

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

**Minutes of Board Meeting  
April 26, 2018  
State Capitol – Room 309  
Santa Fe, New Mexico**

**Present:**

John McDermott, Chair	McDermott Advisory Services, LLC
William Fulginiti	Executive Director, NMML
Katherine Ulibarri, Treasurer	V/P for Finance/Operations, Central NMCC
Santiago Chavez	Designee, Executive Director, NMAC
Judi Kahl	Secretary Designee, NM Environment Dept.
A.J. Forte	Secretary Designee, Dept. of Finance & Administration
Juan Torres	Secretary Designee, Economic Development Dept.

**Absent:**

Blake Curtis	CEO, Curtis & Curtis, Inc.
Ken McQueen	Secretary, NM Energy & Minerals

**Finance Authority Staff:**

Bryan Otero	Carmela Manzari
Connie Marquez	Dan Opperman
Floyd Trujillo	Frank Ibarra
Heather Boone	Joe Durr
Leslie Medina	Marquita Russel
Michael Zavelle	Oscar Rodriguez
Robert Coalter	Susan Rodriguez
Zach Dillenback	

**Guests:**

Ann Lynn McIlroy	Loving Municipal Schools
Anne Browne	Sutin, Thayer & Browne
Arvino Portel	Acoma Pueblo
Ben Spencer	Titan Development
Brad Patterson	Gilmore & Bell
Clint Elkins	George K. Baum & Co.
Curt Browning	Titan Development
Dan Galles	Sierra Vista Hospital
David Faulkner	Sierra Vista Hospital
David Ferguson	MRGCD
Dawn Iglesias	LFC

Erik Harrington	RBC Capital Markets
Gary Lee Chapman	City of Lovington
Greg D'Amour	Sierra Vista Hospital
Helen Atkeson	Hogan Lovells
Jerry Kyle	Orrick, Herrington & Sutcliffe LLP
Mark Armstrong	Quorum Health/Sierra Vista
Raymond Concha, Jr.	1 <sup>st</sup> Lt. Governor, Acoma Pueblo
Scott Toule	Quorum Health/Sierra Vista
Shawn Jeffrey	Village of Cimarron
Susen Ellis	BOKF
Suzanne Bruckner	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 established a quorum.

2. **Approval of Agenda.**

**Member Fulginiti moved, seconded by Member Forte, to approve the agenda. The motion passed 7 - 0.**

3. **Approval of the March 22, 2018 Board Minutes.**

**Member Torres moved, seconded by Member Forte, for approval of the March 22, 2018 Board Minutes. The motion passed 7 – 0.**

4. **Report from Chief Executive Officer.**

- ◆ Thanked Board and staff for attendance and participation at Board retreat.
- ◆ Reported on Investor Conference attended by Mr. Coalter and Mr. Michael Zavelle in New York.
- ◆ EnAble Bi-Weekly IVV Report: Mr. Trujillo presented the 45<sup>th</sup> bi-weekly report. Data verification continues with verification and reconciliation for all data complete through 9/30/2017 for Water programs, PPRF, and LGPF. Mr. Trujillo continues on the process of connecting EnAble with the accounting system; however, the process is taking longer than anticipated with data validation about three weeks behind schedule.
- ◆ EnAble Project Schedule. Chair McDermott expressed concern with lack of a rock solid test plan for user validation with insufficient help to validate the date. Chair McDermott encouraged working simultaneously on the test plan and validation saying the Board needs to see more on the process used in developing the testing and accommodations for making accounting personnel available for tests requiring expertise.

Member Ulibarri agreed with the Chair's comments adding that she would support empowering the CEO to develop a solution that will help get the project back on track. Mr. Trujillo noted that bringing in new people would require bringing them up to speed but agreed with considering additional resources. Chair McDermott commented that in the coming month and in between sessions through Committees, the Board will need to gain more confidence that steps were taken to alleviate the constraints faced.

- ◆ Strategic Planning Status Report materials posted on Basecamp. Ms. Heather Boone welcomed any further comments or suggestions. Next month a written detailed report will be available.

**Report from the Investment Committee** (*Committee members are Mr. Ken McQueen and Mr. Blake Curtis*)

5. **Update on Activities.** The Investment Committee met on April 17, 2018 with Member McQueen in attendance. Mr. Mark Lovato reviewed the Investment Report highlighting total invested funds and NMFA portfolio performance.

