

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

**Minutes of Board Meeting
November 30, 2016
Room 309 – 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
J.C. Borrego	Secretary Designate, NM Environment Dept.
Stephanie Clarke	Secretary Designee, Dept. of Finance & Administration
Tony Delfin	Acting Secretary, NM Energy & Minerals
Santiago Chavez	Designee, NMAC
Juan Torres	Secretary Designee, Economic Development Dept.
Blake Curtis	CEO, Curtis & Curtis, Inc.

Staff:

Bryan Otero	Carmela Manzari
Connie Marquez-Valencia	Dan Opperman
Frank Ibarra	Heather Boone
Mark Lovato	Marquita Russel
Michael Zavelle	Michael Vonderheide
Oscar Rodriguez	Robert Coalter
Vince Lithgow	Zach Dillenback

Guests:

Alice Lucero	City of Espanola
Anne Browne	Sutin, Thayer & Browne
Brad Patterson	Ballard Spahr
Bruce Garcia	Pueblo of San Felipe
Charles Peck	Morgan Stanley
Chip Pierce	Western Financial Group
David Mahooty	Pueblo of San Felipe
Dharmesh Choksey	RSM
Elli Mishra	Pueblo of San Felipe
Erik Harrigan	RBC Capital Markets
Ernesto Valdez	Mesa Vista School
Helen Atkeson	Hogan Lovells LLP
Jessica Ortiz	City of Espanola

John Archuleta
John Moore
Julie Houston
Leo Valdez
Mark Trujillo
Pat Sandoval
Paul Cassidy
Ronald Tenorio
Sam Candelaria
Susen Ellis
Suzanne Bruckner

George K. Baum & Co.
Wells Fargo Securities
Andrews Kurth
HSE
City of Espanola
Pueblo of San Felipe
RBC Capital Markets
Pueblo of San Felipe
Pueblo of San Felipe
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.

Mr. Coalter asked that the Board remove Item Number 23 from the agenda.

Member Fulginiti moved, seconded by Member Ulibarri, to approve the amended agenda. The motion passed 9 – 0.

3. Approval of the October 27, 2016 Board Minutes.

Member Fulginiti moved, seconded by Member Torres, for approval of the October 27, 2016 minutes. The motion passed 9 – 0.

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

- ◆ Mr. Robert Coalter presented the 24th IV&V biweekly report for the EnABLE implementation. There are no issues with system and all modules working as expected. One risk is due to extended time for data conversion activities. In response to Chair McDermott's question regarding how far back staff is going, Mr. Floyd Trujillo noted that the conversion includes all NMFA loans. Member Chavez asked if the target deadline is still on track. Mr. Trujillo responded yes with May 17, 2017 as the projected completion date.
- ◆ NMFA received NMTC allocation for \$45M urban allocation.
- ◆ The WTB met approving staff recommendations to the Legislature for authorization. Applicants submitted their applications via the EnAble system. Mr. Trujillo said EnAble worked well both for inside and outside participants. Member Fulginiti complimented staff saying the system worked very well.

5. 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.)*

6. **Consideration and Recommendation for Approval of Senior Lien PPRF Revenue Bonds, Series 2016F, Sale Resolution, Final Official Statement, Ninety-Third Supplemental Indenture, Bond Purchase Agreement and Related Documents.** Staff requests approval of the Sale Resolution and related documents for the New Mexico Finance Authority's Senior Public Project Revolving Fund Revenue Bonds, Series 2016F Bonds. ("Series 2016F Bonds").

The Series 2016F Bonds are being issued and sold by the Finance Authority in an amount to be determined, but not to exceed \$49,000,000, as authorized by the Board in the Authorizing Resolution.

The proceeds of the Series 2016F Bonds will be used to reimburse the Finance Authority for moneys used (a) originating loans to or purchasing securities from certain governmental entities that will be used to finance certain Projects for such governmental entities or reimbursing loans previously made to or securities purchased from such governmental entities, and (b) to reimburse the Finance Authority for and to finance Costs of Issuance of the Series 2016F Bonds.

Mr. Michael Zavelle, Chief Financial Strategist, said the Finance Authority sold PPRF 2016F series bonds totaling \$38 - \$40 million. Mr. Zavelle and Mr. Chip Pierce, Western Financial Group, reviewed the structure of the transaction, reporting that it was a successful negotiated sale. Mr. Brad Patterson, Bond Counsel, Ballard Spahr, and Mr. Dan Opperman, General Counsel, reviewed the sale resolution, Official Statement, and related documents.

