

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

**Minutes of Board Meeting
April 1, 2016
Room 322 – State Capitol
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
Ryan Flynn	Secretary, NM Environment Dept.
Tom Clifford	Secretary, Dept. of Finance & Administration
Steve Kopelman	Executive Director, NMAC
Tony Delfin	Secretary Designee, NM Energy & Minerals
Wade Jackson	Secretary Designee, Economic Development Dept.
Blake Curtis (<i>telephonically</i>)	CEO, Curtis & Curtis, Inc.

Absent:

Terry White	Sunwest Trust Inc.
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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	Marquita Russel
Robert Brannon	Robert Coalter
Vince Lithgow	Yolanda Valenzuela
Zach Dillenback	

Guests:

Aaron Chavez	VRECC
Alex Tafoya	San Miguel County
Anne Browne	Sutin, Thayer & Browne
Brad Patterson	Ballard Spahr
Carl Gunter	Santa Fe Public Schools
Cindy Mitchell	Bank of Albuquerque
Erik Harrigan	RBC Capital Markets

Jerry Kyle, Jr.
John Archuleta
Jonni Valdez
Kathy Trujillo
Kyra Springer
Landon Newton
Leo V. Valdez
Les Montoya
Lisa Randall
Lois G. Carrasco
Mary Ann Kern
Melinda Gonzales
Michael Ross
Paul Cassidy
Pedro A. Ramos
Ray Vigil
Sharon Finarelli
Shirley Valdez
Susen Ellis
Suzanne Bruckner

Andrew Kurth
George K. Baum
Colfax County
Colfax County
Vigil & Associates
Colfax County Commission
HSE
San Miguel County
Santa Fe Public Schools
Rodey Law Firm
Colfax County
San Miguel County
Baker Tilley
RBC Capital Markets
JP Morgan
Vigil & Associates
Sierra Vista Hospital
LRECC
Bank of Albuquerque
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 Fulginiti moved, seconded by Member Delfin, for approval of the agenda. The motion passed 9 – 0.

3. Approval of the February 25, 2016 Board Minutes.

Member Kopelman moved, seconded by Member Fulginiti, for approval of the February 25, 2016 minutes. The motion passed 8 – 0 with Member Clifford abstaining.

4. Report from Chief Executive Officer.

Mr. Robert Coalter reported on the following:

- ◆ Recognized Yolanda Valenzuela, Senior Administrative Assistant, who will be leaving the Finance Authority at month’s end.
- ◆ Mr. Floyd Trujillo presented the bi-weekly IV&V report. Following Mr. Trujillo’s presentation on the EnAble system, a discussion ensued on the transition between the old program and going live with the new system.
- ◆ Mr. Coalter commended the Lending Department staff on their efforts to increase traveling to the communities to promote the NMFA’s funding programs. Member Fulginiti also

thanked the staff for their participation at the NMML district meetings. Member Kopelman also thanked staff for attending the NMAC district meetings.

5. Consideration for Approval of Resolution Extending Maturity Dates and Revising Certain Terms of Existing New Mexico Finance Authority State Transportation Revenue Refunding Indexed Notes, Series 20011A-1, Series 2011A-2 and Series A-3. Request for approval to Extension and Revision of Terms for New Mexico Department of Transportation \$284.8 million Direct Purchase of Index Notes Agreement with Bank of America.

In 2004 and 2006, the New Mexico Department of Transportation (“NMDOT”) issued \$420 million of floating rate debt instruments swapped to a fixed rate as part of the \$1.5 billion investment program in New Mexico transportation infrastructure. While the underlying swaps have not changed over time (except for Deutsche Bank replacing Lehman Brothers as one swap counterparty), the floating rate note agreements have changed in form.

\$248.8 million of the outstanding \$420 million is a Direct Purchase of Indexed Notes agreement with Bank of America that dates to June 2011. The primary risk is renewal risk. The other \$135.2 million outstanding consists of floating rate notes sold weekly in public markets supported by a Direct Pay Letter of Credit liquidity facility provided by State Street Bank of Boston. The risks are market risk, counterparty risk and renewal risk.

The State Street Bank facility also dates from 2011. The Bank of America \$248.8 million facility will expire in June 2016 and must be renewed or replaced.

The 2011 agreement with Bank of America priced all three series of notes for five years at a cost of 65 basis points over 67% of one month LIBOR. The proposed extension results in improved pricing. The \$120 million 2011A-2 notes are priced at 52 basis points over 67% of LIBOR for 5 years. The \$80 million 2011A-1 notes and the \$84.8 million 2011A-3 notes are priced at 65 basis points over 67% of LIBOR for 8 years.

The Bank of America Direct Purchase of Indexed Notes proposal conditionally accepted by the STC can be documented as an amendment and extension to the existing Note agreement with consequent savings in legal costs. The extended notes will not have to be re-rated resulting in additional cost savings.

