

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

Minutes of Board Meeting
August 25, 2016
Room 309 – State Capitol
Santa Fe, New Mexico

Present:

John McDermott, Chair
William Fulginiti, Vice Chair
Katherine Ulibarri, Treasurer
Butch Tongate
Stephanie Schardin Clarke
Tony Delfin
Santiago Chavez
Blake Curtis (*telephonically*)

McDermott Advisory Services, LLC
Executive Director, NMML
V/P for Finance/Operations, Central NMCC
Acting Secretary, NM Environment Dept.
Secretary Designee, Dept. of Finance & Administration
Acting Secretary, NM Energy & Minerals
Designee, for Executive Director, NMAC
CEO, Curtis & Curtis, Inc.

Absent:

Juan Torres

Secretary Designee, Economic Development Dept.

Finance Authority Staff:

Bryan Otero
Connie Marquez-Valencia
Eric Westlake
Floyd Trujillo
Joanne Johnson
Leslie Medina
Marquita Russel
Robert Coalter
Zach Dillenback

Carmela Manzari
Dan Opperman
Frank Ibarra
Heather Boone
John Brooks
Mark Lovato
Michael Zavelle
Rod McNamara

Guests:

Anne Browne
Bob Paulette
Brad Patterson
Bret E Wier
David Chokroff
Jerry Kyle, Jr.
John Archuleta
Julia Downs
Karen Torres

Sutin, Thayer & Browne
Forsgren Associates
Ballard Spahr
Village of Angel Fire
Eldorado Water
Andrews Kurth
GKB
LFC
NMED

Paul Cassidy
Raheel Hirji
Susen Ellis
Suzanne Bruckner

RBC Capital Markets
GKB
Bank of Albuquerque
Sutin, Thayer & Browne

1. Call to Order and Roll Call.

Chair John McDermott called the meeting to order at 9:00 a.m. A roll call vote established a quorum.

2. Approval of Agenda. Agenda items 15 and 20 deleted from the agenda.

Member Fulginiti moved, seconded by Member Ulibarri, for approval of the amended agenda. The motion passed 8 - 0.

3. Approval of the July 21, 2016 Board Minutes.

Member Fulginiti moved, seconded by Member Ulibarri, for approval of the July 21, 2016 minutes. The motion passed 8 – 0.

4. Report from Chief Executive Officer. Mr. Robert Coalter reported on the following:

- ◆ Mr. Floyd Trujillo presented the 20th biweekly report. Work continues on the implementation stage of the PPRF module which lags approximately one month behind schedule; PPRF configuration on-going; continue loading legacy data; project status green.
- ◆ Reported on Oversight Committee where discussion centered on the Colonias program's utilization of monies,
- ◆ Water Trust Board staff traveled out throughout the State providing training on the new application cycle.

5. Nominating Committee Report & Election of Officers.

Mr. Fulginiti reported the Committee met twice, and that one member who initially expressed interest withdrew from consideration. The Committee discussed the remaining submittals, and recommends retaining the present officers as follows: Member Fulginiti – Vice-Chair; Member Ulibarri – Treasurer, and Member Delfin – Secretary.

Member Chavez moved, seconded by Member Clarke, to approve the recommendation as presented. The motion passed 8-0.

6. Report from the Finance & Loan Committee. *(Committee members are William Fulginiti, Chair; Secretary Duffy Rodriguez (Ms. Stephanie Schardin Clarke, designee for Secretary Rodriguez), Ms. Katherine Ulibarri, and Mr. Steve Kopelman.)*

Member Fulginiti presented the Committee Report. Mr. Zach Dillenback read consent agenda items 7-14 into the record, as follows:

7. **Consideration and Recommendation for Approval of Otero County, James Canyon VFD – Fire Equipment - 3591-PP.** Otero County (“County”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$149,925 to purchase and equip a new 500 gallon pumper truck replacing an existing unit that is costly to maintain.

The County is pledging its Fire Excise Gross Receipts Tax (“FEGRT”) as the revenue source for the loan. Staff completed a five-year analysis of the GRT and used the last fiscal year’s net receipts to determine coverage since the FEGRT has been declining. Considered a disadvantaged entity, the entire loan amount received a 2% interest rate. At the time of closing, staff will re-evaluate the market rate to determine the amount of Disadvantaged Funding.