Member Clarke moved, seconded by Member Fulginiti, for approval of Senior Lien PPRF Revenue Bonds, Series 2016F, Sale Resolution, Final Official Statement, Ninety-Third Supplemental Indenture, Bond Purchase Agreement, and Related Documents. The motion passed 9 – 0.

Member Ulibarri presented the Committee Report. Mr. Zach Dillenback read consent agenda items 7-19 into the record, as follows:

7. **Consideration & Recommendation for Approval of Town of Springer (Colfax County) – Ambulance Chassis - 3657-PP.** The Town of Springer ("Town") applied for Public Project Revolving Loan ("PPRF") financing for \$60,454 to purchase an Ambulance Chassis.

The Town pledged State-Shared Gross Receipts Tax ("SSGRT") as security and repayment. NMFA utilized a three year average resulting in \$158,040 to determine debt service coverage. The Town's SSGRT generation reflects an increasing trend from 2015 vs. 2014. Considered a disadvantaged entity, the full loan amount receives a 0% interest rate and will be equity funded.

The Town is current with its audits and financial reporting. The FY 2015 Audit received an unmodified opinion with nineteen findings, no material weaknesses, and one significant deficiency wherein the Town did not have a Sewer/Solid Waste Ordinance which is now in place.

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

8. Consideration & Recommendation for Approval of City of Las Vegas (San Miguel County) – Metropolitan Redevelopment Act Plan – 3656-PG. City of Las Vegas (“City”) applied for Local Government Planning Fund (“LGPF”) financing for \$50,000 for a Metropolitan Redevelopment Act (“MRA”) Plan.

The City will use the proceeds of the grant to prepare an MRA per New Mexico Redevelopment Code. The MRA Plan addresses the City’s blighted areas by promoting development on vacant and underutilized lots, creating opportunities for new housing, expanding economic opportunities among other things in an area comprised of three historic commercial districts as well as portions of adjacent historic residential neighborhoods.

The City has a Median Household Income (“MHI”) of \$21,539 or 47.90% of the State’s MHI. Per LGPF policy, the City qualifies for 100% funding based on the need for an MRA Plan to address declining economic development.

9. Consideration & Recommendation for Approval of City of Española (Rio Arriba County) – LEDA / Comprehensive Plan – 3654-PG. The City of Espanola (“City”) applied for Local Government Planning Fund (“LGPF”) funding for \$50,000 for a LEDA/Comprehensive Plan.

The City will use the proceeds to identify potential economic opportunities while identifying, protecting, and enhancing a desired way of life and culture as identified by its residents.

Per LGPF policy, the City qualifies for 100% funding based on the need to implement the LEDA.

10. Consideration & Recommendation for Approval of Mora County – Comprehensive Plan – 3653-PG. Mora County (“County”) applied for Local Government Planning Fund (“LGPF”) financing for \$25,000 to update the Comprehensive Plan.

The County's goal is to continue to protect and enhance the desired way of life and culture as identified by its residents while expanding and developing their economic base.

Per Policy, the County qualifies for 50% of the requested amount.

11. Consideration & Recommendation for Approval of Las Trampas MDWCA (Taos County) – Preliminary Engineering Report - 3660-PG. The Las Trampas MDWCA (“Association”) applied for Local Government Planning Fund (“LGPF”) financing for \$50,000 for a Preliminary Engineering Report (“PER”) for remediation of elevated uranium and fluoride levels in the community’s water supply.

Pursuant to LGPF Rules and Management Policies, the Association qualifies for 100% funding as an entity without gross receipts taxing authority serving fewer than 250 connections.

- 12. Consideration & Recommendation for Approval of Canjilon MDWCA (Rio Arriba County) – Water Asset Management Plan – 3646-PG.** The Canjilon MDWCA (“Association”) applied for Local Government Planning Fund (“LGPF”) funding for \$50,000 for an Asset Management Plan (“AMP”).

The Association will use the proceeds to develop an AMP in accordance with procedures and standards set by A.M. Kan criteria addressing currently owned assets.

Pursuant to LGPF Rules and Management Policies, the Association qualifies for 100% funding as an entity without gross receipts taxing authority serving fewer than 250 connections.