Ms. Deanne Woodring, Government Portfolio Advisors (“GPA”) presented the Investment Program Update. GPA’s recommended strategy going forward includes maintaining duration shorter than the benchmarks, focusing on liquidity first with the goals being accountability, confidence, and transparency, and continued investing.

6. **Consideration for Approval of Changes to the Finance Authority’s Investment Policy.** Mr. Lovato reviewed the proposed changes to the Investment Policy. The primary change includes realigning the permitted investments with the General Indenture of Trust.

**Member Chavez moved, seconded by Member Torres, for approval of the recommended changes to the Finance Authority’s Investment Policy. The motion passed 7 – 0.**

7. **Consideration for Approval of the Authorizing and Delegating Resolution for the New Mexico Finance Authority Senior Lien Public Project Revolving Fund Revenue and Refunding Bonds, Series 2018B, Preliminary Official Statement, Ninety-Eighth Supplemental Indenture of Trust and Related Documents.** Review and Approval of the Preliminary Official Statement relating to the Senior Lien Public Project Revolving Fund Revenue and Refunding Bonds Series 2018B.

The Disclosure Committee recommended adoption of an Authorizing and Delegating Resolution that will among other things, direct NMFA staff, and its consultants to prepare for the issuance of the Series 2018B Bonds, and delegate the authority to determine the final terms of the Series 2018B Bonds, subject to certain parameters.

The Finance Authority is issuing and selling the Series 2018B Bonds in an approximate amount not to exceed \$27,500,000. The proceeds will reimburse the Finance Authority for moneys used to originate loans or purchase securities to finance certain projects or reimburse loans previously made to or securities purchased, refund the NMFA’s 2008B PPRF Bonds to achieve debt service savings, and pay costs incurred in connection with the issuance of the Series 2018B Bonds.

**Member Fulginiti moved, seconded by Member Ulibarri, for Approval of the Authorizing and Delegating Resolution for the NMFA Senior Lien PPRF Revenue and Refunding Bonds, Series 2018B, Preliminary Official Statement, Ninety-Eighth Supplemental Indenture of Trust and Related Documents. The motion passed 7 – 0.**

8. **Consideration for Approval of the Authorizing and Delegating Resolution for the New Mexico Finance Authority Subordinate Lien Public Project Revolving Fund Revenue and Refunding Bonds, Series 2018C-1 and Subordinate Lien Public Project Revolving Fund Revenue Bonds, Taxable Series 2018C-2, Preliminary Official Statement, Seventeenth Supplemental Indenture of Trust and Related Documents.** Review of the substantially final Preliminary Official Statement for the Series 2018C Bonds.

The Disclosure Committee recommended approval of the Preliminary Official Statement relating to the Subordinate Lien PPRF and refunding Bonds, Series 2018C-1 and Subordinate Lien PPRF Revenue Bonds, Taxable Series 2018C-2. Also recommended is adoption of the Authorizing and Delegating Resolution directing preparation for the issuance of the Series 2018C Bonds, comprised of tax-exempt sub-series 2018C-1 Bonds and taxable sub-series 2018C-2 Bonds..

The Finance Authority is issuing and selling the Series 2018C Bonds in an approximate total amount not to exceed \$37,500,000 (\*currently estimated to consist of a not to exceed amount of \$32,000,000 for the sub-series 2018C-1 and \$18,000,000 for the sub-series 2018C-2, subject to change). The proceeds will reimburse the Finance Authority for monies used to originate loans or purchase securities or reimburse loans previously made to or securities purchased, refund the NMFA's 2013C-1 PPRF Bonds to achieve debt service savings, and pay costs incurred in connection with the issuance of the Series 2018C Bonds. The sale of the Series 2018C Bonds is expected to occur in May 2018.

**Member Fulginiti moved, seconded by Member Ulibarri, for approval of the Authorizing and Delegating Resolution for the NMFA Subordinate Lien PPRF Revenue and Refunding Bonds, Series 2018C-1 and Subordinate Lien PPRF Revenue Bonds, Taxable Series 2018C-2, Preliminary Official Statement, Seventeenth Supplemental Indenture of Trust and Related Documents. The motion passed 7 – 0.**

9. **Report from the Finance & Loan Committee.** (*Committee members are Mr. William Fulginiti, Chair; Secretary Duffy Rodriguez (Mr. A.J. Forte, designee for Secretary Rodriguez), Ms. Katherine Ulibarri, and Mr. Steve Kopelman.*)
10. **Consideration and Recommendation for Approval of Pueblo of Acoma (Cibola County) – Utility Acquisition Loan – PPRF-4704.** The Pueblo of Acoma (“Pueblo”) applied to the Public Project Revolving Fund (“PPRF”) for \$5,629,960 for a utility acquisition loan.