The County is current with its audit and financial reporting. The FY 2015 Audit received an unmodified opinion with two findings, one material weakness, and one significant deficiency. Problems with the County’s software conversion project resulted in the material weakness finding. The County is working with the software vendor to set up the accounts receivable module. Per Policy, the County has provided a corrective action plan for the audit findings.

8. **Consideration and Recommendation for Approval of Otero County, Fire Administration – Utility Vehicle – 3592-PP.** Otero County (“County”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$90,681 to purchase and equip a new utility vehicle with firefighting apparatus replacing a vehicle that is no longer serviceable.

The County will pledge its State Fire Protection Funds as the revenue source for the loan. The County has an ISO class rating of 6, with one administrative building, and receives an annual base distribution of \$58,584. Considered a disadvantaged entity, Otero County received \$90,681 of the loan amount at a 2% interest rate. At the time of closing, staff will re-evaluate the market rate to determine the amount of disadvantaged funding.

At closing, the NMFA’s trustee holds the proceeds for the project fund. The requisition process mitigates the risk of misuse of funds. NMFA will pay invoices to the vendor directly, if requested by the County, or NMFA will reimburse the County for paid invoices. NMFA intercepts the State Fire Protection Funds directly from the State Treasurer’s Office approximately one year in advance of the payment date mitigating misuse of funds.

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

9. **Consideration and Recommendation for Approval of Otero County, Sixteen Springs VFD - Equipment - 3601-PP.** Otero County (“County”) Sixteen Springs VFD (“Department”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$120,907 to purchase and equip a new 500 gallon quick attack pumper truck replacing a 1984 unit that is costly to maintain.

The County will pledge its State Fire Protection Funds as the revenue source for this loan. The District holds an ISO class rating of 6 with one main station, and receives an annual base distribution of \$58,584. As a disadvantaged entity, Otero County receives \$120,907 of the loan amount at a 2% interest rate. At the time of closing, staff will re-evaluate the market rate to determine the amount of disadvantaged funding.

As noted in agenda item 8, the NMFA trustee holds the proceeds for the project fund and holds true for this project as well as agenda items 10 and 11 that follow.

The County is current with its audit and financial reporting as outlined in agenda item 8.

- 10. Consideration and Recommendation for Approval of Quay County Fire District – Fire Equipment – 3596-PP.** Quay County (“County”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$171,285 to purchase and equip a Wildland fire truck, and equip a Dodge Ram fire apparatus to meet the Fire Marshal's specifications.

The County holds an ISO rating of 8 with one main station receiving an annual base distribution of \$52,418 pledged as the revenue source for the loan along with accumulated funds of \$55,295. Considered a disadvantaged entity \$150,000 of the loan receives a 0% interest rate.

The County is current with its audits and financial reporting. The FY2015 audit received an unmodified opinion with two non-compliance findings. Per Policy, no further action is required.

- 11. Consideration and Recommendation for Approval of Quay County, Porter Fire District (Quay County) – Fire Equipment – 3597-PP.** Quay County (“County”) Porter Fire District applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$100,756 to purchase and equip a fire tanker.

The County holds an ISO rating of 9 with one main station receiving an annual base distribution of \$39,058 pledged as the revenue source for the loan along with accumulated funds of \$104,058. Considered a disadvantaged entity the loan receives a 0% interest rate.

The County is current with its audits and financial reporting. The FY2015 audit received an unmodified opinion with two non-compliance findings. Per Policy, no further action is required.

- 12. Consideration and Recommendation for Approval of Upper Arroyo Hondo MDWCA (Taos County) – Water Improvement Project Amendment - 3084-DW.** The Upper Arroyo Hondo MDWCA (“Association”) requested an increase of \$23,312 to Drinking Water State Revolving Loan Fund (“DWSRLF”) loan #3084-DW, and a decrease in the minimum coverage requirement from 1.3xs to 1.2xs.