The key terms of the amended facility are:

2011A-1 \$80 million	8 Years	65bp over 67% of LIBOR	No Term Out
2011A-3 \$84.8 million	8 Years	65bp over 67% of LIBOR	No Term Out
2011A-2 \$120 million	5 Years	52bp over 67% of LIBOR	One Year Term Out

Underlying redemption maturity dates for the 2011A series notes are:

2011A-1	\$25,750,000 – June 15, 2023	\$54,250,000 – June 15,
2011A-2	\$27,295,000 – June 15, 2023	\$57,505,000 – June 15,
2011A-3	\$ 6,100,000 – June 15, 2023	\$52,200,000 – June 15,
	\$54,900,000 – June 15, 2026	\$ 6,800,000 – Dec 15,

A discussion ensued on the underlining swaps which have not changed over time. Mr. Zavelle noted that the floating rate note agreements have change in form.

Mr. Buchholtz outlined the resolution required to extend the maturity dates and the revision of certain terms of the existing NMFA state transportation revenue refunding indexed notes.

Chair McDermott asked if it would cause a hardship with the Board moving forward for approving this prior to receiving NMDOT approval, which is expected to take place at the April 21, 2016 STC meeting. Mr. Buchholtz did not foresee a problem.

Member Clifford moved, seconded by Member Flynn, for approval of Resolution Extending Maturity Dates and Revising Certain Terms of Existing New Mexico Finance Authority State Transportation Revenue Refunding Indexed Notes, Series 2011A-1, Series 2011A-2 and Series A-3. The motion passed 9 – 0.

6. Consideration for Approval of the Authorizing Resolution for the New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2016C, Preliminary Official Statement, Ninetieth Supplemental Indenture of Trust and Related Documents. Staff requested approval of the authorizing resolution and related documents.

Proceeds of the Series 2016C Bonds will be used by the New Mexico Finance Authority (the “Finance Authority” or “NMFA”) for the purposes of (i) originating Loans for purchasing Securities from or reimbursing the Finance Authority for moneys used to originate Loans to or purchase Securities from certain governmental entities, the proceeds of which will be or were used to finance or refinance certain Projects for such governmental entities, (ii) currently refunding the Refunded Obligations (as defined herein) to achieve debt service savings, and (iii) paying costs incurred in connection with the issuance of the Series 2016C Bonds. The principal of and premium, if any, and interest on the Series 2016C Bonds and additional bonds issued or to be issued are payable solely from and secured solely by the Trust Estate. The Finance Authority has issued or incurred and expects to issue or incur parity bonds and other obligations pursuant to the Indenture.

Chair McDermott questioned why this item was being presented prior to the approval of the projects on today’s agenda and if their decisions would have an impact on the bonds. Mr. Zavelle said issuing of the bonds would not go forward if any projects presented later in the meeting are not approved. Chair McDermott asked that the Board consider this item following the presentation of the projects.

Item 6 was moved, at Chair McDermott's request, to follow Item 20 on the Agenda. The Board considered Items 7 through 20, and then returned to Item 6 for consideration by the Board. (The agenda items are summarized below in numerical order for ease of following).

Item No. 6 – continued: Mr. Zavelle, Mr. Opperman, Mr. Jerry Kyle, Jr. (Andrews Kurth, Disclosure Counsel) and Mr. Brad Patterson (Ballard Spahr, Bond Counsel) continued the presentation of the POS for the transaction. Mr. Kyle discussed board responsibilities as to the approval of the POS, and Mr. Patterson went through the authorizing resolution for the sale of the Bonds. Mr. Opperman noted that Member Clarke's suggested changes presented at the Finance & Loan Committee meeting have been incorporated in the POS.

Mr. Zavelle responded to questions regarding the pledged revenues and the life of the debt.

Member Fulginiti moved, seconded by Member Flynn, for Approval of the Authorizing Resolution for the New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue Bonds, Series 2016C, Preliminary Official Statement, Ninetieth Supplemental Indenture of Trust, and Related Documents. The motion passed 9 – 0.

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

Member Fulginiti reported on the Finance & Loan Committee meeting of March 25, 2016. Mr. Zach Dillenback read the consent agenda items into the record, as follows:

8. Consideration and Recommendation for Approval of the City of Roswell (Chaves County) – LEDA Plan – 3465-PG. The City of Roswell (“City”) applied for Local Government Planning Fund (“LGPF”) financing for \$50,000 for a Local Economic Development Act (“LEDA”) and Comprehensive Economic Development Plan.

Pursuant to rules governing the LGPF, the report qualifies for 100% funding as the City implemented LEDA through the New Mexico Economic Development Department. The City is a disadvantaged entity with a median household income (MHI) of \$37,237 which is approximately 83% of the State's MHI.

9. Consideration and Recommendation for Approval of the Southwest Solid Waste Authority (Grant County) – Equipment - 3468-PG. The Southwest Solid Waste Authority (“Authority”) applied for Local Government Planning Fund (“LGPF”) financing for \$37,500 for an Asset Management Plan.

Considered a disadvantaged entity with a median household income (“MHI”) of \$35,068 or 78% of the State's MHI, the Authority qualifies for 25% of the report cost as grant funds. The local burden ratio is 1.82xs the State's solid waste rate burden entitling the Authority to an additional 50% as grant funds for a combined total of 75% up to \$37,500.