The Public Regulation Commission (“PRC”) arbitrated negotiations between the Pueblo and Continental Divide Electric Cooperative (“CDEC”) in a dispute regarding a Right of Way (“ROW”) agreement resulting in a settlement agreement that gave the Pueblo the option to purchase the electric utility infrastructure within its boundaries from CDEC for \$1.00 in lieu of any ROW/Trespassing awards. Avant Energy conducted a feasibility study on whether the purchase of the utility would be in the Pueblo's financial best interests which concluded that a Pueblo owned utility could have market competitive electricity rates.

The Pueblo exercised its option to purchase the electric utility within the Pueblo's boundary comprised of approximately 900 connections with consumption at approximately 17,400 MWh per year. Annual revenues paid to CDEC historically have been around \$1.8 million. CDEC filed for a rate increase in February to increase the rate to \$0.106.

The study also determined that construction of a new substation and transmissions lines that the feed directly into PNM's major transmission line would be in the Pueblo's long term interests, both from an energy independence standpoint and to avoid paying wheeling fees to CDEC. The Pueblo is currently negotiating a land swap with the Bureau of Land Management ("BLM") and a ROW agreement with Laguna Pueblo related to the substation and transmission lines. Estimated completion date for construction is the end of 2019 with the final system conversion expected by January 1, 2020.

A 10 year proforma conducted by Avant Energy provides the basis for determining the net system revenue of the utility. In addition to pledging the net system revenue of the electric utility, the Pueblo is also pledging an investment account that NMFA will have a secured interest in through a deposit control agreement. The Pueblo's ability to buy, sell, and trade shall not be impeded; however, the total value of the account, which includes investments and cash equivalents, shall not drop below the minimum value established for the account. The minimum asset value for the account will be calculated as outstanding principal, plus interest through the loan call date, less any amounts on deposit in the debt service reserve and capitalized interest funds. In the event the value of the account declines to a level below the established minimum, the Pueblo will immediately post collateral into the account no less than the deficiency. The Pueblo will likely request that NMFA release the investment account serving as collateral of the loan sometime in the future when the performance of electric utility demonstrates capability of meeting loan debt service and the 1.30xs expected coverage ratio.

The 2016 audit received an unmodified opinion with 1 finding, a significant deficiency involving accounts payable cutoff procedures. The Pueblo submitted a corrective action plan.

**Member Ulibarri moved, seconded by Member Torres, for approval of Pueblo of Acoma Project PPRF-4704. The motion passed 7 – 0.**

**11. Consideration and Recommendation for Approval of City of Lovington (Lea County) – 2018 Quality of Life Capital Projects Loan – PPRF-4723.** The City of Lovington ("City") applied to the Public Project Revolving Fund ("PPRF") for \$3,950,000 to fund various quality of life improvement projects.

The projects include a new 9,878 sq. ft. fire station, a 1,440 sq. medal building for a Police Department evidence garage bay, irrigation system replacement at Harold Runnels Softball field, fence replacement at both the Harold Runnels Softball field and Love Street Baseball Complex, and purchase of a street striping machine.

The City will pledge its 3/8ths distribution of the Hold Harmless Gross Receipts (0.375%) towards the loan.

The 2017 audit received an unmodified opinion with 9 findings, including 2 material weaknesses and 2 significant deficiencies. The City submitted a corrective action plan.

**Member Fulginiti moved, seconded by Member Ulibarri, for approval of City of Lovington Project PPRF-4723. The motion passed 7 – 0.**

- 12. Consideration and Recommendation for Approval of Capitan Municipal School District (Lincoln County) – Ed Tech Note – PPRF-4721.** The Capitan Municipal School District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for a PPRF loan for \$850,000 to purchase Education Technology Equipment.

The 2017 audit received an unmodified opinion with 3 significant findings, i.e., control over cash receipts, noncompliance with procurement process, and lack of bid documentation. The District submitted a corrective action plan.