On December 19, 2014, the Association closed on loan 3084-DW for \$96,455 to finance the purchase and installation of approximately seventy new radios read water meters, a meter reader, and software. Delivered as a low cost loan with a 22 year term, the funding package totaled \$96,455. The pledged

revenue source was the Net System Revenues (“NSR”) with a minimum debt service coverage ratio of 1.57xs and an interest rate of .25% maturing in 2034.

The Association completed a rate study in 2014 utilizing those projections to determine debt capacity. Per policy, the minimum coverage required for NSR when using projections is 1.3xs, and 1.2xs when using historical revenues. For this amendment, staff utilized historical revenues.

The project incurred increased costs due to project change orders including new back flow preventers, frost lids, and housing for the meters. The additional funds requested will allow the Association to complete the project while maintaining coverage requirements. The Association pledged the NSR as security and repayment of the loan. To determine debt capacity, staff prepared an analysis utilizing FY 2015 revenues of \$8,184 with minimum debt service coverage ratio of 1.20xs, FY 2015 reflecting the most conservative of the last three fiscal years. The Association will not require a time extension or scope change.

13. Consideration and Recommendation for Approval of Timberon Water & Sanitation District (Otero County) – Water Conservation Plan – 3584-PG. The Timberon Water & Sanitation District (“District”) applied for Local Government Planning Fund (“LGPF”) funding for \$50,000 for a Water Conservation Plan (“WCP”).

The WCP will include recommended alternatives for water management, water conservation, water quality, protection of the public welfare and timelines for implementing the water plan. The plan will address projected growth, potential future water issues, and strategies to mitigate future water challenges. The WCP will also identify surface and groundwater resources.

Considered a disadvantaged entity with a median household income (“MHI”) of \$9,452 or 21.02% of the State's MHI, the District qualifies for 75% or \$37,500 of the report cost as grant funds. The local burden ratio is 13.65xs the State’s water rate burden qualifying the District to receive an additional 75% or \$37,500 as grant funds for a combined 100% grant award up to the maximum amount of \$50,000.

14. Consideration and Recommendation for Approval of Timberon Water & Sanitation District – (Otero County) – Asset Management Plan - 3585-PG. The Timberon Water & Sanitation District (“District”) applied to the Local Government Planning Fund (“LGPF”) funding for \$50,000 for an Asset Management Plan (“AMP”).

Considered a disadvantaged entity with a median household income (“MHI”) of \$9,453 which is 21.02% of the State’s MHI, the District qualifies for 75% or \$37,500 of the report cost as grant funds. The local burden ratio is 13.65xs the State's water rate burden qualifying the District for an additional 75% or \$37,500 as grant funds for a total combined grant award of 100% up to the maximum amount of \$50,000.

Member Fulginiti moved seconded by Member Chavez, for approval of Consent Agenda Items 7 – 14. The motion passed 8 - 0.

15. Consideration and Recommendation for Approval of Mora County – Complex Construction Project –3580-PP. Item removed from agenda.

16. Consideration and Recommendation for Approval of Sandoval County – Refunding of County’s Series 2006 G.O. Bonds – 3588-PP. Sandoval County (“County”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$1,495,000 to refund the Series 2006 General Obligation Bonds for economic savings.

Under the current market environment, refunding would likely achieve a net present value savings of approximately \$83,450 or 5.58% over the term of the refunding bonds. Current Moody's bond rating for the County is Aa2. The maturing of the refunding bonds matches the term of the refunded bonds.

The County will be pledging the Ad Valorem Property Tax as the revenue for this loan. Staff completed a five-year analysis of the revenue and used a three-year average to determine coverage. The term of the loan includes the NMFA processing fee capitalized at a rate of 0.4765% added to the market rate along with a 0.75% credit margin.

The County is current with its audit and financial reporting. The 2015 Audit was unmodified with seven findings, one material weakness, three significant deficiencies, and three other/non-compliance issues. The material weakness and two of the significant deficiencies are repeats from the 2014 Audit caused by recording and reconciling financial transactions within the Treasurer's Office. Per Policy, the County provided a corrective action plan.

At closing, the NMFA’s trustee holds the proceeds for the project fund mitigating the risk of misuse of funds.

Member Fulginiti moved, seconded by Member Chavez, for approval of Sandoval County Project 3588-PP. The motion passed 8 - 0.