- 13. Consideration & Recommendation for Approval of El Rito Regional Water and Wastewater Association (Rio Arriba County) – Preliminary Engineering Report - 3644-PG.** The El Rito Regional Water and Wastewater Association (“Association”) applied for Local Government Planning Fund (“LGPF”) funding for \$50,000 for a Preliminary Engineering Report (“PER”) for development of a wastewater facility for the community.

The Association has a Median Household Income (“MHI”) of \$31,229 or 69.45% of the State’s MHI qualifying them for 50% grant funds of \$25,000.

- 14. Consideration & Recommendation for Approval of El Rito Regional Water and Wastewater Association (Rio Arriba County) – Water Asset Management Plan – 3645-PP.** The El Rito Regional Water and Wastewater Association (“Association”) applied for Local Government Planning Fund (“LGPF”) financing for \$50,000 for an Asset Management Plan (“AMP”) for Water.

The Association will use the proceeds to develop an AMP in accordance with procedures and standards set by A.M. Kan criteria addressing currently owned assets.

The Association has a Median Household Income (“MHI”) of \$31,229 or 69.45% of the State of New Mexico qualifying the Association for 50% funding. The local burden ratio is 1.68xs relative to the State’s water rate burden qualifying the Association for an additional 50% for a combined 100% of the cost up to \$50,000.

- 15. Consideration & Recommendation for Approval of City of Aztec (San Juan County) – Metropolitan Redevelopment Act Plan –3662-PG.** The City of Aztec (“City”) applied for Local Government Planning Fund (“LGPF”) financing for \$50,000 for a Metropolitan Redevelopment Act Plan (“MRA”).

The MRA will identify sites and projects, and sustainable implementation strategies and specific funding sources, for district revitalization and public and private sector investment.

Pursuant to LGPF Rules 100% of the amount qualifies based on the need for an MRA to address declining economic development.

16. Consideration & Recommendation for Approval of Village of Tularosa (Otero County) – Water Conservation Plan – 3650-PG. The Village of Tularosa (“Village”) applied for Local Government Planning Fund (“LGPF”) financing 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 while addressing projected growth and future water challenges.

Considered a disadvantaged entity with a Median Household Income (“MHI”) of \$28,787 or 64.02% of the State's MHI, the Village qualifies for 50% or \$25,000 of the report cost as grant funds. The local burden ratio is 1.67xs the State's water rate burden qualifying them for an additional 50% or \$25,000 as grant funds for a combined 100% grant award up to the maximum amount of \$50,000.

17. Consideration & Recommendation for Approval of High Valley MDWCA (Doña Ana County) – Asset Management Plan – 3663-PG. High Valley MDWCA (“Association”) applied for Local Government Planning Fund (“LGPF”) financing for \$50,000 for an Asset Management Plan (“AMP”).

The Association will use the proceeds to develop an AMP in accordance with procedures and standards set by A.M. Kan criteria addressing currently owned assets.

Pursuant to LGPF Rules and Management Policies, the Association qualifies for 100% funding as an entity without gross receipts taxing authority serving fewer than 250 connections.

18. Consideration & Recommendation for Approval of Flora Vista MDWA (San Juan County) – Preliminary Engineering Report – 3651-PP. The Flora Vista MDWA (“Association”) applied for Local Government Planning Fund (“LGPF”) funding for \$12,500 for a Preliminary Engineering Report (“PER”).

The Association will use the proceeds to address water system improvements identifying existing shortcomings and developing preliminary alternatives for system improvements.

With a Median Household Income (“MHI”) of \$64,861 or 144.24% of the State’s MHI, the Association does not qualify for any grant funds based on this standard. The local burden ratio is 1.34xs the State's water rate burden qualifying the Association for 25% or \$12,500 of the original grant funds requested up to \$12,500.

19. Consideration & Recommendation for Approval of East Culpepper Flats DWCA (San Juan County) – Environmental Information Document – 3655-PG. The East Culpepper Flats DWCA (“Association”) applied for Local Government Planning Fund (“LGPF”) funding for \$50,000 for an Environmental Information Document (“EID”).

The Association will use the proceeds for an EID to meet the requirements of the Drinking Water State Revolving Loan Fund (DWSRLF) – State Environmental Review Process (“SERP”) to support

environmental compliance and permitting for the East Culpepper Flats 574 Regional Pipeline Connection Project.

Pursuant to LGPF Rules and Management Policies, the Association qualifies for 100% funding as an entity without gross receipts taxing authority serving fewer than 250 connections.