**Member Ulibarri moved, seconded by Member Chavez, for approval of Capitan Municipal School District Project PPRF-4721. The motion passed 6 – 0 with Member Forte out for the vote.**

- 13. Consideration and Recommendation for Approval of Loving Municipal School District (Eddy County) – Ed Tech Note – PPRF-4724.** The Loving Municipal School District (“District”) applied for a Public Project Revolving Fund (“PPRF”) loan for \$500,000 to purchase Education Technology Equipment.

The 2017 audit received an unmodified opinion with 3 significant deficiencies involving internal controls. The District submitted a corrective action plan.

**Member Ulibarri moved, seconded by Member Torres, for approval of the Loving Municipal School District Project PPRF-4724. The motion passed 7 – 0.**

- 14. Consideration and Recommendation for Approval of Otero County, Oro Vista VFD – Equipment – PPRF-4722.** The Otero County-Oro Vista Fire Department (“Department”) applied to the Public Project Revolving Fund (“PPRF”) for \$277,079 to purchase firefighting equipment.

The Department has an ISO rating of 4 with two main stations receiving an annual base distribution of \$129,502 in State Fire Protection Funds. Otero County will contribute \$100,000 towards this project.

The 2017 audit received an unmodified audit with 1 finding, neither a material weakness nor significant deficiency.

**Member Ulibarri moved, seconded by Member Chavez, for approval of Otero County, Oro Vista VFD Project PPRF-4722. The motion passed 7 – 0.**

- 15. Consideration and Recommendation for Revised Approval of Socorro County, Midway Hose Company – Additional Proceeds – PPRF-4430.** Socorro County (“County”) is requesting revised

approval of PPRF-4430 for \$675,826 to complete the construction phase of the project, and a five year extension in the term.

In December 2017, the Board approved a total loan amount of \$614,107.00 which included a refunding of the original 2016 loan, PPRF-3608, and additional proceeds of \$151,134. Prior to loan closing, the County requested revised approval of \$85,000 to cover the increased costs associated with the bid amounts. Due to escalating construction material costs, the bids came in over the approved loan amount.

The new loan includes the 2016 disadvantaged PPRF loan to comply with State Fire Protection Fund statutory requirements. The disadvantaged funding amount or rate originally received in 2016 remains the same.

At the time of closing, staff will maximize proceeds with current market rates not to exceed the minimum 2.00xs loan coverage limits and Board approval requirements. The Midway Hose Company has an ISO rating of 6 with one main station receiving an annual base distribution of \$58,584 from State Fire Protection Funds.

The 2017 audit received an unmodified opinion with 4 findings, one a material weakness for incorrect accounts receivable balances. The entity provided a corrective action plan.

**Member Ulibarri moved, seconded by Member Chavez, for revised approval of Socorro County, Midway Hose Company Project PPRF-4430. The motion passed 6 – 0 with Member Kahl out for the vote.**

- 16. Consideration and Recommendation for Approval of Middle Rio Grande Conservancy District (Bernalillo County) - Equipment – PPRF-4727.** The Middle Rio Grande Conservancy District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$2,735,575 to purchase numerous pieces of heavy equipment and respective apparatus.

The District pledged operating revenues consisting mostly of Ad Valorem and water service assessments as security and repayment for this loan. Using a three year average, base pledged revenues consist of \$903,038 to determine debt service coverage of 1.94xs.

The 2017 audit received an unmodified opinion with 2 findings, neither a material weakness nor significant deficiency.

**Member Ulibarri moved, seconded by Member Chavez, for approval of Middle Rio Grande Conservancy District Project PPRF-4727. The motion passed 7 – 0.**

- 17. Consideration and Recommendation for Approval of Moriarty Edgewood School District (Torrance County) – Series 2018 GO Bond - School Improvements – PPRF-4729.** The Moriarty-Edgewood Municipal School District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$5,000,000 for school improvements.

In February 2018, the District received voter approval for \$20,000,000 valid for four years. The District will issue General Obligation Bonds in the amount of \$5,000,000 which the NMFA will purchase with the PPRF. The District will use the bond proceeds for a combination of the voter approved improvements, equipment, projects, and matching funds.

The GO Bond purchase risk is significantly reduced by Section 22-18-13 NMSA 1978 which guarantees payments on behalf of a School District should the District default.

The 2017 audit received an unmodified opinion with zero findings.

**Member Ulibarri moved, seconded by Member Chavez, for approval of Moriarty Edgewood School District Project PPRF-4729. The motion passed 7 – 0.**

- 18. Consideration and Recommendation for Approval of Guadalupe County – Series 2018 Refunding & New Money – PPRF-4730.** Guadalupe County (“County”) applied to the Public Project Revolving Fund (“PPRF”) for \$1,254,380.56 to purchase new equipment and refund PPRF loans 1680-PP and 2028-PP.