17. Consideration and Recommendation for Approval of Village of Angel Fire (Colfax County) – Refunding – 3594-PP. The Village of Angel Fire (“Village”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$7,007,000 to refund three USDA RUS bonds, Series 1998, Series 1999, and Series 2007.

Originated amounts for Series 1998, 1999, and 2007 were \$3,000,000, \$3,000,000, and \$1,886,042 respectively. Based on current market conditions, refunding of all three USDA RUS bonds would likely achieve a net present value savings of approximately 20% equating to \$1,431,914 over the life of the refunding loan.

The Village pledged Net System Revenues (“NSR”) of the Wastewater and Water Utility Funds or Joint Utility as security and repayment of this loan. To determine coverage, NMFA staff used a two year average with base revenues of \$962,376 resulting in debt service coverage of 2.19xs. Anticipated refunding of 3594-PP will be the only debt pledged against the NSR.

The Village is current with its audit and financial reporting. The FY 2015 Audit received an unmodified opinion with seven findings, four repeated significant deficiencies and no material weaknesses. The Village submitted a corrective action plan

At closing, the NMFA's trustee holds the proceeds for the project fund mitigating the risk of misuse of funds.

Member Fulginiti moved, seconded by Member Chavez, for approval of Village of Angel Fire Project 3594-PP. The motion passed 8 - 0.

- 18. Consideration and Recommendation for Approval of Lovington Municipal School District (Lea County) – Refunding – 3598-PP.** The Loving Municipal School District (“District”) applied for Public Project Revolving Loan Fund (“PPRF”) funding for \$8,380,000 to refinance the Series 2007 and 2008 General Obligation Bonds issued in the par amounts of \$8,500,000 and \$8,000,000 respectively.

Based on current market conditions, refunding would likely achieve a net present value savings of approximately 5.29% equating to \$443,277 over the life of the refunding loan. Current Moody's bond rating for the District is A1/Aa1 enhanced with the maturity of the refunding bonds matching the term of the refunded bonds.

The District will pledge Ad Valorem Property Tax as the revenue source. The assessed valuation for 2015 was \$900,907,250 with 6% or \$54 million of the amount as the allowable assessed valuation. The District's outstanding indebtedness is \$47.6 million with an assessed valuation utilization of 83.61% with remaining capacity at \$8.8 million. The interest rate also includes a 0.75% credit margin for the market component.

The District is current with its audit and financial reporting. The FY 2015 report received an unmodified opinion with 10 findings, no material weaknesses, and one prior-year significant deficiency. The District provided a corrective action plan.

The Department of Finance and Administration (“DFA”) will make payments on behalf of a school district, should the district default. At closing, the NMFA's trustee holds the proceeds for the project fund mitigating the risk of misuse of funds.

Member Fulginiti moved, seconded by Member Chavez, for approval of Lovington Municipal School District Project 3598-PP. The motion passed 8 - 0.

- 19. Consideration and Recommendation for Approval of Tularosa Municipal School District (Otero County) – School Improvements – 3589-PP.** The Tularosa Municipal School District (“District”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$900,000 to construct, remodel, make additions and furnish school buildings, purchase or improve school grounds, or any combination of these purposes within the District.

The District will issue General Obligation Bonds which the NMFA will purchase with the PPRF. As a disadvantaged entity, \$500,000 of the loan amount received a 0% interest rate with the NMFA

processing fee capitalized into the first ten years of the loan at 12.569% added to the market rate. The market portion of the loan also includes a 0.75% credit margin.

The District is current with its audit and financial reporting. The FY 2015 Audit received an unmodified opinion with one finding, no material weaknesses, and one repeated significant deficiency, i.e., one out of 43 Agency Funds Activities Fund receipts where the deposit date on the bank deposit ticket indicated that the monies were deposited prior to the receipt of monies. Each school site received a copy of the "PSAB Supplemental 18 Student Activity Funds" during a training session to remediate the finding. The District qualifies as a low risk auditee, and per policy, no further action is required.

Member Fulginiti moved, seconded by Member Chavez, for approval of Tularosa Municipal School District Project 3589-PP. The motion passed 8 - 0.