Member Ulibarri moved, seconded by Member Fulginiti, for approval of Consent Agenda Items 7 – 19. The motion passed 9 – 0.

20. Consideration & Recommendation for Approval of City of Española (Rio Arriba County) – Refunding – 3639-PP. The City of Espanola (“City”) applied for Public Project Revolving Loan (“PPRF”) financing to refund the 2007 PPRF GRT loan 1879-PP for economic savings

Originated for \$7,700,000, the 2007 PPRF GRT loan defrayed the cost of refinancing a strip allocation portion of the Series 1999 Gross Receipts Tax Refunding and Improvement Revenue Bonds, and acquiring, constructing and improving infrastructure projects.

Based on current market environment, the refunding anticipates achieving a net present value savings of approximately \$512,610 or 10.06% and, actual savings of \$1,077,079 over the life of the refunding loan.

The City pledged Hold Harmless GRT (“HHGRT”), adopted in July 2015 for three-eighths of one percent (.375%), as security and repayment. NMFA averaged two years of revenues resulting in \$817,842 to determine debt service coverage. The City's GRT generation reflects an increasing trend from 2015 vs. 2014.

The City is current with its audits and financial reporting. The FY 2015 Audit received an unmodified opinion with five findings, no material weaknesses, and no significant deficiencies. No further action is required.

At closing, the NMFA’s trustee holds the proceeds mitigating the risk of misusing the funds. As a refunding of an existing loan, the original project is complete with no further project management needs or loan proceed spend down risk. Management of the loan proceeds will not be an issue.

Chair McDermott noted the City’s involvement in a lawsuit with Santa Fe County over the hold harmless concerned some Board members; however, the City of Espanola dismissed the lawsuit.

Member Clarke said that DFA consistently votes against projects pledging hold harmless for reasons of the State’s fiscal flexibility and given that, there are continuing efforts in consideration of major legislative changes to the hold harmless. Member Clarke felt the refunding is fine but disagreed with changing the pledge.

Member Fulginiti commented on the continuing difference of opinion with Member Clarke and DFA adding that he believes it is a valid pledge and it should move forward; if not approved here, the private

market would accomplish the same. Member Clarke noted that just because the City could go somewhere else to refinance the loan does not mean the Board should be a tool to enable it to happen.

Member Chavez noted that it would not be fair to deny the City the ability to pledge hold harmless while granting other local governments the same ability in the recent past. He added the role of the Board is to offer low cost loan financing. Member Ulibarri felt communities should take opportunities available to them, and pledging hold harmless to pay off the loan is a legal option. Member Ulibarri added that there may be a time when the law changes, and when it does, the Board's actions will be different.

Member Fulginiti moved, seconded by Member Chavez, for approval of City of Espanola Project 3639-PP. The motion passed 5 – 4 with Members McDermott, Fulginiti, Chavez, Ulibarri and Curtis voting for and Members Clarke, Delfin, Borrego, and Torres voting against.

- 21. Consideration & Recommendation for Approval of Pueblo of San Felipe (Sandoval County) – Facility Development Improvements & Refunding – 3667-PP.** The Pueblo of San Felipe (“Pueblo”) applied for Public Project Revolving Loan Fund (“PPRF”) financing for \$10,847,765 to refund 2007 Wastewater Treatment Plant Loan 2046-PP, and issue new money for various health and safety projects, and capital improvements.

Tax-Exempt: The 2007 NMFA loan, which financed the wastewater treatment facility, was originally 20 years, and will extend 5 years to keep debt service on the refunding and new money the same as debt service on the existing loan. Based on current market environment, the refunding anticipates achieving a net present value savings of approximately 8.67% or actual savings of \$549,337 over the term of the refunding bonds. The Wastewater Treatment Expansion increases current capacity of 300,000 gallons per day to 500,000 gallons to meet increasing demand and support the Pueblo's housing growth.

Taxable: The Pueblo requests new money for a Flood Mitigation project and upgrading the recreational vehicle park.

The Pueblo will pledge Tribal Gasoline Tax, Gross Receipts Tax, and Right-of-Way agreement revenue as security and repayment. Staff analyzed five years of the taxes and averaged the last three years for coverage purposes. The Right of Way agreement between the Pueblo and the Public Service Company of New Mexico (“PNM”) goes through 2023. Staff used revenue from this pledge through 2023 for coverage.