The new money portion of the loan will purchase and equip several utility trucks for the County's road department. The technical refunding allows release of the County's two one-sixteenths of one percent increments of the County Infrastructure Gross Receipts Tax with one loan payment to the NMFA achieving estimated savings of \$9,136 over the life of the loan.

The County's third increment (0.125%) of the County Local GRT and all four increments (0.25%) of the County Capital Outlay Gross Receipts Tax provide security and repayment of the loan. Using a three year average, base pledged revenues consists of \$360,487 to determine debt service coverage of 1.69xs.

At the time of closing, this loan may close with disadvantaged funding should the entity qualify under the new PPRF disadvantaged policies.

The 2017 audit received an unmodified opinion with no findings.

**Member Chavez moved, seconded by Member Fulginiti, for approval of Guadalupe County Project PPRF-4730. The motion passed 7 – 0.**

- 19. Consideration and Recommendation for Approval of Village of Cimarron (Colfax County) – Series 2018 Refunding – PPRF-4725.** The Village of Cimarron (“Village”) applied to the Public Project Revolving Fund (“PPRF”) for \$172,344 to refund its 2017 John Deere Motor Grader loan issued in November 2017 with an original par amount of \$162,551.

The Village seeks to remediate a FY2017 audit finding which resulted in a procurement violation for not providing a fair and equitable public procurement process or maximizing the purchasing value of public funds.



The Village is pledging their State Shared Gross Receipts Tax (1.225%) as security and repayment. Using a three year average, base pledged revenues consist of \$136,288 to determine debt service coverage of 3.54xs.

The FY2017 audit had multiple opinions including a qualified opinion, nine findings, four repeat significant deficiencies, and five material weaknesses of which four were repeat findings. The Village provided a corrective action plan.

Discussion ensued on progress made to date on audit improvements with Ms. Shawn Jeffrey providing progress reports on issues addressed. Ms. Jeffrey said she is confident there will be significant improvements with the next audit.

**Member Fulginiti moved, seconded by Member Chavez, for approval of Village of Cimarron Project PPRF-4725. The motion passed 6 – 0 with Member Torres out for the vote.**

- 20. Consideration and Recommendation for Approval of Farmington Municipal Schools (San Juan County) – Construction – PPRF-4720.** The Farmington Municipal School District (“District”) applied to the Public Project Revolving Fund (“PPRF”) for \$4,000,000 for various school improvement projects.

The District received voter approval for \$4,000,000.00 for completing renovations at Farmington High School and McCormick Elementary School, and cost of issuance.

The GO Bond purchase risk is significantly reduced by Section 22-18-13 NMSA 1978 which guarantees payments on behalf of a school district should the District default.

The 2017 audit received an unmodified opinion with 7 findings including one significant deficiency on internal controls over receipts. The District submitted a corrective action plan.

**Member Ulibarri moved, seconded by Member Chavez, for approval of Farmington Municipal Schools Project PPRF-4720. The motion passed 6 – 0 with Member Torres out for the vote.**

- 21. Consideration and Recommendation for Approval of Socorro County – 2018 Emergency Services Building Loan – PPRF-4719.** Socorro County (“County”) applied to the Public Project Revolving Fund (“PPRF”) for \$1,347,114 to purchase an existing building to become the administration offices for Emergency Services.

The building requires remodeling and repair to accommodate the Department needs. The County will use the 1st and 2nd Increment Fire Excise GRT as pledged revenue.

The 2017 audit received an unmodified opinion with 4 findings including a material weakness for not recording receivables for gross receipts, motor vehicle, gasoline, and fire excise taxes.

**Member Chavez moved, seconded by Member Ulibarri, for approval of Socorro County Project PPRF-4719. The motion passed 6 – 0 with Member Torres out for the vote.**

**22. Loan Status Report Regarding Sierra Vista Hospital (Sierra Vista County) – PPRF-3416.** Report on additional Loan Payment Deferral Period and Status Update for Sierra Vista Hospital.