10. Consideration and Recommendation for Approval of the City of Bloomfield (San Juan County) – LEDA Plan – 3466-PG. The City of Bloomfield (“City”) applied for Local Government Planning Fund (“LGPF”) financing for \$50,000 for a Local Economic Development Plan (“LEDA Plan”).

The City implemented LEDA through the New Mexico Economic Development Department therefore qualifies for 100% funding per Rules Governing the LGPF.

Member Fulginiti moved, seconded by Member Ulibarri, for approval of Consent Agenda items 8 – 10. The motion passed 9 – 0.

11. Consideration and Recommendation for Approval of the City of Alamogordo (Otero County) – Refunding & New Money - 3471-PP. The City of Alamogordo (“City”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$6,890,188 for a refunding portion and new money component.

The City will refund its Series 2004 Bonds which have a higher interest rate with the refunding amounting to \$2,250,000. The existing Series 2004 Bonds matures in 2019, the new refunding term will extend the maturity to 2021. The new money portion of the loan equates to about \$4,641,000, with a thirteen year term, which will complete the eighth and final phase of a Flood Control Project and a Natatorium project.

The City is pledging its State Shared GRT. Staff completed a five year analysis of the State Shared GRT and used a three year average to determine coverage. A debt service reserve fund is not required as the City has an Aaa GRT rating from Moody's Investor Services. The above interest rate includes a 0.75% credit margin.

The City is current with its audits and financial reporting. The FY 2015 audit report received an unmodified opinion with three findings, no material weaknesses, and no significant deficiencies. Per the Audit Policy, no further action is required.

Ms. Maestas explained that the purpose for the refunding was to lower the payments and the interest rate.

Member Fulginiti moved, seconded by Member Kopelman, for approval of City of Alamogordo Project 3471-PP. The motion passed 9 - 0.

12. Consideration and Recommendation for Approval of the Sierra Vista Hospital (Sierra County) – Building Project - 3416-PP. The Sierra Vista Hospital (“Hospital”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$30,884,578 to plan, design, and construct a new hospital.

The Board approved this loan in November 2015; however, at closing legal counsel discovered that the Sierra County Hospital Emergency GRT that flows through into the Hospital's Net

System Revenues has a sunset provision in 2037. The term of the loan is 30 years therefore the GRT pledged does not cover the last nine years of the term. To compensate for the shortfall, the County has pledged 2/8ths of its Hold Harmless GRT to cash flow years 2038 through 2046.

At the time of Board presentation, the State Auditor's office had not released the Hospital's fiscal year 2015 audit report. Based upon the results of the actual FY 2015 audit report, the net patient service revenues were less than the unaudited figures due to the timing of Medicare payments. For this reason, and a slight increase in interest rates, the total loan amount dropped to meet the PPRF coverage requirements. The Hospital wants to maximize bond proceeds through the sale while maintaining the 1.30xs coverage. The PPRF Loan Management Policies allows for maximized loans when staff has specifically identified the loan as such in the recommendation, the minimum coverage requirements are met, and the maximized increase is within 10% of what the Board approved.

The Hospital pledged its net system revenues which include Sierra County Emergency Hospital GRT (Years 1- 20), Sierra County Hold Harmless GRT (Years 21-30) and Municipal GRT from Truth or Consequences, Elephant Butte and Williamsburg, as security and repayment for this loan. Staff completed a 6-year analysis and used the FY 2015 audited financials for coverage. The revenues decreased in 2013 and 2014 due to the discontinuation of the Sole Community Provider program by the State. Additionally, the profits centers of the Emergency Department and Operating Room were under construction. The most 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 \$2,129,946. This amount equals approximately one year of debt service payments to reside in an interest bearing Trustee account for the Hospital's benefit and used to make the final annual loan payment. The interest rate includes a 0.50% credit margin. Under the Critical Access designation, the Hospital will be reimbursed 52% of the new debt service payments for this loan; the reimbursement was not considered in the debt service coverage calculations. The hospital will contribute \$2,000,000 to the project.

The Hospital is current with its audits and financial reporting. The FY 2015 audit report received an unmodified opinion with one finding. There are no material weaknesses and no significant deficiencies. Per the Audit Policy, no further action is required.

Chair McDermott asked if eliminating the clinic from the project would cause a hardship to the community. Mr. Zimmerman said that the newly recruited physicians currently have office space and are committed to the community. In response to questions by the Board, Mr. Zimmerman elaborated on the revenues and reimbursements. He believes the hospital will return to the NMFA for support for the clinic within a few years.

In response to a question regarding the audit and the violation of expenditures exceeding the budget, Mr. Zimmerman noted that the error should not have occurred.

A discussion ensued on the gross receipts tax revenue of the Joint Powers Commission members that feed into the net system revenues of the hospital. Also discussed was whether pledging the GRT to the debt service of the loan will negatively affect the operating revenues of the JPC. Mr. Zimmerman noted that the GRT funds are currently going to the hospital, therefore, there are no new money coming out of the GRT to have a negative impact on the operations.