There is a debt service reserve account applied to this loan. The above interest rate includes a 0.50% credit margin. The decline in the fuel GRT was the result of mismanagement and malfunctions of the fuel dispensary system, which the current tribal administration is correcting. Revenue increased in 2016 over 2015.

The Pueblo is current with its governmental unit audit. The FY 2015 report received an unmodified opinion with three findings and three material weaknesses. The Pueblo provided a letter on the status of the corrective action.

NMFA's trustee holds the proceeds at closing. The Pueblo will pay via ACH as currently done with the existing loan thereby mitigating issues with payment. The Tribal Fuel Tax is not verifiable outside the Pueblo and mismanagement caused a breach of debt service coverage ratio on the 2007 loan. The additional pledged revenue streams reduce NMFA's concentration risk on potential mismanagement of revenue. Improvements funded by the new money loan components will help strengthen gas sales, thereby increasing gas tax revenue. Additionally, the Pueblo must provide an annual certificate on:

- 1) The Pueblo will be timely in completing its primary governmental and travel center audits and provide NMFA with a copy as soon as available each year;
- 2) The Pueblo's auditor will perform and certify annual coverage on the loan with regards to the pledged revenues; and
- 3) No cross promotional of gaming will exist related to the NMFA funded projects.

Discussion ensued on revenue for loan repayment. Mr. Dillenback said the Pueblo will clearly segregate gaming from payment. He said the major portion is refunding of existing loan secured solely by gas revenue. Mr. Dillenback said renegotiating the right-of-way with PNM further strengthens reliance on those revenues. Installing a third party verification and the auditor certifying the performance of each revenue stream provides an additional safeguard.

Member Ulibarri moved, seconded by Member Chavez, for approval of Pueblo of San Felipe Project 3667-PP. The motion passed 9 - 0.

22. Consideration & Recommendation for Revised Approval of the City of Farmington (San Juan County) - Convention Center Upgrade & Energy Conservation & Efficiency Improvements – 3616-PP and 3617-PP. The City of Farmington ("City") applied for Public Project Revolving Loan Fund ("PPRF") revised financing in the loan amount for 3617-PP and revised Contingent Intercept Agreements for 3017-PP and 3616-PP.

The City received approval for two loans on September 22, 2016. The first project, 3616-PP, funds upgrades to the Civic Center secured by State Shared Gross Receipts Tax ("SSGRT"). The City pledged Civic Center Fees as a credit enhancement that are not included in coverage calculations. The second project, 3617-PP, funded citywide energy conservation upgrades secured by SSGRT.

The first request proposes increasing the PAR amount on loan 3617-PP from \$4,542,488 to \$4,743,999, an increase of \$201,511. Post NMFA approval, the City applied to the State Board of Finance for the QECB funding for energy efficiency projects. Approval of this request aligns the City's NMFA loan amount with the award amount from both sources. The coverage for the loans changes from 8.01xs to 7.9xs, the required coverage being 1.25xs.

The second request amends loans 3616-PP and 3617-PP by replacing the Intercept Agreement with a Contingent Intercept Agreement needed because of the distortion of the senior lien parity test with other parity loans if the Intercept Agreement is applied. Previous NMFA loans utilized Contingent Intercept Agreements as the pledged revenue source.

In response to a question from Chair McDermott on why the move to a Contingent Intercept Agreement at this time, Mr. Dillenback said, the City has non-NMFA obligations and wishes to maintain the

integrity of the parity test. Mr. Paul Cassidy, RBC Capital Markets, added that with respect to the City's publicly offered debt, it is important to have payments made at the same time maintain consistency.

Member Ulibarri moved, seconded by Member Chavez, for approval of City of Farmington Projects 3616-PP and 3617-PP. The motion passed 9 - 0.

23. Consideration & Recommendation for Approval of City of Rio Rancho (Sandoval County) – Water Rights Acquisition – 3666-PP. Item removed from agenda.

24. Consideration & Recommendation for Approval of City of Las Cruces (Doña Ana County) – Heavy Equipment & Vehicles – 3661-PP. The City of Las Cruces ("City") applied for Public Project Revolving Loan Fund ("PPRF") financing for \$3,193,451 for acquisition of heavy equipment and public safety vehicles.

The City is pledging State Shared Governmental Gross Receipts Tax ("SSGGRT"). Staff completed a five year analysis of the SSGGRT using a three year average to determine coverage. With the City's Aa3 rating from Moody's Investor Services on their SSGGRT, no debt service reserve is required. 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 one current year significant deficiency. No further action is required. The City received the Certificate of Achievement for Excellence in Financial Reporting from the GFOA for the ninth consecutive year.