At the NMFA Board meeting on January 25, 2018, Sierra Vista Hospital (“Hospital”) and Quorum Health Resources (“QHR”) members requested a three month loan payment deferral period, and presented strategies the Hospital and QHR will deploy to remedy various operational challenges significantly impairing the Hospital’s operations. A Letter Agreement between the Hospital and NMFA set conditions for the payment deferral period, ongoing reporting requirements of the Hospital, and further preservation of NMFA’s rights as a creditor. The three month period expired with the deferral of the February, March, and April loan payments. The Debt Service Reserve Fund (“DSRF”) covered the shortfall created by the deferred loan payments to satisfy the upcoming scheduled May 1, 2018 debt service payment. The following breaks down the sources for the May 1 payment:

<b>Date</b>	<b>DS Fund Balance</b>	<b>Scheduled Loan Payment</b>	<b>Shortfall</b>	<b>DSRF Par Balance</b>	<b>DSRF Adjusted Net Balance</b>
5/1/18	\$587,027	\$896,775	\$(309,748)	\$2,000,200	\$1,690,452

The Hospital has until May 1, 2019 to replenish the approximate \$310,000 used from the DSRF per the agreement.

The Hospital and QHR made some progress towards improving several areas of deficiency that eroded its financial and operational; however, progress has been slow. Consequently, the Hospital is requesting an additional three month deferral period on its loan payments comprising the May, June, and July loan payments.

Consideration and support of a second loan payment deferral period will result in two additional draws from the DSRF to satisfy the scheduled November 1, 2018 and May 1, 2019 semi-annual debt service payments. Per the Loan Agreement, the Hospital will have twelve (12) months from the date of withdrawal to replenish the two draws of approximately \$167 thousand and \$190 thousand back into the DSRF.

There will be a second Letter Agreement executed between the Hospital and NMFA establishing expectations and requirements, continued ongoing reporting, and further preservation of NMFA’s rights as creditor.

Mr. Mark Armstrong provided supplemental information on behalf of the Hospital and QHR including reduction in force and rehabilitation plan. Being poorly planned, the Athena software conversion did not go well. Problematic issues with work flows have been resolved; however, an added concern is a decline on the admission rate and loss of surgeons and physicians. Regarding the status of the dispute with FINA, Mr. Armstrong said discussions are intensifying but have not reached litigation stage.

**23. Consideration and Recommendation for Approval of New Mexico Interstate Stream Commission (Taos County) – Preliminary Engineering Report – PG-4734.** The Interstate Stream Commission (“ISC”) applied to the Local Government Planning Fund (“LGPF”) for \$50,000 for a Preliminary

Engineering Report (“PER”) to evaluate the potential remediation of multiple beaver dams found up and down the Rio Costilla River Valley impacting the ability to irrigate resulting in loss of property.

The condition is urgent as determined by the State Engineer due to imminent flooding and health and safety issues. The PER will identify and evaluate the impacts of three proposed remediation options, and provide a cost analysis for each option.

**Member Ulibarri moved, seconded by Member Fulginiti, for New Mexico Interstate Stream Commission Project PG-4734. The motion passed 6 – 0 with Member Forte out for the vote.**

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

- 24. Update on Activities.** Ms. Marquita Russel reported The Economic Development Committee did not meet in April, as a quorum was not available. Items 26, 27, and 28 presented on the agenda are staff recommendations.

*The Board considered Items 26, 27 and 28 before Item 25 but for ease of presentation, the agenda follows numerically.*

- 25. Consideration and Recommendation to Open the 26<sup>th</sup> Round of Competitive New Markets Tax Credit Applications.** Staff requests approval to open the 26th Round of competitive applications on April 27, 2018 with a closing deadline of May 28, 2018.

Ms. Marquita Russel presented staff’s recommendation to open the 26<sup>th</sup> competitive application cycle for New Markets Tax Credits from April 27 to May 28, 2018. Staff further proposed that the applications from the 25<sup>th</sup> competitive application cycle that had not yet moved forward for Board approval be moved into the 26<sup>th</sup> round.

Ms. Russel noted that in December 2017 the NMFA Board placed onto the NMTC priority list four of the nine projects that applied through Round 25. Due to concerns raised by the Board regarding whether the evaluation scores were correct as presented, the Board further directed staff to proceed with the remaining five projects to evaluate whether any others might also proceed. While re-evaluating the scores, Ms. Russel said that staff recently found an error in one of the projects that had been prioritized, but not in any of the five projects that fell below the priority list cut-off. Ms. Russel said that when correcting this error, the score for Urban Hospitality, LLC, dropped below the 60 points required by policy to proceed.