Member Clifford asked the County what they are using the hold harmless GRT and if it was pledged to the hospital will it affect the County operations. Mr. Swingle, County Manager, said the hold harmless is currently being used for general purposes and the County plans to reenact the emergency hospital GRT ordinance.

Secretary Clifford expressed concern with the financials, noting without the GRT revenue, which is being placed for the debt service, will have a negative impact on the operating budget. Mr. Zimmerman explained how the hospital plans to “grow out of the problem” rather than cut programs and costs.

A discussion ensued on the risks with the financial strategy for the project, the liability, and the impact on the local government.

Member Fulginiti moved, seconded by Member Kopelman, for approval of Sierra Vista Hospital project, 3416-PP. The motion passed 8 – 0 with Member Clifford voting against.

13. Consideration and Recommendation for Approval of San Miguel County – Road Improvements – 3464-PP. San Miguel County (“County”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$3,882,353 for county road improvements throughout the County Commission districts.

The County pledged a Hold Harmless GRT (“HHGRT”) as security and repayment of this loan. Adopted on March 30, 2015 and enacted in July 2015, the HHGRT imposed two-eighths of one percent (.25%). NMFA staff calculated what the HHGRT would have generated based off the taxable sales activity for the three fiscal years prior to enactment. Using a three year average, base HHGRT revenues of \$736,014 were used to determine debt service coverage. The County's GRT generation reflects an increasing trend in 2015 vs. 2014 with year over year increases from 2013 to 2014. The County qualifies for a PPRF disadvantaged interest rate of 0% applied to \$500,000 of the request.

The City is current with its audits and financial reporting. The FY 2015 Audit received an unmodified opinion with five findings, two material weaknesses and no significant deficiencies. Per the Audit Policy, please see corrective action plan.

A discussion ensued on the hold harmless financing and project similarity to the previous project with Valencia County. In response to a question regarding the Valencia County project, Ms. Manzari noted that the entity did bond outside of the NMFA.

In response to San Miguel County's audit, Ms. Melinda Gonzales, Finance Supervisor, said that the findings in the audit have been resolved with the purchase of a new computer system that should eliminate any future findings.

Member Clifford expressed concern with this project saying he cannot support the hold harmless pledge as security and repayment for the loan. He outlined the County's tax increases.

Member Kopelman pointed out that the tax increments approved by the Legislature two years ago have not changed and the current statute makes this a legal use of funds. He did not see any basis for the Board not to approve.

Member Fulginiti moved, seconded by Member Kopelman, for approval of San Miguel County Project 3464-PP. On a voice vote, the motion failed with Members McDermott, Fulginiti, Ulibarri, and Kopelman voting for the motion and Members Clifford, Curtis, Delfin, Jackson, and Flynn voting against.

Mr. Kopelman conveyed his concern and disappointment with the failed motion, noting that the law is clear making this a legal, appropriate use of funds. He questioned the basis for denying the loan noting that the County fulfilled all the requirements requested by the NMFA, it is a legitimate use of funds and the Legislature clearly provides that authority.

Member Fulginiti also expressed concern with the Board's non-approval of the request.

Mr. Montoya, San Miguel's County Manager, expressed concern with the position the County has been placed in by having to go to the open market and spend an additional \$700,000 a year in interest as well as cost of issuance expenses.

14. Consideration and Recommendation for Approval of Santa Fe Public School District (Santa Fe County) – Energy Efficiency and Renewable Energy Bond – 3472-PP. The Santa Fe Public School District ("District") applied for Public Project Revolving Loan Fund ("PPRF") financing for \$2,962,734 Energy Efficiency and Renewable Energy ("EERE") Bonds.

The District will use the proceeds to finance the construction of PV solar array systems at Santa Fe High School and Ramirez Thomas Elementary School. The District has had an energy audit completed by Positive Energy Solar. New Mexico Energy, Minerals & Natural Resources Department ("EMNRD") reviewed and certified the savings stated within the energy audit and the need to issue the bonds.

The State's GRT secures and provides for repayment of the bonds. The State carries a high credit rating and financial coverage for the EERE Bond portfolio is in excess of 11,000x debt service coverage. For EERE Bonds related to public school districts, PED reduces the benefiting District's State Equalization Guarantee distribution by 90% of the certified amount to reimburse the State for its GRT contribution for debt service.

The District received an unmodified opinion on its 2015 audit. The audit had twenty-six findings, nineteen related to the District's charter school component units. Of the seven findings related to the District, none of the findings were material weaknesses or significant deficiencies. Staff does not have any concerns related to the non-compliance findings.

Member Clifford expressed concern with the relationship between the firm that conducted the energy audit and the firm that will guide the improvements. Ms. Martinez explained that NMED reviewed the audit and provided an assessment of the funding. She said they do not take into account procurement of the contract; however, they do ensure that the assessment is actually being installed. NMED also pre-qualifies the provider confirming they have performed similar work in the past.