20. Consideration and Recommendation for Approval of the City of Jal (Lea County) – Baseball/Softball Complex – 3581-PP. Item removed from agenda.

21. Consideration and Recommendation for Approval of the Town of Red River (Taos County) – Water Tank Improvement Project – 3590-DW. The Town of Red River ("Town") applied for Drinking Water State Revolving Loan Fund ("DWSRLF") financing for \$1,740,000 for a water project to include a new storage tank, removal of existing tank, pressure reducing valves, and booster pump station.

The Town pledged Net System Revenues ("NSR") of the Water Utility as security and repayment. To determine coverage, staff utilized FY2015 revenues. The Town is a severely disadvantaged entity; therefore, they qualify for 75% base subsidy and a .25% interest rate. The Town ranks number three on the current Drinking Water Fundable List.

Member Fulginiti moved, seconded by Member Clarke, for approval of Town of Red River Project 3590-DW. The motion passed 8 - 0.

22. Consideration and Recommendation for Approval of Eldorado Area Water & Sanitation District (Santa Fe County) – Dual Production Enhancement Project – 3593-DW. The Eldorado Area Water & Sanitation District ("District") applied for Drinking Water State Revolving Loan Fund ("DWSRLF") for \$357,035 to increase dual pumping capacity for two wells.

The District seeks to improve pumping capacity for wells #2A and #2B to provide adequate water supply during peak demand periods which entails modifications so that simultaneous pumping increases from the current capacity of 60 gpm to 120 gpm.

The District pledged net system revenues as security for repayment of this loan. Staff used a three year average to determine coverage. The project ranks number 15 on the Fiscal Year 2017 first quarter Drinking Water Fundable List.

Member Fulginiti moved, seconded by Member Chavez, for approval of Eldorado Area Water & Sanitation District Project 3593-DW. The motion passed 8 - 0.

23. Consideration and Recommendation for Approval of the Town of Clayton (Union County) Water Improvement Project Amendment – 3037-DW. The Town of Clayton (“Town”) applied for a Public Project Revolving Loan Fund (“PPRF”) loan increase of \$231,000 and a time extension for Drinking Water State Revolving Loan Fund (“DWSRLF”) loan 3037-DW.

The Town closed a \$621,150 DWSRLF loan on July 25, 2014, to finance a meter replacement project. However, the project experienced delays related to a required amendment as well as staffing and engineering problems. The Town’s financing package included, 25% of the total \$621,150 loan (\$155,288) delivered as principal forgiveness, and 75% (\$465,862) delivered as a low cost loan with a 22 year loan term. The pledged revenue source was Net System Revenues (“NSR”), with a minimum debt service coverage ratio of 1.74xs and an interest rate of 2% maturing in 2034. Phase 1 will complete by September 30, 2016.

Aging on part of the town’s system required additional funds to complete the project. The Town requests an additional \$231,000 for the second phase of the meter installation project with an additional two months’ time extension to December 25, 2016 for completion.

The Town pledged the NSR of its Joint Utility as security and repayment of the loan. To determine debt capacity, staff prepared an analysis utilizing FY 2015 revenues of \$319,615 with the minimum debt service coverage resulting in 1.91xs. The analysis included the unaudited FY16 financials allowing review of the most recent information. The loan remains in a subordinate lien position.

Member Fulginiti moved, seconded by Member Chavez, for approval of Town of Clayton Project 3037-DW. The motion passed 8 - 0.

Report from the Chairperson of the Economic Development Committee. *Committee members are Mr. Juan Torres, Chair (Secretary Designee for Secretary John Barela) and Mr. Blake Curtis.*

24. Update on Activities. Ms. Marquita Russel reported that the Economic Development Committee did not meet in August for lack of a quorum so the projects on today’s agenda are staff recommendations. Staff briefed a member of the committee on the status of the Private Lending portfolio and reviewed the projects that follow.

25. Consideration and Recommendation for Approval of Smart Money Participation with Citizens Bank, Sonoma, LLC (Doña Ana County) - 3599-LP. Staff recommends final approval of Smart Money Participation for \$1,592,500 to Citizens Bank, Sonoma, LLC.