Mr. Kurt Browning, Chief Development Officer of Titan Development, and Mr. Ben Spencer, Chief Executive Officer of Titan Development, addressed the Board as representatives of the Urban Hospitality project. Mr. Spencer asked that the Board keep its December prioritization in place because the development team had expended significant amounts of funding to bring the project to a stage of readiness in order to move forward and that forcing the project into Round 26 would cause significant delays. Member Ulibarri asked staff whether any of the five projects that were not prioritized received a score

higher than Urban Hospitality's corrected score. Ms. Russel said that as prioritized in December, the next lowest score was 49, which is lower than the corrected score of Urban Hospitality and no official rescoring of the other five projects took place.

**Member Torres moved, seconded by Member Ulibarri, to approve staff's recommendation to open the 26<sup>th</sup> competitive application cycle for New Markets Tax Credits. The motion passed 7-0 on a voice vote.**

**Member Forte moved, seconded by Member Torres, to keep Urban Hospitality on the priority list from Round 25, Based upon a roll call vote, the motion passed 6-0.**

Member Ulibarri explained her vote saying she wanted to ensure there was not a misperception of what happened. She continued that it was important for her to learn that irrespective of rescoring or not that this project remained in position four which was critical for her. Member Ulibarri continued that in the presentation, projects five and below were mentioned as potentially leapfrogging; however, there was no official rescoring which is a very important point. Projects did not leapfrog, this project stayed in position four and any additional information received was not officially scored.

**Member Torres moved, seconded by Member Ulibarri, for final approval to open the 26th round of competitive New Markets Tax Credit Applications. The motion passed 8 – 0.**

**26. Appointment of Finance New Mexico, LLC Advisory Board Member.** Recommendation to appoint Mr. Tyler Massey to Finance New Mexico, LLC Advisory Board/

As part of that New Markets Tax Credit program, the Department of Treasury requires Finance New Mexico, LLC to maintain a qualified, active Advisory Board. Mr. Brian Moore of Clayton resigned due to increasing personal and professional commitments. To proceed with closing transactions and applying for additional allocation, the NMFA Board must fill this seat, ideally with an individual who understand the needs of rural New Mexico and could fill the role of a Low Income Community Representatives ("LIC Representative").

Mr. Massey currently serves as Hidalgo County Treasurer and resides in Lordsburg which is located in a census tract federally designated as severely distressed. Mr. Massey indicated to staff that he is willing to serve.

**Member Chavez moved, seconded by Member Ulibarri, for appointment of Mr. Tyler Massey to the Finance New Mexico LLC Advisory Board. The motion passed 7 – 0 with Member Fulginiti out for the vote.**

**27. Consideration and Recommendation for Finance New Mexico to Enter into Qualified Equity Investments.** Authorization to enter into one Forward-Funded Qualified Equity Investment ("QEI") with US Bancorp Community Development Corporation and up to four Forward-Funded QEI with Wells Fargo Investment Holdings thereby increasing Finance New Mexico's ability to secure additional New Markets Tax Credits ("NMTC") allocation from the 2018 NMTC Allocation application expected to be announced in early May.

To maximize Finance New Mexico's chances for the highly competitive allocation application, staff recommends that NMFA authorize Finance New Mexico to enter into Forward-Funded QEIs where the CDE and investor finalize the investment into the sub-CDE, but do not make Qualified Low Income Community Investments ("QLICIs") into Qualified Low Income Community Businesses ("QALICBs") until a later date. Staff recommends authorizing five Forward-Funded QEIs:

- \$10,000,000 with Wells Fargo Investment Holdings for Finance New Mexico-Investor Series XX (now expected at \$.86 price per credit)
- \$15,000,000 with Wells Fargo Investment Holdings for Finance New Mexico-Investor Series XXI (now expected at \$.88 price per credit)
- \$7,000,000 Forward-Funded QEI with US Bancorp Community Development Corporation for Finance New Mexico-Investor Series XXII (now expected at \$.80 price per credit); and
- \$8,000,000 with Wells Fargo Investment Holdings for Finance New Mexico-Investor Series XXIII (now expected at \$.88 price per credit)
- \$7,000,000 with Wells Fargo Investment Holdings for Finance New Mexico-Investor Series XXIV (now expected at \$.88 price per credit)

Mr. Dan Opperman reviewed the proposed resolution.