Ms. Lisa Reynolds explained the procurement process and provided additional information on the relationship between the firm doing the construction and the firm that conducted the assessment. In response to a question, Ms. Reynolds said solar system has a 25 year production warranty. She also noted that the maintenance cost has been factored into the cost.

Member Fulginiti moved, seconded by Member Flynn, for approval of the Santa Fe Public School District Project 3472-PP. The motion passed 9 – 0.

- 15. Consideration for Approval of the Authorizing Resolution for the New Mexico Finance Authority Energy Efficiency and Renewable Energy Bonds (Santa Fe Public School District), Series 2016A – 3472-PP.** Staff recommends approval of the Series 2016A Authorizing Resolution for the New Mexico Finance Authority Energy Efficiency and Renewal Energy Bonds for \$2,962,734.

Authorizing the issuance of New Mexico Finance Authority Energy Efficiency and Renewable Energy Bonds (Santa Fe Public School District), Series 2016A in an aggregate principal amount not to exceed \$2,962,734 for the purpose of providing funds for the construction of PV solar array systems at Santa Fe High School and Ramirez Thomas Elementary school; providing for the payment of the principal of and interest on the bonds from monies deposited in the energy efficiency and renewable energy bonding fund and the pledge of such revenue by the New Mexico Finance Authority.

A discussion ensued on the pledged revenue and the reporting of the energy savings. Mr. Dillenback explained the structure of the Act, the Energy Efficiency Bond and the accountability mechanics.

Member Clifford asked staff to initiate discussion with the Legislation to revisit the structure of the Act.

Member Fulginiti moved, seconded by Member Flynn, for approval of the authorizing resolution of the NMFA Energy Efficiency and Renewable Energy Bonds. The motion passed 9 – 0.

16. Consideration and Recommendation for Approval of the Village of Los Lunas (Valencia County) – Valencia Regional Emergency Communications Center (“VRECC”) – 3470-PP. The Village of Los Lunas (“Village”) as fiscal agent for the Valencia Regional Emergency Communications Center (“VRECC”) applied for Public Project Revolving Loan Project financing for \$4,367,403 to build and equip a new emergency call center.

Approximately \$3,233,190 of the total loan amount will be non-taxable and \$1,117,528 will be taxable. The taxable amount is for the Computer Aided Dispatch (CAD) software licenses, fees, and applications.

The Village provides all financial activities for the VRECC and houses the central dispatch for the entire county, which includes the Village of Los Lunas, the City of Belen, Valencia County, the Village of Bosque Farms, the Town of Peralta, and the City of Rio Communities. Each entity provides its assessed share of budgeted revenues to support the operations of the VRECC in addition to county GRT transferred monthly to the Village. Valencia County will be a co-borrower in order to secure the loan with its County Emergency Communications GRT.

Budget transfers, fund balance, and a portion of the County Emergency Communications GRT fund the operations of the VRECC. The Village on behalf of the VRECC is contributing \$30,000.

The pledge will be from the County Emergency Communications GRT (0.25%) specifically dedicated for the VRECC. The County transfers current distributions of the GRT to the Village for support of outstanding debt and to cover a portion of the operations. The loan amount includes a debt service reserve fund in the amount of \$319,022 with a. The above interest rate includes a 0.75% margin. The coverage is 2.25x (2017) where 1.25xs is required.

FY 2014 audit report received an unmodified opinion with two findings, no material weaknesses, and no significant deficiencies. The two findings were for non-compliance and per the Audit Policy no further action is required pertaining to this audit. The FY 2015 is late and was submitted to the Office of the State Auditor in mid-March; however, a release date is not known. Per the Audit Policy applicants who have a late audit may still be considered if at least two criteria are met which are: 1) the requested loan is backed by interceptable revenue stream (i.e. GRT), and 2) the loan is funding a project related to public health, safety and welfare.

Member Fulginiti moved, seconded by Member Kopelman, for approval of the Village of Los Lunas Project 3470-PP. The motion passed 9 – 0.

17. Consideration and Recommendation for Approval of Colfax County – Refunding & New Money – 3473-PP. Colfax County (“County”) applied for Public Project Revolving Loan Project (“PPRF”) financing for \$6,705,000 for the 2009 series bonds and a new money component.

The County proposes to advance refund the County's Series 2009 bond and issue new money for construction and renovations to the Vigil-Maldonado Detention Center.

The County pledged the first increment (.125%) and, the fifth increment (.0883%) of the County Local Option GRT Local Option GRT (“CLOGRT”) as the security and repayment of the loan. Imposed on January 1, 2015, one full calendar year of actual collections is available. NMFA staff calculated what the fifth increment would have generated based off the actual taxable sales activity for the two calendar year periods prior to enactment. Using a three year average, staff used base pledged revenues of \$498,375 to determine debt service coverage.