Approval of a \$1,592,500 Smart Money Loan Participation with Citizens Bank for a 27.74% pari-passu participation in a six and a half year term loan of \$5,740,000 it expects to make to Sonoma, LLC. The company will use the proceeds for construction-to-permanent financing for an expansion to the Fitness One facility in Las Cruces located at 4655 Sonoma Ranch Blvd, including financing to assist with the purchase of the adjacent lot for expansion. Projected cash flow from the lease payments to Sonoma, LLC from Fitness One-G, LLC is the primary repayment source. A title insured first real

estate mortgage will secure the loan. Shannon and Paige Wood, and Lee Ann Burrus, will be the guarantors for the loan.

The \$1,592,500 NMFA participation is calculated at 49% of the \$3,250,000 new money in accordance with the Smart Money program. The expansion will involve acquisition of an adjacent lot of 2.264 acres on which an 18,000 square foot addition will be constructed, thereby doubling the square footage of the Fitness One Center in Las Cruces.

Member Fulginiti moved, seconded by Member Curtis, for final approval of Citizens Bank, Sonoma, LLC Project 3599-LP. The motion passed 8 - 0.

26. Consideration for Final Approval of La Clinica de Familia, Incorporated, and Accompanying Resolution (Las Cruces) New Markets Tax Credit Loan – 3535-NMTC. Staff recommends final approval of La Clinica de Familia Title Holding Corporation and authorizing resolution.

The proposed transaction received Amended Preliminary Approval in April 2016, subject to documentation acceptable to the NMFA, and received a one month extension to July to allow completion of the documentation. The transaction complies with all NMFA policies.

Interest-only loans in the amount of \$6,062,500 made to La Clinica de Familia Title Holding Corporation, a special purpose subsidiary of La Clinica de Familia, at a blended interest rate of 3.2950% and minimum overall coverage of 1.72xs. Finance New Mexico-Investor Series XVI, LLC will make the loans with capital provided from qualified equity investments made by the FNM Investment Fund XVI, LLC 100% owned by US Bancorp Community Development Corporation, LLC (“USBCDC”). La Clinica de Familia will receive \$4,261,250 from Citizens Bank of Las Cruces with an interest rate at 5.40%.

Mr. Dan Opperman, General Counsel, reviewed the authorizing resolution granting final authorization to close the NMTC transaction.

Member Fulginiti moved, seconded by Member Tongate, for final approval La Clinica de Familia, Incorporated, Project 3535-NMTC and accompanying resolution. The motion passed 8 - 0.

27. Consideration and Recommendation to open the 22nd Rural Round of Competitive New Markets Tax Credit Applications. Tax Credit Applications. Staff requested approval to open the twenty-second round of competitive applications targeted solely to projects located in rural census tracts to open August 26, 2016 and close on September 26, 2016.

To date, the NMFA, through Finance New Mexico, has offered twenty-one competitive application cycles through Finance New Mexico, including several exclusive application rounds for projects located in rural areas. Finance New Mexico has closed transactions for thirteen projects totaling \$159.096 million. This application cycle will offer the remaining unobligated balance of \$22.5 million remaining from the 2014 rural allocation.

Member Ulibarri moved, seconded by Member Fulginiti, to open the 22nd Rural Round of Competitive New Markets Tax Credit Applications. The motion passed 8 - 0.

Report from the Chairperson of the Audit Committee. *Committee members are Chair Stephanie Schardin Clarke (Secretary Designee for Secretary Duffy Rodriguez), Mr. Tony Delfin (Acting Secretary), Mr. Steve Kopelman, and Ms. Katherine Ulibarri.*

28. Update on Activities. Member Clarke reported on the Audit Committee meeting of August 22, 2016. The agenda included an update from RSM on the status of the internal audit; update on the staff's response to the findings in the Organization Structure Review; accounts payable, accounts receivable, and payroll review complete with report forthcoming at the September Audit Committee meeting; review of July financials, and the REDW entrance conference for the NMFA's FY16 audit.

29. Consideration and Acceptance of the Financial Report for period ending July 31, 2016. Ms. Joanne Johnson provided a summary of the Financial Report for the period ending July 31, 2016.

Member Clarke moved, seconded by Member Chavez, for acceptance of the Financial Report for period ending July 31, 2016. The motion passed 8 - 0.