**Member Torres moved, seconded by Member Ulibarri, to approve the resolution authorizing entering into one Forward-Funded Qualified Equity Investment ("QEI") with US Bancorp Community Development Corporation and up to four Forward-Funded QEIs with Wells Fargo Investment Holdings. The motion passed 8 – 0.**

**28. Review of Proposed Policy Governing Economic Development Program Portfolio Management and Allowance for Bad Debt.** Overview of excerpt of proposed Private Lending Loan Management Policy governing Allowance for Bad Debt.

Ms. Marquita Russel briefed the Board on the proposed Private Lending Loan Management Policy governing Allowance for Bad Debt. One recommendation from the internal audit of the Private Lending department recommended adoption of a loan management policy establishing standards for managing loans once made by the NMFA.

Currently slated for adoption in December 2018 following the EnABLE implementation, the Board had requested an update on the current proposal for how Allowance for Bad Debt is calculated. Ms. Russel reviewed the excerpt capturing the current process for determining the proper allowance.

*Member Fulginiti departed the meeting at 12:00 p.m.*

**Report from the Chairperson of the Audit Committee.** *Committee members are Chair A.J. Forte (Secretary Designee for Secretary Duffy Rodriguez), Mr. Ken McQueen, Mr. Steve Kopelman, and Ms. Katherine Ulibarri.)*

**29. Update on Activities.** Member Ulibarri reported on the Audit Committee meeting of April 23, 2017.

In addition to the items that follow on the agenda, the Committee reviewed the RFP for the internal auditor and reviewed the list of Board policies presented by Ms. Heather Boone which the Committee will review regularly to maintain current.

**30. Presentation and Recommendation of Acceptance of New Mexico Finance Authority Financial Statements for Quarter Ending March 31, 2018**

- ◆ Net Position
- ◆ Revenues and Expenses
- ◆ Budget Performance

Mr. Oscar Rodriguez reviewed the 3rd Quarter Financial Statements including net position, revenues and expenses and budget performance.

**Member moved, seconded by Member, for approval of the Financial Statements for Quarter ending March 31, 2018. The motion passed 6 - 0.**

**31. Compliance Exceptions Report.** Ms. Heather Boone referred to the Exceptions Report contained in the Board Book and responded to questions.

**IT control reporting**

**Report from the Chairperson of the Contracts Committee.** *Committee members are Mr. Juan Torres, Chair (Secretary Designee for Secretary Matt Geisel) and Mr. Steve Kopelman.*

**32. Update on Activities.** Mr. Dan Opperman presented the Contracts Committee report. The Committee met on April 23, 2018. Items approved included RFP for Internal Audit Services and RFP for PPRF Underwriter Pool for period July 1, 2018 – June 30, 2019. The Committee also discussed proposed amendments to the Procurement Policy, and received updates on Sole Source Procurements for Bank of New York Mellon on GRIP Arbitrage Calculations and PFM Swap Advisors to act as the Finance Authority's Qualified Independent Representative on the upcoming State Transportation Commission/Department of Transportation bond issuance.

Chair McDermott will assist in scoring the RFPs in response to a request by Mr. Opperman for a Board volunteer to participate in the process.

*Member Forte departed the meeting at 12:30 pm*

Chair will assist in RFP scoring

**33. Executive Session: Closed Session to Discuss Matters Subject to Attorney-Client Privilege Pertaining to Threatened or Pending Litigation Related to the International Bank Loan Participation as Allowed by NMSA 1978, Section 10-5-1 (H) (7).**

Chair McDermott entertained a motion for the NMFA Board of Directors to go into Executive Session pursuant to discuss matters subject to Attorney-Client Privilege pertaining to threatened or pending litigation related to the International Bank Loan Participation as allowed by NMSA 1978, Section 10-15-1 (H) (7).

**Member moved, seconded by Member, to go into Executive Session as allowed by NMSA 1978, Section 10-15-1 (H) (7). On a roll call vote, the motion passed 5 - 0.**

RETURN TO 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 matters Subject to Attorney-Client-Privilege pertaining to International Bank Loan Participation."


**34. Next Board Meeting**

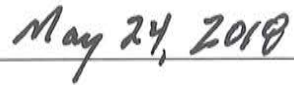
Thursday, May 24, 2018 – 9:00 a.m.  
State Capitol, Room 309  
Santa Fe, NM

**35. Adjournment**

**Member moved, seconded by Member, to adjourn the meeting. The motion passed 5-0.**

The meeting adjourned at 12:35 p.m.

  
\_\_\_\_\_  
Secretary

  
\_\_\_\_\_  
Date