have a high or moderate readiness. This analysis provided the basis for one reviewer to modify its scores, resulting in an additional project meeting the 60 point requirement. Staff recommends adding the McCurdy School/McCurdy Ministries project to the Round 20 priority list.

This application, if successful, would use the remaining allocation for urban projects received from the 2014 allocation.

Member Jackson moved, seconded by Member White, for approval of prioritization for Round 20 of New Markets Tax Credits (“NMTC”) applications to include Charter School Development Corporation as part of Application Round 20 re-ranking process. The motion passed 8 – 0.

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

- 30. Update on Activities.** Ms. Emily Oster reported the Audit Committee met on February 22, 2016. Member Clarke announced that Ms. Emily Oster accepted a position with the State Auditor’s Office and thanked her for her service.

The agenda for the meeting included a presentation from RSM on the status of the internal audit, the presentation and acceptance of the financial statements for the period ending January 31, 2016, and new business/update of activities.

1. Internal Audit: Dharmesh Choksey and Ken Viggers, RSM, presented:
 - a. Two internal audits are currently underway- Audit #1 EnABLE Implementation Review and Audit #2 Organization Structure Audit;
 - b. Audit #1 EnABLE Implementation Review, the internal auditors are working with the Independent Verification & Validation (IV&V) vendor to monitor implementation activities;
 - c. Audit # 2 Organization Structure Audit, the internal auditors presented a revised draft of their Report of Organizational Structure Review to the committee;
 - d. The committee reviewed the draft report in detail. RSM will present the full report today. Chair Oster suggested that with the conclusion of the Organization Structure Review it is a good time for the committee to consider whether the internal audit function is adding value to the Finance Authority. The committee had a brief discussion and agreed to continue the conversation at the March meeting.

31. Internal Audit Presentation. Mr. Dharmesh Choksey and Mr. Ken Viggers, RSM US LLP, presented the Report of the Organizational Structure Review that addressed the following:

1. Inefficient Data System. Relative Risk: High
2. NMFA programs information and management are too highly concentrated in one individual without adequate backup or an identifiable succession plan concerning this key position. Relative Risk: High
3. Loan Banking and Regulatory Compliance Functions are fragmented and handled within separate departments and individuals at NMFA. Relative Risk: Moderate
4. Lack of market-based pay, job classifications, and established pay ranges affects employee recruitment and retention in some departments at NMFA and may contribute to pay dissatisfaction and inconsistencies elsewhere. Relative Risk: Moderate
5. Board of Directors and staff training, and understanding of mutual functions, roles, and responsibilities at NMFA. Relative Risk: Moderate
6. Management and Employee communications need continued improvement. Relative Risk: Moderate
7. Outdated and incomplete job descriptions. Relative Risk: Moderate

The report included Management Responses for each finding. Chair McDermott commented on coaching people with better practices and motivating them. He felt the engagement was productive with ensuring there are good job descriptions, career paths, and salary levels. Chair McDermott noted that he has already seen the NMFA management moving forward with the recommendations. Referring to the 7 findings, Chair McDermott requested regular Board updates on those items to ensure they are being resolved.

Referring to the report and the findings on staff turnover, Member Kopelman felt it would be helpful for the Board to receive specific information on the volume of turnovers and causes. Mr. Coalter said they are in the process of procuring a firm to assist with employee performance, job descriptions, and benefits and will provide that information to the Board. Chair McDermott would like to see a framework that shows the turnover rates and job classifications.

Ms. Oster noted that RSM is also overseeing the EnABLE process.

32. Consideration for Acceptance of the Financial Report for period ending January 31, 2016. Mr. Robert Brannon provided a summary of the Financial Report for the period ending January 31, 2016.

Member Clarke moved, seconded by Member White, to accept the Financial Report for the period ending January 31, 2016. The motion passed 9 - 0.

Report from the Chairperson of the Contracts Committee. *Committee members are Secretary Ryan Flynn, Chair (designee, Mr. Michael Vonderheide); Secretary John Barela (designee, Mr. Wade Jackson); and Mr. Steve Kopelman.*

33. Update on Activities. Member Vonderheide presented the Contracts Committee report for the meeting held on February 22, 2016.

Staff presented the following items:

- ◆ Revised Publicly Distributed Bond Issuance & Underwriter Policy. Mr. Michael Zavelle presented a proposed revised underwriter selection policy for negotiated bond sales. The proposed policy was presented to the Finance & Loan Committee in February and was well received. The Contracts Committee unanimously voted to recommend the revised policy to the full Board at the March meeting.
- ◆ Approval to issue an RFP for Public Project Revolving Fund (“PPRF”) Financial Advisor Services. It is anticipated that the RFP will be issued on March 1, 2016 to allow adequate time for responses and scoring to take place. The Contracts Committee unanimously approved the issuance of the RFP for PPRF Financial Advisor Services.
- ◆ Approval to issue an RFP for New Markets Tax Credits (“NMTC”) Program Financial Advisor Services. It is anticipated that the RFP will be issued on March 1, 2016 to allow adequate time for responses and scoring to take place. The Contracts Committee unanimously approved the issuance of the RFP for NMTC Financial Advisor Services.

34. Consideration and Acceptance of the Contracts Committee Report. The Contracts Committee requests approval of the Contract’s Committee Report.

Member Clarke commended staff on the revised process for reporting and expressed appreciation on their efforts on the revised procurement policy and contracts committee charter.

Chair McDermott said the Board has attempted to develop alternatives that are concrete regarding delegation/oversight, empowerment of management, and boundaries prior to items requiring Board approval. Chair McDermott said this process would more appropriately align priorities, responsibilities and oversight.

Member Clarke expressed concern with ensuring compliance with the Open Meetings Act. Chair McDermott reiterated that he would like to see the development of facts and alternative ways to create decision-making authority that would embrace reasonable delegation. Chair McDermott suggested that the Board take a motion to approve the Contracts Committee Report reflecting on the fact the report recommends the issuance of RFPs.

Member Vonderheide moved, seconded by Member Ulibarri, for acceptance of the Contracts Committee Report. The motion passed 7 – 1 with Member Clarke voting against.

Other Items

35. Executive Session – Closed meeting to discuss limited personnel matters regarding the annual CEO review as allowed by NMSA 1978, Section 10-15-1(H) (2).

Chairman McDermott entertained a motion for the NMFA Board of Directors to go into Executive Session pursuant to NMSA 1978, Section 10-15-1(H) (2) to discuss limited personnel matters regarding the annual CEO review.

Member Kopelman moved, seconded by Member Ulibarri, that the NMFA Board of Directors to go into Executive Session pursuant to NMSA 1978, Section 10-15-1(H) (2) to discuss limited

personnel matters regarding the annual CEO's annual review. On a roll call vote, the motion passed 8 – 0.

Upon reconvening in open meeting, Chair McDermott stated, "We are now in open meeting. Let the record reflect that no action was taken during the closed meeting and the only things discussed were limited personnel matters regarding the annual CEO review."

36. Action Item – Consideration of amendment to the CEO Contract. Item removed from agenda.

37. Next Board Meeting

Thursday, March 31, 2016 – 9:00 a.m.
State Capitol, Room 322
Santa Fe, NM

38. Adjournment

The meeting adjourned at 11:40 a.m.

TDJ

Secretary

4-1-16

Date