At closing, the NMFA's trustee holds the proceeds of the project thereby mitigating misuse of funds. The entity may request payment directly to the vendor or reimbursement to the entity.

Member Ulibarri moved, seconded by Member Chavez, for approval of the City of Las Cruces Project 3661-PP. The motion passed 9 – 0.

25. Consideration & Recommendation for Approval of Mesa Vista Consolidated School District (Rio Arriba & Taos Counties) – BAN Conversion & New Money School Improvements – 3665-PP. The Mesa Vista Consolidated School District ("District") applied for Public Project Revolving Loan ("PPRF") financing for \$8,095,000 for school infrastructure.

In February 2013, the District received voter approval of \$4,320,000 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 for \$805,000 which the NMFA will purchase with the PPRF. Utilizing bond proceeds, the District will convert NMFA loan 3389-PP to permanent financing and new money, and pay for the \$45,000 financial advisory fee. As a disadvantaged entity, \$500,000 of the loan receives a 0% interest rate.

The District is up-to-date with its audits and financial reporting. The FY2015 Audit received an unmodified opinion with no material weaknesses and no significant deficiencies.

The GO Bond purchase risk is significantly reduced by a statutory guarantee whereby the Department of Finance and Administration ("DFA") will make payments on behalf of the borrower if the borrower has insufficient funds with DFA recouping the funds thereafter. NMFA's trustee holds the project proceeds at closing thereby mitigating the risk of misuse of funds. The entity may request payment directly to the vendor or reimbursement to the entity for paid invoices.

Member Ulibarri moved, seconded by Member Chavez, for approval of the Mesa Vista Consolidated School District Project 3665-PP. The motion passed 9 – 0.

- 26. Consideration for Approval of Authorizing Resolution for the transfer of excess balances from the Rural County Cancer Treatment Fund to the Department of Finance and Administration for improvements to a Regional Cancer Treatment Center at the Nor-Lea General Hospital (Lea County) – 3668-SAP.** The Nor-Lea Hospital District ("Nor-Lea") has certified the need for funding relative to the 2013 Cigarette Tax Revenue appropriation (HB 580); staff recommends approval of funding Nor-Lea's remaining \$250,000 from excess Rural County Cancer Treatment cigarette tax revenue.

The 2013 New Mexico Legislature passed HB 580 authorizing Gila Regional Medical Center ("GRMC") and Nor-Lea to receive an appropriation in the amounts of \$2,250,000 and \$750,000 respectively. The appropriations are for designing, constructing, equipping, and furnishing additions and improvements to their regional cancer treatment centers.

To date, GRMC exhausted its \$2,250,000 appropriation, funded through a combination of cig tax revenue bond proceeds and excess revenue out of the Rural County Cancer Treatment Cig Tax Fund. In August 2015, Nor-Lea received partial funding of \$500,000 of its \$750,000 appropriation. Nor-Lea received partial funding because cig tax revenue generation has been volatile and in excess of the 3% annual decline targets, sufficient capacity to issue long term cig tax revenue bonds does not exist, and the amount of accumulated rural county cancer cig tax revenue could only accommodate for \$500,000 of the appropriation. Accumulation of excess rural county cancer treatment revenue has increased to where it can accommodate funding Nor-Lea's remaining \$250,000 appropriation without impairing the existing cig tax revenue bonds outstanding. Approving this funding request will fully complete all legislatively authorized projects under the Rural County Cancer Treatment program.

The Department of Finance and Administration ("DFA") Local Government Division pursuant to a grant agreement manages funding of excess revenue from the Rural County Cancer Treatment Cigarette Tax Revenue Fund. NMFA will wire the excess revenue to DFA on the day of closing with Nor-Lea requisition funds from DFA.

Member Ulibarri moved, seconded by Member Curtis, for approval of the Nor-Lea Hospital District Project 3668-SAP. The motion passed 9 – 0.

Ms. Suzanne Bruckner reviewed the resolution authorizing use of excess balance and transfer of balances to DFA for transfer to Nor-Lea Hospital District.

Member Ulibarri moved, seconded by Member Clarke, for approval of the authorizing resolution transferring the remaining \$250,000 from excess Rural County Cancer Treatment cigarette tax revenue to Nor-Lea Hospital District. The motion passed 9 – 0.