The County would like to maximize proceeds in this transaction. The current market would allow for an increase in the loan amount of ~\$6,705,000 with a new money portion of ~\$3,300,000. The parameters of this proposal include 75bps and are not reflective of the current market; therefore, the \$6,100,000 with a new money portion of \$2,770,000 represents market conditions with the 75bps included in the rate. At the time of closing, staff will maximize the new money proceeds with current market rates not to exceed the minimum 1.25x loan coverage limits and Board approval requirements.

The PPRF Loan Management Policies allows for maximized loans when staff has specifically identified the loan as such in the recommendation, the minimum coverage requirements are met, and the maximized increase is within 10% of what the Board approved. Based on the current market environment, advance refunding of Series 2009 would likely achieve a net present value savings of approximately 9% equating to \$281,705 over the life of the refunding loan. The savings achieved reduces the expense of the new money. Additionally, the County anticipates purchasing a surety policy in lieu of funding a reasonably required debt service reserve fund. If the County is unable to obtain a surety policy at an effective cost, a debt service reserve fund will be funded.

The County qualifies for a PPRF disadvantaged interest rate of 2.00% applied to \$500,000 of this request.

The County is current with its audits and financial reporting. The FY 2015 Audit received an unmodified opinion with five findings, one material weakness, and no significant deficiencies. The material weakness represents the tax maintenance report and reconciliation. The County provided a corrective action plan.

A discussion ensued on the County’s gross receipts tax.

Member Fulginiti moved, seconded by Member Kopelman, for approval of Colfax County Project 3473-PP. The motion passed 9 – 0.

- 18. Consideration and Recommendation for Approval of the Southwest Solid Waste Authority (Grant County) – Equipment – 3469-PP.** The Southwest Solid Waste Authority (“Authority”) applied for Public Project Revolving Loan Project (“PPRF”) financing to purchase a Roll off Truck to use for collection of Municipal Solid Waste and Recycling Roll off Bins throughout Silver City and Grant County.

The Authority has a Median Household Income (MHI) of \$35,068, which is 78% of the State's MHI qualifying the entire loan amount for 0% disadvantaged funding. The Authority will pledge its net system revenues as the security and repayment of this loan. Staff used a three year average to determine coverage.

The Authority is current with their audits and financial reporting. The FY 2015 Audit received an unmodified opinion with eight findings, no material weaknesses and three new significant deficiencies. The Authority has submitted a corrective action plan addressing the findings. There were no findings of concern.

Member Fulginiti moved, seconded by Member Ulibarri, for approval of Southwest Solid Waste Authority Project 3469-PP. The motion passed 9 - 0.

19. Consideration and Recommendation for Approval of the Village of Logan (Quay County) – Fire Equipment - 3467-PP. The Village of Logan (“Village”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$353,645 to purchase a Class A Fire Truck. The fire equipment purchase will be an addition to the twenty vehicles currently utilized in the Village's fleet.

The Village will pledge its State Fire Protection Funds as the revenue source for this loan. The Village has an ISO class rating of 5 with three main stations, no sub-stations and, receives an annual base distribution of \$185,001. Considered a disadvantaged entity the Village qualifies for a 0% interest rate up to \$150,000 of the loan.

The Village is current with its audits and financial reporting. The FY2015 audit received an unmodified opinion with no findings.

Member Fulginiti moved, seconded by Member Ulibarri, for approval of Village of Logan Project 3467-PP. The motion passed 9– 0.

20. Consideration and Recommendation for Approval of Eastern NM Water Utility Authority – Scope Change/Time Extension 0331-WTB. The Eastern New Mexico Water Utility Authority (“Authority”) requests a scope change for Water Trust Board (“WTB”) funding award 0331-WTB.

On June 3, 2015, the WTB approved conditional funding to the Authority for water storage, conveyance and delivery project in an amount not to exceed \$1,541,569, with 10% delivered as a 20-year loan and 90% delivered as a grant. The approved project includes easement and right of way acquisition and design completion of the Elida lateral.

The Authority has re-prioritized the phasing of the project to focus the funding on the “Interim Groundwater Pipeline” project phase (“Project”). The Authority requests a change of scope from the initial scope to the construction of the interim groundwater pipeline. Based on the current available funding, the sub-phase of the Project will extend from Cannon AFB to Clovis and will include .65 miles of 33-inch welded steel pipe and includes three trenchless crossings. The probable

cost of this sub-phase is \$1.98 million. The WTB approved the requested change of scope and an extension of time for the Authority to submit readiness to proceed (RTP) items needed to secure the loan/grant agreement.

The Authority has submitted most of the RTP items and is currently waiting on final approval of plans/specs from NMED-construction programs bureau on the sub-phase of the Project.

In response to a question, Ms. Quintana explained that the delay in bringing the project for Board approval following WTB approval was due to delay in receiving the readiness to proceed items.

Member Fulginiti moved, seconded by Member Clifford, for approval of scope change/time extension for WTB Project 0331-WTB. The motion passed 8 – 0 with Member Curtis abstaining due to a possible conflict of interest.