30. Consideration for Approval of the Authorizing Resolution for the New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue and Refunding Bonds, Series 2016E, Preliminary Official Statement, Ninety-Second Supplemental Indenture of Trust and Related Documents.

NMFA will issue and sell the Series 2016E Bonds in an amount to be determined, but not to exceed \$48,000,000, all as authorized by the Board in the Authorizing Resolution. The proceeds of the Series 2016E Bonds will reimburse the NMFA for moneys used for originating loans to or purchasing securities from certain governmental entities used to finance certain Projects or reimbursing loans previously made to or securities purchased. The proceeds will also refund certain outstanding bonds of the NMFA, and reimburse the NMFA for and finance Costs of Issuance of the Series 2016E Bonds.

Mr. Dan Opperman reported that the Disclosure Committee, on August 17, 2016, reviewed and unanimously approved a recommendation to the full Board on the 2016E preliminary official statement, ninety-second series indenture of trust, and related documents. Mr. Michael Zavelle reviewed the structure of the proposed transaction. Mr. Jerry Kyle, Disclosure Counsel (Andrews Kurth) reviewed the 2016E Preliminary Official Statement, and Mr. Brad Patterson, Bond Counsel (Ballard Spahr) reviewed the authorizing resolution.

Mr. Zavelle explained that one of the co-underwriters, Hutchinson, Shockey, Erley, recused itself from this bond issue, and that Piper Jaffray would take its place.

Member Clarke moved, seconded by Member Fulginiti, for approval of the Series 2016E Preliminary Official Statement, Ninety-Second Supplemental Indenture of Trust, and related documents. The motion passed 8 - 0.

31. Consideration and Recommendation for Approval of NMFA FY 2017 Operating Budget.

Mr. Coalter and Mr. Eric Westlake presented the NMFA FY2017 operating budget. Staff presented the Finance & Loan Committee with a revised budget totaling \$9,051,650.75 which included, among other things, the BBER study, merit increases, benefit increases, and salary for a proposed Water Programs Manager. The budget also included a reduction from \$24,700 to \$11,350 for Board and Employee Education and Recognition.

The Finance & Loan Committee requested additional cuts to reflect the current revenue difficulties within the State. The larger proposed cuts to the 2017 Budget are:

- Legal Services reduced by \$90,000
- Graphic Design & Marketing reduced \$30,000
- RSM (Internal Auditors) reduced from \$200,000 to \$150,000
- Website enhancements budgeted for \$60,000 was cut to \$0
- Furniture and Fixtures reduced by \$30,000. Planned during the prior fiscal year, delays in arrival of the parts and issues with the landlord delayed the installation. NMFA's plan was to reuse all of the current fixtures to keep the purchase of any new items to a minimum. However, there were some new fixtures necessary to accomplish the proposed new move. NMFA is required to pay the vendor approximately \$20,000 for new parts ordered. NMFS is currently working with the vendor to determine this exact amount.

These reductions, prior to the updated Furniture and Fixture reduction, result in a proposed budget totaling \$8,807,735.25 which is 3.4% below the NMFA's approved 2016 Budget and within \$47,000 of the NMFA's 2012 Budget of \$8,761.617.

Chair McDermott commented that the direction given to the CEO included adding positions needed to increase financial skills, a Water Programs Manager, maintaining transparency, and using the internet to reach a wider area using e-commerce. The Chair asked if cutting the website enhancements would inhibit utilizing e-commerce. Mr. Coalter indicated it would.

Chair McDermott and members of the Board expressed appreciation to the Finance & Loan Committee and staff for their efforts in providing the information and changes requested.

Member Fulginiti moved, seconded by Member Chavez, for approval of the 2017 Operating Budget. The motion passed 8 - 0.

32. Next Board Meeting

Thursday, September 22, 2016 – 9:00 a.m.
State Capitol, Room 322
Santa Fe, NM

33. Adjournment.

Member Ulibarri moved, seconded by Member Delfin, to adjourn the meeting. The motion passed 8 – 0.

The meeting adjourned at 10:50 a.m.

7 D. f.

Secretary

9-22-16

Date