Mr. Coalter introduced Mr. Michael Vonderheide, the newly hired Water Projects Manager.

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

27. Update on Activities. Member Torres congratulated Ms. Marquita Russel and Mr. John Brooks on the newly awarded NMTC allocation. Member Torres reported that the Economic Development Committee met on November 16 to review the Private Lending Portfolio and the two items that follow on the agenda.

28. Recommendation to Open the 23rd Rural Round of Competitive New Markets Tax Credit (“NMTC”) Application. Staff recommends approval to open the 23rd Rural Round of competitive applications directed solely to projects located in rural census tracts.

The NMFA Board, on behalf of Finance New Mexico, has offered twenty-two competitive application cycles to date, including several application rounds exclusive to projects located in rural areas. There is an unobligated balance of \$22.5 million remaining from the 2014 allocation dedicated to rural transactions only.

The 2014 award targets 50% of the \$45 million allocation to rural communities with the allocation invested in QLICs by September 2018. Staff proposed opening the 23rd application offering the remaining \$22.5 million of the 2014 allocation on November 30, 2016 with closing scheduled on January 20, 2017.

Member Torres moved, seconded by Member Curtis, for approval to open the 23rd Rural Round of Competitive NMTC Application. The motion passed 9 - 0.

29. Consideration for Final Approval of Presbyterian Medical Services, Inc. and Accompanying Resolution (Cibola & Lea County) – New Markets Tax Credit Request. Staff recommends final approval of the New Markets Tax Credit (“NMTC”) financing for Presbyterian Medical Services, Inc. subject only to NMTC documentation acceptable to the Finance Authority.

Interest-only loans in the amount of \$4,514,380 made to Presbyterian Medical Services, Inc. (“PMS”) at a blended interest rate now estimated at 1.40305% and a minimum coverage of 5.22xs. Finance New Mexico-Investor Series XVII, LLC will make the loans with capital provided from qualified equity investment made by the Finance New Mexico-Investor Series, LLC 100% owned by US Bancorp Community Development Corporation, LLC (“USBCDC”) a loan of \$3,151,104 from PMS Foundation with an interest rate now estimated at 1%.

The collateral for the repayment of the “B” note is a first mortgage on the Hobbs facility. This will be

the second transaction that Finance New Mexico will complete with PMS using the NMTC financing. This project will use the allocation to satisfy the 2010 Allocation Forward Funded QEI with US Bancorp Community Development Corporation. PMS plans to use the NMTC proceeds to expand and equip several clinics and providing working capital to multiple rural clinics in qualified census tracts throughout New Mexico. PMS will also use a portion to expand a 1,875 square foot addition to the health center in Hobbs, NM increasing the facility size by approximately 50%. The proposed expansion also includes adding around 4,000 sq. ft. to the existing clinic in Grants, New Mexico for additional exam rooms with equipment.

The proposed transaction complies with all Finance Authority Credit and Lending policies. Mr. Dan Opperman, General Counsel, reviewed the proposed resolution.

Member Torres moved, seconded by Member Curtis, for final approval of Presbyterian Medical Services, Inc. and Accompanying Resolution. The motion passed 9 – 0.

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

- 30. Update on Activities.** Member Clarke reported the Audit Committee met on November 14, 2016 for the external audit exit conference with REDW, and again on November 28, 2016 for the regular meeting. The regular meeting agenda included pan update from RSM on the status of the internal audit, approval of a Corrective Action Plan for RSM Audit A2, an updated findings status matrix, and acceptance of the financial statement.

Mr. Dharmesh Choksey, RSM, reviewed the results of their review noting 8 findings and 8 improvement areas. Mr. Choksey mentioned that rather than deficiencies, the areas identified were more areas for improvement.

- 31. Consideration and Acceptance of the Financial Report for period ending October 31, 2016.** Mr. Oscar Rodriguez provided a summary of the Financial Report for the period ending October 31, 2016.

Member Fulginiti moved, seconded by Member Clarke, for acceptance of the Financial Report for period ending October 31, 2016. The motion passed 9 - 0.

32. Next Board Meeting

Tuesday, December 20, 2016 – 9:00 a.m.
State Capitol, Room 311
Santa Fe, NM

33. Adjournment

Member Curtis moved, seconded by Member Ulibarri, to adjourn the meeting. The motion passed 9 – 0.

The meeting adjourned at 11:25 p.m.

Ronald Cuy
Secretary
12/20/2016
Date