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*

- 21. Update on Activities.** Member Jackson reported on the Economic Development Committee meeting held on March 22, 2016. In addition to reviewing the Private Lending Portfolio Report and the pipeline report, the Committee considered four items which received Committee approval and appear on today's agenda under items #22, #23, #24, and #25.
- 22. Consideration and Recommendation for a Preliminary Approval of a New Markets Tax Credits Loan to Delta New Mexico - 0557-NMTC.** Staff recommends preliminary approval of New Markets Tax Credits financing for \$7,750,000 to Delta New Mexico Investors, LLC.

Interest-only loans in the amount of \$7,517,500 to Delta New Mexico Investors at a blended interest rate now estimated at 4.8% and historic average coverage of 1.86xs. The loans, made by Finance New Mexico-Investor Series XIX, LLC with capital provided from qualified equity investment (QEI) made by the FNM Investment Fund XIX, LLC is expected to be 100% owned by US Bancorp Community Development Corporation, LLC ("USBCDC") (expected), a loan of \$4,000,000 loan from Enterprise Bank of St. Louis, Missouri with an interest rate now estimated at 5.84% and an Affiliate of Borrower loan of \$1,282,750 with an interest rate now estimated at 5.84%. The Affiliate of Borrower lender will make advances to the Investment Fund to provide amortization to the bank and those advances will increase the second loan to the Investment Fund.

Delta New Mexico Investors proposes to use the NMTC proceeds to provide permanent funding for the acquisition and renovation a 49,500 sq. ft. warehouse facility to assemble electronic products. Once the facility is fully renovated and staffed, this facility will be able to retain 86 jobs and will provide full-service electronic manufacturing services for its customers in the aerospace, medical, security and other commercial industries.

A discussion ensued on possible conflict of interests and the NMTC leverage structure. Discussion continued regarding whether the credit was reimbursing the lenders.

Member Jackson moved, seconded by Member Curtis, for preliminary approval of Delta New Mexico Project 0557-NMTC. The motion passed 9 – 0.

23. Consideration and Recommendation for Approval of Prioritization for Rural Round 21 Ranking of NMTC Applications. Approval of prioritization for Rural Round 21 of New Markets Tax Credits (“NMTC”) applications to include Tucumcari Mountain Cheese as part of the Rural Round 21 ranking process.

From January 4 through February 12, the NMFA accepted applications as part of Round 21 of competitive applications for the unused NMTC allocation from Finance New Mexico’s 2010 allocation totaling \$4.6 million and new 2014 allocation for \$22.5 million with a specific target of attracting rural projects.

Only one application met the policy guideline of scoring at least 60 points; two applications received a clear Moderate or High Readiness determination. The third project, in addition to being below the 60 point mark, was determined to be of Low Readiness, as it has not yet secured certain permits necessary for the project to move forward and does not expect them for several months. Staff therefore recommends placing only the top project on the priority list at this time.

Rank	Score	Applicant	Project Location	NMTC Readiness	Allocation Requested
1	74.8	Tucumcari Mountain Cheese (Quay)	Rural	Mod	\$4,600,000
2	58.8	Plaza Hotel/Hotel Castaneda (San Miguel)	Rural	High	\$7,500,000
3	54.5	Clovis Glycerine Plant (Curry)	Rural	Low	\$25,000,000
Total Allocation Requested for Round 21 Projects					\$37,100,000

Member Kopelman departed at 12:00 p.m.

Member Jackson moved, seconded by Member Delfin, for approval of prioritization for Rural Round 21 Ranking of NMTC Applications to include Tucumcari Mountain Cheese. The motion passed 8 - 0.

24. Consideration and Recommendation for Approval to Changes in NMTC Economic Impact Policies. Staff recommends approval to changes in revised NMTC Economic Impact Policies.

Over the past several months, the NMFA has been reviewing changes to the NMTC Economic Impact Policies to increase transparency of evaluations and improve consistency in scoring. Following the Round 20 competitive application cycle, staff completed an analysis of the scoring criteria and determined which areas consistently resulted in the largest variances in scores among the reviewers.

Based upon this analysis, staff recommends that the evaluation criteria include more definitions and that metrics be added to those areas that lend themselves to more quantitative scoring. In addition, staff is recommending that construction jobs be separated into its own evaluation criterion worth up to five points because this area does not fit cleanly into secondary job creation and that job retention criterion be reduced by five points as it continues to be interpreted very broadly by applicants who may exaggerate claims for additional points. The job retention criterion moved from the Community Impact section to the renamed Job Creation and Employment section. As revised, the criterion is divided into the following sections:

	<u>Existin</u>	<u>Propo</u>
Community Impact and Support	30	20
Job Creation and Employment (formerly Job	25	35
Applicant Readiness and Need (formerly Applicant	20	20
Business Location	10	10
Economic/Export Based Companies	10	10
New Capital Investment	5	5

Additionally, the revisions change the transaction limit from 15% of total allocation to \$15 million and formalize several elements of current practice, i.e., defining Project Readiness, averaging the reviewers’ scores to determine the project score, and adding some flexibility into the legal fee deposit.

Staff presented the proposed changes to the Finance New Mexico, LLC Advisory Board on March 14, 2016. The Advisory Board added manufacturing to the definition of Economic/Export Based Companies and otherwise recommended adoption of the proposed changes.

Secretary Clifford referred to the 50% of enterprise and asked staff to research this for future consideration.

Member Jackson moved, seconded by Member Clifford, for approval to changes in NMTC Economic Impact Policies. The motion passed 8 – 0.

25. Consideration and Recommendation for Approval to Changes in NMTC Credit and Lending Policies. Staff recommends approval to proposed revisions to the NMTC Credit and Lending policies.

Over the last several months, the NMFA has been reviewing changes to the NMTC policies originally established in May 2008. The NMTC Lending and Credit Policies incorporate the CDFI Allocation Agreement requirements that the funds be delivered as either equity or debt with flexible, non-traditional lending criteria and provide the framework for structuring Finance New Mexico’s (“FNM”) investments.

The proposed revisions adapt the current policies to federal program terminology and requirements of the Community Development Financial Institutions Fund (“CDFI Fund”). Since

the adoption of the policies in 2008, the CDFI Fund modified its definition of Equity Equivalent financing following GAAP's revised treatment of "EQ2" investments. The revisions clarify that FNM has always offered the product now defined as Equity Equivalent financing.

Significantly, the proposed amendments also allow FNM to participate in the transactions as an additional leverage lender. Specifically, the policies include an "FNM Leverage Loan" which would allow the Finance New Mexico-Service Company, LLC subsidiary ("Service Company") to participate as a leverage loan for certain small projects located in rural areas that are unable to secure the leverage necessary to complete a NMTC transaction. The Service Company would make the loan using Exit Fees earned on completed transactions and the leverage loans would be limited to \$1 million. These market-rate loans would require repayment in full following the seven-year compliance period and would not be subject to any discounts.

The Board discussed the compliance period and participation as leverage lenders.

Member Jackson moved, seconded by Member Fulginiti, for approval to revisions in NMTC Credit and Lending Policies. The motion passed 8 – 0.

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

26. Update on Activities. Member Clifford reported on the Audit Committee meeting of March 28, 2016. Items discussed included an Internal Audit update, proposed moving of Accounting and Payroll review to FY2016 and delaying Program Administration Review to 2017, external auditor extension for one year, external audit RFP recommendation for Finance New Mexico, review of the Financial Statements, Audit Committee annual report discussion, update on the Compliance Officer position, and review of the findings matrix.

27. Consideration for Acceptance of the Financial Report for period ending February 29, 2016. Mr. Robert Brannon provided a summary of the Financial Report for the period ending February 29, 2016.

Member Clifford moved, seconded by Member Ulibarri, to accept the Financial Report for the period ending February 29, 2016. The motion passed 8- 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.*

28. Update on Activities.

Member Flynn presented the Contracts Committee report for the meeting held on March 28, 2016, which included the following:

1. Approval for the Negotiated Sale of New Mexico Finance Authority Senior Lien 2016D Bonds, and approval to issue an RFP for Underwriter(s) for the 2016D Bonds.

2. Approval to issue an RFP for New Markets Tax Credits Program External Auditing Services.
3. Contingent approval of REDW to complete the Finance Authority's FY 2016 external audit, or in the alternative, to issue an RFP for external auditing services. Based on the Audit Committee recommendation, the approval of REDW was noted.
4. The Committee held initial discussions regarding the Finance Authority's existing Procurement Policy, and anticipates that it will bring proposed revisions at the Committee's April meeting.

29. Consideration for Approval of Revised Publicly Distributed Bond Issuance and Underwriter Policy. Mr. Michael Zavelle reviewed the proposed revisions to the New Mexico Finance Authority Publicly Distributed Bond Issuance and Underwriter Policy ("Policy"). Implemented in July 2013 the existing Policy served the Finance Authority well in many ways, i.e., distributing underwriter assignments broadly; however, the policy is in need of improvement. The proposed revised policy improves Board approval control over underwriters, improves flexibility and timing of PPRF bond issues, and improves underwriter selection efficiency and fairness.

The Contracts and Finance & Loan Committees vetted the proposed revised policy at the January and February meetings. Underwriters also submitted comments both written and in oral form.

Member Fulginiti moved, seconded by Member Ulibarri, for approval of revised Publicly Distributed Bond Issuance and Underwriter Policy. The motion passed 8- 0.

30. 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 Fulginiti moved, seconded by Member Flynn, 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."

31. Action Item – Consideration of amendment to the CEO Contract.

Member Fulginiti moved, seconded by Member Flynn, to approve the amendment to the CEO's contract as discussed in closed session regarding the CEO's annual review. The motion passed 8 – 0.

32. Next Board Meeting

Thursday, April 28, 2016 – 9:00 a.m.
State Capitol, Room 322
Santa Fe, NM

33. Adjournment

Member Clifford moved, seconded by Member Fulginiti to adjourn the meeting. Motion passed 8 – 0. The meeting adjourned at 12:50 p.m.

TDA

Secretary

4-28-16

Date